



KEJURUTERAAN SAMUDRA TIMUR BERHAD

(Company No. 142241-X)

(Incorporated in Malaysia)

**INTERIM MONTHLY FINANCIAL REPORT
SECOND FINANCIAL QUARTER ENDED 30 JUNE 2008**

**CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2008**

	Note	Second Quarter ended 30 June		Cumulative Six Months ended 30 June	
		2008 Unaudited RM'000	2007 Unaudited RM'000	2008 Unaudited RM'000	2007 Unaudited RM'000
Continuing Operations					
Revenue		18,214	35,345	39,010	60,866
Cost of sales		(12,493)	(23,159)	(25,621)	(36,189)
Gross profit		<u>5,721</u>	<u>12,186</u>	<u>13,389</u>	<u>24,677</u>
Other income		11	254	153	549
Administrative expenses		(1,759)	(3,808)	(3,226)	(7,062)
Operating expenses		(1,286)	(1,786)	(3,515)	(3,504)
Finance cost		(1,952)	(2,542)	(4,317)	(5,173)
Share of loss in jointly controlled entities		-	-	-	(1,877)
Profit before taxation		<u>735</u>	<u>4,304</u>	<u>2,484</u>	<u>7,610</u>
Income tax expense	B5	(209)	(1,204)	(654)	(2,126)
Profit for the period		<u>526</u>	<u>3,100</u>	<u>1,830</u>	<u>5,484</u>
Attributable to:					
Equity holders of the parent		443	3,112	1,532	5,177
Minority interest		83	(12)	298	307
		<u>526</u>	<u>3,100</u>	<u>1,830</u>	<u>5,484</u>
Earnings Per Share (sen)	B13				
Basic		<u>0.44</u>	<u>3.21</u>	<u>1.56</u>	<u>5.35</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.)

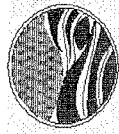
**CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2008**



		As at 30 June 2008 Unaudited RM'000	As at 31 December 2007 Audited RM'000
ASSETS	Note		
Non-current assets			
Property, plant and equipment	A9	153,012	159,641
Prepaid lease payments		1,484	1,493
Goodwill on consolidation		10,278	10,278
Investment in jointly controlled entities	A15	-	-
Other investment	A16	3,103	3,036
		167,877	174,448
Current assets			
Inventories		3,856	3,611
Trade receivables		17,556	29,961
Other receivables		7,430	7,032
Tax recoverable		1,531	559
Amount due from jointly controlled entities	A15	-	-
Cash and bank balances (including fixed deposits)		5,828	3,885
		36,201	45,048
TOTAL ASSETS		204,078	219,496
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	A6	53,240	48,400
Redeemable Convertible Preference Share *		-	-
Share premium		9,283	9,283
Other reserves		3,159	3,124
Accumulated losses		(8,404)	(9,936)
		57,278	50,871
Minority interest		1,345	1,055
Total equity		58,623	51,926
Non-current liabilities			
Bank borrowings	B9	66,037	77,447
Deferred tax liabilities		7,560	7,561
		73,597	85,008
Current liabilities			
Trade payables		1,412	1,475
Other payables		24,930	26,807
Amount due to a jointly controlled entity		-	4,063
Bank borrowings	B9	44,288	49,681
Tax payable		1,228	536
		71,858	82,562
Total liabilities		145,455	167,570
TOTAL EQUITY AND LIABILITIES		204,078	219,496

* - 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.)

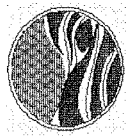


**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2008**

	← Attributable to equity holders of the parent →		← Non-distributable →		Distributable	RCPS* RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
	Share Capital RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Foreign Exchange Reserve RM'000					
At 1 January 2007									
As previously stated	48,400	9,283	4,438	(521)	5,778	-	67,378	189	67,567
Effect of adopting FRS 112	-	-	-	-	244	-	244	-	244
At 1 January 2007 (restated)	48,400	9,283	4,438	(521)	6,022	-	67,622	189	67,811
Effect of reduction in domestic income tax rate	-	-	30	-	-	-	30	-	30
Foreign currency translation	-	-	-	(823)	-	-	(823)	(36)	(859)
Dividend	-	-	-	-	(1,413)	-	(1,413)	-	(1,413)
Net loss for the year	-	-	-	-	(14,545)	-	(14,545)	902	(13,643)
At 31 December 2007 (Audited)	48,400	9,283	4,468	(1,344)	(9,936)	-	50,871	1,055	51,926
At 1 January 2008	48,400	9,283	4,468	(1,344)	(9,936)	-	50,871	1,055	51,926
Issue of shares - Placement	4,840	-	-	-	-	-	4,840	-	4,840
Foreign currency translation	-	-	-	35	-	-	35	(8)	27
Net profit for the period	-	-	-	-	1,532	-	1,532	298	1,830
At 30 June 2008 (Unaudited)	53,240	9,283	4,468	(1,309)	(8,404)	-	57,278	1,345	58,623

* - 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 STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2007**

	←		Attributable to equity holders of the parent				→		Total equity
	←		Non-distributable		Distributable		→		
	Share Capital	Share Premium	Revaluation Reserve	Foreign Exchange Reserve	Retained Earnings	RCPS*	Total	Minority interest	
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2006 (restated)	44,000	6,065	4,366	471	6,791	-	61,693	-	61,693
Issue of shares - Placement	4,400	3,218	-	-	-	-	7,618	-	7,618
Issue of shares by a subsidiary	-	-	-	-	-	-	-	17	17
Effect of reduction in domestic income tax rate	-	-	72	-	-	-	72	-	72
Foreign currency translation	-	-	-	(993)	-	-	(993)	(6)	(999)
Net loss for the year	-	-	-	-	(1,013)	-	(1,013)	178	(835)
At 31 December 2006 (Audited)	48,400	9,283	4,438	(522)	5,778	-	67,377	189	67,566
At 1 January 2007	48,400	9,283	4,438	(522)	5,778	-	67,377	189	67,566
Foreign currency translation	-	-	-	(414)	-	-	(414)	(6)	(420)
Net profit for the period	-	-	-	-	5,177	-	5,177	307	5,484
At 30 June 2007 (Unaudited)	48,400	9,283	4,438	(936)	10,955	-	72,140	490	72,630

* - 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 30 JUNE 2008**



	6 months ended 30 June	
	2008	2007
	Unaudited RM'000	Unaudited RM'000
Cash Flows From Operating Activities		
Profit before taxation	2,484	7,610
Adjustments for non-cash and non-operating items:		
- Non-cash items	7,225	5,611
- Investing and financing items	3,792	5,095
Operating profit before changes in working capital	13,501	18,316
Changes in working capital:		
- Changes in current assets	12,100	(13,855)
- Changes in current liabilities	(6,315)	1,001
Interest paid	(3,977)	(5,173)
Interest received	124	78
Taxation paid	(934)	(407)
Net cash generated from operating activities	14,499	(40)
Net cash used in investing activities	(1,597)	(8,202)
Net cash (used in) / generated from financing activities	(8,372)	12,367
Net Change in Cash and Cash Equivalents	4,530	4,125
Cash and Cash Equivalents at Beginning of Period	(9,334)	(5,042)
Effects of exchange rate changes	1,004	(414)
Cash and Cash Equivalents at End of Period	(3,800)	(1,331)
Analysis of Cash and Cash Equivalents:		
Cash and bank balances	5,321	8,012
Deposits with licensed financial institutions	507	644
Bank overdrafts	(9,628)	(9,987)
Cash and Cash Equivalents	(3,800)	(1,331)

(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.)

PART A - EXPLANATORY NOTES PURSUANT TO FRS 134



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:

	For financial periods beginning on or after
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 financial period under review.

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



A5 Changes in Accounting Estimates

During the financial 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 financial period under review except for during the financial period ended 30 June 2008, the Company issued 9,680,000 new ordinary shares of RM0.50 each ("new KSTB Shares") for cash pursuant to the private placement of 9,680,000 new KSTB Shares at an issue price of RM0.50 per new KSTB Share. Further details of the private placement are disclosed in Note B8.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

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 & Others RM'000	Elimination RM'000	Consolidated RM'000
UNAUDITED RESULTS FOR 6-MONTH PERIOD AND YEAR-TO-DATE ENDED 30.6.2008							
Revenue							
- External	15,453	2,456	7,500	13,601	-	-	39,010
- Inter-segment	207	398	-	-	-	(605)	-
Total revenue	<u>15,660</u>	<u>2,854</u>	<u>7,500</u>	<u>13,601</u>	<u>-</u>	<u>(605)</u>	<u>39,010</u>
Results							
- Segment results	2,135	722	2,089	1,525	(10)	340	6,801
- Finance cost	(2,500)	(3)	(1,437)	(377)	-	-	(4,317)
- Share of loss in jointly controlled entities							-
Profit before taxation							2,484
- Taxation							(654)
Profit after taxation							1,830
Minority interest							(298)
Profit for the period attributable to equity holders of the Company							<u>1,532</u>



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

A7 Segmental Information (Cont'd)

	Tubular Handling Services RM'000	Tubular Inspection and Maintenance Services RM'000	Oil and gas pipes Threading Services RM'000	Oilfields Fishing Services RM'000	Elimination RM'000	Consolidated RM'000
UNAUDITED RESULTS FOR 6-MONTH PERIOD AND YEAR-TO-DATE ENDED 30.6.2007						
Revenue						
- External	16,210	2,286	13,326	11,592	-	60,866
- Inter-segment	1,701	178	4,294	-	(6,173)	-
Total revenue	17,911	2,464	17,620	11,592	(6,173)	60,866
Results						
- Segment results	4,637	340	2,994	232	(254)	14,660
- Finance cost	(2,315)	(2)	(438)			(5,173)
- Share of loss in jointly controlled entities						(1,877)
Profit before taxation						7,610
- Taxation						(2,126)
Profit after taxation						5,484
Minority interest						(307)
Profit for the period attributable to equity holders of the Company						5,177

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



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 30 June 2008 up to 14 August 2008 other than as disclosed in Note 15 on Investment in Jointly Controlled Entities, Note B8 on Status of Corporate Proposal Announced and Note B11 on Changes in Material Litigation as well as the change in financial year end of the Company from 31 December to 30 June as announced on 14 August 2008.

With the change the next financial statements of the Company and the Group shall be for an eighteen(18)-month period made up from 1 January 2008 to 30 June 2009.

A11 Changes in Composition of the Group

There was no change in the composition of the Group for the current financial period 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 30 June 2008 Unaudited RM'000	As at 31 Dec 2007 Audited RM'000
<u>Unsecured</u>		
a) Bank guarantees in favour of third parties	3,695	5,811
<u>Secured</u>		
b) Corporate guarantee given to financial institutions for credit facilities granted to a jointly controlled entity	10,542	14,392

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

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



A13 Capital Commitments

	As at 30 June 2008 Unaudited RM'000	As at 31 Dec 2007 Audited RM'000
Approved, contracted but unpaid costs for the purchase of machineries and equipment:		
- for the Oil Country Tubular Goods end-finishing business	912	1,084
- for the tubular handling business	1,627	2,622

A14 Related Party Transactions

	3 months ended 30 June		6 months ended 30 June	
	2008 Unaudited RM'000	2007 Unaudited RM'000	2008 Unaudited RM'000	2007 Unaudited RM'000
a) Purchase of air ticket from a company in which a Director has interest	117	401	282	480
b) Interest payable to a director	60	-	131	-

Interest payable to a director is in respect of the advances amounted to RM3,000,000 (30 June 2007: RMNil) made by the director which are unsecured, bear interest rate lower than the 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 30 June 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 less favourable than those arranged with independent parties.

A15 Investment in Jointly Controlled Entities

	As at 30 June 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)
	-	-

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



A15 Investment in Jointly Controlled Entities (Cont'd)

Details of the jointly controlled entities are as follows:

Name of Jointly Controlled Entities	Principal Activities	Country of Incorporation	Porportion of Ownership Interest	
			30 June 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

^ - 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. Gagie and the Company have on 21 January 2008 formalised the appointment of an arbitrator for the aforesaid dispute whilst preliminary meeting between lawyers of both parties and the arbitrator was held in April 2008. The arbitration is currently at the initial stage of submissions of claims, replies, defences and counterclaims by both parties and the first hearing of the arbitration is expected to take place in January 2009.

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.



A15 Investment in Jointly Controlled Entities (Cont'd)

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 ("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 utilised by KSTGLL.

On 24 July 2008 KSTGLL has entered into an Asset Purchase Agreement with Smith International Inc ("Smith") (hereinafter referred to as "Disposal to Smith") to dispose all its principal oilfields fishing tools and equipment identified by Smith for a total cash consideration of USD4,732,626.11 (equivalent to RM15,350,272.79 based on the exchange rate of USD1.00:RM3.2435) subject to the terms and conditions therein. The consideration was arrived at on a willing buyer and willing seller basis after taking into consideration of the book value of the said tools and equipment.

The Disposal to Smith is the result of the Asset Disposal Exercise mentioned above which was also approved by the shareholders of KSTGLL on 7 July 2008. The proceeds from the disposal is to be fully utilised to substantially repay the outstanding credit facilities utilised by KSTGLL totaling to approximately USD5.4 million as at 30 June 2008.

KSTB has provided corporate guarantees (as disclosed in Note A12) in respect of the aforesaid credit facilities and had in the last financial year ended 31 December 2007 provided for the potential liability arising from the potential crystallisation of the said corporate guarantees amounting to approximately RM7.0 million by reference to the indicative purchase prices offered by the prospective buyers then. Based on the cash consideration of the Disposal to Smith, the Company does not foresee any requirement to make further provision in relation to the aforesaid disposal for the current financial period under review.

A16 Other Investments

	As at 30 June 2008 Unaudited RM'000	As at 31 Dec 2007 Audited RM'000
Unquoted shares at cost	60	60
Subordinated bonds	3,067	3,000
	<u>3,127</u>	<u>3,060</u>
Less: Accumulated impairment loss	(24)	(24)
	<u>3,103</u>	<u>3,036</u>

Included in the balance of the subordinated bonds is accrued interest income of RM67,540 (31 December 2007 : RMNil). 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.

**PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**



B1 Review of Performance

For the current financial quarter under review, the Group registered a total revenue of RM18.3 million, which was RM17.1 million or 48% lower when compared to last year's corresponding period of RM35.4 million.

The drop in revenue for the current financial quarter against last year's corresponding quarter was mainly due to lower contributions from its land drilling rig business and Oil Country Tubular Goods (OCTG) end-finishing operation as well as the cessation of oilfield fishing operation.

The lower Group's revenue coupled with continuous upward cost pressure have resulted in a lower profit for the period of approximately RM0.5 million for the current financial quarter under review, a drop of approximately RM2.6 million or 83% as compared to the last year's corresponding quarter. Overall, the profit after taxation and minority interest of the Group for the current quarter under review stood at RM0.4 million.

B2 Variation of Results Against Preceding Quarter

The Group's revenue of RM18.3 million for the current financial quarter under review is lower than that of the preceding quarter - by approximately 12% over the Group's revenue of the preceding financial quarter. This is attributable to the lower revenue hours generated by the Group's land rig services following the completion of a short term drilling contract in Republic of India in May 2008 as well as a slow down in the demand for pipes threading services of its OCTG end-finishing operation during the current financial quarter. Nonetheless, the drop in revenue experienced by the aforesaid operations has to a certain extent cushioned by the improved performance of the Group's tubular handling services which has recorded an increase in revenue of approximately RM1.0 million or 15% when compared to the preceding financial quarter.

The aforesaid lower revenue has translated into lower gross profit and profit for the period for the current financial quarter under review. The Group recorded a drop of approximately 25% (or approximately RM1.9 million) and 60% (or approximately RM0.8 million) in its gross profit and profit for the period respectively when compared to the preceding financial quarter.

B3 Prospects for Financial Period ending 30 June 2009

Barring any unforeseen circumstances and after taking into consideration of the current business environment as well the Group's current level of operations, the Board of Directors ("Board") is of the view that the remain part of the financial period ending 30 June 2009 would be a challenging period for the Group.

The Group will continue its vigorous efforts to source for new contracts and businesses for its core operations for both local and international markets, as well as addressing the issues relating to the ceased oilfield fishing venture. For the entire financial period 2009, 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.

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)



B5 Income Tax Expense

	3 months ended 30 June		6 months ended 30 June	
	2008	2007	2008	2007
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
Taxation based on results				
Malaysian taxation	64	752	374	1,167
Foreign Taxation	145	452	280	959
	<u>209</u>	<u>1,204</u>	<u>654</u>	<u>2,126</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) 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. ("Rights Issue").

The Company has set a minimum subscription level of 30,000,000 million Rights Shares for the 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 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.

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

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)



B8 Status of Corporate Proposal Announced (Cont'd)

b) Renounceable Rights Issue (Cont'd)

The Rights Issue is pending implementation as market conditions are not facilitative towards completion of the Rights Issue since the Company obtained the aforesaid approvals. In view of the aforesaid market conditions, on 7 April 2008 the Company proposed to undertake a private placement of new ordinary shares of RM0.50 each in the Company ("new KSTB Shares") not exceeding ten percent (10%) of the issued and paid-up share capital of the Company ("Private Placement") which is further disclosed in Note B8 (c) below.

The Company has on 27 June 2008 proposed a revised rights issue exercise ("Proposed Revised Rights Issue") due to the completion of the Private Placement on 9 June 2008, which was subsequently also approved by the SC on 9 July 2008.

In view of the continuous weak stock market environment, the Board has deliberated on the aforesaid and resolved to abort the Proposed Revised Rights Issue, as announced on 14 August 2008. In replacement, the Company proposes to undertake a capital restructuring scheme to be followed by a new fund raising proposal which is further elaborated and disclosed in Note B8 (d) below.

c) Private Placement

The Private Placement entails the issuance of 9,680,000 new KSTB Shares through a private placement exercise which was approved by the SC, Bursa and Ministry of International Trade and Industry on 11 April 2008, 22 April 2008 and 25 April 2008 respectively. On 6 May 2008 and 16 May 2008 the Company has fixed the issue price of the entire 9,680,000 new KSTB Shares to be issued to three (3) investors pursuant to the Private Placement ("Placement Shares") at RM0.50 per Placement Share.

The Private Placement was completed on 9 June 2008 following the listing of 9,680,000 Placement Shares.

d) Proposed Capital Restructuring and Fund Raising Exercise

On 14 August 2008, the Company proposes to undertake a capital restructuring scheme to be followed by a new fund raising proposal as follows:

- (i) Proposed reduction of the Company's issued and paid-up share capital which entails the cancellation of RM0.20 from the existing par value of RM0.50 for every ordinary share in the Company ("KSTB Shares") pursuant to Section 64 of the Companies Act, 1965 ("S64") ("Proposed Capital Reduction");
- (ii) Proposed set off of credit arising from the Proposed Capital Reduction against the accumulated losses of the Company ("Proposed Set Off");
- (iii) Proposed renounceable rights issue of up to 63,888,000 new ordinary shares of RM0.30 each in the Company ("New Rights Shares") on the basis of three (3) New Rights Shares for every five (5) ordinary shares of RM0.30 each in the Company held after the Proposed Capital Reduction and Proposed Set Off at an issue price to be determined ("Proposed New Rights Issue");

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)



B8 Status of Corporate Proposal Announced (Cont'd)

d) Proposed Capital Restructuring and Fund Raising Exercise (Cont'd)

- (iv) Proposed reduction in the authorised share capital of the Company from RM100,000,000 comprising 200,000,000 ordinary shares of RM0.50 each into RM90,000,000 comprising 300,000,000 ordinary shares of RM0.30 each ("Proposed Reduction in Authorised Share Capital"); and
- (v) Proposed amendments to the Memorandum and Articles of Association of the Company to allow for the alteration in the authorised share capital of the Company ("Proposed M&A Amendments").

The Proposed Capital Reduction, Proposed Set Off and Proposed Reduction in Authorised Share Capital would collectively be known as the "Proposed Capital Restructuring". The Proposed Capital Restructuring, Proposed New Rights Issue and Proposed M&A Amendments would collectively be known as the "Proposals".

Based on the present issued and paid up share capital of the Company of RM53,240,000 comprising 106,480,000 KSTB Shares as at 30 June 2008, the Proposed Capital Reduction would result in a credit of RM21,296,000. The Proposed Capital Reduction would result in a reduction in the issued and paid-up share capital of Company to RM31,944,000 comprising 106,480,000 ordinary shares of RM0.30 each in the Company. The credit arising from the Proposed Capital Reduction of RM21,296,000 will be used to set off against the audited accumulated losses of the Company of RM23,945,888 as at 31 December 2007.

The Company has determined a minimum subscription level of 33,333,333 New Rights Shares ("Minimum Subscription Level") for the Proposed New Rights Issue based on the minimum issued and paid-up share capital of RM40 million required for listing on the Second Board of Bursa Securities. For illustrative purposes, assuming an indicative issue price of RM0.30 per New Rights Share, the Proposed New Rights Issue is expected to raise an estimated gross proceeds of RM10,000,000 under the Minimum Subscription Level scenario and up to RM19,166,400 in the event of full subscription for the Proposed New Rights Issue.

The Proposals are subject to and conditional upon approvals/consents being obtained from the following:

- (i) the SC for the Proposed New Rights Issue;
- (ii) the High Court of Malaya for the Proposed Capital Restructuring pursuant to S64;
- (iii) Bursa for the listing of and quotation for the New Rights Shares to be issued pursuant to the Proposed New Rights Issue;
- (iv) the shareholders of the Company at an Extraordinary General Meeting to be convened for the Proposals; and any other relevant authorities/parties (if applicable).

B9 Group Borrowings and Debt Securities

	As at 30 June 2008 Unaudited RM'000	As at 31 Dec 2007 Audited RM'000
a) Short term borrowings		
Repayable within twelve months		
- Secured	7,484	9,295
- Unsecured	36,804	40,386
	44,288	49,681

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)



B9 Group Borrowings and Debt Securities (Cont'd)

b) Long term borrowings

Repayable after twelve months

- Secured	10,865	13,402
- Unsecured	55,172	64,045
Portion repayable after one year	<u>66,037</u>	<u>77,447</u>

Borrowings denominated in foreign currency:

United States Dollars (USD'000)	14,615	16,752
Ringgit Malaysia equivalent (RM'000)	<u>47,741</u>	<u>55,387</u>

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 14 August 2008.

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;

**PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)**



B11 Changes in Material Litigation (Cont'd)

- ii) dealing with fishing tools and equipment belonging to KSTGSB and/or KSTGLL 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 14 August 2008, 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 have appealed against the order and the matter was fixed for hearing on 13 May 2008. The said appeal was subsequently rejected by the Court.

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.

**PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)**



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 30 June		6 months ended 30 June	
	2008	2007	2008	2007
	Unaudited	Unaudited	Unaudited	Unaudited
- Profit attributable to equity holders of the parent (RM'000)	443	3,112	1,532	5,177
- Weighted average number of ordinary shares in issue ('000)	100,026	96,800	98,413	96,800
Basic earnings per share (sen)	<u>0.44</u>	<u>3.21</u>	<u>1.56</u>	<u>5.35</u>

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
14 August 2008