



KEJURUTERAAN SAMUDRA TIMUR BERHAD

**Interim Financial Report for
1st Quarter Ended 30th September 2009
Pursuant to FRS 134 and Selected sections of Appendix 9B
of the Listing Requirements**



KEJURUTERAAN SAMUDRA TIMUR BERHAD

(Company No. 142241-X)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT
FIRST FINANCIAL QUARTER ENDED 30 SEPTEMBER 2009

CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE FINANCIAL PERIODS ENDED 30 SEPTEMBER

	Note	First Quarter ended		Cumulative Three Months ended	
		30 September 2009	31 March 2008	30 September 2009	31 March 2008
		Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
Continuing Operations					
Revenue		16,243	20,796	16,243	20,796
Cost of sales		(15,010)	(13,128)	(15,010)	(13,128)
Gross profit		<u>1,233</u>	<u>7,668</u>	<u>1,233</u>	<u>7,668</u>
Other income		66	142	66	142
Administrative expenses		(1,513)	(1,467)	(1,513)	(1,467)
Operating expenses		(1,570)	(2,229)	(1,570)	(2,229)
Finance cost		(1,486)	(2,365)	(1,486)	(2,365)
(Loss) / Profit before taxation		<u>(3,270)</u>	<u>1,749</u>	<u>(3,270)</u>	<u>1,749</u>
Income tax expense	B5	(517)	(445)	(517)	(445)
(Loss) / Profit for the period		<u><u>(3,787)</u></u>	<u><u>1,304</u></u>	<u><u>(3,787)</u></u>	<u><u>1,304</u></u>
Attributable to:					
Equity holders of the parent		(3,772)	1,089	(3,772)	1,089
Minority interest		(15)	215	(15)	215
		<u><u>(3,787)</u></u>	<u><u>1,304</u></u>	<u><u>(3,787)</u></u>	<u><u>1,304</u></u>
(Loss) / Earnings Per Share (sen)	B13				
Basic		<u><u>(3.54)</u></u>	<u><u>1.13</u></u>	<u><u>(3.54)</u></u>	<u><u>1.13</u></u>
Fully diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>

N/A - Not Applicable

(The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for the period ended 30 June 2009 and the accompanying explanatory notes attached to the interim financial statements.)

CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT 30 SEPTEMBER 2009 AND 30 JUNE 2009



		As at 30 September 2009 Unaudited RM'000	As at 30 June 2009 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	A9	142,134	142,588
Prepaid lease payments		1,459	1,464
Goodwill on consolidation		10,278	10,278
Investment in jointly controlled entities	A15	-	-
Other investments	A16	2,658	2,658
		<u>156,529</u>	<u>156,988</u>
Current assets			
Inventories		3,558	4,044
Trade receivables		15,420	13,918
Other receivables		7,161	9,422
Tax recoverable		641	558
Amount due from jointly controlled entities	A15	-	-
Cash and bank balances (including fixed deposits)		2,743	1,613
		<u>29,523</u>	<u>29,555</u>
TOTAL ASSETS		<u>186,052</u>	<u>186,543</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	A6	53,240	53,240
Share premium		9,283	9,283
Other reserves		3,036	2,872
Accumulated losses		(27,255)	(23,483)
		<u>38,304</u>	<u>41,912</u>
Minority interest		1,394	1,343
Total equity		<u>39,698</u>	<u>43,255</u>
Non-current liabilities			
Bank borrowings	B9	65,543	63,661
Deferred tax liabilities		6,597	6,586
		<u>72,140</u>	<u>70,247</u>
Current liabilities			
Trade payables		5,325	5,629
Other payables		21,142	21,321
Amount due to a jointly controlled entity	A15	-	-
Bank borrowings	B9	46,435	44,682
Tax payable		1,312	1,409
		<u>74,214</u>	<u>73,041</u>
Total liabilities		<u>146,354</u>	<u>143,288</u>
TOTAL EQUITY AND LIABILITIES		<u>186,052</u>	<u>186,543</u>

(The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the period ended 30 June 2009 and the accompanying explanatory notes attached to the interim financial statements.)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 3 MONTH FINANCIAL PERIOD ENDED 30 SEPTEMBER 2009



	Attributable to equity holders of the parent		Distributable				Total equity		
	Share Capital RM'000	Non-distributable	Foreign Exchange Reserve RM'000	Retained Earnings/ Accumulated Losses RM'000	RCPS* RM'000	Minority interest RM'000			
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
Redeemed of RCPS *	-	-	-	-	-	-	-	-	-
Foreign currency translation	-	-	(252)	-	-	-	(252)	74	(178)
Net loss for the period	-	-	-	-	(13,547)	-	(13,547)	214	(13,333)
At 30 June 2009 (Audited)	53,240	9,283	4,468	(1,596)	(23,483)	-	41,912	1,343	43,255
At 1 July 2009	53,240	9,283	4,468	(1,596)	(23,483)	-	41,912	1,343	43,255
Foreign currency translation	-	-	-	164	-	-	164	66	230
Net loss for the period	-	-	-	-	(3,772)	-	(3,772)	(15)	(3,787)
At 30 September 2009 (Unaudited)	53,240	9,283	4,468	(1,432)	(27,255)	-	38,304	1,394	39,698

* - The Redeemable Convertible Preference Share comprises 1 share of RM1.00. The RCPS was redeemed in the previous financial period.

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the period ended 30 June 2009 and the accompanying explanatory notes attached to the interim financial statements.)



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 3 MONTH FINANCIAL PERIOD ENDED 30 SEPTEMBER 2009**

	Attributable to equity holders of the parent		Distributable		Minority interest	Total equity	
	Share Capital	Share Premium	Revaluation Reserve	Foreign Exchange Reserve			Retained Earnings
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2007							
As previously stated	48,400	9,283	4,438	(521)	5,778	-	67,378
Effect of adopting FRS 112	-	-	-	-	244	-	244
At 1 January 2007 (restated)	48,400	9,283	4,438	(521)	6,022	-	67,622
Effect of reduction in domestic income tax rate	-	-	30	-	-	-	30
Foreign currency translation	-	-	-	(823)	-	-	(823)
Dividend	-	-	-	-	(1,413)	-	(1,413)
Net loss for the year	-	-	-	-	(14,545)	-	(14,545)
At 31 December 2007 (Audited)	48,400	9,283	4,468	(1,344)	(9,936)	-	50,871
At 1 January 2008	48,400	9,283	4,468	(1,344)	(9,936)	-	50,871
Foreign currency translation	-	-	-	(1,151)	-	-	(1,151)
Net profit for the period	-	-	-	-	1,089	-	1,089
At 31 March 2008 (Unaudited)	48,400	9,283	4,468	(2,495)	(8,847)	-	50,809
						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 period ended 30 June 2009 and the accompanying explanatory notes attached to the interim financial statements.)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE 3 MONTH FINANCIAL PERIOD ENDED 30 SEPTEMBER



	3 months ended	
	30 September 2009	31 March 2008
	Unaudited RM'000	Unaudited RM'000
Cash Flows From Operating Activities		
(Loss) / Profit before taxation	(3,270)	1,749
Adjustments for non-cash and non-operating items:		
- Non-cash items	4,659	3,763
- Investing and financing items	1,472	2,192
Operating profit before changes in working capital	2,861	7,704
Changes in working capital:		
- Changes in current assets	1,245	5,256
- Changes in current liabilities	(533)	443
Interest paid	(1,437)	(2,294)
Interest received	5	114
Net change in taxation	(686)	(458)
Net cash generated from operating activities	1,455	10,765
Net cash used in investing activities	(5,227)	(1,175)
Net cash used in financing activities	2,684	(8,327)
Net Change in Cash and Cash Equivalents	(1,088)	1,263
Cash and Cash Equivalents at Beginning of Period	(9,916)	(9,334)
Effects of exchange rate changes	1,267	1,421
Cash and Cash Equivalents at End of Period	(9,737)	(6,650)
Analysis of Cash and Cash Equivalents:		
Cash and bank balances	2,242	6,616
Deposits with licensed financial institutions	501	505
Bank overdrafts	(12,480)	(13,771)
Cash and Cash Equivalents	(9,737)	(6,650)

(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the period ended 30 June 2009 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 period ended 30 June 2009. 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 period ended 30 June 2009.

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 period ended 30 June 2009 except for the adoption of the following new FRS:

	For financial periods beginning on or after
FRS 8 : Operating Segments	1 July 2009

The adoption of the above mentioned FRS does not have any significant financial impact on the results of the Group except for changes in disclosure.

A2 Auditors' Report on Preceding Annual Financial Statements

The Auditors' Report of the financial statements for the financial period ended 30 June 2009 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.

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.



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

A7 Segmental Information

D) BUSINESS SEGMENT

UNAUDITED RESULTS FOR
FOR 3-MONTH PERIOD
ENDED 30.9.2009

	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 Consolidated RM'000	RM'000
Revenue							
- External	7,688	1,561	3,282	3,712	-	-	16,243
- Inter-segment	56	167	-	-	-	(223)	-
Total revenue	<u>7,744</u>	<u>1,728</u>	<u>3,282</u>	<u>3,712</u>	<u>-</u>	<u>(223)</u>	<u>16,243</u>
Results							
- Segment results	395	243	(2,016)	(368)	(38)		(1,784)
- Finance cost	(858)	(1)	(438)	(189)	-		(1,486)
- Share of loss in jointly controlled entities							-
Loss before taxation							(3,270)
- Taxation							(517)
Loss after taxation							(3,787)
Minority interest							15
Loss for the period attributable to equity holders of the Company							<u>(3,772)</u>



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

A7 Segmental Information (Cont'd)

**UNAUDITED INFORMATION
FOR 3-MONTH PERIOD
ENDED 30.9.2009**

II) GEOGRAPHICAL SEGMENT

Revenue from External Customers	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 Consolidated RM'000	RM'000
- Malaysia	7,688	1,561	-	3,712	-	-	12,961
- Indonesia	-	-	3,282	-	-	-	3,282
Total revenue	<u>7,688</u>	<u>1,561</u>	<u>3,282</u>	<u>3,712</u>	<u>-</u>	<u>-</u>	<u>16,243</u>
Non-current Assets							
- Malaysia	55,402	2,819	-	18,088	266	-	76,575
- Indonesia	-	-	79,954	-	-	-	79,954
	<u>55,402</u>	<u>2,819</u>	<u>79,954</u>	<u>18,088</u>	<u>266</u>	<u>-</u>	<u>156,529</u>

III) INFORMATION ON MAJOR EXTERNAL CUSTOMERS

Contribute equal or > 10% of revenue for each business segment

- Single largest customer	6,338	525	3,282	1,981	-	-
- 2nd largest customer	-	248	-	728	-	-
- 3rd largest customer	-	216	-	-	-	-

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



A7 Segmental Information (Cont'd)

UNAUDITED RESULTS
FOR 3-MONTH PERIOD
ENDED 31.3.2008

	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
Revenue							
- 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>
Results							
- Segment results	988	331	797	1,998	-	-	4,114
- Finance cost	(1,304)	(2)	(810)	(249)	-	-	(2,365)
- Share of loss in jointly controlled entities							-
Profit before taxation							1,749
- Taxation							(445)
Profit after taxation							1,304
Minority interest							(215)
Profit for the period attributable to equity holders of the Company							<u>1,089</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 period ended 30 June 2009.

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 September 2009 up to 23 November 2009 other than as disclosed in Note A15 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 proposed disposal ("Disposal") by a wholly owned subsidiary, Samudra Timur Sdn Bhd of one (1) unit of five (5) storey office and shop for a total disposal consideration of RM3.0 million subject to the terms and conditions as set out in the Sale and Purchase Agreement dated 6 November 2009.

The Disposal was announced by the Company on 9 November 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 Sept 2009 Unaudited RM'000	As at 30 June 2009 Audited RM'000
<u>Unsecured</u>		
a) Bank guarantees in favour of third parties	3,343	3,431
<u>Secured</u>		
b) Corporate guarantees given by the Company to financial institutions for credit facilities granted to a jointly controlled entity	-	-

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 30 Sept 2009 Unaudited RM'000	As at 30 June 2009 Audited RM'000
Approved, contracted but unpaid costs for the purchase of machineries and equipment:		
- for the Oil Country Tubular Goods end-finishing business	11	73
- for the tubular handling business	30	94
- for drilling services	526	1,894
	567	2,061



A14 Related Party Transactions

	3 months ended		3 months ended	
	30 Sept 2009	31 March 2008	30 Sept 2009	31 March 2008
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
Transactions with companies in which certain Directors have interest :-				
a) Purchase of air ticket from a company	142	165	142	165
b) IT related services	1	-	1	-
c) Transportation, freight and handling services	403	-	403	-
d) Interest payable to a director	49	71	49	71

Interest payable to a director is in respect of the advances amounted to RM3,000,000 (31 March 2008: RM3,000,000) 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 September 2009.

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 not more favourable to the related parties.

A15 Investment in Jointly Controlled Entities

	As at	As at
	30 Sept 2009	30 June 2009
	Unaudited	Audited
	RM'000	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 post-acquisition reserves	(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	
			30 Sept 2009	30 June 2009
			%	%
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.



A15 Investment in Jointly Controlled Entities (Cont'd)

* - 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 2007 due to various disputes. The termination was announced on 6 April 2007 by the Company to Bursa.

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 hearing exercise commenced on 19 May 2009 and is still in progress as at end of the current financial period.

A16 Other Investments

	As at 30 Sept 2009 Unaudited RM'000	As at 30 June 2009 Audited RM'000
Unquoted shares at cost	60	60
Subordinated bonds	3,000	3,000
	<u>3,060</u>	<u>3,060</u>
Less: Accumulated impairment loss	(402)	(402)
	<u>2,658</u>	<u>2,658</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 26 January, 2012.

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**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 period under review, the Group registered a total revenue of RM16.24 million with a gross profit of RM1.23 million. The Group's performance was affected by the slow down in demand for its pipes threading services as well as the commission and servicing cost incurred in putting the rigs into operation in Indonesia. The Land Drilling Rig operation spudded its 1st well in Indonesia on 30 July 2009 and on completion of the 1st well on 15 September 2009 Ikhlas 2 rig was mobilised to the designated 2nd well towards the end of the current financial period under review.

The aforesaid factors have resulted in the Group chalking up a loss for the period of approximately RM3.79 million as compared to a profit position of RM1.30 million recorded in the corresponding financial period.

For the current financial quarter, the Group's net loss attributable to equity holders of the parent stood at RM3.77 million.

B2 Variation of Results Against Preceding Quarter

The Group's revenue of RM16.24 million for the current financial quarter under review is higher than that of the preceding financial period - by approximately 21% over the Group's revenue of the preceding financial period. This was mainly attributable to the maiden drilling revenue amounted to approximately RM3.28 million earned by the Land Drilling Rig operation following the successful commissioning of its drilling activities in Indonesia.

The drilling services revenue coupled with a reduced commissioning and setting up cost of the Land Drilling Rig operation during the financial period under review have led to a lower Group's loss for the period of approximately RM3.79 million as compared to a Group's loss of RM10.00 million recorded in the preceding financial period which was adversely affected by mobilisation cost of rigs and other related costs. Other business units performed fairly when compared to the preceding financial period.

Loss attributable to equity holders of the parent for the current financial quarter under review was lower at RM3.77 million when compared to that of RM9.98 million chalked up in the preceding financial quarter.

B3 Prospects for Financial Year ending 30 June 2010 (Financial Year 2010)

Against the backdrop of an improving global economic condition as well as positive indications that the world economy has seen the worst, the Board of Directors ("Board") is cautiously optimistic of the prospect of the Group's operations in the country and overseas.

The Group will continue its vigorous efforts to maintain as well as source for new contracts and businesses for its core operations (in particular its land rig services) in international markets. For the remaining period of the financial year 2010, 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.

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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		3 months ended	
	30 Sept 2009	31 March 2008	30 Sept 2009	31 March 2008
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
Taxation based on results				
Malaysian taxation				
- Current financial period	506	310	506	310
- Under provision in the prior years	-	-	-	-
Foreign Taxation	-	135	-	135
Deferred taxation	11	-	11	-
	<u>517</u>	<u>445</u>	<u>517</u>	<u>445</u>

Domestic income tax is calculated at the Malaysian Statutory tax rate of 25% (30.6.2009: 25%) 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 Disposal of 49% Equity Interest in Sobena Offshore Inc Sdn Bhd

The Company has on 13 July 2009, entered into a conditional Sale and Purchase of Shares Agreement ("SPA") with Marubeni-Itochu Tubulars Asia Pte Ltd ("MITA") and Hendroff Holdings Sdn. Bhd. ("Hendroff") to dispose to MITA and Hendroff a total of 4,165,000 ordinary shares of RM1-00 each equivalent to 49% of the total issued and paid-up share capital of Sobena Offshore Inc. Sdn. Bhd. ("Sobena") for a total cash consideration of RM9,996,000-00.

The proposed disposal was approved by the Ministry of International Trade and Industry ("MITI") on 9 September 2009. The proposed disposal was effectively completed pursuant to the SPA on 21 October 2009.

c) 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 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");



B8 Status of Corporate Proposal Announced (Cont'd)

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

- (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 ("Rights Shares") on the basis of three (3) 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 Rights Issue");
- (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 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 September 2009, 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 accumulated losses of the Company.

The Company has determined a minimum subscription level of 33,333,333 Rights Shares ("Minimum Subscription Level") for the Proposed 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 (Prior to the change of Listing Requirement which was effective from 3 August 2009). For illustrative purposes, assuming an indicative issue price of RM0.30 per Rights Share, the Proposed 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 Rights Issue.

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

- (i) the Securities Commission ("SC") for the Proposed 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 Rights Shares to be issued pursuant to the Proposed Rights Issue;
- (iv) the shareholders of the Company at an Extraordinary General Meeting ("EGM") to be convened for the Proposals; and any other relevant authorities/parties (if applicable).

The approval of the SC was obtained on 3 September 2008 whilst the shareholders of the Company approved the Proposals at an EGM held on 10 October 2008. Due to the uncondusive market condition, the Proposals were not implemented and the Company has in two different occasions obtained the SC's approvals for further extension of time to implement the Proposed Rights Issue. The latest approval was obtained from the SC on 7 September 2009 for a further extension of time of an additional six (6) months up to 2 March 2010 for the Company to implement the Proposed Rights Issue.

The Company has on 2 November 2009 submitted an application to the High Court of Malaya ("High Court") to reduce the Company's paid-up share capital pursuant to Section 64 of the Companies Act, 1965.

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

	As at 30 Sept 2009 Unaudited RM'000	As at 30 June 2009 Audited RM'000
a) Short term borrowings		
Repayable within twelve months		
- Secured	15,649	14,095
- Unsecured	30,786	30,587
	46,435	44,682
b) Long term borrowings		
Repayable after twelve months		
- Secured	34,516	31,937
- Unsecured	31,027	31,724
Portion repayable after one year	65,543	63,661
Borrowings denominated in foreign currency:		
United States Dollars (USD'000)	15,727	15,047
Ringgit Malaysia equivalent (RM'000)	55,398	53,003

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 23 November 2009.

B11 Changes in Material Litigation

Subsequent to the terminations mentioned in Note A15, 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. This was challenged by Gagie through the Suit elaborated below.

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 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 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:

**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)

- 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 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. The sum was not paid.

On 12 June 2007, the Defendants filed an application to strike out the claims made by KSTGSB in the D8 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' appeal against the order was dismissed with costs on 13 May 2008 but the court agreed to vary the order to the extent that the Plaintiffs lawyers would not be liable for the said costs.

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.

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.

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



B13 (Loss) / Earnings Per Share

Basic (loss) / earnings per share is calculated by dividing (loss) / 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	
	30 Sept 2009	31 March 2008	30 Sept 2009	31 March 2008
	Unaudited	Unaudited	Unaudited	Unaudited
- (Loss) / Profit attributable to equity holders of the parent (RM'000)	(3,772)	1,089	(3,772)	1,089
- Weighted average number of ordinary shares in issue ('000)	106,480	96,800	106,480	96,800
Basic (loss)/earnings per share (sen)	<u>(3.54)</u>	<u>1.13</u>	<u>(3.54)</u>	<u>1.13</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
23 November 2009