



# **KEJURUTERAAN SAMUDRA TIMUR BERHAD**

**Interim Financial Report for  
3<sup>rd</sup> Quarter Ended 31<sup>st</sup> March 2011  
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  
THIRD FINANCIAL QUARTER ENDED 31 MARCH 2011**

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS  
FOR THE FINANCIAL PERIODS ENDED 31 MARCH 2011 AND 2010**

	Note	Third Quarter ended		Cumulative Nine Months ended	
		31 March 2011	31 March 2010	31 March 2011	31 March 2010
		Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
<b>Continuing Operations</b>					
Revenue		16,805	13,917	49,427	47,618
Cost of sales		(15,748)	(12,811)	(47,796)	(43,066)
<b>Gross profit</b>		<u>1,057</u>	<u>1,106</u>	<u>1,631</u>	<u>4,552</u>
Other income		1,560	31	3,206	213
Administrative expenses		(1,622)	(1,279)	(4,267)	(4,527)
Operating expenses		(1,613)	(1,326)	(4,542)	(4,064)
Finance cost		(1,177)	(1,307)	(3,760)	(4,250)
<b>Loss before taxation</b>		<u>(1,795)</u>	<u>(2,775)</u>	<u>(7,732)</u>	<u>(8,076)</u>
Income tax expense	<b>B5</b>	155	178	(711)	(999)
<b>Loss for the period</b>		<u>(1,640)</u>	<u>(2,597)</u>	<u>(8,443)</u>	<u>(9,075)</u>
Attributable to:					
Equity holders of the Company		(2,098)	(2,150)	(8,544)	(8,620)
Minority interest		458	(447)	101	(455)
		<u>(1,640)</u>	<u>(2,597)</u>	<u>(8,443)</u>	<u>(9,075)</u>
Loss Per Share (sen)					
Basic	<b>B14</b>	<u>(1.47)</u>	<u>(2.02)</u>	<u>(6.28)</u>	<u>(8.10)</u>
Fully diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

N/A - Not Applicable

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE  
INCOME FOR THE FINANCIAL PERIODS ENDED 31 MARCH 2011 AND 2010



	Third Quarter ended		Cumulative Nine Months ended	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
<b>Loss for the period</b>	(1,640)	(2,597)	(8,443)	(9,075)
<b>Other Comprehensive Income:</b>				
Currency translation differences	288	601	1,175	910
<b>Total other comprehensive income</b>	<u>288</u>	<u>601</u>	<u>1,175</u>	<u>910</u>
<b>Total comprehensive loss</b>	<u>(1,352)</u>	<u>(1,996)</u>	<u>(7,268)</u>	<u>(8,165)</u>
Attributable to:				
Equity holders of the Company	(1,790)	(1,490)	(7,284)	(7,698)
Minority interest	438	(506)	16	(467)
	<u>(1,352)</u>	<u>(1,996)</u>	<u>(7,268)</u>	<u>(8,165)</u>

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 MARCH 2011 AND 30 JUNE 2010**



<b>ASSETS</b>	<b>Note</b>	<b>As at 31 March 2011 Unaudited RM'000</b>	<b>As at 30 June 2010 Audited RM'000</b>
<b>Non-current assets</b>			
Property, plant and equipment	<b>A10</b>	115,818	130,100
Investment in jointly controlled entities	<b>A16</b>	-	-
Other investments	<b>A17</b>	381	381
Goodwill on consolidation		5,242	5,242
		<u>121,441</u>	<u>135,723</u>
<b>Current assets</b>			
Inventories		4,598	4,816
Trade receivables		16,152	10,139
Other receivables		7,056	9,667
Tax recoverable		1,822	1,525
Cash and bank balances (including fixed deposits)		2,661	1,906
		<u>32,289</u>	<u>28,053</u>
Non-current assets held for sale		-	1,867
		<u>32,289</u>	<u>29,920</u>
<b>TOTAL ASSETS</b>		<u>153,730</u>	<u>165,643</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	<b>A7</b>	42,908	31,944
Share premium		8,412	9,283
Other reserves		5,076	3,816
Accumulated losses	<b>B9</b>	(25,329)	(15,902)
		<u>31,067</u>	<u>29,141</u>
<b>Minority interest</b>		<u>6,765</u>	<u>6,749</u>
<b>Total equity</b>		<u>37,832</u>	<u>35,890</u>
<b>Non-current liabilities</b>			
Bank borrowings	<b>B10</b>	28,708	64,188
Deferred tax liabilities		3,406	3,758
		<u>32,114</u>	<u>67,946</u>
<b>Current liabilities</b>			
Trade payables		8,081	8,020
Other payables		13,556	23,197
Bank borrowings	<b>B10</b>	61,881	30,303
Tax payable		266	287
		<u>83,784</u>	<u>61,807</u>
<b>Total liabilities</b>		<u>115,898</u>	<u>129,753</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>153,730</u>	<u>165,643</u>
<b>NET ASSETS PER SHARE (SEN)</b>		<u>21.7</u>	<u>27.4</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE 9 MONTH FINANCIAL PERIOD ENDED 31 MARCH 2011**



	Attributable to equity holders of the Company					Total RM'000	Minority interest RM'000	Total equity RM'000
	← Non-distributable →			Distributable				
	Share Capital RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Exchange Translation Reserve RM'000	Accumulated Losses RM'000	Total RM'000		
<b>At 1 July 2010</b>	31,944	9,283	4,468	(652)	(15,902)	29,141	6,749	35,890
Effect arising from adoption FRS 139	-	-	-	-	(883)	(883)	-	(883)
<b>At 1 July 2010 (restated)</b>	31,944	9,283	4,468	(652)	(16,785)	28,258	6,749	35,007
Loss for the period	-	-	-	-	(8,544)	(8,544)	101	(8,443)
Other comprehensive income / (loss)	-	-	-	1,260	-	1,260	(85)	1,175
Total comprehensive loss for the period	-	-	-	1,260	(8,544)	(7,284)	16	(7,268)
<b>Transactions with owners in their capacity as owners:</b>								
Issuance of new ordinary shares pursuant to the rights issue	10,964	-	-	-	-	10,964	-	10,964
Corporate exercise expenses for capital reduction and rights issue	-	(871)	-	-	-	(871)	-	(871)
Total transactions with owners	10,964	(871)	-	-	-	10,093	-	10,093
<b>At 31 March 2011 (Unaudited)</b>	42,908	8,412	4,468	608	(25,329)	31,067	6,765	37,832

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE 9 MONTH FINANCIAL PERIOD ENDED 31 MARCH 2010**



	Attributable to equity holders of the Company					Minority interest	Total equity	
	Non-distributable			Distributable				
	Share Capital RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Exchange Translation Reserve RM'000	Accumulated Losses RM'000	Total RM'000	RM'000	
<b>At 1 July 2009</b>	53,240	9,283	4,468	(1,596)	(23,483)	41,912	1,343	43,255
Loss for the period	-	-	-	-	(8,620)	(8,620)	(455)	(9,075)
Other comprehensive income	-	-	-	922	-	922	(12)	910
Total comprehensive loss for the period	-	-	-	922	(8,620)	(7,698)	(467)	(8,165)
Minority interest from divestment in Subsidiary	-	-	-	-	-	-	4,760	4,760
<b>Transactions with owners in their capacity as owners:</b>								
Capital Reduction and Set-Off	(21,296)	-	-	-	21,296	-	-	-
<b>At 31 March 2010 (Unaudited)</b>	<b>31,944</b>	<b>9,283</b>	<b>4,468</b>	<b>(674)</b>	<b>(10,807)</b>	<b>34,214</b>	<b>5,636</b>	<b>39,850</b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE 9 MONTH FINANCIAL PERIOD ENDED 31 MARCH**



	<b>9 months ended</b>	
	<b>31 March 2011</b>	<b>31 March 2010</b>
	<b>Unaudited RM'000</b>	<b>Unaudited RM'000</b>
<b>Cash Flows From Operating Activities</b>		
Loss before taxation	(7,732)	(8,076)
Adjustments for non-cash and non-operating items:		
- Non-cash items	14,239	13,911
- Investing and financing items	554	3,595
<b>Operating profit before changes in working capital</b>	7,061	9,430
Changes in working capital:		
- Changes in current assets	(3,184)	(4,724)
- Changes in current liabilities	(10,215)	(3,879)
Interest paid	(3,097)	(4,096)
Interest received	5	15
Net change in taxation	(1,029)	(2,791)
<b>Net cash used in operating activities</b>	(10,459)	(6,045)
<b>Net cash generated from investing activities</b>	2,277	4,637
<b>Net cash generated from / (used in) financing activities</b>	5,816	(4,551)
<b>Net Change in Cash and Cash Equivalents</b>	(2,366)	(5,959)
<b>Cash and Cash Equivalents at Beginning of Period</b>	(7,549)	(9,916)
<b>Effects of exchange rate changes</b>	3,629	6,298
<b>Cash and Cash Equivalents at End of Period</b>	(6,286)	(9,577)
<b>Analysis of Cash and Cash Equivalents:</b>		
Cash and bank balances	2,354	916
Deposits with licensed financial institutions	307	307
Bank overdrafts	(8,947)	(10,800)
<b>Cash and Cash Equivalents</b>	(6,286)	(9,577)



## A1 Basis of Preparation

The interim financial statements have been prepared on a going concern basis and 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 30 June 2010 and the accompanying explanatory notes. These explanatory notes 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 2010.

## A2 Changes in accounting policies arising from the adoption of new/revised Financial Reporting Standards ("FRS")

The significant accounting policies adopted are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2010 except for the adoption of new standards, amendments to standards and IC interpretations that are mandatory to the Group for the financial year beginning 1 January 2010. The adoption of these standards, amendments and interpretations do not have a material impact on the interim financial information of the Group except for the adoption of the following standards as set out below:

(a) FRS 101 : Presentation of Financial Statements (revised)

The Group has adopted the revised FRS 101 separates owner and non-owner changes in equity. As a result, the income statement of the Group for the financial period ended 30 September 2010 have been represented as two separate statements, ie. an income statement displaying components of profit or loss and a statement of comprehensive income. Therefore, the statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. This revised FRS does not have any impact on the financial position and results of the Group and the Company.

(b) FRS 139 : Financial Instruments: Recognition and Measurement and Amendments to FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 sets out the new requirements for the recognition and measurement of the Group's financial instruments. Financial instruments are recorded initially at fair value. Subsequent measurement of the financial instruments at the balance sheet date reflects the designation of the financial instruments. The Group determines the classification at initial recognition and for the purpose of the first adoption of the standard, as at transitional date on 1 January 2010.

### Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

(i) Fair value through profit or loss

Prior to 1 January 2010, financial assets are stated at cost less impairment loss. Upon the adoption of FRS 139, these financial assets are classified at fair value through profit or loss if they are held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss.

(ii) Held for maturity

Prior to 1 January 2010, held to maturity investments were stated at cost less impairment loss. Under FRS 139, held to maturity investments are initially measured at fair value and subsequently at amortised cost using the effective interest rate (EIR) method. Gains and losses arising from the derecognition of the held to maturity investments, EIR amortisation and impairment losses are recognised in the profit or loss.





## A2 Changes in accounting policies arising from the adoption of new/revised Financial Reporting Standards ("FRS") (Cont'd)

### (iii) Loan and receivables

Prior to 1 January 2010, loans and receivables were stated at gross receivables less provision for doubtful debts. Under FRS 139, loans and receivables are initially measured at fair value and subsequently at amortised cost using the effective interest rate (EIR) method. Gains and losses arising from the derecognition of the loans and receivables, EIR amortisation and impairment losses are recognised in the profit or loss.

### (iv) Available for Sale (AFS)

Available for sale (AFS) are financial assets that are designated as available for sale or are not classified in any of the three preceding categories. Prior to 1 January 2010, AFS financial assets were accounted for at cost less impairment loss. Under FRS 139, AFS financial asset is measured at fair value initially and subsequently with unrealised gains or losses recognised as other comprehensive income in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the profit or loss and removed from the AFS reserve. With the exception to the above are equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. These are still measured at cost less impairment loss until such time, if ever, that a reliable fair value becomes available.

### Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or derivatives designated as hedging instruments in an effective hedge, as appropriate.

### Impact on opening balances

In accordance with the transitional provisions of FRS 139, the above changes are applied prospectively and the comparatives as at 30 June 2010 are not restated. Instead, the changes have been accounted for by restating the following opening balances in the balance sheet as at 1 July 2010. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are as below:

	Previously stated RM'000	Effect of FRS 139 RM'000	As restated RM'000
<b><u>Liabilities</u></b>			
Borrowings	94,491	883	95,374
<b><u>Equity</u></b>			
Accumulated losses	(15,902)	(883)	(16,785)

## A3 Auditors' Report on Preceding Annual Financial Statements

The Auditors' Report of the financial statements for the financial period ended 30 June 2010 was not qualified.

## A4 Seasonal or Cyclical Factors

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

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



**A5 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.

**A6 Changes in Accounting Estimates**

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

**A7 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.

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



**A8 Segmental Information**

<b>UNAUDITED RESULTS FOR FOR 9-MONTH PERIOD ENDED 31.3.2011</b>	<b>Tubular handling services RM'000</b>	<b>Inspection &amp; maintenance services RM'000</b>	<b>Land rig services RM'000</b>	<b>Oil &amp; gas pipes threading services RM'000</b>	<b>Oilfield fishing &amp; others RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>D) <u>BUSINESS SEGMENT</u></b>							
<b>Revenue</b>							
- External	21,520	6,700	7,161	14,046	-	-	49,427
- Inter-segment	42	290	-	17	-	(349)	-
Total revenue	<u>21,562</u>	<u>6,990</u>	<u>7,161</u>	<u>14,063</u>	<u>-</u>	<u>(349)</u>	<u>49,427</u>
<b>Results</b>							
- Segment results	54	2,581	(7,350)	756	(13)		(3,972)
- Finance cost	(2,226)	-	(1,274)	(260)	-		<u>(3,760)</u>
Loss before taxation							(7,732)
- Taxation							<u>(711)</u>
Loss after taxation							(8,443)
Minority interest							<u>(101)</u>
Loss for the period attributable to equity holders of the Company							<u><u>(8,544)</u></u>
<b>Assets</b>							
Segment assets	113,166	12,532	90,182	24,735	229	(87,151)	153,693
Unallocated corporate assets							37
Consolidated Assets							<u><u>153,730</u></u>
<b>Liabilities</b>							
Segment liabilities	64,019	1,132	129,111	10,790	7,081	(97,750)	114,383
Unallocated corporate liabilities							1,515
Consolidated Liabilities							<u><u>115,898</u></u>

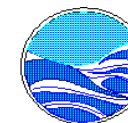
**PART A - EXPLANATORY NOTES PURSUANT TO FRS 134 (CONT'D)**



**A8 Segmental Information (Cont'd)**

<b>UNAUDITED RESULTS FOR FOR 9-MONTH PERIOD ENDED 31.3.2011</b>	<b>Tubular handling services RM'000</b>	<b>Inspection &amp; maintenance services RM'000</b>	<b>Land rig services RM'000</b>	<b>Oil &amp; gas pipes threading services RM'000</b>	<b>Oilfield fishing &amp; others RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>II) <u>GEOGRAPHICAL SEGMENT</u></b>							
<b>Revenue from External Customers</b>							
- Malaysia	21,520	6,700	-	14,046	-	-	42,266
- Indonesia	-	-	7,161	-	-	-	7,161
Total revenue	<u>21,520</u>	<u>6,700</u>	<u>7,161</u>	<u>14,046</u>	<u>-</u>	<u>-</u>	<u>49,427</u>
<b>Non-current Assets</b>							
- Malaysia	33,867	1,318	-	14,228	58	-	49,471
- Indonesia	-	-	71,970	-	-	-	71,970
	<u>33,867</u>	<u>1,318</u>	<u>71,970</u>	<u>14,228</u>	<u>58</u>	<u>-</u>	<u>121,441</u>
<b>III) <u>INFORMATION ON MAJOR EXTERNAL CUSTOMERS</u></b>							
<b>Contribute equal or &gt; 10% of revenue for each business segment</b>							
- Single largest customer	15,482	1,330	7,161	13,771	-	-	-
- 2nd largest customer	3,196	1,263	-	-	-	-	-
- 3rd largest customer	-	1,115	-	-	-	-	-
- 4th largest customer	-	742	-	-	-	-	-

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



A8 Segmental Information (Cont'd)

UNAUDITED RESULTS FOR FOR 9-MONTH PERIOD ENDED 31.3.2010	Tubular handling services RM'000	Inspection & maintenance services RM'000	Land rig services RM'000	Oil & gas pipes threading services RM'000	Oilfield fishing & others RM'000	Elimination RM'000	Consolidated RM'000
<b>D) BUSINESS SEGMENT</b>							
<b>Revenue</b>							
- External	20,346	6,363	9,978	10,931	-	-	47,618
- Inter-segment	85	362	-	1	-	(448)	-
Total revenue	<u>20,431</u>	<u>6,725</u>	<u>9,978</u>	<u>10,932</u>	<u>-</u>	<u>(448)</u>	<u>47,618</u>
<b>Results</b>							
- Segment results	1,852	1,722	(6,060)	(1,300)	(40)		(3,826)
- Finance cost	(2,627)	(5)	(1,170)	(448)	-		<u>(4,250)</u>
Loss before taxation							(8,076)
- Taxation							<u>(999)</u>
Loss after taxation							(9,075)
Minority interest							<u>455</u>
Loss for the period attributable to equity holders of the Company							<u>(8,620)</u>
<b>Assets</b>							
Segment assets	115,093	11,718	95,531	25,142	267	(74,607)	173,144
Unallocated corporate assets							<u>60</u>
Consolidated Assets							<u>173,204</u>
<b>Liabilities</b>							
Segment liabilities	72,418	2,665	126,221	13,694	7,148	(90,456)	131,690
Unallocated corporate liabilities							<u>1,664</u>
Consolidated Liabilities							<u>133,354</u>

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



**A8 Segmental Information (Cont'd)**

<b>UNAUDITED RESULTS FOR FOR 9-MONTH PERIOD ENDED 31.3.2010</b>	<b>Tubular handling services RM'000</b>	<b>Inspection &amp; maintenance services RM'000</b>	<b>Land rig services RM'000</b>	<b>Oil &amp; gas pipes threading services RM'000</b>	<b>Oilfield fishing &amp; others RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>II) <u>GEOGRAPHICAL SEGMENT</u></b>							
<b>Revenue from External Customers</b>							
- Malaysia	20,346	6,363	-	10,931	-	-	37,640
- Indonesia	-	-	9,978	-	-	-	9,978
<b>Total revenue</b>	<b>20,346</b>	<b>6,363</b>	<b>9,978</b>	<b>10,931</b>	<b>-</b>	<b>-</b>	<b>47,618</b>
<b>Non-current Assets</b>							
- Malaysia	44,463	2,781	-	15,663	265	-	63,172
- Indonesia	-	-	75,281	-	-	-	75,281
	<b>44,463</b>	<b>2,781</b>	<b>75,281</b>	<b>15,663</b>	<b>265</b>	<b>-</b>	<b>138,453</b>
<b>III) <u>INFORMATION ON MAJOR EXTERNAL CUSTOMERS</u></b>							
<b>Contribute equal or &gt; 10% of revenue for each business segment</b>							
- Single largest customer	16,653	1,325	7,639	8,351	-	-	
- 2nd largest customer	-	1,287	2,339	1,218	-	-	
- 3rd largest customer	-	826	-	-	-	-	

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



**A9 Dividend Paid**

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

**A10 Property, Plant and Equipment and Non-Current Assets Held for Sale**

The valuations of certain property, plant and equipment have been brought forward, without amendment from the financial statements for the year ended 30 June 2010.

**A11 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 2011 up to 25 May 2011 other than as disclosed in Note A16 on Investment in Jointly Controlled Entities and Note B12 on Changes in Material Litigation.

**A12 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.

**A13 Changes in Contingent Liabilities and Contingent Assets**

	<b>As at 31 March 2011 Unaudited RM'000</b>	<b>As at 30 June 2010 Audited RM'000</b>
<b><u>Unsecured</u></b>		
a) Bank guarantees in favour of third parties	4,556	3,512

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

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



**A14 Capital Commitments**

	<b>As at 31 March 2011 Unaudited RM'000</b>	<b>As at 30 June 2010 Audited RM'000</b>
Approved, contracted but unpaid costs for the purchase of machineries and equipment:		
- for the Oil Country Tubular Goods end-finishing business	443	14
- for the tubular handling business	-	528
	<u>443</u>	<u>542</u>

**A15 Related Party Transactions**

	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>31 March 2011 Unaudited RM'000</b>	<b>31 March 2010 Unaudited RM'000</b>	<b>31 March 2011 Unaudited RM'000</b>	<b>31 March 2010 Unaudited RM'000</b>
Transactions by a subsidiary with one of its substantial corporate shareholders :-				
a) Rendering of threading services (Revenue)	3,890	2,694	13,771	8,351
b) Rental and storage charges and fees	<u>1,368</u>	<u>-</u>	<u>1,368</u>	<u>-</u>
Transactions with companies in which certain Directors have interest :-				
a) Purchase of air ticket from a company	142	133	376	428
b) IT related services	25	23	106	27
c) Transportation, freight and handling services	168	24	935	601
d) Interest payable to a director	<u>-</u>	<u>56</u>	<u>13</u>	<u>155</u>

Interest payable to a director was in respect of the advances amounted to RM3,583,000 (31.3.2010: RM3,400,000) made by the director which were unsecured, bore interest rate lower than the prevailing bank overdraft's rate per annum and had no fixed term of repayment. The advances were repaid by the Group in the first financial quarter of the current financial year ending 30 June 2011.

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.

**A16 Investment in Jointly Controlled Entities**

	<b>As at 31 March 2011 Unaudited RM'000</b>	<b>As at 30 June 2010 Audited RM'000</b>
Unquoted shares at cost	440	440
Net amount due from jointly controlled entities	<u>23,083</u>	<u>23,083</u>
	23,523	23,523
Share of post-acquisition reserves	<u>(23,523)</u>	<u>(23,523)</u>
	<u>-</u>	<u>-</u>



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



**A16 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	
			31 March 2011	30 June 2010
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 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 which commenced on 19 May 2009 has been completed in the last financial year and is currently pending delivery of arbitration judgement by the arbitrator.

**A17 Other Investments**

	As at 31 March 2011 Unaudited RM'000	As at 30 June 2010 Audited RM'000
Available for sale investment - Unquoted shares	60	60
Held to maturity investment - Subordinated bonds	3,000	3,000
	<u>3,060</u>	<u>3,060</u>
Less: Accumulated impairment loss	(2,679)	(2,679)
	<u>381</u>	<u>381</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.

**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 RM16.81 million, an increase of approximately 21% over that of the corresponding financial period. The improved turnover was attributable to better revenue earned by the pipe threading services whilst the 1000HP rig of the land drilling services was engaged for the exploration project in Kalimantan for the current financial period. This however did not translate into better Group's gross profit when compared to the corresponding financial period due mainly to high materials and support services cost incurred by the Group in rendering its tubular handling services and pipes inspection and maintenance services as well as additional cost incurred to completely put the 1000HP rig for full implementation of the exploration project in Kalimantan. Additionally, the corresponding financial period comprised an one-off demobilisation fee of its 750HP rig following the completion of a drilling project with PT Pertamina EP that had contributed positively to the gross results of the land drilling services then. Consequently, the Group chalked a flat gross profit of RM1.06 million when compared to the corresponding financial period.

Nevertheless, the Group managed to pulled in a lower loss for the period of RM1.64 million which was boosted by an increase in other income of its pipes threading services arising from rental and storage fee billed to its principal client for pipes stored at its yards. The aforesaid improvement represents a drop of about 37% over the loss for the period incurred in the corresponding financial period. The Group chalked up a net loss attributable to equity holders of the parent of RM2.10 million for the current financial period under review.

**B2 Variation of Results Against Preceding Quarter**

The Group has recorded a drop in revenue of about 7% over that recorded in the preceding financial period to approximately RM16.81 million. The aforesaid decrease was principally attributable to the reduction in revenue earned by its tubular handling services from RM8.71 million to RM5.73 million. Despite of the aforesaid, the Group's gross profit was approximately 158% higher than the gross profit of RM0.41 million recorded in the preceding financial period. This improved gross profit of RM1.06 million was due to lower gross loss incurred by the land drilling services as its 1000HP rig was engaged with the exploration project in Kalimantan for the current financial period whilst the tubular handling services and pipes threading services managed to record better gross results. The improved gross profit performance of its tubular handling services despite of a reduction in revenue when compared to the preceding financial period, was mainly due to greater revenue from utilisation of own tools and services with reduced sales of low margin other specialists' services (or revenue from 3rd party's services which accounted for 37% of the preceding period's revenue).

The improved Group's gross profit coupled with higher other income contributed by the pipes threading services have led the Group to chalk up a significantly lower loss for the period of RM1.64 million, a reduction of approximately 55% over the loss for the period of the preceding financial period. The net loss attributable to equity holders of the parent for the current financial period under review of RM2.10 million was a drop of approximately 38% over that of the preceding financial period.

**B3 Prospects for Financial Year ending 30 June 2012 (Financial Year 2012)**

Against the backdrop of an improving global economic, the Board of Directors ("Board") is hopeful of an improvement in the domestic and global oil exploration activities which are directly related to the Group's operations.

The Group will work closely with its clients with emphasis on maintaining and extending existing service orders and contracts whilst continuing its efforts to source for new contracts and businesses for its core operations with an aim to better the utilisation of its revenue plant and machinery. More importantly, the Group which has one of its rigs already engaged for drilling operation in Kalimantan, will strive to put both rigs on drilling mode with improved utilisation compared to the previous financial year. It will also stay focus on the enhancement and consolidation of all its existing core businesses with cautious views on possible expansion into other oil producing countries.

**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		9 months ended	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
<b>Taxation based on results</b>				
Malaysian taxation				
- Current financial period	251	(209)	1,013	957
- Under/(Over) provision in the previous years	(406)	31	(302)	31
Foreign Taxation	-	-	-	-
Deferred taxation	-	-	-	11
	<u>(155)</u>	<u>(178)</u>	<u>711</u>	<u>999</u>

Domestic income tax is calculated at the Malaysian Statutory tax rate of 25% (31.3.2010: 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**

There was no corporate proposal announced that is pending implementation and completion as at end of the financial period under review.

**B9 Realised and Unrealised Profits / (Losses)**

	Current Year - Quarter Ended	
	31 March 2011	31 December 2010
	Unaudited RM'000	Unaudited RM'000
Total retained profits / (accumulated losses) of the Company and its subsidiaries		
- Realised	(19,175)	(15,978)
- Unrealised	(6,154)	(7,253)
Total retained profits / (accumulated losses) as per consolidated accounts	<u>(25,329)</u>	<u>(23,231)</u>

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



**B10 Group Borrowings and Debt Securities**

	<b>As at 31 March 2011 Unaudited RM'000</b>	<b>As at 30 June 2010 Audited RM'000</b>
<b>a) Short term borrowings</b>		
Repayable within twelve months		
- Secured	22,624	20,498
- Unsecured	39,257	9,805
	<u>61,881</u>	<u>30,303</u>
<b>b) Long term borrowings</b>		
Repayable after twelve months		
- Secured	28,639	33,831
- Unsecured	69	30,357
Portion repayable after one year	<u>28,708</u>	<u>64,188</u>
Borrowings denominated in foreign currency:		
United States Dollars (USD'000)	15,413	15,043
Ringgit Malaysia equivalent (RM'000)	<u>46,639</u>	<u>49,002</u>

Included in the unsecured short 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 A17.

**B11 Off Balance Sheet Financial Instruments**

The Group does not have any off balance sheet financial instrument as at 25 May 2011.

**B12 Changes in Material Litigation**

Subsequent to the terminations mentioned in Note A16, 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.

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



**B12 Changes in Material Litigation (Cont'd)**

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 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 it is not possible to predict the outcome of the litigation. The lawyers are of the view that even if the Plaintiffs were to succeed in their claims or some of their claims, the damages would not be material. Accordingly, no provision has been made in respect of the claims of damages by Gagie in the financial statements.

There was no changes on the status of the aforesaid litigation matters during the current financial period under review.

**B13 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)**



**B14 Loss Per Share**

Basic loss per share is calculated by dividing loss 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: -

	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>31 March 2011</b>	<b>31 March 2010</b>	<b>31 March 2011</b>	<b>31 March 2010</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
- Loss attributable to equity holders of the parent (RM'000)	(2,098)	(2,150)	(8,544)	(8,620)
- Weighted average number of ordinary shares in issue ('000)	143,027	106,480	135,957	106,480
Basic loss per share (sen)	<u>(1.47)</u>	<u>(2.02)</u>	<u>(6.28)</u>	<u>(8.10)</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  
25 May 2011