



# **KEJURUTERAAN SAMUDRA TIMUR BERHAD**

**Interim Financial Report for  
4<sup>th</sup> Quarter Ended 30<sup>th</sup> June 2012  
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  
FOURTH FINANCIAL QUARTER ENDED 30 JUNE 2012**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL PERIODS ENDED 30 JUNE 2012 AND 2011**

	Note	Fourth Quarter ended		Cumulative Twelve Months ended	
		30 June 2012	30 June 2011	30 June 2012	30 June 2011
		Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
<b><u>Continuing Operations</u></b>					
Revenue		17,568	12,039	85,779	47,420
Cost of sales		(13,293)	(13,044)	(65,079)	(47,523)
<b>Gross profit</b>		<b>4,275</b>	<b>(1,005)</b>	<b>20,700</b>	<b>(103)</b>
Other income		1,153	(47)	1,257	1,601
Administrative expenses		(2,247)	(2,904)	(8,060)	(6,546)
Other operating expenses		(1,236)	(1,335)	(5,826)	(4,971)
Finance cost		(1,254)	(1,514)	(4,618)	(5,014)
<b>Profit / (Loss) before taxation</b>		<b>691</b>	<b>(6,805)</b>	<b>3,453</b>	<b>(15,033)</b>
Income tax expense		(341)	103	(3,603)	(488)
<b>Profit / (Loss) for the period from continuing operation</b>		<b>350</b>	<b>(6,702)</b>	<b>(150)</b>	<b>(15,521)</b>
<b><u>Discontinued Operations</u></b>					
<b>Profit / (Loss) for the period from discontinued operation</b>		<b>1,009</b>	<b>836</b>	<b>2,440</b>	<b>1,212</b>
<b>Total profit / (loss) for the period</b>		<b>1,359</b>	<b>(5,866)</b>	<b>2,290</b>	<b>(14,309)</b>
Attributable to equity holders of the Company:					
- From continuing operations		371	(6,679)	(48)	(15,424)
- From discontinued operation		504	418	1,237	619
		875	(6,261)	1,189	(14,805)
Non-controlling interests / Minority interests		484	395	1,101	496
		1,359	(5,866)	2,290	(14,309)
Basic earnings/(loss) Per Share attributable to equity holders of the Company (sen)					
- From continuing operations	<b>B12</b>	0.26	(4.67)	(0.03)	(11.20)
- From discontinued operation	<b>B12</b>	0.35	0.29	0.86	0.45
		0.61	(4.38)	0.83	(10.75)
Diluted earnings/(loss) Per Share attributable to equity holders of the Company (sen)					
		N/A	N/A	N/A	N/A

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE  
INCOME FOR THE FINANCIAL PERIODS ENDED 30 JUNE 2012 AND 2011**



	Fourth Quarter ended		Cumulative Twelve Months ended	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
<b>Profit/(Loss) for the period</b>	1,359	(5,866)	2,290	(14,309)
<b>Other Comprehensive Income:</b>				
Currency translation differences	(972)	101	(1,388)	1,276
<b>Total other comprehensive income / (loss)</b>	(972)	101	(1,388)	1,276
<b>Total comprehensive profit / (loss)</b>	387	(5,765)	902	(13,033)
Attributable to:				
Equity holders of the Company	(90)	(6,157)	(190)	(13,441)
Non-controlling interests / Minority interests	477	392	1,092	408
	387	(5,765)	902	(13,033)

Note to the unaudited condensed consolidated statements of comprehensive income for the financial periods ended 30 June 2011 and 2012 pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

	Fourth Quarter ended		Cumulative Twelve Months ended	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
a) Interest income	5	3	9	9
b) Other income (excluding (a) above and (g) below)	320	350	1,369	2,065
c) Interest expense	(1,305)	(1,577)	(4,917)	(5,337)
d) Depreciation and amortisation	(3,888)	(4,621)	(17,247)	(18,860)
e) Provision for and write off of receivables	-	-	-	-
f) Provision for and write off of inventories	-	-	-	-
g) Gain/(Loss) on disposal of quoted or unquoted investments or properties	1,055	-	1,055	1,485
h) Impairment of assets	-	(345)	-	(345)
i) Foreign exchange gain/(loss)	(280)	(162)	(288)	1,350
j) Gain/(loss) on derivatives	N/A	N/A	N/A	N/A
k) Exceptional items	-	-	-	-

N/A - This is not applicable to the Group

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2012 AND 2011**



		As at 30 June 2012 Unaudited RM'000	As at 30 June 2011 Audited RM'000
<b>ASSETS</b>	<b>Note</b>		
<b>Non-current assets</b>			
Property, plant and equipment	<b>A10</b>	86,784	112,550
Investment in jointly controlled entities	<b>A16</b>	-	-
Investment securities	<b>A17</b>	35	35
Goodwill on consolidation		-	5,242
Deferred tax assets		-	600
		86,819	118,427
<b>Current assets</b>			
Inventories		4,024	4,763
Trade receivables		28,027	18,318
Other receivables		5,472	5,978
Tax recoverable		216	1,088
Investment securities	<b>A18</b>	-	-
Cash and bank balances (including fixed deposits)		1,713	2,365
		39,452	32,512
Assets of disposal subsidiary classified as held for sale	<b>A19</b>	-	-
		39,452	32,512
<b>TOTAL ASSETS</b>		126,271	150,939
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	<b>A7</b>	42,908	42,908
Share premium		8,412	8,412
Other reserves		3,801	5,180
Accumulated losses	<b>B8</b>	(28,838)	(30,027)
		26,283	26,473
<b>Non-controlling interests / Minority interests</b>		(201)	7,158
<b>Total equity</b>		26,082	33,631
<b>Non-current liabilities</b>			
Loans and borrowings	<b>B9</b>	20,371	26,266
Deferred tax liabilities		3,458	3,702
		23,829	29,968
<b>Current liabilities</b>			
Trade payables		13,796	10,458
Other payables		18,265	14,266
Loans and borrowings	<b>B9</b>	43,285	62,351
Tax payable		1,014	265
		76,360	87,340
Liabilities of disposal subsidiary classified as held for sale	<b>A19</b>	-	-
		76,360	87,340
<b>Total liabilities</b>		100,189	117,308
<b>TOTAL EQUITY AND LIABILITIES</b>		126,271	150,939
<b>NET ASSETS PER SHARE (SEN)</b>		<b>18.4</b>	<b>18.5</b>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE 12 MONTH FINANCIAL PERIOD ENDED 30 JUNE 2012**



	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 2011 (Audited)</b>	42,908	8,412	4,468	712	(30,027)	26,473	7,158	33,631
Profit for the period	-	-	-	-	1,189	1,189	1,101	2,290
Other comprehensive income / (loss)	-	-	-	(1,379)	-	(1,379)	(9)	(1,388)
Total comprehensive profit / (loss) for the period	-	-	-	(1,379)	1,189	(190)	1,092	902
<b>Transactions with owners in their capacity as owners:</b>								
Divestment of a subsidiary	-	-	-	-	-	-	(7,305)	(7,305)
Dissolution of a subsidiary	-	-	-	-	-	-	(1,146)	(1,146)
<b>At 30 June 2012 (Unaudited)</b>	<b>42,908</b>	<b>8,412</b>	<b>4,468</b>	<b>(667)</b>	<b>(28,838)</b>	<b>26,283</b>	<b>(201)</b>	<b>26,082</b>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE 12 MONTH FINANCIAL PERIOD ENDED 30 JUNE 2011**



	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 2010</b>	31,944	9,283	4,468	(652)	(15,902)	29,141	6,750	35,891
Effect arising from adoption FRS 139	-	-	-	-	680	680	-	680
<b>At 1 July 2010 (restated)</b>	31,944	9,283	4,468	(652)	(15,222)	29,821	6,750	36,571
Loss for the period	-	-	-	-	(14,805)	(14,805)	496	(14,309)
Other comprehensive income / (loss)	-	-	-	1,364	-	1,364	(88)	1,276
Total comprehensive profit / (loss) for the period	-	-	-	1,364	(14,805)	(13,441)	408	(13,033)
<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 30 June 2011 (Unaudited)</b>	42,908	8,412	4,468	712	(30,027)	26,473	7,158	33,631

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012 AND 2011**



	<b>12 months ended</b>	
	<b>30 June 2012</b>	<b>30 June 2011</b>
	<b>Unaudited RM'000</b>	<b>Unaudited RM'000</b>
<b>Cash Flows From Operating Activities</b>		
Profit / (Loss) before taxation		
- From continuing operations	3,453	(13,405)
- From discontinued operations	3,272	-
	<u>6,725</u>	<u>(13,405)</u>
Adjustments for non-cash and non-operating items:		
- Depreciation of property, plant and equipment	17,247	18,860
- Gain on disposal of assets held for sale	(1,055)	(1,485)
- Interest expense	4,917	5,337
- Unrealised loss / (gain) on foreign exchange	374	(2,398)
- Others	1,625	1074
	<u>29,833</u>	<u>7,983</u>
<b>Operating profit before changes in working capital</b>	<b>29,833</b>	<b>7,983</b>
Changes in working capital:		
- Decrease/(Increase) in inventories	(1,369)	53
- Increase in trade and other receivables	(19,375)	(4,489)
- (Decrease)/Increase in trade and other payables	11,233	(7,935)
Interest paid	(3,344)	(3,857)
Interest received	9	9
Net change in taxation	(2,668)	(793)
<b>Net cash from / (used in) operating activities</b>	<b><u>14,319</u></b>	<b><u>(9,029)</u></b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from disposal of property, plant and equipment and/or assets held for sale	389	4,917
Purchase of property, plant and equipment	(7,726)	(4,002)
Net cash inflow from disposal of a subsidiary	11,866	-
<b>Net cash from investing activities</b>	<b><u>4,529</u></b>	<b><u>915</u></b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from issue of ordinary shares net of share issuance expenses	-	10,093
Non-controlling interest arising from dissolution of a subsidiary company	(1,146)	-
Decrease in loans and borrowings	(8,620)	(3,712)
<b>Net cash (used in) / from financing activities</b>	<b><u>(9,766)</u></b>	<b><u>6,381</u></b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>9,082</b>	<b>(1,733)</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>(5,608)</b>	<b>(7,549)</b>
<b>Effects of exchange rate changes</b>	<b>(1,761)</b>	<b>3,674</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b><u>1,713</u></b>	<b><u>(5,608)</u></b>
<b>Analysis of Cash and Cash Equivalents:</b>		
Cash and bank balances	1,356	2,037
Deposits with licensed financial institutions	357	328
Bank overdrafts	-	(7,973)
<b>Cash and Cash Equivalents</b>	<b><u>1,713</u></b>	<b><u>(5,608)</u></b>

## PART A - EXPLANATORY NOTES PURSUANT TO FRS 134



### A1 Basis of Preparation and Accounting Policies

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 Securities").

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2011 and the accompanying explanatory notes. 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 financial year ended 30 June 2011.

The significant accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2011 except for the adoption of the following amendments to FRSs and IC interpretations applicable to the Group:

#### **Effective for annual financial period beginning on or after 1 January 2011**

- Amendments to FRS 1 : Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
- Amendments to FRS 1 : Additional Exemptions for First-time Adopters
- Amendments to FRS 2 : Group Cash-settled Share-based Payment Transactions

#### **Effective for annual financial period beginning on or after 1 July 2011**

- Amendments to IC Interpretation 14 : Prepayments of a Minimum Funding Requirement
- IC Interpretation 19 : Extinguishing Financial Liabilities with Equity Instruments

The adoption of the above mentioned amendments to FRSs, IC Interpretation and amendment to IC Interpretation do not have any significant financial impact on the results and the financial position of the Group for the current quarter.

### A2 Comparative for Unaudited Condensed Consolidated Statements of Comprehensive Income

On 31 January 2012, the Company had entered into a conditional shares sale agreement ("SSA") with Marubeni-Itochu Tubulars Asia Pte Ltd and Hendroff Holdings Sdn Bhd ("Purchasers") to dispose of its 51% equity interest comprising 4,335,000 ordinary shares of RM1.00 each in Sobena Inc Offshore Sdn Bhd ("Sobena") for a total cash consideration of RM14 million.

In accordance with FRS 5 Non-current Assets Held For Sale and Discontinued Operation, Sobena is classified as Disposal subsidiary held for sale / discontinued operation. The comparative of the Discontinued operation in the corresponding financial quarter and cumulative twelve month period have been reclassified and presented as follows:-

Condensed consolidated statement of comprehensive income:-

[ THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK ]



**A2 Comparative for Unaudited Condensed Consolidated Statements of Comprehensive Income (cont'd)**

<b>(All in RM'000)</b>	<b>Corresponding Quarter ended 30 June 2011</b>		
	<b>As previously reported</b>	<b>Disposal Subsidiary</b>	<b>As reclassified</b>
Revenue	18,654	6,615	12,039
Cost of sales	(18,483)	(5,439)	(13,044)
<b>Gross profit</b>	171	1,176	(1,005)
Other income	353	400	(47)
Administrative expenses	(2,990)	(86)	(2,904)
Other operating expenses	(1,630)	(295)	(1,335)
Finance cost	(1,577)	(63)	(1,514)
<b>Profit / (Loss) before taxation</b>	(5,673)	1,132	(6,805)
Income tax expense	(193)	(296)	103
<b>Profit / (Loss) for the period from continuing operations</b>	<u>(5,866)</u>	<u>836</u>	<u>(6,702)</u>
<b>Profit / (Loss) for the period from discontinued operation</b>	-		<u>836</u>
<b>(All in RM'000)</b>	<b>Cumulative Twelve Months ended 30 June 2011</b>		
	<b>As previously reported</b>	<b>Disposal Subsidiary</b>	<b>As reclassified</b>
Revenue	68,081	20,661	47,420
Cost of sales	(66,279)	(18,756)	(47,523)
<b>Gross profit</b>	1,802	1,905	(103)
Other income	3,559	1,958	1,601
Administrative expenses	(7,257)	(711)	(6,546)
Other operating expenses	(6,172)	(1,201)	(4,971)
Finance cost	(5,337)	(323)	(5,014)
<b>Profit / (Loss) before taxation</b>	(13,405)	1,628	(15,033)
Income tax expense	(904)	(416)	(488)
<b>Profit / (Loss) for the period from continuing operations</b>	<u>(14,309)</u>	<u>1,212</u>	<u>(15,521)</u>
<b>Profit / (Loss) for the period from discontinued operation</b>	-		<u>1,212</u>

**A3 Auditors' Report on Preceding Annual Financial Statements**

The Auditors' Report of the financial statements for the financial period ended 30 June 2011 was not qualified.

**A4 Seasonal or Cyclical Factors**

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

**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.

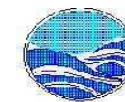
**A6 Changes in Accounting Estimates**

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.

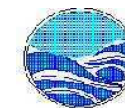
PART A - EXPLANATORY NOTES PURSUANT TO FRS 134 (CONT'D)



A8 Segmental Information

UNAUDITED RESULTS FOR FOR 12-MONTH PERIOD ENDED 30.6.2012	Continuing Operations						Discontinued Operation	Consolidated RM'000
	Tubular handling services RM'000	Inspection & maintenance services RM'000	Land rig services RM'000	Oilfield fishing & others RM'000	Adjustments and Elimination RM'000	Total RM'000	Oil & gas pipes threading services RM'000	
<b>I) BUSINESS SEGMENT</b>								
<b>Revenue</b>								
- External	60,888	10,408	14,483	-	-	85,779	28,091	113,870
- Inter-segment	820	697	-	-	(1,517)	-	-	-
- Elimination at Discontinued operation	-	-	-	-	-	-	-	-
Total revenue	<u>61,708</u>	<u>11,105</u>	<u>14,483</u>	<u>-</u>	<u>(1,517)</u>	<u>85,779</u>	<u>28,091</u>	<u>113,870</u>
<b>Results</b>								
- Segment results	11,671	715	(4,302)	(13)	-	8,071	3,571	11,642
- Finance cost	(2,854)	-	(1,764)	-	-	(4,618)	(299)	(4,917)
Profit before taxation						3,453	3,272	6,725
- Taxation						(3,603)	(832)	(4,435)
Profit/(Loss) after taxation						(150)	2,440	2,290
Non-controlling interests / Minority interest						102	(1,203)	(1,101)
Profit/(Loss) for the period attributable to equity holders of the Company						<u>(48)</u>	<u>1,237</u>	<u>1,189</u>
<b>Assets</b>								
Segment assets	114,970	15,302	81,465	209	(85,701)	126,245	-	126,245
Unallocated corporate assets								26
Consolidated Assets								<u>126,271</u>
<b>Liabilities</b>								
Segment liabilities	51,534	2,646	122,417	7,061	(85,070)	98,588	-	98,588
Unallocated corporate liabilities								1,601
Consolidated Liabilities								<u>100,189</u>

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



A8 Segmental Information (Cont'd)

UNAUDITED RESULTS FOR FOR 12-MONTH PERIOD ENDED 30.6.2012	Continuing Operations						Discontinued Operation	Consolidated RM'000
	Tubular handling services RM'000	Inspection & maintenance services RM'000	Land rig services RM'000	Oilfield fishing & others RM'000	Elimination RM'000	Total RM'000	Oil & gas pipes threading services RM'000	
<b>II) GEOGRAPHICAL SEGMENT</b>								
<b>Revenue from External Customers</b>								
- Malaysia	60,888	10,408	-	-	-	71,296	25,761	97,057
- Indonesia	-	-	14,483	-	-	14,483	-	14,483
- Singapore	-	-	-	-	-	-	2,330	2,330
Total revenue	<u>60,888</u>	<u>10,408</u>	<u>14,483</u>	<u>-</u>	<u>-</u>	<u>85,779</u>	<u>28,091</u>	<u>113,870</u>
<b>Non-current Assets</b>								
- Malaysia	22,693	1,275	-	12	-	23,980	-	23,980
- Indonesia	-	-	62,839	-	-	62,839	-	62,839
	<u>22,693</u>	<u>1,275</u>	<u>62,839</u>	<u>12</u>	<u>-</u>	<u>86,819</u>	<u>-</u>	<u>86,819</u>
<b>III) INFORMATION ON MAJOR EXTERNAL CUSTOMERS</b>								
<b>Contribute equal or &gt; 10% of revenue for each business segment</b>								
- Single largest customer	42,650	3,880	10,950	-	-	-	22,524	
- 2nd largest customer	-	-	2,837	-	-	-	3,999	
- 3rd largest customer	-	-	-	-	-	-	-	
- 4th largest customer	-	-	-	-	-	-	-	

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



A8 Segmental Information (Cont'd)

UNAUDITED RESULTS FOR FOR 12-MONTH PERIOD ENDED 30.6.2011	Continuing Operations						Discontinued Operation	Consolidated RM'000
	Tubular handling services RM'000	Inspection & maintenance services RM'000	Land rig services RM'000	Oilfield fishing & others RM'000	Adjustments and Elimination RM'000	Total RM'000	Oil & gas pipes threading services RM'000	
<b>I) BUSINESS SEGMENT</b>								
<b>Revenue</b>								
- External	31,962	8,964	6,494	-	-	47,420	20,661	68,081
- Inter-segment	68	432	-	-	(500)	-	17	17
- Elimination at Discontinued operation	-	-	-	-	-	-	-	(17)
Total revenue	<u>32,030</u>	<u>9,396</u>	<u>6,494</u>	<u>-</u>	<u>(500)</u>	<u>47,420</u>	<u>20,678</u>	<u>68,081</u>
<b>Results</b>								
- Segment results	1,754	2,441	(14,210)	(4)	-	(10,019)	1,951	(8,068)
- Finance cost	(3,075)	-	(1,939)	-	-	(5,014)	(323)	(5,337)
Profit/(Loss) before taxation						(15,033)	1,628	(13,405)
- Taxation						(488)	(416)	(904)
Profit/(Loss) after taxation						(15,521)	1,212	(14,309)
Non-controlling interests / Minority interest						97	(593)	(496)
Profit/(Loss) for the period attributable to equity holders of the Company						<u>(15,424)</u>	<u>619</u>	<u>(14,805)</u>
<b>Assets</b>								
Segment assets	116,000	13,135	85,005	156	(88,585)	125,711	25,188	150,899
Unallocated corporate assets								40
Consolidated Assets								<u>150,939</u>
<b>Liabilities</b>								
Segment liabilities	62,607	1,448	111,902	7,008	(77,571)	105,394	10,395	115,789
Unallocated corporate liabilities								1,519
Consolidated Liabilities								<u>117,308</u>

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



A8 Segmental Information (Cont'd)

UNAUDITED RESULTS FOR FOR 12-MONTH PERIOD ENDED 30.6.2011	Continuing Operations						Discontinued Operation	Consolidated RM'000
	Tubular handling services RM'000	Inspection & maintenance services RM'000	Land rig services RM'000	Oilfield fishing & others RM'000	Elimination RM'000	Total RM'000	Oil & gas pipes threading services RM'000	
<b>II) GEOGRAPHICAL SEGMENT</b>								
<b>Revenue from External Customers</b>								
- Malaysia	31,962	8,964	-	-	-	40,926	16,650	57,576
- Indonesia	-	-	6,494	-	-	6,494	-	6,494
- Singapore	-	-	-	-	-	-	4,011	4,011
Total revenue	<u>31,962</u>	<u>8,964</u>	<u>6,494</u>	<u>-</u>	<u>-</u>	<u>47,420</u>	<u>20,661</u>	<u>68,081</u>
<b>Non-current Assets</b>								
- Malaysia	31,860	1,472	-	48	-	33,380	14,641	48,021
- Indonesia	-	-	70,406	-	-	70,406	-	70,406
	<u>31,860</u>	<u>1,472</u>	<u>70,406</u>	<u>48</u>	<u>-</u>	<u>103,786</u>	<u>14,641</u>	<u>118,427</u>
<b>III) INFORMATION ON MAJOR EXTERNAL CUSTOMERS</b>								
<b>Contribute equal or &gt; 10% of revenue for each business segment</b>								
- Single largest customer	21,953	1,573	6,494	-	-	-	17,813	
- 2nd largest customer	4,216	1,484	-	-	-	-	2,318	
- 3rd largest customer	-	1,443	-	-	-	-	-	
- 4th largest customer	-	-	-	-	-	-	-	

## 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 2011.

### 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 30 June 2012 up to 28 August 2012 other than as disclosed in Note A16 on Investment in Jointly Controlled Entities, Note B6 on Status of Corporate Proposal Announced, Note B9 on Loans and Borrowings and Note B10 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 other than the disposal of the 51% equity interest in Sobena for a total cash consideration of RM14.0 million as further mentioned in Note B6 on Status of Corporate Proposal Announced. The aforesaid disposal was completed on 25 June 2012 and resulted in Sobena ceased to be a subsidiary company of the Company thereafter.

### A13 Changes in Contingent Liabilities and Contingent Assets

	As at 30 June 2012 Unaudited RM'000	As at 30 June 2011 Audited RM'000
<b><u>Unsecured</u></b>		
a) Bank guarantees in favour of third parties	3,798	3,997
b) Corporate guarantee given to financial institutions for credit facilities granted to a former subsidiary company, Sobena	138	-
	<u>138</u>	<u>-</u>

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

### A14 Capital Commitments

	As at 30 June 2012 Unaudited RM'000	As at 30 June 2011 Audited RM'000
Approved, contracted but unpaid costs for the purchase of tools, machineries and equipment:		
- for the Oil Country Tubular Goods end-finishing business	-	316
- for the tubular handling business	3,113	210
	<u>3,113</u>	<u>526</u>

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



**A15 Related Party Transactions**

	3 months ended		12 months ended	
	30 June 2012 Unaudited RM'000	30 June 2011 Unaudited RM'000	30 June 2012 Unaudited RM'000	30 June 2011 Unaudited RM'000
Transactions by a subsidiary with one of its substantial corporate shareholders :-				
a) Rendering of threading services and sales	6,238	4,042	22,524	17,813
b) Purchase of materials	414	211	2,601	1,160
c) Rental and storage charges and fees	184	323	939	1,691
Transactions with companies in which certain Directors have interest :-				
a) Purchase of air ticket from a company	315	178	768	554
b) IT related services	28	35	120	141
c) Transportation, freight and handling services	285	215	1,353	1,150
d) Interest payable to a director	34	-	195	13

Interest payable to a director is in respect of the advances amounted to RM2,956,317 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 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**

	As at 30 June 2012 Unaudited RM'000	As at 30 June 2011 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 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 June 2012	30 June 2011
KST Gagie Sdn Bhd ("KSTGSB")^	Oilfield fishing services	Malaysia	50%	50%
KST Gagie Labuan Ltd. ("KSTGLL")*	Oilfield fishing services	Labuan	51%	51%

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



**A16 Investment in Jointly Controlled Entities (Cont'd)**

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

The Group has discontinued the oilfield fishing operations in KSTGSB and KSTGLL subsequent to the terminations of the shareholders' agreements on 5 April 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 and is currently pending delivery of arbitration judgement by the arbitrator.

**A17 Investment Securities - Non-current**

	<b>As at 30 June 2012 Unaudited RM'000</b>	<b>As at 30 June 2011 Audited RM'000</b>
Available for sale investment - Unquoted shares	60	60
Less: Accumulated impairment loss	(25)	(25)
	<u>35</u>	<u>35</u>

**A18 Investment Securities - Current**

	<b>As at 30 June 2012 Unaudited RM'000</b>	<b>As at 30 June 2011 Audited RM'000</b>
Held to maturity investment - Subordinated bonds	3,000	3,000
Less: Accumulated impairment loss	(3,000)	(3,000)
	<u>-</u>	<u>-</u>

The Company has subscribed for subordinated bonds amounting to RM3,000,000 in respect of a special purpose entity pertaining to the participation of the Company in a Collateralised Loan Obligations ("CLO") programme in which RM30,000,000 term loan was granted to the Company. The subordinated bonds which have no fixed coupon rate were suspended by the Trustee of the CLO Programme upon maturity on 26 January 2012 without any redemption payment as there was insufficiency of funds under the CLO programme to redeem such class of bonds.



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



**A19 Discontinued Operation and Disposal Subsidiary Classified as Held for Sale**

As mentioned in Note A2 on Comparative for Unaudited Condensed Consolidation Statements of Comprehensive Income, Sobena is Disposal subsidiary classified as held for sale. Accordingly its results are presented separately on the unaudited condensed consolidated statements of comprehensive income as "Profit for the period from discontinued operation".

The disposal of 51% equity interest in Sobena was completed during the current financial period under review. The revenue and results of the Disposal subsidiary or Sobena for the eleven (11) month period ended 31 May 2012 that has been presented as "Profit for the period from discontinued operation" are as follows:

(All in RM'000)	Fourth Quarter ended		Cumulative Twelve Months ended	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
Revenue	6,871	6,615	28,091	20,661
Cost of sales	(4,778)	(5,439)	(23,350)	(18,756)
<b>Gross profit</b>	<b>2,093</b>	<b>1,176</b>	<b>4,741</b>	<b>1,905</b>
Other income	227	400	1,176	1,958
Administrative expenses	(618)	(86)	(1,052)	(711)
Other operating expenses	(297)	(295)	(1,294)	(1,201)
Finance cost	(51)	(63)	(299)	(323)
<b>Profit before taxation</b>	<b>1,354</b>	<b>1,132</b>	<b>3,272</b>	<b>1,628</b>
Income tax expense	(345)	(296)	(832)	(416)
<b>Profit for the period</b>	<b>1,009</b>	<b>836</b>	<b>2,440</b>	<b>1,212</b>

The major classes of assets and liabilities of Sobena recorded in the consolidated financial statements as at 31 May 2012 and summary of the effects of the disposal of 51% equity interest in Sobena are as follows:

	RM'000
Property, plant and equipment	14,182
Deferred tax assets	600
Trade and other receivables	10,215
Inventories	2,107
Cash and bank balances (including fixed deposits)	2,035
	<u>29,139</u>
Trade and other payables	(5,473)
Loans and borrowings	(8,367)
Tax payable	(390)
Net Assets deemed disposed	<u>14,909</u>
Share of Net Assets deemed disposed	7,604
Goodwill for 51% equity interest in the subsidiary	5,242
Expenses incurred for the disposal of the subsidiary	99
Proceeds from the disposal of the subsidiary	14,000
Gain on disposal of the subsidiary	<u>1,055</u>
Proceeds from the disposal of the subsidiary	14,000
Expenses incurred for the disposal of the subsidiary	(99)
Cash and cash equivalent of the subsidiary	(2,035)
Net cash inflow on disposal of the subsidiary	<u>11,866</u>

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



**B1 Review of Performance**

As explained in Note A19 of Part A, in accordance with FRS 5 Non-current Assets Held for Sale and Discontinued operation, Sobena is a disposal group held for sale and accordingly classified as Discontinued operation.

a) Continuing operations

For the current financial quarter under review, the Group's Continuing operations registered a total revenue of approximately RM17.57 million an increase of about 46% when compared to the corresponding financial quarter which was mainly due to better service and revenue performance reported by all continuing operations. This improved revenue performance and lower gross loss reported by the land rig services have enabled the Group's Continuing operations to register a gross profit of RM4.28 million as compared to a gross loss of RM1.01 million incurred in the corresponding financial quarter. With the reduction in combined administrative, other operating and finance costs/expenses incurred when compared to the corresponding financial quarter coupled with gain on disposal of 51% equity interest in Sobena (included in Other Income), the Group's Continuing operations managed to turn-in a pre-tax profit and profit for the period of RM0.69 million and RM0.35 million respectively as compared to pre-tax loss and net loss for the period of RM6.81 million and RM6.70 million respectively incurred in the corresponding financial quarter.

The financial improvement as elaborated above has further enhanced the performance of the Group's Continuing operation for the year-to-date period ended 30 June 2012 with a pre-tax profit of RM3.45 million as compared to a loss before taxation incurred in the corresponding year-to-date period of approximately RM15.03 million. The after-tax result of the Group's Continuing operations was almost breakeven with loss for the period stood at a mere RM0.15 million when compared to RM15.52 million chalked up in the corresponding year-to-date period ended 30 June 2011.

For the current financial quarter, the tubular handling services unit continues to produce improved performance with a higher segment profit before interest of about RM3.23 million when compared to RM1.45 million reported in the corresponding financial quarter. This was mainly attributable to greater volume of work orders which translated into higher revenue of RM12.92 million, an increase of about 24% when compared to the corresponding financial quarter and recognition of a gain on disposal of 51% equity interest in Sobena amounted to approximately RM1.06 million. The aforesaid continuous improvement of its performance for the current financial quarter has enabled the tubular handling services to further enhance its segment profit before interest for the current year-to-date period to approximately RM11.67 million, an increase of about 566% when compared to approximately RM1.75 million reported in the corresponding year-to-date period.

The inspection and maintenance services recorded a segment profit before interest of approximately RM0.43 million, a growth of about 285% when compared to about RM0.11 million registered in the corresponding financial quarter due principally to approximately 61% increase in revenue earned during the current financial quarter. For the current year-to-date period, its segment profit before interest has shown a decline of approximately 71% to RM0.72 million from a segment profit before interest of RM2.44 million registered in the corresponding year-to-date period, which was boosted by a gain on disposal or de-recognition of a non-current assets held for sale of approximately RM1.48 million.

The land rig services reported a lower segment loss before interest of RM1.71 as compared to RM6.86 million incurred in the corresponding financial quarter due mainly to substantially reduced cost of sales and administrative expenses were incurred during the current financial quarter as its rigs are on charter with local drilling contractors for drilling projects in Indonesia as opposed to self-operate position in the corresponding financial quarter. During the corresponding financial quarter, the land rig services unit suffered high maintenance and operation costs as its rigs were on moving stage and warm stack-up with no billing of revenue while it recorded rental revenue of approximately RM0.99 million for the current financial quarter. For the current year-to-date period, it reported a drop in segment loss before interest of about 70% to RM4.30 million when compared to RM14.21 million incurred in the corresponding year-to-date period.

b) Discontinued operation

The pipes threading services recorded a total revenue for the two month period ended 31 May 2012 ("2-Month Period") (being the practical closing date for effective de-consolidation of Sobena following the completion of the Disposal of Sobena - as defined below) of approximately RM6.87 million, about 4% increase over the revenue recorded in the corresponding financial quarter. The aforesaid revenue achievement has translated into a segment profit before interest for the 2-Month Period of approximately RM1.41 million as compared to RM1.20 million reported in the corresponding financial quarter due to higher gross profit margin earned during the 2-Month Period.

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



**B2 Variation of Results Against Preceding Quarter**

a) Continuing operations

For the current financial quarter under review, the Group's Continuing operations registered a total revenue of approximately RM17.57 million a slight increase of about 2% over the revenue of RM17.24 million reported in the preceding financial quarter. This consistent revenue performance together with improved gross profit margins recorded by its tubular handling services and inspection and maintenance services have enabled the Group's Continuing operations to report higher gross profit of approximately RM4.28 million, a jump of about 79% from RM2.39 million achieved in the preceding financial quarter. This was further boosted by the gain on disposal of 51% equity interest in Sobena of about RM1.06 million which resulted in the Group's Continuing operations to register an increase in segment result of about RM1.65 million (or about 557%) to approximately RM1.95 million when compared to the preceding financial quarter. The Group's Continuing operations reported a pre-tax profit of approximately RM0.69 million as compared to a pre-tax loss position of RM0.72 million incurred in the preceding financial quarter.

The tubular handling services' segment profit before interest increased by about 282% to approximately RM3.23 million for the current financial quarter, as compared to about RM0.85 million reported for the preceding financial quarter due mainly to the aforesaid gain on disposal of 51% equity interest in Sobena as well as higher gross profit margin earned following lower consumption of consumables, materials and parts with lesser hiring of equipment and tools.

The inspection and maintenance services reported a segment profit before interest of approximately RM0.43 million as compared to segment loss before interest position of about RM0.30 million registered in the preceding financial quarter. The aforesaid favourable position for the current financial quarter was largely arising from improved revenue and gross profit margin performance when compared to the preceding financial quarter.

The land rig services reported a higher segment loss before interest of about RM1.71 million as compared to RM0.25 million recorded in the preceding financial quarter principally due to lower revenue earned, recognition of net loss on foreign exchange of approximately RM0.22 million as compared to a net gain on foreign exchange of about RM0.58 million taken up in the preceding quarter and cost incurred in re-organisation of its overseas representative office.

b) Discontinued operation

The pipe threading services recorded a segment profit before interest of approximately RM1.41 million for the 2-Month Period, an increase of about 77% over RM0.80 million achieved in the preceding financial quarter. This was mainly due to higher gross margin earned arising from better value of services rendered during the current financial quarter.

**B3 Prospects for Financial Year ending 30 June 2013 (Financial Year 2013)**

Against the backdrop of uncertainties surrounding the debts crisis in Eurozone, the Board of Directors ("Board") is cautiously optimistic on a sustainable improvement in the domestic and global oil exploration activities which are directly related to the Group's operations despite of an ongoing gradual recovery in the United States.

The Group will continue its effort to maintain and extend the existing stream of service orders and contracts as well as securing new contracts (including those due for tender) with its existing clients and new players operating in the domestic market and Asia Pacific region to ensure better utilisation of its existing core revenue plant and machinery and pool of technicians and specialists. In addition, the Group will explore opportunities to expand the scope of work of its core activities, tubular handling services while continue to adopt a cautious approach for any expansion of revenue plant and machinery to meet any short term service requirement of its existing and prospective clients and expand regionally. More importantly, the Group will work closely with its existing business associates to mitigate the risk of under utilisation of the rigs while persist with its plan to explore and consider divestment and/or outright sale opportunities for its land rig business/assets.

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



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

This is not applicable to the Group.

**B5 Income Tax Expense**

	3 months ended		12 months ended	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
<b>Based on financial period's profit/(loss)</b>				
<u>Continuing operations</u>				
Taxation				
- Current financial period	762	220	3,819	1,113
- Under/(Over) provision in the previous years	(13)	1	28	(301)
Deferred taxation				
- Current financial period	(583)	(259)	(419)	(259)
- Under/(Over) provision in the previous years	175	(65)	175	(65)
	<u>341</u>	<u>(103)</u>	<u>3,603</u>	<u>488</u>
<u>Discontinued operation</u>				
Taxation				
- Current financial period	345	371	832	491
- Under/(Over) provision in the previous years	-	(94)	-	(94)
Deferred taxation				
- Current financial period	-	(100)	-	(100)
- Under/(Over) provision in the previous years	-	119	-	119
	<u>345</u>	<u>296</u>	<u>832</u>	<u>416</u>
Total tax expenses for the period	<u>686</u>	<u>193</u>	<u>4,435</u>	<u>904</u>

Domestic income tax is calculated at the Malaysian Statutory tax rate of 25% (30.6.2011: 25%) of the estimated assessable profit for the period. Taxation for other jurisdictions are calculated at the rates prevailing in the respective jurisdictions.

**B6 Status of Corporate Proposal Announced**

Proposed disposal of 51% equity interest in Sobena Offshore Inc Sdn Bhd

The Company has on 31 January 2012 entered into a conditional sale and purchase of shares agreement (“SPSA”) with Marubeni-Itochu Tubulars Asia Pte Ltd and Hendroff Holdings Sdn Bhd (“Purchasers”) to dispose of its 51% equity interest comprising 4,335,000 ordinary shares of RM1.00 each in Sobena for a total cash consideration of RM14.0 million (hereinafter referred to as the "Disposal of Sobena").

The Disposal of Sobena was completed on 25 June 2012.

Proposed Fund Raising Exercise

The Company has on 28 June 2012 announced that the Company proposes to undertake the following:

- i) Proposed renounceable rights issue of up to 71,513,250 new ordinary shares of RM0.30 each (“Rights Shares”) and up to 107,269,875 detachable warrants (“Warrants”) in the Company on the basis of two (2) Rights Shares together with three (3) Warrants for every four (4) existing ordinary shares of RM0.30 each in the Company (“KSTB Shares”) held by entitled shareholders (“Proposed Rights Issue”);

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



**B6 Status of Corporate Proposal Announced (Cont'd)**

- ii) Proposed increase in the authorised share capital of the Company from RM90,000,000 comprising 300,000,000 KSTB Shares to RM501,000,000 comprising 1,670,000,000 KSTB Shares ("Proposed Increase in Authorised Share Capital"); and
- iii) Proposed Amendments to the Memorandum and Articles of Association of the Company ("M&A") to facilitate the Proposed Rights Issue ("Proposed Amendments").

The Proposed Rights Issue, Proposed Increase in Authorised Share Capital and Proposed Amendments would collectively be known as "the Proposals".

The Proposed Rights Issue will be implemented based on a minimum subscription level of 35,756,625 Rights Shares together with 53,634,938 Warrants to raise gross proceeds of RM10.73 million ("Minimum Subscription Level"). The Minimum Subscription Level was determined based on amongst others, the funding requirement of the Group and the ability of the Group to raise financing.

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 RM10.73 million under the Minimum Subscription Level scenario and up to RM21.45 million in the event of full subscription for the Proposed Rights Issue.

The Proposals are conditional upon approvals being obtained, all of which are still pending, from the following:

- a) shareholders of the Company for the Proposals, at the forthcoming extraordinary general meeting to be convened;
- b) Bank Negara Malaysia, for the issue of the Warrants to non-resident shareholders and/or renounees pursuant to the Proposed Rights Issue, in accordance with the Exchange Control Regulations;
- c) Bursa Securities, for the admission of the Warrants and the listing of and quotation for the Rights Shares to be issued pursuant to the Proposed Rights Issue and the new KSTB Shares to be issued upon exercise of the Warrants on Bursa Securities; and
- d) any other relevant authority (if required).

The Proposed Rights Issue is subject to the registration of an Abridged Prospectus with the Securities Commission and lodgement of the Abridged Prospectus with the Registrar of Companies. The Proposed Rights Issue is conditional upon the Proposed Increase in Authorised Share Capital and Proposed Amendments. However the Proposed Increase in Authorised Share Capital and Proposed Amendments are not conditional upon the Proposed Rights Issue.

**B7 Utilisation of proceeds from disposal of 51% equity interest in Sobena**

On 28 June 2012, the Company announced a change in utilisation of the cash proceeds from the Disposal of Sobena as stated in the Circular to Shareholders dated 9 May 2012 ("Circular") in the following manner:

<b>Purpose (All in RM'000)</b>	<b>Estimated timeframe for utilisation</b>	<b>As stated in the Circular</b>	<b>Revised</b>
Working capital	Within 12 months from the receipt of proceeds from the Disposal of Sobena	9,844	1,994
Purchase of equipment and tools	Within 12 months from the receipt of proceeds from the Disposal of Sobena	4,006	1,907
Estimated expenses to be incurred for the Disposal of Sobena *	Immediate upon the receipt of the proceeds from the Disposal of Sobena	150	99
Settlement of Collateralised Loan Obligations Programme	By 30 June 2012	-	10,000
<b>Total</b>		<b>14,000</b>	<b>14,000</b>

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



**B7 Utilisation of proceeds from disposal of 51% equity interest in Sobena (Cont'd)**

Notes:

\* Any shortfall or excess in funds allocated for estimated expenses will be funded from its internally generated funds or used for working capital purposes.

The status of utilisation of proceeds raised from the Disposal of Sobena as at 30 June 2012 is as follows:

	<b>Revised Utilisation RM'000</b>	<b>Utilisation as at 30 June 2012 RM'000</b>	<b>Balance unutilised RM'000</b>
Working capital	1,994	1,994	-
Purchase of equipment and tools	1,907	768	1,139
Estimated expenses to be incurred for the Disposal of Sobena	99	-	99
Settlement of Collateralised Loan Obligations Programme	10,000	10,000	-
	<u>14,000</u>	<u>12,762</u>	<u>1,238</u>

**B8 Realised and Unrealised Profits / (Losses)**

	<b>Current Year - Quarter Ended 30 June 2012 Unaudited RM'000</b>	<b>Quarter Ended 31 March 2011 Unaudited RM'000</b>
Total retained profits / (accumulated losses) of the Company and its subsidiaries		
- Realised	(21,283)	(21,889)
- Unrealised	(7,555)	(7,824)
Total retained profits / (accumulated losses) as per consolidated accounts	<u>(28,838)</u>	<u>(29,713)</u>

**B9 Loans and borrowings**

	<b>As at 30 June 2012 Unaudited RM'000</b>	<b>As at 30 June 2011 Audited RM'000</b>
<b>a) Short term borrowings</b>		
Repayable within twelve months		
- Secured	23,285	21,962
- Unsecured	20,000	40,389
	<u>43,285</u>	<u>62,351</u>
<b>b) Long term borrowings</b>		
Repayable after twelve months		
- Secured	20,371	26,266
- Unsecured	-	-
Portion repayable after one year	-	-
	<u>20,371</u>	<u>26,266</u>
Borrowings denominated in foreign currency:		
United States Dollars (USD'000)	13,740	14,840
Ringgit Malaysia equivalent (RM'000)	<u>43,589</u>	<u>44,824</u>

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



**B9 Loans and borrowings (Cont'd)**

Included in the unsecured short term borrowings above is the RM30.0 million unsecured fixed term loan facility under a Primary Collateralised Loan Obligation programme ("CLO Facility") arranged by a licensed financial institution. The balance of CLO Facility as at 30 June 2012 was RM20.0 million following part settlement of RM10.0 million made pursuant to the Settlement Agreement elaborated below.

As one of the conditions to participate in the CLO Facility, 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 A18.

On 28 June 2012, the Company announced that the Company had on 28 June 2012 entered into a Settlement Agreement with Malaysian Trustees Berhad and Prima Uno Behad for the purpose of settlement of the CLO Facility, subject to the terms and conditions as stipulated in the Settlement Agreement, including but not limited to the following:-

- (i) the full settlement of the CLO Facility vide payment of a cash settlement of RM23.0 million subject to (iv);
- (ii) RM10.0 million of the settlement of the CLO Facility shall be paid on or before 30 June 2012;
- (iii) RM13.0 million of the settlement of the CLO Facility shall be paid on or before 31 December 2012; and
- (iv) RM7.0 million of the remaining principal sum and all other amounts due under the CLO Facility shall be waived provided that (ii) and (iii) are complied, failing which the entire original amount outstanding under the CLO Facility, less any amount paid, shall be immediately due and payables by the Company.

The RM10.0 million settlement payment mentioned in (ii) above has been made as at end of the current financial period under review. The Company intends to raise funds to enable it to completely fulfil the above mentioned settlement conditions. In connection with the aforesaid, the Company proposes to undertake the Proposals as disclosed and elaborated in Note B6 on Status of Corporate Proposal Announced.

[ THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK ]

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



**B10 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.

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.



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



**B11 Dividend**

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

**B12 Earning / (Loss) Per Share**

Basic earning / (loss) per share is calculated by dividing profit / (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: -

	3 months ended		12 months ended	
	30 June 2012 Unaudited	30 June 2011 Unaudited	30 June 2012 Unaudited	30 June 2011 Unaudited
Profit / (Loss) for the period attributable to equity holders of the parent (RM'000)				
- From continuing operations	371	(6,679)	(48)	(15,424)
- From discontinued operation	504	418	1,237	619
	<u>875</u>	<u>(6,261)</u>	<u>1,189</u>	<u>(14,805)</u>
Weighted average number of ordinary shares in issue ('000)	<u>143,027</u>	<u>143,027</u>	<u>143,027</u>	<u>137,720</u>
Basic earning/(loss) per share attributable to equity holders of the parent (sen)				
- From continuing operations	0.26	(4.67)	(0.03)	(11.20)
- From discontinued operation	0.35	0.29	0.86	0.45
	<u>0.61</u>	<u>(4.38)</u>	<u>0.83</u>	<u>(10.75)</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**

**Darmendran Kunaretnam**  
Executive Director  
Kuala Lumpur  
28 August 2012