



**KEJURUTERAAN SAMUDRA TIMUR BERHAD**

(Company No. 142241-X)

(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT  
FIRST FINANCIAL QUARTER ENDED 30 SEPTEMBER 2012**

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

		First Quarter ended		Cumulative Three Months ended	
		30 September	30 September	30 September	30 September
		2012	2011	2012	2011
	Note	Unaudited	Unaudited	Unaudited	Unaudited
		RM'000	RM'000	RM'000	RM'000
<b><u>Continuing Operations</u></b>					
Revenue		18,058	29,159	18,058	29,159
Cost of sales		(11,464)	(20,905)	(11,464)	(20,905)
<b>Gross profit</b>		<b>6,594</b>	<b>8,254</b>	<b>6,594</b>	<b>8,254</b>
Other income		95	25	95	25
Administrative expenses		(864)	(3,681)	(864)	(3,681)
Other operating expenses		(1,527)	(1,473)	(1,527)	(1,473)
Finance cost		(978)	(1,062)	(978)	(1,062)
<b>Profit before taxation</b>		<b>3,320</b>	<b>2,063</b>	<b>3,320</b>	<b>2,063</b>
Income tax expense	<b>A12</b>	(1,724)	(1,745)	(1,724)	(1,745)
<b>Profit for the period from continuing operation</b>		<b>1,596</b>	<b>318</b>	<b>1,596</b>	<b>318</b>
<b><u>Discontinued Operations</u></b>					
<b>Profit/(Loss) for the period from discontinued operation</b>		<b>-</b>	<b>(666)</b>	<b>-</b>	<b>(666)</b>
<b>Total profit / (loss) for the period</b>		<b>1,596</b>	<b>(348)</b>	<b>1,596</b>	<b>(348)</b>
Attributable to equity holders of the Company:					
- From continuing operations		1,626	350	1,626	350
- From discontinued operation		-	(347)	-	(347)
		1,626	3	1,626	3
Non-controlling interests / Minority interests		(30)	(351)	(30)	(351)
		1,596	(348)	1,596	(348)
Basic earnings/(loss) Per Share attributable to equity holders of the Company (sen)					
- From continuing operations	<b>A13</b>	1.14	0.24	1.14	0.25
- From discontinued operation	<b>A13</b>	-	(0.24)	-	(0.25)
		1.14	0.00	1.14	0.00
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 SEPTEMBER 2012 AND 2011**



	<b>First Quarter ended 30 September 2012 Unaudited RM'000</b>	<b>30 September 2011 Unaudited RM'000</b>	<b>Cumulative Three Months ended 30 September 2012 Unaudited RM'000</b>	<b>30 September 2011 Unaudited RM'000</b>
<b>Profit /(Loss) for the period</b>	1,596	(348)	1,596	(348)
<b>Other Comprehensive Income:</b>				
Currency translation differences	1,022	(1,245)	1,022	(1,245)
<b>Total other comprehensive income / (loss)</b>	<u>1,022</u>	<u>(1,245)</u>	<u>1,022</u>	<u>(1,245)</u>
<b>Total comprehensive profit / (loss)</b>	<u><u>2,618</u></u>	<u><u>(1,593)</u></u>	<u><u>2,618</u></u>	<u><u>(1,593)</u></u>
Attributable to:				
Equity holders of the Company	2,640	(1,235)	2,640	(1,235)
Non-controlling interests / Minority interests	(22)	(358)	(22)	(358)
	<u><u>2,618</u></u>	<u><u>(1,593)</u></u>	<u><u>2,618</u></u>	<u><u>(1,593)</u></u>

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER ("SEPT") 2012**



		<b>30 Sept 2012</b>	<b>30 June 2012</b>	<b>1 July 2011</b>
		<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
		<b>RM'000</b>	<b>(restated)</b>	<b>(restated)</b>
<b>ASSETS</b>	<b>Note</b>		<b>RM'000</b>	<b>RM'000</b>
<b>Non-current assets</b>				
Property, plant and equipment	<b>A14</b>	84,266	86,784	112,550
Investment in jointly controlled entities		-	-	-
Investment securities		35	35	35
Goodwill on consolidation		-	-	5,242
Deferred tax assets		-	-	600
		<u>84,301</u>	<u>86,819</u>	<u>118,427</u>
<b>Current assets</b>				
Inventories	<b>A15</b>	4,466	4,024	4,763
Trade receivables		30,090	28,026	18,318
Other receivables		5,731	5,473	5,978
Tax recoverable		-	216	1,088
Investment securities		-	-	-
Cash and bank balances (including fixed deposits)	<b>A16</b>	6,794	1,713	2,365
		<u>47,081</u>	<u>39,452</u>	<u>32,512</u>
Assets of disposal subsidiary classified as held for sale		-	-	-
		<u>47,081</u>	<u>39,452</u>	<u>32,512</u>
<b>TOTAL ASSETS</b>		<u>131,382</u>	<u>126,271</u>	<u>150,939</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to equity holders of the parent</b>				
Share capital	<b>A9</b>	42,908	42,908	42,908
Share premium	<b>A9</b>	8,412	8,412	8,412
Other reserves	<b>A9</b>	(365)	(1,379)	-
Accumulated losses		(22,032)	(23,658)	(24,847)
		<u>28,923</u>	<u>26,283</u>	<u>26,473</u>
<b>Non-controlling interests / Minority interests</b>		<u>(223)</u>	<u>(201)</u>	<u>7,158</u>
<b>Total equity</b>		<u>28,700</u>	<u>26,082</u>	<u>33,631</u>
<b>Non-current liabilities</b>				
Loans and borrowings	<b>A18</b>	18,145	20,371	26,265
Deferred tax liabilities		3,458	3,458	3,702
		<u>21,603</u>	<u>23,829</u>	<u>29,967</u>
<b>Current liabilities</b>				
Trade payables		11,142	13,796	10,458
Other payables		18,372	18,265	14,266
Loans and borrowings	<b>A18</b>	49,661	43,285	62,351
Tax payable		1,904	1,014	266
		<u>81,079</u>	<u>76,360</u>	<u>87,341</u>
Liabilities of disposal subsidiary classified as held for sale		-	-	-
		<u>81,079</u>	<u>76,360</u>	<u>87,341</u>
<b>Total liabilities</b>		<u>102,682</u>	<u>100,189</u>	<u>117,308</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>131,382</u>	<u>126,271</u>	<u>150,939</u>
<b>NET ASSETS PER SHARE (SEN)</b>		<u>20.2</u>	<u>18.4</u>	<u>18.5</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE 3 MONTH FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012**

	Attributable to equity holders of the Company					Minority interest	Total equity	
	← Non-disistributable →			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 2012</b>	42,908	8,412	-	(1,379)	(23,658)	26,283	(201)	26,082
Profit/(Loss) for the period	-	-	-	-	1,626	1,626	(30)	1,596
Other comprehensive income / (loss)	-	-	-	1,014	-	1,014	8	1,022
Total comprehensive profit / (loss) for the period	-	-	-	1,014	1,626	2,640	(22)	2,618
<b>Transactions with owners in their capacity as owners:</b>	-	-	-	-	-	-	-	-
<b>At 30 September 2012 (Unaudited)</b>	42,908	8,412	-	(365)	(22,032)	28,923	(223)	28,700

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE 3 MONTH FINANCIAL PERIOD ENDED 30 SEPTEMBER 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 2011</b>	42,908	8,412	-	-	(24,847)	26,473	7,158	33,631
Profit / (Loss) for the period	-	-	-	-	3	3	(351)	(348)
Other comprehensive income / (loss)	-	-	-	(1,238)	-	(1,238)	(7)	(1,245)
Total comprehensive profit / (loss) for the period	-	-	-	(1,238)	3	(1,235)	(358)	(1,593)
<b>Transactions with owners in their capacity as owners:</b>								
Dissolution of a subsidiary	-	-	-	-	-	-	(1,146)	(1,146)
Total transactions with owners	-	-	-	-	-	-	(1,146)	(1,146)
<b>At 30 September 2011 (Unaudited)</b>	<b>42,908</b>	<b>8,412</b>	<b>-</b>	<b>(1,238)</b>	<b>(24,844)</b>	<b>25,238</b>	<b>5,654</b>	<b>30,892</b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012 AND 2011**



	<b>3 months ended</b>	
	<b>30 Sept 2012</b>	<b>30 Sept 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	3,320	2,063
- From discontinued operations	-	(666)
	<u>3,320</u>	<u>1,397</u>
Adjustments for non-cash and non-operating items:		
- Depreciation of property, plant and equipment	3,280	4,632
- Interest expense	978	1,141
- Unrealised loss / (gain) on foreign exchange	(570)	931
- Others	(13)	760
	<u>6,995</u>	<u>8,861</u>
<b>Operating profit before changes in working capital</b>	<b>6,995</b>	<b>8,861</b>
Changes in working capital:		
- Increase in inventories	(442)	(127)
- Increase in trade and other receivables	(2,322)	(16,442)
- (Decrease)/Increase in trade and other payables	(2,989)	10,390
Interest paid	(530)	(371)
Interest received	11	-
Net change in taxation	(617)	(404)
	<u>106</u>	<u>1,907</u>
<b>Net cash from operating activities</b>	<b>106</b>	<b>1,907</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from disposal of property, plant and equipment and/or assets held for sale	3	158
Purchase of property, plant and equipment	(771)	(962)
Net cash inflow from disposal of a subsidiary	-	-
	<u>(768)</u>	<u>(804)</u>
<b>Net cash used in investing activities</b>	<b>(768)</b>	<b>(804)</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from issue of ordinary shares net of share issuance expenses	-	-
Non-controlling interest arising from dissolution of a subsidiary company	-	(1,146)
(Decrease) / Increase in loans and borrowings	(2,182)	1,987
	<u>(2,182)</u>	<u>841</u>
<b>Net cash (used in) / from financing activities</b>	<b>(2,182)</b>	<b>841</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(2,844)</b>	<b>1,944</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>1,713</b>	<b>(5,608)</b>
<b>Effects of exchange rate changes</b>	<b>1,592</b>	<b>(2,175)</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>461</b>	<b>(5,839)</b>
<b>Analysis of Cash and Cash Equivalents:</b>		
Cash and bank balances	6,348	1,610
Deposits with licensed financial institutions	446	328
Bank overdrafts	(6,333)	(7,777)
	<u>461</u>	<u>(5,839)</u>
<b>Cash and Cash Equivalents</b>	<b>461</b>	<b>(5,839)</b>

## A1 Corporate information

Kejuruteraan Samudra Timur Berhad is a public limited liability company incorporated and doiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad ("Bursa Securities").

These condensed consolidated interim financial statements were approved by the Board of Directors on 19 November 2012.

## A2 First-time adoption of Malaysian Financial Reporting Standards ("MFRS")

These condensed consolidated interim financial statements, for the period ended 30 September 2012, have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Securities. These condensed consolidated interim financial statements also comply with IAS 34 Inetrim Financial Reporting issued by the International Accounting Standards Board. For the periods up to and including the year ended 30 June 2012, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS").

These condensed consolidated interim financial statements are the Group's first MFRS condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS annual financial statements for the year ending 30 June 2013. MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") has been applied.

The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transaction that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 30 June 2012.

In preparing its opening MFRS Statement of Financial Position as at 1 July 2011 (which is also the date of transition), the Group has adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group's financial position, financial performance and cash flows is set out in Note A3 below. These notes include reconciliations of equity and total comprehensive income for comparative periods (if any) and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS. The transition from FRS to MFRS has not had a material impact on the statement of cash flows.

## A3 Significant accounting policies and application of MFRS 1

The audited financial statements of the Group for the year ended 30 June 2012 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these condensed consolidated interim financial staements are consistent with those of the audited financial statements for trhe year ended 30 June 2012 except as discussed below:

### (a) Business combination

MFRS 1 provides the option to apply MFRS 3 Business Combinations, prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combination prior to the date of transition.

#### Acquisition before date of transition

The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisition prior to the date of transition,

- (i) The classification of former business combination under FRS is maintained;
- (ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition): and
- (iii) The carrying amount of goodwill recognised under FRS is not adjusted.

### (b) Property, plant and equipment

The Group has previously adopted the transitional provisions available on the first application of the MASB Approved Accounting Standards IAS 16 (Revised) Property, Plant and Equipment which was effective for periods ending on or after 1 September 1998. By virtue of this transitional provision, the Group has recorded certain equipment and accessories at revalued amounts but had not adopted a policy of revaluation and continue to carry the equipment and accessories on the basis of their previous revaluations subject to continuity in its depreciation policy and requirement to write down the assets to their recoverable amounts for impairment adjustments.

**A3 Significant accounting policies and application of MFRS 1 (Cont'd)**

**(b) Property, plant and equipment (Cont'd)**

Upon transition to MFRS, the Group has elected to measure all its property, plant and equipment using the cost model under MFRS 116 Property, Plant and Equipment. At the date of transition to MFRS, the Group elected to:

- regard the revalued amounts of equipment and accessories as at 1 December 2001 as deemed cost at the date of the revaluation as these amounts were broadly comparable to fair value at that date. The revaluation surplus of RM4,469,000 (30 September 2011: RM4,469,000; 30 June 2012: RM4,469,000) was transferred to retained earnings on date of transition to MFRS.

**(c) Foreign currency translation reserve**

Under FRS, the Group recognised translation differences on foreign operations in a separate component of equity. Cumulative foreign currency translation differences for all foreign operations are deemed to be zero as at the date of transition to MFRS. Accordingly, at date of transition to MFRS, the cumulative foreign translation differences of RM711,000 (30 September 2011: RM711,000; 30 June 2012: RM711,000) were adjusted to retained earnings.

**(d) Estimates**

The estimates at 1 July 2011 and at 30 June 2012 were consistent with those made for the same dates in accordance with FRS. The estimates used by the Group to present the amounts in accordance with MFRS reflect conditions at 1 July 2011, the date of transition to MFRS and as at 30 June 2012.

The reconciliations of equity for comparative periods and at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below:-

[ THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK ]



### A3 Significant accounting policies and application of MFRS 1 (Cont'd)

(i) Reconciliations of equity

	Note	FRS as at 1 July 2011 RM'000	Adjustments RM'000	MFRS as at 1 July 2011 RM'000	FRS as at 30 Sept 2011 RM'000	Adjustments RM'000	MFRS as at 30 Sept 2011 RM'000	FRS as at 30 June 2012 RM'000	Adjustments RM'000	MFRS as at 30 June 2012 RM'000
<b>ASSETS</b>										
<b>Non-current assets</b>										
Property, plant and equipment		112,550		112,550	107,952		107,952	86,784		86,784
Investment securities		35		35	35		35	35		35
Goodwill on consolidation		5,242		5,242	5,242		5,242	-		-
Deferred tax assets		600		600	600		600	-		-
		<u>118,427</u>		<u>118,427</u>	<u>113,829</u>		<u>113,829</u>	<u>86,819</u>		<u>86,819</u>
<b>Current assets</b>										
Inventories		4,763		4,763	4,890		4,890	4,024		4,024
Trade receivables		18,318		18,318	34,253		34,253	28,026		28,026
Other receivables		5,978		5,978	6,485		6,485	5,473		5,473
Tax recoverable		1,088		1,088	244		244	216		216
Investment securities		-		-	-		-	-		-
Cash and bank balances		2,365		2,365	1,938		1,938	1,713		1,713
		<u>32,512</u>		<u>32,512</u>	<u>47,810</u>		<u>47,810</u>	<u>39,452</u>		<u>39,452</u>
<b>TOTAL ASSETS</b>		<u>150,939</u>		<u>150,939</u>	<u>161,639</u>		<u>161,639</u>	<u>126,271</u>		<u>126,271</u>

### A3 Significant accounting policies and application of MFRS 1 (Cont'd)

(i) Reconciliations of equity (Cont'd)

#### EQUITY AND LIABILITIES

##### Equity

Share capital	42,908		42,908	42,908		42,908	42,908	42,908	42,908
Share premium	8,412		8,412	8,412		8,412	8,412	8,412	8,412
Revaluation reserve	4,469	(4,469)	-	4,469	(4,469)	-	4,469	(4,469)	-
Exchange Translation reserve	711	(711)	-	(527)	(711)	(1,238)	(668)	(711)	(1,379)
Accumulated losses	(30,027)	5,180	(24,847)	(30,024)	5,180	(24,844)	(28,838)	5,180	(23,658)
Equity attributable to owners of the parent	26,473		26,473	25,238		25,238	26,283		26,283
Non-controlling interest	7,158		7,158	5,654		5,654	(201)		(201)
	<u>33,631</u>		<u>33,631</u>	<u>30,892</u>		<u>30,892</u>	<u>26,082</u>		<u>26,082</u>

##### Non-current liabilities

Loans and borrowings	26,265		26,265	26,439		26,439	20,371		20,371
Deferred tax liabilities	3,702		3,702	3,866		3,866	3,458		3,458
	<u>29,967</u>		<u>29,967</u>	<u>30,305</u>		<u>30,305</u>	<u>23,829</u>		<u>23,829</u>

##### Current liabilities

Trade payables	10,458		10,458	16,660		16,660	13,796		13,796
Other payables	14,266		14,266	19,214		19,214	18,265		18,265
Loans and borrowings	62,351		62,351	63,969		63,969	43,285		43,285
Tax payable	266		266	599		599	1,014		1,014
	<u>87,341</u>		<u>87,341</u>	<u>100,442</u>		<u>100,442</u>	<u>76,360</u>		<u>76,360</u>
<b>Total liabilities</b>	<u>117,308</u>		<u>117,308</u>	<u>130,747</u>		<u>130,747</u>	<u>100,189</u>		<u>100,189</u>

<b>TOTAL EQUITY AND LIABILITIES</b>	<u>150,939</u>		<u>150,939</u>	<u>161,639</u>		<u>161,639</u>	<u>126,271</u>		<u>126,271</u>
-------------------------------------	----------------	--	----------------	----------------	--	----------------	----------------	--	----------------

- - - - -

**A3 Significant accounting policies and application of MFRS 1 (Cont'd)**

	Note	1 July 2011 RM'000	30 Sept 2011 RM'000	30 June 2012 RM'000
<u>Accumulated losses</u>				
The changes which affected the retained earnings are as follows:				
Property, plant and equipment	A3(b)	4,469	4,469	4,469
Foreign currency translation reserve	A3(c)	711	711	711
		<u>5,180</u>	<u>5,180</u>	<u>5,180</u>
<u>Revaluation reserve</u>				
Property, plant and equipment	A3(b)	4,469	4,469	4,469

**A4 Comparatibe 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 (“Sobena Disposal”). The Sobena Disposal was completed on 25 June 2012 and Sobena has ceased to be a subsidiary in the preceding financial quarter.

In accordance with MFRS 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 three month period have been reclassified and presented as follows:

Condensed consolidated statement of comprehensive income:-

(All in RM'000)	Corresponding Quarter ended 30 Sept 2011		
	As previously reported	Disposal Subsidiary	As reclassified
Revenue	34,420	5,261	29,159
Cost of sales	(26,628)	(5,723)	(20,905)
<b>Gross profit</b>	<u>7,792</u>	<u>(462)</u>	<u>8,254</u>
Other income	275	250	25
Administrative expenses	(3,699)	(18)	(3,681)
Other operating expenses	(1,830)	(357)	(1,473)
Finance cost	(1,141)	(79)	(1,062)
<b>Profit / (Loss) before taxation</b>	<u>1,397</u>	<u>(666)</u>	<u>2,063</u>
Income tax expense	(1,745)	-	(1,745)
<b>Profit / (Loss) for the period from continuing operations</b>	<u>(348)</u>	<u>(666)</u>	<u>318</u>
<b>Profit / (Loss) for the period from discontinued operation</b>	<u>-</u>	<u>-</u>	<u>(666)</u>

**A4 Comparative for Unaudited Condensed Consolidated Statements of Comprehensive Income (Cont'd)**Condensed consolidated statement of comprehensive income (Cont'd):-

(All in RM'000)	Cumulative Three Months ended 30 Sept 2011		
	As previously reported	Disposal Subsidiary	As reclassified
Revenue	34,420	5,261	29,159
Cost of sales	(26,628)	(5,723)	(20,905)
<b>Gross profit</b>	<b>7,792</b>	<b>(462)</b>	<b>8,254</b>
Other income	275	250	25
Administrative expenses	(3,699)	(18)	(3,681)
Other operating expenses	(1,830)	(357)	(1,473)
Finance cost	(1,141)	(79)	(1,062)
<b>Profit / (Loss) before taxation</b>	<b>1,397</b>	<b>(666)</b>	<b>2,063</b>
Income tax expense	(1,745)	-	(1,745)
<b>Profit / (Loss) for the period from continuing operations</b>	<b>(348)</b>	<b>(666)</b>	<b>318</b>
<b>Profit / (Loss) for the period from discontinued operation</b>	<b>-</b>	<b>-</b>	<b>(666)</b>

**A5 Changes in Accounting Estimates**

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

**A6 Seasonal or Cyclical Factors**

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

**A7 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.

**A8 Changes to 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 and long term investments, restructuring and discontinuing operations.

**A9 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.

**A10 Segment Information**

For the current financial period under review, the Group is organised into business units based on the products and services, and has three reportable operating segments as follows:

- (i) Tubular handling services - provision of tubular handling equipment and running services to the oil and gas industry;
- (ii) Tubular inspection and maintenance services - provision of tubular inspection and maintenance services for oil and gas industry; and
- (iii) Land rig services - provision of land rig and drilling services to the oil and gas industry.

The oil and gas pipes threading services segment which provides threading services for Oil Country Tubular Goods such as pipes and couplings for oil and gas industry has ceased following the completion of the Sobena Disposal in the preceding financial year. This segment has been classified as a discontinued operation for the corresponding financial quarter / period.

There has been no material change in the basis of segmentation or in the basis of measurement of segment profit or loss as compared to the last annual financial statements.

PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A10 Segmental Information (Cont'd)

UNAUDITED RESULTS FOR FOR 3-MONTH PERIOD ENDED 30.9.2012	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>D) BUSINESS SEGMENT</b>								
<b>Revenue</b>								
- External	14,154	3,310	594	-	-	18,058	-	18,058
- Inter-segment	2	224	-	-	(226)	-	-	-
- Elimination at Discontinued operation	-	-	-	-	-	-	-	-
Total revenue	<u>14,156</u>	<u>3,534</u>	<u>594</u>	<u>-</u>	<u>(226)</u>	<u>18,058</u>	<u>-</u>	<u>18,058</u>
<b>Results</b>								
- Segment results	4,799	753	(1,251)	(3)	-	4,298	-	4,298
- Finance cost	(513)	-	(465)	-	-	(978)	-	(978)
Profit before taxation						3,320	-	3,320
- Taxation						(1,724)	-	(1,724)
Profit after taxation						1,596	-	1,596
Non-controlling interests / Minority interest						30	-	30
Profit for the period attributable to equity holders of the Company						<u>1,626</u>	<u>-</u>	<u>1,626</u>
<b>Assets</b>								
Segment assets	123,912	15,051	78,255	173	(86,034)	131,357	-	131,357
Unallocated corporate assets								25
Consolidated Assets								<u>131,382</u>
<b>Liabilities</b>								
Segment liabilities	57,059	1,607	120,243	7,025	(84,794)	101,140	-	101,140
Unallocated corporate liabilities								1,542
Consolidated Liabilities								<u>102,682</u>

**PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134**

**A10 Segmental Information (Cont'd)**

UNAUDITED RESULTS FOR FOR 3-MONTH PERIOD ENDED 30.9.2012	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	14,154	3,310	-	-	-	17,464	-	17,464
- Indonesia	-	-	594	-	-	594	-	594
Total revenue	<u>14,154</u>	<u>3,310</u>	<u>594</u>	<u>-</u>	<u>-</u>	<u>18,058</u>	<u>-</u>	<u>18,058</u>
<b>Non-current Assets</b>								
- Malaysia	21,761	1,398	-	5	-	23,164	-	23,164
- Indonesia	-	-	61,137	-	-	61,137	-	61,137
	<u>21,761</u>	<u>1,398</u>	<u>61,137</u>	<u>5</u>	<u>-</u>	<u>84,301</u>	<u>-</u>	<u>84,301</u>

**PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134**

**A10 Segmental Information (Cont'd)**

UNAUDITED RESULTS FOR FOR 3-MONTH PERIOD ENDED 30.9.2011	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>D) BUSINESS SEGMENT</b>								
<b>Revenue</b>								
- External	19,834	2,152	7,173	-	-	29,159	5,261	34,420
- Inter-segment	16	148	-	-	(164)	-	1	1
- Elimination at Discontinued operation	-	-	-	-	-	-	-	(1)
Total revenue	<u>19,850</u>	<u>2,300</u>	<u>7,173</u>	<u>-</u>	<u>(164)</u>	<u>29,159</u>	<u>5,262</u>	<u>34,420</u>
<b>Results</b>								
- Segment results	4,904	236	(2,012)	(3)	-	3,125	(587)	2,538
- Finance cost	(708)	-	(354)	-	-	(1,062)	(79)	(1,141)
Profit/(Loss) before taxation						2,063	(666)	1,397
- Taxation						(1,745)	-	(1,745)
Profit/(Loss) after taxation						318	(666)	(348)
Non-controlling interests / Minority interest						32	319	351
Profit/(Loss) for the period attributable to equity holders of the Company						<u>350</u>	<u>(347)</u>	<u>3</u>
<b>Assets</b>								
Segment assets	128,400	12,872	85,850	208	(87,515)	139,815	21,785	161,600
Unallocated corporate assets								39
Consolidated Assets								<u>161,639</u>
<b>Liabilities</b>								
Segment liabilities	71,490	924	119,276	7,060	(79,589)	119,161	9,981	129,142
Unallocated corporate liabilities								1,605
Consolidated Liabilities								<u>130,747</u>

**PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134**

**A10 Segmental Information (Cont'd)**

UNAUDITED RESULTS FOR FOR 3-MONTH PERIOD ENDED 30.9.2011	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	19,834	2,152	-	-	-	21,986	4,888	26,874
- Indonesia	-	-	7,173	-	-	7,173	-	7,173
- Singapore	-	-	-	-	-	-	373	373
Total revenue	<u>19,834</u>	<u>2,152</u>	<u>7,173</u>	<u>-</u>	<u>-</u>	<u>29,159</u>	<u>5,261</u>	<u>34,420</u>
<b>Non-current Assets</b>								
- Malaysia	30,043	1,521	-	39	-	31,603	14,231	45,834
- Indonesia	-	-	67,995	-	-	67,995	-	67,995
	<u>30,043</u>	<u>1,521</u>	<u>67,995</u>	<u>39</u>	<u>-</u>	<u>99,598</u>	<u>14,231</u>	<u>113,829</u>



**A10 Segment Information (Cont'd)**

For the current financial quarter under review, the Group's Continuing operations registered a total revenue of approximately RM18.06 million a reduction of about 38% when compared to the corresponding financial quarter mainly due to lower turnover and volume of work were reported by both its tubular handling services and land rig services. This has translated into a lower gross profit of about RM6.59 million for the current financial quarter as compared to RM8.25 million achieved in the corresponding financial quarter. The aforesaid reduction effect was offset by the significant decline in administrative expenses which was attributable to the recognition of a net gain on foreign exchange of about RM0.57 million for the current financial quarter as opposed to a net loss on foreign exchange position recorded in the corresponding financial quarter of approximately RM0.96 million. As a result, the Group's Continuing operations managed to register a higher profit before taxation of approximately RM3.32 million, an increase of about 61% when compared to the pre-tax profit of about RM2.06 million reported in the corresponding financial quarter. It recorded a profit attributable to equity holders of the Company of approximately RM1.63 million for the current financial quarter.

For the current financial quarter, the tubular handling services unit recorded an approximately 29% decline in revenue to RM14.15 million compared the turnover of about RM19.83 million reported in the corresponding financial quarter principally due to lower sales was recorded for 3rd party specialist services. Despite of the aforesaid reduction in revenue, it managed to produce an improved gross profit of approximately RM7.10 million as a result of better gross profit margin earned during the current financial quarter. This was however offset by the increase in administrative expenses as the tubular handling services unit was in a net loss on foreign exchange position of about RM0.03 million as opposed to a net gain on foreign exchange of about RM0.26 million recognised in the corresponding financial quarter. Consequently, the tubular handling services unit reported a slightly lower segment profit before interest of approximately RM4.80 million compared to RM4.90 million registered in the corresponding financial quarter.

The inspection and maintenance services recorded a segment profit before interest of approximately RM0.75 million, a growth of about 219% when compared to about RM0.24 million registered in the corresponding financial quarter due principally to higher volume of work/service orders received and completed during the current financial quarter which has observed an increase in revenue by approximately 54% to RM3.31 million when compared to the corresponding financial quarter's revenue achievement of approximately RM2.15 million.

The land rig services unit reported a lower segment loss before interest of RM1.25 million as compared to RM2.01 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 were on charter arrangement on project basis with local drilling contractors in Indonesia during the current financial quarter as opposed to self-operate position in the corresponding financial quarter and it recognised a net gain on foreign exchange of approximately RM0.60 million as compared to RM1.32 million loss on foreign exchange taken up in the corresponding financial quarter apart from a loss on disposal of about RM0.76 million.

[ THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK ]

**A11 Profit before tax**

Included in the profit before/(loss) before taxation are the following items:-

	<b>First Quarter ended</b>	<b>30 September</b>	<b>30 September</b>	<b>Cumulative Three Months ended</b>	<b>30 September</b>
	<b>2012</b>	<b>2011*</b>	<b>2011*</b>	<b>2012</b>	<b>2011*</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
a) Interest income	11	-	-	11	-
b) Other income (excluding (a) and (g))	84	271	271	84	271
c) Interest expense	(978)	(1,141)	(1,141)	(978)	(1,141)
d) Depreciation and amortisation of property plant and equipment	(3,280)	(4,632)	(4,632)	(3,280)	(4,632)
e) Amortisation of intangible assets	-	-	-	-	-
f) Impairment and/or write off of receivables	-	-	-	-	-
g) Impairment and/or write off of inventories	-	-	-	-	-
h) Gain/(Loss) on disposal of quoted or unquoted investments or properties	-	-	-	-	-
i) Impairment of assets	-	-	-	-	-
j) Realised foreign exchange gain/(loss)	(5)	(33)	(33)	(5)	(33)
k) Unrealised foreign exchange gain/(loss)	570	(931)	(931)	570	(931)
l) Gain/(loss) on derivatives	-	-	-	-	-
m) Exceptional items	-	-	-	-	-

\* - Includes amount in respect of the discontinued operation

**A12 Income tax expense**

	<b>First Quarter ended</b>	<b>30 September</b>	<b>30 September</b>	<b>Cumulative Three Months ended</b>	<b>30 September</b>
	<b>2012</b>	<b>2011</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Based on financial period's profit</b>					
<u>Continuing operations</u>					
Taxation					
- Current financial period	1,724	1,540	1,540	1,724	1,540
- Under/(Over) provision in the previous years	-	41	41	-	41
Deferred taxation					
- Current financial period	-	-	-	-	-
- Under/(Over) provision in the previous years	-	164	164	-	164
	<u>1,724</u>	<u>1,745</u>	<u>1,745</u>	<u>1,724</u>	<u>1,745</u>
<u>Discontinued operation</u>					
Taxation	-	-	-	-	-
Deferred taxation	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total tax expenses for the period	<u>1,724</u>	<u>1,745</u>	<u>1,745</u>	<u>1,724</u>	<u>1,745</u>

**A12 Income tax expense (Cont'd)**

Income tax expense is recognised in each financial period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. The effective tax rate for the current financial period was higher than the statutory tax rate principally due to the losses of certain subsidiaries, and certain expenses which are not deductible for tax purposes.

The Group's effective tax rate for the corresponding financial period ended 30 September 2011 was higher than the statutory tax rate mainly due to the losses of certain subsidiaries, and certain expenses which are not deductible for tax purposes.

**A13 Earnings/(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:

	First Quarter ended 30 September 2012 Unaudited	30 September 2011 Unaudited	Cumulative Three Months ended 30 September 2012 Unaudited	30 September 2011 Unaudited
Profit / (Loss) for the period attributable to equity holders of the parent (RM'000)				
- From continuing operations	1,626	350	1,626	350
- From discontinued operation	-	(347)	-	(347)
	<u>1,626</u>	<u>3</u>	<u>1,626</u>	<u>3</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	1.14	0.24	1.14	0.25
- From discontinued operation	-	(0.24)	-	(0.25)
	<u>1.14</u>	<u>0.00</u>	<u>1.14</u>	<u>0.00</u>

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

**A14 Property, Plant and Equipment and Non-Current Assets Held for Sale**

During the financial period under review, the Group has acquired / purchased additional plant, equipment, tools and office accessories with a combined cost of approximately RM771,000.

**A15 Inventories**

There were no write down of inventories during the current financial period under review.

**A16 Cash and cash equivalent**

	As at 30 Sept 2012 Unaudited RM'000	As at 30 June 2012 Unaudited RM'000	As at 1 July 2011 Unaudited RM'000
Cash and bank balances	6,794	1,713	2,365
Bank overdrafts	(6,333)	-	(7,973)
<b>Total cash and cash equivalent</b>	<u>461</u>	<u>1,713</u>	<u>(5,608)</u>

**A17 Fair value hierarchy**

The Group uses the following hierarchy for determining the fair value of all financial instruments carried at fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs that are based on observable market data, either directly or indirectly

**A17 Fair value hierarchy (Cont'd)**

Level 3 - Inputs that are not based on observable market data

As at end of the reporting date, the Group held the following financial assets that are measured at fair value:

	Total RM'000	Level 3 RM'000	Level 3 RM'000	Level 3 RM'000
<u>30 September 2012</u>				
<b>Available-for-sale financial assets</b>				
Equity shares	35	-	-	35
<u>30 June 2012</u>				
<b>Available-for-sale financial assets</b>				
Equity shares	35	-	-	35
<u>1 July 2011</u>				
<b>Available-for-sale financial assets</b>				
Equity shares	35	-	-	35

No transfers between any levels of the fair value hierarchy took place during the current financial period under review and the comparative periods. There were also no changes in the purpose of any financial asset that subsequently resulted in a different classification of that asset.

The Group does not hold credit enhancements or collateral to mitigate credit risk. The carrying amount of financial assets therefore present the potential risk.

**A18 Loans and borrowings**

	As at 30 Sept 2012 Unaudited RM'000	As at 30 June 2012 Unaudited RM'000	As at 1 July 2011 Unaudited RM'000
<b>a) Short term borrowings</b>			
Repayable within twelve months			
- Secured	23,329	23,285	21,962
- Unsecured	26,332	20,000	40,389
	<u>49,661</u>	<u>43,285</u>	<u>62,351</u>
<b>b) Long term borrowings</b>			
Repayable after twelve months			
- Secured	18,145	20,371	26,265
- Unsecured	-	-	-
Portion repayable after one year	<u>18,145</u>	<u>20,371</u>	<u>26,265</u>
United States Dollars (USD'000)	13,584	13,740	14,840
Ringgit Malaysia equivalent (RM'000)	<u>41,414</u>	<u>43,589</u>	<u>44,824</u>

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 the CLO Facility as at 30 September 2012 was RM20.0 million which is to be settled in accordance with or pursuant to the terms and conditions stipulated in the Settlement Agreement as announced by the Company on 28 June 2012 and as reported in the interim financial report of the preceding financial period.

**A19 Contingencies**

	<b>As at 30 Sept 2012 Unaudited RM'000</b>	<b>As at 30 June 2012 Unaudited RM'000</b>	<b>As at 1 July 2011 Unaudited RM'000</b>
<b><u>Unsecured</u></b>			
Bank guarantees in favour of third parties	4,096	3,819	3,997

The bank guarantees in favour of third parties of the Group are mainly related to performance guarantees for oil and gas support services undertaken by the Group

There is no significant litigation against the Group except for the outstanding arbitration and cases pertaining to the jointly controlled entities as reported in the interim financial report of the preceding financial periods and disclosed in Note B7.

**A20 Capital Commitments**

	<b>As at 30 Sept 2012 Unaudited RM'000</b>	<b>As at 30 June 2012 Unaudited RM'000</b>	<b>As at 1 July 2011 Unaudited RM'000</b>
<b><u>Capital expenditure</u></b>			
Approved and contracted for:			
- Property, plant and equipment	3,166	3,113	526

**A21 Related Party Transactions**

The following table provides information on the transactions which have been entered into with related parties during the three-month period ended 30 September 2012 and 30 September 2011 as well as the balances with the related parties as at 30 September 2012 and 30 June 2012.

	<b>First Quarter ended 30 September 2012 Unaudited RM'000</b>	<b>30 September 2011 Unaudited RM'000</b>	<b>Cumulative Three Months ended 30 September 2012 Unaudited RM'000</b>	<b>30 September 2011 Unaudited RM'000</b>
Transactions with Director and companies in which certain Directors have interest :-				
a) Purchase of air ticket from a company	216	170	216	170
b) IT related services	23	3	23	3
c) Transportation, freight and handling services	215	362	215	362
d) Interest payable to a director	39	-	39	-

Balances with related parties pertaining to the related parties transactions, as at:

	<b>30 Sept 2012 Unaudited RM'000</b>	<b>30 June 2012 Unaudited RM'000</b>
Gem Travel & Tour Sdn Bhd	215	184
IQ Works Sdn Bhd	13	33
Safeguards Oceanic Sdn Bhd	395	426
Airoceanic Express Sdn Bhd	191	283
Safeguards Records management Sdn Bhd *	3	31
Dato' Chee Peck Kiat @ Chee Peck Jan	3,190	3,151

Note \* - *Subsidiary of Safeguards Corporation Sdn Bhd*

**A21 Related Party Transactions (Cont'd)**

All outstanding balances with these related parties other than the advances made by a director, are unsecured and are to be settled in accordance with credit period normally granted by its creditors/vendors. The advances from a director are unsecured, bear interest at prevailing bank overdraft's rate per annum and had no fixed term of repayment.

**A22 Dividend Paid**

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

**A23 Events Subsequent to the Balance Sheet Date**

In the opinion of the Directors, no transaction or event of a material or unusual nature had occurred between 30 September 2012 up to 19 November 2012.

[ THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK ]

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



**B1 Review of Performance**

Explanatory comment on the performance of each of the Group's business activities is provided in Note A10.

**B2 Comment on material change in profit before taxation**

For the current financial quarter under review, the Group's Continuing operations registered a total revenue of approximately RM18.06 million a slight increase of about 3% over the revenue of RM17.57 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 RM6.59 million, a jump of about 54% from RM4.28 million achieved in the preceding financial quarter. This was further boosted by the net gain on foreign exchange of about RM0.57 million which resulted in the Group's Continuing operations to report an increase in segment result of approximately RM2.35 million (or 121%) to about RM4.30 million when compared to the preceding financial quarter. The Group's Continuing operations reported a pre-tax profit of approximately RM3.32 million as compared to RM0.69 million registered in the preceding financial quarter.

**B3 Commentary on the prospects**

The Group currently has three principal activities namely (i) provision of tubular handling equipment and running services ("Tubular Handling Services"); (ii) provision of OCTG inspection and maintenance services ("Inspection & Maintenance Services"); and (iii) provision of land rig and drilling services ("Land Drilling Services") which are all directly or indirectly in support of upstream oil and gas drilling activities (in particular the exploration, development and workover activities).

The Board is cautiously optimistic on a sustainable improvement in the domestic and global oil and gas exploration and development activities which are directly related to the Group's operations. Such cautious views were taken after considering the on-going European sovereign debt crisis which remains unresolved and signs of slowing growth in China and India, the combination of which poses threats to the world economy.

The Group will continue its efforts to maintain and extend the existing stream of service orders, to maintain existing contract(s) due for extension or renewal and to secure new contracts from its existing clients for those contract(s) or scope of works due for re-tender or bidding and with new players operating in the domestic market and Asia Pacific region which will translate into better utilisation of its existing core revenue equipment and tools as well as its pool of technicians and specialists. Nonetheless, the Group will be cautious in expanding its core revenue equipment and tools to meet any short term service requirement of its existing and prospective clients and expand regionally. More importantly, the Group will accelerate its efforts while exercising due care to consider all options to address the challenges facing Land Drilling Services such as incompatibility of the rigs with the specification requirement of prospective customers which reduces the availability of potential projects, short term nature of work orders or contracts and high gearing level of the rigs assets as well as considering investment options for the Land Drilling Services division including time charter of the land rigs and/or joint venture with oil contractors / operators to enhance utilisation of the land rigs and related assets as well as looking for suitable investors to invest in its Land Drilling Services or to buy out its Land Drilling Services business together with its assets.

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

This is not applicable to the Group.

**B5 Corporate proposals**

Proposed Fund Raising Exercise

The Company has on 28 June 2012 announced a proposed rights issue of 71,513,250 new ordinary of RM0.30 each in the Company ("RightsShares") together with up to 107,269,875 detachable warrants ("Warrants") in the Company as well as the proposed increase in authorised share capital and proposed amendments to Memorandum and Articles of Association ("Proposed Increase in Authorised Share Capital and Amendments of M&A") to facilitate the aforesaid proposed rights issue of new ordinary shares.

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



**B5 Corporate proposals (Cont'd)**

On 24 September 2012, HwangDBS Investment Bank, on behalf of the Board, announced that the Board has, after further deliberation and after taking into consideration improvement in cashflow generated/to be generated from the Company's operations subsequent to the aforesaid announcement on 28 June 2012, aborted the above proposals and proposed to implement the Proposed renounceable rights issue of up to 71,513,250 warrants ("Warrant(s)") at an issue price of RM0.05 for each Warrant on the basis of one (1) Warrant for every two (2) existing ordinary shares of RM0.30 each in the Company ("KSTB Shares") held at an entitlement date to be determined later ("Entitlement Date") ("Proposed Rights Issue of Warrants").

Further to the Proposed Rights Issue of Warrants, the CLO Facility will be settled in the following manner:-

	<b><u>RM'000</u></b>
(i) First settlement payment of the CLO Facility made in June 2012	10,000
(ii) Proceeds from the Proposed Rights Issue of Warrants	3,150
(iii) Waiver of remaining principal sum and all other amounts due under the CLO Facility	7,000
(iv) Internally generated funds of Samudra Group / bank borrowings	9,850
	<b>30,000</b>

Based on the issued and paid-up share capital of the Company as at 30 September 2012 of RM42,907,950 comprising 143,026,500 KSTB Shares, the number of Warrants to be issued is 71,513,250. Accordingly, the number of new KSTB Shares to be issued assuming full exercise of the Warrants is 71,513,250. In any event, the actual number of Warrants to be issued will be determined based on the issued and paid-up share capital of KSTB as at the Entitlement Date.

In order to raise the required funds of RM3,575,663, the Company proposes to undertake the Proposed Rights Issue of Warrants on a full subscription basis with undertakings to be procured from its substantial shareholders to subscribe in full for their respective entitlements of the Warrants, as well as the entire balance of the "open portion" of the Warrants not already subscribed for by the entitled shareholders pursuant to the Proposed Right Issue of Warrants in proportion to their respective shareholding in KSTB. As such, the Proposed Rights Issue of Warrants will not be undertaken on a minimum level of subscription basis.

Bank Negara Malaysia had vide its letter dated 15 October 2012, approved the issuance of Warrants to the entitled shareholders who are non-residents pursuant to the Proposed Rights Issue of Warrants, without imposing any conditions while Bursa Securities had, vide its letter dated 29 October 2012, approved in-principle the following:

- (a) admission to the Official List and listing and quotation for 71,513,250 Warrants to be issued pursuant to the Proposed Rights Issue of Warrants; and
  - (b) listing of up to 71,513,250 new KSTB Shares to be issued pursuant to the exercise of the Warrants,
- subject to the conditions as stated in Section 8 of the circular to shareholders dated 2 November 2012 and as announced to Bursa Securities on 30 October 2012.

The approval of the shareholders of the Company was obtained at the Extraordinary General Meeting held on 19 November 2012.

**Formation of joint venture in United Arab Emirates**

On 6 September 2012, the Board announced that the Company had, on 5 September 2012 entered into a memorandum of association with Mohamed Abdulla Al-Otaiba Group Est., license no. CN-1000730 of Abu Dhabi, United Arab Emirates ("Otaiba") ("MoA") to form a limited liability company to be named "Emirates Kejuruteraan Samudra Timur Berhad Petroleum Services L.L.C." ("EKSTB") in the Emirates of Abu Dhabi with a capital of Five Hundred Thousand Dirhams (AED500,000) divided into One Hundred (100) shares of Dirhams Five Thousand (AED5,000) each, which would be held by the parties in the following proportion; Otaiba (51%) and KSTB (49%) ("Joint Venture"). On 11 October 2012, the Company announced that it had on 8 October 2012, obtained the Commercial License issued by the Department of Economic Development of Abu Dhabi for the formation of EKSTB.

The principle activities of EKSTB would be the installation and maintenance of natural gas and oil equipment and on-shore and off-shore oil and gas fields services.



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



**B6 Utilisation of proceeds from disposal of 51% equity interest in Sobena**

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

	Note (a) As reported RM'000	Utilisation as at 30 Sept 2012 RM'000	Balance unutilised RM'000
Working capital	1,994	1,994	-
Purchase of equipment and tools	1,907	1,331	576
Estimated expenses to be incurred for the Disposal of Sobena	99	99	-
Settlement of CLO Facility	10,000	10,000	-
	<u>14,000</u>	<u>13,424</u>	<u>576</u>

Note a) Circular to Shareholders dated 9 May 2012 and interim financial report of the Group for the financial year ended 30 June 2012.

**B7 Changes in material litigation**

There was no material changes to the status of material litigation as disclosed in the interim financial report of the preceding financial period and there was no new material litigation for the current financial period under review.

**B8 Dividend payable**

Please refer to Note A22.

**B9 Disclosure relating to derivatives**

The Group did not enter into any derivatives during the financial period under review or there were no outstanding derivatives as at end of the financial period under review.

**B10 Disclosure of gains/losses arising from fair value changes of financial liabilities**

The Group did not have any financial liabilities measured at fair value through profit or loss as at 30 September 2012 and 30 June 2012.

**B11 Realised and Unrealised profits / (losses)**

	30 Sept 2012 Unaudited RM'000	30 June 2012 Unaudited RM'000
Total retained profits / (accumulated losses) of the Company and its subsidiaries		
- Realised	(15,972)	(16,103)
- Unrealised	(6,060)	(7,555)
Total retained profits / (accumulated losses) as per consolidated accounts	<u>(22,032)</u>	<u>(23,658)</u>

**B12 Auditors' Report on Preceding Annual Financial Statements**

The Auditors' Report of the financial statements for the financial year ended 30 June 2012 was not qualified

**BY ORDER OF THE BOARD**

**Darmendran Kunaretnam**  
Executive Director  
Kuala Lumpur  
19 November 2012