



KEJURUTERAAN SAMUDRA TIMUR BERHAD

**Interim Financial Report for
4th Quarter Ended 30th June 2013
Pursuant to MFRS 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 2013**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIODS ENDED 30 JUNE 2013 AND 2012**

		Fourth Quarter ended		Cumulative Twelve Months ended	
		30 June	30 June	30 June	30 June
		2013	2012	2013	2012
	Note	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
<u>Continuing Operations</u>					
Revenue		25,035	17,568	102,156	85,779
Cost of sales		(18,115)	(13,293)	(77,751)	(65,079)
Gross profit		6,920	4,275	24,405	20,700
Other income		290	1,153	8,546	1,257
Administrative expenses		(21,698)	(2,247)	(25,431)	(8,060)
Other operating expenses		(1,564)	(1,236)	(6,002)	(5,826)
Finance cost		(502)	(1,254)	(2,220)	(4,618)
Profit/(Loss) before taxation		(16,554)	691	(702)	3,453
Income tax expense	A12	(1,276)	(341)	(6,375)	(3,603)
Profit/(Loss) for the period from continuing operation		(17,830)	350	(7,077)	(150)
<u>Discontinued Operations</u>					
Profit for the period from discontinued operation		-	1,009	-	2,440
Total profit/(loss) for the period		(17,830)	1,359	(7,077)	2,290
Attributable to equity holders of the Company:					
- From continuing operations		(17,758)	371	(6,942)	(48)
- From discontinued operation		-	504	-	1,237
		(17,758)	875	(6,942)	1,189
Non-controlling interests / Minority interests		(72)	484	(135)	1,101
		(17,830)	1,359	(7,077)	2,290
Basic earnings/(loss) per Share attributable to equity holders of the Company (sen)					
- From continuing operations	A13	(12.42)	0.26	(4.85)	(0.03)
- From discontinued operation	A13	-	0.35	-	0.86
		(12.42)	0.61	(4.85)	0.83
Diluted earnings/(loss) Per Share attributable to equity holders of the Company (sen)					
	A13	Anti-dilutive	N/A	Anti-dilutive	N/A

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE
INCOME FOR THE FINANCIAL PERIODS ENDED 30 JUNE 2013 AND 2012**



	Fourth Quarter ended		Cumulative Twelve Months ended	
	30 June	30 June	30 June	30 June
	2013	2012	2013	2012
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) for the period	(17,830)	1,359	(7,077)	2,290
Other Comprehensive Income:				
Currency translation differences	(880)	(972)	(68)	(1,388)
Total other comprehensive income / (loss)	<u>(880)</u>	<u>(972)</u>	<u>(68)</u>	<u>(1,388)</u>
Total comprehensive profit	<u>(18,710)</u>	<u>387</u>	<u>(7,145)</u>	<u>902</u>
Attributable to:				
Equity holders of the Company	(18,628)	(90)	(7,006)	(190)
Non-controlling interests / Minority interests	(82)	477	(139)	1,092
	<u>(18,710)</u>	<u>387</u>	<u>(7,145)</u>	<u>902</u>

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2013



		30 June 2013	30 June 2012	1 July 2011
		Unaudited	Unaudited	Unaudited
		RM'000	(restated)	(restated)
ASSETS	Note		RM'000	RM'000
Non-current assets				
Property, plant and equipment	A14	23,512	86,784	112,550
Investment in associated company		226	-	-
Investment securities		35	35	35
Goodwill on consolidation		-	-	5,242
Deferred tax assets		-	-	600
		<u>23,773</u>	<u>86,819</u>	<u>118,427</u>
Current assets				
Inventories	A15	4,546	4,024	4,763
Trade receivables		40,581	28,026	18,318
Other receivables		3,743	5,473	5,978
Tax recoverable		113	216	1,088
Cash and bank balances (including fixed deposits)	A16	24,521	1,713	2,365
		<u>73,504</u>	<u>39,452</u>	<u>32,512</u>
Non-current assets held for sale	A14	36,185	-	-
		<u>109,689</u>	<u>39,452</u>	<u>32,512</u>
TOTAL ASSETS		<u>133,462</u>	<u>126,271</u>	<u>150,939</u>
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Share capital	A9	42,908	42,908	42,908
Share premium	A9	7,849	8,412	8,412
Warrant reserve	A9	3,576	-	-
Other reserves	A9	(1,443)	(1,379)	-
Accumulated losses		(30,600)	(23,658)	(24,847)
		<u>22,290</u>	<u>26,283</u>	<u>26,473</u>
Non-controlling interests / Minority interests		(340)	(201)	7,158
Total equity		<u>21,950</u>	<u>26,082</u>	<u>33,631</u>
Non-current liabilities				
Loans and borrowings	A18	14,740	20,371	26,265
Deferred tax liabilities		3,364	3,458	3,702
		<u>18,104</u>	<u>23,829</u>	<u>29,967</u>
Current liabilities				
Trade payables		25,538	13,796	10,458
Other payables		34,432	18,265	14,266
Loans and borrowings	A18	30,369	43,285	62,351
Tax payable		3,069	1,014	266
		<u>93,408</u>	<u>76,360</u>	<u>87,341</u>
Total liabilities		<u>111,512</u>	<u>100,189</u>	<u>117,308</u>
TOTAL EQUITY AND LIABILITIES		<u>133,462</u>	<u>126,271</u>	<u>150,939</u>
NET ASSETS PER SHARE (SEN)		<u>15.3</u>	<u>18.2</u>	<u>23.5</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 12 MONTH FINANCIAL PERIOD ENDED 30 JUNE 2013**

	Attributable to equity holders of the Company						Minority interest	Total equity	
	Non-distributable			Distributable					
	Share Capital	Share Premium	Warrant Reserve	Revaluation Reserve	Exchange Translation Reserve	Accumulated Losses	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 July 2012 (Restated)	42,908	8,412	-	-	(1,379)	(23,658)	26,283	(201)	26,082
Profit/(Loss) for the period	-	-	-	-	-	(6,942)	(6,942)	(135)	(7,077)
Other comprehensive income / (loss)	-	-	-	-	(64)	-	(64)	(4)	(68)
Total comprehensive profit / (loss) for the period	-	-	-	-	(64)	(6,942)	(7,006)	(139)	(7,145)
Transactions with owners in their capacity as owners:									
Rights Issue of Warrants	-	-	3,576	-	-	-	3,576	-	3,576
Corporate expenses for Rights Issue of Warrants	-	(563)	-	-	-	-	(563)	-	(563)
	-	(563)	3,576	-	-	-	3,013	-	3,013
At 30 June 2013 (Unaudited)	42,908	7,849	3,576	-	(1,443)	(30,600)	22,290	(340)	21,950

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

	Attributable to equity holders of the Company						Minority interest	Total equity	
	Non-distributable			Distributable					
	Share Capital RM'000	Share Premium RM'000	Warrant Reserve RM'000	Revaluation Reserve RM'000	Exchange Translation Reserve RM'000	Accumulated Losses RM'000	Total RM'000	RM'000	RM'000
At 1 July 2011 (Restated)	42,908	8,412	-	-	-	(24,847)	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
Transactions with owners in their capacity as owners:									
Dissolution of a subsidiary	-	-	-	-	-	-	-	(1,146)	(1,146)
Divestment of a subsidiary	-	-	-	-	-	-	-	(7,305)	(7,305)
Total transactions with owners	-	-	-	-	-	-	-	(8,451)	(8,451)
At 30 June 2012 (Restated/Unaudited)	42,908	8,412	-	-	(1,379)	(23,658)	26,283	(201)	26,082

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2013 AND 2012**



	12 months ended	
	30 June 2013	30 June 2012
	Unaudited RM'000	Unaudited RM'000
Cash Flows From Operating Activities		
Profit before taxation		
- From continuing operations	(702)	3,453
- From discontinued operations	-	3,272
	(702)	6,725
Adjustments for non-cash and non-operating items:		
- Depreciation of property, plant and equipment	12,792	17,247
- Impairment loss on property, plant and equipment	19,832	-
- Gain on disposal of assets held for sale	-	(1,055)
- Interest expense	2,220	4,917
- Unrealised loss / (gain) on foreign exchange	(23)	374
- Others	(117)	1,625
	34,002	29,833
Operating profit before changes in working capital		
Changes in working capital:		
- Increase in inventories	(523)	(1,369)
- Increase in trade and other receivables	(10,826)	(19,375)
- Increase in trade and other payables	29,008	11,233
Interest paid and waived	(3,309)	(3,344)
Interest received	38	9
Net change in taxation	(4,311)	(2,668)
Net cash from operating activities	44,079	14,319
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant and equipment and/or assets held for sale	90	389
Purchase of property, plant and equipment	(5,557)	(7,726)
Investment in associated company	(226)	-
Net cash inflow from disposal of a subsidiary	-	11,866
Net cash (used in) / from investing activities	(5,693)	4,529
Cash Flows From Financing Activities		
Proceeds from issuance of warrants net of warrant issuance expenses	3,013	-
Non-controlling interest arising from dissolution of a subsidiary company	-	(1,146)
Decrease in loans and borrowings	(20,127)	(8,620)
Net cash used in financing activities	(17,114)	(9,766)
Net Change in Cash and Cash Equivalents	21,272	9,082
Cash and Cash Equivalents at Beginning of Period	1,713	(5,608)
Effects of exchange rate changes	(44)	(1,761)
Cash and Cash Equivalents at End of Period	22,941	1,713
Analysis of Cash and Cash Equivalents:		
Cash and bank balances	24,162	1,356
Deposits with licensed financial institutions	359	357
Bank overdrafts	(1,580)	-
Cash and Cash Equivalents	22,941	1,713

A1 Corporate information

Kejuruteraan Samudra Timur Berhad is a public limited liability company incorporated and domiciled 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 28 August 2013.

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

These condensed consolidated interim financial statements, for the period ended 31 March 2013, 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 Interim 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 MFRS condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS annual financial statements for the year ended 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 transactions 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 statements are consistent with those of the audited financial statements for the 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 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 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:-

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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 June 2012 RM'000	Adjustments RM'000	MFRS as at 30 June 2012 RM'000
ASSETS							
Non-current assets							
Property, plant and equipment		112,550		112,550	86,784		86,784
Investment securities		35		35	35		35
Goodwill on consolidation		5,242		5,242	-		-
Deferred tax assets		600		600	-		-
		<u>118,427</u>		<u>118,427</u>	<u>86,819</u>		<u>86,819</u>
Current assets							
Inventories		4,763		4,763	4,024		4,024
Trade receivables		18,318		18,318	28,026		28,026
Other receivables		5,978		5,978	5,473		5,473
Tax recoverable		1,088		1,088	216		216
Cash and bank balances		2,365		2,365	1,713		1,713
		<u>32,512</u>		<u>32,512</u>	<u>39,452</u>		<u>39,452</u>
Non-current assets held for sale		-		-	-		-
		<u>32,512</u>		<u>32,512</u>	<u>39,452</u>		<u>39,452</u>
TOTAL ASSETS		<u>150,939</u>		<u>150,939</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
Share premium	8,412		8,412	8,412	8,412
Revaluation reserve	4,469	(4,469)	-	4,469	(4,469)
Exchange Translation reserve	711	(711)	-	(668)	(711)
Accumulated losses	(30,027)	5,180	(24,847)	(28,838)	5,180
Equity attributable to owners of the parent	26,473		26,473	26,283	26,283
Non-controlling interest	7,158		7,158	(201)	(201)
	<u>33,631</u>		<u>33,631</u>	<u>26,082</u>	<u>26,082</u>

Non-current liabilities

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

Current liabilities

Trade payables	10,458		10,458	13,796	13,796
Other payables	14,266		14,266	18,265	18,265
Loans and borrowings	62,351		62,351	43,285	43,285
Tax payable	266		266	1,014	1,014
	<u>87,341</u>		<u>87,341</u>	<u>76,360</u>	<u>76,360</u>
Total liabilities	<u>117,308</u>		<u>117,308</u>	<u>100,189</u>	<u>100,189</u>

TOTAL EQUITY AND LIABILITIES

	<u>150,939</u>		<u>150,939</u>	<u>126,271</u>	<u>126,271</u>
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A3 Significant accounting policies and application of MFRS 1 (Cont'd)

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

A4 Comparative for Unaudited Condensed Consolidated Statements of Comprehensive Income - Discontinued Operation and Disposal Subsidiary Classified as Held for Sale

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 financial quarter ended 30 June 2012.

In accordance with MFRS Non-current Assets Held For Sale and Discontinued Operation, Sobena was classified as Disposal subsidiary held for sale / discontinued operation for the corresponding financial quarter and cumulative twelve-month period ended 30 June 2012.

Accordingly the results related to Sobena are presented separately on the unaudited condensed consolidated statements of comprehensive income for the corresponding financial quarter and cumulative twelve-month period ended 30 June 2012 as "Profit for the period from discontinued operation".

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 period.

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PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A10 Segmental Information (Cont'd)

UNAUDITED RESULTS FOR FOR 12-MONTH PERIOD ENDED 30.6.2013	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	
D) BUSINESS SEGMENT								
Revenue								
- External	90,063	9,580	2,513	-	-	102,156	-	102,156
- Inter-segment	20	860	-	-	(880)	-	-	-
Total revenue	<u>90,083</u>	<u>10,440</u>	<u>2,513</u>	<u>-</u>	<u>(880)</u>	<u>102,156</u>	<u>-</u>	<u>102,156</u>
Results								
- Segment results	31,099	453	(30,025)	(9)	-	1,518	-	1,518
- Finance cost	(478)	(5)	(1,737)	-	-	(2,220)	-	(2,220)
Loss before taxation						(702)	-	(702)
- Taxation						(6,375)	-	(6,375)
Loss after taxation						(7,077)	-	(7,077)
Non-controlling interests / Minority interest						135	-	135
Loss for the period attributable to equity holders of the Company						<u>(6,942)</u>	<u>-</u>	<u>(6,942)</u>
Assets								
Segment assets	124,786	15,096	48,254	210	(54,893)	133,453	-	133,453
Unallocated corporate assets								9
Consolidated Assets								<u>133,462</u>
Liabilities								
Segment liabilities	76,483	1,527	121,034	7,063	(96,183)	109,924	-	109,924
Unallocated corporate liabilities								1,588
Consolidated Liabilities								<u>111,512</u>

PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A10 Segmental Information (Cont'd)

UNAUDITED RESULTS FOR FOR 12-MONTH PERIOD ENDED 30.6.2013	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	
II) GEOGRAPHICAL SEGMENT								
Revenue from External Customers								
- Malaysia	90,063	9,580	-	-	-	99,643	-	99,643
- Indonesia	-	-	2,513	-	-	2,513	-	2,513
Total revenue	<u>90,063</u>	<u>9,580</u>	<u>2,513</u>	<u>-</u>	<u>-</u>	<u>102,156</u>	<u>-</u>	<u>102,156</u>
Non-current Assets								
- Malaysia	22,200	1,556	-	2	-	23,759	-	23,759
- Indonesia	-	-	15	-	-	15	-	15
	<u>22,200</u>	<u>1,556</u>	<u>15</u>	<u>2</u>	<u>-</u>	<u>23,773</u>	<u>-</u>	<u>23,773</u>

PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A10 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	Adjustments and Elimination RM'000	Total RM'000	Oil & gas pipes threading services RM'000	
D) BUSINESS SEGMENT								
Revenue								
- 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>
Results								
- 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)
(Loss)/Profit after taxation						(150)	2,440	2,290
Non-controlling interests / Minority interest						102	(1,203)	(1,101)
(Loss)/Profit for the period attributable to equity holders of the Company						<u>(48)</u>	<u>1,237</u>	<u>1,189</u>
Assets								
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>
Liabilities								
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 MFRS 134

A10 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	
II) GEOGRAPHICAL SEGMENT								
Revenue from External Customers								
- 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>
Non-current Assets								
- 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>

A10 Segment Information (Cont'd)

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.

For the current financial quarter under review, the Group's Continuing operations registered a total revenue of approximately RM25.04 million an increase of about 43% when compared to the corresponding financial quarter due mainly to higher turnover and volume of work were reported by its tubular handling services. This improved revenue has translated into a 62% rise in gross profit to approximately RM6.92 million with better gross profit margin of about 28% as compared to RM4.28 million and 24% respectively recorded in the corresponding financial quarter. The Group's Continuing operations however reported a higher administrative expenses due to impairment loss on rig assets of approximately RM19.83 million made during the current financial quarter. This substantial impairment loss impact has resulted in the Group's Continuing operations to register for the current financial quarter a loss before taxation of approximately RM16.55 despite of an improved revenue and gross profit position as compared to a pre-tax profit position of approximately RM0.69 million posted in the corresponding financial quarter. It recorded a loss attributable to equity holders of the Company of approximately RM17.76 million for the current financial quarter.

The aforesaid impairment loss has substantially offset the improved gross profit and increases in other income for the current year-to-date period ended 30 June 2013 resulting in the Group's continuing operation reporting a loss before taxation of approximately RM0.70 as against profit before taxation position of about RM3.45 million registered in the corresponding year-to-date period. With the income tax expense for the current year-to-date period of approximately RM6.38 million, the Group's continuing operation chalked up a loss attributable to equity holders of the Company of approximately RM6.94 million, as compared to about RM0.05 million reported in the corresponding year-to-date period.

For the current financial quarter, the tubular handling services unit recorded a 72% increase in revenue to approximately RM22.17 million compared the turnover of about RM12.92 million reported in the corresponding financial quarter principally due to substantial sales was recorded for 3rd party specialist services. This has translated into better gross profit of approximately RM7.69 million, an increase of about 72% from RM4.47 million reported in the corresponding financial quarter. The substantially improved gross profit coupled with reversal of various provision of liabilities no longer required and recognition of net gain on foreign exchange of about RM0.40 million have enabled the tubular handling services unit to report about 142% rise in its segment result before interest to approximately RM7.82 million compared to RM3.23 million achieved in the corresponding financial quarter. These improvements have also assisted the unit to further boost its segment profit before interest for the current year-to-date period to approximately RM31.10 million, an increase of about 166% when compared to about RM11.67 million registered in the corresponding year-to-date period.

The inspection and maintenance services recorded a segment loss before interest of approximately RM0.24 million, as compared to about RM0.43 million segment profit before interest reported in the corresponding financial quarter due principally to lower gross profit of approximately RM0.45 million was earned with reduced gross profit margin as a result of approximately 43% reduction in revenue. For the current year-to-date period, its segment profit before interest has shown a decline of approximately 37% to RM0.45 million from a segment profit before interest of RM0.72 million registered in the corresponding year-to-date period, which was due mainly to lower volume of work and sale value recorded during the current year-to-date period. Revenue for the current year-to-date period was at RM9.58 million, a drop of about 8% when compared to RM10.41 million achieved in the corresponding year-to-date period.

The land rig services unit reported a greater segment loss before interest of RM23.62 million as compared to RM1.71 million incurred in the corresponding financial quarter due mainly to impairment loss on rig assets made during the current financial quarter of approximately RM19.83 million. For the current year-to-date period, it reported higher segment loss before interest of approximately RM30.03 million, an increase of about 6-fold over RM4.30 million segment loss before interest incurred in the corresponding year-to-date period. This was principally due to approximately 83% reduction of revenue earned from RM14.48 million recorded in the corresponding year-to-date period to RM2.51 million for the current year-to-date period and substantial impairment loss on rig assets made during the current financial quarter of approximately RM19.83 million. There was no such impairment loss made in the corresponding year-to-date period.

PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134



A11 Profit before tax

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

	Fourth Quarter ended		Cumulative Twelve Months ended	
	30 June 2013	30 June 2012*	30 June 2013	30 June 2012*
	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
a) Interest income	3	5	39	9
b) Other income (excluding (a) and (g))	287	320	522	1,369
c) Interest expense	(502)	(1,305)	(2,220)	(4,917)
d) Depreciation and amortisation of property plant and equipment	(3,017)	(3,888)	(12,792)	(17,247)
e) Recognition of waiver of principal sum and other amounts due of the CLO Facility under Other Income following full settlement on 26 December 2012 as disclosed in Note A18 below	-	-	7,985	-
f) Amortisation of intangible assets	-	-	-	-
g) Impairment and/or write off of receivables	(1,752)	-	(1,752)	-
h) Impairment and/or write off of inventories	-	-	-	-
i) Gain/(Loss) on disposal of quoted or unquoted investments or properties	-	1,055	-	1,055
j) Impairment of assets	(19,832)	-	(19,832)	-
k) Realised foreign exchange gain/(loss)	(95)	(206)	(74)	86
l) Unrealised foreign exchange gain/(loss)	(242)	(74)	23	(374)
m) Gain/(loss) on derivatives	-	-	-	-
n) Exceptional items	-	-	-	-

* - Includes amount in respect of the discontinued operation

A12 Income tax expense

	Fourth Quarter ended		Cumulative Twelve Months ended	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
Based on financial period's profit				
<u>Continuing operations</u>				
Taxation				
- Current financial period	1,370	762	6,170	3,819
- Under/(Over) provision in the previous years	-	(13)	299	28
Deferred taxation				
- Current financial period	(94)	(419)	(94)	(419)
- Under/(Over) provision in the previous years	-	11	-	175
	<u>1,276</u>	<u>341</u>	<u>6,375</u>	<u>3,603</u>
<u>Discontinued operation</u>				
Taxation				
	-	345	-	832
Deferred taxation				
	-	-	-	-
	<u>-</u>	<u>345</u>	<u>-</u>	<u>832</u>
Total tax expenses for the period	<u>1,276</u>	<u>686</u>	<u>6,375</u>	<u>4,435</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. There was tax expense for the current financial period despite of a loss before taxation position principally due to the losses of certain subsidiaries and certain expenses were not deductible for tax purposes while certain income are not subject to tax.

The Group's effective tax rate for the corresponding financial year ended 30 June 2012 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 Per Share**Basic earnings/(loss) per share**

Basic earning per share is calculated by dividing profit/(loss) for the period attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial periods as follows:

	Fourth Quarter ended		Cumulative Twelve Months ended	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	Unaudited	Unaudited	Unaudited	Unaudited
Profit/(Loss) for the period attributable to equity holders of the Company (RM'000)				
- From continuing operations	(17,758)	371	(6,942)	(48)
- From discontinued operation	-	504	-	1,237
	<u>(17,758)</u>	<u>875</u>	<u>(6,942)</u>	<u>1,189</u>
Weighted average number of ordinary shares in issue ('000)	<u>143,027</u>	<u>143,027</u>	<u>143,027</u>	<u>143,027</u>
Basic earnings/(loss) per share attributable to equity holders of the Company (sen)				
- From continuing operations	(12.42)	0.26	(4.85)	(0.03)
- From discontinued operation	-	0.35	-	0.86
	<u>(12.42)</u>	<u>0.61</u>	<u>(4.85)</u>	<u>0.83</u>

Diluted earnings/(loss) per share

The diluted earnings per share for the current financial quarter and current year-to-date are computed based on the Group's net profit/(loss) attributable to equity holders of the Company after adjusting for interest income from cash proceeds on assumed full exercise of warrants at the date of issue of the warrants, divided by the weighted average number of ordinary shares for the current financial quarter and current year-to-date assuming full exercise of warrants at the date of issue of warrants as follows:

	Fourth Quarter ended		Cumulative Twelve Months ended	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	Unaudited	Unaudited	Unaudited	Unaudited
Profit/(Loss) for the period attributable to equity holders of the Company (RM'000)				
- From continuing operations	(17,758)	371	(6,942)	(48)
- From discontinued operation	-	504	-	1,237
	<u>(17,758)</u>	<u>875</u>	<u>(6,942)</u>	<u>1,189</u>
Net adjustment for interest income from cash proceeds on exercise of warrants	144	-	276	-
	<u>(17,614)</u>	<u>875</u>	<u>(6,666)</u>	<u>1,189</u>

A13 Earnings Per Share (Cont'd)**Diluted earnings/(loss) per share (Cont'd)**Weighted average number of ordinary shares (diluted) ('000)

Issued ordinary shares at the beginning of	143,027	143,027	143,027	143,027
Weighted average number of new ordinary shares assuming full exercise of warrants	71,513	-	34,091	-
Weighted average number of ordinary shares	<u>214,540</u>	<u>143,027</u>	<u>177,118</u>	<u>143,027</u>
Diluted earnings/(loss) per share attributable to equity holders of the Company (sen)	<u>Anti-dilutive</u>	<u>N/A</u>	<u>Anti-dilutive</u>	<u>N/A</u>

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 RM2,591,000 while no disposal was undertaken.

The Group has also intensified its efforts to look for suitable investors to invest in its land rig services or to buy out its land rig services business with its assets. On 20 May 2013, a wholly owned subsidiary, KST Drilling Technologies Sdn Bhd had on 20 May 2013 entered into a Asset Sale Agreement (“ASA”) for the proposed disposal of the rig known as Ikhlas #3 to PT Duta Adhikarya Negeri for a total cash consideration of USD6.30 million (equivalent to RM19.017 million based on the exchange rate of USD1.00: RM3.0185 as at 20 May 2013) (“Proposed Disposal”). The Group continues to explore all avenues available including working with its associates in Indonesia and Singapore to facilitate its intention to source for investors for the remaining assets of its land rig services business.

Accordingly the Group has classified the land rigs and related plant and machinery as assets held for sale as at end of the financial period under review while there was a recognition of impairment loss relating to the aforesaid assets during the financial period under review of approximately RM19,832,000.

A15 Inventories

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

A16 Cash and cash equivalent

	As at 30 June 2013 Unaudited RM'000	As at 30 June 2012 Unaudited RM'000	As at 1 July 2011 Unaudited RM'000
Cash and bank balances	24,521	1,713	2,365
Bank overdrafts	(1,580)	-	(7,973)
Total cash and cash equivalent	<u>22,941</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

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:

A17 Fair value hierarchy (Cont'd)

	Total RM'000	Level 3 RM'000	Level 3 RM'000	Level 3 RM'000
<u>30 June 2013</u>				
Available-for-sale financial assets				
Equity shares	35	-	-	35
<u>30 June 2012</u>				
Available-for-sale financial assets				
Equity shares	35	-	-	35
<u>1 July 2011</u>				
Available-for-sale financial assets				
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 June 2013 Unaudited RM'000	As at 30 June 2012 Unaudited RM'000	As at 1 July 2011 Unaudited RM'000
a) Short term borrowings			
Repayable within twelve months			
- Secured	28,789	23,285	21,962
- Unsecured	1,580	20,000	40,389
	<u>30,369</u>	<u>43,285</u>	<u>62,351</u>
b) Long term borrowings			
Repayable after twelve months			
- Secured	14,740	20,371	26,265
- Unsecured	-	-	-
Portion repayable after one year	<u>14,740</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>42,943</u>	<u>43,589</u>	<u>44,824</u>

Included in the unsecured short term borrowings as at 30 June 2012 was the RM30.0 million unsecured fixed term loan facility under a Primary Collateralised Loan Obligation programme ("CLO Facility") arranged by a licensed financial institution with balance outstanding of RM20.0 million. The CLO Facility was fully settled on 26 December 2012 in accordance with the terms and conditions stipulated in the Settlement Agreement as announced by the Company on 28 June 2012 and as reported in the earlier interim financial reports. The aforesaid full settlement of CLO Facility resulted in waiver of principal sum and other amounts due pursuant to the Settlement Agreement which were recognised and included in Other Income in the second financial quarter ended 31 December 2012.

A19 Contingencies

	As at 30 June 2013 Unaudited RM'000	As at 30 June 2012 Unaudited RM'000	As at 1 July 2011 Unaudited RM'000
<u>Unsecured</u>			
Bank guarantees in favour of third parties	4,016	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

	As at 30 June 2013 Unaudited RM'000	As at 30 June 2012 Unaudited RM'000	As at 1 July 2011 Unaudited RM'000
<u>Capital expenditure</u>			
Approved and contracted for:			
- Property, plant and equipment	2,201	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 and twelve-month period ended 30 June 2013 and 30 June 2012 as well as the balances with the related parties as at 30 June 2013 and 2012.

	Fourth Quarter ended		Cumulative Twelve Months ended	
	30 June 2013 Unaudited RM'000	30 June 2012 Unaudited RM'000	30 June 2013 Unaudited RM'000	30 June 2012 Unaudited RM'000
Transactions with Director and companies in which certain Directors have interest :-				
a) Purchase of air ticket from a company	190	315	764	768
b) IT related services	35	28	146	120
c) Transportation, freight and handling services	375	285	1,261	1,353
d) Interest payable to a former director	52	34	205	195

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

	30 June 2013 Unaudited RM'000	30 June 2012 Unaudited RM'000
Gem Travel & Tour Sdn Bhd	284	184
IQ Works Sdn Bhd	31	33
Safeguards Oceanic Sdn Bhd	268	426
Airoceanic Express Sdn Bhd	409	283
Safeguards Records management Sdn Bhd *	4	31
Dato' Chee Peck Kiat @ Chee Peck Jan - former director of the Company effective from 1 July 2012 (includes interest payable)	3,306	3,151

Note * - *Subsidiary of Safeguards Corporation Sdn Bhd*

A21 Related Party Transactions (Cont'd)

All outstanding balances with these related parties other than certain advances made by a former director Dato' Chee Peck Kiat @ Chee Peck Jan, are unsecured and are to be settled in accordance with credit period normally granted by its creditors/vendors. The advances from a former director Dato' Chee Peck Kiat @ Chee Peck Jan amounted to approximately RM2.91 million 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 June 2013 up to 28 August 2013 other than those disclosed in Note B5.

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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 RM25.04 million a decline of about 21% over the revenue of RM31.51 million reported in the preceding financial quarter. Despite of lower revenue earned, it reported an improved gross profit of about RM6.92 million as its tubular handling services unit experienced better gross profit margin due higher composition of high margin sales or revenue earned during the current financial quarter. On overall basis, the Group's Continuing operations registered a gross profit margin of about 28% as compared to approximately 16% with gross profit of approximately RM5.16 million enjoyed in the preceding quarter. The aforesaid improved gross profit was however outweighed by substantial rise in administrative expenses during the current financial quarter due to impairment loss on rig assets made during the current financial quarter of approximately RM19.83 million which resulted in the Group's Continuing operations reported a segment loss before interest of approximately RM16.05 million from a segment profit before interest of about RM2.44 million registered in the preceding financial quarter. It reported a pre-tax loss of approximately RM16.55 million as compared to a pre-tax profit position of about RM1.83 million reported 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).

In conjunction with the intention and effort of the Group to divest or dispose off its land rig services as indicated in the Circular to Shareholders dated 2 November 2012 and reported in the earlier interim financial reports, the Group had on 20 May 2013 through its wholly owned subsidiary, KST Drilling Technologies Sdn Bhd entered into a ASA for the purpose of the Proposed Disposal as elaborated in the earlier Note A14 and Note B5 below. The Company has also entered into a Heads of Agreement in relation to the Proposed Disposal of Samudra Oil as defined and elaborated in Note B5 below which provides an opportunity for KSTB to realise and unlock the value of its investment in Samudra Oil and recognise a one-off gain, the quantum of which will be determined after the disposal consideration is finalised.

The Group upon completion of the pending corporate proposals the Proposed Disposal and Proposed Disposal of Samudra Oil, will be left with:-

- one (1) land rig known as KST #1 which the Group is open to consider disposing the same if there is desirous offer to exit completely the land rig services business;
- inspection and maintenance services which the Group intends to expand geographically with greater range of services and capacity through organic expansion, joint cooperation and/or acquisition; and
- investment in Destini Berhad ("Destini") that allows the Group to participate in the future prospects and financial performance of Destini and its subsidiaries ("Destini Group") which principally engaged in the business of maintenance, repair and overhaul, engineering, and safety related products and services for aviation and marine industries with future exposure in oil and gas services through Samudra Oil.

Moving forward and on the assumption of due completion of the pending corporate proposals, the Group envisages that it will continue to remain in the oil and gas industry with immediate plan to expand its inspection and maintenance services as mentioned above while the Board cautiously assessing and evaluating plans with the objective of enhancing the shareholders' value which may include, but not limited to, to consider new ventures such as viable upstream businesses and/or assets of the oil and gas sector as well as its investment in Destini.

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



B3 Commentary on the prospects (Cont'd)

Notwithstanding the above mentioned, 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. More importantly, the Group will continue with its efforts to address the challenges facing Land Drilling Services with the aim of completely exiting the land rig services business.

B4 Variance from Profit Forecast and Profit Guarantee

This is not applicable to the Group.

B5 Corporate proposals

Fund Raising Exercise

On 24 September 2012, HwangDBS, on behalf of the Board, announced that the Board has revised the earlier proposals and proposed to implement the 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 KSTB Shares held at an entitlement date ("Rights Issue of Warrants").

The Rights Issue of Warrants was completed on 8 January 2013 and proceeds raised from the Rights Issue of Warrants were fully utilised during the current financial year.

Proposed Disposal

The Company has on 20 May 2013 announced that its wholly-owned subsidiary, KST Drilling Technologies Sdn. Bhd ("KSTD" or "the Vendor") had on 20 May 2013 entered into a Asset Sale Agreement ("ASA") for the proposed disposal of the rig known as Ikhlas #3 to PT Duta Adhikarya Negeri for a total cash consideration of USD6.30 million (equivalent to RM19.017 million based on the exchange rate of USD1.00: RM3.0185 as at 20 May 2013) ("Proposed Disposal"). The proceeds to be raised from the Proposed Disposal will be utilised as follows:

(All in RM'000)	<u>Proposed Utilisation</u>
Repayment of Borrowings	18,797
Estimated expenses	220
	19,017

The Proposed Disposal is subject to the following being obtained:

- approval of the shareholders of the Company at the forthcoming extraordinary general meeting; and
- any other approvals, waivers and/or consents from any other relevant authorities, body and/or persons, where required.

Proposed Samudra Oil Disposal

On 7 August 2013 the Company announced that it had entered into a Heads of Agreement ("HOA") in relation to the proposed disposal of the entire issued and paid-up share capital of Samudra Oil Services Sdn Bhd ("Samudra Oil") ("Sale Shares") to Destini Berhad ("Destini") at an indicative disposal consideration of RM80.00 million ("Indicative Disposal Consideration") to be satisfied entirely via the issuance of 228,571,428 new ordinary shares of RM0.10 each in Destini ("Destini Share(s)" or "Share(s)") at an issue price of RM0.35 each ("Consideration Shares") ("Proposed Samudra Oil Disposal").

The Indicative Disposal Consideration may be subject to adjustments depending on any further negotiations, the outcome of the due diligence to be conducted on Samudra Oil and the execution of the Share Sale Agreement in relation to the Proposed Samudra Oil Disposal ("SSA").

The obligations of the Company and Destini to complete the Proposed Samudra Oil Disposal shall be conditional upon the following pertinent conditions precedent:-

B5 Corporate proposals (Cont'd)

Proposed Samudra Oil Disposal (Cont'd)

- the execution of a detailed SSA in respect of the Proposed Samudra Oil Disposal upon terms and conditions acceptable to the Company and Destini and the SSA becoming unconditional;
- completion to the satisfaction of Destini, the due diligence on Samudra Oil; and
- completion of the due diligence on Destini to the satisfaction of the Company.

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

As at 30 June 2013, the proceeds raised from the Sobena Disposal have been fully utilised in accordance with the revised utilisation plan announced to Bursa Securities on 28 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 June 2013 and 2012.

B11 Realised and Unrealised profits / (losses)

	30 June 2013	31 March 2013
	Unaudited	Unaudited
	RM'000	RM'000
Total retained profits / (accumulated losses) of the Company and its subsidiaries		
- Realised	(26,321)	(7,071)
- Unrealised	(4,279)	(5,771)
Total retained profits / (accumulated losses) as per consolidated accounts	<u>(30,600)</u>	<u>(12,842)</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
 28 Aug 2013