



KEJURUTERAAN SAMUDRA TIMUR BERHAD

Interim Financial Report

For 1st Financial Quarter Ended 30th September 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)

**UNAUDITED INTERIM FINANCIAL REPORT
FIRST FINANCIAL QUARTER ENDED 30 SEPTEMBER 2013**

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

	Note	First Quarter ended		Cumulative Three Months ended	
		30 September 2013	30 September 2012	30 September 2013	30 September 2012
		Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
<u>Continuing Operations</u>					
Revenue		2,441	3,310	2,441	3,310
Cost of sales		(1,692)	(2,049)	(1,692)	(2,049)
Gross profit		749	1,261	749	1,261
Other income		58	84	58	84
Administrative expenses		(149)	(605)	(149)	(605)
Other operating expenses		(553)	(692)	(553)	(692)
Finance cost		(84)	(423)	(84)	(423)
Profit / (Loss) before taxation		21	(375)	21	(375)
Income tax expense	A12	104	(258)	104	(258)
Profit / (Loss) for the period from continuing operation		125	(633)	125	(633)
<u>Discontinued Operations</u>					
Profit for the period from discontinued operation		2,168	2,229	2,168	2,229
Total profit for the period		2,293	1,596	2,293	1,596
Attributable to equity holders of the Company:					
- From continuing operations		125	(603)	125	(603)
- From discontinued operation		2,193	2,229	2,193	2,229
		2,318	1,626	2,318	1,626
Non-controlling interests / Minority interests		(25)	(30)	(25)	(30)
		2,293	1,596	2,293	1,596
Basic earnings/(loss) per Share attributable to equity holders of the Company (sen)					
- From continuing operations	A14	0.09	(0.42)	0.09	(0.42)
- From discontinued operation	A14	1.53	1.56	1.53	1.56
		1.62	1.14	1.62	1.14
Diluted earnings per share attributable to equity holders of the Company (sen)					
	A14	1.15	N/A	1.15	N/A

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



	First Quarter ended		Cumulative Three Months ended	
	30 September	30 September	30 September	30 September
	2013	2012	2013	2012
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
Profit for the period	2,293	1,596	2,293	1,596
Other Comprehensive Income:				
Currency translation differences	(784)	1,022	(784)	1,022
Total other comprehensive income / (loss)	<u>(784)</u>	<u>1,022</u>	<u>(784)</u>	<u>1,022</u>
Total comprehensive profit	<u>1,509</u>	<u>2,618</u>	<u>1,509</u>	<u>2,618</u>
Attributable to:				
Equity holders of the Company	1,544	2,640	1,544	2,640
Non-controlling interests / Minority interests	(35)	(22)	(35)	(22)
	<u>1,509</u>	<u>2,618</u>	<u>1,509</u>	<u>2,618</u>

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER ("SEPT") 2013



		30 Sept 2013	30 June 2013
		Unaudited	Audited
		RM'000	RM'000
ASSETS	Note		
Non-current assets			
Property, plant and equipment	A15	2,250	23,511
Investment in associated company		226	226
Investment securities		35	35
		<u>2,511</u>	<u>23,772</u>
Current assets			
Inventories	A16	1,106	4,546
Trade receivables		37,831	40,582
Other receivables		4,546	4,331
Tax recoverable		177	113
Cash and bank balances (including fixed deposits)	A17	37,291	24,521
		<u>80,951</u>	<u>74,093</u>
Non-current assets held for sale	A13	36,185	36,185
Assets of disposal subsidiary classified as held for sale	A13	30,744	-
		<u>147,880</u>	<u>110,278</u>
TOTAL ASSETS		<u>150,391</u>	<u>134,050</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	A9	42,908	42,908
Share premium	A9	8,412	8,412
Share warrants	A9	3,013	3,013
Other reserves	A9	(2,217)	(1,443)
Accumulated losses		(28,282)	(30,600)
		<u>23,834</u>	<u>22,290</u>
Non-controlling interests / Minority interests		<u>(375)</u>	<u>(340)</u>
Total equity		<u>23,459</u>	<u>21,950</u>
Non-current liabilities			
Loans and borrowings	A19	13,534	14,740
Deferred tax liabilities		88	3,365
		<u>13,622</u>	<u>18,105</u>
Current liabilities			
Trade payables		23,555	25,538
Other payables		45,865	35,020
Loans and borrowings	A19	33,626	30,368
Tax payable		512	3,069
		<u>103,558</u>	<u>93,995</u>
Liabilities of disposal subsidiary classified as held for sale	A13	9,752	-
		<u>113,310</u>	<u>93,995</u>
Total liabilities		<u>126,932</u>	<u>112,100</u>
TOTAL EQUITY AND LIABILITIES		<u>150,391</u>	<u>134,050</u>
NET ASSETS PER SHARE (SEN)		<u>16.4</u>	<u>15.3</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 3 MONTH FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

	Attributable to equity holders of the Company						Minority interest	Total equity	
	Non-distributable			Distributable					
	Share Capital	Share Premium	Share Warrants	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 2013	42,908	8,412	3,013	-	(1,443)	(30,600)	22,290	(340)	21,950
Profit/(Loss) for the period	-	-	-	-	-	2,318	2,318	(25)	2,293
Other comprehensive income / (loss)	-	-	-	-	(774)	-	(774)	(10)	(784)
Total comprehensive profit / (loss) for the period	-	-	-	-	(774)	2,318	1,544	(35)	1,509
Transactions with owners in their capacity as owners:	-	-	-	-	-	-	-	-	-
At 30 September 2013 (Unaudited)	<u>42,908</u>	<u>8,412</u>	<u>3,013</u>	<u>-</u>	<u>(2,217)</u>	<u>(28,282)</u>	<u>23,834</u>	<u>(375)</u>	<u>23,459</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-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 2012 (Restated)	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
Transactions with owners in their capacity as owners:	-	-	-	-	-	-	-	-	-
At 30 September 2012	42,908	8,412	-	-	(365)	(22,032)	28,923	(223)	28,700

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



	3 months ended	
	30 Sept 2013 Unaudited RM'000	30 Sept 2012 Unaudited RM'000
Cash Flows From Operating Activities		
Profit before taxation		
- From continuing operations	21	3,320
- From discontinued operations	4,116	-
	4,137	3,320
Adjustments for non-cash and non-operating items:		
- Depreciation of property, plant and equipment	1,536	3,280
- Interest expense	543	978
- Unrealised loss / (gain) on foreign exchange	847	(570)
- Others	(2)	(13)
	7,061	6,995
Operating profit before changes in working capital	7,061	6,995
Changes in working capital:		
- Increase in inventories	(263)	(442)
- Increase in trade and other receivables	(999)	(2,322)
- Increase/(Decrease) in trade and other payables	11,856	(2,989)
Interest paid	(471)	(530)
Interest received	2	11
Net change in taxation	(1,055)	(617)
Net cash from operating activities	16,131	106
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant and equipment	-	3
Purchase of property, plant and equipment	(687)	(771)
Net cash (used in) / from investing activities	(687)	(768)
Cash Flows From Financing Activities		
Increase / (Decrease) in loans and borrowings balance	1,034	(2,182)
Net cash from / (used in) financing activities	1,034	(2,182)
Net Change in Cash and Cash Equivalents	16,478	(2,844)
Cash and Cash Equivalents at Beginning of Period	22,941	1,713
Effects of exchange rate changes	(1,631)	1,592
Cash and Cash Equivalents at End of Period	37,788	461
Analysis of Cash and Cash Equivalents:		
Cash and bank balances	20,165	6,348
Deposits with licensed financial institutions	20,221	446
Bank overdrafts	(2,598)	(6,333)
Cash and Cash Equivalents	37,788	461

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").

This unaudited interim financial report was approved by the Board of Directors on 26 November 2013.

A2 Basis of preparation

The unaudited interim financial report, for the period ended 30 September 2013, has been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Securities. The unaudited interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2013.

The explanatory notes included in this unaudited interim financial report provides an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2013.

A3 Significant accounting policies

The accounting policies and methods computation adopted by the Group in this unaudited interim financial report are consistent with those adopted in the audited financial statements of the Group for the year ended 30 June 2013 except for the adoption of the following new and revised Malaysian Financial Reporting Standards ("MFRS"), amendments/improvements to MFRSs, IC Interpretations and amendments to IC Interpretations:-

- Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
- MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)
- MFRS 10 Consolidated Financial Statements
- MFRS 11 Joint Arrangements
- MFRS 12 Disclosure of interests in Other Entities
- MFRS 13 Fair Value Measurement
- MFRS 119 Employee Benefits
- MFRS 127 Separate Financial Statements
- MFRS 128 Investment in Associate and Joint Ventures
- MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)
- Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Government Loans
- Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance
- Amendments to MFRS 11: Joint Arrangements: Transition Guidance
- Amendments to MFRS 12: Disclosure of Interests in Other Entities:
- IC Interpretation 2: Members' Shares in Co-operative Entities & Similar Instruments

The adoption of the above new and revised MFRS, amendments/improvements to MFRSs, IC Interpretations and amendments to IC Interpretations will have no material impact on the financial statements of the Group upon their initial application.

The following MFRSs and amendments/improvements to MFRSs that are issued but are not yet effective, have yet to be adopted by the Group.

- Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities
- MFRS 9 Financial Instruments

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

On 20 May and 11 September 2013, KST Drilling Technologies Sdn. Bhd. ("KSTDT"), a wholly-owned subsidiary of the Company, has entered into two (2) separate Asset Sale Agreements ("ASA") with PT Duta Adhikarya Negeri ("DAN") to sell its two (2) land rigs known as Ikhlas #3 and KST #1 for a cash consideration of USD6.30 million and USD4.20 million respectively (hereinafter referred to as "Proposed Disposal of Land Rigs"). The Proposed Disposal of Land Rigs would result in the discontinuing of KSTDT's only business of rental of oil rigs.

On 7 August 2013, the Company had entered into a Heads of Agreement ("HOA") in relation to the proposed disposal of the entire issued and paid-up share capital of a wholly-owned subsidiary Samudra Oil Services Sdn Bhd ("Samudra Oil") to Destini Berhad ("Destini") at an indicative disposal consideration of RM80.00 million ("Proposed Disposal of Samudra Oil"). The detailed terms and conditions of the Proposed Disposal of Samudra Oil were further formalised following the execution of the Shares Sale Agreement ("SSA") on 1 November 2013 with Destini for the proposed disposal of the entire issued and paid-up capital of Samudra Oil ("Sale Shares") for a disposal consideration of RM80.00 million ("Disposal Consideration") to be fully satisfied by 228,571,428 new ordinary shares of RM0.10 each in Destini ("Destini Shares") at an issue price of RM0.35 per Destini Share ("Consideration Shares").

The Proposed Disposal of Land Rigs and Proposed Disposal of Samudra Oil have yet to be completed as at end of the current financial period under review.

Accordingly the results related to KSTDT and Samudra Oil are presented in the unaudited condensed consolidated statements of comprehensive income of the Group under the "discontinued operations". The land rigs and related equipments of KSTDT are presented as "assets held for sale" while the assets and liabilities related to Samudra Oil are presented as "assets of disposal subsidiary classified as held for sale" and "liabilities of disposal subsidiary classified as held for sale" in the unaudited condensed consolidated statements of financial position of the Group and as further disclosed in Note A13.

Pursuant to the above mentioned, the comparative of the discontinued operations 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)	First Quarter and Cumulative Three Months ended 30 September 2012		
	As previously reported	Discontinued Operations	As reclassified
Revenue	18,058	14,748	3,310
Cost of sales	(11,464)	(9,415)	(2,049)
Gross profit	6,594	5,333	1,261
Other income	95	11	84
Administrative expenses	(864)	(259)	(605)
Other operating expenses	(1,527)	(835)	(692)
Finance cost	(978)	(555)	(423)
Profit / (Loss) before taxation	3,320	3,695	(375)
Income tax expense	(1,724)	(1,466)	(258)
Profit / (Loss) for the period from continuing operations	1,596	2,229	(633)
Profit for the period from discontinued operation	-	-	2,229

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.

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.

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PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A10 Segmental Information (Cont'd)

UNAUDITED RESULTS FOR FOR 3-MONTH PERIOD ENDED 30.9.2013	Continuing Operations			Discontinued Operations		Consolidated RM'000	
	Inspection & maintenance services RM'000	Oilfield fishing & others RM'000	Adjustments and Elimination RM'000	Total RM'000	Land rig services RM'000		Tubular Handling services RM'000
I) BUSINESS SEGMENT							
Revenue							
- External	2,441	-	-	2,441	-	20,199	22,640
- Inter-segment	239	-	(239)	-	-	3	3
- Elimination - Discontinued operations	-	-	-	-	-	-	(3)
Total revenue	<u>2,680</u>	<u>-</u>	<u>(239)</u>	<u>2,441</u>	<u>-</u>	<u>20,202</u>	<u>22,640</u>
Results							
- Segment results	121	(16)	-	105	(382)	4,957	4,680
- Finance cost	(4)	(80)	-	(84)	(451)	(8)	(543)
Profit / (Loss) before taxation				21	(833)	4,949	4,137
- Taxation				104	-	(1,948)	(1,844)
Profit / (Loss) after taxation				125	(833)	3,001	2,293
Non-controlling interests / Minority interest				-	25	-	25
Profit / (Loss) for the period attributable to equity holders of the Company				<u>125</u>	<u>(808)</u>	<u>3,001</u>	<u>2,318</u>
Assets							
Segment assets	5,622	108,244	(35,616)	78,250	41,388	30,744	150,382
Unallocated corporate assets							9
Consolidated Assets							<u>150,391</u>
Liabilities							
Segment liabilities	1,487	90,084	(44,251)	47,320	68,230	9,752	125,302
Unallocated corporate liabilities							1,630
Consolidated Liabilities							<u>126,932</u>

PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A10 Segmental Information (Cont'd)

UNAUDITED RESULTS FOR FOR 3-MONTH PERIOD ENDED 30.9.2013	Continuing Operations				Discontinued Operations		Consolidated RM'000
	Inspection & maintenance services RM'000	Oilfield fishing & others RM'000	Elimination RM'000	Total RM'000	Land rig services RM'000	Tubular handling services RM'000	
	II) GEOGRAPHICAL SEGMENT						
Revenue from External Customers							
- Malaysia	2,441	-	-	2,441	-	20,199	22,640
- Indonesia	-	-	-	-	-	-	-
Total revenue	<u>2,441</u>	<u>-</u>	<u>-</u>	<u>2,441</u>	<u>-</u>	<u>20,199</u>	<u>22,640</u>
Non-current Assets							
- Malaysia	1,520	977	-	2,497	14	20,412	22,923
- Indonesia	-	-	-	-	-	-	-
	<u>1,520</u>	<u>977</u>	<u>-</u>	<u>2,497</u>	<u>14</u>	<u>20,412</u>	<u>22,923</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 Operations		Consolidated RM'000
	Inspection & maintenance services RM'000	Oilfield fishing & others RM'000	Adjustments and Elimination RM'000	Total RM'000	Land rig services RM'000	Tubular handling services RM'000	
D) BUSINESS SEGMENT							
Revenue							
- External	3,310	-	-	3,310	594	14,154	18,058
- Inter-segment	224	-	(224)	-	-	2	2
- Elimination at Discontinued operation	-	-	-	-	-	-	(2)
Total revenue	<u>3,534</u>	<u>-</u>	<u>(224)</u>	<u>3,310</u>	<u>594</u>	<u>14,156</u>	<u>18,058</u>
Results							
- Segment results	753	(705)	-	48	(1,251)	5,501	4,298
- Finance cost	-	(423)	-	(423)	(465)	(90)	(978)
Profit before taxation				(375)	(1,716)	5,411	3,320
- Taxation				(258)	-	(1,466)	(1,724)
(Loss)/Profit after taxation				(633)	(1,716)	3,945	1,596
Non-controlling interests / Minority interest				-	30	-	30
(Loss)/Profit for the period attributable to equity holders of the Company				<u>(633)</u>	<u>(1,686)</u>	<u>3,945</u>	<u>1,626</u>
Assets							
Segment assets	15,051	103,271	(65,214)	53,108	57,435	20,814	131,357
Unallocated corporate assets							25
Consolidated Assets							<u>131,382</u>
Liabilities							
Segment liabilities	1,607	64,084	(1,945)	63,746	34,141	3,253	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 Operations		Consolidated RM'000
	Inspection & maintenance services RM'000	Oilfield fishing & others RM'000	Elimination RM'000	Total RM'000	Land rig services RM'000	Tubular handling services RM'000	
II) GEOGRAPHICAL SEGMENT							
Revenue from External Customers							
- Malaysia	3,310	-	-	3,310	-	14,154	17,464
- Indonesia	-	-	-	-	594	-	594
- Singapore	-	-	-	-	-	-	-
Total revenue	<u>3,310</u>	<u>-</u>	<u>-</u>	<u>3,310</u>	<u>594</u>	<u>14,154</u>	<u>18,058</u>
Non-current Assets							
- Malaysia	1,398	952	-	2,350	-	20,814	23,164
- Indonesia	-	-	-	-	61,137	-	61,137
	<u>1,398</u>	<u>952</u>	<u>-</u>	<u>2,350</u>	<u>61,137</u>	<u>20,814</u>	<u>84,301</u>

A10 Segment Information (Cont'd)

For the current financial quarter under review, the Group's Continuing operations registered a total revenue of approximately RM2.44 million a decline of about 26% when compared to the corresponding financial quarter due mainly to lower volume of work orders were reported by its tubular inspection and maintenance services. This has translated into a 41% drop in gross profit to approximately RM0.75 million with a reduced gross profit margin of about 31% as compared to RM1.26 million and 38% respectively recorded in the corresponding financial quarter. The Group's Continuing operations however reported a reduced administrative expenses of about RM0.15 million due principally to recognition of a net gain on foreign exchange amounted to RM0.43 million during the current financial quarter. This has enabled the Group's Continuing operations to register for the current financial quarter a profit before taxation of approximately RM0.02 million as compared to a pre-tax loss position of approximately RM0.38 million posted in the corresponding financial quarter. It recorded a profit for the period of approximately RM0.13 million for the current financial quarter.

With the profit after taxation contribution of approximately RM2.17 million from the discontinued operations, the Group reported a net profit for the period of about RM2.29 million, an increase of approximately 44% over the profit for the period of approximately RM1.60 million registered in the corresponding financial quarter. The Group recorded a profit attributable to equity holders of the Company of about RM2.32 million for the current financial quarter.

The inspection and maintenance services recorded a lower segment profit before interest of approximately RM0.12 million, as compared to about RM0.75 million segment profit before interest reported in the corresponding financial quarter due principally to lower gross profit of approximately RM0.75 million was earned with reduced gross profit margin as a result of approximately 26% reduction in revenue.

For the current financial quarter, the tubular handling services unit (discontinued operation) recorded a 43% increase in revenue to approximately RM20.20 million compared the turnover of about RM14.15 million reported in the corresponding financial quarter principally due to substantial sales was recorded for 3rd party specialist services. Despite of the aforesaid, it recorded a lower gross profit of approximately RM6.84 million, a decline of about 4% from RM7.10 million reported in the corresponding financial quarter due to reduced gross profit margin. The reduced gross profit coupled with increases in other operating expenses have resulted in the tubular handling services unit to report about 10% drop in its segment result before interest to approximately RM4.96 million compared to RM5.50 million achieved in the corresponding financial quarter.

The land rig services unit (discontinued operation) reported a reduced segment loss before interest of RM0.38 million as compared to RM1.25 million incurred in the corresponding financial quarter as there was no amortisation charges for its rig assets following the classification of the rig assets as Asset held for sale as at end of the previous financial year while no material cost were incurred by the land rig services unit during the current financial quarter.

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PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134



A11 Profit before tax

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

	First Quarter ended		Cumulative Three Months ended	
	30 September 2013*	30 September 2012	30 September 2013*	30 September 2012
	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
a) Interest income	2	11	2	11
b) Other income (excluding (a) and (g))	56	84	56	84
c) Interest expense	(543)	(978)	(543)	(978)
d) Depreciation and amortisation of property plant and equipment	(1,536)	(3,280)	(1,536)	(3,280)
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)	978	(5)	978	(5)
k) Unrealised foreign exchange gain/(loss)	(847)	570	(847)	570
l) Gain/(loss) on derivatives	-	-	-	-
m) Exceptional items	-	-	-	-

* - Includes amount in respect of the discontinued operations

A12 Income tax expense

	First Quarter ended		Cumulative Three Months ended	
	30 September 2013	30 September 2012	30 September 2013	30 September 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	(104)	258	(104)	258
- Under/(Over) provision in the previous years	-	-	-	-
Deferred taxation				
- Current financial period	-	-	-	-
- Under/(Over) provision in the previous years	-	-	-	-
	<u>(104)</u>	<u>258</u>	<u>(104)</u>	<u>258</u>
<u>Discontinued operation</u>				
Taxation	1,948	1,466	1,948	1,466
Deferred taxation	-	-	-	-
	<u>1,948</u>	<u>1,466</u>	<u>1,948</u>	<u>1,466</u>
Total tax expenses for the period	<u>1,844</u>	<u>1,724</u>	<u>1,844</u>	<u>1,724</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 Group's effective tax rate for the current financial period ended 30 September 2013 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. 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 September 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 Discontinued Operation and Disposal Subsidiary Classified as Held for Sale

As mentioned in Note A4 above, the results related to KSTDT and Samudra Oil are presented in the unaudited condensed consolidated statements of comprehensive income of the Group under the "profit for the period from discontinued operations". The land rigs and related equipments of KSTDT (held under property, plant and equipment) are presented as "assets held for sale" while the assets and liabilities related to Samudra Oil are presented as "assets of disposal subsidiary classified as held for sale" and "liabilities of disposal subsidiary classified as held for sale" in the unaudited condensed consolidated statements of financial position of the Group.

Statement of comprehensive income disclosure

The results of the discontinued operation for the first quarter and cumulative 3 months ended 30 September 2013 are as follows:

(All in RM'000)	First Quarter ended		Cumulative Three Months ended	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
Revenue	20,199	14,748	20,199	14,748
Cost of sales	(13,362)	(9,415)	(13,362)	(9,415)
Gross profit	6,837	5,333	6,837	5,333
Other income	-	11	-	11
Administrative expenses	(1,090)	(259)	(1,090)	(259)
Other operating expenses	(1,172)	(835)	(1,172)	(835)
Finance cost	(459)	(555)	(459)	(555)
Profit before taxation	4,116	3,695	4,116	3,695
Income tax expense	(1,948)	(1,466)	(1,948)	(1,466)
Profit for the period	2,168	2,229	2,168	2,229

Statement of financial position disclosure

- i) The assets of the Group classified as assets held for sale as at 30 September 2013 are as follows:-

	RM'000
Property, plant and equipment	<u>36,185</u>

A13 Discontinued Operation and Disposal Subsidiary Classified as Held for Sale (Cont'd)

- ii) The major classes of assets and liabilities of Samudra Oil classified as held for sale as at 30 September 2013 are as follows:

	RM'000
Assets	
Property, plant and equipment	20,412
Inventories	3,702
Receivables	3,535
Cash and bank balances (including fixed deposits)	3,095
Assets of disposal subsidiary classified as held for sale	<u>30,744</u>
Liabilities	
Payables	(3,066)
Tax payable and deferred taxation	(6,686)
Liabilities of disposal subsidiary classified as held for sale	<u>(9,752)</u>

Statement of cash flows disclosure

	3 months ended 30 September 2013 Unaudited RM'000
Cash flows from operating activities	2,362
Cash flows from investing activities	(620)
Cash flows from financing activities	-
Net cash (outflows)/inflows	<u>1,742</u>

A14 Earnings Per Share**Basic earnings/(loss) per share**

Basic earnings 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:

	First Quarter ended 30 September 2013 Unaudited	30 September 2012 Unaudited	Cumulative Three Months ended 30 September 2013 Unaudited	30 September 2012 Unaudited
Profit/(Loss) for the period attributable to equity holders of the Company (RM'000)				
- From continuing operations	125	(603)	125	(603)
- From discontinued operation	2,193	2,229	2,193	2,229
	<u>2,318</u>	<u>1,626</u>	<u>2,318</u>	<u>1,626</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	0.09	(0.42)	0.09	(0.42)
- From discontinued operation	1.53	1.56	1.53	1.56
	<u>1.62</u>	<u>1.14</u>	<u>1.62</u>	<u>1.14</u>

A14 Earnings Per Share (Cont'd)**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:

	First Quarter ended		Cumulative Three Months ended	
	30 September	30 September	30 September	30 September
	2013	2012	2013	2012
	Unaudited	Unaudited	Unaudited	Unaudited
Profit/(Loss) for the period attributable to equity holders of the Company (RM'000)				
- From continuing operations	125	(603)	125	(603)
- From discontinued operation	2,193	2,229	2,193	2,229
	<u>2,318</u>	<u>1,626</u>	<u>2,318</u>	<u>1,626</u>
Net adjustment for interest income from cash proceeds on exercise of warrants	146	-	146	-
	<u>2,464</u>	<u>1,626</u>	<u>2,464</u>	<u>1,626</u>
<u>Weighted average number of ordinary shares (diluted) ('000)</u>				
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	-	71,513	-
Weighted average number of ordinary shares	<u>214,540</u>	<u>143,027</u>	<u>214,540</u>	<u>143,027</u>
Diluted earnings/(loss) per share attributable to equity holders of the Company (sen)	<u>1.15</u>	N/A	<u>1.15</u>	N/A

A15 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 RM687,000 while no disposal was undertaken.

As disclosed in Note A4 above, the Group has on 20 May and 11 September 2013 entered into two (2) separate ASA with DAN to sell its two (2) land rigs known as Ikhlas #3 and KST #1 for a cash consideration of USD6.30 million and USD4.20 million respectively. The Proposed Disposal of Land Rigs would result in the discontinuing of the Group's business of rental of oil rigs.

The land rigs and related plant and machinery has been classified as assets held for sale as at end of the financial period under review.

A16 Inventories

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

A17 Cash and cash equivalent

	As at 30 Sept 2013 Unaudited RM'000	As at 30 June 2013 Audited RM'000
Cash and bank balances	40,386	24,521
Bank overdrafts	(2,598)	(1,580)
Total cash and cash equivalent	<u>37,788</u>	<u>22,941</u>

A18 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 not carried at fair value and whose carrying amounts are not reasonable approximation of fair value:

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
<u>30 September 2013</u>				
Available-for-sale financial assets				
Equity shares *	<u>35</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>30 June 2013</u>				
Available-for-sale financial assets				
Equity shares *	<u>35</u>	<u>-</u>	<u>-</u>	<u>35</u>

* - Investment in equity instruments carried at cost

Fair value information has not been disclosed for the Group's investments in equity instruments that are carried at cost because fair value cannot be measured reliably. The Group does not intend to dispose of its investment in equity instruments in the foreseeable future.

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.

A19 Loans and borrowings

	As at 30 Sept 2013 Unaudited RM'000	As at 30 June 2013 Audited RM'000
a) Short term borrowings		
Repayable within twelve months		
- Secured	31,028	28,788
- Unsecured	2,598	1,580
	<u>33,626</u>	<u>30,368</u>

A19 Loans and borrowings (Cont'd)**b) Long term borrowings**

Repayable after twelve months

- Secured

13,534

14,740

- Unsecured

-

-

Portion repayable after one year

13,534

14,740

United States Dollars (USD'000)

13,584

13,584

Ringgit Malaysia equivalent (RM'000)

44,016

42,942

A20 Contingencies and Exposure to credit risk associated with bank guarantees

As at 30 Sept 2013 Unaudited RM'000	As at 30 June 2013 Audited RM'000
--	--

Exposure to credit risk associated with bank guarantees

Bank guarantees in favour of third parties

4,075

3,464

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 B6.

A21 Capital Commitments

As at 30 Sept 2013 Unaudited RM'000	As at 30 June 2013 Audited RM'000
--	--

Capital expenditure

Approved and contracted for:

- Property, plant and equipment

555

2,201

A22 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 September 2013 as well as the balances with the related parties as at 30 September 2013 and 30 June 2013.

	First Quarter ended		Cumulative Three Months ended	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000

Transactions with Director and companies in which certain Directors have interest :-

a) Purchase of air ticket from a company	144	216	144	216
b) IT related services	29	23	29	23
c) Transportation, freight and handling services	330	215	330	215
d) Interest payable to a former director	53	39	53	39

A22 Related Party Transactions (Cont'd)

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

	30 Sept 2013	30 June 2013
	Unaudited	Audited
	RM'000	RM'000
Gem Travel & Tour Sdn Bhd	63	284
Safeworks Sdn Bhd (formerly known as IQ Works Sdn Bhd)	13	31
Safeguards Oceanic Sdn Bhd	266	268
Airoceanic Express Sdn Bhd	266	409
Safeguards Records Management Sdn Bhd *	1	4
Dato' Chee Peck Kiat @ Chee Peck Jan - former director of the Company effective from 1 July 2012 (includes interest payable)	3,359	3,306
<i>Note * - Subsidiary of Safeguards Corporation Sdn Bhd</i>		

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.

A23 Dividend Paid

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

A24 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 2013 up to 26 November 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 RM2.44 million an increase of about 17% over the revenue of RM2.08 million reported in the preceding financial quarter. The improved revenue which principally contributed by better volume of work orders from the tubular inspection and maintenance services has translated into higher gross profit of approximately RM0.75 million as against RM0.45 million recorded in the preceding financial quarter. Nonetheless, it reported a lower pre-tax profit of about RM0.02 million when compared to the preceding financial quarter, a drop of approximately RM0.34 million as the pre-tax profit of the preceding financial quarter of RM0.36 million included reversal adjustments for over provision of certain expenses and/or cost.

On an overall Group basis, the Group recorded a 10% decline in revenue to RM22.64 million when compared to RM25.04 million recorded in the preceding financial quarter. With no material costs and gross losses contribution from the land rig service unit and better revenue performance from its tubular inspection and maintenance services, the Group managed to register a 10% increase in gross profit to RM7.59 million as against RM6.92 million recorded in the preceding financial quarter. The aforesaid improved performance has further translated into a pre-tax profit of approximately RM4.14 million, about 125% improvement from the preceding financial period's loss before taxation position of approximately RM16.55 million, a result which was adversely affected by and included impairment losses on the rig assets made in the said financial quarter.

B3 Commentary on the prospects

Despite of firmer signs of recovery demonstrated by certain advanced economies new challenges such as uncertainty over the strength of China's economic growth and the possible tapering of the quantitative easing programme in the United States of America have given rise to greater global economic and financial uncertainties. Against this backdrop and notwithstanding the Proposed Disposal of Land Rigs and Proposed Disposal of Samudra Oil which will reduce the Group's operations to a single tubular inspection and maintenance services business and may also result in the Company be classified as a Cash Company, the Board of Directors is cautiously optimistic over the sustainability of the current level of upstream activities in both the domestic and overseas markets which are directly related to the Group's operation, in the current financial year and beyond. The Group will continue its efforts to maintain and extend the existing stream of service orders which are fundamental for the performance of the Group in the future.

In the case of a successful completion of the Proposed Disposal of Land Rigs and Proposed Disposal of Samudra Oil in the current financial year, it is the intention of the Company to maintain its listing status and accordingly, the Company will take necessary steps to identify new businesses and/or assets that have prospects to be acquired by the Company. Hence, the proceeds from the Proposed Disposal of Samudra Oil will primarily be utilized towards the acquisition of new businesses and/or assets identified by the Company. The Company may consider distributing any surplus back to its shareholders. The mode and details of the distribution to shareholders shall be disclosed as and when such arrangement have been determined by the Company.

B4 Variance from Profit Forecast and Profit Guarantee

This is not applicable to the Group.

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



B5 Corporate proposals

a) Corporate proposals announced as at end of the current financial period under review

Proposed Disposal of Rig Ikhlas #3

The Company has on 20 May 2013 announced that its wholly-owned subsidiary, KSTDT had on 20 May 2013 entered into a ASA for the proposed disposal of the rig known as Ikhlas #3 to DAN 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 of Rig Ikhlas #3"). The proceeds to be raised from the Proposed Disposal of Rig Ikhlas #3 will be utilised as follows:

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

Proposed Issuance of ICULS

On 6 September 2013 the Company announced that its wholly owned subsidiary KSTDT, the Company and the Grantors (collectively, Dato' Chee Peck Kiat @ Chee Pek Jan, Darmendran Kunaretnam and Chee Cheng Chun) had on 6 September 2013 entered into a Debt Settlement Agreement ("DSA") with Malayan Banking Berhad ("MBB"). The DSA is to formalise the terms and conditions to restructure the outstanding amounts owing by KSTDT to MBB ("Outstanding Amounts").

Amongst others, the DSA entails:-

- the repayment of USD6.50 million (equivalent to approximately RM21.58 million based on the foreign exchange of USD1.00: RM3.32 as at 6 September 2013) ("Upfront Cash Payment") utilising the disposal proceeds from the Proposed Disposal of Rig Ikhlas #3 and/or internally generated funds of the Group;
- the settlement of RM12.00 million of Outstanding Amounts via the proposed issuance of RM12.00 million nominal value of 5-year Irredeemable Convertible Unsecured Loan Stocks ("ICULS") in the Company at 100% of its nominal value to MBB ("Proposed Issuance of ICULS"); and
- the balance sum of up to USD3.50 million (equivalent to approximately RM11.62 million) ("RTL Facility") will be repaid over forty-eight (48) months from the date of implementation of the DSA.

Proposed Disposal of Rig KST #1

The Company has on 11 September 2013 announced that its wholly-owned subsidiary, KSTDT had on 11 September 2013 entered into a ASA for the proposed disposal of the rig known as KST #1 to DAN for a total cash consideration of USD4.20 million (equivalent to RM13.73 million based on the exchange rate of USD1.00: RM3.27 as at 10 September 2013) ("Proposed Disposal of Rig KST #1"). The proceeds to be raised from the Proposed Disposal of Rig KST #1 will be utilised as follows:

(All in RM'000)	<u>Proposed Utilisation</u>
Repayment of Borrowings	5,000
Purchase of equipment and tools (Note #)	3,000
Working capital	5,630
Estimated expenses	100
	13,730

B5 Corporate proposals (Cont'd)

The Proposed Disposals of Rig Ikhlas #3, the Proposed Disposal of Rig KST #1 and the Proposed Issuance of ICULS are hereinafter collectively referred to as "the Proposals". The Proposals are subject to the following approvals being obtained:-

- i) the SC (Private Debt Securities) for the Proposed Issuance of ICULS;
- ii) Bursa Securities for the listing of and quotation for the new ordinary shares in the Company to be issued pursuant to the conversion of the ICULS;
- iii) the shareholders of the Company for the Proposals at an Extra-ordinary General Meeting to be convened; and
- iv) any other relevant authorities and/or parties (where required).

b) Corporate proposals announced subsequent to the current financial period under review

Proposed Disposal of Samudra Oil

On 1 November 2013, the Company announced that it had on 1 November 2013 entered into a SSA with Destini for the proposed disposal of the entire issued and paid-up capital of Samudra Oil ("Sale Shares") for a disposal consideration of RM80.00 million to be fully satisfied by 228,571,428 new Destini Shares at an issue price of RM0.35 per Destini Share ("Consideration Shares") ("Proposed Disposal of Samudra Oil"). The Proposed Disposal of Samudra Oil is subject to:

- the Company obtaining the approval of its shareholders in a general meeting to be convened in relation to the sale of the Sale Shares to Destini or its nominee(s) based on the terms and conditions set out in the SSA;
- Destini obtaining the approval of its shareholders in a general meeting to be convened in relation to the acquisition of the Sale Shares and for the issuance and allotment of the Consideration Shares to the Company based on the terms and conditions set out in the SSA;
- Destini obtaining the approval in-principle of Bursa Securities in relation to the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities; and
- any other relevant approval.

B6 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.

B7 Dividend payable

Please refer to Note A23.

B8 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.

B9 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 2013 and 2012.

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



B10 Realised and Unrealised profits / (losses)

	30 Sept 2013 Unaudited RM'000	30 June 2013 Audited RM'000
Total retained profits / (accumulated losses) of the Company and its subsidiaries		
- Realised	(28,690)	(32,438)
- Unrealised	408	1,838
Total retained profits / (accumulated losses) as per consolidated accounts	<u>(28,282)</u>	<u>(30,600)</u>

B11 Auditors' Report on Preceding Annual Financial Statements

The Auditors' Report of the financial statements for the financial year ended 30 June 2013 was not qualified.

BY ORDER OF THE BOARD

Darmendran Kunaretnam
Executive Director
Kuala Lumpur
26 November 2013