



# **KEJURUTERAAN SAMUDRA TIMUR BERHAD**

**Interim Financial Report**

**For 2<sup>nd</sup> Financial Quarter Ended 31<sup>st</sup> December 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  
SECOND FINANCIAL QUARTER ENDED 31 DECEMBER 2013**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL PERIODS ENDED 31 DECEMBER 2013 AND 2012**

	Note	Second Quarter ended		Cumulative Six Months ended	
		31 December 2013	31 December 2012	31 December 2013	31 December 2012
		Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
<b><u>Continuing Operations</u></b>					
Revenue		2,434	2,277	4,875	5,587
Cost of sales		(1,305)	(1,570)	(2,997)	(3,619)
<b>Gross profit</b>		<b>1,129</b>	<b>707</b>	<b>1,878</b>	<b>1,968</b>
Other income		121	8,061	179	8,145
Administrative expenses		(827)	(472)	(976)	(1,077)
Other operating expenses		(363)	(679)	(916)	(1,371)
Finance cost		(57)	344	(141)	(79)
<b>Profit / (Loss) before taxation</b>		<b>3</b>	<b>7,961</b>	<b>24</b>	<b>7,586</b>
Income tax expense	<b>A12</b>	(2)	(115)	102	(373)
<b>Profit / (Loss) for the period from continuing operation</b>		<b>1</b>	<b>7,846</b>	<b>126</b>	<b>7,213</b>
<b><u>Discontinued Operations</u></b>					
<b>Profit for the period from discontinued operation</b>		<b>2,768</b>	<b>995</b>	<b>4,936</b>	<b>3,224</b>
<b>Total profit for the period</b>		<b>2,769</b>	<b>8,841</b>	<b>5,062</b>	<b>10,437</b>
Attributable to equity holders of the Company:					
- From continuing operations		1	7,816	126	7,213
- From discontinued operation		2,771	1,043	4,964	3,272
		2,772	8,859	5,090	10,485
Non-controlling interests / Minority interests		(3)	(18)	(28)	(48)
		2,769	8,841	5,062	10,437
Basic earnings/(loss) per Share attributable to equity holders of the Company (sen)					
- From continuing operations	<b>A14</b>	0.00	5.46	0.09	5.04
- From discontinued operation	<b>A14</b>	1.94	0.73	3.47	2.29
		1.94	6.19	3.56	7.33
Diluted earnings per share attributable to equity holders of the Company (sen)					
	<b>A14</b>	1.36	N/A	2.51	N/A

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE  
INCOME FOR THE FINANCIAL PERIODS ENDED 31 DECEMBER 2013 AND 2012**



	<b>Second Quarter ended</b>		<b>Cumulative Six Months ended</b>	
	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Profit for the period</b>	2,769	8,841	5,062	10,437
<b>Other Comprehensive Income:</b>				
Currency translation differences	(356)	58	(1,140)	1,080
<b>Total other comprehensive income / (loss)</b>	<u>(356)</u>	<u>58</u>	<u>(1,140)</u>	<u>1,080</u>
<b>Total comprehensive profit</b>	<u>2,413</u>	<u>8,899</u>	<u>3,922</u>	<u>11,517</u>
Attributable to:				
Equity holders of the Company	2,419	8,917	3,963	11,557
Non-controlling interests / Minority interests	(6)	(18)	(41)	(40)
	<u>2,413</u>	<u>8,899</u>	<u>3,922</u>	<u>11,517</u>

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER ("DEC") 2013**



		<b>31 Dec 2013</b>	<b>30 June 2013</b>
		<b>Unaudited</b>	<b>Audited</b>
<b>ASSETS</b>	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current assets</b>			
Property, plant and equipment	<b>A15</b>	2,338	23,511
Investment in associated company		226	226
Investment securities		35	35
		<u>2,599</u>	<u>23,772</u>
<b>Current assets</b>			
Inventories	<b>A16</b>	5,634	4,546
Trade receivables		25,602	40,582
Other receivables		4,906	4,331
Tax recoverable		302	113
Cash and bank balances (including fixed deposits)	<b>A17</b>	48,780	24,521
		<u>85,224</u>	<u>74,093</u>
Non-current assets held for sale	<b>A13</b>	36,185	36,185
Assets of disposal subsidiary classified as held for sale	<b>A13</b>	31,638	-
		<u>153,047</u>	<u>110,278</u>
<b>TOTAL ASSETS</b>		<u>155,646</u>	<u>134,050</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	<b>A9</b>	42,908	42,908
Share premium	<b>A9</b>	8,412	8,412
Share warrants	<b>A9</b>	3,013	3,013
Other reserves	<b>A9</b>	(2,570)	(1,443)
Accumulated losses		(25,510)	(30,600)
		<u>26,253</u>	<u>22,290</u>
<b>Non-controlling interests / Minority interests</b>		<u>(381)</u>	<u>(340)</u>
<b>Total equity</b>		<u>25,872</u>	<u>21,950</u>
<b>Non-current liabilities</b>			
Loans and borrowings	<b>A19</b>	12,349	14,740
Deferred tax liabilities		89	3,365
		<u>12,438</u>	<u>18,105</u>
<b>Current liabilities</b>			
Trade payables		25,171	25,538
Other payables		44,925	35,020
Loans and borrowings	<b>A19</b>	32,947	30,368
Tax payable		499	3,069
		<u>103,542</u>	<u>93,995</u>
Liabilities of disposal subsidiary classified as held for sale	<b>A13</b>	13,794	-
		<u>117,336</u>	<u>93,995</u>
<b>Total liabilities</b>		<u>129,774</u>	<u>112,100</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>155,646</u>	<u>134,050</u>
<b>NET ASSETS PER SHARE (SEN)</b>		<u>18.1</u>	<u>15.3</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE 6 MONTH FINANCIAL PERIOD ENDED 31 DECEMBER 2013**

	Attributable to equity holders of the Company							Non-controlling 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	RM'000
<b>At 1 July 2013</b>	42,908	8,412	3,013	-	(1,443)	(30,600)	22,290	(340)	21,950
Profit/(Loss) for the period	-	-	-	-	-	5,090	5,090	(28)	5,062
Other comprehensive income / (loss)	-	-	-	-	(1,127)	-	(1,127)	(13)	(1,140)
Total comprehensive profit / (loss) for the period	-	-	-	-	(1,127)	5,090	3,963	(41)	3,922
<b>Transactions with owners in their capacity as owners:</b>	-	-	-	-	-	-	-	-	-
<b>At 31 December 2013 (Unaudited)</b>	<b>42,908</b>	<b>8,412</b>	<b>3,013</b>	<b>-</b>	<b>(2,570)</b>	<b>(25,510)</b>	<b>26,253</b>	<b>(381)</b>	<b>25,872</b>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE 6 MONTH FINANCIAL PERIOD ENDED 31 DECEMBER 2012**

	Attributable to equity holders of the Company						Non-controlling 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	
<b>At 1 July 2012 (Restated)</b>	42,908	8,412	-	-	(1,379)	(23,658)	26,283	(201)	26,082
Profit/(Loss) for the period	-	-	-	-	-	10,485	10,485	(48)	10,437
Other comprehensive income / (loss)	-	-	-	-	1,072	-	1,072	8	1,080
Total comprehensive profit / (loss) for the period	-	-	-	-	1,072	10,485	11,557	(40)	11,517
<b>Transactions with owners in their capacity as owners:</b>	-	-	-	-	-	-	-	-	-
<b>At 31 December 2012 (Unaudited)</b>	<b>42,908</b>	<b>8,412</b>	<b>-</b>	<b>-</b>	<b>(307)</b>	<b>(13,173)</b>	<b>37,840</b>	<b>(241)</b>	<b>37,599</b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL PERIODS ENDED 31 DECEMBER 2013 AND 2012**



	<b>6 months ended</b>	
	<b>31 Dec 2013 Unaudited RM'000</b>	<b>31 Dec 2012 Unaudited RM'000</b>
<b>Cash Flows From Operating Activities</b>		
Profit before taxation		
- From continuing operations	24	14,018
- From discontinued operations	7,862	-
	<u>7,886</u>	<u>14,018</u>
Adjustments for non-cash and non-operating items:		
- Depreciation of property, plant and equipment	3,044	6,541
- Interest expense	1,018	1,112
- Unrealised loss / (gain) on foreign exchange	(122)	(404)
- Others	(77)	(111)
	<u>11,749</u>	<u>21,156</u>
<b>Operating profit before changes in working capital</b>	<b>11,749</b>	<b>21,156</b>
Changes in working capital:		
- Increase in inventories	(1,088)	(357)
- (Increase)/Decrease in trade and other receivables	6,241	(9,974)
- Increase/(Decrease) in trade and other payables	16,371	14,948
Interest paid	(941)	(2,091)
Interest received	77	32
Net change in taxation	(1,975)	(1,312)
	<u><b>30,434</b></u>	<u><b>22,402</b></u>
<b>Cash Flows From Investing Activities</b>		
Proceeds from disposal of property, plant and equipment and/or assets held for sale	-	90
Purchase of property, plant and equipment	(1,745)	(1,768)
Investment in associated company	-	(226)
	<u><b>(1,745)</b></u>	<u><b>(1,904)</b></u>
<b>Cash Flows From Financing Activities</b>		
Increase / (Decrease) in loans and borrowings balance	1,768	(21,963)
	<u><b>1,768</b></u>	<u><b>(21,963)</b></u>
<b>Net Change in Cash and Cash Equivalents</b>	<b>30,457</b>	<b>(1,465)</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>22,941</b>	<b>1,713</b>
<b>Effects of exchange rate changes</b>	<b>(1,018)</b>	<b>1,484</b>
<b>Cash and Cash Equivalents at End of Period</b>	<u><b>52,380</b></u>	<u><b>1,732</b></u>
<b>Analysis of Cash and Cash Equivalents:</b>		
Cash and bank balances	12,895	7,724
Deposits with licensed financial institutions	39,485	500
Bank overdrafts	-	(6,492)
	<u><b>52,380</b></u>	<u><b>1,732</b></u>

**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 28 February 2014.

**A2 Basis of preparation**

The unaudited interim financial report, for the period ended 31 December 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 of 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 six months period have been reclassified and presented as follows:-

##### Condensed consolidated statement of comprehensive income:-

(All in RM'000)	Corresponding Quarter ended 31 December 2012		
	As previously reported	Discontinued Operations	As reclassified
Revenue	27,556	25,279	2,277
Cost of sales	(21,820)	(20,250)	(1,570)
<b>Gross profit</b>	<b>5,736</b>	<b>5,029</b>	<b>707</b>
Other income	8,081	20	8,061
Administrative expenses	(1,522)	(1,050)	(472)
Other operating expenses	(1,463)	(784)	(679)
Finance cost	(134)	(478)	344
<b>Profit before taxation</b>	<b>10,698</b>	<b>2,737</b>	<b>7,961</b>
Income tax expense	(1,857)	(1,742)	(115)
<b>Profit for the period from continuing operations</b>	<b>8,841</b>	<b>995</b>	<b>7,846</b>
<b>Profit for the period from discontinued operation</b>	<b>-</b>	<b>-</b>	<b>995</b>

**A4 Comparative for Unaudited Condensed Consolidated Statements of Comprehensive Income - Discontinued Operation and Disposal Subsidiary Classified as Held for Sale (Cont'd)**

(All in RM'000)	Cumulative Six Months ended 31 December 2012		
	As previously reported	Discontinued Operations	As reclassified
Revenue	45,614	40,027	5,587
Cost of sales	(33,284)	(29,665)	(3,619)
<b>Gross profit</b>	<b>12,330</b>	<b>10,362</b>	<b>1,968</b>
Other income	8,176	31	8,145
Administrative expenses	(2,386)	(1,309)	(1,077)
Other operating expenses	(2,990)	(1,619)	(1,371)
Finance cost	(1,112)	(1,033)	(79)
<b>Profit before taxation</b>	<b>14,018</b>	<b>6,432</b>	<b>7,586</b>
Income tax expense	(3,581)	(3,208)	(373)
<b>Profit for the period from continuing operations</b>	<b>10,437</b>	<b>3,224</b>	<b>7,213</b>
<b>Profit for the period from discontinued operation</b>	<b>-</b>	<b>-</b>	<b>3,224</b>

**A5 Changes in Accounting Estimates**

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

**A6 Seasonal or Cyclical Factors**

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

**A7 Unusual Items Due to Their Nature, Size or Incidence**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current financial period.

**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.

The Proposed Disposal of Land Rigs and Proposed Disposal of Samudra Oil entail the discontinuation of the Tubular handling services and Land rig services of the Group. Accordingly the results related to these two operating segments are presented in the unaudited condensed consolidated statements of comprehensive income of the Group under the "discontinued operations".

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

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

UNAUDITED RESULTS FOR FOR 6-MONTH PERIOD ENDED 31.12.2013	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	
<b>D) BUSINESS SEGMENT</b>							
<b>Revenue</b>							
- External	4,875	-	-	4,875	-	38,401	43,276
- Inter-segment	494	-	(494)	-	-	3	3
- Elimination - Discontinued operations	-	-	-	-	-	-	(3)
Total revenue	<u>5,369</u>	<u>-</u>	<u>(494)</u>	<u>4,875</u>	<u>-</u>	<u>38,404</u>	<u>43,276</u>
<b>Results</b>							
- Segment results	546	(381)	-	165	(340)	9,079	8,904
- Finance cost	(16)	(125)	-	(141)	(877)	-	(1,018)
Profit / (Loss) before taxation				24	(1,217)	9,079	7,886
- Taxation				102	-	(2,926)	(2,824)
Profit / (Loss) after taxation				126	(1,217)	6,153	5,062
Non-controlling interests / Minority interest				-	28	-	28
Profit / (Loss) for the period attributable to equity holders of the Company				<u>126</u>	<u>(1,189)</u>	<u>6,153</u>	<u>5,090</u>
<b>Assets</b>							
Segment assets	6,559	89,255	431	96,245	27,753	31,638	155,636
Unallocated corporate assets							10
Consolidated Assets							<u>155,646</u>
<b>Liabilities</b>							
Segment liabilities	2,010	71,713	(27,881)	45,842	68,495	13,794	128,131
Unallocated corporate liabilities							1,643
Consolidated Liabilities							<u>129,774</u>

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

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

UNAUDITED RESULTS FOR FOR 6-MONTH PERIOD ENDED 31.12.2013	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	
<b>II) <u>GEOGRAPHICAL SEGMENT</u></b>							
<b>Revenue from External Customers</b>							
- Malaysia	4,875	-	-	4,875	-	38,401	43,276
- Indonesia	-	-	-	-	-	-	-
Total revenue	<u>4,875</u>	<u>-</u>	<u>-</u>	<u>4,875</u>	<u>-</u>	<u>38,401</u>	<u>43,276</u>
<b>Non-current Assets</b>							
- Malaysia	1,974	612	-	2,586	13	19,874	22,473
- Indonesia	-	-	-	-	-	-	-
	<u>1,974</u>	<u>612</u>	<u>-</u>	<u>2,586</u>	<u>13</u>	<u>19,874</u>	<u>22,473</u>

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

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

UNAUDITED RESULTS FOR FOR 6-MONTH PERIOD ENDED 31.12.2012	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	
<b>D) BUSINESS SEGMENT</b>							
<b>Revenue</b>							
- External	5,587	-	-	5,587	573	39,454	45,614
- Inter-segment	410	-	(410)	-	-	4	4
- Elimination at Discontinued operation	-	-	-	-	-	-	(4)
Total revenue	<u>5,997</u>	<u>-</u>	<u>(410)</u>	<u>5,587</u>	<u>573</u>	<u>39,458</u>	<u>45,614</u>
<b>Results</b>							
- Segment results	855	6,810	-	7,665	(4,210)	11,675	15,130
- Finance cost	-	(79)	-	(79)	(836)	(197)	(1,112)
Profit before taxation				7,586	(5,046)	11,478	14,018
- Taxation				(373)	-	(3,208)	(3,581)
(Loss)/Profit after taxation				7,213	(5,046)	8,270	10,437
Non-controlling interests / Minority interest				-	48	-	48
(Loss)/Profit for the period attributable to equity holders of the Company				<u>7,213</u>	<u>(4,998)</u>	<u>8,270</u>	<u>10,485</u>
<b>Assets</b>							
Segment assets	15,194	115,878	(82,891)	48,181	70,156	19,971	138,308
Unallocated corporate assets							22
Consolidated Assets							<u>138,330</u>
<b>Liabilities</b>							
Segment liabilities	1,589	62,678	(17,553)	46,714	49,231	3,253	99,198
Unallocated corporate liabilities							1,533
Consolidated Liabilities							<u>100,731</u>

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

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

UNAUDITED RESULTS FOR FOR 6-MONTH PERIOD ENDED 31.12.2012	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	
<b>II) <u>GEOGRAPHICAL SEGMENT</u></b>							
<b>Revenue from External Customers</b>							
- Malaysia	5,587	-	-	5,587	-	39,454	45,041
- Indonesia	-	-	-	-	573	-	573
- Singapore	-	-	-	-	-	-	-
Total revenue	<u>5,587</u>	<u>-</u>	<u>-</u>	<u>5,587</u>	<u>573</u>	<u>39,454</u>	<u>45,614</u>
<b>Non-current Assets</b>							
- Malaysia	1,386	1,461	-	2,847	-	19,971	22,818
- Indonesia	-	-	-	-	59,434	-	59,434
	<u>1,386</u>	<u>1,461</u>	<u>-</u>	<u>2,847</u>	<u>59,434</u>	<u>19,971</u>	<u>82,252</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 an increase of about 7% when compared to the corresponding financial quarter due mainly to better volume of work orders were reported by its tubular inspection and maintenance services. This improvement coupled with enhanced gross profit margin have translated into a 60% hike in gross profit for the Group's Continuing operations to approximately RM1.13 million for the current financial quarter when compared to the corresponding financial quarter. Despite of the aforesaid increased gross profit when compared to the corresponding financial quarter, the Group's Continuing operations registered a substantially lower pre-tax profit of approximately RM3,000 as compared to RM7.96 million achieved in the corresponding quarter, a period during which the Group's Continuing operations recognised a material one-off gain totaled to RM7.99 million related to waiver of principal sum and interests following full settlement of the collateralised loan obligation facility in the said period. It recorded a profit for the period of approximately RM1,000 for the current financial quarter.

With the profit after taxation contribution of approximately RM2.77 million from the discontinued operations, the Group reported a net profit for the period of about RM2.77 million, a decline of approximately 69% over the profit for the period of approximately RM8.84 million registered in the corresponding financial quarter. The Group recorded a profit attributable to equity holders of the Company of about RM2.77 million for the current financial quarter.

The inspection and maintenance services recorded a higher segment profit before interest of approximately RM0.43 million, as compared to about RM0.10 million segment profit before interest reported in the corresponding financial quarter due principally to improved gross profit of approximately RM1.13 million which was attributable to enhanced gross profit margin and higher revenue earned for the current financial quarter.

For the current financial quarter, the tubular handling services unit (discontinued operation) recorded a 28% decline in revenue to approximately RM18.20 million compared the turnover of about RM25.30 million reported in the corresponding financial quarter principally due to lower sales value was recorded for 3rd party specialist services. This has translated into a reduced gross profit of approximately RM6.93 million, a drop of about 11% from RM7.74 million reported in the corresponding financial quarter. The reduced gross profit coupled with increases in administrative and other operating expenses have resulted in the tubular handling services unit to report about 33% decline in its segment result before interest to approximately RM4.12 million compared to RM6.17 million achieved in the corresponding financial quarter.

The land rig services unit (discontinued operation) reported a minor segment profit before interest of approximately RM0.04 million as compared to a segment loss before interest of about RM2.96 million incurred in the corresponding financial quarter due principally to recognition of gain on foreign exchange while 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 and no material cost were incurred by the land rig services unit during the current financial quarter.

[ THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK ]

**A11 Profit before tax**

Included in the profit before taxation of the Group are the following items:-

	Second Quarter ended		Cumulative Six Months ended	
	31 December 2013*	31 December 2012*	31 December 2013*	31 December 2012*
	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
a) Interest income	75	21	77	32
b) Other income (excluding (a) and (g))	46	76	102	160
c) Interest expense	(475)	(134)	(1,018)	(1,112)
d) Depreciation and amortisation of property plant and equipment	(1,508)	(3,261)	(3,044)	(6,541)
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	-	7,985	-	7,985
f) Amortisation of intangible assets	-	-	-	-
g) Impairment and/or write off of receivables	-	-	-	-
h) Impairment and/or write off of inventories	-	-	-	-
i) Gain/(Loss) on disposal of quoted or unquoted investments or properties	-	-	-	-
j) Impairment of assets	-	-	-	-
k) Realised foreign exchange gain/(loss)	(924)	(67)	54	(72)
l) Unrealised foreign exchange gain/(loss)	969	(166)	122	404
m) Gain/(loss) on derivatives	-	-	-	-
n) Exceptional items	-	-	-	-

\* - Includes amount in respect of the discontinued operations

**A12 Income tax expense**

	Second Quarter ended		Cumulative Six Months ended	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
<b>Based on financial period's profit</b>				
<u>Continuing operations</u>				
Taxation				
- Current financial period	2	115	(102)	373
- Under/(Over) provision in the previous years	-	-	-	-
Deferred taxation				
- Current financial period	-	-	-	-
- Under/(Over) provision in the previous years	-	-	-	-
	<u>2</u>	<u>115</u>	<u>(103)</u>	<u>373</u>
<u>Discontinued operation</u>				
Taxation	978	1,742	2,926	3,208
Deferred taxation	-	-	-	-
	<u>978</u>	<u>1,742</u>	<u>2,926</u>	<u>3,208</u>
Total tax expenses for the period	<u>980</u>	<u>1,857</u>	<u>2,824</u>	<u>3,581</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 31 December 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.

The Group's effective tax rate for the corresponding financial period ended 30 December 2012 was lower than the statutory tax rate principally due to certain income are not subject to tax.

**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 6 months ended 31 December 2013 are as follows:

(All in RM'000)	Second Quarter ended		Cumulative Six Months ended	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Revenue	18,202	25,279	38,401	40,027
Cost of sales	(11,273)	(20,250)	(24,635)	(29,665)
<b>Gross profit</b>	<b>6,929</b>	<b>5,029</b>	<b>13,766</b>	<b>10,362</b>
Other income	10	20	10	31
Administrative expenses	(1,088)	(1,050)	(2,178)	(1,309)
Other operating expenses	(1,687)	(784)	(2,859)	(1,619)
Finance cost	(418)	(478)	(877)	(1,033)
<b>Profit before taxation</b>	<b>3,746</b>	<b>2,737</b>	<b>7,862</b>	<b>6,432</b>
Income tax expense	(978)	(1,742)	(2,926)	(3,208)
<b>Profit for the period</b>	<b>2,768</b>	<b>995</b>	<b>4,936</b>	<b>3,224</b>

Statement of financial position disclosure

- i) The assets of the Group classified as assets held for sale as at 31 December 2013 are as follows:-

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

[ THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK ]

**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 31 December 2013 are as follows:

	RM'000
<b>Assets</b>	
Property, plant and equipment	19,874
Inventories	-
Receivables	8,164
Cash and bank balances (including fixed deposits)	3,600
Assets of disposal subsidiary classified as held for sale	<u>31,638</u>
<b>Liabilities</b>	
Payables	(6,910)
Tax payable and deferred taxation	(6,884)
Liabilities of disposal subsidiary classified as held for sale	<u>(13,794)</u>

Statement of cash flows disclosure

	6 months ended 31 December 2013 Unaudited RM'000
Cash flows from operating activities	3,678
Cash flows used in investing activities	(1,432)
Cash flows from financing activities	-
Net cash (outflows)/inflows	<u>2,246</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:

	Second Quarter ended 31 December 2013 Unaudited	31 December 2012 Unaudited	Cumulative Six Months ended 31 December 2013 Unaudited	31 December 2012 Unaudited
Profit/(Loss) for the period attributable to equity holders of the Company (RM'000)				
- From continuing operations	1	7,816	126	7,213
- From discontinued operation	2,771	1,043	4,964	3,272
	<u>2,772</u>	<u>8,859</u>	<u>5,090</u>	<u>10,485</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	0.00	5.46	0.09	5.04
- From discontinued operation	1.94	0.73	3.47	2.29
	<u>1.94</u>	<u>6.19</u>	<u>3.56</u>	<u>7.33</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:

	<b>Second Quarter ended</b>		<b>Cumulative Six Months ended</b>	
	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
Profit/(Loss) for the period attributable to equity holders of the Company (RM'000)				
- From continuing operations	1	7,816	126	7,213
- From discontinued operation	2,771	1,043	4,964	3,272
	<u>2,772</u>	<u>8,859</u>	<u>5,090</u>	<u>10,485</u>
Net adjustment for interest income from cash proceeds on exercise of warrants	146	-	292	-
	<u>2,918</u>	<u>8,859</u>	<u>5,382</u>	<u>10,485</u>
<b><u>Weighted average number of ordinary shares (diluted) ('000)</u></b>				
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>1.36</u>	N/A	<u>2.51</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 RM1,745,000 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.

[ THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK ]

**A17 Cash and cash equivalent**

	As at 31 Dec 2013 Unaudited RM'000	As at 30 June 2013 Audited RM'000
Cash and bank balances	52,380	24,521
Bank overdrafts	-	(1,580)
<b>Total cash and cash equivalent</b>	<u>52,380</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>31 December 2013</u>				
<b>Available-for-sale financial assets</b>				
Equity shares *	<u>35</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>30 June 2013</u>				
<b>Available-for-sale financial assets</b>				
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 31 Dec 2013 Unaudited RM'000	As at 30 June 2013 Audited RM'000
<b>a) Short term borrowings</b>		
Repayable within twelve months		
- Secured	32,947	28,788
- Unsecured	-	1,580
	<u>32,947</u>	<u>30,368</u>

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

Repayable after twelve months

- Secured

12,349

14,740

- Unsecured

-

-

Portion repayable after one year

12,349

14,740

United States Dollars (USD'000)

13,584

13,584

Ringgit Malaysia equivalent (RM'000)

44,342

42,942

**A20 Contingencies and Exposure to credit risk associated with bank guarantees**

As at 31 Dec 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

2,844

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 31 Dec 2013 Unaudited RM'000	As at 30 June 2013 Audited RM'000
---	--

**Capital expenditure**

Approved and contracted for:

- Property, plant and equipment

833

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 six-month period ended 31 December 2013 as well as the balances with the related parties as at 31 December 2013 and 30 June 2013.

	Second Quarter ended 31 December 2013 Unaudited RM'000	31 December 2012 Unaudited RM'000	Cumulative Six Months ended 31 December 2013 Unaudited RM'000	31 December 2012 Unaudited RM'000
--	--	--	---	--

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

a) Purchase of air ticket from a company	209	204	353	420
b) IT related services	17	50	46	73
c) Transportation, freight and handling services	718	392	1,048	607
d) Interest payable to a former director	42	64	95	103

**A22 Related Party Transactions (Cont'd)**

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

	<b>31 Dec 2013</b>	<b>30 June 2013</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>RM'000</b>	<b>RM'000</b>
Gem Travel & Tour Sdn Bhd	179	284
Safworks Sdn Bhd (formerly known as IQ Works Sdn Bhd)	17	31
Safeguards Oceanic Sdn Bhd	147	268
Airoceanic Express Sdn Bhd	77	409
Safeguards Records Management Sdn Bhd *	3	4
Dato' Chee Peck Kiat @ Chee Peck Jan - former director of the Company effective from 1 July 2012 (includes interest payable)	<u>3,359</u>	<u>3,306</u>
<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 RM2.11 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 31 December 2013 up to 28 February 2014 other than those disclosed in Note B5 and Note B6.

[ THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK ]

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



**B1 Review of Performance**

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

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

For the current financial quarter under review, the Group's Continuing operations registered a total revenue of approximately RM2.44 million which is fairly consistent with that reported in the preceding financial quarter but at an enhanced gross profit margin. The improved gross profit margin position has translated into higher gross profit of approximately RM1.13 million as against RM0.75 million recorded in the preceding financial quarter. Nonetheless, it reported a lower pre-tax profit of about RM3,000 when compared to the preceding financial quarter, a drop of approximately RM18,000 due to higher administrative and other operating expenses incurred during the current financial quarter.

On an overall Group basis, the Group recorded a 9% decline in revenue to RM20.64 million when compared to RM22.64 million recorded in the preceding financial quarter. With the enhanced gross profit position of its tubular inspection and maintenance services and fairly consistent gross result performance from its tubular handling services unit when compared to the preceding financial quarter, the Group managed to register a 6% increase in gross profit to RM8.06 million as against RM7.59 million recorded in the preceding financial quarter. The aforesaid improved performance was however subdued by increases in overall administrative and other operating expenses which resulted in the Group posted a lower pre-tax profit of approximately RM3.75 million, about 9% reduction from the preceding financial period's pre-tax profit position of approximately RM4.14 million.

**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 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 PN 17 Company and/or 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 after ensuring all repayments to Malayan Banking Berhad ("MBB") pursuant to the DSA (as defined in Note B5 below). 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.

[ THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK ]

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



**B5 Corporate proposals**

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:

<b>(All in RM'000)</b>	<b><u>Proposed Utilisation</u></b>
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 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:

<b>(All in RM'000)</b>	<b><u>Proposed Utilisation</u></b>
Repayment of Borrowings	5,000
Purchase of equipment and tools (Note #)	3,000
Working capital	5,634
Estimated expenses	100
	13,734



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

### 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 Rig Ikhlas #3, Proposed Disposal of Rig KST #1 and Proposed Disposal of Samudra Oil are hereinafter collectively referred to as "the Proposed Disposals". The Proposed Disposals and the Proposed Issuance of ICULS are collectively known as "the Proposals".

The Proposals are subject to the following approvals being obtained:-

- i) the Securities Commission Malaysia's (SC's) authorisation for the Proposed Issuance of ICULS has been obtained vide SC's letter dated 4 February 2014;
- ii) Bursa Securities' approval for the listing of and quotation for the new ordinary shares in the Company to be issued pursuant to the conversion of the ICULS has been obtained vide Bursa Securities' letter dated 13 February 2014;
- 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).

The Proposed Disposals are not conditional upon the Proposed Issuance of ICULS while the Proposed Disposal of Rig Ikhlas #3, Proposed Disposal of Rig KST #1 and Proposed Disposal of Samudra Oil are not inter-conditional. However, the Proposed Issuance of ICULS is conditional upon the Proposed Disposal of Rig Ikhlas #3 but not vice-versa.

The Proposals are pending completion as at end of the current financial period under review.

## **B6 Changes in material litigation**

Save as disclosed below, 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.

On 18 December 2013, the Company announced that it has on 18 December 2013 received a Notice of Arbitration from Tesco Singapore Pte. Ltd. ("Tesco") to refer the disputes and differences in relation to its claims against the Company to arbitration pursuant to the provision of a Representative Agreement between Tesco and the Company dated 1 January 2012 ("Representative Agreement").

Tesco, the claimant and the Company entered into the Representative Agreement for the appointment of the Company as the representative of Tesco in Malaysia for the provision of the following services: \_

- Top Drive Drilling System Services
- At Rig Floor Snubbing Services
- Tubing Running and Handling Services
- MCLRS<sup>TM</sup> (Multiple Control Line Running System<sup>TM</sup>) Services
- Casing Running/Reaming Services; and
- CASING DRILLING<sup>®</sup> Services

Disputes and differences relating to the Representative Agreement have since arisen between Tesco and the Company. Pursuant to Clause 12 of the Representative Agreement, the disputes between parties shall be referred to and determined by arbitration at the Singapore International Arbitration Centre under its commercial arbitration rules.

Arising from the disputes or/and differences, Tesco claimed, inter alia, the following relief and/or remedies:-

- the sum of approximately USD6,547,877.32 for the outstanding invoices as at 30 November 2013; and
- Interest from such dates at such rates as deemed fit by the Arbitrator.

The arbitration proceeding is not expected to have a material impact on the operation, earnings and the net assets of the Company for the financial year ending 30 June 2014

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



**B6 Changes in material litigation (Cont'd)**

On 13 February 2014, the Company announced that a Notice pursuant to Section 218(2)(a) of the Companies Act, 1965 ("S 218 Notice") was served on the Company by Messrs. Christopher & Lee Ong acting for Tesco, demanding payment of USD6,547,877.32 ("the Alleged Debt") due as at 30 November 2013 pursuant to a Representative Agreement ("the Intended Winding-up Proceedings").

The Company is given three (3) weeks from date of service of the S 218 Notice to settle the aforesaid outstanding amount, failing which winding up proceedings will be taken against the Company. The Intended Winding-up Proceedings are in respect of the same subject matter as the pending arbitration proceedings.

The Company has through Messrs Cheah Teh & Su initiated a suit against Tesco in the Malaysian High Court via Originating Summons No. 24NCC-61-02/2014 and applied for an injunction to restrain the presentation of a winding-up petition by Tesco. Both the Originating Summons and the Notice of Application were fixed for hearing on 27 February 2014.

The court has on 27 February 2014 granted an ad-interim order following the terms of the application and gave the following orders:-

- Tesco to file their reply by 7 March 2014;
- the Company to file their reply by 14 March 2014; and
- parties to file written submissions on or before 21 March 2014.

The court has further fixed 28 March 2014 for hearing of the injunction and case management of the Originating Summons.

**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 31 December 2013 and 2012.

**B10 Realised and Unrealised profits / (losses)**

	<b>31 Dec 2013</b>	<b>30 June 2013</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>RM'000</b>	<b>RM'000</b>
Total retained profits / (accumulated losses) of the Company and its subsidiaries		
- Realised	(27,278)	(32,438)
- Unrealised	1,769	1,838
Total retained profits / (accumulated losses) as per consolidated accounts	<u>(25,510)</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  
 28 February 2014