



KEJURUTERAAN SAMUDRA TIMUR BERHAD

Interim Financial Report

For 3rd Financial Quarter Ended 31st March 2014

**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
THIRD FINANCIAL QUARTER ENDED 31 MARCH 2014**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIODS ENDED 31 MARCH 2014 AND 2013**

		Third Quarter ended		Cumulative Nine Months ended	
		31 March	31 March	31 March	31 March
		2014	2013	2014	2013
	Note	Unaudited	Unaudited	Unaudited	Unaudited
		RM'000	RM'000	RM'000	RM'000
<u>Continuing Operations</u>					
Revenue		2,460	1,913	7,335	7,500
Cost of sales		(1,473)	(1,446)	(4,470)	(5,065)
Gross profit		987	467	2,865	2,435
Other income		121	75	300	8,220
Administrative expenses		(1,603)	(553)	(2,579)	(1,630)
Other operating expenses		(399)	(663)	(1,315)	(2,034)
Finance cost		(108)	(43)	(249)	(122)
Profit / (Loss) before taxation		(1,002)	(717)	(978)	6,869
Income tax expense	A12	(482)	(45)	(380)	(418)
Profit / (Loss) for the period from continuing operation		(1,484)	(762)	(1,358)	6,451
<u>Discontinued Operations</u>					
Profit / (Loss) for the period from discontinued operation		(2,910)	1,078	2,026	4,302
Total profit / (loss) for the period		(4,394)	316	668	10,753
Attributable to equity holders of the Company:					
- From continuing operations		(1,484)	(762)	(1,358)	6,451
- From discontinued operation		(2,905)	1,093	2,059	4,365
		(4,389)	331	701	10,816
Non-controlling interests / Minority interests		(5)	(15)	(33)	(63)
		(4,394)	316	668	10,753
Basic earnings/(loss) per Share attributable to equity holders of the Company (sen)					
- From continuing operations	A14	(1.04)	(0.53)	(0.95)	4.51
- From discontinued operation	A14	(2.03)	0.76	1.44	3.05
		(3.07)	0.23	0.49	7.56
Diluted earnings per share attributable to equity holders of the Company (sen)					
	A14	Anti-dilutive	0.22	Anti-dilutive	6.65

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE
INCOME FOR THE FINANCIAL PERIODS ENDED 31 MARCH 2014 AND 2013**



	Third Quarter ended		Cumulative Nine Months ended	
	31 March	31 March	31 March	31 March
	2014	2013	2014	2013
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
Profit / (Loss) for the period	(4,394)	316	668	10,753
Other Comprehensive Income:				
Currency translation differences	136	(268)	(1,004)	812
Total other comprehensive income / (loss)	<u>136</u>	<u>(268)</u>	<u>(1,004)</u>	<u>812</u>
Total comprehensive profit	<u>(4,258)</u>	<u>48</u>	<u>(336)</u>	<u>11,565</u>
Attributable to:				
Equity holders of the Company	(4,255)	65	(292)	11,622
Non-controlling interests / Minority interests	(3)	(17)	(44)	(57)
	<u>(4,258)</u>	<u>48</u>	<u>(336)</u>	<u>11,565</u>

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH ("Mar") 2014



		31 Mar 2014	30 June 2013
		Unaudited	Audited
ASSETS	Note	RM'000	RM'000
Non-current assets			
Property, plant and equipment	A15	3,718	23,511
Investment in associated company		226	226
Investment securities		35	35
		<u>3,979</u>	<u>23,772</u>
Current assets			
Inventories	A16	5,875	4,546
Trade receivables		21,673	40,582
Other receivables		7,738	4,331
Tax recoverable		102	113
Cash and bank balances (including fixed deposits)	A17	26,671	24,521
		<u>62,059</u>	<u>74,093</u>
Non-current assets held for sale		-	36,185
Assets of disposal subsidiary classified as held for sale	A13	31,001	-
		<u>93,060</u>	<u>110,278</u>
TOTAL ASSETS		<u>97,039</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		(2,436)	(1,443)
Accumulated losses		(29,899)	(30,600)
		<u>21,998</u>	<u>22,290</u>
Non-controlling interests / Minority interests		<u>(384)</u>	<u>(340)</u>
Total equity		<u>21,614</u>	<u>21,950</u>
Non-current liabilities			
Loans and borrowings	A19	445	14,740
Deferred tax liabilities		88	3,365
		<u>533</u>	<u>18,105</u>
Current liabilities			
Trade payables		27,290	25,538
Other payables		11,015	35,020
Loans and borrowings	A19	23,386	30,368
Tax payable		151	3,069
		<u>61,842</u>	<u>93,995</u>
Liabilities of disposal subsidiary classified as held for sale	A13	13,050	-
		<u>74,892</u>	<u>93,995</u>
Total liabilities		<u>75,425</u>	<u>112,100</u>
TOTAL EQUITY AND LIABILITIES		<u>97,039</u>	<u>134,050</u>
NET ASSETS PER SHARE (SEN)		<u>15.1</u>	<u>15.3</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 9 MONTH FINANCIAL PERIOD ENDED 31 MARCH 2014**

	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
At 1 July 2013	42,908	8,412	3,013	-	(1,443)	(30,600)	22,290	(340)	21,950
Profit/(Loss) for the period	-	-	-	-	-	701	701	(33)	668
Other comprehensive income / (loss)	-	-	-	-	(993)	-	(993)	(11)	(1,004)
Total comprehensive profit / (loss) for the period	-	-	-	-	(993)	701	(292)	(44)	(336)
Transactions with owners in their capacity as owners:	-	-	-	-	-	-	-	-	-
At 31 March 2014 (Unaudited)	42,908	8,412	3,013	-	(2,436)	(29,899)	21,998	(384)	21,614

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

	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	
At 1 July 2012 (Restated)	42,908	8,412	-	-	(1,379)	(23,658)	26,283	(201)	26,082
Profit/(Loss) for the period	-	-	-	-	-	10,816	10,816	(63)	10,753
Other comprehensive income / (loss)	-	-	-	-	806	-	806	6	812
Total comprehensive profit / (loss) for the period	-	-	-	-	806	10,816	11,622	(57)	11,565
Transactions with owners in their capacity as owners:									
Rights Issue of Warrants	-	-	3,576	-	-	-	3,576	-	3,576
Corporate expenses for Rights Issue of Warrants	-	(563)	-	-	-	-	(563)	-	(563)
	-	(563)	3,576	-	-	-	3,013	-	3,013
At 31 March 2013 (Unaudited)	42,908	7,849	3,576	-	(573)	(12,842)	40,918	(258)	40,660

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIODS ENDED 31 MARCH 2014 AND 2013**



	9 months ended	
	31 Mar 2014	31 Mar 2013
	Unaudited RM'000	Unaudited RM'000
Cash Flows From Operating Activities		
Profit before taxation		
- From continuing operations	(978)	15,852
- From discontinued operations	5,988	-
	<u>5,010</u>	<u>15,852</u>
Adjustments for non-cash and non-operating items:		
- Depreciation of property, plant and equipment	4,609	9,775
- Loss on disposal of assets held for sale	1,766	-
- Interest expense	1,529	1,718
- Unrealised loss / (gain) on foreign exchange	(1,515)	(265)
- Others	(135)	(115)
	<u>11,264</u>	<u>26,965</u>
Operating profit before changes in working capital	11,264	26,965
Changes in working capital:		
- Increase in inventories	(1,329)	(44)
- (Increase)/Decrease in trade and other receivables	4,003	(19,804)
- Increase/(Decrease) in trade and other payables	(14,265)	13,525
Interest paid	(1,835)	(2,855)
Interest received	135	36
Net change in taxation	(5,158)	(3,095)
	<u>(7,185)</u>	<u>14,728</u>
Net cash from operating activities	(7,185)	14,728
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant and equipment and/or assets held for sale	34,419	90
Purchase of property, plant and equipment	(3,944)	(2,966)
Investment in associated company	-	(226)
	<u>30,475</u>	<u>(3,102)</u>
Net cash (used in) / from investing activities	30,475	(3,102)
Cash Flows From Financing Activities		
Proceeds from issuance of warrants net of warrant issuance expenses	-	3,013
Increase / (Decrease) in loans and borrowings balance	(19,697)	(21,454)
	<u>(19,697)</u>	<u>(18,441)</u>
Net cash from / (used in) financing activities	(19,697)	(18,441)
Net Change in Cash and Cash Equivalents	3,593	(6,815)
Cash and Cash Equivalents at Beginning of Period	22,941	1,713
Effects of exchange rate changes	511	1,077
Cash and Cash Equivalents at End of Period	27,045	(4,025)
Analysis of Cash and Cash Equivalents:		
Cash and bank balances	22,456	712
Deposits with licensed financial institutions	4,589	470
Bank overdrafts	-	(5,207)
	<u>27,045</u>	<u>(4,025)</u>
Cash and Cash Equivalents	27,045	(4,025)

A1 Corporate information

Kejuruteraan Samudra Timur Berhad ("the Company") 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 21 May 2014.

A2 Basis of preparation

The unaudited interim financial report, for the period ended 31 March 2014, 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").

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 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" respectively in the unaudited condensed consolidated statements of financial position of the Group and as further disclosed in Note A13.

The Proposed Disposal of Land Rigs was deemed completed on 13 March 2014 while the Proposed Disposal of Samudra Oil is pending completion as at end of the current financial period under review

Pursuant to the above mentioned, the comparative of the discontinued operations in the corresponding financial quarter and cumulative nine months period have been reclassified and presented as follows:-

Condensed consolidated statement of comprehensive income:-

(All in RM'000)	Corresponding Quarter ended 31 March 2013		
	As previously reported	Discontinued Operations	As reclassified
Revenue	31,507	29,594	1,913
Cost of sales	(26,352)	(24,906)	(1,446)
Gross profit	5,155	4,688	467
Other income	80	5	75
Administrative expenses	(1,347)	(794)	(553)
Other operating expenses	(1,448)	(785)	(663)
Finance cost	(606)	(563)	(43)
Profit/(Loss) before taxation	1,834	2,551	(717)
Income tax expense	(1,518)	(1,473)	(45)
Profit/(Loss) for the period from continuing operations	316	1,078	(762)
Profit for the period from discontinued operation	-		1,078

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 Nine Months ended 31 March 2013		
	As previously reported	Discontinued Operations	As reclassified
Revenue	77,121	69,621	7,500
Cost of sales	(59,636)	(54,571)	(5,065)
Gross profit	17,485	15,050	2,435
Other income	8,256	36	8,220
Administrative expenses	(3,733)	(2,103)	(1,630)
Other operating expenses	(4,438)	(2,404)	(2,034)
Finance cost	(1,718)	(1,596)	(122)
Profit before taxation	15,852	8,983	6,869
Income tax expense	(5,099)	(4,681)	(418)
Profit for the period from continuing operations	10,753	4,302	6,451
Profit for the period from discontinued operation	-	-	4,302

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 other than cessation of the business of rental of oil rigs following the completion of the Proposed Disposal of Land Rigs as further disclosed in Note A4 and Note B5.

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.

PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A10 Segmental Information (Cont'd)

UNAUDITED RESULTS FOR FOR 9-MONTH PERIOD ENDED 31.3.2014	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	7,335	-	-	7,335	-	55,270	62,605
- Inter-segment	746	-	(746)	-	-	3	3
- Elimination - Discontinued operations	-	-	-	-	-	-	(3)
Total revenue	<u>8,081</u>	<u>-</u>	<u>(746)</u>	<u>7,335</u>	<u>-</u>	<u>55,273</u>	<u>62,605</u>
Results							
- Segment results	807	(1,536)	-	(729)	(5,452)	12,720	6,539
- Finance cost	(26)	(223)	-	(249)	(1,280)	-	(1,529)
Profit / (Loss) before taxation				(978)	(6,732)	12,720	5,010
- Taxation				(380)	-	(3,962)	(4,342)
Profit / (Loss) after taxation				(1,358)	(6,732)	8,758	668
Non-controlling interests / Minority interest				-	33	-	33
Profit / (Loss) for the period attributable to equity holders of the Company				<u>(1,358)</u>	<u>(6,699)</u>	<u>8,758</u>	<u>701</u>
Assets							
Segment assets	12,554	71,696	(26,337)	57,913	8,115	31,001	97,029
Unallocated corporate assets							10
Consolidated Assets							<u>97,039</u>
Liabilities							
Segment liabilities	7,968	48,313	(6,872)	49,409	11,330	13,050	73,789
Unallocated corporate liabilities							1,636
Consolidated Liabilities							<u>75,425</u>

PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A10 Segmental Information (Cont'd)

UNAUDITED RESULTS FOR FOR 9-MONTH PERIOD ENDED 31.3.2014	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) <u>GEOGRAPHICAL SEGMENT</u>							
Revenue from External Customers							
- Malaysia	7,335	-	-	7,335	-	55,270	62,605
- Indonesia	-	-	-	-	-	-	-
Total revenue	<u>7,335</u>	<u>-</u>	<u>-</u>	<u>7,335</u>	<u>-</u>	<u>55,270</u>	<u>62,605</u>
Non-current Assets							
- Malaysia	2,390	1,577	-	3,967	12	19,128	23,107
- Indonesia	-	-	-	-	-	-	-
	<u>2,390</u>	<u>1,577</u>	<u>-</u>	<u>3,967</u>	<u>12</u>	<u>19,128</u>	<u>23,107</u>

PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A10 Segmental Information (Cont'd)

UNAUDITED RESULTS FOR FOR 9-MONTH PERIOD ENDED 31.3.2013	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	
D) BUSINESS SEGMENT							
Revenue							
- External	7,500	-	-	7,500	1,726	67,895	77,121
- Inter-segment	581	-	(581)	-	-	7	7
- Elimination at Discontinued operation	-	-	-	-	-	-	(7)
Total revenue	<u>8,081</u>	<u>-</u>	<u>(581)</u>	<u>7,500</u>	<u>1,726</u>	<u>67,902</u>	<u>77,121</u>
Results							
- Segment results	696	6,295	-	6,991	(6,405)	16,984	17,570
- Finance cost	(1)	(121)	-	(122)	(1,326)	(270)	(1,718)
Profit before taxation				6,869	(7,731)	16,714	15,852
- Taxation				(418)	-	(4,681)	(5,099)
(Loss)/Profit after taxation				6,451	(7,731)	12,033	10,753
Non-controlling interests / Minority interest				-	63	-	63
(Loss)/Profit for the period attributable to equity holders of the Company				<u>6,451</u>	<u>(7,668)</u>	<u>12,033</u>	<u>10,816</u>
Assets							
Segment assets	14,948	123,960	(88,631)	50,277	68,102	20,387	138,766
Unallocated corporate assets							23
Consolidated Assets							<u>138,789</u>
Liabilities							
Segment liabilities	1,440	65,295	(23,754)	42,981	50,346	3,253	96,580
Unallocated corporate liabilities							1,549
Consolidated Liabilities							<u>98,129</u>

PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A10 Segmental Information (Cont'd)

UNAUDITED RESULTS FOR FOR 9-MONTH PERIOD ENDED 31.3.2013	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) <u>GEOGRAPHICAL SEGMENT</u>							
Revenue from External Customers							
- Malaysia	7,500	-	-	7,500	-	67,895	75,395
- Indonesia	-	-	-	-	1,726	-	1,726
- Singapore	-	-	-	-	-	-	-
Total revenue	<u>7,500</u>	<u>-</u>	<u>-</u>	<u>7,500</u>	<u>1,726</u>	<u>67,895</u>	<u>77,121</u>
Non-current Assets							
- Malaysia	1,460	636	-	2,096	-	20,387	22,483
- Indonesia	-	-	-	-	57,732	-	57,732
	<u>1,460</u>	<u>636</u>	<u>-</u>	<u>2,096</u>	<u>57,732</u>	<u>20,387</u>	<u>80,215</u>

A10 Segment Information (Cont'd)

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".

For the current financial quarter under review, the Group's Continuing operations registered a total revenue of approximately RM2.46 million an increase of about 29% 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 resulted in 111% rise in gross profit for the Group's Continuing operations to approximately RM0.99 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 higher pre-tax loss of approximately RM1.00 million as compared to RM0.72 million recorded in the corresponding quarter as a result of a substantial increase in administrative expenses due to professional fees incurred for various on-going corporate exercises of the Group. It registered a loss for the period of approximately RM1.48 million.

With the loss after taxation contribution of approximately RM2.91 million from the discontinued operations, the Group reported a net loss for the period of about RM4.39 million when compared to the profit for the period position of approximately RM0.32 million reported in the corresponding financial quarter. The Group recorded a loss attributable to equity holders of the Company of about RM4.39 million for the current financial quarter.

The inspection and maintenance services recorded a segment profit before interest of approximately RM0.26 million, as compared to segment loss of about RM0.16 million segment profit before interest reported in the corresponding financial quarter due principally to improved gross profit of approximately RM0.99 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 41% decline in revenue to approximately RM16.87 million compared the turnover of about RM28.44 million reported in the corresponding financial quarter principally due to lower sales value was recorded for 3rd party specialist services. The effect of the aforesaid reduction was substantially cushioned by better gross profit margin achieved during the quarter which resulted in the tubular handling services unit merely reported 1% reduction in gross profit to approximately RM6.63 million when compared to that of the corresponding financial quarter. The reduced gross profit coupled with increases in administrative and other operating expenses have resulted in the aforesaid unit to report about 31% decline in its segment result before interest to approximately RM3.64 million as compared to RM5.31 million achieved in the corresponding financial quarter.

The land rig services unit (discontinued operation) reported a segment loss before interest of approximately RM5.11 million as compared to about RM2.20 million incurred in the corresponding financial quarter due principally to recognition of loss on disposal of non-current assets held for sale and provisions associated with the cessation of rig operations following the completion of the Proposed Disposal of Land Rigs as well as loss on foreign exchange.

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A11 Profit before tax

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

	Third Quarter ended		Cumulative Nine Months ended	
	31 March 2014*	31 March 2013*	31 March 2014*	31 March 2013*
	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
a) Interest income	58	4	135	36
b) Other income (excluding (a) and (e))	74	76	186	235
c) Interest expense	(511)	(606)	(1,529)	(1,718)
d) Depreciation and amortisation of property plant and equipment	(1,565)	(3,234)	(4,609)	(9,775)
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
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 or derivatives	-	-	-	-
j) Impairment of assets	-	-	-	-
k) Realised foreign exchange gain/(loss)	(2,295)	93	(2,241)	21
l) Unrealised foreign exchange gain/(loss)	1,393	(139)	1,515	265
m) Gain/(loss) on disposal of assets held for sale	(1,766)	-	(1,766)	-
n) Exceptional items	-	-	-	-

* - Includes amount in respect of the discontinued operations

A12 Income tax expense

	Third Quarter ended		Cumulative Nine Months ended	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	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	437	13	335	386
- Under/(Over) provision in the previous years	45	32	45	32
Deferred taxation	-	-	-	-
	<u>482</u>	<u>45</u>	<u>380</u>	<u>418</u>
<u>Discontinued operation</u>				
Taxation				
- Current financial period	1,036	1,206	3,962	4,414
- Under/(Over) provision in the previous years	-	267	-	267
Deferred taxation	-	-	-	-
	<u>1,036</u>	<u>1,473</u>	<u>3,962</u>	<u>4,681</u>
Total tax expenses for the period	<u>1,518</u>	<u>1,518</u>	<u>4,342</u>	<u>5,099</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 March 2014 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 31 March 2013 was higher than the statutory tax rate principally due to losses incurred by certain subsidiaries and there was no group tax relief for such losses.

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 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 9 months ended 31 March 2014 are as follows:

(All in RM'000)	Third Quarter ended		Cumulative Nine Months ended	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
Revenue	16,869	29,594	55,270	69,621
Cost of sales	(10,239)	(24,906)	(34,874)	(54,571)
Gross profit	6,630	4,688	20,396	15,050
Other income	11	5	21	36
Administrative expenses	(6,536)	(794)	(8,714)	(2,103)
Other operating expenses	(1,576)	(785)	(4,435)	(2,404)
Finance cost	(403)	(563)	(1,280)	(1,596)
Profit / (Loss) before taxation	(1,874)	2,551	5,988	8,983
Income tax expense	(1,036)	(1,473)	(3,962)	(4,681)
Profit / (Loss) for the period	(2,910)	1,078	2,026	4,302

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A13 Discontinued Operation and Disposal Subsidiary Classified as Held for Sale (Cont'd)Statement of financial position disclosure

i) The major classes of assets and liabilities of Samudra Oil classified as held for sale as at 31 March 2014 are as follows:

	RM'000
Assets	
Property, plant and equipment	19,128
Receivables	11,499
Cash and bank balances (including fixed deposits)	374
Assets of disposal subsidiary classified as held for sale	<u>31,001</u>
Liabilities	
Payables	(7,683)
Tax payable and deferred taxation	(5,367)
Liabilities of disposal subsidiary classified as held for sale	<u>(13,050)</u>

Statement of cash flows disclosure

	9 months ended 31 March 2014 Unaudited RM'000
Cash flows from operating activities	8,114
Cash flows used in investing activities	(2,093)
Cash flows from financing activities	(7,000)
Net cash (outflows)/inflows	<u>(979)</u>

A14 Earnings Per ShareBasic 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:

	Third Quarter ended 31 March 2014 Unaudited	31 March 2013 Unaudited	Cumulative Nine Months ended 31 March 2014 Unaudited	31 March 2013 Unaudited
Profit/(Loss) for the period attributable to equity holders of the Company (RM'000)				
- From continuing operations	(1,484)	(762)	(1,358)	6,451
- From discontinued operation	(2,905)	1,093	2,059	4,365
	<u>(4,389)</u>	<u>331</u>	<u>701</u>	<u>10,816</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	(1.04)	(0.53)	(0.95)	4.51
- From discontinued operation	(2.03)	0.76	1.44	3.05
	<u>(3.07)</u>	<u>0.23</u>	<u>0.49</u>	<u>7.56</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 or beginning of the financial period, 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 or beginning of the financial period as follows:

	Third Quarter ended		Cumulative Nine Months ended	
	31 March	31 March	31 March	31 March
	2014	2013	2014	2013
	Unaudited	Unaudited	Unaudited	Unaudited
Profit/(Loss) for the period attributable to equity holders of the Company (RM'000)				
- From continuing operations	(1,484)	(762)	(1,358)	6,451
- From discontinued operation	(2,905)	1,093	2,059	4,365
	<u>(4,389)</u>	<u>331</u>	<u>701</u>	<u>10,816</u>
Net adjustment for interest income from cash proceeds on exercise of warrants	123	132	374	132
	<u>(4,266)</u>	<u>463</u>	<u>1,075</u>	<u>10,948</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	65,951	71,513	21,663
Weighted average number of ordinary shares	<u>214,540</u>	<u>208,978</u>	<u>214,540</u>	<u>164,690</u>
Diluted earnings/(loss) per share attributable to equity holders of the Company (sen)	<u>Anti-dilutive</u>	<u>0.22</u>	<u>Anti-dilutive</u>	<u>6.65</u>

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 RM3,944,000 and completed the disposal of 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 completion of the Proposed Disposal of Land Rigs as further disclosed in Note A4 and Note B5, has resulted in discontinuation of the Group's business of rental of oil rigs as at end of the current financial period under review.

A16 Inventories

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

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A17 Cash and cash equivalent

	As at 31 Mar 2014 Unaudited RM'000	As at 30 June 2013 Audited RM'000
Cash and bank balances	27,045	24,521
Bank overdrafts	-	(1,580)
Total cash and cash equivalent	<u>27,045</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 March 2014</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 31 Mar 2014 Unaudited RM'000	As at 30 June 2013 Audited RM'000
a) Short term borrowings		
Repayable within twelve months		
- Secured	23,386	28,788
- Unsecured	-	1,580
	<u>23,386</u>	<u>30,368</u>

A19 Loans and borrowings (Cont'd)

	As at 31 Mar 2014 Unaudited RM'000	As at 30 June 2013 Audited RM'000
b) Long term borrowings		
Repayable after twelve months		
- Secured	445	14,740
- Unsecured	-	-
Portion repayable after one year	<u>445</u>	<u>14,740</u>
United States Dollars (USD'000)	7,084	13,584
Ringgit Malaysia equivalent (RM'000)	<u>22,956</u>	<u>42,942</u>

A20 Contingencies and Exposure to credit risk associated with bank guarantees

	As at 31 Mar 2014 Unaudited RM'000	As at 30 June 2013 Audited RM'000
<u>Exposure to credit risk associated with bank guarantees</u>		
Bank guarantees in favour of third parties	<u>7,087</u>	<u>3,464</u>

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 arbitrations and cases pertaining to the jointly controlled entities and representative agreement with Tesco (as defined below) as reported in the interim financial report of the preceding financial periods and disclosed in Note B6.

A21 Capital Commitments

	As at 31 Mar 2014 Unaudited RM'000	As at 30 June 2013 Audited RM'000
<u>Capital expenditure</u>		
Approved and contracted for:		
- Property, plant and equipment	<u>2,553</u>	<u>2,201</u>

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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 nine-month period ended 31 March 2014 as well as the balances with the related parties as at 31 March 2014 and 30 June 2013.

	Third Quarter ended		Cumulative Nine Months ended	
	31 March 2014 Unaudited RM'000	31 March 2013 Unaudited RM'000	31 March 2014 Unaudited RM'000	31 March 2013 Unaudited RM'000
Transactions with Director and companies in which certain Directors have interest :-				
a) Purchase of air ticket from a company	225	154	578	574
b) IT related services	121	38	167	111
c) Transportation, freight and handling services	516	279	1,564	886
d) Interest payable to a former director	8	50	103	153

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

	31 Mar 2014 Unaudited RM'000	30 June 2013 Audited RM'000
Gem Travel & Tour Sdn Bhd	228	284
Safworks Sdn Bhd (formerly known as IQ Works Sdn Bhd)	64	31
Safeguards Oceanic Sdn Bhd	91	268
Airoceanic Express Sdn Bhd	268	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 (Interest payable)	103	3,306
<i>Note * - Subsidiary of Safeguards Corporation Sdn Bhd</i>		

All outstanding balances with these related parties are unsecured and to be settled in accordance with credit period normally granted by its creditors/vendors.

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 21 May 2014 other than those disclosed in Note B5 and Note B6.

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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 fairly consistent revenue of approximately RM2.46 million with lower gross profit margin which have resulted in a 13% reduction in gross profit to approximately RM0.99 million when compared to RM1.13 million recorded in the preceding financial quarter. It further reported a pre-tax loss of about RM1.00 million when compared to the preceding financial quarter's pre-tax profit position of about RM3,000, as a result of higher administrative expenses as arising from higher professional fees incurred for various on-going corporate exercises during current financial quarter.

On an overall Group basis, the Group recorded a 6% decline in revenue to RM19.33 million when compared to RM20.64 million recorded in the preceding financial quarter. With fairly consistent overall gross profit margin when compared to the preceding financial quarter, the Group reported a 5% drop in gross profit to RM7.62 million as against RM8.06 million recorded in the preceding financial quarter. The aforesaid was further dampened by increases in overall administrative expenses arising principally from loss on disposal of non-current assets held for sale and provisions associated with the cessation of rig operations following the completion of the Proposed Disposal of Land Rigs that resulted in the Group posted a pre-tax loss of approximately RM2.88 million as against the preceding financial period's pre-tax profit position of approximately RM3.75 million.

B3 Commentary on the prospects

The Group has successfully completed the Proposed Disposal of Land Rigs and Proposed Disposal of Samudra Oil on 13 March 2014 and 3 April 2014 respectively. Following the completion of the aforesaid, the Group's operations is reduced to a single tubular inspection and maintenance services business and also classified as a PN 17 Issuer pursuant to Paragraph 8.04 of the Listing Requirements of Bursa Securities effective from 3 April 2014 with the disposal of Samudra Oil. 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 to regularise its condition within the timeframe provided in the relevant Listing Requirements of Bursa Securities and/or as approved by Bursa Securities. 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). Appropriate and relevant announcement will be made in relation to the aforesaid as and when required and in accordance with the Listing Requirements of Bursa Securities.

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, 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 remaining operation, tubular inspection and maintenance services in the current financial year and beyond while it will exercise due care considering the time period constraint provided in the Listing Requirements, in its effort to identify new and prospective business for the purpose of regularising its condition as required by the Listing Requirements of Bursa Securities. Meanwhile, the Group will continue its efforts to maintain and extend the existing stream of service orders which are fundamental for the performance of its sole tubular inspection and maintenance services business in the future.

B4 Variance from Profit Forecast and Profit Guarantee

This is not applicable to the Group.

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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 an 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 Proposed Disposal of Rig Ikhlas #3 was approved by the shareholders of the Company at an Extra-ordinary General Meeting held on 11 March 2014. On 13 March 2014, the Company announced that the Proposed Disposal of Rig Ikhlas #3 has been deemed completed on 13 March 2014.

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 another 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 Proposed Disposal of Rig KST #1 was approved by the shareholders of the Company at an Extra-ordinary General Meeting held on 11 March 2014. On 13 March 2014, the Company announced that the Proposed Disposal of Rig KST #1 has been deemed completed on 13 March 2014.

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.

The Proposed Issuance of ICULS was approved by the shareholders of the Company at an Extra-ordinary General Meeting held on 11 March 2014. The Upfront Cash Payment was made on 28 March 2014 while the Proposed Issuance of ICULS, documentation for the RTL Facility and other related documentation of the DSA are pending completion as at end of 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 was approved by the shareholders of the Company at an Extra-ordinary General Meeting held on 11 March 2014. On 3 April 2014, the Company announced that the Proposed Disposal of Samudra Oil has been deemed completed on 3 April 2014.

B5 Corporate proposals (Cont'd)

Utilisation of proceeds raised from the Proposed Disposal of Rig Ikhlas #3 and Proposed Disposal of Rig KST #1

The status of utilisation of proceeds raised from the above mentioned disposals as at 31 March 2014 was as follows:-

	Note (a) As reported RM'000	Utilisation as at 31 March 2014 RM'000	Balance unutilised RM'000
Repayment of Borrowings	25,759	21,450	4,309
Purchase of equipment and tools	3,000	14	2,986
Working capital	5,886	562	5,324
Estimated corporate expenses	320	320	-
	34,965	22,346	12,619

Note a) Circular to Shareholders dated 17 February 2014 and based on foreign exchange rate of USD1.00:RM3.33 as at 24 January 2014.

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
- MCLRSTM (Multiple Control Line Running SystemTM) Services
- Casing Running/Reaming Services; and
- CASING DRILLING[®] 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

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 had 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 hearing of the Company's injunction application originally fixed on 28 March 2014 was adjourned and parties were required to attend court on 20 March 2014 for case amangement to fix a new hearing date.

At the case management on 20 March 2014, Tesco informed the Court that on 14 March 2014, it filed and served a second Affidavit in Reply in respect of both the injunction application as well as the Originating Summons. Messrs. Cheah Teh & Su, on behalf of the Company, had informed the Court that the Company intends to file affidavits in reply. The Court directed the Company's affidavits to be filed by 28 March 2014, and the Company had on 27 March 2014 filed its second Affidavit in Reply in respect of both the injunction application as well as the Originating Summons.

The Court had also given the following directions:-

- Both Tesco and the Company to file their respective written submissions by 24 April 2014; and
- Both Tesco and the Company to file their respective written reply submissions by 7 May 2014

The hearing of the Company's injunction application has been adjourned to 21 May 2014.

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 March 2014 and 2013.

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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)

	31 Mar 2014	30 June 2013
	Unaudited	Audited
	RM'000	RM'000
Total retained profits / (accumulated losses) of the Company and its subsidiaries		
- Realised	(31,022)	(32,438)
- Unrealised	1,123	1,838
Total retained profits / (accumulated losses) as per consolidated accounts	<u>(29,899)</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
21 May 2014