



KEJURUTERAAN SAMUDRA TIMUR BERHAD

**Interim Financial Report
For 4th Financial Quarter Ended 30th June 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
FOURTH FINANCIAL QUARTER ENDED 30 JUNE 2014**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIODS ENDED 30 JUNE 2014 AND 2013**

	Note	Fourth Quarter ended		Cumulative Twelve Months ended	
		30 June 2014	30 June 2013	30 June 2014	30 June 2013
		Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
<u>Continuing Operations</u>					
Revenue		3,402	2,080	10,737	9,580
Cost of sales		(2,444)	(1,370)	(6,914)	(5,854)
Gross profit		958	710	3,823	3,726
Other income		66,346	64	66,646	8,284
Administrative expenses		(2,024)	811	(4,603)	(819)
Other operating expenses		(3,066)	(966)	(4,381)	(3,000)
Finance cost		41	(46)	(208)	(168)
Profit before taxation		62,255	573	61,277	8,023
Income tax expense	A12	130	234	(250)	(184)
Profit for the period from continuing operation		62,385	807	61,027	7,839
<u>Discontinued Operations</u>					
Profit / (Loss) for the period from discontinued operation		(8,143)	(18,638)	(6,117)	(14,917)
Total profit / (loss) for the period		54,242	(17,831)	54,910	(7,078)
Attributable to equity holders of the Company:					
- From continuing operations		62,385	807	61,027	7,839
- From discontinued operation		(8,154)	(18,565)	(6,095)	(14,781)
		54,231	(17,758)	54,932	(6,942)
Non-controlling interests / Minority interests		11	(73)	(22)	(136)
		54,242	(17,831)	54,910	(7,078)
Basic earnings/(loss) per share attributable to equity holders of the Company (sen)					
- From continuing operations	A14	43.62	0.56	42.67	5.48
- From discontinued operation	A14	(5.70)	(12.98)	(4.26)	(10.33)
		37.92	(12.42)	38.41	(4.85)
Diluted earnings per share attributable to equity holders of the Company (sen)					
	A14	24.44	Anti-dilutive	25.61	Anti-dilutive

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



	Fourth Quarter ended		Cumulative Twelve Months ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
Profit / (Loss) for the period	54,242	(17,831)	54,910	(7,078)
Other Comprehensive Income:				
Currency translation differences	670	(879)	(334)	(67)
Total other comprehensive income / (loss)	<u>670</u>	<u>(879)</u>	<u>(334)</u>	<u>(67)</u>
Total comprehensive profit / (loss)	<u>54,912</u>	<u>(18,710)</u>	<u>54,576</u>	<u>(7,145)</u>
Attributable to:				
Equity holders of the Company	54,894	(18,628)	54,602	(7,006)
Non-controlling interests / Minority interests	18	(82)	(26)	(139)
	<u>54,912</u>	<u>(18,710)</u>	<u>54,576</u>	<u>(7,145)</u>

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2014



		30 June 2014	30 June 2013
		Unaudited	Audited
ASSETS	Note	RM'000	RM'000
Non-current assets			
Property, plant and equipment	A15	2,976	23,511
Investment in associated company		226	226
Investment securities		35	35
		<u>3,237</u>	<u>23,772</u>
Current assets			
Inventories	A16	2,164	4,546
Trade receivables		15,768	40,582
Other receivables		10,248	4,331
Tax recoverable		81	113
Cash and bank balances (including fixed deposits)	A17	104,348	24,521
		<u>132,609</u>	<u>74,093</u>
Non-current assets held for sale		-	36,185
Assets of disposal subsidiary classified as held for sale	A13	-	-
		<u>132,609</u>	<u>110,278</u>
TOTAL ASSETS		<u>135,846</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
Irredeemable Convertible Unsecured Loan Stock - Equity component		18,013	-
Other reserves		(1,773)	(1,443)
Retained earnings / (Accumulated losses)		24,332	(30,600)
		<u>94,905</u>	<u>22,290</u>
Non-controlling interests / Minority interests		<u>(366)</u>	<u>(340)</u>
Total equity		<u>94,539</u>	<u>21,950</u>
Non-current liabilities			
Loans and borrowings	A19	8,676	14,740
Irredeemable Convertible Unsecured Loan Stock - Liabilities component		2,193	-
Deferred tax liabilities		38	3,365
		<u>10,907</u>	<u>18,105</u>
Current liabilities			
Trade payables		17,632	25,538
Other payables		9,217	35,020
Loans and borrowings	A19	3,099	30,368
Irredeemable Convertible Unsecured Loan Stock - Liabilities component		452	-
Tax payable		-	3,069
		<u>30,400</u>	<u>93,995</u>
Liabilities of disposal subsidiary classified as held for sale	A13	-	-
		<u>30,400</u>	<u>93,995</u>
Total liabilities		<u>41,307</u>	<u>112,100</u>
TOTAL EQUITY AND LIABILITIES		<u>135,846</u>	<u>134,050</u>
NET ASSETS PER SHARE (SEN)		<u>66.1</u>	<u>15.3</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 12 MONTH FINANCIAL PERIOD ENDED 30 JUNE 2014**

	Attributable to equity holders of the Company							Non-controlling interest	Total equity
	Non-distributable			Distributable					
	Share Capital	Share Premium	Share Warrants	ICULS Equity Component	Exchange Translation Reserve	(Accumulated Losses) / Retained Earnings	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	-	-	-	-	-	54,932	54,932	(22)	54,910
Other comprehensive income / (loss)	-	-	-	-	(330)	-	(330)	(4)	(334)
Total comprehensive profit / (loss) for the period	-	-	-	-	(330)	54,932	54,602	(26)	54,576
Transactions with owners in their capacity as owners:									
ICULS-Equity component pursuant to the issuance of ICULS	-	-	-	18,013	-	-	18,013	-	18,013
	-	-	-	18,013	-	-	18,013	-	18,013
At 30 June 2014 (Unaudited)	42,908	8,412	3,013	18,013	(1,773)	24,332	94,905	(366)	94,539

Note> "ICULS" - Irredeemable Convertible Loan Stock

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 12 MONTH FINANCIAL PERIOD ENDED 30 JUNE 2014**

	Attributable to equity holders of the Company						Non-controlling interest	Total equity	
	Non-distributable			Distributable					
	Share Capital	Share Premium	Warrant Reserve	ICULS Equity Component	Exchange Translation Reserve	Accumulated Losses	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 July 2012 (Restated)	42,908	8,412	-	-	(1,379)	(23,658)	26,283	(201)	26,082
Profit/(Loss) for the period	-	-	-	-	-	(6,942)	(6,942)	(136)	(7,078)
Other comprehensive income / (loss)	-	-	-	-	(64)	-	(64)	(3)	(67)
Total comprehensive profit / (loss) for the period	-	-	-	-	(64)	(6,942)	(7,006)	(139)	(7,145)
Transactions with owners in their capacity as owners:									
Rights Issue of Warrants	-	-	3,576	-	-	-	3,576	-	3,576
Corporate expenses for Rights Issue of Warrants	-	-	(563)	-	-	-	(563)	-	(563)
	-	-	3,013	-	-	-	3,013	-	3,013
At 30 June 2013 (Unaudited)	42,908	8,412	3,013	-	(1,443)	(30,600)	22,290	(340)	21,950

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIODS ENDED 30 JUNE 2014 AND 2013**



	12 months ended	
	30 June 2014	30 June 2013
	Unaudited RM'000	Audited RM'000
Cash Flows From Operating Activities		
Profit before taxation		
- From continuing operations	61,277	31,011
- From discontinued operations	(2,578)	(31,714)
	58,699	(703)
Adjustments for non-cash and non-operating items:		
- Loss on settlement of loan - fair value of ICULS	8,658	-
- Depreciation of property, plant and equipment	4,738	12,800
- Impairment loss on property, plant and equipment	-	-
- Loss/(gain) on disposal of assets held for sale	2,776	(80)
- Gain on disposal of investment in subsidiary	(65,490)	-
- Interest expense	1,959	2,220
- Unrealised loss / (gain) on foreign exchange	(842)	(23)
- Others	1,195	11,815
	11,693	26,029
Operating profit before changes in working capital	11,693	26,029
Changes in working capital:		
- Increase in inventories	(295)	(522)
- (Increase)/Decrease in trade and other receivables	7,325	(12,638)
- Increase/(Decrease) in trade and other payables	(20,099)	29,758
Interest paid	(1,857)	(2,048)
Interest received	475	38
Net change in taxation	(5,209)	(4,310)
Net cash (used in) / from operating activities	(7,967)	36,307
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant and equipment and/or assets held for sale	41,232	90
Purchase of property, plant and equipment	(10,147)	(4,955)
Net inflow from disposal of a subsidiary	77,768	(226)
Net cash (used in) / from investing activities	108,853	(5,091)
Cash Flows From Financing Activities		
Proceeds from issuance of warrants net of warrant issuance expenses	-	3,013
Issuance of ICULS	12,000	-
Increase / (Decrease) in loans and borrowings	(31,987)	(13,577)
Net cash used in financing activities	(19,987)	(10,564)
Net Change in Cash and Cash Equivalents	80,899	20,652
Cash and Cash Equivalents at Beginning of Period	22,941	1,713
Effects of exchange rate changes	508	576
Cash and Cash Equivalents at End of Period	104,348	22,941
Analysis of Cash and Cash Equivalents:		
Cash and bank balances	16,068	24,161
Deposits with licensed financial institutions	88,280	360
Bank overdrafts	-	(1,580)
Cash and Cash Equivalents	104,348	22,941

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 27 August 2014.

A2 Basis of preparation

The unaudited interim financial report, for the period ended 30 June 2014, has been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements ("MMLR") 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 MFRS 134: 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

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 which was reported in the land rig services segment of the Group.

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 Samudra Oil would result in the discontinuing of the provision of tubular equipment and handling services which has been reported as the tubular handling services segment of the Group.

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 Proposed Disposal of Land Rigs and Proposed Disposal of Samudra Oil were completed on 13 March 2014 and 3 April 2014 respectively.

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

Condensed consolidated statement of comprehensive income:-

(All in RM'000)	Corresponding Quarter ended 30 June 2013		
	As previously reported	Discontinued Operations	As reclassified
Revenue	25,035	22,955	2,080
Cost of sales	(18,115)	(16,745)	(1,370)
Gross profit	6,920	6,210	710
Other income	290	226	64
Administrative expenses	(21,699)	(22,510)	811
Other operating expenses	(1,564)	(598)	(966)
Finance cost	(502)	(456)	(46)
Profit/(Loss) before taxation	(16,555)	(17,128)	573
Income tax expense	(1,276)	(1,510)	234
Profit/(Loss) for the period from continuing operations	(17,831)	(18,638)	807
Profit for the period from discontinued operation	-	-	(18,638)

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 twelve Months ended 30 June 2013		
	As previously reported	Discontinued Operations	As reclassified
Revenue	102,156	92,576	9,580
Cost of sales	(77,751)	(71,897)	(5,854)
Gross profit	24,405	20,679	3,726
Other income	8,546	262	8,284
Administrative expenses	(25,432)	(24,613)	(819)
Other operating expenses	(6,002)	(3,002)	(3,000)
Finance cost	(2,220)	(2,052)	(168)
Profit/(Loss) before taxation	(703)	(8,726)	8,023
Income tax expense	(6,375)	(6,191)	(184)
Profit/(Loss) for the period from continuing operations	(7,078)	(14,917)	7,839
Profit/(Loss) for the period from discontinued operation	-		(14,917)

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 the completion of the disposal of Samudra Oil and deregistration of an inactive wholly owned subsidiary KST Drilling Technologies (M) Ltd ("KSTDTML") 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 other than the issuance of 12,000,000 5-year Irredeemable Convertible Unsecured Loan Stocks ("ICULS") of RM1.00 each at its nominal value to Malayan Banking Berhad ("MBB") on 13 June 2014 as further disclosed in Note B5.

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 12-MONTH PERIOD ENDED 30.6.2014	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	10,737	-	-	10,737	-	64,314	75,051
- Inter-segment	12	-	(12)	-	-	3	3
- Elimination - Discontinued operations	-	-	-	-	-	-	(3)
Total revenue	<u>10,749</u>	<u>-</u>	<u>(12)</u>	<u>10,737</u>	<u>-</u>	<u>64,317</u>	<u>75,051</u>
Results							
- Segment results	986	60,499	-	61,485	(14,812)	13,985	60,658
- Finance cost	(40)	(168)	-	(208)	(1,751)	-	(1,959)
Profit / (Loss) before taxation				61,277	(16,563)	13,985	58,699
- Taxation				(250)	-	(3,539)	(3,789)
Profit / (Loss) after taxation				61,027	(16,563)	10,446	54,910
Non-controlling interests / Minority interest				-	22	-	22
Profit / (Loss) for the period attributable to equity holders of the Company				<u>61,027</u>	<u>(16,541)</u>	<u>10,446</u>	<u>54,932</u>
Assets							
Segment assets	15,150	130,785	(13,186)	132,749	3,097	-	135,846
Unallocated corporate assets							-
Consolidated Assets							<u>135,846</u>
Liabilities							
Segment liabilities	10,440	41,166	(24,400)	27,206	14,101	-	41,307
Unallocated corporate liabilities							-
Consolidated Liabilities							<u>41,307</u>

PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A10 Segmental Information (Cont'd)

UNAUDITED RESULTS FOR FOR 12-MONTH PERIOD ENDED 30.6.2014	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	10,737	-	-	10,737	-	64,314	75,051
- Indonesia	-	-	-	-	-	-	-
Total revenue	<u>10,737</u>	<u>-</u>	<u>-</u>	<u>10,737</u>	<u>-</u>	<u>64,314</u>	<u>75,051</u>
Non-current Assets							
- Malaysia	2,644	586	-	3,230	7	-	3,237
- Indonesia	-	-	-	-	-	-	-
	<u>2,644</u>	<u>586</u>	<u>-</u>	<u>3,230</u>	<u>7</u>	<u>-</u>	<u>3,237</u>

PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A10 Segmental Information (Cont'd)

UNAUDITED RESULTS FOR FOR 12-MONTH PERIOD ENDED 30.6.2013	Continuing Operations			Discontinued 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	9,580	-	-	9,580	2,513	90,063	102,156
- Inter-segment	860	-	(860)	-	-	20	20
- Elimination at Discontinued operation	-	-	-	-	-	-	(20)
Total revenue	<u>10,440</u>	<u>-</u>	<u>(860)</u>	<u>9,580</u>	<u>2,513</u>	<u>90,083</u>	<u>102,156</u>
Results							
- Segment results	1,294	6,897	-	8,191	(29,977)	23,303	1,517
- Finance cost	(5)	(163)	-	(168)	(1,737)	(315)	(2,220)
(Loss)/Profit before taxation				8,023	(31,714)	22,988	(703)
- Taxation				(184)	-	(6,191)	(6,375)
(Loss)/Profit after taxation				7,839	(31,714)	16,797	(7,078)
Non-controlling interests / Minority interest				-	136	-	136
(Loss)/Profit for the period attributable to equity holders of the Company				<u>7,839</u>	<u>(31,578)</u>	<u>16,797</u>	<u>(6,942)</u>
Assets							
Segment assets	15,096	102,466	(48,917)	68,645	42,866	22,530	134,041
Unallocated corporate assets							9
Consolidated Assets							<u>134,050</u>
Liabilities							
Segment liabilities	1,527	72,091	(43,316)	30,302	68,755	11,455	110,512
Unallocated corporate liabilities							1,588
Consolidated Liabilities							<u>112,100</u>

PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A10 Segmental Information (Cont'd)

UNAUDITED RESULTS FOR FOR 12-MONTH PERIOD ENDED 30.6.2013	Continuing Operations				Discontinued 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	9,580	-	-	9,580	-	90,063	99,643
- Indonesia	-	-	-	-	2,513	-	2,513
- Singapore	-	-	-	-	-	-	-
Total revenue	<u>9,580</u>	<u>-</u>	<u>-</u>	<u>9,580</u>	<u>2,513</u>	<u>90,063</u>	<u>102,156</u>
Non-current Assets							
- Malaysia	1,556	1,025	-	2,581	-	21,176	23,757
- Indonesia	-	-	-	-	15	-	15
	<u>1,556</u>	<u>1,025</u>	<u>-</u>	<u>2,581</u>	<u>15</u>	<u>21,176</u>	<u>23,772</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 RM3.40 million, an increase of about 64% 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 has resulted in a better gross profit position of approximately RM0.96 million despite of a lower gross profit margin of about 28% due to increases in direct operating costs. The aforesaid 35% improvement in gross profit was further boosted by the material gain on disposal of approximately RM65.49 million from the completion of the Proposed Disposal of Samudra Oil. These has enabled the Group's Continuing operations to report a substantial pre-tax profit of approximately RM62.26 million when compared to a mere RM0.57 million pre-tax profit posted in the corresponding financial quarter.

With the loss after taxation contribution of approximately RM8.14 million from the discontinued operations, the Group reported a profit for the period of about RM54.24 million when compared to a loss for the period position of approximately RM17.83 million reported in the corresponding financial quarter. The Group recorded a profit attributable to equity holders of the Company of about RM54.23 million for the current financial quarter.

The inspection and maintenance services recorded a segment profit before interest of approximately RM0.18 million, as compared to RM0.02 million segment profit before interest reported in the corresponding financial quarter due principally to improved gross profit of approximately RM0.96 million which was attributable to better sale and work volume.

The land rig services unit (discontinued operation) reported a lower segment loss before interest of approximately RM9.36 million as compared to about RM23.57 million incurred in the corresponding financial quarter due principally to lower provision and expenditures were made and incurred during the current financial period which includes amongst others loss on settlement of loans of approximately RM10.68 million following the completion of its debt restructuring while the result in the corresponding financial quarter was adversely affected by material provision for impairment of rigs assets.

The tubular handling services operation (discontinued operation) was deemed ceased in the current financial quarter following the completion of the Proposed Disposal of Samudra Oil on 3 April 2014. Accordingly, no revenue and profit contribution for the current financial quarter from tubular handling services were consolidated and amalgamated to the Group other than the sales and cost of sales adjustments made during the current financial quarter in relation to revenue, billings and cost of sales accruals for the previous financial quarters which resulted in a segment profit contribution from the tubular handling services operation of approximately RM1.27 million for the current financial quarter, a decline of about 82% when compared to RM6.90 million recorded in the corresponding financial period.

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A11 Profit before tax

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

	Fourth Quarter ended		Cumulative Twelve Months ended	
	30 June 2014*	30 June 2013*	30 June 2014*	30 June 2013*
	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
a) Interest income	340	3	475	39
b) Other income (excluding (a) and (e))	516	287	702	522
c) Interest expense	(430)	(502)	(1,959)	(2,220)
d) Depreciation and amortisation of property plant and equipment	(129)	(3,017)	(4,738)	(12,792)
e) Recognition of waiver of principal sum and other amounts due of the CLO Facility in Other income following full settlement on 26 December 2012	-	-	-	7,985
f) Amortisation of intangible assets	-	-	-	-
g) Impairment and/or write off of receivables	(12)	(1,752)	(12)	(1,752)
h) Impairment and/or write off of inventories	(1,667)	-	(1,667)	-
i) Gain/(Loss) on disposal of quoted or unquoted investments or properties or derivatives **	65,490	-	65,490	-
j) Impairment and/or write off of assets	(3)	(19,832)	(3)	(19,832)
k) Realised foreign exchange gain/(loss)	2,026	(95)	(215)	(74)
l) Unrealised foreign exchange gain/(loss)	(673)	(242)	842	23
m) Gain/(loss) on disposal of assets held for sale	(1,010)	-	(2,776)	-
n) Exceptional items	-	-	-	-

* - Includes amount in respect of the discontinued operations

** - This represents the Group's gain on disposal arising from the completion of the disposal of 100% equity interest in Samudra Oil Services Sdn Bhd for a sale consideration of RM80,000,000 in the current financial quarter.

A12 Income tax expense

	Fourth Quarter ended		Cumulative Twelve Months ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 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	7	219	342	605
- Under/(Over) provision in the previous years	(86)	-	(41)	32
Deferred taxation	(51)	(453)	(51)	(453)
	<u>(130)</u>	<u>(234)</u>	<u>250</u>	<u>184</u>
<u>Discontinued operation</u>				
Taxation				
- Current financial period	(19)	1,151	3,943	5,565
- Under/(Over) provision in the previous years	(209)	-	(209)	267
Deferred taxation	(195)	359	(195)	359
	<u>(423)</u>	<u>1,510</u>	<u>3,539</u>	<u>6,191</u>
Total tax expenses for the period	<u>(553)</u>	<u>1,276</u>	<u>3,789</u>	<u>6,375</u>

A12 Income tax expense (Cont'd)

Income tax expense is recognised in each financial period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. The Group's effective tax rate for the current financial period ended 30 June 2014 was lower than the statutory tax rate mainly due to the gain on disposal of investment in subsidiary which is not taxable for tax purposes.

The Group's effective tax rate for the corresponding financial period ended 30 June 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 Operations

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".

As at 30 June 2014, the two (2) land rigs known as Ikhlas #3 and KST #1 were completely disposed while the assets and liabilities related to Samudra Oil have been deconsolidated in the statement of financial position. The Proposed Disposal of Land Rigs and Proposed Disposal of Samudra Oil were completed on 13 March 2014 and 3 April 2014 respectively.

Statement of comprehensive income disclosure

The results of Samudra Oil for the period ended 31 March 2014 and discontinued operations for the year ended 30 June 2014 have been presented as "profit for the period from discontinued operations" are as follows:

(All in RM'000)	Fourth Quarter ended		Cumulative Twelve Months ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Revenue	9,044	22,955	64,314	92,576
Cost of sales	(7,935)	(16,745)	(42,809)	(71,897)
Gross profit	1,109	6,210	21,505	20,679
Other income	-	226	21	262
Administrative expenses	(9,168)	(22,510)	(17,882)	(24,613)
Other operating expenses	(36)	(598)	(4,471)	(3,002)
Finance cost	(471)	(456)	(1,751)	(2,052)
Profit / (Loss) before taxation	(8,566)	(17,128)	(2,578)	(8,726)
Income tax expense	423	(1,510)	(3,539)	(6,191)
Profit / (Loss) for the period	(8,143)	(18,638)	(6,117)	(14,917)

Statement of financial position disclosure

The major classes of assets and liabilities of Samudra Oil recorded in the unaudited condensed consolidated financial statements as at 31 March 2014 and summary effects of the Proposed Disposal of Samudra Oil are as follows:

	RM'000
Property, plant and equipment	19,128
Trade and other receivables	11,572
Cash and bank balances	968
	<hr/>
	31,668
Trade and other payables	(13,477)
Tax payable	(1,864)
Deferred taxation	(3,081)
Net assets	<hr/>
	13,246

A13 Discontinued Operations (Cont'd)Statement of financial position disclosure (Cont'd)

		RM'000
Net assets deemed disposed		13,246
Total consideration, net of related expenses		
- Proceeds from the Proposed Disposal of Samudra Oil arising from placement of Consideration Shares	80,000	
- Expenses incurred for the Proposed Disposal of Samudra Oil	<u>(1,264)</u>	<u>78,736</u>
Gain on disposal of the subsidiary, Samudra Oil (Note A11)		<u>65,490</u>
Total consideration, net of related expenses		78,736
Cash and cash equivalent of the subsidiary disposed off		<u>(968)</u>
Net cash inflow on disposal of the subsidiary		<u>77,768</u>

Statement of cash flows disclosure

The cash flows attributable to Samudra Oil are as follows:

	9 months ended 31 March 2014 Unaudited RM'000
Cash flows from operating activities	8,708
Cash flows used in investing activities	(2,093)
Cash flows from financing activities	<u>(7,000)</u>
Net cash (outflows)/inflows	<u>(385)</u>

A14 Earnings Per ShareBasic earnings/(loss) per share

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

	Fourth Quarter ended		Cumulative Twelve Months ended	
	30 June	30 June	30 June	30 June
	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	62,385	807	61,027	7,839
- From discontinued operation	<u>(8,154)</u>	<u>(18,565)</u>	<u>(6,095)</u>	<u>(14,781)</u>
	<u>54,231</u>	<u>(17,758)</u>	<u>54,932</u>	<u>(6,942)</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	43.62	0.56	42.67	5.48
- From discontinued operation	<u>(5.70)</u>	<u>(12.98)</u>	<u>(4.26)</u>	<u>(10.33)</u>
	<u>37.92</u>	<u>(12.42)</u>	<u>38.41</u>	<u>(4.85)</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;
- interest saving on ICULS on assumed full conversion of ICULS at the date of issue of the ICULS or beginning of the financial period; and

divided by the weighted average number of ordinary shares for the current financial quarter and current year-to-date assuming full exercise and conversion of remaining warrants and ICULS respectively at the date of issue of warrants and ICULS or beginning of the financial period as follows:-

	Fourth Quarter ended		Cumulative Twelve Months ended	
	30 June	30 June	30 June	30 June
	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	62,385	807	61,027	7,839
- From discontinued operation	(8,154)	(18,565)	(6,095)	(14,781)
	<u>54,231</u>	<u>(17,758)</u>	<u>54,932</u>	<u>(6,942)</u>
Net adjustment for interest income from cash proceeds on exercise of warrants	124	144	499	276
Net adjustment for interest saving from conversion of ICULS	18	-	18	-
	<u>54,373</u>	<u>(17,614)</u>	<u>55,449</u>	<u>(6,666)</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 and conversion of ICULS	79,425	71,513	73,486	34,091
	<u>222,452</u>	<u>214,540</u>	<u>216,513</u>	<u>177,118</u>
Diluted earnings/(loss) per share attributable to equity holders of the Company (sen)	<u>24.44</u>	<u>Anti-dilutive</u>	<u>25.61</u>	<u>Anti-dilutive</u>

A15 Property, Plant and Equipment

During the financial period under review, the Group has acquired assets at a cost of approximately RM6,203,000 while assets with carrying amount of about RM6,813,000 were disposed.

A16 Inventories

During the three months ended 30 June 2014, the Group made a write off of inventories amounted to approximately RM1,667,000.

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A17 Cash and cash equivalent

	As at 30 June 2014 Unaudited RM'000	As at 30 June 2013 Audited RM'000
Cash and bank balances	104,348	24,521
Bank overdrafts	-	(1,580)
Total cash and cash equivalent	104,348	22,941

A18 Fair value hierarchy

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

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

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

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

As at end of the reporting date, the Group held the following financial assets that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value:

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
<u>30 June 2014</u>				
Available-for-sale financial assets				
Equity shares *	35	-	-	35
<u>30 June 2013</u>				
Available-for-sale financial assets				
Equity shares *	35	-	-	35

* - Investment in equity instruments carried at cost

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

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

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

A19 Loans and borrowings

	As at 30 June 2014 Unaudited RM'000	As at 30 June 2013 Audited RM'000
a) Short term borrowings		
Repayable within twelve months		
- Secured	3,099	28,788
- Unsecured	-	1,580
	3,099	30,368

A19 Loans and borrowings (Cont'd)

	As at 30 June 2014 Unaudited RM'000	As at 30 June 2013 Audited RM'000
b) Long term borrowings		
Repayable after twelve months		
- Secured	8,676	14,740
- Unsecured	-	-
Portion repayable after one year	<u>8,676</u>	<u>14,740</u>
United States Dollars (USD'000)	3,393	13,584
Ringgit Malaysia equivalent (RM'000)	<u>10,895</u>	<u>42,942</u>

A20 Contingencies and Exposure to credit risk associated with bank guarantees

	As at 30 June 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>6,551</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 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 B7.

A21 Capital Commitments

	As at 30 June 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>-</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 twelve-month period ended 30 June 2014 as well as the balances with the related parties as at 30 June 2014 and 30 June 2013.

	Fourth Quarter ended		Cumulative Twelve Months ended	
	30 June 2014 Unaudited RM'000	30 June 2013 Unaudited RM'000	30 June 2014 Unaudited RM'000	30 June 2013 Unaudited RM'000
Transactions with Director and companies in which certain Directors have interest :-				
a) Purchase of air ticket from a company	8	190	586	764
b) IT related services	104	35	271	146
c) Transportation, freight and handling services	15	375	1,579	1,261
d) Services rendered by former subsidiary	7,230	-	7,230	-
e) Services rendered to former subsidiary	696	-	696	-
f) Interest payable to a former director	-	52	103	205

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

	30 June 2014 Unaudited RM'000	30 June 2013 Audited RM'000
Balance due to:-		
- Gem Travel & Tour Sdn Bhd	16	284
- Safworks Sdn Bhd (formerly known as IQ Works Sdn Bhd)	45	31
- Safeguards Oceanic Sdn Bhd	91	268
- Airoceanic Express Sdn Bhd	7	409
- Safeguards Records Management Sdn Bhd *	5	4
- Dato' Chee Peck Kiat @ Chee Peck Jan - former director of the Company	24	3,306
Balance due from:-		
- Samudra Oil Services Sdn Bhd (former subsidiary company)	2,381	-

Note * - Subsidiary of Safeguards Corporation Sdn Bhd

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 30 June 2014 up to 27 August 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 higher revenue of approximately RM3.40 million, an increase of about 38% when compared to the preceding financial quarter. Despite of the aforesaid, the reported gross profit of approximately RM0.96 million was fairly consistent with that achieved in the preceding financial quarter due to reduction in gross profit margin to about 28% with increases in direct operation costs. The Group's Continuing operations recorded a material gain on disposal of approximately RM65.49 million from the completion of the Proposed Disposal of Samudra Oil. This gain has enabled the Group's Continuing operations to report a substantial pre-tax profit of approximately RM62.26 million as compared to a pre-tax loss of about RM1.00 million incurred in the preceding financial quarter.

On an overall Group basis, the Group recorded 36% and 73% decline in revenue and gross profit to RM12.45 million and RM2.07 million respectively when compared to revenue of about RM19.33 million and gross profit of approximately RM7.62 million recorded in the preceding financial quarter following completion of the Proposed Disposal of Samudra Oil in the current financial quarter. Despite of the aforesaid decline, the Group managed to pull in a substantial pre-tax profit of about RM53.69 million with recognition of the aforesaid material gain on disposal of investment in subsidiary, Samudra Oil of about RM65.49 million during the current financial quarter. The Group posted a pre-tax loss of approximately RM2.88 million in the preceding financial quarter.

B3 Commentary on the prospects for the financial year ending 30 June 2015

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 Practice Note ("PN") 17 Issuer pursuant to Paragraph 8.04 and Paragraph 2.1(g) of PN 17 of the MMLR 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 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. The progress of the preparation of the regularisation plan pursuant to PN 17 is further disclosed in Note B6 below.

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 considerable uncertainty in the outlook of the United States of America's economy which influences the future path of its interest rates, 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 forthcoming financial year 2015 while it will exercise due care considering the time period constraint provided in the MMLR of Bursa Securities, in its effort to identify new and prospective business for the purpose of regularising its condition pursuant to PN 17. 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 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 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 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 Upfront Cash Payment was made on 28 March 2014 while the Company has on 13 June 2014 issued 12,000,000 ICULS of RM1.00 each at its nominal value to MBB pursuant to the DSA. Further to the issuance of the ICULS and the confirmation dated 16 June 2014 from MBB, the DSA has been deemed completed on 16 June 2014.

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 completed on 3 April 2014. The Company has on 16 May 2014 announced that the placement of the Consideration Shares at an issue price of RM0.35 each was completed on 15 May 2014 ("Placement of Consideration Shares"). The Placement of Consideration Shares is integral to the Proposed Disposal of Samudra Oil which was approved by the shareholders of the Company during the extraordinary general meeting held on 11 March 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 30 June 2014 was as follows:-

	Note (a) As reported RM'000	Utilisation as at 30 June 2014 RM'000	Balance unutilised RM'000
Repayment of Borrowings	25,759	21,450	4,309
Purchase of equipment and tools	3,000	198	2,802
Working capital	5,886	1,741	4,145
Estimated corporate expenses	320	320	-
	34,965	23,709	11,256

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 Listing Status of the Company

On 3 April 2014, the Company announced that it is considered a Practice Note ("PN") 17 Issuer pursuant to Paragraph 8.04 and Paragraph 2.1(g) of PN 17 of the MMLR of Bursa Securities as the Company has triggered Paragraph 2.1(g) of PN 17 of the MMLR following the completion of the disposal by the Company of its entire equity interest in Samudra Oil to Destini Berhad on 3 April 2014 ("First Announcement"). Under PN 17 the Company would have to regularise its condition by identifying new businesses and/or assets that have prospects to be acquired within twelve (12) months from the date of the First Announcement.

The Company is still in the midst of identifying new prospective businesses and formulating its regularisation plan. It has up to 2 April 2015, which is approximately 8 months from the date hereof to submit its regularisation plan to the relevant authorities for approval.

B7 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.

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



B7 Changes in material litigation (Cont'd)

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.

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. On 22 May 2014, the Company has announced that KSTB's Originating Summons and Notice of Application for Injunction which was heard on 21 May 2014 was allowed with costs of RM5,000.00 to be paid by the Tesco. The orders granted were as follows:

- that the S 218 Notice served by Tesco is null and void and of no effect; and
- that Tesco by itself or by its servants or agents or otherwise be restrained, and an injunction be granted, restraining Tesco by itself or by its servants or agents or otherwise from presenting a winding-up petition against the Company pursuant to the S 218 Notice pending disposal of the arbitration.

On 17 June 2014, the Company has announced that a settlement has been reached between Tesco and the Company where Tesco will take the necessary steps to withdraw its arbitration proceedings against the Company in Singapore. Upon withdrawal of the said arbitration proceedings by Tesco, the order obtained by the Company in the High Court will become redundant. The Company has deemed the above mentioned disputes have been amicably resolved by both parties.

B8 Dividend payable

Please refer to Note A23.

B9 Disclosure relating to derivatives

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

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

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



B11 Realised and Unrealised profits / (losses)

	30 June 2014	30 June 2013
	Unaudited	Audited
	RM'000	RM'000
Total retained profits / (accumulated losses) of the Company and its subsidiaries		
- Realised	22,972	(32,438)
- Unrealised	1,360	1,838
Total retained profits / (accumulated losses) as per consolidated accounts	<u>24,332</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
 27 August 2014