



KEJURUTERAAN SAMUDRA TIMUR BERHAD

Interim Financial Report

For 1st Financial Quarter Ended 30th September 2015

**Pursuant to MFRS 134 and Selected sections of Appendix 9B
of the Listing Requirements**



KEJURUTERAAN SAMUDRA TIMUR BERHAD

(Company No. 142241-X)

(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT
FIRST FINANCIAL QUARTER ENDED 30 SEPTEMBER 2015**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIODS ENDED 30 SEPTEMBER 2015 AND 2014**

	Note	First Quarter ended		Cumulative Three Months ended	
		30 September 2015	30 September 2014	30 September 2015	30 September 2014
		Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
Revenue		2,139	2,473	2,139	2,473
Cost of sales		(1,302)	(1,559)	(1,302)	(1,559)
Gross profit		<u>837</u>	<u>914</u>	<u>837</u>	<u>914</u>
Other income		6,795	1,733	6,795	1,733
Administrative expenses		(1,537)	(664)	(1,537)	(664)
Other operating expenses		(853)	(696)	(853)	(696)
Finance cost		(96)	(212)	(96)	(212)
Profit before taxation		<u>5,146</u>	<u>1,075</u>	<u>5,146</u>	<u>1,075</u>
Income tax expense	A11	77	(117)	77	(117)
Profit for the period		<u><u>5,223</u></u>	<u><u>958</u></u>	<u><u>5,223</u></u>	<u><u>958</u></u>
Attributable to:					
Equity holders of the Company		5,161	946	5,161	946
Non-controlling interests		62	12	62	12
		<u><u>5,223</u></u>	<u><u>958</u></u>	<u><u>5,223</u></u>	<u><u>958</u></u>
Basic earnings per share attributable to equity holders of the Company (sen)	A12	<u><u>2.81</u></u>	<u><u>0.52</u></u>	<u><u>2.81</u></u>	<u><u>0.52</u></u>
Diluted earnings per share attributable to equity holders of the Company (sen)	A12	<u><u>2.09</u></u>	<u><u>0.42</u></u>	<u><u>2.09</u></u>	<u><u>0.42</u></u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE
INCOME FOR THE FINANCIAL PERIODS ENDED 30 SEPTEMBER 2015 AND 2014**



	First Quarter ended		Cumulative Three Months ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
Profit for the period	5,223	958	5,223	958
Other Comprehensive Income:				
Currency translation differences	(5,930)	(647)	(5,930)	(647)
Total other comprehensive income / (loss)	<u>(5,930)</u>	<u>(647)</u>	<u>(5,930)</u>	<u>(647)</u>
Total comprehensive profit	<u>(707)</u>	<u>311</u>	<u>(707)</u>	<u>311</u>
Attributable to:				
Equity holders of the Company	(707)	305	(707)	305
Non-controlling interests	-	6	-	6
	<u>(707)</u>	<u>311</u>	<u>(707)</u>	<u>311</u>

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2015



		30 September 2015	30 June 2015
		Unaudited	Audited
ASSETS	Note	RM'000	RM'000
Non-current assets			
Property, plant and equipment	A13	2,937	3,073
Investment in associated company		154	154
Investment securities		35	35
Deferred tax assets		47	36
		3,173	3,298
Current assets			
Inventories	A14	932	938
Trade receivables		4,639	3,934
Other receivables		1,859	2,232
Tax recoverable		346	192
Cash and bank balances	A15	108,416	108,008
		116,192	115,304
TOTAL ASSETS		119,365	118,602
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	A8	55,039	55,029
Share premium		16,929	16,927
Share warrants		2,991	2,993
Other reserves		(13,312)	(7,444)
Retained earnings		31,012	25,851
		92,659	93,356
Non-controlling interests		(367)	(367)
Total equity		92,292	92,989
Non-current liabilities			
Loans and borrowings	A17	6,662	6,559
Deferred tax liabilities		-	-
		6,662	6,559
Current liabilities			
Trade payables		5,430	5,021
Other payables		10,518	9,986
Loans and borrowings	A17	4,117	3,581
Tax payable		346	466
		20,411	19,054
Total liabilities		27,073	25,613
TOTAL EQUITY AND LIABILITIES		119,365	118,602
NET ASSETS PER SHARE (SEN)		50.3	50.7

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015**

	Attributable to equity holders of the Company							Non-controlling interest	Total equity
	Non-distributable			Distributable					
	Share Capital RM'000	Share Premium RM'000	Share Warrants RM'000	ICULS Equity Component RM'000	Exchange Translation Reserve RM'000	Retained Earnings RM'000	Total RM'000	RM'000	RM'000
At 1 July 2015	55,029	16,927	2,993	-	(7,444)	25,851	93,356	(367)	92,989
Profit for the period	-	-	-	-	-	5,161	5,161	62	5,223
Other comprehensive loss	-	-	-	-	(5,868)	-	(5,868)	(62)	(5,930)
Total comprehensive profit / (loss) for the period	-	-	-	-	(5,868)	5,161	(707)	-	(707)
Transactions with owners in their capacity as owners:									
Exercise of warrants	10	2	(2)	-	-	-	10	-	10
Total transactions with owners	10	2	(2)	-	-	-	10	-	10
At 30 September 2015 (Unaudited)	55,039	16,929	2,991	-	(13,312)	31,012	92,659	(367)	92,292

Note> "ICULS" - Irredeemable Convertible Loan Stock

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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) / Retained Earnings	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 July 2014	42,908	8,412	3,013	18,013	(1,773)	24,332	94,905	(366)	94,539
Profit for the period	-	-	-	-	-	946	946	12	958
Other comprehensive income / (loss)	-	-	-	-	(641)	-	(641)	(6)	(647)
Total comprehensive profit / (loss) for the period	-	-	-	-	(641)	946	305	6	311
Transactions with owners in their capacity as owners:	-	-	-	-	-	-	-	-	-
At 30 September 2014 (Unaudited)	42,908	8,412	3,013	18,013	(2,414)	25,278	95,210	(360)	94,850

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIODS ENDED 30 SEPTEMBER 2015 AND 2014**



Financial periods ended 30 September ("Sept") (Unaudited)	2015 RM'000	2014 RM'000
Cash Flows From Operating Activities		
Profit before taxation	5,146	1,075
Adjustments for non-cash and non-operating items:		
- Depreciation of property, plant and equipment	148	152
- Interest expense	96	212
- Unrealised loss / (gain) on foreign exchange	(5,963)	(330)
- Others	(764)	(838)
Operating (loss) / profit before changes in working capital	(1,337)	271
Changes in working capital:		
- Decrease / (Increase) in inventories	6	62
- (Increase) / Decrease in trade and other receivables	(332)	2,991
- Increase / (Decrease) in trade and other payables	940	(124)
Interest paid	(96)	(108)
Interest received	764	838
Net change in taxation	(207)	(90)
Net cash (used in) / generated from operating activities	(262)	3,840
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(12)	(447)
Investment in associated company	-	(154)
Uplifting of deposits	(1)	-
Net cash used in investing activities	(13)	(601)
Cash Flows From Financing Activities		
Changes in loans and borrowings	639	(578)
Proceeds from exercise of warrants	10	-
Net cash generated from / (used in) financing activities	649	(578)
Net Change in Cash and Cash Equivalents	374	2,661
Cash and Cash Equivalents at Beginning of Period	107,817	103,814
Effects of exchange rate changes	33	(317)
Cash and Cash Equivalents at End of Period	108,224	106,158
Analysis of Cash and Cash Equivalents:		
Cash and bank balances	15,595	3,784
Deposits with licensed financial institutions	92,821	102,919
Bank overdrafts	-	-
Deposits pledged as security to licensed financial institutions	(192)	(545)
Cash and Cash Equivalents	108,224	106,158

A1 Corporate information

Kejuruteraan Samudra Timur Berhad ("the Company" or "KSTB") is a public limited liability company incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad ("Bursa Securities").

The Company was de-classified as a Practice Note ("PN")17 company by Bursa Securities effective on 21 July 2015. However, KSTB remains to be a Cash Company and is required to continue to comply with the provisions pursuant to Paragraph 8.03 and PN16 of the Main Market Listing Requirements of Bursa Securities ("MMLR" of Bursa Securities).

This unaudited interim financial report was approved by the Board of Directors ("Board") on 20 November 2015.

A2 Basis of preparation

The unaudited interim financial report, for the period ended 30 September 2015, has been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the 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 2015.

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 2015.

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 2015.

The following MFRS that are issued but not yet effective, have yet to be adopted by the Group.

- Annual Improvements to MFRSs 2012-2014 Cycle
- Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception
- Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 101: Disclosure Initiative
- Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants
- Amendments to MFRS 127: Equity Method in Separate Financial Statements
- MFRS 14 Regulatory Deferral Accounts
- MFRS 15 Revenue from Contracts with Customers
- MFRS 9 Financial Instruments

A4 Changes in Accounting Estimates

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

A5 Seasonal or Cyclical Factors

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

A6 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.

A7 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.

A8 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 and allotment of 34,000 new ordinary shares of RM0.30 each in the Company ("KSTB Shares") as shown below:

	No of Warrant Unit	No of KSTB Shares Unit	Share Capital / Amount RM'000
Opening balance	71,110,950	183,428,800	55,029
Adjustment to KSTB Shares and warrants			
a) Issued/(Cancelled) pursuant to exercise of warrants	(34,000)	34,000	10
Closing balance / As at end of current financial period	<u>71,076,950</u>	<u>183,462,800</u>	<u>55,039</u>

The issuance of 34,000 KSTB Shares during the current financial period under review was arising from the exercise of 34,000 warrants at an exercise price of RM0.30 per KSTB Share. The proceeds raised from the exercise of warrants amounted to RM10,200 is to be utilised for the working capital purpose of the Group.

A9 Segment Information

The Group has only a single Tubular inspection and maintenance services business segment which is operated by its wholly owned subsidiary Samudra Timur Sdn Bhd ("STSB") predominantly in one geographical segment, Malaysia during the current and corresponding financial periods. Accordingly, no segmental information have been prepared.

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A10 Profit before tax

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

	First Quarter ended		Cumulative Three Months ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
a) Interest income	764	838	764	838
b) Other income (excluding (a), (e), (i) and (l))	68	565	68	565
c) Interest expense	(96)	(212)	(96)	(212)
d) Depreciation and amortisation of property plant and equipment	(148)	(152)	(148)	(152)
e) Impairment of due from jointly controlled entities	195	-	195	-
f) Impairment and/or write off of receivables	50	-	50	-
g) Impairment and/or write off of inventories	-	-	-	-
h) Gain/(Loss) on disposal of quoted or unquoted investments or properties or derivatives	-	-	-	-
i) Impairment and/or write off of assets	-	-	-	-
j) Realised foreign exchange gain/(loss)	(426)	5	(426)	5
k) Unrealised foreign exchange gain/(loss)	5,963	330	5,963	330
l) Gain/(loss) on disposal of assets held for sale	-	-	-	-
m) Exceptional items	-	-	-	-

A11 Income tax expense

	First Quarter ended		Cumulative Three Months ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
Based on financial period's profit				
Taxation				
- Current financial period	-	117	-	117
- (Over)/Under provision in the previous years	(67)	-	(67)	-
Deferred tax				
- (Over)/Under provision in the previous years	(10)	-	(10)	-
Total tax expenses for the period	(77)	117	(77)	117

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A11 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 disproportionate effective tax rate for the current financial period ended 30 September 2015 was principally due to certain incomes are exempted and excluded for tax purposes while there were tax adjustments made during the financial period under review for over provision of taxation and deferred tax in the previous financial years .

The Group's effective tax rate for the corresponding financial period ended 30 September 2014 was lower than the statutory tax rate principally due to certain income are exempted for tax purposes.

A12 Earnings Per Share**Basic earnings per share**

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

	First Quarter ended		Cumulative Three Months ended	
	30 September	30 September	30 September	30 September
	2015	2014	2015	2014
	Unaudited	Unaudited	Unaudited	Unaudited
Profit for the period attributable to equity holders of the Company (RM'000)	5,161	946	5,161	946
Weighted average number of ordinary shares in issue for calculation of basic earnings per share ('000)	183,449	183,027	183,449	183,027
Basic earnings per share attributable to equity holders of the Company (sen)	2.81	0.52	2.81	0.52

Diluted earnings 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 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; and

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

	First Quarter ended		Cumulative Three Months ended	
	30 September	30 September	30 September	30 September
	2015	2014	2015	2014
	Unaudited	Unaudited	Unaudited	Unaudited
Profit for the period attributable to equity holders of the Company (RM'000)	5,161	946	5,161	946
Net adjustment for interest income from cash proceeds on exercise of warrants	165	126	165	126
	5,326	1,072	5,326	1,072

A12 Earnings Per Share (Cont'd)**Diluted earnings per share (Cont'd)**

	First Quarter ended		First Quarter ended	
	30 September	30 September	30 September	30 September
	2015	2014	2015	2014
	Unaudited	Unaudited	Unaudited	Unaudited
<u>Weighted average number of ordinary shares (diluted) ('000)</u>				
Weighted average number of ordinary shares in issue for calculation of diluted earnings per share	183,449	183,027	183,449	183,027
Weighted average number of new ordinary shares assuming full exercise of outstanding warrants	71,077	71,513	71,077	71,513
Weighted average number of ordinary shares	<u>254,526</u>	<u>254,540</u>	<u>254,526</u>	<u>254,540</u>
Diluted earnings per share attributable to equity holders of the Company (sen)	<u>2.09</u>	<u>0.42</u>	<u>2.09</u>	<u>0.42</u>

A13 Property, Plant and Equipment

During the financial period under review, the Group has acquired assets at a cost of approximately RM12,000 while there was no disposal.

A14 Inventories

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

A15 Cash and cash equivalent

For the purpose of the condensed consolidated statements of cash flows, cash and cash equivalent comprise the following:-

	As at	As at
	30 Sept. 2015	30 June 2015
	Unaudited	Audited
	RM'000	RM'000
Cash and bank balances (include deposits with licensed financial institutions)	108,416	108,008
Deposit pledged as security to licensed financial institutions	(192)	(191)
Bank overdrafts	-	-
Total cash and cash equivalent	<u>108,224</u>	<u>107,817</u>

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A16 Fair value hierarchy

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

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

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

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

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

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
<u>30 September 2015</u>				
Available-for-sale financial assets				
Equity shares *	35	-	-	35
<u>30 June 2015</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.

A17 Loans and borrowings

	As at 30 Sept. 2015 Unaudited RM'000	As at 30 June 2015 Audited RM'000
a) Short term borrowings		
Repayable within twelve months		
- Secured	4,117	3,581
b) Long term borrowings		
Repayable after twelve months		
- Secured	6,662	6,559
c) Borrowing in United States Dollars		
Total (USD'000)	2,333	2,545
Ringgit Malaysia equivalent (RM'000)	10,371	9,635

A18 Contingencies and Exposure to credit risk associated with bank guarantees

	As at 30 Sept. 2015 Unaudited RM'000	As at 30 June 2015 Audited RM'000
<u>Exposure to credit risk associated with bank guarantees</u>		
Bank guarantees in favour of third parties	251	251

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 as reported in the interim financial report of the preceding financial periods and disclosed in Note B7.

A19 Capital Commitments

	As at 30 Sept. 2015 Unaudited RM'000	As at 30 June 2015 Audited RM'000
<u>Capital expenditure</u>		
Approved and contracted for:		
- Property, plant and equipment	-	-

A20 Related Party Transactions

The following table provides information on the transactions which have been entered into with related parties during the three month period ended 30 September 2015 as well as the balances with the related parties as at 30 September 2015 and 30 June 2015.

	First Quarter ended		Cumulative Three Months ended	
	30 September 2015 Unaudited RM'000	30 September 2014 Unaudited RM'000	30 September 2015 Unaudited RM'000	30 September 2014 Unaudited RM'000
Transactions with Director and companies in which certain Directors have interest :-				
a) Purchase of air tickets	26	26	26	26
b) IT related services	13	22	13	22
c) Transportation, freight and handling services	211	71	211	71
d) Payroll services	20	-	20	-

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A20 Related Party Transactions (Cont'd)

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

	30 Sept. 2015	30 June 2015
	Unaudited	Audited
	RM'000	RM'000
Balance due (to) / from:-		
- Gem Travel & Tour Sdn Bhd	(23)	(417)
- Safworks Sdn Bhd	(31)	(31)
- Safeguards Oceanic Sdn Bhd	-	(10)
- Airoceanic Express Sdn Bhd	-	-
- Safeguards Records Management Sdn Bhd	(1)	(1)
- Epedas Sdn Bhd	(3)	(3)
- MPA Info Solutions Sdn Bhd	(7)	(11)

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

A21 Dividend Paid

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

A22 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 2015 up to 20 November 2015 other than those disclosed in Note B5, Note B6 and Note B7 (if any) and the allotment of new ordinary shares as shown below:-

	No of ordinary shares	Amount
	of RM0.30 each	RM'000
	Units	
a) Issued pursuant to exercise of warrants	936,900	281

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B1 Review of Performance

For the current financial quarter under review, the Group's revenue has shown a decline of about 13% to RM2.14 million when compared to RM2.47 million posted in the corresponding financial quarter. This has resulted in the Group registering a lower gross profit of approximately RM0.84 million.

The substantially higher other income of approximately RM6.80 million due principally to increase in unrealised foreign exchange gain recognised for the current financial period of about RM5.96 million, has allowed the Group to offset the effects of lower gross profit and increases in administrative and other operating expenses incurred during the current financial quarter and to report a 3.8 times increase in profit before taxation to RM5.15 million from RM1.08 million recorded in the corresponding financial quarter.

The Group reported a higher profit for the period of about RM5.22 million when compared to approximately RM0.96 million registered in the corresponding financial quarter. Its profit attributable to equity holders of the Company stood at about RM5.16 million for the current financial quarter.

B2 Comment on material change in profit before taxation

For the current financial quarter under review, the Group registered a 7% decline in revenue to approximately RM2.14 million when compared to the revenue performance for the preceding financial quarter of approximately RM2.29 million. This reduced revenue coupled with relatively lower overall gross profit margin earned for the current financial quarter have resulted in the Group registering 23% drop in gross profit from RM1.09 million recorded in the preceding financial quarter to approximately RM0.84 million.

The effect of the aforesaid lower gross profit was however offset by higher other income earned of approximately RM6.80 million as well as decline in administrative and other operating expenses incurred for the current financial quarter when compared to the preceding financial quarter. The Group posted a pre-tax profit of approximately RM5.15 million, which was about 4.2 times greater than the RM0.98 million audited pre-tax profit registered in the preceding financial quarter.

For the current financial quarter under review, the Group posted a greater profit attributable to equity holders of the Company of about RM5.22 million.

B3 Commentary on the prospects for the financial year ending 30 June 2016

The Company is a Cash Company under Practice Note ("PN") 16 pursuant to Paragraph 8.03 of the MMLR of Bursa Securities effective from 27 February 2015. In accordance with the provisions pursuant to Paragraph 8.03 of the MMLR, the Group is required to submit a proposal to acquire a new core business to the Securities Commission ("SC") for its approval. The Company had on 20 July 2015 obtained the approval of Bursa Securities for an extension of time up to 26 February 2016 ("Extended Dateline") to submit the regularisation plan to the SC and de-classification of the Company as a PN17 company effective from 21 July 2015. The Company is required to continue to comply with the provisions pursuant to Paragraph 8.03 and PN16 of the MMLR of Bursa Securities.

In the event the Company fails to submit the regularisation plan to the SC on or before the Extended Dateline; fails to obtain the approval from any of the regulatory authorities necessary for the implementation of its regularisation plan; or fails to implement its regularisation plan within the time frame or extended time frame stipulated by any of the regulatory authorities, a suspension may be imposed on the trading of the listed securities of KSTB on the next market day after five (5) market days from the date of notification of suspension by Bursa Securities and Bursa Securities may de-list the Company, subject to the Company's right to appeal against the delisting.

The Company has yet to identify any viable assets and/or business to acquire in order to comply with the requirements of PN16 and Paragraph 8.03 of the MMLR. Appropriate and relevant announcements will be made in relation to the aforesaid as and when required and in accordance with the MMLR of Bursa Securities.

B3 Commentary on the prospects for the financial year ending 30 June 2016 (cont'd)

Despite of the PN16 or Cash Company status, the Group remains active in the provision of support services to the oil and gas industry through its current core Tubular inspection and maintenance services operation. The continuing volatility in crude oil prices with no clear sign of firm near-term upward recovery amid slowing economic activities in China and fragile recovery of advanced economies, point to another challenging if not tough year ahead for the global oil and gas industry. Against this backdrop and notwithstanding the aforesaid acquisition of new assets and/or business requirement, the Board expects the Group for the financial year ending 30 June 2016, to consolidate its Tubular inspection and maintenance services operation and stay relevance to ride the oil and gas upstream recovery when it emerges. Meanwhile the Group will continue its efforts to keep if not expanding, the flow of service orders and/or its market share which are fundamental for the performance of the Group in the future.

B4 Variance from Profit Forecast and Profit Guarantee

This is not applicable to the Group.

B5 Corporate proposals and events

Utilisation of proceeds raised from the Disposal of Rigs

The status of utilisation of proceeds raised from the Disposal of Rigs as at 30 September 2015 was as follows:-

	Note (a) As reported RM'000	Utilisation as at 30 Sept. 2015 RM'000	Balance unutilised RM'000
Repayment of Borrowings	25,759	25,193	566
Purchase of equipment and tools	3,000	980	2,020
Working capital	5,886	5,886	-
Estimated corporate expenses	320	320	-
	<u>34,965</u>	<u>32,379</u>	<u>2,586</u>

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

The Company has resolved to extend the utilisation period up to 12 March 2016 to utilise the balance unutilised proceeds in accordance with the proposed utilisation as disclosed in the Circular and tabulated above.

Utilisation of proceeds raised from the Disposal of Samudra Oil

The status of utilisation of proceeds raised from the Disposal of Samudra Oil as at 30 September 2015 was as follows:-

	Note (a) As reported RM'000	Utilisation as at 30 Sept. 2015 RM'000	Balance unutilised RM'000
Acquisition of prospective new businesses and/or assets	77,100	-	77,100
Estimated corporate expenses	2,900	2,900	-
	<u>80,000</u>	<u>2,900</u>	<u>77,100</u>

The Company has up to 26 February 2016 to utilise the balance unutilised proceeds to acquire a new core business pursuant to Paragraph 8.03 (5) of the MMLR of Bursa Securities.

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



B6 Listing Status of the Company

The Company is categorised as Cash Company under PN16 of the MMLR and pursuant to Paragraph 8.03 of the MMLR of Bursa Securities. As at todate, the Company is still in the midst of identifying new prospective businesses and formulating its regularisation plan for submission to the SC. It has up to 26 February 2016, which is approximately 3 months from the date hereof to submit its regularisation plan to the SC for its approval.

B7 Changes in material litigation

There was no material changes to the status of material litigation as disclosed in the interim financial report of the preceding financial period and there was no new material litigation for the current financial period under review.

B8 Dividend payable

There was no dividend payable as at end of the current financial period under review.

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 September 2015 and 2014.

B11 Realised and Unrealised profits

	30 Sept. 2015	30 June 2014
	Unaudited	Audited
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries		
- Realised	25,686	19,885
- Unrealised	5,326	5,966
Total retained profits as per consolidated accounts	<u>31,012</u>	<u>25,851</u>

B12 Auditors' Report on Preceding Annual Financial Statements

The Auditors' Report of the financial statements for the financial year ended 30 June 2015 was not qualified.

BY ORDER OF THE BOARD

Darmendran Kunaretnam
Executive Director
Kuala Lumpur
20 November 2015