



KEJURUTERAAN SAMUDRA TIMUR BERHAD

Interim Financial Report

For 3rd Financial Quarter Ended 31st March 2016

**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 2016**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIODS ENDED 31 MARCH 2016 AND 2015**

	Note	Third Quarter ended		Cumulative Nine Months ended	
		31 March 2016 Unaudited RM'000	31 March 2015 Unaudited RM'000	31 March 2016 Unaudited RM'000	31 March 2015 Unaudited RM'000
Revenue		810	2,175	4,776	8,025
Cost of sales		(999)	(1,541)	(3,330)	(4,841)
Gross (loss) / profit		(189)	634	1,446	3,184
Other income		(2,288)	6,549	3,781	11,721
Administrative expenses		(496)	(1,194)	(2,946)	(2,793)
Other operating expenses		(862)	(654)	(2,614)	(1,952)
Finance cost		(105)	178	(308)	(260)
Profit/(Loss) before taxation		(3,940)	5,513	(641)	9,900
Income tax expense	A11	197	(452)	274	(1,135)
Total profit/(loss) for the period		(3,743)	5,061	(367)	8,765
Attributable to:					
Equity holders of the Company		(3,709)	5,043	(381)	8,712
Non-controlling interests		(34)	18	14	53
		(3,743)	5,061	(367)	8,765
Basic earnings/(loss) per Share attributable to equity holders of the Company (sen)	A12	(2.01)	2.75	(0.21)	4.76
Diluted earnings per share attributable to equity holders of the Company (sen)	A12	Anti-dilutive	2.03	Anti-dilutive	3.57

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE
INCOME FOR THE FINANCIAL PERIODS ENDED 31 MARCH 2016 AND 2015



	Third Quarter ended		Cumulative Nine Months ended	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
Profit/(Loss) for the period	(3,743)	5,061	(367)	8,765
Other Comprehensive Income:				
Currency translation differences	3,223	(2,131)	(1,344)	(5,034)
Total other comprehensive income / (loss)	<u>3,223</u>	<u>(2,131)</u>	<u>(1,344)</u>	<u>(5,034)</u>
Total comprehensive profit/(loss)	<u>(520)</u>	<u>2,930</u>	<u>(1,711)</u>	<u>3,731</u>
Attributable to:				
Equity holders of the Company	(520)	2,936	(1,711)	3,732
Non-controlling interests	-	(6)	-	(1)
	<u>(520)</u>	<u>2,930</u>	<u>(1,711)</u>	<u>3,731</u>

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2016



		31 March 2016	30 June 2015
		Unaudited	Audited
ASSETS	Note	RM'000	RM'000
Non-current assets			
Property, plant and equipment	A13	2,654	3,073
Investment in associated company		154	154
Investment securities		35	35
Deferred tax assets		46	36
		<u>2,889</u>	<u>3,298</u>
Current assets			
Inventories	A14	892	938
Trade receivables		3,814	3,934
Other receivables		2,520	2,232
Tax recoverable		524	192
Cash and bank balances	A15	101,725	108,008
		<u>109,475</u>	<u>115,304</u>
Assets of disposal subsidiary classified as held for sale		-	-
		<u>109,475</u>	<u>115,304</u>
TOTAL ASSETS		<u><u>112,364</u></u>	<u><u>118,602</u></u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	A8	55,591	55,029
Share premium		17,021	16,927
Share warrants		2,899	2,993
Other reserves		(8,774)	(7,444)
Retained earnings		25,470	25,851
		<u>92,207</u>	<u>93,356</u>
Non-controlling interests		<u>(367)</u>	<u>(367)</u>
Total equity		<u>91,840</u>	<u>92,989</u>
Non-current liabilities			
Loans and borrowings	A17	4,159	6,559
Deferred tax liabilities		-	-
		<u>4,159</u>	<u>6,559</u>
Current liabilities			
Trade payables		3,978	5,021
Other payables		8,846	9,986
Loans and borrowings	A17	3,541	3,581
Tax payable		-	466
		<u>16,365</u>	<u>19,054</u>
Liabilities of disposal subsidiary classified as held for sale		-	-
		<u>16,365</u>	<u>19,054</u>
Total liabilities		<u>20,524</u>	<u>25,613</u>
TOTAL EQUITY AND LIABILITIES		<u><u>112,364</u></u>	<u><u>118,602</u></u>
NET ASSETS PER SHARE (SEN)		<u><u>49.6</u></u>	<u><u>50.7</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016**

	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/(Loss) for the period	-	-	-	-	-	(381)	(381)	14	(367)
Other comprehensive loss	-	-	-	-	(1,330)	-	(1,330)	(14)	(1,344)
Total comprehensive profit / (loss) for the period	-	-	-	-	(1,330)	(381)	(1,711)	-	(1,711)
Transactions with owners in their capacity as owners:									
Exercise of warrants	562	94	(94)	-	-	-	562	-	562
Total transactions with owners	562	94	(94)	-	-	-	562	-	562
At 31 March 2016 (Unaudited)	55,591	17,021	2,899	-	(8,774)	25,470	92,207	(367)	91,840

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2015**

	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	-	-	-	-	-	8,712	8,712	53	8,765
Other comprehensive income / (loss)	-	-	-	-	(4,980)	-	(4,980)	(54)	(5,034)
Total comprehensive profit / (loss) for the period	-	-	-	-	(4,980)	8,712	3,732	(1)	3,731
Transactions with owners in their capacity as owners:	-	-	-	-	-	-	-	-	-
Single tier final dividend for year ended 30 June 2014	-	-	-	-	-	(8,254)	(8,254)	-	(8,254)
Conversion of ICULS	12,000	8,315	-	(18,013)	-	-	2,302	-	2,302
Exercise of warrants	121	20	(20)	-	-	-	121	-	121
	12,121	8,335	(20)	(18,013)	-	(8,254)	(5,831)	-	(5,831)
At 31 March 2015 (Unaudited)	55,029	16,747	2,993	-	(6,753)	24,790	92,806	(367)	92,439

Note> "ICULS" - Irredeemable Convertible Loan Stock

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIODS ENDED 31 MARCH 2016 AND 2015**



Financial periods ended 31 March (Unaudited)	2016 RM'000	2015 RM'000
Cash Flows From Operating Activities		
Profit / (Loss) before taxation	(641)	9,900
Adjustments for non-cash and non-operating items:		
- Depreciation of property, plant and equipment ("PPE")	445	483
- Gain on disposal of investment in an associated company	-	(29)
- Interest expense	308	260
- Unrealised loss / (gain) on foreign exchange	(1,346)	(4,453)
- Others	(2,207)	(2,499)
Operating (loss) / profit before changes in working capital	(3,441)	3,662
Changes in working capital:		
- Decrease in inventories	46	359
- (Increase) / Decrease in trade and other receivables	(168)	22,934
- Decrease in trade and other payables	(2,183)	(13,637)
Interest paid	(308)	(318)
Interest received	2,210	2,485
Net change in taxation	(534)	(408)
Net cash (used in) / generated from operating activities	(4,378)	15,077
Cash Flows From Investing Activities		
Proceeds from disposal of PPE or investment in an associated company	1	255
Purchase of property, plant and equipment	(30)	(733)
Investment in associated company	-	(154)
(Placement)/Uplifting of deposits	(312)	512
Payment of single tier final dividend for year ended 30 June 2014	-	(8,254)
Net cash used in investing activities	(341)	(8,374)
Cash Flows From Financing Activities		
Payment of ICULS coupon rate	-	(329)
Changes in loans and borrowings	(2,440)	(927)
Proceeds from exercise of warrants	562	121
Net cash generated from / (used in) financing activities	(1,878)	(1,135)
Net Change in Cash and Cash Equivalents	(6,597)	5,568
Cash and Cash Equivalents at Beginning of Period	107,817	103,814
Effects of exchange rate changes	2	(581)
Cash and Cash Equivalents at End of Period	101,222	108,801
Analysis of Cash and Cash Equivalents:		
Cash and bank balances	11,931	9,215
Deposits with licensed financial institutions ("FI")	89,794	99,681
Bank overdrafts	-	(62)
Deposits pledged as security to licensed financial institutions	(503)	(33)
Cash and Cash Equivalents	101,222	108,801

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 31 May 2016.

A2 Basis of preparation

The unaudited interim financial report, for the period ended 31 December 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 758,600 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 / As at beginning of current financial period	69,994,250	184,545,500	55,364
Adjustment to KSTB Shares and warrants			
a) Issued/(Cancelled) pursuant to exercise of warrants	(758,600)	758,600	227
Closing balance / As at end of current financial period	<u>69,235,650</u>	<u>185,304,100</u>	<u>55,591</u>

The issuance of 758,600 KSTB Shares during the current financial period under review was arising from the exercise of 758,600 warrants at an exercise price of RM0.30 per KSTB Share. The proceeds raised from the exercise of warrants amounted to RM227,580 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 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/(Loss) before tax

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

	Third Quarter ended		Cumulative Nine Months ended	
	31 March 2016 Unaudited RM'000	31 March 2015 Unaudited RM'000	31 March 2016 Unaudited RM'000	31 March 2015 Unaudited RM'000
a) Interest income	706	844	2,210	2,485
b) Other income (excluding (a), (e), (i) and (l))	80	177	225	1,232
c) Interest expense	(105)	178	(308)	(260)
d) Depreciation and amortisation of property plant and equipment	(149)	(169)	(445)	(483)
e) Net compensation income from settlement with principal vendor, Tesco Singapore Pte Ltd	-	3,522	-	3,522
f) (Impairment)/ Reversal of impairment of due from jointly controlled entities	107	-	(46)	-
g) (Impairment)/ Reversal of impairment of receivables	48	-	(2)	-
h) Impairment and/or write off of inventories	-	-	-	-
i) Gain/(Loss) on disposal of quoted or unquoted investments or properties or derivatives	-	-	-	29
j) Impairment and/or write off of assets	-	-	-	-
k) Realised foreign exchange gain/(loss)	170	(229)	(9)	(120)
l) Unrealised foreign exchange gain/(loss)	(3,074)	2,006	1,346	4,453
m) Gain/(loss) on disposal of PPE	(3)	-	(3)	-
n) Exceptional items	-	-	-	-

A11 Income tax expense

	Third Quarter ended		Cumulative Nine Months ended	
	31 March 2016 Unaudited RM'000	31 March 2015 Unaudited RM'000	31 March 2016 Unaudited RM'000	31 March 2015 Unaudited RM'000
Based on financial period's profit				
Taxation				
- Current financial period	-	354	-	1,037
- (Over)/Under provision in the previous years	(197)	98	(264)	98
Deferred tax				
- (Over)/Under provision in the previous years	-	-	(10)	-
Total tax expenses for the period	(197)	452	(274)	1,135

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 31 March 2016 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 .

A11 Income tax expense (Cont'd)

The Group's effective tax rate for the corresponding financial period ended 31 March 2015 was lower than the statutory tax rate principally due to certain income are exempted and excluded for tax purposes.

A12 Earnings/(Loss) Per Share**Basic earnings/(loss) per share**

Basic earnings/(loss) 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		Cumulative Nine Months ended	
	31 March 2016 Unaudited	31 March 2015 Unaudited	31 March 2016 Unaudited	31 March 2015 Unaudited
Profit/(Loss) for the period attributable to equity holders of the Company (RM'000)	(3,709)	5,043	(381)	8,712
Weighted average number of ordinary shares in issue for calculation of basic earnings per share ('000)	184,830	183,237	184,106	183,096
Basic earnings/(loss) per share attributable to equity holders of the Company (sen)	(2.01)	2.75	(0.21)	4.76

Diluted earnings per share

The diluted earnings per share for the current year-to-date is 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 year-to-date assuming full exercise of remaining warrants at the date of issue of warrants or beginning of the financial period as provided below.

Diluted (loss) per share for the current financial quarter is not determined or calculated because the inclusion of the weighted average number of ordinary shares assuming full exercise of remaining warrants would be anti-dilutive.

	Third Quarter ended		Cumulative Nine Months ended	
	31 March 2016 Unaudited	31 March 2015 Unaudited	31 March 2016 Unaudited	31 March 2015 Unaudited
Profit/(loss) for the period attributable to equity holders of the Company (RM'000)	(3,709)	5,043	(381)	8,712
Net adjustment for interest income from cash proceeds on exercise of warrants	159	122	481	372
	(3,550)	5,165	100	9,084

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A12 Earnings/(Loss) Per Share (Cont'd)**Diluted earnings per share (Cont'd)****Weighted average number of ordinary shares (diluted) ('000)**

Weighted average number of ordinary shares in issue for calculation of diluted earnings per share	184,830	183,237	184,106	183,096
Weighted average number of new ordinary shares assuming full exercise of outstanding warrants	69,236	71,111	69,236	71,111
Weighted average number of ordinary shares	<u>254,066</u>	<u>254,348</u>	<u>253,342</u>	<u>254,207</u>
Diluted earnings per share attributable to equity holders of the Company (sen)	<u>Anti-dilutive</u>	<u>2.03</u>	<u>Anti-dilutive</u>	<u>3.57</u>

A13 Property, Plant and Equipment

During the financial period under review, the Group has acquired assets at a cost of approximately RM9,000 while there was a disposal of equipment with carrying value of about RM4,000 that resulted in a loss on disposal of property plant and equipment of approximately RM3,000.

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 31 March 2016 Unaudited RM'000	As at 30 June 2015 Audited RM'000
Cash and bank balances (include deposits with licensed financial institutions)	101,725	108,008
Deposit pledged as security to licensed financial institutions	(503)	(191)
Total cash and cash equivalent	<u>101,222</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>31 March 2016</u>				
Available-for-sale financial assets				
Investment securities (non-current)				
- Unquoted equity instruments *	35	-	-	35
<u>30 June 2015</u>				
Available-for-sale financial assets				
Investment securities (non-current)				
- Unquoted equity instruments *	35	-	-	35

* - Investment in equity instruments / shares 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.

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 other than disclosed in Note A4 and Note A13.

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 31 March 2016 Unaudited RM'000	As at 30 June 2015 Audited RM'000
a) Short term borrowings		
Repayable within twelve months		
- Secured	3,541	3,581
b) Long term borrowings		
Repayable after twelve months		
- Secured	4,159	6,559
c) Borrowing in United States Dollars		
Total (USD'000)	1,909	2,545
Ringgit Malaysia equivalent (RM'000)	7,486	9,635

A18 Contingencies and Exposure to credit risk associated with bank guarantees

	As at 31 March 2016 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	456	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 31 March 2016 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 and nine month period ended 31 March 2016 as well as the balances with the related parties as at 31 March 2016 and 30 June 2015.

	Third Quarter ended		Cumulative Nine Months ended	
	31 March 2016 Unaudited RM'000	31 March 2015 Unaudited RM'000	31 March 2016 Unaudited RM'000	31 March 2015 Unaudited RM'000
Transactions with Director and companies in which certain Directors have interest :-				
a) Purchase of air tickets	10	12	60	66
b) IT related services	9	53	35	86
c) Transportation, freight and handling services	170	221	550	417
d) Payroll services	20	-	59	-

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A20 Related Party Transactions (Cont'd)

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

	31 March 2016	30 June 2015
	Unaudited	Audited
	RM'000	RM'000
Balance due (to) / from:-		
- Gem Travel & Tour Sdn Bhd	(7)	(417)
- Safworks Sdn Bhd	(31)	(31)
- Safeguards Oceanic Sdn Bhd	-	(10)
- Safeguards Records Management Sdn Bhd	-	(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 31 March 2016 up to 31 May 2016 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	<u>554,600</u>	<u>166</u>

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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

For the current financial quarter under review, the Group's revenue has shown a decline of about 63% to RM0.81 million when compared to RM2.18 million posted in the corresponding financial quarter with a gross loss position of approximately RM0.19 million.

This coupled with the recognition of unrealised foreign exchange loss taken up in other income for the current financial quarter of about RM3.07 million as opposed to RM2.01 million unrealised foreign exchange gain in the corresponding financial quarter, have resulted in the Group posting a loss before taxation of approximately RM3.94 million when compared to a profit before taxation position of about RM5.51 million recorded in the corresponding financial quarter.

The Group reported a loss for the period of about RM3.74 million when compared to a profit for the period position of approximately RM5.06 million registered in the corresponding financial quarter. The loss attributable to equity holders of the Company stood at about RM3.71 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 56% decline in revenue to approximately RM0.81 million when compared to the revenue performance for the preceding financial quarter of approximately RM1.83 million following substantial reduction in volume of work orders. It registered a gross loss of about RM0.19 million as compared to RM0.80 million gross profit position posted in the preceding financial quarter.

The aforesaid gross loss coupled with the recognition of higher unrealised foreign exchange loss for the current financial quarter of about RM3.07 million have resulted in the Group posting a loss before taxation of approximately RM3.94 million, an increase of about 1.1 times when compared to RM1.85 million recorded in the preceding financial quarter.

For the current financial quarter under review, the Group posted an increased loss attributable to equity holders of the Company of about RM3.71 million as compared to loss attributable to equity holders of the Company for the preceding financial quarter of approximately RM1.83 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 Malaysia ("SC") for its approval and it had up to 26 February 2016 to submit the regularisation plan to the SC.

Following an application for extension of time submitted by the Company on 5 February 2016, Bursa Securities had, vide its letter dated 14 March 2016, granted the Company an extension of time up to 26 August 2016 to submit a regularisation plan to the SC. The aforesaid extension of time is without prejudice to Bursa Securities' right to proceed to suspend the trading of the listed securities of the Company and to de-list the Company in the event the Company fails to submit the regularisation plan to the SC on or before 28 August 2016; 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. Further details of the aforesaid extension of time are disclosed in Note B6 below.

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 continuous slow down in oil and gas activity with no clear sign of a near-term upward recovery points to another challenging financial year for the Group. Against this backdrop and notwithstanding potential proposals or regularisation plan to address the Company's status classification under PN16 disclosed in Note B5 below, 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

a) Proposed Capital Repayment, Proposed Scheme of Arrangement, Proposed Acquisition by NewCo, Proposed Offer for Sale of NewCo Shares, Proposed Placement of NewCo Shares and Proposed Management Buy-Out ("Collectively referred to as "the Proposals")

On 28 January 2016, the Company announced that it had entered into a HOA with Kontek Abbadi Sdn. Bhd. (166103-T) ("KASB"), Juara Jernih Sdn. Bhd. (309744-H) ("JJSB") and Konsortium Usukan Power Sdn. Bhd. (380563-U) ("KUPSB") (collectively referred to as "Vendors") for a corporate scheme which will result in a substantial change in business direction for the Company as well as a return of cash to the existing KSTB shareholders.

Pursuant to the HOA, the Company and the Vendors which are the substantial shareholders of Sepangar Bay Power Corporation Sdn. Bhd. ("SBPC") (427649-X) have agreed to negotiate exclusively in good faith the detailed terms and conditions of the proposed acquisition of SBPC with the intention to finalise and enter into the relevant definitive agreements within sixty (60) days from the date of the HOA or such other longer period as KSTB and the Vendors may mutually agree upon in writing ("the Restrictive Period"), otherwise, the HOA shall terminate upon expiry of the Restrictive Period.

This represents a regularisation plan to address the Company's status classification under PN 16 by Bursa Securities and is subject to the approval of the SC. The entire corporate scheme will entail amongst others the following:-

- Proposed Capital Repayment

The Company proposes to distribute substantially all the cash it retained primarily from the disposal of Samudra Oil Services Sdn. Bhd. through either a capital reduction exercise or a combination of capital reduction and dividend payment scheme to reward its existing shareholders.

- Proposed Scheme of Arrangement

KSTB intends to undertake a scheme of arrangement that entails, amongst others, the incorporation of a new private limited company ("NewCo") to acquire the entire issued and paid up share capital of KSTB from the existing shareholders of KSTB by way of a share exchange exercise whereby NewCo would issue one (1) new NewCo's ordinary share at par ("NewCo Share") in exchange for the appropriate number of KSTB Shares after the Proposed Capital Repayment. KSTB's warrant holders would also exchange their holdings with NewCo's warrants at the appropriate ratio to be determined. KSTB shall concurrently transfer its listing status to NewCo after NewCo has been converted into a public company.

- Proposed Acquisition

Newco shall acquire the entire issued and paid-up equity interest in SBPC for a purchase consideration to be determined and to be satisfied by the issuance of new NewCo Shares. The valuation of SBPC shall be subject to an appraisal by an independent valuer to be appointed.

- Proposed Offer for Sale of NewCo Shares ("Proposed OFS") and Proposed Placement of NewCo Shares ("Proposed Placement")

The Vendors shall propose an offer for sale of NewCo Shares by certain shareholders of SBPC to existing KSTB shareholders as well as propose a placement to new investors in restoring the minimum 25% public shareholdings spread.

B5 Corporate proposals and events (Cont'd)

- Proposed Management Buy-Out ("Proposed MBO")

There would be a proposed management buy-out of all the equity interest in KSTB by the current management of KSTB headed by Darmendran Kunaretnam and Chee Cheng Chun for a cash consideration to be determined.

The Proposals are subject to and conditional upon the following approvals being fulfilled/obtained:-

- approval of the Board and shareholders of KSTB;
- approval of the Board of Directors and shareholders of the Vendors;
- creditors and lenders of KSTB and SBPC (if required);
- approval of KSTB's warrant holders;
- approval of relevant authorities including, the SC, the Unit Kerjasama Awam Swasta, Bursa Securities and an Order of the High Court of Malaya;
- approvals, waivers or consents of any other relevant authorities or persons, as required; and
- such other conditions as may be mutually agreed between KSTB and the Vendors.

The Restrictive Period for the HOA lapsed on 28 March 2016 and in view that no definite agreements had been concluded, the HOA was terminated effective the aforesaid date.

b) Proposed Selective Capital Reduction and Repayment exercise pursuant to Section 64 of the Companies Act, 1965 ("Proposed SCR") and Proposed Acceleration of Maturity of Warrants 2013/18 ("Warrants") and Cancellation of Warrants thereof ("Proposed WAC")

The Company had on 30 May 2016, announced that it had on even date received a letter from Trance Rex Sdn Bhd, Dato' Chee Peck Kiat @ Chee Peck Jan, Darmendran A/L Kunaretnam and Chee Cheng Chun (collectively referred to as the "Interested Major Shareholders"), being the major shareholders of KSTB, requesting for the Company to undertake a selective capital reduction and repayment exercise pursuant to Section 64 of the Companies Act, 1965 ("Act") ("Offer Letter"). In conjunction with the Proposed SCR, the Interested Major Shareholders who are also the major warrant holders of KSTB ("Interested Major Warrantholders") also request KSTB in the Offer Letter to accelerate the maturity of the existing Warrants and the cancellation of the Warrants thereof.

I) Proposed SCR

The Proposed SCR involves KSTB undertaking a selective capital reduction and repayment exercise under Section 64 of the Act to all shareholders of KSTB other than the Interested Major Shareholders and the person acting in concert with them ("PAC") (collectively referred to as the "Non-Entitled Shareholders"), whose names appear in the Record of Depositors of KSTB as at the close of business on an entitlement date to be determined at a later date ("Entitlement Date") ("Entitled Shareholders").

Within 10 days from the Entitlement Date, the Entitled Shareholders (other than the Interested Major Shareholders) will receive a capital repayment of a proposed cash amount of RM0.42 in consideration per ordinary share of RM0.30 each in KSTB ("KSTB Share(s)" or "Share(s)") held ("Proposed Share Cash Amount"). The Non-Entitled Shareholders will waive their entitlement to the Proposed Share Cash Amount pursuant to the Proposed SCR.

As at 29 April 2016, the Interested Major Shareholders held approximately 55.21% equity interest in the Company, while the PAC does not hold any KSTB Shares. In addition, the Interested Major Warrantholders held approximately 31.21% of the outstanding Warrants, while the PAC does not hold any Warrants (collectively referred to as the "Non-Entitled Warrantholders").

II) Proposed WAC

In conjunction with the Interested Major Shareholders' request to the Company to undertake the Proposed SCR, the Proposed WAC has also been proposed by the Interested Major Warrantholders.

B5 Corporate proposals and events (Cont'd)

II) Proposed WAC (Cont'd)

Under the Proposed WAC, the Warrant holders (other than the Interested Major Warrantholders) whose names appears on KSTB's Record of Depositors at the close of business on the Entitlement Date ("Entitled Warrant Holders") will receive a proposed cash amount of RM0.12 in consideration for each Warrant held ("Proposed Warrant Cash Amount") within 10 days from the Entitlement Date. The Non-Entitled Warrantholders shall waive their entire entitlement under the Proposed WAC.

The Proposed SCR and Proposed WAC are subject to the following being obtained:-

Proposed SCR

- i) The approval of the SC for a proposed exemption under PN44 of the Malaysian Code on Take-Overs and Mergers, 2010 and its consent for the contents of the circular, explanatory statement and independent advice letter pursuant to the Proposed SCR;
- ii) The approval of the shareholders of KSTB for the Proposed SCR via a special resolution at an extraordinary general meeting ("EGM") of KSTB to be convened;
- iii) The approval and/ or consent of the existing financiers and/ or creditors of KSTB and/ or its subsidiary companies, if required;
- iv) The grant of an order of the High Court of Malaya confirming the Proposed SCR; and
- v) The approval and/ or consent of any other relevant authorities or parties, if required.

Proposed WAC

- i) The approval of the Warrant holders of KSTB for the Proposed WAC via a special resolution at an EGM of KSTB to be convened;
- ii) The approval of the shareholders of KSTB for the Proposed SCR via a special resolution at the EGM of KSTB to be convened; and
- iii) The approval and/ or consent of any other relevant authorities or parties, if required.

The Proposed WAC is also subject to the implementation of the Proposed SCR. If the Proposed SCR is not implemented, the Proposed WAC will not be carried out. The Proposed SCR and Proposed WAC are pending completion.

c) Utilisation of proceeds raised from the Disposal of Rigs

The status of utilisation of proceeds raised from the Disposal of Rigs as at 31 March 2016 was as follows:-

	Note (a) As reported RM'000	Utilisation as at 31 March 2016 RM'000	Balance unutilised RM'000
Repayment of Borrowings	25,759	25,759	-
Purchase of equipment and tools	3,000	993	2,007
Working capital	5,886	5,886	-
Estimated corporate expenses	320	320	-
	34,965	32,958	2,007

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 on 29 February 2016 resolved to further extend the utilisation period up to 12 March 2017 to utilise the balance unutilised proceeds in accordance with the proposed utilisation as disclosed in the Circular and tabulated above. This was announced to Bursa Securities on 29 February 2016.

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



B5 Corporate proposals and events (Cont'd)

d) 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 31 March 2016 was as follows:-

	Note (a) As reported RM'000	Utilisation as at 31 March 2016 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>

Bursa Securities had vide the letter dated 14 March 2016 granted the Company an extension of time up to 26 August 2016 to submit a regularisation plan to the SC in accordance to Paragraph 8.03 (5) of the MMLR of Bursa Securities ("EOT Approval"). Accordingly, the utilisation period of the aforesaid unutilised proceed shall be extended to 26 August 2016. Further information of the EOT Approval are detailed in Note B6 below.

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 it had up to 26 February 2016 ("PN16 Submission Dateline") to submit its regularisation plan to the SC for its approval.

On 5 February 2016 the Company had submitted an application to Bursa Securities for an extension of time to submit the regularisation plan to the SC for a further 12 months up to 26 February 2017 from the PN16 Submission Dateline.

On 14 March 2016 the Company announced that Bursa Securities had, vide its letter dated 14 March 2016, granted the Company an extension of time up to 26 August 2016 to submit a regularisation plan to the SC. The aforesid extension of time is without prejudice to Bursa Securities' right to proceed to suspend the trading of the listed securities of the Company and to de-list the Company in the event:-

- i) the Company fails to submit the regularisation plan to the SC on or before 26 August 2016;
- ii) the Company fails to obtain the approval from any of the regulatory authorities necessary for the implementation of its regularisation plan; and
- iii) the Company fails to implement its regularisation plan within the time frame or extended time frame stipulated by any of the regulatory authorities.

Upon occurrence of any of the events as set out in (i) to (iii) above, Bursa Securities shall suspend the trading of the listed securities of the Company on the next market day after five (5) market days from the date of notification of suspension by Bursa Securities and de-list the Company, subject to the Company's right to appeal against the delisting.

Further on 28 March 2016, the Company had announced that the HOA for the Proposals mentioned in Note B5 above was terminated as there was no definitive agreements concluded upon expiry of the Restrictive Period.

On 30 May 2016, the Company announced that it had received a letter from the Interested Major Shareholders requesting the Company to undertake the Proposed SCR and Proposed WAC. The Non-Entitled Shareholders do not intend to maintain the listing status of KSTB on the Main Market of Bursa Securities and will make an application to Bursa Securities to de-list the entire issued and paid-up share capital of KSTB from the official list of Bursa Securities upon completion of the Proposed SCR. Further details of the Proposed SCR and Proposed WAC are disclosed/provided in Note B5 above and were announced to Bursa Securities on 31 May 2016.

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



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 31 March 2016 and 2015.

B11 Realised and Unrealised profits

	31 March 2016	30 June 2014
	Unaudited	Audited
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries		
- Realised	24,608	19,885
- Unrealised	862	5,966
Total retained profits as per consolidated accounts	<u>25,470</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

31 May 2016