



# **KEJURUTERAAN SAMUDRA TIMUR BERHAD**

**Interim Financial Report**

**For 4<sup>th</sup> Financial Quarter Ended 30<sup>th</sup> June 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  
FOURTH FINANCIAL QUARTER ENDED 30 JUNE 2016**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL PERIODS ENDED 30 JUNE 2016 AND 2015**

	Note	Fourth Quarter ended		Cumulative Twelve Months ended	
		30 June 2016 Unaudited RM'000	30 June 2015 Audited RM'000	30 June 2016 Unaudited RM'000	30 June 2015 Audited RM'000
Revenue		998	2,294	5,774	10,319
Cost of sales		(983)	(1,207)	(4,313)	(6,048)
<b>Gross (loss) / profit</b>		<u>15</u>	<u>1,087</u>	<u>1,461</u>	<u>4,271</u>
Other income		1,579	5,669	5,360	17,389
Administrative expenses		(1,616)	(3,594)	(4,562)	(6,386)
Other operating expenses		(927)	(1,899)	(3,541)	(3,851)
Finance cost		(78)	(279)	(386)	(539)
<b>Profit/(Loss) before taxation</b>		<u>(1,027)</u>	<u>984</u>	<u>(1,668)</u>	<u>10,884</u>
Income tax expense	<b>A11</b>	(24)	84	250	(1,051)
<b>Total profit/(loss) for the period</b>		<u>(1,051)</u>	<u>1,068</u>	<u>(1,418)</u>	<u>9,833</u>
Attributable to:					
Equity holders of the Company		(1,061)	1,061	(1,442)	9,773
Non-controlling interests		10	7	24	60
		<u>(1,051)</u>	<u>1,068</u>	<u>(1,418)</u>	<u>9,833</u>
Basic earnings/(loss) per Share attributable to equity holders of the Company (sen)	<b>A12</b>	<u>(0.57)</u>	<u>0.58</u>	<u>(0.78)</u>	<u>5.34</u>
Diluted earnings per share attributable to equity holders of the Company (sen)	<b>A12</b>	<u>Anti-dilutive</u>	<u>0.47</u>	<u>Anti-dilutive</u>	<u>4.04</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE  
INCOME FOR THE FINANCIAL PERIODS ENDED 30 JUNE 2016 AND 2015



	Fourth Quarter ended		Cumulative Twelve Months ended	
	30 June 2016 Unaudited RM'000	30 June 2015 Audited RM'000	30 June 2016 Unaudited RM'000	30 June 2015 Audited RM'000
<b>Profit/(Loss) for the period</b>	(1,051)	1,068	(1,418)	9,833
<b>Other Comprehensive Loss:</b>				
Currency translation differences	(910)	(698)	(2,254)	(5,732)
<b>Total other comprehensive income / (loss)</b>	<u>(910)</u>	<u>(698)</u>	<u>(2,254)</u>	<u>(5,732)</u>
<b>Total comprehensive profit/(loss)</b>	<u>(1,961)</u>	<u>370</u>	<u>(3,672)</u>	<u>4,101</u>
Attributable to:				
Equity holders of the Company	(1,961)	438	(3,672)	4,170
Non-controlling interests	-	-	-	(1)
	<u>(1,961)</u>	<u>438</u>	<u>(3,672)</u>	<u>4,169</u>

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2016**



		<b>30 June 2016</b>	<b>30 June 2015</b>
		<b>Unaudited</b>	<b>Audited</b>
<b>ASSETS</b>	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current assets</b>			
Property, plant and equipment	<b>A13</b>	3,827	3,073
Investment in associated company		154	154
Investment securities		35	35
Deferred tax assets		-	36
		<u>4,016</u>	<u>3,298</u>
<b>Current assets</b>			
Inventories	<b>A14</b>	43	938
Trade receivables		3,606	3,934
Other receivables		3,553	2,232
Tax recoverable		556	192
Cash and bank balances	<b>A15</b>	97,804	108,008
		<u>105,562</u>	<u>115,304</u>
Assets of disposal subsidiary classified as held for sale		-	-
		<u>105,562</u>	<u>115,304</u>
<b>TOTAL ASSETS</b>		<u>109,578</u>	<u>118,602</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	<b>A8</b>	55,758	55,029
Share premium		17,049	16,927
Share warrants		2,871	2,993
Other reserves		(9,674)	(7,444)
Retained earnings		24,409	25,851
		<u>90,413</u>	<u>93,356</u>
<b>Non-controlling interests</b>		<u>(367)</u>	<u>(367)</u>
<b>Total equity</b>		<u>90,046</u>	<u>92,989</u>
<b>Non-current liabilities</b>			
Loans and borrowings	<b>A17</b>	3,413	6,559
Deferred tax liabilities		-	-
		<u>3,413</u>	<u>6,559</u>
<b>Current liabilities</b>			
Trade payables		4,153	5,021
Other payables		8,417	9,986
Loans and borrowings	<b>A17</b>	3,549	3,581
Tax payable		-	466
		<u>16,119</u>	<u>19,054</u>
Liabilities of disposal subsidiary classified as held for sale		-	-
		<u>16,119</u>	<u>19,054</u>
<b>Total liabilities</b>		<u>19,532</u>	<u>25,613</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>109,578</u>	<u>118,602</u>
<b>NET ASSETS PER SHARE (SEN)</b>		<u>48.4</u>	<u>50.7</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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
<b>At 1 July 2015</b>	55,029	16,927	2,993	-	(7,444)	25,851	93,356	(367)	92,989
Profit/(Loss) for the period	-	-	-	-	-	(1,442)	(1,442)	24	(1,418)
Other comprehensive loss	-	-	-	-	(2,230)	-	(2,230)	(24)	(2,254)
Total comprehensive profit / (loss) for the period	-	-	-	-	(2,230)	(1,442)	(3,672)	-	(3,672)
<b>Transactions with owners in their capacity as owners:</b>									
Exercise of warrants	729	122	(122)	-	-	-	729	-	729
Total transactions with owners	729	122	(122)	-	-	-	729	-	729
<b>At 30 June 2016 (Unaudited)</b>	<b>55,758</b>	<b>17,049</b>	<b>2,871</b>	<b>-</b>	<b>(9,674)</b>	<b>24,409</b>	<b>90,413</b>	<b>(367)</b>	<b>90,046</b>

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

	Attributable to equity holders of the Company						Total	Non- controlling interest	Total equity
	Non-distributable			Distributable					
	Share Capital RM'000	Share Premium RM'000	Warrant Reserve RM'000	ICULS Equity Component RM'000	Exchange Translation Reserve RM'000	(Accumulated Losses) / Retained Earnings RM'000	RM'000	RM'000	RM'000
<b>At 1 July 2014</b>	42,908	8,412	3,013	18,013	(1,773)	24,332	94,905	(366)	94,539
Profit for the period	-	-	-	-	-	9,773	9,773	60	9,833
Other comprehensive income / (loss)	-	-	-	-	(5,671)	-	(5,671)	(61)	(5,732)
Total comprehensive profit / (loss) for the period	-	-	-	-	(5,671)	9,773	4,102	(1)	4,101
<b>Transactions with owners in their capacity as owners:</b>	-	-	-	-	-	-	-	-	-
Single tier final dividend for year ended 30 June 2014	-	-	-	-	-	(8,254)	(8,254)	-	(8,254)
Conversion of ICULS	12,000	8,495	-	(18,013)	-	-	2,482	-	2,482
Exercise of warrants	121	20	(20)	-	-	-	121	-	121
	12,121	8,515	(20)	(18,013)	-	(8,254)	(5,651)	-	(5,651)
<b>At 30 June 2015 (Audited)</b>	<b>55,029</b>	<b>16,927</b>	<b>2,993</b>	<b>-</b>	<b>(7,444)</b>	<b>25,851</b>	<b>93,356</b>	<b>(367)</b>	<b>92,989</b>

Note> "ICULS" - Irredeemable Convertible Loan Stock

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL PERIODS ENDED 30 JUNE 2016 AND 2015**



<b>Financial periods ended 30 June (Unaudited)</b>	<b>2016 Unaudited RM'000</b>	<b>2015 Audited RM'000</b>
<b>Cash Flows From Operating Activities</b>		
Profit / (Loss) before taxation	(1,668)	10,884
Adjustments for non-cash and non-operating items:		
- Depreciation of property, plant and equipment ("PPE")	616	648
- Gain on disposal of investment in an associated company	-	(29)
- Interest expense	386	539
- Unrealised loss / (gain) on foreign exchange	(2,026)	(6,420)
- Others	(1,977)	(2,678)
<b>Operating (loss) / profit before changes in working capital</b>	<b>(4,669)</b>	<b>2,944</b>
Changes in working capital:		
- Decrease in inventories	56	601
- Decrease in trade and other receivables	117	20,959
- Decrease in trade and other payables	(2,437)	(13,272)
Interest paid	(386)	(392)
Interest received	1,712	3,303
Net change in taxation	(544)	(771)
<b>Net cash (used in) / generated from operating activities</b>	<b>(6,151)</b>	<b>13,372</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from disposal of PPE or investment in an associated company	1	255
Purchase of property, plant and equipment	(1,377)	(745)
Investment in associated company	-	(154)
(Placement)/Uplifting of deposits	(79,335)	354
Payment of single tier final dividend for year ended 30 June 2014	-	(8,254)
<b>Net cash used in investing activities</b>	<b>(80,711)</b>	<b>(8,544)</b>
<b>Cash Flows From Financing Activities</b>		
Payment of ICULS coupon rate	-	(329)
Changes in loans and borrowings	(3,178)	(3,099)
Proceeds from exercise of warrants	729	121
<b>Net cash used in financing activities</b>	<b>(2,449)</b>	<b>(3,307)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(89,311)</b>	<b>1,521</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>107,817</b>	<b>103,814</b>
<b>Effects of exchange rate changes</b>	<b>(228)</b>	<b>2,482</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>18,278</b>	<b>107,817</b>
<b>Analysis of Cash and Cash Equivalents:</b>		
Cash and bank balances	97,804	108,008
Deposits with licensed banks with tenure more than 3 months	(79,243)	-
Deposits pledged as security to licensed financial institutions	(283)	(191)
<b>Cash and Cash Equivalents</b>	<b>18,278</b>	<b>107,817</b>

**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 27 August 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 554,600 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	69,235,650	185,304,100	55,591
Adjustment to KSTB Shares and warrants			
a) Issued/(Cancelled) pursuant to exercise of warrants	(554,600)	554,600	167
Closing balance / As at end of current financial period	<u>68,681,050</u>	<u>185,858,700</u>	<u>55,758</u>

The issuance of 554,600 KSTB Shares during the current financial period under review was arising from the exercise of 554,600 warrants at an exercise price of RM0.30 per KSTB Share. The proceeds raised from the exercise of warrants amounted to RM166,380 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:-

	Fourth Quarter ended		Cumulative Twelve Months ended	
	30 June 2016 Unaudited RM'000	30 June 2015 Audited RM'000	30 June 2016 Unaudited RM'000	30 June 2015 Audited RM'000
a) Interest income	822	733	3,032	3,218
b) Other income (excluding (a), (e), (i) and (l))	77	140	302	1,372
c) Interest expense	(78)	(279)	(386)	(539)
d) Depreciation and amortisation of property plant and equipment	(171)	(164)	(616)	(648)
e) Net compensation income from settlement with principal vendor, Tesco Singapore Pte Ltd	-	2,828	-	6,350
f) (Impairment)/Reversal of impairment of due from jointly controlled entities	(30)	(402)	(76)	(402)
g) (Impairment)/Reversal of impairment of receivables	(208)	-	(210)	-
h) Impairment and/or write off of inventories	(839)	(625)	(839)	(625)
i) Gain/(Loss) on disposal of quoted or unquoted investments or properties or derivatives	-	-	-	29
j) Impairment and/or write off of assets	(3)	-	(3)	-
k) Realised foreign exchange gain/(loss)	484	(796)	475	(916)
l) Unrealised foreign exchange gain/(loss)	680	1,968	2,026	6,420
m) Gain/(loss) on disposal of PPE	-	-	(3)	-
n) Exceptional items	-	-	-	-

**A11 Income tax expense**

	Fourth Quarter ended		Cumulative Twelve Months ended	
	30 June 2016 Unaudited RM'000	30 June 2015 Audited RM'000	30 June 2016 Unaudited RM'000	30 June 2015 Audited RM'000
<b>Based on financial period's profit</b>				
Taxation				
- Current financial period	-	(1)	-	1,036
- (Over)/Under provision in the previous years / periods	(22)	(8)	(286)	90
Deferred tax				
- (Over)/Under provision in the previous years / periods	46	(75)	36	(75)
Total tax expenses for the period	24	(84)	(250)	1,051

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 income tax expense for the current financial period was in respect of tax adjustments made during the financial period under review for over provision of taxation and recognition of deferred tax assets in the previous financial years .

**A11 Income tax expense (Cont'd)**

The Group's effective tax rate for the corresponding financial period ended 30 June 2015 was lower than the statutory tax rate mainly 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:

	Fourth Quarter ended		Cumulative Twelve Months ended	
	30 June 2016 Unaudited	30 June 2015 Audited	30 June 2016 Unaudited	30 June 2015 Audited
Profit/(Loss) for the period attributable to equity holders of the Company (RM'000)	<u>(1,061)</u>	<u>1,061</u>	<u>(1,442)</u>	<u>9,773</u>
Weighted average number of ordinary shares in issue for calculation of basic earnings per share ('000)	<u>185,755</u>	<u>183,429</u>	<u>184,505</u>	<u>183,181</u>
Basic earnings/(loss) per share attributable to equity holders of the Company (sen)	<u>(0.57)</u>	<u>0.58</u>	<u>(0.78)</u>	<u>5.34</u>

**Diluted earnings/(loss) per share**

The diluted earnings/(loss) per share for the current year-to-date is 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; 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.

	Fourth Quarter ended		Cumulative Twelve Months ended	
	30 June 2016 Unaudited	30 June 2015 Audited	30 June 2016 Unaudited	30 June 2015 Audited
Profit/(loss) for the period attributable to equity holders of the Company (RM'000)	(1,061)	1,061	(1,442)	9,773
Net adjustment for interest income from cash proceeds on exercise of warrants	158	124	634	496
	<u>(903)</u>	<u>1,185</u>	<u>(808)</u>	<u>10,269</u>

**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	185,755	183,429	184,505	183,181
Weighted average number of new ordinary shares assuming full exercise of outstanding warrants	68,681	71,111	68,681	71,111
Weighted average number of ordinary shares	<u>254,436</u>	<u>254,540</u>	<u>253,186</u>	<u>254,292</u>
Diluted earnings per share attributable to equity holders of the Company (sen)	<u>Anti-dilutive</u>	<u>0.47</u>	<u>Anti-dilutive</u>	<u>4.04</u>

**A13 Property, Plant and Equipment**

During the financial period under review, the Group has acquired assets at a cost of approximately RM1.38 million 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 and a write-off of office equipment, furniture and fittings with carrying value of about RM3,000.

**A14 Inventories**

During the current financial period under review, the Group has made a write off of inventories amounted to about RM0.84 million.

**A15 Cash and cash equivalent**

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

	<b>As at 30 June 2016 Unaudited RM'000</b>	<b>As at 30 June 2015 Audited RM'000</b>
Cash and bank balances (include deposits with licensed financial institutions)	97,804	108,008
Deposit pledged as security to licensed financial institutions	(283)	(191)
Deposits with licensed banks with tenure more than 3 months	(79,243)	-
<b>Total cash and cash equivalent</b>	<u>18,278</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 June 2016</u>				
<b>Available-for-sale financial assets</b>				
Investment securities (non-current)				
- Unquoted equity instruments *	35	-	-	35
<u>30 June 2015</u>				
<b>Available-for-sale financial assets</b>				
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 30 June 2016 Unaudited RM'000	As at 30 June 2015 Audited RM'000
<b>a) Short term borrowings</b>		
Repayable within twelve months		
- Secured	3,549	3,581
<b>b) Long term borrowings</b>		
Repayable after twelve months		
- Secured	3,413	6,559
<b>c) Borrowing in United States Dollars</b>		
Total (USD'000)	1,697	2,545
Ringgit Malaysia equivalent (RM'000)	6,825	9,635

**A18 Contingencies and Exposure to credit risk associated with bank guarantees**

	As at 30 June 2016 Unaudited RM'000	As at 30 June 2015 Audited RM'000
<b><u>Exposure to credit risk associated with bank guarantees</u></b>		
Bank guarantees in favour of third parties	283	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 June 2016 Unaudited RM'000	As at 30 June 2015 Audited RM'000
<b><u>Capital expenditure</u></b>		
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 twelve month period ended 30 June 2016 as well as the balances with the related parties as at 30 June 2016 and 2015.

	Fourth Quarter ended		Cumulative Twelve Months ended	
	30 June 2016 Unaudited RM'000	30 June 2015 Audited RM'000	30 June 2016 Unaudited RM'000	30 June 2015 Audited RM'000
Transactions with Director and companies in which certain Directors have interest :-				
a) Purchase of air tickets	12	3	72	69
b) IT related services	10	62	45	148
c) Transportation, freight and handling services	-	3	386	420
d) Payroll and management services	67	-	126	-

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**A20 Related Party Transactions (Cont'd)**

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

	<b>30 June 2016</b>	<b>30 June 2015</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance due (to) / from:-		
- Gem Travel & Tour Sdn Bhd	(7)	(417)
- Safworks Sdn Bhd	-	(31)
- Safeguards Oceanic Sdn Bhd	-	(10)
- Safeguards Records Management Sdn Bhd	-	(1)
- Epedas Sdn Bhd	-	(3)
- Safeguards Corporation	-	-
- MPA Info Solutions Sdn Bhd	(23)	(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 2016 up to 27 August 2016 other than those disclosed in Note B5, Note B6 and Note B7 (if any).

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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 56% to RM1.00 million when compared to RM2.29 million posted in the corresponding financial quarter with a lower gross profit of approximately RM0.02 million.

This coupled with amongst others the recognition of lower unrealised foreign exchange ("forex") gain of approximately RM0.68 million (Corresponding period: RM1.97 million) and higher inventories write off of approximately RM0.84 million (Corresponding period: RM0.63 million), have resulted in the Group posting a loss before taxation of about RM1.03 million when compared to a profit before taxation position of about RM0.98 million recorded in the corresponding financial quarter, during which the Group had further recognised an additional compensation income amount of RM2.83 million arising from the settlement with a principal vendor.

The Group reported a loss for the period of about RM1.05 million when compared to a profit for the period position of approximately RM1.07 million registered in the corresponding financial quarter. The loss attributable to equity holders of the Company stood at about RM1.06 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 23% increase in revenue to approximately RM1.00 million when compared to the revenue performance for the preceding financial quarter of approximately RM0.81 million following better volume of completed work orders during the said period. It registered a small gross profit of about RM0.02 million as compared to RM0.19 million gross loss posted in the preceding financial quarter.

The aforesaid slight improvement was further fueled by the recognition of unrealised forex gain totalled to RM0.68 million as opposed to RM3.07 million unrealised forex loss recorded in the preceding quarter which principally resulted in the Group reporting lower loss before taxation of approximately RM1.03 million, a decline of about 74% from RM3.94 million incurred in the preceding financial quarter.

For the current financial quarter under review, the Group posted a reduced loss attributable to equity holders of the Company of about RM1.06 million when compared to RM3.71 million posted in the preceding financial quarter.

**B3 Commentary on the prospects for the financial year ending 30 June 2017**

KSTB is a Cash Company under Practice Note ("PN") 16 pursuant to Paragraph 8.03 of the MMLR and is required to submit a regularisation plan to the Securities Commission ("SC") by 26 August 2016 pursuant to Paragraph 8.03 of the MMLR which encompasses submitting a proposal to acquire a new core business to the SC for its approval, and to implement such proposal within the timeframe prescribed by the SC. While the Company has yet to identify any other viable assets to acquire in order to comply with the PN16 requirements, it was on 30 May 2016 served with an Offer Letter (as defined and disclosed in Note B5 below) by the Interested Major Shareholders (as defined and disclosed in Note B5 below), requesting for the Company to undertake the Proposed SCR and Proposed WAC (as defined and disclosed in Note B5 below) and the Company had decided to present the Proposals (as defined and disclosed in Note B5 below) to the shareholders and the warrant holders respectively, for their consideration at the respective extraordinary general meetings of the Company to be convened.

Upon completion of the Proposals, the Non-Entitled Shareholders (as defined and disclosed in Note B5 below) will collectively hold 100% equity interest in KSTB. As such, KSTB will not comply with the minimum public spread requirement pursuant to Paragraph 8.02 of the MMLR and pursuant to the intention of the Non-Entitled Shareholders, an application to Bursa Securities to withdraw its listing from the Official List pursuant to Paragraph 16.08 of the MMLR will be made. The Company will subsequently be de-listed from the Official List of Bursa Securities.

However, in the event any of the conditions/ approvals required is not fulfilled, the Proposals will not be implemented and KSTB will continue to be listed. Notwithstanding that, KSTB is a Cash Company and if it is unable to regularise its PN16 position within the stipulated timeframe, KSTB may be suspended or de-listed by Bursa Securities. In such instance, the Company is required to distribute all moneys deposited together with interests earned in the Custodian Account to the shareholders on a pro-rata basis as soon as practicable in accordance to Paragraph 8.03(9) of the MMLR.



**B3 Commentary on the prospects for the financial year ending 30 June 2017 (Cont'd)**

Notwithstanding the above mentioned corporate development, the Company will continue with the existing provision of tubular inspection and maintenance services operation with constant review of its existing operation structure and strategies which may include deployment of equipment and crews as well as operational changes in order to remain competitive during this difficult period of the oil and gas industry as the much anticipated upward recovery in the upstream activities remains elusive while crude oil prices are likely to remain volatile in the near future. In 2016, the International Monetary Fund has projected the global oil prices to average at USD35 per barrel (average 2015: USD51 per barrel) as a result of the continued high global production amidst moderate growth in global demand.

**B4 Variance from Profit Forecast and Profit Guarantee**

This is not applicable to the Group.

**B5 Corporate proposals and events**

- a) 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") (Collectively known as "the Proposals")

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 ("Darmendran") and Chee Cheng Chun ("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 warrantholders 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.

Further on 31 May 2016, the Company had announced that the Board (save for Darmendran and Cheng Chun) had deliberated on the Offer Letter and decided to present the Proposed SCR and the Proposed WAC to the shareholders and the Warrantholders of KSTB, respectively, for their consideration at the respective EGM of the Company to be convened. The salient information of the Proposed SCR and Proposed WAC are as follows:-

**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 Warrantholders (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 Proposals 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 which was obtained on 16 June 2016 and its consent for the contents of the circular which was obtained on 19 August 2016;
- 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 ("High Court Order"); and
- v) The approval and/ or consent of any other relevant authorities or parties, if required.

**Proposed WAC**

- i) The approval of the Warrantholders 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 Proposals are currently pending approvals from the shareholders and Warrantholders of KSTB and High Court Order, and are expected to be completed by the first quarter of 2017.

**b) Utilisation of proceeds raised from the disposal of rigs**

As at 30 June 2016, the balance unutilised proceeds raised from the disposal of rigs which was completed in the FY 2014, was at approximately RM2.0 million for the purpose of purchase of equipment and tools and the Company has up to 12 March 2017 to fully utilise the balance.

**c) Utilisation of proceeds raised from the disposal of Samudra Oil Services Sdn Bhd**

As at end of the current quarter under review, the unutilised balance of the proceeds raised from the disposal of Samudra Oil Services Sdn Bhd is amounted RM77.10 million which will primarily be utilised and distributed in accordance with and pursuant to the Proposed SCR and Proposed WAC detailed and disclosed in Note B5 (a) above.

**B6 Listing Status of the Company**

The Company is categorised as Cash Company under PN16 and pursuant to Paragraph 8.03 of the MMLR of Bursa Securities and had been granted the extension of time by Bursa Securities up to 26 August 2016 to submit its regularisation plan to the Securities Commission ("SC") for its approval.

**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 (Cont'd)**

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. It was further announced on 31 May 2016 that the Board had decided to present the Proposed SCR and the Proposed WAC to the shareholders and the Warranholders of KSTB, respectively, for their consideration. Pursuant to the Proposals, 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 Proposals are disclosed/provided in Note B5 above.

In view that the completion of the Proposals are expected in the first quarter of 2017, KSTB has on 10 August 2016 submitted an application to Bursa Securities for further extension of time up to 28 February 2017 to facilitate the completion of the Proposed SCR, Proposed WAC and subsequent delisting of KSTB ("2017 EOT Application").

The Proposals are pending completion while the 2017 EOT Application is pending approval from Bursa Securities.

**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 June 2016 and 2015.

**B11 Realised and Unrealised profits**

	<b>30 June 2016</b>	<b>30 June 2015</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>RM'000</b>	<b>RM'000</b>
Total retained profits of the Company and its subsidiaries		
- Realised	22,943	19,885
- Unrealised	1,466	5,966
Total retained profits as per consolidated accounts	<u>24,409</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  
27 August 2016