



KEJURUTERAAN SAMUDRA TIMUR BERHAD

Interim Financial Report

For 1st Financial Quarter Ended 30th September 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
FIRST FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016**

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

	Note	First Quarter ended		Cumulative Three Months ended	
		30 September 2016 Unaudited RM'000	30 September 2015 Unaudited RM'000	30 September 2016 Unaudited RM'000	30 September 2015 Unaudited RM'000
Revenue		542	2,139	542	2,139
Cost of sales		(667)	(1,302)	(667)	(1,302)
Gross (loss) / profit		<u>(125)</u>	<u>837</u>	<u>(125)</u>	<u>837</u>
Other income		1,805	6,795	1,805	6,795
Administrative expenses		(895)	(1,537)	(895)	(1,537)
Other operating expenses		(740)	(853)	(740)	(853)
Finance cost		(70)	(96)	(70)	(96)
Profit/(Loss) before taxation		<u>(25)</u>	<u>5,146</u>	<u>(25)</u>	<u>5,146</u>
Income tax expense	A11	-	77	-	77
Total profit/(loss) for the period		<u><u>(25)</u></u>	<u><u>5,223</u></u>	<u><u>(25)</u></u>	<u><u>5,223</u></u>
Attributable to:					
Equity holders of the Company		(36)	5,161	(36)	5,161
Non-controlling interests		11	62	11	62
		<u>(25)</u>	<u>5,223</u>	<u>(25)</u>	<u>5,223</u>
Basic earnings/(loss) per Share attributable to equity holders of the Company (sen)	A12	<u>(0.02)</u>	<u>2.81</u>	<u>(0.02)</u>	<u>2.81</u>
Diluted earnings per share attributable to equity holders of the Company (sen)	A12	<u>Anti-dilutive</u>	<u>2.09</u>	<u>Anti-dilutive</u>	<u>2.09</u>

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



	First Quarter ended		Cumulative Three Months ended	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
Profit/(Loss) for the period	(25)	5,223	(25)	5,223
Other Comprehensive Loss:				
Currency translation differences	(1,054)	(5,930)	(1,054)	(5,930)
Total other comprehensive income / (loss)	<u>(1,054)</u>	<u>(5,930)</u>	<u>(1,054)</u>	<u>(5,930)</u>
Total comprehensive profit/(loss)	<u><u>(1,079)</u></u>	<u><u>(707)</u></u>	<u><u>(1,079)</u></u>	<u><u>(707)</u></u>
Attributable to:				
Equity holders of the Company	(1,079)	(707)	(1,079)	(707)
Non-controlling interests	-	-	-	-
	<u><u>(1,079)</u></u>	<u><u>(707)</u></u>	<u><u>(1,079)</u></u>	<u><u>(707)</u></u>

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016



		30 September 2016	30 June 2016
		Unaudited	Audited
ASSETS	Note	RM'000	RM'000
Non-current assets			
Property, plant and equipment	A13	3,639	3,827
Investment in associated company		154	154
Investment securities		35	35
Deferred tax assets		-	-
		<u>3,828</u>	<u>4,016</u>
Current assets			
Inventories	A14	43	43
Trade receivables		3,292	3,606
Other receivables		2,180	3,553
Tax recoverable		751	556
Cash and bank balances	A15	96,994	97,804
		<u>103,260</u>	<u>105,562</u>
TOTAL ASSETS		<u><u>107,088</u></u>	<u><u>109,578</u></u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	A8	55,758	55,758
Share premium		17,049	17,049
Share warrants		2,871	2,871
Other reserves		(10,717)	(9,674)
Retained earnings		24,373	24,409
		<u>89,334</u>	<u>90,413</u>
Non-controlling interests		<u>(367)</u>	<u>(367)</u>
Total equity		<u><u>88,967</u></u>	<u><u>90,046</u></u>
Non-current liabilities			
Loans and borrowings	A17	2,638	3,413
Deferred tax liabilities		-	-
		<u>2,638</u>	<u>3,413</u>
Current liabilities			
Trade payables		3,631	4,153
Other payables		8,273	8,417
Loans and borrowings	A17	3,579	3,549
Tax payable		-	-
		<u>15,483</u>	<u>16,119</u>
Liabilities of disposal subsidiary classified as held for sale		-	-
		<u>15,483</u>	<u>16,119</u>
Total liabilities		<u><u>18,121</u></u>	<u><u>19,532</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>107,088</u></u>	<u><u>109,578</u></u>
NET ASSETS PER SHARE (SEN)		<u><u>47.9</u></u>	<u><u>48.4</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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 2016	55,758	17,049	2,871	-	(9,674)	24,409	90,413	(367)	90,046
Profit/(Loss) for the period	-	-	-	-	-	(36)	(36)	11	(25)
Other comprehensive loss	-	-	-	-	(1,043)	-	(1,043)	(11)	(1,054)
Total comprehensive profit / (loss) for the period	-	-	-	-	(1,043)	(36)	(1,079)	-	(1,079)
Transactions with owners in their capacity as owners:									
Exercise of warrants	-	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-	-	-
At 30 September 2016 (Unaudited)	55,758	17,049	2,871	-	(10,717)	24,373	89,334	(367)	88,967

**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	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	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 income / (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
	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 STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIODS ENDED 30 SEPTEMBER 2016 AND 2015**



Financial periods ended 30 September ("Sept") (Unaudited)

	2016	2015
	Unaudited	Unaudited
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit / (Loss) before taxation	(25)	5,146
Adjustments for non-cash and non-operating items:		
- Depreciation of property, plant and equipment ("PPE")	198	148
- Gain on disposal of investment in an associated company	-	-
- Interest expense	70	96
- Unrealised loss / (gain) on foreign exchange	(907)	(5,963)
- Others	(791)	(764)
Operating (loss) / profit before changes in working capital	(1,455)	(1,337)
Changes in working capital:		
- (Increase) / Decrease in inventories	-	6
- Decrease / (Increase) in trade and other receivables	2,165	(332)
- (Decrease)/ Increase in trade and other payables	(666)	940
Interest paid	(70)	(96)
Interest received	311	764
Net change in taxation	(195)	(207)
Net cash generated from / (used in) operating activities	90	(262)
Cash Flows From Investing Activities		
Proceeds from disposal of PPE or investment in an associated company	2	-
Purchase of property, plant and equipment	(10)	(12)
(Placement)/Uplifting of deposits	79,243	(1)
Net cash generated from / (used in) investing activities	79,235	(13)
Cash Flows From Financing Activities		
Changes in loans and borrowings	(745)	639
Proceeds from exercise of warrants	-	10
Net cash (used in) / generated from financing activities	(745)	649
Net Change in Cash and Cash Equivalents	78,580	374
Cash and Cash Equivalents at Beginning of Period	18,278	107,817
Effects of exchange rate changes	(147)	33
Cash and Cash Equivalents at End of Period	96,711	108,224
Analysis of Cash and Cash Equivalents:		
Cash and bank balances	96,994	108,416
Deposits with licensed banks with tenure more than 3 months	-	-
Deposits pledged as security to licensed financial institutions	(283)	(192)
Cash and Cash Equivalents	96,711	108,224

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 is 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 29 November 2016.

A2 Basis of preparation

The unaudited interim financial report, for the period ended 30 September 2016, 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 2016.

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 2016.

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 2016 except for the adoption of the following amendments/improvements to Malaysian Financial Reporting Standards ("MFRS"):-

Annual Improvements to MFRSs 2012-2014 Cycle

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 127: Equity Method in Separate Financial Statements

The adoption of the above amendments/improvements to MFRSs will have no material impact on the financial statements of the Group upon their initial application.

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

Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to MFRS 107: Statement of Cash Flows: Disclosure initiatives

Amendments to MFRS 112: Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

MFRS 15 Revenue from Contracts with Customers

MFRS 9 Financial Instruments

MFRS 16 Leases

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.

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.

A10 Profit/(Loss) before tax

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

	First Quarter ended		Cumulative Three Months ended	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
a) Interest income	789	764	789	764
b) Other income (excluding (a), (j), (k) and (l))	69	68	69	68
c) Interest expense	(70)	(96)	(70)	(96)
d) Depreciation and amortisation of property plant and equipment	(198)	(148)	(198)	(148)
e) (Impairment)/Reversal of impairment of due from jointly controlled entities	(37)	(195)	(37)	(195)
f) (Impairment)/Reversal of impairment 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)	38	(426)	38	(426)
k) Unrealised foreign exchange gain/(loss)	907	5,963	907	5,963
l) Gain/(loss) on disposal of PPE	2	-	2	-
m) Exceptional items	-	-	-	-

A11 Income tax expense

	First Quarter ended		Cumulative Three Months ended	
	30 September 2016 Unaudited RM'000	30 September 2015 Unaudited RM'000	30 September 2016 Unaudited RM'000	30 September 2015 Unaudited RM'000
Based on financial period's profit				
Taxation				
- Current financial period	-	-	-	-
- (Over)/Under provision in the previous years / periods	-	(67)	-	(67)
Deferred tax				
- (Over)/Under provision in the previous years / periods	-	(10)	-	(10)
Total tax expenses for the period	<u>-</u>	<u>(77)</u>	<u>-</u>	<u>(77)</u>

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. There was no income tax expense for the current financial period due to tax losses from operations and certain income are excluded for tax purposes.

The credit amount of income tax expense for the corresponding financial period ended 30 September 2015 was due principally to tax expense adjustments made for over provision of taxation and deferred tax in the previous financial years.

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:

	First Quarter ended		Cumulative Three Months ended	
	30 September 2016 Unaudited	30 September 2015 Unaudited	30 September 2016 Unaudited	30 September 2015 Unaudited
Profit/(Loss) for the period attributable to equity holders of the Company (RM'000)	<u>(36)</u>	<u>5,161</u>	<u>(36)</u>	<u>5,161</u>
Weighted average number of ordinary shares in issue for calculation of basic earnings per share ('000)	<u>185,859</u>	<u>183,449</u>	<u>185,859</u>	<u>183,449</u>
Basic earnings/(loss) per share attributable to equity holders of the Company (sen)	<u>(0.02)</u>	<u>2.81</u>	<u>(0.02)</u>	<u>2.81</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.

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

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.

	First Quarter ended		Cumulative Three Months ended	
	30 September	30 September	30 September	30 September
	2016	2015	2016	2015
	Unaudited	Unaudited	Unaudited	Unaudited
Profit/(loss) for the period attributable to equity holders of the Company (RM'000)	(36)	5,161	(36)	5,161
Net adjustment for interest income from cash proceeds on exercise of warrants	160	165	160	165
	<u>124</u>	<u>5,326</u>	<u>124</u>	<u>5,326</u>
<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	185,859	183,449	185,859	183,449
Weighted average number of new ordinary shares assuming full exercise of outstanding warrants	68,681	71,077	68,681	71,077
Weighted average number of ordinary shares	<u>254,540</u>	<u>254,526</u>	<u>254,540</u>	<u>254,526</u>
Diluted earnings per share attributable to equity holders of the Company (sen)	<u>Anti-dilutive</u>	<u>2.09</u>	<u>Anti-dilutive</u>	<u>2.09</u>

A13 Property, Plant and Equipment

During the financial period under review, the Group has acquired assets at a cost of approximately RM10,000 and disposed off certain fully depreciated assets at a gain on disposal of approximately RM2,000.

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	As at
	30 Sept 2016	30 June 2016
	Unaudited	Audited
	RM'000	RM'000
Cash and bank balances (include deposits with licensed financial institutions)	96,994	97,804
Deposit pledged as security to licensed financial institutions	(283)	(283)
Deposits with licensed banks with tenure more than 3 months	-	(79,243)
Total cash and cash equivalent	<u>96,711</u>	<u>18,278</u>

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 2016</u>				
Available-for-sale financial assets				
Investment securities (non-current)				
- Unquoted equity instruments *	35	-	-	35
<u>30 June 2016</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 30 Sept 2016 Unaudited RM'000	As at 30 June 2016 Audited RM'000
a) Short term borrowings		
Repayable within twelve months		
- Secured	3,579	3,549
b) Long term borrowings		
Repayable after twelve months		
- Secured	2,638	3,413
c) Borrowing in United States Dollars		
Total (USD'000)	1,485	1,697
Ringgit Malaysia equivalent (RM'000)	6,155	6,825

A18 Contingencies and Exposure to credit risk associated with bank guarantees

	As at 30 Sept 2016 Unaudited RM'000	As at 30 June 2016 Audited RM'000
<u>Exposure to credit risk associated with bank guarantees</u>		
Bank guarantees in favour of third parties	283	283

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 2016 Unaudited RM'000	As at 30 June 2016 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 2016 as well as the balances with the related parties as at 30 September 2016 and 30 June 2016.

	First Quarter ended		Cumulative Three Months ended	
	30 September 2016 Unaudited RM'000	30 September 2015 Unaudited RM'000	30 September 2016 Unaudited RM'000	30 September 2015 Unaudited RM'000
Transactions with Director and companies in which certain Directors have interest :-				
a) Purchase of air tickets	4	26	4	26
b) IT related services	12	13	12	13
c) Transportation, freight and handling services	3	211	3	211
d) Payroll and management services	66	20	66	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 2016	30 June 2016
	Unaudited	Unaudited
	RM'000	RM'000
Balance due (to) / from:-		
- Gem Travel & Tour Sdn Bhd	(3)	(7)
- Safeguards Records Management Sdn Bhd	(1)	-
- Epedas Sdn Bhd	(3)	-
- MPA Info Solutions Sdn Bhd	-	(23)

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 29 November 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 75% to RM0.54 million when compared to RM2.14 million posted in the corresponding financial quarter with a gross loss of approximately RM0.13 million.

This coupled with amongst others lower unrealised foreign exchange ("forex") gain of approximately RM0.91 million (Corresponding period: RM5.96 million) have resulted in the Group posting a loss before taxation of about RM0.03 million when compared to a profit before taxation position of about RM5.15 million recorded in the corresponding financial quarter.

The Group reported a loss for the period of about RM0.03 million when compared to a profit for the period position of approximately RM5.22 million registered in the corresponding financial quarter. The loss attributable to equity holders of the Company stood at about RM0.04 million for the current financial quarter.

B2 Comment on material change in profit before taxation

The Group registered a declined revenue of approximately RM0.54 million, a 46% drop over the RM1.00 million revenue posted for the preceding financial quarter. This was the result of lower volume of work orders received and completed during the current financial quarter. Consequently the Group registered a gross loss of about RM0.13 million as compared to RM0.02 million gross profit position posted in the preceding financial quarter.

The effects of the aforesaid gross loss and reduction in other income during the current financial quarter were cushioned by the lower administrative and other operating expenses incurred when compared to the preceding financial quarter during which the Group had recognised or taken an inventories write-off totalled to approximately RM0.84 million, resulted in the Group posting a lower loss before taxation of about RM0.03 million, a decline of about 98% from RM1.03 million incurred in the preceding financial quarter.

For the current financial quarter under review, the Group incurred a reduced loss attributable to equity holders of the Company of about RM0.04 million when compared to RM1.06 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 currently undertaking the SCR and WAC (as defined and further disclosed in Note B5 below) which are expected to be completed by end of the second financial quarter of the current financial year ending 30 June 2017. Upon completion of the SCR and WAC, 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.

The Company was granted the extension of time by Bursa Securities up to 26 February 2017 to facilitate the completion of the SCR and WAC and subsequent delisting of the Company. Further information on the progress and status of the SCR and WAC are disclosed in Note B5 below.

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.

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



B4 Variance from Profit Forecast and Profit Guarantee

This is not applicable to the Group.

B5 Corporate proposals and events

- a) Selective Capital Reduction and Repayment exercise pursuant to Section 64 of the Companies Act, 1965 ("SCR") and Acceleration of Maturity of Warrants 2013/18 ("Warrants") and Cancellation of Warrants thereof ("WAC") (Collectively known as "the Proposals")

The Company is currently undertaking the Proposals which entail amongst others, the following:-

I) SCR

The 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 cash amount of RM0.42 in consideration per ordinary share of RM0.30 each in KSTB ("KSTB Share(s)" or "Share(s)") held ("Share Cash Amount"). The Non-Entitled Shareholders will waive their entitlement to the Share Cash Amount pursuant to the SCR.

II) WAC

Under the Proposed WAC, the Warrantheolders (other than the Interested Major Warrantheolders) 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 Warrantheolders shall waive their entire entitlement under the Proposed WAC.

The Entitled Shareholders and Entitled Warrant Holders have approved the SCR and WAC respectively at their respective extraordinary general meeting and warrantheolders' meeting held on 19 September 2016. The order of the High Court of Malaya confirming the SCR ("High Court Order") was granted on 31 October 2016 and the sealed copy of the High Court Order was lodged with the Registrar of Companies on 3 November 2016. The Board has on 15 November 2016 fixed the Entitlement Date on 29 November 2016. The entire Proposals with delisting of KSTB from the Official List of Bursa Securities are expected to complete in December 2016.

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

As at 30 September 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 SCR and 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 February 2017 to facilitate the completion of the SCR and WAC and subsequent delisting of the Company.

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)

The Company is currently undertaking the SCR and WAC which upon completion the Non-Entitled Shareholders 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. Further details of the SCR and WAC are disclosed/provided in Note B5 above.

The SCR and WAC with delisting of KSTB from the Official List of Bursa Securities are expected to be completed in December 2016.

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 2016 and 2015.

B11 Realised and Unrealised profits

	30 Sept 2016	30 June 2016
	Unaudited	Audited
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries		
- Realised	22,755	21,671
- Unrealised	1,618	2,738
Total retained profits as per consolidated accounts	<u>24,373</u>	<u>24,409</u>

B12 Auditors' Report on Preceding Annual Financial Statements

The Auditors' Report of the financial statements for the financial year ended 30 June 2016 was not qualified.

BY ORDER OF THE BOARD

Darmendran Kunaretnam
Executive Director
Kuala Lumpur
29 November 2016