

VELESTO ENERGY BERHAD

COMPANY NO : 200901035667 (878786-H)
(INCORPORATED IN MALAYSIA)



Unaudited Condensed Consolidated Statement Of Comprehensive Income For The Third Quarter Ended 30 September 2022

	Quarter Ended 30/09/2022 RM'000	Quarter Ended 30/09/2021 RM'000	Financial Period Ended 30/09/2022 RM'000	Financial Period Ended 30/09/2021 RM'000
Revenue	173,778	91,542	337,782	219,024
Operating Expenses	(150,581)	(133,940)	(392,468)	(372,531)
Asset Written Off	-	(3,775)	-	(464,294)
Other Operating Income	280	7,872	1,042	559,747
Profit / (Loss) From Operations	23,477	(38,301)	(53,644)	(58,054)
Finance Costs	(7,959)	(10,128)	(20,224)	(31,746)
Share Of Results Of Associated Company	21	35	113	119
Investment Income	1,050	444	2,772	2,253
Profit / (Loss) Before Tax	16,589	(47,950)	(70,983)	(87,428)
Taxation	(1,624)	(4,092)	(3,418)	(8,821)
Profit / (Loss), Net Of Tax	14,965	(52,042)	(74,401)	(96,249)
Other Comprehensive Income / (Loss):				
Foreign Currency Translation	148,853	17,024	266,285	84,529
Other Comprehensive Income, Net Of Tax	148,853	17,024	266,285	84,529
Total Comprehensive Income / (Loss) For The Period	163,818	(35,018)	191,884	(11,720)
Profit / (Loss) For The Period Attributable To:				
Equity Holders Of The Company	14,965	(52,042)	(74,401)	(96,249)
Total Comprehensive Income / (Loss) Attributable To:				
Equity Holders Of The Company	163,818	(35,020)	191,884	(11,731)
Non-controlling Interests	-	2	-	11
	163,818	(35,018)	191,884	(11,720)
Earnings / (Loss) Per Share Attributable To Equity Holders Of The Company:				
Basic (Sen)	0.18	(0.63)	(0.91)	(1.17)
Diluted (Sen)	0.18	(0.63)	(0.91)	(1.17)

(The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2021)

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COMPANY NO : 200901035667 (878786-H)
(INCORPORATED IN MALAYSIA)



Unaudited Condensed Consolidated Statement Of Financial Position As At 30 September 2022

	As At 30/09/2022 RM'000	(Audited) As At 31/12/2021 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	2,517,506	2,294,319
Right-of-use Assets	7,304	8,899
Investment In Associate	1,190	1,077
	<u>2,526,000</u>	<u>2,304,295</u>
Current Assets		
Inventories	205,482	173,518
Other Investments	-	22,531
Trade Receivables	231,220	177,579
Other Receivables	75,996	34,571
Deposits, Cash & Bank Balances	174,945	293,512
	<u>687,643</u>	<u>701,711</u>
TOTAL ASSETS	<u>3,213,643</u>	<u>3,006,006</u>
EQUITY AND LIABILITIES		
Equity Attributable To The Equity Holders Of The Company		
Share Capital	1,844,817	1,844,817
Capital Contribution - ESOS	10,720	10,842
Warrant Reserve	211,876	211,876
Other Reserves	975,846	709,561
Accumulated Losses	(593,395)	(518,994)
TOTAL EQUITY	<u>2,449,864</u>	<u>2,258,102</u>
Non-Current Liabilities		
Long Term Borrowings	321,195	302,110
Lease Liabilities	4,645	4,928
	<u>325,840</u>	<u>307,038</u>
Current Liabilities		
Taxation	1,470	3,863
Short Term Borrowings	274,646	279,916
Lease Liabilities	3,048	2,742
Trade Payables	133,422	95,216
Other Payables	25,353	59,129
	<u>437,939</u>	<u>440,866</u>
TOTAL LIABILITIES	<u>763,779</u>	<u>747,904</u>
TOTAL EQUITY AND LIABILITIES	<u>3,213,643</u>	<u>3,006,006</u>
Net Assets Per Share (RM)	0.30	0.27

(The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2021)

VELESTO ENERGY BERHAD

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Unaudited Condensed Consolidated Statement Of Changes In Equity For The Period Ended 30 September 2022

	← Non - Distributable →					Distributable				
	Share Capital RM'000	Share Options Reserve RM'000	Warrant Reserve RM'000	Capital Reserve RM'000	Foreign Currency Translation Reserve RM'000	Gain On Derecognition of Financial Liabilities RM'000	Accumulated Losses RM'000	Total RM'000	Non - Controlling Interests RM'000	Total Equity RM'000
At 1 January 2022	1,844,817	10,842	211,876	698	630,718	78,145	(518,994)	2,258,102	-	2,258,102
Transactions With Owners:										
Share options granted under Employees' Share Option Scheme ("ESOS")	-	(122)	-	-	-	-	-	(122)	-	(122)
Total Comprehensive Income / (Loss)	-	-	-	-	266,285	-	(74,401)	191,884	-	191,884
At 30 September 2022	1,844,817	10,720	211,876	698	897,003	78,145	(593,395)	2,449,864	-	2,449,864

Unaudited Condensed Consolidated Statement Of Changes In Equity For The Period Ended 30 September 2021

	← Non - Distributable →					Distributable				
	Share Capital RM'000	Share Options Reserve RM'000	Warrant Reserve RM'000	Capital Reserve RM'000	Foreign Currency Translation Reserve RM'000	Gain On Derecognition of Financial Liabilities RM'000	Accumulated Losses RM'000	Total RM'000	Non - Controlling Interests RM'000	Total Equity RM'000
At 1 January 2021	1,844,817	7,525	211,876	698	554,704	78,145	(428,170)	2,269,595	1,211	2,270,806
Transactions With Owners:										
Share options granted under Employees' Share Option Scheme ("ESOS")	-	2,808	-	-	-	-	-	2,808	-	2,808
Liquidation of subsidiaries	-	-	-	-	-	-	-	-	(306)	(306)
Total Comprehensive Income / (Loss)	-	-	-	-	84,518	-	(96,249)	(11,731)	11	(11,720)
At 30 September 2021	1,844,817	10,333	211,876	698	639,222	78,145	(524,419)	2,260,672	916	2,261,588

(The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2021)

VELESTO ENERGY BERHAD

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Unaudited Condensed Consolidated Statement Of Cash Flows For The Period Ended 30 September 2022

	9 Months Ended 30/09/2022 RM'000	9 Months Ended 30/09/2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss Before Tax	(70,983)	(87,428)
Adjustments		
Depreciation & Amortisation	114,668	117,739
Interest Expense	20,224	31,746
Net Unrealised Foreign Exchange (Gain) / Loss	(1,444)	6,086
Asset Written Off	(52)	464,294
Share Of Results Of Associated Company	(113)	(119)
Investment Income	(2,772)	(2,253)
Share Options Granted Under ESOS	(122)	2,807
Net Fair Value Loss / (Gain) On Money Market Fund	1	(281)
Insurance Claim	-	(558,957)
Gain On Assets Disposal	(495)	-
Dividend Income From Money Market Fund	(9)	-
Impairment and Other Provisions	306	-
Provision for Unutilised Leave	18	-
Operating Profit / (Loss) Before Working Capital Changes	<u>59,227</u>	<u>(26,366)</u>
(Increase) / Decrease In Receivables	(72,655)	5,624
(Increase) / Decrease In Inventories	(14,601)	2,972
Increase In Payables	<u>34,208</u>	<u>40,448</u>
Cash Generated From Operating Activities	6,179	22,678
Interest Paid	(17,579)	(28,406)
Net Taxes Paid	<u>(4,423)</u>	<u>(14,904)</u>
Net Cash Used In Operating Activities	<u>(15,823)</u>	<u>(20,632)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase Of Property, Plant & Equipment	(112,177)	(72,867)
Proceeds From Disposal of Property, Plant & Equipment	1,791	-
Interest Received	2,772	2,253
Net Withdrawal Of Investments In Money Market Fund	22,539	32,058
Dividend Income From Money Market Fund	9	-
Proceeds From Insurance Claim	-	544,876
Dividend Received From Associate	-	953
Movement In Deposits Placement With Maturity Of More Than 3 months	<u>46,076</u>	<u>-</u>
Net Cash (Used In) / Generated From Investing Activities	<u>(38,990)</u>	<u>507,273</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Movement In Short Term Borrowings	(28,118)	(85,197)
Repayment Of Long Term Borrowings	(13,853)	(437,153)
Payment Of Lease Liabilities	(262)	(4,314)
Net Movement In Restricted Cash Deposits In Licensed Bank	<u>(2,393)</u>	<u>23,167</u>
Net Cash Used In Financing Activities	<u>(44,626)</u>	<u>(503,497)</u>
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	(99,439)	(16,856)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	244,500	203,331
EFFECTS OF EXCHANGE RATE CHANGES	24,555	9,646
CASH AND CASH EQUIVALENTS AS AT 30 SEPTEMBER	<u>169,616</u>	<u>196,121</u>
Cash and Cash Equivalents comprise:		
Deposits, Cash & Bank Balances	174,945	230,857
Less: Restricted Cash	<u>(5,329)</u>	<u>(34,736)</u>
	<u>169,616</u>	<u>196,121</u>

(The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2021)

Explanatory Notes

NOTE 1 – Significant accounting policies

Basis of preparation

The interim financial statements have been prepared in accordance with the requirements of International Accounting Standards (“IAS”) 34, Interim Financial Reporting and Malaysian Financial Reporting Standards (“MFRS”) 134, Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The significant accounting policies and methods of computation in the interim financial statements are consistent with those in the annual audited financial statements for the year ended 31 December 2021 except for the adoption of the following MFRS/Amendments/Interpretations effective on or after 1 January 2022:

- Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards
 - Annual Improvements to MFRS Standards 2018-2020
- Amendments to MFRS 3: Business Combinations - Reference to the Conceptual Framework
- Amendments to MFRS 9 Financial Instruments - Annual Improvements to MFRS Standards 2018-2020
- Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use
- Amendments to MFRS 137: Provisions, Contingent Liabilities and Contingent Assets
 - Onerous Contracts - cost of Fulfilling a Contract

The adoption of these pronouncements did not have a significant impact to the financial statements of the Group and the Company.

Standards issued but not yet effective:

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but not yet effective and have not been applied by the Group:

- Amendments to MFRS 101: Presentation of Financial Statements
 - Disclosure of Accounting Policies (effective 1 January 2023)
- Amendments to MFRS 101: Presentation of Financial Statements
 - Classification of Liabilities as Current or Non-current (effective 1 January 2023)
- Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors
 - Definition of Accounting Estimates (effective 1 January 2023)
- Amendments to MFRS 112: Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023)
- Amendment to MFRS 16: Leases - Lease Liability in a Sale and Leaseback (effective 1 January 2024)
- Amendments to MFRS 10: Consolidated Financial Statements - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Deferred)
- Amendments to MFRS 128 Investments in Associates and Joint Ventures
 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Deferred)

NOTE 2 – Seasonal or Cyclical Factors

The Group is principally engaged in:

- (a) the provision of drilling services for exploration, development and production wells to the upstream sector of the oil and gas industry; and
- (b) the provision of integrated services includes workover operations for the oil and gas industry; as well as
- (c) threading, inspection and repair services for Oil Country Tubular Goods, with a focus on premium connections used in high-end and complex wells.

The Group’s products and services are dependent on the level of activity, and the corresponding capital spending by oil and gas companies. These oil and gas companies are affected by volatile oil and natural gas prices, and cyclicity in the offshore drilling and oilfield services industries.

NOTE 3 – Exceptional Items

There were no material unusual items affecting the Group's assets, liabilities, equity, net income or cash flows during the financial period ended 30 September 2022.

NOTE 4 – Accounting Estimates

There were no material changes in estimates of amounts reported in the prior interim periods of the current financial year or the previous financial years that have a material effect on the results for the financial period under review.

NOTE 5 – Issuance or Repayment of Debt and Equity Securities

There were no issuances, repurchases or repayments of debt securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the financial period under review.

NOTE 6 – Dividends Paid

There were no dividends paid during the financial period ended 30 September 2022.

NOTE 7 – Segmental Reporting

Quarter Ended 30 September 2022	Revenue RM'000	Profit / (Loss) Before Tax RM'000	Profit / (Loss)
			Attributable to Owners of the Company RM'000
Business Segment			
Drilling Services	153,197	33,015	31,578
Integrated Services	18,047	(1,991)	(2,022)
Oilfield Services	2,515	529	404
Others (include corporate expenses)	671	(14,964)	(14,995)
Inter-segment	(652)	-	-
Consolidated Total	173,778	16,589	14,965
Period Ended 30 September 2022			
Business Segment			
Drilling Services	306,631	(36,382)	(39,350)
Integrated Services	23,200	(2,091)	(2,155)
Oilfield Services	7,141	2,161	1,817
Others (include corporate expenses)	1,916	(34,671)	(34,713)
Inter-segment	(1,106)	-	-
Consolidated Total	337,782	(70,983)	(74,401)

With effect from 1st January 2022, the Group has changed its business segments by segregating Workover Services from Oilfield Services segment. Workover services was previously reported under the Oilfield Services segment in the comparative report.

Comparative results have been restated as per new business segments in this report.

The Workover Services segment is now reported under Integrated Services segment effective Q3 FY2022.

Other than the above, there has been no material change in total assets and no differences in the basis of segmentation or in the basis of measurement of segment profit or loss as compared to the last quarterly report.

NOTE 8 – Subsequent Material Events

There has been no material event or transaction during the period from 30 September 2022 to the date of this announcement, which substantially affects the results of the Group for the financial period ended 30 September 2022.

NOTE 9 – Changes in the Group Composition

There were no changes in the composition of the Group during the financial period ended 30 September 2022.

NOTE 10 – Commitments for the purchase of Property, Plant and Equipment

The capital commitments are in respect of the following:

	30/09/2022
	RM'000
Approved and contracted for:	
Equipment, plant and machinery	129,356
Others	6,406
	<u>135,762</u>
Approved but not contracted for:	
Equipment, plant and machinery	73,908
Others	15,574
	<u>89,482</u>
Total	<u><u>225,244</u></u>

NOTE 11 - Significant Related Party Transactions

There were no significant related party transactions for the financial period ended 30 September 2022.

NOTE 12 – Classification of Financial Assets

There were no changes in the classification of financial assets as a result of a change in the purpose or use of the asset.

NOTE 13 – Contingent Liabilities and Contingent Assets

There were no material contingent liabilities and contingent assets as at 30 September 2022.

NOTE 14 – Review of Performance

Performance of Current Quarter Against the Quarter Ended 30 September 2021 (“corresponding quarter”)

Business Segment	Revenue		Profit / (Loss) Before Tax	
	Quarter ended 30/09/2022 RM'000	Quarter ended 30/09/2021 RM'000	Quarter ended 30/09/2022 RM'000	Quarter ended 30/09/2021 RM'000
Drilling Services	153,197	87,236	33,015	(37,526)
Integrated Services	18,047	1,723	(1,991)	(2,298)
Oilfield Services	2,515	2,411	529	726
Others (include corporate expenses)	19	172	(14,964)	(8,852)
Total	173,778	91,542	16,589	(47,950)

Group

Group revenue of RM173.8 million was 89.8% higher than the corresponding quarter's revenue of RM91.5 million, mainly due to higher utilisation in Drilling Services and Integrated Services segments during the quarter.

The Group reported profit before tax of RM16.6 million in the current quarter against loss before tax of RM48.0 million in the corresponding quarter, significant improvement of RM64.6 million in line with higher revenue recognised.

Analysis of segmental performance against the corresponding quarter are as follows:

Drilling Services Segment

Drilling Services segment recorded 75.6% increase in revenue from RM87.2 million to RM153.2 million in the current quarter, mainly due to higher average jack-up rig utilisation of 78% (based on 6 rigs capacity) as compared to 51% (based on 6 rigs capacity starting Q3 2021) in the current quarter.

Consequently, the segment registered a profit before tax of RM33.0 million as compared to a loss before tax of RM37.5 million in the corresponding quarter.

Integrated Services Segment

The Integrated Services segment recorded higher revenue of RM18.0 million in the current quarter as compared to RM1.7 million due to higher utilisation in current quarter.

The segment recorded loss before tax of RM2.0 million against RM2.3 million loss reported in the corresponding quarter.

Oilfield Services Segment

The Oilfield Services segment recorded higher revenue of RM2.5 million in the current quarter as compared to RM2.4 million in the corresponding quarter, mainly from overseas operation in Tianjin.

However, the current quarter's profit before tax of RM0.5 million was lower compared to a profit before tax of RM0.7 million in the corresponding quarter.

Others Segment (include corporate expenses)

Others segment which include corporate expenses recorded higher loss before tax of RM15.0 million in the current quarter against RM8.9 million loss reported in the corresponding quarter mainly due to higher net foreign exchange loss by RM4.5 million recognised in the current quarter.

NOTE 14 – Review of Performance (continued)

Performance of Current Period Against the Financial Period Ended 30 September 2021 (“corresponding period”)

Business Segment	Revenue		(Loss) / Profit Before Tax	
	Period ended	Period ended	Period ended	Period ended
	30/9/2022	30/09/2021	30/9/2022	30/09/2021
	RM'000	RM'000	RM'000	RM'000
Drilling Services	306,631	208,254	(36,382)	(56,171)
Integrated Services	23,200	2,033	(2,091)	(6,433)
Oilfield Services	7,141	7,978	2,161	2,477
Others (include corporate expenses)	810	759	(34,671)	(27,301)
Total	337,782	219,024	(70,983)	(87,428)

Group

Group revenue of RM337.8 million was 54.2% higher than the corresponding period's revenue of RM219.0 million, mainly due to higher utilisation for Drilling Services and Integrated Services segments during the period.

Consequently, the Group reported lower loss before tax of RM71.0 million in the current period against corresponding period's loss before tax of RM87.4 million.

Analysis of segmental performance against the corresponding period are as follows:

Drilling Services Segment

The Drilling Services segment recorded 47.2% increase in revenue to RM306.6 million in current period, mainly due to higher average jack-up rig utilisation of 53% (based on 6 rigs capacity) as compared to 39% (based on 6 rigs capacity starting Q3 2021) in the corresponding period.

The segment registered a loss before tax of RM36.4 million lower compared to a loss before tax of RM56.2 million in the corresponding period mainly due to higher revenue recognised in the current period.

Integrated Services Segment

The Integrated Services segment recorded higher revenue of RM23.2 million in the current period as compared to RM2.0 million in the corresponding period mainly due to higher utilisation in current period.

Consequently, the segment recorded lower loss before tax of RM2.1 million against RM6.4 million loss reported in the corresponding period.

Oilfield Services Segment

The Oilfield Services segment recorded lower revenue of RM7.1 million in the current period as compared to RM8.0 million in the corresponding period, contributed by overseas operation in Tianjin.

The current period's profit before tax of RM2.2 million lower compared to a profit before tax of RM2.5 million in the corresponding period.

Others Segment (include corporate expenses)

Others segment which include corporate expenses recorded higher loss before tax of RM34.7 million in the current period against RM27.3 million loss reported in the corresponding period mainly due to higher net foreign exchange loss by RM6.1 million recognised in the current period.

NOTE 15 – Comparison with Preceding Quarter’s Results

Business Segment	Revenue		Profit / (Loss) Before Tax	
	Quarter ended	Quarter ended	Quarter ended	Quarter ended
	30/09/2022	30/06/2022	30/09/2022	30/06/2022
	RM'000	RM'000	RM'000	RM'000
Drilling Services	153,197	79,241	33,015	(33,443)
Integrated Services	18,047	4,834	(1,991)	2,029
Oilfield Services	2,515	2,299	529	1,226
Others (include corporate expenses)	19	221	(14,964)	(11,606)
Total	173,778	86,595	16,589	(41,794)

The Group’s revenue of RM173.8 million was higher than the preceding quarter’s revenue of RM86.6 million. This was mainly due to higher revenue from Drilling Services as a result of higher average jack-up rig utilisation of 78% as compared to 41% in the preceding quarter. Coupled with higher utilisation for Integrated Services segment in the current quarter.

As a result, the Group recorded a profit before tax of RM16.6 million against a loss before tax of RM41.8 million in the preceding quarter.

NOTE 16 – Review of Consolidated Statement of Financial Position

	As at	As at
	30/09/2022	31/12/2021
	RM'000	RM'000
Total assets	3,213,643	3,006,006
Total equity	2,449,864	2,258,102
Total liabilities	763,779	747,904
Total equity and liabilities	3,213,643	3,006,006

The Group’s total assets increased by RM207.6 million mainly due to the increase in property, plant and equipment from its foreign currency translation and offset with lower deposits, cash & bank balances.

Total equity increased by RM191.8 million mainly due to higher reserves from the foreign currency translation and offset with loss recognised for the period.

Total liabilities increased by RM15.9 million mainly due to higher borrowing balances from its foreign currency translation.

Other than the above, there has been no other material movement in total assets and total liabilities as compared to the audited annual financial statements for the financial year ended 31 December 2021.

NOTE 17 – Current Prospect

Drilling Services Segment

The oil and gas outlook remains strong. The benchmark Brent oil price is expected to remain above USD80 per barrel in the short term. OPEC+ has agreed to cut oil output by 2 million barrels per day starting November 2022. Major oil producers are unable to respond adequately to the tight market conditions due to prolonged lack of investment in the past.

IMF has revised its projected demand growth rate for 2023 downwards to 2.7% from 2.9% previously. The US Fed has also raised its rates to 3.75-4.00% to contain rising inflation. Whilst in domestic front, Bank Negara Malaysia has raised the overnight policy rate to 2.75%. The U.S. Energy Information Administration (“EIA”) foresees global oil consumption to increase to 101 million barrel per day in 2023.

Global and regional upstream activities, including in Southeast Asia continue its upward trend, with more exploration and development projects being evaluated and sanctioned. In Malaysia, a number of new contracts have been awarded with a few more being tendered out. As a result, regional jack-up marketed utilisation has increased above 90% and charter rates for the latest fixtures has been on an uptrend.

Currently, five out of six of the Group's available jack-up drilling rigs are working, while NAGA 2 is expected to recommence work in December 2022. The Group is actively bidding for new tenders for local and international contracts scheduled to be performed this year and next year.

Integrated Services Segment

The Group announced recently that it has been awarded a contract from Hess Exploration And Production Malaysia B.V. (Hess) for the provision of Integrated Rig, Drilling and Completion (i-RDC) services. The contract, which includes the provision of NAGA 5 to drill and complete 14 offshore wells with Halliburton as the technical partner, has an estimated contract value of USD135 million.

The prospect for Integrated Services segment is improving with a number of jobs secured. Currently, two out of four of the Group's workover units are working. The Group continues to bid for available local and international contracts, for jobs scheduled to be performed this year and next year.

Oilfield Services Segment

The positive industry outlook is also expected to support stable performance of the oilfield services operation in China.

Group

The positive outlook in the global oil and gas industry augurs well for the Group's financial performance. The Group expects the financial performance for the financial year 2022 to be better than that of the preceding year.

NOTE 18 – Statement on Revenue and Profit Forecast

This is not applicable to the Group.

NOTE 19 – Variance from Profit Forecast and Profit Guarantee

This is not applicable to the Group.

NOTE 20 – Taxation

	Quarter ended 30/09/2022 RM'000	Period ended 30/9/2022 RM'000
Taxation for current period	1,618	3,632
Taxation for prior year	6	(214)
Total	1,624	3,418

Several companies in the Group were profitable and in tax payable position while the rest of the companies were in a loss position. Hence the current tax charges are RM1.6 million and RM3.6 million for the current quarter and period ended 30 September 2022 respectively, while RM0.2 million for the current period ended 30 September 2022 relates to overprovision for prior year.

NOTE 21 – Corporate Proposals

There was no corporate proposal announced but not completed on the date of this announcement.

NOTE 22 – Group Borrowings and Debt Securities

As at 30 September 2022

	USD'000 borrowings	RM'000 borrowings	RM'000 equivalent
Short term borrowings			
- Secured			
USD revolving credit	48,500	-	225,040
RM revolving credit	-	50,000	50,000
Less: Transaction cost	-	-	(394)
	<u>48,500</u>	<u>50,000</u>	<u>274,646</u>
Long term borrowings			
- Secured			
Long term loan	70,500	-	327,120
Less: Transaction cost	-	-	(5,925)
	<u>70,500</u>	<u>-</u>	<u>321,195</u>
Total	119,000	50,000	595,841
	Revolving Credit RM '000	Long Term Borrowings RM '000	Total RM '000

Movements of Borrowings

At 1 January 2022	279,916	302,110	582,026
Unamortised transaction costs	-	6,079	6,079
Gross Borrowings at 1 January 2022	<u>279,916</u>	<u>308,189</u>	<u>588,105</u>
Effect of changes in foreign exchange rate	22,848	32,784	55,632
Repayment	<u>(27,724)</u>	<u>(13,853)</u>	<u>(41,577)</u>
	275,040	327,120	602,160
Unamortised transaction costs	(394)	(5,925)	(6,319)
At 30 September 2022	<u>274,646</u>	<u>321,195</u>	<u>595,841</u>

NOTE 23 – Material Litigation

Reference is made to the previous announcements made by the Company on enforcement proceeding against Frontier Oil Corporation (“FOC”) by Velesto Drilling Sdn Bhd (“VED”), a wholly owned subsidiary of the Company, at the Regional Trial Court, in Makati City, Philippines (“Makati Court”).

On 28 June 2021, Makati Court has decided the arbitral award dated 12 July 2018 issued by Singapore International Arbitration Centre in favour of VED be recognised and enforced. With ongoing execution to enforce the award in Philippines, the Company will make further announcement on material development on this matter from time to time.

Other than the above, there was no other material litigation pending on the date of this announcement.

NOTE 24 – Dividend

No dividend has been recommended for the period ended 30 September 2022.

NOTE 25 – Earnings Per Share

	Quarter ended 30/09/2022 RM'000	Quarter ended 30/09/2021 RM'000	Period ended 30/9/2022 RM'000	Period ended 30/09/2021 RM'000
Profit / (Loss) For The Period Attributable To: Equity Holders Of The Company (RM'000)	14,965	(52,042)	(74,401)	(96,249)
Weighted average number of ordinary shares in issue ('000)				
- Basic	8,215,600	8,215,600	8,215,600	8,215,600
Effects of dilution:				
Options under ESOS				
- Diluted	8,215,600	8,215,600	8,215,600	8,215,600
Earnings / (Loss) Per Share Attributable To Equity Holders Of The Company:				
- Basic (Sen)	0.18	(0.63)	(0.91)	(1.17)
- Diluted (Sen)	0.18	(0.63)	(0.91)	(1.17)

94,040,000 options under the Employees' Share Option Scheme (“ESOS”) granted on 1 November 2019 have not been included in the calculation of diluted earnings per share as the exercise price of the options exceeds the average market price of ordinary shares.

NOTE 26 – Audit Qualification

The audit report in respect of the annual financial statements of the Company for the financial year ended 31 December 2021 was not qualified.

NOTE 27 – Items to Disclose in the Statement of Comprehensive Income

	Quarter ended 30/09/2022 RM'000	Period ended 30/9/2022 RM'000
(a) Interest income	1,050	2,763
(b) Other investment income	-	9
(c) Depreciation and amortisation	(40,895)	(114,668)
(d) Net foreign exchange gain	6,338	3,289
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By Order Of The Board

LEE MI RYOUNG
Secretary
(MAICSA 7058423)

SAZLYNA SAPIEE
Joint Secretary
(MIA 19254)

Kuala Lumpur
29 November 2022