

VELESTO ENERGY BERHAD

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



Unaudited Condensed Consolidated Statement Of Comprehensive Income For The Fourth Quarter Ended 31 December 2022

	Quarter Ended 31/12/2022 RM'000	Quarter Ended 31/12/2021 RM'000	(Unaudited) Year Ended 31/12/2022 RM'000	(Audited) Year Ended 31/12/2021 RM'000
Revenue	243,071	158,485	580,853	377,509
Operating Expenses	(244,354)	(146,545)	(636,822)	(519,076)
Asset Written Off	-	(2,975)	-	(467,269)
Other Operating Income	173	4,110	1,215	563,857
(Loss) / Profit From Operations	(1,110)	13,075	(54,754)	(44,979)
Finance Costs	(10,399)	(8,522)	(30,623)	(40,268)
Share Of Results Of Associated Company	47	34	160	153
Investment Income	675	142	3,447	2,395
(Loss) / Profit Before Tax	(10,787)	4,729	(81,770)	(82,699)
Taxation	(15,214)	696	(18,632)	(8,125)
(Loss) / Profit, Net Of Tax	(26,001)	5,425	(100,402)	(90,824)
Other Comprehensive (Loss) / Income:				
Foreign Currency Translation	(141,414)	(8,515)	124,871	76,014
Other Comprehensive Income, Net Of Tax	(141,414)	(8,515)	124,871	76,014
Total Comprehensive (Loss) / Income For The Period	(167,415)	(3,090)	24,469	(14,810)
(Loss) / Profit For The Period Attributable To:				
Equity Holders Of The Company	(26,001)	5,425	(100,402)	(90,824)
Total Comprehensive (Loss) / Income Attributable To:				
Equity Holders Of The Company	(167,415)	(3,079)	24,469	(14,810)
Non-controlling Interests	-	(11)	-	-
	(167,415)	(3,090)	24,469	(14,810)
(Loss) / Earnings Per Share Attributable To Equity Holders Of The Company:				
Basic (Sen)	(0.32)	0.07	(1.22)	(1.11)
Diluted (Sen)	(0.32)	0.07	(1.22)	(1.11)

(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)

VELESTO ENERGY BERHAD

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



Unaudited Condensed Consolidated Statement Of Financial Position As At 31 December 2022

	(Unaudited) As At 31/12/2022 RM'000	(Audited) As At 31/12/2021 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	2,423,073	2,294,319
Right-of-use Assets	7,949	8,899
Investment In Associate	1,236	1,077
	<u>2,432,258</u>	<u>2,304,295</u>
Current Assets		
Inventories	186,291	173,518
Other Investments	-	22,531
Trade Receivables	340,145	177,579
Other Receivables	19,338	34,571
Deposits, Cash & Bank Balances	120,028	293,512
	<u>665,802</u>	<u>701,711</u>
TOTAL ASSETS	<u>3,098,060</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	9,961	10,842
Warrant Reserve	211,876	211,876
Other Reserves	834,432	709,561
Accumulated Losses	(619,396)	(518,994)
TOTAL EQUITY	<u>2,281,690</u>	<u>2,258,102</u>
Non-Current Liabilities		
Long Term Borrowings	306,277	302,110
Lease Liabilities	4,067	4,928
	<u>310,344</u>	<u>307,038</u>
Current Liabilities		
Taxation	1,983	3,863
Short Term Borrowings	254,950	279,916
Lease Liabilities	2,915	2,742
Trade Payables	165,685	95,216
Other Payables	80,493	59,129
	<u>506,026</u>	<u>440,866</u>
TOTAL LIABILITIES	<u>816,370</u>	<u>747,904</u>
TOTAL EQUITY AND LIABILITIES	<u>3,098,060</u>	<u>3,006,006</u>
Net Assets Per Share (RM)	0.28	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

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



Unaudited Condensed Consolidated Statement Of Changes In Equity For The Year Ended 31 December 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 lapsed under Employees' Share Option Scheme ("ESOS")	-	(881)	-	-	-	-	-	(881)	-	(881)
Total Comprehensive Income / (Loss)	-	-	-	-	124,871	-	(100,402)	24,469	-	24,469
At 31 December 2022	1,844,817	9,961	211,876	698	755,589	78,145	(619,396)	2,281,690	-	2,281,690

Audited Condensed Consolidated Statement Of Changes In Equity For The Year Ended 31 December 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")	-	3,317	-	-	-	-	-	3,317	-	3,317
Liquidation of Subsidiaries	-	-	-	-	-	-	-	-	(1,211)	(1,211)
Total Comprehensive Income / (Loss)	-	-	-	-	76,014	-	(90,824)	(14,810)	-	(14,810)
At 31 December 2021	1,844,817	10,842	211,876	698	630,718	78,145	(518,994)	2,258,102	-	2,258,102

(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

COMPANY NO : 200901035667 (878786-H)
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Unaudited Condensed Consolidated Statement Of Cash Flows For The Year Ended 31 December 2022

	(Unaudited) Year Ended 31/12/2022 RM'000	(Audited) Year Ended 31/12/2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss Before Tax	(81,770)	(82,699)
Adjustments		
Depreciation & Amortisation	161,628	157,013
Interest Expense	30,623	40,268
Net Unrealised Foreign Exchange (Gain) / Loss	(8,498)	3,142
Asset Written Off	1,058	438,981
Share Of Results Of Associated Company	(160)	(153)
Investment Income	(3,438)	(2,395)
Share Options (Lapsed) / Granted Under ESOS	(881)	3,317
Provision for Unutilised Leave	481	208
Gain On Assets Disposal	(502)	(163)
Dividend Income From Money Market Fund	(9)	-
Reversal Of Impairment On Property, Plant & Equipment	(745)	-
Net Fair Value Gain On Money Market Fund	-	(19)
Insurance Claim	-	(560,850)
Reversal Of Impairment of Trade Receivables	-	(359)
Trade Receivables Written Off	-	359
Inventories Written Off	-	28,288
Gain On Liquidation of Subsidiaries	-	(2,102)
Operating Profit Before Working Capital Changes	<u>97,787</u>	<u>22,836</u>
Increase In Receivables	(143,035)	(1,211)
(Increase) / Decrease In Inventories	(3,686)	4,400
Increase In Payables	<u>65,379</u>	<u>536</u>
Cash Generated From Operating Activities	16,445	26,561
Interest Paid	(26,785)	(35,573)
Net Taxes Paid	<u>(14,705)</u>	<u>(20,106)</u>
Net Cash Used In Operating Activities	<u>(25,045)</u>	<u>(29,118)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase Of Property, Plant & Equipment	(153,071)	(71,933)
Proceeds From Disposal of Property, Plant & Equipment	1,210	350
Interest Received	3,438	2,333
Net Withdrawal Of Investments In Money Market Fund	22,540	76,963
Dividend Income From Money Market Fund	9	-
Proceeds From Insurance Claim	-	560,850
Dividend Received From Associate	-	953
Movement In Deposits Placement With Maturity Of More Than 3 months	22,626	(46,076)
Proceeds from Liquidation Of Subsidiaries	-	1,301
Net Cash (Used In) / Generated From Investing Activities	<u>(103,248)</u>	<u>524,741</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Movement In Short Term Borrowings	(37,131)	195,468
Repayment Of Long Term Borrowings	(13,853)	(707,169)
Payment Of Lease Liabilities	(1,051)	(6,631)
Net Movement In Restricted Cash Deposits In Licensed Bank	<u>(3,769)</u>	<u>54,967</u>
Net Cash Used In Financing Activities	<u>(55,804)</u>	<u>(463,365)</u>
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	(184,097)	32,258
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	244,500	203,331
EFFECTS OF EXCHANGE RATE CHANGES	29,470	8,911
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	<u>89,873</u>	<u>244,500</u>
Cash and Cash Equivalents comprise:		
Deposits, Cash & Bank Balances	120,028	293,512
Less: Restricted Cash / Deposits With Maturity Of More Than 3 months	<u>(30,155)</u>	<u>(49,012)</u>
	<u>89,873</u>	<u>244,500</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 101: Non-current Liabilities with Covenants (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 year ended 31 December 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 year 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 year under review.

NOTE 6 – Dividends Paid

There were no dividends paid during the financial year ended 31 December 2022.

NOTE 7 – Segmental Reporting

Quarter Ended 31 December 2022

Business Segment	Revenue	Profit / (Loss)	(Loss) / Profit
	RM'000	Before Tax RM'000	Attributable to Owners of the Company RM'000
Drilling Services	176,480	10,089	(4,946)
<i>Drilling</i>	154,748	4,035	(11,000)
<i>Drilling (i-RDC)</i>	21,732	6,054	6,054
Integrated Services	63,495	(13,917)	(13,988)
<i>Workover Services</i>	16,572	(16,322)	(16,393)
<i>i-RDC</i>	68,655	8,459	8,459
<i>Drilling (i-RDC)</i>	(21,732)	(6,054)	(6,054)
Oilfield Services	2,932	590	460
Others (include corporate expenses)	775	(7,549)	(7,527)
Inter-segment	(611)	-	-
Consolidated Total	243,071	(10,787)	(26,001)

Year Ended 31 December 2022

Drilling Services	483,111	(26,293)	(44,296)
<i>Drilling</i>	461,379	(32,347)	(50,350)
<i>Drilling (i-RDC)</i>	21,732	6,054	6,054
Integrated Services	86,695	(16,008)	(16,143)
<i>Workover Services</i>	39,772	(18,413)	(18,548)
<i>i-RDC</i>	68,655	8,459	8,459
<i>Drilling (i-RDC)</i>	(21,732)	(6,054)	(6,054)
Oilfield Services	10,073	2,751	2,277
Others (include corporate expenses)	2,691	(42,220)	(42,240)
Inter-segment	(1,717)	-	-
Consolidated Total	580,853	(81,770)	(100,402)

NOTE 7 – Segmental Reporting (continued)

With effect from 1st January 2022, the Group has segregated Workover Services and Oilfield Services as separate segment. Workover services was previously reported under the Oilfield Services segment.

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

With effect from 1st October 2022, the Group has introduced Integrated Services segment which comprises Workover Services and Integrated Rig Drilling Completion ("i-RDC") Services.

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 year from 31 December 2022 to the date of this announcement, which substantially affects the results of the Group for the financial year ended 31 December 2022.

NOTE 9 – Changes in the Group Composition

There were no changes in the composition of the Group during the financial year ended 31 December 2022.

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

The capital commitments are in respect of the following:

	31/12/2022
	RM'000
Approved and contracted for:	
Equipment, plant and machinery	146,028
Others	9,374
	<u>155,402</u>
 Approved but not contracted for:	
Equipment, plant and machinery	51,839
Others	12,563
	<u>64,402</u>
 Total	 <u>219,804</u>

NOTE 11 - Significant Related Party Transactions

There were no significant related party transactions for the financial year ended 31 December 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 31 December 2022.

NOTE 14 – Review of Performance

Performance of Current Quarter Against the Quarter Ended 31 December 2021 (“corresponding quarter”)

Business Segment	Revenue		Profit / (Loss) Before Tax	
	Quarter ended	Quarter ended	Quarter ended	Quarter ended
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	RM'000	RM'000	RM'000	RM'000
Drilling Services	176,480	151,040	10,089	15,563
<i>Drilling</i>	154,748	151,040	4,035	15,563
<i>Drilling (i-RDC)</i>	21,732	-	6,054	-
Integrated Services	63,495	4,599	(13,917)	(1,810)
<i>Workover Services</i>	16,572	4,599	(16,322)	(1,810)
<i>i-RDC</i>	68,655	-	8,459	-
<i>Drilling (i-RDC)</i>	(21,732)	-	(6,054)	-
Oilfield Services	2,932	2,463	590	1,504
Others (include corporate expenses)	164	383	(7,549)	(10,528)
Total	243,071	158,485	(10,787)	4,729

Group

Group revenue of RM243.1 million was 53.4% higher than the corresponding quarter's revenue of RM158.5 million, mainly due to higher utilisation in Drilling Services and Integrated Services segments during the quarter.

The Group reported loss before tax of RM10.8 million in the current quarter, lower by RM15.5 million against profit before tax of RM4.7 million in the corresponding quarter.

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

Drilling Services Segment

Drilling Services segment recorded 16.8% increase in revenue from RM151.0 million to RM176.5 million, mainly due to higher average jack-up rig utilisation of 90% in the current quarter as compared to 78% in the corresponding quarter.

The segment registered a profit before tax of RM10.1 million as compared to a profit before tax of RM15.6 million in the corresponding quarter. An adjustment of RM15.2 million during the current quarter relates to inventories movement for the year.

Integrated Services Segment

The Integrated Services segment recorded higher revenue of RM63.5 million in the current quarter as compared to RM4.6 million in corresponding quarter mainly due to i-RDC contribution.

The segment recorded loss before tax of RM13.9 million against RM1.8 million loss reported in the corresponding quarter mainly due to one-off RM11.7 million costs incurred due to unanticipated changes to work programme, prolonged wait on weather period during the demobilisation and adjustment of inventories of RM1.9 million.

Oilfield Services Segment

The Oilfield Services segment which is mainly from overseas operation in Tianjin, recorded higher revenue of RM2.9 million in the current quarter as compared to RM2.5 million in the corresponding quarter.

However, the current quarter's profit before tax of RM0.6 million was lower compared to a profit before tax of RM1.5 million in the corresponding quarter due to escalation of operating costs.

NOTE 14 – Review of Performance (continued)

**Performance of Current Quarter Against the Quarter Ended 31 December 2021 (“corresponding quarter”)
(continued)**

Others Segment (include corporate expenses)

Others segment which include corporate expenses recorded lower loss before tax of RM7.5 million in the current quarter against RM10.5 million loss reported in the corresponding quarter mainly due to higher net foreign exchange gain by RM4.5 million recognised in the current quarter.

Performance of Current Year Against the Financial Year Ended 31 December 2021 (“corresponding year”)

	Revenue		(Loss) / Profit Before Tax	
	Year ended 31/12/2022 RM'000	Year ended 31/12/2021 RM'000	Year ended 31/12/2022 RM'000	Year ended 31/12/2021 RM'000
Business Segment				
Drilling Services	483,111	359,294	(26,293)	(40,609)
<i>Drilling</i>	461,379	359,294	(32,347)	(40,609)
<i>Drilling (i-RDC)</i>	21,732	-	6,054	-
Integrated Services	86,695	6,632	(16,008)	(8,242)
<i>Workover Services</i>	39,772	6,632	(18,413)	(8,242)
<i>i-RDC</i>	68,655	-	8,459	-
<i>Drilling (i-RDC)</i>	(21,732)	-	(6,054)	-
Oilfield Services	10,073	10,442	2,751	3,980
Others (include corporate expenses)	974	1,141	(42,220)	(37,828)
Total	580,853	377,509	(81,770)	(82,699)

Group

Group revenue of RM580.9 million was 53.9% higher than the corresponding year's revenue of RM377.5 million, mainly due to higher utilisation for Drilling Services and Integrated Services segments during the year.

The Group reported lower loss before tax of RM81.8 million in the current year against corresponding year's loss before tax of RM82.7 million.

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

Drilling Services Segment

The Drilling Services segment recorded 34.5% increase in revenue to RM483.1 million in current year, mainly due to higher average jack-up rig utilisation of 62% as compared to 48% in the corresponding year.

The segment registered a loss before tax of RM26.3 million lower compared to a loss before tax of RM40.6 million (adjusted loss before tax RM97.7 million) in the corresponding year. In the corresponding year, the loss before tax was mitigated by a one-off net gain from insurance compensation for NAGA 7 of RM57.1 million.

Integrated Services Segment

The Integrated Services segment recorded higher revenue of RM86.7 million in the current year as compared to RM6.6 million in the corresponding year mainly due to higher utilisation and i-RDC contribution in current year.

The segment recorded loss before tax of RM16.0 million against RM8.2 million loss reported in the corresponding year mainly due to one-off RM15.1 million reactivation costs in mobilising the workover unit which was idle for a long period, unanticipated changes to work programme as well as additional cost incurred during prolonged wait on weather period during the demobilisation and adjustment of inventories of RM1.9 million.

NOTE 14 – Review of Performance (continued)

Performance of Current Year Against the Financial Year Ended 31 December 2021 (“corresponding year”) (continued)

Oilfield Services Segment

The Oilfield Services segment which is mainly from overseas operation in Tianjin, recorded lower revenue of RM10.1 million in the current year as compared to RM10.4 million in the corresponding year.

The current year’s profit before tax of RM2.8 million lower compared to a profit before tax of RM4.0 million in the corresponding year due to escalation of operating costs.

Others Segment (include corporate expenses)

Others segment which include corporate expenses recorded higher loss before tax of RM42.2 million in the current year against RM37.8 million loss reported in the corresponding year mainly due to higher net foreign exchange loss by RM4.0 million recognised in the current year.

NOTE 15 – Comparison with Preceding Quarter’s Results

Business Segment	Revenue		Profit / (Loss) Before Tax	
	Quarter ended	Quarter ended	Quarter ended	Quarter ended
	31/12/2022	30/09/2022	31/12/2022	30/09/2022
	RM’000	RM’000	RM’000	RM’000
Drilling Services	176,480	153,197	10,089	33,015
<i>Drilling</i>	154,748	153,197	4,035	33,015
<i>Drilling (i-RDC)</i>	21,732	-	6,054	-
Integrated Services	63,495	18,047	(13,917)	(1,991)
<i>Workover Services</i>	16,572	18,047	(16,322)	(1,991)
<i>i-RDC</i>	68,655	-	8,459	-
<i>Drilling (i-RDC)</i>	(21,732)	-	(6,054)	-
Oilfield Services	2,932	2,515	590	529
Others (include corporate expenses)	164	19	(7,549)	(14,964)
Total	243,071	173,778	(10,787)	16,589

The Group’s revenue of RM243.1 million was higher than the preceding quarter’s revenue of RM173.8 million. This was mainly due to higher revenue from Drilling Services as a result of higher average jack-up rig utilisation of 90% as compared to 78% in the preceding quarter and i-RDC contribution for Integrated Services in the current quarter.

The Group recorded a loss before tax of RM10.8 million against a profit before tax of RM16.6 million in the preceding quarter. An adjustment of RM17.1 million during the current quarter relates to inventories movement for the year.

NOTE 16 – Review of Consolidated Statement of Financial Position

	As at 31/12/2022 RM'000	As at 31/12/2021 RM'000
Total assets	3,098,060	3,006,006
Total equity	2,281,690	2,258,102
Total liabilities	816,370	747,904
Total equity and liabilities	3,098,060	3,006,006

The Group's total assets increased by RM92.1 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 RM23.6 million mainly due to higher reserves from the foreign currency translation and offset with loss recognised for the year.

Total liabilities increased by RM68.5 million mainly due to higher payables and offset with borrowing balances from loan repayment made and 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 medium term. OPEC+ has maintained its oil production targets while Russia's output is declining. Major oil producers continue to be unable to respond adequately to the tight market conditions due to prolonged lack of investment in the past.

IMF has raised its projected global GDP growth rate for 2023 to 2.9% from 2.7% previously. The US Fed has raised its rates to 4.50-4.75%, but at a slower rate of increase than expected. Whilst in domestic front, Bank Negara Malaysia has maintained its overnight policy rate at 2.75%. EIA is forecasting global oil demand in 2023 to increase to 102 million barrels per day, 2 million barrels per day higher year-on-year, with potential upside from the reopening of China's economy.

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 93% and charter rates for the latest fixtures has been on an uptrend. However, the heightened oil and gas demand coupled with global supply chain disruptions may impact availability of oilfield equipment and spares.

Currently, five out of six of the Group's available jack-up drilling rigs are working. NAGA 3, which recently returned from Vietnam is expected to commence work in Malaysia in March 2023. 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 prospect for Integrated Services segment is improving as it has commenced work for its contract from Hess Exploration And Production Malaysia B.V. (Hess) for the provision of Integrated Rig, Drilling and Completion (i-RDC) services.

Currently, one out of four of the Group's workover units are working. GAIT 6 is expected to recommence work in Malaysia in Q2 2023. The group continues to assess strategic options for GAIT 1, while GAIT 2 is intended to be decommissioned in 2023. 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 improved 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 2023 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 31/12/2022 RM'000	Year ended 31/12/2022 RM'000
Taxation for current period	1,688	5,320
Taxation for prior year	13,526	13,312
Total	15,214	18,632

Several companies in the Group were profitable and in tax payable position while the rest of the companies were in a loss position. A one-off RM13.5 million tax relates to prior year was incurred in the current quarter. The current period charges is RM1.7 million and for the year ended 31 December 2022 is RM5.3 million.

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 31 December 2022

	USD'000 borrowings	RM'000 borrowings	RM'000 equivalent
Short term borrowings			
- Secured			
USD revolving credit	47,500	-	209,950
RM revolving credit	-	45,000	45,000
	<u>47,500</u>	<u>45,000</u>	<u>254,950</u>
Long term borrowings			
- Secured			
Long term loan	70,500	-	311,610
Less: Transaction cost	-	-	(5,333)
	<u>70,500</u>	<u>-</u>	<u>306,277</u>
Total	<u>118,000</u>	<u>45,000</u>	<u>561,227</u>
	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	12,165	17,274	29,439
Repayment	<u>(37,131)</u>	<u>(13,853)</u>	<u>(50,984)</u>
	254,950	311,610	566,560
Unamortised transaction costs	-	(5,333)	(5,333)
At 31 December 2022	<u>254,950</u>	<u>306,277</u>	<u>561,227</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, Sheriff appointed by the Court reported to Court that personal service of the Notice To Comply and Demand to Pay dated 14 December 2022 at FOC's address on 23 December 2022 is unserved as the building was out of business for past two years and on the same date sent via courier and mailing. 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 year ended 31 December 2022.

NOTE 25 – Earnings Per Share

	Quarter ended 31/12/2022 RM'000	Quarter ended 31/12/2021 RM'000	(Unaudited) Year ended 31/12/2022 RM'000	(Audited) Year ended 31/12/2021 RM'000
(Loss) / Profit For The Period Attributable To: Equity Holders Of The Company (RM'000)	(26,001)	5,425	(100,402)	(90,824)
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
(Loss) / Earnings Per Share Attributable To Equity Holders Of The Company:				
- Basic (Sen)	(0.32)	0.07	(1.22)	(1.11)
- Diluted (Sen)	(0.32)	0.07	(1.22)	(1.11)

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 31/12/2022 RM'000	Year ended 31/12/2022 RM'000
(a) Interest income	675	3,438
(b) Other investment income	-	9
(c) Depreciation and amortisation	(46,960)	(161,628)
(d) Net foreign exchange loss	(8,209)	(4,920)
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By Order Of The Board

LEE MI RYOUNG
Secretary
(MAICSA 7058423)

SAZLYNA SAPIEE
Joint Secretary
(MIA 19254)

Kuala Lumpur
27 February 2023