

# VELESTO ENERGY BERHAD

(COMPANY NO : 200901035667)

(INCORPORATED IN MALAYSIA)

## Unaudited Condensed Consolidated Statement Of Comprehensive Income For The Fourth Quarter Ended 31 December 2020

	Quarter Ended 31/12/2020 RM'000	Quarter Ended 31/12/2019 RM'000	(Unaudited) Financial Year Ended 31/12/2020 RM'000	(Audited) Financial Year Ended 31/12/2019 RM'000
<b><u>Continuing Operations</u></b>				
Revenue	99,060	178,102	546,935	670,756
Operating Expenses	(120,913)	(144,856)	(516,674)	(547,664)
Impairment Provisions	(460,559)	-	(460,559)	-
Other Operating Income	10,004	348	10,554	2,974
<b>(Loss) / Profit From Operations</b>	<b>(472,408)</b>	<b>33,594</b>	<b>(419,744)</b>	<b>126,066</b>
Finance Costs	(12,845)	(20,983)	(64,366)	(91,804)
Share Of Results Of Associated Company	85	55	227	233
Investment Income	1,149	1,928	6,910	7,998
<b>(Loss) / Profit Before Tax From Continuing Operations</b>	<b>(484,019)</b>	<b>14,594</b>	<b>(476,973)</b>	<b>42,493</b>
Taxation	(9,268)	(4,391)	(14,759)	(9,423)
<b>(Loss) / Profit From Continuing Operations, Net Of Tax</b>	<b>(493,287)</b>	<b>10,203</b>	<b>(491,732)</b>	<b>33,070</b>
<b><u>Other Comprehensive (Loss) / Income:</u></b>				
Foreign Currency Translation	(92,419)	(49,814)	(44,570)	(28,814)
Other Comprehensive (Loss) / Income, Net Of Tax	(92,419)	(49,814)	(44,570)	(28,814)
<b>Total Comprehensive (Loss) / Income For The Period</b>	<b>(585,706)</b>	<b>(39,611)</b>	<b>(536,302)</b>	<b>4,256</b>
<b><u>(Loss) / Profit For The Period Attributable To:</u></b>				
Equity Holders Of The Company	(493,287)	10,203	(491,732)	33,218
Non-controlling Interests	-	-	-	(148)
	<b>(493,287)</b>	<b>10,203</b>	<b>(491,732)</b>	<b>33,070</b>
<b><u>Total Comprehensive (Loss) / Income Attributable To:</u></b>				
Equity Holders Of The Company	(585,697)	(39,591)	(536,253)	4,526
Non-controlling Interests	(9)	(20)	(49)	(270)
	<b>(585,706)</b>	<b>(39,611)</b>	<b>(536,302)</b>	<b>4,256</b>
<b><u>Earnings Per Share Attributable To Equity Holders Of The Company:</u></b>				
Basic (Sen)	(6.00)	0.12	(5.99)	0.40
Diluted (Sen)	(6.00)	0.12	(5.99)	0.40

(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 2019)

**VELESTO ENERGY BERHAD**  
**Unaudited Condensed Consolidated Statement Of Financial Position**

	<b>(Unaudited)</b> <b>As At</b> <b>31/12/2020</b> <b>RM'000</b>	<b>(Audited)</b> <b>As At</b> <b>31/12/2019</b> <b>RM'000</b>
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	2,715,657	3,410,616
Right-of-use Assets	9,990	13,240
Investment In Associate	1,877	1,984
	<u>2,727,524</u>	<u>3,425,840</u>
<b>Current Assets</b>		
Inventories	201,975	187,439
Other Investments	97,938	119,988
Trade Receivables	145,461	272,447
Other Receivables	20,668	19,693
Deposits, Cash & Bank Balances	261,234	239,983
	<u>727,276</u>	<u>839,550</u>
<b>TOTAL ASSETS</b>	<b>3,454,800</b>	<b>4,265,390</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity Attributable To The Equity Holders Of The Company</b>		
Share Capital	1,844,817	4,054,817
Capital Contribution - ESOS	7,525	3,905
Warrant Reserve	211,876	211,876
Other Reserves	633,535	678,056
Accumulated Losses	(428,170)	(2,146,438)
	<u>2,269,583</u>	<u>2,802,216</u>
Non-controlling Interests	1,211	1,260
<b>TOTAL EQUITY</b>	<b>2,270,794</b>	<b>2,803,476</b>
<b>Non-Current Liabilities</b>		
Long Term Borrowings	870,865	990,592
Lease Liabilities	5,719	8,082
	<u>876,584</u>	<u>998,674</u>
<b>Current Liabilities</b>		
Taxation	7,903	5,435
Short Term Borrowings	182,937	302,660
Lease Liabilities	3,121	3,905
Trade Payables	93,966	119,366
Other Payables	19,495	31,874
	<u>307,422</u>	<u>463,240</u>
<b>TOTAL LIABILITIES</b>	<b>1,184,006</b>	<b>1,461,914</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,454,800</b>	<b>4,265,390</b>
<b>Net Assets Per Share (RM)</b>	<b>0.2763</b>	<b>0.3411</b>

(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 2019)

## VELESTO ENERGY BERHAD

### Unaudited Condensed Consolidated Statement Of Changes In Equity For The Year Ended 31 December 2020

	← Non - Distributable →					Distributable		Total RM'000	Non - Controlling Interests RM'000	Total Equity RM'000
	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			
At 1 January 2020	4,054,817	3,905	211,876	698	599,213	78,145	(2,146,438)	2,802,216	1,260	2,803,476
Transactions With Owners:										
Share options granted under Employees' Share Option Scheme ("ESOS")	-	3,620	-	-	-	-	-	3,620	-	3,620
Share Capital Reduction	(2,210,000)	-	-	-	-	-	2,210,000	-	-	-
Total Comprehensive Loss	-	-	-	-	(44,521)	-	(491,732)	(536,253)	(49)	(536,302)
At 31 December 2020	1,844,817	7,525	211,876	698	554,692	78,145	(428,170)	2,269,583	1,211	2,270,794

### Audited Condensed Consolidated Statement Of Changes In Equity For The Year Ended 31 December 2019

	← Non - Distributable →					Distributable		Total RM'000	Non - Controlling Interests RM'000	Total Equity RM'000
	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			
At 1 January 2019	4,054,817	3,187	211,876	698	627,905	78,145	(2,179,656)	2,796,972	1,530	2,798,502
Transactions With Owners:										
Share options granted under Employees' Share Option Scheme ("ESOS")	-	718	-	-	-	-	-	718	-	718
Total Comprehensive (Loss) / Income	-	-	-	-	(28,692)	-	33,218	4,526	(270)	4,256
At 31 December 2019	4,054,817	3,905	211,876	698	599,213	78,145	(2,146,438)	2,802,216	1,260	2,803,476

(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 2019)

## VELESTO ENERGY BERHAD

### Unaudited Condensed Consolidated Statement Of Cash Flows For The Year Ended 31 December 2020

	(Unaudited) 12 Months Ended 31/12/2020 RM'000	(Audited) 12 Months Ended 31/12/2019 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) / Profit Before Tax	(476,973)	42,493
Adjustments For:		
Depreciation & Amortisation	242,699	198,374
Impairment Loss On Property, Plant & Equipment	460,559	-
Interest Expense	64,366	91,804
Share Of Results Of Associated Company	(227)	(233)
Investment Income	(6,910)	(7,998)
Net Loss On Disposal Of Property, Plant & Equipment	535	739
Property, Plant & Equipment Written Off	-	211
Provision For Unutilised Leave	-	62
Net Unrealised Foreign Exchange Gain	(8,268)	(1,720)
Net Fair Value Gain On Money Market Fund	(203)	(416)
Share Options Granted Under ESOS	3,620	718
Operating Profit Before Working Capital Changes	<u>279,198</u>	<u>324,034</u>
Decrease / (Increase) In Receivables	120,724	(35,344)
Increase In Inventories	(17,386)	(9,726)
(Decrease) / Increase In Payables	<u>(29,984)</u>	<u>17,888</u>
Cash Generated From Operating Activities	<u>352,552</u>	<u>296,852</u>
Interest Paid	(57,937)	(76,862)
Taxes Paid	<u>(12,291)</u>	<u>(8,788)</u>
Net Cash Generated From Operating Activities	<u>282,324</u>	<u>211,202</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase Of Property, Plant & Equipment	(55,344)	(112,303)
Proceeds From Disposal Of Property, Plant & Equipment	132	226
Interest Received	6,910	7,875
Dividend Received From Associate	334	343
Net Withdrawal Of Investments In Money Market Fund	<u>26,153</u>	<u>46,034</u>
Net Cash Used In Investing Activities	<u>(21,815)</u>	<u>(57,825)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Movement In Short Term Borrowings	(122,875)	119,327
Repayment Of Long Term Borrowings	(105,410)	(258,117)
Payment Of Lease Liabilities	(3,691)	(4,509)
Withdrawal / (Placement) Of Restricted Cash Deposits In Licensed Bank	<u>13,801</u>	<u>(24,112)</u>
Net Cash Used In Financing Activities	<u>(218,175)</u>	<u>(167,411)</u>
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>	42,334	(14,034)
<b>CASH AND CASH EQUIVALENTS AS AT 1 JANUARY</b>	168,279	187,437
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>	(7,282)	(5,124)
<b>CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER</b>	<u>203,331</u>	<u>168,279</u>
<b>Cash and Cash Equivalents comprise:</b>		
Deposits, Cash & Bank Balances	261,234	239,983
Less: Restricted Cash	<u>(57,903)</u>	<u>(71,704)</u>
	<u>203,331</u>	<u>168,279</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 2019)

## **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 2019, except for the adoption of the following MFRS/Amendments/Interpretations effective on or after 1 January 2020:

- Amendments to MFRS 3: Business Combinations (Definition of a Business)
- Amendments to MFRS 7: Financial Instruments - Disclosures (Interest Rate Benchmark Reform)
- Amendments to MFRS 9: Financial Instruments (Interest Rate Benchmark Reform)
- Amendments to MFRS 101: Presentation of Financial Statements (Definition of Material)
- Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)
- Amendments to MFRS 16: Leases (Covid-19-Related Rent Concessions)
- Amendments to MFRS 139: Financial Instruments: Recognition and Measurement (Interest Rate Benchmark Reform)

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 3: Business Combinations - Reference to the Conceptual Framework (effective 1 January 2022)
- Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use (effective 1 January 2022)
- Amendments to MFRS 137: Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract (effective 1 January 2022)
- Annual Improvements to MFRS Standards 2018 – 2020: MFRS 9, Financial Instruments (effective 1 January 2022)
- MFRS 17, Insurance Contracts (effective 1 January 2023)
- Amendments to MFRS 101: Presentation of Financial Statements - Classification of Liabilities as Current or Non-current (effective 1 January 2023)
- Annual Improvements to MFRS Standards 2018 – 2020: MFRS 16, Leases
- Amendments to MFRS 10 and MFRS 128, 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 workover services for the oil and gas industry; as well as 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 cyclical in the offshore drilling and oilfield services industries.

## **NOTE 3 – Exceptional Items**

As at 31 December 2020, the Group impaired its assets by RM460.6 million. This is after taking into consideration the latest developments in the drilling industry, which is impacted by the volatility in oil prices and global economy and exacerbated by continuing Covid-19 pandemic. As a consequence, it is expected that the oil and gas industry recovery will be slow paced.

## **NOTE 4 – Accounting Estimates**

There were changes made to certain components of the rigs upon the review of assets lifespan and the one-off impact is an additional accelerated rigs depreciation charge of RM22.7 million.

## **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 2020.

## NOTE 7 – Segmental Reporting

### Financial Year Ended 31 December 2020

<b>Business Segment</b>	<b>Revenue RM'000</b>	<b>Profit / (Loss) Before Tax RM'000</b>	<b>Profit / (Loss) Before Tax (Excluding Impairment) RM'000</b>	<b>Profit / (Loss) Attributable to Owners of the Company RM'000</b>
Drilling Services	535,620	(441,043)	19,516	(455,409)
Oilfield Services	10,479	(4,771)	(4,771)	(5,183)
Others (include corporate expenses)	1,262	(31,159)	(31,159)	(31,140)
Inter-segment	(426)	-	-	-
<b>Consolidated Total</b>	<b>546,935</b>	<b>(476,973)</b>	<b>(16,414)</b>	<b>(491,732)</b>

### Financial Year Ended 31 December 2019

<b>Business Segment</b>	<b>Revenue RM'000</b>	<b>Profit / (Loss) Before Tax RM'000</b>	<b>Profit / (Loss) Attributable to Owners of the Company RM'000</b>
Drilling Services	633,080	71,103	65,133
Oilfield Services	37,140	584	(88)
Others (include corporate expenses)	5,161	(29,194)	(31,827)
Inter-segment	(4,625)	-	-
<b>Consolidated Total</b>	<b>670,756</b>	<b>42,493</b>	<b>33,218</b>

With effect from 1 January 2020, the Group has changed its business segments by combining workover and oilfield services together as Oilfield Services segment. Workover services was previously reported under the Drilling Services segment in the comparative report.

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

Other than the above, there has been 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 31 December 2020 to the date of this announcement, which substantially affects the results of the Group for the financial year ended 31 December 2020.

## NOTE 9 – Changes in Composition / Group

There were no changes in the composition of the Group during the financial year ended 31 December 2020.

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

The capital commitments are in respect of the following:

	<b>RM'000</b>	<b>RM'000</b>
<b>Approved and contracted for:</b>		
Land and buildings	-	
Equipment, plant and machinery	11,617	
Others	<u>8,712</u>	20,329
<b>Approved but not contracted for:</b>		
Land and buildings	931	
Equipment, plant and machinery	66,946	
Others	<u>2,843</u>	<u>70,720</u>
<b>Total</b>		<u><u>91,049</u></u>

#### **NOTE 11 - Significant Related Party Transactions**

There were no significant related party transactions for the financial year ended 31 December 2020.

#### **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 2020.



## NOTE 14 – Review of Performance

### Performance of Current Quarter Against the Quarter Ended 31 December 2019 (“corresponding quarter”)

	Revenue		Profit / (Loss) Before Tax		Profit / (Loss) Before Tax (Excluding Impairment)	
	4th Quarter ended 31/12/2020 RM'000	4th Quarter ended 31/12/2019 RM'000	4th Quarter ended 31/12/2020 RM'000	4th Quarter ended 31/12/2019 RM'000	4th Quarter ended 31/12/2020 RM'000	4th Quarter ended 31/12/2019 RM'000
<b>Business Segment</b>						
Drilling Services	95,679	165,940	(473,158)	23,856	(12,599)	23,856
Oilfield Services	2,991	12,078	(880)	(1,294)	(880)	(1,294)
Others (include corporate expenses)	390	84	(9,981)	(7,968)	(9,981)	(7,968)
<b>Total</b>	<b>99,060</b>	<b>178,102</b>	<b>(484,019)</b>	<b>14,594</b>	<b>(23,460)</b>	<b>14,594</b>

### Group

Group revenue of RM99.1 million was 44.4% lower than the corresponding quarter's revenue of RM178.1 million, mainly due to lower activities in both Drilling and Oilfield Services segment.

The Group reported RM484.0 million loss before tax in the current quarter as against corresponding quarter's profit before tax of RM14.6 million. The result includes an impairment loss of RM460.6 million for the rig assets which has been impacted by the volatility in oil prices and global economy and compounded by the Covid-19 pandemic. The loss before tax includes foreign exchange gain of RM14.2 million and additional expense for Covid-19 of RM1.7 million.

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

#### Drilling Services Segment

Drilling Services segment registered a 42.3% decrease in revenue to RM95.7 million in current quarter, mainly due to lower average jack-up rig utilisation of 50% as compared to 86% in the corresponding quarter.

As a result of lower utilisation coupled with a higher one-off depreciation charge of RM22.7 million due to recognition of accelerated rigs depreciation, the Drilling Services segment registered RM12.6 million loss before tax (excluding impairment) against the profit before tax of RM23.9 million reported in the corresponding quarter.

#### Oilfield Services Segment

The Oilfield Services segment recorded a 75.2% decline in revenue to RM3.0 million in the current quarter. This was mainly due to lower revenue from workover services resulted from lower utilisation of hydraulic workover units in the current quarter.

Despite the lower revenue, the Oilfield Services segment recorded lower loss before tax of RM0.9 million against the loss before tax of RM1.3 million reported in the corresponding quarter mainly due to reversal for overprovision of accruals of RM1.1 million made in current quarter.

#### Others Segment (include corporate expenses)

Others segment which include corporate expenses recorded higher loss before tax of RM10.0 million in the current quarter against loss before tax of RM8.0 million reported in the corresponding quarter mainly due to higher foreign exchange loss by RM1.7 million.

## NOTE 14 – Review of Performance (continued)

### Performance of Current Year Against the Financial Year Ended 31 December 2019 (“corresponding year”)

	Revenue		Profit / (Loss) Before Tax		Profit / (Loss) Before Tax (Excluding Impairment)	
	Financial Year ended 31/12/2020 RM'000	Financial Year ended 31/12/2019 RM'000	Financial Year ended 31/12/2020 RM'000	Financial Year ended 31/12/2019 RM'000	Financial Year ended 31/12/2020 RM'000	Financial Year ended 31/12/2019 RM'000
<b>Business Segment</b>						
Drilling Services	535,620	633,080	(441,043)	71,103	19,516	71,103
Oilfield Services	10,479	37,140	(4,771)	584	(4,771)	584
Others (include corporate expenses)	836	536	(31,159)	(29,194)	(31,159)	(29,194)
<b>Total</b>	<b>546,935</b>	<b>670,756</b>	<b>(476,973)</b>	<b>42,493</b>	<b>(16,414)</b>	<b>42,493</b>

### Group

Group revenue of RM546.9 million was 18.5% lower than the corresponding year's revenue of RM670.8 million, mainly due to lower activities in both Drilling and Oilfield Services segment.

Due to the recent Covid-19 pandemic, the Group incurred additional expenses amounting to RM14.5 million in the current year. The Group also recorded a net foreign exchange gain of RM10.3 million and decrease of finance costs by RM27.4 million in the current year.

The Group reported RM477.0 million loss before tax in the current year as compared to profit before tax of RM42.5 million in the corresponding year. The result includes an impairment loss of RM460.6 million for the rig assets which has been impacted by the volatility in oil prices and global economy and compounded by the Covid-19 pandemic.

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

#### Drilling Services Segment

Drilling Services segment registered a 15.4% decrease in revenue to RM535.6 million in current year, mainly due to lower average jack-up rig utilisation of 66% as compared to 80% in the corresponding year.

As a result, the Drilling Services segment registered RM19.5 million profit before tax (excluding impairment) against RM71.1 million profit before tax reported in the corresponding year. The lower profit was largely impacted by a one-off higher depreciation charge of RM22.7 million due to accelerated rigs depreciation being recognised in current year.

#### Oilfield Services Segment

The Oilfield Services segment recorded a lower revenue of RM10.5 million as compared to corresponding year's revenue of RM37.1 million. This was mainly due to lower revenue from workover services resulted from lower utilisation of hydraulic workover units in the current year.

As a result of the above, the Oilfield Services segment recorded a loss before tax of RM4.8 million as compared to a profit before tax of RM0.6 million in the corresponding year.

#### Others Segment (include corporate expenses)

Others segment which include corporate expenses recorded a higher loss before tax of RM31.2 million against RM29.2 million loss before tax reported in the corresponding year.

## NOTE 15 – Comparison with Preceding Quarter’s Results

	Revenue		Profit / (Loss) Before Tax		Profit / (Loss) Before Tax (Excluding Impairment)	
	4th Quarter ended 31/12/2020 RM'000	3rd Quarter ended 30/9/2020 RM'000	4th Quarter ended 31/12/2020 RM'000	3rd Quarter ended 30/9/2020 RM'000	4th Quarter ended 31/12/2020 RM'000	3rd Quarter ended 30/9/2020 RM'000
<b>Business Segment</b>						
Drilling Services	95,679	127,805	(473,158)	14,124	(12,599)	14,124
Oilfield Services	2,991	2,659	(880)	(1,664)	(880)	(1,664)
Others (include corporate expenses)	390	195	(9,981)	(9,615)	(9,981)	(9,615)
<b>Total</b>	<b>99,060</b>	<b>130,659</b>	<b>(484,019)</b>	<b>2,845</b>	<b>(23,460)</b>	<b>2,845</b>

The Group’s revenue of RM99.1 million was 24.2% lower than the preceding quarter’s revenue of RM130.7 million. This was mainly due to lower revenue from Drilling Services as a result of lower average jack-up rig utilisation of 50% as compared to 60% in the preceding quarter.

The Group recorded RM484.0 million loss before tax as compared to a profit before tax of RM2.8 million in the preceding quarter. The current quarter loss before tax was largely impacted by an impairment loss of RM460.6 million for the rig assets which has been impacted by the volatility in oil prices and global economy and compounded by the Covid-19 pandemic. The result also includes a one-off depreciation charge of RM22.7 million due to accelerated rigs depreciation being recognised in the current quarter.

## NOTE 16 – Review of Consolidated Statement of Financial Position

	As at 31/12/2020 RM'000	As at 31/12/2019 RM'000
Total assets	3,454,800	4,265,390
Total equity	2,270,794	2,803,476
Total liabilities	1,184,006	1,461,914
<b>Total equity and liabilities</b>	<b>3,454,800</b>	<b>4,265,390</b>

The Group’s total assets decreased by RM810.6 million or 19.0% mainly due to the decrease in trade receivables and property, plant and equipment which were significantly reduced due to impairment of RM460.6 million and a one-off accelerated depreciation of RM22.7 million during the year.

Total liabilities reduced by RM277.9 million mainly due to reduction in borrowings and payables amounting to RM239.5 million and RM37.8 million respectively during the year. The reduction in borrowings includes a net repayment of revolving credit of RM122.9 million made in the current year.

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 2019.

## **NOTE 17 – Current Prospect**

### **Drilling Services Segment**

The improved outlook on the global economy due to the roll out of Covid-19 vaccine and the change in the United States presidency have a positive impact on the oil price. Further strengthened by the extension of production quota by OPEC+ major producing countries and Saudi Arabia's voluntary additional cut of 1 million barrel per day, the benchmark Brent oil price has been staying above USD60 per barrel since the end of January 2021. The gas price has also improved and expected to average at around USD3.14/MMBTU in 2021. These provide good basis for a recovery in the oil and gas industry, albeit gradually.

There is an increase in the global oil and gas activities including in the drilling sector where a number of contracts have been awarded in the last three months.

In Malaysia, a number of new drilling contracts have been awarded and more tenders are currently under evaluation. The Group is participating in most of these tenders, in addition to a number of tenders in ASEAN countries.

Currently, two of the Group's seven jack-up drilling rigs are working. Another rig is scheduled to commence a three-year contract in Malaysia-Thai Joint Development Area by early April 2021. Two more rigs are being mobilised to start contracts in offshore Malaysia in April and May respectively. At present, the Group is continuing to tender and negotiate for new contracts for 2021 and beyond.

### **Oilfield Services Segment**

The demand for workover and plug and abandonment activities is improving in line with PETRONAS Activity Outlook 2021-2023. The Group is currently bidding for a number of available contracts being floated.

A gradual recovery in demand is also seen for the Group's oilfield services operation in China.

### **Group**

Due to the slow pace of recovery in global economy and the oil and gas industry, the Board is of the opinion that the financial performance for 2021 will continue to be challenging.

## **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

	<b>4th Quarter ended 31/12/2020 RM'000</b>	<b>Financial Year ended 31/12/2020 RM'000</b>
Taxation for current period	6,226	11,717
Taxation for prior period	3,042	3,042
Total	9,268	14,759

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 tax charge of RM6,226,000 and RM11,717,000 for the current quarter and financial year ended 31 December 2020, respectively while RM3,042,000 relates to an under provision for prior period.

## NOTE 21 – Corporate Proposals

As at the latest practicable date, the issued share capital of the Company is RM4,054,817,171 comprising 8,215,600,000 ordinary shares of the Company. The credit of RM2,210,000,000 arising from the Proposed Share Capital Reduction was set-off against the accumulated losses of the Company.

The shareholders of the Company had on 29 June 2020 approved the Proposed Share Capital Reduction, which entails the reduction and cancellation of RM2,210,000,000 of its issued share capital pursuant to Section 116 of the Companies Act, 2016 (“Act”) (“Proposed Share Capital Reduction”). An order by the High Court confirming the Proposed Share Capital Reduction has been lodged with the Registrar of Companies on 21 October 2020. Pursuant thereto, the Proposed Share Capital Reduction shall therefore take effect and be deemed completed on 21 October 2020. The Registrar of Companies has on 8 February 2021 issued a Notice of confirming reduction of share capital that on 21 October 2020, all the requirements with respect to reduction of share capital of the Company has been complied and that the share capital of the Company is as stated in the High Court order dated 13 October 2020. The reduced Share Capital has been incorporated in the financial statement of the Company for the financial year ended 31 December 2020.

Other than the above, there were no other corporate proposals announced but not completed at the date of this announcement.

## NOTE 22 – Group Borrowings and Debt Securities

	<b>USD'000 borrowings</b>	<b>RM'000 equivalent</b>
Short term borrowings		
- Secured		
Revolving credit	20,000	80,620
Term loans payable within 12 months	26,150	105,410
Less: Transaction cost	-	(3,093)
	<hr/> 46,150	<hr/> 182,937
Long term borrowings		
- Secured		
Long term loan	244,272	984,660
Term loans payable within 12 months	(26,150)	(105,410)
Less: Transaction cost	-	(8,385)
	<hr/> 218,122	<hr/> 870,865
Total	<hr/> <b>264,272</b>	<hr/> <b>1,053,802</b>

**NOTE 22 – Group Borrowings and Debt Securities (continued)**

<b>Movements of Borrowings</b>	<b>Revolving Credit RM '000</b>	<b>Short Term Borrowings RM '000</b>	<b>Long Term Borrowings RM '000</b>	<b>Total RM '000</b>
At 1 January 2020	205,050	97,610	990,592	1,293,252
Unamortised transaction costs	-	9,631	11,168	20,799
Gross Borrowings at 1 January 2020	205,050	107,241	1,001,760	1,314,051
Effect of changes in foreign exchange rate	(1,555)	(1,831)	(17,100)	(20,486)
Drawdown	28,217	-	-	28,217
Repayment	(151,092)	(105,410)	-	(256,502)
	80,620	-	984,660	1,065,280
Unamortised transaction costs	-	(3,093)	(8,385)	(11,478)
Amount payable within 12 months	-	105,410	(105,410)	-
At 31 December 2020	80,620	102,317	870,865	1,053,802

**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 11 December 2019, the Makati Court had granted VED’s application for clarification and confidential treatment of information in the Petition for publication. The Petition was published in Philippines on 3 February 2020.

After several adjournments due to quarantine order to curb the Covid-19 pandemic declared in certain regions in Philippines, the matter was heard by the Makati Court on 24 November 2020 whereby the Court has admitted the exhibits submitted for decision. As of 31 December 2020, the decision by the Makati Court is in prospect, which would be made in due course by the Court.

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 31 December 2020.

**NOTE 25 – Earnings Per Share**

	Quarter Ended 31/12/2020	Quarter Ended 31/12/2019	(Unaudited) Financial Year Ended 31/12/2020	(Audited) Financial Year Ended 31/12/2019
<b>Profit / (Loss) For The Period</b>				
<b>Attributable To:</b>				
Equity Holders Of The Company (RM'000)	(493,287)	10,203	(491,732)	33,218
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	-	1,225	-	1,225
- Diluted	8,215,600	8,216,825	8,215,600	8,216,825
<b>Earnings / (Loss) Per Share Attributable To Equity Holders Of The Company:</b>				
- Basic (Sen)	(6.00)	0.12	(5.99)	0.40
- Diluted (Sen)	(6.00)	0.12	(5.99)	0.40

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 2019 was not qualified.

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

	4th Quarter ended 31/12/2020 RM'000	Financial Year ended 31/12/2020 RM'000
(a) Interest income	381	3,234
(b) Other investment Income	768	3,676
(c) Depreciation and amortisation	(71,702)	(242,699)
(d) Impairment of assets	(460,559)	(460,559)
(e) Net foreign exchange gain	14,217	10,316

**By Order Of The Board**

**LEE MI RYOUNG**  
Secretary  
(MAICSA 7058423)

Kuala Lumpur  
24 March 2021