

# VELESTO ENERGY BERHAD

(COMPANY NO : 200901035667)

(INCORPORATED IN MALAYSIA)

## Unaudited Condensed Consolidated Statement Of Comprehensive Income For The Fourth Quarter Ended 31 December 2021

	Quarter Ended 31/12/2021 RM'000	Quarter Ended 31/12/2020 RM'000	(Unaudited) Year Ended 31/12/2021 RM'000	(Audited) Year Ended 31/12/2020 RM'000
<b><u>Continuing Operations</u></b>				
Revenue	158,485	99,061	377,509	546,936
Operating Expenses	(147,512)	(116,093)	(520,162)	(511,854)
Asset Written Off	(1,689)	(2,919)	(465,864)	(2,919)
Impairment Provisions	-	(461,755)	-	(461,755)
Other Operating Income	3,850	10,021	563,597	10,571
<b>Profit / (Loss) From Operations</b>	<b>13,134</b>	<b>(471,685)</b>	<b>(44,920)</b>	<b>(419,021)</b>
Finance Costs	(8,097)	(13,568)	(39,843)	(65,089)
Share Of Results Of Associated Company	34	85	153	227
Investment Income	142	1,149	2,395	6,910
<b>Profit / (Loss) Before Tax From Continuing Operations</b>	<b>5,213</b>	<b>(484,019)</b>	<b>(82,215)</b>	<b>(476,973)</b>
Taxation	212	(9,268)	(8,609)	(14,759)
<b>Profit / (Loss) From Continuing Operations, Net Of Tax</b>	<b>5,425</b>	<b>(493,287)</b>	<b>(90,824)</b>	<b>(491,732)</b>
<b><u>Other Comprehensive (Loss) / Income:</u></b>				
Foreign Currency Translation	(8,515)	(92,407)	76,014	(44,558)
Other Comprehensive (Loss) / Income, Net Of Tax	(8,515)	(92,407)	76,014	(44,558)
<b>Total Comprehensive Loss For The Period</b>	<b>(3,090)</b>	<b>(585,694)</b>	<b>(14,810)</b>	<b>(536,290)</b>
<b><u>Profit / (Loss) For The Period Attributable To:</u></b>				
Equity Holders Of The Company	5,425	(493,287)	(90,824)	(491,732)
Non-controlling Interests	-	-	-	-
	<b>5,425</b>	<b>(493,287)</b>	<b>(90,824)</b>	<b>(491,732)</b>
<b><u>Total Comprehensive Loss Attributable To:</u></b>				
Equity Holders Of The Company	(3,079)	(585,685)	(14,810)	(536,241)
Non-controlling Interests	(11)	(9)	-	(49)
	<b>(3,090)</b>	<b>(585,694)</b>	<b>(14,810)</b>	<b>(536,290)</b>
<b><u>Earnings / (Loss) Per Share Attributable To Equity Holders Of The Company:</u></b>				
Basic (Sen)	0.07	(6.00)	(1.11)	(5.99)
Diluted (Sen)	0.07	(6.00)	(1.11)	(5.99)

(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 2020)

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

	<b>(Unaudited)</b> <b>As At</b> <b>31/12/2021</b> <b>RM'000</b>	<b>(Audited)</b> <b>As At</b> <b>31/12/2020</b> <b>RM'000</b>
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	2,293,056	2,720,739
Right-of-use Assets	10,041	9,990
Investment In Associate	1,077	1,877
	<u>2,304,174</u>	<u>2,732,606</u>
<b>Current Assets</b>		
Inventories	173,518	199,614
Other Investments	22,531	97,938
Trade Receivables	177,579	147,092
Other Receivables	33,178	15,724
Deposits, Cash & Bank Balances	293,513	261,234
	<u>700,319</u>	<u>721,602</u>
<b>TOTAL ASSETS</b>	<u>3,004,493</u>	<u>3,454,208</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity Attributable To The Equity Holders Of The Company</b>		
Share Capital	1,844,817	1,844,817
Capital Contribution - ESOS	10,842	7,525
Warrant Reserve	211,876	211,876
Other Reserves	709,561	633,547
Accumulated Losses	(518,994)	(428,170)
	<u>2,258,102</u>	<u>2,269,595</u>
Non-controlling Interests	-	1,211
<b>TOTAL EQUITY</b>	<u>2,258,102</u>	<u>2,270,806</u>
<b>Non-Current Liabilities</b>		
Long Term Borrowings	302,110	871,139
Lease Liabilities	5,639	5,719
	<u>307,749</u>	<u>876,858</u>
<b>Current Liabilities</b>		
Taxation	3,898	7,903
Short Term Borrowings	279,916	182,663
Lease Liabilities	3,173	5,577
Trade Payables	94,882	89,516
Other Payables	56,773	20,885
	<u>438,642</u>	<u>306,544</u>
<b>TOTAL LIABILITIES</b>	<u>746,391</u>	<u>1,183,402</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>3,004,493</u>	<u>3,454,208</u>
<b>Net Assets Per Share (RM)</b>	<b>0.2749</b>	<b>0.2763</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 2020)

## VELESTO ENERGY BERHAD

### Unaudited Condensed Consolidated Statement Of Changes In Equity For The Year Ended 31 December 2021

	← Non - Distributable →					Gain On Derecognition of Financial Liabilities		Distributable		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	Accumulated Losses RM'000	Total 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	

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

	← Non - Distributable →					Gain On Derecognition of Financial Liabilities		Distributable		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	Accumulated Losses RM'000	Total 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	-	-	-	-	(44,509)	-	(491,732)	(536,241)	(49)	(536,290)	
At 31 December 2020	1,844,817	7,525	211,876	698	554,704	78,145	(428,170)	2,269,595	1,211	2,270,806	

(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 2020)

## VELESTO ENERGY BERHAD

### Unaudited Condensed Consolidated Statement Of Cash Flows For The Year Ended 31 December 2021

	(Unaudited) Year Ended 31/12/2021 RM'000	(Audited) Year Ended 31/12/2020 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss Before Tax	(82,215)	(476,973)
Adjustments For:		
Depreciation & Amortisation	157,013	242,651
Asset Written Off	465,864	2,919
Impairment and Other Provisions	36,502	461,755
Insurance Claim	(560,850)	-
Interest Expense	39,843	65,089
Share Of Results Of Associated Company	(153)	(227)
Investment Income	(2,395)	(6,910)
Gain On Liquidation Of Subsidiaries	(2,102)	-
Net Gain On Disposal Of Property, Plant & Equipment	-	(31)
Provision For Unutilised Leave	204	409
Net Unrealised Foreign Exchange Loss / (Gain)	5,818	(2,746)
Net Fair Value (Gain) / Loss On Money Market Fund	(275)	33
Share Options Granted Under ESOS	3,317	3,620
Operating Profit Before Working Capital Changes	60,571	289,589
(Increase) / Decrease In Receivables	(33,125)	126,635
Decrease / (Increase) In Inventories	5,832	(17,386)
Increase / (Decrease) In Payables	(6,084)	(44,005)
Cash Generated From Operating Activities	27,194	354,833
Interest Paid	(35,385)	(59,260)
Taxes Paid	(20,622)	(9,917)
Net Cash (Used In) / Generated From Operating Activities	(28,813)	285,656
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase Of Property, Plant & Equipment	(82,083)	(58,786)
Proceeds From Disposal Of Property, Plant & Equipment	350	191
Proceeds From Insurance Claim	560,850	-
Proceeds From Liquidation of Subsidiaries	1,301	-
Interest Received	2,395	7,026
Dividend Received From Associate	953	334
Net Withdrawal Of Investments In Money Market Fund	76,697	25,927
Net Cash Generated From / (Used In) Investing Activities	560,463	(25,308)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Movement In Short Term Borrowings	90,986	(235,454)
Repayment Of Long Term Borrowings	(606,481)	-
Payment Of Lease Liabilities	(2,884)	(1,235)
Net Movement In Restricted Cash Deposits In Licensed Bank	54,967	13,801
Net Cash Used In Financing Activities	(463,412)	(222,888)
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>	68,238	37,460
<b>CASH AND CASH EQUIVALENTS AS AT 1 JANUARY</b>	203,331	168,279
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>	19,008	(2,408)
<b>CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER</b>	290,577	203,331
<b>Cash and Cash Equivalents comprise:</b>		
Deposits, Cash & Bank Balances	293,513	261,234
Less: Restricted Cash	(2,936)	(57,903)
	290,577	203,331

(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 2020)

## 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 2020 except for the adoption of the following MFRS/Amendments/Interpretations effective on or after 1 January 2021:

- Amendments to MFRS 4 Insurance Contracts (Interest Rate Benchmark Reform-Phase 2)
- Amendments to MFRS 7: Financial Instruments - Disclosures (Interest Rate Benchmark Reform-Phase 2)
- Amendments to MFRS 9: Financial Instruments (Interest Rate Benchmark Reform-Phase 2)
- Amendments to MFRS 16 Leases (Interest Rate Benchmark Reform-Phase 2)
- Amendments to MFRS 139: Financial Instruments: Recognition and Measurement (Interest Rate Benchmark Reform-Phase 2)
- Amendments to MFRS 16: Leases (Covid-19-Related Rent Concessions beyond 30 June 2021)

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 1 First-time Adoption of Malaysian Financial Reporting Standards - Annual Improvements to MFRS Standards 2018-2020 (effective 1 January 2022)
- Amendments to MFRS 3: Business Combinations - Reference to the Conceptual Framework (effective 1 January 2022)
- Amendments to MFRS 9 Financial Instruments - Annual Improvements to MFRS Standards 2018-2020 (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)
- MFRS 17, Insurance Contracts (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 101: Presentation of Financial Statements - Classification of Liabilities as Current or Non-current (effective 1 January 2023)
- Amendments to MFRS 101: Presentation of Financial Statements - Disclosure of Accounting Policies (effective 1 January 2023)
- Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023)
- 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**

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 2021.

## **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 2021.

## NOTE 7 – Segmental Reporting

### Financial Year Ended 31 December 2021

<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	359,294	(41,501)	(49,557)
Oilfield Services	17,074	(5,480)	(5,836)
Others (include corporate expenses)	2,438	(35,234)	(35,431)
Inter-segment	(1,297)	-	-
<b>Consolidated Total</b>	<b>377,509</b>	<b>(82,215)</b>	<b>(90,824)</b>

### 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) Attributable to Owners of the Company RM'000</b>
Drilling Services	535,620	(441,043)	(455,409)
Oilfield Services	10,479	(4,771)	(5,183)
Others (include corporate expenses)	1,264	(31,159)	(31,140)
Inter-segment	(427)	-	-
<b>Consolidated Total</b>	<b>546,936</b>	<b>(476,973)</b>	<b>(491,732)</b>

## NOTE 8 – Subsequent Material Events

There has been no material event or transaction during the period from 31 December 2021 to the date of this announcement, which substantially affects the results of the Group for the financial year ended 31 December 2021.

## NOTE 9 – Changes in the Group Composition

There were no changes in the composition of the Group during the financial year ended 31 December 2021.

#### **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	61,528	
Others	<u>4,791</u>	66,319
<b>Approved but not contracted for:</b>		
Land and buildings	4,447	
Equipment, plant and machinery	97,066	
Others	<u>6,402</u>	107,915
<b>Total</b>		<u><u>174,234</u></u>

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

There were no significant related party transactions for the financial year ended 31 December 2021.

#### **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 2021.



## NOTE 14 – Review of Performance

### Performance of Current Quarter Against the Quarter Ended 31 December 2020 (“corresponding quarter”)

Business Segment	Revenue		Profit / (Loss) Before Tax	
	4th Quarter ended 31/12/2021 RM'000	4th Quarter ended 31/12/2020 RM'000	4th Quarter ended 31/12/2021 RM'000	4th Quarter ended 31/12/2020 RM'000
Drilling Services	151,040	95,679	14,670	(473,158)
Oilfield Services	7,063	2,991	(1,524)	(880)
Others (include corporate expenses)	382	391	(7,933)	(9,981)
<b>Total</b>	<b>158,485</b>	<b>99,061</b>	<b>5,213</b>	<b>(484,019)</b>

#### Group

Group revenue of RM158.5 million was 60.0% higher than the corresponding quarter's revenue of RM99.1 million, mainly due to higher activities in Drilling and Oilfield segment during the quarter.

Consequently, the Group reported RM5.2 million profit before tax in the current quarter against corresponding quarter's loss before tax of RM484.0 million (corresponding quarter's result is inclusive of RM461.8 million impairment loss of rig assets).

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

#### Drilling Services Segment

Drilling Services segment registered a 57.9% increase in revenue to RM151.0 million in current quarter, mainly due to higher average jack-up rig utilisation of 78% (based on 6 rigs capacity) as compared to 50% (based on 7 rigs capacity) in the corresponding quarter.

As a result of the above, the Drilling Services segment registered a profit before tax of RM14.7 million against the loss before tax of RM473.2 million (inclusive of RM461.8 million impairment loss of rig assets) reported in the corresponding quarter.

#### Oilfield Services Segment

The Oilfield Services segment recorded an increase in revenue by 136.1% to RM7.1 million in the current quarter as compared to RM3.0 million in the corresponding quarter.

Despite the higher revenue, the Oilfield Services segment recorded higher loss before tax of RM1.5 million against RM0.9 million loss reported in the corresponding quarter mainly due to reversal for overprovision of accruals of RM1.1 million in the corresponding quarter.

#### Others Segment (include corporate expenses)

Others segment which include corporate expenses recorded lower loss before tax of RM7.9 million in the current quarter against RM10.0 million loss reported in the corresponding quarter mainly due to net foreign exchange gain of RM0.3 million against net foreign exchange loss of RM2.0 million in the corresponding quarter.

## NOTE 14 – Review of Performance (continued)

### Performance of Current Year Against the Financial Year Ended 31 December 2020 (“corresponding year”)

	Revenue		Profit / (Loss) Before Tax	
	Financial year ended 30/12/2021 RM'000	Financial year ended 30/12/2020 RM'000	Financial year ended 30/12/2021 RM'000	Financial year ended 30/12/2020 RM'000
<b>Business Segment</b>				
Drilling Services	359,294	535,620	(41,501)	(441,043)
Oilfield Services	17,074	10,479	(5,480)	(4,771)
Others (include corporate expenses)	1,141	837	(35,234)	(31,159)
<b>Total</b>	<b>377,509</b>	<b>546,936</b>	<b>(82,215)</b>	<b>(476,973)</b>

#### Group

Group revenue of RM377.5 million was 31.0% lower than the corresponding year's revenue of RM546.9 million, mainly due to lower activities in Drilling segment.

However, the Group reported lower loss before tax of RM82.2 million in the current year against corresponding year's loss before tax of RM477.0 million mainly due to recognition of impairment loss of rig assets of RM461.8 million in FY2020.

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

#### Drilling Services Segment

Drilling Services segment registered a 32.9% decrease in revenue to RM359.3 million in current year, mainly due to lower average jack-up rig utilisation of 48% (based on 6 rigs capacity starting Q3 2021) as compared to 66% (based on 7 rigs capacity) in the corresponding year.

The Drilling Services segment registered a lower loss before tax of RM41.5 million against RM441.0 million loss reported in the corresponding year. The current year result includes the recognition of insurance claim of RM560.9 million in relation to Naga 7 incident while corresponding year results is inclusive of recognition of impairment loss of rig assets amounting to RM461.8 million.

#### Oilfield Services Segment

The Oilfield Services segment recorded higher revenue by 62.9% to RM17.1 million in the current year as compared to RM10.5 million in the corresponding year mainly from higher activities in Workover and Oilfield Services (Tianjin).

The Oilfield Services segment recorded a slightly higher loss before tax of RM5.5 million against RM4.8 million loss reported in the corresponding year mainly due to reactivation and start-up costs incurred for Workover contract in Vietnam in the current year.

#### Others Segment (include corporate expenses)

Others segment which include corporate expenses recorded higher loss before tax of RM35.2 million in the current year against RM31.2 million loss reported in the corresponding year mainly due to higher net foreign exchange loss of RM2.8 million against RM0.9 million net foreign exchange loss in the corresponding year and lower investment income by RM2.3 million.

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

	Revenue		Profit / (Loss) Before Tax	
	4th Quarter ended 31/12/2021 RM'000	3rd Quarter ended 30/09/2021 RM'000	4th Quarter ended 31/12/2021 RM'000	3rd Quarter ended 30/09/2021 RM'000
<b>Business Segment</b>				
Drilling Services	151,040	87,236	14,670	(37,526)
Oilfield Services	7,063	4,134	(1,524)	(1,572)
Others (include corporate expenses)	382	172	(7,933)	(8,852)
<b>Total</b>	<b>158,485</b>	<b>91,542</b>	<b>5,213</b>	<b>(47,950)</b>

The Group’s revenue of RM158.5 million was 73.1% higher than the preceding quarter’s revenue of RM91.5 million. This was mainly due to higher revenue from Drilling Services as a result of higher average jack-up rig utilisation of 78% (based on 6 rigs capacity) as compared to 51% (based on 6 rigs capacity) in the preceding quarter as well as higher revenue from Oilfield Services for Workover contract in Vietnam.

As a result, the Group recorded a profit before tax of RM5.2 million against loss before tax of RM48.0 million in the preceding quarter.

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

	As at 31/12/2021 RM'000	As at 31/12/2020 RM'000
Total assets	3,004,493	3,454,208
Total equity	2,258,102	2,270,806
Total liabilities	746,391	1,183,402
<b>Total equity and liabilities</b>	<b>3,004,493</b>	<b>3,454,208</b>

The Group’s total assets decreased by RM449.7 million mainly due to assets written off in relation to Naga 7 incident.

Total equity decreased by RM12.7 million mainly due to current year loss incurred.

Total liabilities reduced by RM437.0 million mainly due to reduction in borrowings by RM471.8 million resulted from early repayment of borrowings through utilisation of the insurance claim proceeds and partially offset with higher trade and other payables by RM41.3 million.

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 2020.

## **NOTE 17 – Current Prospect**

### **Drilling Services Segment**

The oil and gas outlook continues to improve due to global economic recovery which causes a strain in the energy supply. With the constraints in production capacity of major oil producers due to prolonged lack of investment during the downturn period, the supply is insufficient to meet the increasing demand as more economies open up. OPEC+ are also struggling to deliver their allowable quotas due to limitation in production capacity. This has stabilised the benchmark Brent oil price at above USD80 per barrel since early this year with the price recently breaching USD98 per barrel. In the longer term, the price of oil is expected to be stable at a high level despite occasional temporary disruptions due to production outages and geopolitical and trade conflicts.

The gas market is also on the high side with the Henry Hub natural gas price at around USD5 per million BTU, reflecting an increased demand due to recovering economies and more emphasis being put on clean energy.

With more countries moving from pandemic to endemic phase of Covid-19, there is a lesser likelihood for a reversal in the global economic recovery. The recovery in the oil and gas industry is also expected to be sustainable for a longer future.

At present the upstream activities are continuing with more exploration and development projects commencing globally. In Malaysia, a number of new contracts have been awarded with a few more being tendered out. The Group is actively bidding for new tenders for contracts scheduled to be performed this year.

Currently, two of the Group's six available jack-up drilling rigs are working while another one is being prepared for mobilisation in early April. The remaining rigs are being readied, which includes upgrading the asset capabilities for potential contracts currently being tendered.

### **Oilfield Services Segment**

The prospect for oilfield services segment is improving with a number of tenders being issued in the southeast Asia region for work this year, especially for the Plug & Abandonment (P&A) activities. The Group is currently bidding for a number of available contracts, both locally and overseas.

A letter of award has been received for one of the Group's Hydraulic Workover Unit ("HWU") for a one year contract in Malaysia scheduled to commence in the 3<sup>rd</sup> quarter of this year.

A gradual demand recovery is also seen for the oilfield services operation in China with the Group's subsidiary there securing a number of new contracts.

### **Group**

The gradual recovery in the global economy augurs well for the oil and gas industry and the Group. While the recovery is expected to improve the outlook for the Group, the impact will take some time to be realised. Barring any unforeseen circumstances, the Board remains cautiously optimistic on the financial performance of the Group in 2022.

**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 31/12/2021 RM'000</b>	<b>Financial year ended 31/12/2021 RM'000</b>
Taxation for current year	1,469	6,829
Taxation for prior year	(1,681)	1,780
<b>Total</b>	<b>(212)</b>	<b>8,609</b>

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 RM1.5 million for the current quarter and RM6.8 million for the year ended 31 December 2021, while tax recoverable of RM1.7 million for the quarter and tax charge of RM1.8 million for the year ended 31 December 2021 respectively relates to a net over and under provision 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**

	<b>USD'000 borrowings</b>	<b>RM'000 borrowings</b>	<b>RM'000 equivalent</b>
Short term borrowings			
- Secured			
USD revolving credit	53,500	-	223,416
RM revolving credit	-	56,500	56,500
	<u>53,500</u>	<u>56,500</u>	<u>279,916</u>
Long term borrowings			
- Secured			
Long term loan	73,800	-	308,189
Less: Transaction cost	-	-	(6,079)
	<u>73,800</u>	<u>-</u>	<u>302,110</u>
<b>Total</b>	<u><u>127,300</u></u>	<u><u>56,500</u></u>	<u><u>582,026</u></u>

**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 2021	80,620	102,043	871,139	1,053,802
Unamortised transaction costs	-	3,367	8,112	11,479
Gross Borrowings at 1 January 2021	80,620	105,410	879,251	1,065,281
Effect of changes in foreign exchange rate	2,900	-	35,419	38,319
Drawdown	196,396	-	-	196,396
Repayment	-	(105,410)	(606,481)	(711,891)
	279,916	-	308,189	588,105
Unamortised transaction costs	-	-	(6,079)	(6,079)
At 31 December 2021	279,916	-	302,110	582,026

As of 31 December 2021, we received RM560.9 million insurance claim. All of the proceeds received have been utilised to pare down our borrowings.

**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, albeit impeded by COVID-19 situation in country, 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 year ended 31 December 2021.

**NOTE 25 – Earnings Per Share**

	<b>4th Quarter Ended 31/12/2021</b>	<b>4th Quarter Ended 31/12/2020</b>	<b>(Unaudited) Financial Year Ended 31/12/2021</b>	<b>(Audited) Financial Year Ended 31/12/2020</b>
<b>Profit / (Loss) For The Period Attributable To:</b>				
Equity Holders Of The Company (RM'000)	5,425	(493,287)	(90,824)	(491,732)
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
<b>Earnings / (Loss) Per Share Attributable To Equity Holders Of The Company:</b>				
- Basic (Sen)	0.07	(6.00)	(1.11)	(5.99)
- Diluted (Sen)	0.07	(6.00)	(1.11)	(5.99)

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 2020 was not qualified.

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

	<b>4th Quarter ended 31/12/2021 RM'000</b>	<b>Financial Year ended 31/12/2021 RM'000</b>
(a) Interest income	(114)	840
(b) Other investment Income	256	1,555
(c) Depreciation and amortisation	(39,274)	(157,013)
(d) Net foreign exchange loss	341	(4,507)

**By Order Of The Board**

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

**SAZLYNA SAPIEE**  
Joint Secretary  
(MIA 19254)

Kuala Lumpur  
28 February 2022