

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 2023

	Quarter Ended 31/12/2023 RM'000	Quarter Ended 31/12/2022 RM'000	(Unaudited) Year Ended 31/12/2023 RM'000	(Audited) Year Ended 31/12/2022 RM'000
Revenue	358,885	243,071	1,214,688	580,853
Operating Expenses	(270,343)	(251,137)	(1,053,959)	(643,605)
Other Operating Income	104	8,174	791	9,216
Profit / (Loss) From Operations	88,646	108	161,520	(53,536)
Finance Costs	(10,124)	(11,612)	(44,517)	(31,836)
Share of Results of Associate	49	42	93	155
Investment Income	1,294	675	4,132	3,447
Profit / (Loss) Before Tax	79,865	(10,787)	121,228	(81,770)
Taxation	(13,181)	(15,214)	(21,703)	(18,632)
Profit / (Loss), Net of Tax	66,684	(26,001)	99,525	(100,402)
Other Comprehensive Income:				
Foreign Currency Translation	28,316	(141,439)	93,552	124,846
Other Comprehensive Income / (Loss), Net of Tax	28,316	(141,439)	93,552	124,846
Total Comprehensive Income / (Loss) For The Year	95,000	(167,440)	193,077	24,444
Profit / (Loss) For The Year Attributable To:				
Equity Holders of the Company	66,684	(26,001)	99,525	(100,402)
Total Comprehensive Income / (Loss) Attributable To:				
Equity Holders of the Company	95,000	(167,440)	193,077	24,444
Earnings / (Loss) Per Share Attributable To Equity Holders of the Company:				
Basic / Diluted (Sen)	0.81	(0.32)	1.21	(1.22)

(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 2022)

VELESTO ENERGY BERHAD

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



Unaudited Condensed Consolidated Statement Of Financial Position As At 31 December 2023

	Unaudited As At 31/12/2023 RM'000	Audited As At 31/12/2022 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	2,421,587	2,408,145
Right-of-use Assets	8,430	7,950
Investment In Associate	1,330	1,236
	<u>2,431,347</u>	<u>2,417,331</u>
Current Assets		
Inventories	178,709	185,196
Other Investment	6,640	-
Trade and Other Receivables	367,465	359,148
Tax Recoverable	1,885	7,659
Deposits, Cash & Bank Balances	125,575	120,028
	<u>680,274</u>	<u>672,031</u>
TOTAL ASSETS	<u>3,111,621</u>	<u>3,089,362</u>
EQUITY AND LIABILITIES		
Equity Attributable To The Equity Holders Of The Company		
Share Capital	1,844,817	1,844,817
Share Options Reserve	9,739	9,961
Warrant Reserve	211,876	211,876
Other Reserves	927,959	834,407
Accumulated Losses	(518,857)	(619,396)
TOTAL EQUITY	<u>2,475,534</u>	<u>2,281,665</u>
Non-Current Liabilities		
Long Term Borrowings	244,326	306,277
Lease Liabilities	3,386	4,067
	<u>247,712</u>	<u>310,344</u>
Current Liabilities		
Taxation	5,938	2,076
Short Term Borrowings	114,288	254,950
Lease Liabilities	4,097	2,915
Trade and Other Payables	264,052	237,412
	<u>388,375</u>	<u>497,353</u>
TOTAL LIABILITIES	<u>636,087</u>	<u>807,697</u>
TOTAL EQUITY AND LIABILITIES	<u>3,111,621</u>	<u>3,089,362</u>
Net Assets Per Share (RM)	0.30	0.28

(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 2022)

VELESTO ENERGY BERHAD

COMPANY NO : 200901035667 (878786-H)
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Unaudited Condensed Consolidated Statement Of Changes In Equity

	← 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 Equity RM'000	
For The Year Ended 31 December 2023									
At 1 January 2023	1,844,817	9,961	211,876	698	755,564	78,145	(619,396)	2,281,665	
Transactions With Owners:									
Share Options Adjustment	-	(222)	-	-	-	-	1,014	792	
Total Comprehensive Income	-	-	-	-	93,552	-	99,525	193,077	
At 31 December 2023	1,844,817	9,739	211,876	698	849,116	78,145	(518,857)	2,475,534	
For The Year Ended 31 December 2022									
At 1 January 2022	1,844,817	10,842	211,876	698	630,718	78,145	(518,994)	2,258,102	
Transactions With Owners:									
Share Options Adjustment	-	(881)	-	-	-	-	-	(881)	
Total Comprehensive Income / (Loss)	-	-	-	-	124,846	-	(100,402)	24,444	
At 31 December 2022	1,844,817	9,961	211,876	698	755,564	78,145	(619,396)	2,281,665	

(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 2022)

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 2023

	(Unaudited) 12 Months Ended 31/12/2023 RM'000	(Audited) 12 Months Ended 31/12/2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) Before Tax	121,228	(81,770)
Adjustments		
Depreciation & Amortisation	203,439	167,928
Interest Expense	44,517	31,836
Net Unrealised Foreign Exchange Gain	(2,315)	(8,503)
Asset Written Off	928	1,224
Share of Results of Associate	(93)	(155)
Investment Income	(4,015)	(3,447)
(Reversal of) / Allowance for Impairment Losses of Trade Receivables	(709)	3,474
(Reversal of) / Provision for Unutilised Leave	(103)	477
Share Options Granted / (Lapsed) Under ESOS	792	(881)
Loss on Disposal of Property, Plant and Equipment	24	-
Net Fair Value Gain on Investment in Money Market Fund	(118)	-
Reversal of Impairment Loss on Property, Plant and Equipment	-	(745)
Operating Profit Before Working Capital Changes	<u>363,575</u>	<u>109,438</u>
Increase in Receivables	(10,300)	(143,007)
Decrease / (Increase) in Inventories	13,601	(2,591)
Increase in Payables	28,380	47,633
Cash Generated From Operating Activities	<u>395,256</u>	<u>11,473</u>
Net Taxes Paid	(12,067)	(14,615)
Net Cash Generated From / (Used In) Operating Activities	<u>383,189</u>	<u>(3,142)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, Plant & Equipment	(119,086)	(147,391)
Interest Received	3,840	3,333
Movement of Investments in Money Market Fund	(6,522)	22,540
Movement in Deposits Placement With Maturity of More Than 3 months	-	46,076
Net Cash Used In Investing Activities	<u>(121,768)</u>	<u>(75,442)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Repayment of Borrowings	(225,734)	(50,984)
Interest Paid	(41,724)	(23,303)
Payment of Lease Liabilities	(3,698)	(4,007)
Net Movement In Restricted Cash Deposits in Licensed Bank	939	(3,769)
Net Cash Used In Financing Activities	<u>(270,217)</u>	<u>(82,063)</u>
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	(8,796)	(160,647)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	113,323	244,500
EFFECTS OF EXCHANGE RATE CHANGES	15,282	29,470
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	<u>119,809</u>	<u>113,323</u>
Cash and Cash Equivalents comprise:		
Deposits, Cash & Bank Balances	125,575	120,028
Less: Restricted Cash	(5,766)	(6,705)
	<u>119,809</u>	<u>113,323</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 2022)

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 2022 except for the adoption of the following MFRS/Amendments/Interpretations effective on or after 1 January 2023:

- Amendments to MFRS 101: Presentation of Financial Statements
 - Disclosure of Accounting Policies
- Amendments to MFRS 101: Presentation of Financial Statements
 - Classification of Liabilities as Current or Non-current
- Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors
 - Definition of Accounting Estimates
- Amendments to MFRS 112: Income Taxes
 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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:

- 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;
- (b) the provision of integrated services includes workover operations for the oil and gas industry; and
- (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 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 2023.

NOTE 4 – Accounting Estimates

There were no changes in estimates that have a material effect in the current financial year, other than as disclosed in these interim financial statements.

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 – Dividend

The Board of Directors has declared interim dividend of 0.25 sen per share in respect of financial year 2023 amounting to RM20.539 million. The proposed dividend will be paid on 24 May 2024 to shareholders registered at the close of business on 25 April 2024.

A depositor shall qualify for entitlement to the dividend only in respect of:

- i) Shares transferred into the Depositor's Securities Account before 4.30pm on 25 April 2024 in respect of Ordinary Transfers; and
- ii) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of Bursa Malaysia Securities Berhad.

The financial statements for the current financial year do not reflect this interim dividend which will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2024.

NOTE 7 – Segmental Reporting

Quarter Ended 31 December 2023

Business Segment	Revenue	Profit / (Loss)	Profit / (Loss)
	RM'000	Before Tax	Attributable to Owners of the Company
	RM'000	RM'000	RM'000
Drilling Services	234,459	85,003	71,938
<i>Drilling</i>	198,773	78,798	65,733
<i>Drilling (i-RDC)</i>	35,686	6,205	6,205
Integrated Project Management	121,620	12,352	12,390
<i>Workover Services</i>	15,621	(289)	(251)
<i>i-RDC</i>	141,685	18,846	18,846
<i>Drilling (i-RDC)</i>	(35,686)	(6,205)	(6,205)
Oilfield Services	2,755	735	651
Others (include corporate expenses)	51	(18,225)	(18,295)
Consolidated Total	358,885	79,865	66,684

Year Ended 31 December 2023

Business Segment	Revenue	Profit / (Loss)	Profit / (Loss)
	RM'000	Before Tax	Attributable to Owners of the Company
	RM'000	RM'000	RM'000
Drilling Services	799,545	159,766	140,236
<i>Drilling</i>	662,130	118,795	99,265
<i>Drilling (i-RDC)</i>	137,415	40,971	40,971
Integrated Project Management	401,827	22,536	21,904
<i>Workover Services</i>	114,861	9,683	9,051
<i>i-RDC</i>	424,381	53,824	53,824
<i>Drilling (i-RDC)</i>	(137,415)	(40,971)	(40,971)
Oilfield Services	12,009	2,955	2,212
Others (include corporate expenses)	1,307	(64,029)	(64,827)
Consolidated Total	1,214,688	121,228	99,525

NOTE 7 – Segmental Reporting (cont'd.)

With effect from 1 October 2022, the Group has introduced Integrated Services (now referred to as Integrated Project Management) 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 basis of measurement of segment profit or loss as compared to the previous interim financial statements.

NOTE 8 – Subsequent Material Events

There has been no material event or transaction during the year from 31 December 2023 to the date of this announcement, which substantially affects the results of the Group for the financial year ended 31 December 2023.

NOTE 9 – Changes in the Group Composition

There were no changes in the composition of the Group during the financial year ended 31 December 2023.

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

The capital commitments are in respect of the following:

	31/12/2023 RM'000
Approved and contracted for:	
Equipment, plant and machinery	25,150
Others	5,707
	30,857
 Approved but not contracted for:	
Equipment, plant and machinery	40,365
Others	32,186
	72,551
 Total	103,408

NOTE 11 - Significant Related Party Transactions

There were no significant related party transactions for the financial year ended 31 December 2023.

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 2023.

NOTE 14 – Review of Performance

Performance of Current Quarter Against the Quarter Ended 31 December 2022 (“corresponding quarter”)

Business Segment	Revenue		Profit / (Loss) Before Tax	
	Quarter ended	Quarter ended	Quarter ended	Quarter ended
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	RM'000	RM'000	RM'000	RM'000
Drilling Services	234,459	176,480	85,003	10,301
<i>Drilling</i>	198,773	154,748	78,798	4,247
<i>Drilling (i-RDC)</i>	35,686	21,732	6,205	6,054
Integrated Project Management	121,620	63,494	12,352	(13,917)
<i>Workover Services</i>	15,621	16,571	(289)	(16,322)
<i>i-RDC</i>	141,685	68,655	18,846	8,459
<i>Drilling (i-RDC)</i>	(35,686)	(21,732)	(6,205)	(6,054)
Oilfield Services	2,755	2,932	735	590
Others (include corporate expenses)	51	165	(18,225)	(7,761)
Total	358,885	243,071	79,865	(10,787)

Group

Group revenue of RM358.9 million was RM115.8 million higher than the corresponding quarter's revenue of RM243.1 million, mainly due to higher utilisation and average daily charter rates for jack-up rigs under Drilling Services and higher progress for i-RDC project under Integrated Project Management segments during the current quarter.

The Group reported profit before tax of RM79.9 million in the current quarter, higher by RM90.7 million against loss before tax of RM10.8 million in the corresponding quarter, in line with higher revenue in the current quarter. In the corresponding quarter, there was a one-off RM11.7 million costs incurred due to unanticipated changes to work programme and prolonged wait on weather period during the demobilisation.

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

Drilling Services Segment

Drilling Services segment revenue of RM234.5 million was RM58.0 million higher than the corresponding quarter's revenue of RM176.5 million, mainly due to higher jack-up rigs utilisation of 94% (corresponding quarter: 90%) and average daily charter rates in the current quarter of USD99k/day (corresponding quarter: USD78k/day).

The segment registered a profit before tax of RM85.0 million, higher by RM74.7 million as compared to a profit before tax of RM10.3 million in the corresponding quarter, in line with higher revenue in the current quarter. In the corresponding quarter, there was an adjustment of RM15.2 million which relates to inventories movement for the year.

Integrated Project Management

The Integrated Project Management segment revenue of RM121.6 million was RM58.1 million higher than the corresponding quarter's revenue of RM63.5 million, due to higher progress of i-RDC project.

The segment recorded a profit before tax of RM12.4 million compared to a loss before tax of RM13.9 million in the corresponding quarter mainly due to higher contribution from i-RDC project in the current quarter. Included in the corresponding quarter was a one-off RM11.7 million costs incurred due to unanticipated changes to work programme and prolonged wait on weather period during the demobilisation.

NOTE 14 – Review of Performance (cont'd.)

Performance of Current Quarter Against the Quarter Ended 31 December 2022 (“corresponding quarter”)

Analysis of segmental performance against the corresponding quarter are as follows (cont'd.):

Oilfield Services Segment

The Oilfield Services segment which is mainly from operation in Tianjin, recorded a stable revenue of RM2.8 million in the current quarter compared to RM2.9 million in the corresponding quarter.

The segment recorded higher profit before tax by RM0.1 million in the current quarter.

Others Segment (include corporate expenses)

Others segment which include corporate expenses recorded higher loss before tax of RM18.2 million in the current quarter compared to RM7.8 million loss in the corresponding quarter, mainly due to higher depreciation and lower net foreign exchange gain recognised in the current quarter.

Performance of Current Year Against the Financial Year Ended 31 December 2022 (“corresponding year”)

Business Segment	Revenue		Profit / (Loss) Before Tax	
	Year ended	Year ended	Year ended	Year ended
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
	RM'000	RM'000	RM'000	RM'000
Drilling Services	799,545	483,111	159,766	(26,082)
<i>Drilling</i>	662,130	461,379	118,795	(32,136)
<i>Drilling (i-RDC)</i>	137,415	21,732	40,971	6,054
Integrated Project Management	401,827	86,695	22,536	(16,008)
<i>Workover Services</i>	114,861	39,772	9,683	(18,413)
<i>i-RDC</i>	424,381	68,655	53,824	8,459
<i>Drilling (i-RDC)</i>	(137,415)	(21,732)	(40,971)	(6,054)
Oilfield Services	12,009	10,073	2,955	2,751
Others (include corporate expenses)	1,307	974	(64,029)	(42,431)
Total	1,214,688	580,853	121,228	(81,770)

Group

Group revenue of RM1,214.7 million was RM633.8 million higher than the corresponding year's revenue of RM580.9 million, mainly due to higher utilisation and average daily charter rates for jack-up rigs under Drilling Services, higher utilisation for hydraulic workover units and progress for i-RDC project under Integrated Project Management segments during the current year.

The Group reported profit before tax of RM121.2 million in the current year higher by RM203.0 million against loss before tax of RM81.8 million in the corresponding year, in line with higher revenue.

NOTE 14 – Review of Performance (cont'd.)

Performance of Current Year Against the Financial Year Ended 31 December 2022 (“corresponding period”) (cont'd.)

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

Drilling Services Segment

Drilling Services segment recorded RM316.4 million increase in revenue to RM799.5 million in the current year, mainly due to higher jack-up rig utilisation of 83% (corresponding year: 62%) and higher average daily charter rates of USD94k/day (corresponding year: USD77k/day).

The segment registered a profit before tax of RM159.8 million compared to a loss before tax of RM26.1 million in the corresponding year, in line with higher revenue.

Integrated Project Management

The Integrated Project Management segment recorded higher revenue of RM401.8 million in the current year as compared to RM86.7 million in the corresponding year, mainly due to higher utilisation of hydraulic workover units and progress of i-RDC project.

The segment recorded a profit before tax of RM22.5 million compared to a loss before tax of RM16.0 million in the corresponding year, in line with higher revenue.

Oilfield Services Segment

The Oilfield Services segment recorded higher revenue of RM12.0 million in the current year as compared to RM10.1 million in the corresponding year, mainly due to higher activities from operation in Tianjin.

The segment recorded profit before tax of RM3.0 million in the current year with marginal increase against corresponding year.

Others Segment (include corporate expenses)

Others segment which include corporate expenses recorded higher loss before tax of RM64.0 million in the current year against RM42.4 million loss in the corresponding year mainly due to higher IT related expenses, depreciation charge and other corporate costs.

NOTE 15 – Comparison with Immediate Preceding Quarter's Results

Business Segment	Revenue		Profit / (Loss) Before Tax	
	Quarter ended	Quarter ended	Quarter ended	Quarter ended
	31/12/2023	30/09/2023	31/12/2023	30/09/2023
	RM'000	RM'000	RM'000	RM'000
Drilling Services	234,459	167,284	85,003	6,161
<i>Drilling</i>	198,773	132,142	78,798	(8,480)
<i>Drilling (i-RDC)</i>	35,686	35,142	6,205	14,641
Integrated Project Management	121,620	118,598	12,352	9,000
<i>Workover Services</i>	15,621	37,942	(289)	2,006
<i>i-RDC</i>	141,685	115,798	18,846	21,635
<i>Drilling (i-RDC)</i>	(35,686)	(35,142)	(6,205)	(14,641)
Oilfield Services	2,755	2,962	735	839
Others (include corporate expenses)	51	392	(18,225)	(12,855)
Total	358,885	289,236	79,865	3,145

The Group's revenue of RM358.9 million was RM69.7 million higher than the immediate preceding quarter's revenue of RM289.2 million. This was mainly due to higher utilisation and average day rate for Drilling segment and progress for i-RDC project under Integrated Project Management in the current quarter.

The Group recorded a profit before tax of RM79.9 million, higher by RM76.8 million against a profit before tax of RM3.1 million in the immediate preceding quarter, mainly due to higher utilisation and average day rate for Drilling segment in the current quarter.

NOTE 16 – Review of Consolidated Statement of Financial Position

	Unaudited As at 31/12/2023 RM'000	Audited As at 31/12/2022 RM'000
Total assets	3,111,621	3,089,362
Total equity	2,475,534	2,281,665
Total liabilities	636,087	807,697
Total equity and liabilities	3,111,621	3,089,362

The Group's total assets increased by RM22.3 million mainly due to the increased in property, plant and equipment.

Total equity increased by RM193.9 million mainly due to profit net of tax for the current year and movement in foreign currency translation reserve.

Total liabilities decreased by RM171.6 million mainly due to lower borrowing balances, which were offset with higher trade and other payables during the current year.

Other than the above, there is 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 2022.

NOTE 17 – Current Prospect

The oil and gas outlook fundamentals remain strong. The benchmark Brent oil price has remained around USD80 per barrel in recent months due to both improving economic prospects as well as lower inflation.

The International Monetary Fund ("IMF") increased its projected global Gross Domestic Product ("GDP") growth rate for 2024 from 2.9% to 3.1%. U.S. Energy Information Administration ("EIA") is forecasting for global oil demand to increase by 1.4 million barrels per day to 102.4 million barrels per day in 2024. On the supply side, OPEC+ and Saudi Arabia have increased their production cuts, offset by increasing supply from non-OPEC countries. As such, inventory changes and oil markets are expected to remain balanced.

Geopolitical risk that may result in uncertainty to oil supply and markets remains high.

Nevertheless, global and regional upstream oil and gas activities including in Southeast Asia continue its upward trend, with more exploration and development projects being evaluated, re-visited and sanctioned. Major oil producers continue to increase their CAPEX in response to prolonged lack of investment in the past. In Southeast Asia, particularly Malaysia, a number of new contracts have been awarded with more being tendered out.

Drilling Services Segment

Global competition for assets such as jack-up rigs remain heightened. Jack-up marketed utilisation in Southeast Asia and Malaysia remained at 100% and charter rates for the latest fixtures continues to be on an uptrend.

The group's utilisation is expected to remain high in 2024, with some rigs contracted up to 2026.

Currently, all six of the Group's jack-up drilling rigs are contracted. The Group is actively bidding for new tenders for local and international contracts scheduled to be performed in 2025 and beyond.

Integrated Project Management Segment

The i-RDC project is progressing and GAIT 6 is currently contracted with ExxonMobil. The Group is participating in tendering activities for 2024 and 2025.

Oilfield Services Segment

The improved industry outlook is 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. Barring any unforeseen circumstances, the Group is optimistic that the financial performance for the financial year 2024 will be as promising as 2023.

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 31/12/2023	Year ended 31/12/2023
	RM'000	RM'000
Taxation		
Malaysian taxation	12,655	14,820
Foreign taxation	526	6,883
Total	13,181	21,703

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 2023

	USD'000 borrowings	RM'000 borrowings	RM'000 equivalent
Short term borrowings			
- Secured			
USD revolving credit	22,000	-	101,288
RM revolving credit	-	13,000	13,000
	<u>22,000</u>	<u>13,000</u>	<u>114,288</u>
Long term borrowings			
- Secured			
Long term loan	54,000	-	248,616
Less: Transaction cost	-	-	(4,290)
	<u>54,000</u>	<u>-</u>	<u>244,326</u>
Total	76,000	13,000	358,614

	Revolving Credit RM '000	Long Term Borrowings RM '000	Total RM '000
Movements of Borrowings			
At 1 January 2023	254,950	306,277	561,227
Unamortised transaction costs	-	5,333	5,333
Gross Borrowings at 1 January 2023	<u>254,950</u>	<u>311,610</u>	<u>566,560</u>
Effect of changes in foreign exchange rate	9,156	12,922	22,078
Drawdown	120,381	-	120,381
Repayment	(270,199)	(75,916)	(346,115)
	<u>114,288</u>	<u>248,616</u>	<u>362,904</u>
Unamortised transaction costs	-	(4,290)	(4,290)
At 31 December 2023	<u>114,288</u>	<u>244,326</u>	<u>358,614</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, the 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 the ongoing execution to enforce the award in the Philippines, the Sheriff appointed by the Court has reported to the 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 was unserved as the building was out of business for past two years and on the same date sent via courier and mailing.

On 25 September 2023, the Sheriff appointed by the Makati Court has filed a Sheriff’s Service Report at Makati Court that FOC does not have a deposit, share of stock or property against all the major banks in the Philippines except for nominal amount.

The Company on 29 November 2023 announced on VED’s cessation of the enforcement proceeding against FOC.

NOTE 24 – Earnings Per Share

	Quarter ended 31/12/2023 RM’000	Quarter ended 31/12/2022 RM’000	Year ended 31/12/2023 RM’000	Year ended 31/12/2022 RM’000
Profit / (Loss) For The Period Attributable To: Equity Holders Of The Company (RM’000)	66,684	(26,001)	99,525	(100,402)
Weighted average number of ordinary shares in issue (’000)				
- Basic	8,215,600	8,215,600	8,215,600	8,215,600
Effects of dilution:				
Options under ESOS				
- Diluted	8,215,600	8,215,600	8,215,600	8,215,600
Earnings / (Loss) Per Share Attributable To Equity Holders Of The Company:				
- Basic / Diluted (Sen)	0.81	(0.32)	1.21	(1.22)

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 25 – Audit Qualification

The audit report in respect of the annual financial statements of the Company for the financial year ended 31 December 2022 was not qualified.

NOTE 26 – Items to Disclose in the Statement of Comprehensive Income

	Quarter ended 31/12/2023 RM'000	Year ended 31/12/2023 RM'000
(a) Interest income	1,293	4,015
(b) Other investment income	1	117
(c) Depreciation and amortisation	(55,767)	(203,439)
(d) Net foreign exchange gain /(loss)	534	(956)
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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 2024