



RESERVOIR LINK ENERGY BHD

Company No. : 201401044508 (1120690-K)

(Incorporated in Malaysia)

**Interim Financial Report
For The Financial Period Ended
30 September 2022
(3rd Quarter)**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2022 ^(a)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		9 months ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
REVENUE	41,427	38,189	65,072	78,605
COST OF SALES	(35,039)	(26,330)	(56,509)	(56,609)
GROSS PROFIT	6,388	11,859	8,563	21,996
OTHER INCOME	284	630	1,140	1,191
	6,672	12,489	9,703	23,187
ADMINISTRATIVE EXPENSES	(3,923)	(3,193)	(11,294)	(8,003)
PROFIT/(LOSS) FROM OPERATION	2,749	9,296	(1,591)	15,184
FINANCE COSTS	(180)	(89)	(511)	(330)
IMPAIRMENT LOSSES ON TRADE RECEIVABLES	-	-	(212)	-
FAIR VALUE LOSSES ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	(2,250)	-
SHARE OF RESULTS OF A JOINT VENTURE (NET OF TAX)	(9)	-	(9)	-
NET PROFIT/(LOSS) BEFORE TAXATION	2,560	9,207	(4,573)	14,854
INCOME TAX EXPENSES	(894)	(2,712)	(251)	(4,357)
NET PROFIT/(LOSS) AFTER TAXATION	1,666	6,495	(4,824)	10,497
OTHER COMPREHENSIVE INCOME				
<u>Items that will be reclassified subsequently to profit or loss</u>				
Foreign currency translation differences	(4)	(0)	(4)	(0)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL PERIOD	1,662	6,495	(4,828)	10,497
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:-				
Owners of the Group	428	5,839	(5,995)	9,887
Non-controlling interests	1,238	656	1,171	610
	1,666	6,495	(4,824)	10,497
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:-				
Owners of the Group	423	5,839	(6,000)	9,887
Non-controlling interests	1,239	656	1,172	610
	1,662	6,495	(4,828)	10,497
EARNING/(LOSS) PER SHARE (SEN)				
Basic ^(b)	0.15	2.04	(2.07)	3.46
Diluted ^(c)	0.12	1.64	(1.66)	2.77

Notes:

- (a) The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2021 and the accompanying explanatory notes are an integral part of this interim financial report.
- (b) Based on the weighted average number of ordinary shares outstanding during the financial period/ year under review.
- (c) Based on the weighted average number of ordinary shares adjusted on the assumption that the outstanding warrants are fully exercised and converted into ordinary shares.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2022 ^(a)

	Unaudited As At 30.09.2022 RM'000	Audited As At 31.12.2021 RM'000
ASSETS		
NON CURRENT ASSETS		
Property, plant and equipment	31,931	29,453
Investment properties	4,962	5,049
Right-of-use assets	473	663
Other receivables	134	134
Deferred tax assets	2,535	1,192
Joint Venture	551	-
Goodwill	13,973	13,973
	<u>54,559</u>	<u>50,464</u>
CURRENT ASSETS		
Inventories	11,962	7,634
Trade receivables	24,741	13,847
Other receivables, deposits and prepayments	2,763	1,827
Amount owing by related parties	2,096	3,262
Amount owing by joint venture	15	-
Tax recoverable	2,410	633
Contract Assets	13,762	2,790
Other investments	2,750	-
Short-term investments	13	5,031
Fixed deposits with licensed banks	4,338	3,630
Cash and bank balances	3,065	13,491
	<u>67,915</u>	<u>52,145</u>
TOTAL ASSETS	<u>122,474</u>	<u>102,609</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	47,968	47,968
Treasury Shares	(505)	-
Foreign exchange translation reserve	881	886
Retained profits	35,889	41,884
Contingent consideration	3,910	3,910
Merger deficit	(15,779)	(15,779)
	<u>72,364</u>	<u>78,869</u>
Non-controlling interests	3,787	2,615
TOTAL EQUITY	<u>76,151</u>	<u>81,484</u>
NON-CURRENT LIABILITIES		
Bank borrowings	8,305	6,186
Lease liabilities	359	228
Deferred tax liabilities	2,056	1,276
	<u>10,720</u>	<u>7,690</u>
CURRENT LIABILITIES		
Bank borrowings	8,566	842
Lease liabilities	131	460
Trade payables	26,167	9,564
Other payables and accrual	470	2,022
Provision for taxation	269	547
	<u>35,603</u>	<u>13,435</u>
TOTAL LIABILITIES	<u>46,323</u>	<u>21,125</u>
TOTAL EQUITY AND LIABILITIES	<u>122,474</u>	<u>102,609</u>
Net asset per share ^(b) (RM)	0.26	0.28

RESERVOIR LINK ENERGY BHD

Company No. 201401044508 (1120690-K)

(Incorporated in Malaysia)

Notes:

- (a) *The basis of preparation of the Unaudited Condensed Consolidated Statement of Financial Position are disclosed in Note A1 and should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.*
- (b) *Based on the Company's issued share capital of 290,445,000 ordinary shares as at the end of the financial period .*

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2022 ^(a)

	Share Capital	Treasury Shares	Merger Deficit	Non- distributable Foreign Exchange Translation Reserve	Non- distributable Contingent Consideration	Distributable Retained Profits	Attributable to owners of the Company	Non- controlling Interest	Total
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Balance at 01.01.2022	47,968	-	(15,779)	886	3,910	41,884	78,869	2,615	81,484
Contributions by and distribution to owners of the Company:-									
- Purchase of treasury shares	-	(505)	-	-	-	-	(505)	-	(505)
Total transaction with owners	-	(505)	-	-	-	-	(505)	0	(505)
Profit after taxation for the financial year	-	-	-	-	-	(5,995)	(5,995)	1,171	(4,824)
Other comprehensive income for the financial period: Foreign exchange translation difference	-	-	-	(5)	-	-	(5)	1	(4)
Balance at 30.09.2022	47,968	(505)	(15,779)	881	3,910	35,889	72,364	3,787	76,151

Note:

(a) The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2021 and the accompanying explanatory notes are an integral part of this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2022 ^(a)

	(Unaudited) Cumulative Year To Date 30.09.2022 RM'000	(Unaudited) Corresponding Year To Date 30.09.2021 RM'000
<u>Cash Flows from/(for) operating activities</u>		
(Loss)/profit before tax	(4,572)	14,854
<u>Adjustments for:</u>		
Allowance for impairment losses on trade receivable	212	-
Depreciation of property, plant and equipment	3,079	2,192
Depreciation of investment properties	88	88
Depreciation of right-of-use assets	432	296
Fair value loss/(gain) on short-term investments	2,250	-
Loss/(gain) on disposal of property, plant and equipment	-	6
Interest expenses	511	330
Interest income	(137)	(372)
Property, plant and equipment written off	35	15
Share of net loss on equity accounted for joint ventures	9	-
Unrealised loss on foreign exchange	374	25
Operating (loss)/profit before working capital changes	2,280	17,434
(Increase)/Decrease in inventories	(4,326)	(7,935)
(Increase)/Decrease in receivables	(21,836)	5,096
Increase/(Decrease) in payables	13,499	(3,371)
Increase/(Decrease) in related parties	1,165	-
(Increase)/Decrease in amount owing by joint ventures	(15)	2,365
Cash (for)/from operations	(9,233)	13,590
Interest expenses paid	(511)	(330)
Income tax paid	(2,872)	(1,271)
Net cash (for)/from operating activities	(12,616)	11,989

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2022 ^(a)

	(Unaudited) Cumulative Year To Date 30.09.2022 RM'000	(Unaudited) Corresponding Year To Date 30.09.2021 RM'000
Cash flows from/(for) investing activities		
Net cash inflow/(outflow) on acquisition of subsidiary	(0)	(8,464)
Interest income received	137	372
Purchase of property, plant and equipment	(5,848)	(6,074)
Purchase of joint ventures	(561)	-
Purchase of short term investment	(5,000)	-
Proceeds from disposal of property, plant and equipment	-	82
(Increase)/Decrease in money market fund	5,023	16,946
(Increase)/Decrease in fixed deposits with licensed banks pledged to licensed banks	(708)	(148)
Net cash (for)/from investing activities	(6,957)	2,713
Cash flows from/(for) financing activities		
Net drawdown/(repayment) of borrowings	9,838	(406)
Net proceeds from issuance of ordinary shares	-	1,380
Purchase of treasury shares	(505)	-
Repayment of lease liabilities	(184)	(439)
Net cash from/(for) financing activities	9,150	535
Net decrease in cash and cash equivalents	(10,423)	15,237
Cash and cash equivalents at beginning of the financial period	13,491	1,896
Effect of foreign exchange translation	(3)	-
Cash and cash equivalents at end of the financial period	3,065	17,133
Cash and cash equivalents comprise the followings:		
Fixed deposits with licensed banks	4,248	3,562
Cash and bank balances	3,065	17,133
Less: Fixed deposits with licensed banks more than 3 months	(4,248)	(3,562)
	3,065	17,133

Note:

- (a) The basis of preparation of the Unaudited Condensed Consolidated Statement of Cash Flows are disclosed in Note A1 and should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.

PART A : EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING**A1. Basis of Preparation**

The condensed consolidated interim financial report (“**Interim Financial Report**”) of Reservoir Link Energy Berhad (“**RLEB**” or “**the Company**”) and its subsidiaries (“**the Group**”) are unaudited and have been prepared in accordance with the requirements of MFRS 134 Interim Financial Reporting and Rule 9.22 of the ACE Market Listing Requirements (“**Listing Requirements**”) of Bursa Malaysia Securities Berhad (“**Bursa Securities**”).

The Interim Financial Report should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2021 and the accompanying notes attached to this Interim Financial Report.

A2. Significant Accounting Policies

The significant accounting policies adopted in the preparation of this Interim Financial Report are consistent with those adopted in the audited financial statements of the Group for the financial year ended 31 December 2021. The Group has adopted those standards, amendments and interpretations that have become effective and such adoptions do not have material impact on the financial position and performance of the Group.

The amendments to published standards effective for financial year beginning on 1 January 2022 that are applicable and adopted by the Group are as follows:

Amendments to MFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021
Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 116	Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to MFRS Standards 2018-2020:	
-Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
-Amendments to MFRS 9	Financial Instruments
-Amendments to MFRS 141	Agriculture

The adoption of the above amendments to published standards did not have any material impact on the financial statements of the Group upon their initial application.

The Group has not adopted the amendments to following standards that had been issued by the Malaysian Accounting Standards Board (“**MASB**”) which are effective in the following financial years:

i. Financial year beginning on or after 1 January 2023:

- Amendments to MFRS 17 Insurance Contracts
- Amendments to MFRS 101 Classification of Liabilities as Current or Non-Current
- Amendments to MFRS 101 Disclosure of Accounting Policies
- Amendments to MFRS 108 Definition of Accounting Estimates
- Amendments to MFRS 112 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

ii. Effective date yet to be determined:

- Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

A3. Auditors' Report

The audited financial statements of the Group for the financial year ended 31 December 2021 was not subject to any qualification.

A4. Seasonal or Cyclical Factors

The business operations of the Group were not affected by seasonal or cyclical factors.

A5. Material Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows of the Group during the current financial quarter under review.

A6. Material Changes in Estimates

There were no material changes in the estimates that have a material effect to the Group in the current financial quarter under review.

A7. Debt and Equity Securities

Save as disclosed in Note B6, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter and current financial period-to-date.

A8. Dividend

There was no dividend declared in the current quarter under review.

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A9. Segmental Reporting

The Group's segment information for the current financial period ended 30 September 2022 is as follows:

(I) The Results of the Current Quarter Compared to the Results of the Corresponding Quarter

Revenue	(Unaudited)	(Unaudited)	Variance	Variance
	Current Quarter	Correspondence Quarter		
	30.09.2022	30.09.2021		
	RM'000	RM'000	RM'000	%
O&G Well Services	8,709	31,795	(23,086)	(73%)
Well leak repair	2,941	2,120	821	39%
Well perforation	3,303	20,615	(17,312)	(84%)
Well testing	43	169	(126)	(75%)
Wash and cement	-	6,214	(6,214)	(100%)
Wireline services	438	45	393	>100%
O&G production enhancement	1,984	2,632	(648)	(25%)
Renewal Energy	32,540	6,376	26,164	>100%
Other Services	178	18	160	>100%
Total	41,427	38,189	3,238	8%

Gross Profit	(Unaudited)	(Unaudited)	Variance	Variance
	Current Quarter	Correspondence Quarter		
	30.09.2022	30.09.2021		
	RM'000	RM'000	RM'000	%
O&G Well Services	1,837	11,076	(9,239)	(83%)
Well leak repair	1,206	680	526	77%
Well perforation	1,189	7,974	(6,785)	(85%)
Well testing	(690)	(365)	(325)	89%
Wash and cement	-	1,383	(1,383)	(100%)
Wireline services	(240)	(79)	(161)	>100%
O&G production enhancement	372	1,483	(1,111)	(75%)
Renewal Energy	4,622	792	3,830	>100%
Other Services	(71)	(9)	(62)	>100%
Total	6,388	11,859	(5,471)	(46%)

(II) The Results of the Current Quarter Compared to the Results of the Preceding Quarter

Revenue	(Unaudited) Current Quarter 30.09.2022 RM'000	(Unaudited) Preceding Quarter 30.06.2022 RM'000	Variance RM'000	Variance %
O&G Well Services	8,709	7,589	1,120	15%
Well leak repair	2,941	2,433	508	21%
Well perforation	3,303	4,766	(1,463)	(31%)
Well testing	43	-	43	0%
Wash and cement	-	-	-	0%
Wireline services	438	-	438	0%
O&G production enhancement	1,984	390	1,594	>100%
Renewal Energy	32,540	9,380	23,160	>100%
Other Services	178	200	(22)	(11%)
Total	41,427	17,169	24,258	>100%

Gross Profit	(Unaudited) Current Quarter 30.09.2022 RM'000	(Unaudited) Preceding Quarter 30.06.2022 RM'000	Variance RM'000	Variance %
O&G Well Services	1,837	1,296	541	42%
Well leak repair	1,206	633	573	91%
Well perforation	1,189	1,893	(704)	(37%)
Well testing	(690)	(586)	(104)	18%
Wash and cement	-	-	-	0%
Wireline services	(240)	(484)	244	(50%)
O&G production enhancement	372	(160)	532	>(100%)
Renewal Energy	4,622	1,146	3,476	>100%
Other Services	(71)	7	(78)	>(100%)
Total	6,388	2,449	3,939	>100%

(III) The Results of the Current Year-To-Date Compared to the Results of the Corresponding Year-To-Date

Revenue	(Unaudited) Cumulative Quarter 30.09.2022 RM'000	(Unaudited) Correspondence Quarter 30.09.2021 RM'000	Variance RM'000	Variance %
O&G Well Services	20,390	72,212	(51,822)	(72%)
Well leak repair	7,237	8,295	(1,058)	(13%)
Well perforation	8,839	34,801	(25,962)	(75%)
Well testing	43	205	(162)	(79%)
Wash and cement	-	24,725	(24,725)	(100%)
Wireline services	416	89	327	>100%
O&G production enhancement	3,855	4,097	(242)	(6%)
Renewal Energy	44,041	6,376	37,665	>100%
Other Services	641	17	624	>100%
Total	65,072	78,605	(13,533)	(17%)

Gross Profit	(Unaudited) Cumulative Quarter 30.09.2022 RM'000	(Unaudited) Correspondence Quarter 30.09.2021 RM'000	Variance RM'000	Variance %
O&G Well Services	2,267	21,213	(18,946)	(89%)
Well leak repair	2,053	2,331	(278)	(12%)
Well perforation	2,573	11,714	(9,141)	(78%)
Well testing	(1,827)	(1,097)	(730)	67%
Wash and cement	-	6,744	(6,744)	(100%)
Wireline services	(1,035)	(240)	(795)	>100%
O&G production enhancement	503	1,761	(1,258)	(71%)
Renewal Energy	6,387	792	5,595	100%
Other Services	(91)	(9)	(82)	100%
Total	8,563	21,996	(13,433)	(61%)

(IV) Assets as at 30 September 2022 and 2021

Segment Assets	As at 30/09/2022 RM'000	As at 30/09/2021 RM'000
Oil and gas related and other activities	118,264	139,578
Renewable energy and related activities	39,149	14,771
Consolidation adjustments	(35,505)	(43,109)
Segment assets	121,908	111,240
Joint venture	566	-
Total assets	122,474	111,240

(V) Liabilities as at 30 September 2022 and 2021

Segment Liabilities	As at 30/09/2022 RM'000	As at 30/09/2021 RM'000
Oil and gas related and other activities	28,709	44,614
Renewable energy and related activities	32,101	12,916
Consolidation adjustments	(14,487)	(21,651)
Segment liabilities	46,323	35,879
Joint venture	-	-
Total liabilities	46,323	35,879

A10. Significant Related Party Transactions

There were no significant related party transactions during the current financial quarter and current financial year-to-date.

A11. Capital Commitments

	(Unaudited) As at 30.09.2022 RM'000	(Unaudited) As at 30.09.2021 RM'000
Approved and contracted for:		
Purchase of equipment	2,846	3,245
Approved but not contracted for:		
Purchase of equipment	2,506	2,471

A12. Contingent Assets and Liabilities

The Group's contingent liabilities were as follow:

	(Unaudited) As at 30.09.2022 RM'000	(Unaudited) As at 30.09.2021 RM'000
Bank guarantee for performance	9,859	7,567
Bank guarantee for tenancy agreement	86	86
Bank guarantee for professional work permit	2	-
	9,947	7,653

There were no contingent assets of a material nature to be disclosed at the end of the financial period.

A13. Changes in Composition of the Group

There were no changes in the composition of the Group, save as disclosed below:

- (i) The Company had on 18 April 2022 incorporated a 100% owned subsidiary company in Malaysia with the name RL Sunseap Energy Sdn. Bhd. (Company No: 202201014140) with total issued and paid up share capital of RM2 comprising of 2 ordinary shares. The intended principal activity of RL Sunseap Energy Sdn. Bhd. is to engage in the business of renewable energy investment. As announced on 28 April 2022, Reservoir Link Renewable Sdn Bhd (“**RLR**”) had executed a term sheet with Sunseap Energy (Malaysia) Sdn Bhd (“**SSEM**”) for the joint venture between both parties, to jointly carry out business in developing, building, owning and operating rooftop and ground mounted solar PV projects in Malaysia. Subsequently on 25 July 2022, both RLR and SSEM has entered into Joint Venture and Shareholders’ Agreement. For further details, please refer to the Company’s announcements.
- (ii) As announced on 17 May 2022, RLEB had executed a joint venture agreement with ADS Asset Holdings Sdn Bhd (“**AAH**”). The purpose of the joint venture is to bring together both RLEB’s and AAH’s expertise, to raise funds for the construction and development of energy storage solution and system.
- (iii) As announced on 30 May 2022, the company 51% owned subsidiary, Founder Energy Sdn Bhd (“**FESB**”) had on 27 May 2022, incorporated a subsidiary company in Singapore known as Founder Energy (Singapore) Pte. Ltd. (“**FES**”).

A14. Significant Events after the Reporting Period

Save as disclosed in Note B5, there were no other significant events subsequent to the end of the current quarter and financial period-to-date under review that have not been reflected in this Interim Financial Report.

A15. Fair Value of Financial Liabilities

There were no gains or losses arising from fair value changes of the Group’s financial liabilities for the current financial period under review.

PART B : ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS**B1. Review of Performance**

(a) Current Quarter (“CQ”) vs Previous Year Corresponding Quarter (“PYCQ”).

	(Unaudited) Current Quarter 30.09.2022 RM'000	(Unaudited) Correspondence Quarter 30.09.2021 RM'000	Variance RM'000	Variance %
Revenue	41,427	38,189	3,238	8%
Profit before taxation (“PBT”)	2,560	9,207	(6,647)	(72%)

For the current financial quarter ended 30 September 2022, the Group registered revenue of RM41.4 million. The Group revenue increased by RM3.2 million or 8% as compared to previous year corresponding quarter ended 30 September 2021. The improvement in revenue was mainly due to increase in revenue contributed by renewable energy segment for the amount of RM26.2 million in CQ but offset by the decline in revenue from oil and gas segment by RM22.9 million mainly due to completion of Mauritania project in October 2021. Despite increase in revenue, PBT has declined by RM6.6 million or 72% in CQ mainly due to lower profit margin from renewable energy segment.

(b) Current Year-To-Date (CYTD) vs Corresponding Previous Year-To-Date (PYTD).

	(Unaudited) Cumulative Quarter 30.09.2022 RM'000	(Unaudited) Correspondence Quarter 30.09.2021 RM'000	Variance RM'000	Variance %
Revenue	65,072	78,605	(13,533)	(17%)
Loss before taxation (“LBT”) / Profit before taxation (“PBT”)	(4,573)	14,854	(19,427)	>(100%)

The Group revenue for the CYTD decreased by RM13.5 million as compared to the corresponding PYTD. The Group registered a LBT of RM4.6 million in CYTD. The decline in revenue from oil and gas segment by RM51.8 million mainly due to completion of Mauritania project in Oct 2021 but offset by the improvement in revenue from renewable energy segment by RM37.7 million in CYTD. In line with the decline in revenue and lower profit margin from renewable energy segment, the Group has registered a LBT. It should be noted that, a fair value loss of other investment of RM2.25mil and also the professional fees related to the transfer listing expenses RM0.5mil were charged in CYTD.

(c) CQ vs Previous Quarter (“PQ”).

	(Unaudited) Current Quarter 30.09.2022 RM'000	(Unaudited) Previous Quarter 30.06.22 RM'000	Variance RM'000	Variance %
Revenue	41,427	17,169	24,258	>100%
PBT / LBT	2,560	(3,000)	5,560	>(100%)

The Group revenue for the CQ increased by RM24.3 million to RM41.4 million as compared to the PQ. The increase in revenue is mainly due to contribution from renewable energy segment.

The Group’s PBT improved by RM5.6 million in CQ. The increase in PBT was in line with the increase in revenue in CQ. Besides, It should be noted that, a fair value loss of other investment of RM2.25mil was charged in PQ.

B2. Commentary on Prospects

The Malaysian economy registered a stronger growth of 8.9% in the second quarter of 2022. Malaysia’s strong GDP growth performance in the first half of 2022 is expected to be sustained in the second half of the year, backed by an increase in private consumption and business activities coming out of the pandemic. The higher growth was also reflective of normalising economic activity as the country moved towards endemicity and reopened international borders.

Nevertheless, the pace of economic recovery is also dependent on other factors, including successful containment of the pandemic, support for the cost of living, and efforts in mitigating the downside risks, such as geopolitical uncertainties, global inflation as well as tightening financial conditions.

The ringgit depreciated by 4.6% against the US dollar in the second quarter of 2022, broadly in line with the movement of regional currencies. This largely reflected the continued strengthening of the US dollar following aggressive US monetary policy tightening, increased investors’ risk aversion due to the weaker global growth outlook and the military conflict in Ukraine.

The oil and gas sector is expected to remain volatile on the uptrend due to supply chain and markets challenges in Europe and Asia as a consequence of the Russia/Ukraine conflict. While prices were settling down compared to the second quarter, activity levels are still expected to remain healthy and sustainable towards the end of the year.

The Malaysia Renewable Energy Roadmap formulates strategies to achieve the Government’s target of 31% RE share in the national installed capacity mix and to further decarbonize the power generation sector until 2035. To achieve the stipulated RE targets and aspirations, commitments by policy makers, industry players and strategic partners including financial institutions shall be the determinant in ensuring the successful implementation of this Roadmap. All this are welcoming news and encouraging prospects for renewable energy needs and adoption to the Group.

The Group managed to secure new contracts since the listing of the Company on the ACE Market of Bursa Securities as follows:

- (i) As announced on 13 October 2020, the Group received from PTTEP HK Offshore Limited, PTTEP Sabah Oil Limited and PTTEP Sarawak Oil Limited, a letter of award for the Provision of Downhole Mechanical Heating Equipment and Services for Production Operation with contract duration of two (2) years effective from 28 August 2020 and will expire on 27 August 2022;

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- (ii) As announced on 12 April 2021, the Group received a letter of award from PETRONAS Carigali Sdn Bhd for the provision of well leak repair equipment and service for a period of 3 years from 22 March 2021 to 22 March 2024;
- (iii) As announced on 14 April 2021, the Group was appointed by PETRONAS as an umbrella contractor for the provision of completion of new technology equipment and services for a period of five (5) years from 11 December 2020 to 10 December 2025;
- (iv) As announced on 26 August 2021, the Group received a letter of award from Roc Oil (Sarawak) Sdn. Bhd. for the contract in relation to provision of perforation services for D35, D21 and J4 drilling and production phase (2021-2022) for period of two (2) years from 13 August 2021 to 12 August 2023 with one (1) year extension option;
- (v) As announced on 7 September 2021, the Group received a purchase order from Solar Bina Engineering Sdn Bhd for subcontracting works of installation, testing and communication of PV modules, inverter, DC cables and associated works for proposed development of Large Scale Solar Photovoltaic project of 100 MWac at Lot PT 14020, kg Jambu Bongkok, Marang, Terengganu; and
- (vi) As announced on 28 September 2021, the Group received a letter of award from Sarawak Shell Berhad/Sabah Shell Petroleum Company Limited for period of three (3) years from 3 September 2021 to 2 September 2024 as:
- a. primary contractor for provision of slickline equipment and services for well completion activities – rig assisted; and
 - b. back up contractor for provision of slickline equipment and services for well intervention – non-rig assisted.
- (vii) As announced on 23 February 2021, the Group received a letter of award from Tanjung Offshore Services Sdn Bhd for the provision of perforation wash and cement equipment and services for a period of four (4) months from 7 January 2022 until the completion of works;
- (viii) As announced on 5 April 2021, the Group received a letter of award from ExxonMobil Exploration and Production Malaysia Inc. for the provision of annulus wash and cement placement equipment and services for a period of five (5) years from 7 March 2022 until 6 March 2027;
- (ix) As announced on 18 April 2022, the Group received a letter of award from Roc Oil (Sarawak) Sdn Bhd for the provision of tubing cutter and tubing cutting for a period of one (1) year from 11 April 2022 to 10 April 2023;
- (x) As announced on 20 April 2021, the Group was appointed by PETRONAS as an umbrella contractor for the provision of well testing and tubing conveyed perforations (TCP) for Petroleum Arrangement Contractors (PACs) for a period of three (3) years from 6 April 2022 to 5 April 2025;
- (xi) As announced on 7 June 2022, the Group received a letter of award from Osram Opto Semiconductors (Malaysia) Sdn Bhd for proposed development of 7,608.6 KWP solar rooftop & building integrated photovoltaics (BIPV) power generation facilities; and
- (xii) As announced on 10 June 2022, the Group received a letter of award from SEA Hibiscus Sdn Bhd for the provision of well services pumping and specialty chemicals for SEA Hibiscus Sdn Bhd for a period of three (3) years from 18 April 2022 to 17 April 2025.
- (xiii) As announced on 30 August 2022, the Group received a letter of award from Atlantic Blue Sdn Bhd for the turnkey construction and commissioning of large-scale solar photovoltaic plant (solar generating facility) of 13 MWac at Lot 1223, Mukim Api-Api, Daerah Kuala Selangor, Selangor.

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- (xiv) As announced on 12 September 2022, the Group received a letter of award from Savelite Engineering Sdn Bhd for the turnkey construction and commissioning of large-scale solar photovoltaic plant (solar generating facility) of 25 MWac at Lot 9995, Mukim Setiawan, Daerah Manjung, Perak.
 - (xv) As announced on 19 September 2022, the Group received a letter of award from PETRONAS Carigali Sdn Bhd for the provision of completion new technology equipment and services – Boron Eazigoflo for a period of one (1) year from 1 August to 31 July 2023.
 - (xvi) As announced on 29 September 2022, the Group received a letter of award from PETRONAS Carigali Sdn Bhd for the provision of light weight well test services for Malaysian Asset 2022 – 2024 for a period of two (2) years from 18 August 2022 to 17 August 2023.

Further, the completion of acquisition of Founder, is expected to contribute positively to the earnings of the Group as the vendor has given a profit guarantee of RM13.8 million for the next 24 months from the completion date.

The Group continue to actively participate in tenders for oil and gas and renewal energy projects. In addition, the Group will implement its business strategies cautiously to sustain its growth in order to deliver a satisfactory performance in the financial year 2022.

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B3. Profit Forecast

The Group does not issue any profit forecast during the current financial quarter under review.

B4. Income Tax Expenses

	Individual Quarter		Cumulative Quarter	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Current Quarter Ended	Corresponding Quarter Ended	Current Year To Date	Corresponding Year To Date
	3 months	3 months	9 months	9 months
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
Income tax	843	2,447	888	4,092
Deferred tax	51	265	(637)	265
	894	2,712	251	4,357
Effective tax rate (“ETR”) ^(a)	34.9%	29.5%	-	29.3%

Notes:

(a) The ETR is computed by dividing tax expense by PBT for the financial period. The ETR of the Group for the current period were higher than the statutory tax rate was mainly due to non-deductibility of certain expenses for tax purposes.

B5. Status of Corporate Proposals
(a) Proposed Transfer and Proposed Amendments

As announced 28 September 2021, the Group proposed to undertake the following:

- (i) Proposed transfer of the listing of and quotation for the entire issued share capital of the Company from the ACE Market to the Main Market of Bursa Securities (“**Proposed Transfer**”). The transfer was completed on 27 June 2022; and
- (ii) Proposed amendment to the Constitution of the Company and the By-Laws of its ESOS to facilitate the implementation of the Proposed Transfer (“**Proposed Amendment**”).

The circular of the Proposed Amendment has been despatched to shareholders on 28 October 2021 and approved on 19 November 2021. Subsequently, Securities Commission had, vide its letter dated 31 May 2022, approved RLEB’s application for the Proposed Transfer under Section 214(1) of the Capital Markets and Services Act 2007 and Bursa Securities had, vide its letter dated 20 June 2022, approved the Transfer under the “Energy” sector. For further details please refer to Company’s announcements.

(b) Proposed Joint Venture

During the quarter under review, the Group has formed two joint ventures. For further details, please refer to Note A13.

B6. Utilisation of Proceeds Raised from the Public Issue⁽¹⁾

The gross proceeds raised from the Public Issue of RM23.42 million are intended to be utilised in the following manner:

No.	Purpose	Proposed Utilisation RM'000	Actual Utilisation up to 30 September 2022 RM'000	Transfer RM'000	Balance Unutilised RM'000	Estimated Timeframe for Utilisation
1	Repayment of bank borrowings	5,000	(5,000)	-	-	Within 6 months
2	Estimated listing expenses	3,500	(3,205)	(295) ⁽²⁾	-	Immediate
3	Capital expenditure (LWWT equipment)	10,000	(7,186)	(2,814) ⁽³⁾	-	Within 24 months
4	Capital expenditure (Solar equipment)	-	(792)	2,814 ⁽³⁾	2,022	Within 12 months
5	Working capital	4,922	(5,217)	295 ⁽²⁾	-	Within 12 months
		23,422	(21,400)	-	2,022	

Notes:

- (1) The utilisation of proceeds as disclosed above should be read in conjunction with the prospectus dated 25 June 2020.
- (2) The unutilised balance of RM295,000 allocated for listing-related expenses had been re-allocated to the working capital during the 3-month financial period ended 31 March 2021 as the actual listing-related expenses incurred are lower than the budgeted listing-related expenses.
- (3) The unutilised balance of RM2,814,000 allocated for capital expenditure for light weight well testing (LWWT) equipment had been re-allocated to the capital expenditure for solar equipment as the actual capital expenditure for LWWT equipment are lower than the budgeted figures. The estimated timeframe for utilisation of capital expenditure for solar equipment is within 12 months from 1st April 2022.

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B7. Bank Borrowings

	Unaudited	
	As at 30.09.2022 RM'000	As at 30.09.2021 RM'000
<u>Secured</u>		
Current liabilities:		
Term loans	718	703
	718	703
Non-current liability:		
Term loans	5,542	6,262
<u>Non-secured</u>		
Current liabilities:		
Credit cards	41	26
Bank acceptance	6,906	-
Share margin financing	5	-
Term loans	896	86
	7,848	112
Non-current liability:		
Term loans	2,763	128
Total borrowings:		
Credit cards	41	26
Bank acceptance	6,906	-
Share margin financing	5	-
Term loans	9,919	7,179
	16,871	7,205

B8. Material Litigation

The Group has no material litigation as at the date of this interim financial report.

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B9. Earnings/(Loss) per Share (“EPS/(LPS)”)

(a) Basic	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	(Unaudited) 3 months ended		(Unaudited) 9 months ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
Profit/ (Loss) after taxation attributable to owners of the Company (RM'000)	428	5,839	(5,995)	9,887
Weighted average number of ordinary shares in issue ('000)	289,788	285,738	289,788	285,738
Basic EPS/(LPS) attributable to equity holders of the Company (sen) ^(a)	0.15	2.04	(2.07)	3.46
(b) Diluted	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	(Unaudited) 3 months ended		(Unaudited) 9 months ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM	RM	RM	RM
Profit/ (Loss) after taxation attributable to owners of the Company (RM'000)	428	5,839	(5,995)	9,887
Weighted average number of ordinary shares in issue ('000)	289,788	285,738	289,788	285,738
Number of potential shares to be issued ('000) arising from the exercise of warrants.	71,250	71,250	71,250	71,250
Diluted EPS/(LPS) (sen) ^(b)	0.12	1.64	(1.66)	2.77

Notes:

- (a) The basic (LPS)/EPS is computed based on profit attributable to the owners of the Company and a weighted average number of ordinary shares issued during the period under review.
- (b) The diluted LPS is computed based on profit attributable to the owners of the Company and a weighted average number of ordinary shares issued that have been adjusted for the dilutive effects of all potential ordinary shares.

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B10. Profit Before Tax

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	(Unaudited)		(Unaudited)	
	3 months ended		9 months ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after charging/(crediting):				
Auditors' remuneration				
- under provision in prior year	9	-	9	-
Depreciation of property, plant and equipment	1,051	822	3,079	2,192
Depreciation of investment properties	30	30	88	88
Depreciation of right-of-use assets	147	99	432	296
Interest expenses	179	90	511	330
Interest income	(64)	(96)	(137)	(372)
Impairment losses on trade receivables	-	-	212	-
Listing expenses	51	-	428	-
Loss on disposal of property, plant and equipment	-	-	-	6
Property, plant & equipment written off	10	-	35	15
Realised (gain) on foreign exchange	(281)	(276)	(250)	(387)
Short term lease expenses	77	49	225	96
Rental income	(67)	(65)	(201)	(199)
Unrealised loss on foreign exchange	523	24	374	25

B11. Derivative Financial Instruments

The Group has not entered into any derivatives as at the date of this Interim Financial Report.

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