

VELESTO ENERGY BERHAD

(COMPANY NO : 200901035667)

(INCORPORATED IN MALAYSIA)

Unaudited Condensed Consolidated Statement Of Comprehensive Income For The Third Quarter Ended 30 September 2020

	Quarter Ended 30/09/2020 RM'000	Quarter Ended 30/09/2019 RM'000	(Unaudited) Financial Period Ended 30/09/2020 RM'000	(Unaudited) Financial Period Ended 30/09/2019 RM'000
<u>Continuing Operations</u>				
Revenue	130,659	208,573	447,875	492,654
Operating Expenses	(115,690)	(153,558)	(395,761)	(402,808)
Other Operating Income	503	1,954	550	2,626
Profit From Operations	15,472	56,969	52,664	92,472
Finance Costs	(14,424)	(23,261)	(51,521)	(70,821)
Share Of Results Of Associated Company	40	61	142	178
Investment Income	1,757	2,056	5,761	6,070
Profit Before Tax From Continuing Operations	2,845	35,825	7,046	27,899
Taxation	(2,366)	(2,496)	(5,491)	(5,032)
Profit From Continuing Operations, Net Of Tax	479	33,329	1,555	22,867
<u>Other Comprehensive (Loss) / Income:</u>				
Foreign Currency Translation	(81,034)	27,059	47,849	21,000
Other Comprehensive (Loss) / Income, Net Of Tax	(81,034)	27,059	47,849	21,000
Total Comprehensive (Loss) / Income For The Period	(80,555)	60,388	49,404	43,867
<u>(Loss) / Profit For The Period Attributable To:</u>				
Equity Holders Of The Company	479	33,321	1,555	23,015
Non-controlling Interests	-	8	-	(148)
	479	33,329	1,555	22,867
<u>Total Comprehensive (Loss) / Income Attributable To:</u>				
Equity Holders Of The Company	(80,472)	60,518	49,444	44,117
Non-controlling Interests	(83)	(130)	(40)	(250)
	(80,555)	60,388	49,404	43,867
<u>Earnings Per Share Attributable To Equity Holders Of The Company:</u>				
Basic (Sen)	0.01	0.41	0.02	0.28
Diluted (Sen)	0.01	0.41	0.02	0.28

(The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2019)

VELESTO ENERGY BERHAD
Unaudited Condensed Consolidated Statement Of Financial Position

	(Unaudited)	(Audited)
	As At	As At
	30/09/2020	31/12/2019
	RM'000	RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	3,336,746	3,410,616
Right-of-use Assets	10,396	13,240
Investment In Associate	1,792	1,984
	<u>3,348,934</u>	<u>3,425,840</u>
Current Assets		
Inventories	208,946	187,439
Other Investments	226,625	119,988
Trade Receivables	136,919	272,447
Other Receivables	24,643	19,693
Deposits, Cash & Bank Balances	218,521	239,983
	<u>815,654</u>	<u>839,550</u>
TOTAL ASSETS	4,164,588	4,265,390
EQUITY AND LIABILITIES		
Equity Attributable To The Equity Holders Of The Company		
Share Capital	4,054,817	4,054,817
Capital Contribution - ESOS	6,656	3,905
Warrant Reserve	211,876	211,876
Other Reserves	725,945	678,056
Accumulated Losses	(2,144,883)	(2,146,438)
	<u>2,854,411</u>	<u>2,802,216</u>
Non-controlling Interests	1,220	1,260
TOTAL EQUITY	2,855,631	2,803,476
Non-Current Liabilities		
Long Term Borrowings	925,135	990,592
Lease Liabilities	6,647	8,082
	<u>931,782</u>	<u>998,674</u>
Current Liabilities		
Taxation	5,003	5,435
Short Term Borrowings	261,472	302,660
Lease Liabilities	2,295	3,905
Trade Payables	92,423	119,366
Other Payables	15,982	31,874
	<u>377,175</u>	<u>463,240</u>
TOTAL LIABILITIES	1,308,957	1,461,914
TOTAL EQUITY AND LIABILITIES	4,164,588	4,265,390
Net Assets Per Share (RM)	0.3474	0.3411

(The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2019)

VELESTO ENERGY BERHAD

Unaudited Condensed Consolidated Statement Of Changes In Equity For The Period Ended 30 September 2020

	← Non - Distributable					→ Distributable				
	Share Capital RM'000	Share Options Reserve RM'000	Warrant Reserve RM'000	Capital Reserve RM'000	Foreign Currency Translation Reserve RM'000	Gain On Derecognition of Financial Liabilities RM'000	Accumulated Losses RM'000	Total RM'000	Non - Controlling Interests RM'000	Total Equity RM'000
9 MONTHS ENDED 30 SEPTEMBER 2020										
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")	-	2,751	-	-	-	-	-	2,751	-	2,751
Total Comprehensive Income / (Loss)	-	-	-	-	47,889	-	1,555	49,444	(40)	49,404
At 30 September 2020	4,054,817	6,656	211,876	698	647,102	78,145	(2,144,883)	2,854,411	1,220	2,855,631

Unaudited Condensed Consolidated Statement Of Changes In Equity For The Period Ended 30 September 2019

	← Non - Distributable					→ Distributable				
	Share Capital RM'000	Share Options Reserve RM'000	Warrant Reserve RM'000	Capital Reserve RM'000	Foreign Currency Translation Reserve RM'000	Gain On Derecognition of Financial Liabilities RM'000	Accumulated Losses RM'000	Total RM'000	Non - Controlling Interests RM'000	Total Equity RM'000
9 MONTHS ENDED 30 September 2019										
At 1 January 2019	4,054,817	3,187	211,876	698	627,905	78,145	(2,179,656)	2,796,972	1,530	2,798,502
Total Comprehensive Income / (Loss)	-	-	-	-	21,102	-	23,015	44,117	(250)	43,867
At 30 September 2019	4,054,817	3,187	211,876	698	649,007	78,145	(2,156,641)	2,841,089	1,280	2,842,369

(The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2019)

VELESTO ENERGY BERHAD

Unaudited Condensed Consolidated Statement Of Cash Flows For The Period Ended 30 September 2020

	(Unaudited) 9 Months Ended 30/09/2020 RM'000	(Unaudited) 9 Months Ended 30/09/2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit Before Tax	7,046	27,899
Adjustments For:		
Depreciation & Amortisation	170,997	146,406
Interest Expense	51,521	70,821
Share Of Results Of Associated Company	(142)	(178)
Investment Income	(5,761)	(6,070)
Net Loss On Disposal Of Property, Plant & Equipment	532	592
Net Unrealised Foreign Exchange Loss	4,397	2,356
Net Fair Value Gain On Money Market Fund	(104)	(359)
Share Options Granted Under ESOS	2,751	-
Operating Profit Before Working Capital Changes	<u>231,237</u>	<u>241,467</u>
Decrease / (Increase) In Receivables	135,507	(25,085)
Increase In Inventories	(18,997)	(4,617)
(Decrease) / Increase In Payables	<u>(41,573)</u>	<u>17,707</u>
Cash Generated From Operating Activities	306,174	229,472
Interest Paid	(46,200)	(64,312)
Taxes Paid	<u>(5,922)</u>	<u>(6,913)</u>
Net Cash Generated From Operating Activities	<u>254,052</u>	<u>158,247</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase Of Property, Plant & Equipment	(45,601)	(81,665)
Proceeds From Disposal Of Property, Plant & Equipment	-	162
Interest Received	5,761	6,070
Dividend Received From Associate	334	343
Net (Placement) / Withdrawal Of Investments In Money Market Fund	<u>(103,626)</u>	<u>50,175</u>
Net Cash Used In Investing Activities	<u>(143,132)</u>	<u>(24,915)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Movement In Short Term Borrowings	(50,172)	208,941
Repayment Of Long Term Borrowings	(81,588)	(325,610)
Payment Of Lease Liabilities	(3,452)	(3,380)
Withdrawal / (Placement) Of Restricted Cash Deposits In Licensed Bank	1,702	(23,837)
Net Cash Used In Financing Activities	<u>(133,510)</u>	<u>(143,886)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(22,590)	(10,554)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	168,279	187,437
EFFECTS OF EXCHANGE RATE CHANGES	2,830	1,544
CASH AND CASH EQUIVALENTS AS AT 30 SEPTEMBER	<u>148,519</u>	<u>178,427</u>
Cash and Cash Equivalents comprise:		
Deposits, Cash & Bank Balances	218,521	249,856
Less: Restricted cash	<u>(70,002)</u>	<u>(71,429)</u>
	<u>148,519</u>	<u>178,427</u>

(The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2019)

Explanatory Notes

NOTE 1 – Significant accounting policies

Basis of preparation

The interim financial statements have been prepared in accordance with the requirements of International Accounting Standards (“IAS”) 34, Interim Financial Reporting and Malaysian Financial Reporting Standards (“MFRS”) 134, Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The significant accounting policies and methods of computation in the interim financial statements are consistent with those in the annual audited financial statements for the year ended 31 December 2019, except for the adoption of the following MFRS/Amendments/Interpretations effective on or after 1 January 2020:

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

The adoption of these pronouncements did not have a significant impact to the financial statements of the Group and the Company.

Standards issued but not yet effective:

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but not yet effective and have not been applied by the Group:

- MFRS 17, Insurance Contracts (effective 1 January 2021)
- Amendments to MFRS 3: Business Combinations - Reference to the Conceptual Framework (effective 1 January 2022)
- Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use (effective 1 January 2022)
- Amendments to MFRS 137: Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract (effective 1 January 2022)
- Amendments to MFRS 101: Presentation of Financial Statements, Classification of Liabilities as Current or Non-current (effective 1 January 2023)
- Annual Improvements to MFRS Standards 2018 – 2020: MFRS 9, Financial Instruments (effective 1 January 2022)
- Annual Improvements to MFRS Standards 2018 – 2020: MFRS 16, Leases
- Amendments to MFRS 10 and MFRS 128, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Deferred)

NOTE 2 – Seasonal or Cyclical Factors

The Group is principally engaged in:

- (a) the provision of drilling services for exploration, development and production wells to the upstream sector of the oil and gas industry; and
- (b) the provision of workover services for the oil and gas industry; as well as threading, inspection and repair services for Oil Country Tubular Goods, with a focus on premium connections used in high-end and complex wells.

The Group's products and services are dependent on the level of activity, and the corresponding capital spending by oil and gas companies. These oil and gas companies are affected by volatile oil and natural gas prices, and cyclical in the offshore drilling and oilfield services industries.

NOTE 3 – Exceptional Items

There were no material unusual items affecting the Group's assets, liabilities, equity, net income or cash flows during the financial period ended 30 September 2020.

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 period 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 period under review.

NOTE 6 – Dividends Paid

There were no dividends paid during the financial period ended 30 September 2020.

NOTE 7 – Segmental Reporting

Financial Period Ended 30 September 2020

Business Segment	Revenue RM'000	Profit / (Loss) Before Tax RM'000	Profit / (Loss) Attributable to Owners of the Company RM'000
Drilling Services	439,941	32,115	28,914
Oilfield Services	7,488	(3,891)	(4,277)
Others (include corporate expenses)	788	(21,178)	(23,082)
Inter-segment	(342)	-	-
Consolidated Total	447,875	7,046	1,555

Financial Period Ended 30 September 2019

Business Segment	Revenue RM'000	Profit / (Loss) Before Tax RM'000	Profit / (Loss) Attributable to Owners of the Company RM'000
Drilling Services	467,140	46,091	42,984
Oilfield Services	25,063	1,594	1,124
Others (include corporate expenses)	4,502	(19,786)	(21,093)
Inter-segment	(4,051)	-	-
Consolidated Total	492,654	27,899	23,015

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

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

Other than the above, there has been no differences in the basis of segmentation or in the basis of measurement of segment profit or loss as compared to the last quarterly report.

NOTE 8 – Subsequent Material Events

There has been no material event or transaction during the period from 30 September 2020 to the date of this announcement, which substantially affects the results of the Group for the financial period ended 30 September 2020.

NOTE 9 – Changes in Composition / Group

There were no changes in the composition of the Group during the financial period ended 30 September 2020.

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

The capital commitments are in respect of the following:

	RM'000	RM'000
Approved and contracted for:		
Land and buildings	-	
Equipment, plant and machinery	39,437	
Others	13,604	53,041
	<hr/>	
Approved but not contracted for:		
Land and buildings	953	
Equipment, plant and machinery	35,835	
Others	4,417	41,204
	<hr/>	<hr/>
Total		94,245
		<hr/> <hr/>

NOTE 11 - Significant Related Party Transactions

There were no significant related party transactions for the financial period ended 30 September 2020.

NOTE 12 – Classification of Financial Assets

There were no changes in the classification of financial assets as a result of a change in the purpose or use of the asset.

NOTE 13 – Contingent Liabilities and Contingent Assets

There were no material contingent liabilities and contingent assets as at 30 September 2020.

NOTE 14 – Review of Performance

Performance of Current Quarter Against the Quarter Ended 30 September 2019 (“corresponding quarter”)

	Revenue		Profit / (Loss) Before Tax	
	3rd Quarter ended 30/9/2020 RM'000	3rd Quarter ended 30/9/2019 RM'000	3rd Quarter ended 30/9/2020 RM'000	3rd Quarter ended 30/9/2019 RM'000
Business Segment				
Drilling Services	127,805	192,919	13,293	37,566
Oilfield Services	2,659	15,470	(832)	5,819
Others (include corporate expenses)	195	184	(9,616)	(7,560)
Total	130,659	208,573	2,845	35,825

Group

Group revenue of RM130.7 million was 37.3% lower than the corresponding quarter's revenue of RM208.6 million, mainly due to lower performance in both Drilling and Oilfield Services segment.

Consequently, the Group reported a lower profit before tax of RM2.8 million in the current quarter, compared to corresponding quarter's profit before tax of RM35.8 million.

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

Drilling Services Segment

Drilling Services segment registered a 33.8% decrease in revenue to RM127.8 million in current quarter, mainly due to lower average jack-up rig utilisation of 60% as compared to 92% in the corresponding quarter.

As a result of the above, the Drilling Services segment registered a lower profit before tax of RM13.3 million against the profit before tax of RM37.6 million reported in the corresponding quarter.

Oilfield Services Segment

The Oilfield Services segment recorded a 82.8% decline in revenue to RM2.7 million in current quarter. This was mainly due to lower revenue from workover services resulted from lower utilisation of hydraulic workover units in the current quarter.

As a result of the above, the Oilfield Services segment recorded loss before tax of RM0.8 million against the profit before tax of RM5.8 million reported in the corresponding quarter.

Others Segment (include corporate expenses)

Others segment which include corporate expenses recorded a higher loss before tax of RM9.6 million in the current quarter, mainly due to foreign exchange loss of RM1.6 million and ESOS expense of RM0.8 million which commenced from Q4 2019.

NOTE 14 – Review of Performance (continued)

Performance of Current Period Against the Financial Period Ended 30 September 2019 (“corresponding period”)

	Revenue		Profit / (Loss) Before Tax	
	Financial period ended 30/9/2020 RM'000	Financial period ended 30/9/2019 RM'000	Financial period ended 30/9/2020 RM'000	Financial period ended 30/9/2019 RM'000
Business Segment				
Drilling Services	439,941	467,140	32,115	46,091
Oilfield Services	7,488	25,063	(3,891)	1,594
Others (include corporate expenses)	446	451	(21,178)	(19,786)
Total	447,875	492,654	7,046	27,899

Group

Group revenue of RM447.9 million was 9.1% lower than the corresponding period's revenue of RM492.7 million, mainly due to lower performance in both Drilling and Oilfield Services segment.

Due to the recent COVID-19 pandemic, the Group incurred additional expenses amounting to RM12.8 million in the current period.

The Group reported a lower profit before tax of RM7.0 million in the current period as compared to profit before tax of RM27.9 million in the corresponding period.

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

Drilling Services Segment

Drilling Services segment registered a 5.8% decrease in revenue to RM439.9 million in current period, mainly due to lower average jack-up rig utilisation of 68% as compared to 77% in the corresponding period.

As a result, the Drilling Services segment registered a lower profit before tax of RM32.1 million against RM46.1 million profit before tax reported in the corresponding period.

Oilfield Services Segment

The Oilfield Services segment recorded a lower revenue of RM7.5 million as compared to corresponding period's revenue of RM25.1 million. This was mainly due to lower revenue from workover services resulted from lower utilisation of hydraulic workover units in the current period.

As a result of the above, the Oilfield Services segment recorded a loss before tax of RM3.9 million as compared to a profit before tax of RM1.6 million in the corresponding period.

Others Segment (include corporate expenses)

Others segment which include corporate expenses recorded a higher loss before tax of RM21.2 million, mainly due to higher extraordinary items such as ESOS expenses of RM2.8 million and offset with lower overheads.

NOTE 15 – Comparison with Preceding Quarter’s Results

	Revenue		Profit / (Loss) Before Tax	
	3rd Quarter ended 30/9/2020 RM'000	2nd Quarter ended 30/6/2020 RM'000	3rd Quarter ended 30/9/2020 RM'000	2nd Quarter ended 30/6/2020 RM'000
Business Segment				
Drilling Services	127,805	137,911	14,124	(7,717)
Oilfield Services	2,659	2,982	(1,664)	(494)
Others (include corporate expenses)	195	54	(9,615)	(5,320)
Total	130,659	140,947	2,845	(13,531)

The Group’s revenue of RM130.7 million was 7.3% lower than the preceding quarter’s revenue of RM140.9 million. This was mainly due to lower revenue from Drilling Services as a result of lower average jack-up rig utilisation of 60% as compared to 67% in the preceding quarter.

The Group posted a profit before tax of RM2.8 million as compared to a loss before tax of RM13.5 million in the preceding quarter. The preceding quarter loss before tax was mainly impacted by forex loss of RM8.4 million and additional expenses incurred in relation to the COVID-19 pandemic of RM10.9 million.

NOTE 16 – Review of Consolidated Statement of Financial Position

	As at 30/9/2020 RM'000	As at 31/12/2019 RM'000
Total assets	4,164,588	4,265,390
Total equity	2,855,631	2,803,476
Total liabilities	1,308,957	1,461,914
Total equity and liabilities	4,164,588	4,265,390

The Group’s total assets decreased by RM100.8 million or 2.4% mainly due to the decrease in trade receivables and property, plant and equipment during the period.

Total liabilities reduced by RM153.0 million mainly due to reduction in borrowings and payables amounting to RM106.6 million and RM42.8 million respectively during the period.

Other than the above, there has been no other material movement in total assets and total liabilities as compared to the audited annual financial statements for the financial year ended 31 December 2019.

NOTE 17 – Current Prospect

Drilling Services Segment

The improved outlook in the potential availability of COVID-19 vaccine has a positive impact on the oil price. Further strengthened by the extension of production quota by OPEC+ major producing countries until the end of 2020, this has resulted in the benchmark Brent oil price returning to above USD40 per barrel since early November 2020. This provides a good basis towards further improvement in the oil price going into 2021, albeit at a gradual pace.

However, many oil companies globally have not increased, either their capital or operational expenses at present. Until a clearer direction is available, it is difficult to forecast the activities in the oil and gas industry, including in the drilling sector in the medium term. In Malaysia, drilling activities are expected to taper off towards the year end and the activities for 2021 are still fluid.

Currently, only four of the Group's seven jack-up drilling rigs are working, with three of them are expected to complete their contracts in December 2020. At present, the Group is continuing to tender and negotiate for new contracts for 2021 and beyond.

Oilfield Services Segment

All the hydraulic workover units of the Group are currently idle. The demand for workover and plug and abandonment activities are soft due to the weak market environment.

The Group's oilfield services operation in China is seeing a gradual recovery in demand. The viability of this subsidiary will be continuously monitored and evaluated.

Group

In view of the continuing weak demand for drilling services, the Board is of the opinion that the financial performance for the year will be adversely impacted and weaker than 2019.

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

	3rd Quarter ended 30/9/2020 RM'000	Nine Months ended 30/9/2020 RM'000
Taxation for current period	2,366	5,491
Total	2,366	5,491

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 RM2,366,000 and RM5,491,000 for the current quarter and period ended 30 September 2020, respectively.

NOTE 21 – Corporate Proposals

As at the latest practicable date, the issued share capital of the Company is RM4,054,817,171 comprising 8,215,600,000 ordinary shares of the Company. The credit of RM2,210,000,000 arising from the Proposed Share Capital Reduction will be used to eliminate the accumulated losses of the Company. The surplus after such elimination, if any, will be utilised in such manner as the Board may deem fit and as permitted by the relevant and applicable laws and the Constitution of the Company.

The shareholders of the Company had on 29 June 2020 approved the Proposed Share Capital Reduction, which entails the reduction and cancellation of RM2,210,000,000 of its issued share capital pursuant to Section 116 of the Companies Act, 2016 (“Act”) (“Proposed Share Capital Reduction”). An order by the High Court confirming the Proposed Share Capital Reduction has been lodged with the Registrar of Companies on 21 October 2020. Pursuant thereto, the Proposed Share Capital Reduction shall therefore take effect and be deemed completed on 21 October 2020.

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

NOTE 22 – Group Borrowings and Debt Securities

	USD'000 borrowings	RM'000 equivalent
Short term borrowings		
- Secured		
Revolving credit	37,737	156,986
Term loans payable within 12 months	26,150	108,784
Less: Transaction cost	-	(4,298)
	<u>63,887</u>	<u>261,472</u>
Long term borrowings		
- Secured		
Long term loan	250,810	1,043,368
Term loans payable within 12 months	(26,150)	(108,784)
Less: Transaction cost	-	(9,449)
	<u>224,660</u>	<u>925,135</u>
Total	<u><u>288,547</u></u>	<u><u>1,186,607</u></u>

Movements of Borrowings	Revolving Credit RM '000	Short Term Borrowings RM '000	Long Term Borrowings RM '000	Total RM '000
At 1 January 2020	205,050	97,610	990,592	1,293,252
Unamortised transaction costs	-	9,631	11,168	20,799
Gross Borrowings at 1 January 2020	<u>205,050</u>	<u>107,241</u>	<u>1,001,760</u>	<u>1,314,051</u>
Effect of changes in foreign exchange rate	2,107	1,543	14,412	18,062
Drawdown	29,120	-	-	29,120
Repayment	(79,292)	(81,588)	-	(160,880)
	<u>156,986</u>	<u>27,196</u>	<u>1,016,172</u>	<u>1,200,354</u>
Unamortised transaction costs	-	(4,298)	(9,449)	(13,747)
Amount payable within 12 months	-	81,588	(81,588)	-
At 30 September 2020	<u><u>156,986</u></u>	<u><u>104,486</u></u>	<u><u>925,135</u></u>	<u><u>1,186,607</u></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 11 December 2019, the Makati Court had granted VED’s application for clarification and confidential treatment of information in the Petition for publication. The Petition was published in Philippines on 3 February 2020.

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

The Company will make further announcement on material development on this matter from time to time.

Other than the above, there was no other material litigation pending on the date of this announcement.

NOTE 24 – Dividend

No dividend has been recommended for the period ended 30 September 2020.

NOTE 25 – Earnings Per Share

	Quarter Ended 30/9/2020	Quarter Ended 30/9/2019	(Unaudited) Financial Period Ended 30/9/2020	(Unaudited) Financial Period Ended 30/9/2019
Profit / (Loss) For The Period				
Attributable To:				
Equity Holders Of The Company (RM’000)	479	33,321	1,555	23,015
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 (Sen)	0.01	0.41	0.02	0.28
- Diluted (Sen)	0.01	0.41	0.02	0.28

97,030,000 options under the Employees’ Share Option Scheme (“ESOS”) granted on 1 November 2019 have not been included in the calculation of diluted earnings per share as the exercise price of the options exceeds the average market price of ordinary shares.

NOTE 26 – Audit Qualification

The audit report in respect of the annual financial statements of the Company for the financial year ended 31 December 2019 was not qualified.

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

	3rd Quarter ended 30/9/2020 RM'000	Nine Months ended 30/9/2020 RM'000
(a) Interest income	554	2,853
(b) Other investment Income	1,202	2,908
(c) Depreciation and amortisation	(50,816)	(170,997)
(d) Net foreign exchange gain/(loss)	7,076	(3,901)

By Order Of The Board

LEE MI RYOUNG
Secretary
(MAICSA 7058423)

Kuala Lumpur
26 November 2020