

# VELESTO ENERGY BERHAD

(COMPANY NO : 200901035667)

(INCORPORATED IN MALAYSIA)

## Unaudited Condensed Consolidated Statement Of Comprehensive Income For The Third Quarter Ended 30 September 2021

	Quarter Ended 30/09/2021 RM'000	Quarter Ended 30/09/2020 RM'000	(Unaudited) Financial Period Ended 30/09/2021 RM'000	(Unaudited) Financial Period Ended 30/09/2020 RM'000
<b><u>Continuing Operations</u></b>				
Revenue	91,542	130,659	219,024	447,875
Operating Expenses	(133,940)	(115,690)	(372,531)	(395,761)
Asset Written Off	(3,775)	-	(464,294)	-
Other Operating Income	7,872	503	559,747	550
<b>(Loss) / Profit From Operations</b>	<b>(38,301)</b>	<b>15,472</b>	<b>(58,054)</b>	<b>52,664</b>
Finance Costs	(10,128)	(14,424)	(31,746)	(51,521)
Share Of Results Of Associated Company	35	40	119	142
Investment Income	444	1,757	2,253	5,761
<b>(Loss) / Profit Before Tax From Continuing Operations</b>	<b>(47,950)</b>	<b>2,845</b>	<b>(87,428)</b>	<b>7,046</b>
Taxation	(4,092)	(2,366)	(8,821)	(5,491)
<b>(Loss) / Profit From Continuing Operations, Net Of Tax</b>	<b>(52,042)</b>	<b>479</b>	<b>(96,249)</b>	<b>1,555</b>
<b><u>Other Comprehensive Income / (Loss):</u></b>				
Foreign Currency Translation	17,024	(81,034)	84,529	47,849
Other Comprehensive Income / (Loss), Net Of Tax	17,024	(81,034)	84,529	47,849
<b>Total Comprehensive (Loss) / Income For The Period</b>	<b>(35,018)</b>	<b>(80,555)</b>	<b>(11,720)</b>	<b>49,404</b>
<b><u>(Loss) / Profit For The Period Attributable To:</u></b>				
Equity Holders Of The Company	(52,042)	479	(96,249)	1,555
Non-controlling Interests	-	-	-	-
	<b>(52,042)</b>	<b>479</b>	<b>(96,249)</b>	<b>1,555</b>
<b><u>Total Comprehensive (Loss) / Income Attributable To:</u></b>				
Equity Holders Of The Company	(35,020)	(80,472)	(11,731)	49,444
Non-controlling Interests	2	(83)	11	(40)
	<b>(35,018)</b>	<b>(80,555)</b>	<b>(11,720)</b>	<b>49,404</b>
<b><u>(Loss) / Earnings Per Share Attributable To Equity Holders Of The Company:</u></b>				
Basic (Sen)	(0.63)	0.01	(1.17)	0.02
Diluted (Sen)	(0.63)	0.01	(1.17)	0.02

(The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2020)

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

	<b>(Unaudited)</b> <b>As At</b> <b>30/09/2021</b> <b>RM'000</b>	<b>(Audited)</b> <b>As At</b> <b>31/12/2020</b> <b>RM'000</b>
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	2,321,723	2,720,739
Right-of-use Assets	8,686	9,990
Investment In Associate	1,042	1,877
	<u>2,331,451</u>	<u>2,732,606</u>
<b>Current Assets</b>		
Inventories	177,129	199,614
Other Investments	66,871	97,938
Trade Receivables	142,090	147,092
Other Receivables	42,509	15,724
Deposits, Cash & Bank Balances	230,857	261,234
	<u>659,456</u>	<u>721,602</u>
<b>TOTAL ASSETS</b>	<u>2,990,907</u>	<u>3,454,208</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity Attributable To The Equity Holders Of The Company</b>		
Share Capital	1,844,817	1,844,817
Capital Contribution - ESOS	10,333	7,525
Warrant Reserve	211,876	211,876
Other Reserves	718,065	633,547
Accumulated Losses	(524,419)	(428,170)
	<u>2,260,672</u>	<u>2,269,595</u>
Non-controlling Interests	916	1,211
<b>TOTAL EQUITY</b>	<u>2,261,588</u>	<u>2,270,806</u>
<b>Non-Current Liabilities</b>		
Long Term Borrowings	432,945	871,139
Lease Liabilities	5,247	5,719
	<u>438,192</u>	<u>876,858</u>
<b>Current Liabilities</b>		
Taxation	7,716	7,903
Short Term Borrowings	142,737	182,663
Lease Liabilities	2,274	5,577
Trade Payables	87,836	89,516
Other Payables	50,564	20,885
	<u>291,127</u>	<u>306,544</u>
<b>TOTAL LIABILITIES</b>	<u>729,319</u>	<u>1,183,402</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>2,990,907</u>	<u>3,454,208</u>
<b>Net Assets Per Share (RM)</b>	<b>0.2752</b>	<b>0.2763</b>

(The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2020)

**VELESTO ENERGY BERHAD**

**Unaudited Condensed Consolidated Statement Of Changes In Equity For The Period Ended 30 September 2021**

	← Non - Distributable →					Gain On Derecognition of Financial Liabilities		Distributable			
	Share Capital RM'000	Share Options Reserve RM'000	Warrant Reserve RM'000	Capital Reserve RM'000	Foreign Currency Translation Reserve RM'000	RM'000	RM'000	Accumulated Losses RM'000	Total RM'000	Non - Controlling Interests RM'000	Total Equity RM'000
At 1 January 2021	1,844,817	7,525	211,876	698	554,704	78,145	-	(428,170)	2,269,595	1,211	2,270,806
Transactions With Owners:											
Share options granted under Employees' Share Option Scheme ("ESOS")	-	2,808	-	-	-	-	-	-	2,808	-	2,808
Liquidation of Investment in Subsidiary	-	-	-	-	-	-	-	-	-	(306)	(306)
Total Comprehensive Income / (Loss)	-	-	-	-	84,518	-	-	(96,249)	(11,731)	11	(11,720)
At 30 September 2021	1,844,817	10,333	211,876	698	639,222	78,145	-	(524,419)	2,260,672	916	2,261,588

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

	← Non - Distributable →					Gain On Derecognition of Financial Liabilities		Distributable			
	Share Capital RM'000	Share Options Reserve RM'000	Warrant Reserve RM'000	Capital Reserve RM'000	Foreign Currency Translation Reserve RM'000	RM'000	RM'000	Accumulated Losses RM'000	Total RM'000	Non - Controlling Interests RM'000	Total Equity RM'000
At 1 January 2020	4,054,817	3,905	211,876	698	599,213	78,145	-	(2,146,438)	2,802,216	1,260	2,803,476
Transactions With Owners:											
Share options granted under Employees' Share Option Scheme ("ESOS")	-	2,751	-	-	-	-	-	-	2,751	-	2,751
Total Comprehensive Income	-	-	-	-	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

(The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2020)

# VELESTO ENERGY BERHAD

## Unaudited Condensed Consolidated Statement Of Cash Flows For The Period Ended 30 September 2021

	<b>(Unaudited) 9 Months Ended 30/09/2021 RM'000</b>	<b>(Unaudited) 9 Months Ended 30/09/2020 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) / Profit Before Tax	(87,428)	7,046
Adjustments For:		
Depreciation & Amortisation	117,739	170,997
Asset Written Off	464,294	-
Insurance Claim	(558,957)	-
Interest Expense	31,746	51,521
Share Of Results Of Associated Company	(119)	(142)
Investment Income	(2,253)	(5,761)
Net Loss On Disposal Of Property, Plant & Equipment	-	532
Net Unrealised Foreign Exchange Loss	6,086	4,397
Net Fair Value Gain On Money Market Fund	(281)	(104)
Share Options Granted Under ESOS	2,807	2,751
Operating Profit Before Working Capital Changes	<u>(26,366)</u>	<u>231,237</u>
(Increase) / Decrease In Receivables	5,624	135,507
Decrease / (Increase) In Inventories	2,972	(18,997)
Increase / (Decrease) In Payables	<u>40,448</u>	<u>(41,573)</u>
Cash Generated From Operating Activities	22,678	306,174
Interest Paid	(28,406)	(46,200)
Taxes Paid	<u>(14,904)</u>	<u>(5,922)</u>
Net Cash (Used In) / Generated From Operating Activities	<u>(20,632)</u>	<u>254,052</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase Of Property, Plant & Equipment	(72,867)	(45,601)
Proceeds From Insurance Claim	544,876	-
Interest Received	2,253	5,761
Dividend Received From Associate	953	334
Net Withdrawal / (Placement) Of Investments In Money Market Fund	<u>32,058</u>	<u>(103,626)</u>
Net Cash Generated From / (Used In) Investing Activities	<u>507,273</u>	<u>(143,132)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Movement In Short Term Borrowings	(85,197)	(50,172)
Repayment Of Long Term Borrowings	(437,153)	(81,588)
Payment Of Lease Liabilities	(4,314)	(3,452)
Withdrawal Of Restricted Cash Deposits In Licensed Bank	<u>23,167</u>	<u>1,702</u>
Net Cash Used In Financing Activities	<u>(503,497)</u>	<u>(133,510)</u>
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>	(16,856)	(22,590)
<b>CASH AND CASH EQUIVALENTS AS AT 1 JANUARY</b>	203,331	168,279
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>	9,646	2,830
<b>CASH AND CASH EQUIVALENTS AS AT 30 SEPTEMBER</b>	<u>196,121</u>	<u>148,519</u>
<b>Cash and Cash Equivalents comprise:</b>		
Deposits, Cash & Bank Balances	230,857	218,521
Less: Restricted Cash	<u>(34,736)</u>	<u>(70,002)</u>
	<u>196,121</u>	<u>148,519</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 2020)

## **Explanatory Notes**

### **NOTE 1 – Significant accounting policies**

#### **Basis of preparation**

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

The significant accounting policies and methods of computation in the interim financial statements are consistent with those in the annual audited financial statements for the year ended 31 December 2020 except for the adoption of the following MFRS/Amendments/Interpretations effective on or after 1 January 2021:

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

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

#### **Standards issued but not yet effective:**

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

- Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards - Annual Improvements to MFRS Standards 2018-2020 (effective 1 January 2022)
- Amendments to MFRS 3: Business Combinations - Reference to the Conceptual Framework (effective 1 January 2022)
- Amendments to MFRS 9 Financial Instruments - Annual Improvements to MFRS Standards 2018-2020 (effective 1 January 2022)
- Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use (effective 1 January 2022)
- Amendments to MFRS 137: Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract (effective 1 January 2022)
- MFRS 17, Insurance Contracts (effective 1 January 2023)
- Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates (effective 1 January 2023)
- Amendments to MFRS 101: Presentation of Financial Statements - Classification of Liabilities as Current or Non-current (effective 1 January 2023)
- Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023)
- Amendments to MFRS 10 and MFRS 128, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Deferred)

## **NOTE 2 – Seasonal or Cyclical Factors**

The Group is principally engaged in:

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

The Group's products and services are dependent on the level of activity, and the corresponding capital spending by oil and gas companies. These oil and gas companies are affected by volatile oil and natural gas prices, and cyclicalities 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 2021.

## **NOTE 4 – Accounting Estimates**

There were no material changes in estimates of amounts reported in the prior interim periods of the current financial year or the previous financial years that have a material effect on the results for the financial 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 year under review.

## **NOTE 6 – Dividends Paid**

There were no dividends paid during the financial period ended 30 September 2021.

## NOTE 7 – Segmental Reporting

### Financial Period Ended 30 September 2021

<b>Business Segment</b>	<b>Revenue RM'000</b>	<b>Profit / (Loss) Before Tax RM'000</b>	<b>Profit / (Loss) Attributable to Owners of the Company RM'000</b>
Drilling Services	208,254	(56,171)	(64,575)
Oilfield Services	10,011	(3,956)	(4,292)
Others (include corporate expenses)	1,681	(27,301)	(27,382)
Inter-segment	(922)	-	-
<b>Consolidated Total</b>	<b>219,024</b>	<b>(87,428)</b>	<b>(96,249)</b>

### Financial Period Ended 30 September 2020

<b>Business Segment</b>	<b>Revenue RM'000</b>	<b>Profit / (Loss) Before Tax RM'000</b>	<b>Profit / (Loss) Attributable to Owners of the Company RM'000</b>
Drilling Services	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)	-	-
<b>Consolidated Total</b>	<b>447,875</b>	<b>7,046</b>	<b>1,555</b>

## NOTE 8 – Subsequent Material Events

There has been no material event or transaction during the period from 30 September 2021 to the date of this announcement, which substantially affects the results of the Group for the financial period ended 30 September 2021.

## NOTE 9 – Changes in Composition / Group

There were no changes in the composition of the Group during the financial period ended 30 September 2021.

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

The capital commitments are in respect of the following:

	<b>RM'000</b>	<b>RM'000</b>
<b>Approved and contracted for:</b>		
Land and buildings	-	
Equipment, plant and machinery	59,294	
Others	<u>4,777</u>	64,071
<b>Approved but not contracted for:</b>		
Land and buildings	4,447	
Equipment, plant and machinery	99,316	
Others	<u>6,416</u>	110,179
<b>Total</b>		<u><u>174,250</u></u>

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

There were no significant related party transactions for the financial period ended 30 September 2021.

#### **NOTE 12 – Classification of Financial Assets**

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

#### **NOTE 13 – Contingent Liabilities and Contingent Assets**

There were no material contingent liabilities and contingent assets as at 30 September 2021.



## NOTE 14 – Review of Performance

### Performance of Current Quarter Against the Quarter Ended 30 September 2020 (“corresponding quarter”)

	Revenue		Profit / (Loss) Before Tax	
	3rd Quarter ended 30/09/2021 RM'000	3rd Quarter ended 30/09/2020 RM'000	3rd Quarter ended 30/09/2021 RM'000	3rd Quarter ended 30/09/2020 RM'000
<b>Business Segment</b>				
Drilling Services	87,236	127,805	(37,526)	13,293
Oilfield Services	4,134	2,659	(1,572)	(832)
Others (include corporate expenses)	172	195	(8,852)	(9,616)
<b>Total</b>	<b>91,542</b>	<b>130,659</b>	<b>(47,950)</b>	<b>2,845</b>

#### Group

Group revenue of RM91.5 million was 29.9% lower than the corresponding quarter's revenue of RM130.7 million, mainly due to lower activities in Drilling segment during the quarter.

Consequently, the Group reported RM48.0 million loss before tax in the current quarter against corresponding quarter's profit before tax of RM2.8 million.

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

#### Drilling Services Segment

Drilling Services segment registered a 31.7% decrease in revenue to RM87.2 million in current quarter, mainly due to lower average jack-up rig utilisation of 51% (based on 6 rigs capacity) as compared to 60% (based on 7 rigs capacity) in the corresponding quarter.

As a result of the above, the Drilling Services segment registered a loss before tax of RM37.5 million against the profit before tax of RM13.3 million reported in the corresponding quarter.

#### Oilfield Services Segment

The Oilfield Services segment recorded an increase in revenue by 55.5% to RM4.1 million in the current quarter as compared to revenue of RM2.7 million in the corresponding quarter.

Despite the higher revenue, the Oilfield Services segment recorded higher loss before tax of RM1.6 million against the loss before tax of RM0.8 million reported in the corresponding quarter mainly due to reactivation and start-up costs incurred for Workover contract in Vietnam in current quarter.

#### Others Segment (include corporate expenses)

Others segment which include corporate expenses recorded lower loss before tax of RM8.9 million in the current quarter against loss before tax of RM9.6 million reported in the corresponding quarter mainly due to lower net foreign exchange loss of RM0.6 million against RM1.6 million in the corresponding quarter.

## NOTE 14 – Review of Performance (continued)

### Performance of Current Period Against the Financial Period Ended 30 September 2020 (“corresponding period”)

	Revenue		Profit / (Loss) Before Tax	
	Financial period ended 30/09/2021 RM'000	Financial period ended 30/09/2020 RM'000	Financial period ended 30/09/2021 RM'000	Financial period ended 30/09/2020 RM'000
<b>Business Segment</b>				
Drilling Services	208,254	439,941	(56,171)	32,115
Oilfield Services	10,011	7,488	(3,956)	(3,891)
Others (include corporate expenses)	759	446	(27,301)	(21,178)
<b>Total</b>	<b>219,024</b>	<b>447,875</b>	<b>(87,428)</b>	<b>7,046</b>

#### Group

Group revenue of RM219.0 million was 51.1% lower than the corresponding period's revenue of RM447.9 million, mainly due to lower activities in Drilling segment.

The Group reported RM87.4 million loss before tax in the current period against corresponding period's profit before tax of RM7.0 million.

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

#### Drilling Services Segment

Drilling Services segment registered a 52.7% decrease in revenue to RM208.3 million in current period, mainly due to lower average jack-up rig utilisation of 39% (based on 6 rigs capacity starting Q3 2021) as compared to 68% (based on 7 rigs capacity) in the corresponding period.

As a result of lower utilisation, the Drilling Services segment registered a loss before tax of RM56.2 million against the profit before tax of RM32.1 million reported in the corresponding period. The current period result includes the recognition of insurance claim of RM559.0 mil in relation to Naga 7 incident.

#### Oilfield Services Segment

The Oilfield Services segment recorded higher revenue by 33.7% to RM10.0 million in the current period as compared to RM7.5 million in the corresponding period. This was mainly due to higher revenue from Oilfield Services (Tianjin) in the current period.

The Oilfield Services segment recorded a slightly higher loss before tax of RM4.0 million against the loss before tax of RM3.9 million reported in the corresponding period mainly due to reactivation and start-up costs incurred for Workover contract in Vietnam in current period.

#### Others Segment (include corporate expenses)

Others segment which include corporate expenses recorded higher loss before tax of RM27.3 million in the current period against loss before tax of RM21.2 million reported in the corresponding period mainly due to net foreign exchange loss of RM3.1 million against net foreign exchange gain of RM1.1 million in the corresponding period and lower investment income by RM1.5 million.

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

	Revenue		Profit / (Loss) Before Tax	
	3rd Quarter ended 30/09/2021 RM'000	2nd Quarter ended 30/06/2021 RM'000	3rd Quarter ended 30/09/2021 RM'000	2nd Quarter ended 30/06/2021 RM'000
<b>Business Segment</b>				
Drilling Services	87,236	80,247	(37,526)	30,275
Oilfield Services	4,134	2,927	(1,572)	(1,005)
Others (include corporate expenses)	172	381	(8,852)	(8,461)
<b>Total</b>	<b>91,542</b>	<b>83,555</b>	<b>(47,950)</b>	<b>20,809</b>

The Group’s revenue of RM91.5 million was 9.6% higher than the preceding quarter’s revenue of RM83.6 million. This was mainly due to higher revenue from Drilling Services as a result of higher average jack-up rig utilisation of 51% (based on 6 rigs capacity) as compared to 38% (based on 7 rigs capacity) in the preceding quarter as well as higher revenue from Oilfield Services for Workover contract in Vietnam.

The Group recorded a loss before tax of RM48.0 million against profit before tax of RM20.8 million in the preceding quarter. The preceding quarter profit before tax was significantly impacted by the recognition of RM559.0 mil insurance claim in relation to Naga 7 incident.

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

	As at 30/09/2021 RM'000	As at 31/12/2020 RM'000
Total assets	2,990,907	3,454,208
Total equity	2,261,588	2,270,806
Total liabilities	729,319	1,183,402
<b>Total equity and liabilities</b>	<b>2,990,907</b>	<b>3,454,208</b>

The Group’s total assets decreased by RM463.3 million mainly due to assets written off in relation to Naga 7 incident.

Total equity decreased by RM9.2 million mainly due to total comprehensive loss incurred for the period.

Total liabilities reduced by RM454.1 million mainly due to reduction in borrowings by RM478.1 million resulted from early repayment of borrowings through utilisation of the insurance claim proceeds and partially offset with higher other payables by RM29.7 million.

Other than the above, there has been no other material movement in total assets and total liabilities as compared to the audited annual financial statements for the financial year ended 31 December 2020.

## **NOTE 17 – Current Prospect**

### **Drilling Services Segment**

The oil and gas outlook has been improving due to the global economic recovery which causes a strain in energy supply. The rising demand for oil back to the pre-Covid level of around 100 million barrel per day has stabilised the benchmark Brent oil price at about USD80 per barrel. This is further supported by the disciplined production quota management by OPEC and major oil producing countries. The lack of aggressive recovery by the shale producers also contributed to the price stability.

In the longer term, the lack of investment in production capability during the previous downturn and during the Covid-19 pandemic period is expected to limit the global production capability. This will keep the oil price stable despite occasional interruptions.

The gas market has also improved as the energy demand increases coupled with the higher demand for cleaner energy. The Henry Hub natural gas price has remained largely above USD5 per million BTU despite Russia's pledge to supply more gas to Europe.

However, the recent emergence of the new Covid-19 variant Omicron has a significant impact on the price of oil. The benchmark Brent oil price has declined to around USD70 per barrel and the near term outlook is uncertain.

Despite the challenges, at present the upstream activities are continuing globally with more contracts being awarded. In Malaysia, a number of new contracts have been awarded with a few more being tendered out. The Group is actively bidding for new tenders for contracts scheduled to commence next year.

Currently, five of the Group's six available jack-up drilling rigs are working. The only remaining rig is being tendered out for a number of potential contracts next year.

### **Oilfield Services Segment**

The prospect for oilfield services segment is improving with a number of tenders being issued in the southeast Asia region for work in 2022, especially for the Plug & Abandonment (P&A) activities. The Group is currently bidding for a number of available contracts, both locally and overseas.

One of the Group's Hydraulic Workover Unit ("HWU") was working in offshore Vietnam recently. This will position the Group back in the country, which have been one of the major markets in the past for both the drilling rigs and the HWU.

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

### **Group**

The gradual recovery in the global economy augurs well for the oil and gas industry and the Group. However, with the continued threat of Covid-19 pandemic due to the new variant and its potential impact on the pace of economic recovery, the Board remains cautious in the medium term. For the financial performance of 2021, the Board is of the view that it remains challenging.

**NOTE 18 – Statement on Revenue and Profit Forecast**

This is not applicable to the Group.

**NOTE 19 – Variance from Profit Forecast and Profit Guarantee**

This is not applicable to the Group.

**NOTE 20 – Taxation**

	<b>3rd Quarter ended 30/09/2021 RM'000</b>	<b>Nine Months ended 30/09/2021 RM'000</b>
Taxation for current period	1,493	5,360
Taxation for prior year	2,599	3,461
<b>Total</b>	<b>4,092</b>	<b>8,821</b>

Several companies in the Group were profitable and in tax payable position while the rest of the companies were in a loss position. Hence the current tax charges are RM1.5 million and RM5.4 million for the current quarter and period ended 30 September 2021 respectively, while RM2.6 million for the quarter and RM3.5 million for the period ended 30 September 2021 relates to under provision for prior year.

**NOTE 21 – Corporate Proposals**

There was no corporate proposal announced but not completed on the date of this announcement.

**NOTE 22 – Group Borrowings and Debt Securities**

	<b>USD'000 borrowings</b>	<b>RM'000 borrowings</b>	<b>RM'000 equivalent</b>
Short term borrowings			
- Secured			
USD revolving credit	21,500	-	90,107
RM revolving credit	-	15,500	15,500
Term loans payable within 12 months	9,838	-	41,229
Less: Transaction cost	-	-	(4,099)
	<u>31,338</u>	<u>15,500</u>	<u>142,737</u>
Long term borrowings			
- Secured			
Long term loan	114,438	-	479,608
Term loans payable within 12 months	(9,838)	-	(41,229)
Less: Transaction cost	-	-	(5,434)
	<u>104,600</u>	<u>-</u>	<u>432,945</u>
<b>Total</b>	<u><b>135,938</b></u>	<u><b>15,500</b></u>	<u><b>575,682</b></u>

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

<b>Movements of Borrowings</b>	<b>Revolving Credit RM '000</b>	<b>Short Term Borrowings RM '000</b>	<b>Long Term Borrowings RM '000</b>	<b>Total RM '000</b>
At 1 January 2021	80,620	102,043	871,139	1,053,802
Unamortised transaction costs	-	3,367	8,112	11,479
Gross Borrowings at 1 January 2021	80,620	105,410	879,251	1,065,281
Effect of changes in foreign exchange rate	3,200	1,574	37,510	42,284
Drawdown	21,787	-	-	21,787
Repayment	-	(106,984)	(437,153)	(544,137)
	105,607	-	479,608	585,215
Unamortised transaction costs	-	(4,099)	(5,434)	(9,533)
Amount payable within 12 months	-	41,229	(41,229)	-
At 30 September 2021	105,607	37,130	432,945	575,682

As of 30 September 2021, we received RM544.9 million out of RM559.0 million insurance claim. From the proceeds received, RM419.1 million has been utilised to pare down our borrowings scheduled for repayment.

**NOTE 23 – Material Litigation**

Reference is made to the previous announcements made by the Company on enforcement proceeding against Frontier Oil Corporation (“FOC”) by Velesto Drilling Sdn Bhd (“VED”), a wholly owned subsidiary of the Company, at the Regional Trial Court, in Makati City, Philippines (“Makati Court”).

On 28 June 2021, Makati Court has decided the arbitral award dated 12 July 2018 issued by Singapore International Arbitration Centre in favour of VED be recognized and enforced. With ongoing execution to enforce the award in Philippines, 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 2021.

**NOTE 25 – Earnings Per Share**

	<b>3rd Quarter Ended 30/09/2021</b>	<b>3rd Quarter Ended 30/09/2020</b>	<b>(Unaudited) Financial Period Ended 30/09/2021</b>	<b>(Unaudited) Financial Period Ended 30/09/2020</b>
<b>(Loss) / Profit For The Period Attributable To:</b>				
Equity Holders Of The Company (RM'000)	(52,042)	479	(96,249)	1,555
Weighted average number of ordinary shares in issue ('000)				
- Basic	8,215,600	8,215,600	8,215,600	8,215,600
Effects of dilution:				
Options under ESOS	-	-	-	-
- Diluted	8,215,600	8,215,600	8,215,600	8,215,600
<b>(Loss) / Earnings Per Share Attributable To Equity Holders Of The Company:</b>				
- Basic (Sen)	(0.63)	0.01	(1.17)	0.02
- Diluted (Sen)	(0.63)	0.01	(1.17)	0.02

94,040,000 options under the Employees' Share Option Scheme ("ESOS") granted on 1 November 2019 have not been included in the calculation of diluted earnings per share as the exercise price of the options exceeds the average market price of ordinary shares.

**NOTE 26 – Audit Qualification**

The audit report in respect of the annual financial statements of the Company for the financial year ended 31 December 2020 was not qualified.

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

	<b>3rd Quarter ended 30/09/2021 RM'000</b>	<b>Nine Months ended 30/09/2021 RM'000</b>
(a) Interest income	136	954
(b) Other investment Income	308	1,299
(c) Depreciation and amortisation	(37,505)	(117,739)
(d) Net foreign exchange loss	(498)	(4,848)

**By Order Of The Board**

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

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

Kuala Lumpur  
29 November 2021