

VELESTO ENERGY BERHAD

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



Unaudited Condensed Consolidated Statement Of Comprehensive Income For The Second Quarter Ended 30 June 2023

	Quarter Ended 30/06/2023 RM'000	Quarter Ended 30/06/2022 RM'000	Period Ended 30/06/2023 RM'000	Period Ended 30/06/2022 RM'000
Revenue	279,316	86,595	566,567	164,004
Operating Expenses	(246,486)	(123,144)	(507,321)	(241,887)
Other Operating Income	146	621	570	762
Profit / (Loss) From Operations	32,976	(35,928)	59,816	(77,121)
Finance Costs	(11,418)	(7,169)	(23,600)	(12,265)
Share of Results of Associate	43	53	67	92
Investment Income	1,126	1,250	1,935	1,722
Profit / (Loss) Before Tax	22,727	(41,794)	38,218	(87,572)
Taxation	(5,323)	(1,373)	(6,592)	(1,794)
Profit / (Loss), Net of Tax	17,404	(43,167)	31,626	(89,366)
Other Comprehensive Income:				
Foreign Currency Translation	74,843	102,341	75,431	117,432
Other Comprehensive Income, Net of Tax	74,843	102,341	75,431	117,432
Total Comprehensive Income For The Period	92,247	59,174	107,057	28,066
Profit / (Loss) For The Period Attributable To:				
Equity Holders of the Company	17,404	(43,167)	31,626	(89,366)
Total Comprehensive Income Attributable To:				
Equity Holders of the Company	92,247	59,174	107,057	28,066
Earnings / (Loss) Per Share Attributable To Equity Holders of the Company:				
Basic / Diluted (Sen)	0.21	(0.53)	0.38	(1.09)

(The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2022)

VELESTO ENERGY BERHAD

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



Unaudited Condensed Consolidated Statement Of Financial Position As At 30 June 2023

	Unaudited As At 30/06/2023 RM'000	Audited As At 31/12/2022 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	2,488,003	2,408,145
Right-of-use Assets	9,720	7,950
Investment In Associate	1,303	1,236
	<u>2,499,026</u>	<u>2,417,331</u>
Current Assets		
Inventories	199,900	185,196
Trade and Other Receivables	410,682	359,148
Tax Recoverable	1,979	7,659
Deposits, Cash & Bank Balances	136,916	120,028
	<u>749,477</u>	<u>672,031</u>
TOTAL ASSETS	<u>3,248,503</u>	<u>3,089,362</u>
EQUITY AND LIABILITIES		
Equity Attributable To The Equity Holders Of The Company		
Share Capital	1,844,817	1,844,817
Share Options Reserve	9,264	9,961
Warrant Reserve	211,876	211,876
Other Reserves	909,838	834,407
Accumulated Losses	(587,073)	(619,396)
TOTAL EQUITY	<u>2,388,722</u>	<u>2,281,665</u>
Non-Current Liabilities		
Long Term Borrowings	297,427	306,277
Lease Liabilities	4,879	4,067
	<u>302,306</u>	<u>310,344</u>
Current Liabilities		
Taxation	5,014	2,076
Short Term Borrowings	219,737	254,950
Lease Liabilities	3,855	2,915
Trade and Other Payables	328,869	237,412
	<u>557,475</u>	<u>497,353</u>
TOTAL LIABILITIES	<u>859,781</u>	<u>807,697</u>
TOTAL EQUITY AND LIABILITIES	<u>3,248,503</u>	<u>3,089,362</u>
Net Assets Per Share (RM)	0.29	0.28

(The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2022)

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

	← Non - Distributable →					Distributable		
	Share Capital RM'000	Share Options Reserve RM'000	Warrant Reserve RM'000	Capital Reserve RM'000	Foreign Currency Translation Reserve RM'000	Gain On Derecognition of Financial Liabilities RM'000	Accumulated Losses RM'000	Total Equity RM'000
For The Period Ended 30 June 2023								
At 1 January 2023	1,844,817	9,961	211,876	698	755,564	78,145	(619,396)	2,281,665
Transactions With Owners:								
Share Options Adjustment	-	(697)	-	-	-	-	697	-
Total Comprehensive Income	-	-	-	-	75,431	-	31,626	107,057
At 30 June 2023	1,844,817	9,264	211,876	698	830,995	78,145	(587,073)	2,388,722
For The Period Ended 30 June 2022								
At 1 January 2022	1,844,817	10,842	211,876	698	630,718	78,145	(518,994)	2,258,102
Transactions With Owners:								
Share Options Adjustment	-	543	-	-	-	-	-	543
Total Comprehensive Income / (Loss)	-	-	-	-	117,432	-	(89,366)	28,066
At 30 June 2022	1,844,817	11,385	211,876	698	748,150	78,145	(608,360)	2,286,711

(The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2022)

VELESTO ENERGY BERHAD

COMPANY NO : 200901035667 (878786-H)
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Unaudited Condensed Consolidated Statement Of Cash Flows For The Quarter Ended 30 June 2023

	6 Months Ended 30/06/2023 RM'000	6 Months Ended 30/06/2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) Before Tax	38,218	(87,572)
Adjustments		
Depreciation & Amortisation	93,316	73,773
Interest Expense	23,600	12,265
Net Unrealised Foreign Exchange (Gain) / Loss	(3,986)	4,418
Asset Written Off / (Write Back)	710	(32)
Share of Results of Associate	(67)	(92)
Investment Income	(1,935)	(1,722)
Provision for Unutilised Leave	34	12
Loss / (Gain) on Assets Disposal	24	(487)
Share Options Granted Under ESOS	-	543
Dividend Income From Money Market Fund	-	(9)
Reversal of Impairment	-	(745)
Net Fair Value Loss on Money Market Fund	-	1
Operating Profit Before Working Capital Changes	149,914	353
(Increase) / Decrease in Receivables	(30,720)	75,320
Increase in Inventories	(4,319)	(2,036)
Increase / (Decrease) in Payables	20,065	(67,326)
Cash Generated From Operating Activities	134,940	6,311
Net Taxes Refund	2,026	679
Net Cash Generated From Operating Activities	136,966	6,990
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, Plant & Equipment	(28,890)	(59,994)
Interest Received	1,935	1,722
Net Withdrawal of Investments in Money Market Fund	-	22,539
Movement in Deposits Placement With Maturity of More Than 3 months	(12,162)	46,076
Proceeds From Disposal of Property, Plant & Equipment	-	1,700
Net Cash (Used In) / Generated From Investing Activities	(39,117)	12,043
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Repayment of Borrowings	(73,604)	(37,035)
Interest Paid	(21,072)	(10,961)
Payment of Lease Liabilities	(1,758)	(306)
Net Movement In Restricted Cash Deposits in Licensed Bank	433	(1,026)
Net Cash Used In Financing Activities	(96,001)	(49,328)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	1,848	(30,295)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	113,323	244,500
EFFECTS OF EXCHANGE RATE CHANGES	3,311	12,154
CASH AND CASH EQUIVALENTS AS AT 30 JUNE	118,482	226,359
Cash and Cash Equivalents comprise:		
Deposits, Cash & Bank Balances	136,916	230,320
Less: Restricted Cash / Deposits With Maturity of More Than 3 months	(18,434)	(3,961)
	118,482	226,359

(The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2022)

Explanatory Notes

NOTE 1 – Significant accounting policies

Basis of preparation

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

The significant accounting policies and methods of computation in the interim financial statements are consistent with those in the annual audited financial statements for the year ended 31 December 2022 except for the adoption of the following MFRS/Amendments/Interpretations effective on or after 1 January 2023:

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

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

Standards issued but not yet effective:

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

- Amendment to MFRS 16: Leases - Lease Liability in a Sale and Leaseback (effective 1 January 2024)
- Amendments to MFRS 101: Non-current Liabilities with Covenants (effective 1 January 2024)
- Amendments to MFRS 10: Consolidated Financial Statements - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Deferred)
- Amendments to MFRS 128: Investments in Associates and Joint Ventures
 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Deferred)

NOTE 2 – Seasonal or Cyclical Factors

The Group is principally engaged in:

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

The Group’s products and services are dependent on the level of activity, and the corresponding capital spending by oil and gas companies. These oil and gas companies are affected by volatile oil and natural gas prices, and cyclicity 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 June 2023.

NOTE 4 – Accounting Estimates

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

NOTE 5 – Issuance or Repayment of Debt and Equity Securities

There were no issuances, repurchases or repayments of debt securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the financial period under review.

NOTE 6 – Dividend

No dividend has been recommended and paid during the financial period ended 30 June 2023.

NOTE 7 – Segmental Reporting

Quarter Ended 30 June 2023

Business Segment	Revenue	Profit / (Loss)	Profit / (Loss)
	RM'000	Before Tax	Attributable to Owners of the Company
	RM'000	RM'000	RM'000
Drilling Services	213,406	43,286	39,299
<i>Drilling</i>	179,429	29,946	25,959
<i>Drilling (i-RDC)</i>	33,977	13,340	13,340
Integrated Services	61,951	(3,590)	(3,988)
<i>Workover Services</i>	31,805	3,528	3,130
<i>i-RDC</i>	64,123	6,222	6,222
<i>Drilling (i-RDC)</i>	(33,977)	(13,340)	(13,340)
Oilfield Services	3,221	496	220
Others (include corporate expenses)	738	(17,465)	(18,127)
Consolidated Total	279,316	22,727	17,404

Period Ended 30 June 2023

Business Segment	Revenue	Profit / (Loss)	Profit / (Loss)
	RM'000	Before Tax	Attributable to Owners of the Company
	RM'000	RM'000	RM'000
Drilling Services	397,803	68,603	63,691
<i>Drilling</i>	331,215	48,478	43,566
<i>Drilling (i-RDC)</i>	66,588	20,125	20,125
Integrated Services	161,609	1,184	630
<i>Workover Services</i>	61,299	7,966	7,412
<i>i-RDC</i>	166,898	13,343	13,343
<i>Drilling (i-RDC)</i>	(66,588)	(20,125)	(20,125)
Oilfield Services	6,292	1,381	928
Others (include corporate expenses)	863	(32,950)	(33,623)
Consolidated Total	566,567	38,218	31,626

With effect from 1st October 2022, the Group has introduced Integrated Services segment which comprises Workover Services and Integrated Rig Drilling Completion ("i-RDC") Services.

Other than the above, there has been no material change in total assets and no differences in the basis of segmentation or basis of measurement of segment profit or loss as compared to the previous interim financial statements.

NOTE 8 – Subsequent Material Events

There has been no material event or transaction during the period from 30 June 2023 to the date of this announcement, which substantially affects the results of the Group for the financial period ended 30 June 2023.

NOTE 9 – Changes in the Group Composition

There were no changes in the composition of the Group during the financial period ended 30 June 2023.

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

The capital commitments are in respect of the following:

	30/06/2023
	RM'000
Approved and contracted for:	
Equipment, plant and machinery	38,437
Others	1,998
	<u>40,435</u>
Approved but not contracted for:	
Equipment, plant and machinery	96,757
Others	44,729
	<u>141,486</u>
Total	<u>181,921</u>

NOTE 11 - Significant Related Party Transactions

There were no significant related party transactions for the financial period ended 30 June 2023.

NOTE 12 – Classification of Financial Assets

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

NOTE 13 – Contingent Liabilities and Contingent Assets

There were no material contingent liabilities and contingent assets as at 30 June 2023.

NOTE 14 – Review of Performance

Performance of Current Quarter Against the Quarter Ended 30 June 2022 (“corresponding quarter”)

Business Segment	Revenue		Profit / (Loss) Before Tax	
	Quarter ended 30/06/2023 RM'000	Quarter ended 30/06/2022 RM'000	Quarter ended 30/06/2023 RM'000	Quarter ended 30/06/2022 RM'000
Drilling Services	213,406	79,241	43,286	(33,443)
<i>Drilling</i>	179,429	79,241	29,946	(33,443)
<i>Drilling (i-RDC)</i>	33,977	-	13,340	-
Integrated Services	61,951	4,834	(3,590)	2,029
<i>Workover Services</i>	31,805	4,834	3,528	2,029
<i>i-RDC</i>	64,123	-	6,222	-
<i>Drilling (i-RDC)</i>	(33,977)	-	(13,340)	-
Oilfield Services	3,221	2,299	496	1,226
Others (include corporate expenses)	738	221	(17,465)	(11,606)
Total	279,316	86,595	22,727	(41,794)

Group

Group revenue of RM279.3 million was RM192.7 million higher than the corresponding quarter's revenue of RM86.6 million, mainly due to higher utilisation and average daily charter rates for jack-up rigs under Drilling Services, higher utilisation for hydraulic workover units and progress for i-RDC project under Integrated Services segments during the current quarter.

The Group reported profit before tax of RM22.7 million in the current quarter, higher by RM64.5 million against loss before tax of RM41.8 million in the corresponding quarter, in line with higher revenue.

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

Drilling Services Segment

Drilling Services segment revenue of RM213.4 million was RM134.2 million higher than the corresponding quarter's revenue of RM79.2 million, mainly due to higher jack-up rig utilisation in the current quarter of 88% (corresponding quarter: 41%) and higher average daily charter rates in the current quarter of USD94k/day (corresponding quarter: USD75k/day).

As a result of the above, the segment registered a profit before tax of RM43.3 million in the current quarter as compared to a loss before tax of RM33.4 million in the corresponding quarter.

Integrated Services Segment

The Integrated Services segment revenue of RM62.0 million was RM57.2 million higher than the corresponding quarter's revenue of RM4.8 million, due to higher utilisation of hydraulic workover units and progress of i-RDC project.

The segment recorded a loss before tax of RM3.6 million compared to a profit before tax of RM2.0 million in the corresponding quarter mainly due to lower progress for i-RDC project.

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

Performance of Current Quarter Against the Quarter Ended 30 June 2022 (“corresponding quarter”) (cont'd.)

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

Oilfield Services Segment

The Oilfield Services segment which is mainly from operation in Tianjin, recorded higher revenue of RM3.2 million in the current quarter compared to RM2.3 million in the corresponding quarter.

The segment recorded lower profit before tax by RM0.7 million mainly due to reversal of impairment in corresponding quarter.

Others Segment (include corporate expenses)

Others segment which include corporate expenses recorded higher loss before tax of RM17.5 million in the current quarter compared to RM11.6 million loss in the corresponding quarter, mainly due to higher IT related expenses, depreciation charge and other corporate costs.

Performance of Current Period Against the Financial Period Ended 30 June 2022 (“corresponding period”)

Business Segment	Revenue		Profit / (Loss) Before Tax	
	Period ended	Period ended	Period ended	Period ended
	30/06/2023	30/06/2022	30/06/2023	30/06/2022
	RM'000	RM'000	RM'000	RM'000
Drilling Services	397,803	153,434	68,603	(69,397)
<i>Drilling</i>	331,215	153,434	48,478	(69,397)
<i>Drilling (i-RDC)</i>	66,588	-	20,125	-
Integrated Services	161,609	5,153	1,184	(100)
<i>Workover Services</i>	61,299	5,153	7,966	(100)
<i>i-RDC</i>	166,898	-	13,343	-
<i>Drilling (i-RDC)</i>	(66,588)	-	(20,125)	-
Oilfield Services	6,292	4,626	1,381	1,632
Others (include corporate expenses)	863	791	(32,950)	(19,707)
Total	566,567	164,004	38,218	(87,572)

Group

Group revenue of RM566.6 million was RM402.6 million higher than the corresponding period's revenue of RM164.0 million, mainly due to higher utilisation and average daily charter rates for jack-up rigs under Drilling Services and higher utilisation for hydraulic workover units and progress for i-RDC project under Integrated Services segments during the period.

The Group reported profit before tax of RM38.2 million in the current period higher by RM125.8 million against loss before tax of RM87.6 million in the corresponding period, in line with higher revenue.

NOTE 14 – Review of Performance (continued)

Performance of Current Period Against the Financial Period Ended 30 June 2022 (“corresponding period”) (cont'd.)

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

Drilling Services Segment

Drilling Services segment recorded RM244.4 million increase in revenue to RM397.8 million in current period, mainly due to higher jack-up rig utilisation of 89% (corresponding period: 40%) and higher average daily charter rates of USD90k/day (corresponding period: USD75k/day).

The segment registered a profit before tax of RM68.6 million compared to a loss before tax of RM69.4 million in the corresponding period, in line with higher revenue.

Integrated Services Segment

The Integrated Services segment recorded higher revenue of RM161.6 million in the current period as compared to RM5.2 million in the corresponding period mainly due to higher utilisation of hydraulic workover units and progress of i-RDC project.

The segment recorded a profit before tax of RM1.2 million compared to a loss before tax of RM0.1 million in the corresponding period, in line with higher revenue.

Oilfield Services Segment

The Oilfield Services segment recorded higher revenue of RM6.3 million in the current period as compared to RM4.6 million in the corresponding period, mainly due to higher activities from operation in Tianjin.

However, the segment recorded lower profit before tax of RM1.4 million compared to RM1.6 million in the corresponding period mainly due to reversal of impairment in corresponding period.

Others Segment (include corporate expenses)

Others segment which include corporate expenses recorded higher loss before tax of RM33.0 million in the current period against RM19.7 million loss in the corresponding period mainly due to mainly due to higher IT related expenses, depreciation charge and other corporate costs.

NOTE 15 – Comparison with Immediate Preceding Quarter’s Results

Business Segment	Revenue		Profit / (Loss) Before Tax	
	Quarter ended	Quarter ended	Quarter ended	Quarter ended
	30/06/2023	31/03/2023	30/06/2023	31/03/2023
	RM'000	RM'000	RM'000	RM'000
Drilling Services	213,406	184,397	43,286	25,317
<i>Drilling</i>	179,429	151,786	29,946	18,532
<i>Drilling (i-RDC)</i>	33,977	32,611	13,340	6,785
Integrated Services	61,951	99,658	(3,590)	4,774
<i>Workover Services</i>	31,805	29,494	3,528	4,438
<i>i-RDC</i>	64,123	102,775	6,222	7,121
<i>Drilling (i-RDC)</i>	(33,977)	(32,611)	(13,340)	(6,785)
Oilfield Services	3,221	3,071	496	885
Others (include corporate expenses)	738	125	(17,465)	(15,485)
Total	279,316	287,251	22,727	15,491

The Group’s revenue of RM279.3 million was RM8.0 million lower than the immediate preceding quarter’s revenue of RM287.3 million. This was mainly due to lower progress for i-RDC project under Integrated Services in the current quarter.

The Group recorded a profit before tax of RM22.7 million against a profit before tax of RM15.5 million in the immediate preceding quarter mainly due to higher average daily charter rates of USD94k/day (immediate preceding quarter: USD86k/day).

NOTE 16 – Review of Consolidated Statement of Financial Position

	Unaudited As at 30/06/2023 RM'000	Audited As at 31/12/2022 RM'000
Total assets	3,248,503	3,089,362
Total equity	2,388,722	2,281,665
Total liabilities	859,781	807,697
Total equity and liabilities	3,248,503	3,089,362

The Group’s total assets increased by RM159.1 million mainly due to the increased in property, plant and equipment, trade receivables and deposits as well as cash & bank balances.

Total equity increased by RM107.1 million mainly due to foreign currency translation and profit net of tax for the current period.

Total liabilities increased by RM52.1 million mainly due to higher trade payables offset with lower borrowing balances due to net repayment of borrowings during the current period.

Other than the above, there is no other material movement in total assets and total liabilities as compared to the audited annual financial statements for the financial year ended 31 December 2022.

NOTE 17 – Current Prospect

Drilling Services Segment

The oil and gas outlook has improved slightly and remains strong. The benchmark Brent oil price has increased from USD71 per barrel in May to USD85 per barrel in August and is expected to average around USD80 per barrel until end-2023.

The International Monetary Fund ("IMF") has raised its projected global Gross Domestic Product ("GDP") growth rate for 2023 to 3.0% from 2.8% previously. U.S. Energy Information Administration ("EIA") has maintained its global oil demand forecast of 101 million barrels per day, with demand growth mostly led by China and India in 2023. In addition, concerns about global economic conditions, geopolitical tensions and persistent inflation have somewhat abated.

On the supply side, the market is expected to tighten due to extended production cuts by OPEC+ and voluntary cuts by OPEC led by Saudi Arabia.

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

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

Currently, four out of six of the Group's available jack-up drilling rigs are working. NAGA 2 and NAGA 6 have recently recommenced work for PETRONAS Carigali Sdn Bhd ("PCSB") and Jadestone Energy (Malaysia) Pte. Ltd. ("Jadestone") in Malaysia. Meanwhile, NAGA 3 and NAGA 4 are currently preparing to recommence work for PCSB target in September 2023. The Group is actively bidding for new tenders for local and international contracts scheduled to be performed in 2024 and beyond.

Integrated Services Segment

The prospect for Integrated Services segment is good. The Group is participating in tendering activities for Hydraulic Workover Unit ("HWU") prospects for GAIT 1 and GAIT 5 in 2024. Currently, two out of three of the Group's workover units are working.

Oilfield Services Segment

The improved industry outlook is expected to support stable performance of the oilfield services operation in China.

Group

The positive outlook in the global oil and gas industry augurs well for the Group's financial performance. The Group is optimistic that the financial performance for the financial year 2023 to be better than 2022.

NOTE 18 – Statement on Revenue and Profit Forecast

This is not applicable to the Group.

NOTE 19 – Variance from Profit Forecast and Profit Guarantee

This is not applicable to the Group.

NOTE 20 – Taxation

	Quarter ended 30/06/2023 RM'000	Period ended 30/06/2023 RM'000
Taxation		
Malaysian taxation	572	832
Foreign taxation	4,751	5,760
Total	5,323	6,592

NOTE 21 – Corporate Proposals

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

NOTE 22 – Group Borrowings and Debt Securities

As at 30 June 2023

	USD'000 borrowings	RM'000 borrowings	RM'000 equivalent
Short term borrowings			
- Secured			
USD revolving credit	33,000	-	154,737
RM revolving credit	-	65,000	65,000
	<u>33,000</u>	<u>65,000</u>	<u>219,737</u>
Long term borrowings			
- Secured			
Long term loan	64,500	-	302,441
Less: Transaction cost	-	-	(5,014)
	<u>64,500</u>	<u>-</u>	<u>297,427</u>
Total	97,500	65,000	517,164

	Revolving Credit RM '000	Long Term Borrowings RM '000	Total RM '000
Movements of Borrowings			
At 1 January 2023	254,950	306,277	561,227
Unamortised transaction costs	-	5,333	5,333
Gross Borrowings at 1 January 2023	<u>254,950</u>	<u>311,610</u>	<u>566,560</u>
Effect of changes in foreign exchange rate	11,268	17,954	29,222
Drawdown	120,380	-	120,380
Repayment	(166,861)	(27,123)	(193,984)
	<u>219,737</u>	<u>302,441</u>	<u>522,178</u>
Unamortised transaction costs	-	(5,014)	(5,014)
At 30 June 2023	<u>219,737</u>	<u>297,427</u>	<u>517,164</u>

NOTE 23 – Material Litigation

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

On 28 June 2021, the Makati Court has decided the arbitral award dated 12 July 2018 issued by Singapore International Arbitration Centre in favour of VED be recognised and enforced. With the ongoing execution to enforce the award in the Philippines, the Sheriff appointed by the Court has reported to the Court that personal service of the Notice To Comply and Demand to Pay dated 14 December 2022 at FOC's address on 23 December 2022 is unserved as the building was out of business for past two years and on the same date sent via courier and mailing. 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 – Earnings Per Share

	Quarter ended 30/06/2023 RM'000	Quarter ended 30/06/2022 RM'000	Period ended 30/06/2023 RM'000	Period ended 30/06/2022 RM'000
Profit / (Loss) For The Period Attributable To: Equity Holders Of The Company (RM'000)	17,404	(43,167)	31,626	(89,366)
Weighted average number of ordinary shares in issue ('000)				
- Basic	8,215,600	8,215,600	8,215,600	8,215,600
Effects of dilution:				
Options under ESOS				
- Diluted	8,215,600	8,215,600	8,215,600	8,215,600
Earnings / (Loss) Per Share Attributable To Equity Holders Of The Company:				
- Basic / Diluted (Sen)	0.21	(0.53)	0.38	(1.09)

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

NOTE 25 – Audit Qualification

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

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

	Quarter ended 30/06/2023 RM'000	Period ended 30/06/2023 RM'000
(a) Interest income	1,047	1,856
(b) Depreciation and amortisation	(45,877)	(93,316)
(c) Net foreign exchange gain	1,146	1,035

By Order Of The Board

LEE MI RYOUNG
Secretary
(MAICSA 7058423)

SAZLYNA SAPIEE
Joint Secretary
(MIA 19254)

Kuala Lumpur
29 August 2023