

**VELESTO ENERGY BERHAD**  
*(formerly known as UMW OIL & GAS CORPORATION BERHAD)*  
**(COMPANY NO : 878786-H)**  
**(INCORPORATED IN MALAYSIA)**

**Condensed Consolidated Statement Of Comprehensive Income**  
**For The Fourth Quarter Ended 31st December 2018**  
*( The Figures Have Not Been Audited )*

	Current Quarter Ended 31/12/2018 RM'000	Comparative Quarter Ended 31/12/2017 RM'000	(Unaudited) 12 Months Cumulative To Date 31/12/2018 RM'000	(Audited) Comparative 12 Months Cumulative To Date 31/12/2017 RM'000
<b><u>Continuing Operations</u></b>				
Revenue	189,261	191,955	573,190	586,651
Operating Expenses	(142,918)	(168,321)	(530,797)	(626,221)
Impairment Provisions	(11,324)	(982,135)	(11,324)	(982,135)
Other Operating Income	136	2,417	24,672	11,164
<b>Profit / (Loss) From Operations</b>	<b>35,155</b>	<b>(956,084)</b>	<b>55,741</b>	<b>(1,010,541)</b>
Finance Costs	(22,490)	(27,901)	(85,181)	(138,221)
Share Of Profits Of Associated Company	53	154	249	419
Investment Income	3,617	6,567	12,442	17,836
<b>Profit / (Loss) Before Tax From Continuing Operations</b>	<b>16,335</b>	<b>(977,264)</b>	<b>(16,749)</b>	<b>(1,130,507)</b>
Taxation	(1,587)	1,501	(2,019)	1,232
<b>Profit / (Loss) From Continuing Operations, Net Of Tax</b>	<b>14,748</b>	<b>(975,763)</b>	<b>(18,768)</b>	<b>(1,129,275)</b>
<b><u>Other Comprehensive Income / (Loss):</u></b>				
Translation Of Foreign Operations	(380)	(62,153)	52,244	(175,048)
Cash Flow Hedge	-	-	-	(5,559)
Other Comprehensive Income / (Loss), Net Of Tax	(380)	(62,153)	52,244	(180,607)
<b>Total Comprehensive Income / (Loss) For The Period</b>	<b>14,368</b>	<b>(1,037,916)</b>	<b>33,476</b>	<b>(1,309,882)</b>
<b><u>Profit / (Loss) For The Period Attributable To:</u></b>				
Equity Holders Of The Company	14,748	(975,262)	(17,886)	(1,126,999)
Non-controlling Interests	-	(501)	(882)	(2,276)
	<u>14,748</u>	<u>(975,763)</u>	<u>(18,768)</u>	<u>(1,129,275)</u>
<b><u>Total Comprehensive Income / (Loss) Attributable To:</u></b>				
Equity Holders Of The Company	14,368	(1,037,417)	34,404	(1,307,499)
Non-controlling Interests	-	(499)	(928)	(2,383)
	<u>14,368</u>	<u>(1,037,916)</u>	<u>33,476</u>	<u>(1,309,882)</u>
<b>Profit / (Loss) Per Share Attributable To Equity Holders Of The Company:</b>				
Basic (Sen)	0.18	(31.84)	(0.22)	(36.79)
Diluted (Sen)	0.15	(27.30)	(0.19)	(31.55)

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying explanatory notes attached to the Interim Financial Statements)

# VELESTO ENERGY BERHAD

*(formerly known as UMW OIL & GAS CORPORATION BERHAD)*

## Condensed Consolidated Statement Of Financial Position

	(Unaudited) As At 31/12/2018 RM'000	(Audited) As At 31/12/2017 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	3,531,118	3,643,231
Land Use Rights	2,230	2,367
Investment In Associate	2,245	2,303
Deferred Tax Assets	1,161	100
	<u>3,536,754</u>	<u>3,648,001</u>
<b>Current Assets</b>		
Inventories	179,424	194,841
Other Investments	165,606	-
Trade Receivables	230,302	243,887
Other Receivables	34,925	24,618
Deposits, Cash & Bank Balances	229,921	680,747
	<u>840,178</u>	<u>1,144,093</u>
	<u>4,376,932</u>	<u>4,792,094</u>
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>Equity Attributable To The Equity Holders Of The Company</b>		
Share Capital	4,054,817	3,732,346
Capital Contribution - ESOS	3,187	3,243
RCPS-i	-	322,471
Warrant Reserve	211,876	211,876
Capital Reserve	698	698
Foreign Currency Translation Reserve	627,002	574,712
Gain From Derecognition Of Financial Liabilities	78,145	78,145
Hedging Reserves	-	-
Other Reserves	705,845	653,555
Accumulated Losses	(2,178,014)	(2,160,128)
	<u>2,797,711</u>	<u>2,763,363</u>
Non-controlling Interests	1,441	830
<b>TOTAL EQUITY</b>	<u>2,799,152</u>	<u>2,764,193</u>
<b>Non-Current Liabilities</b>		
Long Term Borrowings	1,339,098	1,398,528
	<u>1,339,098</u>	<u>1,398,528</u>
<b>Current Liabilities</b>		
Taxation	661	435
Short Term Borrowings	97,146	461,115
Trade Payables	86,638	119,128
Other Payables	54,237	48,695
	<u>238,682</u>	<u>629,373</u>
<b>TOTAL LIABILITIES</b>	<u>1,577,780</u>	<u>2,027,901</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>4,376,932</u>	<u>4,792,094</u>
<b>Net Assets Per Share (RM)</b>	<b>0.3405</b>	<b>0.3948</b>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes attached to the Interim Financial Statements)

**VELESTO ENERGY BERHAD**  
(formerly known as UMW OIL & GAS CORPORATION BERHAD)

**Condensed Consolidated Statement Of Changes In Equity For The Year Ended 31st December 2018**

	← Non - Distributable							→ Distributable			Total RM'000	Non - Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Share Options Reserve RM'000	RCPS-i RM'000	Warrant Reserve RM'000	Capital Reserve RM'000	Foreign Currency Translation Reserve RM'000	Gain On Derecognition of Intercompany Financial Liabilities RM'000	Hedging Reserves RM'000	Accumulated Losses RM'000			
<b>12 MONTHS ENDED 31ST DECEMBER 2018</b>													
At 1st January 2018	3,732,346	-	3,243	322,471	211,876	698	574,712	78,145	-	(2,160,128)	2,763,363	830	2,764,193
Transactions With Owners													
Conversion Of RCPS-i To Share Capital	322,471	-	-	(322,471)	-	-	-	-	-	-	-	-	-
Disposal Of Subsidiary	-	-	(56)	-	-	-	-	-	-	(56)	-	1,539	1,483
Total Comprehensive Gain/(Loss)	-	-	-	-	-	-	52,290	-	-	(17,886)	34,404	(928)	33,476
At 31st December 2018	4,054,817	-	3,187	-	211,876	698	627,002	78,145	-	(2,178,014)	2,797,711	1,441	2,799,152

**Condensed Consolidated Statement Of Changes In Equity For The Year Ended 31st December 2017**

	← Non - Distributable							→ Distributable			Total RM'000	Non - Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Share Options Reserve RM'000	RCPS-i RM'000	Warrant Reserve RM'000	Capital Reserve RM'000	Foreign Currency Translation Reserve RM'000	Gain On Derecognition of Intercompany Financial Liabilities RM'000	Hedging Reserves RM'000	Accumulated Losses RM'000			
<b>(AUDITED)</b>													
<b>12 MONTHS ENDED 31ST DECEMBER 2017</b>													
At 1st January 2017	1,081,000	1,372,819	3,243	-	-	698	749,653	78,145	5,559	(1,033,129)	2,257,988	3,213	2,261,201
Transactions With Owners													
Effect Of Implementation Of Companies Act 2016	1,372,819	(1,372,819)	-	-	-	-	-	-	-	-	-	-	-
Issue of Ordinary Shares Pursuant To Rights Issue	1,281,733	-	-	-	169,285	-	-	-	-	-	1,451,018	-	1,451,018
Issue of RCPS-i	-	-	-	322,471	42,591	-	-	-	-	-	365,062	-	365,062
Rights Issue Expenses	(3,206)	-	-	-	-	-	-	-	-	-	(3,206)	-	(3,206)
Total Comprehensive Loss	-	-	-	-	-	-	(174,941)	-	(5,559)	(1,126,999)	(1,307,499)	(2,383)	(1,309,882)
At 31st December 2017	3,732,346	-	3,243	322,471	211,876	698	574,712	78,145	-	(2,160,128)	2,763,363	830	2,764,193

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes attached to the Interim Financial Statements)

**VELESTO ENERGY BERHAD**  
*(formerly known as UMW OIL & GAS CORPORATION BERHAD)*  
**Condensed Consolidated Statement Of Cash Flows**  
**For The Year Ended 31st December 2018**

	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>12 Months</b>	<b>12 Months</b>
	<b>Ended</b>	<b>Ended</b>
	<b>31/12/2018</b>	<b>31/12/2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss Before Tax	(16,749)	(1,130,507)
Adjustments For:		
Depreciation & Amortisation	187,848	259,057
Impairment Loss On Property, Plant And Equipment	11,324	982,089
Provision For Impairment In Amount Due From Subsidiaries Of Former Holding Companies	-	46
Net Loss / (Gain) On Disposal Of Property, Plant & Equipment	1,890	(297)
Interest Expense	85,181	138,221
Share Of Results Of Associate	(249)	(419)
Impairment Losses On Receivables	-	1,483
Net Unrealised Foreign Exchange Loss	5,118	10,406
Net Fair Value Gain On Money Market Fund	(52)	-
Interest Income	(12,442)	(17,836)
Property, Plant & Equipment Written Off	112	9
Operating Profit Before Working Capital Changes	<u>261,981</u>	<u>242,252</u>
Decrease / (Increase) In Receivables	9,807	(138,135)
Decrease / (Increase) In Inventories	19,058	(1,282)
Net Changes In Former Related Company Balances	(2,626)	3,197
(Decrease) / Increase In Payables	<u>(53,175)</u>	<u>(15,319)</u>
Cash Generated From Operating Activities	235,045	90,713
Interest Paid	(62,389)	(139,846)
Taxes Paid	<u>(493)</u>	<u>(1,747)</u>
Net Cash (Used In) / Generated From Operating Activities	<u>172,163</u>	<u>(50,880)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase Of Property, Plant & Equipment	(28,849)	(17,179)
Proceeds From Disposal Of Property, Plant & Equipment	4,796	11,084
Net Proceeds From Disposal Of Subsidiary	67	-
Interest Received	16,228	17,026
Dividend Received From Associate	307	349
Investment In Money Market Fund	(227,327)	-
Proceeds From Disposal Of Money Market Fund	<u>61,773</u>	<u>-</u>
Net Cash (Used In) / Generated From Investing Activities	<u>(173,005)</u>	<u>11,280</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment Of Long Term Borrowings	(63,515)	(2,125,382)
Drawdown Of Long Term Borrowings	-	1,407,381
Net Movement In Short Term Borrowings	(387,778)	(919,059)
Repayment On Loan Advances Received From Former Holding Company	-	(308,000)
Proceeds From Issuance Of Shares To Shareholders	-	1,451,018
Proceeds From Issuance Of RCPS-I To Shareholders	-	365,062
Rights Issue Expenses	-	(3,206)
Placement Of Restricted Cash Deposits In Licensed Bank	(47,817)	(10,894)
Withdrawal Of Restricted Cash Deposits In Licensed Bank	<u>-</u>	<u>558,275</u>
Net Cash (Used In) / Generated From Financing Activities	<u>(499,110)</u>	<u>415,195</u>
<b>NET DECREASE / (INCREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(499,952)</b>	<b>375,595</b>
<b>CASH AND CASH EQUIVALENTS AS AT 1ST JANUARY</b>	<b>680,747</b>	<b>333,196</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>	<b>1,309</b>	<b>(38,938)</b>
<b>CASH AND CASH EQUIVALENTS AS AT 31ST DECEMBER</b>	<b><u>182,104</u></b>	<b><u>669,853</u></b>
<b>Cash and Cash Equivalents comprise:</b>		
- Current	229,921	610,130
- Non-Current	<u>-</u>	<u>70,617</u>
	229,921	680,747
Less : Restricted Cash	<u>(47,817)</u>	<u>(10,894)</u>
	<u>182,104</u>	<u>669,853</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes attached to the Interim Financial Statements)

## **Explanatory Notes**

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

#### **Basis of preparation**

The interim financial statements have been prepared in accordance with the requirements of IAS 34, Interim Financial Reporting and 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 31st December 2017.

#### **Revised Malaysian Financial Reporting Standards (MFRS)**

The following revised MFRS that are effective and applicable to the Group and the Company on 1st January 2019 have not been early adopted:

- (a) MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)
- (b) MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)
- (c) MFRS 16 Leases
- (d) MFRS 128 Long-term interests in Associates and Joint Ventures (Amendments to MFRS128)
- (e) IC Interpretation 23 Uncertainty over Income Tax Treatments

#### **MFRS 16 Leases**

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1st January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Group is currently assessing the impact of MFRS 16 and plans to adopt the new standard on the required effective date.

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

The Group is principally engaged in:

- (a) the provision of drilling services for exploration, development and production wells and workover services to the upstream sector of the oil and gas industry; and
- (b) the provision of threading, inspection and repair services for Oil Country Tubular Goods in Malaysia and overseas, 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**

As at 31st December 2018, the Group impaired its assets by RM11.3 million mainly on the hydraulic workover units, training drilling rig and leasehold land and buildings. The impairment of the workover units and training drilling rig was due to lower projection of discounted cashflows. The impairment of the land and buildings in its subsidiary in China was due to lower valuation against the net book value.

As at 31st December 2018, the United States Dollar ("USD") has strengthened against the Ringgit Malaysia ("RM") by about 2.0% when compared to the exchange rate as at 31st December 2017. This has affected the Group's assets and liabilities that are denominated in USD upon translation to RM, the presentation currency of the Company. The net impact to equity as at 31st December 2018 was a gain of RM 52.3 million.

Other than above, there were no other material unusual items affecting assets, liabilities, equity, net income or cash flows during the financial year ended 31st December 2018.

## **NOTE 4 – Accounting Estimates**

There were no changes in estimates of amounts reported in prior interim periods of the current financial year and in prior financial years that have a material effect during the financial year ended 31st December 2018.

## **NOTE 5 – Issuance or Repayment of Debt and Equity Securities**

There were no issuances or repayments of debt securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the financial year ended 31st December 2018.

## **NOTE 6 – Dividends Paid**

There was no dividends paid during the period ended 31st December 2018.

## NOTE 7 – Segmental Reporting

	Financial Year Ended 31st December 2018		
Business Segment	Revenue RM'000	Profit / (Loss) Before Tax RM'000	Profit / (Loss) Attributable to Owners of the Company RM'000
Drilling Services	556,023	(8,006)	(7,693)
Oilfield Services	16,204	(13,853)	(13,280)
Others	963	5,110	3,087
<b>Consolidated Total</b>	<b>573,190</b>	<b>(16,749)</b>	<b>(17,886)</b>

	Financial Year Ended 31st December 2017		
Business Segment	Revenue RM'000	Loss Before Tax RM'000	Loss Attributable to Owners of the Company RM'000
Drilling Services	568,772	(1,106,524)	(1,104,589)
Oilfield Services	16,867	(5,428)	(3,947)
Others	1,012	(18,555)	(18,463)
<b>Consolidated Total</b>	<b>586,651</b>	<b>(1,130,507)</b>	<b>(1,126,999)</b>

The decrease in total assets during the financial year ended 31st December 2018 was mainly due to depreciation of RM187.8 million and asset impairment of RM11.3 million, offset with translation gain of approximately RM65.0 million from the strengthening of USD upon translation of the Group's fixed assets denominated in USD to RM, the presentation currency of the Company. The deposit, cash and bank balances reduced due to repayment of short term borrowings and placement in money market amounting to RM397.4 million and RM165.6 million respectively, to optimise the utilisation of excess cash.

Total liabilities reduced mainly due to reduction of short term borrowings and trade payables. Trade payables reduced from RM119.1 million to RM86.6 million due to reduction of payment processing cycle.

Other than the above, there has been no other material movement in total assets and total liabilities as compared to the last annual financial statements.

## NOTE 8 – Subsequent Material Events

In the opinion of the Directors, there has been no material event or transaction during the period from 31st December 2018 to the date of this announcement, which substantially affects the results of the Group for the financial year ended 31st December 2018.

## NOTE 9 – Changes in Composition / Group

1. On 8th February 2018, the Group announced that it had disposed its entire shareholdings of 318,750 ordinary shares in UMW Oilpipe Services (Turkmenistan) Ltd (“UOS-TK”) representing 51% of the issued share capital of UOS-TK (“UOS-TK Shares”).

The UOS-TK Shares were owned by UMW Malaysian Ventures Sdn. Bhd., a wholly-owned subsidiary of the Group and the disposal was made to Mr. Ng Shin Yueh for a cash consideration of USD252,450.

Following the disposal, UOS-TK ceased to be a subsidiary of the Group.

2. On 26th February 2018, The Board of Directors of the Group announced that UMW JDC Drilling Sdn. Bhd. (“UJD”), an 85% owned subsidiary of the Group, has been placed under members’ voluntary winding-up.

The above changes are not expected to have any material effect on the net assets per share, earnings per share and gearing of the Group for the financial year ended 31st December 2018.

Other than the above, there were no other changes in the composition of the Group during the financial year ended 31st December 2018.

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

These are in respect of capital commitments:

	RM’000	RM’000
<b>Approved and contracted for:</b>		
Land and buildings	-	
Equipment, plant and machinery	13,296	
Others	721	14,017
	<hr/>	
<b>Approved but not contracted for:</b>		
Land and buildings	7,061	
Equipment, plant and machinery	121,545	
Others	3,475	132,081
<b>Total</b>	<hr/>	<hr/>
		146,098

## NOTE 11 - Significant Related Party Transactions

This is not applicable to the Group.

## 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 – Changes in Contingent Liabilities and Contingent Assets

There were no material contingent liabilities and contingent assets as at 31st December 2018.



## NOTE 14 – Review of Performance

### Current Quarter Ended 31st December 2018

	Revenue		Profit / (Loss) Before Tax	
	4th Quarter ended 31/12/2018 RM'000	4th Quarter ended 31/12/2017 RM'000	4th Quarter ended 31/12/2018 RM'000	4th Quarter ended 31/12/2017 RM'000
<b>Business Segment</b>				
Drilling Services	185,462	187,728	18,633	(978,190)
Oilfield Services	3,652	3,652	(7,269)	(1,636)
Others	147	575	4,971	2,562
<b>Total</b>	<b>189,261</b>	<b>191,955</b>	<b>16,335</b>	<b>(977,264)</b>

### Group

Group revenue of RM189.3 million for the fourth quarter ended 31st December 2018 was lower than the RM192.0 million registered in the same quarter of 2017 by RM2.7 million or 1.4%. The Drilling Services segment reported a lower revenue in the fourth quarter of 2018 as a result of lower utilisation of rigs.

The Group recorded a profit before tax of RM16.3 million in the fourth quarter of 2018 against a loss of RM977.3 million recorded in the same quarter of 2017, mainly due to impairment losses provided in the previous year amounting to RM982.1 million compared to RM11.3 million provided in the current quarter.

Excluding impairment and reversal of non-recurring expenses amounting to RM6.1 million, the Group registered a core profit before tax of RM22.4 million in the current quarter as compared to RM19.8 million in the same quarter of 2017.

### Drilling Services Segment

In the fourth quarter of 2018, the Drilling Services segment contributed revenue of RM185.5 million or 98.0% of the total revenue of RM189.3 million, a decrease of RM2.3 million or 1.2% from the RM187.7 million recorded in the same quarter of 2017. The average asset utilisation rate was 91% as compared to 95% in the same period of 2017.

Nevertheless, the Drilling Services segment recorded a profit before tax of RM18.6 million in the fourth quarter of 2018 compared to a loss of RM978.2 million reported in the same quarter of 2017. This was due to asset impairment of RM982.1 million provided in 2017 compared to RM2.6 million provided in the current quarter.

### Oilfield Services Segment

The Oilfield Services segment contributed revenue of RM3.7 million or 1.9% of the total revenue of RM189.3 million in the fourth quarter of 2018, same as the revenue registered in the same quarter of 2017.

The Oilfield Services segment reported a loss before tax of RM7.3 million in the fourth quarter of 2018 as compared to RM1.6 million loss recorded in the same quarter of 2017, an increase of RM5.7 million. This was mainly due to asset impairment provided for a subsidiary in China of RM7.4 million.

**Financial Year Ended 31st December 2018**

	Revenue		Profit / (Loss) Before Tax	
	Financial Year ended 31/12/2018 RM'000	Financial Year ended 31/12/2017 RM'000	Financial Year ended 31/12/2018 RM'000	Financial Year ended 31/12/2017 RM'000
<b>Business Segment</b>				
Drilling Services	556,023	568,772	(8,006)	(1,106,524)
Oilfield Services	16,204	16,867	(13,853)	(5,428)
Others	963	1,012	5,110	(18,555)
<b>Total</b>	<b>573,190</b>	<b>586,651</b>	<b>(16,749)</b>	<b>(1,130,507)</b>

**Group**

The Group recorded total revenue of RM573.2 million for the financial year ended 31st December 2018, a slight decrease of RM13.5 million or 2.3%, compared to the RM586.7 million recorded in the same period of 2017. Despite a higher rig utilisation achieved for the twelve-month period of 2018, lower revenue was mainly due to impact of lower average foreign exchange rate used for the conversion of USD to RM in 2018 as compared to the same period of 2017.

Despite lower revenue, the Group posted a significantly lower loss before tax of RM16.7 million for the twelve-month period ended 31st December 2018 against the RM1,130.5 million loss before tax recorded in the same period of 2017, an improvement of RM1,113.8 million or 98.5%. This was mainly due to lower asset impairment of RM11.3 million recorded during the year as compared to RM982.1 million in the previous year.

Without the asset impairment and non-recurring expenses amounting to RM11.4 million, the current year Group's core loss before tax was RM5.4 million compared to RM137.8 million recorded in the previous year, an improvement of RM132.4 million or 96.1%.

**Drilling Services Segment**

The Drilling Services segment contributed revenue of RM556.0 million or 97.0% of the total revenue of RM573.2 million for the twelve-month period ended 31st December 2018, a decrease of RM12.7 million or 2.2% over the RM568.8 million recorded in the same period of 2017. The average asset utilisation rate was 73% as compared to 70% in the same period of 2017. The higher rig utilisation was offset by impact of lower average foreign exchange rate used for the conversion of USD to RM compared to the rate used in 2017.

Nevertheless, Drilling Services segment incurred a lower loss before tax of RM8.0 million for the twelve-month period ended 31st December 2018 compared to the loss of RM1,106.5 million reported in the same period of 2017, an improvement of RM1,098.5 million or 99.3%. This was mainly due to lower asset impairment of RM2.6 million recorded during the year as compared to RM982.1 million in the previous year. Significant cost reduction was achieved despite increases in utilisation rate and interest rate. This was achieved through lower depreciation and interest expense resulted from the impairment made in the previous year and repayment of short term borrowings during the current year.

**Oilfield Services Segment**

The Oilfield Services segment contributed revenue of RM16.2 million or 2.8% of the total revenue of RM573.2 million for the twelve-month period ended 2018, a slight reduction of RM0.6 million or 3.9% over the RM16.9 million registered in the same period of 2017. The revenue reduction was mainly due to lower demand for threading activities in the subsidiary in Labuan which consequently, ceased operation before end of the year.

The Oilfield Services segment reported a higher loss before tax of RM13.9 million for the twelve-month period ended 31st December 2018 versus a loss of RM5.4 million recorded in the same period of 2017, an increase of RM8.5 million or more than 100% due mainly to the asset impairment and retrenchment benefit paid amounting to approximately RM7.4 million and RM3.2 million respectively. Excluding the non-recurring expenses, the Oilfield Services segment registered a core loss before tax of RM3.3 million.

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

	Revenue		Profit / (Loss) Before Tax	
	4th Quarter ended 31/12/2018 RM'000	3rd Quarter ended 30/09/2018 RM'000	4th Quarter ended 31/12/2018 RM'000	3rd Quarter ended 30/09/2018 RM'000
<b>Business Segment</b>				
Drilling Services	185,462	144,998	18,633	(3,244)
Oilfield Services	3,652	4,907	(7,269)	(4,040)
Others	147	419	4,971	(6,081)
<b>Total</b>	<b>189,261</b>	<b>150,324</b>	<b>16,335</b>	<b>(13,365)</b>

Group revenue of RM189.3 million for the fourth quarter of 2018 was higher than the RM150.3 million achieved in the third quarter of 2018 by RM39.0 million or 25.9% as a result of higher rig utilisation. The average quarterly asset utilisation rate of 91% in the current quarter as compared to 75% in the previous quarter resulted in higher revenue.

As a result, the Group posted a profit before tax of RM16.3 million in the fourth quarter of 2018 compared to a loss before tax of RM13.4 million reported in the third quarter of 2018, an improvement of RM29.7 million.

## NOTE 16 – Current Prospect

### Drilling Services Segment

After a major fluctuation late last year, the benchmark Brent oil price has stabilised at above USD60 per barrel since early 2019. However, both positive and negative industry activities and other global factors continue to impact the price. The positives include the production cuts by OPEC, the Iran sanction and the declining producing capability of some of the major producers. These are offset by continued increase in US shale production, higher build-up of global inventories and concerns about reduced future demand due to potential slowdown in global economy,

At present, four out of the seven jack-up drilling rigs owned by the Group are working while one more is expected to complete their contracts by the middle of March 2019. The rest of the rigs will continue to be utilised until year end while some will extend into 2020.

The utilisation is expected to pick up again in the second quarter of this year based on the current contract outlook as reflected in the latest Petronas Activity Outlook 2019-2021. For 2019 alone, the number of jack-up rigs required is forecasted to be between 16 and 18 units, with potential for a further increase in 2020 and 2021. The requirement for hydraulic workover units is also expected to increase to 5 or 6 units in 2019. The increased demand in both type of assets is expected to benefit the Group, being the main player with strong domestic track record.

At present, the Group is aggressively bidding and negotiating for new contracts to replace expiring ones. However, time charter rates are expected to remain challenging due to global oversupply of rigs.

### Oilfield Services Segment

The Group has reduced its involvement in this segment significantly by disposing and closing the non-contributing subsidiaries. It will continuously evaluate the viability of the only remaining minor subsidiary.

### Group

Based on a higher utilisation being forecasted for both jack-up drilling rigs and hydraulic workover units beginning in the second quarter of the year, the Board expects an improved financial performance of the Group in 2019.

**NOTE 17 – Statement on Revenue and Profit Forecast**

This is not applicable to the Group.

**NOTE 18 – Variance from Profit Forecast and Profit Guarantee**

This is not applicable to the Group.

**NOTE 19 – Taxation**

	<b>4th Quarter ended 31/12/2018 RM'000</b>	<b>Financial Year ended 31/12/2018 RM'000</b>
Taxation for current period	3,187	3,615
Over provision in prior periods	(541)	(535)
	2,646	3,080
Deferred taxation	(1,059)	(1,061)
<b>Total</b>	<b>1,587</b>	<b>2,019</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 tax charge of RM1,587,000 and RM2,019,000 million for the current quarter and the financial year ended 31st December 2018 respectively.

**NOTE 20 – Corporate Proposals**

(a) There were no other corporate proposals announced but not completed at the date of this announcement.

**(b) Status of Utilisation of Proceeds**

Not applicable

## NOTE 21 – Group Borrowings and Debt Securities

	RM'000	RM'000	USD'000
Short term borrowings			
- Secured			
Portion of long term loans payable within 12 months	97,146	97,146	23,431
		<u>97,146</u>	<u>23,431</u>
Long term borrowings			
- Secured			
Long term loans	1,468,202		354,125
Portion of long term loans payable within 12 months	(97,146)		(23,431)
Less: Transaction cost	(31,958)		
		<u>1,339,098</u>	
		<u>1,339,098</u>	<u>330,694</u>

Movements of Borrowings	Short Term Borrowings	Long Term Borrowings
	RM '000	RM '000
Opening Balance	461,115	1,398,528
Add : Transaction cost	-	39,928
(Less)/Add : Amount payable within 12 months	(44,174)	44,174
Adjusted Opening Balance	<u>416,941</u>	<u>1,482,630</u>
Less : Exchange Difference	(19,568)	49,087
Less : Repayment	<u>(397,373)</u>	<u>(63,515)</u>
	-	1,468,202
Less : Transaction cost	-	(31,958)
Add/(Less) : Amount payable within 12 months	<u>97,146</u>	<u>(97,146)</u>
Closing Balance	<u>97,146</u>	<u>1,339,098</u>

## NOTE 22 – Material Litigation

Following the Arbitration Final Award from Singapore International Arbitration Centre No. 071 of 2015 on 12th July 2018, Velesto Drilling Sdn Bhd a wholly-owned subsidiary of the Company has on 21st December 2018 filed a Petition For Recognition and Enforcement of the Foreign Arbitral Award against Frontier Oil Corporation (“FOC”) at the Regional Trial Court (“RTC”), in Makati City, Philippines. Upon extraction of the sealed Petition from the RTC, it will be served upon FOC, whereupon FOC has thirty (30) days to file a reply to the said Petition.

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

**NOTE 23 – Dividend**

No dividend has been recommended for the quarter ended 31st December 2018.

**NOTE 24 – Earnings Per Share**

Basic profit/(loss) per share for the current quarter and the financial year ended 31st December 2018 are calculated by dividing the net profit/(loss) attributable to equity holders of the Company of RM14,748,000 and (RM17,886,000) respectively, by the weighted average number of ordinary shares in issue as at 31st December 2018 of 8,125,218,000 shares.

Diluted basic profit/(loss) per share for the current quarter and the financial year ended 31st December 2018 are calculated by dividing the net profit/(loss) attributable to equity holders of the Company of RM14,748,000 and (RM17,886,000) respectively, by the adjusted weighted average number of ordinary shares in issue and issuable as at 31st December 2018 of 9,638,618,000 shares.

**NOTE 25 – Audit Qualification**

The audit report in respect of the annual financial statements of the Company for the financial year ended 31st December 2017 was not qualified.

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

	<b>4th Quarter ended 31/12/2018 RM'000</b>	<b>Financial Year ended 31/12/2018 RM'000</b>
(a) Interest income	2,380	9,182
(b) Other Investment Income	1,237	3,260
(c) Depreciation and amortisation	(51,656)	(187,848)
(d) Net gain / (loss) on disposal of property, plant and equipment	(884)	(1,890)
(e) Net foreign exchange (loss) / gain	(237)	13,605
(f) Property, plant and equipment written off and impairment	(7,630)	(11,436)

**By Order Of The Board**

**MOHD NIZAMUDDIN BIN MOKHTAR**  
**Secretary**  
**(LS0010247)**

Kuala Lumpur  
27th February 2019