11. FINANCIAL INFORMATION

11.1 HISTORICAL FINANCIAL INFORMATION

Our audited consolidated financial statements throughout the FYEs 2020 to 2022 have been prepared in accordance with MFRS and IFRS.

11.1.1 Historical financial information

The following summary should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" set out in Section 11.2 and the Accountants' Report set out in Section 12.

(i) Historical consolidated statements of profit or loss and other comprehensive income

The following table sets out a summary of our historical consolidated statements of profit or loss and other comprehensive income for the FYEs 2020 to 2022:

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
Revenue	75,231	139,756	236,204
Cost of sales	(54,335)	(97,170)	(146,632)
GP	20,896	42,586	89,572
Other income	4,663	1,796	9,000
	25,559	44,382	98,572
Administrative expenses	(4,932)	(8,037)	(14,447)
Other expenses	(1,619)	(1,924)	(6,559)
Finance costs	(1,358)	(3,723)	(8,722)
Impairment losses on financial assets	(17)	(5,677)	(4,307)
Gain on dissolution of a subsidiary	-	-	499
Share of (losses)/profits of an equity accounted associate	(100)	4	(25)
PBT	**17,533**	**25,025**	**65,011**
Income tax expense	(4,017)	(7,018)	(15,160)
PAT	**13,516**	**18,007**	**49,851**
Other comprehensive expenses	(596)	(62)	(112)
Total comprehensive income for the financial year	**12,920**	**17,945**	**49,739**
PAT attributable to:			
- Owners of the Company	13,516	17,621	48,877
- Non-controlling interests	-	386	974
	13,516	**18,007**	**49,851**
EBIT[(1)]	18,831	28,630	66,344
EBITDA[(1)]	22,976	39,495	91,713
EBITDA margin	30.5	28.3	38.8
GP margin (%)	27.8	30.5	37.9
PBT margin (%)	23.3	17.9	27.5
PAT margin (%)	18.0	12.9	21.1
Effective tax rate (%)	22.9	28.0	23.3
EPS (sen)[(2)]	2.7	3.5	9.8
Diluted EPS (sen)[(3)]	1.7	2.2	6.1

11. FINANCIAL INFORMATION *(Cont'd)*

Notes:

(1) EBIT and EBITDA are calculated as follows:

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
PAT	13,516	18,007	49,851
Less:			
Interest income	(60)	(118)	(107)
Fair value adjustment on Keyfield CRNCPS	-	-	(7,282)
Add:			
Finance costs (Borrowings)	1,358	3,723	4,466
Finance costs (Keyfield CRNCPS)	-	-	4,256
Income tax expense	4,017	7,018	15,160
EBIT	**18,831**	**28,630**	**66,344**
Add:			
Depreciation and amortisation	4,145	10,865	25,369
EBITDA	**22,976**	**39,495**	**91,713**

(2) Calculated based on the PAT attributable to owners of the Company divided by the share capital of 501,040,000 Shares before the IPO.

(3) Calculated based on the PAT attributable to owners of the Company divided by the enlarged share capital of 800,000,000 Shares after the IPO.

[The rest of this page is intentionally left blank]

(ii) Historical consolidated statements of financial position

The following table sets out our historical consolidated statements of financial position as at 31 December 2020 to 2022:

	Audited		
	As at 31 December		
	2020	**2021**	**2022**
	RM'000	**RM'000**	**RM'000**
ASSETS			
Non-current assets			
Investment in an associate	250	254	229
Property, plant and equipment	160,476	232,971	368,567
Investment property	-	-	1,555
Right-of-use assets	265	14,261	19,068
Other investments	-	-	218
Total non-current assets	**160,991**	**247,486**	**389,637**
Current assets			
Inventories	480	1,701	2,141
Trade receivables	22,660	64,889	88,008
Other receivables, deposits and prepayments	12,339	2,528	735
Current tax assets	580	150	72
Fixed deposits with licensed banks	2,711	6,179	6,240
Cash and bank balances	20,176	14,656	17,024
Total current assets	**58,946**	**90,103**	**114,220**
TOTAL ASSETS	**219,937**	**337,589**	**503,857**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	125,260	125,260	125,260
Reserves	(1,528)	16,031	62,712
NA(1)	**123,732**	**141,291**	**187,972**
Non-controlling interests	-	3,391	4,365
TOTAL EQUITY	**123,732**	**144,682**	**192,337**
LIABILITIES			
Non-current liabilities			
Cumulative redeemable non-convertible preference shares ("CRNCPS")	-	15,563	136,778
Lease liabilities	88	8,802	8,040
Other payables	-	8,206	2,000
Borrowings	42,367	49,663	27,461
Deferred tax liabilities	7,954	14,836	29,634
Total non-current liabilities	**50,409**	**97,070**	**203,913**
Current liabilities			
Trade payables	13,638	33,923	33,719
Other payables and accruals	10,151	12,907	7,338
CRNCPS	-	-	3,563
Lease liabilities	42	5,405	10,897
Borrowings	21,949	43,486	51,877

	Audited		
	As at 31 December		
	2020	2021	2022
	RM'000	RM'000	RM'000
Current tax liabilities	16	116	213
Total current liabilities	**45,796**	**95,837**	**107,607**
TOTAL LIABILITIES	**96,205**	**192,907**	**311,520**
TOTAL EQUITY AND LIABILITIES	**219,937**	**337,589**	**503,857**

Note:

(1) NA attributable to the owners of the Company.

(iii) Historical consolidated statements of cash flows

The following table sets out our consolidated statements of cash flows for the FYEs 2020 to 2022:

	Audited		
	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000
Cash flows from operating activities			
PBT	17,533	25,025	65,011
Adjustments for:			
Accretion of interest on CRNCPS	-	-	2,260
Allowance for impairment losses on trade receivables	-	5,128	4,307
Bad debts written off	17	549	-
Depreciation:			
- property, plant and equipment	4,084	8,802	18,864
- investment property	26	-	16
- right-of-use assets	35	2,063	6,489
Other interest expenses	1,358	3,550	8,194
Interest expense on lease liabilities	-	171	529
Share of losses/(profits) of an equity accounted associate	100	(4)	25
Net unrealised loss on foreign exchange	460	76	-
Dividend income:			
- an associate	-	-	(98)
Fair value gain on CRNCPS	-	-	(7,282)
Gain on lease modification	-	-	(177)
Gain on disposal:			
- property, plant and equipment	-	(3)	-
- investment property	(91)	-	-
Gain on dissolution of a subsidiary	-	-	(499)
Interest income	(60)	(118)	(107)
Operating profit before working capital changes	**23,462**	**45,239**	**97,532**

	Audited FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000
Increase in inventories	(144)	(1,221)	(440)
Increase in trade and other receivables	(5,637)	(46,144)	(24,228)
(Decrease)/Increase in trade and other payables	(4,301)	25,946	(5,208)
Increase/(Decrease) in amount owing to related parties	-	1,015	(1,015)
Decrease in amount owing to an associate	(262)	-	-
Cash from operations	**13,118**	**24,835**	**66,641**
Interest paid	(1,358)	(3,623)	(3,932)
Income tax paid	(432)	(196)	(222)
Tax refunds	-	590	-
Net cash from operating activities	**11,328**	**21,606**	**62,487**
Cash flows for investing activities			
Acquisition of a subsidiary, net of cash and cash equivalents acquired	-	-	448
Addition:			
- right-of-use assets	(150)	-	-
- other investment	-	-	(218)
Interest income received	60	118	107
Proceeds from issuance of shares to non-controlling interests	-	5	-
Proceeds from disposal:			
- property, plant and equipment	-	30	250
- investment property	2,500	-	-
Purchase of property, plant and equipment	(56,630)	(26,414)	(11,789)
(Increase)/Decrease in pledged fixed deposits with licensed banks	(166)	275	-
Net increase in fixed deposits restricted for use	-	(3,743)	(61)
Dividend received from an associate	-	-	98
Net cash for investing activities	**(54,386)**	**(29,729)**	**(11,165)**
Cash flows from/(for) financing activities			
Dividend paid	(500)	-	(2,083)
Drawdown of term loans	38,349	259	10,116
Net drawdown of revolving credits	6,327	2,313	11,301
Proceeds from issuance of ordinary shares	10,100	-	-
Proceeds from issuance /(Redemption) of CRNCPS	-	15,563	(15,563)
Net advances from/(repayment to) a shareholder	25,709	(5,021)	(4,946)
Repayment to Directors	(202)	-	-
(Repayment to)/Advances from related parties	(10,243)	4,507	(1,000)

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
Advances from/(Repayment to) a third party	-	5,060	(5,206)
Repayment of lease liabilities	(20)	(1,982)	(6,389)
Repayment of term loans	(9,782)	(18,069)	(35,228)
Net cash from/(for) financing activities	**59,738**	**2,630**	**(48,998)**
Net increase/(decrease) in cash and cash equivalents	**16,680**	**(5,493)**	**2,324**
Effects of foreign exchange translation	(1,084)	(27)	44
Cash and cash equivalents at beginning of the financial year	4,580	20,176	14,656
Cash and cash equivalents at end of the financial year	**20,176**	**14,656**	**17,024**
Cash and cash equivalents consist of:			
Fixed deposits with licensed banks	2,711	6,179	6,240
Cash and bank balances	20,176	14,656	17,024
	22,887	20,835	23,264
Less: Fixed deposit pledged to a licensed bank	(2,711)	(2,436)	(2,436)
Less: Fixed deposits restricted for use[1]	-	(3,743)	(3,804)
	20,176	**14,656**	**17,024**

Note:

(1) Restricted for use fixed deposits cannot be used by our Group as they have been pledged to the bank as security for the bank borrowings which we have obtained.

[The rest of this page is intentionally left blank]

11.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our Group's financial performance and results of operations should be read in conjunction with the Accountants' Report as set out in Section 12 and the Reporting Accountant's letter on the Pro Forma Consolidated Statements of Financial Position as set out in Section 13. Our audited consolidated financial statements have been prepared in accordance with MFRS and IFRS for the FYEs 2020 to 2022.

There were no exceptional or extraordinary items during the FYEs 2020 to 2022. Our audited consolidated financial statements for the FYEs 2020 to 2022 were not subject to any audit qualifications.

11.2.1 Overview of our operations

Our revenue is recognised on a monthly basis, based on the invoiced value of services over time when the services are rendered to our customers, based on the duration and rates as formalised between us and our customers via charter party contracts and/or other similar documents such as work orders or service orders.

For the FYEs 2020 to 2022, revenue from the charter of vessels constituted between 79.2% and 85.4% of our Group's total revenue, with the balance from catering and laundry service revenue and other revenue.

Please refer to Section 6 for our Group's detailed business overview.

11.2.2 Significant factors affecting our business and results of operations

Our financial condition and results have been and are expected to be affected by, amongst others, the following factors:

(i) Demand for our vessels

Our financial results are dependent on the demand for our vessels. We charter our own and third party vessels to support the offshore oil and gas industry. Our business model allows us to secure more chartering contracts which are not limited to the number of vessels which we own. This allows us to scale up/down our operations and prioritise the chartering of our own vessels during periods when demand from the upstream oil and gas industry is low.

Historically, the level of offshore exploration and production activity has been closely related to global oil and gas prices, resulting the oil and gas industry being highly cyclical in nature. Increasing levels of exploration, development and production activities have a direct influence on the demand for vessels as more vessels are required to support offshore oilfields during periods of high demand.

Due to the nature of the vessel industry segment which we operate in, we are less susceptible to such cyclical nature as compared to other oil and gas service providers that serve only specific offshore oilfield stages. We had, in the past, witnessed financial growth despite a fall in oil prices that resulted in a slowdown in exploration and production activities. Despite this slowdown, offshore oilfield activities were still carried out to maintain and operate offshore oil/gas platforms that were in production as well as decommissioning of offshore oil/gas platforms.

Due to the adverse weather conditions in the South-China Sea during the period between December and March each year, we generally record lower revenue during this period as there are lesser chartering activities. During this time, our vessels might not be chartered out, or might be chartered out at lower DCR compared to other months. Furthermore, during periods which our vessels are not chartered out, we have to incur costs such as safe-manning crew payroll, consumables and berthing costs, among others. To mitigate this, we usually plan our scheduled vessel maintenance during this time, where permissible.

(ii) Size, age, specifications and composition of our fleet

The size, age, specifications and composition of our own and the third party vessels that we charter are determining factors for us to secure Chartering Contracts. Generally, a larger and younger fleet with better specifications enables us to enter into more Chartering Contracts, thereby increasing our revenue.

Market demand, utilisation rate, charter rates and operating expenses may vary for vessels of different sizes and types, ages and specifications. Generally, demand and DCRs for newer vessels and vessels with higher specifications tend to be higher than older vessels or vessels with lower specifications. Newer vessels also generally have lower maintenance costs as they are less prone to breakdowns and hence, less prone to loss of chartered days. Further, newer vessels tend to better comply with customers' and regulatory requirements.

In addition, DCRs for DP1 or DP2 equipped vessels, larger accommodation capacity vessels tend to be greater than 4-point mooring and smaller vessels. The specifications of our Group's own fleet and our ability in securing third party vessels for charter enable us to participate in the upstream oil and gas industry and compete for a bigger market share in our business segment.

(iii) Utilisation rates and duration of our charters

Utilisation rate is the aggregate number of actual chartered days per year divided by the available number of chartered days in that year. Our utilisation rates are set out in Section 6.7.5.

The number of chartered days for both our and third party vessels are largely dependent upon the supply and demand for our services. Further, time required for repairs and maintenance or dry docking may also affect the utilisation rates.

Our financial results also depend on our ability to secure chartering contracts on a timely basis. The charter period for our vessels typically range between 1 and 8 months in line with the nature of the AWB chartering industry. Some of these contracts contain options, exercisable at the customers' discretion, to extend the charter term for a specified length of time. Should the customer(s) choose to exercise such option, they will send a notice to us, which we can choose to accept or turn down. In planning for the chartering of our vessels, we do not take into account the extension period as it is at the customer's discretion. In the event that the particular vessel has been committed for other Chartering Contracts, we will turn down the existing customer's option to extend.

For the FYEs Under Review and up to the LPD, our Chartering Contracts have been extended for periods which range from 1 week to 3 months.

(iv) Costs and time required to dry dock own vessels

We are typically required to dry dock each of our own vessels and vessels which we charter on a bareboat basis, once every five years. We also have to perform routine preventive maintenance such as annual survey every year (at the approximate cost of RM0.1 million to RM0.2 million for each annual survey) and intermediate survey every 2.5 years (at the approximate cost of RM0.2 million to RM0.4 million for each intermediate survey), which take approximately 15 days each time. The duration of the dry docking exercise is estimated to take approximately 30 to 45 days to complete, depending on the availability of the shipyard and required spare parts as well as complexity of the works to be done, among others. To mitigate potential loss of revenue from lost charter days, we endeavour to schedule the dry docking and scheduled maintenance of our vessels during off-hire times and if required, we try to substitute the vessel that is out of service with one of our own or other third party vessels if a suitable one is available.

We have incurred dry docking or refurbishment expenditure for LS1 and Falcon both in FYE 2022, which amounted to RM3.5 million. Meanwhile, the dry docking for Commander was recently carried out in FYE 2023, which we estimate to be approximately RM2.0 million.

The next dry docking exercises for our own vessels are scheduled to be carried out within the following time-frames:

Vessel	**Time-frame for next scheduled dry docking**
LS1	December 2026
LS2	July 2025
Falcon	May 2027
Grace	July 2024
Compassion	September 2024
Commander	February 2028
Kindness	October 2026
Lestari	November 2024
Blooming Wisdom	May 2025
Helms 1	August 2026

We estimate that the dry docking costs for Grace, Compassion and Lestari, which are to be carried out within 18 months from the LPD, would be approximately RM2.0 million to RM3.5 million each and approximately 30 to 45 days to complete for each vessel. These dry docking costs have been taken into consideration in arriving at our Board's view that our Group will have sufficient working capital for the next 12 months.

Under the terms of our bareboat charter agreements with the owner of Daya Indah Satu and Daya Ceria, we are required to carry out the dry docking exercise at our cost as we are responsible for the entire operations of the vessel including repair and maintenance, which is in line with the industry norm whereby the bareboat charterer bears such dry docking costs. However, such dry docking is only scheduled to be carried out in May 2025 and May 2026 respectively, which is after the end of the bareboat charter periods (including optional extension) and therefore, we will not be incurring any such costs during the period that these two vessels are being chartered by us. Should we enter into any bareboat charter agreements for Daya Indah Satu or Daya Ceria beyond the current agreements or any other bareboat charter agreement for other third party vessels, we will also have to bear such costs if the dry docking schedule falls within the period in which we bareboat charter the said vessel. We will take such dry docking costs and schedule which we potentially have to bear into consideration, prior to entering into such bareboat charter agreements, to ensure that it is in the best interests of our Group.

Dry docking costs for other third party vessels which we time charter are at the cost of their respective owners.

The accounting treatment for refurbishment and dry docking expenditure is as follows:

(a) Refurbishment expenditure which increases or maintains the value of the vessel, and which are capital in nature – these are to be capitalised as part of the vessel's fixed asset costs and to be depreciated over the estimated remaining useful life of the vessel.

(b) Dry docking expenditure represents major inspection and overhaul costs and is depreciated to reflect the consumption of benefits, which are to be replaced or restored by the subsequent dry docking, generally every five years.

(v) Daily chartering, catering and other rates for our services

Details of the components of our revenue are disclosed in Section 11.2.3.1. The daily chartering, catering and other rates which we charge our customers for our services have a direct correlation to the results of our operations.

Chartering revenue comprise a one-off mobilisation/demobilisation fee for situating the vessel to and from the on/off-hire port, and DCRs at a specified rate multiplied by the number of days which the vessels are under charter.

Catering revenue comprise catering and laundry services at a specified rate provided to our customers over the duration of the charter of the vessel, multiplied by the number of days which the vessels are under charter and the number of passengers served during this period.

We also derive revenue in respect of services related to the vessels such as VSAT internet connectivity, BMS / TMS, anchor pattern drawing/mooring analysis and rental of life-saving equipment such as life jackets and life rafts. These are additional services which we offer to our customers at extra charges.

The rates at which we charge to our customers are pre-determined between our Group and our customers on a tendered or negotiated basis before the commencement of each charter. They vary on a charter-by-charter basis and are determined by market conditions, the type and specifications of vessels, services required and the length of contract period, including factors as set out in Sections 11.2.2(i) and (ii) above. Catering rates are also dependent on the estimated number of passengers to be served on each charter and whether there is any minimum charge, while VSAT rates are also dependent on the bandwidth required.

In general, larger and higher specification vessels will command higher DCRs than smaller and lower specification vessels and short-term charters will have higher DCRs than long-term charters.

Our Chartering Contracts with our customers are typically short-term in nature of between 1 to 8 months. Long-term charters, which contribute to higher utilisation rates, provide us with better earnings visibility and cash flow stability while short-term charters provide us with the opportunity to benefit from increasing DCRs under favourable market conditions but expose us to the risk of lower utilisation rates.

(vi) Availability of third party vessels and their DCR

Other than our own vessels, we also provide time-charter services using third party vessels, whereby we earn the difference between the DCRs charged by the vessel owners and the DCRs charged to our customers. In the event where the third party vessel owners charter their vessels at higher charter rates to us, the DCRs to our customers are adjusted accordingly by a similar quantum such that our Group still earns gross profit from the DCR. This model allows us to take on more chartering contracts than the number of vessels which we own. Overall, the GP margin earned on third party vessels is lower than that for our own vessels due to the following:

(a) In respect of our own vessels, we are the ship owner and have already incurred significant capital expenditure to acquire the vessel. As such, there is a higher degree of financial commitment which has already been made; and

(b) In respect of third party vessels (other than bareboat chartered vessels), we did not incur any capital expenditure to acquire the vessel, but only charter these as and when we have secured a Chartering Contract. Due to such cost structure, we adopt a pricing strategy whereby we are able to scale up/down our operations by earning a lower GP margin for third party vessels; and

(c) In respect of third party vessels which we bareboat charter, the GP Margin earned is lower than the GP margin for own vessels as the right-of-use asset is depreciated over the period of the bareboat charter, while for our own vessels, the cost of the vessel is depreciated over its remaining useful life. In the case of Daya Indah Satu and Daya Ceria, the period of the bareboat charters is for one year each, with an extension option of another year, while our own vessels are depreciated over their remaining useful lives of between 11 years and 25 years from the month in which they were acquired.

Depending on our arrangement with the third party vessel owners, we may undertake catering services to provide food and beverages to the passengers at a rate which is chargeable on our customers. Where we undertake the catering service, we provide the catering service to the charterer by utilising our own catering crew and procure our own food and beverage provisions. Where we do not undertake the catering, the third party vessel owner or an external catering service provider provides such catering service and we typically earn a mark-up on top of the catering charges imposed by the third party vessel owner or external catering service provider. The GP margin for catering contracts that we undertake are higher than those not undertaken by us.

(vii) Fluctuations in prices of food and beverage provisions and marine consumables, including marine gas oil

We provide catering services to our customers' passengers on board and therefore, incur costs on food and beverage provisions required for such catering services. Due to inflationary pressures, the prices of such items have increased and we expect this trend to continue. We mitigate this by having better cost control over our purchasing as well as having a higher scale of catering operations. We are able to negotiate better pricing with our suppliers in view of the higher volume of food and beverage provisions which we purchased. Where possible, we pass such costs increases to our customers by increasing our catering rates.

During the period when our own vessels and vessels which we charter on a bareboat basis are off-hire, the cost of marine consumables such as marine gas oil and lubes required are at our Group's expense. During the off-hire period, the marine gas oil is used as the energy source to power our vessels' generators to generate electricity as we will still have crew on-board. The price of marine gas oil fluctuates based on world crude oil prices. We mitigate this by taking cost control measures to reduce our marine gas oil consumption, such as shutting down our vessels during extended period of off-hire.

The table below shows the average off-hire period for our own vessels and bareboat chartered vessels, and the total off-hire costs incurred by our Group:

	[(1)]Average off-hire period per vessel (days)	**[(2)]Total off-hire costs (RM'million)**
FYE 2020	95	1.0
FYE 2021	127	5.2
FYE 2022	111	10.6

Notes:

(1)

$$\text{Average off-hire period (days)} = \frac{\text{Total available charter days per year} - \text{Number of chartered days}}{\text{Number of own and bareboat chartered vessels}}$$

(2) These costs have been included as part of our cost of sales for the respective FYEs Under Review, under the categories of 'own crew costs' and 'vessel operation and maintenance cost'. The total off-hire costs increased from FYE 2020 to FYE 2022 in tandem with the increase in number of own vessels and bareboat chartered vessels.

Such daily operational costs have a direct impact on our financial results, especially since the vessels do not generate any income during such off-hire period. For FYE 2020, FYE 2021 and FYE 2022, total off-hire cost constituted 5.7%, 20.8% and 16.3% of our Group's PBT respectively, and is therefore material to our Group's financial results.

On the other hand, during the time in which these vessels are on-hired, the consumption cost of marine gas oil and lubes are directly borne by our customers, i.e. they purchase the marine gas oil themselves and therefore does not increase our expenses. Such costs are not included in our DCR.

(viii) Our borrowings/funding and finance costs

Due to the nature of the industry and our business which requires significant capital expenditures, we require a significant amount of borrowings and funding, including redeemable preference shares which carry fixed cumulative dividend rates. Please refer to Section 6.4.1 for the analysis of our material capital investments during the FYEs Under Review and up to the LPD.

A portion of our current outstanding borrowings/funding has a floating interest rate and therefore, our finance costs have been and will continue to be affected by interest/profit rates fluctuations. Please refer to Sections 11.4 and 11.7.5 below for an analysis of the finance costs for our borrowings and our gearing ratio for the FYEs Under Review, respectively.

Changes in economic conditions, cost of funding for our financiers, monetary and fiscal policies as determined by the Malaysian government and BNM and other factors could result in higher interest rates, thereby increasing our finance costs and reducing our profitability and funds available for operations or other purposes.

We plan to utilise 87.5% of the proceeds from the Public Issue to repay part of our borrowings which include the redemption of Keyfield CRNCPS, repayment of bank borrowings and settlement of balance purchase consideration for Blooming Wisdom and Helms 1, all of which are considered as borrowings as our Group incurs interests and/or finance charges on them. Please refer to Section 4.10 for further information on the utilisation of proceeds from the Public Issue.

(ix) External factors which may affect our Chartering Contracts

Our Group may be subject to external factors that are beyond our control (such as renewal of our material licenses, weather and sea conditions, occurrence of terrorism acts, war, riots, epidemics (including but not limited to the COVID-19 pandemic) and natural disasters), and these may affect our Chartering Contracts.

Please refer to Sections 6.7.4 and 8.1.5 for details on the impact of COVID-19 on our operations and the measures we have implemented in order to continue our business operations. Save for the impact from COVID-19, there were no external factors which affected our Group's Chartering Contracts during the FYEs Under Review.

(x) Delay in collections or non-recoverability of trade and other receivables

In providing our services, we give credit terms to some of our customers to pay the invoices issued by us, while we require some customers to pay us a deposit in advance. In general, our credit terms can be categorised as follows:

(a) Invoices with fixed credit terms, ranging from 30 to 120 days. Such terms apply to PCSB, PACs, oil and gas contractors and offshore support vessel owners; and

(b) Invoices without fixed credit terms, whereby our customers will pay us on a back-to-back basis as and when they receive payments from their customers. Such terms apply to certain oil and gas contractors and offshore support vessel owners. We have in place a credit policy whereby we will only grant such back-to-back payment terms to customers which satisfy our internal criteria such as the length of relationship, its financial strength and the profile of the end customer (i.e. PCSB or PACs).

Generally, the risk of delay in collections or non-recoverability of trade receivables is higher for oil and gas contractors and offshore support vessel owners, as compared with PCSB/PACs. Due to the credit terms given to our customers, we are exposed to risk of delays in collection or non-recoverability of trade receivables. This may result in a material adverse impact on our financial results and operating cash flows.

During the FYEs 2020 to 2022, our Group had recorded the following occurrences of material non-recoverability of trade and other receivables:

(a) In FYE 2021, we made an allowance for impairment amounting to RM0.5 million which was the amount of the advances which could not be recovered as a result of a third party vessel disponent owner and supplier whom we had chartered third party vessels from, Zafran Engineering Services Sdn Bhd ("ZESSB"), being wound up. We had earlier made advances to ZESSB amounting to RM6.8 million and RM1.2 million in FYE 2019 and FYE 2020 respectively.

    These advances relate to payments made by the Group to ZESSB and payments on behalf of ZESSB due to their urgent need, which included the following:

    (i) Crew salaries and crew related payments such as travelling, claims, etc; and

    (ii) Repair costs to ensure that the AWB is in good working and sea-going condition.

    Such advances, which were not an industry norm, were not subject to any credit term as we would offset the amount of advances against the invoiced value of chartering, catering and other services provided by ZESSB to our Group. The amount of RM0.5 million represented the amount of advances which could not be offset against any services provided by ZESSB to our Group. Our Group could not recover this amount as ZESSB was liquidated in December 2020. Since the beginning of FYE 2021, we do not have any business relationship with ZESSB.

    Further, our Group no longer provides any advances to any third party vessel owner since 31 December 2021. We shall not provide any advance to any suppliers unless we have already been awarded with a letter of award by our customer to charter the said third party vessel, and such advance is to facilitate the preparatory work and operational requirements of the said AWB and where the third party vessel will be/is chartered by Keyfield Group, it is a contractual term whereby an advance payment or deposit payment is required;

(b) In FYE 2021, we made an allowance for impairment from a customer, Shapadu Energy Services Sdn Bhd, amounting to RM0.8 million, as such amount has been overdue for more than 1 year. Correspondingly, we have also received credit notes from the third party vessel owner supplier for which the amount due to the customer relates to, as the payment to this third party vessel owner is on back-to-back basis. As such, the net impact of such allowance for impairment loss to our profit before tax is RM0.3 million. We had previously provided a 15-day credit term to Shapadu Energy Services Sdn Bhd in FYE 2020. Since beginning of FYE 2021, we do not have any business relationship with this customer; and

(c) In FYE 2021 and FYE 2022, we made allowances for impairment from a customer, Sapura Pinewell Sdn Bhd ("Sapura Pinewell"), as follows:

FYE	Allowance for impairment (RM million)
2021	4.3
2022	4.3
	8.6

The amount of RM8.6 million, which arose in FYE 2021, represents 100% of the trade receivables owing by Sapura Pinewell to us. Save for this amount, our Group does not have any other receivables owing by any member of the Sapura Energy Berhad ("Sapura Energy") group of companies ("Sapura Group") as at the LPD. Our Group had previously provided a 30-day credit term to Sapura Pinewell in FYE 2021.

Sapura Energy is a company listed on the Main Market of Bursa Securities and is classified as an affected listed issuer under PN17 of the Listing Requirements. In view of the long outstanding debt, the financial condition of Sapura Group and various winding-up petitions served on of Sapura Pinewell, we have made the above allowance for impairment loss.

Currently, the Sapura Group is undergoing a proof of debt exercise whereby its creditors are to submit various documents to support the outstanding debts due from them. Our Group has already submitted all such documents and Sapura Group has acknowledged the proof of debt due to us, and we currently are awaiting the next course of action to be taken by Sapura Group in addressing the amount due to us.

In the event that we are able to recover any amount out of the debt due from Sapura Pinewell, we will write back the allowance for impairment losses which has been made in FYE 2021 and FYE 2022, in the financial year(s) in which we recover such amounts.

To manage the risk of further non-recoverability of trade receivables from the Sapura Group, we have, since first quarter of 2022, imposed strict credit terms on this group of companies when we respond to their request for quotations, whereby we will only provide our services to them after they have paid us in advance for such services.

Since the end of FYE 2021, we do not have any business relationship with Sapura Pinewell. In the first quarter of FYE 2022, we had chartered one of our own vessels to Sapura Offshore Sdn Bhd, another member of the Sapura Group, where we only provided our chartering, catering and other services to this customer after they have paid us in advance for such services. Sapura Offshore Sdn Bhd has paid us in full.

Save as disclosed above, there were no other occurrences of material non-recoverability of trade and other receivables in the FYEs Under Review.

Steps undertaken by our Group to address the outstanding trade and other receivables include the following:

(a) Send reminder or follow-up emails to customers;

(b) Obtain explanations for customers regarding reasons for delay;

(c) If still unpaid, we will follow up with a demand letter; and

(d) After expiry of demand letter period, we will initiate legal proceedings, either through arbitration or suing for unpaid debts.

The allowances for impairment losses which the Group made in FYE 2021 and FYE 2022 arose due to financial difficulties faced by these customers, and not due to any dispute. RM8.6 million or 86% of the total allowance of impairment losses made was in respect of Sapura Pinewell, a subsidiary of Sapura Energy, which has been classified as an affected listed issuer under PN17 of the Listing Requirements, and which had been granted a restraining order under Section 368(1) of the Companies Act 2016 to stay all legal proceedings and/or further legal proceedings and/or intended and/or future legal proceedings ("Restraining Order"). In view of the Restraining Order, our Group could not commence any legal proceedings to recover the amount due from Sapura Pinewell.

As disclosed in Section 11.2.2(x)(c), Sapura Group has acknowledged the proof of debt due to us, and we currently are awaiting the next course of action to be taken by Sapura Group in addressing the amount due to us. In the event that we are able to recover any amount out of the debt due from Sapura Pinewell, we will write back the allowance for impairment losses.

Since the end of FYE 2022 and up to the LPD, our Group has not encountered any instance of non-recoverability of any receivables.

(xi) Impact of foreign exchange

Currently, our business operations are mainly concentrated in Malaysia and therefore our transactions are mainly denominated in RM whilst our purchase of vessels, purchase of consumables as well as spare parts and equipment from overseas are generally denominated in USD. In FYE 2021, we have expanded our operations to outside Malaysia and therefore recorded revenue in FYE 2021 and FYE 2022 from one customer denominated in USD, amounting to 6.6% and 1.7% of our total revenue in the respective years. Since the end of FYE 2022 and up to the LPD, we did not record any revenue denominated in any foreign currency but have bid for overseas projects which are denominated in USD.

Kindly refer to Section 11.10.1 below for detailed explanation on the gain or loss on foreign exchange.

Any material movement of the USD against RM, which is our Group's financial reporting currency will have an impact on our financial results.

11.2.3 Results of operations

11.2.3.1 Revenue

We derive our revenue from the charter of our own and third party vessels and provision of various onboard amenities and services to our customers. Such services include catering service, laundry service, VSAT internet service and other services in relation to the charter.

We recognise our revenue over time in the period which the services are rendered to the customers. Our revenue mainly comprises the following:

(i) Chartering revenue from our own and third party vessels, based on the contracted DCR multiplied by the number of days during which these vessels operate. The DCR is for the usage of the vessels as an accommodation, utility and/or maintenance vessel, including services such as its operation and maintenance, housekeeping and medical services. There are no additional charges for housekeeping and medical services as these are already included in the DCR. Other components of chartering revenue are mobilisation fee and demobilisation fee for situating the vessel to and from the on/off-hire port. The DCR does not include catering, laundry or other services which is separately charged under (ii) and (iii) below to our customers;

(ii) Catering and laundry service revenue from our own and other third party vessels. Catering income is recognised upon the rendering of catering services such as provision of food and beverages and laundry services to customers over the duration of the charter hire period. Catering and laundry service revenue is dependent on the number of passengers on board the vessels, which may subject to a minimum charge and the number of days which the vessel is on-hired; and

(iii) Other service income arising from services related to the vessels such as VSAT internet charges, BMS / TMS, rental of project equipment such as lifejackets, gangway accessories, air tugger and others.

Our revenue co-relates with the number of chartered days of our own and third party vessels. Please refer to the table below for the detailed number of chartered days of our vessels and the third party vessels:

Charter information	**FYE 2020**	**FYE 2021**	**FYE 2022**
Number of chartered days	**Days**	**Days**	**Days**
Own vessels	255	534	1,488
Third party vessels	721	1,082	1,141
Total	**976**	**1,616**	**2,629**
Number of chartered days as % of total	**%**	**%**	**%**
Own vessels	26.1	33.0	56.6
Third party vessels	73.9	67.0	43.4
Total	**100.0**	**100.0**	**100.0**
Average off-hire period per vessel (days) for our own vessels and bareboat chartered vessels	95	127	111

Charter information	**FYE 2020**	**FYE 2021**	**FYE 2022**
Utilisation rate – Own vessels (%)	72.9	58.3	65.7
Number of vessels	**Units**	**Units**	**Units**
Own vessels(1)	1	4	7
Third party vessels(2)	5	10	8
Average DCR(3)	**RM'000**	**RM'000**	**RM'000**
Own vessels	68.7	75.4	80.0
Third party vessels	64.8	65.0	61.7

Notes:

(1) In FYE 2020, we only have one own vessel which is LS1.

In FYE 2021, we acquired LS2, Falcon and Kindness. LS2 and Falcon commenced operations in FYE 2021 while Kindness commenced operations in FYE 2022.

In FYE 2022, we acquired Commander, Compassion and Grace, all of which commenced operations in FYE 2022.

(2) The full list of third party vessels which were chartered by us is detailed in Section 6.6.4. Out of these third party vessels, our Group has since acquired Commander, Compassion and Grace in FYE 2022 and Helms 1, Blooming Wisdom and Lestari in FYE 2023.

(3) Calculated based on revenue from chartering divided by number of chartered days.

The number of chartered days for our own vessels have increased at a higher rate as compared to the number of chartered days for third party vessels, as we prioritise the chartering of our own vessels since the fleet expansion of our own vessels. This has resulted in the increase in the proportion of revenue earned from own vessels, as a percentage of total revenue, from FYE 2020 to FYE 2022.

The increase in average DCR for our own vessels from FYE 2020 to FYE 2022 was mainly due to a higher proportion of DCR and chartered days being contributed DP2 equipped vessels. The proportion of chartered days being contributed by DP2 equipped own vessels for FYE 2020, FYE 2021 and FYE 2022 was 0%, 28% and 57% respectively. DP2 equipped vessels generate higher DCR as compared to similarly-specified 4-point mooring vessels due to their ability to be deployed in harsher weather environments, congested seabeds and deeper waters, which 4-point mooring vessels cannot as mooring/anchoring is not feasible in such conditions.

Meanwhile, the decrease in the average DCR for third party vessels in FYE 2022 from FYE 2021 was mainly due to a larger proportion of DCR and chartered days being contributed by third party AHTS and PSV being chartered by us, which has a lower DCR compared to AWBs. The proportion of chartered days being contributed by third party vessels which were AHTS or PSV for FYE 2020, FYE 2021 and FYE 2022 was 8%, 13% and 39% respectively. The AHTS and PSV which we chartered have a lower DCR compared to AWBs due to their smaller size in terms of length and weight and lower accommodation capacity.

(i) Revenue by category of vessels and activities

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
Own vessels						
Chartering	17,514	23.3	40,287	28.8	119,062	50.4
Catering	1,309	1.7	7,547	5.4	19,614	8.3
Others[(1)]	544	0.7	3,261	2.3	11,871	5.0
Subtotal	**19,367**	**25.7**	**51,095**	**36.5**	**150,547**	**63.7**
Third party vessels						
Chartering	46,734	62.1	70,338	50.4	70,441	29.8
Catering	7,222	9.6	12,253	8.8	10,424	4.4
Others[(1)]	1,908	2.6	6,070	4.3	4,792	2.1
Subtotal	**55,864**	**74.3**	**88,661**	**63.5**	**85,657**	**36.3**
Total	**75,231**	**100.0**	**139,756**	**100.0**	**236,204**	**100.0**

Note:

(1) Others refer to revenue from VSAT internet charges, BMS / TMS, rental of project equipment such as lifejackets, gangway accessories, air tugger and others.

(ii) Commentary on revenue

All of our Group's revenue was derived from Malaysia throughout the Financial Years Under Review, except for FYE 2021 and FYE 2022 where 6.6% and 1.7% of our revenue respectively was derived from a Chartering Contract which was carried out in the Philippines.

(a) Comparison between FYE 2020 and FYE 2021

Own vessels – LS1, LS2 and Falcon

In FYE 2020, we only have 1 own vessel, LS1, while in FYE 2021, we have 3 own vessels in operation, LS1, LS2 and Falcon. Revenue contributed by own vessels increased by RM31.7 million or 163.4% from RM19.4 million in FYE 2020 to RM51.1 million in FYE 2021. The increase was due to the following factors:

(aa) In FYE 2021, the total number of 534 chartered days were contributed by LS1 (202 days), LS2 (180 days) and Falcon (152 days) as compared to FYE 2020 which was only contributed by LS1 (255 days). LS2 commenced operations in May 2021 while Falcon commenced operations in March 2021;

(bb) In FYE 2021, higher average DCR for Falcon, being a DP2 vessel, also contributed to the increased revenue, as DP2 vessels typically command higher DCR compared to 4-point mooring vessels;

(cc) LS1 and LS2's average DCR in FYE 2021 is higher than LS1's average DCR for FYE 2020. We had bid for LS1 and LS2's Chartering Contracts at a higher DCR in FYE 2021 and these were accepted by our customer. We had submitted a higher bid based on our internal assessment of the AWB chartering market, such as the availability of similar vessels in the market and prevailing market rates. As LS1 and LS2 are of similar specifications, their DCRs are comparable to each other; and

(dd) Revenue from catering income increased in FYE 2021 as compared to FYE 2020 due to the higher number of passengers served in our own vessels, in tandem with the increase in number of chartering days.

<u>Third party vessels</u>

Revenue contributed by third party vessels increased by RM32.8 million or 58.7% from RM55.9 million in FYE 2020 to RM88.7 million in FYE 2021. This is due to higher number of chartered days in FYE 2021 (1,082 days) as compared to FYE 2020 (721 days) which led to higher chartering, catering and other revenue from third party vessels.

The higher number of chartered days in FYE 2021 was due to our Group's strategy whereby we reduced our overall GP margin for third party vessels to cater for higher number of chartered days. In addition, we commenced the bareboat charter of Grace, Compassion, Commander and Helms 1 in FYE 2021, prior to acquiring them in FYE 2022 and FYE 2023, which contributed to the number of third party vessel chartered days.

Meanwhile, average DCR for third party vessels were slightly higher* than previous corresponding period due to improvement in offshore activities and higher demand for vessels in line with an increase in crude oil prices which led to customers being more receptive to accept Chartering Contracts at higher DCR.

Note:

* Despite the increase in average DCR, we recorded a decrease in GP margin for the chartering revenue of third party vessels from 17.2% in FYE 2020 to 16.3% in FYE 2021 due to the increase in average DCR rates charged by third party owners to our Group, resulting in reduction in third party vessels' chartering GP Margin.

Revenue from catering income in FYE 2021 was higher compared to FYE 2020, as there were more passengers served for catering services mainly due to the higher number of chartered days for third party vessels, which also led to higher chartering revenue from third party vessels.

<u>Major customers</u>

Major customers during FYE 2021 include PCSB (RM39.2 million), Dayang Enterprise Group (RM20.3 million), Sapura Pinewell (RM17.7 million), Bumi Armada Navigation Sdn Bhd (RM11.8 million) and PTTEP Sarawak Oil Limited (RM9.3 million).

(b) Comparison between FYE 2021 and FYE 2022

Own vessels – LS1, LS2, Falcon, Kindness, Grace, Compassion and Commander

Revenue contributed by own vessels increased by RM99.4 million or 194.5% from RM51.1 million in FYE 2021 to RM150.5 million in FYE 2022. The increase was mainly due to the following:

(aa) In FYE 2022, the total number of 1,488 chartered days were contributed by LS1 (242 days), LS2 (220 days), Falcon (287 days), Grace (212 days), Compassion (312 days), Commander (42 days) and Kindness (173 days) as compared to FYE 2021 which was only contributed by LS1 (202 days), LS2 (180 days) and Falcon (152 days). The higher number of chartered days for our own vessels were in tandem with the rise in crude oil prices and PAC's capital expenditures as set out in Section 7.

Previously, Grace, Compassion and Commander are third party vessels until we acquired them in February 2022. Meanwhile, Kindness which was acquired by our Group in November 2021, commenced its charter in FYE 2022;

(bb) Average DCR in FYE 2022 which is higher than FYE 2021 for LS1, LS2 and Falcon and higher DCR for own vessels which are DP2-equipped vessels. We had bid for LS1, LS2 and Falcon's Chartering Contracts at a higher DCR in FYE 2022 and these were accepted by our customers. We had submitted a higher bid based on our internal assessment of the AWB chartering market, such as the availability of similar vessels in the market and prevailing market rates. LS1 and LS2 were chartered to the same customer in FYE 2021 and FYE 2022, while Falcon was chartered to different customers;

(cc) Revenue from catering income increased in FYE 2022 as compared to previous corresponding period due to higher number of passengers served, in line with the increase in number of chartered days for own vessels, as well as increased catering rates in FYE 2022; and

(dd) Revenue from others increased by RM8.6 million which was mainly contributed by revenue from VSAT which increase from RM2.5 million in FYE 2021 to RM6.6 million in FYE 2022. This was mainly due to higher number of total chartered days for own vessels and higher VSAT rates charged to our customers as a result of higher bandwidth requirements. VSAT internet charges are based on the bandwidth supplied and charged based on the number of days which the vessel is chartered and therefore these two factors correlate directly to the VSAT revenue earned. Our VSAT rates increased from between RM3,333 to RM6,000 per day in FYE 2021 to between RM5,000 to RM6,000 per day in FYE 2022.

In FYE 2022, we earned VSAT revenue from all of our customers who chartered our own AWBs, except for Kindness where our customers did not require such service.

Third party vessels

Revenue contributed by third party vessels decreased by RM3.0 million or 3.4% from RM88.7 million in FYE 2021 to RM85.7 million in FYE 2022. We recorded a higher number of chartered days in FYE 2022 (1,141 days) as compared to FYE 2021 (1,082 days) but a lower average DCR (which decreased from RM65,000 in FYE 2021 to RM61,700 in FYE 2022) for third party vessels in FYE 2022 as compared to FYE 2021, as the third party vessels chartered during FYE 2022 consist of a larger proportion of third party AHTS and PSV, which has a lower DCR as compared to AWBs.

Revenue from catering income in FYE 2022 was lower compared to FYE 2021, as there were lesser passengers served for catering services. Despite the increase in number of chartered days for third party vessels in FYE 2022 as compared to FYE 2021, there were lesser passengers served for catering services. This was due to a higher proportion of third party vessels with lower accommodation capacity, i.e AHTS and PSV.

Major customers

Major customers during FYE 2022 include PCSB (RM86.9 million), Malaysia Deepwater Production Contractors Sdn Bhd (RM30.8 million), Dayang Enterprise Group (RM26.8 million), Helms Geomarine Sdn Bhd (RM20.3 million) and Tanjung Offshore Services Sdn Bhd (RM13.3 million).

11.2.3.2 Cost of sales, GP and GP margin

Our cost of sales can generally be categorised into the following:

Own vessels

(i) Marine cost of sales which consist mainly of marine crew salary and crew-related costs (such as travelling and land accommodation for mobilisation and demobilisation), vessel operation and maintenance costs such as annual repairs and maintenance for own vessels including replacement and spare parts and consumable materials , rental of equipment required for the charter such as gangway and accessories, personal transfer basket and portable generators, berthing fees, commissions and project expenses;

(ii) Non-cash depreciation charge and dry docking amortisation on our own vessels;

(iii) Catering cost of sales which consist mainly of catering crew salary and food and beverage provisions costs; and

(iv) Other cost of sales which consist of VSAT internet charges, costs related to BMS / TMS, rental of project equipment such as lifejackets, gangway accessories, air tugger and others.

11. FINANCIAL INFORMATION *(Cont'd)*

Third party vessels

(i) Vessel chartering costs charged by third party vessel owners, including their DCR and mobilisation/demobilisation costs, project expenses such as rental of equipment as required by the charterers, brokerage fee and commissions;

(ii) Catering costs which are either:

(a) The catering fees charged by third party vessel owners where we do not undertake the catering service; or

(b) Catering crew salary and food and beverage provisions costs where we undertake the catering service; and

(iii) Other cost of sales which consist of VSAT internet charges charged by the third party vessel owner.

(i) Analysis of cost of sales by segment

Our cost of sales by segment are as follows:

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
Cost of sales	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Own vessels[(1)]						
Marine costs:						
Vessel and vessel equipment depreciation	4,000	7.4	8,463	8.7	17,267	11.8
Own crew costs	2,458	4.5	7,476	7.7	25,662	17.5
Vessel operation and maintenance costs[(2)]	2,184	4.0	6,624	6.8	33,916	23.1
Subtotal	8,642	15.9	22,563	23.2	76,845	52.4
Catering costs	676	1.2	4,131	4.3	7,913	5.4
Others[(3)]	334	0.6	1,065	1.1	1,119	0.8
	9,652	**17.7**	**27,759**	**28.6**	**85,877**	**58.6**
Third party vessels						
Chartering costs:						
Third party chartering fee	37,311	68.7	41,954	43.2	37,429	25.5
Vessel operation and maintenance costs[(2)]	1,394	2.6	11,443	11.8	4,527	3.1
Own crew costs[(4)]	-	-	3,478	3.6	2,787	1.9
Right-of-use assets depreciation[(5)]	-	-	1,969	2.0	6,248	4.3
Subtotal	38,705	71.3	58,844	60.6	50,991	34.8
Catering costs:						
Fees charged by third party vessel owners[(6)]	3,455	6.4	5,012	5.2	3,199	2.2
Own catering costs[(7)]	1,146	2.1	2,482	2.5	3,286	2.2
Subtotal	4,601	8.5	7,494	7.7	6,485	4.4
Others[(3)]	1,377	2.5	3,073	3.1	3,279	2.2
	44,683	**82.3**	**69,411**	**71.4**	**60,755**	**41.4**
Total	**54,335**	**100.0**	**97,170**	**100.0**	**146,632**	**100.0**

Notes:

(1) For FYE 2020, we only have one own vessel which is LS1. Our Group's second and third vessels, LS2 and Falcon were both only available for charter from May 2021 and March 2021 onwards respectively, and therefore only contributed to the cost of sales in FYE 2021. Kindness was acquired in November 2021 but only available for charter in FYE 2022, and therefore only contributed to the cost of sales in FYE 2022. We acquired Commander, Compassion and Grace on 18 February 2022, which contributed to the cost of sales in FYE 2022.

(2) Vessel operation and maintenance costs include off-hire costs (such as marine gas oil and berthing fees), annual repairs and maintenance costs including replacement and spare parts as well as rental of equipment, berthing fees and project expenses which are required for our chartering projects. Own vessels' off-hire costs included herein amounted to RM0.4 million, RM2.3 million and RM3.8 million respectively for FYE 2020, FYE 2021 and FYE 2022. Meanwhile, own vessels annual repair and maintenance amounted to RM1.8 million, RM4.1 million and RM22.2 million respectively. For third party vessels, such costs comprise items which are directly borne by our Group, including for third party vessels which we bareboat charter.

(3) Others refer to cost of sales from VSAT internet charges, costs related to BMS / TMS, rental of project equipment such as lifejackets, gangway accessories, air tugger and others.

(4) We employ our own crew members to operate the third party vessels which we bareboat charter.

(5) As the bareboat charters of Helms 1 and Daya Indah Satu are for periods exceeding 1 year each, these are accounted for as right-of-use assets under MFRS 16 and depreciated over such bareboat charter period.

(6) Where Keyfield Offshore does not undertake the catering services for third party vessels. None of our other subsidiaries undertake any catering services.

(7) Where Keyfield Offshore undertakes the catering services for third party vessels.

[The rest of this page is intentionally left blank]

(ii) Analysis of GP and GP margin by segment

Our GP and GP margin for the FYEs 2020 to 2022 are set out below:

	Audited		
GP	**FYE 2020 RM'000**	**FYE 2021 RM'000**	**FYE 2022 RM'000**
Own vessels[1]			
Chartering[2]	8,872	17,724	42,217
Catering	633	3,416	11,701
Others	210	2,196	10,752
	9,715	**23,336**	**64,670**
Third party vessels			
Chartering	8,029	11,494	19,450
Catering	2,621	4,759	3,939
Others	531	2,997	1,513
	11,181	**19,250**	**24,902**
Total	**20,896**	**42,586**	**89,572**

Notes:

[1] For FYE 2020, we only have one own vessel which is LS1. Our Group's second and third vessels, LS2 and Falcon were both only available for charter from May 2021 and March 2021 onwards respectively, and therefore only contributed to the GP in FYE 2021. Kindness was acquired in November 2021 but only available for charter in FYE 2022, and therefore only contributed to the GP in FYE 2022. We acquired Commander, Compassion and Grace on 18 February 2022, which contributed to the GP in FYE 2022.

[2] Total GP for own vessels chartering is arrived at by deducting own vessels' marine costs from own vessels' chartering revenue.

	Audited		
GP margin	**FYE 2020 %**	**FYE 2021 %**	**FYE 2022 %**
Own vessels[a]			
Chartering	50.7	44.0	35.5
Catering	48.4	45.3	59.7
Others	38.6	67.3	90.6
	50.2	**45.7**	**43.0**
Third party vessels[b]			
Chartering	17.2	16.3	27.6
Catering	36.3	38.8	37.8
Others	27.8	49.4	31.6
	20.0	**21.7**	**29.1**
Overall GP margin	**27.8**	**30.5**	**37.9**

Notes:

[a] The GP margin for own vessels is arrived at after including vessel and vessel equipment depreciation as part of cost of sales, consistent with the presentation of the Accountants' Report in Section 12 as this is an expense which is directly attributable to the earning of revenue.

[b] The GP margin for third party vessels is arrived at after including depreciation of right-of-use assets as part of cost of sales, consistent with the presentation of the Accountants' Report in Section 12 as this is an expense which is directly attributable to the earning of revenue.

Overall, the GP margin earned on third party vessels is lower than that for our own vessels due to the following:

(i) In respect of our own vessels, we are the ship owner and have already incurred significant capital expenditure to acquire the vessel. As such, there is a higher degree of financial commitment which has already been made. The cost of sales for own vessels mainly consist of non-cash items such as vessel and vessel equipment depreciation and dry docking amortisation, marine and catering crew salaries and with minimal daily operational costs when our own vessels are on-hired as the cost of marine gas oil are borne by our customer during such period. Cost of sales for own vessels also include items such as spare parts and consumables, repairs and maintenance and costs during the period in which our own vessels are off-hire;

(ii) In respect of third party vessels which we charter on time charter basis, we did not incur any capital expenditure to acquire the vessel, but only charter these as and when we have secured a Chartering Contract. Due to such cost structure, we adopt a pricing strategy whereby we are able to scale up/down our operations by earning a lower GP margin for third party vessels. Our Group only earns GP after deducting the chartering costs charged by the owners, i.e. we charter out such vessels on back-to-back basis with lower fixed costs incurred and with no capital investment; and

(iii) In respect of third party vessels which we charter on bareboat charter basis, the GP Margin earned is lower than the GP margin for own vessels as the right-of-use asset is depreciated over the period of the bareboat charter, while for our own vessels, the cost of the vessel is depreciated over its remaining useful life. In the case of Daya Indah Satu and Daya Ceria, the period of the bareboat charters is for one year each, with an extension option of another year, while our own vessels are depreciated over their remaining useful lives of between 11 years and 25 years from the month in which they were acquired. Our GP is earned after deducting the depreciation of right-of-use assets, our marine crew costs and daily operational costs. Vessels which we charter on bareboat charter basis are accounted for as right-of-use assets in accordance with MFRS 16.

(iii) Commentary on cost of sales, GP and GP margin

(a) Comparison between FYE 2020 and FYE 2021

Cost of sales

In FYE 2021, we incurred cost of sales of RM97.2 million as compared to cost of sales of RM54.3 million in FYE 2020.

<u>Own vessels – LS1, LS2 and Falcon</u>

Cost of sales for own vessels in FYE 2021 was contributed by 3 own vessels, namely LS1, LS2 and Falcon, whereas cost of sales in FYE 2020 was contributed by LS1. Resulting from this, cost of sales for own vessels increased to RM27.8 million in FYE 2021 from RM9.7 million in FYE 2020.

Catering costs increased by RM3.4 million to RM4.1 million in FYE 2021 in tandem with the increase in number of passengers served in our own vessels in FYE 2021.

<u>Third party vessels</u>

Cost of sales for third party vessels increased by RM24.7 million or 55.3% to RM69.4 million in FYE 2021 from RM44.7 million in FYE 2020. The increase in cost of sales was mainly due to increase in chartering costs such as third party chartering fees as a result of higher number of chartered days, as well as higher operational and own crew costs incurred by us in respect of third party vessels which we had chartered on a bareboat basis during FYE 2021.

In FYE 2021, we had chartered Grace, Compassion, Commander and Helms 1 on a bareboat charter basis. We subsequently acquired all of these vessels in FYE 2022 (Grace, Compassion and Commander) and FYE 2023 (Helms 1).

The increase in cost of sales for third party vessels is in tandem with the increase in revenue earned by third party vessels in FYE 2021 resulting from higher number of chartered days.

GP and GP margin

In FYE 2021, our Group's total GP increased by RM21.7 million or 103.8% to RM42.6 million as compared to RM20.9 million in FYE 2020. The increase in total GP was mainly contributed by own vessels which increased to RM23.3 million in FYE 2021 from RM9.7 million in FYE 2020. Meanwhile, total GP for third party vessels increased to RM19.3 million in FYE 2021 as compared to RM11.2 million in FYE 2020.

In FYE 2021, our Group's overall GP margin increased to 30.5% from 27.8% in FYE 2020. The GP margin for own vessels decreased to 45.7% from 50.2% mainly due to the higher average number of off-hire days of 127 days in FYE 2021 as compared to 95 days in FYE 2020 as well as time and costs required to prepare the additional vessels (LS2 and Falcon) for operations. Meanwhile, there was an increase in GP margin for third party vessels to 21.7% from 20.0% as we managed to secure better average DCRs from RM64,800 in FYE 2020 to RM65,000 in FYE 2021, increase in catering rates and higher VSAT rates charged in respect of the charter of third party vessel. Despite the increase in average DCR, we recorded a decrease in GP margin for the chartering revenue of third party vessels from 17.2% in FYE 2020 to 16.3% in FYE 2021 due to the increase in average DCR rates charged by third party owners to our Group, resulting in reduction in third party vessels' chartering GP Margin.

Own vessels – LS1, LS2, Falcon

Own vessels' GP increased to RM23.3 million in FYE 2021 from RM9.7 million in FYE 2020 due to the addition of LS2 and Falcon, which were commenced operations during FYE 2021. GP margin for own vessels decreased to 45.7% in FYE 2021 from 50.2% in FYE 2020 mainly due to the higher average number of off-hire days of 127 days in FYE 2021 as compared to 95 days in FYE 2020. The higher average number of off-hire days was in line with the decline in the AWB chartering market in Malaysia due to operational disruptions resulting from COVID-19. In addition, the decrease in GP margin for own vessels was due to the addition of LS2 and Falcon, being the first year of operations where time and costs were required to prepare the vessels for operations such as sea trials to obtain the relevant certificates prior to chartering for the first time in Malaysia. Meanwhile, GP margin for catering for own vessels decreased to 45.3% in FYE 2021 from 48.4% in FYE 2020 due to the increase in food and beverage provisions cost.

Third party vessels

The GP for third party vessels increased to RM19.3 million in FYE 2021 from RM11.2 million in FYE 2020 due to the increase in the number of chartered days for third party vessels in FYE 2021, which included vessels which we bareboat charter. The GP margin for third party vessels increased to 21.7% in FYE 2021 as compared to 20.0% in FYE 2020 as we managed to secure better average DCRs from RM64,800 in FYE 2020 to RM65,000 in FYE 2021, increase in catering rates and higher VSAT rates charged in respect of the charter of third party vessels. Despite the increase in average DCR, we recorded a decrease in GP margin for the chartering revenue of third party vessels from 17.2% in FYE 2020 to 16.3% in FYE 2021 due to the increase in average DCR rates charged by third party owners to our Group, resulting in reduction in third party vessels' chartering GP Margin.

(b) Comparison between FYE 2021 and FYE 2022

Cost of sales

In FYE 2022, we incurred total cost of sales of RM146.6 million as compared to cost of sales of RM97.2 million in FYE 2021.

Own vessels – LS1, LS2, Falcon, Kindness, Grace, Compassion and Commander

Cost of sales for own vessels in FYE 2022 was contributed by 4 additional own vessels, namely Kindness, Grace, Compassion and Commander, whereas cost of sales in FYE 2021 was contributed by LS1, LS2 and Falcon only. Resulting from this, cost of sales for own vessels increased to RM85.9 million in FYE 2022 from RM27.8 million in FYE 2021.

There was an increase of RM27.3 million in the cost of sales for own vessels in FYE 2022 which was attributable to vessel operation and maintenance cost.

Vessel operation and maintenance cost increased by RM27.3 million (from RM6.6 million to RM33.9 million) due to increase in costs for off-hire period such as marine gas oil and berthing fees by RM1.5 million, higher project equipment rental by RM3.4 million due to higher number of chartered days, additional mobilisation costs by RM4.3 million to prepare the vessels for operations such as replacement parts and sea trials to obtain the relevant certificates required before we charter our vessels as well as higher annual repairs and maintenance cost by RM18.1 million for our expanded fleet, including full year costs for LS2 and Falcon (as FYE 2022 is the first year where LS2 and Falcon operated for a full financial year), higher repairs and maintenance cost for LS1 which is 5 years old and for Commander which is 14 years old as of FYE 2022.

Catering costs increased by RM3.8 million to RM7.9 million in FYE 2022 in tandem with the increase in catering revenue earned by our own vessels.

Third party vessels

Cost of sales for third party vessels decreased by RM8.6 million or 12.4% to RM60.8 million in FYE 2022 from RM69.4 million in FYE 2021. The decrease in cost of sales was mainly due to:

(i) Reduction in vessel operation, maintenance and crew costs for third party vessels in FYE 2022 compared to FYE 2021. In FYE 2021, our Group had bareboat chartered Grace, Compassion and Commander since August 2021. Subsequently, we acquired these three vessels in February 2022 and their costs are accordingly classified under own vessels' cost of sales;

(ii) Reduction in third party chartering fee despite an increase in number of chartered days for third party vessels in FYE 2022, as the third party vessels chartered during FYE 2022 consist of a larger proportion of third party AHTS and PSV, which has a lower DCR as compared to AWBs. The increased in number of chartered days in FYE 2022 was mainly contributed by Helms 1, which is a PSV (with geotechnical capabilities). We had bareboat chartered Helms 1 for the entire year and chartered it to our customer for the entire year without incurring any off-hire costs thereby improving our GP margins; and

(iii) Recognition of the bareboat charters of Helms 1 and Daya Indah Satu as right-of-use assets, whereby their depreciation contributes to the cost of sales.

GP and GP margin

In FYE 2022, our Group's total GP increased by RM47.0 million or 110.3% to RM89.6 million from RM42.6 million in FYE 2021. The increase in total GP was mainly contributed by own vessels which increased to RM64.7 million in FYE 2022 from RM23.3 million in FYE 2021. Meanwhile, GP for third party vessels increased to RM24.9 million in FYE 2022 as compared to RM19.3 million in FYE 2021.

In FYE 2022, our Group's overall GP margin increased to 37.9% from 30.5% in FYE 2021. The GP margin for own vessels decreased to 43.0% from 45.7% mainly due to the increase in vessel operation and maintenance costs. There was an increase in GP margin for third party vessels to 29.1% from 21.7% mainly due to a higher proportion of GP being contributed by third party vessels which were bareboat chartered in FYE 2022. This was mainly contributed by the charter of Helms 1. We had bareboat chartered Helms 1 for the entire year and chartered it to our customer for the entire year without incurring any off-hire costs thereby improving our GP margins.

<u>Own vessels – LS1, LS2, Falcon, Kindness, Grace, Compassion and Commander</u>

Own vessels' GP increased to RM64.7 million in FYE 2022 from RM23.3 million in FYE 2021 due to the addition of Kindness, Grace, Compassion and Commander which commenced operations during FYE 2022. Meanwhile GP margin for own vessels decreased to 43.0% in FYE 2022 from 45.7% in FYE 2021 mainly due to higher vessel operation and maintenance cost in FYE 2022.

Vessel operation and maintenance cost increased by RM27.3 million (from RM6.6 million to RM33.9 million) due to increase in costs for off-hire period such as marine gas oil and berthing fees by RM1.5 million, higher project equipment by RM3.4 million, additional mobilisation costs by RM4.3 million to prepare the vessels for operations such as replacement parts and sea trials to obtain the relevant certificates required before we charter our vessels as well as higher annual repairs and maintenance cost for our expanded fleet by RM18.1 million including full year costs for LS2 and Falcon, higher repairs and maintenance cost for LS1 which is 5 years old and for Commander which is 14 years old as of FYE 2022. We incur annual repairs and maintenance cost for each of our own vessels and vessels which we bareboat charter.

Meanwhile, GP margin for catering for own vessels increased to 59.7% in FYE 2021 from 45.3% in FYE 2021 due to higher catering rates secured.

<u>Third party vessels</u>

Third party vessels GP increased to RM24.9 million from RM19.3 million with the increase in number of chartered days for third party vessels. Meanwhile, GP margin increased to 29.1% in FYE 2022 as compared to 21.7% in FYE 2021 mainly due to a higher proportion of GP being contributed by third party vessels which were bareboat chartered in FYE 2022. This was mainly contributed by the charter of Helms 1. We had bareboat chartered Helms 1 for the entire year and chartered it to our customer for the entire year without incurring any off-hire costs thereby improving our GP margins. The GP and GP margin for Helms 1 for FYE 2022 was RM6.8 million and 42.7%, respectively.

[The rest of this page is intentionally left blank]

11.2.3.3 Other income

	Audited					
	FYE 2020		**FYE 2021**		**FYE 2022**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Gain on foreign exchange:						
- Realised	2,450	52.5	329	18.3	320	3.5
- Unrealised	236	5.1	39	2.2	-	-
Interest income	60	1.3	118	6.6	107	1.2
Fair value adjustment on Keyfield CRNCPS	-	-	-	-	7,282	80.9
Lease income	79	1.7	-	-	16	0.2
Gain on disposal:						
- Property, plant and equipment	-	-	3	0.2	-	-
- Investment property	91	1.9	-	-	-	-
Falcon charter income	1,747	37.5	1,155	64.3	-	-
Insurance claims	-	-	-	-	603	6.7
Gain on lease modification	-	-	-	-	177	2.0
Dividend income from Naka Bayu	-	-	-	-	98	1.1
Miscellaneous	-	-	152	8.4	397	4.4
	4,663	**100.0**	**1,796**	**100.0**	**9,000**	**100.0**

Comparison between FYE 2020 and FYE 2021

Other income for FYE 2021 was RM1.8 million as compared to other income for FYE 2020 of RM4.7 million. In FYE 2020 and FYE 2021, we received other income of RM1.7 million and RM1.2 million respectively from the chartering of Falcon prior to her delivery to our Group. Under the terms of the memorandum of agreement for the acquisition of Falcon, all charter income for the period from 2 October 2020 to the date of its delivery to our Group will accrue to Keyfield Offshore. Falcon was delivered to our Group in February 2021. As Falcon did not belong to our Group at this period of time, such charter income is recognised as other income and not as revenue.

In FYE 2021, gain on foreign exchange amounting to RM0.4 million arose from the foreign exchange translation gain on trade receivables which were denominated in USD, resulting from the appreciation of USD against RM. Meanwhile, in FYE 2020, gain on foreign exchange amounting to RM2.7 million arose resulting from the appreciation of RM against USD from the following:

(i) RM2.1 million from the capitalisation of advances amounting to total of USD8.6 million from WCL and Lavin Group (which were denominated in USD) and were capitalised into our Shares (denominated in RM) and repayment of the balance USD7.8 million (equivalent to RM31.6 million) to Lavin Group in December 2020; and

(ii) RM0.6 million arising from the re-translation of an amount due by Keyfield Offshore into RM by Keyfield Marine Limited, whose financial statements were denominated in USD.

Comparison between FYE 2021 and FYE 2022

Other income for FYE 2022 was RM9.0 million as compared to other income for FYE 2021 of RM1.8 million. In FYE 2022, other income consisted mainly of the following:

(i) RM7.3 million arising from fair value adjustment on Keyfield CRNCPS in accordance with MFRS 9. In February 2022, we had issued a total of 570,000,000 Keyfield CRNCPS for the total nominal value of RM142.5 million, for the following:

(a) 260,000,000 Keyfield CRNCPS at the nominal value of RM65.0 million for the acquisition of Grace by Keyfield Serenity;

(b) 50,000,000 Keyfield CRNCPS at the nominal value of RM12.5 million for the acquisition of Keyfield Resolute by Keyfield; and

(c) 260,000,000 Keyfield CRNCPS at the nominal value of RM65.0 million to assume the debt previously owed by Keyfield Resolute to Lavin Group.

The above fair value adjustment arose due to the 3-year tenure of the CRNCPS being discounted to present value at the market rate of 4.9% for comparable market instruments. Such fair value adjustment will be amortised monthly as other expenses of the Group over the 3-year tenure of the Keyfield CRNCPS;

(ii) RM0.6 million arising from approved insurance claims from our claims made to our insurer for crew-related expenses incurred by us resulting from COVID-19; and

(iii) RM0.3 million arising from foreign exchange translation gain on trade receivables which were denominated in USD, resulting from the appreciation of USD against RM.

11.2.3.4 Administrative expenses

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
Staff costs	3,234	65.6	5,042	62.7	9,246	64.0
Professional fees	498	10.1	283	3.5	495	3.4
Insurance	458	9.3	1,933	24.1	2,977	20.6
Lease and utility expenses	115	2.3	107	1.3	114	0.8
Donation and sponsorship	81	1.6	72	0.9	70	0.5
Stamp duty	77	1.6	41	0.5	162	1.1
Miscellaneous*	469	9.5	559	7.0	1,383	9.6
	4,932	**100.0**	**8,037**	**100.0**	**14,447**	**100.0**

Note:

* Mainly comprising upkeep of office, travelling expenses and bank charges.

Comparison between FYE 2020 and FYE 2021

Our Group's administrative expenses increased by RM3.1 million or 63.3% to RM8.0 million in FYE 2021 from RM4.9 million in FYE 2020. The increase was mainly contributed by the increase in staff costs by RM1.8 million due to the increased head count and salary levels to support the growing operations of our Group, as well as increase in insurance costs by RM1.5 million to cover 3 own vessels namely LS1, LS2 and Falcon in FYE 2021, as compared to only LS1 in FYE 2020.

Comparison between FYE 2021 and FYE 2022

Our Group's administrative expenses increased by RM6.4 million or 80.0% to RM14.4 million in FYE 2022 from RM8.0 million in FYE 2021. The increase was mainly contributed by the increase in staff costs by RM4.2 million due to the increased head count and salary levels to support the growing operations of our Group, as well as increase in insurance costs by RM1.0 million to cover 7 own vessels namely LS1, LS2, Falcon, Kindness, Grace, Compassion and Commander in FYE 2022 as compared to only 3 own vessels in FYE 2021.

11.2.3.5 Other expenses and impairment losses on financial assets

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
Other expenses						
Depreciation on other assets (such as vessel and office equipment)[(1)]	145	8.9	433	5.7	1,854	17.1
Loss on foreign exchange:						
- Realised	*	*	264	3.5	1,161	10.7
- Unrealised	696	42.6	115	1.5	-	-
IPO expenses	678	41.4	1,112	14.6	1,284	11.8
Accretion of interest on CRNCPS	-	-	-	-	2,260	20.8
Others	100	6.1	-	-	-	-
	1,619	**99.0**	**1,924**	**25.3**	**6,559**	**60.4**
Impairment losses on financial assets						
Impairment losses on financial assets	17	1.0	5,677	74.7	4,307	39.6
	17	**1.0**	**5,677**	**74.7**	**4,307**	**39.6**
	1,636	**100.0**	**7,601**	**100.0**	**10,866**	**100.0**

Notes:

* Negligible.

(1) Vessel equipment which can be detached from or are not fixed to the vessels.

Comparison between FYE 2020 and FYE 2021

Our Group's other expenses increased by RM0.3 million or 18.8% to RM1.9 million in FYE 2021 from RM1.6 million in FYE 2020. The increase was mainly contributed by the following:

(i) IPO expenses of RM1.1 million expensed off in FYE 2021, compared with RM0.7 million in FYE 2020; and

(ii) Depreciation on other assets of RM0.4 million in FYE 2021, compared with RM0.1 million in FYE 2020, resulting from our Group's expansion.

The increase was offset by a decrease in losses on foreign exchange by RM0.3 million in FYE 2021.

We recorded impairment losses on financial assets of RM5.7 million in FYE 2021 following occurrences of material non-recoverability of trade and other receivables from ZESSB (RM0.5 million), Shapadu Energy Services Sdn Bhd (RM0.8 million) and Sapura Pinewell (RM4.3 million). Further details are disclosed in Section 11.2.2(x) above.

Comparison between FYE 2021 and FYE 2022

Our Group's other expenses increased by RM4.7 million or 247.4% to RM6.6 million in FYE 2022 from RM1.9 million in FYE 2021. The increase was mainly contributed by the following:

(i) Accretion of interest on Keyfield CRNCPS for the period March to December 2022 amounting to RM2.3 million. The entire fair value adjustment of RM7.3 million had earlier been recognised as other income, as disclosed in Section 11.2.3.3 above;

(ii) IPO expenses of RM1.3 million expensed off in FYE 2022, compared with RM1.1 million in FYE 2021;

(iii) Depreciation on other assets of RM1.9 million in FYE 2022, compared with RM0.4 million in FYE 2021, resulting from our Group's expansion; and

(iv) Increase in losses on foreign exchange by RM0.9 million in FYE 2022.

We recorded impairment losses on financial assets of RM4.3 million in FYE 2022 following occurrences of material non-recoverability of trade from Sapura Pinewell (RM4.3 million). Further details are disclosed in Section 11.2.2(x) above.

11.2.3.6 Finance costs

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Short-term borrowing expenses	144	10.6	279	7.4	477	5.4
Long-term borrowing expenses	1,214	89.4	3,273	88.0	3,460	39.7
Lease liabilities	-	-	171	4.6	529	6.1
CRNCPS	-	-	-	-	4,256	48.8
	1,358	**100.0**	**3,723**	**100.0**	**8,722**	**100.0**

Our finance costs comprise the following:

(i) Interest expenses on short-term borrowings from local financial institutions such as revolving credits and invoice financing. Our invoice financing facilities provides us with the flexibility where:

(a) The financial institution will pay 100% of our trade suppliers' invoices directly to such suppliers. Thereafter, we will repay the amount financed by the financial institution after a set period of time, i.e. within 4 months of the amount being financed; and

(b) The financial institution will make available cash and bank balances to us, being 80% of the invoiced value of our revenue invoices which we have yet to collect from our trade receivables. Thereafter, we will repay the amount financed by the financial institution after a set period of time, i.e. within 3 to 6 months of the amount being financed;

(ii) Interest expenses on long-term borrowings such as vessel financing and property financing from local financial institutions as well as vessel financing from Positive Boom Limited and shareholder's loan from Maltiquest.

We had obtained a loan from Positive Boom Limited in FYE 2021 to partially finance the acquisition of Falcon. Both Keyfield, the 90% holding company and Maltiquest, the 10% non-controlling shareholder had collectively provided a proportionate shareholders' loan to Keyfield Endeavour in FYE 2021;

(iii) Finance costs on Keyfield Endeavour CRCPS amounting to 2% per annum on the nominal value of outstanding Keyfield Endeavour CRCPS issued to Maltiquest, which is RM2.5 million as at LPD since its issuance;

(iv) Finance costs on Keyfield CRNCPS amounting to 3% per annum on the nominal value of outstanding Keyfield CRNCPS, which is RM142.5 million as at LPD since its issuance;

(v) Finance costs on Keyfield Offshore CRNCPS amounting to 5% per annum on the nominal value of outstanding Keyfield Offshore CRCNPS. As at LPD, all RM15.6 million nominal value of Keyfield Offshore CRNCPS have been fully redeemed; and

(vi) Finance costs on lease liabilities of the Group, which arose from the following:

(a) Lease liabilities for motor vehicles of the Group which are financed via hire purchase arrangements;

(b) Lease liabilities for Helms 1 (prior to its acquisition by our Group) and Daya Indah Satu which are bareboat chartered by us for a period exceeding 1 year, and therefore accounted for as right-of-use assets in accordance with MFRS 16; and

(c) Lease liabilities for our office premises which we rent for a period exceeding 1 year, and therefore accounted for as right-of-use assets in accordance with MFRS 16.

Comparison between FYE 2020 and FYE 2021

For FYE 2021, our finance cost increased by RM2.3 million or 164.3% to RM3.7 million (FYE 2020: RM1.4 million) mainly due to the following:

(i) Increase in short-term borrowing expenses by RM0.1 million as we had drawndown on our revolving credit and invoice financing facilities to finance our working capital;

(ii) Increase in long-term borrowing expenses by RM2.1 million as we had drawndown on vessel financing from a local financial institution in December 2020 and a third party, Positive Boom Limited, in January 2021 to partially finance the acquisitions of LS2 and Falcon respectively; and

(iii) Increase in finance cost for lease liabilities by RM0.2 million arising from the right-of-use asset of Helms 1 which we had bareboat chartered from August 2021 onwards.

Comparison between FYE 2021 and FYE 2022

For FYE 2022, our finance cost increased by RM5.0 million or 135.1% to RM8.7 million (FYE 2021: RM3.7 million) mainly due to the following:

(i) Increase in short-term borrowing expenses by RM0.2 million as we had further drawndown on our revolving credit and invoice financing facilities to finance our working capital;

(ii) Increase in long-term borrowing expenses by RM0.2 million as we had drawndown on additional vessel financing from a local financial institution in July 2022 to partially finance the acquisition of Kindness;

(iii) Increase in finance cost for Keyfield CRNCPS by RM4.3 million as Keyfield had issued RM142.5 million nominal value CRNCPS in February 2022 to finance the acquisitions of Grace and Keyfield Resolute, and also to settle the amount owing by Keyfield Resolute to Lavin Group; and

(iv) Increase in finance cost for lease liabilities by RM0.4 million arising from the right-of-use asset of Helms 1 and Daya Indah Satu which we had bareboat chartered from August 2021 and November 2022 onwards respectively.

11.2.3.7 Income tax expense, PBT and PAT

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
PBT (RM'000)	17,533	25,025	65,011
Income tax expense (RM'000)	(4,017)	(7,018)	(15,160)
PAT (RM'000)	**13,516**	**18,007**	**49,851**
PBT margin (%)[1]	23.3	17.9	27.5
PAT margin (%)[1]	18.0	12.9	21.1
Effective tax rate (%)[2]	22.9	28.0	23.3
Statutory tax rate for Malaysian-incorporated companies (%)	24.0	24.0	24.0

Notes:

(1) PBT and PAT margins are computed based on our PBT and PAT over revenue, respectively.

(2) Effective tax rate is computed by dividing the total income tax expense over PBT of our Group for the relevant financial year.

Comparison between FYE 2020 and FYE 2021

In FYE 2021, our Group's total PBT was RM25.0 million and PBT margin was 17.9%. The total PBT for FYE 2021 was higher than total PBT of RM17.5 million in FYE 2020, while PBT margin for FYE 2021 was lower than FYE 2020. Such lower PBT margin in FYE 2021, despite the higher GP margin in FYE 2021 was due mainly to the impairment losses on financial assets in FYE 2021 amounting to RM5.7 million, as disclosed in Section 11.2.2(x) above, while our Group also recorded higher other income in FYE 2020 as disclosed in Section 11.2.3.3 above which increased FYE 2020's PBT margin.

The effective tax rate was higher than the statutory tax rate due to certain expenses not being deductible for taxation purposes such as IPO expenses of RM1.1 million. A reconciliation of the income tax expense to the statutory tax rate is disclosed in Note 25 of the Accountants' Report in Section 12.

Our income tax expense of RM7.0 million comprise the following:

(i) Provision for income tax of RM0.1 million in respect of interest income for the year; and

(ii) Provision for deferred tax of RM6.9 million as a result of capital allowances for the year being higher than depreciation charge for our own vessels.

Resulting from the above, we recorded a PAT of RM18.0 million and a PAT margin of 12.9% for FYE 2021.

Comparison between FYE 2021 and FYE 2022

In FYE 2022, our Group's total PBT was RM65.0 million and PBT margin was 27.5%. The total PBT for FYE 2022 was higher than total PBT of RM25.0 million in FYE 2021, while PBT margin for FYE 2022 was higher than FYE 2021. The higher PBT margin in FYE 2022 was due to a higher GP margin as disclosed in Section 11.2.3.2 and higher other income as disclosed in Section 11.2.3.3, offset by the higher other expenses as disclosed in Section 11.2.3.5 and impairment losses on financial assets as disclosed in Section 11.2.2(x) above.

The effective tax rate was lower than the statutory tax rate due to certain other income not being taxable such as fair value adjustment on Keyfield CRNCPS of RM7.3 million and overprovision of deferred tax in previous financial year. A reconciliation of the income tax expense to the statutory tax rate is disclosed in Note 25 of the Accountants' Report in Section 12.

Our income tax expense of RM15.2 million comprise the following:

(i) Provision for income tax of RM0.4 million in respect of interest income for the year and underprovision in the previous financial year; and

(ii) Provision for deferred tax of RM14.8 million as a result of capital allowances for the year being higher than depreciation charge for our own vessels.

Resulting from the above, we recorded a PAT of RM49.9 million and a PAT margin of 21.1% for FYE 2022.

11.2.3.8 Review of financial position

(i) Assets

	Audited		
	As at 31 December		
	2020	2021	2022
	RM'000	RM'000	RM'000
ASSETS			
Non-current assets			
Investment in an associate	250	254	229
Property, plant and equipment	160,476	232,971	368,567
Investment property	-	-	1,555
Right-of-use assets	265	14,261	19,068
Other investments	-	-	218
Total non-current assets	**160,991**	**247,486**	**389,637**
Current assets			
Inventories	480	1,701	2,141
Trade receivables	22,660	64,889	88,008
Other receivables, deposits and prepayments	12,339	2,528	735
Current tax assets	580	150	72
Fixed deposits with licensed banks	2,711	6,179	6,240
Cash and bank balances	20,176	14,656	17,024
Total current assets	**58,946**	**90,103**	**114,220**
TOTAL ASSETS	**219,937**	**337,589**	**503,857**

Comparison between 31 December 2020 and 31 December 2021

Non-current assets

We recorded an increase of RM86.5 million or 53.7% to RM247.5 million for our non-current assets as at 31 December 2021 (31 December 2020: RM161.0 million) mainly due to the following:

(i) Increase in our property, plant and equipment by RM72.5 million resulting from the acquisitions of our Group's own vessels, Falcon and Kindness, vessel and office equipment at the total cost of RM81.3 million in FYE 2021, offset by depreciation of RM8.8 million for our property, plant and equipment; and

(ii) Increase in right-of-use assets by RM14.0 million arising from the bareboat charter of Helms 1 for a period exceeding 1 year.

Current assets

We recorded an increase of RM31.2 million or 53.0% to RM90.1 million for our current assets as at 31 December 2021 (31 December 2020: RM58.9 million) mainly due to the following:

(i) Increase in trade receivables by RM42.2 million which corresponds with the higher revenue in FYE 2021 as compared to FYE 2020. This was further contributed by a higher proportion of revenue earned in second half of FYE 2021 as compared to the first half; and

(ii) Increase in fixed deposits with licensed banks by RM3.5 million, which was used as security for our vessel financing.

The increase was mainly offset by the following:

(i) Decrease in our cash and cash balances by RM5.5 million. Please refer to Section 11.3.2 below for further analysis of the cash flows; and

(ii) Decrease in our other receivables by RM9.8 million resulting mainly from:

(a) The reclassification of the deposits of RM8.1 million paid for the acquisition of Falcon to property, plant and equipment as this acquisition has since been completed as Falcon was delivered to our Group in February 2021; and

(b) Reduction in advances provided to suppliers by RM2.1 million. We no longer provide any such advances as at end of FYE 2021.

Comparison between 31 December 2021 and 31 December 2022

Non-current assets

We recorded an increase of RM142.1 million or 57.4% to RM389.6 million for our non-current assets as at 31 December 2022 (31 December 2021: RM247.5 million) mainly due to the following:

(i) Increase in our property, plant and equipment by RM135.6 million resulting from the acquisitions of our Group's own vessels, Grace, Compassion and Commander, dry docking, vessel and office equipment amounting to RM156.3 million in FYE 2022, offset by depreciation of RM18.9 million for our property, plant and equipment and transfer of completed investment property of RM1.6 million;

(ii) Net increase in right-of-use assets by RM4.8 million arising from the bareboat charter of Daya Indah Satu for a period exceeding 1 year, offset by depreciation charges for right-of-use assets during FYE 2022;

(iii) Transfer of completed investment property of RM1.6 million from property, plant and equipment; and

(iv) Increase in other investments of RM0.2 million for a golf club membership.

Current assets

We recorded an increase of RM24.1 million or 26.7% to RM114.2 million for our current assets as at 31 December 2022 (31 December 2021: RM90.1 million) mainly due to the following:

(i) Increase in trade receivables by RM23.1 million, which corresponds to the higher revenue in FYE 2022 as compared to FYE 2021; and

(ii) Increase in our cash and cash balances by RM2.3 million. Please refer to Section 11.3.2 below for further analysis of the cash flows.

The increase was mainly offset by the decrease in other receivables by RM1.8 million whereby prepayments made for the dry docking of LS1 have been reclassified to property, plant and equipment in January 2022.

(ii) Liabilities

	Audited		
	As at 31 December		
	2020	2021	2022
	RM'000	RM'000	RM'000
LIABILITIES			
Non-current liabilities			
CRNCPS	-	15,563	136,778
Lease liabilities	88	8,802	8,040
Other payables	-	8,206	2,000
Borrowings	42,367	49,663	27,461
Deferred tax liabilities	7,954	14,836	29,634
Total non-current liabilities	**50,409**	**97,070**	**203,913**
Current liabilities			
Trade payables	13,638	33,923	33,719
Other payables and accruals	10,151	12,907	7,338
CRNCPS	-	-	3,563
Lease liabilities	42	5,405	10,897
Borrowings	21,949	43,486	51,877
Current tax liabilities	16	116	213
Total current liabilities	**45,796**	**95,837**	**107,607**
TOTAL LIABILITIES	**96,205**	**192,907**	**311,520**

Comparison between 31 December 2020 and 31 December 2021

Non-current liabilities

We recorded an increase of RM46.7 million or 92.7% to RM97.1 million for our non-current liabilities as at 31 December 2021 (31 December 2020: RM50.4 million) mainly due to the following:

(i) Increase in Keyfield Offshore CRNCPS by RM15.6 million, which was issued to finance the acquisition of Kindness;

(ii) Increase in non-current portion of lease liabilities by RM8.7 million, resulting from the bareboat charter of Helms 1 for a period exceeding 1 year being accounted for as a right-of-use asset;

(iii) Increase in non-current portion of other payables by RM8.2 million, which was due to shareholder's loan from Maltiquest to Keyfield Endeavour of RM3.0 million and a third party advance from Full Smart International Enterprises Limited* of RM5.2 million;

Note:

* Additional information on the advances from Full Smart International Enterprises Limited is set out in Section 6.16(xxi).

(iv) Increase in non-current portion of term loans by RM7.3 million, due to the drawdown of term loan from a third party, Positive Boom Limited to partially finance the acquisition of Falcon, offset by the repayment of term loans for LS1, LS2 and Falcon during the financial year; and

(v) Increase in deferred tax liabilities by RM6.8 million, due to the provision of deferred tax for FYE 2021 to account for the timing differences between accounting profit before tax and adjusted taxable profit as a result of capital allowances claimed for FYE 2021 being higher than depreciation charged for our own vessels.

Current liabilities

We recorded an increase of RM50.0 million or 109.2% to RM95.8 million for our current liabilities as at 31 December 2021 (31 December 2020: RM45.8 million) mainly due to the following:

(i) Increase in trade payables by RM20.3 million, which corresponds to the higher cost of sales in FYE 2021 as we had made more purchases from suppliers with credit terms to support our Group's increased operations, and such trade payables were yet to be paid as at end of FYE 2021 due to the timing of such purchases, and were subsequent paid in FYE 2022;

(ii) Increase in current portion of other payables and accruals by RM2.7 million, mainly due to the following:

(a) Increase of RM2.2 million from deposits received from customers for Chartering Contracts. These were subsequently recognised as revenue in FYE 2022;

(b) Increase of RM2.4 million for accruals mainly for crew costs, which was subsequent paid in January 2022; and

(c) Increase of RM0.5 million for other payables consisting of non-trade payables such as IPO expenses.

The increase in current portion of other payables and accruals was mainly offset by the following:

(a) Decrease in amount owing to Lavin Group by RM0.8 million due to repayment of the previous year's shareholder's advance of RM5.0 million and a separate shareholder's advance of RM4.2 million in FYE 2021, details which are disclosed in Section 9.1; and

(b) Repayment of advances of RM1.5 million to WCL.

(iii) Increase in current portion of lease liabilities by RM5.4 million, resulting from the bareboat charter of Helms 1 for a period exceeding 1 year being accounted for as a right-of-use asset; and

(iv) Increase in current portion of borrowings by RM21.6 million, contributed by current portion of vessel financing, which now includes vessel financing for Falcon (new during the financial year) in addition to current portion of vessel financing for LS1 and LS2 from previous financial year, and short-term borrowings such as revolving credits and invoice financing to finance our working capital.

Comparison between 31 December 2021 and 31 December 2022

Non-current liabilities

We recorded an increase of RM106.8 million or 110.0% to RM203.9 million for our non-current liabilities as at 31 December 2022 (31 December 2021: RM97.1 million) mainly due to the following:

(i) Increase in Keyfield CRNCPS of RM136.8 million, which represents the fair value of such instrument as at 31 December 2022 in respect of the nominal value of RM142.5 million Keyfield CRNCPS issued for the acquisition of Grace, Keyfield Resolute and to settle Keyfield Resolute's amount owing to Lavin Group. This was offset by the full redemption in FYE 2022 of the RM15.6 million Keyfield Offshore CRNCPS issued in FYE 2021; and

(ii) Increase in deferred tax liabilities by RM14.8 million, due to the provision of deferred tax for FYE 2022 to account for the timing differences between accounting profit before tax and adjusted taxable profit as a result of capital allowances claimed for FYE 2022 being higher than depreciation charged for our own vessels.

The increase was mainly offset by the following:

(i) Decrease in non-current portion of other payables by RM6.2 million as we had repaid the third party advance of RM5.2 million to Full Smart International Enterprises Limited in full and partial repayment of RM1.0 million to Maltiquest; and

(ii) Decrease in non-current portion of borrowings by RM22.2 million due to the repayment of term loans for LS1, LS2 and Falcon during the financial year.

Current liabilities

We recorded an increase of RM11.8 million or 12.3% to RM107.6 million for our current liabilities as at 31 December 2022 (31 December 2021: RM95.8 million) mainly due to the following:

(i) Decrease in current portion of other payables and accruals by RM5.6 million, resulting from the repayment of shareholder's advance of RM4.2 million to Lavin Group and lower deposits received from our customers by RM1.5 million;

(ii) Increase in Keyfield CRNCPS by RM3.6 million, being the Keyfield CRNCPS dividend accrued for FYE 2022;

(iii) Increase in current portion of lease liabilities by RM5.5 million, resulting from the additional bareboat charter of Daya Indah Satu for a period exceeding 1 year being accounted for as a right-of-use asset in FYE 2022; and

(iv) Increase in current portion of borrowings by RM8.4 million, due to the drawdown of short-term borrowings such as revolving credits and invoice financing to finance our working capital.

11.2.4 Recent developments

Save as disclosed below, there are no significant events subsequent to our Group's audited consolidated financial statements for FYE 2022:

(i) On 17 March 2023, the Sheriff of the High Court of Malaya executed a Bill of Sale to transfer the ownership of Lestari to Keyfield Offshore, for a total purchase consideration of RM24.4 million;

(ii) On 7 April 2023, Keyfield Offshore entered into a memorandum of agreement with Azulite Bloom Sdn Bhd for the acquisition of Blooming Wisdom for a purchase consideration of RM94.9 million;

(iii) On 7 April 2023, Keyfield Offshore entered into a memorandum of agreement with Sea Steel Sdn Bhd for the acquisition of Helms 1 for a purchase consideration of RM50.5 million;

(iv) On 17 May 2023, Keyfield Offshore entered into a bareboat charter agreement with Sea Steel Sdn Bhd for the bareboat charter Daya Ceria for a period of 1 year from 18 July 2023 to 17 July 2024, with an extension of 1 year at our Group's option; and

(v) We paid dividends amounting to RM5.0 million for ordinary shares subsequent to 31 December 2022 in respect of FYE 2022 and RM4.3 million dividends in respect of the Keyfield CRNCPS consisting of the RM3.6 million in respect for FYE 2022 and RM0.7 million which is in respect of FYE 2023 as set out in Section 11.13.

11.3 LIQUIDITY AND CAPITAL RESOURCES

11.3.1 Working capital

We have been financing our operations and the acquisitions of our own vessels through existing cash and bank balances generated from our operations and equity share capital contributed by our shareholders as well as external sources of funds such as long and short-term borrowings, shareholders' and third party advances, lease liabilities and issuance of CRNCPS, the details of which are disclosed in Sections 11.4 and 11.5 below.

As at 31 December 2022, we have:

(i) Cash and bank balances of RM17.0 million;

(ii) Fixed deposits with licensed banks of RM6.2 million, consisting of pledged fixed deposits of RM2.4 million and restricted for use fixed deposits of RM3.8 million, which were placed to secure bank borrowings; and

(iii) Short-term bank borrowing facilities up to a limit of RM27.2 million, of which RM7.3 million have not been utilised.

The interest rate of our short-term bank borrowing facilities is based on prevailing market rates and further disclosed in Section 11.4 below. The principal use of the abovementioned funds is for our Group's business growth and operations and for working capital purposes.

The decision to utilise either internally generated funds or short-term bank borrowings for our business operations and working capital depends on, amongst others, our cash and bank balances, expected timing of cash inflows and outflows, future working capital requirements, future capital expenditure requirements and the interest rate on such borrowings.

Based on the Pro Forma Consolidated Statements of Financial Position of our Group as at 31 December 2022 (after the Subsequent Events but before the Public Issue), our NA position stood at RM[•] million and our gearing level is [•] times. Our NA position and gearing level (after the Subsequent Events, Public Issue and utilisation of IPO proceeds) are RM[•] million and [•] times respectively.

As at the LPD, we have:

(i) Cash and bank balances of RM15.6 million;

(ii) Fixed deposits with licensed banks of RM6.2 million, consisting of pledged fixed deposits of RM2.4 million and restricted for use fixed deposits of RM3.8 million, which were placed to secure bank borrowings, and

(iii) Short-term bank borrowing facilities up to a limit of RM37.2 million, of which RM1.3 million have not been utilised.

In addition to the above, our Board has further taken into consideration that upon Listing, the pro forma gearing of our Group is expected to be [•] times, after the Public Issue and utilisation of proceeds, which includes the repayment for vessel financing amounting to RM[•] million via proceeds from the Public Issue. In addition, our Group's current ratio will improve to [•] times after the Public Issue and utilisation of proceeds. We will further raise RM[•] million via the Public Issue for working capital purpose.

After taking into consideration of the above as well as the Group's foreseeable capital expenditure including dry-docking costs for Grace, Compassion and Lestari, repair and maintenance costs for our own vessels and which we bareboat charter as well as financing obligations including bullet and monthly repayments of our loans (amounting to RM6.5 million and RM17.3 million, respectively) as disclosed in Sections 11.4, 11.5 and 11.5.1, we have sufficient working capital for our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus.

Nevertheless, we wish to highlight that the abovementioned view on sufficiency of working capital does not take into consideration of our Group's plans for the acquisition of new vessels as set out in Sections 6.19.1 and 6.19.2. This is in view that the Company has yet to identify any vessel(s) for acquisition and the acquisition of new vessels is expected to be implemented over the next 2 years from our Listing. Our Board is also of the view that we will have sufficient internally generated funds and will be able to secure the required funding (via future debt or equity fundraising exercises) to acquire these new vessels and have sufficient working capital for a period of 12 months from date of Prospectus.

While we have made various impairment losses on certain trade and other receivables as disclosed in Section 11.2.2(x) above, our Group has not encountered any major disputes with our trade receivables. Our finance personnel work together closely with our commercial team for the collection of outstanding trade receivables balances on a monthly basis. This measure has proven to be effective while maintaining a cordial relationship with our customers as we did not encounter any disputes which resulted in any impairment loss in respect of trade receivables.

11.3.2 Review of cash flows

(i) Cash flow summary

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
Net cash from operating activities	11,328	21,606	62,487
Net cash for investing activities	(54,386)	(29,729)	(11,165)
Net cash from/(for) financing activities	59,738	2,630	(48,998)
Net increase/(decrease) in cash and cash equivalents	**16,680**	**(5,493)**	**2,324**
Effects of foreign exchange translation	(1,084)	(27)	44
Cash and cash equivalents at beginning of the financial year	4,580	20,176	14,656
Cash and cash equivalents at end of the financial year	**20,176**	**14,656**	**17,024**

(ii) Commentary of cash flows

FYE 2020

For FYE 2020, our cash and cash equivalents as at end of the year stood at RM20.2 million, which was a net increase of RM15.6 million from FYE 2019, and after accounting for effects of foreign exchange translation of RM1.1 million from Keyfield Marine Limited.

Net cash from operating activities

For FYE 2020, our Group recorded net cash from operating activities of RM11.3 million. The net cash from operating activities were generated from the following:

(a) An operating profit before working capital changes of RM23.5 million for FYE 2020, which were mainly contributed by PBT of RM17.5 million and after adding back non-cash depreciation of RM4.1 million;

(b) Total working capital changes which reduced operating cash by RM10.4 million. This was primarily due to increase in receivables by RM5.6 million and decrease in payables by RM4.3 million; and

(c) Payments for income tax of RM0.4 million and interest of RM1.4 million made during FYE 2020.

Net cash for investing activities

For FYE 2020, our Group recorded net cash for investing activities of RM54.4 million for our investing activities mainly due to the cash portion for the acquisition of LS2 of RM55.3 million, less proceeds of RM2.5 million from the disposal of the Group's previous investment property.

Net cash from financing activities

For FYE 2020, our Group recorded net cash from financing activities of RM59.7 million mainly due to the following:

(a) The drawdown of a new term loan of RM38.3 million to partially refinance the cost of acquisition of LS2, offset by scheduled repayments of term loans during the year of RM9.8 million;

(b) Proceeds of RM10.1 million from issuance of new shares to Lavin Group by Keyfield Offshore;

(c) Advances from Lavin Group of RM25.7 million, of which RM20.5 million has since been capitalised into Keyfield Shares; and

(d) Net drawdown of short-term banking facilities comprising revolving credits amounting to RM6.3 million.

The amount was offset by the following:

(a) Dividends of RM0.5 million paid during the year;

(b) Repayment of RM10.2 million to WCL for previous advances received; and

(c) Repayment of vessel financing term loans of RM9.8 million.

FYE 2021

For FYE 2021, our cash and cash equivalents as at end of the year stood at RM14.7 million, which was a net decrease of RM5.5 million from FYE 2020.

Net cash from operating activities

For FYE 2021, our Group recorded net cash from operating activities of RM21.6 million. The net cash from operating activities were generated from the following:

(a) An operating profit before working capital changes of RM45.2 million for FYE 2021, which were mainly contributed by PBT of RM25.0 million and after adding back non-cash depreciation of RM10.9 million and non-cash impairment losses on trade receivables and bad debts written off totaling RM5.7 million;

(b) Total working capital changes which reduced operating cash by RM20.4 million. This was primarily due to increase in receivables by RM46.1 million offset by increase in payables by RM25.9 million; and

(c) Net refund for income tax of RM0.4 million offset by interest paid of RM3.6 million made during FYE 2021.

Net cash for investing activities

For FYE 2021, our Group recorded net cash for investing activities of RM29.7 million mainly due to the cash portion for the acquisition of Falcon and Kindness of RM26.4 million and increase in restricted for use fixed deposits of RM3.7 million which were placed to secure bank borrowings.

Net cash from financing activities

For FYE 2021, our Group recorded net cash from financing activities of RM2.6 million mainly due to the following:

(a) Net advances from related parties amounting to RM4.5 million, as follows:

(aa) A cash advance of RM6.0 million which was contributed by Maltiquest, the non-controlling shareholder of Keyfield Endeavour, which was used to partially finance the acquisition of Falcon. Out of this amount, RM3.0 million was subsequently capitalised into Keyfield Endeavour ordinary shares and CRCPS; and

(bb) Repayment of RM1.5 million to WCL for previous advances received;

(b) Proceeds of the issuance of Keyfield Offshore CRNCPS to finance the acquisition of Kindness amounting to RM15.6 million;

(c) Advances from a third party, Full Smart International Enterprises Limited amounting to RM5.2 million for working capital; and

(d) Net drawdown of revolving credit facilities of RM2.3 million to finance our working capital.

The amount was offset by the following:

(a) Repayment to Lavin Group amounting to RM5.0 million for previous advances received; and

(b) Repayment of vessel financing term loans and lease liabilities amounting to RM18.1 million and RM2.0 million, respectively.

FYE 2022

For FYE 2022, our cash and cash equivalents as at end of the year stood at RM17.0 million, which was a net increase of RM2.3 million from FYE 2021.

Net cash from operating activities

For FYE 2022, our Group recorded net cash from operating activities of RM62.5 million. The net cash from operating activities were generated from the following:

(a) An operating profit before working capital changes of RM97.5 million for FYE 2022, which were mainly contributed by PBT of RM65.0 million and after:

(aa) Adding back the following non-cash items:
- Depreciation of RM25.4 million;
- Impairment losses on trade receivables of RM4.3 million; and
- Accretion of interest on Keyfield CRNCPS of RM2.3 million;

(bb) Deducting the non-cash fair value gain on Keyfield CRNCPS of RM7.3 million.

(b) Total working capital changes which reduced operating cash by RM30.9 million. This was primarily due to increase in receivables by RM24.2 million and decrease in payables by RM5.2 million; and

(c) Payment for income tax of RM0.2 million and interest paid of RM3.9 million made during FYE 2022.

Net cash for investing activities

For FYE 2022, our Group recorded net cash for investing activities of RM11.2 million mainly due to the additions of property, plant and equipment comprising vessel equipment and dry docking amounting to RM11.8 million. The amount was partially offset by the acquisition of a subsidiary, namely Keyfield Resolute, net of cash and cash equivalents acquired of RM0.4 million and proceeds from disposal of property, plant and equipment of RM0.3 million.

Net cash for financing activities

For FYE 2022, our Group recorded net cash for financing activities of RM49.0 million mainly due to the following:

(a) Dividends paid of RM2.1 million paid during the year;

(b) Repayment to Lavin Group amounting to RM5.0 million for previous advances received;

(c) Full redemption of Keyfield Offshore CRNCPS, which was issued in FYE 2021, amounting to RM15.6 million;

(d) Repayment to Maltiquest, the non-controlling shareholder of Keyfield Endeavour amounting to RM1.0 million for previous advances received;

(e) Repayment to Full Smart International Enterprises Limited amounting to RM5.2 million for previous advances received; and

(f) Repayment of vessel financing term loans and lease liabilities amounting to RM35.2 million and RM6.4 million, respectively.

The amount was offset by the following:

(a) The drawdown of new term loans totally RM10.1 million to partially redeem the Keyfield Offshore CRNCPS; and

(b) Net drawdown of revolving credit facilities of RM11.3 million to finance our working capital.

[The rest of this page is intentionally left blank]

11.4 BORROWINGS AND LEASE LIABILITIES

We have various interest-bearing borrowings and other instruments which can be classified as follows:

(i) Interest-bearing borrowings, comprising short-term borrowings to finance our working capital and long-term borrowings to finance the acquisitions of our own vessels;

(ii) Lease liabilities which comprise the following:

(a) Hire purchase arrangements for our Group's motor vehicle, for which interest is charged by the financial institution; and

(b) Bareboat charter arrangements for Helms 1 and Daya Indah Satu and tenancy agreements for our office for a period exceeding 1 year each. In accordance with MFRS 16, these are accounted for as right-of-use assets and lease liabilities, with the interest rate of such lease liabilities computed in accordance with comparable market rates; and

(iii) Interest-bearing instruments which our Group issued to finance the acquisitions of our own vessels. These include Keyfield Offshore CRNCPS which was issued in FYE 2021 and fully redeemed in FYE 2022, and Keyfield CRNCPS which were issued in FYE 2022 and will be fully redeemed as part of our IPO. Kindly refer to Sections 6.2.8(ii) for additional information on the Keyfield CRNCPS.

In accordance with MFRS 9 and due to the 3-year tenure of Keyfield CRNCPS, its nominal value are discounted to present value at the market rate for comparable market instruments. The fair value gain has been accounted as other income in FYE 2022, with the accretion of interest on CRNCPS to be amortised over the 3-year tenure and charged as our Group's expense, in addition to the 3% dividend per annum.

Our total outstanding borrowings as at FYEs 2020 to 2022 is set out in the table below, all of which are denominated in RM.

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
Long-term portion:			
Borrowings:			
- Term loan I	118	3	-
- Term loan II	1,321	1,562	1,643
- Term loan III	33	27	18
- Term loan IV	11,875	4,375	-
- Term loan V	-	28,213	18,538
- Term loan VI	-	-	4,502
- Term loan VII	-	-	2,760
- Term loan VIII	29,020	15,483	-
Lease liabilities:			
- Hire purchase of motor vehicles	88	25	-
- Bareboat charter arrangements	-	8,667	8,040
- Tenancy agreements	-	110	-

11. FINANCIAL INFORMATION *(Cont'd)*

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
CRNCPS:			
- Keyfield Offshore CRNCPS	-	15,563	-
- Keyfield CRNCPS	-	-	136,778
Other loans and advances:			
Maltiquest	-	3,098	2,000
Full Smart International Enterprises Limited	-	5,206	-
Sub-total	**42,455**	**82,332**	**174,279**
Short-term portion:			
Borrowings:			
- Term loan I	108	107	-
- Term loan II	-	-	41
- Term loan III	-	-	4
- Term loan IV	6,875	7,500	4,375
- Term loan V	-	13,702	9,672
- Term loan VI	-	-	1,464
- Term loan VII	-	-	897
- Term loan VIII	8,639	13,537	15,483
- Revolving credits	6,327	8,640	19,941
Lease liabilities:			
- Hire purchase of motor vehicle	42	53	19
- Bareboat charter arrangements	-	5,206	10,817
- Tenancy agreements	-	146	61
CRNCPS:			
- Keyfield CRNCPS	-	-	3,563
Sub-total	**21,991**	**48,891**	**66,337**
Total	**64,446**	**131,223**	**240,616**

[The rest of this page is intentionally left blank]

11. FINANCIAL INFORMATION *(Cont'd)*

Our total outstanding borrowings as at 31 December 2022 are set out below:

Type of borrowings	Purpose	Security	Tenure	Current interest rate per annum	Outstanding amount as at 31 December 2022
				%	RM'000
Term loan I (Fully repaid)[(1)]	For working capital	-	-	-	-
Term loan II	To finance purchase of office unit at Pavilion Embassy	Charge over the property and personal guarantees of two Directors of Keyfield Offshore[(2)(3)]	29 years[(4)]	Base financing rate ("BFR") - 2.16%[(5)]	1,684
Term loan III	To finance Mortgage Reducing Term Takaful	Charge over the property and personal guarantees of two Directors of Keyfield Offshore[(2)(3)]	10 years	BFR - 2.16%[(5)]	22
Term loan IV	To finance purchase of LS1	Mortgage over LS1 and personal guarantees of two Directors[(3)(6)]	4 years	Cost of funds ("COF") + 2.00%[(7)]	4,375
Term loan V	To finance purchase of Falcon	Unsecured	3 years and final bullet repayment of RM15.3 million in May 2024	1-month USD LIBOR + 2.5%[(8)]	28,210
Term loan VI	To refinance purchase of Kindness	Personal guarantees of two Directors[(3)(6)] of Keyfield Offshore, guarantee and charge over the vessel	4 years	BFR + 0.5%[(9)]	5,966
Term loan VII	To refinance purchase of Kindness	Personal guarantees of two Directors[(3)(6)] of Keyfield Offshore, guarantee and charge over the vessel	4 years	BFR + 0.5%[(9)]	3,657
Term loan VIII	To finance purchase of LS2	Mortgage over LS2, corporate guarantee by Keyfield Offshore and personal guarantees of two Directors[(3)(6)]	3 years	5.20%	15,483
Revolving credit	For working capital	Joint and several guarantees of two Directors[(3)(6)]	Payable on demand	COF + 1.75%[(7)]	19,941

Type of borrowings	Purpose	Security	Tenure	Current interest rate per annum	Outstanding amount as at 31 December 2022
				%	RM'000
Lease liabilities for hire purchase	To finance purchase of motor vehicle	Charge over the motor vehicle and personal guarantee of a Director(3)(10)	3 years	Base Rate ("BR") + 0.97%(11)	19
Lease liabilities for bareboat charter arrangements	Right-of-use assets for Helms 1 and Daya Indah Satu	Unsecured	2 years	4.88%(12)	18,857
Lease liabilities for tenancy agreements	Right-of-use assets for office premises	Unsecured	2 years	4.88%(12)	61
Keyfield CRNCPS(13)	To finance acquisitions of Grace, Keyfield Resolute and settle amount owing by Keyfield Resolute to Lavin Group	Unsecured	3	4.94%(12)	140,341
				Sub-total	**238,616**
Others					
Shareholder's loan from Maltiquest(14)	To finance purchase of Falcon	Unsecured	3 years	5.0%	2,000
				Total	**240,616**

Pro forma gearing (times)	
After Subsequent Events, issuance of Keyfield Shares and redemption of Keyfield CRNCPS and before the Public Issue(15)	[•]
After the Public Issue and utilisation of proceeds(16)	[•]

Notes:

(1) Term loan from local financial institution drawn for working capital purposes. This facility has been fully repaid as at 31 December 2022.

(2) Personal guarantee provided by Darren Kee and Kate Ooi.

(3) We have received the approvals-in-principle from the respective financial institutions to remove the personal guarantees previously given as security, to be replaced by the corporate guarantee of our Company upon our successful IPO.

(4) Includes grace period of 4 years.

(5) BFR as at LPD is 6.82%.
(6) Personal guarantees provided by Darren Kee and Mohd Erwan.
(7) COF as at LPD is 3.30%.
(8) 1-month USD London Interbank Offered Rate (LIBOR) as at LPD is 5.06%.
(9) BFR as at LPD is 6.67%.
(10) Personal guarantee provided by Darren Kee, as required by the financial institution.
(11) BR as at LPD is 3.75%.
(12) Computed based on comparable market instruments.
(13) Shall be fully redeemed via issuance of IPO Shares and proceeds from the IPO as set out in Section 6.2.8(ii).
(14) Subsequently repaid in September 2023.
(15) Computed based on the Pro Forma Consolidated Statements of Financial Position after the Subsequent Events, issuance of Keyfield Shares and redemption of Keyfield CRNCPS and before the Public Issue.
(16) Computed based on the Pro Forma Consolidated Statements of Financial Position after the Subsequent Events and Public Issue and utilisation of IPO proceeds.

Our pro forma gearing ratio is expected to decrease from [•] times (before the Public Issue) to [•] times (after the Public Issue and utilisation of IPO proceeds) due to the increase in shareholders' funds arising from the issuance of new Shares pursuant to the Public Issue, redemption of Keyfield CRNCPS and repayment of bank borrowings, offset by the decrease in shareholders' funds arising from the listing expenses utilised.

As at the LPD, we do not have any borrowings which are non-interest bearing. We have not defaulted on payments of principal sums and/or interest in respect of any borrowings throughout the FYEs 2020 to 2022 as well as the subsequent financial period up to the LPD.

As at the LPD, neither our Group nor our subsidiary is in breach of any terms and conditions or covenants associated with the credit arrangement or bank loan which can materially affect our financial position and results or business operations or the investments by holders of our securities.

From FYE 2020 to FYE 2022, we have not experienced any claw back or reduction in the facilities limit granted to us by our lenders.

11.5 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES

As at the LPD, save for our borrowings as disclosed in Section 11.4 and as described below, we do not utilise any other financial instruments. We maintain foreign currency accounts to receive proceeds of our revenue in USD and payments to suppliers in USD and Singapore Dollars, where applicable.

We been financing our operations and acquisition of vessels mainly through a combination of the following:

(i) Internally generated funds from our operations;

(ii) External borrowings from licensed financial institutions which mainly comprise term loans and short-term working facilities as set out in Section 11.4 above;

(iii) Issuance of Keyfield Offshore CRNCPS and Keyfield CRNCPS;

(iv) Loans and advances from related parties as well as third parties; and

(v) Instalment payment arrangements to the vendors of Blooming Wisdom and Helms 1, as disclosed in Section 11.5.1.

Loans and advances from related parties as well as third parties were primarily to finance the cost of shipbuilding and/or for acquisition of our vessels. Our Group operates in a highly capital-intensive industry where the capital outlay required is high. Given the nature of our business, financial institutions in Malaysia imposed stringent conditions before any financing facilities can be drawn down, including the requirements that the vessels must have obtained the required operating licences and for them to procure Chartering Contracts beforehand.

As such, the loans and advances from related parties as well as third parties were to allow our Group to bridge the timeline between the shipbuilding and/or acquisition of vessels and the availability of such facilities.

As at the LPD, outstanding loans and advances from related parties and third parties as well as financial instruments are as follows:

No.	Source	Purpose/ Source of repayment	Initial amount RM'million	Amount outstanding as at LPD RM'million	Amount outstanding upon Listing and utilisation of listing proceeds RM'million
(a)	Loan from Positive Boom Limited (a third party) to Keyfield	Acquisition of Falcon/ Internally generated funds[(1)]	44.3	25.0	25.0
(b)	Issuance of Keyfield Endeavour CRCPS to Maltiquest (a non-controlling shareholder of Keyfield Endeavour)	Acquisition of Falcon/ Internally generated funds	2.5	2.5	2.5
(c)	Shareholder's loan by Maltiquest to Keyfield Endeavour	Acquisition of Falcon/ Internally generated funds[(2)]	3.0	2.0	2.0
(d)	Issuance of Keyfield CRNCPS to Lavin Group	Acquisition of Keyfield Resolute/ Note[(3)]	77.5	77.5	[•]
(e)	Issuance of Keyfield CRNCPS to Stratos Private Equity	Acquisition of Grace/ Note[(3)]	65.0	65.0	[•]
	Total		**192.3**	**172.0**	**[•]**

Notes:

(1) Pursuant to a loan agreement dated 11 January 2021, Positive Boom Limited had loaned a sum of RM44.3 million to our Company. The sum was then advanced to Keyfield Endeavour for the acquisition of Falcon. This loan shall be repaid via internally generated funds through 36 instalments of RM0.8 million each from May 2021 until April 2024 and a final bullet repayment of RM15.3 million in May 2024. Under the terms of the loan agreement, we have the option to prepay part or the entire outstanding loan amount by giving one month's notice to Positive Boom Limited. This amount has been fully repaid in October 2023.

(2) This amount has been fully repaid in September 2023.

(3) The amounts stated refers to the nominal value of the Keyfield CRNCPS. These shall be fully redeemed via issuance of IPO Shares and proceeds from the IPO as set out in Section 6.2.8(ii).

Upon the completion of the Listing, loans and advances from related parties and third parties shall reduce to RM[•] million. It is further envisaged that our Group will no longer rely on loans and advances from related parties as well as third parties as one of the sources of financing, as we would have access to funds from the capital markets, and we are also expected to be on a firmer financial footing as our pro forma gearing ratio is expected to decrease from [•] times (before the Public Issue) to [•] times (after the Public Issue and utilisation of IPO proceeds), resulting from the increase in our shareholder's funds and reduction in our borrowings.

11.5.1 Other financing arrangements

On 7 April 2023, Keyfield Offshore had entered into 2 separate agreements to acquire Blooming Wisdom and Helms 1 respectively. The respective purchase considerations are shown in the table below:

	Blooming Wisdom RM'million	**Helms 1 RM'million**
Cash purchase price	85.0	45.0
Finance charges[1]	9.9	5.5
Total purchase consideration	94.9	50.5

Note:

(1) The finance charges are charged on a reducing balance method over the instalment period below.

Under the terms of the agreements, Keyfield Offshore is to repay the vendors of the above two vessels via the following:

(i) For Blooming Wisdom, the total purchase consideration is payable over 48 monthly instalments of RM1.98 million; and

(ii) For Helms 1, the total purchase consideration is payable over 29 monthly instalments of RM0.52 million and a final instalment of RM35.5 million.

As at the LPD, the amounts owing to the vendors of Blooming Wisdom and Helms 1 are RM81.8 million and RM44.4 million respectively, before taking into consideration the finance charges, which are charged to our Statement of Comprehensive Income on a monthly basis.

Keyfield Offshore shall have the option to fully settle the outstanding balance purchase consideration earlier at any time. Should Keyfield Offshore choose to do so, the vendors shall grant Keyfield Offshore a reduction in finance charge corresponding with the date of such early settlement.

As part of our IPO, we intend to utilise part of the IPO proceeds to partially settle the balance purchase consideration to the vendors. Please refer to Section 4.10 for further information.

11.6 MATERIAL CAPITAL COMMITMENTS, MATERIAL LITIGATION AND CONTINGENT LIABILITY

11.6.1 Material capital commitments

As at the LPD, we do not have any material capital commitments incurred or known to be incurred by us that may have a material and adverse impact on our results of operations or financial position.

11.6.2 Material litigation

We are not engaged in any material litigation, claim or arbitration either as plaintiff or defendant and there are no proceeding pending or threatened or of any fact likely to give rise to any proceeding which might materially or adversely affect our position or business as at the LPD.

11.6.3 Contingent liability

There are no contingent liabilities incurred by us or our subsidiary, which upon becoming enforceable, may have a material effect on our financial position or our subsidiaries as at the LPD.

11.7 KEY FINANCIAL RATIOS

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
Trade receivables turnover period (days)[(1)]	124	114	118
Trade payables turnover period (days)[(2)]	119	100	100
Inventories turnover period (days)[(3)]	2	4	5
Current ratio (times)[(4)]	1.3	0.9	1.1
Gearing ratio (times)[(5)]	0.5	0.9	1.3

Notes:

(1) Computed based on the average trade receivables over the revenue for the respective FYEs, multiplied by 365 days for FYEs Under Review.

(2) Computed based on the average trade payables over the cost of sales (excluding vessel and vessel equipment depreciation as well as right-of-use assets depreciation) for the respective FYEs, multiplied by 365 days for FYEs Under Review.

(3) Computed based on the average inventories over the cost of sales (excluding vessel and vessel equipment depreciation as well as right-of-use assets depreciation) for the respective FYEs, multiplied by 365 days for FYEs Under Review.

(4) Computed based on total current assets over total current liabilities as at the respective FYEs Under Review.

(5) Computed based on all interest-bearing borrowings over total equity as at the respective FYEs.

11.7.1 Trade receivables turnover period

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
Opening trade receivables	28,604	22,660	64,889
Closing trade receivables	22,660	64,889	88,008
Average trade receivables	25,632	43,775	76,449
Revenue	75,231	139,756	236,204
Average trade receivables turnover period (days)	124	114	118

Our trade receivables consist of amounts receivable from our customers from the time-charter and catering and other services provided in relation to vessels. Our trade receivables credit terms can be categorised as follows:

(i) Invoices with fixed credit terms, ranging from 30 to 120 days. Such terms apply to PCSB, PACs, oil and gas contractors and offshore support vessel owners; and

(ii) Invoices without fixed credit terms, whereby our customers will pay us on a back-to-back basis as and when they receive payments from their customers. Such terms which are common in our industry apply to oil and gas contractors and offshore support vessel owners and are usually longer than those in (i) above.

The summary of our Group's revenue invoices and credit terms are as follows:

	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
Invoices with fixed credit terms	48,178	104,727	204,689
Invoices without fixed credit terms	27,053	35,029	31,515
Total	**75,231**	**139,756**	**236,204**
% of sales with fixed credit terms	64.0	74.9	86.7
% of sales without fixed credit terms	36.0	25.1	13.3

Keyfield Offshore obtained the PETRONAS licence in 2018 and was awarded LOAs For Umbrella Contract, enabling us to directly participate in tenders by PCSB and other PACs, from 2019 onwards. The gradual decrease in the proportion of our Group's trade receivables without fixed credit terms from FYE 2020 to FYE 2022 was due to the following:

(i) The LOAs For Umbrella Contracts and Umbrella Contracts by PCSB and PACs allowed us to expand our customer base to PCSB and PACs, who are generally larger and more reputable companies with fixed credit terms; and

(ii) We have built up our track record in the industry, which accorded us with better negotiating position when negotiating credit payment terms with our customers.

11. FINANCIAL INFORMATION *(Cont'd)*

Our average trade receivables turnover days for FYEs Under Review were 124 days,114 days and 118 days respectively.

Our average trade receivables turnover days for FYE 2021 and FYE 2022 decreased to 114 days and 118 days respectively from 124 days in FYE 2020 as there was a higher proportion of trade receivables from PCSB/PACs with shorter credit terms as well as a lower proportion of customers who were on back-to-back payment terms in FYE 2021 and FYE 2022. Customers such as PCSB and PACs has shorter credit terms and as such pay us within a shorter period of time as compared to customers who were on back-to-back payment terms.

The ageing analysis of our trade receivables as at 31 December 2022 are as follows:

			Exceeding credit period				
	Without credit terms[(1)]	**Within credit terms**	**1 to 30 days past due**	**31 to 60 days past due**	**61 - 90 days past due**	**More than 90 days past due**	**Total**
Gross trade receivables (RM'000)	11,012	14,263	20,030	13,961	15,437	21,921	96,624
Less: Allowance for impairment losses (RM'000)	-	-	-	-	-	(8,616)	(8,616)
Net trade receivables (RM'000)	11,012	14,263	20,030	13,961	15,437	13,305	88,008
% of total net trade receivables (%)	12.5%	16.2%	22.8%	15.9%	17.5%	15.1%	100.0%
Subsequent collections up to 31 August 2023 (RM'000)	11,012	13,441	20,030	13,961	15,432	13,233	87,109
Trade receivables net of subsequent collections as at 31 August 2023 (RM'000)	-	822	-	-	5	72	899
% of trade receivables net of subsequent collections as at the 31 August 2023 to total trade receivables net of subsequent collections (%)	-	91.4%	-	-	0.6%	8.0%	100.0%

[The rest of this page is intentionally left blank]

Note:

(1) The ageing analysis of trade receivables as at 31 December 2022 without fixed credit terms is as follows:

	Ageing of trade receivables without fixed credit terms					**Total**
	1 to 30 days	**31 to 60 days**	**61 - 90 days**	**91-120 days**	**More than 120 days**	
Trade receivables without credit terms (RM'000)	1,363	1,275	2,542	3,207	2,625	11,012
% of total trade receivables without credit terms (%)	12.4%	11.6%	23.1%	29.1%	23.8%	100.0%
Subsequent collections up to 31 August 2023 (RM'000)	1,363	1,275	2,542	3,207	2,625	11,012
Trade receivables without credit terms net of subsequent collections as at 31 August 2023 (RM'000)	-	-	-	-	-	-
% of trade receivables without credit terms net of subsequent collections as at the 31 August 2023 to total trade receivables without credit terms net of subsequent collections (%)	-	-	-	-	-	-

As at 31 December 2022, our total net trade receivables stood at approximately RM88.0 million, of which approximately RM62.7 million or 71.3% of our trade receivables exceeded the normal credit period.

As at 31 August 2023, we have collected approximately RM87.1 million representing 99.0% of our total net trade receivables as at 31 December 2022.

Our management closely monitors the recoverability of our overdue trade receivables on a regular basis, and when appropriate, provides for specific impairment of these trade receivables. Our Group also provides for allowance for impairment losses when the need arises.

[The rest of this page is intentionally left blank]

11.7.2 Trade payables turnover period

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
Opening trade payables	19,213	13,638	33,923
Closing trade payables	13,638	33,923	33,719
Average trade payables	16,426	23,781	33,821
Cost of sales (excluding vessel and vessel equipment depreciation as well as right-of-use assets depreciation)	50,335	86,738	123,117
Average trade payables turnover period (days)	119	100	100

Our trade payables consist of amounts payable to our suppliers for the chartering of third party vessels, food and beverage provisions, spare parts and consumables and various other purchases as disclosed in Section 6.10. During the FYEs Under Review and up to the LPD, we did not experience any disruption in supply of goods and services from any of our suppliers.

The credit terms provided by our suppliers can be categorised as follows:

(i) Invoices with fixed credit terms, ranging from 30 to 60 days. Such terms apply to third party vessel owners, food and beverage provisions, spare parts and consumables and various other purchases; and

(ii) Invoices without fixed credit terms, whereby we will pay our suppliers on a back-to-back basis as and when we receive payments from our customers. Such terms apply to certain third party vessel owners, and are usually longer than those in (i) above.

The summary of our Group's purchases invoices and credit terms are as follows:

	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
Invoices with fixed credit terms	26,712	47,900	65,051
Invoices without fixed credit terms	18,713	26,989	34,696
Total	**45,425**	**74,889**	**99,747**
% of purchases with fixed credit terms	58.8	64.0	65.2
% of purchases without fixed credit terms	41.2	36.0	34.8

Our average trade payables turnover days for FYEs under review were 119 days, 100 days and 100 days respectively which is higher than the normal credit terms as between 34.8% to 41.2% of our purchases are without fixed credit terms.

Our average trade payables turnover days for FYE 2021 and FYE 2022 decreased to 100 days from 119 days in FYE 2020 as there was a lower proportion of suppliers who were on back-to-back payment terms in FYE 2021 and FYE 2022. Further, the proportion of payables consisting of third party vessel owners decreased in FYE 2021 and FYE 2022 as compared to FYE 2020, in tandem with the lower proportion of cost of sales from this segment. The payment to third party vessel owners who were on back-to-back payment terms were longer than the credit period for other types of cost of sales such as vessel maintenance and operation costs.

The ageing analysis of our trade payables as at 31 December 2022 are as follows:

			Exceeding credit period				
	Without credit terms	**Within credit terms**	**1 to 30 days past due**	**31 to 60 days past due**	**61 - 90 days past due**	**More than 90 days past due**	**Total**
Trade payables (RM'000)	15,672	12,947	3,052	1,717	3	328	33,719
% of total trade payables (%)	46.5%	38.4%	9.0%	5.1%	0%	1.0%	100.0%
Subsequent payments up to 31 August 2023 (RM'000)	15,513	12,448	3,052	1,717	3	301	33,034
Trade payables net of subsequent payments (RM'000)	159	(1)499	-	-	-	(1)27	685
% of trade payables net of subsequent payments to total trade payables net of subsequent payments (%)	23.2%	72.8%	-	-	-	4.0%	100.0%

Note:

(1) Subsequently paid in September 2023.

As at 31 December 2022, our total trade payables stood at approximately RM33.7 million, of which approximately RM5.1 million or 15.1% of our trade payables exceeded the normal credit period. As at 31 August 2023, we have settled approximately RM33.0 million or 98.0% of our trade payables which were outstanding as at 31 December 2022.

As at the LPD, there is no dispute in respect of trade payables and no legal action initiated by our suppliers to demand for payment.

[The rest of this page is intentionally left blank]

11.7.3 Inventories turnover period

	Audited		
	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000
Opening inventories	336	480	1,701
Closing inventories	480	1,701	2,141
Average inventories	408	1,091	1,921
Cost of sales (vessel and vessel equipment depreciation as well as right-of-use assets depreciation)	50,335	86,738	123,117
Average inventories turnover period (days)	2	4	5

Our Group's inventories consist of consumables which is mainly marine gas oil which is a consumable used in our operations. Other items such as food and beverage provisions and spare parts are expensed off in the year in which they are incurred. As such, inventories do not form a material item in our current assets.

11.7.4 Current ratio

	Audited		
	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000
Current assets	58,946	90,103	114,220
Current liabilities	45,796	95,837	107,607
Net current assets/(liabilities)	13,150	(5,734)	6,613
Current ratio (times)	1.3	0.9	1.1

Comparison between 31 December 2020 and 31 December 2021

Our current ratio decreased from 1.3 times as at 31 December 2020 to 0.9 times as at 31 December 2021.

The increase in current liabilities was mainly due to the following:

(i) Increase in current portion of borrowings by RM21.6 million, mainly due to vessel financing for LS2 and Falcon which were drawndown in December 2020 and January 2021 respectively;

(ii) Increase in trade and other payables by RM23.0 million, in line with the increase in cost of sales in FYE 2021; and

(iii) Increase in current portion of lease liabilities by RM5.4 million, for the right-of-use asset in respect of the bareboat charter of Helms 1 for a period exceeding 1 year.

Nevertheless, we recorded an increase in current assets was mainly due to the increase in trade and other receivables by RM32.4 million. This is mainly due to increase in revenue for FYE 2021 and reclassification of previous year's deposit for Falcon being reclassified to property, plant and equipment as Falcon had been delivered to us in February 2021.

Comparison between 31 December 2021 and 31 December 2022

Our current ratio increased from 0.9 times as at 31 December 2021 to 1.1 times as at 31 December 2022.

The increase in current assets was mainly due to the increase in trade and other receivables by RM21.3 million, resulting from the increase in revenue for FYE 2022.

Nevertheless, we recorded an increase in current liabilities mainly due to the following:

(i) Increase in current portion of borrowings by RM8.4 million, as we drawdown on our revolving credit facilities to finance our working capital and the increase in current portion of borrowings for vessel financing of Kindness, which was drawndown in September 2022;

(ii) Increase in current portion of lease liabilities by RM5.5 million, for the additional right-of-use asset in respect of the bareboat charter of Daya Indah Satu for a period exceeding 1 year; and

(iii) Decrease in other payables by RM5.6 million, resulting from the repayment of shareholder's advance of RM4.2 million to Lavin Group and lower deposits received from our customers by RM1.5 million for chartering of LS2 and Falcon.

These deposits were only in respect of certain customers, i.e. in the case of LS2, it was from a new customer which we had no prior business dealings and the deposit represented the entire value of the Chartering Contract. As for Falcon, the deposit was from the Sapura Group and the amount represented the mobilisation fees charged plus DCR for the period of the charter. We do not require deposits from all of our customers.

11.7.5 Gearing ratio

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
Borrowings	64,316	93,149	79,338
Lease liabilities[(1)]	130	14,207	18,937
CRNCPS[(2)]	-	15,563	140,341
Loan from Maltiquest	-	3,098	2,000
Loan from Full Smart International Enterprises Limited	-	5,206	-
Total interest-bearing instruments	64,446	131,223	240,616
NA	123,732	141,291	187,972
	times	**times**	**times**
Gearing ratio[(3)]	0.5	0.9	1.3

Notes:

(1) Lease liabilities in FYE 2021 and FYE 2022 are mainly in respect of right-of-use assets for the bareboat charters of Helms 1 and Daya Indah Satu for a period exceeding 1 year, computed in accordance with MFRS 16. The interest rate for such lease liabilities is computed based on comparable market instruments.

(2) CRNCPS in FYE 2021 refers to Keyfield Offshore CRNCPS issued to finance the acquisition of Kindness, which was subsequently fully redeemed in FYE 2022. CRNCPS in FYE 2022 refers to Keyfield CRNCPS which were issued to finance the acquisition of Grace and Keyfield Resolute as well as to settle the amount owing by Keyfield Resolute to Lavin Group, and is stated at its fair value.

(3) Gearing ratio is computed by dividing the total interest-bearing instruments over NA attributable to the owners of the Company.

Comparison between 31 December 2020 and 31 December 2021

Our gearing ratio increased from 0.5 times as at 31 December 2020 to 0.9 times as at 31 December 2021. Such increase was mainly due to the following:

(i) Increase in borrowings by RM28.8 million, mainly due to vessel financing for LS2 and Falcon which were drawndown in December 2020 and January 2021 respectively, less repayments made during the financial year;

(ii) Increase in lease liabilities by RM14.1 million, for the right-of-use asset in respect of the bareboat charter of Helms 1 for a period exceeding 1 year; and

(iii) Increase in CRNCPS by RM15.6 million, in respect of Keyfield Offshore CRNCPS issued in FYE 2021 to finance the acquisition of Kindness.

Comparison between 31 December 2021 and 31 December 2022

Our gearing ratio increased from 0.9 times as at 31 December 2021 to 1.3 times as at 31 December 2022. Such increase was mainly due to the following:

(i) Increase in CRNCPS by RM124.8 million, as we had issued Keyfield CRNCPS in FYE 2022 to finance the acquisitions of Grace and Keyfield Resolute as well as to settle the amount owing by Keyfield Resolute to Lavin Group, and is stated at its fair value. We had fully redeemed Keyfield Offshore CRNCPS in FYE 2022;

(ii) Increase in lease liabilities by RM4.7 million for the additional right-of-use asset in respect of the bareboat charter of Daya Indah Satu for a period exceeding 1 year, less repayments made during the financial year; and

(iii) The increase was offset by the decrease in borrowings by RM13.8 million as we had made repayments towards our vessel financing borrowings for LS1, LS2, Falcon. In FYE 2022, we had drawndown on a vessel financing for Kindness and on our revolving credit facilities.

11.8 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

There were no government, economic, fiscal or monetary policies or factors which have materially affected our financial performance during the FYEs Under Review.

There is no assurance that our financial performance will not be adversely affected by the impact of further changes in government, economic, fiscal or monetary policies or factors moving forward. Risks relating to government, economic, fiscal or monetary policies or factors which may adversely and materially affect our operations are set out in Section 8.

11.9 IMPACT OF INFLATION

The Board is of the view that the current inflation rate does not have a material impact on our business, financial condition or results of our operation. However, any significant increase in future inflation may adversely affect our Group's operations and performance insofar as we are unable to pass on the higher costs to our customers through increase in selling prices.

11.10 IMPACT OF FOREIGN EXCHANGE RATES AND/OR INTEREST RATES

11.10.1 Impact of foreign exchange rates

Currently, our business operations are concentrated in Malaysia and therefore our transactions are mainly denominated in RM whilst our future material capital expenditure such as the purchase of vessels are generally denominated in USD.

In FYE 2021, we have expanded our operations to outside Malaysia and therefore recorded revenue in FYE 2021 and FYE 2022 from one customer (from Philippines) denominated in USD, amounting to 6.6% and 1.7% of our total revenue in the respective years. Since the end of FYE 2022 and up to the LPD, we did not record any revenue denominated in any foreign currency. Further, we may expand our operations to outside Malaysia in the future if the opportunity arises and we are successful in securing overseas Chartering Contract(s), we may have revenue and trade receivables denominated in foreign currencies in the future.

For the past 3 FYEs 2020 to 2022, our gain and losses from the foreign exchange fluctuations are as follows:

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
Gain on foreign exchange:			
- Realised	2,450	329	320
- Unrealised	236	39	-
(Loss) on foreign exchange:			
- Realised	(*)	(264)	(1,161)
- Unrealised	(696)	(115)	-
Net (loss) / gain on foreign exchange	**1,990**	**(11)**	**(841)**

Note:

* Negligible.

The gains/(losses) on foreign exchange are due to the following:

(i) For unrealised gains/(losses) on foreign exchange, these arise from the retranslation of all monetary assets and liabilities (such as receivables, payables and cash and bank balances) denominated in foreign currency to the year/period end spot foreign exchange rate, as compared to the actual foreign currency rate used at the time when the transaction arose; and

(ii) For realised gains/(losses) on foreign exchange, these arise from the difference between foreign exchange rates for all monetary assets and liabilities (such as receivables, payables and cash and bank balances) in which these are crystallised into RM, as compared to the actual foreign currency rate used at the time when the transaction arose.

In FYE 2020, there were gains on foreign exchange of RM2.7 million. This arose from mainly from gain on foreign exchange of RM2.1 million due to the capitalisation of advances amounting to USD8.6 million (equivalent to RM36.9 million) from WCL and Lavin Group (which were denominated in USD) but were capitalised into our Shares (denominated in RM) and repayment of the balance USD7.8 million (equivalent to RM31.6 million) to Lavin Group in December 2020, and RM0.6 million arising from the re-translation of an amount due by Keyfield Offshore into RM by Keyfield Marine Limited, whose financial statements were denominated in USD.

Meanwhile, unrealised foreign exchange losses of RM0.7 million arose from the translation of USD-denominated bank balances as at the year-end.

We did not record any material gains/loss on foreign exchange during FYE 2021.

In FYE 2022, there were gains on foreign exchange of RM0.3 million which mainly arose from translation of trade receivables denominated in USD. Meanwhile, there were losses on foreign exchange of RM1.2 million which mainly arose from translation of trade payables denominated in USD.

As at 31 December 2022, the amount of trade receivables and trade payables denominated in foreign currencies for our Group were RM1.9 million and RM0.3 million respectively. This constituted 2.2% and 0.9% of our total trade receivables (net of impairment losses) and total trade payables respectively, with the balance denominated in RM.

Our Group does not hedge our exposure to fluctuations in foreign currency exchange rates. As at the LPD, we do not have any unfulfilled foreign exchange contracts. As such, we are subject to foreign exchange fluctuation risk for the purchase of our consumables, spare parts and equipment and revenue from our existing and potential foreign projects. As at the LPD, all of our operations are in Malaysia. In view of this, we do not have a significant foreign currency exchange risk.

11.10.2 Impact of interest rates

Interest coverage ratio measures the number of times a company can make its interest payments with its profit before interest and income tax expense. The interest coverage ratio for the past financial years under review is as follows:

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
EBIT (RM'000)	18,831	28,630	66,344
Finance costs (RM'000)	1,358	3,723	8,722
Interest coverage ratio (times)[(1)]	13.9	7.7	7.6

Note:

(1) Computed based on EBIT over finance costs.

Our interest coverage ratio ranges between 7.6 times to 13.9 times for the FYEs Under Review, indicating that our Group has been able to generate sufficient profits before interest and tax to meet our interest serving obligations. Our interest coverage ratio decreased from 13.9 times in FYE 2020 to 7.7 times and 7.6 times respectively in FYE 2021 and FYE 2021 due to the increase in various interest-bearing instruments to finance the growth of our Group, including for the acquisitions of our own vessels.

Our Group's financial results for the financial years and period under review were not materially affected by fluctuations in interest rates. However, any major increase in interest rates would raise our finance cost which will have an adverse effect on the performance of our Group.

11.11 ORDER BOOK

As at LPD, our order book in respect of secured Chartering Contracts is shown in the table below.

	Estimated remaining revenue to be recognised in FYE 2023	Estimated remaining revenue to be recognised in FYE 2024	Estimated remaining revenue to be recognised in FYE 2025 and beyond(1)	Total remaining estimated revenue to be recognised
	RM'million	**RM'million**	**RM'million**	**RM'million**
- In respect of own vessels	138.3	16.7	22.3	177.3
- In respect of third party vessels	79.4	-	-	79.4
Total	**217.7**	**16.7**	**22.3**	**256.7**

Note:

(1) The estimated revenue to be recognised in FYE 2025 and beyond refers to the Chartering Contract which we have secured for Kindness. The duration of this Chartering Contract is for a period of 3 years commencing from May 2023.

In the event we lose our PETRONAS licence, all existing Chartering Contracts with PCSB and PACs will be terminated and our vessels will be off-hire. Nevertheless, we may continue to carry out existing Chartering Contracts with oil and gas contractors and offshore support vessel owners as our PETRONAS licence is a pre-requisite only at the bidding for contract stage for oil ang gas contractors, and our Chartering Contracts do not provide for any termination due to the loss of our PETRONAS licence. The PETRONAS licence is not a pre-requisite for Chartering Contracts with offshore support vessels owners.

11.12 TREND INFORMATION

Based on our track record for the past FYEs Under Review, including our segmental analysis of revenue and profitability, the following trends are noted:

(i) The proportion of revenue and profit generated from our own vessels have been increasing in the FYE Under Review. With the acquisition of 3 additional own vessels in FYE 2023, namely Lestari, Blooming Wisdom and Helms 1, we expect this trend to continue;

(ii) The majority of our revenue was derived locally and we expect this trend to continue. Nevertheless, we may earn revenue from outside Malaysia should the opportunity arise; and

(iii) Our top 5 major customers contributed more than 70% of our Group's revenue. We expect this trend to continue. Further, we expect the proportion of revenue contributed by PCSB to be higher in FYE 2023 as compared to FYE 2022 as we have obtained more Chartering Contracts from PCSB.

As at LPD, after all reasonable enquiries, our Board confirms that our operations have not been and are not expected to be affected by any of the following:

(a) Known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those discussed in Section 11.2;

(b) Unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as discussed in Section 11.2;

(c) Known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our Group's revenue save for those that had been discussed in Section 11.2; and

(d) Known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not necessarily indicative of the future financial performance and position other than those discussed in Section 11.2.

Our Board is optimistic about the future prospects of our Group given our Group's competitive strengths set out in Section 6.8 and our Group's intention to implement the business strategies as set out in Section 6.19.

11.13 DIVIDENDS

We target a pay-out ratio of at least 20.0% of our net profit attributable to the owners of our Company for each financial year on a consolidated basis after taking into account the working capital, maintenance capital and committed capital requirements of our Group.

The declaration and payments of any dividend is subject to the discretion of our Board as well as any applicable law, licence conditions and contractual obligations and provided that such distribution will not be detrimental to our Group's cash requirements or any plans approved by our Board.

As we are an investment holding company, our ability to pay dividends is dependent on our subsidiaries, which in turn will depend on:

(i) Their financial performance and condition;

(ii) Their working capital needs and availability of cash;

(iii) Their capital expenditure and business expansion plans;

(iv) The covenants in our subsidiaries' existing loan agreements; and

(v) The general economic and business conditions and such other relevant factors.

In addition, we may only make a distribution to our shareholders if we comply with the requirements as set out in Sections 131 and 132 of the Act, which require:

(i) Our distribution to be made out of profits available; and

(ii) Our Group is solvent and able to pay our debts as and when they become due within 12 months immediately after our distribution.

Save for the following banking restrictive covenants which our subsidiaries are subject to, there are no legal, financial, or economic restriction on the ability of our subsidiaries to transfer funds to us in the form of cash dividends, loans or advances as at the LPD:

(i) Prior written consents of RHB Bank Berhad, Alliance Islamic Bank Berhad, United Overseas Bank (Malaysia) Bhd and Small Medium Enterprise Development Bank Malaysia Berhad for Keyfield Offshore to declare dividends to Keyfield; and

(ii) Prior written consent of Bank Pembangunan Malaysia Berhad for Keyfield Marine to declare dividends to Keyfield.

There is no debt covenant ratio which our Company or our subsidiaries needs to adhere to prior to declaring any dividends.

(i) Ordinary shares

In respect of FYEs 2020 to 2022, dividends declared in respect of ordinary shares were as follows:

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
Dividends declared/paid	(1)500	(2)2,004	(3)5,010

Notes:

(1) Declared by Keyfield Offshore to its then ordinary shareholders prior to its acquisition by Keyfield, on 31 August 2020 and paid on 23 December 2020.
(2) Declared by Keyfield on 27 May 2022 in respect of FYE 2021 and paid on 11 September 2022.
(3) Declared by Keyfield on 8 May 2023 in respect of FYE 2022 and paid on 21 June 2023.

(ii) Keyfield CRNCPS

	Audited		
	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000
Dividends declared/paid	-	-	3,563

Note:

(1) This amount represents the dividends declared/paid on Keyfield CRNCPS from the date of issuance until 31 December 2022.

Subsequent to FYE 2022, Keyfield paid a total of RM4.3 million dividends in respect of the Keyfield CRNCPS consisting of the RM3.6 million in respect for FYE 2022 and RM0.7 million which is in respect of FYE 2023, on 28 April 2023. Cumulative dividends of 3% will apply on Keyfield CRNCPS until their full redemption. Upon our IPO, all Keyfield CRNCPS will be fully redeemed.

(iii) Keyfield Offshore CRNCPS

	Audited		
	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000
Dividends declared/paid	-	-	(1)693

Note:

(1) Keyfield Offshore had paid RM0.7 million dividends in respect of the Keyfield Offshore CRNCPS to Stratos Private Equity on 23 September 2022 and 24 November 2022, prior to their full redemption.

(iv) Keyfield Endeavour CRCPS

	Audited		
	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000
Dividends declared/paid	-	-	(1)79

Note:

(1) Keyfield Endeavour paid RM0.1 million in dividends to Maltiquest on 29 December 2022 in respect of FYE 2022, being Maltiquest's proportionate share. Cumulative dividends at 2% will apply on Keyfield Endeavour CRCPS until its full redemption.

11.14 CAPITALISATION AND INDEBTEDNESS

The table below summarises our capitalisation and indebtedness as at 30 April 2023 and after adjusting for the effects of the Subsequent Events, issuance of Keyfield Shares and redemption of Keyfield CRNCPS, Public Issue and utilisation of IPO proceeds.

	Keyfield	**I**	**II**	**III**	**IV**
	Unaudited as at 30 April 2023	**After Subsequent Events***	**After I and issuance of Keyfield Shares and redemption of Keyfield CRNCPS**	**After II and Public Issue**	**After III and utilisation of IPO proceeds**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Capitalisation					
NA attributable to the owners of the Company	205,099	200,089	[•]	[•]	[•]
Total capitalisation	**205,099**	**200,089**	**[•]**	**[•]**	**[•]**
Indebtedness(1)					
Current					
Term loans	25,710	25,710	25,710	25,710	[•]
Short-term borrowings(2)	27,195	27,195	27,195	27,195	27,195
Amount owing to vendors of Blooming Wisdom and Helms 1(3)	23,467	23,467	23,467	23,467	[•]
CRNCPS	713	713	713	713	713
Lease liabilities	5,023	10,706	10,706	10,706	10,706
Non-current					
Term loans	31,025	31,025	31,025	31,025	31,025
Shareholder's loan from Maltiquest	2,000	2,000	2,000	2,000	2,000
Amount owing to vendors of Blooming Wisdom and Helms 1(3)	104,628	104,628	104,628	104,628	[•]
CRNCPS	137,673	137,673	[•]	[•]	[•]
Lease liabilities	3,883	9,894	9,894	9,894	9,894
Total indebtedness	**361,317**	**373,011**	**[•]**	**[•]**	**[•]**
Total capitalisation and indebtedness	**566,416**	**573,100**	**[•]**	**[•]**	**[•]**
Gearing ratio(4)(times)	**1.8**	**1.9**	**[•]**	**[•]**	**[•]**

Notes:

* Includes transactions and events after 31 December 2022 as shown in Note 4.1 of the Pro Forma Consolidated Statements of Financial Position in Section 13 of the Prospectus.

(1) Except for the loan from Positive Boom Limited, shareholder's loan from Maltiquest, Keyfield CRNCPS and lease liabilities, all of our indebtedness are secured and/or guaranteed.

(2) Short-term borrowings comprise revolving credit facilities from local financial institutions.

(3) As detailed in Section 11.5.1, our Group had acquired Blooming Wisdom and Helms 1 for the aggregate purchase consideration of RM145.4 million, comprising aggregate cash purchase price of RM130.0 million and finance charges of RM15.4 million, payable over instalments. As such, the amounts owing to the respective vendors are included herein as part of our Group's indebtedness.

(4) Calculated based on the total indebtedness divided by the total capitalisation.

[The rest of this page is intentionally left blank]