

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

Condensed Consolidated Statement Of Comprehensive Income
For The Second Quarter Ended 30th June 2018
(The Figures Have Not Been Audited)

	Current Quarter Ended 30/06/2018 RM'000	Comparative Quarter Ended 30/06/2017 RM'000	6 Months Cumulative To Date 30/06/2018 RM'000	Comparative 6 Months Cumulative To Date 30/06/2017 RM'000
<u>Continuing Operations</u>				
Revenue	111,842	139,908	233,605	214,186
Operating Expenses	(120,143)	(160,514)	(243,263)	(305,628)
Other Operating Income	1,554	623	24,500	1,175
(Loss) / Profit From Operations	(6,747)	(19,983)	14,842	(90,267)
Finance Costs	(19,758)	(35,261)	(41,519)	(74,003)
Share Of Profits Of Associated Company	67	122	133	197
Investment Income	1,780	3,740	6,825	7,783
Loss Before Tax From Continuing Operations	(24,658)	(51,382)	(19,719)	(156,290)
Taxation	(120)	(157)	(187)	(168)
Loss From Continuing Operations, Net Of Tax	(24,778)	(51,539)	(19,906)	(156,458)
<u>Other Comprehensive Income / (Loss) :</u>				
Translation Of Foreign Operations	108,020	(57,327)	(6,230)	(82,769)
Cash Flow Hedge	-	(2,082)	-	(1,175)
Other Comprehensive Income / (Loss), Net Of Tax	108,020	(59,409)	(6,230)	(83,944)
Total Comprehensive Income / (Loss) For The Period	83,242	(110,948)	(26,136)	(240,402)
<u>Loss For The Period Attributable To:</u>				
Equity Holders Of The Company	(24,080)	(50,986)	(19,065)	(155,103)
Non-controlling Interests	(698)	(553)	(841)	(1,355)
	<u>(24,778)</u>	<u>(51,539)</u>	<u>(19,906)</u>	<u>(156,458)</u>
<u>Total Comprehensive Income / (Loss) Attributable To:</u>				
Equity Holders Of The Company	83,940	(110,292)	(25,249)	(238,938)
Non-controlling Interests	(698)	(656)	(887)	(1,464)
	<u>83,242</u>	<u>(110,948)</u>	<u>(26,136)</u>	<u>(240,402)</u>
Loss Per Share Attributable To Equity Holders Of The Company:				
Basic (Sen)	(0.30)	(2.36)	(0.24)	(7.17)
Diluted (Sen)	(0.25)	(2.36)	(0.20)	(7.17)

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

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

Condensed Consolidated Statement Of Financial Position

	(Unaudited)	(Audited)
	As At	As At
	30/06/2018	31/12/2017
	RM'000	RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	3,535,582	3,643,231
Land Use Rights	2,293	2,367
Investment In Associate	2,129	2,303
Deferred Tax Assets	99	100
	<u>3,540,103</u>	<u>3,648,001</u>
Current Assets		
Inventories	189,094	194,841
Other Investments	160,711	-
Trade Receivables	135,044	243,887
Other Receivables	26,375	22,261
Due From Subsidiaries Of Former Holding Company	19	2,357
Deposits, Cash & Bank Balances	230,232	680,747
	<u>741,475</u>	<u>1,144,093</u>
	<u>4,281,578</u>	<u>4,792,094</u>
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Equity Attributable To The Equity Holders Of The Company		
Share Capital	4,054,817	3,732,346
Capital Contribution - ESOS	3,187	3,243
RCPS-i	-	322,471
Warrant Reserve	211,876	211,876
Other Reserves	647,371	653,555
Accumulated Losses	(2,179,193)	(2,160,128)
	<u>2,738,058</u>	<u>2,763,363</u>
Non-controlling Interests	1,482	830
TOTAL EQUITY	<u>2,739,540</u>	<u>2,764,193</u>
Non-Current Liabilities		
Long Term Borrowings	1,356,994	1,398,528
	<u>1,356,994</u>	<u>1,398,528</u>
Current Liabilities		
Taxation	259	435
Short Term Borrowings	70,468	461,115
Trade Payables	75,308	119,128
Other Payables	37,983	43,351
Due To Former Holding Company	-	3,926
Due To Subsidiaries Of Former Holding Company	1,026	1,418
	<u>185,044</u>	<u>629,373</u>
TOTAL LIABILITIES	<u>1,542,038</u>	<u>2,027,901</u>
TOTAL EQUITY AND LIABILITIES	<u>4,281,578</u>	<u>4,792,094</u>
Net Assets Per Share (RM)	0.3333	0.3948

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

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

Condensed Consolidated Statement Of Changes In Equity For The Period Ended 30th June 2018

	← Non - Distributable							→ Distributable					Total RM'000	Non - Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Share Options Reserve RM'000	RCPS-i RM'000	Warrant Reserve RM'000	Capital Reserve RM'000	Foreign Currency Translation Reserve RM'000	Gain On Derecognition of Intercompany Financial Liabilities RM'000	Hedging Reserves RM'000	Accumulated Losses RM'000					
6 MONTHS ENDED 30TH JUNE 2018															
At 1st January 2018	3,732,346	-	3,243	322,471	211,876	698	574,712	78,145	-	(2,160,128)	2,763,363	830	2,764,193		
Transactions With Owners															
Conversion Of RCPS-i To Share Capital	322,471	-	-	(322,471)	-	-	-	-	-	-	-	-	-		
Disposal Of Subsidiary	-	-	(56)	-	-	-	-	-	-	-	(56)	1,539	1,483		
Total Comprehensive Loss	-	-	-	-	-	-	(6,184)	-	-	(19,065)	(25,249)	(887)	(26,136)		
At 30th June 2018	4,054,817	-	3,187	-	211,876	698	568,528	78,145	-	(2,179,193)	2,738,058	1,482	2,739,540		

Condensed Consolidated Statement Of Changes In Equity For The Period Ended 30th June 2017

	← Non - Distributable							→ Distributable					Total RM'000	Non - Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Share Options Reserve RM'000	RCPS-i RM'000	Warrant Reserve RM'000	Capital Reserve RM'000	Foreign Currency Translation Reserve RM'000	Gain On Derecognition of Intercompany Financial Liabilities RM'000	Hedging Reserves RM'000	Accumulated Losses RM'000					
6 MONTHS ENDED 30TH JUNE 2017															
At 1st January 2017	1,081,000	1,372,819	3,243	-	-	698	749,653	78,145	5,559	(1,033,129)	2,257,988	3,213	2,261,201		
Transactions With Owners															
Transfer To Share Capital	1,372,819	(1,372,819)	-	-	-	-	-	-	-	-	-	-	-		
Total Comprehensive Loss	-	-	-	-	-	-	(82,660)	-	(1,175)	(155,103)	(238,938)	(1,464)	(240,402)		
At 30th June 2017	2,453,819	-	3,243	-	-	698	666,993	78,145	4,384	(1,188,232)	2,019,050	1,749	2,020,799		

VELESTO ENERGY BERHAD
(formerly known as UMW OIL & GAS CORPORATION BERHAD)
Condensed Consolidated Statement Of Cash Flows
For The Period Ended 30th June 2018

	6 Months Ended 30/06/2018 RM'000	6 Months Ended 30/06/2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss Before Tax	(19,719)	(156,290)
Adjustments For:		
Depreciation & Amortisation	89,342	129,344
Net Loss / (Gain) On Disposal Of Property, Plant & Equipment	1,069	(559)
Interest Expense	41,519	74,003
Share Of Results Of Associate	(133)	(197)
Net Unrealised Foreign Exchange Loss	4,202	1,801
Interest Income	(6,825)	(7,783)
Property, Plant & Equipment Written Off	6	6
Operating Profit Before Working Capital Changes	109,461	40,325
Decrease / (Increase) In Receivables	106,113	(22,489)
Decrease In Inventories	5,072	5,226
Net Changes In Former Related Company Balances	(1,980)	8,538
Decrease In Payables	(66,206)	(43,082)
Cash Generated From / (Used In) Operating Activities	152,460	(11,482)
Interest Paid	(41,754)	(74,806)
Taxes Paid	(526)	(943)
Net Cash Generated From / (Used In) Operating Activities	110,180	(87,231)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase Of Property, Plant & Equipment	(433)	(3,523)
Proceeds From Disposal Of Property, Plant & Equipment	1,067	4,766
Net Proceeds From Disposal Of Subsidiary	67	-
Interest Received	5,223	7,239
Dividend Received From Associate	307	349
Investment In Money Market Fund	(185,780)	-
Proceeds From Disposal Of Money Market Fund	25,069	-
Net Cash (Used In) / Generated From Investing Activities	(154,480)	8,831
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment Of Long Term Borrowings	(14,670)	(136,806)
Net Movement In Short Term Borrowings	(390,843)	62,196
Net Cash Used In Financing Activities	(405,513)	(74,610)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(449,813)	(153,010)
CASH AND CASH EQUIVALENTS AS AT 1ST JANUARY	680,747	891,471
EFFECTS OF EXCHANGE RATE CHANGES	(702)	(2,923)
CASH AND CASH EQUIVALENTS AS AT 30TH JUNE	230,232	735,538
Cash and Cash Equivalents comprise:		
- Current	230,232	413,338
- Non-Current	-	322,200
	230,232	735,538

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

Explanatory Notes

NOTE 1 – Significant accounting policies

Basis of preparation

The interim financial statements have been prepared in accordance with the requirements of IAS 34, Interim Financial Reporting and MFRS 134, Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The significant accounting policies and methods of computation in the interim financial statements are consistent with those in the annual audited financial statements for the year ended 31st December 2017.

NOTE 2 – Seasonal or Cyclical Factors

The Group is principally engaged in:

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

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

NOTE 3 – Exceptional Items

There were no material unusual items affecting assets, liabilities, equity, net income or cash flows during the interim period ended 30th June 2018.

NOTE 4 – Accounting Estimates

There were no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years that have a material effect during the interim period ended 30th June 2018.

NOTE 5 – Issuance or Repayment of Debt and Equity Securities

There were no issuances and repayment of debt securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the interim period ended 30th June 2018.

NOTE 6 – Dividends Paid

There was no dividend paid during the interim period ended 30th June 2018.

NOTE 7 – Segmental Reporting

	Six Months Ended 30th June 2018		
Business Segment	Revenue RM'000	Profit / (Loss) Before Tax RM'000	Profit / (Loss) Attributable to Owners of the Company RM'000
Drilling Services	225,563	(47,117)	(47,247)
Oilfield Services	7,645	(2,760)	(1,959)
Others	397	30,158	30,141
Consolidated Total	233,605	(19,719)	(19,065)

	Six Months Ended 30th June 2017		
Business Segment	Revenue RM'000	Loss Before Tax RM'000	Loss Attributable to Owners of the Company RM'000
Drilling Services	204,928	(138,401)	(138,007)
Oilfield Services	9,101	(2,074)	(1,275)
Others	157	(15,815)	(15,821)
Consolidated Total	214,186	(156,290)	(155,103)

The decrease in total assets during the interim period ended 30th June 2018 was mainly due to depreciation of RM89.3 million and translation loss of approximately RM16.5 million from the weakening of United States Dollar upon translation of the Group's fixed assets denominated in USD to RM, the presentation currency of the Company. Deposit, cash & bank balances was also reduced due to settlement of short term borrowings amounting to RM397.4 million.

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

NOTE 8 – Subsequent Material Events

In the opinion of the Directors, there has been no material event or transaction during the period from 30th June 2018 to the date of this announcement, which affects substantially the results of the Group for the interim period ended 30th June 2018.

NOTE 9 – Changes in Composition / Group

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

The UOS-TK Shares is owned by UMW Malaysian Ventures Sdn. Bhd., a wholly-owned subsidiary of the Group and the disposal was made to Mr. Ng Shin Yueh for a cash consideration of USD252,450.00.

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

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

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

Other than the above, there were no changes in the composition of the Group during the interim period ended 30th June 2018.

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

These are in respect of capital commitments:

	RM'000	RM'000
Approved and contracted for:		
Land and buildings	-	
Equipment, plant and machinery	4,504	
Others	288	4,792
	<hr/>	
Approved but not contracted for:		
Land and buildings	4,240	
Equipment, plant and machinery	36,699	
Others	1,514	42,453
Total	<hr/>	<hr/>
		47,245

NOTE 11 - Significant Related Party Transactions

This is not applicable to the Group.

NOTE 12 – Classification of Financial Assets

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

NOTE 13 – Changes in Contingent Liabilities and Contingent Assets

There were no material contingent liabilities and contingent assets as at 30th June 2018.

NOTE 14 – Review of Performance

Current Quarter Ended 30th June 2018

	Revenue		Profit / (Loss) Before Tax	
	2nd Quarter ended 30/06/2018 RM'000	2nd Quarter ended 30/06/2017 RM'000	2nd Quarter ended 30/06/2018 RM'000	2nd Quarter ended 30/06/2017 RM'000
Business Segment				
Drilling Services	107,547	134,004	(29,039)	(42,294)
Oilfield Services	4,013	5,800	(2,030)	(502)
Others	282	104	6,411	(8,586)
Total	111,842	139,908	(24,658)	(51,382)

Group

Group revenue of RM111.8 million for the second quarter ended 30th June 2018 was lower than the RM139.9 million registered in the same quarter of 2017 by RM28.1 million or 20.1%. Both the Drilling Services and Oilfield Services segments reported lower revenue in the second quarter of 2018 as a result of lower rigs utilisation and reduced threading activities in Labuan and China.

Despite lower revenue, the Group recorded a lower loss before tax of RM24.7 million in the second quarter of 2018 against the RM51.4 million loss recorded in the same quarter of 2017, a reduction of RM26.7 million or 51.9%. This was due to lower operating cost, interest and depreciation in the second quarter ended 30th June 2018.

Drilling Services Segment

In the second quarter of 2018, the Drilling Services segment contributed revenue of RM107.5 million or 96.2% of the total revenue of RM111.8 million, a decrease of RM26.5 million or 19.8% from the RM134.0 million recorded in the same quarter of 2017. Out of the seven jack-up rigs, while six were income-generating, only two of them contributed a full-quarter revenue in the second quarter of 2018. The average asset utilisation rate was 59% as compared to 68% in the same period of 2017.

However, the Drilling Services segment incurred a lower loss before tax of RM29.0 million in the second quarter of 2018 compared to the loss of RM42.3 million reported in the same quarter of 2017, an improvement of RM13.3 million or 31.4%. The lower loss was largely due to lower operating cost, interest and depreciation charged during the current quarter.

Oilfield Services Segment

The Oilfield Services segment contributed revenue of RM4.0 million or 3.6% of the total revenue of RM111.8 million in the second quarter of 2018, a reduction of RM1.8 million or 31.0% from the RM5.8 million registered in the same quarter of 2017. The decrease was mainly due to lower demand from our subsidiaries in Labuan and Tianjin, China.

As a result, the Oilfield Services segment reported a higher loss before tax of RM2.0 million in the second quarter of 2018 as compared to the loss of RM0.5 million recorded in the same quarter of 2017. Part of the loss was due to the disposal of Property, Plant & Equipment in Thailand amounting to RM1.1 million, as a result of the cessation of Oilfield Services business in the country.

Six Months Ended 30th June 2018

	Revenue		Profit / (Loss) Before Tax	
	Six Months ended 30/06/2018 RM'000	Six Months ended 30/06/2017 RM'000	Six Months ended 30/06/2018 RM'000	Six Months ended 30/06/2017 RM'000
Business Segment				
Drilling Services	225,563	204,928	(47,117)	(138,401)
Oilfield Services	7,645	9,101	(2,760)	(2,074)
Others	397	157	30,158	(15,815)
Total	233,605	214,186	(19,719)	(156,290)

Group

For the six-month period ended 30th June 2018, the Group recorded total revenue of RM233.6 million, an increase of RM19.4 million or 9.1%, compared to the RM214.2 million recorded in the same period of 2017 as a result of higher rigs utilisation.

Consequently, the Group posted a significantly lower loss before tax of RM19.7 million for the six-month period ended 30th June 2018 against the RM156.3 million recorded in the same period of 2017, an improvement of RM136.6 million or 87.4% due to higher rigs utilisation and lower operating cost, lower interest expense, lower depreciation and net forex gain of RM15.4 million.

Drilling Services Segment

The Drilling Services segment contributed revenue of RM225.6 million or 96.6% of the total revenue of RM233.6 million for the six-month period ended 30th June 2018, an increase of RM20.7 million or 10.1% over the RM204.9 million recorded in the same period of 2017. Out of the seven jack-up rigs, while six were income generating, only two of them achieved 100% asset utilisation for the first half of 2018. The average asset utilisation rate was 62% as compared to 47% in the same period of 2017.

As a result, the Drilling Services segment incurred a lower loss before tax of RM47.1 million for the six-month period ended 30th June 2018 compared to the loss of RM138.4 million reported in the same period of 2017, an improvement of RM91.3 million or 66.0%. Lower operating cost, interest expense and depreciation also contributed to the lower loss during the current period.

Oilfield Services Segment

The Oilfield Services segment contributed revenue of RM7.6 million or 3.3% of the total revenue of RM233.6 million for the six-month period ended 2018, a reduction of RM1.5 million or 16.5% over the RM9.1 million registered in the same period of 2017. The revenue reduction was mainly due to lower demand for threading activities in Labuan.

Consequently, the Oilfield Services segment reported a higher loss before tax of RM2.8 million for the six-month period ended 2018 versus a loss of RM2.1 million recorded in the same period of 2017, an increase of RM0.7 million or 33.3%.

NOTE 15 – Comparison with Preceding Quarter's Results

	Revenue		Profit / (Loss) Before Tax	
	2nd Quarter ended 30/06/2018 RM'000	1st Quarter ended 31/03/2018 RM'000	2nd Quarter ended 30/06/2018 RM'000	1st Quarter ended 31/03/2018 RM'000
Business Segment				
Drilling Services	107,547	118,016	(29,039)	(18,078)
Oilfield Services	4,013	3,632	(2,030)	(730)
Others	282	115	6,411	23,747
Total	111,842	121,763	(24,658)	4,939

Group revenue of RM111.8 million for the second quarter of 2018 was lower than the RM121.8 million achieved in the first quarter of 2018 by RM10.0 million or 8.2%, as a result of lower rigs utilisation. While six out of the seven jack-up drilling rigs were operational in the second quarter of 2018, only two rigs have 100% utilisation, resulting in an average quarterly asset utilisation rate of 59% compared to the 65% for the first quarter of 2018.

As a result, the Group posted a loss of RM24.7 million in the second quarter of 2018 compared to a profit of RM4.9 million reported in the first quarter of the year. The profit in the first quarter was largely due to a net forex gain of RM18.2m.

NOTE 16 – Current Prospect

Drilling Services Segment

Despite the supply-demand and current geo-political issues, the benchmark Brent oil price has been stabilising within USD70-USD80 per barrel range for the last few months. The higher and stable oil price will result in more exploration and development activities, especially in drilling. The current price range is sufficient to sustain and encourage continued activities in the near and medium term.

At present, all seven of the Group's jack-up drilling rigs are contracted with five already working. The remaining two are scheduled to be mobilised before the end of August. Based on present schedule, an almost full utilisation is expected at least until year end, with some spilling over into 2019 and beyond. For the Hydraulic Workover Units (HWU), one is currently working while another will be mobilised before the end of August.

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

Oilfield Services Segment

The recovery in the oilfield services sector is not sufficient to improve the demand for our services. However, the financial impact to the Group is minimal as this segment's contribution to the Group is considerably small. The Group is reviewing this segment to evaluate its viability from the overall Group business standpoint.

Group

A higher utilisation of both jack-up drilling rigs and hydraulic workover rigs in the second half of the year is expected to contribute positively to the financial performance of the Group for the financial year ending 31st December 2018.

NOTE 17 – Statement on Revenue and Profit Forecast

This is not applicable to the Group.

NOTE 18 – Variance from Profit Forecast and Profit Guarantee

This is not applicable to the Group.

NOTE 19 – Taxation

	2nd Quarter ended 30/06/2018 RM'000	Six Months ended 30/06/2018 RM'000
Taxation for current period	134	190
Over provision in prior periods	(9)	(3)
	125	187
Deferred taxation	(5)	-
Total	120	187

Several companies in the Group were profitable and in tax payable position while the rest of the companies were in a loss position. Hence the tax charge of RM120,000 and RM187,000 for the current quarter and the six-months period ended 30th June 2018, respectively.

NOTE 20 – Corporate Proposals

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

(b) Status of Utilisation of Proceeds

Not applicable

NOTE 21 – Group Borrowings and Debt Securities

	RM'000	RM'000	USD'000
Short term borrowings			
- Secured			
Portion of long term loans payable within 12 months	70,468	70,468	17,413
	<hr/>	<hr/>	<hr/>
		70,468	17,413
		<hr/>	<hr/>
Long term borrowings			
- Secured			
Long term loans	1,462,484		361,375
Portion of long term loans payable within 12 months	(70,468)		(17,413)
Less: Transaction cost	(35,022)		
	<hr/>	1,356,994	
		<hr/>	<hr/>
		1,356,994	343,962
		<hr/>	<hr/>

Movements of Borrowings	Short Term Borrowings	Long Term Borrowings
	RM '000	RM '000
Opening Balance	461,115	1,398,528
Add : Transaction cost	-	39,928
(Less)/Add : Amount payable within 12 months	(44,174)	44,174
Adjusted Opening Balance	<hr/> 416,941	<hr/> 1,482,630
Less : Exchange Difference	(19,568)	(5,476)
Less : Repayment	(397,373)	(14,670)
	-	1,462,484
Less : Transaction cost	-	(35,022)
Add/(Less) : Amount payable within 12 months	70,468	(70,468)
Closing Balance	<hr/> 70,468	<hr/> 1,356,994

NOTE 22 – Material Litigation

Reference is made to the disclosure on material litigation in the Abridged Prospectus dated 25th September 2017 and subsequent announcements made to Bursa Malaysia thereof.

Following the hearing for the arbitration proceedings from 2nd April 2018 to 5th April 2018 in Singapore and following exchange of Written Closing Submissions on 4th May 2018 and Written Costs Submissions on 18th May 2018, the Singapore International Arbitration Centre (“SIAC”) has on 12th July 2018, issued and registered the Final Award & Orders No. 078 of 2018 (“Award”) in favor of Velesto Drilling Sdn Bhd (formerly known as UMW Offshore Drilling Sdn Bhd) (“VED”), as follows:

1. That VED has validly terminated the drilling contract with Frontier Oil Corporation (“FOC”) on 12th January 2015 and therefore, FOC is ordered to pay VED the sum of USD19,200,000.00 being the Early Termination Fee, together with the sum of USD698,127.78 being interest on the said Early Termination Fee;
2. That FOC is to pay VED the sum of SGD1,430,508.07 being VED’s legal costs;
3. That FOC is to pay VED the sum of USD178,883.82 and SGD22,836.91 being other costs;
4. That FOC is to pay VED the sum of SGD341,115.80 being the full arbitration costs; and
5. That all other claims, including FOC’s counterclaim is dismissed in its entirety.

The Board is currently assessing the best approach in enforcing the said Award against FOC. Considering the lengthy process and duration in enforcing the Award, the Board is of the view that the said Award is not expected to have any financial impact to the Company for the financial year ending 31st December 2018.

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

NOTE 23 – Dividend

No dividend has been recommended for the quarter ended 30th June 2018.

NOTE 24 – Earnings Per Share

Basic loss per share for the current quarter and the six-month period ended 30th June 2018 are calculated by dividing the net loss attributable to equity holders of the Company of RM24,080,000 and RM19,065,000, respectively, by the weighted average number of ordinary shares in issue as at 30th June 2018 of 8,033,337,000 shares.

Diluted basic loss per share for the current quarter and the six-month period ended 30th June 2018 are calculated by dividing the net loss attributable to equity holders of the Company of RM24,080,000 and RM19,065,000, respectively, by the adjusted weighted average number of ordinary shares in issue and issuable as at 30th June 2018 of 9,546,737,000 shares.

NOTE 25 – Audit Qualification

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

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

	2nd Quarter ended 30/06/2018 RM'000	Six Months ended 30/06/2018 RM'000
(a) Interest income	1,110	6,155
(b) Other Investment Income	670	670
(c) Depreciation and amortisation	(45,261)	(89,342)
(d) Net loss on disposal of property, plant and equipment	(1,079)	(1,069)
(e) Net foreign exchange (loss) / gain	(2,803)	15,371
(f) Property, plant and equipment written off	(3)	(6)

By Order Of The Board

MOHD NIZAMUDDIN BIN MOKHTAR
Secretary
(LS0010247)

Kuala Lumpur
20th August 2018