

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 First Quarter Ended 31st March 2018
 (The Figures Have Not Been Audited)

	Current Quarter Ended 31/03/2018 RM'000	Comparative Quarter Ended 31/03/2017 RM'000	3 Months Cumulative To Date 31/03/2018 RM'000	Comparative 3 Months Cumulative To Date 31/03/2017 RM'000
<u>Continuing Operations</u>				
Revenue	121,763	74,278	121,763	74,278
Operating Expenses	(123,120)	(145,114)	(123,120)	(145,114)
Other Operating Income	22,946	552	22,946	552
Profit / (Loss) From Operations	21,589	(70,284)	21,589	(70,284)
Finance Costs	(21,761)	(38,742)	(21,761)	(38,742)
Share Of Profits Of Associated Company	66	75	66	75
Investment Income	5,045	4,043	5,045	4,043
Profit / (Loss) Before Tax From Continuing Operations	4,939	(104,908)	4,939	(104,908)
Taxation	(67)	(11)	(67)	(11)
Profit / (Loss) From Continuing Operations, Net Of Tax	4,872	(104,919)	4,872	(104,919)
<u>Other Comprehensive (Loss) / Income:</u>				
Translation Of Foreign Operations	(114,250)	(25,442)	(114,250)	(25,442)
Cash Flow Hedge	-	907	-	907
Other Comprehensive Loss, Net Of Tax	(114,250)	(24,535)	(114,250)	(24,535)
Total Comprehensive Loss For The Period	(109,378)	(129,454)	(109,378)	(129,454)
<u>Profit / (Loss) For The Period Attributable To:</u>				
Equity Holders Of The Company	5,015	(104,117)	5,015	(104,117)
Non-controlling Interests	(143)	(802)	(143)	(802)
	4,872	(104,919)	4,872	(104,919)
<u>Total Comprehensive Loss Attributable To:</u>				
Equity Holders Of The Company	(109,189)	(128,646)	(109,189)	(128,646)
Non-controlling Interests	(189)	(808)	(189)	(808)
	(109,378)	(129,454)	(109,378)	(129,454)
Profit / (Loss) Per Share Attributable To Equity Holders Of The Company:				
Basic (Sen)	0.06	(4.82)	0.06	(4.82)
Diluted (Sen)	0.05	(4.82)	0.05	(4.82)

VELESTO ENERGY BERHAD

(formerly known as UMW OIL & GAS CORPORATION BERHAD)

Condensed Consolidated Statement Of Financial Position

	(Unaudited) As At 31/03/2018 RM'000	(Audited) As At 31/12/2017 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	3,425,374	3,643,231
Land Use Rights	2,327	2,367
Investment In Associate	2,369	2,303
Deferred Tax Assets	95	100
	<u>3,430,165</u>	<u>3,648,001</u>
Current Assets		
Inventories	182,142	194,841
Trade Receivables	166,828	243,887
Other Receivables	21,459	22,261
Due From Subsidiaries Of Former Holding Company	1,006	2,357
Deposits, Cash & Bank Balances	350,504	680,747
	<u>721,939</u>	<u>1,144,093</u>
	<u>4,152,104</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	539,351	653,555
Accumulated Losses	(2,155,113)	(2,160,128)
	<u>2,654,118</u>	<u>2,763,363</u>
Non-controlling Interests	2,180	830
TOTAL EQUITY	<u>2,656,298</u>	<u>2,764,193</u>
Non-Current Liabilities		
Long Term Borrowings	1,332,987	1,398,528
	<u>1,332,987</u>	<u>1,398,528</u>
Current Liabilities		
Taxation	308	435
Short Term Borrowings	42,032	461,115
Trade Payables	79,833	119,128
Other Payables	39,566	43,351
Due To Former Holding Company	-	3,926
Due To Subsidiaries Of Former Holding Company	1,080	1,418
	<u>162,819</u>	<u>629,373</u>
TOTAL LIABILITIES	<u>1,495,806</u>	<u>2,027,901</u>
TOTAL EQUITY AND LIABILITIES	<u>4,152,104</u>	<u>4,792,094</u>
Net Assets Per Share (RM)	0.3231	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 31st March 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			
3 MONTHS ENDED 31ST MARCH 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	-	-	-	-	-	-	(114,204)	-	-	5,015	(109,189)	(189)	(109,378)
At 31st March 2018	4,054,817	-	3,187	-	211,876	698	460,508	78,145	-	(2,155,113)	2,654,118	2,180	2,656,298

Condensed Consolidated Statement Of Changes In Equity For The Period Ended 31st March 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			
3 MONTHS ENDED 31ST MARCH 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 Income / (Loss)	-	-	-	-	-	-	(25,436)	-	907	(104,117)	(128,646)	(808)	(129,454)
At 31st March 2017	2,453,819	-	3,243	-	-	698	724,217	78,145	6,466	(1,137,246)	2,129,342	2,405	2,131,747

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

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

	3 Months Ended 31/03/2018 RM'000	3 Months Ended 31/03/2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) Before Tax	4,939	(104,908)
Adjustments For:		
Depreciation & Amortisation	44,081	67,238
Net Gain On Disposal Of Property, Plant & Equipment	(10)	(234)
Interest Expense	21,761	38,742
Share Of Results Of Associate	(66)	(75)
Net Unrealised Foreign Exchange Loss / (Gain)	3,655	(231)
Interest Income	(5,045)	(4,043)
Property, Plant & Equipment Written Off	3	6
Operating Profit / (Loss) Before Working Capital Changes	69,318	(3,505)
Decrease In Receivables	65,491	25,336
Decrease / (Increase) In Inventories	4,095	(3,241)
Net Changes In Former Related Company Balances	(2,912)	3,905
Decrease In Payables	(52,608)	(60,631)
Cash Generated From / (Used In) Operating Activities	83,384	(38,136)
Interest Paid	(22,515)	(38,531)
Taxes Paid	(243)	(868)
Net Cash Generated From / (Used In) Operating Activities	60,626	(77,535)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase Of Property, Plant & Equipment	(104)	(1,125)
Proceeds From Disposal Of Property, Plant & Equipment	30	232
Net Proceeds From Disposal Of Subsidiary	67	-
Interest Received	5,045	3,589
Net Cash Generated From Investing Activities	5,038	2,696
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment Of Long Term Borrowings	-	(70,473)
Net Movement In Short Term Borrowings	(391,526)	40,635
Net Cash Used In Financing Activities	(391,526)	(29,838)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(325,862)	(104,677)
CASH AND CASH EQUIVALENTS AS AT 1ST JANUARY	680,747	891,471
EFFECTS OF EXCHANGE RATE CHANGES	(4,381)	(762)
CASH AND CASH EQUIVALENTS AS AT 31ST MARCH	350,504	786,032
Cash and Cash Equivalents comprise:		
- Current	350,504	454,082
- Non-Current	-	331,950
	350,504	786,032

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

Explanatory Notes

NOTE 1 – Significant accounting policies

Basis of preparation

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

Revised Malaysian Financial Reporting Standards (MFRS)

The following revised MFRS that are effective and applicable to the Group and the Company have been adopted with effect from 1st January 2018:

- (a) MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)
- (b) MFRS 9 Financial Instruments
- (c) MFRS 15 Revenue from Contracts with Customers
- (d) MFRS 140 Transfer of Investment (Amendments to MFRS 140)
- (e) Amendments to MFRS 15 Revenue from Contracts with Customers: Clarifications (Annual Improvements to MFRS 2014 - 2016 Cycle)
- (f) IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

MFRS 9 Financial Instruments

MFRS 9 introduces new requirements for classification and measurements, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1st January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. During 2017, the Group has performed a detailed impact assessment of all three aspects of MFRS9. The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available.

Based on the analysis of the Group's and the Company's financial assets and liabilities as at 31st December 2017 on the basis of facts and circumstances that exist at that date, the Group and the Company do not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements on MFRS 9. The Group and the Company will apply the simplified approach and record life time expected losses on all trade receivables, which is not expected to have a material impact to the impairment allowance.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step models that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, and the related interpretations.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1st January 2018. The Group and the Company plan to adopt the new standard on the stipulated effective date using the modified retrospective method and apply all the practical expedients available for modified retrospective method under MFRS 15.

The Group and the Company have undertaken an assessment of the impact and have concluded that MFRS 15 is not expected to have a significant impact on financial statements except for new disclosures in the financial statements.

Adoption of the above revised standards is not expected to have a material impact on the financial statements of the Group for the financial year ending 31st December 2018.

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; and

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 cyclical in the offshore drilling and oilfield services industries.

NOTE 3 – Exceptional Items

As at 31st March 2018, the United States Dollar had weakened against the Ringgit Malaysia by about 4.8% compared with the exchange rate as at 31st December 2017. This had affected assets and liabilities upon translation of the Group's assets and liabilities denominated in USD to RM, the presentation currency of the Company. The net impact to equity as at 31st March 2018 was a loss of RM114.3 million.

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

NOTE 6 – Dividends Paid

There was no dividend paid during the period ended 31st March 2018.

NOTE 7 – Segmental Reporting

	Three Months Ended 31st March 2018		
Business Segment	Revenue RM'000	Profit / (Loss) Before Tax RM'000	Profit / (Loss) Attributable to Owners of the Company RM'000
Drilling Services	118,016	(18,078)	(18,116)
Oilfield Services	3,632	(730)	(603)
Others	115	23,747	23,734
Consolidated Total	121,763	4,939	5,015

	Three Months Ended 31st March 2017		
Business Segment	Revenue RM'000	Loss Before Tax RM'000	Loss Attributable to Owners of the Company RM'000
Drilling Services	70,924	(96,107)	(95,644)
Oilfield Services	3,301	(1,572)	(1,241)
Others	53	(7,229)	(7,232)
Consolidated Total	74,278	(104,908)	(104,117)

The decrease in total assets during the quarter ended 31st March 2018 was mainly due to depreciation of RM44.1 million and translation loss of approximately RM173.7 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 31st March 2018 to the date of this announcement, which affects substantially the results of the Group for the quarter ended 31st March 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 quarter ended 31st March 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	19,761	
Others	29	19,790
	<hr/>	
Approved but not contracted for:		
Land and buildings	4,492	
Equipment, plant and machinery	38,537	
Others	1,186	44,215
Total	<hr/>	<hr/> 64,005

NOTE 11 - Significant Related Party Transactions

This is not applicable to the Group.

NOTE 12 – Classification of Financial Assets

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

NOTE 13 – Changes in Contingent Liabilities and Contingent Assets

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

NOTE 14 – Review of Performance

Current Quarter Ended 31st March 2018

	Revenue		Profit / (Loss) Before Tax	
	1st Quarter ended 31/03/2018 RM'000	1st Quarter ended 31/03/2017 RM'000	1st Quarter ended 31/03/2018 RM'000	1st Quarter ended 31/03/2017 RM'000
Business Segment				
Drilling Services	118,016	70,924	(18,078)	(96,107)
Oilfield Services	3,632	3,301	(730)	(1,572)
Others	115	53	23,747	(7,229)
Total	121,763	74,278	4,939	(104,908)

Group

Group revenue of RM121.8 million for the first quarter ended 31st March 2018 was higher than the RM74.3 million registered in the same quarter of 2017 by RM47.5 million or 63.9%. Both the Drilling Services and Oilfield Services segments reported higher revenue as a result of higher rigs utilisation and increase in threading activity in China.

The Group recorded a profit before tax of RM4.9 million in the first quarter of 2018 against the RM104.9 million loss recorded in the same quarter of 2017, a significant improvement of RM109.8 million or 104.7% mainly due to higher rigs utilisation and net forex gain of RM18.2 million.

Drilling Services Segment

In the first quarter of 2018, the Drilling Services segment contributed revenue of RM118.0 million or 96.9% of the total revenue of RM121.8 million, an increase of RM47.1 million or 66.4% over the RM70.9 million recorded in the same quarter of 2017. Out of the seven jack-up rigs, five were income-generating, whereby four of them contributed full-quarter revenue in the first quarter of 2018. The average asset utilisation rate was 65% as compared to 26% in the same period of 2017.

As a result, the Drilling Services segment incurred a significantly lower loss before tax of RM18.1 million in the first quarter of 2018 compared to the loss of RM96.1 million reported in the same quarter of 2017, an improvement of RM78.0 million or 81.2%.

Oilfield Services Segment

The Oilfield Services segment contributed revenue of RM3.6 million or 3.0% of the total revenue of RM121.8 million in the first quarter of 2018, an increase of RM0.3 million or 9.1% over the RM3.3 million registered in the same quarter of 2017. The revenue improvement was mainly the result of higher demand for repair and premium connection threading services at our plant in Tianjin, China.

Consequently, the Oilfield Services segment reported a lower loss before tax of RM0.7 million in the first quarter of 2018 as compared to the loss of RM1.6 million recorded in the same quarter of 2017, an improvement of RM0.9 million or 56.3%.

NOTE 15 – Comparison with Preceding Quarter’s Results

	Revenue		Profit / (Loss) Before Tax	
	1st Quarter ended 31/03/2018 RM'000	(Restated) 4th Quarter ended 31/12/2017 RM'000	1st Quarter ended 31/03/2018 RM'000	(Restated) 4th Quarter ended 31/12/2017 RM'000
Business Segment				
Drilling Services	118,016	187,728	(18,078)	(978,190)
Oilfield Services	3,632	3,652	(730)	(1,636)
Others	115	575	23,747	2,562
Total	121,763	191,955	4,939	(977,264)

Group revenue of RM121.8 million for the first quarter of 2018 was lower than the RM192.0 million achieved in the fourth quarter of 2017 by RM70.2 million or 36.6%, as a result of lower rigs utilisation. Five out of the seven jack-up drilling rigs were operational in the first quarter of 2018 with an average asset utilisation rate of 65% compared to the 95% for the fourth quarter of 2017.

However, the Group posted a profit of RM4.9 million in the first quarter of 2018 compared to the RM977.3 million loss reported in the fourth quarter of 2017 due mainly to asset impairment loss of RM982.1 million.

NOTE 16 – Current Prospect

Drilling Services Segment

With the benchmark Brent oil price continuing to improve, hovering above USD70 per barrel for the last one month, more confidence is seen in the upstream sector, resulting in more activities especially in drilling. While the oil price is not expected to rise significantly further in the near term, the industry is presently witnessing a gradual recovery, albeit at a slow pace.

At present, five of the Group's jack-up drilling rigs are working with two more expected to be mobilized in the third quarter. While there is no guarantee for continuous full utilisation of the Group's drilling rigs, the utilisation rate is expected to stay at a relatively healthy level in the near future. Besides working on extension of existing contracts, the Group is also 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 oilfield services sector is showing signs of slow recovery. However, competition has intensified especially in our foreign operations with emergence of local new competitors in this low-value and low-entry-barrier business. This increases the pressure on prices, resulting in a challenging environment to sustain profitable business. As a result, the Group is continually reviewing this segment to evaluate its viability. However, the financial impact to the Group is immaterial as this segment's contribution to the Group is minimal.

Group

The Group is presently focussing on securing more contracts and improving operational efficiency. The potential improvement in both utilization and operating cost is expected to contribute positively to the financial performance of the Group for the financial year 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

	1st Quarter ended 31/03/2018 RM'000
Taxation for current period	56
Under / (Over) provision in prior periods	6
	62
Deferred taxation	5
Total	67

Several companies in the Group were profitable and in tax payable position while the rest of the companies were in a loss position. Hence there was a tax charge of RM67,000 for the first quarter ended 31st March 2018.

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 Rights Issue Proceeds as at 17th May 2018

Purpose	Proposed utilisation RM' million	Actual utilisation to date RM' million	Deviation %	Explanation
Part repayment of the bank borrowings of the Group	1,500.0	1,500.0	nil	nil
Working capital requirements of the Group	310.0	312.9	-0.9%	Utilisation of the balance of defray expenses allocation as explained below
Defray expenses relating to Rights Issue	6.1	3.2	47.5%	The balance of RM2.9million has been fully utilised as working capital
Total	1,816.1	1,816.1		

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	42,032	42,032	10,875
		<u>42,032</u>	<u>10,875</u>
Long term borrowings			
- Secured			
Long term loans	1,410,725		365,000
Portion of long term loans payable within 12 months	(42,032)		(10,875)
Less: Transaction cost	(35,706)		
		<u>1,332,987</u>	
		<u>1,332,987</u>	<u>354,125</u>

Movements of Borrowings	Short Term Borrowings	Long Term Borrowings
	RM '000	RM '000
Opening Balance	461,115	1,398,528
Add : Transaction cost	-	39,928
Add/(Less) : Amount payable within 12 months	(44,174)	44,174
Adjusted Opening Balance	<u>416,941</u>	<u>1,482,630</u>
Less : Exchange Difference	(19,568)	(71,905)
Less : Repayment	(397,373)	-
	<u>-</u>	<u>1,410,725</u>
Less : Transaction cost	-	(35,706)
Add/(Less) : Amount payable within 12 months	42,032	(42,032)
Closing Balance	<u>42,032</u>	<u>1,332,987</u>

NOTE 22 – Material Litigation

Reference is made to the material litigation in the Abridged Prospectus dated 25 September 2017.

The hearing for the arbitration was held from 2nd to 5th April 2018 in Singapore. Thereafter, the arbitrator has issued a Procedural Order directing parties to file and serve a written closing submissions and a written cost submissions.

UMW Offshore Drilling Sdn. Bhd. (“UOD”) was advised by its solicitors that from the facts of the case, UOD has a good claim and a good defence to Frontier’s counterclaim against UOD.

The arbitration proceedings are not expected to have a material impact on the earnings per share and the net assets per share of the Company for the financial year ending 31st December 2018.

The Company will make further announcement if there is any material development in the matter.

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 31st March 2018.

NOTE 24 – Earnings Per Share

Basic profit per share for the current quarter ended 31st March 2018 is calculated by dividing the net profit attributable to equity holders of the Company of RM5,015,000 by the weighted average number of ordinary shares in issue as at 31st March 2018 of 7,849,050,000 shares.

Diluted basic profit per share for the current quarter ended 31st March 2018 is calculated by dividing the net profit attributable to equity holders of the Company of RM5,015,000 by the adjusted weighted average number of ordinary shares in issue and issuable as at 31st March 2018 of 9,362,450,000 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

	1st Quarter ended 31/03/2018 RM'000
(a) Interest income	5,045
(b) Depreciation and amortisation	(44,081)
(c) Net gain on disposal of property, plant and equipment	10
(d) Net foreign exchange gain	18,174
(e) Property, plant and equipment written off	(3)

By Order Of The Board

MOHD NIZAMUDDIN BIN MOKHTAR

**Secretary
(LS006128)**

Kuala Lumpur
24th May 2018