

UMW HOLDINGS BERHAD (090278-P)

EXECUTION OF A SHARE PURCHASE AGREEMENT BETWEEN UMW RIG ASSET (L) LTD AND S.D. STANDARD DRILLING PLC IN RESPECT OF THE ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP CAPITAL IN OFFSHORE DRILLER 4 LTD

1. INTRODUCTION

UMW wishes to announce that UMW Rig Asset (L) Ltd (“URA”), a wholly-owned subsidiary of UMW Oil & Gas Corporation Berhad, which in turn, is a wholly-owned subsidiary of UMW, has today entered into a Share Purchase Agreement (“SPA”) with S.D. Standard Drilling Plc (“SD”) for the acquisition of the entire issued and paid-up capital of Offshore Driller 4 Ltd (“OD-4 ”), for a consideration of USD69.4 million (hereinafter referred to as “OD-4 Acquisition”) and further for the assignment of all rights and interests under the Vessel Construction Agreement (“VCA”) entered into between OD-4 and Keppel FELS Limited (“Keppel”) on 29th April 2011, for the construction of a mobile offshore self-elevating jack-up drilling rig of Keppel FELS Mod VB design with Builder’s Hull no. B340 (the “Rig”), inclusive of all equipment and spares belonging to the Rig whether on board, ashore or on order as may be delivered by Keppel under the VCA for a consideration of USD153.6 million (hereinafter referred to as the “Rig Acquisition”).

Both the OD-4 Acquisition and the Rig Acquisition shall be collectively referred to as “the Proposed Acquisition”.

The total consideration arising from the Proposed Acquisition is USD223.0 million.

Upon completion of the Proposed Acquisition, URA will assume the rights to and ownership of OD-4 and the Rig.

The Rig is currently being constructed and is expected to be completed and delivered by May 2014.

2. TOTAL PURCHASE CONSIDERATION

The total consideration for the Proposed Acquisition of USD223.0 million was derived at, after taking into account prevailing market price and also taking into consideration recent transactions relating to the purchase of a rig with similar specifications.

The total consideration will be paid as follows -

- (i) the sum of USD2.0 million deposit has been paid to SD upon signing of the SPA on 23rd May 2013;
- (ii) the sum of USD67.4 million is to be paid to SD on or before 10th June 2013; and
- (iii) the balance of USD153.6 million is to be paid via OD-4 to Keppel in accordance with the terms and conditions of the VCA.

3. INFORMATION ON THE PARTIES

3.1 URA

URA is a company incorporated in the Federal Territory of Labuan on 5th April 2013 with its registered office at Brumby Centre, Lot 42, Jalan Muhibbah, 87000 Federal Territory of Labuan.

The principal activity of URA is investment holding.

3.2 SD

SD is a public limited liability company incorporated under the laws of Cyprus with its registered address at Arch, Makariou III, 213 Maximos Plaza, Tower 1, 3rd Floor, P.C. 3030, Limassol, Cyprus.

SD operates as an offshore drilling contractor.

SD holds 38,502 ordinary shares of par value USD1.00 each, representing the entire issued and paid-up capital of OD-4.

3.3 OD-4

OD-4 is an exempted company incorporated under the laws of the Cayman Islands on 8th April 2011 with its registered address at c/o R&H Trust Co. Ltd., Windward 1, Regatta Office Park, P.O. Box 897, Grand Cayman KY1-1103, Cayman Islands.

The issued and paid-up capital of OD-4 is USD38,502 divided into 38,502 shares of par value USD1.00 each, currently held by SD.

OD-4 has not undertaken any business or incurred any debts, obligations, liabilities or commitments of any kinds, save for the VCA with Keppel, which was executed on 29th April 2011 in relation to the construction of the Rig.

The Cayman Islands Companies Law (2007 Revision) states that Cayman Islands companies must maintain "proper books of accounts". The law makes no requirement that financial statements should be audited. Additionally, there are no statutory requirements for filing of financial information with any government body.

In accordance with the unaudited management accounts of OD-4 furnished to URA by SD, the net assets of OD-4 as at 31st March 2013 are USD35.8 million.

4. SALIENT FEATURES OF THE SPA

The SPA is conditional upon, *inter-alia*, the following -

4.1 the entire shares of SD in OD-4 are transferred to URA -

- free from all liens, charges, pledges, trusts and encumbrances (other than those disclosed in the SPA);
- with all the rights attaching thereto including all dividends and distributions declared in respect thereof and in particular, the rights to the VCA and/or the Rig, with effect from the Completion Date as defined in Clause 4.2 below;
- on the basis of the warranties as stated in the SPA; and
- premise on the undertakings by the Seller that OD-4 has not undertaken any business or incurred any debts, obligations, liabilities or commitment of any kind except for the VCA; and

4.2 the completion shall take place on 10th June 2013 or at such other date or time which URA and SD shall agree in writing ("Completion Date").

5. SOURCE OF FUNDING

The Proposed Acquisition will be financed from the internal funds and borrowings.

6. RATIONALE

The Proposed Acquisition is in line with the UMW Group's plan to enhance the asset base and improve the financial performance over the coming years.

It will also facilitate UMW Oil & Gas' expansion specifically in Malaysia and globally.

The Board opined that the Proposed Acquisition is in the best interests of the UMW Group after having deliberated and considered the following -

- (a) high demand for jack-up rigs in Malaysia and in the Asia-Pacific region at present. The market forecasted high demand for drilling rigs, particularly jack-up drilling rigs in the next few years. This situation is further aggravated by the current shortage of available drilling rigs globally;
- (b) following the announcement made by the Malaysian Government on the Economic Transformation Programme (ETP) relating to the Oil, Gas & Energy Sector and the recent amendment to the Petroleum Income Tax Act 1967, there has been a steady increase in activities in the small and marginal field development as well as in Enhanced Oil Recovery (EOR), which has resulted in higher demand for readily-available drilling rigs;
- (c) UMW currently has four (4) drilling rigs within its stable, namely NAGA 1, NAGA 2, NAGA 3 and NAGA 4. With the contract extension awarded by Petronas Carigali Sdn Bhd ("PCSB") for NAGA 1 and NAGA 3, and

recent award of contract by PCSB for NAGA 4, coupled with the fact that NAGA 2 will commence its contract with Petrovietnam Drilling and Well Services Corporation, Vietnam in the second quarter of 2013, it is timely for UMW to source for additional drilling rigs to capitalise on the current high market demand for rigs; and

- (d) UMW has submitted several bids for additional contracts in Malaysia and within ASEAN, and there is high probability of securing at least one long term contract.

In summary, the Proposed Acquisition will enable UMW to capture available business opportunities and to increase its drilling asset base in line with the present strategic business plan for its Oil & Gas Division.

7. APPROVAL

The Proposed Acquisition does not require the approval of the shareholders of UMW.

8. PROSPECTS

The Proposed Acquisition is expected to enlarge the operations and earning base of the UMW Oil & Gas Division so as to contribute positively to the earnings of the UMW Group in the future financial years.

9. RISK FACTORS

The Directors are not aware of any risk factors arising from the Proposed Acquisition other than the normal business risk, competition risk, political, economic, regulatory and operations risk which are inherent to the Oil & Gas industry.

The Directors do not foresee any major risks in relation to the Proposed Acquisition, save for delay on the completion and delivery of the Rig to OD-4 by Keppel.

10. HIGHEST PERCENTAGE RATIO APPLICABLE TO THE PROPOSED ACQUISITION

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements is 13.85% based on the audited financial statements of the UMW Group for the financial year ended 31st December 2012.

11. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the Directors and/or major shareholders of UMW and/or persons connected with the Directors and/or major shareholders, has any interest, direct or indirect, in the Proposed Acquisition.

12. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The Proposed Acquisition will not have any effect on the issued and paid-up share capital and substantial shareholders' shareholding of UMW.

The Proposed Acquisition is not expected to have any material impact on net assets and earnings of the UMW Group for the financial year ending 31st December 2013. UMW intends to part-finance the Proposed Acquisition with internal funds, the quantum of which will be dependent on the level of net cash generated from UMW's operations.

13. STATEMENT BY DIRECTORS

The Board of Directors of UMW is of the opinion that the Proposed Acquisition is in the best interests of the UMW Group.

14. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA will be available for inspection, in accordance with UMW's Documents Inspection Policy, at the registered office of UMW Holdings Berhad at 3rd Floor, The Corporate, No. 10, Jalan Utas (15/7), Batu Tiga Industrial Estate, 40200 Shah Alam, Selangor Darul Ehsan, during normal office hours (9:00 a.m. to 5:00 p.m.) on any weekday (except public holidays) from 27th May 2013 to 31st May 2013.

This announcement is dated 23rd May 2013.

cc - Securities Commission
(Corporate Finance & Investments)