Douglas Westwood

The Board of Directors
UMW OIL & GAS CORPORATION BERHAD
Jalan Utas 15/7, 40915 Shah Alam, Selangor Malaysia.

Dear Sirs and Madams,

Please see further a report of the industry and offshore energy market relating to UMW Oil & Gas Corporation Berhad.

This Independent Market Research Report has been prepared for inclusion in the Prospectus pursuant to the listing of UMW Oil & Gas Corporation Berhad on the Main Market of Bursa Malaysia Securities Berhad.

This research is undertaken with the purpose of providing an overview of the offshore energy industry in Malaysia. The research methodology includes both primary research, involving interviews with pertinent companies, as well as secondary research such as reviewing press articles, periodicals, government literatures, in-house databases, Internet research and Douglas-Westwood proprietary databases.

Douglas-Westwood has prepared this Independent Market Research Report in an independent and objective manner and has taken all reasonable consideration and care to ensure the accuracy and completeness of the Independent Market Research Report. Douglas-Westwood further confirms that we are aware of our responsibilities under Section 214 of the Capital Markets and Services Act, 2007. In addition, Douglas-Westwood acknowledges that if there are significant changes affecting the contents of the Independent Market Research Report after the issue of the Prospectus and before the issue of securities, then Douglas-Westwood has an on-going obligation to cause the Independent Market Research Report to be updated for the changes and, where applicable, cause the company to issue a Supplementary Prospectus, or withdraw our consent to the inclusion of the Independent Market Research Report in the Prospectus.

The Independent Market Research Report is highlighted in the following sections.

Yours faithfully,
for and on behalf of Douglas-Westwood Pte. Ltd

Jason Waldie, Associate Director

20 SEP 2013

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Independent Market Report

UMW OIL & GAS CORPORATION BERHAD

Douglas Westwood

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GLOSSARY

Glossary

Technical Terms

API	:	American Petroleum Institute
API thread	:	Standardised thread licensed by the API
appraisal well	:	Wells drilled as part of an appraisal drilling programme which is carried out to determine the physical extent, reserves and likely production rate of a field
bbl	:	Barrel
bbl/day	:	Barrel per day
bcf	:	Billion cubic feet
bcm	:	Billion cubic metre
BHA	:	Bottom Hole Assembly is the lower portion of the drill string which is used to provide weight to the bottom of the drill string, to assist in the drilling of a hole by crushing the rock formation using the drill bit
bn	:	Billion
BOP	:	Blowout preventer
btoe	:	Billion tonne of oil equivalent
btu	:	British thermal unit which is a traditional unit of energy equal to about 1,055 joules
CAGR	:	Compound Annual Growth Rate
capex	:	Capital expenditure
casing	:	Large-diameter pipe set inside a drilled well to protect the wellstream
CBM	:	Coal bed methane refers to methane adsorbed into the solid matrix of the coal. It is called 'sweet gas' because of its lack of hydrogen sulfide.
CNC	:	Computer Numerically Controlled machine refers to the automation of machine tools that are operated by abstractly programmed commands encoded on a storage medium
DCR	:	Daily charter rate
DD	:	Drilling Depth often refers to the depth of the well being drilled, not the water depth and hence, it can be used interchangeably with the term "well depth"
deepwater drilling	:	Process of oil and gas exploration and production in depths of more than 500 metres (1,640ft)
development well	:	A well drilled to the depth of a geologically proven horizon that is likely to be productive within the proved area of an oil or gas reservoir, so as to maximise the chances of success

drillship	:	Vessel-shaped floating drilling rigs capable of drilling in deepwater
drill bit	:	A rotating apparatus that usually consists of three cones made up of the hardest of materials (usually steel, tungsten carbide and/or synthetic or natural diamonds) and sharp teeth that cuts into the rock formation and sediment when drilling an oil or gas well
drill collar	:	Thick-walled tubular pieces machined from solid bars of steel that provides weight on the drill bit for drilling and is a component of a drill string
drill stabiliser	:	A downhole equipment used in the BHA of a drill string to mechanically stabilise the BHA in the borehole in order to avoid unintentional sidetracking, vibrations and ensure the quality of the hole that is being drilled
drill string	:	Drill string is made up of BHA and drill pipe, which transmits drilling fluid via the mud pumps to the drill bit
E&A	:	Exploration & Appraisal
E&P	:	Exploration & Production
EIA	:	The U.S. Energy Information Administration, a statistical and analytical agency within the U.S. Department of Energy, is responsible for collecting, analysing, and disseminating independent and impartial energy information to promote sound policymaking, efficient markets, and public understanding of energy and its interaction with the economy and the environment
EOR	:	Enhanced Oil Recovery
EPC	:	Engineering, Procurement, Construction refers to a contract between a company and a contractor to perform detailed engineering, procurement of materials and equipment and construction of structure
ETP	:	Economic Transformation Programme. The ETP is an initiative by the Malaysian government to turn Malaysia into a high income economy of USD 15,000 to USD 20,000 per capita, compared to the USD 6,700 recorded in 2010
exploration well	:	A well drilled to find oil or gas in an unproven area
Fixed Platform	:	Offshore production structure consisting of a topside facility that is attached to the seabed via a steel jacket or a concrete foundation.
FLNG	:	Floating Liquefied Natural Gas refers to offshore LNG production platform
FPSO	:	Floating, Production, Storage and Offloading refers to production units that are the most commonly used method of deepwater production which are typically shipshaped and are often converted from crude oil carriers and are spread-moored on location but can be re-deployed to several fields over its lifespan
FPSS	:	Floating Platform Semi-Submersible offers all the advantages of semi-submersible drilling rigs such as the ability to provide a highly stable workstation in water depths up to 3,000 metres

FPU	:	Floating Production Unit are offshore production platforms that are not fixed to the seabed via a fixed structure which includes FPSO, FPSS, TLP, SPAR and FLNG
GDP	:	Gross Domestic Product
ft	:	A foot (or plural feet) is a unit of length measuring 0.3048 metre
hook load	:	The total force pulling down on the hook (travelling block) of a drilling rig, which includes the weight of the drill string and any ancillary equipment under the travelling block
HP	:	Horse power
HPHT	:	High Pressure High Temperature is typically used as a classification for reservoirs that are subject to pressure greater than 10,000 psi and temperature greater than 150°C
HSE	:	Health, Safety and Environment
HWU	:	Hydraulic Workover Unit
IADC	:	International Association of Drilling Contractors
IMF	:	International Monetary Fund
IOC	:	International Oil Company
jack-up	:	Jack-up drilling rigs are primarily used for continental shelf drilling operations in water depths typically ranging from 91 to 152 metres (300 to 500 ft)
killed-well	:	Well pressure suppressed by kill fluid or kill mud to the extent preventing flow of reservoir fluids without the need for pressure control equipment at the surface
KNOC	:	Korea National Oil Corporation
lb	:	Pound
LNG	:	Liquefied Natural Gas
LTI	:	Lost Time Incident refers to an accident resulting in personnel not being able to work as a result of their injury
mboe	:	Million barrels of oil equivalents, is a metric used to measure both the rate of oil production or oil transportation, and also used to measure total proven reserves in the ground
mboe/day	:	Million barrel of oil equivalent per day
mcf	:	Million cubic feet
mmbtu	:	Million British thermal unit
mn	:	Million
moonpool	:	A feature of marine drilling platforms, drillships and diving support vessels. It is an opening in the floor or base of the hull, platform, or chamber giving access to the water below
MODU	:	Mobile Offshore Drilling Unit which includes jack-up drilling rigs, semi-submersible drilling rigs and drillships

NOC	:	National Oil Company
O&M	:	Operation and Maintenance
OCTG	:	Oil Country Tubular Goods which includes drill pipes, casings, oil well tubings, plain-end casing liners, pup joints, couplings and connectors but excludes linepipes which are commonly used to transport oil and gas from production fields to end users
OEM	:	Original Equipment Manufacturer
OIM	:	Offshore Installation Manager
OPEX	:	Operational Expenditure
pin and box	:	A type of connection to join parts of OCTG without couplings where the box is a thick-walled collar with threads on the inside whilst the pin is threaded on the outer circumference and is screwed into the box
premium jack-up drilling rigs	:	Cantilevered rigs that are capable of operating in water depths of 91 metres (300 ft) or more
premium thread	:	A class of high-performance thread types that are commonly used in modern oil well and gas well completions, especially in offshore wells and onshore gas wells
PSC	:	Production Sharing Contract. An agreement between the parties to a field and a host country regarding the percentage of production each party will receive after the participating parties have recovered a specified amount of costs and expenses
Psi	:	Pound per square inch
riser	:	A conduit that provides a permanent extension of a well head to a production platform
pulling capacity	:	The pulling capacity of a HWU while performing workover services, often measured in pounds. Average maximum pulling capacity of a typical HWU is 300,000 lbs
RSC	:	Risk Sharing Contract is a contract governing IOCs to supply services and know-how to the state from exploration through production phases for the government in exchange for an agreed-on fixed fee or some other form of compensation and in risk service contract, IOCs bear all the exploration costs
semi-submersible drilling rig (semisub)	:	Floating drilling platforms that provide station-keeping and a large deck space making them an ideal MODU solution for development drilling in deepwater of rough sea conditions
shallow water drilling	:	Process of oil and gas exploration and production in water depth of less than 500 metres (1,640 ft) of water
snubbing capacity	:	Pushing capacity of a HWU while performing workover services, often measured in pounds. Average maximum pushing capacity of a typical HWU is 125,000 lbs
SPAR	:	Single Point Anchor Reservoir, a floating system with infield flow lines and associated subsea infrastructure to connect the subsea production and injection wells, is a cylindrical, partially submerged offshore drilling and production platform that is particularly well-adapted to deepwater

sq metre	:	Square metre
SWOT	:	Strengths, Weaknesses, Opportunities, Threats
tcf	:	Trillion cubic feet
tcm	:	Trillion cubic metre
threads	:	Ridges at the end of a pipe or tube that allows several similar pipes or tubes to be joined together
TLP	:	Tension Leg Platform are offshore production platforms that are permanently tethered to the seabed which eliminates vertical movement on the surface and allows wells to be completed on the platform to increase recovery rate
trunklines	:	Pipelines with large diameter, typically designed to transport oil and gas from production fields to various onshore facilities including refineries, and separation plants
tubing	:	Production tubing is placed inside the casing and assembled with other completion components to make up the production string
tubular products	:	Also called tubular, includes linepipes and OCTG such as tubing, casing, drill pipes, drill collars and couplings
ultra deepwater drilling	:	Process of oil and gas E&P in depths of more than 1,500 metres (4,921 ft)
water depth (WD) vs. well depth	:	The water depth refers to vertical distance between the sea level and the seabed where the drilling starts whilst well depth refers to the total length drilled to complete a well
well kill	:	An operation aimed to stop a well from flowing into the wellbore so that workover intervention can take place
wellbore	:	Any hole drilled for the purpose of exploration or extraction of natural resources

Others

APAC	:	Asia-Pacific. Countries include: Bangladesh, Brunei, Cambodia, China, India, Indonesia, Japan, Malaysia, Myanmar, Pakistan, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand, Vietnam, Australia, East Timor, New Caledonia, New Zealand, and Papua New Guinea
Asia	:	Bangladesh, Brunei, Cambodia, China, India, Indonesia, Japan, Malaysia, Myanmar, Pakistan, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand, and Vietnam
Avg. No.	:	Average number
BP	:	BP Plc
Chevron	:	Chevron Corporation
CNOOC	:	China National Offshore Oil Corporation
CNPC	:	China National Petroleum Corporation

DW or Douglas-Westwood	:	Douglas-Westwood Pte. Ltd.
Europe and Eurasia	:	Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Republic of Ireland, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom, Armenia, Azerbaijan, Belarus, Estonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Russian Federation, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan
Latin America	:	Argentina, Bahamas, Brazil, Chile, Colombia, Cuba, Dominican Republic, Ecuador, El Salvador, Falkland Islands, Jamaica, Mexico, Nicaragua, Panama, Peru, Puerto Rico, St Eustatius, Trinidad, Uruguay, and Venezuela
Middle East	:	United Arab Emirates (UAE), Bahrain, Gaza Offshore, Iran, Iraq, Israel, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, Turkey, and Yemen
MMHE	:	Malaysia Marine and Heavy Engineering Sdn Bhd
Murphy Oil	:	Murphy Oil Corporation
Non-OECD	:	All countries that are not members of the OECD
North America	:	Canada, USA
OECD	:	Organisation for Economic Co-operation and Development
PETRONAS	:	Petroliam Nasional Berhad
PETRONAS Carigali	:	Petronas Carigali Sdn Bhd
PTTEP	:	PTT Exploration and Production Plc
PV Drilling	:	PetroVietnam Drilling & Well Services Corporation
ROTW	:	Rest of the world
SEA	:	South East Asia. Countries include: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam
Shell	:	Royal Dutch Shell Plc
Technip	:	Technip S.A.
Total	:	Total S.A.
UAE	:	The United Arab Emirates
UK	:	The United Kingdom
UKCS	:	United Kingdom Continental Shelf
UMW-OG	:	UMW Oil & Gas Corporation Berhad
USA	:	The United States of America

1. MACRO-ECONOMIC ENVIRONMENT

1.1. Global Energy Demand Outlook

Global energy demand is the principle indicator of activity for UMW-OG's suite of drilling and oilfield related services and is estimated to increase by 31%, from 12.5 btoe in 2012 to 16.4 btoe per annum in 2030.

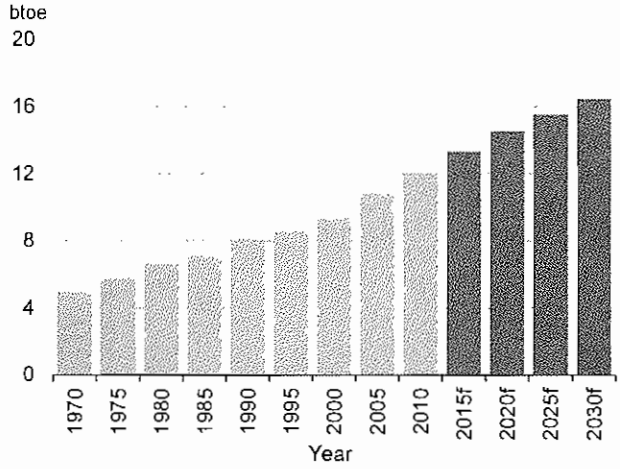


Fig.1: Global Energy Demand Outlook [Source: BP Energy Outlook 2030 (2013)]

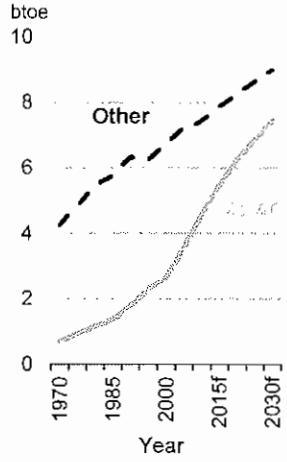


Fig.2: APAC Energy Demand Outlook [Source: Douglas-Westwood]

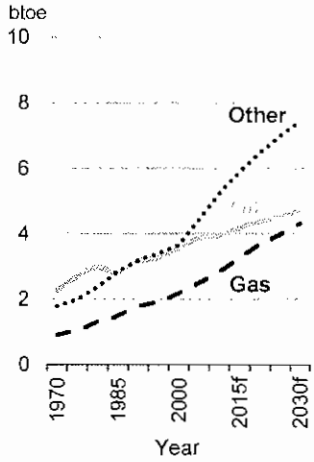


Fig.3: Global Energy Mix [Source: Douglas-Westwood]

Overview

Energy consumption from industry, power generation and transportation is the primary indicator for all hydrocarbon related business activities including the suite of drilling and oilfield related services provided by UMW-OG. Oil and gas is used in a wide variety of essential services such as power generation, transportation fuels, and consumer products such as plastics and cosmetics. Driven by an increasing population and purchasing power of individuals in developing non-OECD economies, global energy consumption is expected to increase by 31% from 12.5 btoe per annum in 2012 to 16.4 btoe per annum in 2030.

Regional Demand Outlook

Energy demand growth is expected to be mainly driven by the emergence of Asian economies. By the end of 2012, Asia accounted for 39% of global energy consumption and is projected to account for 65% of incremental demand from 2012 to 2030, with China alone accounting for 44% of the expected global incremental demand growth for the same period.

Whilst some of this consumption growth is linked to exports for European and American consumer markets, a significant proportion is expected to include indigenous demand which will drive an anticipated increase in Chinese GDP per capita from USD 6,091 in 2012 to USD 12,300 by 2020 (Silverstein et al, 2012), representing an increase of 102%. Such macro trends are expected to place a considerable emphasis on the Asian E&P industry to discover and develop new oil and gas reserves to keep pace with consumption growth, which in turn is anticipated to drive demand for UMW-OG's drilling and oilfield related services.

Increasing Role of Natural Gas

Recently, the increasing cost of finding new oil reserves combined with security concerns over nuclear power, greenhouse gas reduction strategies and geopolitics have led many nations to embrace natural gas as a cleaner, cheaper and more abundant fuel for power generation over other fossil fuels. This shift has largely been made possible by the commercialisation of LNG technology. This has allowed exporters to reach consumer markets beyond the traditional 1,100 km reach of conventional trunklines. As of 2012, the three largest LNG exporters are Qatar, Malaysia, and Australia whilst the three largest importers are Japan, South Korea and Spain.

We expect growth in demand for natural gas to substantially outpace that of oil and to grow from 3.0 btoe in 2012 to 4.3 btoe in 2030, representing 24% of the global energy mix in 2012 and 26% by 2030.

1.2. Global Oil and Gas Reserves & Production

The Middle East, Europe & Eurasia, and Latin America are the key regions, accounting for the estimated 33% increase in oil and gas proven reserves. Gas production is expected to increase at a CAGR of 3.8% whilst oil production increase is estimated at a CAGR of 1.2% from 2013 to 2018.

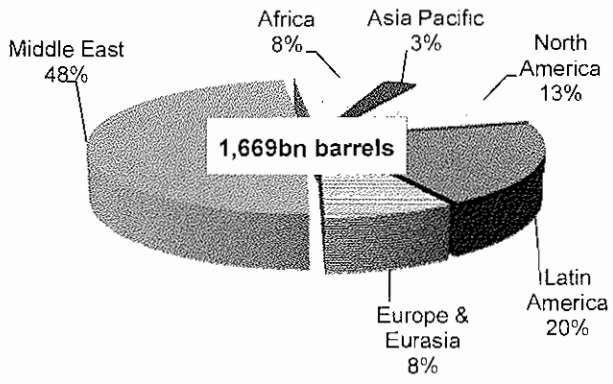


Fig.4: Global Oil Reserves by Region by the end of 2012
[Source: BP Statistical Review 2013]

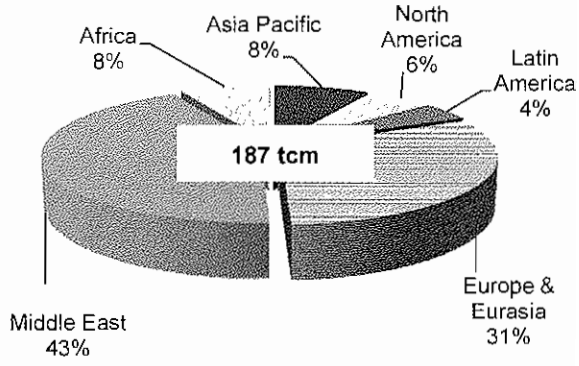


Fig.5: Global Gas Reserves by Region by the end of 2012
[Source: BP Statistical Review 2013]

Global Oil Reserves

Global oil reserves stood at an estimated 1,669bn barrels by the end of 2012, an increase of 33% compared to the year 2000 reserve estimate of 1,258bn barrels, equalling a CAGR of 2.4%. On a regional basis, the Middle East holds the largest reserves and accounts for an estimated 48% of global total, other major reserve holders such as Latin America with 20% and North America with 13%. Over the past decade, major reserve growth came from Latin America which accounted for 56% of incremental additions over this time, largely due to the discovery and commercial viability of heavy oil and bitumen resources in Venezuela.

Although being a significant oil producing region, APAC holds only 3% of the estimated global oil reserves and has accounted for less than 1% of incremental additions over the past decade. Within Asia, China holds the largest oil reserves, making up 42% of the regional total. Vietnam, Malaysia and Indonesia are the most significant oil reserve holders in SEA with 11%, 9% and 9% of total APAC oil reserves respectively.

Global Gas Reserves

By the end of 2012, global gas reserves were estimated at 187 tcm representing an increase of 34% compared to the year 2000, a CAGR of 2.5%. Regionally, the largest reserves are found in the Middle East and the Europe & Eurasian continent, accounting for 43% and 31% of the global total respectively. In particular, Russia has traditionally been one of the largest holders of natural gas in the world and accounts for 18% of global reserves. Outside Russia, Iran and Qatar are the two largest reserve holders which account for 18% and 13% of the global total respectively, resulting from the discovery of the giant North/South Pars fields in the Persian Gulf which is now estimated to hold up to 50 tcm of natural gas alone. Subsequent reserve estimate revisions have led to substantial additions for both countries which has been a major factor in the Middle East accounting for 45% of global incremental reserves since 2000.

APAC plays a more central role in the global gas sector, accounting for an estimated 8% of global reserves in 2012. The largest reserve holders in APAC are Australia, China and Indonesia with 24%, 20% and 19% respectively of the region.

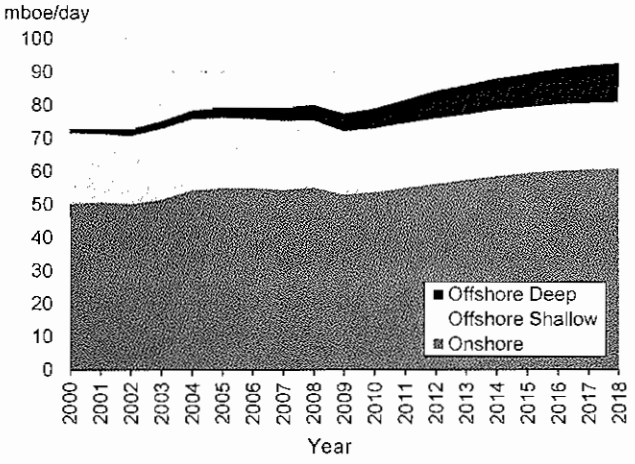


Fig.6: Global Oil Production Outlook by Source
[Source: Douglas-Westwood]

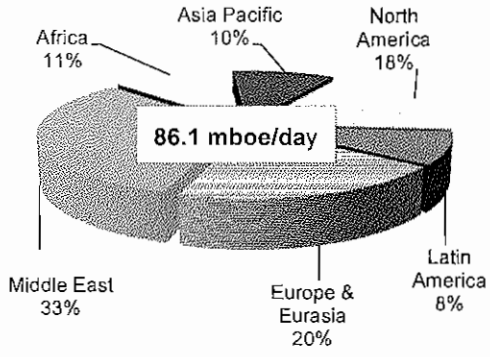


Fig.7: Global Oil Production 2012 by Region
[Source: Douglas-Westwood, BP Statistical Review 2013]

Global Oil Production Outlook

In 2012, global oil production reached 86.1 mboe/day, showing signs of a full recovery from the effects of the global financial crisis of 2009 where year-on-year outputs declined for the first time since 1998. Total production is expected to increase at a CAGR of 1.9% between 2013 and 2018 and to be characterised by the consolidation of the Middle East as the world's primary supplier of crude oil and an increasing reliance on deepwater reserves by IOCs.

Regional Review: The Middle East has been the world's primary supplier of crude oil since 1969, a position interrupted only during the 1980s as a result of the Iran-Iraq war. Currently, the region accounts for 33% of global oil production with Saudi Arabia accounting for 13% of global oil production while other major producers such as Iran, the UAE, Kuwait and Iraq each accounts for approximately 4% of global oil production. The Middle East is expected to increase its oil production significantly over the next decade which is driven primarily by major new investment in Iraq. We estimate the region to account for 34% of global oil production by 2018.

Other major regional oil producers include Europe & Eurasia which currently accounts for 20% of global oil production. This region is highly reliant on Russia which accounts for 62% of the regional total and 12% of global production. Russia is currently the second largest oil producer globally after Saudi Arabia. However, current production operations are mature with limited major new development prospects on the horizon. As such, Europe & Eurasia's share of global oil production is expected to fall to 18% by 2018.

In 2012, APAC accounted for 10% of global oil production. However, similar to Russia many of APAC's existing basins are increasingly mature which will lead to the region's share dropping to an estimated 9% by 2018. Major producers in APAC include China, Indonesia, India and Malaysia, accounting for 50%, 11%, 11% and 8% of regional production respectively.

Increased Deepwater Focus: In 2000, deepwater (water depths exceeding 500m) oil production accounted for only 2% of global oil supply. By 2012, this proportion had grown to 10% and is expected to increase to 13% by 2018. Deepwater is becoming an increasingly important area for IOCs to find and develop new reserves of oil & gas in areas where there are limited onshore prospects (such as the Gulf of Mexico or Brazil) or where governments have lacked the technical capability to develop such complex resources themselves (such as West Africa).

Deepwater oil production in Asia began in 2001 and currently accounts for 7% of total oil supply in the region. Over the next decade, substantial new investment is expected in deepwater fields in Asia to offset the maturing of existing onshore and shallow water fields which is expected to drive this proportion up to 16% by 2018. However, it is important to note that shallow water production still remains the key source of oil production globally. This will sustain the increase in demand for jack-ups.

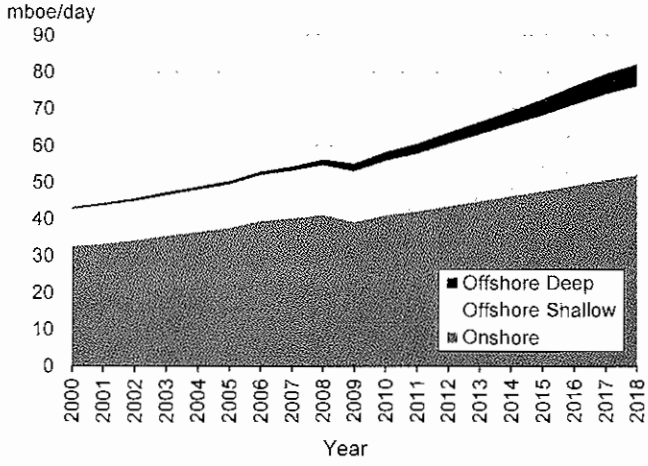


Fig.8: Global Gas Production Outlook by Source
[Source: Douglas-Westwood]

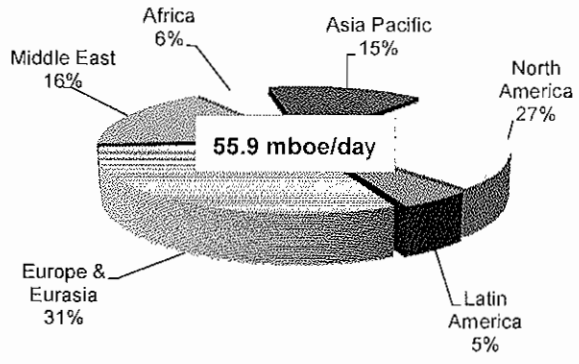


Fig.9: Global Gas Production 2012 by Region
[Source: Douglas-Westwood, BP Statistical Review 2013]

Global Gas Production Outlook

Douglas-Westwood estimated global gas production at 55.9 mboe/day in 2012, following a decrease in 2009 due to the global financial crisis which saw gas production fall from 56.2 mboe/day in 2008 to 55.1 mboe/day in 2009. Production is projected to increase at a CAGR of 3.8% to 85.9 mboe/day from 2013 to 2018. This is higher than the growth in oil production due to a shift towards gas demand globally.

Rapid development of unconventional gas such as shale gas, especially in North America from 2002 to 2012, has partly reshaped the dynamics of natural gas price. In 2011, the USA narrowed the gap between natural gas consumption and production from 1.9 mboe/day to 0.6 mboe/day. The increase in supply has resulted in the wide disparity in gas prices globally. Exporting USA natural gas to the global market also remains uncertain due to political motivations as American manufacturers have been lobbying to limit the export of natural gas export to keep power price low.

China has plans to increase unconventional gas production, specifically shale gas production with targeted outputs at 6.5 bcm per annum by 2015 and 60 to 100 bcm per annum by 2020. However, key challenges including weak infrastructure, lack of incentive policies, technologies and resource management may limit projected growth.

Regional Review: Key suppliers of natural gas include Europe & Eurasia and North America, accounting for approximately 31% and 27% of the global production respectively. In Europe & Eurasia, production is mainly dominated by Russian production which accounted for 57% of the total regional production in 2012. From 2013 to 2018, both Europe & Eurasia and North America are expected increase natural gas production by a CAGR of 3.5% and 1.5% respectively.

Other key regions include the Middle East and APAC. APAC will see the highest growth rate from 2013 to 2018, increasing gas production from 1.3 mboe to 2.7 mboe, representing a CAGR of 15.5%. This is due to several LNG projects in Australia including Gorgon, Wheatstone and Ichthys being developed to supply gas to East Asian economies such as Japan and South Korea over the forecast period from 2013 to 2018. APAC accounts for 15% of global gas production in 2012 at 8.2 mboe/day. This is projected to increase over the 2013 to 2018 forecast period to 10.7 mboe/day in 2018, representing a CAGR of 3.5%. The Middle East accounted for 16% of global natural gas production at 9.1 mboe/day in 2012. This is expected to increase to 19.1% in 2018 at 15.6 mboe/day, representing a CAGR of 8.5% over the 2013-2018 period.

Increased Deepwater Focus: Similar to oil, global gas production will see a shift towards offshore production, particularly in deepwater. Deepwater natural gas production was estimated at 3.6 mboe in 2012. This is projected to grow to 6.2 mboe/day in 2018, representing a CAGR of 11.6% over the 2013 to 2018 period. However, it is important to note that shallow water production still remains the key source of gas production globally. This is expected to sustain the increase in demand for jack-ups.

1.3. Global Oil Price Outlook

Over the next 5 years there is a consensus that oil price will remain stable between USD 90-100/bbl, in line with Douglas-Westwood's oil price outlook.

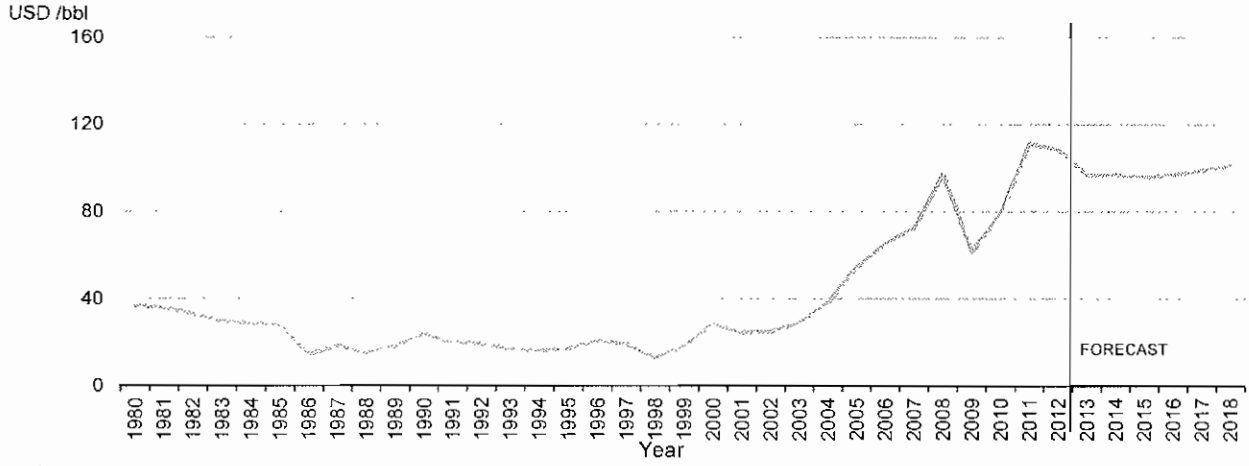


Fig.10: Oil Price Outlook
[Source: EIA]

Global Oil Price Outlook

Oil prices are generally seen as a key indicator of drilling activity with rig counts typically reacting to short term fluctuations. This correlation is perhaps most apparent in the USA where active rig counts fell by 33% between 2008 and 2009 in line with a 37% drop in the average USD/bbl of oil witnessed over the same period. Unfavourable oil price movements can have a negative short term influence on the demand for UMW-OG's drilling related products and services. Over the 2013 to 2018 period, EIA projects oil prices to hover around USD 100/bbl in their reference case forecast. However, month to month price movement is expected to experience more volatility as compared to the annual data presented above.

Douglas-Westwood projects a similar oil price outlook to EIA's reference case, assuming a constrained oil supply and substantial emerging market demand. Our price outlook also factors in carrying capacity (the oil price at which consumption begins to fall) of various OECD and non-OECD economies.

Carrying capacities are adjusted over time given changes due to a number of factors. The most important factors are GDP growth, oil efficiency gains, and dollar inflation. Douglas-Westwood estimates a carrying capacity of USD 90-100/bbl for OECD economies and USD 110-120/bbl in non-OECD economies. This is seen in 2010 where the USA saw a peak in recovery when Brent crude oil dropped below USD 90/bbl and in China where growth rate decreased in 2011 when price rose above USD 125/bbl. These carrying capacity levels are expected to grow between 6-9% annually moving forward, representing a high case where consumption and price tend to decrease above such level.

Incremental growth in the oil supply will be both difficult and expensive as countries move towards cost intensive offshore productions given maturing onshore fields. Currently, the cost of producing a marginal barrel of oil ranges from USD 65-80/bbl, representing a potential price floor. On the demand side, the vast majority of developed countries are able to increase consumption at oil prices less than USD 75/bbl. Therefore, if oil prices are below this level, global consumption will tend to increase, reverting to current levels at USD 100/bbl.

1.3. Global Oil Price Outlook

Given the projected oil price at USD 100/bbl, Douglas-Westwood does not expect demand for UMW-OG's services to be negatively impacted with oil developments expected to be sanctioned.

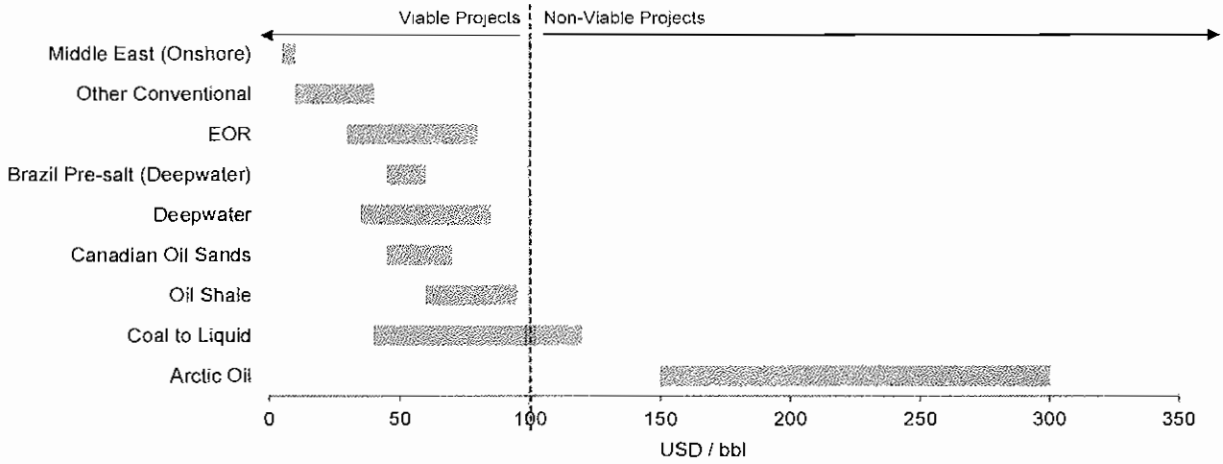


Fig.11: Viability of Oil Development
[Source: Financial Times, Barclays Capital, International Energy Agency, Douglas-Westwood]

Impact of Oil Price on Project Sanctioning

The economic viability of oil development projects is largely determined by oil price. A breakeven oil price determines if a development can achieve its targeted rate of return and takes into account the cost involved in producing a barrel of oil over the life of the development. These costs include exploration, drilling, construction of infrastructure, and lifting cost. As such, onshore conventional production generally commands a lower breakeven point due to less complex drilling, construction and lifting methods as compared to an offshore field. A field with a longer operating life typically has a lower breakeven oil price as costs are spread over a larger production base. Other factors that can influence the breakeven oil price include availability of government subsidies, geological factors, and availability of existing infrastructure.

All types of oil development with the exception of Arctic oil development and certain coal to liquid developments are considered economically viable at current price level of around USD 100/bbl. Moving forward, with EIA reference case hovering around current price levels, Douglas-Westwood expects continued developments for projects that require a relatively higher breakeven point such as offshore projects in shallow and deepwater.

PETRONAS expects offshore oil developments to remain viable with oil price above USD 60-70/bbl, providing ample buffer with oil price at current levels around USD 100/bbl. Its EOR plan to rejuvenate existing fields will shape future developments with an estimated breakeven price between USD 30-80/bbl depending on field size amongst a host of other factors such as available infrastructure and government policies.

1. MACRO-ECONOMIC ENVIRONMENT

1.4. Global Gas Price Outlook

Key gas markets are expected to retain their individual price structures with prices in Europe and Japan being forecasted to decrease slightly. Project viability is expected to vary drastically amongst regions. Stable natural gas price will see continued gas developments going forward.

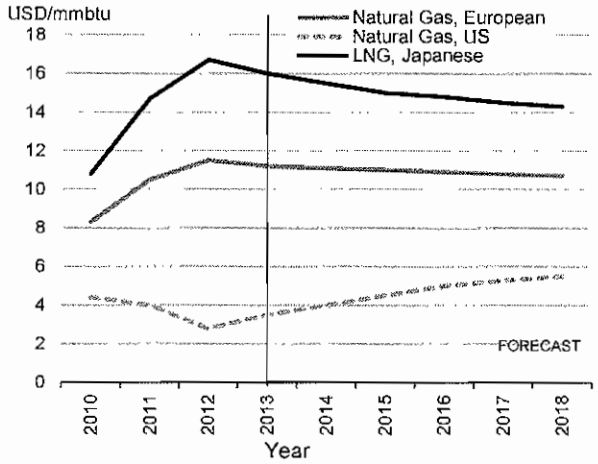


Fig.12: Gas Price Outlook
[Source: World Bank]

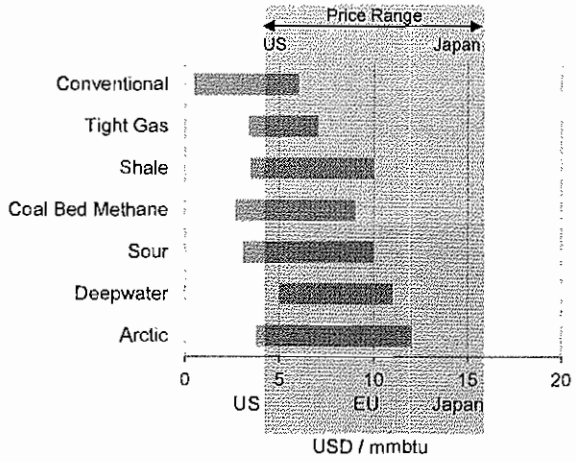


Fig.13: Viability of Gas Development (transport excluded)
[Source: Financial Times, Barclays Capital, International Energy Agency, Douglas-Westwood]

Global Gas Price Outlook

Currently, there are 3 principal gas markets globally including Europe, the USA and Japan. Price differentials amongst these three markets can vary drastically with a 2012 average price of USD 2.8/mmbtu in the USA and USD 16/mmbtu in Japan due to different market characteristics and pricing structure. In the USA and the UK, prices are determined by gas trading hubs: the Henry Hub in the USA and the National Balancing Point in the UK. Prices in both these hubs are determined by supply and demand. However, in other regions such as continental Europe and APAC, prices are determined by long term contracts and are often tied to current oil price.

Although it is difficult to predict natural gas price, based on World Bank's commodity price forecast released in January 2013, European and Japanese gas prices are expected to decline to USD 10.7/mmbtu and USD 14.3/mmbtu in 2018 respectively. USA's gas price on the other hand is expected to increase from USD 2.8/mmbtu in 2012 to USD 5.8/mmbtu in 2018, converging with global prices as the country is seeking to export its natural gas. It is important to note that while prices appear to be converging in the forecast, each region is expected to retain its individual price structure and market dynamics over the next few years.

Impact of Gas Price on Project Sanctioning

Similar to oil, the price of gas impacts viability of gas developments with a higher gas price resulting in more projects being sanctioned. A breakeven gas price determines if a development is able to achieve its targeted rate of return. This takes into account the cost involved in producing gas over the life of the development including exploration, drilling, and construction of infrastructure lifting cost. However, given a lack of a global gas price and different types of transportation, economic viability of projects can vary drastically amongst regions.

Offshore and onshore projects that are transported through pipes tend to require an additional USD 0.30/mmbtu to USD 1.2/mmbtu to be considered viable while LNG projects will require an additional transport cost of USD 3.1/mmbtu to USD 4.7/mmbtu due to liquefaction, transportation, and regasification requirements.

Despite a projected decrease in gas price, developments are expected to continue in Asia given the region's exposure to relatively cheaper conventional gas developments. The USA will see more projects becoming viable as gas price is expected to increase as the country starts to export its natural gas.

1.5. Global E&P Expenditure

Global E&P expenditure reached new heights in 2012. This increasing trend is expected to continue going forward due to higher production costs associated with incremental oil and gas production.

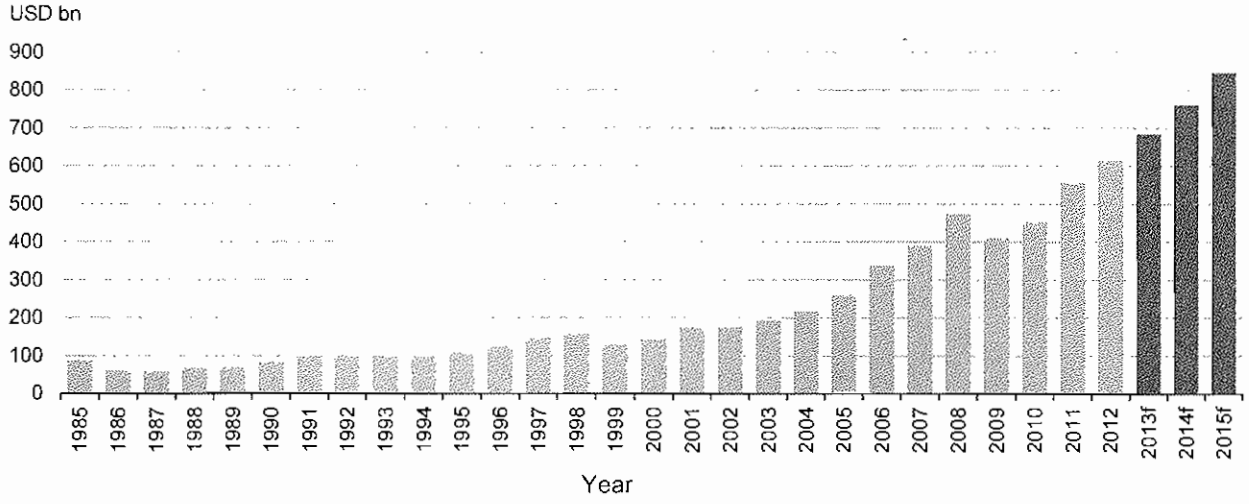


Fig.14: Global E&P Expenditure (USD)
[Source: Barclays Capital]

Global E&P Expenditure

Global E&P expenditure encompasses all onshore, shallow water and deepwater related upstream expenditure including drilling and workover services. Historically, global E&P expenditure has been highly correlated to oil prices and grew rapidly over the 2003-2008 period before suffering a 14% drop in 2009 after a record year of spending amounting to USD 475bn in 2008. This dip is directly attributable to the global financial crisis when oil prices contracted by 37% between 2008 and 2009. After two years of supressed investment in 2009 and 2010, the global E&P industry rebounded with an estimated spending of USD 556bn in 2011, suggesting that the sector had moved past the temporary downturn caused by the global recession.

2012 represented another record year for many companies as spending increased by a further 10% to reach USD 614bn. This was largely due to engineering and construction expenditure on major LNG projects and deepwater developments in Brazil, the Gulf of Mexico and West Africa.

Whilst oil prices and total production are key indicators of total E&P expenditure, it should be noted that an increased dependence on deepwater and other reserves which are hard to access is expected to drive the average cost of each barrel of oil produced. As such, it is expected that E&P investment will need to follow a considerably more aggressive growth pattern if targeted production levels of oil and gas are to be met. From 2013 to 2015, Barclays Capital projected a CAGR of 11.2% with regards to total E&P spending compared to the CAGR of 3.1% expected in global oil and gas supply (Barclays Capital, Global 2013 E&P Spending Outlook, 2012).

1.6. Asia Oil Production Outlook

Oil production in Asia is expected to see mild contraction over the 2012-2020 period whilst deepwater oil production is anticipated to experience growth at 13.2% CAGR. China and Malaysia are expected to account for the largest proportion of offshore oil production in Asia.

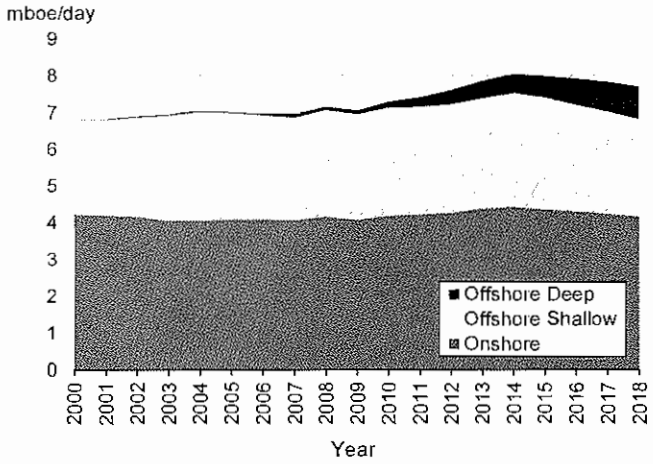


Fig.15: Asia Oil Production
[Source: Douglas-Westwood]

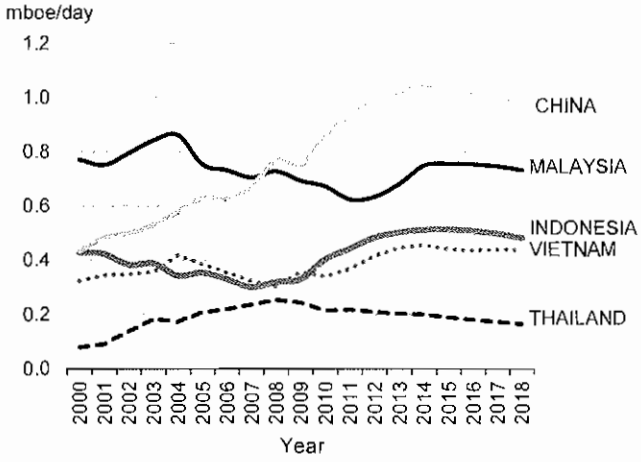


Fig.16: Offshore Oil Production by Country
[Source: Douglas-Westwood]

Asia Oil Production Outlook

Oil production in Asia accounted for 10% of global production in 2012 and is expected to increase in the short to midterm from 7.6 mboe/day in 2012 to 8.0 mboe/day in 2014 before retracting towards 2018 mainly due to the expected decrease in shallow water production as the NOCs of the region move towards deeper water reserves.

Over the forecast period between 2013 to 2018, onshore production is expected to account for majority of production at 56% whilst global offshore oil production takes up the remaining 44% with shallow water production contributing approximately 39% and deepwater production at 5%.

Deepwater production is expected to see the highest growth from 0.4 mboe/day in 2012 to 1.0 mboe/day in 2018 representing a CAGR of 13.2%. It is worth noting that this high growth rate can be explained by the low base of deepwater production (0.4 mboe/day, 2012) as compared to shallow water production (2.9 mboe/day, 2012). The majority of these are expected to stem from countries with deepwater reserves such as Malaysia and Indonesia. Shallow water production is expected to decline beyond 2014 given the move towards deeper water. Douglas-Westwood expects production from shallow water fields to decrease from 2.9 mboe/day in 2012 to 2.6 mboe/day in 2018, representing a CAGR of -1.8%. However, it is important to note that shallow water production still remains the key source of production in Asia, accounting for 88% of Asia total offshore oil production in 2012. By 2018, shallow water oil production is expected to maintain its domination over the deepwater figure, accounting for 75% of Asia total offshore oil production.

Offshore Oil Producer Analysis

On a country level, the top oil producers in the region include China and Malaysia producing at 1.0 mboe/day and 0.6 mboe/day respectively in 2012 with the remaining key countries, i.e. Indonesia, Vietnam and Thailand producing 0.5, 0.4, and 0.2 mboe/day respectively.

With the exception of Thailand, the region's key producing countries are expected to see growth over the short to mid-term from 2012-2016 with the highest growth coming from Malaysia, Indonesia and Vietnam before declining over the longer horizon from 2014 onwards. Myanmar's offshore oil production is negligible.

Malaysia and Indonesia are expected to focus on deepwater production with several key developments planned over the 2012-2018 period whilst Vietnam, Thailand, and Myanmar will retain their focus in shallow water production.

1.7. Asia Gas Production Outlook

Asian gas production is expected to see significant growth over the forecast period. Key offshore countries include Indonesia and Malaysia with deepwater production becoming significantly more prominent.

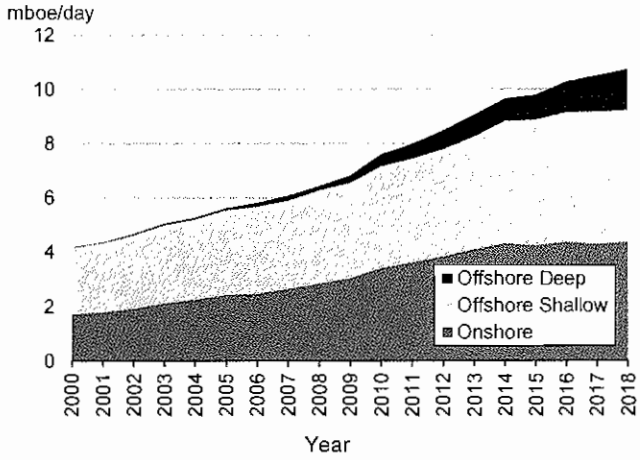


Fig.17: Asia Gas Production
[Source: Douglas-Westwood]

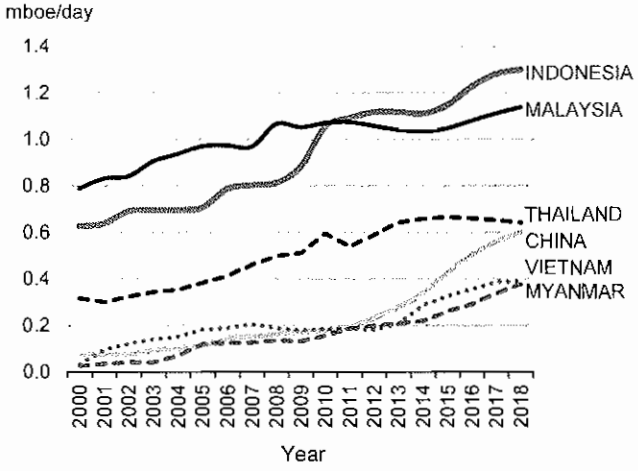


Fig.18: Offshore Gas Production by Country
[Source: Douglas-Westwood]

Asia Gas Production Outlook

Douglas-Westwood estimates gas production in Asia to account for 13% of global production in 2012, higher in terms of volume and proportion as compared to oil production. Given the increasing demand for natural gas, production is expected to see significant growth from 8.4 mboe/day in 2012 to 11.0 mboe/day in 2020 representing a 3.3% CAGR, in line with global growth rate of 3.8%.

In terms of production type, offshore production will account for the majority of gas production in Asia at 55% with shallow water contributing 47% of total gas production while deepwater accounting for 8% of Asia gas production in 2012. Onshore production is expected to contribute the remaining 45% of the total gas production in Asia (2012).

Gas production from both onshore and offshore fields is expected to increase with the highest growth from offshore fields, particularly in deepwater. Deepwater gas production will see CAGR of 12.9% from 2012-2020 with shallow water and onshore production at CAGRs of 2.2% and 1.9% respectively. Key countries producing gas from offshore fields include Indonesia, Malaysia and Thailand.

Offshore Gas Producers Analysis

The top offshore gas producers in the region include Indonesia and Malaysia, both of which were estimated to have produced approximately 1.1 mboe/day each in 2012. The remaining countries, i.e. China, Vietnam and Myanmar were estimated to produce 0.2 mboe/day each in 2012 and Thailand at 0.6 mboe/day.

In terms of growth, all countries are expected to continue to see growth over the 2012-2020 forecast period with the highest growth rates coming from China, Vietnam and Myanmar at a CAGR of 14%, 10% and 9% respectively. Malaysia and Indonesia are expected to increase their production at a CAGR of 1.0% and 2.1% respectively.

However, it is important to note that shallow water production remains the key source of gas production in Asia, which is expected to sustain the increase in demand for jack-ups in Asia.

1.8. Malaysia's Economic Transformation Program

Malaysia's Economic Transformation Program (ETP) has identified the oil and gas industry as a Key Economic Area with plans to increase growth by 5% per annum through increasing exploration and production activity.

Overview

The Malaysian government plans for the country to become a high-income nation of USD 15,000 to USD 20,000 per capita compared to the USD 6,700 recorded in 2010. This initiative plans to be inclusive in nature, allowing all communities to benefit from the programme with a focus on developing higher-wage jobs, education and training. There will also be a stronger emphasis on lower income (bottom 40%) households to raise the average monthly income. The Malaysian government plans to achieve this goal through sustainable growth, without compromising future generations in terms of natural resource, environment and in the country's fiscal policies.

Given the significance of the oil and gas industry in Malaysia, the government has identified the industry as one of its National Key Economic Area (NKEA) which will drive income growth to 2020 with a target CAGR of 5% per annum.

The Malaysian Upstream Oil and Gas Industry

To achieve a 5% growth per annum target by 2020, the government has identified 3 key entry point projects (EPP) in the upstream segment. These EPP includes rejuvenating existing fields through EOR, developing small fields and intensifying exploration activities.

PETRONAS is Malaysia's NOC, holding exclusive ownership to all domestic exploration and production projects under the Petroleum Development Act in 1974. Since 1985, there was a 15% minimum equity requirement for PETRONAS in PSCs with private and foreign companies. The NOC is tasked with regulating the oil & gas industry and is pivotal in Malaysia's ETP initiative.

The Three (3) EPPs identified are:

EPP 1: **Rejuvenating existing fields through EOR**. PETRONAS has created a three-pronged strategy to put these EOR techniques in place. This includes a review of current PSCs to include new incentives for operators to implement EOR techniques. Operators with EOR expertise will be made aware of such initiatives and opportunities to attract development plans. Lastly, PETRONAS plans to regulate development plans to ensure new methods and technologies are disseminated and installed.

In 2011, PETRONAS signed 2 PSCs with Shell for EOR projects in Sabah and Sarawak over 9 oil fields in the Baram Delta and 4 oil fields in North Sabah Development area. Such plans are expected to generate robust opportunities for UMW-OG's drilling and workover services given increased demand for drilling and well interventions. The EOR programme is expected to cause demand for jack-ups and HWUs to continue growing steadily in Malaysia.

EPP 2: Developing small fields through innovative solutions. PETRONAS plans to review PSC terms to allow operators more economic incentives in terms of sanctioning investments. Operators specialising in smaller field developments will also be invited with plans to ensure better collaboration. An increase in development plans for smaller fields is expected to drive UMW-OG's drilling and oilfield service business given an overall increase in exploration and production activities due to these small field developments.

EPP 3: **Intensifying exploration activities**. PETRONAS is tasked to review PSC and/or introduce new arrangements to increase exploration. Current processes for drilling activities will also be reviewed to increase efficiency and expedite future drilling programs. An increase in exploration activities is expected to generate robust opportunities for UMW-OG's drilling and oilfield service market, given its exposure to the drilling market.

1. MACRO-ECONOMIC ENVIRONMENT

1.9. Malaysia Oil and Gas Production Outlook

Total oil and gas production in Malaysia is expected to increase at a CAGR of 2.0% from 2012 to 2018. This is expected to be achieved by strong development in deepwater production, robust EOR programme and marginal field development.

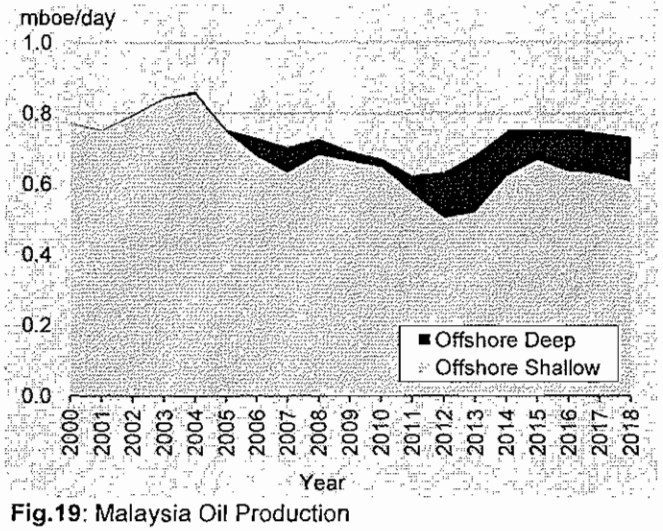


Fig.19: Malaysia Oil Production
[Source: Douglas-Westwood]

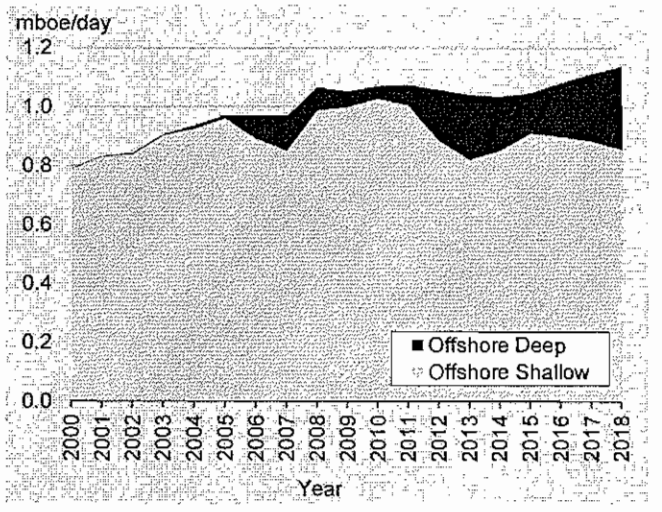


Fig.20: Malaysia Gas Production
[Source: Douglas-Westwood]

Overview

Malaysia is the largest offshore oil and gas producer in SEA, accounting for 23% of the total offshore production in SEA. Total production in Malaysia is expected to increase from 1.7 mboe/day in 2012 to 1.9 mboe/day in 2018 representing a CAGR of 2.0% due to a strong growth in deepwater production which is expected to increase by 35% from 305,000 boe/day in 2012 to 412,000 boe/day in 2018.

The Malaysian government has established comprehensive programmes to develop the oil and gas sector. To support exploration and field development, new tax and investment incentives were introduced in 2010 under the ETP. PETRONAS was tasked to curb the decline in oil and gas production by enhancing output from existing fields with EOR programme and marginal field development via RSCs and further promoting deepwater field development under EPP1 and EPP2 in the ETP program for oil, gas and energy sector. Approximately RM 300bn was committed to these programmes over the next five years to 2018.

In 2012, the highlight of the Malaysian oil and gas industry was the USD 4bn (RM 12bn) merger that involved a major EPC contractor (Kencana Petroleum Bhd) and a drilling and offshore support vessel company (SapuraCrest Petroleum Bhd) to form SapuraKencana Petroleum Bhd. This merger was viewed as being in line with PETRONAS' plan of building local companies to become giants in asset and integrated services to secure high-valued contracts.

Malaysia Oil Production Outlook

By the end of 2012, the proven oil reserves in Malaysia was estimated at 3.7bn barrels, accounting for 26% of the total 14.5bn barrels proven oil reserves in SEA. This represents the fifth largest oil reserve in APAC and the second largest oil reserve in SEA. Malaysian oil production has decreased gradually from the peak of 861 mboe/day in 2004 to 633 mboe/day in 2012 due to production decline from its maturing fields.

Robust development in deepwater oil production is expected to increase the total oil production over the next decade. By 2020, deepwater oil production is estimated at 148 mboe/day, increasing by a CAGR of 1.5% compared to 2012 at 132mboe/day. The first two deepwater oil fields in production are Kikeh in Sabah and Gumusut-Kakap in Sarawak which came onstream in 2007 and 2012 respectively. Their production capacities are estimated at 120,000 bbl/day and 135,000 bbl/day respectively. Malikai in Sabah is the third major deepwater oil project under development by Shell, which is expected to come onstream in 2016. Shell had chosen to develop Malikai with a TLP platform given its smaller production capacity of 60,000 bbl/day compared to deepwater oil fields in Kikeh and Gumusut-Kakap.

Despite the strong development of deepwater projects in Malaysia, shallow water production still plays a key role in the oil industry, accounting for 79% of Malaysia total offshore production in 2012. As shallow water fields continue to mature, demand for drilling and workover activities in the shallow water segment is expected to continue to grow steadily for these fields to maintain their production level. This in turn will translate into an increase in demand for jack-ups and HWUs given their preferential advantages in the shallow water environment. From 2012 to 2018, demand for jack-ups and HWUs in Malaysia is expected to increase by a CAGR of 4% and 2% respectively.

Malaysia Gas Production Outlook

Malaysia holds 22% of the total gas proven reserves in SEA, estimated at 46.8 tcf as of 2012. This represents the fourth largest gas reserve in APAC and the second largest gas reserve in SEA. Similar to oil production, nearly all the gas production in Malaysia comes from offshore fields. In 2012, total gas production in Malaysia was recorded at 2.3 tcf (BP Statistical Review 2013).

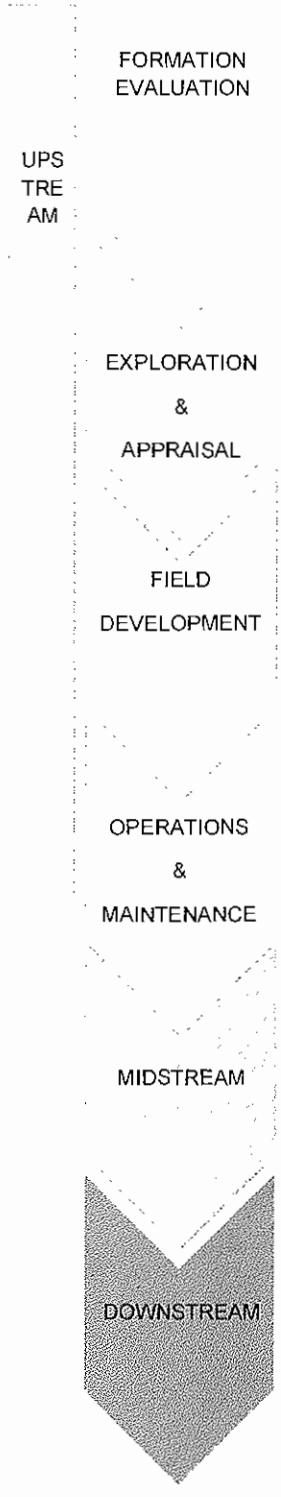
Total gas production is expected to increase from 2.3 tcf in 2012 to 2.4 tcf in 2020 with expected decline in shallow water gas production beyond 2015 whilst deepwater production is anticipated to triple from 2015 to 2020. With relatively strong gas production that exceeds domestic consumption, Malaysia is ranked the second largest LNG exporter globally in 2012 with total export volume estimated at 1.1 tcf.

The Malaysia-Thailand Joint Development Area located at Gulf of Thailand is one of the most active gas production areas in Malaysia with 8.5 tcf of proven gas reserves in 22 fields. Within the Malaysian territory, gas production continues to focus on offshore Sarawak and Sabah.

Major gas field projects under development are the Kumang Cluster in Block SK306 developed by PETRONAS with 500 mcf/day capacity and is expected to come online in 2013. Three new gas fields in Block SK308 are being developed jointly by Shell and PETRONAS. PETRONAS' first FLNG with the capacity of 1.2mn tonne LNG per annum is expected to come onstream in 2015.

1.10. The Oil and Gas Lifecycle Review

The businesses of UMW-OG are primarily focused on the upstream oil and gas activity in particular in the field development and O&M stages.



Upstream

The upstream oil and gas sector covers the exploration, appraisal, development and maintenance of oil and gas reserves. The key stages within the upstream business are covered below:

Formation Evaluation: The use of seismic acquisition to identify and model the geology of potential hydrocarbon bearing formations. Life of field seismic can also be used to optimise EOR strategies. UMW-OG has minimal exposure to this segment.

E&A: Once potential reservoirs are identified, the exploration and appraisal drilling phase commences to determine the actual existence and commercial viability of oil and gas reserves. UMW-OG's offshore drilling rigs are used to drill these wells which also require premium threaded OCTG.

Field Development: Typically the most capex intensive segment of the oil and gas lifecycle. This segment covers the drilling, completion of production wells as well as the construction of processing facilities such as offshore platforms.

UMW-OG's business is highly exposed to this segment providing offshore rigs to drill new wells, premium threading to complete the wells, and workover rigs for well intervention services.

O&M: Once hydrocarbon production has commenced the wells and process facilities require constant maintenance to ensure optimal productivity and safety.

UMW-OG has substantial exposure to this segment through the provision of HWUs used to increase production from existing wells.

Midstream

Covers the transportation of produced hydrocarbons from the source to refineries and to end users such as power plants via large diameter trunklines or tankers. The transportation of natural gas via tanker is also possible due to LNG technology where gas is liquefied at source prior to marine transit, and then regassified at the end market.

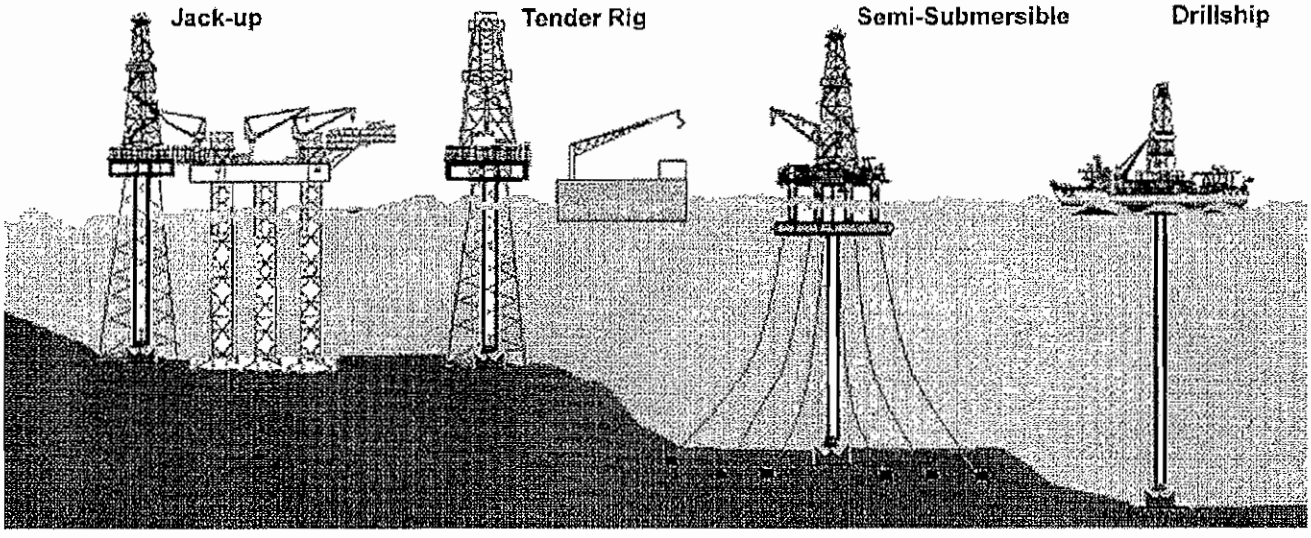
Downstream

Entails the processing of crude hydrocarbons into consumer products such as fuels for transportation, petrochemicals and plastics.

2. DRILLING SERVICES

2.1. Drilling: Overview & Definitions

UMW-OG currently owns and operates 3 premium jack-ups and jointly owns and operates 1 shallow water semi-submersible <1,000 ft drilling rig. The fleet is involved in drilling operations for offshore E&A and development wells but is not able to carry out operations in deepwater.



Introduction to Offshore Drilling

Offshore drilling is a mechanical process where a wellbore is drilled through the seabed during the exploration and extraction of petroleum, typically in rock formations between the seabeds. The process of drilling offshore is technically more difficult than drilling onshore as offshore drilling often takes place in remote and harsher environments.

Offshore Drilling Rigs Definitions

The offshore drilling sector is served by offshore rigs. These rigs are generally fixed units that sit on production platforms or self-contained mobile units, partly (tender rigs) or fully independent of platforms. Mobile rigs either rest on the sea floor (jack-ups) or they float (semi-submersibles and drillships). These floating rigs are either anchored to the seabed or dynamically positioned with thrusters and global positioning systems.

Typically, the drilling rigs are categorised based on the drilling depth and on the rig's ability to float. Except for platform rigs, all offshore rigs fall under the category of MODU.

The offshore drilling rigs and its capabilities are discussed in the following pages:

2. DRILLING SERVICES

Jack-up Drilling Rigs (Jack-ups)

Jack-ups are a type of MODU with a self-elevating mobile platform used to drill wells. These platforms can be configured to install subsea wellheads.

Jack-up rigs with a platform and three or more supporting legs were developed from mobile offshore docks. The first design in 1950 was converted from a mobile jack-up for radar towers off the east coast of the USA and incorporated into a permanent platform in 10m of water. However, the first mobile jack-up drilling rig was built in 1954 after which improved designs were progressively introduced.

By the 1980s, jack-ups were being built throughout the world with water depth capabilities of over 100m. The deepest water units can now drill in up to 125m and withstand severe weather conditions. Jack-ups are commonly used for drilling in the continental shelf area with water depth typically ranging from 91 to 152 metres (300-500ft) since bending stresses in legs become disproportionately greater as they are lengthened.

When drilling, jack-ups attach their legs to the seabed providing a stable work platform. A buoyant hull fitted with the legs enables the rig to move to desired locations. After analysing the condition of the sea floor at the drilling location, a jack-up rig is towed to the planned drilling location and its legs are jacked down until the floating rig hull section that carries the derrick is raised above maximum wave height. The weight of the rig keeps it stable and spud cans prevent excessive penetration of the legs into the soft seabed.

Platform structures are designed to quickly move between locations and the type of jack-ups that oil companies and operators choose are dependent on cost, water depths and sea conditions.

The two broad categories of jack-ups are the independent-leg type jack-up and the mat-type jack-up. The independent-leg type jack-up usually has three legs with lattice construction while the mat-type jack-up has legs attached to a large mat that rests on the bottom of the ocean. Mat-type jack-ups are relatively inexpensive and do little environmental damage but are susceptible to damage from any object on the seabed, making it unpopular despite the low building costs.

The jack-ups are further classified by their structural design and drilling capabilities:

Cantilever Jack-up: Designed with the ability to drill through existing production platforms (or without them), the drilling derrick of the Cantilever Jack-up is mounted on an arm that extends outward from the drilling deck which provides the derrick with a large range of motion. This is the most popular type of jack-up.

Slot-type Jack-up: The slot-type jack-up is characterised by a slot through the floor of the hull. During operations, a drilling derrick is positioned over the platform and lifted above it when the platform moves to another location.

Open-truss Jack-up: Open-truss jack-up is a crisscross of steel tubes which provides a strong, stable and light-weight leg structure that can withstand rough sea conditions.

2. DRILLING SERVICES

Columnar Platform: A columnar platform is constructed in a rectangular form which reduces its effective weight-bracing facility, making it less stable in extreme weather conditions and does not function well in deeper water depths beyond 61 metres (200ft).

UMW-OG owns and operates three premium jack-up drilling rigs which are self-elevating cantilever jack-up drilling rigs with three triangular trussed independent legs.

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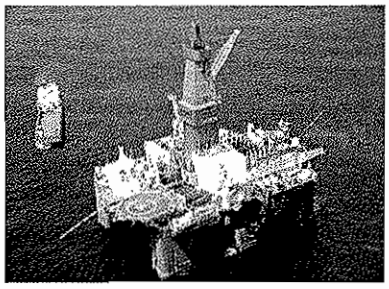
2. DRILLING SERVICES



Semi-Submersible Drilling Rigs (Semi-subs)

Semi-subs are a type of floating MODU platform with legs and connecting pontoons, favoured for their stability in adverse weather conditions and its ability to conduct drilling operations beyond 130 metres (400ft). The drilling platform on these rigs sits upon a series of pontoons and is typically moored to the seabed during drilling operations and the drilling equipment is located in the centre of the structure where there is the least movement.

Older semi-subs were designed to work in maximum water depths of up to 400m, securely anchored to the sea floor. However, many such vessels have now been converted, increasing their size and strength, and these along with newer types first built in the 1980s have capabilities to drill in much greater water depths. Sixth generation semi-subs can operate in up to 3000 metres (9000ft) of water.

Column-stabilised semi-sub: The column-stabilised semi-sub is the more common semi-sub. In this column-stabilised semi-sub, two horizontal hulls are connected via columns to the drilling deck above water.

Bottle-type semi-sub: The bottle-type semi-sub was designed originally to be submersible however achieved better stability when only partially submerged.

UMW-OG jointly owns and operates one propulsion-assisted twin lower hull, 8 column-stabilised semi-sub with water depth rated up to 305 metres (1,000ft).

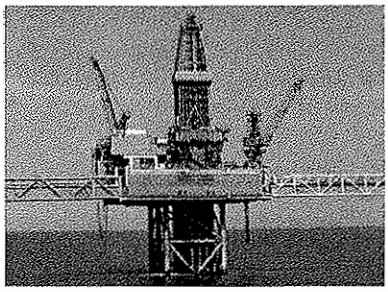
Drillships

Either built as new keel or converted from an existing hull, drillships provide a floating rig solution that is often dynamically positioned (onboard thrusters that maintain the vessels position) allowing for operations beyond (3,000m). Drillships are sometimes preferred due to faster mobilisation times as they are able to propel themselves.

The first drillship was created through an adaption of a naval deep-sea barge in 1953 but it was not until the 1960s that Shell developed modern floating rigs. Drillships were originally adapted from existing vessels fitted with drilling apparatus mounted in the centre of the ship over a moonpool. They may be dynamically positioned or anchored during operation.

Drillships tend to be deployed in remote regions and in the deepest waters but are not the best in harsh sea conditions. They are valued for their high load capacity and the ability to propel themselves.

2. DRILLING SERVICES



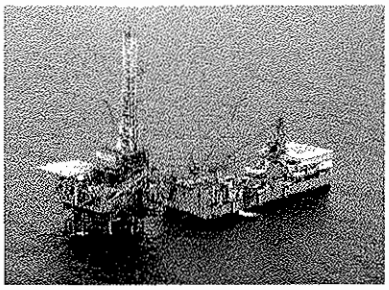
Platform Rigs

Platform rigs are located on existing production platforms and allow operators to drill new development wells, perform workovers of existing wells and drill exploratory sidetracks. Multiple wells directed at different parts of a reservoir are drilled from the platform using these rigs, which will have a moveable substructure and derrick.

Platform rigs can be permanent facilities or modular rigs that can be mobilised as required.

Rigid platform rigs: These platform rigs rest on the seafloor – also include the caisson-type platform, concrete gravity platform and the steel-jacket platform.

Compliant platform rigs: These platform rigs are used in deeper waters and yield to water and wind movements – such as the the guyed-tower platform and the tension-leg platform. These rigs utilise the primary design of fixed platforms and made them operational in depths 450 to 900 metres (1500-3000ft)



Tender Rigs

Tender rigs allow operators to perform platform drilling services from smaller platforms by holding large modules such as pumps, living quarters and generators on a barge which can be mobilised when necessary. Tender rigs are more common in shallow water, such as West Africa and Asia.

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2. DRILLING SERVICES

2.2. Drilling: Key Drivers

From 2013 to 2018, offshore drilling demand in SEA is expected to remain stable at 455 wells on average whilst demand for semi-sub >1,000ft (305m) is expected to increase by 25%.

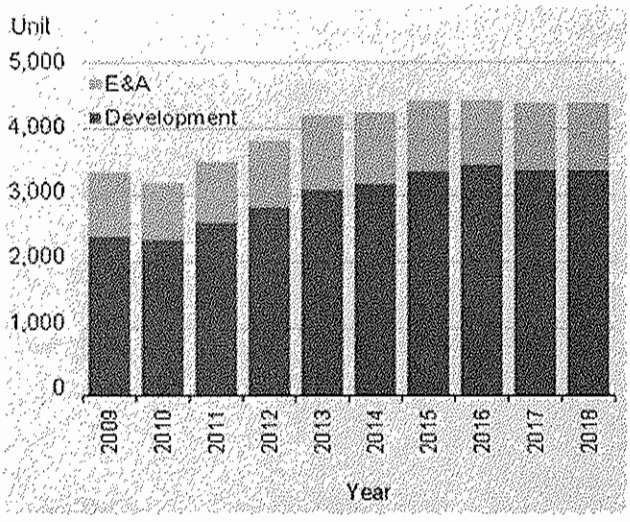

Fig.21: Annual Offshore Wells Drilled, Global [Source: Douglas-Westwood]

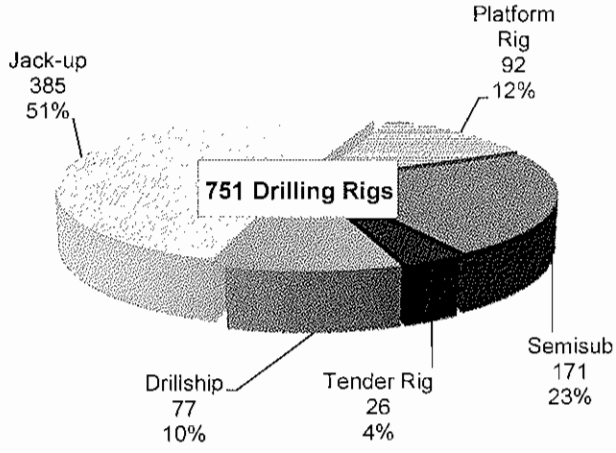

Fig.22: Offshore Drilling Rig Count as of 5 September 2013, Global [Source: RigLogix]

Global Well Drilling Activity

Douglas-Westwood estimated that a total of 13,848 wells were drilled from 2009 to 2012, representing an annual average of 3,462 wells. Over the next six years from 2013 to 2018, we expect a total of 26,063 wells to be drilled worldwide. This would represent an annual average of 4,344 wells drilled, an increase of 25.5% from the historical 2009-2012 period. This anticipated growth in global demand stems from the anticipated growth from Latin America (driven principally by deepwater Brazilian fields). Latin America alone is expected to account for about 2,854 wells drilled or 11% of the global number of wells drilled between 2013 and 2018.

In terms of drilling expenditure, APAC is expected to experience robust growth at a CAGR of 11% from 2012 to 2018. This growth will be mainly driven by growing domestic oil & gas demand in Malaysia, Indonesia, Thailand and China combined with increased levels of deepwater related activity which is considerably more expensive as compared to conventional shallow water developments.

Jack-ups and Semi-subs Representing the Majority of Offshore Drilling Rigs Globally

Globally, jack-ups represent 51% of the total offshore drilling rig count. Asia has the highest number of jack-ups, accounting for 31% of total jack-ups worldwide as of 5 September 2013. The Middle East and Latin America represent 26% and 12% of the jack-up market, respectively.

Semi-subs make up 23% of the total offshore drilling rig count globally as of 5 September 2013. Of the 171 semi-subs worldwide, only 3% are represented by semi-subs in the <1,000ft water depth category. The robust growth in semi-subs is expected to be represented by the growth in the number of semi-subs in the >1,000ft water depth category.

2. DRILLING SERVICES

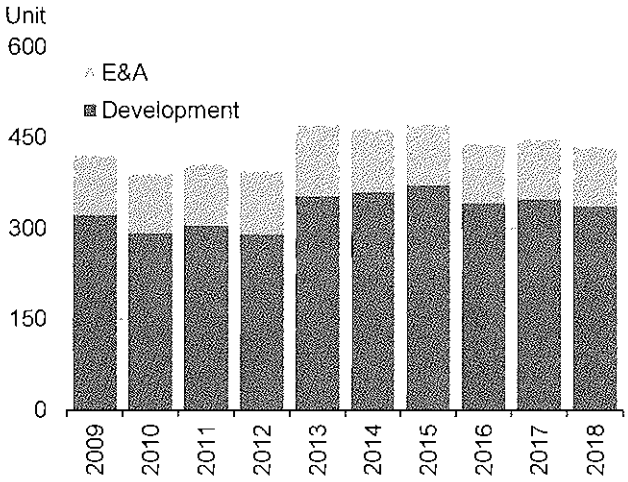

Fig.23: Annual Offshore Wells Drilled, SEA [Source: Douglas-Westwood]

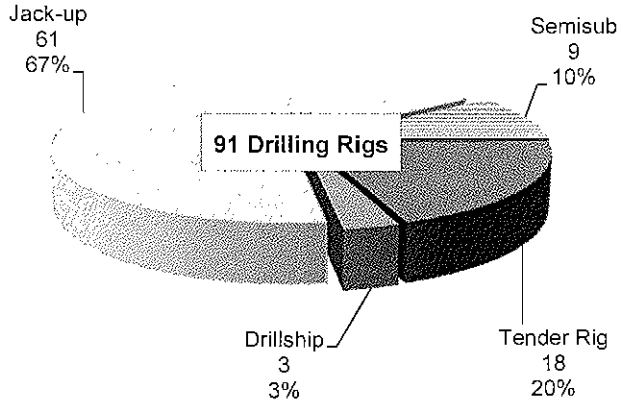

Fig.24: Offshore Drilling Rig Count as of 5 September 2013, SEA [Source: RigLogix]

SEA Well Drilling Activity

Between 2013 and 2018, SEA is expected to see a stabilised development of well drilling activity with 455 offshore wells being drilled on average annually, representing a 15% increase from 395 wells in 2012. Offshore drilling activities in the region is expected to be characterised by increasing well complexity moving towards horizontal and deviated wells as opposed to vertical wells. Douglas-Westwood expects the number of horizontal wells and deviated wells to grow by 28% whilst conventional vertical wells is expected to decline by approximately 5% from 2013 to 2018. This anticipated growth in more complex offshore wells is expected to be driven in part by accelerated oil & gas exploration and enhanced oil recovery programmes by NOC in Malaysia, Indonesia, Thailand and Vietnam who view augmented domestic production capacity as an increasingly important measure of national energy security to offset the potential impact of high oil prices such as those witnessed in 2008.

Dominance of jack-ups in SEA

Due to the shallow water drilling environment in SEA, the rig profile in the region is dominated by jack-ups, accounting for 67% of total MODU rig counts. Tender rigs rank second with 20% of total contracted rig count. Amongst the 9 semi-subs in SEA, 8 have water depth rated above 1,000ft and UMW-OG's NAGA 1 is the only semi-sub with water depth less than 1,000ft. This demonstrates the preference over semi-subs with deeper water capability.

2. DRILLING SERVICES

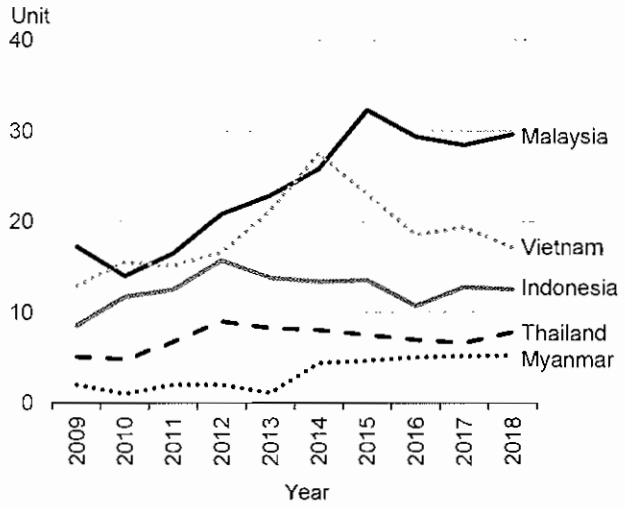

Fig.25: Offshore Drilling Rig Demand by Country, SEA
[Source: Douglas-Westwood, RigLogix]

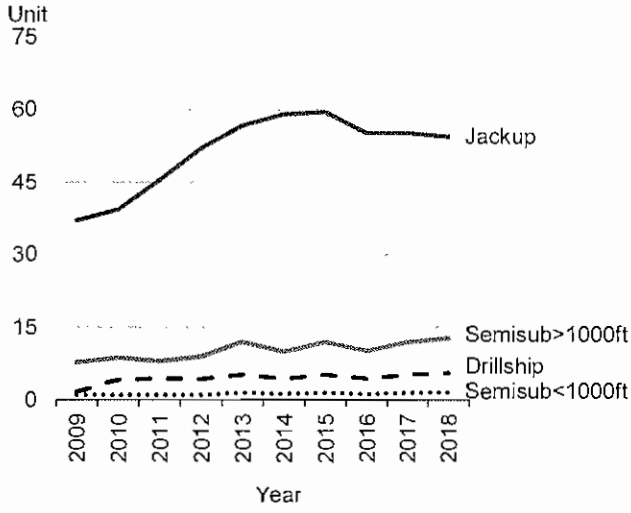

Fig.26: MODU Rig Demand by Rig Type, SEA
[Source: Douglas-Westwood, RigLogix]

Offshore Drilling Rig Demand by Country in SEA

The key SEA countries with rig demand are Malaysia, Vietnam, Indonesia, Thailand and Myanmar. The strongest rig demand comes from Malaysia in 2009-2012, accounting for an average of 33% of total SEA rig demand. This is followed by Vietnam and Indonesia at 29% and 23% respectively.

In the forecast years from 2013 to 2018, Malaysia, Vietnam, and Indonesia will remain as the key countries contributing to rig demand, accounting for 39%, 28%, and 17% of the total rig count respectively. Malaysia has aimed to increase production by focusing on deepwater projects while also enhancing performance and productivity of existing fields. New deepwater developments, such as Malikai (expected to come onstream in 2016), have commenced. Although Vietnam's production is less than that of Indonesia, its contracted rig count is greater than Indonesia driven primarily by strong E&A activities.

Growth of jack-ups and semi-subs >1,000ft in SEA

Due to the shallow water drilling environment in SEA, the rig profile in the region is dominated by jack-ups, accounting for 69% of total MODU rig count within SEA. The pronounced growth of an annual average of 11% between 2009 and 2012 for jack-ups is expected to stabilise by 2015.

With the strong development of deepwater drilling and anticipated projects in SEA, we expect the demand for semi-subs with water depth of more than 1,000ft to increase by 25% from 2013 to 2018. Demand for drillships is anticipated to increase at a slower rate of 4%. As such, semi-sub <1,000ft is expected to see a flat demand period from 2013 to 2018.

2. DRILLING SERVICES

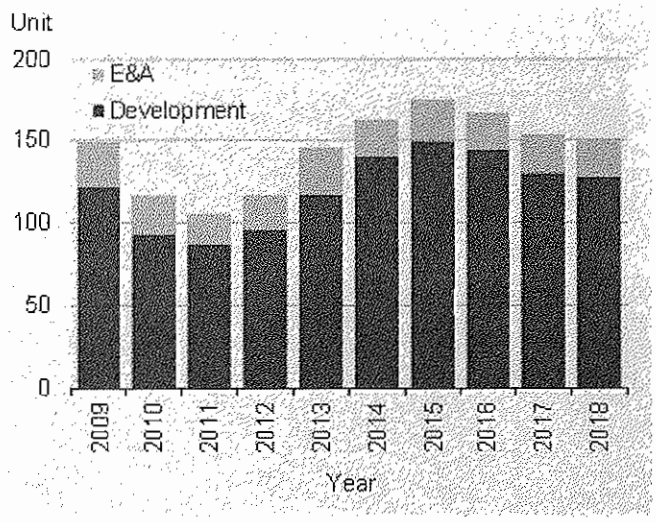

Fig.27: Annual Offshore Wells Drilled, Malaysia [Source: Douglas-Westwood]

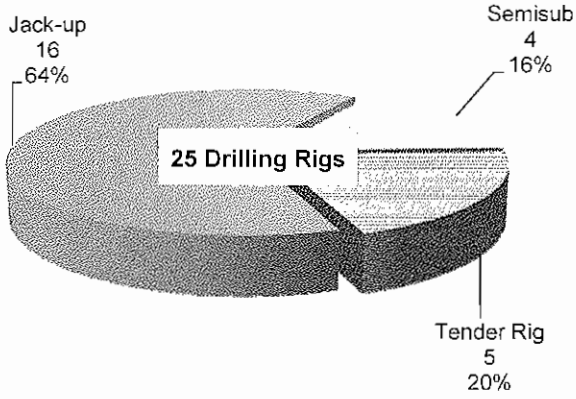

Fig.28: Offshore Drilling Rig Count as of 5 September 2013, Malaysia [Source: RigLogix]

Malaysia Well Drilling Activity

Douglas-Westwood estimated a total of 488 wells drilled from 2009 to 2012 – an annual average of 122 wells. Over the next six years from 2013 to 2018, we expect a total of 954 wells to be drilled in Malaysia. This would represent an annual average of 159 wells drilled, an increase of 30.3% from the historical 2009-2012 period. Most of the wells are development wells, representing 85% of the total wells drilled; the remainder are represented by E&A wells. There will be an increasing number of deepwater projects going into production over the next six years that will account for the 2013-2018 growth profile of wells drilled in Malaysia.

Dominance of Jack-ups in Malaysia, Remaining Market Divided between Tender Rigs and Semi-subs

Jack-ups, tender rigs and semi-subs make up the Malaysia's offshore drilling rig market. Jack-ups dominate Malaysia's offshore drilling rig count, representing 64% of total rig count as of 5 September 2013. This reflects the shallow water developments in Malaysia.

With the increase in deepwater projects coming on-stream, we expect to see more demand for semi-subs, particularly for those with water depths greater than 1,000ft.

2. DRILLING SERVICES

2.3. Drilling: Market Outlook

UMW-OG's addressable market is dominated by demand for jack-ups due to the shallow water drilling environment in SEA.

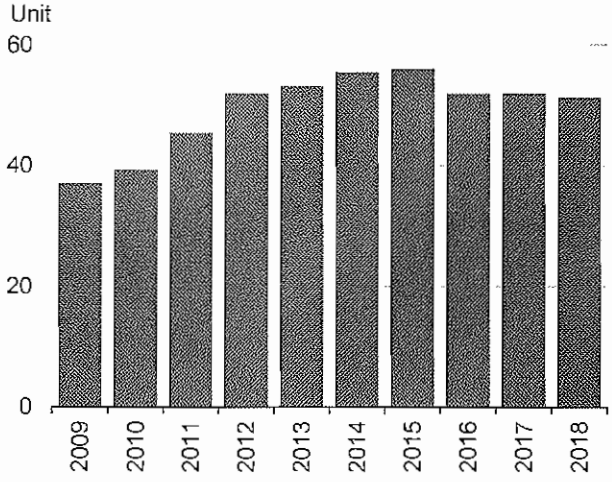

Fig.29: Annual Average Contracted Jack-ups, SEA [Source: Douglas-Westwood]

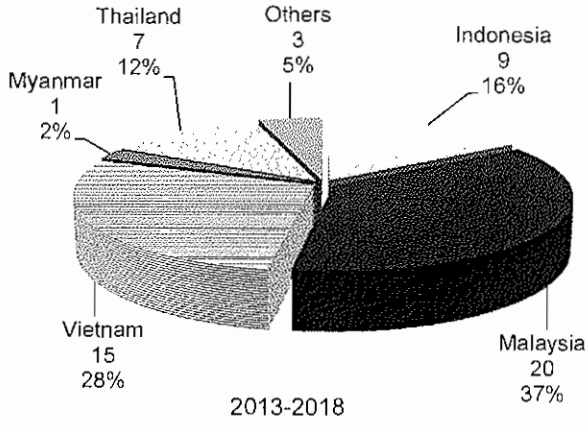

Fig.30: Drilling Market for Jack-ups and semi-sub <1,000ft by annual average rig count from 2013 to 2018, SEA. [Source: Douglas-Westwood]

Drilling Rig Analysis

UMW-OG's addressable market is generally dominated by jack-ups as opposed to semi-subs <1,000ft. This is mainly due to the growing demand towards jack-ups, caused by the increased demand for drilling activities in the shallow water segment whilst operators attempt to maintain production level in mature fields as set out in section 1.9 above.

As the deepwater drilling market is expected to grow substantially over the next ten years, demand for semi-subs >1,000ft is expected to increase by 43% in 2018 compared to 2012. This high growth rate is mainly due to the low base of semisubs >1,000ft (8 units, 5 September 2013) as compared to jack-ups (61 units, 5 September 2013) in SEA. We expect the contracted rig ratio of semi-sub >1,000ft against semi-subs <1,000ft to be 8 to 1 from 2013 to 2018. As such, UMW-OG may be able to capitalise on the strong growth in deepwater drilling if UMW-OG acquires semi-subs >1,000ft.

Country Analysis

Malaysia

Malaysia is the largest market in SEA for jack-ups and semi-subs <1,000ft due to strong offshore production, accounting for 37% of annual average contracted rig count of jack-ups and semi-subs <1,000ft from 2013 to 2018. The market is expected to increase by 33% from 15 average contracted rigs in 2012 to 20 average contracted rigs in 2018. The operator structure in the country is relatively well-established with PETRONAS holding 60% of fixed platforms while Shell owns 19%. Currently UMW-OG has two jack-ups and one semi-sub contracted to PETRONAS.

Demand for jack-ups in Malaysia is expected to peak in 2015 due to the increase of shallow water drilling activities in the same year. Malaysia presents robust demand growth for semi-sub >1,000ft with an expected increase from 4 contracted rigs on average in 2012 to 8 contracted rigs on average in 2018 due to the focus on deepwater drilling.

Indonesia

Indonesia is expected to contribute 16% of annual average contracted rig count of jack-ups and semi-sub <1,000ft from 2013 to 2018. Unlike Malaysia, Indonesia has a less consolidated operator structure with the state's oil and gas company namely PT Pertamina, holding only 36% of the fixed platforms. Other main operators in the country are Total, CNOOC, and Chevron. This structure may potentially give UMW-OG, as a foreign rig owner in Indonesia, a competitive market condition as compared to an operator structure dominated by NOCs. Furthermore, NAGA 2 and NAGA 3 were built in Batam, Indonesia, which potentially helps UMW-OG to satisfy local content requirements in Indonesia.

Vietnam

Vietnam is the third largest oil producer in SEA. Peak oil production was 400,000 bbl/day in 2004. Since then, oil production has slowly declined, down to 348,000 bbl/day in 2012. Similar to the situation in Malaysia, the Vietnam oil and gas industry fully relies on offshore production with negligible onshore reserves.

From 2013 to 2018, Vietnam is expected to account for 28% of annual average contracted rig count of jack-ups and semi-subs <1,000ft. This presents a robust opportunity for UMW-OG's drilling business as the company has started to enter the drilling market in Vietnam early 2013 via the drilling contract with PetroVietnam.

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2. DRILLING SERVICES

2.4. Drilling: DCR & Utilisation

The DCR of jack-ups in SEA is expected to recover from the downturn period from 2009 to 2012 to reach USD 153,000 on average over 2013-2018, increasing by 26% compared to 2012. Semi-sub <1,000ft DCR is likely to stay at USD 164,000 on average, increasing by 19% compared to 2012.

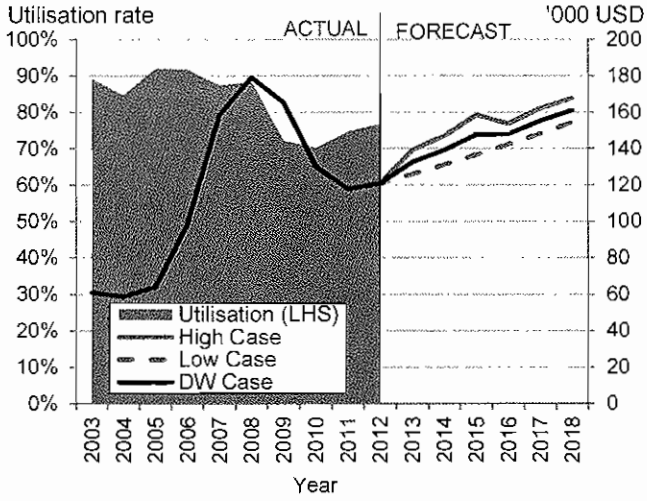


Fig.31: Jack-up DCR & Utilisation, SEA
[Source: Douglas-Westwood]

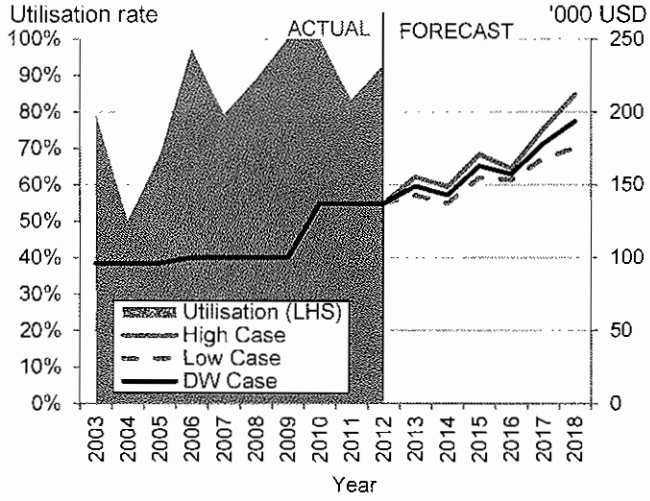


Fig.32: Semi-sub <1,000ft DCR & Utilisation, SEA
[Source: Douglas-Westwood]

Methodology

DCR forecasting has been divided into three cases: High Case, Low Case, and DW Case. The first two cases are estimated by using a flat SEA inflation rate (3%) forecasted by IMF and anticipated growth in rig demand whilst DW Case is computed based on the average figures of the High Case and Low Case.

Douglas-Westwood is unable to forecast utilisation in this report due to a number of limitations preventing us from estimating the number of rigs available in a given market. The drilling business is sensitive to changes in oil price because rigs are commonly built on speculative demand when oil price is high or anticipated to increase. With the lack of visibility for future contracts, it is not possible to predict rig movements in and out of a region. Speculative build and rig movement are the two key limitations that make forecast utilisation inaccurate as compared to the actual figures.

Jack-up

DCR of jack-up is expected to reach USD 153,000 on average from 2013 to 2018, an increase of 26% compared to USD 121,000 in 2012 due to strong demand for jack-up in SEA.

DCR of jack-ups in the region reached USD 179,000 in 2008 before declining during 2009-2011. This decline was due to the drop in utilisation rate from 88% in 2008 to 72% in 2009 which potentially caused downward price pressure.

Semi-sub <1,000ft

DCR of semi-sub <1,000ft is expected to reach USD 164,000 on average during 2013-2018, an increase of 19% compared to USD 138,000 in 2012.

Over the past decade, the number of contracted semi-sub <1,000ft in SEA is considerably insignificant (one to three in a given year). As such, their utilisation rate tends to fluctuate more than jack-up's utilisation rate. As of 5 September 2013, NAGA 1 is the only contracted semi-sub <1,000ft in SEA.

2. DRILLING SERVICES

2.5. Drilling: Competitive Landscape

UMW-OG's competitors are categorised into 3 main groups: Large Drilling Companies, Medium Drilling Companies and Regionally Focused Drilling Companies as shown in the table below.

					Drilling Rigs				Rig Data					Geographical coverage	
	Company Name	HQ	Total rigs	# in MYS	Jackup (JU)	Semisub (SS)	Drillship (DS)	Others	Avg Age (JU)	Avg Age (SS)	Avg Age (DS)	Avg Max WD (JU)	Average DD	Malaysia	Rest of Asia
Large Drilling Co.	Transocean Inc	SUI	94	0	20	50	24	0	21	27	9	348	29,298	○	●
	Ensco Plc	GBR	72	4	44	19	9	0	26	15	4	312	28,094	●	●
	Noble Corporation	USA	68	1	43	14	11	0	30	20	19	291	26,574	●	●
	Nabors Offshore Corp.	USA	59	0	10	0	0	49	34	-	-	165	15,170	◑	●
	Seadrill Ltd.	NOR	45	3	21	11	10	3	3	3	1	382	31,289	●	●
	Hercules Offshore Inc.	USA	44	0	30	0	0	14	33	-	-	222	23,386	○	●
	Diamond Offshore Drilling Inc.	USA	44	1	7	32	5	0	32	33	7	314	28,409	◑	●
	Shelf Drilling Holdings Ltd	ARE	38	2	37	0	0	1	32	-	-	300	23,132	◑	●
	Rowan Companies Inc	USA	35	2	31	0	4	0	17	-	1	361	33,571	●	●
	AP Moller - Maersk Group	DNK	33	1	15	4	4	10	10	5	1	405	28,121	○	●
	Average	-	*54*	*1*	*26*	*13*	*7*	*8*	*23*	*17*	*4*	*312*	*26,719*	-	-
Medium Drilling Co.	China Oilfield Services	CHN	33	0	25	8	0	0	6	7	-	287	26,727	○	●
	Atwood Oceanics Inc	USA	16	0	6	6	3	1	9	22	1	375	30,500	○	●
	Songa Offshore AS	NOR	9	0	0	9	0	0	-	17	-	-	26,839	◑	●
	Vantage Drilling	USA	7	1	4	0	3	0	4	-	1	375	34,286	◑	●
	Stena Drilling Ltd	GBR	7	0	0	3	4	0	-	26	4	-	31,114	○	◑
	Aban Offshore Ltd	IND	5	1	3	0	2	0	28	-	38	327	23,000	◑	●
	KCA Deutag Group	GBR	3	1	3	0	0	0	35	-	-	388	25,000	◑	◑
	Average	-	*11*	*0*	*6*	*4*	*2*	*0*	*16*	*18*	*11*	*350*	*28,209*	-	-
Regionally Focused Drilling Co.	Japan Drilling Co. Ltd.	JPN	5	2	4	1	0	0	17	36	-	360	27,000	◑	●
	Jagson International Ltd	IND	5	0	5	0	0	0	36	-	-	280	22,200	○	●
	UMW-OG	**MYS**	**4**	**2**	**3**	**1**	**0**	**0**	**2**	**39**	**-**	**367**	**30,000**	●	●
	PT Apexindo Pratama Duta Tbk	IDN	5	0	1	0	0	4	31	-	-	381	25,000	○	●
	Vietsovpetro	VNM	4	0	4	0	0	0	15	-	-	319	25,000	○	●
	PV Drilling (Petrovietnam)	VNM	4	0	3	0	0	1	5	-	-	367	28,333	○	●
	KS Energy Services LLC	SGP	4	0	4	0	0	0	16	-	-	350	27,500	○	●
	Triumph Drilling Services	SGP	4	0	0	0	0	4	-	-	-	-	20,250	◑	●
	SapuraKencana Petroleum Bhd	MYS	21	4	0	0	0	21	-	-	-	-	23,333	●	●
	Safin Gulf FZCO	ARE	2	0	2	0	0	0	3	-	-	400	30,000	○	●
	Korean National Oil Corp.	KOR	2	0	0	1	0	1	-	29	-	-	22,343	◑	●
	Mermaid Drilling Ltd.	THA	2	0	0	0	0	2	-	-	-	-	19,750	○	●
	SAAG Oil And Gas Sdn. Bhd	MYS	1	0	0	0	0	1	-	-	-	375	20,000	○	●
	Average (excluding UMW-OG)	-	*5*	*1*	*2*	*0*	*0*	*3*	*18*	*33*	*-*	*354*	*24,226*	-	-

Fig.33: Drilling Competitive Landscape, 5 September 2013
[Source: Douglas-Westwood, RigLogix]

2. DRILLING SERVICES

UMW-OG's competitors can be categorised into 3 main groups with each group sharing relatively similar fleet size, rig types and geographical coverage. UMW-OG is well positioned within its peer group given its younger fleet with higher technical specifications.

Overview

The drilling market is characterised by high barriers to entry due to high upfront capital required and proven track record. Drilling contractors can be divided into 3 main groups: large drilling companies, medium drilling companies and regionally focused drilling companies. While companies in all groups are considered direct competitors, large and medium categories may charter drilling rigs from rig owners.

Large drilling companies: These companies typically have a large asset base of over 30 rigs of various types. With the exception of a few, most large drilling companies have a range of assets spanning across all rig types such as jack-ups, semi-subs, drillships and other rigs including drilling barges and platform rigs. Companies in this group also tend to have an international presence with a smaller percentage of their fleet consolidated within a single country.

Medium drilling companies: Companies that fall in this group have an asset base that can vary from 3 rigs to over 20 rigs. Larger companies such as China Oilfield Services and Atwood Oceanics may have a wider range of assets including semi-subs and/or drillships as compared to smaller companies which will typically operate jack-ups. Similar to large drilling companies, companies in this category tend to have a wider geographical reach across several countries.

Regionally focused drilling companies: These companies tend to have a smaller asset base with 5 or less rigs with a larger focus on jack-ups and other shallow water operations such as drilling barges and platform rigs. These companies tend to operate within their region with minimal international presence.

UMW-OG: The company falls in the regionally focused companies category with 3 jack-ups and 1 semi-sub <1,000ft. As compared to its peer group, the company owns and operates a relatively larger fleet of jack-ups. These jack-ups are generally younger at average of 2.3 years and have higher technical specifications such as maximum drilling depth and BOP ratings.

2. DRILLING SERVICES

UMW-OG owns and operates a relatively young jack-up fleet as compared to its peer group. The company also has a higher number of rigs, in particular jack-up rigs within SEA.

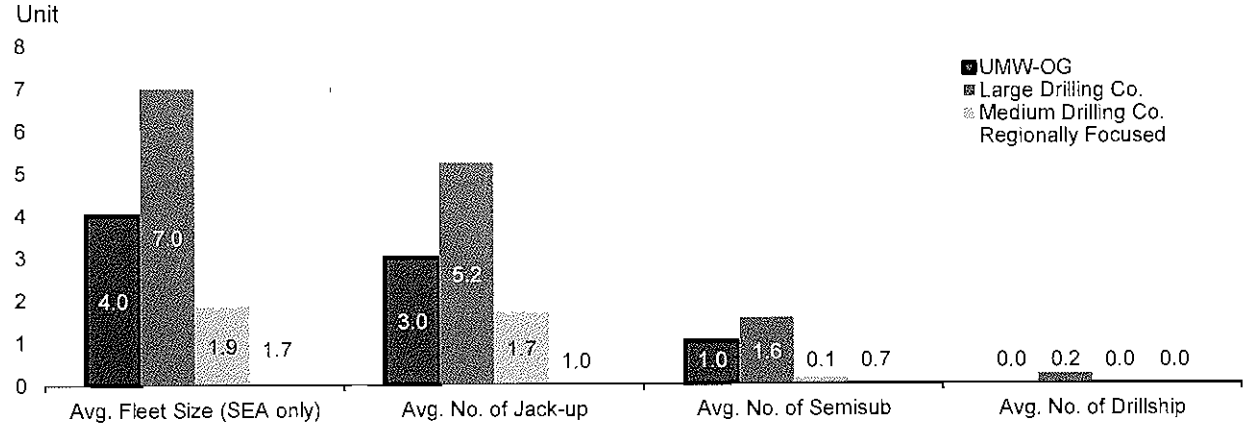


Fig.34: Drilling Competitive Landscape by Rig Type [Source: Douglas-Westwood]

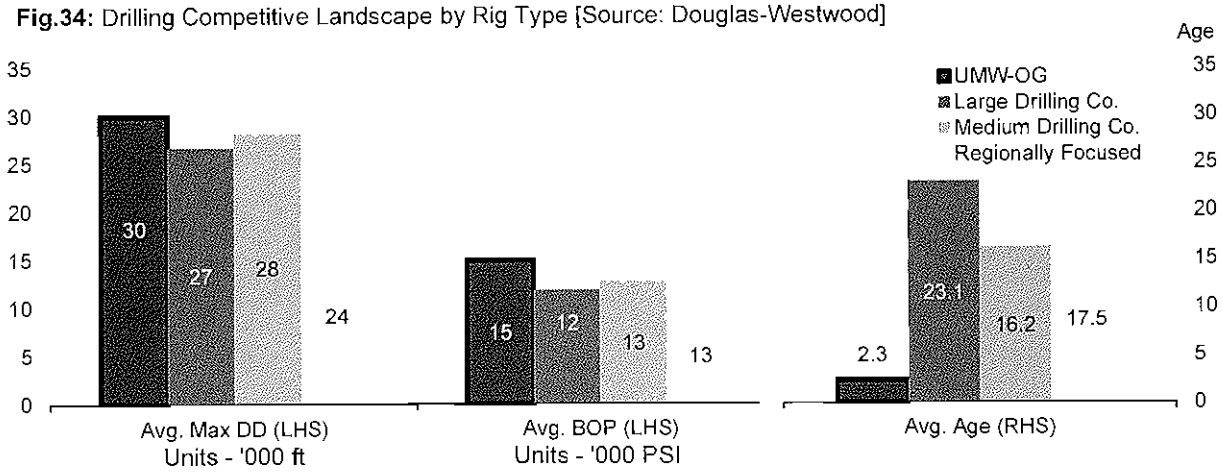


Fig.35: Drilling Competitive Landscape by Specification – Jack-ups only [Source: Douglas-Westwood]

Asset Overview

UMW-OG is well placed amongst its competitors with higher than average specifications and lower average age for its jack-ups. Within the regionally focused category, the company has the third largest competitive fleet behind Japan Drilling Co and Jagson International. UMW-OG is also ranked first in terms of jack-up age.

Regional Fleet Size (SEA): The regional fleet size is calculated based on average number of rigs per rig type within each competitive group: large drilling companies, medium drilling companies and regionally focused companies (UMW-OG is excluded from the calculation for regionally focused companies).

UMW-OG has a relatively larger fleet of 4 rigs within the region as compared to its competitors in the medium and regionally focused categories, with an average fleet size in SEA of 1.9 and 1.7 rigs respectively. Companies within the large category generally have a larger number of rigs at 7.0 on average. These large drilling companies also tend to have a higher number of semi-subs and drillships contracted in SEA as compared to companies in other categories which have a larger focus in jack-ups.

Rig Specifications: UMW-OG owns and operates a relatively younger jack-up fleet of 2.3 years (excluding the semi-sub NAGA 1) as compared to companies in all 3 categories which have fleet with average age ranging from 16.2 years to 23.1 years. In terms of BOP ratings, UMW-OG's fleet have an average of 15,000 psi, higher than most of its competitors across all groups. Higher BOP ratings allow rigs to meet operator's technical requirements to drill deeper higher pressure well. UMW-OG's jack-ups also have the highest maximum drilling depth, ratings at 9,144 metres (30,000ft).

2. DRILLING SERVICES

2.6. Workover: Overview and Definitions

UMW-OG owns and operates four hydraulic workover units for use on offshore platforms. These units can potentially offer a cheaper alternative compared to the conventional workover rigs and are able to perform workover service to wells under pressure.

Overview

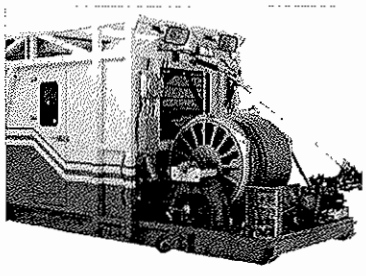
Workover is a collective term for a wide variety of specific tasks that can be performed on an existing well in order to improve its productivity, monitor performance or stabilise structural integrity. In order to perform these tasks, tools must be lowered into the well via a conveyance unit. The choice of conveyance unit is determined by the type of operation, required pulling power and well deviation. The type of well completion is another key factor as subsea completed wells will require a dedicated vessel/rig in order to convey tools downhole.

It is a difficult task to predict well intervention frequency as this figure often depends on a number of variables, including reservoir properties, current state of the infrastructure, and economic considerations. The two most common reasons for well intervention are stimulation and remedial conformance application. It is worthwhile to note that well interventions are typically performed to address specific issues of the reservoir as opposed to repair downhole equipment and completions.

Together with wireline and coiled tubing (CT), UMW-OG's HWUs adopt rigless workover technique which does not require the use of a conventional workover rig and is able to perform downhole applications on wells that are still under pressure (live wells). It is important to note that all three mentioned workover unit types – wireline, CT, and HWUs can only perform workover on wells completed on the production platforms (dry wells). Hence, they are often referred to as platform-based workover units. The two production platforms that allow wells to be completed on the platforms themselves are fixed platforms and TLP.

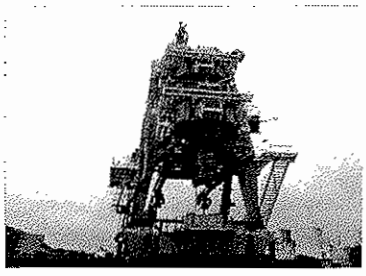
Workover Unit Definitions

As mentioned above, platform-based workover units include wireline, CT, and HWUs whilst monohull intervention vessels and intervention semi-submersibles are able to perform intervention tasks to wells completed subsea.



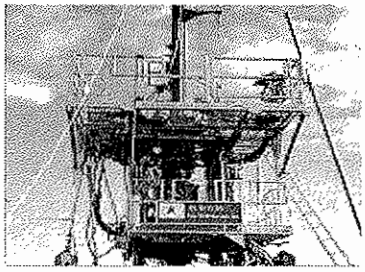
Wireline

Either mechanically (slickline) or electrically (E-Line) operated, wireline units lower tools down the well on a single or braided wire whilst mobilisation times and overall costs are lower than other methods. The range of potential operations are restricted due to pulling strength limitations and inability to access highly deviated wells. There are different types of wireline operations. The most common ones are perforating, logging, well cleaning, and cement dumping.



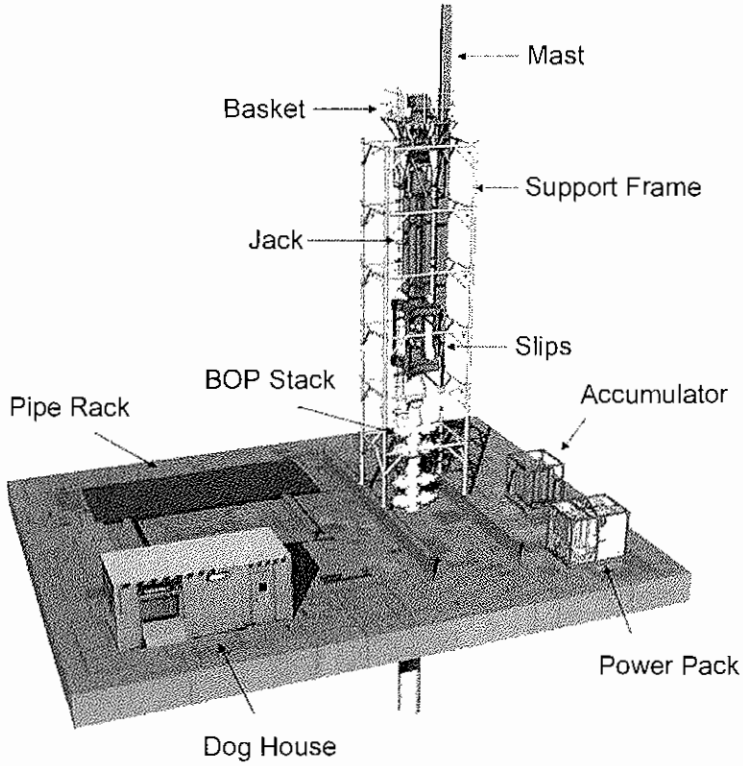
Coiled Tubing (CT)

CT is a continuous metal pipe typically ranging in diameter from 1 inch to 4 inch. The development of new alloys and higher wall thickness have increased the strength of coiled tubing, allowing the tubing to endure extreme pressure loadings and to better resist stress corrosion cracking better. Using CT as a conveyance provides two principle benefits, including pushing tools through horizontal completions and pumping fluids such as acids, proppants and nitrogen.



Hydraulic Workover Units (HWUs)

Hydraulic workover (or snubbing) is a heavy well intervention method whereby the BHA or toolstring is run on pipe via a workover rig. This method provides full access to the well under pressure allowing a full scope of intervention and completion service. If compared to CT, HWU is able to handle more complex job scopes, involving deeper reservoirs with higher pressure.



HWU Structure [Source: Khurana et al., *Well Intervention Using Rigless Techniques*, Offshore Technology Conference, 2003]

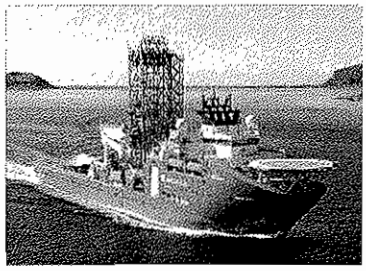
The history of HWU dated back to the 1920s when the world first hydraulic workover unit was designed, patented, and built. It was the first unit that could run or pull pipe under pressure (live wells) and designed as a cable-operated rig-assist system. Nowadays, the latest HWU structure typically follows a modular design with an incorporated mast and a pivot, allowing the mast to be erected using a limited capacity crane with a jib reach of 35 ft.

The drive mechanism of a modern HWU is exceptionally compact. It has the ability to push as well as to pull. The typical maximum pushing and pulling capacity are 125,000 lbs and 300,000 lbs respectively.

UMW-OG owns and operates four HWUs with competitive specifications: 150,000-230,000 lbs maximum snubbing capacity and 340,000-460,000 lbs maximum pulling capacity. All four units can handle BOP up to 5000psi. As pushing and pulling capacity is one of the most important features for HWU to secure contracts, UMW-OG workover fleet is considerably well-positioned to compete in the SEA workover market.

UMW-OG's typical workover operations include, but are not limited to, pulling and running completion strings, well cleaning, fishing, milling/retrieving production packers, running diagnostic and surveys, cementing, stimulation, sand control, gravel packing as well as plug and abandonment activities.

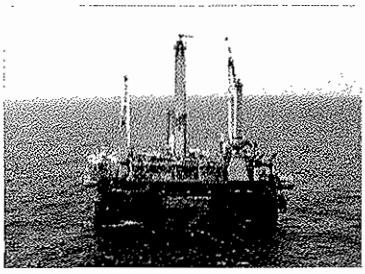
As the recovery rate from subsea wells is around 30-40% lower than from wells completed on the platform, subsea well intervention plays a key role in maintaining production capacity in subsea wells. The cost of subsea well intervention is significantly higher than platform well intervention cost. With strong growth in floating platforms that require subsea wells, the need for cost-effective subsea well intervention has become more and more imminent.



Monohull Intervention Vessels

The use of monohull intervention vessels allow wireline and coiled tubing deployed tools to access subsea completed wells. Whilst these units provide a cheaper alternative to drilling rigs, dayrates can exceed USD 200,000 and hydraulic workover can not be performed on a monohull intervention vessel.

A conventional monohull intervention vessel has a water depth limit of 2,460ft or 750m whilst a dynamic positioning (DP) monohull intervention vessel with riser is capable of well intervention at 10,000ft or 3,048m.



Intervention Semi-Submersible

Offshore rigs allow a full range of intervention tasks to be performed on subsea completed wells – including hydraulic workover. However, dayrates can exceed USD 600,000 which makes their use commercially unviable in all workover activities but only in the most neccesary situations.

2. DRILLING SERVICES

2.7. Workover: Key Drivers

Global spending on hydraulic workover is expected to increase by CAGR 7%, from USD 0.9bn in 2012 to USD 1.3bn in 2018. APAC and SEA are forecasted to account for 31% and 22% of global spending on hydraulic workover respectively in 2018.

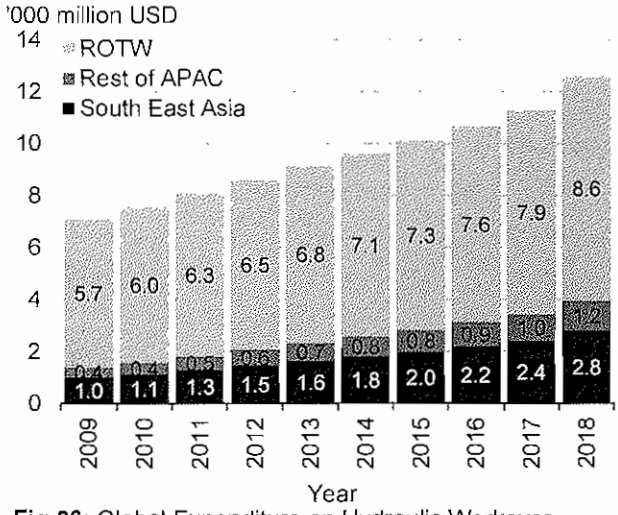


Fig.36: Global Expenditure on Hydraulic Workover
[Source: Douglas-Westwood]

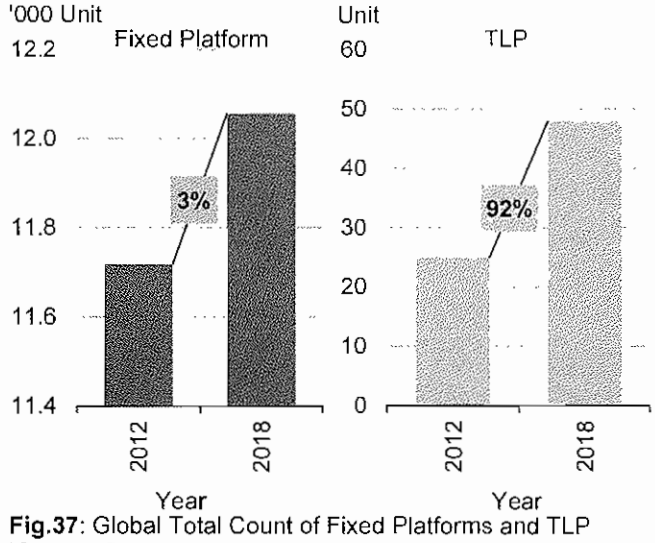


Fig.37: Global Total Count of Fixed Platforms and TLP
[Source: Douglas-Westwood]

Global Expenditure on Hydraulic Workover

The role of well intervention has become more profound to minimise production decline in mature fields worldwide. Heavy workover task performed by HWU accounts for about 52% of the total number of offshore well interventions.

Global expenditure on hydraulic workover is estimated to reach USD 1.3bn in 2018 as compared to USD 0.9bn in 2012, growing by a CAGR of 7%. APAC is expected to increase its contribution to the global expenditure on hydraulic workover from 24% in 2012 to 31% in 2018 whilst SEA's contribution to the global expenditure on hydraulic workover is expected to accelerate from 17% in 2012 to 22% to 2018.

Drivers leading to growth in the hydraulic workover market are the total number of fixed platforms and TLP as these are the only two production platform types that allows HWUs to work on wells completed on the platform. The total number of fixed platforms is expected to increase by 3% from 11,717 units in 2012 to 12,056 units in 2018 globally whilst the total number of TLP is anticipated to grow at a faster rate of 92%, increasing from 25 units in 2012 to 48 units in 2018. The robust growth in the number of TLP can be explained by the global trend towards deepwater production as TLP is one of the most stable deepwater floating platforms with the highest recovery rate because wells can be completed on the platform instead of subsea.

The dominance of fixed platforms and its slow growth rate (3%) can be explained by the current dominance of shallow water production in the offshore oil and gas industry with a relatively gradual growth of 3% CAGR from 2012 to 2018. On the other hand, robust growth in deepwater production at 9% CAGR from 2012 to 2018 is expected to translate into growth in the number of floating platforms such as TLP.

Other key regions in the hydraulic workover market are North America, Western Europe, and the Middle East, accounting for 37%, 12%, and 11% of global hydraulic workover spending in 2012.

2. DRILLING SERVICES

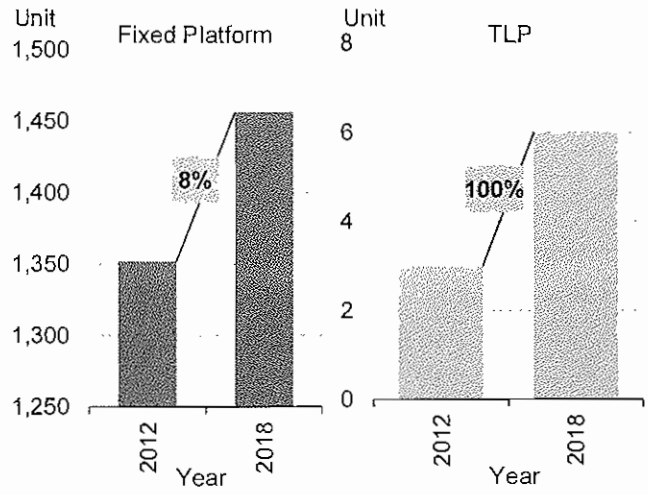


Fig.38: Total Number of Fixed Platform and TLP, SEA [Source: Douglas-Westwood]

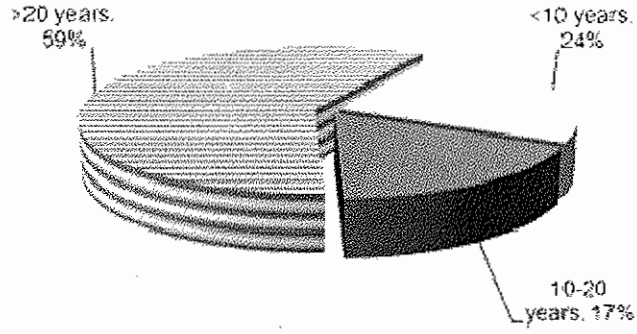


Fig.39: Fixed Platforms by Age Group 2013, SEA [Source: Douglas-Westwood]

SEA Hydraulic Workover Drivers

As mentioned in the overview section earlier, HWUs can only perform workover service to wells completed on a platform as opposed to subsea wells. As such, the number of fixed platforms and TLPs is the main driver for this market. The number of fixed platforms in SEA is estimated to reach 1,456 units by 2018, increasing by 8% compared to 1,348 units in 2012 whilst TLPs will double from 3 units in 2012 to 6 units in 2018. Strong growth in TLP number is due to the increase in deepwater production in SEA. As of 2013, all visible TLP projects are expected to be in Malaysia with the deepwater Malikai project being awarded recently to the joint venture between Technip and MMHE in February 2013.

SEA has a considerably large population of aging fixed platforms. Currently, 59% of the platforms are more than 20 years old and 17% of the platforms are between 10 and 20 years old. Aging platforms will require intervention workover service at a more frequent rate as compared to younger ones. As such, the aging characteristic of SEA platforms provides a robust growth potential for UMW-OG's workover business.

As operators are the direct customers of the workover service, the market share structure amongst operators is a key consideration for drilling contractors to be aware of once entering and operating in a given country. For example, a foreign drilling contractor without track record may find it easier to enter a market with fragmented share structure amongst the operators as opposed to a more consolidated share structure with the country's NOC dominating the market. Malaysia and Thailand are the two most consolidated markets in terms of market share with PETRONAS and Chevron being the largest operator in each country, holding 60% and 74% share of total fixed platforms in Malaysia and Thailand respectively. Indonesia and Vietnam have a more fragmented operator market share structure with PT Pertamina and Vietsovpetro commanding only 36% and 46% of the total fixed platforms in Indonesia and Vietnam respectively. Given these market share structures amongst operators, UMW-OG may find the environment in Indonesia and Vietnam to be more advantageous for a foreign drilling contractor as compared to Thailand.

Malaysian Hydraulic Workover Drivers

Similar to SEA, drivers in the hydraulic workover market in Malaysia are the number of fixed platforms and TLP as well as the age profile of fixed platforms. The number of fixed platforms in Malaysia is expected to increase from 339 units in 2012 to 394 units in 2018, increasing by 16% whilst the number of TLP in Malaysia will increase to 3 by 2018 from none in 2012. Currently, 57% of fixed platforms in Malaysia are more than 20 years old and 17% of them are between 10 to 20 years old. This aging population of fixed platforms presents a strong market condition for the hydraulic workover business as aging fixed platforms will potentially require a higher well intervention frequency compared to younger ones.

2. DRILLING SERVICES

2.8. Workover: Market Outlook

Demand for workover rigs is expected to increase from 19 to 26 representing a CAGR of 7% from 2013 to 2018. Key countries contributing towards the demand for workover units include Indonesia and Malaysia due to higher volume of aging wells in these two countries.

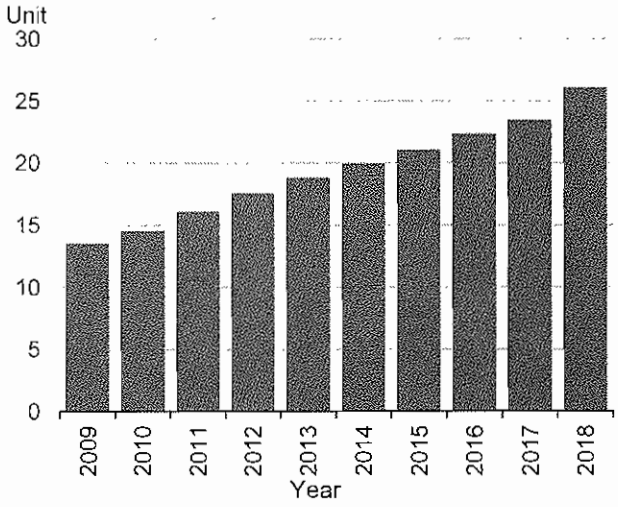


Fig.40: Assumed Average Contracted HWU, SEA
[Source: Douglas-Westwood]

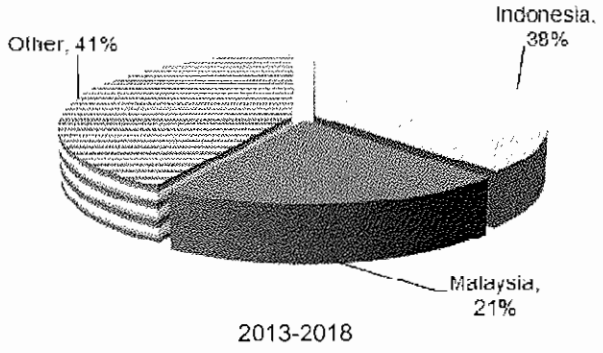


Fig.41: Workover Market by Country, SEA
[Source: Douglas-Westwood]

Workover Rig Analysis

Workover rigs are mainly driven by heavy well interventions. With an increasing number of development wells drilled coupled with operators in the region seeking to increase production of current fields through various EORs, Douglas-Westwood expects the demand for workover rigs in SEA to increase over the forecast period from 19 in 2013 to 26 in 2018, representing a CAGR of 7%.

Country Analysis

Indonesia is expected to be the largest market, accounting for 38% of total demand for HWU in SEA from 2013 to 2018 given the country's higher number of maturing wells.

Malaysia is expected to account for 21% of the market with the remaining countries accounting for 41% of total demand for HWU in SEA from 2013 to 2018. Given PETRONAS' shift in development strategy towards higher production through EORs on producing wells, the demand for workover services in Malaysia is expected to see robust growth. This can be substantiated by the recent Baram Delta and North Sabah PSCs entered into with Shell which aims to be developed under EOR. Since June 2011, Murphy Oil has also been carrying out workover operations for its Kikeh deepwater field after the decrease in production from 68,000 bbl/day in 2010 to 52,000 bbl/day in 2011.

Key operators in these countries are mainly made up of NOCs such as PETRONAS in Malaysia, PT Pertamina in Indonesia, and PTTEP in Thailand. Key IOCs operating in the region include Chevron which has a larger presence in Thailand, Vietnam and Indonesia, Shell in Malaysia, and Total in Indonesia.

2. DRILLING SERVICES

2.9. Workover Competitive Landscape

Relatively few competitors compete in UMW-OG's workover market in the Malaysia. In SEA, the company is seen as a top tier competitor given the higher capacity of its workover rigs.

		Rig Data			Geographical coverage		
Company Name	HQ	Pulling Range '000 lbs	Snubbing Range '000 lbs	Rotating Head Range ft/lbs	Malaysia	China	Rest of Asia
PT Elnusa	IDN	150-340	-	-	○	○	●
International Snubbing Services (ISS)	USA	95-600	66-285	1,500-22,000	◑	○	●
UMW-OG	**MYS**	**340-460**	**150-230**	**7,500-22,000**	●	◑	◑
Snubco Group	CAN	80-170	50-90	-	◑	●	◑
PT Saptawell Technicatama	IDN	150-235	60-120	1,000-5,000	◑	○	●
SVS Oilfield Services	THA	150	66	2,200	◑	○	●
PT Ratu Prabu Energi (PT Lekom Maras)	IDN	-	-	-	○	○	●
Almansoori Specialised Engineering	ARE	-	-	-	◑	○	●
EMAS Energy	SGP	340-600	-	-	◑	◑	●

Fig.42: Workover Competitive Landscape
[Source: Douglas-Westwood]

Competitive Landscape

Douglas-Westwood has identified eight key competitors in the APAC region within UMW-OG's workover business segment. The majority of these companies tend to be regional companies with the exception of International Snubbing Services (ISS) and Snubco Group which have a wider geographical reach. Regional companies are mostly based in Indonesia with a larger focus in its domestic market. These companies currently do not compete in the Malaysian market.

UMW-OG is well positioned within its peer group in terms of rigs specification with workover rigs in the higher range in terms of pulling and snubbing capacity and rotating head torque. Companies with similar specifications include ISS and PT Elnusa.

2. DRILLING SERVICES

2.10. UMW-OG's Market Share

In the highly competitive drilling environment of SEA, UMW-OG holds 7% and 11% of the Drilling and Workover market respectively. In Malaysia, UMW-OG's market shares are 21% and 36% respectively. Malaysia accounts for 27% of the total rig count in SEA for the period from 2009 to 2012.

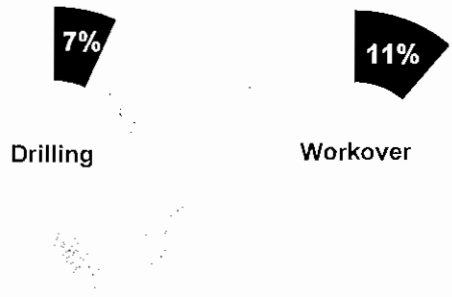


Fig.43: UMW-OG's Market Share* in SEA based on annual average contracted rig count from 2009 to 2012 [Source: Douglas-Westwood]

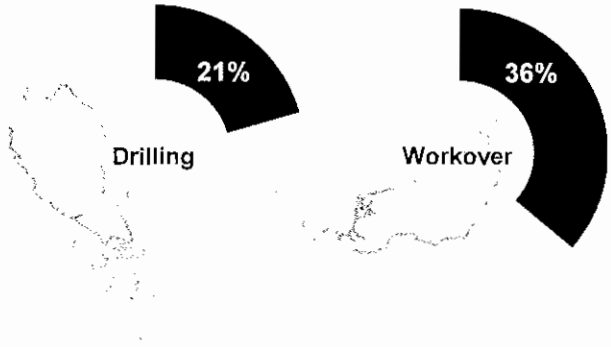


Fig.44: UMW-OG's Market Share* in Malaysia, based on annual average contracted rig count from 2009 to 2012 [Source: Douglas-Westwood]

Drilling

UMW-OG's market share is estimated at 7% of the Drilling market for jack-ups and semi-subs <1,000ft in SEA based on annual average contracted rig count from 2009 to 2012. By establishing a good track record and strong relationship with PETRONAS domestically, UMW-OG has secured contracts overseas for Hess (Indonesia-Pangkah) in Indonesia and PV Drilling to drill wells for the end client Hoang Long Joint Operating Company in Vietnam. As drilling activity in the region is dominated by jack-ups and conventional shallow water rigs, UMW-OG's fleet is relatively well positioned to compete, especially with the new jack-up NAGA 4 which has a higher set of specifications. NAGA 4 was contracted to PETRONAS Carigali from April 2013 for three years. As of 5 September 2013, UMW-OG has three jack-ups and one semi-subs <1,000ft operating in SEA, accounting for 6% of the total 61 contracted jack-ups and 1 contracted semi-sub <1,000ft in the region.

During the period between 2009 to 2012, UMW-OG had 2.5 rigs contracted on average annually, which gives the company 21% share of the Malaysian market for jack-ups and semi-subs <1,000ft. Whilst demand for semi-sub <1,000ft in Malaysia is expected to follow the constant trend in SEA, demand for jack-up in Malaysia is expected to experience a steady growth in the next five years and increase by 21% by 2018 as compared to 2012. As of 5 September 2013, UMW-OG has two jack-ups and one semi-subs <1,000ft operating in Malaysia, accounting for 18% of the total 16 contracted jack-ups and 1 contracted semi-sub <1,000ft in the country.

Workover

UMW-OG holds 11% and 36% of the Workover market in SEA and Malaysia respectively. In Malaysia, UMW-OG is one of the few companies in the drilling business which is able to offer both drilling and workover services. Hence, the well-established drilling business line could potentially provide opportunities for workover service, which may increase UMW-OG's workover market share in the near future.

** Note: Market Share is estimated by taking into account the average contracted rigs over the period of 2009-2012, not the total number of rigs available.*

2. DRILLING SERVICES

2.11. Regulations and Requirements

Regulations and requirements in UMW-OG's operating region differ on a country basis and are influenced by both governing bodies and operators. Local content requirement in Malaysia creates barriers to entry for non-Malaysian competitors.

Overview

UMW-OG mainly operates in SEA and is subjected to foreign regulations and requirements by local governing bodies and E&P companies. In general, rigs are required to meet basic safety, communication, maintenance and inspection requirements. With respect to technical requirements, IOCs have more stringent rig requirements in terms of rig class and related HSE requirements whilst NOCs tend to have lower requirement ratings due to their focus on shallow water.

Other regulations include regional conventions regarding drilling discharge. UMW-OG's main operating region does not have a convention in place and is not expected to adopt more stringent regulations in the short to mid-term.

Indonesia

Cabotage law in Indonesia requires offshore drilling vessels to be Indonesian flagged. Exemptions are however given to drilling and offshore support operations. These exemptions are given when there are insufficient Indonesian flagged vessels to be contracted and would require the foreign vessel to obtain a permit from the country's Ministry of Trade.

Malaysia

Malaysia has a local content requirement in place which will pose a barrier to entry for non-Malaysian companies. E&P companies operating within the country are mainly under PSCs with PETRONAS. As such, contracts typically favour domestic providers who meet the required standard of quality.

The Petroleum Development Act and Petroleum Regulations 1974 require suppliers and service providers including drilling contractors to have a valid license issued by PETRONAS, the country's NOC.

PETRONAS have a *Bumiputera* participation requirement* in place which requires 30%, 51% or 100% of employees to be of bumiputera status depending on the Standardised Work and Equipment Categories. Non-Malaysian companies tendering for drilling work are also able to appoint a Malaysian company as a representing agent or form joint ventures with a local company to compete in the country's drilling market.

Myanmar

Foreign companies investing in the Myanmar are required to do so through a PSC partnership with Myanma Oil and Gas Enterprise (MOGE). Operators are also required to have a local partner and may influence contracting process. There are no explicit regulations relating to UMW-OG's drilling services, however, technical compliance will be imposed by related operators.

Thailand and Vietnam

Neither of these countries have explicit regulations regarding drilling. Technical compliance will be imposed by related operators. Douglas-Westwood expects IOCs in Thailand and Vietnam to have more stringent rig requirements in terms of rig class and related HSE requirements than NOCs whose focus is typically on shallow water.

Turkmenistan

Turkmenistan has a 30% quota on companies for foreign personnel. While there are no explicit regulations on contracting, priorities are given to local suppliers and contractors who meet the required standard of quality. Laws and business regulations within the country lacks transparency and is subject to frequent change.

** Source: According to Application for PETRONAS License and Registration General Guidelines (24th April 2012)*

2. DRILLING SERVICES

2.12. Industry Risks

The key external industry risks faced by the drilling business are mainly low oil prices and the potential impact of incidents similar to the Deepwater Horizon incident in SEA.

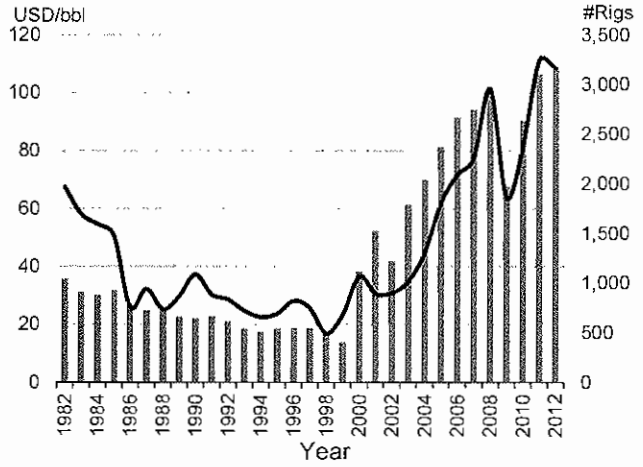


Fig.45: Oil Prices ($2011) Versus Contracted Rigs [Source: Douglas-Westwood, RigLogix]

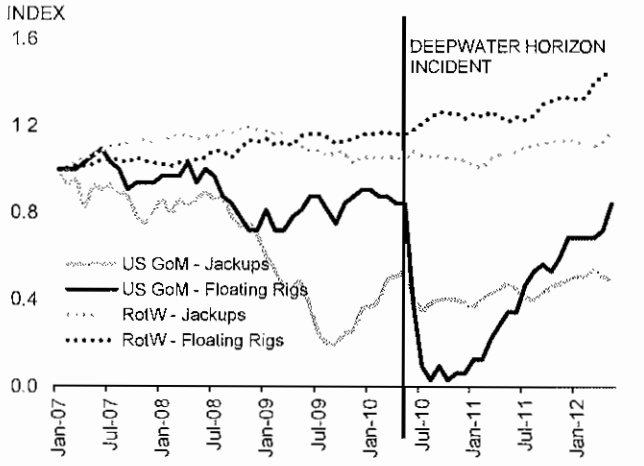


Fig.46: Impact of the Deepwater Horizon Incident on US Offshore Drilling [Source: Douglas-Westwood, RigLogix]

Overview

The global drilling industry is faced with a number of key risks (which may include commercial or technical risk) that may impact projected levels of activity. It should be noted that whilst these risks have been acknowledged in our wider analysis and used to sensitise our outputs they still pose a certain level of threat to the drilling business.

Market Cyclicality Risks

The global oil & gas industry is inherently cyclical and is impacted by wider macro-trends as illustrated by Fig.45 which tracks the historical relationship between oil prices and global contracted drilling rigs (onshore and offshore). Whilst the offshore drilling sector is typically less vulnerable to short term oil price movement and substantial drop in price (similar to that witnessed in 2009), both factors would still pose a significant risk to demand for drilling services.

Safety and Operational Risks

Offshore drilling presents a large number of technical and operational hazards that must be properly managed to ensure the safety of rig personnel. In April 2010, the Deepwater Horizon semi-submersible drilling rig suffered a catastrophic blow-out whilst drilling for BP at the Macondo oilfield in the Gulf of Mexico leading to the death of 11 on-board workers. The subsequent fall-out impacted not just the companies involved but also the drilling industry as a whole. In January 2010 there were 29 active floating rigs drilling in deepwater in the Gulf of Mexico, however, a drilling moratorium imposed by the government of the USA resulting from the Deepwater Horizon incident saw that figure fall to just 1 rig in August 2010 and average of just 5 for 2011. A similar incident in SEA would likely impact UMW-OG's business significantly even if UMW-OG were not directly involved.

Risk of Substitutes

Whilst other types of drilling rigs exist, it is unlikely that larger semi-subs and drillships would compete directly with UMW-OG's jack-ups due to the substantially higher dayrates these floating rigs would typically be able to obtain.

2. DRILLING SERVICES

2.13. SWOT Analysis

UMW-OG has a relatively strong asset base coupled with an established foothold in Malaysia with potential upsides due to strong market growth. However, the move towards deepwater and uncertainty in rig supply may pose as challenges to the company's outlook.

Strengths

- Ownership of young jack-up drilling fleet at an average age of 2.3 years and high specifications jack-ups amongst peer group provide a competitive advantage.
- Established presence in Malaysia, one of the key markets for offshore drilling and workover in SEA. Stringent local content requirements in Malaysia acts as a high barrier to entry to non-Malaysian competitors.
- Strong drilling backlog with future drilling contracts until 2018.

Weakness

- UMW-OG's geographical coverage within SEA may expose the company to country-specific risks.

Opportunities

- Strong underlying demand for Drilling and Workover services. Workover demand is anticipated to rise due to ageing platforms coupled with development plans from PETRONAS.
- Growing DCR given current pickup in demand indicating potential upside to UMW-OG's drilling business.
- Wide geographical coverage of existing customers especially PETRONAS provides entrance avenues to foreign markets within SEA, APAC, and Middle East, allowing UMW-OG to expand beyond current operating regions.
- Malaysian Government's ETP to increase production of existing and new marginal fields through EPP 1, 2 and 3 is expected to bolster demand for workover and drilling services.

Threats

- High cyclicality in the drilling market stands out as a threat causing fluctuating demand for drilling services.
- Regulatory changes due to incidents similar to Deepwater Horizon incident in 2010 may increase operation cost, lowering margins.
- A move towards deepwater is anticipated as oil and gas operators in the region develop deepwater reserve. This may potentially cause demand for jack-up rigs to stay constant, in favour of semi-subs >1,000ft and drillships.
- Mobilisation of rigs into SEA and speculative building of rigs may increase aggregate supply and increase competitive pressure in the region.

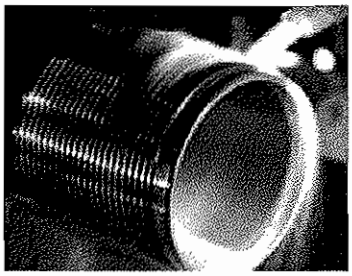
3. OILFIELD SERVICES

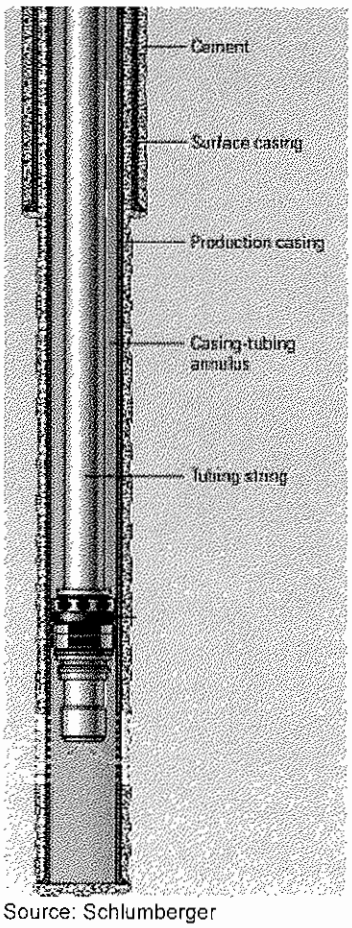
3.1. Threading: Overview and Definitions

UMW-OG provides threading services used in the oil and gas industry. Threading services are used in onshore and offshore wells producing both oil and gas. Typically, offshore wells and gas wells would require premium OCTG threads for better seals.

Overview

Different types of casing and tubings are required to be inserted in the well to facilitate oil & gas production. These casing and tubings are inserted into the well and are joined together through threaded connectors or with each other from the wellhead to the reservoir.





Source: Schlumberger

Threads

Threads are ridges at the end of a pipe or tube that allows several similar pipes or tubes to be joined together. Threaded pipes can be classified into 2 main categories: premium threads and API standardised threads. Premium threads provide superior seals independent of thread profiles. **UMW-OG currently provides both premium and API threads.**

Threading Licenses

Threading licenses are typically provided by OCTG manufacturers or by trade associations such as API. These licenses allow the license holders to provide threading services for the licensor in the given country. **UMW-OG currently holds licenses from various manufacturers in its plants in Malaysia, China and Thailand.**

Casing

In order to protect the wellstream, large-diameter pipes would have to be inserted into a drilled well. This is typically cemented into place with a variety of casings depending on well pressure. Tubings/casings are generally joined by coupling whilst flush joints are directly joined between pin and box ends without coupling.

Tubing

Production tubing or tubing strings are placed inside the casing to protect the casing from wear and tear while the well is in its production phase. The tubing runs from the wellhead to the production zone and is connected to one another directly or through a casing/joint connector.

Joint Connectors

Casing and tubings are either connected directly to each other through a male and female end or through a threaded joint connector. **UMW-OG currently manufactures joint connectors and couplings.**

3. OILFIELD SERVICES

3.2. Threading: Key Drivers

Whilst the Malaysian market is dominated by offshore wells, onshore wells are expected to take the lead in China. Strong development of unconventional gas in China presents positive market opportunities for threading despite possible delay due to the lack of technology and infrastructure.

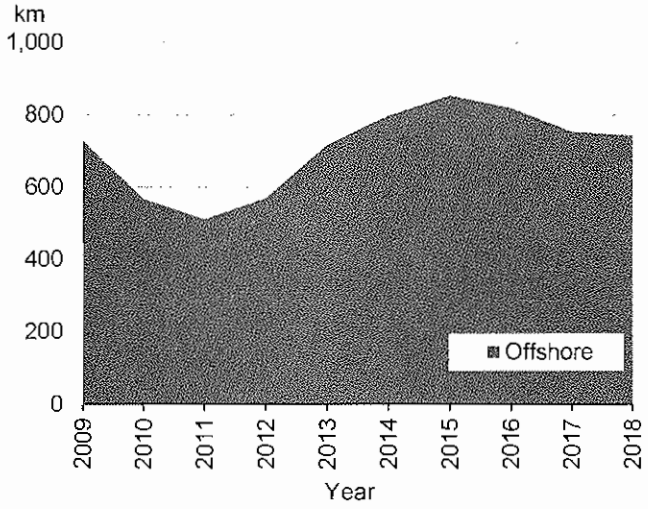


Fig.47: Metres Drilled, Malaysia
[Source: Douglas-Westwood]

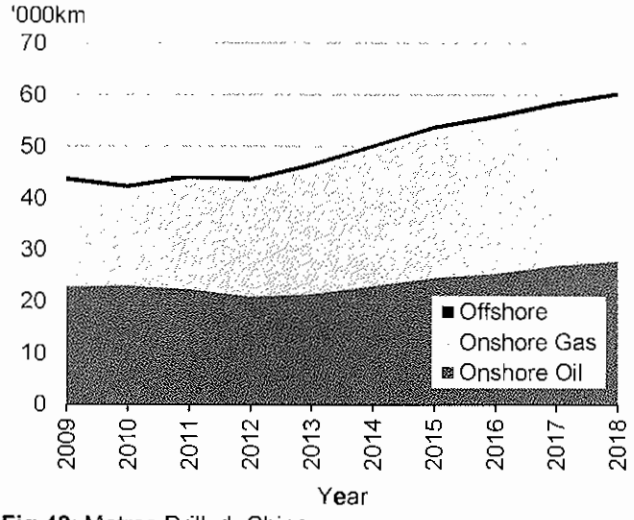


Fig.48: Metres Drilled, China
[Source: Douglas-Westwood]

As UMW-OG provides both premium threading and API threading services for OCTG, the number of metres drilled is the key driver for the company's threading business.

Dominance of Offshore Activity in Malaysia

The Malaysian market is characterised by the dominance of offshore wells with negligible onshore facilities. This implies a higher average well depth as offshore wells generally have greater well depth as compared to onshore wells. This market condition is anticipated to provide robust growth opportunities for premium threading as OCTG used for offshore wells typically require a better seal quality that premium threads are able to provide.

From 2013 to 2018, annual average metres drilled in Malaysia is estimated to be 780km, increasing by 37% as compared to 569km in 2012. The increase in annual metres drilled is mainly due to the anticipated increase in average well depth as the offshore oil and gas industry in Malaysia moves towards deepwater production which generally requires deeper well depth.

Robust Growth for Premium Threading in China

In contrast to the Malaysian market, onshore wells take the lead in China. Metres drilled for onshore gas has outpaced onshore oil metres in 2012, accounting for 53% of total metres drilled and is expected to continue growing faster than onshore oil metres drilled. This is mainly due to the strong growth in gas production in China, especially unconventional gas, as a direct result of the government-led 12th Five-Year Development Plan for Natural Gas.

Given the increase in the number of onshore gas wells, Douglas-Westwood expects the market for premium threading in China to experience robust growth with the assumption that most, if not all of gas tubing and casing require premium threading.

3. OILFIELD SERVICES

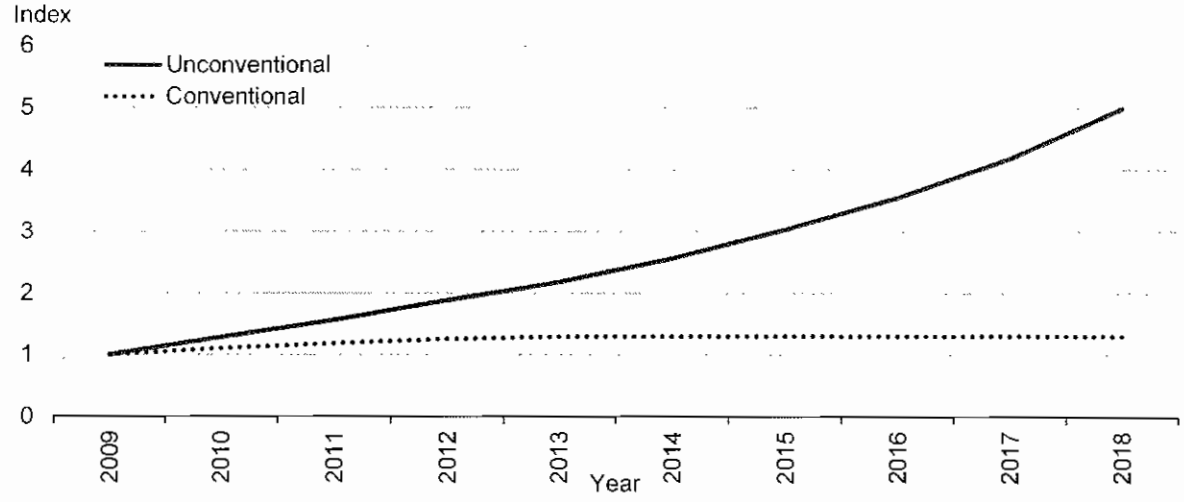


Fig.49: Index of Onshore Gas Wells Drilled, China.
[Source: Douglas-Westwood]

Strong Growth of Unconventional Gas in China

The growth of onshore gas in China mainly comes from strong development of unconventional gas, led by the 12th Five-Year Development Plan for Natural Gas which sets the plan of the Chinese government to produce 6.5bcm of shale gas by 2015 from nearly zero in 2012. Conventional gas production is expected to maintain a plateauing level, partly because the priority has been set by the government to focus on unconventional gas production.

The first production sharing contract to develop shale gas in China was signed between Shell and CNPC in 2012 to develop the Fushun shale gas block in the south-western province of Sichuan. Shell estimated that it will spend approximately USD 1bn on this project.

It is worth noting that besides shale gas, the development of CBM, another type of unconventional gas, in China is dated back to the 1980s. By 2006, approximately 1,000 test CBM wells were drilled but no commercial gas was produced due to a number of factors, including the lack of geology understanding, inadequate well completion techniques, and the lack of commercial operation experiences. However, the Chinese government had started allowing international CBM companies to enter the domestic market from 2007. Since then, up to 2,000 CBM wells were drilled, which resulted in the commercial CBM project of the Qinshui basin in Jincheng mining area.

Similar to the CBM experience, China's ambitious plan on shale gas poses some uncertainty in the infant development stage due to the lack of technology for unconventional gas production and infrastructure in remote areas where the resources are located.

3. OILFIELD SERVICES

3.3. Threading: Market Outlook

Threading expenditure in Malaysia is estimated at USD 187mn over 2013-2018. China's expenditure is estimated to reach USD 1.9bn in 2018.

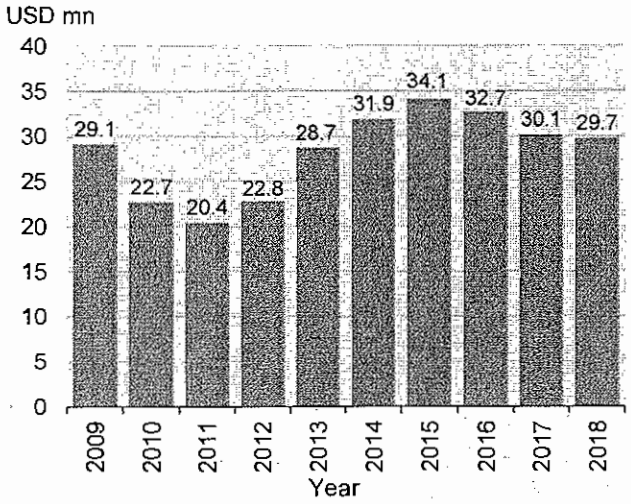


Fig.50: Threading Expenditure, Malaysia
[Source: Douglas-Westwood]

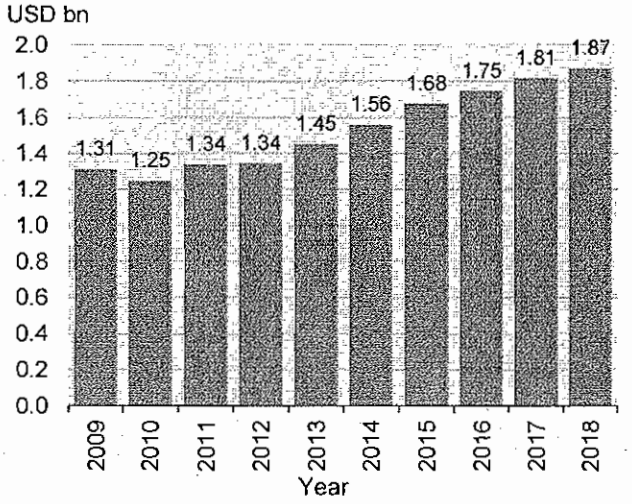


Fig.51: Threading Expenditure, China
[Source: Douglas-Westwood]

Malaysia

Total threading expenditure in Malaysia is estimated at USD 187mn for the period 2013-2018 with a CAGR of 4%. Assuming that offshore tubing and casing will continue to require premium threading, premium threading will make up most of the demand as the majority of wells in Malaysia are offshore.

The increased focus in deepwater in Malaysia will potentially result in increased well depth and well complexity, which in turn is expected to translate into a bigger market for threading as the total metres drilled increases assuming that the average length of a pipe remains unchanged.

Thailand

Threading expenditure in Thailand is estimated at USD 81mn over the forecast period 2013-2018, accounting for 10% of the total threading market in SEA. The Thailand market is dominated by shallow offshore production with the demand for wells drilled expected to decline by 4% CAGR from 2013 to 2018, which translates into a reduction in market size from USD 15bn in 2013 to USD 13bn in 2018. This is mainly due to production decline in mature fields in the country. As offshore production contributes 90% of total oil & gas production in Thailand, the threading market here is dominated by premium threading as opposed to API threading.

China

Total threading expenditure in China is expected to reach USD 1.9bn in 2018, a 5% CAGR increase from 2013. The threading market in China will be mainly driven by onshore wells, especially onshore gas due to strong development of unconventional gas in the country. The Chinese government has aimed to increase the share of natural gas in the overall energy mix to 8% by 2016 by promoting large-scale production of shale gas. A target of 6.5bcm of shale gas has been set in the country's 12th five-year Development Plan. Besides shale gas, CBM in China also experienced robust growth with an estimation of 2,000 wells being drilled over 2006-2009. In contrast to Malaysia, the threading market in China will grow due to the increase in the number of wells rather from the increase in well depth as market growth in China mainly comes from onshore wells.

Turkmenistan

Threading expenditure in Turkmenistan is estimated at USD 42mn over the forecast period with a 3% CAGR increase from 2013 to 2018. Increasing demand for shallow offshore wells and onshore gas wells are the main contributors to the 3% CAGR market growth. Similar to Thailand, the threading market in Turkmenistan is dominated by premium threading due to the country's focus on offshore production and onshore gas which typically require premium threading for tubing and casing.

3. OILFIELD SERVICES

3.4. Threading: Competitive Landscape

UMW-OG's competitors can be categorised into 3 main groups with different scope of services, size and geographical coverage. UMW-OG is well positioned within its peer group but will largely be influenced by demand for licensor's products.

	Company Name	HQ	Threading						Geographical coverage		
			Inspection	Repair	Threading	API	Premium	OCTG Mfg	Malaysia	China	Rest of Asia
Integrated	Sumitomo Corporation	JPN	●	●	●	●	●	●	●	○	●
	Hilong Group	CHN	◑	◑	●	●	◑	●	○	●	◑
	Liaocheng Xinpengyuan OCTG Co, Ltd	CHN	○	○	◑	●	○	●	○	●	○
	PT Mulia Jaya Mandiri	IDN	○	◑	●	●	●	◑	○	○	●
Threading Specialist	**UMW-OG**	MYS	●	●	●	●	●	○	●	●	●
	Vietubes Corporation Ltd	VNM	●	●	●	●	●	○	○	○	●
	Deer Park Oil Tools Pty Ltd	AUS	○	●	●	●	●	○	○	○	●
	Cadeng Pty Ltd	AUS	○	●	●	●	●	○	○	○	●
	PT Citra Tubindo	IDN	○	○	●	●	●	○	○	○	●
	EPIC (Tubex Sdn Bhd)	MYS	●	○	●	●	●	○	●	○	○
	I.T.S Petroleum Tubular & Equipment	CHN	○	●	●	●	●	○	○	●	○
	Bossong Engineering Pty Ltd	AUS	○	○	●	●	●	○	○	○	●
	Besmindo Group	IDN	○	●	●	●	○	○	●	●	●
	PT Hymindo Petromas Utama	IDN	○	○	●	●	●	○	○	○	●
	International Tubular Services	IND	○	○	●	●	●	○	○	○	●
	PT Patraindo Nusa Pertiwi	IDN	○	○	●	●	●	○	○	○	●
	Sobena Offshore Inc Sdn Bhd (SOI)	MYS	○	●	●	○	○	○	●	○	○
Licensors	JFE Holdings Inc	JPN	○	○	◑	○	●	○	○	●	●
	Nippon Steel & Sumitomo Metal	JPN	○	○	◑	○	●	○	○	○	●
	NS Connection Technology	USA	○	○	◑	○	●	○	○	○	◑
	Tiangang Special Petroleum Pipe MFG	CHN	○	○	◑	●	●	◑	○	●	○
	WSP Holdings Limited	CHN	○	○	●	●	●	●	○	●	○
	Tenarishydrill Group	LUX	○	●	●	○	●	●	●	●	●
	Vallourec S.A	FRA	○	○	●	●	●	●	○	○	●

Fig.52: Threading Competitive Landscape
[Source: Douglas-Westwood]

Competitive Landscape

With the exception of China, significant barriers to entry exist in the threading market given the need to establish key relationships with threading suppliers and threading license requirements. Threading contractors can be divided into 3 categories; integrated, specialist and licensors. On top of threading services, each category may provide a varied range of services including inspection and repair.

Integrated companies: Companies in this category have both threading and OCTG manufacturing capabilities. Unlike licensors, these companies typically do not provide licenses to third party threading companies. Companies in this category are generally larger conglomerates and provide a varied scope of service ranging from inspection, repair, and threading services.

Threading specialists: Companies in this category provide threading services but do not have OCTG manufacturing capabilities. Each company typically holds licenses from various licensors. Larger companies tend to have a larger geographical reach and provide related services including inspection and repair. Competitors in the region generally provide both API and premium threading services.

Licensors: These companies provide thread licenses to threading companies. Although these licensors may have threading capabilities, they typically outsource the threading work to local threading providers. The competitive landscape is heavily influenced by licensors who competes with each other for contracts with end users.

UMW-OG: UMW-OG is a threading specialist, with various thread licenses in China, Malaysia and Thailand from companies such as JFE Steel Tubular Technology, Tenaris Connection, Baker Hughes and Tianjin Pipe Corporation Ltd. While we consider UMW-OG to be well positioned in its peer group as it provides additional services including inspection and repair work, it is important to note that the demand for its threading services will be largely influenced by the company's licensor, their performance and capability to secure contracts.

3. OILFIELD SERVICES

3.5. UMW-OG's Market Share

UMW-OG's threading market share in Malaysia and China is 29% and 0.3% on average respectively over 2009-2012.

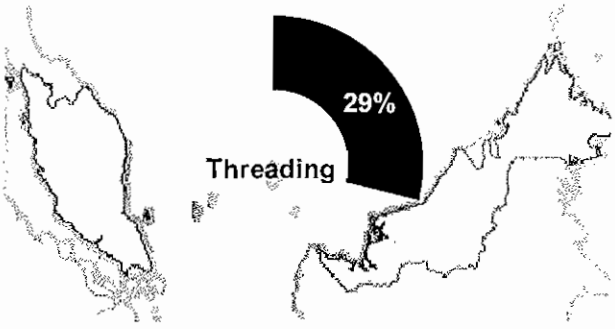


Fig.61: UMW-OG's Threading Market Share in Malaysia on average over 2009-2012 [Source: Douglas-Westwood]

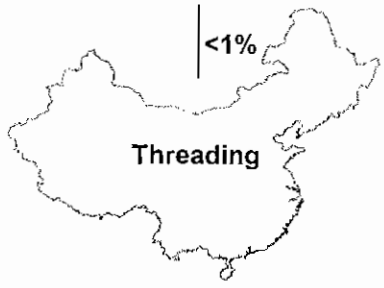


Fig.62: UMW-OG's Threading Market Share in China on average over 2009-2012 [Source: Douglas-Westwood]

UMW-OG's threading market share in Malaysia and China is estimated to be 29% and 0.3% of total threading expenditure respectively on average over 2009-2012. It is important to note that the significant difference in UMW-OG's market share for these two countries is mainly due to the difference in market size: the Chinese threading market is approximately 60 times larger than the threading market in Malaysia.

Given the dominance of offshore wells which require premium threading in Malaysia, UMW-OG may be able to increase its market share by relying on its ability to provide high quality premium threading.

The Chinese threading market presents a significant growth opportunity due to the larger market size when compared to Malaysia coupled with expected strong annual growth due to anticipated robust development of unconventional gas. If UMW-OG could be involved in providing threading services for OCTG used in unconventional gas projects in China, the company's market share in China may improve over time as unconventional gas projects are realised gradually.

3. OILFIELD SERVICES

3.6. Regulations and Requirements

Regulations and requirements in UMW-OG's operating region differs on a country basis and are influenced by both local governing bodies and licensors.

Overview

UMW-OG operates its oilfield services in Malaysia, China, Thailand, and Turkmenistan. Hence, the company is subject to different regulations and requirements by both the local government bodies in these countries, as well as licensors. OCTG manufacturers or steel mills typically issue threading licenses for the right to thread within the appointed country.

Malaysia

Malaysia has a local content requirement in place which will provide a barrier to entry for international companies. E&P companies operating within the country are mainly under PSCs with PETRONAS. As such, contracts typically favour domestic providers who meet the required standard of quality given PETRONAS' preference for local contractors and suppliers.

PETRONAS have a *Bumiputera* participation requirement in place which requires 30%, 51% or 100% of employees to be of bumiputera status depending on the Standardised Work and Equipment Categories. Foreign companies tendering for contracts are also able to appoint a local company as a representing agent or form joint ventures with a local company to compete in the country's oil and gas market.

Indonesia

Local content regulations in Indonesia require a minimum local content of 35% of goods and services including threading services. High quality standards not met by local suppliers can be considered for exemptions. Requests for such exemptions must be made through the country's Ministry of Trade.

Myanmar

Foreign companies investing in Myanmar are required to do so through a PSC partnership with Myanma Oil and Gas Enterprise (MOGE). Operators are also required to have a local partner which may influence contracting process. There are no explicit regulations regarding UMW-OG's oilfield services. Threading providers will require respective licenses from licensors to operate within the country.

Thailand and Vietnam

There are no explicit regulations regarding UMW-OG's oilfield services. Threading providers will require respective licenses from licensors to operate within the country.

China

There are no explicit regulations regarding UMW-OG oilfield services. Threading providers will require respective licenses from licensors to operate within the country. It may be important to note that local companies typically have a preference towards local OCTG suppliers.

Turkmenistan

Turkmenistan has a 30% quota on companies for foreign personnel. While there are not explicit regulations on contracting, priorities are given to local suppliers and contractors who meet the required standard of quality. Laws and business regulations within the country lacks transparency and is subjected to frequent change. There are no explicit regulations relating to UMW-OG's oilfield services. Threading providers will require respective licenses from licensors to operate within the country.

3. OILFIELD SERVICES

3.7. Industry Risks

Key risks faced by UMW-OG's oilfield business include reliance on suppliers, low oil prices and the potential impact of incidents similar to the Deepwater Horizon incident in SEA. Delays and uncertainties in China's unconventional gas market may see a downside to future growth.

Overview

UWM-OG's oilfield business faces a number of key commercial and technical risks that may impact projected levels of activity. It should be noted that whilst these risks have been acknowledged in our wider analysis and used to sensitise our outputs, they still pose a certain level of threat to the business.

Market Cyclicality Risks

The company's business is involved in the E&A and the development drilling stage of the O&G lifecycle in both onshore and offshore segments. These markets tend to be vulnerable to macro-economic factors such as O&G prices, making it relatively susceptible to price fluctuations. Whilst the business' offshore sector is less volatile to short term oil price movements as compared to the onshore sector, long term price changes would pose a significant risk, affecting the demand for drilling related supplies.

Supplier Risks

UMW-OG's threading business is heavily influenced by the quality of parts supplied and capacity of its suppliers. Suppliers are required to meet high standards specifically in the offshore sector and supply products in a timely manner. Given a relatively low switching cost with several OCTG suppliers in the market, a risk of being substituted is inherent in the competitive environment which will directly impact UMW-OG's business.These suppliers also pose a threat to UMW-OG's market given potential movement into threading services provided through their in-house threading capabilities, increasing competitive pressures.

Uncertainties in China's Unconventional Gas Sector

China has laid down ambitious development plans for its unconventional gas outputs with plans to increase shale gas output to 6.5 bcm in 2015 and 60-100 bcm in 2020. However, key challenges including uncertainty of reserves, resource management, challenging geological conditions, lack of proper infrastructure to transport unconventional gas to related terminals and refineries, and lack of incentive policies may adversely impact the projected output levels, and subsequently causing delays in development plans.

Safety and Operational Risks

Companies operating in the offshore drilling industry will be exposed to many technical and operational hazards that have to be properly managed to ensure the safety of rig personnel. In April 2010, the Deepwater Horizon semi-submersible drilling rig suffered a catastrophic blow-out whilst drilling for BP at the Macondo oilfield in the Gulf of Mexico leading to the death of 11 onboard workers. The subsequent fall-out impacted not just the companies involved but the drilling industry as a whole. In January 2010 there were 29 active floating rigs drilling in deepwater in the Gulf of Mexico. However, with the drilling moratorium imposed by the government of the USA resulting from the Deepwater Horizon incident led to the drop in active floating rigs (i.e August 2010 – 1 rig) drilling in Gulf of Mexico. As such, a similar incident in SEA may impact UMW-OG's oilfield services due to the chain effect in the offshore sector as a whole.

3. OILFIELD SERVICES

3.8. SWOT Analysis

UMW-OG has a range of licenses to thread in high growth markets. The company however relies heavily on its major clients and faces potential threats from vertical integration by manufacturing houses.

Strengths

- UMW-OG holds a strong foothold within Malaysia given its established relationship with NOC PETRONAS.
- Possession of licenses to thread in high-growth markets such as China and Malaysia is expected to further augment demand. Robust growth is anticipated, especially in China.
- Sound HSE records with practices, programmes and safety standards in place including several awards from PETRONAS in recognition of UMW-OG's HSE performance.
- Experienced key personnel

Weaknesses

- With geographical concentration in Malaysia and China, UMW-OG is exposed to country-specific risks.
- Potential over-reliance on key customers.

Opportunities

- China's ambitious shale development plan may increase demand for OCTG and related threading services.
- With more wells drilled in deeper waters, we expect increasing demand for OCTG and threading services.
- A move towards deepwater and an increasing number of gas developments present significant growth potential for premium threading service for UMW-OG.
- Strategic relationships with licensors will be vital to further growth.

Threats

- As the demand for threading service heavily depends on drilling activity, the threat of demand fluctuation is also inherent in the threading business given the high level of cyclicality in the drilling market.
- Vertical integration by manufacturing houses may suppress demand for standalone threading services.
- Uncertainty with regard to China's ambitious unconventional gas development may result in delays in the market.
- Threat of licenses being revoked due to external factors including performance of current suppliers.

APPENDICES

Table A1: Contracted Jack-ups in Malaysia, 5 September 2013

Company Name	Rig Name	Country	Max WD (ft)	Operator
Aban Offshore	Deep Driller 3	Malaysia	350	Petronas Carigali
ENSCO	ENSCO 105	Malaysia	400	Petronas Carigali
	ENSCO 106	Malaysia	400	Newfield
	ENSCO 52	Malaysia	300	Murphy
Maersk Drilling	Maersk Convincer	Malaysia	375	Petronas Carigali
Noble Drilling	Noble George McLeod	Malaysia	300	Talisman
Rowan	JP Bussell	Malaysia	300	Petrofac
	Rowan EXL IV	Malaysia	350	Carigali-Hess Operating Co.
	West Courageous	Malaysia	350	Hess Corp.
Seadrill Ltd	West Leda	Malaysia	375	ExxonMobil
	West Vigilant	Malaysia	350	Talisman
Shelf Drilling	Galveston Key	Malaysia	300	Petrofac
	Trident IX	Malaysia	400	Petrofac
UMW-OG	**Naga 3**	**Malaysia**	**350**	**Petronas Carigali**
	Naga 4	**Malaysia**	**400**	**Petronas Carigali**
Vantage Drilling	Aquamarine Driller	Malaysia	375	Petronas Carigali

APPENDICES

Table A2: Contracted Jack-ups in the Rest of SEA, 5 September 2013

Company Name	Rig Name	Country	Max WD (ft)	Operator
Aban Offshore	Deep Driller 8	Brunei Darussalam	350	Shell
	Atwood Mako	Thailand	400	Salamander Energy
Atwood Oceanics	Atwood Orca	Thailand	400	Mubadala Petroleum
	Vicksburg	Thailand	300	Coastal Energy
	Bohai VIII	Indonesia	250	PetroChina
China Oilfield Services Ltd.	COSL 937	Indonesia	300	CNOOCSES
	COSLBoss	Indonesia	400	BP
	COSLSeeker	Indonesia	375	Pertamina
	ENSCO 107	Vietnam	400	ENI
	ENSCO 108	Thailand	400	PTTEP
ENSCO	ENSCO 56	Indonesia	300	Pertamina
	ENSCO 67	Indonesia	350	Pertamina
	ENSCO 85	Indonesia	300	Pertamina
Hercules Offshore	Hercules 208	Myanmar	200	PTTEP
Japan Drilling	HAKURYU-10	Indonesia	375	Total
	HAKURYU-11	Vietnam	425	Con Son Joc
KS Energy Services Ltd.	KS Java Star	Indonesia	300	Pertamina
Maersk Drilling	Maersk Completer	Brunei Darussalam	375	Shell
PT Apexindo	Raniworo	Indonesia	350	Total
	Soehanah	Indonesia	375	Total
PV Drilling	PV Drilling II	Vietnam	400	Lam Son JOC
	PV Drilling III	Vietnam	400	VietSovPetro
Rowan	Rowan EXL I	Indonesia	350	Hess Corp.
	West Ariel	Vietnam	400	VietSovPetro
	West Cressida	Thailand	375	PTTEP
Seadrill Ltd	West Defender	Brunei Darussalam	350	Shell
	West Prospero	Vietnam	400	VietSovPetro
	West Tucana	Vietnam	400	PetroVietnam
	Compact Driller	Thailand	300	Chevron
	Harvey H Ward	Indonesia	300	Pertamina
	Key Gibraltar	Vietnam	300	PetroVietnam
Shelf Drilling	Parameswara	Indonesia	300	Total
	Randolph Yost	Indonesia	300	Mubadala Petroleum
	Trident 15	Thailand	300	Chevron
	Trident 16	Vietnam	300	PetroVietnam
	GSF Constellation I	Indonesia	400	Total
Transocean Ltd.	Transocean Andaman	Thailand	350	Chevron
	Transocean Siam Driller	Thailand	350	Chevron
UMW-OG	**Naga 2**	**Vietnam**	**350**	**PetroVietnam**
Vantage Drilling	Emerald Driller	Thailand	375	PTTEP
	Topaz Driller	Indonesia	375	Total
VietSovPetro	Cuu Long	Vietnam	300	VietSovPetro
	Tam Dao 01	Vietnam	300	VietSovPetro
	Tam Dao 02	Vietnam	375	VietSovPetro
	Tam Dao 03	Vietnam	300	PetroVietnam

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, KEY TECHNICAL PERSONNEL, PROMOTER AND SUBSTANTIAL SHAREHOLDERS

9.1 BOARD OF DIRECTORS

Our Board acknowledges and takes cognisance of the Malaysian Code on Corporate Governance 2012 ("**MCCG 2012**"), which contains recommendations to improve upon or to enhance corporate governance as an integral part of the business activities and culture of such companies. The MCCG 2012 is specifically targeted for listed companies on Bursa Securities, and listed companies with the FYE 31 December 2012 onwards, whereby these companies are required to report the extent of the adoption of the principles and recommendations of the MCCG 2012 in their annual reports.

In connection with the above, as at the date of this Prospectus, our Company has adopted Recommendation 3.5 under MCCG 2012 to have a Board comprising a majority of independent directors, where the Chairman of the Board is not an independent director. In addition, our Company has established a nominating committee comprising exclusively of non-executive directors, a majority of whom must be independent.

Our Board believes that our current Board composition provides the appropriate balance in terms of skills, knowledge and experience to promote the interests of all shareholders and to govern our Group effectively. Our Board is also committed to achieving and sustaining high standards of corporate governance.

Within the limits set by our Articles, our Board is responsible for the governance and management of our Company. To ensure the effective discharge of its functions, our Board has adopted the principles of MCCG 2012 and observes the recommendation of the MCCG 2012, which sets out the following responsibilities for our Board:

(i) to review, challenge and approve our annual corporate plan, which includes our overall corporate strategy, marketing plan, human resources plan, information technology plan, financial plan, budget, regulations plan and risk management plan;

(ii) to oversee the conduct of our businesses and to determine whether the businesses are being properly managed;

(iii) to identify principal risks and ensure the implementation of appropriate internal controls and mitigation measures to effectively monitor and manage these risks;

(iv) succession planning, including appointing, training, fixing the remuneration of, and where appropriate, replacing key management;

(v) to oversee the development and implementation of a shareholder communications policy for our Company; and

(vi) to review the adequacy and the integrity of our management information and internal controls systems, including systems for compliance with applicable laws, regulations, rules, directives, and guidelines (including Bursa Securities LR, securities laws and the Act).

In accordance with Article 107 of our Articles, at each annual general meeting ("**AGM**") one-third of our Directors for the time being, or if their number is not a multiple of three, the number nearest to one-third with a minimum of one, shall retire from office and an election of Directors shall take place PROVIDED ALWAYS that each Director shall retire from office at least once in every three years but shall be eligible for re-election. A Director retiring at a meeting shall retain office until the close of the meeting whether adjourned or not.

In accordance with Article 108 of our Articles, the Directors to retire in every year shall be those who, being subject to retirement by rotation, have been longest in office since their last election or appointment, but as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless otherwise agreed among themselves) be determined by lot. A retiring Director shall be eligible for re-election.

In accordance, with Article 113 of our Articles, the Directors shall have power at any time and from time to time to appoint any person to be a Director either to fill a casual vacancy as an additional Director, but so that the total number of Directors shall not at any time exceed the maximum number fixed by or in accordance with our Articles which is 15 Directors. Any Director so appointed shall hold office only until the next AGM and shall then be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

The number of Directors shall not be less than two but not more than fifteen. At least two of our Directors or one-third of our Board, whichever is higher, must also at all times be Independent Directors. As at the date of this Prospectus, our Board consists of nine Directors, five of whom are Independent Directors.

The details of the members of our Board, all of whom are Malaysian, and the details of the date of expiration of the current term of office for each of our Directors and the period that each of our Directors has served in that office as at the LPD are as follows:

Name	Age	Date of appointment	Date of expiration of the current term of office based on the composition of the Board as at the LPD	No. of years and months in office as at the LPD
Tan Sri Asmat bin Kamaludin	69	2 May 2013	To retire at every AGM pursuant to Section 129(6) of the Act	4 months
Datuk Syed Hisham bin Syed Wazir	59	1 October 2010	Subject to retirement at the AGM in 2014	2 years and 11 months
Dr. Leong Chik Weng	50	21 April 2011	Subject to retirement at the next AGM in 2016	2 years and 4 months
Razalee bin Amin	59	2 May 2013	Subject to retirement at the next AGM in 2015	4 months
Dato' Afifuddin bin Abdul Kadir	59	2 May 2013	Subject to retirement at the next AGM in 2015	4 months
Cheah Tek Kuang	66	2 May 2013	Subject to retirement at the next AGM in 2015	4 months
Ibrahim bin Marsidi	61	2 May 2013	Subject to retirement at the next AGM in 2016	4 months
Fina Norhizah binti Hj Baharu Zaman	56	15 August 2013	Subject to retirement at the AGM in 2014	*
Rohaizad bin Darus	48	31 January 2012	Subject to retirement at the AGM in 2014	1 year and 7 months

Note:

* *Less than one month.*

9.1.1 Profiles of our Directors

(i) Tan Sri Asmat bin Kamaludin

Tan Sri Asmat bin Kamaludin is our Chairman and Non-Independent Non-Executive Director. He graduated from the University of Malaya, Malaysia in 1966 with a Bachelors (Honours) degree in Economics. He graduated with a Diploma in European Economic Integration (Distinction) from the University of Amsterdam, Netherlands in 1971.

He began his career in the Malaysia Civil and Diplomatic Service, where he served in the Domestic Trade Division and the International Trade Division until he moved up to the position of the Secretary General of MITI, a position he held for nine years out of his total tenure of thirty-five years in MITI.

His stint with the Government also include being the Senior Economic Counsellor to monitor the implications for Malaysia in the formation of the European Economic Community (now referred to as the European Union) in April 1973 as well as organising key events involving Malaysia with several international bodies such as ASEAN, World Trade Organisation and Asia-Pacific Economic Cooperation. His services in the area of trade relations between Japan and Malaysia won him the honour of the Japanese Prime Minister's award for contributions to Japanese-Malaysian ties, in 1995. He is currently the Group Chairman of UMWH, Scomi Group Berhad, Compugates Holdings Berhad and Perusahaan Otomobil Kedua Sdn Bhd ("**PERODUA**").

He was also a member of a working group in the NEAC (National Economic Advisory Council). Currently, he sits on the board of several private and public limited companies in Malaysia including AirAsia X Berhad and JACTIM Foundation as a Governor, the latter being a position he held for several years. Recently, he was appointed by MITI to ERIA (The Economic Research Institute for ASEAN and East Asia) as a Governor representing Malaysia on the governing board.

(ii) Datuk Syed Hisham bin Syed Wazir

Datuk Syed Hisham bin Syed Wazir is our Non-Independent Non-Executive Director. He obtained an Ordinary National Diploma in Engineering in 1974 from Hastings College of Further Education, United Kingdom, a Bachelor of Science in Mechanical Engineering in 1979 from Plymouth University, United Kingdom and a Master of Business Administration from Ohio State University, United States in 1996.

He began his career with HICOM Berhad in 1983. He was later seconded to Perusahaan Otomobil Nasional Berhad ("**PROTON**") as a Marketing Service Deputy Manager and later became a Senior Manager in the Business Division of PROTON in 1983. Between 1983 to 1995, he held various senior positions in PROTON. In 1995, he was promoted to a General Manager of Proton Corporation Sdn Bhd, a subsidiary of PROTON engaged in the distribution and marketing of PROTON cars for the domestic and overseas markets. He was subsequently appointed as a Director of Proton Cars (UK) Pte Ltd and held the post from 1997 to 1998. He then served as General Manager of International Business at DRB-HICOM Export Corporations Sdn Bhd from 1998 to 2000. In 2001, he became General Manager of the Marketing Division of Honda Malaysia Sdn Bhd before being appointed as President or Chief Operating Officer from 2003 to 2005. In 2005, he was appointed Managing Director of Edaran Otomobil Nasional Berhad where he served until 2009. Prior to joining the Group, he served as the Chief Operating Officer of Naza Kia Services Sdn Bhd from 2009 to 2010. He was appointed as the President and Group Chief Executive Officer of UMWH with effect from 1 October 2010.

Currently, he sits on the board of several private and public limited companies in Malaysia including UMWH, UMW Toyota Motor Sdn Bhd, and Perodua Manufacturing Sdn Bhd.

(iii) Dr. Leong Chik Weng

Dr. Leong Chik Weng is our Non-Independent Non-Executive Director. He obtained Executive Training in Product Development & Manufacturing Strategy from the Stanford University, School of Business, United States in 1993, a Bachelor of Science in Chemical Engineering from West Virginia University, United States in 1985 and a Ph.D in Chemical Engineering from University of Massachusetts, United States in 1989.

He began his career with Raychem Corporation in Menlo Park, California, United States from 1989 to 1996. His last position at Raychem was as a Technical Director. In 1997, he was appointed as a consultant to Guidant Corporation, Santa Clara, California, United States, where he developed an advanced chaotic mixing screw technology to produce micro-tubing using polymer alloys. From 1998 to 2000, he joined Universal Search Machine Sdn Bhd as Managing Director. He is also the founder and Chief Executive Officer of E-Lock Corporation Sdn Bhd, a company involved in the provision of information technology services.

Currently, he sits on the boards of several private and public limited companies in Malaysia including UMWH, A-Rank Berhad, Chemical Company of Malaysia Berhad, E-Lock Corporation Sdn Bhd and E-Lock Technology Sdn Bhd.

(iv) Razalee bin Amin

Razalee bin Amin is our Independent Non-Executive Director. He obtained a Bachelor of Economics in Accounting in 1977 from University of Malaya, Malaysia and later obtained a Postgraduate Diploma in Accounting also from University of Malaya, Malaysia in 1979. He is also a member of the Malaysian Institute of Accountants, a member of the Malaysian Institute of Certified Public Accountants and a member of the Financial Planning Association of Malaysia.

He began his career with Hanafiah Raslan & Mohamad, a Chartered Accountants firm upon graduation. In 1983, he joined Sateras Resources (Malaysia) Berhad, as the Group Financial Controller. He then joined MBf Finance Berhad in 1987 and was appointed as the Senior Vice President in the Investment and Acquisitions Division. He left MBf Finance Berhad and subsequently joined Damansara Realty Berhad as the Senior General Manager in 1994. In 1996, he started his own chartered accounting firm, Razalee & Co and he is currently its Managing Partner.

Currently, he sits on the boards of several private limited companies in Malaysia including, SKMN Insolvency Administrator Sdn Bhd, RCO Management & Consulting Services Sdn Bhd, Accountants Online Sdn Bhd and RZA Financial Planning Sdn Bhd.

(v) Dato' Afifuddin bin Abdul Kadir

Dato' Afifuddin bin Abdul Kadir is our Independent Non-Executive Director. He obtained a Diploma in Agriculture in 1975 from Universiti Pertanian Malaysia, Malaysia (now known as Universiti Putra Malaysia) and a Bachelor of Science in Agribusiness in 1979 also from Universiti Pertanian Malaysia.

He began his career with the Malaysian Agricultural Research and Development Institute (MARDI) as a Research Assistant in Agricultural Engineering in 1975. He joined the Malaysian Industrial Development Authority ("**MIDA**") in 1979. From 1982 to 2008, he held various senior positions in the domestic and international offices of MIDA, including the Director of MIDA in Sabah, the Vice Consul Investment/Deputy Director of MIDA in London, the Director/Economic Counsellor of MIDA in Paris and the Director/Consul Investment of MIDA in London. In April 2008, he was promoted to be the Deputy Director General II of MIDA. Three months later, he was promoted to be the Deputy Director General I/Deputy Chief Executive Officer I of MIDA, which he served until his retirement in September 2011.

Currently, he sits on the boards of SP Multitech Renewable Energy Sdn Bhd, Lam Soon (M) Berhad and Pelikan International Corporation Berhad.

(vi) Cheah Tek Kuang

Cheah Tek Kuang is our Independent Non-Executive Director. He obtained a Bachelor in Economics in 1970 from University of Malaya, Malaysia. He is also a member of the Investment Panel in Kumpulan Wang Persaraan (Diperbadankan) (Retirement Fund Incorporated).

He began his career with MIDA as a Deputy Director in the Planning and Research Unit in 1970 until 1978. He later joined AmInvestment Bank Berhad in October 1978 and served in various senior positions in the bank and was promoted as the Chief Executive Officer/Group Managing Director in 1994, a position he held until December 2004. In 2005, he joined AMMB Holdings Berhad as the Group Managing Director and retired in 2012. He has been an Independent Non-Executive Director of Bursa Securities for a period of nine years beginning from the demutualisation of the Kuala Lumpur Stock Exchange (currently known as Bursa Securities) up to early 2013.

Currently, he sits on the boards of several private and public limited companies in Malaysia including Danajamin Nasional Bhd, IOI Corporation Berhad and Berjaya Sports Toto Berhad.

(vii) Ibrahim bin Marsidi

Ibrahim bin Marsidi is our Independent Non-Executive Director. He obtained a Bachelor of Economics (Analytical) in 1979 from University of Malaya, Malaysia.

He joined Malayan Banking Berhad and was appointed as a Sub Accountant in 1979. Later that year, he joined PETRONAS and held a number of senior managerial positions, among others, the Senior Manager of Eastern and Northern Region, the General Manager of Liquefied Petroleum Gas (LPG) and Retail Business in PETRONAS Dagangan Berhad ("**PDB**") and the General Manager of Crude Oil Group, PETRONAS before being promoted to become the Managing Director and Chief Executive Officer of PDB, a company listed on Bursa Securities and a leading supplier of petroleum products in Malaysia. He held that position until his retirement in December 2007.

Upon joining Petronas in 1979, he was actively involved in the development of domestic marketing activities of PETRONAS which led to the formation of PETRONAS Dagangan Sdn Bhd and thereafter PDB when the company was listed on Bursa Securities in 1994.

During his tenure as the Managing Director/Chief Executive Officer of PDB, he spearheaded the transformation of the company which includes the development of the company's brand strategy, business strategy, development of administrative and electronic payment system.

Currently, he sits on the boards of TELEKOM Malaysia Berhad and its subsidiary, Menara Kuala Lumpur Sdn Bhd.

(viii) Fina Norhizah binti Hj Baharu Zaman

Fina Norhizah binti Hj Baharu Zaman is our Independent Non-Executive Director. She obtained her Bachelor of Law Degree from the University of Malaya in 1980, Masters in Law (specialising in maritime and shipping) from the London School of Economics, University of London in 1985 and a Diploma in Syariah Law & Practice from the International Islamic University Malaysia ("**UIA**") in 1987. She was admitted as an Advocate and Solicitor of the High Court of Malaya in 1986.

She started her legal career in 1980 with the Malaysian Attorney General Chambers where she had served as a Senior Federal Counsel and as the Legal Advisor to the Ministry of Transport. In 1984, she joined UIA and was sent to do her Masters in Law at the London School of Economics (LSE), University of London in 1985 and had subsequently served as a lecturer in the Kulliyah of Laws, UIA. She joined PETRONAS in 1990 and had served the PETRONAS Legal Department in several capacities. She had served as the General Manager (Legal) of the Logistics and Maritime Business of PETRONAS in 2000 and as the General Manager of the Legal and Corporate Secretarial Affairs Division of MISC Berhad. Her last appointment was as the Head and Senior General Manager of Legal and Corporate Secretarial Affairs Division and the Company Secretary of MISC Berhad in 2004 until her retirement in 2007. She had also served as a director and as the company secretary of several of MISC Berhad's subsidiaries and was a member of MISC Berhad's Management Committee.

Currently, she sits on the boards of Alam Maritim Resources Berhad and Kasi Gegar Entertainment Sdn Bhd.

(ix) Rohaizad bin Darus

Rohaizad bin Darus is our Non-Independent Executive Director and currently is our President. He obtained a Bachelor of Science Degree in Mechanical Engineering from the California State University, Long Beach, United States in 1988. He is also registered with The Board of Engineers, Malaysia and the Institution of Engineers, Malaysia.

He began his career with PETRONAS Gas Sdn Bhd in 1988 as a Trainee Mechanical Engineer. In the same year, he joined Texas Instruments (M) Sdn Bhd, as Mechanization Engineer and held that position until 1990. In 1990, he joined Esso Production Malaysia, Inc. and rose to the position of Senior Engineer, a position he held until 1995. His responsibilities included analysing and planning Esso Production Malaysia, Inc.'s gas supply requirements and field development schedule. From 1995 to 1998 he joined Huptec Engineering Sdn Bhd and was appointed its Managing Director. He was responsible for the overall management of the company's operations including corporate, operational, financial, asset and human resources management.

After 1998, he was employed by Sarku Engineering Services Sdn Bhd, which later became a subsidiary of SapuraCrest Petroleum Berhad ("**SapuraCrest**") as Executive Director and rose to become its Chief Executive Officer/Executive Director until 2003. In SapuraCrest, he held various positions such as the Executive Director of a number of local and foreign subsidiaries of SapuraCrest, which were involved in offshore and onshore soil investigation, marine surveying and hydrographic activities. He was also responsible for overseeing the management of the company's marine vessels and other major assets, which includes maintenance work, regulatory compliance, dry-docking activities and work scheduling. He also represented SapuraCrest in overseeing the management and operations of a joint venture company in relation to marine transportation business.

In 2007, he was appointed Director of the Offshore Construction Project Division of SapuraCrest. This division performs offshore construction activities including transportation, installation and commissioning of platform, jacket, pipelines and cables as well as topside maintenance and other offshore and onshore modification works.

In 2008, he was appointed Chief Operating Officer of SapuraCrest, a position he held until 2010. He was subsequently appointed Chief Executive Officer of SapuraCrest where he was responsible for the management of the overall operations, financial and support functions of the SapuraCrest group. During his tenure, he was appointed to the board of directors of Tioman Drilling Company Sdn Bhd, which is involved in all offshore drilling operations under SapuraCrest group. His final appointment before he left SapuraCrest in December 2011 was as Chief Executive Officer of the Oil and Gas Construction Services Division.

Our Directors also hold directorships in other companies, as disclosed in Section 9.1.3 of this Prospectus.

9.1.2 Shareholdings of our Directors

The following table sets out the direct and indirect shareholdings of our Directors before and after the IPO based on our Register of Directors' Shareholdings as at the LPD (assuming full subscription of the Issue Shares allocated to the eligible directors and employees of our Group and the UMWH Group):

	Before the IPO				After the IPO[1]			
	Direct		Indirect		Direct		Indirect	
Director	No. of Shares	%	No. of Shares	%	No. of Shares	%[2]	No. of Shares	%[2]
Tan Sri Asmat bin Kamaludin	-	-	-	-	300,000	*	-	-
Datuk Syed Hisham bin Syed Wazir	-	-	-	-	500,000	*	-	-
Dr. Leong Chik Weng	-	-	-	-	300,000	*	-	-
Razalee bin Amin	-	-	-	-	300,000	*	-	-
Dato' Afifuddin Abdul bin Kadir	-	-	-	-	300,000	*	-	-
Cheah Tek Kuang	-	-	-	-	300,000	*	-	-

	Before the IPO				After the IPO[1]			
	Direct		Indirect		Direct		Indirect	
Director	No. of Shares	%	No. of Shares	%	No. of Shares	%[2]	No. of Shares	%[2]
Ibrahim bin Marsidi	-	-	-	-	300,000	*	-	-
Fina Norhizah binti Hj Baharu Zaman	-	-	-	-	300,000	*	-	-
Rohaizad bin Darus	-	-	-	-	1,000,000	*	-	-

Notes:

* *Negligible*

(1) *Excludes Shares they may subscribe for under the Retail Offering to the Malaysian Public and the Restricted Offering, if applicable.*

(2) *Based on our enlarged issued and paid-up share capital of 2,162,000,000 Shares.*

9.1.3 Principal business activities performed by our Directors outside our Group in the past five years

Save as disclosed below, none of our Directors have performed any principal business activities outside our Group. The involvement of our Directors in business activities outside our Group as at the LPD and in the past five years preceding the LPD are as follows:

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Tan Sri Asmat bin Kamaludin	*Present directorships:*		
	• UMWH	• Investment holding company whilst the principal activities of UMWH Group are as specified in Section 9.4.1 of this Prospectus	Nil
	• AirAsia X Berhad	• Providing low-cost, long-haul air transportation services	
	• Compugates Holdings Berhad	• Investment holding and provision of management services	
	• DSA Exhibition and Conference Sdn Bhd	• Promotion and organisation of exhibitions	
	• JACTIM Foundation	• Cultural, social and educational development	
	• Lejadi Foundation	• Providing assistance to medically challenged and underprivileged students	

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, KEY TECHNICAL PERSONNEL, PROMOTER AND SUBSTANTIAL SHAREHOLDERS *(Cont'd)*

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Tan Sri Asmat bin Kamaludin *(Cont'd)*	*Present directorships (Cont'd):*		
	• Malaysian Exhibition Services Sdn Bhd	• Promotion and organisation of exhibitions, conferences and trade fairs	
	• Mayang Ulung Sdn Bhd	• General contractors	
	• Panasonic Appliances Air-Conditioning Malaysia Sdn Bhd	• Manufacturing of room air-conditioners, components and parts thereof	
	• Panasonic AVC Networks Kuala Lumpur Malaysia Sdn Bhd	• Manufacture, sale and export of television sets and television spare parts	
	• Panasonic AVC Networks Johor Malaysia Sdn Bhd	• Manufacture and sale of audio, video and camera recorder products	
	• Panasonic Industrial Devices Malaysia Sdn Bhd	• Manufacturing of electronic components	
	• Panasonic Malaysia Sdn Bhd	• Distributor of electronic products, home appliances, batteries office automation, project systems	
	• Panasonic Manufacturing Malaysia Berhad	• Manufacture and sale of electrical home appliances and related components	
	• Pen Apparel Sdn Bhd	• Manufacture of garments	
	• Penfibre Sdn Berhad	• Manufacture of polyester staple fibre, polyethylene terephthalate (PET) chips	
	• PNB	• Investment holding company	
	• Perodua Auto Corporation Sdn Bhd	• Investment holding and provision of management and administrative services	
	• PERODUA	• Investment holding and provision of management and administrative services	

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, KEY TECHNICAL PERSONNEL, PROMOTER AND SUBSTANTIAL SHAREHOLDERS *(Cont'd)*

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Tan Sri Asmat bin Kamaludin *(Cont'd)*	*Present directorships (Cont'd):*		
	• Scomi Group Bhd	• Investment holding company and the provision of management services whilst the principal activities of the group consist of the provision of integrated drilling fluids and drilling waste management solutions, production chemicals, design and manufacture of monorail, transportation infrastructure systems equipment and services, commercial coaches and special purpose vehicles and rail solutions, and the provision of marine vessel transportation service	
	• The Royal Bank of Scotland Berhad	• Financial services provider	
	• UMWC	• Investment holding company	
	• UMW Toyota Motor Sdn Bhd	• Investment holding company	
	• YTL Cement Berhad	• Investment holding company management company and hiring of vehicles	
	Previous directorships:		
	• Lion Industries Corporation Berhad *(resigned on 30 June 2013)*	• Investment holding company and property development	
	• NAZA TTDI Sdn Bhd *(resigned on 30 June 2013)*	• Property development and property management services project	
	• Malaysian Pacific Industries Berhad *(resigned on 31 May 2013)*	• Investment holding company whilst the principal activities engaged by its subsidiaries are that of manufacturing, assembling, testing and sale of integrated circuits, semiconductor devices, electronic components and leadframes to customers worldwide	
	• Scomi Energy Services Sdn Bhd (formerly known as SCOMI Marine Berhad) *(resigned on 31 May 2013)*	• Investment holding company and the provision of management services whilst the principal activities of the group consist of marine transportation and other shipping related services	

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Tan Sri Asmat bin Kamaludin *(Cont'd)*	*Previous directorships (Cont'd):*		
	• Symphony House Bhd *(resigned on 31 May 2013)*	• Investment holding company whilst the principal activities of the group consist of business process outsourcing, share issuance, registration and corporate secretarial services	
	• TASCO Berhad *(resigned on 31 May 2013)*	• Logistic solution provider	
	• Tasco Express Sdn Bhd *(resigned on 22 May 2013)*	• Logistic	
	• Kombinasi Restu (M) Sdn Bhd *(resigned on 18 January 2011*	• Private sector economic organisation representing the manufacturing and industrial companies in Malaysia	
	• Kompas Wira Sdn Bhd *(resigned on 18 January 2011)*	• Investment holding company	
	• CH Offshore Ltd *(resigned on 28 April 2010)*	• Investment holding and the owning and chartering of vessels	
	• Carlsberg Brewery Malaysia Berhad *(resigned on 12 May 2009)*	• Manufacturing and distribution of beers, stouts and other beverages	
	• Rata Awana Sdn Bhd *(resigned on 24 March 2009)*	• Investment holding company	
Datuk Syed Hisham bin Syed Wazir	Present directorships:		
	• UMWH	• Investment holding company whilst the principal activities of UMWH Group are as specified in Section 9.4.1 of this Prospectus	Nil
	• Aman Brothers Auto Sdn Bhd	• Dormant	
	• Coldfusion Engineering Sdn Bhd	• Dormant	
	• KYB-UMW Malaysia Sdn Bhd	• Manufacture and assembly of vehicle shock absorbers	
	• KYB-UMW Steering Malaysia Sdn Bhd	• Manufacture and assembly of power steering pumps	
	• Lubetech Sdn Bhd	• Blending and packaging of penzoil and other branded lubricants	
	• Pakar Citra Sdn Bhd	• Dormant	

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Datuk Syed Hisham bin Syed Wazir *(Cont'd)*	Present directorships *(Cont'd)*:		
	• Perodua Manufacturing Sdn Bhd	• Manufacturing and assembly of motor vehicles	
	• Perodua Sales Sdn Bhd	• Marketing and distribution of motor vehicles, related spare parts and other related activities	
	• Perodua Engine Manufacturing Sdn Bhd	• Manufacturers and dealers in components parts including, engines, couplings and transmission component	
	• PERODUA	• Investment holding and provision of management and administrative services	
	• Toyota Capital Malaysia Sdn Bhd	• Hire purchase financing, factoring and trade confirming	
	• UMW Australia Ventures Sdn Bhd	• Investment holding company	
	• UMW Development Sdn Bhd	• Investment holding and property development	
	• UMW (East Malaysia) Sdn Bhd	• Distribution of industrial and heavy equipment and related spares in Sabah and Sarawak	
	• UMW Equipment Sdn Bhd	• Distribution of industrial and heavy equipment and related spares in Peninsular Malaysia	
	• UMW Fabritech	• Providing sandblasting, testing, priming, coating, inspection, maintenance and repair services of equipments and tubes	
	• UMW Industrial Power Sdn Bhd	• Distribution of industrial and power equipment and related parts	
	• UMW Industries (1985) Sdn Bhd	• Distribution of industrial and material handling equipment and related spares	
	• UMW M&E Sdn Bhd	• Investment holding company	
	• UMW Oilfield International (M) Sdn Bhd	• Supply of oil and gas products and services	
	• UMW Oil & Gas Berhad	• Investment holding company	
	• UMW Pennzoil Distributors Sdn Bhd	• Marketing, selling and distribution of Pennzoil branded lubricants	

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Datuk Syed Hisham bin Syed Wazir *(Cont'd)*	Present directorships *(Cont'd)*:		
	• UMW Toyota Motor Sdn Bhd	• Investment holding and importation and distribution of Toyota vehicles and related spares	
	Previous directorships:		
	• UMW Advantech Sdn Bhd *(resigned on 1 March 2013)*	• Manufacturing and distribution of filters, plastic engineering products and spare parts for various automative and industrial applications and letting out properties	
	• UMW Lubricant International Sdn Bhd *(resigned on 1 March 2013)*	• Investment holding and marketing, distribution and blending of lubricants	
	• EON Technologies Sdn Bhd *(resigned on 31 August 2009)*	• Dormant	
	• EONMOBIL Sdn Bhd *(resigned on 31 August 2009)*	• Dormant	
	• Automotive Conversion Engineering Sdn Bhd (resigned on 31 August 2009)	• Conversion and modification of motor vehicles and distribution of car accessories	
	• Bumiputera and Technology Venture Capital Sdn Bhd *(resigned on 31 August 2009)*	• Venture capital company	
	• SRT-EON Security Services Sdn Bhd *(resigned on 31 August 2009)*	• Provision of security services	
	• Edaran Otomobil Nasional Bhd *(resigned on 31 August 2009)*	• Investment holding	
	• EON Auto Mart Sdn Bhd *(resigned on 31 August 2009)*	• Sale of motor vehicles and related spare parts and servicing of vehicles	
	• EON Properties Sdn Bhd *(resigned on 31 August 2009)*	• Investment and management of properties	
	• EON Trading Sdn Bhd *(resigned on 31 August 2009)*	• Dormant	
	• EUROMOBIL Sdn Bhd *(resigned on 31 August 2009)*	• Import, distribution and marketing of vehicles and related spare parts and accessories and servicing of vehicles	
	• EONMOBIL Sdn Bhd *(resigned on 31 August 2009)*	• Dormant	

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, KEY TECHNICAL PERSONNEL, PROMOTER AND SUBSTANTIAL SHAREHOLDERS *(Cont'd)*

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Datuk Syed Hisham bin Syed Wazir *(Cont'd)*	*Previous directorships (Cont'd):*		
	• HICOM Megah Sdn Bhd *(resigned on 31 August 2009)*	• Property development and investment holding	
	• Mitsubishi Motors Malaysia Sdn Bhd *(resigned on 31 August 2009)*	• Distribution of the Mitsubishi motors vehicles, vehicle components, spare parts and accessories	
	• Johnson Controls Automotive Holding (M) Sdn Bhd *(resigned on 31 August 2009)*	• Manufacturing of car seats, seat paddings, steering wheels and other car interior parts and investment holding and property letting	
	• Sage Interactive Sdn Bhd *(resigned on 31 August 2009)*	• Consultant, dealer and suppliers of computer hardware and software traders of all kinds of computers and related accessories	
	• PROTON Parts Centre Sdn Bhd *(resigned on 17 August 2009)*	• Warehousing and distributing of motor vehicles, spare parts and accessories	
Dr. Leong Chik Weng	*Present directorships*:		
	• UMWH	• Investment holding company whilst the principal activities of UMWH Group are as specified in Section 9.4.1 of this Prospectus	
	• A-Rank Berhad	• Investment holding company whilst the principal activity of its subsidiary is manufacturing and marketing of aluminium billets	
	• Bella Bahagia Sdn Bhd	• Dormant	
	• Chemical Company of Malaysia Berhad	• Investment holding company	
	• E-Lock Corporation Sdn Bhd	• Research, development and distribution of computer, software solutions and services and investment	Chief Executive Officer of E-Lock Corporation Sdn Bhd
	• E-Lock Technology Sdn Bhd	• Dormant	
	• Glamour Villas Sdn Bhd	• Land development and construction	
	• Granwinter Resources Sdn Bhd	• Dormant	
	• Lintasan Muhibbah Sdn Bhd	• General trading	
	• Nuricorp Sdn Bhd	• General trading	
	• Sigmaline Sdn Bhd	• Investment holding company	

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Dr. Leong Chik Weng *(Cont'd)*	*Present directorships (Cont'd)*:		
	• Sigmaline Technologies Sdn Bhd	• Trading of surveillance, monitoring and home automation, equipment and the provision of related services	
	• Tiganet Sdn Bhd	• Dormant	
	• Universal Search Machine Sdn Bhd	• Provision of integrated computer services	
	Previous directorships:		
	• UMW SG Power Systems Sdn Bhd *(resigned on 1 March 2013)*	• General contractor, sales and services equipment	
	• UMW SG Engineering & Services Sdn Bhd *(resigned on 1 March 2013)*	• Engineering works and general trading	
	• UMW Synergistic Generation Sdn Bhd *(resigned on 21 January 2013)*	• Provision of engineering and maintenance services as a customised equipment packager and a total solution provider for power generators and other equipment used in the oil and gas and other markets	
	• Oldtown Berhad (resigned on 13 September 2012)	• Investment holding company whilst the principal activities of the subsidiaries consist of manufacturing and marketing beverages, manufacture of roasted coffee powder, procurement of food items, franchising of cafe outlets, provision of management services, and operator of cafe outlets	
	• Neutral Transmission of Malaysia Sdn Bhd *(resigned on 5 July 2012)*	• Provision of telecommunications services over existing telecom connection	
	• UMW Industrial Power Sdn Bhd *(resigned on 21 April 2011)*	• Distribution of industrial power equipment and related parts	
	• UMW Industries (1985) Sdn Bhd *(resigned on 21 April 2011)*	• Distribution of industrial and material handling equipment and related spares	
	• UMW Equipment Sdn Bhd *(resigned on 21 April 2011)*	• Distribution of industrial and heavy equipment and related spares in Peninsular Malaysia	
	• UMW (East Malaysia) Sdn Bhd *(resigned on 21 April 2011)*	• Distribution of industrial and heavy equipment and related spares in Sabah and Sarawak	

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, KEY TECHNICAL PERSONNEL, PROMOTER AND SUBSTANTIAL SHAREHOLDERS *(Cont'd)*

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Dr. Leong Chik Weng *(Cont'd)*	*Previous directorships (Cont'd):*		
	• Coldfusion Engineering Sdn Bhd *(resigned on 1 January 2011)*	• Dormant	
Razalee bin Amin	*Present directorships:*		
	• Accountants Online Sdn Bhd	• Providing and undertaking accountancy services, other consultancy services and web based business management solution software	Managing Partner of Razalee & Co (Chartered accounting firm)
	• Agensi Pekerjaan RZA Executive Search Sdn Bhd	• Providing executive sourcing, recruitment and placement services	
	• Information Systems Enterprise Solutions Sdn Bhd	• Sale of software and consultancy	
	• MESTAC Resources Sdn Bhd	• Land resource base development	
	• MP Capital Advisory Sdn Bhd	• Corporate finance and advisory	
	• RCO Management & Consulting Services Sdn Bhd	• Corporate finance, advisory and services management	
	• RZA Financial Planning Sdn Bhd	• Financial planning	
	• SKMN Insolvency Administrator Sdn Bhd	• Providing insolvency services to companies	
	• SKMN Tax Advisory Services Sdn Bhd	• Providing tax and consulting services	
	Previous directorships:		
	• Maxi Potence Sdn Bhd *(dissolved on 31 July 2011)*	• Sale of software and consultancy	
	• TPC Plus Berhad *(resigned on 1 March 2010)*	• Poultry farming and investment holding	
	• Soft Matrix Sdn Bhd *(dissolved on 9 January 2010)*	• General trading	
	• Quantum Ross Sdn Bhd *(dissolved on 9 April 2009)*	• General trading	

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, KEY TECHNICAL PERSONNEL, PROMOTER AND SUBSTANTIAL SHAREHOLDERS *(Cont'd)*

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Dato' Afifuddin bin Abdul Kadir	*Present directorships*:		
	• Depo Auto Lamp (M) Sdn Bhd	• Export and import of parts and accessories for motor vehicles, activities of holding companies, business and other applications	Nil
	• Lam Soon (M) Berhad	• Plantation, milling, refining of cooking oil to the manufacturing of margarine, specialty fats, soap and detergent and oleochemicals	
	• Pelikan International Corporation Berhad	• Manufacturing and distributing of Pelikan products	
	• SP Multitech Renewable Energy Sdn Bhd	• Design and building of Biogas plant	
	Previous directorship:		
	• Port Klang Free Zone Sdn Bhd *(resigned on 30 March 2011)*	• Administrator of Port Klang Free Zone, an international cargo distribution and consolidation centre	
Cheah Tek Kuang	*Present directorships*:		
	• MIA Enterprise Sdn Bhd	• Business of operating, managing, maintaining and promoting private education in art at all levels including but not limited to institution of higher learning	Nil
	• AmBank (M) Berhad	• Finance	
	• AmInvestment Bank Berhad	• Finance	
	• AmIslamic Bank Berhad	• Finance	
	• Berjaya Sports Toto Berhad	• Gaming	
	• Cagamas Holdings Berhad	• Finance	
	• Financial Park (Labuan) Sdn Bhd	• Finance	
	• Danajamin Nasional Berhad	• Financial guarantee insurance	
	• IOI Corporation Berhad	• Palm oil/Property	
	• Malaysian Institute of Art	• Art/Education	
	• Malaysia Nuclear Power Corporation	• Exploration/Planing of nuclear energy programme	

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, KEY TECHNICAL PERSONNEL, PROMOTER AND SUBSTANTIAL SHAREHOLDERS *(Cont'd)*

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Cheah Tek Kuang *(Cont'd)*	*Previous directorships*:		
	• Am ARA REIT Holdings Sdn Bhd *(resigned on 1 April 2013)*	• Investment Holding	
	• Am ARA REIT Managers Sdn Bhd *(resigned on 1 April 2013)*	• REIT Management	
	• AmFamily Takaful Berhad *(resigned on 1 April 2013)*	• Insurance	
	• AmGeneral Holdings Berhad *(resigned on 1 April 2013)*	• Investment holding	
	• AmGeneral Insurance Berhad *(resigned on 1 April 2013)*	• Insurance	
	• AmInvestment Management Sdn Bhd *(resigned on 1 April 2013)*	• Fund management	
	• AmLife Insurance Berhad *(resigned on 1 April 2013)*	• Insurance	
	• Bursa Malaysia Berhad *(resigned on 28 March 2013)*	• Stock broking	
	• AMAB Holdings Sdn Bhd *(resigned on 12 July 2012)*	• Finance	
	• AmInvestment Group Berhad *(resigned on 12 July 2012)*	• Finance	
	• AMMB Holdings Berhad *(resigned on 2 April 2012)*	• Finance	
	• Cagamas Berhad *(resigned on 12 August 2011)*	• Finance	
Ibrahim bin Marsidi	*Present directorships*:		
	• Menara Kuala Lumpur Sdn Bhd	• Operation, management and maintenance of Menara Kuala Lumpur	Executive Advisor of Neutral Services Sdn Bhd
	• Telekom Malaysia Berhad	• Establishment, maintenance and provision of telecommunications and related services	
	Previous directorship:		
	• Nil		

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, KEY TECHNICAL PERSONNEL, PROMOTER AND SUBSTANTIAL SHAREHOLDERS *(Cont'd)*

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Fina Norhizah binti Hj Baharu Zaman	*Present directorships*: • Alam Maritim Resources Berhad	• Investment holding with subsidiaries mainly involved in the provision of marine transportation support services, marine construction-related services, sub-sea engineering and offshore pipeline installation; designing, manufacturing and operating of Remotely Operated Vehicle (ROV) services, ship repair and maintenance services to the upstream in oil and gas industry	Nil
	• Kasi Gegar Entertainment Sdn Bhd	• Artiste management, event management, production and general trading	
	Previous directorship: • Lokalab Sdn Bhd *(resigned on 5 July 2013)*	• Dormant	
Rohaizad bin Darus	*Present directorships*: • BTL Sdn Bhd[1]	• Dormant	Nil
	• Tokoh Hebat Sdn Bhd	• Dormant	
	• UMW Oil & Gas Berhad	• Investment holding company	
	• UMW Synergistic Generation Sdn Bhd	• Provision of engineering and maintenance services as a customised equipment packager and a total solution provider for power generators and other equipment used in the oil and gas and other markets	
	Previous directorships: • UMW SG Power Systems Sdn Bhd *(resigned on 1 March 2013)*	• General contractor, sales and services equipment	
	• UMW SG Engineering & Services Sdn Bhd *(resigned on 1 March 2013)*	• Engineering works and general trading	
	• Softwatch Sdn Bhd *(resigned on 21 February 2012)*	• Software and interactive multimedia solutions provider	
	• TL Oilserve Sdn Bhd *(resigned on 29 November 2012)*	• Provision of marine vessel transportation services	
	• Langkawi Oil & Gas Sdn Bhd *(resigned on 1 February 2012)*	• Dormant	
	• MIB Petroleum and Power Sdn Bhd *(resigned on 1 February 2012)*	• Dormant	

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Rohaizad bin Darus *(Cont'd)*	*Previous directorships (Cont'd)*:		
	• Sapura Aero Equipment Sdn Bhd *(resigned on 1 February 2012)*	• Dormant	
	• Sapura Engineers Sdn Bhd *(resigned on 1 February 2012)*	• Investment holding company	
	• Aurabayu Sdn Bhd *(resigned on 29 December 2011)*	• Special purpose vehicle for the Ijarah facilities	
	• Bayu Padu Sdn Bhd (resigned on 29 December 2011)	• Special purpose vehicle for Istisna bonds, Murabahah commercial papers and Murabahah medium term notes	
	• Crest Marine Engineering Sdn Bhd *(resigned on 29 December 2011)*	• Rental of equipment and provision of engineering services	
	• Energy Unlimited Sdn Bhd *(resigned on 29 December 2011)*	• Investment holding and provision of operations and maintenance services to the oil and gas industry	
	• Geomark Sdn Bhd *(resigned on 29 December 2011)*	• Investment holding company	
	• Geowell Sdn Bhd *(resigned on 29 December 2011)*	• Wireline operators	
	• Malaysian Advanced Refurbishment Services Sdn Bhd *(resigned on 29 December 2011)*	• Provision of maintenance services to the energy sector	
	• Nautical Essence Sdn Bhd *(resigned on 29 December 2011)*	• Investment holding company	
	• Petcon (Malaysia) Sdn Bhd *(resigned on 29 December 2011)*	• Licence holder for drilling of offshore oilwells	
	• Probadi Sdn Bhd *(resigned on 29 December 2011)*	• Investment holding company	
	• Prominent Energy Sdn Bhd *(resigned on 29 December 2011)*	• Leasing of barges, vessels and operational equipment	
	• SapuraAcergy Sdn Bhd *(resigned on 29 December 2011)*	• Engineering and construction contractor in the regional offshore oil and gas industry	
	• SapuraCrest Ventures Sdn Bhd *(resigned on 29 December 2011)*	• Investment holding company	

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Rohaizad bin Darus *(Cont'd)*	*Previous directorships (Cont'd)*:		
	• Sapura Diving Services Sdn Bhd *(resigned on 29 December 2011)*	• Provision of services relating to marine, oil and gas industries	
	• Sapura Energy Sdn Bhd *(resigned on 29 December 2011)*	• Investment holding, provision of operation and maintenance services, provision of management services and lease financing	
	• Sapura Green Sciences Sdn Bhd *(resigned on 1 February 2012)*	• Dormant	
	• Sapura Petroleum Sdn Bhd *(resigned on 29 December 2011)*	• Investment holding company	
	• Sapura Petroleum Technologies Sdn Bhd *(resigned on 29 December 2011)*	• Provision of maintenance services to the oil and gas industries	
	• Sapura Power Services Sdn Bhd *(resigned on 29 December 2011)*	• Provision of maintenance services to the power utility and oil and gas industries	
	• Sapura Retail Solutions Sdn Bhd *(resigned on 29 December 2011)*	• Automatic fuel management system provider for petroleum retail companies	
	• Sarku 2000 Sdn Bhd *(resigned on 29 December 2011)*	• Dormant	
	• Sarku Engineering Services (Offshore) Sdn Bhd *(resigned on 29 December 2011)*	• Providing offshore topside maintenance, hook-up, commissioning services	
	• Sarku Marine Sdn Bhd *(resigned on 29 December 2011)*	• Chartering and hiring out of barges, vessels and operational equipment	
	• Sarku Sambang Sdn Bhd *(resigned on 29 December 2011)*	• Dormant	
	• Sarku Samudera Sdn Bhd *(resigned on 29 December 2011)*	• Dormant	
	• Sarku Semantan Sdn Bhd *(resigned on 29 December 2011)*	• Special purpose vehicle to facilitate financial facilities transactions	
	• Sarku Resources Sdn Bhd *(resigned on 29 December 2011)*	• Investment holding company and the provision of management services	

9. INFORMATION ON OUR DIRECTORS, KEY MANAGEMENT, KEY TECHNICAL PERSONNEL, PROMOTER AND SUBSTANTIAL SHAREHOLDERS *(Cont'd)*

Director	Directorships	Principal activities	Involvement in business activities other than as a director
Rohaizad bin Darus *(Cont'd)*	*Previous directorships (Cont'd)*:		
	• Sarku Utama Sdn Bhd *(resigned on 29 December 2011)*	• Dormant	
	• SE Projects Sdn Bhd *(resigned on 29 December 2011)*	• Systems integration, software development, general engineering, maintenance and related activities	
	• Sasaran Perdana Sdn Bhd *(resigned on 29 December 2011)*	• Dormant	
	• Tioman Drilling Company Sdn Bhd *(resigned on 29 December 2011)*	• Oil and gas contractor	
	• TL Geohydrographics Sdn Bhd *(resigned on 29 December 2011)*	• Hydrographic survey and related services	
	• TL Geosciences Sdn Bhd *(resigned on 29 December 2011)*	• Provision of offshore geotechnical and geophysical services	
	• TL Geotechnics Sdn Bhd *(resigned on 29 December 2011)*	• Soil investigation and geotechnical services	
	• TL Jaya Sdn Bhd *(resigned on 29 December 2011)*	• Chartering of vessels	
	• TL Offshore Sdn Bhd *(resigned on 29 December 2011)*	• Installation of offshore platforms and marine pipelines	
	• Varia Perdana Sdn Bhd *(resigned on 29 December 2011)*	• Drilling of offshore oilwells under contracts and managing of rigs chartered out as bareboats	
	• Huptec Engineering Sdn Bhd *(dissolved on 4 November 2011)*	• Fabrication and erection of metal containers and structures trading of engineering materials	
	• Julung Timur Sdn Bhd *(dissolved on 21 October 2011)*	• Dormant	
	• Qualiticare Sdn Bhd *(dissolved on 21 October 2011)*	• Dormant	
	• Sapura Energy Ventures Sdn Bhd *(resigned on 23 February 2011)*	• Development and production of petroleum resources and investment in related assets	

Note:

(1) This company is under members' voluntary winding-up.

9.1.4 Involvement of our Executive Directors in other businesses or corporations

Our President, Rohaizad bin Darus, is not involved in the management and day-to-day operations of other businesses and/or corporations.

9.1.5 Involvement of our Directors in other businesses or corporations which carry on a similar trade as that of our Group or which are our customers and/or suppliers

As at the LPD, none of our Directors have any interest, direct or indirect, in other business or corporations which are carrying on a similar trade as that of our Group or our customers and/or suppliers.

9.1.6 Audit Committee

Our Audit Committee was established by our Board on 13 May 2013. The main function of the Audit Committee is to assist our Board in performing its duties and discharging its responsibilities in evaluating our financial statements, internal control and the audit process. Our Audit Committee currently comprises the following members, of which a majority are Independent Non-Executive Directors:

Name	Designation	Directorship
Razalee bin Amin	Chairman	Independent Non-Executive Director
Cheah Tek Kuang	Member	Independent Non-Executive Director
Ibrahim bin Marsidi	Member	Independent Non-Executive Director
Datuk Syed Hisham bin Syed Wazir	Member	Non-Independent Non-Executive Director

The duties and functions of our Audit Committee comprise, *inter alia*, the following:

(i) to consider the appointment of the external auditors, the audit fees and any question in relation to resignation or dismissal of the external auditors before making recommendation to our Board;

(ii) to review and discuss with the external auditors, before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

(iii) to review the quarterly, half-yearly and annual financial statements for recommendation to the Board for approval focusing particularly on:

  (a) any changes in accounting policies and practices;

  (b) significant adjustments arising from the audit;

  (c) the going concern assumption; and

  (d) compliance with accounting standards and other legal requirements.

(iv) to discuss problems and reservations arising from the interim and final audits, any matter the auditors may wish to discuss (in the absence of management where necessary), and to review the external auditors' management letter and management's response;

(v) to ensure that the Internal Audit Division ("**IAD**") is adequately resourced and has appropriate standing within the Group, and to formulate the terms of reference of the IAD;

(vi) to review the IAD's annual audit plan and all reports generated by the IAD and to issue instructions for further action to be taken by the IAD, and to provide general guidance to the IAD;

(vii) to consider the major findings of internal investigations (by internal and external auditors) and management's response;

(viii) to review the adequacy and effectiveness of the Group's accounting procedures and policies, the adequacy and effectiveness of its risk management and internal control systems as well as the financial reporting standards of the Group;

(ix) to consider any related party transactions that may arise within the Group; and

(x) to consider other topics as defined by the Board.

9.1.7 Nomination Committee

Our Nomination Committee was established by our Board on 13 May 2013. Our Nomination Committee currently comprises the following members, of which a majority are Independent Non-Executive Directors:

Name	Designation	Directorship
Dato' Afifuddin bin Abdul Kadir	Chairman	Independent Non-Executive Director
Dr. Leong Chik Weng	Member	Non-Independent Non-Executive Director
Razalee bin Amin	Member	Independent Non-Executive Director
Fina Norhizah binti Hj Baharu Zaman	Member	Independent Non-Executive Director

Our Nomination Committee undertakes, *inter alia*, the following functions:

(i) to make recommendations to the Board on:

(a) Directors to fill seats on Board Committees;

(b) plans for succession for Directors and senior management and ensuring that there is an appropriate balance of skills on the Board;

(c) reappointment of Directors retiring by rotation pursuant to the provisions of the Articles of Association of our Company and the regulations of the Bursa Securities LR;

(d) reappointment of Non-Executive Directors at the conclusive of a specified term of office under the Malaysian Code of Corporate Governance; and

(e) reappointment of Non-Executive Directors upon attainment of the age of 70 years, pursuant to Section 129(6) of the Act,

(ii) to assist the Board in reviewing annually the required mix of skills, experience and other qualities, including core competencies, which Non-Executive Directors should bring to the Board;

(iii) to carry out annually the process for evaluating the effectiveness of the Board as a whole, the performance and contribution of the Chairman and individual Directors, including Independent Non-Executive Directors as well as the President and Group Chief Executive Officer and to identify areas for improvement;

(iv) The evaluation process takes into account whether:

(a) adequate time has been allocated by Non-Executive Directors on matters pertaining to the Group's operations;

(b) full consideration to succession planning has been given, taking into account challenges and opportunities facing the Group, and the skills and expertise needed on the Board in the future;

(c) review of the structure, size and composition (including skills, knowledge and experience) of the Board has been undertaken and changes recommended, where necessary;

(d) appropriate recommendations have been made to the Board for the re-election/re-appointment of Non-Executive Directors who have served a term of office of cumulative nine years or who have reached the age of 70 years; and

(e) review of the leadership needs of the Group, executive and non-executive, has been undertaken to ensure continued ability to compete effectively in the market place.

(v) to review management's proposals for the appointment, dismissal, transfer and promotion of the senior-most executives in the Group.

9.1.8 Remuneration Committee

Our Remuneration Committee was established by our Board on 13 May 2013. Our Remuneration Committee currently comprises the following members, of which a majority are Independent Non-Executive Directors:

Name	Designation	Directorship
Dr. Leong Chik Weng	Chairman	Non-Independent Non-Executive Director
Dato' Afifuddin bin Abdul Kadir	Member	Independent Non-Executive Director
Cheah Tek Kuang	Member	Independent Non-Executive Director
Ibrahim bin Marsidi	Member	Independent Non-Executive Director

Our Remuneration Committee undertakes, *inter alia*, the following functions:

(i) to review and recommend to the Board the remuneration of Executive Directors and all senior executives, including the extension of service and compensation and benefits package of such executives who have attained the retirement age of 55 years; and

(ii) to recommend to the Board after reviewing management's proposals, the:

(a) framework for remuneration of Directors, covering fees, allowances and benefits-in-kind for Directors of all boards and committees;

(b) overall annual salary increment guidelines/limits for all non-unionised staff;

(c) annual bonus limits/guidelines;

(d) ex-gratia for unionised staff; and

(e) remuneration, benefits and other terms and conditions of employment, which have to be introduced as part of the Group overall human resource development plan. This would include matters such as pegging the Group's salaries in line with industry standards and major changes in benefits package.

9.1.9 Service contracts with our Directors

As at the LPD, save for the service contract entered into between our Company and Rohaizad bin Darus in his capacity as the President of UMW-OG, we do not have any existing or proposed service contracts with our Directors.

For details of the service contract entered into between our Company and Rohaizad bin Darus in his capacity as the President of UMW-OG, see Section 9.2.3 of this Prospectus.

9.1.10 Remuneration of our Directors

The remuneration and benefits paid or proposed to be paid to our Directors for services rendered to us in all capacities was approximately RM150,000 for the FYE 31 December 2012 and are estimated at RM2.850 million for the FYE 31 December 2013 (excluding the remuneration paid to our President as set out in Section 9.2.4 of this Prospectus).

The remuneration and benefits paid/estimated to be paid to our Directors are as follows:

	Remuneration band	
Director	For the FYE 31 December 2012 (Actual)	For the FYE 31 December 2013 (Forecast)
Tan Sri Asmat bin Kamaludin	-	RM200,000 to RM250,000
Datuk Syed Hisham bin Syed Wazir	-	-
Dr. Leong Chik Weng	RM100,000 to RM150,000	RM100,000 to RM150,000

Director	Remuneration band	
	For the FYE 31 December 2012 (Actual)	For the FYE 31 December 2013 (Forecast)
Razalee bin Amin	-	RM50,000 to RM100,000
Dato' Afifuddin bin Abdul Kadir	-	RM50,000 to RM100,000
Cheah Tek Kuang	-	RM50,000 to RM100,000
Ibrahim bin Marsidi	-	RM50,000 to RM100,000
Fina Norhizah binti Hj Baharu Zaman	-	RM50,000 and below
Rohaizad bin Darus*	-	RM2,050,000 to RM2,100,000

Note:

* *See Section 9.2.4 of this Prospectus for details on the remuneration of Rohaizad bin Darus in his capacity as the President of UMW-OG.*

The remuneration of our Directors, which includes Directors' fees, bonus and such other allowances as well as other benefits, must be considered and recommended by our Remuneration Committee and subsequently approved by our Board. Our Directors' fees must be further approved/endorsed by our shareholders at a general meeting.

9.2 KEY MANAGEMENT

Our key management is responsible for our day-to-day management and operations. Our key management consists of experienced personnel in charge of matters related to corporate development, human capital, finance, and legal and corporate secretarial.

The members of our key management as at the LPD are set out below:

Name	Nationality	Age	Designation
Rohaizad bin Darus	Malaysian	48	President
Noor Azlan bin Adnan	Malaysian	54	Head of Drilling
Abdul Mutalib bin Idris	Malaysian	53	Head of Oilfield Services
Wai Thuy Fong	Malaysian	52	Chief Financial Officer
Mohd Nizamuddin bin Mokhtar	Malaysian	46	Head of Legal and Secretarial
Syed Rozhan bin Syed Hassan	Malaysian	47	Head of Human Capital
Chew Eng Hong	Malaysian	46	Acting Head of Corporate Development

The management and operations of our Company is led by Rohaizad bin Darus, our President.

9.2.1 Profiles of our key management

(i) Rohaizad bin Darus

Rohaizad bin Darus is also our Non-Independent Executive Director. For details of Rohaizad bin Darus' profile, see Section 9.1.1(ix) of this Prospectus.

(ii) Noor Azlan bin Adnan

Noor Azlan bin Adnan is our Head of Drilling. He obtained a Diploma in Mechanical Engineering from Bedford Technical College, Kuala Lumpur, Malaysia in 1984 and a Bachelor of Science in Business Administration from Chadwick University, United States in 2000. Throughout his career, he has attended various courses organised by Exxon Production Research Company, namely the Drilling Fluids Seminar, the Well Completions and Workovers course, a course in Blow Out Prevention and Well Control, Primary and Remedial Cementing, Drilling Fluids, Directional Drilling, Basic Well Logging, a MMS approved basic course in Well Control Equipment and Techniques for the classification of Operator's Representative Surface, a course in Oil Mud Lab and Mud Lab II and a Mobile Offshore Drilling Units course. He completed the Drilling Practices Programme conducted by Preston L. Moore's School in 1985. In 2000, he completed the International Well Control Forum Drilling Supervisor Level Practical Assessment and Written Test Programme and was awarded a Drilling Supervisor Certificate.

He began his career with Micoperi SPA Milan, Italy as a Yard Engineer from January 1981 to December 1983 where he supervised offshore construction and installation work for oil and gas companies in India, Thailand, Singapore and Malaysia. He was a Drilling Supervisor in Esso Production Malaysia Inc from 1984 to 1998. In 1991, he was transferred to the United States to join Exxon USA in New Orleans for a period of one year, where he was involved in supervising the drilling operations on jack-up rigs in Mobile Bay Alabama, the platform rigs in the Gulf of Mexico and swamp barges and land rigs in Louisiana, United States. In 1998, he joined Roxar (Malaysia) Sdn Bhd as Drilling Advisor and was seconded as a company representative to PETRONAS Carigali to supervise the drilling operations on a tender assisted drilling rig in Malaysia which involved drilling multilateral wells with Malong Sotong and Anding (MASA) project. He joined Tioman Drilling Co. Sdn Bhd (currently known as Seadrill Asia Ltd) in 2000 as a Rig Manager where his responsibilities include managing the day to day tender drilling rig operations and running the operations within the approved budget. Throughout his twelve and a half years of service in Seadrill Asia Ltd, he has been recognised for successfully completing eight years without a loss time accident (LTA) when he was operating for PETRONAS Carigali. He has 32 years of experience in the oil and gas industry with 4 years in offshore structural construction and offshore installation and 28 years in drilling operations. On 1 October 2012, he joined our Company and assumed his present role.

(iii) Abdul Mutalib bin Idris

Abdul Mutalib bin Idris is our Head of Oilfield Services. He obtained a Diploma in Accounting from Institut Teknologi MARA, Malaysia (now known as Universiti Teknologi MARA) in 1984, Bachelor of Science in Business Administration (Economics Finance) from University of Tennessee, United States in 1987 and a Master in Business Administration (Purchasing & Materials Management) from Arizona State University, United States in 1992.

He began his career with Felda Trading Corporation as a Merchandiser in 1984. He joined Cold Storage (M) Sdn Bhd as a Senior Merchandiser in 1988. In 1992, he joined PETRONAS Carigali, as Senior Purchasing Analyst. In 1996, he joined Nippon Oil Exploration (M) Sdn Bhd and was appointed as a Senior Project Purchasing Analyst. He then joined the Greater Nile Petroleum Operating Company in Khartoum, Sudan on a contractual basis for a period of one year as its Logistic Head. Upon the expiry of his contract of service in 1998, he joined Esso Production Malaysia Inc. as a Senior Purchasing Analyst. He helped to formulate tender plans and strategies for Esso's long lead engineered equipment and packages. In 1999, he joined SAAG Oil & Gas Sdn Bhd as its Executive Director of Business Development. In 2001, he spearheaded the establishment of a maintenance services subsidiary of Tanjung Offshore Berhad, Tanjung Maintenance Services Sdn Bhd and was its Chief Executive Officer for a period of 11 years prior to joining our Company on 1 August 2012. Throughout his 11 years of service with Tanjung Offshore Berhad, he transformed the company into a major service provider in Malaysia for the oil and gas industry.

(iv) Wai Thuy Fong

Wai Thuy Fong is our Chief Financial Officer. She graduated with a Diploma in Business Studies from Ngee Ann Polytechnic, Singapore in 1983 and a Bachelor of Commerce from University of Newcastle, Australia in 1989 after serving her bond in Singapore. She is a member of the Malaysian Institute of Certified Public Accountants, a member of the Malaysian Institute of Accountants and also a member of the Chartered Taxation Institute of Malaysia.

She has more than 20 years of experience in the field of taxation, audit, accounting and finance. She began her career with the Inland Revenue Department, Singapore as an Inland Revenue Officer from 1983 to 1987. Her other experiences from 1990 to 1993 include her tenure with Ernst & Young, Malaysia and Coopers & Lybrand, Singapore. Before joining UMWC, she served as the Group Financial Controller of Lay Hong Berhad from 1996 to 2002 and as the Financial Controller of Fonco Engineering Group of Companies from 1993 to 1996. She joined UMWC in June 2002 as a Senior Manager in the Group Financial Services Division. She rose through the ranks of UMW to Senior General Manager before assuming her current position with our Group on 1 February 2013.

(v) Mohd Nizamuddin bin Mokhtar

Mohd Nizamuddin bin Mokhtar is our Head of Legal and Secretarial. He obtained a Bachelor of Laws from University of Malaya, Malaysia in 1991 and was subsequently called to the Malaysian Bar in 1992. He is currently an associate member of the Malaysian Institute of Company Secretaries and Administrators (MAICSA) and also a Licenced Company Secretary with the Companies Commission of Malaysia.

He began his career in 1992 as an advocate and solicitor with several legal firms including Messrs Clough Thuraisingham & Partners until 1993 and thereafter with Messrs. Yazid Baba & Partners where he was the Head of the Litigation Department before joining the corporate sector in 1997. He was the Head of Group Legal and Secretarial Department for Malaysian Technology Development Corporation (a then wholly-owned subsidiary of MITI). Thereafter, in 2000 he joined Perbadanan Bekalan Air Pulau Pinang ("**PBAPP**") as the Corporate Services Manager, for which he was responsible for all legal, secretarial and customer services matters. He was also the Chief Legal Officer for the PBA Holdings Berhad, the main shareholder of PBAPP. Subsequently, in 2005 he joined PROTON Holdings Berhad as the General Manager, Group Secretarial and Compliance, a position he held till end of 2010. On 19 September 2011, he joined our Company as General Manager at the President's Office before he was redesignated to his present role on 1 April 2012.

(vi) Syed Rozhan bin Syed Hassan

Syed Rozhan bin Syed Hassan is our Head of Human Capital. He obtained a Transfer Program Diploma in Business Administration from Maktab Sains MARA, Malaysia in 1985 and Bachelor of Arts in Business Administration from Eastern Washington University, United States in 1987. He is also a member of the Society for Human Resource Management.

He began his career with SONY Electronics (M) Sdn Bhd as an Officer in the Personnel Department from 1988 to 1990. Later in 1990, he joined SDKM Fibres, Wires & Cables Sdn Bhd, as the Manager of Human Resources & Administration Department until 1991. He then joined PETRONAS Penapisan (Terengganu) Sdn Bhd as the Section Head of the Remuneration and Industrial Relations Section in its Human Resources Department from 1991 to 1995. From 1995 to 1997, he was the Assistant Manager of Planning and Development of the Group Human Resources of Peremba (Malaysia) Sdn Bhd. After he left Peremba (Malaysia) Sdn Bhd, he was appointed as the Manager of Human Resources & General Administration at Wacker NCSE Corp. Sdn Bhd. from 1997 to 2004. He then joined Showa Denko HD Malaysia Sdn Bhd as the Manager of Human Resources and General Affairs in 2004 until 2007. From January to December 2008, he was employed by Johnson Controls Automotive Holdings (M) Sdn Bhd as the Senior Manager of its Group Human Resources Department. At the end of 2008, he joined Freescale Semiconductor Malaysia Sdn Bhd where he was the Human Resources Director (Malaysia and Singapore) until he left the company in 2010 and joined our Company as the General Manager of Human Capital on 1 June 2010. He was redesignated as the Head of Human Capital of our Company effective from 1 February 2013.

(vii) Chew Eng Hong

Chew Eng Hong is our Acting Head of Corporate Development. She obtained a Bachelor of Economics from University of Adelaide, Australia in 1989 and was admitted as a Certified Practising Accountant of the Australian Society of Certified Practising Accountants in 1993. In the same year, she was also admitted to the Malaysian Institute of Accountants.

She began her career with Coopers & Lybrand as an Assistant Manager in 1990. On 6 March 1995, she joined UMW Industrial Power Sdn Bhd, as its Accountant. In September 2006, she was transferred to the Oil & Gas Division of UMWC as its Accounts & Finance Manager. From her role in the Accounts & Finance division for the Oil and Gas group of companies, her portfolio expanded to the corporate development and planning division whereby she was actively involved in the strategic planning and development of the long-term plans of the Oil and Gas group. Her roles included strategic investment, monitoring of all the investments and also the Enterprise Risk Management in the Oil and Gas group of companies. She was promoted to the position of Assistant General Manager of the Corporate Strategy and Investment department in 2010 and assumed her current position with effect from 1 January 2012.

9.2.2 Shareholdings of our key management

The following table sets out the direct and indirect shareholdings of each of our key management before and after the IPO (assuming full subscription of the Issue Shares allocated to the eligible directors and employees of our Group and the UMWH Group):

	Before the IPO				After the IPO[1]			
	Direct		Indirect		Direct		Indirect	
Key management	No. of Shares	%	No. of Shares	%	No. of Shares	%[2]	No. of Shares	%[2]
Rohaizad bin Darus	-	-	-	-	1,000,000	*	-	-
Noor Azlan bin Adnan	-	-	-	-	150,000	*	-	-
Abdul Mutalib bin Idris	-	-	-	-	110,000	*	-	-
Wai Thuy Fong	-	-	-	-	110,000	*	-	-
Mohd Nizamuddin bin Mokhtar	-	-	-	-	80,000	*	-	-
Syed Rozhan bin Syed Hassan	-	-	-	-	80,000	*	-	-
Chew Eng Hong	-	-	-	-	80,000	*	-	-

Notes:

* *Negligible.*

(1) *Excludes Shares they may subscribe for under the Retail Offering to the Malaysian Public and the Restricted Offering, if applicable.*

(2) *Based on our enlarged issued and paid-up share capital of 2,162,000,000 Shares.*

9.2.3 Service contracts with key management

Save as disclosed below, as at the date of this Prospectus, there are no other existing or proposed service contracts between our key management and us:

(i) Rohaizad bin Darus

Our Company had entered into a service contract dated 13 October 2011 with Rohaizad bin Darus for his appointment as our President with the following salient terms of the service contract:

(a) we shall employ him on a full time basis as our Executive Director, Oil & Gas Division and shall perform the duties and exercise powers in relation to the business of the Company as may from time to time be assigned or vested in him by the President & Group CEO of UMWH or any authorised officers of the Company; and

(b) he shall be employed on contract basis commencing from 1 January 2012 for a period of 36 months up to 31 December 2014. Any extension of service shall be determined at the sole and absolute discretion of the Company.

(ii) Noor Azlan bin Adnan

Our Company had entered into a service contract dated 1 October 2012 with Noor Azlan bin Adnan for his appointment as our Head of Drilling with the following salient terms of the service contract:

(a) we shall employ him on a full time basis as our Head of Drilling, Oil & Gas Division and shall perform the duties and exercise powers in relation to the business of the Company as may from time to time be assigned or vested in him by the President, UMW Oil & Gas Division or any authorised officers of the Company; and

(b) he shall be employed on contract basis commencing from 1 October 2012 for a period of 36 months up to 30 September 2015. Any extension of service shall be determined at the sole and absolute discretion of the Company.

9.2.4 Remuneration of our President

The aggregate remuneration and benefits paid or proposed to be paid to our President for services rendered to us in all capacities was within the range of RM1.85 million to RM1.9 million for the FYE 31 December 2012 and is estimated to be RM2.1 million for the FYE 31 December 2013.

The remuneration of our President, which includes salaries, bonus, fees and allowances as well as other benefits, must be considered and recommended by our Remuneration Committee and subsequently approved by our Board.

9.2.5 Involvement of our key management in other businesses or corporations other than as directors

As at the LPD, none of our key management is involved in the management and day-to-day operations of other businesses or corporations.

9.2.6 Involvement of our key management in other businesses or corporations which carry on a similar trade as that of our Group or which are our customers or suppliers

As at the LPD, none of our key management has any interest, direct or indirect, in other businesses or corporations which are carrying on a similar trade as that of our Group or our customers and/or suppliers.

9.2.7 Management succession plan

The succession planning initiative is an integral part of our talent management process as we recognise the importance of ensuring continuity in our management to sustain our Company's business plans. The initiative encompasses a process where critical positions are identified and a talent pool from middle management and above is established. Employees from the talent pool are then put through assessment tests to identify leadership capabilities that could be harnessed for greater value to benefit our Company and the individual. The talent pool is dynamic and is continuously assessed to ensure that it remains relevant to our needs. Our initiatives on succession planning include:

(i) identifying key competencies and requirements for the position of managers and above and developing job and candidate profiles for management positions in line with our business goals, strategies and culture; and

(ii) taking a proactive approach towards addressing talent management to ensure that we have talent readily available to undertake leadership positions throughout our Group.

The development programmes expose our talent pool to various aspects of our business activities so that our staffs in the pool have a full understanding of responsibilities, decision making process and knowledge to advance to higher management positions. Our Company has also developed the individual development plan for all participants which will form the basis for their continuous development. Depending on the planned future progression, those in the talent pool are scheduled for various development plans to enhance their capabilities and readiness in the core areas of leadership, financial management, change management, organisational development, coaching and mentoring, entrepreneurship and strategic and project management.

9.3 KEY TECHNICAL PERSONNEL

The members of our key technical personnel as at the LPD are set out below:

Key technical personnel	Nationality	Age	Designation
Noor Azlan bin Adnan	Malaysian	54	Head of Drilling
Abdul Mutalib bin Idris	Malaysian	53	Head of Oilfield Services
Hadj Laroui	French	40	Head of Workover
Chong Soo Tau @ Patrick	Malaysian	45	General Manager, UOS
Suchart Phattanavithyanon	Thai	49	Director General, UOT
Kok Chong Mun	Malaysian	45	General Manager, UOS-TJ

9.3.1 Profiles of our key technical personnel

(i) Noor Azlan bin Adnan

Noor Azlan bin Adnan is also our key management. For details of Noor Azlan bin Adnan's profile, see Section 9.2.1(ii) of this Prospectus.

(ii) Abdul Mutalib bin Idris

Abdul Mutalib bin Idris is also our key management. For details of Abdul Mutalib bin Idris' profile, see Section 9.2.1(iii) of this Prospectus.

(iii) Hadj Laroui

Hadj Laroui is our Head of Workover. He obtained a Degree in Chemical Engineering from the Superior National Institute of Chemical Industries of Nancy, France in 1995. In 1996, he pursued his studies to obtain a Diploma of Petroleum Engineer from the Superior National Institute of Petroleum and Engines, Centre for the Development and Mining of Deposits, Level Development and Mining of Deposits. After working for a period of ten years with several companies in the field of exploration of oil and gas, he enrolled in the Audencia School of Management in Nantes, France where he obtained a Master of Business Administration with Honours in 2007.

He began his career with Pride International as a Drilling Engineer in 1996 for a period of two years and later became a Drilling/Rig Engineer from 1998 to 2001 where he was responsible as the safety officer and the onsite rig engineer offshore. From 2001 until 2006, he was appointed as Rig Manager for a jack-up rig called the "Pride Hawaii" which was based in Miri. From 2007 to 2010, he was appointed as a Project Manager on jack-up rigs for various projects in the Ivory Coast, Bahrain and Saudi Arabia. In 2011, he joined Arab Shipbuilding & Repair Yard (ASRY) as a Project Manager. In October 2011, he joined KS Energy as a Project Manager in Batam where he oversaw the building of two new generation highly mobile land rigs. He joined UPD and assumed his current position with effect from 1 November 2012.

(iv) Chong Soo Tau @ Patrick

Chong Soo Tau @ Patrick is the General Manager of UOS. He obtained a Diploma in Technology (Electronic Engineering) from Tunku Abdul Rahman College, Malaysia in 1991. He pursued a Master of Science in Information Technology for Manufacture and graduated from University of Warwick, United Kingdom in 1993. He has also sat and fully passed Part I of the Engineering Council Professional Examination of United Kingdom and partially passed Part II of the same examination.

He began his career with UMW Citra Maju Sdn Bhd (now known as UOS) as a Quality Assurance Executive on 3 June 1993 and was promoted to be the Assistant Quality Assurance Manager in 1997. After two years, he was promoted as UOS' Quality Manager. On 15 July 1999, he was offered by UOS a position as Acting Plant Manager before he was promoted in 2001 to be the Plant Manager for UOS. On 1 June 2002, he was subsequently promoted to be its Acting Assistant General Manager prior to his appointment as the General Manager of UOS on 1 January 2005.

(v) Suchart Phattanavithyanon

Suchart Phattanavithyanon is the Director General of UOT. He graduated with a Bachelor of Science in Chemical Engineering with a Major in Fuel Technology in 1987 from Chulalongkorn University, Thailand and a Bachelor of Law in 2009 from Sukhothai Thammathirat Open University, Thailand.

He began his career with American Standard Sanitaryware (Thailand) Plc. as a Senior Project Engineer in 1987. In 1990, he joined the Shell Company of Thailand, as an Engineer where he was responsible for designing the facility for the company's new project. After one year with Shell Company of Thailand, he then joined Italthai Engineering Co., Ltd as Project Manager and was in charge of managing and controlling the construction project including the service for the air conditioning section and LPG section. From 1993 to 1994, he worked with Siam Makro Plc. as its Assistant General Manager and from 1994 to 1996 he worked with Thai Industrial Gasses Plc. as the Customer Engineering Manager. In 1997, he was offered a position as Plant Manager at Kijpoonchai Co., Ltd and served the company until end of 1997. Prior to joining UOT in 1998 as an Operation Manager, he was working with Hantex Plc. as the Vice President of Production Control from 1997 to July 1998. He was then redesignated and assumed his current position on 1 January 2007.

(vi) Kok Chong Mun

Kok Chong Mun is the General Manager of UOS-TJ. He obtained a Diploma in Technology (Materials Engineering) from Tunku Abdul Rahman College, Malaysia in 1992 and a Master of Science in Materials Engineering from University of Sunderland, United Kingdom in 1993. Throughout his career, he has attended industrial training in the Mechanical Maintenance Department of Amalgamated Steel Mill, Bukit Raja, Klang and in the Material Department (Plastic Division) of British Gas Plc., Killingworth, Newcastle, United Kingdom.

He began his career with SKF (M) Sdn Bhd as an Application Engineer from January 1994 to September 1994. In September 1994, he joined Konecranes Sdn Bhd, as Project Engineer where he was involved in a project for the supply, installation, testing and commissioning of pipe conveyor system at Johor Port, Pasir Gudang, Malaysia. In 1992, he joined Datum Design and was appointed as Draughtsman. Prior to the transfer to UMWC, Oil & Gas Division on 15 August 2002, he worked with UMW Equipment Sdn Bhd since April 1997. He was then transferred to UOS-TJ in March 2003 as the Operations Manager and was promoted to General Manager on 1 January 2013.

9.3.2 Shareholdings of our key technical personnel

The following table sets out the direct and indirect shareholdings of each of our key technical personnel before and after the IPO (assuming full subscription of the Issue Shares allocated to the eligible directors and employees of our Group and the UMWH Group):

	Before the IPO				After the IPO[1]			
	Direct		Indirect		Direct		Indirect	
Key technical personnel	No. of Shares	%	No. of Shares	%	No. of Shares	%[2]	No. of Shares	%[2]
Noor Azlan bin Adnan	*See Section 9.2.2 of this Prospectus*				*See Section 9.2.2 of this Prospectus*			
Abdul Mutalib bin Idris	*See Section 9.2.2 of this Prospectus*				*See Section 9.2.2 of this Prospectus*			
Hadj Laroui	-	-	-	-	60,000	*	-	-
Chong Soo Tau @ Patrick	-	-	-	-	60,000	*	-	-
Suchart Phattanavithyanon	-	-	-	-	80,000	*	-	-
Kok Chong Mun	-	-	-	-	80,000	*	-	-

Notes:

* *Negligible.*

(1) *Excludes Shares they may subscribe for under the Retail Offering to the Malaysian Public and the Restricted Offering, if applicable.*

(2) *Based on our enlarged issued and paid-up share capital of 2,162,000,000 Shares.*

9.3.3 Service contracts with key technical personnel

Save as disclosed below and in Section 9.2.3 of this Prospectus, as at the date of this Prospectus, there are no other existing or proposed service contracts between our key technical personnel and us.

UPD had entered into a service contract dated 17 April 2012 with Hadj Laroui for his appointment as our Head of Workover for a term of two years or until completion or termination of the project, whichever is earlier. The salient terms of the service contract, *inter alia*, are as follows:

(i) we shall employ him on a contract basis in UMWSD as our Head of Workover with effect from 1 November 2012. The duration of contract shall be for a period of two years effective from the commencement date of his employment with UPD; and

(ii) upon expiration of his contract, we may at our discretion exercise our right to offer a new contract on such terms and conditions and duration as specified in the new contract.

9.4 PROMOTER AND SUBSTANTIAL SHAREHOLDERS

9.4.1 Profiles of our Promoter and substantial shareholders

(i) UMWH (Promoter and substantial shareholder)

UMWH is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Securities. As at 28 August 2013, UMWH has a AAA rating for its bonds by RAM Rating Services Berhad. The registered office of the company is located at 3rd floor, The Corporate, No. 10, Jalan Utas (15/7), Batu Tiga Industrial Estate, 40200 Shah Alam, Selangor Darul Ehsan.

UMWH Group is principally engaged in:

(a) import, assembly, and marketing of passenger and commercial vehicles and related spares and manufacturing of original/replacement automotive parts;

(b) distribution of a wide range of light and heavy equipment including related spares for use in the industrial, construction, agricultural and mining sectors;

(c) blending, packaging, marketing and distribution of lubricants in Malaysia and China, manufacture of high-quality shock absorbers and hydraulic power-steering pumps and systems, design, manufacture and supply of parts and auto component parts to the automotive industry as well as supplier of original equipment manufacturer and replacement automotive products in Malaysia and India; and

(d) oil and gas businesses (other than the oil and gas businesses of the UMW-OG Group) comprising manufacturing and trading of OCTG and linepipes and providing various oil and gas services including onshore drilling and pipe-coating and the provision of engineering and maintenance services as a customised equipment packager and a total solution provider for equipment used in a number of industries, including the oil and gas, telecommunications, public utility, government services and marine markets.

The substantial shareholders of UMWH and their respective shareholdings in UMWH as at the LPD are as follows:

	Direct		Indirect	
Substantial shareholder	**No. of shares held**	**%**	**No. of shares held**	**%**
ASB	-	-	492,000,000	42.11[(1)]
EPF	1,500,000	0.13	180,068,604	15.41[(2)]

Notes:

(1) Interest held through AmanahRaya Trustees Berhad.

(2) Interest held through nominees.

(ii) **ASB (substantial shareholder)**

ASB is a unit trust fund constituted pursuant to a deed dated 21 October 1989 ("**Deed**"). ASB is managed by PNB (as its investment manager) and its investment objective is to invest the funds derived from its unit holders in generating long term, consistent and competitive returns to its unit holders whilst ensuring the preservation of capital at minimal risk tolerance level. The investment policy of ASB is to invest in a diversified portfolio of listed securities, primarily on the Bursa Securities, unlisted securities, fixed income and money market instruments as well as other capital market instruments such as structured products and derivatives.

In accordance with Clause 38(2) of its Deed and Clause 8.47 of the Guidelines on Unit Trust Funds issued by the SC, ASB (as a unit trust fund) is not allowed to exercise its voting rights at any election for the appointment of a director of an investee company unless with the sanction by its unit holders by way of an ordinary resolution. ASB is also not involved in the day-to-day management of an investee company in which it invests.

(iii) **EPF (substantial shareholder)**

EPF is the social security institution established under the Employees Provident Fund Act, 1991 (Act 452), which provides retirement benefits for its members through management of their savings in an efficient and reliable manner. The principal members of EPF are the private and non-pensionable public-sector employees.

The principal activities of EPF are to receive and collect contributions, to meet all withdrawals of savings and other benefits to members or their beneficiaries upon satisfaction of any condition for withdrawals, and to invest the monies in the fund for the benefit of its members. EPF has investments in various asset classes namely equities, Malaysian Government Securities, loans and bonds, real estate and infrastructure.

EPF is not involved in the day-to-day management of its investee companies.

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9.4.2 Shareholdings of our Promoter and substantial shareholders

The following table sets forth the direct and indirect shareholdings of our Promoter and substantial shareholders before and after the IPO based on our Register of substantial shareholders' shareholdings as at the LPD:

	Before the IPO				After the IPO – Assuming the Over-allotment Option is not exercised[1]				After the IPO – Assuming the Over-allotment Option is fully exercised[1]			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Substantial shareholder	No. of Shares	%	No. of Shares	%	No. of Shares	%[2]	No. of Shares	%[2]	No. of Shares	%[2]	No. of Shares	%[2]
UMWH	1,550,200,000	100.00	-	-	1,318,820,000	61.00	-	-	1,192,343,000	55.15	-	-
ASB	-	-	1,550,200,000 [3]	100.00	-	-	1,318,820,000[3]	61.00	-	-	1,192,343,000[3]	55.15
EPF	-	-	1,550,200,000 [3]	100.00	83,237,000	3.85	1,318,820,000[3]	61.00	83,237,000	3.85	1,192,343,000[3]	55.15

Notes:

(1) Excludes Shares they may subscribe for under the Retail Offering to the Malaysian Public and the Restricted Offering, if applicable.

(2) Based on our enlarged issued and paid-up share capital of 2,162,000,000 Shares.

(3) Deemed interest by virtue of its interest in UMWH pursuant to Section 6A of the Act.

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9.4.3 Changes in the Promoter's and the substantial shareholders' shareholdings in our Company for the past three years

Save as disclosed in Section 6.1.2 of this Prospectus, there has been no change in the Promoter's and the substantial shareholders' shareholdings in our Company for the past three years preceding the LPD.

9.4.4 Involvement of our substantial shareholders in other businesses or corporations which carry on a similar trade as that of our Group or which are our customers and/or suppliers

As at the LPD and save as disclosed in Section 11.1.2 of this Prospectus in relation to UMWH's direct and indirect interests in our suppliers, our Promoter and substantial shareholders do not have any interest, direct or indirect, in other businesses or corporations which are carrying on a similar trade as that of our Group or our customers and/or suppliers.

9.4.5 Oil and gas business of UMWH other than UMW-OG

UMWH is the parent company of UMW-OG, carrying out principal activities, as detailed in Section 9.4.1 above. UMWH's oil and gas businesses other than UMW-OG include the following:

(i) providing onshore drilling services;

(ii) manufacturing of OCTG and linepipes such as large diameter longitudinal submerged arc-welded and spiral submerged arc-welded for the oil and gas transmission lines;

(iii) providing anti-abrasion coating services for OCTG drill pipes, tubing, casing, linepipes and other related products as well as specialised coating and sandblasting services;

(iv) repairing and fabricating steel structures for lifting, handling and hoisting for the marine, oil and gas, construction and other related industries;

(v) trading, stocking, marketing and distribution of oilfield products such as piping materials, valving and pressure vessel components; and

(vi) engineering and maintenance services as a customised equipment packager and a total solution provider for equipment used in a number of industries including the oil and gas, telecommunications, public utility, government services and marine markets.

The following table below sets out the oil and gas companies within the UMWH Group (other than the UMW-OG Group) which are operating companies:

No.	Category of activities	Company	Country of operation	Equity interest
				%
(i)	Onshore drilling services	(a) Arabian Drilling Services L.L.C., Oman	Oman	65.00
		(b) Jaybee Drilling Private Limited, India	India	45.00
		(c) UMW Sher (L) Ltd, Labuan, Malaysia	Malaysia	45.00

No.	Category of activities		Company	Country of operation	Equity interest
					%
(ii)	Manufacturing of OCTG and linepipes	(a)	Zhongyou BSS (Qinhuangdao) Petropipe Co., Ltd., China	China	34.30
		(b)	Shanghai BSW Petropipe Co., Ltd., China	China	32.40
		(c)	United Seamless Tubulaar Private Limited, India	India	32.20
		(d)	WSP Holdings Limited, China and its group of companies	China	22.50
(iii)	Provision of anti-abrasion coating services	(a)	Sichuan Haihua Petroleum Steelpipe Co., Ltd., China	China	40.00
		(b)	Shanghai Tube-Cote Petroleum Pipe Coating Co., Ltd., China	China	49.00
		(c)	Jiangsu Tube-Cote Shuguang Coating Co. Ltd., China	China	28.13
(iv)	Repair and fabrication of steel structures for lifting, handling and hoisting	(a)	UMW Helmsion Engineering Pte. Ltd., Singapore, a subsidiary of Vina Offshore Holdings Pte. Ltd. (Singapore)	Singapore	42.00
		(b)	UMW Fabritech	Malaysia	70.00
(v)	Trading, stocking, marketing and distribution of oilfield products	(a)	UMW Oilfield International (M) Sdn. Bhd., Malaysia	Malaysia	100.00
		(b)	UMW Oilfield International (L) Ltd., Labuan, Malaysia	Malaysia	60.00
		(c)	PFP Holdings Pty. Ltd., Australia and its group of companies	Australia	100.00
(vi)	Engineering and maintenance services	(a)	UMW Synergistic Generation Sdn Bhd and its group of companies	Malaysia	60.00

We believe that UMWH's presence in the oil and gas industry as detailed above will not give rise to a conflict of interest situation with our oil and gas businesses and the oil and gas businesses of UMWH due to the following:

(i) Drilling services that serve different market segments: The drilling services undertaken by the UMWH Group (other than the UMW-OG Group) are onshore drilling services, whereas drilling services undertaken by the UMW-OG Group are offshore drilling services. Presently, the UMW-OG Group operates in Malaysia and other parts of South East Asia, whereas UMWH Group's (other than the UMW-OG Group) onshore drilling rigs are operating in Oman and India;

(ii) Provision of different oilfield services: UMW-OG Group is also involved in the provision of oilfield services, offering threading, inspection and repair of OCTG in Malaysia, Thailand, China and Turkmenistan. This business is different from the manufacturing of OCTG and linepipes, provision of anti-abrasion coating services, fabrication services, trading, stocking, marketing and distribution of oilfield products businesses which the subsidiaries and associates of UMWH (other than the UMW-OG Group) are involved in. UMW-OG Group provides additional services to existing OCTG, but does not manufacture the OCTG. The repair services undertaken by the UMW-OG Group are limited to OCTG which is different from the repair services provided by the subsidiaries and associates of UMWH (other than the UMW-OG Group) which extends to the repair of steel structures for lifting, handling and hoisting for the marine, oil and gas, construction and other related industries;

(iii) Separate management teams: UMWH's oil and gas businesses are managed by UMWH's management team, which is separate from our management team; and

(iv) Customers: There may be instances that the UMWH Group and our Group are/will be servicing the same customers, for example, PETRONAS. Nonetheless, it is not expected that having mutual customers with UMWH will give rise to any conflict of interest or competition given that the oil and gas industry is very diversified and we are operating in businesses which are separate from and dissimilar to UMWH in terms of products and services as mentioned above.

9.5 RELATIONSHIPS OR ASSOCIATIONS BETWEEN OUR DIRECTORS, KEY MANAGEMENT, KEY TECHNICAL PERSONNEL, PROMOTER AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed below there are no family relationships/associations between our Directors, key management, key technical personnel, Promoter and substantial shareholders:

(i) Tan Sri Asmat bin Kamaludin, who is our Chairman and Non-Independent Non-Executive Director, is also the Group Chairman of UMWH, our Promoter and substantial shareholder;

(ii) Datuk Syed Hisham bin Syed Wazir, who is our Non-Independent Non-Executive Director, is also a Director and the President & Group Chief Executive Officer of UMWH, our Promoter and substantial shareholder; and

(iii) Dr. Leong Chik Weng, who is our Non-Independent Non-Executive Director, is also a Director of UMWH, our Promoter and substantial shareholder.

9.6 DECLARATION BY OUR DIRECTORS, KEY MANAGEMENT, KEY TECHNICAL PERSONNEL AND PROMOTER

None of our Directors, key management, key technical personnel or Promoter is and has been involved in any of following events (whether in or outside Malaysia):

(i) a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel;

(ii) disqualified from acting as a director of any corporation or from taking part, directly or indirectly, in the management of any corporation;

(iii) charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;

(iv) any judgment was entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or

(v) the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

9.7 OTHER MATTERS

Save as disclosed in Section 6.1.2 and Section 9.1.10 of this Prospectus, respectively, no other amounts or benefits has been paid or intended to be paid to our Promoter, Directors and substantial shareholders within the two years preceding the date of this Prospectus, except for remuneration received by our Directors in the course of their employment and directors' fees and dividends paid to our shareholders.

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10. APPROVALS AND CONDITIONS

10.1 APPROVALS AND CONDITIONS

The SC has, via its letter dated 9 July 2013, approved our IPO under Section 212(2)(a) of the CMSA and the equity requirement for public companies, subject to compliance with the following conditions:

Details of condition imposed		Status of compliance
(a)	UMW-OG to appoint an additional independent director prior to registration of the prospectus	Complied
(b)	In respect of the UOS-TJ's properties at no. 101, Central South Fourth Street, TEDA West Zone, 300462 Tianjin, People's Republic of China: (i) UMW-OG is to provide an undertaking that UOS-TJ will obtain approval for the inclusion of UOS-TJ's ownership on the buildings and the details of the buildings in the property ownership land use right certificate ("**POLUR Certificate**"); (ii) Maybank IB / CIMB / UMW-OG are to make quarterly announcements on the status of the said approval to Bursa Securities; and (iii) Maybank IB / CIMB / UMW-OG are to update the SC when such announcements are made	Complied. UOS-TJ has on 11 July 2013, obtained the revised POLUR Certificate, which includes UOS-TJ's ownership on the buildings and the details of the buildings
(c)	UMW-OG to allocate at least 12.5% of its enlarged issued and paid-up share capital to Bumiputera investors at the point of listing. This includes the shares offered under the balloted public offer portion, of which 50% are to be offered to Bumiputera investors	Complied
(d)	Maybank IB, CIMB and UMW-OG to fully comply with the relevant requirements under the Equity Guidelines and Prospectus Guidelines – Equity pertaining to the implementation of the proposal	Noted

The SAC of the SC has, via its letter dated 1 July 2013, classified our Shares as Shariah-compliant securities based on our latest audited combined financial statements for the FYE 31 December 2012.

The SC has, via its letters dated 25 April 2013, approved the reliefs sought by us from having to comply with certain requirements under the Prospectus Guidelines. The details of the reliefs sought and the corresponding conditions imposed by the SC are as follows:

Reference	Details of relief sought	Condition imposed (if any)	Status of compliance (if any)
Prospectus Guidelines			
Paragraph 12.02	Relief from having to disclose our cost of sales, gross profit, gross profit margin, marketing and selling expenses and administrative and other expenses, subject to the disclosure of our EBITDA and EBITDA margin	Nil	N/A

10. APPROVALS AND CONDITIONS *(Cont'd)*

Reference	Details of relief sought	Condition imposed (if any)	Status of compliance (if any)
Paragraph 12.15, 12.16(a) and (c)	Relief from having to comply with the requirements of Paragraph 12.15, 12.16(a) and (c) in relation to the preparation of pro forma consolidated income statements and pro forma consolidated cash flow statements of UMW-OG and to substitute it with the combined income statements and combined cash flow statements of UMW-OG	Nil	N/A
Paragraph 13.10	Relief from having to include standalone audit report on the audited financial statements of the individual subsidiaries of UMW-OG in the Accountants' Report	Approved, subject to the disclosure of the auditors' opinion on the audited financial statements of the individual subsidiaries of UMW-OG for the financial years and period under review in the Accountants' Report.	Complied
Paragraph 18.01(h)	Relief from making available the audited financial statements of each individual subsidiary of UMW-OG for the six-month interim financial period ending 30 June 2013	Nil	N/A
Prospectus Guidelines – Procedures for Registration			
Paragraph 1.09(j)	Relief from making available the audited financial statements of each individual subsidiary of UMW-OG for the six-month interim financial period ending 30 June 2013	Nil	N/A

The SC has, via its letter dated 10 May 2013, approved the reliefs sought by us from having to comply with certain requirements under the Equity Guidelines – Content of Application and the Prospectus Guidelines. The details of the reliefs sought and the corresponding conditions imposed by the SC are as follows:

Reference	Details of relief sought	Condition imposed (if any)	Status of compliance (if any)
Equity Guidelines – Content of Application			
Item 4(a) of Appendix I	Relief from having to disclose the information on the ultimate beneficial ownership of OTT	Nil	N/A

10. APPROVALS AND CONDITIONS *(Cont'd)*

Reference	Details of relief sought	Condition imposed (if any)	Status of compliance (if any)
Item 2(f) of Appendix I	Relief to allow the due diligence working group to provide a modified confirmation such that any disclosures on non-compliances, if any, are made only with respect to breaches of any relevant laws, regulations, rules and requirements governing the conduct of business which have a material adverse impact on our Group	Nil	N/A
Prospectus Guidelines			
Paragraph 8.01(a)(i), (ii) and (iii)	Relief from having to disclose in respect of OTT, information on the history of the business from inception to date	Nil	N/A
Paragraph 11.01(a)	Relief from having to disclose the related party transactions or recurrent related party transactions between the UMW-OG Group and persons connected to ASB and EPF	Nil	N/A

The SC has, via its letters dated 13 June 2013, 6 August 2013 and 13 September 2013 approved the relief sought by us from having to comply with a requirement under the Equity Guidelines. The details of the relief sought and the corresponding conditions imposed by the SC are as follows:

Reference	Details of relief sought	Condition imposed (if any)	Status of compliance (if any)
Equity Guidelines			
Paragraph 4(a) of the Practice Note 4	Relief in respect of placement of securities to persons connected to UMWH: (i) PNB, ASB and other unit trust funds managed by PNB; (ii) certain joint venture partners of UMWH; and (iii) EPF	Nil	N/A

10. APPROVALS AND CONDITIONS *(Cont'd)*

The SC has, via its letters dated 1 July 2013 and 13 September 2013, approved the reliefs sought by us from having to comply with certain requirements under the Prospectus Guidelines. The details of the reliefs sought and the corresponding conditions imposed by the SC are as follows:

Reference	Details of relief sought	Condition imposed (if any)	Status of compliance (if any)
Prospectus Guidelines			
Paragraph 11.03(a)(i) and (ii)	Relief from having to disclose details of the direct and indirect interests of ASB and EPF in: (i) other business and corporations carrying on a similar trade as UMW-OG; and (ii) other businesses and corporations which are the customers or suppliers of UMW-OG	Approved, subject to UMW-OG disclosing that ASB is a unit trust fund managed by PNB and the nature of ASB's activities and the nature of EPF's investment activities	Complied
Paragraph 18.01(b)	Relief in relation to the redaction of certain salient terms of four contracts which our Group is highly dependent upon ("**HDCs**") and only make available for public inspection the redacted HDCs. The four HDCs are as follows: (i) Agreement dated 21 June 2006 (Contract No. CH2/C2/2005/DPM/228) entered into between PETRONAS Carigali and UJD for the provision of semi-submersible drilling rig by our Group for PETRONAS Carigali Drilling Programme which was effective on 25 January 2006, as supplemented by a letter of amendment and contract extension from PETRONAS Carigali to UJD dated 17 September 2010 and by a further letter from PETRONAS Carigali to UJD dated 3 April 2013 for rig upgrade reimbursement and contract extension; (ii) Agreement dated 20 March 2013 (Contact No. HL-DRL-13-010) entered into between UMWSD and PV Drilling pursuant to a Drilling Services Contract between PV Drilling and Hoang Long Joint Operating Company dated 20 March 2013 for the provision of jack-up drilling rig known as "NAGA 2";	Nil	N/A

10. APPROVALS AND CONDITIONS *(Cont'd)*

Reference	Details of relief sought	Condition imposed (if any)	Status of compliance (if any)
Paragraph 18.01(b) *(Cont'd)*	(iii) Agreement dated 28 April 2011 (Contract No. CHO/2010/DDR/367) entered into between Petronas Carigali and UMWSD for the provision of jack-up drilling rig by our Group for PETRONAS Carigali Drilling Programme which was effective on 21 January 2011 as supplemented by a letter of contract amendment and extension from PETRONAS Carigali to UMWSD dated 20 March 2012; and	Nil	N/A
	(iv) Agreement dated 10 April 2013 (Contract No, CH0/2012/DDR/1025) entered into between PETRONAS Carigali and UMWSD for the provision jack-up drilling rig by our Group for PETRONAS Carigali Drilling Programme		

In addition, the SC concurs that our Company may distribute the Prospectus in CD-ROM format, together with a printed copy of the application form, to the Entitled Shareholders of UMWH as well as to the eligible directors and employees of our Group and the UMWH Group. The Entitled Shareholders of UMWH and the eligible directors and employees of our Group and the UMWH Group may request for a copy of the printed Prospectus at no cost and are given an option to have the printed Prospectus delivered to them, or to obtain the printed Prospectuses from the designated locations. The designated locations are stated in Section 16.3.3 and Section 16.3.2 of this Prospectus respectively. Any delivery charges, if applicable, will be borne by UMW-OG and/or UMWH. The Entitled Shareholders of UMWH and the eligible directors and employees of our Group and the UMWH Group may also download the Prospectus from Bursa Securities' website.

The Equity Compliance Unit of the SC has, via its letter dated 9 July 2013, noted that the effective equity structure relating to Bumiputera, non-Bumiputera and foreign shareholdings in our Company would change arising from the IPO, as follows:

Category of shareholder	Before IPO	After IPO
	%	%
Bumiputera		
- UMWH	100.00	61.00
- PNB and funds managed by PNB	-	2.51
- MITI-approved investors	-	11.50
- Public balloting	-	1.00
	100.00	**76.01**
Non-Bumiputera/Foreigners	-	23.99
Total	**100.00**	**100.00**

10. APPROVALS AND CONDITIONS *(Cont'd)*

The MITI has also, via its letter dated 10 June 2013, informed that it has no objection to the allocation of 248,630,000 Issue Shares to the MITI-approved Bumiputera investors.

Bursa Securities has, via its letter dated 29 July 2013, approved the Admission and the Listing.

Bursa Securities also has, via its letter dated 29 August 2013, accepted UMW-OG's public shareholding spread of 22.4% as in compliance with Paragraph 3.06(1) of the Bursa Securities LR, subject to compliance with the following conditions:

	Details of condition imposed	Status of compliance
(a)	UMW-OG to use its best endeavours to increase the percentage of public shareholding spread to 25.0%	Noted
(b)	UMW-OG must make immediate announcement upon listing in relation to the decision of Bursa Securities approving the acceptable level of lower public shareholding spread as in compliance with the public shareholding spread requirements by incorporating the percentage of public shareholding spread	Noted and to be complied
(c)	UMW-OG is required to notify Bursa Securities immediately, if in conjunction with the preparation of UMW-OG's semi annual returns and/or where UMW-OG otherwise becomes aware of the following:	Noted
	(i) any decrease to UMW-OG's issued and paid-up share capital; and	
	(ii) any decrease in the percentage of public shareholding spread below 22.4%	

10.2 MORATORIUM ON THE SALE OF SHARES

Pursuant to the Equity Guidelines, the Shares held by our Promoter at the date of Admission are to be subject to a moratorium on their sale. In this respect, the Shares that are subject to moratorium are set out below:

	After the IPO – Assuming Over-allotment Option not exercised				After the IPO – Assuming Over-allotment Option fully exercised			
	Direct		Indirect		Direct		Indirect	
Promoter	No. of Shares	%*	No. of Shares	%*	No. of Shares	%*	No. of Shares	%*
UMWH	1,318,820,000	61.00	-	-	1,192,343,000	55.15	-	-

Note:

* *Based on our enlarged issued and paid-up share capital of 2,162,000,000 Shares.*

Our Promoter has fully accepted the moratorium on the sale of its Shares. Our Promoter will not be permitted to sell, transfer or assign any part of their interest in the Shares under moratorium for a six-month period beginning from the date of our Listing.

The above moratorium restrictions are specifically endorsed on the share certificates representing the Shares held by our Promoter which are under the moratorium on sale to ensure that our Company's share registrar does not register any transfer that contravenes such restrictions.

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

11.1 RELATED PARTY TRANSACTIONS

Under the Bursa Securities LR, a "related party transaction" is a transaction entered into by a listed issuer or its subsidiaries that involves the interests, direct or indirect, of a related party. A "related party" of a listed issuer (not being a special purpose acquisition company) is:

(i) a director having the meaning given in Section 2(1) of the CMSA and includes any person who is or was within the preceding six months of the date on which the terms of the transaction were agreed upon, a director of the listed issuer, its subsidiary or holding company or a chief executive of the listed issuer, its subsidiary or holding company; or

(ii) a major shareholder includes any person who is or was within the preceding six months of the date on which the terms of the transaction were agreed upon, a major shareholder of the listed issuer or its subsidiaries or holding company, and has or had an interest or interests in one or more voting shares in a corporation and the nominal amount of that share or the aggregate of the nominal amounts of those shares is:

  (a) 10% or more of the aggregate of the nominal amounts of all the voting shares in the corporation; or

  (b) 5% or more of the aggregate of the nominal amounts of all the voting shares in the corporation where such person is the largest shareholder of the corporation;

  or

(iii) a person connected with such director or major shareholder.

Certain transactions, despite falling within the definition of a related party transaction above, are not normally regarded as related party transactions. These are detailed in Paragraph 10.08(11) of the Bursa Securities LR.

In addition, on 30 July 2013 and 18 September 2013, Bursa Securities has approved the waivers from having our Group comply with the requirements of Chapter 10 and Practice Note 12 of the Bursa Securities LR in respect of recurrent related party transactions of a revenue or trading nature entered into between UMW-OG Group and any unlisted or listed companies (other than UMWH) of which PNB and/or funds managed by PNB and EPF and/or its related entities are substantial shareholders.

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11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

11.1.1 Non-recurrent related party transactions

Save as disclosed below, there are no other existing or potential material non-recurrent related party transactions for the past three FYE31 December 2010, 2011 and 2012and the FPE 30 June 2013 that we have entered into in respect of which rights and obligations are subsisting and/or proposed as at the date of this Prospectus.

No.	Date of transaction	Transacting parties	Nature of relationship	Nature of transaction	Transaction value
1.	10 October 2011 and 30 December 2011	UOS-TJ and PFP Shenzhen Piping Materials Co, Ltd	**Interested major shareholders** • ASB[1] • UMWH **Interested directors** • Tan Sri Asmat bin Kamaludin[2] • Datuk Syed Hisham bin Syed Wazir[3] • Dr. Leong Chik Weng[4] • Badrul Feisal bin Abdul Rahim[5]	Grant of inter-company loan from UOS-TJ to PFP Shenzhen Piping Materials Co, Ltd	RMB4,200,000 (RM2,264,220)[6]
2.	8 May 2013	UMV and USG	**Interested major shareholders** • ASB[1] • UMWH **Interested directors** • Tan Sri Asmat bin Kamaludin[2] • Datuk Syed Hisham bin Syed Wazir[3] • Dr. Leong Chik Weng[4]	Grant of inter-company loan from UMV to USG	RM4,000,000

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

No.	Date of transaction	Transacting parties	Nature of relationship	Nature of transaction	Transaction value
3.	9 May 2013	UMWSD and USG	**Interested major shareholders** • ASB[1] • UMWH **Interested directors** • Tan Sri Asmat bin Kamaludin[2] • Datuk Syed Hisham bin Syed Wazir[3] • Dr. Leong Chik Weng[4]	Grant of inter-company loan from UMWSD to USG	USD1,300,000[7] (RM4,289,350)
4.	13 May 2013	UPD and USG	**Interested major shareholders** • ASB[1] • UMWH **Interested directors** • Tan Sri Asmat bin Kamaludin[2] • Datuk Syed Hisham bin Syed Wazir[3] • Dr. Leong Chik Weng[4]	Grant of inter-company loan from UPD to USG	RM4,000,000
5.	14 May 2013 and 20 August 2013	USV and UMW Petropipe	**Interested major shareholders** • ASB[1] • UMWH • EPF[8] **Interested directors** • Tan Sri Asmat bin Kamaludin[2] • Datuk Syed Hisham bin Syed Wazir[3] • Dr. Leong Chik Weng[4]	Acquisition of 100.0% and 40.0%of the total issued and paid up capital of UMW Marine & Offshore Pte Ltd and Sichuan Haihua (Petroleum) Steelpipe Co, Ltd respectively by UMW Petropipe from USV	RM19,150,633

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

No.	Date of transaction	Transacting parties	Nature of relationship	Nature of transaction	Transaction value
6.	14 May 2013	UMW-OG and UMWH	**Interested major shareholders** • ASB[1] • UMWH **Interested directors** • Tan Sri Asmat bin Kamaludin[2] • Datuk Syed Hisham bin Syed Wazir[3] • Dr. Leong Chik Weng[4]	Acquisition of the total issued and paid up capital of UMV by UMW-OG from UMWH	RM20,000,000
7.	20 August 2013	UMV and UMWC	**Interested major shareholders** • ASB[1] • UMWH • EPF[8] **Interested directors** • Tan Sri Asmat bin Kamaludin[2] • Datuk Syed Hisham bin Syed Wazir[3] • Dr. Leong Chik Weng[4]	Disposal of the total issued and paid up capital of USG from UMV to UMWC	RM10,030,001
8.	14 May 2013	UMW-OG and UMW Petropipe	**Interested major shareholders** • ASB[1] • UMWH **Interested directors** • Tan Sri Asmat bin Kamaludin[2] • Datuk Syed bin Hisham Syed Wazir[3] • Dr. Leong Chik Weng[4]	Acquisition of the total issued and paid up capital of USV by UMW-OG from UMW Petropipe	RM22,901,580

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

No.	Date of transaction	Transacting parties	Nature of relationship	Nature of transaction	Transaction value
9.	14 May 2013 and 20 August 2013	USV and UMWC	**Interested major shareholders** • ASB[1] • UMWH • EPF[8] **Interested directors** • Tan Sri Asmat bin Kamaludin[2] • Datuk Syed Hisham bin Syed Wazir[3] • Dr. Leong Chik Weng[4]	Acquisition of the entire paid up capital of UOS-TJ by USV from UMWC	RM10,119,150
10.	14 May 2013	UMV and UMWC	**Interested major shareholders** • ASB[1] • UMWH **Interested directors** • Tan Sri Asmat bin Kamaludin[2] • Datuk Syed Hisham bin Syed Wazir[3] • Dr. Leong Chik Weng[4]	Acquisition of 100.0%, 97.3% and 100.0% of the total issued and paid up capital of UPD, UMWSD and UOS respectively by UMV from UMWC	RM68,095,091
11.	14 May 2013	UMW-OG and UMWC	**Interested major shareholders** • ASB[1] • UMWH **Interested directors** • Tan Sri Asmat bin Kamaludin[2] • Datuk Syed Hisham bin Syed Wazir[3] • Dr. Leong Chik Weng[4]	Acquisition of 85.0% of the total issued and paid up capital of UJD by UMW-OG from UMWC	RM1,548,239

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

No.	Date of transaction	Transacting parties	Nature of relationship	Nature of transaction	Transaction value
12.	14 May 2013	URA and UMW Petropipe	**Interested major shareholders** • ASB[1] • UMWH **Interested directors** • Tan Sri Asmat bin Kamaludin[2] • Datuk Syed Hisham bin Syed Wazir[3] • Dr. Leong Chik Weng[4]	Acquisition of the total issued and paid up capital of UD4, UN2 and UN3 by URA from UMW Petropipe	RM3,293,006
13.	14 May 2013	URA and UMWC	**Interested major shareholders** • ASB[1] • UMWH **Interested directors** • Tan Sri Asmat bin Kamaludin[2] • Datuk Syed Hisham bin Syed Wazir[3] • Dr. Leong Chik Weng[4] • Azmin bin Che Yusoff[9]	Acquisition of the total issued and paid up capital of UDC by URA from UMWC	RM22,800,600
14.	14 May 2013	UMV and UMW Petropipe	**Interested major shareholders** • ASB[1] • UMWH **Interested directors** • Tan Sri Asmat bin Kamaludin[2] • Datuk Syed Hisham bin Syed Wazir[3] • Dr. Leong Chik Weng[4] • Badrul Feisal bin Abdul Rahman[5]	Acquisition of 51.0% of the total issued and paid up capital of UOS-TK by UMV from UMW Petropipe	RM1,171,247

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

No.	Date of transaction	Transacting parties	Nature of relationship	Nature of transaction	Transaction value
15.	14 May 2013	UMW-OG and UMWH	**Interested major shareholders** • ASB[(1)] • UMWH **Interested directors** • Tan Sri Asmat bin Kamaludin[(2)] • Datuk Syed Hisham bin Syed Wazir[(3)] • Dr. Leong Chik Weng[(4)]	Settlement of amounts owing by UMW-OG Group to the companies within UMWH Group	RM1,327,493,066
16.	22 May 2013	UMW-OG and USG	**Interested major shareholders** • ASB[(1)] • UMWH **Interested directors** • Tan Sri Asmat bin Kamaludin[(2)] • Datuk Syed Hisham bin Syed Wazir[(3)] • Dr. Leong Chik Weng[(4)]	Grant of inter-company loan from UMW-OG to USG	RM1,000,000

Notes:

(1) ASB is a major shareholder of UMWH, having equity interest of 42.11% as at the LPD.

(2) Tan Sri Asmat bin Kamaludinis deemed interested by virtue of his directorships in UMW-OG and UMWH. He is also a director of UMWC.He holds less than 0.1% equity interest in UMWH.

(3) Datuk Syed Hisham bin Syed Wazir is deemed interested by virtue of his directorships in UMW-OG and UMWH. He is also a director of UMW Petropipe and UMWC. He does not hold any equity interest in UMWH.

(4) Dr. Leong Chik Wengis deemed interested by virtue of his directorships in UMW-OG and UMWH. He is also a director of UMW Petropipe. He does not hold any equity interest in UMWH.

(5) Badrul Feisal bin Abdul Rahim is deemed interested by virtue of his directorships in UOS-TJ and PFP Shenzhen Piping Materials Co, Ltd. He is also a director of UMV and UMW Petropipe. He does not hold any equity interest in UMWH.

(6) Based on the rate of RMB1 = RM0.5391, being the middle rate published by Bank Negara Malaysia as at 30 August 2013.

(7) *Based on the rate of USD1 = RM3.2995, being the middle rate published by Bank Negara Malaysia as at 30 August 2013.*

(8) *EPF is a major shareholder of UMWH, having equity interest of 15.41% as at the LPD.*

(9) *Azmin bin Che Yusoff is deemed interested by virtue of his directorships in URA and UMWC.*

11.1.2 Recurrent related party transactions

Related party transactions are deemed recurrent if they are entered into at least once every three years, in the ordinary course of business and are of a revenue nature necessary for the day-to-day operations of our Group.

After the Listing, our Company will be required to seek shareholders' approval each time we enter into a related party transaction in accordance with the Bursa Securities LR. However, if the related party transactions can be deemed as recurrent related party transactions, our Company may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such related party transactions during the validity period of the mandate. We do not anticipate to enter into and/or to be involved in any material recurrent related party transaction until our next Annual General Meeting which is anticipated to be held before July2014.

Under the Bursa Securities LR, related party transactions may be aggregated to determine its materiality if the transactions occur within a 12-month period, are entered into with the same party or with parties connected to one another, or if the transactions involve the acquisition or disposal of securities or interests in one corporation/asset or of various parcels of land contiguous to each other. We will make disclosures in our annual report of the aggregate value of transactions conducted based on the nature of Recurrent Transactions made, the names of the related parties involved and their relationship with our Company during the financial year and in the annual reports for subsequent financial years.

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11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

Save as disclosed below, there are no other existing material recurrent related party transactions for the past three FYE31 December 2010, 2011 and 2012 and proposed material recurrent related party transactions for the 18-monthperiod ending 30 June 2014 as at the LPD.

				Transaction value			
				For the FYE 31 December (Actual)			For 18-month period ending 30 June 2014
No.	Transacting parties	Nature of relationship	Nature of transaction	2010	2011	2012	(Estimated)
				RM	RM	RM	RM
1.	UMW-OG and UMWC	**Interested major shareholders** • ASB[1] • UMWH • EPF[2] **Interested directors** • Tan Sri Asmat bin Kamaludin[3] • Datuk Syed Hisham bin Syed Wazir[4] • Dr. Leong Chik Weng[5]	Management fee for internal audit services and corporate communication services provided by UMWC to UMW-OG	1,000,000	1,500,000	2,000,000	2,100,000
2.	UMW-OG Group and U-Travel Wide Sdn Bhd	**Interested major shareholders** • ASB[1] • UMWH • EPF[2] **Interested directors** • Tan Sri Asmat bin Kamaludin[3] • Datuk Syed Hisham bin Syed Wazir[4] • Dr. Leong Chik Weng[5]	Purchase of air tickets	1,970,000	1,747,300	2,211,600	3,600,000

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

No.	Transacting parties	Nature of relationship	Nature of transaction	Transaction value			
				For the FYE 31 December (Actual)			For 18-month period ending 30 June 2014
				2010	2011	2012	(Estimated)
				RM	RM	RM	RM
3.	UMW-OG and UMWC	**Interested major shareholders** • ASB[1] • UMWH • EPF[2] **Interested directors** • Tan Sri Asmat bin Kamaludin[3] • Datuk Syed Hisham bin Syed Wazir[4] • Dr. Leong Chik Weng[5]	Tenancy of premises at Parcel no. CS/3A of 18th floor. Block 3A and Parcel no. 2B-1, 2B-2 and 2B-3 of each of the 16th floor, 17th floor and 18th floor of Block 2B, Plaza Sentral, JalanStesenSentral 5, Brickfields, 50470 Kuala Lumpur granted by UMWC to UMW-OG	-	1,444,110	1,444,110	2,200,000
4.	UMW-OG Group and UMWH Group	**Interested major shareholders** • ASB[1] • UMWH • EPF[2] **Interested directors** • Tan Sri Asmat bin Kamaludin[3] • Datuk Syed Hisham bin Syed Wazir[4] • Dr. Leong Chik Weng[5]	Service fees charged by UMWH Group in relation to payment of manpower expenses and other expenses	4,542,000	16,000	290,000	-

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

No.	Transacting parties	Nature of relationship	Nature of transaction	Transaction value			
				For the FYE 31 December (Actual)			For 18-month period ending 30 June 2014
				2010	2011	2012	(Estimated)
				RM	RM	RM	RM
5.	UJD and Hakuryu 5, Inc	**Interested major shareholder** • JDC[6] **Interested directors** • Minoru Murata[7] • Akio Kawase[7] • Toru Inoue[7]	Payment of charter fee for HAKURYU-5 semi-submersible drilling rig by UJD to Hakuryu 5, Inc	-	USD5,714,354 (RM18,854,511)[8]	USD49,227,000 (RM162,424,487)[8]	USD5,000,000 (RM16,497,500)[8]
6.	UJD, JDC Panama and UDC	**Interested major shareholder** • JDC[9] **Interested directors** • Minoru Murata[7] • Akio Kawase[7] • Toru Inoue[7]	Payment of charter fee for NAGA 1 by UJD to JDC Panama and UDC	USD8,218,325 (RM27,116,363)[8]	USD15,997,950 (RM52,785,236)[8]	USD1,556,250 (RM5,134,847)[8]	USD22,000,000 (RM72,589,000)[8]
7.	UJD and JDC and its subsidiaries	**Interested major shareholder** • JDC **Interested directors** • Minoru Murata[7] • Akio Kawase[7] • Toru Inoue[7]	Provision of services by JDC and its subsidiaries to UJD	USD5,106,510 (RM16,848,930)[8]	USD7,039,270 (RM23,226,071)[8]	USD9,742,410 (RM32,145,082)[8]	USD10,500,000 (RM34,644,750)[8]

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

No.	Transacting parties	Nature of relationship	Nature of transaction	Transaction value			
				For the FYE 31 December (Actual)			For 18-month period ending 30 June 2014
				2010	2011	2012	(Estimated)
				RM	RM	RM	RM
8.	UMW-OG Group and UMWH Group	**Interested major shareholders** • ASB[1] • UMWH • EPF[2] **Interested directors** • Tan Sri Asmat bin Kamaludin[3] • Datuk Syed Hisham bin Syed Wazir[4] • Dr. Leong Chik Weng[5]	Purchase of various equipment which includes linepipes by UMW-OG Group from UMWH Group	USD25,590,577 (RM84,436,109)[8]	-	-	USD2,500,000 (RM8,248,750)[6]

Notes:

(1) ASB is a major shareholder of UMWH, having equity interest of 42.11% as at the LPD.

(2) EPF is a major shareholder of UMWH, having equity interest of 15.41% as at the LPD.

(3) Tan Sri Asmat bin Kamaludinis deemed interested by virtue of his directorships in UMW-OG and UMWH. He is also a director of UMWC.He holds less than 0.1% equity interest in UMWH.

(4) Datuk Syed Hisham bin Syed Wazir is deemed interested by virtue of his directorships in UMW-OG and UMWH. He is also a director of UMWC.He does not hold any equity interest in UMWH.

(5) Dr. Leong Chik Wengis deemed interested by virtue of his directorships in UMW-OG and UMWH. He is also a director of UMW Petropipe.He does not hold any equity interest in UMWH.

(6) Hakuryu 5, Inc is a wholly-owned subsidiary of JDC, which in turn holds 15% equity interest in UJD. JDC is a common shareholder of both Hakuryu 5, Inc and UJD.

(7) Minoru Murata and Akio Kawase are directors of UJD and directors/shareholders of JDC and Toru Inoue is a director of UJD and a shareholder of JDC.

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST *(Cont'd)*

(8) *Based on the rate of USD1 = RM3.2995, being the middle rate published by Bank Negara Malaysia as at 30 August 2013.*

(9) *JDC Panama is a wholly-owned subsidiary of JDC, which in turn holds 15% equity interest in UJD. JDC is a common shareholder of both JDC Panama and UJD.*

Our Directors are of the view that all the above recurrent related party transactionswere carried outon an arm's length basis and on terms which are not more favourable to the related parties than those generally available to third parties, and are not to the detriment of our minority shareholders.

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11.1.3 Transactions entered into that are unusual in their nature or conditions

There are no unusual transactions in their nature or conditions, involving goods, services, tangible or intangible assets to which we were a party in respect of the past three FYE 31 December 2010, 2011 and 2012 and the FPE 30 June 2013.

11.1.4 Outstanding loans and guarantees

Save as disclosed in Section 11.1.1 of this Prospectus, there are no outstanding loans (including guarantees of any kind) made by our Group to or for the benefit of our related parties in respect of the past three FYE 31 December 2010, 2011 and 2012 and the FPE 30 June 2013.

11.2 CONFLICTS OF INTEREST

11.2.1 Audit Committee review

The Audit Committee reviews any related party transaction and conflicts of interest that may arise within our Group. The Audit Committee periodically reviews the procedures set by our Company to monitor related party transactions to ensure that these transactions are carried out on normal commercial terms not more favourable to the related party than those generally available to the third parties dealing at arm's length and are not to the detriment of our Company's minority shareholders. All reviews by the Audit Committee are reported to our Board for its further action.

11.2.2 Monitoring and oversight of related party transactions and conflicts of interest

Related party transactions, by their very nature, involve a conflict of interest between our Group and the related parties with whom our Group has entered into such transactions. Some of the officers of our Group and the Directors are also officers, directors and in some cases, shareholders of the related parties of our Group, as disclosed herein and, with respect to these related party transactions, may individually and in aggregate have conflicts of interest. It is the policy of the companies within our Group not to enter into transactions with related parties unless these transactions are carried out on normal commercial terms not more favourable to the related party than those generally available to third parties dealing at arm's length with our Group and are not to the detriment of our Company's minority shareholders.

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11.3 DECLARATION BY ADVISERS ON CONFLICTS OF INTEREST

11.3.1 Declaration by Maybank IB

Maybank IB and its related and associated companies ("**Maybank Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and fund management and credit transaction services businesses. The Maybank Group has engaged and may in the future, engage in transactions with and perform services for our Company and/or our affiliates, in addition to the roles set out in this Prospectus. In addition, in the ordinary course of business, any member of the Maybank Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with any member of our Group, our shareholders, our and/or their affiliates and/or any other entity or person, hold long or short positions in securities issued by our Company and/or our affiliates, and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities or senior loans of any member of our Group and/or our affiliates. This is a result of the businesses of the Maybank Group generally acting independently of each other, and accordingly, there may be situations where parts of the Maybank Group and/or its customers now, have or in the future, may have interest or take actions that may conflict with the interest of our Group. Nonetheless, the Maybank Group is required to comply with applicable laws and regulations issued by the relevant authorities governing its advisory business, which require, amongst others, segregation between dealing and advisory activities and Chinese wall between different business divisions.

As at the LPD, our Group has credit facilities with the Maybank Group. The said credit facilities have been extended by the Maybank Group in its ordinary course of business.

Notwithstanding this, Maybank IB has confirmed that the aforesaid lending relationship would not give rise to a conflict of interest situation in its capacity as theTransaction Manager, the Joint Principal Adviser, the Joint Global Coordinator and the Joint Bookrunner for the IPO as well as the Joint Managing Underwriter and Joint Underwriter for the Retail Offering as:

(i) the extension of credit facilities arose in the ordinary course of business of the Maybank Group;

(ii) the conduct of the Maybank Group in its banking business is strictly regulated by the Financial Services Act 2013 and the Maybank Group's own internal controls and checks; and

(iii) the total outstanding amount owed by our Group is not material when compared to the audited net assets of the Maybank Group as at 31 December 2012 of RM44.0 billion.

Maybank IB has also confirmed that as at the LPD, there is no circumstance that exists or is likely to exist to give rise to a possible conflict of interest situation in its capacity as the Transaction Manager, the Joint Principal Adviser, the Joint Global Coordinator and the Joint Bookrunner for the IPO as well as the Joint Managing Underwriter and Joint Underwriter for the Retail Offering.

11.3.2 Declaration by CIMB

CIMB, its related and associated companies ("**CIMB Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and funds management and credit transaction service businesses. The CIMB Group has engaged and may in the future, engage in transactions with and perform services for our Company and/or our affiliates, in addition to the roles set out in this Prospectus. In addition, in the ordinary course of business, any member of the CIMB Group may at any time offer or provide its services to or engage in any transactions (on its own account or otherwise) with our Company and/or our affiliates and/or any other person(s), hold long or short positions in securities issued by our Company and/or our affiliates, make investment recommendations and/or publish or express independent research views on such securities, and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities or senior loans of our Company and/or our affiliates. This is a result of the businesses of CIMB Group generally acting independently of each other and accordingly, there may be situations where parts of the CIMB Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interests of our Group.

As at the LPD, CIMB Group has in the ordinary course of its banking business, extended credit facilities to our Group.

CIMB has confirmed that the abovementioned extension of credit facilities does not result in conflict of interest situation in respect of its capacities as set out in this Prospectus as:

(i) the total credit facilities are not material when compared to the audited net assets of the CIMB Group as at 31 December 2012;

(ii) the extension of credit facilities arose in the ordinary course of business of the CIMB Group in view of the CIMB Group's extensive participation in the Malaysian capital market and banking industry; and

(iii) the conduct of CIMB Group in its banking business is strictly regulated by the Financial Services Act 2013 and CIMB Group's own internal controls and checks.

11.3.3 Declaration by Credit Suisse

Credit Suisse together with its ultimate parent company, Credit Suisse AG, its affiliates, branches and subsidiaries (together, "**Credit Suisse Group**"), comprise a full service financial services provider engaged in securities trading, brokerage activities as well as investment banking and financial advisory services. In the ordinary course of its trading and brokerage activities, members of the Credit Suisse Group may hold positions, for their own account or the accounts of customers, in equity, debt or other securities of members of our Company, the Selling Shareholder and their respective affiliates.

Credit Suisse Group may engage in transactions with, and perform services for, our Company, the Selling Shareholder and their respective affiliates in the ordinary course of business and have engaged, and may in the future engage, in commercial banking and investment banking transactions, including providing loans or entering into other financing arrangements, with our Company, the Selling Shareholder and their respective affiliates, for which we have received, or may in the future receive, customary compensation.

Having regard to the foregoing, Credit Suisse Group confirms that, it does not have a conflict of interest which prevents it from acting in its capacity as the Joint Global Coordinator and the Joint Bookrunner in relation to the IPO and the Listing. Credit Suisse Group will not receive any proceeds from the IPO, except with respect to the fees and expenses incurred by Credit Suisse in connection with acting as the Joint Global Coordinator and the Joint Bookrunner in relation to the IPO and the Listing.

11.3.4 Declaration by Goldman Sachs

Goldman Sachs and members of the Goldman Sachs Group, Inc., ("**Goldman Sachs Group**") form a full service securities firm engaged, either directly or through its affiliates in various activities, including securities trading, investment banking and financial advisory, investment management, principal investment, hedging, financing and brokerage activities and financial planning and benefits counseling for both companies and individuals. In the ordinary course of these activities, members of the Goldman Sachs Group may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. In addition, members of the Goldman Sachs Group have provided, and may in future provide investment banking services including providing of loans or entering into other financing arrangements, to our Group and/or our shareholders, for which members of the Goldman Sachs Group have received or may receive compensation.

Goldman Sachs reviews potential investment banking assignments through a centralized process to determine, among other things, whether they present an actual or potential conflict of interest in light of its other business activities. Goldman Sachs has considered its role as a Joint Global Coordinator of the Institutional Placement outside Malaysia pursuant to this process.

Based on this review Goldman Sachs has confirmed that it has determined that it does not have a conflict of interest that prevents it from acting as the Joint Global Coordinator and the Joint Bookrunner in respect of the Institutional Offering outside of Malaysia.

11.3.5 Declaration by Standard Chartered

Standard Chartered, its subsidiaries and associated companies, as well as its holding company, Standard Chartered PLC and the subsidiaries and associated companies of its holding company ("**Standard Chartered Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and funds management and credit transaction service businesses. The Standard Chartered Group has engaged and may in the future, engage in transactions with and perform services for any member of our Group and any of its respective affiliates, in addition to the roles set out in this Prospectus. In addition, in the ordinary course of business, any member of the Standard Chartered Group may at any time offer or provide its services to or engage in any transactions (on its own account or otherwise) with any member of our Group, its affiliates and/ or any other persons, hold long or short positions in securities issued by our Company and/or its affiliates, make investment recommendations and/ or publish or express independent research views on such securities, and may trade or otherwise effect transactions for its own account or for the account of its customers in debt or equity securities or senior loans of any member of our Group or its affiliates. This is a result of the businesses of Standard Chartered Group generally acting independent of each other, and accordingly there may be situations where parts of the Standard Chartered Group and/or its customers currently have or in future, may have interest or take actions that may conflict with the interests of our Group.

Standard Chartered confirms that, notwithstanding the above, it does not have a conflict of interest which prevents it from acting in its capacity as the Joint Bookrunner in relation to Institutional Offering outside of Malaysia.

11.3.6 Declaration by Albar & Partners

Albar & Partners confirms that there is no conflict of interest in its capacity as the Legal Adviser to our Company as to Malaysian law, in relation to the IPO.

11.3.7 Declaration by Cleary Gottlieb Steen & Hamilton LLP

Cleary Gottlieb Steen & Hamilton LLP confirms that there is no conflict of interest in its capacity as the Legal Adviser to our Company as to United States and English law, in relation to the IPO.

11.3.8 Declaration by ZulRafique & Partners

ZulRafique & Partners confirms that there is no conflict of interest in its capacity as the Legal Adviser to the Joint Global Coordinators, the Joint Bookrunners, the Joint Managing Underwriters and the Joint Underwriters as to Malaysian law.

11.3.9 Declaration by Clifford Chance Pte Ltd

Clifford Chance Pte. Ltd. confirms that there is no conflict of interest in its capacity as the Legal Adviser to the Joint Global Coordinators and the Joint Bookrunners as to United States and English law.

11.3.10 Declaration by Azmi & Associates

Azmi & Associates confirms that there is no conflict of interest in its capacity as the Legal Adviser to the Selling Shareholder as to Malaysian law, in relation to the IPO.

11.3.11 Declaration by Ernst & Young

Ernst & Young confirms that there is no conflict of interest in its capacity as the Auditors and Reporting Accountants in relation to the IPO.

11.3.12 Declaration by Douglas-Westwood

Douglas-Westwood confirms that there is no conflict of interest in its capacity as the Independent Market Researcher in relation to the IPO.

11.3.13 Declaration by AFFIN Investment Bank Berhad

AFFIN Investment Bank Berhad confirms that there is no conflict of interest in its capacity as the Joint Underwriter for the Retail Offering.

11.3.14 Declaration by AmInvestment Bank Berhad

AmInvestment Bank Berhad ("**AmInvestment Bank**") confirms that there is no conflict of interest in its capacity as the Joint Underwriter for the Retail Offering.

As at 18 September 2013, AmBank (M) Berhad, a wholly-owned subsidiary of AMMB Holdings Berhad, had provided UMW-OG credit facilities with a combined limit of up to approximately RM85.00 million ("**AmBank Credit Facilities**").

Save as disclosed above, AmInvestment Bank does not, as at the aforementioned date, have any equity or other financial interest in UMW-OG.

AmInvestment Bank confirms that there is no existing/potential conflict of interest in respect of its capacity as Joint Underwriter up to its Listing on the basis that:

(i) AmInvestment Bank is a licensed investment bank and its appointment as Joint Underwriter for the Listing is in the ordinary course of its business;

(ii) AmBank (M) Berhad is a licenced commercial bank and the granting of the AmBank Credit Facilities are in the ordinary course of its business;

(iii) the conduct of AmInvestment Bank and AmBank (M) Berhad is regulated by the Financial Services Act 2013 and by their respective own internal controls and checks; and

(iv) the credit facilities granted by AmBank(M) Berhad are relatively small compared to the entire loan portfolio of AmBank (M) Berhad.

Cheah Tek Kuang, an Independent Non-Executive Director of UMW-OG, is also a Director of AmInvestment Bank Berhad, AmBank (M) Berhad and AmIslamic Bank Berhad and several other companies within AMMB Holdings Berhad group of companies ("**AMMB Group**"). In view of Cheah Tek Kuang's common directorships in UMW-OG and several directorships within AMMB Group, Cheah Tek Kuang has abstained from voting, where relevant, on the board/committee meetings of AMMB Group in relation to the appointment of AmInvestment Bank as a Joint Underwriter for the Listing.

Save for the above, AmInvestment Bank confirms that there is no conflict of interest in its capacity as the Joint Underwriter for the IPO, in relation to the Listing.

11.3.15 Declaration by MIDF Amanah Investment Bank Berhad

MIDF Amanah Investment Bank Berhad confirms that there is no conflict of interest in its capacity as the Joint Underwriter for the Retail Offering.

11.3.16 Declaration by RHB Investment Bank Berhad

RHB Investment Bank Berhad confirms that there is no conflict of interest in its capacity as the Joint Underwriter for the Retail Offering.

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12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

12.1.1 Selected historical combined financial information

The following table presents our selected audited combined financial information for the FYE 31 December 2010, 2011 and 2012 and the FPE 30 June 2013 and our unaudited combined financial information for the FPE 30 June 2012. Our audited combined financial statements have been prepared in accordance with FRS for the FYE 31 December 2010, and MFRS and IFRS for the FYE 31 December 2011, FYE 31 December 2012 and the FPE 30 June 2013. The transition from FRS to MFRS does not have financial impact on the combined financial statements. For further information on the first time adoption of MFRS, see the Accountants' Report set out in Section 13 of this Prospectus.

The following selected historical audited combined financial information should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition, Results of Operations and Prospects" set out in Section 12.2 of this Prospectus and the Accountants' Report and related notes set out in Section 13 of this Prospectus.

The selected historical audited combined financial information included in this Prospectus does not purport to predict our Group's financial position, results and cash flows.

	FYE 31 December		
	Audited		
	2010	2011	2012
	RM'000	RM'000	RM'000
Statement of comprehensive income data:			
Revenue	348,811	550,271	724,336
Other operating income	6,885	1,433	4,731
Changes in inventories	18	(19)	62
Finished goods purchased	(81,385)	(2,127)	(3,958)
Raw materials and consumables used	(25,761)	(37,707)	(51,798)
Employee benefits	(56,789)	(71,395)	(97,705)
Depreciation, impairment and amortisation	(51,182)	(50,394)	(63,584)
Other operating expenses	(159,944)	(257,987)	(390,552)
(Loss)/Profit from operations	(19,347)	132,075	121,532
Finance costs	(23,912)	(31,455)	(40,152)
Investment income	1,803	1,140	1,728
Share of results of associate	169	369	458
(Loss)/Profit before taxation	(41,287)	102,129	83,566
Income tax expense	(6,363)	(22,969)	(11,708)
(Loss)/Profit for the year	**(47,650)**	**79,160**	**71,858**
Other comprehensive (loss)/income			
Foreign currency translation, representing other comprehensive (loss)/income for the year, net of tax	(10,891)	6,663	(2,415)
Total comprehensive (loss)/income for the year	**(58,541)**	**85,823**	**69,443**
(Loss)/Profit for the year attributable to:			
Equity holders of our Company	(48,501)	78,314	72,048
Non-controlling interests	851	846	(190)
	(47,650)	**79,160**	**71,858**

12. FINANCIAL INFORMATION *(Cont'd)*

	FYE 31 December		
	Audited		
	2010	2011	2012
	RM'000	RM'000	RM'000
Total comprehensive (loss)/income attributable to:			
Equity holders of our Company	(59,099)	84,946	69,741
Non-controlling interests	558	877	(298)
	(58,541)	**85,823**	**69,443**

	FYE 31 December		
	2010	2011	2012
	RM'000	RM'000	RM'000
Other selected financial data:			
Total equity	51,384	136,200	216,851
Total assets	1,445,051	1,628,737	1,950,097
Depreciation, impairment and amortisation	(51,182)	(50,394)	(63,584)
EBITDA[1]	31,835	182,469	185,116
Number of Shares assumed in issue ('000)[2]	1,550,200	1,550,200	1,550,200
Key financial ratios:			
(LPS)/EPS[3] (sen)	(3.13)	5.05	4.65
(LBT)/PBT margin (%)	(11.8)	18.6	11.5
(LAT)/PAT margin (%)	(13.7)	14.4	9.9
EBITDA margin (%)	9.1	33.2	25.6

	FPE 30 June	
	Unaudited	Audited
	2012	2013
	RM'000	RM'000
Statement of comprehensive income data:		
Revenue	383,353	325,280
Other operating income	3,838	37,079
Changes in inventories	1	18
Finished goods purchased	(2,005)	(990)
Raw materials and consumables used	(29,626)	(35,412)
Employee benefits	(48,518)	(57,041)
Depreciation, impairment and amortisation	(33,547)	(37,924)
Other operating expenses	(198,986)	(118,271)
Profit from operations	74,510	112,739
Finance costs	(18,419)	(17,145)
Investment income	852	491
Share of results of associate	160	318
Profit before taxation	57,103	96,403
Income tax expense	(9,131)	(7,551)
Profit for the period	**47,972**	**88,852**

12. FINANCIAL INFORMATION *(Cont'd)*

	FPE 30 June	
	Unaudited	Audited
	2012	2013
	RM'000	RM'000
Other comprehensive income		
Foreign currency translation, representing other comprehensive/income for the period, net of tax	1,359	6,689
Total comprehensive income for the period	**49,331**	**95,541**
Profit for the period attributable to:		
Equity holders of our Company	46,379	87,956
Non-controlling interests	1,593	896
	47,972	**88,852**
Total comprehensive income attributable to:		
Equity holders of our Company	47,700	94,515
Non-controlling interests	1,631	1,026
	49,331	**95,541**

	FPE 30 June	
	2012	2013
	RM'000	RM'000
Other selected financial data:		
Total equity	N/A	312,528
Total assets	N/A	2,714,951
Depreciation, impairment and amortisation	(33,547)	(37,924)
EBITDA[(1)]	108,057	150,663
Number of Shares assumed in issue ('000)[(2)]	1,550,200	1,550,200
Key financial ratios:		
EPS[(3)] (sen)	2.99	5.67
PBT margin (%)	14.9	29.6
PAT margin (%)	12.5	27.3
EBITDA margin (%)	28.2	46.3

Notes:

(1) EBITDA represents earnings before taxation, depreciation, impairment and amortisation, finance costs, investment income and share of results of associate. The table below sets forth a reconciliation of our (loss)/profit for the financial year/period to EBITDA.

	FYE 31 December		
	2010	2011	2012
	RM'000	RM'000	RM'000
(LAT)/PAT	(47,650)	79,160	71,858
Income tax expense	6,363	22,969	11,708
(LBT)/PBT	(41,287)	102,129	83,566
Depreciation, impairment and amortisation	51,182	50,394	63,584
Finance costs	23,912	31,455	40,152
Investment income	(1,803)	(1,140)	(1,728)
Share of results of associate	(169)	(369)	(458)
EBITDA	**31,835**	**182,469**	**185,116**

	FPE 30 June	
	2012	2013
	RM'000	RM'000
PAT	47,972	88,852
Income tax expense	9,131	7,551
PBT	57,103	96,403
Depreciation, impairment and amortisation	33,547	37,924
Finance costs	18,419	17,145
Investment income	(852)	(491)
Share of results of associate	(160)	(318)
EBITDA	**108,057**	**150,663**

"EBITDA", as well as the related ratios presented in this Prospectus, are supplemental measures of our performance and liquidity that are not required by or presented in accordance with MFRS, IFRS and FRS. Furthermore, EBITDA is not a measure of our financial performance or liquidity under MFRS, IFRS and FRS and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with MFRS or IFRS or FRS or as an alternative to cash flows from operating activities or as a measure of liquidity. In addition, EBITDA is not a standardised term, and hence, a direct comparison of EBITDA between companies may not be possible. Other companies may calculate EBITDA differently from us, limiting its usefulness as a comparative measure.

(2) Based on the issued and paid-up share capital after the Internal Reorganisation and before the IPO.

(3) Computed as (loss)/profit for the year/period attributable to equity holders of our Company divided by the number of Shares in issue after the Internal Reorganisation and before the IPO.

See Accountants' Report in Section 13 of this Prospectus for the notes to the audited combined financial statements of our Group for the FYE 31 December 2010, 2011 and 2012 and the FPE 30 June 2013 and unaudited combined financial statements of our Group for the FPE 30 June 2012.

12.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS

The following discussion and analysis should be read in conjunction with the Accountants' Report included in Section 13 of this Prospectus. Our combined financial statements have been prepared in accordance with FRS for the FYE 31 December 2010, and MFRS and IFRS for the FYE 31 December 2011 and 2012 and the FPE 30 June 2012 and 2013.

12.2.1 Overview

We are a Malaysia-based multinational provider of drilling and oilfield services for the upstream sector of the oil and gas industry. In our drilling services segment, we operate in both Malaysia and in other parts of South East Asia, providing drilling services for exploration, development and production wells with our fleet of offshore drilling rigs and providing workover services through our HWUs. In our drilling services segment, we also act as an agent in Malaysia for international companies providing specialised drilling equipment and services. In our oilfield services business, we offer threading, inspection and repair services for OCTG in Malaysia and overseas, with a focus on premium connections used in high-end and complex wells.

Our revenue was RM724.3 million for the FYE 31 December 2012 and RM325.3 million for the FPE 30 June 2013. We recorded a PAT of RM71.9 million for the FYE 31 December 2012 and RM88.9 million for the FPE 30 June 2013. As at 30 June 2013, our total assets were RM2,715.0 million.

12.2.2 Major factors affecting our Group's financial condition and results of operations

Our operating results have been, or are expected to be, affected by a number of factors, including those set out below:

12.2.2.1 Level of activity of oil and gas companies and trends in oil and natural gas prices

As our customers operate mainly in the oil and gas industry, demand for the services from our drilling services segment and oilfield services segment is closely linked to the levels of offshore exploration, development and production activity of, and the corresponding capital spending by, oil and gas companies, which in turn are primarily affected by trends in and outlook for oil and natural gas prices.

Our drilling services segment and oilfield services segment have historically benefitted from periods of increased capital spending by oil and gas companies, when rising oil and natural gas prices make more oil and gas fields commercially viable. Conversely, prolonged reduction in oil and natural gas prices may depress the levels of exploration, development and production activity of, or result in the reduction or deferral of capital spending by, oil and gas companies. This may in turn have a negative impact on the financial results of our business segments.

12.2.2.2 Securing of new contracts

The financial results of our drilling services segment and oilfield services segment depend on our ability to secure contracts on a timely basis. We secure contracts primarily through competitive tenders, while some of our projects are secured through negotiations with our customers. For example, we took delivery of NAGA 2 in September 2009, but it did not begin generating revenue until it commenced operations in September 2010 under a contract with HESS (Indonesia-Pangkah). Therefore, for the year 2010, we recognised revenue from the operation of NAGA 2 for only four months, but we incurred expenses for the rig, including depreciation, insurance premium, and finance costs for the full year of 2010, which in aggregate were well in excess of the revenues that we derived from NAGA 2. Similarly, operating expenses incurred after the delivery of NAGA 3 in September 2010 were recorded as expenses in our combined statements of comprehensive income although NAGA 3 was yet to be income-generating. NAGA 3 commenced operations in March 2011 under a contract with PETRONAS Carigali. These were the primary reasons that our drilling services segment recorded an LBT of RM37.8 million in 2010, and our loss for the year was RM47.7 million. We took delivery of NAGA 4 in February 2013, which commenced operations under a contract with PETRONAS Carigali in April 2013. As most of our contracts are short to medium term in duration, our financial results rely on our ability to secure new contracts on a regular basis.

12.2.2.3 Size of fleet of offshore drilling rigs

Our drilling services segment derives most of its revenue from its offshore drilling rigs. The acquisition of one or more offshore drilling rigs could improve the financial results of our drilling services segment by increasing its revenue, while the unavailability of one or more of our offshore drilling rigs, whether due to repair or maintenance or other reasons, could adversely impact the financial results of this segment. The acquisition of one or more offshore drilling rigs, while it may potentially increase our revenue, may require us to make significant cash commitments and incur substantial debt to finance the related acquisitions, with additional debt service requirements imposing a burden on our cash flows, results of operations and financial condition.

For the FYE 31 December 2010, 2011 and 2012, total revenue from our drilling services segment was RM236.5 million, RM512.5 million and RM678.1 million, respectively. The addition of new offshore drilling rigs, and the contractual arrangement for the HAKURYU-5 semi-submersible drilling rig have been the significant factors causing our drilling services sector revenue to increase over these periods. For the FPE 30 June 2012 and 2013, total revenue from our drilling services segment was RM360.2 million and RM303.0 million, respectively.

The substantial increase in our revenue in 2011 compared to 2010 was primarily due to additional drilling rigs coming into service. In 2011, NAGA 2 operated throughout the year, while in 2010 it only contributed revenue since September 2010, as that was when its contract with HESS (Indonesia-Pangkah) commenced. NAGA 3 contributed revenue from March 2011, when it commenced operations under its first contract.

The increase in drilling services segment revenue in FYE 31 December 2012 in comparison with the prior year was primarily due to the recognition of a full year of revenue from the HAKURYU-5 semi-submersible rig in 2012, as compared to 2 months in 2011, as well as a full year of operations for NAGA 3, compared to less than 10 months of operations in 2011.

The decrease in drilling services segment revenue in the FPE 30 June 2013 in comparison with the FPE 30 June 2012 was primarily due to the recognition of only one month revenue contribution from the deployment of the HAKURYU-5 semi-submersible drilling rig, compared to the recognition of six months revenue contribution in the comparable period in 2012, as this service was discontinued following the novation of our contract with PETRONAS Carigali to Petronnic, effective 1 February 2013. The decrease was also attributable in part to the completion of the contract for UP GAIT III with PETRONAS Carigali in October 2012, as no revenue was recognised from this unit in the FPE 30 June 2013.

For the FYE 31 December 2010, 2011 and 2012, our finance costs were RM24.0 million, RM31.5 million and RM40.1 million, respectively. Additional borrowings to finance our additional new offshore drilling rigs were the principal factors causing our finance costs to increase over these periods. For the FPE 30 June 2012 and 2013, our finance costs were RM18.4 million and RM17.1 million, respectively.

The increase in our finance costs in the FYE 31 December 2011 as compared with the prior year was mainly a result of our expensing interest charges for NAGA 3 in 2011, as we took delivery and began operating the rig, while we capitalised these interest charges in 2010. Our finance costs continued to increase in 2012, mainly reflecting increased interest expenses primarily due to higher levels of debt following drawdowns of loans to finance the construction of NAGA 3.

As we derive the majority of our total revenue from our drilling services segment, the size of our fleet of offshore drilling rigs in operation and the related finance and acquisition costs of additional rigs will impact our Group's financial results.

12.2.2.4 Day rates for our rigs and rig utilisation rates

Our results of operations are directly affected by day rates that we charge for our offshore drilling rigs and HWUs. Our operating day rates are a function of supply and demand, terms of contracts and our overall track record. The market day rates for our semi-submersible drilling rig are typically higher than those for our premium jack-up drilling rigs, and the market day rates for our semi-submersible and premium jack-up drilling rigs are typically higher than those for our HWUs. Within a given rig type, day rates often vary depending on a rig's age, specifications and performance capability.

In addition, our results of operations are also directly affected by the utilisation of our offshore drilling rigs and HWUs. Typically, the utilisation rates for our rigs are affected by the level of exploration and development activity of oil and gas companies and by periodic surveys or inspections and major maintenance.

For further information on the aggregate revenue from contracts for drilling and workover services, operating days and revenue per operating day for offshore drilling rigs and HWUs for the FYE 31 December 2010, 2011 and 2012 and the FPE 30 June 2012 and 2013, see Section 12.2.4.12 of this Prospectus.

12.2.2.5 Repair and maintenance of rigs

Our repair and maintenance program is an important part of our business operations. We plan repairs based on (i) the age and working condition of our offshore drilling rigs and HWUs; (ii) market conditions; and (iii) customer demands. We undertake reviews of our repair schedules and make adjustments based on prevailing market conditions and customer demands. We also perform routine maintenance on our offshore drilling rigs and HWUs. To ensure that our maintenance program is effective, we employ detailed maintenance schedules and checklists and assign responsibility to specific individuals.

The timing and costs of our routine repair and maintenance program depend on the above factors, and our annual repair and maintenance expenses are generally stable from year to year. However, major overhauls or upgrades of a rig, such as the deepdish conversion for NAGA 1 that was performed in 2012, can result in a rig working substantially fewer days in a year and can affect our annual results of operations. We charge expenses on routine repair and maintenance to the profit and loss account in the period in which they are incurred, and we capitalise expenditures on major overhauls or upgrades if it can be demonstrated that these expenditures have resulted in an increase in the future economic benefits of our offshore drilling rigs or HWUs, as applicable.

12.2.2.6 Foreign exchange fluctuations

We have operations in several countries and many of our contracts are denominated in currencies other than RM, primarily the USD, and, accordingly, we are exposed to volatility in the exchange rates of the various currencies in which we transact. As at 31 December 2010, 2011 and 2012, approximately 9%, 7% and 11%, respectively, of our trade receivables and approximately 22%, 29% and 12%, respectively, of our trade payables were denominated in currencies other than the functional currency of the relevant company in our Group. As at 30 June 2013, approximately 24% of our trade receivables and approximately 34% of our trade payables were denominated in currencies other than the functional currency of the relevant company in our Group. A substantial portion of these amounts denominated in currencies other than the relevant functional currency as at 30 June 2013 were related to our agency sales; these amounts are naturally hedged.

Many of the companies in our Group use USD as their functional currency, but as we report our financial results in RM, our financial results are impacted by foreign currency translation fluctuations, in particular fluctuations in the USD against the RM. Since 1 January 2010 up to the LPD, the value of the RM against the USD has fluctuated from a low of RM3.4415* per USD on 5 February 2010 to a high of RM2.9385* per USD on 27 July 2011. We rely primarily on natural hedges in which our USD expenditures are to a large extent met with our USD revenues. Where necessary, we also make limited use of suitable financial instruments, including foreign currency forward contracts, to hedge our exposure to currency fluctuations on committed purchases.

Note:

* *Based on Bank Negara Malaysia exchange rates between the period from 4 January 2010 to 30 August 2013.*

12.2.3 Critical accounting policies

For the FYE 31 December 2010, we have prepared our combined financial statements in accordance with FRS. For the FYE 31 December 2011 and 2012 and the FPE 30 June 2012 and 2013, we have prepared our combined financial statements in accordance with MFRS and IFRS. We have applied MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards in preparing our combined financial statements for the FYE 31 December 2012.

In preparing our combined financial statements, we are required to make estimates, assumptions and judgments regarding uncertainties that affect certain reported amounts of revenue and expenses during the reporting period, as well as certain reported amounts of our assets and liabilities and the disclosure of our contingent assets and liabilities at the date of the combined financial statements. We made these estimates based on assumptions and judgments made in light of our historical experience and on various other reasonable factors, which we review and evaluate on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Our actual results may differ from these estimates, assumptions and judgments under different conditions. We believe our most critical accounting policies that result in the application of estimates, assumptions or judgments are the following:

12.2.3.1 Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment (including major spare parts and standby-equipment) is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, we recognise such parts as individual assets with specific useful lives and depreciation, respectively.

Periodic survey and drydocking costs are incurred in connection with obtaining regulatory certification to operate the rigs on an ongoing basis. Costs associated with the certification are deferred and amortised on a straight-line basis over the period between surveys. All other repair and maintenance costs are recognised in profit or loss as incurred.

Assets-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis over the estimated useful lives of the assets as follows:

Rigs and HWUs (semi-submersible, jack-up and workover rigs)	10 - 30 years
Drilling related equipment	2 - 30 years
Buildings	Over period of 50 years or period of the land lease, whichever is the shorter period
Plant and machinery	10% – 20%
Office equipment, furniture and fittings	8% - 33%
Motor vehicles	20%
Renovation and improvements	10% - 16%

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

12.2.3.2 Impairment of Non-Financial Assets

The carrying amounts of assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash generating unit to which the asset belongs.

An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a cash generating unit or groups of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to such unit or groups of units and then, to reduce the carrying amount of the other assets in such unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises except for assets that are previously revalued where the revaluation was taken to other comprehensive income, up to the amount of any previous revaluation.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

12.2.3.3 Impairment of Financial Assets - Trade and other receivables and other financial assets carried at amortised cost

We assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

To determine whether there is objective evidence that an impairment loss on financial assets has occurred, we consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include our past experience of collecting payments, an increase in the number of delayed payments in the portfolio that passed the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectable, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

12.2.4 Results of operations

12.2.4.1 Overview

The following discussion of our results of operations with respect to the FYE 31 December 2010, 2011 and 2012 and the FPE 30 June 2012 and 2013 is based on, and should be read in conjunction with the Accountants' Report included in Section 13 of this Prospectus.

Components of our results of operations are described below.

The tables below present our combined statements of income for the years/periods indicated.

	FYE 31 December		
	Audited		
	2010	2011	2012
	(RM in millions)		
Revenue	348.8	550.3	724.3
Other operating income	6.9	1.4	4.7
Changes in inventories	*	*	*
Finished goods purchased	(81.4)	(2.1)	(3.9)
Raw materials and consumables used	(25.8)	(37.7)	(51.8)
Employee benefits	(56.8)	(71.4)	(97.7)
Depreciation, impairment and amortisation	(51.2)	(50.4)	(63.6)
Other operating expenses	(159.8)	(258.0)	(390.5)
(Loss)/Profit from operations	**(19.3)**	**132.1**	**121.5**
Finance costs	(24.0)	(31.5)	(40.1)
Investment income	1.8	1.1	1.7
Share of results of associate	0.2	0.4	0.5
(LBT)/PBT	**(41.3)**	**102.1**	**83.6**
Income tax expense	(6.4)	(22.9)	(11.7)
(Loss)/Profit for the year	**(47.7)**	**79.2**	**71.9**
(Loss)/Profit attributable to:			
Equity holders of the Company	(48.5)	78.4	72.1
Non-controlling interests	0.8	0.8	(0.2)
(Loss)/Profit for the year	**(47.7)**	**79.2**	**71.9**

Note:

* *Less than RM0.1 million.*

	FPE 30 June	
	Unaudited	Audited
	2012	2013
	(RM in millions)	
Revenue	383.4	325.3
Other operating income	3.8	37.1
Changes in inventories	*	*
Finished goods purchased	(2.0)	(1.0)
Raw materials and consumables used	(29.6)	(35.4)
Employee benefits	(48.5)	(57.1)
Depreciation, impairment and amortisation	(33.6)	(37.9)
Other operating expenses	(199.0)	(118.3)
Profit from operations	**74.5**	**112.7**
Finance costs	(18.4)	(17.1)
Investment income	0.8	0.5
Share of results of associate	0.2	0.3
PBT	**57.1**	**96.4**
Income tax expense	(9.1)	(7.5)
Profit for the period	**48.0**	**88.9**
Profit attributable to:		
Equity holders of the Company	46.4	88.0
Non-controlling interests	1.6	0.9
Profit for the period	**48.0**	**88.9**

Note:

* *Less than RM0.1 million.*

12.2.4.2 Revenue

We derive our revenue primarily from our two business segments, drilling services and oilfield services.

In our drilling services segment, we receive payments from our customers under short-term and medium term contracts for providing drilling and workover services in Malaysia and in other parts of South East Asia using our offshore drilling rigs and HWUs. We wholly own and operate all of our NAGA 2, NAGA 3 and NAGA 4 jack-up drilling rigs and our HWUs; we own 50% of the NAGA 1 semi-submersible drilling rig and 85% of the entity that operates NAGA 1. From November 2011 to January 2013, our drilling services revenue also includes revenue from our provision of expertise, materials, consumables and personnel in connection with the deployment of the HAKURYU-5 semi-submersible drilling rig, which is owned by a subsidiary of JDC, to PETRONAS Carigali. In our drilling services segment, we also recognise commission revenue from the provision of subsea production equipment and related services that we provide on an agency basis.

In our oilfield services segment we primarily receive payments from our customers for our services and products pursuant to contracts related to OCTG threading, inspection and repair services focused on premium connections.

In addition, we also receive a small amount of revenue in connection with provision of support services, management and corporate services.

For further information on the breakdown of our revenue by segments, see Section 12.2.4.11 of this Prospectus.

For the FYE 31 December 2010, 2011 and 2012, our total revenue was RM348.8 million, RM550.3 million and RM724.3 million, respectively. For the FPE 30 June 2012 and 2013, our total revenue was RM383.4 million and RM325.3 million, respectively.

12.2.4.3 Other operating income

Our other operating income consists primarily of net foreign exchange gains, rental income and gain on disposal of property, plant and equipment.

For the FYE 31 December 2010, 2011 and 2012, our other operating income was RM6.9 million, RM1.4 million and RM4.7 million, respectively. For the FPE 30 June 2012 and 2013, our other operating income was RM3.8 million and RM37.1 million, respectively.

12.2.4.4 Inventories used in operations

We track our inventories used in operations by combining our changes in inventories, finished goods purchased, and raw materials and consumables used because combining these items allows us to better analyse the inputs used in our operations as compared to tracking each of these three categories separately.

Our inventories used in operations consist primarily of equipment, spare parts and accessories, pipes, valves and fittings, lubricants and fuel.

For the FYE 31 December 2010, 2011 and 2012, our total inventories used in operations were RM107.2 million, RM39.8 million and RM55.7 million, respectively. For the FPE 30 June 2012 and 2013, our total inventories used in operations were RM31.6 million and RM36.4 million, respectively.

12.2.4.5 Employee benefits

Our employee benefits consist primarily of costs related to salaries, overtime, bonuses, staff allowances, statutory contributions including EPF and SOCSO, training, benefits-in-kind and staff welfare expenses.

For the FYE 31 December 2010, 2011 and 2012, our employee benefits were RM56.8 million, RM71.4 million and RM97.7 million, respectively. For the FPE 30 June 2012 and 2013, our employee benefits were RM48.5 million and RM57.1 million, respectively.

12.2.4.6 Depreciation, impairment and amortisation

Our depreciation, impairment and amortisation consist primarily of:

(i) depreciation of rigs and equipment, plant and machinery, buildings, computer equipment, furniture, fixtures and fittings, office equipment and motor vehicles;

(ii) impairment charges; and

(iii) amortisation of land use rights.

We recognise 50% of the depreciation of NAGA 1, as we own a 50% interest in that rig.

For the FYE 31 December 2010, 2011 and 2012, our depreciation, impairment and amortisation were RM51.2 million, RM50.4 million and RM63.6 million, respectively. For the FPE 30 June 2012 and 2013, our depreciation, impairment and amortisation were RM33.6 million and RM37.9 million, respectively.

12.2.4.7 Other operating expenses

Our other operating expenses consist primarily of expenses related to bareboat charters, rental of equipment, repair and maintenance of equipment and rigs, third-party manpower supply, catering fees, agency fees, insurance and rental of premises. For bareboat charter expenses, we recognise the full cost of bareboat charters for the HAKURYU-5 semi-submersible drilling rig, but we recognise 50% of the bareboat charter expenses for NAGA 1, as we own a 50% interest in that rig. In 2012, a significant portion of our other operating expenses related to our provision of expertise, materials, consumables and personnel in connection with the deployment of the HAKURYU-5 semi-submersible drilling rig to PETRONAS Carigali.

For the FYE 31 December 2010, 2011 and 2012, our other operating expenses were RM159.8 million, RM258.0 million and RM390.5 million, respectively. For the FPE 30 June 2012 and 2013, our other operating expenses were RM199.0 million and RM118.3 million, respectively.

12.2.4.8 Finance costs

Our finance costs consist primarily of interest expense for bank facilities, advances from our parent company and its related companies and finance leases.

For the FYE 31 December 2010, 2011 and 2012, our finance costs were RM24.0 million, RM31.5 million and RM40.1 million, respectively. For the FPE 30 June 2012 and 2013, our finance costs were RM18.4 million and RM17.1 million, respectively.

12.2.4.9 Investment income

Our investment income consists of interest income from funds placed with financial institutions and advances to companies related to UMWH.

For the FYE 31 December 2010, 2011 and 2012, our investment income was RM1.8 million, RM1.1 million and RM1.7 million, respectively. For the FPE 30 June 2012 and 2013, our investment income was RM0.8 million and RM0.5 million, respectively.

12.2.4.10 Share of results of associate

Our share of results of associate reflects the results of our associate OTT, a Thai provider of logistics services for the oil and gas industry in which we own a 20% equity interest, using the equity method of accounting. For the FYE 31 December 2010, 2011 and 2012, our share of results of associate was RM0.17 million, RM0.37 million and RM0.46 million, respectively. For the FPE 30 June 2012 and 2013, our share of results of associate was RM0.16 million and RM0.32 million, respectively.

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12.2.4.11 Segmental information

The following tables set forth the breakdown of our revenue by our segments and as a percentage of our total revenue for the periods indicated.

	FYE 31 December					
	2010		2011		2012	
	Revenue[1]	% of revenue	Revenue[1]	% of revenue	Revenue[1]	% of revenue
	(RM in millions, except percentages)					
Drilling services segment	236.5	67.8	512.5	93.1	678.1	93.6
Oilfield services segment	110.5	31.7	35.0	6.4	43.2	6.0
Others	3.1	0.9	4.3	0.8	4.5	0.6
Adjustments and eliminations	(1.3)	(0.4)	(1.5)	(0.3)	(1.5)	(0.2)
Total revenue	**348.8**	**100.0**	**550.3**	**100.0**	**724.3**	**100.0**

	FPE 30 June			
	2012		2013	
	RM[2]	% of revenue	RM[1]	% of revenue
	(RM in millions, except percentages)			
Drilling services segment	360.2	93.9	303.0	93.1
Oilfield services segment	21.7	5.7	21.8	6.7
Others	2.1	0.6	1.2	0.4
Adjustments and eliminations	(0.6)	(0.2)	(0.7)	(0.2)
Total revenue	**383.4**	**100.0**	**325.3**	**100.0**

Notes:

(1) Audited.
(2) Unaudited.

The following tables set forth the breakdown of our (LBT)/PBT by our segments for the periods indicated.

	FYE 31 December		
	Audited		
	2010	2011	2012
	(RM in millions)		
Drilling services segment	(37.8)	111.1	98.5
Oilfield services segment	5.3	6.3	6.4
Others	(8.8)	(15.3)	(21.3)
Adjustments and eliminations	-	-	-
Total (LBT)/PBT	**(41.3)**	**102.1**	**83.6**

	FPE 30 June	
	Unaudited	Audited
	2012	2013
	(RM in millions)	
Drilling services segment	60.6	69.4
Oilfield services segment	4.7	5.0
Others	(8.2)	22.0
Adjustments and eliminations	-	-
Total PBT	**57.1**	**96.4**

The following tables set forth the breakdown of our revenue by geographical segments and as a percentage of our total revenue for the periods indicated.

	FYE 31 December					
	2010		2011		2012	
	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue
	(RM in millions, except percentages)					
Malaysia	211.6	60.7	385.0	70.0	538.6	74.4
Turkmenistan	84.8	24.3	3.1	0.5	3.9	0.5
Indonesia	36.4	10.4	144.7	26.3	161.4	22.3
Singapore	1.1	0.3	2.2	0.4	2.3	0.3
Others	14.9	4.3	15.3	2.8	18.1	2.5
Total	**348.8**	**100.0**	**550.3**	**100.0**	**724.3**	**100.0**

	FPE 30 June			
	2012		2013	
	RM	% of revenue	RM	% of revenue
	(RM in millions, except percentages)			
Malaysia	293.2	76.5	218.6	67.2
Turkmenistan	1.6	0.4	1.6	0.5
Indonesia	78.2	20.4	82.3	25.3
Vietnam	-	-	10.8	3.3
Singapore	1.3	0.3	0.4	0.1
Others	9.1	2.4	11.6	3.6
Total	**383.4**	**100.0**	**325.3**	**100.0**

12.2.4.12 Segmental information - Drilling rigs and HWUs

The table below sets forth the aggregate revenue from contracts for drilling and workover services (including mobilisation and demobilisation fees and catering fees, but excluding customer reimbursables and revenues received for rig modifications), operating days and revenue per operating day for offshore drilling rigs and HWUs for the periods indicated. The revenue information in the table below excludes, among others, revenues from the HAKURYU-5 semi-submersible drilling rig, which we do not own, as well as revenue from trading and agency sales.

	FYE 31 December			FPE 30 June	
	2010	2011	2012	2012	2013
Offshore drilling rigs					
Aggregate revenue (RM in millions)	152.1	404.0	347.9	195.7	244.4
Aggregate operating days (days)	445	930	816	468	562
Average revenue per rig operating day (RM in millions)	0.34	0.43	0.43	0.42	0.43
HWUs					
Aggregate revenue (RM in millions)	38.1	33.8	40.1	18.6	16.3
Aggregate operating days	699	607	761	312	386
Average revenue per HWU operating day (RM in millions)	0.05	0.06	0.05	0.06	0.04

12.2.5 FYE 31 December 2011 compared to FYE 31 December 2010

The table below presents our combined statements of income, the percentage such amounts represent of our total revenue and their percentage change for the periods indicated.

	FYE 31 December				
	2010		2011		
	RM[(1)]	% of revenue	RM[(1)]	% of revenue	% change
	(in millions, except percentages)				
Revenue	348.8	100.0	550.3	100.0	57.8
Other operating income	6.9	2.0	1.4	0.3	(79.7)
Changes in inventories	*	-	*	-	-
Finished goods purchased	(81.4)	(23.3)	(2.1)	(0.4)	(97.4)
Raw materials and consumables used	(25.8)	(7.4)	(37.7)	(6.9)	46.1
Employee benefits	(56.8)	(16.3)	(71.4)	(13.0)	25.7
Depreciation, impairment and amortisation	(51.2)	(14.7)	(50.4)	(9.2)	(1.6)
Other operating expenses	(159.8)	(45.8)	(258.0)	(46.9)	61.5
(Loss)/Profit from operations	**(19.3)**	**(5.5)**	**132.1**	**24.0**	**N/A**
Finance costs	(24.0)	(6.9)	(31.5)	(5.7)	31.3
Investment income	1.8	0.5	1.1	0.2	(38.9)
Share of results of associate	0.2	0.1	0.4	0.1	100.0
(LBT)/PBT	**(41.3)**	**(11.8)**	**102.1**	**18.6**	**N/A**
Income tax expense	(6.4)	(1.8)	(22.9)	(4.2)	257.8
(Loss)/Profit for the year	**(47.7)**	**(13.7)**	**79.2**	**14.4**	**N/A**
(Loss)/Profit attributable to:					
Equity holders of the Company	(48.5)	(13.9)	78.4	14.2	N/A
Non-controlling interests	0.8	0.2	0.8	0.1	-
(Loss)/Profit for the year	**(47.7)**	**(13.7)**	**79.2**	**14.4**	**N/A**

Notes:

(1) *Audited.*
* *Less than RM0.1 million.*

(i) Revenue

Our revenue increased by 57.8% from RM348.8 million in 2010 to RM550.3 million in 2011. The increase was primarily due to higher revenue from our drilling services segment, which increased substantially from RM236.5 million in 2010 to RM512.5 million in 2011, but this increase was offset in part by lower revenue from our oilfield services segment.

The following table sets forth the breakdown of our revenue by our segments and as a percentage of our total revenue for the periods indicated.

	FYE 31 December			
	2010		2011	
	Revenue[(1)]	% of revenue	Revenue[(1)]	% of revenue
	(RM in millions, except percentages)			
Drilling services segment	236.5	67.8	512.5	93.1
Oilfield services segment	110.5	31.7	35.0	6.4
Others	3.1	0.9	4.3	0.8
Adjustments and eliminations	(1.3)	(0.4)	(1.5)	(0.3)
Total revenue	**348.8**	**100.0**	**550.3**	**100.0**

Note:

(1) *Audited.*

The main reasons for the higher revenue in our drilling services segment were additional drilling rigs coming into service and the upward revision of the day rate for NAGA 1 effective December 2010 as a result of the extension of its contract for another 5 years. Under the contract with HESS (Indonesia-Pangkah), NAGA 2 commenced drilling operations in September 2010 and had income for only four months in 2010, compared to a full-year of operations in 2011. NAGA 3 was not income-generating in 2010, as it only commenced operations in March 2011, after securing a contract with PETRONAS Carigali.

In addition, the provision of expertise, materials, consumables and personnel in connection with the provision of the HAKURYU-5 semi-submersible drilling rig chartered from a subsidiary of JDC for use by PETRONAS Carigali from November 2011 also contributed RM32.6 million to the revenue for this segment in 2011.

However, the higher revenue in our drilling services segment was partially offset by lower revenue from our oilfield services segment, where revenue decreased by 68.3% from RM110.5 million in 2010 to RM35.0 million in 2011. The decrease in our oilfield services revenue was primarily because in 2010 we recognised RM82.1 million of revenue in our oilfield services segment from our supply of 53 kilometers of linepipes to PETRONAS Carigali's subsidiary in Turkmenistan and we had no similar revenue in 2011.

(ii) Other operating income

Our other operating income decreased by 79.7% from RM6.9 million in 2010 to RM1.4 million in 2011. In 2010, we recorded a net foreign exchange gain of RM5.9 million, compared to a net foreign exchange loss of RM1.0 million in 2011.

(iii) Inventories used in operations

	FYE 31 December	
	2010	**2011**
	(RM in millions)	
Changes in inventories	*	*
Finished goods purchased	(81.4)	(2.1)
Raw materials and consumables used	(25.8)	(37.7)
Inventories used in operations	**(107.2)**	**(39.8)**

Note:

* *Less than RM0.1 million.*

Our inventories used in operations decreased by 62.9% from RM107.2 million in 2010 to RM39.8 million in 2011. The decrease mainly reflected lower finished goods purchased for our oilfield services segment, as it recorded substantial costs in 2010 in relation to its supply of line pipes to PETRONAS Carigali's subsidiary in Turkmenistan in 2010 and had no such costs in 2011, but this decrease was partially offset by higher inventories used in operations in our drilling services segment as a result of the increased operations by our NAGA 2 and NAGA 3 drilling rigs in 2011 under the new contracts described in Section 12.2.5(i) of this Prospectus.

(iv) **Employee benefits**

Our employee benefits increased by 25.7% from RM56.8 million in 2010 to RM71.4 million in 2011, reflecting higher costs related to salaries, overtime, bonuses and statutory contributions to the EPF, primarily as a result of higher utilisation of our drilling rigs in 2011, including NAGA 2, which had more operating days in 2011, and NAGA 3, which commenced operations in March 2011, in each case under the new contracts described in Section 12.2.5(i) of this Prospectus. The increase was also attributable in part to employee benefits related to the two months of operations by the HAKURYU-5 semi-submersible drilling rig in 2011.

(v) **Depreciation, impairment and amortisation**

Our depreciation, impairment and amortisation decreased by 1.6% from RM51.2 million in 2010 to RM50.4 million in 2011, mainly reflecting the revision in the residual value and estimated useful life of our jack-up drilling rigs (from 25 years to 30 years) in 2011 to reflect the expected pattern of consumption of the future economic benefits embodied in these rigs to comply with MFRS 116: Property, Plant and Equipment. These revisions resulted in a RM11.2 million decrease in the depreciation charge for 2011. This decrease was offset in part by depreciation for NAGA 3, which we began depreciating in 2011.

(vi) **Other operating expenses**

Our other operating expenses increased by 61.5% from RM159.8 million in 2010 to RM258.0 million in 2011, mainly reflecting higher bareboat charter expenses and higher rental of equipment. These increases were primarily a result of NAGA 2 operating for a full year, compared to only four months in 2010, NAGA 3 operating for 10 months, compared to no operations in 2010, and our provision of services for the HAKURYU-5 semi-submersible drilling rig in the last two months of 2011, for which there were no comparable expenses in 2010. The increase was also attributable in part to our having incurred higher catering and agency expenses for our drilling operations in 2011.

(vii) **(Loss)/Profit from operations**

As a result of the factors discussed above, our profit from operations reversed from a loss of RM19.3 million in 2010 to a profit of RM132.1 million in 2011.

(viii) **Finance costs**

Our finance costs increased by 31.3% from RM24.0 million in 2010 to RM31.5 million in 2011. The increase was mainly as a result of our expensing interest charges for NAGA 3 in 2011, as we took delivery and began operating the rig, while we capitalised these interest charges in 2010.

(ix) **Investment income**

Our investment income decreased by 38.9% from RM1.8 million in 2010 to RM1.1 million in 2011, mainly reflecting lower interest income as a result of a lower level of deposits in 2011 compared with 2010.

(x) **Share of results of associate**

Our share of results of associate increased from a profit of RM0.17 million in 2010 to a profit of RM0.37 million in 2011 as a result of increased profits at OTT.

(xi) (LBT)/PBT

As a result of the factors discussed above, our PBT reversed from a loss of RM41.3 million in 2010 to a profit of RM102.1 million in 2011. Our PBT margin reversed from negative 11.8% in 2010 to 18.6% in 2011.

The following table sets forth the breakdown of our (LBT)/PBT by our segments for the periods indicated.

	FYE 31 December	
	Audited	
	2010	2011
	(RM in millions)	
Drilling services segment	(37.8)	111.1
Oilfield services segment	5.3	6.3
Others*	(8.8)	(15.3)
Adjustments and eliminations	-	-
Total (LBT)/PBT	**(41.3)**	**102.1**

Note:

* *This segment is involved in investment holding, provision of support services, management and corporate services.*

(xii) **Income tax expense**

Our income tax expense increased significantly from RM6.4 million in 2010 to RM22.9 million in 2011 in line with the higher level of profitability in 2011. In 2010, we had an income tax expense despite recording a LBT, primarily because of losses and deductions that were not deductible for tax purposes and deferred tax assets that were not recognised in 2010. In 2011, we had an effective tax rate of 22.4%, compared to the Malaysian statutory tax rate of 25.0%, with the difference being primarily because income from a Labuan-incorporated subsidiary was subject to a lower tax rate and income from one of our Singapore subsidiaries was exempted from income tax in Singapore, as well as our utilisation of previously unrecognised tax losses of a subsidiary that became profitable in 2011. These factors were offset in part by the higher tax rate on our income from our Indonesian operations.

(xiii) **(Loss)/Profit for the year**

As a result of the factors discussed above, our (loss)/profit for the year reversed from a loss of RM47.7 million in 2010 to a profit of RM79.2 million in 2011. Our after tax profit margin reversed from negative 13.7% in 2010 to 14.4% in 2011.

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12.2.6 FYE 31 December 2012 compared to FYE 31 December 2011

The table below presents our combined statements of income, the percentage such amounts represent of our total revenue and their percentage change for the periods indicated.

	FYE 31 December				
	2011		2012		
	RM[(1)]	% of revenue	RM[(1)]	% of revenue	% change
	(in millions, except percentages)				
Revenue	550.3	100.0	724.3	100.0	31.6
Other operating income	1.4	0.3	4.7	0.6	235.7
Changes in inventories	*	-	*	-	-
Finished goods purchased	(2.1)	(0.4)	(3.9)	(0.5)	85.7
Raw materials and consumables used	(37.7)	(6.9)	(51.8)	(7.2)	37.4
Employee benefits	(71.4)	(13.0)	(97.7)	(13.5)	36.8
Depreciation, impairment and amortisation	(50.4)	(9.2)	(63.6)	(8.8)	26.2
Other operating expenses	(258.0)	(46.9)	(390.5)	(53.9)	51.4
Profit from operations	**132.1**	**24.0**	**121.5**	**16.8**	**(8.0)**
Finance costs	(31.5)	(5.7)	(40.1)	(5.5)	27.3
Investment income	1.1	0.2	1.7	0.2	54.5
Share of results of associate	0.4	0.1	0.5	0.1	25.0
PBT	**102.1**	**18.6**	**83.6**	**11.5**	**(18.1)**
Income tax expense	(22.9)	(4.2)	(11.7)	(1.6)	(48.9)
Profit for the year	**79.2**	**14.4**	**71.9**	**9.9**	**(9.2)**
Profit attributable to:					
Equity holders of the Company	78.4	14.2	72.1	9.9	(8.0)
Non-controlling interests	0.8	0.1	(0.2)	-	(125.0)
Profit for the year	**79.2**	**14.4**	**71.9**	**9.9**	**(9.2)**

Notes:

(1) *Audited.*
* *Less than RM0.1 million.*

(i) Revenue

Our revenue increased by 31.6% from RM550.3 million in 2011 to RM724.3 million in 2012. The increase was primarily due to higher revenue from our drilling services segment, which increased by 32.3% from RM512.5 million in 2011 to RM678.1 million in 2012.

The following table sets forth the breakdown of our revenue by our segments and as a percentage of our total revenue for the periods indicated.

	FYE 31 December			
	2011		2012	
	Revenue[(1)]	% of revenue	Revenue[(1)]	% of revenue
	(RM in millions, except percentages)			
Drilling services segment	512.5	93.1	678.1	93.6
Oilfield services segment	35.0	6.4	43.2	6.0
Others	4.3	0.8	4.5	0.6
Adjustments and eliminations	(1.5)	(0.3)	(1.5)	(0.2)
**Total revenue ..... **	**550.3**	**100.0**	**724.3**	**100.0**

Note:

(1) *Audited.*

The increase in drilling services revenue was primarily as a result of the recognition of a full year of revenue under the contract with PETRONAS Carigali for the deployment of the HAKURYU-5 semi-submersible drilling rig, which is owned by a subsidiary of JDC, in 2012 (which amounted to RM234.4 million), compared with RM32.6 million from only two months of operations in 2011. Other factors that contributed to higher revenue were the full year of operations for NAGA 3 under a contract with PETRONAS Carigali in 2012, compared with less than 10 months of operations under that contract in 2011, a higher average day rate for NAGA 3 in 2012 and additional revenue from our HWU UP GAIT I, which has a one-year contract through P.T. Saptawell Tehnicatama, and commenced commercial operations in July 2012. These positive factors were offset in part by lower revenue contributions from NAGA 1, which underwent a deepdish conversion and other modifications from April 2012 to early January 2013. As a result of these works on the rig, NAGA 1 contributed less than four months of revenue in 2012, compared to a full year in 2011.

Revenue from our oilfield services segment was also higher, increasing from RM35.0 million in 2011 to RM43.2 million in 2012, primarily as a result of an increase in pipe threading and repair services.

(ii) Other operating income

Our other operating income increased from RM1.4 million in 2011 to RM4.7 million in 2012, mainly reflecting foreign exchange gains and higher other sundry income.

(iii) Inventories used in operations

	FYE 31 December	
	2011	2012
	(RM in millions)	
Changes in inventories	*	*
Finished goods purchased	(2.1)	(3.9)
Raw materials and consumables used	(37.7)	(51.8)
Inventories used in operations	**(39.8)**	**(55.7)**

Note:

* *Less than RM0.1 million.*

Our inventories used in operations increased by 39.9% from RM39.8 million in 2011 to RM55.7 million in 2012, mainly reflecting higher utilisation of NAGA 3 and our HWUs, offset in part by lower utilisation of NAGA 1 in 2012, as it underwent a deepdish conversion and other modifications beginning in April 2012.

(iv) **Employee benefits**

Our employee benefits increased by 36.8% from RM71.4 million in 2011 to RM97.7 million in 2012, reflecting higher costs related to salaries, bonus and staff allowance as a result of the full year of operations by the HAKURYU-5 semi-submersible drilling rig, the full year of operations for NAGA 3 in 2012 (compared with less than 10 months in 2011) and the addition of new senior management with relatively higher levels of compensation.

(v) **Depreciation, impairment and amortisation**

Our depreciation, impairment and amortisation increased by 26.2% from RM50.4 million in 2011 to RM63.6 million in 2012. The increase was mainly the result of an impairment loss relating to one of our HWUs, UP GAIT V in 2012 following an independent appraisal of that unit that was made at period-end because the unit was not generating revenue, as we had not yet secured a contract for it. In addition, depreciation, impairment and amortisation in 2011 was lower because of a one-off adjustment made following the increase in the useful life and change in the residual value of our jack-up drilling rigs, as discussed in Section 12.2.5 (v) of this Prospectus.

(vi) **Other operating expenses**

Our other operating expenses increased by 51.4% from RM258.0 million in 2011 to RM390.5 million in 2012, mainly reflecting higher expenses on bareboat charters, rental of equipment and charges for repair and maintenance of equipment and rigs. These amounts increased primarily as a result of a full year of operations in 2012 by the HAKURYU-5 semi-submersible drilling rig, compared with only two months in 2011. The increase also was a result of the deepdish conversion for NAGA 1 with additional costs incurred on towing, travelling, repair and maintenance, as well as the disposal of some equipment at a loss and the write-off of drydocking costs for NAGA 1. These increases were offset in part by lower bareboat charter expenses for NAGA 1, as it was in operation for less than four months of the year in 2012.

(vii) **Profit from operations**

As a result of the factors discussed above, and the relatively large portion of our revenue contribution from the operation of the HAKURYU-5 semi-submersible drilling rig, which is less profitable than our other drilling operations, our profit from operations decreased by 8.0% from RM132.1 million in 2011 to RM121.5 million in 2012.

(viii) **Finance costs**

Our finance costs increased by 27.3% from RM31.5 million in 2011 to RM40.1 million in 2012, mainly reflecting increased interest expenses primarily due to higher levels of debt following drawdowns of loans to finance the construction of NAGA 3.

(ix) **Investment income**

Our investment income increased by 54.5% from RM1.1 million in 2011 to RM1.7 million in 2012, mainly reflecting higher interest income on higher levels of deposits in 2012 compared with 2011.

(x) Share of results of associate

Our share of results of associate increased by 25.0% from a profit of RM0.37 million in 2011 to a profit of RM0.46 million in 2012 as a result of higher profits at OTT.

(xi) PBT

As a result of the factors discussed above, our PBT decreased by 18.1% from RM102.1 million in 2011 to RM83.6 million in 2012. Our PBT margin decreased from 18.6% in 2011 to 11.5% in 2012.

The following table sets forth the breakdown of our PBT by our segments for the periods indicated.

	FYE 31 December	
	Audited	
	2011	2012
	(RM in millions)	
Drilling services segment	111.1	98.5
Oilfield services segment	6.3	6.4
Others*	(15.3)	(21.3)
Adjustments and eliminations	-	-
Total PBT	**102.1**	**83.6**

Note:

* *This segment is involved in investment holding, provision of support services, management and corporate services.*

(xii) Income tax expense

Our income tax expense decreased by 48.9% from RM22.9 million in 2011 to RM11.7 million in 2012. The decrease was primarily due to lower PBT in 2012 as compared with 2011 and higher amounts of income that were exempted from income tax or subjected to a lower tax rate. In 2012, we had an effective tax rate of 14.0%, compared to the Malaysian statutory tax rate of 25.0%, with the difference being primarily because income from a Labuan-incorporated subsidiary and a subsidiary in China were subject to lower tax rates and income from one of our Singapore subsidiaries was exempted from income tax in Singapore. The write-back of deferred tax over-provided in the prior year also contributed to the lower effective tax rate for 2012.

(xiii) Profit for the year

As a result of the factors discussed above, our profit for the year decreased by 9.2% from RM79.2 million in 2011 to RM71.9 million in 2012. Our after tax profit margin decreased from 14.4% in 2011 to 9.9% in 2012.

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12.2.7 FPE 30 June 2013 compared to FPE 30 June 2012

The following table presents our combined statements of income information, the percentage such amounts represent of our total revenue and their percentage change for the periods indicated.

	FPE 30 June				
	2012		2013		
	RM[1]	% of revenue	RM[2]	% of revenue	% change
	(in millions, except percentages)				
Revenue	383.4	100.0	325.3	100.0	(15.2)
Other operating income	3.8	1.0	37.1	11.4	876.3
Changes in inventories	*	-	*	-	-
Finished goods purchased	(2.0)	(0.5)	(1.0)	(0.3)	(50.0)
Raw materials and consumables used	(29.6)	(7.7)	(35.4)	(10.9)	19.6
Employee benefits	(48.5)	(12.6)	(57.1)	(17.6)	17.7
Depreciation, impairment and amortisation	(33.6)	(8.8)	(37.9)	(11.7)	12.8
Other operating expenses	(199.0)	(51.9)	(118.3)	(36.4)	(40.6)
Profit from operations	**74.5**	**19.4**	**112.7**	**34.6**	**51.3**
Finance costs	(18.4)	(4.8)	(17.1)	(5.3)	(7.1)
Investment income	0.8	0.2	0.5	0.2	(37.5)
Share of results of associates	0.2	0.1	0.3	0.1	50.0
PBT	**57.1**	**14.9**	**96.4**	**29.6**	**68.8**
Income tax expense	(9.1)	(2.4)	(7.5)	(2.3)	(17.6)
Profit for the period	**48.0**	**12.5**	**88.9**	**27.3**	**85.2**
Profit attributable to:					
Equity holders of the Company	46.4	12.1	88.0	27.1	89.7
Non-controlling interests	1.6	0.4	0.9	0.3	(43.8)
Profit for the period	**48.0**	**12.5**	**88.9**	**27.3**	**85.2**

Notes:

(1) *Unaudited.*
(2) *Audited.*
* *Less than RM0.1 million.*

(i) Revenue

Our revenue decreased by 15.2% from RM383.4 million for the FPE 30 June 2012 to RM325.3 million for the FPE 30 June 2013. The decrease was primarily due to lower revenue from our drilling services segment, which decreased by 15.9% from RM360.2 million in the FPE 30 June 2012 to RM303.0 million in the FPE 30 June 2013. This was offset in part by higher revenue from our oilfield services segment, which increased by 0.5% from RM21.7 million in the FPE 30 June 2012 to RM21.8 million in the FPE 30 June 2013.

The following table sets forth the breakdown of our revenue by our segments and as a percentage of our total revenue for the periods indicated.

	FPE 30 June			
	2012		2013	
	Revenue[1]	% of revenue	Revenue[2]	% of revenue
	(RM in millions, except percentages)			
Drilling services segment	360.2	93.9	303.0	93.1
Oilfield services segment	21.7	5.7	21.8	6.7
Others	2.1	0.6	1.2	0.4
Adjustments and eliminations	(0.6)	(0.2)	(0.7)	(0.2)
Total revenue	**383.4**	**100.0**	**325.3**	**100.0**

Notes:

(1) *Unaudited.*
(2) *Audited.*

The decrease in drilling services revenue was primarily due to lower revenue contribution from our provision of expertise, materials, consumables and personnel in connection with the deployment of the HAKURYU-5 semi-submersible drilling rig. This revenue was RM18.3 million in the FPE 30 June 2013, compared with revenue of RM117.3 million in the FPE 30 June 2012. This decrease occurred because our provision of the HAKURYU-5 services was discontinued following the novation of our contract with PETRONAS Carigali to Petronnic, effective 1 February 2013. Our drilling services revenue was also lower because we recognised no revenue in the FPE 30 June 2013 from the operation of our UP GAIT III, as that unit completed its contract with PETRONAS Carigali in October 2012. Another factor that contributed to our lower drilling services revenue was NAGA 2's new contract with PV Drilling for operations in offshore Vietnam, which commenced in May 2013, following the completion of NAGA 2's contract with HESS (Indonesia-Pangkah) in Indonesia in April 2013. Under the new contract, we were paid a lump sum mobilisation fee for NAGA 2's mobilisation to Vietnam during May to June 2013. However, only a portion of the mobilisation fee was recognised as revenue in the FPE 30 June 2013, as this revenue is amortised over the period the related drilling services are performed, rather than being recognised fully during the mobilisation period.

The negative factors discussed in the paragraph above were offset in part by revenue that we recognised from three months of operations for NAGA 4, which was delivered in February 2013 and commenced operations in April 2013 under a contract with PETRONAS Carigali. Another positive factor was higher revenue contributions from NAGA 1 during the FPE 30 June 2013, as it operated for five months in the FPE 30 June 2013 compared with four months of operations during the same period in 2012, and it had higher day rates effective April 2013.

The increase in oilfield services revenue was primarily a result of higher levels of premium connection threading activities at our plant in Tianjin, offset in part by lower revenues from our Malaysian threading operations.

(ii) **Other operating income**

Our other operating income increased significantly from RM3.8 million for the FPE 30 June 2012 to RM37.1 million for the FPE 30 June 2013, mainly reflecting gains of RM30.1 million from the sale of a parcel of real property in Singapore that we held as a non-current asset held for sale.

(iii) **Inventories used in operations**

	FPE 30 June	
	2012	2013
	(RM in millions)	
Changes in inventories	*	*
Finished goods purchased	(2.0)	(1.0)
Raw materials and consumables used	(29.6)	(35.4)
Inventories used in operations	**(31.6)**	**(36.4)**

Note:

* *Less than RM0.1 million.*

Our inventories used in operations increased by 15.2% from RM31.6 million for the FPE 30 June 2012 to RM36.4 million for the FPE 30 June 2013. The increase principally reflects the commencement of operations of NAGA 4, although this was offset in part by lower inventories used in operations in connection with both UP GAIT III and the deployment of the HAKURYU-5 semi-submersible drilling rig.

(iv) **Employee benefits**

Our employee benefits increased by 17.7% from RM48.5 million for the FPE 30 June 2012 to RM57.1 million for the FPE 30 June 2013. The increase was mainly a result of higher costs related to salaries and allowances, overtime, bonuses and statutory contributions to the EPF, primarily as a result of higher utilisation of our drilling rigs in the FPE 30 June 2013. This includes NAGA 1, which had more operating days during the period, and NAGA 4, which commenced operations in April 2013. The addition of senior management and key technical personnel with relatively higher levels of compensation also contributed to the increase. These factors were offset in part by lower employee benefits related to the deployment of the HAKURYU-5 semi-submersible drilling rig, and the non-operation of UP GAIT III.

(v) **Depreciation, impairment and amortisation**

Our depreciation, impairment and amortisation increased by 12.8% from RM33.6 million for the FPE 30 June 2012 to RM37.9 million for the FPE 30 June 2013, mainly consisting of depreciation for NAGA 4, which we began depreciating in the FPE 30 June 2013, and higher depreciation for NAGA 1, after the completion of its deepdish conversion in January 2013. These increases were offset in part by the absence of impairment charges for UP GAIT V that was recognised in the FPE 30 June 2012, following its mobilisation to the Gulf of Thailand in May 2013 under a three year contract with PTTEP. The increase was also offset in part by the cessation of recognition of depreciation charges for our Singapore real property following its sale in the FPE 30 June 2013.

(vi) Other operating expenses

Our other operating expenses decreased by 40.6% from RM199.0 million for the FPE 30 June 2012 to RM118.3 million for the FPE 30 June 2013, primarily as a result of lower expenses for bareboat charter, equipment rental and repair and maintenance charges for equipment and rig following the novation of the contract in respect of the deployment of the HAKURYU-5 semi-submersible drilling rig effective 1 February 2013. The decrease was also due to the fact that during the FPE 30 June 2012, we recorded other operating expenses related to equipment disposals of NAGA 1 at a loss and barge rental expenses in connection with HWU operations. We did not incur these expenses in the FPE 30 June 2013 because we completed the deepdish conversion and other modifications of NAGA 1 in January 2013 and there was a change in job specifications for barge services related to our HWU contracts. These factors were offset in part by higher expenses for equipment rental, catering, manpower supply and routine maintenance charges following the commencement of operations of NAGA 4.

(vii) Profit from operations

As a result of the factors discussed above, our profit from operations increased by 51.3% from RM74.5 million for the FPE 30 June 2012 to RM112.7 million for the FPE 30 June 2013.

(viii) Finance costs

Our finance costs decreased by 7.1% from RM18.4 million for the FPE 30 June 2012 to RM17.1 million for the FPE 30 June 2013, mainly as a result of lower finance costs on borrowings from UMWH and its related companies following the modification of these obligations from long-term to short-term as part of the Internal Reorganisation. This reduction was offset in part by additional interest expenses for NAGA 4, as we began expensing interest charges relating to it when we took delivery and began operating the rig in April 2013 and interest expenses from additional borrowings taken out to partially finance the deepdish conversion of NAGA 1.

(ix) Investment income

Our investment income decreased by 37.5% from RM0.8 million for the FPE 30 June 2012 to RM0.5 million for the FPE 30 June 2013, mainly reflecting lower interest income from borrowings by companies related to UMWH following the Internal Reorganisation.

(x) Share of results of associate

Our share of results of associate increased from RM0.16 million for the FPE 30 June 2012 to RM0.32 million for the FPE 30 June 2013 as a result of increased profits at OTT.

(xi) **PBT**

As a result of these factors discussed above, our PBT increased by 68.8% from RM57.1 million for the FPE 30 June 2012 to RM96.4 million for the FPE 30 June 2013. Our profit before tax margin increased from 14.9% for the FPE 30 June 2012 to 29.6% for the FPE 30 June 2013. Among the factors discussed above that affected our PBT and profit before tax margin for the FPE 30 June 2013 was the new contract for NAGA 2 that commenced in June 2013. As discussed above in Section 12.2.7(i), during the period that NAGA 2 was mobilised, we recognised only a portion of the mobilisation fee, which is amortised over the period the related drilling services are performed. In addition, certain expenses relating to NAGA 2, including depreciation, finance costs and insurance premiums, continue to be recognised during the mobilisation period. These factors that are related to NAGA 2's new contract negatively affected the increase in our PBT and our profit before tax margin.

The following table sets forth the breakdown of our PBT by our segments for the periods indicated.

	FPE 30 June	
	Unaudited	Audited
	2012	2013
	(RM in millions)	
Drilling services segment	60.6	69.4
Oilfield services segment	4.7	5.0
Others*	(8.2)	22.0
Adjustments and eliminations	-	-
Total PBT	**57.1**	**96.4**

Note:

* *This segment is involved in investment holding, provision of support services, management and corporate services.*

(xii) **Income tax expense**

Our income tax expense was RM9.1 million for the FPE 30 June 2012, compared to RM7.5 million for the FPE 30 June 2013. The decrease in income tax expense was primarily due to the gain on our disposal of real property held as non-current asset held for sale not being taxable. In the FPE 30 June 2013, we had an effective tax rate of 7.8%, compared to the Malaysian statutory tax rate of 25.0%, with the difference being primarily because the gain from the disposal of real property in Singapore by a Singapore subsidiary was not taxable, the lower tax rate applicable to our Labuan-incorporated subsidiaries and the lower effective tax rates applicable to income from our operations in Indonesia, Vietnam and other overseas countries.

(xiii) **Profit for the period**

As a result of the factors discussed above, our net profit increased by 85.2% from RM48.0 million for the FPE 30 June 2012 to RM88.9 million for the FPE 30 June 2013. Our after-tax profit margin increased from 12.5% for the FPE 30 June 2012 to 27.3% for the FPE 30 June 2013.

12.2.8 Liquidity And Capital Resources

12.2.8.1 Working capital

Our principal sources of liquidity are cash generated from our operations, cash and cash equivalents, credit extended by our suppliers and borrowings from financial institutions and our parent company, UMWH, and its subsidiaries. Following the Listing and subject to relevant regulatory restrictions, we may jointly raise funds with UMWH and its subsidiaries, to the extent that we and UMWH believe that it may be mutually beneficial to do so because of debt issue size, lower costs of borrowing, available financing structure or other reasons. Otherwise, we expect to use the same principal sources of liquidity except for advances from UMWH, and its subsidiaries on which we have historically relied. Our ability to rely on these sources of funding could be affected by our results of operations and financial position and by the conditions in the Malaysian and international financial markets.

As at 30 June 2013, we had cash and cash equivalents of RM147.4 million and total loans and borrowings of RM983.7 million. As at 30 June 2013, our working capital, calculated as current assets minus current liabilities (excluding amounts due to UMWH and its two wholly-owned subsidiaries, UMWC and UMW Petropipe, amounting to RM1,237.4 million that will be capitalised in part and repaid in part from the expected proceeds to be raised from the Public Issue), was negative RM101.4 million, primarily as a result of drawdowns of short term borrowings to finance the acquisition of a new drilling rig, which is expected to be repaid from the proceeds of the Public Issue. After taking into consideration the funding requirements for our committed capital expenditure, expected funds to be generated from cash flows from operations, expected proceeds from the Public Issue, as well as our existing level of cash and cash equivalents and credit sources, our Board believes that we will have adequate working capital for at least 12 months from the date of this Prospectus.

12.2.8.2 Cash flows

The table below sets forth a summary of our cash flows for the periods indicated.

	FYE 31 December			FPE 30 June
	2010	2011	2012	2013
	(RM in millions)			
Net cash (used in)/generated from operating activities	(6.7)	94.5	126.3	27.9
Net cash used in investing activities	(180.2)	(62.4)	(358.5)	(671.2)
Net cash generated from/(used in) financing activities	193.5	(4.6)	248.3	668.2
Net increase in cash and cash equivalents	**6.6**	**27.5**	**16.1**	**24.9**
Cash and cash equivalents at beginning of year/period	77.6	76.4	106.3	119.3
Effects of exchange rate changes	(7.8)	2.4	(3.1)	3.2
Cash and cash equivalents at end of year/period	**76.4**	**106.3**	**119.3**	**147.4**

Most of our cash and cash equivalents are held in USD.

Our Board is of the opinion that as at the LPD there are no legal, financial or economic restrictions on our subsidiaries' ability to transfer funds to our Company in the form of cash dividends, subject to availability of distributable reserves, and/or loans or advances.

(i) Net cash (used in)/generated from operating activities

We had negative cash flows from operating activities for the FYE 31 December 2010, and had positive cash flows from operating activities for the FYE 31 December 2011 and 2012 and the FPE 30 June 2013.

Net cash used in operating activities in 2010 was RM6.7 million.

This primarily resulted from a loss before taxation of RM41.3 million, adjusted for non-cash items and changes in working capital, including depreciation and amortisation expense of RM51.2 million, a decrease in working capital of RM4.0 million and taxes paid of RM6.9 million. The decrease in working capital was a result of a RM67.6 million decrease in amounts due to UMWH and its related companies and increases in receivables and inventories of RM13.2 million and RM13.3 million, respectively, offset in part by a RM90.1 million increase in payables.

The primary factors that had a positive effect on our operating cash flows in 2010 included net cash received from a full year's operation of NAGA 1 of RM20.7 million and net cash inflows from our HWU operations and agency sales of RM24.3 million. These positive factors were, however, more than offset by negative factors including net cash outflows of RM45.3 million from the operations of NAGA 2 and NAGA 3, as expenses for these operations exceeded inflows since NAGA 2 had only three months of operation in 2010 and NAGA 3 had none and outflows of RM5.4 million related to overhead expenses at UMW-OG.

Net cash generated from operating activities in 2011 was RM94.5 million.

This primarily resulted from our PBT of RM102.1 million, adjusted for non-cash items and changes in working capital, including adjustments for depreciation, impairment and amortisation expenses of RM50.4 million, a RM38.8 million decrease in working capital and taxes paid of RM20.7 million. The decrease in working capital was due to an increase in receivables of RM66.6 million, an increase in inventories of RM15.3 million, offset in part by a RM6.6 million increase in amounts due to UMWH and its related companies and an increase in payables of RM36.5 million.

Factors that had a positive effect on our operating cash flows in 2011 included a full year of collections from NAGA 1, while it operated under a contract with a higher day rate, higher inflows from the operation of NAGA 2, as it operated for the full year, and inflows from NAGA 3, as it commenced operations in March 2011.

Net cash generated from operating activities in 2012 was RM126.3 million.

This primarily resulted from a PBT of RM83.6 million, adjusted for non-cash items including adjustments for depreciation, impairment and amortisation expenses of RM63.6 million, a RM10.2 million decrease in working capital and taxes paid of RM18.8 million. The decrease in working capital was due to increases in receivables and inventories of RM79.1 million and RM9.2 million, respectively, and a RM18.7 million decrease in amounts due to UMWH and its related companies, offset in part by a RM96.8 million increase in payables.

Factors that had a positive effect on our net cash inflows from operations in 2012 included RM127.8 million in net cash inflows from the operation of drilling rigs NAGA 1, NAGA 2, NAGA 3 and the HAKURYU-5 and net cash inflows of RM12.5 million from the operation of our HWUs and agency sales. These were offset in part by net cash outflows of RM16.0 million related to overhead expenses at UMW-OG.

Net cash generated from operating activities for the FPE 30 June 2013 was RM27.9 million.

This primarily resulted from a PBT of RM96.4 million, adjusted for non-cash items including adjustments for depreciation, impairment and amortisation expenses of RM37.9 million, gain on disposal of a non-current asset held for sale of RM30.1 million, a RM69.9 million decrease in working capital, and taxes paid of RM8.2 million. The decrease in working capital was due to increases in receivables and inventories of RM8.8 million and RM13.4 million, respectively, a RM34.0 million decrease in payables and a RM13.7 million decrease in amounts due to UMWH and its related companies.

Factors that had a positive effect on our net cash inflows from operations in the FPE 30 June 2013 included RM58.7 million in net cash inflows from the operation of our drilling rigs NAGA 2, NAGA 3 and NAGA 4 and net cash inflows of RM6.9 million from the operation of our HWUs and agency sales. These were offset in part by the outflows of RM13.6 million from the operation of NAGA 1 and HAKURYU-5. The outflows from the operation of NAGA 1 were primarily due to payments made to trade creditors relating to capital expenditures for the deepdish conversion and other modifications. Those outflows from operations relating to HAKURYU-5 were primarily a result of the final settlement of bareboat charter expenses upon novation of the HAKURYU-5 contract to a third party in January 2013. Outflows related to overhead expenses at UMW-OG of RM11.1 million also had a negative effect on cash flows from operations.

(ii) Net cash used in investing activities

Net cash used in investing activities in 2010 was RM180.2 million. This primarily reflects the payments for capital expenditures for NAGA 3 of RM148.8 million and for NAGA 2 of RM12.7 million, as well as other purchases of property, plant and equipment of RM22.0 million, offset in part by interest received of RM1.8 million.

Net cash used in investing activities in 2011 was RM62.4 million. This primarily reflects payments for capital expenditures of RM65.1 million, of which, RM30.2 million was for the deepdish conversion for NAGA 1, RM17.8 million was for drilling equipment, RM6.7 million was for UP GAIT V and RM2.0 million was for motor vehicles. These amounts were offset in part by interest received of RM1.1 million.

Net cash used in investing activities in 2012 was RM358.5 million. This primarily reflects the net cash outflow of RM220.6 million for the acquisition of a 100% equity interest in ODB and RM140.2 million for the payment of capital expenditures, of which RM127.0 million was for the deepdish conversion of NAGA 1. These amounts were offset in part by interest received of RM1.7 million.

Net cash used in investing activities for the FPE 30 June 2013 was RM671.2 million. This primarily reflects the net cash outflow of RM216.9 million for the acquisition of a 100% equity interest in OD4 and RM505.0 million for the payment of capital expenditures, of which RM477.8 million was for the acquisition of NAGA 4. These amounts were offset in part by proceeds from the disposal of non-current asset held for sale of RM50.2 million.

(iii) Net cash generated from/(used in) financing activities

Net cash generated from financing activities in 2010 was RM193.5 million, consisting primarily of drawdowns of long-term loans to finance the capital expenditures for NAGA 2 and NAGA 3 of RM36.2 million and RM131.9 million, respectively, and capital injections by subsidiaries of UMWH, namely UMWC and UMW Petropipe totaling RM33.7 million.

Net cash used in financing activities in 2011 was RM4.6 million, consisting primarily of repayments of borrowings of RM74.4 million and dividends paid of RM1.7 million. These outflows were offset in part by drawdowns of RM71.5 million to finance working capital and the acquisition of drilling equipment.

Net cash generated from financing activities in 2012 was RM248.3 million, consisting primarily of advances from UMWH of RM248.0 million, of which RM208.0 million was utilised to finance the acquisition of a 100% equity interest in ODB and the balance of RM40.0 million was utilised to finance overhead of UMW-OG; drawdowns of revolving credit facilities to finance working capital, as well as drawdowns of long-term loans of RM62.2 million, of which, RM59.5 million was used to finance the deepdish conversion of NAGA 1. These amounts were offset in part by repayments of long-terms loans of RM57.0 million, as well as repayment of revolving credit facilities.

Net cash generated from financing activities for the FPE 30 June 2013 was RM668.2 million, consisting primarily of advances from UMWH of RM462.2 million to finance the acquisition of NAGA 4 and drawdown of bank borrowings of RM273.8 million, of which RM213.1 million was used for the acquisition of a 100% equity interest in OD4, which owns the newly acquired jack-up drilling rig, and RM49.2 million was used to finance the deepdish conversion of NAGA 1. This was offset in part by the repayment of long-term loans of RM67.8 million.

12.2.8.3 Loans and borrowings and loans and advances from related parties

The table below sets forth our total outstanding loans and borrowings, and our loans and advances from related parties as of the date indicated.

Loans and borrowings and loans and advances from related parties	As at 30 June 2013
	(in RM millions, except ratios)
Short-term debt	
Secured	
Finance lease payable	0.1
Unsecured	
Murabahah term financing	213.1
Revolving credit facilities	46.1
Amount of long-term loan payable within one year	166.4
Total short-term debt	**425.7**
Long-term debt	
Secured	
Finance lease payable	0.1
Unsecured	
Term loan	724.3
Less: Amount of long-term loan payable within one year	(166.4)
Total long-term debt	**558.0**
Total loans and borrowings	**983.7**
Total loans and advances from related parties	1,238.1
Total	**2,221.8**
Gearing ratio (times)[(1)]	7.1
Pro forma gearing ratio (times)[(2)]	0.37

Notes:

(1) *The gearing ratio is calculated by dividing the sum of total loans and borrowings plus total loans and advances from related parties by total equity.*

(2) *The pro forma gearing ratio as at 30 June 2013 is calculated by dividing the sum of our short-term borrowings of RM425.7 million, long-term borrowings of RM558.0 million and current amount due to holding company and its related companies of RM2.6 million by the total equity of RM2,667.2 million, as shown on our Pro forma Consolidated Statements of Financial Position as at 30 June 2013, as adjusted to reflect the Internal Reorganisation and the Public Issue. See Section 12.4 of this Prospectus for more information on our Pro forma Consolidated Statements of Financial Position as at 30 June 2013.*

The table below sets forth our outstanding loans and borrowings by the currency in which they are denominated as of the date indicated.

Currency	As at 30 June 2013
	(in millions)
RM	31.5
USD	952.2[1]
Total loans and borrowings	**983.7**

Note:

(1) Translated based on the exchange rate of USD1.00 to RM3.1615, which is the exchange rate used for purposes of our Audited Combined Financial Statements as at 30 June 2013.

Our loans and advances from UMWC, UMWH, UMW Petropipe and other related parties were denominated in RM and USD and the total amounts of these loans and advances were as follows as of the dates indicated.

Loans and advances from related parties	As at 31 December			As at 30 June
	2010	2011	2012	2013
	(RM in millions)			
RM				
UMWC	41.2	51.6	41.6	37.6
UMWH	-	-	40.9	41.1
Others	0.8	1.1	1.1	0.7
USD				
UMWH	-	-	208.0	670.2
UMW Petropipe	497.0	526.4	485.1	488.5
Total	**539.0**	**579.1**	**776.7**	**1,238.1**

Our loans and advances from UMWH, UMWC and UMW Petropipe are unsecured and bear interest at rates ranging from 0.96% to 7.60% per annum. Proceeds from the loans and advances were used primarily in connection with the purchase of NAGA 2, NAGA 3 and NAGA 4, as well as for working capital purposes. Amounts due to UMWH and its two wholly-owned subsidiaries, UMWC and UMW Petropipe, amounting to RM1,237.4 million, will be capitalised in part and repaid in part from the proceeds to be raised from the Public Issue.

As at 30 June 2013, there has not been any default on payments of either interest or principal for any of our bank borrowing at any time. We are not in breach of any terms and conditions or covenants associated with credit arrangements or bank loans that can materially affect our financial position and results or business operations.

The table below sets forth the maturity profile of our loans and borrowings as of the dates indicated.

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	(RM in millions)			
On demand or within 1 year	42.4	90.7	167.7	425.7
1-2 years	128.6	133.2	136.6	163.3
2-5 years	493.4	490.0	403.7	381.2
More than 5 years	93.1	55.0	39.0	13.5
Total loans and borrowings	**757.5**	**768.9**	**747.0**	**983.7**

The table below sets forth the outstanding principal amounts of our loans and borrowings, by fixed and floating interest rate terms, as at 30 June 2013.

	As at 30 June 2013 (RM in millions)
Fixed rate	0.2
Floating rate	983.5
Total loans and borrowings	**983.7**

12.2.8.4 Capital expenditures

We incurred capital expenditures of RM183.5 million, RM65.1 million and RM361.1 million for the FYE 31 December 2010, 2011 and 2012, respectively. We incurred capital expenditures of RM721.9 million for the FPE 30 June 2013.

Our capital expenditures were as follows for the periods indicated.

	FYE 31 December			FPE 30 June
	2010	2011	2012	2013
	(RM in millions)			
Type of expenditure				
Rigs and drilling equipment	170.8	54.7	353.6	719.3
Plant and machinery	0.4	0.2	5.1	0.5
Land and buildings	10.1	5.3	0.2	0.1
Investment properties	0.4	-	-	-
Land use rights	-	2.2	-	-
Other	1.8	2.7	2.2	2.0
Total capital expenditures	**183.5**	**65.1**	**361.1**	**721.9**

The majority of our capital expenditures during the past three FYE 31 December 2010, 2011 and 2012 were related to the consideration for the purchase of NAGA 2, NAGA 3 and NAGA 4 and the construction of UP GAIT V, with a majority of the capital expenditures during the FYE 31 December 2010 related to NAGA 3 and the majority of the capital expenditures during the FYE 31 December 2012 related to NAGA 4. A majority of our capital expenditures during the FPE 30 June 2013 were related to the consideration for the purchase of the new jack-up drilling rig and the remaining balance for the purchase of NAGA 4.

Our planned capital expenditures for the FYE 31 December 2013 are estimated to be approximately RM2.0 billion, which are primarily for the acquisition, upgrading and maintenance of drilling rigs and HWUs. As at 30 June 2013, we had already spent the RM721.9 million in capital expenditures discussed in the preceding paragraphs.

Our actual capital expenditures may vary from projected amounts due to various factors, including whether we can negotiate an acceptable price for our planned purchases and the timing of such purchases, changes in market conditions, our ability to generate sufficient cash flows from operations, our ability to obtain adequate financing for these planned capital expenditures, demand for our services and products, the Government's policies regarding the industries in which we operate and the condition of the Malaysian and the global economy.

After our Listing, we expect to meet our capital expenditure requirements through financing activities including part of the proceeds to be raised from the Public Issue, bank borrowings, our cash and cash equivalents on hand and/or cash generated from future operations. Our ability to obtain financing and to make timely repayments of our debt obligations are subject to various uncertainties, including our future results of operations, financial condition and cash flows, the condition of the Malaysian and the global economy and the markets for our services and products, the cost of financing, the condition of financial markets and the willingness of banks to provide financing facilities to us.

12.2.8.5 Material commitments

We had material commitments of RM1,841.3 million as at 30 June 2013. These commitments consisted of the following:

Material commitments	As at 30 June 2013 (RM in millions)
Equipment, plant and machinery	
Commitments approved and contracted for	493.1
Commitments approved but not contracted for	1,340.8
Land and buildings	
Commitments approved and contracted for	-
Commitments approved but not contracted for	0.4
Other	
Commitments approved and contracted for	*
Commitments approved but not contracted for	7.0
Total material capital commitments	**1,841.3**

Note:

* *Less than RM0.1 million.*

The majority of our capital commitments as at 30 June 2013 were related to the acquisition and upgrading of rigs. We intend to meet our material commitments through financing activities, including bank borrowings, the utilisation of part of the proceeds expected to be raised from the Public Issue, our cash and cash equivalents on hand and/or cash generated from future operations.

Except as disclosed above, as at 30 June 2013, we were not aware of any material capital commitments incurred or known to be incurred by us that have not been provided for which, upon becoming enforceable, may have a material impact on our financial results or financial position.

12.2.8.6 Material divestitures

Save for the disposal of a parcel of real property in Singapore that we held as a non-current asset held for sale for RM50.2 million during the FPE 30 June 2013, there has not been any material divestiture undertaken by us for the FYE 31 December 2010, 2011 and 2012 and the FPE 30 June 2013.

12.2.8.7 Material litigation or arbitration proceedings

As at the LPD, our Board, to the best of its knowledge after due enquiry, is not aware of any pending material litigation or arbitration proceedings that, upon becoming enforceable, may have a material adverse impact on our financial performance and position.

12.2.8.8 Contingent liabilities

As at 30 June 2013, we had contingent liabilities consisting of performance bonds in the form of bank guarantees of RM171.6 million mainly related to drilling services contracts.

As at 30 June 2013, our Board, to the best of its knowledge after due enquiry, is not aware of any pending contingent liabilities that, upon becoming enforceable, may have a material adverse impact on our financial performance and position.

12.2.8.9 Key financial ratios

The following table sets forth certain of our key financial ratios as of the dates indicated.

	As at 31 December			As at 30 June
	2010	2011	2012	2013
Trade receivables (RM million)[(1)]	41.2	124.5	159.5	145.9
Trade receivables turnover days[(2)]	42.4	81.6	75.0	71.9[(3)]
Trade payables (RM million)[(4)]	36.5	61.1	80.0	82.1
Trade payables turnover days[(5)]	57.3	103.8	102.0	72.2[(6)]
Current ratio (times)[(7)]	0.4	0.5	0.5	0.3

Notes:

(1) Trade receivables reflect primarily outstanding amounts receivable from customers of our drilling services segment and, to a lesser extent, customers of our oilfield services segment.

(2) Trade receivables (less trade receivables from agency sales) multiplied by 365 days over total revenue for the applicable period ending on that date.

(3) Trade receivables (less trade receivables from agency sales) multiplied by 181 days over total revenue for the applicable period ending on that date.

(4) Trade payables reflect primarily outstanding amounts payable to providers of bareboat charter services, equipment, spare parts, raw materials, outsourced manpower services, equipment repair and maintenance, warehousing, agency fees, insurance, and mobilisation and pre-mobilisation expenses.

(5) Trade payables (less trade payables from agency sales) multiplied by 365 days over inventories used in operations and those other operating expenses listed in Note (4) above for the applicable period ending on that date.

(6) Trade payables (less trade payables from agency sales) multiplied by 181 days over inventories used in operations and those other operating expenses listed in Note (4) above for the applicable period ending on that date.

(7) Calculated by dividing current assets by current liabilities as of the dates indicated.

(i) Trade receivables turnover days

Our trade receivables consist primarily of amounts receivable from our customers, and the normal credit term provided is 30 to 60 days from the date of the customer's receipt of our invoices. Our trade receivables turnover days increased from 42.4 days in 2010 to 81.6 days in 2011 as a result of longer verification process by certain customers for work done, which has caused delay in collection.

The table below sets forth the ageing analysis for our trade receivables as at 30 June 2013 and the amounts collected as at the LPD.

		Past due				
	Current	1-60 days	61-120 days	121 -180 days	Over 180 days	Total
	(RM in millions, except percentages)					
Trade receivables (net)* as at 30 June 2013	85.2	36.2	19.7	4.8	**	145.9
% of our total trade receivables (net)* as at 30 June 2013	58.4%	24.8%	13.5%	3.3%	***	100.0%
Subsequent collection as at the LPD	46.8	31.9	12.0	2.1	**	92.8
Trade receivables (net)* as at 30 June 2013 less subsequent collection as at the LPD	38.4	4.3	7.7	2.7	**	53.1

Notes:

* *After impairment of trade receivables.*

** *Less than RM0.1 million.*

*** *Less than 0.1%.*

(ii) **Trade payables turnover days**

Our trade payables consist primarily of amounts payable to suppliers of goods and services. Our credit period for trade payables generally ranges from 30 to 60 days. Our trade payables turnover days increased from 57.3 days in 2010 to 103.8 days in 2011 primarily as a result of delays in collecting trade debts, as well as disputes on the basis and amount of charges. Our trade payables turnover days decreased from 102.0 days in the FYE 31 December 2012 to 72.2 days in the FPE 30 June 2013 primarily as a result of improvement in the period for collection from our customers. Our RM3.7 million of trade payables past due by over 180 days as at 30 June 2013, of which RM2.1 million has been paid in July 2013, was primarily due to unresolved disputes on certain charges and delay in the payment of trade payables from agency sales due to a change in authorised signatory of the related joint bank account.

The ageing analysis for our trade payables as at 30 June 2013 is as follows:

		Past due							
	Current	1-30 days	31-60 days	61 - 90 days	91-120 days	121 - 150 days	151 – 180 days	Over 180 days	Total
Trade payables	58.6	5.5	4.7	4.2	2.1	1.9	1.4	3.7	82.1
% of our total trade payables ...	71.4	6.7	5.7	5.1	2.6	2.3	1.7	4.5	100.0

(iii) **Current ratio**

Our current ratio increased from 0.4 times as at 31 December 2010 to 0.5 times as at 31 December 2011, as our current assets increased more in comparison to our current liabilities. Our current ratio remained at 0.5 times as at 31 December 2012. Our current ratio decreased from 0.5 times as at 31 December 2012 to 0.3 times as at 30 June 2013, as we financed the acquisition of a mobile offshore self-elevating jack-up drilling rig with short-term rather than long-term borrowing, since we expect to utilise part of the proceeds from the Public Issue to repay this borrowing.

12.2.8.10 Off-balance sheet arrangements

We do not have any off-balance sheet arrangements that are reasonably likely to have a current or future material effect on our results of operations or financial condition.

12.2.8.11 Financial risk management

Our activities expose us to a variety of financial risks. Our financial risk management practices seek to ensure that adequate financial resources are available for the development of our business while managing credit, liquidity, interest rate and foreign currency risks. The principle aim of our financial risk management practices is to identify, evaluate and manage our financial risks with an objective to minimise potential adverse effects on our financial performance. Currently, our financial risk management practices are part of the UMW Group Enterprise Risk Management Framework.

Our Board of Directors intends to replicate and modify where appropriate to suit the industries we are in, the UMW Group Enterprise Risk Management Framework for use by our Company and its subsidiaries. Our risk governance structure is expected to comprise the following:

(a) an investment and risk management committee of the Board of Directors;

(b) a risk management committee at corporate management level;

(c) a risk management unit at each respective operating unit; and

(d) a "whistleblower" committee at the Board of Directors level.

Responsibilities of our investment and risk management committee are expected to include:

(a) to monitor the role, effectiveness and efficiency of the risk management committee and risk management units at our operating units;

(b) to review the risk profile of our Group and our risk mitigation action plans; and

(c) to review the risk management policies, procedures and measurement methodologies of our Group and to make changes to them as necessary.

Our risk management committee will be made up of members of our senior management. This committee will be responsible to identify and assess risks and make recommendations on risk management to the investment and risk management committee of our Board of Directors.

Our financial risk management objectives are:

(a) to minimise exposure to all financial risks, including foreign currency exchange, interest, credit and liquidity risks;

(b) to accept certain levels of financial risks, including price risks and credit risks that are commensurate with the expected returns on the underlying operations and activities; and

(c) to minimise liquidity risk by proper cash flow planning, management and control.

Our financial risk management strategies include using:

(a) derivatives to hedge our exposure to currency, interest and cash flow risks, however, we specifically prohibit the use of derivatives for speculation;

(b) credit controls that include evaluation, acceptance, monitoring and feedback to ensure that only reasonably creditworthy customers are accepted; and

(c) money market instruments, short-term deposits and bank borrowings to manage liquidity risks.

The financial risks that we manage are summarised below.

(i) Foreign currency risk

We are exposed to foreign currency risk as a result of transactions entered into in currencies other than the functional currencies of the companies in our Group. Our exposure primarily consists of trade receivables and trade payables. We also hold cash and cash equivalents denominated in currencies other than in RM (mainly in USD) for working capital purposes. Although we rely primarily on the natural hedge between our USD-denominated revenue and our USD-denominated borrowings and other liabilities, we make limited use of currency forward contracts from time to time to manage our foreign exchange exposures on purchases in other currencies such as Japanese Yen.

(ii) Interest rate risk

Our exposure to interest rate risk arises mainly from our borrowings. Borrowings obtained at variable rates expose us to interest rate risk, which is partially offset by cash deposits held at variable rates. We manage our interest rate risk by using a combination of fixed rate and variable rate debt instruments. We monitor interest rates prior to making deposits and bank borrowings to ensure that the applicable rates are established at acceptable levels. As and when the need arises, we may enter into interest rate swaps to hedge against fluctuations in interest rate. As at 30 June 2013, our floating rate loans and borrowings were RM983.5 million or 99.98% of our total loans and borrowings.

(iii) Credit risk

Our exposure to credit risk arises mainly from our trade receivables. We minimise and monitor credit risk through the application of the UMW Group Credit Granting Guidelines, which includes guidelines in limiting our dealings to creditworthy business counterparties, setting credit limits on exposures and applying credit approval controls.

(iv) **Liquidity risks**

We maintain sufficient levels of cash and cash equivalents to meet our operational and working capital needs by closely monitoring both our rolling forecasts and our actual cash flows. We also have access to credit facilities maintained with a number of financial institutions to meet our liquidity requirements.

We seek to ensure that all our subsidiaries maintain optimum levels of liquidity at all times, sufficient for their operating, investing and financing activities. For further information on our treasury and funding policies, see Section 12.2.9 of this Prospectus.

(v) **Capital risk**

Our primary objective when managing capital is to ensure that we maintain a relatively strong credit rating to enable us to enjoy good terms for our borrowings and to maintain healthy capital ratios to support our business and maximise shareholders' value.

12.2.9 Treasury Policies and Objectives

Our treasury policy is to maintain sufficient working capital to finance our operations and meet our anticipated commitments arising from operational expenditure and financial liabilities by maintaining adequate liquidity and credit facilities.

We manage our liquidity to ensure access to sufficient funding at acceptable costs to meet our business needs and financial obligations throughout our business cycles. Our liquidity and funding plans are designed to meet our funding requirements under normal and stress scenarios, which include primarily purchases of goods and services, capital goods, payroll, interest and principal payments on outstanding borrowings, dividends and general obligations. We have historically relied on cash generated from our business operations and external unsecured and secured sources, including credit extended by our suppliers, bankers' acceptances, term loans, revolving credits and other borrowings from financial institutions and advances from UMWH and its subsidiaries. Our funding policy is to obtain the most suitable type of financing and favourable cost of funding as our financing needs arise.

Most of our cash and cash equivalents are held in USD and RM and a majority of our borrowings are denominated in USD. However, we also enter into transactions in currencies other than RM and USD, which consist primarily of RMB and THB. Our Board of Directors reviews our foreign currency risk and strategies as needed to mitigate adverse impacts that may result from fluctuations in foreign currency exchange rates.

12.2.10 Inflation

We do not believe that inflation has had a material impact on our business, financial condition or results of operations for the years presented. However, inflation may affect our financial performance by increasing certain of our operating expenses, including expenses relating to employee benefits and other operating expenses. Any increase in the inflation rate beyond levels experienced in the past may affect our operations and financial performance if we are unable to fully offset higher costs through increased revenues.

12.2.11 Seasonality

Generally, our business is not affected by seasonality as contracts may be awarded to us at any time of the year. However, our drilling operations include transportation of crew and supplies, as well as mobilisation of our rigs from one site to another, may be affected by adverse weather conditions, such as monsoons and tropical storms.

12.2.12 Government/economic/fiscal/monetary policies

We were incorporated in Malaysia, and historically we have derived and expect to continue to derive the majority of our revenues and operating profits from Malaysia for the foreseeable future.

The Malaysian government has formulated the ETP, which is a comprehensive plan to transform Malaysia into a high-income nation by 2020. The ETP includes 12 National Key Economic Areas, or NKEAs, that form the basis of the ETP, including the Oil, Gas and Energy NKEA. The Oil, Gas and Energy NKEA includes several EPPs we expect our drilling services business to participate in and benefit from, including

(i) rejuvenating existing fields through enhanced oil recovery;

(ii) developing small fields through innovative solutions; and

(iii) intensifying exploration activities.

And we expect one of the EPPs to provide opportunities for our oilfield services business attracting MNC's to bring a sizable share of their global operations to Malaysia.

To the extent that the government successfully implements these EPPs and we are successful in participating in them, these policies could have a positive impact on our business, results of operations and financial condition. However, there is no assurance that the government will be successful in implementing these projects or that we will be successful in participating in them.

In addition to the opportunities and risks that the ETP presents, given our focus on Malaysia, political, economic, fiscal and monetary conditions in Malaysia, as well as global markets generally, could materially and adversely affect our business, financial condition, results of operations and future growth. For further information on the risk relating to government, economic and fiscal policies and related factors that may materially affect our operations, see Section 5 of this Prospectus.

12.2.13 Drilling services contracted backlog

In general our drilling rigs are typically contracted to customers for periods between a few months and five years, see Section 7.6.1.3 of the Prospectus for the currently relevant contracts for our drilling rigs. Our future contracted revenue, or contracted backlog, from our drilling rigs as at 30 June 2013, totaled approximately RM1,471.3 million.

Our drilling services contracted backlog reflects firm commitments represented by signed drilling contracts. It has been calculated by multiplying the contracted operating day rate by the number of days in the remaining contract period, assuming full utilisation throughout the relevant period. The amount of actual revenues that we earn and the actual periods during which our revenues will be earned may be different from the contracted backlog presented here due to various factors. Factors that may cause our actual revenue to be lower than contracted backlog include downtime caused by scheduled and unscheduled repairs and maintenance, upgrades, weather and other operating factors. Factors that could cause our actual revenue to be higher than contracted backlog include various amounts payable to us under the contracts, including mobilisation and demobilisation fees, customer reimbursables and revenues received for rig modifications in accordance with the relevant contract, all of which are included in our revenue.

The backlog of our drilling services segment only includes the contracts for our drilling rigs.

The details of our drilling services contractual backlog from our drilling rigs as at 30 June 2013 are set out below:

		Remaining contract sum[1]	
Drilling services business	**Contract expiry**	**USD million[2]**	**RM million[2]**
Drilling services	2013 to 2018	465.4	1,471.3

Notes:

(1) Backlog calculation assumes full utilisation and firm contract period is based on remaining number of days under contract assuming all these days are operating days. It does not assume the exercise of any optional extension of the periods for these contracts.

(2) Translated based on the exchange rate of USD1.00 to RM3.1615, which is the exchange rate used for purposes of our Audited Combined Financial Statements as at 30 June 2013.

12.2.14 Prospects

The results of our operations for the year ending 31 December 2013 are expected to be primarily influenced by the following factors, in addition to the factors included in Sections 5 and 12.2.2 of this Prospectus, respectively:

(i) our ability to maintain our drilling rigs and HWUs performance, including rig utilisation and efficiency rates;

(ii) our ability to manage our operating costs and margins;

(iii) the condition of the Malaysian and the global economy and expectations of economic recovery; and

(iv) impact of the incurrence of indebtedness, including as a result of any change in interest charges and foreign exchange rates on our indebtedness.

Except as disclosed above and in Sections 5 and 12.2.2 of this Prospectus, to the best of our Board's knowledge and belief, there are no other known trends, factors, demands, commitments, events or uncertainties that are reasonably likely to have a material effect on our financial condition and results of operations, and our Board expects our performance for the year ending 31 December 2013 to be satisfactory.

12.3 CAPITALISATION AND INDEBTEDNESS

The following information should be read in conjunction with the Reporting Accountants' Letter and the Pro forma Consolidated Statements of Financial Position as at 30 June 2013 and the related notes and the Accountants' Report and related notes set out in Sections 12.5 and 13 of this Prospectus, respectively.

The table below sets out our cash and cash equivalents as well as capitalisation and indebtedness based on our combined financial information as at 30 June 2013 on the assumptions that the Internal Reorganisation and the IPO had occurred on 30 June 2013.

The pro forma financial information below does not represent our actual capitalisation and indebtedness as at 30 June 2013 and is provided for information purposes only.

	Audited	Pro forma I	Pro forma II
	As at 30 June 2013	After the Internal Reorganisation	After Pro forma I and the Public Issue
	RM '000	RM '000	RM '000
Cash and bank balances	5,012	232,331	1,299,501
Indebtedness			
(a) Short-term debt			
Secured			
- Finance lease payable	72	72	72
Unsecured			
- Revolving credits	20,290	46,122	46,122
- Murabahah term financing	213,085	213,085	213,085
- Term loan	-	166,418	166,418
	233,447	**425,697**	**425,697**
(b) Long-term debt			
Secured			
- Finance lease payable	85	85	85
Unsecured			
- Term loan	-	557,874	557,874
	85	**557,959**	**557,959**
(c) Due to UMWH and related companies	48,324	599,950	2,557
Total indebtedness	281,856	1,583,606	986,213
Equity attributable to equity holders of the Company	(48,197)	997,383	2,661,946
Non-controlling interests	-	5,302	5,302
Total equity/capitalisation	**(48,197)**	**1,002,685**	**2,667,248**
Total capitalisation and indebtedness	N/A	2,586,291	3,653,461
Gearing ratio (times)	N/A	1.58	0.37

12.4 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The pro forma consolidated statements of financial position as at 30 June 2013 have been prepared for illustrative purposes only, to show the effects on our historical consolidated statements of financial position as at 30 June 2013 based on the assumption that the following transactions have been effected on 30 June 2013:

(i) our Group obtaining advances of RM74.1 million from the UMWH Group;

(ii) USV disposing Sichuan Haihua Petroleum Steelpipe Co, Ltd and UMW Marine and Offshore Pte Ltd to UMW Petropipe for a total consideration of RM19.1 million;

(iii) UMV disposing UMW Synergistic Generation Sdn Bhd and its two wholly-owned subsidiaries, UMW SG Engineering & Services Sdn Bhd and UMW SG Power Systems Sdn Bhd to UMWC for a total consideration of RM10.0 million;

(iv) the liquidation of UMW Deepnautic Sdn Bhd, UPC and UMW Petrodril Siam Co, Ltd;

(v) the Internal Reorganisation;

(vi) the IPO; and

(vii) the Listing.

The pro forma consolidated statements of financial position should be read in conjunction with the Reporting Accountants' Letter on the Pro forma Consolidated Statements of Financial Position as at 30 June 2013 and the notes thereon as set out in Section 12.5 of this Prospectus.

	Audited		Pro forma I		Pro forma II
	As at 30 June 2013	Adjustment	After the Internal Reorganisation	Adjustment	After Pro forma I and the IPO
	RM'000	RM'000	RM'000	RM'000	RM'000
Assets					
Non-current assets					
Property, plant and equipment	1,693	2,191,906	2,193,599	-	2,193,599
Investment in a subsidiary	*Refer to note (1)*	-	-	-	-
Land use rights	-	2,160	2,160	-	2,160
Intangible assets	-	11,291	11,291	-	11,291
Investment in associate	-	2,207	2,207	-	2,207
Deferred tax assets	-	4,465	4,465	-	4,465
	1,693	**2,212,029**	**2,213,722**	**-**	**2,213,722**
Current assets					
Inventories	-	58,279	58,279	-	58,279
Receivables	2,286	243,446	245,732	-	245,732
Tax recoverable	-	4,042	4,042	-	4,042
Due from related companies of holding company	228,216	(215,344)	12,872	-	12,872
Deposits, cash and bank balances	5,012	227,319	232,331	1,067,170	1,299,501
	235,514	**317,742**	**553,256**	**1,067,170**	**1,620,426**
Total assets	**237,207**	**2,529,771**	**2,766,978**	**1,067,170**	**3,834,148**

12. FINANCIAL INFORMATION *(Cont'd)*

	Audited		Pro forma I		Pro forma II
	As at 30 June 2013	Adjustment	After the Internal Reorganisation	Adjustment	After Pro forma I and the IPO
	RM'000	RM'000	RM'000	RM'000	RM'000
Equity and liabilities					
Equity attributable to equity holders of the Company					
Share capital	*Refer to note (2)*	775,100	775,100	305,900	1,081,000
Share premium	-	-	-	1,371,039	1,371,039
Other reserves	-	5,917	5,917	-	5,917
(Accumulated losses)/ Retained profits	(48,197)	264,563	216,366	(12,376)	203,990
	(48,197)	**1,045,580**	**997,383**	**1,664,563**	**2,661,946**
Non-controlling interests	-	5,302	5,302	-	5,302
(Shareholders' deficit)/ Total equity	**(48,197)**	**1,050,882**	**1,002,685**	**1,664,563**	**2,667,248**
Non-current liabilities					
Deferred tax liabilities	-	4,502	4,502	-	4,502
Long term borrowings	85	557,874	557,959	-	557,959
	85	**562,376**	**562,461**	**-**	**562,461**
Current liabilities					
Taxation	-	667	667	-	667
Short term borrowings	233,447	192,250	425,697	-	425,697
Payables	3,548	171,589	175,137	-	175,137
Due to holding company and its related companies	48,324	551,626	599,950	(597,393)	2,557
Derivative liabilities	-	381	381	-	381
	285,319	**916,513**	**1,201,832**	**(597,393)**	**604,439**
Total liabilities	**285,404**	**1,478,889**	**1,764,293**	**(597,393)**	**1,166,900**
Total equity and liabilities	**237,207**	**2,529,771**	**2,766,978**	**1,067,170**	**3,834,148**
Number of ordinary shares in issue ('000) RM0.50 nominal value	*Refer to note (2)*		1,550,200		2,162,000
Net (liabilities)/assets per Share attributable to equity holders of the Company (RM)	(12,049,281)		0.64		1.23

Notes:

(1) *Our Company has an investment in a subsidiary with a carrying amount of RM3.*

(2) *Our Company has an issued and paid-up share capital of RM2, representing 4 ordinary shares of RM0.50 each.*

12.5 REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Prepared for inclusion in this Prospectus)

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REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS
(Prepared for inclusion in the Prospectus to be dated 3 October 2013)

17 September 2013

The Board of Directors
UMW Oil & Gas Corporation Berhad
3rd Floor, The Corporate
No. 10, Jalan Utas (15/7)
Batu Tiga Industrial Estate
40200 Shah Alam
Selangor Darul Ehsan
Malaysia

Dear Sirs

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2013
INITIAL PUBLIC OFFERING AND LISTING OF UMW OIL & GAS CORPORATION BERHAD ("UMW-OG" OR THE "COMPANY") ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD

We have completed our assurance engagement to report on the compilation of pro forma consolidated statements of financial position as at 30 June 2013 of UMW-OG prepared by the Directors of the Company. The pro forma consolidated statements of financial position as at 30 June 2013 and the related notes are as set out in Appendix I of this letter which is included in Section 12.5 of the Prospectus to be issued by the Company.

The pro forma consolidated statements of financial position as at 30 June 2013 have been compiled by the Directors of the Company based on the applicable criteria as specified in the Prospectus Guidelines issued by the Securities Commission and the related notes as set out in Appendix I of this letter which is included in Section 12.5 of the Prospectus.

The pro forma consolidated statements of financial position have been compiled by the Directors of the Company to illustrate the impact of the event or transaction set out in Appendix I of this letter which is included in Section 12.5 of the Prospectus on the UMW-OG's financial position as if the event or transaction had taken place as at 30 June 2013.

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As part of this process, information about the financial position have been extracted by the Directors of the Company from the relevant financial statements for the period ended 30 June 2013, on which audit reports will be published upon the issuance of the Prospectus.

The Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position

The Directors of the Company are responsible for compiling the pro forma consolidated statements of financial position on the basis of the applicable criteria.

Our responsibilities

Our responsibility is to express an opinion as required by the Securities Commission, about whether the pro forma consolidated statements of financial position have been compiled, in all material respects, by the Directors of the Company on the basis of the applicable criteria.

We conducted our engagement in accordance with the Malaysian Approved Standard on Assurance Engagements, ISAE 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the pro forma consolidated statements of financial position on the basis of the applicable criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated statement of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated statement of financial position.

The purpose of pro forma consolidated statements of financial position included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial position of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated statements of financial position have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors of the Company in the compilation of pro forma consolidated statements of financial position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma consolidated statements of financial position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the pro forma consolidated statements of financial position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated statements of financial position.

We believe that the evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(i) the pro forma consolidated statements of financial position of the Company, which have been prepared by the Directors of the Company, have been properly prepared on the basis of the notes set out in Appendix I of this letter which is included in Section 12.5 of the Prospectus using financial statements prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Company; and

(ii) each material adjustment made to the information used in the preparation of the pro forma statements of financial position is appropriate for the purposes of preparing the pro forma statements of financial position.

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Other matters

This letter is issued for the sole purpose of complying with the Prospectus Guidelines issued by the Securities Commission in connection with the Initial Public Offering and Listing of UMW-OG. Our work had been carried out in accordance with Malaysian Approved Standards on Assurance Engagements and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions. Therefore, this letter is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the Initial Public Offering and Listing of UMW-OG described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this letter in connection with any type of transaction, including the sale of securities other than pursuant to the Initial Public Offering and Listing of UMW-OG.

Yours faithfully

Ernst & Young
AF: 0039
Chartered Accountants

Ahmad Zahirudin bin Abdul Rahim
No. 2607/12/14(J)
Chartered Accountant

UMW Oil & Gas Corporation Berhad
Pro Forma Consolidated Statements of Financial Position as at 30 June 2013

Appendix I

The pro forma consolidated statements of financial position of UMW Oil & Gas Corporation Berhad as set out below have been prepared for illustrative purposes only and to show the effects of the events and transactions referred to in the notes to the pro forma consolidated statements of financial position had they been effected on 30 June 2013.

	Audited At 30 June 2013 RM'000	Adjustment RM'000	Pro forma I RM'000	Adjustment RM'000	Pro forma II RM'000
Assets					
Non-current assets					
Property, plant and equipment	1,693	2,191,906	2,193,599	-	2,193,599
Investment in a subsidiary	-*	-	-	-	-
Land use rights	-	2,160	2,160	-	2,160
Intangible assets	-	11,291	11,291	-	11,291
Investment in associate	-	2,207	2,207	-	2,207
Deferred tax assets	-	4,465	4,465	-	4,465
	1,693	2,212,029	2,213,722	-	2,213,722
Current assets					
Inventories	-	58,279	58,279	-	58,279
Receivables	2,286	243,446	245,732	-	245,732
Tax recoverable	-	4,042	4,042	-	4,042
Due from related companies of holding company	228,216	(215,344)	12,872	-	12,872
Deposits, cash and bank balances	5,012	227,319	232,331	1,067,170	1,299,501
	235,514	317,742	553,256	1,067,170	1,620,426
Total assets	237,207	2,529,771	2,766,978	1,067,170	3,834,148
Equity and liabilities					
Equity attributable to equity holders of the Company					
Share capital	-**	775,100	775,100	305,900	1,081,000
Share premium	-	-	-	1,371,039	1,371,039
Other reserves	-	5,917	5,917	-	5,917
(Accumulated losses)/Retained profits	(48,197)	264,563	216,366	(12,376)	203,990
	(48,197)	1,045,580	997,383	1,664,563	2,661,946
Non-controlling interests	-	5,302	5,302	-	5,302
(Shareholders' deficit)/Total equity	(48,197)	1,050,882	1,002,685	1,664,563	2,667,248
Non-current liabilities					
Deferred tax liabilities	-	4,502	4,502	-	4,502
Long term borrowings	85	557,874	557,959	-	557,959
	85	562,376	562,461	-	562,461
Current Liabilities					
Taxation	-	667	667	-	667
Short term borrowings	233,447	192,250	425,697	-	425,697
Payables	3,548	171,589	175,137	-	175,137
Due to holding company and its related companies	48,324	551,626	599,950	(597,393)	2,557
Derivative liabilities	-	381	381	-	381
	285,319	916,513	1,201,832	(597,393)	604,439
Total liabilities	285,404	1,478,889	1,764,293	(597,393)	1,166,900
Total equity and liabilities	237,207	2,529,771	2,766,978	1,067,170	3,834,148
Number of ordinary shares in issue RM0.50 nominal value	4		1,550,200,000		2,162,000,000
Net (liabilities)/assets per UMW-OG share attributable to equity holders of the Company (RM)	(12,049,281)		0.64		1.23

* The Company has an investment in a subsidiary with a carrying amount of RM3.

** The Company has an issued and paid up share capital of RM2, representing 4 ordinary shares of RM0.50 each.

ERNST & YOUNG (AF: 0039)
Chartered Accountants, Kuala Lumpur
For identification purposes only

Appendix I

UMW Oil & Gas Corporation Berhad
Notes to the Pro Forma Consolidated Statements of Financial Position as at 30 June 2013

1.0 Introduction

UMW Oil & Gas Corporation Berhad ("UMW-OG" or the "Company") was incorporated on 12 November 2009 with an authorised share capital of RM10.0 million comprising 10,000,000 ordinary shares of RM1.00 each, and an issued and paid-up share capital of 2 shares of RM1.00 each.

On 13 May 2013, UMW-OG undertook a subdivision of its existing ordinary shares of RM1.00 each into two ordinary shares of RM0.50 each, resulting in an authorised share capital of RM10.0 million comprising 20,000,000 ordinary shares of RM0.50 each with an issued and paid-up share capital of 4 shares of RM0.50 each.

On 13 May 2013, UMW-OG increased its authorised share capital from RM10.0 million to RM2,500.0 million by the creation of 4,980,000,000 new ordinary shares of RM0.50 each.

2.0 Abbreviations

Unless the context otherwise requires, the following definitions shall apply throughout this report.

IPO	: Initial Public Offering of up to 843,180,000 IPO Shares
Issue Share(s)	: New UMW-OG Share(s) to be issued by UMW-OG pursuant to the Public Issue
Offer Share(s)	: Existing UMW-OG Share(s) to be offered by UMWH pursuant to the Offer for Sale
Offer for Sale	: Offer for Sale by UMWH of up to 231,380,000 Offer Shares (before over-allotment option)
Public Issue	: Public Issue of 611,800,000 Issue Shares by UMW-OG
SHPS	: Sichuan Haihua Petroleum Steelpipe Co, Ltd
UMD	: UMW Deepnautic Sdn Bhd
UMO	: UMW Marine and Offshore Pte Ltd
UMWC	: UMW Corporation Sdn Bhd

UMW Oil & Gas Corporation Berhad
Notes to the Pro Forma Consolidated Statements of Financial Position as at 30 June 2013 (Contd.)

2.0 Abbreviations (Contd.)

UMWH	: UMW Holdings Berhad
UMWH Group	: Collectively, UMWH and its subsidiaries
UMW-OG or the Company	: UMW Oil & Gas Corporation Berhad
UMW-OG Group or Group	: Collectively, UMW-OG, its Proposed Subsidiaries and Proposed Associate
UMW-OG Share(s) or Share(s)	: Ordinary shares of RM0.50 each in the Company
UMW-OGB	: UMW Oil & Gas Berhad
UMW Petropipe	: UMW Petropipe (L) Ltd
UPD-S	: UMW Petrodril Siam Co, Ltd
USG	: UMW Synergistic Generation Sdn Bhd
USG-E	: UMW SG Engineering & Services Sdn Bhd
USG-P	: UMW SG Power Systems Sdn Bhd

Proposed Subsidiaries

OD4	: Offshore Driller 4 Ltd.
ODB	: Offshore Driller B324 Ltd
UD4	: UMW Drilling 4 (L) Ltd
UD5	: UMW Drilling 5 (L) Ltd
UD6	: UMW Drilling 6 (L) Ltd
UDA	: UMW Drilling Academy Sdn Bhd
UDC	: UMW Drilling Co Ltd

Appendix I

UMW Oil & Gas Corporation Berhad
Notes to the Pro Forma Consolidated Statements of Financial Position as at 30 June 2013 (Contd.)

2.0 Abbreviations (Contd.)

Proposed Subsidiaries (Contd.)

UJD	: UMW JDC Drilling Sdn Bhd
UMV	: UMW Malaysian Ventures Sdn Bhd
UMWSD	: UMW Standard Drilling Sdn Bhd
UN2	: UMW Naga Two (L) Ltd
UN3	: UMW Naga Three (L) Ltd
UOS	: UMW Oilpipe Services Sdn Bhd
UOS-TJ	: UMW Oilfield Services (Tianjin) Co, Limited
UOS-TK	: UMW Oilpipe Services (Turkmenistan) Ltd
UOT	: UOT (Thailand) Limited
UPC	: UMW Pressure Control Sdn Bhd
UPD	: UMW Petrodril (Malaysia) Sdn Bhd
URA	: UMW Rig Asset (L) Ltd
US-1	: UMW Standard 1 Pte Ltd
US-3	: UMW Standard 3 Pte Ltd
USV	: UMW Singapore Ventures Pte Ltd

Proposed Associate

OTT	: Oil-Tex (Thailand) Limited

Appendix I

UMW Oil & Gas Corporation Berhad
Notes to the Pro Forma Consolidated Statements of Financial Position as at 30 June 2013 (Contd.)

3.0 Basis of preparation

The pro forma consolidated statements of financial position of UMW-OG as at 30 June 2013 have been prepared for illustrative purposes only, to show the effects of the following proposals or events had these proposals or events been completed on that date:

(a) UMW-OG obtains advances of RM74.1 million from UMWH ("Advances from UMWH").

(b) USV transfers its 40% equity interest in SHPS and its 100% equity interest in UMO to UMW Petropipe for a total consideration of RM19.1 million ("Transfer of Equity Interests in SHPS and UMO").

(c) UMV transfers its 60% equity interest in USG and its wholly-owned subsidiaries, USG-E and USG-P to UMWC for a total cash consideration of RM10.0 million ("Transfer of Equity Interests in USG, USG-E and USG-P").

(d) UMV completes the liquidation of UMD and UPD completes the liquidation of UPC and UPD-S ("Liquidation of UMD, UPC and UPD-S").

(e) Internal Reorganisation

(i) UMWH acquired the entire equity interest in UMW-OG from UMW-OGB, a wholly-owned subsidiary of UMWH, representing 4 ordinary shares of RM0.50 each for a cash consideration of RM2.00 ("Transfer of UMW-OG").

(ii) UMW-OG increased its issued and paid-up ordinary share capital from RM2.00 to RM45,000,002 by way of the issuance of 90,000,000 ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share to UMWH ("Subscription by UMWH").

(iii) UMW-OG acquired the shares held directly or indirectly by its holding company, UMWH, of the Proposed Subsidiaries and the Proposed Associate (as listed in Note 2 to the notes to the pro forma consolidated statements of financial position) for a total consideration of RM149.9 million ("Acquisitions"). The total consideration is satisfied by a cash payment of RM44.4 million, and the balance of RM105.5 million will remain as an amount due to UMWC and UMW Petropipe ("Amount Owing from Acquisitions").

UMW Oil & Gas Corporation Berhad
Notes to the Pro Forma Consolidated Statements of Financial Position as at 30 June 2013 (Contd.)

3.0 Basis of preparation (Contd.)

(e) Internal Reorganisation (Contd.)

(iv) In addition to the amount due to UMWC and UMW Petropipe pursuant to the Acquisitions, there were net amounts owing (intercompany liabilities) as at 31 March 2013 by UMW-OG and its Proposed Subsidiaries to UMWH, UMWC and UMW Petropipe (including advances as mentioned in note (a) above) amounting to RM1,222.0 million ("Amount Owing from Intercompany Liabilities").

The Amount Owing from Acquisitions and Amount Owing from Intercompany Liabilities are collectively referred to as the "Assumption of Intercompany Liabilities by UMW-OG".

To streamline the intercompany liabilities, UMW-OG assumed the intercompany liabilities of its Proposed Subsidiaries which are owing to UMWH, UMWC and UMW Petropipe.

(v) The total intercompany liabilities owed by UMW-OG and its Proposed Subsidiaries to UMWH, UMWC and UMW Petropipe of RM1,327.5 million will be settled in the following manner ("Settlement of Intercompany Liabilities by UMW-OG"):

- the issuance of 1,460,199,996 new UMW-OG Shares amounting to RM730.1 million to UMWH; and

- the balance of RM597.4 million will remain as amount owing (to be settled through cash payment of RM597.4 million via proceeds raised from the Public Issue).

(collectively known as the "Internal Reorganisation" which was completed on 30 August 2013)

(f) UMW-OG undertakes an IPO of up to 843,180,000 IPO Shares, representing up to approximately 39.0% of the enlarged issued and paid-up share capital of UMW-OG, comprising the following:

(i) Offer for Sale by UMWH of up to 231,380,000 Offer Shares, representing 10.7% of the enlarged issued and paid-up share capital of UMW-OG; and

(ii) Public Issue of 611,800,000 Issue Shares, representing 28.3% of the enlarged issued and paid-up share capital of UMW-OG.

The Offer Shares and the Issue Shares are referred to as "IPO Shares"

(collectively known as the "IPO")

UMW Oil & Gas Corporation Berhad
Notes to the Pro Forma Consolidated Statements of Financial Position as at 30 June 2013 (Contd.)

3.0 Basis of preparation (Contd.)

(g) the listing of and quotation of its entire enlarged issued and paid-up share capital of RM1,081.0 million comprising 2,162,000,000 UMW-OG Shares on the Main Market of Bursa Malaysia Securities Berhad ("Listing").

The Advances from UMWH, Transfer of Equity Interests in SHPS and UMO, Transfer of Equity Interests in USG, USG-E and USG-P, Liquidation of UMD, UPC and UPD-S, Internal Reorganisation, IPO and Listing are collectively known as the "Proposals and Events".

The pro forma consolidated statements of financial position, for which the Board of Directors of UMW-OG is solely responsible, have been properly compiled using the audited financial statements of UMW-OG and the audited combined financial statements of UMW-OG which were prepared using accounting policies that are in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and in a manner consistent with both the format of the financial statements and the accounting policies of UMW-OG.

The pro forma consolidated statements of financial position, because of their nature, may not be reflective of the actual financial position of UMW-OG. Furthermore, such information does not purport to predict the future consolidated statements of financial position of the Group.

4.0 The Proposals and Events

Pro forma I

Pro forma I illustrates the effects of the following proposals and events:

(a) Advances from UMWH

UMW-OG obtains advances of RM74.1 million from UMWH.

(b) Transfer of Equity Interests in SHPS and UMO

For the purpose of pro forma consolidated statements of financial position, SHPS and UMO are assumed to have been disposed by USV for a consideration of RM19.1 million as at 30 June 2013 and the consideration is set off against the amount owing to UMW Petropipe.

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UMW Oil & Gas Corporation Berhad
Notes to the Pro Forma Consolidated Statements of Financial Position as at 30 June 2013 (Contd.)

4.0 The Proposals and Events (Contd.)

Pro forma I (Contd.)

(c) Transfer of Equity Interests in USG, USG-E and USG-P

For the purpose of pro forma consolidated statements of financial position, USG, USG-E and USG-P are assumed to have been disposed by UMV to UMWC for a cash consideration of RM10.0 million as at 30 June 2013.

(d) Liquidation of UMD, UPC and UPD-S

For the purpose of pro forma consolidated statements of financial position, UMD, UPC and UPD-S are assumed to be liquidated as at 30 June 2013 and the recovery from liquidation of UMD and UPC is estimated to be RM0.3 million. The liquidation of UPD-S is estimated to result in a loss on liquidation of RM0.2 million.

(e) Internal Reorganisation

(i) Subscription by UMWH

UMW-OG increased its issued and paid-up ordinary share capital from RM2.00 to RM45,000,002 by way of the issuance of 90,000,000 ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share to UMWH.

(ii) Acquisitions

UMW-OG acquired the Proposed Subsidiaries and the Proposed Associate for a total cash consideration of RM149.9 million. The total consideration was satisfied by a cash payment of RM44.4 million, and the balance of RM105.5 million remains as an amount due to UMWC and UMW Petropipe.

Appendix I

UMW Oil & Gas Corporation Berhad
Notes to the Pro Forma Consolidated Statements of Financial Position as at 30 June 2013 (Contd.)

4.0 The Proposals and Events (Contd.)

Pro forma I (Contd.)

(e) Internal Reorganisation (Contd.)

(iii) Settlement of Intercompany Liabilities by UMW-OG

UMW-OG assumed the intercompany liabilities of its Proposed Subsidiaries and set off the amounts owed by UMW-OG Group to UMWH, UMWC and UMW Petropipe of RM730.1 million by way of the issuance of 1,460,199,996 new UMW-OG Shares to UMWH.

UMW-OG's accounting policy in relation to debt for equity swap with a shareholder is accounted for by recording the equity instruments issued at the carrying amount of the financial liability extinguished, as such no profit or loss is recognised upon settlement.

From UMW-OG Group perspective, UMW-OG is deemed to have issued equity for the acquisition of the Proposed Subsidiaries and the Proposed Associate pursuant to the Internal Reorganisation. Consequently, the equity issued by UMW-OG is recorded at the fair value of shares issued or fair value of business received.

For the purpose of accounting for the Internal Reorganisation, the purchase consideration of each of the Proposed Subsidiaries and the Proposed Associate in Pro forma I is based on an assumed fair value of RM2.80 per ordinary share of UMW-OG to be issued.

Pooling of interests method is applied for business combination under common control and involves the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts.

  No adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of the combination that would otherwise be done under the acquisition method;

- No 'new' goodwill is recognised as a result of the combination.

  The only goodwill that is recognised is the existing goodwill relating to the combining entities. Any difference between the consideration paid/transferred and the 'equity' acquired is reflected within equity as merger surplus or deficit.

UMW Oil & Gas Corporation Berhad
Notes to the Pro Forma Consolidated Statements of Financial Position as at 30 June 2013 (Contd.)

4.0 The Proposals and Events (Contd.)

Pro forma I (Contd.)

(e) Internal Reorganisation (Contd.)

From UMW-OG Group perspective, it issues 299,857,826 Shares in relation to the acquisition of the Proposed Subsidiaries and the Proposed Associate.

The difference between the par value of Shares issued of RM149.9 million (being 299,857,826 Shares at RM0.50 per Share) and fair value of Shares issued of RM839.6 million (299,857,826 Shares issued at a deemed fair value of RM2.80 per Share) amounted to RM689.7 million and is treated as "other reserves".

On the other hand, the application of pooling of interests method results in a merger deficit of RM689.7 million, being the difference between the fair value of Shares issued of RM839.6 million and the carrying value of equity acquired of RM149.9 million.

The merger deficit and the "other reserves" is set off as follows:

	RM'000
Fair value of UMW-OG Shares issued by UMW-OG	839,602
Less: Equity acquired pursuant to the Acquisitions	(149,929)
Merger deficit	689,673
Set off against other reserves	(689,673)
Net merger deficit	-

In summary, Pro forma I encompasses the following:

(i) Advances from UMWH of RM74.1 million resulting in the increase in the amount due to UMWH and its related companies and deposits, cash and bank balances.

(ii) Increase in the issued and paid-up share capital of UMW-OG from RM2 to RM45,000,002 by way of the issuance of 90,000,000 ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share to UMWH. This results in the increase in the net assets of UMW-OG from RM48.2 million (deficit) to RM3.2 million (deficit).

(iii) Increase in the net assets of UMW-OG from RM3.2 million (deficit, as mentioned in Note (ii) above) to RM237.1 million, arising from the acquisition of total assets and liabilities of the Proposed Subsidiaries and the Proposed Associate of RM2,443.6 million and RM2,203.3 million respectively.

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UMW Oil & Gas Corporation Berhad
Notes to the Pro Forma Consolidated Statements of Financial Position as at 30 June 2013 (Contd.)

4.0 The Proposals and Events (Contd.)

Pro forma I (Contd.)

(iv) Assumption of intercompany liabilities of the Proposed Subsidiaries resulting in decrease by RM68.4 million in amount due to holding company and its related companies and a corresponding decrease in amount due from related companies of holding company of RM32.9 million and a gain on de-recognition of financial liabilities of RM35.5 million.

(v) Settlement of amounts owed by UMW-OG Group to UMWH, UMWC and UMW Petropipe of RM730.1 million by way of issuance of 1,460,199,996 new UMW-OG Shares to UMWH.

An analysis of the movement of deposits, cash and bank balances are as follows:

	Note	RM'000
Deposits, cash and bank balances at 30 June 2013, before adjustments		5,012
Increase/(Decrease) in deposits, cash and bank balances:		
Advances from UMWH	4(a)	74,062
Transfer of Equity Interests in USG, USG-E, USG-P	4(c)	10,030
Recovery from liquidation of UMD and UPC	4(d)	338
Subscription by UMWH	4(e)(i)	45,000
Acquisitions	4(e)(ii)	(44,450)
Deposits, cash and bank balances of Proposed Subsidiaries acquired as at 30 June 2013		142,339
Deposits, cash and bank balances as at 30 June 2013 in Pro forma I		232,331

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For identification purposes only

Appendix I

UMW Oil & Gas Corporation Berhad
Notes to the Pro Forma Consolidated Statements of Financial Position as at 30 June 2013 (Contd.)

4.0 The Proposals and Events (Contd.)

Pro forma II

Pro forma II includes effects of Pro forma I and the IPO which is described below.

IPO

Upon completion of the Internal Reorganisation, UMW-OG undertakes the IPO of up to 843,180,000 IPO Shares, representing up to approximately 39.0% of the enlarged issued and paid-up share capital of UMW-OG. The IPO entails the following:

(i) Offer for Sale by UMWH of up to 231,380,000 Offer Shares, representing 10.7% of the enlarged issued and paid-up share capital of UMW-OG; and

(ii) Public Issue of 611,800,000 Issue Shares at an issue price of RM2.80 per share, representing 28.3% of the enlarged issued and paid-up share capital of UMW-OG.

The Offer for Sale by UMWH is not expected to have any effects on the issued and paid-up share capital of UMW-OG as the Offer Shares were already in existence prior to the IPO.

The estimated proceeds from the Public Issue of RM1,713.0 million increases the share capital and share premium by RM305.9 million and RM1,407.1 million respectively.

UMW-OG settles the outstanding balances of RM597.4 million owed by UMW-OG Group to the companies within the UMWH Group (other than companies within the UMW-OG Group) by way of cash using the proceeds to be raised through the IPO.

The listing expenses are estimated to be RM100.0 million, of which, RM51.5 million and RM48.5 million will be borne by UMWH and UMW-OG respectively. RM36.1 million of the listing expenses borne by UMW-OG is written off against share premium and the remaining of RM12.4 million is recognised in the Statement of Comprehensive Income.

Consequently, the net proceeds raised through the IPO is RM1,067.1 million.

UMW Oil & Gas Corporation Berhad

Notes to the Pro Forma Consolidated Statements of Financial Position as at 30 June 2013 (Contd.)

5.0 Summary of movement in (Shareholders' deficit)/Total equity

	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Merger deficit RM'000	(Accumulated losses)/ Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	(Shareholders' deficit)/Total equity RM'000
Audited at 30 June 2013	**	-	-	-	(48,197)	(48,197)	-	(48,197)
Adjustments in relation to Pro forma I:								
Subscription by UMWH	45,000	-	-	-	-	45,000	-	45,000
Acquisitions	-	-	695,590	(689,673)	229,307	235,224	5,302	240,526
Liquidation of UPD-S	-	-	-	-	(211)	(211)	-	(211)
Merger deficit set off against other reserves	-	-	(689,673)	689,673	-	-	-	-
Assumption of Intercompany Liabilities by UMW-OG	-	-	-	-	35,467	35,467	-	35,467
Settlement of Intercompany Liabilities by UMW-OG	730,100	-	-	-	-	730,100	-	730,100
Pro forma I	775,100	-	5,917	-	216,366	997,383	5,302	1,002,685
Adjustments in relation to Pro forma II:								
Public Issue:								
- Proceeds from Public Issue	305,900	1,407,140	-	-	-	1,713,040	-	1,713,040
- Estimated listing expenses arising from Public Issue	-	(36,101)	-	-	(12,376)	(48,477)	-	(48,477)
Pro forma II	1,081,000	1,371,039	5,917	-	203,990	2,661,946	5,302	2,667,248

** The Company has an issued and paid up share capital of RM2, representing 4 ordinary shares of RM0.50 each.

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12.6 DIVIDEND POLICY

As we are a holding company, our Company's income, and therefore our ability to pay dividends, is dependent upon the dividends and other distributions we receive from our subsidiaries and associate.

The payment of dividends by our subsidiaries and associate will depend upon their distributable reserves, operating results, financial condition, capital expenditure plans, debt servicing and other obligations or business plans and applicable laws or agreements restricting their ability to pay dividends or make other distributions. In addition, changes in applicable accounting standards may also affect the ability of our subsidiaries, and consequently, our ability, to declare and pay dividends.

Currently, we do not have any fixed dividend policy. We intend to adopt a policy of active capital management and any proposed dividends that our Board may recommend or declare in respect of any particular financial year or period will take into account various factors including:

(i) the level of our cash, gearing, return on equity and retained earnings;

(ii) our financial performance;

(iii) our projected levels of capex and other investment plans; and

(iv) our working capital requirements.

The actual dividend that our Board may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined above and the absence of any circumstances which may affect or restrict our ability to pay dividends as well as any other factors deemed relevant by our Board.

See Section 5.3.4 of this Prospectus for the factors which may affect or restrict our ability to pay dividends.

No inference should be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

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