

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31
DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON**




**UMW OIL & GAS CORPORATION BERHAD
(878786-H)
(Incorporated in Malaysia)**

**Directors' Report and Audited Financial Statements
31 December 2016**

CERTIFIED TRUE COPY




Ahmad Zahirudin Bin Abdul Rahim
No. 02607/12/2018 J
Chartered Accountant

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

UMW OIL & GAS CORPORATION BERHAD
(Incorporated in Malaysia)

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UMW OIL & GAS CORPORATION BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Group and the Company are referred to in Note 1 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

The results of the Group and of the Company for the financial year ended 31 December 2016 are as follows:

	Group RM'000	Company RM'000
Loss for the year	(1,183,447)	(287,462)
Attributable to:		
Equity holders of the Company	(1,177,379)	(287,462)
Non-controlling interests	(6,068)	-
	<u>(1,183,447)</u>	<u>(287,462)</u>

As at 31 December 2016, the Group had impaired its assets by RM780,265,000. Further details are disclosed in Note 4 to the financial statements.

Other than the above, there were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri Asmat bin Kamaludin
Dato' Abdul Rahman bin Ahmad (appointed on 19 January 2017)
Badrul Feisal bin Abdul Rahim
Rohaizad bin Darus
Dr. Leong Chik Weng (resigned on 24 February 2017)
Razalee bin Amin
Dato' Afifuddin bin Abdul Kadir
Cheah Tek Kuang
Dato' Ibrahim bin Marsidi
Fina Norhizah binti Hj Baharu Zaman (resigned on 1 March 2017)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during the year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company or a related corporation as shown in Note 24 and Note 26 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 35 to the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
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DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the directors in office at the end of the financial year did not have any interest in the shares of the Company or in the shares of the holding company, UMW Holdings Berhad or its related corporations except for the following:

	Number of Ordinary Shares of RM0.50 Each			
	1 January 2016	Bought	Sold	31 December 2016
The Company				
Direct interest				
Razalee bin Amin	203,000	-	-	203,000
Dato' Afifuddin bin Abdul Kadir	275,000	-	-	275,000
Cheah Tek Kuang	120,000	-	120,000	-
Dato' Ibrahim bin Marsidi	30,000	-	-	30,000
Fina Norhizah binti Hj Baharu Zaman	20,000	-	-	20,000
Rohaizad bin Darus	1,000,000	-	-	1,000,000
Indirect interest				
Tan Sri Asmat bin Kamaludin	304,000	-	304,000	-
Cheah Tek Kuang	6,000	20,000	-	26,000
The Holding Company				
Indirect interest				
Tan Sri Asmat bin Kamaludin	18,000	-	-	18,000

OTHER STATUTORY INFORMATION

- (a) Before the statements of financial position and statements of comprehensive income of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for impairment on receivables and satisfied themselves that all known bad debts had been written off and that adequate allowance for impairment on receivables has been made; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

OTHER STATUTORY INFORMATION (CONT'D.)

- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the allowance for impairment on receivables in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any material contingent liability of the Group and of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 39 to the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 10 April 2017.


TAN SRI ASMAT BIN KAMALUDIN


ROHAIZAD BIN DARUS

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

UMW OIL & GAS CORPORATION BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, TAN SRI ASMAT BIN KAMALUDIN and ROHAIZAD BIN DARUS, being two of the directors of UMW OIL & GAS CORPORATION BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 14 to 116 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 40 on page 117 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 10 April 2017.



TAN SRI ASMAT BIN KAMALUDIN



ROHAIZAD BIN DARUS

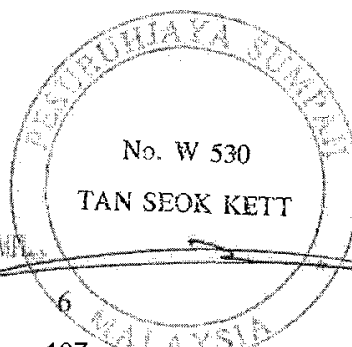
STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, WAI THUY FONG, being the officer primarily responsible for the financial management of UMW OIL & GAS CORPORATION BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 14 to 117 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed WAI THUY FONG
at Kuala Lumpur in the Federal Territory
on 10 April 2017

Before me,

Lot 350, 3rd Floor, Wisma MPA,
Jalan Raja Chulan,
50200 Kuala Lumpur.



WAI THUY FONG

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)



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**Independent auditors' report to the members of
UMW Oil & Gas Corporation Berhad
(Incorporated in Malaysia)**

Report on the financial statements

Opinion

We have audited the financial statements of UMW Oil & Gas Corporation Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 14 to 116.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)**Independent auditors' report to the members of
UMW Oil & Gas Corporation Berhad (Cont'd.)
(Incorporated in Malaysia)***Key Audit Matters (cont'd.)*

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Impairment of property, plant and equipment

As at 31 December 2016, the property, plant and equipment of the Group mainly consist of drilling rigs, hydraulic workover units and drilling-related equipment. The significant downturn in the oil and gas industry and the low utilisation of the drilling rigs and hydraulic workover units during the year are indication that the assets may be impaired. Management has performed an impairment assessment to estimate the value in use of the assets based on discounted future cash flows.

This area was important to our audit due to the significance of the carrying value of the drilling rigs, hydraulic workover units, and drilling-related equipment, as well as the significant judgment involved in formulating assumptions to the cash flow projections.

Our audit procedures included, amongst others, the review of the underlying assumptions used to prepare the projections, such as the assets' utilisation, operating day rates, and the duration of the current downturn in the industry. We corroborated the key assumptions with industry analysts' views, management's plans and existing contracts, where applicable.

We have also reviewed the methodology of impairment assessment and assessed the reasonableness of the discount factor used, and performed sensitivity analysis of the changes in key assumptions. Furthermore, we focused on the adequacy of the disclosures on the assumptions and the outcome of the impairment test. The Board of Directors' conclusion on the impairment assessment and related disclosures are included in Note 4 of the financial statements.

Inventory-related controls and stock takes

As at 31 December 2016, the inventories of the Group mainly consist of raw materials, spare parts, and consumables used in the subsidiaries' operations which entail the charter of drilling rigs and hydraulic-workover units. As such, the inventories are situated at multiple locations, both onshore and offshore. We have identified this as a key audit area due to the multiple locations of the inventories, and material misstatement arising from the risk of potential delays in the recording of the receipt and utilisation of inventories.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)



**Independent auditors' report to the members of
UMW Oil & Gas Corporation Berhad (Cont'd.)
(Incorporated in Malaysia)**

Key Audit Matters (cont'd.)

Inventory-related controls and stock takes (cont'd.)

We assessed through observation, interview and re-performance on a sample basis, the adequacy of group controls over the inventory, including the procedures for goods transferred between locations, guidelines for urgent purchases, the physical security of the inventory, and stock takes.

We attended and observed physical stock takes conducted by management for selected locations to verify adherence to stock take processes. We sought to understand and corroborate the reasons for significant or unusual movements in inventory quantities between the accounting records and the physical stock takes, and we reviewed and tested management's reconciliation between the book inventory balance and the physical count results. We evaluated the roll forward of inventory from the point of stock take to the year end to assess for potential misstatement.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the annual report, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)



**Independent auditors' report to the members of
UMW Oil & Gas Corporation Berhad (Cont'd.)
(Incorporated in Malaysia)**

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)



**Independent auditors' report to the members of
UMW Oil & Gas Corporation Berhad (Cont'd.)
(Incorporated in Malaysia)**

Auditors' responsibilities for the audit of the financial statements (cont'd.)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)



**Independent auditors' report to the members of
UMW Oil & Gas Corporation Berhad (Cont'd.)
(Incorporated in Malaysia)**

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) *In our opinion*, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 33 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are *in form* and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries were *not* subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other reporting responsibilities

The supplementary information set out in Note 40 on page 117 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)



**Independent auditors' report to the members of
UMW Oil & Gas Corporation Berhad (Cont'd.)
(Incorporated in Malaysia)**

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

A stylized, handwritten signature in black ink, consisting of a series of connected loops and lines.

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
10 April 2017

A handwritten signature in black ink, appearing to be 'Ahmad Zahirudin Bin Abdul Rahim', written in a cursive style.

Ahmad Zahirudin Bin Abdul Rahim
No. 02607/12/2018 J
Chartered Accountant

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
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UMW OIL & GAS CORPORATION BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 RM'000	2015 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	5,298,125	6,081,634
Land use rights	5	2,514	2,631
Intangible assets	6	-	-
Investment in associate	8	2,571	2,073
Deferred tax assets	9	112	204
Derivative assets	10	5,071	2,636
Deposit at bank	15	336,450	-
		<u>5,644,843</u>	<u>6,089,178</u>
Current assets			
Inventories	11	211,916	204,508
Other investments	12	-	89,565
Receivables	13	132,276	283,331
Tax recoverable		2,948	2,696
Derivative assets	10	489	232
Due from related companies	14	2,547	3,666
Deposits, cash and bank balances	15	555,021	973,807
		<u>905,197</u>	<u>1,557,805</u>
TOTAL ASSETS		<u>6,550,040</u>	<u>7,646,983</u>
EQUITY AND LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	9	-	1,098
Due to holding company	14	308,000	-
Long term borrowings	16	2,272,773	1,746,965
		<u>2,580,773</u>	<u>1,748,063</u>
Current liabilities			
Taxation		634	1,143
Short term borrowings	18	1,499,745	2,257,330
Payables	19	205,397	294,235
Due to related companies	14	2,290	2,775
		<u>1,708,066</u>	<u>2,555,483</u>
Total liabilities		<u>4,288,839</u>	<u>4,303,546</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

UMW OIL & GAS CORPORATION BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016 (CONT'D.)

	Note	2016 RM'000	2015 RM'000
Equity			
Equity attributable to equity holders of the Company			
Share capital	20	1,081,000	1,081,000
Share premium	20	1,372,819	1,372,819
Other reserves	21	837,298	734,931
(Accumulated losses)/retained profits		<u>(1,033,129)</u>	<u>144,250</u>
		2,257,988	3,333,000
Non-controlling interests		<u>3,213</u>	<u>10,437</u>
Total equity		<u>2,261,201</u>	<u>3,343,437</u>
TOTAL EQUITY AND LIABILITIES		<u>6,550,040</u>	<u>7,646,983</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

UMW OIL & GAS CORPORATION BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 RM'000	2015 RM'000
Revenue	22	321,053	839,877
Other operating income	23	27,650	35,994
Changes in inventories		152	33
Finished goods purchased		(70)	(1,956)
Raw materials and consumables used		(54,425)	(77,670)
Employee benefits	24	(123,352)	(188,561)
Depreciation and amortisation		(291,191)	(246,119)
Impairment provisions	25	(781,200)	(347,722)
Other operating expenses	26	(178,966)	(324,230)
Loss from operations		(1,080,349)	(310,354)
Finance costs	27	(118,233)	(64,059)
Investment income	28	16,899	25,466
Share of results of associate		419	521
Loss before tax		(1,181,264)	(348,426)
Income tax expense	29	(2,183)	(20,005)
Loss for the year		(1,183,447)	(368,431)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

UMW OIL & GAS CORPORATION BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONT'D.)

	Note	2016 RM'000	2015 RM'000
Loss for the year		(1,183,447)	(368,431)
Other comprehensive income:			
Foreign currency translation		98,520	501,174
Cash flow hedges:-			
Fair value gain		8,437	3,805
Reclassified to profit or loss		(5,746)	(937)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):		<u>101,211</u>	<u>504,042</u>
Total comprehensive (loss)/income for the year		<u>(1,082,236)</u>	<u>135,611</u>
Loss attributable to:			
Equity holders of the Company		(1,177,379)	(369,277)
Non-controlling interests		(6,068)	846
		<u>(1,183,447)</u>	<u>(368,431)</u>
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		(1,075,012)	133,174
Non-controlling interests		(7,224)	2,437
		<u>(1,082,236)</u>	<u>135,611</u>
Basic/diluted loss per share attributable to equity holders of the Company (sen)	30	<u>(54.46)</u>	<u>(17.08)</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON (Cont'd)

UMW Oil & Gas Corporation Berhad
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Non-distributable					Distributable			Total equity RM'000		
	Share capital RM'000 (Note 20)	Share premium RM'000 (Note 20)	Share options reserve RM'000 (Note 21)	Capital reserve RM'000 (Note 21)	Gain on derecognition of intercompany financial liabilities RM'000 (Note 21)	Foreign currency translation reserve RM'000 (Note 21)	Hedging reserve RM'000 (Note 21)	Retained profits/ losses) RM'000		Non- controlling interests RM'000	
At 1 January 2015	1,081,000	1,372,819	3,243	698	78,145	150,394	-	513,527	8,000	3,207,826	
(Loss)/profit for the year	-	-	-	-	-	-	-	(369,277)	846	(368,431)	
Other comprehensive income for the year	-	-	-	-	-	499,583	2,868	-	502,451	504,042	
Total comprehensive income for the year	-	-	-	-	-	499,583	2,868	(369,277)	133,174	2,437	
At 31 December 2015	1,081,000	1,372,819	3,243	698	78,145	649,977	2,868	144,250	3,333,000	10,437	3,343,437

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON (Cont'd)

UMW Oil & Gas Corporation Berhad
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONT'D.)**

	Non-distributable					Distributable			Total equity RM'000		
	Share capital RM'000 (Note 20)	Share premium RM'000 (Note 20)	Share options reserve RM'000 (Note 21)	Capital reserve RM'000 (Note 21)	derecognition of intercompany financial liabilities RM'000 (Note 21)	Foreign currency translation reserve RM'000 (Note 21)	Hedging reserve RM'000 (Note 21)	Retained profits/ losses RM'000		Non-controlling interests RM'000	
At 1 January 2016	1,081,000	1,372,819	3,243	698	78,145	649,977	2,868	144,250	3,333,000	10,437	3,343,437
Loss for the year	-	-	-	-	-	-	-	(1,177,379)	(1,177,379)	(6,068)	(1,183,447)
Other comprehensive income for the year	-	-	-	-	-	99,676	2,691	-	102,367	(1,156)	101,211
Total comprehensive income/ (loss) for the year	-	-	-	-	-	99,676	2,691	(1,177,379)	(1,075,012)	(7,224)	(1,082,236)
At 31 December 2016	1,081,000	1,372,819	3,243	698	78,145	749,653	5,559	(1,033,129)	2,257,988	3,213	2,261,201

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

UMW OIL & GAS CORPORATION BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 RM'000	2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(1,181,264)	(348,426)
Adjustments for:		
Depreciation and amortisation	291,191	246,119
Impairment loss on goodwill (Note 6)	-	11,291
Impairment loss on property, plant and equipment (Note 4)	780,265	336,431
Interest expense	118,233	64,059
Investment income	(16,899)	(25,466)
Net loss on disposal of property, plant and equipment	625	69
Property, plant and equipment written off	6,826	14,054
Share of results of associate	(419)	(521)
Net fair value gain on derivatives	-	(604)
Net fair value loss/(gain) on investments in money market fund	52	(240)
Provision for impairment in amount due from fellow subsidiaries	935	-
Net unrealised foreign exchange loss	17,430	1,586
Operating profit before working capital changes	16,975	298,352
Decrease in receivables	157,198	198,294
Decrease/(increase) in inventories	666	(64,631)
(Decrease)/increase in payables	(119,093)	26,557
Net changes in related companies balances	(302)	(235)
Net cash generated from operations	55,444	458,337
Interest paid	(115,450)	(66,003)
Taxes paid	(3,947)	(17,035)
Net cash (used in)/generated from operating activities	(63,953)	375,299
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	16,288	24,389
Purchase of property, plant and equipment	(57,036)	(1,773,105)
Proceeds from disposal of property, plant and equipment	401	421
Proceeds from disposal of money market fund	90,864	210,013
Dividend received from an associate	321	669
Cash outflow on investment in money market fund	(1,351)	(299,338)
Net cash generated from/(used in) investing activities	49,487	(1,836,951)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

UMW OIL & GAS CORPORATION BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONT'D.)

	2016 RM'000	2015 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on loan advances received from holding company	308,000	-
Repayment of long term borrowings	(259,614)	(184,340)
Drawdown of long term borrowings	646,644	730,660
Net movement in short term borrowings	(784,355)	686,355
Dividend paid	-	(21,620)
Placement of restricted cash deposits in licensed banks	(558,275)	-
Net cash (used in)/generated from financing activities	<u>(647,600)</u>	<u>1,211,055</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(662,066)	(250,597)
CASH AND CASH EQUIVALENTS AT BEGINNING		
OF THE YEAR	973,807	1,178,046
EFFECTS OF EXCHANGE RATE CHANGES	21,455	46,358
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>333,196</u>	<u>973,807</u>
Cash and cash equivalents comprise:		
Deposits with licensed banks - Non-current (Note 15)	336,450	-
Deposits with licensed banks - Current (Note 15)	483,386	752,364
Cash and bank balances (Note 15)	71,635	221,443
	<u>891,471</u>	<u>973,807</u>
Less: Restricted cash (Note 15)	(558,275)	-
	<u>333,196</u>	<u>973,807</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

UMW OIL & GAS CORPORATION BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 RM'000	2015 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	2,568	2,943
Investment in subsidiaries	7	2,248,700	2,336,729
Due from related companies	14	1,635,124	-
		<u>3,886,392</u>	<u>2,339,672</u>
Current assets			
Other investments	12	-	75,642
Receivables	13	1,221	1,793
Tax recoverable		175	-
Due from related companies	14	96,478	1,679,681
Deposits, cash and bank balances	15	421,588	726,067
		<u>519,462</u>	<u>2,483,183</u>
TOTAL ASSETS		<u>4,405,854</u>	<u>4,822,855</u>
EQUITY AND LIABILITIES			
Non-current liabilities			
Due to holding company	14	308,000	-
Long term borrowings	16	676,032	703,007
		<u>984,032</u>	<u>703,007</u>
Current liabilities			
Taxation		-	619
Short term borrowings	18	1,035,674	1,437,410
Payables	19	9,273	8,302
Due to related companies	14	2,077	11,257
		<u>1,047,024</u>	<u>1,457,588</u>
Total liabilities		<u>2,031,056</u>	<u>2,160,595</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

UMW OIL & GAS CORPORATION BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016 (CONT'D.)

	Note	2016 RM'000	2015 RM'000
Equity			
Equity attributable to equity holders of the Company			
Share capital	20	1,081,000	1,081,000
Share premium	20	1,372,819	1,372,819
Other reserves		78,145	78,145
(Accumulated losses)/retained profits		(157,166)	130,296
Total equity		<u>2,374,798</u>	<u>2,662,260</u>
TOTAL EQUITY AND LIABILITIES		<u>4,405,854</u>	<u>4,822,855</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

UMW OIL & GAS CORPORATION BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 RM'000	2015 RM'000
Revenue	22	16,897	13,212
Other operating income	23	34,737	61,408
Employee benefits	24	(15,881)	(18,368)
Depreciation		(953)	(1,029)
Impairment provisions	25	(320,376)	-
Other operating expenses	26	(11,638)	(11,210)
(Loss)/profit from operations		<u>(297,214)</u>	44,013
Finance costs	27	(57,857)	(28,034)
Investment income	28	69,297	62,999
(Loss)/profit before tax		<u>(285,774)</u>	78,978
Income tax expense	29	(1,688)	(3,178)
(Loss)/profit for the year, representing total comprehensive (loss)/income for the year		<u>(287,462)</u>	<u>75,800</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

UMW OIL & GAS CORPORATION BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital RM'000 (Note 20)	Share premium RM'000 (Note 20)	<-- Non-distributable --> Gain on derecognition of financial liabilities RM'000 (Note 21)	Distributable Retained profits/ (Accumulated losses) RM'000	Total equity RM'000
At 1 January 2015	1,081,000	1,372,819	78,145	54,496	2,586,460
Total comprehensive income	-	-	-	75,800	75,800
At 31 December 2015	<u>1,081,000</u>	<u>1,372,819</u>	<u>78,145</u>	<u>130,296</u>	<u>2,662,260</u>
At 1 January 2016	1,081,000	1,372,819	78,145	130,296	2,662,260
Total comprehensive loss	-	-	-	(287,462)	(287,462)
At 31 December 2016	<u>1,081,000</u>	<u>1,372,819</u>	<u>78,145</u>	<u>(157,166)</u>	<u>2,374,798</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

UMW OIL & GAS CORPORATION BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 RM'000	2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	(285,774)	78,978
Adjustments for:		
Depreciation of plant and equipment	953	1,029
Interest expense	57,857	28,034
Investment income	(69,297)	(62,999)
Net unrealised foreign exchange loss/(gain)	10,246	(27,129)
Property, plant and equipment written off	-	1
Net fair value loss/(gain) on investments in money market fund	52	(234)
Dividend income	(6,592)	-
Loss on disposal of plant and equipment	34	26
Provision for impairment in investment in subsidiary	288,029	-
Provision for impairment in amount due from subsidiaries	32,347	-
Operating profit before working capital changes	<u>27,855</u>	<u>17,706</u>
Decrease/(increase) in other receivables	498	(428)
Decrease in other payables	(57)	(3,864)
Net changes in related companies balances	123,266	112,374
Cash generated from operating activities	<u>151,562</u>	<u>125,788</u>
Tax paid	(2,483)	(2,069)
Net cash generated from operating activities	<u>149,079</u>	<u>123,719</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	14,018	25,239
Advances to subsidiaries	(285,409)	(1,406,305)
Purchase of plant and equipment	(761)	(1,608)
Proceeds from disposal of plant and equipment	149	102
Proceeds from disposal of money market fund	76,327	210,013
Cash outflow on investment in money market fund	(737)	(285,421)
Dividend received from a subsidiary	6,592	-
Net cash used in investing activities	<u>(189,821)</u>	<u>(1,457,980)</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

UMW OIL & GAS CORPORATION BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONT'D.)

	2016 RM'000	2015 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	(21,620)
Repayment of long term borrowings	(28,863)	-
Drawdown of long term borrowings	-	730,646
Net movement in short term borrowings	(486,047)	434,313
Proceeds on loan advances received from holding company	308,000	-
Interest paid	(56,827)	(22,766)
Placement of restricted cash deposit in licensed bank	(221,825)	-
Net cash (used in)/generated from financing activities	<u>(485,562)</u>	<u>1,120,573</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(526,304)	(213,688)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>726,067</u>	<u>939,755</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>199,763</u>	<u>726,067</u>
Cash and cash equivalents comprise:		
Deposits with licensed banks (Note 15)	421,024	678,445
Cash and bank balances (Note 15)	564	47,622
	<u>421,588</u>	<u>726,067</u>
Less: Restricted cash (Note 15)	<u>(221,825)</u>	<u>-</u>
	<u>199,763</u>	<u>726,067</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

UMW OIL & GAS CORPORATION BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

UMW Oil & Gas Corporation Berhad ("UMW-OG") is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The registered office of UMW-OG is located at Level 18, Block 3A, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur.

The holding company of the Company is UMW Holdings Berhad ("UMWH"), a public limited liability company incorporated and domiciled in Malaysia and is listed on the Bursa Malaysia.

The principal activity of the Company is to carry on the business of an investment holding company and to provide full corporate management, administrative and professional services as well as financial support to its subsidiary companies. The principal activities of the subsidiaries and associate are described in Notes 33 and 34, respectively.

The Group is principally engaged in:

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 10 April 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements comply with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 Basis of preparation (Cont'd.)

On 1 January 2016, the Group and the Company adopted the new and amended MFRSs (collectively referred to as "pronouncements") issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for the financial periods beginning on or after 1 January 2016 as described fully in Note 2.3.

MASB has also issued new and revised MFRS which are not yet effective for the Group and the Company and therefore, have not been implemented by the Group and the Company in these financial statements as set out in Note 2.4.

The financial statements of the Group and of the Company have been prepared on a historical cost basis unless otherwise indicated in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2.2 Summary of significant accounting policies

(a) Basis of consolidation, subsidiaries and associate

(i) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the Company and its subsidiaries used in the preparation of the consolidated financial statements are prepared as of the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its investment with the investee; and
- The ability to use its power over the investee to affect its returns.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(a) Basis of consolidation, subsidiaries and associate (Cont'd.)

(i) Basis of consolidation (Cont'd.)

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated from the effective date of acquisition, being a date on which the Group obtains control, and continue to be consolidated until the date that such control ceases, being the effective date of disposal.

Intragroup transactions, balances and resulting unrealised gains are eliminated in full on consolidation. The consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31
DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(a) Basis of consolidation, subsidiaries and associate (Cont'd.)

(i) Basis of consolidation (Cont'd.)

Loss of control

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets and liabilities of the subsidiary and any goodwill outstanding (net of any non-controlling interest) at the date the Group loses control, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost, is regarded as the cost on initial recognition of an investment in an associate.

Business combinations

Business combinations, other than business combinations under common control, are accounted for using the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition-date fair value and the amount of any non-controlling interest in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of acquiree's identifiable net assets. For business combinations after 1 January 2011, acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 either in profit or loss or as a change in other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(a) Basis of consolidation, subsidiaries and associate (Cont'd.)

(i) Basis of consolidation (Cont'd.)

Business combinations (Cont'd.)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. The accounting policy for goodwill is set out in Note 2.2(h).

Business combinations under common control

Business combinations under common control are accounted for in the consolidated accounts retrospectively from the date the ultimate holding company obtains the ownership interest. Assets and liabilities are recognised upon consolidation at their carrying amount in the consolidated financial statements of the ultimate holding company. Any difference between the fair value of the consideration paid and the amounts at which the assets and liabilities are recorded is recognised directly in equity.

Non-controlling interests

Non-controlling interests in the consolidated statement of comprehensive income and consolidated statement of financial position represent the portion of profit or loss or net assets in subsidiaries not held by the Group. Non-controlling interests in the consolidated statements of financial position consist of the non-controlling interests' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the non-controlling interests' share of movement in the acquiree's equity since then.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(a) Basis of consolidation, subsidiaries and associate (Cont'd.)

(i) Basis of consolidation (Cont'd.)

Non-controlling interests (Cont'd.)

Acquisitions of non-controlling interests are accounted for using the entity concept method, whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised directly in equity.

(ii) Subsidiaries

A subsidiary is an entity over which the Group has all the following:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its investment with the investee; and
- The ability to use its power over the investee to affect its returns.

(iii) Associate

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investment in associate is accounted for in the consolidated financial statements using the equity method of accounting as described in Note 2.2(a)(iv).

(iv) Equity method of accounting

Under the equity method, the investments in associate are carried in the consolidated statements of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(a) Basis of consolidation, subsidiaries and associate (Cont'd.)

(iv) Equity method of accounting (Cont'd.)

In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss. An associate is equity accounted for from the date on which the investee becomes an associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investments is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the year in which the investment is acquired.

When the Group's share of losses in the associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associate are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting year of the Group. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(a) Basis of consolidation, subsidiaries and associate (Cont'd.)

(iv) Equity method of accounting (Cont'd.)

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(v) Separate financial statements

In the separate financial statements of the Company and the Group's subsidiaries, investments in subsidiaries and associate are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(b) 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 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 the Group and the cost of the item can be measured reliably.

Subsequent to initial 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, the Group recognises 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 and drydocking. All other repair and maintenance costs are recognised in profit or loss as incurred.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(b) Property, plant and equipment (Cont'd.)

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 hydraulic workover units ("HWUs")	10 - 30 years
Drilling equipment	2 - 30 years
Buildings	10 - 20 years
Plant and machinery	2 - 30 years
Office equipment, furniture and fittings	3 - 12 years
Motor vehicles	5 years
Renovation and improvements	5 years

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 period 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. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(r).

(c) Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

Upon the disposal of land use rights, the difference between the net disposal proceeds and the net carrying amount is recognised in profit or loss.

When an indication of impairment exists, the carrying amount of the land use rights is written down immediately to its recoverable value. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(r).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(d) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and loans and receivables. The Group does not have any financial assets designated as available-for-sale or held-to-maturity investments.

(i) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other expenses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(d) Financial assets (Cont'd.)

(ii) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through amortisation process.

Loans and receivables are classified as current assets, except for those with maturity dates later than 12 months from the reporting date are classified as non-current.

Loans and receivables of the Group comprise of trade and other receivables (other than deferred expenses, accrued income and prepayments), due from related companies, deposits and cash and bank balances.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(e) Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has occurred, the Group considers 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 the Group's 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 default 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 uncollectible, 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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(f) Cash and cash equivalents

Cash and cash equivalents include cash and bank balances and deposits at call with licensed banks with a maturity of three months or less.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. In arriving at net realisable value, due allowance has been made for obsolete and slow-moving items.

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

Finished goods, raw materials, spares and consumables	- Weighted average
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Cost of finished goods, raw materials, spares and consumables represent cost of purchase.

(h) Intangible assets

Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. On disposal of an entity, the carrying amount of goodwill is taken into account in determining gains and losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's Cash-Generating Units ("CGU") that are expected to benefit from the synergies of the combination.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(h) Intangible assets (Cont'd.)

Goodwill (Cont'd.)

The CGU to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the CGU may be impaired, by comparing the carrying amount of the CGU, including the allocated goodwill, with the recoverable amount of the CGU. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair value of the operation disposed of and the portion of the CGU retained.

(i) Foreign currencies

(i) Functional and presentation currency

The financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RM, which is also the Company's functional currency.

(ii) Foreign currency transactions

Transactions in currencies other than the Company's and its subsidiaries' functional currency ("foreign currencies") are initially converted into functional currency at rates of exchange ruling at the transaction dates.

Non-monetary items

At each financial reporting date, foreign currency non-monetary items which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate when the fair values were determined.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(i) Foreign currencies (Cont'd.)

(ii) Foreign currency transactions (Cont'd.)

Monetary items

At each reporting date, monetary items denominated in foreign currencies are translated into functional currency at exchange rates ruling at that date.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation are taken directly to the foreign currency translation reserve within other comprehensive income until the disposal of the foreign operations, at which time they are recognised in profit or loss.

(iii) Foreign operations

Financial statements of foreign subsidiaries which are consolidated are translated at year-end exchange rates with respect to the assets and liabilities, and at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions with respect to profit or loss. All resulting translation differences are included in the foreign currency translation reserve within other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operation and are recorded in the functional currency of the foreign operation and translated at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign operation before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the exchange rate ruling at the date of the transaction.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(j) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

(ii) Other financial liabilities

The Group's other financial liabilities include trade payables, other payables (other than deferred income and provisions), loans and borrowings and amounts due to related companies.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(j) Financial liabilities (Cont'd.)

(ii) Other financial liabilities (Cont'd.)

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(k) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(m) Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

(n) Income tax

Income tax on the profit or loss for the period comprises current tax and deferred tax. Current tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of taxable temporary differences associated with investments in subsidiaries and associate, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(n) Income tax (Cont'd.)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except in respect of deductible temporary differences associated with investments in subsidiaries and associate, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(o) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(i) Revenue from provision of drilling and workover services and related expenses

Revenue from the provision of drilling and workover services include minimum lease payments from customers under day-rate based contracts and other services. Revenue generated from day-rate based contracts, which are classified as operating leases by the Group, are recognised over the period the service is rendered.

Day-rate based contracts may include lump-sum fee for mobilisation and demobilisation which are recognised based on the policies stated in Note 2.2(o)(ii) and (iii). Fees received from customer under contract for upgrade to the rig is deferred and recognised over the contract term.

Additional payments for meeting or exceeding certain performance targets are recognised when it is probable that the economic benefits associated with the transaction will flow to the entity.

(ii) Lump sum mobilisation fees received

Lump sum mobilisation fees received on drilling and workover services contracts are deferred and recognised on a straight-line basis over the period that the related drilling services are performed.

Mobilisation costs incurred as part of a contract are deferred and recognised as expense over the contract period. The costs of relocating drilling rigs that are not under a contract are expensed as incurred.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(o) Revenue recognition (Cont'd.)

(iii) Demobilisation fees received

Demobilisation costs are costs related to the transfer of a drilling rig to a safe harbour or different geographical area and are expensed as incurred.

Demobilisation fees on drilling and workover services contracts are recognised as and when services are rendered, or at the point when it becomes known and certain that demobilisation fee can be charged to the customer.

(iv) Sale of goods

Revenue from sale of goods is recognised net of sales discounts when transfer of significant risks and rewards of ownership has been completed. Revenue is recognised net of sales tax, goods and service tax and includes excise duties.

(v) Rendering of services

Revenue from services rendered is recognised net of service tax on accrual basis as and when services are performed.

(vi) Rental income

Rental income from operating leases are accounted for on a straight-line basis over the lease terms:

(vii) Dividend income

Dividend income is recognised when the shareholders' rights to receive payment is established.

(viii) Interest income

Interest income is recognised using the effective interest method.

(ix) Management fees

Management fees are recognised when services are rendered.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(p) Leases

(i) As lessee

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. All other leases are classified as operating leases. Finance lease assets are capitalised at the lower of the fair value of the leased asset or the present value of the minimum lease payments, at the inception of the lease. The corresponding lease obligations, net of finance charges are included in borrowings. The interest rate implicit in the lease is used as the discount factor in calculating the present value of the minimum lease payments. Initial direct costs incurred are included as part of the asset.

The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the outstanding balance of the liability for each period.

The depreciation policy for assets held under finance leases is consistent with that for depreciable property, plant and equipment as described in Note 2.2(b).

Lease rental payments on operating leases are recognised in profit or loss on a straight-line basis over the period of the lease.

(ii) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.2(o)(vi).

(q) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(q) Employee benefits (Cont'd.)

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund. Some of the Group's foreign subsidiaries also make contribution to their respective countries' statutory pension schemes. The contributions are recognised as an expense in profit or loss as incurred.

(r) 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 CGU to which the asset belongs.

An asset's recoverable amount is the higher of the asset's or CGU'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 CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the 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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(r) Impairment of non-financial assets (Cont'd.)

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 assumptions 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.

(s) Segment reporting

For management purposes, the Group is organised into operating segments based on nature of services which are managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the President who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 32, including the factors used to identify the reportable segments and the measurement basis of segment information.

(t) Fair value measurement

MFRS 13, Fair Value Measurement prescribed that fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

Financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of the reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models. Where fair value cannot be reliably estimated, assets are carried at cost less impairment losses, if any.

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(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(u) Hedge accounting

The Group uses interest rate swaps to manage its exposures to interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedge item affects profit or loss.

For the purpose of hedge accounting, hedging relationship is classified as:

- (i) Fair value hedges, when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- (ii) Cash flow hedges, when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- (iii) Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

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(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(u) Hedge accounting (Cont'd.)

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income into cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss as other operating expenses.

Amounts recognised in other comprehensive income previously are reclassified from equity to profit or loss when the hedged transaction affects profit or loss, such as when the hedged interest income or interest expense is recognised or when a forecast sale occurs. Where the hedged item is a non-financial asset or a non-financial liability, the amounts recognised previously in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remain in equity until the forecast transaction or firm commitment affects profit or loss.

(v) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2016, the Group and the Company adopted the following amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2016.

Description

Amendments to MFRS 7: Financial Instruments: Disclosures (Annual Improvements to 2012 – 2014 Cycle)

Amendments to MFRS 119: Employee Benefits (Annual Improvements to 2012 - 2014 Cycle)

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations

Amendments to MFRS 127: Separate Financial Statements: Equity Method in Separate Financial Statements

Amendments to MFRS 101: Presentation of Financial Statements: Disclosure Initiatives

Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception

MFRS 14 Regulatory Deferral Accounts

Adoption of the above pronouncements did not have any effect on the financial performance or position of the Group and the Company.

2.4 Standards issued but not yet effective

The pronouncements that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Standards issued but not yet effective (Cont'd.)

Description	Effective for annual periods beginning on or after
Amendments to MFRS 12 Disclosure of Interests in Other Entities (Annual Improvements 2014 - 2016 Cycle)	1 January 2017
MFRS 107 Disclosures Initiatives (Amendments to MFRS 107)	1 January 2017
MFRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)	1 January 2017
Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2014 - 2016 Cycle)	1 January 2018
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
Amendments to MFRS 15 Revenue from Contracts with Customers: Clarifications	1 January 2018
Amendments to MFRS 128 Investments in Associates and Joint Ventures (Annual Improvements 2014 - 2016 Cycle)	1 January 2018
Amendments to MFRS 140: Investment Property: Transfer of Investment Property	1 January 2018
IC Interpretation: Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16 Leases	1 January 2019
Amendments to MFRS 10 and 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date yet to be confirmed

The adoption of the above pronouncements is not expected to have a material impact on the financial statements in the period of initial application except for those discussed below:

MFRS 15 Revenue from Contracts with Customers

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Standards issued but not yet effective (Cont'd.)

MFRS 15 Revenue from Contracts with Customers (Cont'd.)

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

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

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group and the Company will assess the impact of these amendments and intend to adopt the new standard on the effective date.

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

The Group and the Company will assess the impact of these amendments and intend to adopt the new standard on the effective date.

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Standards issued but not yet effective (Cont'd.)

MFRS 16 Leases (Cont'd.)

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Group is currently assessing the impact of MFRS 16 and plans to adopt the new standard on the required effective date.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

3.1 Significant accounting estimates and assumptions

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Deferred tax assets

Deferred tax assets are recognised for all unutilised tax losses, unabsorbed capital allowances and unabsorbed reinvestment allowances to the extent that it is probable that taxable profit will be available against which the losses, capital allowances and reinvestment allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of recognised and unrecognised tax losses, capital allowances and reinvestment allowances of the Group are as disclosed in Note 9.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONT'D.)

3.1 Significant accounting estimates and assumptions (Cont'd.)

Key sources of estimation uncertainty (Cont'd.)

(ii) Useful lives and residual values of rigs, HWUs, drilling equipment, and plant and machinery

The cost of rigs, HWUs, drilling equipment, and plant and machinery is depreciated on a straight-line basis over their estimated useful lives after allowing for residual values. Management estimates the useful lives and residual values by applying assumptions and estimates that reflect both historical experience and expectations regarding future operations, rig utilisation and asset performance, and also based on the common life expectancies applied in the respective industries. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's rigs, HWUs, drilling equipment, and plant and machinery at the reporting date is disclosed in Note 4.

During the financial year ended 31 December 2016, the Group has revised the residual value of its rigs at the end of useful life due to existing market conditions. The revision was accounted for prospectively as a change in accounting estimate and as a result, the annual depreciation charge in the current and future financial years has increased by RM12,492,000.

(iii) Impairment of property, plant and equipment

During the current financial year, the Group has recognised impairment losses in respect of property, plant and equipment.

The management carried out the impairment test based on value in use of the CGU to which the property, plant and equipment are allocated. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the impairment losses recognised are disclosed in Note 4.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON (Cont'd)

4. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings RM'000	Rigs, HWUs and drilling equipment RM'000	Plant and machinery RM'000	Assets-in- progress RM'000	**Other assets RM'000	Total RM'000
Cost						
At 1 January 2015	30,440	4,043,178	65,312	314,842	20,487	4,474,259
Exchange differences	3,281	901,891	4,602	71,660	1,550	982,984
Additions	680	55,575	8,454	1,703,107	13,172	1,780,988
Write-offs	-	(16,656)	-	-	(161)	(16,817)
Disposals	-	(1,791)	(197)	-	(387)	(2,375)
Reclassification	-	2,029,456	-	(2,027,986)	(1,470)	-
At 31 December 2015/1 January 2016	34,401	7,011,653	78,171	61,623	33,191	7,219,039
Exchange differences	(467)	301,915	719	2,697	712	305,576
Additions	179	25,419	2,638	26,630	2,170	57,036
Write-offs	-	(8,886)	(1,251)	-	(463)	(10,600)
Disposals	(9)	(2,621)	(783)	-	(1,070)	(4,483)
Reclassification	-	52,056	946	(52,904)	(98)	-
At 31 December 2016	34,104	7,379,536	80,440	38,046	34,442	7,566,568

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON (Cont'd)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group (Cont'd.)	Buildings RM'000	Rigs, HWUs and drilling equipment RM'000	Plant and machinery RM'000	Assets-in- progress RM'000	**Other assets RM'000	Total RM'000
Accumulated depreciation						
At 1 January 2015	6,496	395,566	34,428	-	10,058	446,548
Exchange differences	154	103,905	2,274	-	946	107,279
Depreciation charge for the year	912	235,664	5,463	-	4,026	246,065
Write-offs	-	(2,640)	-	-	(123)	(2,763)
Disposals	-	(1,465)	(177)	-	(243)	(1,885)
Reclassification	-	868	-	-	(868)	-
At 31 December 2015/1 January 2016	7,562	731,898	41,988	-	13,796	795,244
Exchange differences	18	65,566	454	-	830	66,868
Depreciation charge for the year	954	274,007	5,895	-	10,280	291,136
Write-offs	-	(2,186)	(1,249)	-	(339)	(3,774)
Disposals	(9)	(2,282)	(717)	-	(449)	(3,457)
Reclassification	-	897	-	-	(897)	-
At 31 December 2016	8,525	1,067,900	46,371	-	23,221	1,146,017

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON (Cont'd)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group (Cont'd.)	Buildings RM'000	Rigs, HWUs and drilling equipment RM'000	Plant and machinery RM'000	Assets-in- progress RM'000	**Other assets RM'000	Total RM'000
Accumulated impairment losses						
At 1 January 2015	-	5,730	-	-	-	5,730
Impairment losses (Note 25)	-	336,431	-	-	-	336,431
At 31 December 2015/1 January 2016	-	342,161	-	-	-	342,161
Impairment losses (Note 25)	3,081	753,767	21,666	-	1,751	780,265
At 31 December 2016	3,081	1,095,928	21,666	-	1,751	1,122,426
Net carrying amount						
At 31 December 2016	22,498	5,215,708	12,403	38,046	9,470	5,298,125
At 31 December 2015	26,839	5,937,594	36,183	61,623	19,395	6,081,634

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Company	**Other assets RM'000	Assets-in- progress RM'000	Total RM'000
Cost			
At 1 January 2015	3,849	161	4,010
Additions	1,528	80	1,608
Write-off	(2)	-	(2)
Disposals	(128)	-	(128)
Reclassification	167	(167)	-
At 31 December 2015/1 January 2016	<u>5,414</u>	<u>74</u>	<u>5,488</u>
Additions	697	64	761
Disposals	(183)	-	(183)
Reclassification	69	(69)	-
At 31 December 2016	<u>5,997</u>	<u>69</u>	<u>6,066</u>
Accumulated depreciation			
At 1 January 2015	1,517	-	1,517
Depreciation charge for the year	1,029	-	1,029
Write-off	(1)	-	(1)
At 31 December 2015/1 January 2016	<u>2,545</u>	<u>-</u>	<u>2,545</u>
Depreciation charge for the year	953	-	953
At 31 December 2016	<u>3,498</u>	<u>-</u>	<u>3,498</u>
Net Carrying Amount			
At 31 December 2016	<u>2,499</u>	<u>69</u>	<u>2,568</u>
At 31 December 2015	<u>2,869</u>	<u>74</u>	<u>2,943</u>

** Included in the other assets are office equipment, furniture and fittings, renovation and improvements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
*(Cont'd)***4. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)**

- (a) The net book values of property, plant and equipment held under finance lease arrangements as at 31 December 2016 for the Group and the Company was RM Nil (2015: RM3,000).
- (b) During the financial year, the Group had capitalised within property, plant and equipment:
- (i) Finance cost of RM Nil (2015: RM7,883,000), as disclosed in Note 27.
 - (ii) Employee benefits of RM Nil (2015: RM10,337,000), as disclosed in Note 24.
- (c) During the financial year, certain subsidiaries of the Group within the drilling services segment and oilfield services segment carried out a review of the recoverable amounts of their property, plant and equipment due to persistent depressed oil prices that had impacted demand for the Group's assets and services.

An impairment loss of RM780,265,000 (2015: RM336,431,000), representing write-down of the assets to the recoverable amount was recognised in "Impairment provisions" in the statement of comprehensive income for the financial year ended 31 December 2016, in respect of assets with recoverable amounts of RM5,194,005,185 (2015: RM1,548,100,000).

The recoverable amounts of the rigs, HWUs and drilling equipment were determined based on value in use of each asset, based on their respective cash flow projections discounted at pre-tax discount rates up to 12.9% (2015: 16.9%).

The calculation of value in use for the rigs, HWUs and drilling equipment are most sensitive to the utilisation, time chartered rates and discount rate assumptions.

Typically, the utilisation and time chartered rates are affected by 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 the trends in and outlook of oil and natural gas prices. In addition, periodic surveys or inspections and major maintenance also affect the utilisation rates of the rigs and HWUs.

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Any adverse change in the key assumptions used in value in use calculations would result in further impairment.

The building and plant and machinery of a subsidiary in the oilfield services segment have also been impaired, based on the cash flows of the subsidiary discounted at a rate of 10.6% on a pre-tax basis.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

5. LAND USE RIGHTS

Group	Short term leasehold land RM'000
Cost	
At 1 January 2015	2,472
Exchange differences	429
At 31 December 2015/1 January 2016	<u>2,901</u>
Exchange differences	(66)
At 31 December 2016	<u>2,835</u>
Accumulated amortisation	
At 1 January 2015	181
Exchange differences	35
Depreciation charge for the year	54
At 31 December 2015/1 January 2016	<u>270</u>
Exchange differences	(4)
Depreciation charge for the year	55
At 31 December 2016	<u>321</u>
Net carrying amount	
At 31 December 2016	<u>2,514</u>
At 31 December 2015	<u>2,631</u>

6. INTANGIBLE ASSETS

	Group	
	2016	2015
	RM'000	RM'000
Goodwill on consolidation		
At 1 January	-	11,291
Less: Impairment losses (Note 25)	-	(11,291)
At 31 December	<u>-</u>	<u>-</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2016	2015
	RM'000	RM'000
Unquoted shares, at cost		
In Malaysia	2,513,827	2,313,827
Outside Malaysia	22,902	22,902
	<u>2,536,729</u>	<u>2,336,729</u>
Less: Impairment losses (Note 25)	(288,029)	-
	<u>2,248,700</u>	<u>2,336,729</u>

Details of the subsidiaries are set out in Note 33.

8. INVESTMENT IN ASSOCIATE

	Group	
	2016	2015
	RM'000	RM'000
Unquoted shares, at cost	1,090	1,090
Share of post-acquisition reserves	1,481	983
	<u>2,571</u>	<u>2,073</u>

The Group's share of results of the associate is based on the management financial statements of the associate for the years ended 31 December 2016 and 2015.

Details of the associate are disclosed in Note 34.

The financial statements of the associate disclosed in Note 34 are not coterminous with that of the Group as its financial year end is 31 March. For the purpose of applying the equity method of accounting, the management accounts for the 12-month period ended 31 December 2016 and 2015 of the associate have been used.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

8. INVESTMENT IN ASSOCIATE (CONT'D.)

The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group is as follows:

	2016 RM'000	2015 RM'000
Assets and liabilities:		
Current assets	13,442	11,332
Non-current assets	2,757	4,457
Total assets	<u>16,199</u>	<u>15,789</u>
Current liabilities, representing total liabilities	<u>3,580</u>	<u>5,657</u>
Results		
Revenue	11,767	17,840
Profit for the year, representing total comprehensive income	<u>2,094</u>	<u>2,605</u>

Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associate is as follows:

	2016 RM'000	2015 RM'000
Net assets at 1 January	10,132	9,515
Profit for the year	2,094	2,605
Dividend paid	(1,603)	(3,346)
Other comprehensive income	1,996	1,358
Net assets at 31 December	<u>12,619</u>	<u>10,132</u>
Share of net assets	2,524	2,026
Goodwill	47	47
Carrying value of the Group's interest in associate	<u>2,571</u>	<u>2,073</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

9. DEFERRED TAXATION

	Group	
	2016 RM'000	2015 RM'000
At 1 January	894	2,822
Recognised in profit or loss (Note 29)	(1,003)	(1,826)
Exchange differences	(3)	(102)
At 31 December	<u>(112)</u>	<u>894</u>
Presented after appropriate offsetting as follows:		
Deferred tax assets	(112)	(204)
Deferred tax liabilities	-	1,098
	<u>(112)</u>	<u>894</u>

The components and movements of deferred tax liabilities and assets during the financial year are as follows:

Deferred tax liabilities:

	Accelerated capital allowances RM'000	Others RM'000	Total RM'000
At 1 January 2016	5,996	241	6,237
Recognised in profit or loss	(5,300)	(251)	(5,551)
Exchange differences	5	10	15
At 31 December 2016	<u>701</u>	<u>-</u>	<u>701</u>
At 1 January 2015	8,907	187	9,094
Recognised in profit or loss	(2,940)	(11)	(2,951)
Exchange differences	29	65	94
At 31 December 2015	<u>5,996</u>	<u>241</u>	<u>6,237</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

9. DEFERRED TAXATION (CONT'D.)

Deferred tax assets:

	Unabsorbed capital allowances RM'000	Unabsorbed reinvestment allowances RM'000	Unutilised tax losses RM'000	Others RM'000	Total RM'000
At 1 January 2016	(3,629)	(55)	(1,166)	(493)	(5,343)
Recognised in profit or loss	2,934	52	1,166	396	4,548
Exchange differences	(6)	-	-	(12)	(18)
At 31 December 2016	<u>(701)</u>	<u>(3)</u>	<u>-</u>	<u>(109)</u>	<u>(813)</u>
At 1 January 2015	(4,656)	(52)	-	(1,564)	(6,272)
Recognised in profit or loss	1,022	(3)	(1,166)	1,272	1,125
Exchange differences	5	-	-	(201)	(196)
At 31 December 2015	<u>(3,629)</u>	<u>(55)</u>	<u>(1,166)</u>	<u>(493)</u>	<u>(5,343)</u>

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unutilised tax losses	178,926	75,880	43,358	44,069
Unabsorbed capital and reinvestment allowances	25,034	18,844	3,140	2,306
Others	27,756	10,618	610	-
	<u>231,716</u>	<u>105,342</u>	<u>47,108</u>	<u>46,375</u>

The unutilised tax losses, unabsorbed capital and reinvestment allowances of the Group are available indefinitely for offsetting against future taxable profits of the respective entities within the Group.

Deferred tax assets have not been recognised in respect of these items as it is not probable that future taxable profits of the applicable Group entities will be sufficient to allow the benefits to be realised.

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10. DERIVATIVES

	Notional amount RM'000	Group Fair value	
		Asset RM'000	Liability RM'000
Hedging derivatives:			
Interest rate swaps			
Current			
At 31 December 2016	58,121	489	-
At 31 December 2015	55,685	232	-
Non-current			
At 31 December 2016	602,788	5,071	-
At 31 December 2015	633,211	2,636	-
Interest rate swaps			

Interest rate swaps are used to manage exposure to interest rate movements on bank borrowings, by swapping a proportion of those borrowings from floating rates to fixed rates.

Hedge accounting is applied for the interest rate swaps, the fair value movement on the hedging instrument is recognised directly in other comprehensive income into cash flow hedge reserve.

The method and assumptions applied in determining the fair values of derivatives are disclosed in Note 36.

11. INVENTORIES

	Group	
	2016 RM'000	2015 RM'000
At cost:		
Raw materials, spare parts and consumables	211,916	204,508

The cost of inventories recognised as an expense during the year amounted to RM54,343,000 (2015: RM79,593,000).

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12. OTHER INVESTMENTS

	Group	
	2016	2015
	RM'000	RM'000
Investment at fair value through profit or loss		
Investment in money market fund, at fair value	-	89,565
	<u>-</u>	<u>89,565</u>
	Company	
	2016	2015
	RM'000	RM'000
Investment at fair value through profit or loss		
Investment in money market fund, at fair value	-	75,642
	<u>-</u>	<u>75,642</u>

13. RECEIVABLES

	Group	
	2016	2015
	RM'000	RM'000
Trade receivables (Note (a))	116,960	265,389
Other receivables (Note (b))	15,316	17,942
Total trade and other receivables	<u>132,276</u>	<u>283,331</u>
Total trade and other receivables	132,276	283,331
Less:		
Prepayments (Note (b))	(7,686)	(10,047)
Deferred expenses (Note (b))	(1,404)	(167)
	<u>123,186</u>	<u>273,117</u>
Add:		
Due from related companies (Note 14)	2,547	3,666
Deposits, cash and bank balances - Non-current (Note 15)	336,450	-
Deposits, cash and bank balances - Current (Note 15)	555,021	973,807
Total loans and receivables	<u>1,017,204</u>	<u>1,250,590</u>

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13. RECEIVABLES (CONT'D.)

(a) Trade receivables

	Group	
	2016	2015
	RM'000	RM'000
Trade receivables (Note (i))	79,702	97,424
Allowance for impairment (Note (ii))	(9)	(9)
	<u>79,693</u>	<u>97,415</u>
Accrued income	37,267	167,974
	<u>116,960</u>	<u>265,389</u>

The Group's normal trade credit terms for the financial year ended 31 December 2016 range from 30 days to 60 days (2015: 30 days to 60 days). Other credit terms are assessed and approved on a case-by-case basis. Trade receivables are non-interest bearing and are recognised at their original invoiced amounts which represent their fair values on initial recognition.

The Group has concentration of credit risk in the form of outstanding balances due from 5 (2015: 5) debtors representing 86% (2015: 85%) of the total net trade receivables.

(i) Aged analysis of trade receivables

	Group	
	2016	2015
	RM'000	RM'000
Not past due nor impaired	<u>17,524</u>	<u>26,083</u>
Past due but not impaired:		
1 - 60 days past due but not impaired	44,750	45,056
61 - 120 days past due but not impaired	2,550	9,334
121 - 180 days past due but not impaired	917	3,783
More than 180 days past due but not impaired	13,952	13,159
	<u>62,169</u>	<u>71,332</u>
Impaired	9	9
Total trade receivables	<u>79,702</u>	<u>97,424</u>

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

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(Cont'd)

13. RECEIVABLES (CONT'D.)

(a) Trade receivables (Cont'd.)

(ii) Receivables that are impaired

	Group	
	2016	2015
	RM'000	RM'000
Individually impaired		
Trade receivables	9	9
Less: Allowance for impairment	(9)	(9)
	<u>-</u>	<u>-</u>
Movement in allowance for impairment		
At 1 January/31 December	<u>9</u>	<u>9</u>

Trade receivables that are individually determined to be impaired at the reporting date relate to trade disputes. These receivables are not secured by any collateral or bank guarantee.

(b) Other receivables

	Group	
	2016	2015
	RM'000	RM'000
Deposits	1,896	2,739
Prepayments	7,686	10,047
Deferred expenses	1,404	167
Sundry receivables	4,330	4,989
	<u>15,316</u>	<u>17,942</u>

Prepayments mainly comprise of insurance premium and advance payments to vendors in respect of certain services.

Deferred expenses relate to mobilisation expenses incurred on drilling and workover contracts that are deferred and recognised on a straight-line basis over the term of the contract.

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13. RECEIVABLES (CONT'D.)

(b) Other receivables (Cont'd.)

	Company	
	2016	2015
	RM'000	RM'000
Deposits	340	387
Prepayments	166	658
Sundry receivables	715	748
Total other receivables	<u>1,221</u>	<u>1,793</u>
Total other receivables	1,221	1,793
Less:		
Prepayments	(166)	(658)
Add:		
Due from subsidiaries - Non-current (Note 14)	1,635,124	-
Due from subsidiaries - Current (Note 14)	95,695	1,678,612
Due from fellow subsidiaries (Note 14)	783	1,069
Deposits, cash and bank balances (Note 15)	421,588	726,067
Total loans and receivables	<u>2,154,245</u>	<u>2,406,883</u>

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14. DUE FROM/(TO) RELATED COMPANIES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-current:				
Due from subsidiaries				
- interest bearing at 1.40% to 4.20% (2015: Nil) per annum	-	-	1,635,124	-
Current:				
Due from subsidiaries				
- interest bearing at 1.40% to 4.95% (2015: 1.15% to 4.50%) per annum	-	-	128,042	1,678,612
Due from fellow subsidiaries				
- interest bearing at 7.1% (2015: 7.1%) per annum	798	744	-	-
- non-interest bearing	2,684	2,922	783	1,069
	3,482	3,666	128,825	1,679,681
Less: Allowance for impairment losses (Note 25)	(935)	-	(32,347)	-
	2,547	3,666	96,478	1,679,681
Total amount due from related companies	2,547	3,666	1,731,602	1,679,681
Non-current:				
Due to holding company				
- interest bearing at 5.53% to 5.54% (2015: Nil) per annum and repayable in 2021	(308,000)	-	(308,000)	-
Current:				
Due to holding company	(1,447)	-	(1,447)	-
Due to subsidiaries	-	-	(78)	(9,111)
Due to fellow subsidiaries	(843)	(2,775)	(552)	(2,146)
	(2,290)	(2,775)	(2,077)	(11,257)
Total amount due to related companies	(310,290)	(2,775)	(310,077)	(11,257)

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14. DUE FROM/(TO) RELATED COMPANIES (CONT'D)

Amounts due from subsidiaries that are not expected to be realised within twelve months after the reporting period are classified as non-current.

The amounts due from/(to) related companies are unsecured, non-interest bearing and repayable on demand unless otherwise disclosed.

15. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Non-current:				
Deposit with licensed bank	336,450	-	-	-
Current:				
Deposits with licensed banks	483,386	752,364	421,024	678,445
Cash and bank balances	71,635	221,443	564	47,622
	<u>555,021</u>	<u>973,807</u>	<u>421,588</u>	<u>726,067</u>

Included in current deposits with licensed banks are deposits of RM221,825,000 (2015: RM Nil) which are not available for general use by the Group and the Company due to restrictions by the lender in respect of revolving credits of USD50,000,000 (RM224,300,000) (2015: RM Nil) obtained by the Group and the Company as disclosed in Note 18. These deposits are required to be maintained throughout the duration of the drawdown of the revolving credits, and approval from the licensed bank is required for any withdrawal request. The deposits have been excluded from the cash and cash equivalent balance in the statements of cash flows.

Non-current deposit with licensed bank relates to an amount of USD75,000,000 (RM336,450,000) (2015: RM Nil) in respect of secured term loan of USD165,000,000 (RM740,190,000) (2015: RM Nil) with maturity of 5 years obtained by the Group as disclosed in Note 16 which is required to be placed with the lender until the loan is repaid. The deposit has been excluded from the cash and cash equivalent balance in the consolidated statement of cash flows.

Included in current deposits with licensed bank in the prior year are deposits of RM578,517,000 which are not available for general use by the Group and the Company due to restrictions by the lenders in respect of Murabahah term financing of RM575,502,000 obtained by the Group and the Company as disclosed in Note 18.

Also included in current deposits with licensed bank are deposits of RM61,100,000 (2015: RM Nil) of the Group and Company for the purpose of meeting the next quarterly repayment of unsecured term loan as disclosed in Note 16 and Note 18.

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(Cont'd)

15. DEPOSITS, CASH AND BANK BALANCES (CONT'D.)

The range of interest rates per annum of deposits as at the reporting date was as follows:

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
Deposits with licensed banks	0.13 - 3.50	0.01 - 3.40	0.17 - 3.50	0.01 - 3.40

The range of maturities of deposits as at the reporting date was as follows:

	Group		Company	
	2016 Days	2015 Days	2016 Days	2015 Days
Deposits with licensed banks	1 - 90	1 - 90	1 - 30	1 - 30

16. LONG TERM BORROWINGS

	Group	
	2016 RM'000	2015 RM'000
Secured (Floating rate)		
Term loan	740,190	-
Less: Unamortised transaction costs	(18,831)	-
	<u>721,359</u>	<u>-</u>
Unsecured (Floating rate)		
Term loan	1,823,542	1,995,686
Less: Amount payable within one year (Note 18)	(272,128)	(248,721)
	<u>1,551,414</u>	<u>1,746,965</u>
Total long term borrowings	<u>2,272,773</u>	<u>1,746,965</u>

The secured term loan is fully repayable on 4 June 2021, and is secured by a charge over all existing and future assets of UMW Drilling 4 (L) Ltd., UMW Drilling 5 (L) Ltd. and UMW Drilling 7 (L) Ltd., and a charge over the Debt Service Reserve Account of the Group, where an amount of USD75,000,000 (RM336,450,000) is to be placed with the licensed bank until the loan is fully repaid, as disclosed in Note 15.

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16. LONG TERM BORROWINGS (CONT'D.)

The maturity of the Group's total long term and short term borrowings excluding transaction costs as at the respective reporting dates are as follows:

	Within 1 year RM'000 (Note 18)	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000	Total RM'000
31 December 2016					
Secured					
- Term loan	-	44,411	695,779	-	740,190
Unsecured					
- Term loan	272,128	226,945	879,341	445,128	1,823,542
- Revolving credit	1,227,617	-	-	-	1,227,617
	<u>1,499,745</u>	<u>271,356</u>	<u>1,575,120</u>	<u>445,128</u>	<u>3,791,349</u>
31 December 2015					
Secured					
- Finance lease liabilities	13	-	-	-	13
Unsecured					
- Term loan	248,721	260,568	953,041	533,356	1,995,686
- Revolving credit	734,669	-	-	-	734,669
- Murabahah term financing	575,502	-	-	-	575,502
- Short term financing	698,425	-	-	-	698,425
	<u>2,257,330</u>	<u>260,568</u>	<u>953,041</u>	<u>533,356</u>	<u>4,004,295</u>

The range of weighted average effective interest rates per annum at the reporting date for secured and unsecured borrowings were as follows:

	Group	
	2016	2015
	%	%
Secured term loan	3.67 - 4.00	-
Unsecured term loan	<u>2.60 - 3.97</u>	<u>2.10 - 3.07</u>

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16. LONG TERM BORROWINGS (CONT'D.)

	Company	
	2016	2015
	RM'000	RM'000
Unsecured (Floating rate)		
Term loan	733,758	730,660
Less: Amount payable within one year (Note 18)	(57,726)	(27,653)
Total long term borrowings	<u>676,032</u>	<u>703,007</u>

The maturity of the Company's total long term and short term borrowings as at the respective reporting dates are as follows:

	Within 1 year RM'000 (Note 18)	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000	Total RM'000
31 December 2016					
Unsecured					
- Term loan	57,726	57,726	173,178	445,128	733,758
- Revolving credit	977,948	-	-	-	977,948
	<u>1,035,674</u>	<u>57,726</u>	<u>173,178</u>	<u>445,128</u>	<u>1,711,706</u>
31 December 2015					
Secured					
- Finance lease liabilities	13	-	-	-	13
Unsecured					
- Term loan	27,653	55,307	165,920	481,780	730,660
- Revolving credit	651,577	-	-	-	651,577
- Murabahah term financing	575,502	-	-	-	575,502
- Short term financing	182,665	-	-	-	182,665
	<u>1,437,410</u>	<u>55,307</u>	<u>165,920</u>	<u>481,780</u>	<u>2,140,417</u>

The range of weighted average effective interest rates per annum at the reporting date for secured and unsecured borrowings are disclosed in Note 17 and 18, respectively.

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17. FINANCE LEASE LIABILITIES

	Group and Company	
	2016	2015
	RM'000	RM'000
Present value of minimum lease payments:		
Not later than 1 year	-	13
	<u>-</u>	<u>13</u>
Present value of payments:		
Not later than 1 year	-	13
	<u>-</u>	<u>13</u>
Analysed as:		
Due within 12 months (Note 18)	-	13
	<u>-</u>	<u>13</u>

The interest rate as at 31 December 2016 for the finance lease liabilities was Nil (2015: 13.42% to 14.32% per annum).

18. SHORT TERM BORROWINGS

	Group	
	2016	2015
	RM'000	RM'000
Secured (Fixed rate)		
Finance lease liabilities (Note 17)	-	13
	<u>-</u>	<u>13</u>
Unsecured (Floating rate)		
Revolving credits	1,227,617	734,669
Murabahah term financing	-	575,502
Short term financing	-	698,425
Term loans payable within one year (Note 16)	272,128	248,721
	<u>1,499,745</u>	<u>2,257,317</u>
Total short term borrowings	<u>1,499,745</u>	<u>2,257,330</u>

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18. SHORT TERM BORROWINGS (CONT'D.)

The range of weighted average effective interest rates per annum at the reporting date for borrowings were as follows:

	Group	
	2016	2015
	%	%
Revolving credits	1.35 - 4.30	0.92 - 4.22
Murabahah term financing	-	1.55 - 3.97
Short term financing	-	1.12 - 1.62
Term loans payable within one year	<u>2.60 - 3.97</u>	<u>2.10 - 3.07</u>

	Company	
	2016	2015
	RM'000	RM'000
Secured - Fixed rate		
Finance lease liabilities (Note 17)	<u>-</u>	<u>13</u>
Unsecured - Floating rate		
Revolving credits	977,948	651,577
Murabahah term financing	-	575,502
Short term financing	-	182,665
Term loans payable within one year (Note 16)	<u>57,726</u>	<u>27,653</u>
	<u>1,035,674</u>	<u>1,437,397</u>
Total short term borrowings	<u>1,035,674</u>	<u>1,437,410</u>

The range of weighted average effective interest rates per annum at the reporting date for borrowings were as follows:

	Company	
	2016	2015
	%	%
Revolving credits	1.35 - 3.06	0.92 - 1.75
Murabahah term financing	-	1.55 - 2.47
Short term financing	-	1.12 - 1.62
Term loan payable within one year (Note 16)	<u>3.07 - 3.64</u>	<u>3.07</u>

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19. PAYABLES

	Group	
	2016	2015
	RM'000	RM'000
Trade payables:		
Trade payables	78,279	90,344
Accruals	69,408	146,252
	<u>147,687</u>	<u>236,596</u>
Other payables:		
Accruals	30,191	29,073
Provision for unutilised leave	640	899
Deferred income	1,994	395
Deposits received	137	49
Sundry payables	24,748	27,223
	<u>57,710</u>	<u>57,639</u>
Total trade and other payables	<u>205,397</u>	<u>294,235</u>
Total trade and other payables	205,397	294,235
Less:		
Deferred income	(1,994)	(395)
Provision for unutilised leave	(640)	(899)
Add:		
Due to holding company - Non-current (Note 14)	308,000	-
Due to holding company - Current (Note 14)	1,447	-
Due to fellow subsidiaries (Note 14)	843	2,775
Long term borrowings (Note 16)	2,272,773	1,746,965
Short term borrowings (Note 18)	1,499,745	2,257,330
Total financial liabilities carried at amortised costs	<u>4,285,571</u>	<u>4,300,011</u>

Trade payables are non-interest bearing and are normally settled within 30 days to 60 days (2015: 30 days to 60 days) terms.

Included in other payables are sundry payables which are non-interest bearing and are normally settled within 30 days to 90 days (2015: 30 days to 90 days) terms.

Deferred income relates to mobilisation fees received on drilling and workover contracts that are deferred and recognised on a straight-line basis over the term of the respective contracts.

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19. PAYABLES (CONT'D.)

	Company	
	2016	2015
	RM'000	RM'000
Other payables:		
Aecruals	7,815	7,138
Provision for unutilised leave	413	483
Sundry payables	1,045	681
Total other payables	<u>9,273</u>	<u>8,302</u>
Total other payables	9,273	8,302
Less:		
Provision for unutilised leave	(413)	(483)
Add:		
Due to holding company - Non-current (Note 14)	308,000	-
Due to holding company - Current (Note 14)	1,447	-
Due to subsidiaries (Note 14)	78	9,111
Due to fellow subsidiaries (Note 14)	552	2,146
Long term borrowings (Note 16)	676,032	703,007
Short term borrowings (Note 18)	1,035,674	1,437,410
Total financial liabilities carried at amortised costs	<u>2,030,643</u>	<u>2,159,493</u>

20. SHARE CAPITAL AND SHARE PREMIUM

	Group and Company	
	Number of ordinary shares '000	Amount RM'000
(a) Authorised:		
1 January 2015/ 31 December 2015/		
1 January 2016/ 31 December 2016 (@ RM0.50 each)	<u>5,000,000</u>	<u>2,500,000</u>

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20. SHARE CAPITAL AND SHARE PREMIUM (CONT'D.)

(b) Issued and paid up:

	Group and Company			Total
	Number of ordinary shares of RM0.50 each '000	Share capital RM'000	Share premium RM'000	share capital and share premium RM'000
At 1 January 2015/ 31 December 2015/ 1 January 2016/ 31 December 2016	<u>2,162,000</u>	<u>1,081,000</u>	<u>1,372,819</u>	<u>2,453,819</u>

21. OTHER RESERVES

(a) Share options reserve

Share options reserve represents the equity-settled share options granted by the ultimate holding company to the employees of the Group.

(b) Capital reserve

Capital reserve relates to statutory reserves of an overseas subsidiary.

(c) Gain on derecognition of intercompany financial liabilities

The gain on derecognition of financial liabilities arose as part of the settlement of intercompany liabilities due to the holding company pursuant to a past internal reorganisation.

(d) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group's presentation currency.

(e) Hedging reserve

Hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flows hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedge reserve will be reclassified to income statement only when the hedge transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item.

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22. REVENUE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Drilling and workover services	266,362	755,720	-	-
Sale of goods	5,113	22,185	-	-
Rendering of services	49,281	61,078	-	-
Gross dividend income from subsidiaries	-	-	6,592	-
Management fees from subsidiaries	-	-	10,218	13,110
Management fees from fellow subsidiaries	87	102	87	102
Others	210	792	-	-
	<u>321,053</u>	<u>839,877</u>	<u>16,897</u>	<u>13,212</u>

23. OTHER OPERATING INCOME

Included in other operating income are:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Net foreign exchange gains	26,038	31,190	30,839	57,451
Net fair value gain on derivatives	-	604	-	-
Net fair value gain on money market fund	-	240	-	234
Gain on disposal of property, plant and equipment	68	57	-	-
Rental income	1,051	410	951	1,260
	<u>27,157</u>	<u>32,501</u>	<u>31,790</u>	<u>58,745</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

24. EMPLOYEE BENEFITS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Wages and salaries	89,464	157,591	12,207	14,232
Social security costs	369	478	73	69
(Reversal of)/provision for unutilised leave	(92)	108	(70)	11
Pension costs - defined contribution plan	6,471	8,418	1,878	2,258
Termination benefits	3,864	-	573	-
Other employee related expenses	23,276	32,303	1,220	1,798
	<u>123,352</u>	<u>198,898</u>	<u>15,881</u>	<u>18,368</u>
Less: Employee benefits capitalised				
- Property, plant and equipment (Note 4(b)(ii))	-	(10,337)	-	-
	<u>123,352</u>	<u>188,561</u>	<u>15,881</u>	<u>18,368</u>

Included in employee benefits is executive director's remuneration as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Salaries and other emoluments	1,161	1,283	1,161	1,274
Pension costs - defined contribution plan	171	188	171	188
Benefits-in-kind	182	176	173	176
	<u>1,514</u>	<u>1,647</u>	<u>1,505</u>	<u>1,638</u>

25. IMPAIRMENT PROVISIONS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Property, plant and equipment (Note 4)	780,265	336,431	-	-
Goodwill (Note 6)	-	11,291	-	-
Investment in a subsidiary (Note 7)	-	-	288,029	-
Amount due from subsidiaries (Note 14)	-	-	32,347	-
Amount due from fellow subsidiaries (Note 14)	935	-	-	-
	<u>781,200</u>	<u>347,722</u>	<u>320,376</u>	<u>-</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

26. OTHER OPERATING EXPENSES

Included in other operating expenses are:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Non-executive directors' remuneration:				
- fees	648	640	648	640
- meeting allowances	277	182	277	182
- other emoluments	154	159	154	159
Rental of premises	9,149	10,773	3,279	3,380
Rental of equipment, barge and rig	16,446	49,223	548	553
Repair and maintenance of equipment and rigs	44,453	56,957	37	43
Auditors' remuneration:				
Statutory audit				
- auditors of the Company	675	767	146	176
- other auditors	53	51	-	-
Other services				
- auditors of the Company	156	376	10	129
Management fees payable to a related company	1,099	1,104	1,099	1,104
Net fair value loss on money market fund	52	-	52	-
Loss on disposal of property, plant and equipment	693	126	34	26
Property, plant and equipment written off	6,826	14,054	-	1

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

26. OTHER OPERATING EXPENSES (CONT'D.)

Non-executive directors' remuneration:

Group and Company

	Directors' fees		**Other emoluments	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Tan Sri Asmat bin Kamaludin	144	160	144	152
Badrul Feisal bin Abdul Rahim	72	-	30	-
Dr. Leong Chik Weng	72	80	54	33
Razalee bin Amin	72	80	51	37
Dato' Afifuddin bin Abdul Kadir	72	80	31	27
Cheah Tek Kuang	72	80	42	29
Dato' Ibrahim bin Marsidi	72	80	43	32
Fina Norhizah binti Hj Baharu Zaman	72	80	36	31
	<u>648</u>	<u>640</u>	<u>431</u>	<u>341</u>

** Included in the other emoluments are meeting fees allowance, per diem allowance, car, petrol, telephone expenses and leave passage.

The number of directors of the Company whose total remuneration falls within the respective bands are as follows:

	Group		Company	
	2016	2015	2016	2015
Executive director:				
RM1,500,001 - RM1,550,000	1	-	1	-
RM1,600,001 - RM1,650,000	-	1	-	1
Non-executive directors:				
RM100,001 - RM150,000	7	6	7	6
RM250,001 - RM300,000	1	-	1	-
RM300,001 - RM350,000	-	1	-	1
	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

27. FINANCE COSTS

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Interest expenses				
- Bank borrowings	107,764	71,210	47,940	28,031
- Due to holding company	9,917	-	9,917	-
- Others	552	732	-	3
	<u>118,233</u>	<u>71,942</u>	<u>57,857</u>	<u>28,034</u>
Less: Interest expenses capitalised				
- Property, plant and equipment (Note 4(b)(i))	-	(7,883)	-	-
Net interest expenses	<u>118,233</u>	<u>64,059</u>	<u>57,857</u>	<u>28,034</u>

28. INVESTMENT INCOME

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Distribution income from:				
- Money market fund	1,234	938	738	721
Interest income from:				
- Deposits with licensed banks	15,665	24,528	13,354	23,234
- Subsidiaries	-	-	55,205	39,044
	<u>16,899</u>	<u>25,466</u>	<u>69,297</u>	<u>62,999</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
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29. INCOME TAX EXPENSE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Income tax:				
Malaysian income taxes	1,702	4,300	1,551	3,291
Foreign income taxes	562	19,881	-	-
	<u>2,264</u>	<u>24,181</u>	<u>1,551</u>	<u>3,291</u>
Under/(over) provision in prior years:				
Malaysian income taxes	927	(2,206)	137	(113)
Foreign income taxes	(5)	(144)	-	-
	<u>922</u>	<u>(2,350)</u>	<u>137</u>	<u>(113)</u>
	<u>3,186</u>	<u>21,831</u>	<u>1,688</u>	<u>3,178</u>
Deferred taxation (Note 9):				
Relating to origination and reversal of temporary differences	(1,026)	(1,976)	-	-
Under provision in prior years	23	150	-	-
	<u>(1,003)</u>	<u>(1,826)</u>	<u>-</u>	<u>-</u>
Total income tax expense	<u>2,183</u>	<u>20,005</u>	<u>1,688</u>	<u>3,178</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

29. INCOME TAX EXPENSE (CONT'D.)

Reconciliations between tax expense and the accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2016 and 2015 are as follows:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
(Loss)/profit before tax	(1,181,264)	(348,426)	(285,774)	78,978
Taxation at Malaysian statutory rate of 24% (2015: 25%)	(283,503)	(87,107)	(68,586)	19,744
Effect of different tax rates in other jurisdictions	471	7,183	-	-
Income not subject to tax	(19,672)	(10,160)	(23,799)	(16,724)
Expenses not deductible for tax purposes	270,951	102,317	93,838	41
Utilisation of previously unrecognised deferred tax assets	(25)	-	(25)	-
Deferred tax assets not recognised	33,117	10,102	123	230
Under provision of deferred tax in prior years	23	150	-	-
Under/(over) provision of income tax in prior years	922	(2,350)	137	(113)
Share of results of associate	(101)	(130)	-	-
Tax expense for the year	2,183	20,005	1,688	3,178

30. LOSS PER SHARE

Basic/diluted

	Group	
	2016	2015
Net loss attributable to equity holders (RM'000)	(1,177,379)	(369,277)
Weighted average number of ordinary shares of RM0.50 (2015: RM0.50) in issue ('000)	2,162,000	2,162,000
Basic/diluted loss per share (sen):	(54.46)	(17.08)

Basic/diluted loss per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

30. LOSS PER SHARE (CONT'D.)

The Company has no potential dilutive ordinary shares as at the end of the reporting date and as such diluted earnings per share is equal to the basic earnings per share.

31. CAPITAL COMMITMENTS

	Group	
	2016	2015
	RM'000	RM'000
Approved and contracted for:		
- land and buildings	321	575
- equipment, plant and machinery	8,361	79,466
- others	38	2,086
	8,720	82,127
Approved but not contracted for:		
- land and buildings	4,353	5,324
- equipment, plant and machinery	33,877	98,520
- others	6,235	3,342
	44,465	107,186
Total capital commitments	53,185	189,313

32. SEGMENT REPORTING

For management purposes, the Group is organised into business segments based on nature of services and has operating segments as follows:

- (i) The drilling services segment is principally involved in the provision of drilling services and workover rig services to the upstream oil and gas sector. This segment owns and operates several drilling rigs and HWUs, and acts as an agent for two providers of specialised equipment and service. The rigs are chartered out to oil majors for their exploration, development and production activities. The HWUs service offshore wells that involve the use of HWUs and its ancillary equipment to complete the removal and replacement of well equipment to restore the operation of suspended or under-performing wells;
- (ii) The oilfield services segment principally provide premium Oil Country Tubular Goods ("OCTG") threading, repair and inspection services; and
- (iii) The others segment is involved in investment holding, provision of support services, management and corporate services which do not generate significant external revenue.

Transfer prices between operating segments are at terms agreed between the parties.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON (Cont'd)

32. SEGMENT REPORTING (CONT'D.)

(a) Business segments	2016		Adjustments and eliminations		Note	Per consolidated financial statements RM'000
	Drilling services RM'000	Oilfield services RM'000	Others RM'000	RM'000		
Revenue:						
External customers	303,547	17,419	87	-		321,053
Inter-segment	-	-	10,145	(10,145)	I	-
Total revenue	<u>303,547</u>	<u>17,419</u>	<u>10,232</u>	<u>(10,145)</u>		<u>321,053</u>
Results:						
Depreciation and amortisation	(284,324)	(5,773)	(1,094)	-		(291,191)
Impairment of property, plant equipment	(764,485)	(15,780)	-	-		(780,265)
Finance costs	(118,142)	(91)	-	-		(118,233)
Investment income	2,028	239	14,632	-		16,899
Share of results of associate	-	419	-	-		419
Other material non-cash items	(5,678)	(57)	(19,198)	-	II	(24,933)
Segment (loss)/profit before tax	(1,155,764)	(34,131)	8,631	-		(1,181,264)
Income tax expense	(309)	(172)	(1,702)	-		(2,183)
Segment (loss)/profit after tax	<u>(1,156,073)</u>	<u>(34,303)</u>	<u>6,929</u>	-		<u>(1,183,447)</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON (Cont'd)

32. SEGMENT REPORTING (CONT'D.)

(a) Business segments (Cont'd.)

2016 (Cont'd.)

	Drilling services RM'000	Oilfield services RM'000	Others RM'000	Adjustments and eliminations RM'000	Note	Per consolidated financial statements RM'000
Assets:						
Investment in associate	-	2,571	-	-		2,571
Additions to non-current assets	53,189	3,086	761	-	III	57,036
Segment assets	6,044,537	70,153	435,350	-		6,550,040
Liabilities:						
Segment liabilities	3,956,063	13,474	319,302	-		4,288,839

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON (Cont'd)

32. SEGMENT REPORTING (CONT'D.)

(a) Business segments (Cont'd.)

2015	Adjustments and eliminations				Note	Per consolidated financial statements RM'000
	Drilling services RM'000	Oilfield services RM'000	Others RM'000	RM'000		
Revenue:						
External customers	802,363	37,412	102	-		839,877
Inter-segment	-	-	13,024	(13,024)	I	-
Total revenue	802,363	37,412	13,126	(13,024)		839,877
Results:						
Depreciation and amortisation	(239,542)	(5,406)	(1,171)	-		(246,119)
Impairment of Rigs, HWU and goodwill	(341,504)	(6,218)	-	-		(347,722)
Finance costs	(60,864)	(94)	(3,101)	-		(64,059)
Investment income	934	143	24,389	-		25,466
Share of results of associate	-	521	-	-		521
Other material non-cash items	(17,484)	(14)	2,633	-	II	(14,865)
Segment (loss)/profit before tax	(385,329)	(5,030)	41,933	-		(348,426)
Income tax expense	(15,666)	(1,076)	(3,263)	-		(20,005)
Segment (loss)/profit after tax	(400,995)	(6,106)	38,670	-		(368,431)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON (Cont'd)

32. SEGMENT REPORTING (CONT'D.)

(a) Business segments (Cont'd.)

2015 (Cont'd.)

	Drilling services RM'000	Oilfield services RM'000	Others RM'000	Adjustments and eliminations RM'000	Note	Per consolidated financial statements RM'000
Assets:						
Investment in associate	-	2,073	-	-		2,073
Additions to non-current assets	1,769,329	10,046	1,613	-	III	1,780,988
Segment assets	6,710,664	106,141	830,178	-		7,646,983
Liabilities:						
Segment liabilities	4,097,980	11,676	193,890	-		4,303,546

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

32. SEGMENT REPORTING (CONT'D.)

(a) Business segments (Cont'd.)

The following are the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:

- I. Inter-segment revenue are eliminated on consolidation.
- II. Other material non-cash income/(expenses) consist of the following items as presented in the respective notes to the consolidated financial statements:

	Note	2016 RM'000	2015 RM'000
Net fair value gain on derivatives	23	-	604
Net loss on disposal of property, plant and equipment	23, 26	(625)	(69)
Net fair value (loss)/gain on money market fund	23, 26	(52)	240
Net unrealised foreign exchange loss	23	(17,430)	(1,586)
Property, plant and equipment written off	26	(6,826)	(14,054)
		<u>(24,933)</u>	<u>(14,865)</u>

- III. Additions to non-current assets consist of:

	Note	2016 RM'000	2015 RM'000
Property, plant and equipment	4	57,036	1,780,988

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON (Cont'd)

32. SEGMENT REPORTING (CONT'D.)

(b) Geographical segments

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Malaysia RM'000	Indonesia RM'000	Singapore RM'000	Vietnam RM'000	Myanmar RM'000	Others RM'000	Total RM'000
31 December 2016							
Revenue from external customers	313,786	-	-	-	-	7,267	321,053
Non-current assets	4,669,309	586,980	13,837	-	-	30,513	5,300,639
31 December 2015							
Revenue from external customers	419,285	-	-	332,254	68,785	19,553	839,877
Non-current assets	3,781,263	2,240,337	24,768	-	-	37,897	6,084,265

Non-current assets information presented above consist of the following items as presented in the consolidated statements of financial position:

	2016 RM'000	2015 RM'000
Property, plant and equipment	5,298,125	6,081,634
Land use rights	2,514	2,631
	<u>5,300,639</u>	<u>6,084,265</u>

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33. SUBSIDIARIES

Name of company	Country of incorporation	Principal activities	Proportion of ownership interest	
			2016 %	2015 %
Subsidiaries of the Company:				
UMW JDC Drilling Sdn. Bhd.	Malaysia	Provision of drilling operations for the oil and gas industry.	85	85
UMW Malaysian Ventures Sdn. Bhd.	Malaysia	Investment holding.	100	100
UMW Singapore Ventures Pte. Ltd.*	Singapore	Investment holding.	100	100
UMW Rig Asset (L) Ltd.	Malaysia	Investment holding.	100	100
Subsidiaries of:				
UMW Malaysian Ventures Sdn. Bhd.				
UMW Singapore Ventures Pte. Ltd.				
UMW Rig Asset (L) Ltd.				
UMW Workover Sdn. Bhd.	Malaysia	Provision of workover operations for the oil and gas industry.	100	100
UMW Offshore Drilling Sdn. Bhd.	Malaysia	Contract offshore drilling business and operations and other engineering services for oil and gas exploration, development and production in Malaysia and overseas.	100	100

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

33. SUBSIDIARIES (CONT'D.)

Name of company	Country of incorporation	Principal activities	Proportion of ownership interest	
			2016 %	2015 %
UMW Drilling Co. Ltd.	Malaysia	Ownership and leasing of rig.	100	100
UMW Drilling 2 (L) Ltd.	Malaysia	Ownership and leasing of rig.	100	100
UMW Drilling 3 (L) Ltd.	Malaysia	Ownership and leasing of rig.	100	100
UMW Drilling 4 (L) Ltd.	Malaysia	Ownership and leasing of rig.	100	100
UMW Drilling 5 (L) Ltd.	Malaysia	Ownership and leasing of rig.	100	100
UMW Drilling 6 (L) Ltd.	Malaysia	Ownership and leasing of rig.	100	100
UMW Drilling 7 (L) Ltd.	Malaysia	Ownership and leasing of rig.	100	100
UMW Drilling 8 (L) Ltd.	Malaysia	Ownership and leasing of rig.	100	100
UMW Drilling Academy Sdn. Bhd.	Malaysia	Provision of training and courses in relation to oil and gas drilling activities.	100	100
UMW Standard 1 Pte. Ltd.	Singapore	Ownership and leasing of rig.	100	100
UMW Standard 3 Pte. Ltd.	Singapore	Dormant.	100	100

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

33. SUBSIDIARIES (CONT'D.)

Name of company	Country of incorporation	Principal activities	Proportion of ownership interest	
			2016 %	2015 %
UMW Offshore Drilling Ltd.	Cayman Islands	Contract drilling operations and other engineering services for oil and gas exploration, development and production.	100	100
Offshore Driller B324 Ltd.	Cayman Islands	Dormant.	100	100
Offshore Driller 4 Ltd.	Cayman Islands	Dormant.	100	100
UMW Oilpipe Services Sdn. Bhd.	Malaysia	Provision of threading, inspection, repair and maintenance services for OCTG.	100	100
UMW Oilpipe Services (Turkmenistan) Ltd.	Malaysia	Provision of threading, inspection, repair and maintenance services for OCTG.	51	51
UMW Oilfield Services (Tianjin) Co., Limited*	People's Republic of China	Provision of threading, inspection, repair and maintenance services for OCTG.	100	100
UOT (Thailand) Limited	Thailand	Provision of threading, inspection, repair and maintenance services for OCTG.	58.8	58.8

* Audited by firms other than Ernst & Young.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

33. SUBSIDIARIES (CONT'D.)

(a) Subsidiaries with non-controlling interests

Details and summarised financial information of subsidiaries which have non-controlling interests that are material to the Group are set out below. The summarised financial information presented below is the amount before inter-company elimination.

(i) Details of subsidiaries

Name of company	Proportion of ownership interest held by non-controlling interests	
	2016 %	2015 %
UMW JDC Drilling Sdn. Bhd.	15	15
UMW Oilpipe Services (Turkmenistan) Ltd.	49	49
UOT (Thailand) Limited	41.2	41.2

(ii) Summarised statements of financial position

	2016 RM'000	2015 RM'000
Non-current assets	3,104	11,687
Current assets	22,222	44,540
Non-current liabilities	-	(277)
Current liabilities	(11,748)	(18,273)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

33. SUBSIDIARIES (CONT'D.)

(a) Subsidiaries with non-controlling interests (Cont'd.)

(iii) Summarised statements of comprehensive income

	2016 RM'000	2015 RM'000
Revenue	63,901	125,442
(Loss)/profit for the year	(15,834)	2,899
Other comprehensive income	534	5,124
Total comprehensive (loss)/income	(15,300)	8,023
Dividends paid to non-controlling interests	(1,648)	-

(iv) Summarised statements of cash flows

	2016 RM'000	2015 RM'000
Net cash (used in)/generated from operating activities	(9,302)	24,646
Net cash generated from/(used in) investing activities	121	(170)
Net cash used in financing activities	(9,396)	-
Net (decrease)/increase in cash and cash equivalents	(18,577)	24,477
Cash and cash equivalents at end of year	18,712	36,461

34. ASSOCIATE

Name of company	Country of incorporation	Principal activities	Proportion of ownership interest	
			2016 %	2015 %
Oil-Tex (Thailand) Company Limited*	Thailand	Provision of logistic services for the oil and gas industry.	20	20

* Audited by firm other than Ernst & Young.

Financial year end of Oil-Tex (Thailand) Company Limited is 31 March.

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(Cont'd)

35. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) In addition to the related party transaction information disclosed elsewhere, transactions by the Group with its related parties are as follows:

Companies	Transacting Parties	Nature of Transactions	2016 RM'000	2015 RM'000
UMW Offshore Drilling Sdn. Bhd.	UMW Pennzoil Distributors Sdn. Bhd., a subsidiary of UMWH	Purchase of goods	-	188
UMW Oil & Gas Corporation Berhad and its subsidiaries companies	U-TravelWide Sdn. Bhd., a subsidiary of UMWH	Purchase of services	513	501
UMW Oil & Gas Corporation Berhad	UMW Corporation Sdn. Bhd., a subsidiary of UMWH	Rental expense Management fees expense	2,595 1,099	2,545 1,104
UMW Oilpipe Services Sdn. Bhd.	UMW Industries (1985) Sdn. Bhd., a subsidiary of UMWH	Operating lease expense	224	300
UMW Oil & Gas Corporation Berhad	e-Lock Corporation Sdn. Bhd., an associate of UMWH in which Dr. Leong Chik Weng also has an interest	Purchase of services	54	63

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

35. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

- (a) In addition to the related party transaction information disclosed elsewhere, transactions by the Group with its related parties are as follows: (Cont'd.)

Companies	Transacting Parties	Nature of Transactions	2016 RM'000	2015 RM'000
UMW Oil & Gas Corporation Berhad	UMWH, holding company	Interest expense on advances from UMWH	9,917	-
UMW Oil & Gas Corporation Berhad and its subsidiaries companies	Toyota Capital Malaysia Sdn. Bhd., a related party of the Group	Operating lease expense	1,356	1,389
UMW JDC Drilling Sdn. Bhd. ("UJD")	Japan Drilling Co. Ltd., a corporate shareholder of UJD, and its subsidiaries	Purchase of goods and services Bareboat charter expense	16,359 2,308	19,366 10,518

The above transactions were stated at contracted amount and were entered into in the normal course of business on a commercial basis.

- (b) In addition to the related party transaction information disclosed elsewhere, transactions by the Company with its subsidiaries are as follows:

	2016 RM'000	2015 RM'000
Dividend income	(6,592)	-
Management fees income	(10,305)	(13,212)
Interest income	(55,205)	(39,044)
Rental income	(951)	(1,260)
Services rendered income	(2,923)	(2,458)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

35. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

(c) Compensation of key management personnel

The aggregate compensation of key management personnel, including the executive director of the Company is as follows:

	2016 RM'000	2015 RM'000
Salaries and wages	5,514	6,624
Social security cost	11	10
Pension costs - defined contribution plan	780	945
Other staff related costs	626	752
	<u>6,931</u>	<u>8,331</u>

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of Fair Values

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value:

	Note
Receivables	
- Trade and other receivables	13
- Due from related companies	14
Borrowings	
- Fixed rate borrowings (current)	18
- Floating rate borrowings (non-current)	16
- Floating rate borrowings (current)	18
Payables	
- Trade and other payables	19
- Due to related companies	<u>14</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

Determination of Fair Values (Cont'd.)

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the current portion of loans and borrowings are reasonable approximation of fair value due to the insignificant impact of discounting.

The fair values of current loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

Held for trading investments

The fair value of these financial instruments are determined by reference to their published net asset values as at the reporting date.

Finance lease liabilities

The fair value of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

Derivatives

Interest rate swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and interest rate curves.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- (a) Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (b) Level 2 Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (c) Level 3 Input for the asset or liability that are not based on observable market data (unobservable input).

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

Fair value hierarchy (cont'd.)

	Level 1		Level 2	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Assets				
Financial assets at fair value through profit or loss:				
- Derivative assets	-	-	5,560	2,868
Held for trading investments				
- Investments in money market fund	-	89,565	-	-

The Group does not have any financial instruments classified as Level 3 as at the reporting date. There were no material transfers between Level 1, Level 2 and Level 3 during the financial year.

37. CAPITAL MANAGEMENT

Capital management is defined as the process of managing the composition of the Group's debts and equity to achieve and maintain an optimal capital structure and ensuring availability of funds to support its business and maximise its shareholder value.

The Group defines capital as total equity and net debt of the Group and manages its capital structure using a gearing ratio which is net debt divided by total equity plus net debt. For this purpose, borrowings from holding company and other investments, which consist of investments in money market fund, are included in deriving net debt of the Group and of the Company. The Group endeavours to maintain a healthy gearing ratio to enjoy reasonable costs of borrowings and sufficient debt headroom for future asset expansion.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

37. CAPITAL MANAGEMENT (CONT'D.)

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Loans and borrowings	3,772,518	4,004,295	1,711,706	2,140,417
Due to holding company	309,447	-	309,447	-
Less: Deposits, cash and bank balances (Current)	(555,021)	(973,807)	(421,588)	(726,067)
Deposits, cash and bank balances (Non-current)	(336,450)	-	-	-
Other investments	-	(89,565)	-	(75,642)
Net debt	<u>3,190,494</u>	<u>2,940,923</u>	<u>1,599,565</u>	<u>1,338,708</u>
Total equity	<u>2,261,201</u>	<u>3,343,437</u>	<u>2,374,798</u>	<u>2,662,260</u>
Total capital	<u>5,451,695</u>	<u>6,284,360</u>	<u>3,974,363</u>	<u>4,000,968</u>
Gearing ratio	<u>0.59</u>	<u>0.47</u>	<u>0.40</u>	<u>0.33</u>

38. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks. The financial risk management practices of the Group seek to ensure that adequate financial resources are available for the development of the Group's business while managing credit, liquidity, interest rate and foreign currency risks. The principal aim of the Group's financial risk management practices is to identify, evaluate and manage financial risks with an objective to minimise potential adverse effects on the financial performance of the Group.

The Group's financial risk management practices are in line with the Enterprise Risk Management Framework of its holding company, UMW Holdings Berhad, with modifications made to suit the industry the Group is in. The Group's risk governance structure comprise the following:

- (i) a Board Risk Management Committee of the Board of Directors; and
- (ii) a Risk Management Committee at corporate management level.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

38. FINANCIAL RISK MANAGEMENT (CONT'D.)

Responsibilities of the Board Risk Management Committee include:

- (i) to monitor the consistent enforcement of Enterprise Risk Management ("ERM") policy across the Group;
- (ii) to review and endorse the risk parameters, risk appetite, risk profiles, risk treatment options, risk action plans and key risk indicators;
- (iii) to provide guidance and advice on appropriateness of risk treatment option selected and risk action plans development; and
- (iv) to provide half yearly reports to the Board on ERM.

The Risk Management Committee is made up of members of the Group's senior management. This committee will be responsible to identify and assess risks and make recommendations on risk management to the Board Risk Management Committee of the Board of Directors.

Financial risk management objectives of the Group are as follows:

- (i) to minimise exposure to all financial risks including interest, credit, liquidity and foreign currency exchange risks;
- (ii) to accept certain level of financial risks including price risk and credit risk that commensurate with the expected returns on the underlying operations and activities; and
- (iii) to minimise liquidity risk by proper cash flow planning, management and control.

The Group's financial risk management strategies include using:

- (i) derivatives to hedge its exposure to currency, interest and cash flow risks where appropriate. However, use of derivatives for speculation is specifically prohibited;
- (ii) credit controls that include evaluation, acceptance, monitoring and feedback to ensure that only reasonably creditworthy customers are accepted; and
- (iii) money market instruments, short term deposits and bank borrowings to manage liquidity risks.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

38. FINANCIAL RISK MANAGEMENT (CONT'D.)

The Group's strategies and practices in dealing with its major financial risks are set out below:

(a) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The functional currency of a majority of the companies within the Group is United States Dollar ("USD"). The Group relies primarily on the natural hedge between its USD-denominated revenue and USD-denominated borrowings and other liabilities to minimise its exposures to foreign currency risk.

The Group's exposures to foreign currency risk primarily consist of trade receivables, trade payables, loans and borrowings, and deposits, cash and bank balances, as a result of transactions entered into in currencies other than the functional currencies.

As at 31 December 2016, approximately 45% (2015: 21%) of the Group's trade receivables and approximately 54% (2015: 28%) of the Group's trade payables are denominated in currencies other than the functional currency of the relevant companies in the Group.

The Group also holds deposits, cash and bank balances denominated in currencies other than functional currencies for working capital purposes. As at 31 December 2016, the Group has such balances amounting to RM37,709,000 (2015: RM331,976,000).

Material foreign currency exposures are hedged via forward exchange contracts by using foreign exchange facilities maintained with leading banks. The forward exchange contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

38. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Foreign Currency Risk (Cont'd.)

The table below demonstrates the sensitivity of the Group's and Company's profit after taxation as at year end to a reasonable possible change in the US Dollar exchange rates against RM with all other variables held constant:

	Group		Company	
	Effect on loss after taxation		Effect on loss after taxation	Effect on profit after taxation
	Increase/(decrease)		Increase/(decrease)	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
US Dollar/RM				
- strengthened 5% (2015: 5%)	(381)	(16,290)	(2,188)	(13,764)
- weakened 5% (2015: 5%)	381	16,290	2,188	13,764

(b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk in respect of its placements with financial institutions and bank borrowings at floating rates. Its policy is to:

- (i) have an optimal mixture of short term deposits or placements; and
- (ii) manage its interest cost using a combination of fixed and floating rate debts.

The Group monitors interest rates prior to making deposits and bank borrowings to ensure that the applicable rates are established at acceptable levels. Interest rate swaps may be used to hedge against fluctuation in interest rate where appropriate.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

38. FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Interest Rate Risk (Cont'd.)

Sensitivity analysis for interest rate risk

The table below demonstrates the sensitivity of the Group's and the Company's profit after taxation, to possible reasonable changes in interest rates with all other variables held constant, through impact on interest income from placement of surplus funds and interest expense on floating rate borrowings.

	Basis points	Group		Company	
		Effect on loss after taxation		Effect on loss after taxation	Effect on profit after taxation
		Increase/(decrease)		Increase/(decrease)	
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
London					
Interbank	+ 50	9,355	7,371	4,241	(4,782)
Offered Rate	- 50	(9,355)	(7,371)	(4,241)	4,782
Cost of funds of lenders	+ 50	6,297	9,205	4,318	(5,920)
	- 50	(6,297)	(9,205)	(4,318)	5,920

(c) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligation. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities, deposits, cash and bank balances and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position, including derivatives with positive fair values.

Credit risk of the Group is managed during the tendering stage where the credit worthiness of a potential customer or the payment records of an existing customer is evaluated prior to participating in a tender. The Group's customers are mainly local and overseas national oil companies, subsidiaries of credit-worthy international oil and gas companies or established international companies. For less established companies, credit risk is managed by obtaining advance payment and/or a collateral in the form of a bank guarantee.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON (Cont'd)

38. FINANCIAL RISK MANAGEMENT (CONT'D.)

(d) Liquidity Risk

Liquidity risk is the risk that the Group and the Company is unable to meet financial obligations when due, as a result of shortage of funds including arising from mismatch of maturities of financial assets and liabilities.

To ensure a healthy liquidity position, it is the Group's and the Company's policy to:

- (i) have the right mixture of liquid assets in its portfolio;
- (ii) maintain a healthy gearing ratio;
- (iii) finance long term assets with long term loans; and
- (iv) maintain a balance between flexible and structured financing options to finance its operations and investments.

As at 31 December 2016, the Group has an excess of current liabilities over its current assets by RM802,869,000 (2015: RM997,678,000).

As disclosed in Note 39, the Group is undertaking a Proposed Renounceable Rights Issue, out of which RM750,000,000 is intended for repayment of borrowings. In the meantime, the Group has sufficient unutilised credit facilities to meet its liabilities as they fall due.

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

Group

	31 December 2016				Total RM'000
	On demand or within one year RM'000	More than one year and less than two years RM'000	More than two years and less than five years RM'000	Over five years RM'000	
Financial liabilities:					
Trade and other payables (exclude provisions and deferred income)	202,763	-	-	-	202,763
Due to holding company	1,447	-	383,419	-	384,866
Due to fellow subsidiaries	843	-	-	-	843
Borrowings	1,588,133	336,867	1,727,849	475,552	4,128,401
Total undiscounted financial liabilities	1,793,186	336,867	2,111,268	475,552	4,716,873

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

38. FINANCIAL RISK MANAGEMENT (CONT'D.)

(d) Liquidity Risk (Cont'd.)

Group (Cont'd.)

	31 December 2015				Total RM'000
	On demand or within one year RM'000	More than one year and less than two years RM'000	More than two years and less than five years RM'000	Over five years RM'000	
Financial liabilities:					
Trade and other payables (exclude provisions and deferred income)	292,941	-	-	-	292,941
Due to fellow subsidiaries	2,775	-	-	-	2,775
Borrowings	2,311,057	312,619	1,066,136	582,701	4,272,513
Total undiscounted financial liabilities	2,606,773	312,619	1,066,136	582,701	4,568,229

Company

	31 December 2016				Total RM'000
	On demand or within one year RM'000	More than one year and less than two years RM'000	More than two years and less than five years RM'000	Over five years RM'000	
Financial liabilities:					
Other payables (exclude provisions)	8,860	-	-	-	8,860
Due to holding company	1,447	-	383,419	-	384,866
Due to subsidiaries and fellow subsidiaries	630	-	-	-	630
Borrowings	1,059,813	79,881	227,741	475,552	1,842,987
Total undiscounted financial liabilities	1,070,750	79,881	611,160	475,552	2,237,343

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

38. FINANCIAL RISK MANAGEMENT (CONT'D.)

(d) Liquidity Risk (Cont'd.)

Company (Cont'd.)

	----- 31 December 2015 -----				Total RM'000
	On demand or within one year RM'000	More than one year and less than two years RM'000	More than two years and less than five years RM'000	Over five years RM'000	
Financial liabilities:					
Other payables (exclude provisions)	7,819	-	-	-	7,819
Due to subsidiaries and fellow subsidiaries	11,257	-	-	-	11,257
Borrowings	1,453,153	76,109	217,997	530,816	2,278,075
Total undiscounted financial liabilities	<u>1,472,229</u>	<u>76,109</u>	<u>217,997</u>	<u>530,816</u>	<u>2,297,151</u>

There have been no material changes to the Group's and the Company's exposure to the above financial risks or the manner in which it manages and measures the risks for the financial years ended 31 December 2016 and 31 December 2015.

39. SUBSEQUENT EVENTS

On 19 January 2017, the Group ("UMW-OG") announced the following corporate proposals:

- i. Proposed acquisition of 497,768,820 ordinary shares of RM0.50 each in Icon Offshore Berhad ("Icon") ("Icon Shares"), representing approximately 42.3% equity interest in Icon, for a purchase consideration of RM248,884,410 or RM0.50 per Icon share to be satisfied via the issuance of 311,105,513 new ordinary shares of RM0.50 each in UMW-OG ("UMW-OG shares") at an issue price of RM0.80 per UMW-OG share ("Proposed Icon Acquisition");
- ii. Proposed acquisition of 37,087,725 ordinary shares of RM1.00 each in Orkim Sdn Bhd ("Orkim"), representing approximately 95.5% equity interest in Orkim, for a cash consideration of RM472,725,000 ("Proposed Orkim Acquisition");

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

39. SUBSEQUENT EVENTS (CONT'D.)

- iii. Proposed Mandatory General Offer ("MGO") for all the remaining Icon shares not already owned by UMW-OG and persons acting in concert with it after the Proposed Icon Acquisition including all new Icon shares that may be issued prior to the closing of the proposed MGO arising from the exercise of outstanding options granted pursuant to Icon's employees' share scheme;
- iv. Proposed Renounceable Rights Issue of new UMW-OG shares together with Free Detachable Warrants to raise gross proceeds of approximately RM1.8 billion;
- v. Proposed increase in Authorised Share Capital of UMW-OG from RM2,500,000,000 comprising 5,000,000,000 UMW-OG shares to RM5,000,000,000 comprising 10,000,000,000 UMW-OG shares; and
- vi. Proposed amendments to the Memorandum of UMW-OG.

Subsequently on 13 February 2017, UMW-OG announced that Wan Izani bin Wan Mahmood ("WIWM") and Khoo Chin Yew ("KCY"), being the minority shareholders of Orkim, had accepted UMW-OG's offers by entering into the following agreements:

- i. Conditional share purchase agreement for the purchase of 970,883 Orkim Shares held by WIWM, representing 2.5% equity interest in Orkim, for a cash consideration of RM12,375,000; and
- ii. Conditional share purchase agreement for the purchase of 776,706 Orkim Shares held by KCY, representing 2.0% equity interest in Orkim, for a cash consideration of RM9,900,000.

The completion of the above proposals are subject to certain conditions being fulfilled, waived or completed, which include the following:

- i. Approval from the shareholders of UMW-OG;
- ii. Consent of the lenders of UMW-OG;
- iii. Approval of the Securities Commission for the Proposed Orkim Acquisition, if required; and
- iv. Results of the due diligence being satisfactory to all parties involved.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE FYE 31 DECEMBER 2016 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT THEREON
(Cont'd)

40. SUPPLEMENTARY INFORMATION - BREAKDOWN OF (ACCUMULATED LOSSES)/RETAINED PROFITS INTO REALISED AND UNREALISED

The breakdown of the (accumulated losses)/retained profits of the Group and of the Company as at 31 December 2016 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Total (accumulated losses)/ retained profits of the Company and its subsidiaries:				
- Realised	(1,313,613)	846,786	(146,920)	103,167
- Unrealised	(17,318)	(2,480)	(10,246)	27,129
	<u>(1,330,931)</u>	<u>844,306</u>	<u>(157,166)</u>	<u>130,296</u>
Total share of retained profits from associate:				
- Realised	<u>2,468</u>	<u>1,619</u>	<u>-</u>	<u>-</u>
Total (accumulated losses)/ retained profits	(1,328,463)	845,925	(157,166)	130,296
Less:				
Consolidation adjustments	295,334	(701,675)	-	-
Total (accumulated losses)/ retained profits as per financial statements	<u>(1,033,129)</u>	<u>144,250</u>	<u>(157,166)</u>	<u>130,296</u>

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE SIX (6)-MONTH
FPE 30 JUNE 2017 TOGETHER WITH THE EXPLANATORY NOTES THEREON**

CERTIFIED TRUE COPY

UMW OIL & GAS CORPORATION BERHAD

(COMPANY NO : 878786-H)

(INCORPORATED IN MALAYSIA)

LEE MI RYOUNG
MAICSA 7058423
Company Secretary

**Condensed Consolidated Statement Of Comprehensive Income
For The Second Quarter Ended 30th June 2017**

(The Figures Have Not Been Audited)

	Current Quarter Ended 30/06/2017 RM'000	Comparative Quarter Ended 30/06/2016 RM'000	6 Months Cumulative To Date 30/06/2017 RM'000	Comparative 6 Months Cumulative To Date 30/06/2016 RM'000
<u>Continuing Operations</u>				
Revenue	139,908	130,010	214,186	217,689
Operating Expenses	(160,514)	(177,536)	(305,628)	(340,293)
Other Operating Income	623	5,575	1,175	33,434
Loss From Operations	(19,983)	(41,951)	(90,267)	(89,170)
Finance Costs	(35,261)	(25,197)	(74,003)	(51,225)
Share Of Profits Of Associated Company	122	82	197	173
Investment Income	3,740	3,070	7,783	7,803
Loss Before Tax From Continuing Operations	(51,382)	(63,996)	(156,290)	(132,419)
Taxation	(157)	(1,078)	(168)	(1,181)
Loss From Continuing Operations, Net Of Tax	(51,539)	(65,074)	(156,458)	(133,600)
<u>Other Comprehensive Loss:</u>				
Translation Of Foreign Operations	(57,327)	58,118	(82,769)	(199,265)
Cash Flow Hedge	(2,082)	(3,629)	(1,175)	(15,721)
Other Comprehensive Loss, Net Of Tax	(59,409)	54,489	(83,944)	(214,986)
Total Comprehensive Loss For The Period	(110,948)	(10,585)	(240,402)	(348,586)
<u>Loss For The Period Attributable To:</u>				
Equity Holders Of The Company	(50,986)	(67,247)	(155,103)	(132,323)
Non-controlling Interests	(59)	2,173	(1,355)	(1,277)
	(51,539)	(65,074)	(156,458)	(133,600)
<u>Total Comprehensive Loss Attributable To:</u>				
Equity Holders Of The Company	(110,292)	(12,251)	(238,938)	(346,422)
Non-controlling Interests	(656)	1,666	(1,464)	(2,164)
	(110,948)	(10,585)	(240,402)	(348,586)
LPS Attributable To Equity Holders Of The Company:				
Basic (Sen)	(2.36)	(3.11)	(7.17)	(6.12)

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

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE SIX (6)-MONTH
FPE 30 JUNE 2017 TOGETHER WITH THE EXPLANATORY NOTES THEREON (Cont'd)**

UMW OIL & GAS CORPORATION BERHAD

Condensed Consolidated Statement Of Financial Position

	(Unaudited) As At 30/06/2017 RM'000	(Audited) As At 31/12/2016 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	4,950,560	5,298,125
Land Use Rights	2,436	2,514
Investment In Associate	2,100	2,571
Deferred Tax Assets	107	112
Derivative Assets	3,981	5,071
Deposit At Bank	322,200	336,450
	<u>5,281,384</u>	<u>5,644,843</u>
Current Assets		
Inventories	198,460	211,916
Trade Receivables	119,490	116,960
Other Receivables	35,537	18,264
Derivative Assets	403	489
Due From Related Companies	2,551	2,547
Deposits, Cash & Bank Balances	413,338	555,021
	<u>769,779</u>	<u>905,197</u>
TOTAL ASSETS	<u>6,051,163</u>	<u>6,550,040</u>
EQUITY AND LIABILITIES		
Equity Attributable To The Equity Holders Of The Company		
Share Capital	2,453,819	1,081,000
Share Premium	-	1,372,819
Capital Contribution - ESOS	3,243	3,243
Other Reserves	750,220	834,055
Accumulated Losses	(1,188,232)	(1,033,129)
	<u>2,019,050</u>	<u>2,257,988</u>
Non-controlling Interests	1,749	3,213
TOTAL EQUITY	<u>2,020,799</u>	<u>2,261,201</u>
Non-Current Liabilities		
Due To Holding Company	308,000	308,000
Long Term Borrowings	2,060,725	2,272,773
	<u>2,368,725</u>	<u>2,580,773</u>
Current Liabilities		
Taxation	659	634
Short Term Borrowings	1,475,656	1,499,745
Trade Payables	127,759	147,687
Other Payables	46,734	57,710
Due To Holding Company	9,832	1,447
Due To Related Companies	999	843
	<u>1,661,639</u>	<u>1,708,066</u>
TOTAL LIABILITIES	<u>4,030,364</u>	<u>4,288,839</u>
TOTAL EQUITY AND LIABILITIES	<u>6,051,163</u>	<u>6,550,040</u>
Net Assets Per Share (RM)	0.9339	1.0444

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

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE SIX (6)-MONTH FPE 30 JUNE 2017 TOGETHER WITH THE EXPLANATORY NOTES THEREON (Cont'd)

UMW OIL & GAS CORPORATION BERHAD

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

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

Condensed Consolidated Statement Of Changes In Equity For The Period Ended 30th June 2016

	Non - Distributable				Distributable				Non - Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Options Reserve RM'000	Capital Reserve RM'000	Foreign Currency Translation Reserve RM'000	Gain On Derecognition of Intercompany Financial Liabilities RM'000	Hedging Reserves RM'000	Retained Profits RM'000	Total RM'000		
6 MONTHS ENDED 30TH JUNE 2016										
At 1st January 2016	1,081,000	1,372,819	698	649,977	78,145	2,868	144,250	3,333,000	10,437	3,343,437
Total Comprehensive Loss	-	-	-	(198,378)	-	(15,721)	(132,323)	(346,422)	(2,184)	(348,566)
At 30th June 2016	1,081,000	1,372,819	698	451,599	78,145	(12,853)	11,927	2,986,578	8,273	2,994,851

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

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE SIX (6)-MONTH
FPE 30 JUNE 2017 TOGETHER WITH THE EXPLANATORY NOTES THEREON (Cont'd)**

**UMW OIL & GAS CORPORATION BERHAD
Condensed Consolidated Statement Of Cash Flows
For The Period Ended 30th June 2017**

	6 Months Ended 30/06/2017 RM'000	6 Months Ended 30/06/2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss Before Tax	(156,290)	(132,419)
Adjustments For:		
Depreciation & Amortisation	129,344	133,473
Net gain On Disposal Of Property, Plant & Equipment	(559)	-
Interest Expense	74,003	51,225
Share Of Results Of Associate	(197)	(173)
Net Unrealised Foreign Exchange Loss / (Gain)	1,801	(32,645)
Net Fair Value Loss On Money Market Fund	-	80
Interest Income	(7,783)	(7,803)
Property, Plant & Equipment Written Off	6	236
Operating Profit Before Working Capital Changes	40,325	11,974
(Increase) / Decrease In Receivables	(22,489)	47,905
Decrease / (Increase) In Inventories	5,226	(20,072)
Net Changes In Related Companies Balances	8,538	1,047
Decrease In Payables	(43,082)	(70,168)
Cash Used In Operating Activities	(11,482)	(29,314)
Interest Paid	(74,806)	(50,639)
Taxes Paid	(943)	(1,723)
Net Cash Used In Operating Activities	(87,231)	(81,676)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase Of Property, Plant & Equipment	(3,523)	(30,495)
Proceeds From Disposal Of Property, Plant & Equipment	4,766	-
Interest Received	7,239	6,908
Dividend Received From Associate	349	179
Investment In Money Market Fund	-	(1,138)
Proceeds From Disposal Of Money Market Fund	-	76,304
Net Cash Generated From Investing Activities	8,831	51,758
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment Of Long Term Borrowings	(136,806)	(103,423)
Drawdown Of Long Term Borrowings	-	603,225
Net Movement In Short Term Borrowings	62,196	(809,795)
Advances From Holding Company	-	308,000
Net Cash Used In Financing Activities	(74,610)	(1,993)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(153,010)	(31,911)
CASH AND CASH EQUIVALENTS AS AT 1ST JANUARY	891,471	973,807
EFFECTS OF EXCHANGE RATE CHANGES	(2,923)	(32,704)
CASH AND CASH EQUIVALENTS AS AT 30TH JUNE	735,538	909,192
Cash and Cash Equivalents comprise:		
- Current	413,338	909,192
- Non-Current	322,200	-
	735,538	909,192

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

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE SIX (6)-MONTH FPE 30 JUNE 2017 TOGETHER WITH THE EXPLANATORY NOTES THEREON (Cont'd)**Explanatory Notes****NOTE 1 – Significant accounting policies****Basis of preparation**

The interim financial statements have been prepared in accordance with the requirements of IAS 34, Interim Financial Reporting and MFRS 134, Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The significant accounting policies and methods of computation in the interim financial statements are consistent with those in the annual audited financial statements for the year ended 31st December 2016.

NOTE 2 – Seasonal or Cyclical Factors

The Group is principally engaged in:

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

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

NOTE 3 – Exceptional Items

As at 30th June 2017, the United States Dollar had weakened against the Ringgit Malaysia by about 4.2% compared with the exchange rate as at 31st December 2016. This had affected assets and liabilities upon translation of the Group's assets and liabilities denominated in USD to RM, the presentation currency of the Company. The net impact to equity as at 30th June 2017 was a loss of RM82.8 million.

Other than the above, there were no material unusual items affecting assets, liabilities, equity, net income or cash flows during the interim period ended 30th June 2017.

NOTE 4 – Accounting Estimates

There were no changes in estimates of amounts reported in prior interim period of the current financial year or changes in estimates of amounts reported in prior financial years that have a material effect during the interim period ended 30th June 2017.

NOTE 5 – Issuance or Repayment of Debt and Equity Securities

There were no issuances and repayment of debt securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the interim period ended 30th June 2017.

NOTE 6 – Dividends Paid

There was no dividend paid during the interim period ended 30th June 2017.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE SIX (6)-MONTH FPE 30 JUNE 2017 TOGETHER WITH THE EXPLANATORY NOTES THEREON (Cont'd)
NOTE 7 – Segmental Reporting

Business Segment	Six Months Ended 30th June 2017		
	Revenue RM'000	Loss Before Tax RM'000	Loss Attributable to Owners of the Company RM'000
Drilling Services	205,085	(139,444)	(139,050)
Oilfield Services	9,101	(2,074)	(1,275)
Others	-	(14,772)	(14,778)
Consolidated Total	214,186	(156,290)	(155,103)

Business Segment	Six Months Ended 30th June 2016		
	Revenue RM'000	Profit / (Loss) Before Tax RM'000	Profit / (Loss) Attributable to Owners of the Company RM'000
Drilling Services	206,268	(141,369)	(142,239)
Oilfield Services	11,421	(11,519)	(10,545)
Others	-	20,469	20,461
Consolidated Total	217,689	(132,419)	(132,323)

There has been no material movement in total assets as compared to the last annual financial statements.

NOTE 8 – Subsequent Material Events

In the opinion of the Directors, there has been no material event or transaction during the period from 30th June 2017 to the date of this announcement, which affects substantially the results of the Group for the interim period ended 30th June 2017.

NOTE 9 – Changes in Composition / Group

There were no changes in the composition of the Group during the interim period ended 30th June 2017.

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

These are in respect of capital commitments:

	RM'000	RM'000
Approved and contracted for:		
Land and buildings	10	
Equipment, plant and machinery	16,568	
Others	40	16,618
Approved but not contracted for:		
Land and buildings	4,510	
Equipment, plant and machinery	15,208	
Others	6,156	25,874
Total		42,492

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE SIX (6)-MONTH FPE 30 JUNE 2017 TOGETHER WITH THE EXPLANATORY NOTES THEREON (Cont'd)

NOTE 11 - Significant Related Party Transactions

No.	UMW-OG & Its Subsidiaries	Transacting Parties	Relationship	Nature of Transaction	RM'000
1.	UMW Oilpipe Services Sdn. Bhd.	UMW Industries (1985) Sdn. Bhd.	Subsidiary of holding company	Purchase of Goods and Services	50
2.	UMW Oil & Gas Corporation Berhad and its subsidiaries	U-Travelwide Sdn. Bhd.	Subsidiary of holding company	Purchase of Services	897
3.	UMW Oil & Gas Corporation Berhad	UMW Holdings Berhad	Holding company	Interest expense on advances	8,388
4.	UMW Oil & Gas Corporation Berhad	UMW Corporation Sdn. Bhd.	Subsidiary of holding company	Rental & Other expenses	944
				Management fee	168
5.	UMW Oil & Gas Corporation Berhad and its subsidiaries	Toyota Capital Malaysia Sdn. Bhd.	Associate of holding company	Operating lease expense	598

The Company ceased to be a subsidiary of UMW Holdings Berhad ("UMWH") on 11 July 2017 upon completion of the distribution of ordinary shares in the Company on the basis of 1.0312 shares for each ordinary share held in UMWH to the entitled shareholders of UMWH.

NOTE 12 – Classification of Financial Assets

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

NOTE 13 – Changes in Contingent Liabilities and Contingent Assets

There were no material contingent liabilities and contingent assets as at 30th June 2017.

NOTE 14 – Review of Performance

Current Quarter Ended 30th June 2017

	Revenue		Loss Before Tax	
	2nd Quarter ended 30/06/2017 RM'000	2nd Quarter ended 30/06/2016 RM'000	2nd Quarter ended 30/06/2017 RM'000	2nd Quarter ended 30/06/2016 RM'000
Business Segment				
Drilling Services	134,108	125,008	(42,783)	(47,994)
Oilfield Services	5,800	5,002	(502)	(10,111)
Others	-	-	(8,097)	(5,891)
Total	139,908	130,010	(51,382)	(63,996)

Group

Group revenue of RM139.9 million for the second quarter ended 30th June 2017 was higher than the RM130.0 million registered in the same quarter of 2016 by RM9.9 million or 7.6%. Both the Drilling Services segment and Oilfield Services segment reported improved revenue in the second quarter of 2017.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE SIX (6)-MONTH FPE 30 JUNE 2017 TOGETHER WITH THE EXPLANATORY NOTES THEREON (Cont'd)

The Group posted a lower loss before tax of RM51.4 million in the second quarter of 2017 against the RM64.0 million recorded in the same quarter of 2016, a difference of RM12.6 million or 19.7%. Higher rig utilisation rate coupled with lower losses from oilfield services accounted for the improvement in financial performance for the second quarter ended 30th June 2017.

Drilling Services Segment

In the second quarter of 2017, the Drilling Services segment contributed revenue of RM134.1 million or 95.9% of the total revenue of RM139.9 million, an increase of RM9.1 million or 7.3% over the RM125.0 million recorded in the same quarter of 2016.

In the second quarter of 2017, five out of the Group's seven jack-up rigs were income-generating with four of them contributed full-quarter revenue thereby achieving an overall asset utilisation rate of 68%. However, the positive effect from higher asset utilisation was offset by the lower time charter rates as well as zero contribution from Naga 1, a semi-submersible rig, which disposal was completed on 9th May 2017.

As for the second quarter of 2016, the revenue was contributed by Naga 1 and three jack-up rigs, all of which were working for less than full quarter but at much higher day rates from contracts secured during better times. The overall asset utilisation rate achieved for the second quarter of 2016 was 33%.

The Drilling Services segment incurred a lower loss of RM42.8 million in the second quarter of 2017 compared to the loss of RM48.0 million reported in the same quarter of 2016, an improvement of RM5.2 million or 10.8%. The positive effects from improved revenue and lower operating costs from various austerity initiatives taken over the last two years were however, partly offset by the higher finance costs.

Oilfield Services Segment

The Oilfield Services segment contributed revenue of RM5.8 million or 4.1% of the total revenue of RM139.9 million in the second quarter of 2017, an increase of RM0.8 million or 16.0% over the RM5.0 million registered in the same quarter of 2016. Demand for oil pipes threading, inspection and repair services remained soft during the second quarter of 2017.

The Oilfield Services segment reported a lower loss before tax of RM0.5 million in the second quarter of 2017 as compared to the loss of RM10.1 million recorded in the same quarter of 2016. Concerted efforts to reduce operating costs and cut losses, partly contributed to the smaller loss in the second quarter of 2017.

Six Months Ended 30th June 2017

	Revenue		Profit / (Loss) Before Tax	
	Six Months ended 30/06/2017 RM'000	Six Months ended 30/06/2016 RM'000	Six Months ended 30/06/2017 RM'000	Six Months ended 30/06/2016 RM'000
Business Segment				
Drilling Services	205,085	208,268	(139,444)	(141,369)
Oilfield Services	9,101	11,421	(2,074)	(11,519)
Others	-	-	(14,772)	20,469
Total	214,186	217,689	(156,290)	(132,419)

Group

For the six-month period ended 30th June 2017, the Group recorded total revenue of RM214.2 million, a slight decrease of RM3.5 million or 1.6%, compared to the RM217.7 million recorded in the same period of 2016. Both the Drilling Services and Oilfield Services segments reported lower revenue mainly due to lower time charter rates from new drilling contracts secured and continued soft demand for oilfield services, respectively.

The Group posted a higher loss before tax of RM156.3 million for the six-month period ended 30th June 2017 against the RM132.4 million recorded in the same period of 2016, a difference of RM23.9 million or 18.1%. Lower time charter rates and reduced foreign exchange gain on translation resulted in the higher loss for the six-month period ended 30th June 2017.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE SIX (6)-MONTH FPE 30 JUNE 2017 TOGETHER WITH THE EXPLANATORY NOTES THEREON (Cont'd)
Drilling Services Segment

The Drilling Services segment contributed revenue of RM205.1 million or 95.8% of the total revenue of RM214.2 million for the six-month period ended 30th June 2017, a marginal drop of RM1.2 million or 0.6% over the RM206.3 million recorded in the same period of 2016.

During the first half of 2017, two jack-up rigs achieved 100% asset utilisation whilst another three jack-up rigs commenced operation progressively. Average asset utilisation rate for the first half of 2017 was 47% versus the 29% recorded for the first half of 2016. The prevailing low time charter rates resulted in the lower revenue despite the higher asset utilisation achieved in the first half of 2017.

Naga 1 and three jack-up rigs were in operation at less than 100% utilisation rate during the first half of 2016 and continued to enjoy higher time charter rates from unfinished contracts secured during better times of the industry. Consequently, the first half of 2016 registered a higher revenue notwithstanding the lower asset utilisation rate of 29%.

In spite of the lower revenue and higher finance cost, this segment incurred a lower loss of RM139.4 million for the six-month period ended 2017 compared to the loss of RM141.4 million reported in the same period of 2016, an improvement of RM2.0 million or 1.4%. Lower operating costs from ongoing cost-cutting measures resulted in the lower loss for the first half of 2017.

Oilfield Services Segment

The Oilfield Services segment contributed revenue of RM9.1 million or 4.2% of the total revenue of RM214.2 million for the six-month period ended 2017, a reduction of RM2.3 million or 20.2% over the RM11.4 million registered in the same period of 2016.

However, the Oilfield Services segment reported a significantly lower loss before tax of RM2.1 million for the six-month period ended 2017 versus a loss of RM11.5 million recorded in the same period of 2016 as a result of measures taken to cut losses.

NOTE 15 – Comparison with Preceding Quarter's Results

	Revenue		Loss Before Tax	
	2nd Quarter ended 30/06/2017 RM'000	1st Quarter ended 31/03/2017 RM'000	2nd Quarter ended 30/06/2017 RM'000	1st Quarter ended 31/03/2017 RM'000
Business Segment				
Drilling Services	134,108	70,977	(42,783)	(96,661)
Oilfield Services	5,800	3,301	(502)	(1,572)
Others	-	-	(8,097)	(6,675)
Total	139,908	74,278	(51,382)	(104,908)

Group revenue of RM139.9 million for the second quarter of 2017 improved over the RM74.3 million registered in the first quarter of 2017 by RM65.6 million or 88.3%, due to higher asset utilisation. In the second quarter of 2017, five out of seven jack-up drilling rigs were income-generating as compared to only 2 jack-up rigs that were in operation in the first quarter of 2017. Average asset utilisation rate for the second quarter of 2017 improved to 68% from the 26% registered in the first quarter of 2017.

Consequently, the second quarter of 2017 posted a lower loss before tax of RM51.4 million as compared to the RM104.9 million loss reported in the first quarter of 2017, a reduction of RM53.5 million or 51.0%.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE SIX (6)-MONTH FPE 30 JUNE 2017 TOGETHER WITH THE EXPLANATORY NOTES THEREON (Cont'd)
NOTE 16 – Current Prospect
Drilling Services Segment

UMW NAGA 4 and UMW NAGA 3 commenced operation with PETRONAS Carigali Sdn Bhd in late July and early August 2017, respectively. On 9th August 2017, UMW NAGA 5, the Group's only idling jack-up drilling rig at present, secured a contract from Repsol Oil & Gas Malaysia Limited for an initial contract duration of one year with an option to extend for another year. Barring any unforeseen circumstances, full utilization of all seven jack-up rigs is expected by September 2017. However, there are potential risks of off hire for some of the rigs in view that some of those contracts are short term in nature.

While asset utilisation is improving for the second half of 2017, the charter rates continue to remain soft, in line with prevailing market rates.

Oilfield Services Segment

Demand for oil pipes threading, inspection and repair services is not expected to recover significantly for the remaining period of 2017 as oil companies continue to use existing threaded stocks. In addition, repair works continue to experience low volume.

Group

Financial performance of the Group for the financial year 2017 is expected to remain challenging due to the low time charter rate environment.

NOTE 17 – Statement on Revenue and Profit Forecast

This is not applicable to the Group.

NOTE 18 – Variance from Profit Forecast and Profit Guarantee

This is not applicable to the Group.

NOTE 19 – Taxation

	2nd Quarter ended 30/06/2017 RM'000	Six Months ended 30/06/2017 RM'000
Taxation for current period	153	163
Under / (Over) provision in prior periods	-	-
	153	163
Deferred taxation	4	5
Total	157	168

Several companies in the Group were profitable and in tax payable position while the rest of the companies were in a loss position. Hence the tax charge of RM157,000 and RM168,000 for the current quarter and the six-month period ended 30th June 2017, respectively.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE SIX (6)-MONTH FPE 30 JUNE 2017 TOGETHER WITH THE EXPLANATORY NOTES THEREON (Cont'd)

NOTE 20 – Corporate Proposals

(a) Corporate Proposals

Maybank Investment Bank Berhad ("**Meybank IB**"), on behalf of the Board of Directors of UMW-OG ("**Board**"), had announced the following corporate proposals on 4th May 2017:

- i. Proposed renounceable rights issue of up to 6,053,600,000 new shares in the Company ("**Rights Shares**") together with up to 1,513,400,000 free detachable warrants ("**Warrants**") at an issue price of RM0.30 per Rights Share on the basis of fourteen (14) Rights Shares for every five (5) ordinary shares in the Company held at an entitlement date to be determined later ("**Proposed Rights Issue With Warrants**");
- ii. Proposed subscription of up to 4,847,539,594 new Islamic redeemable convertible preference shares in the Company ("**RCPS-i**") together with up to 1,211,884,898 free Warrants at an issue price of RM0.30 per RCPS-i by Permodalan Nasional Berhad ("**PNB**") ("**Proposed PNB Subscription**");
- iii. Proposed exemption for PNB and persons acting in concert with it from the obligation to undertake a mandatory take-over offer for all the remaining shares and warrants in the Company not already owned by them ("**Mandatory Offer**") arising from the completion of the Proposed Rights Issue with Warrants pursuant to paragraph 4.08(1)(b) of Rule 4, Part B of the Rules on Take-over, Mergers and Compulsory Acquisitions ("**Rules**"); and
- iv. Proposed amendment to the Memorandum and Articles of Association of the Company's Constitution ("**Proposed Amendment**").

Subsequently on 9th June 2017, Maybank IB, on behalf of the Board, announced that the Company proposes to allow the RCPS-i to be offered to Amanah Saham Bumiputera ("**ASB**") and/or the funds under the management of PNB ("**Proposed Funds' Subscription**") (Proposed PNB Subscription and Proposed Funds' Subscription collectively referred to as "**Proposed Subscription**").

Further to the above, the Company has been notified that PNB, ASB and persons acting in concert with them (collectively, "**PAC Group**") intend to seek exemption from the obligation to undertake a Mandatory Offer in relation to the exercise of any conversion or subscription rights or options into new voting shares or voting rights pursuant to Paragraph 4.08(1)(c) of Rule 4, Part B of the Rules (exemption sought by the PAC Group pursuant to Paragraphs 4.08(1)(b) and 4.08(1)(c) of Rule 4, Part B of the Rules to be referred to as "**Proposed Exemption**").

On 23rd June 2017, Maybank IB, on behalf of the Board, announced that Bursa Malaysia Securities Berhad ("**Bursa Securities**") had, vide its letter dated 22nd June 2017, approved the following:

- i. admission to the Official List of Bursa Securities and the listing and quotation of up to 1,513,400,000 new Warrants to be issued pursuant to the Proposed Rights Issue With Warrants and the Proposed Subscription (if applicable);
- ii. listing and quotation of up to 6,053,600,000 new UMW-OG Shares to be issued pursuant to the Proposed Rights Issue With Warrants and the Proposed Subscription (if applicable) on the Main Market of Bursa Securities; and
- iii. listing and quotation of up to 1,513,400,000 new UMW-OG Shares to be issued pursuant to the exercise of the Warrants on the Main Market of Bursa Securities, subject to the conditions set out in Section 10 of Part A of the circular to the shareholders of the Company dated 3rd August 2017 in relation to, amongst others, the Proposed Rights Issue With Warrants, Proposed Subscription, Proposed Exemption and Proposed Amendment (collectively, the "**Proposals**").

The extraordinary general meeting to consider the Proposals will be held on 25th August 2017.

Other than the above, there were no other corporate proposals announced but not completed.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE SIX (6)-MONTH FPE 30 JUNE 2017 TOGETHER WITH THE EXPLANATORY NOTES THEREON (Cont'd)
(b) Status of Utilisation of Proceeds

Not applicable.

NOTE 21 – Group Borrowings and Debt Securities

	RM'000	RM'000	USD'000
(a) Short term borrowings			
- Unsecured			
Short term loans and revolving credits	1,234,042		284,926
Portion of long term loans payable within 12 months	241,614		56,242
		1,475,656	
		1,475,856	341,168
(b) Long term borrowings			
- Secured			
Long term loans	708,841		165,000
Less: Transaction cost	(16,003)		
		692,838	
- Unsecured			
Long term loans	1,609,501		374,652
Portion of long term loans payable within 12 months	(241,614)		(56,242)
		1,367,887	
		2,060,725	483,410

Movements of Borrowings	Short Term Borrowings	Long Term Borrowings
	RM '000	RM '000
Opening Balance	1,499,745	2,272,773
Add : Transaction cost	-	18,831
Add/(Less) : Amount payable within 12 months	(272,128)	272,128
Adjusted Opening Balance	1,227,817	2,563,732
Less : Exchange Difference	(52,943)	(108,584)
Add : Drawdown	59,368	-
Less : Repayment	-	(136,806)
	1,234,042	2,318,342
Less : Transaction cost	-	(16,003)
Add/(Less) : Amount payable within 12 months	241,614	(241,614)
Closing Balance	1,475,656	2,060,725

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE SIX (6)-MONTH FPE 30 JUNE 2017 TOGETHER WITH THE EXPLANATORY NOTES THEREON (Cont'd)
NOTE 22 – Material Litigation

Reference is made to the previous announcement dated 22nd May 2017.

On 25th June 2017, Frontier Oil Corporation ("Respondent") submitted its revised Amended Statement of Defence and Counterclaim and UMW Offshore Drilling Sdn. Bhd. ("UOD") submitted its revised Amended Reply and Defence to Counterclaim in response on 14th July 2017. UOD has been advised by its solicitors from the facts of its case that, UOD has a good claim and a good defence to the Respondent's counterclaim. The arbitration proceedings are not expected to have a material impact on the earnings per share and the net assets per share of the Company for the financial year ending 31st December 2017. The Company will make further announcement if there is any material development in the matter.

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

NOTE 23 – Dividend

No dividend has been recommended for the quarter ended 30th June 2017.

NOTE 24 – Earnings Per Share

Basic loss per share for the current quarter and the six-month period ended 30th June 2017 are calculated by dividing the net loss attributable to equity holders of the Company of RM50,986,000 and RM155,103,000, respectively, by the weighted average number of ordinary shares in issue as at 30th June 2017 of 2,162,000,000 shares of RM0.50 each.

The Company has no dilutive potential ordinary shares as at 30th June 2017.

NOTE 25 – Realised and Unrealised Profits / (Losses)

The breakdown of accumulated losses of the Group as at 31st March 2017 and 30th June 2017, pursuant to the format prescribed by Bursa Securities, are as follows:

	As at 31/03/2017 RM'000	As at 30/06/2017 RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(1,509,031)	(1,618,469)
- Unrealised	342	(1,693)
	(1,508,689)	(1,620,162)
Total share of retained profits from associated company:		
- Realised	2,464	1,918
- Unrealised	-	-
	(1,506,225)	(1,618,244)
Add : Consolidation adjustments	368,979	430,012
Total Group accumulated losses as per consolidated accounts	(1,137,246)	(1,188,232)

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF UMW-OG FOR THE SIX (6)-MONTH FPE 30 JUNE 2017 TOGETHER WITH THE EXPLANATORY NOTES THEREON (Cont'd)
NOTE 26 – Audit Qualification

The audit report in respect of the annual financial statements of the Company for the financial year ended 31st December 2016 was not qualified.

NOTE 27 – Items to Disclose in the Statement of Comprehensive Income

	2nd Quarter ended 30/06/2017 RM'000	Six Months ended 30/06/2017 RM'000
(a) Interest income	3,740	7,783
(b) Other investment income	-	-
(c) Depreciation and amortisation	(62,106)	(129,344)
(d) Reversal of impairment / (impairment) losses of receivables	-	-
(e) (Provision for) / write back of inventories	-	-
(f) Loss on disposal of quoted or unquoted investment	-	-
(g) Net gain on disposal of property, plant and equipment	325	559
(h) Impairment of assets	-	-
(i) Net foreign exchange loss	(1,816)	(2,853)
(j) Net gain on derivatives	-	-
(k) Property, plant and equipment written off	-	(6)

By Order Of The Board

LEE MI RYOUNG
Secretary
(MAICSA 7058423)

Kuala Lumpur
22nd August 2017

DIRECTORS' REPORT

UMW OIL & GAS CORPORATION BERHAD (878786-H)

Date : 11 SEP 2017



To: The Shareholders of UMW Oil & Gas Corporation Berhad ("UMW-OG")

Dear Sir/Madam,

ON behalf of the Board of Directors of UMW-OG ("**Board**"), I wish to report that after making due enquiries in relation to the period between 31 December 2016, being the date on which the last audited financial statements of UMW-OG and its subsidiaries ("**Group**") have been made up, and up to the date hereof, being a date not earlier than fourteen (14) days before the date of issue of this Abridged Prospectus, that:

- (a) the business of the Group has, in the opinion of the Board, been satisfactorily maintained;
- (b) in the opinion of the Board, no circumstances have arisen since the last audited financial statements of the Group, which have adversely affected the trading or the value of the assets of the Group;
- (c) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) there are no contingent liabilities by reason of any guarantees or indemnities given by any company within the Group;
- (e) there has been, since the last audited financial statements of the Group, no default or any known event that could give rise to a default situation, on payments of either interest and/or principal sums for any borrowings of the Group; and
- (f) save as disclosed in this Abridged Prospectus, since the last audited financial statements of the Group, there has been no material change in the published reserves or any unusual factors affecting the profits of the Group.

Yours faithfully,

For and on behalf of the Board of

UMW OIL & GAS CORPORATION BERHAD

A handwritten signature in black ink, appearing to read "Rohaizad Bin Darus".

Rohaizad Bin Darus
President

ADDITIONAL INFORMATION

1. SHARE CAPITAL

- (i) Save for the Rights Shares, Warrants, and Exercised Shares, no securities of the Company will be allotted or issued on the basis of this Abridged Prospectus later than 12 months after the date of this Abridged Prospectus.
- (ii) Save as disclosed below, no person has been or would be entitled to be granted an option to subscribe for any securities in the Company:
 - a) the Entitled Shareholders and/or their renounee(s) and/or transferee(s), if applicable, who shall be provisionally allotted with Warrants (attached to the Rights Shares) pursuant to the Rights Issue With Warrants;
 - b) PNB, who may be offered RCPS-i and Warrants pursuant to the RCPS-i Undertaking, if the Intended Gross Proceeds are not raised after the completion of the Rights Issue With Warrants and the Funds' Subscription; and
 - c) ASB and/or the Funds, if applicable, who may be offered RCPS-i and Warrants pursuant to the Funds' Subscription if the Collective Shareholding Threshold is reached pursuant to the Rights Issue With Warrants.

The RCPS-i may be offered to PNB, ASB and/or the Funds at the Subscription Price and are convertible into UMW-OG Shares for no additional consideration. The RCPS-i are convertible from the date of issuance of the RCPS-i to the the date immediately preceding the fifth (5th) anniversary of the issuance of the RCPS-i. The Warrants to be issued with the RCPS-i are identical to the Warrants to be issued with the Rights Shares.

2. DIRECTORS' REMUNERATION

The extract of the provisions in the Company's Constitution in relation to the remuneration of the Directors are as follows:

Clause 100 – Directors' remuneration

The remuneration of the Directors for a calendar year, and every subsequent calendar year thereafter shall be such amount as may be determined by a fixed sum, and not by a commission on or percentage of profits or turnover, by an ordinary resolution of the Company in general meeting, and shall unless any resolution otherwise provides, be divisible among the Directors in such proportions and manner as the Directors may agree, or failing such agreement, be divisible equally except that any Director holding office for part of a year in respect of which such fees are payable, shall be entitled to a proportionate part of such fees related to the period during which he has held office. Unless such amount so determined as aforesaid is subsequently varied by an ordinary resolution, such amount shall be applicable for all calendar years subsequent to the passing of the ordinary resolution approving the determination of that amount. Where already determined, such fees shall not be increased except by an ordinary resolution of the company in general meeting, where notice of the proposed increase has been given in the notice convening the meeting.

ADDITIONAL INFORMATION (Cont'd)

Clause 101 – Reimbursement of expenses

- (1) The Directors shall be paid all their travelling, hotel and other expenses properly and necessarily expended by them in and about the business of the Company including their travelling and other expenses incurred in attending Board Meetings of the Company.
- (2) If any Director whether he holds an executive or non-executive position in the Company, being willing shall be called upon to perform extra services or to make any special arrangements in going or residing away from his country of domicile or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing if he holds an executive position in the Company, either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) and if he holds a non-executive position in the Company, either by a fixed sum otherwise (other than by a sum to include a commission on or percentage of profits or turnover) and such fee may be either in addition to or in substitution for his or their share in the remuneration from time to time provided for the Directors.

Clause 104 – Remuneration of Chief Executive Officer and executive Director

The remuneration of a Chief Executive Officer or Chief Executive Officers or executive Directors pursuant to these Clauses and subject to the terms of any agreement entered into in any particular case shall be fixed by the Directors and may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but shall not include a commission on or percentage of turnover.

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ADDITIONAL INFORMATION (Cont'd)**3. MATERIAL CONTRACTS**

Save as disclosed below, the UMW-OG Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the two (2) years immediately preceding the date of this Abridged Prospectus:

- (i) Share purchase agreement dated 19 January 2017 between UMW-OG and Hallmark Odyssey Sdn Bhd ("**HOSB**") where HOSB agreed to sell to UMW-OG and UMW-OG agree to purchase from HOSB 497,768,820 ordinary shares, being HOSB's shareholding in ICON Offshore Berhad ("**ICON**") for a total consideration of RM248,884,410 to be satisfied by the allotment of 311,105,513 UMW-OG Shares to HOSB ("**ICON SPA**") subject to the terms and conditions of the ICON SPA.

The ICON SPA was terminated on 4 May 2017.

- (ii) Share purchase agreement dated 19 January 2017 between UMW-OG and Tetap Kuasa Sdn Bhd ("**TKSB**") where TKSB agreed to sell to UMW-OG and UMW-OG agreed to purchase from TKSB 37,087,725 ordinary shares, being Tetap Kuasa's shareholding in Orkim Sdn Bhd ("**Orkim**") for a total cash consideration of RM472,725,000 ("**Orkim SPA**") subject to the terms and conditions of the Orkim SPA.

The Orkim SPA was terminated on 4 May 2017.

- (iii) Share and purchase agreements dated 13 February 2017 between UMW-OG and Wan Izani bin Wan Mahmood and Khoo Chin Yew, respectively for the proposed acquisition of approximately 4.5% equity interest in Orkim for an aggregate cash consideration of RM22,275,000 ("**Minority SPAs**").

The Minority SPAs which are conditional upon the Orkim SPA becoming unconditional were terminated on 4 May 2017.

- (iv) The Undertakings and Subscription Letter, details of which are set out in Section 2.7 of this Abridged Prospectus.

4. MATERIAL LITIGATION

Save as disclosed below, as at the LPD, the UMW-OG Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board is not aware of any proceedings, pending or threatened against the UMW-OG Group or of any facts likely to give rise to any proceedings which may materially and adversely affect the business or financial position of the UMW-OG Group:

- (i) UMW Offshore Drilling Sdn Bhd ("**UOD**" or "**Claimant**"), a wholly-owned subsidiary within the UMW-OG Group, had on 10 April 2015, served a Notice of Arbitration on Frontier Oil Corporation ("**FOC**" or "**Respondent**"), to seek, among others, an award for damages and/or compensation for all losses arising from the Respondent's breach of contract but not limited to the early termination fee amounting to USD19.2 million.

ADDITIONAL INFORMATION (Cont'd)

On 14 August 2015, UOD served its Statement of Claim and the Respondent filed its Statement of Defence dated 18 September 2015 denying, among others, that the Claimant is entitled to the early termination fee, damages, cost, interest or any other sums, without any counterclaim against UOD. The Statement of Reply dated 23 October 2015 was submitted by the Claimant.

On 24 August 2016, FOC served an Amended Statement of Defence and Counterclaim (“**ASDC**”) seeking, among others, its alleged loss and damages on account of alleged non-performance and/or breach as follows:-

- (a) USD20.00 million, being the loss of revenue or value that FOC would have obtained had UOD not breached the contract, less those costs of production saved; and/or
- (b) Further or alternatively, damages reflecting loss of the extended well test value in the sum of USD9.70 million; and/or
- (c) Further or alternatively, cost of wasted expenditure of USD1.36 million; and/or
- (d) Further or alternatively, liquidated damages in the sum of USD3.84 million; and
- (e) Interest and Respondent's costs, fees and expenses associated with the arbitration.

UOD served its Amended Reply and Defence to Counterclaim (“**ARDC**”) on the Respondent and further amended the ARDC in response to FOC's ASDC on 13 October 2016 and 24 April 2017. FOC filed its Statement in Reply to UOD's ARDC dated 23 November 2016. Thereafter, FOC submitted its revised ASDC on 25 June 2017 and UOD submitted its revised ARDC in response on 14 July 2017 accordingly.

UOD was advised by its solicitors that from the facts of its case, UOD has a good claim and a good defence to the Respondent's counterclaim.

5. GENERAL

- (i) As at the LPD, the UMW-OG Group does not have any service contracts with any Directors or proposed Directors of UMW-OG Group, which have been entered into or amended within six (6) months before the announcement of the Corporate Exercises on 4 May 2017 or which are fixed term contracts with more than twelve (12) months to run.

For the purpose of this section, the term “service contracts” excludes those expiring or determinable by the employing company without payment of compensation within twelve (12) months from the date of this Abridged Prospectus.

- (ii) Save as disclosed in this Abridged Prospectus and to the best knowledge of the Board, the financial condition and operations of the UMW-OG Group are not affected by any of the following:
 - (a) known trends, demands, commitments, events or uncertainties that will or are likely to materially increase or decrease the liquidity of the UMW-OG Group;
 - (b) material commitments for capital expenditure of the UMW-OG Group;

ADDITIONAL INFORMATION (Cont'd)

- (c) unusual, infrequent events or transactions or significant economic changes that materially affect the amount of reported income from the operations of the UMW-OG Group;
- (d) known trends or uncertainties that have had, or will have a material favourable or unfavourable impact on the revenues or operating income of the UMW-OG Group; and
- (e) material information, including any special trade factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of the UMW-OG Group.

6. CONSENTS

Maybank IB, Company Secretary, Share Registrar, Principal Bankers and Solicitors for the Rights Issue With Warrants have given and have not subsequently withdrawn their written consents for the inclusion of their names and all references thereto in the form and context in which they appear in this Abridged Prospectus.

Messrs Ernst & Young, being the reporting accountants and auditor of UMW-OG, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Abridged Prospectus, including the Reporting Accountants' letter relating to the proforma consolidated statement of financial position of UMW-OG as at 31 December 2016 and the auditors' report for the audited consolidated financial statements of UMW-OG for the FYE 31 December 2016.

Clarksons Research has given and has not subsequently withdrawn its written consent for the inclusion of its name and all references thereto in the form and context in which they appear in this Abridged Prospectus.

Bloomberg Finance L.P. has given and has not subsequently withdrawn its written consent for the inclusion of its name as the source of the historical share prices of UMW-OG, and all references thereto in the form and context in which they appear in this Abridged Prospectus.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of UMW-OG at Level 18, Block 3A, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia during normal business hours from Monday to Friday (except public holidays) for a period of 12 months from the date of this Abridged Prospectus:

- (i) the Constitution;
- (ii) audited consolidated financial statements of UMW-OG for the past two (2) FYEs 31 December 2015 and 2016 and unaudited consolidated financial statements of UMW-OG for the six (6)-month FPE 30 June 2017;
- (iii) proforma consolidated statement of financial position of UMW-OG as at 31 December 2016 together with the notes and Reporting Accountants' letter thereon as set out in **Appendix III** of this Abridged Prospectus;
- (iv) Directors' Report as set out in **Appendix VI** of this Abridged Prospectus;
- (v) material contracts as referred to in **Section 3** of this Appendix;

ADDITIONAL INFORMATION (Cont'd)

- (vi) relevant cause papers in respect of the material arbitration referred to in **Section 4** of this Appendix;
- (vii) consent letters as referred to in **Section 6** of this Appendix;
- (viii) the report titled – The Global Mobile Offshore Drilling Rig Industry prepared by Clarksons Research as referred to in **Section 5** of this Abridged Prospectus;
- (ix) the Deed Poll; and
- (x) the Undertakings and Subscription Letter.

8. RESPONSIBILITY STATEMENT

The Board has seen and approved the Documents. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, if omitted, would make any statement in the Documents false or misleading.

Maybank IB, being the Principal Adviser for the Rights Issue With Warrants, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue With Warrants.

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NOTICE OF PROVISIONAL ALLOTMENT OF RIGHTS SHARES WITH WARRANTS

ALL TERMS AND ABBREVIATIONS USED IN THIS NOTICE OF PROVISIONAL ALLOTMENT ("NPA") SHALL HAVE THE SAME MEANING AS THOSE DEFINED IN THE ABRIDGED PROSPECTUS DATED 25 SEPTEMBER 2017 ("ABRIDGED PROSPECTUS") UNLESS STATED OTHERWISE. THE PROVISIONAL RIGHTS SHARES WITH WARRANTS CONTAINED IN THIS NPA ARE PRESCRIBED SECURITIES PURSUANT TO SECTION 14(5) OF THE SECURITIES INDUSTRY (CENTRAL DEPOSITORIES) ACT, 1991 ("SICDA") AND THEREFORE, THE SICDA (INCLUDING ALL AMENDMENTS THEREOF) AND THE RULES OF BURSA MALAYSIA DEPOSITORY SDN BHD ("BURSA DEPOSITORY") SHALL APPLY IN RESPECT OF DEALINGS IN THE PROVISIONAL RIGHTS SHARES AND WARRANTS.



UMW OIL & GAS CORPORATION BERHAD

(Company No. 878786-H)
(Incorporated in Malaysia under the Companies Act, 1965 and deemed registered under the Companies Act, 2016)

RENOUNCEABLE RIGHTS ISSUE OF UP TO 6,053,600,000 NEW ORDINARY SHARES IN UMW OIL & GAS CORPORATION BERHAD ("UMW-OG" OR "COMPANY") ("RIGHTS SHARES") AT AN ISSUE PRICE OF RM0.30 PER RIGHTS SHARE ("RIGHTS ISSUE PRICE") ON THE BASIS OF FOURTEEN (14) RIGHTS SHARES FOR EVERY FIVE (5) ORDINARY SHARES IN UMW-OG ("UMW-OG SHARES") HELD AS AT 5.00 P.M. ON 25 SEPTEMBER 2017 ("ENTITLEMENT DATE") TOGETHER WITH UP TO 1,513,400,000 FREE DETACHABLE WARRANTS ("WARRANTS") ON THE BASIS OF ONE (1) WARRANT FOR EVERY FOUR (4) RIGHTS SHARES SUBSCRIBED ("RIGHTS ISSUE WITH WARRANTS")

Principal Adviser



To: The shareholders of UMW-OG

Dear Sir/Madam,

The Board of Directors of UMW-OG ("Board") has provisionally allotted to you the number of Rights Shares with Warrants as indicated below ("Provisional Rights Shares with Warrants"), in accordance with the approval of Bursa Malaysia Securities Berhad ("Bursa Securities") vide its letter dated 22 June 2017 and the ordinary resolution passed by the shareholders of UMW-OG at the extraordinary general meeting convened on 25 August 2017.

We wish to advise that the Provisional Rights Shares with Warrants in respect of the Rights Issue with Warrants have been confirmed by Bursa Depository and will be credited into your Central Depository System ("CDS") account as stated below, subject to the terms and conditions stated in the Abridged Prospectus and the Rights Subscription Form ("RSF").

Bursa Securities has prescribed the Rights Shares and Warrants to be listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Provisional Rights Shares with Warrants are prescribed securities and as such, all dealings in the Provisional Rights Shares with Warrants will be by book entries through CDS accounts and will be governed by the SICDA and the Rules of Bursa Depository.

ALL THE RIGHTS SHARES AND WARRANTS TO BE ISSUED PURSUANT TO THE RIGHTS ISSUE WITH WARRANTS WILL BE ALLOTTED BY WAY OF CREDITING THE RIGHTS SHARES AND THE WARRANTS INTO THE CDS ACCOUNTS OF THE ENTITLED SHAREHOLDERS AND/OR THEIR RENOUNCEE(S) AND/OR TRANSFEREE(S), IF APPLICABLE. NO PHYSICAL RIGHTS SHARE CERTIFICATES OR WARRANT CERTIFICATES WILL BE ISSUED.

The Rights Shares which are not taken up or not validly taken up will be made available for excess application by the other Entitled Shareholders and/or their renounee(s) and/or transferee(s), if applicable. It is the intention of the Board to allocate the Excess Rights Shares, if any, in a fair and equitable manner in the following order of priority:

- (i) firstly, to minimise the incidence of odd lots to the Non-Interested Entitled Shareholders who have applied for Excess Rights Shares;
- (ii) secondly, to the Non-Interested Entitled Shareholders who have applied for the Excess Rights Shares on a pro-rata basis and in board lots, calculated based on their respective shareholdings as per their CDS Accounts on the Entitlement Date;
- (iii) thirdly, to the Non-Interested Entitled Shareholders who have applied for the Excess Rights Shares on a pro-rata basis and in board lots, calculated based on the quantum of Excess Rights Shares applied for;
- (iv) fourthly, to the renounee(s) and/or transferee(s) of the Entitled Shareholders, if any, who have applied for the Excess Rights Shares on a pro-rata basis and in board lots, calculated based on the quantum of Excess Rights Shares applied for;
- (v) following such allocation to the Non-Interested Entitled Shareholders and/or their renounee(s) and/or transferee(s), if any, the Excess Rights Shares will be allocated to all the remaining Entitled Shareholders, their renounee(s) or transferee(s) other than PNB, if any, on a pro-rata basis and in board lots, calculated based on their respective shareholdings as per their CDS Accounts on the Entitlement Date;
- (vi) PNB will be allocated the balance number of undersubscribed Excess Rights Shares (subject always to the Collective Shareholding Threshold) after the allocation of the Excess Rights Shares to all the other Entitled Shareholders and/or their renounee(s) and/or transferee(s), if any, based on their respective applications.

In the event of any balance Excess Rights Shares after steps (i), (ii), (iii) and (iv) are completed, steps (ii), (iii) and (iv) shall be repeated to allocate such balance until all the Non-Interested Entitled Shareholders and/or their renounee(s) and/or transferee(s) have received the Excess Rights Shares applied by them or such balance is exhausted. In the event of any balance Excess Rights Shares after the completion and repetition of steps (ii), (iii) and (iv), the Board shall proceed to allocate such balance based on steps (v) and (vi).

The Rights Shares and Warrants will be provisionally allotted to the Entitled Shareholders. In determining shareholders' entitlements under the Rights Issue With Warrants, fractional entitlements, if any, will be disregarded and dealt with in such manner as the Board in its absolute discretion deems fit and expedient, and in the best interest of the Company.

NAME, ADDRESS AND CDS ACCOUNT NUMBER OF ENTITLED SHAREHOLDER			
NUMBER OF UMW-OG SHARES HELD AS AT 5.00 P.M. ON 25 SEPTEMBER 2017	NUMBER OF RIGHTS SHARES PROVISIONALLY ALLOTTED TO YOU	NUMBER OF WARRANTS ATTACHED TO THE RIGHTS SHARES PROVISIONALLY ALLOTTED TO YOU	AMOUNT PAYABLE IN FULL UPON ACCEPTANCE AT RM0.30 PER RIGHTS SHARE (RM)

IMPORTANT RELEVANT DATES AND TIMES:

Entitlement Date	: Monday, 25 September 2017 at 5.00 p.m.
Last date and time for the sale of the Provisional Rights Shares with Warrants	: Monday, 2 October 2017 at 5.00 p.m.
Last date and time for the transfer of the Provisional Rights Shares with Warrants	: Thursday, 5 October 2017 at 4.00 p.m.
Last date and time for the acceptance and payment for the Provisional Rights Shares with Warrants	: Tuesday, 10 October 2017 at 5.00 p.m.
Last date and time for the application and payment for the Excess Rights Shares with Warrants	: Tuesday, 10 October 2017 at 5.00 p.m.

By order of the Board
Lee Mi Ryoung (MAICSA 7058423)
Company Secretary

Share Registrar
SECURITIES SERVICES (HOLDINGS) SDN BHD (36869-T)
Level 7, Menara Milenium
Jalan Damansara
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel: 03 - 2084 9000
Fax: 03 - 2094 9940 / 2095 0292

THIS RSF IS NOT A TRANSFERABLE OR NEGOTIABLE INSTRUMENT. IN ACCORDANCE WITH THE CAPITAL MARKETS AND SERVICES ACT, 2007, THIS RSF MUST NOT BE CIRCULATED UNLESS ACCOMPANIED BY THE ABRIDGED PROSPECTUS DATED 25 SEPTEMBER 2017 ("ABRIDGED PROSPECTUS").

IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY. YOU SHOULD READ AND UNDERSTAND THE CONTENTS OF THE ABRIDGED PROSPECTUS TO WHICH THIS RSF RELATES BEFORE COMPLETING AND SIGNING THIS RSF.

If you have sold or transferred all your UMW-OG Shares, you should hand the Abridged Prospectus together with the Notice of Provisional Allotment ("NPA") and RSF (collectively, the "Documents") at once to the agent/broker through whom you have effected the sale or transfer for onward transmission to the purchaser or transferee. All enquiries concerning the Rights Issue with Warrants should be addressed to UMW-OG's Share Registrar, Securities Services (Holdings) Sdn Bhd, Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur. The Documents are only despatched to the shareholders who have provided the Share Registrar of UMW-OG with a registered address in Malaysia and whose names appear in the Record of Depositors as at 5.00 p.m. on 25 September 2017.

The Documents are not intended to be (and will not be) issued, circulated or distributed in any country or jurisdiction other than Malaysia and no action has been or will be taken to ensure that either the Rights Issue with Warrants or the Documents comply with the laws related to public offerings of any country or jurisdiction where action for such purpose is required, other than the laws of Malaysia. Any entitled shareholders and/or their renounee(s) and/or transferee(s) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal adviser as to whether the acceptance or renunciation (as the case may be) of the Provisional Rights Shares with Warrants, application for the Excess Rights Shares with Warrants or the subscription, offer, sale, resale, pledge or other transfer of the Provisional Rights Shares with Warrants would result in the contravention of any law of such countries or jurisdictions. UMW-OG and Maybank Investment Bank Berhad shall not accept any responsibility or liability whatsoever, in the event that any acceptance or renunciation (as the case may be) of the Provisional Rights Shares with Warrants, application for the Excess Rights Shares with Warrants, or the subscription, offer, sale, resale, pledge or other transfer of the Provisional Rights Shares with Warrants made by any entitled shareholders and/or their renounee(s) and/or transferee(s), if applicable, is or shall become illegal, unenforceable, voidable or void in such countries or jurisdictions in which the entitled shareholders and/or renounee(s) and/or transferee(s), if applicable, are residents.

The Abridged Prospectus has been registered by the Securities Commission Malaysia ("SC"). The registration of the Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue with Warrants or assumes responsibility for the correctness of any statement made or opinion or report expressed in the Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of the Documents has also been lodged with the Registrar of Companies who takes no responsibility for the contents.

Approval from UMW-OG's shareholders has been obtained at UMW-OG's extraordinary general meeting held on 25 August 2017. Approval has also been obtained from Bursa Malaysia Securities Berhad ("Bursa Securities") vide its letter dated 22 June 2017 for the admission of Rights Shares with Warrants on the Official List of the Main Market of Bursa Securities and the listing of and quotation for the Rights Shares, Warrants and the new UMW-OG Shares to be issued upon the exercise of the Warrants on the Main Market of Bursa Securities. The listing and quotation of the Rights Shares and Warrants will commence after, among others, receipt of confirmation from Bursa Depository that the Rights Shares and Warrants have been duly credited into the CDS Accounts of the successful entitled shareholders and/or renounee(s) and/or transferee(s), if applicable, and the notices of allotment have been despatched to them. The listing and quotation of the Rights Shares and Warrants are in no way reflective of the merits of the Rights Issue with Warrants.

The Board has seen and approved the Documents. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make any statement in the Documents false or misleading.

Unless otherwise stated, the unit of currency used in this RSF is Ringgit Malaysia or "RM" in abbreviation.

INSTRUCTIONS:

(i) LAST DATE AND TIME FOR ACCEPTANCE AND PAYMENT

The last date and time for acceptance of and payment for the Rights Shares with Warrants is at 5.00 p.m. on 10 October 2017 ("Closing Date").

If acceptance and payment for the Provisional Rights Shares with Warrants in the manner specified in this RSF are not received (whether in full or in part) by the Share Registrar of UMW-OG, **Securities Services (Holdings) Sdn Bhd, Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur** by 5.00 p.m. on the Closing Date, your and/or your renounee(s) and/or transferee(s), if applicable, Provisional Rights Shares with Warrants will be deemed to have been declined and will be cancelled. Such Provisional Rights Shares with Warrants not taken up will be allotted to the applicants applying for the Excess Rights Shares with Warrants if the Rights Shares with Warrants are not fully taken up in the manner as set out in Note (III) below.

(ii) FULL OR PART ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES WITH WARRANTS

If you wish to accept the Provisional Rights Shares with Warrants, either in full or in part, please complete Part I(A) and Part II of this RSF in accordance with the notes and instructions contained in this RSF. Each completed RSF must be accompanied by remittance in RM for the **FULL** and **EXACT** amount payable for the Provisional Rights Shares with Warrants accepted in the form of Banker's Draft/Cashier's Order/Money Order/Postal Order drawn on a bank or post office in Malaysia, crossed "**A/C PAYEE ONLY**" to "**UMW-OG RIGHTS ACCOUNT**" and endorsed on the reverse side with your name, address, contact number and CDS account number in block letters to be received by the Share Registrar together with this RSF by the Closing Date.

The payment must be made in the **FULL** and **EXACT** amount payable for the Provisional Rights Shares with Warrants accepted. Any excess or insufficient payment may be rejected at the absolute discretion of the Board. Cheques, cash or any other mode of payments not prescribed herein are not acceptable. No acknowledgement of receipt of this RSF or application monies will be made by the Company or the Share Registrar in respect of the Provisional Rights Shares with Warrants. However, if your application is successful, a notice of allotment will be issued and forwarded to you by ordinary post to the address as shown on the Record of Depositors of the Company at your own risk within 8 market days from the Closing Date or such other period as may be prescribed by Bursa Securities. In respect of unsuccessful or late applications or partially successful Rights Shares with Warrants applications, the full amount or the surplus application monies, as the case may be, will be refunded without interest within 14 market days from the Closing Date by ordinary post to the address as shown in the Record of Depositors of the Company at your own risk.

(iii) APPLICATION FOR EXCESS RIGHTS SHARES WITH WARRANTS

If you wish to apply for additional Rights Shares with Warrants in excess to your entitlement, please complete Part I(B) of this RSF (in addition to Parts I(A) and II) and forward this RSF (together with a **separate remittance** in RM for the **FULL** and **EXACT** amount payable in respect of the Excess Rights Shares with Warrants applied for) to the Share Registrar. Payment for the Excess Rights Shares with Warrants applied for should be made in the same manner described in Note (II) above, except that the Banker's Draft/Cashier's Order/Money Order/Postal Order drawn on a bank or post office in Malaysia should be made payable to "**UMW-OG EXCESS ACCOUNT**", crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name, address, contact number and CDS account number in block letters to be received by the Share Registrar together with this RSF by the Closing Date.

No acknowledgement of receipt of this RSF for the Excess Rights Shares with Warrants application or application monies will be made by the Company or the Share Registrar in respect of the Excess Rights Shares with Warrants. However, if your application is successful, a notice of allotment will be issued and forwarded to you by ordinary post to the address as shown in the Record of Depositors of the Company at your own risk within 8 market days from the Closing Date or such other period as may be prescribed by Bursa Securities.

In respect of unsuccessful or late applications or partially successful Excess Rights Shares with Warrants applications, the full amount or the surplus application monies, as the case may be, will be refunded without interest within 14 market days from the Closing Date by ordinary post to the address as shown in the Record of Depositors of the Company at your own risk.

The Rights Shares which are not taken up or not validly taken up will be made available for excess application by the other Entitled Shareholders and/or their renounee(s) and/or transferee(s), if applicable. It is the intention of the Board to allocate the Excess Rights Shares, if any, in a fair and equitable manner in the following order of priority:

- (i) firstly, to minimise the incidence of odd lots to the Non-Interested Entitled Shareholders who have applied for Excess Rights Shares;
- (ii) secondly, to the Non-Interested Entitled Shareholders who have applied for the Excess Rights Shares on a pro-rata basis and in board lots, calculated based on their respective shareholdings as per their CDS Accounts on the Entitlement Date;
- (iii) thirdly, to the Non-Interested Entitled Shareholders who have applied for the Excess Rights Shares on a pro-rata basis and in board lots, calculated based on the quantum of Excess Rights Shares applied for;
- (iv) fourthly, to the renounee(s) and/or transferee(s) of the Entitled Shareholders, if any, who have applied for the Excess Rights Shares on a pro-rata basis and in board lots, calculated based on the quantum of Excess Rights Shares applied for;
- (v) following such allocation to the Non-Interested Entitled Shareholders and/or their renounee(s) and/or transferee(s), if any, the Excess Rights Shares will be allocated to all the remaining Entitled Shareholders, their renounee(s) or transferee(s) other than PNB, if any, on a pro-rata basis and in board lots, calculated based on their respective shareholdings as per their CDS Accounts on the Entitlement Date;
- (vi) PNB will be allocated the balance number of undersubscribed Excess Rights Shares (subject always to the Collective Shareholding Threshold) after the allocation of the Excess Rights Shares to all the other Entitled Shareholders and/or their renounee(s) and/or transferee(s), if any, based on their respective applications.

In the event of any balance Excess Rights Shares after steps (i), (ii), (iii) and (iv) are completed, steps (ii), (iii) and (iv) shall be repeated to allocate such balance until all the Non-Interested Entitled Shareholders and/or their renounee(s) and/or transferee(s) have received the Excess Rights Shares applied by them or such balance is exhausted. In the event of any balance Excess Rights Shares after the completion and repetition of steps (ii), (iii) and (iv), the Board shall proceed to allocate such balance based on steps (v) and (vi).

The Rights Shares and Warrants will be provisionally allotted to the Entitled Shareholders. In determining shareholders' entitlements under the Rights Issue With Warrants, fractional entitlements, if any, will be disregarded and dealt with in such manner as the Board in its absolute discretion deems fit and expedient, and in the best interest of the Company.

(iv) SALE/TRANSFER OF THE PROVISIONAL RIGHTS SHARES WITH WARRANTS

If you wish to sell or transfer all or part of your entitlement to the Provisional Rights Shares with Warrants to 1 or more persons, you may do so through your stockbroker for the period up to the last date and time for sale or transfer of such Provisional Rights Shares with Warrants (in accordance with the Rules of Bursa Depository) without first having to request for a split of the Provisional Rights Shares with Warrants standing to the credit of your CDS Account. You may sell such entitlement on Bursa Securities for the period up to the last date and time for the sale of the Provisional Rights Shares with Warrants (in accordance with the Rules of Bursa Depository) or transfer such entitlements to such persons as may be allowed pursuant to the Rules of Bursa Depository for the period up to the last date and time for the transfer of the Provisional Rights Shares with Warrants (in accordance with the Rules of Bursa Depository).

If you have sold or transferred only part of the Provisional Rights Shares with Warrants, you may still accept the balance of the Provisional Rights Shares with Warrants by completing Parts I(A) and II of this RSF and forwarding this RSF together with the appropriate remittance in RM for the **FULL** and **EXACT** amount payable for the balance of the Provisional Rights Shares with Warrants accepted to the Share Registrar in accordance with the instructions in Note (II) above. In selling or transferring all or part of your Provisional Rights Shares with Warrants, you are not required to deliver any document including this RSF, to any stockbroker. However, you are advised to ensure that there are sufficient number of Provisional Rights Shares with Warrants standing to the credit of your CDS Account before selling or transferring.

Purchaser(s) or transferee(s) of the Provisional Rights Shares with Warrants may obtain a copy of this RSF from his/her/their stockbroker, the Share Registrar, the Registered Office of UMW-OG or the website of Bursa Securities at www.bursamalaysia.com.

(v) GENERAL INSTRUCTIONS

- (a) All applicants must sign on the front page of this RSF. All corporate bodies must affix their Common Seal. You are advised to read, understand and consider carefully the contents of the Abridged Prospectus before signing this RSF.
- (b) Rights Shares with Warrants subscribed by the entitled shareholders and/or their renounee(s) and/or their transferee(s), if applicable, will be credited into their respective CDS accounts as stated in this RSF or the exact accounts appearing in the Record of Depositors of the Company.
- (c) Any interest or other benefit accruing on or arising from or in connection with any subscription and/or application monies shall be for the benefit of the Company and the Company shall not be under any obligation to account for such interest or other benefit to you.
- (d) The contract arising from the acceptance of the Provisional Rights Shares with Warrants by you shall be governed by and construed in accordance with the laws of Malaysia, and you shall be deemed to have irrevocably and unconditionally submitted to the exclusive jurisdiction of the courts of Malaysia in respect of any matter in connection with this RSF and the contract arising therefrom.
- (e) The Company reserves the right not to accept or to accept any application in part only if the instructions herein stated are not strictly adhered to or which are illegible. Malaysian Revenue Stamp (NOT POSTAGE STAMP) of RM10.00 must be affixed on this RSF.
- (f) Entitled Shareholders and/or their renounee(s) and/or their transferee(s), if applicable, should note that this RSF and remittances so lodged with the Share Registrar shall not be subsequently withdrawn.