

# UMW OIL & GAS CORPORATION BERHAD

(COMPANY NO : 878786-H)  
(INCORPORATED IN MALAYSIA)

## Condensed Consolidated Statement of Comprehensive Income Fourth Quarter Ended 31st December 2015

( The Figures Have Not Been Audited )

	Current Quarter Ended 31/12/2015 RM'000	Comparative Quarter Ended 31/12/2014 RM'000	12 Months Cumulative To Date 31/12/2015 RM'000	(Audited) Comparative 12 Months Cumulative To Date 31/12/2014 RM'000
<b><u>Continuing Operations</u></b>				
Revenue	130,959	326,233	839,526	1,014,903
Operating Expenses	(525,583)	(245,005)	(1,187,748)	(748,462)
Other Operating Income	187	4,099	36,269	11,209
<b>(Loss) / Profit From Operations</b>	<b>(394,437)</b>	<b>85,327</b>	<b>(311,953)</b>	<b>277,650</b>
Finance Costs	(22,160)	(9,691)	(63,313)	(26,092)
Share Of Profits Of Associated Company	89	196	472	550
Investment Income	5,203	7,938	25,399	32,048
<b>(Loss) / Profit Before Tax From Continuing Operations</b>	<b>(411,305)</b>	<b>83,770</b>	<b>(349,395)</b>	<b>284,156</b>
Taxation	776	(11,566)	(22,069)	(30,398)
<b>(Loss) / Profit From Continuing Operations, Net Of Tax</b>	<b>(410,529)</b>	<b>72,204</b>	<b>(371,464)</b>	<b>253,758</b>
<b><u>Other Comprehensive Income:</u></b>				
Translation Of Foreign Operations	(77,184)	131,407	531,531	136,580
Cash Flow Hedge	2,937	-	2,937	-
Other Comprehensive (Loss) / Income, Net Of Tax	(74,247)	131,407	534,468	136,580
<b>Total Comprehensive (Loss) / Income For The Period</b>	<b>(484,776)</b>	<b>203,611</b>	<b>163,004</b>	<b>390,338</b>
<b><u>(Loss) / Profit For The Period Attributable To:</u></b>				
Equity Holders Of The Company	(409,130)	71,946	(372,306)	251,996
Non-controlling Interests	(1,399)	258	842	1,762
	<b>(410,529)</b>	<b>72,204</b>	<b>(371,464)</b>	<b>253,758</b>
<b><u>Total Comprehensive (Loss) / Income Attributable To:</u></b>				
Equity Holders Of The Company	(482,882)	202,889	160,965	388,311
Non-controlling Interests	(1,894)	722	2,039	2,027
	<b>(484,776)</b>	<b>203,611</b>	<b>163,004</b>	<b>390,338</b>
<b>(LPS) / EPS Attributable To Equity Holders Of The Company:</b>				
Basic (Sen)	(18.92)	3.33	(17.22)	11.66

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

# UMW OIL & GAS CORPORATION BERHAD

## Condensed Consolidated Statement of Financial Position

	(Unaudited) As At 31/12/2015 RM'000	(Audited) As At 31/12/2014 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	6,109,770	4,021,981
Land Use Rights	2,631	2,291
Intangible Assets	-	11,291
Investments In Associate	1,753	1,950
Deferred Tax Assets	832	880
Derivative Assets	2,868	-
	<u>6,117,854</u>	<u>4,038,393</u>
<b>Current Assets</b>		
Inventories	192,995	116,584
Other Investments	89,565	-
Trade Receivables	262,281	364,786
Other Receivables	42,909	54,636
Due From Related Companies	3,665	3,519
Deposits, Cash & Bank Balances	970,987	1,178,046
	<u>1,562,402</u>	<u>1,717,571</u>
	<u>7,680,256</u>	<u>5,755,964</u>
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>Equity Attributable To The Equity Holders Of The Company</b>		
Share Capital	1,081,000	1,081,000
Share Premium	1,372,819	1,372,819
Other Reserves	765,751	232,480
Retained Profits	141,221	513,527
	<u>3,360,791</u>	<u>3,199,826</u>
Non-controlling Interests	10,039	8,000
<b>TOTAL EQUITY</b>	<u>3,370,830</u>	<u>3,207,826</u>
<b>Non-Current Liabilities</b>		
Deferred Tax Liabilities	3,709	3,702
Long Term Borrowings	1,747,624	1,010,978
	<u>1,751,333</u>	<u>1,014,680</u>
<b>Current Liabilities</b>		
Taxation	247	1,480
Short Term Borrowings	2,257,330	1,243,871
Trade Payables	250,696	181,076
Other Payables	47,212	82,007
Due To Related Companies	2,608	2,863
Derivative Liabilities	-	541
Dividend Payable	-	21,620
	<u>2,558,093</u>	<u>1,533,458</u>
	<u>4,309,426</u>	<u>2,548,138</u>
<b>TOTAL LIABILITIES</b>	<u>4,309,426</u>	<u>2,548,138</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>7,680,256</u>	<u>5,755,964</u>
<b>Net Assets per share (RM)</b>	<b>1.5545</b>	<b>1.4800</b>

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

## UMW OIL & GAS CORPORATION BERHAD

### Condensed Consolidated Statement of Changes in Equity for the Period Ended 31st December 2015

	← Non - Distributable →							Distributable		Non - Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium 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	Hedge Reserves RM'000	Retained Profits RM'000	Total RM'000		
<b>12 MONTHS ENDED 31ST DECEMBER 2015</b>											
At 1st January 2015	1,081,000	1,372,819	3,243	698	150,394	78,145	-	513,527	3,199,826	8,000	3,207,826
Total Comprehensive Income	-	-	-	-	530,334	-	2,937	(372,306)	160,965	2,039	163,004
At 31st December 2015	1,081,000	1,372,819	3,243	698	680,728	78,145	2,937	141,221	3,360,791	10,039	3,370,830

### Condensed Consolidated Statement of Changes in Equity for the Period Ended 31st December 2014

	← Non - Distributable →							Distributable		Non - Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium 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	Hedge Reserves RM'000	Retained Profits RM'000	Total RM'000		
<b>(AUDITED)</b>											
<b>12 MONTHS ENDED 31ST DECEMBER 2014</b>											
At 1st January 2014	1,081,000	1,372,819	3,243	698	14,079	78,145	-	283,151	2,833,135	5,973	2,839,108
Transactions With Owners											
Dividends	-	-	-	-	-	-	-	(21,620)	(21,620)	-	(21,620)
Total Comprehensive Income	-	-	-	-	136,315	-	-	251,996	388,311	2,027	390,338
At 31st December 2014	1,081,000	1,372,819	3,243	698	150,394	78,145	-	513,527	3,199,826	8,000	3,207,826

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

**UMW OIL & GAS CORPORATION BERHAD**  
**Condensed Consolidated Statement of Cash Flows**  
**for the Period Ended 31st December 2015**

	<b>12 Months Ended 31/12/2015 RM'000</b>	<b>(Audited) 12 Months Ended 31/12/2014 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) / Profit Before Tax	(349,395)	284,156
Adjustments For:		
Depreciation, Impairment & Amortisation	571,016	133,106
Net Loss / (Gain) On Disposal Of Property, Plant & Equipment	65	(724)
Net Inventories Written Down	8,082	-
Impairment Of Goodwill	11,291	-
Interest Expense	63,313	26,092
Share Of Results Of Associate	(472)	(550)
Reversal of Impairment Losses On Receivables	-	(2,623)
Net Fair Value (Gain) / Loss On Derivatives	(604)	539
Net Unrealised Foreign Exchange (Gain) / Loss	(28,925)	2,065
Net Fair Value Gain On Cashplans	(240)	(485)
Interest Income	(25,399)	(32,048)
Property, Plant & Equipment Written Off	12,952	211
Operating Profit Before Working Capital Changes	261,684	409,739
Decrease / (Increase) In Receivables	120,057	(96,505)
Increase In Inventories	(84,493)	(52,230)
Net Changes In Related Companies Balances	(402)	1,424
Increase In Payables	57,880	82,245
Cash Generated From Operating Activities	354,726	344,673
Interest Paid	(57,443)	(32,657)
Taxes Paid	(17,077)	(30,359)
Net Cash Generated From Operating Activities	280,206	281,657
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase Of Property, Plant & Equipment	(1,670,187)	(1,769,634)
Proceeds From Disposal Of Property, Plant & Equipment	102	1,277
Interest Received	13,404	30,216
Dividend Received From Associate	669	1,152
Investment In Cashplans	(299,338)	(9,558)
Proceeds From Disposal Of Cashplans	210,013	1,071,624
Net Cash Used In Investing Activities	(1,745,337)	(674,923)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment Of Long Term Borrowings	(183,681)	(134,668)
Drawdown Of Long Term Borrowings	730,660	594,660
Net Movement In Short Term Borrowings	686,355	935,265
Cash Outflow On IPO Expenses Incurred	-	(3,244)
Dividend Paid	(21,620)	-
Net Cash Generated From Financing Activities	1,211,714	1,392,013
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	(253,417)	998,747
<b>CASH AND CASH EQUIVALENTS AS AT 1ST JANUARY</b>	1,178,046	174,948
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>	46,358	4,351
<b>CASH AND CASH EQUIVALENTS AS AT 31ST DECEMBER</b>	970,987	1,178,046

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

## **Explanatory Notes**

### **NOTE 1 – Significant accounting policies**

#### **Basis of preparation**

The interim financial statements have been prepared in accordance with the requirements of IAS 34, Interim Financial Reporting and MFRS 134, Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The significant accounting policies and methods of computation in the interim financial statements are consistent with those in the annual audited financial statements for the year ended 31st December 2014. During the fourth quarter ended 31st December 2015, the Group added the following accounting policies on hedge accounting:

#### **Hedge Accounting**

The Group uses interest rate swaps to manage its exposures to interest rate risk. The Group applies hedge accounting for hedging relationships which qualify for hedge accounting.

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

- (a) 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
- (b) 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
- (c) 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 are designated.

#### **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 removed and included in 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 income statement.

## **Revised Malaysian Financial Reporting Standards (MFRS)**

The following revised MFRS that are effective and applicable to the Group and the Company on 1st January 2016 have not been early adopted:

- (a) Annual Improvements to MFRSs 2012 – 2014 Cycle
- (b) Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- (c) Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations

Adoption of the above revised standards is not expected to have a material impact on the financial statements of the Group for the financial year ending 31st December 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
- (c) acting as agent in Malaysia for international companies providing specialised drilling equipment and services.

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**

The significant strengthening of United States Dollar against Ringgit Malaysia during the financial year ended 31st December 2015 had affected assets and liabilities upon translation of the Group’s assets and liabilities denominated in USD to RM, the presentation currency of the Company. The net impact to equity as at 31st December 2015 was a gain of RM531.5 million.

As at 31st December 2015, the Group had impaired its assets and goodwill by a total of RM337.7 million due to persistent depressed oil prices that had impacted demand for the Group’s assets and services.

Other than the above, there were no material unusual items affecting assets, liabilities, equity, net income or cash flows during the financial year ended 31st December 2015.

## **NOTE 4 – Accounting Estimates**

There were no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years that have a material effect in the financial year ended 31st December 2015.

## **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 financial year ended 31st December 2015.

#### NOTE 6 – Dividends Paid

An interim single-tier dividend of 2% or 1 sen (2014 – Nil) per share of RM0.50 each, amounting to a net dividend of RM21.62 million (2014 – Nil) was paid on 15th January 2015.

#### NOTE 7 – Segmental Reporting

Business Segment	Financial Year Ended 31st December 2015		
	Revenue RM'000	Profit / (loss) Before Tax RM'000	Profit / (loss) Attributable to Owners of the Company RM'000
Drilling Services	802,345	(386,456)	(404,284)
Oilfield Services	37,181	(4,027)	(5,557)
Others	-	41,088	37,535
<b>Consolidated Total</b>	<b>839,526</b>	<b>(349,395)</b>	<b>(372,306)</b>

The increase in total assets during the financial year ended 31st December 2015 was mainly due to capital expenditures incurred in relation to the acquisition of UMW NAGA 7 and UMW NAGA 8, both are premium jack-up offshore drilling rigs and translation gains from the strengthening of United States Dollar that was offset in part by asset impairment losses. Other than the above, there has been no material increase in total assets as compared to the last annual financial statements.

#### NOTE 8 – Subsequent Material Events

In the opinion of the Directors, there has been no material event or transaction during the period from 31st December 2015 to the date of this announcement, which affects substantially the results of the Group for the financial year ended 31st December 2015.

#### NOTE 9 – Changes in Composition / Group

On 4th September 2015, UMW Deepnautic Sdn. Bhd., a wholly-owned subsidiary of UMW Oil & Gas Corporation Berhad, which was under members' voluntary winding-up as announced on 29th April 2013, was dissolved effective on the same date.

On 16th September 2015, UMW Offshore Drilling Sdn. Bhd., a wholly-owned subsidiary of UMW Oil & Gas Corporation Berhad, incorporated a wholly-owned subsidiary in Cayman Islands known as UMW Offshore Drilling Ltd ("UODL"). The intended principal activities of UODL are to carry out contract drilling operations and other engineering services for oil and gas exploration, development and production. The initial issued and paid-up capital of UODL is USD100,000 divided into 100,000 ordinary shares of par value of USD1 each.

Other than the above, there were no changes in the composition of the Group during the financial year ended 31st December 2015.

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

These are in respect of capital commitments:

	RM'000	RM'000
<b>Approved and contracted for:</b>		
Land and buildings	575	
Equipment, plant and machinery	79,509	
Others	<u>2,086</u>	82,170
<b>Approved but not contracted for:</b>		
Land and buildings	5,324	
Equipment, plant and machinery	99,735	
Others	<u>3,342</u>	<u>108,401</u>
<b>Total</b>		<u><u>190,571</u></u>

**NOTE 11 - Significant Related Party Transactions**

No.	UMW-OG & Its Subsidiaries	Transacting Parties	Relationship	Nature of Transaction	RM'000
1.	UMW Offshore Drilling Sdn. Bhd.	UMW Pennzoil Distributors Sdn. Bhd.	Subsidiary of holding company	Purchase of Goods	188
2.	UMW Oilpipe Services Sdn. Bhd.	UMW Industries (1985) Sdn. Bhd.	Subsidiary of holding company	Purchase of Goods and Services	300
3.	UMW Offshore Drilling Sdn. Bhd.	U-TravelWide Sdn. Bhd.	Subsidiary of holding company	Purchase of Services	199
4.	UMW Oil & Gas Corporation Berhad	U-TravelWide Sdn. Bhd.	Subsidiary of holding company	Purchase of Services	294
5.	UMW JDC Drilling Sdn. Bhd.	Japan Drilling Co. Ltd. and its subsidiaries	Corporate Shareholder of UMW JDC Drilling Sdn. Bhd.	Purchase of Goods and Services	19,366
				Bareboat Charter	10,518
6.	UMW Oil & Gas Corporation Berhad	UMW Corporation Sdn. Bhd.	Subsidiary of holding company	Rental & Other expenses	2,545
				Management fee	1,104
7.	UMW Oil & Gas Corporation Berhad and its subsidiaries	Toyota Capital Malaysia Sdn. Bhd.	Associate of holding company	Operating lease expense	1,389

**NOTE 12 – Classification of Financial Assets**

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



## NOTE 13 – Changes in Contingent Liabilities and Contingent Assets

There were no material contingent liabilities and contingent assets as at 31st December 2015.

## NOTE 14 – Review of Performance

### Current Quarter Ended 31st December 2015

	Revenue		Profit / (Loss) Before Tax	
	4th Quarter ended 31/12/2015 RM'000	4th Quarter ended 31/12/2014 RM'000	4th Quarter ended 31/12/2015 RM'000	4th Quarter ended 31/12/2014 RM'000
<b>Business Segment</b>				
Drilling Services	124,761	313,981	(411,148)	80,277
Oilfield Services	6,198	12,252	(8,363)	3,043
Others	-	-	8,206	450
<b>Total</b>	<b>130,959</b>	<b>326,233</b>	<b>(411,305)</b>	<b>83,770</b>

### Group

Group revenue of RM131.0 million for the fourth quarter ended 31st December 2015 was lower than the RM326.2 million registered in the same quarter of 2014 by RM195.2 million or 59.8%. The revenue reduction was the result of lower revenue contributions from both the Drilling Services and the Oilfield Services segments in the fourth quarter of 2015. Overseas operations contributed approximately 13.4% of the Group revenue in the fourth quarter of 2015.

Group loss before tax for the fourth quarter ended 31st December 2015 was RM411.3 million compared to the profit before tax of RM83.8 million achieved in the same quarter of 2014, a reduction of RM495.1 million. A non-cash charge of RM337.7 million associated with impairment of assets and goodwill as well as operating losses registered by both Drilling Services and Oilfield Services segments due to persistent depressed oil prices, contributed to the current quarter performance.

### Drilling Services Segment

In the fourth quarter of 2015, the Drilling Services segment contributed revenue of RM124.8 million or 95.3% of the total revenue of RM131.0 million, a decrease of RM189.2 million or 60.3% over the RM314.0 million recorded in the same quarter of 2014. The reduction in revenue was mainly due to deterioration in time charter rates and low utilisation of some of the assets in the Group during the fourth quarter of 2015. However, the following positive factors mitigated the revenue reduction:

- (a) additional revenue contributions from two new jack-up rigs, UMW NAGA 8 and UMW NAGA 7, which commenced operations in September and November 2015, respectively; and
- (b) translation gains from the appreciation of United States Dollar against Ringgit Malaysia.

The Drilling Services segment incurred a loss of RM411.1 million in the fourth quarter of 2015 in contrast with the profit before tax of RM80.3 million achieved in the fourth quarter of 2014. Lower revenue, asset and goodwill impairment losses of RM331.5 million and asset write off of RM12.6 million arising from the five-yearly special periodical survey, mainly contributed to the current quarter financial result.

### Oilfield Services Segment

In the fourth quarter of 2015, the Oilfield Services segment contributed revenue of RM6.2 million or 4.7% of the total revenue of RM131.0 million, a reduction of RM6.1 million or 49.6% over the RM12.3 million registered in the same quarter of 2014. Lower revenue recorded by the Group's operations in Labuan, Thailand, China and Turkmenistan resulted in the revenue decrease.

The Oilfield Services segment reported a loss before tax of RM8.4 million in the fourth quarter of 2015 compared to a profit of RM3.0 million recorded in the same quarter of 2014. Similarly, revenue reduction and goodwill impairment loss of RM6.2 million of a subsidiary largely contributed to the current quarter performance.

#### Financial Year Ended 31st December 2015

	Revenue		Profit / (Loss) Before Tax	
	Financial Year ended 31/12/2015 RM'000	Financial Year ended 31/12/2014 RM'000	Financial Year ended 31/12/2015 RM'000	Financial Year ended 31/12/2014 RM'000
<b>Business Segment</b>				
Drilling Services	802,345	968,619	(386,456)	272,838
Oilfield Services	37,181	46,284	(4,027)	8,790
Others	-	-	41,088	2,528
<b>Total</b>	<b>839,526</b>	<b>1,014,903</b>	<b>(349,395)</b>	<b>284,156</b>

#### Group

Group revenue of RM839.5 million for the financial year ended 31st December 2015 was lower than the RM1,014.9 million reported in the preceding year, by RM175.4 million or 17.3%. The reduction was the result of lower revenue contributions from both the Drilling Services and the Oilfield Services segments. Overseas operations contributed approximately 49.8% of the Group revenue for the financial year ended 31st December 2015.

The Group registered a loss before tax of RM349.4 million for the financial year ended 31st December 2015 as opposed to the profit before tax of RM284.2 million achieved in the financial year of 2014. Asset value write-down and goodwill written off amounted to a total of RM337.7 million and one-off five-yearly asset write off, primarily resulted in the 2015 financial performance.

#### Drilling Services Segment

The Drilling Services segment contributed revenue of RM802.3 million or 95.6% of the total revenue of RM839.5 million for the financial year ended 31st December 2015, a reduction of RM166.3 million or 17.2% over the RM968.6 million recorded in 2014. The revenue drop was due to reduced time charter rates as well as low utilisation of some of the assets in the Group. The shortfall was however, mitigated by the following:

- a) additional revenue contributions from three new assets, UMW NAGA 6, UMW NAGA 8 and UMW NAGA 7, which commenced operations in the months of October 2014, September 2015 and November 2015, respectively; and
- b) translation gains from the appreciation of United States Dollar against Ringgit Malaysia.

The Drilling Services segment incurred a loss of RM386.5 million for the financial year ended 31st December 2015, compared to the RM272.8 million profit before tax achieved in 2014. The loss was mainly due to:

- a) lower time charter rates;
- b) lower utilisation rates achieved by some of the assets in the Group due to five-yearly special periodical survey or idling in between contracts;
- c) pre-operating expenses of two new rigs which commenced operations in September and November 2015; and
- d) asset and goodwill impairment loss of RM344.1 million as well as asset write off from the five-yearly special periodical survey.

## Oilfield Services Segment

For the financial year ended 31st December 2015, the Oilfield Services segment contributed revenue of RM37.2 million or 4.4% of the total revenue of RM839.5 million, a reduction of RM9.1 million or 19.7% over the RM46.3 million recorded in 2014. Low demand for OCTG threading and repair services recorded by the Group's operations in Labuan, Thailand and China, mainly contributed to the revenue decrease.

The Oilfield Services segment recorded a loss before tax of RM4.0 million for the financial year ended 31st December 2015. This represented a reduction of RM12.8 million over the RM8.8 million profits recorded in 2014. Lower profit contributions from the Group's operations in Labuan, Thailand and China as well as impairment of goodwill amounting to RM6.2 million, accounted for the reduction.

## NOTE 15 – Comparison with Preceding Quarter's Results

	Revenue		Profit / (Loss) Before Tax	
	4th Quarter ended 31/12/2015 RM'000	3rd Quarter ended 30/09/2015 RM'000	4th Quarter ended 31/12/2015 RM'000	3rd Quarter ended 30/09/2015 RM'000
<b>Business Segment</b>				
Drilling Services	124,761	203,737	(411,148)	(18,954)
Oilfield Services	6,198	8,960	(8,363)	734
Others	-	-	8,206	29,674
<b>Total</b>	<b>130,959</b>	<b>212,697</b>	<b>(411,305)</b>	<b>11,454</b>

Revenue of RM131.0 million for the fourth quarter of 2015 dropped by RM81.7 million or 38.4% compared to the RM212.7 million registered in the third quarter of 2015. The revenue reduction was due to lower levels of asset utilisation registered by some of the rigs, mitigated partly by the revenue contributions from two new assets which commenced operations in the month of September and November 2015.

The fourth quarter of 2015 recorded a loss before tax of RM411.3 million in contrast to the RM11.5 million profit before tax registered in the third quarter of 2015. Asset and goodwill impairment losses of RM337.7 million, five-yearly asset write off of RM12.6 million and translation loss arising from the weakening of United States Dollar against Ringgit Malaysia, mainly contributed to the negative results in the fourth quarter of 2015.

## NOTE 16 – Current Prospect

### Drilling Services Segment

The price of oil is expected to remain low and to continue to be volatile in the near future. Due to this, there have been lower activities in both exploration and development of new oil and gas fields, resulting in lower drilling and workover activities. This poses continued challenges in term of both time charter rates and utilisation of drilling rigs and hydraulic workover units. While the time charter rates are lower in line with global market, the reduction in utilisation is being cushioned with the support of PETRONAS and other regular clients.

### Oilfield Services Segment

Similarly, the current state in the oil and gas industry has also affected the price and volume of oilfield services activities. The weak market globally is expected to continue in the near term and poses continued challenges for this segment.

### Group

As the Group activities are directly related to the activities in the oil and gas industry, which in turn is driven by the price of oil, the current low oil price and the volatility in the near future will pose challenges to the Group in 2016. However, any recovery in the oil price will positively affect the Group and improve the Group performance.

**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**

	4th Quarter ended 31/12/2015 RM'000	Financial Year ended 31/12/2015 RM'000
Provision for current period	(1,045)	22,143
Under/(Over) provision in prior periods	(5)	(130)
	(1,050)	22,013
Deferred taxation	274	56
Total	(776)	22,069

The effective tax rates for the current quarter and the financial year ended 31st December 2015 of 0.2% and 6.3%, respectively, were lower than the statutory rate of 25% due to the Group's loss position. However, for financial year ended 31st December 2015, the Group has a tax liability because under the deemed profit method of taxation in Myanmar and Vietnam, corporate income tax is payable based on a certain percentage of the contract value invoiced instead of net income of the tax entity.

**NOTE 20 – Corporate Proposals****(a) Corporate Proposal**

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

**(b) Status of utilisation of initial public offering (“IPO”) proceeds as at 17th February 2016**

Purpose	Proposed utilisation RM'million	Actual utilisation to date RM'million	Deviation in amount & %	Explanation	Timeframe for utilisation after extension Month
Acquisition of rigs & HWU	986.6	723.6	n/a	n/a	36
Upgrading of rigs & HWU	20.1	20.1	nil	n/a	18
Acquisition / upgrading of machineries for Oilfield Services	10.4	10.4	nil	n/a	30
Mobilisation / demobilisation costs for drilling rigs	50.0	43.1	n/a	n/a	30
Repayment to UMW Holdings Berhad	597.4	597.4	nil	n/a	6
IPO / Listing expenses *	48.5	41.2	RM7.3 million or 15.1%	Actual was lower than the budget	6
Total	1,713.0	1,435.8			

Date of listing: 1st November 2013

\* The unutilised listing expenses of RM7.3 million will be used to meet mobilisation and demobilisation costs for rigs.

**NOTE 21 – Group Borrowings and Debt Securities**

	RM'000	RM'000	USD'000
(a) Short term borrowings			
- Unsecured			
Short term loans and revolving credits	2,008,596		467,100
Portion of long term loans payable within 12 months	248,721		57,869
	<hr/>	2,257,317	
- Secured			
Finance lease payable		13	
		<hr/>	<hr/>
		2,257,330	524,969
(b) Long term borrowings			
- Unsecured			
Long term loans	1,996,345		464,483
Portion of long term loans payable within 12 months	(248,721)		(57,869)
	<hr/>	1,747,624	
- Secured			
Finance lease payable		-	
		<hr/>	<hr/>
		1,747,624	406,614

**NOTE 22 – Material Litigation**

Reference is made to the previous announcement dated 10th April 2015, and information in relation to the arbitration between UMW Offshore Drilling Sdn. Bhd. (“Claimant” or “UOD”) and Frontier Oil Corporation (“Respondent”) under the arbitration rules of Singapore International Arbitration Centre (“SIAC”) disclosed in the Circular to Shareholders in relation to Proposed Renewal of the Existing Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature dated 27th April 2015. The Company will make further announcement if there are any material developments in respect of the arbitral proceedings.

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

**NOTE 23 – Dividend**

No dividend has been recommended for the quarter ended 31st December 2015.

**NOTE 24 – Earnings Per Share**

Basic earnings per share for the current quarter and financial year ended 31st December 2015 are calculated by dividing the net loss attributable to equity holders of the Company of RM409,130,000 and RM372,306,000, respectively, by the weighted average number of ordinary shares in issue as at 31st December 2015 of 2,162,000,000 shares of RM0.50 each.

The Company has no dilutive potential ordinary shares as at 31st December 2015.

**NOTE 25 – Realised and Unrealised Profits / (Losses)**

The breakdown of retained profits of the Group as at 30th September 2015 and 31st December 2015, pursuant to the format prescribed by Bursa Securities, are as follows:

	<b>As at 30/09/2015 RM'000</b>	<b>As at 31/12/2015 RM'000</b>
Total retained profits of the Company and its subsidiaries:		
- Realised	769,023	376,205
- Unrealised	30,270	26,048
	799,293	402,253
Total share of retained profits from associated company:		
- Realised	2,151	1,571
- Unrealised	-	-
	801,444	403,824
Less : Consolidation adjustments	(251,093)	(262,603)
Total Group retained profits as per consolidated accounts	550,351	141,221

**NOTE 26 – Audit Qualification**

The audit report in respect of the annual financial statements of the Company for the financial year ended 31st December 2014 was not qualified.

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

	<b>4th Quarter ended 31/12/2015 RM'000</b>	<b>Financial Year ended 31/12/2015 RM'000</b>
(a) Interest income	4,647	24,461
(b) Other investment income	556	938
(c) Depreciation and amortisation	(76,321)	(244,585)
(d) Impairment losses of receivables written back	3,070	-
(e) Write back / (provision) of inventories	1,388	(8,082)
(f) Gain on disposal of quoted or unquoted investment	240	240
(g) (Loss) / gain on disposal of properties	-	-
(h) Impairment of assets and goodwill	(337,722)	(337,722)
(i) Net foreign exchange (loss) / gain	(3,377)	30,594
(j) Net gain on derivatives	19	604
(k) Property, plant and equipment written off	(12,734)	(12,952)

**By Order Of The Board**

**LEE MI RYOUNG**  
Secretary  
(MAICSA 7058423)

Kuala Lumpur  
23rd February 2016