

# UMW OIL & GAS CORPORATION BERHAD

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

## Condensed Consolidated Statement Of Comprehensive Income For The Second Quarter Ended 30th June 2016

( The Figures Have Not Been Audited )

	Current Quarter Ended 30/06/2016 RM'000	Comparative Quarter Ended 30/06/2015 RM'000	6 Months Cumulative To Date 30/06/2016 RM'000	Comparative 6 Months Cumulative To Date 30/06/2015 RM'000
<b><u>Continuing Operations</u></b>				
Revenue	130,010	183,374	217,689	495,870
Operating Expenses	(177,536)	(170,134)	(340,293)	(437,497)
Other Operating Income	5,575	142	33,434	1,774
<b>(Loss) / Profit From Operations</b>	<b>(41,951)</b>	<b>13,382</b>	<b>(89,170)</b>	<b>60,147</b>
Finance Costs	(25,197)	(12,512)	(51,225)	(24,311)
Share Of Profits Of Associated Company	82	106	173	236
Investment Income	3,070	7,019	7,803	14,384
<b>(Loss) / Profit Before Tax From Continuing Operations</b>	<b>(63,996)</b>	<b>7,995</b>	<b>(132,419)</b>	<b>50,456</b>
Taxation	(1,078)	(3,894)	(1,181)	(13,703)
<b>(Loss) / Profit From Continuing Operations, Net Of Tax</b>	<b>(65,074)</b>	<b>4,101</b>	<b>(133,600)</b>	<b>36,753</b>
<b><u>Other Comprehensive Income:</u></b>				
Translation Of Foreign Operations	58,118	47,600	(199,265)	178,095
Cash Flow Hedge	(3,629)	-	(15,721)	-
Other Comprehensive Income / (Loss), Net Of Tax	54,489	47,600	(214,986)	178,095
<b>Total Comprehensive (Loss) / Income For The Period</b>	<b>(10,585)</b>	<b>51,701</b>	<b>(348,586)</b>	<b>214,848</b>
<b><u>(Loss) / Profit For The Period Attributable To:</u></b>				
Equity Holders Of The Company	(67,247)	4,456	(132,323)	36,606
Non-controlling Interests	2,173	(355)	(1,277)	147
	<b>(65,074)</b>	<b>4,101</b>	<b>(133,600)</b>	<b>36,753</b>
<b><u>Total Comprehensive (Loss) / Income Attributable To:</u></b>				
Equity Holders Of The Company	(12,251)	51,989	(346,422)	214,321
Non-controlling Interests	1,666	(288)	(2,164)	527
	<b>(10,585)</b>	<b>51,701</b>	<b>(348,586)</b>	<b>214,848</b>
<b>(LPS) / EPS Attributable To Equity Holders Of The Company:</b>				
Basic (Sen)	(3.11)	0.21	(6.12)	1.69

(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 30/06/2016 RM'000	(Audited) As At 31/12/2015 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	5,591,066	6,081,634
Land Use Rights	2,384	2,631
Investments In Associate	2,067	2,073
Deferred Tax Assets	191	204
Derivative Assets	-	2,636
	5,595,708	6,089,178
<b>Current Assets</b>		
Inventories	212,553	204,508
Other Investments	14,319	89,565
Trade Receivables	171,746	265,389
Other Receivables	59,106	20,638
Derivative Assets	-	232
Due From Related Companies	3,369	3,666
Deposits, Cash & Bank Balances	909,192	973,807
	1,370,285	1,557,805
	6,965,993	7,646,983
<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	520,832	734,931
Retained Profits	11,927	144,250
	2,986,578	3,333,000
Non-controlling Interests	8,273	10,437
<b>TOTAL EQUITY</b>	2,994,851	3,343,437
<b>Non-Current Liabilities</b>		
Deferred Tax Liabilities	1,228	1,098
Due To Holding Company	308,000	-
Long Term Borrowings	2,108,507	1,746,965
	2,417,735	1,748,063
<b>Current Liabilities</b>		
Taxation	1,127	1,143
Short Term Borrowings	1,319,673	2,257,330
Trade Payables	157,569	236,596
Other Payables	58,659	57,639
Due To Related Companies	3,526	2,775
Derivative Liabilities	12,853	-
	1,553,407	2,555,483
<b>TOTAL LIABILITIES</b>	3,971,142	4,303,546
<b>TOTAL EQUITY AND LIABILITIES</b>	6,965,993	7,646,983
<b>Net Assets per share (RM)</b>	<b>1.3814</b>	<b>1.5416</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 30th June 2016

	← Non - Distributable →							Distributable			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	Hedging Reserves RM'000	Retained Profits RM'000	Total RM'000	Non - Controlling Interests RM'000	
<b>6 MONTHS ENDED 30TH JUNE 2016</b>											
At 1st January 2016	1,081,000	1,372,819	3,243	698	649,977	78,145	2,868	144,250	3,333,000	10,437	3,343,437
Total Comprehensive Income	-	-	-	-	(198,378)	-	(15,721)	(132,323)	(346,422)	(2,164)	(348,586)
At 30th June 2016	1,081,000	1,372,819	3,243	698	451,599	78,145	(12,853)	11,927	2,986,578	8,273	2,994,851

### Condensed Consolidated Statement Of Changes In Equity For The Period Ended 30th June 2015

	← Non - Distributable →							Distributable			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	Hedging Reserves RM'000	Retained Profits RM'000	Total RM'000	Non - Controlling Interests RM'000	
<b>6 MONTHS ENDED 30TH JUNE 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	-	-	-	-	177,715	-	-	36,606	214,321	527	214,848
At 30th June 2015	1,081,000	1,372,819	3,243	698	328,109	78,145	-	550,133	3,414,147	8,527	3,422,674

(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 30th June 2016**

	<b>6 Months Ended 30/06/2016 RM'000</b>	<b>6 Months Ended 30/06/2015 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) / Profit Before Tax	(132,419)	50,456
Adjustments For:		
Depreciation, Impairment & Amortisation	133,473	99,767
Interest Expense	51,225	24,311
Share Of Results Of Associate	(173)	(236)
Net Fair Value Gain On Derivatives	-	(353)
Net Unrealised Foreign Exchange (Gain) / Loss	(32,645)	2,806
Net Fair Value Loss / (Gain) On Money Market Fund	80	(13)
Interest Income	(7,803)	(14,384)
Property, Plant & Equipment Written Off	236	201
Operating Profit Before Working Capital Changes	11,974	162,555
Decrease In Receivables	47,905	101,881
Increase In Inventories	(20,072)	(36,257)
Net Changes In Related Companies Balances	1,047	(1,117)
Decrease In Payables	(70,168)	(45,978)
Cash (Used In) / Generated From Operating Activities	(29,314)	181,084
Interest Paid	(50,639)	(23,772)
Taxes Paid	(1,723)	(8,295)
Net Cash (Used In) / Generated From Operating Activities	(81,676)	149,017
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase Of Property, Plant & Equipment	(30,495)	(921,211)
Interest Received	6,908	12,442
Dividend Received From Associate	179	-
Investment In Money Market Fund	(1,138)	(13,306)
Proceeds From Disposal Of Money Market Fund	76,304	-
Net Cash Generated From / (Used In) Investing Activities	51,758	(922,075)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment Of Long Term Borrowings	(103,423)	(83,752)
Drawdown Of Long Term Borrowings	603,225	-
Net Movement In Short Term Borrowings	(809,795)	797,846
Advances From Holding Company	308,000	-
Dividend Paid	-	(21,620)
Net Cash (Used In) / Generated From Financing Activities	(1,993)	692,474
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(31,911)	(80,584)
<b>CASH AND CASH EQUIVALENTS AS AT 1ST JANUARY</b>	973,807	1,178,046
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>	(32,704)	16,493
<b>CASH AND CASH EQUIVALENTS AS AT 30TH JUNE</b>	909,192	1,113,955

(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 – 16A(a)

***A statement that the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change;***

#### 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 2015.

### NOTE 2 – Seasonal or Cyclical Factors - 16A(b)

***Explanatory comments about the seasonality or cyclicity of interim operations;***

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 – 16A(c)

***The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence;***

As at 30th June 2016, the United States Dollar had weakened against the Ringgit Malaysia by about 6% compared with the exchange rate as at 31st December 2015. 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 2016 was a loss of RM199.3 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 2016.

### NOTE 4 – Accounting Estimates - 16A(d)

***The nature and amount of 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;***

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 2016.

**NOTE 5 – Issuance or Repayment of Debt and Equity Securities - 16A(e)*****Issues, repurchases and repayments 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 2016.

**NOTE 6 – Dividends Paid - 16A(f)*****Dividends paid (aggregate or per share) separately for ordinary shares and other shares;***

There was no dividend paid during the interim period ended 30th June 2016.

**NOTE 7 – Segmental Reporting - 16A(g)**

***The following segment information (disclosure of segment information is required in an entity's interim financial report only if MFRS 8, Operating Segments requires that entity to disclose segment information in its annual financial statements);***

- (i) revenue from external customers, if included in the measure of segment profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker.***
- (ii) Intersegment revenues, if included in the measure of segment profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker***
- (iii) a measure of segment profit or loss***
- (iv) total assets for which there has been a material change from the amount disclosed in the last annual financial statements***
- (v) a description of differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss***
- (vi) a reconciliation of the total of the reportable segments' measures of profit or loss to the entity's profit or loss before tax expense and discontinued operations. However, if an entity allocates to reportable segments' items such as tax expense, the entity may reconcile the total of the segments' measures of profit or loss to profit or loss after those items. Material reconciling items shall be separately identified and described in that reconciliation.***

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

The decrease in total assets during the interim period ended 30th June 2016 was mainly due to translation loss of approximately RM388 million from the weakening of United States Dollar upon translation of the Group's assets denominated in USD to RM, the presentation currency of the Company. Other than the above, there has been no material movement in total assets as compared to the last annual financial statements.

**NOTE 8 – Subsequent Material Events – 16A(h)**

*Events after the interim period that have not been reflected in the financial statements for the interim period;*

In the opinion of the Directors, there has been no material event or transaction during the period from 30th June 2016 to the date of this announcement, which affects substantially the results of the Group for the interim period ended 30th June 2016.

**NOTE 9 – Changes in Composition / Group - 16A(i)**

*The effect of changes in the composition of the entity during the interim period, including business combinations, obtaining or losing control of subsidiaries and long-term investments, restructurings, and discontinuing operations. In the case of business combinations, the entity shall disclose the information required by MFRS 3 Business Combination.*

There were no changes in the composition of the Group during the interim period ended 30th June 2016.

**NOTE 10 – Commitments for the purchase of Property, Plant and Equipment– 15B(e)**

These are in respect of capital commitments:

	RM'000	RM'000
<b>Approved and contracted for:</b>		
Land and buildings	115	
Equipment, plant and machinery	20,479	
Others	349	20,943
<b>Approved but not contracted for:</b>		
Land and buildings	3,875	
Equipment, plant and machinery	62,631	
Others	1,340	67,846
<b>Total</b>		<u><u>88,789</u></u>

**NOTE 11 - Significant Related Party Transactions - 15B(j)**

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	107
2.	UMW Oilpipe Services Sdn. Bhd.	UMW Industries (1985) Sdn. Bhd.	Subsidiary of holding company	Purchase of Goods and Services	156
3.	UMW Offshore Drilling Sdn. Bhd.	U-TravelWide Sdn. Bhd.	Subsidiary of holding company	Purchase of Services	16
4.	UMW Oil & Gas Corporation Berhad	U-TravelWide Sdn. Bhd.	Subsidiary of holding company	Purchase of Services	180
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	1,408
				Bareboat Charter	8,385
6.	UMW Oil & Gas Corporation Berhad	UMW Corporation Sdn. Bhd.	Subsidiary of holding company	Rental & Other expenses	1,273
				Management fee	687
7.	UMW Oil & Gas Corporation Berhad and its subsidiaries	Toyota Capital Malaysia Sdn. Bhd.	Associate of holding company	Operating lease expense	630

**NOTE 12 – Classification of Financial Assets– 15B(l)*****Changes in the classification of financial assets as a result of a change in the purpose or use of those 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 – 15B(m)*****Changes in contingent liabilities or contingent assets since the last annual balance sheet date.***

There were no material contingent liabilities and contingent assets as at 30th June 2016.

## NOTE 14 – Review of Performance – 9B1

*A detailed analysis of the performance of all operating segments of the Group, setting out material factors affecting the earnings and / or revenue of each segment for the current quarter and financial year-to-date.*

### Current Quarter Ended 30th June 2016

	Revenue		Profit / (Loss) Before Tax	
	2nd Quarter ended 30/06/2016 RM'000	2nd Quarter ended 30/06/2015 RM'000	2nd Quarter ended 30/06/2016 RM'000	2nd Quarter ended 30/06/2015 RM'000
<b>Business Segment</b>				
Drilling Services	125,008	173,802	(47,994)	5,084
Oilfield Services	5,002	9,572	(10,111)	939
Others	-	-	(5,891)	1,972
<b>Total</b>	<b>130,010</b>	<b>183,374</b>	<b>(63,996)</b>	<b>7,995</b>

### Group

Group revenue of RM130.0 million for the second quarter ended 30th June 2016 was lower than the RM183.4 million registered in the same quarter of 2015 by RM53.4 million or 29.1%. Both the Drilling Services and Oilfield Services segments continued to be impacted by low levels of exploration, development and production activities in the oil and gas industry in the second quarter of 2016.

As a result, the Group posted a loss before tax of RM64.0 million in the second quarter of 2016 against the RM8.0 million of profit before tax achieved in the same quarter of 2015. Weak demand for the Group's drilling and oilfield services in the second quarter of 2016 due to low oil prices had caused both the Drilling Services and Oilfield Services segments to incur losses.

### Drilling Services Segment

In the second quarter of 2016, the Drilling Services segment contributed revenue of RM125.0 million or 96.2% of the total revenue of RM130.0 million, a decrease of RM48.8 million or 28.1% over the RM173.8 million recorded in the same quarter of 2015. The drop in revenue was principally due to fewer assets were income-generating in the second quarter of 2016 as compared to the same quarter of 2015. Lack of investments in capital and operating expenditures by oil majors due to prolonged low oil prices, resulted in the low demand for drilling services. In addition, excess supply of drilling rigs also adversely impacted time charter rates of new contracts secured.

Consequently, the Drilling Services segment incurred a loss of RM48.0 million in the second quarter of 2016 in contrast with the profit before tax of RM5.1 million achieved in the same quarter of 2015.

### Oilfield Services Segment

In the second quarter of 2016, the Oilfield Services segment contributed revenue of RM5.0 million or 3.8% of the total revenue of RM130.0 million. This represented a reduction of RM4.6 million or 47.9% over the RM9.6 million registered in the same quarter of 2015. Sluggish demand for oilfield services due to on-going cut in operating and capital expenditures by oil majors continued to affect the performance of the Group's operations in Malaysia, Thailand, China and Turkmenistan.

As a result, the Oilfield Services segment reported a loss before tax of RM10.1 million in the second quarter of 2016 compared to a profit of RM0.9 million recorded in the same quarter of 2015.

**Six Months Ended 30th June 2016**

	Revenue		Profit / (Loss) Before Tax	
	Six Months ended 30/06/2016 RM'000	Six Months ended 30/06/2015 RM'000	Six Months ended 30/06/2016 RM'000	Six Months ended 30/06/2015 RM'000
<b>Business Segment</b>				
Drilling Services	206,268	473,847	(141,369)	43,646
Oilfield Services	11,421	22,023	(11,519)	3,602
Others	-	-	20,469	3,208
<b>Total</b>	<b>217,689</b>	<b>495,870</b>	<b>(132,419)</b>	<b>50,456</b>

**Group**

For the six-month period ended 30th June 2016, the Group recorded total revenue of RM217.7 million, a decrease of RM278.2 million or 56.1%, compared to the RM495.9 million recorded in the same period of 2015. Both the Drilling Services and Oilfield Services segments contributed lower revenue due to much lower levels of exploration, development and production activities in the oil and gas industry.

As a result, the Group posted a loss before tax of RM132.4 million for the six-month period ended 30th June 2016, as opposed to the RM50.5 million of profit before tax achieved in the same period of 2015. Weak demand for the Group's drilling and oilfield services due to prolong low oil prices had caused both the Drilling Services and Oilfield Services segments to incur losses.

**Drilling Services Segment**

The Drilling Services segment contributed revenue of RM206.3 million or 94.8% of the total revenue of RM217.7 million for the six-month period ended 30th June 2016, a decrease of RM267.5 million or 56.5% over the RM473.8 million recorded in the same period of 2015. Low assets utilisation and time charter rates due to scarcity in offshore drilling contracts and excess offshore rigs, resulted in the drop in revenue.

Consequently, the Drilling Services segment incurred a loss of RM141.4 million for the six-month period of 2016 in contrast with the profit before tax of RM43.6 million achieved in the same corresponding period of 2015.

**Oilfield Services Segment**

Demands for oil pipes threading, inspection and repair services continued to weaken in the first half of 2016 due to further cut in operating and capital expenditures by oil majors. As a result, the Oilfield Services segment only recorded a revenue of RM11.4 million or 5.2% of the total revenue of RM217.7 million, a reduction of RM10.6 million or 48.2% over the RM22.0 million registered in the same period of 2015.

Consequently, the Oilfield Services segment reported a loss before tax of RM11.5 million for the six-month period ended 30th June 2016 compared to a profit of RM3.6 million recorded in the same period of 2015.

## NOTE 15 – Comparison with Preceding Quarter’s Results – 9B2

*An explanatory comment on any material change in the profit before taxation for the quarter reported on as compared with the immediate preceding quarter.*

	Revenue		Profit / (Loss) Before Tax	
	2nd Quarter ended 30/06/2016 RM'000	1st Quarter ended 31/03/2016 RM'000	2nd Quarter ended 30/06/2016 RM'000	1st Quarter ended 31/03/2016 RM'000
<b>Business Segment</b>				
Drilling Services	125,008	81,260	(47,994)	(93,375)
Oilfield Services	5,002	6,419	(10,111)	(1,408)
Others	-	-	(5,891)	26,360
<b>Total</b>	<b>130,010</b>	<b>87,679</b>	<b>(63,996)</b>	<b>(68,423)</b>

Revenue of RM130.0 million for the second quarter of 2016 improved over the RM87.7 million registered in the first quarter of 2016 by RM42.3 million or 48.2%. More assets were income-generating in the second quarter of 2016 as compared to the first quarter of 2016, hence the revenue improvement.

Consequently, the second quarter of 2016 posted a lower loss before tax of RM64.0 million despite the negative contribution from the Others segment and higher loss recorded by the Oilfield Services segment.

## NOTE 16 – Current Prospect – 9B3

*A commentary on the followings:-*

- a) the prospects, including the factors that are likely to influence the company’s prospects for the remaining period to the end of the financial period or the next financial year if the reporting period is the last quarter; and*
- b) the company’s progress to achieve the revenue or profit estimate, forecast, projection or internal targets in the remaining period to the end of the financial year and the forecast period which was previously announced or disclosed in a public document and steps taken or proposed to be taken to achieve the revenue or profit estimate, forecast, projection or internal targets:*

### Drilling Services Segment

Oil price has the potential for recovery in the medium term with the Brent benchmark oil price stabilizing at above USD40 per barrel for more than four months recently. Increase in tendering activities in the upstream space during the first half of 2016 also indicates potential upturn in the medium term though these tenders may take months to translate into rig utilisation. The current oversupply of offshore rigs continues to put pressure on charter rates until such time supply and demand reach equilibrium.

During the last few months, the Group’s Drilling Services segment had received encouraging number of invitations to participate in tender activities. In May 2016, UMW NAGA 6 secured a contract for the provision of drilling services to Petronas Carigali Sdn. Bhd. The contract is for a duration of two years with an option to extend for another year. The Group is also in various stages of tendering a number of local and overseas contracts.

### Oilfield Services Segment

Similarly, the Oilfield Services segment is seeing slight increase in tender activities. The Segment’s outfits in Labuan and Turkmenistan, recently secured a two-year contract each from their existing clients for the provision of machining or inspection services. Its operation in Tianjin also secured a six months service contract from Baoshan Iron & Steel Co. Ltd. for the provision of premium connection threading services. However, revenue contributions from these contracts for the remaining period of 2016 are dependent upon the level of services required by these customers.

## Group

Financial performance of the Group for the remaining period of the year is dependent on the outcome of the potential local and overseas contracts the Group is currently working on. If the Group succeeds in securing some of these potential contracts, asset utilisation in the last quarter of 2016 is expected to improve.

### NOTE 17 – Statement on Revenue and Profit Forecast – 9B4

***A statement of the board of directors' opinion as to whether the revenue or profit estimate, forecast, projection or internal targets in the remaining period to the end of the financial year and the forecast period which was previously announced or disclosed in a public document are likely to be achieved.***

This is not applicable to the Group.

### NOTE 18 – Variance from Profit Forecast and Profit Guarantee – 9B5

***An explanatory note for any (only applicable to the final quarter for companies which have previously announced or disclosed a profit forecast or profit guarantee in a public document):-***

- (a) Variance of actual profit after tax and minority interest and the forecast profit after tax and minority interest (where the variance exceeds 10%); and***
- (b) Shortfall in profit guarantee received by the Company (if any) and steps taken to recover the shortfall***

This is not applicable to the Group.

### NOTE 19 – Taxation – 9B6

***A breakdown of tax charge and an explanation of the variance between the effective and statutory tax rate for the current quarter and financial year-to-date.***

	2nd Quarter ended 30/06/2016 RM'000	Six Months ended 30/06/2016 RM'000
Taxation for current period	1,079	1,036
Under/(Over) provision in prior periods	2	2
	1,081	1,038
Deferred taxation	(3)	143
Total	1,078	1,181

The effective tax rates for the current quarter and the six-month period ended 30th June 2016 of 1.7% and 0.9%, respectively, was lower than the statutory rate of 25% as most of the companies in the Group were in a loss position.

**NOTE 20 – Corporate Proposals – 9B9**

- (a) *The status of corporate proposals announced but not completed at the latest practicable date which must not be earlier than seven (7) days from the date of issue of the quarterly report.*
- (b) *Where applicable, a brief explanation of the status of utilisation of proceeds raised from any corporate proposal which must include the information prescribed in the following table:*

<i>Purpose</i>	<i>Proposed utilisation</i>	<i>Actual utilisation</i>	<i>Intended timeframe for utilisation</i>	<i>Deviation in amount &amp; %</i>	<i>Explanation</i>
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**(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 15th August 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	993.9	RM7.3 million	Note	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	43.8	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
<b>Total</b>	<b>1,713.0</b>	<b>1,706.8</b>			

Date of listing: 1st November 2013

Note:

\* The unutilised listing expenses of RM7.3 million had been utilised to meet the costs of acquisition of jack-up rigs in April 2016.

**NOTE 21 – Group Borrowings and Debt Securities – 9B10**

**The group borrowings and debt securities as at the end of the reporting period:-**

- (a) Whether secured or unsecured, and a breakdown between secured and unsecured, if applicable;**  
**(b) Breakdown between short term and long term borrowings; and**  
**(c) Whether denominated in foreign currency, and a breakdown of the debt / borrowings in each currency, if applicable.**

	RM'000	RM'000	USD'000
(a) Short term borrowings			
- Unsecured			
Short term loans and revolving credits	1,061,067		263,600
Portion of long term loans payable within 12 months	258,594		64,303
	<hr/>	1,319,661	
- Secured			
Finance lease payable		12	-
		<hr/>	<hr/>
		1,319,673	327,903
		<hr/>	<hr/>
(b) Long term borrowings			
- Secured			
Long term loans	603,225		150,000
- Unsecured			
Long term loans	1,763,876		438,611
Portion of long term loans payable within 12 months	(258,594)		(64,303)
	<hr/>	2,108,507	
		<hr/>	<hr/>
		2,108,507	524,308
		<hr/>	<hr/>

**NOTE 22 – Material Litigation – 9B12, 15B(f)**

**Changes in material litigation (including status of any pending material litigation) since the date of the last annual statement of financial position date which must be made up to a date not earlier than seven (7) days from the date of issue of the quarterly report.**

Reference is made to the previous announcement dated 10th April 2015 in relation to the arbitration between UMW Offshore Drilling Sdn. Bhd. (“Claimant”) and Frontier Oil Corporation (“Respondent”) under the arbitration rules of Singapore International Arbitration Centre (“SIAC”), which were further disclosed in the Circulars to Shareholders dated 27th April 2015 and 25th April 2016, and in the notes on the said arbitration in the material litigation contained in the Company's quarterly announcements. The Company will make further announcement if there is any material development 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 – 9B13

**Dividend:** *To be completed if a decision regarding dividend has been made. (State whether dividend amount is before tax, net of tax or tax exempt and if before tax or net of tax, state the tax rate):-*

- (a) (i) *An interim / final ordinary dividend has / has not been declared / recommended;*  
(ii) *The amount per share ...sen;*  
(iii) *The previous corresponding period...sen;*  
(iv) *The date payable....; and*  
(v) *In respect of deposited securities, entitlement to dividends will be determined on the basis of the record of depositors as at ... dd/mm/yyyy; and*
- (b) *The total dividend for the current financial year...sen.*

No dividend has been recommended for the quarter ended 30th June 2016.

#### NOTE 24 – Earnings Per Share – 9B14

*To disclose the following in respect of earnings per share:-*

- (a) *The amount used as the numerator in calculating basic and diluted earnings per share and a reconciliation of those amounts to the net profit or loss for the reporting period; and*  
(b) *The weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share; and a reconciliation of these denominators to each other.*

Basic loss per share for the current quarter and the six-month period ended 30th June 2016 are calculated by dividing the net loss attributable to equity holders of the Company of RM67,247,000 and RM132,323,000, respectively, by the weighted average number of ordinary shares in issue as at 30th June 2016 of 2,162,000,000 shares of RM0.50 each.

The Company has no dilutive potential ordinary shares as at 30th June 2016.

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

The breakdown of retained profits of the Group as at 31st March 2016 and 30th June 2016, pursuant to the format prescribed by Bursa Securities, are as follows:

	As at 31/03/2016 RM'000	As at 30/06/2016 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	289,333	225,290
- Unrealised	27,115	31,609
	316,448	256,899
Total share of retained profits from associated company:		
- Realised	1,982	1,884
- Unrealised	-	-
	318,430	258,783
Less : Consolidation adjustments	(239,256)	(246,856)
Total Group retained profits as per consolidated accounts	79,174	11,927

**NOTE 26 – Audit Qualification –9B15**

*where the audit report of the company's preceding annual financial statements was qualified, disclosure of the qualification and the current status of the matter(s) giving rise to the qualification for the current quarter and the financial period to date;*

The audit report in respect of the annual financial statements of the Company for the financial year ended 31st December 2015 was not qualified.

**NOTE 27 – Items to Disclose in the Statement of Comprehensive Income – 9B16 (new)**

The following items must be included either in the statement of comprehensive income or in the notes to the statement of comprehensive income for the current quarter and financial year to date:

- a) Interest income
- b) Other income including investment income
- c) Interest expense
- d) Depreciation and amortization
- e) Provision for and write off of receivables
- f) Provision for and write off of inventories
- g) Gain or loss on disposal of quoted or unquoted investments or properties
- h) Impairment of assets
- i) Foreign exchange gain or loss
- j) Gain or loss on derivatives; and
- k) Exceptional items (with details)

If any of the items above is not applicable to the listed issuer, a statement to that effect

	2nd Quarter ended 30/06/2016 RM'000	Six Months ended 30/06/2016 RM'000
(a) Interest income	2,928	6,783
(b) Other investment income	142	1,020
(c) Depreciation and amortisation	(65,111)	(133,473)
(d) Reversal of impairment / (impairment) losses of receivables	-	-
(e) (Provision for) / write back of inventories	-	-
(f) Loss on disposal of quoted or unquoted investment	(25)	(80)
(g) (Loss) / gain on disposal of properties	-	-
(h) Reversal / (Impairment) of assets/investments (net)	-	-
(i) Net foreign exchange (loss) / gain	(2,146)	25,166
(j) Net gain on derivatives	-	-
(k) Property, plant and equipment written off	(236)	(236)

**By Order Of The Board**

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

Kuala Lumpur  
22nd August 2016