

# UMW OIL & GAS CORPORATION BERHAD

(COMPANY NO : 878786-H)

(INCORPORATED IN MALAYSIA)

## Condensed Consolidated Statement Of Comprehensive Income

For The First Quarter Ended 31st March 2017

( The Figures Have Not Been Audited )

	Current Quarter Ended 31/03/2017 RM'000	Comparative Quarter Ended 31/03/2016 RM'000	3 Months Cumulative To Date 31/03/2017 RM'000	Comparative 3 Months Cumulative To Date 31/03/2016 RM'000
<b><u>Continuing Operations</u></b>				
Revenue	74,278	87,679	74,278	87,679
Operating Expenses	(145,114)	(162,757)	(145,114)	(162,757)
Other Operating Income	552	27,859	552	27,859
<b>Loss From Operations</b>	<b>(70,284)</b>	<b>(47,219)</b>	<b>(70,284)</b>	<b>(47,219)</b>
Finance Costs	(38,742)	(26,028)	(38,742)	(26,028)
Share Of Profits Of Associated Company	75	91	75	91
Investment Income	4,043	4,733	4,043	4,733
<b>Loss Before Tax From Continuing Operations</b>	<b>(104,908)</b>	<b>(68,423)</b>	<b>(104,908)</b>	<b>(68,423)</b>
Taxation	(11)	(103)	(11)	(103)
<b>Loss From Continuing Operations, Net Of Tax</b>	<b>(104,919)</b>	<b>(68,526)</b>	<b>(104,919)</b>	<b>(68,526)</b>
<b><u>Other Comprehensive Loss:</u></b>				
Translation Of Foreign Operations	(25,442)	(257,383)	(25,442)	(257,383)
Cash Flow Hedge	907	(12,092)	907	(12,092)
Other Comprehensive Loss, Net Of Tax	(24,535)	(269,475)	(24,535)	(269,475)
<b>Total Comprehensive Loss For The Period</b>	<b>(129,454)</b>	<b>(338,001)</b>	<b>(129,454)</b>	<b>(338,001)</b>
<b><u>Loss For The Period Attributable To:</u></b>				
Equity Holders Of The Company	(104,117)	(65,076)	(104,117)	(65,076)
Non-controlling Interests	(802)	(3,450)	(802)	(3,450)
	<b>(104,919)</b>	<b>(68,526)</b>	<b>(104,919)</b>	<b>(68,526)</b>
<b><u>Total Comprehensive Loss Attributable To:</u></b>				
Equity Holders Of The Company	(128,646)	(334,171)	(128,646)	(334,171)
Non-controlling Interests	(808)	(3,830)	(808)	(3,830)
	<b>(129,454)</b>	<b>(338,001)</b>	<b>(129,454)</b>	<b>(338,001)</b>
<b>LPS Attributable To Equity Holders Of The Company:</b>				
Basic (Sen)	(4.82)	(3.01)	(4.82)	(3.01)

(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 31/03/2017 RM'000	(Audited) As At 31/12/2016 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipment	5,161,228	5,298,125
Land Use Rights	2,487	2,514
Investment In Associate	2,646	2,571
Deferred Tax Assets	111	112
Derivative Assets	6,030	5,071
Deposit At Bank	331,950	336,450
	5,504,452	5,644,843
<b>Current Assets</b>		
Inventories	212,559	211,916
Trade Receivables	88,068	116,960
Other Receivables	22,034	18,264
Derivative Assets	436	489
Due From Related Companies	2,636	2,547
Deposits, Cash & Bank Balances	454,082	555,021
	779,815	905,197
	6,284,267	6,550,040
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>Equity Attributable To The Equity Holders Of The Company</b>		
Share Capital	2,453,819	1,081,000
Share Premium	-	1,372,819
Capital Contribution - ESOS	3,243	3,243
Other Reserves	809,526	834,055
Accumulated Losses	(1,137,246)	(1,033,129)
	2,129,342	2,257,988
Non-controlling Interests	2,405	3,213
<b>TOTAL EQUITY</b>	2,131,747	2,261,201
<b>Non-Current Liabilities</b>		
Due To Holding Company	308,000	308,000
Long Term Borrowings	2,182,657	2,272,773
	2,490,657	2,580,773
<b>Current Liabilities</b>		
Taxation	609	634
Short Term Borrowings	1,505,004	1,499,745
Trade Payables	100,589	147,687
Other Payables	49,378	57,710
Due To Holding Company	5,634	1,447
Due To Related Companies	649	843
	1,661,863	1,708,066
<b>TOTAL LIABILITIES</b>	4,152,520	4,288,839
<b>TOTAL EQUITY AND LIABILITIES</b>	6,284,267	6,550,040
<b>Net Assets Per Share (RM)</b>	<b>0.9849</b>	<b>1.0444</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 March 2017

	← Non - Distributable				Gain On		Distributable →			Total Equity RM'000
	Share Capital RM'000	Share Options Reserve RM'000	Capital Reserve RM'000	Foreign Currency Translation Reserve RM'000	Derecognition of Intercompany Financial Liabilities RM'000	Hedging Reserves RM'000	Accumulated Losses RM'000	Total RM'000	Non - Controlling Interests RM'000	
<b>3 MONTHS ENDED 31ST MARCH 2017</b>										
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) / Income	-	-	-	(25,436)	-	907	(104,117)	(128,646)	(808)	(129,454)
At 31st March 2017	2,453,819	3,243	698	724,217	78,145	6,466	(1,137,246)	2,129,342	2,405	2,131,747

### Condensed Consolidated Statement Of Changes In Equity For The Period Ended 31st March 2016

	← Non - Distributable				Gain On		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	Derecognition of Intercompany Financial Liabilities RM'000	Hedging Reserves RM'000	Retained Profits RM'000	Total RM'000		Non - Controlling Interests RM'000
<b>3 MONTHS ENDED 31ST MARCH 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 Loss	-	-	-	-	(257,003)	-	(12,092)	(65,076)	(334,171)	(3,830)	(338,001)
At 31st March 2016	1,081,000	1,372,819	3,243	698	392,974	78,145	(9,224)	79,174	2,998,829	6,607	3,005,436

(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 March 2017**

	<b>3 Months Ended 31/03/2017 RM'000</b>	<b>3 Months Ended 31/03/2016 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss Before Tax	(104,908)	(68,423)
Adjustments For:		
Depreciation & Amortisation	67,238	68,362
Net gain On Disposal Of Property, Plant & Equipment	(234)	-
Interest Expense	38,742	26,028
Share Of Results Of Associate	(75)	(91)
Net Unrealised Foreign Exchange Gain	(231)	(28,154)
Net Fair Value Loss On Money Market Fund	-	55
Interest Income	(4,043)	(4,733)
Property, Plant & Equipment Written Off	6	-
Operating Loss Before Working Capital Changes	(3,505)	(6,956)
Decrease In Receivables	25,336	18,397
Increase In Inventories	(3,241)	(16,199)
Net Changes In Related Companies Balances	3,905	(90)
Decrease In Payables	(60,631)	(28,715)
Cash Used In Operating Activities	(38,136)	(33,563)
Interest Paid	(38,531)	(26,291)
Taxes Paid	(868)	(1,499)
Net Cash Used In Operating Activities	(77,535)	(61,353)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase Of Property, Plant & Equipment	(1,125)	(17,579)
Proceeds From Disposal Of Property, Plant & Equipment	232	-
Interest Received	3,589	4,438
Investment In Money Market Fund	-	(998)
Proceeds From Disposal Of Money Market Fund	-	76,272
Net Cash Generated From Investing Activities	2,696	62,133
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment Of Long Term Borrowings	(70,473)	(50,612)
Net Movement In Short Term Borrowings	40,635	6,506
Net Cash Used In Financing Activities	(29,838)	(44,106)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(104,677)	(43,326)
<b>CASH AND CASH EQUIVALENTS AS AT 1ST JANUARY</b>	891,471	973,807
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>	(762)	(42,588)
<b>CASH AND CASH EQUIVALENTS AS AT 31ST MARCH</b>	786,032	887,893
<b>Cash and Cash Equivalents comprise:</b>		
- Current	454,082	887,893
- Non-Current	331,950	-
	786,032	887,893

(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 2016.

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

The following revised MFRS that are effective and applicable to the Group and the Company have been adopted with effect from 1st January 2017:

- (a) Amendments to MFRS 12 Disclosure of interests in Other Entities (Annual Improvements 2014 - 2016 Cycle)
- (b) MFRS 107 Disclosure Initiatives (Amendments to MFRS107)
- (c) MFRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)

#### MFRS 107 Disclosures Initiatives (Amendments to MFRS 107)

The amendments to MFRS 107 Statement of Cash Flows require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of this amendment, entities are not required to provide comparative information for preceding periods.

#### MFRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between retained earnings and other components of equity. Entities applying this relief must disclose that fact.

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 2017.

### 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

There were no material unusual items affecting assets, liabilities, equity, net income or cash flows during the quarter ended 31st March 2017.

### NOTE 4 – Accounting Estimates

There were no changes in estimates of amounts reported in prior financial years that have a material effect during the quarter ended 31st March 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 quarter ended 31st March 2017.

### NOTE 6 – Dividends Paid

There was no dividend paid during the quarter ended 31st March 2017.

### NOTE 7 – Segmental Reporting

	Three Months Ended 31st March 2017		
Business Segment	Revenue RM'000	Loss Before Tax RM'000	Loss Attributable to Owners of the Company RM'000
Drilling Services	70,977	(96,661)	(96,198)
Oilfield Services	3,301	(1,572)	(1,241)
Others	-	(6,675)	(6,678)
<b>Consolidated Total</b>	<b>74,278</b>	<b>(104,908)</b>	<b>(104,117)</b>

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 31st March 2017 to the date of this announcement, which affects substantially the results of the Group for the quarter ended 31st March 2017.

### NOTE 9 – Changes in Composition / Group

There were no changes in the composition of the Group during the quarter ended 31st March 2017.

## 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	250	
Equipment, plant and machinery	9,731	
Others	106	10,087
		<hr/>
<b>Approved but not contracted for:</b>		
Land and buildings	4,400	
Equipment, plant and machinery	27,845	
Others	6,098	38,343
		<hr/>
<b>Total</b>		<b>48,430</b>

## 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	25
2.	UMW Oil & Gas Corporation Berhad and its subsidiaries	U-TravelWide Sdn. Bhd.	Subsidiary of holding company	Purchase of Services	212
3.	UMW Oil & Gas Corporation Berhad	UMW Holdings Berhad	Holding company	Interest expense on advances	4,200
4.	UMW Offshore Drilling Sdn. Bhd.	UMW Pennzoil Distributors Sdn. Bhd.	Subsidiary of holding company	Purchase of Goods	37
5.	UMW Oil & Gas Corporation Berhad	UMW Corporation Sdn. Bhd.	Subsidiary of holding company	Rental & Other expenses	478
				Management fee	106
6.	UMW Oil & Gas Corporation Berhad and its subsidiaries	Toyota Capital Malaysia Sdn. Bhd.	Associate of holding company	Operating lease expense	324

## 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 March 2017.

## NOTE 14 – Review of Performance

### Current Quarter Ended 31st March 2017

	Revenue		Profit / (Loss) Before Tax	
	1st Quarter ended 31/03/2017 RM'000	1st Quarter ended 31/03/2016 RM'000	1st Quarter ended 31/03/2017 RM'000	1st Quarter ended 31/03/2016 RM'000
<b>Business Segment</b>				
Drilling Services	70,977	81,260	(96,661)	(93,375)
Oilfield Services	3,301	6,419	(1,572)	(1,408)
Others	-	-	(6,675)	26,360
<b>Total</b>	<b>74,278</b>	<b>87,679</b>	<b>(104,908)</b>	<b>(68,423)</b>

### Group

Group revenue of RM74.3 million for the first quarter ended 31st March 2017 was lower than the RM87.7 million registered in the same quarter of 2016 by RM13.4 million or 15.3%. Both the Drilling Services and Oilfield Services segments reported lower revenue in the first quarter of 2017 mainly due to softer time charter rates from drilling contracts and weaker demand for oilfield services.

The Group posted a loss before tax of RM104.9 million in the first quarter of 2017 against the RM68.4 million recorded in the same quarter of 2016, a difference of RM36.5 million or 53.4%. Lower time charter rates and reduced foreign exchange gain on translation resulted in the higher loss in the quarter ended 31 March 2017.

### Drilling Services Segment

In the first quarter of 2017, the Drilling Services segment contributed revenue of RM71.0 million or 95.6% of the total revenue of RM74.3 million, a decrease of RM10.3 million or 12.7% over the RM81.3 million recorded in the same quarter of 2016. The drop in revenue was principally due to lower time charter rates. The first quarter of 2017 saw its jack-up utilisation rate improved slightly when UMW NAGA 7 was income-generating again at the end of March 2017. Both quarters had two of the seven jack-up rigs operating at 100% utilisation rate.

Consequently, the Drilling Services segment incurred a loss of RM96.7 million in the first quarter of 2017 compared to the loss of RM93.4 million reported in the same quarter of 2016, a slight increase of RM3.3 million or 3.5%.

### Oilfield Services Segment

The Oilfield Services segment contributed revenue of RM3.3 million or 4.4% of the total revenue of RM74.3 million in the first quarter of 2017, a reduction of RM3.1 million or 48.4% over the RM6.4 million registered in the same quarter of 2016. This segment of the value chain has yet to benefit from the increased activities in exploration and production. Thus, demand for oil pipes threading, inspection and repair services remained soft.

As a result, the Oilfield Services segment reported a loss before tax of RM1.6 million in the first quarter of 2017 versus a loss of RM1.4 million recorded in the same quarter of 2016, an increase of RM0.2 million or 14.3%.



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

	Revenue		Loss Before Tax	
	1st Quarter ended 31/03/2017 RM'000	Restated* 4th Quarter ended 31/12/2016 RM'000	1st Quarter ended 31/03/2017 RM'000	Restated* 4th Quarter ended 31/12/2016 RM'000
<b>Business Segment</b>				
Drilling Services	70,977	50,975	(96,661)	(889,096)
Oilfield Services	3,301	2,649	(1,572)	(20,063)
Others	-	87	(6,675)	(6,647)
<b>Total</b>	<b>74,278</b>	<b>53,711</b>	<b>(104,908)</b>	<b>(915,806)</b>

\* Restated based on audited financial performance of the Group for the financial year ended 31st December 2016.

Group revenue of RM74.3 million for the first quarter of 2017 improved over the RM53.7 million registered in the fourth quarter of 2016 by RM20.6 million or 38.4% due to higher asset utilisation. In the first quarter of 2017, three out of seven jack-up drilling rigs were income-generating with two of them at 100% utilisation. As for the last quarter of 2016, only 2 jack-up rigs were in operation and one of them at 100% utilisation.

The first quarter of 2017 posted a lower loss before tax of RM104.9 million as compared to the RM915.8 million loss reported in the fourth quarter of 2016. Impairment losses relating to assets of RM780.3 million and lower asset utilisation, mainly contributed to the higher loss in the last quarter of 2016.

## NOTE 16 – Current Prospect

### Drilling Services Segment

On 28 April 2017, the Company announced that a rig sale and purchase agreement had been entered into to dispose its entire 50% interest in NAGA 1, a 43 years old semi-submersible drilling rig. The disposal was completed on 9th May 2017 and consequently, no further maintenance costs and capital expenditures to recertify an aged asset will be incurred.

Currently, all seven jack-up rigs are contracted, five of which are income-generating and the remaining two are expected to start work by end of June 2017. As such, asset utilisation rate is expected to improve from the current 71% to 100% by middle of 2017. In May 2017, both UMW NAGA 3 and UMW NAGA 4 secured a contract each from PETRONAS Carigali Sdn. Bhd. for works in offshore Malaysia. The contract for UMW NAGA 3 is for 5 firm wells with 6 options of 1 well each and 2 firm wells with 3 options of one well each in the case of UMW NAGA 4. Each well may take around 30 to 45 days to complete. Although asset utilisation is improving, time charter rates remain soft in line with prevailing market rates.

### Oilfield Services Segment

Demand for oil pipes threading, inspection and repair services is expected to remain soft for the remaining period of 2017.

### 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

	1st Quarter ended 31/03/2017 RM'000
Taxation for current period	10
Under / (Over) provision in prior periods	-
	10
Deferred taxation	1
Total	11

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 RM11,000 for the current quarter ended 31st March 2017.

## NOTE 20 – Corporate Proposals

### (a) Corporate Proposals

On 19th January 2017, 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**”) (“**Orkim Shares**”), representing approximately 95.5% equity interest in Orkim, for a cash consideration of RM472,725,000 (“**Proposed Orkim Acquisition**”);
- 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 (“**Proposed Rights Issue With Warrants**”);
- 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 (“**Proposed IASC**”); and
- vi. Proposed amendments to the Memorandum of UMW-OG (“**Proposed Amendment**”).

Then on 13th 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 to purchase all the Orkim Shares held by WIWM and KCY respectively by entering into the following agreements (“**Minority SPAs**”):

- 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 is 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 Malaysia for the Proposed Orkim Acquisition, if required; and
- iv. Results of the due diligence being satisfactory to all parties involved.

Subsequently on 4th May 2017, UMW-OG announced that the Company had on 3rd May 2017, received a letter from Hallmark Odyssey Sdn. Bhd. (“**HOSB**”) and Tetap Kuasa Sdn. Bhd. (“**TKSB**”) (“**Termination Letter**”) proposing to terminate the Conditional Share Sale Agreement with HOSB and Conditional Share Sale Agreement with TKSB (“**Orkim SPA**”), respectively. After due consideration, the Company agreed to the request made by HOSB and TKSB and accepted the Termination Letter.

In view of the conditionality of the Proposals announced on the 19th January 2017 and 13th February 2017, the Company will not proceed with the Proposed MGO, the Proposed Rights Issue With Warrants, the Proposed IASC and the Proposed Amendment. The Minority SPAs, which are conditional upon the Orkim SPA becoming unconditional, will also be terminated as the condition precedent cannot be fulfilled.

In addition, UMW-OG also announced the following corporate proposals on 4th May 2017:

- i. Proposed renounceable rights issue of up to 6,053,600,000 new UMW-OG Shares (“**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) UMW-OG Shares 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 UMW-OG (“**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**”);
- 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 UMW-OG Shares and Warrants not already owned by them 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; and
- iv. Proposed amendment to the Memorandum and Articles of Association of UMW-OG’s Constitution.

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

#### **(b) Status of utilisation of initial public offering proceeds as at 16th May 2017**

As at 16th May 2017, the total IPO proceeds of RM1,713.0 million raised on 1st November 2013 had been fully utilised in accordance with designated purposes.

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

	RM'000	RM'000	USD'000
(a) Short term borrowings			
- Unsecured			
Short term loans and revolving credits	1,246,297		280,456
Portion of long term loans payable within 12 months	258,707		58,452
		<u>1,505,004</u>	<u>338,908</u>
		<u>1,505,004</u>	<u>338,908</u>
(b) Long term borrowings			
- Secured			
Long term loans	730,290		165,000
Less: Transaction cost	(17,605)		
		<u>712,685</u>	
- Unsecured			
Long term loans	1,728,679		390,574
Portion of long term loans payable within 12 months	(258,707)		(58,452)
		<u>1,469,972</u>	<u>(58,452)</u>
		<u>2,182,657</u>	<u>497,122</u>

<b>Movements of Borrowings</b>	<b>Short Term Borrowings</b>	<b>Long Term Borrowings</b>
	<b>RM '000</b>	<b>RM '000</b>
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	<u>1,227,617</u>	<u>2,563,732</u>
Less : Exchange Difference	(21,955)	(34,290)
Add : Drawdown	101,662	-
Less : Repayment	(61,027)	(70,473)
	<u>1,246,297</u>	<u>2,458,969</u>
Less : Transaction cost	-	(17,605)
Add/(Less) : Amount payable within 12 months	258,707	(258,707)
Closing Balance	<u>1,505,004</u>	<u>2,182,657</u>

## NOTE 22 – Material Litigation

Reference is made to the previous announcement dated 1st September 2016.

UMW Offshore Drilling Sdn. Bhd. (“UOD”) as the Claimant, has served its Amended Reply and Defence to Counterclaim (“ARDC”) and further amended ARDC on Frontier Oil Corporation (“Respondent”) on 13th October 2016 and 24th April 2017 respectively. 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 31st March 2017.

## NOTE 24 – Earnings Per Share

Basic loss per share for the current quarter ended 31st March 2017 is calculated by dividing the net loss attributable to equity holders of the Company of RM104,117,000 by the weighted average number of ordinary shares in issue as at 31st March 2017 of 2,162,000,000 shares of RM0.50 each.

The Company has no dilutive potential ordinary shares as at 31st March 2017.

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

The breakdown of accumulated losses of the Group as at 31st March 2017 and 31st December 2016, pursuant to the format prescribed by Bursa Securities, are as follows:

	As at 31/12/2016 RM'000	As at 31/03/2017 RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(1,313,613)	(1,509,031)
- Unrealised	(17,318)	342
	(1,330,931)	(1,508,689)
Total share of retained profits from associated company:		
- Realised	2,468	2,464
- Unrealised	-	-
	(1,328,463)	(1,506,225)
Add : Consolidation adjustments	295,334	368,979
Total Group accumulated losses as per consolidated accounts	(1,033,129)	(1,137,246)

## 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**

	<b>1st Quarter ended 31/03/2017 RM'000</b>
(a) Interest income	4,043
(b) Other investment income	-
(c) Depreciation and amortisation	(67,238)
(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	234
(h) Impairment of assets	-
(i) Net foreign exchange loss	(1,037)
(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 May 2017