

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 2017

(The Figures Have Not Been Audited)

	Current Quarter Ended 30/06/2017 RM'000	Comparative Quarter Ended 30/06/2016 RM'000	6 Months Cumulative To Date 30/06/2017 RM'000	Comparative 6 Months Cumulative To Date 30/06/2016 RM'000
<u>Continuing Operations</u>				
Revenue	139,908	130,010	214,186	217,689
Operating Expenses	(160,514)	(177,536)	(305,628)	(340,293)
Other Operating Income	623	5,575	1,175	33,434
Loss From Operations	(19,983)	(41,951)	(90,267)	(89,170)
Finance Costs	(35,261)	(25,197)	(74,003)	(51,225)
Share Of Profits Of Associated Company	122	82	197	173
Investment Income	3,740	3,070	7,783	7,803
Loss Before Tax From Continuing Operations	(51,382)	(63,996)	(156,290)	(132,419)
Taxation	(157)	(1,078)	(168)	(1,181)
Loss From Continuing Operations, Net Of Tax	(51,539)	(65,074)	(156,458)	(133,600)
<u>Other Comprehensive Loss:</u>				
Translation Of Foreign Operations	(57,327)	58,118	(82,769)	(199,265)
Cash Flow Hedge	(2,082)	(3,629)	(1,175)	(15,721)
Other Comprehensive Loss, Net Of Tax	(59,409)	54,489	(83,944)	(214,986)
Total Comprehensive Loss For The Period	(110,948)	(10,585)	(240,402)	(348,586)
<u>Loss For The Period Attributable To:</u>				
Equity Holders Of The Company	(50,986)	(67,247)	(155,103)	(132,323)
Non-controlling Interests	(553)	2,173	(1,355)	(1,277)
	(51,539)	(65,074)	(156,458)	(133,600)
<u>Total Comprehensive Loss Attributable To:</u>				
Equity Holders Of The Company	(110,292)	(12,251)	(238,938)	(346,422)
Non-controlling Interests	(656)	1,666	(1,464)	(2,164)
	(110,948)	(10,585)	(240,402)	(348,586)
LPS Attributable To Equity Holders Of The Company:				
Basic (Sen)	(2.36)	(3.11)	(7.17)	(6.12)

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

UMW OIL & GAS CORPORATION BERHAD

Condensed Consolidated Statement Of Financial Position

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

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

UMW OIL & GAS CORPORATION BERHAD

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

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

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

	← Non - Distributable →						Distributable				
	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	Total Equity RM'000
6 MONTHS ENDED 30TH JUNE 2016											
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	-	-	-	-	(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

(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 2017

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

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

Explanatory Notes

NOTE 1 – Significant accounting policies

Basis of preparation

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

NOTE 2 – Seasonal or Cyclical Factors

The Group is principally engaged in:

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

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

NOTE 3 – Exceptional Items

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

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

NOTE 4 – Accounting Estimates

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

NOTE 5 – Issuance or Repayment of Debt and Equity Securities

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

NOTE 6 – Dividends Paid

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

NOTE 7 – Segmental Reporting

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

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

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

NOTE 8 – Subsequent Material Events

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

NOTE 9 – Changes in Composition / Group

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

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

These are in respect of capital commitments:

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

NOTE 11 - Significant Related Party Transactions

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

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

NOTE 12 – Classification of Financial Assets

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

NOTE 13 – Changes in Contingent Liabilities and Contingent Assets

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

NOTE 14 – Review of Performance

Current Quarter Ended 30th June 2017

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

Group

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

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

Drilling Services Segment

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

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

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

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

Oilfield Services Segment

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

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

Six Months Ended 30th June 2017

	Revenue		Profit / (Loss) Before Tax	
	Six Months ended 30/06/2017 RM'000	Six Months ended 30/06/2016 RM'000	Six Months ended 30/06/2017 RM'000	Six Months ended 30/06/2016 RM'000
Business Segment				
Drilling Services	205,085	206,268	(139,444)	(141,369)
Oilfield Services	9,101	11,421	(2,074)	(11,519)
Others	-	-	(14,772)	20,469
Total	214,186	217,689	(156,290)	(132,419)

Group

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

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

Drilling Services Segment

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

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

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

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

Oilfield Services Segment

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

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

NOTE 15 – Comparison with Preceding Quarter's Results

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

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

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

NOTE 16 – Current Prospect

Drilling Services Segment

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

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

Oilfield Services Segment

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

Group

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

NOTE 17 – Statement on Revenue and Profit Forecast

This is not applicable to the Group.

NOTE 18 – Variance from Profit Forecast and Profit Guarantee

This is not applicable to the Group.

NOTE 19 – Taxation

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

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

NOTE 20 – Corporate Proposals

(a) Corporate Proposals

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

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

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

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

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

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

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

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

(b) Status of Utilisation of Proceeds

Not applicable.

NOTE 21 – Group Borrowings and Debt Securities

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

Movements of Borrowings	Short Term Borrowings	Long Term Borrowings
	RM '000	RM '000
Opening Balance	1,499,745	2,272,773
Add : Transaction cost	-	18,831
Add/(Less) : Amount payable within 12 months	(272,128)	272,128
Adjusted Opening Balance	<u>1,227,617</u>	<u>2,563,732</u>
Less : Exchange Difference	(52,943)	(108,584)
Add : Drawdown	59,368	-
Less : Repayment	-	(136,806)
	<u>1,234,042</u>	<u>2,318,342</u>
Less : Transaction cost	-	(16,003)
Add/(Less) : Amount payable within 12 months	241,614	(241,614)
Closing Balance	<u>1,475,656</u>	<u>2,060,725</u>

NOTE 22 – Material Litigation

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

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

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

NOTE 23 – Dividend

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

NOTE 24 – Earnings Per Share

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

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

NOTE 25 – Realised and Unrealised Profits / (Losses)

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

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

NOTE 26 – Audit Qualification

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

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

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

By Order Of The Board

LEE MI RYOUNG
Secretary
(MAICSA 7058423)

Kuala Lumpur
22nd August 2017