

UMW OIL & GAS CORPORATION BERHAD

(COMPANY NO : 878786-H)

(INCORPORATED IN MALAYSIA)

Condensed Consolidated Statement Of Comprehensive Income

For The Third Quarter Ended 30th September 2017

(The Figures Have Not Been Audited)

	Current Quarter Ended 30/09/2017 RM'000	Comparative Quarter Ended 30/09/2016 RM'000	9 Months Cumulative To Date 30/09/2017 RM'000	Comparative 9 Months Cumulative To Date 30/09/2016 RM'000
<u>Continuing Operations</u>				
Revenue	180,510	49,653	394,696	267,342
Operating Expenses	(152,272)	(154,591)	(457,900)	(494,884)
Other Operating Income	7,572	34	8,747	33,468
Profit / (Loss) From Operations	35,810	(104,904)	(54,457)	(194,074)
Finance Costs	(36,317)	(32,770)	(110,320)	(83,995)
Share Of Profits Of Associated Company	68	88	265	261
Investment Income	3,486	4,547	11,269	12,350
Profit / (Loss) Before Tax From Continuing Operations	3,047	(133,039)	(153,243)	(265,458)
Taxation	(101)	(2,544)	(269)	(3,725)
Profit / (Loss) From Continuing Operations, Net Of Tax	2,946	(135,583)	(153,512)	(269,183)
<u>Other Comprehensive Income / (Loss):</u>				
Translation Of Foreign Operations	(30,126)	86,185	(112,895)	(113,080)
Cash Flow Hedge	(4,384)	5,085	(5,559)	(10,636)
Other Comprehensive Income / (Loss), Net Of Tax	(34,510)	91,270	(118,454)	(123,716)
Total Comprehensive Loss For The Period	(31,564)	(44,313)	(271,966)	(392,899)
<u>Earning / (Loss) For The Period Attributable To:</u>				
Equity Holders Of The Company	3,366	(135,432)	(151,737)	(267,755)
Non-controlling Interests	(420)	(151)	(1,775)	(1,428)
	2,946	(135,583)	(153,512)	(269,183)
<u>Total Comprehensive Loss Attributable To:</u>				
Equity Holders Of The Company	(31,144)	(44,342)	(270,082)	(390,764)
Non-controlling Interests	(420)	29	(1,884)	(2,135)
	(31,564)	(44,313)	(271,966)	(392,899)
Earning / (Loss) Per Share Attributable To Equity Holders Of The Company:				
Basic (Sen)	0.16	(6.26)	(7.02)	(12.38)

UMW OIL & GAS CORPORATION BERHAD
Condensed Consolidated Statement Of Financial Position

	(Unaudited) As At 30/09/2017 RM'000	(Audited) As At 31/12/2016 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	4,814,713	5,298,125
Land Use Rights	2,428	2,514
Investment In Associate	2,168	2,571
Deferred Tax Assets	106	112
Derivative Assets	-	5,071
Deposit At Bank	-	336,450
	<u>4,819,415</u>	<u>5,644,843</u>
Current Assets		
Inventories	196,480	211,916
Trade Receivables	176,830	116,960
Other Receivables	35,819	18,264
Derivative Assets	-	489
Due From Subsidiaries Of Former Holding Company	2,581	2,547
Deposits, Cash & Bank Balances	694,369	555,021
	<u>1,106,079</u>	<u>905,197</u>
	<u>5,925,494</u>	<u>6,550,040</u>
TOTAL ASSETS		
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	715,710	834,055
Accumulated Losses	(1,184,866)	(1,033,129)
	<u>1,987,906</u>	<u>2,257,988</u>
Non-controlling Interests	1,329	3,213
TOTAL EQUITY	<u>1,989,235</u>	<u>2,261,201</u>
Non-Current Liabilities		
Due To Former Holding Company	-	308,000
Long Term Borrowings	-	2,272,773
	<u>-</u>	<u>2,580,773</u>
Current Liabilities		
Taxation	629	634
Short Term Borrowings	3,423,586	1,499,745
Trade Payables	145,238	147,687
Other Payables	44,768	57,710
Due To Former Holding Company	320,493	1,447
Due To Subsidiaries Of Former Holding Company	1,545	843
	<u>3,936,259</u>	<u>1,708,066</u>
TOTAL LIABILITIES	<u>3,936,259</u>	<u>4,288,839</u>
TOTAL EQUITY AND LIABILITIES	<u>5,925,494</u>	<u>6,550,040</u>
Net Assets Per Share (RM)	0.9195	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 September 2017

	← Non - Distributable →						Distributable		Non - Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Options Reserve RM'000	Capital Reserve RM'000	Foreign Currency Translation Reserve RM'000	Gain On Derecognition of Intercompany Financial Liabilities RM'000	Hedging Reserves RM'000	Accumulated Losses RM'000	Total RM'000		
9 MONTHS ENDED 30TH SEPTEMBER 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	-	-	-	(112,786)	-	(5,559)	(151,737)	(270,082)	(1,884)	(271,966)
At 30th September 2017	2,453,819	3,243	698	636,867	78,145	-	(1,184,866)	1,987,906	1,329	1,989,235

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

	← Non - Distributable →						Distributable		Non - Controlling Interests RM'000	Total Equity RM'000	
	Share Capital RM'000	Share Premium RM'000	Share Options Reserve RM'000	Capital Reserve RM'000	Foreign Currency Translation Reserve RM'000	Gain On Derecognition of Intercompany Financial Liabilities RM'000	Hedging Reserves RM'000	Retained Profits RM'000			Total RM'000
9 MONTHS ENDED 30TH SEPTEMBER 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	-	-	-	-	(112,373)	-	(10,636)	(267,755)	(390,764)	(2,135)	(392,899)
At 30th September 2016	1,081,000	1,372,819	3,243	698	537,604	78,145	(7,768)	(123,505)	2,942,236	8,302	2,950,538

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

Condensed Consolidated Statement Of Cash Flows For The Period Ended 30th September 2017

	9 Months Ended 30/09/2017 RM'000	9 Months Ended 30/09/2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss Before Tax	(153,243)	(265,458)
Adjustments For:		
Depreciation & Amortisation	191,081	203,067
Net gain On Disposal Of Property, Plant & Equipment	(381)	-
Interest Expense	110,320	83,995
Share Of Results Of Associate	(265)	(261)
Net Unrealised Foreign Exchange Loss / (Gain)	3,912	(31,965)
Net Fair Value Loss On Money Market Fund	-	80
Interest Income	(11,269)	(12,350)
Property, Plant & Equipment Written Off	9	239
Operating Profit / (Loss) Before Working Capital Changes	140,164	(22,653)
(Increase) / Decrease In Receivables	(82,229)	113,363
Decrease / (Increase) In Inventories	4,272	(17,073)
Net Changes In Former Related Company Balances	11,714	5,452
Decrease In Payables	(34,473)	(60,703)
Cash Generated From Operating Activities	39,448	18,386
Interest Paid	(111,971)	(81,964)
Taxes Paid	(956)	(1,943)
Net Cash Used In Operating Activities	(73,479)	(65,521)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase Of Property, Plant & Equipment	(9,596)	(37,920)
Proceeds From Disposal Of Property, Plant & Equipment	7,336	-
Interest Received	11,269	11,717
Dividend Received From Associate	349	179
Investment In Money Market Fund	-	(1,274)
Proceeds From Disposal Of Money Market Fund	-	76,304
Net Cash Generated From Investing Activities	9,358	49,006
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment Of Long Term Borrowings	(195,619)	(173,238)
Drawdown Of Long Term Borrowings	-	665,475
Net Movement In Short Term Borrowings	66,499	(831,676)
Advances From Former Holding Company	-	308,000
Net Cash Used In Financing Activities	(129,120)	(31,439)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(193,241)	(47,954)
CASH AND CASH EQUIVALENTS AS AT 1ST JANUARY	891,471	973,807
EFFECTS OF EXCHANGE RATE CHANGES	(3,861)	(18,272)
CASH AND CASH EQUIVALENTS AS AT 30TH SEPTEMBER	694,369	907,581

(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 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 September 2017, the United States Dollar had weakened against the Ringgit Malaysia by about 5.8% 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 September 2017 was a loss of RM112.9 million.

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

NOTE 4 – Accounting Estimates

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

NOTE 6 – Dividends Paid

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

NOTE 7 – Segmental Reporting

	Nine Months Ended 30th September 2017		
Business Segment	Revenue RM'000	Loss Before Tax RM'000	Loss Attributable to Owners of the Company RM'000
Drilling Services	381,481	(129,759)	(129,409)
Oilfield Services	13,215	(3,792)	(2,616)
Others	-	(19,692)	(19,712)
Consolidated Total	394,696	(153,243)	(151,737)

	Nine Months Ended 30th September 2016		
Business Segment	Revenue RM'000	Profit / (Loss) Before Tax RM'000	Profit / (Loss) Attributable to Owners of the Company RM'000
Drilling Services	252,572	(266,668)	(269,953)
Oilfield Services	14,770	(14,068)	(12,544)
Others	-	15,278	14,742
Consolidated Total	267,342	(265,458)	(267,755)

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 September 2017 to the date of this announcement, which affects substantially the results of the Group for the period ended 30th September 2017.

NOTE 9 – Changes in Composition / Group

1. On 31st July 2017, Sumber Ribu Sdn Bhd (“SRSB”), a private limited company was incorporated under the Companies Act, 2016, as a wholly-owned subsidiary of the Company with an issued and paid-up share capital of RM10,000.
2. On 31st July 2017, Sumber Wang (L) Ltd (“SWLL”), a private limited company was incorporated under the Labuan Companies Act, 1990, as a wholly-owned subsidiary of the Company with an issued and paid-up share capital of USD10,000.

The principal activities of SRSB and SWLL are to raise capital and investment for the Group.

Other than the above, there were no changes in the composition of the Group during the period ended 30th September 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	12	
Equipment, plant and machinery	14,236	
Others	31	14,279
	<hr/>	
Approved but not contracted for:		
Land and buildings	4,750	
Equipment, plant and machinery	16,061	
Others	6,072	26,883
	<hr/>	<hr/>
Total		41,162

NOTE 11 - Significant Related Party Transactions

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 September 2017.

NOTE 14 – Review of Performance

Current Quarter Ended 30th September 2017

	Revenue		Profit / (Loss) Before Tax	
	3rd Quarter ended 30/09/2017 RM'000	3rd Quarter ended 30/09/2016 RM'000	3rd Quarter ended 30/09/2017 RM'000	3rd Quarter ended 30/09/2016 RM'000
Business Segment				
Drilling Services	176,396	46,304	9,685	(125,299)
Oilfield Services	4,114	3,349	(1,718)	(2,549)
Others	-	-	(4,920)	(5,191)
Total	180,510	49,653	3,047	(133,039)

Group

Group revenue of RM180.5 million for the third quarter ended 30th September 2017 improved significantly over the RM49.7 million registered in the same quarter of 2016 by RM130.8 million or 263.2%. Stronger demand for drilling services as a result of higher levels of oil and gas activities due to greater certainty and stability in oil prices, gave rise to the substantial revenue improvement in the third quarter of 2017.

As a result, the Group had turned around and reported profit again albeit at a nominal amount of RM3.0 million in the third quarter of 2017 against the RM133.0 million loss recorded in the same quarter of 2016, a sizeable improvement of RM136.0 million or 102.3%.

Drilling Services Segment

All seven jack-up rigs were income-generating where four of them contributed full-quarter revenue in the third quarter of 2017. The average asset utilisation rate was 90%. As a result, the Drilling Services segment reported revenue of RM176.4 million or 97.7% of the total revenue of RM180.5 million, an increase of RM130.1 million or 281.0% over the RM46.3 million recorded in the same quarter of 2016.

Revenue for the third quarter of 2016 was mainly contributed by Naga 1, a semi-submersible rig. The overall asset utilisation rate achieved for the third quarter of 2016 was 7%.

Consequently, the Drilling Services segment returned to profitability and registered a profit before tax of RM9.7 million in the third quarter of 2017 compared to the loss of RM125.3 million reported in the same quarter of 2016, an improvement of RM135.0 million or 107.7%.

Oilfield Services Segment

The Oilfield Services segment contributed revenue of RM4.1 million or 2.3% of the total revenue of RM180.5 million in the third quarter of 2017, an increase of RM0.8 million or 24.2% over the RM3.3 million registered in the same quarter of 2016. The revenue improvement was mainly the result of higher demand for repair and premium connection threading services at our plant in Tianjin, China.

Accordingly, the Oilfield Services segment reported a lower loss before tax of RM1.7 million in the third quarter of 2017 as compared to the loss of RM2.5 million recorded in the same quarter of 2016, an improvement of RM0.8 million or 32.0%.

Nine Months Ended 30th September 2017

	Revenue		Profit / (Loss) Before Tax	
	Nine Months ended 30/09/2017 RM'000	Nine Months ended 30/09/2016 RM'000	Nine Months ended 30/09/2017 RM'000	Nine Months ended 30/09/2016 RM'000
Business Segment				
Drilling Services	381,481	252,572	(129,759)	(266,668)
Oilfield Services	13,215	14,770	(3,792)	(14,068)
Others	-	-	(19,692)	15,278
Total	394,696	267,342	(153,243)	(265,458)

Group

For the nine-month period ended 30th September 2017, the Group recorded higher revenue of RM394.7 million compared to the RM267.3 million registered in the same period of 2016, an increase of RM127.4 million or 47.7%. The revenue improvement was attributable to reduction in idling time of the Group's seven jack-up rigs as a result of increased demand for drilling services due to gradual recovery in oil prices. However, the Oilfield Services segment has yet to reap the benefits of recovery in the oil & gas industry.

Thus, the Group posted a lower loss before tax of RM153.2 million for the nine-month period ended 30th September 2017 against the RM265.5 million recorded in the same period of 2016, an improvement of RM112.3 million or 42.3%.

Drilling Services Segment

The increase in tender exercises and contract awards in late 2016 and the first half of 2017 saw two of the Group's seven jack-up rigs achieved 100% asset utilisation while the other five jack-up rigs commenced operation progressively during the nine-month period ended 30th September 2017. Average asset utilisation rate for the nine months of 2017 improved to 61% from the 22% recorded for the same period of 2016. As a result, the Drilling Services segment contributed a revenue of RM381.5 million or 96.7% of the total revenue of RM394.7 million for the nine-month period ended 30th September 2017 despite lower time charter rates for the new contracts secured. This represented an increase of RM128.9 million or 51.0% over the RM252.6 million recorded in the same period of 2016.

As for the nine months of 2016, Naga 1 and three jack-up rigs under contracts, operated at less than 100% utilisation rate but at much higher time charter rates from unfinished contracts secured during better times of the industry.

Consequently, losses reduced significantly to RM129.8 million for the nine-month period ended 30th September 2017 compared to the RM266.7 million reported in the same period of 2016, an improvement of RM136.9 million or 51.3%. In addition, lower operating costs from ongoing cost-cutting measures also contributed to the lower loss for the nine-month period of 2017.

Oilfield Services Segment

The Oilfield Services segment contributed revenue of RM13.2 million or 3.3% of the total revenue of RM394.7 million for the nine-month period ended 2017, a reduction of RM1.6 million or 10.8% over the RM14.8 million registered in the same period of 2016.

However, the Oilfield Services segment reported a significantly lower loss before tax of RM3.8 million for the nine-month period ended 2017 versus a loss of RM14.1 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		Profit / (Loss) Before Tax	
	3rd Quarter ended 30/09/2017 RM'000	2nd Quarter ended 30/06/2017 RM'000	3rd Quarter ended 30/09/2017 RM'000	2nd Quarter ended 30/06/2017 RM'000
Business Segment				
Drilling Services	176,396	134,108	9,685	(42,783)
Oilfield Services	4,114	5,800	(1,718)	(502)
Others	-	-	(4,920)	(8,097)
Total	180,510	139,908	3,047	(51,382)

Group revenue of RM180.5 million for the third quarter of 2017 exceeded the RM139.9 million achieved in the second quarter of 2017 by RM40.6 million or 29.0%, as a result of improvement in both asset utilisation and time chartered rate. All seven jack-up drilling rigs were operational in the third quarter of 2017 versus only five jack-up rigs in operation in the second quarter of 2017. Average asset utilisation rate of 90% for the third quarter of 2017 surpassed the 68% registered in the second quarter of 2017 by 22%.

Consequently, the Group was profitable again in the third quarter of 2017, a positive effect from oil price recovery that has resulted in higher levels of oil & gas activities. This represented an improvement of RM54.4 million or 105.8% over the RM51.4 million loss reported in the second quarter of 2017.

NOTE 16 – Current Prospect

Drilling Services Segment

The gradual but continuous increase in oil price indicates potential further recovery in the oil and gas industry, albeit at a slow pace. With the benchmark Brent oil price stabilising above USD50 per barrel for almost a year and breaching USD60 per barrel in late October 2017, more confidence is seen in the upstream sector, resulting in more activities especially in drilling.

All seven jack-up drilling rigs of the Group are currently under contracts serving multiple oil and gas operators. The Group is continuously bidding for new contracts to replace expiring ones and also negotiating for extension of existing contracts. While there is no guarantee for continuous full utilization of the Group's drilling rigs, utilization rate is expected to stay at relatively healthy levels in the near future. However, time charter rates remain challenging due to global oversupply of rigs.

Oilfield Services Segment

The oilfield services sector is expected to lag in recovery compared to the drilling space as oil majors continue to control costs by making use of existing stocks. The emergence of new competitors in this low-value and low-entry-barrier business also increases the pressure on prices. However, the financial impact to the Group is immaterial as this segment's contribution to the Group is minimal.

Group

The Group is presently on a stronger financial footing with the completion of the recapitalisation and refinancing exercises in October and November 2017, respectively. Total borrowings of the Group has reduced significantly and the loan repayment profile is now more in line with the remaining useful life of the Group assets, resulting in an improved cash flows for the Group. Higher utilization of the Group assets and continuous cost optimization initiatives are also expected to contribute positively to the financial performance of the Group for the final quarter of 2017.

However, one-time write off of unamortised transaction costs related to the comprehensive recapitalisation and group debt restructuring exercises as well as potential asset impairment loss arising from year-end review, are expected to impact the 2017 financial performance of the Group.

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

	3rd Quarter ended 30/09/2017 RM'000	Nine Months ended 30/09/2017 RM'000
Taxation for current period	100	263
Under / (Over) provision in prior periods	-	-
	100	263
Deferred taxation	1	6
Total	101	269

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 RM101,000 and RM269,000 for the current quarter and the nine-month period ended 30th September 2017, respectively.

NOTE 20 – Corporate Proposals

(a) Corporate Proposals

Maybank Investment Bank Berhad, on behalf of the Board of Directors of UMW-OG (“**Board**”), had on 4th May 2017 and 9th June 2017 announced the following corporate proposals:

- 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**”) and Funds under PNB’s management (“**Proposed 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 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**”) (“**Proposed Exemption**”); and
- iv. Proposed amendment to the Memorandum and Articles of Association of the Company’s Constitution (“**Proposed Amendment**”).

The above corporate proposals were completed following:

- i. The listing and quotation of 4,836,727,688 Rights Shares and 1,209,181,678 Warrants on the Main Market of Bursa Securities on 25th October 2017 pursuant to the Rights Issue With Warrants;
- ii. The issuance of 1,216,872,312 RCPS-i and the listing and quotation of 304,218,076 Warrants on the Main Market of Bursa Securities on 25th October 2017 pursuant to the Proposed Subscription;
- iii. The approvals by shareholders of the Company at the Extraordinary General Meeting held on 25th August 2017 and the Securities Commission on 6th September 2017 pursuant to the Proposed Exemption; and
- iv. The approval by shareholders of the Company at the Extraordinary General Meeting held on 25th August 2017 pursuant to the Proposed Amendment.

As a result of the successful completion of the Rights Issue With Warrants and the Subscription, the Company has raised the intended gross proceeds in full of RM1,816,080,000.

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

(b) Status of Utilisation of Rights Issue Proceeds as at 24th November 2017

Purpose	Proposed utilisation	Actual utilisation to date	Deviation		Explanation
	RM' million	RM' million	RM' million	%	
Part repayment of the bank borrowings of the Group	1,500.0	1,500.0	nil		nil
Working capital requirements of the Group	310.0	nil	n/a		n/a
Defray expenses relating to Rights Issue	6.1	1.8	n/a		n/a
Total	1,816.1	1,501.8			

NOTE 21 – Group Borrowings and Debt Securities

	RM'000	RM'000	USD'000
Short term borrowings			
- Unsecured			
Short term loans and revolving credits	1,217,669		285,636
Portion of long term loans payable within 12 months	1,523,047	2,740,716	360,229
- Secured			
Portion of long term loans payable within 12 months	697,620		165,000
Less: Transaction cost	(14,750)	682,870	
		<u>3,423,586</u>	<u>810,865</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	(72,366)	(147,446)
Add : Drawdown	62,418	-
Less : Repayment	-	(195,619)
	<u>1,217,669</u>	<u>2,220,667</u>
Less : Transaction cost	-	(14,750)
Add/(Less) : Amount payable within 12 months	<u>2,205,917</u>	<u>(2,205,917)</u>
Closing Balance	<u>3,423,586</u>	<u>-</u>

As at date of announcement, a total of RM1,500.0 million of the above bank borrowings was prepaid using rights issue proceeds and the balance of RM1,923.6 million was refinanced with new facilities detailed below, to better match the maturity profile of the relevant new facilities with the long-term useful life of the Group's assets.

On 6th November 2017, the Company announced that it had entered into a common term agreement through its wholly-owned subsidiaries, Sumber Ribu Sdn. Bhd. and Sumber Wang (L) Ltd to raise the following facilities:

- a 5-year USD Commodity Murabahah Term Financing Facility-i of USD145,000,000 and a 10-year USD Commodity Murabahah Term Financing Facility-i of USD220,000,000 (collectively, the "Term Facilities");
- a USD Commodity Murabahah Revolving Credit Facility-i of USD110,000,000 and a MYR Commodity Murabahah Revolving Credit Facility-i of MYR110,000,000 ("MYR Islamic Revolving Facility"), with an option to upsize the MYR Islamic Revolving Facility by MYR90,000,000 (collectively, the "Revolving Facilities");

- c) a USD Islamic Trade Facility of USD47,000,000 ("USD Islamic Trade Facility") and, to the extent any financier is unable to participate in the USD Islamic Trade Facility, a USD conventional trade facility, and a MYR Islamic Trade Facility of MYR15,000,000 ("MYR Islamic Trade Facility") and, to the extent any financier is unable to participate in the MYR Islamic Trade Facility, a MYR conventional trade facility, (collectively, the "Trade Facilities"); and
- d) hedging arrangements in connection with the above facilities, where appropriate.

The above facilities were first utilised on 21st November 2017 to refinance the balance of the Group existing debts.

NOTE 22 – Material Litigation

Reference is made to the material litigation in the Abridged Prospectus dated 25 September 2017.

As disclosed herein, 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 September 2017.

NOTE 24 – Earnings Per Share

Basic earnings / (loss) per share for the current quarter and the nine-month period ended 30th September 2017 are calculated by dividing the net earnings attributable to equity holders of the Company of RM3,366,000 and net loss of RM151,737,000, respectively, by the weighted average number of ordinary shares in issue as at 30th September 2017 of 2,162,000,000 shares of RM0.50 each.

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

NOTE 25 – Realised and Unrealised Profits / (Losses)

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

	As at 30/06/2017 RM'000	As at 30/09/2017 RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(1,618,469)	(1,643,392)
- Unrealised	(1,693)	(3,806)
	(1,620,162)	(1,647,198)
Total share of retained profits from associated company:		
- Realised	1,918	1,986
- Unrealised	-	-
	(1,618,244)	(1,645,212)
Add : Consolidation adjustments	430,012	460,346
Total Group accumulated losses as per consolidated accounts	(1,188,232)	(1,184,866)

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

	3rd Quarter ended 30/09/2017 RM'000	Nine Months ended 30/09/2017 RM'000
(a) Interest income	3,486	11,269
(b) Other investment income	-	-
(c) Depreciation and amortisation	(61,737)	(191,081)
(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 (loss) / gain on disposal of property, plant and equipment	(178)	381
(h) Impairment of assets	-	-
(i) Net foreign exchange loss	(2,208)	(5,061)
(j) Net gain on derivatives	2,608	2,608
(k) Property, plant and equipment written off	(3)	(9)

By Order Of The Board

FINTON TUAN KIT MING
Secretary
(LS0008941)

Kuala Lumpur
24th November 2017