UMW OIL & GAS CORPORATION BERHAD

(COMPANY NO : 878786-H)

(INCORPORATED IN MALAYSIA)

Condensed Consolidated Statement Of Comprehensive Income
For The Fourth Quarter Ended 31st December 2017

(The Figures Have Not Been Audited)

	Current Quarter Ended 31/12/2017 RM'000	Comparative Quarter Ended 31/12/2016 RM'000	12 Months Cumulative To Date 31/12/2017 RM'000	(Audited) Comparative 12 Months Cumulative To Date 31/12/2016 RM'000
Continuing Operations				
Revenue	191,755	53,711	586,451	321,053
Operating Expenses	(168,572)	(152,968)	(626,472)	(647,852)
Impairment Provisions	(982,101)	(781,200)	(982,101)	(781,200)
Other Operating Income	124	(5,818)	8,871	27,650
Loss From Operations	(958,794)	(886,275)	(1,013,251)	(1,080,349)
Finance Costs	(27,747)	(34,238)	(138,067)	(118,233)
Share Of Profits Of Associated Company	70	158	335	419
Investment Income	6,567	4,549	17,836	16,899
Loss Before Tax From Continuing Operations	(979,904)	(915,806)	(1,133,147)	(1,181,264)
Taxation	(991)	1,542	(1,260)	(2,183)
Loss From Continuing Operations, Net Of Tax	(980,895)	(914,264)	(1,134,407)	(1,183,447)
Other Comprehensive (Loss) / Income:				
Translation Of Foreign Operations	(119,489)	211,600	(232,384)	98,520
Cash Flow Hedge	-	13,327	(5,559)	2,691
Other Comprehensive (Loss) / Income, Net Of Tax	(119,489)	224,927	(237,943)	101,211
Total Comprehensive Loss For The Period	(1,100,384)	(689,337)	(1,372,350)	(1,082,236)
Loss For The Period Attributable To:				
Equity Holders Of The Company	(980,437)	(909,624)	(1,132,174)	(1,177,379)
Non-controlling Interests	(458)	(4,640)	(2,233)	(6,068)
	(980,895)	(914,264)	(1,134,407)	(1,183,447)
Total Comprehensive Loss Attributable To:				
Equity Holders Of The Company	(1,099,942)	(684,248)	(1,370,024)	(1,075,012)
Non-controlling Interests	(442)	(5,089)	(2,326)	(7,224)
	(1,100,384)	(689,337)	(1,372,350)	(1,082,236)
Loss Per Share Attributable To Equity Holders Of The Company:				
Basic (Sen)	(32.01)	(42.07)	(36.96)	(54.46)
Diluted (Sen)	(27.45)	(42.07)	(31.70)	(54.46)

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

UMW OIL & GAS CORPORATION BERHAD

Condensed Consolidated Statement Of Financial Position

	(Unaudited) As At 31/12/2017 RM'000	(Audited) As At 31/12/2016 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	3,584,992	5,298,125
Land Use Rights	2,367	2,514
Investment In Associate	2,239	2,571
Deferred Tax Assets	102	112
Derivative Assets	-	5,071
Deposit At Bank	-	336,450
	3,589,700	5,644,843
Current Assets		
Inventories	194,803	211,916
Trade Receivables	237,790	116,960
Other Receivables	32,415	18,264
Derivative Assets	-	489
Due From Subsidiaries Of Former Holding Company	2,518	2,547
Deposits, Cash & Bank Balances	679,332	555,021
	1,146,858	905,197
Non-Current Assets Held For Sale	498	-
	1,147,356	905,197
TOTAL ASSETS	4,737,056	6,550,040
EQUITY AND LIABILITIES		
Equity Attributable To The Equity Holders Of The Company		
Share Capital	3,756,335	1,081,000
Share Premium	-	1,372,819
Capital Contribution - ESOS	3,243	3,243
RCPS-i	328,556	-
Warrant Reserve	181,608	-
Other Reserves	596,205	834,055
Accumulated Losses	(2,165,303)	(1,033,129)
	2,700,644	2,257,988
Non-controlling Interests	887	3,213
TOTAL EQUITY	2,701,531	2,261,201
Non-Current Liabilities		
Due To Former Holding Company	-	308,000
Long Term Borrowings	1,398,528	2,272,773
	1,398,528	2,580,773
Current Liabilities		
Taxation	594	634
Short Term Borrowings	459,491	1,499,745
Trade Payables	126,807	147,687
Other Payables	43,058	57,710
Due To Former Holding Company	3,926	1,447
Due To Subsidiaries Of Former Holding Company	1,350	843
Liabilities Associated With Assets Held For Sale	1,771	-
	636,997	1,708,066
TOTAL LIABILITIES	2,035,525	4,288,839
TOTAL EQUITY AND LIABILITIES	4,737,056	6,550,040
Net Assets Per Share (RM)	**0.3859**	**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 31st December 2017

	← Non - Distributable								→	Distributable			
	Share Capital RM'000	**Share Premium RM'000**	**Share Options Reserve RM'000**	**RCPS-i RM'000**	**Warrant 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**
12 MONTHS ENDED 31ST DECEMBER 2017													
At 1st January 2017	1,081,000	1,372,819	3,243	-	-	698	749,653	78,145	5,559	(1,033,129)	2,257,988	3,213	2,261,201
Transactions With Owners													
Transfer to Share Capital *	1,372,819	(1,372,819)	-	-	-	-	-	-		-	-	-	-
Issue of ordinary shares pursuant to Rights Issue	1,305,916	-		328,556	181,608	-	-	-		-	1,816,080	-	1,816,080
Rights Issue Expenses	(3,400)	-	-	-	-	-	-	-		-	(3,400)	-	(3,400)
Total Comprehensive Loss	-	-	-			-	(232,291)	-	(5,559)	(1,132,174)	(1,370,024)	(2,326)	(1,372,350)
At 31st December 2017	3,756,335	-	3,243	328,556	181,608	698	517,362	78,145	-	(2,165,303)	2,700,644	887	2,701,531

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

	← Non - Distributable								→	Distributable			
	Share Capital RM'000	**Share Premium RM'000**	**Share Options Reserve RM'000**	**RCPS-i RM'000**	**Warrant 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**
(AUDITED)													
12 MONTHS ENDED 31ST DECEMBER 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 Income / (Loss)	-	-	-	-	-	-	99,676	-	2,691	(1,177,379)	(1,075,012)	(7,224)	(1,082,236)
At 31st December 2016	1,081,000	1,372,819	3,243	-	-	698	749,653	78,145	5,559	(1,033,129)	2,257,988	3,213	2,261,201

* The new Companies Act 2016 ("CA 2016"), which became effective on 31st January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account became part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the CA 2016.

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

UMW OIL & GAS CORPORATION BERHAD

Condensed Consolidated Statement Of Cash Flows
For The Period Ended 31st December 2017

	12 Months Ended 31/12/2017 RM'000	(Audited) 12 Months Ended 31/12/2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss Before Tax	(1,133,147)	(1,181,264)
Adjustments For:		
Depreciation & Amortisation	255,312	291,191
Impairment Loss On Propery, Plant And Equipment	982,101	780,265
Provision For Impairment In Amount Due From Former Fellow Subsidiaries	-	935
Net (Gain) / Loss On Disposal Of Property, Plant & Equipment	(367)	625
Interest Expense	138,067	118,233
Share Of Results Of Associate	(335)	(419)
Net Unrealised Foreign Exchange Loss	10,452	17,430
Net Fair Value Loss On Money Market Fund	-	52
Interest Income	(17,836)	(16,899)
Property, Plant & Equipment Written Off	6	6,826
Operating Profit Before Working Capital Changes	234,253	16,975
(Increase) / Decrease In Receivables	(143,207)	157,198
(Increase) / Decrease In Inventories	(1,244)	666
Net Changes In Former Related Company Balances	3,015	(302)
Decrease In Payables	(8,985)	(119,093)
Cash Generated From Operating Activities	83,832	55,444
Interest Paid	(139,364)	(115,450)
Taxes Paid	(2,511)	(3,947)
Net Cash Used In Operating Activities	(58,043)	(63,953)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase Of Property, Plant & Equipment	(12,789)	(57,036)
Proceeds From Disposal Of Property, Plant & Equipment	7,322	401
Interest Received	17,836	16,288
Dividend Received From Associate	349	321
Investment In Money Market Fund	-	(1,351)
Proceeds From Disposal Of Money Market Fund	-	90,864
Net Cash Generated From Investing Activities	12,718	49,487
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment Of Long Term Borrowings	(198,501)	(259,614)
Drawdown Of Long Term Borrowings	-	646,644
Net Movement In Short Term Borrowings	(1,433,904)	(784,355)
Advances From Former Holding Company	-	308,000
Repayment To Former Holding Company	(308,000)	-
Proceeds From Issuance Of Shares To Shareholders	1,451,018	-
Proceeds From Issuance Of RCPS-I To Shareholders	365,062	-
Rights Issue Expenses	(3,400)	-
Placement Of Restricted Cash Deposits In Licensed Bank	-	(558,275)
Net Cash Used In Financing Activities	(127,725)	(647,600)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(173,050)	(662,066)
CASH AND CASH EQUIVALENTS AS AT 1ST JANUARY	891,471	973,807
CASH AND CASH EQUIVALENTS ASSOCIATED WITH ASSETS HELD FOR SALE	(152)	-
EFFECTS OF EXCHANGE RATE CHANGES	(38,937)	21,455
CASH AND CASH EQUIVALENTS AS AT 31ST DECEMBER	679,332	333,196
Cash and Cash Equivalents comprise:		
- Current	679,332	555,021
- Non-Current	-	336,450
	679,332	891,471
Less : Restricted Cash	-	(558,275)
	679,332	333,196

(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 on 1st January 2018 have not been early adopted:

(a) Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2014 – 2016 Cycle)
(b) MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)
(c) MFRS 15 Revenue from Contracts with Customers
(d) MFRS 9 Financial Instruments
(e) Amendments to MFRS 15 Revenue from Contracts with Customers: Clarifications
(f) Amendments to MFRS 128 Investments in Associate and joint Ventures (Annual Improvements 2014 – 2016 Cycle)
(g) Amendment to MFRS 140: Investment Property: Transfer of Investment Property
(h) IC Interpretation: Foreign Currency Transactions and Advance Consideration

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step models that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1st January 2018 with early adoption permitted. The Group and the Company will assess the impact of these amendments and intend to adopt the new standard on the effective date.

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

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 2018.

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 cyclicality in the offshore drilling and oilfield services industries.

NOTE 3 – Exceptional Items

As at 31st December 2017, the Group impaired its assets by RM982.1 million mainly due to revision in basis and assumptions including charter rates, utilisation rates and discount factors, to take into account the latest developments in the drilling industry. The revision has resulted in lower projected discounted net cash inflows from the Group's asset.

As at 31st December 2017, the United States Dollar had weakened against the Ringgit Malaysia by about 9.5% 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 31st December 2017 was a loss of RM232.4 million.

Other than the above, there were no material unusual items affecting assets, liabilities, equity, net income or cash flows during the financial year ended 31st December 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 financial year ended 31st December 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 financial year ended 31st December 2017.

NOTE 6 – Dividends Paid

There was no dividend paid during the period ended 31st December 2017.

NOTE 7 – Segmental Reporting

	Financial Year Ended 31st December 2017		
Business Segment	**Revenue RM'000**	**Loss Before Tax RM'000**	**Loss Attributable to Owners of the Company RM'000**
Drilling Services	569,572	(1,108,697)	(1,108,331)
Oilfield Services	16,879	(5,650)	(4,022)
Others	-	(18,800)	(19,821)
Consolidated Total	**586,451**	**(1,133,147)**	**(1,132,174)**

	Financial Year Ended 31st December 2016		
Business Segment	**Revenue RM'000**	**Profit / (Loss) Before Tax RM'000**	**Profit / (Loss) Attributable to Owners of the Company RM'000**
Drilling Services	303,547	(1,155,764)	(1,155,492)
Oilfield Services	17,419	(34,131)	(28,816)
Others	87	8,631	6,929
Consolidated Total	**321,053**	**(1,181,264)**	**(1,177,379)**

The decrease in total assets during the financial year ended 31st December 2017 was mainly due to asset impairment of RM982.1 million, depreciation of RM255.3 million and translation loss of approximately RM481.7 million from the weakening of United States Dollar upon translation of the Group's fixed assets denominated in USD to RM, the presentation currency of the Company.

Other than the above, there has been no material movement in total assets as compared to the last annual financial statements.

NOTE 8 – Subsequent Material Events

In the opinion of the Directors, there has been no material event or transaction during the period from 31st December 2017 to the date of this announcement, which affects substantially the results of the Group for the financial year ended 31st December 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 financial year ended 31st December 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	-	
Equipment, plant and machinery	2,981	
Others	7	2,988
Approved but not contracted for:		
Land and buildings	4,618	
Equipment, plant and machinery	58,230	
Others	1,359	64,207
Total		67,195

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.

The Company on 9 November 2017 made a full principal repayment of RM308 million and its related interest to 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 31st December 2017.

NOTE 14 – Review of Performance

Current Quarter Ended 31st December 2017

	Revenue		**Profit / (Loss) Before Tax**	
	4th Quarter ended 31/12/2017 RM'000	**4th Quarter ended 31/12/2016 RM'000**	**4th Quarter ended 31/12/2017 RM'000**	**4th Quarter ended 31/12/2016 RM'000**
Business Segment				
Drilling Services	188,091	50,975	(978,938)	(889,096)
Oilfield Services	3,664	2,649	(1,858)	(20,063)
Others	-	87	892	(6,647)
Total	**191,755**	**53,711**	**(979,904)**	**(915,806)**

Group

Group revenue of RM191.8 million for the fourth quarter ended 31st December 2017 improved significantly over the RM53.7 million registered in the same quarter of 2016 by RM138.1 million or 257.2%. Higher rigs utilisation as a result of higher levels of oil and gas activities and gradual recovery in oil prices gave rise to the substantial revenue improvement in the fourth quarter of 2017.

The Group posted a loss before tax of RM979.9 million in the fourth quarter of 2017 against the RM915.8 million loss recorded in the same quarter of 2016, an increase of RM64.1 million or 7.0% mainly due to additional asset impairment loss of RM982.1 million compared to RM780.3 million impaired in the same quarter of 2016.

Excluding impairment and a non-recurring expenses of RM16.3 million, the Group registered a core profit before tax of RM18.5 million in the current quarter as compared to a loss of RM135.5 million in the same quarter of 2016.

Drilling Services Segment

All seven jack-up rigs were income-generating where five of them contributed full-quarter revenue in the fourth quarter of 2017. The average asset utilisation rate was 95% as compared to 19% in the same period of 2016. As a result, the Drilling Services segment reported revenue of RM188.1 million or 98.1% of the total revenue of RM191.8 million, an increase of RM137.1 million or 268.8% over the RM51.0 million recorded in the same quarter of 2016.

The Drilling Services segment incurred a higher loss before tax of RM978.9 million in the fourth quarter of 2017 compared to the loss of RM889.1 million reported in the same quarter of 2016. Additional asset impairment losses of RM982.1 million compared to RM764.5 million in the same quarter of 2016, due to revision in basis and assumptions mainly contributed to the higher loss.

Oilfield Services Segment

The Oilfield Services segment contributed revenue of RM3.7 million or 1.9% of the total revenue of RM191.8 million in the fourth quarter of 2017, an increase of RM1.0 million or 37.0% over the RM2.7 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.

As a result, the Oilfield Services segment reported a significantly lower loss before tax of RM1.9 million in the fourth quarter of 2017 as compared to the loss of RM20.1 million recorded in the same quarter of 2016, an improvement of RM18.2 million. The 2016 loss include asset impairment of RM15.8 million.

Financial Year Ended 31st December 2017

	Revenue		**Profit / (Loss) Before Tax**	
	Financial Year ended 31/12/2017 RM'000	**Financial Year ended 31/12/2016 RM'000**	**Financial Year ended 31/12/2017 RM'000**	**Financial Year ended 31/12/2016 RM'000**
Business Segment				
Drilling Services	569,572	303,547	(1,108,697)	(1,155,764)
Oilfield Services	16,879	17,419	(5,650)	(34,131)
Others	-	87	(18,800)	8,631
Total	**586,451**	**321,053**	**(1,133,147)**	**(1,181,264)**

Group

For the financial year ended 31st December 2017, the Group recorded higher revenue of RM586.5 million compared to the RM321.1 million registered in the preceding year, an increase of RM265.4 million or 82.7%. The revenue improvement was attributable to higher rigs utilisation 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 and gas industry.

The Group posted a loss before tax of RM1,133.1 million for the financial year ended 31st December 2017 compared to the loss before tax of RM1,181.3 million recorded in the preceding year, an improvement of RM48.2 million or 4.1%. Asset impairment loss amounted to RM982.1 million compared to RM780.3 million in preceding year.

Without asset impairment and a non-recurring expenses of RM16.3 million, the core loss before tax for 2017 would have been RM134.7 million compared to RM401.0 million loss in 2016, an improvement of RM266.3 million or 66.4%.

Drilling Services Segment

All the Group's seven jack-up rigs were income generating during the financial year ended 31st December 2017. Average asset utilisation rate for the financial year ended 31st December 2017 improved to 70% from the 21% recorded during the preceding year. As a result, the Drilling Services segment contributed a revenue of RM569.6 million or 97.1% of the total revenue of RM586.5 million for the financial year ended 31st December 2017. This represented an increase of RM266.1 million or 87.7% over the RM303.5 million recorded in the preceding year.

The Drilling Services segment incurred a loss of RM1,108.7 million for the financial year ended 31st December 2017 compared to the RM1,155.8 million reported in the preceding year, an improvement of RM47.1 million or 4.1%. The additional asset impairment loss of RM982.1 million for financial year ending 31st December 2017 compared to RM764.5 million in the preceding year, an increase of RM217.6 million is offset by improved margin mainly due to lower operating costs resulting from continuing cost-cutting measures. This has contributed to the lower loss for the financial year ended 31st December 2017.

Without impairment and a non-recurring expenses of RM15.0 million, the Drilling Services segment recorded a core loss before tax of RM111.6 million for the financial year ended 2017 compared to the RM391.3 million loss reported in the preceding year, an improvement of RM279.7 million or 71.5%.

Oilfield Services Segment

The Oilfield Services segment contributed a revenue of RM16.9 million or 2.9% of the total revenue of RM586.5 million for the financial year ended 31st December 2017, a slight reduction of RM0.5 million or 2.9% over the RM17.4 million registered in the preceding year.

However, the Oilfield Services segment reported a significantly lower loss before tax of RM5.6 million for the financial year ended 31st December 2017 versus a loss of RM34.1 million recorded in the preceding year as a result of measures taken to cut losses and no impairment charge. Asset impairment loss for 2016 was RM15.8 million.

NOTE 15 – Comparison with Preceding Quarter's Results

	Revenue		**Profit / (Loss) Before Tax**	
	4th Quarter ended 31/12/2017 RM'000	**3rd Quarter ended 30/09/2017 RM'000**	**4th Quarter ended 31/12/2017 RM'000**	**3rd Quarter ended 30/09/2017 RM'000**
Business Segment				
Drilling Services	188,091	176,396	(978,938)	9,685
Oilfield Services	3,664	4,114	(1,858)	(1,718)
Others	-	-	892	(4,920)
Total	**191,755**	**180,510**	**(979,904)**	**3,047**

Group revenue of RM191.8 million for the fourth quarter of 2017 was slightly higher than the RM180.5 million achieved in the third quarter of 2017 by RM11.3 million or 6.3%, as a result of improvement in asset utilisation. All seven jack-up drilling rigs were operational in the fourth quarter of 2017 with an average asset utilisation rate of 95% compared to the 90% for the third quarter of 2017.

However, the Group posted a higher loss of RM979.9 million in the fourth quarter of 2017 compared to the RM3.0 million profits achieved in the third quarter of 2017 due mainly to asset impairment loss of RM982.1 million and a non-recurring expenses of RM16.3 million.

NOTE 16 – Current Prospect

Drilling Services Segment

With the benchmark Brent oil price currently hovering above USD60 per barrel after stabilizing above USD50 per barrel for most of 2017, more confidence is seen in the upstream sector, resulting in more activities especially in drilling. While the oil price is not expected to significantly rise further in the near term, a gradual recovery in the industry is expected, albeit at a slow pace.

At present, four of the Group's jack-up drilling rigs are working with one more expected to be mobilized in early second quarter. More rigs are expected to secure contracts from the second quarter onwards. While there is no guarantee for continuous full utilisation of the Group's drilling rigs, the utilisation rate is expected to stay at a relatively healthy level in the near future. Besides working on extension of existing contracts, the Group is also bidding and negotiating for new contracts to replace expiring ones. However, time charter rates remain challenging due to global oversupply of rigs.

Oilfield Services Segment

The oilfield services sector is showing signs of slow recovery. However, competition has intensified especially in our foreign operations with emergence of local new competitors in this low-value and low-entry-barrier business. This increases the pressure on prices, resulting in a challenging environment to sustain profitable business. As a result, the Group has disposed of the business in Turkmenistan and has ceased operation in Thailand to minimize further losses. However, the financial impact to the Group is immaterial as this segment's contribution to the Group is minimal.

Group

With a stronger financial footing after the completion of recapitalisation and refinancing exercises in 2017, the Group will be able to focus on securing more contracts and improving operational efficiency. The potential improvement in both utilization and operating cost are expected to contribute positively to the financial performance of the Group for the financial year 2018.

NOTE 17 – Statement on Revenue and Profit Forecast

This is not applicable to the Group.

NOTE 18 – Variance from Profit Forecast and Profit Guarantee

This is not applicable to the Group.

NOTE 19 – Taxation

	4th Quarter ended 31/12/2017 RM'000	**Financial Year ended 31/12/2017 RM'000**
Taxation for current period	1,066	1,329
Under / (Over) provision in prior periods	(79)	(79)
	987	1,250
Deferred taxation	4	10
Total	991	1,260

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 RM991,000 and RM1,260,000 are for the current quarter and the financial year ended 31st December 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 20th February 2018

Purpose	Proposed utilisation RM' million	Actual utilisation to date RM' million	Deviation RM' million	Deviation %	Explanation
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	100%		To be used as and when required
Defray expenses relating to Rights Issue	6.1	3.2	47.5%		Pending some invoices from vendor
Total	**1,816.1**	**1,503.2**			

NOTE 21 – Group Borrowings and Debt Securities

	RM'000	RM'000	USD'000
Short term borrowings			
- Secured			
Short term loans and revolving credits	415,317		99,331
Portion of long term loans payable within 12 months	44,174	459,491	10,875
		459,491	110,206
Long term borrowings			
- Secured			
Long term loans	1,482,630		365,000
Portion of long term loans payable within 12 months	(44,174)		(10,875)
Less: Transaction cost	(39,928)		
		1,398,528	
		1,398,528	354,125

Movements of Borrowings	Short Term Borrowings RM '000	Long Term Borrowings 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	1,227,617	2,563,732
Less : Exchange Difference	(49,283)	(208,036)
Add : Drawdown	62,418	-
Add/(Less) : Amount payable within 12 months	674,565	(674,565)
Less : Repayment	(1,500,000)	(198,501)
	415,317	1,482,630
Less : Transaction cost	-	(39,928)
Add/(Less) : Amount payable within 12 months	44,174	(44,174)
Closing Balance	459,491	1,398,528

As at the date of announcement, a total of RM1,500.0 million of the above bank borrowings was paid 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) 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");

b) 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 31st December 2017.

NOTE 24 – Earnings Per Share

Basic loss per share for the current quarter and the financial year ended 31st December 2017 are calculated by dividing the net loss attributable to equity holders of the Company of RM980,437,000 and RM1,132,174,000, respectively, by the weighted average number of ordinary shares in issue as at 31st December 2017 of 3,063,089,000 shares of RM0.50 each.

Diluted basic loss per share for the current quarter and the financial year ended 31st December 2017 are calculated by dividing the net loss attributable to equity holders of the Company of RM980,437,000 and RM1,132,174,000, respectively, by the adjusted weighted average number of ordinary shares in issue and issuable as at 31st December 2017 of 3,571,742,000 shares of RM0.50 each.

NOTE 25 – Realised and Unrealised Profits / (Losses)

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

	As at 31/12/2016 RM'000	**As at 31/12/2017 RM'000**
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(1,313,613)	(1,754,030)
- Unrealised	(17,318)	(10,351)
	(1,330,931)	(1,764,381)
Total share of retained profits from associated company:		
- Realised	2,468	2,057
- Unrealised	-	-
	(1,328,463)	(1,762,324)
Add : Consolidation adjustments	295,334	(402,979)
Total Group accumulated losses as per consolidated accounts	(1,033,129)	(2,165,303)

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

	4th Quarter ended 31/12/2017 RM'000	Financial Year ended 31/12/2017 RM'000
(a) Interest income	6,567	17,836
(b) Depreciation and amortisation	(64,231)	(255,312)
(c) Net (loss) / gain on disposal of property, plant and equipment	(14)	367
(d) Impairment of assets	(982,101)	(982,101)
(e) Net foreign exchange loss	(7,110)	(12,171)
(f) Net gain on derivatives	(28)	2,580
(g) Property, plant and equipment written off	3	(6)

By Order Of The Board

FINTON TUAN KIT MING
Secretary
(LS0008941)

Kuala Lumpur
27th February 2018