



**UMW**  
OIL & GAS

# RESILIENCE THROUGH STRATEGIC AGILITY



# STRATEGY FOR CONSOLIDATING OUR STRENGTHS

## OPERATIONS

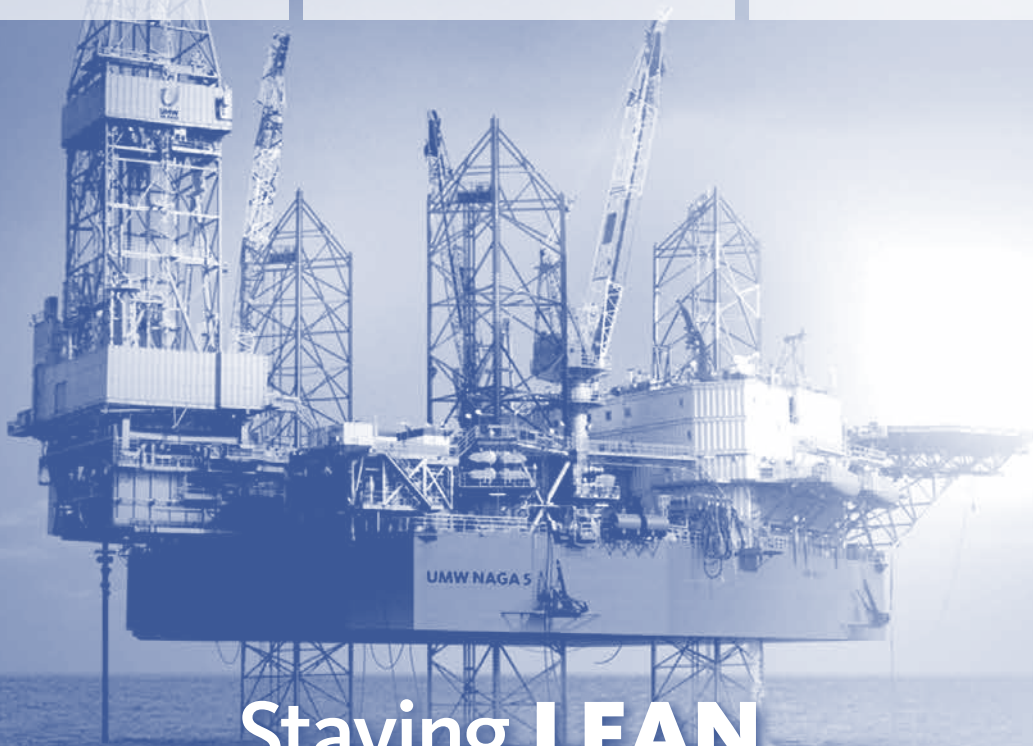
- Streamlining and reshaping processes and procedures to optimise and reduce operating costs
- Improving operational efficiency while maintaining high safety standards

## ASSETS

- Managing day rates to be market-competitive to maximise rig utilisation
- Maintaining the high operating efficiency rates of more than 95% of our rigs

## PEOPLE

- Training and development to upskill our employees to build a strong knowledge foundation
- Our drilling academy continues in providing high quality education and training, both locally and internationally



## Staying **LEAN** to Remain Resilient

### Resilience through Strategic Agility

UMW-OG is resolute in facing the current challenges. We are agile in adapting our strategy to the changing market dynamics, focusing on strengthening our internal capabilities, optimising costs, and maximising our asset utilisation to ensure our resilience. Our long-term strategic plan gives us the resilience and agility to go the distance in our journey towards becoming a leading player in the oil and gas industry.



# CONTENTS

## OUR CORPORATE OVERVIEW

- 2 Corporate Profile
- 2 Vision, Mission and Core Values
- 3 Our Assets
- 4 Corporate Structure
- 5 Corporate Information
- 6 5-Year Group Summary Results
- 6 Summary of Group Results
- 6 Financial Calendar
- 7 Statistics on Shareholdings

## OUR PERSPECTIVE

- 10 Chairman's Statement
- 14 President's Review of Operations

## OUR LEADERSHIP

- 18 Board of Directors
- 19 Profile of Board of Directors
- 24 Key Management

## 25 CALENDAR OF SIGNIFICANT EVENTS

## CORPORATE SUSTAINABILITY STATEMENT

- 26 Corporate Social Responsibility
- 28 Quality, Health, Safety & Environment
- 30 Human Capital and People Development

## ACCOUNTABILITY

- 32 Statement on Corporate Governance
- 48 Statement on Risk Management & Internal Control
- 53 Board Audit Committee Report
- 56 Additional Compliance Information

## 57 FINANCIAL STATEMENTS

## ADDITIONAL INFORMATION

- 144 List of Properties

## NOTICE AND FORM

- 145 Notice of Annual General Meeting

## PROXY FORM



# BEYOND BOUNDARIES

**UMW OIL & GAS CORPORATION BERHAD** (“UMW-OG” or “the Company”) is a Malaysia-based multinational provider of drilling and oilfield services for the upstream sector of the oil and gas industry. We provide drilling and workover services for exploration, development and production wells in Malaysia and Southeast Asia with our fleet of offshore drilling rigs and hydraulic workover units. Our Oilfield Services business offers 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.

UMW Holdings Berhad (“UMWH”), our parent company and single largest shareholder, is a leading industrial conglomerate in Malaysia, with diverse and global businesses in the automotive, equipment, manufacturing and engineering, and oil and gas industries.

To be a leading player in the oil and gas industry, operating both domestically and globally supported by proven track records, true spirit, quality services and healthy growth potential.

Developing a Malaysian-owned company that provides quality services to the oil and gas industry and maintaining standards by matching – if not surpassing – other international companies providing similar global services.

## VISION

## MISSION

## CORE VALUES

Going *Beyond Boundaries*® is not only about crossing geographical or physical borders. It is about redefining the boundaries of our minds and doing new things in a better way. In short, it is about eliminating all barriers and scaling new heights.

UMW-OG is built on the foundation of four core beliefs in being:

### HONOURABLE

Our continual efforts in building trusted relationships and behaving with the utmost integrity, resulting in quality products and services that stand the test of time.

### VIBRANT

Our energetic and open-minded approach to new ideas that inspire fresh solutions for our partners and businesses.

### UNSHAKEABLE

Our commitment to our customers, partners, employees as well as the community at large, and to persevere and strive for excellence in all our undertakings.

### PIONEERING

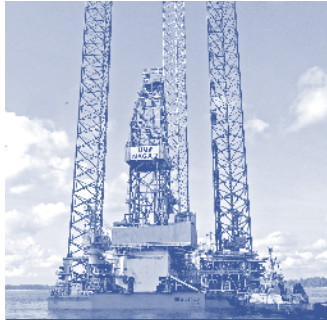
We lead the way with bold ideas that shape the future of our industries.

# OUR ASSETS

## OFFSHORE DRILLING RIGS



NAGA 1



UMW NAGA 2



UMW NAGA 3



UMW NAGA 4



UMW NAGA 5



UMW NAGA 6



UMW NAGA 7



UMW NAGA 8

## HYDRAULIC WORKOVER UNITS



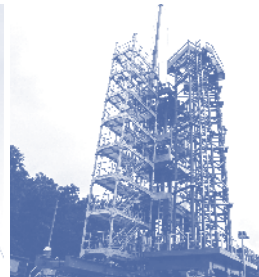
UMW GAIT 1



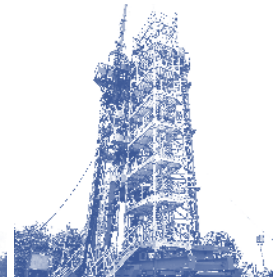
UMW GAIT 2



UMW GAIT 3



UMW GAIT 5

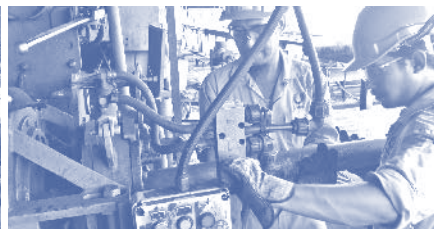


UMW GAIT 6

## OILFIELD SERVICES OPERATIONS



MALAYSIA - Labuan West plant



MALAYSIA - Labuan East plant



THAILAND - Sattahip plant



THAILAND - Songkhla plant



CHINA - Tianjin plant



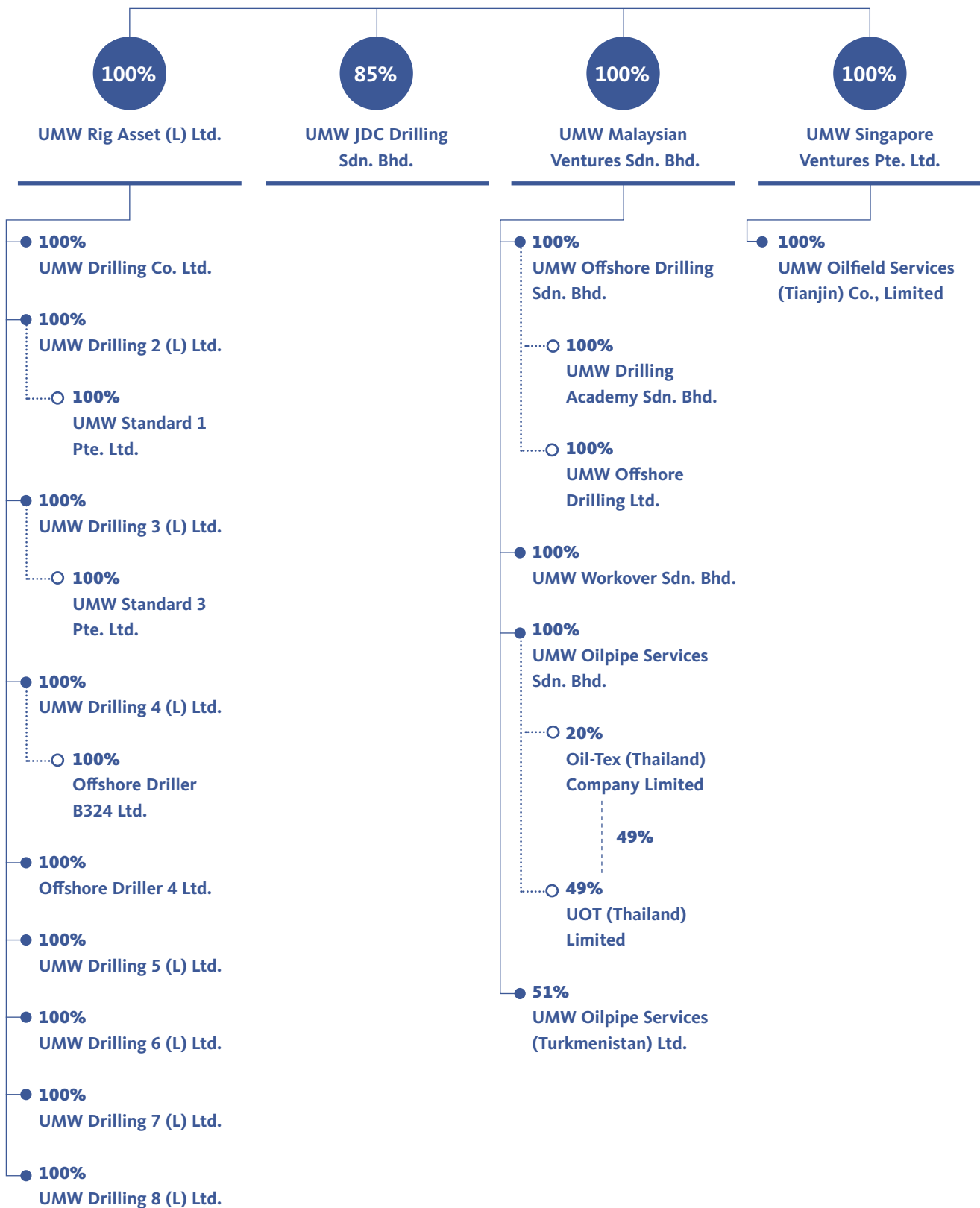
TURKMENISTAN - Turkmenbashi plant



# CORPORATE STRUCTURE



## UMW OIL & GAS CORPORATION BERHAD



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Tan Sri Asmat bin Kamaludin**  
(Chairman)

Non-Independent  
Non-Executive Director

*Date of appointment : 2 May 2013*

**Rohaizad bin Darus**

President  
Non-Independent  
Executive Director

*Date of appointment : 31 January 2012*

**Badrul Feisal bin Abdul Rahim**

Non-Independent  
Non-Executive Director

*Date of appointment : 1 October 2015*

**Datuk Syed Hisham bin Syed Wazir**

Non-Independent  
Non-Executive Director

*Date of appointment : 1 October 2010*

*Date of resignation : 30 September 2015*

**Dr. Leong Chik Weng**

Non-Independent  
Non-Executive Director

*Date of appointment : 21 April 2011*

**Razalee bin Amin**

Independent  
Non-Executive Director

*Date of appointment : 2 May 2013*

**Dato' Affuddin bin Abdul Kadir**

Independent  
Non-Executive Director

*Date of appointment : 2 May 2013*

**Cheah Tek Kuang**

Independent  
Non-Executive Director

*Date of appointment : 2 May 2013*

**Dato' Ibrahim bin Marsidi**

Independent  
Non-Executive Director

*Date of appointment : 2 May 2013*

**Fina Norhizah binti Hj Baharu Zaman**

Independent  
Non-Executive Director

*Date of appointment : 15 August 2013*

## BOARD AUDIT COMMITTEE

- **Razalee bin Amin**  
(Chairman)
- **Badrul Feisal bin Abdul Rahim**
- **Cheah Tek Kuang**
- **Dato' Ibrahim bin Marsidi**

## BOARD NOMINATION COMMITTEE

- **Dato' Affuddin bin Abdul Kadir**  
(Chairman)
- **Dr. Leong Chik Weng**
- **Razalee bin Amin**
- **Fina Norhizah binti Hj Baharu Zaman**

## BOARD REMUNERATION COMMITTEE

- **Dr. Leong Chik Weng**  
(Chairman)
- **Dato' Affuddin bin Abdul Kadir**
- **Cheah Tek Kuang**
- **Dato' Ibrahim bin Marsidi**

## BOARD INVESTMENT & RISK MANAGEMENT COMMITTEE

- **Dr. Leong Chik Weng**  
(Chairman)
- **Badrul Feisal bin Abdul Rahim**
- **Cheah Tek Kuang**
- **Dato' Ibrahim bin Marsidi**
- **Fina Norhizah binti Hj Baharu Zaman**
- **Rohaizad bin Darus**

## BOARD WHISTLE-BLOWING COMMITTEE

- **Fina Norhizah binti Hj Baharu Zaman**  
(Chairman)
- **Badrul Feisal bin Abdul Rahim**
- **Razalee bin Amin**
- **Dato' Affuddin bin Abdul Kadir**

## COMPANY SECRETARY

**Lee Mi Ryoung**  
(MAICSA 7058423)

## REGISTERED OFFICE

Level 18, Block 3A  
Plaza Sentral  
Jalan Stesen Sentral 5  
50470 Kuala Lumpur  
Malaysia  
Telephone : +603-2096 8788  
Facsimile : +603-2274 7787

## REGISTRAR

**Securities Services (Holdings) Sdn. Bhd. (36869-T)**

Level 7, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
Damansara Heights  
50490 Kuala Lumpur  
Malaysia  
Telephone : +603-2084 9000  
Facsimile : +603-2094 9940

## AUDITORS

**Ernst & Young (AF: 0039)**

Level 23A, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur  
Malaysia  
Telephone : +603-7495 8000  
Facsimile : +603-2095 5332

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia  
Securities Berhad  
Stock Name : UMWOG  
Stock Code : 5243

## PRINCIPAL BANKERS

- Affin Bank Berhad
- AmBank (M) Berhad
- Asian Finance Bank Berhad
- BNP Paribas Malaysia Berhad
- CIMB Bank Berhad
- HSBC Amanah Malaysia Berhad
- Malayan Banking Berhad Group
- Sumitomo Mitsui Banking Corporation Malaysia Berhad

## WEBSITE

<http://www.umw-oilgas.com>

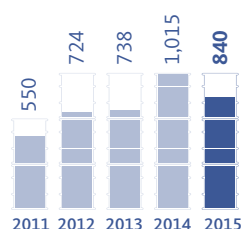
## E-MAIL ADDRESS

[info@umw-oilgas.com](mailto:info@umw-oilgas.com)

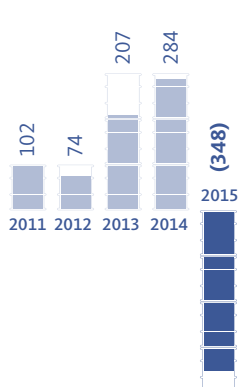
# 5-YEAR GROUP SUMMARY RESULTS

Financial Year Ended 31 December		2011	2012	2013	2014	2015
Revenue	RM million	550	724	738	1,015	<b>840</b>
Profit/(Loss) Before Taxation	RM million	102	74	207	284	<b>(348)</b>
Profit/(Loss) Attributable to Equity Holders of the Company	RM million	78	73	189	252	<b>(369)</b>
Shareholders' Funds	RM million	168	244	2,833	3,200	<b>3,333</b>
Return on Shareholders' Funds	%	73	35	12	8	<b>(11)</b>
Return on Total Assets	%	6	4	5	5	<b>(5)</b>
Basic Earnings/(Loss) Per Share	sen	5.1	4.7	11.5	11.7	<b>(17.1)</b>
Share Price at Year End	RM	N/A	N/A	4.01	2.35	<b>1.07</b>
Market Capitalisation at Year End	RM million	N/A	N/A	8,670	5,081	<b>2,313</b>

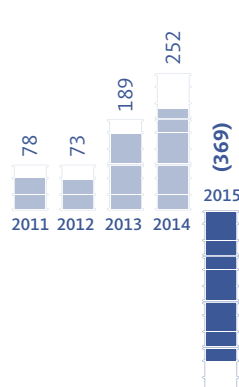
**Revenue**  
(RM million)



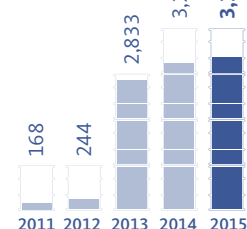
**Profit/(Loss) before Taxation**  
(RM million)



**Profit/(Loss) Attributable to Equity Holders of the Company**  
(RM million)



**Shareholders' Funds**  
(RM million)



## SUMMARY OF GROUP RESULTS

Financial Year Ended 31 December		2015	2014
Revenue	RM million	<b>840</b>	1,015
Profit/(Loss) Before Taxation	RM million	<b>(348)</b>	284
Profit/(Loss) After Taxation	RM million	<b>(368)</b>	254
Share Capital	RM million	<b>1,081</b>	1,081
Reserves	RM million	<b>2,252</b>	2,119
Basic Earnings/(Loss) Per Share	sen	<b>(17.1)</b>	11.7
Net Assets Per Share	RM	<b>1.5</b>	1.5

## FINANCIAL CALENDAR

Announcements of Unaudited Consolidated Results:

- 23 February 2015** - for the financial year ended 31 December 2014
- 14 May 2015** - for the quarter ended 31 March 2015
- 25 August 2015** - for the quarter ended 30 June 2015
- 24 November 2015** - for the quarter ended 30 September 2015
- 23 February 2016** - for the financial year ended 31 December 2015

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**25 April 2016** - Notice of 6<sup>th</sup> Annual General Meeting and Issuance of Annual Report 2015

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**17 May 2016** - 6<sup>th</sup> Annual General Meeting



# STATISTICS ON SHAREHOLDINGS

AS AT 31 MARCH 2016

Authorised Share Capital	:	RM2,500,000,000 (comprising 5,000,000,000 ordinary shares of RM0.50 each)
Issued and Paid-up Share Capital	:	RM1,081,000,000 (comprising 2,162,000,000 ordinary shares of RM0.50 each)
Class of Shares	:	Ordinary shares of RM0.50 each
Voting Rights	:	One vote per one ordinary share

## ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders		Total No. of Shareholders		No. of Issued Shares		Total No. of Issued Shares	
	Malaysian	Foreigner	No.	%	Malaysian	Foreigner	No.	%
Less than 100	82	3	85	0.42	1,132	8	1,140	0.00
100 - 1,000	3,038	39	3,077	14.99	2,381,705	27,700	2,409,405	0.11
1,001 - 10,000	12,641	113	12,754	62.13	58,536,188	537,419	59,073,607	2.73
10,001 - 100,000	4,086	91	4,177	20.35	121,380,800	3,248,797	124,629,597	5.77
100,001 to less than 5% of issued shares	367	64	431	2.10	416,705,034	45,743,217	462,448,251	21.39
5% and above of issued shares	3	0	3	0.01	1,513,438,000	0	1,513,438,000	70.00
<b>TOTAL</b>	<b>20,217</b>	<b>310</b>	<b>20,527</b>	<b>100.00</b>	<b>2,112,442,859</b>	<b>49,557,141</b>	<b>2,162,000,000</b>	<b>100.00</b>

## CATEGORY OF SHAREHOLDERS

Category	No. of Shareholders		No. of Issued Shares		% of Issued Shares	
	Malaysian	Foreigner	Malaysian	Foreigner	Malaysian	Foreigner
1 Individual	16,253	133	187,832,037	2,200,802	8.69	0.10
2 Body Corporate						
A) Banks / Finance Companies	53	0	444,811,700	0	20.57	0.00
B) Investment Trusts / Foundations / Charities	4	0	144,500	0	0.01	0.00
C) Industrial and Commercial Companies	165	1	1,217,280,800	3,100	56.30	0.00
3 Government Agencies / Institutions	2	0	15,086,800	0	0.70	0.00
4 Nominees	3,738	176	247,284,918	47,353,239	11.44	2.19
5 Others	2	0	2,104	0	0.00	0.00
<b>TOTAL</b>	<b>20,217</b>	<b>310</b>	<b>2,112,442,859</b>	<b>49,557,141</b>	<b>97.71</b>	<b>2.29</b>

## 30 LARGEST SHAREHOLDERS

(Without aggregating securities from different securities accounts belonging to the same person)

No.	Shareholders	No. of Shares	%
1	UMW Holdings Berhad	1,204,777,400	55.73
2	Amanahraya Trustees Berhad Amanah Saham Bumiputera	175,000,000	8.09
3	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board	133,660,600	6.18
4	Kumpulan Wang Persaraan (Diperbadankan)	62,053,300	2.87
5	Lembaga Tabung Haji	59,796,700	2.77

## STATISTICS ON SHAREHOLDINGS

AS AT 31 MARCH 2016

## 30 LARGEST SHAREHOLDERS (CONT'D.)

(Without aggregating securities from different securities accounts belonging to the same person)

No.	Shareholders	No. of Shares	%
6	Amanahraya Trustees Berhad Amanah Saham Wawasan 2020	30,112,700	1.39
7	Amanahraya Trustees Berhad Amanah Saham Malaysia	26,000,000	1.20
8	Amanahraya Trustees Berhad Public Islamic Dividend Fund	17,336,000	0.80
9	Lembaga Tabung Angkatan Tentera	14,952,300	0.69
10	CIMB Group Nominees (Tempatan) Sdn. Bhd. CIMB Bank Berhad (EDP 2)	13,096,000	0.61
11	Permodalan Nasional Berhad	12,854,544	0.59
12	Amanahraya Trustees Berhad Amanah Saham Didik	11,913,800	0.55
13	Amanahraya Trustees Berhad Public Islamic Equity Fund	11,511,500	0.53
14	HSBC Nominees (Asing) Sdn. Bhd. Exempt AN For JPMorgan Chase Bank, National Association (U.S.A.)	7,008,200	0.32
15	Amanahraya Trustees Berhad Amanah Saham Nasional	6,355,700	0.29
16	Citigroup Nominees (Tempatan) Sdn. Bhd. Kumpulan Wang Persaraan (Diperbadankan) (I-VCAP)	6,338,200	0.29
17	Rahmah binti Abdul Rahim	5,628,100	0.26
18	Amanahraya Trustees Berhad Amanah Saham Nasional 2	5,549,456	0.26
19	Amanahraya Trustees Berhad Amanah Saham Bumiputera 2	4,500,000	0.21
20	Amanahraya Trustees Berhad Amanah Saham Gemilang For Amanah Saham Kesihatan	3,708,100	0.17
21	Assets Nominees (Asing) Sdn. Bhd. Guoline Capital Limited	3,670,000	0.17
22	HLIB Nominees (Asing) Sdn. Bhd. Hong Leong Fund Management Sdn. Bhd. For Asia Fountain Investment Company Limited	3,400,000	0.16
23	PM Nominees (Tempatan) Sdn. Bhd. For Bank Kerjasama Rakyat Malaysia Berhad	3,043,700	0.14
24	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad For Eastspring Investments Growth Fund	2,587,000	0.12
25	Pertubuhan Keselamatan Sosial Bahagian Pelaburan	2,525,000	0.12
26	Hong Leong Assurance Berhad As Beneficial Owner (LIFE PAR)	2,500,000	0.12

## STATISTICS ON SHAREHOLDINGS

AS AT 31 MARCH 2016

### 30 LARGEST SHAREHOLDERS (CONT'D.)

(Without aggregating securities from different securities accounts belonging to the same person)

No.	Shareholders	No. of Shares	%
27	HSBC Nominees (Asing) Sdn. Bhd. BBH And Co Boston For Vanguard Emerging Markets Stock Index Fund	2,334,400	0.11
28	Cartaban Nominees (Asing) Sdn. Bhd. Exempt AN For State Street Bank & Trust Company (West CLT OD67)	2,321,900	0.11
29	Abdul Rashid Hussain	2,220,000	0.10
30	Amanahraya Trustees Berhad Public Islamic Optimal Growth Fund	2,209,400	0.10

### SUBSTANTIAL SHAREHOLDERS

As per the register of substantial shareholders

Substantial Shareholders	No. of Shares	%
UMW Holdings Berhad	1,204,777,400	55.73
Amanahraya Trustees Berhad Skim Amanah Saham Bumiputera	175,000,000	8.09
Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board	134,112,500	6.20

### DIRECTORS' INTEREST IN THE COMPANY

As at 31 March 2016, the shareholdings of the Directors (both direct and indirect) in the Company are shown below:

No.	Directors	Direct Interest		Deemed Interest	
		No. of Issued Shares	% of Issued Shares	No. of Issued Shares	% of Issued Shares
1	Tan Sri Asmat bin Kamaludin	0	0.00	0	0.00
2	Rohaizad bin Darus	1,000,000	0.05	0	0.00
3	Badrul Feisal bin Abdul Rahim	0	0.00	0	0.00
4	Dr. Leong Chik Weng	0	0.00	0	0.00
5	Razalee bin Amin	203,000	0.01	0	0.00
6	Dato' Afifuddin bin Abdul Kadir	275,000	0.01	0	0.00
7	Cheah Tek Kuang	120,000	0.01	6,000	0.00*
8	Dato' Ibrahim bin Marsidi	30,000	0.00*	0	0.00
9	Fina Norhizah binti Hj Baharu Zaman	20,000	0.00*	0	0.00
<b>TOTAL</b>		<b>1,648,000</b>	<b>0.08</b>	<b>6,000</b>	<b>0.00*</b>

Note : \* Less than 0.01%

The above information was extracted from the Record of Depositors on 31 March 2016.



# CHAIRMAN'S STATEMENT

## Dear Shareholders,

UMW-OG experienced a difficult year in 2015 following the fall of oil prices to their lowest level since 2009. In addressing the challenges arising from this, the management team, the Board of Directors and all our staff have gone the extra mile to stay focused on steering the Company to sail through this difficult time and to minimise the negative effects on our business. While we managed to keep the Company in the right direction, the external global challenges are well beyond our control, causing the Company to suffer losses in the 2015 financial year.

The low oil price has caused most oil and gas exploration and production companies to reduce their level of activities including drilling and drilling-related activities. This affected our Company significantly, as our business is focused on these customers and their activities. A reduction in the availability of drilling contracts led to lower utilisation of our drilling and workover rigs, resulting in unpaid idle time. This is further compounded by the lower daily charter rates due to fierce competition which further affected our profitability.

The Company ended the financial year slipping into the red, aggravated by a RM347.7 million in impairment charges on some of its oil and gas assets and goodwill, recording a revenue and a maiden net loss of RM839.9 million and RM368.4 million respectively.

While the present environment is less than encouraging, with the sound financial position of the Company, backed by healthy reserves and an experienced management team, the Company should be able to weather the present downturn.

**ASMAT BIN KAMALUDIN**  
Chairman



## CHAIRMAN'S STATEMENT

### OPERATING IN THE 'NEW NORMAL' – A LOWER OIL PRICE ENVIRONMENT

The oil and gas industry had undergone a major change. The market witnessed an unprecedented plunge in Brent crude oil price of about 70% in a timespan of 18 months from its glorious high of above US\$110 per barrel back in June 2014 to its lowest at about US\$35.9 in December 2015. The oil price continued its dip to a low of US\$27.1 per barrel in January 2016 but has since recovered slightly to above US\$30.

The current low oil price landscape reflects a supply glut, primarily due to the shale oil production revolution, amid the slowing demand of growing and emerging economies after several years of high growth. The Organisation of the Petroleum Exporting Countries ("OPEC")'s refusal to curb production further aggravated the situation.

National Oil Companies ("NOCs"), International Oil Companies ("IOCs"), drilling companies and others within the oil and gas value chain had significantly adjusted their capital spending in reaction to the severe decline in oil prices. The drilling market space has been deeply affected, in particular the jack-up market, with dozens of newbuilds in the pipeline and precious few contracts available. Day rates are under tremendous pressure, squeezing margins and profitability.

The Company's progression in 2015 was in two halves; with an encouraging start in the first half of the year, but ending the year with a less than desired operating environment for the Company due to a deteriorating global oil and gas market. As the industry faced an intense decline in drilling activities, our Company's business continues to be affected. While there are a few bright sparks indicating light at the end of the tunnel, the volatility is still present in the global market. This requires assertive and effective actions to address key elements of business to ensure that our Company is able to withstand prolonged business uncertainties.

UMW-OG's response to the low oil price regime was to build on initiatives taken earlier in 2013 and 2014 to optimise and reduce operating costs and improve efficiency. The Company has taken structured measures to streamline and reshape its processes and procedures with emphasis on improving rig utilisation, managing declining day rates, improving operational cost and efficiency and practising higher safety standards, while maintaining the morale and commitment of our valued employees. The Board is confident that UMW-OG is well-positioned to meet the challenges of the coming years.

In 2013, the Company established a 15-year blueprint strategy with clear goals that it had progressively delivered and continues to deliver to this day. A major key strategy was delivering shareholder value through responsible and sustainable growth which was achieved by simultaneously increasing assets while expanding geographical coverage and increasing the number of new clients.

The growth of the Company's assets was always on the back of expansion into new countries including Vietnam, Thailand, Myanmar and Philippines, with additional clients including PetroVietnam Drilling, Japan Vietnam Petroleum Company, PTTEP Thailand, Nido Petroleum and Korea National Oil Corporation to widen the market base.

All of the Company's new assets went directly to work after delivery from the shipyard, with the exception of UMW NAGA 7. Even for this rig, which the Company took delivery in January 2015, a contract was secured with PETRONAS in late 2015 despite deteriorating global markets. In August 2015, the Company took delivery of the last pre-ordered drilling rig, UMW NAGA 8, which started working with SapuraKencana Energy in offshore Sabah immediately after delivery from the shipyard.

### COST OPTIMISATION PLANS

In the face of a challenging oil price environment, the Company continues to work hard to maintain a reasonable balance sheet, operational efficiency and positioning itself for price recovery as it embraces the low oil price environment as a time of opportunity, when it comes to its operations. UMW-OG is concentrating on those elements of its business that can be controlled to preserve margins; including capital efficiency, cost optimisation, service cost reductions, operational reliability and efficiency and aligning organisational capacity with lower activity levels.

The safeguarding of profitability and operational efficiency for the long-term remains the primary strategic objective. In addition to achieving a comprehensive reduction in costs, and practising a cautious investment policy in the future, the Company is consistently looking for ways to improve in its core business areas to the new market situation.

### ALIGNING LONG-TERM STRATEGY

While the new normal requires a review of our 15-year strategy, most long-term initiatives other than asset acquisitions, will continue to be implemented, albeit at a revised timeframe. As the Company aspires to expand geographically, the robustness and consistency in the approach to talent management capabilities, human capital policies, leadership development, safety and corporate social responsibilities are correspondingly important.

#### Building a Capabilities-Driven Company: People Development

The Company continued its programme of developing the strength and depth of the leadership and management teams during the year as well as improving communications internally. Current initiatives include a continuing commitment to training and development programmes focusing on the Company's most promising employees. Communications have continued to

## CHAIRMAN'S STATEMENT

improve, with a high level of employee engagement via town hall sessions, the intranet, online newsletters and through cooperation within departments and subsidiaries.

One of the Company's initiatives, the RM20 million drilling academy located in Batu Rakit, Terengganu which was established in collaboration with PETRONAS, was accredited by the International Association of Drilling Contractors ("IADC") in July 2015, enabling it to conduct courses and certifications sanctioned by IADC which is accepted worldwide. The objective of UMW-INSTEP Drilling Academy is to address the shortage of skilled Malaysian drillers and drilling personnel, as the majority of local positions are currently filled by expatriates, to fill the competency gap between local and international drillers, and to support UMW-OG and PETRONAS human capital and workforce development needs. Trainees can expect a programme curriculum that is holistic, practical-based and aligned to the latest industry standards and practices.

### **Focus on Safety: Nobody Gets Hurt, No Damage to the Environment**

The highest priority in the oil and gas industry is to make sure that nothing goes wrong and no one gets hurt. Reducing the number of dangerous occurrences and injuries and reducing the risk of those from occurring remains a key focus of the Company's absolute commitment to continually improving process and behavioural safety standards. Efforts into improving its safety performance are further enhanced with emphasis on effective communication and leadership commitment. The effectiveness of various safety programmes and initiatives are continuously monitored and the identified weaknesses are tracked and rectified.

UMW-OG remains committed to the goal of zero incidents and achieving world-class performance in all measures of safety. I am pleased to report that the safety performance of UMW-OG has further improved with Total Recordable Case Frequency ("TRCF") reducing to 0.13

from 0.20 in 2014. All our operations were completed without a single Loss Time Incident ("LTI").

We will remain ever vigilant to ensure that all of our people get home to their family safely at the end of their work.

### **Promoting Business Accountability: Corporate Social Responsibility ("CSR")**

Caring for society at large and the environment is a deeply rooted core value of the Company. It has made concentrated efforts in the areas of Education, Safety and Environment. This is reflected in its policies and strategies, its conduct with employees, clients and other stakeholders, as well as in its commitment to operating in a responsible and sustainable manner that positively impacts our stakeholders in the workplace, community and marketplace, while safeguarding our environment.

Our CSR activities are also focused in supporting the Government in promoting social and national development agenda.

**Education:** Initiatives are geared towards creating awareness among students from low-income households on the power of academic excellence to break out of the poverty cycle. The Company is in its second year of involvement with the PINTAR education programme. Activities held ranges from English language tuition programmes at UMW-OG's adopted rural schools to SPM pep talk to life skills sharing sessions with top management.

**Safety:** Advocating and promoting a safe-culture as a lifestyle by organising various safety-themed initiatives in UMW-OG's adopted rural schools is another initiative with the objective to instil a safety culture within the hearts of the young. UMW-OG launched the inaugural Road Safety Awareness programme in collaboration with Perbadanan Putrajaya, aimed at fostering road safety awareness amongst students of UMW-OG's two adopted rural schools.

**Environment:** Commitment in promoting environmental awareness, education and conservation is close to our hearts. With an aim to contribute to the environment and enhance the quality of life for the community and our future generations, the Company undertakes corporate initiatives and conducts strategic environmental activities. These include mangrove rehabilitation activities and ecological water cleaning exercise using mudballs on selected lakes, with emphasis on protecting and preserving the environment, promoting green awareness and various environmental issues.

We strive to minimise the environmental impact of our operations by complying with all applicable environmental laws and pursuing green initiatives.

**Community:** An ongoing pledge towards caring for the society, UMW-OG lent their assistance to one of the schools badly affected by the flood disaster in Kelantan in late 2014. Our caring employees, together with the President himself, drove our flood relief efforts to ensure the school would operate normally post-flood. In addition, we also participated in a PETRONAS-led programme to assist and educate fishermen at various fishing villages in the country.

## FINANCIAL PERFORMANCE

For the financial year ended 31 December 2015 ("FY2015"), UMW-OG registered a revenue of RM839.9 million, lower by 17.2% recorded in the preceding year.

Overseas operations contributed approximately 50.1% of UMW-OG's revenue in FY2015.

FY2015 saw UMW-OG's loss before tax of RM348.4 million as opposed to the profit before tax of RM284.2 million achieved in 2014. Both the Drilling Services and Oilfield Services divisions posted losses at the back of the low oil price environment. Asset value write-down and goodwill written off totalling RM347.7 million and a one-off five-yearly asset write off,



## CHAIRMAN'S STATEMENT

primarily resulted in the 2015 financial performance.

### Drilling Services Division

The Drilling Services division contributed a revenue of RM802.4 million or 95.5% of the total revenue of RM839.9 million for FY2015, a reduction of RM166.2 million or 17.2% over the RM968.6 million recorded in 2014.

The reduction in revenue was mainly due to the reduced day rates as well as the soft demand for jack-up drilling rigs. This was however, mitigated by the additional revenue contributions from our three new assets – UMW NAGA 6, UMW NAGA 8 and UMW NAGA 7, which commenced operations in October 2014, September 2015 and November 2015, respectively. In addition, the translation gains from the appreciation of United States Dollar against Ringgit Malaysia reduced the revenue shortfall.

Lower day rates translated to pressure on margins. Coupled with lower rig utilisation, asset and goodwill impairment losses of RM341.5 million as well as asset write-off arising from the five-yearly special periodical survey of RM12.6 million, the Drilling Services division incurred a loss of RM385.3 million for FY2015, in contrast with the profit before tax of RM272.8 million achieved in the previous year.

### Oilfield Services Division

The Oilfield Services division contributed a revenue of RM37.4 million or 4.5% of the total revenue of RM839.9 million, a reduction of RM8.9 million or 19.2% over the RM46.3 million recorded in 2014. Low demand for OCTG threading and repair services recorded by the Group's operations in Labuan, Thailand and China, mainly contributed to the revenue decrease.

In line with lower revenue, the Oilfield Services division reported a loss before tax of RM5.0 million for FY2015. This represented a reduction of RM13.8 million over the RM8.8 million profits recorded in 2014. Lower profit contributions from

the operations in Labuan, Thailand and China as well as goodwill impairment amounting to RM6.2 million, accounted for the reduction.

### DIVIDENDS

Due to the current challenging state of the industry, the Board has recommended no final dividend for the FY2015 (FY2014-1.0 sen).

### OUTLOOK AND PROSPECTS

Despite OPEC failing to agree in 2015 on cutting oil production, recently two of the biggest producers, Saudi Arabia and Russia have agreed to freeze their productions at current level. This initiative is supported by at least three other major producers namely Venezuela, Qatar and Oman. While the volatility still remain in the oil and gas market, this decision by major producers is a step in the right direction to improve the price of oil, which will eventually initiate industry recovery.

In the near future, the drilling rig market will still experience lower demand from oil and gas operators since the crude oil price is still low and drilling activities have yet to increase. Competition for new contracts will be challenging, as more rigs are competing for fewer available contracts, resulting in more pressure on day rates.

In view of the challenging industry outlook, we plan to remain prudent and to manage our resources optimally. The significant cost cuts announced by oil and gas companies may have an impact on negotiations for securing new contracts, both in terms of timing of awards and reductions in work scope, as well as reductions in day rates. In addition, the changed market scenario will inevitably affect the approach of the clients towards negotiating commercial and economic issues related to ongoing drilling programmes.

As UMW-OG's activities are directly related to the activities in the oil and gas industry, which in turn is driven by the price of oil, the current low price and the volatility in the near future will pose challenges to UMW-OG in 2016. However, any recovery in the oil price will positively affect and improve UMW-OG's performance.

### ACKNOWLEDGEMENT

UMW-OG is going through a difficult period, but I believe we will be able to ride through the current challenges and emerge stronger, thanks to your trust and to the significant measures that the Company is taking. To all our employees, thank you for your continued commitment and support to the Company. Your dedication enabled the Company to realise many achievements in 2015 and to position it for the future.

Warm appreciation goes to my Board colleagues for their continued commitment and guidance. The Board is grateful for the support of our shareholders and we thank you for your confidence in the entire organisation and in the leadership team to be responsible stewards of your investment in the Company.

Moving forward in this dynamic business environment, the Company remains steadfast in its commitment to create long-term sustainable growth and shareholder value. The cyclical nature of the oil and gas industry will not prevent UMW-OG from striving to be the employer, operator, business partner and investment of choice among drilling players, regionally. With sound fundamentals, the Board is assured that UMW-OG has both the agility and tenacity to move forward in the new normal.

Resiliently, UMW-OG will prevail.

**ASMAT BIN KAMALUDIN**  
Chairman

# PRESIDENT'S REVIEW OF OPERATIONS

## Dear Shareholders,

It was an exceptionally challenging period for the oil and gas industry by any measure, and for UMW-OG and its shareholders. The continuous fall of 68.9% in the price of Brent, from a high of US\$ 115.7 per barrel in June 2014 to a low of US\$ 35.9 per barrel in 2015, had a dramatic impact on our revenue and profitability.

Oil prices have been undermined by the mismatch between growing supply and slowing demand growth. This has been exacerbated by the OPEC's decision not to reduce production despite the falling oil price, removing one of historically standard mitigation measures to stabilise and balance the cyclical nature of oil price. The resulting price rout, with correspondingly lower capital expenditure and exploration and development activities, impacted the level of available contracts for all industry service providers, including our Company.

The drilling rig market is facing lower demand from oil producers. We have seen lower levels of enquiries, bids, surveys for new contracts whilst existing contracts are either terminated or extensions are no longer exercised. There are more rigs bidding for the same contracts now, putting downward pressure on day rates. Current day rates have dipped as much as 30%-40% for new contracts, whilst day rates are being renegotiated for existing contracts. During this current uncertain and volatile environment of lower rig utilisation level coupled with lower day rates, impairment charges were inevitable in 2015. However, in the long-run, I believe our assets will generate substantially more economic benefits for our shareholders than current valuation levels imply.

**ROHAIZAD BIN DARUS**  
President



## PRESIDENT'S REVIEW OF OPERATIONS

Given the unfavourable industry environment and the serious challenges that we faced as a company in 2015, it's easy to lose sight of the significant strides that we made. The reality is UMW-OG is a more resilient company than it was 12 months ago; a company well-positioned to withstand a weaker oil price environment and one that will thrive when prices rebound, as they inevitably will.

This is the result of a transition that began nearly two years ago, long before the price of oil began its steep decline. Our Company expanded regionally to widen geographical coverage and customer base for our fleet of drilling rigs, while strengthening our market leadership in Malaysia.

We took delivery of UMW NAGA 7 and UMW NAGA 8 in January and August 2015, respectively. These two premium jack-up drilling rigs were ordered in early 2014, before the steep fall in oil price. Despite the present tight market, both rigs are presently under contracts and working offshore Malaysia for PETRONAS Carigali and SapuraKencana Energy, respectively.

### OPERATIONAL HIGHLIGHTS

We made measurable headway on a number of our strategic goals – developing new markets and establishing our foothold, developing new international client base, and developing and leveraging relationships with existing clients. However, this progress was slowed by the steeply declining oil prices, and key areas of our markets were impacted by capital and operating expenditure spending cuts and restructured drilling programmes.

Due to the impacts of the downturn, average rig utilisation for our rigs decreased to 52% in 2015 (based on 8 rigs) from 95% in 2014 (based on 6 rigs). Majority of our rigs had their contracts expiring by mid-2015, while some experienced idling in between contracts. By the end of 2015, only four of our rigs (NAGA 1, UMW NAGA 4, UMW NAGA 7, and UMW NAGA 8) were on contract, whilst continuous marketing efforts are made to improve rig utilisation of all of our rigs.

NAGA 1, our semi-submersible drilling rig, is servicing a long-term contract with PETRONAS Carigali until August 2018, working offshore Malaysia. During the year, NAGA 1 was working at Kuang North, offshore Sarawak, Delima and Azurit, offshore Sabah.

Sister jack-up rigs UMW NAGA 2 and UMW NAGA 3 completed contracts with PetroVietnam Drilling & Well Services Corporation for end-client, Hoang Long Joint Operating Company in the second quarter of 2015. Following the completion of the contracts, both rigs underwent a mandatory five-yearly special periodical survey to comply with American Bureau of Shipping (ABS) rules for building and classing mobile offshore drilling units classification. A one-off asset write-off of RM12.6 million was incurred for this dry-docking exercise. Conscientious efforts are in place to market and secure contracts to improve rig utilisation of these two rigs.

UMW NAGA 4 jack-up rig is on a long-term multi-year contract with PETRONAS Carigali until April 2016 or the completion of the last well. During the year, UMW NAGA 4 drilled several appraisal wells offshore Terengganu, offshore Sarawak and offshore Sabah.

UMW NAGA 5, sister jack-up rig to UMW NAGA 4, was working offshore Myanmar for PTTEP International Ltd and subsequently for PetroVietnam Drilling & Well Services Corporation for the end-client Korea National Oil Corporation, offshore Vietnam until October 2015.

UMW NAGA 6 jack-up rig completed its multi-well contract with PetroVietnam Drilling & Well Services Corporation in Vietnam in August 2015. UMW NAGA 6 was working at DM-5P-STI and Thai Binh, offshore Vietnam.

Towards the end of the third quarter of 2015, we secured two new drilling contracts for UMW NAGA 7 and UMW NAGA 8, respectively; the two new additions to our jack-up fleet.

UMW NAGA 7 commenced operations with PETRONAS Carigali in November 2015; while UMW NAGA 8 began its contract with SapuraKencana Energy in September 2015.

Similar to our offshore drilling rigs, our workover rigs are seeing challenges in securing contracts and continuous pressure on day rates, amid the lower overall activities in the workover business. During 2015, UMW GAIT 2 and UMW GAIT 5 were on standby for call-out basis contracts with PetroVietnam Drilling & Well Services Corporation and PTTEP International Ltd, respectively.

UMW GAIT 3 is on a 2-year firm plus 1-year optional contract with PETRONAS Carigali commencing on first quarter of 2014, while UMW GAIT 6 completed its contract with PTTEP International Ltd, offshore Myanmar in June 2015.

Our Oilfield Services division was also affected by the global decline in oil price and the resulting reduction in the demand for new OCTG pipe threading, repair business and accessories fabrication services. This caused our threading and repair services plants to experience lower volume of activities for the year 2015.



## PRESIDENT'S REVIEW OF OPERATIONS

The pipe threading and repair facilities in Labuan continued servicing its long-term machining contracts with PETRONAS PrimeSourcing International and Murphy Oil Corporation, providing premium connection threading for Sumitomo Corporation Tubular Solution Malaysia Sdn. Bhd. The work orders for both full length threading and machine shop services have slowed down as a result of the lower activities by the oil companies.

Our Thailand facilities in Songkhla and Sattahip continued to provide machining services to major oil players, PTTEP and Chevron. Recognising the importance of the continuous improvement to increase efficiency and effectiveness of processes in the workplace, our Thailand facilities embarked on the 5S programme and was certified with 5S Certification by Malaysia Productivity Corporation in October 2015, UMW-OG's first international outfit to be 5S-certified.

Despite stiff challenges from competitors, our facility in Tianjin, China has been receiving support locally, with high frequency orders from small-sized customers. More licensees are expected in this stagnant or reduced market size, which will inevitably result in higher competition.

Our Turkmenistan facility in Turkmenbashi services PETRONAS Carigali's pipe threading and repair needs. Following the cut in capital spending, the pipe threading and repair requirements have reduced towards the end of 2015 as drilling activities ceased. The outlook remains challenging.

### STRATEGIES

In addressing the present industry downturn, a number of existing and new strategies have been aggressively pursued and implemented. These include maximising utilisation of our assets by securing markets, improving business efficiency by managing capital and operating costs, and managing company's financial operations in line with lower revenue.

**New markets:** In line with our goals to expand our geographical coverage and increase presence in the Middle East, we have been aggressively marketing our rigs in that region. I am pleased to report that the Company has successfully set up a branch office in Abu Dhabi, enabling us to participate in upcoming tender bids in the United Arab Emirates, as well as to support operations in other Middle Eastern countries. This is the only region still holding steady despite the pessimism prevailing in the industry worldwide.

**Existing markets:** While we spread our net wider, we remain focused on leveraging on our existing market, especially Malaysia and Southeast Asia. This culminated in the award of two contracts in Malaysia in late 2015 for UMW NAGA 7 and UMW NAGA 8. We also participated heavily in most tendering exercises in this region while strengthening relationship with existing clients especially in Vietnam, Indonesia and Thailand.

**Corporate Transformation Programme:** Proactive strategic measures throughout the Company were initiated; to optimise and lower costs, improve our rig utilisation levels, manage our cash and liquidity, increase efficiency and productivity, and preserve our ability to prudently and effectively respond to market opportunities as conditions improve. A dedicated division has been created to coordinate and implement these objectives and measures to ensure sufficient focus on this programme.

### SUSTAINABILITY

While we are addressing present issues, long-term sustainability of our Company is also critical to preserve shareholders' value and to prepare ourselves for future challenges and opportunities. These include building capabilities, ensuring safe, healthy and environmentally-sensitive operation, guaranteeing continuous business, and caring for everyone involved in our business.

**Building Capabilities:** UMW Drilling Academy made encouraging progress in meeting its primary objective of training Malaysians in drilling and oil and gas related skills. Besides providing continuous supply of skilled personnel to support our own operations, the drilling academy in Terengganu has also trained a significant number of local participants, including staff from PETRONAS. It also expanded into regional market well ahead of the original plan by training a number of foreign participants from Myanmar. The accreditation received from International Association of Drilling Contractors ("IADC") in 2015 which authorised the academy to conduct and certify a number of IADC certified courses further illustrates the quality and capability of the academy.

**Health, Safety and Environment:** No Lost Time Incident ("LTI") was recorded in 2015 and our Total Recordable Case Frequency ("TRCF") was at 0.13, which is a significant improvement from 0.20 in 2014. Good to note that we have improved well ahead of the industry standard of 1.0. Everyone in the Company has worked hard and takes great pride in this significant achievement of ensuring the highest level of health, safety and environmental standard in our business.

## PRESIDENT'S REVIEW OF OPERATIONS

Various programmes and campaigns were organised throughout the year, both internally and externally. These were aimed at inculcating and instilling good safety, health and environmental conservation culture in each and everyone, be it at work or at home.

**Business Continuity Plan:** As an integral part of the plan, we established an Emergency Control Center ("ECC") at UMW-OG group level during the year. This ECC provides a centralised location where the team would be able to monitor, track and make decisions that are mission critical to the continuing operations of the Company as well as the life, health and safety issues of its employees. The ECC provides the means for the Group to communicate with emergency services, vendors, clients, employees and other relevant parties during major disruptive events.

**Corporate Social Responsibility ("CSR"):** As a responsible corporate citizen, we remain faithful to our social obligations. We hire and train locally at every opportunity and we strive to ingrain our caring culture in all those whom we work with. We train employees to conserve and recycle, work with schools to support students' education and related activities, support national and industry-wide CSR initiatives, and continue to support orphanages and health centres in communities where we work. UMW-OG is committed in making a difference wherever our business touches the world.

### MOVING FORWARD

While the year 2015 has ended on a difficult note, over time we expect many of the oversupply issues that face the oil and gas industry to gradually fade away. Even with moderate growth in the world economy, the need to explore and develop more oil and gas fields will eventually increase. We believe that investment to develop new resources will continue, albeit at a slower pace, due to the need to replenish depleted oil and gas reserves and to provide for future increase in demand. This will gradually increase the demand for drilling rigs.

However, in the short-term, the outlook for the global oil and gas industry in the coming year remains uncertain. Amidst tentative signs of stability returning to the industry, questions over the timing and the likely strength of a sustained recovery in the drilling activity continue to cast reservations over near-term demand prospects.

Over the longer-term, the drilling environment continues to be confronted by the challenges of simultaneously delivering high rig utilisation and operating efficiency, uncompromising health, safety and environmental performance, and cost efficiency.

In confronting these challenges, the Company will continue to adopt a long-term perspective of the prevailing opportunities and risks, in the midst of the current challenging landscape.

Moving forward, our Company's strategy will focus on ensuring higher levels of rig utilisation, adapting reasonable market driven pricing and venturing into new frontiers with aggressive marketing. Cost management remains paramount, coupled with investing in capability building to address market requirements and strengthening our competitiveness, in ensuring a long-term sustainable growth to create value to our stakeholders.

Operating in the new normal requires a new mindset, transforming our culture and the way we operate. We believe that with our team's commitment and dedication, our Company's resilience will withstand the challenges and emerge stronger.

### ACKNOWLEDGEMENT

I would like to take this opportunity to extend our deepest appreciation to all our valued shareholders for your unwavering trust and confidence in us, our customers, suppliers and financiers for your steadfast support, and our dedicated management team and employees for their hardwork, commitment and perseverance. A heartfelt gratitude to the Chairman and Board for their astute counsel and encouragement throughout this challenging year.

Our success has always been based upon our determination to stay the course and look ahead, to understand the environment in which we operate, to organise ourselves to seize opportunities to deliver growth, now and in the future.

Although we are operating in a challenging and turbulent economic environment, we remain unshakeable and look forward to the time when the oil and gas cycle picks up. We will be ready.

### ROHAIZAD BIN DARUS

President

# BOARD OF DIRECTORS



**TAN SRI ASMAT BIN KAMALUDIN**

Chairman  
Non-Independent  
Non-Executive Director



**ROHAIZAD BIN DARUS**

President  
Non-Independent  
Executive Director



**BADRUL FEISAL BIN ABDUL RAHIM**

Non-Independent  
Non-Executive Director



**DR. LEONG CHIK WENG**

Non-Independent  
Non-Executive Director



**RAZALEE BIN AMIN**

Independent  
Non-Executive Director



**DATO' AFIFUDDIN BIN ABDUL KADIR**

Independent  
Non-Executive Director



**CHEAH TEK KUANG**

Independent  
Non-Executive Director



**DATO' IBRAHIM BIN MARSIDI**

Independent  
Non-Executive Director



**FINA NORHIZAH BINTI  
HJ BAHARU ZAMAN**

Independent  
Non-Executive Director

# PROFILE OF BOARD OF DIRECTORS

## TAN SRI ASMAT BIN KAMALUDIN

72 years, Malaysian

Chairman / Non-Independent Non-Executive Director

**Tan Sri Asmat** was appointed as Non-Independent Non-Executive Director of the Company and Chairman of the Board on 2 May 2013.

He graduated from the University of Malaya, Malaysia in 1966 with a Bachelor of Arts (Honours) in Economics. In 1977, he graduated with a Diploma in European Economic Integration (Distinction) from the University of Amsterdam, Netherlands.

Tan Sri Asmat began his career in Malaysia's Civil and Diplomatic Service, where he served in the Domestic Trade Division and the International Trade Division until he moved up to the position of the Secretary-General of the Ministry of International Trade and Industry ("MITI"), a position he held for nine years out of his total tenure of 35 years in MITI. He was appointed by MITI to the Economic Research Institute for ASEAN and East Asia as a Governor representing Malaysia on the governing board, a position he has held for six years.

His stint with the Government also included being the Senior Economic Counsellor to monitor the implications for Malaysia in the formation of the European Economic Community (now referred to as the European Union) in April 1973 as well as organising key events involving Malaysia with several international bodies such as ASEAN, World Trade Organisation and Asia-Pacific Economic Cooperation. He was also a member of a working group in the National Economic Advisory Council ("NEAC").

His services in the area of trade relations between Japan and Malaysia won him the honour of the Japanese Prime Minister's award for contributions to Japanese-Malaysian ties, in 1995.

In 2014, Tan Sri Asmat was awarded the "Order of the Rising Sun, Gold and Silver Star" by His Majesty, the Emperor of Japan. The Japanese decoration was bestowed in recognition of Tan Sri Asmat's long-term contribution to further strengthening the bilateral economic relations between Japan and Malaysia.

Tan Sri Asmat is currently the Group Chairman of UMW Holdings Berhad and Chairman of Panasonic Manufacturing Malaysia Berhad. He is also the Chairman of Compugates Holdings Berhad and The Royal Bank of Scotland Berhad. In YTL Cement Berhad, Tan Sri Asmat is the Vice Chairman and a director of Permodalan Nasional Berhad and Air Asia X Berhad.

He has attended all the Board Meetings of the Company held during the financial year.

He has no conflict of interest with the Company and does not have any family relationship with any Director and/or major shareholder of the Company, save as disclosed, that Tan Sri Asmat is a nominee director of Permodalan Nasional Berhad and Group Chairman of UMW Holdings Berhad, the major shareholders of the Company.

Tan Sri Asmat has never been convicted for any offence within the past ten years.

## ROHAIZAD BIN DARUS

51 years, Malaysian

President / Non-Independent Executive Director

**Rohaizad** was appointed as Executive Director of the Company on 31 January 2012.

He obtained a Bachelor of Science in Mechanical Engineering degree from the California State University, Long Beach, United States in 1988. He is also registered with the Board of Engineers, Malaysia and the Institution of Engineers, Malaysia.

Rohaizad began his career with PETRONAS Gas Sdn Bhd in 1988. He later joined Texas Instruments (M) Sdn Bhd, as Mechanization Engineer and held that position until 1990.

In 1990, he joined Esso Production Malaysia, Inc. and rose to the position of Senior Engineer, a position he held until 1995. His responsibilities included analysing and planning Esso Production Malaysia, Inc.'s gas supply requirements and field development schedule. From 1995 to 1998, he joined Huptec Engineering Sdn Bhd and was appointed its Managing Director. He was responsible for the overall management of the company's operations including corporate, operational, financial, asset and human resources management.



## PROFILE OF BOARD OF DIRECTORS

After 1998, he joined Sarku Engineering Services Sdn Bhd, which later became a subsidiary of SapuraCrest Petroleum Berhad ("SapuraCrest"), a predecessor of SapuraKencana Petroleum as Executive Director and rose to become its Chief Executive Officer/Executive Director until 2003. In SapuraCrest, he held various positions including that of Executive Director of a number of local and foreign subsidiaries of SapuraCrest, which were involved in offshore and onshore soil investigation, marine surveying and hydrographic activities. He was also responsible for overseeing the management of the company's marine vessels and other major assets, which included maintenance work, regulatory compliance, dry-docking activities and work scheduling. He also represented SapuraCrest in overseeing the management and operations of a joint venture company in relation to marine transportation business.

In 2007, Rohaizad was appointed Director of the Offshore Construction Project Division of SapuraCrest. This division performs offshore construction activities including transportation, installation and commissioning of platform, jacket, pipelines and cables as well as topside maintenance and other offshore and onshore modification works.

In 2008, he was appointed Chief Operating Officer of SapuraCrest, a position he held until 2010. He was subsequently appointed Chief Executive Officer of SapuraCrest where he was responsible for the management of the overall operations, financial and support functions of the SapuraCrest group. During his tenure, he was appointed to the board of directors of Tioman Drilling Company Sdn Bhd, a company involved in all offshore drilling operations under SapuraCrest group. His final appointment before he left SapuraCrest in December 2011 was as Chief Executive Officer of the Oil and Gas Construction Services Division.

He is a member of the Company's Board Investment & Risk Management Committee.

Rohaizad has attended all Board Meetings held during the financial year. He has no conflict of interest with the Company and does not have any family relationship with any Director and/or major shareholder of the Company.

Rohaizad has never been convicted for any offence within the past ten years.

### BADRUL FEISAL BIN ABDUL RAHIM

47 years, Malaysian  
Non-Independent  
Non-Executive Director

**Badrul Feisal** was appointed as Non-Independent Non-Executive Director of the Company on 1 October 2015.

He obtained an American Associate Degree in Accountancy from MARA Junior Science College in 1992 and a Bachelor of Science in Accountancy in 1994 from University of Missouri, Columbia, United States.

Badrul Feisal began his career as an Auditor at Messrs. Arthur Andersen and moved to Malaysian Technology Development Corporation Sdn Bhd ("MTDC"), a company wholly-owned by Khazanah Nasional Berhad ("Khazanah") in 1996 and in 2001, he was appointed the Executive Director of MTDC Private Equity Management Sdn Bhd.

Badrul Feisal joined Khazanah in 2001 and in 2004 he was appointed the Senior Vice President in the investment division and held various senior positions in Khazanah. He was the Chief Operating Officer of Edaran Otomobil Nasional Berhad from 2007 to 2009.

Badrul Feisal acquired vast corporate and operational experiences such as crisis management, corporate strategies and planning, business and financial restructuring, merger and acquisition and human capital management, not only through his leadership in these companies but also through manning responsibility over Khazanah's key subsidiaries such as Tenaga Nasional Berhad, BBMB Securities Sdn Bhd and Northern Utility Resources Sdn Bhd, Commerce Asset-Holdings Berhad and UEM Group.

Prior to joining UMW Group, Badrul Feisal was the Managing Director of Insight Value Sdn Bhd from January 2010 to November 2010. He was appointed the Senior General Manager at the President and Group Chief Executive Officer's Office in UMW Group in December 2010. He served as the Acting Executive Director for UMW Oil and Gas Division in April 2011 until December 2011. He was also the Executive Director, Group Corporate Development Division before being appointed the Group Chief Operating Officer of UMW Holdings Berhad in January 2013.

Badrul Feisal is currently the President and Group Chief Executive Officer of UMW Holdings Berhad.

He is a member of the Company's Board Audit Committee, Board Investment & Risk Management Committee as well as the Board Whistle-Blowing Committee. He is a Non-Executive Director nominated by the Company's major shareholder, UMW Holdings Berhad.

He has attended all Board meetings held since he joined the Board in October 2015 until end of the financial year. He has no conflict of interest with the Company and does not have any family relationship with any Director and/or major shareholder of the Company, save for the fact that Badrul Feisal is a nominee director of UMW Holdings Berhad, the major shareholder of the Company.

Badrul Feisal has never been convicted for any offence within the past ten years.

## PROFILE OF BOARD OF DIRECTORS

### DR. LEONG CHIK WENG

53 years, Malaysian  
Non-Independent  
Non-Executive Director

**Dr. Leong Chik Weng** was appointed as Non-Independent Non-Executive Director of the Company on 21 April 2011.

He obtained Executive Training in Product Development & Manufacturing Strategy from the Stanford University, School of Business, United States in 1993, a Bachelor of Science in Chemical Engineering from West Virginia University, United States in 1985 and a Ph.D in Chemical Engineering from University of Massachusetts, United States in 1989.

He began his career with Raychem Corporation in Menlo Park, California, United States from 1989 to 1996. His last position at Raychem Corporation was as a Technical Director. In 1997, he was appointed as a consultant to Guidant Corporation, Santa Clara, California, United States, where he developed an advanced chaotic mixing screw technology to produce micro-tubing using polymer alloys. From 1998 to 2000, he joined Universal Search Machine Sdn Bhd as Managing Director. He is also the founder and Chief Executive Officer of e-Lock Corporation Sdn Bhd, a company involved in the provision of information technology services.

Currently, Dr. Leong sits on the boards of UMW Holdings Berhad, A-Rank Berhad and Chemical Company of Malaysia Berhad.

Dr. Leong is the Chairman of the Board Remuneration Committee as well as the Board Investment & Risk Management Committee of the Company. He is also a member of the Board Nomination Committee.

He has attended all except one Board Meeting held during the financial year. He has no conflict of interest with the Company and does not have any family relationship with any Director and/or major shareholder, save, for the fact that Dr. Leong is also a director of UMW Holdings Berhad, the major shareholder of the Company.

Dr. Leong has never been convicted for any offence within the past ten years.

### RAZALEE BIN AMIN

62 years, Malaysian  
Independent  
Non-Executive Director

**Razalee** was appointed as Independent Non-Executive Director of the Company on 2 May 2013.

He obtained a Bachelor of Economics majoring in Accounting in 1977 from University of Malaya, Malaysia and later obtained a Postgraduate Diploma in Accounting, also from University of Malaya, Malaysia in 1979. He is currently a member of the Malaysian Institute of Accountants, the Malaysian Institute of Certified Public Accountants and the Financial Planning Association of Malaysia.

He began his career with Messrs. Hanafiah Raslan & Mohamad, a Chartered Accountants firm upon graduation. In 1983, he joined Sateras Resources (Malaysia) Berhad, as the Group Financial Controller. He then joined MBf Finance Berhad in 1987 and was appointed as the Senior Vice President in the Investment and Acquisitions Division. He left MBf Finance Berhad and joined Damansara Realty Berhad in 1994 as the Senior General Manager. In 1996, he started his own Chartered Accountants firm, Messrs. Razalee & Co and he is currently its Managing Partner.

He currently sits on the Board of Bank Kerjasama Rakyat Malaysia Berhad, an Islamic cooperative bank.

He is the Chairman of the Board Audit Committee and a member of the Board Nomination Committee as well as the Board Whistle-Blowing Committee of the Company.

He has attended all Board Meetings held during the financial year. He has no conflict of interest with the Company and does not have any family relationship with any Director and/or major shareholder of the Company.

He has never been convicted for any offence within the past ten years.

### DATO' AFIFUDDIN BIN ABDUL KADIR

62 years, Malaysian  
Independent  
Non-Executive Director

**Dato' Afifuddin** was appointed as Independent Non-Executive Director of the Company on 2 May 2013 and he is currently the Senior Independent Non-Executive Director of the Company.

He obtained a Diploma in Agriculture in 1975 from Universiti Pertanian Malaysia, Malaysia (now known as Universiti Putra Malaysia) and a Bachelor of Science in Agriculture Business in 1979 from the same university.

He began his career in 1975 with the Malaysian Agricultural Research and Development Institute ("MARDI") as a Research Assistant in Agricultural Engineering.

## PROFILE OF BOARD OF DIRECTORS

He joined the Malaysian Industrial Development Authority ("MIDA") in 1979 as a Technical Professional Officer in the Industrial Studies Division. From 1982 to 2008, he held various senior positions in the domestic and international offices of MIDA, including the Director of MIDA in Sabah, the Vice-Consul Investment/Deputy Director of MIDA's branch in London, the Director/Economic Counsellor of MIDA's branch in Paris and the Director/Consul Investment of MIDA's branch in London. In April 2008, he was promoted to Deputy Director General II of MIDA. Three months later, he was promoted to Deputy Director General I/Deputy Chief Executive Officer I of MIDA, a position which he held until his retirement in September 2011.

Dato' Afifuddin currently sits on the boards of Pelikan International Corporation Berhad and Lion Corporation Berhad, both public listed companies and Lam Soon (M) Berhad.

Dato' Afifuddin is the Chairman of the Company's Board Nomination Committee. He is also a member of the Board Remuneration Committee and Board Whistle-Blowing Committee.

He has attended all except for one Board Meeting held during the financial year. He has no conflict of interest with the Company and does not have any family relationship with any Director and/or major shareholder of the Company.

Dato' Afifuddin has never been convicted for any offence within the past ten years.

### CHEAH TEK KUANG

68 years, Malaysian  
Independent  
Non-Executive Director

**Cheah Tek Kuang** was appointed as Independent Non-Executive Director of the Company on 2 May 2013.

He obtained a Bachelor of Economics in 1970 from the University of Malaya, Malaysia.

He began his career with MIDA as Deputy Director in the Planning and Research Unit from 1970 until 1978. He later joined AmInvestment Bank Berhad in October 1978 and served in various senior positions in the bank and was promoted as the Chief Executive Officer/Group Managing Director in 1994, a position he held until December 2004.

In 2005, he joined AMMB Holdings Berhad as the Group Managing Director and retired in March 2012. He has been an Independent Non-Executive Director of Bursa Malaysia Securities Berhad for a period of nine years beginning from the demutualisation of the Kuala Lumpur Stock Exchange (currently known as Bursa Malaysia Securities Berhad) up to early 2013.

Currently, he sits on the boards of IOI Corporation Berhad and Berjaya Sports Toto Berhad, both public listed companies. He also holds directorship in Danajamin Nasional Bhd and Eco World International Berhad. He is also a member of the Investment Panel in Kumpulan Wang Persaraan (Diperbadankan) (Retirement Fund Incorporated) and a Governor of Yayasan Bursa Malaysia.

He is a member of the Company's Board Audit Committee, Board Remuneration Committee and Board Investment & Risk Management Committee.

He has attended all except one Board Meeting held during the financial year. He has no conflict of interest with the Company and does not have any family relationship with any Director and/or major shareholder of the Company.

Cheah has never been convicted for any offence within the past ten years.

### DATO' IBRAHIM BIN MARSIDI

63 years, Malaysian  
Independent  
Non-Executive Director

**Dato' Ibrahim** was appointed as Independent Non-Executive Director of the Company on 2 May 2013.

He obtained a Bachelor of Economics (Analytical) in 1979 from University of Malaya, Malaysia.

Dato' Ibrahim joined Malayan Banking Berhad and was appointed as a Sub Accountant in 1979. Later that year, he joined PETRONAS and held a number of senior managerial positions, which included among others, the Senior Manager of Eastern and Northern Region, the General Manager of Liquefied Petroleum Gas ("LPG") and Retail Business in PETRONAS Dagangan Berhad ("PDB") and the General Manager of Crude Oil Group, PETRONAS before being promoted as the Managing Director and Chief Executive Officer of PDB, a company listed on Bursa Malaysia Securities Berhad and a leading supplier of petroleum products in Malaysia. He held that position until his retirement in December 2007.

## PROFILE OF BOARD OF DIRECTORS

Upon joining PETRONAS in 1979, he was actively involved in the development of domestic marketing activities of PETRONAS which led to the formation of PETRONAS Dagangan Sdn Bhd (thereafter known as PDB when the company was listed on Bursa Malaysia Securities Berhad in 1994).

During his tenure as the Managing Director and Chief Executive Officer of PDB, he spearheaded the transformation of the company including the development of the company's brand and business strategy as well as the development of administrative and electronic payment systems.

He currently sits on the board of Telekom Malaysia Berhad.

He is also a member of the Company's Board Audit Committee, Board Remuneration Committee and Board Investment & Risk Management Committee.

Dato' Ibrahim has attended all Board Meetings held during the financial year. He has no conflict of interest with the Company and does not have any family relationship with any Director and/or major shareholder of the Company.

Dato' Ibrahim has never been convicted for any offence within the past ten years.



**Fina Norhizah** was appointed as Independent Non-Executive Director of the Company on 15 August 2013.

She obtained a Bachelor of Law degree from the University of Malaya, Malaysia in 1980, Masters in Law (specialising in maritime and shipping) from the London School of Economics, University of London, United Kingdom in 1985 and a Diploma in Syariah Law and Practice from the International Islamic University, Malaysia ("IIU") in 1987.

She started her legal career in 1980 with the Malaysian Attorney General's Chambers where she had served as a Senior Federal Counsel and as Legal Advisor to the Ministry of Transport. She was admitted as an Advocate and Solicitor of the High Court of Malaya in 1986.

In 1984, she joined IIU and was sent to do her Masters in Law at the London School of Economics ("LSE"), University of London, United Kingdom in 1985 and had subsequently served as a lecturer in the Kulliyah of Laws, IIU. She joined PETRONAS in 1990 and served the PETRONAS Legal Department in various capacities. She served as the General Manager (Legal) of the Logistics and Maritime Business of PETRONAS in 2000 and as the General Manager of the Legal and Corporate Secretarial Affairs Division of MISC Berhad.

Her last appointment was as the Head/ Senior General Manager of Legal and Corporate Secretarial Affairs Division and Company Secretary of MISC Berhad in 2004 until her retirement in 2007. She also served as Director and Company Secretary of several of MISC Berhad's subsidiaries and was a member of MISC Berhad's Management Committee.

Fina Norhizah is currently the Chairman of Alam Maritim Resources Berhad.

She is the Chairman of the Board Whistle-Blowing Committee as well as a member of the Board Nomination Committee and the Board Investment & Risk Management Committee of the Company.

She has attended all Board Meetings held during the financial year. She has no conflict of interest with the Company and does not have any family relationship with any Director and/or major shareholder of the Company.

Fina Norhizah has never been convicted for any offence within the past ten years.



# KEY MANAGEMENT



**ROHAIZAD BIN DARUS**  
President



**WAI THUY FONG**  
Chief Financial Officer



**ABDUL MUTALIB BIN IDRIS**  
Head, Oilfield Services  
Head, Corporate Transformation Office



**IZWAN RADZI MEGAT BIN  
MOHD RADZI**  
Acting Head, Drilling Services



**ABDUL HADI BIN ABDUL BARI**  
Head, Business Development &  
Commercial



**SYED ROZHAN BIN  
SYED HASSAN**  
Head, Human Resources



**CHEW ENG HONG**  
Head, Corporate Development &  
Sustainability



**AMINUDIN BIN HAMBALI**  
Head, QHSE



**HAZIAH BINTI HAMZAH**  
Head, Supply Chain



**LEE MI RYOUNG**  
Head, Legal & Secretarial

# CALENDAR OF SIGNIFICANT EVENTS

**13 - 15 JAN 2015**

**3<sup>rd</sup> Offshore Convention Myanmar**  
Sule Shangri-La, Yangon, Myanmar

**27 JAN 2015**

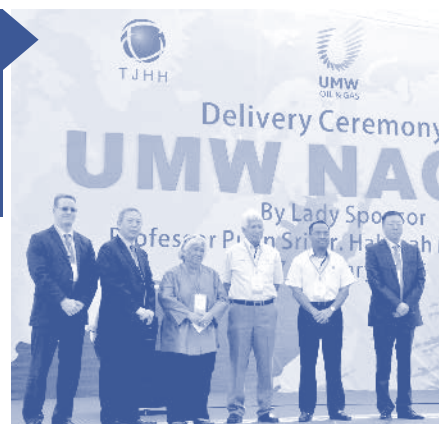
**UMW NAGA 7 Delivery Ceremony**  
CMHI, Shenzhen, China

**19 - 20 FEB 2015**

**Indo Drilling Conference & Exhibition**  
Fairmont, Jakarta, Indonesia

**11 - 12 MAR 2015**

**IADC Drilling HSE&T Asia Pacific 2015 Conference**  
Shangri-La, Kuala Lumpur



**27 - 29 MAR 2015**

**CSR : Flood Relief Programme**  
SK Manek Urai, Kuala Krai

**29 APR 2015**

**CSR : English Tuition Programme and School Adoption**  
SMK Jeram, Kuala Selangor

**19 MAY 2015**

**5<sup>th</sup> Annual General Meeting**  
Connexion@Nexus, Bangsar South

**26 MAY 2015**

**MOG '15**  
**Mining, Oil & Gas Week 2015**  
University Malaya, Kuala Lumpur

**2 - 4 JUN 2015**

**OGA 2015**  
**Asian Oil, Gas & Petrochemical Engineering Exhibition**  
KL Convention Centre, Kuala Lumpur

**10 JUN 2015**

**CSR : Road Safety Awareness**  
Taman DeCARE, Putrajaya

**7 JUL 2015**

**CSR : Raya Shopping and Buka Puasa with Yayasan Chow Kit**  
Crystal Crown, Petaling Jaya

**18 AUG 2015**

**CSR : SPM Pep Talk by Senior Management**  
SMK Jeram, Kuala Selangor

**29 AUG 2015**

**UMW NAGA 8 Delivery Ceremony**  
KeppelFELS, Singapore

**9 SEP 2015**

**QHSE Day**  
Suruhanjaya Syarikat Malaysia, Kuala Lumpur



**15 SEP 2015**

**Signing Ceremony - PETRONAS Program Sahabat Maritim**  
KL Convention Centre, Kuala Lumpur

**7 & 17 OCT 2015**

**CSR : Mudball Programme and Lake Conservation**  
Kuala Selangor / Taman Tasik Seksyen 7, Shah Alam

**24 OCT 2015**

**CSR : Sahabat Maritim Activation**  
Labuan, Sabah

**2 DEC 2015**

**CSR : Safety Signage Installation**  
SK Jeram Batu 20, Kuala Selangor

# CORPORATE SOCIAL RESPONSIBILITY



ENGLISH LANGUAGE TUITION  
PROGRAMME

**54%**

overall improvement of  
participants' marks



THE BIGGEST PARTICIPATION IN  
A SINGLE PROGRAMME

**100**

participants in UMW-OG's *Traffic  
Safety Awareness Programme*



**32.4%**

spent from the overall CSR budget  
for Education related programmes

With a commitment in supporting the Government in promoting its social and national development agenda, UMW-OG's initiative is reflected in our policies and strategies, our conduct with employees, clients and other stakeholders.

UMW-OG regards Corporate Social Responsibility ("CSR") as an important practice for the organisation, taking into consideration the economic, social, and environmental impact of the Company.

UMW-OG's CSR initiatives are streamlined into three main categories; SAFETY, EDUCATION and ENVIRONMENT; which ultimately translates into raising and improving awareness on safety culture; capacity building through education; and protecting and preserving the environment. All initiatives are geared to be sustainable and impactful.



## SAFETY

UMW-OG's position as a major player in the oil and gas industry further cements the role it plays in advocating and promoting safe-culture as a lifestyle by organising various safety themed initiatives via the PINTAR programme.

Once again, 2015 saw another first for UMW-OG, which witnessed the organisation carrying out its inaugural Road Safety Awareness programme. Collaborating with *Perbadanan Putrajaya* ("PPJ"), the one-day programme's objective was to foster road safety awareness amongst students of UMW-OG's two adopted rural schools through a fun and interactive learning environment.

The inaugural programme saw close to 120 participants from Sekolah Menengah Kebangsaan Jeram ("SMK Jeram") and Sekolah Kebangsaan Jeram Batu 20 ("SK Jeram Batu 20"), between the ages of 10 years and 17 years old experienced the potential hazards and dangers while using roads in a controlled safe environment. Reminiscent of an existing traffic games programme, the experience was indeed unique as apart from bicycles and pedestrians, participants had the opportunity to drive go-karts, buggies and electric bicycles while role-playing actual situations on the road.



Aiming to keep the experience as close as possible to real-world events, students were kept under the watchful eyes of enforcement officers from PPJ who were also joined by officers from the Road Transport Department ("RTD"). Summons were issued for offences such as jaywalking, failing to indicate when making a turn, and speeding, among others.

Back at SK Jeram Batu 20, the installation of safety signage under UMW-OG's on-going *Safe School Programme* were completed at 75 different locations around the school.

October 2015 saw UMW-OG participating in the on-going *Sahabat Maritim programme* in the Federal Territory of Labuan spearheaded by Petrolia Nasional Berhad ("PETRONAS"); which follows the agreement signed between the Company, PETRONAS and other oil and gas entities operating in Malaysia.



With the objective of engaging local communities in the participating companies' operating areas, the programme hopes to address the issue of fishermen's presence and activities; especially the danger of fish bombing, within the 500 meter safety radius surrounding any offshore operations.

UMW-OG and the other partners, via PETRONAS, also contributed safety jackets for the fishermen, back to school items and various groceries to the underprivileged as well as white boards to be utilised by the community witnessed by Datuk Rozman Isli, Labuan Member Parliament.

A *gotong-royong* session was also held a week prior to the event, where volunteers which included UMW-OG's Labuan-based workforce from UMW Oilpipe Services Sdn. Bhd. helped to spruce up the community hall and its surrounding area.



## CORPORATE SOCIAL RESPONSIBILITY



### EDUCATION



The Company's education initiatives support the government's vision of cultivating a fully-developed, knowledge-rich and skilled nation. In view of that, UMW-OG is actively involved in the

PINTAR education programme which is already into its second year.

PINTAR is a school adoption programme inspired by Khazanah Nasional and run by government-linked companies as well as some private corporations in Malaysia. The PINTAR Foundation aims to improve socio-economic standards through educational achievement. It redefines school adoption programmes in line with the Government's call under the Ninth Malaysia Plan ("9MP") and 2006 Budget for public-private partnerships to aid sustainable development. The programme creates awareness among students from low-income households of the power of

academic excellence to break out of the poverty cycle.

2015 witnessed SMK Jeram – one of two adopted schools under UMW-OG's PINTAR programme – benefiting from a fully sponsored English tuition programme for selected SPM candidates. Feedback from the school and teachers not only mentioned an increase in performance but also in their attitude and demeanour at school. Out of 120 students participating in the programme, slightly over 50% achieved passes; acknowledged by the school as a surprisingly positive outcome, taking into account the school's location and demographic.



### ENVIRONMENT

UMW-OG has in recent years placed increasingly more emphasis on protecting and preserving the environment by implementing eco-friendly procedures in its operations. Our businesses are operated in ways that foster sustainable use of the world's natural resources. We aim to minimise the environmental impact of our operations by complying with all applicable environmental laws and pursuing green initiatives.

To complement the above, UMW-OG continues to actively partake in promoting green awareness and on various environmental issues through various activities, mostly those with an experiential approach.

In November 2015, UMW-OG employees together with students of SK Jeram Batu 20 went on an environment-themed excursion in Shah Alam to throw close to 2,000 effective microorganisms ("EM") mudballs into the Seksyen 7 lake located in Shah Alam. Prepared about a fortnight



before the throwing activity by UMW-OG employees, participants were enthralled with the idea of being able to help the environment with the simple act of making and throwing mudballs.



### COMMUNITY

In addition to the three main CSR categories, UMW-OG also actively contributes back to the community. Early in the year, UMW-OG made its presence felt in Kuala Krai, Kelantan recently when more than 25 volunteers from the Company lent their assistance to SK Manek Urai. SK Manek Urai is one of the three schools which were submerged in water and were badly affected during the December 2014 floods which devastated the state of Kelantan.

Together with the President of UMW-OG, the team gave selected rooms a refreshed look by painting them in the corporate colours of the Company. The whole painting process went well into the afternoon. The selected rooms were the Bilik Sains, Bilik Pentaksiran Berasaskan Sekolah ("PBS") and Koperasi Sekolah.



Concerned about the students' daily schooling needs, UMW-OG also contributed stationeries and exercise books. Noting the massive damage to the other school equipment during its earlier recce in February 2015, the school received Information Technology related items in the form of a laptop, an LED projector, a 3-in-1 printer and also cash donation on top of the existing contributions to get the school back on its feet.

The Company also sponsored remedial works to the school roof – damaged by helicopter downdraft during aid distribution. This was crucial as the top floors of the school were deemed unsafe and closed off to students and teachers.

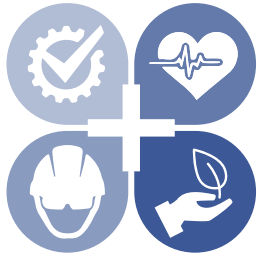
Towards the middle of 2015, in keeping with the spirit of Ramadan, the Company once again organised a Hari Raya shopping and buka puasa dinner for children of a selected welfare organisation. This year, UMW-OG hosted children from Yayasan Chow Kit ("YCK"), based in Kuala Lumpur. YCK is a 24-hour crisis and drop-in centre, providing meals, activities, therapy, case management, and educational programmes for at-risk children of Chow Kit.

Close to 50 lucky children, aged between six to eleven, from YCK were treated to a Hari Raya shopping at a shopping mall in Kuala Lumpur where each child was accompanied by a staff from UMW-OG; volunteering as their foster parent for the day.

The respective foster parents were allocated a certain allowance to fulfil the children's wish lists for the upcoming Hari Raya Aidilfitri celebrations. The regulated sum also taught the children to be thrifty and smart when shopping.



# QUALITY, HEALTH, SAFETY & ENVIRONMENT



Quality, Health, Safety & Environment (“QHSE”) management is given a high priority in all aspects of our business operations. Quality products and services must be achieved with a high standard of safety behaviour, while at the same time ensuring everyone remains healthy and the environment is not negatively impacted. “Nobody Gets Hurt, No Damage to the Environment” is our motto towards creating a safe working environment and developing a strong safety culture. This has become our number one core value as we strive for zero injuries and zero illnesses, regardless of whether an employee works in the field, on a rig, or in the office.

This pledge does not just highlight about people safety and health, but also put an emphasis on preservation of the environment at the place where we operate. Various comprehensive trainings, campaigns and programmes have been implemented, at all of our facilities to achieve this.

## MARINE POLICY

We have a comprehensive marine policy in place for our offshore operations.

This reflects the commitment of the Company to operate all its mobile offshore drilling units in a manner that is safe for itself, the parties that it works with, and the environment where it operates.

UMW-OG is committed to maintain a high standard in the management of safety of its fleet, regardless of its prevailing operating locations and in accordance to its marine policy.

## QHSE PROGRAMMES AND CAMPAIGNS

Throughout the year, the Company organised and implemented various QHSE programmes and campaigns to promote awareness and to develop a safety culture among its employees. Some of the main programmes were QHSE Day 2015, QHSE ‘Heart & Mind’ photo contest, Safety Corporate Social Responsibility (“CSR”), First Aid Training and Health Check-up with National Kidney Foundation. The Company also increased internal safety campaigns through the issuance of periodic QHSE e-Newsletters and QHSE Infographics.

### QHSE Day 2015

Our QHSE Day motto - “UMW-OG: Leading Safe & Healthy Life Style” reflected UMW-OG’s aims at educating employees on the importance of how to live safely and healthier both at work and

at home. Various activities were conducted within the two-day programme including exhibitions by QHSE-related government and non-government organisations, blood donation drive, breast cancer screening, cervical cancer check-up, and a Health Talk. In addition, a special lunch talk session by a well-known National Crime Analyst, a senior management talk on safety and an engagement session by the President of UMW-OG were also organised during the event.

### UMW-OG Gymnasium

To promote and develop healthy and productive lifestyle of staff, our very own gymnasium was established in early 2015. Opened to all staff of the Company, the facility has been used for many other health promotion activities in addition to the normal workout exercise.

### QHSE ‘Heart & Mind’ Photo Contest

Organised especially for our offshore staff, the contest encourages our crew to submit best pictures of their children, where the selected winning pictures are used in Offshore Safety Posters to deliver a powerful message to our offshore staff on the importance of working safely so that they can go back safely to their families.

### Safety CSR

Focusing on cultivating good safety culture among the young students, the Company conducted safety programmes and campaigns at selected rural schools. To further increase their awareness and interest in safety, the students were also invited to participate at our QHSE Day 2015. We believe that this will not only educate our next generation, but also give

them exposure and instil the importance of safety in their daily lives.

### First Aid Training

As part of the Group’s commitment in promoting high QHSE culture and awareness, programmes were conducted to educate staff on basic first aid knowledge and proper cardiopulmonary resuscitation techniques. These trained personnel are subsequently designated as the Company’s First Aiders.

### QHSE e-Newsletter

QHSE e-Newsletter focuses on disseminating the Company’s message on safety, quarterly QHSE performance, QHSE-related information and practices in the offices and on board of our rigs. Compilation of all QHSE Programmes are issued on a quarterly basis.

### QHSE Infographic

Monthly QHSE Infographic comprises of various QHSE related information, disseminated to all employees through emails and also via posters, for a more visible impact.

## INTEGRATED QHSE MANAGEMENT SYSTEM ROLL-OUT

On February 2015, UMW-OG obtained certifications for its Integrated QHSE Management System. With this, the Group conducted a series of roll-out sessions throughout the Company’s facilities, aimed at creating awareness to all employees, especially offshore staff, of the Group’s Policies, Procedures as well as QHSE Rules and Regulations.

## QUALITY, HEALTH, SAFETY & ENVIRONMENT

### FIRE PREVENTION TRAINING

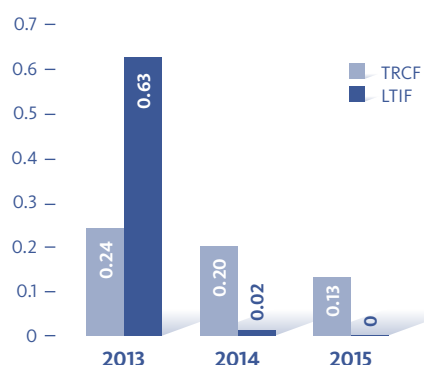
The Company also conducted a general Safety Awareness and Basic Fire Fighting courses to all personnel at UMW-INSTEP Drilling Academy during the year. The course comprises of a number of activities including General Safety Briefing, Fire Fighting Training and Emergency Evacuation Drill.

### SAFETY & HEALTH PERFORMANCE

In 2015, the Company recorded a Total Recordable Case Frequency ("TRCF") of 0.13, which was well within the industry standard of 1.0, and also an improvement from the previous year's achievement of 0.20. In addition, the Company completed 2015 without a single Lost Time Injury Frequency ("LTIF") in all of its operations. These achievements are testaments of the Company's commitment towards excellent QHSE performance. Moving forward, the Company aims to sustain this performance while further improving every aspects of safety, quality, health and environmental protection through various comprehensive programmes.

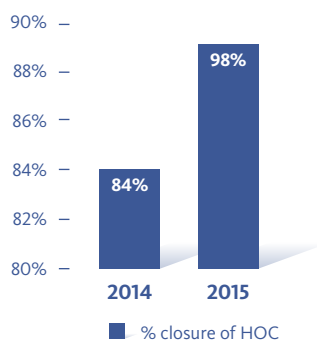
#### LTIF & TRCF for the Group

(Number of cases per one million man hours)



Recordable cases: all serious injuries LTI, Restricted Work Case and Medical Treatment Case, excluding first aid cases

### Historical 2-year closure of Hazard Observation Card ("HOC") (%)



### EMERGENCY PREPAREDNESS & RESPONSE

In early 2015, UMW-OG upgraded the Emergency Control Center ("ECC") from subsidiary level into group ECC which forms an integral part of the Group's Business Continuity Plan. With the upgraded facilities and procedures, a more effective response is available in the event of any emergencies with the ECC providing centralised location where members of the Emergency Management Team are able to monitor, track and make decisions that are mission critical to the continuing operations of the business as well as the life, health and safety of its employees.

The ECC provides the means for the Group to communicate with emergency services, vendors, clients, employees and other relevant parties.

### PROCESS SAFETY

Management of Change Procedure was also further improved in 2015 as a way to identify, evaluate and manage every potential risk that could occur or introduced by the process of changing or deviation to standard practice to the people, the system, the Company's assets, the environment and its reputation. The review and approval processes were streamlined with the objective to simplify operational activities while maintaining the required control and compliance.

### INTEGRATED QHSE MANAGEMENT SYSTEM



#### QUALITY

A quality management system that provides for continual improvement



#### HEALTH

A systematised approach for managing occupational health and safety hazards



#### SAFETY

Our safety management system supports safety sustainability and business performance



#### ENVIRONMENT

A strong commitment to high environmental standards and minimising environmental impacts

### HEALTH PROMOTIONS

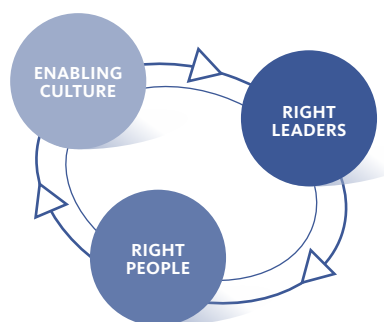
The Group continued its efforts to elevate staff's personal health and fitness levels to control the prevalence of lifestyle illness such as hypertension, diabetes mellitus and high cholesterol. Throughout the year, the Group organised various programmes and campaigns for its employees, with the intention of promoting a healthy lifestyle.

# HUMAN CAPITAL AND PEOPLE DEVELOPMENT

As our vision is to be a leading player in the oil and gas industry in the domestic and the international markets, our human capital effort revolves around the 15-year Human Capital Blueprint. The blueprint has been developed to guide us on people-related key initiatives to ensure that we remain capable, agile and competitive in the long-run. It centres around three key initiatives; in having the Right Leaders, the Right People and an Enabling Culture.

2015 has been a very challenging year for us in managing our people agenda, as with other drilling contractors. We progressively review all our development programmes and manning levels to ensure that we prudently implement all of our initiatives that promote efficiency in our operations with heavy focus on fulfilling industry requirement.

We continue to focus on building on the strengths of our people as well as enlarging these strengths in the global arena to further tap international opportunities.



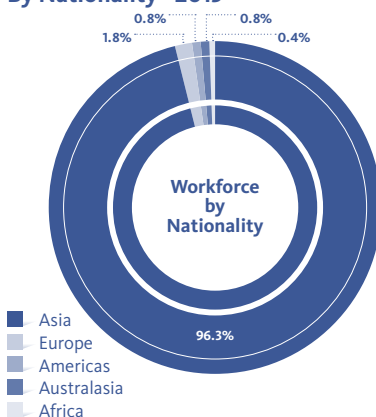
## RIGHT LEADERS

We believe in having a strong and sustainable leadership team, especially essential during challenging times such as what the industry is going through at this moment. We place high regards and conviction towards our leaders, entrusting that they do the right things at all times. We believe, leadership with integrity produces an efficient system for sustainability in generating productivity and effectiveness ensuring that the Company remains resilient.

As role models for the next generation of leaders of UMW-OG, our leaders are assessed through an assessment centre programme to gauge management and leadership competencies. Gaps are identified and specialised improvement plans are made to make them better in their leadership roles. We are confident that with this exercise, we mould a robust succession plan, as the key competencies of each leadership roles have been defined.

We made considerable progress in attracting a number of local professionals to join our drilling team, in line with our objectives of having half of our assets being led by Malaysians by year 2020.

### By Nationality - 2015



### UMW Drilling Academy ("UDA")

The flagship of our people development efforts is our drilling academy at Batu Rakit, Terengganu, which in 2015 has designed 12 courses and trained 170 participants internally and externally.

UDA designs drilling and drilling related trainings and development plans for employees and external oil and gas participants which include PETRONAS and universities such as Curtin University and other Operators such as Myanmar Oil & Gas Enterprise ("MOGE") via SMART.

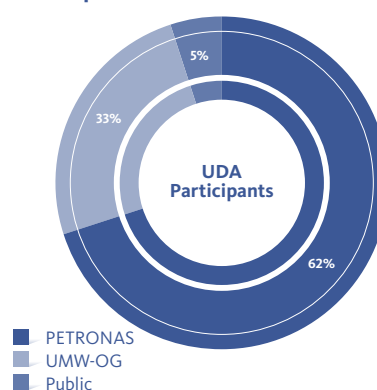
It offers a wide range of programmes such as *Structured Drilling Apprenticeship*, *Drilling Competency Enhancement*, *Drilling Short Courses* and drilling certifications conducted by instructors certified and recognised by International Association of Drilling Contractors ("IADC") and International Well Control Forum ("IWCF").

UDA was accorded IADC WellSharp Accreditation on 7 July 2015 for four major courses:

- Driller Course for Surface Stack
- Driller Course for Combined Surface and Subsea Stack
- Supervisor Course for Surface Stack
- Supervisor Course for Combined Surface and Subsea Stack

UDA has recently, established a new training facility at our Head Office premises at Plaza Sentral to attract more participant enrolment and moving forward, it is gearing up to provide additional training courses locally and internationally.

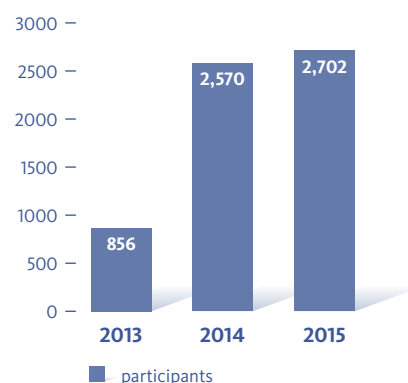
### Participant mix - 2015



## RIGHT PEOPLE

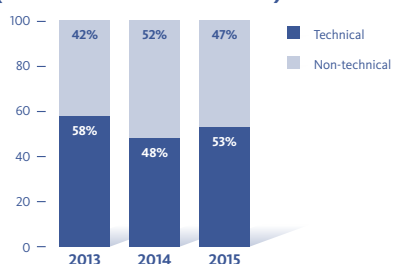
We truly are a diverse community here in UMW-OG, be it by gender, by age or by nationalities. As we continue to tap talents from around the globe, we stay mindful that we are always Malaysian, and we continue to groom young talents through our Trainee Driller and Trainee Roughneck Programmes to ensure we have the proper talent pipeline to support current and future manpower needs. Trainees under these programmes are nurtured to become capable Drilling Engineers, Drillers, Offshore Installation Managers/ Rig Superintendents, and Rig Managers.

### Total trainings



## HUMAN CAPITAL AND PEOPLE DEVELOPMENT

### Training Sessions (Technical vs Non-technical)



Out of 254 training sessions held to accommodate the 2,702 participants in 2015 with a total cost of RM2.0 million, 53% are technical trainings to groom our employees as skilled professionals in both the drilling and oilfield services sector.

In 2015 we had to undertake a necessary manpower rationalisation exercise. This has to be implemented as we have to man our assets, plants and facilities precisely as required by the clients and the industry. Safety, compliance to regulatory requirements and efficiency are the key guides throughout the year in influencing how we maintain our assets to be safe, and productive. We have re-structured some of the operational functions, combining it whenever possible, and encouraged our employees to multitask from time to time.

Moving forward, guided by the same key guides as mentioned above, we will adopt a more flexible employment approach for all our assets and plants taking into consideration the volatile oil and gas market in the near future. We keep our employees well-informed of key initiatives that have been undertaken via the various communication channels, including through the quarterly town hall sessions.

To assist young graduates to gain necessary real working life experience, UMW-OG has been an active sponsor for these two programmes:

- UMW Post Graduate Enhancement Programme : Skim Latihan 1Malaysia - SL1M**

We continue to provide various training to young and talented fresh graduates. Some of them have been assigned to undertake supporting administrative tasks on the rigs while our rigs are not in drilling operations or while undergoing maintenance. This gave them first-hand experience on what it is like to live and work on a drilling rig.

To date a total of 81 young graduates have benefited from these 6-months on-the-job-training programme.

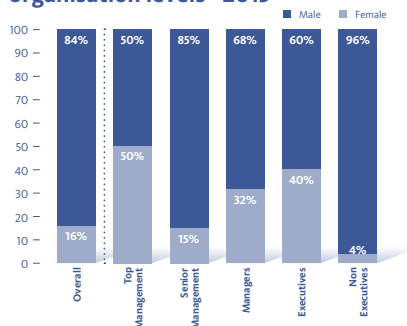
- UMW Undergraduate Internship Programme**

We provide undergraduate students with a unique and expansive experience that introduces all aspects of oil and gas industry especially in drilling and oilfield services. This gives the interns the hands-on learning experience which will help them enhance their employment opportunities.

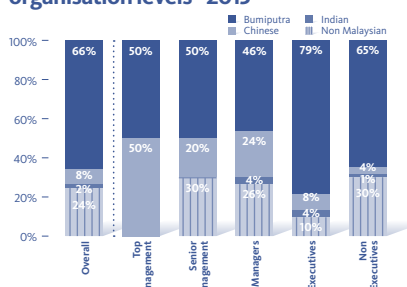
### Diverse Talent

A diverse workforce is our commitment to ensure alignment with the Company's strategic roadmap. We create a conducive working environment in order for the employees to fulfil their potential and maximise their contribution. Our employment practices reflect a culture where hiring decisions are made solely on the basis of the individual's capability and potential in relation to the needs of the business.

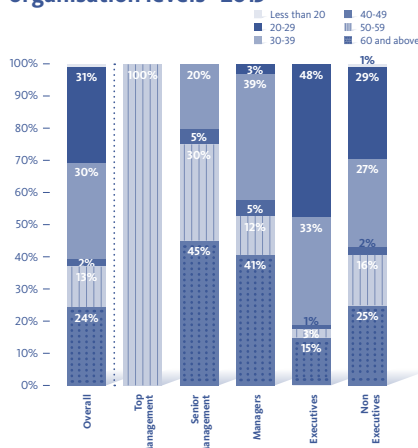
### Gender Composition by organisation levels - 2015



### Ethnic Composition by organisation levels - 2015



### Age Composition by organisation levels - 2015



## ENABLING CULTURE

The Company puts a lot of effort and has strong emphasis on culture-building. Being a local Malaysian company with high aspirations to venture and grow in the international platform, having the right culture is crucial in ensuring sustainability of our business in the long-term. Our leaders are the tone setters in this agenda, continuously practising and pushing for a high performance culture platform be placed in the Company. Our President, in his quarterly town hall sessions and during his monthly luncheons, will ensure that the topics of either our core values, code of ethics, or high performance are being highlighted and deliberated.

### Performance Management

Instilling a High Performance Culture throughout the organisation is a continuous exercise throughout the year. Key Performance Indicators ("KPI") is a common yardstick used to measure all executive staff performance, and our reward system is based on achievements of the agreed KPIs, and of course, the Company's financial results.

### Code of Business Conduct and Ethics

We have in place a structured Code of Business Conduct and Ethics and pertinent key policies in managing Human Capital, including the Whistle-Blowing Policy. The Code of Business Conduct and Ethics is driven by our core values, keeping in mind the highest standard of business ethics. The UMW-OG Group's identity and reputation are ultimately defined by our daily decisions and actions.

The Whistle-Blowing Policy, which complements the Code of Business Conduct and Ethics, encourages employees to disclose genuine concerns on any suspected wrongdoings. Individuals may elect to make disclosures to the President, or the Head of Human Resources on genuine concerns relating to mismanagement, malpractices, corrupt practices, fraud, conflict of interest, abuse of authority or breach of any laws and regulations by any member of its staff and management.



# STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors (“Board”) of UMW Oil & Gas Corporation Berhad (“UMW-OG” or “Company”) is committed to achieving the highest standards of corporate governance across the Company and its subsidiaries’ (“Group”) business practices and activities. With this commitment, the Board views that a sound corporate governance practice is fundamental towards enhancing long-term shareholder value and protecting shareholders’ interests. Guided by the Group’s core values, the Board plays an active role in reviewing and enhancing the Group’s corporate governance framework to ensure its relevance and ability to meet future challenges.

This Corporate Governance statement provides an insight into corporate governance practices of the Group and to report the Group’s compliance with the Principles and Best Practices of Malaysian Code on Corporate Governance 2012 (“Code”) throughout the financial year ended 31 December 2015.

Notably, UMW-OG was listed No. 14 out of the top 100 Malaysian Public Listed Companies (“PLCs”) with good corporate governance practices at the Minority Shareholder Watchdog Group’s ASEAN Corporate Governance (CG) Transparency Index, Findings, Recognition and Awards Ceremony 2015 held on 10 December 2015.

The Group adopts the following recommendations, requirements and guidelines:

- Bursa Malaysia Securities Berhad (“Bursa Malaysia”)’s Main Market Listing Requirements (“MMLR”);
- Corporate Governance Guide (“CG Guide”);
- Malaysian Code on Corporate Governance 2012;
- The Green Book on Enhancing Board Effectiveness by the Putrajaya Committee on Government-Linked Companies (“GLCs”) High Performance (“PCG”); and
- International best practices and standards on corporate governance.

With the Group’s significant presence in the countries it operates, the Group also monitors and abides by the guidelines of the relevant regulators and authorities.

## CORPORATE GOVERNANCE FRAMEWORK

The Group applies the following corporate governance framework where specific powers of the Board are delegated to the respective Board Committees, the President and the management, as depicted below:

STAKEHOLDERS				
BOARD OF DIRECTORS OF UMW OIL & GAS CORPORATION BERHAD				
BOARD AUDIT COMMITTEE	BOARD NOMINATION COMMITTEE	BOARD REMUNERATION COMMITTEE	BOARD INVESTMENT & RISK MANAGEMENT COMMITTEE	BOARD WHISTLE-BLOWING COMMITTEE
PRESIDENT				
MANAGEMENT COMMITTEES				
VARIOUS MANAGEMENT SUB-COMMITTEES				
CORE BUSINESSES OF THE GROUP				
DRILLING SERVICES			OILFIELD SERVICES	

The Company’s Corporate Governance Framework provides an overview of the corporate governance processes and responsibilities within the Group. It mirrors the way we manage our strategic and operational activities. The framework is supported by the Financial Limit Authority Guidelines (“FLAG”) which sets out the respective authority limits including those reserved for the Board’s approval and those which the Board may delegate to the Board Committees, the President, Management Committees and management.

The roles of the stakeholders, the Board and the various Board Committees and management are distinctly different but complementary to one another in attaining the core objectives of the Group. The Board will continue to review, deliberate and enhance the Company’s Corporate Governance Framework to ensure its relevance and ability to meet future challenges.

## STATEMENT ON CORPORATE GOVERNANCE

### BOARD OF DIRECTORS

The Board oversees and sets the tone for, the Group's overall strategy, core values and adopts proper standards to ensure the Group operates with integrity and complies with the relevant rules and regulations.

In discharging its duties and responsibilities, the Board is guided by its Board Charter. The Board Charter which was adopted by the Board on 30 April 2014 sets out the roles and responsibilities of the Board in accordance with the principles outlined in the Code and ensures that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conduct and that the principles and practices of good corporate governance are applied in all their dealings. The Board Charter acts as a source of reference for Directors in relation to the Board's role, power, duties and functions. It also outlines the Board's rights to establish committees to assist in the discharge of its duties and responsibilities.

A copy of the Board Charter is available on the Company's official website at [www.umw-oilgas.com](http://www.umw-oilgas.com)

#### Board's Roles and Responsibilities

The Board is charged with leading the Company in an effective and responsible manner. The Board constantly monitors the progress of initiatives identified in the Group Business Plan and provides advice on determining the Group's long-term goals to ensure successful realisation of strategies and sustainability.

Amongst the key responsibilities of the Board are:

- setting the corporate vision and mission, objectives and strategic direction of the Group;
- overseeing and evaluating the conduct of the Group's businesses;
- identifying principal risks and ensuring that risks are properly managed;
- reviewing the adequacy and integrity of the Group's internal controls; and
- human resource planning in particular succession plan.

The Board reserves full decision-making powers on the following matters:

- material acquisitions and disposal of assets;
- investments in major projects;
- authority levels;
- treasury policies;
- risk management policies;
- key human resource issues; and
- conflict of interest issues relating to a substantial shareholder or a Director.

Management presents to the Board its recommended strategy and Business Plan for the ensuing year at a dedicated session for the Board's review and approval.

The Board and also its Board Committees consistently challenge management in the development of the Group's Business Plan that aligns with the Group's mission. The Board and the Board Committees actively monitor management's execution of approved strategic plans as well as the transparency and adequacy of internal and external communication of the strategy.

### BOARD COMPOSITION AND BALANCE

There are currently nine Directors, with the Chairman (being a Non-Independent Non-Executive Director), two Non-Independent Non-Executive Directors, five Independent Non-Executive Directors and one Executive Director, who is the President of the Company. In line with the recommendations of the Code's Best Practices relating to board membership, as the Chairman is a Non-Independent Director, the composition for the Board comprises a majority of Independent Directors. Five out of the nine or more than 55% of its composition comprises Independent Directors.

The Board composition reflects the balance of independent and non-independent directors, with due consideration given to diversity in terms of gender, ethnicity and age. Together, the Board comprises a mix of qualified and experienced Directors with diverse skills, core competencies, background and commercial expertise including expertise in oil and gas industry, law, accountancy, business operations, financial, risk and investment management. The background of each director is set out on pages 19 to 23.

The Board recognises the importance of the role of the Independent Directors, particularly in ensuring that strategies proposed by management are fully deliberated on and examined objectively, taking into account, amongst others, the long-term interests of shareholders as well as other stakeholders and the community at large.

The Board had completed the annual performance evaluation for the financial year ended 31 December 2015 based on a set of updated questionnaires that evaluated on the Board and the Board Committees' performances, and the respective activities undertaken including the performances and contributions of the Chairman, individual Directors and the President.

### SEPARATION OF DUTIES AND RESPONSIBILITIES OF CHAIRMAN AND PRESIDENT

The Board believes in and practises a separation of duties and responsibilities between the Chairman and the President to ensure a clear segregation of responsibility and accountability, proper balance of authority and greater capacity for independent decision-making.

The roles and responsibilities of the Chairman and the President are clearly defined in ensuring the smooth running of the Company's business and operations.

The Chairman's primary role is to lead the Board. He sets the tone for Board discussions and at the same time ensures high integrity and effectiveness of the Board as a whole. He conducts Board meetings and ensures that meetings proceed in an orderly manner. The Chairman encourages active participation of Board members in discussions and provides reasonable time for discussion of complex issues under review.

Decisions reached at meetings reflect the consensus of the whole Board and not the views of any individual or group.

The Chairman ensures and facilitates the flow of information between management and the Board and that information relating to issues on the agenda is disseminated to all Directors well before deliberation at Board meetings.

## STATEMENT ON CORPORATE GOVERNANCE

The President on the other hand is responsible for making and ensuring the implementation of broad policies as approved by the Board and reports to and discusses material matters including regulatory developments and strategic projects with the Board. The President is responsible for the day-to-day management of the business and operations of the Group. The President is supported by the Management Committee who meets regularly and other committees established under the Corporate Governance Framework.

There is therefore, a natural separation of management and governance leading to a balance of responsibility and authority. Though separated, their respective functions are mutually interdependent for efficient and effective execution of duties and responsibilities respectively.

### INDEPENDENCE AND CONFLICT OF INTEREST

There is sufficient independent element on the Board to ensure the Independent Directors take on a crucial role as far as corporate accountability is concerned by providing independent view, advice and judgement to ensure a balanced and unbiased decision-making process. The Non-Executive Directors are independent of management and are free from any business relationship which could materially interfere with the exercise of their independent judgement. None of the Directors are related to one another.

The Directors are required to declare potential or actual conflict of interest in any transaction prior to any deliberation on matters before the Board. Where issues involve conflict of interest, the interested Directors shall abstain from discussion or voting on the matter.

In line with the recommendations of the Code, the Board has implemented a nine-year tenure limit for Independent Directors, which has been incorporated in the Board Charter, whereupon the completion of a cumulative term of nine years, the Independent Director may continue to serve the Board subject to the Director's redesignation as a Non-Independent Director or remain designated as an Independent Director with shareholders' approval. At present, none of the Independent Directors has served more than nine years on the Board.

### TRADING OF UMW-OG SHARES BY DIRECTORS AND PRINCIPAL OFFICERS

The Company has in place the process for preparation of announcements and dissemination of the announcements to Bursa Malaysia in relation to trading in Company's securities by UMW-OG's Directors and the principal officers outside the closed period to ensure compliance with the requirements of the relevant regulatory authorities. The Company Secretary serves advance notices on quarterly basis to the Directors and principal officers on the applicable closed periods for trading in the Company's shares.

### SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Afifuddin bin Abdul Kadir is the Senior Independent Director to whom concerns pertaining to the Group may be conveyed by the shareholders and the public. He has the role of supporting the Chairman and ensuring that all the Independent Directors have an opportunity to provide their views and comments on the affairs of the Group. All concerns relating to the Group can be conveyed to him via his email address at [afi.abdulkadir@gmail.com](mailto:afi.abdulkadir@gmail.com)

### DIRECTORSHIPS OUTSIDE THE GROUP

To maintain good corporate governance and to avoid potential conflict of interest, the Board has set procedures with respect to accepting appointments as directors outside the Group.

When a Director is appointed a director of another company outside the Group, the Director is expected to immediately disclose the same to the Company via the Company Secretary, whereupon the Board Nomination Committee will assess and determine whether the appointment would give rise to potential conflict of interest and to consider the nature of and time commitment of such appointment.

## BOARD MEETINGS AND SUPPLY OF INFORMATION

The Board meets on a regular and scheduled basis throughout the year. Additional meetings or special Board meetings are convened whenever necessary when there are urgent and important decisions to be made.

During the financial year ended 31 December 2015, the Board met 11 times, details of which are as shown below:

Name of Directors	Designation	Date of Appointment	Date of Resignation	Meeting Attendance	Percentage
Tan Sri Asmat bin Kamaludin	Chairman Non-Independent Non-Executive Director	2 May 2013	N/A	11/11	100%
Rohaizad bin Darus	President Non-Independent Executive Director	31 January 2012	N/A	11/11	100%
Datuk Syed Hisham bin Syed Wazir	Non-Independent Non-Executive Director	1 October 2010	30 September 2015	7/7	100%

## STATEMENT ON CORPORATE GOVERNANCE

Name of Directors	Designation	Date of Appointment	Date of Resignation	Meeting Attendance	Percentage
Badrul Feisal bin Abdul Rahim	Non-Independent Non-Executive Director	1 October 2015	N/A	4/4	100%
Dr. Leong Chik Weng	Non-Independent Non-Executive Director	21 April 2011	N/A	10/11	90%
Razalee bin Amin	Independent Non-Executive Director	2 May 2013	N/A	11/11	100%
Dato' Afifuddin bin Abdul Kadir	Independent Non-Executive Director	2 May 2013	N/A	10/11	90%
Cheah Tek Kuang	Independent Non-Executive Director	2 May 2013	N/A	10/11	90%
Dato' Ibrahim bin Marsidi	Independent Non-Executive Director	2 May 2013	N/A	11/11	100%
Fina Norhizah binti Hj Baharu Zaman	Independent Non-Executive Director	15 August 2013	N/A	11/11	100%

All the Directors have complied with the requirements of Bursa Malaysia in relation to attendance at Board meetings, in particular Paragraph 15.05(3) of the MMLR which states that the office of a Director will become vacant if the Director is absent for more than 50% of the total Board meetings held during a financial year.

At the start of the financial year, Board meetings and the various Board Committee meetings for the Group are planned and fixed for the whole year. The meetings calendar is circulated to all Board and Board Committees' members to enable members to plan ahead and ensure attendance at the respective meetings.

To effectively disseminate Board papers to the Directors, the agenda and Board papers, which contain relevant information to enable them to fully consider the agenda items are circulated electronically to the Directors. In 2015, an average of five calendar days was recorded for the distribution of Board papers save for Special Board Meetings for which shorter timeframe has been agreed with the Board. In order to maintain confidentiality, meeting papers on issues or corporate proposals which are deemed highly confidential would only be disclosed to Directors at the Board meeting itself.

At each scheduled Board meeting, the Board reviews the report from the President on the market outlook and progress of the business operations of the Group. The Board also reviews the report from the Chief Financial Officer on the financial performance of the Group.

The Risk Management and Insurance Division presents the Enterprise Risk Management report to the Board Investment & Risk Management Committee on a quarterly basis and as part of the Group's commitment to deliver sustainable value, the Board reviews and approves the key risks faced by the Group, the potential impact and likelihood of risks occurring, the effectiveness of existing controls and the risk action plans being taken to manage the risks to the desired levels, on half-yearly basis. The Board also assesses the Group's performance in quality, health, safety and environment compliance on a quarterly basis.

The recommendations and significant issues deliberated by the Board Audit Committee, Board Investment & Risk Management Committee, Board Nomination Committee, Board Remuneration Committee, Board Whistle-Blowing Committee are reported by the respective Chairman of the Committee to the Board for deliberation and approval. In addition, the minutes of these Board Committees are circulated and tabled to the Board for information.

Senior management and key personnel as well as professional and external advisors are from time to time invited to attend Board meetings to brief the Board and clarify issues on the subject matter concerned.

The Group has in place a system of follow-up, review and reporting of actions taken by the management on the decisions of the Board or the committees after each respective meeting.

#### COMPANY SECRETARY

The Company Secretary, as the Head of Legal & Secretarial Division, has legal qualifications and is qualified to act as Company Secretary under Section 139A of the Companies Act, 1965 ("CA, 1965"). The Board is supported by an experienced, competent and knowledgeable Company Secretary who works closely with the President and senior management to ensure effective information flow within the Board and the relevant Board Committees. The Company Secretary advises the Board in relation to the Company's Board Charter, Board Committees' Terms of Reference ("TOR"), Board procedures and compliance with the Code, legislations and relevant regulatory requirements.



## STATEMENT ON CORPORATE GOVERNANCE

The Company Secretary is responsible to ensure deliberations and resolutions of the Board and relevant Board Committees are accurately minuted and thereafter communicated to the relevant management for follow-up actions. The follow-up actions or progress of the Board or relevant Board Committees' recommendations or decisions are updated by the Company Secretary.

### APPOINTMENT OF DIRECTORS

The Board Nomination Committee ("NOMCOM") is responsible for identifying, evaluating and recommending to the Board, suitable candidates to fill board vacancies at the Company level as well as the Group. The NOMCOM considers the required mix of skills, experience and diversity, including gender, ethnicity and age, where appropriate. The NOMCOM, also consider the Director's qualifications, the Director's contributions to the Group and the overall composition of the Board with the goal of creating a balance of knowledge, experience and diversity aligned with the long-term interest of its shareholders. Nominations may come from a wide variety of sources, including Directors, senior employees of the Group, customers, shareholders, industry associations, recruiting firms and others.

The Company Secretary has the responsibility of ensuring that relevant procedures relating to the appointment of new Directors are properly executed.

Newly-appointed Directors are required to undergo familiarisation programmes and briefings to get a better understanding of the Group's operations and the overall industry as well as the relevant regulations and governance requirements.

### RE-ELECTION OF DIRECTORS

All Directors including the Executive Director are subject to retirement by rotation at least once in every three years and are eligible for re-election. In accordance with Article 107 of the Articles of Association of the Company, at least 1/3 of the Directors shall retire

from office at each annual general meeting, provided always that all Directors shall retire from office once at least in each three years as stipulated under Paragraph 7.26(2) of the MMLR. The retiring Directors being eligible for re-election, may offer themselves for re-election.

Any new Director appointed during the financial year to fill a casual vacancy or as an addition to the existing Directors shall only hold office until the next Annual General Meeting ("AGM") of the Company and shall then be eligible for re-election as stipulated under Article 113.

Directors who are over 70 years of age are required to submit themselves for retirement annually at the AGM and are eligible to be re-appointed by way of ordinary resolution passed at the said AGM in accordance with Section 129 of the CA, 1965.

At the forthcoming AGM of the Company, the following Directors will retire and are eligible for re-election:

1. Pursuant to Section 129 of the CA, 1965
  - Tan Sri Asmat bin Kamaludin
2. Pursuant to Article 107 of the Company's Articles of Association
  - Dr. Leong Chik Weng
  - Dato' Ibrahim bin Marsidi
3. Pursuant to Article 113 of the Company's Articles of Association
  - Badrul Feisal bin Abdul Rahim

The abovenamed Directors who are due for re-election at the forthcoming AGM on 17 May 2016, have been evaluated by the NOMCOM and approved by the Board. Further, the abovenamed Directors have met the Board's expectations and continued to perform in an exemplary manner as demonstrated by their contributions to the Board's deliberations.

### BOARD COMMITTEES

The Board has delegated some of its responsibilities to Board Committees.

The Board has established five Board Committees, namely the Board Audit Committee, Board Nomination Committee, Board Remuneration Committee, Board Investment & Risk Management Committee and the Board Whistle-Blowing Committee, (collectively referred to as "Board Committees"), the primary functions of which are to assist the Board in overseeing the affairs of the Group and these Board Committees have been entrusted with specific responsibilities and authority.

The authority and the functions of these Board Committees are clearly defined in their respective TOR, which are available on the Company's website at [www.umw-oilgas.com](http://www.umw-oilgas.com)

The abovementioned Board Committees are authorised to examine specific issues and report to the Board with their recommendations. The responsibility of decisions on all matters ultimately lies with the Board as a whole.

The Board receives regular reports on the respective Board Committees' proceedings and deliberations. On matters reserved for the Board and where Board Committees have no authority to make decisions, recommendations are highlighted in their respective reports for the Board's deliberation and endorsement.

Details of composition of the various Board Committees and a summary of the respective Board Committees' TOR are as follows:

### BOARD AUDIT COMMITTEE

The Board Audit Committee ("BAC") was established with the primary objective of assisting the Board in fulfilling its fiduciary responsibilities relating to corporate accounting, system of internal controls and risk management processes, and management and financial reporting practices of the Group.

Details on the report for the BAC can be found on pages 53 to 55 of the Annual Report.

## STATEMENT ON CORPORATE GOVERNANCE

### BOARD NOMINATION COMMITTEE

The Board Nomination Committee ("NOMCOM") is responsible for identifying, evaluating and recommending to the Board, suitable candidates to fill board vacancies at the Company level as well as within the Group. The NOMCOM is also responsible for the appointment, dismissal, transfer and promotion for senior-most executives in the Group (for job grade CSM-22 and above). Apart from assisting the Board

to carry out annual reviews on the mix of skills and experience and other qualities, including core competencies, which the Non-Executive Directors bring to the Board, the NOMCOM also carries out the process of evaluating the effectiveness of the Board as a whole, the performance and contribution of the Chairman and individual Directors, including Independent Non-Executive Directors, as well as the President of the Company, and identify areas for improvement.

Nominations may come from a wide variety of sources, including Directors, senior employees of the Group, customers, shareholders, industry associations, recruiting firms and others.

The NOMCOM is made up entirely of Non-Executive Directors, with the majority consisting of Independent Non-Executive Directors. The NOMCOM comprises three Independent Directors and one Non-Independent Director.

The NOMCOM met five times during the financial year.

The composition of the NOMCOM and the respective attendance record of meetings for the financial year ended 31 December 2015 are as follows:

Name of Directors	Designation	Date of Appointment	Date of Resignation	Meeting Attendance
Dato' Afifuddin bin Abdul Kadir	Chairman Independent Non-Executive Director	13 May 2013	N/A	5/5
Dr. Leong Chik Weng	Non-Independent Non-Executive Director	13 May 2013	N/A	5/5
Razalee bin Amin	Independent Non-Executive Director	13 May 2013	N/A	5/5
Fina Norhizah binti Hj Baharu Zaman	Independent Non-Executive Director	15 August 2013	N/A	4/5

### Functions

The functions of the NOMCOM are as follows:

- To identify and recommend to the Board, nominee(s) to fill in board positions for the Group, whether to be filled by board members, shareholders or executives. The NOMCOM also considers candidates for directorships proposed by the President and, within the bounds of practicability, by any other senior executive or any Director or shareholder.
- In addition to the above, the NOMCOM also evaluates and makes recommendations to the Board, pertaining to the following:
  - Directors to fill seats on Board Committees;
  - Review of the re-appointment of Non-Executive and Executive Directors retiring by rotation pursuant to the provisions of the Articles of Association of the Company and in respective compliance with the regulations of the MMLR of Bursa Malaysia;
  - Review the re-appointment of Non-Executive Directors at the conclusion of a specified term of office as recommended under the Code; and
  - Review the re-appointment of Non-Executive Directors upon attainment of the age of 70 years pursuant to Section 129 of the CA, 1965.
- To assist the Board in annually reviewing the required mix of skills, experience, core competencies, other qualities and diversity in terms of gender, ethnicity and age, which Non-Executive Directors should bring to the Board.
- To annually carry out the process for evaluating the effectiveness of the Board as a whole, the performance and contribution of the Chairman and individual Directors, including Independent Non-Executive Directors, as well as the President and to identify areas for improvement.

## STATEMENT ON CORPORATE GOVERNANCE

In reviewing the performance of the Board as a whole and the contributions of the Chairman and individual Directors, performance was assessed and measured against, amongst others, the Group's strategic plan, principal duties expected of the Board, the Chairman and individual Directors, available expertise, governance factors, commitment, knowledge of the industry and team contribution.

The NOMCOM oversees a formal evaluation process to assess the composition and performance of the Board, Board Committees, each individual Director and the President of the Company on an annual basis. The assessment is conducted to evaluate the Board, Board Committees, and individual members' effectiveness and to identify areas for improvement. As part of the process, each member completes a questionnaire. While results are aggregated and summarised for discussion purposes, individual responses are not attributed to any member and are kept confidential to ensure honest and candid feedback is received. The NOMCOM reports annually to the Board with its assessment. Directors will be nominated for re-election with due consideration of the result of such Director's performance.

The evaluation process takes into account whether:

- Adequate time has been allocated by Directors on matters pertaining to the Group's operations;
- Full consideration to succession planning has been given, taking into account challenges and opportunities facing the Group, and the skills and expertise needed on the Board in the future;
- Review of the structure, size and composition (including skills, knowledge, experience and diversity in terms of gender, ethnicity and age) of the Board has been undertaken and changes recommended, where necessary; and
- Review of the leadership needs of the Group, executive and non-executive, has been undertaken to ensure continued ability to compete effectively in the market place.

5. To review management's proposals for the appointment, dismissal, transfer and promotion of the senior-most executives in the Group (job grades CSM-22 and above).

### Selection Process

The following selection process applies:

1. Potential candidates are referred to the NOMCOM for consideration and recommendation to the Board.
2. The NOMCOM will determine appropriate means for seeking additional candidates, including engagement of outside consultants to assist the NOMCOM in the identification of candidates.
3. Shareholders who wish to suggest candidates should submit their suggestions in writing to the Chairman of the Board, NOMCOM, President or Company Secretary, providing relevant information about the candidates.
4. The NOMCOM shall decide on the appropriate means for the review and approval of individual candidates. In the event of a vacancy, the members of the NOMCOM shall initiate efforts to identify appropriate candidates.
5. In formulating its recommendation, the NOMCOM will consider not only the findings and conclusions of its evaluation process, but also the current composition of the Board, the attributes and qualifications that should be represented on the Board and whether the candidate can provide such additional attributes, capabilities or qualifications.

### Meetings, Quorum And Procedures

1. The NOMCOM shall comprise a minimum of four members, all of which shall be Non-Executive Directors of the Board.
2. The Chairman of the NOMCOM shall be appointed by the Board.

3. Meetings may be held as and when necessary. The quorum for each meeting shall be two members.
4. The NOMCOM may invite the President and/or any officers of the Group to attend meetings.
5. The NOMCOM will decide its own procedures and other administrative arrangements.

### Reports/Minutes

Minutes of each meeting are kept by the Company Secretary as evidence that the NOMCOM has discharged its functions.

The Chairman of NOMCOM reports to the Board after each meeting. The approved minutes of NOMCOM meetings are forwarded to Board members for information and significant issues are discussed at Board meetings.

### Summary of Activities

The NOMCOM carried out the following activities during the financial year ended 31 December 2015:

1. Reviewed and recommended the following for Board's approval:
  - Extension of contract of service for senior-most executive positions;
  - Directors retiring by rotation and re-election to the Board;
  - Appointment of Director to Board and Board Committees;
  - Appointment of Directors on the boards of companies outside the Group;
  - Appointment of Directors on the boards of companies within the Group;
  - Appointment of Company Secretary;
  - Annual assessment and review of effectiveness of Board, Board Committees, individual Director and the President;

## STATEMENT ON CORPORATE GOVERNANCE

- Setting Key Performance Indicators (“KPIs”) for the President;
  - Assessment of the performance of the President;
  - Proposal on the amendments to the TOR of the NOMCOM in line with the amendments to the Listing Requirements; and
  - Proposal on Revised Questionnaires on Board Evaluation for UMW-OG Board and Board Committees, Board (self and peer assessment) and President.
2. Conducted an assessment of the effectiveness of the Board as a whole, Board Committees and the contributions of individual Directors including the President and recommended improvement plan, where applicable.

### BOARD REMUNERATION COMMITTEE

The Board Remuneration Committee (“REMCOM”) on the other hand is responsible for developing the Group’s remuneration policy framework and recommending the remuneration package of Directors and members of the senior management to the Board.

The REMCOM met twice during the financial year.

The composition of the REMCOM and the respective attendance record of meetings for the financial year ended 31 December 2015 are as follows:

Name of Directors	Designation	Date of Appointment	Date of Resignation	Meeting Attendance
Dr. Leong Chik Weng	Chairman Non-Independent Non-Executive Director	13 May 2013	N/A	2/2
Dato’ Afifuddin bin Abdul Kadir	Independent Non-Executive Director	13 May 2013	N/A	2/2
Cheah Tek Kuang	Independent Non-Executive Director	13 May 2013	N/A	2/2
Dato’ Ibrahim bin Marsidi	Independent Non-Executive Director	13 May 2013	N/A	2/2

### Functions

The REMCOM’s primary functions include:

1. To review and recommend to the Board, the remuneration of the President/Executive Director and all senior-most executive personnel of the Group (for job grade CSM-22 and above), including the extension of service and compensation and benefits package of senior-most executive personnel of the Group (for job grade CSM-22 and above) who have attained the retirement age of 60 years.
  2. To recommend to the Board after reviewing management’s proposals on the following:
    - framework of remuneration for Directors, covering fees, allowances and benefits-in-kind for their work as Directors of Board and Board Committees;
    - overall annual salary increment guidelines/limits for employees within the Group;
    - annual bonus/guidelines/limits for employees within the Group; and
- remuneration, benefits and other terms and conditions of employment, which have to be introduced as part of the Group’s overall human resource development plan which includes matters such as pegging the employees’ salaries in line with industry standards and major changes in benefits package.



## STATEMENT ON CORPORATE GOVERNANCE

**Meetings, Quorum And Procedures**

1. Meetings may be held as and when necessary.
2. The quorum for each meeting is two.
3. The REMCOM may invite the President and/or the officers of the Group to attend meetings.
4. The REMCOM will decide its own procedures and other administrative arrangements.

**Reports/Minutes**

Minutes of each meeting are kept by the Company Secretary as evidence that the REMCOM has discharged its functions.

The Chairman of the REMCOM reports to the Board after each meeting. The approved minutes of REMCOM meetings are forwarded to the Board for information and significant issues are discussed at Board meetings.

**Directors' Remuneration**

The Board as a whole, upon the recommendation of the REMCOM determines the remuneration package and reward structure of the Executive Director and Non-Executive Directors. Directors do not participate in any discussions or decisions concerning each individual's remuneration.

In the case of the President/Executive Director, the remuneration is structured to link rewards to corporate and individual performance through KPIs comprising fixed and performance-based rewards. The remuneration of the President/Executive Director includes salary and emoluments, bonus and benefits-in-kind.

The level of remuneration of the Non-Executive Directors reflects the experience and level of responsibilities undertaken by the Director concerned. The Non-Executive Directors are paid annual fees and attendance allowances (in accordance with the number of meetings attended).

In addition, the Non-Executive Directors are also provided with benefits-in-kind.

Non-Executive Directors' fees are determined by a fixed sum and approved through an ordinary resolution in a general meeting. Unless such amount so fixed is subsequently varied by an ordinary resolution, such amount shall be applicable for all calendar years subsequent to the passing of the ordinary resolution approving the determination of such amount. Where already determined, such Directors' fees will not be increased except by an ordinary resolution in a general meeting.

The REMCOM carries out reviews when appropriate and refers to remuneration surveys and consultants to assist in determining the appropriate level of reward, which is competitive and consistent with the corporate objectives. This is necessary in order to attract and retain professionals with the qualities needed to manage the Group successfully.

Details of the total remuneration of the Directors of UMW-OG for the financial year ended 31 December 2015 are as follows:

Remuneration	Number of Directors		
	Executive	Non-Executive	Total
Range of Total Remuneration (RM)			
100,001 – 150,000	–	6	6
300,001 – 350,000	–	1	1
1,600,001 – 1,650,000	1	–	1
<b>Total</b>	<b>1</b>	<b>7</b>	<b>8</b>

*Note: Badrul Feisal bin Abdul Rahim, a nominee director of UMW Holdings Berhad, appointed to the Board on 1 October 2015, did not receive any remuneration from the Company during the financial year ended 31 December 2015.*

**Indemnification of Directors and Officers**

Directors and Officers are indemnified under a Directors' and Officers' Liability Insurance, up to RM100 million for any one claim in aggregate, against any liability incurred by them in discharging their duties while holding office as Directors and Officers of the Company. However, the insurance does not provide coverage where there is negligence, default, breach of duty or breach of trust proven against the Directors or Officers.

**BOARD INVESTMENT & RISK MANAGEMENT COMMITTEE**

The Board Investment & Risk Management Committee ("IRMC") is responsible for reviewing project feasibility and financials in detail with management and shall support the Board in the review, evaluation and recommendation on matters pertaining to Investment/Divestment, Risk Management, and Quality, Health, Safety and Environment.

## STATEMENT ON CORPORATE GOVERNANCE

The composition of the IRMC is as follows:

Name of Directors	Designation	Date of Appointment	Date of Resignation	Meeting Attendance
Dr. Leong Chik Weng	Chairman Non-Independent Non-Executive Director	6 December 2013	N/A	7/7
Datuk Syed Hisham bin Syed Wazir	Non-Independent Non-Executive Director	6 December 2013	30 September 2015	3/4
Badrul Feisal bin Abdul Rahim	Non-Independent Non-Executive Director	1 October 2015	N/A	3/3
Cheah Tek Kuang	Independent Non-Executive Director	6 December 2013	N/A	6/7
Dato' Ibrahim bin Marsidi	Independent Non-Executive Director	6 December 2013	N/A	7/7
Fina Norhizah binti Hj Baharu Zaman	Independent Non-Executive Director	6 December 2013	N/A	7/7
Rohaizad bin Darus	President Non-Independent Executive Director	6 December 2013	N/A	7/7

### Functions

The IRMC's scope of responsibilities are as follows:

- i. Reviewing project feasibility and financials in detail with management prior to submission to the Board for approval;
- ii. Assisting the Board in monitoring the performance of projects against original targets; and
- iii. Reviewing possible risk factors affecting projects and recommending measures to mitigate such risks;

but excludes the following:

- a. Signing of Memorandum of Understanding, Letter of Intent, and any other agreements which have no financial or legal impact contractually; and
- b. Any project feasibility studies.

Clarity of matters which are/which are not under the IRMC's jurisdiction are as follows:

- Capital expenditures approval, other than acquisition of drilling rigs (of any kind) and workover units (of any kind) shall NOT fall under the purview of the IRMC;
- Request for inter-company advances for working capital – requests made by 100% subsidiaries need not go through the IRMC. However, approval on requests by joint venture/non-controlling companies must be obtained at a physical IRMC meeting;
- Financing facilities – to approve issuance of Letter of Comfort, Letter of Indemnity or undertaking of new loans for the amount from US\$10 million up to US\$50 million;
- Release of Profit Guarantee – all Profit Guarantees can only be released with the prior approval of the IRMC; and
- Variations to the original investment – any variation to original intention of investment or shareholders' agreement will require IRMC's approval.

### Meetings, Quorum And Procedures

1. The IRMC shall meet on a need basis, subject to a minimum of once every quarter.
2. The quorum for each meeting shall be as follows:
  - i. For all matters with transaction value of less than US\$25 million, the quorum shall be any three members who are Non-Executive Directors; and
  - ii. For all matters with a transaction value of US\$25 million and more, the quorum shall be all members of the IRMC.
3. The Chairman shall be elected from amongst the members of the IRMC. In the absence of the Chairman, any Non-Executive Director/member of the IRMC present, may elect someone from amongst themselves to chair the meeting.
4. The Company Secretary shall be the Secretary of the IRMC.

## STATEMENT ON CORPORATE GOVERNANCE

**Reports/Minutes**

Minutes of the IRMC meetings are kept by the Company Secretary as evidence that the IRMC has discharged its functions. The approved minutes of IRMC meetings are forwarded to the Board members for information and significant issues are discussed at Board meetings.

The full text of the TOR for the IRMC is available on the Company's website at [www.umw-oilgas.com](http://www.umw-oilgas.com)

**BOARD WHISTLE-BLOWING COMMITTEE**

The Board Whistle-Blowing Committee ("WBC") was established on 21 July 2014 and the primary objectives of the WBC include:

1. reviewing, investigating and disposing complaints (in consultation with the Chairman of the Board and the President) received against any member of the Board of the Group, senior-most executive personnel

of the Group (holding job grade 20 and above) and all Heads of Divisions and Heads of Strategic Business Units (irrespective of their job-grade).

2. Reviewing and disposing all complaints received against all other employees of the Group, upon receiving recommendation or report from the Management Whistle-Blowing Committee ("WMC").

The WBC met twice during the financial year.

The composition of the WBC is as follows:

Name of Directors	Designation	Date of Appointment	Date of Resignation	Meeting Attendance
Fina Norhizah binti Hj Baharu Zaman	Chairman Independent Non-Executive Director	21 July 2014	N/A	2/2
Datuk Syed Hisham bin Syed Wazir	Non-Independent Non-Executive Director	21 July 2014	30 September 2015	N/A
Badrul Feisal bin Abdul Rahim	Non-Independent Non-Executive Director	1 October 2015	N/A	1/1
Razalee bin Amin	Independent Non-Executive Director	21 July 2014	N/A	2/2
Dato' Afifuddin bin Abdul Kadir	Independent Non-Executive Director	21 July 2014	N/A	2/2

**Functions**

The WBC shall have authority to:

1. Carry out its duties and responsibilities as guided by the Whistle-Blowing Policy and General Guidelines of the Group;
2. Seek, obtain and access any information it requires from any employee of the Group in order to perform its duties;
3. Obtain external legal or professional advice on any matter within its TOR;

4. Call any employee to be questioned at a meeting of the WBC as and when required; and

5. To lodge reports on its own or to authorise the Investigating Officer or any member of the WMC to lodge reports with the relevant authorities.

Where it involves matters relating to complaints against any member of the Board of the Group, senior-most executive employees of the Group (holding job grade 20 and above) and all Heads of Divisions and Heads of Strategic Business Units (irrespective of their job-grade), the WBC shall act and dispose of the investigation, in consultation with the Chairman of the Board and the President of the Company.

**Meetings, Quorum and Procedures**

1. The Chairman of the WBC shall call for a meeting as and when necessary.
2. The WBC shall be appointed by the Board from amongst its Directors and shall comprise no fewer than three members, all of whom must be Non-Executive Directors, with a majority of them being Independent Directors.
3. The quorum for the WBC shall be a majority of the members of the WBC. Each member of the WBC is entitled to one vote on all matters deliberated at the meeting. In case of an equality of votes, the Chairman of the WBC shall be entitled to a second or casting vote.

## STATEMENT ON CORPORATE GOVERNANCE

**WHISTLE-BLOWING POLICY**

In promoting the highest level of professionalism and ethics in the conduct of the Group's businesses, it is the Group's policy to welcome disclosures of suspected wrongdoings that include mismanagement, malpractices, corrupt practices, fraud, conflict of interest, abuse of authority or breach of any laws and regulations by any member of its staff and management.

The Group encourages employees to disclose genuine concerns on any suspected wrongdoings. He may elect to make disclosures to any of the management representatives who have been appointed as the Group's listening posts while at the same time ensuring the whistleblowers that they will be protected and that they will not be at risk from any form of retribution.

The Whistle-Blowing Policy which was approved by the Board on 19 May 2014, provides employees with an accessible avenue to report wrongdoings at the earliest opportunity, in an appropriate manner and without fear of reprisal.

**DIRECTORS' TRAINING**

All Directors, including newly-appointed Director, have successfully completed the Mandatory Accreditation Programme ("MAP") conducted by Bursatra Sdn. Bhd. as required by Bursa Malaysia.

In addition to the MAP, the Directors are also encouraged to attend training programmes conducted by highly competent professionals which are relevant to the Group's operations and business. The Company, generally, and the Directors specifically continue to

identify and attend appropriate seminars and courses to keep abreast of changes in legislation and regulations affecting the Group.

Members of the Board have attended various training programmes, seminars and luncheon talks in areas of operations, governance, leadership, financial, legal and other programmes organised internally and externally.

The Company Secretary facilitates and organises internal training and coordinates Directors' attendance of external seminars and programmes. The records of the trainings received by the Directors are kept by the Legal & Secretarial Division.

Particulars of training programmes attended by the Directors as at 31 December 2015 are as follows:

Director	Training Programme Attended	Organiser
<b>Tan Sri Asmat bin Kamaludin</b>	Briefing Sessions on Annual Report 2014 and Financial Stability & Payment Systems Report 2014	Bank Negara Malaysia
	Predicting Financial Crime - Detection, Prevention & Remediation	Permodalan Nasional Berhad ("PNB") & PNB Investment Institute Sdn. Berhad ("PNBi")
	Seminar Kelestarian Integriti	Institut Integriti Malaysia
	Light and Shadow in the Boardroom: Reflections on Board Evaluation and Development	PNB
	Money Laundering and Its Impact on Investment Companies	PNB
	Securities Commission's Guidelines on Prevention of Money Laundering and Terrorism Financing for Capital Market Intermediaries	PNB
	Customised Advocacy Session for UMW Group of Companies	Bursa Malaysia Berhad
	Customised Training for Directors of UMW-OG	Norton Rose Fullbright
<b>Badrul Feisal bin Abdul Rahim</b>	Customised Advocacy Session for UMW Group of Companies	Bursa Malaysia Berhad
	Mandatory Accreditation Programme for Directors of Public Listed Companies (attended in January 2016)	Bursatra Sdn. Bhd.
<b>Dr. Leong Chik Weng</b>	Tax Information for Directors and Asia Pacific Biologics Market Overview	Chemical Company of Malaysia Berhad
	Customised Advocacy Session for UMW Group of Companies	Bursa Malaysia Berhad
	6 <sup>th</sup> Annual Emerging Markets Leadership Forum	Credit Suisse & Qatar Investment Authority



## STATEMENT ON CORPORATE GOVERNANCE

Director	Training Programme Attended	Organiser
<b>Razalee bin Amin</b>	Board Chairman Series Part 2: Leadership Excellence from the Chair	Bursa Malaysia Berhad
	Corporate Governance Breakfast Series With Directors: Future of Auditor Reporting - The Game Changer for Boardroom	Bursa Malaysia Berhad
	Board Chairman Series: Tone from the Chair and Establishing Boundaries	Bursa Malaysia Berhad
	Customised Training for Directors of UMW-OG	Norton Rose Fullbright
<b>Dato' Afifuddin bin Abdul Kadir</b>	Key Factors of Goods and Services Tax ("GST"), its implementation and Transfer Pricing	Lion Group Berhad
	Lead the Change Event: Getting Women on Boards	PEMANDU & Bursa Malaysia Berhad
	Post Workshop Discussion for Audit Committee: Risk Management and Internal Control	Bursa Malaysia Berhad
	Customised Advocacy Session for UMW Group of Companies	Bursa Malaysia Berhad
	Customised Training for Directors of UMW-OG	Norton Rose Fullbright
	Risk Management and Internal Audit	Pelikan International Corporation Berhad (PICB) & MAZARS
<b>Cheah Tek Kuang</b>	Audit Committee Conference 2015	Malaysian Institute of Accountants/The Institute of Internal Auditors Malaysia
	Audit Oversight Board Conversation with Audit Committees	Securities Commission Malaysia
	Light & Shadow in the Boardroom: Reflections on Board Evaluation and Development	Yayasan Tun Ismail Public Lecture Series 2015
	Impact of the New Accounting Standard on Banks – "What Directors should be aware of"	FIDE Forum
	Invest Malaysia 2015	Bursa Malaysia Berhad
	Industry Consultation Session – 2015 Non-Executive Directors' Remuneration Study	FIDE Forum
	Corporate Governance Breakfast Series with Directors on "The Board's Response in Light of Rising Shareholders' Engagements"	ICLIF
	Khazanah Nasional Berhad Megatrends Forum 2015	Khazanah Nasional Berhad
	Capital Market Directors Programme (CMDP) Module 1: Directors as Gatekeepers of Market Participants	Securities Commission Malaysia
	Securities Commission - Capital Market Directors Programme (CMDP) Module 4: Current and Emerging Regulatory Issues in the Capital Market	Securities Commission Malaysia
	Customised Advocacy Session for UMW Group of Companies	Bursa Malaysia Berhad
	Customised Training for Directors of UMW-OG	Norton Rose Fullbright
	Anti-Money Laundering (AML) Training for Directors	Danajamin Nasional Berhad
	Seminar on Trans-Pacific Partnership Agreement (TPPA) 2015	Federation of Public Listed Companies Berhad
	Capital Market Directors Programme (CMDP) Module 3: Risk oversight and compliance - Action plan for Board of Directors	Securities Commission Malaysia

## STATEMENT ON CORPORATE GOVERNANCE

Director	Training Programme Attended	Organiser
<b>Dato' Ibrahim bin Marsidi</b>	Second National GST Conference	Intelligence Business Global Networks (IBN)
	Manage And Mitigate Risks: Is Your Accounting System Ready For GST	IBN
	BTP: Digital Transformation	Telekom Malaysia Berhad
	BTP: Productivity and Simplification	Telekom Malaysia Berhad
	A talk on Customer Experience Transformation Journey: Human Centered Design by Christina Taylor, Head of Human Centered Design, Swisscom	Telekom Malaysia Berhad
	GLC Transformation 2015 Open Day: Forum 3 on Value Creation	UMW Holdings Berhad & Khazanah Nasional Berhad
	Visit from YB Senator Dato' Sri Abdul Wahid Omar: Dialogue with Telekom Malaysia Berhad	Telekom Malaysia & Prime Minister's Department
	Governance, Director Duties and Listing Requirements Updates for Directors of PLCs 2015	Federation of Public Listed Companies Berhad
	Customised Training for Directors of UMW-OG	Norton Rose Fullbright
<b>Fina Norhizah binti Hj Baharu Zaman</b>	Qualified Risk Director Program: Brown Belt Qualified Risk Director Program: Green Belt	Institute of Enterprise Risk Practitioners (IERP)
	International Directors Summit 2015: "Inculcating Innovation, Catalysing Growth Through Public-Private Partnership"	Malaysian Directors Academy
	Qualified Risk Director Program: Black Belt	Institute of Enterprise Risk Practitioners (IERP)
	Lead The Change: Getting Women on Boards	PEMANDU
	Board Chairman Series Part 2: Leadership Excellence from the Chair	Bursa Malaysia Berhad
	Customised Training for Directors of UMW-OG	Norton Rose Fullbright
<b>Rohaizad bin Darus</b>	CAP 10 ASEAN CEO Summit	Bursa Malaysia Berhad
	Invest Malaysia 2015	Bursa Malaysia Berhad
	Customised Advocacy Session for UMW Group of Companies	Bursa Malaysia Berhad
	Customised Training for Directors of UMW-OG	Norton Rose Fullbright

## FINANCIAL REPORTING

The Board is committed to providing a balanced, clear and meaningful assessment of the financial performance and prospects of the Group to shareholders, the investor community and the regulatory authorities. Shareholders and other stakeholders are kept abreast of the Group's performance through the timely announcement of the quarterly financial results and, uploaded on the Company's website.

The BAC assists the Board to oversee the financial reporting processes and the quality of its financial reporting. Quarterly financial results and annual financial statements are reviewed by the BAC to ensure adequacy and completeness of information prior to the Board's approval.

For the financial year under review, the President and the Chief Financial Officer have provided assurance to the Board that the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the operations and finances and that an effective risk management and internal control system have been put in place.

## DIRECTORS' RESPONSIBILITY STATEMENT

The Board is required by the CA, 1965, to ensure that financial statements prepared for each financial year have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of the results and cashflows of the Company and the Group for the financial year.

## STATEMENT ON CORPORATE GOVERNANCE

The Board is responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy, the financial position of the Company and the Group and that the financial statements comply with the CA, 1965.

In preparing the financial statements the Board has:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Ensured that all applicable accounting standards have been followed; and
- Prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group has adequate resources to continue in operations for the foreseeable future.

### INTERNAL CONTROLS

The Board acknowledges its overall responsibility for maintaining a system of internal controls that provides assurance of effective and efficient operations and compliance with laws and regulations and also its internal procedures and guidelines. BAC reviews the effectiveness of the system of internal controls, which covers financial, operational and compliance controls, and also risk management.

In addition, the Board recognises that an internal control system can only provide reasonable and not absolute assurance against material misstatement, frauds or loss, and is designed to manage rather than eliminate the risk of failure to achieve the financial reporting objectives. The Board is cognisant of the importance of internal audit, and the Company has during 2015 planned and, supported by the internal audit function of its parent company, Group Internal Audit Division ("GIAD"), carried out internal audit activities, concluding with a report with specific recommendations for further improvements to be implemented for deliberation of BAC and thereafter the Board. The Head of GIAD attends all meetings of the BAC who presents directly the progress of the internal audit and the said report.

Details of the Company's internal control system and framework are set out in the Statement on Risk Management & Internal Control on pages 48 to 52 of this Annual Report.

### RELATIONSHIP WITH AUDITORS

BAC maintains an appropriate transparent relationship with both the external auditors and internal auditors. The BAC undertakes an assessment of the suitability and independence of the external auditors.

The external auditors are invited to attend BAC meetings and present their audit findings when the Company's annual financial results are considered. The BAC meets with the external auditors twice a year without the presence of the President/Executive Director and management.

Services provided by the external auditors include statutory audit and non-audit services. The terms of engagement for services of the external auditors are reviewed by the BAC and approved by the Board.

### DIALOGUE BETWEEN THE COMPANY AND SHAREHOLDERS/INVESTORS

The Board recognises the importance of strengthening the relationship between the Group and its shareholders and maintaining dialogue with investors to disseminate the Group's performance.

The Group has in place Corporate Disclosure Policy that provides a framework of reference of Corporate Disclosure processes and procedures, ensuring the adoption of consistent disclosure practices throughout the Group.

The Board and management of the Group maintain effective and timely communications with its shareholders and stakeholders through the following channels, mediums and/or meetings:

#### 1. Bursa Malaysia Securities Berhad Announcements

The Board ensures timely announcements of financial results and corporate developments are made to Bursa Malaysia.

#### 2. Analyst Briefing and/or Press Conference or Release

Analyst briefing was held on 24 February 2015 after the full year financial results for the financial year ended 31 December 2014 was released to Bursa Malaysia. Press conference was held after the 5<sup>th</sup> AGM on 19 May 2015, followed by a press release on the AGM. Chaired by the President, these briefings provided avenues to keep the investors informed of the various activities and initiatives undertaken by the Group and to provide clearer understanding of the Group's financial and operational performance.

#### 3. One-on-One Meetings

The Group aims to communicate fully with fund managers, investors and analysts upon request. One-on-one meetings with analysts and fund managers are held to provide updates on the Group's strategy and financial performance.

#### 4. Website for the Group

The Group has a website [www.umw-oilgas.com](http://www.umw-oilgas.com) which provides information on the Group for all shareholders and the general public. The Group's website stores annual reports, press releases, analyst briefings presentation slides, financial and corporate information such as quarterly announcements of the financial results of the Group, disclosures and announcements made on the Group.

#### 5. Contact for Investor Relations matters

Name : Chew Eng Hong  
Designation : Head, Corporate Development & Sustainability

Contact Details: +603-2096 8788  
[chew.eng.hong@umw-oilgas.com](mailto:chew.eng.hong@umw-oilgas.com)

#### 6. Annual Report

The Annual Report is an important medium of information to the shareholders where comprehensive information on the Group's financials, operations and activities is contained. The contents of the Annual Report is consistently enhanced to reflect transparency and accountability in line with the best corporate governance practices.

## STATEMENT ON CORPORATE GOVERNANCE

In accordance with Bursa Malaysia's MMLR and the Articles of Association of the Company, the notice of AGM together with the Annual Report are sent to the shareholders at least 21 days prior to the date of the meeting. All shareholders of the Company will receive the Annual Report of the Company and notice of AGM within the mandatory period. The Group distributes its Annual Report to its shareholders in abridged version together with a CD ROM. Full version of the Annual Report together with the notice of AGM are available in the Group's website. Upon request, full version of the Annual Report is distributed to the shareholders.

### 7. Annual General Meeting

The Company's 6<sup>th</sup> Annual General Meeting will be held on Tuesday, 17 May 2016 at 10.00 am.

The AGM is the main forum for communication and dialogue with the shareholders. At the AGM, the Chairman through his opening statement provides an overview of the industry outlook and a concise review of the Group's performance and followed by the President's comprehensive review of the Group's financial performance. The Chairman highlights administrative matters including the procedures for demand for a poll before proceeding with the business of the AGM.

Shareholders are encouraged to actively participate and interact through the 'questions and answers' session where they are accorded both opportunity and the time to raise questions on the Group's performance, future growth prospects and strategies and other matters on the agenda during the meeting. The Board and members of the senior management as well as the external auditors are on hand to provide explanations to any queries raised by the shareholders. A comprehensive report on the Group's operations and financial performance is made at every AGM. In addition, queries by Minority Shareholder Watchdog Group ('MSWG') raised prior to the AGM and the Company's responses are shared during the AGM.

The minutes of the AGM are made available on the Group's website.

### DIVERSITY

The Group does not practice gender nor age or ethnicity discrimination, neither at the management level nor at the Board level. There is already women representation on the Company's Board as well as on management and the Boards of subsidiary companies. The wide spectrum of skills, experiences and diversity in terms of gender, ethnicity and age has given an added strength in terms of leadership and management.

### CODE OF BUSINESS CONDUCT AND ETHICS

The Company has in place a Code of Business Conduct and Ethics. This code consists of established specific rules and regulations to govern the conduct of its employees relating to his/her employment. Employees are expected to obey all laws in conducting business and to always act with honesty, integrity, loyalty, trustworthiness, fairness and responsibility.

Such code may be modified, added to, substituted for or otherwise amended from time to time as the Board deems fit. Infringement of this code may lead to disciplinary action.

### COMPLIANCE STATEMENT

The Board has deliberated, reviewed and approved this Statement on Corporate Governance. The Board is satisfied that the Group has fulfilled its obligations under the Code, the relevant chapters of the MMLR of Bursa Malaysia on corporate governance and applicable laws and regulations.

This Statement on Corporate Governance is made in accordance with the resolution of the Board duly passed on 28 March 2016.



# STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

FOR THE YEAR ENDED 31 DECEMBER 2015

## INTRODUCTION

Pursuant to the Main Market Listing Requirements ("MMLR") of the Bursa Malaysia Securities Berhad ("Bursa Malaysia") and the requirements of the Malaysian Code on Corporate Governance 2012, the Board of Directors ("Board") is committed to maintaining sound systems of risk management and internal control in UMW-OG and its subsidiaries ("Group") to manage risks and to report on internal controls and regulatory compliance so as to safeguard shareholders' investment and the Group's assets.

Set out below is the Board's Statement on Risk Management & Internal Control for the financial year ended 31 December 2015 which was prepared in accordance with the Statement on Risk Management & Internal Control - Guidelines for Directors of Listed Issuers ("Guidelines") issued by Bursa Malaysia pursuant to Paragraph 15.26(b) of the MMLR. This Statement outlines the nature and scope of risk management and internal control of the Group and covers all of the Group's operations except for associated company.

## RESPONSIBILITY

The Board recognises the importance of establishing and maintaining sound systems of risk management and internal control in the Group and as such, affirmed their commitment and responsibility for the Group's risk management and internal control systems covering not only financial controls but also operational, organisational and compliance controls, and for reviewing the adequacy and integrity of these systems.

The Board has delegated the responsibility of overseeing and reviewing the effectiveness of the Group's Enterprise Risk Management ("ERM") to the Board Investment & Risk Management Committee ("IRMC"). The IRMC provides half yearly report to the Board on ERM. In addition, the Board Audit Committee ("BAC") assists the Board in discharging its responsibilities relating to system of internal controls and risk management processes. The Chairman of the BAC reports to the Board after each meeting. The approved minutes of BAC meetings are forwarded to Board members for information and significant issues are discussed at board of directors meetings.

Whilst the Board has overall responsibility for the Group's risk management and internal control systems, it has delegated the implementation of these systems to the management who regularly reports on risks identified and action or steps taken to mitigate and/or minimise the risks. Both the Management Audit Committee and the Risk Management Committee, comprising of senior management staff, report to the BAC and the IRMC, respectively on a quarterly basis.

The Group's risk management and internal control systems are designed to meet the Group's particular needs, to efficiently and effectively manage risks that may impede the achievement of the Group's business objectives, provide information for accurate reporting and ensure compliances with regulatory and statutory requirements. The processes for the identification, evaluation, monitoring and managing of significant risks that may materially affect the Group's business objectives had been in place throughout

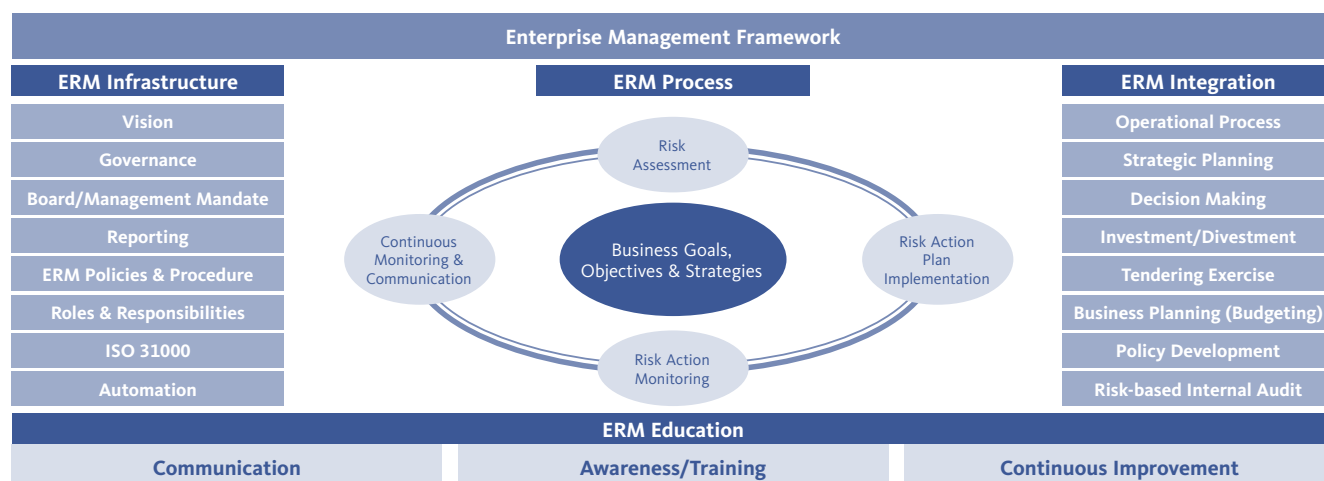
the financial year under review and were regularly appraised by the Board.

However, in view of the limitations inherent in any system, it should be appreciated that these systems are designed to manage and reduce, rather than eliminate, the risk identified to acceptable levels of failure to achieve the Group's business and corporate objectives. These systems can therefore only provide reasonable and not absolute assurance against material misstatement, fraud or loss. The Group's concept of reasonable assurance also recognises that the cost of control procedures should not exceed the expected benefits.

## RISK MANAGEMENT

The Group has established an Enterprise Risk Management ("ERM") Framework to proactively identify, evaluate and manage key risks to an optimal level. In line with the Group's commitment to deliver sustainable value, this framework aims to provide an integrated and organised approach entity-wide.

It outlines the ERM methodology which is in line with the Principles and Guidelines of ISO31000: Risk Management-Principles & Guidelines, mainly promoting risks ownership and continuous monitoring of key risks identified. The Group's ERM Framework is summarised in the diagram below:



## STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

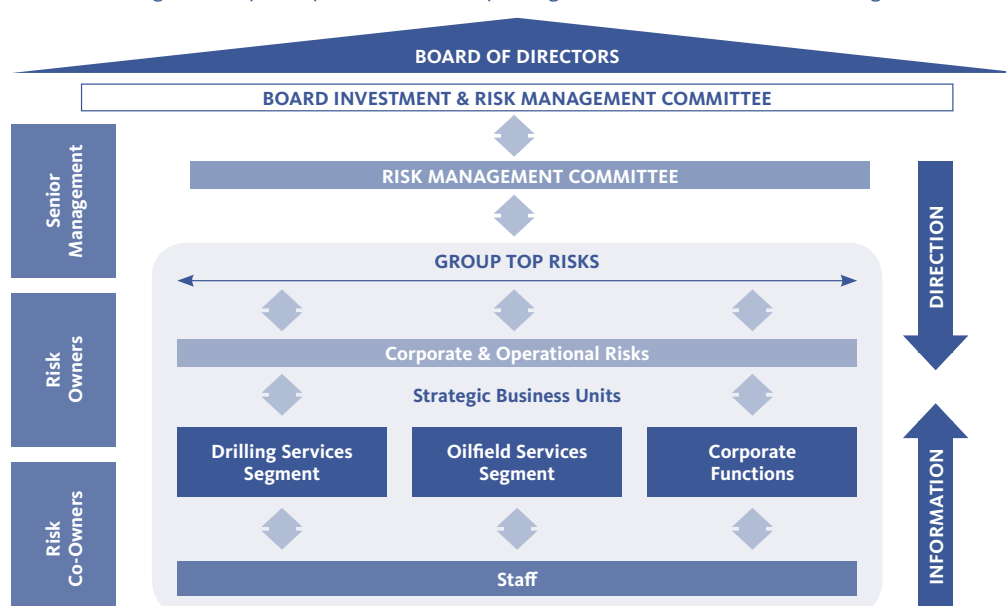
### FOR THE YEAR ENDED 31 DECEMBER 2015

#### Risk Management Oversight

The oversight role of risk management is carried out by the Board and IRMC. Mandate and commitment from the Board and IRMC are key contributors to the success factors in the implementation of the ERM programmes. The Board and IRMC play a crucial role in risk oversight and set the strategic direction for risk roles, responsibilities and risk reporting structures. The periodic reporting to both the Board and IRMC on risk management activities by management via the Risk Management Committee ("RMC") keeps the Board and IRMC apprised and advised on all aspects of ERM and significant individual risks and risk trends.

In addition to the reporting requirements to the IRMC and the Board, the RMC has specific responsibilities that include, but are not limited to, formulating and implementing ERM mechanism to accomplish requirements of ERM policy and articulate and challenge risk ratings.

The levels of Board and management's participation and the reporting structure are shown in the diagram below:



The RMC is assisted by Risk Management and Insurance Department ("RMID") whose primary role includes, but not limited to, ensuring effective implementation of risks management and business continuity management framework, programmes and education across the Group, providing independent and objective assessment on risks as well as timely reporting to the RMC, IRMC and the Board.

#### Risk Management Policies

The policies of the Board for risks management are:

- To integrate risks management into the culture, business activities and decision-making processes;
- To anticipate and respond to the changing operational, social, environmental and regulatory requirements proactively;
- To manage risks pragmatically, to an acceptable level given the particular circumstances of each situation;

- To include a detailed risk assessment report in all Board papers relating to strategy, key project approval, significant action or investment for Board's deliberation and consideration; and
- To implement a robust and sustainable risk management framework that is aligned with the Group's vision and mission and in accordance with best practices.

#### Risk Management Process

The Group's ERM Framework has a structured process for Operating Companies and Corporate Divisions to identify, analyse, evaluate, treat, communicate and monitor their risks. The risks are identified based on the Group's goals and objectives and assessed against the Group Risk Parameters. Each risk identified will be reassessed and monitored on an ongoing basis to ensure its relevance and appropriate risk action plans are taken to manage the risks. A risk escalation procedure has also been established to escalate significant

changes in risks or emerging risks for management's actions.

#### Management of Strategic and Operational Risks

The context within which the Group manages its risks and key focus of accountability is as follows:

- Strategic risks** are risks primarily caused by events that are external to the Group, but have a significant impact on its strategic decisions or activities such as fluctuation of global oil price. Accountability for managing strategic risks therefore rests with the Board and the President. The benefit of effectively managing strategic risks is that the Group can better forecast and quickly adapt to the changing demands that are placed upon the Group. It also means that the Group is able to react more timely to some external event that calls for significant change.

## STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

### FOR THE YEAR ENDED 31 DECEMBER 2015

- b. **Operational risks** are inherent in the ongoing activities within the different Strategic Business Units ("SBU") of the Group. Typically, some of the risks cover foreign exchange, compliance, competency, technology, etc. Senior management needs ongoing assurance that operational risks are identified and managed. Accountability for managing operational risks rests specifically with the Heads of SBUs, operating companies and divisions.

#### Risk Reporting

The Group's ERM Framework provides for regular review and reporting. The ERM reports include information on risk profiles, risk action plans ("RAPs") and status updates. During the year under review, these reports were presented and deliberated four times by the RMC, four times by IRMC and two times by the Board.

#### Risk Management Activities

As part of the Group's effort to instil a proactive risk management culture and ownership, the following activities were undertaken during the year under review:

- a. Rolled out a comprehensive ERM Education Programme which included ERM awareness sessions, training and coaching for operating companies and corporate divisions as well as newly-appointed employees. This is part of the Group's effort to communicate and ensure continuous application of ERM in day-to-day business operations.
- b. A total of 16 ERM awareness sessions were conducted for all employees, both for operating companies and corporate divisions.
- c. Held discussions with Heads of operating companies and corporate divisions to obtain endorsement of their key risks.
- d. Provided risk advisory and independent assessment as well as facilitated 44 risk assessment workshops across the Group.
- e. Refinement of the risk register template for purposes of risk registration and monitoring.
- f. Established Business Continuity Management ("BCM") Framework, conducted BCM awareness sessions to both Board members and management. Set up BCM Committees at Board and management levels and is currently

in the process of developing the Business Continuity Plan for both operating companies and corporate divisions.

#### INTERNAL AUDIT FUNCTION

The Internal Audit function of UMW-OG Group is outsourced to the Group Internal Audit Division ("GIAD") of UMWH. GIAD is independent of the UMW-OG Group's business operations and has a mandate set out in its Internal Audit Charter. GIAD is a corporate member of the Institute of Internal Auditor Malaysia ("IIAM") and subscribes to the standards issued by IIAM.

During the financial year, GIAD had carried out its functions in accordance with the 2015 internal audit plan approved by the BAC. The internal audit plan defined the scope of audit work and addressed resources needed to perform such work at a mutually agreed fee. The internal audit plan was designed using a risk-based approach, based on the risks identified and assessed by the management. The GIAD had conducted internal audit on principal areas of operation within the Group. It also checked that the Group's system of internal control remains effective, efficient, adequately monitored and is enhanced where required. The audit also covered the Group's major information systems and applications. The reports of the GIAD were presented to the BAC at the 2015 quarterly meetings. The Head of GIAD or his representative attended all the quarterly BAC meetings held in 2015 where internal audit matters were tabled.

In addition, GIAD also monitored the implementation of action plans designed to improve on areas where control deficiencies were identified during the financial year. On a quarterly basis, GIAD submitted its reports on major findings and significant control issues observed during the audit reviews, together with management's response and proposed action plans, to the BAC for its review and where needed, to recommend appropriate actions to strengthen controls.

The BAC evaluates and monitors the performance of the internal audit function to assess its effectiveness in discharging its defined duties and responsibilities.

#### INTERNAL CONTROL FRAMEWORK

The Board confirms that there is an ongoing process for identifying, evaluating, monitoring and managing the significant risks of the Group. Such process is applied consistently throughout the Group and is constantly reviewed by the Board with the assistance of GIAD. The key elements of the Group's internal control structure and environment are described below:

##### a. Board Committees

The Board is the pillar of the Group's risk management and internal control practices. The Board is committed in maintaining a sound system of internal control and continues to uphold and implement a strong culture and environment for the proper conduct of the Group's business operations. The Board, in discharging its duties, has established several Committees namely the BAC, the Board Nomination Committee, the Board Remuneration Committee, IRMC, and the Board Whistle-Blowing Committee. The Board Committees operate within clearly defined terms of reference, procedures and authority delegated and approved by the Board, which are reviewed from time to time to ensure that they are relevant and up-to-date.

The Board, BAC and IRMC meetings are held on a quarterly basis during the financial year. However, additional meetings may be convened as Special Meetings where situations require. The other Board Committees meet as and when required, to examine specific areas and issues and report to the Board on their deliberations together with recommendations.

##### b. Organisation Structure and Reporting Lines

The Board has established a well-defined organisation structure that is aligned to business requirements with clearly defined delegation of responsibilities by the Board to its Committees and management that promotes accountability for appropriate risk management and control procedures. Apart from the Board Committees, the Board is supported operationally by the Management Committee and several management working committees

## STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

### FOR THE YEAR ENDED 31 DECEMBER 2015

including but not limited to Banking Committee, Tender Committee, Risk Management Committee, Management Audit Committee and Business Continuity Management Steering Committee which consist of the President and/or senior management staff.

The Management Committee convenes monthly meetings to discuss its strategic business agendas that include review of the Group's performance, thus channeling appropriate inputs to the Board for its oversight of the Group's operations and maintenance of effective control over the entire operations. The organisation structure and delegation of responsibilities are communicated throughout the Group which set out, amongst others, authorisation levels, segregation of duties and other risk and control procedures.

#### c. Management Audit Committee

The Management Audit Committee ("MAC") is established by the BAC with the primary objective of assisting the BAC in fulfilling its fiduciary responsibilities relating to the adequacy and effectiveness of internal controls, risks management and governance processes for the Group. MAC's functions are:

- To review internal audit reports with management of the company under audit and internal auditors;
- To assess the adequacy and effectiveness of internal controls, risks management and governance processes;
- To assess the level of compliance with approved company policies, procedures and legal requirements;
- To review effectiveness or appropriateness of action plans recommended to address control deficiencies identified;
- To agree on the corrective actions to be taken and its implementation;
- To follow-up on status of the implementation of the agreed action plans; and
- To report to BAC on meetings held, actions agreed upon and status of implementation on a quarterly basis.

The composition of the committee is:

- i. Chief Financial Officer (Chairperson);
- ii. Manager of RMID (permanent member);
- iii. Senior management of the company being audited; and
- iv. Representative(s) from GIAD headed by a Senior Manager and/or Head of GIAD.

The MAC met on a quarterly basis to carry out its functions with additional meetings called from time to time as and when necessary. The MAC had its meeting(s) prior to the quarterly BAC meetings.

#### d. Comprehensive Budgeting and Forecasting System

For the development of its 2015 operating and capital budgets, the Group performed a comprehensive annual budgeting and forecasting exercise. The exercise included industry and market studies, formulation of business strategies and establishment of key performance indicators ("KPIs") which were deliberated and approved by the Board in December 2014.

During the business planning session, each operating unit performs a critical self-assessment which involves analysis of strengths, weaknesses, opportunities, problems and threats together with action plans to address issues identified.

Budgets prepared by operating units and corporate divisions are regularly compared with the actual results and explanations on variances are incorporated in management reports which are prepared and reported on a quarterly basis to the Board. These management reports analyse and explain variances against plan and report on the achievement of the KPIs after taking into account the changes in market conditions and significant business risks. On a monthly basis, a rolling forecast on the financial performance is prepared based on actual performance to date and forecast performance for the remaining period of the year. The rolling forecast takes into account changes in market conditions and the industry the Group is operating in.

During the year under review, the Group was adversely affected by the plunge in oil price. As a result, the 2015 budgets were revised downward to take into account the above material changes. Additional monthly reporting to the Board on the forecast 2015 financial performance was also made to enable the Board to make appropriate strategic planning and decisions in view of the persistent depressed oil price.

The Group employs a reward and recognition framework based on the achievement of KPIs that measures the goals and targets for each individual operating unit in alignment with the Group's business objectives and strategies.

#### e. Policies and Procedures

The Board is committed to maintaining a strong control structure and environment for the proper conduct of the Group's business operations and has put in place the following:-

##### i. Written Policies and Procedures

Clearly defined and documented internal policies and guidelines have been established through the relevant charters, terms of reference, organisational structures and appropriate authority limits. The Group's policies and guidelines have been communicated throughout the Group including via UMW-OG SharePoint for implementation and compliance. These policies and guidelines are approved by the Board and regularly updated to reflect changing business requirements.



## STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

### FOR THE YEAR ENDED 31 DECEMBER 2015

#### ii. Limits of Authority and Responsibility

Clearly defined and documented lines and limits of authority, responsibilities and accountability have been established by the Group in the form of Financial Limit Authority Guidelines ("FLAG").

The FLAG outlines the authority of the Board and its Committees and that of management for all transactions and for ensuring compliance with laws and regulations that have significant financial implications. Procedures are also in place to ensure that assets are subject to proper physical controls and that the organisation remains structured to ensure appropriate segregation of duties. The FLAG is also regularly updated to reflect changing risks or to address operational deficiencies.

#### f. Monitoring, Reporting and Reviewing

The effectiveness of the Group's systems of risk management and internal control are monitored through monthly management review of financial and operating results, business processes, the state of internal controls and business risk profile by the respective Heads of SBUs and corporate divisions and reported to the Management Committee. In addition to the monthly reporting, the Budget Review Committee chaired by the President performed post-mortem and mid-term business reviews on all operating units and initiate corrective measures where needed. Apart from that, regular internal visits are also made to the operating units by senior management to monitor compliance with policies and to assess performance. The Board is updated on the business performance on a quarterly basis. During the year under review, additional monthly reporting to the Board was made on 2015 forecast performance as a result of drastic changes in market conditions of the oil and gas industry.

In addition, these reviews are supplemented by a comprehensive review undertaken by GIAD on controls implemented at each individual business units and operations. Reports on the reviews carried out by GIAD are submitted on a regular basis to management and the BAC. These reports assess the impact of control issues and recommend appropriate actions to be taken to strengthen controls. The President and Chief Financial Officer report to the BAC on the status of management's action plans to address issues highlighted by the GIAD on a quarterly basis.

The Board does not regularly review the internal control systems of associated company, as the Board does not have any direct control over their operations. Notwithstanding the above, the Group's interests are served through representation on the Board of the associated company and receipt and review of management and audited financial statements, and enquiries thereon. Such representation also provides the Board with information for timely decision making on the continuity of the Group's investment based on the performance of the associated company. The representation also enables the Group to exercise influence over the financial and operating policies of the associated company.

The monitoring, reviewing and reporting arrangements in place give reasonable assurance that the structure of controls and its operations are appropriate to the Group's operations. Other than some weaknesses identified and addressed during the year, the Board believes that the system of internal controls is adequate and effective in achieving the Group's business objectives.

#### ASSURANCE TO THE BOARD

In line with the Guidelines, the Board has received assurance from the President and Chief Financial Officer of UMW-OG stating that the Group's risk management and internal control systems have operated adequately and effectively to a large extent, in all material aspects, for the financial year ended 31 December 2015

up to the date of this Statement save for some control weaknesses identified and addressed during the year.

The Board is of the view that there is a continuous process in identifying, evaluating, monitoring and managing the significant risks faced by the Group and that during the financial year under review there were no significant weaknesses in the risk management and internal control systems of the Group which had resulted in material losses, contingencies or uncertainties requiring disclosure in the Annual Report. The Board is satisfied that the systems of risk management and internal control in the Group are sound and sufficient to safeguard shareholders' investment and the Group's assets for the financial year under review and up to the date of the Annual Report save for some control weaknesses identified and addressed during the year.

The Board remains committed to ensure that appropriate initiatives and active measures are taken to improve and enhance the Group's risk management and internal control systems so that shareholders' investment and the Group's assets are consistently safeguarded.

#### REVIEW OF THIS STATEMENT

The External Auditors, Messrs. Ernst & Young, have performed limited assurance procedures on the Statement in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000, 'Assurance Engagement Other Than Audits or Reviews of Historical Financial Information' and Recommended Practice Guide 5 (Revised), 'Guidance for Auditors on Engagements to Report on the Statement on Risk Management & Internal Control' included in the Annual Report.

Messrs. Ernst & Young have reported to the Board that nothing has come to their attention that causes them to believe that the Statement included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by Paragraphs 41 and 42 of Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers, nor is the Statement factually inaccurate.

This Statement is made in accordance with the resolution of the Board dated 28 March 2016.

# BOARD AUDIT COMMITTEE REPORT

The Board Audit Committee's ("BAC") primary objective is to assist the Board of Directors of the Company in fulfilling its fiduciary responsibilities relating to corporate accounting, system of internal controls and risk management processes, and management and financial reporting practices of the Group.

## Terms of Reference

The Terms of Reference ("TOR") of BAC approved by the Board of Directors of the Company is based on the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and the Malaysian Code of Corporate Governance 2012. The TOR are available on the website of the Company.

## Composition

The BAC comprises of four Non-Executive Directors, with the majority being Independent Directors in compliance with the provisions of Paragraph 15.09(1) of the Main Market Listing Requirements of Bursa Malaysia. The Chairman of the BAC, Razalee bin Amin, is a member of the Malaysian Institute of Accountants, a member of the Malaysian Institute of Certified Public Accountants and a member of the Financial Planning Association of Malaysia. The BAC therefore, meets the requirements of paragraph 15.09(1)(c) of the Main Market Listing Requirements of Bursa Malaysia.

## Attendance of Meetings

A total of seven meetings were held during the financial year ended 31 December 2015. The details of attendance of each of the member of BAC held during the year are as follows:

Committee Member		Number of Meetings Attended During the Year Ended 31 December 2015
1.	<b>RAZALEE BIN AMIN</b> <ul style="list-style-type: none"> <li>Chairman of BAC</li> <li>Independent Non-Executive Director</li> <li>Appointed on 13 May 2013</li> </ul>	7/7
2.	<b>DATUK SYED HISHAM BIN SYED WAZIR</b> <ul style="list-style-type: none"> <li>Member of BAC</li> <li>Non-Independent Non-Executive Director</li> <li>Appointed on 13 May 2013</li> <li>Resigned on 30 September 2015</li> </ul>	5/5
3.	<b>BADRUL FEISAL BIN ABDUL RAHIM</b> <ul style="list-style-type: none"> <li>Member of BAC</li> <li>Non-Independent Non-Executive Director</li> <li>Appointed on 1 October 2015</li> </ul>	1/2
4.	<b>CHEAH TEK KUANG</b> <ul style="list-style-type: none"> <li>Member of BAC</li> <li>Independent Non-Executive Director</li> <li>Appointed on 13 May 2013</li> </ul>	7/7
5.	<b>DATO' IBRAHIM BIN MARSIDI</b> <ul style="list-style-type: none"> <li>Member of BAC</li> <li>Independent Non-Executive Director</li> <li>Appointed on 13 May 2013</li> </ul>	7/7

The President and Chief Financial Officer were invited and attended all BAC meetings to present the quarterly financials, facilitate deliberations and provide explanations on the audit issues, specific control lapses and issues arising from the relevant audit reports. The members of the BAC had two sessions with the external auditors without the presence of the management.

The external auditors were invited to discuss on external audit terms of engagement, the audit strategy and audit planning memorandum.

Minutes of each meeting are kept by the Company Secretary as evidence that the BAC has discharged its functions.

The Chairman of the BAC reports to the Board of Directors after each meeting. The approved minutes of BAC meetings are forwarded to Board members for information and significant issues are discussed at Board of Directors' meetings.

## BOARD AUDIT COMMITTEE REPORT

### Functions

The BAC functions are to review, evaluate and report to the Board on the following matters:

1. Consider and recommend the appointment of the external auditors, the audit fee and any questions of resignation or dismissal;
2. Discuss with the external auditors before the audit commences, the nature and scope of the audit plan, and ensure coordination where more than one audit firm is involved;
3. Review the quarterly and annual financial statements for recommendation to the Board for approval, focusing particularly on:
  - any changes in accounting policies and practices;
  - significant adjustments arising from the audit;
  - the going concern assumption; and
  - compliance with accounting standards and other legal requirements;
4. Discuss problems and reservations arising from the interim and final audits, and any matter the external auditors may wish to discuss (in the absence of management where necessary), and to review the external auditors' management letter and management's response;
5. Ensure that the internal audit function is adequately resourced and has appropriate standing within the Group, and to review its TOR;
6. Review the annual audit plan and all reports generated by internal auditors and to issue instructions for further action to be taken by internal auditors, and provide general guidance accordingly;
7. Consider the major findings of internal investigations (by internal and external auditors) and management's response;
8. Review the adequacy and effectiveness of the Group's accounting procedures and policies, the adequacy and effectiveness of its risk management and internal control systems as well as the financial reporting standards of the Group; and
9. Consider any related party transactions that may arise within the Group.

Without limiting the generality of the above functions, the BAC may consider such other matters as directed or defined by the Board, from time to time.

### Meetings, Quorum And Procedures

1. The BAC meets on a quarterly basis to carry out its functions although additional meetings may be called at any time as and when necessary.
2. The quorum for each meeting shall be three persons, with the majority of members present forming a quorum in respect of such meetings shall be of Independent Non-Executive Directors.
3. The BAC may invite such other senior management of the Company, including but not limited to the President, the Chief Financial Officer and the Internal Auditor to attend the meeting, to provide information and clarification required on items on the agenda. Representatives of the external auditors are also invited to attend the meeting to present their audit scope and plan, audit report and findings together with management's response thereto, and to brief the BAC on significant audit and accounting areas which they noted in the course of their audit.

4. The BAC shall meet with the external auditors, a minimum of two times during the year under review and without the presence of the management of the Company and/or the Group.
5. The BAC shall decide on its own administrative procedures to effectively discharge its responsibilities.

### Summary of Activities of the BAC

In accordance with its TOR, the BAC undertook the following activities for the financial year ended 31 December 2015:

#### 1. Financial Reporting

- Assisted the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Company and the Group in accordance with Malaysian Financial Reporting Standards; and
- Reviewed the quarterly unaudited financial results and the annual audited financial statements of the Group.

#### 2. Internal Audit

- Reviewed the internal audit plan, methodology, functions and resources;
- Reviewed the Management Audit Committee report on major internal audit findings and management's response;
- Deliberated the performance and control gaps highlighted in the internal audit reports, audit recommendations and management's responses to the control lapses; and
- Reviewed and deliberated on special reviews conducted within the Group.

## BOARD AUDIT COMMITTEE REPORT

### 3. External Audit

- Reviewed the external audit terms of engagement, the audit strategy, the proposed audit fee and the achievement of the agreed upon reporting timeframes for the audit of the financial statements;
- Reviewed the external audit reports and discussed any problems and reservations arising thereon;
- Met with the external auditors twice during the year without the presence of the management of the Company and/or the Group; and
- Obtained a written assurance from the external auditors confirming that they are, and have been independent throughout the conduct of the audit of the financial statements of the Company and the Group for the financial year ended 31 December 2015 in accordance with the By-laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.

### 4. Related Party Transactions

- Reviewed the related party transactions entered into by the Group with related parties; and
- Reviewed the Financial Limit Authority Guidelines.

### 5. Annual Report

- Reviewed the BAC Report, the Statement on Risk Management & Internal Control and the Statement of Corporate Governance for inclusion in the Annual Report.

### Internal Audit Functions

The Group outsources the function of internal audit to the Group Internal Audit Division ("GIAD") of UMW Holdings Berhad ("UMWH") to accomplish its internal audit requirements. The GIAD audits internal control practices and reports significant findings to the BAC together with recommended corrective actions. Management is responsible for ensuring that corrective actions are undertaken within an appropriate timeframe.

All findings by GIAD are treated in strictest confidence. GIAD is independent of the activities it audits and performs with impartiality and due professional care.

The BAC approves the internal audit plan of GIAD for the Group each year. The scope of the internal audit covers the audit of principal areas of operations within the Group.

During the year, the GIAD ensured that internal control measures were adequate and effective in mitigating key risks and that these are monitored. The monitoring process will form the basis for continually improving the risk management process in the context of the Group's overall goals.

The total cost incurred by the Group for internal audits on its business units for the financial year ended 31 December 2015 amounted to RM1,056,476.

Further details on the internal audit function are set out in the Statement on Risk Management & Internal Control on page 48 of this Annual Report.



# ADDITIONAL COMPLIANCE INFORMATION

## 1. UTILISATION OF PROCEEDS

Status of utilisation of Initial Public Offering ("IPO") proceeds as at 31 March 2016:

Purpose	Proposed Utilisation	Actual Utilisation to date	Timeframe for Utilisation from 1 November 2013	Deviation in Amount & %
	RM million	RM million	Month	
Acquisition of rigs & Hydraulic Workover Unit ("HWU")	986.6	732.9	36	N/A
Upgrading of rigs & HWU	20.1	20.1	18	Nil
Acquisition / upgrading of machineries for oilfield services	10.4	10.4	30	N/A
Mobilisation and demobilisation costs for drilling rigs	50.0	43.1	30	N/A
Repayment to UMWH	597.4	597.4	6	Nil
IPO / Listing expenses	48.5	41.2	6	* RM7.3m or 15.1%
<b>Total</b>	<b>1,713.0</b>	<b>1,445.1</b>		

\* The unutilised listing expenses of RM7.3 million will be used to meet mobilisation and demobilisation costs for drilling rigs.

## 2. SHARE BUY-BACK

There was no share buy-back by the Company during the financial year under review.

## 3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company did not issue any options, warrants or convertible securities during the financial year under review.

## 4. AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR")

The Company did not sponsor any ADR or GDR Programme during the financial year under review.

## 5. IMPOSITION OF SANCTIONS / MATERIAL PENALTIES

There were no sanctions and/or material penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year under review.

## 6. NON-AUDIT FEES

The amount of non-audit fees paid to the Company's external auditors for services rendered to the Group for the financial year ended 31 December 2015 was RM376,000 (2014: RM369,000).

## 7. VARIATION IN RESULTS

For the financial year ended 31 December 2015, the audited results differs from the unaudited results by less than 10%.

## 8. PROFIT GUARANTEES

The Company did not give any profit guarantee during the financial year.

## 9. MATERIAL CONTRACTS

There were no material contracts entered into by the Group involving the interest of Directors or Major Shareholders, either still subsisting at the end of the financial year ended 31 December 2015 or entered into since the end of the previous financial year.

## 10. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

Please refer to the information stated in the Circular to Shareholders dated 25 April 2016.



# FINANCIAL STATEMENTS

58	Directors' Report
62	Statement by Directors
62	Statutory Declaration
63	Independent Auditors' Report
65	Consolidated Statement of Financial Position
67	Consolidated Statement of Comprehensive Income
68	Consolidated Statement of Changes in Equity
69	Consolidated Statement of Cash Flows
71	Statement of Financial Position
72	Statement of Comprehensive Income
73	Statement of Changes In Equity
74	Statement of Cash Flows
76	Notes to the Financial Statements
143	Supplementary Information

# DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

## PRINCIPAL ACTIVITIES

The principal activities of the Group and the Company are referred to in Note 1 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

## RESULTS

The results of the Group and of the Company for the financial year ended 31 December 2015 are as follows:

	Group RM'000	Company RM'000
(Loss)/profit for the year	(368,431)	75,800
Attributable to:		
Equity holders of the Company	(369,277)	75,800
Non-controlling interests	846	-
	(368,431)	75,800

In the opinion of the directors, the results of the Group and the Company during the financial year were substantially affected by the significant strengthening of United States Dollar ("USD") against Ringgit Malaysia ("RM") which in turn affected the 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 31 December 2015 was a gain of RM501,174,000.

As at 31 December 2015, the Group had impaired its assets and goodwill by a total of RM347,722,000 due to persistent depressed oil prices that had impacted demand for the Group's assets and services. Further details are disclosed in Note 4 and Note 6.

Other than the above, there were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

## DIRECTORS' REPORT

### DIVIDENDS

The amount of dividend paid or declared by the Company since 31 December 2014 was as follows:

RM'000

In respect of the financial year ended 31 December 2014:

Interim single-tier dividend of 2% or 1 sen on 2,162,000,000 ordinary shares declared on 24 November 2014 and paid on 15 January 2015	21,620
--	--------

The directors do not recommend the payment of any dividend in respect of the financial year ended 31 December 2015.

### DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri Asmat bin Kamaludin  
 Rohaizad bin Darus  
 Dr. Leong Chik Weng  
 Razalee bin Amin  
 Dato' Afifuddin bin Abdul Kadir  
 Cheah Tek Kuang  
 Dato' Ibrahim bin Marsidi  
 Fina Norhizah binti Hj Baharu Zaman  
 Badrul Feisal bin Abdul Rahim (appointed on 1 October 2015)  
 Datuk Syed Hisham bin Syed Wazir (resigned on 30 September 2015)

### DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during the year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company or a related corporation as shown in Note 24 and Note 26 to the financial statements, respectively) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 36 to the financial statements.

## DIRECTORS' REPORT

### DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the directors in office at the end of the financial year did not have any interest in the shares of the Company or in the shares of the holding company, UMW Holdings Berhad or its related corporations except for the following:

	Number of Ordinary Shares of RM0.50 Each			
	1 January 2015	Bought	Sold	31 December 2015
<b>The Company</b>				
<b>Direct interest</b>				
Tan Sri Asmat bin Kamaludin	300,000	-	300,000	-
Dr. Leong Chik Weng	150,000	-	150,000	-
Razalee bin Amin	203,000	-	-	203,000
Dato' Afifuddin bin Abdul Kadir	275,000	-	-	275,000
Cheah Tek Kuang	120,000	-	-	120,000
Dato' Ibrahim bin Marsidi	30,000	-	-	30,000
Fina Norhizah binti Hj Baharu Zaman	20,000	-	-	20,000
Rohaizad bin Darus	1,000,000	-	-	1,000,000
<b>Indirect interest</b>				
Tan Sri Asmat bin Kamaludin	4,000	300,000	-	304,000
Cheah Tek Kuang	6,000	-	-	6,000
<b>The Holding Company</b>				
<b>Indirect interest</b>				
Tan Sri Asmat bin Kamaludin	18,000	-	-	18,000

### OTHER STATUTORY INFORMATION

- (a) Before the statements of financial position and statements of comprehensive income of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for impairment of receivables and satisfied themselves that all known bad debts had been written off and that adequate allowance for impairment on receivables has been made; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the allowance for impairment on receivables in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.



## DIRECTORS' REPORT

### OTHER STATUTORY INFORMATION (CONT'D.)

- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
  - (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any material contingent liability of the Group and of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
  - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

### SIGNIFICANT EVENTS

In addition to the significant events disclosed elsewhere in the financial statements, the significant events during the year are disclosed in Note 40 to the financial statements.

### AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 7 April 2016.



TAN SRI ASMAT BIN KAMALUDIN



ROHAIZAD BIN DARUS

# STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, **TAN SRI ASMAT BIN KAMALUDIN** and **ROHAIZAD BIN DARUS**, being two of the directors of **UMW OIL & GAS CORPORATION BERHAD**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 65 to 142 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 41 on pages 143 of the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 7 April 2016.



**TAN SRI ASMAT BIN KAMALUDIN**



**ROHAIZAD BIN DARUS**

# STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **WAI THUY FONG**, being the officer primarily responsible for the financial management of **UMW OIL & GAS CORPORATION BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 65 to 143 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by  
the abovenamed **WAI THUY FONG**  
at Kuala Lumpur in the Federal Territory  
on 7 April 2016



**WAI THUY FONG**

Before me,



# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF UMW OIL & GAS CORPORATION BERHAD (Incorporated in Malaysia)

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of UMW Oil & Gas Corporation Berhad, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 65 to 142.

### *Directors' responsibility for the financial statements*

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

**INDEPENDENT AUDITORS' REPORT**

to the members of UMW Oil & Gas Corporation Berhad  
(Incorporated in Malaysia)

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 34 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

**OTHER REPORTING RESPONSIBILITIES**

The supplementary information set out in Note 41 on page 143 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**OTHER MATTERS**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**ERNST & YOUNG**

AF: 0039

Chartered Accountants

**AHMAD ZAHIRUDIN BIN ABDUL RAHIM**

No. 2607/12/16(J)

Chartered Accountant

Kuala Lumpur, Malaysia  
7 April 2016

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	6,081,634	4,021,981
Land use rights	5	2,631	2,291
Intangible assets	6	-	11,291
Investment in associate	8	2,073	1,950
Deferred tax assets	9	204	880
Derivative assets	10	2,636	-
		<b>6,089,178</b>	<b>4,038,393</b>
<b>Current assets</b>			
Inventories	11	204,508	116,584
Other investments	12	89,565	-
Receivables	13	283,331	411,593
Tax recoverable		2,696	7,829
Derivative assets	10	232	-
Due from related companies	14	3,666	3,519
Deposits, cash and bank balances	15	973,807	1,178,046
		<b>1,557,805</b>	<b>1,717,571</b>
<b>TOTAL ASSETS</b>		<b>7,646,983</b>	<b>5,755,964</b>



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
<b>EQUITY AND LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	9	1,098	3,702
Long term borrowings	16	1,746,965	1,010,978
		<b>1,748,063</b>	1,014,680
<b>Current liabilities</b>			
Taxation		1,143	1,480
Short term borrowings	18	2,257,330	1,243,871
Payables	19	294,235	263,083
Due to related companies	14	2,775	2,863
Derivative liabilities	10	-	541
Dividend payable	31	-	21,620
		<b>2,555,483</b>	1,533,458
<b>Total liabilities</b>		<b>4,303,546</b>	2,548,138
<b>Equity</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	20	1,081,000	1,081,000
Share premium	20	1,372,819	1,372,819
Other reserves	21	734,931	232,480
Retained profits		144,250	513,527
		<b>3,333,000</b>	3,199,826
Non-controlling interests		10,437	8,000
<b>Total equity</b>		<b>3,343,437</b>	3,207,826
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7,646,983</b>	5,755,964

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
Revenue	22	839,877	1,014,903
Other operating income	23	35,994	11,209
Changes in inventories		33	(280)
Finished goods purchased		(1,956)	(1,216)
Raw materials and consumables used		(77,670)	(77,252)
Employee benefits	24	(188,561)	(183,273)
Depreciation and amortisation		(246,119)	(133,106)
Impairment provisions	25	(347,722)	-
Other operating expenses	26	(324,230)	(353,335)
(Loss)/profit from operations		(310,354)	277,650
Finance costs	27	(64,059)	(26,092)
Investment income	28	25,466	32,048
Share of results of associate		521	550
(Loss)/profit before tax		(348,426)	284,156
Income tax expense	29	(20,005)	(30,398)
<b>(Loss)/profit for the year</b>		<b>(368,431)</b>	<b>253,758</b>
<b>Other comprehensive income:</b>			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):			
Foreign currency translation		501,174	136,580
Cash flow hedge:			
Fair value gain		3,805	-
Reclassified to profit or loss		(937)	-
<b>Net other comprehensive income that may be reclassified to profit or loss in subsequent periods, representing the total comprehensive income for the year</b>		<b>135,611</b>	<b>390,338</b>
<b>(Loss)/profit attributable to:</b>			
Equity holders of the Company		(369,277)	251,996
Non-controlling interests		846	1,762
		<b>(368,431)</b>	<b>253,758</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		133,174	388,311
Non-controlling interests		2,437	2,027
		<b>135,611</b>	<b>390,338</b>
<b>Basic/diluted (loss)/earnings per share attributable to equity holders of the Company (sen)</b>	30	<b>(17.08)</b>	11.66

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Non-distributable			Distributable							
	Gain on derecognition of intercompany financial liabilities RM'000 (Note 21)										
	Share capital RM'000 (Note 20)	Share premium RM'000 (Note 20)	Share options reserve RM'000 (Note 21)	Capital reserve RM'000 (Note 21)	Foreign currency translation reserve RM'000 (Note 21)	Retained profits RM'000	Non- controlling interests RM'000	Total equity RM'000			
At 1 January 2014	1,081,000	1,372,819	3,243	698	78,145	14,079	283,151	2,833,135	5,973	2,839,108	
Total comprehensive income	-	-	-	-	-	136,315	251,996	388,311	2,027	390,338	
Transactions with owners											
Dividends (Note 31)	-	-	-	-	-	-	(21,620)	(21,620)	-	(21,620)	
Total transactions with owners	-	-	-	-	-	-	(21,620)	(21,620)	-	(21,620)	
At 31 December 2014	1,081,000	1,372,819	3,243	698	78,145	150,394	513,527	3,199,826	8,000	3,207,826	
	Non-distributable			Distributable							
	Gain on derecognition of intercompany financial liabilities RM'000 (Note 21)										
	Share capital RM'000 (Note 20)	Share premium RM'000 (Note 20)	Share options reserve RM'000 (Note 21)	Capital reserve RM'000 (Note 21)	Foreign currency translation reserve RM'000 (Note 21)	Hedging reserve RM'000 (Note 21)	Retained profits RM'000	Total equity RM'000	Non- controlling interests RM'000	Total equity RM'000	
At 1 January 2015	1,081,000	1,372,819	3,243	698	78,145	150,394	-	513,527	3,199,826	8,000	3,207,826
Total comprehensive income	-	-	-	-	499,583	2,868	(369,277)	133,174	2,437	135,611	
At 31 December 2015	1,081,000	1,372,819	3,243	698	78,145	649,977	2,868	144,250	3,333,000	10,437	3,343,437

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 RM'000	2014 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/profit before tax	<b>(348,426)</b>	284,156
Adjustments for:		
Depreciation and amortisation	<b>246,119</b>	133,106
Impairment loss on goodwill (Note 6)	<b>11,291</b>	-
Impairment loss on property, plant and equipment (Note 4)	<b>336,431</b>	-
Interest expense	<b>64,059</b>	26,092
Investment income	<b>(25,466)</b>	(32,048)
Net loss/(gain) on disposal of property, plant and equipment	<b>69</b>	(724)
Property, plant and equipment written off	<b>14,054</b>	211
Reversal of impairment on receivables (Note 13(a)(ii))	<b>-</b>	(2,623)
Share of results of associate	<b>(521)</b>	(550)
Net fair value (gain)/loss on derivatives	<b>(604)</b>	539
Net fair value gain on investments in money market fund	<b>(240)</b>	(485)
Net unrealised foreign exchange loss	<b>1,586</b>	2,065
Operating profit before working capital changes	<b>298,352</b>	409,739
Decrease/(increase) in receivables	<b>198,294</b>	(96,505)
Increase in inventories	<b>(64,631)</b>	(52,230)
Increase in payables	<b>26,557</b>	82,245
Net changes in related companies balances	<b>(235)</b>	1,424
Net cash generated from operations	<b>458,337</b>	344,673
Interest paid	<b>(66,003)</b>	(32,657)
Taxes paid	<b>(17,035)</b>	(30,359)
Net cash generated from operating activities	<b>375,299</b>	281,657

## CONSOLIDATED STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 RM'000	2014 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	24,389	30,216
Purchase of property, plant and equipment	(1,773,105)	(1,769,634)
Proceeds from disposal of property, plant and equipment	421	1,277
Proceeds from disposal of money market fund	210,013	1,071,624
Dividend received from an associate	669	1,152
Cash outflow on investment in money market fund	(299,338)	(9,558)
Net cash used in investing activities	(1,836,951)	(674,923)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash outflow on IPO expenses incurred	-	(3,244)
Repayment of long term borrowings	(184,340)	(134,668)
Drawdown of long term borrowings	730,660	594,660
Net movement in short term borrowings	686,355	935,265
Dividend paid	(21,620)	-
Net cash generated from financing activities	1,211,055	1,392,013
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(250,597)</b>	<b>998,747</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>1,178,046</b>	<b>174,948</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>	<b>46,358</b>	<b>4,351</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>973,807</b>	<b>1,178,046</b>
Cash and cash equivalents comprise:		
Deposits with licensed banks (Note 15)	752,364	975,417
Cash and bank balances (Note 15)	221,443	202,629
	<b>973,807</b>	<b>1,178,046</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	2,943	2,493
Investment in subsidiaries	7	2,336,729	1,608,257
		<b>2,339,672</b>	1,610,750
<b>Current assets</b>			
Other investments	12	75,642	-
Receivables	13	1,793	2,453
Tax recoverable		-	490
Due from related companies	14	1,679,681	1,066,235
Deposits, cash and bank balances	15	726,067	939,755
		<b>2,483,183</b>	2,008,933
<b>TOTAL ASSETS</b>		<b>4,822,855</b>	3,619,683
<b>EQUITY AND LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long term borrowings	16	703,007	14
		<b>703,007</b>	14
<b>Current liabilities</b>			
Taxation		619	-
Short term borrowings	18	1,437,410	1,002,573
Payables	19	8,302	6,898
Due to related companies	14	11,257	2,118
Dividend payable	31	-	21,620
		<b>1,457,588</b>	1,033,209
<b>Total liabilities</b>		<b>2,160,595</b>	1,033,223
<b>Equity</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	20	1,081,000	1,081,000
Share premium	20	1,372,819	1,372,819
Other reserves		78,145	78,145
Retained profits		130,296	54,496
<b>Total equity</b>		<b>2,662,260</b>	2,586,460
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,822,855</b>	3,619,683

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
Revenue	22	<b>13,212</b>	84,425
Other operating income	23	<b>61,408</b>	8,344
Employee benefits	24	<b>(18,368)</b>	(24,876)
Depreciation		<b>(1,029)</b>	(693)
Other operating expenses	26	<b>(11,210)</b>	(13,059)
Profit from operations		<b>44,013</b>	54,141
Finance costs	27	<b>(28,034)</b>	(12,186)
Investment income	28	<b>62,999</b>	44,253
Profit before tax		<b>78,978</b>	86,208
Income tax expense	29	<b>(3,178)</b>	(2,082)
<b>Profit for the year, representing total comprehensive income for the year</b>		<b>75,800</b>	84,126

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital RM'000 (Note 20)	Share premium RM'000 (Note 20)	Non-distributable Gain on derecognition of financial liabilities RM'000 (Note 21)	Distributable Retained profits/ losses) RM'000 (accumulated)	Total equity RM'000
<b>At 1 January 2014</b>	1,081,000	1,372,819	78,145	(8,010)	2,523,954
<b>Total comprehensive income</b>	-	-	-	84,126	84,126
<b>Transactions with owners</b>					
Dividends (Note 31)	-	-	-	(21,620)	(21,620)
Total transactions with owners	-	-	-	(21,620)	(21,620)
<b>At 31 December 2014</b>	1,081,000	1,372,819	78,145	54,496	2,586,460
<b>At 1 January 2015</b>	1,081,000	1,372,819	78,145	54,496	2,586,460
<b>Total comprehensive income</b>	-	-	-	75,800	75,800
<b>At 31 December 2015</b>	1,081,000	1,372,819	78,145	130,296	2,662,260

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 RM'000	2014 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	78,978	86,208
Adjustments for:		
Depreciation of plant and equipment	1,029	693
Interest expense	28,034	12,186
Investment income	(62,999)	(44,253)
Net unrealised foreign exchange (gain)/loss	(27,129)	1,119
Property, plant and equipment written off	1	-
Net fair value gains on investments in money market fund	(234)	(485)
Dividend income	-	(68,452)
Loss on disposal of plant and equipment	26	94
Operating profit/(loss) before working capital changes	17,706	(12,890)
Increase in other receivables	(428)	(415)
(Decrease)/increase in other payables	(3,864)	178
Net changes in related companies balances	112,374	(54,344)
Cash generated from/(used in) operating activities	125,788	(67,471)
Tax paid	(2,069)	(2,572)
Net cash generated from/(used in) operating activities	123,719	(70,043)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	25,239	42,512
Advances to subsidiaries	(1,406,305)	(981,338)
Subscription of ordinary shares in a subsidiary	-	(20,000)
Purchase of plant and equipment	(1,608)	(2,055)
Proceeds from disposal of plant and equipment	102	282
Proceeds from disposal of money market fund	210,013	1,071,624
Cash outflow on investment in money market fund	(285,421)	(9,558)
Dividends received from subsidiaries	-	68,452
Net cash (used in)/generated from investing activities	(1,457,980)	169,919

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

	<b>2015</b> <b>RM'000</b>	<b>2014</b> <b>RM'000</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	<b>(21,620)</b>	-
Drawdown of long term borrowings	<b>730,646</b>	-
Net movement in short term borrowings	<b>434,313</b>	833,917
Cash outflow on IPO expenses incurred	-	(3,244)
Interest paid	<b>(22,766)</b>	(12,024)
Net cash generated from financing activities	<b>1,120,573</b>	818,649
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(213,688)</b>	918,525
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>939,755</b>	21,230
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>726,067</b>	939,755
Cash and cash equivalents comprise:		
Deposits with licensed banks (Note 15)	<b>678,445</b>	890,139
Cash and bank balances (Note 15)	<b>47,622</b>	49,616
	<b>726,067</b>	939,755



# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

UMW Oil & Gas Corporation Berhad ("UMW-OG") is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The registered office of UMW-OG is located at Level 18, Block 3A, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur.

The holding company of the Company is UMW Holdings Berhad ("UMWH"), a public limited liability company incorporated and domiciled in Malaysia and is listed on the Bursa Malaysia.

The principal activity of the Company is to carry on the business of an investment holding company and to provide full corporate management, administrative and professional services as well as financial support to its subsidiary companies. The principal activities of the subsidiaries and associate are described in Notes 34 and 35, respectively.

The Group is principally engaged in:

- (a) the provision of drilling services for exploration, development and production wells and workover services to the upstream sector of the oil and gas industry;
- (b) the provision of threading, inspection and repair services for Oil Country Tubular Goods ("OCTG") in Malaysia and overseas, with a focus on premium connections used in high-end and complex wells; and
- (c) acting as agent in Malaysia for international companies providing specialised drilling equipment and services.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 7 April 2016.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The financial statements comply with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

On 1 January 2015, the Group and the Company adopted the Amendments to MFRS and IC Interpretation (collectively referred to as "pronouncements") issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for the financial periods beginning on or after 1 January 2015 as described fully in Note 2.3.

MASB has also issued new and revised MFRS which are not yet effective for the Group and the Company and therefore, have not been implemented by the Group and the Company in these financial statements as set out in Note 2.4.

The financial statements of the Group and of the Company have been prepared on a historical cost basis unless otherwise indicated in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.2 Summary of significant accounting policies

##### (a) Basis of consolidation, subsidiaries and associate

###### (i) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the Company and its subsidiaries used in the preparation of the consolidated financial statements are prepared as of the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its investment with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated from the effective date of acquisition, being a date on which the Group obtains control, and continue to be consolidated until the date that such control ceases, being the effective date of disposal.

Intragroup transactions, balances and resulting unrealised gains are eliminated in full on consolidation. The consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.2 Summary of significant accounting policies (Cont'd.)

##### (a) Basis of consolidation, subsidiaries and associate (Cont'd.)

##### (i) Basis of consolidation (Cont'd.)

##### Loss of control

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets and liabilities of the subsidiary and any goodwill outstanding (net of any non-controlling interest) at the date the Group loses control, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost, is regarded as the cost on initial recognition of an investment in an associate.

##### Business combinations

Business combinations, other than business combinations under common control, are accounted for using the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition-date fair value and the amount of any non-controlling interest in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of acquiree's identifiable net assets. For business combinations after 1 January 2011, acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 either in profit or loss or as a change in other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. The accounting policy for goodwill is set out in Note 2.2(h).

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.2 Summary of significant accounting policies (Cont'd.)

##### (a) Basis of consolidation, subsidiaries and associate (Cont'd.)

##### (i) Basis of consolidation (Cont'd.)

###### Business combinations under common control

Business combinations under common control are accounted for in the consolidated accounts retrospectively from the date the ultimate holding company obtains the ownership interest. Assets and liabilities are recognised upon consolidation at their carrying amount in the consolidated financial statements of the ultimate holding company. Any difference between the fair value of the consideration paid and the amounts at which the assets and liabilities are recorded is recognised directly in equity.

###### Non-controlling interests

Non-controlling interests in the consolidated statements of comprehensive income and consolidated statements of financial position represent the portion of profit or loss or net assets in subsidiaries not held by the Group. Non-controlling interests in the consolidated statements of financial position consist of the non-controlling interests' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the non-controlling interests' share of movement in the acquiree's equity since then.

Acquisitions of non-controlling interests are accounted for using the entity concept method, whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised directly in equity.

##### (ii) Subsidiaries

A subsidiary is an entity over which the Group has all the following:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its investment with the investee; and
- The ability to use its power over the investee to affect its returns.

##### (iii) Associate

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investment in associate is accounted for in the consolidated financial statements using the equity method of accounting as described in Note 2.2(a)(iv).

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.2 Summary of significant accounting policies (Cont'd.)

##### (a) Basis of consolidation, subsidiaries and associate (Cont'd.)

##### (iv) Equity method of accounting

Under the equity method, the investment in associate is carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss. An associate is equity accounted for from the date on which the investee becomes an associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investments is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the year in which the investment is acquired.

When the Group's share of losses in the associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associate are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting year of the Group. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.



## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.2 Summary of significant accounting policies (Cont'd.)

##### (a) Basis of consolidation, subsidiaries and associate (Cont'd.)

##### (v) Separate financial statements

In the separate financial statements of the Company and the Group's subsidiaries, investments in subsidiaries and associate are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

##### (b) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment (including spare parts and standby-equipment) is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to initial recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively.

Periodic survey and drydocking costs are incurred in connection with obtaining regulatory certification to operate the rigs on an ongoing basis. Costs associated with the certification are deferred and amortised on a straight-line basis over the period between surveys and drydocking. All other repair and maintenance costs are recognised in profit or loss as incurred.

Assets-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis over the estimated useful lives of the assets as follows:

Rigs and hydraulic workover units ("HWUs")	10 - 30 years
Drilling equipment	2 - 30 years
Buildings	10 - 20 years
Plant and machinery	2 - 30 years
Office equipment, furniture and fittings	3 - 12 years
Motor vehicles	5 years
Renovation and improvements	5 years

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the period the asset is derecognised.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(r).

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.2 Summary of significant accounting policies (Cont'd.)

##### (c) Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

Upon the disposal of land use rights, the difference between the net disposal proceeds and the net carrying amount is recognised in profit or loss.

When an indication of impairment exists, the carrying amount of the land use rights is written down immediately to its recoverable value. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(r).

##### (d) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and loans and receivables. The Group does not have any financial assets designated as available-for-sale or held-to-maturity investments.

##### (i) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other expenses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

##### (ii) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through amortisation process.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.2 Summary of significant accounting policies (Cont'd.)

##### (d) Financial assets (Cont'd.)

##### (ii) Loans and receivables (Cont'd.)

Loans and receivables are classified as current assets, except for those with maturity dates later than 12 months from the reporting date are classified as non-current.

Loans and receivables of the Group comprise of trade and other receivables (other than deferred expenses, accrued income and prepayments), due from related companies, deposits and cash and bank balances.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset.

##### (e) Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

##### Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has occurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio that passed the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.2 Summary of significant accounting policies (Cont'd.)

##### (f) Cash and cash equivalents

Cash and cash equivalents include cash and bank balances and deposits at call with licensed banks with a maturity of three months or less.

##### (g) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. In arriving at net realisable value, due allowance has been made for obsolete and slow-moving items.

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

Finished goods, raw materials, spares and consumables - Weighted average

Cost of finished goods, raw materials, spares and consumables represent cost of purchase.

##### (h) Intangible assets

###### Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. On disposal of an entity, the carrying amount of goodwill is taken into account in determining gains and losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's Cash-Generating Units ("CGU") that are expected to benefit from the synergies of the combination.

The CGU to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the CGU may be impaired, by comparing the carrying amount of the CGU, including the allocated goodwill, with the recoverable amount of the CGU. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair value of the operation disposed of and the portion of the CGU retained.

##### (i) Foreign currencies

###### (i) Functional and presentation currency

The financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RM, which is also the Company's functional currency.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.2 Summary of significant accounting policies (Cont'd.)

##### (i) Foreign currencies (Cont'd.)

##### (ii) Foreign currency transactions

Transactions in currencies other than the Company's and its subsidiaries' functional currency ("foreign currencies") are initially converted into functional currency at rates of exchange ruling at the transaction dates.

##### Non-monetary items

At each financial reporting date, foreign currency non-monetary items which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate when the fair values were determined.

##### Monetary items

At each reporting date, monetary items denominated in foreign currencies are translated into functional currency at exchange rates ruling at that date.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation are taken directly to the foreign currency translation reserve within other comprehensive income until the disposal of the foreign operations, at which time they are recognised in profit or loss.

##### (iii) Foreign operations

Financial statements of foreign subsidiaries which are consolidated are translated at year-end exchange rates with respect to the assets and liabilities, and at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions with respect to profit or loss. All resulting translation differences are included in the foreign currency translation reserve within other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operation and are recorded in the functional currency of the foreign operation and translated at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign operation before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the exchange rate ruling at the date of the transaction.

##### (j) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.2 Summary of significant accounting policies (Cont'd.)

##### (j) Financial liabilities (Cont'd.)

###### (i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

###### (ii) Other financial liabilities

The Group's other financial liabilities include trade payables, other payables (other than deferred income and provisions), loans and borrowings and amounts due to related companies.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

##### (k) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

##### (l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.



## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.2 Summary of significant accounting policies (Cont'd.)

##### (l) Provisions (Cont'd.)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

##### (m) Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

##### (n) Income tax

Income tax on the profit or loss for the period comprises current tax and deferred tax. Current tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of taxable temporary differences associated with investments in subsidiaries and associate, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except in respect of deductible temporary differences associated with investments in subsidiaries and associate, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.2 Summary of significant accounting policies (Cont'd.)

##### (n) Income tax (Cont'd.)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

##### (o) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

##### (i) Revenue from provision of drilling and workover services and related expenses

Revenue from the provision of drilling and workover services include minimum lease payments from customers under day-rate based contracts and other services. Revenue generated from day-rate based contracts, which are classified as operating leases by the Group, are recognised over the period the service is rendered.

Day-rate based contracts may include lump-sum fee for mobilisation and demobilisation which are recognised based on the policies stated in Note 2.2(o)(ii) and (iii). Fees received from customer under contract for upgrade to the rig is deferred and recognised over the contract term.

Additional payments for meeting or exceeding certain performance targets are recognised when it is probable that the economic benefits associated with the transaction will flow to the entity.

##### (ii) Lump sum mobilisation fees received

Lump sum mobilisation fees received on drilling and workover services contracts are deferred and recognised on a straight-line basis over the period that the related drilling services are performed.

Mobilisation costs incurred as part of a contract are deferred and recognised as expense over the contract period. The costs of relocating drilling rigs that are not under a contract are expensed as incurred.

##### (iii) Demobilisation fees received

Demobilisation costs are costs related to the transfer of a drilling rig to a safe harbour or different geographical area and are expensed as incurred.

Demobilisation fees on drilling and workover services contracts are recognised as and when services are rendered, or at the point when it becomes known and certain that demobilisation fee can be charged to the customer.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.2 Summary of significant accounting policies (Cont'd.)

##### (o) Revenue recognition (Cont'd.)

###### (iv) Sale of goods

Revenue from sale of goods is recognised net of sales discounts when transfer of significant risks and rewards of ownership has been completed. Revenue is recognised net of sales tax, goods and service tax and includes excise duties.

###### (v) Rendering of services

Revenue from services rendered is recognised net of service tax on accrual basis as and when services are performed.

###### (vi) Rental income

Rental income from operating leases are accounted for on a straight-line basis over the lease terms.

###### (vii) Dividend income

Dividend income is recognised when the shareholders' rights to receive payment is established.

###### (viii) Interest income

Interest income is recognised using the effective interest method.

###### (ix) Management fees

Management fees are recognised when services are rendered.

##### (p) Leases

###### (i) As lessee

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. All other leases are classified as operating leases. Finance lease assets are capitalised at the lower of the fair value of the leased asset or the present value of the minimum lease payments, at the inception of the lease. The corresponding lease obligations, net of finance charges are included in borrowings. The interest rate implicit in the lease is used as the discount factor in calculating the present value of the minimum lease payments. Initial direct costs incurred are included as part of the asset.

The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the outstanding balance of the liability for each period.

The depreciation policy for assets held under finance leases is consistent with that for depreciable property, plant and equipment as described in Note 2.2(b).

Lease rental payments on operating leases are recognised in profit or loss on a straight-line basis over the period of the lease.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.2 Summary of significant accounting policies (Cont'd.)

##### (p) Leases (Cont'd.)

###### (ii) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.2(o)(vi).

##### (q) Employee benefits

###### (i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

###### (ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund. Some of the Group's foreign subsidiaries also make contribution to their respective countries' statutory pension schemes. The contributions are recognised as an expense in profit or loss as incurred.

##### (r) Impairment of non-financial assets

The carrying amounts of assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs.

An asset's recoverable amount is the higher of the asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.2 Summary of significant accounting policies (Cont'd.)

##### (r) Impairment of non-financial assets (Cont'd.)

An impairment loss is recognised in profit or loss in the period in which it arises.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

##### (s) Segment reporting

For management purposes, the Group is organised into operating segments based on nature of services which are managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the President who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

##### (t) Fair value measurement

MFRS 13, Fair Value Measurement prescribed that fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

##### Financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of the reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models. Where fair value cannot be reliably estimated, assets are carried at cost less impairment losses, if any.

##### (u) Hedge accounting

The Group uses interest rate swaps to manage its exposures to interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedge item affects profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.2 Summary of significant accounting policies (Cont'd.)

##### (u) Hedge accounting (Cont'd.)

For the purpose of hedge accounting, hedging relationship is classified as:

- (i) Fair value hedges, when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- (ii) Cash flow hedges, when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- (iii) Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

##### **Cash flow hedges**

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income into cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss as other operating expenses.

Amounts recognised in other comprehensive income previously are reclassified from equity to profit or loss when the hedged transaction affects profit or loss, such as when the hedged interest income or interest expense is recognised or when a forecast sale occurs. Where the hedged item is a non-financial asset or a non-financial liability, the amounts recognised previously in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remain in equity until the forecast transaction or firm commitment affects income statement.



## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.3 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2015, the Group and the Company adopted the following amended MFRSs mandatory for annual financial periods beginning on or after 1 July 2015.

Description
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Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions
Annual Improvements to MFRSs 2010 – 2012 Cycle
Annual Improvements to MFRSs 2011 – 2013 Cycle

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

#### 2.4 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments	1 January 2018

The adoption of the above standards and interpretations is not expected to have a material impact on the financial statements in the period of initial application except for those discussed below:

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 2.4 Standards issued but not yet effective (Cont'd.)

##### **MFRS 15 Revenue from Contracts with Customers (Cont'd.)**

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 1 January 2018 with early adoption permitted. The Group and the Company will assess the impact of these amendments and intends 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.

The Group and the Company will assess the impact of these amendments and intends to adopt the new standard on the effective date.

### 3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

#### 3.1 Significant accounting estimates and assumptions

##### **Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

##### **(i) Impairment of goodwill**

The Group determines whether goodwill is impaired at least on an annual basis or at other times when such indicators exist. This requires an estimation of the value-in-use of the CGU to which goodwill are allocated.

Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of goodwill on consolidation are disclosed in Note 6.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONT'D.)

#### 3.1 Significant accounting estimates and assumptions (Cont'd.)

##### Key sources of estimation uncertainty (Cont'd.)

##### (ii) Deferred tax assets

Deferred tax assets are recognised for all unutilised tax losses, unabsorbed capital allowances and unabsorbed reinvestment allowances to the extent that it is probable that taxable profit will be available against which the losses, capital allowances and reinvestment allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of recognised and unrecognised tax losses, capital allowances and reinvestment allowances of the Group are as disclosed in Note 9.

##### (iii) Useful lives of rigs, HWUs, drilling equipment, and plant and machinery

The cost of rigs, HWUs, drilling equipment, and plant and machinery is depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 2 to 30 years based on the common life expectancies applied in the respective industries. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's rigs, HWUs, drilling equipment, and plant and machinery at the reporting date is disclosed in Note 4.

##### (iv) Impairment loss on receivables

The allowance for impairment loss on receivables is based on the evaluation of the receivables on an individual basis and the amount of outstanding allowances. The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of trade dispute, default or significant delay in payments.

The information on allowance for impairment loss on receivables is as disclosed in Note 13.

##### (v) Impairment of rigs, HWUs and drilling equipment

During the current financial year, the Group has recognised impairment losses in respect of rigs, HWUs and drilling equipment included within property, plant and equipment.

The management carried out the impairment test based on value in use of the CGU to which the property, plant and equipment are allocated. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the impairment losses recognised for property, plant and equipment are disclosed in Note 4.

## NOTES TO THE FINANCIAL STATEMENTS

## 4. PROPERTY, PLANT AND EQUIPMENT

	Buildings RM'000	Rigs, HWUs and drilling equipment RM'000	Plant and machinery RM'000	Assets-in- progress RM'000	**Other assets RM'000	Total RM'000
<b>Group</b>						
<b>Cost</b>						
At 1 January 2014	29,173	2,202,412	47,102	254,216	12,566	2,545,469
Exchange differences	740	144,358	717	9,436	318	155,569
Additions	527	680,977	4,132	1,082,412	8,326	1,776,374
Write-offs	-	(78)	(1,228)	-	(395)	(1,701)
Disposals	-	(418)	-	-	(1,034)	(1,452)
Reclassification	-	1,015,927	14,589	(1,031,222)	706	-
At 31 December 2014/1 January 2015	<b>30,440</b>	<b>4,043,178</b>	<b>65,312</b>	<b>314,842</b>	<b>20,487</b>	<b>4,474,259</b>
Exchange differences	<b>3,281</b>	<b>901,891</b>	<b>4,602</b>	<b>71,660</b>	<b>1,550</b>	<b>982,984</b>
Additions	<b>680</b>	<b>55,575</b>	<b>8,454</b>	<b>1,703,107</b>	<b>13,172</b>	<b>1,780,988</b>
Write-offs	-	<b>(16,656)</b>	-	-	<b>(161)</b>	<b>(16,817)</b>
Disposals	-	<b>(1,791)</b>	<b>(197)</b>	-	<b>(387)</b>	<b>(2,375)</b>
Reclassification	-	<b>2,029,456</b>	-	<b>(2,027,986)</b>	<b>(1,470)</b>	-
At 31 December 2015	<b>34,401</b>	<b>7,011,653</b>	<b>78,171</b>	<b>61,623</b>	<b>33,191</b>	<b>7,219,039</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Buildings RM'000	Rigs, HWUs and drilling equipment RM'000	Plant and machinery RM'000	Assets-in- progress RM'000	**Other assets RM'000	Total RM'000
<b>Group (Cont'd.)</b>						
<b>Accumulated depreciation and impairment losses</b>						
At 1 January 2014	5,594	250,264	34,277	-	8,157	298,292
Exchange differences	39	22,497	571	-	208	23,315
Depreciation charge for the year	863	125,088	4,332	-	2,777	133,060
Write-offs	-	-	(1,198)	-	(292)	(1,490)
Disposals	-	(395)	-	-	(504)	(899)
Reclassification	-	3,842	(3,554)	-	(288)	-
At 31 December 2014/1 January 2015	<b>6,496</b>	<b>401,296</b>	<b>34,428</b>	-	<b>10,058</b>	<b>452,278</b>
Exchange differences	<b>154</b>	<b>103,905</b>	<b>2,274</b>	-	<b>946</b>	<b>107,279</b>
Depreciation charge for the year	<b>912</b>	<b>235,664</b>	<b>5,463</b>	-	<b>4,026</b>	<b>246,065</b>
Write-offs	-	<b>(2,640)</b>	-	-	<b>(123)</b>	<b>(2,763)</b>
Disposals	-	<b>(1,465)</b>	<b>(177)</b>	-	<b>(243)</b>	<b>(1,885)</b>
Impairment losses (Note 25)	-	<b>336,431</b>	-	-	-	<b>336,431</b>
Reclassification	-	<b>868</b>	-	-	<b>(868)</b>	-
At 31 December 2015	<b>7,562</b>	<b>1,074,059</b>	<b>41,988</b>	-	<b>13,796</b>	<b>1,137,405</b>
<b>Net carrying amount</b>						
At 31 December 2015	<b>26,839</b>	<b>5,937,594</b>	<b>36,183</b>	<b>61,623</b>	<b>19,395</b>	<b>6,081,634</b>
At 31 December 2014	23,944	3,641,882	30,884	314,842	10,429	4,021,981

## NOTES TO THE FINANCIAL STATEMENTS

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	<b>**Other assets RM'000</b>	<b>Assets-in- progress RM'000</b>	<b>Total RM'000</b>
<b>Company</b>			
<b>Cost</b>			
At 1 January 2014	2,404	-	2,404
Additions	1,876	179	2,055
Disposals	(449)	-	(449)
Reclassification	18	(18)	-
At 31 December 2014/1 January 2015	<b>3,849</b>	<b>161</b>	<b>4,010</b>
Additions	<b>1,528</b>	<b>80</b>	<b>1,608</b>
Write-off	<b>(2)</b>	-	<b>(2)</b>
Disposals	<b>(128)</b>	-	<b>(128)</b>
Reclassification	<b>167</b>	<b>(167)</b>	-
At 31 December 2015	<b>5,414</b>	<b>74</b>	<b>5,488</b>
<b>Accumulated depreciation</b>			
At 1 January 2014	897	-	897
Depreciation charge for the year	693	-	693
Disposals	(73)	-	(73)
At 31 December 2014/1 January 2015	<b>1,517</b>	-	<b>1,517</b>
Depreciation charge for the year	<b>1,029</b>	-	<b>1,029</b>
Write-off	<b>(1)</b>	-	<b>(1)</b>
At 31 December 2015	<b>2,545</b>	-	<b>2,545</b>
<b>Net Carrying Amount</b>			
At 31 December 2015	<b>2,869</b>	<b>74</b>	<b>2,943</b>
At 31 December 2014	2,332	161	2,493

**\*\* Included in the other assets are office equipment, furniture and fittings, motor vehicles, renovation and improvements.**

- (a) The net book value of property, plant and equipment held under finance lease arrangements as at 31 December 2015 for the Group and the Company was RM3,000 (2014: RM48,000).
- (b) During the financial year, the Group had capitalised within property, plant and equipment:
- (i) Finance cost of RM7,883,000 (2014: RM6,740,000), as disclosed in Note 27.
  - (ii) Employee benefits of RM10,337,000 (2014: RM12,990,000), as disclosed in Note 24.



## NOTES TO THE FINANCIAL STATEMENTS

**4. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)**

- (c) During the financial year, subsidiaries of the Group within the drilling services segment carried out a review of the recoverable amount of its rigs, HWUs and drilling equipment due to the persistent depressed oil prices that had impacted the demand for the Group's assets and services.

An impairment loss of RM336,431,000 (2014: RM Nil), representing write-down of the assets to the recoverable amount was recognised in "Impairment provisions" in the statement of comprehensive income for the financial year ended 31 December 2015, in respect of assets with recoverable amount of RM1,548,100,000.

The recoverable amount was determined at the level of CGU of each asset. The CGU consisted of the individual rig, HWUs and drilling equipment of the subsidiaries in the drilling services segment. In determining value in use for the CGU, the cash flows were discounted at a rate of 9.5% - 16.9% and 5.0% to 14.1% on a pre-tax basis for rigs and HWUs respectively.

**5. LAND USE RIGHTS**

	Short term leasehold land RM'000
<b>Group</b>	
<b>Cost</b>	
At 1 January 2014	2,374
Exchange differences	98
At 31 December 2014/1 January 2015	<b>2,472</b>
Exchange differences	<b>429</b>
At 31 December 2015	<b>2,901</b>
<b>Accumulated amortisation</b>	
At 1 January 2014	126
Exchange differences	9
Depreciation charge for the year	46
At 31 December 2014/1 January 2015	<b>181</b>
Exchange differences	<b>35</b>
Depreciation charge for the year	<b>54</b>
At 31 December 2015	<b>270</b>
<b>Net carrying amount</b>	
At 31 December 2015	<b>2,631</b>
At 31 December 2014	2,291

## NOTES TO THE FINANCIAL STATEMENTS

## 6. INTANGIBLE ASSETS

	Group	
	2015	2014
	RM'000	RM'000
<b>Goodwill on consolidation</b>		
At 1 January	11,291	11,291
Impairment loss (Note 25)	(11,291)	-
At 31 December	-	11,291

## (a) Impairment tests for goodwill

Goodwill has been allocated to the Group's CGU identified according to business segment as follows:

	Group	
	2015	2014
	RM'000	RM'000
Drilling services	-	5,073
Oilfield services	-	6,218
	-	11,291

During the financial year, an impairment loss was recognised to write-down the carrying amount of the goodwill on consolidation. The impairment loss of RM11,291,000 (2014: RM Nil) has been recognised in "Impairment provisions" in the statement of comprehensive income for the financial year ended 31 December 2015.

**Key assumptions used in value-in-use calculations**

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by the Board covering a five-year period. Cash flows beyond the five-year period are extrapolated based on maintainable cash flows into perpetuity using pre-tax discount rate and at zero growth rate.

## (i) Drilling services segment

Goodwill for this segment represents goodwill arising from acquisition of UMW Workover Sdn. Bhd. and UMW JDC Drilling Sdn. Bhd.. An impairment review of the carrying amount of the goodwill at the reporting date was undertaken. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

1. The daily operating rates and operating days are estimated based on existing contracts and anticipated future contracts. Typically, the utilisation and time chartered rates for the rigs are affected by the levels of offshore exploration, development and production activity of, and the corresponding capital spending by, oil and gas companies, which in turn are primarily affected by the trends in and outlook of oil and natural gas prices. In addition, periodic surveys or inspections and major maintenance also affect the utilisation rates of rigs.
2. The pre-tax discount rates used for the value-in-use calculation is 14.4%.

## NOTES TO THE FINANCIAL STATEMENTS

## 6. INTANGIBLE ASSETS (CONT'D.)

## (a) Impairment tests for goodwill (Cont'd.)

## Key assumptions used in value-in-use calculations (Cont'd.)

## (ii) Oilfield services segment

Goodwill for this segment represents goodwill arising from acquisition of UMW Oilpipe Services Sdn. Bhd.. An impairment review of the carrying amount of the goodwill at the reporting date was undertaken. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

1. The sales price for the threading jobs is estimated based on existing contracts and order books, while the sales volume is estimated based on the financial year 2015 sales volume, with gradual recovery until year 2020. Generally, sales volume is affected by the level of activity in the oil and gas industry as the customers within the oilfield services segment operate mainly in the oil and gas industry.
2. The pre-tax discount rate used for value-in-use calculation is 9.3%.

## 7. INVESTMENT IN SUBSIDIARIES

	Company	
	2015 RM'000	2014 RM'000
Unquoted shares, at cost		
In Malaysia	2,313,827	1,585,355
Outside Malaysia	22,902	22,902
	<b>2,336,729</b>	1,608,257

Details of the subsidiaries are set out in Note 34.

## 8. INVESTMENT IN ASSOCIATE

	Group	
	2015 RM'000	2014 RM'000
Unquoted shares, at cost	1,090	1,090
Share of post-acquisition reserves	983	860
	<b>2,073</b>	1,950

The Group's share of results of the associate is based on the management financial statements of the associate for the years ended 31 December 2015 and 2014.

Details of the associate are disclosed in Note 35.

## NOTES TO THE FINANCIAL STATEMENTS

## 8. INVESTMENT IN ASSOCIATE (CONT'D.)

The financial statements of the associate disclosed in Note 35 are not coterminous with that of the Group as its financial year end is 30 June. For the purpose of applying the equity method of accounting, the management accounts for the 12-month period ended 31 December 2015 and 2014 of the associate have been used.

The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group is as follows:

	2015 RM'000	2014 RM'000
<b>Assets and liabilities:</b>		
Current assets	11,332	13,476
Non-current assets	4,457	1,437
<b>Total assets</b>	<b>15,789</b>	<b>14,913</b>
Current liabilities, representing total liabilities	5,657	5,398
<b>Results</b>		
Revenue	17,840	16,668
Profit for the year, representing total comprehensive income	2,605	2,750

Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associate is as follows:

	2015 RM'000	2014 RM'000
Net assets at 1 January	9,515	11,145
Profit for the year	2,605	2,750
Dividend paid	(3,346)	(5,759)
Exchange differences	1,358	1,379
<b>Net assets at 31 December</b>	<b>10,132</b>	<b>9,515</b>
Share of net assets	2,026	1,903
Goodwill	47	47
<b>Carrying value of the Group's interest in associate</b>	<b>2,073</b>	<b>1,950</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 9. DEFERRED TAXATION

	Group	
	2015 RM'000	2014 RM'000
At 1 January	2,822	3,592
Recognised in profit or loss (Note 29)	(1,826)	(743)
Exchange differences	(102)	(27)
At 31 December	894	2,822
Presented after appropriate offsetting as follows:		
Deferred tax assets	(204)	(880)
Deferred tax liabilities	1,098	3,702
	894	2,822

The components and movements of deferred tax liabilities and assets during the financial year are as follows:

**Deferred tax liabilities:**

	Accelerated capital allowances RM'000	Others RM'000	Total RM'000
At 1 January 2015	8,907	187	9,094
Recognised in profit or loss	(2,940)	(11)	(2,951)
Exchange differences	29	65	94
At 31 December 2015	5,996	241	6,237
At 1 January 2014	4,253	879	5,132
Recognised in profit or loss	4,646	(734)	3,912
Exchange differences	8	42	50
At 31 December 2014	8,907	187	9,094

## NOTES TO THE FINANCIAL STATEMENTS

## 9. DEFERRED TAXATION (CONT'D.)

## Deferred tax assets:

	Unabsorbed capital allowances RM'000	Unabsorbed reinvestment allowances RM'000	Unutilised tax losses RM'000	Others RM'000	Total RM'000
At 1 January 2015	(4,656)	(52)	-	(1,564)	(6,272)
Recognised in profit or loss	1,022	(3)	(1,166)	1,272	1,125
Exchange differences	5	-	-	(201)	(196)
At 31 December 2015	(3,629)	(55)	(1,166)	(493)	(5,343)
At 1 January 2014	(16)	-	(519)	(1,005)	(1,540)
Recognised in profit or loss	(4,644)	(52)	528	(487)	(4,655)
Exchange differences	4	-	(9)	(72)	(77)
At 31 December 2014	(4,656)	(52)	-	(1,564)	(6,272)

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Unutilised tax losses	46,441	44,429	44,069	42,352
Unabsorbed capital and reinvestment allowances	15,526	13,673	2,306	2,562
Others	-	5,114	-	5,114
	61,967	63,216	46,375	50,028

The unutilised tax losses, unabsorbed capital and reinvestment allowances of the Group are available indefinitely for offsetting against future taxable profits of the respective entities within the Group.

Deferred tax assets have not been recognised in respect of these items as it is not probable that future taxable profits of the applicable Group entities will be sufficient to allow the benefits to be realised.



## NOTES TO THE FINANCIAL STATEMENTS

## 10. DERIVATIVES

	Notional amount RM'000	Group Fair value	
		Asset RM'000	Liability RM'000
<b>Non-hedging derivatives:</b>			
<b>Forward currency contracts</b>			
<b>Current</b>			
At 31 December 2015	-	-	-
At 31 December 2014	10,543	-	541
<b>Hedged derivatives:</b>			
<b>Interest rate swaps</b>			
<b>Current</b>			
At 31 December 2015	55,685	232	-
At 31 December 2014	-	-	-
<b>Non-current</b>			
At 31 December 2015	633,211	2,636	-
At 31 December 2014	-	-	-

**Forward currency contracts**

The Group uses forward currency contracts to manage the foreign currency exposures arising from the Group's receivables and payables denominated in currencies other than the functional currencies of the applicable Group entities. These forward currency contracts have maturities of less than one year from the reporting date.

As hedge accounting is not applied for these forward currency contracts, any changes in fair values of these derivatives are recognised in profit or loss.

During the financial year, the Group recognised a gain of RM604,000 (2014: loss of RM539,000) arising from fair value changes of derivative liabilities. The fair value changes are attributable to changes in foreign exchange spot and forward rate. The method and assumptions applied in determining the fair values of derivatives are disclosed in Note 37.

## NOTES TO THE FINANCIAL STATEMENTS

## 10. DERIVATIVES (CONT'D.)

**Interest rate swaps**

Interest rate swaps are used to manage exposure to interest rate movements on bank borrowings, by swapping a portion of those borrowings from floating rates to fixed rates.

Hedge accounting is applied for the interest rate swaps, the fair value movement on the hedging instrument is recognised directly in other comprehensive income into cash flow hedge reserve.

The method and assumptions applied in determining the fair values of derivatives are disclosed in Note 37.

## 11. INVENTORIES

	Group	
	2015	2014
	RM'000	RM'000
At cost:		
Raw materials, spare parts and consumables	204,508	116,584

The cost of inventories recognised as an expense during the year amounted to RM79,593,000 (2014: RM78,748,000).

## 12. OTHER INVESTMENTS

	Group	
	2015	2014
	RM'000	RM'000
<b>Investment at fair value through profit or loss</b>		
Investment in money market fund, at fair value	89,565	-

	Company	
	2015	2014
	RM'000	RM'000
<b>Investment at fair value through profit or loss</b>		
Investment in money market fund, at fair value	75,642	-

## NOTES TO THE FINANCIAL STATEMENTS

## 13. RECEIVABLES

	Group	
	2015 RM'000	2014 RM'000
Trade receivables (Note (a))	265,389	364,786
Other receivables (Note (b))	17,942	46,807
Total trade and other receivables	283,331	411,593
Total trade and other receivables	283,331	411,593
Less:		
Accrued income (Note (a))	(167,974)	(131,692)
Prepayments (Note (b))	(10,047)	(20,710)
Deferred expenses (Note (b))	(167)	(16,721)
	105,143	242,470
Add:		
Due from related companies (Note 14)	3,666	3,519
Deposits, cash and bank balances (Note 15)	973,807	1,178,046
Total loans and receivables	1,082,616	1,424,035

## (a) Trade receivables

	Group	
	2015 RM'000	2014 RM'000
Trade receivables (Note (i))	97,424	233,103
Allowance for impairment (Note (ii))	(9)	(9)
	97,415	233,094
Accrued income	167,974	131,692
	265,389	364,786

The Group's normal trade credit terms for the financial year ended 31 December 2015 range from 30 days to 60 days (2014: 30 days to 60 days). Other credit terms are assessed and approved on a case-by-case basis. Trade receivables are non-interest bearing and are recognised at their original invoiced amounts which represent their fair values on initial recognition.

The Group has concentration of credit risk in the form of outstanding balances due from 5 (2014: 4) debtors representing 85% (2014: 86%) of the total net trade receivables.

## NOTES TO THE FINANCIAL STATEMENTS

## 13. RECEIVABLES (CONT'D.)

## (a) Trade receivables (Cont'd.)

## (i) Aged analysis of trade receivables

	Group	
	2015 RM'000	2014 RM'000
<b>Not past due nor impaired</b>	<b>26,083</b>	99,539
<b>Past due but not impaired:</b>		
1 - 60 days past due but not impaired	45,056	114,428
61 - 120 days past due but not impaired	9,334	3,732
121 - 180 days past due but not impaired	3,783	1,399
More than 180 days past due but not impaired	13,159	13,996
	<b>71,332</b>	133,555
<b>Impaired</b>	<b>9</b>	9
<b>Total trade receivables</b>	<b>97,424</b>	233,103

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

## (ii) Receivables that are impaired

	Group	
	2015 RM'000	2014 RM'000
<b>Individually impaired</b>		
Trade receivables	9	9
Less: Allowance for impairment	(9)	(9)
	-	-
<b>Movement in allowance for impairment</b>		
At 1 January	9	4,471
Written off	-	(2,106)
Reversal of impairment losses	-	(2,623)
Exchange differences	-	267
<b>At 31 December</b>	<b>9</b>	9

Trade receivables that are individually determined to be impaired at the reporting date relate to trade disputes. These receivables are not secured by any collateral or bank guarantee.

## NOTES TO THE FINANCIAL STATEMENTS

## 13. RECEIVABLES (CONT'D.)

## (b) Other receivables

	Group	
	2015 RM'000	2014 RM'000
Deposits	2,739	3,112
Prepayments	10,047	20,710
Deferred expenses	167	16,721
Sundry receivables	4,989	6,264
	<b>17,942</b>	<b>46,807</b>

Prepayments mainly comprise of insurance premium and advance payments to vendors in respect of certain services.

Deferred expenses relate to mobilisation expenses incurred on drilling and workover contracts that are deferred and recognised on a straight-line basis over the term of the contract.

	Company	
	2015 RM'000	2014 RM'000
Deposits	387	380
Prepayments	658	238
Sundry receivables	748	1,835
Total other receivables	<b>1,793</b>	<b>2,453</b>
Total other receivables	<b>1,793</b>	<b>2,453</b>
Less:		
Prepayments	<b>(658)</b>	<b>(238)</b>
Add:		
Due from subsidiaries (Note 14)	<b>1,678,612</b>	1,065,222
Due from fellow subsidiaries (Note 14)	<b>1,069</b>	1,013
Deposits, cash and bank balances (Note 15)	<b>726,067</b>	939,755
<b>Total loans and receivables</b>	<b>2,406,883</b>	<b>2,008,205</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 14. DUE FROM/(TO) RELATED COMPANIES

	Group	
	2015	2014
	RM'000	RM'000
<b>Current:</b>		
Due from fellow subsidiaries	3,666	3,519
Due to holding company	-	(25)
Due to fellow subsidiaries	(2,775)	(2,838)
	(2,775)	(2,863)

The amounts due from/(to) fellow subsidiaries and holding company are unsecured, non-interest bearing and are repayable on demand, except for amount due from PFP (Malaysia) Sdn. Bhd. of RM744,000 which bears interest of 7.1% per annum (2014: Nil).

	Company	
	2015	2014
	RM'000	RM'000
<b>Current:</b>		
Due from subsidiaries	1,678,612	1,065,222
Due from fellow subsidiaries	1,069	1,013
	1,679,681	1,066,235
Due to holding company	-	(25)
Due to subsidiaries	(9,111)	-
Due to fellow subsidiaries	(2,146)	(2,093)
	(11,257)	(2,118)

The amounts due from subsidiaries are unsecured, bear interest at 1.15% - 4.50% per annum (2014: 1.33% - 4.39% per annum) and are repayable on demand.

The amounts due from/(to) fellow subsidiaries and holding company are unsecured, non-interest bearing and are repayable on demand.



## NOTES TO THE FINANCIAL STATEMENTS

## 15. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deposits with licensed banks	<b>752,364</b>	975,417	<b>678,445</b>	890,139
Cash and bank balances	<b>221,443</b>	202,629	<b>47,622</b>	49,616
	<b>973,807</b>	1,178,046	<b>726,067</b>	939,755

Included in deposits with licensed banks are deposits of RM578,517,000 (2014: RM850,187,000) which are not available for general use by the Group and the Company due to restrictions by the lenders in respect of Murabahah term financing of RM575,502,000 (2014: RM512,107,000) and revolving credits of RM Nil (2014: RM334,409,000) obtained by the Group and the Company as disclosed in Note 18.

In addition, deposits of RM Nil (2014: RM1,077,000) was pledged to an approved financial institution by a foreign subsidiary of the Group for the utilisation of its banking facilities.

The range of interest rates per annum of deposits as at the reporting date was as follows:

	Group		Company	
	2015 %	2014 %	2015 %	2014 %
Deposits with licensed banks	<b>0.01 - 3.40</b>	0.04 - 3.85	<b>0.30 - 3.40</b>	0.50 - 3.40

The range of maturities of deposits as at the reporting date was as follows:

	Group		Company	
	2015 Days	2014 Days	2015 Days	2014 Days
Deposits with licensed banks	<b>1 - 90</b>	1 - 90	<b>1 - 30</b>	1 - 30

## NOTES TO THE FINANCIAL STATEMENTS

## 16. LONG TERM BORROWINGS

	Group	
	2015	2014
	RM'000	RM'000
<b>Secured (Fixed rate)</b>		
Finance lease liabilities (Note 17)	-	14
<b>Unsecured (Floating rate)</b>		
Term loan	1,995,686	1,179,554
Less: Amount payable within one year (Note 18)	(248,721)	(168,590)
	1,746,965	1,010,964
<b>Total long term borrowings</b>	<b>1,746,965</b>	<b>1,010,978</b>

The maturity of the Group's total long term and short term borrowings as at the respective reporting dates are as follows:

	Within 1 year RM'000 (Note 18)	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000	Total RM'000
<b>31 December 2015</b>					
<b>Secured</b>					
- Fixed rate	13	-	-	-	13
<b>Unsecured</b>					
- Floating rate	2,257,317	260,568	953,041	533,356	4,004,282
	2,257,330	260,568	953,041	533,356	4,004,295
<b>31 December 2014</b>					
<b>Secured</b>					
- Fixed rate	46	14	-	-	60
<b>Unsecured</b>					
- Floating rate	1,243,825	281,453	326,745	402,766	2,254,789
	1,243,871	281,467	326,745	402,766	2,254,849

The range of weighted average effective interest rates per annum at the reporting date for secured and unsecured borrowings are disclosed in Note 17 and 18, respectively.

## NOTES TO THE FINANCIAL STATEMENTS

## 16. LONG TERM BORROWINGS (CONT'D.)

	Company	
	2015	2014
	RM'000	RM'000
<b>Secured (Fixed rate)</b>		
Finance lease liabilities (Note 17)	-	14
<b>Unsecured (Floating rate)</b>		
Term loan	730,660	-
Less: Amount payable within one year (Note 18)	(27,653)	-
	703,007	-
<b>Total long term borrowings</b>	<b>703,007</b>	<b>14</b>

The maturity of the Company's total long term and short term borrowings as at the respective reporting dates are as follows:

	Within 1 year RM'000 (Note 18)	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000	Total RM'000
<b>31 December 2015</b>					
<b>Secured</b>					
- Fixed rate	13	-	-	-	13
<b>Unsecured</b>					
- Floating rate	1,437,397	55,307	165,920	481,780	2,140,404
	1,437,410	55,307	165,920	481,780	2,140,417
<b>31 December 2014</b>					
<b>Secured</b>					
- Fixed rate	46	14	-	-	60
<b>Unsecured</b>					
- Floating rate	1,002,527	-	-	-	1,002,527
	1,002,573	14	-	-	1,002,587

The range of weighted average effective interest rates per annum at the reporting date for secured and unsecured borrowings are disclosed in Note 17 and 18, respectively.

## NOTES TO THE FINANCIAL STATEMENTS

## 17. FINANCE LEASE LIABILITIES

	Group and Company	
	2015	2014
	RM'000	RM'000
<b>Minimum lease payments:</b>		
Not later than 1 year	13	49
Later than 1 year and not later than 2 years	-	14
	13	63
Less: Future finance charges	-	(3)
Present value of minimum lease payments	13	60
<b>Present value of payments:</b>		
Not later than 1 year	13	46
Later than 1 year and not later than 2 years	-	14
	13	60
<b>Analysed as:</b>		
Due within 12 months (Note 18)	13	46
Due after 12 months (Note 16)	-	14
	13	60

The interest rate as at 31 December 2015 for the finance lease liabilities was 13.42% to 14.32% (2014: 13.42% to 14.32%) per annum.

## 18. SHORT TERM BORROWINGS

	Group	
	2015	2014
	RM'000	RM'000
<b>Secured (Fixed rate)</b>		
Finance lease liabilities (Note 17)	13	46
<b>Unsecured (Floating rate)</b>		
Revolving credits	734,669	563,128
Murabahah term financing	575,502	512,107
Short term financing	698,425	-
Term loans payable within one year (Note 16)	248,721	168,590
	2,257,317	1,243,825
<b>Total short term borrowings</b>	<b>2,257,330</b>	<b>1,243,871</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 18. SHORT TERM BORROWINGS (CONT'D.)

The range of weighted average effective interest rates per annum at the reporting date for borrowings were as follows:

	Group	
	2015	2014
	%	%
Revolving credits	0.92 - 4.22	1.15 - 3.70
Murabahah term financing	1.55 - 3.97	1.45 - 1.68
Short term financing	1.12 - 1.62	-
Term loans payable within one year (Note 16)	2.10 - 3.07	1.54 - 2.83

	Company	
	2015	2014
	RM'000	RM'000
<b>Secured - Fixed rate</b>		
Finance lease liabilities (Note 17)	13	46
<b>Unsecured - Floating rate</b>		
Revolving credits	651,577	490,420
Murabahah term financing	575,502	512,107
Short term financing	182,665	-
Term loans payable within one year (Note 16)	27,653	-
	<b>1,437,397</b>	<b>1,002,527</b>
<b>Total short term borrowings</b>	<b>1,437,410</b>	<b>1,002,573</b>

The range of weighted average effective interest rates per annum at the reporting date for borrowings were as follows:

	Company	
	2015	2014
	%	%
Revolving credits	0.92 - 1.75	1.15 - 1.65
Murabahah term financing	1.55 - 2.47	1.45 - 1.68
Short term financing	1.12 - 1.62	-
Term loans payable within one year (Note 16)	3.07	1.54 - 2.83

## NOTES TO THE FINANCIAL STATEMENTS

## 19. PAYABLES

	Group	
	2015	2014
	RM'000	RM'000
Trade payables:		
Trade payables	90,344	108,432
Accruals	146,252	72,644
	236,596	181,076
Other payables:		
Accruals	29,073	40,751
Provision for unutilised leave	899	717
Deferred income	395	17,187
Deposits received	49	42
Sundry payables	27,223	23,310
	57,639	82,007
Total trade and other payables	294,235	263,083
Total trade and other payables	294,235	263,083
Less:		
Deferred income	(395)	(17,187)
Provision for unutilised leave	(899)	(717)
Add:		
Due to holding company (Note 14)	-	25
Due to fellow subsidiaries (Note 14)	2,775	2,838
Long term borrowings (Note 16)	1,746,965	1,010,978
Short term borrowings (Note 18)	2,257,330	1,243,871
<b>Total financial liabilities carried at amortised costs</b>	<b>4,300,011</b>	<b>2,502,891</b>

Trade payables are non-interest bearing and are normally settled within 30 days to 60 days (2014: 30 days to 60 days) terms.

Other payables are non-interest bearing and are normally settled within 30 days to 90 days (2014: 30 days to 90 days) terms.

Deferred income relates to mobilisation fees received on drilling and workover contracts that are deferred and recognised on a straight-line basis over the term of the respective contracts.



## NOTES TO THE FINANCIAL STATEMENTS

## 19. PAYABLES (CONT'D.)

	Company	
	2015 RM'000	2014 RM'000
Other payables:		
Accruals	7,138	2,201
Provision for unutilised leave	483	473
Sundry payables	681	4,224
Total other payables	8,302	6,898
Total other payables	8,302	6,898
Less:		
Provision for unutilised leave	(483)	(473)
Add:		
Due to holding company (Note 14)	-	25
Due to subsidiaries (Note 14)	9,111	-
Due to fellow subsidiaries (Note 14)	2,146	2,093
Long term borrowings (Note 16)	703,007	14
Short term borrowings (Note 18)	1,437,410	1,002,573
Total financial liabilities carried at amortised costs	2,159,493	1,011,130

## 20. SHARE CAPITAL AND SHARE PREMIUM

	Group and Company	
	Number of ordinary shares '000	Amount RM'000
(a) Authorised:		
1 January 2014/ 31 December 2014/ 1 January 2015/ 31 December 2015 (@ RM0.50 each)	5,000,000	2,500,000

## NOTES TO THE FINANCIAL STATEMENTS

## 20. SHARE CAPITAL AND SHARE PREMIUM (CONT'D.)

## (b) Issued and paid up:

	Number of ordinary shares of RM0.50 each '000	Group and Company		Total share capital and share premium RM'000
		Share capital RM'000	Share premium RM'000	
At 1 January 2014/ 31 December 2014/ 1 January 2015/ 31 December 2015	2,162,000	1,081,000	1,372,819	2,453,819

## 21. OTHER RESERVES

## (a) Share options reserve

Share options reserve represents the equity-settled share options granted by the ultimate holding company to the employees of the Group.

## (b) Capital reserve

Capital reserve relates to statutory reserves of an overseas subsidiary.

## (c) Gain on derecognition of intercompany financial liabilities

The gain on derecognition of financial liabilities arose as part of the settlement of intercompany liabilities due to the holding company pursuant to the internal reorganisation in prior year.

## (d) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group's presentation currency.

## (e) Hedging reserve

Hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flows hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedge reserve will be reclassified to income statement only when the hedge transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item.

## NOTES TO THE FINANCIAL STATEMENTS

## 22. REVENUE

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Drilling and workover services	755,720	924,221	-	-
Sale of goods	22,185	16,140	-	-
Rendering of services	61,078	73,878	-	-
Gross dividend income from subsidiaries	-	-	-	68,452
Management fees from subsidiaries	-	-	13,110	15,973
Management fees from fellow subsidiaries	102	-	102	-
Others	792	664	-	-
	839,877	1,014,903	13,212	84,425

## 23. OTHER OPERATING INCOME

Included in other operating income are:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Net realised foreign exchange gains	32,776	3,768	30,322	3,680
Net unrealised foreign exchange gains	-	-	27,129	-
Net fair value gain on derivatives	604	-	-	-
Net fair value gains on money market fund	240	485	234	485
Gains on disposal of property, plant and equipment	57	826	-	-
Reversal of impairment losses on receivables	-	2,623	-	-
Rental income	410	500	1,260	1,375

## 24. EMPLOYEE BENEFITS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Wages and salaries	157,591	149,081	14,232	19,677
Social security costs	478	437	69	58
Provision for/(reversal of) unutilised leave	108	(131)	11	51
Pension costs - defined contribution plan	8,418	9,311	2,258	3,105
Other employee related expenses	32,303	37,565	1,798	1,985
	198,898	196,263	18,368	24,876
Less: Employee benefits capitalised				
- Property, plant and equipment (Note 4(b)(ii))	(10,337)	(12,990)	-	-
	188,561	183,273	18,368	24,876

## NOTES TO THE FINANCIAL STATEMENTS

## 24. EMPLOYEE BENEFITS (CONT'D.)

Included in employee benefits is executive director's remuneration as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Salaries and other emoluments	1,283	2,363	1,274	2,355
Pension costs - defined contribution plan	188	365	188	365
Benefits-in-kind	176	164	176	164

## 25. IMPAIRMENT PROVISIONS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Rigs, HWUs and drilling equipment (Note 4)	336,431	-	-	-
Goodwill (Note 6)	11,291	-	-	-
	347,722	-	-	-

## 26. OTHER OPERATING EXPENSES

Included in other operating expenses are:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-executive directors' remuneration:				
- fees	640	640	640	640
- meeting allowances	182	184	182	184
- other emoluments	159	171	159	171
Rental of premises	10,773	8,649	3,380	3,088
Rental of equipment, barge and rig	49,223	78,695	553	611
Repair and maintenance of equipment and rigs	56,957	62,913	43	36
Auditors' remuneration:				
Statutory audit				
- auditors of the Company	767	800	176	176
- other auditors	51	13	-	-
Other services				
- auditors of the Company	376	369	129	134
Management fees payable to a related company	1,104	1,096	1,104	1,096
Reversal of IPO expenses	-	(377)	-	(377)
Loss on disposal of property, plant and equipment	126	102	26	94
Property, plant and equipment written off	14,054	211	1	-
Net fair value loss on derivatives	-	539	-	-
Net unrealised foreign exchange losses	1,586	2,065	-	1,119

## NOTES TO THE FINANCIAL STATEMENTS

## 26. OTHER OPERATING EXPENSES (CONT'D.)

The number of directors of the Company whose total remuneration falls within the respective bands are as follows:

	Group		Company	
	2015	2014	2015	2014
<b>Executive director:</b>				
RM1,600,001 - RM1,650,000	1	-	1	-
RM2,850,001 - RM2,900,000	-	1	-	1
<b>Non-executive directors:</b>				
RM100,001 - RM150,000	6	6	6	6
RM300,001 - RM350,000	1	1	1	1

## 27. FINANCE COSTS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest expenses				
- Bank borrowings	71,210	32,106	28,031	12,174
- Others	732	726	3	12
	71,942	32,832	28,034	12,186
Less: Interest expenses capitalised				
- Property, plant and equipment (Note 4(b)(i))	(7,883)	(6,740)	-	-
Net interest expenses	64,059	26,092	28,034	12,186

## 28. INVESTMENT INCOME

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Distribution income from:				
- Money market fund	938	9,567	721	9,567
Interest income from:				
- Deposits with licensed banks	24,528	22,481	23,234	21,703
- Subsidiaries	-	-	39,044	12,983
	25,466	32,048	62,999	44,253

## NOTES TO THE FINANCIAL STATEMENTS

## 29. INCOME TAX EXPENSE

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Malaysian income taxes	4,300	7,802	3,291	2,082
Foreign income taxes	19,881	22,482	-	-
	24,181	30,284	3,291	2,082
(Over)/under provision in prior years:				
Malaysian income taxes	(2,206)	4	(113)	-
Foreign income taxes	(144)	853	-	-
	(2,350)	857	(113)	-
	21,831	31,141	3,178	2,082
Deferred taxation (Note 9):				
Relating to origination and reversal of temporary differences	(1,976)	(943)	-	-
Under provision in prior years	150	200	-	-
	(1,826)	(743)	-	-
Total income tax expense	20,005	30,398	3,178	2,082

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the year. The domestic statutory tax rates will be reduced to 24% from the current year's rate of 25% effective Year of Assessment 2016. The computation of deferred tax as at 31 December 2015 has reflected this change.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.



## NOTES TO THE FINANCIAL STATEMENTS

## 29. INCOME TAX EXPENSE (CONT'D.)

Reconciliations between tax expense and the accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2015 and 2014 are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
(Loss)/profit before tax	<b>(348,426)</b>	284,156	<b>78,978</b>	86,208
Taxation at Malaysian statutory rate of 25% (2014: 25%)	<b>(87,107)</b>	71,039	<b>19,744</b>	21,552
Effect of different tax rates in other jurisdictions	<b>7,183</b>	(31,468)	-	-
Income not subject to tax	<b>(10,160)</b>	(15,412)	<b>(16,724)</b>	(22,587)
Expenses not deductible for tax purposes	<b>102,317</b>	4,891	<b>41</b>	2,656
Utilisation of previously unrecognised deferred tax assets	-	(32)	-	-
Deferred tax assets not recognised	<b>10,102</b>	461	<b>230</b>	461
Under provision of deferred tax in prior years	<b>150</b>	200	-	-
(Over)/under provision of income tax in prior years	<b>(2,350)</b>	857	<b>(113)</b>	-
Share of results of associate	<b>(130)</b>	(138)	-	-
Tax expense for the year	<b>20,005</b>	30,398	<b>3,178</b>	2,082

## 30. (LOSS)/EARNINGS PER SHARE

## Basic/diluted

	Group	
	2015	2014
Net (loss)/profit attributable to equity holders (RM'000)	<b>(369,277)</b>	251,996
Weighted average number of ordinary shares of RM0.50 (2014: RM0.50) in issue ('000)	<b>2,162,000</b>	2,162,000
Basic/diluted (loss)/earnings per share (sen):	<b>(17.08)</b>	11.66

Basic/diluted (loss)/earnings per share is calculated by dividing the net (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

The Company has no potential dilutive ordinary shares as at the end of the reporting date and as such diluted earnings per share is equal to the basic earnings per share.

## NOTES TO THE FINANCIAL STATEMENTS

## 31. DIVIDENDS

	Amount		Net dividend per share	
	2015 RM'000	2014 RM'000	2015 Sen	2014 Sen
Recognised during the financial year:				
In respect of the financial year ended 31 December 2014				
- Interim single-tier dividend of 1 sen per share	-	21,620	-	1

## 32. CAPITAL COMMITMENTS

	Group	
	2015 RM'000	2014 RM'000
Approved and contracted for:		
- land and buildings	575	-
- equipment, plant and machinery	79,466	1,366,112
- others	2,086	1,768
	<b>82,127</b>	<b>1,367,880</b>
Approved but not contracted for:		
- land and buildings	5,324	-
- equipment, plant and machinery	98,520	439,726
- others	3,342	8,142
	<b>107,186</b>	<b>447,868</b>
Total capital commitments	<b>189,313</b>	<b>1,815,748</b>

## 33. SEGMENT REPORTING

For management purposes, the Group is organised into business segments based on nature of services and has operating segments as follows:

- (i) The drilling services segment is principally involved in the provision of drilling services and workover rig services to the upstream oil and gas sector. This segment owns and operates several drilling rigs and HWUs, and acts as an agent for two providers of specialised equipment and service. The rigs are chartered out to oil majors for their exploration, development and production activities. The HWUs service offshore wells that involve the use of HWUs and its ancillary equipment to complete the removal and replacement of well equipment to restore the operation of suspended or under-performing wells;
- (ii) The oilfield services segment principally provide premium Oil Country Tubular Goods ("OCTG") threading, repair and inspection services; and
- (iii) The others segment is involved in investment holding, provision of support services, management and corporate services which do not generate significant external revenue.

Transfer prices between operating segments are at terms agreed between the parties.

## NOTES TO THE FINANCIAL STATEMENTS

## 33. SEGMENT REPORTING (CONT'D.)

## (a) Business segments

2015	Drilling services RM'000	Oilfield services RM'000	Others RM'000	Adjustments and eliminations RM'000	Note	Per consolidated financial statements RM'000
<b>Revenue:</b>						
External customers	802,363	37,412	102	-		839,877
Inter-segment	-	-	13,024	(13,024)	I	-
Total revenue	802,363	37,412	13,126	(13,024)		839,877
<b>Results:</b>						
Depreciation and amortisation	(239,542)	(5,406)	(1,171)	-		(246,119)
Impairment of Rigs, HWU and goodwill	(341,504)	(6,218)	-	-		(347,722)
Finance costs	(60,864)	(94)	(3,101)	-		(64,059)
Investment income	934	143	24,389	-		25,466
Share of results of associate	-	521	-	-		521
Other material non-cash items	(17,484)	(14)	2,633	-	II	(14,865)
Segment (loss)/profit before tax	(385,329)	(5,030)	41,933	-		(348,426)
Income tax expense	(15,666)	(1,076)	(3,263)	-		(20,005)
Segment (loss)/profit after tax	(400,995)	(6,106)	38,670	-		(368,431)
<b>Assets:</b>						
Investment in associate	-	2,073	-	-		2,073
Additions to non-current assets	1,769,329	10,046	1,613	-	III	1,780,988
Segment assets	6,710,664	106,141	830,178	-		7,646,983
<b>Liabilities:</b>						
Segment liabilities	4,097,980	11,676	193,890	-		4,303,546

## NOTES TO THE FINANCIAL STATEMENTS

## 33. SEGMENT REPORTING (CONT'D.)

## (a) Business segments (Cont'd.)

2014	Drilling services RM'000	Oilfield services RM'000	Others RM'000	Adjustments and eliminations RM'000	Note	Per consolidated financial statements RM'000
<b>Revenue:</b>						
External customers	968,619	46,284	-	-		1,014,903
Inter-segment	-	-	78,819	(78,819)	I	-
Total revenue	968,619	46,284	78,819	(78,819)		1,014,903
<b>Results:</b>						
Depreciation and amortisation	(127,738)	(4,521)	(847)	-		(133,106)
Finance costs	(23,269)	(104)	(2,719)	-		(26,092)
Investment income	582	55	31,411	-		32,048
Share of results of associate	-	550	-	-		550
Other material non-cash items	1,710	119	(812)	-	II	1,017
Segment profit before tax	272,838	8,790	2,528	-		284,156
Income tax expense	(25,971)	(2,266)	(2,161)	-		(30,398)
Segment profit after tax	246,867	6,524	367	-		253,758
<b>Assets:</b>						
Investment in associate	-	1,950	-	-		1,950
Additions to non-current assets	1,770,643	3,676	2,055	-	III	1,776,374
Segment assets	4,677,892	102,466	975,606	-		5,755,964
<b>Liabilities:</b>						
Segment liabilities	2,343,089	11,471	193,578	-		2,548,138

## NOTES TO THE FINANCIAL STATEMENTS

## 33. SEGMENT REPORTING (CONT'D.)

## (a) Business segments (Cont'd.)

The following are the nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:

- I. Inter-segment revenue are eliminated on consolidation.
- II. Other material non-cash income/(expenses) consist of the following items as presented in the respective notes to the consolidated financial statements:

	Note	2015 RM'000	2014 RM'000
Net fair value gain/(loss) on derivatives	23, 26	604	(539)
Net (loss)/gain on disposal of property, plant and equipment	23, 26	(69)	724
Net fair value gain on money market fund	23	240	485
Net unrealised foreign exchange loss	26	(1,586)	(2,065)
Reversal of impairment on receivables	23	-	2,623
Property, plant and equipment written off	26	(14,054)	(211)
		(14,865)	1,017

- III. Additions to non-current assets consist of:

	Note	2015 RM'000	2014 RM'000
Property, plant and equipment	4	1,780,988	1,776,374

## NOTES TO THE FINANCIAL STATEMENTS

## 33. SEGMENT REPORTING (CONT'D.)

## (b) Geographical segments

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Malaysia RM'000	Indonesia RM'000	Singapore RM'000	Vietnam RM'000	Philippines RM'000	Myanmar RM'000	Others RM'000	Total RM'000
<b>31 December 2015</b>								
Revenue from external customers	419,285	-	-	332,254	-	68,785	19,553	839,877
Non-current assets	3,781,263	2,240,337	24,768	-	-	-	37,897	6,084,265
<b>31 December 2014</b>								
Revenue from external customers	471,732	-	-	354,655	44,301	116,708	27,507	1,014,903
Non-current assets	1,002,776	-	159,161	1,850,502	-	844,244	178,880	4,035,563

Non-current assets information presented above consist of the following items as presented in the consolidated statements of financial position:

	2015 RM'000	2014 RM'000
Property, plant and equipment	6,081,634	4,021,981
Land use rights	2,631	2,291
Intangible assets	-	11,291
	<b>6,084,265</b>	<b>4,035,563</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 34. SUBSIDIARIES

Name of company	Country of incorporation	Principle activities	Proportion of ownership interest	
			2015 %	2014 %
Subsidiaries of the Company:				
UMW JDC Drilling Sdn. Bhd.	Malaysia	Provision of drilling operations for the oil and gas industry.	85	85
UMW Malaysian Ventures Sdn. Bhd.	Malaysia	Investment holding.	100	100
UMW Singapore Ventures Pte. Ltd.*	Singapore	Investment holding.	100	100
UMW Rig Asset (L) Ltd.	Malaysia	Investment holding.	100	100
Subsidiaries of:				
UMW Malaysian Ventures Sdn. Bhd.				
UMW Singapore Ventures Pte. Ltd.				
UMW Rig Asset (L) Ltd.				
UMW Workover Sdn. Bhd.	Malaysia	Provision of workover operations for the oil and gas industry.	100	100
UMW Offshore Drilling Sdn. Bhd.	Malaysia	Contract offshore drilling business and operations and other engineering services for oil and gas exploration, development and production in Malaysia and overseas.	100	100
UMW Drilling Co. Ltd.	Malaysia	Ownership and leasing of rig.	100	100
UMW Drilling 2 (L) Ltd.	Malaysia	Ownership and leasing of rig.	100	100
UMW Drilling 3 (L) Ltd.	Malaysia	Ownership and leasing of rig.	100	100
UMW Drilling 4 (L) Ltd.	Malaysia	Ownership and leasing of rig.	100	100
UMW Drilling 5 (L) Ltd.	Malaysia	Ownership and leasing of rig.	100	100
UMW Drilling 6 (L) Ltd.	Malaysia	Ownership and leasing of rig.	100	100
UMW Drilling 7 (L) Ltd.	Malaysia	Ownership and leasing of rig.	100	100
UMW Drilling 8 (L) Ltd.	Malaysia	Ownership and leasing of rig.	100	100
UMW Drilling Academy Sdn. Bhd.	Malaysia	Provision of training and courses in relation to oil and gas drilling activities.	100	100
UMW Standard 1 Pte. Ltd.	Singapore	Ownership and leasing of rig.	100	100
UMW Standard 3 Pte. Ltd.	Singapore	Dormant.	100	100



## NOTES TO THE FINANCIAL STATEMENTS

## 34. SUBSIDIARIES (CONT'D.)

Name of company	Country of incorporation	Principle activities	Proportion of ownership interest	
			2015 %	2014 %
UMW Offshore Drilling Ltd.	Cayman Islands	Contract drilling operations and other engineering services for oil and gas exploration, development and production.	100	-
Offshore Driller B324 Ltd.	Cayman Islands	Dormant.	100	100
Offshore Driller 4 Ltd.	Cayman Islands	Dormant.	100	100
UMW Oilpipe Services Sdn. Bhd.	Malaysia	Provision of threading, inspection, repair and maintenance services for OCTG.	100	100
UMW Oilpipe Services (Turkmenistan) Ltd.	Malaysia	Provision of threading, inspection, repair and maintenance services for OCTG.	51	51
UMW Oilfield Services (Tianjin) Co., Limited *	People's Republic of China	Provision of threading, inspection, repair and maintenance services for OCTG.	100	100
UOT (Thailand) Limited	Thailand	Provision of threading, inspection, repair and maintenance services for OCTG.	58.8	58.8

\* Audited by firms other than Ernst & Young.

## (a) Liquidation of subsidiary

The Group completed liquidation of a subsidiary in 2015 as detailed below:

Name of company	Country of incorporation	Principal activities	Previous equity interest %
UMW Deepnautic Sdn. Bhd.	Malaysia	Dormant.	100

## NOTES TO THE FINANCIAL STATEMENTS

## 34. SUBSIDIARIES (CONT'D.)

## (b) Subsidiaries with non-controlling interests

Details and summarised financial information of subsidiaries which have non-controlling interests that are material to the Group are set out below. The summarised financial information presented below is the amount before inter-company elimination.

## (i) Details of subsidiaries

Name of company	Proportion of ownership interest held by non-controlling interests	
	2015 %	2014 %
UMW JDC Drilling Sdn. Bhd.	15	15
UMW Oilpipe Services (Turkmenistan) Ltd.	49	49
UOT (Thailand) Limited	41.2	41.2

## (ii) Summarised statements of financial position

	2015 RM'000	2014 RM'000
Non-current assets	11,687	11,743
Current assets	44,540	73,199
Non-current liabilities	(277)	(263)
Current liabilities	(18,273)	(55,947)

## (iii) Summarised statements of comprehensive income

	2015 RM'000	2014 RM'000
Revenue	125,442	182,099
Profit for the year	2,899	8,326
Other comprehensive income	5,124	1,340
Total comprehensive income	8,023	9,666

## NOTES TO THE FINANCIAL STATEMENTS

## 34. SUBSIDIARIES (CONT'D.)

## (b) Subsidiaries with non-controlling interests (Cont'd.)

## (iv) Summarised statements of cash flows

	2015 RM'000	2014 RM'000
Net cash generated from/(used in) operating activities	24,646	(625)
Net cash used in investing activities	(170)	(372)
Net increase/(decrease) in cash and cash equivalents	24,477	(997)
Cash and cash equivalents at end of year	36,461	12,139

## 35. ASSOCIATE

Name of company	Country of incorporation	Principal activities	Proportion of ownership interest	
			2015 %	2014 %
Oil-Tex (Thailand) Company Limited # *	Thailand	Provision of logistic services for the oil and gas industry.	20	20

# During the year, the financial year end of Oil-Tex (Thailand) Company Limited was changed from 30 June to 31 March. The next financial year will be for the period from 1 July 2015 to 31 March 2016.

\* Audited by firm other than Ernst & Young.

## NOTES TO THE FINANCIAL STATEMENTS

## 36. SIGNIFICANT RELATED PARTY DISCLOSURES

- (a) In addition to the related party transaction information disclosed elsewhere, transactions by the Group with its related parties are as follows:

Companies	Transacting Parties	Nature of Transactions	2015 RM'000	2014 RM'000
UMW Offshore Drilling Sdn. Bhd.	UMW Pennzoil Distributors Sdn. Bhd., a subsidiary of UMWH	Purchase of goods	188	378
UMW Workover Sdn. Bhd.	) U-TravelWide Sdn. Bhd., ) a subsidiary of UMWH )	Purchase of services	8	1,660
UMW Oil & Gas Corporation Berhad	) )		294	564
UMW Offshore Drilling Sdn. Bhd.	)		199	289
UMW Workover Sdn. Bhd.	UMW Industrial Power Sdn. Bhd., a subsidiary of UMWH	Purchase of goods	1	338
UMW Oil & Gas Corporation Berhad	UMW Corporation Sdn. Bhd., a subsidiary of UMWH	Rental expense	2,545	2,626
		Management fees expense	1,104	1,096
UMW Oilpipe Services Sdn. Bhd.	UMW Industries (1985) Sdn. Bhd., a subsidiary of UMWH	Operating lease expense	300	172
UMW Oil & Gas Corporation Berhad	e-Lock Corporation Sdn. Bhd., an associate of UMWH in which Dr. Leong Chik Weng also has an interest	Purchase of services	63	63
UMW Oil & Gas Corporation Berhad and its subsidiaries companies	Toyota Capital Malaysia Sdn. Bhd., a related party of the Group	Operating lease expense	1,389	1,015
UMW JDC Drilling Sdn. Bhd. ("UJD")	Japan Drilling Co. Ltd., a corporate shareholder of UJD, and its subsidiaries	Purchase of goods and services	19,366	18,588
		Bareboat charter expense	10,518	41,040

The above transactions were stated at contracted amount and were entered into in the normal course of business on a commercial basis.

## NOTES TO THE FINANCIAL STATEMENTS

## 36. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

- (b) In addition to the related party transaction information disclosed elsewhere, transactions by the Company with its subsidiaries are as follows:

	2015 RM'000	2014 RM'000
Dividend income	-	(68,452)
Management fees income	(13,212)	(15,973)
Interest income	(39,044)	(12,983)
Rental income	(1,260)	(1,375)
Services rendered income	(2,458)	(2,802)

- (c) Compensation of key management personnel

The aggregate compensation of key management personnel, including the executive director of the Company is as follows:

	2015 RM'000	2014 RM'000
Salaries and wages	6,624	9,980
Social security cost	10	8
Pension costs - defined contribution plan	945	1,486
Other staff related costs	752	651
	<b>8,331</b>	12,125

## NOTES TO THE FINANCIAL STATEMENTS

### 37. FAIR VALUE OF FINANCIAL INSTRUMENTS

#### Determination of Fair Values

#### Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair value:

	Note
<b>Receivables</b>	
- Trade and other receivables	13
- Due from related companies	14
<b>Borrowings</b>	
- Fixed rate borrowings (non-current)	16
- Fixed rate borrowings (current)	18
- Floating rate borrowings (non-current)	16
- Floating rate borrowings (current)	18
<b>Payables</b>	
- Trade and other payables	19
- Due to related companies	14

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the current portion of loans and borrowings are reasonable approximation of fair value due to the insignificant impact of discounting.

The fair values of current loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

#### Held for trading investments

The fair value of these financial instruments are determined by reference to their published net asset values as at the reporting date.

#### Finance lease liabilities

The fair value of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

#### Derivatives

Forward currency contracts and interest rate swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

## NOTES TO THE FINANCIAL STATEMENTS

## 37. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

## Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- (a) Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (b) Level 2 Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (c) Level 3 Input for the asset or liability that are not based on observable market data (unobservable input).

	Level 1		Level 2	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Assets</b>				
Financial assets at fair value through profit or loss:				
- Derivative assets	-	-	2,868	-
Held for trading investments				
- Investments in money market fund	89,565	-	-	-
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss:				
- Derivative liabilities	-	-	-	(541)

The Group does not have any financial instruments classified as Level 3 as at the reporting date. There were no material transfers between Level 1, Level 2 and Level 3 during the financial year.

## 38. CAPITAL MANAGEMENT

Capital management is defined as the process of managing the composition of the Group's debts and equity to achieve and maintain an optimal capital structure and ensuring availability of funds to support its business and maximise its shareholder value.

The Group defines capital as total equity and net debt of the Group and manages its capital structure using a gearing ratio which is net debt divided by total equity plus net debt. For this purpose, other investments, which consist of investments in money market fund, are included in deriving net debt of the Group and of the Company. The Group endeavours to maintain a healthy gearing ratio to enjoy reasonable costs of borrowings and sufficient debt headroom for future asset expansion.

## NOTES TO THE FINANCIAL STATEMENTS

## 38. CAPITAL MANAGEMENT (CONT'D.)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Loans and borrowings	4,004,295	2,254,849	2,140,417	1,002,587
Less: Deposits, cash and bank balances	(973,807)	(1,178,046)	(726,067)	(939,755)
Other investments	(89,565)	-	(75,642)	-
Net debt	2,940,923	1,076,803	1,338,708	62,832
Total equity	3,343,437	3,207,826	2,662,260	2,586,460
<b>Total capital</b>	<b>6,284,360</b>	<b>4,284,629</b>	<b>4,000,968</b>	<b>2,649,292</b>
<b>Gearing ratio</b>	<b>0.47</b>	<b>0.25</b>	<b>0.33</b>	<b>0.02</b>

## 39. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks. The financial risk management practices of the Group seek to ensure that adequate financial resources are available for the development of the Group's business while managing credit, liquidity, interest rate and foreign currency risks. The principal aim of the Group's financial risk management practices is to identify, evaluate and manage financial risks with an objective to minimise potential adverse effects on the financial performance of the Group.

The Group's financial risk management practices are in line with the Enterprise Risk Management Framework of its holding company, UMW Holdings Berhad, with modifications made to suit the industry the Group is in. The Group's risk governance structure comprise the following:

- (i) an Investment and Risk Management Committee of the Board of Directors; and
- (ii) a Risk Management Committee at corporate management level.

Responsibilities of the Investment and Risk Management Committee include:

- (i) to monitor the consistent enforcement of Enterprise Risk Management ("ERM") policy across the Group;
- (ii) to review and endorse the risk parameters, risk appetite, risk profiles, risk treatment options, risk action plans and key risk indicators;
- (iii) to provide guidance and advice on appropriateness of risk treatment option selected and risk action plans development; and
- (iv) to provide half yearly reports to the Board on ERM.

The Risk Management Committee is made up of members of the Group's senior management. This committee will be responsible to identify and assess risks and make recommendations on risk management to the Investment and Risk Management Committee of the Board of Directors.



## NOTES TO THE FINANCIAL STATEMENTS

## 39. FINANCIAL RISK MANAGEMENT (CONT'D.)

Financial risk management objectives of the Group are as follows:

- (i) to minimise exposure to all financial risks including interest, credit, liquidity and foreign currency exchange risks;
- (ii) to accept certain level of financial risks including price risk and credit risk that commensurate with the expected returns on the underlying operations and activities; and
- (iii) to minimise liquidity risk by proper cash flow planning, management and control.

The Group's financial risk management strategies include using:

- (i) derivatives to hedge its exposure to currency, interest and cash flow risks where appropriate. However, use of derivatives for speculation is specifically prohibited;
- (ii) credit controls that include evaluation, acceptance, monitoring and feedback to ensure that only reasonably creditworthy customers are accepted; and
- (iii) money market instruments, short term deposits and bank borrowings to manage liquidity risks.

The Group's strategies and practices in dealing with its major financial risks are set out below:

**(a) Foreign Currency Risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The functional currency of a majority of the companies within the Group is United States Dollar ("USD"). The Group relies primarily on the natural hedge between its USD-denominated revenue and USD-denominated borrowings and other liabilities to minimise its exposures to foreign currency risk.

The Group's exposures to foreign currency risk primarily consist of trade receivables, trade payables, loans and borrowings, and deposits, cash and bank balances, as a result of transactions entered into in currencies other than the functional currencies.

As at 31 December 2015, approximately 21% (2014: 6%) of the Group's trade receivables and approximately 28% (2014: 14%) of the Group's trade payables are denominated in currencies other than the functional currency of the relevant companies in the Group.

The Group also holds deposits, cash and bank balances denominated in currencies other than functional currencies for working capital purposes. As at 31 December 2015, the Group has such balances amounting to RM331,976,000 (2014: RM90,008,000).

Material foreign currency exposures are hedged via forward exchange contracts by using foreign exchange facilities maintained with leading banks. The forward exchange contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

The table below demonstrates the sensitivity of the Group's and Company's profit after taxation as at year end to a reasonable possible change in the US Dollar exchange rates against RM with all other variables held constant:

	Basis points	Effect on (loss)/profit after taxation Increase/(decrease)			
		Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
US Dollar/RM	+ 5%	<b>11,578</b>	3,275	<b>(12,580)</b>	2,425
	- 5%	<b>(11,578)</b>	(3,275)	<b>12,580</b>	(2,425)

## NOTES TO THE FINANCIAL STATEMENTS

## 39. FINANCIAL RISK MANAGEMENT (CONT'D.)

## (b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk in respect of its placements with financial institutions and bank borrowings at floating rates. Its policy is to:

- (i) have an optimal mixture of short term deposits or placements; and
- (ii) manage its interest cost using a combination of fixed and floating rate debts.

The Group monitors interest rates prior to making deposits and bank borrowings to ensure that the applicable rates are established at acceptable levels. Interest rate swaps may be used to hedge against fluctuation in interest rate where appropriate.

**Sensitivity analysis for interest rate risk**

The table below demonstrates the sensitivity of the Group's and the Company's profit after taxation, to possible reasonable changes in interest rates with all other variables held constant, through impact on interest income from placement of surplus funds and interest expense on floating rate borrowings.

	Basis points	Effect on (loss)/profit after taxation Increase/(decrease)			
		Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
London Interbank Offered Rate	+ 50	7,371	(3,236)	(4,782)	-
	- 50	(7,371)	3,236	4,782	-
Singapore Interbank Offered Rate	+ 50	-	(21)	-	-
	- 50	-	21	-	-
Cost of funds of lenders	+ 50	9,205	1,694	(5,920)	4,699
	- 50	(9,205)	(1,694)	5,920	(4,699)

## (c) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterpart default on its obligation. The Group's exposure to credit risk arises primarily from trade receivables.

Credit risk of the Group is managed during the tendering stage where the credit worthiness of a potential customer or the payment records of an existing customer is evaluated prior to participating in a tender. The Group's customers are mainly local and overseas national oil companies, subsidiaries of credit-worthy international oil and gas companies or established international companies. For less established companies, credit risk is managed by obtaining advance payment and/or a collateral in the form of a bank guarantee.

## NOTES TO THE FINANCIAL STATEMENTS

## 39. FINANCIAL RISK MANAGEMENT (CONT'D.)

## (d) Liquidity Risk

Liquidity risk is the risk that the Group and the Company is unable to meet financial obligations when due, as a result of shortage of funds including arising from mismatch of maturities of financial assets and liabilities.

To ensure a healthy liquidity position, it is the Group's and the Company's policy to:

- (i) have the right mixture of liquid assets in its portfolio;
- (ii) maintain a healthy gearing ratio;
- (iii) finance long term assets with long term loans; and
- (iv) maintain a balance between flexible and structured financing options to finance its operations and investments.

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

As at 31 December 2015, the Group has an excess of current liabilities over its current assets by RM997,678 (2014: excess of current assets over current liabilities of RM184,113). At the reporting date, approximately 56% (2014: 55%) of the Group's loans and borrowings (Note 18) will mature in less than one year based on the carrying amount reflected in the financial statements. The Group has sufficient liquid assets and unutilised short term banking facilities to meet all its repayment obligations due within one year as at 31 December 2015.

Group	31 December 2015				Total RM'000
	On demand or within one year RM'000	More than one year and less than two years RM'000	More than two years and less than five years RM'000	Over five years RM'000	

**Financial liabilities:**

Trade and other payables (exclude provisions and deferred income)	292,941	-	-	-	292,941
Due to fellow subsidiaries	2,775	-	-	-	2,775
Borrowings	2,311,057	312,619	1,066,136	582,701	4,272,513
Total undiscounted financial liabilities	2,606,773	312,619	1,066,136	582,701	4,568,229

## NOTES TO THE FINANCIAL STATEMENTS

## 39. FINANCIAL RISK MANAGEMENT (CONT'D.)

## (d) Liquidity Risk (Cont'd.)

Group (Cont'd.)	31 December 2014				Total RM'000
	On demand or within one year RM'000	More than one year and less than two years RM'000	More than two years and less than five years RM'000	Over five years RM'000	

**Financial liabilities:**

Trade and other payables (exclude provisions and deferred income)	245,179	-	-	-	245,179
Due to holding company and fellow subsidiaries	2,863	-	-	-	2,863
Borrowings	1,273,422	204,589	435,821	453,713	2,367,545
Total undiscounted financial liabilities	1,521,464	204,589	435,821	453,713	2,615,587

Company	31 December 2015				Total RM'000
	On demand or within one year RM'000	More than one year and less than two years RM'000	More than two years and less than five years RM'000	Over five years RM'000	

**Financial liabilities:**

Other payables (exclude provisions)	7,819	-	-	-	7,819
Due to subsidiaries and fellow subsidiaries	11,257	-	-	-	11,257
Borrowings	1,453,153	76,109	217,997	530,816	2,278,075
Total undiscounted financial liabilities	1,472,229	76,109	217,997	530,816	2,297,151

## NOTES TO THE FINANCIAL STATEMENTS

## 39. FINANCIAL RISK MANAGEMENT (CONT'D.)

## (d) Liquidity Risk (Cont'd.)

Company (Cont'd.)	31 December 2014		Total RM'000
	On demand or within one year RM'000	More than one year and less than two years RM'000	
<b>Financial liabilities:</b>			
Other payables (exclude provisions)	6,425	-	6,425
Due to holding company and fellow subsidiaries	2,118	-	2,118
Borrowings	1,017,112	18	1,017,130
Total undiscounted financial liabilities	1,025,655	18	1,025,673

There have been no material changes to the Group's and the Company's exposure to the above financial risks or the manner in which it manages and measures the risks for the financial years ended 31 December 2015 and 31 December 2014.

## 40. SIGNIFICANT EVENTS

In addition to the significant events disclosed elsewhere in this report, other significant event during the financial year is stated below:

On 16 September 2015, UMW Offshore Drilling Sdn. Bhd., a wholly-owned subsidiary of UMW Oil & Gas Corporation Berhad, incorporated a wholly-owned subsidiary in Cayman Islands known as UMW Offshore Drilling Ltd ("UODL"). The principal activities of UODL are to carry out contract drilling operations and other engineering services for oil and gas exploration, development and production. The issued and paid-up capital of UODL is USD100,000 divided into 100,000 ordinary shares with par value of USD1.00 each.

## NOTES TO THE FINANCIAL STATEMENTS

## 41. SUPPLEMENTARY INFORMATION - BREAKDOWN OF RETAINED PROFITS INTO REALISED AND UNREALISED

The breakdown of the retained profits of the Group and of the Company as at 31 December 2015 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Total retained profits of the Company and its subsidiaries:				
- Realised	406,744	715,501	103,167	55,615
- Unrealised	(2,480)	(4,888)	27,129	(1,119)
	404,264	710,613	130,296	54,496
Total share of retained profits from associate:				
- Realised	1,619	1,445	-	-
Total retained profits	405,883	712,058	130,296	54,496
Less: Consolidation adjustments	(261,633)	(198,531)	-	-
Total retained profits as per financial statements	144,250	513,527	130,296	54,496

# LIST OF PROPERTIES

## PROPERTY OWNED BY THE GROUP

As at 31 December 2015

The details of land and buildings owned by the Group are set out below:

Location	Description	Existing Use	Date of issuance of CCC <sup>(1)</sup> or equivalent	Built-up area/Land area (Sq. Metres)	Restriction in interest	Net Book Value
UMW Oilfield Services (Tianjin) Co., Limited ("UOS-TJ")	Industrial land comprising a detached factory (including warehouse, workshop, administration office and restroom), a guard house and a 3-storey research and development building (including canteen, exhibition room, meeting room, research room and office)	Currently used as the operating base for UOS-TJ's business	25 June 2013 <i>Refer to note <sup>(2)</sup></i>	6,564/ 13,909	Nil	RMB 3,974,315 (RM 2,630,996) (Land) RMB 31,491,141 (RM 20,847,135) (Building) <i>Refer to note <sup>(3)</sup></i>
Jin Kai (Gua) No. 2010010, West Zone of Tianjin Development Zone, to the north of South Street and Greenbelt, to the south of Zhongnan fourth Street, to the east of Planning Use Land, and to the west of Xiaqing Road and Greenbelt, People's Republic of China						
No. 101, Central South Fourth Street, Tianjin Economic-Technological Development Area West Zone, 300462 Tianjin, People's Republic of China						
Leasehold for a period of 50 years, expiring on 2061						

### Notes:

<sup>(1)</sup> Certificate of completion and compliance or certificate of fitness for occupation issued by the local authorities.

<sup>(2)</sup> Property Ownership and Land Use Right Certificate ("POLUR Certificate") dated 25 June 2013 issued by the Tianjin Municipal People's Government and the Land Resources and Property Administration Bureau of Tianjin to UOS-TJ.

<sup>(3)</sup> Based on the rate of RMB1 = RM 0.66200 as at 31 December 2015.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 6<sup>th</sup> Annual General Meeting of UMW Oil & Gas Corporation Berhad will be held at Dewan Tun Abdul Razak, Menara Kembar Bank Rakyat, No. 33 Jalan Rakyat, 50470 Kuala Lumpur, Malaysia on Tuesday, 17 May 2016 at 10.00 a.m. for the following purposes:

## AS ORDINARY BUSINESS

- |   |   |
|---|---|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2015 and the Reports of the Directors and Auditors thereon. | <i>Please refer to Explanatory Note A</i>                                 |
| 2. To re-elect the following Directors, each of whom retires by rotation in accordance with Article 107 of the Company's Articles of Association:   | <i>Please refer to Explanatory Note B</i>                                 |
| (i) Dr. Leong Chik Weng<br>(ii) Dato' Ibrahim bin Marsidi   | <b>Ordinary Resolution 1</b><br><b>Ordinary Resolution 2</b>              |
| 3. To re-elect Encik Badrul Feisal bin Abdul Rahim who retires in accordance with Article 113 of the Company's Articles of Association.             | <i>Please refer to Explanatory Note C</i><br><b>Ordinary Resolution 3</b> |
| 4. To approve the payment of Directors' fees for the financial year ended 31 December 2015.   | <i>Please refer to Explanatory Note D</i><br><b>Ordinary Resolution 4</b> |
| 5. To re-appoint Messrs. Ernst & Young as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration.     | <i>Please refer to Explanatory Note E</i><br><b>Ordinary Resolution 5</b> |

## AS SPECIAL BUSINESS

To consider, and if thought fit, to pass the following Ordinary Resolutions with or without modifications:

- |  |   |
|--|---|
| 6. Re-appointment of Tan Sri Asmat bin Kamaludin as Director of the Company in accordance with Section 129 of the Companies Act, 1965 ("CA, 1965")   | <i>Please refer to Explanatory Note F</i><br><b>Ordinary Resolution 6</b> |
| <p>"THAT Tan Sri Asmat bin Kamaludin, who retires pursuant to Section 129 of the CA, 1965 be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting ("AGM") of the Company."</p>   |   |
| 7. Authority for Directors to Issue and Allot Shares pursuant to Section 132D of the CA, 1965  | <i>Please refer to Explanatory Note G</i><br><b>Ordinary Resolution 7</b> |
| <p>"THAT subject always to the CA, 1965, the Articles of Association of the Company and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby authorised pursuant to Section 132D of the CA, 1965, to issue shares in the Company at any time until the conclusion of the next AGM and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares to be issued does not exceed ten percent (10%) of the issued and paid-up share capital of the Company for the time being."</p> |   |



## NOTICE OF ANNUAL GENERAL MEETING

8. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Renewal of Shareholders' Mandate")

*Please refer to Explanatory Note H*  
**Ordinary Resolution 8**

"THAT the mandate granted by the shareholders of the Company on 19 May 2015 pursuant to Paragraph 10.09 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), authorising the Company, its subsidiaries or any of them (the "Group") to enter into the recurrent transactions of a revenue or trading nature as set out in Section 1.3 of the Circular to Shareholders dated 25 April 2016 ("Circular"), with the Related Parties as described in the Circular, which are necessary for the day-to-day operations of the Group, be and are hereby renewed, provided that such transactions are carried out in the ordinary course of business, made on arm's length basis and on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public and not detrimental to the minority shareholders of the Company.

AND THAT such authority conferred by such renewed mandate shall continue to be in force until:

- a. the conclusion of the next AGM of the Company following this AGM, at which time it will lapse, unless the authority is renewed by a resolution passed at the general meeting;
- b. the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the CA, 1965, but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the CA, 1965; or
- c. revoked or varied by resolution passed by the shareholders of the Company in a general meeting of the Company,

whichever is the earlier.

AND THAT authority be and is hereby given to the Directors of the Company to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Renewal of Shareholders' Mandate.

AND FURTHER THAT the estimates given on the Recurrent Related Party Transactions specified in Section 1.3 of the Circular being provisional in nature, the Directors or any of them be and are hereby authorised to agree to the actual amount or amounts thereof, provided always that such amount or amounts comply with the review procedures set out in Section 1.5 of the Circular."

9. To transact any other ordinary business for which due notice has been given in accordance with Section 151 of the CA, 1965.

### By Order of the Board

**LEE MI RYOUNG (MAICSA 7058423)**

Company Secretary  
Kuala Lumpur  
25 April 2016

## NOTICE OF ANNUAL GENERAL MEETING

### NOTES:

1. A member of the Company entitled to attend and vote at the meeting may appoint a proxy to attend and vote in his/her stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the CA, 1965 shall not apply.
2. The instrument appointing a proxy must be in writing under the hands of the appointer or his attorney duly authorised in writing or, if such appointer is a corporation, under its common seal or that of an officer or attorney duly authorised. If the Form of Proxy is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If the Form of Proxy is signed under the attorney duly authorised, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed.
3. In accordance with Article 90(d) of the Articles of Association of the Company, a member shall not be entitled to appoint more than one proxy.
4. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint a proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.  
  
Every appointment submitted by an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, must specify the CDS Account Number.
5. The instrument appointing the proxy, together with the duly registered Power of Attorney referred to in Note 2 above, if any, must be deposited at the office of the Registrar, Securities Services (Holdings) Sdn Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia, not less than 48 hours before the time appointed for the Meeting or any adjournment thereof.
6. For the purpose of determining a member who shall be entitled to attend the 6<sup>th</sup> AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Article 69(2)(b) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 10 May 2016. Only a depositor whose name appears on the General Meeting Record of Depositors as at 10 May 2016 shall be entitled to attend the said meeting or appoint a proxy to attend and/or vote in his/her stead.

## NOTICE OF ANNUAL GENERAL MEETING

### EXPLANATORY NOTES TO THE AGENDA:

#### **Explanatory Note A**

*Pursuant to Sections 169(1) and 174(1) of the CA, 1965, this agenda item is intended for discussion only as Section 169(1) of the CA, 1965 does not require a formal approval of the shareholders and hence is not put forward for voting.*

#### **Explanatory Notes B and C**

*Article 107 of the Company's Articles of Association expressly states that in every subsequent AGM, one third of the Directors for the time being or the number nearest to one-third with a minimum of one, shall retire from office and the retiring Directors shall be eligible to seek re-election thereof.*

*Article 113 of the Company's Articles of Association provides that any Director so appointed shall hold office only until the next AGM and shall be eligible for re-election.*

*Dr. Leong Chik Weng, Dato' Ibrahim bin Marsidi and Encik Badrul Feisal bin Abdul Rahim are standing for re-election as Directors of the Company and being eligible, had offered themselves for re-election at this AGM.*

*The Board agreed with the Board Nomination Committee's recommendation that the above Directors are eligible to stand for re-election respectively, based on the results of their individual assessment.*

#### **Explanatory Note D**

*Article 100 of the Company's Articles of Association provides that the Directors' remuneration shall be determined by a fixed sum by an ordinary resolution of the Company in general meeting.*

*The Board is recommending that the shareholders approve the payment of Directors' fees for the financial year ended 31 December 2015 as disclosed in page 120 of the Annual Report 2015.*

#### **Explanatory Note E**

*Pursuant to Section 172(2) of the CA, 1965, shareholders are required to approve the re-appointment of auditors who shall hold office until the conclusion of the next AGM and to authorise the directors to determine their remuneration thereof.*

*The present Auditors, Messrs. Ernst & Young has indicated their willingness to continue its services for another year.*

*The Board Audit Committee ("BAC") and the Board have considered the re-appointment of Messrs. Ernst & Young as Auditors of the Company based on the criteria prescribed by Paragraph 15.21 of the MMLR of Bursa Malaysia. Both the BAC and the Board have recommended the re-appointment of Messrs. Ernst & Young as Auditors of the Company.*

#### **Explanatory Note F**

*Section 129(6) of the CA, 1965 states that a person of or over the age of 70 years may by a resolution passed by a majority of not less than three-fourths of the members present in person or by proxy at a general meeting of the company be appointed or re-appointed as director of that company to hold office until the next AGM.*

*Tan Sri Asmat bin Kamaludin is standing for re-appointment as Director of the Company and being eligible, had offered himself for re-appointment at this AGM.*

*The Board agreed with the Board Nomination Committee's recommendation that Tan Sri Asmat bin Kamaludin is eligible to stand for re-appointment based on the results of his individual assessment.*

## NOTICE OF ANNUAL GENERAL MEETING

### **Explanatory Note G**

*The proposed Ordinary Resolution 7 is for the purpose of granting a mandate pursuant to Section 132D of the CA, 1965 and if passed, would enable the Directors, from the date of the above AGM, to issue shares in the Company of up to an amount not exceeding ten percent (10%) of the issued and paid-up share capital of the Company ("Mandate") for such purposes as the Directors may deem fit in the best interest of the Company.*

*The Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to placement of shares, repayment of bank borrowings and/or working capital without the need to seek shareholders' approval via a general meeting subsequent to the 6<sup>th</sup> AGM. This Mandate, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM of the Company.*

### **Explanatory Note H**

*In accordance with Paragraph 10.09 of the MMLR of Bursa Malaysia, a listed issuer may seek a mandate from its shareholders for Recurrent Related Party Transactions.*

*The Board proposes to renew the mandate granted by the shareholders of the Company at the previous AGM of the Company held on 19 May 2015.*

*The Proposed Renewal of Shareholders' Mandate will enable the Company and its subsidiaries to enter into any recurrent related party transactions of a revenue or trading in nature which are necessary for the day-to-day operations of the Company and its subsidiaries, involving related parties as detailed in the Circular to Shareholders dated 25 April 2016.*

## **STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING**

Pursuant to Paragraph 8.27(2) of the MMLR of Bursa Malaysia.

Details of Directors seeking re-election/re-appointment as mentioned in the Notice of AGM are set out in their respective profiles appearing on pages 19 to 23 of this Annual Report. Directors' interests in the securities of the Company are disclosed on page 9 of this Annual Report.



# FORM OF PROXY



I/We \_\_\_\_\_  
(NAME AS PER NRIC / PASSPORT / CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

with (New NRIC No.) \_\_\_\_\_ / (Old NRIC No.) \_\_\_\_\_ /

(Passport No.) \_\_\_\_\_ / (Company No.) \_\_\_\_\_

of \_\_\_\_\_  
(FULL ADDRESS IN CAPITAL LETTERS)

being a member of **UMW OIL & GAS CORPORATION BERHAD (878786-H)** ("Company") hereby appoint

\* ☐ \_\_\_\_\_  
(NAME AS PER NRIC / PASSPORT IN CAPITAL LETTERS)

with (New NRIC No.) \_\_\_\_\_ / (Old NRIC No.) \_\_\_\_\_ / (Passport No.) \_\_\_\_\_

of \_\_\_\_\_  
(FULL ADDRESS IN CAPITAL LETTERS)

or

\* ☐ the Chairman of the Meeting,

(\*Please tick one box only)

as my/our proxy to vote for me/us and on my/our behalf at the 6<sup>th</sup> Annual General Meeting of the Company to be held at **Dewan Tun Abdul Razak, Menara Kembar Bank Rakyat, No. 33 Jalan Rakyat, 50470 Kuala Lumpur, Malaysia on Tuesday, 17 May 2016 at 10.00 a.m.** or at any adjournment thereof.

My/Our proxy is to vote as indicated below:

(Please indicate with an "X" in the appropriate box against each resolution how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote at his/her discretion).

RESOLUTIONS		
ORDINARY BUSINESS	For	Against
To re-elect Dr. Leong Chik Weng in accordance with Article 107 of the Company's Articles of Association <b>Ordinary Resolution 1</b>		
To re-elect Dato' Ibrahim bin Marsidi in accordance with Article 107 of the Company's Articles of Association <b>Ordinary Resolution 2</b>		
To re-elect Encik Badrul Feisal bin Abdul Rahim in accordance with Article 113 of the Company's Articles of Association <b>Ordinary Resolution 3</b>		
To approve the payment of Directors' fees for the financial year ended 31 December 2015 <b>Ordinary Resolution 4</b>		
To re-appoint Messrs. Ernst & Young as the Company's Auditors for the ensuing year and to authorise the Directors to fix their remuneration <b>Ordinary Resolution 5</b>		
SPECIAL BUSINESS	For	Against
To re-appoint Tan Sri Asmat bin Kamaludin in accordance with Section 129 of the Companies Act, 1965 <b>Ordinary Resolution 6</b>		
Authorisation for Directors to issue shares pursuant to Section 132D of the Companies Act, 1965 <b>Ordinary Resolution 7</b>		
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature <b>Ordinary Resolution 8</b>		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2016

\_\_\_\_\_  
Name of Member  
(If the appointor is an attorney or a corporation  
please see Note 2 below)

\_\_\_\_\_  
Signature of Member(s) / Common Seal

CDS Account No.

No. of Ordinary Shares Held

**Notes :**

1. A member of the Company entitled to attend and vote at the meeting may appoint a proxy to attend and vote in his/her stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply.
2. The instrument appointing a proxy must be in writing under the hands of the appointer or his attorney duly authorised in writing or, if such appointer is a corporation, under its common seal or that of an officer or attorney duly authorised. If the Form of Proxy is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If the Form of Proxy is signed under the attorney duly authorised, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed.
3. A member shall not appoint more than one proxy.
4. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint a proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. The instrument appointing the proxy must be deposited at the office of the Company's Registrar, Securities Services (Holdings) Sdn Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia, not less than 48 hours before the time appointed for the meeting.
6. For the purpose of determining a member who shall be entitled to attend the meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Article 69 (2) (b) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 10 May 2016. Only a depositor whose name appears on the General Meeting Record of Depositors as at 10 May 2016 shall be entitled to attend the said meeting or appoint a proxy to attend and/or vote in his/her stead.

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**THE REGISTRAR OF  
UMW OIL & GAS CORPORATION BERHAD**  
Company No. : 878786-H  
(Incorporated in Malaysia under the Companies Act, 1965)


AFFIX  
STAMP

**SECURITIES SERVICES (HOLDINGS) SDN. BHD.**

Level 7, Menara Milenium, Jalan Damanlela,  
Pusat Bandar Damansara, Damansara Heights,  
50490 Kuala Lumpur,  
Malaysia

2. Fold this flap to seal





**UMW Oil & Gas Corporation Berhad** (878786-H)

Level 18, Block 3A, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia.

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**[www.umw-oilgas.com](http://www.umw-oilgas.com)**