



UMW
OIL & GAS

**MEETING
CHALLENGES,
MANAGING
CHANGE**

TOGETHER

ANNUAL REPORT 2017



In our 2017 report

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Meeting Challenges, Managing Change TOGETHER

The prevailing disruptive change in the oil and gas market continues to challenge UMW Oil & Gas Corporation Berhad ("UMW-OG")'s resolve to stay the course in our strategies for long-term sustainable growth. This report cover showcases the foundational strength and resources that have enabled us to respond effectively to change – our capabilities and talented people together, adapting and turning challenges into opportunities.



A black and white photograph of an offshore oil rig. The rig is a complex of steel structures, including a tall derrick and various platforms, situated on a large vessel. The background is a cloudy sky.

Operations

Streamlining and reshaping processes and procedures to optimise and reduce operating costs

Improving operational efficiency while maintaining high safety standards

Assets

To grow our business by revitalising mature assets safely and profitably in our regions of geographic focus

People

People Focused, Enterprising, Trustworthy, Agile, Tenacious
Environmentally Conscious and Cost Competitive



About UMW Oil & Gas Corporation Berhad

UMW Oil & Gas Corporation Berhad (“UMW-OG”) is a Malaysia based global provider of drilling and oilfield services for the upstream sector of the oil and gas industry.

In our drilling services business, apart from our home base in Malaysia, we have operated in other parts of Southeast Asia (“SEA”), providing drilling services for exploration, development and production wells with our fleet of offshore drilling rigs.

UMW-OG is also a provider of workover services through its fleet of hydraulic workover unit (“HWUs”).

In our oilfield services business, UMW-OG has presence in Malaysia, Thailand and China, where we offer threading, inspection and repair services for Oil Country Tubular Goods (“OCTG”), with a focus on premium connections used in high-end and complex wells.

UMW-OG is able to offer the services mentioned above through its impressive fleet which consists of seven (7) wholly owned premium jack-up drilling rigs (UMW NAGA 2, UMW NAGA 3, UMW NAGA 4, UMW NAGA 5, UMW NAGA 6, UMW NAGA 7 and UMW NAGA 8), and five (5) HWUs (UMW GAIT 1, UMW GAIT 2, UMW GAIT 3, UMW GAIT 5 and UMW GAIT 6).



Our Assets

JACK-UP DRILLING RIGS



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 - Lan Krabue plant



THAILAND - Songkhla plant



CHINA - Tianjin plant



TURKMENISTAN - Turkmenbashy plant

2017 Key Highlights



Financial Performance

Revenue

RM587 mil

(FY2016: RM321 mil)

Loss

RM1,129 mil

(FY2016: RM1,183 mil)

Cash Balance

RM681 mil

(FY2016: RM892 mil)

Market Capitalisation

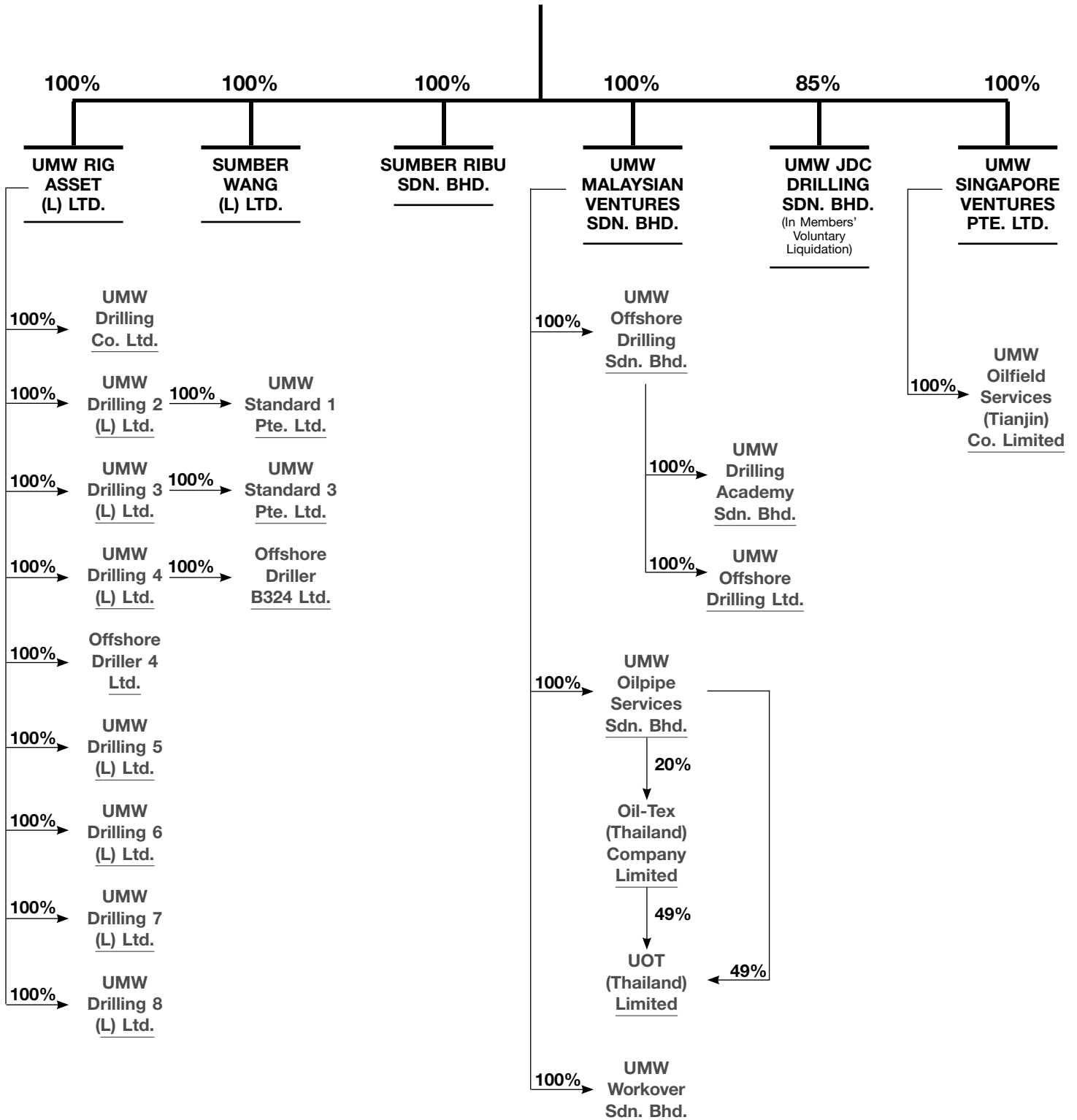
RM2,135 mil

(FY2016: RM1,892 mil)

Corporate Structure



UMW OIL & GAS CORPORATION BERHAD



Corporate Information

Board Of Directors

Dato' Abdul Rahman bin Ahmad
(Chairman/Non-Independent
Non-Executive Director)
Date Of Appointment: 19 January 2017

Rohaizad bin Darus
(President/Executive Director)
Date Of Appointment: 31 January 2012

Haida Shenny binti Hazri
(Non-Independent
Non-Executive Director)
Date Of Appointment: 23 June 2017

Rizal Rickman bin Ramli
(Non-Independent
Non-Executive Director)
Date Of Appointment: 21 March 2018

Razalee bin Amin
(Independent
Non-Executive Director)
Date Of Appointment: 2 May 2013

Dato' Afifuddin bin Abdul Kadir
(Senior 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

Mohd Rashid bin Mohd Yusof
(Independent
Non-Executive Director)
Date Of Appointment: 23 June 2017

Rowina Ghazali Seth
(Independent
Non-Executive Director)
Date Of Appointment: 23 June 2017

Board Audit Committee

- **Razalee bin Amin** (Chairman)
- **Dato' Afifuddin bin Abdul Kadir**
- **Cheah Tek Kuang**
- **Dato' Ibrahim bin Marsidi**

Board Nomination & Remuneration Committee

- **Dato' Afifuddin bin Abdul Kadir** (Chairman)
- **Cheah Tek Kuang**
- **Dato' Ibrahim bin Marsidi**
- **Rowina Ghazali Seth**

Board Executive Committee

- **Dato' Abdul Rahman bin Ahmad** (Chairman)
- **Haida Shenny binti Hazri**
- **Rohaizad bin Darus**
- **Razalee bin Amin**
- **Mohd Rashid bin Mohd Yusof**

Board Risk Management Committee

- **Cheah Tek Kuang** (Chairman)
- **Haida Shenny binti Hazri**
- **Rizal Rickman bin Ramli**
- **Dato' Afifuddin bin Abdul Kadir**
- **Mohd Rashid bin Mohd Yusof**
- **Rowina Ghazali Seth**

Board Whistle-Blowing Committee

- **Dato' Ibrahim bin Marsidi** (Chairman)
- **Rizal Rickman bin Ramli**
- **Razalee bin Amin**
- **Dato' Afifuddin bin Abdul Kadir**

Joint Company Secretary

Rafiza binti Ghazali
(MIA 43580)

Registered Office

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

E-Mail Address

info@umw-oilgas.com

Website

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

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

Messrs. 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

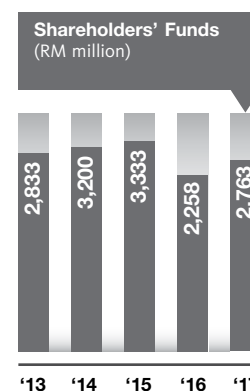
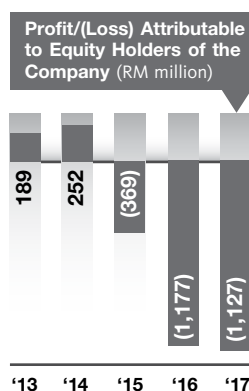
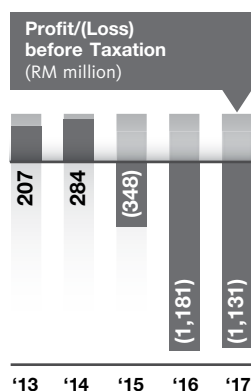
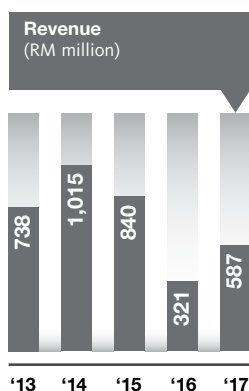
Main Market of Bursa Malaysia
Securities Berhad
Stock Name: UMWOG
Stock Code: 5243

Principal Bankers

- 1) Affin Bank Berhad
- 2) CIMB Bank Berhad
- 3) Maybank Berhad Group

5-Year Group Summary Results

Financial Year Ended 31 December		2013	2014	2015	2016	2017
Revenue	RM million	738	1,015	840	321	587
Profit/(Loss) Before Taxation	RM million	207	284	(348)	(1,181)	(1,131)
Profit/(Loss) Attributable to Equity Holders of the Company	RM million	189	252	(369)	(1,177)	(1,127)
Shareholders' Funds	RM million	2,833	3,200	3,333	2,258	2,763
Return on Shareholders' Funds	%	12	8	(11)	(42)	(45)
Return on Total Assets	%	5	5	(5)	(18)	(24)
Basic Earnings/(Loss) Per Share	sen	11.5	11.7	(17.1)	(54.5)	(36.8)
Share Price at Year End	RM	4.01	2.35	1.07	0.88	0.31
Market Capitalisation at Year End	RM million	8,670	5,081	2,313	1,892	2,135



SUMMARY OF GROUP RESULTS

Financial Year Ended 31 December		2016	2017
Revenue	RM million	321	587
Loss Before Taxation	RM million	(1,181)	(1,131)
Loss After Taxation	RM million	(1,183)	(1,129)
Share Capital	RM million	1,081	3,732
Reserves	RM million	1,177	(969)
Basic Loss Per Share	sen	(54.5)	(36.8)
Net Assets Per Share	RM	1.0	0.4

FINANCIAL CALENDAR

Financial Year Ended 31 December 2017	Date
Announcement of Results:	
First Quarter	22 May 2017
Second Quarter	22 August 2017
Third Quarter	24 November 2017
Fourth Quarter	27 February 2018
Notice of 8th Annual General Meeting & issuance of Annual Report 2017	16 April 2018
8th Annual General Meeting	15 May 2018

Statistics on Shareholding as at 31 March 2018

Issued Shares of the Company : 8,215,600,000
 Class of Shares : Ordinary shares
 Voting Right : 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	599	36	635	1.84	15,150	1,038	16,188	0.00
100 - 1,000	3,046	62	3,108	9.01	2,096,340	34,921	2,131,261	0.03
1,001 - 10,000	15,067	243	15,310	44.39	80,029,432	1,090,694	81,120,126	0.99
10,001 - 100,000	12,728	247	12,975	37.62	463,309,824	9,052,410	472,362,234	5.75
100,001 to less than 5% of issued shares	2,330	130	2,460	7.13	2,903,273,287	361,866,743	3,265,140,030	39.74
5% and above of issued shares	2	0	2	0.01	4,394,830,161	0	4,394,830,161	53.49
Total	33,772	718	34,490	100.00	7,843,554,194	372,045,806	8,215,600,000	100.00

CATEGORY OF SHAREHOLDERS

Category	No. of Shareholders		No. of Issued Shares		% of Issued Shares	
	Malaysian	Foreigner	Malaysian	Foreigner	Malaysian	Foreigner
1 Individual	26,355	375	959,791,485	22,721,464	11.68	0.28
2 Body Corporate						
A) Banks / Finance Companies	64	2	5,834,143,739	8,368	71.02	0.00
B) Investment Trusts / Foundations / Charities	6	0	139,105	0	0.00	0.00
C) Industrial and Commercial Companies	211	6	67,465,652	194,640	0.82	0.00
3 Government Agencies / Institutions	3	0	312,907	0	0.00	0.00
4 Nominees	7,131	335	981,692,327	349,121,334	11.95	4.25
5 Others	2	0	8,979	0	0.00	0.00
Total	33,772	718	7,843,554,194	372,045,806	95.47	4.53

Statistics on Shareholding

as at 31 March 2018

30 LARGEST SHAREHOLDERS

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

No.	Shareholders	No. of Shares	%
1	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	3,183,166,602	38.75
2	PERMODALAN NASIONAL BERHAD	1,211,663,559	14.75
3	LEMBAGA TABUNG HAJI	358,047,380	4.36
4	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM WAWASAN 2020	233,204,552	2.84
5	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	222,477,586	2.71
6	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EMPLOYEES PROVIDENT FUND BOARD	160,119,329	1.95
7	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	111,216,814	1.35
8	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EMPLOYEES PROVIDENT FUND BOARD (AMUNDI)	100,000,000	1.22
9	AMANAHRAYA TRUSTEES BERHAD AS 1MALAYSIA	76,153,961	0.93
10	AMANAHRAYA TRUSTEES BERHAD PUBLIC SMALLCAP FUND	68,457,400	0.83
11	HSBC NOMINEES (ASING) SDN. BHD. JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	65,267,327	0.79
12	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG PENNY STOCKFUND	62,521,400	0.76
13	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA 2	62,261,710	0.76
14	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM DIDIK	61,186,680	0.74
15	HSBC NOMINEES (ASING) SDN. BHD. JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	52,169,539	0.64
16	RAJANDRAN A/L VISVALINGAM	50,000,000	0.61
17	CITIGROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 9)	44,518,900	0.54
18	AMANAHRAYA TRUSTEES BERHAD PUBLIC STRATEGIC SMALLCAP FUND	38,381,000	0.47
19	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	32,800,000	0.40
20	PARK AVENUE CONSTRUCTION SDN. BHD.	30,000,000	0.37
21	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM NASIONAL	27,246,927	0.33
22	AMANAHRAYA TRUSTEES BERHAD PB ISLAMIC SMALLCAP FUND	26,298,700	0.32
23	CITIGROUP NOMINEES (ASING) SDN. BHD. CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	22,269,962	0.27
24	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC DIVIDEND FUND	22,223,961	0.27
25	CITIGROUP NOMINEES (ASING) SDN. BHD. CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA	22,089,292	0.27

No.	Shareholders	No. of Shares	%
26	AMANAHRAYA TRUSTEES BERHAD PB ISLAMIC EQUITY FUND	20,212,700	0.25
27	MATHAVAN PILLAY A/L KANASI	20,000,000	0.24
28	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. CIMB BANK FOR KARANGAN AGRICULTURE SDN. BHD. (PBCL-0G0524)	18,284,540	0.22
29	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM GEMILANG FOR AMANAH SAHAM PENDIDIKAN	14,284,397	0.17
30	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. HONG LEONG ASSET MANAGEMENT BHD. FOR HONG LEONG ASSURANCE BERHAD (LP FUND ED102)	13,821,000	0.17

SUBSTANTIAL SHAREHOLDERS

As per the register of Substantial Shareholders

Substantial Shareholders	No. of Shares	%
AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	3,183,166,602	38.75
PERMODALAN NASIONAL BERHAD	1,211,663,559	14.75

DIRECTORS' INTEREST

As at 31 March 2018, 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	Dato' Abdul Rahman bin Ahmad	0	0.00	0	0.00
2	Rohaizad bin Darus	3,800,000	0.05	0	0.00
3	Razalee bin Amin	203,000	0.00*	0	0.00
4	Dato' Afifuddin bin Abdul Kadir	275,000	0.00*	0	0.00
5	Cheah Tek Kuang	0	0.00	36,311	0.00*
6	Dato' Ibrahim bin Marsidi	30,000	0.00*	0	0.00
7	Mohd Rashid bin Mohd Yusof	0	0.00	0	0.00
8	Rowina Ghazali Seth	0	0.00	0	0.00
9	Haida Shenny binti Hazri	0	0.00	0	0.00
10	Rizal Rickman bin Ramli	0	0.00	0	0.00
Total		4,308,000	0.05	36,311	0.00*

Note : * Less than 0.01%

The above information was extracted from Record of Depositories on 31 March 2018.

Statistics on Warrant Holding as at 31 March 2018

Issued Warrants of the Company : 1,513,399,754

ANALYSIS BY SIZE OF WARRANT HOLDINGS

Size of Holdings	No. of Warrant Holders		Total No. of Warrant Holders		No. of Issued Warrants		Total No. of Issued Warrants	
	Malaysian	Foreigner	No.	%	Malaysian	Foreigner	No.	%
Less than 100	111	4	115	2.03	5,685	102	5,787	0.00
100 - 1,000	437	11	448	7.91	264,708	5,553	270,261	0.02
1,001 - 10,000	2,083	26	2,109	37.25	10,442,229	106,495	10,548,724	0.70
10,001 - 100,000	2,311	32	2,343	41.39	94,798,355	1,482,036	96,280,391	6.36
100,001 to less than 5% of issued warrants	618	26	644	11.38	420,612,436	45,585,296	466,197,732	30.80
5% and above of issued warrants	2	0	2	0.04	940,096,859	0	940,096,859	62.12
Total	5,562	99	5,661	100.00	1,466,220,272	47,179,482	1,513,399,754	100.00

CATEGORY OF WARRANT HOLDERS

Category	No. of Holders		No. of Issued Warrants		% of Issued Warrants	
	Malaysian	Foreigner	Malaysian	Foreigner	Malaysian	Foreigner
1 Individual	3,999	41	259,599,565	4,049,718	17.16	0.27
2 Body Corporate						
A) Banks / Finance Companies	20	0	1,057,888,173	0	69.90	0.00
B) Investment Trusts / Foundations / Charities	0	0	0	0	0.00	0.00
C) Industrial and Commercial Companies	47	0	6,527,553	0	0.43	0.00
3 Government Agencies / Institutions	0	0	0	0	0.00	0.00
4 Nominees	1,496	58	142,204,981	43,129,764	9.39	2.85
5 Others	0	0	0	0	0.00	0.00
Total	5,562	99	1,466,220,272	47,179,482	96.88	3.12

30 LARGEST WARRANT HOLDERS

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

No.	Holders	No. of Warrants	%
1	AMANAHRAYA TRUSTEES BERHAD AMANA SAHAM BUMIPUTERA	652,687,400	43.13
2	PERMODALAN NASIONAL BERHAD	287,409,459	18.99
3	LEMBAGA TABUNG HAJI	69,066,620	4.56
4	RAJANDRAN A/L VISVALINGAM	25,000,000	1.65
5	HSBC NOMINEES (ASING) SDN. BHD. JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	20,487,189	1.35
6	AMANAHRAYA TRUSTEES BERHAD AMANA SAHAM BUMIPUTERA 2	17,470,163	1.15
7	AMANAHRAYA TRUSTEES BERHAD AMANA SAHAM WAWASAN 2020	14,885,900	0.98
8	DB (MALAYSIA) NOMINEE (TEMPATAN) SDN. BHD. DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG PENNY STOCKFUND	14,700,000	0.97
9	AMANAHRAYA TRUSTEES BERHAD AS 1MALAYSIA	14,362,991	0.95
10	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EMPLOYEES PROVIDENT FUND BOARD (AMUNDI)	14,000,000	0.93
11	HSBC NOMINEES (ASING) SDN. BHD. JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	12,999,819	0.86
12	LEE YIH LEANG	6,000,000	0.40

No.	Holders	No. of Warrants	%
13	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TAN CHIN SEOH	5,000,000	0.33
14	SHUHAIMY BIN OTHMAN	4,685,000	0.31
15	KUEK CHEE LONG	3,600,000	0.24
16	TAN YOKE FOON	3,250,000	0.21
17	RAHMAH BINTI ABDUL RAHIM	3,055,000	0.20
18	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR SONG SOON HEE (470272)	3,000,000	0.20
19	KENANGA NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR DATO' NG AIK KEE (001)	2,800,000	0.19
20	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LAU SIE KUONG (KUCHING)	2,500,000	0.17
21	HSBC NOMINEES (ASING) SDN. BHD. BBH AND CO BOSTON FOR VANGUARD FTSE ALL-WORLD EX-US SMALL-CAP INDEX FUND	2,470,020	0.16
22	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LOW BEE KIEW (CEB)	2,443,400	0.16
23	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. CIMB BANK FOR LIM CHONG SOO (MY2591)	2,250,000	0.15
24	WOON WEE POK	2,220,200	0.15
25	LIEW WAI PENG	2,210,000	0.15
26	DB (MALAYSIA) NOMINEE (TEMPATAN) SDN. BHD. DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG GROWTH FUND	2,125,000	0.14
27	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR AU KWAN SENG (E-KLC)	2,050,000	0.14
28	LEE CHING KUE	2,033,600	0.13
29	LIM PAY KAON	2,000,000	0.13
30	TAN YIH-JIA	2,000,000	0.13

SUBSTANTIAL WARRANT HOLDERS

As per the register of Substantial Warrant Holders

Substantial Warrant Holders	No. of Warrants	%
AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	652,687,400	43.13
PERMODALAN NASIONAL BERHAD	287,409,459	18.99

DIRECTORS' INTEREST

As at 31 March 2018, the Warrant Holdings of the Directors (both direct and indirect) in the Company are shown below:

No.	Directors	Direct Interest		Deemed Interest	
		No. of Issued Warrants	% of Issued Warrants	No. of Issued Warrants	% of Issued Warrants
1	Dato' Abdul Rahman bin Ahmad	0	0.00	0	0.00
2	Rohaizad bin Darus	100,000	0.00*	0	0.00
3	Razalee bin Amin	0	0.00	0	0.00
4	Dato' Afifuddin bin Abdul Kadir	0	0.00	0	0.00
5	Cheah Tek Kuang	0	0.00	0	0.00
6	Dato' Ibrahim bin Marsidi	0	0.00	0	0.00
7	Mohd Rashid bin Mohd Yusof	0	0.00	0	0.00
8	Rowina Ghazali Seth	0	0.00	0	0.00
9	Haida Shenny binti Hazri	0	0.00	0	0.00
10	Rizal Rickman bin Ramli	0	0.00	0	0.00
Total		100.00	0.00*	0	0.00

Note : * Less than 0.01%

The above information was extracted from Record of Depositories on 31 March 2018.

Chairman's Statement



On the back of a string of contracts secured across the year, our rig utilisation rate has increased from just 26% at the start of 2017 to 95% by the tail-end of the year. As a result, Group revenue has improved by 83% from the previous year.

Dato' Abdul Rahman bin Ahmad
Chairman

Dear Shareholders,

Revenue
587 million

FY2016: RM321 million

PATAMI
-RM1,127 million

FY2016: -RM1,177 million

Recapitalisation Exercise
RM1.8 billion
via rights issue



On behalf of the Board of Directors, I am pleased to present the annual report and audited financial statements of UMW Oil & Gas Corporation Berhad (“UMW-OG” or “the Group”) for the financial year ended 2017.

2017 proved to be another very challenging year for UMW-OG. Crude oil prices which averaged at a low USD43 per barrel in 2016 remained on a slow uptrend reaching USD61 per barrel by end 2017, with an average price for the year of USD54 per barrel.

Despite the gradual improvements in crude oil prices, service providers to the oil and gas industry – UMW-OG included, continued to be impacted by the slow pace of recovery in upstream activity. Competition remained intense with a larger number of players vying for a shrinking contract pie as day rates continued to face downward pressure due to excess supply of assets.

The global oil and gas industry downturn of 2015 and 2016 plus

the lack of a robust recovery in 2017 had impacted UMW-OG considerably, resulting in a liquidity crunch as well as considerable losses. This situation was not unique to UMW-OG but to almost all oil and gas service providers across the entire industry value chain.

Given the situation, and facing its own constraints, our main shareholder UMW Holdings Berhad (“UMWH”), decided to embark on a demerger exercise where it distributed its UMW-OG shares to shareholders. This exercise, which was completed on 11 July 2017 effectively led to UMW-OG becoming a stand-alone entity.

Responding proactively to these developments, your Board decided on a strategy that while initially was painful, would ultimately enable UMW-OG to chart a clear path towards long-term business and operational sustainability.

In October 2017, we undertook a RM1.8 billion recapitalisation exercise via a fully-subscribed

rights issue followed by the restructuring of our debt to strengthen our balance sheet and improve our overall cash position.

We recognise that these corporate exercises have contributed to the decline of market capitalisation as well as shareholders value. However, these measures were necessary and more importantly, the right course of action to ensure the Group’s survival. It was vital to be decisive in providing the Group with a stronger footing so we may operate sustainably within the new external environment of lower crude oil prices, reduced day charter rates and a shrinking market pie.

We are heartened that at the Extraordinary General Meeting called on 25 August 2017, more than 95% of attending shareholders voted in favour of our proposals. Your continued vote of confidence and trust is truly appreciated and with your support, we have now laid the foundation for a stronger UMW-OG to emerge. In fact, the benefits of our efforts are now being realised.

Net Gearing Ratio

0.43 times

FY2016: 1.41 times

Total Recordable Case Frequency

0.28

FY2016: 1.16

By end 2017, our balance sheet has strengthened with gross debt having reduced from RM4.1 billion to RM1.9 billion. Our cash position has improved to RM681 million and our net debt now stands at only RM1,179 million (2016: RM3,189 million). Accordingly, our net gearing ratio has also reduced to just 0.43 times compared to 1.41 times in 2016.

On the back of a string of contracts secured across the year, our rig utilisation rate has increased from just 26% at the start of 2017 to 95% by the tail-end of the year. As a result, Group revenue has improved by 83% from RM321 million to RM587 million.

Whilst the full year results for 2017 still shows a significant loss after tax of RM1,129 million (2016: RM1,183 million) due to the impairment charge on our rigs, we delivered for the third and fourth quarters of 2017, profits after tax of RM3 million and RM6 million respectively, before impairment. This was our maiden quarterly profit since 2015.

Shareholders have also benefitted with those taking up the rights issue at 30 sen, which came with free warrants have seen the value of their investments increase by approximately 17% based on the share and warrants price of 31 sen and 17 sen as at end of 2017.

The full details of our many business and operational highlights are given in the Management Discussion and Analysis section of this annual report.

Despite these notable improvements, we remain cognisant that the journey to full recovery remains long and arduous. Nevertheless, buoyed by our early successes, we will continue to strive towards the realisation of a more competitive, resilient and sustainable UMW-OG going forward. The Board is of the view that the Group has undergone its most adverse crisis over the past few years and having prevailed, is now firmly on the path of continued progress and greater success.

Other Notable Achievements

During the year, the Group also notched several major achievements or highlights. This included further strengthening our track record for health, safety and the environment ("HSE") excellence. In 2017, Total Recordable Case Frequency ("TRCF") reduced to 0.28 from 1.16 in 2016.

Our improving HSE performance is due to the prevailing safety first mind-set that permeates within the Group and the continued realisation that HSE is our license to operate. Excellent HSE performance is essential in securing contracts and strengthening our brand name. In 2017, UMW-OG has continued to set the benchmark

in this area, with our HSE performance duly recognised by the oil and gas majors. We continue to cascade our HSE culture across the organisation.

Corporate Governance

With the launch of the Malaysia Code of Corporate Governance 2017 ("MCCG"), the Group has been taking measures to further enhance its corporate governance practices.

Beyond compliance, the Board views corporate governance as a key enabler to establishing a world-class corporate culture based on improved transparency and integrity, towards instituting better internal controls in managing risks, in creating the desired organisational values and culture that would attract more business investors and talent. In essence, together with HSE, good corporate governance serves as the foundation for achieving business sustainability.

Notably, we have been working tirelessly to improve the gender balance across all levels of UMW-OG, starting at the top. Reflecting our commitment to include more women, the Group has appointed two women directors who bring a wealth of related industry experience as well as other related skills which will be an asset to the Board. With these appointments, the number of women Directors has now improved to 20%, with the intent to further increase this over the next year.



We remain committed to pursuing this agenda as part of our continued effort to build a better UMW-OG going forward.

Looking Ahead

As the Malaysian economy continues to recover, GDP growth is expected to moderate between 5%-5.5% in 2018, mainly driven by domestic demand and the continued strength in global trade. Headline inflation is expected to decline to 3% from 3.5%.

With regards to the oil and gas sector, 2018 will remain challenging yet we foresee opportunities and continued positivity in the market on the back of stable crude oil prices. Quota discipline provides the support for the base price of crude oil, which in turn stimulates industry momentum and activity. We draw a measure of confidence from PETRONAS' recent announcement to increase capital expenditure in 2018 to USD55 billion, a 23.6% increase from 2017.

Barring any unforeseen global developments, 2018 is likely to see a continued upward trend in exploration, development

and production activity. Having secured a healthy order book in 2017, we are optimistic of better prospects going forward into 2018.

The Group will continue with its cost reduction initiatives to increase operational efficiency while maintaining high safety standards. We will continue to pare down our debt position via excess cash and seek to maintain a high rig utilisation rate by aggressively bidding for contracts in Malaysia, Southeast Asia and the Middle East.

Acknowledgements

On behalf of the Board, I wish to thank past Chairman, Tan Sri Asmat bin Kamaludin for his wise counsel and contributions at the helm of UMW-OG during a most challenging period. Tan Sri Asmat played a significant role in driving UMW-OG's journey towards improved business sustainability during his tenure and the Board is highly appreciative of his contributions during his tenure with the Group. Similarly, we appreciate the contributions of departing Director, Dato' Afifuddin bin Abdul Kadir who is retiring after serving over four years on the

Board, and Encik Badrul Feisal bin Abdul Rahim who resigned following the demerger exercise. We wish them well on their future endeavours.

I wish to take this opportunity to welcome our new Directors who have joined the Board. They are Encik Mohd Rashid bin Mohd Yusuf, Puan Rowina Ghazali Seth, Puan Haida Shenny binti Hazri and Encik Rizal Rickman bin Ramli. Each brings unique skillsets and experience to the Group and we look forward to their input in the year ahead.

Our appreciation also goes to all staff whose continued professional conduct and commitment during the past year has been nothing short of exemplary. I also thank our shareholders for their continued vote of confidence; particularly in supporting UMW-OG's rights issue held during the financial year, as well as PETRONAS and other oil and gas companies for their continued support and business partnership.

Likewise, we express our gratitude to our bankers for providing us with the financial support; our business partners

and vendors for your continuing journey with us and last but not least, my fellow Board members and the Management of the Group, especially our President, Encik Rohaizad bin Darus for showcasing resolve and for staying the course in weathering the turbulence to ultimately position UMW-OG on the verge of better prospects.

We look forward to continue working together with all stakeholders for the benefit of our organisation.

Dato' Abdul Rahman bin Ahmad
Chairman

**Management
Discussion & Analysis**



Dear Shareholders,

INTRODUCTION

With the improving external environment, I am happy to report that UMW Oil & Gas Corporation Berhad (“UMW-OG” or “the Group”) has delivered an improved business performance for the financial year ending 2017. The Group ended the year with a higher average utilisation rate of 70%, and completed the demerger from UMW Holdings Berhad (“UMWH”) and recapitalisation of our equity structure while strengthening our business foundation by refinancing our loan. Cumulatively, these and other strategic measures have placed us firmly on track to deliver better results in 2018.

BUSINESS OVERVIEW

UMW-OG is an investment holding company. Through our subsidiaries, UMW-OG is involved in the upstream activities of the oil and gas industry in Malaysia and other parts of Southeast Asia (“SEA”). The Group’s core business is in the Drilling Services segment where we provide drilling services to oil and gas companies in support of their exploration, development and production activities.

Our fleet consists of seven (7) offshore jack-up drilling rigs; and for workover services we have five (5) hydraulic workover units (“HWUs”). The reduced fleet size comes after the disposal of our jointly-owned

NAGA 1 semi-submersible drilling rig to our former joint venture partner, Japan Drilling Company. The remaining rigs are fully owned and operated by the Group. These are UMW NAGA 2, UMW NAGA 3, UMW NAGA 4, UMW NAGA 5, UMW NAGA 6, UMW NAGA 7 and UMW NAGA 8. The five HWUs in our fleet are UMW GAIT 1, UMW GAIT 2, UMW GAIT 3, UMW GAIT 5 and UMW GAIT 6.

Our Oilfield Services business offers a wide range 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 as well as complex wells. Our threading facilities are furnished with quality equipment characterised by high precision and accuracy machines for premium connections. We have a wide range of threading

licenses from major international licensors and we keep our Oilfield Services operations lean and our facilities standards tight.

The Group’s main client is PETRONAS and its subsidiaries followed by the various Production Arrangement Contractors (“PAC”). It is a competitive industry where players compete on the basis of experience, past performance, safety record and practices, reliability, range of services, technical support and price to a limited number of customers.

BUSINESS OBJECTIVES & STRATEGIES

The Group aspires to be the leading global shallow water drilling services provider-of-choice for the oil and gas industry via its long-term business strategy:



Management Discussion & Analysis



In realising the above, the Group remains committed to driving excellence in the following key business pillars:

Optimising Our Strengths

Operations	Assets	People
Enhance savings and efficiencies via initiatives driven by the Corporate Transformation Office	Maximise rig utilisation and optimise pricing to stabilise our revenue stream	Effective manpower management for talent development with emphasis on high performance
<ul style="list-style-type: none"> Cost optimisation Improve operational and organisational efficiency Streamlining processes and procedures Maintaining high safety standards 	<ul style="list-style-type: none"> Aggressive marketing Managing price Leveraging and expanding our client base Geographical expansion 	<ul style="list-style-type: none"> Training and development High performance culture Competitive remuneration scheme Retaining talent Clear succession plan

KEY OPERATIONAL HIGHLIGHTS

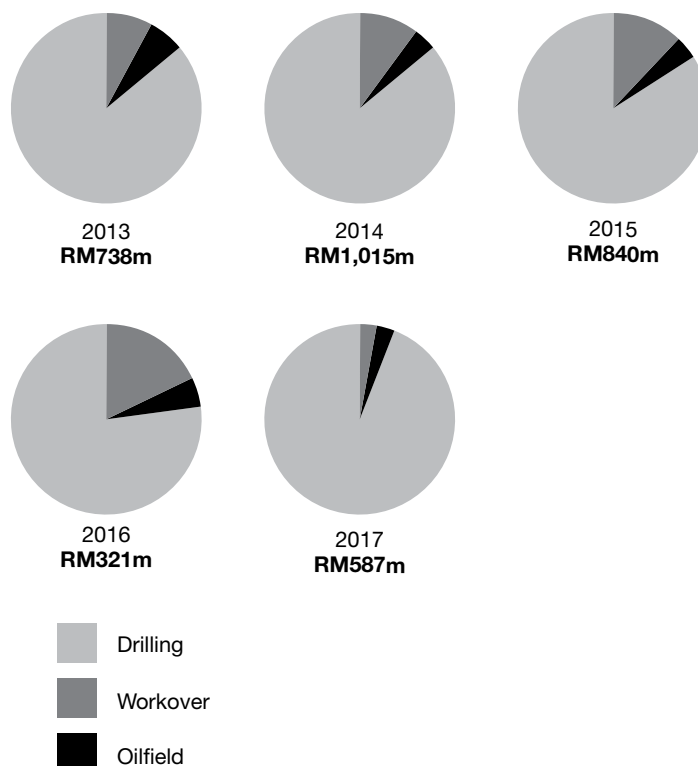
Indicators	2015	2016	2017
Rig Utilisation Rates	52%	21%	70%
Number of Employees	788	574	645
Man-hours without LTI	2,130,157	1,144,317	2,738,745

Note: All figures are as at financial year-end except for rig utilisation rates which is based on average utilisation rate for the entire financial year.

GROUP FINANCIAL PERFORMANCE

Revenue

For the year under review, Group revenue was RM587 million, an 83% increase compared to the previous year. The improvement in revenue is due to increased utilisation of our rigs in 2017 offset by lower average day charter rates.



With higher rig utilisation, our drilling business division (including workover services) which contributes 97% of Group turnover, registered an 87% increase in revenue to RM569 million compared to the previous year's RM304 million.

Buoyed by the recovery and stability of crude oil prices, oil and gas majors in 2017 had greater confidence in committing to final investment decisions for exploration, development and production activities. The increase in upstream activities led to greater demand for rigs which benefitted UMW-OG who is a leading player in the drilling segment in Malaysia.

The Oilfield Services segment posted a revenue of RM17 million, 3% lower year-on-year due to a continuing decline in activities during the financial year. This segment contributed 3% of Group revenue.

In terms of geographic location, the Group's domestic business remained the largest revenue contributor – accounting for RM578 million or 98% of the Group's total top-line.

Profitability

Underpinned by growing revenue and reduced operating costs, the Group's earnings before interest, tax, depreciation, amortisation and impairment ("EBITDA") rose to RM248.9 million (2016: RM8.9 million). Excluding asset impairment, the Group significantly reduced its loss after tax position by 63% to RM147.1 million (2016: RM402.2 million).

After taking into account impairment provisions of RM982 million for the financial year (2016: RM780 million), the Group posted a lower after tax loss of RM1,129 million for 2017 (2016: RM1,183 million).

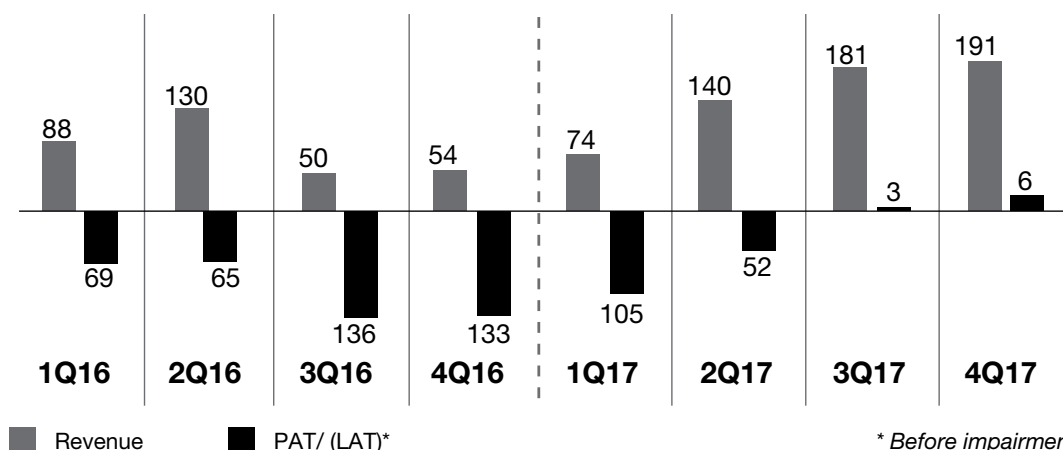
Importantly, the Group had posted two consecutive quarters of profitability in Q3 and Q4 2017. This snaps a negative profitability performance of seven consecutive quarters stretching from Q4 2015.

With the Group having reached a 70% average utilisation of our rigs in 2017, which is expected to further improve in 2018, we are optimistic of a better

performance in 2018 barring any unforeseen global or industry developments.

Assets & Liabilities

In 2017, total Group assets reduced by RM1,758 million due to asset impairment, depreciation and foreign exchange retranslation loss as at year end. However, our liabilities have also decreased by RM2,261 million due to the Group's successful recapitalisation exercise and the restructuring of its loan book. As such, the Group closed the year with a stronger net asset position of RM2,764 million (2016: RM2,261 million).



* Before impairment



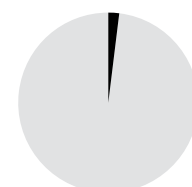
2013
RM738m



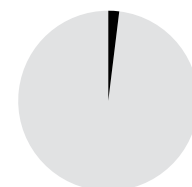
2014
RM1,015m



2015
RM840m



2016
RM321m



2017
RM587m

■ Domestic
■ Foreign

**Management
Discussion & Analysis**



As part of our continued asset adjustment efforts to reduce operational expenditure, we disposed of NAGA 1, our semi-submersible drilling rig to our partner, Japan Drilling Company (“JDC”). The Group is amidst of winding up its joint venture with JDC, UMW JDC Drilling Sdn. Bhd.

Management believes besides reducing our operational expenditure (“opex”), the disposal is strategic given the lack of suitable contract opportunities for semi-submersible rigs in Malaysia and the region.

Capital Structure & Resources

On 11 July 2017, the Group completed our demerger from UMWH as part of our continued business restructuring and alignment process. The demerger provided the Group with greater impetus, more so with the support and backing of a new majority shareholder, Permodalan Nasional Berhad (“PNB”).

The demerger paved the way for the Group to implement the next phase in our business restructuring plan. On 25 October 2017, UMW-OG successfully completed our recapitalisation exercise via a rights issue amounting to RM1.8 billion. The exercise was fully subscribed with PNB fully supporting and underwriting the rights issue as majority shareholder.

83% of the funds raised were used to pare down our debts and the balance allocated as working capital. In addition to this, on 21 November 2017, the Group raised a USD550 million loan facility to retire all our remaining borrowings. Cumulatively, the recapitalisation exercise and the new loan facility have reduced our total borrowings from RM4.1 billion to RM1.9 billion with a debt maturity profile that better reflects the long term nature of UMW-OG’s assets. Net gearing ratio has reduced from 1.41 times to 0.43 times.

With these corporate exercises, not only have we reduced our debt and interest payable position, we also have a longer loan repayment tenure of five and ten years. By retiring all previous borrowings, a net of over USD125 million in encumbered cash has been released for working capital utilisation and other purposes.

	2015 RM million	2016 RM million	2017 RM million
Short-term Borrowings	2,257	1,500	461
Long-term Borrowings	1,747	2,273	1,399
Due to UMWH	-	308	-
Total borrowings	4,004	4,081	1,860

With this, the Group’s net cash flow and cash and bank balances have improved which is an asset in negotiating better contract and payment terms with vendors and suppliers.

Cash Flow, Cash & Bank Balances

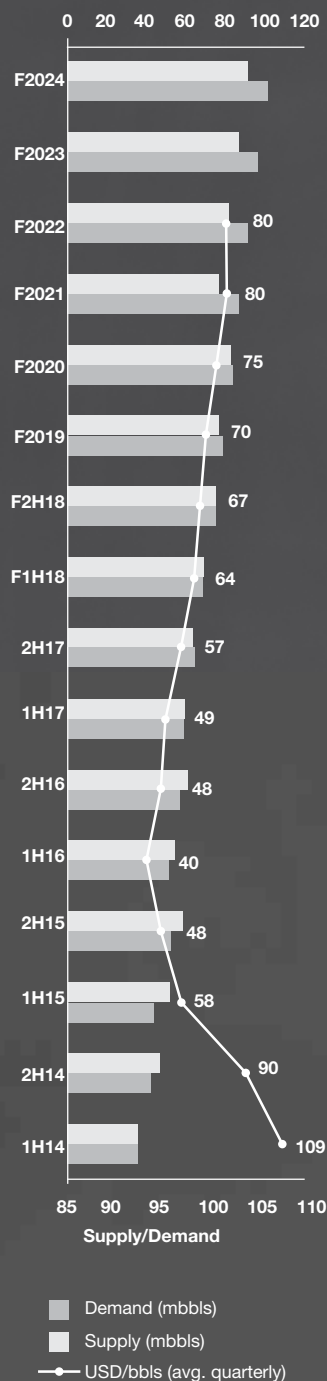
The Group’s net cash position from operating activities for the year improved by RM13 million, largely due to improved operational efficiencies and reduced administrative expenses. Increase in cash balance, net of restricted cash has improved from the previous year on the back of recapitalisation exercise.

	2016 (RM'000)	2017 (RM'000)
Net cash used in operating activities	(63,953)	(50,880)
Net cash generated from investing activities	49,487	11,280
Net cash (used in)/generated from financing activities	(647,600)	415,195
Net (decrease)/increase in cash and cash equivalents	(662,066)	375,595
Effects of exchange rate changes	21,455	(38,938)
Cash and cash equivalents at the beginning of the year	973,807	891,471
Cash and cash equivalents at the end of the year	891,471	680,747
Cash and cash equivalents at the end of the year, net of restricted cash	333,196	669,853



A global oil and gas service provider and operator

Global Oil Demand & Supply



In 2017, members of the Organization of the Petroleum Exporting Countries (“OPEC”) and non-OPEC members exemplified unprecedented production quota discipline, which led to a continued but gradual recovery in crude oil prices. On the back of unprecedented quota discipline of 130%, the price of crude improved to an annual average of USD54 per barrel.

A further commitment by the said OPEC and non-OPEC members to extend the quota to end 2018 provided welcomed price stability. As the price of crude rose above the production costs of most oil producing nations, oil and gas majors and national oil companies were more confident in committing to a final investment decision (“FID”) for exploration, development and production activities.

The recovery in the oil and gas sector was also fuelled by the global economy, which saw a GDP growth of 3.5% in 2017. In addition, the expected impact of renewable energy alternatives was not as profound resulting in oil and gas seeing strong demand.

Cumulatively, these and other supporting factors contributed to an upward momentum of activity across the upstream value chain of the oil and

gas sector. In Malaysia, rig counts began to improve as PETRONAS and other oil and gas majors recommenced drilling activities.

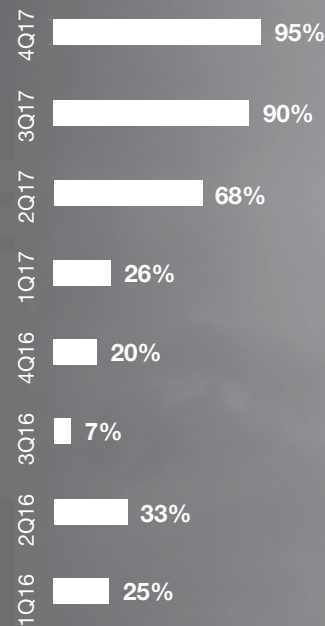
On the back of improving industry sentiment and operating conditions, UMW-OG also saw an improvement in its business and financial performance. However, the Group’s continued recovery is not driven by improving external conditions alone.

UMW-OG’s turnaround is due to our unwavering commitment over the past few years to rationalise our organisational structure in order to deliver a lower operating cost base and a more efficient business model. The process was difficult but highly necessary towards achieving a sustainable business operation amidst a continuously challenging and very competitive operating environment.

The continued efforts to optimise cost, improve cashflow and cash management and enhance productivity and efficiency, via operational excellence and process simplification, have resulted in better cost management and a more robust, resilient and competitive UMW-OG emerging.

DRILLING SEGMENT

In 2017, we started the financial year with only two rigs, NAGA 6 and NAGA 8 generating income for the Group. However, by third quarter, we secured a string of contracts to see all of our seven rigs operating.



Our quarterly average rig utilisation rate improved from 26% in the first quarter to 95% in the fourth quarter of the year to register a strong finish for the Group’s financial year.

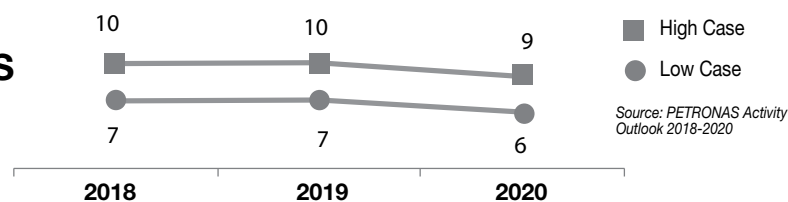
Source: International Energy Agency



Management Discussion & Analysis

PETRONAS OUTLOOK

Number of jack-up rigs



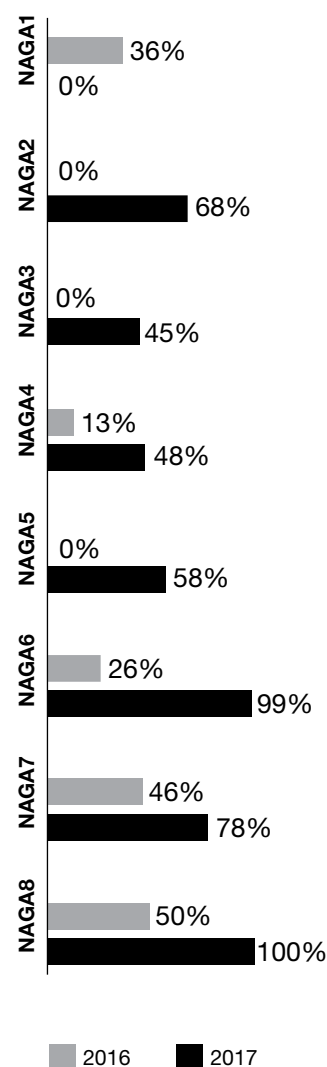
The high utilisation rate was achieved on the back of both short and long-term contracts that have and will continue to contribute positively to our financial performance and net tangible assets going forward.

CONTRACTS SECURED

During the financial year, the Group secured a string of contracts for provision of jack-up drilling services that have boosted our order book.

Date	Client	Contract Details	Rig	Contract Value
4 January 2017	PETRONAS Carigali Sdn. Bhd. ("PCSB")	Provision of Drilling Rig Services for a duration of up to 18 months.	NAGA 7	USD34.0 million
10 March 2017	Vestigo Petroleum Sdn. Bhd.	Provision of Drilling Rig Services for Vestigo's Drilling Programme for one (1) firm well, which commenced at end of Q1 2017.	NAGA 2	USD2 million
14 March 2017	Petrofac Malaysia Limited	Provision of Drilling Rig Services for Petrofac's Drilling Programme for two (2) firm wells with the option of an additional one (1) well plus one (1) well commencing in second quarter of 2017.	NAGA 5	USD5.4 million
15 May 2017	PCSB	Provision of Drilling Rig Services for PCSB's Drilling Programme for five (5) firm wells with the option of drilling additional 1+1+1+1+1 well, which commenced in August 2017.	NAGA 3	USD22.5 million
15 May 2017	PCSB	Provision of Drilling Rig Services for PCSB's Drilling Programme to drill two (2) firm wells with the option of drilling additional 1+1+1 well, commencing in July 2017.	NAGA 4	USD12.3 million
22 August 2017	Repsol Oil & Gas Malaysia Limited	Provision of Drilling Rig Services for Repsol Oil & Gas Malaysia Limited	NAGA 5	USD26.3 million
4 December 2017	ConocoPhillips Sarawak Limited ("COPSK").	Provision of Drilling Rig Services to drill two (2) firm wells with the option of two (2) additional wells.	NAGA 4	USD6.8 million
22 December 2017	PCSB	Provision of Hydraulic Workover Unit ("HWU") for the use of all or any of UWO's five (5) HWUs to undertake workover services. The Contract is of an umbrella framework which provides an over-arching contractual relationship which may comprise a series of individual orders and call-outs.	UMW GAIT 1, UMW GAIT 2, UMW GAIT 3, UMW GAIT 5 and UMW GAIT 6	RM22 million based on call out basis.

Rig Utilisation Rate 2016 vs 2017



The mix of short and long-term contracts will keep the Group busy well into 2018 while providing us with some measure of revenue visibility going forward.



OILFIELDS SERVICES SEGMENT

Despite the recovery in crude oil prices, the Oilfield Services segment continued to lag due to lack of demand from oil and gas majors.

With oil and gas majors opting to use existing inventory rather than make new purchases, demand for oil pipes threading, inspection and repair services remained low. This, coupled with a large number of competitors, has resulted in continued downward pressures on the overall Oilfield Services segment. All players within segment continued to be impacted.

In response to market conditions, the Group has disposed of its Turkmenistan operations while ceasing operations in Thailand. Management is of the view that while Oilfield Services do present opportunities going forward, the strategic approach based on the present business environment is to contain our exposure until demand recovers in 2018 and beyond.

PEOPLE DEVELOPMENT

During the year, on the back of higher rig utilisation achieved, the Group has seen its employee base increased to 645 personnel (2016: 574).

In 2017, the Group has continued to prioritise talent management as a key competitive driver. Throughout the year, management has been working to recruit, develop, reward and retain its staff towards ensuring it has the right mix of calibre and competencies to drive our business forward.

We continued to drive three aspects of people development: nurturing of a high performance culture, providing a competitive remuneration scheme and further developing our next echelon of leaders via a cohesive approach to succession planning.

Specific to culture, we have continued to cascade across the organisation the desired and expected mind-set and behaviour from employees. It is imperative that the resilience, diligence and innovative spirit developed in our employees during the downturn is not forgotten but instead becomes the bedrock of a new competitive vigour that provides the seed towards realising a high performance organisational culture.

We have continued to encourage a winning spirit and to ensure that employees are not lulled into complacency due to improving conditions within the oil and gas sector. With regards to professional development, we continued

to provide opportunities for professional development via training and learning programmes. This was with the objective of upgrading the skills of our people or as a form of reward or incentive for delivering high performance.

Our people development efforts were extended to industry stakeholders via our UMW -INSTEP Drilling Academy ("UIDA"). UIDA is a collaborative effort with Institut Teknologi Petroleum PETRONAS ("INSTEP") to develop primarily Malaysian drilling talents for the drilling industry.

Since 2015 and 2016, UIDA has been accredited by the International Association of Drilling Contractors ("IADC") and International Well Control Forum ("IWCF") respectively, allowing it to conduct trainings and certifications for those job positions requiring such certifications. UIDA continues to expand its market by having other drilling contractors and universities participate in both its accredited and non-accredited training programmes.

In 2017, UIDA had over 159 participants, which included oil and gas professionals from PETRONAS.

Management Discussion & Analysis

CORPORATE SOCIAL RESPONSIBILITY

The Group has continued to reflect its unwavering commitment to Corporate Social Responsibility (“CSR”) via its sustainability oriented and industry related programmes.

Reaching out to schools and school children, the Group remains an ardent supporter of the PINTAR education programme. We believe that the children represent our future. Hence, it is essential that we continue to develop the next generation of human capital and future leaders of our nation.

We also remained active in the Malaysian government’s Skim Latihan 1Malaysia (“SL1M”), via the UMW Post Graduate Enhancement course. In addition, we continued to engage sea-based communities in Malaysia via our Sahabat Maritim programme, a joint collaboration with PETRONAS and other oil companies in Malaysia.

The full details of our sustainability and CSR related efforts are given in the Sustainability Report of this annual report.

BUSINESS RISKS

Having rationalised its business model and structure to operate more sustainably within the present operating environment and with the continued recovery of the oil and gas sector, Management is of the view that the Group’s risk factors have decreased barring any unforeseen global or industry developments.

Going forward we foresee reduced risk of early termination of contracts or a sudden or significant reduction in new

contracts from oil and gas majors. However, we will constantly remain vigilant and proactive in adopting risk mitigation measures to address our business, operational and financial risks.

Risk	Mitigation Measures
Losses or leakages from operations due to inadequate, inefficient or ineffective internal processes, systems, policies, employee errors and events beyond our control, resulting in higher or unexpected additional costs	Streamline processes and systems across business segments to improve efficiencies: <ul style="list-style-type: none"> Introduced centralised warehouse to reduce redundancies Initiated vendor renegotiation to reduce procurement costs
With the days of Big Oil being over and the start of a new normal for the oil and gas industry, oil and gas majors now possess stronger bargaining power to dictate terms with reduced room for negotiation for drilling contractors	Maintain close relationship with our existing and potential clients to enhance our bargaining power Continue our aggressive marketing in areas which we have a strong presence to secure more contracts
Some countries in SEA such as Indonesia and Brunei are introducing local content criteria in the tendering process for jack-up rigs in their respective countries in order to groom local talent and technology transfer which may impact our ability to participate in the business activities	Continuously engage with the relevant authorities to ensure we are up-to-date with the latest regulations Actively look for reliable local partner in foreign target countries
A portion of the Group’s operations are conducted in foreign currencies which are susceptible to market volatility affecting exchange and interest rates which may affect our financial performance	Closely monitor the FOREX market and vetting through economic data Engage with our panel bankers on the outlook for FOREX
Our drilling operations are subject to the inherent risks and occupational hazards of the oil and gas industry and any adverse incident could result in the loss of life, significant financial loss and compromise the integrity of our assets and reputation.	Instil a strong safety culture and mind-set: <ul style="list-style-type: none"> Ensure the strict adherence of our comprehensive safety policies and procedures by our employees and contractors Perform periodic audits and reviews to enhance our health and safety procedures and practices Conduct regular safety drills to ensure preparedness in case of accidents or incidents

OUTLOOK & PROSPECTS

The stability of crude oil prices will largely depend on the continued adherence to production quota by major OPEC and non-OPEC members. With parties committing to maintain the quota into end 2018, we foresee that the industry recovery will persist as oil and



gas majors draw continued confidence from the expected sustainability in crude oil prices.

Thus far, the benchmark Brent crude oil price has breached the USD70 per barrel mark in January 2018 and has remained above USD60 per barrel for more than six months. This is a clear indicator that prices will likely remain stable if not on a gradual uptrend going forward.

However, the oil and gas industry has yet to fully shrug off the effects of the 3-year downturn first experienced in late 2014. The days of Big Oil where crude oil prices breached the USD100 mark per barrel are unlikely to be seen for many years to come. This is due to the nature of the industry which has changed dramatically as well as external factors such as the growing focus on renewable energy alternatives, electric cars and so on.

Notably, the potential impact of shale oil may have a dampening effect on market sentiments. The large scale entry of shale oil producers was a major factor in the collapse of crude oil prices as conventional players looked to shut out the new entrants. With crude oil prices having recovered to the USD60-USD65 per barrel mark, it remains uncertain if shale oil will see further upside during 2018 and what responses would OPEC and non OPEC members adopt to defend their market share.

Oil and gas majors still express caution as reflected in their preference to opt for short term contracts and project awards. This may lead to gaps between contracts which could impact continuity in utilisation rates and operations for service providers.

Within our niche segment, while rig counts globally have increased, charter rates remain under pressure due to excess rig supply in the market. It is possible to see a further decline in rates as some players engage in price wars to secure contracts.

Going forward, UMW-OG will continue to leverage on its industry-leading operational capabilities and expertise to secure contracts. Given our long-standing, proven track record which is well regarded by the oil and gas majors and our benchmark level performance for HSE, we remain cautiously optimistic of our abilities to secure more jobs in 2018.

In fact, up to March 2018, we have secured another contract for provision of workover services for PCSB.

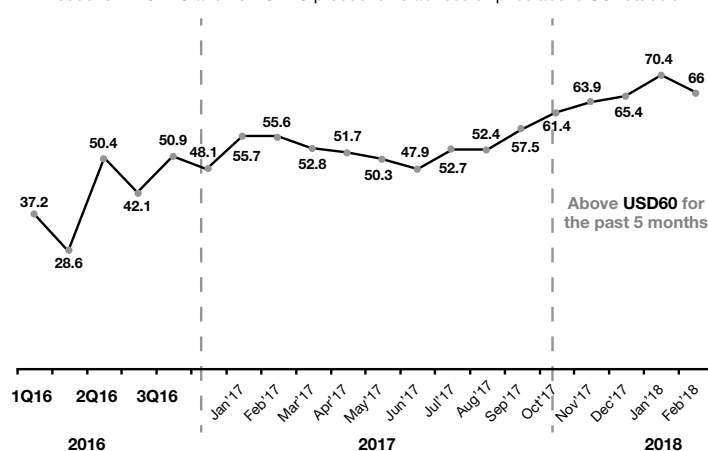
We also have the competitive advantage of newer rigs which would mean enhanced technical capabilities, less operational downtime, reduced maintenance costs and other business benefits which would translate into a competitive edge when bidding for contracts.

We will continue to be careful about retaining our hard-earned cost efficiencies and operational effectiveness. Despite rising crude oil prices and recovery in demand, we will continue to pursue our business rationalisation strategies to ensure the Group remains resilient and competitive going forward.

The intensive Group-wide strategic initiatives implemented such as vendor renegotiation, restructuring of remuneration, and centralising warehouse operations, will help maintain our

BRENT PRICE MOVEMENT

Reduction in OPEC and non-OPEC production stabilises oil price above USD60/bbls



operations lean and our pricing competitive going forward. While Malaysia will be the leading market for our rigs, we will actively seek to return into the Association of Southeast Asian Nations ("ASEAN") countries. This is a region that we know well, having operated in Indonesia, Thailand, Vietnam and Philippines prior to the industry downturn.

We expect regional opportunities to re-emerge and are presently actively participating in bids across ASEAN. Similarly, we are also exploring possibilities of venturing into the Middle East. The Middle East has proven its resilience, remaining profitable even during the downturn. Hence, we will certainly seek to participate in drilling jobs within this region.

We will also explore other areas of businesses which will provide recurring and sustainable income, enabling the Group to remain relevant and resilient should there be another industry downturn.

DIVIDEND

While the Group's financial performance has improved considerably, Management is of the view that UMW-OG's best interests and that of shareholders is best served by adopting a position of capital preservation and business development in the interim.

As such, in ensuring the Group is able to optimise its capital and financial capabilities, UMW-OG has not declared a dividend return to shareholders for the financial year. The Group remains committed to rewarding its loyal shareholders and will reconsider its position once UMW-OG has posted a full year of profitability and that the profit performance of the Group is sustainable going forward in subsequent financial years.

**Board of
Directors**



**Leadership
through
experience**



Sitting, from left to right

Dato' Abdul Rahman bin Ahmad
Rohaizad bin Darus

Standing, from left to right

Razalee bin Amin
Rizal Rickman bin Ramli
Cheah Tek Kuang
Haida Shenny binti Hazri
Mohd Rashid bin Mohd Yusof
Rowina Ghazali Seth
Dato' Ibrahim bin Marsidi
Dato' Afifuddin bin Abdul Kadir

Board of Directors' Profile



Dato' Abdul Rahman bin Ahmad

49, Malaysian

Gender: Male

Qualification(s): Master of Arts in Economics – Cambridge University, United Kingdom

Position on the Board of

Directors: Chairman /

Non-Independent

Non-Executive Director

Date first appointed to the

Board of Directors: 19 January 2017

Length of Service (as at 31

March 2018): 1 year and

2 months

Membership(s) of

Association(s): Member of the Institute of Chartered Accountants in England and Wales

Number of Board of Directors

meetings attended in the

financial year: 14/14

Membership(s) of Board

Committees:

Chairman of Board Executive Committee

Working Experience:

Dato' Abdul Rahman bin Ahmad began his career at Arthur Andersen, London and later served as Special Assistant to the Executive Chairman of Trenergy (M) Berhad/Turnaround Managers Inc (M) Sdn. Bhd. He subsequently joined Pengurusan Danaharta Nasional Berhad, the country's national asset management company as Unit Head and later went on to become Executive Director of SSR Associates Sdn. Bhd.

Dato' Abdul Rahman was the Group Managing Director/Chief Executive Officer of Malaysian Resources Corporation Berhad and subsequently served the same position for Media Prima Berhad. He was the Chief Executive Officer of Ekuiti Nasional Berhad before assuming his current post in Permodalan Nasional Berhad as President & Group Chief Executive.

Directorship(s) in Public Companies:

Listed Entity:

None

Other Public Companies:

- Permodalan Nasional Berhad
- Amanah Saham Nasional Berhad
- Amanah Mutual Berhad
- Pelaburan Hartanah Nasional Berhad

Declaration:

- No family relationship with any Director and/or major shareholder of the Company.
- No conflict of interest with the Company and has never been convicted for any offence for the past five years.

Rohaizad bin Darus



53, Malaysian

Gender: Male

Qualification(s):

Bachelor of Science in Mechanical Engineering – California State University, Long Beach, United States

Position on the Board of

Directors: President /

Non-Independent

Executive Director

Date first appointed to the

Board of Directors: 31 January 2012

Length of Service (as at 31

March 2018): 6 years 2 months

Membership(s) of

Association(s):

- Board of Engineers, Malaysia
- Institute of Engineers, Malaysia

Number of Board of Directors

meetings attended in the financial year: 15/15

Membership(s) of Board

Committees:

Board Executive Committee

Working Experience:

Rohaizad began his career with PETRONAS Gas Sdn. Bhd. in 1988. He later joined Texas Instruments (M) Sdn. Bhd. as Mechanisation 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. From 1995 to 1998, he joined Huptec Engineering Sdn. Bhd. and was appointed its Managing Director.

From 1998 to 2003, he worked for Sarku Engineering Services Sdn. Bhd., which later became a subsidiary of SapuraCrest Petroleum Berhad (“SapuraCrest”), a predecessor of Sapura Energy Berhad (formerly known as SapuraKencana Petroleum Berhad) as Executive Director and rose to become its Chief Executive Officer. 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.

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, 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.

Directorship(s) in Public Companies:

Listed Entity:

None

Other Public Companies:

None

Declaration:

- No family relationship with any Director and/or major shareholder of the Company.
- No conflict of interest with the Company and has never been convicted for any offence for the past five years.

Board of Directors' Profile



Razalee bin Amin

65, Malaysian

Gender: Male

Qualification(s):

- Bachelor of Economics in Accounting – University of Malaya, Malaysia
- Postgraduate Diploma in Accounting – University of Malaya, Malaysia

Position on the Board of

Directors: Independent Non-Executive Director

Date first appointed to the Board of Directors: 2 May 2013

Length of Service (as at 31 March 2018): 4 years 10 months

Membership(s) of Association(s):

- Malaysian Institute of Accountants
- Malaysian Institute of Certified Public Accountants
- Financial Planning Association of Malaysia

Number of Board of Directors meetings attended in the financial year: 15/15

Membership(s) of Board Committees:

- Chairman of Board Audit Committee
- Member of Board Executive Committee
- Member of Board Whistle-Blowing Committee

Working Experience:

Upon his graduation, Razalee began his career with Messrs. Hanafiah Raslan & Mohamad, a firm of Chartered Accountants. In 1983, he joined Sateras Resources (Malaysia) Berhad as the Group Financial Controller before moving on in 1987 to assume the position of Senior Vice President in the Investment and Acquisitions Division of

MBf Finance Berhad. In 1994, Razalee joined Damansara Realty Berhad as its Senior General Manager before starting his own chartered accountant firm, Messrs. Razalee & Co. two years later where he is the Managing Partner.

Directorship(s) in Public Companies:

Listed Entity:

CCM Duopharma Biotech Berhad

Other Public Companies:

None

Declaration:

- No family relationship with any Director and/or major shareholder of the Company.
- No conflict of interest with the Company and has never been convicted for any offence for the past five years.

Dato' Afifuddin bin Abdul Kadir



65, Malaysian

Gender: Male

Qualification(s):

- Bachelor of Science in Agriculture Business – Universiti Pertanian Malaysia (now known as Universiti Putra Malaysia), Malaysia
- Diploma in Agriculture – Universiti Pertanian Malaysia (now known as Universiti Putra Malaysia), Malaysia

Position on the Board of

Directors: Senior Independent Non-Executive Director

Date first appointed to the

Board of Directors: 2 May 2013

Length of Service (as at 31

March 2018): 4 years 10 months

Membership(s) of

Association(s): None

Number of Board of Directors

meetings attended in the financial year: 14/15

Membership(s) of Board Committees:

- Chairman of Board Nomination & Remuneration Committee
- Member of Board Risk Management Committee
- Member of Board Audit Committee
- Member of Board Whistle-Blowing Committee

Working Experience:

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

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.

Directorship(s) in Public Companies:

Listed Entity:

- Pelikan International Corporation Berhad
- Power Root Berhad
- Lion Corporation Berhad

Other Public Companies:

None

Declaration:

- No family relationship with any Director and/or major shareholder of the Company.
- No conflict of interest with the Company and has never been convicted for any offence for the past five years.

Board of Directors' Profile



Cheah Tek Kuang

71, Malaysian

Gender: Male

Qualification(s): Bachelor of Economics – University of Malaya, Malaysia

Position on the Board of Directors: Independent Non-Executive Director

Date first appointed to the Board of Directors: 2 May 2013

Length of Service (as at 31 March 2018): 4 years 10 months

Membership(s) of Association(s): None

Number of Board of Directors meetings attended in the financial year: 13/15

Membership(s) of Board Committees:

- Chairman of Board Risk Management Committee
- Member of Board Audit Committee
- Member of Board Nomination & Remuneration Committee

Working Experience:

Cheah Tek Kuang began his career with Malaysian Industrial Development Authority (“MIDA”) as Deputy Director in the Planning and Research Unit. He served MIDA from 1970 until 1978 before joining AmInvestment Bank Berhad in October 1978. Serving in various senior positions in the bank, he was promoted as 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 had 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.

Directorship(s) in Public Companies:

Listed Entity:

- IOI Corporation Berhad
- Berjaya Sports Toto Berhad
- Eco World International Berhad

Other Public Companies:
Governor of Yayasan Bursa Malaysia

Declaration:

- No family relationship with any Director and/or major shareholder of the Company.
- No conflict of interest with the Company and has never been convicted for any offence for the past five years.

Dato' Ibrahim bin Marsidi



66, Malaysian

Gender: Male

Qualification(s):

Bachelor of Economics (Analytical) – University of Malaya, Malaysia

Position on the Board of Directors: Independent Non-Executive Director

Date first appointed to the Board of Directors: 2 May 2013

Length of Service (as at 31 March 2018): 4 years 10 months

Membership(s) of Association(s): None

Number of Board of Directors meetings attended in the financial year: 14/15

Membership(s) of Board Committees:

- Chairman of Board Whistle-Blowing Committee
- Member of Board Audit Committee
- Member of Board Nomination & Remuneration Committee

Working Experience:

Dato' Ibrahim started his career with Malayan Banking Berhad in 1979 as a Sub Accountant. Later the same year, he joined PETRONAS and was actively involved in the development of PETRONAS's domestic marketing activities. In the course of his career with PETRONAS, Dato' Ibrahim held a number of senior managerial positions such as the position of Senior Manager of Eastern and Northern Region, General Manager of Liquefied Petroleum Gas and Retail Business in PETRONAS Dagangan Berhad ("PDB") and as the General Manager of Crude Oil Group, PETRONAS.

With his extensive experience, Dato' Ibrahim was appointed as the Managing Director and Chief Executive Officer of PDB, a company listed on Bursa Malaysia Securities Berhad, the formation of which he had

played a deep role in. During his tenure leading PDB, he spearheaded its transformation by developing the company's brand and business strategy as well as the development of administrative and electronic payment systems. Dato' Ibrahim retired from this position in December 2007.

Directorship(s) in Public Companies:

Listed Entity:

None

Other Public Companies:

None

Declaration:

- No family relationship with any Director and/or major shareholder of the Company.
- No conflict of interest with the Company and has never been convicted for any offence for the past five years.

Board of Directors' Profile



Rowina Ghazali Seth

57, Malaysian

Gender: Female

Qualification(s): Bachelor of Science in Computer Science – Northern Illinois University, United States

Position on the Board of Directors: Independent Non-Executive Director

Date first appointed to the Board of Directors: 23 June 2017

Length of Service (as at 31 March 2018): 10 months

Membership(s) of Association(s): None

Number of Board of Directors meetings attended in the financial year: 6/6

Membership(s) of Board Committees:

- Member of Board Risk Management Committee
- Member of Board Nomination & Remuneration Committee

Working Experience:

Rowina began her career in SHELL in the Information Technology Division in 1985 and she has more than 30 years experience in the oil and gas industry gained in all aspects of strategic government relations, external and reputation management.

She has held various local and global positions in SHELL's upstream, downstream and business operations and had served as the General Manager Corporate Affairs and Director of SHELL Business Services Sdn. Bhd. Her last position was as Director, Government Affairs at SHELL Malaysia, building the function from inception and pioneering the lead role.

Directorship(s) in Public Companies:

Listed Entity:

Hong Leong Islamic Bank Berhad

Other Public Companies:
None

Declaration:

- No family relationship with any Director and/or major shareholder of the Company.
- No conflict of interest with the Company and has never been convicted for any offence for the past five years.

Haida Shenny binti Hazri



44, Malaysian

Gender: Female

Qualification(s):

- Bachelor of Law (LLB) and BComm (Accounting & Finance) – University of Melbourne, Australia
- Masters Degree in Law (LLM) – University of Malaya, Malaysia

Position on the Board of Directors: Non-Independent Non-Executive Director

Date first appointed to the Board of Directors: 23 June 2017

Length of Service (as at 31 March 2018): 10 months

Membership(s) of Association(s): None

Number of Board of Directors meetings attended in the financial year: 5/6

Membership(s) of Board Committees:

- Member of Board Risk Management Committee
- Member of Board Executive Committee

Working Experience:

Haida Shenny has more than 18 years' experience in the oil and gas industry.

Haida commenced her career with PETRONAS and she undertook legal and commercial roles in PETRONAS E&P, LNG and Technology Businesses. Her last post in PETRONAS was Chief Executive Officer, PETRONAS Technology Ventures Sdn. Bhd. She also served on various Boards of PETRONAS companies such as PETRONAS Technical Solutions Sdn. Bhd., PETROSAINS Sdn. Bhd., Lanzatech NZ Ltd. and Lanzatech USA Ltd.

Whilst in PETRONAS, she was part of various corporate strategic studies and was part of the PETRONAS team that was involved in the Malaysian government Economic Transformation Plan ("ETP") initiative under the Prime Minister's department.

In Sapura Energy (previously known as SapuraKencana), she held the position of Vice President of Strategy and New Ventures (E&P) and was involved in the building up of the E&P business for Sapura.

Haida also held the position of Chief Executive Officer, Matrix Reservoir Sdn. Bhd., owner and operator of Tok Bali Supply Base, that built and operationalised the third supply base in Malaysia. She is currently the Chief Executive Officer of Bintulu Supply Base Sdn. Bhd.

Directorship(s) in Public Companies:

Listed Entity:

None

Other Public Companies:

None

Declaration:

- No family relationship with any Director and/or major shareholder of the Company.
- No conflict of interest with the Company and has never been convicted for any offence for the past five years.

Board of Directors' Profile



Mohd Rashid bin Mohd Yusof

62, Malaysian

Gender: Male

Qualification(s):

- Association of Chartered Certified Accountants ("ACCA") – Wharton Business School, United States
- Advanced Management Program – Wharton Business School, United States

Position on the Board of

Directors: Independent Non-Executive Director

Date first appointed to the Board of Directors: 23 June 2017

Length of Service (as at 31

March 2018): 10 months

Membership(s) of

Association(s):

- Member of Chartered Association of Certified Accountants (UK)
- Member of Malaysian Institute of Accountants

Number of Board of Directors meetings attended in the financial year: 6/6

Membership(s) of Board Committees:

- Member of Board Risk Management Committee
- Member of Board Executive Committee

Working Experience:

Mohd Rashid commenced his career with PETRONAS in 1980 and has held various financial positions in PETRONAS such as Head of Group Accounting, Head of Group Treasury and Head of Group Internal Audit. He was also appointed as Financial Director of Engen Limited ("Engen"), before assuming general management positions as Chief Executive Officer of Malaysian International Trading Corp ("MITCO") and later as Managing Director/Chief Executive Officer of Engen in South Africa.

As the Managing Director/Chief Executive Officer of Engen in South Africa, he was the Chairman of the South African Petroleum Industry Association ("SAPIA") for the year 2007. He returned to PETRONAS from Engen as Vice President of PETRONAS Supply Chain & Risk Management.

During the course of his career he has also served as a Director of several companies in the group, including Putrajaya Holdings, Enpet Insurance Ltd. (Isle of Man) and a Trustee of the PETRONAS Retirement Benefit Fund. More recently prior to his retirement from PETRONAS on 31 July 2016, Mohd Rashid had served as a Director and Chairman of PETRONAS-ICT and a Director of KLCC (Holdings) Sdn. Bhd. and Energas Insurance (Labuan) Ltd.

Directorship(s) in Public Companies:

Listed Entity:

Scicom (MSC) Berhad

Other Public Companies:

Standard Chartered Bank Malaysia Berhad

Declaration:

- No family relationship with any Director and/or major shareholder of the Company.
- No conflict of interest with the Company and has never been convicted for any offence for the past five years.

Rizal Rickman bin Ramli



40, Malaysian

Gender: Male

Qualification(s):

- Master of Business Administration, J.L. Kellogg School of Management – Northwestern University, United States
- Bachelor of Arts in Economics – University of Chicago, United States

Position on the Board of Directors: Non-Independent Non-Executive Director

Date first appointed to the Board of Directors: 21 March 2018

Length of Service (as at 31 March 2018): NA

Membership(s) of Association(s):

- Chair of the Regulatory & Government Affairs Committee of the Malaysian Gas Association
- Mentor with Endeavor Malaysia

Number of Board of Directors meetings attended in the financial year: Nil

Membership(s) of Board Committees:

- Member of Board Risk Management Committee
- Member of Board Whistle-Blowing Committee

Working Experience:

Presently Rick Ramli is the Executive Vice President for Property/Real Estate Division of Permodalan Nasional Berhad (“PNB”).

Prior to joining PNB, he was Country Managing Partner for the Boston Consulting Group (“BCG”) in Malaysia. During his time at BCG, he has worked on client assignments in more than 10 countries around the world and was also based out of BCG’s London office.

He has extensive experience working on projects in the oil and gas sector having supported energy clients on various assignments including on topics such as new business build, growth strategy and industry transformation.

Directorship(s) in Public Companies:

Listed Entity:

Sime Darby Property Berhad

Other Public Companies:

- Pelaburan Hartanah Nasional Berhad
- MIDF Property Berhad
- Lanjut Golf Berhad

Declaration:

- No family relationship with any Director and/or major shareholder of the Company.
- No conflict of interest with the Company and has never been convicted for any offence for the past five years.



Rohaizad bin Darus

For details of the President's profile, please refer to page 33 (Profile of Board of Directors) of this Annual Report.

53, Male, Malaysian

President / Non-Independent
Executive Director

Rafiza binti Ghazali

Qualifications:

Bachelor of Science (Economics) in Accounting & Finance - The London School of Economics & Political Science, United Kingdom

Past Employment:

- Arthur Andersen
- Pengurusan Danaharta Nasional Berhad
- Nikkei Pacific Corporate Advisors
- RHB Investment Bank Berhad
- Bank Negara Malaysia
- Cagamas Berhad
- Sime Darby Berhad

Declaration:

- No family relationship with any Director and/or major shareholder of the Company.
- No conflict of interest with the Company and has never been convicted for any offence for the past five years.

Membership Of Associations:

- Institute of Chartered Accountants of Australia
- Financial Services Institute of Australasia
- Malaysian Institute of Accountants

Date Appointed To The Current

Position:

8 January 2018



46, Female, Malaysian

Chief Financial Officer /
Company Secretary

Abdul Hadi bin Abdul Bari

Qualifications:

- Diploma in Investment Analysis - Universiti Teknologi MARA, Malaysia
- Bachelor of Business Administration (Honours) in Finance - Multimedia University, Malaysia
- Post Graduate Diploma in Applied Finance & Investment - Securities Institute of Australia, Australia

Past Employment:

- Innosabah Securities Sdn. Bhd.
- Permodalan Nasional Berhad
- TL Geosciences Sdn. Bhd. (Sapuracrest Petroleum Berhad)
- MISC Berhad
- Asian Geos Sdn. Bhd.

Membership Of Associations:

None

Date Appointed To The Current Position:

1 September 2017

Declaration:

- No family relationship with any Director and/or major shareholder of the Company.
- No conflict of interest with the Company and has never been convicted for any offence for the past five years.



42, Male, Malaysian

Head, Commercial

Izwan Radzi Megat bin Mohd Radzi

Qualifications:

Bachelor of Science in Mechanical Engineering - University of Tulsa, United States

Date Appointed To The Current Position:

1 September 2017

Past Employment:

- Schlumberger Limited
- Transocean Drilling Sdn. Bhd.

Membership Of Associations:

- International Association of Drilling Contractors ("IADC")
- Society of Petroleum Engineers ("SPE")

Declaration:

- No family relationship with any Director and/or major shareholder of the Company.
- No conflict of interest with the Company and has never been convicted for any offence for the past five years.



41, Male, Malaysian

Head, Operations



51, Female, Malaysian

Head, Corporate
Transformation Office

Chew Eng Hong

Qualifications:

Bachelor of Economics - University of
Adelaide, Australia

**Date Appointed To The Current
Position:**

12 February 2018

Past Employment:

- Coopers & Lybrand
- UMW Industrial Power Sdn. Bhd.
- UMW Corporation Sdn. Bhd.

Membership Of Associations:

- Malaysian Institute of Accountants
- Australian Society of Certified
Practising Accountants

Declaration:

- No family relationship with any Director and/or major shareholder of the Company.
- No conflict of interest with the Company and has never been convicted for any offence for the past five years.



53, Male, Malaysian

Head, Human Resources

Syed Rozhan bin Syed Hassan

Qualifications

Bachelor in Business Administration
(Finance) - Eastern Washington
University, United States

- Johnson Controls Automotive
Holdings (M) Sdn. Bhd.
- Freescale Semiconductor Malaysia
Sdn. Bhd.

Past Employment:

- SONY Electronics (M) Sdn. Bhd.
- SDKM Fibres, Wires & Cables
Sdn. Bhd.
- PETRONAS Penapisan (Terengganu)
Sdn. Bhd.
- Peremba (Malaysia) Sdn. Bhd.
- Wacker NCSE Corp. Sdn. Bhd.
- Showa Denko HD Malaysia Sdn. Bhd.

Membership Of Associations

Society for Human Resource
Management

**Date Appointed To The Current
Position**

1 June 2010

Declaration:

- No family relationship with any Director and/or major shareholder of the Company.
- No conflict of interest with the Company and has never been convicted for any offence for the past five years.

Aminudin bin Hambali

Qualifications:

- Master of Science, Occupational Safety and Health Management - Universiti Utara Malaysia, Malaysia
- Bachelor of Science, Manufacturing System Technology - University of Houston, United States

Past Employment:

- Industri Plastik Yuta Sdn. Bhd.
- Lion Fasteners Sdn. Bhd.
- Connectics Malaysia Sdn. Bhd.
- Scomi Engineering Bhd.
- Offshore Subsea Works Sdn. Bhd.
- Technip Geoproduction (M) Sdn. Bhd.

Declaration:

- No family relationship with any Director and/or major shareholder of the Company.
- No conflict of interest with the Company and has never been convicted for any offence for the past five years.

Membership Of Associations:

Member of Malaysian Society for Occupational Safety and Health ("MSOSH")

Date Appointed To The Current Position:

27 June 2013



52, Male, Malaysian

Head, Health, Safety & Environment (HSE)

Maryam Salwaana Kamal binti Mohd Kamal

Qualifications:

Bachelor of Human Sciences (Honours) in Communications - International Islamic University, Malaysia

Past Employment:

- Media Prima Berhad
- AD.Diction Advertising Sdn. Bhd.

Membership Of Associations

None

Date Appointed To The Current Position

1 October 2017



39, Female, Malaysian

Head, Corporate Communications

Declaration:

- No family relationship with any Director and/or major shareholder of the Company.
- No conflict of interest with the Company and has never been convicted for any offence for the past five years.

Calendar of Significant Events

2017



1 Mar

APR - MAY

April 2017

Commencement of UMW-OG English Language Tuition Programme for Form Four Students of SMK Jeram, Kuala Selangor

15 May 2017

UMW-OG 7th AGM and Press Conference



15 May

JUN

9 June 2017

UMW-OG Iftar with clients

14 June 2017

Malaysia Petroleum Management and Petrofac visit to UMW NAGA 5



1 Aug

JAN - MAR

15 January 2017

UMW-OG contributes life jackets to flood prone kampungs in Terengganu

25 & 26 February 2017 – First Session

7 & 8 July – Second Session

SMK Jeram English Teachers Enrichment Programme (Train the Teachers)

1 March 2017

Jom Bekpes – distributing breakfast packs to the homeless in collaboration with Institut Onn Jaafar

AUG

1 August 2017

Familiarisation visit by Permodalan Nasional Berhad (“PNB”) to UMW NAGA 5

16 August 2017

UMW-OG participates in PETRONAS Carigali led Wells HSE Day

16 August 2017

Familiarisation visit by UMW-OG Board of Directors to UMW NAGA 5

24 August 2017

Hosted the Well Design Standardisation Technical Committee (“WeDSTeC”) during their introductory and fact finding visit to UMW Drilling Academy (“UDA”)

25 August 2017

UMW-OG Extraordinary General Meeting (“EGM”)



16 Aug



25 Aug

SEP - OCT

13 September 2017

Terrarium Workshop and Educational Visit to Taman Botani Putrajaya

5 October 2017

UMW-OG Road Safety Awareness Programme with KL-based PNB schools



5 Oct



3 Nov

NOV

3 November 2017

Herriot Watt University Malaysia delegates visit UMW Drilling Academy (“UDA”)

9 November 2017

Visit by TYT. Tun Datuk Seri Panglima (Dr.) Haji Juhar Datuk Haji Mahiruddin, H.E Governor of Sabah to UMW NAGA 5 at Blok SB-1 Kinabalu



9 Nov



14 Dec

DEC

4 December 2017

UMW-OG participates in PETRONAS’ Monsoon ZIZA awareness initiative

14 December 2017

Tree Planting activity in collaboration with Universiti Putra Malaysia (“UPM”)

19 December 2017

Fish Release activity in collaboration with UPM



**Driving
long-term
value growth**

Sustainability Throughout Operations & Value Chain

SUSTAINABILITY REPORT



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ECONOMIC



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ENVIRONMENTAL



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SOCIAL



MESSAGE FROM PRESIDENT

We are pleased to share with you the UMW Oil & Gas Corporation Berhad (“UMW-OG” or “the Group”) 2017 Sustainability Report (“SR 2017”), following our inaugural report last year.



This report serves as an update of our sustainability journey based on the key pillars launched in 2016. These are Innovative & High-Performance Culture, Environmental Stewardship and Nurturing the Community. In 2017, we have endeavoured and have made progress with regards to all three pillars.

In particular, we have placed special emphasis on the first pillar – cultivating an Innovative & High-Performance Culture, which is most crucial given the present scenario within the oil and gas industry.

Beyond systems, policies and processes, Management is of the view that the determining factor behind our success and business sustainability is the collective talents, attitudes and mind-set of our people. Given the most challenging environment we have faced and continue to face, there is a real need to develop a strong spirit of resilience, resolve and innovation to overcome the challenges faced and to maintain our leadership position as the preferred drilling rig services provider in Malaysia and the region.

Hence, we have continued to drive cultural change within the organisation towards harnessing the fullest capability of our people towards developing a winning organisational culture that will serve as the bedrock for continued competitive advantage.

We have also focussed on enhancing our sustainability governance model and structure, reducing our risk exposure, improving financial stability by restructuring our loan book and capital structure and continuing to seek improved cost and operational efficiencies. These will assist in ensuring sustainable economic return for the company and its stakeholders.

At the same time, we continued to strengthen our existing excellent health, safety and environmental (“HSE”) track record, which was reflected in the improved performance on various HSE parameters in 2017. Our excellence in HSE has evolved as a key competitive advantage and business enabler for the Group. Part of the HSE efforts is focused on environmental sustainability which involves not only protection

of the environment in our operation, but also enhancement of the environment as part of our Corporate Social Responsibility (“CSR”) which include tree planting and fish release.

Through our various community engagement activities as well as the indirect economic value derived from our operations by various stakeholders, we have continued in 2017 to contribute towards social sustainability of the community surrounding our operational areas. These were achieved through our participation, either individually or jointly with other oil companies and governmental agencies.

As we look back on the financial year, we have certainly made considerable progress in our sustainability journey. We have also identified performance gaps and will increase our efforts to address these areas going forward.

Our Sustainability Report should be read together with our Management Discussion and Analysis section to obtain a more comprehensive view of our journey in 2017 and our value creation process across our defined Economic, Environmental and Social (“EES”) pillars.

We welcome your feedback as part of our on-going efforts to make our sustainability journey more inclusive with the diverse and relevant views of external stakeholders reflected in management’s approach.

Rohaizad Darus
President

UMW Oil & Gas Corporation Berhad

ABOUT THIS REPORT

The **UMW-OG Sustainability Report** provides detailed disclosure of the Group's management approach to sustainability as well as its governance, strategy, actions implemented, the results and outcomes achieved as well as areas for further improvement. The report is produced in line with **UMW-OG's aspirations to provide transparent, honest disclosure as a leading, sustainable company within Malaysia's oil and gas industry.**



Report Scope & Boundary

Unless stated, the scope of reporting for our SR 2017 is limited to our drilling services and oilfield services operations located in Malaysia, with some exceptions depending on accessibility of reliable data.

The scope is further streamlined to focus on the most pertinent projects, initiatives and activities of the Group rather than every aspect of operations. Our disclosure for 2017 does not include the Group's value chain consisting of third party contractors, suppliers and vendors.

This report has been prepared in accordance to the Global Reporting Initiative ("GRI") Standards 2016: Core option and with Bursa Malaysia's Main Market Listing Requirements relating to Sustainability Statements in Annual Reports.

The data in the SR 2017 is for the period of 1 January 2017 to 31 December 2017, and will be published annually.



Data Collection

Sustainability information presented is based on internal data and widely accepted calculation methodologies such as the Greenhouse Gas ("GHG") Protocol. Where possible, data for three (3) years for selected disclosures / performance indicators, which have been tracked and monitored as a standard practice, has been included.

The data presented in this report is collated through a series of surveys and internally conducted assessments. The data reporting is based on a best-effort basis and we strive for further improvements in future reports.



Assurance

We have not undertaken third party assurance for the data presented in this report with the exception of financial data which is audited by an independent third-party. We may consider working towards a form of third party assurance in the future.



Distribution & Feedback

Please send any comments, insights and queries regarding UMW-OG's sustainability reporting to:

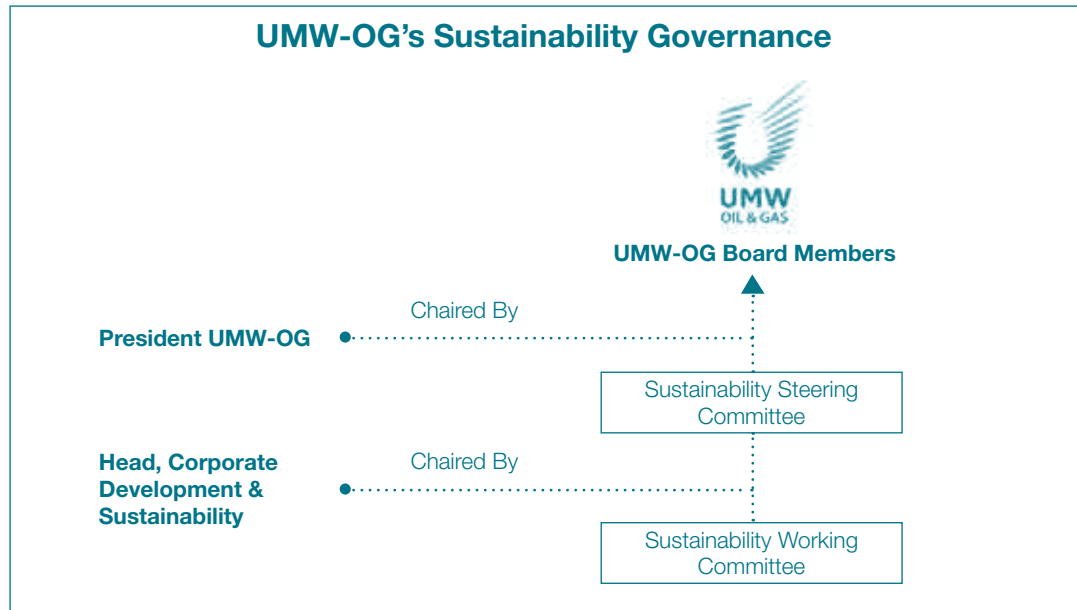
Investor Relations & Sustainability Reporting UMW Oil & Gas Corporation Berhad

Level 18, Block 3A, Plaza Sentral
Jalan Stesen Sentral 5
50470 Kuala Lumpur, Malaysia
+603-20968788

SUSTAINABILITY GOVERNANCE

In UMW-OG, a multi-tier sustainability governance structure drives our sustainability journey. Our governance structure or framework begins at the top and permeates across the Group's organisational hierarchy.

As the most senior decision making body of the Group, UMW-OG's Board of Directors set the tone of sustainability at the top, which is then executed within UMW-OG with the support of guiding policies, procedures and systems. It is essential for Board of Directors to be engaged in the sustainability agenda. They set and define the long-term view and targets, anticipating and addressing risks from the perspective of environmental, economic and social impact.



Below the Board is the Sustainability Steering Committee ("SSC"), chaired by the President and the Sustainability Working Committee ("SWC"), which is helmed by the Head of Corporate Development & Sustainability. Both have distinct but related duties and responsibilities in driving the sustainability agenda across UMW-OG.

Sustainability Steering Committee ("SSC")

- The Committee members consist of UMW-OG President, Chief Financial Officer, Head of Drilling Services, Head of Oilfield Services, Head of Drilling Academy and Head of Corporate Development & Sustainability.
- Ensures the sustainability strategy is aligned with the Company's vision and mission.
- Prioritises strategies based on available budget.
- Ensures executed sustainability projects are aligned with approved sustainability strategies.
- Reviews and recommends sustainability statement to the Board.
- Reviews and recommends sustainability strategies, policies and other matters relating to it such as management systems, performance monitoring, policies, commitments and regulations.

Sustainability Working Group ("SWG")

- The Working Group members consist of representatives from corporate and operations that are responsible for sustainability strategies and projects.
- Tracks the data to ensure that all outlined activities achieved defined targets.

On 5 April 2018, the SR 2017 was presented for Board approval and approved on the same day.

STAKEHOLDER ENGAGEMENT

At UMW-OG, we are committed to ongoing stakeholder engagement as a fundamental component of our business and sustainability strategies as well as our annual reporting process. Stakeholders are defined as those who are impacted by the Group's business presence and activities, or have the potential to impact or influence the Group's operational and / or financial performance as well as overall brand perception.

In 2017, our key stakeholders remain unchanged and we have continued to engage them via multiple communication channels over varying frequencies. Following is a detailed view of our stakeholder engagement activities as well outcomes reached.

STAKEHOLDER GROUPS	METHODS OF ENGAGEMENT	MATTERS DISCUSSED	GROUP RESPONSES / OUTCOMES
Bankers	<ul style="list-style-type: none"> Annual Report Periodic update meetings 	<ul style="list-style-type: none"> Corporate Treasury & Cash Management Services Investment Management Financial risk management (interest and foreign exchange) Regulatory compliance and compliance of debt covenants 	<ul style="list-style-type: none"> Frequent assessment that enable us to prioritise actions on more essential / relevant risks / matters and define an action plan for implementation as well as improvement
Board of Directors	<ul style="list-style-type: none"> Annual Report Annual General Meeting ("AGM") Board meetings Board Committee Meetings 	<ul style="list-style-type: none"> Regulatory matters Company's operational and financial performance by month and year-to-date Key performance indicators actual against target Market challenges and opportunities Monthly HSE performance 	<ul style="list-style-type: none"> Approved AGM agenda Business decision making Improved KPIs
Customers	<ul style="list-style-type: none"> Customer feedback exercises Customers visits Formal and informal meetings Email queries Trade shows and exhibitions 	<ul style="list-style-type: none"> Operational and safety issues Rig / office visits by existing and potential clients Quarterly management engagement and frequent operational meeting to discuss on technical, operational and commercial matters Continuous effort in promoting company Various emails with regards to commercial and technical clarifications from clients Various marketing emails to existing and potential clients Malaysia Petroleum Resources Corporation ("MPRC"), Malaysia External Trade Development Corporation ("MATRADE"), Abu Dhabi International Petroleum Exhibition and Conference ("ADIPEC"), Malaysian Oil & Gas Services Council ("MOGSC") and etc 	<ul style="list-style-type: none"> Managing issues with UMW-OG Operations & HSE team Visits jointly organised by Business Development and Operations team Frequent engagements with clients and authority on the respective matters Frequent marketing meetings held between UMW-OG and new / existing local / overseas clients Frequent communications via emails to ensure all clarifications responded and actions were undertaken Frequent marketing emails to promote company to existing / potential clients to introduce our company's capability and rig schedules Participated in various tradeshow and exhibitions when necessary, both local and overseas, for marketing and branding purposes

Sustainability Report

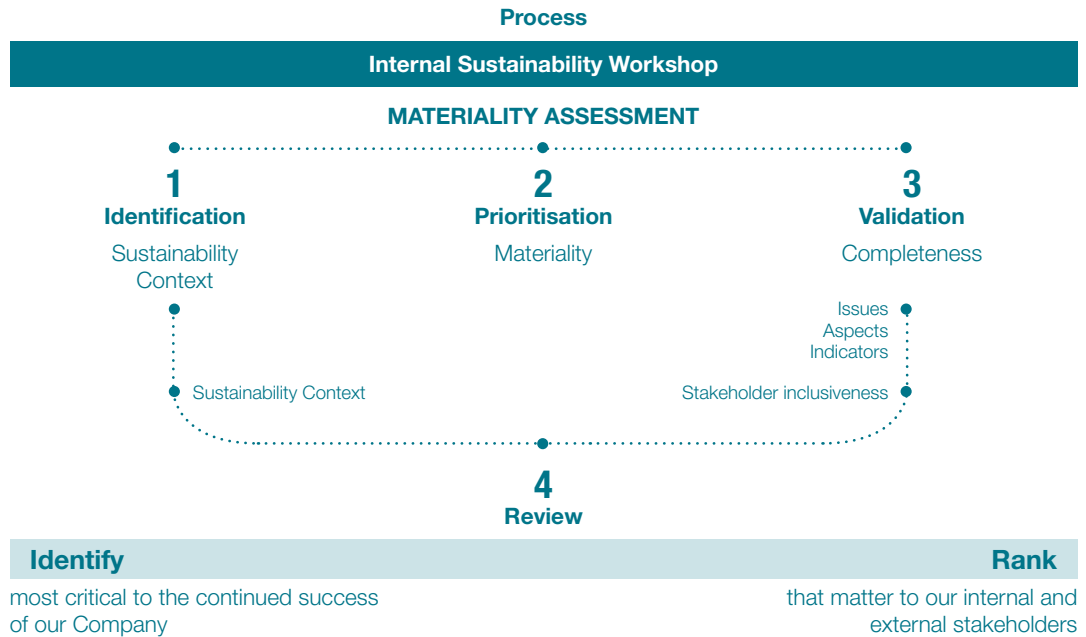
STAKEHOLDER GROUPS	METHODS OF ENGAGEMENT	MATTERS DISCUSSED	GROUP RESPONSES / OUTCOMES
Communities	<ul style="list-style-type: none"> Corporate Social Responsibility (“CSR”) events 	<ul style="list-style-type: none"> Implementation of UMW-OG's three main CSR pillars (safety, education, environment) at selected partner schools / communities 	<ul style="list-style-type: none"> Improvement / betterment of the participating schools' understanding on safety Improved education experience and results Improved / better understanding of the environment
PETRONAS	<ul style="list-style-type: none"> Management meetings Customer feedback exercises Frequent rig / office visits Formal and informal meetings E-mail queries 	<ul style="list-style-type: none"> Latest government policies for oil and gas industry New regulations and procedures Discussions and clarifications on technical, operational and commercial matters Operational and safety issues Rig operating schedules 	<ul style="list-style-type: none"> Ensure compliance with latest policy and regulations Ensure all clarifications responded and appropriate actions had been undertaken Managing issues with various teams
Employees	<ul style="list-style-type: none"> Town hall sessions Festive celebrations get together Internal communications mailers Employee excursions / events Management HSE walkabouts 	<ul style="list-style-type: none"> Quarterly updates by the President on the position and status of the Company to UMW-OG staff in town hall sessions Providing updates on the latest happenings at the Company; events, etc. Some mailers also discuss topics related to work / life balance Correct attitude and behaviour Honesty in performing work Transparency in all activities Strict adherence for corporate governance 	<ul style="list-style-type: none"> Updated awareness on the Company Internal communication help ensure that all members of the organisation are kept up to date on the on-goings at the Company and also serve as a needed break from work Promote safety awareness at the workplace Honest, transparent and high integrity behaviour
Shareholders and Investors	<ul style="list-style-type: none"> Analyst briefings Annual General Meeting Annual Report Investor Briefings Announcements of corporate developments to Bursa Malaysia Quarterly announcements of financial results to Bursa Malaysia One-on-one meetings Investor information and update on the Company on UMW-OG's Investor Relations website Press releases 	<ul style="list-style-type: none"> Quarterly or as/when required updates by the President on the position and status of the Company to analysts from various financial / research houses A yearly update to shareholders on the strength and position of the Company, while also sharing the current health of their investment in the Company Regulatory matters Ad hoc (as / and when required) briefings to investors on the strength and position of the Company Quarterly announcements / discussions on the financial results Ad hoc (as / and when required) updates to analysts and fund managers Ad hoc (as / and when required) updates via press release distributed to the media 	<ul style="list-style-type: none"> More positive coverage by analysts Maintained share price performance Compliance with listing requirements

ASSESSING MATERIALITY

Our Materiality Assessment Process

We had conducted a materiality assessment exercise using the GRI Standards 2016 to identify the most pertinent EES factors that were relevant to the Group and its stakeholders.

The process entailed identification of materiality matters, followed by prioritisation based on potential impact (whether positive or negative) on the Group and its stakeholders. The selected materiality issues and matters were then validated to determine which issues to include, set targets for and report on. These issues are the same as the previous year's materiality issues.



Development of Materiality Matrix

The insights gleaned from this exercise together with the external perspectives collated from the various stakeholder engagements have enabled us to develop a comprehensive materiality matrix. This process determines the metrics we report in SR 2017 and indicates the focus areas of UMW-OG's sustainability strategies and efforts for 2017.

We will continue to review the material issues going forward. In addition, the relevance of new issues will be assessed based on the abovementioned process in the event of new developments / operational context.

Key Material Aspects



Economic

- ② Economic Performance
- ⑧ Procurement Practices
- ⑨ Market Presence including Local Content
- ⑫ Indirect Economic Impact



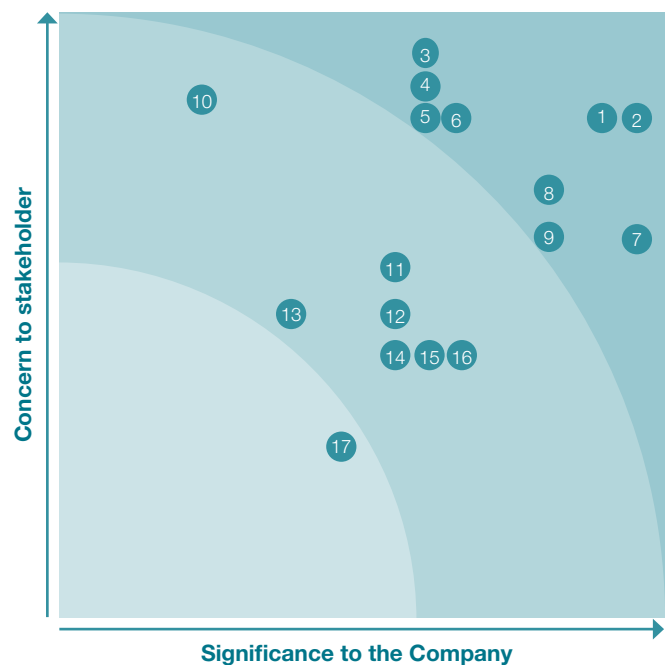
Environment

- ③ Effluent and Waste
- ⑭ Energy
- ⑮ Water
- ⑰ Emission



Social

- ① QHSE
- ④ Emergency Preparedness
- ⑤ Compliance
- ⑥ Asset Integrity and Process Safety
- ⑦ Employment
- ⑩ Anti-Corruption
- ⑪ Local Communities
- ⑬ Training and Education
- ⑯ Diversity and Equal Opportunity





“We take care of the places we visited”

ECONOMIC

We at UMW-OG recognise that our operations and activities take place in the local communities and societies through job opportunities, taxes, local spending and also environmental stewardship. Therefore, it is our interest to ensure the sustainability in economic matters is developed mutually and to enhance the lives of our stakeholders.

Economic Performance

Our economic performance data is reported on pages 107 to 195 of this Annual Report.

Indirect Economic Impact

As a company that operates both in Malaysia and the region, we exercise a “local-where-we-operate” practice, offering employment opportunities to spur the socio-economic growth both domestically as well as in the host countries where we operate.

In 2017, UMW-OG successfully operated all seven (7) jack-up rigs despite the challenging economic conditions faced in the oil and gas sector. Through securing contracts from various clients, we were able to drive the company’s recovery compared to 2016.

Our rigs are parked for operation in numerous locations both in East and West Malaysia which includes offshore sites in Terengganu, Kelantan, Sabah, Sarawak and Labuan. This has indirectly provided upsurge

in economic growth for the community in these regions particularly via transportation and accommodation and other support services.

The majority of crews hired for our ventures in East Malaysia are local Sabahans and Sarawakians. This has significantly improved the marketability of personnel in less urban parts of Malaysia which are often overlooked. Various training programs have been implemented to ensure our offshore crews are technically competent which has increased investment on local talent.

For UMW Oilpipe Services Sdn. Bhd. (“UOS”), initiatives include developing the existing workforce into skilled workers via technical training i.e. by providing qualification for personnel to produce specific premium type connections. This allows them to upgrade their skills, enabling them to remain competitive in the market.

Risk Mitigation

The Group is aware that it is exposed to several strategic, operational, financial and external

risks. While some of these are beyond the Group’s control i.e. the price of crude oil or global economic conditions as well as socio-political developments, there are many other risk factors which the Group can implement strategies or adopt measures to mitigate its exposure.

The Group’s Enterprise Risk Management (“ERM”) framework is developed based on the ISO 31000 Risk Management Principles and Guidelines. The framework is augmented by other risk management features such as maintaining, and constantly refining the Risk Register template, the implementation of a triple line of defence system, the existence of a cohesive Business Continuity Plan (“BCP”) and appropriate internal controls for monitoring risk as well as setting limits for authority.

The Group’s ERM Framework provides for regular review and reporting where the ERM reports encompass information on the Group’s risk profiles, risk action plans (“RAPs”) and status updates. These reports are presented and deliberated during quarterly Risk

Management Committee (“RMC”) meetings, quarterly Board Risk Management Committee (“BRMC”) meetings, and half yearly Board meetings.

Specific details on the Group’s approach to risk management and mitigation including its ERM framework are given in the Statement of Risk Management and Internal Control on page 96 of this annual report.

In 4th quarter 2017, the top five risks identified for the Group via a likelihood and impact matrix as follows:



Code of Business Conduct and Ethics

UMW-OG’s commitment to strong corporate governance is fortified in its Code of Business Conduct and Ethics (“CoBE”), which guides the Company in fulfilling its business obligations with utmost integrity as well as transparency. To ensure consistent good business practices and governance, the CoBE sets our commitment to work responsibly, with integrity and respect. The objective of the CoBE is to act as a reference guide for conduct and ethics throughout one’s employment with the Company.

The CoBE is rolled out to employees through various trainings as well as communication programmes. Each employee undergoes training and is required to read and understand the CoBE. All employees will be required to agree and declare on their understanding of the Company’s policy and procedures, and submit their individual “Disclosure of Conflict of Interest”.

The CoBE is driven by our core values, keeping in mind the highest standard of business ethics. UMW-OG will be continuously transmitting this CoBE for the employee to be aware that the Company is serious in handling any misconduct or any unethical behaviours of any employee. Refresher training will also be conducted periodically to ensure continuous compliance.

Whistle-Blowing Policy and Procedures

The whistle-blowing policy (“WBP”) which complements the CoBE, provides a non-discriminatory and fair treatment for all reported incidents. The WBP ensures concerns regarding unethical, unlawful or improper conduct 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 are investigated internally and if a violation is confirmed, appropriate actions will be taken.

This may involve serious consequences, up to and including dismissal or contract termination. Employees are encouraged to file suspected wrongdoings through the proper mode of communications anonymously to the President, or the Head of Human Resources without facing repercussions. The Whistle-Blowing Committee, will then act and dispose of any reported incidents and investigations.

Supply Chain Management

We believe that good governance and ethics should be extended to our value chain and with that, the Group has established a comprehensive framework to ensure fair procurement practices based on the principle of merit. Our approach to procurement is essentially guided by our CoBE as well as requirements for excellent QHSE practices and track record.

We expect contractors and suppliers to meet the standards

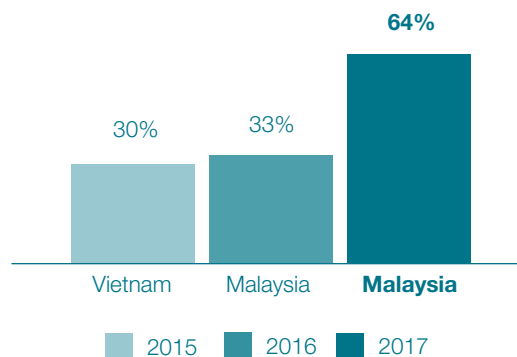
ascribed by us for CoBE and QHSE. In order for vendors to provide us with their goods and services, they will need to be registered on the UMW-OG supplier list. Our practice is consistent with last year to evaluate all vendors during the registration process to ensure that they have the financial stability and capacity to fulfil UMW-OG business needs. Stringent evaluation serves as mitigating action against poor supplier performance.

All vendors that have been registered on UMW-OG supplier list are invited to participate in our tender.

At UMW-OG, we do not set targets for local procurement spend, but as much as possible the Company will support local product and service providers as long as their offerings meet our stringent requirements and are financially competitive. This is made possible with purchases from local vendors for any items that are not sourced from an original equipment manufacturer (“OEM”). We define local vendors based on the principle of “local where we operate”.

The total spend with local vendors and suppliers in Malaysia shows an increase from 33% in 2016 to 64 % in 2017.

TOTAL SPEND WITH LOCAL SUPPLIERS





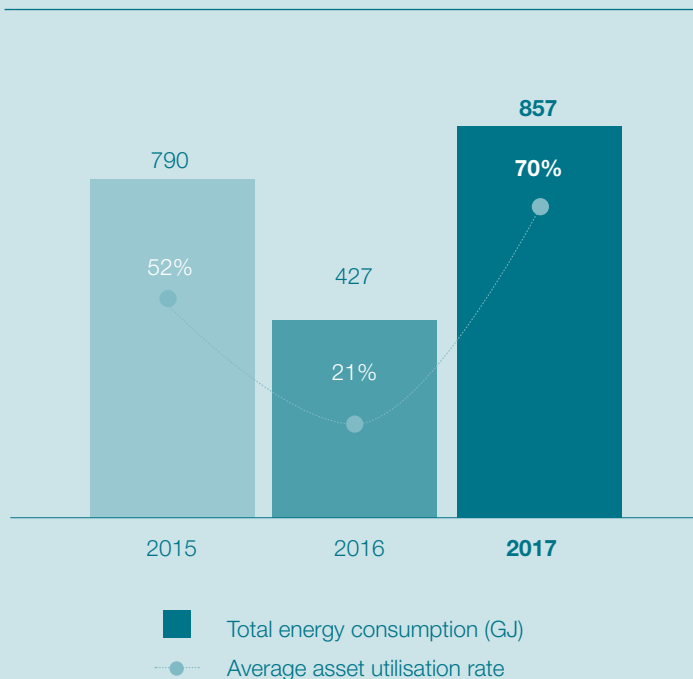
ENVIRONMENT

As a leading drilling operator in the oil and gas industry in Malaysia, we strive to ensure that we take precautionary actions to minimise the impact on the environment in which we operate in.

Energy Consumption

In 2017, energy consumption increased given that all seven (7) rigs were in operation. Total energy consumed by UMW Offshore Drilling Sdn. Bhd. ("UOD") and average asset utilisation rate were as follows.

TOTAL ENERGY CONSUMPTION (GJ)



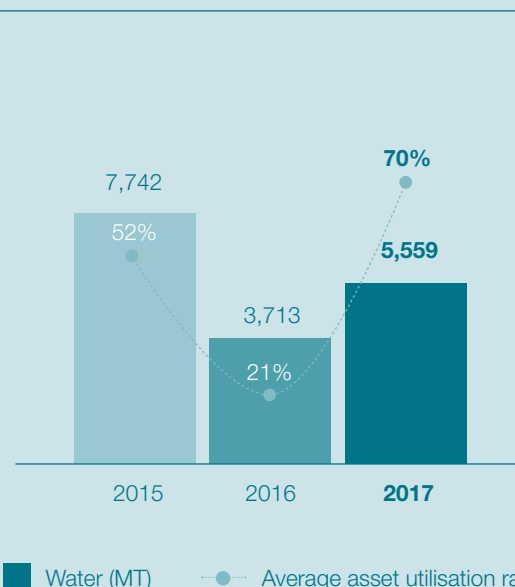
Method: Data obtained from all rigs record from January 2017 to end December 2017. Missing data are calculated based on average

Efficient energy consumption is ensured by optimising power input for operational purpose and scheduled equipment maintenance through our rig's Power Management System. We also reduced energy consumption in the 1st quarter of 2017 by mounding two rigs into cluster during the warm stacking period, which-enabled power sharing through existing power connection shore system on our rigs.

Water Withdrawal, Usage & Discharge Management

Water consumption and discharge are ongoing daily activities on all of our jack-up rigs where the primary source is seawater. 2017 saw an obvious increase in water usage of 38,910,858 MT for total amount of water withdrawn and used with all rigs in operation.

AVERAGE WATER CONSUMED PER RIG



Sustainability Report

Being a crucial renewable source, water is sustained via recycling and a structured waste water treatment system. Amount of water recycled was 44,238 m³.

Our rigs are equipped with internationally approved oily water separators facility to treat water with oil content below 15 parts per million (“ppm”). This is as per Annex 1 of MARPOL 73/78 which states that, any kind of oil is prohibited to be discharged into the sea unless certain criteria are satisfied. The amount of water treated during our offshore operations in 2017 was 53,750 m³ as all seven fleets were in operation.

We have sufficient storage capacity for manure and dedicated Sewage Treatment System equipped on each rig which is self-contained, allowing required treatment processed

based on aerobic treatment before the final effluent is decomposed and discharged overboard. Our practice in this regard is a further reflection of our commitment to Annex IV of MARPOL 73/78.

Greenhouse Gas (“GHG”) Emission

In 2017, the total direct emission for UMW-OG from diesel fuel combustion for operations amount of 60,918,874 KgCO₂e or 1,460,709 tCO₂/TJ while indirect emissions generated from purchased electricity is 453,588 KgCO₂e. Overall emission had increased in 2017 compared to 2016 as a result of higher average assets utilisation from 21% to 70%.

As a service provider in the oil and gas industry, we are taking practical measures to ensure the types of fuel used in our diesel engines produce lower amounts of CO₂, corresponding to both the Paris Agreement and The Kyoto Protocol as formed by the United Nations Framework on Climate Change (“UNFCC”). The UNFCC encourages reduction in CO₂ emission where Malaysia is one of the Non-Annex 1 parties for both commitment periods (2008-2012 and 2013-2020).

All of UMW-OG’s rigs comply with Annex VI of MARPOL 73/78 which emphasises air pollution prevention, including control on the greenhouse gases emissions and the quality of fuel oil used by the diesel engines.

Waste Management

Waste management for our offshore drilling operations is governed by the International Convention for the Prevention of Pollution for Ships (MARPOL 73/78). All our offshore drilling rigs are required to have a waste management plan to ensure all types of waste are handled and managed in a responsible manner.

Our oilfield services operations are governed by the Department of Environment Malaysia (“DOE”) Environmental, Quality (Schedule Waste) Regulation 2005.

The total chemical (i.e. oil sludge, waste oil and oily water) and solid waste disposed for UMW-OG in 2017 is 191.6MT, 10.3MT being incinerated while 102.14 MT are transported through local contractors in Kemaman and Labuan. No incidents of spillage were reported during the transport of waste.

An improvised waste management measure has been planned and partially executed throughout 4th quarter 2017 which continues till 2018. This measure has allows for better waste management compared to previous years.

Preliminary action was taken by entirely segregating usable and disposable materials, particularly solid wastes at warehouses in Kemaman Supply Base (“KSB”) and Asian Supply Base (“ASB”), to warrant an efficient storage capacity and improve assets integrity. Further upgraded waste management action would be implemented and continuously improved as we go forward.

Environmental Spills

The total environmental spills recorded by UOD for 2017 was 21.5 bbls which was mainly due to mud spillage during transfers and not included as Loss of Primary Containment.

UOS recorded one environmental spill in 2017, specifically spillage of used coolant waste on soil surface. It was a minor spill of 0.0628 bbls of used coolant which did not cause any major impact to the environment.

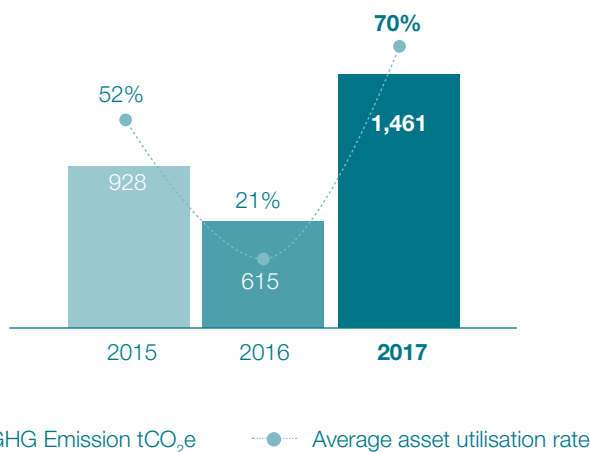
The above spillage incidents did not have a material impact on the environment.

Hydrocarbon Spills

While all hydrocarbon spillage are considered serious, those greater than 800 litres are defined as significant incidents. Immediate reporting with detailed investigations in accordance with the requirements of our management system will be triggered and corrective actions taken. UMW-OG is proud to report that there has been no recorded hydrocarbon spills throughout 2017 similarly to 2016.

Throughout our operation, we continue to emphasise the prevention of spills by implementing best practices as well as improving our equipment maintenance processes and technical competency of crews. As mentioned earlier, our rigs comply with Annex 1 of the International Convention for the Prevention of Pollution from Ships (“MARPOL”). In addition, our fleet is certified by regulatory bodies such as the American Bureau of Shipping and Det Norske Veritas.

TOTAL GHG EMISSION



Method: Data obtained from the amount of fuel and electricity consumed from actual data for January to November 2017. Missing data are calculated based on average.



SOCIAL

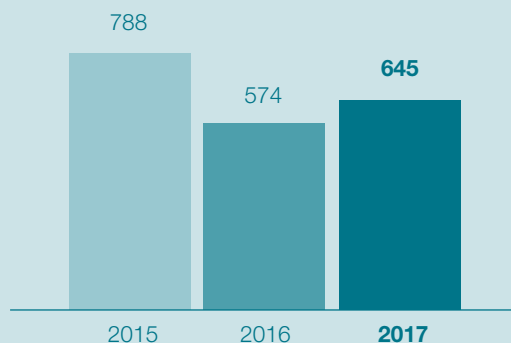
Our greatest asset and the pillar of our success.

Our People

2017 was a better year with our rig utilisation rate improving to 70% compared to 21% in year 2016. We cautiously managed the increase in manning the rigs to ensure optimum start-up cost while maintaining the expected safety and quality levels.

Our threading plants meanwhile still had to endure low plant utilisation in 2017 due to lower overall market demands. We had to undertake another manpower rationalisation exercise in 2017 for our threading plants in Turkmenistan and Thailand, resulting in total closure of both plants. We closed the year with total numbers of 645 employees.

UMW-OG's TOTAL NUMBER OF EMPLOYEES



Human Capital

We knew we had to continue to focus on maintaining optimum efficiency and managing costs as we welcomed 2017. We expected the general drilling market to still be unpredictable with flat day charter-rates for our rigs.

We also acknowledged that our threading plants may find the year tougher with lower demand in sight, coupled with stiff pricing competition from existing players. We continued to be guided by our Human Capital Blueprint in managing the challenges to ensure we remain objective, effective and efficient in our approaches and initiatives. We clearly understood that any initiatives to be implemented must be aligned with the aim to contribute to higher efficiency and cost effectiveness while concurrently strengthening our work culture.

As we progressed along in 2017, our drilling business saw improvements in rig utilisation while our oilfield services business remained flat. We continued to assess manning viability throughout the Group to optimise productivity and cost. We finally decided to totally shut down our two threading plants in Thailand and Turkmenistan, resulting in a 4% reduction of the total Group headcount.

An on-going initiative within the Human Capital team has resulted in a total cost reduction

of RM5.6 million for the year. This savings were mainly achieved by implementing job redesignation which resulted in lower manpower requirements for certain divisions, workspace optimisation, and the restructuring of the expatriate crew compensation rate.

Maintaining High Performance Culture

We rolled out the ABC Behavioural Assessment System in 2016 to ignite a clear path towards building a high performance culture. This was an initiative in addition to the existing KPI-based assessment system we currently have in practice.

We continued to conduct familiarisation sessions for users of this system in 2017 as our step-up and awareness plans in getting the tools embedded as part of our culture building. This system has proven to be an effective tool in assisting supervisors to evaluate an employee's compliance to basic employment conducts, commitment and quality of work, integrity, safety awareness, and compliance to our core values. The ultimate aim of the system remains as the mean to promote a forum of healthy and objective discussions between employees and their superior to ensure productive and continuous contributions to the Company. This ABC assessment will be incorporated in an e-platform moving forward to allow easy access and traceability for all users.

Diversity

For long-term sustainability in the industry, UMW-OG sees the vital need to build a competent, engaged and skillful workforce. This can be achieved by recruiting employees based on meritocracy and experience, irrespective of gender, ethnicity, religion, etc. UMW-OG's inclusive working environment is committed in promoting equal opportunity for all its employees. As a company that operates both in Malaysia and internationally, we exercise "local-where-we-operate" practice, offering employment opportunities to spur the socio-economic growth both at home front and host countries where we operate.

Our workforce is truly global, evidenced by the diverse pool of talent from 26 nationalities making up about 26% of our total workforce.

UMW-OG provides a platform for female employees where they are given equal career opportunities in their career development. During the year in review, women in the workforce comprised 18% of our total workforce of 645 personnel, as compared to 20% in December 2016. At management level, women made up about 29% of senior management team.

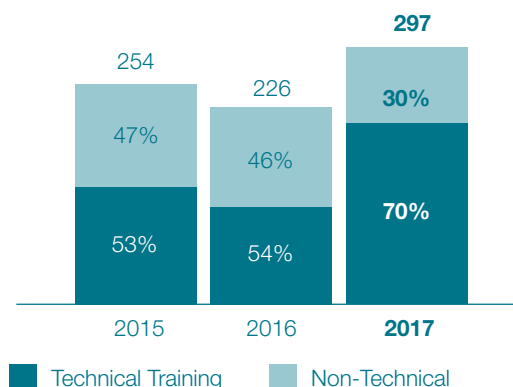
A diverse workforce will enable us to continue in promoting teamwork, integrity and deliver high-performance culture of efficiency. In addition, by having a diverse range of employees will enable us abundance of ideas and different perspectives are leveraged to enhance our people capability.

OUR WORKFORCE	2015	2016	2017
BREAKDOWN OF EMPLOYEES (%)			
Malaysian	76%	75%	74%
• Bumiputera	87%	86%	85%
• Non-Bumiputera	13%	14%	15%
Other Nationalities	24%	25%	26%
CONTRACT TYPE (%)			
Permanent	63%	59%	50%
Contract	37%	41%	50%
GENDER DISTRIBUTION (%)			
Male	82%	80%	82%
Female	18%	20%	18%
EMPLOYEES AGE OF (%)			
Below 30	25%	26%	23%
30-50	60%	60%	60%
Above 50	15%	14%	17%
NO. OF NEW HIRES			
Malaysian	63	69	23
Other Nationals	9	4	9

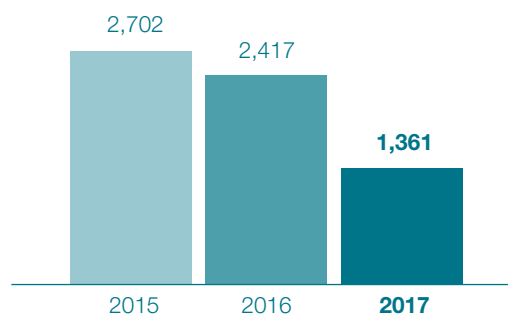
People Development

UMW-OG strives to be a responsible employer, and we are committed in building an environment in which our people can be developed to achieve our aim to produce capable leaders and employees. In 2017, we completed 297 training sessions attended by 1,361 participants mainly for both drilling services and oilfield services sector.

TRAINING SESSION (TECHNICAL VS NON-TECHNICAL)



TOTAL PARTICIPANTS



AVERAGE TRAINING DAYS PER EMPLOYEE (DAYS)

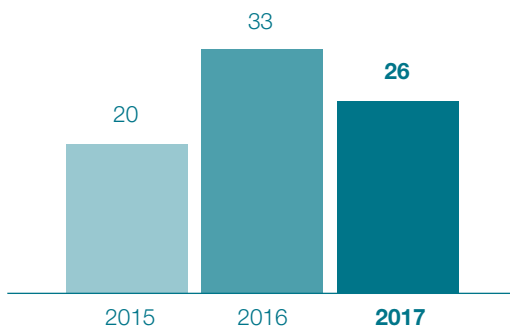


Sustainability Report

UMW Post Graduate Enhancement Programme: Skim Latihan 1Malaysia (“SL1M”)

In accordance with the Government’s initiatives to enhance the employability of unemployed graduates, we in UMW-OG have been continuously participating in this programme. Through UMW Post Graduate Enhancement Programme: Skim Latihan 1Malaysia (“SL1M”), we provide a training platform for young and talented fresh graduates which this platform will enable them to gain hands-on-learning opportunities and on-the-job experience. The graduates are trained and monitored by supervisors and are guided by our values, culture, processes and systems.

TOTAL SKIM LATIHAN 1MALAYSIA TRAINEES



The Group has also offered employment to trainees who have shown commendable performance while undergoing the programme, as listed in the table below.

NO. OF TRAINEES



Community Investment

UMW-OG approach to Corporate Social Responsibility (“CSR”) is guided by three pillars:



In 2017, we continued to drive cultivation of a safety culture, capacity building through education, and protecting and preserving the environment. While promoting the principles of integrity and transparency, all initiatives are geared to be sustainable, yet impactful.

Safety

For the third year running, UMW-OG once again organised its trademark Road Safety Awareness Programme. Conducted in collaboration with Perbadanan Putrajaya (“PPJ”), the one-day programme aims to foster road safety awareness amongst school students through a fun and interactive, learning environment.

The programme exposed 60 participants from four separate schools in Kuala Lumpur - Sekolah Menengah Kebangsaan (“SMK”) Taman Tun Dr Ismail, SMK Aminuddin Baki, SMK Padang Tembak and SMK Taman Setiawangsa - to real-world potential traffic hazards and dangers in a controlled safe environment. These schools are all under Permodalan Nasional Berhad (PNB)’s Kelab Pelaburan Bijak 1Malaysia programme.

“Summonses” were issued for offences such as jaywalking, failing to indicate when making a turn, and speeding, among others, by enforcement officers from PPJ. UMW-OG also contributed three bicycles to PPJ’s existing fleet of two-wheelers.



Education

UMW-OG has been collaborating with PINTAR Foundation on its school adoption programme since late 2014. PINTAR is a school adoption programme inspired by Khazanah Nasional and run by GLCs 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.

UMW-OG's involvement in the programme since November 2014, has managed to touch the lives of students, teachers, parents and local community members through the various school adoption activities.

In the interest of sustainability and continuity, UMW-OG's fully funded English tuition programme targeted Form 4 students as opposed to Form 5 students in the previous editions. This was then coupled with a three-day Train the Teachers programme for English teachers from SMK Jeram, together with invited teachers from SMK Pengkalan Permatang – another PINTAR school based in Kuala Selangor.

Environment

UMW-OG is continuously looking for new ways to incorporate sustainability in various aspects of our work and workforce. One way is by organising environment themed activities which sees the involvement of our employees.

The Company held a one day terrarium workshop at Taman Botani Putrajaya, where participants were introduced to nature in a fun way. Terrariums – tiny garden capsules - incorporate the addition of much needed green to any workplace or home.

In yet another "appreciate-through-experience" type programme, close to 40 employees from various UMW-OG departments participated in a tree-planting and fish-release activity.

Carried out in collaboration with Universiti Putra Malaysia ("UPM") Faculty of Environmental Studies, the activity saw participants planting over 30 saplings of rare local variants. Participants were briefed on the correct and proper way to plant the saplings. This was crucial as each tree has its own canopy diameter which will

influence other surrounding and neighbouring trees.

This was then followed by the release of over 600 species of fish; which included *jelawat*, *lampam sungai* and *kerai* just to name a few. Joined by members of the faculty and other UPM students, the main objective was to help improve the water environment for the fish habitat and promote the sustainability of the lake's ecosystem which already plays hosts to bothersome pest like snails, and also to small predators such as otters and storks.



Sustainability Report

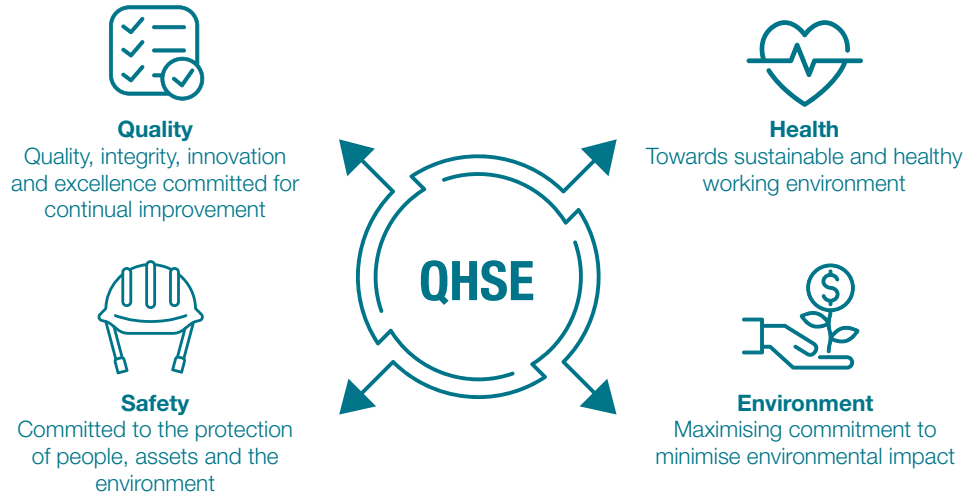
Community

UMW-OG also demonstrated its commitment to the community at large, specifically towards the needy. For 2017, UMW-OG collaborated with Institut Onn Jaafar (“IOJ”) to distribute food; namely breakfast packs to Kuala Lumpur’s urban poor in the vicinity of Jalan Tuanku Abdul Rahman. More than 20 volunteers from the UMW-OG family, convened as early as 6.30 am to distribute the food packs to the homeless.

The Company also contributed a token sum to Darul Quran Ittifaqiyah Tahfiz School, which was engulfed in deadly blaze. The funds will help in the rebuilding of the school that was destroyed in this most unfortunate incident.

QUALITY, HEALTH, SAFETY & ENVIRONMENT (“QHSE”)

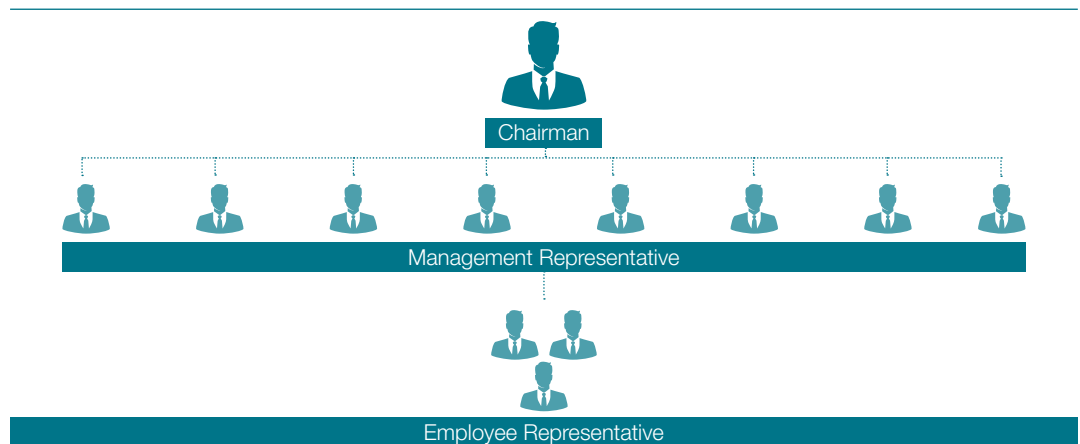
Ensuring our people and assets are safe, and being good environmental stewards, are high priorities for UMW-OG.



UMW-OG’s HSE policies and procedures are led by our Health & Safety Committee. This committee monitors and enhances the overall HSE performance for all our business operations, both offshore and onshore. HSE issues are deliberated carefully and corrective actions are implemented to prevent reoccurrences of any untoward incidences.

The HSE performance updates are presented to the Management Committee and the Board for review. The Health & Safety Committee, chaired by the President of UMW-OG, meets on a quarterly basis. The HSE committee comprises a representative from Management and also employees, from both the operating divisions and corporate divisions. Total workforce representation is 6%.

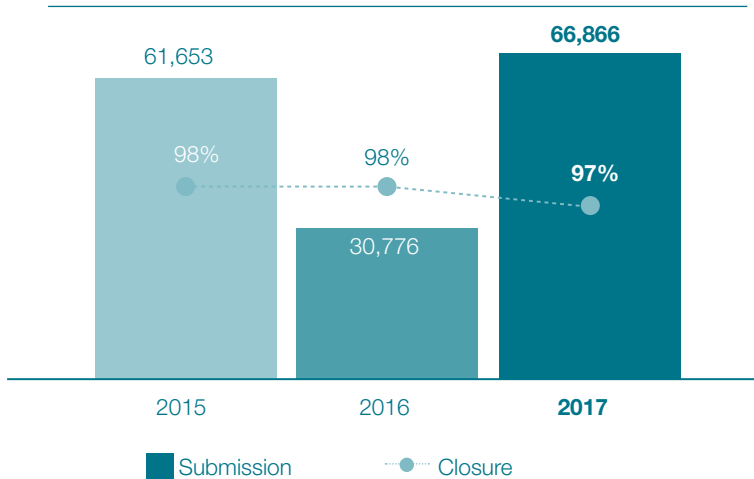
HSE COMMITTEE ORGANISATION CHART



UMW-OG views QHSE Management System embodies how the Company safely manages its operations – emphasising occupational health, safety, risk management, emergency preparedness, environmental performance and also process safety.

It is the Company’s responsibility to provide safe and healthy working conditions to the people and contractors. The Zero Injuries and Zero Illness vision means an employee’s commitment to work without involved in an injury. Therefore, in order to promote a good safety culture amongst our employees various training, programs and campaigns have been organised at our headquarters and other facilities i.e. rigs, bases, and plants, in order to promote a good safety culture amongst our employees reminding them to “work safely, get home safely”.

HSE OBSERVATION CARD (HOC)
submission & closure



Strong HSE Culture

While our HSE policies and procedures provide us with a good framework of clear guidelines, it does not guarantee us that operations will always be conducted in a safe and responsible manner. A strong safety culture is vital to the safety of the workplace and employees must embrace this culture and take personal ownership of their safety in carrying out their duties responsibly.

In instilling a strong safety culture, employees are encouraged to recognise safety hazards, identify and report unsafe conditions, acts or risks via our hazard observation card (“HOC”). HOC submission in 2017 was 50% higher than the previous year due to the increased activities following the full utilisation of the rig. Of the 66,866 HOC submissions, 97% were closed successfully, a figure slightly lower than previous years.

In addition, various HSE-related activities, including training, advice and guidance, were organised to inculcate the safety culture amongst our team.

Management HSE Visits

As part of management’s commitment to building a strong HSE culture, our senior management team has visited our operation sites, our rigs, supply bases and also our oilfield

services plants. In 2017, a total of 41 management HSE visits have been conducted, with five of them are visits by the UMW-OG President himself. These HSE walkabouts demonstrate strong commitment and leadership visibility by the Company’s leadership team.

MANAGEMENT HSE VISITS



PRESIDENT



HEAD OF DIVISIONS

2015	5	26
2016	4	11
2017	5	36

Sustainability Report

Safety Programme & Activities

A safe and healthy work environment is essential. UMW-OG's primary goal is to ensure that all employees are provided with a safe and healthy workplace and we have implemented several policies and practices at UMW-OG that encompass environmental, health and safety issues to comply with laws and regulations. UMW-OG has also been actively organising various impactful programmes and campaigns throughout the year, focusing on the promotion of a safe, healthy and sustainable working environment. In 2017, we continued to enhance our HSE culture through:



The QHSE department regularly disseminates clippings and bulletins to remind employees on safety, good health and the implications of serious diseases.

HSE Awareness Training

2017 marked a sharp increase of drilling activities and therefore large number of new crew members joined our rig operations. A series of HSE awareness training programmes were conducted for these greenhorns to ensure they were ready in their hearts and minds and tuned to the UMW-OG safety culture. In all, 23 training sessions on HSE Awareness were conducted throughout the year.

QHSE e-Newsletter

QHSE e-Newsletter focuses on disseminating the Company's message on safety. Each quarterly issue will bring a special message about safety from the President, Head of Drilling Division and selected Head of Divisions, quarterly QHSE performance, QHSE-related information and practices in the offices and on board our rigs.

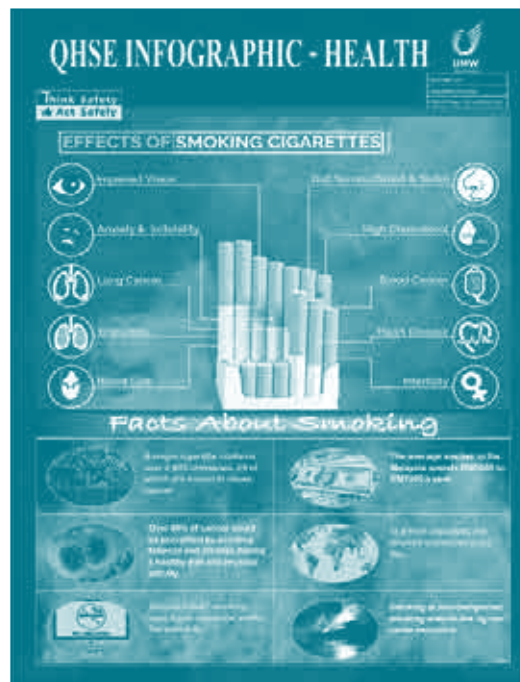


QHSE Infographic

Bi-monthly QHSE Infographic comprises of various QHSE-related information in a graphical presentation for easy of understanding. These infographics are disseminated to all employees via emails and also posters, placed at visible and strategic places.

Road Safety Campaign

This campaign focusses on improving road safety awareness in order to minimise risks of road accident amongst UMW-OG personnel. As part of the campaign, all employees are encouraged to sign the "Road Safety Pledge" as their commitment to improve road safety behaviour. Basic defensive driving training was also conducted with participants ranging from van drivers that transport crews and other UMW-OG employees.



Crisis & Emergency Management Training

Crisis & Emergency Management training was conducted for all key members of the Emergency Management Team (“EMT”) and Crisis Management Team (“CMT”). The training was conducted by experienced emergency response professional who briefed participants on the specific roles and responsibilities of each EMT and CMT members and conducted simulated desktop exercise and debriefing sessions.

Process Safety & Asset Integrity

Process safety and asset integrity play an important role in the prevention of major accidents. We at UMW-OG continue to build a strong process safety culture by learning from our own past experiences and other oil and gas company process safety events. By taking into consideration of process safety and asset integrity, we aim an incident-free activities and to have a safe working environment for our clients, employees and contractors.

Process safety and asset integrity system / programmes are integrated in our HSE-MS - maintenance and inspection programme. HSE-MS is recognised and certified by OHSAS 18001 - Safety Management System. The system is specifically designed to ensure all operational activities are conducted in a safe and responsible manner as well as to prevent major accidents from occur and maximise equipment reliability.

Asset integrity assurance is the major component in preventing major accident event (“MAE”). To prevent any unplanned release, the maintenance system is used to record and monitor schedule maintenance for an entire

asset across UMW-OG fleet. Management that maintaining this asset is guided by API, OEM and industry recommended practices. Our system is reviewed by independent consultant and by all previous clients upon their satisfaction of it sufficiency in preventing MAE.

With a proven track record on safety, UMW-OG continues to enhance the existing system by developing asset management guidelines, asset tagging system implementation, to own a proper SPS Project Planning (Project Execution Plan) as well as development and exposure of our people to asset management.

Emergency Response & Crisis Preparedness

Emergency preparedness and response are vital elements of risk management. It enables our Company to minimise harm that may affect employees, contractor, clients and our environment via prompt and effective solutions.

Emergency response for any crisis is managed from our Emergency Control Center (“ECC”), located at Level 18, Block 3A, Plaza Sentral. UMW-OG’s ECC, upgraded from subsidiary to group level, forms an integral part of the UMW-OG’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 critical to the continuing operations of the business as well as life, health and safety of its employees.

The Company has also established a procedure which requires every facility to develop and implement an emergency plan for protecting employees, visitors, contractors or anyone at any time when they are at the Company’s premises. Our Emergency Preparedness & Response Plan (“EPRP”) includes building evacuation (fire drills), Rig Abandon Drill etc.

The requirement is to have at least one drill exercise per annum, and a weekly drill exercise to be conducted on the rigs. The establishment of Emergency Response Team (“ERT”) is part of the Company’s emergency preparedness initiative. The team is a group of in-house first responders identified by the Company to be competently trained in preventing any emergency from escalating into a major disaster. The ERT is capable of containing an incipient threat, by swiftly mitigating an emergency situation according to

established plans and procedures transcribed inside the Company’s EPRP during an emergency.

IMS Internal QHSE Audit

As part of the UMW-OG Integrated Management System requirement, annual process internal audit was conducted across all of the Company’s facilities. The objectives are to ensure consistent implementation of Integrated Management System processes throughout the organisation and identify areas of improvement opportunities. It also serves as preparation for external audit by certification body DNV-GL.

IMS Internal Auditor In-House Training

This initiative was conducted by UMW-OG QHSE Division to train new internal auditor on understanding of fundamental of IMS standard requirements and how to apply it during auditing. The training also highlighted the main importance of good planning, correct auditing techniques, positive attitude and strong communication skills. It was conducted in an interactive workshop style so to reinforce the element of knowledge and skills.

Incident Investigation

Investigation of incidents and the ranking of incidents in terms of both severity and consequence are key components to improve our HSE performance. Investigation of significant incidents through our Incident Investigation Management System Procedure brings immediate visibility to high-risk incidents, and enables timely and rigorous assessment to determine the root cause. In order to further enhance the effectiveness of incident investigation, we conducted in-house training on Tripod Beta analysis using BowtieXP software.



Sustainability Report

UMW-OG makes no distinction in the importance reporting near incident (near miss) or actual accidents because regardless of the actual damage, all incidents have root causes that need to be addressed to prevent future incident which could be very damaging. All incidents must be reported and logged in the UMW Incident Management database for review and action tracking.

HSE Alert

Sharing experiences, lessons learned from near misses, incidents and accidents, and top practices are key HSE tools in UMW-OG. These ongoing initiatives are done via HSE Alert or Incident Early Alert ("IEA"). These alerts are disseminated and communicated to our operations team which will educate and raise awareness on the areas where incidents that have already occurred, and also where they could and may potentially occur in near future.

HSE Alerts can be generated from a variety of sources; internally within department on board the rig or any operations site, by either Company or Corporate and also from external sources such as our clients. Upon receiving HSE Alerts, the Offshore Installation Manager ("OIM") / Rig Superintendent / Project Manager or designate will ensure that a copy of the HSE Alert is distributed to each line Supervisor so that they may have the opportunity to discuss it at their toolbox meetings or at the crew HSE meeting.

A copy is posted on the HSE bulletin board and corrective actions are implemented as advised by the HSE Alert. HSE Alerts shall be retained on notice boards for a minimum of two months and then filed in the worksite HSE file indefinitely. They shall be translated into the relevant languages spoke at the worksite.

Occupational Health & Wellness

A high priority in all aspects of UMW-OG business operations is given to the QHSE management. Quality products and services must be achieved in a high standard of safety behavior, while at the same time ensuring everyone remains healthy and environment is not negatively impacted. UMW-OG is committed to the safety of all its employees, including extended team of contractors, suppliers and clients. This proactive approach has shown us an

improvement in the results in health and safety performance throughout the year in review.

HSE Performance

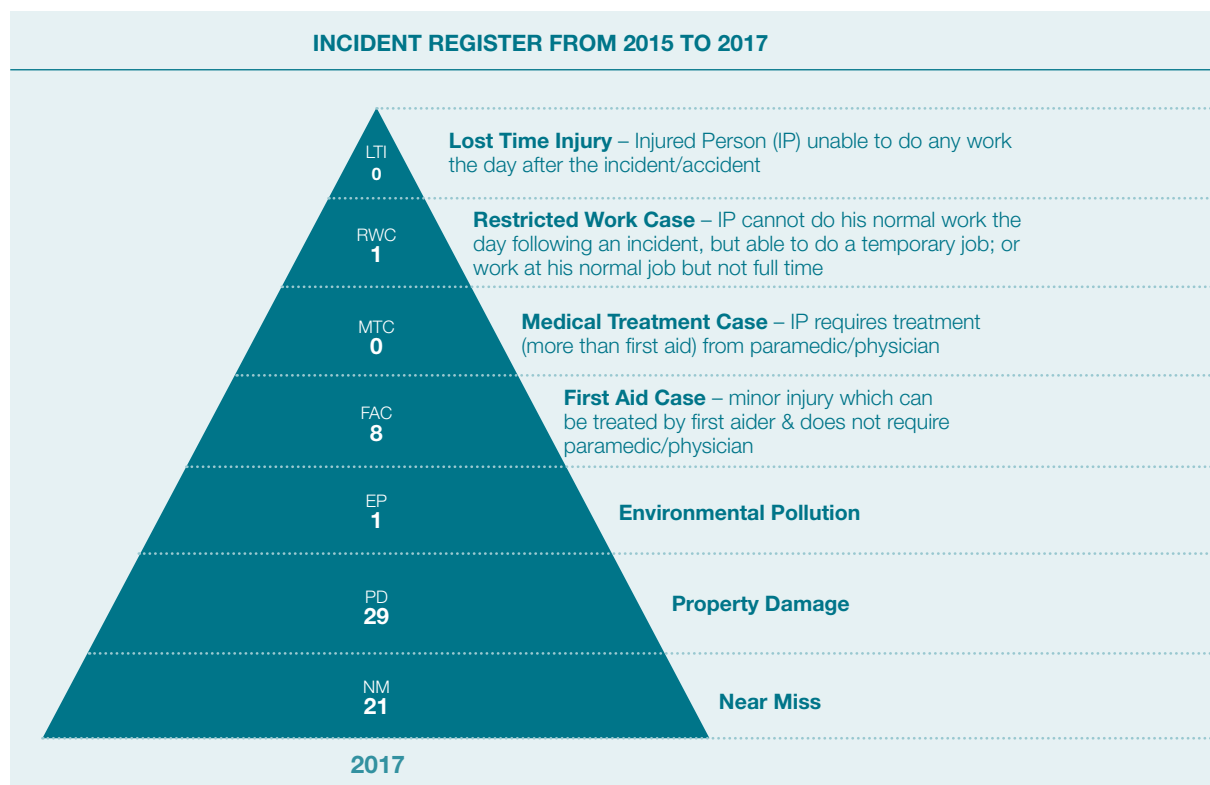
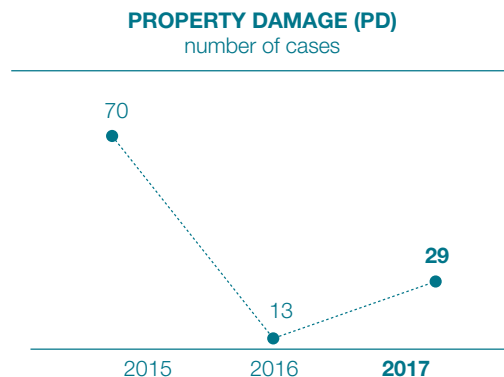
Our objective is to maintain zero recordable injuries. However in 2017, there is one unfortunate recordable injury, equating to a TRCF of 0.28 per million man hours. UMW-OG uses a number of indicators to monitor HSE performance.

Total Recordable Case Frequency Rate ("TRCF") is one key metric for historical employee

and contractor injuries which includes Lost Time Injuries ("LTI"), Restricted Work Cases ("RWC") and Medical Treatment Injuries ("MTI"). Our TRCF continues to decrease in comparison to the previous year, which demonstrates an improvement in the safety of our operations. TRCF is used to compare performance across rigs and to assess UMW-OG's performance against our industry competitors.

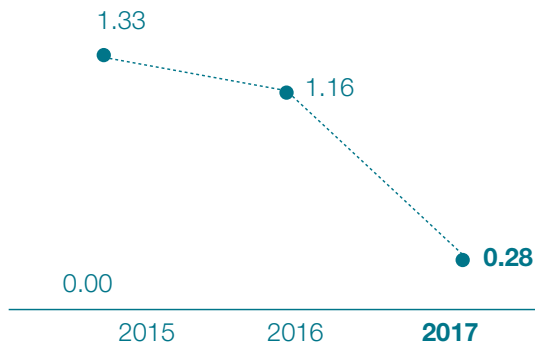
Although we did not achieve our zero-injury target, we continue to improve the way we track injuries, hazards, near misses and high potential incidents to ensure the HSE risks are identified and mitigated. A summary of our HSE performance over the past year and 2017 is shown in the charts below.

In addition, the Group has 19 workers represented in formal joint management-worker health and safety committees. These committees are: Going forward, the Group will seek to conduct a health risk assessment in 2018 which has just been established.

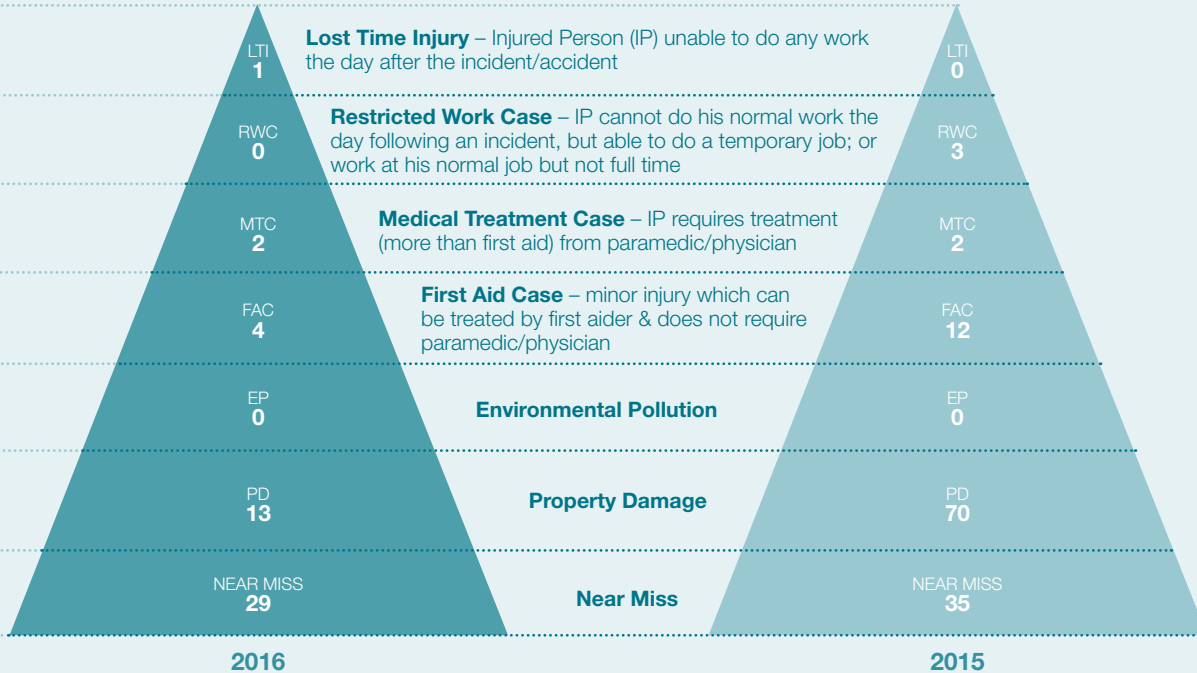
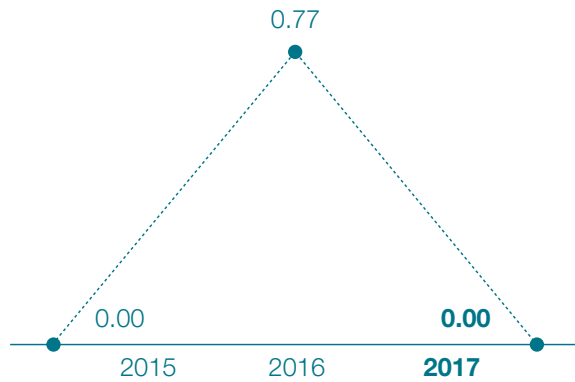


LOST TIME INJURY FREQUENCY & TOTAL RECORDABLE CASE FREQUENCY FOR THE GROUP
 (NUMBER OF CASES PER ONE MILLION MAN HOURS)
 2017 LTIF = 0.00 & 2017 TRCF = 0.28

TOTAL RECORDABLE CASE FREQUENCY (TRCF)
 injuries per million manhours



LOST TIME INJURY FREQUENCY (LTIF)
 injuries per million manhours



Integrated QHSE Management System

UMW-OG continued to maintain international recognition for its Integrated QHSE Management System, further cementing its commitment in upholding QHSE standards and ensuring a safe workplace, a prerequisite for a resilient and sustainable business. In 2017, UMW-OG had successfully migrated to the new standards of ISO 9001:2015 and ISO 14001:2015 and re-certified to OHSAS 18001:2007 and ISO/TS 29001:2010.

- ISO 9001:2015 Quality Management System
- ISO 14001:2015 Environmental Management System
- OHSAS 18001:2007 Occupational Health & Safety Management System
- ISO/TS 29001:2010 Quality Management System for Petroleum, Petrochemical and Natural Gas Industries



GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

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GRI 101: Foundation 2016			
General Disclosures			
GRI 102: General Disclosures 2016	Organisational profile		
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	102-2 Activities, brands, products, and services	About UMW Oil & Gas Corporation Berhad, Our Assets	3-4
	102-3 Location of headquarters	Corporate Information	7
	102-4 Location of operations	Our Assets, Economic (Indirect Economic Impact)	4, 56
	102-5 Ownership and legal form	UMW-OG Subsidiaries & Associates, Statistics on Shareholding	6, 10
	102-6 Markets served	About UMW Oil & Gas Corporation Berhad , Management Discussion & Analysis	26 - 27
	102-7 Scale of the organisation	UMW-OG Subsidiaries & Associates, About UMW Oil & Gas, Our Assets, Social	3-4, 60-61
	102-8 Information on employees and other workers	Social	60-61
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Sustainability Report

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	102-16 Values, principles, standards, and norms of behaviour	The Group is in process of formulating a new vision and mission after its demerger exercise	n/a
	102-17 Mechanisms for advice and concerns about ethics	Economic (Code of Business Conduct and Ethics)	57
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	102-22 Composition of the highest governance body and its committees	Sustainability report -- Sustainability Governance (Sustainability Steering Committee)	52
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	102-24 Nominating and selecting the highest governance body	Statement of Corporate Governance	79
	102-26 Role of highest governance body in setting purpose, values, and strategy	Statement of Corporate Governance	79
	102-29 Identifying and managing economic, environmental, and social impacts	Sustainability Report -- Assessing Materiality	55
	102-31 Review of economic, environmental, and social topics	Sustainability Report -- Assessing Materiality (Development of Materiality Matrix)	55
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	Stakeholder Engagement		
	102-40 List of stakeholder groups	Sustainability Report -- Stakeholder Engagement	53-54
	102-41 Collective bargaining agreements	Not applicable	n/a
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	102-43 Approach to stakeholder engagement	Sustainability Report -- Stakeholder Engagement	53-54
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	102-46 Defining report content and topic boundaries	Sustainability Report -- About This Report	51
	102-47 List of material topics	Sustainability Report -- Assessing Materiality (Development of Materiality Matrix)	55
	102-48 Restatements of information	None required despite the recapitalisation exercise of the Group	n/a
	102-49 Changes in reporting	Similar to 2016 Sustainability Report. No Changes.	n/a
	102-50 Reporting period	Sustainability Report -- About This Report	51
	102-51 Date of most recent report	Sustainability Report -- About This Report	51
	102-52 Reporting cycle	Sustainability Report -- About This Report	51
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GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Financial Statement	106- 195
	201-2 Financial implications and other risks and opportunities due to climate change	Not applicable	n/a

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	103-2 The management approach and its components	Management Discussion & Analysis	18-29
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GRI 206: Anti-Competitive Behaviour 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Whistleblowing Policy & Procedures / Code of Business Conduct & Ethics	57
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	103-2 The management approach and its components	Sustainability Report -- Environment (Energy Consumption)	58
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GRI 303: Water 2016	303-1 Water withdrawal by source	Sustainability Report -- Environment (Water Withdrawal, Usage & Discharge Management)	58-59
	303-2 Water sources significantly affected by withdrawal of water	Sustainability Report -- Environment (Water Withdrawal, Usage & Discharge Management)	58-59
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	103-3 Evaluation of the management approach	Sustainability Report -- Environment (Greenhouse Gas ("GHG") Emission)	59
GRI 305: Emissions 2016	305-4 GHG emissions intensity	Sustainability Report -- Environment (Greenhouse Gas ("GHG") Emission)	59
Effluents and Waste			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Sustainability Report -- Environment (Waste Management)	59
	103-2 The management approach and its components	Environment -- Waste Management	59
	103-3 Evaluation of the management approach	Environment -- Waste Management	59
GRI 306: Effluents and Waste 2016	306-1 Water discharge by quality and destination	Environment --Water Withdrawal, Usage & Discharge Management	58-59
	306-2 Waste by type and disposal method	Environment -- Waste Management	59
	306-4 Transport of hazardous waste	Environment -- Waste Management	59
	306-5 Water bodies affected by water discharges and/or runoff	Environment -- Waste Management	59
Environmental Compliance			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Sustainability Environment -- Environment	58-59
	103-2 The management approach and its components	Environment (whole section)	58-59
	103-3 Evaluation of the management approach	Environment(whole section)	58-59
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	No cases reported during the year	58-59
GRI 400 Social Standards Series			
Employment			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Sustainability Report -- Social (Our People)	60-62
	103-2 The management approach and its components	Sustainability Report -- Social (Our People)	60-62
	103-3 Evaluation of the management approach	Sustainability Report -- Social (Our People)	60-62
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Sustainability Report -- Social (Diversity)	60-62

GRI Standard	Disclosure	Reference	Page number(s)
Labour/Management Relations			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Sustainability Report -- Social (Quality, Health, Safety & The Environment)	64-70
	103-2 The management approach and its components	Sustainability Report -- Social (Quality, Health, Safety & The Environment)	64-70
	103-3 Evaluation of the management approach	Sustainability Report -- Social (Quality, Health, Safety & The Environment)	64-70
GRI 402: Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	Sustainability Report -- Social (Quality, Health, Safety & The Environment)	64-70
Occupational Health and Safety			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Sustainability Report -- Social (Quality, Health, Safety & The Environment)	64-70
	103-2 The management approach and its components	Sustainability Report -- Social (Quality, Health, Safety & The Environment)	64-70
	103-3 Evaluation of the management approach	Sustainability Report -- Social (Quality, Health, Safety & The Environment)	64-70
GRI 403: Occupational Health and Safety 2016	403-1 Workers representation in formal joint management-worker health and safety committees	Sustainability Report -- Social (Quality, Health, Safety & The Environment)	64-70
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Sustainability Report -- Social (Quality, Health, Safety & The Environment)	64-70
	403-3 Workers with high incidence or high risk of diseases related to their occupation	To be conducted in 2018 -- Sustainability Report -- Social (Quality, Health, Safety & The Environment)	64-70
Training and Education			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Sustainability Report -- Social (People Development)	61-63
	103-2 The management approach and its components	Sustainability Report -- Social (People Development)	61-63
	103-3 Evaluation of the management approach	Sustainability Report -- Social (People Development)	61-63
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Sustainability Report -- Social (People Development)	61-63
	404-2 Programs for upgrading employee skills and transition assistance programs	Sustainability Report -- Social (People Development)	61-63

Sustainability Report

GRI Standard	Disclosure	Reference	Page number(s)
Diversity and Equal Opportunity			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Sustainability Report -- Social (Diversity)	61
	103-2 The management approach and its components	Sustainability Report -- Social (Diversity)	61
	103-3 Evaluation of the management approach	Sustainability Report -- Social (Diversity)	61
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Sustainability Report -- Social (Diversity)	61
Non-discrimination			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Economic -- Whistleblowing Policy & Procedures / Code of Business Conduct & Ethics	57
	103-2 The management approach and its components	Economic -- Whistleblowing Policy & Procedures / Code of Business Conduct & Ethics	57
	103-3 Evaluation of the management approach	Economic -- Whistleblowing Policy & Procedures / Code of Business Conduct & Ethics	57
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	No cases reported during the year	n/a
Local Communities			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Economic -- Whistleblowing Policy & Procedures / Code of Business Conduct & Ethics	62-64
	103-2 The management approach and its components	Sustainability Report -- Social (Community Investment)	62-64
	103-3 Evaluation of the management approach	Sustainability Report -- Social (Community Investment)	62-64
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Sustainability Report -- Social (Community Investment)	62-64
	413-2 Operations with significant actual and potential negative impacts on local communities	Sustainability Report -- Social (Community Investment)	62-64

Statement on Corporate Governance

The Board of Directors (“Board”) of UMW Oil & Gas Corporation Berhad (“UMW-OG” or “Company”) is committed to advocate the fundamental principles of corporate governance within UMW-OG Group.

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 2017.

Following the introduction of the new Malaysian Code on Corporate Governance 2017 (“the New Code”) by the Securities Commission on 26 April 2017, the Board is cognizant of the increasing governance expectations and is taking further steps to ensure that a higher standard of corporate governance is adopted throughout the Group. Although compliance with the New Code is not mandatory, listed issuers are required to disclose the application of each practice set out in the New Code for financial year ending on or after 31 December 2017. Board will commence with such disclosure in its 2017 Annual Report and thereafter.

The Group adopts the following recommendations, requirements and guidelines:

- Bursa Malaysia Securities Berhad’s (“Bursa Malaysia”) Main Market Listing Requirements (“MMLR”);
- Corporate Governance Guide (“CG Guide”);
- Malaysian Code on Corporate Governance 2017;
- 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.

1 ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear functions of the Board and Management

UMW-OG Group applies the following Company’s Corporate Governance Framework, which provides an overview of the corporate governance processes and responsibilities within the UMW-OG Group:

STAKEHOLDERS				
BOARD OF DIRECTORS OF UMW OIL & GAS CORPORATION BERHAD				
BOARD EXECUTIVE COMMITTEE	BOARD AUDIT COMMITTEE	BOARD RISK MANAGEMENT COMMITTEE	BOARD NOMINATION & REMUNERATION COMMITTEE	BOARD WHISTLE-BLOWING COMMITTEE
PRESIDENT				
MANAGEMENT COMMITTEE				
MANAGEMENT SUB-COMMITTEES				
Management Audit Committee				
Management Risk Management Committee				
Management Whistle-Blowing Committee				
Management Banking Committee				
Business Continuity Management Committee				
Management Sustainability Committee				
Management Tender Committee				
CORE BUSINESSES OF THE GROUP				
DRILLING SERVICES			OILFIELD SERVICES	

Setting the tone from the top, the Board is responsible for the oversight and sets the UMW-OG Group’s overall strategy, core values and adopts proper standards to ensure the UMW-OG Group operates with integrity and complies with the relevant rules and regulations. Specific responsibilities of the Board are delegated to the respective Board Committee in accordance with their respective Terms of Reference (“TOR”), while specific powers are delegated to respective Board Committee, the President and the Management.

The Company’s Corporate Governance 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 Board, as and when required, will continue to review, deliberate and enhance the Company’s Corporate Governance Framework and FLAG to ensure its relevance and ability to meet future challenges.

Statement on Corporate Governance

Each of the subsidiaries within the UMW-OG Group has its functional Board chaired by the President providing direct oversight over the subsidiary company's business practices and activities. Aligned with UMW-OG, each subsidiary of the UMW-OG Group has adopted the Company's Corporate Governance Framework and FLAG.

The Management Committee chaired by the President met regularly to deliberate on the overall management of the Group with direct line of sight of operations and activities with reports from the following divisions and departments:

- Drilling services
- Oilfield services
- Finance and Accounts
- Quality Health Safety and Environment
- Supply Chain Management
- Corporate Development and Sustainability
- Business Development
- Human Capital
- Secretarial
- Legal
- Corporate Transformation Office
- Drilling Academy
- Risk Management
- Corporate Communications

During the year ended 2017, the Management sub-committees met as when required and as scheduled respectively to effectively discharge its functions in tandem with the requirement of the Group's activities and business practices.

1.2 Clear roles and responsibilities

In discharging the Board's fiduciary and leadership functions, the Board is charged with leading the Company in an effective and responsible manner.

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.

The following describes how the Board discharged its key fiduciary and leadership functions in 2017:

Reviewing and adopting Company's strategic plan

The Board reviews, challenges and approves the strategic plan for UMW-OG Group and is responsible for monitoring the implementation of the strategic plan by the Management.

The Management presented to the Board its recommended strategy and Business Plan for the ensuing year at a dedicated session for the Board's review and approval. Together with the Management, the Board deliberated the Company's mission and vision, considered an overview of the oil and gas industry outlook and the highlighted business strategy and direction of the UMW-OG Group, focusing on cost savings, stabilising revenue and people development. Key considerations by the Board were rig utilisation and charter rates.

The Board and the Board Executive Committee consistently challenged the Management in the development of the UMW-OG Group's Business Plan that aligns with the Group's mission and sustainability strategy. The Board and the Board Committees actively monitored the Management's execution of approved strategic plans as well as the transparency and adequacy of internal and external communication of the strategy.

Overseeing the conduct of the Company's business

The President is responsible for the day-to-day management of the business activities and operations of the UMW-OG Group. He is supported by a Management Committee and Management Sub-Committees. The Board set the key performance targets of the President which is cascaded down to the Management.

At its meeting in October 2017, the Board approved the merging of the Nomination and Remuneration Committee with a revision to its membership composition.

The Board Executive Committee was established in 2016 and plays an oversight role in reviewing, evaluating and recommending on matters pertaining to strategic direction and projects, including investment, divestment, merger, acquisition, disposal of asset or businesses that require the approval of the Board.

On a monthly basis, execution of strategy and challenges were reported to the Board and were reported in ten sittings of the Board Executive Committee during the year 2017. Heads of Division and the Chief Financial Officer were invited to present on their respective reports to the Board and Board Executive Committee.

The Board deliberated on Investor Relations and noting the Company's share price movements and summary of the findings of analysts and research houses. The President and Chief Financial Officer presented every quarter the financial and QHSE performance of the Group. 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.

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. 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 Nomination & Remuneration Committee, Board Executive Committee, Board Risk Management Committee and 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.

Board Committee

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 & Remuneration Committee, Board Executive Committee, Board 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

The abovementioned Board Committees are authorised to examine specific issues and report to the Board with their recommendations. The responsibility of decisions on 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.

a. Identifying principal risks and ensuring the implementation of appropriate systems to manage them

In 2016, the Board approved the change of name of the Board Investment & Risk Management Committee to Board Risk Management Committee ("BRMC") and revised its TOR.

On a quarterly basis, the Management Risk Management Committee considered the risk profiles and Top Risks of the UMW-OG Group, which were then tabled to the BRMC. Upon the recommendation

of BRMC, the Top Risks and Risk Action Plans were tabled to the Board.

With the formation of the Compliance Department, the Board approved the Compliance Department framework and its activities. During the year 2017, UMW-OG Group conducted Internal Control Risk Assessment and Review which provided for periodic self-assessment on compliance, compliance testing mechanism and conducted internal surveys to assess control environment and tone at the top. The Group updated the centralised regulatory compliance register for tracking and monitoring.

b. Succession planning

In August 2017, the Board approved the merger of the Nomination & Remuneration Committee ("NRC"). The NRC is responsible for identifying, evaluating and recommending to the Board, suitable candidates to fill board vacancies at UMW-OG level as well as within its group of companies. The NRC also reviews the appointment, dismissal, transfer and promotion of senior executives in UMW-OG Group. The recommendations of appointment of vacancies in the Board within UMW-OG Group made by the NRC are then tabled to the Board for approval.

In 2017, the NRC considered the appointment of directors of subsidiary companies within UMW-OG Group. In formulating its recommendations, the NRC considered the findings of the evaluation process, the current composition of the subsidiary company's Board, the attributes and qualifications that should be represented at the Board and whether the candidate can provide such additional attributes, capabilities and qualifications.

c. Overseeing the development and implementation of a communication policy for the Company

UMW-OG Group is committed to fulfil its obligation to provide accurate and timely information about UMW-OG Group, its performance, financial condition, operations, corporate developments and governance as well as current prospects to shareholders, stakeholders and the public in general. The Group believes in providing fair and accurate information on the Group so that investors and potential investors can make properly informed investment decisions and others can have a balanced understanding of the Company and its objectives.

During the year, the Board reviewed the Corporate Disclosure Procedures of the Group and approved the consolidated UMW-OG's Corporate Disclosure Policy which provides a framework of reference of the Group's corporate disclosure processes and procedures. All officers and employees of the Group are bound by the UMW-OG's Disclosure Policy and Procedures. In 2017, UMW-OG Group carried out its corporate communications and investor relations activities in accordance with the UMW-OG Disclosure Policy and procedures.

Statement on Corporate Governance

Further details on activities undertaken in FY2017 are provided in page 95 of this Annual Report.

d. Reviewing the adequacy and integrity of the management information and internal control of the Company

The Board has fiduciary responsibilities relating to corporate accounting, system of internal control and risk management processes and management and financial reporting practices of UMW-OG Group. Details pertaining to the Company's internal control system and its effectiveness are available in the Statement of Risk Management and Internal Control of this Annual Report.

1.3 Formalised ethical standards through code of conduct

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 abide by 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.

Board Whistle-Blowing Committee ("BWBC")

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

The primary objectives of the BWBC 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.
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 ("MWBC").

The BWBC held three (3) meetings during the financial year.

The composition of the BWBC for the Financial year ended 31 December 2017 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	1 March 2017	Nil
Dato' Ibrahim bin Marsidi	*Chairman Independent Non-Executive Director	2 October 2017	N/A	3/3
Badrul Feisal bin Abdul Rahim	Non-Independent Non-Executive Director	1 October 2015	23 June 2017	Nil
Razalee bin Amin	Independent Non-Executive Director	21 July 2014	N/A	3/3
Dato' Afifuddin bin Abdul Kadir	Independent Non-Executive Director	21 July 2014	N/A	N/A

**Appointed as Chairman on 2 October 2017*

The Whistle-Blowing Policy is available online at <http://umw-oilgas.com/wp-content/uploads/2014/10/umwog-tor-wbc.pdf>

1.4 Strategies that promote sustainability

The Board's commitment to achieve the highest standards of corporate governance across the UMW-OG Group is also reflected in the Board's promotion of sustainability practices within the Group. A summary of the Group's strategies that promote sustainability is provided in the Sustainability Statement of this Annual Report.

1.5 Access to information and advice

Directors have access to advice and support of the Company Secretary and the Secretarial Division to assist the Directors where required. The Directors may also interact and seek advice from the Management on issues that may require the Management's clarification or information. The Board may seek independent professional advice in discharging its duties for UMW-OG at the Company's expense.

To effectively disseminate Board and Board Committee papers to the Directors, the agenda and papers are circulated electronically via upload onto the Director's iPad for convenient reference by the Directors. In 2017, an average of five calendar days was recorded for the distribution of Board and Board Committee papers save for Special Board Meetings for which a shorter timeframe has been agreed with the Board.

Senior management and key personnel as well as professional and external advisors were from time to time invited to attend Board and Board Committee meetings to brief the Board or Committee or to help clarify issues on any particular subject matter.

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 Board Committees after each respective meeting.

1.6 Qualified and competent Company Secretary

The Company Secretary, is qualified to act as Company Secretary under Section 235 of the Companies Act 2016 ("the Act"). 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' TOR, Board procedures, legislations and relevant regulatory requirements.

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.

1.7 Board Charter

The Board oversees and sets the tone for the Group's overall strategy and core values. The Board ensures that proper standards are adopted 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

2. STRENGTHEN COMPOSITION

2.1 Nominating Committee ("NOMCOM")

The NOMCOM is made up entirely of Non-Executive Directors. The composition of which was as per the table below.

The NOMCOM met five (5) times during the financial year.

Statement on Corporate Governance

The composition of the NOMCOM and the respective attendance record of meetings for the financial year ended 31 December 2017 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	24 February 2017	1/2
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	1 March 2017	2/2
Badrul Feisal bin Abdul Rahim	Non-Independent Non-Executive Director	1 October 2015	23 June 2017	1/1
Cheah Tek Kuang	Independent Non-Executive Director	14 March 2017	N/A	2/3
Dato' Ibrahim bin Marsidi	Independent Non-Executive Director	14 March 2017	N/A	3/3

2.2 Remuneration Committee ("REMCOM")

The REMCOM met five (5) times during the financial year.

The composition of the REMCOM and the respective attendance record of meetings for the financial year ended 31 December 2017 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	24 February 2017	1/1
Dato' Afifuddin bin Abdul Kadir	*Chairman Independent Non-Executive Director	13 May 2013	N/A	5/5
Cheah Tek Kuang	Independent Non-Executive Director	13 May 2013	N/A	4/5
Dato' Ibrahim bin Marsidi	Independent Non-Executive Director	13 May 2013	N/A	5/5

**Appointed as Chairman on 12 December 2017*

2.3 Merger of the Board Nomination Committee and Board Remuneration Committee

In August 2017 the Board approved the merger of the Nomination & Remuneration Committee ("NRC"). The newly merged NRC met once during the financial year.

The composition of the NRC and the attendance record of meeting for the financial year ended 31 December 2017 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	August 2017	N/A	1/1
Cheah Tek Kuang	Independent Non-Executive Director	August 2017	N/A	1/1
Dato' Ibrahim bin Marsidi	Independent Non-Executive Director	August 2017	N/A	1/1
Rowina Ghazali Seth	Independent Non-Executive Director	August 2017	N/A	1/1

The NRC's Terms of Reference is available on the Company's website at www.umw-oilgas.com

The objectives of the NRC with regards to the nomination role are as follows:

The NRC 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 NRC 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 NRC 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 to 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 NRC is made up entirely of Non-Executive Directors, the composition of which is as per the table above.

Summary of Activities

The NRC carried out the following Nomination activities during the financial year ended 31 December 2017:

- a. 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;
 - Annual assessment and review of effectiveness of Board, Board Committees, individual Director and the President;
 - Setting Key Performance Indicators ("KPIs") for the President;
 - Assessment of the performance of the President; and
 - Proposal on Revised Questionnaires on Board Evaluation for UMW-OG Board and Board Committees, Board (self and peer assessment) and President.
- b. 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.

Appointment of Directors

The NRC 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 NRC considers the required mix of skills, experience and diversity, including gender, ethnicity and age, where appropriate. The NRC 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.

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

1. Pursuant to Section 129(6) of the CA 1965
 - Cheah Tek Kuang
2. Pursuant to Article 107 of the Company's Articles of Association
 - Razalee bin Amin
 - Dato' Ibrahim bin Marsidi
3. Pursuant to Article 113 of the Company's Articles of Association
 - Mohd Rashid bin Mohd Yusof
 - Rowina Ghazali Seth
 - Haida Shenny binti Hazri
 - Rizal Rickman bin Ramli

Statement on Corporate Governance

The abovenamed Directors who are due for re-election at the forthcoming AGM on 15 May 2018, have been evaluated by the NCR 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.

Diversity

The UMW-OG 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.

The Board is actively working towards meeting the Government's target of 30% women's participation on Boards. In 2017, UMW-OG has achieved 22.2% with the appointments of the following capable and qualified individuals on its Board:

- (i) Rowina Ghazali Seth;
- (ii) Haida Shenny binti Hazri;

Senior Independent Non-Executive Director

Dato' Afifuddin 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@yahoo.com

Develop, maintain and review criteria for recruitment and annual assessment of directors

The Board had completed the annual performance evaluation for the financial year ended 31 December 2017 based on a set of updated questionnaires that evaluated 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.

The policy of the NRC with regards to the remuneration role are as follows:

The NRC is also responsible for developing the UMW-OG Group's remuneration policy framework and recommending the remuneration package of Directors and members of the senior management to the Board.

Directors' Remuneration

The Board as a whole, upon the recommendation of the NRC 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 Key Performance Indicators comprising fixed and performance-based rewards. The remuneration of the President/Executive Director includes salary, emoluments 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.

	Chairman	Non Executive Directors
Directors Fees	RM144,000 per annum	RM72,000 per annum
Meeting Allowance for Board and Board Committee	RM1,500 per meeting	RM1,000 per meeting

The NRC 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.

The number of Directors of the Company whose total remuneration including remuneration for services rendered by them to UMW-OG during the financial year 2017 is as follows:

Directors Fees & Remuneration for FY 2017

Name	Fees	Meeting Allowance ¹	Monetary Value of Benefits-in-kind	TOTAL
Tan Sri Asmat bin Kamaludin ²	54,000	14,370	105,608*	173,978
Dr. Leong Chik Weng ³	12,000	7,500	600	20,100
Badrul Feisal bin Abdul Rahim ⁴	36,000	21,000	1,800	58,800
Fina Norhizah bt Hj Baharu Zaman ⁵	12,000	4,000	600	16,600
Dato' Abdul Rahman bin Ahmad ⁶	-	-	-	1**
Razalee bin Amin	72,000	46,000	3,800	121,800
Dato' Afifuddin bin Abdul Kadir	72,000	39,500	4,300	115,800
Cheah Tek Kuang	72,000	39,500	4,300	115,100
Dato' Ibrahim bin Marsidi	72,000	43,000	3,600	118,600
Mohd Rashid bin Mohd Yusof ⁷	37,600	12,000	2,580	52,180
Rowina Ghazali Seth ⁸	37,600	10,000	2,780	50,380
Haida Shenny binti Hazri ⁹	37,600	8,000	2,980	48,580
TOTAL	514,800	244,870	132,948	891,919

Note:

*Benefits in kind comprised provision of a company motor vehicle, driver, petrol allowance, insurance and phone bill

**only receive a token RM1 as fees and remuneration package for his directorship

¹Meeting Allowances cover BOD, BAC, BEC, BN, BR, BNR, BRM, BWB

²Retired on 15 May 2017

³Resigned on 24 February 2017

⁴Resigned on 23 June 2017

⁵Resigned on 1 March 2017

⁶Redesignated as Chairman on 15 May 2017

⁷Appointed as Director on 23 June 2017

⁸Appointed as Director on 23 June 2017

⁹Appointed as Director on 23 June 2017

Breakdown of the aggregated remuneration of the President, Non-Independent Executive Director, Encik Rohizad bin Darus, for FY 2017 into appropriate components is set out below:

	RM'000
(a) Salaries and Allowances	957
(b) Benefits (Contribution to EPF and Monetary Value of Benefits-in-Kind)	292

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.

3. REINFORCE INDEPENDENCE

3.1 Annual assessment of independence

The independence of UMW-OG's Directors is measured based on the test of independence prescribed under the MMLR that he/she is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement or ability to act in the best interest of UMW-OG Group.

This test is carried out before the appointment of Directors and re-affirmed annually by Independent Non-Executive Directors by self-assessment of independence by completion of the Confirmation of Independence Form. Annually, the review of Directors' independence also form part of the Director's performance evaluation.

Statement on Corporate Governance

3.2 Tenure of independent director

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, where upon 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.

3.3 Shareholders' approval for re-appointment as Independent Non-Executive Director after a tenure of nine years

At present, none of the Independent Directors has served more than nine years on the Board.

3.4 Independence and conflict of interest

There is a sufficient element of independence 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.

3.5 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.

3.6 Separation of positions of the Chairman and CEO

The Board believes in and practices 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.

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.

3.7 Composition of the Board

In the FY2017, there were nine Directors, with the Chairman (being a Non-Independent Non- Executive Director), one Non-Independent Non-Executive Director, six 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. Six out of the nine or more than 67% of its composition comprised 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 32 to 41.

4. FOSTER COMMITMENT

4.1 Time commitment

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.

The composition of the Board and the respective attendance record of meetings for the financial year ended 31 December 2017 are as follows:

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	15 May 2017	7/7	100%
Dato' Abdul Rahman bin Ahmad	Chairman Non-Independent Non-Executive Director	19 January 2017	N/A	14/14	100%
Rohaizad bin Darus	President Non-Independent Executive Director	31 January 2012	NA	15/15	100%
Badrul Feisal bin Abdul Rahim	Non-Independent Non-Executive Director	1 October 2015	23 June 2017	8/9	89%
Dr. Leong Chik Weng	Non-Independent Non-Executive Director	21 April 2011	24 February 2017	2/2	100%
Fina Norhizah binti Hj Baharu Zaman	Independent Non-Executive Director	15 August 2013	1 March 2017	1/2	50%
Razalee bin Amin	Independent Non-Executive Director	2 May 2013	N/A	15/15	100%
Dato' Afifuddin bin Abdul Kadir	Independent Non-Executive Director	2 May 2013	N/A	14/15	93%
Cheah Tek Kuang	Independent Non-Executive Director	2 May 2013	N/A	13/15	87%
Dato' Ibrahim bin Marsidi	Independent Non-Executive Director	2 May 2013	N/A	14/15	93%
Mohd Rashid bin Mohd Yusof	Independent Non-Executive Director	23 June 2017	N/A	6/6	100%
Rowina Ghazali Seth	Independent Non-Executive Director	23 June 2017	N/A	6/6	100%
Haida Shenny binti Hazri	Non-Independent Non-Executive Director	23 June 2017	N/A	5/6	83%

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 meeting calendar is circulated to all Board and Board Committee members to enable members to plan ahead and ensure attendance at the respective meetings.

Directors who are also members of the Board Committees are expected to commit sufficient time to carry out his/her role as member of the Board Committees.

Statement on Corporate Governance

BOARD EXECUTIVE COMMITTEE

The BEC met ten (10) times during the financial year.

The composition of the BEC and the respective attendance record of meetings for the financial year ended 31 December 2017 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	25 April 2016	24 February 2017	2/2
Fina Norhizah binti Hj Baharu Zaman	Independent Non-Executive Director	25 April 2016	1 March 2017	1/2
Badrul Feisal bin Abdul Rahim	Non-Independent Non-Executive Director	25 April 2016	23 June 2017	5/7
Dato' Ibrahim bin Marsidi	Independent Non-Executive Director	25 April 2016	3 May 2017	6/7
Cheah Tek Kuang	Independent Non-Executive Director	25 April 2016	3 May 2017	7/7
Dato' Abdul Raman bin Ahmad	Chairman Non-Independent Non-Executive Director	11 September 2017	N/A	3/3
Rohaizad bin Darus	President Non-Independent Executive Director	11 September 2017	N/A	3/3
Razalee bin Amin	Independent Non-Executive Director	25 April 2016	N/A	10/10
Mohd Rashid bin Mohd Yusof	Independent Non-Executive Director	11 September 2017	N/A	3/3
Haida Shenny binti Hazri	Non-Independent Non-Executive Director	11 September 2017	N/A	2/3

BOARD AUDIT COMMITTEE

The Board Audit Committee ("BAC") met seven (7) times during the financial year.

Details on the report for the BAC can be found on pages 102 to 104 of the Annual Report.

BOARD RISK MANAGEMENT COMMITTEE

The Board Investment & Risk Management Committee was renamed as Board Risk Management Committee ("BRMC") on 25 April 2016. The BRMC is responsible for reviewing risk management and matters pertaining to quality, health, safety and environment in detail with Management and shall support the Board in the review, evaluation and recommendation on matters pertaining thereto.

The BRMC met five (5) times during the financial year.

The composition of the BRMC and the respective attendance record of meetings for the financial year ended 31 December 2017 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	6 December 2013	24 February 2017	1/1
Badrul Feisal bin Abdul Rahim	Non-Independent Non-Executive Director	1 October 2015	23 June 2017	2/2
Fina Norhizah binti Hj Baharu Zaman	Independent Non-Executive Director	6 December 2013	1 March 2017	N/A
Dato' Ibrahim bin Marsidi	Independent Non-Executive Director	6 December 2013	14 June 2017	2/2
Cheah Tek Kuang	Chairman* Independent Non-Executive Director	21 March 2017	N/A	5/5
Mohd Rashid bin Mohd Yusof	Independent Non-Executive Director	11 September 2017	N/A	3/3
Rowina Ghazali Seth	Independent Non-Executive Director	11 September 2017	N/A	3/3
Haida Shenny binti Hazri	Non-Independent Non-Executive Director	11 September 2017	N/A	1/3
Dato' Afifuddin bin Abdul Kadir	Independent Non-Executive Director	21 March 2017	N/A	5/5
Rohaizad bin Darus	President Non-Independent Executive Director	6 December 2013	11 September 2017	5/5

**Appointed as Chairman on 11 September 2017*

4.2 Reports/Minutes

Minutes of the BEC, BRMC, BAC, NOMCOM, REMCOM and NRC meetings are kept by the Company Secretary as evidence that the respective committee has discharged its functions. The approved minutes of meetings are forwarded to the members for information and significant issues are discussed at Board meetings. For the attendance record of meetings for the financial year ended 31 December 2017, refers to pages 82, 84, 89 to 94 of this Annual Report

The full text of the TOR for the Board Committee is available on the Company's website at www.umw-oilgas.com

4.3 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 & Remuneration 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.

4.4 Continuing education programmes

All Directors, including newly-appointed Director, have successfully completed the Mandatory Accreditation Programme ("MAP") conducted by Bursatira 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 Secretarial Division.

Statement on Corporate Governance

Particulars of training programmes attended by the Directors as at 31 December 2017 are as follows:

Director	Training Programme Attended	Organiser
Dato' Abdul Rahman bin Ahmad	PNB Investment Series 2017 – Value Creation: Creating A Customer Focused Organisation	PNB Investment Institute Sdn. Bhd.
	AMLATFPUAA 2001: Risk, Challenges & Vulnerabilities Towards Risk Based Approach	PNB Investment Institute Sdn. Bhd.
	Global Transformation Forum 2017	PNB Investment Institute Sdn. Bhd.
	Management Retreat 2017	PNB Investment Institute Sdn. Bhd.
	The New Companies Act 2016 – The key Issues and Potential Pitfalls and Disclosure of Interest by Nominee Directors	PNB Investment Institute Sdn. Bhd.
	PNB Investment Series 2017 - The Future of Fintech/ Digital disruption	PNB Investment Institute Sdn. Bhd.
	SCLE Revision: Funds Management Regulation (Module 9)	Securities Industry Development Corporation
	SCLE Revision: Funds Management Regulation (Module 10)	Securities Industry Development Corporation
	Corporate Exercise and Asset Pricing in Malaysia	PNB Investment Institute Sdn. Bhd.
	PNB Investment Series 2017: The Future of Globalization & Liberalization: Are We Losing The Battle.	PNB Investment Institute Sdn. Bhd.
Rohaizad bin Darus	Khazanah Megatrends Forum 2017	Khazanah Nasional Bhd.
	Standard Chartered Bank Global Research Briefing	Standard Chartered Bank
	Site Visit to UMW NAGA 8 with client, Hess	UMW-OG
	Industry Reception OTC Asia	OTC Asia
	Site Visit to UMW NAGA 8 with client, Hess	UMW-OG
	Board Visit to UMW NAGA 5 & GAITS	UMW-OG
	Talent to Value Workshop	Permodalan Nasional Bhd.
	Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World	The Iclif Leadership and Corporate Governance Centre
	Site Visit UOS Plant	UMW-OG
	HSE, Process Safety & Technology Symposium 2017	PETRONAS
Razalee bin Amin	Site Visit UOD / Workover Yard	UMW-OG
	MPERS-Training from PERS to MPERS	Persatuan Firma-Firma Akauntan Bertauliah Melayu Malaysia
	PNB Investment Series 2017: The Future of Fintech / Digital Disruption	PNB Investment Institute
	Talent to Value Workshop	Permodalan Nasional Berhad
	FIDE Core Program Module B (Bank)	The Iclif Leadership and Corporate Governance Centre
Dato' Affuddin bin Abdul Kadir	Persidangan Juruaudit Koperasi 2017	Suruhanjaya Koperasi Malaysia & The Institute of Cooperative & Management Auditors
	Malaysian Private Entities Reporting Standards (MPERS): Recent Development and Updates	Malaysian Institute of Accountants
	In House Training for Directors: The New Companies 2016	Lion Corporation Berhad
	Seminar On 'Companies Act 2016'	Tabung Haji
	Companies Act 2016	Power Root Berhad
Dato' Affuddin bin Abdul Kadir	Board Visit to UMW NAGA 5 & GAITS	UMW-OG
	Talent to Value Workshop	Permodalan Nasional Berhad
	Business Sustainability	Pelikan International Corporation Berhad (PICB)

Cheah Tek Kuang	Bursa Malaysia Sustainability Forum 2017 - "The Velocity of Global Change & Sustainability - The New Business Model"	Bursa Malaysia
	Global Transformation Forum	BFR Institute Sdn. Bhd.
	The Release of the Malaysian Code on Corporate Governance	Securities Commission
	Companies Act 2016	Eco World International
	Invest Malaysia 2017	Bursa Malaysia
	Malaysian Code on Corporate Governance: Dealing with Issues and Expectations on Audit Committee, Risk Management and Stakeholder Management	Securities Commission
	Bursa Fraud Risk Management Workshop	Bursa Malaysia
	Khazanah Megatrends Forum 2017	Khazanah Nasional Berhad
	CG Breakfast Series For Directors: Leading Change @ The Brain	Bursa Malaysia
Dato' Ibrahim bin Marsidi	Terrorism Awareness Programme	TM Group Business Assurance (GBA) in collaboration with Southeast Asia Regional Centre for Counter Terrorism (SEARCCT)
	Shanghai & Guangzhou – Visitation Trip 2017	Menara Kuala Lumpur
Mohd Rashid bin Mohd Yusof	Capital Market Conference 2017	Malaysian Institute of Accountants
	Board Visit to UMW NAGA 5 & GAITS	UMW-OG
	Mandatory Accreditation Programme	The Iclif Leadership and Corporate Governance Centre
	Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers - (I) Corporate Disclosure Framework (II) Directors Disclosure Obligations under the Listing Requirements	Bursa Malaysia
	MIA International Accountants Conference 2017	Malaysian Institute of Accountants
Rowina Ghazali Seth	Board Visit to UMW NAGA 5 & GAITS	UMW-OG
	Directors Risk Management Programme - I am Ready to Manage Risks!	Bursa Malaysia Berhad
	Mandatory Accreditation Programme	The Iclif Leadership and Corporate Governance Centre
Haida Shenny binti Hazri	Board Visit to UMW NAGA 5 & GAITS	UMW-OG
	Directors Risk Management Programme - I am Ready to Manage Risks!	Bursa Malaysia Berhad
	Mandatory Accreditation Programme	The Iclif Leadership and Corporate Governance Centre
	Talent to Value Workshop	Permodalan Nasional Berhad

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance with applicable financial reporting standards

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.

Statement on Corporate Governance

5.2 Directors' Responsibility Statement

The Board is required by the Act 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 cash flows of the Company and the Group for the financial year.

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 Act.

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.

5.3 Assessment of suitability and independence of external auditors

During the year 2017, the Board Audit Committee approved the external auditors' performance and independence questionnaires and the Board adopted the External Auditors' Assessment Policy Statement for the Group. The BAC assessed the suitability and independence of external auditors for the Group and recommended their re-appointment as external auditors of the Group for the financial year 2018. On 5th April 2018, the Board approved the proposal on the appointment of Messrs. Ernst & Young to be tabled for approval at the 8th Annual General Meeting of the Company.

6. RECOGNIZE AND MANAGE RISKS

Sound framework to manage risks

Details on the framework are set out in the Statement on Risk Management and Internal Control on pages 96 to 101 of this Annual Report.

7. 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. The 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 2017 planned, and supported by the Internal Audit Department ("IAD"), carried out internal audit activities, concluding with a report with specific recommendations for further improvements to be implemented for the deliberation of the BAC and thereafter the Board. The Head of IAD 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 96 to 101 of this Annual Report.

Internal Audit Function

The 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.

8. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

8.1 Corporate disclosure policy

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 a 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.

8.2 Leverage on information technology for effective dissemination of information

Website for the Group

The Group has a website 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.

9. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

9.1 Encourage shareholder participation at general meetings

The Company's 8th Annual General Meeting will be held on Tuesday, 15 May 2018 at 10.00 a.m.

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 then highlights administrative matters for the meeting.

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.

9.2 Encourage poll voting

In line with the requirements of the MMLR, voting at the 8th AGM of the Company is to be conducted by poll, instead of a show of hands.

UMW-OG has appointed Securities Services Sdn. Bhd. as Poll Administrator to conduct the polling process and Commercial Quest Sdn. Bhd. as scrutineers to verify the poll results.

9.3 Effective communication and proactive engagements

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:

(i) Bursa Malaysia Securities Berhad Announcements

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

(ii) Analyst Briefing and/or Press Conference or Release

Analyst briefing was held on 28 February 2017 after the full year financial results for the financial year ended 31 December 2016 was released to Bursa Malaysia. A press conference was held after the 7th AGM on 15 May 2017, followed by a press release on the AGM. Chaired by the President, these briefings provided venues 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.

(iii) 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.

(vi) Contact for Investor Relations matters

Maryam Salwaana Kamal
Head of Corporate Communications
+603-2096 8788
maryam.salwaana@umw-oilgas.com

(v) 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.

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.

10. 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 21 March 2018.

Statement On Risk Management & Internal Control

For The Year Ended 31 December 2017

INTRODUCTION

The Board of Directors (“Board”) of UMW Oil & Gas Corporation Berhad (“UMW-OG” or “Company”) is committed to maintaining sound and effective risk management and internal control systems in UMW-OG and its subsidiaries (“Group”) to manage risks and to report on internal controls and regulatory compliance to safeguard shareholders’ investments, stakeholders’ interests and the Group’s assets.

Set out below is the Board’s Statement on Risk Management and Internal Control (“Statement”) for the financial year ended 31 December 2017 which 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. The Statement is prepared in accordance with the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers (“Guidelines”) issued by Bursa Malaysia Securities Berhad (“Bursa Malaysia”) pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements (“MMLR”) and the requirements of the Malaysian Code on Corporate Governance 2017 (“MCCG”).

RESPONSIBILITY AND ACCOUNTABILITY

In carrying out its oversight roles and responsibilities, the Board has set the tone and direction for embedding sound and effective risk management and internal control and for reviewing the adequacy and integrity of these systems.

The Board continues to support and affirm its commitment and responsibility for the Group’s risk management and internal control systems covering financial, operational, and organisational and compliance controls which include the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity.

The Board recognises that these systems are designed to manage and mitigate, rather than eliminate the risk of failure to achieve the Group’s business and corporate objectives within the risk appetite

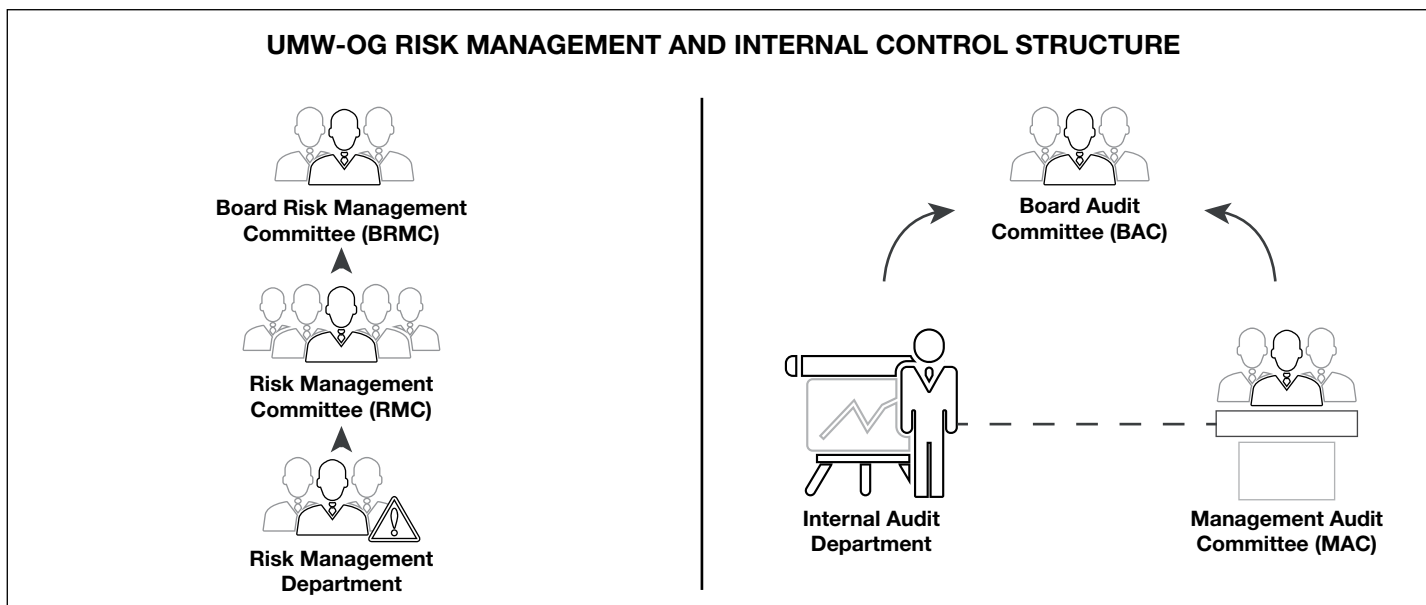
established by the Board and management. Accordingly, these systems can only provide reasonable and not absolute assurance against material misstatement, fraud or loss. The Group’s concept of reasonable assurance also recognises that the cost of control procedures should not exceed the expected benefits.

The responsibility of overseeing and reviewing the effectiveness of the Group’s Enterprise Risk Management (“ERM”) has been delegated to the Board Risk Management Committee (“BRMC”). The BRMC, comprising of majority independent directors, oversees the risk management framework and policies across the UMW-OG Group and deliberates on key risks and control measures to ensure risks are identified, assessed, properly managed and mitigated.

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 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. The BAC is supported by Internal Audit Department (“IAD”) who reports directly to the BAC.

The Board receives and reviews reports on the system of internal control in the Group quarterly and is of the view that the system of internal control that has been instituted throughout the Group is adequate to safeguard the shareholders’ investments, stakeholders’ interests and the Group’s assets.

Whilst the Board has overall responsibility for the Group’s risk management and internal controls systems, it has delegated the implementation of these systems to the Risk Management Committee (“RMC”) and the Management Audit Committee (“MAC”) who reports on the identified risk events with the risk action plans to mitigate and / or minimise the risks; and addressing matters highlighted in the Internal Audit Reports, respectively.



Statement On Risk Management & Internal Control

For The Year Ended 31 December 2017

RISK MANAGEMENT FRAMEWORK

The Board recognises the fact that an effective risk management practice is a critical component of a sound risk management system and internal control. UMW-OG Group has established an Enterprise Risk Management (“ERM”) framework to proactively identify, evaluate and manage significant risks faced by the Group that may impede the Group’s objectives during the period under review up to the date of approval of this statement, 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.

The Board has a stewardship responsibility to understand these risks, communicate the requirements of this policy and guide the organisation in dealing with these risks. In view of this, there is a systematic process of assessment; to identify, analyse and evaluate, in managing significant risks.

UMW-OG adopts ISO 31000 Risk Management Standards as a primary foundation and reference for the Enterprise Risk Management (“ERM”) framework. Through this standard, the Group aims to attain a common understanding, consistency and effective ERM implementation and practices across the Group. Simultaneously, the adopted framework facilitates the Management in making sound business decisions with the aspiration to lead the Group towards a more proactive and inclusive risk management approach to mitigate risks and capitalise on opportunities. UMW-OG’s RMC provides the BRMC with reasonable assurance that the impact from foreseeable events are mitigated and managed effectively.

The key features of the ERM framework are depicted in the diagram below and the detail of the activity is accompanied:

Risk Management Oversight

The oversight role of risk management is carried out by the BRMC. Mandate and commitment from the Board are key contributors to the success factors in the implementation of the ERM programmes. The Board and BRMC play a vital 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 BRMC on risk management activities by management via the Risk Management Committee (“RMC”) keeps the Board and BRMC apprised and advised of all aspects of ERM and significant individual risks and risk trends.

In addition to reporting to the BRMC and the Board, the RMC maintains the risk oversight within the UMW-OG Group at the management level, as outlined in the ERM framework, ensuring the effectiveness of risk identification and management as well as compliance with internal guidelines and external requirements. At the Board level, the BRMC assumes the oversight and strategic role for ERM.

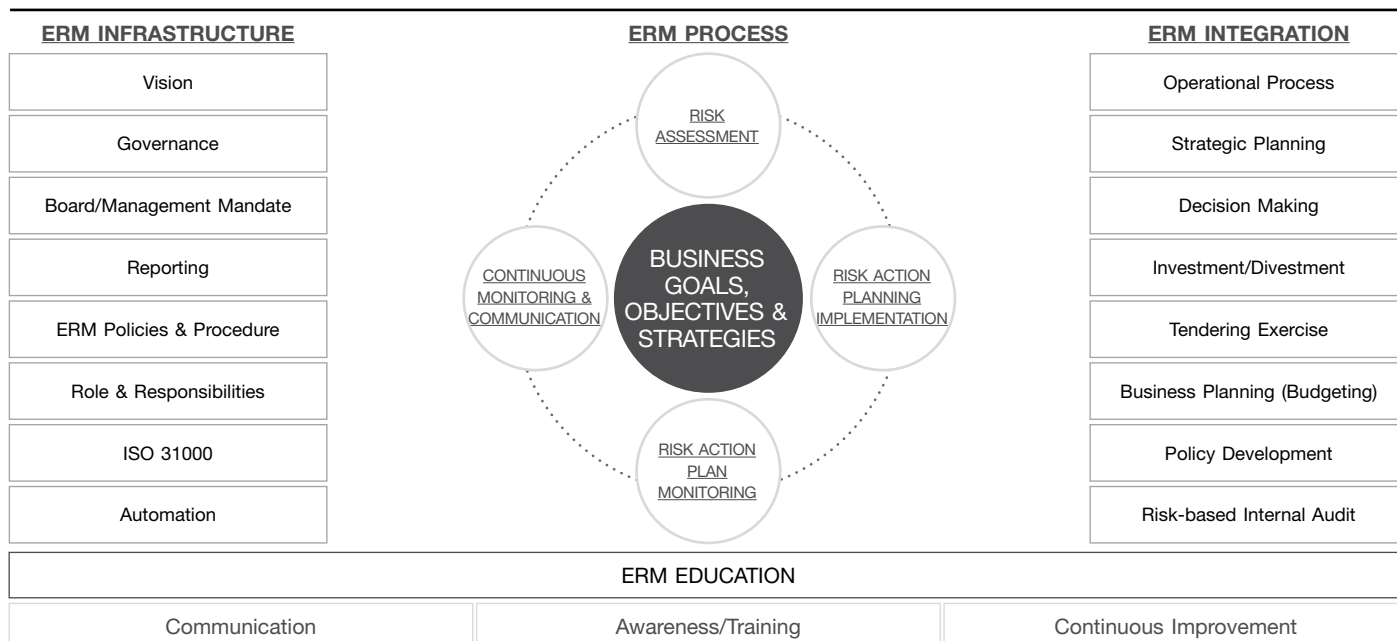
The RMC has specific responsibilities that include, but not limited to, establishing and implementing ERM mechanism to meet the requirements of ERM policies and articulate and challenge risk ratings; especially the Group Top Risks. In UMW-OG Group, Group Top Risks are determined by the following criteria:

- i. Strategic risks that increase the challenge to the company to stay viable; and/or
- ii. Key Risks in Extreme and High quadrant; and/or
- iii. Common risks that have significant impact to business - Revenue, Image/Reputation, Objective, Mission Vision of the company; and/or
- iv. Any risks that are important to be highlighted at that time of reporting.

The RMC comprises of seven Management Committee members, chaired by the President of the Company.

The level of Board and management participation and the reporting structure is shown in the diagram below:

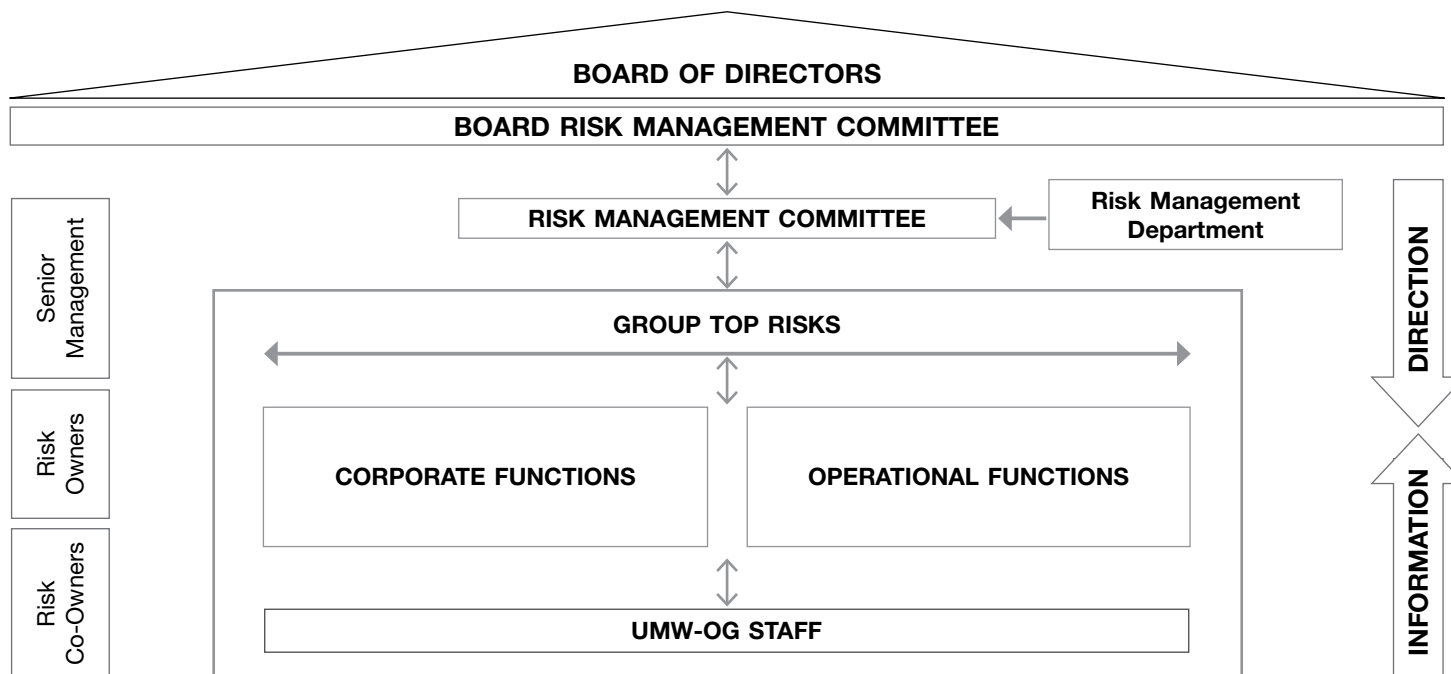
ENTERPRISE MANAGEMENT FRAMEWORK



Statement On Risk Management & Internal Control

For The Year Ended 31 December 2017

The RMC is supported by RMD whose primary role includes, but not limited to, ensuring effective implementation of risks management and business continuity management framework, programmes and risk-related education and awareness across the Group, providing independent and objective assessment on risks as well as timely reporting to the RMC, BRMC and the Board.



Risk Management Policies

The policies of the Board are:

- To integrate risk 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 acceptable levels 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 considerations; 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.

RMD conducts Risk Tolerance studies to assess UMW-OG's risk tolerance level and risk appetite. The process involves active identification, assessment and monitoring of the key business risks via Risk Register review sessions with the respective stakeholders. Group top risks and the respective risk action plans are signed off by the respective owners and are reported to the BRMC and Board on a quarterly and half-yearly basis respectively.

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 declining 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 pre-empt and adapt quickly 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 events that call for significant change.

Operational risks are inherent in the ongoing activities within different operating companies and corporate divisions of the Group. Typically, these are risks relating to foreign exchange, interest rates, fundings, trade debt collection, 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 the operating companies and corporate divisions of UMW-OG.

Risk Reporting

The Group's ERM Framework provides for regular review and reporting. The ERM reports include information on risk profiles, risk action plans ("RAP"s) and status updates. During the year under review, these reports were presented and deliberated four (4) times by the RMC, four (4) times by BRMC and four (4) times by the Board.

Risk Management Activities

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

- a. An ERM awareness session was conducted for selected employees both for operating companies and corporate divisions.
- b. Discussions and consultations with Heads of operating companies and corporate divisions to obtain endorsement of their key risks.
- c. Provided risk advisory and independent assessment as well as facilitated 48 risk assessment reviews across the Group.
- d. Refinement of the risk register template for purposes of risk registration and monitoring.
- e. Developed 12 Business Continuity Plan ("BCP") for both operating companies and corporate divisions.

INTERNAL CONTROL FRAMEWORK

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

a. Board and Board Committees

- The Board is the pillar of the Group's risk management and internal control practices. Maintaining a sound and effective internal control system is the Board's commitment to uphold and implement a strong culture and environment for the proper conduct of the Group's business operations.
- The Board has established several board committees namely the BAC, Board Executive Committee ("BEC"), BRMC, Board Nomination and Remuneration Committee, as well as Board Whistle-Blowing Committee, to assist the Board in discharging its responsibilities in providing oversight on the effectiveness of the Group's operations. The respective 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 met 6 times and the BEC, BAC, BNRC and BRMC meet on a quarterly basis with additional meetings convened as Special Board Meetings where situations require urgent Board deliberation and decisions. 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. Further information on the Board and Board Committees can be found in the Statement of Corporate Governance of the annual report and in the Company's website at www.umw-oilgas.com.

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 Board 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 which comprises of senior management headed by the President. In addition, there are management working committees which includes 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 convened a total of nine (9) meetings during the year to discuss its strategic business agendas that include review of the Group's performance, channelling 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. Internal Audit Function

- UMW-OG has formed its own Internal Audit Department ("IAD") on 1st March 2017. Prior to that date, the Internal Audit function was outsourced to the Group Internal Audit Division ("GIAD") of UMW Holdings Berhad ("UMWH"), which had been performing the audit reviews of the Group prior to its listing on 1st November 2013.
- IAD is independent of the UMW-OG Group's business operations and has a mandate set out in its Internal Audit Charter. IAD is a corporate member of the Institute of Internal Auditor Malaysia ("IIAM") and subscribes to the standards issued by IIAM.
- During the financial year, IAD had carried out its functions in accordance with the 2017 internal audit plan approved by the BAC and adopts a risk-based approach in formulating the annual audit plan and aligns its activities to the key risks identified across the Group.
- IAD's primary objective is to provide independent, reasonable and objective assurance in addition to consulting services designed to add value and improve efficiency of the operations within the Group. It assists the Group to achieve its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Statement On Risk Management & Internal Control

For The Year Ended 31 December 2017

- IAD 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, IAD 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.

d. Management Audit Committee ("MAC")

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. The committee comprises of the Chief Financial Officer, as the Chairperson, Manager of Risk Management Department as a permanent member, senior management of the company / division being audited and representative(s) from IAD headed by a Senior Manager and/or Head of IAD.

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.

During the year, the MAC held several meetings to carry out its functions. The MAC had its meeting(s) prior to the quarterly BAC meetings.

e. Comprehensive Budgeting and Forecasting System

For the development of its 2017 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 2016.

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 continued to be adversely impacted by the significantly lower levels of exploration, development and production activities in the oil and gas industry caused by supply glut that had weighed on prices for the last two years. As a result, the 2017 budgets were revised downward to take into account the above material changes.

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.

f. 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.

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 Limits 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.

g. 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 operating companies and Corporate Divisions and reported to the Management Committee. In addition to the monthly reporting, the Budget Review Committee chaired by the President performed 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 2017 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 IAD on controls implemented at each individual business units and operations. Reports on the reviews carried out by IAD 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 IAD on a quarterly basis.

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 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 2017 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' investments, stakeholders' interests 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' investments, stakeholders' interests 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 21 March 2018.

Board Audit Committee Report

The Board Audit Committee (“BAC”) assists the Board of Directors (“Board”) of the Company in fulfilling its oversight responsibilities in areas such as the integrity of financial reporting, the effectiveness of system of internal controls and risk management processes and related governance and compliance matters. This report provides insights into BAC’s work and the issues considered during the year ended 2017.

BAC was established on 13 May 2013 and its Terms of Reference (“TOR”) was approved by the Board of Directors of the Company on 13 May 2013. The highlighted roles of the BAC are to review, evaluate and report to the Board on the following:

- Consider and recommend the appointment of the external auditors, the audit fee and any questions of resignation or dismissal;
- Review the quarterly and annual financial statements for recommendation to the Board for approval;
- Discuss reservations arising from interim and final audits;
- Review the adequacy and effectiveness of its risk management and internal control systems as well as financial reporting standards of the Group; and
- Consider any related party transactions that may arise within the Group.

Detailed TOR of the BAC can be found on the Company’s website at www.umw-oilgas.com.

Performance Review of the BAC

The Board Nomination and Remuneration Committee (“NRC”) had conducted the annual performance evaluation of the BAC for the FY2017 and the report of which was reviewed by the Board. The Board is satisfied that the BAC has discharged its duties in accordance with its TOR.

The composition of the BAC and attendance of BAC Meetings for the financial year ended 31 December 2017:

Committee Member	Designation	Date of Appointment	Date of Resignation	Meeting Attendance
Razalee bin Amin	Chairman Independent Non-Executive Director	13 May 2013	N/A	7/7
Dato’ Affiuddin bin Abdul Kadir	Independent Non-Executive Director	22 November 2017	N/A	1/1
Cheah Tek Kuang	Independent Non-Executive Director	13 May 2013	N/A	7/7
Dato’ Ibrahim bin Marsidi	Independent Non-Executive Director	13 May 2013	N/A	7/7
Badrul Feisal bin Abdul Rahim	Non-Independent Non-Executive Director	1 October 2015	23 June 2017	5/5

Note: Please refer to pages 34 to 37 for the profiles of the BAC members.

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 MMLR of Bursa Malaysia.

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 MMLR of Bursa Malaysia. A total of seven meetings were held during the financial year ended 31 December 2017.

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 lapse 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 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 meetings.

Summary of Activities of the BAC

In accordance with its TOR, the BAC undertook the following key activities for the financial year ended 31 December 2017:

Financial Reporting

1. 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 (“MFRS”);
2. Reviewed the quarterly unaudited financial results including related disclosures for recommendation to the Board for approval;
3. Reviewed the annual audited financial statements of the Group and ensuring that statements comply with MFRS for recommendation to the Board for approval; and
4. Reviewed and examined the impairment assessments and the assumptions adopted in arriving at the recoverable amounts. The BAC considered the MFRS 136 on Impairment of Assets and the oil price developments during the deliberation prior to the recommendation to the Board for approval. Please see Note 2.2(e) in the Notes to Financial Statements.

Internal Audit

1. Reviewed the Annual Internal Audit Plan, methodology, functions and resources;
2. Received and reviewed quarterly reports by the Management Audit Committee on the findings of group audit, on significant findings and compliance issues as well as the Management’s responses;
3. Reviewed audit fieldworks, audit performance ratings and any key observation notes;
4. Reviewed ongoing Audit Plan by Internal Audit Department (“IAD”);
5. Deliberated the performance and control gaps highlighted in the internal audit reports, audit recommendations and Management’s responses to the control lapses; and
6. Reviewed and deliberated on special reviews conducted within the Group.

External Audit

1. Reviewed the external audit terms of engagement, the audit strategy and the achievement of the agreed upon reporting timeframes for the audit of the financial statements;
2. Reviewed the external audit reports and discussed findings and any reservations arising thereon;
3. Met with the external auditors twice during the year without the presence of the Management of the Company and/ or the Group;
4. 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 2017 in accordance with the By-laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants;
5. Reviewed the External Auditors’ Assessment Policy to outline the guidelines and procedures for the BAC to assess and review the external auditors. The Board approved the External Auditors’ Assessment Policy in November 2016;
6. Assessed the suitability and independence of the external auditors in accordance to the approved External Auditors’ Assessment Policy. The assessment considered the following matters:
 - The external auditors’ requisite skills and expertise, including industry knowledge to effectively audit the Group;
 - The independence and objectivity of the external auditors;
 - The planning and execution of audit plan approved by the BAC;
 - Key risks including fraud risks had been highlighted, discussed and factored in the audit plan; and
 - The effectiveness of communication between the external auditors and the BAC.
7. Evaluated the performance of the external auditors for FY2017 and BAC recommended to the Board that Messrs. Ernst & Young be appointed as external auditors for the year ending 31 December 2018 at the 8th AGM; and
8. Reviewed and considered the audit fees for the external auditors for recommendation to the Board for approval.

Board Audit Committee Report

Related Party Transactions

1. Reviewed and assessed the internal control procedures on related party transactions entered into by the Group with related parties and being satisfied that the Group has in place adequate procedures and processes to monitor, track and identify such transactions in a timely and orderly, recommended to the Board for approval;
2. Reviewed the pricing of transactions with related parties on quarterly basis to ensure that the transactions are not at terms more favourable than the prevailing market practices; and
3. Reviewed the Circular to Shareholders with regard to the proposed renewal of shareholders' mandate for existing recurrent related party transactions for recommendation to the Board for approval.

Compliance Programmes

1. Reviewed the compliance framework as well as the regulatory and business requirements of the Group; and
2. Reviewed the Compliance Department's roles and focus, the Internal Control Risk Assessment ("ICRA") and ICRA timeline.

Annual Report

1. Reviewed the BAC Report, the Statement on Risk Management and Internal Control and the Statement on Corporate Governance prior to their inclusion in the Annual Report for the Board's approval.

Internal Audit Functions

The Group previously outsourced the function of internal audit to GIAD of UMW Holdings Berhad to accomplish its internal audit requirements. However, with the demerger of the Group with UMW Holdings Berhad, the Group has setup its own Internal Audit Department ("IAD") in 2017 to undertake the Internal Audit function. The IAD 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 time frame.

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

The BAC approves the internal audit plan of IAD 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 IAD 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 2017 amounted to RM500,268.

Further details on the internal audit functions are set out in the Statement on Risk Management and Internal Control on page 99 to 100 of this Annual Report.

Additional Compliance Information

1. UTILISATION OF PROCEEDS

Status of utilisation of Rights Issue Proceeds as at 31 March 2018:

Purpose	Proposed Utilisation	Actual Utilisation to date	Deviation
	RM million	RM million	RM million %
Part repayment of the bank borrowings of the Group	1,500.0	1,500.0	nil
Working capital requirements of the Group	310.0	310.0	nil
Defray expenses relating to Rights Issue	6.1	3.2	47.5%
Total	1,816.1	1,813.2	

2. AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees incurred by the Company and the Group for the financial year ended 31 December 2017 is set out on page 174 of this Annual Report.

3. MATERIAL CONTRACTS

There were no material contracts outside the ordinary course of business entered into by the Company and its subsidiaries involving Director's and major shareholder's interest which were still subsisting at the end of the financial year ended 31 December 2017 or entered into since the end of the previous financial year.

4. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

At the 7th Annual General Meeting ("AGM") held on 15 May 2017, the Company obtained a general mandate from its shareholders for recurrent related party transactions of a revenue or trading nature, to be entered into by its subsidiaries ("RRPT Mandate").

The RRPT Mandate is valid until the conclusion of the forthcoming 8th AGM of the Company to be held on 15 May 2018. The Company will not be seeking a renewal of the RRPT Mandate at the forthcoming 8th AGM of the Company.





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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 2017.

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 2017 are as follows:

	Group RM'000	Company RM'000
Loss for the year	(1,129,275)	(1,534,092)
Attributable to:		
Equity holders of the Company	(1,126,999)	(1,534,092)
Non-controlling interests	(2,276)	–
	(1,129,275)	(1,534,092)

As at 31 December 2017, the Group had impaired its assets by RM982,089,000. Further details are disclosed in Note 4 to the financial statements.

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.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than as disclosed in the financial statements.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

DIRECTORS OF THE COMPANY

The names of the directors of the Company in office since the beginning of the financial year to date of this report are:

Dato' Abdul Rahman bin Ahmad (appointed on 19 January 2017)
Rohaizad bin Darus #
Razalee bin Amin
Dato' Afifuddin bin Abdul Kadir
Cheah Tek Kuang
Dato' Ibrahim bin Marsidi
Mohd Rashid bin Mohd Yusof (appointed on 23 June 2017)
Haida Shenny binti Hazri (appointed on 23 June 2017)
Rowina Ghazali Seth (appointed on 23 June 2017)
Tan Sri Asmat bin Kamaludin (retired on 15 May 2017)
Dr. Leong Chik Weng (resigned on 24 February 2017)
Fina Norhizah binti Hj Baharu Zaman (resigned on 1 March 2017)
Badrul Feisal bin Abdul Rahim (resigned on 23 June 2017)
Rizal Rickman bin Ramli (appointed on 21 March 2018)

Directors of the Company and certain of its subsidiaries

DIRECTORS OF THE COMPANY'S SUBSIDIARIES

The name of the Directors of the Company's subsidiaries since the beginning of the financial year to the date of this report, excluding those who are already the Directors of the Company, are:

Abdul Hadi bin Abdul Bari
Abdul Mutalib bin Idris
Thum Sook Fun
Izwan Radzi Megat bin Mohd Radzi
Syed Rozhan bin Syed Hassan
Kenzo Yamada
Yoichi Onoe
Satoru Umezu
Wai Thuy Fong
Kok Chong Mun
Yeo Kiong Pung, George
Antony Alexander Elliott
Rafiza binti Ghazali (appointed on 6 February 2018)
Mohd Hagitar bin Awang Teh (appointed on 31 May 2017)
Hasnizal bin Mhd Azlan (resigned on 31 May 2017)
Ooi Koe Leong (resigned on 8 February 2018)

Directors' Report

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 21 and Note 23 to the financial statements) 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 31 to the financial statements.

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 its related corporations except for the following:

	Number of Ordinary Shares			
	1 January 2017	Bought	Sold	31 December 2017

The Company

Direct interest

Razalee bin Amin	203,000	–	–	203,000
Dato' Afifuddin bin Abdul Kadir	275,000	–	–	275,000
Dato' Ibrahim bin Marsidi	30,000	–	–	30,000
Rohaizad bin Darus	1,000,000	2,800,000	–	3,800,000

Indirect interest

Cheah Tek Kuang	26,000	10,311	–	36,311
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	Number of Warrants			
	1 January 2017	Bought	Sold	31 December 2017

The Company

Direct interest

Rohaizad bin Darus	–	700,000	–	700,000
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INDEMNITY AND INSURANCE COSTS

During the financial year, the Company maintained a Directors' and Officers' Liability Insurance for the purpose of Section 289 of the Companies Act 2016. The insurance premium for the Company is RM117,464.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Corporation has agreed to indemnify its auditor, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit for an unspecified amount. No payment has been made to indemnify Ernst & Young during or since the financial year.

ISSUE OF SHARES

During the financial year, the Company:

- (a) increased its issued and paid-up ordinary share capital by way of issuance of renounceable rights issue of 4,836,727,688 new ordinary shares on the basis of 14 rights shares for every 5 ordinary shares held in the Company, for working capital purpose.
- (b) issued 1,216,872,312 new Islamic Redeemable Convertible Preference Shares ("RCPS-i"), for working capital purpose.

WARRANTS

On 25 October 2017, the Company allotted and issued 1,209,181,678 free warrants on the basis of 1 warrant for every 4 rights shares subscribed and 304,218,076 free warrants on the basis of 1 warrant for every 4 RCPS-i subscribed.

The warrants are valid for exercise for a period of 7 years from its issue date and will expire on 18 October 2024. During this period, each Warrant entitled the registered holder to subscribe for 1 new ordinary share in the Company at any time on or after 25 October 2017 to 18 October 2024, at an exercise price of RM0.395 per warrant. Any warrant not exercised by its expiry date will lapse thereafter and cease to be valid for all purposes. As at the reporting date 1,513,399,754 Warrants remained unexercised.

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 on 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.
- (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.

Directors' Report

OTHER STATUTORY INFORMATION (CONT'D.)

- (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

Details of significant events are disclosed in Note 35 to the financial statements.

AUDITORS

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

Auditors' remuneration are disclosed in Note 23 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 5 April 2018.



DATO' ABDUL RAHMAN BIN AHMAD



ROHAIZAD BIN DARUS

Statement by Directors

Pursuant to Section 251(2) of the Companies Act 2016

We, **DATO' ABDUL RAHMAN BIN AHMAD** 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 118 to 195 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2017 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 5 April 2018.



DATO' ABDUL RAHMAN BIN AHMAD



ROHAIZAD BIN DARUS

Statutory Declaration

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, **RAFIZA BINTI GHAZALI**, 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 118 to 195 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 **RAFIZA BINTI GHAZALI**
at Kuala Lumpur in the Federal Territory
on 5 April 2018



RAFIZA BINTI GHAZALI

Before me,



Independent Auditors' Report

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of UMW Oil & Gas Corporation Berhad, which comprise the statements of financial position as at 31 December 2017 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 118 to 195.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their 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 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Impairment of non-current assets

(a) Impairment of property, plant and equipment

As at 31 December 2017, the property, plant and equipment of the Group mainly consist of drilling rigs, hydraulic workover units and drilling-related equipment. The carrying amount of the property, plant and equipment of the Group as at 31 December 2017 are RM3,643.2 million, as disclosed in Note 4 of the financial statements. The slow recovery in the oil and gas industry, the reduction in operating day rates of the drilling rigs and the idle status of the hydraulic workover units during the year are indications that the property, plant and equipment may be impaired. Management has estimated the recoverable amount of the property, plant and equipment using value in use based on discounted future cash flows.

Accordingly, impairment assessment performed for the aforementioned assets resulted in impairment losses of property, plant and equipment of RM982.1 million as disclosed in Notes 4 and 22 to the financial statements.

REPORT ON THE FINANCIAL STATEMENTS (CONT'D.)

Key audit matters (cont'd.)

Impairment of non-current assets (cont'd.)

(b) Impairment assessment of investment in subsidiaries

As at 31 December 2017, certain subsidiaries have reported continuing operating losses and/or depleting shareholders' funds. These are indications that the investment in these subsidiaries with a carrying amount of RM2,518.6 million may be impaired. The Company estimated the recoverable amount of the subsidiaries using value in use based on discounted future cash flows and compared the carrying amount of the investment in subsidiaries with their respective recoverable amounts. This resulted in impairment losses of investment in subsidiaries of RM1,327.9 million as disclosed in Notes 6 and 22 to the financial statements.

Given the significance of property, plant and equipment to the Group and investments in subsidiaries to the Company and the significant judgments and estimates involved in the assessment of the recoverable amount, we have identified the above impairment assessments as important to our audit.

Our procedures in reviewing the significant judgements and estimates in the impairment assessments involve, inter alia the following:

- Reviewed the methodology of impairment assessment;
- Reviewed the underlying key assumptions on which the cash flow projections are based, such as the assets' utilisation, operating day rates and efficiency rates;
- Corroborated the key assumptions with industry analysts' views, management's plans and existing contracts, where applicable;
- Evaluated the probability of securing significant future contracts by making enquiries with project teams to obtain an understanding of the status of negotiations and the likelihood of securing the contracts;
- Assessed the reasonableness of the discount factor used;
- Performed sensitivity analysis of the changes in key assumptions; and
- Assessed the adequacy of the disclosures on the assumptions and the outcome of the impairment test.

Inventory-related controls and stock takes

As at 31 December 2017, the inventories of the Group mainly consist of raw materials, spare parts, and consumables used in the subsidiaries' operations which entail the charter of drilling rigs and hydraulic workover units. As such, the inventories are situated at multiple locations, both onshore and offshore. We have identified this as a key audit area due to the multiple locations of the inventories, and material misstatement arising from the risk of potential delays in the recording of the receipt and utilisation of inventories. Further details of the inventories are disclosed in Note 10.

Our procedures in reviewing the inventory-related controls and stock takes are as the following:

- Obtained an understanding on the controls over the inventory, including the procedures for goods transferred between locations, guidelines for urgent purchases, the physical security of the inventory, and stock takes;
- Attended and observed physical stock takes conducted by management for selected locations to verify adherence to stock take processes;

Independent Auditors' Report

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

REPORT ON THE FINANCIAL STATEMENTS (CONT'D.)

Key audit matters (cont'd.)

Inventory-related controls and stock takes (cont'd.)

- Evaluated the roll forward and roll backward of inventory from the point of stock take to the year end to assess for potential misstatement; and
- Reviewed and tested management's reconciliation between the book inventory balance and the physical count results.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises the information included in the Group's annual report for financial year ended 31 December 2017 but does not include the financial statements of the Group and of the Company and our auditors' report thereon. The Group's 2017 Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or knowledge obtained in the audit or otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.


From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 30 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 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

Kuala Lumpur, Malaysia
5 April 2018



AHMAD ZAHIRUDIN BIN ABDUL RAHIM
No. 02607/12/2018 J
Chartered Accountant

Consolidated Statement of Financial Position

As At 31 December 2017

	Note	2017 RM'000	2016 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	3,643,231	5,298,125
Land use rights	5	2,367	2,514
Investment in associate	7	2,303	2,571
Deferred tax assets	8	100	112
Derivative assets	9	–	5,071
Deposit at bank	13	–	336,450
		3,648,001	5,644,843
Current assets			
Inventories	10	194,841	211,916
Receivables	11	260,418	132,276
Tax recoverable		5,730	2,948
Derivative assets	9	–	489
Due from subsidiaries of former holding company	12	2,357	2,547
Deposits, cash and bank balances	13	680,747	555,021
		1,144,093	905,197
TOTAL ASSETS		4,792,094	6,550,040

	Note	2017 RM'000	2016 RM'000
EQUITY AND LIABILITIES			
Non-current liabilities			
Due to former holding company	12	–	308,000
Long term borrowings	14	1,398,528	2,272,773
		1,398,528	2,580,773
Current liabilities			
Taxation		435	634
Short term borrowings	15	461,115	1,499,745
Payables	16	162,479	205,397
Due to former holding company and subsidiaries of former holding company	12	5,344	2,290
		629,373	1,708,066
Total liabilities		2,027,901	4,288,839
Equity			
Equity attributable to equity holders of the Company			
Ordinary share capital	17	3,732,346	1,081,000
Share premium	17	–	1,372,819
Islamic Redeemable Convertible Preference Shares (“RCPS-i”)	17	322,471	–
Other reserves	18	868,674	837,298
Accumulated losses		(2,160,128)	(1,033,129)
		2,763,363	2,257,988
Non-controlling interests		830	3,213
Total equity		2,764,193	2,261,201
TOTAL EQUITY AND LIABILITIES		4,792,094	6,550,040

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 2017

	Note	2017 RM'000	2016 RM'000
Revenue	19	586,651	321,053
Other operating income	20	11,164	27,650
Changes in inventories		146	152
Finished goods purchased		(128)	(70)
Raw materials and consumables used		(73,334)	(54,425)
Employee benefits	21	(116,638)	(123,352)
Depreciation and amortisation		(259,057)	(291,191)
Impairment provisions	22	(982,135)	(781,200)
Other operating expenses	23	(177,210)	(178,966)
Loss from operations		(1,010,541)	(1,080,349)
Finance costs	24	(138,221)	(118,233)
Investment income	25	17,836	16,899
Share of results of associate		419	419
Loss before tax		(1,130,507)	(1,181,264)
Income tax credit/(expense)	26	1,232	(2,183)
Loss for the year		(1,129,275)	(1,183,447)
Other comprehensive (loss)/income:			
Foreign currency translation		(175,048)	98,520
Cash flow hedges:-			
Fair value (loss)/gain		(5,559)	8,437
Reclassified to profit or loss		-	(5,746)
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods (net of tax):		(180,607)	101,211
Total comprehensive loss for the year		(1,309,882)	(1,082,236)
Loss attributable to:			
Equity holders of the Company		(1,126,999)	(1,177,379)
Non-controlling interests		(2,276)	(6,068)
		(1,129,275)	(1,183,447)
Total comprehensive loss attributable to:			
Equity holders of the Company		(1,307,499)	(1,075,012)
Non-controlling interests		(2,383)	(7,224)
		(1,309,882)	(1,082,236)
Basic loss per share attributable to equity holders of the Company (sen)	27	(36.79)	(54.46)
Diluted loss per share attributable to equity holders of the Company (sen)	27	(31.55)	(54.46)

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 2017

	Non-distributable					Distributable					Total equity RM'000
	Share capital RM'000 (Note 17)	Share premium RM'000 (Note 17)	Share options reserve RM'000 (Note 18)	Capital reserve RM'000 (Note 18)	Gain on derecognition of financial liabilities RM'000 (Note 18)	Foreign currency translation reserve RM'000 (Note 18)	Hedging (Accumulated reserve RM'000 (Note 18)	Retained profits/ losses) RM'000	Non- controlling interests RM'000	Total RM'000	
At 1 January 2016	1,081,000	1,372,819	3,243	698	78,145	649,977	2,868	144,250	10,437	3,333,000	3,343,437
Loss for the year	-	-	-	-	-	-	-	(1,177,379)	(6,068)	(1,177,379)	(1,183,447)
Other comprehensive income for the year	-	-	-	-	-	99,676	2,691	-	(1,156)	102,367	101,211
Total comprehensive income/ (loss) for the year	-	-	-	-	-	99,676	2,691	(1,177,379)	(7,224)	(1,075,012)	(1,082,236)
At 31 December 2016	1,081,000	1,372,819	3,243	698	78,145	749,653	5,559	(1,033,129)	3,213	2,257,988	2,261,201

Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2017 (cont'd)

	Non-distributable				Distributable							
	Share capital RM'000 (Note 17)	Share premium RM'000 (Note 17)	RCPS-i RM'000 (Note 17)	Warrant reserve RM'000 (Note 18)	Share options reserve RM'000 (Note 18)	Capital reserve RM'000 (Note 18)	Gain on derecognition of financial liabilities RM'000 (Note 18)	Foreign currency translation reserve RM'000 (Note 18)	Hedging reserve RM'000 (Note 18)	Accumulated losses RM'000	Total equity RM'000	
At 1 January 2017	1,081,000	1,372,819	-	-	3,243	698	78,145	749,653	5,559	(1,033,129)	2,257,988	3,213 2,261,201
Transactions with owners												
Effect of implementation of Companies Act 2016	1,372,819	(1,372,819)	-	-	-	-	-	-	-	-	-	-
Issue of ordinary shares pursuant to rights issue	1,281,733	-	-	169,285	-	-	-	-	-	-	1,451,018	- 1,451,018
Issue of RCPS-i	-	-	322,471	42,591	-	-	-	-	-	-	365,062	- 365,062
Rights issue expenses	(3,206)	-	-	-	-	-	-	-	-	-	(3,206)	- (3,206)
Total transactions with owners	2,651,346	(1,372,819)	322,471	211,876	-	-	-	-	-	-	1,812,874	- 1,812,874
Loss for the year	-	-	-	-	-	-	-	-	-	(1,126,999)	(1,126,999)	(2,276) (1,129,275)
Other comprehensive income for the year	-	-	-	-	-	-	-	(174,941)	(5,559)	-	(180,500)	(107) (180,607)
Total comprehensive loss for the year	-	-	-	-	-	-	-	(174,941)	(5,559)	(1,126,999)	(1,307,499)	(2,383) (1,309,882)
At 31 December 2017	3,732,346	-	322,471	211,876	3,243	698	78,145	574,712	-	(2,160,128)	2,763,363	830 2,764,193

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 2017

	2017 RM'000	2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(1,130,507)	(1,181,264)
Adjustments for:		
Depreciation and amortisation	259,057	291,191
Impairment loss on property, plant and equipment (Note 4)	982,089	780,265
Interest expense	138,221	118,233
Investment income	(17,836)	(16,899)
Net (gain)/loss on disposal of property, plant and equipment	(297)	625
Property, plant and equipment written off	9	6,826
Impairment losses on receivables	1,483	-
Share of results of associate	(419)	(419)
Net fair value loss on investments in money market fund	-	52
Provision for impairment in amount due from subsidiaries of former holding companies	46	935
Net unrealised foreign exchange loss	10,406	17,430
Operating profit before working capital changes	242,252	16,975
(Increase)/decrease in receivables	(138,135)	157,198
(Increase)/decrease in inventories	(1,282)	666
Decrease in payables	(15,319)	(119,093)
Net changes in subsidiaries of former holding companies	3,197	(302)
Net cash generated from operations	90,713	55,444
Interest paid	(139,846)	(115,450)
Taxes paid	(1,747)	(3,947)
Net cash used in operating activities	(50,880)	(63,953)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	17,026	16,288
Purchase of property, plant and equipment	(17,179)	(57,036)
Proceeds from disposal of property, plant and equipment	11,084	401
Proceeds from disposal of money market fund	-	90,864
Dividend received from an associate	349	321
Cash outflow on investment in money market fund	-	(1,351)
Net cash generated from investing activities	11,280	49,487

Consolidated Statement of Cash Flows

For The Year Ended 31 December 2017 (cont'd)

	2017 RM'000	2016 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on loan advances received from holding company	-	308,000
Repayment on loan advances received from former holding company	(308,000)	-
Repayment of long term borrowings	(2,125,382)	(259,614)
Drawdown of long term borrowings	1,407,381	646,644
Net movement in short term borrowings	(919,059)	(784,355)
Proceeds from issuance of ordinary shares	1,451,018	-
Proceeds from issuance of RCPS-i	365,062	-
Rights issue expenses	(3,206)	-
Placement of restricted cash deposits in licensed banks	(10,894)	(558,275)
Withdrawal of restricted cash deposits in licensed banks	558,275	-
Net cash generated from/(used in) financing activities	415,195	(647,600)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	375,595	(662,066)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	333,196	973,807
EFFECTS OF EXCHANGE RATE CHANGES	(38,938)	21,455
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	669,853	333,196
Cash and cash equivalents comprise:		
Deposits with licensed banks - Non-current (Note 13)	-	336,450
Deposits with licensed banks - Current (Note 13)	610,130	483,386
Cash and bank balances (Note 13)	70,617	71,635
Less: Restricted cash (Note 13)	(10,894)	(558,275)
	669,853	333,196

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

Statement of Financial Position

As At 31 December 2017

	Note	2017 RM'000	2016 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	2,025	2,568
Investment in subsidiaries	6	1,605,835	2,248,700
Due from related companies	12	774,828	1,635,124
		2,382,688	3,886,392
Current assets			
Receivables	11	2,032	1,221
Tax recoverable		1,837	175
Due from related companies	12	152,846	95,695
Due from subsidiaries of former holding company	12	813	783
Deposits, cash and bank balances	13	564,233	421,588
		721,761	519,462
TOTAL ASSETS		3,104,449	4,405,854
EQUITY AND LIABILITIES			
Non-current liabilities			
Due to former holding company	12	–	308,000
Due to related company	12	298,091	–
Long term borrowings	14	–	676,032
		298,091	984,032
Current liabilities			
Short term borrowings	15	–	1,035,674
Payables	16	2,312	9,273
Due to former holding company	12	3,926	1,447
Due to related companies	12	146,161	78
Due to subsidiaries of former holding company	12	379	552
		152,778	1,047,024
Total liabilities		450,869	2,031,056

Statement of Financial Position

As At 31 December 2017 (cont'd)

	Note	2017 RM'000	2016 RM'000
Equity			
Equity attributable to equity holders of the Company			
Ordinary share capital	17	3,732,346	1,081,000
Share premium	17	–	1,372,819
Islamic Redeemable Convertible Preference Shares (“RCPS-i”)	17	322,471	–
Other reserves	18	290,021	78,145
Accumulated losses		(1,691,258)	(157,166)
Total equity		2,653,580	2,374,798
TOTAL EQUITY AND LIABILITIES		3,104,449	4,405,854

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 2017

	Note	2017 RM'000	2016 RM'000
Revenue	19	17,029	16,897
Other operating income	20	1,672	34,737
Employee benefits	21	(15,057)	(15,881)
Depreciation		(819)	(953)
Impairment provisions	22	(1,498,910)	(320,376)
Other operating expenses	23	(47,259)	(11,638)
Loss from operations		(1,543,344)	(297,214)
Finance costs	24	(62,743)	(57,857)
Investment income	25	70,859	69,297
Loss before tax		(1,535,228)	(285,774)
Income tax credit/(expense)	26	1,136	(1,688)
Loss for the year, representing total comprehensive loss for the year		(1,534,092)	(287,462)

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 2017

	----- Non-distributable -----					Distributable Retained profits/ (Accumulated losses)	Total equity
	Share capital RM'000 (Note 17)	Share premium RM'000 (Note 17)	RCPS-i RM'000 (Note 17)	Warrant reserve RM'000 (Note 18)	Gain on derecognition of financial liabilities RM'000 (Note 18)		
At 1 January 2016	1,081,000	1,372,819	-	-	78,145	130,296	2,662,260
Total comprehensive loss	-	-	-	-	-	(287,462)	(287,462)
At 31 December 2016	1,081,000	1,372,819	-	-	78,145	(157,166)	2,374,798
At 1 January 2017	1,081,000	1,372,819	-	-	78,145	(157,166)	2,374,798
Transactions with owners							
Effect of implementation of Companies Act 2016	1,372,819	(1,372,819)	-	-	-	-	-
Issue of ordinary shares pursuant to rights issue	1,281,733	-	-	169,285	-	-	1,451,018
Issue of RCPS-i	-	-	322,471	42,591	-	-	365,062
Rights issue expenses	(3,206)	-	-	-	-	-	(3,206)
Total transactions with owners	2,651,346	(1,372,819)	322,471	211,876	-	-	1,812,874
Total comprehensive loss	-	-	-	-	-	(1,534,092)	(1,534,092)
At 31 December 2017	3,732,346	-	322,471	211,876	78,145	(1,691,258)	2,653,580

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

Statement of Cash Flows

For The Year Ended 31 December 2017

	2017 RM'000	2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(1,535,228)	(285,774)
Adjustments for:		
Depreciation of plant and equipment	819	953
Interest expense	62,743	57,857
Investment income	(70,859)	(69,297)
Net unrealised foreign exchange loss	101,159	10,246
Net fair value loss on investments in money market fund	-	52
Dividend income	(8,644)	(6,592)
Loss on disposal of plant and equipment	182	34
Provision for impairment in investment in subsidiaries	1,327,925	288,029
Provision for impairment in amount due from subsidiaries	170,985	32,347
Operating profit before working capital changes	49,082	27,855
(Increase)/decrease in other receivables	(75)	498
Decrease in other payables	(278)	(57)
Net changes in former holding company	2,479	-
Net changes in subsidiaries of former holding company	(205)	-
Net changes in related companies balances	436,870	123,266
Cash generated from operating activities	487,873	151,562
Tax paid	(525)	(2,483)
Net cash generated from operating activities	487,348	149,079
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	70,123	14,018
Advances to subsidiaries	(146,754)	(285,409)
Purchase of plant and equipment	(538)	(761)
Proceeds from disposal of plant and equipment	80	149
Proceeds from disposal of money market fund	-	76,327
Cash outflow on investment in money market fund	-	(737)
Dividend received from a subsidiary	8,644	6,592
Net cash used in investing activities	(68,445)	(189,821)

Statement of Cash Flows

For The Year Ended 31 December 2017 (cont'd)

	2017 RM'000	2016 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term borrowings	(676,032)	(28,863)
Net movement in short term borrowings	(1,035,674)	(486,047)
Proceeds on loan advances received from holding company	-	308,000
Repayment of loan advances received from former holding company	(308,000)	-
Interest paid	(69,426)	(56,827)
Proceeds from issuance of ordinary shares	1,451,018	-
Proceeds from issuance of RCPS-i	365,062	-
Rights issue expenses	(3,206)	-
Placement of restricted cash deposits in licensed bank	-	(221,825)
Withdrawal of restricted cash deposits in licensed bank	221,825	-
Net cash used in financing activities	(54,433)	(485,562)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	364,470	(526,304)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	199,763	726,067
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	564,233	199,763
Cash and cash equivalents comprise:		
Deposits with licensed banks (Note 13)	558,317	421,024
Cash and bank balances (Note 13)	5,916	564
Less: Restricted cash (Note 13)	-	(221,825)
	564,233	199,763

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

Notes to the Financial Statements

31 December 2017

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.

On 11 July 2017, the Company ceased to be a subsidiary of UMW Holdings Berhad (“UMWH”) upon completion of the distribution of ordinary shares in the Company held in UMWH to the entitled shareholders of UMWH.

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 30 and 7, 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; and
- (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.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 5 April 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company comply with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards (“IFRS”) and the requirements of the Companies Act 2016 in Malaysia.

On 1 January 2017, the Group and the Company adopted the new and amended MFRSs (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 2017 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

31 December 2017

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.

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

31 December 2017

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 statement of comprehensive income and consolidated statement 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).

(iv) Equity method of accounting

Under the equity method, the investments in associate are carried in the consolidated statements 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.

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 (cont'd.)

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.

(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.

Notes to the Financial Statements

31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(b) Property, plant and equipment (cont'd.)

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).

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(d) Financial assets (cont'd.)

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.

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), amounts 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.

Notes to the Financial Statements

31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(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.

(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.

Notes to the Financial Statements

31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(i) Foreign currencies (cont'd.)

(ii) Foreign currency transactions (cont'd.)

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(j) Financial liabilities (cont'd.)

(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.

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.

Notes to the Financial Statements

31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(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 be reversed 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 assets 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(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.

(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.

Notes to the Financial Statements

31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(o) Revenue recognition (cont'd.)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(q) Employee benefits (cont'd.)

(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.

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 29, including the factors used to identify the reportable segments and the measurement basis of segment information.

Notes to the Financial Statements

31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(u) Hedge accounting (cont'd.)

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 profit or loss.

(v) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

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 2017, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2017.

Description
MFRS 107 Disclosures Initiatives (Amendments to MFRS 107)
MFRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)
Annual Improvements to MFRS Standards 2014 - 2016 Cycle - Amendments to MFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirement in MFRS 12

Adoption of the above pronouncement did not have any effect on the financial performance or position of the Group and the Company.

Notes to the Financial Statements

31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Standards issued but not yet effective

The pronouncements 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
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 140 Transfer of Investment (Amendments to MFRS 140)	1 January 2018
Annual Improvements to MFRS Standards 2014 - 2016 Cycle	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
MFRS 16 Leases	1 January 2019
MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The adoption of the above pronouncements is not expected to have a material impact on the financial statements in the period of initial application except for those discussed below:

MFRS 9 Financial Instruments

MFRS 9 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. During 2017, the Group has performed a detailed impact assessment of all three aspects of MFRS 9. The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group adopts MFRS 9.

Based on the analysis of the Group's and the Company's financial assets and liabilities as at 31 December 2017 on the basis of facts and circumstances that exist at that date, the Group and the Company do not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of MFRS 9. The Group and the Company will apply the simplified approach and record life time expected losses on all trade receivables, which is not expected to have a material impact to the impairment allowance.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

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 applications required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group and the Company plan to adopt the new standard on the stipulated effective date using the modified retrospective method and apply all the practical expedients available for modified retrospective method under MFRS 15.

The Group and the Company have undertaken an assessment of the impact and have concluded that MFRS 15 is not expected to have a significant impact on financial statements except for new disclosures in the financial statements.

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Group is currently assessing the impact of MFRS 16 and plans to adopt the new standard on the required effective date.

Notes to the Financial Statements

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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) 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 8.

(ii) Useful lives and residual values 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 after allowing for residual values. Management estimates the useful lives and residual values by applying assumptions and estimates that reflect both historical experience and expectations regarding future operations, rig utilisation and asset performance, and also 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.

(iii) Impairment of property, plant and equipment and investment in subsidiaries

During the current financial year, the Group and the Company have recognised impairment losses in respect of property, plant and equipment and investment in subsidiaries.

The management carried out the impairment test based on value in use of the CGU to which the property, plant and equipment and impairment in subsidiaries 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 are disclosed in Note 4 and Note 6.

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
Group						
Cost						
At 1 January 2016	34,401	7,011,653	78,171	61,623	33,191	7,219,039
Exchange differences	(467)	301,915	719	2,697	712	305,576
Additions	179	25,419	2,638	26,630	2,170	57,036
Write-offs	–	(8,886)	(1,251)	–	(463)	(10,600)
Disposals	(9)	(2,621)	(783)	–	(1,070)	(4,483)
Reclassification	–	52,056	946	(52,904)	(98)	–
At 31 December 2016/1 January 2017	34,104	7,379,536	80,440	38,046	34,442	7,566,568
Exchange differences	(794)	(648,815)	(1,737)	(3,542)	(1,760)	(656,648)
Additions	25	9,763	101	6,759	531	17,179
Write-offs	–	–	(5,893)	–	(19)	(5,912)
Disposals	–	(338,357)	(282)	(10,647)	(390)	(349,676)
Reclassification	161	6,368	(102)	(7,607)	1,180	–
At 31 December 2017	33,496	6,408,495	72,527	23,009	33,984	6,571,511
Accumulated depreciation						
At 1 January 2016	7,562	731,898	41,988	–	13,796	795,244
Exchange differences	18	65,566	454	–	830	66,868
Depreciation charge for the year	954	274,007	5,895	–	10,280	291,136
Write-offs	–	(2,186)	(1,249)	–	(339)	(3,774)
Disposals	(9)	(2,282)	(717)	–	(449)	(3,457)
Reclassification	–	897	–	–	(897)	–
At 31 December 2016/1 January 2017	8,525	1,067,900	46,371	–	23,221	1,146,017
Exchange differences	(59)	(179,104)	(1,567)	–	(1,478)	(182,208)
Depreciation charge for the year	574	249,824	2,733	–	5,870	259,001
Write-offs	–	–	(5,887)	–	(16)	(5,903)
Disposals	–	(338,556)	(243)	–	(90)	(338,889)
Reclassification	–	(47)	(29)	–	76	–
At 31 December 2017	9,040	800,017	41,378	–	27,583	878,018

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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
Group (cont'd.)						
Accumulated impairment losses						
At 1 January 2016	–	342,161	–	–	–	342,161
Impairment losses (Note 22)	3,081	753,767	21,666	–	1,751	780,265
At 31 December 2016/1 January 2017	3,081	1,095,928	21,666	–	1,751	1,122,426
Exchange differences	–	(54,253)	–	–	–	(54,253)
Impairment losses (Note 22)	–	982,073	–	–	16	982,089
At 31 December 2017	3,081	2,023,748	21,666	–	1,767	2,050,262
Net carrying amount						
At 31 December 2017	21,375	3,584,730	9,483	23,009	4,634	3,643,231
At 31 December 2016	22,498	5,215,708	12,403	38,046	9,470	5,298,125

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	**Other assets RM'000	Assets-in- progress RM'000	Total RM'000
Company			
Cost			
At 1 January 2016	5,414	74	5,488
Additions	697	64	761
Disposals	(183)	–	(183)
Reclassification	69	(69)	–
At 31 December 2016/1 January 2017	5,997	69	6,066
Additions	403	135	538
Disposals	(262)	–	(262)
Reclassification	47	(47)	–
At 31 December 2017	6,185	157	6,342
Accumulated depreciation			
At 1 January 2016	2,545	–	2,545
Depreciation charge for the year	953	–	953
At 31 December 2016/1 January 2017	3,498	–	3,498
Depreciation charge for the year	819	–	819
At 31 December 2017	4,317	–	4,317
Net carrying amount			
At 31 December 2017	1,868	157	2,025
At 31 December 2016	2,499	69	2,568

** Included in the other assets are office equipment, furniture and fittings, renovation, improvements and motor vehicles.

Whilst crude oil price has improved compared to the end of the previous financial year, the trend of low capital spending by oil companies still continues. During the financial year, certain subsidiaries of the Group within the drilling services segment and oilfield services segment carried out a review of the recoverable amounts of their property, plant and equipment.

An impairment loss of RM982,089,000 (2016: RM780,265,000), 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 2017, in respect of assets with recoverable amounts of RM3,507,052,000 (2016: RM5,194,005,185).

The recoverable amounts of the rigs, HWUs and drilling equipment were determined based on value in use of each asset, based on their respective cash flow projections discounted at pre-tax discount rates up to 19.3% (2016: 12.9%).

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4. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

The calculation of value in use for the rigs, HWUs and drilling equipment are most sensitive to the utilisation rates, time charter rates and discount rate assumptions.

Any adverse change in the key assumptions used in value in use calculations would result in further impairment.

5. LAND USE RIGHTS

	Short term leasehold land RM'000
Group	
Cost	
At 1 January 2016	2,901
Exchange differences	(66)
At 31 December 2016/1 January 2017	2,835
Exchange differences	(104)
At 31 December 2017	2,731
Accumulated amortisation	
At 1 January 2016	270
Exchange differences	(4)
Amortisation for the year	55
At 31 December 2016/1 January 2017	321
Exchange differences	(13)
Amortisation for the year	56
At 31 December 2017	364
Net carrying amount	
At 31 December 2017	2,367
At 31 December 2016	2,514

6. INVESTMENT IN SUBSIDIARIES

	Company	
	2017 RM'000	2016 RM'000
Unquoted shares, at cost		
In Malaysia	3,198,887	2,513,827
Outside Malaysia	22,902	22,902
	3,221,789	2,536,729
Less: Impairment losses (Note 22)	(1,615,954)	(288,029)
	1,605,835	2,248,700

Details of the subsidiaries are set out in Note 30.

7. INVESTMENT IN ASSOCIATE

	Group	
	2017 RM'000	2016 RM'000
Unquoted shares, at cost	1,090	1,090
Share of post-acquisition reserves	1,213	1,481
	2,303	2,571

Details of the associate are as follows:

Name of company	Country of incorporation	Principal activities	Proportion of ownership interest	
			2017 %	2016 %
Oil-Tex (Thailand) Company Limited*	Thailand	Provision of logistic services for the oil and gas industry.	20	20

* Audited by firm other than Ernst & Young.

Financial year end of Oil-Tex (Thailand) Company Limited is 31 March.

The financial statements of the associate are not coterminous with that of the Group as its financial year end is 31 March. For the purpose of applying the equity method of accounting, the management accounts for the 12-month period ended 31 December 2017 and 2016 of the associate have been used.

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7. INVESTMENT IN ASSOCIATE (CONT'D.)

The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group is as follows:

	2017 RM'000	2016 RM'000
Assets and liabilities:		
Current assets	11,458	13,442
Non-current assets	1,623	2,757
Total assets	13,081	16,199
Current liabilities, representing total liabilities	1,803	3,580
Results		
Revenue	9,788	11,767
Profit for the year	2,093	2,094
Total comprehensive income	403	4,090

Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associate is as follows:

	2017 RM'000	2016 RM'000
Net assets at 1 January	12,619	10,132
Profit for the year	2,093	2,094
Dividend paid	(1,744)	(1,603)
Other comprehensive income	(1,690)	1,996
Net assets at 31 December	11,278	12,619
Share of net assets	2,256	2,524
Goodwill	47	47
Carrying value of the Group's interest in associate	2,303	2,571

8. DEFERRED TAXATION

	Group	
	2017 RM'000	2016 RM'000
At 1 January	(112)	894
Recognised in profit or loss (Note 26)	2	(1,003)
Exchange differences	10	(3)
At 31 December	(100)	(112)

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 2017	701	-	701
Recognised in profit or loss	881	-	881
At 31 December 2017	1,582	-	1,582
At 1 January 2016	5,996	241	6,237
Recognised in profit or loss	(5,300)	(251)	(5,551)
Exchange differences	5	10	15
At 31 December 2016	701	-	701

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8. 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 2017	(701)	(3)	–	(109)	(813)
Recognised in profit or loss	(881)	2	–	–	(879)
Exchange differences	–	–	–	10	10
At 31 December 2017	(1,582)	(1)	–	(99)	(1,682)
At 1 January 2016	(3,629)	(55)	(1,166)	(493)	(5,343)
Recognised in profit or loss	2,934	52	1,166	396	4,548
Exchange differences	(6)	–	–	(12)	(18)
At 31 December 2016	(701)	(3)	–	(109)	(813)

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unutilised tax losses	109,123	167,518	46,939	46,892
Unabsorbed capital and reinvestment allowances	36,507	38,304	–	2,990
Others	34,587	25,632	581	660
	180,217	231,454	47,520	50,542

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.

9. DERIVATIVES

	Notional amount RM'000	Group Asset RM'000	Fair value Liability RM'000
Hedging derivatives:			
Interest rate swaps			
Current			
At 31 December 2017	-	-	-
At 31 December 2016	58,121	489	-
Non-current			
At 31 December 2017	-	-	-
At 31 December 2016	602,788	5,071	-

Interest rate swaps

Interest rate swaps are used to manage exposure to interest rate movements on bank borrowings, by swapping a proportion 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 32.

10. INVENTORIES

	Group	
	2017 RM'000	2016 RM'000
At cost:		
Raw materials, spare parts and consumables	194,841	211,916

The cost of inventories recognised as an expense during the year amounted to RM73,316,000 (2016: RM54,343,000).

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11. RECEIVABLES

	Group	
	2017 RM'000	2016 RM'000
Trade receivables (Note (a))	243,887	116,960
Other receivables (Note (b))	16,531	15,316
Total trade and other receivables	260,418	132,276
Total trade and other receivables	260,418	132,276
Less:		
Prepayments (Note (b))	(7,867)	(7,686)
Deferred expenses (Note (b))	(752)	(1,404)
	251,799	123,186
Add:		
Due from former related companies (Note 12)	2,357	2,547
Deposits, cash and bank balances - Non-current (Note 13)	-	336,450
Deposits, cash and bank balances - Current (Note 13)	680,747	555,021
Total loans and receivables	934,903	1,017,204

(a) Trade receivables

	Group	
	2017 RM'000	2016 RM'000
Trade receivables (Note (i))	175,505	79,702
Allowance for impairment (Note (ii))	(1,492)	(9)
	174,013	79,693
Accrued income	69,874	37,267
	243,887	116,960

The Group's normal trade credit terms for the financial year ended 31 December 2017 range from 30 days to 60 days (2016: 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 8 (2016: 5) debtors representing 80% (2016: 86%) of the total net trade receivables.

11. RECEIVABLES (CONT'D.)

(a) Trade receivables (cont'd.)

(i) Aged analysis of trade receivables

	Group	
	2017	2016
	RM'000	RM'000
Not past due nor impaired	80,053	17,524
Past due but not impaired:		
1 - 60 days past due but not impaired	80,145	44,750
61 - 120 days past due but not impaired	2,080	2,550
121 - 180 days past due but not impaired	1,215	917
More than 180 days past due but not impaired	10,520	13,952
	93,960	62,169
Impaired	1,492	9
Total trade receivables	175,505	79,702

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	
	2017	2016
	RM'000	RM'000
Individually impaired		
Trade receivables	1,492	9
Less: Allowance for impairment	(1,492)	(9)
	-	-
Movement in allowance for impairment		
At 1 January	9	9
Charge during the year	1,492	-
Reversal of impairment loss	(9)	-
At 31 December	1,492	9

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11. RECEIVABLES (CONT'D.)

(a) Trade receivables (cont'd.)

(ii) Receivables that are impaired (cont'd.)

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.

(b) Other receivables

	Group	
	2017 RM'000	2016 RM'000
Deposits	1,713	1,896
Prepayments	7,867	7,686
Deferred expenses	752	1,404
Sundry receivables	6,199	4,330
	16,531	15,316

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	
	2017 RM'000	2016 RM'000
Deposits	337	340
Prepayments	230	166
Sundry receivables	1,465	715
Total other receivables	2,032	1,221
Total other receivables	2,032	1,221
Less:		
Prepayments	(230)	(166)
Add:		
Due from subsidiaries - Non-current (Note 12)	774,828	1,635,124
Due from subsidiaries - Current (Note 12)	152,846	95,695
Due from subsidiaries of former holding companies (Note 12)	813	783
Deposits, cash and bank balances (Note 13)	564,233	421,588
Total loans and receivables	1,494,522	2,154,245

12. DUE FROM/(TO) RELATED COMPANIES AND FORMER RELATED COMPANIES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current:				
Due from subsidiaries				
- interest bearing at 1.94% to 4.91% (2016: 1.40% to 4.20%) per annum	-	-	898,824	1,635,124
Less: Allowance for impairment losses (Note 22)	-	-	(123,996)	-
	-	-	774,828	1,635,124
Current:				
Due from subsidiaries				
- interest bearing at 1.75% to 5.13% (2016: 1.40% to 4.95%) per annum	-	-	232,182	128,042
Due from subsidiaries of former holding company				
- interest bearing at Nil% (2016: 7.10%) per annum	798	798	-	-
- non-interest bearing	2,540	2,684	813	783
	3,338	3,482	232,995	128,825
Less: Allowance for impairment losses (Note 22)	(981)	(935)	(79,336)	(32,347)
	2,357	2,547	153,659	96,478
Total amount due from related companies	2,357	2,547	928,487	1,731,602
Non-current:				
Due to former holding company				
- interest bearing at Nil% (2016: 5.53% to 5.54%) per annum	-	(308,000)	-	(308,000)
Due to subsidiaries	-	-	(298,091)	-
	-	(308,000)	(298,091)	(308,000)

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12. DUE FROM/(TO) RELATED COMPANIES AND FORMER RELATED COMPANIES (CONT'D.)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current:				
Due to former holding company	(3,926)	(1,447)	(3,926)	(1,447)
Due to subsidiaries				
- interest bearing at 4.22% (2016: Nil%) per annum	-	-	(146,161)	(78)
Due to subsidiaries of former holding company	(1,418)	(843)	(379)	(552)
	(5,344)	(2,290)	(150,466)	(2,077)
Total amount due to related companies	(5,344)	(310,290)	(448,557)	(310,077)

Amounts due from subsidiaries that are not expected to be realised within twelve months after the reporting period are classified as non-current.

The amounts due from/(to) former holding company and subsidiaries of former holding company are unsecured, non-interest bearing and repayable on demand unless otherwise disclosed.

At the reporting date, the Company has provided an allowance of RM203,332,000 (2016: RM32,347,000) for impairment of the amount due from subsidiaries with nominal amount of RM204,514,000.

13. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current:				
Deposit with licensed bank	-	336,450	-	-
Current:				
Deposits with licensed banks	610,130	483,386	558,317	421,024
Cash and bank balances	70,617	71,635	5,916	564
	680,747	555,021	564,233	421,588

Included in the current deposits with licensed banks amounting to RM10,894,000 are not available for general use by the Group due to restrictions by the lender in respect of term loan of USD365,000,000 obtained by the Group as disclosed in Note 14.

13. DEPOSITS, CASH AND BANK BALANCES (CONT'D.)

In the previous financial year, a current deposits with licensed banks included deposits which was not available for general use by the Group and the Company amounting to RM221,825,000 due to restrictions by the lender in respect of revolving credits of RM224,300,000 obtained by the Group and the Company as disclosed in Note 14. These deposits were required to be maintained throughout the duration of the drawdown of the revolving credits, and approval from the licensed bank is required for any withdrawal request. The deposits had been excluded from the cash and cash equivalent balance in the statements of cash flows.

In the previous financial year, the non-current deposit with licensed bank was related to an amount of USD75,000,000 (RM336,450,000) in respect of secured term loan of USD165,000,000 (RM740,190,000) with maturity of 5 years obtained by the Group as disclosed in Note 14. The deposit was required to be placed with the lender until the loan is repaid. The deposit had been excluded from the cash and cash equivalent balance in the consolidated statement of cash flows.

Also, in the previous year, current deposits with licensed bank included deposits of RM61,100,000 of the Group and of the Company for the purpose of meeting the next quarterly repayment of unsecured term loan as disclosed in Note 14 and Note 15.

The range of interest rates per annum of deposits as at the reporting date was as follows:

	Group		Company	
	2017 %	2016 %	2017 %	2016 %
Deposits with licensed banks	0.10 - 3.86	0.13 - 3.50	0.5 - 3.86	0.17 - 3.50

The range of maturities of deposits as at the reporting date was as follows:

	Group		Company	
	2017 Days	2016 Days	2017 Days	2016 Days
Deposits with licensed banks	1 - 90	1 - 90	1 - 30	1 - 30

14. LONG TERM BORROWINGS

	Group	
	2017 RM'000	2016 RM'000
Secured (Floating rate)		
Term loan	1,482,630	740,190
Less: Unamortised transaction costs	(39,928)	(18,831)
Less: Amount payable within one year (Note 15)	(44,174)	-
	1,398,528	721,359
Unsecured (Floating rate)		
Term loan	-	1,823,542
Less: Amount payable within one year (Note 15)	-	(272,128)
	-	1,551,414
Total long term borrowings	1,398,528	2,272,773

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14. LONG TERM BORROWINGS (CONT'D.)

In the previous financial year, the secured term loan was fully repayable on 4 June 2021, and was secured by a charge over all existing and future assets of UMW Drilling 4 (L) Ltd., UMW Drilling 5 (L) Ltd. and UMW Drilling 7 (L) Ltd., and a charge over the Debt Service Reserve Account of the Group, where an amount of USD75,000,000 (RM336,450,000) was to be placed with the licensed bank until the loan is fully repaid, as disclosed in Note 13. The said loan has been fully paid during the current financial year.

On 21 November 2017, the Group raised USD365,000,000 of term loans. The secured term loan are fully repayable on 21 November 2022 and 21 November 2027 respectively and are secured by a charge over all existing and future assets of the Group.

The maturity of the Group's total long term and short term borrowings excluding transaction costs as at the respective reporting dates are as follows:

	Within 1 year RM'000 (Note 15)	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000	Total RM'000
31 December 2017					
Secured					
- Term loan	44,174	87,028	524,810	826,618	1,482,630
- Revolving credit	416,941	-	-	-	416,941
	461,115	87,028	524,810	826,618	1,899,571
31 December 2016					
Secured					
- Term loan	-	44,411	695,779	-	740,190
Unsecured					
- Term loan	272,128	226,945	879,341	445,128	1,823,542
- Revolving credit	1,227,617	-	-	-	1,227,617
	1,499,745	271,356	1,575,120	445,128	3,791,349

Changes in liabilities to arising from financing activities:

	Group			Total
	Revolving credit RM'000	Unsecured term loan RM'000	Secured term loan RM'000	RM'000
At 1 January 2017	1,227,617	1,823,542	721,359	3,772,518
Drawdown	480,301	-	1,451,827	1,932,128
Repayment	(1,185,128)	(1,686,028)	(698,032)	(3,569,188)
The effect of changes in foreign exchange rate	(105,849)	(137,514)	(32,452)	(275,815)
At 31 December 2017	416,941	-	1,442,702	1,859,643

14. LONG TERM BORROWINGS (CONT'D.)

	Company	
	2017	2016
	RM'000	RM'000
Unsecured (Floating rate)		
Term loan	-	733,758
Less: Amount payable within one year (Note 15)	-	(57,726)
Total long term borrowings	-	676,032

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 15)	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000	Total RM'000
31 December 2016					
Unsecured					
- Term loan	57,726	57,726	173,178	445,128	733,758
- Revolving credit	977,948	-	-	-	977,948
	1,035,674	57,726	173,178	445,128	1,711,706

The range of weighted average effective interest rates per annum at the reporting date for secured and unsecured borrowings are disclosed in Note 15.

Changes in liabilities to arising from financing activities:

	Revolving credit RM'000	Company Unsecured term loan RM'000	Total RM'000
At 1 January 2017	977,948	733,758	1,711,706
Drawdown	35,264	-	35,264
Repayment	(929,299)	(679,735)	(1,609,034)
The effect of changes in foreign exchange rate	(83,913)	(54,023)	(137,936)
At 31 December 2017	-	-	-

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15. SHORT TERM BORROWINGS

	Group	
	2017 RM'000	2016 RM'000
Secured (Floating rate)		
Revolving credits	415,316	–
Term loans payable within one year (Note 14)	44,174	–
	459,490	–
Unsecured (Floating rate)		
Revolving credits	1,625	1,227,617
Term loans payable within one year (Note 14)	–	272,128
	1,625	1,499,745
Total short term borrowings	461,115	1,499,745

	Company	
	2017 RM'000	2016 RM'000
Unsecured - Floating rate		
Revolving credits	–	977,948
Term loans payable within one year (Note 14)	–	57,726
Total short term borrowings	–	1,035,674

The range of weighted average effective interest rates per annum at the reporting date for borrowings were as follows:

	Group	
	2017 %	2016 %
Secured term loan	4.49 - 4.99	3.67 - 4.00
Unsecured term loan	–	2.60 - 3.97
Revolving credits	3.75 - 6.15	1.35 - 4.30

	Company	
	2017 %	2016 %
Revolving credits	–	1.35 - 3.06
Term loan payable within one year (Note 14)	–	3.07 - 3.64

16. PAYABLES

	Group	
	2017	2016
	RM'000	RM'000
Trade payables:		
Trade payables	48,969	78,279
Accruals	70,159	69,408
	119,128	147,687
Other payables:		
Accruals	29,733	30,191
Provision for unutilised leave	591	640
Deferred income	94	1,994
Deposits received	-	137
Sundry payables	12,933	24,748
	43,351	57,710
Total trade and other payables	162,479	205,397
Total trade and other payables	162,479	205,397
Less:		
Deferred income	(94)	(1,994)
Provision for unutilised leave	(591)	(640)
Add:		
Due to former holding company - Non-current (Note 12)	-	308,000
Due to former holding company - Current (Note 12)	3,926	1,447
Due to subsidiaries of former holding company (Note 12)	1,418	843
Long term borrowings (Note 14)	1,398,528	2,272,773
Short term borrowings (Note 15)	461,115	1,499,745
Total financial liabilities carried at amortised costs	2,026,781	4,285,571

Trade payables are non-interest bearing and are normally settled within 30 days to 60 days (2016: 30 days to 60 days).

Included in other payables are sundry payables which are non-interest bearing and are normally settled within 30 days to 90 days (2016: 30 days to 90 days).

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.

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16. PAYABLES (CONT'D.)

	Company	
	2017 RM'000	2016 RM'000
Other payables:		
Accruals	850	7,815
Provision for unutilised leave	390	413
Sundry payables	1,072	1,045
Total other payables	2,312	9,273
Total other payables	2,312	9,273
Less:		
Provision for unutilised leave	(390)	(413)
Add:		
Due to former holding company - Non-current (Note 12)	-	308,000
Due to former holding company - Current (Note 12)	3,926	1,447
Due to subsidiaries (Note 12)	444,252	78
Due to subsidiaries of former holding company (Note 12)	379	552
Long term borrowings (Note 14)	-	676,032
Short term borrowings (Note 15)	-	1,035,674
Total financial liabilities carried at amortised costs	450,479	2,030,643

17. ORDINARY SHARE CAPITAL, SHARE PREMIUM AND ISLAMIC REDEEMABLE CONVERTIBLE PREFERENCE SHARES ("RCPS-i")

(a) Ordinary share capital and share premium

	Group and Company			Total share capital and share premium RM'000
	Number of ordinary shares '000	Share capital RM'000	Share premium RM'000	
At 1 January 2016/31 December 2016/ 1 January 2017	2,162,000	1,081,000	1,372,819	2,453,819
Effect of implementation of Companies Act 2016	-	1,372,819	(1,372,819)	-
Rights issue during the year	4,836,728	1,281,733	-	1,281,733
Rights issue expenses	-	(3,206)	-	(3,206)
At 31 December 2017	6,998,728	3,732,346	-	3,732,346

17. ORDINARY SHARE CAPITAL, SHARE PREMIUM AND ISLAMIC REDEEMABLE CONVERTIBLE PREFERENCE SHARES (“RCPS-i”) (CONT’D.)

(a) Ordinary share capital and share premium (cont’d.)

The Companies Act 2016 (the Act), which came into effect on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account of RM1,372,819,000 has become part of the Company’s share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM1,372,819,000 for purposes as set out in Section 618(3) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any shareholders as a result of this transition.

During the financial year, the Company issued renounceable rights issue of 4,836,727,688 new ordinary shares on the basis of 14 rights shares for every 5 ordinary shares held in the Company as disclosed in Note 35.

(b) RCPS-i

During the financial year, the Company issued 1,216,872,312 new Islamic Redeemable Convertible Preference Shares (“RCPS-i”), as disclosed in Note 35.

RCPS-i is classified as equity instrument. Costs directly attributable to equity transactions are accounted for as a deduction, net of tax, from equity.

The main features of RCPS-i are as follows:

- (i) The RCPS-i shall be convertible into ordinary shares of the Company during the period from 25 October 2017 to the maturity date on 24 October 2022 by surrendering 1 RM0.30 nominal value of RCPS-i for one new ordinary share of the Company. Any remaining RCPS-i that are not converted by the maturity date shall be automatically converted into new ordinary shares of the Company at the conversion rate.
- (ii) Upon conversion of the RCPS-i into new ordinary shares, the RCPS-i shall rank equally amongst themselves, and will rank ahead in point of priority to the ordinary shares of the Company, in respect of payment out of the assets of the Company upon any liquidation, dissolution or winding up of the Company.
- (iii) RCPS-i holders agree (in and for compliance with Shariah) to waive their right to receive any distribution of profit with, such waiver to be decided by the Board at the relevant time on behalf of the RCPS-i holders.
- (iv) The Company may at any time before the maturity date, at its discretion, redeem all or part of the outstanding RCPS-i by giving notice in writing to the RCPS-i holder of its intention to do so, in cash at a redemption price which shall be aggregate of:
 - the issue price of the relevant RCPS-i being redeemed; and
 - redemption premium of 8% per annum on a cumulative but non-compounding basis calculated from the issue date, 25 October 2017, up to the redemption date, out of the distributable profits of the Company.

During the financial year, no RCPS-i was redeemed or converted. As at the reporting date, 1,216,872,312 RCPS-i remained outstanding.

18. OTHER RESERVES

(a) Warrant reserve

On 25 October 2017, the Company allotted and issued 1,209,181,678 free warrants on the basis of 1 warrant for every 4 rights shares subscribed and 304,218,076 free warrants on the basis of 1 warrant for every 4 RCPS-i subscribed.

The warrants are valid for exercise for a period of 7 years from its issue date and will expire on 18 October 2024. During this period, each warrant entitled the registered holder to subscribe for 1 new ordinary share/RCPS-i in the Company at any time on or after 25 October 2017 to 18 October 2024, at an exercise price of RM0.395 per warrant. Any warrant not exercised by its expiry date will lapse thereafter and cease to be valid for all purposes. During the financial year, no warrants for rights issue and RCPS-i were exercised. As at the reporting date, 1,209,181,678 warrants for rights issue and 304,218,076 warrants for RCPS-i remained unexercised.

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18. OTHER RESERVES (CONT'D.)

(a) Warrant reserve (cont'd.)

The value allocated to 1 warrant was based on the proportion of the fair value of 1 warrant, being the fair value of the warrant on the first day of its listing, over the combined fair value of 4 rights shares/RCPS-i and 1 warrant to the issue price of the right shares of RM0.30 each.

(b) Share options reserve

Share options reserve represents the equity-settled share options granted by the ultimate holding company to the employees of the Group.

(c) Capital reserve

Capital reserve relates to statutory reserves of an overseas subsidiary.

(d) Gain on derecognition of financial liabilities

The gain on derecognition of financial liabilities arose as part of the settlement of liabilities due to the former holding company pursuant to a past internal reorganisation.

(e) 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.

(f) 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.

19. REVENUE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Drilling and workover services	501,597	266,362	–	–
Sale of goods	24,496	5,113	–	–
Rendering of services	60,478	49,281	–	–
Gross dividend income from subsidiaries	–	–	8,644	6,592
Management fees from subsidiaries	–	–	8,305	10,218
Management fees from former fellow subsidiaries	80	87	80	87
Others	–	210	–	–
	586,651	321,053	17,029	16,897

20. OTHER OPERATING INCOME

Included in other operating income are:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net foreign exchange gains	-	26,038	-	30,839
Net fair value gain on derivatives	2,580	-	-	-
Gain on disposal of property, plant and equipment	508	68	-	-
Rental income	447	1,051	683	951
Warranty income	7,310	-	-	-

21. EMPLOYEE BENEFITS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Wages and salaries	86,932	89,464	11,650	12,207
Social security costs	457	369	78	73
Reversal of provision for unutilised leave	(19)	(92)	(23)	(70)
Pension costs - defined contribution plan	6,140	6,471	1,850	1,878
Termination benefits	239	3,864	-	573
Other employee related expenses	22,889	23,276	1,502	1,220
	116,638	123,352	15,057	15,881

Included in employee benefits is executive director's remuneration as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Salaries and other emoluments	957	1,161	957	1,161
Pension costs - defined contribution plan	152	171	152	171
Benefits-in-kind	140	182	130	173

22. IMPAIRMENT PROVISIONS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Property, plant and equipment (Note 4)	982,089	780,265	-	-
Investment in a subsidiary (Note 6)	-	-	1,327,925	288,029
Amount due from subsidiaries (Note 12)	-	-	170,985	32,347
Amount due from former fellow subsidiaries (Note 12)	46	935	-	-
	982,135	781,200	1,498,910	320,376

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23. OTHER OPERATING EXPENSES

Included in other operating expenses are:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-executive directors' remuneration:				
- fees	515	648	515	648
- meeting allowances	245	277	245	277
- other emoluments	132	154	132	154
Rental of premises	7,423	9,149	2,832	3,279
Rental of equipment, barge and rig	8,686	16,446	95	548
Repair and maintenance of equipment and rigs	21,710	44,453	33	37
Auditors' remuneration:				
Statutory audit				
- auditors of the Company	781	675	146	146
- other auditors	54	53	-	-
Other services				
- auditors of the Company	467	156	444	10
Management fees payable to a former related company	77	1,099	77	1,099
Net impairment lossess on receivables	1,483	-	-	-
Net fair value loss on money market fund	-	52	-	52
Loss on disposal of property, plant and equipment	211	693	182	34
Property, plant and equipment written off	9	6,826	-	-
Net foreign exchange loss	12,247	-	37,286	-

	Directors' fees		*Other emoluments	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000

Group and Company

Non-executive directors:

Tan Sri Asmat bin Kamaludin	54	144	120	144
Badrul Feisal bin Abdul Rahim	36	72	23	30
Dr. Leong Chik Weng	12	72	8	54
Razalee bin Amin	72	72	50	51
Dato' Afifuddin bin Abdul Kadir	72	72	43	31
Cheah Tek Kuang	72	72	43	42
Dato' Ibrahim bin Marsidi	72	72	47	43
Fina Norhizah binti Hj Baharu Zaman	12	72	5	36
Mohd Rashid bin Mohd Yusof	38	-	14	-
Haida Shenny binti Hazri	38	-	11	-
Rowina Ghazali Seth	37	-	13	-
	515	648	377	431

23. OTHER OPERATING EXPENSES (CONT'D.)

	Directors' fees		**Other emoluments	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Group and Company				
<u>Executive director:</u>				
Rohaizad bin Darus	10	9	1,239	1,505

* Included in the other emoluments are meeting fees allowance, per diem allowance, car, petrol, telephone expenses and leave passage.

** Include in the other emoluments are salary, gratuity, employer's statutory contribution, car, and petrol, leave passage, allowances, telephone expenses and club subscriptions.

24. FINANCE COSTS

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Interest expenses				
- Bank borrowings	123,334	107,764	47,778	47,940
- Due to former holding company	14,280	9,917	14,280	9,917
- Due to subsidiary	-	-	685	-
- Others	607	552	-	-
Net interest expenses	138,221	118,233	62,743	57,857

25. INVESTMENT INCOME

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Distribution income from:				
- Money market fund	-	1,234	-	738
Interest income from:				
- Deposits with licensed banks	17,836	15,665	13,730	13,354
- Subsidiaries	-	-	57,129	55,205
	17,836	16,899	70,859	69,297

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26. INCOME TAX EXPENSE/(CREDIT)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Income tax:				
Malaysian income taxes	724	1,702	415	1,551
Foreign income taxes	1,394	562	-	-
	2,118	2,264	415	1,551
(Over)/under provision in prior years:				
Malaysian income taxes	(3,424)	927	(1,551)	137
Foreign income taxes	72	(5)	-	-
	(3,352)	922	(1,551)	137
	(1,234)	3,186	(1,136)	1,688
Deferred taxation (Note 8):				
Relating to origination and reversal of temporary differences	(140)	(1,026)	-	-
Under provision in prior years	142	23	-	-
	2	(1,003)	-	-
Total income tax (credit)/expense	(1,232)	2,183	(1,136)	1,688

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Reconciliations between tax expense and the accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Loss before taxation	(1,130,507)	(1,181,264)	(1,535,228)	(285,774)
Taxation at Malaysian statutory rate of 24% (2016: 24%)	(271,322)	(283,503)	(368,455)	(68,586)
Effect of different tax rates in other jurisdictions	466	471	-	-
Income not subject to tax	(22,324)	(19,672)	(15,074)	(23,799)
Expenses not deductible for tax purposes	307,533	270,951	384,669	93,838
Utilisation of previously unrecognised deferred tax assets	(17,023)	(25)	(783)	(25)
Deferred tax assets not recognised	4,748	33,117	58	123
Under provision of deferred tax in prior years	142	23	-	-
(Over)/under provision of income tax in prior years	(3,352)	922	(1,551)	137
Share of results of associate	(100)	(101)	-	-
Tax (credit)/expense for the year	(1,232)	2,183	(1,136)	1,688

27. LOSS PER SHARE

Basic

	Group 2017	2016
Net loss attributable to equity holders (RM'000)	(1,126,999)	(1,177,379)
Weighted average number of ordinary shares in issue ('000)	3,063,089	2,162,000
Basic loss per share (sen):	(36.79)	(54.46)

Basic loss per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

Diluted

	Group 2017	2016
Net loss attributable to equity holders (RM'000)	(1,126,999)	(1,177,379)
Weighted average number of ordinary shares in issue and issuable ('000)	3,571,742	2,162,000
Diluted loss per share (sen):	(31.55)	(54.46)

Diluted loss per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue and issuable during the year.

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28. CAPITAL COMMITMENTS

	Group	
	2017	2016
	RM'000	RM'000
Approved and contracted for:		
- land and buildings	-	321
- equipment, plant and machinery	2,981	8,361
- others	7	38
	2,988	8,720
Approved but not contracted for:		
- land and buildings	4,618	4,353
- equipment, plant and machinery	58,230	33,877
- others	1,359	6,235
	64,207	44,465
Total capital commitments	67,195	53,185

29. 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.

29. SEGMENT REPORTING (CONT'D.)

(a) Business segments

2017

	Drilling services RM'000	Oilfield services RM'000	Others RM'000	Adjustments and eliminations RM'000	Note	Per consolidated financial statements RM'000
Revenue:						
External customers	568,772	16,867	1,012	-		586,651
Inter-segment	-	-	8,242	(8,242)	I	-
Total revenue	568,772	16,867	9,254	(8,242)		586,651
Results:						
Depreciation and amortisation	(254,172)	(3,636)	(1,249)	-		(259,057)
Impairment of property, plant equipment	(982,089)	-	-	-		(982,089)
Finance costs	(138,123)	(98)	-	-		(138,221)
Investment income	3,924	127	13,785	-		17,836
Share of results of associate	-	419	-	-		419
Other material non-cash items	(10,029)	196	(1,768)	-	II	(11,601)
Segment loss before tax	(1,106,524)	(5,428)	(18,555)	-		(1,130,507)
Income tax credit/(expense)	1,428	(288)	92	-		1,232
Segment loss after tax	(1,105,096)	(5,716)	(18,463)	-		(1,129,275)
Assets:						
Investment in associate	-	2,303	-	-		2,303
Additions to non-current assets	16,421	221	537	-	III	17,179
Segment assets	4,138,196	54,668	599,230	-		4,792,094
Liabilities:						
Segment liabilities	1,997,856	12,870	17,175	-		2,027,901

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29. SEGMENT REPORTING (CONT'D.)

(a) Business segments (cont'd.)

2016

	Drilling services RM'000	Oilfield services RM'000	Others RM'000	Adjustments and eliminations RM'000	Note	Per consolidated financial statements RM'000
Revenue:						
External customers	303,547	17,419	87	–		321,053
Inter-segment	–	–	10,145	(10,145)	I	–
Total revenue	303,547	17,419	10,232	(10,145)		321,053
Results:						
Depreciation and amortisation	(284,324)	(5,773)	(1,094)	–		(291,191)
Impairment of property, plant equipment	(764,485)	(15,780)	–	–		(780,265)
Finance costs	(118,142)	(91)	–	–		(118,233)
Investment income	2,028	239	14,632	–		16,899
Share of results of associate	–	419	–	–		419
Other material non-cash items	(5,678)	(57)	(19,198)	–	II	(24,933)
Segment (loss)/profit before tax	(1,155,764)	(34,131)	8,631	–		(1,181,264)
Income tax expense	(309)	(172)	(1,702)	–		(2,183)
Segment (loss)/profit after tax	(1,156,073)	(34,303)	6,929	–		(1,183,447)
Assets:						
Investment in associate	–	2,571	–	–		2,571
Additions to non-current assets	53,189	3,086	761	–	III	57,036
Segment assets	6,044,537	70,153	435,350	–		6,550,040
Liabilities:						
Segment liabilities	3,956,063	13,474	319,302	–		4,288,839

29. 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	2017 RM'000	2016 RM'000
Impairment losses on receivables	23	(1,483)	–
Net gain/(loss) on disposal of property, plant and equipment	20, 23	297	(625)
Net fair value loss on money market fund	23	–	(52)
Net unrealised foreign exchange loss		(10,406)	(17,430)
Property, plant and equipment written off	23	(9)	(6,826)
		(11,601)	(24,933)

- III. Additions to non-current assets consist of:

	Note	2017 RM'000	2016 RM'000
Property, plant and equipment	4	17,179	57,036

(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	Others RM'000	Total RM'000
31 December 2017					
Revenue from external customers	577,556	–	–	9,095	586,651
Non-current assets	3,584,475	–	33,695	27,428	3,645,598
31 December 2016					
Revenue from external customers	313,786	–	–	7,267	321,053
Non-current assets	4,669,309	586,980	13,837	30,513	5,300,639

Notes to the Financial Statements

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29. SEGMENT REPORTING (CONT'D.)

(b) Geographical segments (cont'd.)

Non-current assets information presented above consist of the following items as presented in the consolidated statements of financial position:

	2017 RM'000	2016 RM'000
Property, plant and equipment	3,643,231	5,298,125
Land use rights	2,367	2,514
	3,645,598	5,300,639

30. SUBSIDIARIES

Name of company	Country of incorporation	Principal activities	Proportion of ownership interest	
			2017 %	2016 %
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
Sumber Ribu Sdn. Bhd.	Malaysia	Provision for treasury management services	100	-
Sumber Wang (L) Ltd.	Malaysia	Provision for treasury management services	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

30. SUBSIDIARIES (CONT'D.)

Name of company	Country of incorporation	Principal activities	Proportion of ownership interest	
			2017 %	2016 %
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
UMW Offshore Drilling Ltd.	Cayman Islands	Contract drilling operations and other engineering services for oil and gas exploration, development and production.	100	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

In members' voluntary winding up on 26 February 2018.

* Audited by firms other than Ernst & Young.

Notes to the Financial Statements

31 December 2017

30. SUBSIDIARIES (CONT'D.)

(a) 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

	Proportion of ownership interest held by non-controlling interests	
	2017 %	2016 %
Name of company		
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

	2017 RM'000	2016 RM'000
Non-current assets	2,268	3,104
Current assets	7,940	22,222
Current liabilities	(4,155)	(11,748)

(iii) Summarised statements of comprehensive income

	2017 RM'000	2016 RM'000
Revenue	1,158	63,901
Loss for the year	(6,996)	(15,834)
Other comprehensive (loss)/income	(545)	534
Total comprehensive loss	(7,541)	(15,300)
Dividends paid to non-controlling interests	–	(1,648)

30. SUBSIDIARIES (CONT'D.)

(a) Subsidiaries with non-controlling interests (cont'd.)

(iv) Summarised statements of cash flows

	2017 RM'000	2016 RM'000
Net cash used in operating activities	(12,209)	(9,302)
Net cash generated from investing activities	440	121
Net cash used in financing activities	-	(9,396)
Net decrease in cash and cash equivalents	(11,769)	(18,577)
Cash and cash equivalents at end of year	5,874	18,712

31. 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	2017 RM'000	2016 RM'000
UMW Oil & Gas Corporation Berhad and its subsidiaries companies	U-TravelWide Sdn. Bhd., a subsidiary of UMWH	Purchase of services	897	513
UMW Oil & Gas Corporation Berhad	UMW Corporation Sdn. Bhd., a subsidiary of UMWH	Rental expense	971	2,595
		Management fees expense	75	1,099
UMW Oilpipe Services Sdn. Bhd.	UMW Industries (1985) Sdn. Bhd., a subsidiary of UMWH	Operating lease expense	50	224
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	26	54
UMW Oil & Gas Corporation Berhad	UMWH, holding company	Interest expense on advances from UMWH	8,388	9,917
UMW Oil & Gas Corporation Berhad and its subsidiaries companies	Toyota Capital Malaysia Sdn. Bhd., a subsidiary of UMWH	Operating lease expense	598	1,356
UMW JDC Drilling Sdn. Bhd. ("UJD")	Japan Drilling Co. Ltd., a corporate shareholder of UJD, and its subsidiaries	Purchase of goods and services	-	16,359
		Bareboat charter expense	-	2,308

On 11 July 2017, the Company ceased to be a subsidiary of UMWH upon completion of the distribution of ordinary shares in the Company held in UMWH to the entitled shareholders of UMWH.

Notes to the Financial Statements

31 December 2017

31. 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:

	2017 RM'000	2016 RM'000
Dividend income	(8,644)	(6,592)
Management fees income	(8,305)	(10,305)
Interest income	(57,129)	(55,205)
Rental income	(683)	(951)
Services rendered income	(939)	(2,923)

- (c) Compensation of key management personnel

The aggregate compensation of key management personnel, including the executive director of the Company is as follows:

	2017 RM'000	2016 RM'000
Salaries and wages	4,386	5,514
Social security cost	10	11
Pension costs - defined contribution plan	687	780
Other staff related costs	442	626
	5,525	6,931

32. 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
Receivables	
- Trade and other receivables	11
- Due from related companies	12
Borrowings	
- Floating rate borrowings (non-current)	14
- Floating rate borrowings (current)	15
Payables	
- Trade and other payables	16
- Due to related companies	12

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

Determination of fair values (cont'd.)

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.

Derivatives

Interest rate swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and interest rate curves.

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 2	
	2017	2016
	RM'000	RM'000

Assets

Financial assets at fair value through profit or loss:

- Derivative assets	-	5,560
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The Group does not have any financial instruments classified as Level 1 and Level 3 as at the reporting date. There were no material transfers between Level 1, Level 2 and Level 3 during the financial year.

Notes to the Financial Statements

31 December 2017

33. CAPITAL MANAGEMENT

Capital management is defined as the process of managing the composition of the Group's debt 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, borrowings from holding company and 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 gearing ratio that optimises the usage of capital.

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Loans and borrowings	1,859,643	3,772,518	–	1,711,706
Due to former holding company	3,926	309,447	3,926	309,447
Less: Deposits, cash and bank balances (Current)	(680,747)	(555,021)	(564,233)	(421,588)
Deposits, cash and bank balances (Non-current)	–	(336,450)	–	–
Net debt	1,182,822	3,190,494	(560,307)	1,599,565
Total equity	2,764,193	2,261,201	2,653,580	2,374,798
Total capital	3,947,015	5,451,695	2,093,273	3,974,363
Gearing ratio	0.30	0.59	*	0.40

* The Company's loan has been fully repaid during the current financial year.

34. 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 risk governance structure comprise the following:

- (i) a Board Risk Management Committee; and
- (ii) a Risk Management Committee.

34. FINANCIAL RISK MANAGEMENT (CONT'D.)

Responsibilities of the Board 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 Board Risk Management Committee of the Board of Directors.

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 2017, approximately 15% (2016: 45%) of the Group’s trade receivables and approximately 33% (2016: 54%) of the Group’s trade payables are denominated in currencies other than the functional currency of the relevant companies in the Group.

Notes to the Financial Statements

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34. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Foreign currency risk (cont'd.)

The Group also holds deposits, cash and bank balances denominated in currencies other than functional currencies for working capital purposes. As at 31 December 2017, the Group has such balances amounting to RM47,369,000 (2016: RM37,709,000).

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 loss 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:

	Group		Company	
	Effect on loss		Effect on loss	
	after taxation		after taxation	
	(Decrease)/increase		(Decrease)/increase	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
US Dollar/RM				
- strengthened 5% (2016: 5%)	(2,283)	(381)	(34,343)	(2,188)
- weakened 5% (2016: 5%)	2,283	381	34,343	2,188

(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.

34. FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Interest rate risk (cont'd.)

Sensitivity analysis for interest rate risk

The table below demonstrates the sensitivity of the Group's and the Company's loss 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	Group Effect on loss after taxation Increase/(decrease)		Company Effect on loss after taxation Increase/(decrease)	
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
London Interbank Offered Rate	+ 50	7,413	9,355	-	4,241
	- 50	(7,413)	(9,355)	-	(4,241)
Cost of funds of lenders	+ 50	2,077	6,297	-	4,318
	- 50	(2,077)	(6,297)	-	(4,318)

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligation. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including deposits, cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position, including derivatives with positive fair values.

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

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34. 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.

Group

	[----- 31 December 2017 -----]				
	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	Total RM'000
Financial liabilities:					
Trade and other payables (exclude provisions and deferred income)	161,794	-	-	-	161,794
Due to former holding company	3,926	-	-	-	3,926
Due to former fellow subsidiaries	1,418	-	-	-	1,418
Borrowings	532,062	154,685	699,537	988,705	2,374,989
Total undiscounted financial liabilities	699,200	154,685	699,537	988,705	2,542,127

34. FINANCIAL RISK MANAGEMENT (CONT'D.)

(d) Liquidity risk (cont'd.)

Group (cont'd.)

	----- 31 December 2016 -----				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)	202,763	–	–	–	202,763
Due to former holding company	1,447	–	383,419	–	384,866
Due to former fellow subsidiaries	843	–	–	–	843
Borrowings	1,588,133	336,867	1,727,849	475,552	4,128,401
Total undiscounted financial liabilities	1,793,186	336,867	2,111,268	475,552	4,716,873

Company

	----- 31 December 2017 -----				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)	1,922	–	–	–	1,922
Due to former holding company	3,926	–	–	–	3,926
Due to subsidiaries and former fellow subsidiaries	444,631	–	–	–	444,631
Total undiscounted financial liabilities	450,479	–	–	–	450,479

Notes to the Financial Statements

31 December 2017

34. FINANCIAL RISK MANAGEMENT (CONT'D.)

(d) Liquidity risk (cont'd.)

Company (cont'd.)

	----- 31 December 2016 -----				
	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	Total RM'000
Financial liabilities:					
Other payables (exclude provisions)	8,860	–	–	–	8,860
Due to former holding company	1,447	–	383,419	–	384,866
Due to subsidiaries and former fellow subsidiaries	630	–	–	–	630
Borrowings	1,059,813	79,881	227,741	475,552	1,842,987
Total undiscounted financial liabilities	1,070,750	79,881	611,160	475,552	2,237,343

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 2017 and 31 December 2016.

35. SIGNIFICANT EVENTS

- (a) On 4 May 2017, Maybank Investment Bank Berhad, on behalf of the Board of Directors of UMW-OG ("Board"), announced the following corporate proposals:
- (i) Proposed renounceable rights issue of up to 6,053,600,000 new shares in the Company ("Rights Shares") together with up to 1,513,400,000 free detachable warrants ("Warrants") at an issue price of RM0.30 per Rights Share on the basis of 14 Rights Shares for every 5 ordinary shares in the Company held at an entitlement date to be determined later ("Proposed Rights Issue With Warrants");
 - (ii) Proposed subscription of up to 4,847,539,594 new Islamic redeemable convertible preference shares in the Company ("RCPS-i") together with up to 1,211,884,898 free Warrants at an issue price of RM0.30 per RCPS-i by Permodalan Nasional Berhad ("PNB") and Funds under PNB's management ("Proposed Subscription");
 - (iii) Proposed exemption for PNB and persons acting in concert with it from the obligation to undertake a mandatory take-over offer for all the remaining shares and warrants in the Company not already owned by them arising from the completion of the Proposed Rights Issue with Warrants pursuant to paragraph 4.08(1)(b) of Rule 4, Part B of the Rules on Take-over, Mergers and Compulsory Acquisitions ("Rules") ("Proposed Exemption"); and
 - (iv) Proposed amendment to the Memorandum and Articles of Association of the Company's Constitution ("Proposed Amendment").

35. SIGNIFICANT EVENTS (CONT'D.)

The above corporate proposals were completed following:

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

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

36. CONTINGENT LIABILITIES

UMW Offshore Drilling Sdn. Bhd. (“UOD” or “Claimant”), a wholly-owned subsidiary of the Group, had on 10 April 2015, served a Notice of Arbitration on Frontier Oil Corporation (“FOC” or “Respondent”), to seek, among others, an award for damages and/or compensation for all losses arising from the Respondent’s breach of contract but not limited to the early termination fee amounting to USD19.2 million.

On 14 August 2015, UOD served its Statement of Claim and the Respondent filed its Statement of Defence dated 18 September 2015 denying, among others, that the Claimant is entitled to the early termination fee, damages, cost, interest or any other sums, without any counterclaim against UOD. The Statement of Reply dated 23 October 2015 was submitted by the Claimant.

On 24 August 2016, FOC served an Amended Statement of Defence and Counterclaim (“ASDC”) seeking, among others, its alleged loss and damages on account of alleged non-performance and/or breach amounting to USD34.9 million.

UOD served its Amended Reply and Defence to Counterclaim (“ARDC”) on the Respondent and further amended the ARDC in response to FOC’s ASDC on 13 October 2016 and 24 April 2017. FOC filed its Statement in Reply to UOD’s ARDC dated 23 November 2016. Thereafter, FOC submitted its revised ASDC on 25 June 2017 and UOD submitted its revised ARDC in response on 14 July 2017 accordingly.

The arbitration hearing is scheduled to be conducted in Singapore from 2 April 2018 to 6 April 2018.

UOD was advised by its solicitors that from the facts of its case, UOD has a good claim and a good defence to the Respondent’s counterclaim.

List of Properties

PROPERTY OWNED BY THE GROUP

As at 31 December 2017

The details of land and buildings owned by the Group are set out below:

Location	Description	Existing Use	Date of issuance of CCC ⁽¹⁾ 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	Currently used as the operating base for UOS-TJ's business	25 June 2013 Refer to note ⁽²⁾	6,564/ 13,909	Nil	RMB3,798,977 (RM2,366,763) (Land) RMB30,307,710 (RM18,881,703) (Building) Refer to note ⁽³⁾
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	(including warehouse, workshop, administration office and restroom), a guard house and a 3-storey research and development building					
No. 101, Central South Fourth Street, Tianjin Economic-Technological Development Area West Zone, 300462 Tianjin, People's Republic of China	(including canteen, exhibition room, meeting room, research room and office)					
Leasehold for a period of 50 years, expiring on 2061						

Notes:

- (1) Certificate of completion and compliance or certificate of fitness for occupation issued by the local authorities.
- (2) 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.
- (3) Based on the rate of RMB1 = RM0.623 as at 31 December 2017.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 8th 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, 15 May 2018 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 2017 and the Reports of the Directors and Auditors thereon.
Please refer to Explanatory Note A
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 and who being eligible, offer themselves for re-election:
 - (i) Razalee bin Amin
 - (ii) Dato' Ibrahim bin Marsidi*Please refer to Explanatory Note B*

Ordinary Resolution 1
Ordinary Resolution 2
3. To re-elect the following Directors, each of whom retires in accordance with Article 113 of the Company's Articles of Association and who being eligible, offer themselves for re-election:
 - (i) Mohd Rashid bin Mohd Yusof
 - (ii) Rowina Ghazali Seth
 - (iii) Haida Shenny binti Hazri
 - (iv) Rizal Rickman bin Ramli*Please refer to Explanatory Note C*

Ordinary Resolution 3
Ordinary Resolution 4
Ordinary Resolution 5
Ordinary Resolution 6
4. To re-elect Cheah Tek Kuang who retires pursuant to section 129 of the Companies Act, 1965 and Article 102 of the Articles of Association of the Company, as a Director of the Company.

Ordinary Resolution 7
5. (i) To approve the payment of the Non-Executive Directors' Fees for period from the current 8th Annual General Meeting of the Company in 2018 ("8th AGM") until the next 9th Annual General Meeting of the Company in 2019 ("9th AGM"), payable monthly; and

Ordinary Resolution 8

 - (ii) Further to approve the payment of the Non-Executive Directors' Remuneration (other than the Non-Executive Directors' Fees) for the amount of up to RM307,500 for the period from the current 8th AGM until the next 9th AGM, payable monthly.

Ordinary Resolution 9*Please refer to Explanatory Note D*
6. To re-appoint Messrs. Ernst & Young as the Company's Auditors for the year ending 31 December 2018 and to authorise the Board of Directors' to determine their remuneration.

Ordinary Resolution 10

Please refer to Explanatory Note E

Notice of Annual General Meeting

AS SPECIAL BUSINESS

To consider, if thought fit, to pass the following resolutions:-

As Special Resolutions

7. **PROPOSED CHANGE OF COMPANY'S NAME FROM "UMW OIL & GAS CORPORATION BERHAD" TO "VELESTO ENERGY BERHAD" ("PROPOSED CHANGE OF NAME")** **Special Resolution 1**

"THAT the name of the Company be hereby changed from "UMW Oil & Gas Corporation Berhad" to "**VELESTO ENERGY BERHAD**" with effect from the date of the Notice of Registration of New Name issued by the Companies Commission of Malaysia and that the Memorandum and Articles of Association ("M&A") of the Company be hereby amended accordingly, wherever the name of the Company appears.

AND THAT the Board of Directors' and/or Secretary of the Company be and are hereby authorised to give effect to the Proposed Change of Name and with full power to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant authorities."

Please refer to Explanatory Note F

8. **PROPOSED ADOPTION OF A NEW CONSTITUTION OF THE COMPANY** **Special Resolution 2**

"THAT approval be and is hereby given to amend and revise existing M&A of the Company, and in place thereof, a new Constitution as set out in the Circular to Shareholders dated 16 April 2018 (accompanying the Company's Annual Report 2017 for the financial year ended 31 December 2017) be and is hereby adopted as the Constitution of the Company; AND THAT the Board of Directors' be and is hereby authorized to assent to any modifications, variations and/or amendments as may be required by the relevant authorities including incorporating the change of name of the Company, (an agenda to be approved by the Shareholders under Special Resolution 1 above) and further to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

Refer to Explanatory Note G

9. To transact any other ordinary business for which due notice has been given in accordance with the Companies Act, 2016 ("CA, 2016") and the Articles of Association of the Company.

By Order of the Board

Rafiza binti Ghazali (MIA 43580)
Company Secretary

Kuala Lumpur
16 April 2018

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.
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 certified true 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 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 forty eight (48) hours before the time appointed for the AGM or any adjournment thereof.
6. For the purpose of determining a member who shall be entitled to attend the 8th 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 **8 May 2018**. Only a depositor whose name appears on the General Meeting Record of Depositors as at **8 May 2018** shall be entitled to attend the said Meeting or appoint a proxy to attend and/or vote in his/her stead.

EXPLANATORY NOTES TO THE AGENDA:

Explanatory Note A

This agenda item is intended for discussion only as section 340 (1) (a) of the CA, 2016 does not require a formal approval of the Shareholders for the Audited Financial Statements of the Company and hence is not put forward for voting.

Explanatory Note B

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.

Pursuant to Article 107 of the Company's Articles of Association, Razalee bin Amin and Dato' Ibrahim bin Marsidi are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at this AGM.

Explanatory Note C

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.

Pursuant to Article 113 of the Company's Articles of Association, Mohd Rashid bin Mohd Yusof, Rowina Ghazali Seth, Haida Shenny binti Hazri and Rizal Rickman bin Ramli are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at this AGM.

Notice of Annual General Meeting

Recommendation for Re-Election

The Board has agreed with the Board Nomination and Remuneration Committee's recommendation that the above Directors are eligible to stand for re-election respectively, based on the results of their individual assessment. Each Independent Non-Executive Directors' has provided his annual declaration of independence in the fourth quarter of 2017.

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.

Section 230 (1) of the CA, 2016 provides that the fees of directors and any benefits payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting.

At the last 7th Annual General Meeting of the Company held on 15 May 2017 ("7th AGM"), the Shareholders had approved the following Non-Executive Directors' Fees and Remuneration:-

Period	Chairman	Non-Executive Directors
7th AGM to 8th AGM	RM144,000 per annum	RM72,000 per annum

In addition, the Non-Executive Directors' Fees & Remuneration include meeting allowances, benefits-in-kind, emoluments and other claimable benefits payable to the Non-Executive Directors, details as shown below:-

Description	Chairman	Non-Executive Directors
Meeting Allowance (per meeting) for Board and Board Committee meetings	RM1,500	RM1,000
Benefits-in-kind	Medical Coverage, insurance, and other claimable benefits	
Per Diem Allowance (excluding out-of-pocket expenses)	RM500 per day (for events outside Lembah Klang) RM200 per day (for events within Lembah Klang)	

At a Board of Directors' Meeting held on 15 December 2017, YBhg Dato' Abdul Rahman bin Ahmad, (Non-Independent Non-Executive Chairman) agreed to receive RM1 only as a token, in lieu of Non-Executive Directors' Fees and Remuneration package for his directorship in the Company, until the next 9th Annual General Meeting in 2019.

Subsequently, the Board of Directors' at its Meetings held on 21 March 2018 and 5 April 2018 recommended the Non-Executive Directors' Fees and Remuneration Policy be revised as follows:-

	Chairman	Non-Executive Directors
Director's Fee	RM120,000 per annum	RM80,000 per annum
Board Committee Fee (for all Board Committee Members, except for Board Whistle-Blowing Committee members)	RM 15,000 per annum / per Committee	RM10,000 per annum / per Committee
Directors' Gratuity Entitlement (payable when a Director vacates the office), except for removal by Board of Directors' or by Shareholders	RM10,000 per year of service payable when vacating office	RM7,500 per year of service payable when vacating office

Other allowances, benefits-in-kind, emoluments and claimable benefits as stated above, remain unchanged.

The proposed revision to take effect from the date of Shareholders approval for Ordinary Resolution 7 and Ordinary Resolution 8, is obtained at this 8th AGM.

Explanatory Note E

Pursuant to section 271 (4) (a) of the CA, 2016, the 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 Board of 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 and the Board of Directors' have considered the re-appointment of Messrs. Ernst & Young as Auditors of the Company, having undertaken an annual assessment of the suitability and independence of the external Auditors, have collectively agreed that Messrs. Ernst & Young has met the relevant criteria prescribed by Paragraph 15.21 of the Main Market Listing Requirement ("MMLR") of Bursa Malaysia.

Explanatory Note F

The proposed Special Resolution is set out in Appendix I of the Circular to Shareholders dated 16 April 2018 (accompanying the Company's Annual Report for the financial year ended 31 December 2017).

Explanatory Note G

The proposed Special Resolution, if passed, will bring the Company's Constitution in line with the provisions of the Companies Act, 2016 and the recent amendments to the MMLR of Bursa Malaysia. The proposed new Constitution is set out in Appendix II of the Circular to Shareholders dated 16 April 2018 (accompanying the Company's Annual Report for the financial year ended 31 December 2017).

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 referred to in the Notice of AGM are set out in their respective profiles appearing on pages 32 and 41 of this Annual Report. Directors' interests in the securities of the Company are disclosed on pages 11 and 13 of this Annual Report.

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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 (1) box only)

as my/our proxy to vote for me/us and on my/our behalf at the 8th 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, 15 May 2018 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.)

ORDINARY RESOLUTIONS	FOR	AGAINST
To re-elect Razalee bin Amin in accordance with Article 107 of the Company's Articles of Association Ordinary Resolution 1		
To re-elect Dato' Ibrahim bin Marsidi in accordance with Article 107 of the Company's Articles of Association Ordinary Resolution 2		
To re-elect Mohd Rashid bin Mohd Yusof in accordance with Article 113 of the Company's Articles of Association Ordinary Resolution 3		
To re-elect Rowina Ghazali Seth in accordance with Article 113 of the Company's Articles of Association Ordinary Resolution 4		
To re-elect Haida Shenny binti Hazri in accordance with Article 113 of the Company's Articles of Association Ordinary Resolution 5		
To re-elect Rizal Rickman bin Ramli in accordance with Article 113 of the Company's Articles of Association Ordinary Resolution 6		
To re-elect Cheah Tek Kuang in accordance with section 129 of the Companies Act, 1965 and Article 102 of the Company's Articles of Association Ordinary Resolution 7		
To approve the payment of Non-Executive Directors' Fees from the 8th Annual General Meeting ("8th AGM") of the Company in 2018 until the 9th Annual General Meeting ("9th AGM") of the Company in 2019, payable monthly Ordinary Resolution 8		
To approve the payment of Non-Executive Directors' Remuneration (excluding Directors' Fees) to the Non-Executive Directors' up to an amount of RM307,500.00 from the 8th AGM until the 9th AGM in 2019 of the Company, payable monthly Ordinary Resolution 9		
To re-appoint Messrs. Ernst & Young as the Company's Auditors for the year ending 31 December 2018 and to authorise the Directors to fix their remuneration Ordinary Resolution 10		
SPECIAL BUSINESS		
Proposed change of Company's name from "UMW Oil & Gas Corporation Berhad" to "Velesto Energy Berhad" Special Resolution 1		
Proposed adoption of a new Constitution of the Company Special Resolution 2		

Dated this _____ day of _____ 2018

Name of Member
(If the appointor is an attorney or a corporation please see Note 2 below)

CDS Account No.

No. of Ordinary Shares Held

Signature of Member(s) / Common Seal

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.
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 certified true 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 forty eight (48) hours before the time appointed for the AGM or any adjournment thereof.
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 8 May 2018. Only a depositor whose name appears on the General Meeting Record of Depositors as at 8 May 2018 shall be entitled to attend the said meeting or appoint a proxy to attend and/or vote in his/her stead.

1. *Fold here*

**THE REGISTRAR OF
UMW OIL & GAS CORPORATION BERHAD**
Company No. : 878786-H

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.

T +603 - 2096 8788
F +603 - 2274 7787
W www.umw-oilgas.com

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in doubt as to the course of action to be taken, you should consult your stockbroker, solicitor, accountant, bank manager or other professional adviser immediately.

Bursa Malaysia Securities Berhad has not perused the contents of this Circular prior to its issuance and takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

Shareholders should rely on their own evaluation to assess the merits and risks of the Proposals as set out herein.



**UMW
OIL & GAS**
UMW OIL & GAS CORPORATION BERHAD
(Company No. 878786-H)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO

**PROPOSED CHANGE OF COMPANY'S NAME FROM "UMW OIL & GAS CORPORATION BERHAD"
TO "VELESTO ENERGY BERHAD"**

AND

PROPOSED ADOPTION OF A NEW CONSTITUTION OF THE COMPANY

The above Proposals will be tabled as Special Business at UMW Oil & Gas Corporation Berhad's 8th Annual General Meeting ("AGM") to be held at Dewan Tun Abdul Razak, Menara Kembar Bank Rakyat, No. 33 Jalan Rakyat, 50470 Kuala Lumpur, Malaysia on Tuesday, 15 May 2018 at 10.00 a.m. The Notice of the 8th AGM is set out in the Annual Report of UMW Oil & Gas Corporation Berhad for the financial year ended 31 December 2017.

If you are unable to attend and vote in person at the AGM, you may appoint a proxy to attend and vote on your behalf. If you wish to do so, you must complete and deposit the Form of Proxy at the office of the Share Registrar of the Company, Securities Services (Holdings) Sdn Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia, not less than forty eight (48) hours before the time appointed for the AGM or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the AGM should you subsequently decide to do so.

Last date and time for lodging the Form of Proxy : Sunday, 13 May 2018 at 10.00 a.m.
Date and time of the AGM : Tuesday, 15 May 2018 at 10.00 a.m.

This Circular is dated 16 April 2018

DEFINITIONS

In this Circular and the accompanying appendix, the following words and abbreviations shall have the following meanings unless otherwise stated:-

Act	:	Companies Act 2016 as amended from time to time and any re-enactment thereof
AGM	:	Annual General Meeting
Board	:	The Board of Directors of the Company
CCM	:	Companies Commission of Malaysia
Group	:	UMW-OG and its subsidiaries
Listing Requirements	:	Bursa Malaysia Securities Berhad Main Market Listing Requirements including any amendments thereto that may be made from time to time.
Notice	:	Notice of the AGM
Proposals	:	Collectively, the Proposed Change of Company's Name and Proposed Adoption
Proposed Adoption	:	Proposed adoption of a new Constitution of the Company
Proposed Change of Company's Name	:	Proposed change of name of the Company from "UMW Oil & Gas Corporation Berhad" to "Velesto Energy Berhad"
UMW-OG or the Company	:	UMW Oil & Gas Corporation Berhad

In this Circular, words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

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**LETTER TO THE SHAREHOLDERS OF UMW-OG IN RELATION TO
THE PROPOSALS**



UMW
OIL & GAS

UMW OIL & GAS CORPORATION BERHAD

(Company No. 878786-H)
(Incorporated in Malaysia)

Registered Office:
Level 18, Block 3A, Plaza Sentral
Jalan Stesen Sentral 5
50470 Kuala Lumpur
Malaysia

16 April 2018

Board of Directors:

Dato' Abdul Rahman bin Ahmad	<i>(Chairman / Non-Independent Non-Executive Director)</i>
Rohaizad bin Darus	<i>(President / Non-Independent Executive Director)</i>
Razalee bin Amin	<i>(Independent Non-Executive Director)</i>
Dato' Afifuddin bin Abdul Kadir	<i>(Senior Independent Non-Executive Director)</i>
Cheah Tek Kuang	<i>(Independent Non-Executive Director)</i>
Dato' Ibrahim bin Marsidi	<i>(Independent Non-Executive Director)</i>
Rowina Ghazali Seth	<i>(Independent Non-Executive Director)</i>
Mohd Rashid bin Mohd Yusof	<i>(Independent Non-Executive Director)</i>
Haida Shenny binti Hazri	<i>(Non-Independent Non-Executive Director)</i>
Rizal Rickman bin Ramli	<i>(Non-Independent Non-Executive Director)</i>

To: The Shareholders of UMW Oil & Gas Corporation Berhad

Dear Sir/Madam,

**PROPOSED CHANGE OF COMPANY'S NAME
PROPOSED ADOPTION OF A NEW CONSTITUTION OF THE COMPANY**

1. INTRODUCTION

The Board had, on 5 April 2018, announced that the Company proposes to change its name from "UMW Oil & Gas Corporation Berhad" to "Velesto Energy Berhad" and to adopt a new Constitution of the Company.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSALS AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING 8TH AGM. THE NOTICE OF AGM TOGETHER WITH THE FORM OF PROXY ARE ENCLOSED IN THE ANNUAL REPORT 2017.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING 8TH AGM.

2. PROPOSED CHANGE OF COMPANY'S NAME

2.1 Details and Rationale of the Proposed Change of Company's Name

The proposed change of name of the Company from "UMW Oil & Gas Corporation Berhad" to "Velesto Energy Berhad" is pursuant to the Group's demerger from UMW Holdings Berhad in 2017 and is part of the Group's rebranding strategy to position itself to have a new corporate identity for its existing and future undertakings.

3. PROPOSED ADOPTION

3.1 Details of the Proposed Adoption

The Board proposed that the Company amend and revise its existing Memorandum & Articles of Association in its entirety with immediate effect and in place thereof, adopt a new Constitution taking into account the Act which came into effect from 31 January 2017 and to be in line with the Listing Requirements.

A copy of the new Constitution proposed to be adopted is set forth in Appendix II of this Circular.

3.2 Rationale for the Proposed Adoption

The Proposed Adoption is primarily for the purpose of streamlining the Company's existing Memorandum & Articles of Association to be in line with the Act which was implemented with effect from 31 January 2017, the Listing Requirements and the prevailing statutory and regulatory requirements applicable to the Company.

The Board proposes the adoption of a new Constitution as the amendments required to be made are numerous and would entail substantial amendments to the existing Memorandum & Articles of Association of the Company.

4. EFFECTS OF THE PROPOSALS

The Proposals will not have any impact on the share capital of the Company and the shareholdings of substantial shareholders of the Company, and will not have any material effect on the net assets, gearing and earnings per share of the Group.

5. APPROVALS REQUIRED

5.1 Proposed Change of Company's Name

The proposed name "Velesto Energy Berhad" has been approved and reserved by the Companies Commission of Malaysia ("CCM") on 15 March 2018 and the reservation for the use of the proposed name is valid for a period of 30 days from 15 March 2018 ("Validity Period"). Subsequently, the Validity Period was extended by CCM to 13 July 2018.

The Proposed Change of Company's Name is subject to the approval of the shareholders of the Company at the forthcoming 8th AGM to be convened or at any adjournment thereof.

The Proposed Change of Company's Name, if approved by the shareholders, will take effect from the date of issuance of the Notice of Registration of New Name by CCM to the Company.

5.2 Proposed Adoption

The Proposed Adoption is conditional upon the approval of the shareholders of the Company being obtained at the forthcoming 8th AGM to be convened.

6. DIRECTORS' RECOMMENDATION

The Board, after having considered all aspects of the Proposals, is of the opinion that the above is in the best interest of the Company and therefore recommends that you vote in favour of the special resolutions pertaining to the Proposals to be tabled at the forthcoming 8th AGM of the Company.

7. AGM

The 8th AGM, the Notice of which is enclosed in the Annual Report 2017, will be held at Dewan Tun Abdul Razak, Menara Kembar Bank Rakyat, No. 33 Jalan Rakyat, 50470 Kuala Lumpur, Malaysia on Tuesday, 15 May 2018 at 10.00 a.m. or any adjournment thereof, for the purpose of considering and, if thought fit, passing the resolutions on the Proposals under the agenda of Special Business as set out in the Notice.

If you are unable to attend and vote in person at the 8th AGM, you may appoint a proxy to attend and vote on your behalf. If you wish to do so, you must complete and deposit the Form of Proxy at the office of the Share Registrar of the Company, Securities Services (Holdings) Sdn Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia, not less than forty eight (48) hours before the time appointed for the AGM or any adjournment thereof. The lodging of the Form of Proxy will not, however, preclude you from attending and voting in person at the 8th AGM should you subsequently wish to do so.

8. FURTHER INFORMATION

You are advised to refer to the attached Appendix I for further information.

Yours faithfully

For and on behalf of the Board

UMW OIL & GAS CORPORATION BERHAD

ROHAIZAD BIN DARUS

President, Executive Director

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FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board and they individually and collectively accept full responsibility for the accuracy of the information contained herein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular false or misleading.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of the Company at Level 18, Block 3A, Plaza Sentral, Jalan Stesen Sentral 5, 50470 Kuala Lumpur, Malaysia during normal business hours on any working days from the date of this Circular up to and including the date of the forthcoming 8th AGM:

- (i) Constitution of the Company; and
- (ii) CCM's letters both dated 15 March 2018, in relation to the reservation of the proposed name "Velesto Energy Berhad" and the extension of name reservation period thereof.

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Company No.
878786-H

APPENDIX II

PROPOSED NEW CONSTITUTION OF THE COMPANY

THE COMPANIES ACT 2016

PUBLIC COMPANY LIMITED BY SHARES

MALAYSIA

CONSTITUTION

of

UMW OIL & GAS CORPORATION BERHAD

(Company No. 878786-H)

Incorporated on the 12th day of November, 2009

Company No.

878786-H

THE COMPANIES ACT 2016

MALAYSIA

A PUBLIC COMPANY LIMITED BY SHARES

CONSTITUTION

OF

UMW OIL & GAS CORPORATION BERHAD
(Company No.: 878786-H)

1. The name of the Company is **UMW OIL & GAS CORPORATION BERHAD**.
2. The Registered Office of the Company will be situated in Malaysia.
3. The objects for which the Company is established are: -
 - (a) To carry on the business of an investment company and for that purpose to acquire and hold either in the name of the Company or in that of any nominee, shares, stocks, debentures, debenture stocks, bonds, notes, obligations, and securities issued by any company wherever incorporated or carrying on business.
 - (b) To carry on the business of general trading as buyers, sellers, importers, exporters, manufacturers, producers, dealers, buying or selling commission agents and otherwise deal in goods, merchandise, commodities, plants and machinery and clauses of all descriptions.
 - (c) To carry on any trade or business whatsoever which can be advantageously carried on by the Company in connection with or as auxiliary to the general business of the Company.
4. The Company shall have full capacity and powers to achieve such objects as mentioned above.
5. The liability of the members is limited.
6. The provisions set out in the Companies Act 2016 which may be modified or substituted by the provisions of these clauses shall not apply to the Company, except in so far as the same are repeated or contained in this Constitution.

INTERPRETATION

7. In this Constitution, if not inconsistent with the subject or context, the words standing in the first column of the table next hereinafter contained shall bear the meanings set opposite to them respectively in the second column thereof:-

WORDS**MEANINGS**

Act	The Companies Act 2016 and any statutory modification, amendment or re-enactment thereof for the time being in force and all subsidiary legislation made thereunder.
Auditors	Auditors who are registered under Section 31O of the Securities Commission Act 1993.
beneficial owner	The ultimate owner of the shares and does not include a nominee of any description.
Board of Directors or Directors	The Board of Directors for the time being of the Company. The word "Board of Directors", "Board" and "Directors" may be used interchangeably.
Bursa Depository	Bursa Malaysia Depository Sdn. Bhd. (Company No. 165570-W) including any further change of name.
Central Depositories Act	Securities Industry (Central Depositories) Act 1991, and any statutory modification, amendment or re-enactment thereof for the time being in force and includes all subsidiary legislation made thereunder.
Clause	Clauses of this Constitution as originally framed or altered from time to time by Special Resolution.
CMSA	Capital Markets and Services Act 2007, and any statutory modification, amendment or re-enactment thereof for the time being in force.
Constitution	This Constitution as originally framed or as altered from time to time by Special Resolution and this "Constitution" means any one of them.
Company	UMW Oil & Gas Corporation Berhad (Company No. 878786-H).
Deposited Security	A security in the Company standing to the credit of a Securities Account of a Depositor and includes securities in the Securities Account that is in suspense subject to the provisions of the Central Depositories Act and the Rules.
Depositor	A holder of a Securities Account as defined in Section 2 of the Central Depositories Act.
Director	Any person occupying the position of director of a corporation by whatever name called and includes a person in accordance with whose directions or instructions the majority of directors of a corporation are accustomed to act and an alternate or substitute director.
Documents	Any document required to be sent under the Listing Requirements to the securities holder.
electronic address	Any address or number used for the purpose of sending or receiving documents or information by electronic means.

Company No.

878786-H

electronic communication	A document or information is sent or supplied by electronic communication if it is sent by means of electronic equipment for the processing (which expression includes digital compression) or storage of data, and entirely transmitted, conveyed and received by wire, by radio, by optical means or by other electromagnetic means.
electronic form	Document or information sent or supplied in electronic form are those sent by “electronic communication” or by any other means while in an electronic form.
Exchange	Bursa Malaysia Securities Berhad (Company No. 635998-W) or such other name as it may assume from time to time and such other stock exchange, if any, upon which the shares of the Company may be listed and quoted.
Exempt Authorised Nominee	An authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act.
Listing Requirements	Bursa Malaysia Securities Berhad Main Market Listing Requirements including any amendments thereto that may be made from time to time.
Market Day	A day on which the stock market of the Exchange is open for trading in securities.
member	Unless otherwise expressed to the contrary, any person(s) for the time being holding one or more shares in the Company and whose name(s) appears in the Register of Members and includes a Depositor who shall be treated as if he were a member pursuant to Section 35 of the Central Depositories Act but excludes the Bursa Depository in its capacity as a bare trustee member.
Office	The registered office for the time being of the Company.
Ordinary Resolution and/or Special Resolution	This resolution shall have meaning assigned thereto under Sections 291 and 292 of the Act respectively, and any statutory modification, amendment or re-enactment thereof for the time being in force.
Record of Depositors	A record provided by the Bursa Depository to the Company or its registrar(s) under Chapter 24.0 of the Rules.
Register	The register of members to be kept pursuant to the Act, and unless otherwise expressed to the contrary, includes the Record of Depositors.
Registrar	Such person, firm or company which for the time being maintains in Malaysia, the register of securities holders.
Rules	The Rules of the Bursa Depository and any appendices thereto, as amended, modified and supplemented from time to time.
Seal	The Common Seal of the Company or in appropriate case the official seal.

Company No.

878786-H

Secretary	Any person or persons appointed to perform the duties of the secretary of the Company and shall include a joint, temporary assistant or deputy secretary.
securities	As defined in Section 2 (1) of the CMSA.
Securities Account	An account established by the Bursa Depository for a Depositor for the recording of deposit or withdrawal of Securities and for dealing in such Securities by the Depositor as permitted under the Central Depositories Act and / or the Rules.

Writing shall include printing and lithography and any other mode or modes of representing or reproducing words, symbols or other information which may be displayed in a visible form, whether in a physical document or in an electronic communication or form or otherwise howsoever.

Words importing the singular number only shall include the plural number and vice versa and the masculine shall include the feminine and neuter genders and vice versa.

Words importing persons shall include any individuals, firms, corporations, government bodies or agencies.

Words importing "month" or "year" shall be references to a calendar month or calendar year respectively.

Subject as aforesaid, words or expressions contained in these Clauses shall be interpreted in accordance with the provisions of the Interpretation Acts, 1948 and 1967 of Malaysia, as amended from time to time and any re-enactment thereof.

EFFECT OF THE LISTING REQUIREMENTS

8. (a) Notwithstanding anything contained in this Constitution, if the Listing Requirements prohibit an act being done, the act shall not be done.
- (b) Nothing contained in this Constitution prevents an act being done that the Listing Requirements require to be done.
- (c) If the Listing Requirements require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).
- (d) If the Listing Requirements require this Constitution to contain a provision and it does not contain such a provision, this Constitution is deemed to contain that provision.
- (e) If the Listing Requirements require this Constitution not to contain a provision and it contains such a provision, this Constitution is deemed not to contain that provision.
- (f) If any provision of this Constitution is or becomes inconsistent with the Listing Requirements, this Constitution is deemed not to contain that provision to the extent of the inconsistency.
- (g) Notwithstanding anything contained in this Constitution, nothing herein contained shall prevent the Directors from applying to the Exchange for a waiver from compliance or observance of any of the Listing Requirements. In the event the compliance or observance of such Listing Requirements are waived by the Exchange, the Company

shall not be required to comply with any of the Clauses relating to those Listing Requirements in respect of which compliance or observance has been waived by the Exchange.

- (h) The provisions of this Clause 8 shall only apply so long as any of the securities of the Company are listed on the Exchange.

SHARE CAPITAL AND VARIATION OF RIGHTS

9. Subject to the Act and this Constitution, shares in the Company may be issued by the Directors and any such shares may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital, or otherwise as the Directors, subject to any special resolution of the Company, may determine.
10. Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares and subject to the provisions of this Constitution, the Act and the provisions of any resolution of the Company, shares in the Company may be issued by the Directors, who may allot, or otherwise dispose of such shares to such persons, on such terms and conditions, with such preferred, deferred or other special rights, and subject to such restrictions and at such times as the Directors may determine but the Directors in making any issue of shares shall comply with the following conditions:-
- (a) in the case of shares of a class, other than ordinary shares, no special rights shall be attached until the same have been expressed in this Constitution and in the resolution creating the same;
- (b) every issue of shares or options to employees and/or Directors shall be approved by members in general meeting and in respect of issuance of shares or options to Directors such approval shall specifically detail the amount of shares or options to be issued to such Directors;
- (c) except in the case of an issue of securities on a pro rata basis to shareholders or pursuant to a back-to-back placement undertaken in compliance with the Listing Requirements, a Director, major shareholders, Chief Executive or person connected to any Director, major shareholder or Chief Executive of the Company shall not participate, directly or indirectly, in an issue of ordinary shares or other securities with rights of conversion to ordinary shares unless the shareholders of the Company in general meeting have approved the specific allotment to be made to the Director major shareholders, Chief Executive or person connected to any Director, major shareholder or Chief Executive and the Director, major shareholders, Chief Executive or person connected to any Director, major shareholder or Chief Executive has abstained from voting on the relevant resolution;

In this Clause, "Major Shareholder", "Chief Executive" and "Person connected to any Director, major shareholder or Chief Executive" shall have the same meaning described thereto in the Listing Requirements.

- (d) without limiting the generality of Section 75 and 76 of the Act, the Company must not issue any ordinary shares or other securities with rights of conversion to ordinary shares if those shares or securities, when aggregated with any such shares or securities which the Company has issued during the preceding twelve (12) months, exceeds ten percent (10%) of the issued and paid-up capital (excluding treasury shares) of the Company, except where the shares or securities are issued with the prior shareholders' approval in a general meeting of the precise terms and conditions

of the issue; and

- (e) in working out the number of shares or securities that may be issued by the Company, if the security is a convertible security, each such security is counted as the maximum number of shares into which it can be converted or exercised.
11. Subject to the Act, any preference shares may with the sanction of an ordinary resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed. The Company shall have the power to issue preference capital ranking equally with, or in priority to, preference shares already issued. Preference shareholders shall have the same rights as ordinary shareholders as regards to receiving notices, reports and audited financial statements and attending meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the share capital or winding up or during the winding up of the Company, or on a proposal for the disposal of the whole of the Company's property, business and undertaking, or where any resolution to be submitted to the meeting directly affects their rights and / or privileges attached to the shares, or when the dividend or part of the dividend on the preference shares is in arrears for more than six (6) months.
12. (1) In this Clause 12, the following words and expressions shall, unless the context otherwise requires, have the following meanings:
- “**Issue Date**” means the date of issuance of the RCPS-i, to be determined by the Board.
- “**Maturity Date**” means the day immediately preceding the 5th anniversary from the Issue Date.
- “**RCPS-i**” means Islamic redeemable convertible preference shares.
- (2) Subject to the Act, any RCPS-i may be issued with the rights and privileges, and be subject to the terms set out in this Clause 12.
- (3) **Tenure and Listing**
- (a) The tenure of the RCPS-i shall be five (5) years from the Issue Date.
- (b) The RCPS-i will not be listed on the Main Market of Bursa Securities. New ordinary shares to be issued pursuant to the conversion of the RCPS-i will be listed and quoted on the Main Market of Bursa Securities.
- (4) **Dividend**
- Notwithstanding Clauses 57 and 161, the RPCS-i holders agree that no dividends shall be payable and (in and for compliance with Shariah) to waive its rights to receive any distribution of realised profit, with such waiver to be decided by the Board at the relevant time on behalf of the RCPS-i holders.
- (5) **Ranking**
- (a) The RCPS-i shall rank equally amongst themselves, and will rank ahead in point of priority to the holders of the Company's ordinary shares and all other classes of shares (if any) in the Company, in respect of payment out of the assets of the Company upon any liquidation, dissolution or winding-up of the Company,

provided always that the Board approves such payment out of the assets of the Company on this basis and further affirms the priority of payment to the RCPS-i holders.

- (b) For the avoidance of doubt, it is agreed that the passing of a resolution at an Extraordinary General Meeting of the holders of ordinary shares of the Company to be convened shall represent their agreement (in and for compliance with Shariah) for the priority of payment out of assets to the RCPS-i holders to be decided by the Board at the point of distribution on their behalf.
- (c) The RCPS-i shall rank subordinated to all the Company's creditors in respect of payment of debt and payments out of assets of the Company upon liquidation, dissolution or winding-up of the Company.

(6) **Voting Rights**

- (a) The RCPS-i holders shall be entitled to the same rights as holders of the Company's ordinary shares as regards to the receipt of notices (including that of general meetings), reports and audited financial statements, to attend meetings and to receive shareholders' resolutions in writing, but shall not be entitled to vote or approve any shareholders' resolutions or vote at any general meeting of the Company, save and except in respect of any resolution made:
 - (i) on a proposal to reduce the Company's share capital;
 - (ii) on a proposal for the disposal of substantially the whole of the Company's property, business and undertaking;
 - (iii) on a proposal to wind-up the Company;
 - (iv) during the winding-up of the Company; and
 - (v) on any proposal that affects the rights and privileges attached to the RCPS-i, including the amendments to this Constitution.
- (b) In any of the aforesaid circumstances in Clause 12(6)(a), the RCPS-i holders shall be entitled to vote at all general meetings of the members of its class, and on a poll at any such general meetings to one (1) vote for each RCPS-i held.
- (c) Failure by the Company to provide any notice of any document referred to in Clause 12(6)(a) above (save in respect of the aforesaid exceptions stated in Clauses 12(6)(a)(i) to (v)) will not affect the validity of any meeting (or any proceedings at any meeting), transaction or document connected with the document which was not received by the RCPS-i holders.

(7) **Conversion**

(a) **Conversion Ratio**

- (i) The conversion ratio shall be one (1) new ordinary share for every one (1) RCPS-i held ("**Conversion Ratio**").
- (ii) The Conversion Ratio shall be subject to adjustment from time to time, at the determination of the Board, in the event of any alteration to the Company's share capital, whether by way of rights issue, capitalisation issue, consolidation of shares, subdivision of shares or reduction of capital howsoever being effected, in accordance with the provisions of the Constitution. The Company shall give notice in writing to the RCPS-i

holders of its intention to make such adjustments to the Conversion Ratio.

- (iii) If the conversion results in a fractional entitlement to ordinary shares, such fractional entitlement shall be disregarded and no refund or credit, whether in the form of RCPS-i, cash or otherwise, shall be given in respect of the disregarded fractional entitlement.

(b) **Conversion Rights**

- (i) The fully paid-up RCPS-i shall be convertible, at the option of the RCPS-i holders, at any time commencing from the Issue Date and up to the Maturity Date, into such number of fully-paid new ordinary shares of the Company, without payment of any consideration (cash or otherwise) in accordance with the Conversion Ratio ("**Conversion Rights**").
- (ii) Subject to the Act (or such applicable legislation for the time being) and provided that all the RCPS-i then in issue have been fully paid up, the RCPS-i holders may at any time thereafter, exercise the Conversion Right by giving notice in writing ("**Conversion Notice**") to the Company of its intention to convert and specifying such number of RCPS-i intended to be converted into fully-paid new ordinary shares of the Company ("**Conversion Shares**").
- (iii) Any remaining RCPS-i that are not converted by the Maturity Date shall be automatically converted into fully-paid new ordinary shares of the Company at the Conversion Ratio.
- (iv) Subject to compliance with all applicable laws and regulations, the Company shall take such requisite steps to allot and issue the Conversion Shares, apply for the listing of and quotation for the Conversion Shares and credit the Conversion Shares into the holders' securities account created with the Central Depository System pursuant to the Central Depositories Act and the Rules, for the recording of deposit of securities and for dealing in such securities by the Depositor. No physical share certificates will be issued to the RCPS-i holders in respect of the conversion.
- (v) The Company shall not be required to convert any RCPS-i of the RCPS-i holders where conversion of the RCPS-i would be contrary to the laws of Malaysia.

(c) **Ranking of Conversion Shares**

The new ordinary shares to be issued upon conversion of the RCPS-i shall upon allotment and issue rank *pari passu* in all respects with the then issued ordinary shares of the Company including the entitlements to dividends, rights, allotments or other distributions, except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, of which the entitlement date is before the date of allotment of such new ordinary shares.

(8) **Redemption**

- (a) The Company shall not redeem any RCPS-i held by the RCPS-i holders where redemption of the RCPS-i would be contrary to the laws of Malaysia.

(b) Subject to the Act (or such applicable legislation for the time being), the Company may at any time before the Maturity Date, at its discretion, redeem all or part of the outstanding RCPS-i by giving notice in writing to the RCPS-i holders of its intention to do so, in cash at a redemption price which shall be the aggregate of:

- (i) the issue price of the relevant RCPS-i being redeemed; and
- (ii) redemption premium of a rate per annum as may be determined by the Board shall apply and shall be on a cumulative but non-compounding basis calculated from the Issue Date up to the redemption date, out of the distributable profits of the Company.

(the aggregate of the above being the “**Redemption Price**”).

(9) **Rights of RCPS-i holders on liquidation, dissolution or winding-up preference**

(a) Notwithstanding Clauses 178 and 179, on a return of capital on the dissolution, winding-up or liquidation of the Company, the RCPS-i holders shall have, in priority to the holders of ordinary shares and all other classes of shares (if any) in the Company, in respect of payment out of the assets of the Company upon any liquidation, dissolution or winding-up of the Company, provided always that the Board approves such payment out of the assets of the Company on this basis and further affirms the priority of payment to the RCPS-i holders.

(b) Subject to the approval of the Board for the distribution, the holders of ordinary shares and all other classes of shares (if any) in the Company shall waive their right to receive proceeds from liquidation, dissolution or winding-up for the benefit of the RCPS-i holders until the RCPS-i holders have received their payment in full on all capital paid up on the RCPS-i by the RCPS-i holders. For the avoidance of doubt, it is agreed that the passing of a resolution at an Extraordinary General Meeting of the ordinary shareholders of the Company to amend this Constitution (embedding the rights of the RCPS-i holders), shall represent their agreement (in and for compliance with Shariah) for the priority of distribution (of assets upon the liquidation, dissolution or winding up of the Company) to RCPS-i holders to be decided by the Board at the point of distribution on their behalf.

(10) **Transferability**

Notwithstanding Clauses 33 to 37, the RCPS-i shall not be transferable, save and except for transfers between Permodalan Nasional Berhad and funds under its management, subject to the applicable laws, regulations and rules that would apply to the securities of the Company.

The provisions of the Act (or such applicable legislation for the time being) relating to the registration of shares shall apply to the RCPS-i.

(11) **Share certificates**

The Company shall not be required to issue a share certificate unless an application by a RCPS-i holder for a certificate relating to the holder’s RCPS-i has been received.

Any share certificate issued and replaced by the Company for RCPS-i shall be issued

and replaced in accordance with the Act (or such applicable legislation for the time being).

(12) **Governing law**

The RCPS-i shall be governed by the laws of Malaysia.

(13) **Rating**

The RCPS-i will not be rated.

13. Notwithstanding Clause 11, the repayment of preference share capital other than redeemable preference capital or any other alteration of preference shareholder's rights, may only be made pursuant to a special resolution of the preference shareholders concerned PROVIDED ALWAYS that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing, if obtained from not less than 75% of the total voting rights of the preference shareholders within two (2) months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting.
14. Subject to the provisions of Sections 71 and 91 of the Act, if at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied with the sanction of a special resolution passed at a separate meeting of the shareholders of that class. Where necessary majority of such a special resolution is not obtained at the meeting, consent in writing if obtained from the holders of not less than 75% of the total voting rights of the shareholders of that class within two (2) months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting. To every such separate general meeting, the provisions of this Constitution relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be at least two (2) persons who are shareholders present in person or represented by proxy holding at least one-third (1/3) of the number of issued shares of the class, excluding any shares of that class held as treasury shares and that any holder of shares of the class present in person or by proxy may demand a poll. For adjourned meeting, quorum is one person present holding shares of such class. To every such special resolution, the provisions of Section 292 of the Act shall with such adaptations as are necessary, apply.
15. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or in all respects *pari passu* therewith.
16. The Company may pay a commission to any person in consideration of his subscribing or agreeing to subscribe, whether absolutely or conditionally, or procuring or agreeing to procure subscriptions, whether absolute or conditional, for any shares in the Company PROVIDED THAT (i) the rate in percentage or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the Act, that such commission shall not exceed the rate of ten per cent (10%) of the price at which such shares are issued, or an amount equivalent to such percentage of that price, whichever is the lesser, and (ii) the requirements of Section 80 of the Act shall be observed. Subject to the provisions of Section 78 of the Act, such commission may be satisfied by the payment of cash or allotment of fully or partly paid shares or partly in one way and partly in the other. The Company may also on any issue of shares pay such brokerage as may be lawful.

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17. Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings, or the provision of any plant which cannot be made profitable for a long period, the Company may pay interest on so much share capital as is for the time being paid up for the period and subject to the conditions and restrictions mentioned in Section 130 of the Act and may charge the same to capital as part of the cost of the plant construction of any works or buildings or the provision of any plant.
18. Except as required by this Constitution or by law, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or be compelled in any way to recognise (even with notice thereof) any equitable, contingent, future or partial interest in any share or any unit of share or any other right in respect of any shares, except an absolute right to the entirety thereof in the registered holder.

ISSUE OF SECURITIES

19. The Company must ensure that all new issues of securities for which listing is sought are made by way of crediting the Securities Accounts of the allottees with such Securities save and except where they are specifically exempted from compliance with Section 38 of the Central Depositories Act, in which event they shall so similarly be exempted from compliance with this provision. For this purpose, the Company must notify Bursa Depository of the names of the allottees and all such particulars required by Bursa Depository, to enable Bursa Depository to make the appropriate entries in the Securities Accounts of such allottees. The Company must not cause or authorise its Registrar to cause the Securities Accounts of the allottees to be credited with the additional securities until after the Company has filed with the Exchange an application for listing of such additional securities and has been notified by the Exchange that they have been authorised for listing.
20. Subject to the provisions of the Act, the Central Depositories Act and the Rules, the Company shall allot and / or issue securities, despatch notices of allotment to the allottees and make an application for the quotation of such securities within the period as may be prescribed by the Exchange and deliver to Bursa Depository the appropriate certificates in such denominations as may be specified by Bursa Depository and registered in the name of Bursa Depository or its nominee company.
21. The certificate of title to share, stock, debentures, debenture stock, notes and other securities of the Company shall be issued under the Seal and bear the signatures or the autographic signatures of one Director and the Secretary or a second Director or such other person as may be authorised by the Board, and shall specify the shares to which it relates, and the amount paid up thereon provided that the Board may by resolution determine that such signatures, or either of them, shall be dispensed with or shall be affixed by such other person as may be authorised by the Board or some method or system of mechanical signature.

LIEN

22. The Company shall have a first and paramount lien on every share and dividend from time to time declared in respect of such share for all unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid, and to such amounts as the Company may be called upon by law to pay and has paid in respect of the shares of the member or deceased member. The Company shall be entitled to charge interest thereon, not higher than the overdraft rate charged for the time being by the Company's principal bankers or such other reasonable rate as the Directors may determine. The Directors may at any time declare any share to be wholly or in part exempt from the provisions of this Clause.

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23. Subject to the Central Depositories Act and the Rules, the Company may sell, in such manner as the Directors think fit, any shares on which the Company has a lien, but no sale shall be made unless a sum in respect of which the lien exists is presently payable, nor until the expiration of fourteen (14) days after a notice in writing, stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share, or the person entitled thereto by reason of his death or bankruptcy.
24. To give effect to any such sale, the Directors may authorise its Registrar to cause Bursa Depository to credit the Securities Account of the purchaser of the shares sold or otherwise in accordance with the directions of the purchaser. The purchaser shall be registered as the holder of the shares comprised in any such transfer and the Directors shall not be bound to see to the application of the purchase money nor shall the purchaser's title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale and the remedy of the holder of such shares or of any person claiming under or through him in respect of any alleged irregularity or invalidity, shall be against the Company.
25. The proceeds of the sale after payment of the amount of interest and costs relating to the sale, shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable and the residue, if any, shall be paid to the person entitled to the shares at the date of the sale or his executors, administrators or assignees or as he directs.

CALL ON SHARES

26. The Directors may, subject to the Act and the provisions of the Listing Requirements, from time to time make calls upon the members in respect of any money unpaid on their shares and not by the conditions of allotment thereof made payable at fixed times, provided that no calls shall exceed one-fourth of the issued price of the share or be payable at less than thirty days from the date fixed for the payment of the last preceding call, and each member shall (subject to receiving at least fourteen (14) days' notice specifying the date, time or times and place of payment) pay to the Company at the time or times and place so specified, the amount called on his shares. A call may be revoked or postponed as the Directors may determine.
27. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed and may be required to be paid by instalments. No shareholder shall be entitled to receive any dividend or to exercise any privilege as a member, until he shall have paid all calls for the time being due and payable on every share held by him, together with interest and expenses (if any).
28. If a sum called in respect of shares is not paid before or on the day appointed for payment thereof, the person from whom the sum is due, shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate not exceeding eight per cent (8%) per annum or such other rate as the Directors may determine, but the Directors shall be at liberty to waive payment of the interest, wholly or in part.
29. Any sum which by the terms of issue of a share is payable on allotment or at any fixed date, shall, for the purposes of this Constitution be deemed to have been duly called for and shall be payable on the date on which by the terms of issue such sum becomes payable, and in case of non-payment, all the relevant provisions of this Constitution in respect of payment of interest and expenses, forfeiture or otherwise, shall apply as if the sum had become payable by virtue of a call duly made and notified.

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30. The Directors may, from time to time,
- (a) make arrangements on the issue of shares for varying the amounts and times of payment of calls as between members;
 - (b) accept from any member the whole or a part of the amount remaining unpaid on any shares although no part of that amount has been called up; and
 - (c) pay dividends in proportion to the amount paid up on each share where a larger amount is paid up on some shares than on others.
31. The Directors may, if they think fit, receive from any member willing to advance all or any part of the money uncalled and unpaid upon any shares held by him, and upon all or any part of the money so advanced may (until the same would, but for the advance, become payable) pay interest at such rate not exceeding (unless the Company in general meeting shall otherwise direct) eight per cent (8%) per annum as may be agreed upon between the Directors and the member paying the sum in advance. Such capital paid on shares in advance of calls shall not, whilst carrying interest, confer a right to participate in profits. Except in liquidation, capital paid in advance of calls shall not, until the same would have become payable, be treated as paid up on the shares in respect of which they have been paid.

INFORMATION ON SHAREHOLDING

32. (1) Subject to Clause 18, the Company may by notice in writing, require any member of the Company, within such reasonable time as is specified in the notice:-
- (a) to inform the Company whether he holds any voting shares in the Company as beneficial owner or as trustee; and
 - (b) if he holds them as trustee, to indicate so far as he can, the persons for whom he holds them by name and by other particulars sufficient to enable those persons to be identified and the nature of their interest.
- (2) Where the Company is informed pursuant to a notice given to any person under sub-section (1) hereof or under this sub-section, that any other person has an interest in any of the voting shares in the Company, the Company may by notice in writing require that other person within such reasonable time as is specified in the notice:-
- (a) to inform the Company whether he holds that interest as beneficial owner or as trustee; and
 - (b) if he holds it as trustee, to indicate so far as he can, the person for whom he holds it by name and by other particulars sufficient to enable them to be identified and the nature of their interest.
- (3) The Company may by notice in writing require a member of the Company to inform it, within such reasonable time as is specified in the notice, whether any of the voting rights carried by any voting shares in the Company held by him, are the subject of any agreement or arrangement under which another person is entitled to control his exercise of those rights and, if so, to give particulars of the agreement and the parties to it.

TRANSFER OF SECURITIES

33. The instrument of transfer of any securities shall be in writing and in the form approved in the Rules and shall be executed by or on behalf of the transferor and transferee, and the transferor shall be deemed to remain the holder of the securities until the name of the transferee is entered

in the Record of Depositors in respect thereof. The transfer of any listed securities or class of listed securities of the Company, shall be by way of book entry by Bursa Depository in accordance with the Rules and, notwithstanding Sections 105, 106 and 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of such listed securities.

34. Subject to the Rules and Listing Requirements, the transfer of any securities may be suspended at such times and for such periods as the Directors may from time to time determine. Ten (10) Market Days' notice, or such other period as may from time to time be specified by the Exchange governing the Register concerned, of intention to close the Register shall be given to the Exchange. At least three (3) Market Days' prior notice shall be given to Bursa Depository to prepare the appropriate Record of Depositors.
35. Bursa Depository may refuse to register any transfer of Deposited Security that does not comply with the Central Depositories Act and the Rules. No securities shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.
36. Subject to the provisions of this Constitution, the Directors may recognise a renunciation of any share by the allottee thereof in favour of some other person.
37. Subject to any law in Malaysia for the time being in force, neither the Company nor the Directors nor any of its officers shall incur any liability for the act of Bursa Depository in registering or acting upon a transfer of securities apparently made by a member or any person entitled to the securities by reason of death, bankruptcy or insanity of a member although the same may, by reason of any fraud or other causes not known to the Company or the Directors or Bursa Depository or other officers, be legally inoperative or insufficient to pass the property in the securities proposed or professed to be transferred, and although the transfer may, as between the transferor and the transferee, be liable to be set aside and notwithstanding that the Company may have notice that such instrument or transfer was signed or executed and delivered by the transferor in the blank as to the name of the transferee, of the particulars of the securities transferred or otherwise in defective manner. And in every case, the person registered as transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such securities and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.

DISPOSAL OF SHARES OF MEMBERS WHOSE WHEREABOUTS UNKNOWN

38. Where by the exercise of reasonable diligence, the Company is unable to discover the whereabouts of a member for a period of not less than ten (10) years, the Company may cause an advertisement to be published in a newspaper circulating in the place shown in the Register or the Record of Depositors as the address of the member stating that the Company, after expiration of thirty (30) days from the date of the advertisement, intends to transfer the shares to the Minister charged with the responsibility for finance.
39. If after the expiration of thirty (30) days from the date of the advertisement the whereabouts of the member remains unknown, the Company may transfer the shares held by the member to the Minister charged with the responsibility for finance and for that purpose may execute for and on behalf of such member, a transfer of those shares to the Minister charged with the responsibility for finance.

TRANSMISSION OF SHARES

40. In the case of the death of a member, the legal representative(s), the executors or administrators of the deceased shall be the only person(s) recognised by the Company and / or Bursa Depository as having any title to his interest in the shares; but nothing herein contained shall release the estate of a deceased member from any liability in respect of any share which had been held by him.
41. Any person becoming entitled to a share in consequence of the death or bankruptcy of a member may, upon such evidence being produced as may from time to time properly be required by the Rules and subject as hereinafter provided, elect either to be registered himself as holder of the share or to have some person nominated by him registered as the transferee thereof, but the Directors and / or Bursa Depository shall in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by that member before his death or bankruptcy. Provided always that where the share is a Deposited Security, subject to the Rules, a transfer or withdrawal of the shares may be carried out by the person becoming so entitled.
42. If any person so becoming entitled to a share in consequence of the death or bankruptcy of a member elects to register himself as the holder of the share, he shall deliver or send to the Company, a notice in writing signed by him and stating that he so elects, provided that where the share is a Deposited Security and the person becoming entitled elects to have the share transferred to him, the aforesaid notice must be served by him on Bursa Depository. If he elects to have another person registered, he shall evidence his election by executing to that person a transfer of the share. All the limitations, restrictions and provisions of this Constitution relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the member had not occurred and the notice or transfer is a transfer signed by that member.
43. Subject to the provisions of any law, where the registered holder of any share dies or becomes bankrupt, his personal representative or the assignee or his estate, as the case may be, shall, upon the production of such evidence as may from time to time be required by the Directors and / or Bursa Depository in that behalf, be entitled to the same dividends and other advantages and to the same rights (whether in relation to the meetings of the Company or to voting or otherwise) as the registered holder would have been entitled to if he had not died or become bankrupt.
44. Where:-
- (a) the securities of a company are listed on another stock exchange; and
 - (b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act, 1998, as the case may be, under the Rules in respect of such securities,

the Company shall, upon the request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the other stock exchange, to the register of holders maintained by the registrar of the Company in Malaysia and vice versa provided that there shall be no change in ownership of such securities.

FORFEITURE OF SHARES

45. If any member fails to pay the whole or any part of any call or instalment of a call on or before

- the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him or on the person entitled to the share by transmission, requiring payment of so much of the call or instalment as is unpaid, together with any interest or compensation at the rate of eight per centum (8%) per annum or at such rate as the Directors shall determine and any expenses that may have accrued by reason of such non-payment.
46. The notice shall specify a further day (not earlier than the expiration of fourteen (14) days from the date of the notice) on or before which the payment required by the notice is to be made and the place where payment is to be made and shall state that in the event of non-payment on or before the time and at the place appointed, the shares in respect of which the call was made will be liable to be forfeited.
 47. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture of shares shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.
 48. A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Directors think fit, and at any time before a sale or disposition, the forfeiture may be cancelled on such terms as the Directors think fit. Notice of sale or disposal shall be sent to the holder of the shares sold or disposed of within fourteen (14) days of the date of sale or disposal. Notwithstanding any such forfeiture as aforesaid, the Directors may, at any time before the forfeited share has been otherwise disposed of, annul the forfeiture upon the terms of payment of all calls and interest due thereon and all expenses incurred in respect of the share and upon such further terms (if any) as they shall see fit.
 49. A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares, but shall remain liable to pay to the Company all monies which, at the date of forfeiture, was payable by him to the Company in respect of the shares (together with interest at the rate of eight per cent (8%) per annum from the date of forfeiture on the money for the time being unpaid if the Directors think fit to enforce payment of such interest), but his liability shall cease if and when the Company receives payment in full of all such money in respect of the shares.
 50. The forfeiture of a share shall involve the extinction at the time of all interest in and all claims and demands against the Company in respect of the share, and all other rights and liabilities incidental to the share as between the shareholder whose share is forfeited and the Company, except only such of those rights and liabilities as are by this Constitution expressly saved, or as are by the Act given or imposed in the case of past members.
 51. A statutory declaration in writing by a Director or Secretary of the Company that a share in the Company has been duly forfeited on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share, and such declaration, together with the receipt of the Company for the consideration (if any), given for the share on the sale or disposition thereof, shall constitute good title to the share, and such person shall be registered as the holder of the share and shall be discharged from all calls made prior to such sale or disposition, and the Company shall not be bound to see the application of the purchase money (if any), nor shall the purchaser's title to the share be affected by any act, omission or irregularity relating to or connected with the proceedings in reference to the forfeiture, sale, re-allotment or disposal of the share. This Constitution on forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue, a share becomes payable at a fixed time, as if the same had been payable by virtue of a call duly made and

notified.

52. The Company may receive the consideration, if any, given for any forfeited share on any sale or disposition thereof and authorise any person to execute a transfer of the share in favour of the person to whom the share is sold or disposed of and he shall thereupon be registered as the holder of the share and shall not have his title to the share be affected by an irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share. Any residue of the proceeds of sale of shares which are forfeited and sold or disposed of, after the satisfaction of the unpaid calls and accrued interest and expenses, shall be paid to the person whose shares have been forfeited or his executors, administrators or assignees or as he directs.
53. The provisions of this Constitution as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, as if the same had been payable by virtue of a call duly made and notified.
54. Where any share has been forfeited in accordance with this Constitution, notice of the forfeiture shall, within fourteen (14) days from the date of forfeiture thereof, be given to the holder of the share or to the person entitled to the share by transmission, as the case may be, and an entry of such notice having been given, and of the forfeiture with the date thereof forthwith be made in the Register or the Record of Depositors, as appropriate, opposite the share.

CONVERSION OF SHARES INTO STOCK

55. The Company may by special resolution passed at a general meeting convert any paid-up shares into stock or reconvert any stock into paid-up shares of any number.
56. The holders of the stock may transfer the same, or any part thereof in the same manner and subject to the same Clauses as and subject to which, the shares from which the stock arose might prior to conversion have been transferred, or as near thereto as circumstances permit; but the Directors may from time to time fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of that minimum.
57. The holders of stock shall, according to the amount of the stock held by them have the same rights, privileges and advantages as regards dividends, voting at meetings of the Company and other matters as if they held the shares from which the stock arose, but no such right, privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by any such part of stock as it would not, if existing in shares, have conferred that right, privilege or advantage.
58. Such Clauses of the Constitution as are applicable to paid-up shares shall apply to stock and the words "share" and "shareholder" therein shall include "stock" and "stockholder".

INCREASE OF CAPITAL

59. The Company may from time to time, by ordinary resolution increase its share capital by the creation and issue of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts and (subject to any special, limited or conditional voting rights for the time being attached to any existing class of shares) to carry such preferential rights or to be subjected to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company may, by the resolution authorising such increase, direct.
60. Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in

proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Directors may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to the shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Clause.

61. Except so far as otherwise provided by the conditions of issue, any capital raised by the creation of new shares shall be considered as part of the original share capital of the Company, and shall be subject to the same provisions with reference to the payment of calls, lien, transfer, transmission, forfeiture and otherwise as the original share capital.

ALTERATION OF CAPITAL

62. The Company may by ordinary resolution:-
- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares; or
 - (b) convert all or any of its paid-up shares into stock and may reconvert that stock into paid-up shares; or
 - (c) subdivide its share capital or any part thereof, whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the shares from which the subdivided share is derived; or
 - (d) cancel any shares which at the date of the passing of the resolution which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled.
63. Subject to and in accordance with the provisions of the Act and the Listing Requirements and such other relevant law, regulation or guideline, the Company is allowed and shall have power, to the fullest extent permitted, to purchase its own shares. Any shares in the Company so purchased by the Company shall be dealt with as provided by the Act, the Listing Requirements and any other relevant authority.
64. The Company may reduce its share capital by:-
- (a) a special resolution and confirmation by the Court in accordance with Section 116 of the Act; or
 - (b) a special resolution supported by a solvency statement in accordance with Section 117 of the Act.

GENERAL MEETINGS

65. An annual general meeting of the Company shall be held in accordance with the provisions of the Act. All general meetings other than the annual general meeting shall be called extraordinary general meetings. All general meetings shall be held at such time, date and place as the Directors shall determine. Every notice of an annual general meeting shall specify the meeting

as such and every meeting convened for passing a special resolution shall state the intention to propose such resolution as a special resolution.

Such meeting of its members may be held at more than one venue using any technology or method that allows all members of the Company to participate and to exercise the members' right to speak and vote at the meeting, and using any available technology to provide notice, conduct and record or facilitate voting at that meeting or any adjournment of that meeting of members subject to prevailing rules, regulations and laws. The main venue of the meeting shall be in Malaysia and the Chairman shall be present at the main venue of the meeting.

Subject to the laws for the time being in force and the provisions of this Constitution, such a meeting is deemed to constitute a valid meeting so long as the following conditions are met:-

- (a) The quorum is not less than that required for such meetings under this Constitution;
 - (b) The notice has been circulated to the members who are entitled to receive the notice of meeting for the time being in the manner prescribed by this Constitution;
 - (c) Each of the members taking part must be able to hear and/or see each of the other members or their proxies to the reasonable extent possible for participation in the meeting;
 - (d) A member may not leave the meeting by disconnecting his instantaneous telecommunication device and shall be conclusively presumed to have been present and to have formed part of the quorum at all times during the meeting;
 - (e) An attendance sheet shall be submitted to the members and/or their proxies, signed and returned via ordinary post or other means; and
 - (f) Subject to the provisions of Clause 78, the members and/or their proxies shall complete the voting slip and forward it to the main venue of the meeting indicated in the notice of meeting via contemporaneous devices such as facsimile or through electronic mail.
66. The Directors may, whenever they so decide by resolution, convene an extraordinary general meeting of the Company. In addition, an extraordinary general meeting shall be convened on such requisition as is referred to in Section 311 of the Act, or if the Company makes default in convening a meeting in compliance with a requisition received pursuant to Section 312 of the Act, a meeting may be convened by the requisitionists themselves in the manner provided in Section 313 of the Act.
67. (1) The notices convening meetings shall specify the place, day and time of the meeting, and shall be given to all members at least fourteen (14) days before the meeting or at least twenty one (21) days before the meeting where any special resolution is to be proposed. Where it is an annual general meeting, the notice shall be given to all members at least twenty eight (28) days before the annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. Such notice shall be advertised in at least one (1) nationally circulated Bahasa Malaysia or English daily newspaper and announced to the Exchange in accordance to the Listing Requirements.
- (2) Subject to the Act, Listing Requirements, laws, rules or regulations, notice of a meeting of members shall be in writing or Document which is required or permitted to be given, sent or served under the Act or under this Constitution shall be given to the members either:-

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- (a) in hard copy,
 - (b) in electronic form, or
 - (c) partly in hard copy and partly in electronic form.
- (3) A notice or Document:-
- (a) given in hard copy shall be sent to any member / securities holder either personally or by post to the address supplied by the member to the Company for such purpose; or
 - (b) given in electronic form shall be transmitted to the electronic address provided by the member/ securities holder to the Company for such purpose or by publishing on a website.
- (4) A notice of a meeting of members or Document shall not be validly given by the Company by means of a website unless a notification to that effect is given in accordance with Section 320 of the Act.
- (5) The Company shall notify a member / securities holder of the publication of the notice or Document on the website and such notifications shall be in writing and shall be given in hard copy or electronic form stating:-
- (a) that it concerns a meeting of members;
 - (b) the place, date and time of the meeting;
 - (c) the general nature of the business of the meeting; and
 - (d) whether the meeting is an annual general meeting.

If the Company sends the notice or Document or notifications through electronic mail, shall be deemed served where there is a record of the sending of the transmission. In the event of delivery failure, the Company shall send for a hard copy of the notice or Document to him.

Notice of meeting of members may include the text of any proposed resolutions and other information as the Directors deem fit.

- (6) The notice or Document shall be made available on the website throughout the period beginning from the date of the notification referred to in Clause 67(5) until the conclusion of the meeting.
 - (7) The contact details of the member / securities holder as provided to the Depository shall be deemed as the last known address provided by the member to the Company for purposes of communication with the member.
 - (8) Where any member / securities holder requests for a hard copy of the Document, the Company shall forward a hard copy of these Documents to the member/ securities holder as soon as reasonably practicable after the receipt of the request, free of charge.
 - (9) Where it relates to Documents required to be completed by members / securities holders for a rights issue or offer for sale, the Company must send these Documents through electronic mail, in hard copy or in any other manner as the Exchange may prescribe from time to time.
68. The Company shall request Bursa Depository, in accordance with the Rules, to issue a Record of Depositors to whom notices of general meetings shall be given by the Company.

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69. The Company shall also request Bursa Depository in accordance with the Rules, to issue a Record of Depositors, as at the latest date which is reasonably practicable which shall in any event be not less than three (3) Market Days before the general meeting (hereinafter referred to as the “**General Meeting Record of Depositors**”).
70. Subject to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 (where applicable), a Depositor shall not be regarded as a member entitled to attend any general meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors.
71. Subject always to the provision of Section 302 of the Act, no business shall be transacted at any extraordinary general meeting except business of which notice has been given in the notice convening the meeting and no business shall be transacted at an annual general meeting other than business of which notice has been given aforesaid, with the exception of the laying of the audited financial statements and the report of the Directors and auditors, the fixing of the Directors’ fees and benefits payable, the election of Directors in the place of those retiring by rotation or otherwise, and the appointment and fixing of the remuneration of the auditors.
72. In every notice calling a meeting of the Company there shall appear with reasonable prominence, a statement that a member entitled to attend and vote is entitled to appoint the number of proxies as allowed for by the Act to attend and vote in his stead.
73. The accidental omission to give notice of meeting to, or the non-receipt of notice of a meeting, by any person entitled to receive such notice shall not invalidate any resolution passed or the proceedings at any such meeting.

PROCEEDINGS AT GENERAL MEETING

74. No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business. Save as otherwise provided, two (2) members present in person shall be a quorum. For the purposes of constituting a quorum:-
 - (i) one or more representatives appointed by a corporation shall be counted as one member; or
 - (ii) one or more proxies appointed by a person shall be counted as one member.
75. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of members shall be dissolved. In any other case it shall stand adjourned to the same day in the next week (or if that day be a public holiday then to the next business day following that public holiday) at the same time and place or to such other day and at such other time and place as the Directors may determine, and if at such adjourned meeting the holding of which is required to comply with any statutory provisions of the Act, or modification thereof, a quorum is not present within fifteen (15) minutes from the time appointed for holding the meeting, any members present in person or by proxy or by attorney or by its duly authorised representative shall form a quorum. For the purpose of this Clause, “business day” means a day (not being a Saturday, Sunday or public holiday) on which licensed financial institutions are open for general banking business in Kuala Lumpur.
76. The Chairman of the Board (if any) or in his absence, Deputy Chairman shall preside as Chairman at every general meeting. If the Company has no Chairman or if at any general meeting, the Chairman is not present within fifteen (15) minutes after the time appointed for holding the meeting or if the Chairman of the Board is not willing to act as Chairman for the general meeting, the Directors present shall choose one of their number, to act as Chairman or if one (1) Director only is present, he shall preside as Chairman if he is willing to act. If no Director

is present, or if each of the Directors present declines to preside as Chairman, the members present and entitled to vote shall elect one (1) of their number to be the Chairman. The election of the Chairman shall be by a show of hands.

77. The Chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

Without prejudice to any other power which the Chairman may have under the provisions of this Constitution or at common law and subject to the Act and the Listing Requirements, the Chairman shall have full discretion on the general conduct of meeting, procedures to be adopted at the meeting to ensure proper and orderly conduct of the business of all general meetings. The Chairman's decision on matters of procedure or arising incidentally from the business of such meetings shall be final, as shall be his determination as to whether any matter is of such a nature. The Chairman may also at his discretion and in accordance with applicable laws, decide whether to admit new business at a meeting of shareholders.

The Board can ask shareholders or proxies wanting to attend the general meeting to submit to searches or other security arrangements which the Board may decide. The Board may, in their discretion refuse entry to, or remove from, a general meeting, a shareholder or proxy who does not submit to those searches or comply with those security arrangements. Security arrangements may include shareholders or proxies not being allowed in to a general meeting with recording or broadcasting devices or an article which the Chairman of the meeting considers to be dangerous, offensive or liable to cause disruption.

78. Any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting shall be voted by poll.

The Chairman of the meeting may fix a place and time for declaring the results of the poll. The result of the poll shall be deemed to be the resolution of the meeting.

A declaration by the Chairman of the meeting that a resolution has been carried or has not been carried by a particular majority or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.

79. (1) A poll shall be taken in such manner and at such time and place as the Chairman of the meeting may direct.
- (2) If:
- (a) any objection shall be raised as to the qualification of any voter; or
 - (b) any votes have been counted which ought not to have been counted or which might have been rejected; or
 - (c) any votes are not counted which ought to have been counted;

the objection or error shall not vitiate the decision of the meeting or adjourned meeting on any resolution unless the same is raised or pointed out at the meeting or the adjourned

meeting at which the vote objected to is given or tendered or at which the error occurs. Any objection or error shall be referred to the Chairman of the meeting and shall only vitiate the decision of the meeting on any resolution if the Chairman decides that the same is of sufficient magnitude to vitiate the resolution or may otherwise have affected the decision of the meeting. The decision of the Chairman of the meeting on such matters shall be final and conclusive.

- (3) At least one (1) scrutineer must be appointed to validate the votes cast at the general meeting. The appointed scrutineer must not be an officer of the Company or its related corporation, and must be independent of the person undertaking the polling process.

The poll shall be conducted electronically using various forms of electronic voting devices. Such votes shall be counted by the poll administrator, and verified by the scrutineers, for the purpose of determining the outcome of the resolution(s) to be decided by poll.

80. In the case of an equality of votes, the Chairman of the meeting shall be entitled to a second or casting vote in addition to any other vote he may have.
81. Subject to any rights or restrictions for the time being attached to any class of shares at meetings of members or classes of members and Clause 68, Clause 69 and Clause 70 above, each member shall be entitled to be present and to vote at any general meeting in respect of any share or shares of which he is the registered holder and upon which all calls due to the Company have been paid, and may vote in person or by proxy or by attorney or by duly authorised representative for a corporation, or, each holder of a preference share who is personally present and entitled to vote, shall be entitled to one (1) vote and on a poll, every and such member present in person or by proxy or attorney or representative for a corporation shall have one (1) vote for each share he holds. A proxy shall be entitled to vote on a poll, on any question, at any general meeting. In a voting by poll, each proxy shall be entitled to such number of votes equal to the proportion of the member's shareholdings represented by such proxy. A proxy may only vote as directed in the proxy form. However, if the appointor or representative attend and vote on a resolution, the proxy or attorney must not vote.
82. Where the capital of the Company consists of shares of different monetary denominations, voting rights shall be prescribed in such a manner that a unit of capital in each class, when reduced to a common denominator, shall carry the same voting power when such right is exercisable.
83. A member who is of unsound mind or whose person or estate is liable to be dealt with in any way under the law relating to mental disorder may vote, by his committee or by such other person who has the management of his estate, and any such committee or other person may vote by proxy or attorney. Any person entitled under Clause 40 to transfer any shares, may vote at any general meeting in the same manner as if he was the registered holder of such shares provided that he shall satisfy the Directors of his right to transfer such shares, at least forty-eight (48) hours prior to the time of the meeting or adjourned meeting, at which he proposes to vote unless the Directors shall have previously admitted his right to vote at such meeting in respect thereof.
84. No person shall be entitled to be present or to vote on any resolution either as a member or otherwise as a proxy or attorney or representative for a corporation at any general meeting or be reckoned in the quorum in respect of any shares upon which calls are due and unpaid.
85. No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be

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referred to the Chairman of the meeting whose decision shall be final and conclusive.

- 86. (1) A member of the Company entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, shall be entitled to appoint such number of proxies as allowed for by the Act to attend and vote in his stead at the meeting, and that a proxy may but need not be a member. There shall be no restriction as to the qualification of the proxy. Where a member appoints more than one (1) proxy, he shall specify the proportion of his holdings to be represented by each proxy, failing which the appointment shall be invalid. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
- (2) Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
- 87. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation’s common seal or under the hand of an officer or attorney duly authorised. The Directors, may but shall not be bound to, require evidence of the authority of any such attorney or officer.
- 88. Where it is desired to afford members an opportunity of voting for or against a resolution, the instrument appointing a proxy shall be in the following form or a form as near thereto as circumstances admit or in such other form as the Directors may approve or in any particular case, may accept:

UMW OIL & GAS CORPORATION BERHAD
(Company No. 878786-H)
(Incorporated in Malaysia)

I/We, NRIC No./Company No.of..... and telephone no./email address.....,being a member/members of UMW Oil & Gas Corporation Berhad (the “Company”), hereby appoint.....NRIC No. of or failing him/her,NRIC No. of or failing him/her, THE CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the [Annual or Extraordinary, as the case may be] General Meeting of the Company, to be held at onor at any adjournment thereof. I/We indicate with an “x” in the spaces below how I/we wish my/our vote to be cast.

Agenda	For	Against

Subject to the above stated voting instructions, my/our proxy may vote or abstain from voting on any resolutions as *he/*she/*they may think fit.

The proportion of my/our shareholdings to be represented by my/our proxies are as follows: -

*First Proxy	%
*Second Proxy	%
	100%

* If applicable.

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<p>If appointment of proxy is under hand</p> <p>.....</p> <p>Signed by *individual member/*officer or attorney of member/*authorised nominee of (beneficial owner)</p>	<p>No. of shares held:</p> <p>Securities Account No.: (CDS Account No.) (Compulsory)</p> <p>Date :</p>
<p>If appointment of proxy is under seal</p> <p>The Common Seal of was hereto affixed in accordance with its Constitution in the presence of:-</p> <p>.....</p> <p>Director Director/Secretary</p> <p>in its capacity as *member/*attorney of member/*authorised nominee of (beneficial owner)</p>	<p>Seal</p> <p>No. of shares held:</p> <p>Securities Account No.: (CDS Account No.) (Compulsory)</p> <p>Date :</p>

Signed this day of, 20....

*Strike out whichever is not desired.

[Unless otherwise instructed, the proxy may vote as he thinks fit.]

Notes:

A proxy may but need not be a member.

To be valid, this form, duly completed must be deposited at the Office of the Company not less than forty eight (48) hours before the time for holding the meeting PROVIDED that in the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his / their proxy, Provided Always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the member(s).

A member shall be entitled to appoint such number of proxies as allowed for by the Companies Act 2016 to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

If the appointor is a corporation this form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.

- 89. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited at the Office or at such other place within Malaysia as is specified for that purpose in the notice convening the meeting, not less than forty eight (48) hours before the time appointed for holding the meeting or adjourned meeting as the case may be, at which the person named in the instrument proposes to vote, and in default, the instrument of proxy shall not be treated as valid. The Company may specify a fax number and may specify an electronic address in the notice of meeting, for the purpose of receipt of proxy appointments subject to the Rules, regulations and laws at that time specified therein.
- 90. (1) Subject to the Act and the Listing Requirements, the Directors or any agent of the Company so authorised by the Directors, may accept the appointment of proxy received by electronic communication on such terms and subject to such conditions as they

consider fit. The appointment of proxy by electronic communication shall be in accordance with this Constitution.

- (2) For the purpose of Clause 90, the Directors may require such reasonable evidence they consider necessary to determine:-
 - (a) the identity of the member and the proxy; and
 - (b) where the proxy is appointed by a person acting on behalf of the member, the authority of that person to make the appointment.
 - (3) Without prejudice to Clause 90, the appointment of proxy by electronic communication must be received at the electronic address specified by the Company in any of the following sources and shall be subject to any terms, conditions or limitations specified therein:-
 - (a) Notice calling the meeting;
 - (b) Instrument of proxy sent out by the Company in relation to the meeting; or
 - (c) Website maintained by or on behalf of the Company.
 - (4) An appointment of proxy by electronic communication must be received at the electronic address specified by the Company pursuant to Clause 90(3) not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the form of appointment of proxy proposes to vote, and in default the instrument of proxy shall not be treated as valid.
 - (5) An appointment of proxy by electronic communication which is not made in accordance with this Clause shall be invalid.
91. Every power, right or privilege of any member to convene, attend, vote and in anyway take part in any meeting of the Company, may be exercised in the event of such member being out of Malaysia by any attorney, whether a member or not, duly appointed by such member for the purpose, by a power of attorney produced at the Office during business hours not less than two (2) Market Days before the same is acted on. Any vote given or things done by such attorney shall be valid notwithstanding the previous death or unsoundness of mind of the member giving such power of attorney or revocation of such power of attorney by other means provided no intimation in writing of such death or unsoundness mind or revocation shall have been received at the Office before such vote is given or thing done.
92. A vote given in accordance with the terms of an instrument of proxy or attorney or authority shall be valid, notwithstanding the previous death or unsoundness of mind of the principal or revocation of the instrument of proxy or attorney or authority under which the instrument of proxy was executed, or the transfer of the share in respect of which the instrument of proxy is given, if no intimation in writing of such death, unsoundness of mind, revocation or transfer as aforesaid has been received by the Company at the Office or at such other place within Malaysia before the commencement of the meeting or adjourned meeting at which the instrument of proxy is used.
93. A corporation may by resolution of its directors or other governing body, if it is a member, authorise such person as it thinks fit to act as its representative either at a particular meeting or at all meetings of the Company or of any class of members and a person so authorised shall act in accordance with his authority and until his authority is revoked by the corporation, be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it was an individual member.

If the corporation authorises more than one person as its representative, every one of the representative is entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if every one of the representative was an individual member of the company.

If the corporation authorises more than one person and more than one of the representatives purport to exercise the power on the above:

- (a) where the representatives purport to exercise the power in the same way, the power is treated as exercised in that way; or
- (b) where the representatives do not purport to exercise the power in the same way, the power is treated as not exercised.

DIRECTORS: APPOINTMENT, REMOVAL, ETC

- 94. Unless otherwise determined by the Company in general meeting and subject to the Listing Requirements, the number of Directors shall not be less than two (2) nor more than fifteen (15).
- 95. Unless otherwise determined by the Company in general meeting, by the Rules or under law, at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, shall be independent Directors. If the number of Directors is not three (3) or multiple of three (3), then the number nearest one-third (1/3) shall be used for the purpose of determining the requisite number of independent Directors.
- 96. An election of Directors shall take place each year. At the first annual general meeting of the Company, all the Directors shall retire from office, and at the annual general meeting in every subsequent year, one-third (1/3) of the Directors for the time being or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3) shall retire from office and be eligible for re-election PROVIDED ALWAYS that all Directors shall retire from office at least once in every three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires whether adjourned or not.
- 97. The Directors to retire in each year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.
- 98. No person, not being a retiring Director, shall be eligible for election to the office of Director at any general meeting unless a member intending to propose him for election has, at least eleven (11) clear days before the meeting, left at the Office, a notice in writing duly signed by the nominee, giving his consent to the nomination and signifying his candidature for the office, or the intention of such member to propose him for election, provided that in the case of a person recommended by the Directors for election, nine (9) clear days' notice only shall be necessary, and notice of each and every candidature for election to the Board shall be served on the registered holders of shares at least seven (7) days prior to the meeting at which the election is to take place.
- 99. The Company at the meeting at which a Director so retires may fill the vacated office by electing a person thereto. Unless at that meeting it is expressly resolved not to fill the vacated office or a resolution for the re-election of the Director retiring at that meeting is put to the meeting and lost or some other person is elected a Director in place of the retiring Director, the retiring Director shall, if offering himself for re-election and not being disqualified under the Act from holding office as a Director, be deemed to have been re-elected.

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100. At any general meeting at which more than one (1) Director is to be elected, each candidate shall be the subject of a separate motion and vote unless a motion for the appointment of two (2) or more persons as Directors by a single resolution shall have first been agreed to by the meeting without any vote being given against it.
101. The Company may from time to time by ordinary resolution passed at a general meeting, increase or reduce the number of Directors, and may also determine in what rotation the increased or reduced number is to go out of office.
102. The Company may by ordinary resolution of which special notice is given, remove any Director before the expiration of his period of office and may if thought fit, by ordinary resolution appoint another Director in his stead. The person so appointed shall hold office for so long as the Director in whose place he is appointed would as if he had not been removed.
103. The Directors shall have power at any time and from time to time, to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors but so that the total number of Directors shall not at any time exceed the maximum number fixed in accordance with this Constitution. Any Director so appointed shall hold office only until the next following annual general meeting of the Company, and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.
104. The shareholding qualification for Directors may be fixed by the Company in general meeting and until so fixed, no shareholding qualification for Directors shall be required. All Directors shall be entitled to receive notice of and to attend all general meetings of the Company.

ANNUAL SHAREHOLDER APPROVAL FOR DIRECTORS' FEES AND BENEFITS

105. The fees and any benefits payable to the Directors of the Company and its subsidiaries including any compensation for loss of employment of Director or former Director shall from time to time be determined by an ordinary resolution of the Company in general meeting and such remuneration shall be divided among the Directors in such proportions and manner as the Directors may determine PROVIDED ALWAYS that:-
 - (a) fee payable to Non-Executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover and which shall not exceed the amount approved by shareholders in general meeting;
 - (b) remuneration and other emoluments (including bonus, benefits or any other elements) payable to Executive Directors who hold an executive office in the Company pursuant to a contract of service need not be determined by the Company in general meeting but such salaries and emoluments may not include a commission on or percentage of turnover. Nothing herein shall prejudice the powers of the Directors to appoint any of their members to be the employee or agent of the Company at such remuneration and upon such terms as they think fit provided that such remuneration shall not include commission on or percentage of turnover;
 - (c) fees of Non-Executive Directors and any benefits payable to Non-Executive Directors shall be subject to annual shareholder approval at a general meeting;
 - (d) any fee paid to an alternate Director shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter; and
 - (e) the fees and / or benefits payable to Non-Executive Directors who is also Director of the subsidiaries includes fees, meeting allowances, travelling allowances, benefits,

gratuity and compensation for loss of employment of Director or former Director of the Company as provided by the Company and subsidiaries, but does not include insurance premium or any issue of securities.

106. (1) The Directors shall be paid for all their travelling, hotel and other expenses properly and necessarily expended by them in and about the business of the Company including their travelling and other expenses incurred in attending meetings of the Directors or any committee of the Directors or general meetings or otherwise.
- (2) If any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) as may be determined by the Board provided that in the case of Non-Executive Directors, the said remuneration shall not include a commission on or percentage of profits or turnover. In the case of an Executive Director, such fee may be either in addition to or in substitution for his share in the fee from time to time provided for the Directors.

DISQUALIFICATION OF DIRECTORS

107. The office of a Director shall become vacant if the Director:-
- (a) is an undischarged bankrupt;
 - (b) has been convicted of an offence relating to the promotion, formation or management of a corporation;
 - (c) has been convicted of an offence involving bribery, fraud or dishonesty;
 - (d) becomes disqualified from being a Director by reason of any order made under the Act or has been convicted of an offence under Sections 213, 217, 218, 228 and 539 of the Act;
 - (e) has been disqualified by Court under Section 199 of the Act;
 - (f) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder during his term of office;
 - (g) is absent from more than fifty percent (50%) of the total Board meetings held during a financial year unless an exemption or waiver is obtained from the Exchange;
 - (h) resigns from his office by notice in writing to the Company and deposited at the Office of the Company;
 - (i) is removed from his office of Director by resolution of the Company in general meeting of which special notice has been given;
 - (j) has retired in accordance with the Act or the Constitution of the Company but is not re-elected;

- (k) without the consent of the Company in general meeting holds any other office of profit under the Company except that of Managing Director or manager;
 - (l) is disqualified from acting as a Director in any jurisdiction for reasons other than on technical grounds (in which case he must immediately resign from the Board); or
 - (m) otherwise vacate his office in accordance with the Act or the Constitution of the Company.
- (2) The circumstances referred to in sub-clauses (1)(a), (b), (c) and (d) shall be applicable to circumstances in or outside Malaysia.

POWERS AND DUTIES OF DIRECTORS

108. The business and affairs of the Company shall be managed by or under the direction of the Directors who may pay all expenses incurred in promoting and registering the Company. The Directors has all the powers necessary for managing and for directing and supervising the management of the business and affairs of the Company and exercise all such powers of the Company as are not by this Constitution or by the Act required to be exercised by the Company in general meeting, subject nevertheless, to any of this Constitution, to the provisions of the Act, and to such regulations, not being inconsistent with this Constitution or the provisions of the Act as may be prescribed by the Company in general meeting but no regulation made by the Company in general meeting shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.
109. The Directors shall not without the prior approval of the Company in general meeting:-
- (a) exercise any power of the Company to issue shares unless otherwise permitted under the Act;
 - (b) arrange or enter or carry into effect any proposal or execute any transaction for the acquisition of an undertaking or property of a substantial value, or the disposal of a substantial portion of or controlling interest in the Company's undertaking or property (includes the whole or substantially the whole of the rights, including developmental rights and benefits);
 - (c) subject to Sections 228 (2) and 229 of the Act, enter or carry into effect any arrangement or transaction with a Director or a substantial shareholder of the Company or its holding Company, or its subsidiary or with a person connected with such a Director or substantial shareholder to acquire from or dispose to such Director or substantial shareholder or person connected with such a Director any shares or non-cash assets of the requisite value as stated in the Act; or
 - (d) issue any securities on such terms and subject to such conditions which confer a right to subscribe for new shares of the Company.
110. The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or subsidiary company or associate company or any related third party subject to the law including but not limited to the provisions of the Act and the Listing Requirements, as they may think fit.

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111. The Directors shall not borrow any money or mortgage or charge any of the Company's or its subsidiaries' undertaking, property or uncalled capital, or issue debentures or other securities, whether outright or as security, for any debt, liability or obligation of an unrelated third party.
112. The Directors may establish or arrange any contributory or non-contributory pension or superannuation scheme, share option / incentive scheme and trusts or other funds for the benefit of, or pay a gratuity, pension or emolument, and to issue and allot and / or transfer shares or securities to any person who is or has been employed by or in the service of the Company or any subsidiary of the Company, or to any person who is or has been a Director or other officer of and holds or has held salaried employment in the Company or any such subsidiary, and the widow, family or dependants of any such person. The Directors may also subscribe to any association or fund which they consider to be for the benefit of the Company or any such subsidiary or any such person as aforesaid and make payments for or towards any hospital or scholastic expenses and any Director holding such salaried employment shall be entitled to retain any benefit received by him under this Clause subject only, where the Act requires, for proper disclosure to the members and the approval of the Company in general meeting.
113. The Directors may exercise all the powers of the Company conferred by the Act in relation to any official seal for use outside Malaysia and in relation to branch registers. The Company may have a duplicate Common Seal as referred in Section 62 of the Act which shall be an exact copy of the Common Seal with the addition on its face of the word "Share Seal". The official seal when duly affixed to a document has the same effect as the Company's common seal. The person affixing the official seal shall certify in writing on the deed or other document to which the seal is affixed the date and place it is affixed.
114. The Directors may from time to time by power of attorney under the Seal, appoint any corporation, firm or person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney / attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under this Constitution) and for such period and subject to such conditions as they may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit and may also authorise any such attorney to delegate all or any of the powers, authorities and discretions vested in him.
115. All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipts for money paid to the Company shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, by any two (2) Directors or in such manner as the Directors may from time to time by resolution determine.
116. Subject to the Act, the Company's documents shall be executed, as the case may be, in such manner and by such person as the Directors shall from time to time determine.
117. A Director shall at all times act honestly and use reasonable diligence in the discharge of the duties of his office and shall not make use of any information acquired by virtue of his position to gain directly or indirectly an improper advantage for himself or for any other person or to cause detriment to the Company.
118. Every Director shall give notice to the Company of such events and matters affecting or relating to himself as may be necessary or expedient to enable the Company and its officers to comply with the requirements of the Act.

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119. Subject always to the Act and the Listing Requirements, a Director may hold any other office or place of profit under the Company (other than the office of Auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise nor shall any such contracts, or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established but the nature and extent of interest must be declared by him at the meeting of the Directors at which the contract or arrangement is determined, if the interest then exists or in any other case, at the first meeting of the Directors after the acquisition of the interest.
120. Unless prohibited by the rules and / or requirements of the Exchange, any Director may act by himself or his firm in a professional capacity for the Company and he or his firm shall be entitled to remuneration for his or his firm's professional services as if he was not a Director, provided that nothing herein contained shall authorise a Director or his firm to act as auditor of the Company and provided further that such professional services shall be provided at normal commercial terms.

PROCEEDINGS OF DIRECTORS

121. The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Any Director may at any time and the Secretary shall on the requisition of any of the Directors, summon a meeting of the Directors by giving them not less than seven (7) days' notice thereof unless such requirement is waived by them.
122. Unless otherwise determined by the Directors from time to time, notice of all Directors' meetings shall be given and circulated to all Directors and their alternates by facsimile, electronic mail or other communication modes / equipment.
123. The quorum necessary for the transaction of business of the Directors shall be two (2) and a meeting of the Director for the time being at which a quorum is present shall be competent to exercise all or any of the powers, authorities and discretion by or under this Constitution vested in or exercisable by the Directors generally.
124. Directors may participate in a meeting of Directors by means of conference telephone, conference videophone or any similar or other communications by electronic means.
125. A person in communication by electronic means with the Directors or a committee of Directors shall be regarded for all purposes as personally attending such a meeting and shall be counted in a quorum and be entitled to vote but only for so long he has the ability to communicate interactively and simultaneously with all other parties attending the meeting including all persons attending by electronic means.
126. A meeting at which one or more of the Directors attends by electronic means is deemed to be held at such place as per the notice.
127. Subject to the Act, all business transacted in the manner provided above by electronic means shall for the purpose of this Constitution be deemed to be validly and effectively transacted at a meeting of the Board PROVIDED that at least one (1) of the Directors present at the meeting was at such place as resolved or deemed (as the case may be) pursuant to Clause 126 for the duration of the meeting. All information and documents must be made equally available to all

participants prior to or at / during the meeting.

128. The Directors may elect and remove a Chairman of their meetings and determine the period for which he is to hold office but if no such Chairman is elected, or if at any meeting the Chairman is not present within fifteen (15) minutes after the time appointed for holding the meeting, the Directors present may choose one of their members to be Chairman of the meeting.
129. The Directors shall not have any power to appoint any person from time to time as their proxies to represent them at Directors' meetings, save and except for their duly appointed alternate Directors.
130. Subject to this Constitution, any question arising at any meeting of Directors shall be decided by a majority of votes and a determination by a majority of Directors shall for all purposes be deemed a determination of the Directors. In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote. The Chairman of the meeting shall however not have a second or casting vote where two (2) Directors form a quorum and only such a quorum is present at the meeting or only two (2) Directors are competent to vote on the question at issue.
131. The remaining Director or Directors may continue to act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the minimum number fixed by or pursuant to this Constitution as the necessary quorum of Directors, the remaining Director or Directors may, except in an emergency, act only for the purpose of increasing the number of Directors to such minimum number or to summon a general meeting of the Company.
132. Every Director shall comply with the provisions of Sections 221 and 219 of the Act in connection with the disclosure of his shareholding and interests in the Company and his interest in any contract or proposed contract with the Company and in connection with the disclosure, every Director shall state the fact and the nature, character and extent of any office or possession of any property whereby whether directly or indirectly, duties or interests might be created in conflict with his duty or interest as a Director.
133. A Director may contract with and be interested in any contract or proposed contract with the Company and shall not be liable to account for any profit made by him by reason of any such contract; PROVIDED ALWAYS THAT the nature of the interest of the Director in any such contract be declared at a meeting of the Directors as required by Section 221 of the Act.
134. A Director shall not participate in any discussion or vote in regard to any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest (and if he shall do so his vote shall not be counted).
135. A Director notwithstanding his interest may, provided that none of the other Directors present disagree, be counted in the quorum present at any meeting where any decision is taken upon any contract or proposed contract or arrangement in which he is in any way interested PROVIDED ALWAYS that he has complied with Section 221 and all other relevant provisions of the Act and this Constitution.
136. A Director may vote in respect of:-
 - (a) any arrangement for giving the Director himself or any other Directors any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; and
 - (b) any arrangement for the giving by the Company of any security to a third party in

respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part, under a guarantee or indemnity or by the deposit of a security.

137. A Director of the Company may be or become a director or other officer of or otherwise interested in any corporation promoted by the Company or in which the Company may be interested as shareholder or otherwise or any corporation which is directly and indirectly interested in the Company as shareholder or otherwise and no such Director shall be accountable to the Company for any remuneration or other benefit received by him as a director or officer of, or from his interest in, such corporation unless the Company otherwise directs at the time of his appointment. The Directors may exercise the voting power conferred by the shares or other interest in any such other corporation held or owned by the Company, or exercisable by them as directors of such other corporation, in such manner and in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of the Directors or other officers of such corporation), and any Director may vote in favour of the exercise of such voting rights in the manner aforesaid, notwithstanding that he may be or is about to be appointed a director or other officer of such corporation and as such is or may become interested in the exercise of such voting rights in the manner aforesaid.

ALTERNATE DIRECTOR

138. (1) A Director may from time to time nominate any person to act as his alternate Director and at his discretion remove such alternate Director, PROVIDED that:-
- (i) Such person is not a Director of the Company;
 - (ii) Such person does not act as an alternate for more than one Director of the Company;
 - (iii) The appointment is approved by a majority of the other Directors.
- (2) An alternate Director shall (except as regards the power to appoint an alternate Director and remuneration) be subject in all respects to the terms and conditions existing with reference to the other Directors, and shall be entitled to receive notices of all meetings of the Directors and to attend, speak and vote at any such meeting at which his appointor is not present.
- (3) A Director may at any time by writing revoke the appointment of any alternate appointed by him, and appoint another person approved as aforesaid. An alternate Director shall ipso facto vacate office if the Director appointing him vacates office as director or removes the alternate Director from office. Any appointment or removal of an alternate Director may be made and communicated by his appointor to the Office by electronic transmission or in any other manner approved by the Directors. Any electronic transmission shall be confirmed as soon as possible by letter, but may be acted upon by the Company in the meantime.
- (4) If a Director making any such appointment as aforesaid shall cease to be a Director (otherwise than by reason of vacating his office at a meeting of the Company at which he is re-elected), the person appointed by him shall thereupon cease to have any power or authority to act as an alternate Director.
- (5) An alternate Director shall not be taken into account in determining the minimum or maximum number of Directors allowed for the time being but he shall be counted for the purpose of determining whether a quorum is present at any meeting of the Directors attended by him at which he is entitled to vote.

- (6) No Director may act as an alternate director and a person may not act as an alternate director for more than one director.
- (7) Every person acting as an alternate Director shall be deemed to be an officer of the Company, and shall alone be responsible to the Company for his own acts and defaults, and he shall not be deemed to be an agent of or for the Director appointing him.

CHIEF EXECUTIVE OFFICER AND / OR EXECUTIVE DIRECTORS

139. The Directors may from time to time appoint any one person or more to be Chief Executive Officer and/or Executive Director(s) upon such terms as they think fit, and may vest in such Chief Executive Officer and/or Executive Director(s) such of the powers hereby vested in the Directors generally as they may think fit and such powers may be made exercisable for such period or periods, and upon such conditions and subject to such restrictions, and generally upon such terms as to remuneration and otherwise as they may determine; and may, from time to time revoke, withdraw, alter, or vary all or any of such powers but subject thereto, such Chief Executive Officer and/or Executive Director(s) shall always be under the control of the Board of Director(s). Where the Chief Executive Officer and / or Executive Director(s) is appointed for a fixed term, the term shall not exceed three years, with power to reappoint thereafter upon such terms as they think fit.
140. The remuneration of a Chief Executive Officer and / or Executive Director(s) pursuant to these Clauses and subject to the terms of any agreement entered into in any particular case shall be fixed by the Directors and may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but shall not include a commission on or percentage of turnover.
141. A Chief Executive Officer and / or Executive Director(s) may be appointed to the Board and shall be subject to retirement by rotation and he shall be reckoned as a Director for the purpose of determining the rotation or retirement of Directors or in fixing the number of Directors to retire and he shall, subject to provisions of any contract between him and the Company, be subject to the same provisions as to resignation and removal as the other Directors of the Company.

COMMITTEES OF DIRECTORS

142. The Directors may establish any committees (including, without limitation, a management committee), local boards or agencies comprising two (2) or more persons for managing any other affairs of the Company either in Malaysia or elsewhere, and may lay down, vary or annul such rules and regulations as they may think fit for the conduct of the business thereof, and may appoint any person or persons to be the member or members of any such committee or local board or agency and may fix their remuneration and may delegate to any such committee or local board or agency any of the powers, authorities and discretion vested in the Directors, with power to sub-delegate, and may authorise the member or members of any such committee or local board or agency or any of them, to fill any vacancies therein, and to act notwithstanding vacancies, and any such appointment or delegation may be made upon such terms and subject to such conditions as the Directors may think fit, and the Directors may remove any person so appointed, and may annul or vary any such delegation, but no persons dealing in good faith and without notice of any such annulment or variation shall be affected thereby. The regulations herein contained for the proceedings of Directors shall so far as not altered by any regulations made by the Directors apply also to the meetings and proceedings of any committee.
143. Subject to any rules and regulations made pursuant to Clause 142, a committee may meet and adjourn as it thinks proper and questions arising at any meeting shall be determined by a

majority of votes of the members of such committee present and in the case of any equality of votes, the Chairman shall have a second or casting vote.

144. A committee may elect a Chairman of its meetings. If no such Chairman is elected or if at any meeting the Chairman is not present within fifteen (15) minutes after the time appointed for holding the meeting, the members of the committee present may choose one (1) of their number to be Chairman of the meeting.
145. Notwithstanding any provisions to the contrary contained in this Constitution, any member of a committee may participate at a committee meeting by way of telephone and video conferencing or by means of other communication equipment whereby all persons participating in the meeting are able to hear each other, in which event such member shall be deemed to be physically present at the meeting whether for the purposes of this Constitution or otherwise. A member participating in a meeting in the manner aforesaid may also be taken into account in ascertaining the presence of a quorum at the meeting. Any meeting held in such manner shall be deemed to be held at such place as shall be agreed upon by the members attending the meeting PROVIDED that at least one (1) of the members present at the meeting was at such place for the duration of that meeting.
146. A resolution in writing signed, approved or assented by letter, electronic mail or facsimile by all of the Committee members for the time being present in Malaysia entitled to receive notice of a meeting of the Committee shall be valid and effectual as if it had been passed at a meeting of the Committee duly called and constituted provided that where a Committee member is not so present but has an alternate who is so present, then such resolution must also be signed by such alternate. Any such resolution may consist of several documents in like form (prepared and circulated by facsimile, telex, telegram or electronic mail or other communication modes / equipment), each signed by one (1) or more Committee members or their alternates. An approval by letter or other written means of a proposed resolution in writing (which has been prepared and circulated as aforesaid) signed by a Committee member and sent by him by facsimile, telex or telegram or electronic mail or other communication modes / equipment shall be deemed to be a document signed by him for the purposes of the foregoing provisions. Any such document may be accepted as sufficiently signed by a Committee member or his alternate if transmitted to the Company by any technology purporting to include a signature and / or electronic or digital signature of the Committee member or his alternate.

VALIDATION OF ACTS OF DIRECTORS

147. All acts done by any meeting of the Directors or a committee of Directors or by any person acting as a Director shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any such Director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director, or member of such committee as aforesaid.
148. Any sale or disposal by the Directors of a substantial portion of the Company's main undertaking or property shall be subject to approval by shareholders in general meeting. The words "substantial portion" shall have the same meaning prescribed in the Listing Requirements.

DIRECTORS' RESOLUTIONS IN WRITING

149. A resolution in writing signed, approved or assented by letter, electronic mail or facsimile by a majority of the Directors for the time being present in Malaysia entitled to receive notice of a meeting of the Directors shall be valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted provided that where a Director is not so present but has an alternate who is so present, then such resolution must also be signed by such alternate. Any

such resolution may consist of several documents in like form (prepared and circulated by facsimile, telex, telegram or electronic mail or other communication modes / equipment), each signed by one (1) or more Director or their alternates. An approval by letter or other written means of a proposed resolution in writing (which has been prepared and circulated as aforesaid) signed by a Director and sent by him by facsimile, telex or telegram or electronic mail or other communication modes / equipment shall be deemed to be a document signed by him for the purposes of the foregoing provisions. Any such document may be accepted as sufficiently signed by a Director or his alternate if transmitted to the Company by any technology purporting to include a signature and / or electronic or digital signature of the Director or his alternate.

AUTHENTICATION OF DOCUMENTS

150. Any Director or the Secretary shall have power to authenticate any documents affecting the Constitution of the Company and any resolution passed by the Company or the Directors and any books, records, documents and accounts relating to the business of the Company, and to certify copies thereof or extracts therefrom as true copies or extracts.

Where any books, records, documents or accounts are kept elsewhere than in the Office, the local manager or other officer of the Company having the custody thereof shall be deemed to be a person appointed by the Directors as aforesaid.

151. A document purporting to be a copy of a resolution of the Directors or any extract from the minutes of a meeting of the Directors which is certified by person having powers to authenticate the documents as such in accordance with the provisions of Clause 150, shall be conclusive evidence in favour of all persons dealing with the Company on the faith that such resolution has been duly passed or that such extract is a true and accurate record of a duly constituted meeting of the Directors, as the case may be.

MINUTES AND REGISTERS

152. The Directors shall cause minutes to be duly entered in books provided for the purpose:-
- (a) of appointments of Company Secretary, Director and officers holding job grade CSM-22 and above;
 - (b) of the names of all the Directors present at each meeting of the Directors and of any Committee of Directors and of the Company in general meeting;
 - (c) of all resolutions and proceedings of general meetings and of all meetings of the Company, class of members, Directors and Committee of Directors; and
 - (d) of all orders made by the Directors and any Committee of Directors.

Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting and shall be accepted as prima facie evidence without further proof of the facts stated therein.

153. The Company shall in accordance with the provisions of the Act keep at the Office, a register containing such particulars with respect to the Directors, Manager and Secretaries of the Company as are required by the Act, and shall from time to time notify the Registrar of Companies of any change in such register and of the date of change in the manner prescribed by the Act.

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154. The books containing the minutes of proceedings of any general meeting shall be kept by the Company at the Office or the principal place of business of the Company in Malaysia and shall be open to the inspection of any member without charge.
155. The Company shall also keep at the Office, registers which shall be open to the inspection of any member without charge and to any other person on payment of a prescribed fee for each inspection, all such matters required to be so registered under the Act, and in particular:-
- (a) a register of substantial shareholders and of information received pursuant to the requirements under Sections 144 and 56(4) of the Act; and
 - (b) a register of the particulars of each of the Directors' shareholdings and interests as required under Section 59 of the Act.

SECRETARY

156. (1) The Secretary or Secretaries shall in accordance with the Act be appointed by the Directors for such term and at such remuneration and upon such conditions as they think fit. The Secretary may resign from his office by giving notice to the Board and his resignation shall take immediate effect.
- (2) The office of the Secretary shall become vacant if the Secretary resigns his office by notice in writing to the Company or he becomes prohibited to act as the Secretary in accordance with Section 238 of the Act.

SEAL

157. (1) The Directors shall provide for the safe custody of the Seal which shall only be used pursuant to a resolution of the Directors or a committee of the Directors authorising the use of the Seal. The Directors may from time to time make such regulations as they think fit determining the persons and the number of such persons in whose presence the Seal shall be affixed and, until otherwise so determined, the Seal shall be affixed in the presence of at least one (1) Director and counter-signed by the Secretary or by a second Director or by some other person appointed by the Directors for the purpose who shall sign every instrument to which the Seal is affixed. The Directors may by resolution determine either generally or in any particular case that the signature of any Director, the Secretary or such other persons appointed as aforesaid may be affixed or reproduced by facsimile, autographic or other mechanical means provided that the use of such is restricted to a certificate or other documents of title in respect of any share, stock, debenture or marketable security created or issued by the Company to be given under the Seal of the Company. The Company may exercise the powers of Section 62 of the Act, and such powers are accordingly hereby vested in the Directors.
- (2) The Company may also have a share seal pursuant to Section 63 of the Act.

ACCOUNTS

158. The Company, Directors and managers of the Company shall cause proper accounting and other records to be kept and shall distribute copies of financial statements and other documents as required by the Act and shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounting and other records of the Company or any of them shall be open to the inspection of members not being Directors, and no member (not being a Director) shall have any right of inspecting any account or book or paper of the Company except as conferred by statute or authorised by the Board.

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Subject always to Section 245 of the Act, the books of account or records of operations shall be kept at the Office or at such other place as the Directors think fit.

159. A copy of the reports by the Directors and auditors of the Company, the financial statements and group accounts (if any) (including all documents required by law to be annexed or attached to all or any of them) shall be sent (not later than the time prescribed by the Listing Requirements and / or the Act) to all members, holders of debentures, securities holders and all other persons entitled to receive notices of general meetings under the Act or this Constitution in electronic form, which shall be transmitted to the electronic address provided by the securities holders to the Company for such purpose or by publishing on a website.
160. Auditors shall be appointed and their duties regulated in accordance with the Act.

DIVIDENDS AND RESERVES

161. (1) The Directors may from time to time declare dividend, but no dividend shall exceed the amount recommended by the Directors. No dividend shall be payable otherwise than out of profits available of the Company or shall bear interest against the Company. The Directors may, if they think fit, from time to time declare and pay to the members such interim dividends as appear to them to be justified by the position of the Company, and may also from time to time, if in their opinion such payment is so justified, pay any preferential dividends which by the terms of issue of any share are made payable on fixed dates.
- (2) The Directors may authorise a distribution of dividend at such time and in such amount as the Directors consider appropriate, if the Directors are satisfied that the Company will be solvent immediately after the distribution is made.
- (3) No higher dividend shall be paid than is authorised by the Directors, and the declarations of the Directors as to the distribution shall be conclusive.
162. The Directors may, before recommending any dividend, set aside out of the profits available of the Company such sums as they think proper as reserves which shall, at the discretion of the Directors, be applicable for any purpose to which the profits of the Company may be properly applied. Pending any such application, such profits may, at the discretion of the Directors, either be employed in the business of the Company or be invested in such investments as the Directors may from time to time think fit. The Directors may also without placing the profits to reserve, carry forward any profits which they think prudent not to divide.
163. The Directors may establish a reserve to be called either "capital reserve" or "realisation account" and shall carry to the credit of such reserve from time to time, all monies realised on the sale of any investments held by the Company in excess of the then book price of the same in providing for depreciation or contingencies. Such capital reserve or realisation account and all other monies in the nature or otherwise, shall be treated for all purposes as capital monies and not as profits available for dividend. Any losses realised on the sale of any investments may be carried to the debit of capital reserve or realisation account except in so far as the Directors shall decide to make good the same out of other monies of the Company.
164. Subject to the rights of persons, if any, entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect of which the dividend is paid, but no amount paid or credited as paid on a share in advance of call shall be treated for the purposes of this Constitution as paid on the share. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the

- dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividend accordingly.
165. The Directors may deduct from any dividend payable to any Member, all sums of money, if any, presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company held by him.
166. The Directors may retain the dividends payable upon any share in respect of which any person is under Clause 41 entitled to become a member or which any person under that Clause is entitled to transfer, until such person shall become a member in respect thereof or shall duly transfer the same.
167. Subject to the Unclaimed Monies Act, 1965, all dividends unclaimed for one (1) year, after having been declared may be invested or otherwise used by the Directors for the benefit of the Company until claimed or paid pursuant to the Unclaimed Monies Act, 1965. No unpaid dividend, bonus, or interest shall bear interest as against the Company.
168. Any general meeting declaring a dividend or bonus may direct payment of such dividend or bonus, wholly or partly by the distribution of specific assets and in particular, of paid-up shares, debenture or debenture stock of any other company or in any one or more of such ways and the Directors shall give effect to such resolution, and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient, and fix the value for the distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any member upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.
169. (1) Any dividend, interest or other money payable in cash in respect of shares or other securities may be paid by direct transfer by means of the electronic payment systems upon terms and subject to conditions as the Directors may stipulate or by cheque or warrant sent by post to the registered address of the holder on the Register or the Record of Depositors or to such person and to such address as the holder may direct in writing. Every such cheque or warrant or remittance via the electronic payment systems shall be made payable to the order of the person to whom it is sent or to such person as the holder may direct, and the payment of any such cheque or warrant or remittance via the electronic payment systems shall operate as a good and full discharge of the Company in respect of the dividend, interest or other money payable in cash in respect of shares or other securities represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged. Every such cheque or warrant shall be sent at the risk of the person entitled to the money thereby represented.
- (2) Whenever the Directors or the Company in general meeting have resolved or proposed that a dividend (including an interim, final, special or other dividend) be paid or declared on the ordinary shares of the Company, the Directors may further resolve that members entitled to such dividend be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of the dividend as the Directors may think fit. In such case, the following provisions shall apply:-
- (i) the basis of any such allotment shall be determined by the Directors;
 - (ii) the Directors shall determine the manner in which members shall be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of

cash in respect of the whole or such part of any dividend in respect of which the Directors shall have passed such a resolution as aforesaid, and the Directors may make such arrangements as to the giving of notice to members, providing for forms of election for completion by members (whether in respect of a particular dividend or dividends or generally), determining the procedure for making such elections or revoking the same and the place at which and the latest date and time by which any forms of election or other documents by which elections are made or revoked must be lodged, and otherwise make all such arrangements and do all such things, as the Directors consider necessary or expedient in connection with the provisions of this Constitution;

- (iii) the right of election may be exercised in respect of the whole of that portion of the dividend in respect of which the right of the election has been accorded provided that the Directors may determine, either generally or in any specific case, that such right shall be exercisable in respect of the whole or any part of that portion; and
 - (iv) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on ordinary shares in respect whereof the share election has been duly exercised (the "Elected Ordinary Shares") and in lieu and in satisfaction thereof ordinary shares shall be allotted and credited as fully paid to the holders of the Elected Ordinary Shares on the basis of allotment determined as aforesaid and for such purpose (notwithstanding any provision of the Constitution to the contrary), the Directors shall (i) capitalise and apply the amount standing to the credit of any of the Company's reserve accounts or any sum standing to the credit of the profit and loss account or otherwise available for distribution as the Directors may determine, such sum as may be required to pay up in full the appropriate number of ordinary shares for allotment and distribution to and among the holders of the Elected Ordinary Shares on such basis, or (ii) apply the sum which would otherwise have been payable in cash to the holders of Elected Ordinary Shares towards payment of the appropriate number of ordinary shares for allotment and distribution to and among the holders of the Elected Ordinary Shares on such basis.
- (3) (a) The ordinary shares allotted pursuant to the provisions of paragraph (2) of this Clause shall rank *pari passu* in all respects with the ordinary shares then in issue save only as regards participation in the dividend which is the subject of the election referred to above (including the right to make the election referred to above) or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneous with the payment or declaration of the dividend which is the subject of the election referred to above, unless the Directors shall otherwise specify.
- (b) The Directors may do all acts and things considered necessary or expedient to give effect to any capitalisation pursuant to the provisions of paragraph (2) of this Clause, with full power to make such provisions as they think fit in the case of fractional entitlements to ordinary shares (including, notwithstanding any provision to the contrary in this Clause, provisions whereby, in whole or in part, fractional entitlements are disregarded or rounded up or down, or whereby the benefit of fractional entitlements accrues to the Company rather than the members).

- (4) The Directors may, on any occasion when they resolve as provided in paragraph (2) of this Clause, determine that the rights of election under that paragraph shall not be made available to the persons who are registered as holders of ordinary shares in the Register of Members or the Depository Register, as the case may be, or in respect of ordinary shares the transfer of which is registered, after such date as the Directors may fix subject to such exceptions as the Directors think fit, and in such event the provisions of this Constitution shall be read and construed to such determination.
- (5) The Directors may, on any occasion when they resolve as provided in paragraph (2) of this Clause, further determine that no allotment of shares or rights of election for shares under that paragraph shall be made available or made to members whose registered addresses entered in the Register or the Record of Depositors, as the case may be, is outside Malaysia or to such other members or class of members as the Directors may in their sole discretion decide and in such event the only entitlements of the members aforesaid shall be to receive in cash the relevant dividend resolved or proposed to be paid or declared.
- (6) Notwithstanding the foregoing provisions of this Constitution, if at any time after the Directors' resolution to apply the provisions of paragraph (2) of this Clause in relation to any dividend but prior to the allotment of ordinary shares pursuant thereto, the Directors shall consider that, by reason of any event or circumstance (whether arising before or after such resolution) or by reason of any matter whatsoever, it is no longer expedient or appropriate to implement that proposal, the Directors may at their absolute discretion and as they deem fit in the interest of the Company, cancel the proposed application of paragraph (2) of this Clause.

CAPITALISATION OF PROFITS

170. The Company in general meeting may upon the recommendation of the Directors resolve that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution, and accordingly that the sum be set free for distribution amongst the members who would have been entitled thereto if distributed by way of dividend and in the same proportions on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by those members respectively or paying up in full unissued shares or debentures of the Company to be allotted and distributed, credited as fully paid-up to and amongst the members in the proportion aforesaid, or partly in the one way and partly in the other, and the Directors shall give effect to such resolution. Subject to the Act, amount standing to the credit of the capital redemption reserve may, for the purposes of this Clause, be applied in paying up of unissued shares to be issued to members as fully paid bonus shares or any other members as set out in the Act.
171. Whenever such a resolution as aforesaid shall have been passed, the Directors shall make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid shares or debentures, if any, and generally shall do all acts and things required to give effect thereto, with full power to the Directors to make such provision by the issue of fractional certificates or by payment in cash or otherwise as they think fit for the case of shares or debentures becoming distributable in fractions, and also to authorise any person to enter on behalf of all the members entitled thereto into an agreement with the Company providing for the allotment to them respectively, credited as fully paid-up, of any further shares or debentures to which they may be entitled upon the capitalisation, or (as the case may require) for the payment by the Company on their behalf, by the application thereto of their respective proportions of the profit resolved to be capitalised, of the amounts or any part of the amounts remaining unpaid on their existing shares, and any agreement made under such

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authority shall be effective and binding on all such members.

LANGUAGE

172. Where any accounts, minute books or other records required to be kept by the Act are not kept in Bahasa Malaysia or English language, the Directors shall cause a true translation of such accounts, minute books and other records to be made in either English or Bahasa Malaysia, from time to time at intervals of not more than seven (7) days and shall cause such translation to be kept with the original accounts, minute books and other records for so long as the original accounts, minute books and other records are required by the Act to be kept.

DESTRUCTION OF DOCUMENTS

173. The Company shall be entitled to destroy all instruments of transfer which shall have been registered at any time after a reasonable time from the date of registration thereof, and all share certificates and dividend mandates which have been cancelled or have ceased to have effect at any time after the expiration of one (1) year from the date of cancellation or cessation thereof, and all notifications of change of name or address after the expiration of one (1) year from the date they were recorded, and in favour of the Company it shall conclusively be presumed that every entry in the register which purports to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and every share certificate so destroyed was a valid certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company PROVIDED THAT:-
- (a) the foregoing provisions of this Clause shall apply only to the destruction of a document in good faith and without express notice that the preservation of such document was relevant to a claim;
 - (b) nothing contained in this Clause shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstances which would not attach to the Company but for the provisions of this Clause; and
 - (c) reference in this Clause to the destruction of any document include references to its disposal in any manner.

NOTICES

174. (1) Any notice or other document, if served personally or sent by post, shall be deemed to have been served or delivered at the time personally or when the letter containing the same is put into the post, and in proving such service or sending it shall be sufficient to prove that the letter containing the notice or document was properly addressed and put into the post office as a pre-paid letter. Any notice or other document given in electronic form shall be transmitted to the electronic address provided by the member for such purpose or by publishing on the website. Every person who, by operation of law, transfer, transmission or other means whatsoever, becomes entitled to any share, shall be bound by every notice which have been duly served to the person from whom he derives the title of such shares, prior to his name and address being entered in the Register or Record of Depositors as the registered holder of such shares. The contact details (including electronic address) of the member are as set out in the Record of Depositors shall be deemed the last known address provided by the member to the Company for purposes of communication with the member/ securities holder.

- (2) Where a notice, or any other document or information is served, sent or supplied by electronic communication:-
 - (a) to the current address of member/ securities holder, it shall be deemed to have been duly given, sent, or served at the time of transmission of the electronic communication by the email server or facility operated by the Company or its service provider to the current address of members.
 - (b) by making it available on a website, it shall be deemed to have been duly given, sent or served on the date on which the notice or document is first made available on the website, or unless otherwise provided under any applicable laws.
 - (3) A notice, document or information served, sent or supplied by means of a website is deemed to have been given to or received by the intended recipient when the material was first made available on the website and the Company notifying the member/ securities holder in the following manner in writing:-
 - (a) The publication of the notice, document or information on the website; and
 - (b) The designated website link or address where a copy of the notice, document or information may be downloaded.
 - (4) A member / securities holder shall be implied to have agreed to receive such notice or document or information by way of such electronic communications. However, members are given a right to request for a hard copy of such notice, document or information and the Company shall forward a hard copy of such notice or document or information to the member within the prescribed period specified under the Listing Requirements.
 - (5) The Directors may, at their discretion and at any time give a member/ securities holder an opportunity to elect within a specified period of time whether to receive such notice, document or information by way of electronic communications or as a physical copy, and such member shall be deemed to have consented to receive such notice, document or information by way of electronic communications if he was given such an opportunity and he failed to make an election within the specified time, and he shall not in such an event have the right to receive a physical copy of such notice, document or information.
175. A notice including notice given in electronic form or any other document, may be given by the Company to the person entitled to a share in consequence of the death or bankruptcy of a member by sending it through representatives of the deceased or assignee of the bankrupt or by any like description, at the address, if any, within Malaysia supplied for the purpose by the person claiming to be so entitled, or (until such an address has been so supplied) by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred. Every person who shall become entitled to any share by operation of law, transfer, transmission or other means whatsoever, shall be bound by every notice in respect of such share, which prior to his name and address being entered in the Register or Record of Depositors as the registered holder of such shares, shall have been duly given to the person from whom he derives the title to such share.
176. (1) Notice of every general meeting shall be given in a manner herein before specified to:-
 - (a) every Director with a registered address in Malaysia or an address for service of notices in Malaysia;

- (b) every member with a registered address in Malaysia or an address for service of notices in Malaysia;
 - (c) every person entitled to a share in consequence of the death or bankruptcy of a member who, but for his death or bankruptcy, would be entitled to receive notice of the meeting;
 - (d) the auditors for the time being of the Company; and
 - (e) every Exchange on which the Company is listed and any other relevant authorities.
- (2) Except as aforesaid no other person shall be entitled to receive notices of general meetings.
- (3) Whenever any notice is required to be given under the provisions of the laws of Malaysia or of this Constitution, waiver or the shortening of the period of such notice, may be effectively given by complying with Section 316(4) of the Act.

WINDING UP

177. If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company, divide amongst the members in kind the whole or any part of the assets of the Company (whether they consist of property of the same kind or not) and may for that purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how the division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest the whole or any part of any such assets in trustees upon such trusts for the benefit of the contributor as the liquidator, with the like sanction, think fit, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.
178. (1) Save that this Constitution shall be without prejudice to the rights of holders of shares issued upon special terms and conditions, the following provisions shall apply:-
- (a) if the Company shall be wound up and the assets available for distribution among the members as such, shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that as nearly as may be the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up at the commencement of the winding-up, on the shares held by them respectively; and
 - (b) if in a winding-up the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding-up, the excess shall be distributed among the members in proportion to the capital paid up, or which ought to have been paid up at the commencement of the winding-up, on the shares held by them respectively.
- (2) Where it is proposed that the whole or part of the business or property of the Company is to be transferred or sold to another corporation in a voluntary winding up, with the sanction of a special resolution of the Company conferring either a general authority on the liquidator or an authority in respect of any particular arrangement, the liquidator of the Company may:-

- (a) receive in compensation or part compensation for the transfer or sale of the shares, debentures, policies or other like interests in the corporation for distribution among the members of the Company; or
- (b) enter into any other arrangement whereby the members of the Company may, in lieu of receiving cash, shares, debentures, policies or other like interests or in addition to the arrangement, participate in the profits of or receive any other benefit from the corporation,

and any such transfer, sale or arrangement shall be binding on the members of the Company.

- (3) If any member of the Company expresses his dissent on matters referred to in subsection (2) in writing addressed to the liquidator and delivered to the office of the liquidator within seven (7) days from the passing of the resolution, the member may require the liquidator to either abstain from carrying the resolution into effect or to purchase his interest at a price to be determined by an agreement or by arbitration in the manner set out in Section 457 of the Act.

179. Subject to Section 454 of the Act, on the voluntary liquidation of the Company, no commission or fee shall be paid to a liquidator unless it shall have been approved by the members. The amount of such payment shall be notified to all members at least seven (7) days before the meeting at which the commission or fee is to be considered.

SECRECY CLAUSE

180. Save as may be provided by the Act, no member shall be entitled to enter into or inspect any premises or property of the Company or to require disclosure of any information in respect of any detail of the Company's trading, manufacturing or any matter which is or may be in the nature of a trade secret or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Directors, it would be inexpedient in the interest of the members to communicate to the public.

INDEMNITY

181. Except where any liability which by law would otherwise attach to an officer or auditor of the Company in respect of any negligence, default, breach of duty or breach of trust of which he may be guilty in relation to the Company, every Director, whether holding an executive office pursuant to this Constitution or not, auditor, Secretary and other officer for the time being of the Company shall be indemnified out of the assets of the Company (including effect of insurance) against:-
- (a) any loss or liability incurred by him that relates to the liability for any act or omission in his capacity as an officer or auditor and in which judgment is given in favour of the officer or auditor or in which the officer or auditor is acquitted or in which the officer or auditor is granted relief under this Act, or where proceedings are discontinued or not pursued; and
 - (b) any cost incurred by him in defending any proceedings relating to any liability to any person, other than Company for any act or omission in his capacity as an officer or auditor except a fine imposed in criminal proceedings, a sum payable to regulatory authority, any liability incurred in defending criminal proceedings in which he is convicted or in defending civil proceedings brought by the Company, or an associated company, in which judgment is given against him.

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ALTERATION OF CONSTITUTION

182. Subject to the Act and to the provisions of the Listing Requirements (if any), the Company may by special resolution delete, alter or add to this Constitution.

COMPLIANCE WITH STATUTES, REGULATIONS AND RULES

183. The Company shall comply with the provisions of the Act, relevant governing statutes, regulations and rules as may be amended, modified or varied from time to time, or any other directive or requirement imposed by the Exchange, Bursa Depository and other appropriate authorities, to the extent required by law, notwithstanding any provisions in this Constitution to the contrary.

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UMW
OIL & GAS

UMW OIL & GAS CORPORATION BERHAD

(Company No. 878786-H)
(Incorporated in Malaysia)

EXTRACT OF NOTICE OF THE 8TH ANNUAL GENERAL MEETING

SPECIAL RESOLUTION 1

PROPOSED CHANGE OF COMPANY’S NAME FROM “UMW OIL & GAS CORPORATION BERHAD” TO “VELESTO ENERGY BERHAD” (“PROPOSED CHANGE OF NAME”)

“THAT the name of the Company be hereby changed from “UMW Oil & Gas Corporation Berhad” to “Velesto Energy Berhad” with effect from the date of the Notice of Registration of New Name issued by the Companies Commission of Malaysia and that the Memorandum and Articles of Association of the Company be hereby amended accordingly, wherever the name of the Company appears.

AND THAT the Directors and/or Secretary of the Company be and are hereby authorised to give effect to the Proposed Change of Name with full power to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant authorities.”

SPECIAL RESOLUTION 2

PROPOSED ADOPTION OF A NEW CONSTITUTION OF THE COMPANY

“THAT approval be and is hereby given to amend and revise existing M&A of the Company, and in place thereof, a new Constitution as set out in the Circular to Shareholders dated 16 April 2018 (accompanying the Company’s Annual Report 2017 for the financial year ended 31 December 2017) be and is hereby adopted as the Constitution of the Company; AND THAT the Board of Directors’ be and is hereby authorized to assent to any modifications, variations and/or amendments as may be required by the relevant authorities including incorporating the change of name of the Company, (an agenda to be approved by the Shareholders under Special Resolution 1 above) and further to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing.”

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5243
COMPANY NAME : UMW OIL & GAS CORPORATION BERHAD
FINANCIAL YEAR : December 31, 2017

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is charged with leading and managing the Company in an effective and responsible manner. Each Director has a legal duty to act in the best interests of the Company. The Directors, collectively and individually, are aware of their responsibilities to shareholders and stakeholders for the manner in which the affairs of the Company are managed. The Board sets the Company's values and standards and ensures that its obligations to its shareholders and stakeholders are understood and met.</p> <p>The Directors understand that the responsibility for good Corporate Governance rests with them and therefore strive to apply the broad principles and specific recommendations on structures and processes as stated in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012").</p> <p>The Company complies with the various guidelines and recommendations issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia"), the Securities Commission ("SC"), Green Book on Enhancing Board Effectiveness ("Green Book") by the Putrajaya Committee on Government - Linked Companies ("GLC") High Performance and Corporate Governance Guide. The Board's roles, responsibilities and composition are also governed by the Memorandum and Articles of Association ("M&A") of the Company and the laws and regulations governing companies in Malaysia.</p> <p>The Board meets in person at least once every quarter to facilitate the discharge of its responsibilities. Members of the management who are not Directors are invited to attend and speak at meetings on matters relating to their sphere of responsibility.</p> <p>Duties of the Board include establishing the corporate vision and mission, as well as the philosophy of the Company, setting the aims of</p>

	<p>the management and monitoring the performance of the management.</p> <p>The Board assumes the following specific duties:</p> <ul style="list-style-type: none"> a) Establishing and reviewing the strategic direction of the Company; b) Overseeing and evaluating the conduct of the Company's businesses; c) Identifying principal risks and ensuring that risks are properly managed; d) Establishing a succession plan; e) Ensuring the existence of a good investor relations programme and shareholder communication policy; and f) Reviewing the adequacy of the internal. <p>The Board has established written procedures in determining issues that require decisions of the full Board and issues that can be delegated to Board Committees or the management. The Board has also established several Board Committees to assist in the discharge of its responsibilities.</p> <p>Nevertheless, the Board reserves full decision-making powers on the following matters: -</p> <ul style="list-style-type: none"> a) Material acquisitions and disposal of assets; b) Investments in major projects; c) Authority levels; d) Treasury policies; e) Risk Management policies; f) Key human resource issues; and g) Conflict of interest issues relating to a substantial shareholder or Director. <p>The Board has established a procedure whereby the Directors, collectively or individually, may seek independent professional advice in furtherance of their duties at the Company's expense.</p>
<p>Explanation for departure :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure :</p>	
<p>Timeframe :</p>	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman is responsible for leadership of the Board in ensuring the effectiveness of all aspects of its role.</p> <p>The Chairman is responsible for:-</p> <ul style="list-style-type: none">a) leading the Board in setting the values and standards of the Company;b) maintaining a relationship of trust with and between the Executive and Non-Executive Directors;c) ensuring the provision of accurate, timely and clear information to Directors;d) ensuring effective communication with shareholders and relevant stakeholders;e) arranging regular evaluation of the performance of the Board, its Committees and individual Directors; andf) facilitating the effective contribution of Non-Executive Directors and ensuring that constructive relations be maintained between Executive and Non-Executive Directors. <p>The Chairman, in consultation with the President and the Company Secretary, sets the agenda for Board meetings and ensures that all relevant issues are on the agenda.</p> <p>The Chairman is responsible for managing the business of the Board to ensure that:</p> <ul style="list-style-type: none">a) all Directors are properly briefed on issues arising at Board meetings;b) sufficient time is allowed for the discussion of complex or contentious issues and, where appropriate, arranging for informal meetings beforehand to enable thorough preparation for the Board discussion; andc) the issues discussed are forward looking and concentrates on strategy. <p>The Chairman ensures that every Board resolution is put to vote to ensure that the will of the majority prevails.</p> <p>Where only two (2) Directors are present, or only 2 Directors are present who are not disqualified pursuant to Article 102 of the Articles of Association, or who are competent to vote, the Chairman shall not have a second or casting vote.</p>
Explanation for departure	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company aims to ensure a balance of power and authority between the Chairman and the President with a clear division of responsibility between the running of the Board and the Company's business, respectively.</p> <p>The position of Chairman is held by Dato' Abdul Rahman bin Ahmad who is a Non-Independent Non-Executive Director of the Board while, the position of President is held by Encik Rohaizad bin Darus who is an Executive Director of the Board.</p> <p>The President is the conduit between the Board and the management in ensuring that the management practice is performed at the highest level of integrity and transparency and that the business and affairs of the Group are carried out in an ethical manner and in compliance with the relevant laws and regulations.</p> <p>The President has the executive responsibility for the day-to-day operations of the Company's business.</p> <p>The President is responsible for implementing policies of the Board, overseeing the Group's operations and developing the Group's business strategies, which include performance targets and long-term goals established by the Board. The views of the management are represented at meetings of the Board by the presence of senior executives when required.</p> <p>All Board authorities conferred on the management is delegated through the President and this will be considered as the President's authority and accountability as far as the Board is concerned.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
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Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board appoints the Company Secretary, who plays an important advisory role, and ensures that the Company Secretary fulfils the functions for which he/she has been appointed.</p> <p>The Company Secretary is accountable to the Board through the Chairman of the Board and Committees on all governance matters.</p> <p>The Company Secretary is a central source of information and advice to the Board and its Committees on issues relating to compliance with laws, rules, procedures and regulations affecting the Company.</p> <p>The Company Secretary has the responsibility of ensuring that relevant procedures relating to the appointments of new Directors are properly executed.</p> <p>The Board members have unlimited access to the professional advice and services of the Company Secretary, which should include advice on: –</p> <ul style="list-style-type: none"> a) disclosure of interest in securities; b) disclosure of any conflict of interest in a transaction involving the Company; c) prohibition on dealing in securities; and d) restrictions on disclosure of price-sensitive information. <p>The Company Secretary must keep abreast of, and inform, the Board of current governance practices.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	

Timeframe	:		
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Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company aims to provide all Directors with timely and quality information and in a form and manner appropriate for them to discharge their duties effectively.</p> <p>The management is responsible for providing the Board with the required information in an appropriate and timely manner. If the information provided by the management is insufficient, the Board will make further enquiries where necessary to which the persons responsible will respond as fully and promptly as possible.</p> <p>A full agenda and comprehensive Board papers are circulated to all Directors well in advance of each Board meeting.</p> <p>The Board records its deliberations, in terms of the issues discussed, and the conclusions in discharging its duties and responsibilities. All decisions made including all issues discussed in arriving at decisions are to be properly recorded to provide a historical record and insight into those decisions.</p> <p>Full Board minutes of each Board meeting are kept by the Company Secretary and are available for inspection by any Director.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of Directors of UMW OIL & GAS CORPORATION BERHAD (“UMW-OG” or “Company”) regard Corporate Governance as vitally important to the success of UMW-OG's business and are committed in ensuring that the principles of good governance are applied in all of the Company's dealings.</p> <ul style="list-style-type: none">• The Board is the focal point of the Company's Corporate Governance system. It is ultimately accountable and responsible for the performance and affairs of the Company.• All Board members shall act in a professional manner, upholding the core values of integrity and enterprise in discharging their fiduciary duties and responsibilities.• All Board members are responsible to the Company for achieving a high level of good governance.• This Board Charter is not an “all inclusive” document and should be read as a broad expression of principles and shall constitute and form an integral part of each Director's duties and responsibilities. <p>The objectives of this Board Charter are to ensure that all Directors 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 in respect and on behalf of the Company.</p> <p>This Board Charter would also act as a source of reference and primary induction literature to provide insights to prospective Board members and senior management.</p>
Explanation for departure	:	

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure	:		
Timeframe	:		

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>UMW-OG's commitment to strong corporate governance is fortified in its Code of Business Conduct and Ethics ("CoBE"), which guides the Company in fulfilling its business obligations with utmost integrity as well as transparency.</p> <p>To ensure consistent good business practices and governance, the CoBE sets our commitment to work responsibly, with integrity and respect. The objective of the CoBE is to act as a reference guide for conduct and ethics throughout one's employment with the Company.</p> <p>The CoBE is rolled out to employees through various trainings as well as communication programmes.</p> <p>Each employee undergoes training and is required to read and understand the CoBE.</p> <p>All employees will be required to agree and declare on their understanding of the Company's policy and procedures, and submit their individual "Disclosure of Conflict of Interest".</p> <p>The CoBE is driven by our core values, keeping in mind the highest standard of business ethics.</p> <p>UMW-OG will be continuously transmitting this CoBE for the employee to be aware that the Company is serious in handling any misconduct or any unethical behaviours of any employee.</p> <p>Refresher training will also be conducted periodically to ensure continuous compliance.</p>
Explanation for departure	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	:	Applied
Explanation on application of the practice	:	<p>The whistle-blowing policy (“WBP”) which complements the Code of Business Conduct and Ethics (“CoBE”), provides a non discriminatory and fair treatment for all reported incidents.</p> <p>The WBP ensures concerns regarding unethical, unlawful or improper conduct 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 are investigated internally and if a violation is confirmed, appropriate actions will be taken.</p> <p>This may involve serious consequences, up to and including dismissal or contract termination.</p> <p>Employees are encouraged to file suspected wrongdoings through the proper mode of communications anonymously to the President, or the Head of Human Resources without facing repercussions.</p> <p>The Whistle-Blowing Committee, will then act and dispose of any reported incidents and investigations.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

Application	:	Applied
Explanation on application of the practice	:	<p>In the FY2017, there were nine Directors, with the Chairman (being a Non-Independent Non-Executive Director), one Non-Independent Non-Executive Director, six Independent Non-Executive Directors and one Executive Director, who is the President of the Company.</p> <p>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.</p> <p>Six out of the nine or more than 67% of its composition comprised Independent Directors.</p> <p>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.</p> <p>The background of each director is set out on pages 32 to 41 in the 2017 Annual Report.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application	:	Not applicable - Step Up 4.3 adopted	
Explanation on application of the practice	:		
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.3 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years.

Application	:	Adopted
Explanation on adoption of the practice	:	<p>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, where upon 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.</p> <p>At present, none of the Independent Directors has served more than nine years on the Board.</p>

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Application	:	Applied
Explanation on application of the practice	:	<p>The Nomination and Remuneration Committee (“NRC”) 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.</p> <p>The NRC is also responsible for the appointment, dismissal, transfer and promotion for senior most executives in the Group (for job grade CSM-22 and above).</p> <p>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 NRC 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 to identify areas for improvement.</p> <p>Nominations may come from a wide variety of sources, including Directors, senior employees of the Group, customers, shareholders, industry associations, recruiting firms and others.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board is actively working towards meeting the Government's target of 30% women's participation on Boards. In 2017, UMW-OG has achieved 22.2% with the appointments of the following capable and qualified individuals on its Board:-</p> <p>(i) Rowina Ghazali Seth; and (ii) Haida Shenny binti Hazri.</p> <p>The UMW-OG 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.</p> <p>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.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	The Board supports the country's aspirational target of 30% representation of women directors and has initiated search for potential candidates. The Board is considering to have an additional women director to meet the target and timeline required by MCCG 2017.
Timeframe	:	Within 1 year

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application	:	Applied
Explanation on application of the practice	:	<p>The Nomination and Remuneration Committee (“NRC”) 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.</p> <p>The NRC is also responsible for the appointment, dismissal, transfer and promotion for senior most executives in the Group (for job grade CSM-22 and above).</p> <p>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 NRC 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 to identify areas for improvement.</p> <p>Nominations may come from a wide variety of sources, including Directors, senior employees of the Group, customers, shareholders, industry associations, recruiting firms and others.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Application	:	Applied	
Explanation on application of the practice	:	The Nominating and Remuneration Committee is chaired by Dato' Afifuddin Abdul Kadir, a Senior Independent Director.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application	:	Applied
Explanation on application of the practice	:	<p>The Nominating and Remuneration Committee carries out an annual performance evaluation based on a set of updated questionnaires that evaluated 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.</p> <p>The independence of UMW-OG’s Directors is measured based on the test of independence prescribed under the MMLR that he/she is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement or ability to act in the best interest of UMW-OG Group.</p> <p>This test is carried out before the appointment of Directors and re-affirmed annually by Independent Non-Executive Directors by self-assessment of independence by completion of the Confirmation of Independence Form.</p> <p>Annually, the review of Directors’ independence also form part of the Director’s performance evaluation.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>The Nominating and Remuneration Committee ("NRC") is also responsible for developing the UMW-OG Group's remuneration policy framework and recommending the remuneration package of Directors and members of the senior management to the Board.</p> <p>The Board as a whole, upon the recommendation of the NRC 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.</p> <p>In the case of the President/Executive Director, the remuneration is structured to link rewards to corporate and individual performance through Key Performance Indicators comprising fixed and performance-based rewards. The remuneration of the President/Executive Director includes salary, emoluments and benefits-in-kind.</p> <p>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).</p> <p>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.</p> <p>The NRC 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</p>

	successfully.	
	The policies and procedures are made available on the company's website at www.umw-oilgas.com .	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Application	:	Applied
Explanation on application of the practice	:	The Company has a combined Nomination and Remuneration Committee. Their authority and duties as well as functions are clearly defined in the Terms of Reference of the Nomination and Remuneration Committee, which is accessible on the Company's corporate website at www.umw-oilgas.com .
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application	:	Applied
Explanation on application of the practice	:	The remuneration of individual directors with breakdown of fees and other allowances were disclosed on a named basis in the Statement of Corporate Governance on page 87 of the Annual Report 2017.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>While the Board is cognisant on the importance of transparency, due to the intense competition and scarcity for C-level talent, more so for those who have the required mix of skills and experience that is uniquely suited to the Company's business operations, the Board of Directors' believes that individual disclosure on a named basis for the remuneration of the top five senior management personnel is not in the best interest of the Group.</p> <p>The profiles of the Key Senior Management ("KSM") are set out on page 42 to 45 of the Annual Report 2017. Compensation is based on accepted industry benchmarks for the relevant positions based on expertise and experience.</p> <p>The Company believes that the interest of the shareholders will not be prejudiced as a result of the non-disclosure of the KSM's remuneration.</p> <p>The remuneration of the President who is also the Executive Director of the Company is disclosed under the Statement on Corporate Governance on page 87 of 2017 Annual Report.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The Company does not have any alternative plan to meet the intended outcome.	
Timeframe	:	Others	Not Applicable

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Audit Committee is not the Chairman of the Board:- <ul style="list-style-type: none"> • The Chairman of the Board of Directors' is Dato' Abdul Rahman bin Ahmad, a Non-Independent Non-Executive Director; and • The Board's Audit Committee Chairman is Razalee bin Amin, an Independent Non-Executive Director. 	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee’s findings and recommendations. The company’s financial statement is a reliable source of information.

Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Company has never appointed former key audit partners to its Board of Directors.</p> <p>The Company will revise the Terms of Reference for Audit Committee to include a cooling-off period of at least two years if any former key audit partner is considered as candidate for Audit Committee in the future.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee’s findings and recommendations. The company’s financial statement is a reliable source of information.

Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board Audit Committee (“BAC”) assessed the suitability and independence of the external Auditors in accordance to the approved External Auditors’ Assessment Policy. The assessment considered the following matters:-</p> <ul style="list-style-type: none"> • The external auditors’ requisite skills and expertise, including industry knowledge to effectively audit the Group; • The independence and objectivity of the external auditors; • The planning and execution of audit plan approved by the BAC; • Key risks including fraud risks had been highlighted, discussed and factored in the audit plan; and • The effectiveness of communication between the external Auditors and the BAC. <p>BAC evaluated the performance of the external auditors for FY2017 and recommended to the Board that Messrs. Ernst & Young be appointed as external auditors for the year ending 31 December 2018 at the 8th AGM.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The Board Audit Committee's ("BAC") Chairman is Encik Razalee bin Amin, an Independent Non-Executive Director.</p> <p>The BAC comprises of four Independent Non-Executive Directors, with the majority being Independent Directors in compliance with the provisions of Paragraph 15.09(1) of the MMLR of Bursa Malaysia.</p>

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	:	Applied
Explanation on application of the practice	:	<p>All members are financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.</p> <p>The Chairman of the Board Audit Committee ("BAC"), Encik 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 MMLR of Bursa Malaysia.</p> <p>Continuous professional development for Directors were included and disclosed in the Corporate Governance Statement from page 92 to page 93 of the Annual Report 2017.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.1

The board should establish an effective risk management and internal control framework.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of Directors ("Board") of UMW Oil & Gas Corporation Berhad ("UMW-OG" or "Company") is committed to maintaining sound and effective risk management and internal control systems in UMW-OG and its subsidiaries ("Group") to manage risks and to report on internal controls and regulatory compliance to safeguard shareholders' investments, stakeholders' interests and the Group's assets.</p> <p>Set out in the 2017 Annual Report, the Board's Statement on Risk Management and Internal Control ("Statement") for the financial year ended 31 December 2017 which 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.</p> <p>The Statement is prepared in accordance with the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers ("Guidelines") issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") and the requirements of the Malaysian Code on Corporate Governance 2017 ("MCCG").</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied	
Explanation on application of the practice	:	The key features of the Company's risk management and internal control framework, which covers their adequacy and effectiveness are disclosed under the Statement on Risk Management and Internal Control on pages 96 to pages 101 of the 2017 Annual Report.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The Board Risk Management Committee ("BRMC") is responsible for reviewing risk management and matters pertaining to quality, health, safety and environment in detail with Management and shall support the Board in the review, evaluation and recommendation on matters pertaining thereto.</p> <p>The BRMC comprise of six (6) Directors, the majority of whom are Independent Non-Executive Directors as set out on in the 2017 Annual Report.</p>

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application	:	Applied
Explanation on application of the practice	:	<p>With the demerger of the Group with UMW Holdings Berhad, the Group has setup its own Internal Audit Department (“IAD”) in 2017 to undertake the Internal Audit function.</p> <p>The IAD audits internal control practices and reports significant findings to the Board Audit Committee together with recommended corrective actions. Management is responsible for ensuring that corrective actions are undertaken within an appropriate time frame.</p> <p>All findings by IAD are treated in strictest confidence. IAD is independent of the activities it audits and performs its duties with impartiality and due professional care.</p> <p>The BAC approves the internal audit plan of IAD for the Group each year. The scope of the internal audit covers the audit of principal areas of operations within the Group.</p> <p>Details of BAC activities are reported in Audit Committee Report in the 2017 Annual Report.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied
Explanation on application of the practice	:	<p>In ensuring independence of the function, Internal Audit & Risk Management (“IARM”) was headed by Ms Chew Eng Hong (“Ms Chew”) for FY 2017 and she reports directly to the Chairman of the Audit Committee.</p> <p>IARM is also independent of the activities and processes, which it appraises to ensure it discharges its duties in an objective manner in supporting the AC.</p> <p>In performing its function, IARM has no direct responsibility or authority over any of the activities it reviews. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair auditor’s judgment.</p> <p>Ms Chew profile is disclosed under Key Management in the 2017 Annual Report. The IA function is carried out in accordance to the International Standards for the Professional Practices of Internal Auditing set by the Institute of Internal Auditors (IIA).</p> <p>In March 2018, she has been redesignated to Head, Corporate Transformation Office and at the same time, Puan Norzalizah binti Alias has been appointed as the Head of Internal Audit, upon her confirmation, she shall be included in the Key Management list for next year.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

Application	:	Applied
Explanation on application of the practice	:	<p>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:-</p> <p>The Company continues to actively and regularly engage stakeholders which comprises of investors, analysts, regulators, shareholders, the media and the general public. Communication initiatives include sharing the Group's quarterly interim performance and full year financial results which are disclosed to regulatory authorities and the media as well as on www.umw-oilgas.com. The Company website has a dedicated webpage on IR at http://www.umw-oilgas.com/investor-relations/.</p> <p>In addition, the Company issues press releases, holds media conferences, interviews or analyst briefings and participates in industry roadshows and other stakeholder engagement activities. Both Board members and Senior Management are involved in these engagements. Working together with corporate communications, the investor relations functions provides strategic support in the planning and organisation of stakeholder engagement and communications across the year. The above details is disclosed in the 2017 Annual Report on pages 53 to pages 54.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other’s objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application	:	Applied	
Explanation on application of the practice	:	The Company’s approach to sustainability is detailed in its Sustainability Report which is available via www.umw-oilgas.com . Readers are encouraged to read the Sustainability report together with the Statement on Corporate Governance to gain a more in-depth view of the Group’s approach to good governance. The above details are disclosed in the 2017 Annual Report on pages 50 to pages 78.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company dispatches the notice of its Annual General Meeting (“AGM”) to Shareholders at least 28 days before the AGM, well in advance of the 21-day requirement under the Companies Act 2016 and Main Market Listing Requirements of Bursa Malaysia Securities Berhad.</p> <p>The additional time given to Shareholders is to allow them to make the necessary arrangements to attend and participate in person or through corporate representatives, proxies or attorneys.</p> <p>More importantly, it enables the Shareholders to consider the resolutions and make an informed decision in exercising their voting rights at the general meeting.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application	:	Applied
Explanation on application of the practice	:	<p>At the previous annual general meeting, all directors attended in person and personally addressed questions or issues raised by shareholders.</p> <p>The Chairman of the Board Committees were also present to address questions. These included the Chairman of the respective Committees.</p> <p>The Board and Senior Management also addressed questions received from the Minority Shareholders Watchdog Group.</p> <p>The Chairman also encouraged shareholders to take full use of the opportunity provided to ask questions and seek clarification on matters pertaining to the Company's financial statements and other items for adoption at the meeting, before putting a resolution to vote.</p> <p>In addition to this, The President and relevant Senior Management were present to facilitate questions received from shareholders.</p> <p>At the 7th Annual General Meeting held on 15 May 2017 ("7th AGM"), the President also had delivered a presentation on the Company's business performance, its financial results, strategic initiatives and developments as well as future plans. Shareholders were also invited to submit additional questions at the venue of the 7th AGM so that these could be addressed in writing post meeting.</p> <p>In ensuring that Directors continue to attend general meetings called by the Company, the Company Secretaries shall continue to provide all meeting dates one (1) year in advance.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	

Timeframe	:		
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Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

Application	:	Applied
Explanation on application of the practice	:	The Company's general meetings are not held in remote locations. The Company adopted electronic voting since its AGM held in 2017. To encourage Shareholders participation, those Shareholders who are unable to attend the general meeting could appoint a proxy to represent and exercise their votes.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES
PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA
MALAYSIA**

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

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