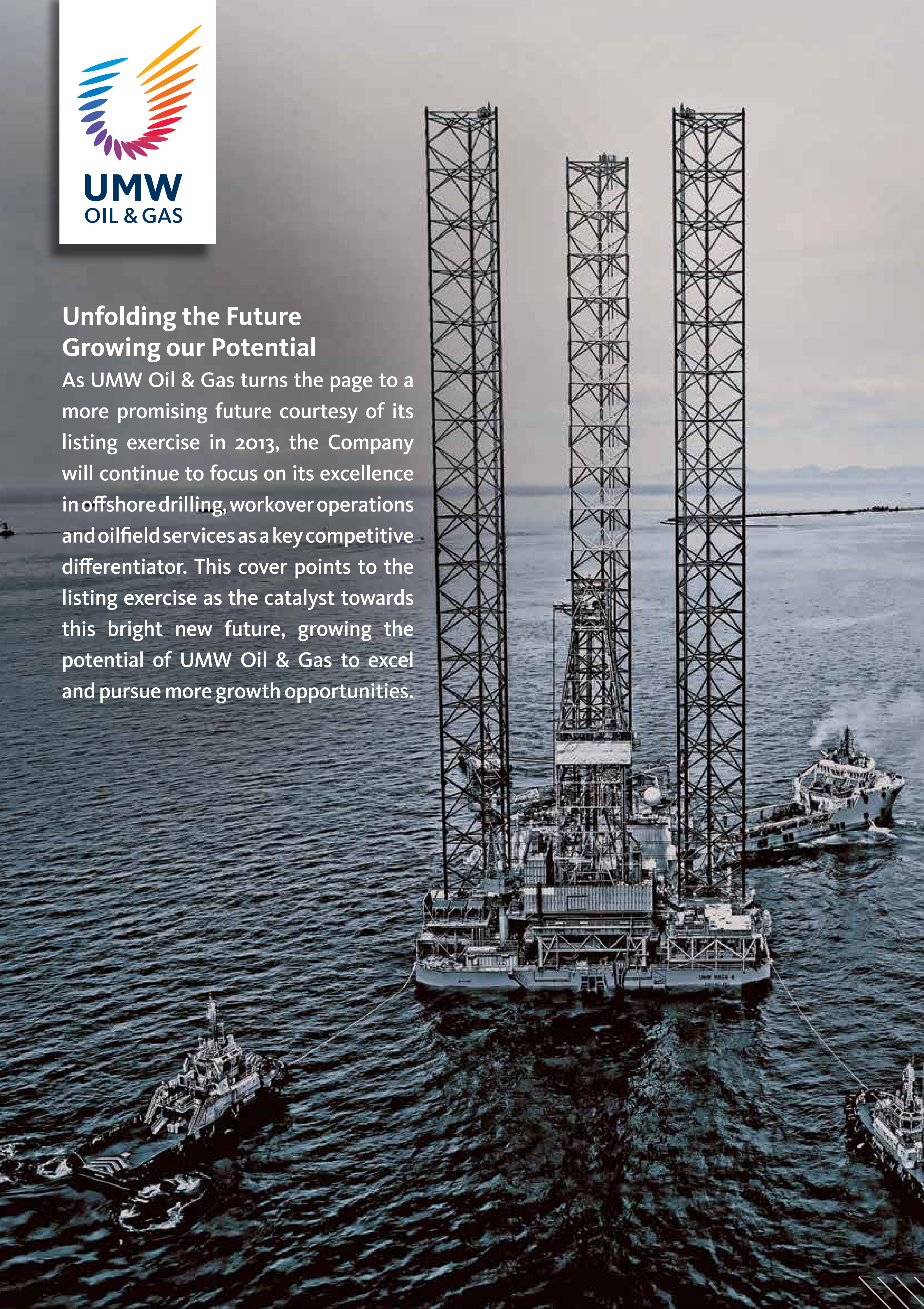
Unfolding the Future
Growing our Potential

annual report 2013



UMW OIL & GAS

Unfolding the Future
Growing our Potential

As UMW Oil & Gas turns the page to a more promising future courtesy of its listing exercise in 2013, the Company will continue to focus on its excellence in offshore drilling, workover operations and oilfield services as a key competitive differentiator. This cover points to the listing exercise as the catalyst towards this bright new future, growing the potential of UMW Oil & Gas to excel and pursue more growth opportunities.

Highlights

KEY DEVELOPMENTS

- Total revenue of RM738 million driven by our portfolio of premium assets and execution capabilities
- Pre-tax profit of RM207 million, a growth of 180% compared to FY 2012
- Total capital investment of RM2 billion to capture the increasing opportunities in the oil and gas industry

FACTS AT A GLANCE

- Global Exploration & Production spending is US$682 billion in 2013
- Oil and gas sector in Malaysia and the ASEAN region is expected to continue with high activities as part of the drive by national oil companies to develop more reserves and to increase production from existing fields
- Globally, jack-ups represent 51% of total offshore drilling rig count

REVENUE (RM million)

2013	**738**
2012	724
Growth	2%

PRE-TAX PROFIT (RM million)

2013	**207**
2012	74
Growth	180%

Contents

Corporate Profile

BEYOND BOUNDARIES

UMW OIL & GAS CORPORATION BERHAD ("UMW-OG" or the "Company") is a Malaysia-based multinational provider of drilling and oilfield services for the upstream sector of the oil and gas industry. We provide drilling and workover services for exploration, development and production wells in Malaysia and South East Asia with our fleet of offshore drilling rigs and hydraulic workover units. We also act as an agent in Malaysia for international companies specialised in drilling equipment and services. Our Oilfield Services business offers threading, inspection and repair services for Oil Country Tubular Goods ("OCTG") in Malaysia and overseas, with a focus on premium connections used in high-end and complex wells.

Our parent company, UMW Holdings Berhad ("UMWH"), is a leading industrial conglomerate in Malaysia, with diverse and global businesses in the automotive, equipment, manufacturing and engineering, and oil and gas industries. UMWH has a market presence in 13 countries. UMWH is publicly listed on the Main Market of Bursa Malaysia Securities Berhad with a market capitalisation of RM14.09 billion as at 31 December 2013. Permodalan Nasional Berhad, through its direct and indirect shareholdings is the largest shareholder of UMWH.

UMW
OIL & GAS

DRILLING SERVICES

Offshore Drilling Rigs
- NAGA 1
- UMW NAGA 2
- UMW NAGA 3
- UMW NAGA 4
- UMW NAGA 5

Hydraulic Workover Units
- UMW GAIT 1
- UMW GAIT 2
- UMW GAIT 3
- UMW GAIT 5

Agency services for specialised equipment

OILFIELD SERVICES

OCTG threading, inspection and repair services facilities
- East Plant & West Plant, Labuan, Malaysia
- Songkhla & Sattahip, Thailand
- Tianjin, China
- Turkmenbashy, Turkmenistan

Vision

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

Mission

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

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

UMW-OG is built on the foundation of 4 core beliefs in being:

Honourable

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

Vibrant

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

Unshakeable

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

Pioneering

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

KEY MILESTONES

Significant Growth Through the Expansion of Our Asset Base

1988

- UMW Oilpipe Services Sdn. Bhd. ("UOS") commenced operations in Labuan, Malaysia, providing OCTG threading, inspection and repair services

1997

- UOT (Thailand) Limited ("UOT") commenced operations in Thailand, providing OCTG threading, inspection and repair services

2002

- UMW Workover Sdn. Bhd. ("UWO") (formerly known as UMW Petrodril (Malaysia) Sdn. Bhd.), which provides workover services for oil and gas wells, was acquired. UWO owned UMW GAIT 1 at the time of the acquisition

- UMW Oilfield Services (Tianjin) Co., Limited ("UOS-TJ") commenced operations in Tianjin, China, providing OCTG threading, inspection and repair services

2004

- UMW GAIT 2 was delivered

2005

- Acquired a 50% ownership interest in NAGA 1, and a majority interest in UMW JDC Drilling Sdn. Bhd. ("UJD"), which provides drilling services through its operation of NAGA 1

2006

- UMW Oilpipe Services (Turkmenistan) Ltd. ("UOS-TK") commenced operations, providing OCTG threading, inspection and repair services, mainly in support of the operations of Petroliam Nasional Berhad ("PETRONAS") subsidiary in Turkmenistan

2007

- Acquired UMW NAGA 2

2008

- UMW GAIT 3 was delivered

- Acquired UMW NAGA 3

2009

- UMW NAGA 2 was delivered

2010

- UMW NAGA 2 commenced operations

- UMW NAGA 3 was delivered

- UMW GAIT 5 was delivered

2011

- UMW NAGA 3 commenced operations

2012

- Acquired UMW NAGA 4
- Entered into a Memorandum of Understanding for the UMW-INSTEP Drilling Academy

2013

- UMW NAGA 4 was delivered and commenced operations
- Acquired UMW NAGA 5
- Incorporation of a wholly-owned subsidiary, UMW Drilling Academy Sdn. Bhd.
- Listing of UMW Oil & Gas Corporation Berhad on the Main Market of Bursa Malaysia Securities Berhad

BUSINESS
AT A GLANCE

First Domestic Owner and Operator of Jack-up Drilling Rigs in Malaysia

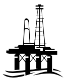
Sole Malaysian Owner and Operator of Hydraulic Workover Units ("HWUs")

Complementary Oilfield Services Business

Drilling Services

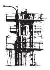
REVENUE (RM million)	PBT (RM million)	ASSETS
694	191	1 Semi-submersible 3 Jack-ups 4 HWUs

Our Presence

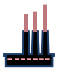


Semi-submersible rig
- NAGA 1 – Offshore Malaysia

Jack-up rigs
- UMW NAGA 2 – Offshore Vietnam
- UMW NAGA 3 – Offshore Malaysia
- UMW NAGA 4 – Offshore Malaysia
- UMW NAGA 5* – Offshore Philippines

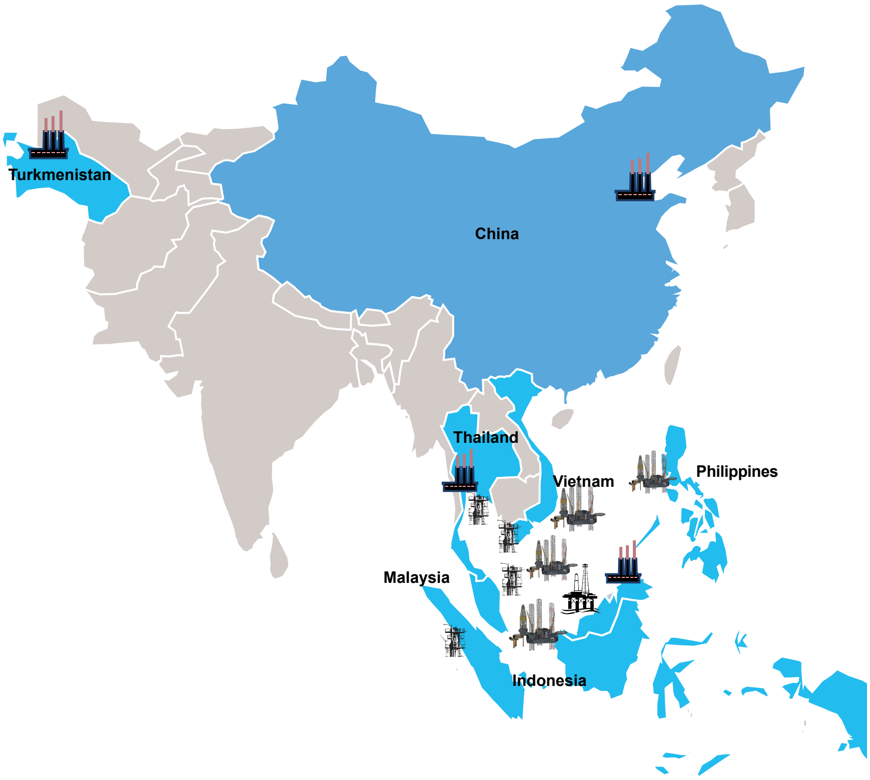


Hydraulic Workover Units
- UMW GAIT 1 – Offshore Indonesia
- UMW GAIT 2 – Offshore Malaysia
- UMW GAIT 3 – Offshore Vietnam
- UMW GAIT 5 – Offshore Thailand

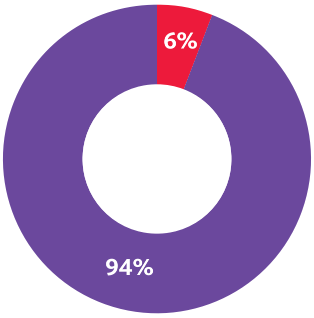


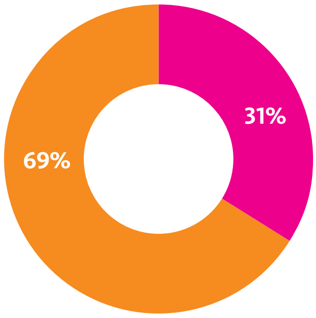
Oilfield services operations
- UOS – Labuan, Malaysia
- UOT – Songkhla and Sattahip, Thailand
- UOS-TJ – Tianjin, China
- UOS-TK – Turkmenbashy, Turkmenistan

* Delivered end April 2014



Revenue Breakdown for 2013





- Drilling Services
- Oilfield Services

- Local
- International

Oilfield Services

REVENUE (RM million)

44

PBT (RM million)

7

ASSETS

6 plants

4 countries


UMW
OIL & GAS
SAFETY IS
UMW
OIL & GAS
UMW

Our Assets

Our fleet of high premium jack-up drilling rigs, together with a semi-submersible rig and HWUs play a vital role in the exploration and production activities in the upstream sector of the oil and gas industry

NAGA 1

Type	Semi-submersible rig
Design	Mitsubishi MD25-SP
Ownership	50%
Operator	UJD(1) (85% owned by UMW-OG)
Delivery year	1974
Operating water depth	1,000 ft
Drilling depth	30,000 ft
Last modification	Deepdish conversion and related major upgrades in 2012

Contract details	
Client	PETRONAS Carigali Sdn. Bhd.
Operation location	Offshore Malaysia
Current contract duration	• June 2004 (start) • November 2010 (extended) • August 2016 (extended) • August 2018 (end)

(1) UMW JDC Drilling Sdn. Bhd.

UMW NAGA 2

Type	Premium jack-up drilling rig
Design	MSC CJ46-X100D
Ownership	100%
Operator	UOD(2) (100% owned by UMW-OG)
Delivery year	2009
Operating water depth	350 ft
Drilling depth	30,000 ft
Last modification	Additional anchor winches and lifeboat installations in 2013

Contract details	
Client	HESS (Indonesia-Pangkah) Limited
Operation location	Offshore Surabaya, Indonesia
Contract duration	• September 2010 – April 2013 (completed)

Contract details	
Client	Petrovietnam Drilling & Well Services Corporation for the end-client Hoang Long Joint Operating Company
Operation location	Offshore Vietnam
Current contract duration	• June 2013 (start) • December 2013 (extended) • June 2014 (extended) • October 2014 (end) • March 2015 (optional extension)

(2) UMW Offshore Drilling Sdn. Bhd. (formerly known as UMW Standard Drilling Sdn. Bhd.).

UMW NAGA 4

Type	Premium jack-up drilling rig
Design	KFELS Mod V-B Class
Ownership	100%
Operator	UOD[2] (100% owned by UMW-OG)
Delivery year	2013
Operating water depth	400 ft
Drilling depth	30,000 ft
Last modification	N/A

Contract details	
Client	PETRONAS Carigali Sdn. Bhd.
Operation location	Offshore Malaysia
Current contract duration	• April 2013 (start) • April 2016 (end) • April 2018 (optional extension)

(2) UMW Offshore Drilling Sdn. Bhd. (formerly known as UMW Standard Drilling Sdn. Bhd.).

UMW NAGA 3

Type	Premium jack-up drilling rig
Design	MSC CJ46-X100D
Ownership	100%
Operator	UOD[2] (100% owned by UMW-OG)
Delivery year	2010
Operating water depth	350 ft
Drilling depth	30,000 ft
Last modification	N/A

Contract details	
Client	PETRONAS Carigali Sdn. Bhd.
Operation location	Offshore Malaysia
Contract duration	• March 2011 (start) • March 2012 (extended) • April 2014 (end)

Contract details	
Client	Petrovietnam Drilling & Well Services Corporation for the end-client Japan Vietnam Petroleum Company
Operation location	Offshore Vietnam
Current contract duration	• May 2014 (start) • October 2014 (end) • January 2015 (optional extension)

(2) UMW Offshore Drilling Sdn. Bhd. (formerly known as UMW Standard Drilling Sdn. Bhd.).

UMW GAIT 1

Type	Hydraulic Workover
Maximum pulling capacity	340,000 lbs
Maximum snubbing capacity	150,000 lbs

Contract details

Client	P.T. Saptawell Technicatama for end-client China National Offshore Oil Corporation in Indonesia
Type	Term
Contract duration	July 2012 – September 2013 (completed)

UMW GAIT 2

Type	Hydraulic Workover
Maximum pulling capacity	460,000 lbs
Maximum snubbing capacity	225,000 lbs

Contract details

Client	PETRONAS Carigali Sdn. Bhd.
Type	Firm, Multi-well / Term
Contract duration	July 2005 – August 2013 (completed)

UMW GAIT 3

Type	Hydraulic Workover
Maximum pulling capacity	460,000 lbs
Maximum snubbing capacity	225,000 lbs

Contract details	
Client	PVD Trading and Technical Services Joint Stock Company
Type	Call-out
Contract duration	June 2013 – June 2015

UMW GAIT 5

Type	Hydraulic Workover
Maximum pulling capacity	460,000 lbs
Maximum snubbing capacity	225,000 lbs

Contract details	
Client	PTT Exploration and Production Public Company Limited
Type	Call-out
Contract duration	May 2013 – April 2016

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Asmat bin Kamaludin
Chairman/Non-Independent Non-Executive Director
Date of appointment 2 May 2013

Datuk Syed Hisham bin Syed Wazir
Non-Independent Non-Executive Director
Date of appointment 1 October 2010

Dr. Leong Chik Weng
Non-Independent Non-Executive Director
Date of appointment 21 April 2011

Encik Razalee bin Amin
Independent Non-Executive Director
Date of appointment 2 May 2013

Dato' Afifuddin bin Abdul Kadir
Independent Non-Executive Director
Date of appointment 2 May 2013

Encik 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

Puan Fina Norhizah binti Hj Baharu Zaman
Independent Non-Executive Director
Date of appointment 15 August 2013

Encik Rohaizad bin Darus
President/Non-Independent Executive Director
Date of appointment 31 January 2012

AUDIT COMMITTEE

Encik Razalee bin Amin (Chairman)
Encik Cheah Tek Kuang
Dato' Ibrahim bin Marsidi
Datuk Syed Hisham bin Syed Wazir

NOMINATION COMMITTEE

Dato' Afifuddin bin Abdul Kadir (Chairman)
Dr. Leong Chik Weng
Encik Razalee bin Amin
Puan Fina Norhizah binti Hj Baharu Zaman

REMUNERATION COMMITTEE

Dr. Leong Chik Weng (Chairman)
Dato' Afifuddin bin Abdul Kadir
Encik Cheah Tek Kuang
Dato' Ibrahim bin Marsidi

INVESTMENT & RISK MANAGEMENT COMMITTEE

Dr. Leong Chik Weng (Chairman)
Datuk Syed Hisham bin Syed Wazir
Dato' Ibrahim bin Marsidi
Encik Cheah Tek Kuang
Puan Fina Norhizah binti Hj Baharu Zaman
Encik Rohaizad bin Darus

COMPANY SECRETARY

Encik Mohd Nizamuddin bin Mokhtar (LS 006128)

REGISTERED OFFICE

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

SHARE REGISTRATION OFFICE

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

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

PRINCIPAL BANKERS

Affin Bank Berhad
AmBank (M) Berhad
Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad
CIMB Bank Berhad
HSBC Amanah Malaysia Berhad
Malayan Banking Berhad

WEBSITE

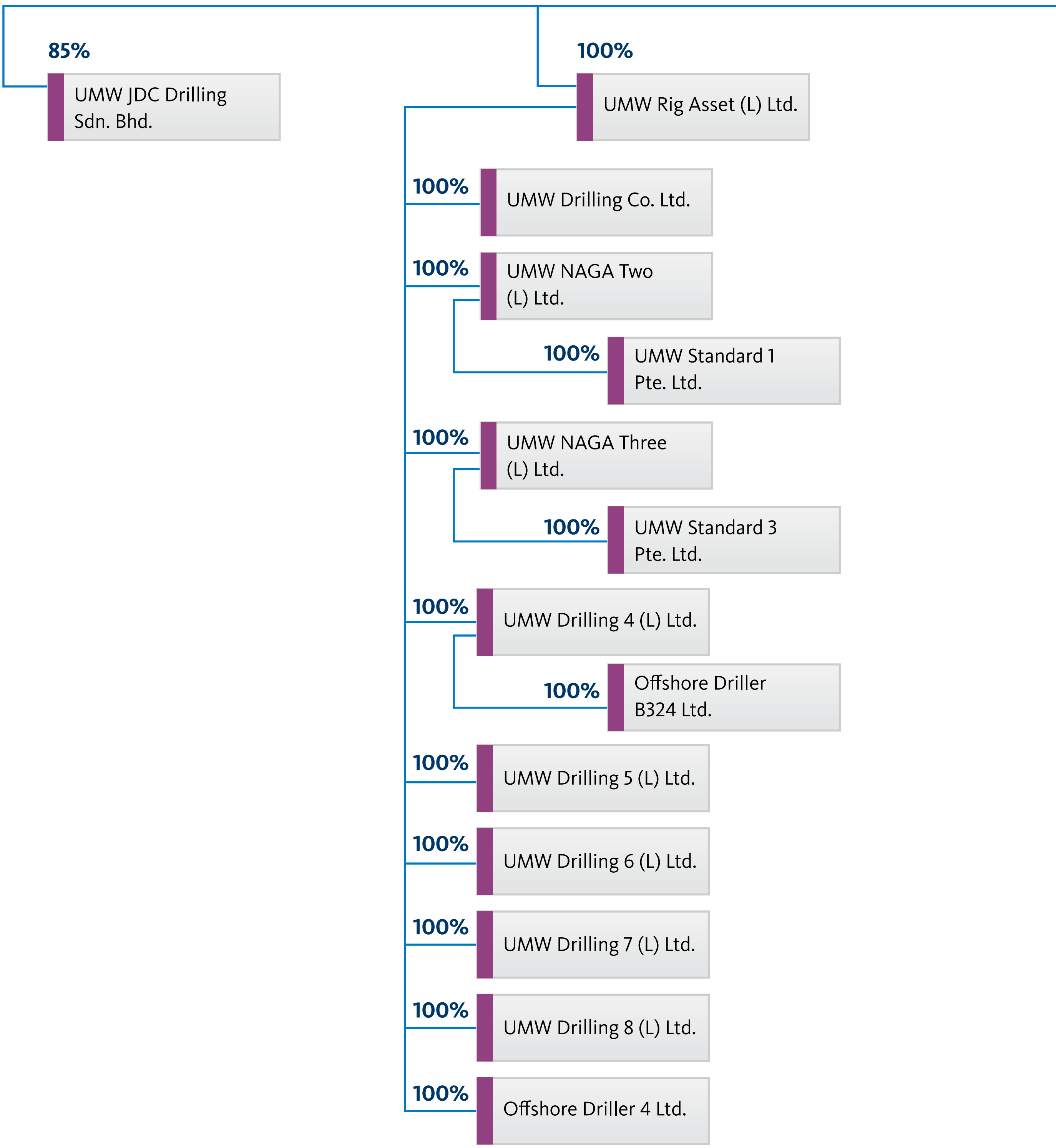
http://www.umw-oilgas.com

E-MAIL ADDRESS

info@umw-oilgas.com

CORPORATE STRUCTURE

As at 30 April 2014



UMW OIL & GAS CORPORATION BERHAD

- 100% UMW Malaysian Ventures Sdn. Bhd.
  - 100% UMW Offshore Drilling Sdn. Bhd. *(formerly known as UMW Standard Drilling Sdn. Bhd.)*
    - 100% UMW Drilling Academy Sdn. Bhd.
  - 100% UMW Oilpipe Services Sdn. Bhd.
    - 20% Oil-Tex (Thailand) Company Limited
      - 49% UOT (Thailand) Limited
    - 49% UOT (Thailand) Limited
  - 100% UMW Workover Sdn. Bhd. *(formerly known as UMW Petrodril (Malaysia) Sdn. Bhd.)*
  - 51% UMW Oilpipe Services (Turkmenistan) Ltd.
- 100% UMW Singapore Ventures Pte. Ltd.
  - 100% UMW Oilfield Services (Tianjin) Co., Limited

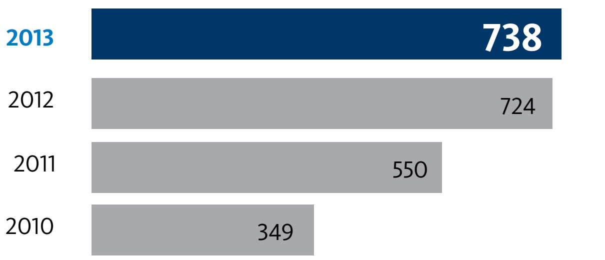
FINANCIAL CALENDAR

EVENT	DATE
Admission to the Official List and Listing on the Main Market of Bursa Malaysia Securities Berhad	**1 November 2013**
Announcement of Results for FY 2013:	
• 1st Quarter	N/A
• 2nd Quarter	N/A
• 3rd Quarter	18 November 2013
• 4th Quarter	24 February 2014
Announcement of Audited Results :	
• Financial Year Ended 31 December 2013	30 April 2014
Announcement of Results for FY 2014:	
• 1st Quarter	19 May 2014
Notice of 4th Annual General Meeting & Issuance of Annual Report 2013	**26 May 2014**
• 4th Annual General Meeting	16 June 2014

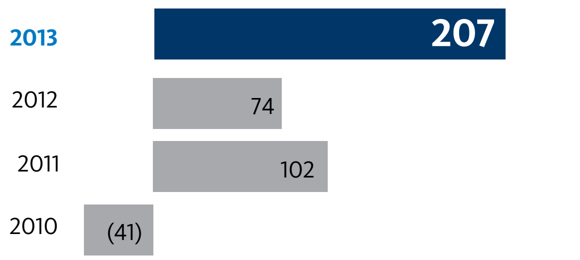
4-YEAR
GROUP SUMMARY RESULTS

Year Ended 31 December		2010	2011	2012	2013
Revenue	RM million	349	550	724	**738**
Profit/(Loss) before Taxation	RM million	(41)	102	74	**207**
Profit/(Loss) Attributable to Equity Holders of The Company	RM million	(49)	78	73	**189**
Shareholders' Funds	RM million	47	168	244	**2,833**
Return on Shareholders' Funds	%	(67)	73	35	**12**
Return on Total Assets	%	(3)	6	4	**5**
Basic Earnings/(Loss) Per Share	Sen	(3.1)	5.1	4.7	**11.5**
Share Price at Year End	RM	N/A	N/A	N/A	**4.01**
Market Capitalisation at Year End	RM million	N/A	N/A	N/A	**8,670**

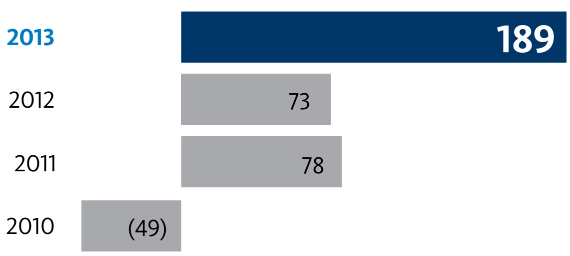
REVENUE (RM million)



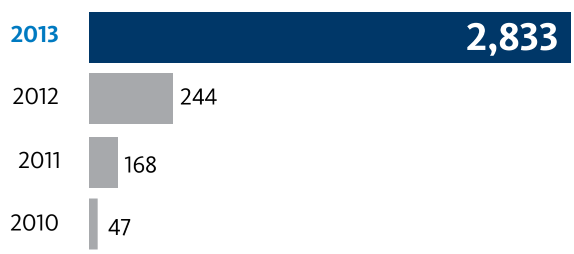
PROFIT/(LOSS) BEFORE TAXATION (RM million)



PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS (RM million)



SHAREHOLDERS' FUNDS (RM million)



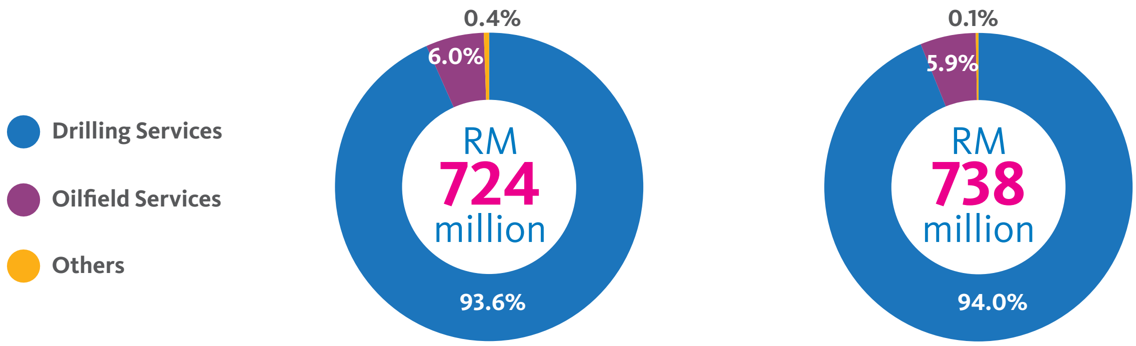
SUMMARY OF GROUP RESULTS

Financial Year Ended 31 December (RM million)	2013	2012
Revenue	**738**	724
Profit before Taxation	**207**	74
Net Profit for the year	**187**	74
Share Capital	**1,081**	*
Reserves	**1,752**	244
Basic Earnings Per Share (sen)	**11.5**	4.7
Net Assets Per Share	**1.3**	0.2

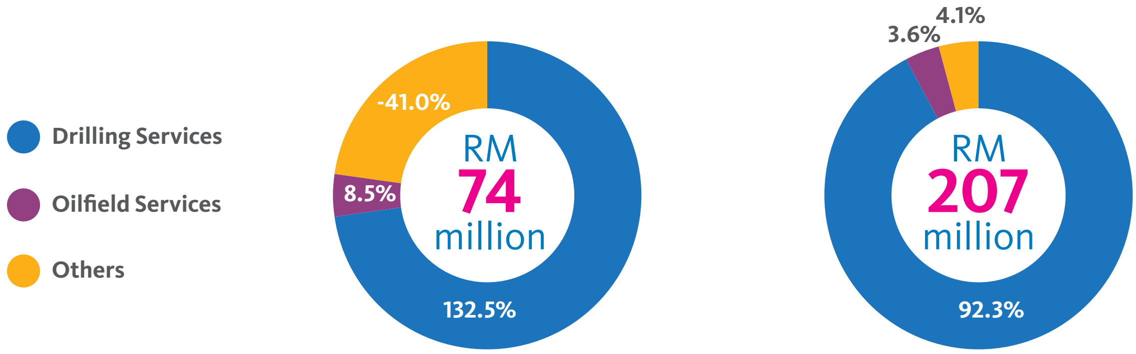
* The Group had an issued and paid-up share capital of RM2 prior to financial year ended 2013

2012 | 2013

REVENUE



PBT



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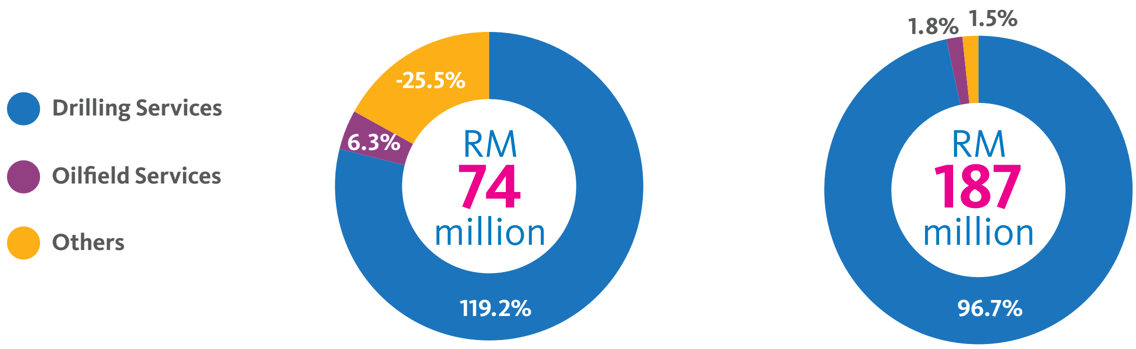
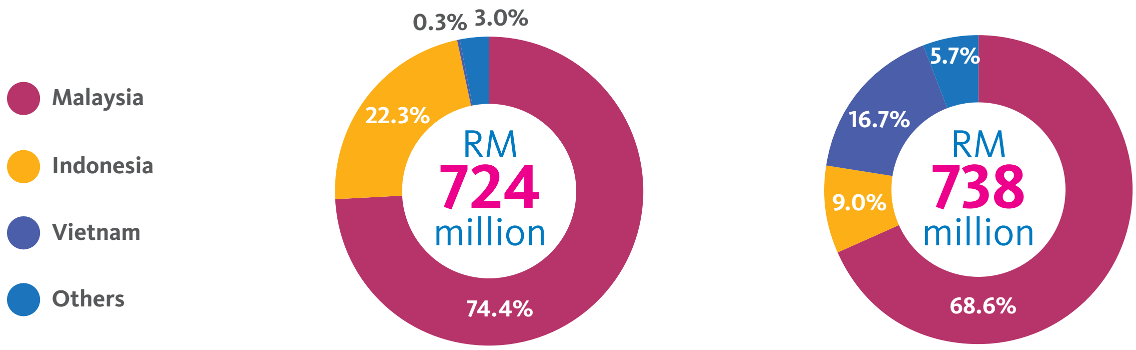


REVENUE BY COUNTRY



STATISTICS ON SHAREHOLDINGS
as at 30 April 2014

SHARE CAPITAL

Authorised Share Capital	:	**RM2,500,000,000** (comprising **5,000,000,000** ordinary shares of **RM0.50** each)
Issued and Paid-Up Share Capital	:	**RM1,081,000,000** (comprising **2,162,000,000** ordinary shares of **RM0.50** each)
Class of Shares	:	ordinary shares of **RM0.50** each
Voting Rights	:	1 vote per 1 ordinary share

ANALYSIS OF SHAREHOLDINGS

SIZE OF HOLDINGS	NO. OF SHAREHOLDERS		TOTAL NO. OF SHAREHOLDERS		NO. OF ISSUED SHARES		TOTAL NO. OF ISSUED SHARES	
	MALAYSIAN	FOREIGN	NO.	%	MALAYSIAN	FOREIGN	NO.	%
Less than 100	21	1	22	0.15	647	2	649	0.00
100 – 1,000	3,008	37	3,045	20.32	2,404,355	28,600	2,432,955	0.11
1,001 – 10,000	9,663	93	9,756	65.12	37,760,815	362,000	38,122,815	1.76
10,001 – 100,000	1,748	30	1,778	11.87	51,068,134	1,179,536	52,247,670	2.42
100,001 to less than 5% of issued shares	330	49	379	2.53	688,611,111	79,315,200	767,926,311	35.52
5% and above of issued shares	2	0	2	0.01	1,301,269,600	0	1,301,269,600	60.19
TOTAL	**14,772**	**210**	**14,982**	**100.00**	**2,081,114,662**	**80,885,338**	**2,162,000,000**	**100.00**

CATEGORY OF SHAREHOLDERS

CATEGORY	NO. OF SHAREHOLDERS		NO. OF ISSUED SHARES		% OF ISSUED SHARES	
	MALAYSIAN	FOREIGN	MALAYSIAN	FOREIGN	MALAYSIAN	FOREIGN
1 Individual	11,396	68	76,087,899	428,702	3.52	0.02
2 Body Corporate						
A Banks/Finance Companies	82	0	393,862,400	0	18.22	0.00
B Investment Trusts/ Foundation/Charities	4	0	3,401,800	0	0.15	0.00
C Industrial and Commercial Companies	141	3	1,203,565,200	274,100	55.67	0.01
3 Government Agencies/ Institutions	3	0	11,058,400	0	0.51	0.00
4 Nominees	3,145	139	393,136,863	80,182,536	18.19	3.71
5 Others	1	0	2,100	0	0.00	0.00
TOTAL	**14,772**	**210**	**2,081,114,662**	**80,885,338**	**96.26**	**3.74**

THIRTY LARGEST SHAREHOLDERS

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

NO.	SHAREHOLDERS	NO. OF SHARES	%
1	UMW Holdings Berhad	1,192,343,000	55.15
2	Amanahraya Trustees Berhad Skim Amanah Saham Bumiputera	108,926,600	5.04
3	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board	105,453,600	4.88
4	Kumpulan Wang Persaraan (Diperbadankan)	85,124,900	3.94
5	Amanahraya Trustees Berhad Amanah Saham Wawasan 2020	31,007,700	1.43
6	AmSec Nominees (Tempatan) Sdn. Bhd. AmTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-Dali)	29,316,500	1.36
7	Amanahraya Trustees Berhad Amanah Saham Malaysia	25,000,000	1.16
8	Permodalan Nasional Berhad	23,266,700	1.08
9	Lembaga Tabung Haji	20,000,000	0.93
10	Citigroup Nominees (Tempatan) Sdn. Bhd. Exempt AN for AIA Bhd.	19,345,100	0.89

THIRTY LARGEST SHAREHOLDERS (CONT'D.)

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

NO.	SHAREHOLDERS	NO. OF SHARES	%
11	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (CIMB PRIN)	19,164,100	0.89
12	Cartaban Nominees (Tempatan) Sdn. Bhd. Exempt AN for Eastspring Investments Berhad	18,006,300	0.83
13	Amanahraya Trustees Berhad Public Islamic Select Enterprises Fund	16,982,000	0.79
14	HSBC Nominees (Asing) Sdn. Bhd. Fullerton Alpha	11,853,000	0.55
15	Amanahraya Trustees Berhad Public Islamic Dividend Fund	10,936,000	0.51
16	Lembaga Tabung Angkatan Tentera	10,913,900	0.50
17	Citigroup Nominees (Tempatan) Sdn. Bhd. Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)	9,037,600	0.42
18	CIMB Group Nominees (Tempatan) Sdn. Bhd. AmTrustee Berhad for CIMB Islamic Dali Equity Theme Fund	8,040,100	0.37
19	HSBC Nominees (Asing) Sdn. Bhd. Exempt AN for JPMorgan Chase Bank, National Association (BVI)	7,970,000	0.37
20	Amanahraya Trustees Berhad Public Islamic Equity Fund	7,946,500	0.37

THIRTY LARGEST SHAREHOLDERS (CONT'D.)

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

NO.	SHAREHOLDERS	NO. OF SHARES	%
21	HSBC Nominees (Asing) Sdn. Bhd. Exempt AN for JPMorgan Chase Bank, National Association (Norges BK)	7,421,800	0.34
22	Amanahraya Trustees Berhad Amanah Saham Didik Permodalan Nasional Berhad	6,630,100	0.31
23	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (DR)	6,500,300	0.30
24	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (HDBS)	6,343,000	0.29
25	Amanahraya Trustees Berhad AS 1Malaysia	6,149,000	0.28
26	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LPF)	5,926,800	0.27
27	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Exempt an for Hwang Investment Management Berhad (TSTAC/CLNT-T)	5,786,600	0.27
28	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For MKL Wealth Sdn. Bhd.	5,653,300	0.26
29	Amanahraya Trustees Berhad Public Islamic Optimal Growth Fund	5,109,400	0.24
30	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (AM INV)	5,100,000	0.24

DIRECTORS' DIRECT AND DEEMED INTEREST IN THE COMPANY

As at 30 April 2014, the shareholdings of our Directors (both direct and indirect) in our Company are shown below:

	DIRECTORS	DIRECT INTEREST	DEEMED INTEREST
1	Tan Sri Asmat bin Kamaludin	300,000	3,000
2	Datuk Syed Hisham bin Syed Wazir	500,000	–
3	Dr. Leong Chik Weng	150,000	–
4	Encik Razalee bin Amin	253,000	–
5	Dato' Afifuddin bin Abdul Kadir	300,000	–
6	Encik Cheah Tek Kuang	120,000	6,000
7	Dato' Ibrahim bin Marsidi	90,000	–
8	Puan Fina Norhizah binti Hj Baharu Zaman	–	–
9	Encik Rohaizad bin Darus	1,000,000	–

AWARDS & ACCOLADES

UMW OIL & GAS CORPORATION BERHAD

Award Provider: Alpha Southeast Asia

- **ALPHA SOUTHEAST ASIA ANNUAL DEAL AWARDS 2013 BEST IPO DEAL IN SOUTHEAST ASIA**
  23 January 2014

Award Provider: The Oil & Gas Year

- **THE OIL & GAS YEAR MALAYSIA LAUNCH AND AWARDS CEREMONY BEST IPO**
  February 2014

UMW OFFSHORE DRILLING SDN. BHD.

(formerly known as UMW Standard Drilling Sdn. Bhd.)

Award Provider: International Association of Drilling Contractors ("IADC")

- **UMW NAGA 3, 1 YEAR WITHOUT A LOST TIME INCIDENT**
  25 March 2012

- **UMW NAGA 2, 1 YEAR WITHOUT A LOST TIME INCIDENT**
  10 October 2012

- **UMW NAGA 3, 2 YEARS WITHOUT A LOST TIME INCIDENT**
  25 March 2013

- **UMW NAGA 2, 1 YEAR WITHOUT A LOST TIME INCIDENT**
  20 December 2013

UMW OFFSHORE DRILLING SDN. BHD.

(formerly known as UMW Standard Drilling Sdn. Bhd.)

Award Provider: HESS Corp

- **UMW NAGA 2 BEST EVER "PERFECT DAYS" ACHIEVEMENT AMONG HESS GLOBAL DRILLING RIGS**
  2 March 2013

Award Provider: PETRONAS Carigali Sdn. Bhd.

- **UMW NAGA 3, 2 YEARS WITHOUT A LOST TIME INCIDENT**
  26 March 2013

- **UMW NAGA 3, 3 YEARS WITHOUT A LOST TIME INCIDENT**
  24 September 2013

UMW WORKOVER SDN. BHD.

(formerly known as UMW Petrodril (Malaysia) Sdn. Bhd.)

Award Provider: PETRONAS Carigali Sdn. Bhd.

- **500,000 MANHOURS ACHIEVEMENT WITH ZERO LOST TIME INJURY FOR WORKOVER OPERATIONS UMW GAIT 2**
  December 2007

- **1,000,000 MANHOURS ACHIEVEMENT WITH ZERO LOST TIME INJURY FOR WORKOVER OPERATIONS UMW GAIT 2 & UMW GAIT 3**
  12 May 2010

- **HSE SPECIAL AWARD IN RECOGNITION OF THE 250 DAYS OF FREE TOTAL RECORDABLE CASE**
  7 July 2010

UMW WORKOVER SDN. BHD.
(formerly known as UMW Petrodril (Malaysia) Sdn. Bhd.)

- **APPRECIATION FOR CONTRIBUTION OF NPT REDUCTION FOR FY 2009/10**
  7 July 2010

- **BRONZE AWARD FOR PCSB DD CONTRACTORS HSE PERFORMANCE FY 2010/2011**
  24 March 2011

- **SILVER AWARD FOR PCSB CONTRACTOR HSE APPRECIATION 2011, BEST NO. OF UAUC/ MANHOURS**
  15 December 2011

- **OUTSTANDING VENDOR AWARD IN RECOGNITION OF OUTSTANDING PERFORMANCE THROUGHOUT 2012**
  13 March 2013

UMW OILFIELD SERVICES (TIANJIN) CO., LIMITED

Award Provider: Schlumberger

- **ACKNOWLEDGEMENT/ LETTER OF COMMENDATION**
  17 May 2012

UMW OILPIPE SERVICES SDN. BHD. (WEST PLANT)

Award Provider: Malaysia Productivity Corporation

- **5S QUALITY ENVIRONMENT CERTIFICATE**
  15 October 2012

UOT (THAILAND) LIMITED – SATTAHIP PLANT

Award Provider: SIRIM QAS International Sdn. Bhd.

- **RECERTIFICATION OF ISO9001:2008 FOR THE QUALITY MANAGEMENT SYSTEM FOR THE SCOPE "REPAIR AND MAKEUP OF OIL COUNTRY TUBULAR GOODS AND MANUFACTURE OF OILFIELD ACCESSORIES"**
  February 2011

Award Provider: Management System Certification Institute (Thailand) : MASCI

- **RECERTIFICATION OF ISO9001:2008 FOR THE QUALITY MANAGEMENT SYSTEM FOR THE SCOPE "REPAIR OF DAMAGED THREADS AND MANUFACTURE OF THREADS FOR OIL COUNTRY TUBULAR GOODS ("OCTG") AND ACCESSORIES"**
  May 2012

- **RECERTIFICATION OF ISO14001:2004 FOR THE ENVIRONMENTAL MANAGEMENT SYSTEM AND BS OHSAS18001:2007 FOR THE OCCUPATIONAL HEALTH & SAFETY MANAGEMENT SYSTEM FOR THE SCOPE "REPAIR OF DAMAGED THREADS AND MANUFACTURE OF THREADS FOR OIL COUNTRY TUBULAR GOODS ("OCTG") AND ACCESSORIES"**
  January 2013

CHAIRMAN'S STATEMENT

Dear Shareholders,

UMW Oil & Gas ("UMW-OG" or "the Company") is honoured to deliver its inaugural annual report. Started humbly as the fourth division of the UMW Group, this division has now grown progressively over the years in tandem with the direction of the Group.

THE YEAR 2013 WAS INDEED A CHALLENGING YET ENRICHING YEAR FOR UMW-OG.

UMW-OG embarked on a major corporate exercise: the Initial Public Offering ("IPO") in conjunction with the listing of and quotation for the entire 2,162,000,000 ordinary shares of RM0.50 each on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

As part of the corporate exercise, UMW-OG undertook an internal reorganisation with the restructuring of its core oil and gas business focusing on drilling and drilling-related activities. This internal reorganisation involved the acquisitions and disposals of companies as well as settlement of inter-company balances between the Group and UMW Holdings Group. The internal reorganisation was completed on 30 August 2013.

UMW-OG was listed on the Main Market of Bursa Malaysia on 1 November 2013. A major milestone for the Group, the Company made an impressive 30 sen above the IPO price of RM2.80 per share at the end of closing on debut and raised RM2.36 billion in proceeds, making it the largest IPO in Malaysia for the year 2013. The offering secured an overwhelming demand from a mix of local and international institutional investors; the institutional tranche under the IPO was oversubscribed by 55 times, whilst the retail offering to the Malaysian public tranche witnessed an over subscription rate of 10.7 times. UMW-OG listing was backed by 21 cornerstone investors representing 18.5% of the enlarged issued and paid-up share capital.

UMW-OG share price has since grown by almost 50% compared to its debut price. The support and confidence from the investors help raised the share price to a commendable level and achieved a market capitalisation of almost RM9 billion.

ASMAT BIN KAMALUDIN

UMW-OG WILL CONTINUE TO BE GUIDED BY ITS GOALS TO ACHIEVE EXCELLENT QHSE PERFORMANCE STANDARDS WHEREVER IT OPERATES AND TO REMAIN PROACTIVE AND COMMITTED IN ENSURING ITS QHSE PERFORMANCE REMAINS AMONG THE BEST IN THE INDUSTRY

2013 HIGHLIGHTS

2013 also witnessed a number of significant milestones for the young company. Assets and contracts were secured in line with the Company's expansion plan:

- UMW-OG took delivery of a third premium jack-up drilling rig, **UMW NAGA 4** in February 2013, which commenced operations in April 2013 on a long term contract with PETRONAS Carigali, offshore Malaysia. UMW NAGA 4 is contracted until April 2016 with a 2-year option to extend the contract to April 2018.

- In March 2013, **UMW NAGA 2** secured a contract with Petrovietnam Drilling & Well Services Corporation ("PV Drilling") for the end-client Hoang Long Joint Operating Company for a 6 months firm + 6 months option contract. This contract marked UMW-OG's first foray into Vietnam. This opportunity defines UMW-OG's potential as a leading regional player, which will provide it with the platform to be a global player in the future.

- In line with the strategic plan of increasing its asset base, UMW-OG acquired another premium jack-up drilling rig, **UMW NAGA 5**, in May 2013.

  UMW NAGA 5, a sister rig of UMW NAGA 4, is a newly built premium jack-up drilling rig that was constructed by KeppelFELS Singapore. The premium drilling rig is capable of operating in water depths of up to 400 ft and drilling to a total depth of 30,000 ft.

On 18 December 2013, UMW NAGA 5 was awarded a US$7 million drilling contract from Nido Petroleum Philippines Pty. Ltd. ("NIDO"). NIDO is a subsidiary of Nido Petroleum Limited, an Australian upstream oil and gas company. This contract marks UMW-OG's maiden venture into Philippines, a stepping stone into new frontiers, expanding our horizons into the SEA and ASEAN region. Securing this contract with NIDO also signifies the trust and confidence international oil and gas players have in the Company, adding to its high quality customer base.

UMW NAGA 5 was delivered end April 2014, ahead of the scheduled delivery in May 2014. This early delivery enabled UMW NAGA 5 to commence operations in May 2014, contributing earlier than scheduled.

QUALITY, HEALTH, SAFETY & ENVIRONMENT ("QHSE")

UMW-OG will continue to be guided by its goals to achieve excellent QHSE performance standards wherever it operates and to remain proactive and committed in ensuring its QHSE performance remains among the best in the industry.

In 2013, UMW-OG embarked on developing new initiatives and enhancing existing programmes to elevate its QHSE best practices to ensure safer operations and project execution. The programmes have also included senior management site visits to the rigs and operations location.

A Total Recordable Case Frequency of 0.24 was recorded in 2013, with 3.15 million total worked man-hours. The drilling operations recorded zero Lost Time Incident ("LTI") as compared to 2 LTIs in 2012. UMW NAGA 3 was awarded 2 consecutive years without LTIs by PETRONAS Carigali. This is testament to our continuous commitment to safety and QHSE best practice.

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

UMW-OG's CSR is focused on sharing our success and giving back to the communities where we work and live. This is a deeply held value at UMW-OG. The Company believes that its contributions, leadership and volunteer efforts help to create strong communities–providing a better environment for the Company to do business and for its employees and customers to live and work. For the financial year ended 31 December 2013 ("FY 2013"), CSR activities organised included blood donations and visiting orphanages.

BUILDING CAPABILITIES

People are important asset of the Company and building people capabilities is given high priority at UMW-OG. Last year had seen intensified training programmes, both internal and external courses, for the staff. In addition to the continuous training provided to our technical staff, specific programmes such as Trainee Drilling Engineer and Management Trainees are continuously being implemented.

In support of national efforts to improve employability of new graduates, the Company brought on board fresh graduates under the Skim Latihan 1Malaysia ("SL1M") – UMW Graduate Enhancement Programme. In addition, 18 local and overseas university students were offered places under the University Students Internship Programme. These programmes are not only a strategic initiative in human capital development, but also a corporate responsibility initiative to provide trainees with a platform to shape their careers and gain learning experience as well as exposure to business activities.

As part of the long term plan to meet the Company's skilled manpower requirements, UMW-OG formed the first dedicated drilling academy in Malaysia, in collaboration with Institut Teknologi Petroleum PETRONAS ("INSTEP"). UMW-INSTEP Drilling Academy ("UIDA") offers programmes focusing on the development of technical skills in drilling operations. The establishment of UIDA is timely in view of the shortage of competent personnel in drilling business. This will also contribute in creating highly paid skilled professionals in the oil and gas sector to realise Malaysia's ambition to become a high-income nation.

180%
growth in PBT

15.2%
growth in average operating day rate

25%
growth in number of offshore drilling rigs

FINANCIAL PERFORMANCE

For the FY 2013, UMW-OG achieved a revenue of RM738 million and a Profit Before Tax ("PBT") of RM207 million, a significant 180% growth in business compared to the previous year. Both the Drilling Services and Oilfield Services Divisions delivered improved earnings with Drilling division contributing major growth in profitability.

Drilling Services Division

The Drilling Services Division generated a PBT of RM191 million on the back of a revenue of RM694 million, representing 92% and 94% of the Group PBT and revenue, respectively.

It offers drilling services through a fleet of offshore drilling rigs, which consist of 1 semi-submersible and 3 premium jack-up drilling rigs, and a fleet of 4 HWUs.

Offshore drilling rigs

The Company jointly owns and operates NAGA 1, a semi-submersible drilling rig together with Japan Drilling Co. Ltd.. For premium jack-up drilling rigs, all are wholly-owned and operated by a wholly-owned subsidiary, UMW Offshore Drilling Sdn. Bhd. (formerly known as UMW Standard Drilling Sdn. Bhd.). These premium jack-up drilling rigs are UMW NAGA 2, UMW NAGA 3 and UMW NAGA 4, the third and latest addition of premium jack-up drilling rig, which started operations in April 2013.

Hydraulic Workover Units ("HWUs")

In addition, UMW-OG is the sole Malaysian owner and operator of HWUs with 4 HWUs in its fleet: UMW GAIT 1, UMW GAIT 2, UMW GAIT 3 and UMW GAIT 5. The HWUs are modular lightweight units, easily mobilised between locations and able to be configured for rapid rig-up and rig-down for offshore and onshore operations. UMW-OG also acts as an agent in Malaysia for Dril-Quip, a manufacturer of specialised subsea, surface and offshore production equipment based in the United States, and for Cougar Drilling Solutions, a provider of horizontal drilling services based in Dubai, United Arab Emirates.

During FY 2013, UMW-OG asset base grew from 3 offshore drilling rigs to 4 offshore drilling rigs. Average operating day rate also grew by approximately 15.2%, contributing to a 92% growth in PBT as it seeks to secure more overseas contracts.

The major drivers of the PBT growth in FY 2013 for the Drilling Services Division are higher utilisation rate of NAGA 1, improved charter rate of UMW NAGA 2 in Vietnam and a 3 full quarters of contribution from UMW NAGA 4 which commenced a 3-year contract with PETRONAS Carigali in April 2013.

Despite the increase in the number of rigs in operations in 2013, there was a minimal growth in revenue for FY 2013 as compared to the financial year ended 31 December 2012 ("FY 2012"). This was primarily due to only 1 month of revenue contribution from services in connection with the deployment of HAKURYU-5 semi-submersible drilling rig, as compared to a full-year contribution of revenue in FY 2012.

This shortfall in revenue was however offset by the higher contribution from NAGA 1 which commenced operations end January 2013 as compared to only 4 months of contribution in FY 2012, as NAGA 1 underwent deepdish conversion and major upgrading and maintenance works from April 2012.

Oilfield Services Division

The Oilfield Services Division generated a PBT of RM7 million on the back of a revenue of RM44 million, representing 4% and 6% of the total group PBT and revenue, respectively.

With a modest improvement of 17% in PBT growth, the Oilfield Services Division provides a recurring and sustainable income stream which assists to moderate the impact of fluctuations in other parts of UMW-OG business.

With 2 facilities each in Malaysia and Thailand, and 1 each in China and Turkmenistan, the Oilfield Services Division is confident that the current drilling environment in these regions will boost its pipe threading activities.

OUTLOOK AND PROSPECTS

Looking ahead, UMW-OG expects the oil and gas industry to continue its robust appetite for more oil and more gas. The growth prospect is expected to continue on the uptrend, driven by new developments in oil and gas field explorations and enhanced oil and gas recovery technologies. Demand for jack-ups has been rising and will most likely continue to rise in SEA as the region continues to seek new fields and rejuvenate existing fields.

In the home front, banking on the realisation of decreasing resources, PETRONAS has planned a 5-year CAPEX of RM300 billion for Malaysia's oil and gas industry. The potential in technologically demanding areas such as enhanced oil recovery and development of marginal fields is expected to provide opportunities to UMW-OG as these are strategically in line with its expansion plans.

ACKNOWLEDGEMENT

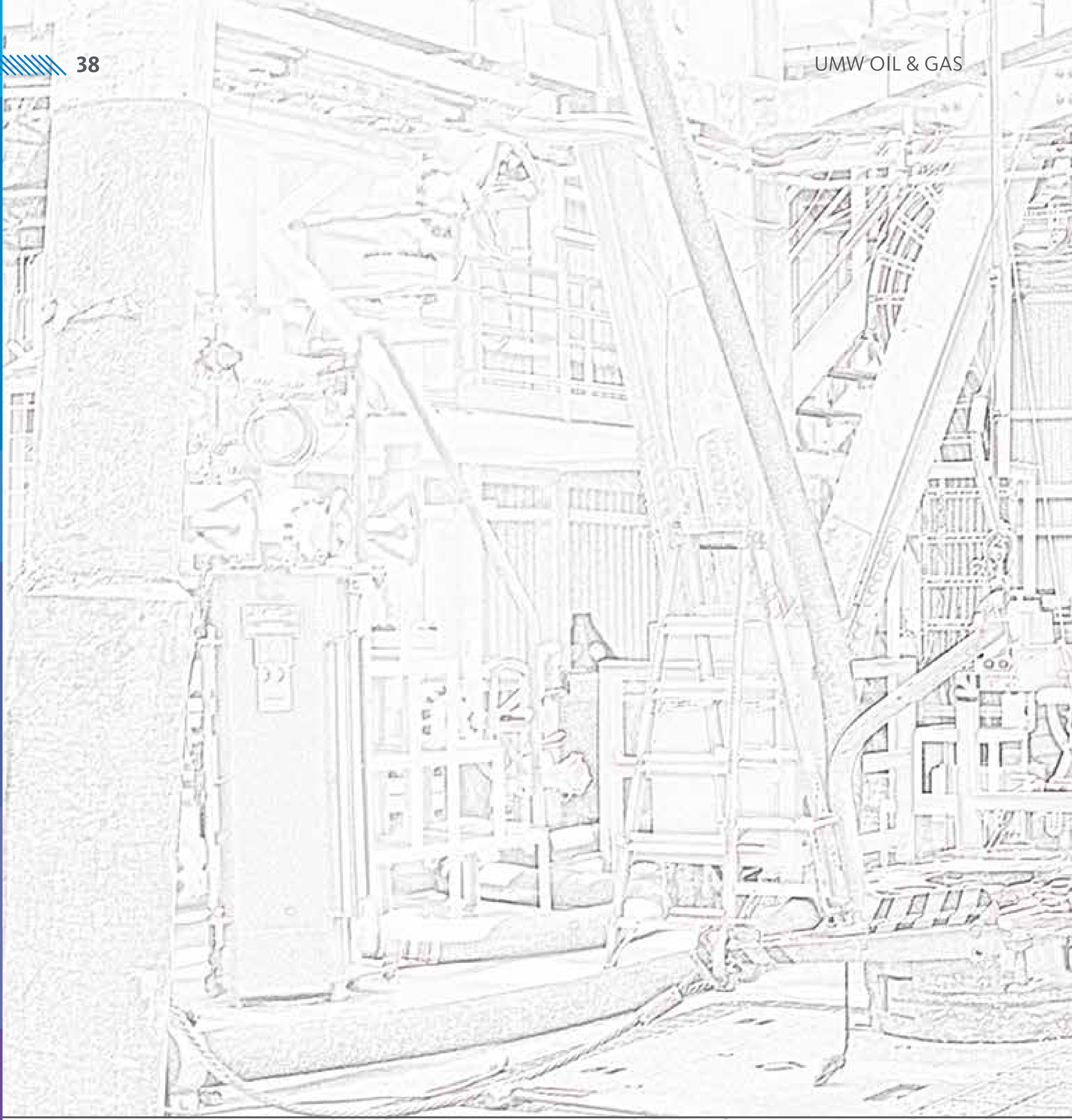
It has been an eventful year as a listed company and I would like to commend our UMW-OG management team and all employees for the tireless efforts in the lead up to the IPO. The enormity of the changes required many months of detailed planning and hard work. The Board is most grateful to all employees and management for their industrious preparation that ensured UMW-OG's transition to public company life was seamless for all stakeholders and added substantial value for shareholders.

I pay tribute to my fellow board members, for their wise counsel and strategic input as the Company navigated the complexities of the IPO exercise and the challenges presented in our early months as a listed enterprise.

Finally, thank you to our shareholders, principals, customers and partners for your trust and confidence in UMW-OG. I look forward to reporting to you on our successes and progress in the years to come.

ASMAT BIN KAMALUDIN

Chairman



We are Growing **the Strength of our Assets**

Our fleet consists of premium jack-up rigs that are designed to operate at water depth of up to 350 ft (UMW NAGA 2 and UMW NAGA 3) and up to 400 ft (UMW NAGA 4), as well as 1 semi-submersible drilling rig capable of operating at water depth of up to 1,000 ft. Our relatively young fleet of jack-up rigs, with an average age of approximately 2 years, are equipped with the latest specifications.

Dear Shareholders,

2013 has been a great year both for UMW Oil & Gas ("UMW-OG" or "the Company") and the oil and gas industry in general. The listing of UMW-OG in Bursa Malaysia last November has opened up a new chapter, not only in Malaysian corporate world but also in regional drilling sector. While UMW-OG's Initial Public Offering ("IPO") became the largest IPO in the country in 2013, the proceeds from the IPO exercise provided the additional funding to further propel the Company's regional growth. The planned expansion is in tandem with the growth in exploration and production activities in the ASEAN region, driven by national oil companies' aspiration to maximise domestic production to reduce dependence on imports.

As the Company grows to capture the increasing opportunities, the focus is on asset acquisition, market expansion and people development. A number of new jack-up drilling rigs and a new hydraulic workover unit were ordered and scheduled to be delivered in 2014 and 2015. New contracts were secured in non-traditional markets including Vietnam, Thailand and Philippines for both the jack-up rigs and the hydraulic workover units. UMW-INSTEP Drilling Academy ("UIDA") was established in collaboration with Institut Teknologi Petroleum PETRONAS ("INSTEP") and had started operations in March 2014.

The delivery of a new jack-up drilling rig, UMW NAGA 4 in February 2013 further strengthened the Company's position in the domestic market with the award of a 3 years firm contract by PETRONAS Carigali with an option of another 2 years. To further cement the Company's position in the domestic market, in April 2013, its semi-submersible drilling rig, NAGA 1 had its contract extended until 2018 with an increase in day rate.

PRESIDENT'S REVIEW OF OPERATIONS

To penetrate the regional market, UMW NAGA 2 secured a breakthrough contract in Vietnam, followed by 2 more contracts for UMW GAIT 3 and UMW NAGA 3 progressively in the same country. This was followed by another market penetration contract in Philippines for UMW NAGA 5, almost 6 months prior to the delivery of the jack-up rig. And for the first time, all 4 hydraulic workover units were operating in 4 different countries; Malaysia, Indonesia, Thailand and Vietnam.

To address the human resource requirement of the Company's expansion drive, development of internal talents and aggressive recruitment of external skilled personnel were carried out. Various technical and management programmes and trainings were conducted, in addition to recruitment of experienced personnel from the oil and gas sector to strengthen the capability of the Company. A total of 221 training sessions were conducted for staff at all levels and 243 new personnel joined the Company, bringing the total number of staff to 719 by end of 2013.

As a responsible corporate citizen and employer, Quality, Health, Safety & Environment ("QHSE") are the utmost important aspect of our operations. QHSE becomes even more critical as the Company expands rapidly, with more activities around the region. In 2013, despite major growth in total man hours to about 3.15 million, the Company managed to maintain a respectable Total Recordable Case Frequency of 0.24, well below industry average of 1.0.

As a result of these, the Company's PBT rose to RM207 million for FY 2013, a significant increase of 180% from RM74 million for FY 2012.

IN MARCH 2013, UMW NAGA 2 SECURED A 6 MONTHS FIRM + 6 MONTHS OPTION CONTRACT WITH PV DRILLING FOR THE END-CLIENT HOANG LONG JOINT OPERATING COMPANY. THIS CONTRACT MARKED OUR FIRST FORAY INTO VIETNAM.

DRILLING OPERATIONS: MALAYSIA, INDONESIA, VIETNAM

NAGA 1

The Company jointly owns and operates NAGA 1, a semi-submersible drilling rig which is capable of operating at water depth of up to 1,000 ft. NAGA 1 is currently servicing PETRONAS Carigali in offshore Malaysia under a 5-year contract that commenced in November 2010 as an extension of a contract which was originally awarded in January 2006. This contract, valued at US$250 million, will end in August 2016. Subsequently, NAGA 1 received another 2 years contract extension in 2013. The new contract extension with a higher day rate is worth US$130 million and will commence immediately upon completion of the current contract in August 2016 and will expire in August 2018.

In January 2013, NAGA 1 completed a major refurbishment, upgrading and maintenance programme in Nagoya, Japan. The major refurbishment included the installation of a deepdish and other major component replacements that would enhance the rig life for up to 15 years. In addition to this, the refurbishment and upgrading project will also enhance NAGA 1's future marketability.

After completing the refurbishment and upgrading works, NAGA 1 started drilling exploration wells in offshore Terengganu until August 2013, before moving to offshore Sarawak.

In the semi-submersible market, NAGA 1 commands a 12.5% and 5.6% market share in Malaysia and SEA, respectively.

UMW NAGA 2

A GustoMSC – CJ46-X100D type, UMW NAGA 2 is a 350 ft premium jack-up drilling rig with a drilling depth of up to 30,000 ft. The rig commenced a long term contract with Hess (Indonesia-Pangkah) valued at US$183 million in September 2010 and completed the job in April 2013.

In March 2013, UMW NAGA 2 secured a contract with Petrovietnam Drilling & Well Services Corporation ("PV Drilling") for the end-client Hoang Long Joint Operating Company for 6 months firm + 6 months option contract. This contract marked our first foray into Vietnam.

The rig was mobilised to Vietnam in June 2013 and completed the 6 months firm contract in December 2013. The 6 months option was subsequently exercised in December 2013.

The contract was further extended for 4 months firm + 5 months option which will keep UMW NAGA 2 busy until first quarter 2015.

The contract with PV Drilling commands higher charter rate of more than 25% from our previous long term contract with Hess (Indonesia-Pangkah). The improved charter rate of UMW NAGA 2 bode well for the drilling services' financial performance in FY 2013.

UMW NAGA 2 achieved 376 days without LTI and recorded a total working manhours of 454,596 since the last LTI on 20 Dec 2012.

376 days without LTI for UMW NAGA 2

1,012 days without LTI for UMW NAGA 3

271 days without LTI for UMW NAGA 4

UMW NAGA 3

Built with the same specifications as UMW NAGA 2, UMW NAGA 3 is a 350ft premium jack-up drilling rig with a drilling depth of up to 30,000 ft. The rig has been contracted to PETRONAS Carigali since its delivery in 2010 and was further extended until April 2014.

Last year, UMW NAGA 3 worked in offshore Terengganu, drilling development wells in Sepat field until September 2013. The rig subsequently worked in Semarang field, offshore Sabah until the end of the contract.

UMW NAGA 3 subsequently secured a contract with PV Drilling for the end client Japan Vietnam Petroleum Company for work offshore Vietnam commencing after the completion of the contract with PETRONAS Carigali. The 2 firm wells + 2 option wells contract is worth approximately US$24 million. The rig is expected to stay in Vietnam until 4th quarter of 2014.

UMW NAGA 3 achieved 1,012 days without LTI and recorded a total working manhours of 1,310,590 since 25 March 2012.

UMW NAGA 4

UMW NAGA 4 is a KeppelFELS B Class type premium jack-up rig, with deeper water capabilities of up to 400 ft and drilling depth of up to 30,000 ft. In addition, the rig incorporates KeppelFELS' advanced, fully automated high capacity rack-and-pinion elevating system and self-positioning fixation system.

UMW NAGA 4 was delivered in February 2013, and has a 3-year contract with PETRONAS Carigali since its delivery worth approximately US$158 million with an option to extend for another 2 years. The rig started working at Penara field, offshore Terengganu, drilling exploration wells and subsequently continued to drill both exploration and development wells offshore Terengganu and Sarawak.

UMW NAGA 4 contributed 3 full quarters in FY 2013 at a charter rate of approximately 5% more than UMW NAGA 3.

UMW NAGA 4 achieved 271 days without LTI at the end of 2013 and recorded total working manhours of 389,448 since 5 April 2013.

WORKOVER OPERATIONS: MALAYSIA, INDONESIA, VIETNAM, THAILAND

UMW GAIT 1

The 340-class hydraulic workover rig commenced a 1 year contract with P.T. Saptawell Tehnicatama for end-client China National Offshore Oil Corporation in Indonesia in July 2012. The contract was further extended until end September 2013. UMW GAIT 1 was demobilised at the end of September 2013.

UMW GAIT 2

The 460-class hydraulic workover rig has a fixed term multi-well contract extension with PETRONAS Carigali that commenced in July 2005. UMW GAIT 2 continued to work for PETRONAS Carigali until end of contract in August 2013.

UMW GAIT 3

UMW GAIT 3, with similar specifications as UMW GAIT 2, secured a 2-year call-out contract with PVD Trading and Technical Services Joint Stock Company with a 1 year optional extension, to provide workover

operations in Vietnam. The contract which commenced in June 2013, is the third contract secured in Vietnam by UMW-OG in 2013 which further solidifies its presence in the new market.

UMW GAIT 5

The latest and more versatile hydraulic workover unit, UMW GAIT 5 secured a 3-year call-out contract, with a 1 year optional extension with PTTEP in Thailand in 2013. This HWU commenced operations in May 2013. This is the second contract for our HWU in Thailand since the completion of the first contract back in 1997. This contract marked a major comeback into Thailand's growing oil and gas industry and further strengthened our relationship with PTTEP, a subsidiary of the national oil company of Thailand.

Agency services

Through UMW Workover Sdn. Bhd. (formerly known as UMW Petrodril (Malaysia) Sdn. Bhd.), we are also an agent in Malaysia for Dril-Quip, a manufacturer of specialised subsea, surface and offshore production equipment based in the United States, and for Cougar Drilling Solutions, a provider of horizontal drilling services based in Dubai, United Arab Emirates.

In November 2012, Sabah Shell Petroleum awarded us a contract worth US$140 million for the supply of a Single Combo Top Tension Riser manufactured by Dril-Quip for the Malikai Project, a deep water drilling project in offshore Sabah, Malaysia. Our agency with Cougar Drilling Solutions permits us to combine their horizontal drilling tool services with our HWUs to offer an economical alternative to conventional drilling that is capable of improving hydrocarbon recovery and accelerating oil or gas field production.

OILFIELD SERVICES OPERATIONS: MALAYSIA, THAILAND, CHINA, TURKMENISTAN

Our Oilfield Services business offers Oil Country Tubular Goods ("OCTG") threading, inspection and repair services focused on premium connections.

OCTG are tubular products used in the oil and gas industry, such as drill pipes, casing, tubing, couplings and accessories such as pup joints, crossovers and hangers. Premium connections with much higher accuracy and performance are applied for complex and demanding operating conditions.

We own a number of quality oilfield services assets, including 1 of the largest threading facilities in Malaysia. Our threading facilities in Malaysia and China own quality equipment characterised by their high precision and accuracy capabilities. The facilities in Thailand and Turkmenistan focus on repair services for damaged threads on fast turnaround basis.

Malaysia - Labuan Facilities

Under UMW Oilpipe Services Sdn. Bhd., we operate 2 threading plants (East Plant & West Plant) that are strategically located inside Asian Supply Base, Labuan Federal Territory and located 1 kilometre apart from each other. Both plants stand on a 14 acre land and house facilities that effectively enable the plants to meet the threading needs of drilling companies and contractors operating in Malaysia.

The plants provide threading services for new OCTG components before they are distributed to the Malaysian market, serving mostly major distributors in the region including Sumitomo and MITA.

The plants' performance in 2013 was affected by machine downtime and manpower inefficiencies, resulting in low productivity. Several measures are being taken to improve the operational performance of these plants. On 10 October 2013, the 5S programme covering both plants have been certified by Malaysian Productivity Corporation and is being fully implemented now.

Thailand - Sattahip and Songkhla Facilities

Both Sattahip and Songkhla plants are operated under UOT (Thailand) Limited. These plants focus on the repair of damaged threaded pipes and the threading of OCTG and accessories for the end-users including several oil majors such as Chevron and PTTEP.

Although a small threading outfit, our Thailand operations has consistently contributed positively in our oilfield business. Both plants performed well in 2013 generating higher revenue and profit. This was primarily driven by higher drilling activities in Thailand.

China - Tianjin Facility

Our wholly-owned subsidiary, UMW Oilfield Services (Tianjin) Co., Limited is UMW Holdings Group's first oil and gas venture in China which owns a threading plant accorded with ISO 9001:2008, API 5CT and API 7-1 accreditations and various premium connection threading licences from both Chinese and international licensors. The plant is a "one-stop shop" for multi premium connection threading base, and is qualified to thread a full series of API tubing, casing and drill pipes for its customers.

For FY 2013, our China operations recorded higher revenue and profit due to accessories work for premium connections from Baosteel Group in addition to general growth in overall oil and gas activities in China.

Turkmenistan - Turkmenbashy Facility

Turkmenistan operations are run by UMW Oilpipe Services (Turkmenistan) Ltd. which provides machine shop services for repair and threading of casing, tubing and oilfield accessories, tubular inspection and hard banding of drill pipes and collars at its plant in Turkmenbashy. The plant primarily supports the operations of PETRONAS in Turkmenistan. The Company also provides Drill Cutting Boxes to Scomi Oiltools under a 3-year contract secured in 2013.

The small outfit continue to deliver improved performance in 2013 with better profitability.

OUTLOOK AND PROSPECTS

Oil and gas sector in Malaysia and the ASEAN region is expected to continue with high levels of activities as part of the drive by national oil companies to develop more reserves and to increase production from existing fields. Increased exploration activities are expected to continue and more activities are being planned to rejuvenate existing fields under Enhanced Oil Recovery ("EOR") programme. In addition, a number of smaller and marginal fields found previously are being developed, especially in Malaysia.

These continuous high levels of activities augur well for oil and gas services company like UMW-OG. Increased exploration for new reserves requires more drilling rigs especially jack-up and semi-submersible rigs that are able to drill independently in open sea. EOR will require more wells to be drilled from existing fields, both producer wells and injector wells, increasing the demand for drilling rigs. Rejuvenating existing wells also will require modular rigs such as hydraulic workover units, which can be erected on existing wells to repair or rework the wells. Development of small and marginal fields are normally associated with minimum and small facilities which mostly can only be drilled by jack-up rigs.

We believe that with our strong position in Malaysia coupled with our regional experience, UMW-OG will be able to capture the growing opportunities in the domestic and regional oil and gas industry. Our fleet expansion is timely to add more capacity for us to address current needs. In addition to existing markets in Malaysia, Indonesia and Thailand, the new markets that we developed in Vietnam, Philippines and Myanmar will position us for further expansion. To feed the required manpower needed for this growth, UIDA has started operations in early 2014.

With a broad international presence in over 6 countries and proven track records with numerous national and international oil companies such as PETRONAS, Shell, Chevron, PTTEP and Petrovietnam, we believe UMW-OG will be able to continue to grow regionally and globally.

Acknowledgement

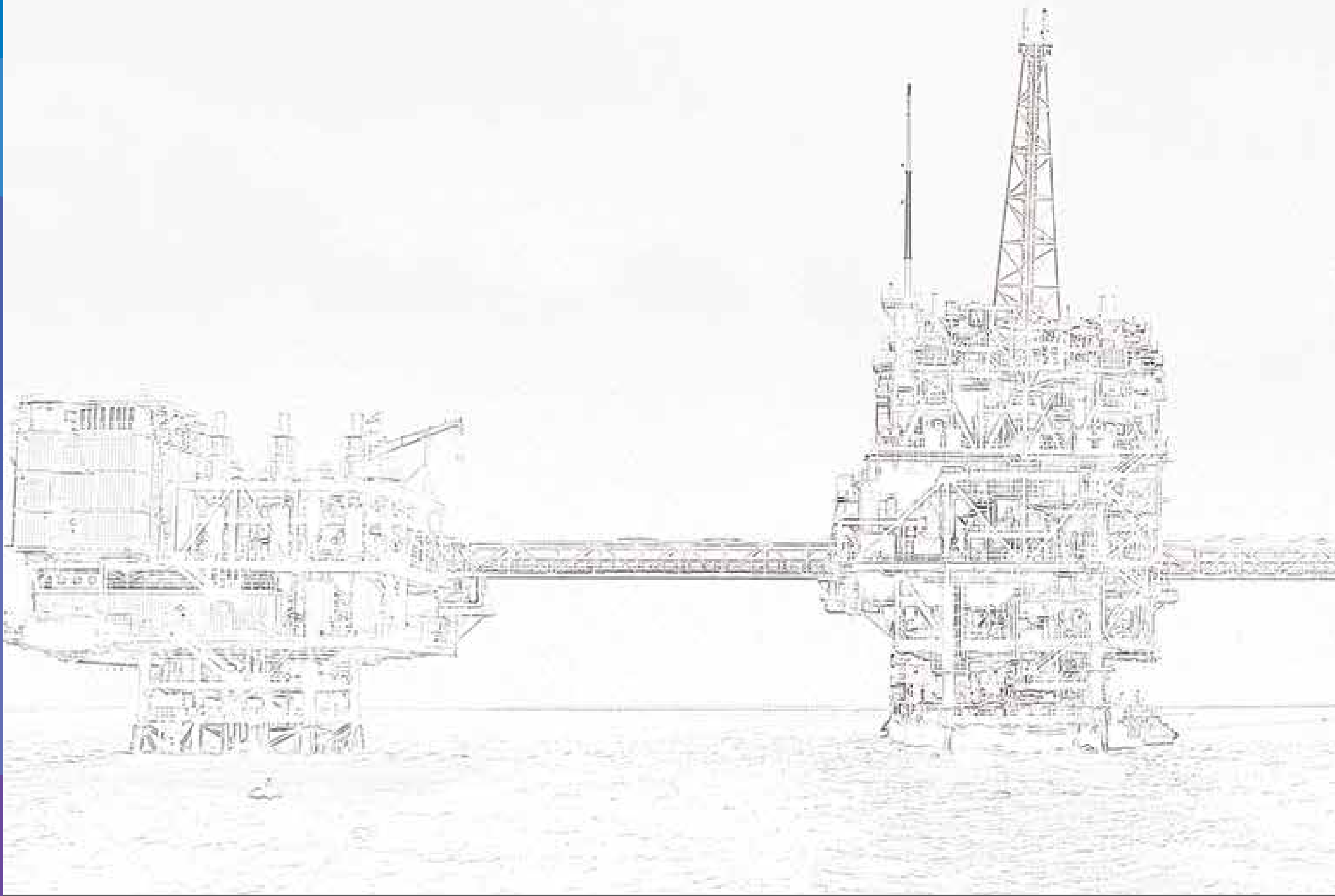
The success of 2013 was achieved through the hard work and commitment of many people associated with UMW-OG. In particular, I sincerely thank all our employees and UMW-OG family for persevering with spirit and determination while going through major organisational changes. A big thank you to the management team, who worked above and beyond the call of duty to deliver a successful IPO while maintaining continued focus on safety and business priorities. I am also most grateful to the Chairman and the Board of Directors for their unwavering support and invaluable guidance during the year.

My appreciation also goes to all our customers for their continuous support and trust in us, to our partners for their assistance and cooperations, to our financiers for supporting our capital and operational requirements, to all service providers, suppliers and vendors for their continuous support to keep our operations going, and to everybody who contributed in one way or the other to the growth of UMW-OG. A special thank you to UMW Holdings for all the support and assistance given all these years.

Finally, welcome to our new shareholders, the new owners of the business, for your confidence in UMW-OG and thank you to our existing shareholders for your trust to stay with us. I am confident the future will provide more opportunities for us to grow this Company together.

ROHAIZAD BIN DARUS

President



We are Growing the Value of our Investments

To capitalise on the high demand for jack-up rigs, securing short term contracts outside Malaysia enables us to capture higher daily charter rates. Maintaining long term contracts enables us to generate revenue stability and provides earnings visibility. Our strategy is to balance the short term and long term contracts.

BOARD OF DIRECTORS

From left to right:

Fina Norhizah binti Baharu Zaman
Independent Non-Executive Director

Cheah Tek Kuang
Independent Non-Executive Director

Rohaizad bin Darus
President / *Non-Independent Executive Director*

Razalee bin Amin
Independent Non-Executive Director

Datuk Syed Hisham bin Syed Wazir
Non-Independent Non-Executive Director

From left to right:

Tan Sri Asmat bin Kamaludin
Chairman / *Non-Independent Non-Executive Director*

Dr. Leong Chik Weng
Non-Independent Non-Executive Director

Dato' Afifuddin bin Abdul Kadir
Independent Non-Executive Director

Dato' Ibrahim bin Marsidi
Independent Non-Executive Director

PROFILE OF BOARD OF DIRECTORS

TAN SRI ASMAT BIN KAMALUDIN

Chairman and Non-Independent Non-Executive Director

Tan Sri Asmat was appointed as Chairman of the Board on 2 May 2013.

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

Tan Sri began his career in Malaysia's Civil and Diplomatic Service, where he served in the Domestic Trade Division and the International Trade Division until he moved up to the position of the Secretary General of MITI, a position he held for 9 years out of his total tenure of 35 years in MITI.

His stint with the Government also include being the Senior Economic Counsellor to monitor the implications for Malaysia in the formation of the European Economic Community (now referred to as the European Union) in April 1973 as well as organising key events involving Malaysia with several international bodies such as ASEAN, World Trade Organisation and Asia-Pacific Economic Cooperation. His services in the area of trade relations between Japan and Malaysia won him the honour of the Japanese Prime Minister's award for contributions to Japanese-Malaysian ties, in 1995. He is currently the Group Chairman of UMW Holdings Berhad, Scomi Group Berhad, Compugates Holdings Berhad and Perusahaan Otomobil Kedua Sdn. Bhd. ("PERODUA").

He was also a member of a working group in the National Economic Advisory Council ("NEAC"). Currently, he sits on the board of several private and public limited companies in Malaysia including AirAsia X Berhad and in JACTIM Foundation as a Governor, the latter being a position he has held for several years. Recently, he was appointed by MITI to the Economic Research Institute for ASEAN and East Asia ("ERIA") as a Governor representing Malaysia on the governing board.

Tan Sri Asmat has attended all Board Meetings held during the financial year. He has no conflict of interest with the Company and does not have any family relationships with any Director and / or major Shareholder save for the fact that Tan Sri Asmat is a nominee director of Permodalan Nasional Berhad.

Tan Sri has never been convicted for any offence since the past 10 years.

DATUK SYED HISHAM BIN SYED WAZIR

Non-Independent Non-Executive Director

Datuk Syed Hisham was appointed to the Board on 1 October 2010.

He obtained an Ordinary National Diploma in Engineering in 1974 from Hastings College of Further Education, United Kingdom, a Bachelor of Science in Mechanical Engineering in 1979 from Plymouth University, United Kingdom and a Master of Business Administration from Ohio State University, United States in 1996.

He began his career with HICOM Berhad in 1983 and was later seconded to Perusahaan Otomobil Nasional Berhad ("PROTON") as the Marketing Service Deputy Manager and later became a Senior Manager in the Business Division of PROTON in 1983.

Between 1983 to 1995, he held various senior positions in PROTON. In 1995, he was promoted to General Manager of Proton Corporation Sdn. Bhd., a subsidiary of PROTON engaged in the distribution and marketing of PROTON cars for the domestic and overseas markets. He was subsequently appointed as a Director of Proton Cars (UK) Pte. Ltd. and held the post from 1997 to 1998.

He then served as General Manager of International Business at DRB-HICOM Export Corporations Sdn. Bhd. from 1998 to 2000. In 2001, he became General Manager of the Marketing Division of Honda Malaysia Sdn. Bhd. before being appointed President Chief Operating Officer from 2003 to 2005.

In 2005, he was appointed Managing Director of Edaran Otomobil Nasional Berhad where he served until 2009.

Prior to joining the Group, he served as the Chief Operating Officer of Naza Kia Services Sdn. Bhd. from 2009 to 2010. His appointment as the President and Group Chief Executive Officer of UMW Holdings Berhad took effect from 1 October 2010.

Currently, he sits on the board of several private and public limited companies in Malaysia including UMW Holdings Berhad, UMW Toyota Motor Sdn. Bhd., and Perodua Manufacturing Sdn. Bhd..

Datuk Syed Hisham has attended all Board Meetings held during the financial year. He has no conflict of interest with the Company and does not have any family relationships with any Director and / or major Shareholder save as disclosed above.

Datuk Syed Hisham has never been convicted for any offence since the past 10 years.

DR. LEONG CHIK WENG

Non-Independent Non-Executive Director

Dr. Leong was appointed to the Board on 21 April 2011.

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

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

Currently, Dr. Leong sits on the boards of several private and public limited companies in Malaysia including UMW Holdings Berhad, A-Rank Berhad, Chemical Company of Malaysia Berhad, E-Lock Corporation Sdn. Bhd. and E-Lock Technology Sdn. Bhd..

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

Dr. Leong has never been convicted for any offence since the past 10 years.

RAZALEE BIN AMIN

Independent Non-Executive Director

Encik Razalee was appointed to the Board on 2 May 2013.

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

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

Encik Razalee sits on the boards of several private limited companies in Malaysia including, MP Capital Advisory Sdn. Bhd., SKMN Insolvency Administrator Sdn. Bhd., RCO Management & Consulting Services Sdn. Bhd., Accountants Online Sdn. Bhd. and RZA Financial Planning Sdn. Bhd..

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

Encik Razalee has never been convicted for any offence since the past 10 years.

DATO' AFIFUDDIN BIN ABDUL KADIR

Independent Non-Executive Director

Dato' Afifuddin was appointed to the Board on 2 May 2013.

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

He 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. 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 in London, the Director/Economic Counsellor of MIDA in Paris and the Director/Consul Investment of MIDA in London. In April 2008, he was promoted to Deputy Director General II of MIDA. 3 months later, he was promoted to Deputy Director General I/Deputy Chief Executive Officer I of MIDA, a position which he held until his retirement in September 2011.

Dato' Afifuddin currently sits on the boards of SP Multitech Renewable Energy Sdn. Bhd., Lam Soon (M) Berhad, Pelikan International Corporation Berhad and Lion Corporation Berhad.

He has attended all Board Meetings held during the financial year. Since his appointment in May 2013, he has no conflict of interest with the Company and does not have any family relationships with any Director and / or major Shareholder.

Dato' Afifuddin has never been convicted for any offence since the past 10 years.

CHEAH TEK KUANG

Independent Non-Executive Director

Encik Cheah Tek Kuang was appointed to the Board on 2 May 2013.

He obtained a Bachelor in Economics Degree in Economics in 1970 from University of Malaya, Malaysia. He is also a member of the Investment Panel in Kumpulan Wang Persaraan (Diperbadankan) (Retirement Fund Incorporated).

He began his career with Malaysian Industrial Development Authority in 1970 and he was promoted to Deputy Director. He left the government agency in 1978 to join AmInvestment Bank Berhad in October 1978. He served in various senior positions in the bank and became the Group Managing Director/Chief Executive Officer of the AmInvestment Group in 1994 until December 2004.

He joined AMMB Holdings Berhad as the Group Managing Director and Chief Executive Officer in 2005 and he retired from this position in April 2013. Encik Cheah was an Independent Non-Executive Director of Bursa Malaysia Securities Berhad for a period of 9 years beginning from its demutualisation until early 2013. During the period, he has served on the board of Employees Provident Fund and a member of its Investment Panel. He is also a member of Kumpulan Wang Persaraan (Diperbadankan) (Retirement Fund Incorporated) Investment Panel.

Currently, Encik Cheah serves on the boards of several public and private limited companies. These include Danajamin Nasional Berhad, IOI Corporation Berhad and Berjaya Sports Toto Berhad.

Encik Cheah has attended all Board Meetings held during the financial year since his appointment to the Board. He has no conflict of interest with the Company and does not have any family relationships with any Director and / or major Shareholder.

Encik Cheah has never been convicted for any offence since the past 10 years.

DATO' IBRAHIM BIN MARSIDI

Independent Non-Executive Director

Dato' Ibrahim was appointed to the Board on 2 May 2013.

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

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

Upon joining PETRONAS in 1979, Dato' Ibrahim was actively involved in the development of domestic marketing activities of PETRONAS which led to the formation of PETRONAS Dagangan Sdn. Bhd. and after the listing of the Company on Bursa Malaysia in 1994.

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

He currently sits on the boards of TELEKOM Malaysia Berhad and its subsidiary, Menara Kuala Lumpur Sdn. Bhd..

Dato' Ibrahim has attended 6 out of the 7 Board Meetings held during the financial year since his appointment in May 2013. He has no conflict of interest with the Company and does not have any family relationships with any Director and / or major Shareholder.

Dato' Ibrahim has never been convicted for any offence since the past 10 years.

FINA NORHIZAH BINTI HJ BAHARU ZAMAN

Independent Non-Executive Director

Puan Fina was appointed to the Board on 15 August 2013.

She obtained her Bachelor of Law Degree from the University of Malaya in 1980, Masters in Law (specialising in maritime and shipping) from the London School of Economics, University of London in 1985 and a Diploma in Syariah Law & Practice from the International Islamic University Malaysia ("UIA") in 1987. She was admitted as an Advocate and Solicitor of the High Court of Malaya in 1986.

Puan Fina started her legal career in 1980 with the Malaysian Attorney General's Chambers where she had served as a Senior Federal Counsel and as the Legal Advisor to the Ministry of Transport.

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

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

Currently, she sits on the boards of Alam Maritim Resources Berhad and Kasi Gegar Entertainment Sdn. Bhd..

Puan Fina has attended all Board Meetings held during the financial year since her appointment in August 2013. She has no conflict of interest with the Company and does not have any family relationships with any Director and / or major Shareholder.

Puan Fina has never been convicted for any offence since the past 10 years.

ROHAIZAD BIN DARUS

President / Non-Independent Executive Director

Encik Rohaizad was appointed to the Board on 31 January 2012.

He holds a Bachelor of Science Degree in Mechanical Engineering from California State University, United States in 1988. He is registered with The Board of Engineers, Malaysia and the Institution of Engineers, Malaysia.

He began his career with PETRONAS Gas Sdn. Bhd. in 1988 as a Trainee Mechanical Engineer. In the same year, he joined Texas Instruments (M) Sdn. Bhd., as a Mechanization Engineer.

In 1990, he joined Esso Production Malaysia, Inc. and rose to the position of Senior Engineer, a position he held until 1995. His responsibilities included analysing and planning the company's gas supply requirements, field development schedule and developing engineering design for production and processing facilities. From 1995 to 1998, he was with Huptec Engineering Sdn. Bhd., a company involved in metal fabrication works and was appointed its Managing Director. He was responsible for the overall management of the company's operations and finance.

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

In 2007, Encik 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, underwater diving services and other modification works.

In 2008, he was appointed Chief Operating Officer of SapuraCrest, a position he held until 2010. He was subsequently appointed Chief Executive Officer of SapuraCrest group where he was responsible for the management of the overall operations, financial and support functions of the Group. During his tenure, he also sit in the board of companies 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.

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

Encik Rohaizad has never been convicted for any offence since the past 10 years.

KEY MANAGEMENT

From left to right:

Zulazli bin Hashim
Head, Supply Chain

Syed Rozhan bin Syed Hassan
Head, Human Capital

Mohd Nizamuddin bin Mokthar
Head, Legal & Secretarial

Rohaizad bin Darus
President

Wai Thuy Fong
Chief Financial Officer

Abdul Mutalib bin Idris
Head, Oilfield Services

Noor Azlan bin Adnan
Head, Drilling Services

Aminudin bin Hambali
Head, QHSE

Chew Eng Hong
Head, Corporate Development

Abdul Hadi bin Abdul Bari
Head, Business Development

We are Growing
the Prospects of our Future

The proceeds from the listing provided us the financial resources to pursue our strategic initiatives and growth opportunities. Our aim is to grow our fleet, develop our people and expand geographically.

CORPORATE SOCIAL RESPONSIBILITY

UMW Oil & Gas ("UMW-OG" or "the Company") firmly believes in giving back to the communities it operates within, and is constantly striving to give back through its CSR initiatives and activities. The Company plays an active role in contributing to various care homes and orphanages, both financially and through engaging activities, as well as helping other worthy causes.

In line with this, a visit was made to the Rumah Anak Yatim Darul Hijrah in Kemaman, Terengganu on 6 April 2013, where a substantial donation of books were made to the orphans. UMW-OG through its subsidiary UMW Workover Sdn. Bhd. (formerly known as UMW Petrodril (Malaysia) Sdn. Bhd.) is committed to this cause and returned on 19 November 2013 to organise a visit to Kemaman Supply Base ("KSB"). The orphans were taken on a tour, followed by a lively session of questionnaire games. A sumptuous lunch was then provided and each of the children received a goodie bag as well.

During the month of Ramadhan, representatives from UMW-OG brought much needed cheer to the Rumah Amal Al-Firdaus in Denai Alam on 2 August 2013. 2 busloads of residents were treated to a Hari Raya shopping spree at AEON Bukit Raja, Klang, followed by a gathering for the breaking of fast. A generous donation was also made by UMW-OG to the home itself to further support its operations.

Blood transfusions help save countless lives each year and yet health service providers constantly face the challenge of ensuring an adequate supply. This relies on regular donations by voluntary unpaid blood donors. Recognising this need, on 18 December 2013 we organised an extremely successful Blood Donation Campaign at The Centrum at our office in Plaza Sentral to not only raise awareness about the issue, but also to encourage contributions from willing donors.

While giving back to those who are in need is at the core of UMW-OG's CSR activities, the welfare and well-being of its employees is also of prime importance. In light of the floods experienced by residents in Kemamam, on 7 December 2013 representatives from the Company took time to visit the homes and residences of employees who were affected to show their support and concern. Items such as soap, blankets, pillows and other necessary goods were distributed to help bring relief to the victims and assist them in their time of need.

UMW-OG is committed to continuing its CSR efforts and contributing to those in need affirming its role as a socially responsible corporate citizen.

DURING THE MONTH OF RAMADHAN, REPRESENTATIVES FROM UMW-OG BROUGHT MUCH NEEDED CHEER TO THE RUMAH AMAL AL-FIRDAUS IN DENAI ALAM ON 2 AUGUST 2013.

QUALITY, HEALTH, SAFETY & ENVIRONMENT

UMW Oil & Gas ("UMW-OG" or "the Company") recognises that excellent Quality, Health, Safety & Environment ("QHSE") practices form an integral part of our business goal as we endeavour to achieve rapid business growth. As such, we remain steadfast in our efforts to adhere to QHSE best practices, in order to prevent risk of injury, occupational illness and damage to property and the environment. Our goal is - **Nobody Gets Hurt. No Spills.**

UMW-OG has established and implemented a comprehensive QHSE Management System ("QHSE-MS") across both Drilling and Oilfield Services Division. The QHSE-MS is continuously reviewed and strengthened based on our QHSE experiences, best practices and lessons learnt. At the heart of our QHSE-MS is the UMW-OG Health, Safety & Environment ("HSE") policy that forms the pillar of commitment to HSE from our employees, stakeholders, systems and processes. The rollout of QHSE-MS and its policies **(HSE, Quality, Stop Work, Smoking and Drug & Alcohol policies)** were conducted at all locations to ensure awareness amongst all employees. The Corporate HSE Steering Committee ("Committee") sets and oversees all HSE policies and performance principles and provides guidance to the business units on HSE related issues.

The Committee reviews the HSE performance and is responsible for establishing goals and targets in line with its policies. We regularly carry out checks, improvement activities as well as conduct audits at our offices, onshore bases and offshore drilling rigs to improve our QHSE performance standards. In the areas of environmental conservation and preservation, we have taken proactive steps to raise awareness among our employees. We believe these efforts are vital not only to safeguard our employees and to ensure the safety and wellbeing of the community at large, but also to protect our assets, investments and stakeholders' interest.

In our daily operations, we place high emphasis on safety, strict compliance to our HSE Standards and have a Consequence Management programme in place to address, monitor, manage and minimise risk across our work place. Throughout the year, we implemented various programmes and campaigns on site including Red Zone Policy, Green Handle Policy, No Hand On Load Policy, Drop Object Prevention scheme ("DROPs") and Plan Based Execution leadership training.

Blood Donation drive and QHSE Motto Competition were also conducted to raise general HSE awareness. As part of HSE communication and leadership visibility, we conducted periodic HSE visits by senior management, Head of Division or its respective Operation Manager to offshore rigs and other site locations. This is to ensure HSE knowledge management and communication becomes an integral part of our HSE best practices. Sharing of lessons learnt from both internal as well as external experiences across the Company is via QHSE Alert. The President Letter Box was also launched at all worksites to enable employees to communicate HSE issues directly to the UMW-OG President.

In 2013, UMW-OG recorded a TRCF of 0.24 with 3,147,003 total worked man-hours whilst drilling operations recorded zero Lost Time Incident ("LTI") as compared to 2 LTIs in 2012.

UMW NAGA 3 was awarded 2 consecutive years without LTIs by PETRONAS Carigali. We will continue to be guided by our goals to achieve excellent QHSE performance standard wherever we operate and remain proactive and committed in ensuring our QHSE performance remain among the best in the industry.


UMW
UMW

HUMAN CAPITAL AND PEOPLE DEVELOPMENT

The Human Capital Division is tasked with articulating the strategic direction of human resource management for the Company, formulating human resource policies and procedures and ensuring right human resource practices.

In line with our mission to become a global shallow and deep water service provider and an oil and gas operating company in 10 years' time, the Human Capital Division's initiatives for 2013 continued to focus on building capabilities.

We recognise the need to retain our employees in order to ensure continuity in the achievement of our corporate objectives and the seamless implementation of our programmes and initiatives.

BUILDING CAPABILITIES

Competency and Leadership Development

UMW-OG continues its leadership development initiatives by focusing on 3 key objectives namely:

- Building competency;
- Developing leadership capabilities; and
- Engaging high performance

In implementing these initiatives, training programmes and performance assessments have been revised towards supporting UMW-OG's business objectives.

UMW-OG believes that continued success depends on the support and dedication of our employees; they are the cornerstone of our success. We provide extensive and ongoing training and development opportunities through a variety of training programmes.

1. Building competency

We are highly committed to developing talent internally and investing in the training of our employees to ensure continued availability of highly skilled engineers and drillers, which we believe provides us with a competitive advantage and complements our high quality asset base: our fleet of 1 semi-submersible drilling rig, 3 premium jack-up drilling rigs, 4 hydraulic workover unit ("HWU")s and high precision and accuracy quality equipment in our threading plants and facilities.

Our drilling team undergo various technical training programmes, including:

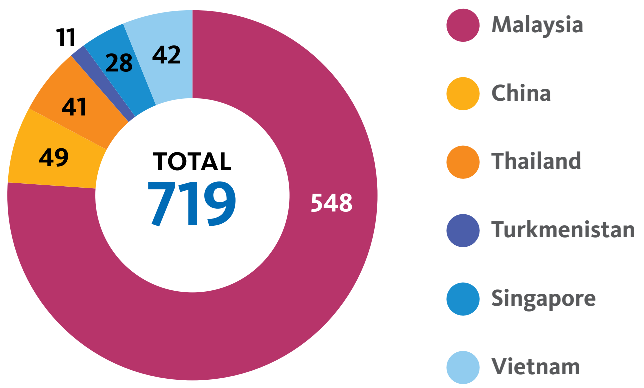
- Rigging and slinging training
- Stuck-pipe prevention training
- Hydrogen sulphide training

The key personnel on our drilling rigs and HWUs, namely those who hold the position of assistant driller and above, are all certified by one of the well-known certification bodies such as International Well Control Forum ("IWCF") and International Association of Drilling Contractors ("IADC").

IWCF is an organisation that aims to improve well control competency globally by promoting and promulgating knowledge about well control and establishing uniform training, assessment and certification programmes that are acceptable globally to all operators, contractors and regulatory bodies in the oil and gas industry.

IADC is an association aimed at advancing drilling and completion technology, improving industry HSE and training practices and advocating sensible regulation and legislation that facilitate safe and efficient drilling.

Employees' workbase location as at 31 December 2013



UMW-INSTEP Drilling Academy ("UIDA")

In 2013, UMW-OG established UIDA to operate a drilling academy to help build the capabilities and competencies of local drilling crew and to address the shortage of skilled Malaysian personnel in the oil and gas industry in general and the drilling services business in particular.

UIDA successfully organised its first short course entitled BOP Equipment Surface in February 2013. The programme has been developed for drilling crews to equip them with a better understanding in the operation and maintenance of well control equipment.

UIDA also conducted programmes of HSE for Non-Technical Oil and Gas; and Drilling for Non-Drillers in 2013.

UIDA was officially launched and fully operational in March 2014. It is the first academy in Malaysia dedicated to drilling, and is located at Batu Rakit, Kuala Terengganu, Malaysia.

It offers structured training programmes in drilling operations and certification programmes, through the use of training rigs, simulators and classroom trainings.

Moving forward, UIDA will apply for certification by international certifying bodies such as IWCF, IADC and Offshore Petroleum Industry Training Organisation.

Apprenticeship Programme for Drilling ("APD")

APD is highly relevant in view of the shortage of competent people in drilling profession.

This structured programme is introduced to produce a full set of drilling crews from floorman to professional drillers.

Its first programme, the Floorman Module, commenced in March 2014 with an intake of 14 trainees.

IN 2013, UMW-OG ESTABLISHED UIDA TO OPERATE A DRILLING ACADEMY TO HELP BUILD THE CAPABILITIES AND COMPETENCIES OF LOCAL DRILLING CREW

New graduates: Skim Latihan 1Malaysia ("SL1M")-UMW Graduate Enhancement Programme:

As part of the Company's Talent Management and Recruitment initiatives, UMW-OG continued to support Skim Latihan 1Malaysia ("SL1M"), a training programme for fresh graduates in year 2013. The SL1M-UMW is an 'in-house' training conducted by the Company in support of the national efforts to improve employability of the new graduates.

The overall programme takes 8 months to complete; 2 months of soft skills training with another 6 months of on-the-job training in various companies within the UMW Group.

The programme is not only a strategic initiative in human capital development, but also a corporate responsibility initiative by the Company to provide the Graduate Enhancement Programme ("GEP") trainees with a platform to shape their careers and gain learning experience as well as exposure to business activities, products and services.

UMW-OG has trained a total of 16 graduates under this training programme.

University Students Internship Programme

As part of UMW Group's efforts to become a world class organisation and employer of choice, the internship programme has been a continuous effort by the Training and Development Unit of UMW-OG to provide university students with demonstrated interest in oil, gas and energy resources the opportunity to obtain practical experience and exposure to the sector.

In 2013, UMW-OG sponsored 18 local and overseas university students with an internship experience of 6 months at its Head Office at Plaza Sentral, Kuala Lumpur, Malaysia.

To be eligible, candidates must have completed at least 2 years of a Bachelors' degree, preferably in 1 of the academic degree programmes listed below:

- Electrical/Electronic Technology
- Industrial Maintenance
- Petroleum Technology
- Process/Production Technology
- Chemical Engineering
- Mechanical Engineering
- Accounting
- Human Resource Management
- Information Technology

2. Developing leadership capabilities

As part of our efforts to equip our employees with the necessary knowledge and skills, our leaders and potential leaders have attended various leadership-focused training programmes to provide them with the hard and soft skills in leadership. These include the following:

Skills	Name of Programme
Corporate governance	Risk Management Forum Embracing Risk for Long Term Corporate Success (Boosting Your Risk Governance)
Risk management	Enterprise Risk Management Education
Corporate governance	Malaysian Code of Corporate Governance
Corporate governance	PNB's Directors Seminar
Corporate governance	Corporate Governance and Short-Termism
Leadership/ Personal mastery	Management Competency Development
General management and skills	Global Economics Shift & the Impact to Malaysia
Technical	Well and Drilling Course
Technical	Oil & Gas Field Development & Production Sharing Contracts
Technical	Marginal Fields Project Development
General knowledge and skills	5th Deepwater Asia Congress Malaysia
Corporate governance	Running Effective Board and General Meetings-Essential Guide for Directors and Company Secretaries of PLCs
Commercial and legal skills	Oil & Gas Contract Drafting
Commercial and legal skills	Seminar on GST Appeal Process & Mechanism: Strategies to manage GST controversies

3. **Engaging high performance**

To meet and ensure continuous success in the oil and gas industry, apart from our continuous efforts in training employees, we also have adopted proper Key Performance Indicator ("KPI") programmes to all management personnel. By having this programme in place, employees are more focused and objective in executing their duties aligning towards our common goals in the areas of safety, financial, operations and human capital.

Remuneration and other rewards have also been aligned to be based on performance.

Management succession plan

The succession planning initiative is an integral part of our talent management process as we recognise the importance of ensuring continuity in our management team to sustain our Company's strategic roadmap. The initiative encompasses a process where critical positions are identified and talent pool is established. This talent pool will undergo assessments to identify leadership capabilities that could be harnessed for greater value for both the Company and the employees. This talent pool is dynamic and is continuously assessed to ensure that it remains relevant to our needs. The initiatives on succession planning include:

- Identifying competencies and requirements for the key positions and developing job and candidate profiles in line with our business goals, strategies and culture; and
- Taking proactive approach towards addressing talent management to ensure that we have talent readily available to undertake leadership positions throughout our Group.

The development programmes expose our talent pool to various aspects of our business activities so that the identified employees have a full understanding of responsibilities, decision making process and knowledge to advance to higher positions. Depending on the planned future progression, the talent pool will be trained and developed to enhance their capabilities and readiness in the core areas of leadership, financial management, change management, organisational development, coaching and mentoring, entrepreneurship and strategic and project management.

CALENDAR OF SIGNIFICANT EVENTS

FEBRUARY 2013

4 February 2013

1st Quarter Townhall
Venue : The Centrum, Plaza Sentral, Kuala Lumpur

16 February 2013

UMW NAGA 4 Handover Ceremony
Venue : KeppelFELS Singapore

MARCH 2013

20 March 2013

UMW NAGA 2: PV Drilling – 6 months firm + 6 months option

APRIL 2013

10 April 2013

UMW NAGA 4: PETRONAS Carigali Sdn. Bhd. – 3 years + 2 years

11 April 2013

Incorporation of a wholly-owned subsidiary, UMW Drilling Academy Sdn. Bhd.

23 April 2013

NAGA 1: PETRONAS Carigali Sdn. Bhd. – Extension of contract to August 2016 and subsequently another 2 years to August 2018

May 2013

6 – 9 May 2013

Offshore Technology Conference ("OTC") 2013
Venue : Houston, Texas, USA

23 May 2013

Acquired UMW NAGA 5

JUNE 2013

1 June 2013

Children's Day Photography – Theme: We care your kids in conjunction with China National Children's Day
Venue : UMW Oilfield Services (Tianjin) Co., Limited, China

5 – 7 June 2013

OGA 2013 – The 14th Asian Oil, Gas & Petrochemical Engineering Exhibition
Venue : KL Convention Centre

28 June 2013

UMW Excellence Awards 2012
Venue : Hotel Intercontinental, Kuala Lumpur

JULY 2013

12 July 2013

2nd Quarter Townhall
Venue : MAX Auditorium

22 July 2013

UMW-OG Majlis Berbuka Puasa with Clients
Venue : The Royale Chulan, Kuala Lumpur

AUGUST 2013

2 August 2013

Shopping Raya and Majlis Berbuka with the orphans
Venue : Rumah Amal Al-Firdaus, Denai Alam, Shah Alam

20 August 2013

UMW-OG Hari Raya Open House
Venue : Kuala Lumpur Convention Centre

21 August 2013

UMW-OG Potluck with Management & Staff
Venue : The Centrum, Plaza Sentral, Kuala Lumpur

SEPTEMBER 2013

17 September 2013

UMW NAGA 3: PV Drilling – 2 firm wells + 2 option wells

25 September 2013

3rd Quarter Townhall
Venue : MAX Auditorium

OCTOBER 2013

2 October 2013

Prospectus Launch
Venue : Grand Hyatt, Kuala Lumpur

6 – 7 October 2013

UMW-OG 2014 Business Plan Conference
Venue : Golden Palm Tree Resort, Sepang

NOVEMBER 2013

1 November 2013

Listing Ceremony of UMW Oil & Gas Corporation Berhad
Venue : Bursa Malaysia, Kuala Lumpur

1 November 2013

IPO Appreciation Dinner
Venue : La Scala, Kuala Lumpur

7 November 2013

Deepavali Potluck
Venue : The Centrum, Plaza Sentral, Kuala Lumpur

9 November 2013

UMW-OG Annual Dinner
Venue : Grand Hyatt, Kuala Lumpur

14 November 2013

New & Old Staff Friendship Barbecue – Theme: To enhance and improve old and new staff mixing around
Venue : UMW Oilfield Services (Tianjin) Co., Limited, China

28 – 30 November 2013

10th ASCOPE Conference & Exhibition 2013
Venue : Saigon Exhibition Convention Centre, Vietnam

DECEMBER 2013

12 December 2013

UMW NAGA 2: PV Drilling – 4 months firm + 5 months option

16 December 2013

4th Quarter Townhall
Venue : MAX Auditorium

18 December 2013

UMW NAGA 5: NIDO Petroleum – 6 weeks

18 December 2013

UMW-OG Blood Donation Campaign
Venue : The Centrum, Plaza Sental, Kuala Lumpur

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of UMW Oil & Gas Corporation Berhad ("UMW-OG") views high standards of Corporate Governance as fundamental to the culture and business practices of UMW-OG and its subsidiaries ("Group"). A sound corporate governance practice is fundamental towards enhancing long term shareholder value and protecting shareholders' interests.

The Board of UMW-OG is committed to maintaining the highest standards of good governance and this statement describes how best UMW-OG has applied the principles and adopted the best practices as laid down in the Malaysian Code on Corporate Governance 2012 ("the Code") to achieve high standards of corporate governance in effectively discharging its responsibilities to protect and enhance shareholder value.

The commitment of the Board, Management and employees of the Group in upholding the highest standards of good corporate governance is affirmed and remains resolute at all times. The Group adopts the recommendations, requirements and guidelines of the relevant authorities such as Bursa Malaysia Securities Berhad ("Bursa Malaysia")'s Main Market Listing Requirements ("MMLR"), Corporate Governance Guide ("CG Guide") by Bursa Malaysia; and Malaysian Code on Corporate Governance 2012 ("Code"). In addition, the Group also subscribes to internal guidelines on Corporate Disclosure Policies and Procedures based on the best practices recommended by Bursa Malaysia, to provide the Group with appropriate guidance in discharging its disclosure obligations and to ensure that the Group moves beyond making the minimum mandatory disclosure requirements. As the Group has significant presence in the countries it operates, it also abides by the guidelines of the relevant regulators and authorities.

The Board is pleased to share the manner in which the principles of the above guidelines have been applied in the Group. Set out below is a statement on how the Group has applied the principles and adopted the best practices as laid down in the Code to achieve high standards of corporate governance.

GOVERNANCE FRAMEWORK

The Board will continue to review, deliberate and enhance the Group's corporate governance framework to ensure its relevance and ability to meet future challenges.

<table>
<tr><td colspan="4">STAKEHOLDERS</td></tr>
<tr><td colspan="4">BOARD OF DIRECTORS OF UMW OIL & GAS CORPORATION BERHAD</td></tr>
<tr><td>BOARD AUDIT COMMITTEE</td><td>BOARD NOMINATION COMMITTEE</td><td>BOARD REMUNERATION COMMITTEE</td><td>INVESTMENT & RISK MANAGEMENT COMMITTEE</td></tr>
<tr><td colspan="4">PRESIDENT</td></tr>
<tr><td colspan="4">MANAGEMENT COMMITTEE</td></tr>
<tr><td colspan="4">VARIOUS MANAGEMENT SUB COMMITTEES</td></tr>
<tr><td colspan="4">CORE BUSINESS OF THE GROUP</td></tr>
<tr><td colspan="2">• DRILLING SERVICES</td><td colspan="2">• OILFIELD SERVICES</td></tr>
</table>

UMW-OG's Corporate Governance Framework provides an overview of the corporate governance processes and responsibilities within the Group. It mirrors the way we manage our strategic and operational activities. The roles of the stakeholders, UMW-OG Board and the various Board Committees and Management are distinctly different but complimentary to one another in attaining core objectives of the Group.

Countries in which UMW-OG Group has presence

- Malaysia
- Singapore
- Thailand
- China
- Turkmenistan
- Vietnam
- Philippines
- Myanmar

BOARD OF DIRECTORS

The Board is committed to establishing and enhancing shareholder value in the long-term and is pleased to report that the Group has to its best efforts and knowledge complied with the Principles and Best Practises of the Code throughout the financial year under review. The Board continues to enhance its role in improving governance practices effectively and raising the standard of governance to safeguard the interests of the shareholders as well as stakeholders. To this end, the Board has full control of and is responsible for, the Group's overall strategy, acquisition and divestment policies, capital expenditure, annual budget, review of financial and operational performance, and internal controls as well as investment and risk management processes. The Group's overall strategic direction, development, implementation and control remain of primary importance to the Board.

BOARD COMPOSITION AND BALANCE

The Board comprises of a mix of qualified and experienced Directors with diverse experience, background and expertise.

Currently, the Board consists of 9 members, with the Chairman (being a Non-Independent Non-Executive Director), 2 Non-Independent Non-Executive Directors, 5 Independent Non-Executive Directors and 1 Executive Director, who is the President of UMW-OG himself.

As the Chairman is a Non-Independent Director and in line with the recommendations of the Code's Best Practices relating to board membership, the composition for UMW-OG Board comprises a majority of Independent Directors, with 5 out of the 9 or more than 55% of its composition comprises of Independent Directors.

The Independent Directors take on a crucial role as far as corporate accountability is concerned by providing independent view, advice and judgment 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.

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Afifuddin bin Abdul Kadir is the Senior Independent Director to whom concerns pertaining to the Group may be conveyed by the shareholders and the public.

All concerns relating to the Group can be conveyed to him via his email address at **afi.abdulkadir@gmail.com**

SEPARATION OF DUTIES AND RESPONSIBILITIES OF CHAIRMAN AND PRESIDENT

The roles and responsibilities of the Chairman and the President are clearly defined. 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 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 leadership of the Group's business.

There is therefore, a natural separation of management and governance leading to a balance of responsibility and authority.

As part of the Company's commitment towards ensuring consistent good business practices and governance, the Board has developed the Financial Limits of Authority Guidelines ("FLAG") for the Group. The FLAG provides clarity on authority limits for the Management and companies within the Group.

BOARD MEETINGS

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.

In the financial year ended 31 December 2013, the Board of UMW-OG met 11 times details of which are as shown below:

Name of Directors	Designation	Date of Appointment	Date of Resignation	Meeting Attendance	Percentage
Tan Sri Asmat bin Kamaludin	Non-Independent / Non-Executive Chairman	2 May 2013	N/A	7/7	100%
Datuk Syed Hisham bin Syed Wazir	Non-Independent / Non-Executive Director	1 October 2010	N/A	11/11	100%
Dr. Leong Chik Weng	Non-Independent Non-Executive Director	2 April 2011	N/A	11/11	100%
Encik Razalee bin Amin	Independent Non-Executive Director	2 May 2013	N/A	7/7	100%
Dato' Afifuddin bin Abdul Kadir	Independent Non-Executive Director	2 May 2013	N/A	7/7	100%
Encik Cheah Tek Kuang	Independent Non-Executive Director	2 May 2013	N/A	7/7	100%
Dato' Ibrahim bin Marsidi	Independent Non-Executive Director	2 May 2013	N/A	6/7	85.7%
Puan Fina Norhizah binti Hj Baharu Zaman	Independent Non-Executive Director	15 August 2013	N/A	3/3	100%
Encik Rohaizad bin Darus	President / Non-Independent Executive Director	31 January 2012	N/A	11/11	100%
Dato' Siow Kim Lun	Non-Independent Non-Executive Director	21 April 2011	2 May 2013	4/4	100%
Dato' Mohd Nizam bin Zainordin	Non-Independent Non-Executive Director	21 April 2011	2 May 2013	4/4	100%

The profiles of the directors are set out on pages 52 to 57 of the Annual Report.

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 from 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 UMW-OG and its subsidiaries are planned and fixed for the whole year. The meetings calendar is circulated to all Board members to enable Board members to plan ahead and ensure attendance at the respective Meetings.

INDEPENDENCE AND CONFLICT OF INTEREST

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 discussing or voting on the matter.

SUPPLY OF INFORMATION

The Company Secretary is always on hand to provide the Directors with the appropriate advice and services and also to ensure that the relevant procedures are followed and rules and regulations are complied with. The Board is, from time to time, updated on changes in the law, governance and other regulatory requirements.

The Company Secretary also provides the Board with information pertaining to the Group's business affairs to enable the Board to discharge its responsibilities effectively.

The agenda, board papers and minutes of previous meetings of the Board and Board Committees including minutes of board meetings of subsidiary companies are circulated in advance to the Board, before meetings. The agenda for every meeting permits the Board members to review the contents of meetings and enable the Chairman to better and more efficiently conduct the proceedings at Board meetings.

Senior Management and key personnel as well as professional and external advisors are from time to time invited to attend Board meetings to brief the Board and clarify issues on the subject matter concerned. They are also responsible for providing the Board with the required information in an appropriate and timely manner.

BOARD CHARTER

The Board Charter as adopted by UMW-OG Board on 30 April 2014 sets out the roles and responsibilities of the Board in accordance with the Malaysian Code on Corporate Governance 2012 ("MCGG 2012") 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.

POLICY ON APPOINTMENT OF DIRECTORS

The Board Nomination Committee ("NOMCOM") is responsible for identifying, evaluating and recommending to the Board of Directors of UMW-OG, suitable candidates to fill board vacancies at UMW-OG level as well as within its group of companies. The NOMCOM considers the required mix of skills, experience and diversity, including gender, where appropriate. Nominations may come from a wide variety of sources, including current Directors, senior employees of the Group, customers, shareholders, industry associations, recruiting firms and others.

The NOMCOM is also responsible for the appointment, dismissal, transfer and promotion for senior-most executives in the Group (for Job positions CSM-22 and above).

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

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

New Directors are required to undergo familiarisation programmes and briefings to get a better understanding of the Group's operations and the overall industry.

RE-ELECTION OF DIRECTORS

All Directors including the Executive Director are subject to retirement by rotation at least once in every 3 years and are eligible for re-election. In accordance with Article 107 of the Articles of Association of the Company and the MMLR of Bursa Malaysia, 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 3 years. 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 of the Company and shall then be eligible for re-election as stipulated under Article 113.

Directors who are over 70 years of age are required to submit themselves for retirement annually at the annual general meeting, unless the Director is re-appointed by way of special resolution in accordance with Section 129 (6) of the Companies Act, 1965.

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

i) Pursuant to Section 129 (6) of the Companies Act, 1965
   - Tan Sri Asmat bin Kamaludin

ii) Pursuant to Article 107
   - Datuk Syed Hisham bin Syed Wazir

iii) Pursuant to Article 105 (to be read together with Article 107)
   - Encik Rohaizad bin Darus

iv) Pursuant to Article 113
   - Puan Fina Norhizah binti Hj Baharu Zaman

The tenure of an Independent Director shall not exceed a cumulative of 9 years. However upon completion of the 9 years, the Independent Director may continue to serve the Board, subject to the Director's re-designation as a Non-Independent Director.

In the event the Director is to remain designated as an Independent Director, the Board shall first justify and obtain shareholders' approval.

BOARD COMMITTEES

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

The Board has established 4 Board Committees, namely the Board Audit Committee, Board Nomination Committee, Board Remuneration Committee and Board Investment & Risk Management Committee, the primary functions of which are to assist the Board in overseeing the affairs of the Group and these Committees have been entrusted with specific responsibilities and authority.

The authority and the functions of these board committees are properly set out in their respective Terms of Reference.

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

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

Details of composition of the various Board Committees and a summary of the respective Committees terms of reference are as follows:

A BOARD AUDIT COMMITTEE

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

The BAC comprises of 4 Non-Executive Directors, with the majority being Independent Directors in compliance with the provisions of Paragraph 15.09 (1) of the MMLR. The Chairman of the 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.

Since its establishment on 13 May 2013, the BAC met twice during the course of the financial year. The composition of the BAC and the respective attendance record of meetings for the financial year ended 31 December 2013 are as follows:

Name of Director	Designation	Date of Appointment	Date of Resignation	Meeting Attendance
Encik Razalee bin Amin (Chairman)	Member – Independent Non-Executive Director	13 May 2013	N/A	2/2
Encik Cheah Tek Kuang	Member – Independent Non-Executive Director	13 May 2013	N/A	2/2
Dato' Ibrahim bin Marsidi	Member – Independent Non-Executive Director	13 May 2013	N/A	2/2
Datuk Syed Hisham bin Syed Wazir	Member – Non-Independent Non-Executive Director	13 May 2013	N/A	2/2

In accordance with its Terms of Reference, the BAC undertook the following activities:

a) 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 Generally Accepted Accounting Practices.

b) Reviewed the external audit terms of engagement, the audit strategy, the proposed audit fee and the achievement of the agreed upon reporting timeframes for the audit of the financial statements.

c) Reviewed the external audit reports and discussed any problems and reservations arising thereon.

d) Reviewed the internal audit plan, methodology, functions and resources.

e) Reviewed major findings on internal audit reports and management response.

f) Reviewed the related party transactions entered into by the Group with related parties.

The Salient Terms of Reference of the BAC is set out below.

Functions

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

1. Consider and recommend the appointment of the external auditors, the audit fee and any questions of resignation or dismissal.

2. Discuss with the external auditors before the audit commences, the nature and scope of the audit plan, and ensure co-ordination where more than one audit firm is involved.

3. Review the quarterly, half-yearly and annual financial statements for recommendation to the Board for approval, focusing particularly on :–

    - any changes in accounting policies and practices;
    - significant adjustments arising from the audit;
    - the going concern assumption; and
    - compliance with accounting standards and other legal requirements

4. Discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of Management where necessary), and to review the external auditors' management letter and Management's response.

5. Ensure that the Internal Audit ("IA") function which is outsourced to UMW Holdings Berhad ("UMWH") is adequately resourced and has appropriate standing within UMW-OG Group, and to formulate its terms of reference.

6. Review the annual audit plan and all reports generated by IA and to issue instructions for further action to be taken by IA, and provide general guidance accordingly.

7. Consider the major findings of internal investigations (by internal and external auditors) and Management's response.

8. Review the adequacy and effectiveness of the Group's accounting procedures and policies, the adequacy and effectiveness of its risk management and internal control systems as well as the financial reporting standards of the Group.

9. Consider any related party transactions that may arise within the Group.

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

Meetings, Quorum And Procedures

1. The BAC meets on a quarterly basis to carry out its functions although additional meetings may be called at any time as and when necessary.

2. The quorum for each meeting shall be 3 persons, with the majority of members present forming a quorum in respect of such meetings shall be Independent Non-Executive Directors.

3. The BAC may invite such other senior management of the Company, including but not limited to the President, the Chief Financial Officer and the Internal Auditor to attend the meeting, to provide information and clarification required on items on the agenda. Representatives of the external auditors are also invited to attend the meeting to present their audit scope and plan, audit report and findings together with management's response thereto, and to brief the BAC on significant audit and accounting areas which they noted in the course of their audit.

4. The BAC shall meet with the external auditors, a minimum of 2 times during the year under review and without the presence of the Management of the Company and or the Group.

5. The BAC shall decide on its own administrative procedures to effectively discharge its responsibilities

Reports/Minutes

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

The Chairman of the BAC reports to the Board 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.

Internal Audit

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

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

The BAC approves the internal audit plan of GIAD for the Group each year. The scope of the internal audit covers the audits of all units and operations, including subsidiaries.

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

The total cost incurred by UMW-OG for audits on its business units for the financial year ended 31 December 2013 amounted to RM1.2 million.

B BOARD NOMINATION COMMITTEE

The Board Nomination Committee ("NOMCOM") is responsible for identifying, evaluating and recommending to the Board of Directors of UMW-OG, suitable candidates to fill board vacancies at UMW-OG level as well as within its group of companies. Nominations may come from a wide variety of sources, including current Directors, senior employees of the Group, customers, shareholders, industry associations, recruiting firms and others.

The NOMCOM is made up entirely of Non-Executive Directors, with the majority consisting of Independent Non-Executive Directors. The NOMCOM comprises 3 Independent Directors and 1 Non-Independent Director.

Since its establishment, the NOMCOM met twice during the financial year.

The composition of the NOMCOM and the respective attendance record of meetings for the financial year ended 31 December 2013 are as follows:

Name	Designation	Date of Appointment	Date of Resignation	Meeting Attendance
Dato' Afifuddin bin Abdul Kadir (Chairman)	Independent Non-Executive Director	13 May 2013	N/A	2/2
Dr. Leong Chik Weng	Non-Independent Non-Executive Director	13 May 2013	N/A	2/2
Encik Razalee bin Amin	Independent Non-Executive Director	13 May 2013	N/A	2/2
Puan Fina Norhizah binti Hj Baharu Zaman	Independent Non-Executive Director	15 August 2013	N/A	1/1

Functions

The functions of the NOMCOM are as follows:

1. To identify and recommend to the Board of Directors of UMW-OG, nominee(s) to fill in board positions for UMW-OG, its subsidiaries and associated company, whether to be filled by board members, shareholders or executives. The NOMCOM also considers candidates for directorships proposed by the President of UMW-OG and, within the bounds of practicability, by any other senior executive or any director or shareholder.

2. In addition to the above, the NOMCOM also evaluates and makes recommendations to the Board of Directors of UMW-OG, pertaining to the following:

    - Directors to fill seats on board committees;
    - Review of the re-appointment of Non-Executive and Executive Directors retiring by rotation pursuant to the provisions of the Articles of Association of the Group and in respective compliance with the regulations of the MMLR of Bursa Malaysia;
    - Review re-appointment of Non-Executive Directors at the conclusion of a specified term of office as recommended under the Code; and
    - Review the re-appointment of Non-Executive Directors upon attainment of the age of 70 years pursuant to Section 129 (6) of the Companies Act, 1965.

3. To assist the Board in annually reviewing the required mix of skills, experience and other qualities, including core competencies, which Non-Executive Directors should bring to the Board.

4. To annually carry out the process for evaluating the effectiveness of the Board as a whole, the performance and contribution of the Chairman and individual Directors, including Independent Non-Executive Directors, as well as the President of UMW-OG and to identify areas for improvement.

    In reviewing the performance of the Board as a whole and the contribution of the Chairman and individual Directors, performance was assessed and measured against, amongst others, the Group's strategic plan, principal duties expected of the Board, the Chairman and individual Directors, obligations to support management, available expertise, governance factors, commitment, knowledge of the industry and team contribution. Board self-assessment allows the Board to collectively identify opportunities to improve processes.

    The evaluation process takes into account whether:

    - Adequate time has been allocated by Non-Executive Directors on matters pertaining to the Group's operations;
    - Full consideration to succession planning has been given, taking into account challenges and opportunities facing the Group, and the skills and expertise needed on the Board in the future;
    - Review of the structure, size and composition (including skills, knowledge and experience) of the Board has been undertaken and changes recommended, where necessary;
    - Appropriate recommendations have been made to the Board of Directors for the re-election/re-appointment of Non-Executive Directors (who have served a term of office of cumulative 9 years) or those who have reached the age of 70 years; and
    - Review of the leadership needs of the Group, executive and non-executive, has been undertaken to ensure continued ability to compete effectively in the market place.

5. To review Management's proposals for the appointment, dismissal, transfer and promotion of the senior-most executives in the Group (to/in Job Grade CSM-22 and above).

Selection Process

The following selection process applies:

1. Potential candidates are referred to the NOMCOM for consideration and recommendation to the Board.

2. The NOMCOM will determine appropriate means for seeking additional candidates, including engagement of outside consultants to assist the NOMCOM in the identification of candidates.

3. Shareholders who wish to suggest candidates should submit their suggestions in writing to the Chairman of the Board, NOMCOM, President or Company Secretary, providing relevant information about the candidates.

4. The NOMCOM shall decide on the appropriate means for the review and approval of individual candidates. In the event of a vacancy, the members of the NOMCOM shall initiate efforts to identify appropriate candidates.

5. In formulating its recommendation, the NOMCOM will consider not only the findings and conclusions of its evaluation process, but also the current composition of the Board, the attributes and qualifications that should be represented on the Board and whether the candidate can provide such additional attributes, capabilities or qualifications

Meetings, Quorum And Procedures

1. The NOMCOM shall comprise a minimum of 4 members, all of which shall be Non-Executive Directors of the Board of Directors of UMW-OG. The Chairman of the NOMCOM shall be appointed by the Board of Directors of UMW-OG.

2. Meetings may be held as and when necessary. The quorum for each meeting shall be 2 members.

3. The NOMCOM may invite the President and/or any officers of the Group to attend meeting.

4. The NOMCOM will decide its own procedures and other administrative arrangements

Reports/Minutes

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

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

C BOARD REMUNERATION COMMITTEE

The Board Remuneration Committee ("REMCOM") on the other hand is responsible for developing UMW-OG Group's remuneration policy framework and determining the remuneration package of Executive Directors and members of the Senior Management of the Group.

Since its establishments, the REMCOM met 4 times during the financial year.

The composition of the REMCOM and the respective attendance record of meetings for the financial year ended 31 December 2013 are as follows:

Name	Designation	Date of Appointment	Date of Resignation	Meeting Attendance
Dr. Leong Chik Weng (Chairman)	Non-Independent Non-Executive Director	13 May 2013	N/A	4/4
Dato' Afifuddin bin Abdul Kadir	Independent Non-Executive Director	13 May 2013	N/A	4/4
Encik Cheah Tek Kuang	Independent Non-Executive Director	13 May 2013	N/A	4/4
Dato' Ibrahim bin Marsidi	Independent Non-Executive Director	13 May 2013	N/A	4/4

Functions

The REMCOM's primary functions include:

1. To review and recommend to the Board of Directors of UMW-OG, the remuneration of Executive Directors and all executives holding Job Grade CSM-22 and above, including the extension of service and compensation and benefits package of such executives who have attained the retirement age of 60 years.

2. To recommend to the Board after reviewing Management's proposals -

   - framework of remuneration for Directors, covering fees, allowances and benefits-in-kind for their work as Directors of all boards and committees;
   - overall annual salary increment guidelines/limits for employees within the Group;
   - annual bonus/guidelines/limits for employees within the Group; and
   - remuneration, benefits and other terms and conditions of employment, which have to be introduced as part of the Group's overall human resource development plan which includes matters such as pegging the employees' salaries in line with industry standards and major changes in benefits package.

Meetings, Quorum And Procedures

1. Meetings may be held as and when necessary.

2. The quorum for each meeting is 2.

3. The REMCOM may invite the President and/or the officers of the Group to attend meetings.

4. The REMCOM will decide its own procedures and other administrative arrangements.

Reports/Minutes

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

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

Directors' Remuneration

The REMCOM is responsible for reviewing the performance of the Executive Directors and all Senior-most executives holding Job Grade CSM-22 and above, and recommending to the Board the remuneration package and reward structure. The Board as a whole determines the remuneration of the Executive and Non-Executive Directors. Directors do not participate in any discussions or decisions concerning each individual's remuneration.

In the case of the 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 Executive Director includes salary and emoluments, bonus and benefits-in-kind.

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

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

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

Details of the total remuneration of the Directors of UMW-OG for the financial year ended 31 December 2013 are as follows:

Remuneration	Number of Directors		
Range of Total Remuneration (RM)	Executive	Non-Executive	Total
0 to 50,000	–	2	2
50,001 – 100,000	–	6	6
100,001 – 150,000	–	1	1
150,001 – 200,000	–	1	1
2,300,001 – 2,350,000	1	–	1
TOTAL	**1**	**10**	**11**

Note: Datuk Syed Hisham bin Syed Wazir, a nominee director of UMW Holdings Berhad did not receive any remuneration from the Company during the financial year ended 31 December 2013.

D INVESTMENT & RISK MANAGEMENT COMMITTEE

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

Composition

The IRMC was established on 6 December 2013 and comprises 6 Directors, the majority of whom are Non-Executive Directors.

The composition of the IRMC is as follows:

Name	Designation	Date of Appointment	Date of Resignation	Meeting Attendance
Dr. Leong Chik Weng (Chairman)	Non-Independent Non-Executive Director	6 December 2013	N/A	N/A
Datuk Syed Hisham bin Syed Wazir	Non-Independent Non-Executive Director	6 December 2013	N/A	N/A
Encik Cheah Tek Kuang	Independent Non-Executive Director	6 December 2013	N/A	N/A
Dato' Ibrahim bin Marsidi	Independent Non-Executive Director	6 December 2013	N/A	N/A
Puan Fina Norhizah binti Hj Baharu Zaman	Independent Non-Executive Director	6 December 2013	N/A	N/A
Encik Rohaizad bin Darus	Non-Independent Executive Director	6 December 2013	N/A	N/A

IRMC's scope of responsibilities include reviewing project feasibility and financials in detail with Management prior to submission to the Board for approval, assisting the Board in monitoring the performance of projects against original targets, reviewing possible risk factors affecting projects and recommending measures to mitigate such risks, but excludes approval on signing of Memorandum of Understanding, Letter of Intent, and any other agreements which have no financial or legal impact contractually, and any project feasibility studies.

Meetings, Quorum & Procedure

The IRMC meets on a need basis, subject to a minimum of once every quarter.

The quorum for each meeting is as follows:

i. For all matters with transaction value of less than US$25 million, the quorum shall be any 3 members who are Non-Executive Directors; and
ii. For all matters with a transaction value of US$25 million and more, the quorum shall be all members of the IRMC.

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

DIRECTORS' TRAINING

All Directors have successfully completed the Mandatory Accreditation Programme ("MAP") conducted by Bursatra Sdn. Bhd. and as imposed by Bursa Malaysia.

In addition to the MAP, the Directors are also encouraged to attend training programmes conducted by highly competent professionals and 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.

Name of Directors	Training Programme Attended	Date Held	Organiser	Total
Tan Sri Asmat bin Kamaludin	Malaysian Code on Corporate Governance	27 February 2013	Malaysian Institute of Corporate Governance	3
	Nominating Committee Programme	10 October 2013	Bursa Malaysia	
	4th Kuala Lumpur International Automotive Conference	12-14 November 2013	Asian Strategic Leadership Institute	

Name of Directors	Training Programme Attended	Date Held	Organiser	Total
Datuk Syed Hisham bin Syed Wazir	Embracing Risks for Long Term Corporate Success	4 June 2013	PNB Institute	4
	Yayasan Tun Mohd Ali Lecture Series KLCC	5 February 2013	Yayasan Tun Mohd Ali	
	Corporate Disclosure of Directors Seminar	5 September 2013	Bursa Malaysia	
	Wealth Creation and Preservations	1 October 2013	PNB Institute	
Dr. Leong Chik Weng	CCM Group Directors and Senior Management Training 2013 on Biosimilar, Never Ending Frontier in Bio-Business	30 August 2013	CCM	1
Encik Razalee bin Amin	Introduction to Oil & Gas Business	13 May 2013	UMW-OG	1
Dato' Afifuddin bin Abdul Kadir	GST & Tax updates	2013	Pelikan International Corporation Berhad	2
	Introduction to Oil & Gas Business	9 May 2013	UMW-OG	
Encik Cheah Tek Kuang	The Nomination and Remuneration Committee	1-2 April 2013	FIDE Elective Program	8
	Introduction to Oil & Gas Business	9 May 2013	UMW-OG	
	Invest Malaysia 2013	13-14 June 2013	Bursa Malaysia	
	Workshop IAEA International Expert Group on Nuclear Liability ("INLEX")	22 August 2013	Malaysia Nuclear Power Corporation	
	Towards Strengthening Corporate & Shar'iah Governance in Islamic Banks	26 August 2013	IFSB-INCEIF Executive Forum	
	Nomination Committee Program	7 October 2013	Bursa Malaysia	
	The Role of Chairman	14 November 2013	Bursa Malaysia	
	Leadership Energy Summit Asia ("LESA") 2013 Conference	3 December 2013	ICLIF	

Name of Directors	Training Programme Attended	Date Held	Organiser	Total
Dato' Ibrahim bin Marsidi	Retail Strategies and Marketing Rollout Plan Forum	15 January 2013	Petronas Dagangan Berhad	5
	Corporate Governance Symposium 2013 (Corporate Governance in Vogue)	9-10 April 2013	Melearn Global Sdn. Bhd.	
	Introduction to Oil & Gas Business	9 May 2013	UMW-OG	
	BTP: Government by Design – How Technology can drive more effective government	26 June 2013	TM Strategic Retreat	
	Board visit to Korea	2-4 September 2013	Telekom Malaysia Berhad / VADS	
Puan Fina Norhizah binti Hj Baharu Zaman	Introduction to Oil & Gas Business	23 August 2013	UMW-OG	2
	Continuous Professional Education Training Programme for the Board and Senior Management of Alam Maritim Group	4 December 2013	ALAM and Malaysian Institute of Corporate Governance	
Encik Rohaizad bin Darus	Coaching for Senior Management	6-7 February 2013	UMW Holdings Berhad	6
	IADC Conference, Singapore	3-4 April 2013	International Associations of Drilling Contractors	
	Malaysia Code on Corporate Governance 2013 – Putting into Practise	30 April 2013	UMW-OG	
	Embracing Risks for Long Term Corporate Success – Boosting your Risk Governance	4 June 2013	PNB Investment Forum (UMW Holdings Berhad)	
	Wealth Creation & Preservation – Turning Possibility into Reality by Suze Orman	1 October 2013	PNB Investment Forum (UMW Holdings Berhad)	
	Corporate Integrity Advocacy Programme – Designing Corruption Out of the Business	28 October 2013	PETRONAS	

FINANCIAL REPORTING

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

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.

DIRECTORS RESPONSIBILITY STATEMENT

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

In preparing the financial statements the Board has;

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

INTERNAL CONTROLS

The Board acknowledges its overall responsibility for maintaining a system of internal controls that provides assurance of effective and efficient operations and compliance with laws and regulations and also its internal procedures and guidelines. The size and complexity of the operations may give rise to risks of unanticipated or unavoidable losses.

The system of internal controls is designed to provide reasonable but not absolute assurance against the risk of material errors, frauds or losses occurring. BAC reviews the effectiveness of the system of internal controls, which covers financial, operational and compliance controls, and also risk management.

RELATIONSHIP WITH AUDITORS

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

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

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

DIALOGUE BETWEEN THE COMPANY AND SHAREHOLDERS / INVESTORS

The Board recognises the importance of maintaining transparency and accountability to its shareholders and investors and to disseminate the Group's performance and any significant developments to ensure that they are informed of all material business matters timely manner. Different channels of communication are optimised to ensure that clear, relevant and effective communication is facilitated. Presently, the Board and management of UMW-OG communicate regularly with its shareholders and stakeholders through the following mediums:

1. ***Bursa Malaysia Securities Berhad Announcements***
   The Board ensures timely announcements of financial results and corporate developments are made to Bursa Malaysia.

2. ***Analyst Briefings and Press Conferences***
   Press conferences and analyst briefings are normally held after the half and full year financial results are released to Bursa Malaysia. Chaired by the President, the briefings are to keep the investors informed of the various activities and initiatives undertaken by the Group and to provide clearer understanding of the Group's financial and operational performance.

3. ***Press Releases***
   Press releases are made to the media on all significant corporate developments and business initiatives.

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

5. ***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.

6. ***Contact for Investor Relation matters***
   Name: Chew Eng Hong
   Designation: Head, Corporate Development
   Contact Details: +603 – 2096 8788
   chew.eng.hong@umw-oilgas.com

ANNUAL GENERAL MEETING

The Company's first Annual General Meeting as a listed entity will be held on Monday, 16 June 2014 at 11.00 am.

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 will be consistently enhanced to reflect transparency and accountability in line with the best corporate governance practices.

Further, the Annual General Meeting will be the main forum for communication and dialogue with the shareholders.

Shareholders will be 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 will be available to provide explanations to any queries raised by the shareholders.

CODE OF BUSINESS CONDUCT AND ETHICS

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

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

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

INTRODUCTION

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

Set out below is the Board's Statement on Risk Management and Internal Control for the financial year ended 31 December 2013 which was prepared in accordance with the Guidelines for Directors of Listed Issuers ("Guidelines") issued by Bursa Malaysia on the issuance of a statement on the state of risk management and internal control of the Group particularly on Paragraph 15.26 (b) of the MMLR. This Statement outlines the nature and scope of risk management and internal control of the Group and covers all of the Group's operations except for associate company.

RESPONSIBILITY

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

Whilst the Board is ultimately responsible for these systems, it has delegated the implementation of these control systems to the Management who regularly report on risks identified and actions or steps taken to mitigate and/or minimise the risks. The oversight of these critical area are carried out by the 2 board committees, namely Board Audit Committee ("BAC") and the Board Investment & Risk Management Committee ("IRMC").

The Group's risk management and internal control systems are designed to meet the Group's particular needs, to efficiently and effectively manage risks that may impede the achievement of the Group's business objectives, provide information for accurate reporting and ensure compliances with regulatory and statutory requirements. Prior to the listing of UMW-OG, the processes for the identification, evaluation, monitoring and managing of significant risks that may materially affect the Group's business objectives were undertaken by its holding company, UMW Holdings Berhad ("UMWH"). This function was subsequently taken over by the UMW-OG Audit Committee and Investment & Risk Management Committee comprising of Board members of UMW-OG, post listing. As such, the Group's risk management and internal control systems had been in place throughout the year under review and regularly appraised by the relevant Board.

However, in view of the limitations inherent in any system, it should be appreciated 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. These systems can therefore only provide reasonable and not absolute assurance against material misstatement or loss. The Group's concept of reasonable assurance also recognises that the cost of control procedures should not exceed the expected benefits.

RISK MANAGEMENT FRAMEWORK

UMW-OG, being a subsidiary of UMWH before and after listing, has a risk management framework that is in line with that of its holding company, UMWH. Its Enterprise Risk Management ("ERM") Framework was established to proactively identify, evaluate and manage key risks to an optimal level. In line with the Group's commitment to deliver sustainable value, this framework aims to provide an integrated and organised approach entity-wide. It outlines the ERM methodology which is in line with the Principles and Guidelines of ISO31000: Risk Management, mainly promoting the risk ownership and continuous monitoring of key risks identified.

UMW-OG has implemented and enhanced its ERM framework and processes which have been adopted for implementation throughout the Group. The enhanced ERM framework has incorporated a well-structured systematic process to identify, analyse and manage risks to an acceptable level for the achievement of UMW-OG's strategic objectives.

Briefings on the ERM were conducted for Senior Management as part of the Group's efforts to instil a proactive risk management culture and implement a proper ERM framework in the Group.

The context within which the Group manages the 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. Accountability for managing strategic risks therefore rests with the Board and President of UMW-OG. The benefit of effectively managing strategic risks is that the Group can better forecast and quickly adapt to the changing demands that are placed upon the Group. It also means that the Group is less likely to be affected by some external event that calls for significant change.

Operational risks are inherent in the on-going activities within the different Strategic Business Unit ("SBU")s and Corporate Divisions of the Group. Typically, some of the risks cover foreign exchange, credit, competency, technology, etc. Senior management needs on-going assurance that operational risks are identified and managed. Accountability for managing operational risks rests specifically with the Heads of SBUs and Corporate Divisions.

In this context, ERM aligns UMW-OG's strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the risks that the Group faces as it creates value.

Members of the Risk Management Committee ("RMC") comprise of the President and certain senior management staff of UMW-OG. The principal responsibilities of the RMC include the following:

- Communicate requirements of the ERM Policy and ensure continuous enhancement of ERM;
- Formulate and implement ERM mechanism to accomplish requirements of the ERM Policy;
- Articulate and challenge risk ratings, control effectiveness, risk treatment options and risk action plans identified by Risk Owners; and
- Ensure that the ERM reports prepared are submitted to the Board in a timely manner, and flash reports are submitted in the event of any risk(s) that require urgent attention.

The RMC is assisted by the Risk Management Department ("RMD") in discharging its risk management responsibilities. RMD facilitates the risk assessment process by providing independent enquiry on risk identification and risk ratings determination by the respective process owners (line managers) based on the risk appetite set by the Board. RMD also provides guidance and support to the SBUs and Corporate Divisions in the development of risk action plans and key risk indicators to mitigate and monitor key risks of the Group. Heads of SBUs and Corporate Divisions are responsible for identifying, analysing and evaluating risks, as well as developing, implementing and monitoring risk action plans and reporting all risks to the RMC.

Flash reports on significant change in risks which have material or significant impact on the respective SBUs or Corporate Divisions are escalated to the President. For purposes of tracking and monitoring as well as capturing all risk information across the Group, a risk depository system has been implemented.

Status of key risk action plans of the Group, the respective SBUs and Corporate Divisions were presented to the Investment & Risk Management Committee ("IRMC") of UMWH (pre-listing) and UMW-OG (post-listing) on a quarterly basis for its review. The IRMCs assume the oversight and strategic role for ERM and its role, amongst others are:

i. To monitor the consistent enforcement of ERM policy across the UMW-OG 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.

INTERNAL AUDIT FUNCTION

The Internal Audit function of UMW-OG group is outsourced to the Group Internal Audit Division ("GIAD") of UMWH, who has been performing the audit reviews of the UMW-OG Group prior to its listing. GIAD is a corporate member of the Institute of Internal Auditor Malaysia ("IIAM") and subscribes to the standards issued by IIAM.

For the year 2013, GIAD had carried out their internal audit reviews based on the internal audit plan approved by the Audit Committee of UMWH. The internal audit plan was designed using a risk-based approach, based on the risks identified and assessed by the Management. The results of the audits were presented to the Audit Committee of UMWH (pre-listing) and UMW-OG (post-listing) at their quarterly meetings. The Head of GIAD is invited to attend Audit Committee meetings of UMWH and UMW-OG.

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

INTERNAL CONTROL FRAMEWORK

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

a. Board Committees

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

The Board and the Audit Committee meet regularly (please refer to pages 80 and 83 of Annual Report), whereas other Board Committees meet as and when required, to receive and to review management reports and to ensure that actions are taken to resolve operational and strategic issues promptly and satisfactorily.

Prior to the formation of the relevant UMW-OG Board Committees, the above functions were undertaken by similar Board Committees of UMWH.

b. Organisation Structure and Reporting Lines

The Group has a well-defined organisation structure that is aligned to business requirements with clearly defined delegation of responsibilities to the Board and its Committees and to Management that promotes accountability for appropriate risk management and control procedures. Apart from the Board Committees, the Board is supported operationally by the Management Committee and several management working committees including Banking Committee, Tender Committee, Risk Management Committee and Management Audit Committee which consist of the President and/or Senior Management staff.

The Management Committee convenes regularly to discuss its strategic business agenda thus 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. Comprehensive Budgeting and Forecasting System

For the purpose of development of its 2013 operating and capital budgets, the Group performed a comprehensive annual budgeting and forecasting exercise as a core business division of UMWH. The exercise included the development of business strategies and key performance indicators which were deliberated and approved by the Board of UMWH in December 2012. The Group's 2014 operating and capital budgets were deliberated and approved by the UMW-OG Board in December 2013.

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

Budgets prepared by operating units are regularly updated 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 key performance indicators after taking into account the changes in market conditions and significant business risks. The Group employs the reward and recognition framework which is based on the achievement of the key performance indicators that measures the goals and targets for each individual operating unit in alignment with the Group's business objectives and strategies.

d. 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 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 of Authority Guidelines ("FLAG").

The FLAG outlines the authority of the Board and its Committee and that of Management for major 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 are also regularly updated to reflect changing risks or to address operational deficiencies.

e. Monitoring, Reporting and Reviewing

The effectiveness of the Group's systems of risk management and internal controls are monitored through monthly management review of financial and operating results, business processes, the state of internal controls and business risk profile by the respective Heads of SBUs and Corporate Divisions and reported to the Management Committee. In addition to the monthly reporting, the President performed mid-term business review 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 quarterly basis.

Furthermore, these reviews are supplemented by a comprehensive review undertaken by GIAD on controls implemented at each individual business units and operations. Reports on the reviews carried out by GIAD are submitted on a regular basis to Management and the Audit Committee. 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 Audit Committee on the status of management's action plans to address issues highlighted by the GIAD on a quarterly basis.

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

The monitoring, reviewing and reporting arrangements in place give reasonable assurance that the structure of controls and its operations are appropriate to the Group's operations. 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 receives assurance from the President and Chief Financial Officer of UMW-OG stating that the Group's risk management are effective and robustly challenged, for the financial year ended 31 December 2013 up to the date of this Statement.

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 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 controls in the Group are sound and sufficient to safeguard shareholders' investments and the Group's assets for the year under review and up to the date of the Annual Report.

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

REVIEW OF THIS STATEMENT

Pursuant to Paragraph 15.23 of the MMLR of Bursa Malaysia, this Statement has been reviewed by the external auditors, Ernst & Young in accordance with the guidelines issued by the Malaysian Institute of Accountants ("MIA") set out in ISAE 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information and has reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the Group's systems of risk management and internal control.

This Statement is made in accordance with the resolution of the Board dated 30 April 2014.

AUDIT COMMITTEE REPORT

The Board Audit Committee ("BAC") was established with the primary objective of assisting the Board of Directors of UMW Oil & Gas Corporation Berhad ("UMW-OG") in fulfilling its fiduciary responsibilities relating to corporate accounting, system of internal controls and risk management processes, and management and financial reporting practices of UMW-OG Group of Companies ("Group").

The BAC comprises of 4 Non-Executive Directors, with the majority being Independent Directors in compliance with the provisions of Paragraph 15.09 (1) of the Main Market Listing Requirements. The Chairman of the 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.

Since its establishment on 13 May 2013, the BAC met twice during the course of the financial year. The composition of the BAC and the respective attendance record of meetings for the financial year ended 31 December 2013 are as follows:

No	Name of Director	Designation	Date of Appointment	Date of Resignation	Meeting Attendance
1	Encik Razalee bin Amin (Chairman)	Member – Independent Non-Executive Director	13 May 2013	N/A	2/2
2	Encik Cheah Tek Kuang	Member – Independent Non-Executive Director	13 May 2013	N/A	2/2
3	Dato' Ibrahim bin Marsidi	Member – Independent Non-Executive Director	13 May 2013	N/A	2/2
4	Datuk Syed Hisham bin Syed Wazir	Member – Non-Independent Non-Executive Director	13 May 2013	N/A	2/2

In accordance with its Terms of Reference, the BAC undertook the following activities:

(a) 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 Generally Accepted Accounting Practices.

(b) Reviewed the external audit terms of engagement, the audit strategy, the proposed audit fee and the achievement of the agreed upon reporting timeframes for the audit of the financial statements.

(c) Reviewed the external audit reports and discussed any problems and reservations arising thereon.

(d) Reviewed the internal audit plan, methodology, functions and resources.

(e) Reviewed major findings on internal audit reports and management response.

(f) Reviewed the related party transactions entered into by UMW-OG Group with related parties.

The Salient Terms of Reference of the Board Audit Committee is set out below.

Functions

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

1. Consider and recommend the appointment of the external auditors, the audit fee and any questions of resignation or dismissal.

2. Discuss with the external auditors before the audit commences, the nature and scope of the audit plan, and ensure co-ordination where more than one audit firm is involved.

3. Review the quarterly, half-yearly and annual financial statements for recommendation to the Board for approval, focusing particularly on –

   - any changes in accounting policies and practices;
   - significant adjustments arising from the audit;
   - the going concern assumption; and
   - compliance with accounting standards and other legal requirements.

4. Discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary), and to review the external auditors' management letter and management's response.

5. Ensure that the Internal Audit ("IA") function which is outsourced to UMW Holdings Berhad ("UMWH") is adequately resourced and has appropriate standing within UMW-OG Group; and to formulate its terms of reference.

6. Review the annual audit plan and all reports generated by IA and to issue instructions for further action to be taken by IA, and provide general guidance to accordingly.

7. Consider the major findings of internal investigations (by internal and external auditors) and management's response.

8. Review the adequacy and effectiveness of Group's accounting procedures and policies, the adequacy and effectiveness of its risk management and internal control systems as well as the financial reporting standards of the Group.

9. Consider any related party transactions that may arise within the Group.

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

Meetings, quorum and procedures

1. The BAC meets on a quarterly basis to carry out its functions although additional meetings may be called at any time as and when necessary.

2. The quorum for each meeting shall be 3 persons, with the majority of members present forming a quorum in respect of such meetings shall be Independent Non-Executive Directors.

3. The BAC may invite such other senior management of the Company, including but not limited to the President, the Chief Financial Officer and the Internal Auditor to attend the meeting, to provide information and clarification required on items on the agenda. Representatives of the external auditors are also invited to attend the meeting to present their audit scope and plan, audit report and findings together with management's response thereto, and to brief the BAC on significant audit and accounting areas which they noted in the course of their audit.

4. The BAC shall meet with the external auditors, minimum 2 times during the year under review and without the presence of the management of the Company and/or Group.

5. The BAC shall decide on its own administrative procedures to effectively discharge its responsibilities.

Reports/Minutes

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

The Chairman of the BAC reports to the Board 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.

Internal Audit

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

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

The BAC approves the internal audit plan of GIAD for the Group, each year. The scope of the internal audit covers the audits of all units and operations, including subsidiaries.

During the year, the GIAD ensured that internal control measures were adequate and effective in mitigating key risks and that they 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.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS

Status of utilisation of IPO proceeds as at 12th May 2014

Purpose	Proposed Utilisation	Actual Utilisation to Date	Intended Timeframe for Utilisation from 1 November 2013	Deviation in Amount & %
	RM million	RM million	Month	
Acquisition of rigs & Hydraulic Workover Unit ("HWU")	986.6	157.7	18	N/A
Upgrading of rigs & HWU	20.1	15.7	18	N/A
Acquisition / upgrading of machineries for oilfield services	10.4	3.5	18	N/A
Mobilisation and demobilisation costs for drilling rigs	50.0	1.9	18	N/A
Repayment to UMWH	597.4	597.4	6	nil
IPO / Listing expenses	48.5	39.1	6	*
TOTAL	**1,713.0**	**815.3**		

** Certain amounts are still pending finalisation*

2. SHARE BUY-BACK

There was no proposal by the Company to carry out a share buy-back during the financial year.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company did not issue any warrants or convertible securities during the financial year.

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

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

5. IMPOSITION OF SANCTIONS / PENALTIES

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

6. NON-AUDIT FEES

The amount of non-audit fees paid to the Company's external auditors for services rendered to the Group for the financial year ended 31 December 2013 was RM2,605,000 (2012 : RM90,000).

7. VARIATION IN RESULTS

For the financial year ended 31 December 2013, the audited results differs from the unaudited results by less than 10%.

8. PROFIT GUARANTEES

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

9. MATERIAL CONTRACTS

There were no material contracts entered into by UMW-OG Group involving the interest of Directors or Major Shareholders, either still subsisting at the end of the financial year ended 31 December 2013 or entered into since the end of the previous financial year.

10. RECURRENT RELATED PARTY TRANSACTIONS ("RRPT") OF A REVENUE OR TRADING NATURE

Please refer to information stated in Circular to Shareholders dated 26 May 2014.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

PRINCIPAL ACTIVITIES

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

Other than as described 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 2013 are as follows:

	Group RM'000	Company RM'000
Profit from continuing operations	192,058	30,569
Loss from discontinued operations	(5,263)	–
Profit for the year	186,795	30,569
Attributable to:		
Equity holders of the Company	189,147	30,569
Non-controlling interests	(2,352)	–
	186,795	30,569

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 Group and the Company during the financial year were not substantially affected by any item, transaction or event of a material or unusual nature other than the gain of RM30,614,000 from the disposal of a real property in Singapore.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend the payment of any dividend for the current financial year.

DIRECTORS

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

Tan Sri Asmat bin Kamaludin	(appointed on 2 May 2013)
Datuk Syed Hisham bin Syed Wazir	
Dr. Leong Chik Weng	
Dato' Afifuddin bin Abdul Kadir	(appointed on 2 May 2013)
Razalee bin Amin	(appointed on 2 May 2013)
Cheah Tek Kuang	(appointed on 2 May 2013)
Dato' Ibrahim bin Marsidi	(appointed on 2 May 2013)
Fina Norhizah binti Hj Baharu Zaman	(appointed on 15 August 2013)
Rohaizad bin Darus	
Dato' Mohd Nizam bin Zainordin	(resigned on 2 May 2013)
Dato' Siow Kim Lun @ Siow Kim Lin	(resigned on 2 May 2013)

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, other than those arising from the subscription of the Initial Public Offering ("IPO") shares allocated to the eligible directors and employees of our Group and UMW Holdings Berhad ("UMWH") Group.

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 27 and Note 28 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.

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM0.50 Each				
	1 January 2013	Subscription to IPO shares	Bought	Sold	31 December 2013
The Company					
Direct interest					
Tan Sri Asmat bin Kamaludin	–	300,000	–	–	300,000
Datuk Syed Hisham bin Syed Wazir	–	500,000	–	–	500,000
Dr. Leong Chik Weng	–	300,000	–	150,000	150,000
Dato' Afifuddin bin Abdul Kadir	–	300,000	–	–	300,000
Razalee bin Amin	–	300,000	–	–	300,000
Cheah Tek Kuang	–	300,000	–	150,000	150,000
Dato' Ibrahim bin Marsidi	–	210,000	–	–	210,000
Fina Norhizah binti Hj Baharu Zaman	–	300,000	–	300,000	–
Rohaizad bin Darus	–	1,000,000	–	–	1,000,000
Indirect interest					
Tan Sri Asmat bin Kamaludin	–	4,000	–	–	4,000
Cheah Tek Kuang	–	3,100	2,900	–	6,000
The Holding Company, UMWH					
Indirect interest					
Tan Sri Asmat bin Kamaludin	20,000	–	–	5,000	15,000

None of the other directors in office at the end of the financial year had any interest in shares of the Company or in the shares of the ultimate holding company and its related corporations during the financial year.

ISSUE OF SHARES

During the year, the Company implemented a corporate exercise as part of its initial public offering which involved the following transactions:

(a) Increased its authorised share capital from RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each to RM2,500,000,000 comprising of 5,000,000,000 ordinary shares of RM0.50 each.

(b) Increased its paid-up ordinary share by way of:

- share split which involved the subdivision of every one (1) ordinary share of RM1.00 each to two (2) ordinary shares of RM0.50 each. Following the share split, the issued and paid-up capital of 2 ordinary shares of RM1.00 each was split to 4 ordinary shares of RM0.50 each.

- issuance of 1,550,199,996 ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share to UMWH for a total consideration of RM775,099,998.

- issuance of additional 611,800,000 ordinary shares of RM0.50 each for a total consideration of RM1,713,040,000 via initial public offering in Bursa Malaysia Securities Berhad at an issue price of RM2.80 per share.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company. The Company's issued and paid-up ordinary shares at the end of the financial year was RM1,081,000,000 comprising 2,162,000,000 ordinary shares of RM0.50 each.

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.

OTHER STATUTORY INFORMATION (CONT'D.)

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any material contingent liability of the Group and of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

In addition to the significant events disclosed elsewhere in the financial statements, the significant events during the year are disclosed in Note 44 to the financial statements.

SUBSEQUENT EVENTS

In addition to the subsequent events disclosed elsewhere in the financial statements, the subsequent events are as disclosed in Note 45 to the financial statements.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 21 April 2014.

TAN SRI ASMAT BIN KAMALUDIN

ROHAIZAD BIN DARUS

STATEMENT BY DIRECTORS

pursuant to Section 169(15) of the Companies Act, 1965

We, **TAN SRI ASMAT BIN KAMALUDIN** and **ROHAIZAD BIN DARUS**, being two of the directors of **UMW OIL & GAS CORPORATION BERHAD**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 114 to 220 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of its financial performance and cash flows for the year then ended.

The supplementary information set out in Note 47 to the financial statements have been prepared, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 21 April 2014.

TAN SRI ASMAT BIN KAMALUDIN

ROHAIZAD BIN DARUS

STATUTORY DECLARATION

pursuant to Section 169(16) of the Companies Act, 1965

I, **WAI THUY FONG**, being the officer primarily responsible for the financial management of **UMW OIL & GAS CORPORATION BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 114 to 221 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed **WAI THUY FONG**
at Kuala Lumpur in the Federal Territory
on 21 April 2014.

WAI THUY FONG

Before me,

COMMISSIONER FOR OATHS
No. W 530
TAN SEOK KETT
MALAYSIA

Lot 350, 3rd Floor, Wisma MPL,
Jalan Raja Chulan,
50290 Kuala Lumpur.

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of UMW Oil & Gas Corporation Berhad, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 114 to 220.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 37 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 47 on page 221 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

Ernst & Young
AF: 0039
Chartered Accountants

Ahmad Zahirudin bin Abdul Rahim
No. 2607/12/14(J)
Chartered Accountant

Kuala Lumpur, Malaysia
21 April 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2013

	Note	2013 RM'000	Unaudited 2012 RM'000	Unaudited 1.1.2012 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	4	**2,247,177**	1,469,573	1,240,793
Land use rights	5	**2,248**	2,080	2,178
Investment property	6	**–**	7,305	17,312
Intangible assets	7	**11,291**	18,474	18,474
Investment in associate	9	**2,392**	1,907	2,073
Investment in joint venture	10	**–**	21,243	21,161
Deferred tax assets	11	**1,242**	4,723	5,137
		2,264,350	1,525,305	1,307,128
Current assets				
Inventories	13	**64,354**	58,493	46,135
Other investments	14	**1,061,581**	–	–
Receivables	15	**310,900**	308,419	222,897
Tax recoverable		**7,677**	4,609	2,891
Derivative assets	12	**32**	–	–
Due from related companies	16	**6,827**	16,861	18,832
Deposits, cash and bank balances	17	**174,948**	131,107	110,942
		1,626,319	519,489	401,697
Non-current assets held for sale	18	**–**	20,075	–
		1,626,319	539,564	401,697
TOTAL ASSETS		**3,890,669**	2,064,869	1,708,825

	Note	2013 RM'000	Unaudited 2012 RM'000	Unaudited 1.1.2012 RM'000
EQUITY AND LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	11	**4,834**	4,165	6,469
Due to holding company	16	**–**	248,012	–
Long term borrowings	19	**548,335**	583,159	684,937
		553,169	835,336	691,406
Current liabilities				
Taxation		**546**	2,811	5,317
Short term borrowings	21	**311,257**	215,339	114,922
Payables	22	**181,842**	237,771	174,644
Due to related companies	16	**4,747**	521,970	539,954
Derivative liabilities	12	**–**	527	167
		498,392	978,418	835,004
Total liabilities		**1,051,561**	1,813,754	1,526,410
Equity				
Equity attributable to equity holders of the Company				
Share capital	23	**1,081,000**	*	*
Share premium	23	**1,372,819**	–	–
Other reserves		**96,165**	150,033	146,236
Retained profits		**283,151**	94,004	22,035
		2,833,135	244,037	168,271
Non-controlling interests		**5,973**	7,078	14,144
Total equity		**2,839,108**	251,115	182,415
TOTAL EQUITY AND LIABILITIES		**3,890,669**	2,064,869	1,708,825

* The Group had an issued and paid-up share capital of RM2 prior to financial year 2013.

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 2013

	Note	2013 RM'000	Unaudited 2012 RM'000
Continuing operations			
Revenue	25	**737,752**	724,336
Other operating income	26	**37,891**	4,732
Changes in inventories		**62**	62
Finished goods purchased		**(1,250)**	(3,958)
Raw materials and consumables used		**(66,544)**	(51,798)
Employee benefits	27	**(137,352)**	(102,543)
Depreciation, impairment and amortisation		**(89,383)**	(63,586)
Other operating expenses	28	**(258,762)**	(394,903)
Profit from operations		**222,414**	112,342
Finance costs	29	**(23,740)**	(40,152)
Investment income	30	**7,690**	1,728
Share of results of associate		**485**	458
Profit before taxation		**206,849**	74,376
Income tax expense	31	**(14,791)**	(11,708)
Profit from continuing operations, net of tax		**192,058**	62,668
Discontinued operations			
(Loss)/profit from discontinued operations, net of tax	32	**(5,263)**	11,557
Profit net of tax		**186,795**	74,225

	Note	2013 RM'000	Unaudited 2012 RM'000
Other comprehensive income			
Foreign currency translation, representing other comprehensive income for the year, net of tax		**19,026**	5,770
Total comprehensive income for the year		**205,821**	79,995
Profit attributable to:			
Equity holders of the Company			
– from continuing operations		**190,547**	61,832
– from discontinued operations		**(1,400)**	11,164
Profit for the year attributable to equity owners of the Company		**189,147**	72,996
Non-controlling interests			
– from continuing operations		**1,511**	836
– from discontinued operations		**(3,863)**	393
Profit for the year attributable to non-controlling interests		**(2,352)**	1,229
		186,795	74,225
Total comprehensive income attributable to:			
Equity holders of the Company			
– from continuing operations		**209,412**	67,713
– from discontinued operations		**(1,400)**	11,164
Total comprehensive income for the year attributable to equity holders of the Company		**208,012**	78,877
Non-controlling interests			
– from continuing operations		**1,672**	725
– from discontinued operations		**(3,863)**	393
Total comprehensive income for the year attributable to non-controlling interests		**(2,191)**	1,118
		205,821	79,995
Basic earnings/(loss) per share attributable to equity holders of the Company (sen)			
– from continuing operations	33	**11.53**	3.99
– from discontinued operations	33	**(0.08)**	0.72
		11.45	4.71

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 2013

	I------ Non-distributable							------I Distributable			
	Share capital RM'000 (Note 23)	Share premium RM'000 (Note 23)	Share options reserve RM'000 (Note 24)	Capital reserve RM'000 (Note 24)	Gain on derecognition of intercompany financial liabilities RM'000 (Note 24)	Foreign currency translation reserve RM'000 (Note 24)	Merger deficit RM'000	Other reserve RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2012	*	–	3,243	3,731	–	(10,667)	–	149,929	22,035	168,271	14,144	182,415
Total comprehensive income	–	–	–	–	–	5,881	–	–	72,996	78,877	1,118	79,995
Transactions with owners												
Dividends (Note 34)	–	–	–	–	–	–	–	–	(1,027)	(1,027)	(182)	(1,209)
Acquisition of additional non-controlling interests	–	–	–	–	–	–	–	–	–	–	(438)	(438)
Disposal of a subsidiary	–	–	–	(2,084)	–	–	–	–	–	(2,084)	(7,564)	(9,648)
Total transactions with owners	–	–	–	(2,084)	–	–	–	–	(1,027)	(3,111)	(8,184)	(11,295)
At 31 December 2012	*	–	3,243	1,647	–	(4,786)	–	149,929	94,004	244,037	7,078	251,115

* The Group had an issued and paid-up share capital of RM2 prior to financial year 2013.

	I---- Non-distributable							----I	Distributable			
	Share capital RM'000 (Note 23)	Share premium RM'000 (Note 23)	Share options reserve RM'000 (Note 24)	Capital reserve RM'000 (Note 24)	Gain on derecognition of intercompany financial liabilities RM'000 (Note 24)	Foreign currency translation reserve RM'000 (Note 24)	Merger deficit RM'000	Other reserve RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2013	*	–	3,243	1,647	–	(4,786)	–	149,929	94,004	244,037	7,078	251,115
Total comprehensive income	–	–	–	–	–	18,865	–	–	189,147	208,012	(2,191)	205,821
Transactions with owners												
Acquisition of combined entities	–	–	–	–	–	–	(689,673)	689,673	–	–	–	–
Merger deficit set off against other reserves	–	–	–	–	–	–	689,673	(689,673)	–	–	–	–
Issue of ordinary shares pursuant to:												
– Internal Reorganisation	775,100	–	–	–	–	–	–	(149,929)	–	625,171	–	625,171
– Initial Public Offering ("IPO")	305,900	1,407,140	–	–	–	–	–	–	–	1,713,040	–	1,713,040
IPO expenses	–	(34,321)	–	–	–	–	–	–	–	(34,321)	–	(34,321)
Settlement of intercompany financial liabilities	–	–	–	–	78,145	–	–	–	–	78,145	–	78,145
Disposal of subsidiaries	–	–	–	(949)	–	–	–	–	–	(949)	862	(87)
Liquidation of subsidiaries	–	–	–	–	–	–	–	–	–	–	224	224
Total transactions with owners	1,081,000	1,372,819	–	(949)	78,145	–	–	(149,929)	–	2,381,086	1,086	2,382,172
At 31 December 2013	1,081,000	1,372,819	3,243	698	78,145	14,079	–	–	283,151	2,833,135	5,973	2,839,108

* The Group had an issued and paid-up share capital of RM2 prior to financial year 2013.

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 2013

	2013 RM'000	Unaudited 2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation for continuing operations	**206,849**	74,376
(Loss)/profit before taxation for discontinued operations	**(4,078)**	13,668
	202,771	88,044
Adjustments for:		
Depreciation, impairment and amortisation		
– Continuing operations	**89,383**	63,586
– Discontinued operations	**485**	712
Interest expense	**23,740**	40,152
Interest income	**(7,690)**	(1,728)
Gain on disposal of non-current assets held for sale	**(30,614)**	–
Net loss on disposal of property, plant and equipment	**214**	2,884
Property, plant and equipment written off	**7,841**	5,160
Net impairment losses on receivables	**3,542**	666
Share of results of associate	**(485)**	(458)
Share of results of joint venture (Note 32)	**354**	(303)
Net fair value (gains)/loss on derivatives	**(574)**	369
Net fair value gains on investments in mutual funds	**(262)**	–
Gain on disposal of investments in mutual funds	**(34)**	–
Net gain on disposal of subsidiaries (Note 37)	**(6,448)**	(7,863)
Loss on disposal of joint venture (Note 39)	**1,570**	–
Net unrealised foreign exchange losses	**5,840**	1,398
Operating profit before working capital changes	**289,633**	192,619
Increase in receivables	**(92,044)**	(101,438)
Increase in inventories	**(8,625)**	(16,223)
(Decrease)/increase in payables	**(165,965)**	94,262
Net changes in related companies balances	**124,285**	23,987
Net cash generated from operations	**147,284**	193,207
Interest paid	**(22,957)**	(40,739)
Taxes paid	**(17,419)**	(17,271)
Net cash generated from operating activities	**106,908**	135,197

	2013 RM'000	Unaudited 2012 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**7,690**	1,728
Net cash outflow on acquisition of a subsidiary (Note 37)	**(216,875)**	(220,570)
Net cash outflow on acquisition of subsidiaries pursuant to Internal Reorganisation	**(44,450)**	–
Purchase of property, plant and equipment	**(568,449)**	(144,942)
Proceeds from disposal of non-current assets held for sale	**50,689**	–
Proceeds from disposal of property, plant and equipment	**1,313**	182
Proceeds from disposal of a joint venture (Note 39)	**19,150**	–
Net proceeds from disposal of subsidiaries (Note 37)	**10,473**	15,922
Proceeds from disposal of mutual funds	**32,076**	–
Dividend received from associate	**–**	562
Cash outflow on investment in mutual funds	**(1,093,360)**	–
Net cash used in investing activities	**(1,801,743)**	(347,118)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	**1,758,040**	–
Cash outflow on listing expenses incurred	**(37,979)**	–
Repayment of borrowings	**(148,776)**	(62,337)
Drawdown of borrowings	**223,313**	93,941
Advances from holding company	**536,288**	208,012
Repayment to holding company	**(597,400)**	–
Dividends paid to equity holders of the Company	**–**	(1,209)
Net cash generated from financing activities	**1,733,486**	238,407
NET INCREASE IN CASH AND CASH EQUIVALENTS	**38,651**	26,486
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**129,742**	106,373
EFFECTS OF EXCHANGE RATE CHANGES	**6,555**	(3,117)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**174,948**	129,742
Cash and cash equivalents comprise:		
Cash and bank balances (Note 17)	**103,010**	112,544
Deposits with licensed banks (Note 17)	**71,938**	18,563
Bank overdrafts	**–**	(1,365)
	174,948	129,742

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

STATEMENT OF FINANCIAL POSITION
as at 31 December 2013

	Note	2013 RM'000	2012 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	**1,507**	1,550
Investment in subsidiaries	8	**1,541,083**	–
		1,542,590	1,550
Current assets			
Other investments	14	**1,061,581**	–
Receivables	15	**297**	1,610
Due from related companies	16	**79,990**	2,393
Deposits, cash and bank balances	17	**21,230**	14,449
		1,163,098	18,452
TOTAL ASSETS		**2,705,688**	20,002
EQUITY AND LIABILITIES			
Non-current liabilities			
Due to holding company	16	**–**	40,000
Long term borrowings	19	**61**	88
		61	40,088
Current liabilities			
Short term borrowings	21	**168,609**	57
Payables	22	**9,802**	3,557
Due to related companies	16	**3,262**	14,879
		181,673	18,493
Total liabilities		**181,734**	58,581
Equity attributable to equity holder of the Company			
Share capital	23	**1,081,000**	–*
Share premium	23	**1,372,819**	–
Other reserves		**78,145**	–
Accumulated losses		**(8,010)**	(38,579)
Total equity/(deficit)		**2,523,954**	(38,579)
TOTAL EQUITY AND LIABILITIES		**2,705,688**	20,002

* The Company had an issued and paid-up share capital of RM2 prior to financial year 2013.

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 2013

	Note	2013 RM'000	2012 RM'000
Continuing operations			
Revenue	25	**59,900**	2,215
Other operating income	26	**4,851**	1,364
Employee benefits	27	**(20,869)**	(11,909)
Depreciation		**(423)**	(239)
Other operating expenses	28	**(18,836)**	(9,319)
Profit from operations		**24,623**	(17,888)
Finance costs	29	**(3,654)**	(2,159)
Investment income	30	**9,600**	54
Profit before taxation		**30,569**	(19,993)
Income tax expense	31	**–**	–
Profit/(loss) for the year, representing total comprehensive income/(loss) for the year		**30,569**	(19,993)

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 2013

	Share capital RM'000 (Note 23)	Share premium RM'000 (Note 23)	Gain on derecognition of intercompany financial liabilities RM'000 (Note 24)	Accumulated losses RM'000	Total equity RM'000
	I----Non-distributable	---I		Distributable	
At 1 January 2012	–*	–	–	(18,586)	(18,586)
Total comprehensive loss	–	–	–	(19,993)	(19,993)
At 31 December 2012	–*	–	–	(38,579)	(38,579)
At 1 January 2013	**–***	**–**	**–**	**(38,579)**	**(38,579)**
Total comprehensive income	**–**	**–**	**–**	**30,569**	**30,569**
Transactions with owners					
Issue of ordinary shares pursuant to IPO	**1,081,000**	**1,372,819**	**–**	**–**	**2,453,819**
Settlement of intercompany financial liabilities	**–**	**–**	**78,145**	**–**	**78,145**
Total transactions with owners	**1,081,000**	**1,372,819**	**78,145**	**–**	**2,531,964**
At 31 December 2013	**1,081,000**	**1,372,819**	**78,145**	**(8,010)**	**2,523,954**

* The Company had an issued and paid-up share capital of RM2 prior to financial year 2013.

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 2013

	2013 RM'000	2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	**30,569**	(19,993)
Adjustments for:		
Depreciation of plant and equipment	**423**	239
Interest expense	**3,654**	2,159
Interest income	**(9,600)**	(54)
Net unrealised foreign exchange losses	**3,374**	3
Reversal of impairment loss on intercompany receivables	**(1,086)**	–
Net fair value gains on investments in mutual funds	**(262)**	–
Dividend income	**(47,846)**	–
Gain on disposal of investments in mutual funds	**(34)**	–
Loss on disposal of plant and equipment	**–**	194
Impairment loss on amounts due from related companies	**–**	663
Operating loss before working capital changes	**(20,808)**	(16,789)
Decrease/(Increase) in other receivables	**1,313**	(1,266)
Increase in other payables	**6,445**	2,050
Net changes in related companies balances	**(23,883)**	(9,468)
Net cash used in operating activities	**(36,933)**	(25,473)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**9,626**	28
Acquisition of subsidiaries	**(44,450)**	–
Purchase of plant and equipment	**(580)**	(1,126)
Proceeds from disposal of plant and equipment	**–**	246
Cash outflow on investment in a subsidiary	**(221,006)**	–
Proceeds from disposal of mutual funds	**32,076**	–
Cash outflow on investment in mutual funds	**(1,093,360)**	–
Dividends received from subsidiaries	**16,133**	–
Net cash used in investing activities	**(1,301,561)**	(852)

	2013 RM'000	2012 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan and advance from holding company	**74,062**	40,000
Advances to subsidiaries	**(16,488)**	–
Repayment to holding company	**(597,400)**	–
Proceeds from issuance of ordinary shares	**1,758,040**	–
Proceeds from borrowings	**221,006**	–
Cash outflow on listing expenses incurred	**(37,979)**	–
Repayment of borrowings	**(52,481)**	(137)
Interest paid	**(3,485)**	(975)
Net cash generated from financing activities	**1,345,275**	38,888
NET INCREASE IN CASH AND CASH EQUIVALENTS	**6,781**	12,563
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**14,449**	1,886
CASH AND CASH EQUIVALENTS AT END OF YEAR	**21,230**	14,449
Cash and cash equivalents comprise:		
Cash and bank balances (Note 17)	**4,580**	14,449
Deposits with licensed banks (Note 17)	**16,650**	–
	21,230	14,449

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

On 14 May 2013, the Company was converted into a public company and changed its name from UMW Oil & Gas Corporation Sdn. Bhd. to UMW Oil & Gas Corporation Berhad.

During the financial year, UMW Holdings Berhad ("UMWH") acquired the entire equity interest of the Company from UMW Oil & Gas Berhad ("UOGB"), the previous immediate holding company of the Company. Subsequent to the acquisition, the immediate and ultimate holding company of the Company is UMWH, a public limited liability company incorporated and domiciled in Malaysia and is listed on the Bursa Malaysia.

The principal activity of the Company is to provide full corporate management, administrative and professional services to its related companies. With effect from 30 August 2013, the Company also carry on the business of an investment holding company and the provision of financial support to its subsidiary companies following the completion of the Internal Reorganisation as detailed in Note 44(e). The principal activities of the subsidiaries, associate and joint venture are described in Note 37, 38 and 39, respectively.

The Group is principally engaged in:

(a) the provision of drilling services for exploration, development and production wells and workover services to the upstream sector of the oil and gas industry;

(b) the provision of threading, inspection and repair services for Oil Country Tubular Goods ("OCTG") in Malaysia and overseas, with a focus on premium connections used in high-end and complex wells; and

(c) acting as agent in Malaysia for international companies providing specialised drilling equipment and services.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 21 April 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

On 1 January 2013, the Group and the Company had adopted the MFRS and IC Interpretations (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 2013 as described fully in Note 2.3(i).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 Basis of preparation (cont'd.)

MASB has also issued new and revised pronouncements 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 2.3(ii).

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.

On 30 August 2013, pursuant to the Internal Reorganisation described in Note 44(e):

(a) The Company had incorporated UMW Rig Asset (L) Ltd. ("URA") as a wholly-owned subsidiary on 5 April 2013 and acquired UMW Malaysian Ventures Sdn. Bhd. ("UMV"), UMW JDC Drilling Sdn. Bhd. ("UJD") and UMW Singapore Ventures Pte. Ltd. ("USV") from UMW Holdings Berhad, UMW Corporation Sdn. Bhd. and UMW Petropipe (L) Ltd., respectively.

(b) UMV, USV and URA in turn acquired other subsidiaries and associated company as disclosed in Note 37 and 38, respectively.

UMV, UJD, USV, URA and the remaining subsidiaries and associate are hereinafter referred to as the "Combined Entities". The Combined Entities were under common control before and after the business combination and the Group and the Company have applied the pooling of interests method for business combination under common control.

In applying the pooling of interests method, the Combined Entities' financial statements are included in both the consolidated and separate financial statements of UMW Oil & Gas Corporation Berhad as if the combination had occurred from the earliest date presented or from the date when these entities came under the control of the common controlling party. The Group has opted for a restatement of the financial information in the consolidated financial statements for periods prior to the combination under common control, to reflect the combination as if it had occurred from the beginning of the earliest period presented in the financial statements, regardless of the actual date of combination. Hence, in accordance with MFRS 101 Presentation of Financial Statements, the presentation of the statement of financial position as at 1 January 2012, being the beginning of the earliest comparative period is required.

The comparatives are not audited as the combination was not in existence in the previous financial year. However, adjustments have been made to align the accounting policies of the Combined Entities to that of the Group and Company. The comparatives are, therefore prepared on a basis consistent with the current financial year's presentation.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies

(a) Basis of consolidation, subsidiaries, associate and joint arrangement

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(a) Basis of consolidation, subsidiaries, associate and joint arrangement (cont'd.)

(i) Basis of consolidation (cont'd.)

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.

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 or a joint venture.

Business combinations

Business combinations 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. As part of its transition to MFRS, the Group elected not to restate those business combinations that occurred before 1 January 2011, where acquisition-related costs are included in the cost of acquisition.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(a) Basis of consolidation, subsidiaries, associate and joint arrangement (cont'd.)

(i) Basis of consolidation (cont'd.)

Business combinations (cont'd.)

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 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(i).

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(a) Basis of consolidation, subsidiaries, associate and joint arrangement (cont'd.)

(i) Basis of consolidation (cont'd.)

Non-controlling interests

Non-controlling interests in the consolidated statements of comprehensive income and consolidated statements of financial position represent the portion of profit or loss or net assets in subsidiaries not held by the Group, respectively. 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 movements 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.

(iv) Joint arrangement

A joint arrangement is an arrangement of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangement's returns.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(a) Basis of consolidation, subsidiaries, associate and joint arrangement (cont'd.)

(iv) Joint arrangement (cont'd.)

In the previous financial years, joint arrangement was classified and accounted for as either jointly controlled entity or jointly controlled asset or jointly controlled operation. The Group has classified its joint arrangement as jointly controlled entity.

Upon adoption of MFRS 11 Joint Arrangements in the current financial year, joint arrangements are classified as either joint operation or joint venture. A joint arrangement is classified as a joint operation when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. Whilst, a joint arrangement is classified as a joint venture when the Group has rights only to the net assets of the arrangements. The Group has classified its joint arrangement as joint venture and accounted for its interest in joint venture using the equity method as described in Note 2.2(a)(v).

(v) Equity method of accounting

Under the equity method, the investments in associate and joint venture 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 joint venture. The Group's share of the net profit or loss of the associate and joint venture is recognised in profit or loss. Where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of such changes.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(a) Basis of consolidation, subsidiaries, associate and joint arrangement (cont'd.)

(v) Equity method of accounting (cont'd.)

When the Group's share of losses in 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 holding company.

The most recent available audited financial statements of the associate is 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. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

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

(vi) Separate financial statements

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

(b) Property, plant and equipment

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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 related equipments	2 – 30 years
Buildings	Over period of 50 years or period of the land lease, whichever is shorter
Plant and machinery	5 – 10 years
Office equipment, furniture and fittings	3 – 13 years
Motor vehicles	5 years
Renovation and improvements	7 – 10 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).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(d) Investment property

Investment property is building held by the Group or held under finance leases, to earn rental income or for capital appreciation or both. Investment property is stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of investment property is provided for on a straight-line basis to write off the cost to its residual value over its estimated useful life at the following periods:

Building	Over a period of 50 years or period of the lease, whichever is shorter

Upon the disposal of an item of investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

When an indication of impairment exists, the carrying amount of the asset 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).

(e) Financial assets

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(e) Financial assets (cont'd.)

(i) Financial assets at fair value through profit or loss (cont'd.)

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 is held primarily for trading purposes are presented as current whereas financial assets that is 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, amount due from customers on contracts and prepayments), due from related companies and cash and cash equivalents.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(f) 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.

(g) 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, net of outstanding bank overdrafts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(h) 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.

(i) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(j) Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

(k) 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 Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(ii) Foreign currency transactions

Transactions in currencies other than the Company's 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(k) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(l) 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 statement 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.

(ii) Other financial liabilities

The Group's other financial liabilities include trade payables, other payables, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(m) Borrowing costs

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

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

(n) Income tax

Income tax on the profit or loss for the period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which these can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in profit or loss, except when it arises from a transaction which is recognised directly in other comprehensive income, in which case the deferred tax is also recognised directly in other comprehensive income, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition.

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) 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 and service tax and includes excise duties.

(ii) Rendering of services

Revenue from services rendered is recognised net of service tax on accrual basis as and when services are performed.

(iii) Rental income

Rental income from operating leases are accounted for on a straight-line basis over the lease terms.

(iv) Dividend income

Dividend income is recognised when the shareholders' rights to receive payment is established.

(v) Interest income

Interest income is recognised using the effective interest method.

(vi) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(o) Revenue recognition (cont'd.)

(vii) Demobilisation fees received

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.

Demobilisation costs are costs related to the transfer of a drilling rig to a safe harbour or different geographic area and are expensed as incurred.

(viii) 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)(vi) and (vii).

Fees received from customers under contracts for upgrades to the rigs are 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(p) Leases (cont'd.)

(i) As lessee (cont'd.)

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)(iii).

(q) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund. Some of the Group's foreign subsidiaries also make contribution to their respective countries' statutory pension schemes. The contributions are recognised as an expense in profit or loss as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(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 estimates 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, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(t) Discontinued operations

A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated major line of business or geographical area of operations. A component is deemed to be held for sale if its carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Upon classification as held for sale, non-current assets are not depreciated and are measured at the lower of carrying amount and fair value less cost to sell. Any differences are recognised in profit or loss.

(u) Fair value measurement

As of 1 January 2013, the Group adopted MFRS 13, Fair Value Measurement which 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes in accounting policies and effects arising from adoption of new and revised MFRSs

(i) MFRSs adopted by the Group

On 1 January 2013, the Group and the Company adopted the following new and amended MFRSs and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2013.

		Effective for annual periods beginning on or after
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
MFRS 3	Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)	1 January 2013
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)	1 January 2013
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 7	Disclosures: Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 1	Government Loans	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Annual Improvements	2009-2011 Cycle	1 January 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes in accounting policies and effects arising from adoption of new and revised MFRSs (cont'd.)

(i) MFRSs adopted by the Group (cont'd.)

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except for those discussed below:

MFRS 10 Consolidated Financial Statements

MFRS 10 introduces a new single control model to determine which investees should be consolidated. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. MFRS 10 replaces the guidance on control and consolidation in MFRS 127 Consolidated and Separate Financial Statements and IC Interpretation 112 Consolidation – Special Purpose Entities. Under MFRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The above change in accounting policy has no significant impact to the financial statements of the Group.

MFRS 12 Disclosures of Interests in Other Entities

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

Amendments to MFRS 116 Property, Plant and Equipment

In the previous financial years, spare parts were classified as inventories. In the current financial year, the Company adopted amendments to MFRS 116 Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle) and classified spare parts as part of inventories unless the item of spare part is held for own use and expected to be used during more than one period in which case, it is classified as property, plant and equipment. Nevertheless, the change in accounting policy has no significant impact to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes in accounting policies and effects arising from adoption of new and revised MFRSs (cont'd.)

(ii) Standards and Interpretations issued but not yet effective and have not been early adopted by the Group

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

		Effective for annual periods beginning on or after
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127	Investment Entities	1 January 2014
Amendments to MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21	Levies	1 January 2014
Amendments to MFRS 119	Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010-2012 Cycle		1 July 2014
Annual Improvements to MFRSs 2011-2013 Cycle		1 July 2014
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2010)	To be announced
MFRS 9	Financial Instruments: Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139	To be announced

The adoption of the above standards and interpretations is not expected to have a material impact on the financial statements in the period of initial application.

3. SIGNIFICANT ACCOUNTING ESTIMATES

3.1 Significant accounting estimates

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis or at other times when such indicators exist. This requires an estimation of the value in use of the CGU to which goodwill are allocated.

Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount of goodwill as at 31 December 2013 relates to goodwill on consolidation of RM11,291,000 (2012: RM18,474,000).

Further details are disclosed in Note 7.

(ii) Deferred tax assets

Deferred tax assets are recognised for all unabsorbed tax losses, unutilised capital allowances and unutilised 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, unutilised capital allowances and untilised reinvestment allowances of the Group are as disclosed in Note 11.

(iii) Useful lives of plant and machinery

The cost of plant and machinery is depreciated on a straight-line basis over the plant and machinery's estimated useful lives. Management estimates the useful lives of these plant and machinery to be within 2 to 30 years based on the common life expectancies applied in the respective industries. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's plant and machinery at the reporting date is disclosed in Note 4.

(iv) Impairment loss on receivables

The allowance for impairment loss on receivables is based on the evaluation of the receivables on an individual basis and the amount of outstanding allowances. The customer's credit worthiness is evaluated by reviewing, among other matters, the Group's historical collection experience.

The information on allowance for impairment loss on receivables is as disclosed in Note 15.

4. PROPERTY, PLANT AND EQUIPMENT

	Land and building RM'000	Rigs, HWUs and drilling equipments RM'000	Plant and machinery RM'000	Assets-in-progress RM'000	**Other assets RM'000	Total RM'000
Group						
Cost						
Unaudited						
At 1 January 2012	31,154	1,249,969	45,969	75,084	23,166	1,425,342
Exchange differences	(2)	(43,912)	(154)	(1,417)	(248)	(45,733)
Additions	167	5,790	1,531	134,823	2,631	144,942
Acquisition of a subsidiary (Note 37(b))	–	–	–	220,875	–	220,875
Write-offs	–	(9,244)	(52)	–	(27)	(9,323)
Disposals	–	(29,715)	(883)	–	(672)	(31,270)
Disposal of a subsidiary	(12,217)	–	(3,890)	–	(4,033)	(20,140)
Reclassified as investment property (Note 6)	(7,734)	–	–	–	–	(7,734)
Reclassified as non-current assets held for sale (Note 18)	–	–	–	–	(5,464)	(5,464)
Reclassification	–	29,893	–	(29,893)	–	–
At 31 December 2012	11,368	1,202,781	42,521	399,472	15,353	1,671,495
At 1 January 2013	**11,368**	**1,202,781**	**42,521**	**399,472**	**15,353**	**1,671,495**
Exchange differences	**9**	**85,184**	**1,006**	**21,221**	**266**	**107,686**
Additions	**1,723**	**125,468**	**6,665**	**431,972**	**2,621**	**568,449**
Acquisition of a subsidiary (Note 37(a))	**–**	**–**	**–**	**216,875**	**–**	**216,875**
Write-offs	**(20)**	**(10,083)**	**(554)**	**–**	**(607)**	**(11,264)**
Disposals	**–**	**(1,665)**	**–**	**–**	**(308)**	**(1,973)**
Disposal of subsidiaries	**–**	**–**	**(2,536)**	**–**	**(3,263)**	**(5,799)**
Reclassification	**16,093**	**800,727**	**–**	**(815,324)**	**(1,496)**	**–**
At 31 December 2013	**29,173**	**2,202,412**	**47,102**	**254,216**	**12,566**	**2,545,469**

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

	Land and building RM'000	Rigs, HWUs and drilling equipments RM'000	Plant and machinery RM'000	Assets-in-progress RM'000	**Other assets RM'000	Total RM'000
Group						
Accumulated depreciation and impairment losses						
Unaudited						
At 1 January 2012	5,891	135,751	32,336	–	10,571	184,549
Exchange differences	(2)	(4,317)	(71)	–	(181)	(4,571)
Charge for the year						
Discontinued operations	–	–	159	–	413	572
Continuing operations	1,113	50,986	2,889	–	2,109	57,097
Write-offs	–	(4,098)	(50)	–	(15)	(4,163)
Disposals	–	(28,365)	–	–	(121)	(28,486)
Disposal of a subsidiary	(1,165)	–	(3,236)	–	(1,705)	(6,106)
Impairment	–	5,730	–	–	–	5,730
Reclassified as investment property (Note 6)	(289)	–	–	–	–	(289)
Reclassified as non-current assets held for sale (Note 18)	–	–	–	–	(2,411)	(2,411)
At 31 December 2012	5,548	155,687	32,027	–	8,660	201,922
At 1 January 2013	**5,548**	**155,687**	**32,027**	**–**	**8,660**	**201,922**
Exchange differences	**3**	**12,144**	**621**	**–**	**140**	**12,908**
Charge for the year						
Discontinued operations	**–**	**–**	**109**	**–**	**283**	**392**
Continuing operations	**55**	**84,919**	**2,758**	**–**	**1,606**	**89,338**
Write-offs	**(12)**	**(2,356)**	**(551)**	**–**	**(504)**	**(3,423)**
Disposal of subsidiaries	**–**	**–**	**(687)**	**–**	**(1,712)**	**(2,399)**
Reclassification	**–**	**315**	**–**	**–**	**(315)**	**–**
Disposals	**–**	**(445)**	**–**	**–**	**(1)**	**(446)**
At 31 December 2013	**5,594**	**250,264**	**34,277**	**–**	**8,157**	**298,292**
Net carrying amount						
At 31 December 2013	**23,579**	**1,952,148**	**12,825**	**254,216**	**4,409**	**2,247,177**
At 31 December 2012 (Unaudited)	5,820	1,047,094	10,494	399,472	6,693	1,469,573
At 1 January 2012 (Unaudited)	25,263	1,114,218	13,633	75,084	12,595	1,240,793

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

	****Other assets RM'000**	**Assets-in-progress RM'000**	**Total RM'000**
Company			
Cost			
At 1 January 2012	1,450	–	1,450
Additions	925	201	1,126
Disposals	(491)	–	(491)
At 31 December 2012	1,884	201	2,085
Additions	**425**	**155**	**580**
Disposals	**(261)**	**–**	**(261)**
Reclassification	**356**	**(356)**	**–**
At 31 December 2013	**2,404**	**–**	**2,404**
Accumulated depreciation			
At 1 January 2012	347	–	347
Charge for the year	239	–	239
Disposals	(51)	–	(51)
At 31 December 2012	535	–	535
Charge for the year	**423**	**–**	**423**
Disposals	**(61)**	**–**	**(61)**
At 31 December 2013	**897**	**–**	**897**
Net Carrying Amount			
At 31 December 2013	**1,507**	**–**	**1,507**
At 31 December 2012	1,349	201	1,550

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

(a) The net book value of plant and equipment held under finance lease arrangements as at 31.12.2013 for the Group and the Company are RM69,000 (2012: RM383,000) and RM69,000 (2012: RM139,000) respectively.

(b) Interest expense capitalised during the financial year ended 31.12.2013 under assets-in-progress of the Group amounted to RM4,458,000 (2012: RM4,099,000), as disclosed in Note 29.

5. LAND USE RIGHTS

	Short term leasehold land RM'000
Group	
Cost	
Unaudited	
At 1 January 2012	2,208
Exchange differences	(56)
At 31 December 2012	2,152
Exchange differences	**222**
At 31 December 2013	**2,374**
Accumulated amortisation	
Unaudited	
At 1 January 2012	30
Exchange differences	(1)
Charge for the year	43
At 31 December 2012	72
Exchange differences	**9**
Charge for the year	**45**
At 31 December 2013	**126**
Net carrying amount	
At 31 December 2013	**2,248**
At 31 December 2012 (Unaudited)	2,080
At 1 January 2012 (Unaudited)	2,178

6. INVESTMENT PROPERTY

	Long term leasehold land RM'000	Building on long term leasehold land RM'000	Total RM'000
Group			
Cost			
Unaudited			
At 1 January 2012	–	18,969	18,969
Exchange differences	–	477	477
Transfer from property, plant and equipment (Note 4)	4,499	3,235	7,734
Reclassified as non-current assets held for sale (Note 18)	–	(19,446)	(19,446)
At 31 December 2012	4,499	3,235	7,734
Disposal of a subsidiary	**(4,499)**	**(3,235)**	**(7,734)**
At 31 December 2013	**–**	**–**	**–**
Accumulated depreciation			
Unaudited			
At 1 January 2012	–	1,657	1,657
Exchange differences	–	51	51
Charge for the year			
Continuing operations	–	716	716
Discontinued operations	75	65	140
Transfer from property, plant and equipment (Note 4)	155	134	289
Reclassified as non-current assets held for sale (Note 18)	–	(2,424)	(2,424)
At 31 December 2012	230	199	429
Charge for the year			
Discontinued operations	**50**	**43**	**93**
Disposal of a subsidiary	**(280)**	**(242)**	**(522)**
At 31 December 2013	**–**	**–**	**–**
Net carrying amount			
At 31 December 2013	**–**	**–**	**–**
At 31 December 2012 (Unaudited)	4,269	3,036	7,305
At 1 January 2012 (Unaudited)	–	17,312	17,312

Fair value of investment properties as at 31 December 2013 was Nil (2012: RM8,600,000) based on independent valuations.

7. INTANGIBLE ASSETS

Group

	2013 RM'000	Unaudited 2012 RM'000	Unaudited 1.1.2012 RM'000
Goodwill on consolidation			
At 1 January	**18,474**	18,474	18,474
Disposal of a subsidiary	**(7,183)**	–	–
At 31 December	**11,291**	18,474	18,474

(a) Impairment tests for goodwill

Goodwill has been allocated to the Group's Cash Generating Units ("CGU") identified according to business segment as follows:

	2013 RM'000	Unaudited 2012 RM'000	Unaudited 1.1.2012 RM'000
Drilling services	**5,073**	5,073	5,073
Oilfield services	**6,218**	13,401	13,401
	11,291	18,474	18,474

Key assumptions used in value-in-use calculations

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. The growth rate of nil is applied and the pre-tax discount rate applied to the cash flow projections used to extrapolate cash flows beyond the five-year period are as follows:

	2013	Unaudited 2012	Unaudited 1.1.2012
Pre-tax discount rates (%)			
Drilling services	**10 – 17**	9 – 14	9 – 14
Oilfield services	**11**	10 – 13	10 – 13

7. INTANGIBLE ASSETS (CONT'D.)

(b) Sensitivity to changes in assumption

(i) Drilling services segment

For the drilling services segment, its recoverable amount exceeds its carrying amount by RM11.5 million (2012: RM7.3 million). The key assumptions used in determining its recoverable amount are sensitive to the utilisation rates of the rigs.

Typically, the utilisation rates for the rigs are affected by the level of exploration and development activity of oil and gas companies and by periodic surveys or inspections and major maintenance.

A reduction of 15% (2012: 10%) in utilisation rates of the rigs would give a recoverable amount equal to the carrying amount of the segment.

(ii) Oilfield services segment

For the oilfield services segment, its recoverable amount exceeds its carrying amount by RM11.1 million (2012: RM12.2 million). The key assumptions used in determining its recoverable amount are sensitive to the sales volume generated by the oilfield services segment.

Management has considered the possibility of a decrease in sales volume. This may occur as the customers within the oilfield services segment operate mainly in the oil and gas industry, demand for oilfield services is closely linked to the levels of offshore exploration, development and production activity of, and the corresponding capital spending by, oil and gas companies, which in turn are primarily affected by the trends in and outlook of oil and natural gas prices.

A reduction in 8% (2012: 12%) of the projected sales volume would result in recoverable amount that equals to the carrying amount of the segment.

8. INVESTMENT IN SUBSIDIARIES

Company

	2013 RM'000	2012 RM'000
Unquoted shares, at cost		
In Malaysia	**1,518,181**	–
Outside Malaysia	**22,902**	–
	1,541,083	–

Acquisition, disposal and liquidation of investments in subsidiaries in the current financial year are disclosed in Note 37 to the financial statements.

Details of the subsidiaries are set out in Note 37.

9. INVESTMENT IN ASSOCIATE

Group

	2013 RM'000	Unaudited 2012 RM'000	Unaudited 1.1.2012 RM'000
Unquoted shares, at cost	**1,090**	1,090	1,090
Share of post-acquisition reserves	**1,302**	817	983
	2,392	1,907	2,073

The Group's share of results of associate is based on the management financial statements of the associate for the years ended 31 December 2013 and 2012.

Details of the associate are disclosed in Note 38.

The financial statements of the associate disclosed in Note 38 are not coterminous with those of the Group as its financial year end is 30 June. For the purpose of applying the equity method of accounting, the management accounts for the 12-month period ended 31 December 2013 and 2012 of this company have been used.

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

	2013 RM'000	Unaudited 2012 RM'000	Unaudited 1.1.2012 RM'000
Assets and liabilities:			
Current assets	**9,957**	10,130	10,059
Non-current assets	**3,554**	1,551	1,673
Total assets	**13,511**	11,681	11,732
Current liabilities, representing total liabilities	**2,366**	2,961	2,182
Results			
Revenue	**17,718**	16,890	15,034
Profit for the year, representing total comprehensive income	**2,425**	2,290	1,845

9. INVESTMENT IN ASSOCIATE (CONT'D.)

Group

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

	2013 RM'000	Unaudited 2012 RM'000	Unaudited 1.1.2012 RM'000
Net assets at 1 January	**8,720**	6,430	4,585
Total comprehensive income	**2,425**	2,290	1,845
Net assets at 31 December	**11,145**	8,720	6,430
Share of net assets	**2,229**	1,744	1,910
Goodwill	**163**	163	163
Carrying value of Group's interest in associate	**2,392**	1,907	2,073

10. INVESTMENT IN JOINT VENTURE

Group

	2013 RM'000	Unaudited 2012 RM'000	Unaudited 1.1.2012 RM'000
Unquoted shares, at cost	**–**	19,150	19,150
Share of post-acquisition reserves	**–**	2,093	2,011
	–	21,243	21,161

The details of the joint venture are set out in Note 39.

11. DEFERRED TAXATION

Group

	2013 RM'000	Unaudited 2012 RM'000	Unaudited 1.1.2012 RM'000
At 1 January	**(558)**	1,332	2,120
Recognised in profit or loss:			
– Continuing operations (Note 31)	**3,827**	(685)	(375)
– Discontinued operations	**–**	(667)	(428)
Disposal of subsidiaries	**426**	(560)	–
Exchange differences	**(103)**	22	15
At 31 December	**3,592**	(558)	1,332
Presented after appropriate offsetting as follows:			
Deferred tax assets	**(1,242)**	(4,723)	(5,137)
Deferred tax liabilities	**4,834**	4,165	6,469
	3,592	(558)	1,332

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 2013	**4,775**	**1,316**	**6,091**
Recognised in profit or loss:			
– Continuing operations	**(528)**	**–**	**(528)**
Exchange differences	**6**	**12**	**18**
Disposal of subsidiaries	**–**	**(449)**	**(449)**
At 31 December 2013	**4,253**	**879**	**5,132**
Unaudited			
At 1 January 2012	5,594	875	6,469
Recognised in profit or loss:			
– Continuing operations	(74)	852	778
– Discontinued operations	–	(65)	(65)
Disposal of a subsidiary	(745)	(345)	(1,090)
Exchange differences	–	(1)	(1)
At 31 December 2012	4,775	1,316	6,091

11. DEFERRED TAXATION (CONT'D.)

Group

Deferred tax assets:

	Unabsorbed capital allowances RM'000	Unutilised reinvestment allowances RM'000	Unabsorbed losses RM'000	Others RM'000	Total RM'000
At 1 January 2013	**(1,372)**	**(2,254)**	**(1,624)**	**(1,399)**	**(6,649)**
Recognised in profit or loss:					
– Continuing operations	**1,234**	**2,254**	**1,177**	**(310)**	**4,355**
Disposal of subsidiaries	**123**	**–**	**–**	**752**	**875**
Exchange differences	**(1)**	**–**	**(72)**	**(48)**	**(121)**
At 31 December 2013	**(16)**	**–**	**(519)**	**(1,005)**	**(1,540)**
Unaudited					
At 1 January 2012	(1,392)	(2,254)	(546)	(945)	(5,137)
Recognised in profit or loss:					
– Continuing operations	(174)	–	(1,428)	139	(1,463)
– Discontinued operations	–	–	–	(602)	(602)
Disposal of a subsidiary	194	–	335	1	530
Exchange differences	–	–	15	8	23
At 31 December 2012	(1,372)	(2,254)	(1,624)	(1,399)	(6,649)

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

	2013 RM'000	Unaudited 2012 RM'000	Unaudited 1.1.2012 RM'000
Unutilised tax losses	**49,806**	41,957	22,697
Unabsorbed capital and reinvestment allowances	**7,321**	1,322	350
	57,127	43,279	23,047

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.

12. DERIVATIVES

Group

	Notional amount RM'000	Fair value Asset RM'000	Fair value Liability RM'000
Forward currency contracts			
At 31 December 2013	**2,495**	**32**	**–**
At 31 December 2012 (Unaudited)	42,838	–	527
At 1 January 2012 (Unaudited)	16,215	–	167

The Group uses forward currency contracts to manage the foreign currency exposures arising from the Group's receivables and payables denominated in currencies other than the functional currencies of the applicable Group entities. These forward currency contracts have maturities of less than one year from the reporting date.

As hedge accounting is not applied for these forward currency contracts, any changes in fair values of these derivatives are recognised in profit or loss.

13. INVENTORIES

Group

	2013 RM'000	Unaudited 2012 RM'000	Unaudited 1.1.2012 RM'000
At cost:			
Finished goods	**–**	50	50
Work-in-progress	**–**	8,499	2,429
Raw materials and consumables	**64,354**	49,944	43,656
	64,354	58,493	46,135

The cost of inventories recognised as an expense during the year amounted to RM67,732,000 (2012: RM55,694,000).

14. OTHER INVESTMENTS

Group and Company

	2013 RM'000	Unaudited 2012 RM'000	Unaudited 1.1.2012 RM'000
Investments at fair value through profit or loss			
Investment in mutual funds, at fair value	**1,061,581**	–	–

15. RECEIVABLES

Group

	2013 RM'000	Unaudited 2012 RM'000	Unaudited 1.1.2012 RM'000
Trade receivables (Note (a))	**292,272**	262,809	194,520
Other receivables (Note (b))	**18,628**	45,610	28,377
Total trade and other receivables	**310,900**	308,419	222,897
Total trade and other receivables	**310,900**	308,419	222,897
Less:			
Deferred expenses (Note (a))	**–**	(1,022)	(3,476)
Accrued income (Note (a))	**(77,444)**	(38,498)	(17,099)
Amount due from customer on contracts (Note (a))	**–**	(34,803)	(9,905)
Prepayments (Note (b))	**(9,479)**	(15,788)	(12,378)
	223,977	218,308	180,039
Add:			
Other investments (Note 14)	**1,061,581**	–	–
Due from related companies (Note 16)	**6,827**	16,861	18,832
Deposits, cash and bank balances (Note 17)	**174,948**	131,107	110,942
Total loans and receivables	**1,467,333**	366,276	309,813

15. RECEIVABLES (CONT'D.)

Group

(a) Trade receivables

	2013 RM'000	Unaudited 2012 RM'000	Unaudited 1.1.2012 RM'000
Trade receivables (Note (i))	**219,299**	189,582	164,567
Allowance for impairment (Note (ii))	**(4,471)**	(1,096)	(527)
	214,828	188,486	164,040
Deferred expenses (Note (iii))	**–**	1,022	3,476
Amounts due from customers on contracts (Note (iv))	**–**	34,803	9,905
Accrued income	**77,444**	38,498	17,099
	292,272	262,809	194,520

The Group's normal trade credit terms for financial year ended 31.12.2013 range from 30 days to 60 days (2012: 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 invoice amounts which represent their fair values on initial recognition.

The Group has significant concentration of credit risk in the form of outstanding balances due from 2 (2012: 2) debtors representing 91% (2012: 72%) of the total net trade receivables.

15. RECEIVABLES (CONT'D.)

Group

(a) Trade receivables (cont'd.)

(i) Aged analysis of trade receivables

	2013 RM'000	Unaudited 2012 RM'000	Unaudited 1.1.2012 RM'000
Not past due nor impaired	**101,662**	58,019	87,187
Past due but not impaired			
1 – 60 days past due but not impaired	**61,410**	115,011	55,786
61 – 120 days past due but not impaired	**47,519**	4,247	6,508
121 – 180 days past due but not impaired	**4,236**	11,027	13,354
More than 180 days past due but not impaired	**1**	182	1,205
	113,166	130,467	76,853
Impaired	**4,471**	1,096	527
Total trade receivables	**219,299**	189,582	164,567

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.

15. RECEIVABLES (CONT'D.)

Group

(a) Trade receivables (cont'd.)

(ii) Receivables that are impaired

	2013 RM'000	Unaudited 2012 RM'000	Unaudited 1.1.2012 RM'000
Individually impaired			
Trade receivables	**4,471**	1,096	527
Less: Allowance for impairment	**(4,471)**	(1,096)	(527)
	–	–	–
Movement in allowance for impairment			
At 1 January	**1,096**	527	742
Charge during the year	**4,095**	703	90
Disposal of subsidiaries	**(167)**	(97)	–
Reversal of impairment loss	**(553)**	(37)	(305)
At 31 December	**4,471**	1,096	527

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or bank guarantee.

(iii) Deferred expenses are mobilisation costs incurred as part of a contract that are deferred and recognised as expense over the contract period.

15. RECEIVABLES (CONT'D.)

Group

(a) Trade receivables (cont'd.)

(iv) Due from/(to) customers on contracts

	2013 RM'000	Unaudited 2012 RM'000	Unaudited 1.1.2012 RM'000
Construction contract costs incurred to date	–	103,135	31,824
Attributable profits	–	24,668	17,720
	–	127,803	49,544
Less: Progress billings	–	(95,198)	(59,759)
	–	32,605	(10,215)
Presented as:			
Due from customers on contracts (Note (a))	–	34,803	9,905
Due to customers on contracts (Note 22)	–	(2,198)	(20,120)
	–	32,605	(10,215)

(b) Other receivables

	2013 RM'000	Unaudited 2012 RM'000	Unaudited 1.1.2012 RM'000
Deposits	**2,244**	2,506	2,656
Prepayments	**9,479**	15,788	12,378
Sundry receivables	**6,905**	27,316	13,343
	18,628	45,610	28,377

Prepayments mainly comprise of insurance premium and advance payments to vendors in respect of certain purchases.

15. RECEIVABLES (CONT'D.)

Company

	2013 RM'000	2012 RM'000
Other receivables (Note (a))	**297**	1,610
Total other receivables	**297**	1,610
Less:		
Prepayments (Note (a))	**(40)**	(128)
Add:		
Other investments (Note 14)	**1,061,581**	–
Due from subsidiaries (Note 16)	**78,519**	–
Due from related companies (Note 16)	**1,471**	2,393
Deposits, cash and bank balances (Note 17)	**21,230**	14,449
Total loans and receivables	**1,163,058**	18,324

(a) Other receivables

	2013 RM'000	2012 RM'000
Deposits	**225**	6
Prepayments	**40**	128
Sundry receivables	**32**	1,476
	297	1,610

16. DUE FROM/(TO) RELATED COMPANIES

Group

	2013 RM'000	Unaudited 2012 RM'000	Unaudited 1.1.2012 RM'000
Current balances:			
Amounts due from:			
Holding company	**3,800**	–	–
Related companies	**3,027**	16,861	18,832
	6,827	16,861	18,832
Amounts due to:			
Holding company	**–**	(896)	(11)
Related companies	**(4,747)**	(521,074)	(539,943)
	(4,747)	(521,970)	(539,954)
Non-current balance:			
Amounts due to:			
Holding company	**–**	(248,012)	–

Company

	2013 RM'000	2012 RM'000
Current balances:		
Amounts due from:		
Subsidiaries	**78,519**	–
Related companies	**1,471**	2,393
	79,990	2,393
Amounts due to:		
Holding company	**(211)**	(809)
Related companies	**(3,051)**	(14,070)
	(3,262)	(14,879)
Non-current balance:		
Amounts due to:		
Holding company	**–**	(40,000)

16. DUE FROM/(TO) RELATED COMPANIES (CONT'D.)

The current amounts due from/(to) holding company and related companies as at 31.12.2013 are unsecured and bear interest at 7.60% per annum (2012: from 1.15% per annum to 7.60% per annum).

The current balances due to holding company and related companies are repayable on demand whereas the non-current amount due to holding company in the prior year had no fixed terms of repayment.

17. DEPOSITS, CASH AND BANK BALANCES

Group

	2013 RM'000	Unaudited 2012 RM'000	Unaudited 1.1.2012 RM'000
Deposits with licensed banks	**71,938**	18,563	25,357
Cash and bank balances	**103,010**	112,544	85,585
	174,948	131,107	110,942

Included in deposits with licensed bank is deposit amounting to RM1,034,000 (2012: RM1,034,000) pledged to an approved financial institution by a subsidiary of the Group for the utilisation of its banking facilities.

The range of interest rates per annum of deposits as at the reporting date was as follows:

	2013 %	Unaudited 2012 %	Unaudited 2011 %
Deposits with licensed banks	**0.04 – 3.10**	0.30 – 2.80	0.30 – 2.80

The range of maturities of deposits as at the reporting date was as follows:

	2013 Days	Unaudited 2012 Days	Unaudited 1.1.2012 Days
Deposits with licensed banks	**7 – 90**	30 – 90	30 – 90

Company

	2013 RM'000	2012 RM'000
Deposits with licensed banks	**16,650**	–
Cash and bank balances	**4,580**	14,449
	21,230	14,449

17. DEPOSITS, CASH AND BANK BALANCES (CONT'D.)

Company

The interest rate per annum of deposits as at the reporting date was as follows:

	2013 %	2012 %
Deposits with licensed banks	3.10	–

The maturity of deposits as at the reporting date was as follows:

	2013 Days	2012 Days
Deposits with licensed banks	7	–

18. NON-CURRENT ASSETS HELD FOR SALE

Group

	2013 RM'000	Unaudited 2012 RM'000	Unaudited 1.1.2012 RM'000
Property, plant and equipment (Note 4)	–	3,053	–
Investment property (Note 6)	–	17,022	–
	–	20,075	–

On 20 June 2012, the Board of Directors of UMW Singapore Ventures Pte. Ltd., a subsidiary of the Group approved the disposal of its investment property, with its accompanying assets located at 4 Pandan Avenue, Singapore 609383 comprised in Lot 7841K Mukim 5 (the "Property") to a third party. Accordingly, the Property was classified as non-current asset held for sale as at 31 December 2012.

The disposal was completed in April 2013 resulting in a gain on disposal of RM30,614,000 as disclosed in Note 26.

19. LONG TERM BORROWINGS

Group

	2013 RM'000	Unaudited 2012 RM'000	Unaudited 1.1.2012 RM'000
Secured (Fixed rate)			
Finance lease liabilities (Note 20)	**61**	489	419
Unsecured (Floating rate)			
Term loan	**674,447**	721,793	746,637
Less: Amount payable within one year (Note 21)	**(126,173)**	(139,123)	(62,119)
	548,274	582,670	684,518
Total long term borrowings	**548,335**	583,159	684,937

The maturity of the Group's total long term and short term borrowings as at the respective reporting dates are as follows:

	Within 1 year RM'000 (Note 21)	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000	Total RM'000
31 December 2013					
Secured					
– Fixed rate	**68**	**46**	**15**	**–**	**129**
Unsecured					
– Floating rate	**311,189**	**221,349**	**246,608**	**80,317**	**859,463**
	311,257	**221,395**	**246,623**	**80,317**	**859,592**
31 December 2012 (Unaudited)					
Secured					
– Fixed rate	123	203	286	–	612
Unsecured					
– Floating rate	215,216	137,901	405,720	39,049	797,886
	215,339	138,104	406,006	39,049	798,498

The range of weighted average effective interest rates per annum at the reporting date for secured and unsecured borrowings are disclosed in Note 20 and 21 respectively.

19. LONG TERM BORROWINGS (CONT'D.)

Company

	2013 RM'000	2012 RM'000
Secured (Fixed rate)		
Finance lease liabilities (Note 20)	**61**	88
Total long term borrowings	**61**	88

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 21)	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000	Total RM'000
31 December 2013					
Secured					
– Fixed rate	**68**	**46**	**15**	**–**	**129**
Unsecured					
– Floating rate	**168,541**	**–**	**–**	**–**	**168,541**
	168,609	**46**	**15**	**–**	**168,670**
31 December 2012					
Secured					
– Fixed rate	57	55	33	–	145

The range of weighted average effective interest rates per annum at the reporting date for secured and unsecured borrowings are disclosed in Note 20 and 21 respectively.

20. FINANCE LEASE LIABILITIES

Group

	2013 RM'000	Unaudited 2012 RM'000	Unaudited 1.1.2012 RM'000
Minimum lease payments:			
Not later than 1 year	**80**	172	270
Later than 1 year and not later than 2 years	**49**	242	161
Later than 2 years and not later than 5 years	**15**	367	318
Later than 5 years	**–**	–	32
	144	781	781
Less: Future finance charges	**(15)**	(169)	(132)
Present value of minimum lease payments	**129**	612	649
Present value of payments:			
Not later than 1 year	**68**	123	230
Later than 1 year and not later than 2 years	**46**	203	137
Later than 2 years and not later than 5 years	**15**	286	258
Later than 5 years	**–**	–	24
	129	612	649
Analysed as:			
Due within 12 months (Note 21)	**68**	123	230
Due after 12 months (Note 19)	**61**	489	419
	129	612	649

Company

	2013 RM'000	2012 RM'000
Minimum lease payments:		
Not later than 1 year	**80**	74
Later than 1 year and not later than 2 years	**49**	64
Later than 2 years and not later than 5 years	**15**	34
	144	172
Less: Future finance charges	**(15)**	(27)
Present value of minimum lease payments	**129**	145

20. FINANCE LEASE LIABILITIES (CONT'D.)

Company

	2013 RM'000	2012 RM'000
Present value of payments:		
Not later than 1 year	**68**	57
Later than 1 year and not later than 2 years	**46**	55
Later than 2 years and not later than 5 years	**15**	33
	129	145
Analysed as:		
Due within 12 months (Note 21)	**68**	57
Due after 12 months (Note 19)	**61**	88
	129	145

The range of effective interest rates as at 31.12.2013 for the finance lease liabilities was 13.42% to 14.32% (2012: 13.26% to 14.73%) per annum.

21. SHORT TERM BORROWINGS

Group

	2013 RM'000	Unaudited 2012 RM'000	Unaudited 1.1.2012 RM'000
Secured (Fixed rate)			
Finance lease liabilities (Note 20)	**68**	123	230
Unsecured (Floating rate)			
Revolving credits	**16,475**	74,728	48,004
Bank overdrafts	**–**	1,365	4,569
Murabahah term financing	**168,541**	–	–
Term loans payable within one year (Note 19)	**126,173**	139,123	62,119
	311,189	215,216	114,692
Total short term borrowings	**311,257**	215,339	114,922

21. SHORT TERM BORROWINGS (CONT'D.)

Group

The range of weighted average effective interest rates per annum at the reporting date for borrowings were as follows:

	2013 %	Unaudited 2012 %	Unaudited 1.1.2012 %
Revolving credits	**1.61 – 4.26**	3.97 – 4.34	3.97 – 14.73
Bank overdrafts	**–**	3.75	3.75
Murabahah term financing	**1.84 – 1.87**	–	–
Term loans	**2.30 – 2.88**	2.10 – 4.15	0.57 – 2.80

Company

	2013 RM'000	2012 RM'000
Secured (Fixed rate)		
Finance lease liabilities (Note 20)	**68**	57
Unsecured (Floating rate)		
Murabahah term financing	**168,541**	–
Total short term borrowings	**168,609**	57

The range of weighted average effective interest rates per annum at the reporting date for borrowings were as follows:

	2013 %	2012 %
Murabahah term financing	**1.84 – 1.87**	–

22. PAYABLES

Group

	2013 RM'000	Unaudited 2012 RM'000	Unaudited 1.1.2012 RM'000
Trade payables:			
Trade payables	**127,442**	110,571	77,012
Deferred income	**1,499**	1,972	6,704
Amount due to customers on contracts (Note 15(a)(iv))	**–**	2,198	20,120
Related parties	**14,909**	76,157	30,578
	143,850	190,898	134,414
Other payables:			
Accruals	**24,128**	22,986	21,011
Provision for unutilised leave	**872**	790	428
Deposits received	**80**	247	703
Sundry payables	**12,912**	22,850	18,088
	37,992	46,873	40,230
	181,842	237,771	174,644
Total trade and other payables	**181,842**	237,771	174,644
Less:			
Deferred income	**(1,499)**	(1,972)	(6,704)
Amount due to customers on contracts	**–**	(2,198)	(20,120)
Provision for unutilised leave	**(872)**	(790)	(428)
Add:			
Due to related companies (Note 16)	**4,747**	521,970	539,954
Long term borrowings (Note 19)	**548,335**	583,159	684,937
Short term borrowings (Note 21)	**311,257**	215,339	114,922
Total financial liabilities carried at amortised costs	**1,043,810**	1,553,279	1,487,205

22. PAYABLES (CONT'D.)

Group

The related party balances comprise of amounts due to a corporate shareholder of a subsidiary and its related companies.

Trade payables are non-interest bearing and are normally settled within 30 days to 60 days (2012: 30 days to 60 days) terms.

Other payables are non-interest bearing and are normally settled within 30 days to 90 days (2012: 30 days to 90 days) terms.

Deferred income relates to mobilisation fees received on drilling and workover contracts that are deferred and recognised on a straight-line basis over the term of the contracts.

Company

	2013 RM'000	2012 RM'000
Other payables:		
Accruals	**5,600**	771
Provision for unutilised leave	**422**	244
Sundry payables	**3,780**	2,542
	9,802	3,557
Total other payables	**9,802**	3,557
Less:		
Provision for unutilised leave	**(422)**	(244)
Add:		
Due to related companies (Note 16)	**3,262**	14,879
Long term borrowings (Note 19)	**61**	88
Short term borrowings (Note 21)	**168,609**	57
Total financial liabilities carried at amortised costs	**181,312**	18,337

23. SHARE CAPITAL AND SHARE PREMIUM

Group and Company

	Number of ordinary shares '000	Amount RM'000
(a) Authorised:		
At 1 January 2012, 31 December 2012, 1 January 2013 (@ RM1.00 each) (Unaudited)	10,000	10,000
Share split (2:1)	10,000	–
Created during the year	4,980,000	2,490,000
At 31 December 2013 (@ RM0.50 each)	**5,000,000**	**2,500,000**

(b) Issued and paid up:

	Number of ordinary shares of RM0.50 each	I------------------ Amount	------------------I	
	Share capital '000	Share capital RM'000	Share premium RM'000	Total share capital and share premium RM'000
At 1 January 2012, 31 December 2012 and 1 January 2013 (Unaudited)	*	*	–	–
Issued pursuant to:				
Internal Reorganisation	1,550,200	775,100	–	775,100
IPO	611,800	305,900	1,407,140	1,713,040
Share issuance expenses	–	–	(34,321)	(34,321)
At 31 December 2013	**2,162,000**	**1,081,000**	**1,372,819**	**2,453,819**

* The Group and the Company had an issued and paid-up share capital of RM2 prior to 1 January 2013.

24. OTHER RESERVES

(i) Share options reserve

Employee share options reserve represents the equity-settled share options granted by the ultimate holding company to the employees of the Group.

(ii) 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.

(iii) Capital reserve

Capital reserve relates to statutory reserves of an overseas subsidiary.

(iv) Gain on derecognition of intercompany financial liabilities

The gain on derecognition of financial liabilities arose from the settlement of intercompany liabilities due to UMW Holdings Berhad at a lower foreign exchange rate pursuant to the Internal Reorganisation as described in Note 44(e).

25. REVENUE

	Group		Company	
		Unaudited		
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Drilling and workover services	**678,720**	659,614	**–**	–
Sale of goods and services	**58,622**	61,709	**–**	–
Gross dividend income from subsidiaries	**–**	–	**47,846**	–
Others	**410**	3,013	**12,054**	2,215
	737,752	724,336	**59,900**	2,215

26. OTHER OPERATING INCOME

Included in other operating income are:

	Group 2013 RM'000	Group Unaudited 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Net realised foreign exchange gains	**1,864**	993	**–**	105
Net fair value gains on derivatives	**574**	–	**–**	–
Reversal of allowance for impairment on intercompany receivables	**2,954**	–	**1,086**	–
Net fair value gains on mutual funds	**262**	–	**262**	–
Gain on disposal of mutual funds	**34**	–	**34**	–
Gain on disposal of non-current assets held for sale	**30,614**	–	**–**	–
Gain on disposal of property, plant and equipment	**16**	–	**–**	–
Rental income	**449**	376	**1,478**	54

27. EMPLOYEE BENEFITS

	Group 2013 RM'000	Group Unaudited 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Staff costs				
Wages and salaries	**109,740**	87,931	**16,201**	8,755
Social security costs	**453**	677	**44**	28
Provision for unutilised leave	**338**	215	**190**	68
Pension costs – defined contribution plan	**8,213**	5,186	**2,562**	1,340
Other staff related expenses	**18,608**	8,534	**1,872**	1,718
	137,352	102,543	**20,869**	11,909

Included in employee benefits cost is executive director's remuneration as follows:

	Group 2013 RM'000	Group Unaudited 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Salaries and other emoluments	**1,905**	1,473	**1,895**	1,473
Pension costs – defined contribution plan				
– the Company	**292**	236	**292**	236
Benefits-in-kind				
– the Company	**133**	145	**133**	145

28. OTHER OPERATING EXPENSES

Included in other operating expenses are:

	Group 2013 RM'000	Group Unaudited 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Non-executive directors' remuneration:				
The Company				
– fees	**467**	214	**462**	192
– meeting allowances	**90**	33	**90**	33
– other emoluments	**145**	–	**145**	–
Rental of premises	**6,935**	8,421	**2,011**	2,053
Rental of equipments and rigs	**60,190**	187,188	**633**	676
Repair and maintenance of equipments and rigs	**24,861**	42,480	**55**	122
Auditors' remuneration:				
Statutory audit				
– auditors of the Company	**508**	327	**140**	15
– other auditors	**231**	68	**–**	–
Other services				
– auditors of the Company	**2,605**	90	**2,538**	8
– other consultants	**346**	913	**124**	–
Management fees payable to a related company	**1,400**	2,000	**1,400**	2,000
IPO expenses	**7,279***	–	**7,279***	–
Loss on disposal of property, plant and equipment	**230**	2,884	**–**	194
Property, plant and equipment written off	**7,841**	5,160	**–**	–
Impairment loss on property, plant and equipment	**–**	5,730	**–**	–
Net impairment losses on receivables	**3,542**	666	**–**	–
Impairment losses on amounts due from related companies	**–**	–	**–**	663
Net fair value loss on derivatives	**–**	369	**–**	–
Net unrealised foreign exchange losses	**5,840**	1,398	**3,374**	3

* Total expenses incurred by the Group and by the Company pursuant to the IPO amounted to RM41,600,000, of which, RM34,321,000 has been recognised in equity as disclosed in Note 23(b) to the financial statements.

28. OTHER OPERATING EXPENSES (CONT'D.)

The number of directors of the Company whose total remuneration falls within the respective bands are as follows:

	Group		Company	
		Unaudited		
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Executive director:				
RM1,850,001 – RM1,900,000	**–**	1	**–**	1
RM2,300,001 – RM2,350,000	**1**	–	**1**	–
Non-executive directors:				
Up to RM50,000	**1**	–	**1**	–
RM50,001 to RM100,000	**6**	2	**6**	2
RM100,001 to RM150,000	**1**	1	**1**	1
RM150,001 to RM200,000	**1**	–	**1**	–

29. FINANCE COSTS

	Group		Company	
		Unaudited		
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest expenses				
– Bank borrowings	**22,344**	20,768	**2,557**	–
– Related companies	**5,432**	22,983	**1,076**	2,145
– Others	**422**	500	**21**	14
	28,198	44,251	**3,654**	2,159
Less: Interest expenses capitalised				
– Assets-in-progress (Note 4(b))	**(4,458)**	(4,099)	**–**	–
Net interest expenses	**23,740**	40,152	**3,654**	2,159

30. INVESTMENT INCOME

	Group 2013 RM'000	Group Unaudited 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Distribution income from:				
– Mutual funds	**5,060**	–	**5,060**	–
Interest income from:				
– Deposits with licensed banks	**2,076**	398	**1,844**	–
– Subsidiaries	**–**	–	**2,391**	–
– Related companies	**554**	1,330	**305**	54
	7,690	1,728	**9,600**	54

31. INCOME TAX EXPENSE

	Group 2013 RM'000	Group Unaudited 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Income tax:				
Malaysian income taxes	**1,082**	3,394	**–**	–
Overseas income taxes	**11,341**	9,582	**–**	–
	12,423	12,976	**–**	–
Under/(over) provision in prior years:				
Malaysian income taxes	**1,550**	(582)	**–**	–
Overseas income taxes	**(3,009)**	(1)	**–**	–
	(1,459)	(583)	**–**	–
	10,964	12,393	**–**	–
Deferred taxation (Note 11):				
Relating to origination and reversal of temporary differences	**1,374**	29	**–**	–
Under/(over) provision in prior years	**2,453**	(714)	**–**	–
	3,827	(685)	**–**	–
Total income tax expense	**14,791**	11,708	**–**	–

31. INCOME TAX EXPENSE (CONT'D.)

Domestic current income tax is calculated at the statutory tax rate of 25% (2012 – unaudited: 25%) of the estimated assessable profit for the year. However, deferred tax assets and liabilities are measured at 24% which is the rate that has been substantively enacted by the Government in Budget 2014 announcement.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Reconciliations of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
		Unaudited		
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit/(loss) before taxation	**206,849**	74,376	**30,569**	(19,993)
Taxation at Malaysian statutory rate of 25% (2012 – unaudited: 25%)	**51,712**	18,594	**7,642**	(4,998)
Effect of different tax rates in other jurisdictions	**(24,364)**	(6,695)	**–**	–
Income not subject to tax	**(19,683)**	(10,633)	**(13,846)**	–
Expenses not deductible for tax purposes	**2,791**	6,796	**1,540**	329
Utilisation of previously unutilised deferred tax assets	**(1,842)**	–	**–**	–
Deferred tax assets not recognised	**5,304**	5,058	**4,664**	4,669
Under/(over) provision of deferred tax in prior years	**2,453**	(714)	**–**	–
Over provision of income tax expense in prior years	**(1,459)**	(583)	**–**	–
Effect of share of results of associate	**(121)**	(115)	**–**	–
Tax expense for the year	**14,791**	11,708	**–**	–

32. (LOSS)/PROFIT FROM DISCONTINUED OPERATIONS, NET OF TAX

On 30 August 2013, the Group completed the disposal of UMW Synergistic Generation Sdn. Bhd., UMW SG Engineering & Services Sdn. Bhd., UMW SG Power System Sdn. Bhd., UMW Marine & Offshore Pte. Ltd. and Sichuan Haihua Petroleum Steel Pipe Co. Ltd. and commenced liquidation of UMW Pressure Control Sdn. Bhd., UMW Petrodril Siam Co. Ltd. and UMW Deepnautic Sdn. Bhd. as disclosed in Note 37 and 39 respectively. The above entities were previously reported as part of the pipe coating, operation and maintenance segment.

In prior year, the Group completed the disposal of Offshore Construction Services Pte. Ltd. ("OCS") as disclosed in Note 37. OCS was previously reported as part of the pipe coating, operation and maintenance segment.

The results of the above disposals and liquidations are as follows:

Group

	2013 RM'000	Unaudited 2012 RM'000
Subsidiaries		
Net profit on disposal and liquidation of subsidiaries (Note 37)	**6,448**	7,863
(Loss)/profit of disposed entities up till date of disposal (Note 37)	**(9,787)**	748
Profit of disposal group	**–**	2,643
	(3,339)	11,254
Joint venture		
Loss on disposal of joint venture (Note 39)	**(1,570)**	–
Share of loss of disposed entity up till date of disposal	**(354)**	–
Share of profit of disposal group	**–**	303
	(5,263)	11,557

33. EARNINGS PER SHARE

Group

Basic

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the financial year.

	2013	Unaudited 2012
Net profit/(loss) attributable to equity holders (RM'000)		
– Continuing operations	**190,547**	61,832
– Discontinued operations	**(1,400)**	11,164
Weighted average number of ordinary shares of RM0.50 in issue ('000)	**1,652,446**	1,550,200
Basic earnings/(loss) per share (sen)		
– Continuing operations	**11.53**	3.99
– Discontinued operations	**(0.08)**	0.72

Under the pooling of interest method of accounting for common control business combination, the 1,550,200,000 shares of RM0.50 each, being the number of ordinary shares outstanding as at 30 August 2013 (date of completion of the Internal Reorganisation) was used for the period from 1 January 2013 to 30 August 2013, for the purpose of computing the weighted average number of shares.

Diluted earnings per ordinary share is not presented as the Company has no dilutive potential ordinary shares as at the end of the reporting date.

(a) Continuing operations

Basic earnings per share amounts are calculated by dividing profit for the year from continuing operations, net of tax, attributable to equity owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

(b) Discontinued operations

The basic loss per share from discontinued operations is calculated by dividing the loss from discontinued operations, net of tax, attributable to equity owners of the Company by the weighted average number of ordinary shares for basic earnings per share computation.

34. DIVIDENDS

	Amount 2013 RM'000	Amount Unaudited 2012 RM'000	Net dividend per share 2013 Sen	Net dividend per share Unaudited 2012 Sen
Recognised during the financial year:				
In respect of the financial year ended 31 December 2012				
– First interim single-tier dividend of 8.38% on 10,000,000 ordinary shares paid by UMW Workover Sdn. Bhd., formerly known as UMW Petrodril (Malaysia) Sdn. Bhd.	–	838	–	8.38
In respect of the financial year ended 31 December 2012				
– Final tax-exempt dividend of 59.52% on 625,000 ordinary shares paid by UMW Oilpipe Services (Turkmenistan) Ltd.	–	371	–	59.52
	–	1,209	–	67.90

35. COMMITMENTS

Group

(a) Capital commitments

	2013 RM'000	Unaudited 2012 RM'000
Approved and contracted for:		
– equipment, plant and machinery	**513,124**	504,460
– others	**334**	–
	513,458	504,460
Approved but not contracted for:		
– land and buildings	**1,100**	–
– equipment, plant and machinery	**1,409,149**	206,105
– others	**7,018**	7,279
	1,417,267	213,384
Total capital commitments	**1,930,725**	717,844

35. COMMITMENTS (CONT'D.)

Group

(b) Commitments under non-cancellable operating leases

	2013 RM'000	Unaudited 2012 RM'000
Amount payable within 1 year	–	704
Amount payable later than 1 year but not more than 2 years	–	704
Amount payable later than 2 years but not more than 5 years	–	2,112
Amount payable after 5 years	–	18,308

During the year, the Group was discharged from the commitment of the non-cancellable operating lease upon the disposal of its non-current assets held for sale, as disclosed in Note 18.

36. SEGMENT REPORTING

For management purposes, the Group is organised into business segments based on nature of services, and has operating segments as follows:

Continuing operations

(i) The drilling services segment is principally involved in the provision of drilling services and workover services to the upstream oil and gas sector. This segment owns and operates several drilling rigs and HWUs, and act 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.

Discontinued operations

(i) The pipe coating, operation and maintenance segment is principally involved in the provision of engineering, maintenance, pipe coating and other related services. This segment has been classified as a discontinued operation during the financial year (Note 32).

Transfer prices between operating segments are at terms agreed between the parties.

36. SEGMENT REPORTING (CONT'D.)

(a) Business segments

2013

	Drilling services RM'000	Oilfield services RM'000	Pipe coating, operation and maintenance (Discontinued) RM'000	Others RM'000	Adjustments and eliminations RM'000	Note	Per consolidated financial statements RM'000
Revenue:							
External customers	693,720	43,622	75,624	410	(75,624)		737,752
Inter-segment	–	–	–	46,540	(46,540)	I	–
Total revenue	693,720	43,622	75,624	46,950	(122,164)		737,752
Results:							
Depreciation, amortisation and impairment	(85,646)	(2,987)	(392)	(750)	392		(89,383)
Finance costs	(19,132)	(46)	(2,061)	(4,562)	2,061		(23,740)
Interest income	240	16	2	7,434	(2)		7,690
Share of results of associate	–	485	–	–	–		485
Other material non-cash items	(17,700)	73	–	31,378	–	II	13,751
Segment profit before taxation	191,009	7,436	(4,078)	8,404	4,078		206,849
Income tax expense	(10,338)	(4,050)	(1,185)	(403)	1,185		(14,791)
Segment profit after taxation	180,671	3,386	(5,263)	8,001	5,263		192,058

36. SEGMENT REPORTING (CONT'D.)

(a) Business segments (cont'd.)

2013 (cont'd.)

	Drilling services RM'000	Oilfield services RM'000	Pipe coating, operation and maintenance (Discontinued) RM'000	Others RM'000	Adjustments and eliminations RM'000	Note	Per consolidated financial statements RM'000
Assets:							
Investment in associate	–	2,392	–	–	–		2,392
Additions to non-current assets	774,237	10,507	172	580	(172)	III	785,324
Segment assets	2,675,222	89,724	–	1,125,723	–		3,890,669
Liabilities:							
Segment liabilities	859,106	9,927	–	182,528	–		1,051,561

36. SEGMENT REPORTING (CONT'D.)

(a) Business segments (cont'd.)

2012 (Unaudited)

	Drilling services RM'000	Oilfield services RM'000	Pipe coating, operation and maintenance (Discontinued) RM'000	Others RM'000	Adjustments and eliminations RM'000	Note	Per consolidated financial statements RM'000
Revenue:							
External customers	678,108	43,215	152,022	3,013	(152,022)		724,336
Inter-segment	–	–	–	1,527	(1,527)	I	–
Total revenue	678,108	43,215	152,022	4,540	(153,549)		724,336
Results:							
Depreciation, amortisation and impairment	(57,411)	(4,177)	(392)	(1,998)	392		(63,586)
Finance costs	(34,562)	(132)	(3,279)	(5,458)	3,279		(40,152)
Interest income	786	52	36	890	(36)		1,728
Share of results of joint venture	–	–	303	–	(303)		–
Share of results of associate	–	458	–	–	–		458
Other material non-cash items	(8,607)	(257)	(1,610)	(1,613)	1,610	II	(10,477)
Segment profit/(loss) before taxation	98,527	6,372	13,668	(30,523)	(13,668)		74,376
Income tax expense	(10,030)	(1,677)	(2,111)	(1)	2,111		(11,708)
Segment profit/(loss) after taxation	88,497	4,695	11,557	(30,524)	(11,557)		62,668

36. SEGMENT REPORTING (CONT'D.)

(a) Business segments (cont'd.)

2012 (Unaudited) (cont'd.)

	Drilling services RM'000	Oilfield services RM'000	Pipe coating, operation and maintenance (Discontinued) RM'000	Others RM'000	Adjustments and eliminations RM'000	Note	Per consolidated financial statements RM'000
Assets:							
Investment in associate	–	1,907	–	–	–		1,907
Investment in joint venture	–	21,243	–	–	–		21,243
Additions to non-current assets	362,528	2,163	1,179	1,126	(1,179)	III	365,817
Segment assets	1,792,872	206,982	123,326	65,015	(123,326)		2,064,869
Liabilities:							
Segment liabilities	1,592,170	100,684	102,364	120,900	(102,364)		1,813,754

36. SEGMENT REPORTING (CONT'D.)

(a) Business segments (cont'd.)

The following are nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:

I. Inter-segment revenues 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	2013 RM'000	Unaudited 2012 RM'000
Net fair value gain/(loss) on derivatives	26, 28	**574**	(369)
Net loss on disposal of property, plant and equipment	26, 28	**(214)**	(2,884)
Gain on disposal of non-current assets held for sale	26	**30,614**	–
Net unrealised foreign exchange losses	28	**(5,840)**	(1,398)
Net impairment losses on receivables	28	**(3,542)**	(666)
Property, plant and equipment written off	28	**(7,841)**	(5,160)
		13,751	(10,477)

III. Additions to non-current assets consist of:

	2013 RM'000	Unaudited 2012 RM'000
Property, plant and equipment	**785,324**	365,817

36. SEGMENT REPORTING (CONT'D.)

(b) Geographical segments

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Malaysia RM'000	Indonesia RM'000	Singapore RM'000	Vietnam RM'000	Others RM'000	Total RM'000
31.12.2013						
Revenue from external customers	**506,131**	**66,621**	**410**	**123,323**	**41,267**	**737,752**
Non-current assets	**1,515,190**	**–**	**230,672**	**458,450**	**56,404**	**2,260,716**
31.12.2012 (Unaudited)						
Revenue from external customers	538,556	161,383	2,326	–	22,071	724,336
Non-current assets	816,486	436,308	241,454	–	23,259	1,517,507

Non-current assets information presented above consist of the following items as presented in the consolidated statements of financial position:

	2013 RM'000	Unaudited 2012 RM'000
Property, plant and equipment	**2,247,177**	1,469,573
Land use rights	**2,248**	2,080
Investment property	**–**	7,305
Intangible assets	**11,291**	18,474
Non-current assets held for sale	**–**	20,075
	2,260,716	1,517,507

37. SUBSIDIARIES

Name of company	Country of incorporation	Principal activities	Proportion of ownership interest 2013 %	2012 %
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**	–
Subsidiaries of: UMW Malaysian Ventures Sdn. Bhd. UMW Singapore Ventures Pte. Ltd. UMW Rig Asset (L) Ltd.				
UMW Oilpipe Services (Turkmenistan) Ltd.	Malaysia	Provision of threading, inspection, repair and maintenance services for OCTG.	**51**	51
UMW Workover Sdn. Bhd., formerly known as UMW Petrodril (Malaysia) Sdn. Bhd.	Malaysia	Provision of workover operations for the oil and gas industry.	**100**	100
UMW Oilpipe Services Sdn. Bhd.	Malaysia	Provision of threading for OCTG.	**100**	100
UMW Naga Two (L) Ltd.	Malaysia	Ownership and leasing of rig.	**100**	100
UMW Drilling Co. Ltd.	Malaysia	Ownership and leasing of rig.	**100**	100
UMW Drilling 4 (L) Ltd.	Malaysia	Ownership and leasing of rig.	**100**	100

37. SUBSIDIARIES (CONT'D.)

Name of company	Country of incorporation	Principal activities	Proportion of ownership interest 2013 %	2012 %
Offshore Driller B324 Ltd.	Cayman Islands	Ownership and leasing of rig.	**100**	100
Offshore Driller 4 Ltd.	Cayman Islands	Investment holding and provision of management services.	**100**	–
UMW Naga Three (L) Ltd.	Malaysia	Ownership and leasing of rig.	**100**	100
UMW Offshore Drilling Sdn. Bhd., formerly known as UMW Standard Drilling Sdn. Bhd.	Malaysia	Contract offshore drilling business and operations and other engineering services for oil and gas exploration, development and production in Malaysia and overseas.	**100**	100
UMW Pressure Control Sdn. Bhd.#	Malaysia	Supply speciality snubbing, hot tapping technology and wellhead freezing equipment and services to the oil and gas industry and manufacturing of oil and gas related products.	**51**	51
UMW Drilling Academy Sdn. Bhd.	Malaysia	Provision of training and other related services.	**100**	–
UMW Drilling 5 (L) Ltd.	Malaysia	Ownership and leasing of rig.	**100**	–
UMW Drilling 6 (L) Ltd.	Malaysia	Ownership and leasing of rig.	**100**	–
UMW Standard 1 Pte. Ltd.	Singapore	Ownership and leasing of rig.	**100**	100
UMW Standard 3 Pte. Ltd.	Singapore	Ownership and leasing of rig.	**100**	100

37. SUBSIDIARIES (CONT'D.)

Name of company	Country of incorporation	Principal activities	Proportion of ownership interest 2013 %	2012 %
UMW Oilfield Services (Tianjin) Co., Limited	People's Republic of China	Provision of threading, inspection, repair and maintenance services for OCTG.	**100**	100
UMW Petrodril Siam Co. Ltd. **	Thailand	Dormant.	**100**	100
UOT (Thailand) Limited*	Thailand	Provision of threading, inspection, repair and maintenance services for OCTG.	**58.8**	58.8

* Audited by firms of Chartered Accountants other than Ernst & Young.
** Company has been liquidated.
\# Company has commenced liquidation.

(a) Acquisition of Offshore Driller 4 Ltd.

On 23 May 2013, UMW Rig Asset (L) Ltd., a wholly-owned subsidiary of the Group, entered into a Share Purchase Agreement with S.D. Standard Drilling Plc for the acquisition of 38,502 ordinary shares of USD1.00 each, representing 100% of the total issued and paid-up share capital of Offshore Driller 4 Ltd., for a cash consideration of USD69.4 million (equivalent to approximately RM216.9 million).

The costs of the identifiable assets acquired and liabilities assumed from the acquisition of the subsidiary as at the effective acquisition date were as follows:

	Costs recognised on acquisition RM'000
Property, plant and equipment, representing cost of acquisition	216,875

The cash outflows on acquisition is as follows:

Cost of acquisition satisfied by cash, representing net cash outflow of the Group	216,875

The acquisition was completed on 10 June 2013.

The acquisition of Offshore Driller 4 Ltd. has been accounted for as asset acquisition as it is not a business combination as defined by MFRS 3: Business Combinations.

37. SUBSIDIARIES (CONT'D.)

(b) Acquisition of Offshore Driller B324 Ltd.

On 26 June 2012, UMW Drilling 4 (L) Ltd., a wholly-owned subsidiary of the Group, entered into a Share Purchase Agreement with S.D. Standard Drilling Plc for the acquisition of 42,000,000 ordinary shares of USD0.001 each, representing 100% of the total issued and paid-up share capital of Offshore Driller B324 Ltd., for a cash consideration of USD70.0 million (equivalent to approximately RM220.6 million).

The costs of the identifiable assets acquired and liabilities assumed from the acquisition of the subsidiary as at the effective acquisition date were as follows:

	Costs recognised on acquisition RM'000
Property, plant and equipment	220,875
Payables	(305)
Cost of acquisition	220,570

The cash outflows on acquisitions is as follows:

Cost of acquisition satisfied by cash, representing net cash outflow of the Group	220,570

The acquisition was completed on 12 July 2012.

The acquisition of Offshore Driller B324 Ltd. has been accounted for as asset acquisition as it is not a business combination as defined by MFRS 3: Business Combinations.

(c) Acquisition of additional interest in UMW Workover Sdn. Bhd. ("UWSB"), formerly known as UMW Petrodril (Malaysia) Sdn. Bhd.

The Group had, on 8 June 2012, acquired the remaining 100,000 shares of RM1.00 each in UWSB, a subsidiary of the Group, representing the remaining 1% of the total issued and paid-up share capital of UWSB from Mr. Chuah Chong Tiam for a cash consideration of RM1,071,000.

After the share transfer, UWSB became a wholly-owned subsidiary of the Group.

37. SUBSIDIARIES (CONT'D.)

(d) Disposal and liquidation of subsidiaries

i. On 30 August 2013, pursuant to the Internal Reorganisation described in Note 44(e), the Group disposed of the following subsidiaries:

Name of company	Country of incorporation	Principal activities	Previous equity interest %
UMW Synergistic Generation Sdn. Bhd.	Malaysia	Provision of engineering and maintenance services as a customised equipment packager and a total solution provider for power generators and other equipment used in the oil and gas and other markets.	60
UMW SG Engineering & Services Sdn. Bhd.	Malaysia	Engineering works and general trading.	60
UMW SG Power Systems Sdn. Bhd.	Malaysia	General contractor, sales and services equipment.	60
UMW Marine & Offshore Pte. Ltd.	Singapore	Dormant.	100

The disposal was completed for a total consideration of RM10,030,000, settled in cash. The above subsidiaries were reported as part of the pipe coating, operation and maintenance segment.

37. SUBSIDIARIES (CONT'D.)

(d) Disposal and liquidation of subsidiaries (cont'd.)

ii. The Group had also commenced liquidation of the following subsidiaries:

Name of company	Country of incorporation	Principal activities	Previous equity interest %
UMW Pressure Control Sdn. Bhd.	Malaysia	Supply speciality snubbing, hot tapping technology and wellhead freezing equipment and services to the oil and gas industry and manufacturing of oil and gas related products.	51
UMW Petrodril Siam Co. Ltd.	Thailand	Dormant.	100
UMW Deepnautic Sdn. Bhd.	Malaysia	Dormant.	100

The above subsidiaries were reported as part of the pipe coating, operation and maintenance segment.

iii. In prior year, the Group disposed of all its equity interest of Offshore Construction Services Pte. Ltd. ("OCS"), a 60%-owned subsidiary of UMW Singapore Ventures Pte. Ltd. for a total consideration of RM17,085,000, settled in cash.

OCS was previously reported as part of the pipe coating, operation and maintenance segment.

37. SUBSIDIARIES (CONT'D.)

(d) Disposal and liquidation of subsidiaries (cont'd.)

iv. The disposals and liquidations had the following aggregate financial effects on the financial position of the Group as at the end of the year:

	2013 RM'000	Unaudited 2012 RM'000
Property, plant and equipment	**3,400**	14,034
Investment property	**7,212**	–
Inventories	**2,764**	3,865
Receivables	**78,969**	13,149
Tax recoverable	**1,148**	–
Deposits, cash and bank balances	**(443)**	1,487
Payables	**(33,678)**	(6,375)
Borrowings	**(63,561)**	(6,406)
Deferred tax	**426**	(560)
Non-controlling interests	**1,086**	(7,564)
Net (liabilities)/assets disposed	**(2,677)**	11,630
Attributable goodwill	**7,183**	–
Transfer from reserves	**(924)**	(2,084)
	3,582	9,546
Total disposal proceeds	**10,030**	17,409
Profit on deconsolidation to the Group	**6,448**	7,863
Disposal proceeds settled by:		
– Cash	**10,030**	17,409
Cash inflow arising on disposals:		
Cash consideration	**10,030**	17,409
Less: Cash and cash equivalents of subsidiaries disposed	**(443)**	1,487
Net cash inflow on disposal	**10,473**	15,922

37. SUBSIDIARIES (CONT'D.)

(d) Disposal and liquidation of subsidiaries (cont'd.)

v. Statement of comprehensive income of the discontinued operations for the financial period up till the date of disposal and liquidation are as follows:

	2013 RM'000	Unaudited 2012 RM'000
Revenue	**75,624**	28,525
Other income	**1,333**	229
Other expenses	**(83,498)**	(27,753)
(Loss)/profit from discontinued operations	**(6,541)**	1,001
Finance costs	**(2,061)**	(253)
(Loss)/profit before tax from discontinued operations	**(8,602)**	748
Taxation	**(1,185)**	–
(Loss)/profit after tax from discontinued operations	**(9,787)**	748
Gain arising from deconsolidation	**6,448**	7,863
	(3,339)	8,611

(e) Subsidiaries with non-controlling interests

Details and summarised financial information of subsidiaries which have non-controlling interests that are material to the Group are set out below. The summarised financial information presented below is the amount before inter-company elimination.

(i) Details of subsidiaries

Name of company	Proportion of ownership interest held by non-controlling interests 2013 %	2012 %
UMW JDC Drilling Sdn. Bhd.	**15**	15
UMW Oilpipe Services (Turkmenistan) Ltd.	**49**	49
UOT (Thailand) Limited	**41.2**	41.2

37. SUBSIDIARIES (CONT'D.)

(e) Subsidiaries with non-controlling interests (cont'd.)

(ii) Summarised statements of financial position

	2013 RM'000	Unaudited 2012 RM'000
Non-current assets	**12,523**	15,384
Current assets	**58,944**	203,932
Non-current liabilities	**(304)**	(3,955)
Current liabilities	**(52,467)**	(197,089)

(iii) Summarised statements of comprehensive income

	2013 RM'000	Unaudited 2012 RM'000
Revenue	**190,285**	414,744
Profit/(loss) for the year	**5,430**	(2,838)
Other comprehensive loss	**(648)**	(463)
Total comprehensive income/(loss)	**4,782**	(3,301)
Dividends paid to non-controlling interests	**–**	182

(iv) Summarised statements of cash flows

	2013 RM'000	Unaudited 2012 RM'000
Net cash generated from/(used in) operating activities	**11,208**	(38,424)
Net cash used in investing activities	**(8,404)**	(1,864)
Net cash generated from financing activities	**1,640**	28,564
Net increase/(decrease) in cash and cash equivalents	**4,444**	(11,724)
Cash and cash equivalents at end of year	**12,048**	15,271

38. ASSOCIATE

Name of company	Country of incorporation	Principal activities	Proportion of ownership interest 2013 %	2012 %
Oil-Tex (Thailand) Company Limited*	Thailand	Provision of logistic services for the oil and gas industry.	**20**	20

* Audited by firms of Chartered Accountants other than Ernst & Young.

Financial year end of Oil-Tex (Thailand) Company Limited is 30 June.

39. JOINT VENTURE

Name of company	Country of incorporation	Principal activities	Proportion of ownership interest 2013 %	2012 %
Sichuan Haihua Petroleum Steel Pipe Co. Ltd. ("SHPS")*	People's Republic of China	Provision of antisepsis coating services for steel pipes.	–	40

* Audited by a firm other than Ernst & Young.

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

	2013 RM'000	Unaudited 2012 RM'000
Assets and liabilities		
Current assets	–	32,604
Non-current assets	–	34,822
Total assets	–	67,426
Current liabilities	–	14,118
Non-current liabilities	–	33,701
Total liabilities	–	47,819
Results		
Revenue	–	14,693
Profit for the year	–	757

39. JOINT VENTURE (CONT'D.)

The financial statements of SHPS are coterminous with those of the Group.

On 30 August 2013, under the Internal Reorganisation described in Note 44(e), the Group disposed all of its equity interest in SHPS for a total consideration of RM19,150,000 in cash. SHPS was previously reported as part of the pipe coating, operation and maintenance segment.

The disposal had the following financial effects on the financial position of the Group as at the end of the year:

	2013 RM'000	Unaudited 2012 RM'000
Investment in joint venture, representing net assets disposed	**20,720**	21,033
	20,720	21,033
Total disposal proceeds	**19,150**	
Loss on disposal to the Group	**(1,570)**	
Disposal proceeds settled by:		
– Cash	**19,150**	

40. 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	2013 RM'000	Unaudited 2012 RM'000
UMW Offshore Drilling Sdn. Bhd., formerly known as UMW Standard Drilling Sdn. Bhd.	UMW Pennzoil Distributors Sdn. Bhd., a related company of the Group	Purchase of goods	**513**	219
UMW Singapore Ventures Pte. Ltd.	UMW Equipment & Engineering Pte. Ltd., a related company of the Group	Rental income	**–**	415

40. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

(a) In addition to the related party transaction information disclosed elsewhere, transactions by the Group with its related parties are as follows: (cont'd.)

Companies	Transacting Parties	Nature of Transactions	2013 RM'000	Unaudited 2012 RM'000
UMW Singapore Ventures Pte. Ltd.	UMW Helmsion Engineering Pte. Ltd., a related company of the Group	Rental income	–	467
UMW Malaysian Ventures Sdn. Bhd.	UMW Offshore Investment (L) Ltd., a related company of the Group	Interest income	**225**	743
UMW Oil & Gas Corporation Berhad	UMWH, the holding company of the Group	Interest expense	**804**	623
UMW Drilling 4 (L) Ltd.	UMWH, the holding company of the Group	Interest expense	**4,157**	4,656
UMW Malaysian Ventures Sdn. Bhd.	UMW Corporation Sdn. Bhd., a related company of the Group	Interest expense	**455**	2,211
UMW Oil & Gas Corporation Berhad	UMW Corporation Sdn. Bhd., a related company of the Group	Interest expense	–	993
		Rental expense	**1,917**	2,104
		Management fees	**1,400**	2,056
UMW Offshore Drilling Sdn. Bhd., formerly known as UMW Standard Drilling Sdn. Bhd.	UMW Petropipe (L) Ltd., a related company of the Group	Interest income	–	440
UMW Naga Two (L) Ltd.	UMW Petropipe (L) Ltd., a related company of the Group	Interest expense	**717**	9,189
UMW Naga Three (L) Ltd.	UMW Petropipe (L) Ltd., a related company of the Group	Interest expense	–	3,242
UMW Malaysian Ventures Sdn. Bhd.	UMW Petropipe (L) Ltd., a related company of the Group	Interest expense	**176**	668
UMW Singapore Ventures Pte. Ltd.	UMW Petropipe (L) Ltd., a related company of the Group	Interest expense	**96**	1,171

40. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

(a) In addition to the related party transaction information disclosed elsewhere, transactions by the Group with its related parties are as follows: (cont'd.)

Companies	Transacting Parties	Nature of Transactions	2013 RM'000	Unaudited 2012 RM'000
UMW JDC Drilling Sdn. Bhd.	Japan Drilling Co. Ltd., a corporate shareholder of UJD, and its subsidiaries	Purchase of goods and services	**20,468**	35,444
		Bareboat charter	**50,718**	152,067
UMW Drilling Co. Ltd.		Purchase of drilling equipments	**3,928**	157,832

The above transactions have been entered into in the normal course of business and have been established on a commercial basis. The above has been stated at contracted amount.

(b) Compensation of key management personnel

The aggregate compensation of key management personnel, including executive director are as follows:

	2013 RM'000	Unaudited 2012 RM'000
Salaries and wages	**8,258**	4,164
Social security cost	**7**	5
Pension costs – defined contribution plan	**1,231**	630
Other staff related costs	**768**	464
	10,264	5,263

41. FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of Fair Values

(i) 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 (current)	15
– Due from related companies (current)	16
Borrowings	
– Fixed rate borrowings (non-current)	19
– Fixed rate borrowings (current)	21
– Floating rate borrowings (non-current)	19
– Floating rate borrowings (current)	21
Payables	
– Trade and other payables (current)	22
– Due to related companies	16

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 arrangement at the reporting date.

(ii) Investment at fair value through profit or loss

The fair value of these financial instruments are determined by reference to their published net asset values as at the reporting date.

41. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

Determination of Fair Values (cont'd.)

(iii) Finance lease liabilities

The fair value of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangement at the reporting date.

(iv) Derivatives

Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing. The models incorporate various inputs including the foreign exchange spot and forward rates.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

(a) Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(b) Level 2 Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(c) Level 3 Input for the asset or liability that are not based on observable market data (unobservable input).

	Level 1		**Level 2**	
		Unaudited		**Unaudited**
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Assets				
Financial assets at fair value through profit or loss:				
– Derivative assets	**–**	–	**32**	–
Investment at fair value through profit or loss				
– Investments in mutual funds	**1,061,581**	–	**–**	–
Liabilities				
Financial liabilities at fair value through profit or loss:				
– Derivative liabilities	**–**	–	**–**	(527)

The Group does not have any financial instruments classified as Level 3 as at the reporting date. There were no material transfers between Level 1, Level 2 and Level 3 during the financial year.

42. CAPITAL MANAGEMENT

Capital management is defined as the process of managing the composition of the Group's debts and equity to achieve and maintain an optimal capital structure and ensuring availability of funds to support its business and maximise its shareholder value.

The Group defines capital as total equity and net debt of the Group and manages its capital structure using a gearing ratio which is net debt divided by total equity plus net debt. For this purpose, other investments, which consist of investments in mutual funds, are included in deriving net (cash)/debt of the Group and of the Company. The Group endeavours to maintain a healthy gearing ratio to enjoy reasonable costs of borrowings and sufficient debt headroom for future asset expansion.

	Group		Company	
		Unaudited		Unaudited
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Loans and borrowings	**859,592**	798,498	**168,670**	145
Less: Deposits, cash and bank balances	**(174,948)**	(131,107)	**(21,230)**	(14,449)
Other investments	**(1,061,581)**	–	**(1,061,581)**	–
Net (cash)/debt	**(376,937)**	667,391	**(914,141)**	(14,304)
Total equity/(deficit)	**2,839,108**	251,115	**2,523,954**	(38,579)
Total capital	**2,839,108**	918,506	**2,523,954**	(52,883)
Gearing ratio	**N/A**	0.73	**N/A**	0.27

The gearing for the financial year ended 31 December 2013 is not applicable as the Group and the Company is in a net cash position as at 31 December 2013.

43. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks. The financial risk management practices of the Group seek to ensure that adequate financial resources are available for the development of the Group's business while managing credit, liquidity, interest rate and foreign currency risks. The principal aim of the Group's financial risk management practices is to identify, evaluate and manage financial risks with an objective to minimise potential adverse effects on the financial performance of the Group.

The Group's financial risk management practices are in line with the Enterprise Risk Management Framework of its holding company, UMWH, with modifications made to suit the industry the Group is in. The Group's risk governance structure comprise the following:

(i) an Investment and Risk Management Committee of the Board of Directors;

(ii) a Risk Management Committee at corporate management level; and

(iii) a risk management unit at each respective operating unit;

43. FINANCIAL RISK MANAGEMENT (CONT'D.)

Responsibilities of the Investment and Risk Management Committee include:

(i) to monitor the role, effectiveness and efficiency of the Risk Management Committee and risk management units at operating units;

(ii) to review the risk profile of the Group and risk mitigation action plans; and

(iii) to review the risk management policies, procedures and measurement methodologies of the Group and to effect changes thereto, if deemed necessary.

The Risk Management Committee is made up of members of the Group's senior management. This committee will be responsible to identify and assess risks and make recommendations on risk management to the Investment and Risk Management Committee of the Board of Directors.

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 majority of the companies in the Group is 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 consists of trade receivables and trade payables as a result of transactions entered into in currencies other than the functional currencies.

43. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Foreign Currency Risk (cont'd.)

As at 31.12.2013, approximately 16% (2012: 7%) of the Group's trade receivables and approximately 22% (2012: 6%) of the Group's trade payables are denominated in currencies other than the functional currency of the relevant companies in the Group.

The Group also holds cash and cash equivalents denominated in currencies other than functional currencies for working capital purposes. As at 31.12.2013, such foreign currency balances amount to RM58,331,000 (2012: RM16,904,000) for the Group.

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.

As the Group financial statements are presented in RM and certain companies in the Group use USD as their functional currency, any fluctuation in exchange rate of RM against USD may have a material effect on the financial performance of the Group.

The table below demonstrates the sensitivity of the Group's profit after taxation as at year end to a reasonable possible change in the US Dollar exchange rates against RM with all other variables held constant:

			Unaudited
		2013	**2012**
		RM'000	**RM'000**
	Basis points	**Effect on profit after taxation**	
US Dollar	+ 5%	**(2,598)**	(1,018)
	– 5%	**2,598**	1,018

(b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group'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.

43. FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Interest Rate Risk (cont'd.)

The Group monitors interest rates prior to making deposits and bank borrowings to ensure that the applicable rates are established at acceptable levels. Interest rate swaps may be used to hedge against fluctuation in interest rate where appropriate.

Sensitivity analysis for interest rate risk

The table below demonstrates the sensitivity of the Group's profit after taxation, to possible reasonable changes in interest rates with all other variables held constant, through impact on interest income from placement of surplus funds and interest expense on floating rate borrowings:

	Basis points	2013 RM'000	Unaudited 2012 RM'000
		Effect on profit after taxation	
Kuala Lumpur Interbank Offered Rate – RM	+ 50	–	(149)
	– 50	–	149
London Interbank Offered Rate – USD	+ 50	**(4,521)**	(3,621)
	– 50	**4,521**	3,621

(c) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterpart default on its obligation. The Group's exposure to credit risk arises primarily from trade receivables.

Credit risk of the Group is managed during the tendering stage where the credit worthiness of a potential customer or the payment records of an existing customer is evaluated prior to participating in a tender. The Group's customers are mainly local and overseas national oil companies, subsidiaries of credit-worthy international oil and gas companies or established international companies. For less established companies, credit risk is managed by obtaining a collateral in the form of a bank guarantee.

43. FINANCIAL RISK MANAGEMENT (CONT'D.)

(d) Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet financial obligations when due, as a result of shortage of funds arising from mismatch of maturities of financial assets and liabilities.

To ensure a healthy liquidity position, it is the Group'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 liabilities at the reporting date based on contractual undiscounted repayment obligations.

	31.12.2013				
	On demand or within one year RM'000	Between one and two years RM'000	Between two and five years RM'000	Over five years RM'000	Total RM'000
Financial liabilities:					
Trade and other payables (exclude provisions and deferred income)	**179,471**	**–**	**–**	**–**	**179,471**
Due to holding company and its related companies	**4,747**	**–**	**–**	**–**	**4,747**
Borrowings	**314,416**	**227,078**	**252,951**	**82,301**	**876,746**
Total undiscounted financial liabilities	**498,634**	**227,078**	**252,951**	**82,301**	**1,060,964**

43. FINANCIAL RISK MANAGEMENT (CONT'D.)

(d) Liquidity Risk (cont'd.)

	I–––––––––––––– 31.12.2012 (Unaudited)				––––––––––––––I
	On demand or within one year RM'000	Between one and two years RM'000	Between two and five years RM'000	Over five years RM'000	Total RM'000
Financial liabilities:					
Trade and other payables (exclude provisions, amount due to customers on contracts and deferred income)	232,811	–	–	–	232,811
Due to holding company and its related companies	544,016	11,464	281,612	–	837,092
Derivatives:					
– Forward contracts	527	–	–	–	527
Borrowings	219,176	141,892	417,015	40,128	818,211
Total undiscounted financial liabilities	996,530	153,356	698,627	40,128	1,888,641

There have been no material changes to the Group'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 2013 and 31 December 2012.

44. SIGNIFICANT EVENTS

In addition to the significant events disclosed elsewhere in this report, other significant events are as follows:

(a) On 5 April 2013, UMW Rig Asset (L) Ltd. ("URA") was incorporated. The principal activity of URA is investment holding. The initial paid-up capital of URA is USD1.00 divided into 1 ordinary share of USD1.00.

(b) On 11 April 2013, UMW Drilling Academy Sdn. Bhd. ("UDA") was incorporated. The principal activity of UDA is to provide training services and any other related services. The initial paid-up capital of UDA is RM2.00 divided into 2 ordinary shares of RM1.00 each.

(c) On 12 June 2013, UMW Drilling 5 (L) Ltd. ("UD5") was incorporated. The principal activity of UD5 is ownership and leasing of rig. The initial paid-up capital of UD5 is USD1.00 divided into 1 ordinary share of USD1.00.

(d) On 12 June 2013, UMW Drilling 6 (L) Ltd. ("UD6") was incorporated. The principal activity of UD6 is ownership and leasing of rig. The initial paid-up capital of UD6 is USD1.00 divided into 1 ordinary share of USD1.00.

(e) In conjunction with the Proposed IPO and Proposed Listing, UMWH and UMW-OG have completed the following:

(i) UMW-OG obtained advances of RM74.1 million from UMWH.

(ii) USV transferred its 40% equity interest in SHPS and its 100% equity interest in UMW Marine and Offshore Pte. Ltd. to UMW Petropipe (L) Ltd. for a total consideration of RM19.1 million.

(iii) UMV transferred its 60% equity interest in UMW Synergistic Generation Sdn. Bhd. and its wholly-owned subsidiaries, UMW SG Engineering and Services Sdn. Bhd. and UMW SG Power System Sdn. Bhd. to UMW Corporation Sdn. Bhd. for a total cash consideration of RM10.0 million.

(iv) UMV commenced the liquidation of UMW Deepnautic Sdn. Bhd. and UMW Workover Sdn. Bhd. (formerly known as UMW Petrodril (Malaysia) Sdn. Bhd.) commenced the liquidation of UMW Pressure Control Sdn. Bhd. and UMW Petrodril Siam Co. Ltd..

(v) Internal Reorganisation

– Transfer of UMW-OG

UMWH acquired the entire equity interest in UMW-OG from UMW Oil & Gas Berhad, a wholly-owned subsidiary of UMWH, representing 4 ordinary shares of RM0.50 each for a cash consideration of RM2.00.

– Subscription of UMW-OG shares by UMWH

UMW-OG increased its issued and paid-up ordinary share capital from RM2.00 to RM45,000,002 by way of the issuance of 90,000,000 ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share to UMWH.

44. SIGNIFICANT EVENTS (CONT'D.)

(v) Internal Reorganisation (cont'd.)

– Acquisitions of subsidiaries and associate

UMW-OG had, on 5 April 2013, incorporated UMW Rig Asset (L) Ltd. and acquired the remaining subsidiaries and associate stated in Note 37 and 38 respectively for a total purchase consideration of RM149,000,000, of which RM44,500,000 was settled via cash from the proceeds of the subscription of shares by UMWH. The balance purchase consideration of RM105,479,000 ("Amount Owing From Acquisitions") was settled in the manner described below. The basis of arriving at the said total purchase consideration was based on the costs of investments to the vendors as at 31 December 2012.

– Settlement of amounts owing by UMW-OG Group to the companies within the UMWH Group

UMW-OG settled the Amount Owing From Acquisitions and the outstanding balance of RM1,222,000,000 comprising amounts owed by UMW-OG Group, (subsequent to the acquisitions of subsidiaries and associate) to UMWH Group as at 31 March 2013 and advances drawn down from UMWH, by way of issuance of 1,460,200,000 shares of RM0.50 each to UMWH. The outstanding balance of RM597,400,000 was settled in cash using the proceeds raised through public issue.

The Internal Reorganisation was completed on 30 August 2013.

(f) On 1 November 2013, the Company completed the listing exercise with the listing of and quotation for the entire 2,162,000,000 ordinary shares of RM0.50 each on the Main Market of Bursa Malaysia.

45. SUBSEQUENT EVENTS

(a) On 5 February 2014, UMW Drilling 7 (L) Ltd. ("UD7") was incorporated. The principal activity of UD7 is ownership and leasing of rig. The initial paid-up capital of UD7 is USD1.00 divided into 1 ordinary share of USD1.00.

(b) On 5 February 2014, UMW Drilling 8 (L) Ltd. ("UD8") was incorporated. The principal activity of UD8 is ownership and leasing of rig. The initial paid-up capital of UD8 is USD1.00 divided into 1 ordinary share of USD1.00.

(c) With effect from 17 March 2014, the names of UMW Standard Drilling Sdn. Bhd. and UMW Petrodril (Malaysia) Sdn. Bhd., subsidiaries of the Group, have been changed to UMW Offshore Drilling Sdn. Bhd. and UMW Workover Sdn. Bhd., respectively.

46. COMPARATIVES

The comparatives are not audited as the business combination was not in existence in the previous financial year. However, adjustments have been made to align the accounting policies of the Combined Entities to that of the Group and Company. The comparatives are, therefore prepared on a basis consistent with the current financial year's presentation.

47. SUPPLEMENTARY INFORMATION - BREAKDOWN OF RETAINED PROFITS/(ACCUMULATED LOSSES) INTO REALISED AND UNREALISED

The breakdown of the retained profits/(accumulated losses) of the Group and of the Company as at 31 December 2013 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:

	Group 2013 RM'000	Company 2013 RM'000
Total retained profits/(accumulated losses) of the Company and its subsidiaries:		
– Realised	261,480	(4,636)
– Unrealised	(9,431)	(3,374)
	252,049	(8,010)
Total share of retained profits from associate:		
– Realised	2,392	–
Total retained profits/(accumulated losses)	254,441	(8,010)
Add:		
Consolidation adjustments	28,710	–
Retained profits/(accumulated losses) as per financial statements	283,151	(8,010)

LIST OF PROPERTIES

PROPERTY OWNED BY THE UMW OIL & GAS CORPORATION BERHAD GROUP

As at 31 December 2013

The details of land and buildings owned by us 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") Jin Kai (Gua) No. 2010010, West Zone of Tianjin Development Zone, to the north of South Street and Greenbelt, to the south of Zhongnan fourth Street, to the east of Planning Use Land, and to the west of Xiaqing Road and Greenbelt, People's Republic of China No. 101, Central South Fourth Street, Tianjin Economic-Technological Development Area West Zone, 300462 Tianjin, People's Republic of China Leasehold for a period of 50 years, expiring on 2061	Industrial land comprising a detached factory (including warehouse, workshop, administration office and restroom), a guard house and a 3 storey research and development building (including canteen, exhibition room, meeting room, research room and office)	Currently used as the operating base for UOS-TJ's business	25 June 2013 *Refer to note* [2]	6,564/ 13,909	Nil	RMB4,149,652 (RM2,247,949) (Land) RMB32,440,550 (RM17,573,695) (Buildings) *Refer to note* [3]

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=RM0.54172 as at 31 December 2013.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 4th Annual General Meeting of the Company will be held at the UMW Auditorium, No. 3 Jalan Utas (15/7), Batu Tiga Industrial Estate 40200 Shah Alam, Selangor Darul Ehsan, Malaysia on Monday 16 June 2014 at 11.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To lay the Reports of the Directors and Auditors and the Audited Statement of Accounts for the year ended 31 December 2013;

2. **ORDINARY RESOLUTION 1**

   To re-elect **Tan Sri Asmat bin Kamaludin** who shall retire pursuant to Section 129 (6) of the Companies Act, 1965 and being eligible, offers himself for re-election.

Explanatory Note for Resolution 1:

Section 129 (6) of the Companies Act, 1965 states that a person of or over the age of 70 years may by a resolution passed by a majority of not less than three-fourths of the members present in person or by proxy at a general meeting of the Company be appointed or re-appointed as director of that Company to hold office until the next annual general meeting.

3. **ORDINARY RESOLUTION 2**

   To re-elect **Datuk Syed Hisham bin Syed Wazir** who shall retire in accordance with Article 107 of the Company's Articles of Association and being eligible, offers himself for re-election.

4. **ORDINARY RESOLUTION 3**

   To re-elect **Encik Rohaizad bin Darus** who shall retire in accordance with Article 105 (to be read together with Article 107) of the Company's Articles of Association and being eligible, offers himself for re-election.

Explanatory Note for Resolutions 2 and 3:

Article 107 expressly states that in every subsequent annual general meeting, at least one third of the Directors for the time being shall retire from office and the retiring Directors shall be eligible to seek re-election thereof.

Article 105 states that a Chief Executive Officer or Director shall be subject to the same provisions as to resignation and removal as the other Directors and if he ceases to hold the office of Director for any cause shall ipso facto and immediately cease to be a Chief Executive Officer or executive Director.

5. **ORDINARY RESOLUTION 4**

   To re-elect **Puan Fina Norhizah binti Hj Baharu Zaman** who shall retire in accordance with Article 113 of the Company's Articles of Association and being eligible, offers herself for re-election.

Explanatory Note for Resolution 4:

Article 113 states that any Director appointed to fill a casual vacancy or as an additional Director shall hold office only until the next following annual general meeting and shall be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting.

6. **ORDINARY RESOLUTION 5**

To approve the payment of Directors' Fees for the financial year ended 31 December 2013.

Explanatory Note for Resolution 5:

In accordance with Article 100 of the Company's Articles of Association, the Board is recommending that the shareholders approve the payment of Directors' fees for the financial year ended 31 December 2013 as disclosed in Pages 89 to 90 of the Annual Report 2013.

7. **ORDINARY RESOLUTION 6**

To re-appoint Messrs Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

Explanatory Note for Resolution 6:

Pursuant to Section 172 (2) of the Companies Act, 1965, shareholders are required to approve the re-appointment of Auditors who shall hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration thereof. The present Auditors, Messrs Ernst & Young has indicated its willingness to continue its services for another year.

AS SPECIAL BUSINESS

8. **ORDINARY RESOLUTION 7**

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions with or without modifications:

Proposed Shareholders' Ratification for Recurrent Related Party Transactions ("RRPT") of a Revenue or Trading Nature ("Proposed Shareholders Ratification")

"THAT all the recurrent related party transactions of a revenue or trading nature entered into by the Company and or its subsidiaries from 1 November 2013, being the date of listing of the Company on Bursa Malaysia Securities Berhad until the date of the 4th Annual General Meeting of the Company as set out in Section 1.4 of the Circular to Shareholders dated 26 May 2014, which were necessary for its day-to-day operations and carried out in the ordinary course of business on terms which were not more favourable to the Related Parties than those generally available to the public and were not detrimental to the minority shareholders of the Company, be and are hereby approved and ratified:

Explanatory Note for Resolution 7:

Bursa Malaysia had on 1 August 2013 granted UMW-OG an extension of time to obtain shareholders ratification / mandate at the next Annual General Meeting or Extraordinary General Meeting ("EGM") whichever is held earlier, for RRPTs entered into from the listing date (being 1 November 2013) up to the AGM / EGM.

AND THAT all the actions taken and the execution of all necessary documents by the Directors of the Company as considered expedient or deemed fit in the interest of the Company, be and are hereby approved and ratified."

9. **ORDINARY RESOLUTION 8**

PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS ("RRPT") OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS MANDATE")

"THAT authority be and is hereby given in accordance with Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad for the Company, its subsidiaries or any of them to enter into any transactions falling within the types of RRPT, particulars of which are set out in Section 1.4 of the Circular, with the Related Parties as described in the Circular, provided that such transactions are of a revenue and / or trading nature, which are necessary for the day-to-day operations of the Company and / or its subsidiaries, within the ordinary course of business of the Company and / or its subsidiaries, made on arm's length basis and on normal commercial terms which were not more favourable to the related party than those generally available to the public and not detrimental to the minority shareholders of the Company;

AND THAT such authority shall commence immediately upon passing of this ordinary resolution and continue to be in force until:

a. The conclusion of the next AGM of the Company following this AGM at which the ordinary resolution for the Proposed Mandate for RRPT is approved, at which time it will lapse unless the authority is renewed by a resolution passed at the next AGM; or
b. The expiration of the period within which the next AGM after that date is required by law to be held; or
c. Revoked or varied by resolution passed by the shareholders of the Company in a general meeting of the Company,

whichever is the earlier;

AND FURTHER THAT authority be and is hereby given to the Directors and its subsidiaries to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to such transactions as authorised by this resolution".

Explanatory Note for Resolution 8:

In accordance with Paragraph 10.9 of the Main Market Listing Requirements a listed issuer may seek a mandate from its shareholders for Recurrent Related Party Transactions.

10. To transact any other ordinary business for which due notice has been given in accordance with Section 151 of the Companies Act, 1965.	*Explanatory Note:* *In accordance with Section 151 of the Companies Act, 1965, a Company shall on the requisition in writing of such number of members and at the expense of the requisitionist, give to the members of the Company entitled to receive notice of the next annual general meeting, notice of any resolution which may be properly moved and is intended to be moved at that meeting.*

By Order of the Board

MOHD NIZAMUDDIN BIN MOKHTAR (LS NO. 006128)
Company Secretary
Kuala Lumpur
26 May 2014

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 stead. A proxy may but need not be a member of the Company and the provision of Section 149 (1) (b) of the Companies Act, 1965 shall not apply.

2. The instrument appointing a proxy must be in writing under the hands of the appointer or his attorney duly authorised in writing or, if such appointer is a corporation, under its common seal or that of an officer or attorney duly authorised. If the Form of Proxy is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If the Form of Proxy is signed under the attorney duly authorised, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A 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 1 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 at least 1 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 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 not less than 48 hours before the time appointed for the meeting.

6. For the purpose of determining a member who shall be entitled to attend the Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd., in accordance with Article 69 (2) (b) of the Company's Articles of Association and Section 34 (1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 9 June 2014. Only a depositor whose name appears on the General Meeting Record of Depositors as at 9 June 2014 shall be entitled to attend the said meeting or appoint proxies to attend and / or vote on his stead.

EXPLANATORY NOTES ON SPECIAL BUSINESS

The Company proposes to seek shareholders ratification for Recurrent Related Party Transactions entered into from 1 November 2013 (being the listing date of the Company on Bursa Malaysia Securities Berhad) and further Shareholders' Mandate for Recurrent Related Party Transactions to be entered into by UMW-OG Group.

Bursa Malaysia had on 1 August 2013 granted UMW-OG an extension of time to obtain shareholders ratification / mandate at the next Annual General Meeting or Extraordinary General Meeting whichever is held earlier, for RRPTs entered into from the listing date being 1 November 2013 up to the said AGM / EGM.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27 (2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Details of Directors seeking re-election as mentioned in the Notice of Annual General Meeting are set out in their respective profiles appearing on pages 52 to 57 of this Annual Report. Directors' interests in the securities of the Company are disclosed on page 108 of this Annual Report.

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PROXY FORM

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

______________________ * with (New NRIC No.) ______________ / (Old NRIC No.) ______________ /
(NAME AS PER NRIC/PASSPORT IN CAPITAL LETTERS)

(Passport No.) ______________ of ______________________________________
(FULL ADDRESS IN CAPITAL LETTERS)

or the Chairman of the meeting* as my/our proxy to vote for me/us and on my/our behalf at the 4th Annual General Meeting of the Company to be held at the UMW Auditorium, No. 3 Jalan Utas (15/7), Batu Tiga Industrial Estate, 40200 Shah Alam, Selangor Darul Ehsan, Malaysia at 11.00 a.m. on Monday, 16 June 2014 or at any adjournment thereof.

* Please delete whichever is not applicable

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)

No	ORDINARY RESOLUTIONS	For	Against
1	To re-elect Tan Sri Asmat bin Kamaludin in accordance with Section 129 (6) of the Companies Act, 1965		
2	To re-elect Datuk Syed Hisham bin Syed Wazir in accordance with Article 107		
3	To re-elect Encik Rohaizad bin Darus in accordance with Article 105 (to be read together with Article 107)		
4	To re-elect Puan Fina Norhizah binti Hj Baharu Zaman in accordance with Article 113		
5	To approve the Directors' Fees for the financial year ended 31 December 2013		
6	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their Remuneration		

No	SPECIAL BUSINESS	For	Against
7	Proposed Shareholders' Ratification for Recurrent Related Party Transactions of a revenue or trading nature		
8	Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature		
	To transact any other ordinary business for which due notice has been given.		

Dated this __________ day of __________ 2014

____
Name(s) of Member
(If the appointor is an attorney or a corporation
please see Note 2 below)

____
Signature of Member(s)

____
Number of shares held

Notes:

1. A member of the Company entitled to attend and vote may appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company and the provisions of Section 149 (1) (b) of the Companies act, 1965 shall not apply.

2. The instrument appointing a proxy must be in writing under the hands of the appointer or his attorney duly authorised in writing or, if such appointer is a corporation, under its common seal or than of an officer or attorney duly authorised. If the Form of Proxy is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under Authorisation Document which is still in force, no notice of revocation having been received". If the Form of Proxy is signed under the attorney duly authorised, it should be accompanied by a statement reading "signed under Power of Attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the Power of Attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed.

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5. The instrument appointing the proxy must be deposited at the of the Company's share registrar, Securities Services (Holdings) Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia, not less than 48 hours before the time appointed for the meeting.

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THE SHARE REGISTRAR OF
UMW OIL & GAS CORPORATION BERHAD
Company No. : 878786-H
(Incorporated in Malaysia under the Companies Act 1965)

AFFIX
STAMP

SECURITIES SERVICES (HOLDINGS) SDN. BHD.

Level 7, Menara Milenium, Jalan Damanlela,
Pusat Bandar Damansara, Damansara Heights,
50490 Kuala Lumpur,
Malaysia

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