

28/02/2008

i) **PROPOSED INTERNAL RESTRUCTURING OF THE UMW GROUP OF COMPANIES (“PROPOSED INTERNAL RESTRUCTURING”); AND**

ii) **PROPOSED LISTING OF UMW OIL & GAS BERHAD ON THE MAIN BOARD OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”) (“PROPOSED LISTING”)**

(Collectively, Referred Herein As The “Proposals”)

1.0 INTRODUCTION

On behalf of the Board of Directors (“**Board**”) of UMW Holdings Berhad (“**UMW**”), AmInvestment Bank Berhad (“**AmInvestment Bank**”), a member of the AmInvestment Bank Group, is pleased to announce that UMW proposes to undertake a listing exercise which will involve a number of its oil and gas corporations currently held by its two (2) wholly-owned subsidiaries, UMW Corporation Sdn Bhd (“**UMWC**”) and UMW Petropipe (L) Ltd (“**UMWP**”). The listing exercise on the Main Board of Bursa Securities will be effected via a recently-incorporated investment holding company, namely UMW Oil & Gas Berhad (“**UMW O&G**”) upon completion of an internal restructuring of the UMW Group.

Pursuant to the above, UMW has today acquired 200 ordinary shares of RM0.50 each in UMW O&G from the subscribers for a total cash consideration of RM100 (“**Acquisition of UMW O&G**”). Further information on UMW O&G is detailed in Section 5.0 below.

2.0 DETAILS OF THE PROPOSALS

In conjunction with and as an integral part of the listing and quotation of the entire enlarged issued and paid-up share capital of UMW O&G on the Main Board of Bursa Securities, UMW will undertake the following corporate exercises:

2.1 Proposed Internal Restructuring

The Proposed Internal Restructuring involves the restructuring of selected UMW subsidiary and associated corporations as follows:

1. Proposed acquisition of selected oil and gas corporations held by UMWP, UMWC and other vendors, by UMW O&G to be satisfied by the issuance of 850,000,000 new ordinary shares of RM0.50 each in UMW O&G (“**UMW O&G Shares**”) (“**Proposed Acquisition**”);
2. Proposed renunciation of UMW O&G Shares by UMWC and UMWP to UMW to enable UMW to have a direct holding in UMW O&G (“**Proposed Renunciation**”);
3. Proposed renounceable rights issue of 100,000,000 new UMW O&G Shares at a rights issue price of RM1.00 per share (“**Proposed Renounceable Rights Issue**”);
4. Proposed renunciation of UMW O&G Shares of 60,000,000 UMW O&G Shares by UMW to eligible directors and key management of UMW and UMW O&G (“**Proposed Renunciation of Rights**”); and
5. Proposed capital distribution by UMW of up to 138,385,167 UMW O&G Shares on the basis of one (1) UMW O&G Share for every eight (8) existing ordinary shares of RM0.50 each in UMW (“**UMW Shares**”) held at the entitlement date (“**Proposed Capital Distribution**”).

UMW is undertaking a share split involving the subdivision of every one (1) existing ordinary share of RM1.00 each into two (2) ordinary shares of RM0.50 each (“**Proposed Share Split**”). The Proposed Share Split was approved by the shareholders of UMW at the Extraordinary General Meeting held on 4 February 2008. UMW had on 15 February 2008 announced that the subdivided UMW Shares will be listed and quoted on the Main Board of Bursa Securities on 4 March 2008, being the market day immediately after the book closing date. Upon completion of the Proposed Share Split, the basis for the Proposed Capital Distribution will be one (1) UMW O&G Share for every eight (8) existing UMW Shares. Further details on the Proposals are set out below.

2.1.1 Proposed Acquisition

(i) Details of the Proposed Acquisition

Pursuant to the Proposed Acquisition, UMW O&G will enter into various conditional Sale and Purchase Agreements (“SPA”) with UMWC, UMWP and the other vendors to acquire the interests in the following corporations:

1.	UMW Oilpipe Services Sdn Bhd (“UOS”)
2.	UMW Oilfield International (M) Sdn Bhd (“UOI”)
3.	UMW Oilfield Services (Tianjin) Co, Limited (“UOST”)
4.	UMW Petrodril (Malaysia) Sdn Bhd (“UPSB”)
5.	UMW JDC Drilling Sdn Bhd (“UJD”)
6.	UMW Drilling Co Ltd (“UDC”)
7.	UMW China Ventures (L) Ltd (“UCV”)
8.	UMW Linepipe (L) Ltd (“ULP”)
9.	Shanghai Tube-Cote Petroleum Pipe Coating Co, Ltd (“STPPC”)
10.	Jiangsu Tube-Cote Shuguang Coating Co, Ltd (“TSC”)
11.	Vina Offshore Holdings Pte Ltd (“Vina”)
12.	Helmsion Engineering Pte Ltd (“HEPL”)
13.	Offshore Construction Services Pte Ltd (“OCS”)
14.	UMW Oilfield International (L) Ltd (“UOIL”)

The number of new UMW O&G Shares to be issued pursuant to the Proposed Acquisition is set out in [Table 1](#).

Upon completion of the Proposed Acquisition, UMW, via UMWC and UMWP, will hold 743,390,530 UMW O&G Shares representing approximately 87.5% interest in UMW O&G.

(ii) Basis for arriving at the Purchase Consideration for the Proposed Acquisition

The total purchase consideration for the Proposed Acquisition was arrived at on a willing-buyer-willing-seller basis after taking into consideration the average earnings of the respective corporations for the financial years ended 2006 and 2007.

The purchase consideration is to be settled via the issuance of approximately 8.678 new UMW O&G Shares for every RM1.00 average earnings of the respective corporations.

2.1.2 Proposed Renunciation

Subsequent to the Proposed Acquisition, both UMWC and UMWP will renounce their respective UMW O&G Shares to UMW, issued as a result of the Proposed Acquisition, via inter-company balances to enable UMW to have a direct interest in UMW O&G.

2.1.3 Proposed Renounceable Rights Issue

UMW O&G proposes to undertake a renounceable rights issue of 100,000,000 new UMW O&G Shares (“**Rights Shares**”) on a pro-rata basis at a rights issue price of RM1.00 per share.

The rights issue is on the basis of one (1) new UMW O&G Share for every eight point five (8.5) existing UMW O&G Shares held after the Proposed Acquisition.

2.1.4 Proposed Renunciation of Rights by UMW

Under the rights issue, UMW will renounce its rights of allotment of up to 60,000,000 Rights Shares in favour of eligible directors and key management of UMW and UMW O&G at the price of RM1.00 per share. The allocation of the renounced rights issue entitlement is subject to the decision of the Allotment Committee of UMW upon obtaining the approvals from all relevant authorities for the Proposed Listing.

2.1.5 Proposed Capital Distribution by UMW

Upon completion of the Proposed Renounceable Rights Issue, UMW will undertake a capital distribution of up to 138,385,167 UMW O&G Shares on the basis of one (1) UMW O&G Share for every eight (8) existing UMW Shares held at the entitlement date.

The capital distribution by UMW will be implemented via utilisation of the share premium reserves of UMW pursuant to section 60(2) of the Companies Act, 1965.

2.2 Proposed Public Issue

Upon completion of the Proposed Internal Restructuring, UMW O&G proposes to undertake a public issue of 250,000,000 new UMW O&G Shares (“**Public Issue Shares**”), representing 20.8% of the enlarged issued and paid-up share capital of UMW O&G at an issue price to be determined later. The Public Issue Shares will be made available for subscription to:

1. Eligible directors, related employees and business associates of the UMW O&G Group; and
2. Placees/Institutional offering by way of private placement/bookbuilding.

The Public Issue Shares will rank pari passu in all respects with the existing issued and paid-up UMW O&G Shares including voting rights and will be entitled to all rights, dividends and distributions that may be declared subsequent to the date of the allotment of the Public Issue Shares.

2.3 Proposed Listing

Upon completion of the Proposed Internal Restructuring and the Proposed Public Issue, UMW O&G will seek admission to the Official List of Bursa Securities and the listing and quotation of its entire enlarged issued and paid-up share capital on the Main Board of Bursa Securities.

2.4 Inter-conditionality of Proposals

The Proposed Acquisition, Proposed Renounceable Rights Issue, Proposed Public Issue and Proposed Listing (“**Proposed Listing Scheme**”) will be undertaken by UMW O&G, whilst the Proposed Renunciation, Proposed Renunciation of Rights and the Proposed Capital Distribution will be undertaken by UMW in conjunction with the listing.

All the proposals under the Proposed Listing Scheme are inter-conditional and should be viewed as one exercise undertaken to facilitate the Proposed Listing of UMW O&G.

However, the Proposed Renunciation, Proposed Renunciation of Rights and the Proposed Capital Distribution are conditional upon the Proposed Listing Scheme.

2.5 Corporate Structure

The corporate structure of the UMW O&G Group after the Proposals is set out in [Table 2](#).

3.0 PROPOSED UTILISATION OF PROCEEDS

The Proposed Public Issue and the Proposed Renounceable Rights Issue are expected to raise gross proceeds amounting approximately RM425 million which shall accrue entirely to UMW O&G and is proposed to be utilised amongst others, for the settlement of inter-company balances, repayment of bank borrowings, working capital purposes, and to defray the listing expenses.

From the total proceeds raised, UMW is expected to receive RM99.4 million arising from the settlement of the inter-company balances from the UMW O&G Group.

4.0 RATIONALE FOR THE PROPOSALS

Since its inception in 2002, the Oil and Gas Division of UMW has forged ahead with a number of exciting new ventures, and has become an important contributor to the UMW Group's earnings. Revenue from the Oil and Gas Division has experienced a robust growth, from RM42.1 million for the financial year ended 31 December 2004 to RM1.5 billion for the financial year ended 31 December 2006.

The management continues to explore further opportunities and potential in this area, given the sustained global demand for oil and gas products and services, in view of the active development and exploration activities undertaken by the major oil companies. In light of this, the Directors of UMW are of the view that the Proposed Listing is timely and necessary to provide direct access to the capital markets for funds to finance UMW O&G's future expansion and continued growth.

In addition, the Proposed Listing is expected to raise the profile of UMW O&G in the global Oil and Gas Industry and hence, further strengthen its position in securing tenders and other business opportunities. This will enhance the UMW O&G Group's reputation as a leading provider of supporting specialised products and services regionally and globally with its enhanced capabilities. Consequently, the Proposed Listing will also enable UMW to unlock the value of its investment in UMW O&G and enhance the shareholders' value of UMW.

The Proposed Renunciation of Rights is undertaken to reward existing directors and key management of UMW and UMW O&G for their contribution and efforts in steering the growth of the Oil and Gas Division.

The Proposed Capital Distribution will enable the shareholders of UMW to have a direct equity interest in UMW O&G and thus participate in the continuing growth of the UMW O&G Group upon its Proposed Listing.

5.0 INFORMATION ON UMW O&G

UMW O&G was incorporated in Malaysia on 4 December 2007 under the Companies Act, 1965. UMW O&G currently has an authorised share capital of RM100,000 comprising 200,000 ordinary shares of RM0.50 each, of which RM100 comprising 200 ordinary shares of RM0.50 each have been issued and fully paid-up.

UMW O&G was acquired by UMW on 28 February 2008 to facilitate the Proposed Internal Restructuring and Proposed Listing.

UMW O&G is principally an investment holding company. Through its subsidiary and associated corporations, UMW O&G is a provider of integrated engineering and fabrication of production facilities for the Oil and Gas Industry. The principal business activities of the UMW O&G Group upon listing will be as follows:

- Manufacture of oil country tubular goods and line pipes
- Oil and gas exploration and development operations
- Fabrication of oil and gas and other steel structures
- Provision of oilfield services
- Supply of oilfield products

The Oil and Gas Division of UMW was established in the year 2002 to reduce the reliance on automotive, manufacturing and engineering and equipment segment activities. UMW O&G's business was undertaken in tandem with the robust upstream activities of the Oil and Gas Industry locally and globally, through five (5) core business units as listed above.

The Oil and Gas Division currently has operations in China, Singapore, Thailand, Vietnam, Australia and Indonesia. UMW is involved in upstream oil and gas activities, with the biggest investment in China. In addition, UMW has recently made inroads in the upstream exploration and gas pipeline ventures in India and Turkmenistan.

Background information on the proposed subsidiary and associated corporations of UMW O&G is set out in [Table 3](#).

6.0 EFFECTS OF THE PROPOSALS

6.1 Share Capital

The Acquisition of UMW O&G and the Proposals will not have any effect on the existing issued and paid-up share capital of UMW.

6.2 Shareholdings of Substantial Shareholders

The Acquisition of UMW O&G and the Proposals will not have any effect on the shareholdings of the substantial shareholders of UMW. However, upon implementation of the Proposed Capital Distribution, the substantial shareholders of UMW will have direct interest in UMW O&G.

6.3 Net Assets ("NA")

The Acquisition of UMW O&G will not have any material effect on the NA of UMW.

The Proposals are expected to increase the NA of the Company. However, the actual resultant impact on the NA of the Company can only be determined on the effective date of completion of the Proposals. The Proposals are expected to be completed by the third quarter of the calendar year 2008.

The Proposed Capital Distribution is however expected to result in a reduction in the share premium reserves of UMW.

The proforma effects of the Proposals on the consolidated NA of UMW, based on the audited consolidated balance sheet of UMW as at 31 December 2006 are set out in [Table 4](#).

6.4 Earnings

Upon completion of the Proposed Listing, UMW's equity interest in UMW O&G will be diluted to approximately 52.7% from its existing equity interest in the selected oil and gas corporations that range from 20% to 100%. As a result, UMW's share of future earnings in the UMW O&G Group will be reduced accordingly.

However, the proceeds raised from the Proposed Renounceable Rights Issue and Proposed Public Issue are expected to contribute positively to the future earnings of the UMW Group and the UMW O&G Group as it will be utilised amongst others, for business expansion, pursuing growth opportunities and repayment of bank borrowings.

6.5 Gearing

The completion of the Proposed Listing is expected to lower the gearing level of the UMW Group as part of the proceeds raised from the Proposed Renounceable Rights Issue and Proposed Public Issue will be utilised for part repayment of the UMW Group's borrowings.

7.0 APPROVALS REQUIRED FOR THE PROPOSALS

The Proposals are subject to approvals being obtained from the following:

1. Securities Commission ("SC"), Equity Compliance Unit of the SC and Ministry of International Trade and Industry in relation to the Proposed Listing;
2. SC for the Proposed Capital Distribution;

3. Bursa Securities for the admission of UMW O&G to the official list of Bursa Securities and the listing of and quotation for the enlarged issued and paid-up share capital of UMW O&G on the Main Board of Bursa Securities;
4. Consent of the High Court of Malaya pursuant to an order made under section 64 of the Companies Act, 1965 in respect of the Proposed Capital Distribution;
5. The relevant authorities from the People's Republic of China for the restructuring of Shanghai Tube-Cote Petroleum Pipe Coating Co, Ltd and Jiangsu Tube-Cote Shuguang Coating Co, Ltd and UMW Oilfield Services (Tianjin) Co, Limited;
6. The shareholders of UMW for the Proposals at an Extraordinary General Meeting (“EGM”) to be convened;
7. The shareholders of UMW for the proposed issue and allotment to eligible directors of UMW pursuant to the Proposed Renunciation of Rights at an EGM to be convened; and
8. Any other relevant authorities/parties (if required).

8.0 DIRECTORS AND MAJOR SHAREHOLDERS' INTERESTS

8.1 Directors' Interests

None of the directors of UMW and/or persons connected to them has any interest, direct or indirect, in the Acquisition of UMW O&G.

Save and except for the Proposed Renunciation of Rights, the Directors of UMW are not deemed to be interested in the Proposals.

The Directors of UMW may be eligible for the allocation of UMW O&G Shares under the Proposed Renunciation of Rights as detailed in Section 2.1.4 (“**Interested Directors**”). Hence, they are deemed interested in the Proposed Renunciation of Rights and will abstain from deliberating and voting on the aforementioned resolution at all Board meetings and at the forthcoming EGM in respect of their direct/indirect shareholdings in UMW, if any.

The Interested Directors will undertake to ensure that persons connected to them will also abstain from voting in respect of their direct and/or indirect shareholdings in UMW, if any, on the resolution pertaining to the Proposed Renunciation of Rights at the EGM.

In the above regard, the Board of Directors has resolved to put forward the resolution for the Proposed Renunciation of Rights to shareholders for approval.

Save as disclosed above, none of the directors of UMW and/or persons connected to them has any interest, direct or indirect in the Proposals.

8.2 Major Shareholders' Interests

None of the major shareholders of UMW and/or persons connected to them has any interest, direct or indirect, in the Proposals save for the Proposed Capital Distribution as all shareholders will be beneficiaries of the UMW O&G Shares pursuant to the Proposed Capital Distribution, in accordance with their respective entitlements to which all existing shareholders of the Company are entitled to. Save as disclosed above, none of the major shareholders of UMW and/or persons connected to them has any interest, direct or indirect, in the Proposal.

9.0 ADVISER

The Board has appointed AmInvestment Bank as the Adviser to UMW and UMW O&G for the Proposals.

10.0 STATEMENT BY THE BOARD OF DIRECTORS

After having considered the rationale and all other aspects of the Proposals, except the Proposed Renunciation of Rights where Directors are unable to deliberate due to their interests therein, the Board is of the opinion that the Proposals are in the best interests of the Company and its shareholders.

11.0 SUBMISSION TO THE SC

The target submission for the Proposals is within one (1) week from the date of announcement.

12.0 ESTIMATED TIMEFRAME FOR THE PROPOSED LISTING

Barring any unforeseen circumstances, the Proposals are expected to be completed by the third quarter of the calendar year 2008.

13.0 DEPARTURE FROM SC POLICIES AND GUIDELINES ON ISSUE/OFFER OF SECURITIES (“SC GUIDELINES”)

Save for any exemptions to be sought from the SC in relation to the Proposals (where required), to the best knowledge of the Board of UMW, the Proposals do not depart from the SC Guidelines.

14.0 DOCUMENTS AVAILABLE FOR INSPECTION

The SPAs for the Proposed Acquisition will be made available for inspection upon signing.

15.0 FURTHER INFORMATION

This announcement is not for distribution except as required under the Listing Requirements of Bursa Securities. This announcement and the information contained herein is not an offer to sell securities in any jurisdiction.

This announcement is dated 28 February 2008.

cc-Securities Commission

(Issues & Investment Division)

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