



UZMA BERHAD

(Company No: 769866-V)
(Incorporated in Malaysia with limited liability under the Companies Act, 1965)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2014

1. BASIS OF REPORTING PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provision of the Listing Requirements of the Bursa Malaysia Securities Berhad and Malaysia Financial Reporting Standard 134: *Interim Financial Reporting* (“MFRS 134”).

The condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2013. The explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2013.

The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those applied by the Group in its audited financial statements for the year ended 31 December 2013.

(a) Adoption of Amendments to Standards and IC Interpretations

The Group has adopted the following Amendments to Standards and IC Interpretations:

Amendments to MFRS 10, MFRS 12 and MFRS 127 (2011): Investment Entities
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-financial Assets
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21 Levies

The adoption of the above pronouncements did not have any impact on the financial statements of the Group upon their initial application.

1. BASIS OF REPORTING PREPARATION (CONT'D)

(b) Standards issued but not yet effective

The Group will adopt the following pronouncements when they become effective in the respective financial periods:

Description	Effective Date
MFRS 9 (2009) Financial Instruments	} To be announced by Malaysian Accounting Standards Board (MASB)
MFRS 9 (2010) Financial Instruments	
MFRS 9 Financial Instruments (Hedge Accounting and Amendments to MFRS 9 and MFRS 139)	
Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9 and Transition Disclosures	
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

These pronouncements are not expected to have any effect to the financial statements of the Group upon their initial application except as follows:

MFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Subsequently, this MFRS 9 was amended in year 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition (known as MFRS 9 (2010)). Generally, MFRS 9 replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 divides all financial assets into 2 categories – those measured at amortised cost and those measured at fair value, based on the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of the MFRS 139 requirement. An entity choosing to measure a financial liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss. The Group will assess the financial implications of MFRS 9 when the full standard is issued

2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

There was no qualification on the audited financial statements of the Company for the financial year ended 31 December 2013.

3. SEASONAL OR CYCLICAL FACTORS

The principal business operations of the Group are not significantly affected by seasonal or cyclical factors during the period under review.

4. ITEMS OF UNUSUAL NATURE AND AMOUNT

There were no items affecting assets, liabilities, equity, net income or cash flow that are unusual because of their nature, size or incidence in the interim financial reports.

5. MATERIAL CHANGES IN ESTIMATES

There were no changes in the estimates of amount relating to the prior financial years that have a material effect in the current quarter under review.

6. ISSUANCES, REPURCHASES, AND REPAYMENTS OF DEBT AND EQUITY SECURITIES

There were no issuances, repurchases, and repayments of debt and equity securities during the current quarter.

7. DIVIDENDS PAID

No dividend had been paid and / or recommended for the current financial period.

8. SEGMENTAL INFORMATION

The Group is organised into 3 main business segments as follows:-

- (i) Services segment - involved in provision of geoscience and reservoir engineering, drilling, project and oilfield operations services, wireline services and other specialised services.
- (ii) Trading segment - involved in manufacturing, marketing, distribution and supply of oilfield chemicals, petrochemical and chemical products, equipment and services.
- (iii) Investment holding

	SERVICES RM'000	TRADING RM'000	INVESTMENT HOLDING RM'000	ELIMINATIONS RM'000	THE GROUP RM'000
REVENUE					
External revenue	81,785	15,933	-	-	97,718
Inter-segment revenue	-	76	45	(121)	-
Total revenue	<u>81,785</u>	<u>16,009</u>	<u>45</u>	<u>(121)</u>	<u>97,718</u>
RESULTS					
Segment results	6,848	4,764	(214)	-	11,398
Finance costs	(545)	-	-	-	(545)
Share of profit of investments accounted for using the equity method					<u>1,449</u>
Profit from ordinary activities before taxation					12,302
Income tax expense					<u>(2,802)</u>
Profit from ordinary activities after taxation					9,500
Non- controlling interest					<u>(1,072)</u>
Net profits attributable to owners of the Company					<u>8,428</u>

9. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There was no valuation of property, plant and equipment in the current period under review.

10. CAPITAL COMMITMENTS

There were no capital commitments not provided for in the interim financial report as at the end of the financial period, except as disclosed in Note 21 (ii).

11. MATERIAL EVENTS SUBSEQUENT TO THE END OF PERIOD REPORTED

There were no material events subsequent to the end of the current quarter, except as disclosed in Notes 16 (xi) and 21 (ii).

12. CHANGES IN THE COMPOSITION OF THE GROUP

Uzma Engineering Sdn. Bhd., a wholly-owned subsidiary of the Company, had on 7 January 2014 entered into a Joint Venture Agreement with Chemical Tracer Services Sdn. Bhd. in connection with the provision of chemical tracer services for the offshore oil and gas sector via a joint venture company.

13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no changes in the contingent liabilities and contingent assets of the Group during the quarter under review.

The Company has given corporate guarantees to licensed financial institutions for banking facilities granted to its subsidiaries. In relation thereto, the Company has contingent liabilities amounting to approximately RM90.2 million as at 31 March 2014.

14. REVIEW OF PERFORMANCE OF THE COMPANY AND ITS PRINCIPAL SUBSIDIARIES

	(Unaudited) Cumulative Period To Date 31.03.2014 RM'000	(Unaudited) Cumulative Period To Date 31.03.2013 RM'000	Difference	
			RM'000	%
Revenue	97,718	88,897	8,821	9.9
Gross profit	22,225	19,793	2,432	12.3
Profit before taxation	12,302	12,181	121	1.0

14. REVIEW OF PERFORMANCE OF THE COMPANY AND ITS PRINCIPAL SUBSIDIARIES (CONT'D)

The Group's revenue in cumulative period-to-date ("PTD") 2014 registered an increase of RM8.8 million or 9.9% as compared to PTD 2013. In line with the increase of revenue, gross profit also increased by RM2.4 million or 12.3%. The long term contracts secured by the Group, as disclosed in note 16, had continued to contribute to the Group's performance.

The Group reported a marginal decrease in profit before taxation of RM0.1 million or 1.0% in the current quarter as compared to PTD 2013 mainly contributed by higher gross profit and share of profit of investments accounted for using the equity method, offset by higher administrative expenses.

15. MATERIAL CHANGES IN THE RESULTS OF THE CURRENT QUARTER COMPARED TO THE RESULTS OF THE PRECEDING QUARTER

	(Unaudited) Current Quarter Ended 31.03.2014 RM'000	(Unaudited) Preceding Quarter Ended 31.12.2013 RM'000	Difference	
			RM'000	%
Revenue	97,718	113,382	(15,664)	-13.8
Gross profit	22,225	22,246	(21)	-0.1
Profit before taxation	12,302	9,245	3,057	33.1

Compared to the previous quarter, the Group's revenue and gross profit decreased by RM15.7 million and RM21,000 respectively in the current quarter.

The Group reported an increase in profit before taxation of RM3.1 million or 33.1% in the current quarter as compared to the previous quarter mainly due to lower administrative expenses and higher share of profit of investments accounted for using the equity method.

16. PROSPECTS AND PROGRESS TO ACHIEVE FORECAST FOR THE REMAINING PERIOD TO THE END OF FINANCIAL YEAR OR NEXT FINANCIAL YEAR

Barring any unforeseen circumstances, the Directors remain optimistic with the Group's prospects for the remaining period to the end of financial year and next financial year, based on the positive developments within the oil and gas industry and the Company specific in 2014 as follows:

- (i) In March 2011, Uzma Engineering Sdn. Bhd. ("UESB") a wholly-owned subsidiary of the Company was awarded by PETRONAS Carigali Sdn Bhd ("PETRONAS"), a long term service agreement to provide a Low Pressure System ("LPS") for its domestic upstream operations. The contract value is estimated to be RM200 million for three years, effective from 18 February 2011 to 17 February 2014.
- (ii) As announced on 26 July 2011, UESB was awarded by PETRONAS a contract for the provision of integrated equipment and services for idle well reactivation project. The value of the contract is estimated at RM170 million for three years effective from 25 July 2011 to 24 July 2014. The contract is expected to contribute positively to the earnings of the Group commencing in the fourth quarter 2011.

16. PROSPECTS AND PROGRESS TO ACHIEVE FORECAST FOR THE REMAINING PERIOD TO THE END OF FINANCIAL YEAR OR NEXT FINANCIAL YEAR (CONT'D)

- (iii) As announced on 20 September 2011, UESB was awarded a contract by PETRONAS to provide marine 2D and 3D seismic data acquisition services (“Umbrella Contract”). The Umbrella Contract period shall be effective from 18 August 2011 and shall continue for a primary period of three (3) years with an extension option of two (2) years.
- (iv) As announced on 16 February 2012, UESB was awarded a contract by PETRONAS to provide well testing equipment and services for Petronas Drilling Programmes – West Region. The contract value is estimated at RM350 million for contract period of five (5) years effective from 1 April 2012 to 31 March 2017.
- (v) As announced on 19 January 2012, the Group has completed the acquisition of 30.02 % equity interest in SVP principally engaged in the business of oil and gas services specialising in providing well-pumping and coil tubing services within the oil and gas sector. SVP is currently contributing positively to the Group’s earnings.
- (vi) As announced on 11 June 2012, UESB was awarded a contract by PETRONAS for the provision of integrated water injection studies. The contract value is estimated at RM36 million for contract period of three (3) years effective from 14 May 2012 to 13 May 2015 with an extension option of 1 year from 14 May 2015 to 13 May 2016.
- (vii) As announced on 6 August 2012, Malaysian Energy Chemical & Services Sdn. Bhd. (“MECAS”) was awarded a contract by Talisman Malaysia Limited for the supply of chemical and related services. The contract value is estimated at RM62 million for contract period of five (5) years effective from 6 July 2012 to 5 July 2017 with four extension option of 1 year each.
- (viii) As announced on 28 August 2012, MECAS received a Letter of Award from ExxonMobil Exploration and Production Malaysia Inc. (“EMEPMI”) for the extension of contracts for the provision of Production and Integrity Chemicals. The value of the extension is estimated at RM27.5 million per year. The extension period will be for 1 year effective from 1 June 2012 to 31 May 2013 with an extension option of 1 year from 1 June 2013 to 31 May 2014.
- (ix) As announced on 19 April 2013, MECAS received a Letter of Award from EMEPMI for the provision of oilfield chemicals and associated services. The contract period is for 5 years (primary term) from 1 April 2013 to 31 March 2018 with an extension option of 2 years. The value for the primary term is estimated at RM238 million.
- (x) As announced on 11 October 2013, UESB received a Letter of Award from PETRONAS Carigali Sdn. Bhd. for the provision of drilling project management team for PMU wells. The contract period is for 1 year from 17 September 2013 to 16 September 2014 with an extension option for 1 year.
- (xi) On 1 April 2014, the Company announced that a contractor Group that includes its wholly owned subsidiary, Uzma Energy Venture (Sarawak) Sdn. Bhd. and EQ Petroleum Developments Malaysia Sdn. Bhd. (“Contractor Group”), had on 27 March 2014 signed a Small Field Risk Service Contract (“SFRSC”) with Petroliaam Nasional Berhad to carry out the development and production of petroleum from the Tanjung Baram Fields.

17. STATEMENT BY DIRECTORS

Not applicable.

18. VARIANCE BETWEEN ACTUAL PROFIT AND FORECAST PROFIT

Not applicable as the Group has not previously disclosed or announced any revenue or profit forecast, estimate, projection or internal targets since the beginning of financial year ending 31 December 2014.

19. TAXATION

	(Unaudited) Current Quarter Ended 31.03.2014 RM'000	(Unaudited) Corresponding Quarter Ended 31.03.2013 RM'000	(Unaudited) Cumulative Period To Date 31.03.2014 RM'000	(Unaudited) Corresponding Period To Date 31.03.2013 RM'000
Current tax	(1,912)	(2,815)	(1,912)	(2,815)
Deferred tax	(890)	(27)	(890)	(27)
	<u>(2,802)</u>	<u>(2,842)</u>	<u>(2,802)</u>	<u>(2,842)</u>

20. ADDITIONAL DISCLOSURE

	(Unaudited) Current Quarter Ended 31.03.2014 RM'000	(Unaudited) Cumulative Period To Date 31.03.2014 RM'000
<u>Profit for the period is arrived at after crediting/ (charging):</u>		
- Gain on disposal of investment in joint venture	305	305
- Depreciation of property, plant and equipment	(1,161)	(1,161)
- Net foreign exchange loss	(336)	(336)

Other than the above, there is no impairment loss on trade receivables, impairment loss on property, plant and equipment, gain or loss on disposal of quoted or unquoted securities, amortisation of intangible assets, gain or loss on disposal of fixed assets, inventories written off, gain or loss on derivatives and exceptional items included in the results for current quarter.

21. STATUS OF CORPORATE PROPOSAL

- i. Proposed Renounceable Rights Issue and Proposed Increase in the Authorised Share Capital
On 18 March 2014, the Company announced that its proposal to undertake the following:
 - a. a renounceable rights issue of up to 132,000,000 Rights Shares at an issue price of RM0.75 per Rights Share on the basis of one (1) Rights Share for every one (1) existing Share held in the Company at an entitlement date to be determined later ("Proposed Rights Issue") after obtaining the approvals from all the relevant parties and the shareholders of the Company; and
 - b. increase the authorised share capital of the Company from RM100,000,000 comprising 200,000,000 shares to RM250,000,000 comprising 500,000,000 shares and in consequence thereof, the Company's Memorandum of Association be amended accordingly.

21. STATUS OF CORPORATE PROPOSAL (CONT'D)

i. Proposed Renounceable Rights Issue and Proposed Increase in the Authorised Share Capital (con'd)

As announced on 9 May 2014, Bursa Securities had, vide its letter dated 8 May 2014, approved the listing and quotation of 132,000,000 new ordinary shares of RM0.50 each to be issued pursuant to the Proposed Rights Issue.

The Company had despatched the circular to shareholders in relation to the Proposed Rights Issue on 23 May 2014.

ii. Proposed Acquisition of MMSVS Group Holdings Limited

As announced on 20 May 2014, the Company had executed a term sheet with Mr. Pornsak Visitpong and/or his nominated affiliated company, Mrs. Jiraporn Visitpong and Mrs. Nantanut Visitpong (collectively, the "Vendors"), setting out the agreement between Uzma and the Vendors to acquire the entire equity interest in MMSVS Group Holdings Limited ("MMSVS" or "Target Company") held by the Vendors for an indicative aggregate purchase consideration of USD29.70 million ("Proposed Acquisition").

Pursuant to the term sheet and subject to further negotiations between Uzma and the Vendors (collectively, the "Parties"), the Parties shall execute a conditional sale and purchase agreement for the purchase of the shares of the Target Company held by the Vendors upon the completion of the preparation, negotiations and necessary documentation in relation to the Proposed Acquisition.

Other than as disclosed above, there are no corporate proposals announced by the Group that have not been completed as at 26 May 2014.

22. GROUP BORROWINGS AND DEBT SECURITIES

The Group's borrowings as at 31 March 2014 are as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short-term borrowing:-</u>			
Term loans	4,051	-	4,051
Hire purchase payables	247	-	247
Bank overdraft	1	-	1
Factoring	13,075	-	13,075
	<u>17,374</u>	<u>-</u>	<u>17,374</u>
<u>Long-term borrowings:-</u>			
Term loans	36,257	-	36,257
Hire purchase payables	503	-	503
	<u>36,760</u>	<u>-</u>	<u>36,760</u>
Total	<u>54,134</u>	<u>-</u>	<u>54,134</u>

23. OFF STATEMENT OF FINANCIAL POSITION FINANCIAL INSTRUMENTS

The Group does not have any off statement of financial position financial instruments.

24. MATERIAL LITIGATION

As at 26 May 2014, neither the Company nor its subsidiaries is involved in any material litigation and arbitration either as plaintiff or defendant, which has a material effect on the financial position of the Company or its subsidiaries and the Directors are not aware of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Company or its subsidiaries.

25. PROPOSED DIVIDEND

No dividend has been proposed for the current quarter.

26. EARNINGS PER SHARE

	(Unaudited) Current Quarter ended 31.03.2014	(Unaudited) Corresponding Quarter ended 31.03.2013	(Unaudited) Cumulative Period to date 31.03.2014	(Unaudited) Corresponding Period to date 31.03.2013
Net profit attributable to owners of the Company (RM'000)	8,428	8,855	8,428	8,855
Weighted average number of ordinary shares in issue ('000)	132,000	132,000	132,000	132,000
Basic earnings per share (sen)	6.38	6.71	6.38	6.71

(a) Basic earnings per share

The basic earnings per share is calculated based on the Group's profit attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the reporting period.

(b) Fully diluted earnings per share

Fully diluted earnings per share were not computed as there were no outstanding potential ordinary shares to be issued as at the end of the reporting period.

27. REALISED AND UNREALISED PROFITS DISCLOSURE

The retained profits as at 31 March 2014 and 31 December 2013 are analysed as follows:

	(Unaudited)	(Audited)
	As at	As at
	31.03.14	31.12.13
	RM'000	RM'000
Total retained profits/(loss) of the Company and the subsidiaries		
- Realised	85,169	76,086
- Unrealised	<u>(3,741)</u>	<u>(1,637)</u>
	81,428	74,449
Total share of profit of investments accounted for using the equity method		
- Realised	<u>7,328</u>	<u>5,879</u>
Total Group retained profits	<u>88,756</u>	<u>80,328</u>