



## 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 2016

#### 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 2015. 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 2015.

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 2015.

##### (a) Adoption of Amendments to Standards and IC Interpretations

The Group has adopted the following Amendments to Standards and IC Interpretations, with a date of initial application of 1 January 2016:

Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations  
Amendments to MFRS 10, MFRS 12 and MFRS 128 (2011):  
Investment Entities – Applying the Consolidation Exception  
Amendments to MFRS 101: Presentation of Financial Statements – Disclosure Initiative  
Amendments to MFRS 116 and MFRS 138:  
Clarification of Acceptable Methods of Depreciation and Amortization  
Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants  
Amendments to MFRS 127 (2011): Equity Method in Separate Financial Statements  
Annual Improvements to MFRSs 2012 – 2014 Cycle

The adoption of the above pronouncements did not have any material impact on the financial statements of the Group.

**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 15 Revenue from Contracts with Customers & Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

These pronouncements are not expected to have any material impact to the financial statements of the Group upon their initial application, except for described below:

MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 issued by IASB in July 2015) replaces MFRS 139. This Standard made changes to the requirements for classification and measurement, impairment, and hedge accounting. The Group is currently assessing the impact of the adoption of this Standard in relation to the new requirements for classification and measurement and impairment. The requirements for hedge accounting are not relevant to the Group.

**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 2015.

**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, trading of hardware and equipment for oil refinery.
- (iii) Investment holding

	SERVICES RM'000	TRADING RM'000	INVESTMENT HOLDING RM'000	ELIMINATIONS RM'000	THE GROUP RM'000
<b>REVENUE</b>					
External revenue	96,469	22,668	-	-	119,137
Inter-segment revenue	1,464	563	75	(2,102)	-
Total revenue	<u>97,933</u>	<u>23,231</u>	<u>75</u>	<u>(2,102)</u>	<u>119,137</u>
<b>RESULTS</b>					
Segment results	23,977	2,180	1,011	-	27,168
Finance costs	(3,260)	(53)	(35)	-	(3,348)
Share of loss of investments accounted for using the equity method					<u>(362)</u>
Profit from ordinary activities before taxation					23,458
Income tax expense					<u>(1,803)</u>
Profit from ordinary activities after taxation					21,655
Non- controlling interest					<u>(681)</u>
Net profit attributable to owners of the Company					<u>20,974</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

Approved and contracted for plant and equipment RM172,000,000

**11. MATERIAL EVENTS SUBSEQUENT TO THE END OF PERIOD REPORTED**

There were no material events subsequent to the end of the current quarter.

**12. CHANGES IN THE COMPOSITION OF THE GROUP**

There were no changes in the composition of the Group from the beginning of the period up to 25 May 2016.

**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 RM381.7 million as at 31 March 2016.

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

	<b>(Unaudited) Cumulative Period To Date 31.03.2016 RM'000</b>	<b>(Unaudited) Cumulative Period To Date 31.03.2015 RM'000</b>	<b>Difference</b>	
			<b>RM'000</b>	<b>%</b>
Revenue	119,137	148,529	(29,392)	-19.8
Gross profit	26,041	36,016	(9,975)	-27.7
Profit before taxation	23,458	13,086		
Less: Unrealised gain / (loss) on foreign exchange	15,789	(5,062)		
	<u>7,669</u>	<u>18,148</u>	(10,479)	-57.7

The Group's revenue decreased by RM29.4 million or 19.8% as compared to PTD 2015. As a result of lower revenue and gross profit margin, gross profit decreased by RM10.0 million or 27.7%.

The Group reported a decrease in profit before taxation (excluding unrealised gain / (loss) on foreign exchange) of RM10.5 million or 57.7% in PTD 2016 as compared to PTD 2015, mainly caused by lower gross profit, higher finance costs, and share of loss in joint venture.

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

	(Unaudited) Current Quarter Ended 31.03.2016 RM'000	(Unaudited) Preceding Quarter Ended 31.12.2015 RM'000	Difference	
			RM'000	%
Revenue	119,137	107,252	11,885	11.1
Gross profit	26,041	25,029	1,012	4.0
Profit before taxation	23,458	15,104		
Less: Unrealised gain on foreign exchange	15,789	637		
	7,669	14,467	(6,798)	-47.0

The Group's revenue and gross profit increased by RM11.9 million and RM1.0 million respectively in the current quarter, compared to the preceding quarter.

However, the Group reported a decrease in profit before taxation (excluding unrealised gain on foreign exchange) of RM7.0 million or 47.0% in the current quarter as compared to the preceding quarter, mainly caused by a higher gain recognized from adjustment of deferred consideration in relation to the acquisition of MMSVS (as disclosed in Note 16 (vii)) in the preceding quarter.

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

The joint venture between Uzma Energy Venture (Sarawak) Sdn. Bhd. and EQ Petroleum Developments Malaysia Sdn. Bhd. (the "Contractors") had achieved first oil from Tanjung Baram Fields (as disclosed in note (vi) below) on 18 August 2015. Pursuant to the Small Field Risk Service Contract signed with Petroliaam Nasional Berhad, the Contractors are responsible for incurring costs for development and production of petroleum from the Tanjung Baram Fields, and will be reimbursed for the costs incurred. The Contractors will also receive remuneration fee, linked to performance variables, for a contract period of nine years.

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 of the Company specific in 2016 as follows:

- (i) 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.
- (ii) 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.

**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 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.
- (iv) 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.
- (v) 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.
- (vi) 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 Petroliam Nasional Berhad to carry out the development and production of petroleum from the Tanjung Baram Fields.
- (vii) As announced on 23 July 2014, Uzma completed the acquisition of the entire equity interest in MMSVS Group Holdings Limited ("MMSVS"). The principal activities of MMSVS are the provision of services in relation to the repair and maintenance of exploratory and production wells utilizing Hydraulic Workover Units. The acquisition is expected to contribute positively to the Group's future earnings.
- (viii) As announced on 4 August 2014, Uzma completed the acquisition of the entire issued and paid-up share capital of Premier Enterprise Corporation (M) Sdn Bhd ("PEC"). PEC is principally engaged in the business of oil and gas services specialising in the business of trading of chemical and other commodities in oil refinery. The acquisition is envisaged to provide earning accretion to the Company upon completion of the acquisition.
- (ix) As announced on 16 January 2015, UESB was awarded by PETRONAS Carigali Sdn Bhd, a contract for the provision of Through Tubing Downhole Tools and Services. The contract period will be for 2 years which is effective from 1 January 2015 to 31 December 2016 with an extension option of 1 year. The value of the contract is estimated at RM50 million.
- (x) As announced on 17 February 2015, UESB was awarded by PETRONAS Carigali Sdn Bhd with a contract for the provision of Cased Hole Electric-Line Logging Perforation and other services. The contract is valued at RM59 million. The duration of the contract is for 2 years effective from 28 January 2015, with an option to extend for an additional 1 year.

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

- (xi) On 21 May 2015, Sazma Aviation Sdn. Bhd., a 40% associate company of Uzma, was awarded by PETRONAS Carigali Sdn Bhd (“PCSB”) the following contracts:
- a. Contract for the provision of helicopter services for PETRONAS well drilling campaign at the East Coast of Sabah. The contract is valued at approximately RM12.5 million. The duration of the contract is for six months effective from 15 May 2015 to 14 November 2015 with an extension option exercisable by PCSB of 3 months until 14 February 2016; and
  - b. Contract for the provision of aviation services for PETRONAS Sabah Operations (SBO). The contract is valued at RM154 million. The duration of the contract is for five years effective from 23 March 2015 to 22 March 2020 with an extension option exercisable by PCSB of 1 year until 22 March 2021.
- (xii) As announced on 10 July 2015, UESB was awarded by PETRONAS Carigali Sdn Bhd (“PCSB”) with a contract for Leasing, Operation and Maintenance of the D18 Water Injection Facility for PCSB. The contract value is estimated at RM350 million to RM400 million. The duration of the contract is for 5 years leasing period effective from 31 March 2016.

**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 ended 31 December 2016.

**19. TAXATION**

	(Unaudited) Current Quarter Ended 31.03.2016 RM'000	(Unaudited) Corresponding Quarter Ended 31.03.2015 RM'000	(Unaudited) Cumulative Period To Date 31.03.2016 RM'000	(Unaudited) Corresponding Period To Date 31.03.2015 RM'000
Current tax	(2,809)	(3,268)	(2,809)	(3,268)
MIDA tax deduction*	766	1,000	766	1,000
Deferred tax	240	(1,241)	240	(1,241)
	(1,803)	(3,509)	(1,803)	(3,509)

\*Tax incentive is given by Malaysian Investment Development Authority (“MIDA”) for acquisition of MMSVS as disclosed in Note 16 (vii).

**20. ADDITIONAL DISCLOSURE**

	<b>(Unaudited) Current Quarter Ended 31.03.2016 RM'000</b>	<b>(Unaudited) Cumulative Period To Date 31.03.2016 RM'000</b>
<u>Profit for the period is arrived at after crediting/ (charging):</u>		
- Net foreign exchange gain	15,400	15,400
- Depreciation of property, plant and equipment	(3,851)	(3,851)
- Amortisation of intangible assets	(100)	(100)

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, inventories written off, gain or loss on derivatives and exceptional items included in the results for current quarter.

**21. STATUS OF CORPORATE PROPOSAL**

There are no corporate proposals announced by the Group that have not been completed as at 25 May 2016.

**22. STATUS OF UTILISATION OF PROCEEDS**

Right Issue in 2014

In year 2014, the Company issued 132,000,000 new ordinary shares of RM0.50 each at an issue price of RM0.75 per right share on the basis of one right share for every one existing ordinary share ("Right Issue"). The total proceeds raised from the Right Issue was RM99,000,000. The proceeds had been fully utilised as at 31 March 2016:

<b>Purpose</b>	<b>Proposed utilisation</b>	<b>Actual utilisation up to 31 March 2016</b>	<b>Intended time frame for utilisation</b>	<b>Deviations</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>Months</b>	<b>RM'000</b>	<b>%</b>
Capital expenditure	78,000	78,000	24	-	-
Working capital	8,000	10,988	12	(2,988) <sup>#</sup>	-37%
High performance computing	4,500	1,512	24*	2,988 <sup>#</sup>	66%
Renovation of office premises	7,500	7,500	24*	-	-
Defraying estimated expenses	1,000	1,000	Immediate	-	-
	<u>99,000</u>	<u>99,000</u>		<u>-</u>	

\* As announced on 7 August 2015, the Company resolved to extend the timeframe for the utilisation of the remaining proceeds for another 12 months until 21 July 2016.

# RM2,988,000 which was originally planned to be spent on high performance computing, had actually been utilised for working capital purposes.



**23. GROUP BORROWINGS AND DEBT SECURITIES**

The Group's borrowings as at 31 March 2016 are as follows:

	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Total RM'000</b>
<u>Short-term borrowings:</u>			
Bank loans	109,395	-	109,395
Hire purchase payables	305	-	305
	<u>109,700</u>	<u>-</u>	<u>109,700</u>
<u>Long-term borrowings:</u>			
Bank loans	200,738	-	200,738
Hire purchase payables	1,334	-	1,334
	<u>202,072</u>	<u>-</u>	<u>202,072</u>
Total	<u>311,772</u>	<u>-</u>	<u>311,772</u>

**24. OFF STATEMENT OF FINANCIAL POSITION FINANCIAL INSTRUMENTS**

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

**25. MATERIAL LITIGATION**

As at 25 May 2016, 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.

**26. PROPOSED DIVIDEND**

No dividend has been proposed for the current quarter.

27. EARNINGS PER SHARE (“EPS”)

	(Unaudited) Current Quarter ended 31.03.2016	(Unaudited) Corresponding Quarter ended 31.03.2015	(Unaudited) Cumulative Period to date 31.03.2016	(Unaudited) Corresponding Period to date 31.03.2015
<b>(i) Basic EPS</b>				
Net profit attributable to owners of the Company (RM'000)	20,974	8,054	20,974	8,054
Weighted average number of ordinary shares in issue ('000)	290,936	267,567	290,936	267,567
Basic EPS (sen)	7.21	3.01	7.21	3.01
<b>(ii) Adjusted EPS</b>				
Net profit attributable to owners of the Company (RM'000)	20,974	8,054	20,974	8,054
Less : Unrealised gain / (loss) on foreign exchange	15,789	(5,062)	15,789	(5,062)
	5,185	13,116	5,185	13,116
Weighted average number of ordinary shares in issue ('000)	290,936	267,567	290,936	267,567
Adjusted EPS (sen)	1.78	4.90	1.78	4.90

(a) Basic EPS

The basic EPS 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) Adjusted EPS

The adjusted EPS is calculated based on the Group's profit attributable to owners of the Company (excluding unrealised gain / loss on foreign exchange) divided by the weighted average number of ordinary shares in issue during the reporting period.

(c) Fully diluted EPS

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

**28. REALISED AND UNREALISED PROFITS DISCLOSURE**

The retained profits as at 31 March 2016 and 31 December 2015 are analysed as follows:

	<b>(Unaudited)</b> <b>As at</b> <b>31.03.2016</b> <b>RM'000</b>	<b>(Audited)</b> <b>As at</b> <b>31.12.2015</b> <b>RM'000</b>
Total retained profits / (accumulated losses) of the Company and the subsidiaries		
- Realised	110,129	138,364
- Unrealised	8,430	(40,942)
	<u>118,559</u>	<u>97,422</u>
Total share of profit of investments accounted for using the equity method		
- Realised	14,007	14,170
Total Group retained profits	<u>132,566</u>	<u>111,592</u>