



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

## **NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER AND PERIOD ENDED 31 DECEMBER 2017**

### **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 2016. 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 2016.

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 2016.

During the current financial period, the Company and its subsidiary companies (“Group”) have adopted the following new accounting standards and interpretations (including the consequential amendments):-

Amendments to MFRS 107: Disclosure Initiative

Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses

Annual Improvements to MFRS Standards 2014 – 2016 Cycles:

- Amendments to MFRS 12: Clarification of the Scope of Standard

The adoption of the above standards and interpretations will not have any material impact on the financial position and performance of the Group.

## 1. BASIS OF REPORTING PREPARATION (CONT'D)

The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial period:-

### MFRSs and IC Interpretations (Including The Consequential Amendments)

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
Amendment to MFRS 2 Share-based Payment – Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendment to MFRS 140 Investment Property – Transfers of Investment Property	1 January 2018
Annual Improvement to MFRSs 2014 – 2016 Cycle:	1 January 2018
• Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters	
• Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value	
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018 *
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
MFRS 16 Leases	1 January 2019
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

\* Entities that meet the specific criteria in MFRS 4.20B may choose to defer the application of MFRS 9 until the earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.

These pronouncement 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 2016.

## 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 and period, except as announced on 16 June 2017, the Company completed Private Placement of up to 29,093,500 new ordinary shares of Uzma Berhad representing approximately 10% of the existing total number of issued shares of Uzma.

**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

**8. SEGMENTAL INFORMATION (CONT'D)**

	SERVICES RM'000	TRADING RM'000	INVESTMENT HOLDING RM'000	ELIMINATIONS RM'000	THE GROUP RM'000
<b>REVENUE</b>					
External revenue	293,680	82,032	-	-	375,712
Inter-segment revenue	42,323	3,824	300	(46,447)	-
Total revenue	<u>336,003</u>	<u>85,856</u>	<u>300</u>	<u>(46,447)</u>	<u>375,712</u>
<b>RESULTS</b>					
Segment results	32,109	9,057	(30)	-	41,136
Finance costs	(44,881)	(162)	(1,309)	23,865	(22,487)
Share of profit of investments accounted for using the equity method					<u>7,946</u>
Profit from ordinary activities before taxation					26,595
Income tax expense					<u>(433)</u>
Profit from ordinary activities after taxation					26,162
Non- controlling interest					<u>(1,931)</u>
Net profit attributable to owners of the Company					<u>24,231</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 as at 31 December 2017 RM 5,190,434

**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 27 February 2018 as announced, the Company incorporated three (3) new subsidiaries detailed as follow:

(i) Uzma Laboratory Sdn. Bhd. (Company No. 1227506-M)

Principal activities	:	Business of geosciences and reservoir engineering, drilling project and operation services and other specialized services within the oil and gas industry.
Paid-up capital	:	RM100 represented by 100 ordinary shares.
Shareholders	:	(i) Uzma Berhad (94%) (ii) Michael Gerard Snape (3%) (iii) Douglas Denis Langton (3%)

(ii) Environergy Sdn. Bhd. (Company No. 1227529-U)

Principal activities	:	Electric power generation and transmission, renewable energy power.
Paid-up capital	:	RM1.00 represented by 1 ordinary share
Shareholders	:	Uzma Berhad (100%)

(iii) Uzma Resources Solutions Sdn Bhd (Company No. 1238916-W)  
(Formerly Known as Teraju Meriah Sdn. Bhd.)

Principal activities	:	Professional Manpower Consultancy for Oil and Gas Industry
Paid-up capital	:	RM1.00 represented by 1 ordinary share
Shareholders	:	Uzma Berhad (100%)

## 13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no changes in 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 RM485.9 million as at 31 December 2017.

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

	<b>(Unaudited) Cumulative Period To Date 31.12.2017 RM'000</b>	<b>(Audited) Cumulative Period To Date 31.12.2016 RM'000</b>	<b>Difference</b>	
			<b>RM'000</b>	<b>%</b>
Revenue	375,712	471,050	(95,338)	(20.2)
Gross profit	144,769	122,233	22,536	18.4
Profit before taxation ("PBT")	26,595	50,536	(23,941)	(47.3)
Adjust for: Unrealised loss/(gain) on Foreign exchange	14,324	(17,029)		
Adjusted PBT	<u>40,919</u>	<u>33,507</u>	7,412	22.1

The Group's revenue decreased by RM95.3 million or 20.2% as compared to period-to-date ("PTD") 2016. Eventhough reduction in revenue, the Group's gross profit increased by RM22.5 million or 18.4%. This is mainly due the improvement of gross profit margin.

The Group reported increase in Adjusted PBT of RM7.4 million or 22.1% in PTD 2017 as compared to PTD 2016. The increase in Adjusted PBT was due to improvement in gross profit offset by higher operating expenses and finance costs.

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

	<b>(Unaudited) Current Quarter Ended 31.12.2017 RM'000</b>	<b>(Unaudited) Preceding Quarter Ended 30.9.2017 RM'000</b>	<b>Difference</b>	
			<b>RM'000</b>	<b>%</b>
Revenue	110,400	99,289	11,111	11.1
Gross profit	41,480	32,280	9,200	28.5
PBT	6,510	3,317	3,193	96.2
Adjust for: Unrealised loss on Foreign exchange	5,147	3,688		
Adjusted PBT	<u>11,657</u>	<u>7,005</u>	4,652	66.4

The Group's revenue increased by RM11.11 million or 11.1% was mainly due to higher recognition of revenue for certain projects. As a result of higher revenue, gross profit also increased by RM9.2 million or 28.5%.

The Group reported increase in Adjusted PBT of RM4.6 million or 66.4% was mainly due to improvement in gross profit offset by higher operating expenses and administrative expenses in the current quarter under review.

## 16. PROSPECTS AND PROGRESS TO ACHIEVE FORECAST FOR 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 of the Company specific in 2017 as follows:

- (i) 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.
- (ii) 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.
- (iii) 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.
- (iv) 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.
- (v) 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.
- (vi) On 21 May 2015, Sazma Aviation Sdn. Bhd., a 40% associate company of Uzma, was awarded by PETRONAS Carigali Sdn Bhd ("PCSB") with a 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.
- (vii) 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.
- (viii) As announced on 6 February 2017, UESB was awarded by PETRONAS Carigali Sdn Bhd with an Umbrella Contract for the Provision of Electric Wireline Logging (EWL). The contract will run for a duration of 3 years, commencing from 1 December 2016 to 30 December 2019, with two extension options of 1 year each for Cased Hole Logging Services across the Pan Malaysia area. Upon issuance of specific work order, the Company expects the contract to contribute positively to its future earnings.

**16. PROSPECTS AND PROGRESS TO ACHIEVE FORECAST FOR NEXT FINANCIAL YEAR (CONT'D)**

- (ix) As announced on 28 February 2017, Uzma Engineering Sdn. Bhd. (“UESB”) was awarded by Murphy with a contract for the Provision of Hydraulic Workover Unit and services. The contract will run for a duration of 2 years with an extension option of one (1) year. Upon issuance of specific work order, the Company expects the contract to contribute positively to its future earnings.
- (x) As announced on 22 March 2017, UESB was awarded by PETRONAS Carigali Sdn Bhd with a contract for the Provision of Fishing Equipment and Services and services. The contract will run for a duration of 2 years with an extension option of one (1) year. Upon issuance of specific work order, the Company expects the contract to contribute positively to its future earnings.
- (xi) As announced on 9 January 2018, UESB was awarded by PETRONAS Carigali Sdn Bhd three (3) umbrella contracts for the provision of electrical submersible pump (“ESP”) and services for PCSB as follows:-
  - (a) Supply of Jointed Tubing ESP and the Deployments;
  - (b) Supply of Coiled Tubing ESP and the Deployment; and
  - (c) Surveillance, Monitoring and Maintenance of ESP.

The tenure of the contract is three years from 20 November 2017 to 19 November 2020 with first extension option of one (1) year. Upon issuance of specific work order, the Group expects the contract to contribute positively to its future earnings.

- (xii) As announced on 17 January 2018, UESB was awarded by PETRONAS Carigali Sdn Bhd for the provision of Hydraulic Workover Unit (“HWU”) – “Ghazi 461” from 28 December 2017 until completion of three (3) firm well with extension option of a further six (6) wells. Upon issuance of specific work order, the Group expects the contract to contribute positively to its future earnings.



**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 2017.

**19. TAXATION**

	<b>(Unaudited) Current Quarter Ended 31.12.2017 RM'000</b>	<b>(Unaudited) Corresponding Quarter Ended 31.12.2016 RM'000</b>	<b>(Unaudited) Cumulative Period To Date 31.12.2017 RM'000</b>	<b>(Audited) Corresponding Period To Date 31.12.2016 RM'000</b>
Current tax *	3,547	(4,269)	(2,299)	(6,015)
Deferred tax	(2,977)	(1,446)	1,866	(400)
	<u>570</u>	<u>(5,715)</u>	<u>(433)</u>	<u>(6,415)</u>

\* The Group utilised the tax incentive during the financial period ended 31 December 2017 which is given by Malaysian Investment Development Authority ("MIDA") for acquisition of MMSVS as disclosed in Note 16 (iv).

**20. ADDITIONAL DISCLOSURE**

	<b>(Unaudited) Current Quarter Ended 31.12.2017 RM'000</b>	<b>(Unaudited) Cumulative Period To Date 31.12.2017 RM'000</b>
<u>Profit for the period is arrived at after crediting/ (charging):</u>		
- Net foreign exchange loss	(4,924)	(14,505)
- Depreciation of property, plant and equipment	(8,399)	(32,910)
- Amortisation of intangible assets	(99)	(398)
- Impairment loss on trade receivables	-	(5,607)

Other than the above, there is no 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 27 February 2018.

## 22. UTILISATION OF PROCEEDS FROM PRIVATE PLACEMENT

As disclosed in Note 6, the total proceeds raised from the Private Placement was RM49,458,950. The status of utilisation of proceeds from the Private Placement as at 31 December 2017, as follows:

Purpose	Proposed utilisation	Actual utilisation up to 31 Dec 2017	Intended time frame for utilisation	Deviations	Explanation
	RM'000	RM'000	Months	RM'000	
Capital expenditure	30,000	(5,016)	24	24,984	To be utilised
Working capital	3,748	(3,748)	12	-	
Repayment of bank overdrafts	15,000	(15,000)	12	-	
Estimated expenses relating to the Proposed Private Placement	711	(711)	1	-	
	<u>49,459</u>	<u>(24,475)</u>		<u>24,984</u>	

## 23. GROUP BORROWINGS AND DEBT SECURITIES

The details of the Group's borrowings are as follows:

	As at 31 December 2017					
	Short term		Long term		Total	
	Foreign Currency ('000)	RM ('000)	Foreign Currency ('000)	RM ('000)	Foreign Currency ('000)	RM ('000)
<u>Secured</u>						
Bank loans (RM)	N/A	126,245	N/A	138,409	N/A	264,654
Bank loans (USD) *	4,357	17,635	33,696	136,387	140,743	154,022
Bank Loan (THB) **	N/A	-	20,049	2,489	20,049	2,489
Hire purchase payables (RM)	N/A	582	N/A	11,803	N/A	12,385
Hire purchase payables (USD)	N/A	-	N/A	-	N/A	-
		<u>144,462</u>		<u>289,088</u>		<u>433,550</u>
<u>Unsecure</u>						
Bank loans (RM)	N/A	-	N/A	-	N/A	-
Hire purchase payables (RM)	N/A	-	N/A	-	N/A	-
		<u>-</u>		<u>-</u>		<u>-</u>
Total		<u>144,462</u>		<u>289,088</u>		<u>433,550</u>

**23. GROUP BORROWINGS AND DEBT SECURITIES (CONT'D)**

	As at 31 December 2016					
	Short term		Long term		Total	
	Foreign Currency (‘000)	RM (‘000)	Foreign Currency (‘000)	RM (‘000)	Foreign Currency (‘000)	RM (‘000)
<u>Secured</u>						
Bank loans (RM)	N/A	120,440	N/A	152,564	N/A	273,004
Bank loans (USD) #	10,934	47,406	36,772	163,966	47,706	211,372
Bank Loan (THB) ##	4,542	569	20,115	2,519	24,657	3,088
Hire purchase payables (RM)	N/A	788	N/A	5,887	N/A	6,675
Hire purchase payables (THB) ##	319	40	663	83	982	123
		<u>169,243</u>		<u>325,019</u>		<u>494,262</u>
<u>Unsecured</u>						
Bank loans (RM)	N/A	-	N/A	-	N/A	-
Hire purchase payables (RM)	N/A	-	N/A	-	N/A	-
		<u>-</u>		<u>-</u>		<u>-</u>
Total		<u>169,243</u>		<u>325,019</u>		<u>494,262</u>

Notes:

- \* - Converted at exchange rate of 4.0475 as at 31 December 2017.
- \*\* - Converted at exchange rate of 0.1242 as at 31 December 2017.
- # - Converted at exchange rate of 4.4860 as at 31 December 2016.
- ## - Converted at exchange rate of 0.1252 as at 31 December 2016.

**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 27 February 2018, 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 31.12.2017	(Unaudited) Corresponding Quarter ended 31.12.2016	(Unaudited) Cumulative Year to date 31.12.2017	(Audited) Corresponding Year to date 31.12.2016
<b>(i) Basic EPS</b>				
Net profit attributable to owners of the Company (RM'000)	6,360	12,774	24,231	39,328
Weighted average number of ordinary shares in issue ('000)	306,798	290,936	306,798	290,936
Basic EPS (sen)	2.07	4.39	7.90	13.52
<b>(ii) Adjusted EPS</b>				
Net profit attributable to owners of the Company (RM'000)	6,360	12,774	24,231	39,328
Adjust for unrealised foreign exchange loss/(gain)	5,147	(9,824)	14,324	(17,029)
Weighted average number of ordinary shares in issue ('000)	306,798	290,936	306,798	290,936
Adjusted EPS (sen)	3.75	1.01	12.57	7.66

(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 foreign exchange gain/loss) 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.