



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 FORTH QUARTER ENDED 31 DECEMBER 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:

MFRS 14 Regulatory Deferral Accounts
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
Amendments to MFRS 107 Statement of Cash Flow – Disclosure Initiative	1 January 2017
Amendments to MFRS 112 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Annual Improvement to MFRSs 2014 – 2016 Cycle	1 January 2017
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
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

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 and period to date.

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
REVENUE					
External revenue	372,584	102,885	-	-	475,469
Inter-segment revenue	12,093	5,805	300	(18,198)	-
Total revenue	<u>384,677</u>	<u>108,690</u>	<u>300</u>	<u>(18,198)</u>	<u>475,469</u>
RESULTS					
Segment results	44,448	17,670	842	-	62,960
Finance costs	(15,153)	(118)	(136)	-	(15,407)
Share of profit of investments accounted for using the equity method					<u>4,447</u>
Profit from ordinary activities before taxation					52,000
Income tax expense					<u>(5,042)</u>
Profit from ordinary activities after taxation					46,958
Non- controlling interest					<u>(4,369)</u>
Net profit attributable to owners of the Company					<u>42,589</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 for the purchase of property, plant and equipment not provided for in this interim financial report as at the end of the financial year.

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 24 February 2017.

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 RM595.0 million as at 31 December 2016.

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

	(Unaudited) Cumulative Year To Date 31.12.2016 RM'000	(Audited) Cumulative Year To Date 31.12.2015 RM'000	Difference	
			RM'000	%
Revenue	475,469	510,772	(35,303)	-6.9%
Gross profit	122,538	116,159	6,379	5.5%
Profit before taxation	52,000	22,685		
Less: Net foreign exchange gain/ (Loss)	17,696	(26,422)		
	<u>34,304</u>	<u>49,107</u>	(14,803)	-30.1%

The Group's revenue decreased by RM35.3 million or 6.9% as compared to year-to-date ("YTD") 2015, while gross profit increased by RM6.4 million or 5.5%.

The Group reported a decrease in profit before taxation (excluding net foreign exchange gain / loss) of RM14.8 million or 30.1% in YTD 2016 as compared to YTD 2015, mainly caused by higher operating expenses and higher finance costs, mitigated by higher gross profit.

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

	(Unaudited) Current Quarter Ended 31.12.2016 RM'000	(Unaudited) Preceding Quarter Ended 30.09.2016 RM'000	Difference	
			RM'000	%
Revenue	143,172	121,635	21,537	17.7%
Gross profit	40,825	29,321	11,504	39.2%
Profit before taxation	21,896	3,489		
Less: Net foreign exchange gain/ (Loss)	11,804	(4,977)		
	10,092	8,466	1,626	19.2%

The Group's revenue increased by RM21.5 million or 17.7%. In line with increase of revenue, gross profit increased by RM11.5million or 39.2%.

The Group reported an increase in profit before taxation (excluding net foreign exchange gain / loss) of RM1.6 million or 19.2%, mainly contributed by higher gross profit, offset by higher administrative and operating expenses, and higher finance costs.

16. PROSPECTS AND PROGRESS TO ACHIEVE FORECAST FOR 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 (v) 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 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.
- (ii) 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.

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

- (iii) 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.
- (iv) 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.
- (v) 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.
- (vi) 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.
- (vii) 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.
- (viii) 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 expired on 31 December 2016, but it has been extended for another 1 year from 1 January 2017 to 31 December 2017.
- (ix) 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.
- (x) 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.

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

- (xi) 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.
- (xii) As announced on 16 February 2017, UESB was awarded by LUNDIN Malaysia B.V. with a contract for the Provision of Hydraulic Workover Unit (“HWU services”) and services. The contract will run for a duration of 9 months for HWU services for the client’s operations at the Bertam field, on the east coast of Peninsular Malaysia. Upon issuance of specific work order, the Company 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 2016.

19. TAXATION

	(Unaudited) Current Quarter Ended 31.12.2016 RM'000	(Unaudited) Corresponding Quarter Ended 31.12.2015 RM'000	(Unaudited) Cumulative Year To Date 31.12.2016 RM'000	(Audited) Corresponding Year To Date 31.12.2015 RM'000
Current tax	(2,574)	(2,213)	(7,365)	(12,455)
Deferred tax	(1,084)	(3,006)	(38)	(3,162)
MIDA tax deduction*	(684)	1,229	2,361	4,229
	<u>(4,342)</u>	<u>(3,990)</u>	<u>(5,042)</u>	<u>(11,388)</u>

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

20. ADDITIONAL DISCLOSURE

	(Unaudited) Current Quarter Ended 31.12.2016 RM'000	(Unaudited) Cumulative Year To Date 31.12.2016 RM'000
<u>Profit for the period is arrived at after crediting/ (charging):</u>		
- Net foreign exchange gain / (loss)	11,804	17,696
- Depreciation of property, plant and equipment	(6,512)	(18,506)
- Amortisation of intangible assets	(99)	(398)

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 24 February 2017.

22. STATUS OF UTILISATION OF PROCEEDS

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.

23. GROUP BORROWINGS AND DEBT SECURITIES

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

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short-term borrowings:</u>			
Bank loans	102,888	-	102,888
Hire purchase payables	143	-	143
	<u>103,031</u>	<u>-</u>	<u>103,031</u>
<u>Long-term borrowings:</u>			
Bank loans	393,282	-	393,282
Hire purchase payables	1,269	-	1,269
	<u>394,551</u>	<u>-</u>	<u>394,551</u>
Total	<u>497,582</u>	<u>-</u>	<u>497,582</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 24 February 2017, 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 31.12.2016	(Unaudited) Corresponding Quarter ended 31.12.2015	(Unaudited) Cumulative Year to date 31.12.2016	(Audited) Corresponding Year to date 31.12.2015
(i) Basic EPS				
Net profit attributable to owners of the Company (RM'000)	16,035	9,563	42,589	5,261
Weighted average number of ordinary shares in issue ('000)	290,936	290,936	290,936	278,313
Basic EPS (sen)	5.51	3.29	14.64	1.89
(ii) Adjusted EPS				
Net profit attributable to owners of the Company (RM'000)	16,035	9,563	42,589	5,261
Less : Net foreign exchange gain / (loss)	11,804	5,557	17,696	(26,456)
	4,231	4,006	24,893	31,717
Weighted average number of ordinary shares in issue ('000)	290,936	290,936	290,936	278,313
Adjusted EPS (sen)	1.45	1.38	8.56	11.40

(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 net 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.

28. REALISED AND UNREALISED PROFITS DISCLOSURE

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

	(Unaudited) As at 31.12.2016 RM'000	(Audited) As at 31.12.2015 RM'000
Total retained profits / (accumulated losses) of the Company and the subsidiaries		
- Realised	146,142	138,364
- Unrealised	<u>(9,917)</u>	<u>(40,942)</u>
	136,225	97,422
Total share of profit of investments accounted for using the equity method		
- Realised	<u>17,958</u>	<u>14,170</u>
Total Group retained profits	<u>154,183</u>	<u>111,592</u>