



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 SECOND QUARTER ENDED 30 JUNE 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.

(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 2017:

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
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
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

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 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

	SERVICES RM'000	TRADING RM'000	INVESTMENT HOLDING RM'000	ELIMINATIONS RM'000	THE GROUP RM'000
REVENUE					
External revenue	128,648	37,375	-	-	166,023
Inter-segment revenue	25,084	1,805	150	(27,039)	-
Total revenue	<u>15,732</u>	<u>39,180</u>	<u>150</u>	<u>(27,039)</u>	<u>166,023</u>
RESULTS					
Segment results	20,795	5,341	(668)	-	25,468
Finance costs	(8,911)	(120)	(63)	(2,284)	(11,378)
Share of profit of investments accounted for using the equity method					<u>2,678</u>
Profit from ordinary activities before taxation					16,768
Income tax expense					<u>(4,264)</u>
Profit from ordinary activities after taxation					12,504
Non- controlling interest					<u>(963)</u>
Net profit attributable to owners of the Company					<u>11,541</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 23 August 2017 save as announced on 18 April 2017, the Company incorporated two (2) new subsidiaries detailed as follow:

- (i) Uzma Laboratory Sdn. Bhd. (“ULSB”)(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%)

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 RM541.8million as at 30 June 2017.

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

	(Unaudited) Cumulative Period To Date 30.06.2017 RM'000	(Audited) Cumulative Period To Date 30.06.2016 RM'000	Difference	
			RM'000	%
Revenue	166,023	210,662	(44,639)	(21.2)
Gross profit	71,009	52,392	18,617	35.5
Profit before taxation ("PBT")	16,768	26,615		
Adjust for: Unrealised loss/(gain) on Foreign exchange	5,489	(10,872)		
Adjusted PBT	<u>22,257</u>	<u>15,743</u>	6,514	41.4

The Group's revenue decreased by RM44.6 million or 21.2% as compared to period-to-date ("PTD") 2016. Even though reduction in revenue, the Group's gross profit increased by RM18.6 million or 35.5%. This is mainly due the improvement of gross profit margin.

The Group reported increase in Adjusted PBT of RM6.5 million or 41.4% 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

	(Unaudited) Current Quarter Ended 30.6.2017 RM'000	(Unaudited) Preceding Quarter Ended 31.3.2017 RM'000	Difference	
			RM'000	%
Revenue	71,519	94,504	(22,985)	(24.3)
Gross profit	29,023	41,986	(12,963)	(30.8)
PBT	9,774	6,994		
Adjust for: Unrealised loss on Foreign exchange	3,596	1,893		
Adjusted PBT	<u>13,370</u>	<u>8,887</u>	4,483	50.4

The Group's revenue decreased by RM22.9 million or 24.3% was mainly due to lower recognition of certain projects. As a result of lower revenue, gross profit also decreased by RM12.9 million or 30.8%.

Notwithstanding the reduction in gross profit, the Group reported increase in Adjusted PBT of RM4.5 million or 50.4% due to increase in other income in current quarter under review.

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 Petroliam 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 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 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.
- (iii) 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.
- (iv) 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.
- (v) 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.
- (vi) 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.
- (vii) 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.
- (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 and services. The contract will run for a duration of 9 months 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.
- (xiii) As announced on 28 February 2017, 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.
- (xiv) 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.

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 30 June 2017.

19. TAXATION

	(Unaudited) Current Quarter Ended 30.06.2017 RM'000	(Unaudited) Corresponding Quarter Ended 30.06.2016 RM'000	(Unaudited) Cumulative Period To Date 30.06.2017 RM'000	(Unaudited) Corresponding Period To Date 30.06.2016 RM'000
Current tax	(1,531)	(3,019)	(5,027)	(5,828)
Deferred tax	(2,012)	1,072	763	1,838
MIDA tax deduction*	-	539	-	779
	(3,543)	(1,408)	(4,264)	(3,211)

* 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 30.6.2017 RM'000	(Unaudited) Cumulative Period To Date 30.6.2017 RM'000
<u>Profit for the period is arrived at after crediting/ (charging):</u>		
- Net foreign exchange loss	(3,786)	(5,308)
- Depreciation of property, plant and equipment	7,953	15,898
- Amortisation of intangible assets	99	199
- Impairment loss on trade receivables	4,644	8,307

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 23 August 2017.

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 30 June 2017, as follows:

Purpose	Proposed utilisation	Actual utilisation up to 30 June 2017	Intended time frame for utilisation	Deviations	Explanation
	RM'000	RM'000	Months	RM'000	
Capital expenditure	30,000	-	24	30,000	To be utilised
Working capital	3,729	(3,729)	12	-	
Repayment of bank overdrafts	15,000	(15,000)	12	-	
Estimated expenses relating to the Proposed Private Placement	730	(730)	1	-	
	<u>49,459</u>	<u>(19,459)</u>		<u>30,000</u>	

23. GROUP BORROWINGS AND DEBT SECURITIES

The Group's borrowings as at 30 June 2017 are as follows:

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
<u>Short-term borrowings:</u>			
Bank loans	131,807	-	131,807
Hire purchase payables	583	-	583
	<u>132,390</u>	<u>-</u>	<u>132,390</u>
<u>Long-term borrowings:</u>			
Bank loans	325,223	-	325,223
Hire purchase payables	9,067	-	9,067
	<u>334,290</u>	<u>-</u>	<u>334,290</u>
Total	<u>466,680</u>	<u>-</u>	<u>466,680</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 23 August 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 30.06.2017	(Unaudited) Corresponding Quarter ended 30.06.2016	(Unaudited) Cumulative Year to date 30.06.2017	(Unaudited) Corresponding Year to date 30.06.2016
(i) Basic EPS				
Net profit attributable to owners of the Company (RM'000)	5,606	563	11,541	21,537
Weighted average number of ordinary shares in issue ('000)	292,052	290,936	292,052	290,936
Basic EPS (sen)	<u>1.92</u>	<u>0.19</u>	<u>3.95</u>	<u>7.40</u>
(ii) Adjusted EPS				
Net profit attributable to owners of the Company (RM'000)	5,606	563	11,541	21,537
Adjust for unrealised foreign exchange loss/(gain)	3,596	4,917	5,489	(10,872)
Weighted average number of ordinary shares in issue ('000)	9,202	5,480	17,030	10,665
Adjusted EPS (sen)	<u>3.15</u>	<u>1.88</u>	<u>5.83</u>	<u>3.67</u>

(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.

28. REALISED AND UNREALISED PROFITS DISCLOSURE

The retained profits as at 30 June 2017 and 31 March 2017 are analysed as follows:

	(Unaudited)	(Audited)
	As at	As at
	30.06.2017	31.03.2017
	RM'000	RM'000
Total retained profits / (accumulated losses) of the Company and the subsidiaries		
- Realised	153,859	146,438
- Unrealised	<u>(11,407)</u>	<u>(6,934)</u>
	142,452	139,504
Total share of profit of investments accounted for using the equity method		
- Realised	<u>19,909</u>	<u>17,251</u>
Total Group retained profits	<u><u>162,361</u></u>	<u><u>156,755</u></u>