



UZMA BERHAD

(Company No: 769866-V)

(Incorporated in Malaysia with limited liability under the Companies Act 2016)

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER AND PERIOD ENDED 31 DECEMBER 2018

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 period ended 30 June 2018. 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 period ended 30 June 2018.

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 period ended 30 June 2018.

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):-

New MFRSs

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

Amendments/Improvements to MFRSs

MFRS 1	First-time adoption of MFRSs
MFRS 2	Share-based Payment
MFRS 4	Insurance Contracts
MFRS 128	Investments in Associates and Joint Ventures
MFRS 140	Investment Property

New IC Interpretation (“IC Int”)

IC Int 22	Foreign Currency Transaction and Advance Consideration
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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)

		Effective for financial periods beginning on or after
<u>New MFRSs</u>		
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2021 [#]
MFRS 2	Share-based Payment	1 January 2020*
MFRS 3	Business Combinations	1 January 2019/ 1 January 2020*
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2021 [#]
MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020*
MFRS 7	Financial Instruments: Disclosures	1 January 2021 [#]
MFRS 9	Financial Instruments	1 January 2019
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 14	Regulatory Deferral Accounts	1 January 2020*
MFRS 15	Revenue from Contracts with Customers	1 January 2021 [#]
MFRS 101	Presentation of Financial Statements	1 January 2020*
MFRS 107	Statements of Cash Flows	1 January 2021 [#]
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020*
MFRS 112	Income Taxes	1 January 2019
MFRS 116	Property, Plant and Equipment	1 January 2021 [#]
MFRS 119	Employee Benefits	1 January 2019
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2019/ Deferred
MFRS 132	Financial instruments: Presentation	1 January 2021 [#]
MFRS 134	Interim Financial Reporting	1 January 2020*
MFRS 136	Impairment of Assets	1 January 2021 [#]
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020*
MFRS 138	Intangible Assets	1 January 2020*
MFRS 140	Investment Property	1 January 2021 [#]
<u>New IC Int</u>		
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019

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) (Con't)

		Effective for financial periods beginning on or after
<u>Amendments to IC Int</u>		
IC Int 12	Service Concession Arrangements	1 January 2020*
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020*
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020*
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2020*
IC Int 132	Intangible Assets – Web Site Costs	1 January 2020*

* *Amendments to References to the Conceptual Framework in MFRS Standards*

Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

2. **AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

There was no qualification on the audited financial statements of the Company for the financial period ended 30 June 2018.

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 except as announced on 26 September 2018, a subsidiary of Uzma Berhad, Uzma Integrasi Padu Berhad has made its debut issuance of the Sukuk Wakalah of RM250 million in nominal value under the Sukuk Wakalah Programme up to RM1.0 billion in nominal value.

The proceeds of the first issuance of Sukuk Wakalah had been used by the Company mainly for working capital, capital expenditures and refinancing of existing borrowings of the subsidiary companies.

The tenure of the Sukuk Wakalah Programme is up to fifteen (15) years from the date of first issuance and the Programme is unrated.

Maybank Investment Bank Berhad is the sole Principal Adviser/ Lead Arranger/Lead Manager for the Sukuk Wakalah Programme.

The Group and the Company has adopted the transitional provisions set out in Section 618(3) of the Company Act 2016 where the sum standing to the credit of the share premium may be utilized within twenty four (24) months from the commencement date of 31 January 2017 in the manner as allowed for under the Act. Therefore, the Group and the Company has not consolidated the share premium into share capital until expiry of the transitional period.

7. DIVIDENDS PAID

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

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 operations services, and other specialised services within the oil and gas industry.
- (ii) Trading segment - involved in manufacturing, marketing, distribution and supply of oilfield chemicals, petrochemical and chemical products, equipment and services.
- (iii) Investment holding -
 - manage the borrowings and investment- related on group basis by the central treasury function.
 - measure each reportable segment assets based on all assets (including goodwill) of the segment other than investments in associates and tax-related assets.
 - measure each reportable segment liabilities based on all liabilities of the segment other than borrowings and tax-related liabilities.
 - monitor assets, liabilities and expenses which are common and cannot be meaningfully allocated to the reportable segments are presented under unallocated items. Unallocated items comprise mainly corporate assets (primarily the company's headquarter) and head office expenses.

8. SEGMENTAL INFORMATION (CONT'D)

	SERVICES RM'000	TRADING RM'000	INVESTMENT HOLDING RM'000	ELIMINATIONS RM'000	THE GROUP RM'000
REVENUE					
External revenue	151,587	41,516	-	-	193,103
Inter-segment revenue	23,055	890	-	(23,945)	-
Total revenue	<u>174,642</u>	<u>42,406</u>	<u>-</u>	<u>(23,945)</u>	<u>193,103</u>
RESULTS					
Segment results	30,482	7,583	5,011	(19,385)	23,691
Finance costs	(24,275)	(168)	(4,699)	16,015	(13,127)
Share of profit of investments accounted for using the equity method					<u>5,952</u>
Profit from ordinary activities before taxation					16,516
Income tax expense					<u>(317)</u>
Profit from ordinary activities after taxation					16,199
Non- controlling interest					<u>(784)</u>
Net profit attributable to owners of the Company					<u>15,415</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

	RM'000
Authorised and contracted for:	
- property, plant and equipment	11,343
- share of capital commitment of a joint venture	2,305
	<u>13,648</u>

11. MATERIAL EVENTS SUBSEQUENT TO THE END OF PERIOD REPORTED

There were no material events subsequent to the end of the current quarter save for the event as disclosed on Note 12.

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 February 2019 save for as announced on 29 January 2019 and 31 January 2019, the acquisition of additional 15% equity interest in Setegap Ventures Petroleum Sdn. Bhd. ("SVP") by Tenggara Analisis Sdn Bhd, a wholly-owned subsidiary of Uzma Berhad which resulting SVP becoming a 64% owned subsidiary for the Group.

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 RM524 million as at 31 December 2018.

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

	(Unaudited) Cumulative 6 months Period To Date 31.12.2018 (PTD2019) RM'000	(Unaudited) Cumulative 6 months Period To Date 31.12.2017 (PTD2018) RM'000	Difference	
			RM'000	%
Revenue	193,103	209,689	(16,586)	(7.9)
Gross profit GPM	68,444 35%	73,760 35%	(5,316)	(7.2)
Profit before taxation ("PBT")	16,516	9,827	6,689	68.1
Adjust for:				
-Unrealised (gain)/loss on foreign exchange	(7,697)	8,835		
Adjusted PBT	<u>8,819</u>	<u>18,662</u>	(9,843)	(52.7)

The Group's revenue decreased by RM16.6 million or 7.9% as compared to PTD 2018 was mainly due to lower recognition of revenue for certain projects. As a result gross profit decreased by RM5.3 million or 7.2% as compared to PTD 2018.

In line with the decrease in gross profit, the Group reported decrease in Adjusted PBT of RM9.8 million or 52.7%. The decrease was also contributed by reversal of impairment loss incurred in PTD 2018 and higher finance cost in PTD 2019.

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

	(Unaudited) Current Quarter Ended 31.12.2018 RM'000	(Unaudited) Preceding Quarter Ended 30.09.2018 RM'000	Difference	
			RM'000	%
Revenue	105,577	87,526	18,051	20.6
Gross profit	37,480	30,964	6,516	21.0
GPM	36%	35%		
PBT	9,285	7,231	2,054	28.4
Adjust for:				
-Unrealised (gain)/loss on foreign exchange	(942)	(6,755)		
Adjusted PBT	8,343	476	7,867	1,652.7

The Group revenue and gross profit increased by RM18.1 million or 20.6% and RM6.5 million or 21.0% respectively as compared to last quarter as certain projects experienced higher revenue recognition due to improvement in higher assets utilization by customers.

In comparing to last quarter, the group reported increase of Adjusted PBT RM7.9 million or 1,652.7% was mainly due to improve in gross profit and lower in operating expenses for current quarter.

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 PTD 2018 as follows:

- (i) 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.
- (ii) 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.
- (iii) 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.
- (iv) 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.

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

- (v) 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.
- (vi) 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.
- (vii) 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.
- (viii) As announced on 1 March 2018, UESB was awarded by PETRONAS Carigali Sdn Bhd for an umbrella contract for the Provision of 150K, 225K and 460K Drilling of Hydraulic Workover Unit (HWU). The tenure of the Umbrella Contract is three (3) years from 6 February 2018 to 5 February 2021 with an extension option period of one (1) year. Upon issuance of specific work order, the Group expects the contract to contribute positively to its future earnings.
- (ix) As announced on 27 April 2018, UESB was awarded by PETRONAS Carigali Sdn Bhd for an umbrella contract for the Provision of Well Abandonment Integrated Services. The tenure of the Umbrella Contract is two (2) years from 29 March 2018 to 29 March 2020 with an extension option period of one (1) year. Upon issuance of specific work order, the Group expects the contract to contribute positively to its future earnings.
- (x) As announced on 25 July 2018, UESB was awarded by PETRONAS Carigali Sdn Bhd for an umbrella contract for the Provision of Drilling Fluids and Associated Services. The tenure of the Umbrella Contract is five (5) years from 30 May 2018 to 30 May 2023. Upon issuance of specific work order, the Group expects the contract to contribute positively to its future earnings.
- (xi) As announced on 7 August 2018 and 8 August 2018, UESB was awarded by PETRONAS Carigali Sdn Bhd a work order for the Provision of Well Abandonment Integrated Services for Pulai-A (“the Work Order”). The tenure of the Work Order is from 2 July 2018 until the completion of 22 firm wells which is estimated to be within the next 12 months. The Group expects the Work Order to contribute positively to its future earnings.
- (xii) As announced on 29 January 2019 and 31 January 2019, Uzma completed the proposed acquisition in accordance with the terms and conditions of the share sale agreement to acquire additional 15% equity interest in SVP. The acquisition is which resulting SVP becoming a subsidiary to Uzma’s Group and expected to contribute positively to the Group’s 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 period ended 30 June 2018.

19. TAXATION

	(Unaudited) Current Quarter Ended 3 months 31.12.2018 RM'000	(Unaudited) Corresponding Quarter Ended 3 months 31.12.2017 RM'000	(Unaudited) Cumulative Period To Date 6 months 31.12.2018 RM'000	(Unaudited) Corresponding Period To Date 6 months 31.12.2017 RM'000
Current tax *	(936)	3,547	(1,734)	2,728
Deferred tax	(28)	(2,977)	1,417	1,103
	<u>(964)</u>	<u>570</u>	<u>(317)</u>	<u>3,831</u>

* The Group utilised the tax incentive during the financial period which is given by Malaysian Investment Development Authority ("MIDA") for acquisition of MMSVS.

20. ADDITIONAL DISCLOSURE

	(Unaudited) Current Quarter Ended 3 months 31.12.2018 RM'000	(Unaudited) Cumulative Period To Date 6 months 31.12.2018 RM'000
<u>Profit for the period is arrived at after crediting/ (charging):</u>		
- Realised foreign exchange gain/(loss)	210	(675)
- Depreciation of property, plant and equipment	(8,635)	(17,206)
- Amortisation of intangible assets	(749)	(1,499)
- Gain on disposal of property, plant and equipment	317	317

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 25 February 2019.

22. UTILISATION OF PROCEEDS FROM PRIVATE PLACEMENT

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 2018, as follows:

Purpose	Proposed utilisation	Actual utilisation up to 31 December 2018	Intended time frame for utilisation	Deviations	Explanation
	RM'000	RM'000	Months	RM'000	
Capital expenditure	30,000	(25,127)	24	4,873	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>(44,586)</u>		<u>4,873</u>	

23. GROUP BORROWINGS AND DEBT SECURITIES

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

	As at 31 December 2018					
	Short term		Long term		Total	
	Foreign Currency ('000)	RM ('000)	Foreign Currency ('000)	RM ('000)	Foreign Currency ('000)	RM ('000)
<u>Secured</u>						
Sukuk Wakalah	N/A	-	N/A	247,200	N/A	247,200
Term loans (RM)	N/A	1,352	N/A	43,721	N/A	45,073
Term loans (USD) *	5,308	21,955	24,228	100,207	29,536	122,162
Term Loan (THB) **	337	43	14,844	1,884	15,181	1,927
Hire purchase payables (RM)	N/A	3,521	N/A	11,198	N/A	14,719
Hire purchase payables (THB) **	256	33	192	24	448	57
Invoice financing (RM)	N/A	22,126	-	-	N/A	22,126
Revolving credit (RM)	N/A	13,000	-	-	N/A	13,000
Revolving credit (USD) *	1,338	5,535	-	-	1,338	5,535
Total		<u>67,565</u>		<u>404,234</u>		<u>471,799</u>

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

	As at 30 June 2018					
	Short term		Long term		Total	
	Foreign Currency (‘000)	RM (‘000)	Foreign Currency (‘000)	RM (‘000)	Foreign Currency (‘000)	RM (‘000)
<u>Secured</u>						
Term loans (RM)	N/A	49,821	N/A	131,504	N/A	181,325
Term loans (USD) #	7,321	29,556	23,571	95,167	30,892	124,723
Term Loan (THB) ##	2,805	342	14,844	1,809	17,649	2,151
Hire purchase payables (RM)	N/A	3,510	N/A	12,132	N/A	15,642
Hire purchase payables (THB) ##	149	18	416	51	565	69
Invoice financing (RM)	N/A	10,251	-	-	N/A	10,251
Revolving credit (RM)	N/A	19,140	-	-	N/A	19,140
Revolving credit (USD) #	1,433	5,785	-	-	1,433	5,785
Total		<u>118,423</u>		<u>240,663</u>		<u>359,086</u>

Notes:

- * - Converted at exchange rate of 4.1360 as at 31 December 2018.
- ** - Converted at exchange rate of 0.1269 as at 31 December 2018.
- # - Converted at exchange rate of 4.0375 as at 30 June 2018.
- ## - Converted at exchange rate of 0.1219 as at 30 June 2018.

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 February 2019, 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 3 months 31.12.2018	(Unaudited) Corresponding Quarter ended 3 months 31.12.2017	(Unaudited) Cumulative Year to date 6 months 31.12.2018	(Unaudited) Corresponding Period to date 6 months 31.12.2017
(i) Basic EPS				
Net profit attributable to owners of the Company (RM'000)	8,175	6,360	15,415	12,690
Weighted average number of ordinary shares in issue ('000)	320,029	306,798	320,029	306,798
Basic EPS (sen)	2.55	2.07	4.82	4.14
(ii) Adjusted EPS				
Net profit attributable to owners of the Company (RM'000)	8,175	6,360	15,415	12,690
Adjust for : -Unrealised foreign exchange (gain)/loss	(942)	5,147	(7,697)	8,835
Weighted average number of ordinary shares in issue ('000)	320,029	306,798	320,029	306,798
Adjusted EPS (sen)	2.26	3.75	2.41	7.02

(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.