



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 THIRD QUARTER ENDED 30 SEPTEMBER 2014

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 2013. 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 2013.

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 2013.

(a) Adoption of Amendments to Standards and IC Interpretations

The Group has adopted the following Amendments to Standards and IC Interpretations:

Amendments to MFRS 10, MFRS 12 and MFRS 127 (2011): Investment Entities
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-financial Assets
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21 Levies

The adoption of the above pronouncements did not have any impact on the financial statements of the Group upon their initial application.

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 9 (2009) Financial Instruments	To be announced by Malaysian Accounting Standards Board (MASB)
MFRS 9 (2010) Financial Instruments	
MFRS 9 Financial Instruments (Hedge Accounting and Amendments to MFRS 9 and MFRS 139)	
Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9 and Transition Disclosures	
MFRS 14 Regulatory Deferral Accounts	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2017
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture – Bearer Plants	1 January 2016
Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010 – 2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011 – 2013 Cycle	1 July 2014

These pronouncements are not expected to have any material impact to the financial statements of the Group upon their initial application, except for MFRS 9 Financial Instruments. The Group will assess the financial implications of MFRS 9 when the full standard is issued.

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 2013.

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, except as follows:

Issuance of shares

The Company issued 132,000,000 new ordinary shares of RM0.50 each (“Rights Shares”) 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 Right Issue was completed with the listing of and quotation of the Rights Shares on the Main Market of Bursa Securities on 21 July 2014.

7. DIVIDENDS PAID

No dividend had been paid 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.
- (iii) Investment holding

	SERVICES RM'000	TRADING RM'000	INVESTMENT HOLDING RM'000	ELIMINATIONS RM'000	THE GROUP RM'000
REVENUE					
External revenue	271,447	55,911	-	-	327,358
Inter-segment revenue	466	192	135	(793)	-
Total revenue	<u>271,913</u>	<u>56,103</u>	<u>135</u>	<u>(793)</u>	<u>327,358</u>
RESULTS					
Segment results	22,075	14,409	107	-	36,591
Finance costs	(2,739)	(8)	(6)	-	(2,753)
Share of profit of investments accounted for using the equity method					<u>3,376</u>
Profit from ordinary activities before taxation					37,214
Income tax expense					<u>(4,936)</u>
Profit from ordinary activities after taxation					32,278
Non- controlling interest					<u>(2,979)</u>
Net profits attributable to owners of the Company					<u>29,299</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 RM3,158,000

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

The changes in the composition of the Group during the current financial quarter are shown as follows:

(i) Acquisition of MMSVS Group Holdings Limited (“MMSVS”)

The following acquisitions were completed with effect from 23 July 2014:

- a. Acquisition by Uzma Engineering Sdn Bhd (“UESB”) of the entire equity interest in SVJ Holding Limited, which holds 100,000 ordinary shares of THB100 each representing approximately 49.75% of all the authorised and issued shares in MMSVS; and
- b. Acquisition by Well Services (Thailand) Ltd, a 49% owned subsidiary of UESB, of 100,999 preferred shares of THB100 each representing approximately 50.25% of all the authorised and issue shares in MMSVS

for an aggregate cash consideration of approximately USD29.70 million (or RM95.34 million)

(ii) Acquisition of Premier Enterprise Corporation (M) Sdn Bhd (“PEC”)

As announced on 2 July 2014, the Company acquired the entire issued and paid-up share capital of PEC, representing 500,000 ordinary shares of RM1.00 each, for a total cash consideration of RM18,603,000. Additional purchase price of RM2,000,000 is payable in cash upon receipt of award for the extension of current contracts for chemical supplies expiring in October 2015 and January 2016.

(iii) Joint Venture Agreement between UESB and SmartCore Technologies Sdn Bhd (“SmartCore”)

UESB had on 13 August 2014 entered into a Joint Venture Agreement with SmartCore in connection with the provision of integrated solution services in oil and gas sector via a joint venture company.

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 RM102.6 million as at 30 September 2014.

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

	(Unaudited) Cumulative Period To Date 30.09.2014 RM'000	(Unaudited) Cumulative Period To Date 30.09.2013 RM'000	Difference	
			RM'000	%
Revenue	327,358	292,520	34,838	11.9
Gross profit	76,265	61,534	14,731	23.9
Profit before taxation	37,214	36,821	393	1.1

The Group's revenue in cumulative period-to-date ("PTD") 2014 registered an increase of RM34.8 million or 11.9% as compared to PTD 2013. In line with the increase of revenue, gross profit also increased by RM14.7 million or 23.9%. The long term contracts secured by the Group, as disclosed in Note 16, had continued to contribute to the Group's performance.

The Group reported a slight increase in profit before taxation of RM393,000 or 1.1% in PTD 2014 as compared to PTD 2013 mainly contributed by higher gross profit, offset by higher administrative and operating expenses, lower share of profit of investments accounted for using the equity method, and higher finance costs. High additional expenses are arising from one-off professional fees of RM1.3 million incurred for the two acquisitions as disclosed in Notes 12 (i) and (ii), as well as higher staff costs on the grounds for future growth.

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

	(Unaudited) Current Quarter Ended 30.09.2014 RM'000	(Unaudited) Preceding Quarter Ended 30.06.2014 RM'000	Difference	
			RM'000	%
Revenue	123,066	106,574	16,492	15.5
Gross profit	29,299	24,741	4,558	18.4
Profit before taxation	12,838	12,074	764	6.3

The Group's revenue and gross profit increased by RM16.5 million and RM4.6 million respectively in the current quarter, compared to the previous quarter.

The Group reported an increase in profit before taxation of RM764,000 or 6.3% in the current quarter as compared to the previous quarter mainly attributable to higher gross profit, offset by higher staff costs on the grounds for future growth.

16. PROSPECTS AND PROGRESS TO ACHIEVE FORECAST FOR THE REMAINING PERIOD TO THE END OF FINANCIAL YEAR OR 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 within the oil and gas industry and the Company specific in 2014 as follows:

- (i) In March 2011, Uzma Engineering Sdn. Bhd. ("UESB") a wholly-owned subsidiary of the Company was awarded by PETRONAS Carigali Sdn Bhd ("PETRONAS"), a long term service agreement to provide a Low Pressure System ("LPS") for its domestic upstream operations. The contract value is estimated to be RM200 million for three years, effective from 18 February 2011 to 17 February 2014.
- (ii) As announced on 26 July 2011, UESB was awarded by PETRONAS a contract for the provision of integrated equipment and services for idle well reactivation project. The value of the contract is estimated at RM170 million for three years effective from 25 July 2011 to 24 July 2014. The contract is expected to contribute positively to the earnings of the Group commencing in the fourth quarter 2011.
- (iii) 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.
- (iv) 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)

- (v) 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.
- (vi) As announced on 11 June 2012, UESB was awarded a contract by PETRONAS for the provision of integrated water injection studies. The contract value is estimated at RM36 million for contract period of three (3) years effective from 14 May 2012 to 13 May 2015 with an extension option of 1 year from 14 May 2015 to 13 May 2016.
- (vii) 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.
- (viii) As announced on 28 August 2012, MECAS received a Letter of Award from ExxonMobil Exploration and Production Malaysia Inc. ("EMEPMI") for the extension of contracts for the provision of Production and Integrity Chemicals. The value of the extension is estimated at RM27.5 million per year. The extension period will be for 1 year effective from 1 June 2012 to 31 May 2013 with an extension option of 1 year from 1 June 2013 to 31 May 2014.
- (ix) 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.
- (x) As announced on 11 October 2013, UESB received a Letter of Award from PETRONAS Carigali Sdn. Bhd. for the provision of drilling project management team for PMU wells. The contract period is for 1 year from 17 September 2013 to 16 September 2014 with an extension option for 1 year.
- (xi) 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.
- (xii) 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.
- (xiii) 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.

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 ending 31 December 2014.

19. TAXATION

	(Unaudited) Current Quarter Ended 30.09.2014 RM'000	(Unaudited) Corresponding Quarter Ended 30.09.2013 RM'000	(Unaudited) Cumulative Period To Date 30.09.2014 RM'000	(Unaudited) Corresponding Period To Date 30.09.2013 RM'000
Current tax	(4,022)	(1,942)	(8,371)	(7,182)
MIDA tax deduction*	4,000	-	4,000	-
Deferred tax	67	(1,214)	(565)	(1,238)
	<u>45</u>	<u>(3,156)</u>	<u>(4,936)</u>	<u>(8,420)</u>

* Tax incentive is given by Malaysian Investment Development Authority ("MIDA") for acquisition of MMSVS as disclosed in Note 12 (i).

20. ADDITIONAL DISCLOSURE

	(Unaudited) Current Quarter Ended 30.09.2014 RM'000	(Unaudited) Cumulative Period To Date 30.09.2014 RM'000
<u>Profit for the period is arrived at after crediting/ (charging):</u>		
- Gain on disposal of investment in joint venture	-	305
- Depreciation of property, plant and equipment	(2,066)	(4,424)
- Net foreign exchange loss	(11)	(555)

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, amortisation of intangible assets, gain or loss on disposal of fixed assets, 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 November 2014.

22. STATUS OF UTILISATION OF PROCEEDS

As disclosed in Note 6, the total proceeds raised from the Right Issue was RM99,000,000. The status of utilisation of proceeds from the Right Issue is as follows:

Purpose	Proposed utilisation	Actual utilisation up to 30 September 2014	Intended time frame for utilisation	Deviations		Explanation
	RM'000	RM'000	Months	RM'000	%	
Capital expenditure	78,000	18,151	24	59,849	76.7	Note
Working capital	8,000	8,000	12	-		
High performance computing	4,500	-	12	4,500	100	Note
Renovation of office premises	7,500	4,985	12	2,515	33.5	Note
Defraying estimated expenses	1,000	1,000	Immediate	-		
	<u>99,000</u>	<u>32,136</u>		<u>66,864</u>		

Note: To be utilised.

23. GROUP BORROWINGS AND DEBT SECURITIES

The Group's borrowings as at 30 September 2014 are as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short-term borrowing:-</u>			
Bank loans	16,674	-	16,674
Hire purchase payables	198	-	198
Factoring	12,635	-	12,635
	<u>29,507</u>	<u>-</u>	<u>29,507</u>
<u>Long-term borrowings:-</u>			
Bank loans	42,814	-	42,814
Hire purchase payables	449	-	449
	<u>43,263</u>	<u>-</u>	<u>43,263</u>
Total	<u>72,770</u>	<u>-</u>	<u>72,770</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 November 2014, 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

	(Unaudited) Current Quarter ended 30.09.2014	(Unaudited) Corresponding Quarter ended 30.09.2013	(Unaudited) Cumulative Period to date 30.09.2014	(Unaudited) Corresponding Period to date 30.09.2013
Net profit attributable to owners of the Company (RM'000)	12,224	9,123	29,299	27,040
Weighted average number of ordinary shares in issue ('000)	253,752	233,255	240,087	233,255
Basic earnings per share (sen)	4.82	3.91	12.20	11.59

(a) Basic earnings per share

The basic earnings per share 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) Fully diluted earnings per share

Fully diluted earnings per share 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 September 2014 and 31 December 2013 are analysed as follows:

	(Unaudited)	(Audited)
	As at	As at
	30.09.14	31.12.13
	RM'000	RM'000
Total retained profits/(loss) of the Company and the subsidiaries		
- Realised	104,451	76,086
- Unrealised	<u>(3,329)</u>	<u>(1,637)</u>
	101,122	74,449
Total share of profit of investments accounted for using the equity method		
- Realised	<u>8,505</u>	<u>5,879</u>
Total Group retained profits	<u>109,627</u>	<u>80,328</u>