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 FOURTH QUARTER ENDED 31 DECEMBER 2010

1. Basis of reporting preparation

The interim financial statement is unaudited and has been prepared in accordance with the Financial Reporting Standards 134 (FRS134): "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB") and Appendix 9B part A of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial statements should be read in conjunction with the audited financial statements of the Company for the year ended 31 December 2009.

The accounting policies, methods of computation and the basis of consolidation used in the preparation of this interim financial report are consistent with those applied in the audited annual financial statements for the year ended 31 December 2009, except for the adoption of the following new and revised FRSs and Issues Committee Interpretations ("IC Int.") that are effective for the financial periods beginning on or after 1 January 2010:

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101 (Revised)	Presentation of Financial Statements
FRS 123 (Revised)	Borrowing Costs
FRS 132	Financial Instruments : Presentation
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 1 & FRS 127	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 2	Vesting Conditions and Cancellations
Amendments to FRS 7, FRS 139 and IC Interpretation 9	Financial Instruments: Recognition and Measurement, Disclosures and Reassessment of Embedded Derivatives.
Amendments to FRS 101 and FRS 132	Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to FRS 132	Classifications of Rights Issues and the Transitional Provision in Relation to Compound Instruments
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
Annual Improvements to FRSs (2009)	

1. Basis of reporting preparation (Cont'd)

The adoption of the above FRSs and IC Interpretations and amendments do not have any significant effects on the interim financial report of the Group, other than explained below :-

FRS 101(Revised): Presentation of Financial Statements

The FRS 101 (Revised) separates owner and non-owner changes in equity. Therefore, the consolidated statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income.

The standard also introduces the statement of comprehensive income; presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present the statement of comprehensive income in two statements. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. This revised FRS does not have any impact on the financial position and results of the Group.

2. Qualification of audit report of the preceding annual financial statements

There was no qualification on the audited financial statements of the Company for the financial year ended 31 December 2009.

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 have been no issuances, repurchases, and repayments of debt and equity securities during the current quarter and year to date.

7. Dividends paid

No dividend had been paid and/or recommended for the current financial period to date.

8. Segmental information

Segmental information is not provided as the Group's primary business segment is principally engaged in the provision of specialised services within the oil and gas industry and its operations are principally located in Malaysia.

9. Valuation of property, plant and equipment

There was no valuation of the property, plant and equipment in the current period under review.

10. Capital commitments

Approved and contracted for property and equipment	RM1,300,000

11. Material events subsequent to the end of period reported

There are no material events subsequent to 31 December 2010 that has not been reflected in the financial statement for the year ended 31 December 2010.

12. Changes in the Composition of the Group

On 30 March 2010, the Company has entered into an agreement with Nalco Industrial Services Malaysia Sdn Bhd for the acquisition of 70% equity interest in Malaysian Energy Chemical Services Sdn Bhd ("MECAS"), a company incorporated in Malaysia for cash consideration of USD2,500,000 (equivalent to approximately RM8,175,000 million based on foreign exchange rate of USD 1.00 : RM3.27 as at the date of acquisition ("Acquisition"). The Acquisition was completed on 15 April 2010. As such MECAS's financial results have been incorporated into Uzma Group's financial statements in the quarter ended 30 June 2010.

Other than the above, there were no other significant changes to the composition of the Group for the current financial year ended 31 December 2010.

13. Contingent Liabilities and Contingent Assets

The Company has given corporate guarantees to licensed financial institutions for banking facilities granted to its subsidiary company. In relation thereto, the Company has contingent liabilities amounting to approximately RM6.5 million as at 31 December 2010.

As at 31 December 2010, the Company does not have any contingent asset.

14. Review of performance of the Company and its principal subsidiaries

	Cumulative Year To Date 31.12.2010 RM'000	Corresponding Year To Date 31.12.2009 RM'000	Difference RM'000	%
Revenue	116,100	98,827	17,273	17.5
Gross profit	21,434	15,470	5,964	38.6
Loss before taxation	(2,112)	(12,489)	10,377	83.1

Compared to cumulative year-to-date ("YTD") 2009, the Group's revenue in YTD 2010 has increased by RM17.3 million, representing an increase of 17.5%. The increase in revenue was mainly due to revenue contribution from its newly acquired subsidiary, MECAS and increase in revenue from Project & Oilfield Operation Services ("POOS") division but the growth was partly being offset with lower revenue from Geoscience & Reservoir ("GRE") and Manpower.

The Group's gross profit increased by RM6.0 million from RM15.5 million reported in YTD 2009 to RM21.4 million in YTD 2010 due to profit reported from MECAS and favourable margin from POOS.

The Group's results before taxation improved significantly from a loss before taxation of RM12.5 million in YTD 2009 to loss before taxation of RM2.1 million in YTD 2010 mainly due to profit contributions from MECAS and extensive costs cutting measures undertaken by the management.

15. Material changes in the results of the current quarter compared to the results of the preceding quarter

	Current Quarter Ended 31.12.2010 RM'000	Preceding Quarter Ended 30.09.2010 RM'000	Difference RM'000	%
Revenue	36,146	30,070	6,076	20.2
Profit before taxation	337	149	188	126.2

Compared to the previous quarter, the Group's revenue has increased by RM6.1 million in the current quarter representing an increase of 20.2 %. The increase mainly due to completion of projects from GRE and additional projects from POOS recognised in current quarter.

The Group's reported an increase of RM188,000 in it results before tax for the current quarter as compared to the preceding quarter. This was mainly due to additional gross profit from projects recognised in current quarter.

16. Prospects and progress to achieve forecast for the remaining period to the end of financial period or next financial year

Barring any unforeseen circumstances, the Directors remain cautiously optimistic with the Group's prospects for the next financial year based on the positive developments within the oil and gas industry and the Company specific in 2010 as follows:

(i) It has been hard time in the last two years for Uzma Group ever since oil price hit below USD 40 per barrel at the end of 2009. Oil price has been range-bound between USD 70 to USD 90 per barrel from early 2010 till end of 2010 due to the economic uncertainty in certain countries in Euro zone, slower than expected economic recovery in the United States of America and the fear of economic overheating in China, has give rise to looming economic activities particularly in oil and gas industry. The Group's results turned into loss for the financial year ended 31 December 2009. The Group's loss prolonged to first quarter (1Q2010) and second quarter in 2010 (2Q2010) despite oil price recovered to above USD 70 in 2010. In anticipation of bad results in 1Q2010, the Group implemented rigorous cost cutting measures. These measures yield results in third quarter 2010 where the Group has managed to turn around in recording RM286,000 profit after tax.

(ii) In February 2011, oil price has spiked exceeded USD 100 per barrel before retreated to current level just below USD 100 per barrel. The Board is of the view that the current level of oil price if continues in 2011, it will enhance the revenue stream of the Company.

(iii) As announced recently by the Malaysian government, there are 12 entry point projects (EPPs) under the Economic Transformation Programme (ETP). The first three EPPs would look at sustaining oil and gas production, which include rejuvenating existing fields through enhanced oil recovery ("EOR"), developing small fields through innovative solution and intensifying exploration activities. Meanwhile, another two EPPs would look to enhance downstream growth by building regional oil storage and trading hub and unlocking premium gas demand in Peninsular Malaysia. Uzma Group being the pioneer among the local oil and gas company in EOR activities is expected to derive benefits from this programme.

(iv) Moving forward, Uzma Group is expected to derive new stream of income from its newly set-up Uzma Wireline division ("Wireline"). Currently, Wireline is operating from Labuan, Wilayah Persekutuan.

(v) As announced on 29 September 2010, the Group's venture into petroleum exploration in the Inner Mongolia has shown positive results with three additional new wells spudded and drilled. As at December 2010, a total of 44 wells have been drilled and production activities are expected to re-commence in end of 1Q2010, after winter.

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 2010.

19. Taxation

	(Unaudited) Current Quarter Ended 31.12.2010 RM'000	(Unaudited) Corresponding Quarter Ended 31.12.2009 RM'000	(Unaudited) Cumulative Year To Date 31.12.2010 RM'000	(Audited) Corresponding Year To Date 31.12.2009 RM'000
Current tax:				
- for the current financial period	(847)	598	(815)	(82)
- overprovision in the previous financial period	-	134	5	134
	(847)	732	(810)	52
Deferred tax				
- relating to originating and recognition of temporary differences	1,805	551	1,748	551
	958	1,283	938	603

20. Profit from sale of unquoted investments and/ or properties

There were no disposal of unquoted investment and properties for the current quarter and financial year-to-date.

21. Quoted securities

There was no purchase or disposal of quoted securities for the current quarter and financial year-to-date.

22. Status of Corporate Proposal

There are no other corporate proposals announced by the Group that have not been completed as at 22 February 2010.

23. Group borrowings and debt securities

The Group's borrowings as at 31 December 2010 are as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
Short-term borrowing:-			
Bank borrowings	1,684	-	1,684
Hire purchase payables	58	-	58
	1,742	-	1,742
Long-term borrowings:-			
Bank borrowings	9,447	-	9,447
Hire purchase payables	139	-	139
	9,586	-	9,586
Total	11,328	-	11,328

24. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk.

25. Material Litigation

As at 22 February 2010, 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 financial period ended 31 December 2010.

27. Earnings / (Loss) per share

	Unaudited Current quarter ended 31.12.2010	Unaudited Corresponding quarter ended 31.12.2009	Unaudited Cumulative year to date 31.12.2010	Audited Corresponding year to date 31.12.2009
Net profit / (loss) for the period (RM'000)	524	(12,930)	(1,993)	(11,959)
Number of ordinary shares in issue ('000)	80,000	80,000	80,000	80,000
Basic earnings / (loss) per share (sen)	0.65	(16.16)	(2.49)	(14.95)

(a) Basic earnings / (loss) per share

The basic earnings / (loss) per share is calculated based on the Group's profit / (loss) attributable to owners of the Company divided by the number of ordinary shares in issue during the reporting period.

(b) Fully diluted earnings / (loss) earnings per share

Fully diluted earnings / (loss) 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 / (losses) disclosure

The retained profits as at 31 December 2010 and 30 September 2010 are analysed as follows:-

	As At 31.12.10 RM'000	As At 31.12.09 RM'000
Total retained profits of the Company and the subsidiaries		
- Realised	13,280	15,405
- Unrealised	2,553	(84)
	15,833	15,321
Total share of losses from a jointly controlled entity		
- Realised	(118)	(130)
Total Group retained profits	15,715	15,191