



## 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 FIRST QUARTER AND PERIOD ENDED 30 SEPTEMBER 2019

#### 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 30 June 2019. 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 30 June 2019.

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 30 June 2019.

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 16 Leases

#### Amendments/Improvements to MFRSs

MFRS 9 Prepayment Features with Negative Compensation  
MFRS 119 Plan Amendment, Curtailment or Settlement  
MFRS 128 Long-term Interest in Associates and Joint Ventures  
Annual Improvements to MFRS Standards 2015 – 2017 Cycles

#### New IC Interpretation (“IC Int”)

IC Int 23 Uncertainty over Income Tax Treatments

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 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 <sup>#</sup>
MFRS 2	Share-based Payment	1 January 2020*
MFRS 3	Business Combinations	1 January 2020*/ 1 January 2021 <sup>#</sup>
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2021 <sup>#</sup>
MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020*
MFRS 7	Financial Instruments: Disclosures	1 January 2020*
MFRS 9	Financial Instruments	1 January 2020*
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 14	Regulatory Deferral Accounts	1 January 2020*
MFRS 15	Revenue from Contracts with Customers	1 January 2021 <sup>#</sup>
MFRS 101	Presentation of Financial Statements	1 January 2020*/ 1 January 2021 <sup>#</sup>
MFRS 107	Statements of Cash Flows	1 January 2021 <sup>#</sup>
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020*
MFRS 116	Property, Plant and Equipment	1 January 2021 <sup>#</sup>
MFRS 119	Employee Benefits	1 January 2021 <sup>#</sup>
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2021 <sup>#</sup>
MFRS 132	Financial Instruments: Presentation	1 January 2021 <sup>#</sup>
MFRS 134	Interim Financial Reporting	1 January 2020*
MFRS 136	Impairment of Assets	1 January 2021 <sup>#</sup>
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020*/ 1 January 2021 <sup>#</sup>
MFRS 138	Intangible Assets	1 January 2020*/ 1 January 2021 <sup>#</sup>
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2020*
MFRS 140	Investment Property	1 January 2021 <sup>#</sup>

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 2019.

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.

## 7. DIVIDENDS PAID

No dividend has 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 - investment in subsidiaries.

	SERVICES RM'000	TRADING RM'000	INVESTMENT HOLDING RM'000	ELIMINATIONS RM'000	THE GROUP RM'000
<b>REVENUE</b>					
External revenue	114,487	19,309	-	-	133,796
Inter-segment revenue	13,638	860	7,116	(21,614)	-
Total revenue	<u>128,125</u>	<u>20,169</u>	<u>7,116</u>	<u>(21,614)</u>	<u>133,796</u>
<b>RESULTS</b>					
Segment results	16,411	2,431	5,714	(4,934)	19,622
Finance costs	(7,562)	(90)	(5,001)	5,297	(7,356)
Share of profit of investments accounted for using the equity method					<u>337</u>
Profit from ordinary activities before taxation					<u>12,603</u>
Income tax expense					<u>(1,128)</u>
Profit from ordinary activities after taxation					<u>11,475</u>
Non- controlling interest					<u>(2,043)</u>
Net profit attributable to owners of the Company					<u>9,432</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	<u>11,049</u>

**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 27 November 2019.

**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 RM510 million as at 30 September 2019.

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

	<b>(Unaudited) Cumulative 3 months Period To Date 30.09.2019 (PTD2020) RM'000</b>	<b>(Unaudited) Cumulative 3 months Period To Date 30.09.2018 (PTD2019) RM'000</b>	<b>Difference</b>	
			<b>RM'000</b>	<b>%</b>
Revenue	133,796	87,526	46,270	52.8
Gross profit	51,753	30,964	20,789	67.1
Gross Profit Margin ("GPM")	38%	35%		
Profit before taxation ("PBT")	12,603	7,231	5,372	74.3
Adjust for:				
-Unrealised gain on foreign exchange	(2,421)	(6,755)		
Adjusted PBT	<u>10,182</u>	<u>476</u>	9,706	2039.1

The Group's revenue increased by RM46.3 million or 52.8% compare to PTD2019 is mainly due to higher recognition of revenue for certain projects.

In line with the increase in revenue, the gross profit also increased by RM20.8 million or 67.1% as compared to PTD2019.

The Group reported increase in adjusted PBT of RM9.7 million or 2039.1%. The increase is contributed by increase in gross profit in PTD2020.

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

	<b>(Unaudited) Current Quarter Ended 30.09.2019 RM'000</b>	<b>(Audited) Preceding Quarter Ended 30.06.2019 RM'000</b>	<b>Difference</b>	
			<b>RM'000</b>	<b>%</b>
Revenue	133,796	141,963	(8,167)	(5.8)
Gross profit	51,753	41,330	10,423	25.2
GPM	38%	29%		
PBT	12,603	19,720	(7,117)	(36.1)
Adjust for:				
-Unrealised gain on foreign exchange	(2,421)	(7,971)		
Adjusted PBT	<u>10,182</u>	<u>11,749</u>	(1,567)	(13.3)

The Group revenue decreased by RM8.1 million or 5.8% as compared to last quarter was mainly due to the lower revenue recognition for certain projects.

Despite the drop in revenue, The Group gross profit reported increase of RM10.4 million or 25.2%. The increase in GP is mainly contributed by higher profit margin of the projects. The Group GPM increase from 29% to 38% as compared to previous quarter.

The group reported the decrease of Adjusted PBT RM1.6 million or 13.3% as compared to previous quarter. The decrease is due to audit adjustment/reclassification made in previous 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 next financial year, based on the positive developments of the Company specific in YTD 2020 as follows:

- (i) 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 October 2016.
- (ii) 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.

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

(iii) 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.

(iv) 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.

(v) 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.

(vi) 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.

(vii) 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.

(viii) 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.

(ix) 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.

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

- (x) As announced on 14 March 2019, PT Cougar Drilling Solution Indonesia (“PTCDSI”), 90.25% fellow subsidiary of Uzma had been awarded a contract for the Provision of Directional Drilling Services for PT Pertamina Hulu Energi Onshore West Java (“PHE-ONWJ”). The tenure of the contract is two (2) years from 25 February 2019 to 25 February 2021 with an extension option subject to the approval of SKK MIGAS, an institution established by the Indonesia government to manage upstream oil and gas business activities. The execution of contract is depending on work orders to be issued to PTCDSI from time to time at the discretion of PHE-ONWJ. Hence, any delay in issuing work orders will lead to delay in revenue recognition. The Group expects the contract to contribute positively to its future earnings by taken into the consideration of risk associated with the contract.
- (xi) As announced on 19 March 2019 and 20 March 2019, MMSVS Group Holdings Co., Ltd (“MMSVS”), a wholly owned subsidiary of the Group had been awarded a contract for the Provision of Onshore Hydraulic Workover Services (340K) for PTTEP International Limited, PTTEP Siam Limited and PTTEP SP Limited. The tenure of the contract is three (3) years from 1 March 2019 to 30 June 2022 with a maximum extension option of one (1) year. The Group expects the contract to contribute positively to its future earnings by taken into the consideration of execution risk associated with the contract.

Since the oil price crash in mid-2014, the Oil and Gas (“O&G”) industry has been on a slow path to recovery. The cyclical nature of crude oil prices was evident by the market price movements. The Group remains optimistic given the encouraging development activities outlook despite the trade tensions and oil price volatility.

With the ongoing contracts won by the Group, as mentioned above, we maintain our focus on growing our integrated well solution segment and expanding our channels to regional market, especially in Thailand, Indonesia, Brunei and Philippines; strengthening our service proposition for other segments and building order book for our new energy segment.

We remain confident that our commitment on the execution of our strategic plans will continue to steer our Group for a sustainable growth.

## 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 2019.

## 19. TAXATION

	(Unaudited) Current Quarter Ended 3 months 30.09.2019 RM'000	(Unaudited) Corresponding Quarter Ended 3 months 30.09.2018 RM'000	(Unaudited) Cumulative Year To Date 3 months 30.09.2019 RM'000	(Unaudited) Corresponding Year To Date 3 months 30.09.2018 RM'000
Current tax	(2,035)	(798)	(2,035)	(798)
Deferred tax	907	1,445	907	1,445
	<u>(1,128)</u>	<u>647</u>	<u>(1,128)</u>	<u>647</u>



**20. ADDITIONAL DISCLOSURE**

	(Unaudited) Current Quarter Ended 3 months 30.09.2019 RM'000	(Unaudited) Cumulative Period To Date 3 months 30.09.2019 RM'000
<u>Profit for the period is arrived at after crediting/ (charging):</u>		
- Depreciation of property, plant and equipment	(11,423)	(11,423)
- Amortisation of intangible assets	(750)	(750)
- Realised foreign exchange loss	(279)	(279)
- Interest income	200	200

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, impairment of receivables, 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 27 November 2019.

**22. GROUP BORROWINGS AND DEBT SECURITIES**

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

	As at 30 September 2019					
	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	22,523	N/A	80,796	N/A	103,319
Term loans (USD) *	1,500	6,285	20,891	87,534	22,391	93,819
Term Loan (THB) **	4,029	552	7,292	999	11,321	1,551
Hire purchase payables (RM)	N/A	3,654	N/A	11,963	N/A	15,617
Hire purchase payables (THB) **	247	34	9	1	256	35
Medium term notes (RM)	N/A	-	N/A	247,511	N/A	247,511
Invoice financing (RM)	N/A	11,385	N/A	-	N/A	11,385
Revolving credit (RM)	N/A	36,808	N/A	-	N/A	36,808
Overdraft (RM)	N/A	16,614	N/A	-	N/A	16,614
Overdraft (THB)**	1,418	194	-	-	1,418	194
Total		<u>98,049</u>		<u>428,804</u>		<u>526,853</u>

## 22. GROUP BORROWINGS AND DEBT SECURITIES (CONT'D)

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

	As at 30 June 2019					
	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	25,158	N/A	75,821	N/A	100,979
Term loans (USD) #	8,645	35,734	17,217	71,164	25,862	106,898
Term Loan (THB) ##	5,976	806	6,647	896	12,623	1,702
Hire purchase payables (RM)	N/A	3,545	N/A	9,753	N/A	13,298
Hire purchase payables (THB) ##	247	33	63	8	310	41
Medium term notes (RM)	N/A	-	N/A	247,408	N/A	247,408
Invoice financing (RM)	N/A	14,262	N/A	-	N/A	14,262
Revolving credit (RM)	N/A	21,603	N/A	-	N/A	21,603
Overdraft (RM)	N/A	21,005	N/A	-	N/A	21,005
Overdraft (THB)##	3,617	487	-	-	3,617	487
Total		<u>122,633</u>		<u>405,050</u>		<u>527,683</u>

Notes:

- \* - Converted at exchange rate of 4.1900 as at 30 September 2019.
- \*\* - Converted at exchange rate of 0.1370 as at 30 September 2019.
- # - Converted at exchange rate of 4.1335 as at 30 June 2019.
- ## - Converted at exchange rate of 0.1348 as at 30 June 2019.

## 23. OFF STATEMENT OF FINANCIAL POSITION FINANCIAL INSTRUMENTS

The Group does not have any off statement of financial position financial instruments.

## 24. MATERIAL LITIGATION

As announced on 30 October 2019, Uzma Engineering Sdn. Bhd. (“UESB”), a wholly owned subsidiary of the Group had filed a Writ and Statement of Claim in Kuala Lumpur High Court to commence legal action against Khan Co. Ltd (“Khan”) and Kong Offshore Malaysia Sdn. Bhd. (“Kong”) on 29 October 2019 amounting to approximately RM 63 million.

The case management is on 4 December 2019.

## 25. PROPOSED DIVIDEND

No dividend has been proposed for the current quarter.

**26. EARNINGS PER SHARE (“EPS”)**

	(Unaudited) Current Quarter ended 3 months 30.09.2019	(Unaudited) Corresponding Quarter ended 3 months 30.09.2018	(Unaudited) Cumulative Year to date 3 months 30.09.2019	(Unaudited) Corresponding Year to date 3 months 30.09.2018
<b>(i) Basic EPS</b>				
Net profit attributable to owners of the Company (RM'000)	9,432	7,240	9,432	7,240
Weighted average number of ordinary shares in issue ('000)	320,029	320,029	320,029	320,029
Basic EPS (sen)	2.95	2.26	2.95	2.26
<b>(ii) Adjusted EPS</b>				
Net profit attributable to owners of the Company (RM'000)	9,432	7,240	9,432	7,240
Adjust for : -Unrealised foreign exchange gain	(2,421)	(6,755)	(2,421)	(6,755)
Weighted average number of ordinary shares in issue ('000)	7,011	485	7,011	485
Adjusted EPS (sen)	2.19	0.15	2.19	0.15

**(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.