17TH ANNUAL GENERAL MEETING

13TH NOVEMBER 2024

MSWG-QUESTIONS AND ANSWERS

Operational and Financial Matters

1) The Group's Digital Earth division will be launching UzmaSAT-1, Malaysia's first privately owned submeter resolution Earth Observation satellite, scheduled for launch in late 2024 or early 2025. This project is set to transform the Group's capabilities in high resolution satellite data acquisition, positioning it at the forefront of the geospatial technology sector. (Page 44 of AR)

   a) What is the cost of UzmaSAT-1? Is there any change to the launch date?

Answer:

The cost of UzmaSAT-1 remains confidential as part of our competitive strategy. However, we're pleased to note that recent advancements in the "new space economy" have allowed us to undertake this project with a much more cost-effective approach than was previously possible.

Regarding the launch date, while Falcon-9 services experienced a temporary grounding by the United States Federal Aviation Administration (FAA), they have since resumed. As a result, we anticipate some rescheduling across the industry, which we view positively as it allows us to focus on strengthening our operations and finalizing all launch preparations. UzmaSAT-1 has been fully assembled and tested at the Assembly, Integration, and Testing (AIT) facility in Uruguay, and is scheduled for shipment to Vandenberg Space Force Base, California, on 13 November 2024. We are actively monitoring the situation and will continue to keep shareholders informed as we progress.

Operational and Financial Matters

b) Who are the potential customers for the satellite services?

Answer:

Our primary business focus is providing valuable insights derived from satellite imagery data, which can be applied across multiple critical sectors. These include precision agriculture, sustainable plantation management, infrastructure monitoring, and defense and intelligence. We are seeing strong interest from clients who rely on our data and analysis to optimize operations, ensure regulatory compliance, and advance sustainability efforts. Our solutions are tailored to empower industries with actionable insights, supporting data-driven decisions and enhancing operational efficiency.

Operational and Financial Matters

c) When is UzmaSAT-1 satellite service is expected to contribute to the Group’s bottom line?

Answer:

Through our partnership with Satellogic, we have not only UzmaSAT-1 but also access to Satellogic’s constellation of high-resolution Earth Observation (EO) satellites. This access enables us to provide services immediately, ahead of UzmaSAT-1’s own deployment. With this arrangement, we have already secured contracts with key clients in sectors like energy, sustainable agriculture, and infrastructure. Revenue generation has commenced through offerings such as land use analysis, soil mapping, and infrastructure monitoring, with strong growth in demand. With UzmaSAT-1 launching soon, we anticipate an even greater contribution to the Group’s bottom line as we scale and expand these services.

Operational and Financial Matters

2) The Group maintains a positive outlook in the Well Solutions Division as it has secured several major contracts from PETRONAS and other oil majors during the financial year. (Page 52 of AR)

   a) Please name the major contracts with values respectively that it has secured from PETRONAS and other oil majors in FY2024.

   b) How long with these contract last and what is the total value?

Operational and Financial Matters

Answer:

Department / Subsidiaries	Service	Client	Value	Duration
MMSVS	Coiled Tubing	Valeura Thailand	RM 30 mil	3 years
	Coiled Tubing	PTTEP Myanmar	RM 44 mil	2 years
	HWU	Medco Thailand	RM 14 mil	2 years
	P&A	APICO Thailand	RM 7 mil	Project Based
SVP	Pumping	ExxonMobil	RM 50 mil	3 years
	Pumping	Hibiscus	RM10 mil	1 year
	Pumping	Jadestone	RM 10 mil	3 years
Wireline	Advance Surveillance	PCSB	RM 11 mil	3 years
		Exxon	RM32 mil	3 years
Others	Smaller contracts		~ RM 60 mil	
Total WS contracts awarded FY 2024			RM 263 mil	

Note: Group Well Solutions has no new PETRONAS major contracts awarded in FY 2024 other than Wireline surveillance

Operational and Financial Matters

3) The Group’s gearing ratio has increased from 0.51 times in FY 2023 to 0.78 times in FY 2024. (Page 302 of AR)

a) Please state the reasons for the substantial increase in the Group’s gearing ratio.

Answer:

The increase in Group’s gearing ratio was mainly due to drawdown of the long-term loans for the following projects:

Non-Oil & Gas Division

(i) Drawdown from the long-term loans to finance the construction of the LSS4 solar photovoltaic plant of 50MWac which is located at Kuala Muda, Kedah. The Project has achieved COD on 25 September 2024 and commenced to export green energy. The project term loan is backed by the revenue proceeds to be collected from Tenaga Nasional Berhad via the power purchase agreement signed with tenure of 25 years.

Operational and Financial Matters

Answer (cont'd):

Oil & Gas Division

(i) Drawdown from the long-term loans to finance the purchase of the hydraulic workover units which are used in the contract for the provision for hydraulic workover and plug and abandonment operation for Petronas Carigali Sdn Bhd. This contract period is 3 years effective from 17 May 2023.

(i) Drawdown from the long-term loan to finance the construction of Water Injection Facilities ("WIF") for the contract of provision of lease of WIF for SF30 Waterflood Phase 2 for Sea Hibiscus Sdn Bhd. The contract period of the project is 5 years from the Final Acceptance Date of the WIF. This is the second WIF project of Uzma Group.

The above projects are capital intensive and require higher debt financing to fund the projects. However, the loans & borrowings are secured by the revenue proceeds collectable from the contracts with the clients.

Operational and Financial Matters

b) What is the Group’s optimal gearing ratio?

Answer:

Generally, for the oil and gas service contracts which are not too capital intensive, the gearing ratio will be lower. However, as we have embarked on the more capital-intensive projects such as Water Injection Facilities, we would require higher debt financing to fund the projects.

In addition, Uzma has expanded from oil and gas business to renewable energy, in which we are now the solar plant operator with the capacity of 50MWac. Operating a solar farm is deemed as another capital-intensive project which require higher debt financing. Consequently, this has caused the overall gearing ratio of the Group to increase.

As such, setting an optimal gearing ratio in the Group will not be commercially viable for the expansion of the Group businesses as these will depend on the contracts/projects secured by the Group. However, the loans obtained will be secured by the income proceeds from the contracts.

Operational and Financial Matters

c) What are the Group’s interest cover ratios for FYs 2023 and 2024?

Answer:

The interest cover ratio for FY 2023 was 3.42 and the interest cover ratio for FY 2024 was 3.99.

Operational and Financial Matters

4) The Group's wholly owned subsidiary, Uzma Kuala Muda Sdn Bhd ("UKM") was awarded a contract by Tenaga Nasional Berhad ("TNB") to develop a large-scale solar photovoltaic plant under the government's fourth competitive bidding programme, know as LSS4 or MEnTARI with its expected scheduled commercial operation date ("SCOD") on 29 September 2023.

On 8 August 2022, UKM received an extension from Suruhanjaya Tenaga ("ST") and the SCOD on 31 December 2023.

UKM has applied for a further extension of time to ST due to the delay in the completion of the construction of the solar photovoltaic plaint.

Subsequently, on 1 October 2023, ST had given an extension to the SCOD from 31 December 2023 to 29 June 2024. (Page 305 of AR)

Operational and Financial Matters

a) Why was UKM unable to complete the construction of the solar photovoltaic plant within the stipulated time, i.e. on 29 September 2023?

Answer:

Large Scale Solar By Malaysian Electricity Industry To Attract RE Investment otherwise known as LSS@MEnTARI or LSS 4 was established by the Government of Malaysia not only to accelerate the development of renewable energy supply industry; it was launched with the objective to revive and stimulate the country's economy which was severely impacted by Covid-19 outbreak. Despite the objective set by the Government of Malaysia, the implementation of large scale solar projects in general, and UKM included, was still battling against post Covid-19 impacts. The impact among others is that the pandemic and post-pandemic period created a "perfect storm" of demand increases and supply constraints, leading to significant price volatility for solar panels.

In order to stabilize the post Covid-19 impacts, the original scheduled operation date for most LSS 4 projects, including UKM's, would have to be extended and the Energy Commission of Malaysia had granted global extension of time to 31 December 2023 to LSS 4 developers including UKM.

Operational and Financial Matters

b) What was the cost of constructing the solar photovoltaic plant? With a delay in the plant's completion, will there be a cost overrun? If yes, what is the estimated amount?

Answer:

The estimated total development costs for the 50MWac solar photovoltaic plant is RM229 million whereby the majority of the cost relates to the engineering, procurement, construction and commissioning ("EPCC") works. As of the Commercial Operation Date on 25 September 2024, there is no cost overrun.

Operational and Financial Matters

c) What is the payback period for the solar photovoltaic plant?

Answer:

The payback period for the solar photovoltaic plant is 14 years.

d) How would the Group fund the LSS4 project? Please provide details.

Answer:

The Group utilised part of the proceeds from the Private Placement of RM20 million as sponsor' contribution to fund part of the project costs and the remaining costs were funded by UKM's RM225 million Syndicated Islamic Financing Facility from Affin Islamic Bank Berhad and Export-Import Bank of Malaysia Berhad on 20 June 2023 and RM10 million project facility obtained from Malaysia Debt Ventures as bridging facility.

Operational and Financial Matters

5) The Group's rental income decreased substantially from RM73.9 million in FY 2023 to RM38.8 million in FY2024, a reduction of RM35.2 million or 47.6%. (Page 278 of AR)

What were the reasons for the lower rental income in FY 2024?

Answer:

The decrease in rental Income FY 2024 is primarily attributed to the completion of certain rental agreements. Additionally, some of the equipment that was previously part of the rental portfolio has been deployed to support service-rendering activities, contributing to service revenue instead of rental income. This shift in the use of equipment has impacted the overall rental revenue, as the assets are now being utilized for operational purposes rather than being leased out.

Sustainability Matters

6) In FY 2024, the Group's total procurement expenditure reached RM225 million, significantly contributing to the supply chain. Notably, RM97 million was allocated to local suppliers, reflecting the Group's strong commitment to fostering local partnerships and supporting businesses within its communities.

A graph showing the breakdown of suppliers mix of local and foreign entities, the percentages of local and foreign suppliers have remained constant i.e. 81% and 19% respectively for three FYs 2022, 2023 and 2024. (Page 103 of AR)

a) The RM97 million allocated to local suppliers constitutes only 43% of the Group's total procurement expenditure of RM225 million. Please explain the reasons for the low figure compared to 81% illustrated in the graph.

Answer:

We allocated RM97 million to local suppliers , representing 43% of our total procurement spending of RM225 million. While the majority of our suppliers are local, the discrepancy in spending arises because a significant portion of our procurement is directed towards high-value purchases from foreign vendors. These foreign suppliers, often OEMs and technology owners, provided specialized equipment and unique technologies that are essential to our operations.

For high value and complex requirements, local vendors were unable to meet our technical specifications or offer the same commercial competitiveness. As a result, while we have increased the number of purchase orders ("POs") awarded to local suppliers – 86% of the total PO volume (purchase order count) – these tend to be for smaller-value transactions compared to the larger orders awarded to foreign OEMs.

Sustainability Matters

b) Why was there no further increase in the local supplier's percentage as it has been constant for the past three years? What is the Group's commitment to further increase local supplier's participation?

Answer:

While the percentage of local suppliers has remained relatively consistent at around 81% for the past few years, the number of local vendors has increased significantly. In FY 2023, we added 162 new vendors, of which 127 were local, representing 78% of the total new vendors. For FY 2024, we added 92 new vendors, with 69 being local. The percentage of local suppliers remains steading primarily due to the specialized equipment and services required in the oil and gas industry. Many of the specialised items we need, such as advanced drilling equipment, subsea systems, and specific types of compressors, are predominantly manufactured by overseas companies. Despite our ongoing efforts, increasing the proportion of local suppliers, for these complex and high-value requirements has proven challenging.

However, we are committed to enhancing the involvement of local suppliers. We continue to actively engage with local businesses by expanding our Approved Vendor List (AVL) and inviting them to participate in our bidding processes. Our goal to empower local companies by providing support and development opportunities, enabling them to supply more complex and high-value goods and services. Over time, we aim to nurture local talent and gradually increase the share of procurement spending directed towards local suppliers.

Sustainability Matters

7) The Group plans to implement more energy and emissions management initiatives to further reduce its operations' environmental impact in FY 2025. (Page 107 AR)

Please name the energy and emissions management initiatives the Group plans to roll out in FY 2025.

Answer:

Following a thorough investigation and in-depth analysis of the increase in diesel consumption at the Marsya Water Injection Facility (D18 field) during FY 2024, efforts are being made to enhance the reliability of the primary power generation unit. The unit is currently undergoing overhaul maintenance, with completion expected by March 2025. This initiative is expected to reduce the reliance on backup power generation which uses diesel fuel.

We are in the process of expanding our environmental data collection across additional sites to enhance our consolidated tracking and traceability efforts.

We are also committed to strengthen our capacity building program by onboarding session, campaigns, and ongoing communication with Uzmarian to raise awareness on ESG (Environmental, Social, and Governance), particularly regarding their contributions to Uzma Group's emissions and energy usage.

Sustainability Matters

8) The Group has disclosed one case of environmental fine and penalty incident in both FYs 2023 and 2024. (Page 138 of AR)

a) Please provide details on the environmental fine and penalty incident for FYs 2023 and 2024.

Answer:

Compounds were issued by the Department of Environment ("DOE") amounting to RM5,000 in FY 2023 and RM16,000 in FY 2024 for the Labuan base. The FY 2023 compounds were due to inadequate storage area for scheduled waste and scheduled waste inventory records that was not current. In FY 2024, the compounds were due to issues with labelling on scheduled waste container, some of which had faded or peeled off due to weather exposure and overdue disposal.

Sustainability Matters

b) What measures have been taken to ensure that such environmental fines and penalty incidents do not recur?

Answer:

Following the DOE's findings, corrective actions were implemented. These included designating proper storage areas for scheduled waste, ensuring timely disposal, updating the waste inventory in the Electronic Scheduled Waste Information Systems (eSWIS), and enhancing labeling methods on all containers. Since these measures were put in place, along with regular internal site inspections, no further compounds have been issued by the regulatory body.

Corporate Governance

9) **Practice 5.9** of MCCG stipulates that the board comprises of at least 30% women directors.

Company's Response: Applied. As of June 2024, the Board comprises 3 (three) women Directors out of 10 (ten) Directors on the Board, which represents 30% women directors.

MSWG Comment: What benefits has the board experienced from gender diversity among its members? How has the Board performance been impacted to these benefits?

Answer:

Uzma Berhad acknowledges that a diverse board, particularly with a balanced representation of women, enhances the breadth of perspectives, fosters inclusive decision-making, and contributes to more effective governance.

With the participation of more female representation on the Board, we have seen positive impact on our Board's performance: -

1. **Enhanced Perspective and Insight**
   The inclusion of women directors has introduced broader perspectives, especially in discussions involving stakeholder engagement, corporate social responsibility, and employee welfare. This diversity of thought

Corporate Governance

Answer(cont'd)

enriches the Board's ability to evaluate issues from multiple angles and make well-rounded decisions that benefit both our stakeholders and the company.

2. **Fostering an Inclusive Culture**
   Gender diversity at the Board level promotes a more inclusive company culture. The Board's composition reflects our commitment to diversify, which has positively influenced our company's environment, making it more attractive to top talent and fostering a culture of respect and collaboration across all levels of the company.

3. **Strengthened Stakeholder Trust**
   As an organization to governance and sustainability, our gender-diverse board sends a clear message to stakeholders about Uzma Berhad's commitment to equality and inclusive practices. This has reinforced stakeholders' trust in our commitment to ethical practices and long-term growth.

UZMA

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Q&A SESSION FROM MEMBERS

Q&A Session from Members

From: Stephen Lye Tuck Meng

Dear BOD - Kindly give us some e-vouchers, food vouchers or e-wallet (no discount vouchers please) for being loyal shareholders and attending this meeting. Times are bad. Please be considerate to us shareholders during these trying times. TQ

Answer:

Dear Mr Lye, the group does not have a policy to give out vouchers or other door gifts to shareholders who attend the company's AGM.

Q&A Session from Members

From: Looi Kian Hwa

Can you describe more about UzmaSat venture. Can we have some guidance on this new venture. Would like to know more on capex invested and projected revenue from this new business.

Answer:

Dear Mr Looi, as mentioned during our operational presentation, UzmaSAT-1 is a key initiative under our new business ventures, designed to diversify the Group's revenue streams and support its future growth prospects. However, we regret to inform you that the cost details of UzmaSAT-1 remain confidential as part of our competitive strategy

Q&A Session from Members

From: Ng Hoon Ho

Very good briefing provided by the Group CEO in terms of sharing in Company's background, projects, future outlooks and risks involved. Appreciate if the slides can be shared in the Company's website.

Answer:

Thank you Mr Ng for your kind comments. We will put our AGM deck on our websites.