



MINORITY SHAREHOLDERS WATCH GROUP
Shareholder Activism and Protection of Minority Interest

The Board of Directors

UZMA BERHAD

12th Floor, Menara Symphony,
No. 5, Jalan Prof. Khoo Kay Kim,
Seksyen 13, 46200 Petaling Jaya,
Selangor Darul Ehsan

Attention: Tai Yit Chan/Chan Yoke Peng/Maziah Binti Martin
Company Secretaries

Dear Sirs,

Re: 15th Annual General Meeting (AGM) of UZMA BERHAD (“the Company” or the “Group”) to be held on Wednesday 14 December 2022

In the interest of minority shareholders and all other stakeholders of the Company, we would like to raise the following issues:

Operational and Financial Matters

1. Included in other receivables of the Group is an amount of RM4,682,000 (2021: RM4,682,000) which represents materials purchased in advance for customers. The installation services had yet to be performed at the end of the reporting period. (Page 217 of AR)

(a) Why were the materials valued at RM4.68 million purchased in advance before the start of the contract?

Uzma:

There are occasions where there’s a need to acquire equipment or materials in advance due to long lead times for these projects, hence the need to secure its availability ahead of the project commencing is deemed necessary.

(b) Why has the project been delayed for two years?

Uzma:

The projects were delayed for two years mainly due to stringent compliance of procedures during the Covid pandemic and Movement Control Orders (MCO) imposed by the Malaysian government for the past 2 years.

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(c) What is the nature of the project and the value of the contract?

Uzma:

The total contracts period estimated to be over 3 - 5 years and still ongoing to date. Total value of the various projects is estimated to be above RM200 million.

(d) Will the Company be able to claim any compensation if the contract is eventually terminated? If yes, what will be the compensation amount?

Uzma:

The advances made are deemed necessary as part of the contract obligations. The management did not anticipate any early termination based on clients' on-site job progress plan. However, should the contract be terminated earlier than expected, we will be entitled to any recourse as per the terms set in the contracts.

(e) When is the project expected to start?

Uzma:

All projects are ongoing. The payments made in advance for the down payment of the back-up equipment. The advances were made as required by overseas suppliers according to the terms set before they prepare, pack and deliver the goods as ordered.

2. In the segment reporting, the 'others' business segment reported a higher external revenue of RM28.5 million in FY 2022 as compared to RM1.831 million in FY 2021.

However, it reported a higher loss of RM13.9 million in FY 2022 as compared to a segment profit of RM38.1 million in FY 2021. (Pages 247 & 248 of AR)

(a) Why did the 'others' segment report a higher revenue and a higher segment loss in FY 2022 as compared to FY 2021?

Uzma:

The higher revenue mainly from recognition work in progress (WIP) done from our New Energy division. However, losses were higher mainly due to higher dividend income recognised in previous years but reduced in current year.

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(b) Please provide the financial results of the new energy, digitisation & tech divisions for FY 2022 and FY 2021, respectively.

Uzma:

The financial results for new energy, digitalization & tech division for FY 2022 and FY 2021 were reported in "Others" segmental reporting.

(c) What is the outlook of the new energy, digitization & tech divisions in FY 2023.

Uzma:

The Ministry of Energy and Natural Resources of Malaysia (KeTSA) has set many initiatives for renewable energy to support Malaysia's global climate commitment to reduce its economy-wide carbon intensity (against GDP) of 45% in 2030. This augurs well with our strategy to aggressively grow in New Energy business.

On 31 October 2022, the Ministry of Energy and Natural Resources announced the implementation of Corporate Green Power Programme administered by Suruhanjaya Tenaga. The programme is among the government's initiative to achieve the targeted decarbonisation of electricity sector in Malaysia.

We believe renewable energy remains bright and continue to generate sustainable income to the Group in long term.

3. In FY2019, the Group unveiled the Uzma Five Year Plan ("uzma5R") as the strategic blueprint for the Group's transformational journey towards achieving the vision of becoming one of the Top 5 Oil & Gas Service and Equipment ("OGSE") companies in Malaysia. (Page 58 of AR)

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(a) What is the Group's progress in achieving uzma5R plan as of FY 2022?

Uzma:

The group's uzma5R blueprint was hampered by disruptions in the past 3 years due to the COVID-19 pandemic. The group has made progress in terms of laying the ground work to diversify the group's earnings geographically as well as in the Non Oil&Gas segment. Example, we have made inroads in securing renewable projects, LNG as well as digitization ventures.

The group however have not been able to make much progress in hitting the targets of percentage share of revenue from a revenue standpoint, both geographically as well as from the Non O&G division due to the recent COVID-19 challenges.

Hence, with the relaxation of lockdown measures both domestically as well as internally, the group is redoubling its efforts to make up for the last time cause by COVID.

(b) What are the remaining milestones in the uzma5R that the Group needs to achieve?

Uzma:

The group has yet to achieve the portfolio split of 60% O&G and 40% Non-O&G. In our most recent FY22 financials, the ratio was 92% O&G and 8% Non O&G.

(c) Will the Group be able achieve all the milestones that are outlined in uzma5R within the timeline set? If not, why?

Uzma:

The group remains focused on achieving its milestones although this will not be within the timeframe due to the disruptions cause by the COVID-19 lockdowns

4. The Group took the opportunity to assess its investments and re-evaluate its assets, disposing of nonperforming and non-core assets to ensure optimisation of the Group's balance sheet. This approach allowed the Group to weather the adversities during the financial year in review. (Page 39 of AR)

(a) Please name the nonperforming and non-core assets the Group has disposed off and their respective values in FY 2022.

Uzma:

The Group disposed its certain plant and equipment assets in its Productions Services segment in FY 2022 for an amount of RM 13 million.

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(b) What was the impact of the disposal of nonperforming and non-core assets on the Group's financial result in FY 2022?

Uzma:

The disposal of its non-core assets resulted in no gain no loss position of the Group and did not have material adverse effect to the Group's financial results in FY 2022. Moreover, the disposal has reduce the Group's future maintenance costs and upgrading costs of the assets which may not generate viable economic benefits to the Group.

5. The Group's quoted equity securities dropped from RM1.374 million in FY 2021 as compared to RM0.241 million in FY 2022. (Page 218 of AR)

(a) What was the reason for the drop in value of the quoted equity securities?

Uzma:

The quoted securities were held in a 60% subsidiary, Uzma Integrated Solutions Sdn Bhd which was disposed on 16 July 2021. Therefore, with the disposal of the said subsidiary, the quoted securities value has dropped accordingly as at 30 June 2022.

(b) Please provide the name(s) of the quoted equity securities with the respective value.

Uzma:

The quoted securities are no longer held within the group as it was invested by a subsidiary which was disposed off on 16 July 2021.

(c) Why did the Group invest in the quoted equity securities?

Uzma:

The Group invested in equity securities for to generate additional returns.

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6. The Group has written down the value of inventories amounting to RM2.2 million in FY 2022 as compared to RM0.12 million in FY 2021. (Page 164 of AR)

(a) What was the reason for the high inventories written down?

Uzma:

At the end of the financial year, the Group carried out a stock check and identified that some inventories' shelf life has expired during the financial year. Accordingly, the Group were required to write down the value of its inventories to its net realisable value during the current financial year.

(b) Please provide the nature of the inventories and amount that was written down in FY 2022.

Uzma:

The inventories written down were explosive materials which expired at the end of the Financial Year and required to be written down as these items were no longer be useable due to the expiry period of its useful life.

We would appreciate it if the Board could present the points raised here and their related answers, for the shareholders present at the AGM. At the same time, we await a written reply for our records.

Thank you.

Yours sincerely,



DEVANESAN EVANSON
Chief Executive Officer

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