

Question and Answer

MHB 34th Annual General Meeting (AGM) 2023

AGM Live Questions

Strategy, growth & business outlook

No.	Question
1.	<p>The Strategic Review on pages 64-65 of the AR highlighted the expected spike in investment in renewable energy especially for Global Offshore Wind capacity.</p> <p>1) Is the MHB Group currently undertaking any global offshore wind project and if yes, where are these projects.</p> <p>2) Does MHB has the capability and competitive advantage in procuring global offshore wind projects and other renewal energy power projects?</p>
	<p>Answer</p> <p>Q1)</p> <ul style="list-style-type: none"> ▪ We are in negotiations with clients in Europe for the potential fabrication of Offshore Substations (OSS) for windfarm. ▪ We are also actively bidding for Taiwan offshore windfarm projects. ▪ Due to confidentiality, we are unable to disclose the details but as mentioned earlier, if there are any suitable projects, it may happen towards the end of 2023 or as early as Q3 2023. <p>Q2)</p> <ul style="list-style-type: none"> ▪ Yes, MMHE does possess the capability and capacity to venture into the renewable energy market in the areas of fabrication of OWF foundations, offshore sub-stations (OSS) as well as modularization of hydrogen production facilities. ▪ In partnership with FuelCell Energy (FCE), MMHE will offer proprietary modular solutions for large-scale hydrogen production projects. ▪ The collaboration aims to address the two most significant challenges in the production of green hydrogen, namely the cost of input electricity and the capital cost of the production facility. ▪ On the other hand, MHB's ability to modularize and build at scale is expected to reduce the total capital cost for large scale electrolyzer projects.
No.	Question
2.	<p>Congratulation to MHB for securing RM1.4 billions worth of deals from Carigali-PTTEP. May I know what is targeted timeline for MHB to complete this 1.4 billion worth of project? What is the projected profit margin from the project? Under best possible scenario and worth possible scenario.</p>
	<p>Answer</p> <p>The project would be completed in Q4 2024 and is expected to generate reasonable margin, commensurate with the project risks.</p>

No.	Question
3.	<p>In FY21, MHB has recognised additional cost provisions for on-going project. Based on latest quarter report shown, MHB commits to rigorously pursue actions to recover costs associated with these rectification activities against all relevant parties including subcontractors and vendors.</p> <p>1) May I know how much is the outstanding amount of additional cost provision for doubtful debts for both Heavy engineering and marine segment which MHB is confident to recover?</p> <p>2) Knowing that manpower constraints may affect the timely execution of on-going project, any possibility of delay in job completion could cause late penalty imposed on MHB?</p>
	Answer
	<p>Q1) We are continuously pursuing all available avenues to recover the debts. Due to the ongoing nature of these actions and the confidential nature of the negotiations with clients, we are unable at this juncture to disclose the full details of the amount of doubtful debts to be recovered.</p> <p>Q2)</p> <ul style="list-style-type: none"> ▪ In order to mitigate the risk of project delays due to manpower shortage, we are embarking on initiatives to widen the scope of internal construction capability by expanding internal work scope of construction and reducing reliance on subcontractors. ▪ MMHE has signed an MoU with Gigih Avenue Sdn Bhd (GASB) to collaborate in a programme to provide training and certification in welding and employment opportunities for eligible local welders. As a customised training provider for the Energy and Oil & Gas industry, GASB will be carrying out customised welding trainings in accordance with MMHE's operations for the identified candidates and assessing their competency levels to meet the relevant skill requirements. <ul style="list-style-type: none"> ○ Collaboration with Institut Latihan Perindustrian (ILP) through the Johor Petroleum Development Corporation Berhad (JPDC) funded programme for the engagement of welders, blasters & painters. ○ MHB recently signed a Memorandum of Cooperation with the Malaysian government aimed at optimizing the National TVET Transformation Program. This is to support MHB's People Agenda where we aspire to collaborate with stakeholders to produce more industry-related skilled workers to meet the increasing demands.

No.	Question
4.	<p>1) May I know, what is the company's future outlook?</p> <p>2) Will the Board consider giving door gift such e-voucher or e-wallets for those participating in this AGM as a token of appreciation?</p>
	<p>Answer</p> <p>Q1)</p> <ul style="list-style-type: none"> ▪ Moving into 2023, MHB's strategy focuses on building a more resilient, selective and diversified business model to service the marine and offshore energy value chains. ▪ Our MHB Vision 2027 is geared towards positioning MHB to deliver cost-competitive business solutions and services across all business segments, towards achieving greater efficiency, profitability and excellence in project execution. MHB Vision 2027 aims to establish MHB as a competitive EPCIC contractor, capable of winning high value projects with a diversified and robust business portfolio. ▪ We have sharpened our focus towards achieving MHB Vision 2027 by adopting two-pillar key results areas to capture short-to-medium term growth while creating long-term value propositions in line with energy transition and industry decarbonisation. ▪ Two-Pillar Key Results Areas: <ul style="list-style-type: none"> ○ Fortifying Our Core - Focused on development and improvements of internal process, technical & capability. ○ Pushing Boundaries for Growth - Diversification within our core business and realise opportunity in our target markets. MHB is positioned to win and deliver projects internationally, and the outlook looks positive. <p>Q2)</p> <p>MHB is giving e-Vouchers worth RM50 of petrol purchase each to the shareholders attending the virtual AGM 2023.</p>
No.	Question
5.	<p>How is the progress of Kasawari Carbon Capture & Storage (CCS) Project so far? Is there any progressive billing coming in for the current financial year? Tq!</p>
	<p>Answer</p> <p>As of March 2023, the progress for Kasawari CCS project is at early stage of its procurement activities and the project is expected to enter its construction stage sometime within this year. Billing to client would be done progressively based on milestones achievement.</p>
No.	Question
6.	<p>Hi, good morning to all. On 6/3/23, Sin Chew Daily published an interview article with En. Mohamed Firouz Asnan, Senior Vice President of MPM (Malaysia Petroleum Management at Petronas), he pointed that besides the awarded Kasawari CCS, Petronas will award another CCS project @ Penisular Malaysia (I guess is at Terengganu) soon.</p> <p>Q1) Is MHB still have capacity to take up this job? Q2) Is the scale of the above said CCS project similar with Kasawari CCS OR its scale will be much more smaller?</p>

	<p>Q3) Any idea of how soon will this project will award? Q4) How much the confidence level for MHB to secure this CCS job? We all pray hard together to get it! :-) Thanks and wish all a nice day ahead!</p>
	<p>Answer</p> <p>Q1) We still have capacity at both West and East yards.</p> <p>Q2) to Q4) PETRONAS is still at development stage for future CCS projects and this development plan will determine the size and timeline of the projects. Given that we are doing the Kasawari CCS project, we are fairly confident of competing well for future CCS projects.</p>
No.	Question
7.	<p>The MD & CEO's Review on page 29 projected that oil demand will peak around 2027.</p> <p>1) Please elaborate how MHB's Strategy 2022 - 2026 addresses the projected peak oil demand in 2027.</p> <p>2) How much new order book from O&G segment MHB has targeted for FY2023?</p>
	<p>Answer</p> <p>Q1) While oil demand is said to peak in 2027, it is also believed that gas will peak closer to 2040. Renewable energy demand however has been steadily increasing and is expected to accelerate after 2030. In the past 2 years, MHB has begun pivoting towards renewable energy i.e. Wind Farm business and has made good progress in terms of upskilling our employees and getting into partnerships like the collaboration that we have with Smulders. In windfarm segment, we are targeting the wind turbine platform as well as High-Voltage Direct Current (HVDC). HVDCs are very much the type of bespoke structure (similar to Oil & Gas CPP) that we are highly experienced in fabricating. In addition to that, we have recently won the Kasawari CCS project which cements our presence in the Carbon Capture segment, which we believe will also grow in the years to come as the world embarks on its Net Zero journey.</p> <p>Q2) As of March 2023, our tender book for Heavy Engineering business is approximately RM9 to 10 billion and covers all segments. If we are successful in the bidding process, around 15-20% may be awarded sometime in 2023.</p>
No.	Question
8.	<p>Our HE segment in FY2022 benefitted from exceptional items like recovery of Covid 19 costs & reversal of cost provisions for several post-sailaway projects. What are their respective amounts?</p>
	<p>Answer</p> <p>COVID-19 claims:</p> <ul style="list-style-type: none"> ▪ So far, we have partially recovered COVID-19 claims for several Heavy Engineering projects. ▪ Further discussions are still being held with the clients for the remaining claims. As part of ongoing negotiations, MHB continues to fully cooperate with clients

	<p>in providing all the necessary evidence and detailed supporting materials to satisfy all their requirements.</p> <p>Reversal of cost provision:</p> <ul style="list-style-type: none"> ▪ The reversal of cost provisions came from several post sail-away projects that were completed in prior years. ▪ The reversal was done due to the expiry of warranty as well as finalisation of amounts payable under the contract with subcontractors and vendors for completed and post-sailaway projects. The amount reversed is equivalent to the amount which was originally booked in as a cost provision during the execution phase of the project to account for the possible risks of these additional costs materialising.
No.	Question
9.	Hi Chairman, you have new contracts and developments but you seem not optimising the profits. You have not come out of doldrums. Due to incompetency and technical expertise?
	Answer
	<ul style="list-style-type: none"> ▪ Quite the contrary, MHB has recorded a commendable turnaround in its FY2022 results with a Net Profit After Tax (NPAT) of RM67.6mil, against a loss of RM274mil in FY2021. This is the first year of profits since 2017, and our NPAT in 2022 is more than double 2017. In tandem with the turnaround, our share price has also recorded significant gains, resulting in a market cap of around RM1.2bil as at February 2023.
No.	Question
10.	How long will the 7.5 bil project sustain the company? How much is the average project IRR that the Company secure?
	Answer
	The order book will sustain us until 2025. For all our projects under Heavy Engineering and Marine segments, we always plan to generate a profit margin commensurate with the level of risks of each project.
No.	Question
11.	MHB has very high trade and other payables amounting to RM1.241 billion compared to trade and other receivables of RM748 million. (1) What are the reason(s) for the substantially higher trade payables vs trade receivables? (2) The bulk of the trade payables are classified as "Accruals" (Note 23 - page 355 of AR). What the reason(s) for high Accruals figure?
	Answer
	<ul style="list-style-type: none"> ▪ The substantially higher trade payables vs trade receivables is a consequence of timing of collection from clients as well as payments to subcontractors, vendors and suppliers. ▪ During the year, collection from clients was higher than payments made to subcontractors, vendors and suppliers which also contributed to our positive Cash Flow From Operations (CFFO). ▪ The Accruals figure represents the accrued project costs for all our Heavy Engineering and Marine projects as at 31 December 2022.

	<ul style="list-style-type: none"> The high Accruals figure is consistent with the higher progress of our on-going projects.
No.	Question
12.	Hello CEO. Do not rest on your laurels by getting contracts from Petronas. Be competent in the International arena. Work hard to achieve the planned targets and reward the shareholders appropriately. Thank you
	Answer
	Hello dear shareholder, thank you for your comments. We are working hard to replenish / grow our orderbook by winning international and domestic projects as well as to execute and deliver our ongoing and newly secured projects on time, on budget and at profit margin commensurate with the level of risks.

AGM Live Questions

Dividend/Bonus shares

No.	Question
1.	Hi CEO. Kindly work harder and stay focus to achieve a better results for the shareholders. Dividend and a better share price. Not only just pray. Tq.
2.	Any dividend expected for this year?
3.	The dividend of 1.5 sen per share represents a 35% dividend payout ratio for FY2022. Can the Board assure shareholders that the dividend payout ratio for FY2023 will be sustained based on the expected of similar or better profitability this year?
4.	Can BOD declare higher Dividend in FY 2023 as compared to last year?
5.	Hi Chairman. Shareholders are expecting a better Dividends. It has not been forthcoming for many years. Share price is in doldrums. Look into it, TQ
6.	Good morning Mr. Chairman and Board of directors. Kindly give us rm60 Setel e-wallet for being loyal shareholders and attending this Agm. Times are bad now. Please be considered to us shareholders during this trying times. Thankyou.
	Answer
	<ul style="list-style-type: none"> The amount of dividend, if any, would be based on the affordability and the Company's strategy to preserve cash for our working capital and investment needs to execute and win future projects.
No.	Question
7.	Any bonus issue for this year?
	Answer
	MHB does not have any plans currently to give out bonus issue.

AGM Live Questions

Share Price

No.	Question
1.	Hi BOD. I am a shareholder since IPO. The share price has been going down and now stagnant at circa 50 cents. Oil prices has been eolving and revolving circa USD90 but your share price is dead. Kindly buck up and do a forensic test at your side , staff and operations. TQ

2.	Hi Chairman. Why is the share price of MHB languishing at 50 cents for so many years eventhough the World Crude Oil price has move through the ceiling of USD100? Share price is stagnant at 50 cents compared to IPO price. Wake up. TQ
3.	Hi BOD. MHB listed price is still far far away from your IPO price. It had shot over initially and then has been languishing below par IPO for decades. What is your narrative?
	Answer
	<ul style="list-style-type: none"> ▪ Our share price performance is directly influenced by global economic growth, geopolitical risks, volatility of oil market, supply and demand of oil and gas, new contract awards and financial performance among others. ▪ We will continue to monitor these factors whilst remaining vigilant in weathering challenges brought upon by the pandemic and its lingering impacts to deliver the best operational and financial performance in the future. ▪ It is important to also understand the distinction between an oil producer and a fabricator. Oil producers gain from higher oil prices immediately from the higher sales price of the crude oil they produce and sell. For fabricators like MMHE, the high oil prices should incentivise oil and gas producers to spend more on CAPEX. However, the benefits of the higher CAPEX spend takes a longer time to flow down to fabricators as the development of the project is over many months and across several years. ▪ With the successful turnaround in our financial results in FY2022 registering a net profit after tax of RM67.6mil coupled with a strong orderbook of around RM7bil, our share price currently has also improved significantly compared to RM0.395 as at 31 Dec 2021 and as at February 2023 reached as high as RM0.75 translating to a market cap of RM1.2bil. The Company also recently paid out dividends of 1.5 sen per share, the first since 2018.
No.	Question
4.	Despite having the highest-ever outstanding orderbook in hand, research houses do not seem to be excited (based on their low target prices that ranged from 51 sen to 85 sen) about our earning prospect . Your comments, please.
	Answer
	<ul style="list-style-type: none"> ▪ Research houses have their own internal methodologies to value companies. We are not privy to those methodologies. ▪ We are focused on executing our strategies to deliver value to our shareholders. Interested research houses are invited to scrutinise our financial results, business operations and fundamentals at scheduled Analyst Briefings and Yard Visits to perform their own independent and objective research on MHB. ▪ We provide necessary information to the research houses to conduct their analyses.

AGM Live Questions

Financial

No.	Question
1.	The MD presented that MHB is currently in final stages of delivering the Sapure OMV in the Jerum project. Is this project related to Sapura Energy Berhad which has been classified as a PN17 company on Bursa? If yes, what is the risk of non-collection the balance of the contract value?
	Answer
	The client for the Jerun project is Sapura OMV which is a separate entity from Sapura Energy Berhad. So far, the Group has not faced any collection issues from Sapura OMV.
No.	Question
2.	MHB Group has huge unutilised investment tax allowances (ITA) amounting to RM986.818 million (Note 16 - page 349 of AR). (1) When can MHB utilised the ITA to offset its reported profits? (2) Is there an expiry date for these ITA to be utilised and if yes, when must the ITA be utilised before expiry?
	Answer
	Q1) The Group intends to utilise these ITA to offset future taxable profits in future years.
	Q2) The ITA incentive granted by the Government to MMHE has no expiry date.
No.	Question
3.	To what extend the international oil price movement will influence on the company bottom line, i.e., profit and revenues?
	Answer
	<ul style="list-style-type: none"> ▪ The oil price starts easing after Q2 2022 from USD120/barrel to USD73/barrel; however, it is expected to stabilize in the first quarter of 2023 with an average price of USD83/barrel. ▪ Current high oil price will encourage more CAPEX spending by the developers for Malaysia, Middle East, South America, etc hence more CAPEX spending and more business prospects for MHB. ▪ Not directly impacted by oil price, but the increase in CAPEX spending indicates more jobs hence more opportunities for us to bid.

No.	Question
4.	An amount of RM14.312 million was recorded as proceeds from disposal of non-current assets held for sale (Cash Flow Statement - page 301). What is the nature of this non-current assets sold. Was there any profit booked in for this sale?
	<p>Answer</p> <ul style="list-style-type: none"> ▪ This is related to the disposal of our floating dock in Kemaman for our mothballed subsidiary, MEMS as a result of the weak Offshore Support Vessel (OSV) market. MEMS provided marine repair services for OSVs. ▪ There is no profit recognised in the 2022 financial statements as the floating dock was disposed at its book value in 2022.
No.	Question
5.	Whilst its commendable that MHB has huge outstanding orderbook, the concerns are - 1. implementation? 2. whether margins are healthy? 3. fear of cost-overrun? Please address all these concerns.
	<p>Answer</p> <p>Q1) Project Implementation:</p> <ul style="list-style-type: none"> ▪ We have scrutinized the gaps of our past performances, and in the last 2 years embarked on initiatives to Overcome Project Delivery Challenges to close most of those gaps. We are continuing with this effort this year. ▪ One of our important efforts in improving the execution of projects is the on-going digitalization efforts that we are doing along the entire value chain of our execution phases i.e. E-P-C-I-C. One such digitalization project is Project Panthera where we optimize our Supply Chain processes, to increase transparency, accuracy and efficiency. <p>Q2) and Q3)</p> <ul style="list-style-type: none"> ▪ We have enhanced our estimation & benchmarking capability through improving the estimation process by revalidating the norms and historical benchmarking. We have also relooked at our bidding processes, deploying more rigorous risk management techniques, hence ensuring sufficient contingencies are included in bids (while ensuring we remain competitive). ▪ We have also established pre-bid agreements with key suppliers and vendors to lock in prices and mitigate risks of price escalations / overruns.
No.	Question
6.	Any cash call in the near future?
	<p>Answer</p> <p>So far, we have no plans for any cash call as we have sufficient cash and liquidity to sustain our working capital requirements.</p>

AGM Live Questions

Voucher & door gift

No.	Question
1.	Pls consider to provide us some e voucher like previous years, as company is doing better n better. Thanks
2.	Any door gift?
3.	Good morning Mr. Chairman and board of directors. Kindly give us RM60 Setel e-wallet for being loyal shareholders and attending this Agm. Times are bad now. Please be considered to us shareholders during this trying times. Thank you.
4.	Please continue give us door gift as token appreciation
5.	Please consider door gifts for attending shareholders
6.	Consider token door gift for attending shareholders.
7.	Is the company considering to provide Setel vouchers, e-vouchers or TNG e-wallet as a token of appreciation to shareholders who participate in the virtual AGM and is the company considering to increase the value of door gifts ?
8.	Hope the company can reward the shareholders with an evoucher.Tq
9.	Will the board reward the shareholders with an e-voucher who attend this agm. tq
10.	Can the company reward the shareholders with an e-voucher who attend this agm. Thank you
11.	Would the BOD consider a Setel eVoucher for those participants of this virtual AGM? TQ
12.	Good morning Chairman Door gift pls
13.	Would be much appreciated if the BOD consider a higher value Setel eVoucher. TQ
14.	I'm a long time and loyal shareholder of the company. I would like to request that the company give e- wallet as a token of appreciation for attending today's RPV
15.	Can the BOD give e- wallet as a token of appreciation for taking time to participate in today's RPV
16.	Would the BOD consider a Setel e-Voucher for those participants of this virtual AGM? TQ
17.	1) How much does the company spend on this virtual Agm ? 2) Would the BOD kindly consider giving e- wallet as a token of appreciation for attending today's RPV 3) I would like to request a printed hard copy of the company annual report
	Answer
	Q1) The Company spent around RM80,000 on the virtual AGM of 2022.
	Q2) MHB is giving e-Vouchers worth RM50 of petrol purchase each to the shareholders attending the virtual AGM 2023.
	Q3) We will courier the Annual Report to you via Boardroom Share Registrar.

AGM Live Questions

AGM Administrative

No.	Question
1.	Mr Chairman - Kindly allow us to vote when the meeting starts and not keep us waiting long. TQ
	Answer
	The voting platform was opened as soon as the meeting was called to order.

AGM Live Questions

Governance

No.	Question
1.	Will all Q&A in the AGM be presented on your website alongside Bursa's announcement together with the outcome of the meeting.
	Answer
	Yes. The Q&A will be uploaded in MHB website within 7 working days under the Annual General Meeting 2023 tab, together with the outcome of meeting.