# MSWG Questions & Answers

2 April 2024

## Operational and Financial Matters

# QUESTION 1 (a) – (c): (1/7)

**Q: The Group has developed, within its business strategies, a transformative action plan that will chart its course not only to serve its stakeholders but also to contribute to a sustainable future. (Page 13 of IAR)**

**a) What are the Group's strategies that will contribute to a sustainable future of the Group?**

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**A:**

- Achieve project delivery excellence:
  - We are working to continuously refine our project management protocols to ensure timely project deliveries of the highest quality and safety standards.
  - We are also setting ourselves up to become more agile and nimble in unlocking further value through optimisation and efficiency improvement.

## QUESTION 1 (a) – (c): (2/7)

**Q: The Group has developed, within its business strategies, a transformative action plan that will chart its course not only to serve its stakeholders but also to contribute to a sustainable future. (Page 13 of IAR)**

**a) What are the Group's strategies that will contribute to a sustainable future of the Group?**

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**A:** *(cont'd)*

- Focus on high quality order book for businesses:
  - Heavy Engineering
    - With a robust order book in hand, we constantly strive to improve our contracting strategies. The global supply chain disruption and volatile commodity prices that resulted from current geopolitical landscape have highlighted certain key risks in our current strategies which prompted us to improve our contracting strategies with clients where possible through alliance concept, reimbursable or cost-plus basis.

## QUESTION 1 (a) – (c): (3/7)

**Q: The Group has developed, within its business strategies, a transformative action plan that will chart its course not only to serve its stakeholders but also to contribute to a sustainable future. (Page 13 of IAR)**

**a) What are the Group's strategies that will contribute to a sustainable future of the Group?**

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**A:** *(cont'd)*

- Focus on high quality order book for businesses:
  - Heavy Engineering
    - We also plan to strengthen our domestic presence while establishing a strong international footprint as an EPCIC contractor, achieve our profit targets and secure more significant international projects.
  - Marine
    - Our goal is to become the preferred marine yard for LNGC dry docking, repair, smart partnerships, and conversions.
    - Additionally, we are focused on capturing ample floater conversion opportunities and boosting our capability for complex projects, to solidify our presence in the floater conversion market.

## QUESTION 1 (a) – (c): (4/7)

**Q: The Group has developed, within its business strategies, a transformative action plan that will chart its course not only to serve its stakeholders but also to contribute to a sustainable future. (Page 13 of IAR)**

**a) What are the Group's strategies that will contribute to a sustainable future of the Group?**

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**A:** *(cont'd)*

- Balance between traditional oil & gas and clean energy portfolio:
  - Conventional energy remains relevant and crucial to ensuring global energy security amidst a transition to clean and sustainable energy. As a response, we are putting equal focus on conventional oil & gas opportunities as well as those in the clean energy space.
  - We aim to secure more green projects to establish a strong foothold in clean energy sector and align ourselves with decarbonisation initiatives by reducing carbon intensity, enhancing inventory management, and meeting regulatory standards so as to prepare us for climate change mandates from stakeholders, particularly our clients.

## QUESTION 1 (a) – (c): (5/7)

**Q: The Group has developed, within its business strategies, a transformative action plan that will chart its course not only to serve its stakeholders but also to contribute to a sustainable future. (Page 13 of IAR)**

**a) What are the Group's strategies that will contribute to a sustainable future of the Group?**

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**A:** *(cont'd)*

- Balance between traditional oil & gas and clean energy portfolio:
  - Leveraging our experience from the Kasawari CCS project, we aim to strategically capitalise on the growing number of CCS offshore hubs expected in Malaysia, given our rich offshore carbon sequestration resources.
  - Explore other non-conventional segments of the global energy market that utilises our core competencies in one-off heavy engineering offshore fabrication projects. Having said that, our current orderbook is made of roughly 50-50 traditional O&G and green energy projects with the inclusion of the recently awarded TenneT offshore windfarm project.

## QUESTION 1 (a) – (c): (6/7)

**Q: The Group has developed, within its business strategies, a transformative action plan that will chart its course not only to serve its stakeholders but also to contribute to a sustainable future. (Page 13 of IAR)**

**b) What is the timeline for the group's transformative action plan?**

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**A:**

- Our transformation goals for 2024 will focus on several key areas other than improving our financial performance and continuing our pursuit for project delivery excellence which include reinforcing culture of accountability and ownership and achieving highest safety standard in our workplace.
- We will continue to build, refine and expand on these actions to support our long-term goals by 2030 which are to be the best in class in Heavy Engineering project delivery as well as to become a premium Marine yard.

## QUESTION 1 (a) – (c): (7/7)

**Q: The Group has developed, within its business strategies, a transformative action plan that will chart its course not only to serve its stakeholders but also to contribute to a sustainable future. (Page 13 of IAR)**

**c) When is the Group expected to turnaround and register profits?**

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**A:**

- In financial year 2024, we will focus our effort to pursue the cost recovery claims from clients. The recovery of the claims will contribute positively to the Group's bottom line.
- To sustain the existing project performances that contribute to the bottom line, we are focusing on several key strategies namely project delivery excellence, high quality orderbook and balanced portfolio.
- With the above, barring any unforeseen external factors such as prolonged macroeconomic uncertainties, Middle East conflicts and global supply chain disruptions impacting our projects, we believe this will make us profitable in 2024 and sustain us to future years.

## QUESTION 2 (1/2)

**Q: Given the rise in new liquefied natural gas carriers (LNGC)- repair yards globally have added to the multifaceted and challenging operating environment influencing market dynamics. (Page 23 of IAR)**

**a) How much of the Group's business has been affected by the competition in the LNGC repair segment?**

**b) How would the Group mitigate the competition in the new liquefied natural gas carriers (LNGC)- repair yards globally?**

**c) What are the Group's competitive advantages over its other competitors in the LNGC repair yards?**

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**A:**

- Our strategic location, our three dry-docks which are amongst the largest dry-docks in Southeast Asia coupled with us being the only shipyard in the world that has in-house capability (engineers, technicians and equipment) certified by Gaztransport & Technigaz SA, are amongst our competitive advantages as these would offer the possibility of cost-savings and faster turnaround times to our clients.

- Notwithstanding those competitive advantages that we possess, we lost dry-docking opportunities for LNGCs in 2023 due to the re-opening of China's borders beginning of the year resulting in stiffer competition among shipyards compounded by emergence of new LNGC-repair yards. In addition to that, severe winter had also impacted our LNGC dry-docking opportunities at the year end.

# QUESTION 2 (2/2)

**Q: Given the rise in new liquefied natural gas carriers (LNGC)- repair yards globally have added to the multifaceted and challenging operating environment influencing market dynamics. (Page 23 of IAR)**

**a) How much of the Group's business has been affected by the competition in the LNGC repair segment?**

**b) How would the Group mitigate the competition in the new liquefied natural gas carriers (LNGC)- repair yards globally?**

**c) What are the Group's competitive advantages over its other competitors in the LNGC repair yards?**

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**A:** *(cont'd)*

- Moving forward, we are focusing on fast turnaround delivery of projects by addressing the needs of clients through continuous investment in our assets, resources and manpower as well as technology know-how towards becoming a premium yard.

## QUESTION 3 (a) – (c): (1/2)

**Q: The Group's substantial loss after tax in FY 2023 was primarily driven by additional cost provisions stemming from revised schedules and price escalations impacting ongoing projects in the heavy engineering division. (Page 23 of IAR)**

**a) Will the Group be able to pass on cost increases to its customers? If not, why? If yes, what is the estimated recovery amount?**

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**A:**

- Our ongoing projects in 2023 are heavily impacted by additional costs provision from the price escalations and global supply chain disruptions.
- As a result, we are putting all possible efforts to recover costs overrun due to the factors mentioned above from the clients.

## QUESTION 3 (a) – (c): (2/2)

**Q: The Group's substantial loss after tax in FY 2023 was primarily driven by additional cost provisions stemming from revised schedules and price escalations impacting ongoing projects in the heavy engineering division. (Page 23 of IAR)**

**b) What measures has the Group taken to mitigate the heavy engineering division's cost overruns and price escalations?**

**c) Is the Group's RM6.3 billion order book as of 31 December 2023 adequately protected by potential cost overruns and price escalations? If not, why?**

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**A:**

- We have improved our contracting strategies with clients through alliance concept, reimbursable or cost-plus basis to mitigate cost overrun and price escalation issues. Significant portion of our current orderbook are secured based on these new contracting strategies.

# QUESTION 4 (a) – (b): (1/2)

**Q: The Group recorded a loss of RM 25.7 million in the changes in fair value of hedging derivatives in FY 2023 compared to a profit of RM3.8 million in FY 2022. (Page 221 of IAR)**

**a) Why did the Group record a much higher loss in the fair value of hedging derivatives in FY 2023?**

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**A:**

- When we enter into hedging, the main objective is to protect the projects' margins. Therefore, the gain or loss on hedging arises from the hedged rates against the prevailing rates.
- In FY2022, our hedge contracts of RM308.5 million represent net purchase of USD. When USD strengthened throughout the year, we gained from the differences in those rates.
- In FY2023, our hedge contracts increased to RM735.9 million with 91% of the contracts represent net selling of USD. As USD strengthened further in FY2023, we lost RM25.7 million from those hedges.

## QUESTION 4 (a) – (b): (2/2)

**Q: The Group recorded a loss of RM 25.7 million in the changes in fair value of hedging derivatives in FY 2023 compared to a profit of RM3.8 million in FY 2022. (Page 221 of IAR)**

**b) What actions has the Group taken to ensure that the huge loss from the fair value of hedging derivatives does not recur in the future?**

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A:

- We generally do not enter foreign currency forward contracts to hedge against fluctuations in the foreign exchange currency but rely on natural hedging to manage the risks arising from the movements on the foreign exchange.
- We maintain a natural hedge, wherever possible, by matching the cash inflows, that is, our revenue stream, and cash outflows used for purposes such as capital and operational expenditures as well as debt service requirements in the respective currencies.
- When required to hedge, it would be backed by underlying contracts to protect our projects' margin.
- Going forward, to mitigate our forex risks we endeavour to bid future projects in multiple currencies to achieve natural hedge.

# QUESTION 5 (a) – (c): (1/3)

**Q: The amount due from customers on contracts has increased from RM592 million in FY 2022 to RM1,180 million in FY 2023, an increase of RM588 million or 99.3%. (Page 274 of IAR)**

**a) Why is there a huge increase in the amount due from customers on contracts in FY 2023?**

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**A:**

- Increase in amount due from customers on contracts mainly arose from increase in revenue during the year but have yet to be invoiced as the projects have not reached their billing milestones as per the contracts. As of 31 March 2024, we have billed approximately RM700 million upon reaching the projects' milestone and the credit period ranges from 30 to 60 days.

# QUESTION 5 (a) – (c): (2/3)

**Q: The amount due from customers on contracts has increased from RM592 million in FY 2022 to RM1,180 million in FY 2023, an increase of RM588 million or 99.3%. (Page 274 of IAR)**

**b) Please provide a breakdown of the amount due from customers from the heavy marine engineering and marine segments of the Group respectively in FY 2023.**

**A:**

| Segment | RM million |
|---|---:|
| Heavy Engineering | 1,146.0 |
| Marine | 34.0 |
| **Total** | **1,180.0** |

## QUESTION 5 (a) – (c): (3/3)

**Q: The amount due from customers on contracts has increased from RM592 million in FY 2022 to RM1,180 million in FY 2023, an increase of RM588 million or 99.3%. (Page 274 of IAR)**

**c) What was the amount collected from the amounts due from customers on contracts as of the end of March 2024?**

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**A:**

- Amount collected as of end of March 2024 was RM500 million.

Corporate Governance Matters

## QUESTION 1: (1/2)

**Q: The Company's Corporate Governance Report FY2023 ("CG Report") stated that it has not adopted Practice 5.9 of the Malaysian Code of Corporate Governance by not having 30% women directors on the Board, as it has only one woman director. The CG Report did not clearly state the timeframe for appointing more women directors to its board.**

**Since Ms Gladys is not seeking re-election at this coming AGM, the Board will not have any women directors. According to Paragraph 15.02(3) of the Bursa Malaysia Listing Requirements, the Company must fill the vacancy within 3 months.**

**Will the company be able to meet the requirements above? What is the timeline for the Company to achieve 30% women directors on its board?**

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**A:**

- Regarding compliance with MMLR Paragraphs 15.02 (1) (b) and 15.02 (3) post Ms. Gladys' retirement, MHB aims to fill the vacancy within 3 months. The recruitment process is currently ongoing.

# QUESTION 1: (2/2)

**Q: The Company's Corporate Governance Report FY2023 ("CG Report") stated that it has not adopted Practice 5.9 of the Malaysian Code of Corporate Governance by not having 30% women directors on the Board, as it has only one woman director. The CG Report did not clearly state the timeframe for appointing more women directors to its board.**

**Since Ms Gladys is not seeking re-election at this coming AGM, the Board will not have any women directors. According to Paragraph 15.02(3) of the Bursa Malaysia Listing Requirements, the Company must fill the vacancy within 3 months.**

**Will the company be able to meet the requirements above? What is the timeline for the Company to achieve 30% women directors on its board?**

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**A:** *(cont'd)*

- Concerning compliance with Practice 5.9 of MCCG, the Board acknowledges and emphasises gender diversity and endeavours to achieve it, while prioritising qualifications, skills, and experience. The Board commits to ongoing efforts to address gender diversity gaps with each board renewal, guided by MMLR Paragraph 2.20A.

# Shareholder Questions & Answers

Phoon Onn Leong 12 April 2024

# QUESTION 1:

**Q: Being a new CEO in MHB, did u set any target/kpi for yourself?**

**A:**

- As the new MD & CEO, my main priority at this juncture is to turnaround MHB financial performance and adapting to the economic environment that we are operating in with the ultimate objective to become the best in class in Heavy Engineering project delivery and a premium marine yard by 2030.
- As part of economic environment adaptation, we have changed our contracting strategies from traditional lumpsum to alliance concept, cost plus and reimbursable and we continue to do so in the future where possible.
- My guiding principles are anchored around ongoing MHB's strategic direction which is consistent with my predecessor such as project delivery excellence, high quality orderbook and capturing conversion as well as high value repair opportunities for Marine and expansion into clean energy space.
- MD & CEO and MHB scorecards and KPIs for 2024 have been deliberated and approved by the Board of Directors.

## QUESTION 2:

**Q: May i know renewable energy project is a profitable project to strive for? Eg,high single digit? low/high double digit**

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**A:**

- Expansion into clean energy space is more than just profitability alone, it is about our strategy to have balanced portfolio and risk mitigations. The project that we secured has established our footprint internationally whilst mitigating the current economic risk that moving away from lumpsum contracts. As for the margins, they are similar to the industry margins.

# Shareholder Questions & Answers

Tee Eng Teck 12 April 2024

## QUESTION 1:

**Q:** **Last 5 years: Cost Mitigation seems not effective**
**Question to Strategy Planning Team**
**Does MHB has exit plan for certain Division which cost control is no longer viable based on MHB capability.**

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**A:**

- It will be continuous improvement for our cost mitigation measures and they will take a while to fruition.
- We have improved our contracting strategies for our newer projects and will continue to do so to mitigate ongoing macroeconomic which has impacted our costs.
- Going forward, we are also looking for smart partnership with our major vendors and subcontractors to manage the costs better.

# Shareholder Questions & Answers

Thang Guan Chung 8 April 2024

# QUESTION 1:

**Q: JDA Field Development (Phase 6) Project**

**Project awarded on Feb 2023**

**Duration of project: 22 months**

**As end of Dec 2023, the progress of project is at 21.09%**

**Is the progress of this project can consider as a bit slow / delay?**

**Will it cause any additional cost provision?**

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**A:**
- The progress of the project is on track.

# QUESTION 2:

**Q: What is the current utilization rate of the capacity of HE & Marine segment?**

**A:**

- West and East yards utilisation is more than 75% while the average utilisation of our dry-docks is between 60% to 85%.

# Thank You

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