

Question and Answer

MHB 35th Annual General Meeting (AGM) 2024

AGM Live Questions

Strategy, growth & business outlook

No.	Question
1.	<p>The reasons for the \$500M loss in the Heavy Engineering segment was mentioned as additional cost provisions arising from the revised schedule and price escalation. Please give a breakdown of the loss by projects, particularly the 3 large projects, namely EPCIC Jerun, Rosmari and Kawasari CCS. Do we expect the said 3 projects to continue to be in the loss in upcoming financial year? Which of the 3 projects were rescheduled and the reasons for the rescheduling?</p>
2.	<p>News reported that most of the fabrication yard orders are full and profitable. Yet MHB, despite owning one of the largest fabrication yards in Southeast Asia, and with the backing of a strong parent group, is still making big losses in the past few years.</p> <p>(a) What is the reason?</p> <p>(b) Are these due to lack of capabilities or weakness in execution?</p>
3.	<p>It is good to see MHB able to continue securing new projects to increase its order book. However, the previous results seem to suggest that the MHB problem is not only securing the projects; the problems seem to also involve planning, execution, and cost control. Many of the past major projects seem to have ended up making losses. Can management please comment?</p>
4.	<p>MHB has had multiple CEOs over the past few years; however, none seems able to turn the company around. What are the main problems of MHB?</p>
	<p>Answer</p> <ul style="list-style-type: none"> • The revised schedule and price escalation impact were mainly related to our ongoing projects awarded pre-pandemic on a lumpsum basis. • The additional costs recognised so far for those projects were event-driven and to cover the risks that were foreseeable at that point of time. • The revised schedule impact was mainly contributed by the global supply chain disruption resulting in some materials/equipment not meeting the expected delivery dates. • We are making every possible effort to recover cost overruns from the clients within the provisions of the contract. • 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.

No.	Question
5.	<p>Q1 May I know what is the company's future outlook?</p> <p>Q2 Will the Board consider giving door gifts such as 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"> • As we observe the current global market trends of higher CAPEX spending, rising importance of energy security, and increasing significance of renewable energy, we believe that MHB is well-positioned and poised to capitalise on these trends. • Moving into the future, MHB stands guided by our strategic focuses: <ul style="list-style-type: none"> ▪ to achieve project delivery excellence ▪ to focus on a high-quality orderbook ▪ to achieve a balanced portfolio of conventional and clean energy projects ▪ MHB remains committed to successfully delivering all our ongoing projects meeting stakeholder requirements and optimistic for improved performance in 2024 and beyond. <p>Q2 Unfortunately, there will be no door gifts provided for this year's AGM. However, we are hopeful that we will be able to offer door gifts at next year's AGM.</p>
6.	<p>The CFO message mentioned the challenges in past and ongoing project execution, which include cost overrun, schedule disruptions and others. The Management will enhance contracting strategies with clients where possible through alliance concept, reimbursable and cost-plus basis (page 24)</p> <p>(a) Why didn't previous projects include these terms in the contracts to protect the group? Is there oversight?</p> <p>(b) How successful so far with these new strategies? How many of the existing or new contracts are with these cost-plus terms?</p>
	<p>Answer</p> <p>(a) Most of our Heavy Engineering projects' were contracted under lumpsum terms pre-pandemic. Overrun and schedule disruptions were mainly the result of the pandemic which disrupted the global supply chain. Furthermore, the recent geopolitical tensions and challenging economic climate further prolonged the disruption and escalated prices. Due to this unprecedented impact, the Management has taken steps to change our contracting strategy from the traditional lumpsum to less risky contract terms to mitigate cost overruns.</p> <p>(b) Most of our new projects have been secured under our improved contracting strategies with clients through alliance concept, reimbursable or cost-plus basis.</p>

No.	Question
7.	What are the projects currently in tendering by MMHE? Which project is prospect wins?
	Answer
	We expect 1-2 projects to materialise in 2024, a mix of conventional O&G and clean energy projects.

AGM Live Questions

Share Price/ Dividend

No.	Question
1.	Please explain the company's financial earnings and share price performance since listing and justify that it's a well-managed PETRONAS indirect subsidiary. When can minority shareholder expects to be rewarded with a reasonable dividend?
2.	When will the company start to pay dividends?
	Answer
	<p>Our share price is primarily influenced by the movement in general economic conditions and our financial performances.</p> <p>Despite the improved oil prices, we were still limited by the ongoing fallout of the COVID-19 pandemic, geopolitical turmoil and significant economic shifts which have contributed to our results for FY2023.</p> <p>Dividend payment is recommended or approved by the Board depending on the Company's financial position and financial performance, subject to meeting the financial conditions and taking into account the level of cash and cash equivalent, return on equity and retained earnings and projected levels of capital expenditure for the projects and other investment plans.</p>

AGM Live Questions

Financial

No.	Question
1.	<p>The purchase of property, plant and equipment (PPE) for FY2023 increased further to RM82.157 million (Statement of Cash Flows – page 221 of AR)</p> <p>(1) Which project are the PPE purchased for?</p> <p>(2) What is the budgeted Capex for FY2024?”</p>
	<p>Answer</p> <p>(1) Our CAPEX is mostly not project specific.</p> <p>(2) We have budgeted approximately RM145 million CAPEX in FY 2024.</p>
2.	<p>Kindly brief us on the current order book and recent project wins by the Group. With the rising raw material costs, are these projects profitable & can elevate the Group to the black?</p>
	<p>Answer</p> <p>Significant portion of our current orderbook is made up of recent project wins i.e. Kasawari CCS and the 1st OSS HVDC Platform for TenneT’s 2GW Programme which were secured based on new contracting strategies through alliance concept, reimbursable or cost-plus basis. We are confident that our new contracting strategies will help to mitigate our risks and protect our margins.</p>
3.	<p>The Group made a substantial cost provision mainly for additional cost provision for projects, amounting to RM391 million. Based on the current completion status of the projects affected by the provisions, will MHB be able to reverse some of the provision made in FY2023?</p>
	<p>Answer</p> <p>The additional cost provisions remain but MHB is pursuing the costs recovery claims from clients per provisions in the contract which once successful, would improve the margins of those impacted projects.</p>
4.	<p>The CFO reported in his message that the Group faced pressure on Shareholder Equity and Cash Balances due to the negative net operating cash flow of RM162.8 million (page 23 of AR). Based on current operations as of to-date, will MHB be able to report a positive cash flow from operations in FY2024?</p>
	<p>Answer</p> <p>In managing our liquidity risks and ensuring positive cash flow for our operational needs, we are continuing with our effort to pursue the cost recovery claims from clients within contractual provisions, whilst maintaining our discipline and enhance where possible our billing process for the ongoing projects.</p>

No.	Question								
5.	<p>Despite having cash and bank balances of RM557.571 million as at 31 Dec 2023, MHB continued to increase its borrowings to RM366.9 million in FY2023. The additional borrowing will increase the group's finance cost. Can the Management elaborate as to why additional borrowings were obtained in FY2023?</p>								
	<p>Answer</p> <p>Increase in borrowings was mainly derived from the short-term revolving credit drawdown to cater for our working capital requirement.</p>								
6.	<p>Amount due from customers on contracts increased substantially to RM1.189 billion (FY2022: RM592.6 million) in FY2023</p> <p>(1) Which projects that resulted in the huge increase in receivables in FY2023</p> <p>(2) What is the amount of receivables which was impaired and provided for in FY2023?</p>								
	<p>Answer</p> <p>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. The revenue increase was in line with the highest orderbook recorded early 2023.</p> <p>Breakdown as follow:</p> <table border="1" data-bbox="300 1104 783 1267"> <thead> <tr> <th>SEGMENT</th> <th>RM'mil</th> </tr> </thead> <tbody> <tr> <td>Heavy Engineering</td> <td>1,146.0</td> </tr> <tr> <td>Marine</td> <td>34.0</td> </tr> <tr> <td>Total</td> <td>1,180.0</td> </tr> </tbody> </table> <p>Please refer MSWG question 5 (b) under Operational and Financial matters</p> <p>There were no specific receivables being impaired and provided for in FY 2023 other than the small general provision made in accordance with the applicable accounting standards.</p>	SEGMENT	RM'mil	Heavy Engineering	1,146.0	Marine	34.0	Total	1,180.0
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Heavy Engineering	1,146.0								
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7.	<p>What measures are to be taken to reduce backlog?</p>								
	<p>Answer</p> <p>We are working to continuously refine our project management protocols to ensure timely project deliveries of the highest quality and safety standards.</p> <p>We are also setting ourselves up to become more agile and nimble in unlocking further value through optimisation and efficiency improvement.</p> <p>Please refer MSWG question 1 (a) under Operational and Financial matters</p>								

AGM Live Questions

Voucher & door gift

No.	Question
1.	Hope this year AGM the Company be generous to provide Setel e-voucher of RM150.
2.	Would the BOD kindly give RM100 Setel e-voucher as a token of appreciation for taking time and effort to attend today's RPV.
3.	Please give us door gifts and allow us to vote as soon as the meeting starts.
4.	Got Setel gift?
5.	Please provide a higher amount of RM150 Setel e-Wallet for this AGM.
6.	Mr Chairman, please give RM100 Setel e-voucher as a token of appreciation for attending this RPV.
7.	Mr Chairman, I'm a loyal shareholder of the company. I would like to request that the BOD kindly give RM100 Setel voucher as a token of appreciation for attending this RPV.
8.	Please give us some doorgifts/e vouchers/e wallet for attending this RPEV as a token of appreciation.
9.	Any doorgift?
10.	Please give us some doorgifts/e vouchers for attending this RPEV as a token of appreciation.
11.	Dear Sir, please give us e-breakfast voucher for the meeting. Thank you
12.	Good morning, In this challenging times, can the Board consider giving e vouchers to attendees who are giving full support for all the resolutions of this AGM? A little gesture is highly appreciated. Tq
13.	I regret with your decision. You guys taking too much money to pay non director yet no money to reward loyal shareholder.
14.	Morning BOD, please send a copy of annual report to me. Please give wallet or e-vouchers to those attending this meeting.
15.	Dear Chairman, please give some e vouchers to those shareholders who attend the AGM this morning as a token of appreciation. Thank you.
16.	Please give us setel voucher
17.	Thank you, Mr Chairman and board of directors for a good year, Selamat Hari Raya, I wish to request from Mr Chairman to give AGM attendee some food vouchers or e wallet.
18.	Any door gift for attending shareholders today for this year's AGM?
19.	Is there door gift for today's AGM?
20.	Kindly consider distributing door gift to delight the shareholders.
21.	Is there any complimentary gift voucher for shareholders participation RPEV?
22.	is there an door gift for shareholders attending today's AGM? Thank you.
23.	Please give us Door gifts and allow us to vote as soon as the meeting starts.
	Answer
	Unfortunately, there will be no door gifts provided for this year's AGM. However, we are hopeful that we will be able to offer door gifts at next year's AGM.
	Voting has been allowed from the commencement of the meeting.

AGM Live Questions

AGM Administrative

No.	Question
1.	According to the 2023 AGM minutes, it stated that the management presentation slide, questions and answers sessions are published on the Company's website at www.mhb.com.my under Investor Relations/AGM. However, such information/documents cannot be found on the company website. Can the investor relationship team please upload these documents.
	Answer Please browse at https://mhb.com.my/investor-relations/ , under the tab Annual General Meeting, click for the year 2023
2.	Morning Chairman Encik Suhaimi, how much is the cost of the RPV meeting?
	Answer The Company spent less than RM100k on the virtual AGM, whereas the cost of the physical AGM would be more than double or almost three times that amount. Thus, cost-effectiveness is achievable through virtual AGM.
3.	When will the company revert back to physical AGM since Bursa also practising it too?
4.	Is there any plan for the Board to conduct a physical general meeting next year?
5.	Please consider holding future AGMs in virtual mode or switching to hybrid mode to allow shareholders who cannot attend physically to participate in the meeting. Thank you.
	Answer Considering the savings and opportunity to leverage technology to facilitate voting, including voting in absentia, and encouraging remote shareholders' participation at the AGMs, the Company will consider future AGMs to be conducted virtually.

AGM Live Questions

Governance

No.	Question
1.	Can the director who subjected for re-appointment brief us their achievements and/or contribution for the past one (1) year?
	Answer The profiles of the directors seeking for re-election as per resolution 1 to 2 of the Notice of 35 th AGM of the Company are set out on page 152 IAR 2023. The brief information of the Directors standing for re-election can be found under explanatory notes number 2 and 3 of the Notice of 35 th AGM set out on page 335 and 336 of IAR 2023.