QUESTIONS FROM MSWG

Operational & Financial Matters

1. Considering the recent U.S. tariff and sanctions imposed on China and many countries' products and the counter tariff increases by other countries, what is the Board's view on the impact of these developments on the Group's Heavy Engineering projects going forward?

   The recent U.S. tariff and sanctions imposed on China and many countries remains dynamic and uncertain at this juncture. However, we anticipate the responses towards those actions (such as counter tariff and counter sanction) could lead to supply chains price escalations, shortages of raw materials and logistical disruptions of which would have direct impact to the industry as well as MHB.

   MHB will continue to monitor these developments and adjust our strategies as needed to manage risks and ensure operational continuity which includes enhancing operational efficiencies, adapting contracting strategies, and seeking alternative suppliers where necessary.

2. A key priority during FY2024 was refining the Group's contracting strategies, incorporating risk-sharing arrangements such as alliance models and cost-plus structures to manage market volatility (page 18 of the Integrated Annual Report (IAR) 2024).
   a) Please explain in detail how alliance models and cost-plus structures work, which will allow the Group to mitigate market fluctuations.

      The alliance and cost-plus models are built on a risk-and-reward sharing approach to mitigate the supply chain challenges arising from market fluctuations. In these models, the client and contractor work collaboratively with minimal fixed price elements whereby the model promote transparency, joint accountability, and risk-sharing, helping both parties manage uncertainties and optimise project outcomes.

   b) What is the amount of the current order book that is secured based on the new contracting strategies?

      To date, a total of three contracts have been secured under the Company's new contracting strategies. These include:
      i) The Kasawari CCS project; and
      ii) Two Offshore wind projects – Offshore Sub-Station HVDC platform which forms part of TenneT's 2GW programme in the Netherlands.

3. The Group ended the year 2024 with an order book of RM5.3 billion, securing a solid pipeline of projects that will support operations until 2028 (page 19 of the IAR 2024).

   a) Please provide a breakdown of the amount of order book from the Heavy Engineering segment and the Marine segment. What is the split (in terms of percentage) between domestic and international projects?

      - The total order book of RM5.3 billion is primarily driven by the Heavy Engineering segment, which accounts for RM5.1 billion, while the Marine segment accounts for the remaining portion.

      - Approximately 40% of the order book consists of domestic projects, with the remaining 60% attributed to international projects.

   b) How much will the outstanding order book contribute to the top and bottom line of the Group in FY2025?

      A significant portion of the outstanding order book as of 31 December 2024 is expected to contribute positively to the Group's revenue and profitability in FY2025, with a positive impact on both the top and bottom lines.

   c) What is the Heavy Engineering segment and Marine segment's targeted new order book replenishment in the next two financial years? What is the total bid submitted by the Group in FY2024 and the probable success rate?

      Heavy Engineering
      Heavy Engineering segment continues to focus on its core areas, specifically Fixed Platforms and Offshore Substations. We are targeting an order book replenishment within the range of RM2.5 to RM3.5 billion over the next two financial years.

      For FY2024, we have proactively submitted bids valued at approximately RM3.1 billion, covering a well-balanced mix of domestic and international projects. This approach has resulted in a success rate of 67% based on the secured order intake.

      Marine
      Over the next two years, the Marine segment aims to secure RM450–550 million in new Marine orders annually by focusing on ship repair, upgrades, modifications, and conversions.

      In FY2024, we submitted bids worth approximately RM1.3 billion, covering a wide range of domestic and international projects which has resulted in a success rate between 25%-30% based on the secured order intake.

4. The Group has written off property, plant and equipment (PPE) of RM14.3 million in FY2024 as compared to RM60,000 in FY2023 (page 224 of IAR 2024).
    a) What PPE has been written off and the reasons for the high PPE write off compared to previous year?
    b) What is the expected scrap value of the PPE written off?

    For (a) and (b):
    The PPE write off is pertaining to a machine acquired for the purpose of enhancing productivity within an ongoing project. Following a careful evaluation, we have taken the prudent decision to write off the asset.
    While this write-off has an immediate financial impact, we are actively exploring all avenues, including potential legal actions, to recover the amount.

5. The ageing profile of the trade receivables past due but not impaired is shown in page 285 of IAR 2024. There is a significant increase in the amounts past due of up to more than 90 days (RM34.7 million compared to RM6.5 million).
    a) What are the reasons that trade receivables 1 to more than 90 days past due have increased significantly? Has the Group experienced slower collections of its receivables?
    b) What are the profiles of the customers with significant outstanding trade receivables?
    c) Any other specific measures taken to accelerate the recovery of the debt?

    For (a), (b) and (c):
    - These balances have been fully settled subsequent to the reporting date. Accordingly, management does not have any concerns regarding the recoverability of these amounts. Nevertheless, a general provision has been made in accordance with the applicable accounting standards based on the trade receivables profile.
    - The profile of these customers is mainly from Heavy Engineering clients.
    - MHB has a clear and well-established collection and credit management policies, overseen by a dedicated Credit Committee to ensure timely collection and recovery of outstanding debts. These measures include regular monitoring and follow-ups, proactive client engagement, and, where appropriate, the provision of structured payment plans to support efficient debt recovery.

Sustainability Matters

6. The MHB internal team has maintained its continuous oversight in the preparation of the integrated annual report to ensure that all data provided is reliable and accurate. At present, the MHB Sustainability Statement 2024 has not been subject to an assurance process (page 3 of the IAR 2024).
   Does the Board intend to have the Sustainability Statement reviewed internally by the internal auditors or independently assured for the coming financial year 2025? If not, by when?

   The data and information disclosed in MHB Sustainability Statement have undergone an internal review process to ensure reliability and accuracy. This continuous oversight reflects our commitment to responsible data management and transparency in sustainability reporting.

   Moving forward, the Board remains committed to strengthening its oversight and governance of sustainability-related disclosures, in line with Bursa Malaysia's Enhanced Sustainability Reporting requirements.