

**PRE-AGM QUESTIONS****Questions from shareholders for MHB 36<sup>th</sup> AGM****i) Sender:**

*Azhar Khamaruzaman <azhakha@gmail.com>*

1. Note 2.1 to the financial statements highlights that Group current liabilities exceeded current assets at year-end 2024, yet the directors express confidence in the going concern basis. Could the Board provide further assurance on the specific expected cash flows and the status of financing facilities that underpin this confidence?

**Answer:**

- The directors believe that there is no material uncertainty regarding the Group's ability to continue as a going concern. They consider the preparation of the financial statements on a going concern basis to be appropriate.
- Based on cashflow forecast for FYE2025, we estimated that the Group will have sufficient cash liquidity to continue to operate as a going concern.
- The forecasted net cash flow from operating activities is expected to remain positive over the next 12 months, demonstrating strong cash generation from ongoing and new projects from both the Heavy Engineering and Marine segment. The cashflow forecast for 2025 is sufficient to support the Group's working capital for operational needs.
- In addition, the Group has available unutilized revolving credit (RC) facility, that can be used for providing additional financial flexibility if required.
- With low gearing, there are also opportunities for additional financing, if necessary, but the directors have currently assessed that no further bank financing is required at this juncture.

2. Note 11 details the impairment testing for PPE and ROU assets, indicating the recoverable amount exceeded the carrying amount based on VIU calculations using a 13.41% discount rate and 2.50% growth rate. Given the sensitivity of VIU to these assumptions, could the Board provide a sensitivity analysis showing the impact of reasonable changes in the discount rate, growth rate, and future revenue/margin assumptions on the impairment assessment?

Answer:

- The impairment assessment is underpinned by cash flow projections that are based on the expectations of future performance and market conditions. These assumptions reflect anticipated future events that are outside the control of the Group and inherently uncertain.
  - Key assumptions, such as revenue growth, operating margins, cost trends, and discount rates, are influenced by external and uncertain factors including economic outlook, market demand, regulatory developments, and competitive dynamics. Actual outcomes may differ from these estimates, potentially impacting the recoverable amount of assets in future periods.
  - We acknowledge that outcome of the impairment assessment is sensitive to changes in these assumptions and any variations in key inputs could materially affect the impairment assessment.
  - We have applied a high level of prudence in developing these assumptions, ensuring they are both reasonable and consistent with current market conditions and the Group's internal outlook. The Group will continue to monitor these assumptions and reassess asset values as necessary.
3. Regarding the proposed increase in Non-Executive Directors' fees detailed in Explanatory Note 3 and Resolution 6, could the Board elaborate on the benchmarking process against the PETRONAS Public Listed Companies' structure, last reviewed in 2018, and justify why this increase is deemed appropriate now, considering the Group's return to profitability in 2024 after a significant loss in 2023?

Answer:

In reviewing the Non-Executive Directors Remuneration Package, the Board benchmarked the proposed increment amount against all PETRONAS Group PLCs as well our peers. The proposed increment is considered reasonable, taking into account the company's financial position and its ongoing recovery from a particularly challenging year, the evolution of Directors' roles and responsibilities, particularly with increased regulatory demands and commitments to comply with corporate governance standards as well as sustainability requirements as well as ensuring that MHB possesses the right composition equipped with the required board skill matrix and expertise.

4. The Corporate Governance Report (Practice 8.2) indicates a departure from disclosing the top five senior management's remuneration components, citing it is "not in the best interest of the Company and Senior Management personnel." Could the Board elaborate on this rationale and explain how shareholders can assess whether senior management remuneration is commensurate with performance without this disclosure?

Answer:

- The Board acknowledges the importance of transparency in senior management remuneration and the recommendation under Practice 8.2 of the MCCG to disclose the top five senior management members' remuneration components. However, the decision not to disclose this information is based on considerations of confidentiality which subject to the Personal Data Protection Act (PDPA) 2010.
  - The Board exercises oversight through the Board Nomination and Remuneration Committee (BNRC), which reviews compensation structures to ensure alignment with the Company's financial performance, individual key performance indicators (KPIs), and long-term value creation.
  - The Board remains committed to maintaining a balanced approach between transparency and safeguarding the Company's strategic interests while ensuring that senior management remuneration is fair, performance-driven, and in line with industry practice.
5. Practice 9.4 of the MCCG recommends the Audit Committee comprise solely Independent Directors, yet the report indicates this is "Not Adopted" and the BAC Report (page 186) confirms a Non-Independent Non-Executive Director was appointed in September 2024. What is the Board's justification for not fully complying with this practice?

Answer:

- The Board acknowledges the MCCG Step-Up Practice 9.4 recommendation for the Audit Committee to comprise solely Independent Directors. The Step-Up Practice is highly recommended by MCCG but deviation is not a non-compliance.
- Encik Shamsul Bahar Ahamad Zainal Badri, a Non-Independent Non-Executive Director (NINED) was appointed to the Board Audit Committee (BAC) in September 2024 based on his relevant skills, experience, and ability to contribute to critical financial and governance matters. The Board believes his expertise enhances the BAC's effectiveness without compromising its objectivity, as the majority of members remain Independent Directors.

6. Regarding the significant related party transactions detailed in the BAC report (page 189) and Note 27, particularly the substantial revenue from PETRONAS Carigali and Carigali-PTTEPI, what specific procedures does the BAC undertake quarterly to ensure these transactions are conducted on normal commercial terms and remain not detrimental to minority shareholders?

Answer:

- MHB has in place the Guidelines on Related Party Transactions (RPTs) and Recurrent Related Party Transactions (RRPTs) to ensure that such transactions are conducted on normal commercial terms, at arm's length, and in a manner that protects the interests of minority shareholders.
- The Board Audit Committee (BAC) conducts quarterly reviews of RRPTs to ensure compliance with MHB's guidelines. The BAC has confirmed that all RRPTs were executed on normal commercial terms, at arm's length, and without any detriment to minority shareholders.
- Additionally, the Transfer Pricing Study/Document (TPD) is prepared annually by the appointed external tax consultant contemporaneous with the submission of the corporate income tax return, in compliance with the Income Tax (Transfer Pricing) Rules 2023. The TPD justifies the pricing of transactions between related parties to ensure they comply with the arm's length principle.

7. The MD & CEO's message highlights the successful delivery of major projects like Kasawari, Jerun, and Rosmari-Marjoram. However, the Project Risk section (page 77) notes risks related to cost overruns and schedule slippage. Can the Board elaborate on the effectiveness of the enhanced project management practices and mitigation strategies implemented in 2024 to address these risks on current and future projects?

Answer:

The successful delivery of major projects such as Kasawari, Jerun, and Rosmari-Marjoram of which were awarded between 2019 to 2022; demonstrates the effectiveness of newly introduced improvement for project management practices in 2024, facilitated by the ongoing MHB transformation initiatives. Key areas of improvement include comprehensive end-to-end project management visibility, full accountability for production through the Central Production System (CPS) to improve productivity and efficiency, an optimised cost breakdown structure, proactive contracting management, and the integration of digital tools to enhance overall project execution performance and delivery.

(Source: IAR 2024 Page 192)

**ii) Senders:**

*Tan Sian Hoo <chaihen2623@yahoo.com>*

*Wong Chal Khoo <wongchalkh@live.com>*

*Tian Wee Yean <tianvzen@gmail.com>*

*Ari Saw Yong Ren <ari\_saw\_1993@hotmail.com>*

**Door gift**

Will there be distribution of Setel gift cards at AGM venue, to reward the loyal shareholders, including those attending as proxies, as part of long term ESG of MHB?

**Answer:**

As a token of appreciation, the Company is giving away a Setel Voucher worth RM100 for shareholders/proxies/corporate representatives who attended the AGM.

**iii) Senders:**

*Wha Yong Xuan <whayongxuan2006@gmail.com>*

*Hoo Yeong Seng <yshoo77@gmail.com>*

**AGM**

Propose hybrid AGM instead of physical session. A hybrid meeting would allow both physical and virtual participation, encouraging more shareholders to attend and engage. Will the management consider implement hybrid AGMs in the future to improve accessibility and inclusivity?

**Answer:**

We acknowledge the benefits of hybrid meetings and will certainly take this into consideration for future AGMs. The management will continue to evaluate the feasibility, including technical and financial aspects, to ensure an optimal experience for all shareholders.