ANNEXURE 3: QUESTIONS AND ANSWER SESSION AT MHB 36TH AGM

1. Rien Hashim/Proxy

Question 1

Regarding the agenda on the adoption of the financial statement, you mentioned that the notice was issued on 17 March 2025. However, I believe an errata and addendum was issued on 11 April 2025. Shouldn't these errata be incorporated and mentioned in adopting the financial statement. Additionally, could you explain what the errata is about? Is it related to the Directors' Fees?

Answer:

Yes, an addendum and errata were issued on April 11, 2025, following the release of the Integrated Annual Report 2024 and the Notice of the Annual General Meeting. The errata pertain to the disclosure of the MD & CEO's remuneration to comply with the Main Market Listing Requirement. The errata does not impact any figures or statements of the Audited Financial Statement. The errata were issued to comply with the Listing Requirement.

Question 2

In your presentation, you mentioned a potential RM5 billion in book orders. Given last year's performance, where the profit was only about 4% of the revenue of over 3 billion, do you anticipate achieving a similar profit percentage this year?

Answer:

As I mentioned in my presentation earlier, the focus for MHB in 2024 is on improving our project delivery excellence. Last year, we saw positive improvements in performance, ensuring that we stay on time, on budget, and deliver at the highest quality and schedule standards. Regarding the 4% margin for 2024, I want to clarify that the three (3) projects I mentioned—Kasawari GDP, Rosmari Marjoram, and Jerun Development—were awarded between 2019 and 2022. In 2023, as part of our prudent approach, we provided provisions for all cost and schedule overruns resulting from global economic issues, particularly supply chain disruptions and the COVID-19 pandemic. Therefore, we will continue to improve our performance and anticipate a continued upward trend for margins throughout 2025 and beyond.

Question 3

Regarding the MD & CEO's remuneration, the salary is RM878,736 and the bonus is RM449,040, which together constitute 50% of the total remuneration. Could the NRC Chairman please explain how you justify a 50% bonus for the CEO when the company has RM231 million in carry-forward losses, liabilities exceed assets, and the profit margin is only 4%? Additionally, if the profit margin increases from 4% to 8% in the future, would the MD&CEO be eligible for a RM1 million bonus?

Answer:

Encik Mohd Nazir Mohd Nor is a secondee from PETRONAS to MHB and his remuneration is governed by the terms and conditions set by the PETRONAS Group. His performance will be evaluated through MHB's internal process involving the Board Nomination & Remuneration Committee assessing his performance based on MHB Scorecard achievement and subsequently recommending the performance rating to the Board for further evaluation and decision. Based on the MHB's Board recommendation for his performance ratings, PETRONAS will decide on his bonus. The percentage of the bonus is not determined by MHB but is part of PETRONAS' process.

Question 4

Crude price is going down, we also have PETROS expanding their operation. Would we expect any impact to MHB future business?

Answer:

As I mentioned in my presentation earlier, our strategic focus is on project delivery excellence, maintaining a balanced portfolio, and ensuring a high-quality order book. We have been closely monitoring oil prices, which are currently around USD65 per barrel for Brent crude. However, with our diversified and balanced portfolio, balancing conventional oil and gas with energy transition and clean energy initiatives, we believe that we are well-positioned to mitigate the impact of market volatility. This balanced approach will enable us to navigate through these challenging times effectively.

Question 5:

How soon we will receive the email on the Setel voucher?

Answer:

We will collate the list of shareholder/proxies attended this meeting from our Share Registrar and the process will be done in the upcoming week.

2. See Han Chow/Shareholder

Question:

My name is Alex, and I am a shareholder. I have one question regarding parking. Is there free parking available today for shareholders who attend the meeting and park their cars in the building's car park, as the parking fees here are quite expensive? We would appreciate it if we could get free parking. We hope in future, if the company does not provide free parking, please clearly state this in the Administrative Note to inform the shareholders.

Answer:

Unfortunately, no prior arrangements were made for complimentary parking. However, a flat rate will apply for those exiting the building before 4:00 pm. We appreciate your understanding and will take this into consideration for future events.

3. Thang Guan Chung/Shareholder

Question:

According to the IAR 2023, a provision of RM472 million was recorded. In the IAR 2024, a reversal of RM7.6 million was noted. Could you please clarify whether there is any possibility of recovery from the RM472 million provisions recorded in 2023, or should it be considered entirely lost? Some possibility of reversal provision in the future?

Answer:

Management and the Board are operating within the provisions of the contract and will continue to explore opportunities for recovery. Potential recovery is one of the matters governed by the terms of the contract between us and the client.

4. Chua/Shareholder

Question 1

In the financial year 2024, your increased profit is partly due to cost recovery from claims. Are these claims from the previous year, and if so, what is the amount?

Answer:

Our profit in 2024 is mainly due to our success in completing and closing all post-sail away projects, with a portion of that profit coming from cost recovery. However, due to the confidential nature of our contract with the client, we cannot disclose the exact amount recovered in 2024.

Question 2:

Over the past three (3) years, your order book has shown a downward trend. As mentioned in your response to MSWG, Management anticipates replenishing the order book with over RM2 billion this year, but with revenues expected to exceed RM3 billion, it seems the order book will continue to decline. Is this decline due to increased market competition, or is it because you are focusing on completing projects first?

Answer:

We are actively pursuing all tenders with potential, both in conventional and new energy sectors, both domestically and internationally. It is crucial for us to understand market dynamics. We must be cautious in our participation due to global trends, geopolitical conditions, uncertainties, and volatility. Despite market volatility, we remain focused on opportunities and are aligning our efforts with high-quality order book prospects. We need to understand the risks involved, including margins, and will pursue projects that bring high value to our shareholders. We are navigating market volatility by being aggressive in our bids while carefully managing risks to ultimately create shareholder value.

<u>Question 3:</u>

In previous years, you had a peak order book and revenue, but this did not translate into profit. In 2024, your operating profit margin is around 3%, which is attributed to heavy engineering, and I understand this is due to legacy projects from before the Covid pandemic.

Looking ahead, could you provide more details on the expected operating profit margin for the order book? Additionally, could you share information on the profit-sharing model and cost-plus structure, and how these strategies help safeguard your margins?

Answer:

As part of our transformation, we have implemented several initiatives to enhance productivity and efficiency, as we believe these are crucial for maintaining our competitiveness. The journey I mentioned in my presentation will continue to focus on improving our margins.

Regarding the alliance and cost-plus models, we recognize that the current environment is highly volatile, particularly in terms of supply chain disruptions. Initially, we thought these disruptions were limited to the COVID-19 period, but they have persisted. The Board and Management collaborated to determine the best model to address these challenges.

Traditionally, contracts have been lump sum, meaning everything is fixed once the contract is signed, leaving no room for adjustments. In contrast, the alliance contract and cost-plus model offer more flexibility. Under these models, only a minimal portion of the contract is fixed, typically covering internal costs like project management. The rest is based on actual work done, with costs plus a predetermined margin agreed upon with the client. Similarly, the alliance contract operates on a risk and reward sharing mechanism, encouraging collaborative teamwork towards a common goal.

We believe these models will help us navigate the volatility, especially in the face of ongoing supply chain disruptions.

<u>Question 4:</u>

In your presentation, it appears that you have introduced a new segment focused on the turnaround of onshore plants. However, in your reporting, you have not disclosed the revenue and profit associated with this segment. Could you please share the revenue and profit figures for this segment? Is this indeed a new segment?

Answer:

This is not a new segment. We have the heavy engineering and marine segments, and asset maintenance, which is simply a subset of our core competencies. The profit and revenue for this area have improved significantly in 2024 compared to 2023. Last year, we recorded approximately RM30 million in revenue with a margin of 10% to 15%.