



**PRESS RELEASE**

Kuala Lumpur, 29 April 2020

**MHB Achieves Pre-Tax Profit of RM5.6 million in the First Quarter of 2020**

Malaysia Marine and Heavy Engineering Holdings Berhad (“MHB” or “Group”) wishes to announce its financial results for the first quarter ended 31 March 2020. The Group achieved a revenue of RM346.4 million with a pre-tax profit of RM5.6 million for the said period.

The Heavy Engineering segment posted a higher revenue of RM226.8 million against RM125.4 million reported in the corresponding quarter mainly contributed by higher revenue from on-going projects. As compared to the corresponding quarter, the segment reported an operating profit of RM1.2 million in the current quarter compared to an operating loss of RM23.9 million in the corresponding quarter, mainly due to reversal of cost provisions in the current quarter.

For the three (3) months period, the Heavy Engineering segment successfully completed the construction of FSO Golden Star External Turret for our client.

The ongoing projects for the Heavy Engineering segment include the Engineering, Procurement, Construction, Installation and Commissioning (EPCIC) of the centralised processing platform (CPP) for Bokor Phase 3 Re-Development Project, Pluto Water Handling Module project, EPCIC works for the Kasawari Gas Development Project, Engineering, Procurement, Construction and Commissioning (EPCC) of Bergading Mercury Removal Unit (MRU) module for Bergading Central Processing Platform-MRU Integration Project and EPCIC of supply and installation of new BEDP-A and BEDP-B WHP for Bekok Oil Project.

Earlier this year, MHB’s wholly owned subsidiary, Malaysia Marine and Heavy Engineering Sdn Bhd (MMHE), has also secured a contract from Carigali-PTTEPI Operating Company Sdn Bhd (CPOC) to undertake the provision of offshore brownfield modification works for a duration of 3 years. This award, which is part of an umbrella agreement, involves onshore fabrication and offshore modification services for CPOC facilities located within the Malaysia-Thailand Joint Authority (MTJA) area.

The Marine segment registered a higher revenue of RM119.7 million compared to RM77.7 million in the corresponding quarter due to an increase in revenue from LPG vessels and conversion work. In tandem with the higher revenue, operating loss for the segment reduced to RM1.5 million in the current quarter compared to RM7.5 million loss in the corresponding quarter.

For the three (3) months period, the Marine segment completed the repair and maintenance of fifteen (15) vessels of various categories, of which two (2) were from repair works on LNG carriers.

The Group’s total assets and total equity for the period under review stood at RM3.4 billion and RM2.4 billion, respectively.



Managing Director and Chief Executive Officer, Cik Wan Mashitah Wan Abdullah Sani said, “The COVID-19 pandemic had caused global demand and oil prices to plummet at an unprecedented rate. Most oil majors have started reducing their annual capital spending and revising their investment plans to counter the negative financial impact amidst the grim landscape. The subsequent oil production cut agreed by OPEC+ to mitigate the oil price crash did not result in any significant recovery in prices. We expect the risks of deferments and scale-down of upstream projects to prolong and continue to pose challenges to the industry for the remainder of the year. In light of the risks, we remain cautious on the remaining opportunities despite PETRONAS' announcement of its intention to maintain domestic capital spending plans.

Whilst demand for oil storage including floating storage and tankers appears to have increased from the oil supply overhang, the outlook for marine repairs and dry-docking activities remains uncertain. Charter hire rates are expected to remain volatile amidst declining prospects for the global shipping and trade activities due to the current pandemic and oil price crash. Demand for LNG which has been a contributing factor to growth in marine repair activity is also expected to experience a slowdown due to a significantly weakened economic outlook. We continue to focus on optimising our costs whilst improving project delivery and execution in order to maintain margins in the Marine segment in this challenging market environment.

The COVID-19 pandemic has prompted the Malaysian Government to declare an MCO (Movement Control Order) beginning 18 March 2020 until 12 May 2020 which may be further extended if required. Our activities at the yard had been suspended to comply with the MCO and we were only granted approval on 16 April 2020 to operate at limited capacity during the MCO. Subsequently, on 28 April 2020 the Malaysian Government announced that companies granted approval to operate during MCO are now allowed to increase their workforce to full capacity with no restriction on operating hours. However, it remains uncertain to date how business operations will be conducted during and after the MCO since the impact both domestically and internationally has yet to be ascertained as many other countries are also currently in or have just lifted their lockdowns. We expect significant disruptions to the global supply chain and logistics which may potentially impact the supply of materials, equipments and resources related to the execution of the projects we have in hand. This may lead to sourcing for alternatives which may have cost and schedule consequences.

In view of the current crisis, we face significant risks to our financial results and position including potential impairment of assets. However, at the present time, we are unable to fully assess and quantify the impact as discussions are still ongoing with clients and key stakeholders on the way forward. Furthermore, our ability to assess the impact is made more difficult due to the extremely fluid global situation riddled with uncertainties.

Nevertheless, we remain focused on resource optimisation to reduce our operating cost in line with the challenging outlook of the industry. Meanwhile, our efforts to ensure competitiveness for ongoing and future bids by improving execution and delivery of ongoing projects shall be further intensified. In addition, we continue to bolster our efforts to replenish our orderbook by diversifying into new business opportunities, namely onshore and renewable segments.” added Cik Wan Mashitah.



## **About MHB**

Malaysia Marine and Heavy Engineering Holdings Berhad (MHB) is a globally trusted energy industry and marine solutions provider for a wide range of heavy engineering facilities and vessels.

MHB has more than 40-year track record of delivering integrated and complex solutions, including deepwater support services to international oil & gas clients. We are equally recognised for our global expertise in offshore conversion services and LNG vessel repair and dry docking. MHB also owns and operates a regional Centre of Excellence – a learning centre that produces technically expert workers for the industry.

Backed by an exceptional track record, a highly skilled workforce and world-class facilities, MHB is able to provide innovative solutions to meet the complex demands of the energy industry - safely, on time and within cost.

- Full range EPCIC services for heavy engineering construction
- Complete conversion works in one location
- Comprehensive marine repair, refurbishment, upgrading and life extension of vessels and rigs

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