



Malaysia Marine and Heavy Engineering
Holdings Berhad (17821-X)

MHB 29th AGM 2018 QUESTIONS RAISED BY MSWG

Date: 17 April 2018

Strategic and Financial Matters

QUESTION 1: (1/2)

Q: In the Letter from the Chairman, it was stated that the Group is keen on contracts that provide them a recurring source of revenue and income and to this end, the Group had obtained two “call-out contracts”, one was for offshore hook-up and commissioning from Carigali-PTTEPI Operating Company Sdn Bhd, and the other for facilities improvement and rejuvenation from Vestigo Petroleum Sdn Bhd.

I. How much of the Group’s business is currently generated from recurring source of revenue?

A:

- The contribution from recurring source of revenue including marine repair and call-out contracts in 2017 was approximately 40% of the Group’s revenue.

Strategic and Financial Matters

QUESTION 1: (2/2)

Q: In the Letter from the Chairman, it was stated that the Group is keen on contracts that provide them a recurring source of revenue and income and to this end, the Group had obtained two “call out contracts”, one was for offshore hook-up and commissioning from Carigali-PTTEPI Operating Company Sdn Bhd, and the other for facilities improvement and rejuvenation from Vestigo Petroleum Sdn Bhd.

II. How significant are the contribution from these contracts to the Group’s revenue and earnings for FY2018?

- A:**
- The call out contract revenue is only recognised upon award of work order.
 - The revenue coming from call out contract for 2018 will not be significant as this is a new business that MMHE has ventured into.

Strategic and Financial Matters

QUESTION 2: (1/2)

Q: As stated in the MD & CEO's Management Discussion & Analysis, MHB will be focusing more on its marketing efforts to bring in more vessels in anticipation of the Dry Dock 3 to be completed by 2020.

I. What is the estimated CAPEX to be incurred for Dry Dock 3?

A: ▪ The approved CAPEX is approximately at RM500mil.

Strategic and Financial Matters

QUESTION 2: (2/2)

Q: As stated in the MD & CEO's Management Discussion & Analysis, MHB will be focusing more on its marketing efforts to bring in more vessels in anticipation of the Dry Dock 3 to be completed by 2020.

II. What is the stage of construction to date?

A: ▪ As of 28 February 2018, the current progress of Dry Dock 3 is 15.4%.

Strategic and Financial Matters

QUESTION 3: (1/2)

Q: I. What is the Group's current tender book?

A: HEU

- As of February 2018, tender book for the HEU business that we have submitted is approximately RM2.8bil. These comprise tenders for the onshore and upstream sectors with expected outcome to be known this year.
- The tender book can be further broken down as below :
 - Local : 46%
 - International : 54%
- There are also other prospective works which the Company is pursuing.

Strategic and Financial Matters

QUESTION 3: (2/2)

Q: II. What is current utilisation rate of the shipyard facilities? Has the utilisation rate improved compared to the previous financial year?

A: ▪ As of February 2018, the West Yard utilisation is about 35% whereas the East Yard is largely inactive, which is lower than 2017.

Strategic and Financial Matters

QUESTION 4: (1/2)

Q: One of the Group's strategy is to expand into new business segments. The Group targets to leverage on existing capabilities and expand into offshore and onshore maintenance services and module structure fabrication.

Could the Board share the Group's prospects in these new business segments?

-
- A:**
- As part of our strategy to stay resilient, we are expanding our range of products and services for offshore and onshore maintenance services. In 2017, we have completed 48 modification and rejuvenation work orders under the Facilities Improvement Project (FIP) for PETRONAS Carigali Sdn. Bhd.
 - We have secured the Facilities Improvement, Rejuvenation and Modification project from Vestigo Petroleum Sdn Bhd and hook-up and commissioning (HUC) services for modification contract from Carigali-PTTEP Operating Company Sdn Bhd (CPOC) which can provide a recurring source of revenue until 2020.

Strategic and Financial Matters

QUESTION 4: (2/2)

Q: One of the Group's strategy is to expand into new business segments. The Group targets to leverage on existing capabilities and expand into offshore and onshore maintenance services and module structure fabrication.

Could the Board share the Group's prospects in these new business segments?

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- A:**
- We have also submitted tenders for Maintenance, Construction and Modification services for both onshore and offshore mainly in domestic market.
 - We also seek to grow our onshore services business through plant turnaround and maintenance services. Opportunities for onshore maintenance services are anticipated to increase as RAPID commences operations in 2019. There are other existing petrochemical and refinery facilities as well, which require periodic turnarounds.
 - Global increase in downstream capital spending provides opportunity for onshore module fabrication and construction. Hence, we are venturing further into the onshore process module segment mainly for the international market.

Strategic and Financial Matters

QUESTION 5:

Q: The share of results of joint ventures improved from a loss of RM7.6 million in FY2016 to a loss of RM3.2 million in FY2017.

Are the joint ventures expected to contribute positively to the Group in FY2018?

A:

- We do not anticipate significant contribution from the joint ventures due to the ongoing depressed oil and gas industry.

Sustainability Matter

QUESTION 1: (1/2)

Q: The Lost Time Injury Frequency (LTIF) increased from 0.14 in FY2016 to 0.26 in FY2017.

I. What was the reason for the increase in LTIF in FY2017?

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- A:**
- We had four LTI cases during the year as compared to two in 2016.
 - Two of the cases in 2017 were due to upgrading and maintenance work in our yard.

Sustainability Matter

QUESTION 1: (2/2)

Q: The Lost Time Injury Frequency (LTIF) increased from 0.14 in FY2016 to 0.26 in FY2017.

II. How would the Group plan to achieve the LTIF target of 0.13 per Scorecard 2018 as disclosed on page 38 of the Annual Report?

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- A:**
- Our QHSE Plan for FY2018 will focus on the following:
 - Embedding QHSE culture into all workers and subcontractors
 - Assuring the conformance to QHSE Management System
 - Planning and executing targeted programmes during the year

Corporate Governance Matter

QUESTION 1:

Q: The Company in its Corporate Governance Report had stated that it has adopted Step Up 4.3 on MCGG. However, in the explanation column on the application of Step Up 4.3, it was stated that “If the Board intends to retain the independent director (“INED”) beyond nine (9) years, it shall justify and seek annual shareholders’ approval.” This is contrary to Step Up 4.3 which does not provide for any extension of tenure beyond the 9-year tenure of INEDs.

We hope the Board would take note of this.

**A:

- The Board thanks MSWG for highlighting this issue. The Board will deliberate further on the matter to develop the appropriate policy.**

Corporate Governance Matter

QUESTION 2:

Q: While we note that the current composition of female directors stands at 33%, there is no policy on gender diversity. Practice 4.5 of MCCG requires that the Board discloses in its annual report the company's policies on gender diversity, its targets and measure to meet those targets.

Please explain.

A:

- The Board supports gender diversity and recognises the benefits that it can bring. Nonetheless, in any new appointment, the Board would take into account the knowledge, experience and capability of the candidate as well as the required mix of skills amongst all the Board members.

Thank You

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