
**QUESTIONS
RAISED BY
MSWG**

AGM 14 April 2021

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Strategic and Financial Matters

1. The Group has recently ventured into the fabrication of structures for offshore windfarms as more players enter the renewable energy space. (page 20 of AR)

(a) What is the order book that the Group has secured from this new venture to date?

- Our Order Book does not include any offshore wind farm project at present.
- In early 2021, the Group, in collaboration with its partner, Smulders has provided technical expertise to a Taiwanese fabricator in the execution of the Greater Changhua Windfarm Project in Taiwan. This enabled the Group to further develop its understanding of this market and the associated requirements in Taiwan.
- The Group has submitted bid for project in Taiwan and has also been pre-qualified to participate in various bids in Japan and Korea for offshore windfarm projects.

(b) What is the competitive edge of the Group over its competitors in securing new windfarm contracts?

- The Group's main competitive strengths are its yard capacity and know-how.
- The Offshore Windfarm prospects usually call for the fabrication of steel structures such as transition pieces, jackets and monopiles which range between 30 to 100 numbers for a single project.
- This requires a large amount of space to cater for mass production and fabrication.
- MMHE has one of the largest fabrication yard in South-East Asia with fabrication area of around 2,000,000 m² with an annual production capacity of 129,700 MT and thus possesses sufficient space to mass produce and fabricate the required numbers.
- Finally, the partnership between the Group and Smulders, a market leader in the construction of offshore windfarm structures with 50 years proven track record in Western Europe, shall facilitate the Group's entry into this market and help reduce risk.

2. The Group will continue to rigorously pursue recovery of COVID-19 costs from clients. (page 44 of AR).

(a) What is the amount that the Group is pursuing to recover from clients due to the COVID-19 pandemic? Please provide a breakdown for Heavy Engineering Business and Marine Business respectively?

- The actual costs of COVID-19 that the Group is pursuing to recover from clients are still in the process of being finalised as projects affected are still in progress amidst the ongoing pandemic. Negotiations with clients are ongoing and the Group will continue to use whatever means at its disposal to recover these costs from clients.
- Due to the confidentiality requirement of the respective contracts, the Group is at present unable to disclose the actual costs being pursued with clients.

(b) How long will it take for the Group to recover the COVID-19 costs from clients?

- The timing of recovery is very much dependent on the completion of the affected projects and the negotiation process between the Group and the clients.

(c) What are the challenges that the Group faced while trying to recover the COVID-19 costs from clients?

- In the current industry climate, it will be challenging to recover all costs in view of the clients' diminished cash flows. Nevertheless, the Group is committed to rigorously pursue these claims.

(d) What are the COVID-19 costs that are recoverable from clients?

- The COVID-19 costs that we believe should be recoverable from clients are the costs arising from the extended duration of the projects, acceleration and expediting costs to mitigate the slippage of project schedule as well as the COVID-19 compliance costs.

3. The Group has made an impairment loss of trade receivables amounting to RM16.2 million in FY2020 as compared to RM6.2 million in FY2019, an increase of RM10 million or 161% (page 190 AR)**(a) What was the reason for the high impairment loss on trade receivables?**

- The impairment loss was mainly recognised on amounts outstanding from clients who have been badly affected by the COVID-19 pandemic and collapse in oil prices and those with downgraded credit ratings with higher probability of default due to the current market conditions.
- The impairment loss on trade receivables was recognised in accordance with the requirements of the relevant Malaysian Financial Reporting Standards.

(b) What is the composition of the impairment loss on trade receivables from the Heavy Engineering and Marine Businesses respectively?

- The impairment loss on trade receivables for the current year was entirely attributable to the Marine Business.

(c) What is the percentage of the impairment loss of RM16.2 million that is expected to be uncollectable?

- The Group believes that despite the impairment loss being recognised, recovery remains possible. Hence, the Group is committed and focused on pursuing every possible avenue including any legal action as may be permitted under Malaysian law to recover these doubtful debts.

- 4. The Group has an orderbook balance of RM1.9 billion (page 44 of AR).**
- (a) What is the breakdown of the orderbook by business segment i.e., the Heavy Engineering Business and Marine Business respectively?**
- Out of RM1.9 billion orderbook balance as at 31 December 2020, the majority of approximately RM1.877 billion (98.8%) is attributable to Heavy Engineering Business whilst the remainder of RM23 million (1.2%) is the orderbook for the Marine Business.
- (b) What is the latest value of new contracts secured by the Group as at March 2021?**
- The Group has secured an EPCIC Contract for SK408W Jerun Development Project, Offshore Sarawak worth around RM1 billion in March 2021.
- 5. The Group managed to save RM4 million by cutting down the Group's expenditure in FY 2020. (page 26 of AR). Please provide details of the RM4 million saving.**

At the onset of the COVID-19 pandemic and the collapse in oil prices in early 2020, the Group undertook aggressive cost-cutting measures to optimise costs which resulted in the RM4 million savings, mainly attributable to savings in travelling and utilities costs.

- An example of the Group's successful efforts to cut down travelling costs is via the Group-wide utilisation of technology to hold meetings virtually which has reduced the need for travel to attend meetings physically.