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MSWG Questions & Answers  
28 March 2023

## **QUESTION 1 (a-d): (1/4)**

**Q: The Group is particularly impacted by high steel prices as mentioned in the Chairman's Message. (Page 21 of IAR)**

**(a) What is the impact of the high steel prices on the Group's gross profit margin in FY 2022?**

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- A:**
- The 2021-2022 average Europe Hot Rolled Coil (HRC) was around USD 1,050/MT, 94% higher than 2019-2020 average of USD 540/MT.
  - The impact of the high steel prices on the Group's gross profit margin varies from project-to-project depending on the different stages of the project and the timing of procurement as well as the scope of work and volume of steel required for each project.
  - On average, production costs has increased around 10% across our Heavy Engineering projects due to the impact of high steel prices.

## QUESTION 1: (2/4)

**Q: The Group is particularly impacted by high steel prices as mentioned in the Chairman's Message. (Page 21 of IAR)**

**(b) What are the measures taken to mitigate the impact of the high steel prices?**

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- A:**
- To minimise our risk exposure from steel price volatility, we will negotiate for the procurement of steel to be under cost-plus scope or qualify to clients that the contract price shall be revised based on latest steel prices on award date. However, should this be unacceptable to clients, we will estimate the potential price escalation based on projections by credible international commodity indices and incorporate this in the contract price submitted to clients. We also ensure that the contract price has sufficient contingencies to cater for risks of steel price volatility.
  - In addition, we also identify alternative manufacturers and suppliers to improve price competitiveness.

## **QUESTION 1: (3/4)**

**Q: The Group is particularly impacted by high steel prices as mentioned in the Chairman's Message. (Page 21 of IAR)**

**(c) Is the Group able to pass-through the high steel prices in the contracts secured?**

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**A:** Learning the lesson from the pandemic, for new projects, risk of steel price volatility has been appropriately mitigated through various mechanisms as explained in (b) including contractual provisions that enable the pass through of costs to clients and ensuring sufficient contingencies to mitigate risks of price volatility.

## QUESTION 1: (4/4)

**Q: The Group is particularly impacted by high steel prices as mentioned in the Chairman's Message. (Page 21 of IAR)**

**(d) What is the outlook of the steel prices in FY 2023?**

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- A:**
- Steel prices in the US and Europe were lower by end of 2022 from its April 2022 peak due to concerns around global demand and the high cost of energy.
  - However, steel prices have risen in Quarter 1, 2023 on signs of global economic resilience mainly due to China's reopening.
  - Based on MEPS International\*, steel prices in Europe and China are expected to stabilise in 2023 at an average of USD 900/MT and USD 550/MT respectively.
  - Steel prices will depend on several factors including global economic conditions, consumer trends and government intervention.

*\*MEPS International Ltd. is a leading steel market analysis company, specialising in independently researched global steel prices and indices, and steel price forecasts.*

*Source: <https://mepsinternational.com/gb/en/pages/meps-company-profile>*

## **QUESTION 2 (a-b): (1/2)**

**Q: The Group had made significant progress in recovering COVID-19 costs from customers who have contributed to the Group's higher loss in FY 2022.**

**(a) What was the amount of COVID-19 costs recovered from customers in FY 2022?**

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- A:**
- So far, we have partially recovered COVID-19 claims for several Heavy Engineering projects.
  - Due to the confidential nature of the commercial settlements negotiated with clients, we are unable to disclose the full details of the amount which includes COVID-19 compliance costs as well as other indirect (prolongation) costs.

## QUESTION 2: (2/2)

**Q: The Group had made significant progress in recovering COVID-19 costs from customers who have contributed to the Group's higher loss in FY 2022.**

**b) What is the outstanding amount of COVID-19 costs to be recovered from customers as of February 2023.**

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- A:**
- Further discussions are still being held with clients for the remaining claims and due to the confidential nature of the ongoing negotiations with clients, the Group is unable to disclose the full details of the amount.
  - As part of ongoing negotiations, MHB continues to fully cooperate with clients in providing all the necessary evidence and detailed supporting materials to satisfy all their requirements.



### **QUESTION 3 (a-d): (1/4)**

**Q: The Group has tied up with Dyna-Mac Engineering Services Pte Ltd. to offer potential clients a one-stop solution for module fabrication, vessel conversion and integration work. (Page 89 of IAR)**

**(a) What is the Company's share in this module fabrication business with Dyna-Mac Engineering Services Pte Ltd?**

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- A:**
- We are in a strategic alliance with Dyna-Mac and continuously pursuing opportunities to collaborate with Dyna-Mac on the future module fabrication business.
  - The exact percentage of share participation in the partnership may differ from project to project depending on the size, type and configuration of the floating facilities as well as the risks involved.

### **QUESTION 3: (2/4)**

**Q: The Group has tied up with Dyna-Mac Engineering Services Pte Ltd. to offer potential clients a one-stop solution for module fabrication, vessel conversion and integration work. (Page 89 of IAR)**

**b) What is the market value of the module fabrication business in FY 2022?**

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**A:**

- For FY2022, MMHE-Dyna-Mac strategic alliance has yet to secure any module fabrication business for floating facilities.

### **QUESTION 3: (3/4)**

**Q: The Group has tied up with Dyna-Mac Engineering Services Pte Ltd. to offer potential clients a one-stop solution for module fabrication, vessel conversion and integration work. (Page 89 of IAR)**

**c) What is the potential value of the module fabrication business that the Company is expected to secure in FY 2023?**

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- A:**
- We anticipate that the strategic alliance can potentially secure one or two medium sized project(s).
  - The potential value will depend on the number of modules which will be finalised in the future.

### **QUESTION 3: (4/4)**

**Q: The Group has tied up with Dyna-Mac Engineering Services Pte Ltd. to offer potential clients a one-stop solution for module fabrication, vessel conversion and integration work. (Page 89 of IAR)**

**d) Has the Group been successful in securing floating facilities contracts? If yes, what is the number and value?**

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**A:**   ▪ No, the Group has not secured any contracts yet.

## **QUESTION 4 (a-b): (1/2)**

- Q:** The Group had secured the contract for Malaysia's first carbon capture and storage (CCS) facility from PETRONAS Carigali Sdn Bhd (PCSB) for the Kasawari CCS Project. The facility will be the world's largest offshore CCS facility by volume of CO2 captured. (Page 21 of IAR)
- a) What is the contract period of the CCS facility and when is it expected to be completed?
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- A:**
- The contract period is approximately 35 months and Ready For Start Up (RFSU) is scheduled by end of 2025 as part of the overall Kasawari Gas Development Project.

## QUESTION 4: (2/2)

- Q: The Group had secured the contract for Malaysia's first carbon capture and storage (CCS) facility from PETRONAS Carigali Sdn Bhd (PCSB) for the Kasawari CCS Project. The facility will be the world's largest offshore CCS facility by volume of CO2 captured. (Page 21 of IAR)**
- b) Has the Group been successful in securing new contracts from either the CCS facility or green solutions? If yes, please provide the number and value of contracts secured.**
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- A:**
- At this juncture, we have yet to secure new CCS contracts apart from the Kasawari CCS project. We will continue to bid for more CCS projects in the future and will also explore other areas within the value chain where we can participate and contribute towards the sustainability agenda and supporting PETRONAS' net zero carbon emissions target.
  - In addition, we are looking at offshore windfarm projects in Europe as well as in Taiwan.

## QUESTION 5:

**Q: As of 31 December 2022, MHB has only one (1) woman director. This represents 13% of the Board composition. The Company has departed from Practice 5.9 which advocates that the Board comprises at least 30% women directors.**

**What is the timeline for the Company to adopt Practice 5.9?**

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- A:**
- MHB endeavours to fulfil gender diversity expectations of the Malaysian Code on Corporate Governance (MCCG 2021) in its Board renewal exercise.
  - In any event, the main criteria of a prospective member of the MHB Board are meeting the fit and proper criteria as well as possessing the suitable skill sets that will enhance the Board's value.

Shareholder Questions & Answers

Mr. Thang Guan Chung

11 April 2023



## QUESTION 1 of 4:

**Q:** For large scale project, eg the Kasawari CCS, what is the minimal company expected profit margin? (some report from Investment Bank claim that it is only less than 1%, is that statement true?)

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**A:** For strategic commercial reasons, we do not publicly disclose profit margins on specific Heavy Engineering projects. To do so would jeopardise our commercial position with clients and impact future bidding. For Kasawari CCS, we expect to generate a profit margin commensurate with the level of risks on the project.

## QUESTION 2 of 4:

**Q: With more upstream activities at middle east recently, plus MHB had a MOU signed with Saudi Aramco, is there any chance for MHB to secure any project at the Middle East region in the near future? Or perhaps any subcontractor job from Technip at Middle East?**

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- A:**
- The chances are good considering the high number of projects anticipated for the next 5 to 20 years.
  - Saudi Aramco plans to spend approximately USD65 billion to develop their offshore O&G assets over the next 5 years. Apart from Saudi, Qatar also plans to spend approximately USD45 billion to develop their offshore oil and gas assets over the next 15-20 years. MMHE has also been qualified by Qatar NOC and Qatar Energy to bid for the EPCIC job.
  - MMHE will continue to pursue job opportunities with Technip either as JV partner or subcontractor.

### QUESTION 3 of 4:

**Q: With much of efforts put in for offshore wind farm (OWF), does management foreseen / expect to win some contract soon? Especially from Taiwan**

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- A:**
- We are in negotiations with clients in Europe for the potential fabrication of Offshore Substations (OSS) for windfarm.
  - We are also actively bidding for Taiwan offshore windfarm projects.
  - Due to confidentiality of ongoing negotiations, we are unable to disclose the details. If we are successful in the bidding process, we may be awarded sometime in 2023.

## QUESTION 4 of 4:

**Q:** From Annual Report, page 78, mentioned ITA of more than RM1 bil, is there Lembaga Hasil Dalam Negeri set any expiry date to utilize this Investment Tax Allowance?

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**A:**

- The Investment Tax Allowance (ITA) granted to MMHE has no expiry date and can be utilised to offset future taxable profits indefinitely.

# Thank You

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