

MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD
(178821-X)

SUMMARY OF MINUTES

**MINUTES OF THE 27th ANNUAL GENERAL MEETING
HELD ON MONDAY, 18 APRIL 2016 AT 11:00 A.M.
AT TOPAZ BALLROOM, ONE WORLD HOTEL, GROUND FLOOR,
FIRST AVENUE, BANDAR UTAMA CITY CENTRE,
47800 PETALING JAYA, SELANGOR DARUL EHSAN**

PRESENT

- | | | |
|---|---|---|
| 1. YBhg Datuk Nasarudin Md Idris | - | Chairman |
| 2. Dato' Abu Fitri Abdul Jalil | - | Managing Director & Chief Executive Officer |
| 3. YBhg Dato' Halipah binti Esa | - | Director |
| 4. Mr Heng Heyok Chiang @ Heng Hock Cheng | - | Director |
| 5. Mr Yong Nyan Choi @ Yong Guan Choi | - | Director |
| 6. Mr Choy Khai Choon | - | Director |
| 7. Mr Bernard Rene Francois di Tullio | - | Director |
| 8. Mr Yee Yang Chien | - | Director |
| 9. Tuan Syed Hashim Syed Abdullah | - | Director |
| 10. Shareholders, proxies and guests | - | As per Attendance List |

IN ATTENDANCE

- | | | |
|---------------------------------------|---|-------------------------|
| 1. En Ausmal bin Kardin | - | Company Secretary |
| 2. Cik Wan Mashitah Wan Abdullah Sani | - | Chief Financial Officer |

1. COMMENCEMENT OF MEETING

The Chairman, on behalf of the Board of Directors, welcomed all members to the 27th Annual General Meeting (“AGM”) of the Company.

The Chairman introduced the members of the Board, the Chief Financial Officer and the Company Secretary who were present.

The Managing Director & Chief Executive Officer (“MD/CEO”), upon the invitation of the Chairman, presented the highlights on the Company’s business in respect of the financial year ended 31 December 2015.

The Chairman then called the meeting to order.

The Secretary reported that the quorum was present and announced the number of proxies given to the Chairman.

2. NOTICE OF MEETING

The Chairman informed the members that the Notice of the AGM together with the Annual Report had been given to the shareholders within the statutory period.

The Chairman suggested, and the meeting agreed that the Notice of the AGM be taken as read.

In accordance with the recommendation of the Malaysian Code of Corporate Governance 2012, the Chairman informed the members that the Articles of Association of the Company provides for the demand of a poll vote.

3. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 AND REPORTS OF DIRECTORS AND AUDITORS THEREON – ORDINARY RESOLUTION 1

The Audited Financial Statements for the year ended 31 December 2015 and the reports of the Directors and Auditors thereon, having been circulated to the members, were duly tabled at the meeting for discussion.

The Chairman informed the meeting that the Company had received a letter from the Minority Shareholder Watchdog Group (“MSWG”) dated 11 April 2016 on questions relating to the Company. The Chairman gave a summary of the questions raised by MSWG and the Company’s response thereto, attached as Appendix A.

The Chairman then invited questions from the floor. A summary of the questions raised and the corresponding answers is attached as Appendix B to these minutes.

After dealing with all the questions, the Chairman proposed and a shareholder seconded the following motion:

“THAT the Audited Financial Statements for the financial year ended 31 December 2015 and the Reports of Directors and Auditors thereon presented to the Meeting be and are hereby received.”

The Chairman put the motion to vote. On a show of hands, the Chairman declared the resolution carried.

4. ELECTION OF SYED HASHIM BIN SYED ABDULLAH RETIRING PURSUANT TO ARTICLE 112 OF THE COMPANY'S ARTICLES OF ASSOCIATION – ORDINARY RESOLUTION 2

The Chairman informed the members that Tuan Syed Hashim bin Syed Abdullah who retired pursuant to Article 112 of the Company's Articles of Association and being eligible, offered himself for election. The Chairman proposed and a shareholder seconded the following motion:

“THAT Syed Hashim bin Syed Abdullah, who is retiring pursuant to Article 112 of the Company's Articles of Association, be elected as a Director of the Company.”

The Chairman put the motion to vote. On a show of hands, the Chairman declared the resolution carried.

5. RE-ELECTION OF DIRECTORS RETIRING PURSUANT TO ARTICLE 115 OF THE COMPANY'S ARTICLES OF ASSOCIATION

i) ORDINARY RESOLUTION 3

The Chairman informed the members that Mr Yee Yang Chien who retired pursuant to Article 115 of the Company's Articles of Association and being eligible, offered himself for re-election. The Chairman proposed and a shareholder seconded the following motion:

“THAT Yee Yang Chien, who is retiring by rotation pursuant to Article 115 of the Company's Articles of Association, be re-elected as a Director of the Company.”

The Chairman put the motion to vote. On a show of hands, the Chairman declared the resolution carried.

ii) ORDINARY RESOLUTION 4

The Chairman informed the members that Dato' Halipah binti Esa, who retired pursuant to Article 115 of the Company's Articles of Association and being eligible, offered herself for re-election. The Chairman proposed and a shareholder seconded the following motion:

“THAT Dato' Halipah binti Esa, who is retiring by rotation pursuant to Article 115 of the Company's Articles of Association, be re-elected as a Director of the Company.”

The Chairman put the motion to vote. On a show of hands, the Chairman declared the resolution carried.

iii) ORDINARY RESOLUTION 5

The Chairman invited YBhg Dato' Halipah binti Esa to chair the meeting as the next agenda was on his re-election to the Board upon retirement in accordance with Article 115 of the Company's Articles of Association.

YBhg Dato' Halipah informed the members that YBhg Datuk Nasarudin Md Idris, who retired pursuant to Article 115 of the Company's Articles of Association and being eligible, had offered himself for re-election. YBhg Dato' Halipah proposed and a shareholder seconded the following motion:

"THAT Datuk Nasarudin Md Idris, who is retiring by rotation pursuant to Article 115 of the Company's Articles of Association, be re-elected as a Director of the Company."

The motion was put to vote. On a show of hands, YBhg Dato' Halipah declared the resolution carried.

YBhg Dato' Halipah then passed the Chair back to YBhg Datuk Nasarudin.

6. PAYMENT OF DIRECTORS' REMUNERATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 – ORDINARY RESOLUTION 6

The Chairman invited a member to propose the following motion:

"THAT the payment of Directors' remuneration amounting RM1,036,000 for the financial year ended 31 December 2015, be and is hereby approved."

The motion was proposed by a shareholder and subsequently seconded by another shareholder.

The Chairman put the motion to vote. On a show of hands, the Chairman declared the resolution carried.

7. RE-APPOINTMENT OF AUDITORS – ORDINARY RESOLUTION 7

The Chairman informed the members that the retiring auditors, Messrs Ernst & Young, had given their consent to be re-appointed as the Company's auditors for the financial year ending 31 December 2015.

The Chairman proposed and a shareholder seconded the following motion:

"THAT Messrs Ernst & Young be re-appointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Board of Directors."

The Chairman put the motion to vote. On a show of hands, the Chairman declared the resolution carried.

8. CLOSURE OF MEETING

The Chairman informed the members that the Secretary had not received any notice of any other matter to be tabled and transacted at the meeting.

There being no other business, the Chairman declared the meeting closed at 1.15 p.m and thanked all members for their presence and participation.

MALAYSIA MARINE AND HEAVY ENGINEERING HOLDINGS BERHAD (178821-X)
27TH ANNUAL GENERAL MEETING HELD ON 18 APRIL 2016
SUMMARY OF MINUTES

Note: The full Minutes of the 27th Annual General Meeting of Malaysia Marine and Heavy Engineering Holdings Berhad is available for members' inspection without charge at the Company's registered office pursuant to Section 157(1) of the Companies Act, 1965.

QUESTIONS RAISED BY MSWG

STRATEGIC & FINANCIAL MATTERS

The offshore business unit is impacted by tough environment in the upstream segment with international and national oil companies continue to reduce their spending on capital and operation expenditure.

1. Could the Board share how the Group would make up the declining business in this sector as the Group's revenue is predominantly dependent on it?

- Given the challenging operating environment in the upstream segment, the Company has, since late 2014, diversified into the downstream and onshore market particularly in the refinery and petrochemical segment. The initiatives taken by the Company have enabled it to offer its engineering capability for the piping, mechanical and structural works for the downstream segment.
- This has borne positive result as the Company has secured several work packages under the RAPID Pengerang project in 2015 worth an estimated RM323 million. The sub-contract works awarded were:
 - i. centralised piping fabrication for a steam cracker complex as well as the gas refinery area piping and steel structure from Toyo Engineering Corporation,
 - ii. electro-mechanical work (in a consortium with a Chinese party) from Tecnicas Reunidas, and
 - iii. plate structure prefabrication, rolling and blasting work from Punj Lloyd.
- The Company will continue to bid for further sub-contracting works from the major RAPID contractors in 2016 and 2017.
- The Company is also diversifying into other segments of the offshore sector such as hook-up and commissioning and facilities improvement and maintenance projects whereby the opportunities are relatively better.

2. The Offshore business unit order book stood at RM989 million as at 31 December 2015. How long can the order book last? What is MHB's current tender book?

- The existing Offshore business orderbook is expected to last until end of 2017.
- The Company has a tender book for the Offshore business of about RM 2.8 billion, comprising tenders which have been submitted and others which are at proposal stage. There are also other prospective works which the Company is pursuing.
- The tenders and proposals are subject to the final investment decision of the oil and gas companies.

3. Please explain the strategies the Group would embark to expand the marine business to make up for the drop in the offshore business unit.

- Some of the initiatives that the Company has embarked on for the Marine business are as follows:
 - i. the Company is evaluating the economic feasibility of constructing and operating a third dry dock at the Pasir Gudang Yard,
 - ii. the Company is collaborating with Eastern Pacific Industrial Corporation Berhad (EPIC), a Terengganu state owned company, to jointly manage a floating dock to cater for drydocking works for smaller vessels on the East Coast of Malaysia, and
 - iii. through its marketing effort, the Company has secured 'enbloc bookings' of up to 23 vessels from owners in South Korea, Indonesia, Canada, Taiwan and Sabah which are scheduled until 2020.

4. One of the key strategies the Group would undertake is to be more efficient and cost competitive through the transformation initiatives.

Please name the initiatives taken and the expected cost savings and tangible results recorded.

- Some of the key initiatives we have undertaken are process improvement and automation, facilities improvement and cost optimisation.
- These initiatives have led to cost reduction, higher efficiency and productivity improvement, some of which are as follows:
 - i. lower Unit Cost per diameter inch for pipe spool pre-fabrication at the Centralized Piping Workshop
 - ii. reduction in overall logistic costs and better inventory management through a new Centralised Warehouse
 - iii. higher quality of blasting and painting works at reduced cycle time, minimizing wastage and optimizing the recyclability of blasting material through a new Blasting & Painting Chamber
- The Centralised Piping Workshop has enabled us to offer our capability in the piping, mechanical and steel structure engineering works for the downstream segment.

CORPORATE GOVERNANCE

MSWG is promoting standards of corporate governance best practices in PLCs. In this regard, we hope the Board could address the following:-

1. As stated in the Malaysian Code on Corporate Governance 2012 under recommendation 3.5, the Board should comprise a majority of independent directors where the Chairman of the Board is not an independent Director. The number of Independent Directors Constitutes 44.4% of the Board members.

- The Company is committed towards a high standard of corporate governance and it constantly reviews its governance practices. As highlighted in the Statement on Corporate Governance in the 2015 Annual Report, it was acknowledged that the

Board of Directors does not comprise a majority of independent Directors as advocated under Recommendation 3.5 of the MCCG 2012. Nevertheless, the number of independent Directors exceeds the number of representatives of any single substantial shareholder in the Board.

- The Nomination & Remuneration Committee of MHB, which consists of a majority of independent Directors, is tasked to evaluate the effectiveness of the Board which includes assessing the composition of the Board, its skill mix, size and independence of the Board, amongst others, and make its recommendations.