

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

**SUMMARY OF MINUTES**

**MINUTES OF THE 26<sup>th</sup> ANNUAL GENERAL MEETING  
HELD ON MONDAY, 25 MAY 2015 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. Tuan Haji 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. Captain Rajalingam Subramaniam         | - | Director                                    |
| 10. Shareholders, proxies and guests      | - | As per Attendance List                      |

**IN ATTENDANCE**

- |                         |   |                   |
|-------------------------|---|-------------------|
| 1. En Ausmal bin Kardin | - | Company Secretary |
|-------------------------|---|-------------------|

**1. COMMENCEMENT OF MEETING**

The Chairman, on behalf of the Board of Directors, welcomed all members to the 26<sup>th</sup> Annual General Meeting (“AGM”) of the Company.

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 2014.

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 2014 AND REPORTS OF DIRECTORS AND AUDITORS THEREON – ORDINARY RESOLUTION 1**

The Audited Financial Statements for the year ended 31 December 2014 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 13 May 2015 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 2014 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 ABU FITRI BIN ABDUL JALIL RETIRING PURSUANT TO ARTICLE 112 OF THE COMPANY'S ARTICLES OF ASSOCIATION – ORDINARY RESOLUTION 2**

The Chairman informed the members that Tuan Haji Abu Fitri bin Abdul Jalil 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 Abu Fitri bin Abdul Jalil, 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 Heng Heyok Chiang @ Heng Hock Cheng 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 Heng Heyok Chiang @ Heng Hock Cheng, 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 Captain Rajalingam a/l Subramaniam, 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 Captain Rajalingam a/l Subramaniam, 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 informed the members that Mr Choy Khai Choon, who retired by rotation 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 Mr Choy Khai Choon, 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.

**6. PAYMENT OF DIRECTORS’ FEES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 – ORDINARY RESOLUTION 6**

The Chairman invited a member to propose the following motion:

“THAT the payment of Directors’ fees amounting RM1,126,000 for the financial year ended 31 December 2014, be and is hereby approved.”

One of the shareholders raised a comment for the Board to review the payment of Directors’ fees vis-à-vis if no dividend will be proposed. The Board noted the comment.

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 12.25 p.m and thanked all members for their presence and participation.

*Note: The full Minutes of the 26<sup>th</sup> 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**

1. **In the Chairman's statement, it was stated that for the financial year ended 31 December 2014, the Group posted a net profit after tax of RM 130.6 million on the back of RM 2.7 billion in revenue. Both revenue and net profit were lower compared to the previous financial year as the Group completed and delivered a number of major projects during the year.**
  - i) **In view of the challenging outlook of the Oil and Gas sector due to weak oil prices, what are the measures taken to sustain the performance of the Group?**
    - The key focus currently is on business development and marketing to build up the Group's order book. MHB is taking on the challenge to bid for both onshore and offshore overseas projects which include markets in the Middle East and Africa. MHB is optimistic of being able to compete effectively for the international projects.
    - MHB will continue efforts to secure contracts for domestic projects including smaller EPCIC jobs to keep the yard utilised. Apart from that, the Group is also looking to expand its business and service offerings into other related products and services such as the fabrication of pipe spools at MMHE's new centralised piping workshop and offshore Hook Up & Commissioning ("HUC").
    - The Marine Repair Business Unit has also made headways to increase its market share in the international LNG segment and attain sustainable stream of projects by securing en bloc agreements with clients from Indonesia, Korea and Taiwan as well as focusing on rig repair segment.
    - The Transformation Programme has thus far, given rise to a number of improvement measures including process automation and innovation to enhance the Group's operational efficiency and productivity in project delivery. MHB will maintain its momentum of continuous improvement and high performance culture by measuring its achievements against stretched cost leadership and delivery targets.
  - ii) **What is MHB's current tender book?**
    - As of March 2015, the total amount of contracts that MHB is currently bidding is approximately valued at RM 7.0 billion. We have certain level of confidence in securing projects through bidding but it is difficult to gauge the timing of awards of these bids due to the current volatility in the oil price.

2. **It was stated in the MD & CEO's Report that the order book of the Offshore Business Unit stood at RM 1.6 billion in backlog as at 31 December 2014. How long would this order book provide earnings visibility to the Group?**
- The order book at RM 1.6 billion would provide earnings visibility up to Q3 2016 for the Group. However, this has not taken into account potential projects which MHB is optimistic in winning.
3. **What were the reasons for the increase in administrative expenses from RM 139.8 million in FY2013 to RM 225.5 million in FY2014?**
- The increase in administrative expenses comprise mainly overheads which could not be allocated or charged out due to insufficient number of projects as well as provisions for both bonus payment and the implementation of a mutual separation scheme ("MSS").
4. **Could the Board provide more information on the termination benefits totaling RM 25.6 million paid in 2014? Is this a one-off expense?**
- In view of the reduced workload and following a review on the organisation's manpower requirements, a mutual separation scheme ("MSS") was undertaken and offered to selected employees. It was necessary to take an action to rationalise the workforce and resize the organisation in FY2014 for greater efficiency to weather the challenging business environment. The MSS exercise was carried out in compliance with all applicable laws, observing all due diligence and executed with full respect for staff well-being
  - MHB will continue to monitor the development of the oil and gas industry closely and intensify efforts to secure business in order to maintain current staff strength. In fact, MHB remains focus on building its capability and internal talents which is normally difficult to do during times when business is going on fast pace. This will enable MHB to be better equipped when the market picks up.
5. **The Group's cumulative yard optimisation capital expenditure as at December 2014 was RM 1.1 billion, out of which RM 136 million was spent in 2014. Would there be further yard optimisation for 2015?**
- Yard optimisation (YO) spending is strictly governed by a proper approval process. The spending must be justified economically and technically.
  - There are some YO projects that are in progress in 2015. All of them are required to ensure the successful delivery of our projects.