

1. CORPORATE DIRECTORY (*Cont'd*)

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1. CORPORATE DIRECTORY (Cont'd)

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1. CORPORATE DIRECTORY (Cont'd)

SHARE REGISTRAR	: Symphony Share Registrars Sdn Bhd Level 6, Symphony House Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan Malaysia Telephone no.: +603 7841 8000
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ISSUING HOUSE	: Malaysian Issuing House Sdn Bhd Level 6, Symphony House Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan Malaysia Telephone no.: +603 7841 8000
LISTING SOUGHT	: Main Market of Bursa Securities
SHARIAH STATUS	: Approved by the SAC

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2. INTRODUCTION

This Prospectus is dated 6 October 2010.

No securities will be allotted or issued on the basis of this Prospectus later than twelve (12) months after the date of this Prospectus.

Our Company has registered this Prospectus with the SC. Our Company has also lodged a copy of this Prospectus, together with the Application Form, with the Registrar of Companies, who takes no responsibility for its contents.

Pursuant to Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as a "prescribed security". Consequently, the IPO Shares offered through this Prospectus will be deposited directly with Bursa Depository and any dealing in these Shares will be carried out in accordance with the SICDA and the rules of Bursa Depository.

On 30 August 2010, approval was obtained from the SC in respect of the IPO and the Listing. On 29 July 2010, the SAC, for the purpose of the IPO and the Listing, classified our Company's securities as Shariah-compliant based on the audited consolidated financial statements of our Company for the FYE 31 March 2010. This classification remains valid until the next Shariah compliance review is undertaken by the SAC. The new status is released in the updated list of Shariah-compliant securities on the last Friday of May and November of each year. The approval of SC shall not be taken to indicate that the SC recommends the IPO or assumes responsibility for the correctness of any statement made or opinion expressed or report contained in this Prospectus. The SC has not, in any way, considered the merits of our Shares being offered for investment. The SC is not liable for any non-disclosure on the part of our Company and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability for any part of the contents of this Prospectus. **You should rely on your own evaluation to assess the merits and risks of the IPO and an investment in us. If you are in any doubt as to the action to be taken, you should immediately consult your stockbrokers, bank managers, solicitors, accountants, or other professional advisers before applying for our Shares.**

On 21 September 2010, our Company obtained the approval of Bursa Securities for the listing of and quotation for our Shares, including the IPO Shares which are the subject of this Prospectus, on the Main Market of Bursa Securities. Official quotation will commence upon receipt of confirmation from Bursa Depository that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants. Admission to the Official List is not to be taken as an indicator of the merits of the IPO, our Company or our Shares.

The acceptance of applications for the IPO Shares is conditional upon permission being granted by Bursa Securities for the quotation of all our Shares on the Main Market of Bursa Securities. If the permission is not granted within six (6) weeks from the date of this Prospectus (or such longer period as may be specified by the SC), provided that our Company is notified by Bursa Securities within the aforesaid timeframe, all monies paid in respect of any application accepted will be returned in full without interest to the applicants, at the applicants' own risk.

If the IPO Shares are not allotted pursuant to the IPO, monies paid in respect of any application for the IPO Shares will be returned to applicants without interest in accordance with the provision of Section 243(2) of the CMSA. If such monies are not returned within fourteen (14) days after our Company and the Offeror become liable to repay it, then in addition to the liability of our Company and the Offeror, the officers of our Company and the Offeror shall be jointly and severally liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be prescribed by the SC from the expiration of that period.

The completion of the Public Issue is conditional upon the completion of the Offer For Sale and vice versa. The completion of the SI Allocation is conditional upon the completion of the Public Issue and the Offer For Sale. However, the completion of the Public Issue and the Offer For Sale are not conditional upon the completion of the SI Allocation. The IPO is subject to the public spread requirements as per the Listing Requirements as set out in Section 4.3.6 of this Prospectus.

2. INTRODUCTION (Cont'd)

Pursuant to the Listing Requirements, our Company is required to comply with the public spread requirements as determined by Bursa Securities, pursuant to which our Company is required to have a minimum of 25% of our Shares for which Listing is sought to be held by at least 1,000 public shareholders holding not less than 100 Shares each upon completion of the IPO and at the time of Listing. Our Company is expected to achieve this at the time of Listing. In the event that the above requirement is not met, our Company may not be permitted to proceed with the Listing. In such event, monies paid in respect of all applications will be returned in full without interest and if such monies are not returned in full within fourteen (14) days after our Company and the Offeror become liable to do so, the provision of Section 243(2) of the CMSA shall apply accordingly.

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3. SUMMARY

This summary highlights selected information from this Prospectus and may not contain all of the information about us which may be important to you. You should read and understand the whole Prospectus before deciding whether to invest in our Shares. You are advised to read the risk factors described in Section 5 of this Prospectus for an understanding of the risks associated with the investment in our Company.

3.1 Overview

We are a leading Malaysian heavy engineering and marine services provider, primarily focused on the oil and gas sector. We offer a wide spectrum of engineering and construction, marine conversion and marine repair services from our yard in Pasir Gudang, Johor, Malaysia, and the yard we operate and manage in Kiyaly, Turkmenistan on behalf of PCTSB. Our Company is the parent company of MMHE, and we offer our services primarily under the "MMHE" brand.

We are Malaysia's main fabricator of offshore structures and we have the second largest aggregate amount of fabrication capacity among Malaysian companies. We are one of seven licensed contractors of offshore structures that are eligible to bid for engineering and construction contracts tendered by PSC operators in Malaysia. We also operate the country's largest repair shipyard by dry-dock capacity.

We believe we are well positioned, in terms of experience and facilities, to benefit from current and future demand from the oil and gas industry in Malaysia and the Southeast Asian region, as well as in the Caspian region. We were the first Malaysian company to construct a deepwater SPAR, the *Kikeh Dry Tree Unit Truss SPAR*, completed in 2006. This was the first SPAR platform installed outside the Gulf of Mexico, and it is the deepest SPAR platform installed in Asian waters.

Our principal shareholder is MISC, a leading international maritime company primarily focused on energy transportation and logistics and other energy related businesses, which is listed on the Main Market of Bursa Securities. As at LPD, MISC is a 62.7% owned subsidiary of PETRONAS, the national oil and gas company of Malaysia.

MMHE, our principal subsidiary, was incorporated in 1973, and has built up a track record of projects in onshore and offshore engineering and construction, marine conversion and marine repair, primarily serving clients in the oil and gas industry. We were appointed as the EPCIC contractor by PCTSB in Turkmenistan in 2004, and these operations now contribute a substantial percentage of our revenue.

We have three core businesses: engineering and construction, marine conversion and marine repair, and we divide our businesses into two operating segments: the engineering and construction segment and the marine conversion and marine repair segment.

Our engineering and construction business offers a full range of oil and gas construction and engineering services, from detailed engineering design and procurement to construction, installation, hook-up and commissioning. We specialise in the construction of various facilities for the offshore and onshore oil and gas industry. Completed and ongoing projects include the construction of oil and gas platforms, jackets, topsides, process modules, turrets, SPARs, semi-submersibles, mooring buoy systems, living quarters and substructures. The Pasir Gudang yard is the only yard in Malaysia that has constructed complex deepwater structures for the oil and gas industry.

3. SUMMARY (Cont'd)

Our marine conversion business offers a one-stop centre for converting vessels such as VLCCs, Aframax tankers and offshore oil rigs into floating structures for the offshore oil and gas industry such as FPSOs, FSOs, MOPUs and MODUs. We provide a comprehensive range of marine conversion services from engineering design to fabrication, installation and commissioning of these structures. We operate the only yard in Malaysia that has completed FPSO/FSO conversions, our first, being the *FPSO Perintis*, was completed in March 1999. Other services offered by our marine conversion business include the construction of new-built structures, including tender rig barges, and "jumboisation" works, which are complex engineering operations to increase a vessel's length, breadth or both dimensions.

Our marine repair business offers repair, refit and refurbishment services to a wide range of vessels, with a focus on energy-related vessels such as ULCCs, VLCCs and other petroleum tankers, chemical tankers, offshore oil rigs, gas carriers, and other offshore support vessels. We provide maintenance, technical solutions and refurbishment services for LNG carriers at our yard in Pasir Gudang. We market these services for LNG carriers through a joint venture with Samsung Heavy Industries.

Our Pasir Gudang yard is a comprehensive and integrated facility for all segments of our business on a strategically located 150.6 hectare complex with a 1.8 km seafront. The facility includes two dry-docks, five fabrication areas, three skid-tracks and two bulkheads, 35 workshops, one shiplift, two landberths, seven quays and one LNG carrier repair facility. We began implementing the Yard Optimisation Programme at this facility in 2006, and we expect to complete this programme in 2014. The programme is intended to increase the yard's efficiency and expand the range of projects that the yard can undertake. We do not own the Kiyarly yard in Turkmenistan. The fabrication yard that we operate and manage in Kiyarly, Turkmenistan, on behalf of PCTSB, a subsidiary of PETRONAS, has an area of 43.6 hectares and undertakes projects for PCTSB, on an EPCIC basis, in connection with the *Turkmenistan Block 1, Phase 1* gas development project in the Caspian Sea granted to PCTSB under a production sharing contract executed between PCTSB and the government of Turkmenistan.

As of 30 June 2010, our Group had total assets of RM4,298.7 million and shareholders' equity excluding minority interests of RM1,308.6 million. For the FYE 31 March 2010, we generated revenue of RM6,147.0 million and PAT of RM284.1 million. As of 30 June 2010, our orderbook was RM5,951.9 million. Our orderbook is made up of the total stated contract value of orders not yet delivered minus the portion of sales already recognised in respect of such orders using the stage-of-completion method.

Key milestones

The table below highlights the dates and provides a description of significant events in our corporate history:

Date	Description
May 1973	Incorporation of MMHE (under the name MSE).
July 1973	The Government's Minister of Finance, Inc., Sumitomo Heavy Industries Ltd., Kuok Brothers Sdn Bhd and I.M.C. (Overseas) Inc. Liberia ("IMC") became the shareholders of MMHE.
August 1976	We completed our first dry-dock.
September 1976	Our marine repair business commenced when we received our first ship for dry-docking, the <i>Japan Acacia</i> , a 122,484 dwt bulk carrier owned by Japan Lines.
November 1976	Official opening of the Pasir Gudang yard by the late YAB Tun Hussein Onn, the then Prime Minister of Malaysia.

3. SUMMARY (Cont'd)

Date	Description
July 1978	Our engineering and construction business commenced with the fabrication of our first oil and gas structure, a set of living quarters.
May 1980	Our former shipbuilding business delivered its first vessel, <i>MV Tanjong Pinang</i> , for the Marine Department of Malaysia.
February 1989	Our Company was incorporated pursuant to the Companies Act (under the name MSE Holdings Sdn Bhd).
July 1991	Our two ordinary shares of RM1.00 each (under the name of MSE Holdings Sdn Bhd) were transferred from two individual shareholders to IMC Enterprises Incorporated and Kuok Brothers Sdn Bhd and one new ordinary share of RM1.00 was allotted and issued to MISC.
January 1992	Our Company became the sole shareholder of MMHE.
July 1996	MISC Enterprises Holding Berhad ("MEH"), a wholly-owned subsidiary of MISC, acquired the shares held by MISC in our Company.
May 1997	A shiplift system was installed at the Pasir Gudang yard. The system is able to lift and transfer to landberth vessels and structures up to 50,000 dwt.
March 1999	Our first FPSO conversion was completed when we converted the <i>MV Hitra</i> into the <i>FPSO Perintis</i> .
July 1999	We completed our first LNG carrier repair on MISC's <i>Tenaga Satu</i> .
October 2000	We completed our first "jumboisation" project, the <i>T-6 Robray</i> , for Varia Perdana Sdn. Bhd.
March 2004	We built and delivered our first tender drill barge <i>Tioman T-9</i> for Smedvig Rig AS. <i>Tioman T-9</i> was the first in a series of four tender drill barges. <i>Tioman T-10</i> was built and delivered to Crest Tender Rigs Pte Ltd in August 2007, whilst <i>Seadrill T-11</i> and <i>Seadrill T-12</i> were built and delivered to Seadrill Tender Rig Ltd in April 2008 and February 2010 respectively.
April 2005	MSE changed its name to MMHE.
July 2006	IMC Enterprises Incorporated and Kuok Brothers Sdn Bhd transferred their entire shareholding in our Company to MISC.
September 2006	We completed the construction of the first SPAR installed outside of the Gulf of Mexico, and our first deepwater structure, the <i>Kikeh Dry Tree Unit Truss SPAR</i> , for Malaysia's first deepwater oil and gas field.
March 2007	We commenced operations at the Kiyanly fabrication yard in Turkmenistan.
March 2007	We completed the conversion of our first deepwater FPSO facility, the <i>FPSO Kikeh</i> , constructed to provide offshore production and storage capacity for the Kikeh field.
January 2008	MEH transferred its entire shareholding in our Company to MISC.
September 2008	We completed our first LNG refurbishment project, on MISC's LNG carrier, the <i>Tenaga Tiga</i> .
Ongoing	We are currently constructing Asia's first deepwater FPS, the <i>Gumusut-Kakap FPS</i> , which is approximately 38,000 mt and is to be deployed offshore of Sabah, Malaysia.

3. SUMMARY (Cont'd)

Please refer to Section 6 and 7 of this Prospectus for detailed information on our Group and our Group's business.

3.2 Competitive strengths

Our Directors are of the view that our competitive strengths are as follows:

- (i) Complementary core business creating operational synergies;
- (ii) A leading position in markets poised for further growth;
- (iii) Large scale, well-equipped, integrated, and strategically located yard;
- (iv) Strong orderbook and customer base;
- (v) Strong relationship and support from the PETRONAS Group;
- (vi) Well-entrenched Health, Safety and Environment culture; and
- (vii) Solid financial standing with financial flexibility from low gearing.

Please refer to Section 7.3 of this Prospectus for more details on our competitive strengths.

3.3 Business strategies and future plans

Our aim is to further strengthen our competitive position in the heavy engineering and marine services industry for the oil and gas sector. We intend to achieve our aim through the following strategies:

- (i) Enhance our engineering and technical capabilities to focus on high value-added projects in growing markets;
- (ii) Strengthen our procurement capabilities;
- (iii) Increase our share of high-margin projects in the marine repair business;
- (iv) Increase yard capacity, competitiveness and efficiency through our Yard Optimisation Programme;
- (v) Expand and diversify our customer base and geographic focus; and
- (vi) Continuous efforts to maintain a strong Health, Safety and Environment culture.

Please refer to Section 7.4 of this Prospectus for more details on our business strategies and future plans.

3. SUMMARY (Cont'd)

3.4 Risk factors

Before investing in our Shares, you should pay particular attention to the fact that our Company, and to a large extent our activities, are governed by the legal, regulatory and business environment in Malaysia and other jurisdictions that we operate in. Our business is subject to a number of factors, many of which are outside our control. Prior to making an investment decision, you should carefully consider the following risks summarised from Section 5, along with the other matters set forth in this Prospectus. You should note that the following list is not an exhaustive list of all the risks that we face or risks that may develop in the future.

3.4.1 Risks relating to the heavy engineering and marine services industry

- (i) Our business activities are subject to business fluctuations and cyclical changes;
- (ii) We face keen competition in our markets;
- (iii) We operate in a highly regulated industry, and this may require us to incur additional costs to meet new regulations, limit our ability to do business or subject us to litigation or penalties;
- (iv) Our business is dependent on the ability of the offshore oil and gas industry to operate its rigs in compliance with government regulations;
- (v) Rising cost of materials may have a material adverse effect on our business;
- (vi) We may be unable to complete contractual obligations to customers in a timely manner or within our cost constraints;
- (vii) We rely on sub-contractors for a significant portion of our work, and if these sub-contractors are unavailable or their work does not meet applicable standards, we may experience project delays, increased costs and reduced profits;
- (viii) Inaccurate estimates by us in applying stage-of-completion accounting could result in a reduction of previously reported profits and have a significant impact on period-to-period results of operations; and
- (ix) Information relating to our orderbook may not be representative of our future results.

3.4.2 Risks relating to our Company

- (i) We derive a substantial amount of revenue from the PETRONAS Group;
- (ii) Adverse events affecting the operations of the PETRONAS Group in projects outside Malaysia may also adversely affect us;
- (iii) Upon a successful IPO, MISC, which is a subsidiary of the Malaysian government-owned PETRONAS, may intervene in our operations as it would hold between 64.6% and 66.5% equity interest in our Company;
- (iv) We may face constraints in our fabrication, construction and marine repair activities because of our yard capacity;

3. SUMMARY (Cont'd)

- (v) Our operations in Turkmenistan may not operate as efficiently as planned due to the infancy of the oil and gas industry in that country and a limited supply of skilled workers;
- (vi) We may not be able to complete our Yard Optimisation Programme in a timely manner;
- (vii) We may not be able to attract and retain key management personnel and employees with specialised skills;
- (viii) Our insurance may not cover all risks to which we are exposed, and we may not be able to maintain our existing insurance coverage;
- (ix) We may face claims and incur additional rectification costs during the warranty period for defects and warranties arising from services we have performed;
- (x) A significant portion of our employees are unionised;
- (xi) Changes in the exchange rate between the RM and other currencies could have a negative impact on our results of operations and financial condition;
- (xii) Transactions with our affiliates may be subject to adverse rulings or government actions; and
- (xiii) Failure to obtain certificates of completion and compliance in respect of certain of our structures or to obtain extensions of the temporary permits we currently rely on could restrict our ability to use these structures.

3.4.3 Risks relating to the IPO

- (i) An active trading market for the Shares may not develop, and their trading price may fluctuate significantly;
- (ii) Sales of substantial amounts of the Shares in the public or private market, or the perception that those sales may occur, could materially and adversely affect the prevailing market price of the Shares;
- (iii) If there is significant volatility in the price of the Shares following the IPO, you may lose all or part of your investment, and securities litigation or enforcement action may be brought against us;
- (iv) Because the Retail Price is higher than our NTA value per share, purchasers of the IPO Shares in the IPO will experience immediate and substantial dilution. Purchasers of the IPO Shares may experience further dilution if we issue additional Shares in the future;
- (v) Certain transactions may dilute the ownership of shareholders in the Shares;
- (vi) There may be a delay or cancellation of the Listing;
- (vii) There may be a delay between admission and trading of the Shares;
- (viii) We have significant discretion as to how we will use the net proceeds of the IPO, and you may not necessarily agree with how we use them; and

3. SUMMARY (Cont'd)

- (ix) We are a holding company and rely on dividend payments from our subsidiaries for funding and for paying dividends on the Shares.

Please refer to Section 5 of this Prospectus for further details of our risk factors.

3.5 Summary of financial information

The following tables present our selected audited consolidated financial information for the FYE 31 March 2008, 31 March 2009 and 31 March 2010 and the three-month period ended 30 June 2010 and our unaudited consolidated financial information for the three-month period ended 30 June 2009. Our consolidated financial statements are prepared in accordance with Malaysian FRS. Our consolidated financial statements for the FYE 31 March 2008, 31 March 2009 and 31 March 2010 and the three-month period ended 30 June 2010 have been audited by Ernst & Young.

The following summary consolidated financial information should be read in conjunction with the "Management's discussion and analysis of financial condition, results of operations and prospects" set out in Section 12.2 of this Prospectus and the Accountants' Report set out in Section 13 of this Prospectus.

The financial information included in this document does not reflect our Group's results of operations, financial position and cash flows in the future, and our Group's past operating results are not indicative of our Group's future operating performance.

	For the FYE 31 March			For the Three-Month FPE 30 June	
	2008 (audited)	2009 (audited)	2010 (audited)	2009 (unaudited)	2010 (audited)
	(RM'000, except percentages and per share data)				
Income statement data:					
Revenue	1,741,922	4,021,147	6,147,012	1,679,755	1,172,898
Cost of sales	(1,379,352)	(3,422,530)	(5,550,584)	(1,587,858)	(1,048,953)
Gross profit	362,570	598,617	596,428	91,897	123,945
Other operating income	26,711	24,197	19,880	2,597	25,215
Selling and distribution expenses	(2,223)	(1,659)	(1,435)	(350)	(295)
Administrative expenses	(111,222)	(171,441)	(150,084)	(26,808)	(31,361)
Other operating expenses	(38,482)	(100,245)	(84,130)	(20,104)	(21,827)
Profit from operations	237,354	349,469	380,659	47,232	95,677
Finance costs	(1,456)	(427)	(3,452)	(194)	(733)
Share of results of jointly controlled entity	-	-	(1)	-	128
PBT	235,898	349,042	377,206	47,038	95,072
Taxation	(41,253)	(66,821)	(93,091)	(11,243)	15,185
PAT	194,645	282,221	284,115	35,795	110,257
PAT attributable to:					
Equity holders	192,398	278,301	279,203	35,542	110,247
Minority interests	2,247	3,920	4,912	253	10
	194,645	282,221	284,115	35,795	110,257

3. SUMMARY (Cont'd)

	For the FYE 31 March			For the Three-Month FPE 30 June	
	2008 (audited)	2009 (audited)	2010 (audited)	2009 (unaudited)	2010 (audited)
	(RM'000, except percentages and per share data)				
Profit from operations includes:					
Depreciation of other property, plant and equipment	22,189	22,491	24,864	5,456	6,524
Amortisation of prepaid land lease payments	2,226	1,433	2,059	397	515
Total depreciation and amortisation	24,415	23,924	26,923	5,853	7,039
Total depreciation and amortisation included in:					
Cost of sales	20,288	20,598	21,259	5,541	5,092
Administrative expenses	4,127	3,326	5,664	1,497	844
Other selected financial data:					
Cash flow from operating activities	56,450	108,892	1,243,304	381,300	924,820
Cash flow from investing activities	(245,115)	(180,599)	(260,042)	(103,701)	(42,881)
Cash flow from financing activities	(56,400)	206,650	(452,044)	(80,700)	(300,750)
EBITDA⁽¹⁾	261,769	373,393	407,581	53,085	102,844
Dividends declared	-	-	-	-	-
Gross profit margin (%) ⁽²⁾	20.81	14.89	9.70	5.47	10.57
EBITDA margin (%) ⁽³⁾	15.03	9.29	6.63	3.16	8.77
PBT margin (%) ⁽⁴⁾	13.54	8.68	6.14	2.80	8.11
PAT margin (%) ⁽⁵⁾	11.17	7.02	4.62	2.13	9.40
No. of Shares in issue ('000)	16,220	16,220	16,220	16,220	16,220
EPS					
- Basic (RM) ⁽⁶⁾	11.86	17.16	17.21	2.19	6.80
- Diluted (RM)	*	*	*	*	*
Gross earnings per ordinary share (RM) ⁽⁷⁾	14.54	21.52	23.26	2.90	5.86
Net earnings per ordinary share (RM) ⁽⁸⁾	11.86	17.16	17.21	2.19	6.80

Notes:

⁽¹⁾ Computed by adding finance cost and total depreciation and amortisation to PBT.

EBITDA represents earnings before finance cost, taxation, depreciation and amortisation. The table below sets forth a reconciliation of our PAT to EBITDA:

	For the FYE 31 March			For the Three-Month FPE 30 June	
	2008 (audited)	2009 (audited)	2010 (audited)	2009 (unaudited)	2010 (audited)
	(RM'000)				
EBITDA:					
Profit for the year	194,645	282,221	284,115	35,795	110,257
Taxation	41,253	66,821	93,091	11,243	(15,185)
PBT	235,898	349,042	377,206	47,038	95,072
Finance costs	1,456	427	3,452	194	733
Depreciation of property, plant and equipment	22,189	22,491	24,864	5,456	6,524
Amortisation of prepaid land lease	2,226	1,433	2,059	397	515
EBITDA	261,769	373,393	407,581	53,085	102,844

3. SUMMARY (Cont'd)

EBITDA, as well as the related ratios presented in this Prospectus, are supplemental measures of our performance and liquidity that are not required by or presented in accordance with Malaysian FRS. EBITDA is not a measurement of financial performance or liquidity under Malaysian FRS and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with Malaysian FRS or as an alternative to cash flows from operating activities or as a measure of liquidity. In addition, EBITDA is not a standardised term, hence a direct comparison between companies using such a term may not be possible.

- ⁽²⁾ Computed based on the gross profit over total revenue of our Group.
- ⁽³⁾ Computed based on the EBITDA over total revenue of our Group.
- ⁽⁴⁾ Computed based on the PBT over total revenue of our Group.
- ⁽⁵⁾ Computed based on the PAT over total revenue of our Group.
- ⁽⁶⁾ Basic EPS amounts are calculated by dividing profit for the year/period attributable to ordinary equity holders of our Company by the number of ordinary shares of 16,220,000 during the financial year/period.
- ⁽⁷⁾ Computed based on the PBT of our Group divided by 16,220,000 Shares, being the actual number of Shares in issue immediately prior to the share split and Bonus Issue.
- ⁽⁸⁾ Computed based on the PATAM of our Group divided by 16,220,000 Shares, being the actual number of Shares in issue immediately prior to the share split and Bonus Issue.
- * Our Group has no convertible securities to convert into ordinary shares as at balance sheet date and therefore, diluted EPS has not been presented.

Please refer to Sections 12 and 13 of this Prospectus for further financial information relating to our Company.

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3. SUMMARY (Cont'd)

3.6 Summary of proforma consolidated balance sheets

Our Company has prepared the proforma consolidated balance sheets below for illustrative purposes only, to show effects of the pre-IPO exercise, IPO and Listing on the assumption that the events had been effected on 30 June 2010. The proforma consolidated balance sheets have been prepared in accordance with Malaysian FRS and in a manner consistent with both the format of the financial statements and the accounting policies adopted by our Company.

The proforma consolidated balance sheets should be read in conjunction with the Reporting Accountants' Letter and the Proforma Consolidated Balance Sheets as at 30 June 2010 and the notes thereon of our Company as set out in Section 12.5 of this Prospectus.

	As at 30 June 2010 (audited)	Proforma I After pre-IPO exercise* (unaudited) (RM'000)	Proforma II After Proforma I and IPO (unaudited)
NON-CURRENT ASSETS			
Property, plant and equipment	963,633	963,633	1,872,453
Other non-current assets	80,174	80,174	80,174
Total non-current assets	1,043,807	1,043,807	1,952,627
CURRENT ASSETS			
Trade and other receivables	1,872,241	1,872,241	1,872,241
Cash and bank balances	1,347,088	1,047,088	1,047,088
Other current assets	35,527	35,527	35,527
Total current assets	3,254,856	2,954,856	2,954,856
TOTAL ASSETS	4,298,663	3,998,663	4,907,483
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital	16,220	669,000	800,000
Share premium	-	-	779,832
Retained earnings	1,292,406	339,626	337,614
	1,308,626	1,008,626	1,917,446
Minority interests	3,584	3,584	3,584
Total Equity	1,312,210	1,012,210	1,921,030
CURRENT LIABILITIES			
Trade and other payables	2,882,011	2,882,011	2,882,011
Borrowings	2,150	2,150	2,150
Other current liabilities	71,385	71,385	71,385
Total current liabilities	2,955,546	2,955,546	2,955,546
NON-CURRENT LIABILITIES			
Other non-current liabilities	30,907	30,907	30,907
Total non-current liabilities	30,907	30,907	30,907
TOTAL EQUITY AND LIABILITIES	4,298,663	3,998,663	4,907,483
NA per ordinary share (RM) ⁽¹⁾	80.68	0.75	1.20
NTA (RM'000)	1,308,626	1,008,626	1,917,446
NTA per ordinary share (RM) ⁽²⁾	80.68	0.75	1.20
Number of shares ('000)			
RM1.00 nominal value	16,220	-	-
RM0.50 nominal value	-	1,338,000	1,600,000

3. SUMMARY (Cont'd)

Notes:

* The pre-IPO exercise involved the following:

- (i) Share split entailed the subdivision of every one (1) ordinary share of RM1.00 each in MHB into two (2) MHB Shares;
- (ii) Cash dividend payout of RM300 million to MISC via dividend income received from MMHE; and
- (iii) Bonus issue of about 1,305.6 million new MHB Shares on the basis of about 40,245 bonus shares for every one (1) MHB Share by way of capitalising about RM652.8 million of MHB's retained earnings, after taking into account the interim dividends declared by MMHE to MHB of RM655 million.

(1) Computed based on the NA attributable to equity holders of the Company over number of shares.

(2) Computed based on the NTA attributable to equity holders of the Company over number of shares.

3.7 Capitalisation and indebtedness

The following information should be read in conjunction with the Reporting Accountants' Letter and the Proforma Consolidated Balance Sheets of our Company as at 30 June 2010 and the notes thereon and the Accountants' Report set out in Sections 12.5 and 13 of this Prospectus respectively.

The table below set out the cash and cash equivalents as well as capitalisation and indebtedness of our Group based on the audited combined financial statements and of our Company based on the proforma consolidated balance sheets as at 30 June 2010, on the assumption that the pre-IPO exercise and IPO has occurred on 30 June 2010:

	As at 30 June 2010 (audited)	Proforma After pre-IPO exercise* (unaudited)
	(RM'000)	
Deposits with licensed banks, cash and bank balances	1,347,088	1,047,088
Indebtedness:		
Short-term debt		
Secured		
- Term loan	2,150	2,150
Total short-term debt	2,150	2,150
Long-term debt		
Unsecured		
- Term loan	-	-
- Term loan due to immediate holding company	-	-
Total long-term debt	-	-
Total debt	2,150	2,150
Contingent liabilities	261,996	261,996
Total indebtedness⁽¹⁾	264,146	264,146
Total shareholders' equity	1,308,626	1,008,626
Total capitalisation and indebtedness	1,572,772	1,272,772
Gearing ratio (times) ⁽²⁾	0.002	0.002

3. SUMMARY (Cont'd)

Notes:

* The pre-IPO exercise involved the following:

- (i) Share split entailed the subdivision of every one (1) ordinary share of RM1.00 each in MHB into two (2) MHB Shares;
- (ii) Cash dividend payout of RM300 million to MISC via dividend income received from MMHE; and
- (iii) Bonus issue of about 1,305.6 million new MHB Shares on the basis of about 40.245 bonus shares for every one (1) MHB Share by way of capitalising about RM652.8 million of MHB's retained earnings, after taking into account the interim dividends declared by MMHE to MHB of RM655 million.

⁽¹⁾ Total indebtedness includes short-term debts, long-term debts and contingent liabilities.

⁽²⁾ Computed based on total debt (interest-bearing) over shareholders' equity for MHB.

3.8 Principal details of the IPO

The IPO is subject to the terms and conditions of this Prospectus and upon acceptance, the IPO Shares are expected to be allocated in the manner described below, subject to clawback and reallocation provisions (except for the SI Allocation) as set out in Section 4.3.4 of this Prospectus. Our IPO consists of the Public Issue, the SI Allocation and the Offer For Sale as detailed below:

3.8.1 Public Issue

3.8.1.1 Bumiputera Offering

The Bumiputera Offering is made to investors at the Institutional Price payable in full upon allocation.

The Bumiputera Offering involves the offering of 184,000,000 Issue Shares, representing 11.50% of the enlarged issued and paid-up share capital of our Company upon the Listing, to Bumiputera institutional and selected investors approved by the MITI.

3.8.1.2 Retail Offering

The Retail Offering at the Retail Price of RM3.61 per Issue Share is payable in full upon application and subject to a refund of the difference in the event the Final Retail Price is less than the Retail Price.

Our Company is offering 78,000,000 Issue Shares, representing about 4.88% of the enlarged issued and paid-up share capital of our Company upon the Listing, in the following manner:

(i) Allocation via a restricted ballot to the MISC Shareholders (except for the Excluded Shareholders)

24,000,000 Issue Shares, representing 1.50% of the enlarged issued and paid-up share capital of our Company upon the Listing, are set aside under a restricted ballot for the MISC Shareholders (except for the Excluded Shareholders). MISC Shareholders who apply for the Issue Shares under the restricted ballot will be allocated a certain number of Issue Shares, the quantum of which will only be determined on the day of the balloting. Due consideration will be given by our Directors to the desirability of allocating our Issue Shares to all eligible applicants with a view to establishing an adequate market for our Shares.

3. SUMMARY (Cont'd)

(ii) Allocation via balloting to the Malaysian Public

32,000,000 Issue Shares, representing 2.00% of the enlarged issued and paid-up share capital of our Company upon the Listing, are available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which 16,000,000 Issue Shares, representing 1.00% of the enlarged issued and paid-up share capital of our Company upon the Listing, are set aside for Bumiputera individuals, companies, co-operatives, societies and institutions.

Any Issue Shares not subscribed by such Bumiputera investors will be made available for application by other Malaysian Public via balloting.

(iii) Allocation to the Eligible Directors and Employees

22,000,000 Issue Shares, representing 1.38% of the enlarged issued and paid-up share capital of our Company upon the Listing, have been reserved for application by the Eligible Directors and Employees in the following manner:

- (a) 142,000 Issue Shares, representing 0.0089% of the enlarged issued and paid-up share capital of our Company upon the Listing, have been reserved for all our five (5) Directors (excluding our two (2) Directors who are also directors of MISC), all eight (8) directors of MISC and six (6) directors of selected subsidiaries[^] of MISC, who have been directors of the respective companies as at 30 August 2010 and have not submitted their resignation as at 30 August 2010. Our Directors and the directors of MISC have been allocated 10,000 Issue Shares each and the directors of selected subsidiaries[^] of MISC have been allocated 2,000 Issue Shares each; and
- (b) 21,858,000 Issue Shares, representing 1.37% of the enlarged issued and paid-up share capital of our Company upon the Listing, have been reserved for about 9,000 eligible employees (comprising about 2,000 employees of our Group and about 7,000 employees of MISC and selected subsidiaries[^] of MISC), who have been confirmed employees as at 30 August 2010 and have not submitted their resignation as at 30 August 2010. The eligible employees of our Group will be allocated 4,000 Issue Shares each and the eligible employees of MISC and selected subsidiaries[^] of MISC will be allocated 2,000 Issue Shares each.

Note:

- [^] Consists of all subsidiaries of MISC except for those subsidiaries which are set up as joint-ventures, dormant companies and special purpose vehicles.

3. SUMMARY (Cont'd)

3.8.2 The SI Allocation

MISC had on 20 August 2010 signed binding term sheets with the Strategic Investor in relation to the investment by the Strategic Investor in the following number of MHB Shares:

- (i) between 128,000,000 MHB Shares, representing 8.0% of the enlarged issued and paid-up share capital of our Company upon the Listing; and
- (ii) 158,400,000 MHB Shares, representing 9.9% of the enlarged issued and paid-up share capital of our Company upon the Listing,

at the SI Price payable in full upon allocation.

However, the Strategic Investor will take into account the following factors before deciding on the actual number of MHB Shares to be acquired pursuant to the SI Allocation:

- (i) Technip's Monetary Commitment (to be agreed upon with MISC); and
- (ii) the SI Price which will be determined at the Price Determination Date.

3.8.3 Offer For Sale

3.8.3.1 Institutional Offering

The Institutional Offering is made to investors at the Institutional Price payable in full upon allocation.

The Institutional Offering involves the offering of 146,000,000 MHB Shares, representing about 9.12% of the enlarged issued and paid-up share capital of our Company upon the Listing, to Malaysian institutional and selected investors, and foreign institutional and selected investors outside the US in reliance on Regulation S under the US Securities Act.

There is no minimum subscription to be raised from the IPO. The completion of the Public Issue is conditional upon the completion of the Offer For Sale and vice versa. The completion of the SI Allocation is conditional upon the completion of the Public Issue and the Offer For Sale. However, the completion of the Public Issue and the Offer For Sale are not conditional upon the completion of the SI Allocation. The IPO is subject to the public spread requirements as per the Listing Requirements as set out in Section 4.3.6 of this Prospectus.

If the IPO Shares are not allotted pursuant to the Public Issue and the Offer For Sale, monies paid in respect of any application for IPO Shares will be returned to applicants without interest and in accordance with the provision of sub-section 243(2) of the CMSA. The Public Issue and the Offer For Sale shall be subject to the clawback and reallocation provisions set out in Section 4.3.4 of this Prospectus.

Please refer to Section 4 of this Prospectus for further information on the details of the IPO.

3. SUMMARY (Cont'd)

3.9 Utilisation of proceeds

The Offeror will receive the proceeds from the Offer For Sale and the SI Allocation. The gross proceeds arising from the Offer For Sale is expected to be RM527.1 million* whilst the gross proceeds from the SI Allocation is expected to be between RM462.1 million* and RM571.8 million*. Our Company will not receive any of the proceeds from the Offer For Sale and the SI Allocation.

The gross proceeds of about RM945.8 million* arising from the Public Issue are expected to be utilised in the manner as set out below:

Details of utilisation of proceeds	Estimated timeframe for utilisation upon Listing	Amount RM'million
Yard Optimisation Programme	Within 24 months	798.8
Capital expenditure in Turkmenistan	Within 18 months	110.0
Listing expenses	Within 3 months	37.0
Total		945.8

Note:

* We have assumed the Institutional Price, SI Price and the Final Retail Price will be the Retail Price in arriving at this figure.

Please refer to Section 4.7 of this Prospectus for further details on the utilisation of proceeds.

3.10 Dividend Policy

As we are a holding company, our Company's income, and therefore our ability to pay dividends, is dependent upon the dividends we receive from our subsidiaries and jointly controlled entities. The payment of dividends by our subsidiaries and jointly controlled entities will depend upon their distributable profits, operating results, financial condition, capital expenditure plans and any other factors that their respective boards of directors deem relevant. Dividends may only be paid out of distributable reserves.

It is the policy of our Board in recommending dividends to allow shareholders to participate in our profits, as well as to retain adequate reserves for our future growth. In considering the level of dividend payments, if any, upon recommendation by our Board, we intend to take into account various factors including but not limited to the following:

- (i) the level of our cash, gearing, return on equity and retained earnings;
- (ii) our expected financial performance; and
- (iii) our projected levels of capital expenditure and other investment plans.

The actual dividend that our Board may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined above as well as any other factors deemed relevant by our Board.

4. DETAILS OF THE IPO

4.1 Opening and closing of applications

Applications for the Retail Offering will open at 10.00 a.m. on 6 October 2010 and will remain open until 5.00 p.m. on 14 October 2010, or such other date or dates as our Directors, our Underwriter and Joint Global Co-ordinators in their absolute discretion may decide.

4.2 Indicative timetable

The following events are intended to take place on the following tentative dates:

Events	Date
Opening of the Retail Offering and the Institutional Offering	10.00 a.m., 6 October 2010
Closing of the Retail Offering and the Institutional Offering	5.00 p.m., 14 October 2010
Price Determination Date	14 October 2010
Balloting of applications for the Retail Offering	18 October 2010
Allotment of the IPO Shares to successful applicants	27 October 2010
Listing	29 October 2010

Applications for the Retail Offering will open and close at the time and date stated above or such other date or dates as our Directors, our Underwriter and Joint Global Co-ordinators may mutually decide at their absolute discretion. The Institutional Offering will open and close on the date stated above or such other date or dates as our Directors, the Offeror, our Joint Global Co-ordinators and Joint Bookrunners may mutually decide at their absolute discretion.

In the event that the closing date and time of either the Public Issue or the Offer For Sale is extended, the Price Determination Date and dates for the balloting and allotment of the IPO Shares, and the Listing may be extended accordingly. Any extension of the abovementioned dates will be announced by way of advertisement in Bahasa Malaysia and English daily newspapers widely circulated throughout Malaysia.

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4. DETAILS OF THE IPO (Cont'd)

4.3 Particulars of the IPO

Our IPO is subject to the terms and conditions of this Prospectus and upon acceptance, the IPO Shares are expected to be allocated in the manner described below, subject to clawback and reallocation provisions (except for the SI Allocation) as set out in Section 4.3.4 of this Prospectus. Our IPO consists of the Public Issue, the SI Allocation and the Offer For Sale as detailed below:

4.3.1 Public Issue

4.3.1.1 Bumiputera Offering

The Bumiputera Offering is made to investors at the Institutional Price payable in full upon allocation.

The Bumiputera Offering involves the offering of 184,000,000 Issue Shares, representing 11.50% of the enlarged issued and paid-up share capital of our Company upon the Listing, to Bumiputera institutional and selected investors approved by the MITI.

4.3.1.2 Retail Offering

The Retail Offering at the Retail Price of RM3.61 per Issue Share is payable in full upon application and subject to a refund of the difference in the event the Final Retail Price is less than the Retail Price.

Our Company is offering 78,000,000 Issue Shares, representing about 4.88% of the enlarged issued and paid-up share capital of our Company in the following manner:

(i) Allocation via a restricted ballot to the MISC Shareholders (except for the Excluded Shareholders)

24,000,000 Issue Shares, representing 1.50% of the enlarged issued and paid-up share capital of our Company upon the Listing, are set aside under a restricted ballot for the MISC Shareholders (except for the Excluded Shareholders). MISC Shareholders who apply for the Issue Shares under the restricted ballot will be allocated a certain number of Issue Shares, the quantum of which will only be determined on the day of the balloting. Due consideration will be given by our Directors to the desirability of allocating our Issue Shares to all eligible applicants with a view to establishing an adequate market for our Shares.

(ii) Allocation via balloting to the Malaysian Public

32,000,000 Issue Shares, representing 2.00% of the enlarged issued and paid-up share capital of our Company upon the Listing, are available for application by Malaysian citizens, companies, co-operatives, societies and institutions, of which 16,000,000 Issue Shares, representing 1.00% of the enlarged issued and paid-up share capital of our Company upon the Listing, are set aside for Bumiputera individuals, companies, co-operatives, societies and institutions.

Any Issue Shares not subscribed by such Bumiputera investors will be made available for application by other Malaysian Public via balloting.

4. DETAILS OF THE IPO (Cont'd)

(iii) Allocation to the Eligible Directors and Employees

22,000,000 Issue Shares, representing about 1.38% of the enlarged issued and paid-up share capital of our Company upon the Listing, have been reserved for application by the Eligible Directors and Employees in the following manner:

- (a) 142,000 Issue Shares, representing 0.0089% of the enlarged issued and paid-up share capital of our Company upon the Listing, have been reserved for all our five (5) Directors (excluding our two (2) Directors who are also directors of MISC), all eight (8) directors of MISC and six (6) directors of selected subsidiaries[^] of MISC, who have been directors of the respective companies as at 30 August 2010 and have not submitted their resignation as at 30 August 2010. Our Directors and the directors of MISC have been allocated 10,000 Issue Shares each and the directors of selected subsidiaries[^] of MISC have been allocated 2,000 Issue Shares each; and
- (b) 21,858,000 Issue Shares, representing about 1.37% of the enlarged issued and paid-up share capital of our Company upon the Listing, have been reserved for about 9,000 eligible employees (comprising about 2,000 employees of our Group and about 7,000 employees of MISC and selected subsidiaries[^] of MISC), who have been confirmed employees as at 30 August 2010 and have not submitted their resignation as at 30 August 2010. The eligible employees of our Group will be allocated 4,000 Issue Shares each and the eligible employees of MISC and selected subsidiaries[^] of MISC will be allocated 2,000 Issue Shares each.

Note:

[^] Consists of all subsidiaries of MISC except for those subsidiaries which are set up as joint-ventures, dormant companies and special purpose vehicles.

For details on allocation to the Directors of MHB, refer to Section 9.1.8 of this Prospectus.

4.3.2 The SI Allocation

MISC had, on 20 August 2010, signed binding term sheets with the Strategic Investor in relation to the investment by the Strategic Investor in the following number of MHB Shares:

- (i) between 128,000,000 MHB Shares, representing 8.0% of the enlarged issued and paid-up share capital of our Company upon the Listing; and
- (ii) 158,400,000 MHB Shares, representing 9.9% of the enlarged issued and paid-up share capital of our Company upon the Listing,

at the SI Price payable in full upon allocation.

4. DETAILS OF THE IPO (Cont'd)

However, the Strategic Investor will take into account the following factors before deciding on the actual number of MHB Shares to be acquired pursuant to the SI Allocation:

- (i) Technip's Monetary Commitment (to be agreed upon with MISC); and
- (ii) the SI Price which will be determined at the Price Determination Date.

4.3.3 Offer For Sale

4.3.3.1 Institutional Offering

The Institutional Offering is made to investors at the Institutional Price payable in full upon allocation.

The Institutional Offering involves the offering of 146,000,000 MHB Shares, representing about 9.12% of the enlarged issued and paid-up share capital of our Company to Malaysian institutional and selected investors, and foreign institutional and selected investors outside the US in reliance on Regulation S under the US Securities Act.

In summary, the IPO Shares will be allocated in the following manner:

Categories	Scenario A		Scenario B	
	No. of IPO Shares	% of enlarged share capital	No. of IPO Shares	% of enlarged share capital
Public Issue				
<i>Bumiputera Offering to:</i>				
Bumiputera institutional and selected investors approved by the MITI	184,000,000	11.50	184,000,000	11.50
<i>Retail Offering to:</i>				
(i) MISC Shareholders (except for the Excluded Shareholders) (via a restricted ballot)	24,000,000	1.50	24,000,000	1.50
(ii) Malaysian Public (via balloting):				
- Bumiputera	16,000,000	1.00	16,000,000	1.00
- Non-Bumiputera	16,000,000	1.00	16,000,000	1.00
(iii) The Eligible Directors and Employees	22,000,000	1.38	22,000,000	1.38
	262,000,000	16.38	262,000,000	16.38
The SI Allocation	128,000,000	8.00*	158,400,000	9.90*
Offer For Sale				
<i>Institutional Offering to:</i>				
Malaysian institutional and selected investors, and foreign institutional and selected investors outside the US	146,000,000	9.12	146,000,000	9.12
Total	536,000,000	33.50	566,400,000	35.40

Note:

- * The Strategic Investor will take into account the factors as set out in Section 4.3.2 above before deciding on the actual number of MHB Shares to be acquired pursuant to the SI Allocation.

4. DETAILS OF THE IPO (*Cont'd*)

The completion of the Public Issue is conditional upon the completion of the Offer For Sale and vice versa. The completion of the SI Allocation is conditional upon the completion of the Public Issue and the Offer For Sale. However, the completion of the Public Issue and the Offer For Sale are not conditional upon the completion of the SI Allocation. The IPO is subject to the public spread requirements as per the Listing Requirements as set out in Section 4.3.6 of this Prospectus.

4.3.4 Clawback and reallocation

The Public Issue and the Offer For Sale shall be subject to the following clawback and reallocation provisions:

- (i) If the Issue Shares allocated to the Bumiputera Offering are not fully taken up by the said Bumiputera investors (subject to satisfying the excess demand of Issue Shares by Bumiputera retail investors under the Retail Offering as mentioned in Section 4.3.1.2(ii) above), the Issue Shares which are not taken up will be allocated to the Institutional Offering;
- (ii) In the event of an over-subscription in the Retail Offering and an under-subscription in the Bumiputera Offering and the Institutional Offering, the IPO Shares may be clawed back from the Bumiputera Offering and the Institutional Offering and allocated to the Retail Offering; and
- (iii) If there is an under-subscription in the Retail Offering and there is an over-subscription in the Institutional Offering, the IPO Shares may be clawed back from the Retail Offering and allocated to the Institutional Offering.

The clawback and reallocation shall not apply in the event of over-subscription in both the Public Issue and the Offer For Sale.

In the event of an under-subscription in the Retail Offering, the Institutional Offering and/or the Bumiputera Offering which results in non-compliance with the public shareholding spread requirements, monies paid in respect of any application for the IPO Shares will be returned in full without interest.

4.3.5 Classes of shares and ranking

As at LPD, our Shares are the only class of shares that our Company has issued.

The Issue Shares will, upon allotment and issue, rank equally in all respects with our other existing issued and paid-up Shares, including voting rights, and will be entitled to all rights, dividends and distributions that may be declared subsequent to the date of allotment of the Issue Shares.

Subject to any special rights attaching to any Share which we may issue in the future, the holders of Shares in our Company shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share the profits paid out by us as dividends and other distributions. Similarly, if our Company is liquidated, our shareholders shall be entitled to the surplus, in accordance with our Articles of Association.

4. DETAILS OF THE IPO (Cont'd)

At any general meeting of our Company, each shareholder shall be entitled to vote in person, by proxy or by attorney. On a show of hands, each present shareholder either in person or proxy, by attorney or by a duly authorised representative shall have one (1) vote. On a poll, each present shareholder either in person, by proxy, by attorney or by a duly authorised representative shall have one (1) vote for each Share held. A proxy may but need not be a member of our Company.

4.3.6 Minimum subscription

There is no minimum subscription to be raised from the IPO. However, in order to comply with the public spread requirements of Bursa Securities, the minimum subscription in terms of the number of IPO Shares will be the number of IPO Shares required to be held by public shareholders for MHB to comply with public spread requirements as per the Listing Requirements or as approved by Bursa Securities.

If the Public Issue and the Offer For Sale are not subscribed to the extent that the public shareholding spread requirement is met and/or if we and our Promoter decide in our absolute discretion not to proceed with the Listing, monies paid in respect of any application for the IPO Shares will be returned in full without interest and if such monies are not returned in full within fourteen (14) days after we and the Offeror become liable to do so, then the officers of our Company and the Offeror, shall be jointly and severally liable to return such monies in full with interest at the rate of 10% per annum or such other rate as may be prescribed by the SC upon expiration of that period until the full refund is made.

The completion of the Public Issue is conditional upon the completion of the Offer For Sale and vice-versa. The completion of the SI Allocation is conditional upon the completion of the Public Issue and the Offer For Sale. However, the completion of the Public Issue and the Offer For Sale are not conditional upon the completion of the SI Allocation.

4.4 Basis of arriving at the Retail Price

4.4.1 Retail Price

Our Retail Price of RM3.61 per Issue Share was determined and agreed upon between our Directors, our Underwriter, Joint Global Co-ordinators and Joint Bookrunners, after taking into consideration the following factors:

- (i) The nature of our business and our operating history as described in Sections 6 and 7 of this Prospectus;
- (ii) The proforma consolidated NA attributable to equity holders of MHB as at 30 June 2010 of RM1.20 per MHB Share based on the enlarged issued and paid-up share capital pursuant to the Listing of 1,600,000,000 MHB Shares;
- (iii) The PE multiple of approximately 21.8 times based on the EPS of RM0.17 after taking into account of MHB's audited consolidated PATAMI of RM279.20 million for FYE 31 March 2010 and the enlarged issued and paid-up share capital upon the Listing of 1,600,000,000 MHB Shares;
- (iv) Our competitive strengths and business strategies as described in Section 7.3 and 7.4 of this Prospectus;

4. DETAILS OF THE IPO (Cont'd)

- (v) The future outlook of the industries we operate in, as described in Section 8 of this Prospectus. This includes, among others, the Asia Pacific region which is forecasted by ODS to remain the largest market for offshore oil and gas production with one-third of global expenditures devoted in this region, particularly Malaysia which has the third largest proven oil reserves in the Asia Pacific region, and the Caspian region which has 45% of the world's gas reserves; and
- (vi) The prevailing market conditions which include, among others, current market trends and investors sentiments.

The Final Retail Price will be determined after the Institutional Price is fixed on the Price Determination Date and will be the lower of:

- (i) the Retail Price of RM3.61 per Issue Share; and
- (ii) 95% of the Institutional Price,

subject to rounding to the nearest sen.

You should be aware that the Final Retail Price will not, in any event, be higher than the Retail Price of RM3.61 per Issue Share nor lower than the par value of our Shares.

The Final Retail Price and the Institutional Price are expected to be announced within two (2) Market Days from the Price Determination Date via Bursa LINK. In addition, all successful applicants will be given written notice of the Final Retail Price and the Institutional Price, together with the notices of allotment.

Applicants should also note that the market price of our Shares upon Listing is subject to the vagaries of market forces and other uncertainties which may affect the price of our Shares.

4.4.2 Institutional Price

The Institutional Price will be determined through a bookbuilding process wherein prospective investors will be invited to bid for portions of the Institutional Offering by specifying the number of Offer Shares in respect of the Institutional Offering that they would be prepared to acquire and the price that they would be prepared to pay for the Offer Shares in respect of the Institutional Offering. This bookbuilding commenced on 6 October 2010 and will end on 14 October 2010, or such other date or dates as our Directors, the Offeror, our Joint Global Co-ordinators and our Joint Bookrunners in their absolute discretion may decide. Upon the completion of the bookbuilding process, the Institutional Price will be fixed by our Directors and the Offeror in consultation with our Joint Bookrunners on the Price Determination Date.

4.4.3 Refund mechanism

In the event that the Final Retail Price is lower than the Retail Price, the difference will be refunded without any interest thereon. The refund in the form of cheques will be despatched by ordinary post to the address stated in the Application Form or to the address as stated in Bursa Depository's records for applications made via the Electronic Share Application and Internet Share Application, of the successful applicants, within ten (10) Market Days from the date of the final ballot of applications, at the successful applicants' own risk.

4. DETAILS OF THE IPO (Cont'd)

4.4.4 Expected market capitalisation

Based on the Retail Price of RM3.61 per Issue Share, the total market capitalisation of our Company upon the Listing is estimated at RM5.78 billion.

4.5 Objectives of the IPO

The objectives of the IPO are as follows:

- (i) to facilitate the listing of and quotation for the entire enlarged issued and paid-up share capital of our Company on the Main Market of Bursa Securities;
- (ii) to provide us with greater capital management flexibility and enable our Company to optimise its capital structure and cost of capital by accessing the equity capital markets;
- (iii) to enhance our stature through our listing status;
- (iv) to enhance the liquidity of our Shares;
- (v) to provide an opportunity for the investing public in Malaysia, including the Eligible Directors and Employees, to become shareholders and participate in the equity growth of our Group; and
- (vi) to raise funds for the purposes as stated in Section 4.7 of this Prospectus.

4.6 Dilution

Dilution is the amount by which our proforma consolidated NA per Share after the IPO is less than the Retail Price to be paid for our Shares. Proforma consolidated NA per Share represent the shareholders equity of the Company attributable to the equity shareholders over the number of Shares outstanding immediately prior to the Public Issue. Our proforma consolidated NA per Share as at 30 June 2010 was RM0.75, based on 1,338,000,000 MHB Shares.

As illustrated in the proforma consolidated balance sheets of our Group as set out in Section 12.4 of this Prospectus, our proforma consolidated NA per Share would be RM1.20 pursuant to the implementation of Public Issue. This represents an immediate increase in our proforma consolidated NA per Share of RM0.45 to our Promoter and an immediate dilution in our proforma consolidated NA per Share of RM2.41 to our new investors. The following table illustrates such dilution on a per Share basis assuming the Retail Price is equal to the Final Retail Price and Institutional Price:

	RM
Retail Price	3.61
Proforma consolidated NA per Share as at 30 June 2010, before adjusting for the Public Issue	0.75
Proforma consolidated NA per Share after adjusting for the Public Issue	1.20
Dilution in proforma consolidated NA per Share to new investors	2.41
Dilution in proforma consolidated NA per Share to new investors as a percentage of the Retail Price	66.76%

4. DETAILS OF THE IPO (Cont'd)

There has been no acquisition of any of our existing Shares by our Directors, key management, substantial shareholders or persons connected to them, or any transaction entered into by them which grants them the right to acquire any of our existing Shares, during the past three (3) years prior to the LPD.

4.7 Utilisation of proceeds

The Offeror will receive the proceeds from the Offer For Sale and the SI Allocation. The gross proceeds arising from the Offer For Sale is expected to be RM527.1 million* whilst the gross proceeds from the SI Allocation is expected to be between RM462.1 million* and RM571.8 million*. Our Company will not receive any of the proceeds from the Offer For Sale and the SI Allocation.

The gross proceeds of about RM945.8 million* arising from the Public Issue are expected to be utilised in the manner as set out below:

Details of utilisation of proceeds	Estimated timeframe for utilisation upon Listing	Amount RM'million
Yard Optimisation Programme ⁽¹⁾	Within 24 months	798.8
Capital expenditure in Turkmenistan ⁽²⁾	Within 18 months	110.0
Listing expenses ⁽³⁾	Within 3 months	37.0
Total		945.8

Notes:

* We have assumed the Institutional Price, SI Price and the Final Retail Price will be the Retail Price in arriving at this figure.

⁽¹⁾ Yard Optimisation Programme

Our yard in Pasir Gudang is currently undergoing a series of infrastructure upgrading works under the Yard Optimisation Programme. The Yard Optimisation Programme has to be carried out in phases to ensure minimal operational disruptions and to ensure that the delivery of existing projects are not affected. The Yard Optimisation Programme commenced in 2006 and is expected to be completed by 2014.

The total estimated cost and the working capital of the Yard Optimisation Programme is RM2,721.5 million. As at 30 June 2010, we have invested about RM584.3 million in the Yard Optimisation Programme. The percentage of completion of the Yard Optimisation Programme is approximately 24%. The RM584.3 million invested was financed by internally generated funds. As the work on the Yard Optimisation Programme progresses, RM798.8 million of the remaining estimated cost will be funded by proceeds arising from the Public Issue and the remaining expenditures will be funded by internally generated funds and/or borrowings. Our infrastructure upgrading works and expenditure under the Yard Optimisation Programme include, but are not limited to the following and are subject to our Board's approval:

Breakdown of the expenditure for the Yard Optimisation Programme after 30 June 2010	Cost incurred as at 30 June 2010	Remaining estimated cost	Total
		RM'million	
Automation and construction of specialised enclosed work areas to improve efficiency and productivity	260.1	315.3	575.4
Capacity expansion for the engineering and construction business via construction of 25,000 mt and 40,000 mt bulkheads and skid-track, concreting of fabrication areas and the additional land leased from Idemitsu Chemical (M) Sdn Bhd	163.1	432.7	595.8
Capacity expansion for the marine repair and marine conversion businesses via enlargement of existing dry-dock and installation of new facilities	135.8	614.0	749.8

4. DETAILS OF THE IPO (Cont'd)

Breakdown of the expenditure for the Yard Optimisation Programme after 30 June 2010	Cost incurred as at 30 June 2010	Remaining estimated cost	Total
		RM'million	
Acquisition and installation of cranes, block transportation dolly and mechanical and engineering utilities	-	329.0	329.0
Acquisition and installation of other general facilities	25.3	446.2	471.5
	584.3	2,137.2	2,721.5

(2)

Capital expenditure in Turkmenistan

Our increased activities in Turkmenistan require additional capital expenditure, subject to our Board's approval, for the purchase of movable heavy equipment such as cranes, welding machine and ancillaries, trucks, fork-lift and prime movers, portable air-compressor, quality control facilities and testing and commissioning equipment for economies of scale in performing fabrication works at the Kiyarly yard, which we are currently operating and managing on behalf of PCTSB. The number of units of the aforementioned movable heavy equipments to be acquired by our Group will depend on operational requirements.

The total estimated capital expenditure in Turkmenistan is RM173.9 million, of which RM110.0 million will be funded by proceeds arising from the Public Issue to purchase the moveable heavy equipments and the remaining expenditure will be funded by internally generated funds.

Breakdown of the expenditure for the capital expenditure in Turkmenistan	Proposed capital expenditure
	RM'million
Moveable equipments	
Cranes	59.3
Welding machine, air compressors and ancillaries	12.9
Trucks, fork-lift and prime movers	8.8
Quality assurance/control facilities and equipments	7.2
Other requirement and machinery	21.8
Total cost for moveable equipments	110.0
Blasting and painting shop, warehouse, maintenance and rigging workshop	63.9
Total capital expenditure in Turkmenistan	173.9

(3)

Listing expenses

The expenses arising from the Public Issue to be borne by us are estimated to be RM37.0 million and will comprise the following:

	RM'million
Estimated professional fees	8.0
Brokerage, underwriting and placement fees, and selling commission	24.6
Fees to authorities	0.8
Other fees and expenses such as printing, advertising, travel and roadshow expenses incurred in connection with the IPO	1.7
Miscellaneous expenses and contingencies	1.9
Total estimated listing expenses	37.0

If the actual listing expenses are higher than estimated, the deficit will be funded out of the portion allocated for the Yard Optimisation Programme. Conversely, if the actual listing expenses are lower than budgeted, the excess will be utilised for the Yard Optimisation Programme purposes.

4. DETAILS OF THE IPO (Cont'd)

Prior to utilisation of proceeds arising from the Public Issue for the Yard Optimisation Programme and the capital expenditure in Turkmenistan, the proceeds shall be kept in interest-bearing accounts, money market instruments, deposits and/or other realisable short-term investments.

The exact amount of the gross proceeds to be raised from the Public Issue will depend upon the Institutional Price and the Final Retail Price. We will vary the amount allocated for the Yard Optimisation Programme in the event there is any variation in the gross proceeds to be raised from the Public Issue, which is subject to the difference between the Retail Price and the Final Retail Price as well as the Institutional Price, which will be determined on the Price Determination Date.

4.8 Brokerage, underwriting commission and placement fee

4.8.1 Brokerage commission

We will pay brokerage in respect of the sale of the Issue Shares pursuant to the Retail Offering at the rate of 1% of the Final Retail Price in respect of successful applications which bear the stamp of participating organisations of Bursa Securities, members of Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and/or the Issuing House.

4.8.2 Underwriting commission

As stipulated in the Underwriting Agreement, we will pay our Underwriter an underwriting commission of 1.8% of the amount equal to the Retail Price multiplied by the number of Issue Shares underwritten pursuant to the Retail Offering.

4.8.3 Placement fee

We will pay the relevant Joint Bookrunners a placement fee and selling commission of 1.8% and may pay a discretionary fee of 0.5% of the amount equal to the Institutional Price multiplied by the number of Issue Shares issued pursuant to the Bumiputera Offering.

The Offeror will pay the relevant Joint Bookrunners a placement fee and selling commission of 2.0% and may pay a discretionary fee of 0.5% of the amount equal to the Institutional Price multiplied by the number of Offer Shares offered pursuant to the Institutional Offering.

The placement fee and selling commission to be paid by our Company and the Offeror to the relevant Joint Bookrunners will be funded by proceeds arising from the Public Issue and the Offer For Sale, respectively.

4. DETAILS OF THE IPO (Cont'd)

4.9 Underwriting, placement and lock-up arrangements

4.9.1 Underwriting

We had, on 23 September 2010, entered into the Underwriting Agreement with our Underwriter to underwrite 78,000,000 Issue Shares ("Underwritten Shares") under the Retail Offering subject to clawback and reallocation provisions, and underwriting commission set out in Sections 4.8.2 of this Prospectus.

Below are the salient terms of the Underwriting Agreement:

The underwriting obligation of our Underwriter is subject to certain conditions precedent which must be satisfied by the expiry of three (3) Market Days from the closing date of the Retail Offering. In addition, our Underwriter may, by notice in writing given to us, elect to terminate the Underwriting Agreement upon the occurrence of any one of the following events:

- (i) there is any breach by us of any of the representations, warranties or undertakings contained in Schedule 3 of the Underwriting Agreement, or which is contained in any certificate, statement or notice under or in connection with the Underwriting Agreement, or in the case of any representation or warranty or undertaking which is not qualified by any materiality requirement, in any material respect, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice of such breach given to us by our Underwriter or by the closing date of the Retail Offering, whichever is the later; or
- (ii) there is failure on our part to perform any of our obligations contained in the Underwriting Agreement or in the case of any obligation which is not qualified by any materiality requirement, in any material respect; or
- (iii) there is withholding of information of a material nature from our Underwriter which is required to be disclosed pursuant to the Underwriting Agreement which would have or can reasonably be expected to have a material adverse effect on our business or operations, or our obligations in relation to the IPO, the success of the IPO (excluding the SI Allocation), or the distribution of the Issue Shares issued under the IPO; or
- (iv) the closing date of the Retail Offering does not occur within one (1) month from the date of the Underwriting Agreement, subject to the extension of such closing date which is approved by our Underwriter whose approval shall not be unreasonably withheld.
- (v) the occurrence of any of the following events:
 - (a) any material adverse change in national or international monetary, financial and capital markets (including stock market conditions and interest rates), political or economic conditions or exchange control or currency exchange rates which in the reasonable opinion of our Underwriter (after having consulted us) are likely to have a material adverse effect on our business or operations or our obligations in relation to the IPO. For the avoidance of doubt, and without prejudice to the foregoing, if the FTSE Bursa Malaysia KLCI Index ("Index") is, at the close of normal trading on Bursa Securities, on any Market Day:
 - (aa) on or after the date of the Underwriting Agreement; and

4. DETAILS OF THE IPO (Cont'd)

- (bb) prior to the subscription of the Underwritten Shares that remain unsubscribed under the Retail Offering,

lower than 85% of the level of Index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of the Underwriting Agreement and remains at or below that level for at least three (3) Market Days or any other adverse change in the market conditions which the parties mutually agree to be sufficiently material and adverse to render it to be a terminating event, it shall be deemed a material adverse change in the stock market condition; or

- (b) any new law or change in law, regulation, directive, policy or ruling in any jurisdiction, interpretation or application by the court/authorities which will have a material adverse effect on the Group; or
- (c) any event or series of events beyond the reasonable control of our Underwriter including (without limitation) acts of government, acts of God (including, without limitation, the occurrence of a tsunami and/or earthquakes), acts of terrorism, strikes, national disorder, declaration of a state of emergency, lock-outs, fire, explosion, flooding, landslide, civil commotion, sabotage, acts of war, diseases or accidents which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance with its terms or which prevents the processing of applications and/or payments pursuant to the IPO (excluding the SI Allocation) or pursuant to the underwriting of the Underwritten Shares; or
- (d) any imposition of moratorium, suspension or material restriction on trading of securities on Bursa Securities due to exceptional financial circumstances or otherwise which will have a material adverse effect on our business or operations, or our obligations in relation to the IPO; or
- (e) any government requisition which will have a material adverse effect on our business or operations, or our obligations in relation to the IPO;
- (vi) in the event that the listing of and quotation for our entire issued and paid up share capital on the Main Market is withdrawn or not procured or procured but subject to conditions not reasonably acceptable to our Underwriter;
- (vii) if the SC or any other relevant regulatory authority issues an order pursuant to Malaysian laws such as to make it, in the reasonable opinion of our Underwriter (after having consulted us), impracticable to market the IPO (excluding the SI Allocation) or to enforce contracts to issue, allot and/or transfer the IPO Shares;
- (viii) either of the International Placement Agreement or the Malaysian Placement Agreement having been terminated or rescinded in accordance with the terms thereof;
- (ix) if the obligations of our Underwriter to subscribe for and/or procure subscriptions for the Underwritten Shares is prohibited by any statute, order, rule, directive or regulation amended, supplemented or introduced after the date of the Underwriting Agreement by any legislative, executive or regulatory body or authority of any jurisdiction;

4. DETAILS OF THE IPO (Cont'd)

- (x) if the necessary consents or approvals required for the Listing is revoked or withdrawn or if any of the conditions for such consents or approvals have not been fulfilled to the satisfaction of the relevant authorities or waived by it.

4.9.2 International Placement Agreement

Our Company and the Offeror are expected to enter into the International Placement Agreement with the International Placement Managers in relation to the International Placement. Each of the company and the Offeror will be requested, to give various representations, warranties and undertakings and provide an indemnity, subject to applicable law, against all claims, actions, enquiries, investigations, liabilities, demands, proceedings or judgments threatened, brought or established against certain parties including the International Placement Managers arising out of, among other things, untrue statements of a material fact in the Prospectus and other offering documents in relation to the International Placement, any breach or failure by us or the Offeror to perform the obligations under the International Placement Agreement or any breach of the warranties set out thereunder.

4.9.3 Malaysian Placement Agreement

Our Company and the Offeror are expected to enter into the Malaysian Placement Agreement with the Malaysian Placement Managers in relation to the Malaysian Placement. Each of the company and the Offeror will be requested to give various representations, warranties and undertakings and provide an indemnity, subject to applicable law, against all claims, actions, enquiries, investigations, liabilities, demands, proceedings or judgments threatened, brought or established against certain parties including the Malaysian Placement Managers arising out of, among other things, untrue statements of a material fact in the Prospectus and other offering documents in relation to the Malaysian Placement, any breach or failure by us or the Offeror to perform the obligations under the Malaysian Placement Agreement or any breach of the warranties set out thereunder.

4.9.4 Lock-up arrangement

Pursuant to the International Placement Agreement and the Malaysian Placement Agreement, our Company will not, and will procure that our affiliates and nominees or trustees holding Shares on trust for our Company or on our Company's behalf will not, without the prior written consent of the International Placement Managers and the Malaysian Placement Managers, for a period commencing from the date of Listing until 180 days from the date of Listing:

- (i) offer, pledge, sell, contract to sell, mortgage, charge, assign, issue, or issue or sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase, lend, subscribe for, hypothecate or create any encumbrance, or otherwise transfer or dispose of, directly or indirectly, conditionally or unconditionally, any Shares (or any securities convertible into or exercisable or exchangeable for Shares), whether any such transaction is to be settled by delivery of Shares or such other securities, in cash or otherwise;
- (ii) enter into any swap, hedge or derivative or other transaction or arrangement that transfers, in whole or in part, any of the economic consequences of ownership of the Shares (or any securities convertible into or exercisable or exchangeable for or that represent the right to receive or are substantially similar to, the Shares), whether any such transaction is to be settled by delivery of Shares or such other securities, in cash or otherwise;

4. DETAILS OF THE IPO (Cont'd)

- (iii) deposit any Shares (or any securities convertible into or exchangeable for or which carry rights to subscribe or purchase or that represent the right to receive or are substantially similar to, the Shares) in any depository receipt facilities; or
- (iv) agree to do or announce any intention to do any of the above or an offering or sale of, any of the Shares or any other securities exercisable or exchangeable for or convertible into or that represent the right to receive, or are substantially similar to, such Shares (or any interest therein or in respect thereof) or file any registration statement under the Securities Act, with respect to any of the foregoing.

Our Company will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances where such offer, sale, pledge, contract or disposition would cause the exemption afforded by the safe harbor of Regulation S thereunder to cease to be applicable to the offer and sale of the IPO Shares.

Pursuant to the International Placement Agreement and the Malaysian Placement Agreement, the Offeror will not, and will procure that its affiliates and nominees or trustees holding Shares on trust for the Offeror or on its behalf will not, without the prior written consents of the International Placement Managers and the Malaysian Placement Managers, for a period commencing from the date of Listing until 180 days from the date of Listing:

- (i) offer, pledge, sell, contract to sell, mortgage, charge, assign or issue or sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase, lend, subscribe for, hypothecate or create any encumbrance, or otherwise transfer or dispose of, directly or indirectly, conditionally or unconditionally, any Shares (or any securities convertible into or exercisable or exchangeable for Shares), whether any such transaction is to be settled by delivery of Shares or such other securities, in cash or otherwise;
- (ii) enter into any swap, hedge or derivative or other transaction or arrangement that transfers, in whole or in part, any of the economic consequences of ownership of the Shares (or any securities convertible into or exercisable or exchangeable for or that represent the right to receive or are substantially similar to, the Shares), whether any such transaction is to be settled by delivery of Shares or such other securities, in cash or otherwise;
- (iii) deposit any Shares (or any securities convertible into or exchangeable for or which carry rights to subscribe or purchase or that represent the right to receive or are substantially similar to, the Shares) in any depository receipt facilities; or
- (iv) agree to do or announce any intention to do any of the above or an offering or sale of, any of the Shares or any other securities exercisable or exchangeable for or convertible into or that represent the right to receive, or are substantially similar to, such Shares (or any interest therein or in respect thereof) or file any registration statement under the Securities Act, with respect to any of the foregoing.

4. DETAILS OF THE IPO (Cont'd)

The Offeror will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances where such offer, sale, pledge, contract or disposition would cause the exemption afforded by the safe harbor of Regulation S thereunder to cease to be applicable to the offer and sale of the IPO Shares.

Pursuant to the signed binding term sheets between MISC and the Strategic Investor on 20 August 2010, the Strategic Investor shall not, without the prior written agreement of MISC, for a period of three (3) years from the date of the close of the IPO, dispose any of such MHB Shares to be purchased by the Strategic Investor from MISC.

4.10 Trading and settlement in secondary market

Upon Listing, the IPO Shares will be traded through Bursa Securities and settled by book-entry settlement through CDS (which is operated by Bursa Depository), which will be effected in accordance with the rules of Bursa Depository and the provisions of the SICDA as amended from time to time. Accordingly, our Company will not deliver share certificates to the purchasers of the IPO Shares.

Beneficial owners of our Shares are required under the rules of Bursa Depository to maintain our Shares in CDS accounts, either directly in their name or through authorised nominees. Persons whose names appear in our Record of Depositors maintained by Bursa Depository will be treated as the shareholders of our Company in respect of the number of Shares credited to the respective securities accounts.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's CDS account being debited with the number of Shares sold and the buyer's CDS account being credited with the number of Shares that are settled on a book-entry basis, although there is currently a transfer fee of RM10 payable for each transfer not transacted on the market.

All Shares held in CDS accounts may not be withdrawn from CDS except in the following instances:

- (i) to facilitate a share buy-back;
- (ii) to facilitate conversion of debt securities;
- (iii) to facilitate a company restructuring process;
- (iv) where a body corporate is removed from the Official List;
- (v) to facilitate a rectification of any error; and
- (vi) in any other circumstances as determined by Bursa Depository from time to time, after consultation with the SC.

4. DETAILS OF THE IPO (Cont'd)

Trading of shares of companies listed on Bursa Securities is normally done in “board lots” of 100 shares. Investors who desire to trade less than 100 shares shall trade under the odd lot board. Settlement of trades done on a “ready” basis on Bursa Securities generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the third Market Day following the transaction date.

It is expected that the IPO Shares will not commence trading on Bursa Securities until about 11 Market Days after the close of the Retail Offering. Holders of our Shares will not be able to sell or otherwise deal in our Shares (except by way of a book-entry transfers to other CDS accounts in circumstances which do not involve a change in beneficial ownership) prior to the commencement of trading on Bursa Securities.

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5. RISK FACTORS

An investment in our Shares involves risks. You should carefully consider the risks described below and the other information in this Prospectus before making a decision to invest. If the events underlying these risks occur, the trading price of the Shares could decline, and you could lose all or part of your investment. Additional risks not currently known to us or that we now believe are immaterial could also harm us or affect your investment.

This document also contains forward-looking statements that involve risks and uncertainties. The actual results of our operations could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks we face as described below and elsewhere in this document. See "Forward-Looking Statements".

5.1 Risks relating to the heavy engineering and marine services industry

5.1.1 Our business activities are subject to business fluctuations and cyclical changes

Our engineering and construction, and marine conversion activities and our marine repair activities for energy-related vessels are subject to certain risks inherent in the oil and gas industry, while our marine repair activities for non-energy-related vessels are subject to certain risks inherent in the shipping industry.

Our engineering and construction, and marine conversion activities and our marine repair activities for energy-related vessels depend heavily on the levels of activity in oil and gas exploration, development and production. Historically, activity in the oil and gas industry has fluctuated based on macroeconomic factors and global political events, in particular, changes in oil and gas prices. Demand for oil and gas structures and facilities is highly dependent on the ability and willingness of oil and natural gas companies to make capital expenditures to explore for, develop and produce crude oil and natural gas. Exploration, development and production of crude oil and gas reserves tend to decline when oil and gas prices fall to levels where these activities are no longer viewed as commercially viable for oil and gas operators. Capital expenditures by oil and gas companies may also decline as a result of other factors, including changes in exploration, production and delivery costs; the improved attractiveness of and demand for alternative energy sources such as biofuels, solar power, wind power and nuclear power; and technological advances affecting oil and natural gas consumption. Lower levels of capital expenditure by the oil and gas industry may result in falling demand for our heavy engineering and marine conversion business, which would adversely affect our business, financial condition and results of operations.

Our marine repair activities are dependent on the level of maintenance expenditures by vessel owners. Vessels are generally required by maritime classification societies and international maritime regulations to undergo a dry-docking at least twice during a five-year period. The first dry-docking during the five-year period, which normally occurs after two and a half years, may be delayed by up to three months. When freight rates are low, vessel owners may opt to delay the dry-docking within the requirements of the classification societies, and even when their vessels are in dry-dock, may opt for minimum levels of maintenance and repairs needed to meet regulatory requirements, which may adversely affect our marine repair business.

5. RISK FACTORS (Cont'd)

5.1.2 We face keen competition in our markets

The heavy engineering and marine services industries are highly competitive, and our failure to successfully compete would adversely affect our market position, results of operations and financial condition. We face keen competition, both domestically and internationally. Some of our competitors may have more experience, greater financial resources to invest in their capacity and capability to deliver innovative products, or greater economies of scale. Some of our projects require the use of advanced technology, and for such projects we source the necessary technology from third parties that possess the technology. Our competitors may have, or may obtain, more advanced technology or be more successful in establishing and maintaining relationships with third parties that have such technology. As a result, our competitors may be in a better position than us to compete for future business opportunities, and if they are able to deliver more technically advanced products and services, there may be reduced demand for our products and skills. New market entrants with access to low-cost skilled labour could also provide significant competition if they were to acquire sufficient technology and experience to compete for the higher margin products and services that are our primary target markets.

We are one of seven licensed contractors of offshore structures that are eligible to bid for engineering and construction contracts tendered by PSC operators in Malaysia. If the PETRONAS Group were to change its policies by either increasing the number of licensed companies or allowing non-Malaysian companies to bid for these engineering and construction contracts, we would face materially increased competition, especially from new entrants with advanced technology.

5.1.3 We operate in a highly regulated industry, and this may require us to incur additional costs to meet new regulations, limit our ability to do business or subject us to litigation or penalties

The heavy engineering and marine services industries are highly regulated, and our operations are affected by extensive and evolving environmental protection, health, safety and other laws and regulations in Malaysia and Turkmenistan. Compliance with these laws and regulations may entail significant expenses, including changes in operating procedures.

In particular, our operations are subject to extensive environmental laws and regulations governing, among other things, the discharge of pollutants into the air and water, the handling, storage and disposal of solid or hazardous materials or wastes and the remediation of contamination. Breach of, or non-compliance with, these laws and regulations may result in the suspension, withdrawal, non-renewal or termination of our business licenses or permits, or the imposition of penalties, by the relevant authorities. We may also be subjected to stricter enforcement or interpretation of existing laws and regulations. In addition, existing laws and regulations may become more stringent. The suspension, withdrawal, non-renewal or termination of our business licenses or permits, the imposition of penalties or increased compliance costs could have a material adverse effect on our business, results of operations and financial condition.

Litigation arising from incidents involving personal injury, loss of life or environmental damage may result in our incurring primary or secondary liability for significant amounts of damages. For example, a catastrophic oil or gas spill or other significant incident involving our vessels, conversions, platforms or other structures could result in liabilities that exceed our insurance coverage and have a material adverse effect on our financial condition and results of operations. In addition, due to increased concerns about environmental or other risks, we cannot guarantee that any particular insurance claim we may have will be paid, and we may sustain other damages, such as loss of business or injury to reputation.

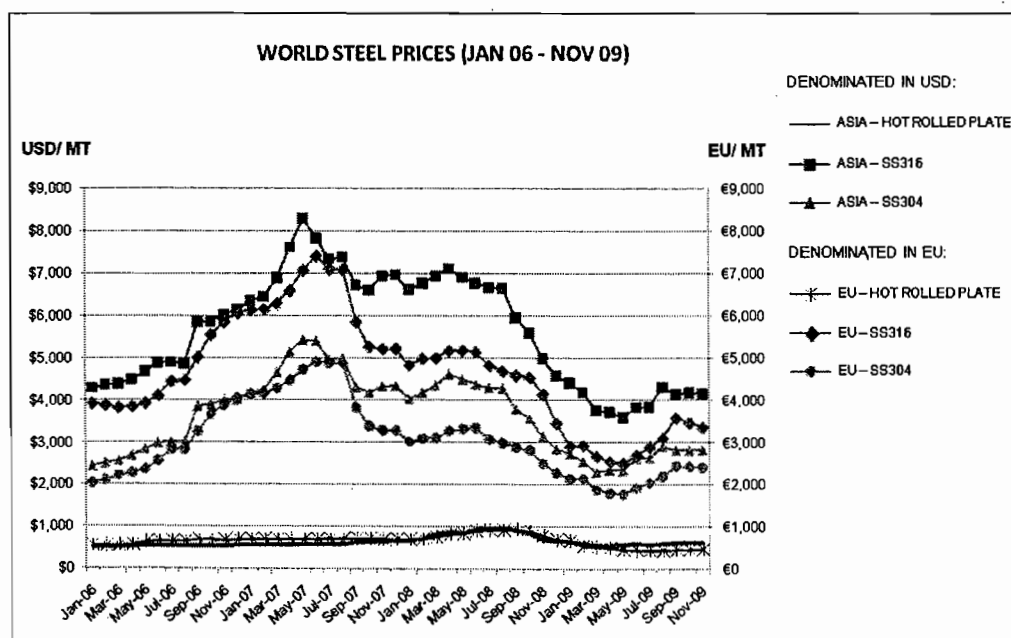
5. RISK FACTORS (Cont'd)

5.1.4 Our business is dependent on the ability of the offshore oil and gas industry to operate its rigs in compliance with government regulations

Most of our business and facilities are structured to service, and most of our revenue is received from, the offshore oil and gas industry. The extraction and transport of oil and gas at sea is subject to inherent risks, such as blow-outs, equipment defects, malfunctions, failures and misuses that could cause large amounts of environmental damage, personal injury or loss of life. The offshore oil and gas industry is subject to regulations controlling the discharge of pollutants into the environment, requiring removal and cleanup of pollutants that may harm the environment or otherwise relating to the protection of the environment. The laws and regulations protecting the environment and applicable to the offshore oil and gas industry have generally become more stringent, and penalties and potential liability have increased and may increase further in the future. Any additional regulations could increase the cost of operations, limit the operational capabilities of offshore rigs or reduce the area of operations for the offshore oil and gas industry, which could, in turn, materially and adversely affect our business, financial condition, results of operation and prospects by reducing demand for our services.

5.1.5 Rising cost of materials may have a material adverse effect on our business

The cost of materials represents a significant part of our aggregate operating costs and the overall costs of each project. One of the major materials we use in each of our business segments is steel, in the form of plates, sheets, pipes, beams and fittings, comprising approximately 6.1% of total purchases in the FYE 31 March 2010. The world steel prices have fluctuated substantially in recent years as depicted in the graph below, based on the monthly average prices of various steel products from January 2006 to November 2009.



(Source: MEPS (International) Ltd, www.meps.co.uk)

Under our fixed-price contracts and contracts with limited price escalation provisions, we bear all, or at least a portion of, increases in the price of major materials. Although we attempt to anticipate price increases when entering into such contracts, we are exposed to escalation in major material prices from the time we execute these types of contracts to the time we place our order for the relevant materials. This exposure to price risks may have an adverse impact on our results of operations.

5. RISK FACTORS (Cont'd)

5.1.6 We may be unable to complete contractual obligations to customers in a timely manner or within our cost constraints

We undertake projects on a contract-basis, subject to specific terms and conditions. If our projects are delayed as a result of factors that we are contractually responsible for, some of which are outside of our control, we are liable to pay liquidated and ascertained damages on termination. Such factors include late deliveries of critical equipment and adverse weather conditions that are more severe than our expectations. We also may encounter construction problems that cause our costs to exceed our estimates.

Under the terms of most of our contracts with our customers, customers may request changes to the contract specifications that result from changes in field design or other unanticipated events affecting a project. Our contracts generally provide that the additional direct costs resulting from these types of changes in specifications are borne by the customer. However, the delays caused by these types of changes in specifications may also affect the utilisation of capacity at our Pasir Gudang yard and the Kiyanly yard, and our plans to commence new projects at a particular facility in the yards may be delayed to accommodate the additional time required to complete the current project.

Any delays may interfere with our ability to complete our existing and future projects and execute our business plans, and difficulties in executing our construction projects can result in us incurring higher costs. These types of development may, in turn, have an adverse effect on our business, financial condition and results of operations.

5.1.7 We rely on sub-contractors for a significant portion of our work, and if these sub-contractors are unavailable or their work does not meet applicable standards, we may experience project delays, increased costs and reduced profits

We rely extensively on sub-contractors to perform much of the work on many of our projects. We currently engage sub-contractors to provide construction and related services, including structural, welding, fitting, piping and painting services. On average, subcontracted labour represented 49.5% of our cost of sales per financial year for the last three FYE 31 March. If we were to lose the services of one or more sub-contractors, the resulting loss of manpower, in some cases highly skilled manpower, may result in delays in completing our projects.

The services to be rendered by any of our sub-contractors may not be completed in a timely manner. We may therefore face delays in the completion of our projects or may incur substantial costs to complete the projects on time, and our reputation could be significantly harmed.

In addition, if the work performed by our sub-contractors does not meet contractual quality standards, the work will likely have to be redone, which may result in delays and higher costs. These costs may lead to our costs exceeding our estimates and we may not be able to pass on these higher costs to our customer, and this could result in our costs rising in ways that affect our profitability.

We generally obtain firm quotes from our sub-contractors for our client projects, pursuant to which a sub-contractor cannot charge us a price that exceeds the quote except where we have changed the scope of the work required. We could experience an increase in our costs if our sub-contractors defaulted on their obligations or if we could no longer enter into firm-quote contracts with our sub-contractors.

5. RISK FACTORS (Cont'd)

5.1.8 Inaccurate estimates by us in applying stage-of-completion accounting could result in a reduction of previously reported profits and have a significant impact on period-to-period results of operations

As with other engineering and construction companies, we use the stage-of-completion method to recognise and account for revenues derived from our fixed-price contracts in progress. Under this method, the stage of completion is measured by reference to the proportion of physical completion of a fixed-price contract. If the outcome of a construction contract cannot be reliably estimated, we recognise revenue to the extent of the contract costs incurred at that point in time. As a result, the timing of recognition of net sales that we report may differ materially from the timing of actual contract payments received. This revenue recognition policy, and the corresponding impact on the amount and timing of recognising net sales and cost of sales, provisions for estimated losses, charges against current earnings, trade receivables and advance receipts, is primarily affected by our ability to reliably measure the stage of completion and to reliably estimate the total costs required to complete the contract. If there are inaccuracies or flaws in measurements for any given project or in the estimation methodology as a whole, it could have a material adverse effect on the amount and timing of recognising net sales and cost of sales and related financial items.

We expense estimated losses on uncompleted fixed-price contracts in the period in which the losses are determined, resulting in a charge against our current earnings. These charges may significantly reduce our earnings, depending on the size of the contract and the estimated losses. In addition, because many of our fixed-price contracts are completed over a period of several months or years, the timing of the recognition of related net sales could have a significant impact on our results of operations.

5.1.9 Information relating to our orderbook may not be representative of our future results

The contracts that make up our orderbook as of 30 June 2010 totalled RM5,951.9 million. Our orderbook as of any date represents the total stated contract value of orders not yet delivered less the portion of revenue in respect of these orders that we have recognised. For contracts involving cost-plus arrangements, these contract values include cost estimates.

Given the forward-looking nature of the orderbook, the amount in it is not necessarily indicative of our future earnings. For example, we may not achieve our expected margins, or we may suffer losses on one or more of these contracts, in which case our income would be reduced. In addition, although we consider the commitments in the orderbook firm, in the case of certain projects we enter into with PETRONAS Group of companies, the amounts are included in the orderbook on the basis of letters of intent or letters of award that do not prohibit the customers from cancelling these projects. If these projects were to be cancelled, we may only be able to recover expenses incurred up to the date of cancellation. Because of these uncertainties, we cannot predict when or if the projects in our orderbook will be performed and generate revenue. Any operational issues with the performance of contracts in the orderbook, cancellations or delays could adversely affect our business, financial condition and results of operations.

5. RISK FACTORS (Cont'd)

5.2 Risk relating to our Company

5.2.1 We derive a substantial amount of revenue from the PETRONAS Group

In the FYE 31 March 2010, 92.9% of our revenue and 73.4% of our PBT and for the three-month FPE 30 June 2010 approximately 94.0% of our revenue and 58.6% of our PBT was, in each case, derived from projects commissioned by the PETRONAS Group, including MISC. This included, for the FYE 31 March 2010 and the three-month FPE 30 June 2010, approximately 67.0% and 40.3%, respectively, of our PBT from engineering and construction services and approximately 6.4% and 18.3%, respectively of our PBT from marine conversion and marine repair services.

We expect that the PETRONAS Group will continue to be a major customer for us, and, as a result, changes in the business of the PETRONAS Group or our relationship with the PETRONAS Group could have a material adverse effect on our prospects. It is an important part of our business strategy to increase our total business with the PETRONAS Group while at the same time expand our business with other customers. Our results of operations and financial condition may be materially adversely affected if the PETRONAS Group materially decreases its business with us and we are unable to increase our business from other customers to offset the decreases in business from the PETRONAS Group.

5.2.2 Adverse events affecting the operations of the PETRONAS Group in projects outside Malaysia may also adversely affect us

We participate in PETRONAS' oil and gas projects outside of Malaysia by providing services on an EPC or an EPCIC basis to the PETRONAS Group of companies operating overseas. We are currently the EPCIC contractor for Phase 1 of the Turkmenistan Block 1' gas development project undertaken by PCTSB in Turkmenistan, and we recently completed projects for a PETRONAS company in Vietnam. It is our strategy to continue working with the PETRONAS Group, including in other countries into which it expands its operations. If the operations of the PETRONAS Group in foreign countries are adversely affected by, among other things, the actions of the host country's government or political, social, economic, military or other factors, these developments would have an adverse effect on our business servicing such projects and also on our results of operations and financial condition.

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5. RISK FACTORS (Cont'd)

5.2.3 Upon a successful IPO, MISC, which is a subsidiary of the Malaysian government-owned PETRONAS, may intervene in our operations as it would hold between 64.6% and 66.5% equity interest in our Company

Upon completion of the IPO, MISC will own between 64.6% and 66.5% of the Shares and thus will continue to be the controlling shareholder of our Company. As of LPD, MISC was 62.7% owned by PETRONAS. The Malaysian government holds a preference share of MISC that gives it the right to approve certain extraordinary matters as provided in the Memorandum and Articles of Association of MISC, and the Malaysian government is also the sole shareholder of PETRONAS. As the controlling shareholder of our Company, other than in respect of certain votes regarding matters in which it is an interested party and must abstain from voting under the Listing Requirements, MISC controls the approval of all corporate matters requiring a shareholder resolution under the Companies Act. This includes the approval of all final dividends and the appointment of directors. As the majority shareholder of MISC, PETRONAS exercises similar control over MISC in respect of shareholder resolutions requiring a majority vote, and as the sole shareholder of PETRONAS, the Malaysian government exercises similar control over PETRONAS, and thus PETRONAS and the Malaysian government also indirectly exercise control over our Company. While to date the relationship between our Company on the one hand and MISC, PETRONAS and the Malaysian government on the other has generally been commercially oriented, there can be no assurance that MISC, PETRONAS or the Malaysian government will not intervene in our commercial affairs in a manner that would have an adverse effect on us.

5.2.4 We may face constraints in our fabrication, construction and marine repair activities because of our yard capacity

Our capacity for fabrication, construction and repair work is limited by, among other things, the size of our Pasir Gudang yard and the Kiyanly yard, which we operate and manage on behalf of PCTSB, the number, size and capacities of our slipways, berths, docks and our plant and equipment. Currently, the Pasir Gudang yard encompasses an area of 150.6 hectares and can simultaneously accommodate the construction of marine structures with a total tonnage of 69,700 mt and dry-docked vessels of up to 450,000 dwt. The Kiyanly yard encompasses an area of 43.6 hectares and can accommodate the construction of structures with a total tonnage capacity of 25,000 mt at any single point of time. If we are unable to accommodate the yard capacity requirements of other projects and may have to work with one or more contractors to access additional yard capacity, which typically results in lower profit margins, or we may be unable to successfully bid for those projects. In either of these events, our revenue and profits could be affected.

5.2.5 Our operations in Turkmenistan may not operate as efficiently as planned due to the infancy of the oil and gas industry in that country and a limited supply of skilled workers

We have expanded our engineering and construction operations into Turkmenistan, where we have been operating and managing the Kiyanly yard on behalf of PCTSB since 2007. The engineering and construction industry for oil and gas is a relatively new industry in Turkmenistan, with a limited supply of qualified local workers and other supporting infrastructure. In addition, we do not have a long history of doing business in the country. If we are not able to hire a sufficient number of workers with the requisite skills or train local workers, obtain key equipment required for our operations or acquire local knowledge and networks within a reasonable period of time, the Kiyanly yard may not function as efficiently as intended and the utilisation of the Kiyanly yard may not be optimal.

5. RISK FACTORS (Cont'd)

5.2.6 We may not be able to complete our Yard Optimisation Programme in a timely manner

We began implementing the Yard Optimisation Programme at our Pasir Gudang facilities in 2006 and expect the construction and reconfiguration to be completed by 2014. This project involves the purchase of new equipment, the dismantling of facilities and the construction of new facilities at a cost of approximately RM2,721.5 million, which does not include costs resulting from disruptions to our business and a decrease in our operational capacity at times during the project.

Our ability to successfully complete the Yard Optimisation Programme is subject to various risks and uncertainties, including:

- the need to procure materials, equipment and services at reasonable costs and on a timely basis;
- reliance on third party providers and consultants for aspects of the project where we have limited experience;
- the possible need to raise additional financing to fund the project, which we may be unable to obtain on commercial terms satisfactory to us or at all;
- errors or delays in the design, engineering, construction, installation, inspection or commissioning of each new or upgraded facility;
- costs resulting from disruptions to our business and a decrease in our operational capacity during the project; and
- delays or denials of required approvals, including required environmental approvals.

As a result of factors such as those listed above, we may fail to complete the Yard Optimisation Programme as scheduled, which could have a material adverse effect on our business, results of operations, and financial condition.

In addition, the facilities, once completed, may not attract, or we may not be successful in obtaining contracts for, the large, complex projects that the Yard Optimisation Programme is designed to facilitate.

5.2.7 We may not be able to attract and retain key management personnel and employees with specialised skills

We depend on our Directors, key management personnel and workers with specialised skills, particularly in design and engineering, project management and quality and safety assurance. The loss of any of these individuals, or our inability to attract, recruit and retain appropriate replacements and successors, may adversely affect our business prospects, financial condition and ability to compete.

There is currently a shortage of manpower in the oil and gas industry, and we have implemented human resource management and development plans that attempt to manage issues involving recruitment, retention, succession planning, compensation, benefits and learning and development. These programmes and policies may not be successful, which could have a material adverse effect on our business and operations.

5. RISK FACTORS (Cont'd)

5.2.8 Our insurance may not cover all risks to which we are exposed, and we may not be able to maintain our existing insurance coverage

Our marine and heavy engineering activities are subject to inherent risks, such as equipment defects, malfunctions, failures or misuse, which could cause environmental pollution, leaks or spills, personal injury or loss of life, as well as damage to and destruction of the environment. The failure of a vessel, offshore structure or architectural or civil engineering works provided by us could result in similar injuries and damages to the environment. We could also be adversely affected by business interruption caused by war, terrorist activities, mechanical failure, human error, political action, labour strikes, fire and other circumstances or events.

While we have insurance coverage for various aspects of our business, our insurance coverage may be insufficient to cover all losses that we suffer. Claims arising from incidents involving an accident, failure or other incident arising from our operations may result in our incurring primary or secondary liability for significant amounts of damages, including from tort, statutory, regulatory or other types of claims that may be significantly in excess of our insurance coverage. If we incur substantial liability and the damages are not covered by insurance or exceed policy limits, or if we are not able to obtain liability insurance, our business, results of operations and financial condition could be materially adversely affected. Even if certain risks are currently covered by insurance, there is no assurance that such insurance will be generally available in the future or that premiums will be commercially justifiable.

More stringent environmental and other regulations may also come into force, expanding the liability we face under our operations, and insurance against this new degree of risk may not be available at commercially reasonable rates, or at all. If our insurance is insufficient to cover these large claims and liabilities, our assets could be subject to attachment, seizure or other judicial processes. For further details on the insurance coverage, please refer to Section 7.14 of the Prospectus.

5.2.9 We may face claims and incur additional rectification costs during the warranty period for defects and warranties arising from services we have performed

We may face claims by our customers in respect of defects, poor workmanship or non-conformity to our customers' specifications in respect of services we have performed. We typically grant a warranty of twelve months, and during the warranty period, we are required to provide corrective services to resolve any problems that may arise from defects. We recognise a provision at the end of each financial year for expected warranty claims based on our past experiences of required levels of repairs and returns. These warranty provisions, or our insurance coverage, may not be sufficient to cover costs incurred that are in excess of our warranty provisions. If the costs of any rectification works exceed our warranty provisions and are not covered by our insurance policies, our business, financial condition, results of operations and prospects may be adversely affected.

5. RISK FACTORS (Cont'd)

5.2.10 A significant portion of our employees are unionised

As at LPD, 418 or approximately 22.3% of our employees were members of a labour union. We can provide no assurance that we will be able to maintain a good relationship with our employees, including our unionised employees, and we may be adversely affected by future industrial action. We previously had a dispute with Kesatuan Pekerja-Pekerja Malaysia Marine and Heavy Engineering Sdn Bhd ("KPPMMHE") relating to the alleged retrenchment of certain unionised members. The High Court on 28 March 2000 decided the matter in our favour and the Court of Appeal on 10 February 2010 struck-off KPPMMHE's appeal against the decision of the High Court. KPPMMHE subsequently made applications to the Federal Court for leave to appeal against the decision of the Court of Appeal. On 31 May 2010, the Federal Court dismissed both applications.

We are a party to a collective bargaining agreement with employees represented by the union. The terms of these agreements are generally for three years or until the agreements are terminated or renegotiated. We may not be able to favourably negotiate the terms and conditions of new labour agreements, and strikes or disruptions may occur in the future as a result of such failure.

5.2.11 Changes in the exchange rate between the RM and other currencies could have a negative impact on our results of operations and financial condition

The functional currency for all our financial reporting is the RM, a currency that appreciates and depreciates against other currencies under a managed float regime in response to various economic factors.

Appreciation of the RM may materially and adversely affect our results of operations because, among other things, it may cause our products and services to be less competitive by raising prices for our products and services against other currencies. On the other hand, the depreciation of the RM may lead to foreign exchange losses and increase, in RM terms, the cost of raw materials and equipment that we purchase from overseas sources, including steel. Many of our marine repair contracts are denominated in SGD and we have several significant engineering and construction contracts denominated in USD.

We are particularly sensitive to fluctuations in the exchange rate between the RM and the USD. We estimate that, as of 30 June 2010, our PBT would have increased by RM10.7 million, or 11.3%, if the RM had depreciated by 5% relative to the USD with all other variables being constant. In addition, as of 30 June 2010, our net unhedged financial assets not denominated in RM were RM376.8 million, with the largest exposure being RM214.3 million (in RM equivalent as of that date) in net financial assets held in USD.

We generally do not enter into foreign currency forward contracts to hedge against fluctuations in the foreign exchange currency but rely on natural hedging to manage the risks arising from the movements on the foreign exchange. We maintain a natural hedge, wherever possible, by matching the cash inflows (revenue stream) and cash outflows used for purposes such as capital expenditures, operational expenditures and debt service requirements in the respective currencies. However, there can be no assurance that such natural hedging will be successful in mitigating the risk that foreign exchange rate fluctuations will have an adverse effect on our financial condition and operating results.

5. RISK FACTORS (Cont'd)

5.2.12 Transactions with our affiliates may be subject to adverse rulings or government actions

Under Malaysian tax law, there is an inherent risk that our transactions with our affiliates or other companies within the PETRONAS Group or any other person or company that is related to us may be challenged by the Malaysian tax authorities if the terms of these transactions are viewed as having not been made on an arm's-length basis. If the Malaysian tax authorities determine that any of our transactions with related parties were not made on an arm's-length basis, such determination may have adverse tax consequences for us. As of the LPD, our transactions with related parties have not been challenged by the Malaysian tax authorities but we cannot assure you that they will not be challenged in the future.

5.2.13 Failure to obtain certificates of completion and compliance in respect of certain of our structures or to obtain extensions of the temporary permits we currently rely on could restrict our ability to use these structures

Our subsidiary, MMHE, has certain quays, dry-docks, workshops, offices, storage rooms and other miscellaneous erected structures at our Pasir Gudang yard that we are currently using pursuant to temporary permits issued by the Pasir Gudang local authority pending the issuance of formal certificates of completion and compliance. These temporary permits are valid until 31 December 2011. We are in the process of applying for the formal certificates of completion and compliance. We have appointed a consultant to assist with this application and expect to obtain the formal certificates by third quarter of 2011. In the event the formal certificates are not issued before the temporary permits expire, we intend to renew the temporary permits. However, we cannot assure you that we will receive formal certificates or that we would be successful in obtaining extensions of our temporary permits. If our temporary permits were to expire before we obtain formal certificates or if we were to be unable to renew our temporary permits, we may not be able to use these structures. In the event that we are not able to use these structures, our operations at the Pasir Gudang yard could be significantly affected, which could materially and adversely affect our business, financial condition, results of operation and prospects.

5.3 Risks relating to the IPO

5.3.1 An active trading market for the Shares may not develop, and their trading price may fluctuate significantly

Prior to the IPO, no public market for our Shares existed. On 21 September 2010, we obtained the approval of Bursa Securities for the listing of and quotation for our Shares on the Main Market of Bursa Securities. However, a listing on the Main Market of Bursa Securities does not ensure that there will be a liquid public market for the Shares after the IPO. If an active public market for the Shares does not develop after the IPO, the market price and liquidity of the Shares may be adversely affected.

5. RISK FACTORS (Cont'd)

The Institutional Price and the Retail Price were determined through negotiations among us, the Offeror, the Joint Global Co-ordinators and Joint Bookrunners, and they may not necessarily be indicative of the market price after the IPO is complete. The prices at which the Shares will trade after the IPO will be determined by the marketplace and may be influenced by many factors, including:

- our financial results;
- the history of, and the prospects for, our business and the industry in which we compete;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenue and cost structures;
- the present state of our development;
- the valuation of publicly-traded companies that are engaged in business activities similar to us; and
- volatility in the securities markets of Malaysia.

You may be unable to resell the Shares at or above the Final Retail Price and, as a result, you may lose all or part of your investment.

5.3.2 Sales of substantial amounts of the Shares in the public or private market, or the perception that those sales may occur, could materially and adversely affect the prevailing market price of the Shares

Upon completion of the IPO, MISC will own between 64.6% and 66.5% of our Shares. MISC has agreed not to transfer its Shares for a period of six months after the completion of the IPO. However, upon completion of this six-month lock-up period, we cannot provide any assurance that MISC will not dispose of any large blocks of the Shares in the future to the public or to a strategic or financial investor. Sales of substantial amounts of the Shares in the public or private market, or the perception that these sales may occur, could materially and adversely affect the prevailing market price of the Shares.

5.3.3 If there is significant volatility in the price of the Shares following the IPO, you may lose all or part of your investment, and securities litigation or enforcement action may be brought against us

Following the IPO, the price at which the Shares will trade may be volatile. The stock markets have from time to time experienced significant price and volume fluctuations that have affected the market prices of securities. These fluctuations often have been unrelated or disproportionate to the operating performance of publicly-traded companies. In the past, following periods of volatility in the market price of a particular company's securities, securities litigation or securities enforcement action has sometimes been brought against that company. If similar litigation or enforcement action were instituted against us, it could result in substantial costs and divert management's attention and resources from our core business.

5. RISK FACTORS (Cont'd)

5.3.4 Because the Retail Price is higher than our NTA value per share, purchasers of the IPO Shares in the IPO will experience immediate and substantial dilution. Purchasers of the IPO Shares may experience further dilution if we issue additional Shares in the future

The Retail Price is higher than the NTA value per Share. Therefore, purchasers of the IPO Shares in the IPO will experience an immediate dilution in NTA value per Share at the Retail Price of RM3.61, and our existing shareholders will experience an increase in the NTA value per Share.

In order to expand our business, we may consider offering and issuing additional Shares or equity-linked securities in the future. Purchasers of the IPO Shares may experience further dilution in the net tangible book value per share if we issue additional Shares or equity-linked securities in the future.

5.3.5 Certain transactions may dilute the ownership of shareholders in the Shares

As a result of adjustments from rights offerings, certain issuances of new Shares and certain other actions we may take to modify our capital structure, shareholders may experience a dilution in their ownership of the Shares. There can be no assurance that we will not take any of the foregoing actions. Similar actions in the future may adversely affect the market price of the Shares.

5.3.6 There may be a delay or cancellation of the Listing

The occurrence of any one or more of the following events may cause a delay in or cancellation of the Listing:

- the identified investors fail to subscribe to the portion of the Shares intended to be placed to them;
- the Joint Bookrunners exercise their rights pursuant to the Underwriting Agreement, the Malaysian Placement Agreement or the International Placement Agreement to discharge themselves from their obligations;
- we and our Promoter decide in our absolute discretion not to proceed with the Listing; or
- we are unable to meet the public spread requirements as determined by the Bursa Securities, including a minimum of 1,000 public shareholders holding not less than 100 Shares each upon completion of the IPO and at the point of listing.

5.3.7 There may be a delay between admission and trading of the Shares

The date of admission will normally occur at least two clear market days after the Shares have been allocated to investors' respective CDS accounts in the Bursa Depository. In the event of a delay in the admission and the commencement of trading in Shares on the Bursa Securities, monies may be returned to investors in respect of the IPO Shares following their allotment and issue. A reduction of our share capital would then be required. This would require a special resolution of our shareholders and this resolution would have to be confirmed by the Malaysian High Court. There can be no assurance that monies can be recovered within a short period of time or at all. If the Bursa Securities does not admit the Shares for listing, the market for the Shares will be illiquid and it may not be possible to trade the Shares. This may have a material adverse effect on the value of the Shares.

5. RISK FACTORS (Cont'd)

5.3.8 We have significant discretion as to how we will use the net proceeds of the Public Issue, and you may not necessarily agree with how we use them

The net proceeds to be received by us from the Public Issue will be RM945.8 million. We plan to use the net proceeds from the Public Issue for the Yard Optimisation Programme and the capital expenditures in Turkmenistan. We will have discretion as to the actual application of our net proceeds, further details of which are described in Section 4.7 of this Prospectus, and you are entrusting your funds to us, upon whose judgement you must depend, for the specific uses we will make of the net proceeds from the IPO.

5.3.9 We are a holding company and rely on dividend payments from our subsidiaries for funding and for paying dividends on the Shares

Our Company is a holding company incorporated in Malaysia and operates its business through our subsidiaries. Therefore, the availability of funds to pay dividends to our shareholders and to service our indebtedness depends upon dividends received from our subsidiaries. If our subsidiaries incur debt or losses, this indebtedness or loss may impair their financial ability to pay dividends or other distributions to us. In addition, restrictive covenants in bank credit facilities, bonds instruments or other agreements that we or our subsidiaries may enter into in the future may restrict, as a contractual matter, the ability of our subsidiaries to make contributions to us and our ability to receive distributions and pay dividends.

Our ability to declare dividends in relation to the Shares will also depend on our future financial performance, which, in turn, depends on the successful implementation of our strategy, on financial, competitive and regulatory factors, general economic conditions, demand and prices for our products and services, costs of raw materials and other factors specific to our industry or specific projects, many of which are beyond our control. The receipt of dividends from our subsidiaries may also be affected by the passage or adoption of new laws or regulations, changes to existing laws and regulations or in their interpretation or implementation, and other events outside our control. Malaysian laws require that dividends be paid only out of the net profit calculated according to Malaysian FRS, which differ in many respects from generally accepted accounting principles in other jurisdictions.

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6. INFORMATION ON OUR GROUP

6.1 Our Company

MHB was incorporated in Malaysia on 18 February 1989 under the Companies Act as a private limited company under the name of MSE Holdings Sdn Bhd. On 14 June 2010, our Company was converted into a public company. On 15 June 2010, our Company changed its name from MSE Holdings Berhad to Malaysia Marine and Heavy Engineering Holdings Berhad, which is its present name.

We are a leading Malaysian heavy engineering and marine services provider, primarily focused on the oil and gas sector. We offer a wide spectrum of engineering and construction, marine conversion and marine repair services from our yard in Pasir Gudang, Johor, Malaysia and the yard we operate and manage in Kiyanly, Turkmenistan on behalf of PCTSB. Our Company is the parent company of MMHE, and we offer our services primarily under the "MMHE" brand.

Our engineering and construction business offers a full range of oil and gas construction and engineering services, from detailed engineering design and procurement to construction, installation, hook-up and commissioning. We specialise in the construction of various facilities for the offshore and onshore oil and gas industry. Completed and ongoing projects include the construction of oil and gas platforms, jackets, topsides, process modules, turrets, SPARs, semi-submersibles, mooring buoy systems, living quarters and substructures. The Pasir Gudang yard is the only yard in Malaysia that has constructed complex deepwater structures for the oil and gas industry.

Our marine conversion business offers a one-stop centre for converting vessels such as VLCCs, Aframax tankers and offshore oil rigs into floating structures for the offshore oil and gas industry such as FPSOs, FSOs, MOPUs and MODUs. We provide a comprehensive range of marine conversion services from engineering design to fabrication, installation and commissioning of these structures. We operate the only yard in Malaysia that has completed FPSO/FSO conversions, our first, being the *FPSO Perintis*, was completed in March 1999. Other services offered by our marine conversion business include the construction of new-built structures, including tender rig barges, and "jumboisation" works, which are complex engineering operations to increase a vessel's length, breadth or both dimensions.

Our marine repair business offers repair, refit and refurbishment services to a wide range of vessels, with a focus on energy-related vessels such as ULCCs, VLCCs and other petroleum tankers, chemical tankers, offshore oil rigs, gas carriers, and other offshore support vessels. We provide maintenance, technical solutions and refurbishment services for LNG carriers at our yard in Pasir Gudang. We market these services for LNG carriers through a joint venture with Samsung Heavy Industries.

Our Pasir Gudang yard is a comprehensive and integrated facility for all segments of our business on a strategically located 150.6 hectare complex with a 1.8 km seafront. The facility includes two dry-docks, five fabrication areas, three skid-tracks and two bulkheads, 35 workshops, one shiplift, two landberths, seven quays and one LNG carrier repair facility. We began implementing the Yard Optimisation Programme at this facility in 2006, and we expect to complete this programme in 2014. The programme is intended to increase the yard's efficiency and expand the range of projects that the yard can undertake. We do not own the Kiyanly yard in Turkmenistan. The fabrication yard that we operate and manage in Kiyanly, Turkmenistan, on behalf of PCTSB, a subsidiary of PETRONAS, has an area of 43.6 hectares and undertakes projects for PCTSB, on an EPCIC basis, in connection with the *Turkmenistan Block 1, Phase 1* gas development project granted to PCTSB.

6. INFORMATION ON OUR GROUP (Cont'd)

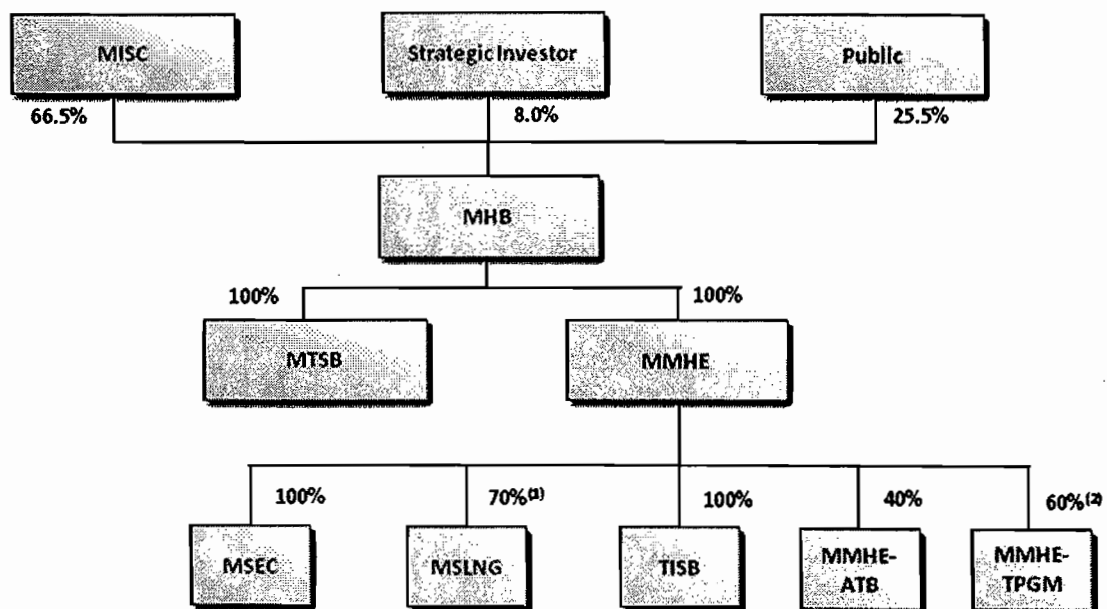
As of 30 June 2010, our Group had total assets of RM4,298.7 million and shareholders' equity excluding minority interests of RM1,308.6 million. For the FYE 31 March 2010, we generated revenue of RM6,147.0 million and PAT of RM284.1 million. As of 30 June 2010, our orderbook was RM5,951.9 million. Our orderbook is made up of the total stated contract value of orders not yet delivered minus the portion of sales already recognised in respect of such orders using the stage-of-completion method.

On 21 January 2008, we entered into a conditional sale and purchase agreement ("Conditional SPA") with Ramunia Holdings Berhad ("Ramunia") for the reverse take-over ("RTO") of Ramunia via the disposal of our entire equity interest in MMHE comprising 100 million ordinary shares of RM1.00 each in MMHE for a total sale consideration of RM3.2 billion. The RTO exercise was supposed to enable MISC to achieve a separate listing status for MMHE via Ramunia, which would have allowed MMHE to tap the capital markets for its future expansion plans.

However, we subsequently terminated the Conditional SPA (as supplemented by the supplemental agreement dated 30 September 2008) on 25 November 2008 with immediate effect due to unsatisfactory due diligence findings.

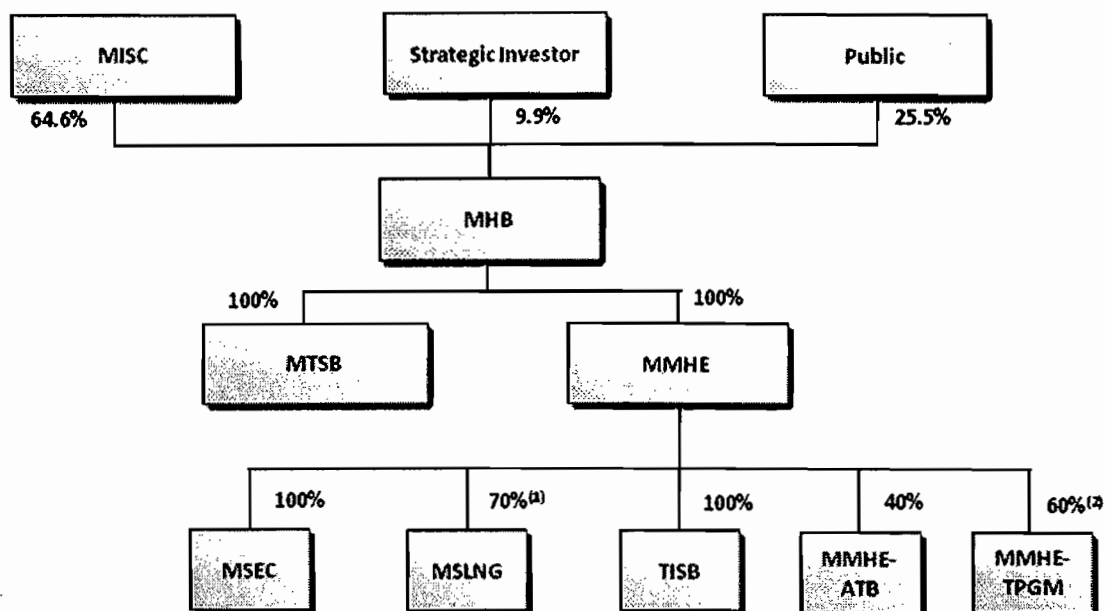
Notwithstanding the above, it has always been our holding company, MISC's objective to seek a separate listing for MHB or MMHE. In relation thereto, we, are now undertaking the IPO exercise to facilitate the Listing.

An overview of our Group structure based on Scenario A is set out below:



6. INFORMATION ON OUR GROUP (Cont'd)

An overview of our Group structure based on Scenario B is set out below:



Notes:

(1) A joint venture company with Samsung Heavy Industries, which is a jointly controlled entity.

(2) A joint venture company with Technip Geoproduction (M) Sdn. Bhd., which is a jointly controlled entity.

6.2 Share capital and changes in share capital

As at 23 September 2010, the authorised share capital is RM2,500,000,000 comprising 5,000,000,000 ordinary shares of RM0.50 each. Our current issued and paid-up share capital is RM669,000,000 comprising 1,338,000,000 MHB Shares.

Details of the changes in our issued and paid-up share capital since our incorporation up to 23 September 2010 are as follows:

Date of allotment	No. of ordinary shares	Par value RM	Consideration	Cumulative issued and paid-up share capital RM
18.02.1989	2	1.00	Cash	2
17.07.1991	1	1.00	Cash	3
11.10.1991	16,219,997	1.00	Cash	16,220,000
23.09.2010	32,440,000	0.50	Share split	16,220,000
23.09.2010	1,305,560,000	0.50	Bonus shares	669,000,000

6. INFORMATION ON OUR GROUP (Cont'd)

6.3 Subsidiaries and jointly controlled entities

As at 23 September 2010, our subsidiaries and jointly controlled entities, and their principal activities are as follows:

Name	Date and country of incorporation	Issued and paid-up share capital RM	Effective interest %	Principal activities
Direct subsidiaries of MHB				
MMHE	18.05.1973 Malaysia	755,000,000	100.00	Oil and gas engineering and construction works, marine conversion and marine repair
MTSB	22.06.1977 Malaysia	200,000	100.00	Dormant and has ceased operations since 31 December 1991
Direct subsidiaries of MMHE				
MSEC	27.06.1978 Malaysia	100,000	100.00	Under members' voluntary liquidation
MSLNG	06.04.2006 Malaysia	3,700,000	70.00	Provision of repair services and dry docking of LNG carriers
TISB	05.08.1994 Malaysia	10,000,000	100.00	Sludge disposal management
Jointly controlled entities of MMHE				
MMHE-ATB	14.07.1994 Malaysia	5,600,000	40.00	Manufacturing of pressure vessels and tube heat exchangers
MMHE-TPGM	28.01.2008 Malaysia	300,000	60.00	Provision of engineering, procurement, construction, installation and commissioning

Set out below are further information on our subsidiaries and jointly-controlled entities.

6.3.1 Direct subsidiary of MHB

(a) MMHE (Company No. 14558-P)

(i) History and business

MMHE was incorporated in Malaysia under the Companies Act on 18 May 1973 as a private limited company under the name of MSE. It subsequently changed its name and assumed its present name on 15 April 2005.

MMHE commenced business in September 1976. The principal activities of MMHE are oil and gas engineering and construction works, marine conversion and marine repair.

6. INFORMATION ON OUR GROUP (Cont'd)

(ii) Share capital

As at 23 September 2010, the authorised share capital of MMHE is RM2,500,000,000 comprising 2,500,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of MMHE is RM755,000,000 comprising 755,000,000 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of MMHE since its incorporation up to 23 September 2010 are as follows:

Date of allotment	No. of ordinary shares	Par value RM	Consideration	Cumulative issued and paid-up share capital RM
19.06.1973	2	1.00	Cash	2
01.01.1974	8,000,000	1.00	Cash	8,000,002
19.03.1974	1,999,998	1.00	Cash	10,000,000
25.07.1974	2,000,000	1.00	Cash	12,000,000
29.08.1974	2,000,000	1.00	Cash	14,000,000
03.10.1974	2,000,000	1.00	Cash	16,000,000
16.11.1974	2,000,000	1.00	Cash	18,000,000
25.01.1975	2,000,000	1.00	Cash	20,000,000
08.12.1978	10,000,000	1.00	Cash	30,000,000
01.10.1979	4,900,000	1.00	Cash	34,900,000
12.11.1979	7,550,000	1.00	Cash	42,450,000
22.12.1979	17,550,000	1.00	Cash	60,000,000
13.05.1980	10,000,000	1.00	Cash	70,000,000
30.07.1980	30,000,000	1.00	Cash	100,000,000
23.09.2010	655,000,000	1.00	Dividend-in-specie ⁽¹⁾	755,000,000

Note:

⁽¹⁾ The interim dividend of RM655,000,000 was declared in the form of dividend-in-specie by MMHE on 23 September 2010 and was satisfied by the issuance of 655,000,000 new ordinary shares of RM1.00 each in MMHE to MHB.

(iii) Substantial shareholders

MMHE is a wholly-owned subsidiary of our Company.

6. INFORMATION ON OUR GROUP (Cont'd)

(iv) Subsidiaries, jointly controlled entities and associated companies

The subsidiaries and jointly controlled entities of MMHE as at 23 September 2010 are shown in Section 6.3.2 below. As at 23 September 2010, MMHE does not have any associated company.

(b) MTSB (Company No. 33284-D)

(i) History and business

MTSB was incorporated in Malaysia under the Companies Act on 22 June 1977 as a private limited company under the name of Malaysia Tank Cleaning Company Sdn Bhd. It subsequently changed its name and assumed its present name on 12 February 2008.

MTSB commenced business in June 1977. MTSB is currently dormant and has ceased its operations since 31 December 1991.

(ii) Share capital

As at 23 September 2010, the authorised share capital of MTSB is RM500,000 comprising 500,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of MTSB is RM200,000 comprising 200,000 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of MTSB since its incorporation up to 23 September 2010, are as follows:

Date of allotment	No. of ordinary shares	Par value RM	Consideration	Cumulative issued and paid-up share capital RM
22.06.1977	2	1.00	Cash	2
01.12.1977	199,998	1.00	Cash	200,000

(iii) Substantial shareholder

MTSB is a wholly-owned subsidiary of our Company.

(iv) Subsidiary and associated company

As at 23 September 2010, MTSB does not have any subsidiary or associated company.

6. INFORMATION ON OUR GROUP (Cont'd)

6.3.2 Subsidiaries of MMHE

(a) MSEC (Company No. 40259-W)

(i) History and business

MSEC was incorporated in Malaysia under the Companies Act on 27 June 1978 as a private limited company under the name of MSE-Aman Maritime Services Sdn Bhd. It subsequently changed its name and assumed its present name on 8 September 1987.

MSEC commenced business in January 1989. The principal activity of MSEC is processing of copper grit. As at 23 September 2010, MSEC is under members' voluntary liquidation.

(ii) Share capital

As at 23 September 2010, the authorised share capital of MSEC is RM100,000 comprising 100,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of MSEC is RM100,000 comprising 100,000 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of MSEC since its incorporation up to 23 September 2010, are as follows:

Date of allotment	No. of ordinary shares	Par value	Consideration	Cumulative issued and paid-up share capital
		RM		RM
27.06.1978	2	1.00	Cash	2
14.12.1979	49,998	1.00	Cash	50,000
14.12.1988	50,000	1.00	Cash	100,000

(iii) Substantial shareholder

MSEC is a wholly-owned subsidiary of MMHE.

(iv) Subsidiary and associated company

As at 23 September 2010, MSEC does not have any subsidiary or associated company.

(b) MSLNG (Company No. 729348-U)

(i) History and business

MSLNG was incorporated in Malaysia under the Companies Act on 6 April 2006 as a private limited company.

MSLNG commenced business on 6 April 2006. The principal activity of MSLNG is provision of repair services and dry docking of LNG carriers.

6. INFORMATION ON OUR GROUP (Cont'd)

(ii) Share capital

As at 23 September 2010, the authorised share capital of MSLNG is RM11,100,000 comprising 3,000,000 ordinary shares of RM3.70 each. The issued and paid-up share capital of MSLNG is RM3,700,000 comprising 1,000,000 ordinary shares of RM3.70 each.

The changes in the issued and paid-up share capital of MSLNG since its incorporation up to 23 September 2010, are as follows:

Date of allotment	No. of ordinary shares	Par value	Consideration	Cumulative issued and paid-up share capital
		RM		RM
06.04.2006	1,000,000	3.70	Cash	3,700,000

(iii) Substantial shareholder

MSLNG is a 70%-owned subsidiary of MMHE. The remaining 30% is held by Samsung Heavy Industries.

(iv) Subsidiary and associated company

As at 23 September 2010, MSLNG does not have any subsidiary or associated company.

(c) TISB (Company No. 310571-H)

(i) History and business

TISB was incorporated in Malaysia under the Companies Act on 5 August 1994 as a private limited company under the name of MSE-CWM Co-Generation Sdn Bhd. It subsequently changed its name and assumed its present name on 20 October 1994.

TISB commenced business in May 1995. The principal activity of TISB is sludge disposal management.

(ii) Share capital

As at 23 September 2010, the authorised share capital of TISB is RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of TISB is RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each.

6. INFORMATION ON OUR GROUP (Cont'd)

The changes in the issued and paid-up share capital of TISB since its incorporation up to 23 September 2010, are as follows:

Date of allotment	No. of ordinary shares	Par value RM	Consideration	Cumulative issued and paid-up share capital RM
05.08.1994	2	1.00	Cash	2
19.12.1994	999,998	1.00	Cash	1,000,000
05.06.1995	9,000,000	1.00	Cash	10,000,000

(iii) Substantial shareholder

TISB is a wholly-owned subsidiary of MMHE.

(iv) Subsidiary and associated company

As at 23 September 2010, TISB does not have any subsidiary or associated company.

6.3.3 Jointly controlled entities of MMHE

(a) MMHE-ATB (Company No. 307771-X)

(i) History and business

MMHE-ATB was incorporated in Malaysia under the Companies Act on 14 July 1994 as a private limited company under the name of Titan Heavy Equipment Sdn Bhd. It subsequently changed its name to MSE-ATB Sdn Bhd on 23 February 2000 before assuming its present name on 28 November 2005.

MMHE-ATB commenced business in 2000. The principal activities of MMHE-ATB are manufacturing works of pressure vessels and tube heat exchangers.

(ii) Share capital

As at 23 September 2010, the authorised share capital of MMHE-ATB is RM15,000,000 comprising 15,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of MMHE-ATB is RM5,600,000 comprising 5,600,000 ordinary shares of RM1.00 each.

6. INFORMATION ON OUR GROUP (Cont'd)

The changes in the issued and paid-up share capital of MMHE-ATB since its incorporation up to 23 September 2010, are as follows:

Date of allotment	No. of ordinary shares	Par value	Consideration	Cumulative issued and paid-up share capital
		RM		RM
14.07.1994	2	1.00	Cash	2
30.08.1994	4,999,998	1.00	Cash	5,000,000
04.08.2000	600,000	1.00	Cash	5,600,000

(iii) Substantial shareholder

MMHE-ATB is our 40% jointly controlled entity. The remaining 60% is held by ATB Riva Calzoni SpA.

(iv) Subsidiary and associated company

As at 23 September 2010, MMHE-ATB does not have any subsidiary or associated company.

(b) MMHE-TPGM (Company No. 804467-U)**(i) History and business**

MMHE-TPGM was incorporated in Malaysia under the Companies Act on 28 January 2008 as a private limited company under the name of Vital Start Sdn Bhd. It subsequently changed its name to its present name on 18 June 2008.

MMHE-TPGM has not commenced operations as at 23 September 2010. The principal activities of MMHE-TPGM are provision of engineering, procurement, construction, installation and commissioning.

(ii) Share capital

As at 23 September 2010, the authorised share capital of MMHE-TPGM is RM500,000 comprising 500,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM300,000 comprising 300,000 ordinary shares of RM1.00 each.

6. INFORMATION ON OUR GROUP (Cont'd)

The changes in the issued and paid-up share capital of MMHE-TPGM since its incorporation up to 23 September 2010, are as follows:

Date of allotment	No. of ordinary shares	Par value RM	Consideration	Cumulative issued and paid-up share capital RM
28.01.2008	2	1.00	Cash	2
10.11.2008	99,998	1.00	Cash	100,000
11.02.2009	200,000	1.00	Cash	300,000

(iii) Substantial shareholders

MMHE-TPGM is our 60% jointly controlled entity. The remaining 40% is held by Technip Geoproduction (M) Sdn. Bhd.

(iv) Subsidiary and associated company

As at 23 September 2010, MMHE-TPGM does not have any subsidiary or associated company.

Our subsidiaries and jointly controlled entities do not have any outstanding warrants, options, convertible securities and uncalled capital 23 September 2010.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.4 Material capital expenditures and divestitures

The following table sets forth our capital expenditure and divestitures (which include property, plant and equipment) for the past three (3) FYE 31 March 2010:

Description	FYE 31 March			Three-Month FPE 30 June
	2008	2009	2010	2010
	(RM'million)			
Investment				
Buildings, dry-docks and waste plant....	42.5	0.2	0.4	0.2
Plant, machinery and electrical installations	7.2	4.6	33.3	11.3
Construction-in-progress	199.6	155.8	234.5	36.1
Others ⁽¹⁾	1.6	2.0	0.9	0.3
Divestment				
Buildings, dry-docks and waste plant....	3.7	-	0.5	0.3
Plant, machinery and electrical installations	0.7	0.9	1.7	1.1
Construction-in-progress	-	-	-	5.3
Others ⁽¹⁾	1.0	3.7	2.8	0.1

Note:

⁽¹⁾ Comprises furniture and office equipments, boats, vehicles and transport equipment and loose tools.

On 1 April 2010, our Group disposed of 1,120,000 ordinary shares of RM1.00 each in MMHE-ATB for a sale consideration of RM6,000,000 or RM5.35 per share. This effectively reduced our Group's equity interest in ATB from 60% to 40%. The disposal was completed on 20 August 2010.

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7. BUSINESS OVERVIEW

7.1 Overview

We are a leading Malaysian heavy engineering and marine services provider, primarily focused on the oil and gas sector. We offer a wide spectrum of engineering and construction, marine conversion and marine repair services from our yard in Pasir Gudang, Johor, Malaysia, and the yard we operate and manage in Kiyanly, Turkmenistan on behalf of PCTSB. Our Company is the parent company of MMHE, and we offer our services primarily under the "MMHE" brand.

We are Malaysia's main fabricator of offshore structures and we have the second largest aggregate amount of fabrication capacity among Malaysian companies. We are one of seven licensed contractors of offshore structures that are eligible to bid for engineering and construction contracts tendered by PSC operators in Malaysia. We also operate the country's largest repair shipyard by dry-dock capacity.

We believe we are well positioned, in terms of experience and facilities, to benefit from current and future demand from the oil and gas industry in Malaysia and the Southeast Asian region, as well as in the Caspian region. We were the first Malaysian company to construct a deepwater SPAR, the *Kikeh Dry Tree Unit Truss SPAR*, completed in 2006. This was the first SPAR platform installed outside the Gulf of Mexico, and it is the deepest SPAR platform installed in Asian waters.

Our principal shareholder is MISC, a leading international maritime company primarily focused on energy transportation and logistics and other energy related businesses, which is listed on the Main Market of Bursa Securities. As at LPD, MISC is a 62.7% owned subsidiary of PETRONAS, the national oil and gas company of Malaysia.

MMHE, our principal subsidiary, was incorporated in 1973, and has built up a track record of projects in onshore and offshore engineering and construction, marine conversion and marine repair, primarily serving clients in the oil and gas industry. We were appointed as the EPCIC contractor by PCTSB in Turkmenistan in 2004, and these operations now contribute a substantial percentage of our revenue.

We have three core businesses: engineering and construction, marine conversion and marine repair, and we divide our businesses into two operating segments: the engineering and construction segment and the marine conversion and marine repair segment.

Our engineering and construction business offers a full range of oil and gas construction and engineering services, from detailed engineering design and procurement to construction, installation, hook-up and commissioning. We specialise in the construction of various facilities for the offshore and onshore oil and gas industry. Completed and ongoing projects include the construction of oil and gas platforms, jackets, topsides, process modules, turrets, SPARs, semi-submersibles, mooring buoy systems, living quarters and substructures. The Pasir Gudang yard is the only yard in Malaysia that has constructed complex deepwater structures for the oil and gas industry. For the FYE 31 March 2008, 2009 and 2010, our engineering and construction business accounted for RM1,014.9 million, RM3,042.0 million and RM5,603.8 million, or 58.3%, 75.7% and 91.2%, respectively, of our total revenues. For the three-month FPE 30 June 2010, our engineering and construction business accounted for RM1,060.0 million, or 90.4% of our total revenue.

7. BUSINESS OVERVIEW (Cont'd)

Our marine conversion business offers a one-stop centre for converting vessels such as VLCCs, Aframax tankers and offshore oil rigs into floating structures for the offshore oil and gas industry such as FPSOs, FSOs, MOPUs and MODUs. We provide a comprehensive range of marine conversion services from engineering design to fabrication, installation and commissioning of these structures. We operate the only yard in Malaysia that has completed FPSO/FSO conversions, our first, being the *FPSO Perintis*, was completed in March 1999. Other services offered by our marine conversion business include the construction of new-built structures, including tender rig barges, and "jumboisation" works, which are complex engineering operations to increase a vessel's length, breadth or both dimensions.

Our marine repair business offers repair, refit and refurbishment services to a wide range of vessels, with a focus on energy-related vessels such as ULCCs, VLCCs and other petroleum tankers, chemical tankers, offshore oil rigs, gas carriers, and other offshore support vessels. We provide maintenance, technical solutions and refurbishment services for LNG carriers at our yard in Pasir Gudang. We market these services for LNG carriers through a joint venture with Samsung Heavy Industries.

Our Pasir Gudang yard is a comprehensive and integrated facility for all segments of our business on a strategically located 150.6 hectare complex with a 1.8 km seafront. The facility includes two dry-docks, five fabrication areas, three skid-tracks and two bulkheads, 35 workshops, one shiplift, two landberths, seven quays and one LNG carrier repair facility. We began implementing the Yard Optimisation Programme at this facility in 2006, and we expect to complete this programme in 2014. The programme is intended to increase the yard's efficiency and expand the range of projects that the yard can undertake. We do not own the Kiyarly yard in Turkmenistan. The fabrication yard that we operate and manage in Kiyarly, Turkmenistan, on behalf of PCTSB, a subsidiary of PETRONAS, has an area of 43.6 hectares and undertakes projects for PCTSB, on an EPCIC basis, in connection with the *Turkmenistan Block 1, Phase 1* gas development project in the Caspian Sea granted to PCTSB under a production sharing contract executed between PCTSB and the government of Turkmenistan.

As of 30 June 2010, our Group had total assets of RM4,298.7 million and shareholders' equity excluding minority interests of RM1,308.6 million. For the FYE 31 March 2010, we generated revenue of RM6,147.0 million and PAT of RM284.1 million. As of 30 June 2010, our orderbook was RM5,951.9 million. Our orderbook is made up of the total stated contract value of orders not yet delivered minus the portion of sales already recognised in respect of such orders using the stage-of-completion method.

7.2 Key milestones and achievements

The table below includes the dates and a description of significant events in our corporate history:

Date	Description
May 1973	Incorporation of MMHE (under the name MSE).
July 1973	The Malaysian Government's Minister of Finance, Inc., Sumitomo Heavy Industries Ltd., Kuok Brothers Sdn Bhd and I.M.C. (Overseas) Inc. Liberia ("IMC") became the shareholders of MMHE.
August 1976	We completed our first dry-dock.
September 1976	Our marine repair business commenced when we received our first ship for dry-docking, the <i>Japan Acacia</i> , a 122,484 dwt bulk carrier owned by Japan Lines.
November 1976	Official opening of the Pasir Gudang yard by the late YAB Tun Hussein Onn, the then Prime Minister of Malaysia.

7. BUSINESS OVERVIEW (Cont'd)

Date	Description
July 1978	Our engineering and construction business commenced with the fabrication of our first oil and gas structure, a set of living quarters.
May 1980	Our former shipbuilding business delivered its first vessel, <i>MV Tanjong Pinang</i> , for the Marine Department of Malaysia.
February 1989	Our Company was incorporated pursuant to the Companies Act (under the name MSE Holdings Sdn Bhd).
July 1991	Our two ordinary shares of RM1.00 each (under the name MSE Holdings Sdn Bhd) were transferred from two individual shareholders to IMC Enterprises Incorporated and Kuok Brothers Sdn Bhd and one new ordinary share of RM1.00 was allotted and issued to MISC.
January 1992	Our Company became the sole shareholder of MMHE.
July 1996	MISC Enterprises Holding Berhad ("MEH"), a wholly-owned subsidiary of MISC, acquired the shares held by MISC in our Company.
May 1997	A shiplift system was installed at the Pasir Gudang yard. The system is able to lift and transfer to landberth vessels and structures up to 50,000 dwt.
March 1999	Our first FPSO conversion was completed when we converted the <i>MV Hitra</i> into the <i>FPSO Perintis</i> .
July 1999	We completed our first LNG carrier repair on MISC's <i>Tenaga Satu</i> .
October 2000	We completed our first "jumboisation" project, the <i>T-6 Robray</i> , for Varia Perdana Sdn. Bhd.
March 2004	We built and delivered our first tender drill barge <i>Tioman T-9</i> for Smedvig Rig AS. <i>Tioman T-9</i> was the first in a series of four tender drill barges. <i>Tioman T-10</i> was built and delivered to Crest Tender Rigs Pte Ltd in August 2007, whilst <i>Seadrill T-11</i> and <i>Seadrill T-12</i> were built and delivered to Seadrill Tender Rig Ltd in April 2008 and February 2010 respectively.
April 2005	MSE changed its name to MMHE.
July 2006	IMC Enterprises Incorporated and Kuok Brothers Sdn Bhd transferred their entire shareholdings in our Company to MISC.
September 2006	We completed the construction of the first SPAR installed outside of the Gulf of Mexico, and our first deepwater structure, the <i>Kikeh Dry Tree Unit Truss SPAR</i> , for Malaysia's first deepwater oil and gas field.
March 2007	We commenced operations at the Kiyarly fabrication yard in Turkmenistan.
March 2007	We completed the conversion of our first deepwater FPSO facility, the <i>FPSO Kikeh</i> , constructed to provide offshore production and storage capacity for the Kikeh field.
January 2008	MEH transferred its entire shareholding in our Company to MISC.
September 2008	We completed our first LNG refurbishment project, on MISC's LNG carrier, the <i>Tenaga Tiga</i> .
Ongoing	We are currently constructing Asia's first deepwater FPS, the <i>Gumusut-Kakap FPS</i> , which is approximately 38,000 mt and is to be deployed offshore of Sabah, Malaysia.

7. BUSINESS OVERVIEW (Cont'd)

7.3 Competitive strengths

7.3.1 Complementary core businesses creating operational synergies

Our core engineering and construction, marine conversion and marine repair businesses possess the experience, capabilities and expertise developed during our 30-year operating history to deliver an integrated portfolio of complementary heavy engineering and marine services to our customers, thereby enhancing our competitiveness and the value we provide to our customers.

For owners of offshore oil and gas production facilities, our engineering and construction business is able to design, build and install a variety of offshore drilling and production platforms, while our marine conversion business converts vessels and rigs into floating processing and storage facilities for the hydrocarbons produced at offshore sites. Our marine repair business repairs energy-related vessels as well as offshore oil rigs and other facilities used by the offshore oil and gas industry.

The construction and repair capabilities and engineering expertise we accumulate from our projects are shared among our core businesses to enhance the quality and increase the scope of the services we provide to our customers. With each project we complete, we continue to hone our extensive project management and risk management skills which allow us to mitigate the risks inherent in our projects and thus enhance our ability to deliver our products and services in a timely and cost effective manner.

Our engineering and construction business has evolved from being a fabricator of various offshore structures into a full-service provider, having been entrusted by our customers with not only the construction phase, but also the engineering, procurement, installation and commissioning phases in major projects such as the *Turkmenistan Block 1, Phase 1* gas development project. Our engineering and construction business also has proven capabilities in the growing market for complex deepwater structures, having built the *Kikeh Dry Tree Unit Truss SPAR*, which was the first SPAR platform installed outside the Gulf of Mexico, and we are currently constructing the *Gumusut-Kakap FPS*, which is expected to be the Asia-Pacific region's first deepwater FPS.

Our marine repair business has built upon our core capabilities in general vessel repairs to focus on more complex and more profitable repair and refurbishment projects such as those for LNG carriers and offshore oil rigs. Leveraging our expertise in building offshore floating structures and our experience in refitting and repairing energy-related vessels, our marine conversion business has established a track record of FPSO and FSO conversions. We are the only yard in Malaysia that has completed FPSO and FSO conversions, and our ability to provide this capability allows us to capture an important part of the offshore oil and gas market while enabling us to diversify our revenue source.

7. BUSINESS OVERVIEW (Cont'd)

7.3.2 A leading position in markets poised for further growth

The Asia Pacific region is forecasted to remain the largest market for offshore oil and gas production facilities in the near and medium term, with over one third of global expenditures on offshore field development and pipeline construction expected to be devoted to this region. Malaysia has the third largest proven oil reserves in the Asia Pacific region and is expected to account for a considerable portion of the spending on offshore exploration and production activities in the region as there are six major deepwater projects in Malaysia that will require floating production facilities to be installed over the next three to five years. Furthermore, there are 16 additional deepwater oil and gas fields that have been discovered in offshore Malaysia that have the potential to result in field development projects requiring floating production facilities.

Of the seven licensed contractors for offshore structures that are eligible to bid for engineering and construction contracts in Malaysia, we are the only yard with an established track record and capability for building offshore structures used in deepwater projects. We are thus well positioned to capitalise on future projects to develop deepwater fields in Malaysia, including the Malikai, Jangas, Ubah Crest, Kamunsu and Pisagan fields.

The Caspian countries have 45.0% of the world's gas reserves, amounting to 3,010 trillion cubic feet of gas, and exploration and production activities in these countries are expected to increase in the medium to long term. We were an early entrant into Turkmenistan when we were appointed by PCTSB with effect from 2004 as the EPCIC contractor for Phase 1 of the Block 1 gas development project in Turkmenistan. We operate the only topsides fabrication yard in Turkmenistan and are one of five companies in the Caspian region with experience manufacturing offshore facilities. In light of the potential increase in exploration and production activities in the region, including the next phases of the *Turkmenistan Block 1* gas development project, and the limited number of competitors operating in the region, we believe we are well positioned to capture engineering and construction contracts from the PETRONAS Group, as well as other oil and gas companies operating in or entering the region if our request for permission to use the Kiyanly yard on projects for such companies is granted by the Turkmenistan government and PETRONAS.

7.3.3 Large scale, well-equipped, integrated, and strategically located yard

Our Pasir Gudang yard is a comprehensive and integrated facility, strategically located to benefit from its proximity to main shipping lanes and from being in a marine hub. We have the second largest oil and gas fabrication yard capacity among the seven licensed contractors for offshore structures in Malaysia, representing 27.3% of the country's total annual tonnage capacity. Our Pasir Gudang yard in Malaysia has an area of 150.6 hectares and can simultaneously accommodate the construction of structures with total tonnage of 69,700 mt.

The Pasir Gudang yard has comprehensive on-site facilities to handle a variety of tasks for our core businesses. We have one of the world's largest shiplift systems, which is capable of lifting and transferring vessels and structures up to 50,000 dwt to our landberths. We have one of the largest dry-dock spaces in Southeast Asia, with the ability to service vessels up to 450,000 dwt, allowing us to repair, refit and refurbish large vessels such as ULCCs, VLCCs and LNG carriers. We have 35 well-equipped workshops, including metal cutting shops and subassembly shops, which allow on-site work to be performed by our subcontractors and which are covered areas that permit work to continue during adverse weather conditions.

7. BUSINESS OVERVIEW (Cont'd)

Our integrated yard allows us to fully control all essential aspects of our projects. We have the flexibility to make timely and informed changes on the allocation of the yard's various facilities and resources to current projects in cases where there are changes to a project's specifications due to customer requests or otherwise. In addition, the integrated nature of our yard allows us to capitalise on shared maintenance and overhead costs, thereby improving our cost structure.

The yard is strategically located in the southern part of Peninsular Malaysia, close to the main regional and international shipping lanes and in a marine hub with several yards in the vicinity. The yard's proximity to shipping lanes makes our yard a more convenient destination for scheduled and unscheduled vessel repairs compared to yards located in other parts of Asia, such as Vietnam and China, which for many vessels may require a longer voyage away from their regular routes. Being located in a marine hub also gives us access to a pool of skilled labour and materials and service providers to support our operations.

7.3.4 Strong orderbook and customer base

Our orderbook was RM5,951.9 million as of 30 June 2010, providing earnings and cash flow visibility through 2012. A substantial portion of this orderbook is derived from projects in Malaysia and Turkmenistan that are important to the development of the oil and gas industry of those countries. A large portion of our existing heavy engineering contracts are on a cost-plus basis, mitigating our exposure to price escalations and cost overruns, further improving our earnings visibility. These contracts typically provide for an advance payment from our customers of 5% to 15% of the contract price, thus alleviating the adverse financial effects of project cancellations and non-payment.

Our customer base for our engineering and construction and marine conversion businesses includes major international oil and gas companies and national and independent oil and gas companies, such as PETRONAS, MISC, Exxon Mobil Corporation ("ExxonMobil"), Royal Dutch Shell plc ("Shell"), Woodside Petroleum Ltd ("Woodside") and Technip as well as leading offshore structure owners such as MISC and SBM Offshore N.V. ("SBM Offshore"). Our major customers for our marine repair business are well known vessel owners such as MISC, Teekay Corporation, Allseas Engineering b.v., CPC Corporation, Taiwan and Hyundai Merchant Marine. These customers have been with us for years and provide us with repeat businesses. Their strong credit quality reduces default and credit risks and has contributed to our strong cash flows from operations over the past years.

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7. BUSINESS OVERVIEW (Cont'd)

7.3.5 Strong relationship and support from the PETRONAS Group

We are part of the PETRONAS Group and represent an important component of the value chain within this fully integrated international oil and gas group.

By completing complex deepwater structures and facilities, as well as FPSO and FSO conversions, for MISC and PCTSB and repairs for LNG and other energy-related vessels owned by MISC, we have developed our core business capabilities and project management skills which we apply to projects for all of our customers. By undertaking various projects for companies in the PETRONAS Group, we have also gained a deep understanding of industry trends and the needs of our customers in our core businesses.

The PETRONAS Group's decision to award contracts is merit-based, thus our track record of successfully completed projects for the group demonstrates the competitive technical capabilities that we have established in the industry. However, we are also mindful of the need for us to continue to improve our capabilities to compete effectively for future contracts from the PETRONAS Group.

As the PETRONAS Group continues to diversify its operations into various regions of the world, we have leveraged our enhanced knowledge and expertise to participate in its overseas expansion. For example, we have entered the Caspian region by operating the only topsides fabrication yard in Turkmenistan and acting as the EPCIC contractor for the gas development project being operated by PCTSB. We enable PETRONAS to provide an integrated value proposition when it bids for development rights in various oil and gas projects overseas. By contracting with us for its oil and gas development projects, the PETRONAS Group is able to minimise the revenues lost to third party service providers, and thereby enhance its returns on its projects.

7.3.6 Well-entrenched Health, Safety and Environment culture

We have a well-entrenched HSE culture and track record. Our established HSE culture and track record has helped us to attract major international oil and gas companies, such as ExxonMobil and Shell, and independent oil and gas companies, such as Woodside, Talisman Energy Inc., SBM Offshore and Technip, as our customers. These companies seek a reliable contractor for their projects and impose stringent HSE rules. Our track record as the contractor on projects involving these companies, some of whom we have serviced for over five years, demonstrates our proven ability to adhere to strict HSE standards. Our emphasis on service quality and HSE has led to a decline in lost time due to injury over the last three years even though the number of man-hours worked has increased significantly during the same period. Our LTIF has declined from 0.39 in the FYE 31 March 2008 to 0.36 in the FYE 31 March 2009 and to 0.20 in FYE 31 March 2010. As HSE continues to be a key focus for our customers, our strong HSE culture and track record will play an important role in us winning new projects.

7.3.7 Solid financial standing with financial flexibility from low gearing

We have demonstrated strong financial performance through our resilient revenue and profit growth as well as our ability to generate high cash flows. Over the three (3)-year period ended 31 March 2010, our revenues increased at a CAGR of 87.9%, from RM1,741.9 million to RM6,147.0 million, and our PAT increased at a CAGR of 20.8%, from RM194.6 million to RM284.1 million. This financial performance was achieved despite the challenging operating conditions during the global financial crisis in 2008 and 2009.

7. BUSINESS OVERVIEW (Cont'd)

Net cash generated from operating activities in FYE 31 March 2008, 2009 and 2010 were RM56.5 million, RM108.9 million and RM1,243.3 million, respectively. Our marine repair business provides a stable base of revenue as ships are subject to regular docking requirements imposed by maritime regulations. Revenues from our engineering and construction business and marine conversion business are less predictable, but in periods of high offshore oil and gas activity such as in recent years, our revenues can increase substantially due to the much larger scale and longer duration of the projects in these businesses. Also contributing to our positive levels of operating cash flow are the strong credit quality of our customers and our ability to negotiate directly with customers to ensure their timely payment of invoices. In addition, as of 31 March 2010 and 30 June 2010, our gearing ratio, calculated by dividing total interest-bearing debt by shareholders' equity, was 0.25 time and 0.002 time respectively.

Our financial performance and track record of positive cash flow, coupled with low gearing and strong visibility from our orderbook, provide us with the financial flexibility to undertake more projects concurrently compared to our competitors in the region and also pursue selective acquisitions.

7.4 Business strategies and future plans

Our aim is to further strengthen our competitive position in the heavy engineering and marine services industry for the oil and gas sector. We intend to achieve our aim through the following strategies:

7.4.1 Enhance our engineering and technical capabilities to focus on high value-added projects in growing markets

We intend to enhance our engineering and technical expertise in high value-added projects to capitalise on growth opportunities in our core businesses.

We are focused on increasing our work in the deepwater offshore engineering and construction business, which we expect will grow significantly in the Asia Pacific region, and particularly in Malaysia, in the near to medium term. We plan to further develop and enhance our in-house engineering capabilities to strengthen our EPC and EPCIC offerings, as the engineering portion of such projects will enable us to better control the entire value chain, which leads to better project and cost management resulting in higher margins. Furthermore, we can market our engineering capabilities without being dependent on our capital expenditures or yard capacity.

In the marine conversion business, we plan to pursue new, high value-added projects in the offshore market that require specialised technical capabilities. Thus, in addition to FPSO conversions, some of the projects we are considering include FLNG, FLPG, FSRU (Floating Storage Regasification Unit).

In addition to enhancing our in-house engineering capabilities, we will continue to explore opportunities for strategic alliances, joint ventures and acquisitions to gain access to new technologies and engineering expertise for use in offshore oil and gas projects to further establish our presence in this growing market.

7. BUSINESS OVERVIEW (Cont'd)

7.4.2 Strengthen our procurement capabilities

We plan to strengthen our procurement operations to further ensure that quality materials and services well suited to our projects' needs are delivered to us in a timely manner at competitive prices. Having an effective procurement capability plays an important role in allowing us to complete our projects to our customers' satisfaction at attractive margins to us, especially when performing under fixed-price contracts. A strong procurement capability will also contribute to our efforts to win additional EPCIC and EPC contracts in the future. We will continue to enter into arrangements with our major materials suppliers to receive the most competitive prices they offer and to ensure a stable supply of materials to us, especially during periods of tight supply. We also intend to improve how we manage our panel of sub-contractors with an emphasis on promoting consistent levels of high quality service.

7.4.3 Increase our share of high-margin projects in the marine repair business

In the marine repair business, we intend to expand our volume of high-margin repair projects such as LNG carrier repairs and refurbishments of offshore oil rigs. Our joint venture with Samsung Heavy Industries, a leading builder of LNG carriers, has been instrumental in providing us with the expertise for LNG carrier repairs and refurbishments. In addition, we are using this joint venture to market our LNG carrier repair services by tapping Samsung Heavy Industries' insights about the owners for whom they have built LNG carriers. We have succeeded in procuring repair orders from prominent LNG carrier owners, and plan to leverage further on this joint venture to achieve our aim of becoming the regional leader for LNG carrier repairs in Southeast Asia.

We believe the market for refurbishing offshore oil rigs will present us with attractive opportunities to grow the volume of our marine repair business. When oil rigs currently used in offshore sites are decommissioned, these rigs can be refurbished and modified for deployment in new offshore production sites at costs that are lower than the cost of building new oil rigs. We have recently entered the market for oil rig refurbishments and aim to increase our work on such projects. We believe our capabilities in marine repairs and the planned expansion of our Pasir Gudang yard capacity place us in a strong position to bid for oil rig refurbishment projects that become available in the future.

7.4.4 Increase yard capacity, competitiveness and efficiency through our Yard Optimisation Programme

We embarked on a Yard Optimisation Programme at our Pasir Gudang yard in 2006 in order to:

- rationalise the yard's existing workshops by optimising materials flow to improve efficiency and productivity while making additional space available for fabrication of larger and more complex engineering and construction structures and projects;
- increase the capacity for high-value marine conversion and marine repair projects by expanding and improving the facilities to conduct LNG and offshore rig repairs;
- construct specialised, sophisticated enclosed work areas for increased production (including process automation equipment) with less weather-related down-time; and
- purchase and construct new equipment needed for the construction of bigger, more complex structures.

7. BUSINESS OVERVIEW (Cont'd)

Upon completion of our Yard Optimisation Programme, we expect to have greater flexibility to undertake concurrently a larger number of projects with high margins. For example, the improvements to our yard will allow us to simultaneously construct deepwater structures of up to 40,000 mt, concurrently carry out repair works for two LNG carriers and four VLCCs, and carry out conversion works on three FPSOs, FSOs or rigs at the same time.

We intend to complete our Yard Optimisation Programme by 2014. We believe this Programme will allow our Pasir Gudang yard to compete even more effectively with other regional yards, including those in Singapore and Korea.

7.4.5 Expand and diversify our customer base and geographic focus

We expect that the PETRONAS Group will continue to be a major customer for our core businesses. As we expand our yard capacity, we aim to attract more customers by building on our established track record, our expertise in deepwater structures and our ability to provide one-stop services across our core businesses.

We plan to build upon our success in the Malaysian market where we believe we have cemented a leading position in the heavy engineering and marine services industry. We intend to expand our geographic focus to include the Australasian region where we believe our enhanced yard facilities, our relative proximity to the region and our proven capabilities in deepwater projects will allow us to tap into a growing market for platforms and other structures to be used in deepwater oil and gas fields in that region. We believe we are well-positioned to cater to this demand by building and integrating pre-fabricated structures at our Pasir Gudang yard, taking advantage of the on-going improvements resulting from our Yard Optimisation Programme.

We believe that these efforts to diversify our customer base and geographic focus will contribute to an expansion of our business as well as a reduction in concentration risks.

7.4.6 Continuous efforts to maintain a strong Health, Safety and Environment culture

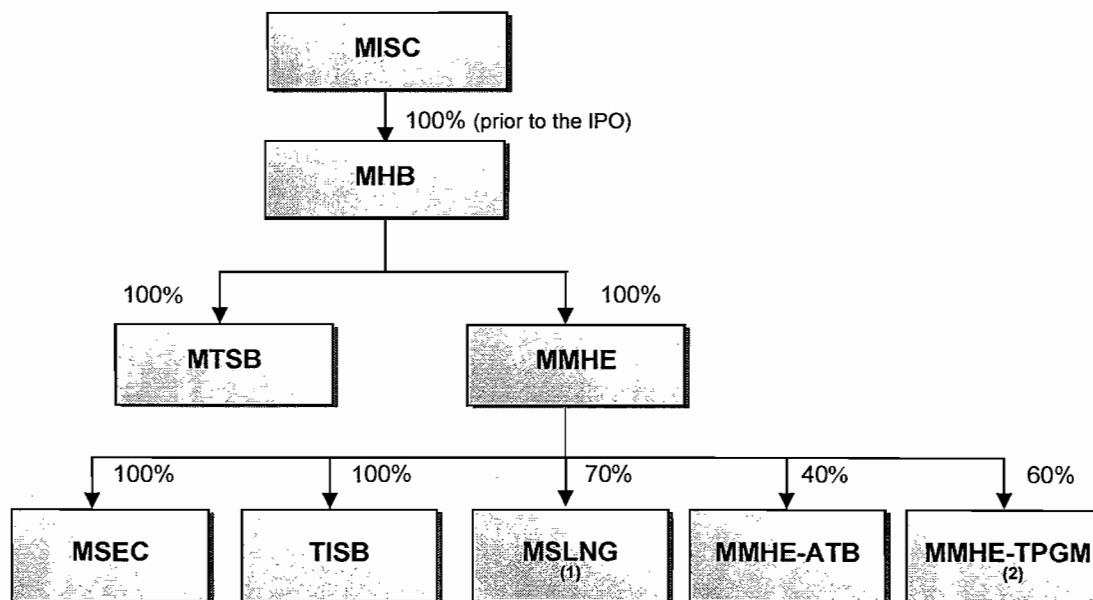
Customers in the oil and gas industry are demanding more stringent HSE practices from their contractors as a result of increasing regulations and recent, high-profile accidents and spills at deepwater oil production facilities. We have met and complied with the high HSE standards of a number of international oil and gas companies that we have worked with, such as ExxonMobil and Shell. As we expand our businesses overseas, we hope to differentiate ourselves from other yards based on our strong HSE culture and compete more effectively in markets where higher HSE standards prevail.

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7. BUSINESS OVERVIEW (Cont'd)

7.5 Our corporate structure

The chart below illustrates our corporate structure as at LPD, with percentages of ownership noted.



Notes:

⁽¹⁾ A joint venture company with Samsung Heavy Industries, which is a jointly controlled entity.

⁽²⁾ A joint venture company with Technip Geoproduction (M) Sdn. Bhd., which is a jointly controlled entity.

7.6 Business activities

The following table sets forth our revenues by segment and related percentage data for the periods indicated:

	FYE 31 March						Three-Month FPE 30 June 2010	
	2008	%	2009	%	2010	%	2010	%
	(in RM millions, except for percentages)							
Engineering and Construction	1,014.9	58.3	3,042.0	75.7	5,603.8	91.2	1,060.0	90.4
Marine Conversion and Repair	718.5	41.2	960.4	23.9	540.0	8.8	112.6	9.6
Other ⁽¹⁾	8.5	0.5	18.7	0.5	3.2	*	0.4	*
Total	1,741.9	100.0	4,021.1	100.0	6,147.0	100.0	1,172.9	100.0

Notes:

* Insignificant.

⁽¹⁾ Includes sludge disposal management and manufacturing of pressure vessels and tube heat exchangers.

As the data in the table above demonstrate, in recent years the relative portion of our revenue derived from our engineering and construction segment has increased significantly.

7. BUSINESS OVERVIEW (Cont'd)

Notable projects

Our notable completed and ongoing projects are as follows:

Completed:

- *Kikeh Dry Tree Unit Truss SPAR*

In September 2006, we completed the first SPAR installed outside the Gulf of Mexico. Construction of the platform involved 4,660,000 man-hours with no lost time to injury. The *Kikeh Dry Tree Unit Truss SPAR* is currently the deepest oil and gas platform operating in Asia, operating at a water depth of 1,326 metres.

- *FPSO Kikeh*

We completed construction of the *Kikeh FPSO*, a VLCC conversion, in March 2007. This was the first VLCC FPSO to service Malaysia's first deepwater field and the *Kikeh Dry Tree Unit Truss SPAR*. Our work on this project included construction of the topside and turret by our engineering and construction segment and the conversion of a VLCC by our marine conversion and marine repair segment.

- *FPSO Ruby II*

We delivered the *FPSO Ruby II* in March 2010, an Aframax tanker conversion to service Block 01 and Block 02 of the Ruby field offshore of Vietnam. The project included the conversion of the Aframax tanker by our marine conversion business and the construction of the turret and the topside by our engineering and construction segment.

Our Group completed our first LNG carrier repair on MISC's *Tenaga Satu* in July 1999. Our Group also built and delivered our first tender drill barge, *Tioman T-9*, in March 2004 for Smedvig Rig AS. *Tioman T-9* was the first in a series of four tender drill barges. *Tioman T-10* was built and delivered to Crest Tender Rigs Pte Ltd in August 2007, whilst *Seadrill T-11* and *Seadrill T-12* were built and delivered to Seadrill Tender Rig Ltd in April 2008 and February 2010 respectively. In October 2000, our Group completed our first "jumboisation" project, the *T-6 Robray* for Varia Perdana Sdn Bhd.

Ongoing:

- *Gumusut-Kakap FPS*

We are currently constructing the *Gumusut-Kakap FPS*, an approximately 38,000 mt deepwater semi-submersible for MISC. The *Gumusut-Kakap FPS* is designed to process 150,000 bbl/d from 19 subsea wells and operate in water depth of up to 2,300 metres. It is expected to be the Asia Pacific region's first deepwater FPS and is intended to operate offshore of Sabah, Malaysia.

- *Turkmenistan Block 1, Phase 1 Gas Development Project*

We were appointed as the EPCIC contractor by PCTSB for Phase 1 of its Block 1 gas development project in Turkmenistan with effect from 2004. The Kiyanly yard is the only topsides fabrication yard in Turkmenistan.

- *Kinabalu Non Associated Gas (NAG) Topside*

We are currently constructing the *Kinabalu NAG Topside* for PETRONAS Carigali, our first high-temperature, high-pressure gas production topside.

7. BUSINESS OVERVIEW (Cont'd)

Engineering and construction

Our engineering and construction segment constructs facilities for the offshore and onshore oil and gas industry. We offer a full range of construction and engineering services, from detailed engineering design and procurement to construction, installation, hook-up and commissioning. We are focused on the fabrication, building and upgrading of deepwater vessels, drilling platforms and other oil and gas facilities. Many of these services are delivered in the context of EPCIC projects and EPC projects, which now contribute a substantial percentage of our revenue. In particular, we have recently derived substantial portion of our revenue from EPCIC contracts for the *Turkmenistan Block 1, Phase 1* gas development and the *Gumusut-Kakap FPS* projects.

The table below presents heavy engineering works completed by our engineering and construction segment:

Work Type	Description	Number of Projects Completed
Modules, Platforms and Topsides (including Living Quarters)	<ul style="list-style-type: none"> Modules are any of various modular sets of equipment designed to perform one or more functions and be installed on an offshore platform. Platforms are structures built for offshore oil production from which oil and gas wells are drilled. Topsides are the portion of any offshore platform above water including the exploration or production plant, living quarters and modules. Living quarters are modules designed to provide living space for personnel working on an offshore platform. 	62
Deepwater FPS (FPSO, SPAR, FSO)	<ul style="list-style-type: none"> Deepwater floating production systems include all types of floating production units, FPSOs, semi-submersibles, SPARs, also known as deep draught caisson vessels ("DDCVs"), and FSOs. 	4
Jacket and Substructures	<ul style="list-style-type: none"> Oil and gas jackets are steel structures that support the above water or "topside" structures of an offshore platform. Substructures are structures that support topsides that normally contain space for storage and well-control equipment. 	35
Jacket with either Topsides or Modules	<ul style="list-style-type: none"> Oil and gas jackets are steel structures that support the above water or "topside" structures of an offshore platform. Topsides are the portion of any offshore platform above water including the exploration or production plant, living quarters and modules. Modules are any of various modular sets of equipment designed to perform one or more functions and be installed on an offshore platform. 	10
Turrets	<ul style="list-style-type: none"> Turrets are rotating structures used with FPSOs to attach lines to the unit, allowing the lines to remain connected when the unit moves; some turrets are internal to the unit while others are external. 	15
Other	<ul style="list-style-type: none"> Various structures and projects including a single point mooring buoy, fin fan units, fired heaters, a shiploader, convection boxes, air coolers and a MOPU storage tank. 	15

7. BUSINESS OVERVIEW (Cont'd)

Current projects

The table below provides selected information on major projects being undertaken by our engineering and construction segment as of 30 June 2010:

Project	Contract Value	Revenue Recognised ⁽²⁾	Customer	Commencement Date	Contract Period ⁽³⁾	Type of Contract (Cost-Plus, Fixed-Price or Combination) ⁽⁴⁾
	(in RM millions)	(in RM millions)			(months)	
EPC/EPCIC:						
Gumusut-Kakap	5,640.2 ⁽¹⁾	3,725.0	MISC	November 2006	63	Combination
Turkmenistan Block 1						
Phase 1	8,104.3 ⁽¹⁾	4,998.8	PCTSB	November 2004	72	Cost-plus
Topside:			PETRONAS			
Kinabalu Topside.....	750.8 ⁽¹⁾	75.8	Carigali	September 2008	43	Combination
Tangga Barat			PETRONAS			
Topside.....	848.2 ⁽¹⁾	613.9	Carigali	September 2008	25	Combination
Turret:						
BP Angola External						
Turret.....	32.6	23.0	Sofec Inc.	October 2008	24	Fixed-Price

Notes:

⁽¹⁾ Contract value includes cost estimates for cost-plus arrangements.

⁽²⁾ As of 30 June 2010, we had recognised RM9,436.5 million of revenue for the above projects.

⁽³⁾ The contract period is based on contractual dates, updated in certain cases based on agreements with customers to extend the contract period.

⁽⁴⁾ "Cost-Plus" contracts involve customers paying the costs of inputs with the addition of an agreed percentage of profit to us. "Fixed-Price" contracts involve fixed revenue amounts being received upon the achievement of certain milestones. "Combination" contracts are a hybrid of both cost-plus and fixed-price billing methods. Please refer to Section 7.12 of this Prospectus for further information on the price terms of contracts.

Notable engineering and construction projects currently in progress by our engineering and construction segment include the following:

- *Gumusut-Kakap FPS*

We are constructing the *Gumusut-Kakap FPS*, an approximately 38,000 mt deepwater semi-submersible FPS, for MISC. The *Gumusut-Kakap FPS* is designed to process 150,000 bbl/d from 19 subsea wells and operate in water depth of up to 2,300 metres. It is expected to be the Asia Pacific region's first deepwater FPS and is intended to operate offshore of Sabah, Malaysia, in water depth of up to 1,200 metres. Parts of the project, including materials procurement, have been contracted on a cost-plus basis while other portions have been contracted on a fixed-price basis. The platform will be operated by Shell (which has a 33% interest in the venture), on behalf of its joint venture partners ConocoPhillips Company (33%), PETRONAS (20%) and Murphy Oil Corporation (14%).

For the FYE 31 March 2008, 2009 and 2010, revenue from the *Gumusut-Kakap* project contributed RM310.6 million, RM947.5 million and RM2,195.2 million, or 17.8%, 23.6% and 35.7%, respectively of our total revenue. For the three-month FPE 30 June 2010, revenue from the *Gumusut-Kakap* project contributed RM240.1 million, or 20.5% of our total revenue.

7. BUSINESS OVERVIEW (Cont'd)

- *Turkmenistan Block 1, Phase 1 Gas Development Project*

We were appointed as the EPCIC contractor by PCTSB for Phase 1 of its Block 1 gas development project with effect from 2004. PCTSB has been granted operating rights to develop and produce the oil and gas fields under Block 1 in the Caspian Sea; this block is approximately 80 kilometres southwest of Turkmenbashi, Turkmenistan. Our EPCIC contract for this project consists of several project packages including the *Magtymguly Drilling Platform-A*, *Magtymguly Collection Riser-A* (a collector and riser platform), *Owez Drilling Platform-A* (a single mooring system), the Kiyanly fabrication yard, a floatover barge, an onshore gas treatment terminal and the offshore and onshore pipelines connecting the treatment plant to the oil and gas fields.

Our relationship with PCTSB for this project is governed by an agreement between MMHE and PCTSB. The project is being conducted and funded under a cost-plus arrangement, where cash flow needs are forecasted and provided in advance to enable the procurement of materials and services. On 2 August 2010, MMHE-TPGM obtained its branch registration in Turkmenistan. The registration is not subject to any conditions imposed by the Turkmenistan's Ministry of Economy and Development. We intend to transfer the EPCIC contract for the *Turkmenistan Block 1, Phase 1* gas development project (which is currently being held by MMHE) to MMHE-TPGM by novation.

For the FYE 31 March 2008, 2009 and 2010, the *Turkmenistan Block 1, Phase 1* gas development project contributed RM300.4 million, RM1,301.2 million and RM2,563.8 million, or 17.2%, 32.4% and 41.7%, respectively, of our total revenue. For the three-month FPE 30 June 2010, revenue from the *Turkmenistan Block 1, Phase 1* gas development project contributed RM684.5 million, or 58.4% of our total revenue.

- *Tangga Barat*

We are constructing the topside and jacket for a central processing platform to be used by PETRONAS Carigali in the *Tangga Barat Cluster* gas fields off the coast of Terengganu, Malaysia. The 14,505 mt platform will accommodate all processing facilities, booster compression equipment, an acid gas removal system, a main power generator, utilities and living quarters for the field operation. We completed the jacket for this project in April 2010. The project is being conducted under a partial cost-plus arrangement, where certain materials are procured on a cost-plus arrangement.

For the FYE 31 March 2009 and 2010, the *Tangga Barat* project contributed RM49.0 million and RM548.4 million, or 1.2% and 8.9%, respectively, of our total revenue. For the three-month FPE 30 June 2010, revenue from the *Tangga Barat* project contributed RM72.0 million, or 6.1% of our total revenue.

Current orderbook

Our orderbook as of any date is made up of the total stated contract value of orders not yet delivered excluding the portion of sales already recognised in respect of such orders using the stage-of-completion method. For contracts involving cost-plus arrangements, these contract values include cost estimates. We do not include projects in our orderbook until a contract has been signed, except in the case of arrangements with PETRONAS Group of companies, where the amounts are included in the orderbook on the basis of letters of intent or letters of award that do not prohibit the customer from cancelling these projects. If these projects were to be cancelled, we may only be able to recover expenses incurred up to the date of cancellation.

7. BUSINESS OVERVIEW (Cont'd)

The make up of our orderbook as of any date may not be representative of our future projects, as certain types of future projects are more likely to be included in the orderbook than others. This is in part because of the timeframe for these projects and the way in which they are contracted. Our engineering and construction segment often undertakes large, long-term projects that remain on our orderbook for a number of years. For example, the *Turkmenistan Block 1, Phase 1* gas development project has been on our orderbook since 2007. Projects conducted by the marine conversion and marine repair segment, in contrast, generally take only a few weeks to a few months to complete and may be reflected on our orderbook for only a short period of time.

The following table sets forth, as of 30 June 2010, our orderbook for engineering and construction projects by type of project in terms of the number of projects, orderbook value and the related percentage data:

	As of 30 June 2010		
	Number of Projects	(in RM millions)	%
EPC/EPCIC.....	2	5,020.7	84.4
Topsides.....	2	909.2	15.3
Turrets.....	1	9.6	0.2
Total.....	5	5,939.5	100.0

Customers

Our engineering and construction segment's customers are mainly companies involved in the oil and gas industry, such as offshore exploration, development and production of oil and gas and marine contractors engaged in the infrastructure of such projects. A significant portion of our revenue from our engineering and construction segment is derived from projects for the PETRONAS Group, such as PETRONAS Carigali and PCTSB.

Our top five (5) engineering and construction customers in terms of the percentage of aggregate revenue contribution for the periods indicated are as follows:

Top 5 Customers	Length of Relationship as of 30 June 2010 (year)	FYE 31 March			Three-Month FPE 30 June
		2008	2009	2010	2010
		(in % of total revenue)			
PCTSB ⁽¹⁾	> 5	17.2	32.4	41.7	58.4
MISC ⁽¹⁾	> 5	18.9	27.6	37.7	20.5
PETRONAS Carigali ⁽¹⁾	> 5	2.9	7.6	9.7	10.2
Shell Sarawak.....	> 5	4.8	5.2	1.3	0.5
Woodside Energy Ltd.....	4	5.7	0.6	*	-
Total.....		49.5	73.3	90.4	89.5

Notes:

* Insignificant.

⁽¹⁾ These transactions are related-party transactions.

7. BUSINESS OVERVIEW (Cont'd)

Competition and market share

There are currently 17 fabrication yards in the Asia Pacific region that have significant offshore oil and gas engineering capacity. Our primary engineering and construction competitors outside of Malaysia include Hyundai Heavy Industries Co., Ltd. ("HHI"), Daewoo Shipbuilding & Marine Engineering Co. Ltd. ("DSME"), Keppel Corporation Ltd. ("Keppel"), Sembcorp Marine ("Sembcorp"), J. Ray McDermott, Inc. ("J. Ray McDermott"), CNOOC Engineering (Qingdao) Co. Ltd., Samsung Heavy Industries, Hyundai Vinashin Shipyard Co., Ltd. and DryDocks World-Dubai. These companies compete with us across our full range of engineering and construction services.

In Malaysia, we are one of only seven companies that have a licence to fabricate oil and gas structures. Among the other six PETRONAS-licensed companies, we consider Sime Darby Berhad ("Sime Darby") and Kencana Petroleum Berhad ("Kencana") to be our main competitors.

In the Caspian region, we are one of only five companies with experience manufacturing offshore oil and gas topsides. The AMEC-Tekfen-Azfen Consortium, J. Ray McDermott, and Keppel have yards in Azerbaijan. Keppel also has a yard in Kazakhstan, and Caspian Energy Group Ltd. operates a yard in Russia. We operate the only topsides fabrication yard in Turkmenistan capable of constructing offshore oil and gas topsides.

Our Malaysian competitors are involved primarily in shallow-water topside modules, jackets and appurtenances. Our facilities at our Pasir Gudang yard are the only ones in Malaysia that have constructed complex deepwater structures for the oil and gas industry, such as FPSOs and SPARs. For turret fabrication, Kencana is our only competitor in Malaysia.

Our Pasir Gudang yard is the single largest Malaysian topsides fabrication yard, with 27.3% of the total annual tonnage capacity in the country. We have one of the world's largest shiplift systems, designed to lift and transfer vessels and structures up to 50,000 dwt to landberths, and skid-tracks able to transfer vessels and structures of up to 40,000 mt to landberths, the largest maximum tonnage for skid-tracks in Malaysia. These capabilities, particularly our skid-track capacity, are one of the reasons we are the only company in Malaysia with experience fabricating deepwater units for the offshore industry.

For the period from 2003 to 2010, we were one of 16 companies in the world that constructed hulls or topsides for semi-submersibles, with our work on the *Gumusut-Kakap FPS* providing us with a 6.2% share of the global semi-submersible construction market (based on the number of projects). Also, the *Kikeh Dry Tree Unit Truss SPAR* was one of only 11 SPARs constructed worldwide during the period from 2003 to 2010, providing us with a 9.1% global market share of SPAR construction during this period (based on the number of projects).

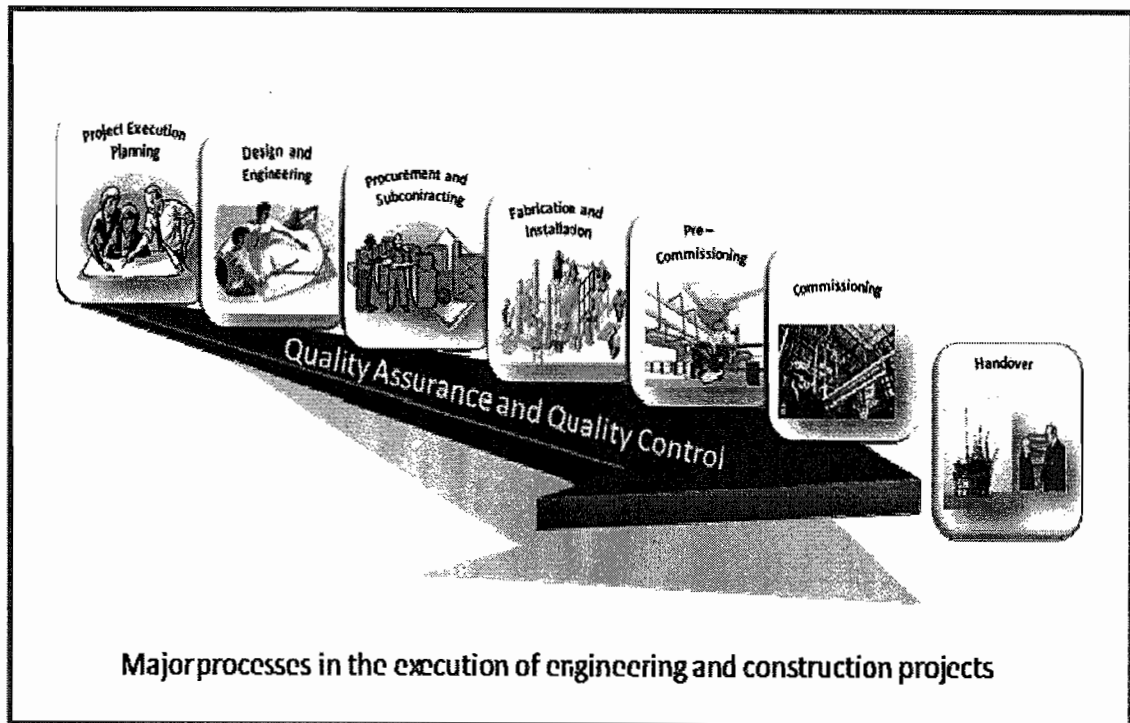
Project execution process

Most of our engineering contracts are EPC contracts, EPCIC contracts or variations of these structures. The engineering element of projects using EPC or EPCIC contracts may be performed by the customer, a design house or by us. In our experience, the engineering and procurement elements of these contracts provide higher margins and we are working to expand our work in these areas, including through expansion of our facilities and the hiring of appropriate staff.

Following the award of a contract, our EPC and EPCIC work typically involves the steps described below.

7. BUSINESS OVERVIEW (Cont'd)

The chart below illustrates the major steps in the execution of our engineering and construction projects:



Project execution planning

After a project is awarded, the project manager develops a project costing and project execution plan that includes plans for risk management, resource management, schedule management, procurement and subcontracting, scope management and quality management. The project finance team creates a project number and determines the appropriate accounting codes for use on the project.

Design and engineering

When project design is part of the project award, our design department or an external design consultant produces the appropriate engineering and design documents based on the specifications and requirements of the client. For more complex projects, our engineering department may collaborate with an external design house that has a proprietary design for the project. Our engineering department reviews and verifies the design documents and the verified design is re-produced as an "issue-for-construction" drawing which is utilised for procurement and construction activities. For procurement purposes, a "material take-off" list is produced based on the issue-for-construction drawing.

7. BUSINESS OVERVIEW (Cont'd)

Procurement and subcontracting

After the requisition details are produced, the procurement and subcontracting department commences sourcing activities based on the procurement plan. These sourcing activities include enquiry, technical and commercial bid evaluation, contracting and the issuance of purchase orders, tracking and expediting, and delivery and inspection. Materials delivered to our warehouse are inspected and verified by the warehouse department, the quality control department and the project management team.

Fabrication & installation

After the delivery and acceptance of the materials at the warehouse, the project management team commences construction and fabrication activities. These activities typically include welding, painting, non-destructive testing, hydro-testing, cleaning and flushing, heat treatment, reinstatement test and installation. The testing we perform is recorded and jointly verified by representatives from the project management teams and the client. A representative from our quality assurance department is also at the site to monitor and ensure quality compliance in accordance with the project's quality management plan.

Pre-commissioning

Pre-commissioning activities focus on sub-system and system operations, including how various pieces of equipment interact with each other. These activities typically include instrument loop checks, panel function tests, energising electrical equipment and specialist equipment hydraulic systems, flushing and running motors and piping reinstatement leak tests.

Commissioning

Commissioning activities are done by the hook-up team, either onshore or offshore, in the presence of the project owner or operator. These activities are normally performed after structures and equipment have been installed and pre-commissioned for production use. These activities are intended to verify the functionality of the equipment and its integration with other systems and facilities, and to ensure that the equipment operates in accordance with project requirements. Commissioning activities are not always required by our clients.

Handover

Once all systems are commissioned, if required, and accepted by the project owner or operator, the project management team finalises all project documents and acceptance certificates for the hand-over process.

Quality assurance/Quality control

Our quality assurance/quality control department operates as an independent unit to ensure the quality of work performed. The work of the quality assurance/quality control department runs in parallel with all stages of the project execution process. For construction work, that portion of the project is considered complete only once clearance from the quality assurance/quality control department is obtained. In addition, documentation of quality assurance/quality control is required for mechanical acceptance by the client.

7. BUSINESS OVERVIEW (Cont'd)

Marine conversion and marine repair

Our marine conversion and marine repair businesses constitute one operating segment, as we manage these two businesses together based on the shared personnel and facilities employed by the two businesses.

(i) Marine conversion

Our Pasir Gudang yard is a one-stop centre for the conversion of vessels such as VLCCs, Aframax tankers and offshore rigs into floating structures for the offshore oil and gas industry including FPSOs, FSOs, MOPUs and MODUs. We provide a comprehensive range of conversion services from design, engineering and procurement to fabrication, installation, commissioning and delivery. We also offer "jumboisation" works and have an established track record in newly built self-erecting tender rig barges, which we have constructed since 2004.

Our dry-dock facility for marine conversion is one of the largest in the Southeast Asian region in terms of tonnage, and our capacity for marine conversion is currently limited by our available facilities at the Pasir Gudang yard, which we share with our marine repair business. Our Pasir Gudang yard can currently handle only three projects concurrently, either a combination of one VLCC and two Aframax tankers or three Aframax tankers. Our Pasir Gudang yard is the only yard in Malaysia that has completed FPSO and FSO conversions.

Since completing the conversion of the *FPSO Perintis* in March 1999, we have completed an additional four FPSO and four FSO conversion projects. These include the conversion of our first deepwater FPSO facility, the *FPSO Kikeh*, in March 2007. Other projects completed by our marine conversion business include four new-build self-erecting tender rig barges.

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7. BUSINESS OVERVIEW (Cont'd)

Revenue contribution

The table below sets forth the revenue from the marine conversion business (by vessel type) for the periods indicated:

	FYE 31 March					Three-Month FPE 30 June				
	2008		2009		2010		2010		2010	
	No. of Vessels ⁽¹⁾	Total Revenue	%	No. of Vessels ⁽¹⁾	Total Revenue	%	No. of Vessels ⁽¹⁾	Total Revenue	%	No. of Vessels ⁽¹⁾
						(in RM millions, except for number of vessels and percentages)				
FSO, FPSO and MOPU	5	131.3	49.6	8	207.0	56.6	6	123.2	53.8	2
Newbuilds and others	3	133.4	50.4	4	158.4	43.4	1	105.8	46.2	2
Total	8	264.7	100.0	12	365.4	100.0	7	229.0	100.0	4
								18.5		100.0

Note:

⁽¹⁾ Reflects the number of vessels that contributed revenue during this period, not the number of projects secured or completed in that financial year or financial period.

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7. BUSINESS OVERVIEW (Cont'd)

The table below sets forth our completed FPSO and FSO conversion projects:

Project	Customer	Completion Date
FPSO:		
FPSO Perintis	M3nergy FPSO Perintis Sdn Bhd	March 1999
FPSO Bunga Kertas.....	MISC	December 2003
FPSO Kikeh	Malaysia Deepwater Floating Terminal (Kikeh) Limited	March 2007
FPSO Ruby II	Vietnam Offshore Floating Terminal (Ruby) Ltd.	March 2010
FSO:		
FSO Angsi	MISC	August 2005
FSO Abu	MISC	June 2007
FSO Cendor	MISC	September 2007
FSO Orkid	Malaysia Vietnam Offshore Terminal (L) Ltd.	February 2009
Newbuilds:		
T-9 drill tender barge	Smedvig Rig As.	March 2004
T-10 drill tender barge	Crest Tender Rigs Pte Ltd.	August 2007
T-11 drill tender barge.....	Seadrill Tender Rig Ltd.	April 2008
T-12 drill tender barge.....	Seadrill Tender Rig Ltd.	February 2010

As of 30 June 2010, our marine conversion orderbook included projects valued at RM0.1 million, consisting of the *Dana 256*, a MOPU. Our orderbook for marine conversion as of any date may not be representative of our future revenue. Projects conducted by our marine conversion business often take only a few months to complete and may be reflected on our orderbook for only a short period of time.

Our top five (5) marine conversion customers in terms of the percentage of aggregate revenue contribution for the periods indicated are as follows:

Top 5 Customers	Length of Relationship as of 30 June 2010 (year)	FYE 31 March			Three- Month FPE 30 June
		2008	2009	2010	2010
		(in % of total revenue)			
MISC ⁽¹⁾	> 5	6.2	5.0	1.2	0.9
Seadrill Tender Rigs Pte Ltd ⁽²⁾	> 5	-	3.7	1.8	*
Seadrill Asia Limited ⁽³⁾	> 5	6.8	0.2	-	-
Malaysia Offshore Mobile Production (Labuan) Ltd ⁽¹⁾	2	-	*	0.7	0.7
Smedvig Asia Ltd	> 5	1.6	*	-	-
Total		14.6	9.0	3.6	1.6

7. BUSINESS OVERVIEW (Cont'd)

Notes:

* Insignificant.

(1) These transactions are related-party transactions.

(2) On 2 November 2009, MMHE, Seadrill Tender Rigs Pte Ltd and Seadrill Tender Rig Ltd executed a deed of novation whereby with effect from 2 November 2009, Seadrill Tender Rigs Pte Ltd assigned and transferred to Seadrill Tender Rig Ltd all of its rights and obligations under the building contract originally executed between MMHE and Seadrill Tender Rigs Pte Ltd for the construction of the Seadrill T-12 drill tender barge.

(3) On 17 January 2008, MMHE, Seadrill Asia Limited and Seadrill Tender Rig Ltd executed a deed of novation whereby with effect from 17 December 2008, Seadrill Asia Limited assigned and transferred to Seadrill Tender Rig Ltd all of its rights and obligations under the building contract originally executed between MMHE and Seadrill Asia Limited for the construction of the Seadrill T-11 drill tender barge.

Competition and market share

Due to the nature of conversion vessels, competition for marine conversion work is not dependent on geographical location. There are, however, companies working in this sector that focus on specific geographic locations, including companies that focus on their domestic market because of regulatory limits on foreign participation in that market. Our principal global competitors for conversion work include Dalian Ocean Shipping Company ("COSCO Dalian") in China, DSME, HHI and Samsung Heavy Industries in South Korea and Jurong Shipyard Pte Ltd, Keppel and Sembcorp in Singapore. In the Asia Pacific region, marine conversion work is primarily conducted in Malaysia, Singapore, China and South Korea.

Our competitive position is strengthened by the fact that we have one of the largest dry-dock facilities in Southeast Asia in terms of tonnage, with the ability to service vessels of up to 450,000 dwt.

For the period from 2003 to 2010, we had a 3.8% share of the global FPSO conversion market (based on the number of projects) and a 12% global market share of the global FSO conversion market (based on the number of projects).

Project execution process

For our marine conversion projects, the execution process is similar to the project execution process for engineering and construction projects.

(ii) Marine repair

Our marine repair services include repair, refit and refurbishment services for a wide range of vessels. We focus on energy-related vessels such as ULCCs, VLCCs, petroleum tankers, chemical tankers, offshore oil rigs, gas carriers, and other offshore support vessels. Through a joint venture with Samsung Heavy Industries, we provide maintenance, technical solutions and refurbishment services for LNG carriers at our yard in Pasir Gudang. Our aim is to be the Southeast Asian regional leader for LNG carrier repair.

7. BUSINESS OVERVIEW (Cont'd)

Orderbook

As of 30 June 2010, we had a marine repair orderbook valued at RM12.3 million, consisting of RM2.7 million for LNG and LPG vessel repairs, RM0.9 million for repairs of rigs and other facilities and RM8.7 million for tanker repairs. These projects are contracted for completion within the FYE 31 March 2011, although from time to time, customers may delay sending their vessels for maintenance and their completion may be delayed. Due to the high turnover of marine repair projects, the relatively short time these projects are in the Pasir Gudang yard and depending on the facilities and resources available at other yards in the region, it is not unusual for there to be a relatively short time, typically a few weeks, between when a client seeks bids on a project, and when an agreement is reached and the work is actually conducted. As a result, our marine repair orderbook at the beginning of a financial year may not be a meaningful indicator of the amount of work we may conduct during that year.

Customers

Our top five (5) marine repair customers in terms of the percentage of aggregate revenue contribution for the periods indicated are as follows:

Top 5 Customers	Length of Relationship as of 30 June 2010 (year)	FYE 31 March			Three-Month FPE 30 June
		2008	2009	2010	2010
		(in % of total revenue)			
MISC ⁽¹⁾	> 5	7.2	3.8	1.5	1.7
Marlin Offshore Services ..	4	3.8	3.4	*	-
Allseas Engineering b.v....	2	-	1.2	0.5	1.3
Teekay Navion Offshore Loading Pte. Ltd.	5	1.8	0.2	0.2	0.3
CPC Corporation.....	> 5	1.5	0.2	0.1	0.4
Total		14.2	8.8	2.3	3.7

Notes:

* Insignificant.

⁽¹⁾ These transactions are related-party transactions.

In 2006, we formed the joint venture company MSLNG with Samsung Heavy Industries, a leading builder of LNG carriers, to grow our marine repair business in the high-value, high-growth LNG carrier repair and refurbishment business. MSLNG markets the services of our LNG carrier repair and refurbishment facility. Through this joint venture, we have procured repair orders for LNG carriers from MISC, Hyundai Merchant Marine Co., Ltd. and Oman LNG LLC.

Competition and market share

There are a large number of major shipyards in Southeast Asia. For marine repairs, we consider the following companies in Singapore and the Middle East as our direct competition: Keppel, Sembcorp and DryDocks World-Dubai. Yards in Thailand, Indonesia, Vietnam, the Philippines and China are also our competitors to some extent, but since competition in this sector is affected by geographical and trading routes, the Singapore yards comprise the most relevant comparison.

We expect to face strong competition from Singapore yards. We face competitors from larger yards that target the same market segment as us, in particular the higher value repairs for tankers, LNG and LPG carriers and oil rigs.

7. BUSINESS OVERVIEW (Cont'd)

Our competitive position is strengthened by the fact that we are located adjacent to the Malacca Straits, one of the major shipping passages in the world and that we have one of the largest dry-dock facilities in Southeast Asia in terms of tonnage, with the ability to service vessels of up to 450,000 dwt. Also, the planned enlargement of our VLCC capable Dry Dock Number 2 at the Pasir Gudang yard in 2013 is expected to increase our capacity to repair energy-related vessels, such as LNG carriers and VLCCs, which will provide us with an opportunity to increase our energy-related vessel repair market share.

Competition and market share - LNG carrier repair and refurbishment

At the end of 2009, there were 367 LNG carriers worldwide, of which MISC operated 29. The market has expanded rapidly in recent years, as LNG carrier capacity worldwide grew at an average rate of 14.7% per year for the period 2000-2009. The increasing demand for LNG carriers in the coming years is expected to create opportunities for LNG carrier repair and refurbishment, a market we are focused on. We enjoy a strong relationship with our parent, MISC, which increases our opportunity to receive their high-value LNG carrier repair projects.

Our location adjacent to the Malacca Straits places us in a central and convenient position near or alongside major LNG shipping routes from production fields in the Middle East, Southeast Asia and Australia to major LNG markets in Japan, China and South Korea. In 2009, 64.9% of the global LNG shipping trade passed through the Asia Pacific region.

In 2009, we were one of three companies in the Malaysian/Singapore region to repair or refurbish LNG carriers. Within the Malaysian/Singapore LNG repair and refurbishment market we have an approximate 30% market share. Our local competitors are Sembcorp and Keppel, each of which operates facilities in Singapore.

Following the establishment of MSLNG, our LNG carrier repair and refurbishment expertise and capabilities have grown, and the number of LNG carriers we have serviced has increased from 3 vessels in the FYE 31 March 2006 to 13 vessels in the FYE 31 March 2010. Given the limited dry-dock and quay capacity at the Pasir Gudang yard, the aggregate number of vessels of all types that we have repaired has declined, as we focused on the repair and refurbishment of LNG carriers and rigs, which typically require longer docking periods, reducing the amount of space available for other vessel repairs.

The aggregate number of vessels of all types that we have repaired has declined since the FYE 31 March 2005, as we focused on the repair and refurbishment of LNG carriers and rigs, which typically require longer docking periods, reducing the amount of space available for other vessel repairs. The aggregate number of vessels of all types serviced by our marine repair business during the FYE 31 March 2005, 2006, 2007, 2008, 2009 and 2010 was 114, 72, 62, 57, 73 and 74, respectively. Due to market conditions brought about by the global financial crisis, we serviced a higher number of container and bulk carriers during the FYE 31 March 2009 and 2010 to fill up yard capacity during this unusual period. This resulted in an increase in the aggregate number of vessels of all types serviced by our marine repair business for FYE 31 March 2009 and 2010 as compared to FYE 31 March 2006, 2007 and 2008, although we do not consider it representative of the long-term trend.

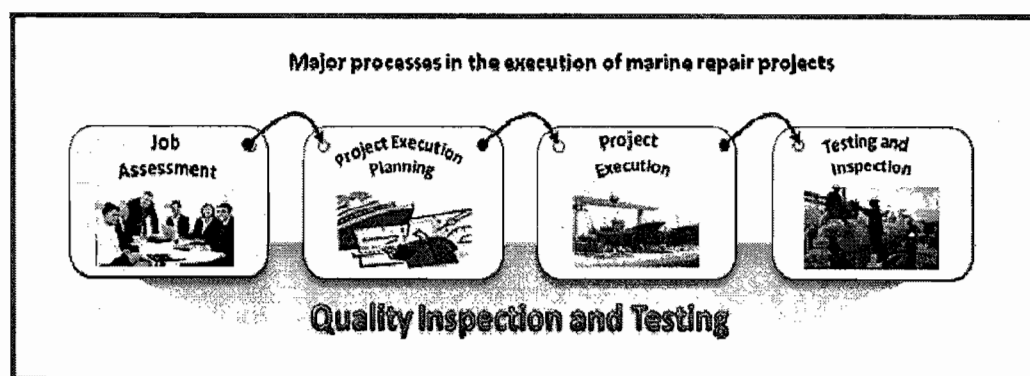
7. BUSINESS OVERVIEW (Cont'd)

The table below sets forth the number of container and bulk carriers and the aggregate number of vessels of all types serviced by our marine repair business for the periods indicated:

	FYE 31 March					
	2005	2006	2007	2008	2009	2010
Container and bulk carrier.....	37	18	6	4	16	14
Aggregate number of vessels of all types.....	114	72	62	57	73	74

Project execution process

We typically divide our marine repair project into the five stages described in the chart and text below:



Job assessment

The vessel that requires repair or refurbishment is inspected, and discussions between our project team and the vessel owners are held on the type and scope of the required repair or refurbishment works. In consultation with the vessel owners, our project team then plans and decides on equipment, materials and manpower requirements.

Project execution planning

The vessel owner confirms the type and scope of work, and our project team procures equipment, parts and materials. The contractors, if required, and our in-house employees undertake the relevant repair or refurbishment works. Vessels that require repairs to be conducted while afloat are carried out alongside the berth space, and those that require dry-dock repairs are dry-docked accordingly.

Before the repair or refurbishment works start, a yard safety officer inspects the vessel and issues a permit-to-work clearance, which is the officer's certification that the repair or refurbishment works can proceed.

Project execution

After the vessel is berthed or dry-docked, we undertake the required repair or refurbishment works which typically include:

- Retrofitting and conversion. These works involve the integration of a structure or piece of equipment that the vessel was not originally fitted with. Examples include firefighting systems, metering and processing systems or the fabrication and installation of a deckhouse or crane. We also perform "jumboisation" works, in which a midship block of a vessel is fabricated and inserted into the mid-section of the vessel to lengthen or broaden it.

7. BUSINESS OVERVIEW (Cont'd)

- Renewal and repair works. These works involve the removal and replacement of damaged or worn-out sections of hulls, machinery, electrical and piping systems of a vessel or repairing any defects or shortcomings noted during inspection of the vessel or requested by the vessel's owner. This includes blasting and painting works.

Testing and inspection

Following the completion of repair or refurbishment works, vessels are tested for conformity with the customer's specifications and requirements. If the works we carried out do not conform to the client's specifications or requirements, we undertake steps to rectify the non-conformity before the vessel is delivered to the customer.

Quality inspection and testing

Quality control is observed at all stages of the marine repair process. At each stage of the work, the project team liaises with the customer's representatives, contractors, and, as required, surveyors of the classification society, to update them on the progress of the project.

7.7 Sales and marketing

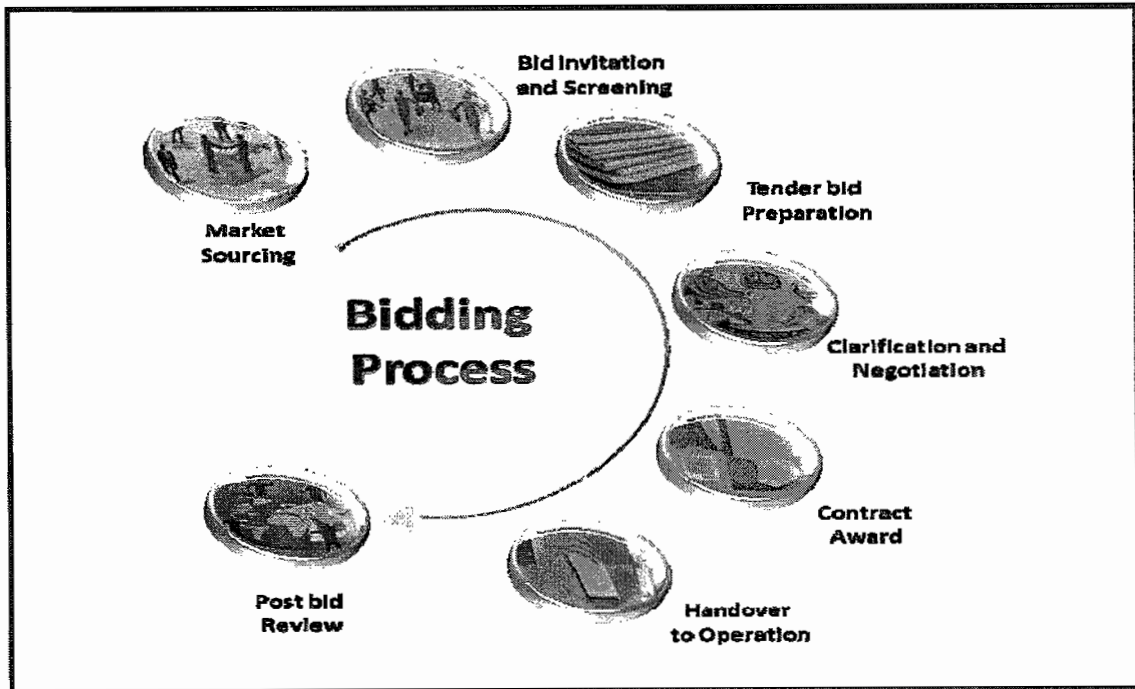
Our sales and marketing activities focus on retaining and servicing our existing customer base and seeking new engineering and construction and marine conversion and marine repair customers in Malaysia and abroad. The markets for our services are the oil and gas and the marine repair industries. Our potential customer base is small and consists of sophisticated clients with a clear understanding of their needs and requirements. We believe that we will gain and retain our customers on the basis of our reputation for providing quality services, having sufficient and available capacity and having a good track record for project execution and safety.

Our primary customers, for both our engineering and construction segment and our marine conversion and marine repair segment, are the PETRONAS Group and we have a sales and marketing team devoted to them. We have a second team devoted to developing and maintaining our relationships with the major international oil and gas companies as well as certain national oil and gas companies. The third element of our sales and marketing efforts focuses on our relationships with shipping agents. Our sales and marketing efforts are currently focused on building our presence in new growth areas for us, such as Australia, Southeast Asia and the Caspian region and we are working with companies operating in these regions to achieve this objective. For the marine repair market, we have built and continue to build our customer base through our global network of 22 shipping agents, as of LPD, for ships that are trading east of Suez, in particular in the Southeast Asia region. We rely on our shipping agents for marketing because we believe they offer local knowledge, language abilities and an understanding of the local culture of the markets in which they operate. Shipping agents source vessel repair enquiries and follow up on these enquiries through to the award stage. They also provide periodic market reports within their region and assist us in maintaining good client relationships.

7. BUSINESS OVERVIEW (Cont'd)

7.8 Bidding process

Our bidding process for a project typically includes the following steps:



Market sourcing

We review potential projects through market reports, in-house research and contacts within the oil and gas industry. Once a possible project of interest is identified, we express our interest to the potential customer.

Bid invitation and screening

Once invited to bid on the new project, our management, through our tender bid committee, reviews the risks and rewards in conducting the project and decides whether to submit a bid. In selecting projects, we consider familiarity with the customer and the product, our capacity and resources availability and the potential profitability of the project.

Tender bid preparation

Appropriate personnel from various departments prepare relevant sections of the bid submission. Our operations personnel prepare a technical bid pack (which describes the project's specifications and our technical abilities and capabilities to conduct the project). Our estimation department prepares a commercial bid pack based on information from our procurement, operations and finance departments. Our in-house legal department reviews and suggests amendments to the proposed contract. We compile a tender bid including the technical bid pack, the commercial bid pack and proposed amendments to the proposed project contract, and it is approved for submissions. Our sales department then completes and presents the bid packs and submits the documentation to the potential customer.

7. BUSINESS OVERVIEW (Cont'd)

Clarification and negotiation

After the bid pack is submitted, our sales team communicates with the potential customer and provides assistance with clarifications and queries.

Contract award

If our bid is accepted, the contract is then negotiated and executed. During this period, there are often further negotiations on technical scope and commercial aspects of the project that are handled by our in-house legal and sales departments.

Handover to operations

Once the contract is executed, the project is handed over to a project management team.

Post bid review

After the conclusion of the bidding exercise, we conduct a review of the bid process to seek ways to improve our future bids.

7.9 Facilities

7.9.1 Production/operating facilities as of the LPD

(i) Pasir Gudang

We have comprehensive and integrated facilities in our strategically located 150.6 hectare complex with a 1.8 km seafront in Pasir Gudang, Johor, Malaysia. This yard is located in a sheltered area with access to a 14-metre deep navigational channel. The facility includes one of the largest dry-docks in the Southeast Asian region in terms of tonnage, which can dock vessels of up to 450,000 dwt, and a shiplift system to cater to vessels and structures up to 50,000 dwt. Our five open fabrication areas cover 321,400 square meters and can simultaneously accommodate the construction of large marine structures with a total tonnage of 69,700 mt. In 2009, we constructed structures with a total tonnage of 45,221 mt, which was the largest tonnage processed by our Pasir Gudang yard in a year. Our facilities in Pasir Gudang are supported by 35 fully covered workshops, totalling 99,000 square metres.

Our Pasir Gudang yard is used for our engineering and construction, marine conversion and marine repair activities. However, our engineering and construction business uses resources and spaces within the yard that are generally separate from those used by our marine conversion and marine repair businesses. As a result, our engineering and construction segment's utilisation of these facilities does not affect the capacity of our marine conversion and marine repair segment to accept new projects. Our marine conversion and marine repair businesses generally use the same space, resources and facilities in our Pasir Gudang yard.

7. BUSINESS OVERVIEW (Cont'd)

Of the 150.6 hectares of land we occupy at Pasir Gudang, 23.9 hectares of that land was recently leased for a term expiring in May 2051. The new land is being utilised by the engineering and construction segment and is expected to increase that segment's productive capacity.

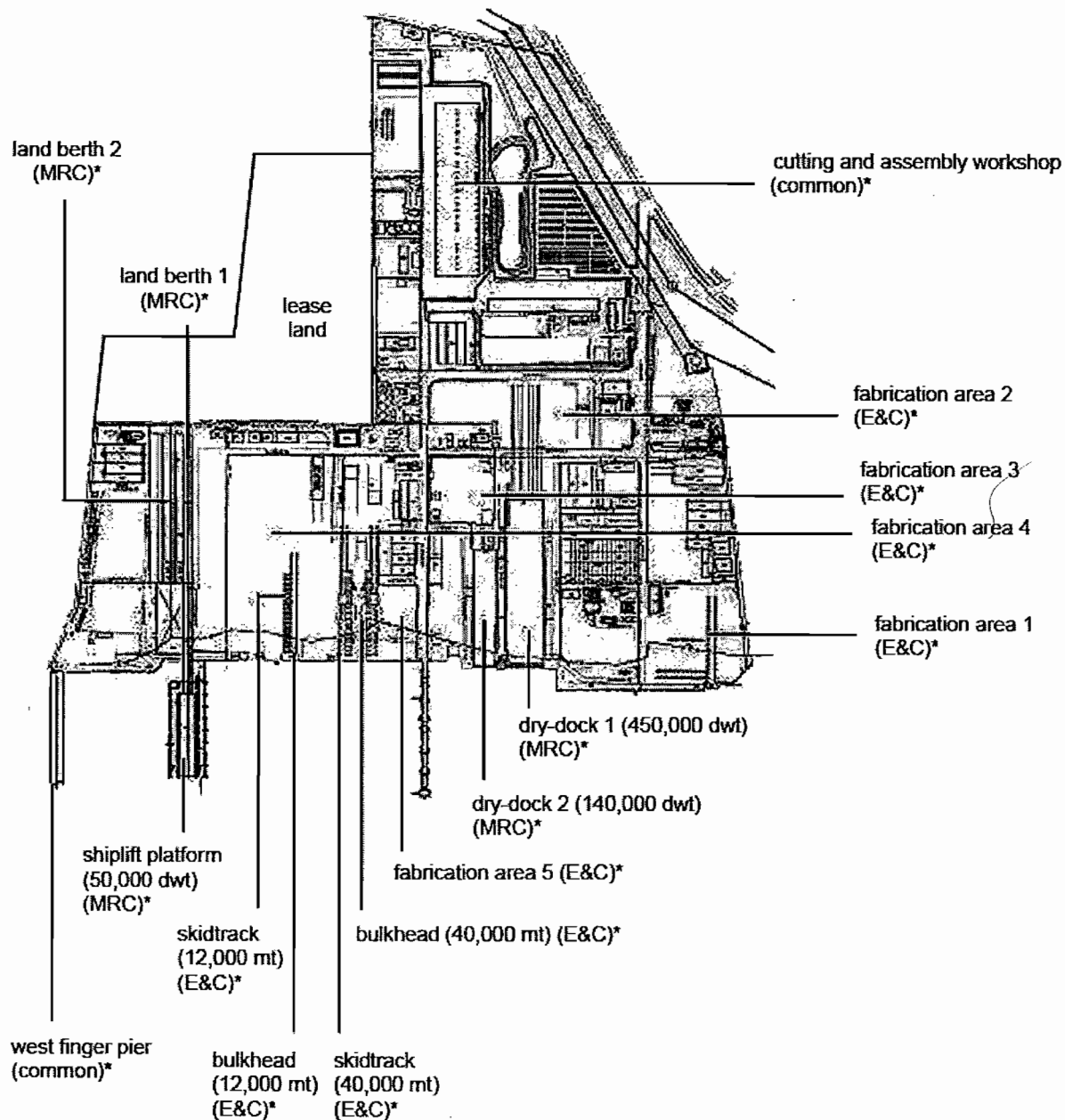
The following table sets forth the leases for our Pasir Gudang yard.

Land	Size of Parcel	Lessor	Tenure
Main parcel of land	121.8 hectares	Johor State Authority	60 years from 9 June 1980
Reclaimed land	4.9 hectares	Johor State Authority	99 years from 23 February 1976
New land	23.9 hectares	Idemitsu Chemicals (M) Sdn Bhd	42 years from 6 April 2009

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7. BUSINESS OVERVIEW (Cont'd)

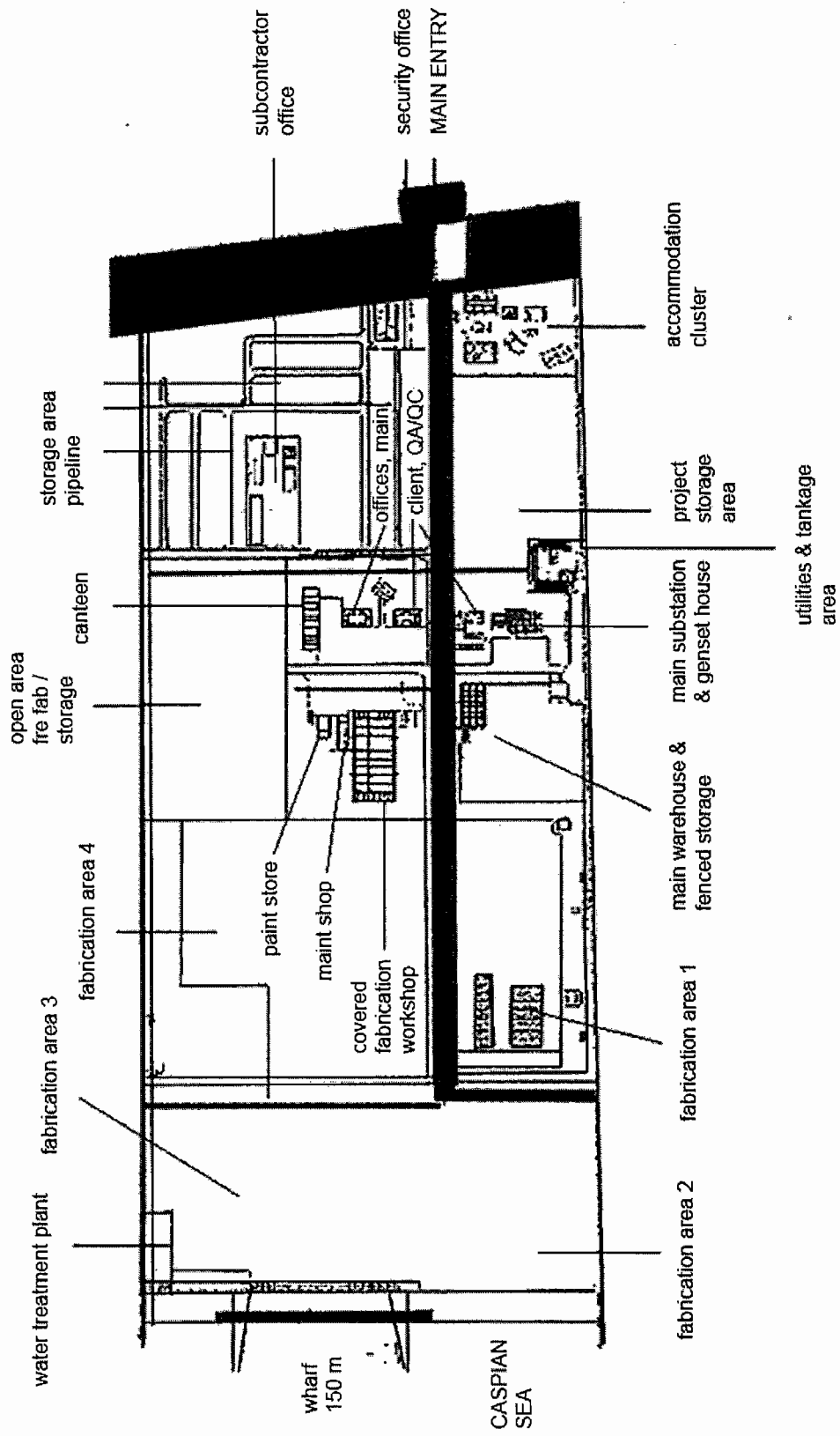
The diagram below provides an overview of the principal facilities of our Pasir Gudang yard as of LPD. Our engineering and construction projects generally use the areas shown as fabrication area 1 to 5, while our marine conversion and repair projects are generally undertaken in the other parts of the yard.

**Note:**

- * "E&C" refers to facilities utilised for engineering and construction segment.
- * "MRC" refers to facilities utilised for marine conversion and marine repair segment.
- * "common" refers to facilities that can be utilised for all segments.

7. BUSINESS OVERVIEW (Cont'd)

The diagram below provides an overview of the principal facilities of the Kiyanly yard, which we manage and operate on behalf of PCTSB, as of LPD.



7. BUSINESS OVERVIEW (Cont'd)

The table below sets forth the principal facilities of our Pasir Gudang yard as of LPD:

Facility Type	Description
Dry-dock	2 dry-docks (up to 450,000 dwt measuring 385 metres x 80 metres x 14 metres and up to 140,000 dwt measuring 270 metres x 46 metres x 12.5 metres)
Open fabrication yard	5 fabrication areas totalling 321,400 square metres
	3 skid-tracks and 2 bulkheads, one up to 40,000 mt and the other up to 12,000 mt
	1 skid-track up to 6,000 mt
Workshop	35 workshops covering 99,000 square metres (including a fully equipped and covered cutting and assembly workshop, service workshops and production workshops)
Shiplift	1 shiplift (188.4 metres x 33.8 metres x 8 metres draft with lift capacity of 50,000 dwt)
Landberth	2 landberths (each of 345 metres length)
Quay	7 quays (lengths of up to 368 metres)
LNG Carrier Repair Facility	1
Global Test Control Room	3
Cryogenic workshop	1 (557.8 square metres)
Invar welding training centre	1 (84.28 square metres)

Our subsidiary, MMHE, has certain quays, dry-docks, workshops, offices, storage rooms and other miscellaneous erected structures at our Pasir Gudang yard which are currently being used pursuant to temporary permits issued by the Pasir Gudang local authority pending the issuance of formal certificates of completion and compliance. These temporary permits are valid until 31 December 2011. We are in the process of applying for the formal certificates of completion and compliance and in the event the formal certificates are not issued before the temporary permits expire, we intend to renew the temporary permits.

(ii) Kiyanly

We operate and manage a fabrication yard in Kiyanly, Turkmenistan. This facility has an area of 436,000 square metres (43.6 hectares) and a total tonnage capacity of 25,000 mt at any single point of time. We do not own the Kiyanly yard in Turkmenistan. Following our appointment by PCTSB as the EPCIC contractor for Phase 1 of its Block 1 gas development project in the Caspian Sea off Turkmenistan in 2004, we are currently operating and managing the fabrication yard on behalf of PCTSB. As part of our arrangement with PCTSB, we have agreed to complete a number of projects related to *Phase 1*, including the construction of the Kiyanly fabrication facility.

7. BUSINESS OVERVIEW (Cont'd)

The Kiyarly facility is located on land that was granted to PCTSB by a presidential decree related to the Block 1 gas development project. The presidential decree permits PCTSB to use 240 hectares of land in the Kiyarly village for petroleum production and the construction of a gas processing plant, an onshore gas terminal and a fabrication yard.

The table below sets forth the principal facilities of the Kiyarly yard:

Facility Type	Description
Covered fabrication yard	<p>Main fabrication shop of 86 metres x 25 metres x 11 metres equipped with a 20 mt overhead crane</p> <p>Pipe shop of 86 metres x 15 metres x 11 metres equipped with a 10 mt overhead crane</p> <p>Maintenance workshop of 30 metres x 10 metres x 8 metres equipped with a 10 mt overhead crane</p> <p>Paint store workshop of 20 metres x 10 metres x 5 metres</p>
Open blasting and painting area	50 metres x 75 metres

7.9.2 Yard Optimisation Programme

We began implementing the Yard Optimisation Programme at our Pasir Gudang yard in 2006 to increase yard efficiency and expand the range of projects that the yard can undertake. The programme is intended to:

- rationalise the yard's existing workshops by optimising materials flow to improve efficiency and productivity while making additional space available for fabrication of larger and more complex engineering and construction structures and projects;
- increase the capacity for high-value marine conversion and marine repair projects by expanding and improving the facilities to conduct LNG and offshore rig repairs;
- construct specialised, sophisticated enclosed work areas for increased production (including process automation equipment) with less weather-related down-time; and
- purchase and construct new equipment needed for the construction of bigger, more complex structures.

As we have projects currently under construction and in our orderbook to fulfil, the Yard Optimisation Programme is being implemented in phases to minimise operational disruption and to enable us to continue with existing projects.

7. BUSINESS OVERVIEW (Cont'd)

New facilities and equipment

The table below describes the principal projects included in the Yard Optimisation Programme:

Categories	Selected Specifications	Details and	Start Date	Target Completion Date	Estimated Cost ⁽¹⁾	Weightage of the Estimated Cost ⁽²⁾		Cost Incurred as at 30 June 2010	Percentage of Completion as at 30 June 2010 ⁽³⁾
						RM'million	%		
Workshops. Rationalisation of workshops through automation and construction of specialised enclosed work areas to improve efficiency and productivity for improved turnaround of production and less down time due to outside factors including weather.	Electrical and piping workshop, cutting and assembly workshop/blasting and painting workshop and structural and piping workshop. Projected costs include those to dismantle existing workshop and to set up material receiving facilities.	November 2006	September 2012	575.4	21.1		260.1	10	
Capacity Expansion- Engineering and Construction. Installation of new capacity for engineering and construction activities.	Construction of 40,000 mt and 25,000 mt bulkheads and skid-track, concreting of fabrication areas and the additional land leased from Idemitsu Chemicals (M) Sdn Bhd.	January 2007	May 2014	595.8	21.9		163.1	8	
Capacity Expansion – Repair and Conversion. Installation of new facilities for marine conversion and marine repair activities.	Construction of West Finger Pier, enlargement of existing Dry Dock 2 and other marine conversion and marine repair facilities.	July 2008	December 2013	749.8	27.6		135.8	6	
Tonnage Capacity Expansion. New and upgraded equipment for higher tonnage capacity	Acquisition and installation of floating crane, block transportation dolly, mechanical and engineering utilities and level luffing cranes.	October 2010	October 2013	329.0	12.1		-	*	
General. General facilities and other items.	Infrastructures for mechanical and electrical, drainage, road, centralised storage, sewerage treatment plant and staff/client office building.	February 2006	February 2013	471.5	17.3		25.3	*	
Total				2,721.5	100.0		584.3		24

7. BUSINESS OVERVIEW (Cont'd)

Notes:

- * Insignificant.
- ⁽¹⁾ Estimated cost includes cost contracted packages approved by our Board and estimated cost to completion which is subject to our Board's approval.
- ⁽²⁾ Estimated cost for each category divided by the total estimated cost of the Yard Optimisation Programme.
- ⁽³⁾ The percentage of completion is an internal estimate to gauge the progress of the Yard Optimisation Programme. The percentage of completion is calculated based on the milestone of each individual project.

Capital expenditure on the Yard Optimisation Programme through 30 June 2010 was RM584.3 million. As of 30 June 2010, we estimated that future capital expenditure on the programme will be approximately RM2,137.2 million. As the work on the Yard Optimisation Programme progresses, RM798.8 million of the remaining estimated cost will be funded from proceeds arising from the Public Issue and the remaining expenditures will be funded by internally generated funds and/or borrowings.

Productivity and capacity goals

With completion of the Yard Optimisation Programme, we intend to be able to simultaneously conduct the following projects:

- Construct deepwater structures (including hull and topside) of up to 40,000 mt on the new skid-tracks and bulkheads. The construction method will be to build and integrate the structure on land before loading the finished structure out using the super-lift;
- Concurrently carry out repair works for two LNG carriers and four VLCCs; and
- Concurrently carry out conversion works on three FPSOs, FSOs or rigs.

The table below describes the incremental improvements resulting from the Yard Optimisation Programme:

Project	Selected Details and Specifications	Existing Area (in square metres)	Planned Area (in square metres)
Fabrication, Assembly and Erection Area	New fabrication area no. 6 and new 25,000 mt skid-track.	321,400	391,400
Workshops and Warehouse	New autoblast and primer, blasting and painting, MMHE-ATB and structural and piping workshops. New testing laboratory, warehouse and air-conditioned storage.	100,400	160,043

With the completion of the programme, we expect to have the potential to generate higher income from our existing business segments and also have the facilities to expand our offerings of deepwater and floating structure solutions and high-end LNG carrier repairs and refurbishments.

7. BUSINESS OVERVIEW (Cont'd)

7.10 Quality control

Maintaining the quality of our services is a key focus for us, and we give high priority to quality control. As at LPD, we had a quality control team of over 100 quality control personnel.

Our quality assurance programme includes a wide range of quality control assurance procedures at every stage of our operations. MMHE and MMHE-ATB are accredited with the internationally recognised ISO 9001 Quality System Standard awarded by Lloyd's Register for Quality Assurance. The API has certified MMHE to apply its official "API" monogram on fabricated steel pipes complying with certain of its specifications. MMHE-ATB is a certified fabricator, assembler and manufacturer for certain American Society of Mechanical Engineers coded pressure vessels, power boilers and pressure pipings.

7.11 Raw materials, supplies and sub-contractors

We have a large base of suppliers. We are generally not dependent on any one major supplier and generally purchase from suppliers who are able to offer the most competitive terms and highest quality materials and services.

Malaysian International Trading Corporation (Japan) Sdn Bhd ("MITCO"), a PETRONAS company that has been procuring materials (including steel) on our behalf for the last 14 years, accounted for 10% or more of our purchases for the FYE 31 March 2008, 2009, 2010 and FPE 30 June 2010 accounting for 11.6%, 21.4%, 20.1% and 11.0% respectively. We use MITCO and its subsidiaries to source a very substantial percentage of our materials from various original suppliers. MITCO is our largest supplier of steel plates. The market for the supply of steel plates is broad-based and competitive, and we therefore do not believe we are overly dependent on MITCO. There are many other local and foreign suppliers from which we can source our steel plates at competitive prices, such as Sumitomo Metal Industries, Ltd., ArcelorMittal and Southern Steel Berhad. We believe that MITCO offers us an advantage compared to other suppliers as it is often able to negotiate better prices because of the quantity of goods it procures for the PETRONAS Group.

Steel

Steel components, in the form of plates, sheets, pipes, beams and fittings comprised approximately 6.1% of total purchases in the FYE 31 March 2010. We do not have any long-term contracts for the supply of steel. In general, we purchase steel and steel products through MITCO in conjunction with other PETRONAS subsidiaries from suppliers. Prices for steel and steel products are determined by prevailing international market prices. The price of steel and steel products has increased in recent years. We have not experienced any significant shortages of steel or steel products.

7. BUSINESS OVERVIEW (Cont'd)

Registered suppliers

Customers in our industry, particularly the large international oil companies, typically have requirements regarding which service providers and suppliers may provide services or supply materials on their projects. For example, for projects secured from the PETRONAS Group or PETRONAS' PSC contractors, all our materials and manpower have to be sourced from PETRONAS-licensed suppliers and sub-contractors. If such materials or services cannot be obtained from a PETRONAS-licensed supplier or sub-contractor or if there are exceptional reasons why we should use another supplier or sub-contractor, we can use alternative arrangements only with PETRONAS's consent. The top five (5) major suppliers (based on our Group's aggregate purchases) for the periods indicated are as follows:

Top 5 Suppliers	Length of Relationship as of 30 June 2010 (year)	FYE 31 March			Three- Month FPE 30 June 2010	Type of Materials
		2008	2009	2010		
		(in % of total purchases)				
MITCO ⁽¹⁾	> 5	11.6	21.4	20.1	11.0	Steel plates, pipes and high dust filters
Tractors Petroleum Services Sdn Bhd....	> 5	*	9.3	2.7	18.2	Emergency diesel generators, fuel filters and inhibitors
Tuah Nusa Sdn Bhd	3	0.1	1.0	1.4	1.6	Flanges, ball valves, teflon pads and structural equipments
Promat ESM Sdn Bhd	> 5	0.3	0.8	1.1	0.1	Flanges, pipes and structural equipments
PETRONAS Dagangan Berhad ⁽¹⁾	> 5	0.8	0.8	0.3	*	Diesel fuel & lubrication oil
Total		12.8	33.3	25.6	30.9	

Notes:

* Insignificant.

⁽¹⁾ These transactions are related-party transactions.

Panel of sub-contractors

We have a panel list of sub-contractors that supply specific services to us on a regular basis at our Pasir Gudang yard. Whenever the services of a sub-contractor are needed, the project is tendered to our panel members, who are invited to submit bids. If no panel member is available, the work is offered to non-panel members. To be invited to become a panel member, a sub-contractor must be registered as one of our suppliers and have at least a three-year track record at the Pasir Gudang yard. Once placed on a short list to join a panel, the supplier's technical abilities and financial history are reviewed before a decision is made to add the supplier to a panel.

7. BUSINESS OVERVIEW (Cont'd)

Regular feedback from clients is sought on the safety and operational performance of sub-contractors at the Pasir Gudang yard. A formal assessment is conducted during the project and upon completion of a project. If a contractor is not performing as expected, it is removed from the panel. The top five (5) major sub-contractors (based on our Group's aggregate purchases) for the periods indicated are as follows:

Top 5 Sub-contractors	Length of Relationship as of 30 June 2010 (year)	FYE 31 March			Three-Month FPE 30 June 2010	Country of Origin	Type of Services
		2008	2009	2010			
		(in % of total purchases)					
Gap Insaat Yatirim Ve Dis Ticaret A.S.	5	3.4	3.8	4.7	1.9	Turkey	Construction and fabrication
Ilk Insaat Taahut Sanayi Ve Ticaret.....	4	2.1	1.4	4.5	2.8	Turkey	Construction and refurbishment
DPS Bristol (M) Sdn Bhd.....	3	2.0	4.3	0.8	*	Malaysia	Manpower supply and detail design engineering
Technip Consultant (M) Sdn Bhd	> 5	3.2	1.8	1.4	2.4	Malaysia	Consultation and detail design engineering
MISC Integrated Logistics Sdn Bhd ⁽¹⁾	3	0.2	2.4	2.1	1.9	Malaysia	Warehouse, transportation and haulage
Total		11.0	13.7	13.6	9.0		

Note:

⁽¹⁾ These transactions are related-party transactions.

7.12 Contract terms

Price terms

Orders for projects are typically obtained through a tender process based on invitations from customers. Our projects are generally carried out either on a fixed-price basis according to a defined timetable pursuant to the terms of a delivery contract, or on a cost-plus basis. For some projects, a combination of these two methods is used. Some tenders exclude procurement of materials or services (in whole or in part), and these are instead procured or supplied by the customer. The pricing of fixed-price contracts is crucial to our profitability, as is our ability to quantify the risks we bear and to provide for contingencies in the contract accordingly.

If additional expenses arise, these expenses are usually borne by us, and our profit from the project is correspondingly reduced or eliminated.

Cost-plus contracts involve customers paying the costs of supplies, facilities, sub-contractors, employees, and other inputs at the cost that these materials, facilities or services are borne by us, with the addition of an agreed percentage of profit for us. With cost-plus contracts, we invoice the customer for the costs of materials or services at the time these items are ordered or utilised and receive payments within the agreed invoice time period. While this billing method provides us with a defined profit margin over the life of the project, these margins are typically lower than those we obtain for fixed-price contracts. Cost-plus contracts are most typically used for unusual or novel projects (in which cost estimation is difficult) or a project involving completion risk that our client is prepared to accept.

7. BUSINESS OVERVIEW (Cont'd)

Contracts can also be a hybrid of fixed-price and cost-plus billing methods. For example, to mitigate the risk of price volatility, we may tender to accept business on a cost-plus basis in relation to the procurement of materials and on a fixed-price basis for other aspects of the project. In some cases, clients require us to utilise certain sub-contractors, in which case we will typically contract to bill these services on a cost-plus basis.

Contracts that are on a cost-plus basis or that contain cost-plus portions currently account for a substantial part of our engineering and construction revenue because these types of arrangements are better suited to the risk profile of our major projects in terms of their scale, complexity, geographic location or working conditions.

Delivery contracts in the heavy engineering and marine sector typically provide for the customer to pay an advance payment of 5% to 15% of the contract price and for instalment payments of the balance, either periodically or upon completion of discrete construction stages, and upon delivery. Most of our fixed-price delivery contracts provide for instalment payments of the balance of the purchase price upon completion of discrete construction stages, typically including upon the initial cutting of steel plates and the launching and delivery of the vessel or product to the customer. We may be liable for liquidated damages in the case of delays in delivery attributable to us. The customer's final payment to us may be subject to deduction if the vessel, platform or product fails to meet certain performance specifications based on tests conducted by the customer and us prior to delivery.

If we are unable to collect an account receivable in the amount we have estimated to be collectible, we must recognise a current charge to our earnings, and this may result in a reversal of previously recorded profits. Our marine repair contracts for customers other than MISC are typically denominated in SGD, revenue from our EPCIC contract in Turkmenistan is denominated in USD and our other contracts are generally denominated in RM. Some of our contracts that are a combination of fixed-price and cost-plus have portions denominated in RM and portions denominated in other currencies, primarily USD. Our customers typically expect that we procure refund guarantees from financial institutions as security for the refund of pre-delivery instalment payments made by the customers if we fail to fulfil our contractual obligations and the failure results in the termination of the contracts. In recent years, we have not had any difficulty in obtaining refund guarantees.

We have not experienced any significant problems in respect of late payments of instalments that are due. In accordance with current industry practice, customers generally arrange for their own financing for purchases from us.

Cancellation and deferment

Our contracts generally include cancellation provisions that provide that if a client cancels a project, the client pays us for all materials or services provided up until the time of cancellation, at cost. Our contracts also generally require clients to reimburse us for potential fees and charges lost when a project is deferred or cancelled, particularly if we have reserved resources for such client and are unable to utilise the resources for another client due to the timing, cancellation or deferment of the project.

7. BUSINESS OVERVIEW (Cont'd)

Warranty period

We typically grant a warranty of twelve months for the equipment and services we provided, and during the warranty period, we are required to provide corrective services to resolve any problems that may arise from defects. A provision is recognised at the end of each financial year for expected warranty claims based on past experiences of required levels of repairs and returns. If the provision for a warranty is not utilised at the end of a financial year and the warranty has expired, then the unutilised amount is recorded as a write-back of provision in that financial year. Other than these provisions, we have not implemented any special measures to cover the expenses we may incur under these warranties. We have not incurred any material warranty claims to date and our risk of losses is partially mitigated by our ability to retrieve a certain amount of warranty claims from clauses contained in our agreements with our sub-contractors.

We typically obtain from our suppliers and sub-contractors a warranty of 12 to 18 months covering defects in equipment supplied and workmanship. We may be able to claim costs incurred in fulfilling a warranty claim from our sub-contractors if the warranty claim resulted from inferior work by the sub-contractor. Sub-contractors may also be the subject of liquidated damages if their work is not completed on time.

Change orders

A project's scope may change during the course of a project due to client instructions or, in the case of marine repair, defects in the vessels or platforms that are discovered during repair and in the case of engineering and construction, due to design changes. Our contracts generally provide for the parties to mutually agree on a revised scope of work with additional fees to be charged for amendments to the original agreed contract amount.

7.13 Subsidiaries and jointly controlled entities

MHB holds 100% direct interest in MMHE.

On 9 July 2010, MMHE divested its 100% equity interest in MTSB to MHB. MTSB is currently dormant, having ceased operations in December 1991. We plan to operate our future businesses in Turkmenistan through MTSB.

MHB also holds indirect interests in the entities described below. Other than MSLNG, most of the sales generated by these companies are small relative to our overall Group, are largely within our Group, or both.

MMHE-ATB Sdn Bhd

In 2000, we formed a joint venture company, MSE-ATB Sdn Bhd (subsequently renamed MMHE-ATB) with ATB Caldereria SpA of Italy (later renamed ATB Riva Calzoni SpA ("ATB")), a member of the Trombini Group of Italy. Under the terms of the agreement, we provide factory and open yard space for use in the manufacture and production of pressure vessels and ATB provides commercial and technical advice (including the transfer of technology) in relation to the engineering, manufacturing, marketing and sale of process equipment for petrochemical, oil and gas and power generation plants. ATB has approximately 70 years of experience in the manufacture of sophisticated equipment meeting stringent requirements to withstand extreme pressure, temperature and corrosiveness. We originally held a 60% ownership interest in this joint venture company, but we disposed of 20% of our ownership interest in the company in April 2010 to ATB. The joint venture agreement may be terminated at any time by the mutual written agreement of the parties. Recently the joint venture has expanded into the field of renewable energy with the support of ATB and has delivered mechanical equipment for hydropower projects in Colombia and Laos, and it expects to deliver equipment for a hydropower project in Venezuela.

7. BUSINESS OVERVIEW (Cont'd)

In addition to projects for PETRONAS Group including MISC; MMHE-ATB's recent customers include LURGI GmbH Germany, ExxonMobil, Sarawak Shell Bhd, Petrobras (Petroleo Brasileiro S.A.), SAIPEM S.p.A Italy, UOP LLC USA, DPS (Bristol) Ltd. UK and Acergy Singapore Pte. Ltd.

For the FYE March 31, 2008, 2009 and 2010, MMHE-ATB contributed RM8.3 million, RM19.7 million and RM2.2 million, respectively, to our revenue. During the three-month FPE 30 June 2010, MMHE-ATB became our jointly controlled entity.

MMHE-SHI LNG Sdn Bhd

We formed a joint venture company, MSLNG, with Samsung Heavy Industries of South Korea in 2006. The joint venture markets the services of our LNG carrier repair and refurbishment facility. Under the terms of the joint venture agreement, we agreed to provide yard facilities and manpower for the LNG carrier repair and refurbishment work undertaken by the joint venture and Samsung Heavy Industries agreed to provide marketing and technical support for the joint venture.

Revenue and expenses from the marketing of the venture accrue to MSLNG, but revenue from the actual repair of LNG carriers is solely for our benefit. Major customers include MISC, Hyundai Merchant Marine Co. Ltd and Oman Ship Management Company S.A.O.C.

For the FYE March 31, 2008, 2009 and 2010, MSLNG contributed RM136.2 million, RM105.8 million and RM102.3 million, respectively, to our revenue. For the three-month FPE 30 June 2010, MSLNG contributed RM34.7 million to our revenue.

MMHE-TPGM Sdn Bhd

In 2007, we entered into a joint venture agreement with TPGM (which holds a 40% interest in the venture), to utilise each party's technical and commercial expertise and resources and jointly provide EPCIC services for the *Turkmenistan Block 1, Phase 1* gas development project. A jointly controlled entity, MMHE-TPGM (with TPGM holding a 40% interest in the venture) was set up with the sole purpose of carrying out works for the *Turkmenistan Block 1, Phase 1* gas development project. However, as MMHE-TPGM was initially unable to register itself as a permanent establishment in Turkmenistan, the *Turkmenistan Block 1, Phase 1* gas development project was awarded to MMHE, with TPGM agreeing to carry out work for the project for MMHE. In return, MMHE agreed to pay for the work performed by TPGM equivalent to 40% of profits (after Turkmenistan tax) of the project.

On 2 August 2010, MMHE-TPGM obtained its branch registration in Turkmenistan. The registration is not subject to any conditions imposed by the Turkmenistan's Ministry of Economy and Development. We intend to transfer the EPCIC contract for the *Turkmenistan Block 1, Phase 1* gas development project (which is currently being held by MMHE) to MMHE-TPGM by novation and we do not anticipate any change to the profit recognised by us upon the novation of the project to MMHE-TPGM.

As at LPD, MMHE-TPGM was dormant, and it is considered a "jointly controlled entity" in our financial statements. Pursuant to the joint venture agreement in respect of MMHE-TPGM, the work and responsibilities to be undertaken by each party under the joint venture shall be allocated according to each party's expertise and resources and on the terms and conditions as agreed between both parties.

7. BUSINESS OVERVIEW (Cont'd)

Techno Indah Sdn Bhd

The principal activity of TISB is sludge disposal management. It performs this work solely at the Pasir Gudang yard.

MSE Corporation Sdn Bhd

This company is currently under members' voluntary liquidation.

7.14 Insurance

There are a number of risks associated with the operation of our business, including mechanical failure, third party liabilities, property loss or damage and business interruption. Through our insurance coverage we aim to preserve our assets and operations against risks in conducting our business. Our insurance coverage includes construction all risks insurance, employee benefit insurance, marine cargo insurance, machinery breakdown insurance, business interruption insurance and third party liability insurance. Our insurance covers, among other risks, those related to construction, strikes, riots and civil commotion and resultant damage from defective design. We have not made any such claims in the past. Our policies purchased in Malaysia are made through insurance brokers and are placed with insurance companies licensed by Bank Negara Malaysia.

We purchase certain of our insurance ourselves. However, because of the significantly lower prices we obtain through group-level procurement, our general insurance is procured by PETRONAS, which purchases insurance on behalf of companies in the PETRONAS Group. We intend to continue having coverage arranged by PETRONAS after the IPO as long as pricing remains competitive. If we make any insurance claims on the policies purchased by PETRONAS on our behalf, the compensation will be remitted to MHB through PETRONAS since the insurance is taken on MHB's behalf under the umbrella of group insurance for the benefit of MHB.

7.15 Research and development

We maintain a close working relationship with our suppliers of technology. We have not undertaken any proprietary basic research and development in the last three years.

7.16 Regulation

The heavy engineering and marine services industries are highly regulated, and we rely on approvals, regulations and guidelines governing specific subject matters such as those concerning respective licenses and permits relating to our business. In addition, our operations are affected by extensive and evolving environmental protection laws, health and safety laws and numerous other laws and regulations in Malaysia and Turkmenistan. Our Directors are not aware of our non-compliance with any material current applicable health, safety, environmental and security requirements. However, some risk of health, safety, environmental and security costs and liabilities is inherent in our industry.

To operate our business in Turkmenistan, MMHE's Turkmenistan branch is established and registered under Turkmenistan law and is thereby permitted to construct the Kiyarly facility and conduct our EPCIC business.

7. BUSINESS OVERVIEW (Cont'd)

MMHE's Turkmenistan branch is registered with the Turkmenistan's Ministry of Economy and Development, which is responsible for the regulation of foreign businesses operating in the country. As part of our strategic plans for our business operations in Turkmenistan, we also intend to seek permission for MTSB to conduct our EPCIC business in Turkmenistan.

MMHE-TPGM's Turkmenistan branch obtained registration from Turkmenistan's Ministry of Economy and Development on 2 August 2010. The registration is not subject to any conditions imposed by the Turkmenistan's Ministry of Economy and Development.

7.17 Environmental issues

As a heavy industrial enterprise, we are subject to extensive and changing laws and regulations designed to protect and preserve the environment, including laws and regulations that relate to air, soil, and water, hazardous waste management, limitations on the discharge of pollutants and standards for the treatment, storage and disposal of toxic and hazardous wastes.

In Malaysia, the Environmental Quality Act, 1974 and its regulations ("EQA") and the Petroleum (Safety Measures) Act 1984 and its regulations ("PSMA") are the principal regulations for the prevention, abatement and control of pollution and the protection of the environment. The EQA and the PSMA provide for both criminal liability and fines for oil spills. Our directors are not aware of the existence of any breach of any such regulations by our Company or its subsidiaries that would have a material adverse effect on us.

Before we commence any major projects, such as the Yard Optimisation Programme or the construction of the Kiyanly facility, we are required by our regulators to produce environmental impact assessment reports to assess the environmental impact of the construction and operation of the new facilities. We have produced environmental impact assessments in relation to the Yard Optimisation Programme, one of which noted a potential adverse impact on a neighbouring property and resulted in the amendment of the programme's plans.

Our sludge waste management business is subject to rigorous government regulations and internal company guidelines in how we treat and dispose of our waste, including emissions. TISB is subject to regulation by and reports regularly to the Department of the Environment. As of LPD, there have been no material incidents or costs incurred as a result of the mismanagement of waste operations by TISB.

In Turkmenistan, we are subject to environmental laws and regulations issued by the Turkmenistan government. As of LPD, our Directors were not aware of any breach of such regulations that would have material adverse effect on us.

7. BUSINESS OVERVIEW (Cont'd)

7.18 Employees

As at LPD, we employed a total of 1,372 permanent staff and 512 contract staff. Of these persons, 1,345 permanent staff and 217 contract staff were located primarily in Malaysia and 27 permanent staff and 295 contract staff were located primarily in Turkmenistan.

As of 31 March 2010, 31 March 2009 and 31 March 2008, we employed a total of 1,420, 1,440 and 1,354 permanent staff, 441, 312 and 239 contract staff respectively.

The following table sets forth our employees by category as of the dates indicated:

Category of Employees	Number of Employees			
	31 March 2008	31 March 2009	31 March 2010	30 August 2010
Executive directors	3	3	3	1
Managerial and professional.....	604	700	745	718
Technical and supervisory	333	369	361	340
Clerical and related	85	89	99	107
Sales and marketing	27	26	22	23
General workers				
(a) Skilled.....	451	468	502	544
(b) Unskilled.....	90	97	129	151
Total.....	1,593	1,752	1,861	1,884

In addition to our own employees and contract staff, we engage sub-contractors to provide construction and other services at our Pasir Gudang yard, and the yard we operate and manage in Kiyanly, Turkmenistan on behalf of PCTSB, typically on a project-by-project basis. As at LPD, we engaged 114 sub-contracting firms, which provided the services of an average of 4,694 personnel daily. In addition, we engaged a total of 1,602 contract staff through third party manpower supplier. On average, subcontracted labour represented 49.5% of our cost of sales per financial year for the last three (3) FYE 31 March. We usually obtain firm quotes from our sub-contractors. Generally, a sub-contractor cannot charge a price that exceeds the firm quote they have given us except in circumstances where we change the specifications of the project. We do not provide any benefits, nor have any obligations, to the employees of our sub-contractors, except to provide lunch and tools.

The decision on whether to staff a project with our employees or sub-contractors is based upon the type of work conducted, how steady and reliable the stream of work is expected to be and whether there is risk that costs could exceed or fall below expectations. For example, the LNG carrier servicing and repair business uses a high percentage of our employees because it involves a steady stream of work on similar vessels with similar, recurring tasks (allowing labour costs to be predicted with a high level of certainty) and we rely on workers with special skills, who are required to be available on a regular basis.

The following table sets forth the number of employees and average number of sub-contractors provided in the month of August 2010 by operating segment as at LPD:

Segments	Number of Employees and Sub-contractor Personnel	
	Employees	Sub-contractor Personnel (average)
Engineering and Construction.....	832	3,823
Marine Conversion and Repair	480	768
Others.....	572	103
Total	1,884	4,694

7. BUSINESS OVERVIEW (Cont'd)

As at LPD, 418 or approximately 22.2% of our employees were unionised, the majority of which were members of KPPMMHE. On 21 January 2009 we signed a three-year collective agreement with our unionised employees in Malaysia. We believe we have a strong and healthy relationship with our employees and we have not experienced any strikes or material disruptions due to labour disputes. From time to time, we may have labour disputes with individual employees for alleged dismissal without just cause or excuse. However, none of the above labour disputes have had any material adverse effect on the Group's operations, financial and otherwise.

We previously had a dispute with KPPMMHE relating to the alleged retrenchment of certain unionised members. The High Court on 28 March 2000 decided the matter in our favour and the Court of Appeal on 10 February 2010 struck-off KPPMMHE's appeal against the decisions of the High Court. KPPMMHE subsequently made applications to the Federal Court for leave to appeal against the decision of the Court of Appeal. On 31 May 2010, the Federal Court dismissed both applications.

Our employees in Malaysia contribute fixed amounts into the Employee Provident Fund, a mandatory employee retirement fund that is administered by a board appointed by the government of Malaysia. For the current and preceding years, we have no legal obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services. We do not maintain any other retirement, pension or severance plans or have any unfunded pension liabilities.

Training and development

Consistent with our goal of developing the capabilities of our workforce and developing business leadership from within our Group to safeguard our future operational capacity, our employee development programmes focus on three core areas: leadership and mindset, functional skills and HSE.

We have recently implemented four structured developmental programmes to build leadership and mindset skills: the Project Management Development Programme, the Professional Certificate in Offshore Structure - Level 1, the Welding Engineer Development Programme and the Planning Engineer Development Programme. Programmes to build specialised skills in our employees include programmes to repair LNG carriers' cargo containment systems, requiring skills in welding and acoustic emission tests, training in superlift operations, involving a 5-month programme in South Korea, and a structural detailed design course conducted with Universiti Teknologi Malaysia's School of Professional and Continuing Education.

Each year, we accept about 100 persons for an apprenticeship from Malaysian universities and trades schools for onsite programmes in our Pasir Gudang yard. One of these programmes is a welder apprenticeship programme, under which apprentice welders spent one month in our Pasir Gudang yard, culminating in a welder qualifying test, to provide welders for our sub-contractors.

Health, Safety and Environment

We strive to improve our HSE performance with in-house targets set against international benchmarks. Each of our employees and all sub-contractor staff are provided with periodic HSE training, and are encouraged and empowered to "stop work" if they believe the environment is unsafe. MMHE and MMHE-ATB's Occupational Health and Safety Management System has been certified to OHSAS 18001 since 2005 by the Lloyd's Register Quality Assurance and the system is accredited by the United Kingdom Accreditation Services (UKAS).

In the FYE 31 March 2010, our LTIF declined by 44.4% to 0.2 when compared to FYE 31 March 2009. During the same period we recorded a 29% increase in total man-hours, while TRIF remained low at 0.45.

7. BUSINESS OVERVIEW (Cont'd)

7.19 Business interruptions

There were no interruptions of our business and operations that had a significant effect on our operations in the 12 months preceding the date of this Prospectus.

7.20 Intellectual property

MMHE has registered the "MMHE" trademark in Malaysia for a period of ten (10) years from 21 April 2006 to 21 April 2016 in Class 39.

We often utilise technology owned by third parties to construct and complete our projects. We either licence technology from third parties or construct products for the owners of such licences. We have relevant intellectual property procedures in place and have not been involved in any material disputes in relation to the misappropriation of intellectual property.

7.21 Technology used

Some of our projects require the use of advanced technology, and for these projects we typically source the necessary technology from third parties that possess the technology. For example, the repair and refurbishment of LNG carriers is a specialised service requiring highly trained personnel using specialised equipment and technology, including membrane welding, cryogenic works and special materials handling. We license some of our LNG-related technology, including membrane welding technology, from third parties. Some services requiring other LNG-related technologies are performed by third party contractors that use those technologies at our Pasir Gudang yard. Our LNG carrier repair work is dependent on access to these technologies. We also frequently work with leading engineering and design consultants on complex engineering and construction projects, in some cases at the direction of our customers. For example, we worked with TPGM, one of a small number of engineering firms with experience on SPARs, in relation to our construction of the *Kikeh Dry Tree Unit Truss SPAR*.

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8. INDUSTRY OVERVIEW**Market Report**

An ODS-Petrodata Report for Malaysia Marine and Heavy Engineering Holdings Berhad



24 SEP 2010

The Board of Directors

Malaysia Marine and Heavy Engineering Holdings Berhad

Level 31, Menara Dayabumi

Jalan Sultan Hishamuddin

50050 Kuala Lumpur

Malaysia

Dear Sirs

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INDEPENDENT MARKET RESEARCH REPORT ON THE OIL AND GAS ENGINEERING AND CONSTRUCTION AND MARINE SERVICES INDUSTRIES

We, ODS-Petrodata Pte Ltd, ("ODS-Petrodata"), have prepared the independent market research report on the oil and gas engineering and construction and marine services industries for inclusion in the Prospectus ("Prospectus") in relation to the initial public offering and listing of Malaysia Marine and Heavy Engineering Holdings Berhad (formerly known as MSE Holdings Berhad) ("MHB") and quotation for the entire issued and paid-up capital of MHB on the Main Market of the Bursa Malaysia Securities Berhad.

We are aware that this report will be included in the Prospectus and we further confirm that we are aware of our responsibilities under section 214 of the Capital Markets and Services Act, 2007.

This research is undertaken with the purpose of providing an overview of the oil and gas engineering and construction, marine conversion and marine repair industries.

We acknowledge that if we are aware of any significant changes affecting the content of this report between the date hereof and the issue date of the Prospectus, we have an ongoing obligation to cause this report to be updated to reflect those changes.

ODS-Petrodata has prepared this report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true and fair view of the industry within limitations of, amongst others, our primary and secondary research. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

For and on behalf of ODS-Petrodata Pte Ltd

William Paul

Managing Director

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8. INDUSTRY OVERVIEW (Cont'd)

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1.0 Executive Summary

Despite the recent economic downturn, global demand for oil continues to rise, particularly from developing countries such as China and India. This is expected to lead to rising oil prices in the long term. In May 2010 the U.S. Energy Information Administration ("EIA"), predicted that the price of oil will increase to USD 133 per barrel in 2035. If the oil price remains high, this will encourage the exploration and development of marginal oil & gas reservoirs.

Historically, the majority of global oil and natural gas production has been from onshore discoveries, but since the early 1990s, as onshore discovery rates have declined, the industry's focus has been changing towards offshore discoveries. In particular, deepwater discoveries are becoming increasingly important in the drive to replace fast depleting oil and natural gas reserves. ODS-Petrodata believes that exploration of deepwater and other harsh environment areas will continue to expand since most of the easily accessible continental shelf areas of the world have already been extensively explored. This trend is expected to lead to increased demand for offshore equipment, such as floating production units and topsides. Accordingly global spending on new offshore production facilities is set to increase slightly in 2010, to be followed by a further substantial period of growth from 2011.

To extract offshore oil or gas discoveries deepwater (i.e., in the context of this report water depths of over 300 metres), an operator faces a choice of possible types of floating production facilities including FPSOs, FSOs, TLPs, SPARS, and production semisubmersibles. Each of these options also requires topsides facilities to provide drilling, production, and/or accommodation facilities.

The Asia Pacific region, which accounted for 21% of all spending on offshore production facilities in 2009, will be at the forefront of the expected increase in spending and deepwater developments offshore Malaysia will help spur that demand. ODS-Petrodata has identified seven major deep water projects in Malaysia that may require floating production facilities to be installed over the next three to five years. In addition, deepwater exploration drilling continues and there are already seven discoveries in deepwater-Malaysia that could potentially result in further deepwater developments and a subsequent requirement for floating production facilities.

In terms of topside fabrication, 2006-2008 saw historically high levels of tonnage fabricated. However, project delays and order cancellations beginning in 2008 resulted in a significant decrease in topside tonnage for 2009. Similarly, the low new order intake seen in 2009 means we expect topside tonnage to remain flat for the current year. However, growth is forecast to return throughout the latter half of 2010 and increase significantly into 2011, as a large number of previously delayed projects are re-authorised and with a return of operator confidence stemming from higher oil prices.

For production semisubmersibles, TLPs, and SPARs, there will be a decline in 2010, from the record year in 2009, due to the slowdown in new orders and the completion of existing projects. Annual deployment of these large-scale offshore structures, are expected to improve substantially by 2014.

Long term demand for FPSOs/FSOs remains strong, despite the slowdown in new orders that affected the market for most of 2009 as a result of the global economic slowdown. Indeed, ODS-Petrodata expects annual global expenditures on FPSO/FSO facilities to reach USD 12.2 billion in 2014, from USD 4.6 billion in 2009, the majority being spent on the conversion of tankers to FPSOs. Once again, the main driver for this robust demand is the concerted global push into deepwater.

In general terms, EPC contractors have so far coped with the global economic slowdown reasonably well compared to other offshore players such as some types of vessel owners and drilling contractors. This is due to their generally large backlogs and solid financials heading into the downturn. Also, EPC project lead time is relatively long and once work has commenced it is difficult to stop or cancel. The main effect of the economic slowdown was the scarcity of new orders, a situation that has improved somewhat beginning in the last quarter of 2009. So despite falling backlogs, going forward, ODS-Petrodata expects spending to increase in 2010 and 2011, particularly in Asia which will increase its share of worldwide spending.

8. INDUSTRY OVERVIEW (Cont'd)

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There are currently seven yards licensed by PETRONAS to fabricate offshore facilities in Malaysia: MMHE, Sime Darby, Kencana, Boustead Heavy Industries, Brooke Dockyards, Ramunia and Oilfab. However, not all Malaysian yards have the experience and/or capability to carry out the more complex and sophisticated projects. The number of yards with experience of manufacturing offshore facilities in the Caspian region is even more limited. The AMEC-Tekfen-Azfen Consortium, J. Ray McDermott, and Keppel Corporation have yards in Azerbaijan and Caspian Energy Group (CNRG) operates a yard in Russia. MMHE operates the only yard in Turkmenistan.

The growth in potential ship repair activity is driven by the size of the cargo carrying fleet which in turn is driven by underlying cargo demand. The shipping market will see a variety of trends across the different vessel segments through the forecast period to 2013. The LNG carrier fleet experienced rapid growth during the last decade, nearly tripling in numbers from 2000 to 2009. However, expectations are that the rate of LNG carrier fleet growth will be sharply curtailed over the next five years. Despite competition from new capacity, yards around the Singapore port remain one of the major hubs of ship repair due to their location within the major shipping routes for tankers such as VLCCs, ULCCs and LNG carriers, particularly from the Middle East to Asia. These yards are also successful in securing more complex vessel conversion and refurbishment works such as for FPSO, FSO and LNG carriers.

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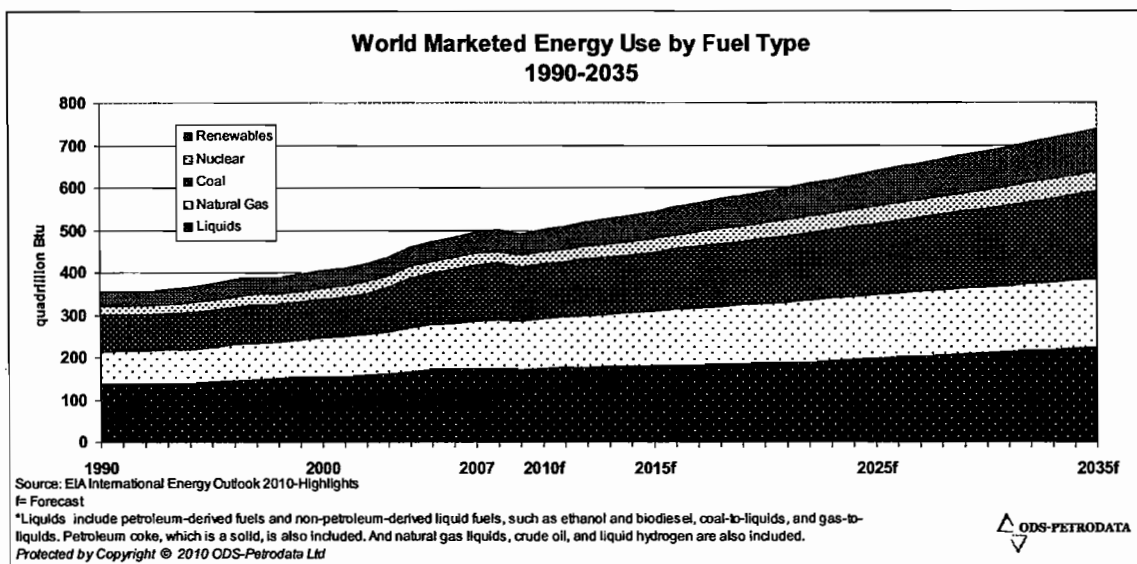
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2.0 Overview of the Oil and Gas Industry

2.1 Market fundamentals

The graph below shows world energy use by fuel type for the period 1990 – 2035, according to the EIA in their May 2010 publication, International Energy Outlook 2010 Highlight.



The oil and gas industry plays a vital role in today's economy, supplying energy and by-products for a variety of applications. More importantly, the industry provides energy that can be transported from where it is found to where it is needed at a relatively low cost. The industry has traditionally been regarded as having three segments:

- Upstream: finding and producing oil and gas
- Midstream: transporting oil and gas from the location of production to the location where it is needed and/or will be processed; and
- Downstream: refining of crude oil into products such as gasoline, jet fuel and diesel, processing of natural gas to remove impurities and liquids and to render it suitable for further use.

This report deals solely with the upstream segment of the industry.

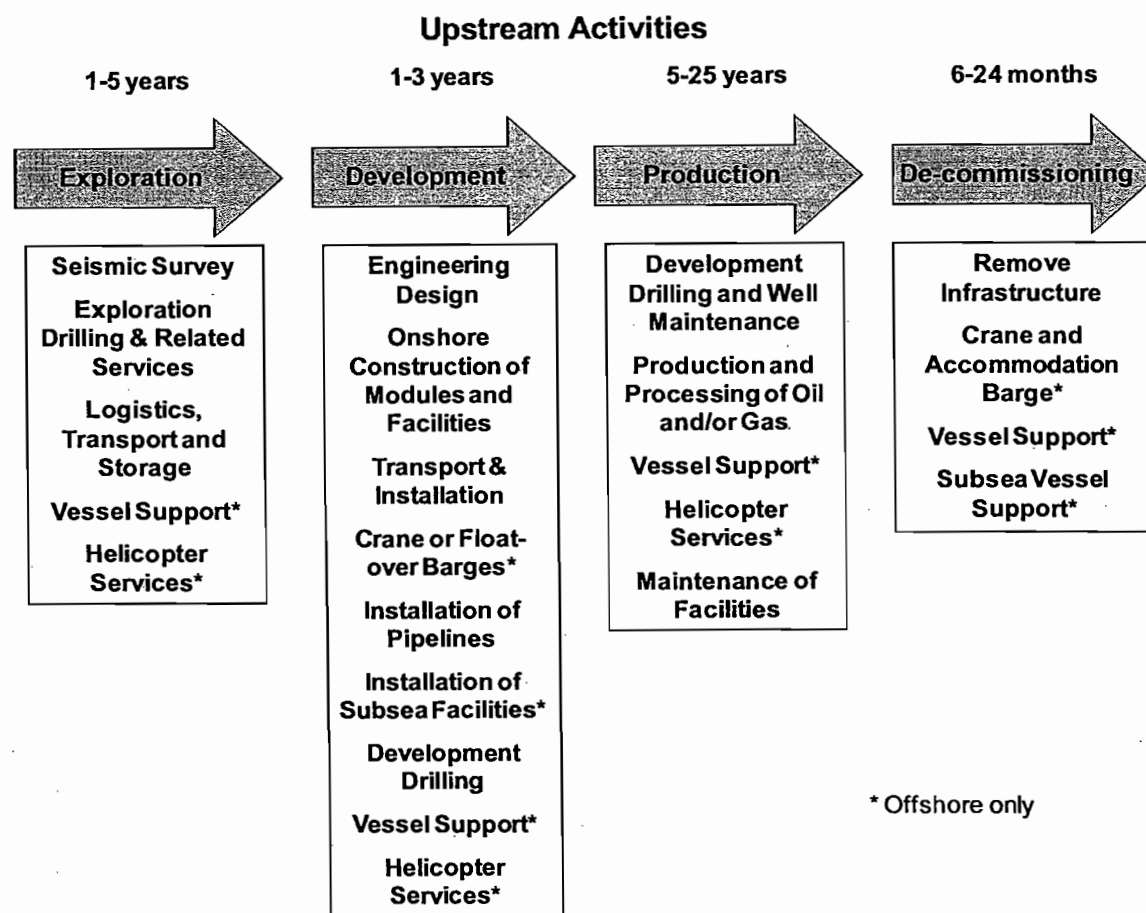
One important part of the upstream oil and gas industry is the offshore sector, in which offshore oil and gas reserves are developed using a range of equipment and technologies. This includes supply vessels that supply and service offshore units, drilling rigs that explore for oil and gas, specialist construction vessels and subsea installation vessels that install and maintain the infrastructure used to extract and deliver oil and gas to market, and fixed or floating structures that are used to actually extract the oil and gas.

The diagram below describes upstream oil and gas activities from exploration to the eventual decommissioning of an oil and/or gas field, and the typical timeframes for those activities. In some cases those activities relate solely to upstream offshore.

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2.2 Global Investment in Oil and Gas Facilities

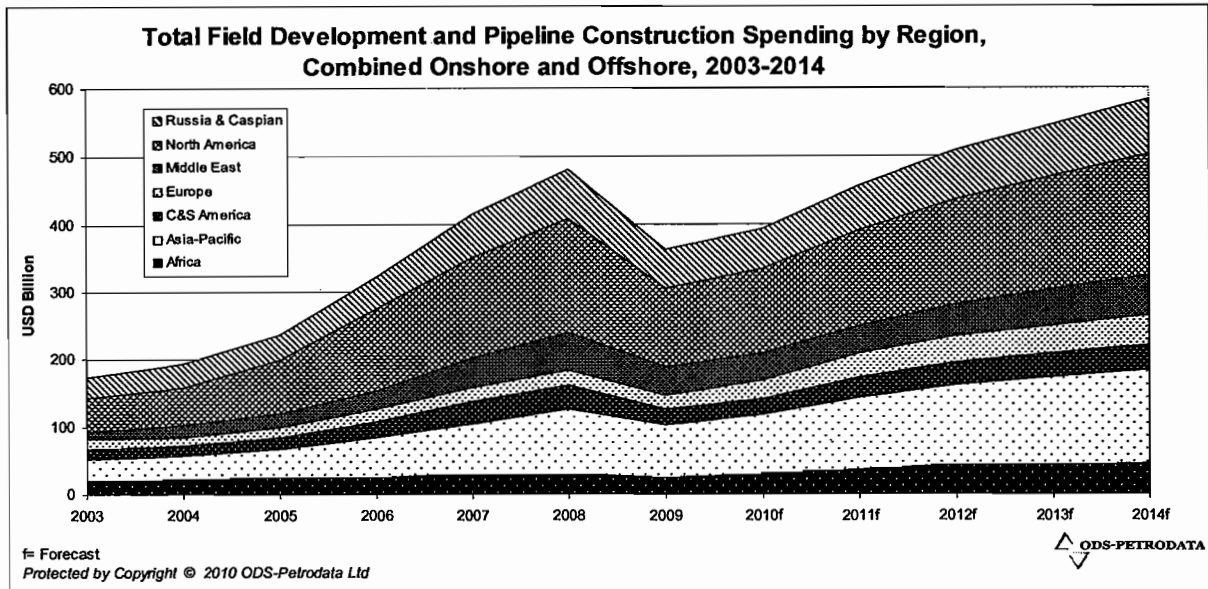
The fundamental driver for the investment in new oil and gas production facilities is current and anticipated oil and natural gas prices. These are principally set by the supply and demand for these commodities although other factors, such as geopolitical concerns and the actions of commodity speculators, also play a role. Essentially, unless prices are sufficiently high, development of new production facilities will not be carried out.

The price of oil and gas has increased markedly in recent years, culminating in the oil price spike to USD147 per barrel in July 2008. This was closely followed by a sharp decline that, as the following graph of spending illustrates, caused oil and gas companies to revise downward their investment in E&P for 2009 and, to some extent, 2010. This downward revision was further exacerbated by uncertainty over financing, particularly in the case of highly leveraged, smaller independent oil and gas companies.

8. INDUSTRY OVERVIEW (Cont'd)

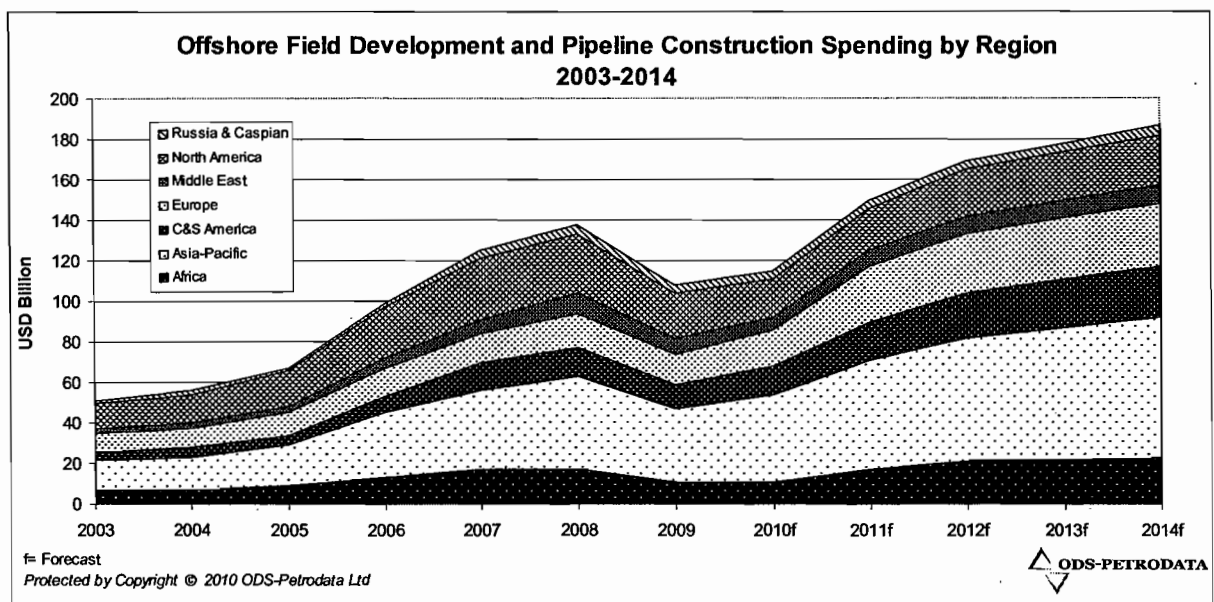
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North America and the Asia Pacific accounted for a large share of the growth in global field development and pipeline construction spending from 2003-2008. Apart from the rise in costs, this was primarily linked to a sharp rise in activity in the onshore drilling, production facilities and pipelay segments. Globally, despite the decline in new onshore discoveries, in absolute terms, spending on onshore field development and pipeline construction is larger than offshore-related spending, accounting for 70% of the total in 2009. The Middle East region and Russia & Caspian regions are among the largest in terms of onshore development facilities where a large share of spending is directed towards maintaining production at existing fields.

Asia Pacific is expected to remain the largest offshore market in the forecasted period up to 2014, and will be responsible for over one-third of global offshore field development and pipeline construction spending, as shown in the graph below.



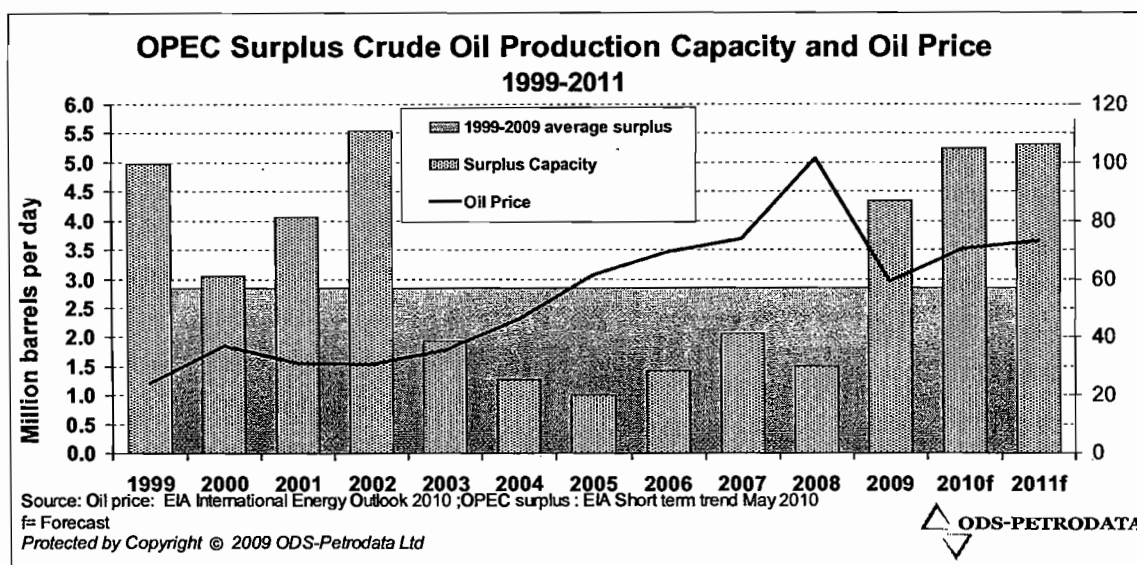
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2.3 Oil and Gas Prices

Despite the recent economic downturn, growing demand for energy, particularly in China, India, and other developing countries, is expected to lead to rising oil prices in the long term. In the International Energy Outlook 2010, the EIA predicts that the worldwide lack of excess oil production capacity will drive the price of oil to USD 133 per barrel, in real terms, by 2035. As shown in the graph below, the 2010 surplus capacity of OPEC will be just over 5 million bbl/d, or about 7% of the current daily consumption rate.



The Paris-based International Energy Agency (IEA) has also warned of an oil supply “crunch”, because most of the world’s major oil fields have passed their production peak. In its first ever assessment of the world’s major oil fields, the IEA concluded in late-2008 that the global energy system was at a crossroads and that current oil consumption levels were “patently unsustainable”, with expected demand far outstripping future supply.

On the demand side, the International Monetary Fund (IMF) in its World Economics Outlook Update published in April 2010, forecasted global economic growth of 4.2% in 2010 and 4.3% in 2011. This level of growth will result in increased demand for oil and gas. The IMF also believes that current oil prices in the range of USD 70 to 80 per barrel largely reflect the expectation of accelerating global economic growth and the consequent increase in future demand for oil.

Taking into account the depletion of both onshore and offshore oil reserves, which the EIA globally estimates to be approximately 7% per year onshore and between 10% and 18% per year for offshore fields, it appears that the current margin of 7% excess production capacity could disappear relatively quickly as the world economy recovers. The world therefore needs to find and develop “new” oil or face a supply crunch.

Despite an annual decline in 2009, global demand for oil actually stabilised mid-year and gradually increased to 83.7 million bbl/d, according to BP’s Statistical Review 2010. As shown in the graph below, going forward, the EIA predicts demand will continue to grow throughout 2010 and 2011 by an average of 1.6 million bbl/d in each year. According to BP, oil consumption is usually higher than production, because refineries produce a higher volume of oil products than they consume in the form of crude oil. This is known as refinery gain.

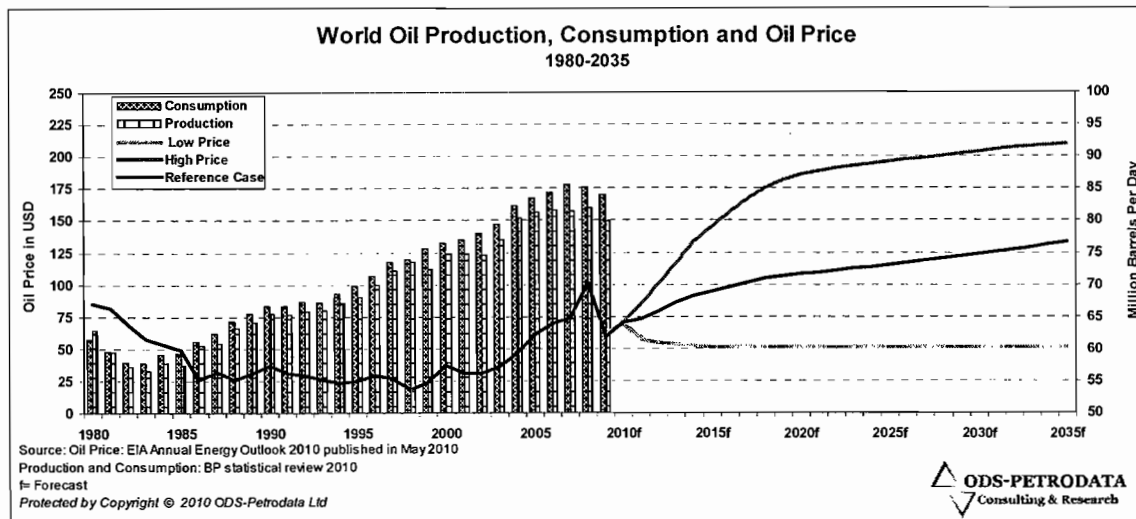
The long term outlook for oil prices also shows growth. In May 2010, the EIA predicted in its reference case scenario that world oil prices would increase steadily from 2010 onwards to USD 94.5 per barrel in 2015 and reach USD 133.2 per barrel in 2035 in real terms. In its high oil price scenario, the EIA forecasted that world oil prices will reach USD 200 per barrel in 2028; and in its low price case scenario would decline to just below USD 52 per barrel in 2015, with that price being maintained through to 2030. With oil prices recently holding steady at around USD 70-80 per barrel for some months now, as

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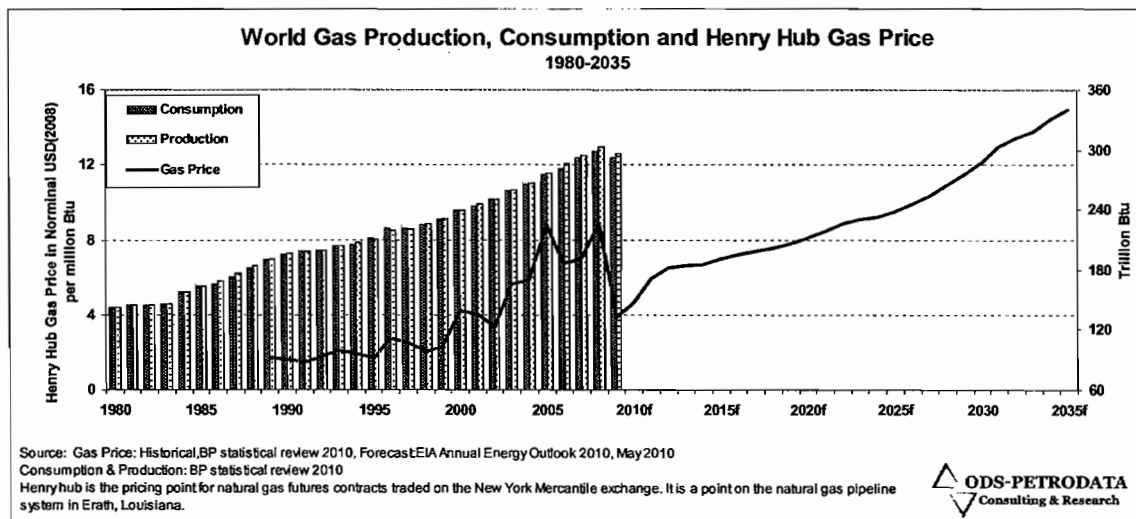
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the following graph illustrates, it would appear prices are on track with either the EIA's reference case or high case scenarios.



Globally, natural gas resources are large and, like oil, are highly concentrated in a small number of countries and fields. Russia, Iran and Qatar hold 52% of the world's reserves, according to the BP Statistical Review 2010. Remaining proven reserves amount to 187.5 trillion cu.m, which equates to around 60 years of current production.

The following graph shows world gas production, consumption and the Henry Hub gas price from 1980 to 2035 in nominal terms. The Henry Hub Gas Price is a widely used industry benchmark gas price.



Looking forward, according to the EIA report, natural gas consumption worldwide will increase by 44%, from 3.05 trillion cu.m in 2007 to 4.42 trillion cu.m in 2035, although in 2009, world natural gas consumption declined by an estimated 1.1%, and natural gas use in the industrial sector fell even more sharply, by 6.0%, as demand for manufactured goods declined during the recession. The industrial sector currently consumes more natural gas than any other end-use sector, and in the EIA's projection it continues to be the largest user through to 2035, when 39% of the world's natural gas supply is expected to be consumed for industrial purposes. Electricity generation is another important use for natural gas throughout the projection period, and its share of the world's total natural gas consumption increases from 33% in 2007 to 36% in 2035.

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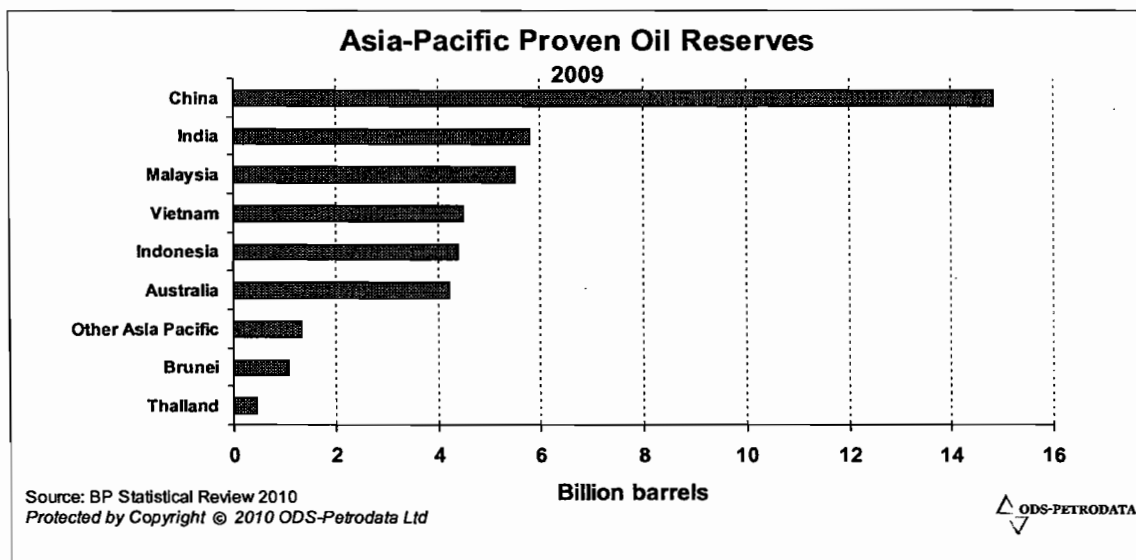
The contribution of the LNG trade to total natural gas supply has been increasing. According to the BP Statistical Review 2009, global LNG demand in 2008 was 165 million tonnes per year (mtpa), up from 130 mtpa in 2004. There is, therefore, expanding demand for LNG, increasingly seen as a 'green' or low carbon emissions fuel, for the foreseeable future. To meet this demand there are a large number of LNG projects coming on-stream in the Middle East, Southeast Asia, Australia and Russia.

2.4 Malaysia

PETRONAS, Malaysia's national oil company, dominates the country's upstream and downstream oil market. According to the EIA, PETRONAS is the single largest contributor to government revenues, and it holds exclusive ownership rights to all E&P projects in Malaysia. Thus, foreign and private domestic companies are only allowed to operate through PSCs with PETRONAS. ExxonMobil (through its local subsidiary Esso Production Malaysia Inc.) is the largest foreign oil company in Malaysia by production volume. The other major foreign companies operating in Malaysia via PSCs include Shell, Murphy Oil and ExxonMobil.

2.4.1 Reserves and Production

According to the BP Statistical Review 2010, Malaysia held proven oil reserves of 5.5 billion barrels, nearly all of it in offshore fields, which ranked it as having the third largest oil reserves in the Asia Pacific region. Malaysia's continental shelf is divided into three producing basins: the Malay basin in the west and the Sarawak and Sabah basins in the east. Most of the country's oil reserves are located in the Malay basin and tend to be of high quality. Malaysia's benchmark crude oil, Tapis Blend, is very low in sulphur content and is therefore considered to be high quality crude oil. High quality, low sulphur crude oil is commonly used for processing into gasoline, is in high demand and commands higher prices than other grades of crude. More than half of total Malaysian oil production is transported via the Tapis field oil production system which acts as a collecting point and pumping station for up to 16 fields in the same general area.



According to the EIA, Malaysia's total oil production in 2009 was 693,700 bbl/d, consumption was an estimated 535,928 bbl/d, and its net exports about 150,000 bbl/d.

2.4.2 Deepwater Developments

According to ODS-Petrodata there are 107 producing oil and gas fields in Malaysia, many of them in shallow water. However, since 2002, much of the focus has been on deepwater fields on the eastern continental shelf, where there are high operating costs and substantial technical expertise is required. Seven deepwater fields are either currently being developed or will enter the development phase over the next three years. The table below provides details on these fields:

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Deepwater fields in Malaysia				
Field	Estimated Reserves (million barrels)	Water Depth (metres)	On-stream Date (including estimates)	Operator
Kikeh	400	1,326	3Q 2007	Murphy Oil
Ubah Crest	215	1430	2Q 2012	Shell
Kamunsu	401	737	2Q 2012	Shell
Gumusut-Kakap	400-900	1,000	3Q 2012	Shell
Pisagan	56	1465	3Q 2012	Shell
Malikai	108	800	3Q 2013	Shell
Jangas	81	>1,000	4Q 2011	Murphy Oil
Source: ODS-Petrodata				

Fabrication of the *Kikeh SPAR*, produced for the Kikeh field, was completed in 2007. Operating at a water depth of 1,326 metres, it is the first SPAR platform installed outside the US Gulf of Mexico and the deepest SPAR platform installed in Asian waters.

The Gumusut-Kakap project, located offshore Sabah at a water depth of 1,000 metres, will include the regions' first deepwater semi-submersible with a processing capacity of 150,000 bbl/d from 19 subsea wells. The system will be connected via pipelines to a new oil and gas terminal to be built in Kimanis, Sabah. Installation work is expected to start in August 2010 and production is now expected in the third quarter of 2012. However, according to ODS-Petrodata's understanding, the installation of this project could potentially be delayed until 2013, because fabrication of the semi-submersible has just started.

Shell is the operator of the Gumusut-Kakap project, holding a 33% interest; ConocoPhillips also holds a 33% interest, Petronas has 20%, and Murphy Oil holds the remaining 14%.

Shell is also the operator of the Malikai oil field with a 35% interest, in partnership with ConocoPhillips, 35%, and Petronas with 30%. The field was discovered in 2004, at 800 metres subsea offshore Sabah. In August 2009, Shell invited bids for engineering and design services. ODS-Petrodata estimates that Malakai will come online in 2013 with production of up to 150,000 bbl/d.

2.4.3 Deepwater Prospects

In addition to the known deepwater projects mentioned above, the deepwater drilling market is a leading indicator for future deepwater developments that may require floating production facilities. Deepwater drilling in Malaysia, defined as drilling in water depths of more than 300 metres, has been maintained for some years now and currently there are nine rigs drilling in deepwater offshore Malaysia. Shell currently has two open drilling tenders - one for 30 to 60 days starting August 2011 and another for a long term contract starting in April 2012 for work on the Bijang block SK8 and the Selashi gas project in Sarawak. These projects are still at very early stages, so it is not possible to say what type of development project may be chosen if the drilling proves successful.

Discoveries of new oil and gas fields are also indicators of potential future development and ODS-Petrodata has identified 16 discoveries in deepwater offshore Malaysia that could, after proper appraisal, require floating production facilities. There have been a further two discoveries in Brunei, operated by Shell, that could also potentially contribute to demand.

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3.0 EPC

A complex web of companies are engaged in the EPC services sector for the offshore oil and gas industry covering engineering design, facilities construction and facilities installation. Some carry out the full range of activities, some only undertake selected parts and others choose to subcontract all or parts of a contract, depending on factors such as location, local content or expertise required.

The following table provides information on the main companies competing in the Asia Pacific offshore oil and gas engineering and construction sector. As Asia Pacific is the most important offshore construction market, all of the companies have shipyards located within Asia Pacific.

	Daewoo Ship & Marine	DryDock World	Hyundai Heavy Industries	J. Ray McDermott	Keppel Corporation	MMHE	SembCorp Marine
Construction of new Floating Production Facilities	✓		✓		✓	✓	✓
Conversion of existing units to Floating Production Facilities (e.g. tankers to FPSO)		✓		✓	✓	✓	✓
Fabrication of Offshore Modules	✓		✓	✓	✓	✓	✓
Transport & Installation of Offshore Modules			✓	✓		✓	
Engineering Design	✓	✓	✓	✓	✓	✓	✓
Management of EPC of Offshore Modules	✓		✓	✓	✓	✓	✓
Source: ODS-Petrodata							

Engineering and Construction Product Overview

The engineering and construction products mentioned in this report are topsides, semis, TLPs and SPARs.

Topsides fabrication includes the fabrication of all relevant structures that interface to either an offshore fixed or floating installation, for either drilling, production or accommodation purposes. Production semisubmersibles ("Semis"), TLPs and SPARs are floating structures that process oil and gas recovered from deepwater fields.

The choice of whether to use a Semi, TLP or SPAR is dependent on factors including water depth, reservoir characteristics, access to oil and gas transportation and regulatory restrictions. Since they normally do not have any significant storage capacity, they are normally deployed in locations with extensive pipeline infrastructure, such as The North Sea, where produced oil and gas can be tied into existing pipelines. Alternatively they are used where they can be connected to an FSO. In several countries, including the US and Malaysia, regulations also require a commitment from field development plans to produce any associated gas reserves rather than flare this off into the atmosphere. This implies that floating production alternatives, such as an FPSO, must still be connected to an export gas pipeline, thereby negating their built-in storage advantages.

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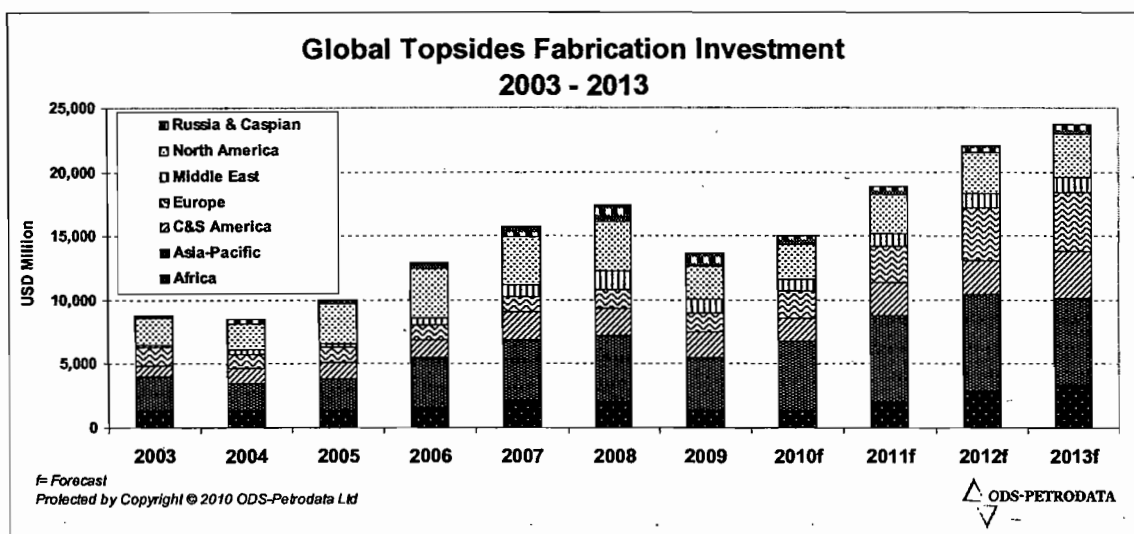
The choice of using either a Semi or SPAR can be influenced by the availability and cost of offshore construction vessels. One of the advantages of using a Semi instead of a SPAR is the ability to install the topsides on the hull in a yard. A SPAR, on the other hand, requires topsides installation to be done in deepwater which requires a heavy lift or floatover vessel.

3.1 Topsides Fabrication

3.1.1 Market Size

Spending

The effect of the global recession on investment in new topsides is illustrated by the following graphs. While 2008 remained largely unaffected by global economic events because projects were too far advanced to be cancelled or delayed, 2009 and 2010 suffered, although spending still remained higher than at any time before 2007. Looking forward ODS-Petrodata anticipates a resumption of the upward trend in spending from late 2010.



The Asia Pacific region currently accounts for the biggest demand for topsides in terms of value and this trend will continue and even increase slightly in the future.

Tonnage

The total tonnage of topsides fabricated in the Asia Pacific region has remained relatively stable in recent years, consistently in excess of 200,000 mt per year over 2006, 2007 and 2008, before declining slightly in 2009 to 188,829 mt. ODS-Petrodata's current forecast for 2010 is that tonnage will increase by around 21% and sees a similar increase for 2011, as awarded projects increase in number. By 2014, topside tonnage for the Asia Pacific region is expected to be 264,000 mt per year.

ODS-Petrodata also expects Asia Pacific region's share of the market worldwide to increase from the 32% in the period 2003-2009 to 36% between 2010 and 2013.

The following graph of visible topside demand includes projects with the following field status, together with our forecast:

Possible: A discovery that has led to the commencement of conceptual studies or pre-FEED work scope or that market intelligence has been obtained indicating the degree of certainty regarding the field's future development. The given timing/year reflects either a preliminary plan from the operator or an ODS-Petrodata estimate based on similar project developments.

Planned: When a development that has moved to the FEED stage or has either a potential base case development scenario or a confirmed development and start-up date. ODS Petrodata considers it likely the topsides will be delivered if commercial arrangements come in place.

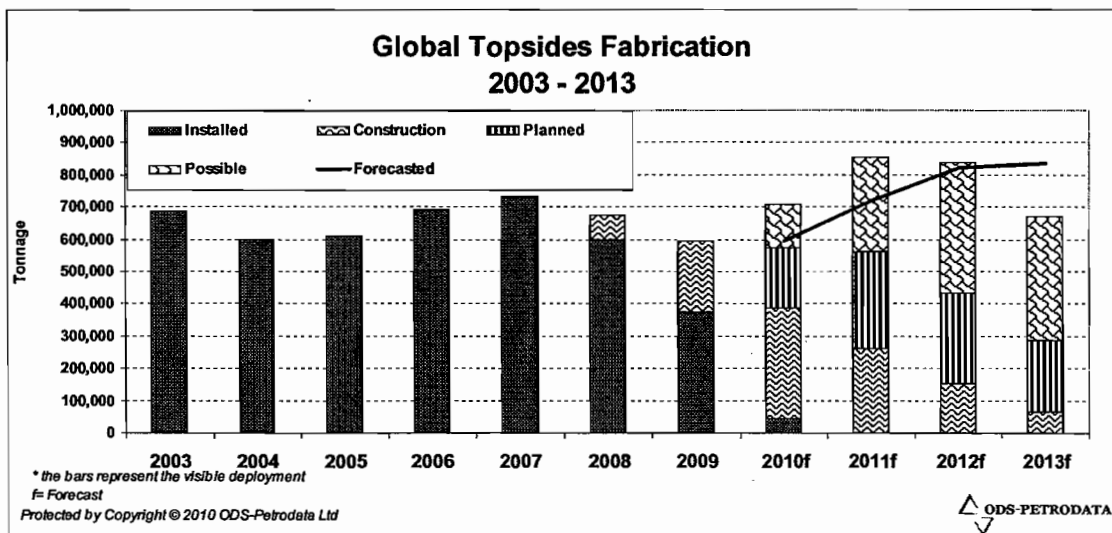
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Construction: A development that has reached the construction phase of development. This implies that a positive final investment decision (FID) has been made and that contracts have been awarded for the topsides fabrication. Projects under construction have the smallest possibility of being cancelled.

Installed: Platform installation has been completed.



In ODS-Petrodata's forecast, we have evaluated the possibility of future topsides fabrication projects, based on all known projects. Furthermore, where topside weight is not explicitly identified for a project, a combination of water depth, reservoir size, expected production rates, facility type and similarity with other projects has been taken into consideration to estimate a topsides weight for the project. Construction of the total weight will be spread over the project period to reflect limits on how fast fabrication can be executed. However, this approach does not take into account potential fast-track developments or developments that may be sanctioned at a higher oil price from current forecast.

While most companies saw a low number of new orders for topside fabrication in 2009, a few particularly high-profile topside fabrication contracts have been awarded recently. According to data compiled by ODS-Petrodata, Hyundai Heavy Industries' Offshore & Engineering division was the most notable, securing near-record levels of new orders in the last quarter of 2009 and first quarter of 2010. However not all of these orders were for topsides. For example, Hyundai Heavy Industries secured a major contract for a pre-assembled unit for the onshore section of the Gorgon LNG plant. As a result, by the end of the first quarter of 2010, Hyundai Heavy Industries' Offshore & Engineering division recorded its highest ever backlog level of USD 12.2 billion.

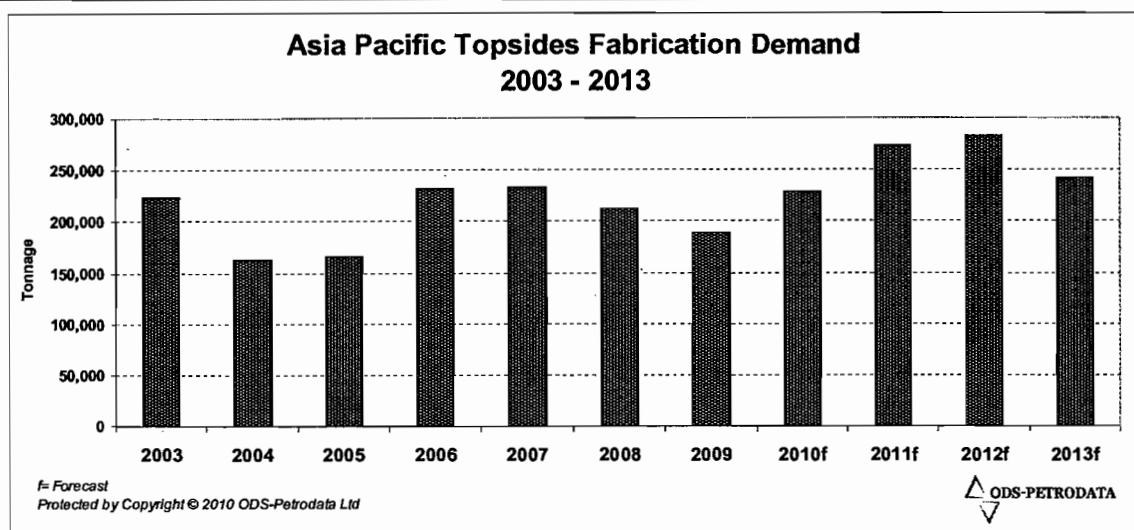
Despite the effect that these high-value awards have had on backlog levels for a few major yards, ODS-Petrodata still expects consolidated backlog levels to continue falling in 2010 for most, if not all, of the remaining yards because the bulk of backlog levels for many of the major yards relate in part to other types of fabrication. Those yards with backlogs relating to topside fabrication can also expect to see these levels deteriorate for most of 2010, if they have not been depleted already. This is because operators have as yet been hesitant in signing off on new topsides projects, with delays still occurring and few smaller projects being awarded (those that have historically been picked up by the smaller yards).

While some yards still have outstanding topside fabrication work to complete, the majority are struggling as a result of a lack of new orders in 2009. Many of the smaller yards are not as diversified as the major yards, and are therefore balanced on a fine line between waiting for the expected increase in topside awards in late 2010 and cutting jobs in their topside fabrication divisions. Several smaller yards in North America and Asia Pacific have already closed and ODS-Petrodata believes a few more could follow suit before the market improves. Depending on whether this trend continues, this could remove some of the immediate over-capacity at the yards in the short term. The graph below illustrates the Asia Pacific topsides fabrication demand in 2003-2013.

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**3.1.2 Major Competitors**

The topside market is very fragmented, and the contractors within the topsides fabrication market segment range from specialist fabrication yards to major turnkey contractors. Although some companies have global coverage in terms of the location of their yards, many regional contractors generally only serve their own regions. Many of the yards work in a number of other related sectors, including shipbuilding, wind power and onshore fabrication projects to allow diversification and a more predictable flow of projects.

In general, only the major yards are able to supply the international market or are capable of delivering the larger more complex projects. South Korea, Netherlands, Singapore, United Kingdom and the United States contain most of the major yards that are able to win contracts consistently at the international level. The table below shows the major fabrication yards in Asia Pacific and the Caspian region and their capability.

Country	Company	Yard	Maximum Topsides Capacity (mt)
Asia Pacific			
China	CNOOC Engineering	CNOOC Engineering/ Offshore Oil Engineering Company	>5,000
China	CNOOC Engineering	Tanggu Fabrication Yard	>5,000
Indonesia	J. Ray McDermott	PT McDermott Batam	>5,000
Indonesia	SembCorp Marine	PT SMOE Fabrication Yard	Not available
Indonesia	GunaNusa Utama Fabricators	Gunanusa Fabrication Yard	>5,000
Malaysia	Sime Darby Engineering	Teluk Ramunia Fabrication Yard	>5,000
Malaysia	Sime Darby Engineering	Pasir Gudang Yard	Not available
Malaysia	MMHE	Pasir Gudang Yard	>5,000
Malaysia	Kencana HL	Kencana Lumut Yard	>5000
Singapore	Keppel Corporation	Keppel Shipyard Tuas	Not available
Singapore	SembCorp Marine	Jurong Shipyard	Not available
Singapore	SembCorp Marine	SMOE/Sembawang Shipyard	Not available
South Korea	DSME	DSME Okpo Shipyard	>5,000
South Korea	Hyundai HI	HII Ulsan Shipyard	>5,000
South Korea	Samsung HI	SHI Geoje Shipyard	>5,000
Vietnam	Hyundai Vinashin Shipyard Company	Hyundai Vinashin	Not available
Vietnam	Petroleum Technology Services Comp.	PTSC M&C	Not available
Caspian Sea			
Azerbaijan	AMEC-Tekfen-Azfen Consortium	ATA Yard	>5,000
Azerbaijan	J. Ray McDermott	Baku Deepwater Jacket Factory	>5,000
Azerbaijan	Keppel Corporation	Caspian Shipyard Company	Not available
Kazakhstan	Keppel Corporation	Keppel Kazakhstan	Not available

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Russia	CNRG	Caspian Yard	Not available
Turkmenistan	MMHE	Kiyanly Fabrication Yard	>5,000

Source: Individual companies' websites and suppliers' data

Malaysia

In Malaysia, only seven companies have licenses to fabricate offshore oil and gas structures. These are: MMHE, Sime Darby, Kencana, Boustead Heavy Industries, Brooke Dockyards, Ramunia and Oilfab (Note: Oilfab is currently under receivership). Sime Darby bought Ramunia's Teluk Ramunia fabrication yards, together with all moveable assets for RM 515 million in April 2010. The bigger fabrication yards in terms of annual tonnage are MMHE's Pasir Gudang Yard, Sime Darby's Pasir Gudang Yard, and Kencana's Lumut shipyard, as tabled below.

Comparison of Malaysia Fabrication Yards							
Shipyards	Company	Overall Area (m ²)	Annual Tonnage Capacity (mt)	Market Share (% of annual tonnage Capacity)	Fabrication Area (m ²)	Maximum Skid Track Tonnage (mt)	Deepwater Experience
MMHE Pasir Gudang	MMHE	150,600	69,700	27.3%	321,400	40,000	Yes
Sime Darby Pasir Gudang	Sime Darby	404,682	60,000	23.5%	NA	15,000	No
Kencana Lumut	Kencana HL	635,500	48,000	18.8%	560,500	20,000	No
Boustead Penang	BousteadHI	160,880	9,000	3.5%	Up to 3 sets of topsides / jackets	4,000	No
Brooke Sejingkat	Brooke Dockyards	82,000	8,500	3.3%	63,500	4,000	No
Sime Darby Teluk Ramunia Fabrication Yard A	Sime Darby	169,968	10,000	3.9%	124,064	6,000	No
Sime Darby Teluk Ramunia Fabrication Yard B	Sime Darby	323,748	30,000	11.8%	292,010	11,000	No
Sime Darby Teluk Ramunia Fabrication Yard C	Sime Darby	194,249	20,000	7.8%	155,312	10,000	No

*Source: Individual companies' websites
N.A. = Not Available*

Caspian

According to the BP statistical review 2010, the Caspian countries (which includes Azerbaijan, Iran, Kazakhstan, Russia and Turkmenistan) have oil reserves of 259.3 thousand million barrels (amounting to 19.5% of global reserves) and gas reserves of 3,009.6 trillion cubic feet (amounting to 45% of the world's gas reserves). The Caspian region saw high growth in tonnage demand between 2003 and 2009. The main reasons for the particularly large increases during 2007 and 2008 were the development of Kashagan and Yuri Korchagin fields. There was, as with most other regions, a fall in demand in 2009, which, in the case of the Caspian, is expected to continue through to 2012; however, work on projects such as Neft Dashlary fields should limit the fall in demand in this region.

Azerbaijan was the primary source of demand in this region during 2003-2010, on developments including the Central and West Azeri fields, as well as the work done for the Neft Dashlary field. The Azeri-Chirag-Gunashli partnership signed a USD 6 billion investment agreement to develop the Chirag Oil Project in March 2010. The project will be for the sixth production platform on the giant Azeri-Chirag-Gunashli oil field, with contracts for fabrication of the facilities expected to be awarded by the end of the second quarter 2010.

Looking forward, the Caspian part of Russia (notably the Vladimir Filanovsky development) and Kazakhstan (notably the Kashagan field development) are expected to become bigger buyers of topsides. There are six fabrication yards located within the Caspian region that could potentially fabricate the topsides, such as AMEC-Tekfen-Azfen Consortium's ATA yard in Azerbaijan and J-Ray McDermott's Baku Deepwater Jacket Factory. MMHE's Kiyanly fabrication yard is the only topsides fabrication yard in Turkmenistan.

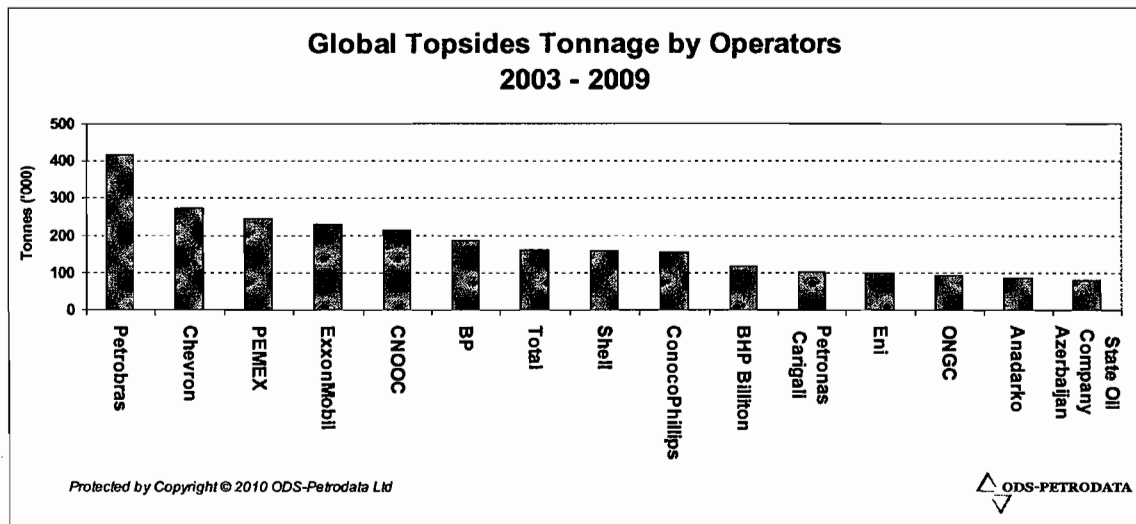
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3.1.3 Major buyers

Based on the annual tonnage fabricated over the 2003-09 period, the top six buyers of topsides were Petrobras, Chevron, PEMEX, ExxonMobil, CNOOC and BP. They accounted for 34% of global demand in the period 2003-2009. The remaining 66% included five operators that installed more than 100,000 mt of topsides each, and another four operators listed on the graph below that each installed more than 75,000 mt of topsides.



Over the period 2010-2014, ODS-Petrodata expects the top six buyers of topsides to be Petrobras, Chevron, ExxonMobil, Total, BP and Shell. Combined, they are expected to account for 46% of total worldwide demand for this period. During this period, ODS-Petrodata expects Petrobras to require 539,000 mt in total fabrication, mainly for its pre-salt (offshore oil and gas found below the salt layer) basin projects. ODS-Petrodata also expects Shell to be a new addition to the top six buyers, requiring 130,000 mt fabricated for projects such as Bonga (Nigeria), Mars B (US Gulf of Mexico) and Carrack (UK North Sea).

It is apparent from this analysis that the majority of buyers are IOCs as opposed to NOCs. This is because NOCs have traditionally focused more on the easier onshore oil developments, leaving the higher costs and risks of developing offshore fields to the IOCs.

3.1.4 Trends and Risks

Bargaining Power Swing in Favour of Operators

Due to the high demand and tight capacity seen at almost all yards prior to 2008/09, price advantage was understandably in favour of suppliers. For many yards, however, the collapse in the number of contract awards during late 2008 and 2009 has meant that this advantage has deteriorated. As new orders shrunk, yards' backlog levels dried up, as such, ODS-Petrodata expects to see increasing competition, particularly between the minor and medium-sized yards when bidding on new projects. While the outlook appears to have improved with regard to some of the major yards because some still have high levels of backlog to work through, they will increasingly come under pressure from the mid-size and smaller yards as they look to survival. Therefore, for 2010, the advantage when dealing with most yards should have swung firmly back in favour of operators.

Technological Developments

Developments in technology may influence future topsides projects. For example, subsea tiebacks to existing infrastructures are now viable over greater distances; extended reach drilling over greater distances coupled with multi-lateral technology may remove the requirement for a multi-platform development, while also reducing the number of wellhead topsides. Standardisation, which is commonly used in a number of regions, but mainly with the smaller developments, has now been adopted for larger developments, including a number of SPAR developments in the Gulf of Mexico.

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Larger Yards Still Retain Negotiating Leverage

In contrast, some major yards' current situation is less dire, or at the very least problems appear to be less imminent, compared with their smaller peers. Major yards did still see some backlog erosion through cancellations in multiple market segments during 2009, in particular with shipbuilding. However, the high level of new orders acquired during recent years has meant they have been able to accumulate two to three years' worth of outstanding contracts to use as a buffer.

Yet for yards, such as those in South Korea, i.e. Samsung Heavy Industries, Hyundai Heavy Industries and DSME, a large portion of the backlogs relate to shipbuilding, a market that collapsed in 2009 and is still very weak. Therefore some of these major yards have pushed harder for contracts within the offshore and engineering market. For example, Hyundai Heavy Industries saw its Offshore & Engineering backlog levels almost double quarter-on-quarter in the final quarter of 2009, and in the first quarter of 2010 increase by a further 25% quarter-on-quarter. As such, Hyundai Heavy Industries has recorded two consecutive all time high backlog levels, and in May 2010, the executive vice president of Hyundai Heavy Industries' Offshore & Engineering division said that the company could exceed the USD 4.2 billion new orders target for 2010.

This means it is unlikely there has been any noticeable change in the negotiating power of some major yards during 2009.

Yard Closures and Lay Offs

Prior to 2009, the small-and medium-sized yards were able to support themselves by winning smaller contracts or subcontracting work from the major yards. With a significant portion of smaller projects delayed or abandoned during 2009, and with the major yards less likely to subcontract in tougher times, competition between these yards has intensified.

With many of the minor yards around the world struggling to win new orders in 2009, many have now finished or are very close to completing all outstanding topside contracts. Combined with stricter and tighter access to credit facilities, these yards are struggling to survive. Some have been able to continue operating as they offer other services and products than just topside fabrication. Yet it has become apparent, that the prolonged drought in new orders across multiple markets is resulting in some yards laying off some or all of their workforce. ODS-Petrodata has also seen some yards close altogether such as Malaysia's Oilfab which went into receivership because its parent company, Oilcorp, was unable to pay off its lenders in time.

Capacity Utilisation to Increase at Smaller Yards

Forecasts prepared by ODS-Petrodata for topsides show demand increasing significantly in 2011 to an all-time high. If the smaller yards are able to survive until then, the rise in demand should see many of their woes disappear as new orders fill their order books. If anything, reduced competition and a streamlined organisation will likely leave those yards that remain in a stronger and healthier position going forward.

While there is over-capacity currently at the smaller yards, an expected increase in new orders later in 2010 should see a certain degree of yard capacity constraints return in 2011-12, leading to longer lead times and a return to the weakened bargaining power of operators.

Yard Experience is Important

The importance of experience and quality within the oil and gas service segments ensures relatively high barriers to entry, and secures a certain negotiating power for experienced supplier/contractors. Accordingly, for new yards without experience or a visible history in offshore engineering, contract awards can be difficult to win. For example, with increased impetus and funding from the Chinese government to enter offshore engineering markets, new yards have opened in China in recent years. However, many are struggling to win new orders, e.g. Dalian Shipbuilding Industry Company's yard, as a direct result of their lack of experience.

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3.1.5 Barriers to Entry

Recent years have seen an increase in new yards opening in low-cost countries, especially in the Asia Pacific region. However, many of these yards are serving the low-end shipbuilding industry. This is especially true for many of the shipyards in China. On a small regional scale, the entry barriers to shipbuilding have been relatively low due to low labour costs and the small amount of technology required. However, for the larger technically complex topsides, where high competency levels and heavier plant, equipment, and fabrication facilities are required, the financial outlay and experience required would be major factors. Getting funding for a topsides fabrication yard is increasingly difficult due to tight financing conditions attached to winning contracts.

A few of the new fabrication yards are extensions to regional NOCs providing them with a direct fabrication resource, while providing continuity of work for the yard as well as lowering the yard's entry barriers, such as China National Petroleum Corporation's Qingdao and Liaohe yards. This kind of co-operation between buyers and suppliers on a local level also deals with the increasingly important factor of local content.

It is anticipated that some of the shipyards in low-cost countries that today serve the low-end shipbuilding industry will try to penetrate the more lucrative high-end shipbuilding and topsides markets in the future. But buyers like to see a history of successfully completed projects before awarding contracts; as a result, new yards will initially find it difficult to gain the required experience and proven track record to win awards.

3.2 Semi, TLP and SPAR Fabrication

3.2.1 Market Size

Market Size of Global Units May 2010, 78 working units		
Semi	SPAR	TLP
39	17	22
Source: ODS-Petrodata		

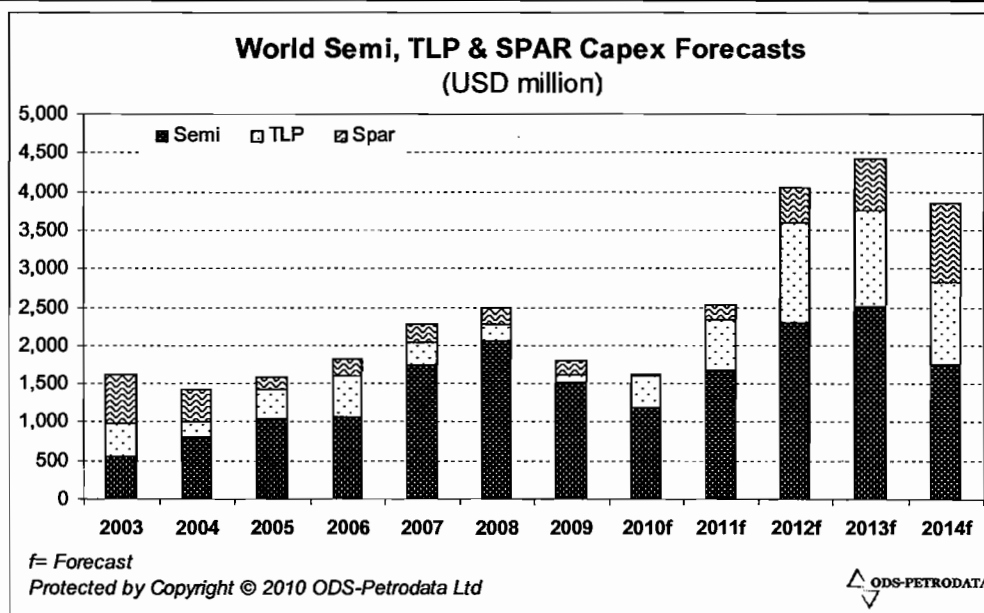
Semis, TLPs and SPARs can be used for both large and marginal field developments but they do not generally have crude oil and gas storage capability. Most of the world's Semis, TLPs and SPARs tend to be built for large field developments and are normally owned, as opposed to leased, by IOCs and NOCs. On the other hand there are some Semis, TLPs and SPARs intended for small field developments and these are normally owned by smaller independents and a few of these smaller units are leased from contractors. These projects are particularly vulnerable to oil price fluctuations due to their marginal profitability. As shown in the table above, there are 78 Semi, SPAR and TLP existing as of June, 2010.

2008 was a major turning point for the market for these structures. A sharp decline in oil prices resulted in operators re-evaluating the profitability of new projects and subsequently delaying contract awards. However, 2010 may be a more promising year for contractors because tendering activity has increased and operators have indicated their intention to award several Semi, TLP and SPAR fabrication jobs by end-2010. As shown in the graph below, looking forward, the world semi, TLP & SPAR Capex is expected to be over USD 2,500 million per year from 2011 onwards.

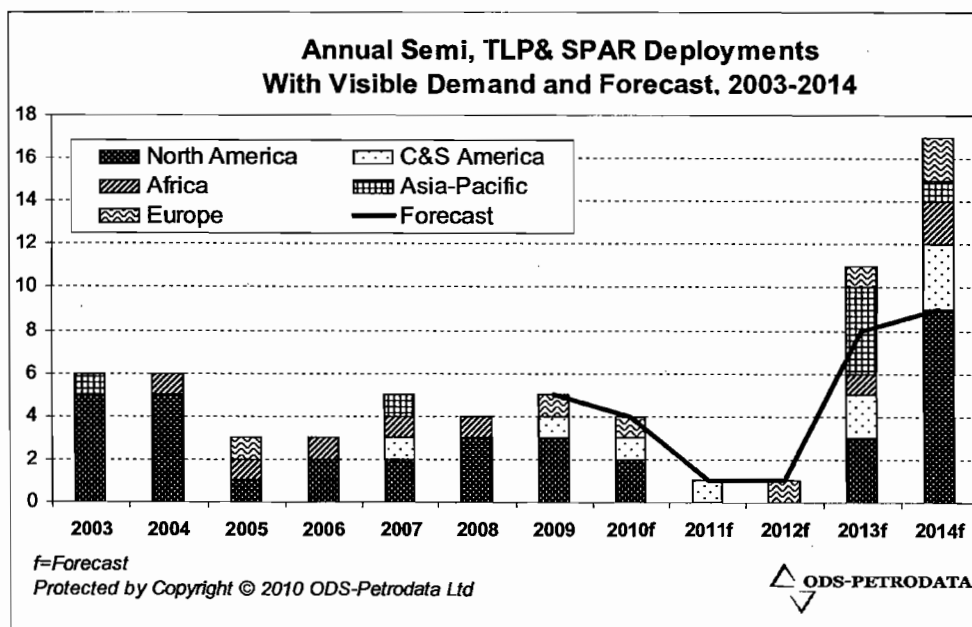
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Despite the slowdown in 2009 - 2010, the long-term fundamentals of this market remain robust. Visible demand remains strong for the long term, with the number of scheduled deployments for 2013/2014 forecast to be higher than the historical average, as illustrated by the graph below. ODS-Petrodata's forecasts account for delays and cancellations so forecast deployments are lower than visible demand.



Annual Semi, TLP and SPAR deployments, in other words the number of these structures achieving first production every year, are expected to improve substantially by 2014, although a year-on-year decline is expected for 2010-2012 due to a slowdown in new orders and completion of existing projects. Note, however, that the graph shown is for actual deployment of finished units and that construction of those units will necessarily occur in the preceding two years, as shown in the graph of capex spending above.

The Asia Pacific region is not a major market for Semis, TLPs and SPARs due to a general preference for FPSOs, with their accompanying in-built storage facilities. One reason for this trend is the presence of deepwater fields, which tend to be far away from established offshore pipeline infrastructure. As a result, the Semis, TLPs and SPARs operating in this region tend to be smaller, wellhead facilities that

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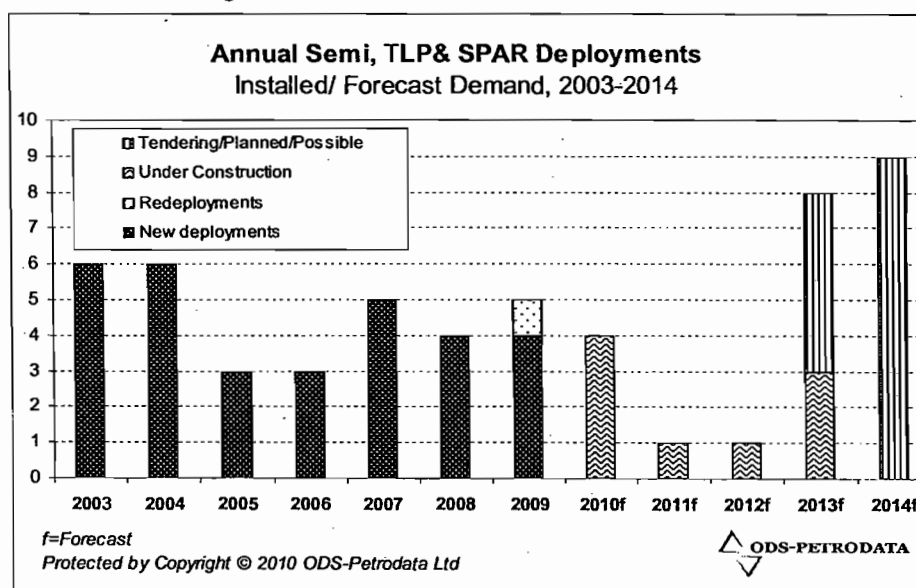
are linked to floating storage units. An example is the Kikeh SPAR operating in Malaysia, which was paired up with the Kikeh FPSO.

A Shell-operated production semisubmersible for its Gumusut/Kakap field will be an exception to the trend. This unit is expected to have a huge oil processing capacity of 150,000 b/d. First oil for this semisubmersible is expected in 3Q 2012.

In the longer term, future demand is supported by expected growth in Southeast Asia and Australia.

Newbuilds

Competition amongst yards for new Semis, TLPs and SPARs orders should be strong in 2010, with fewer of these structures under construction, and most of them being scheduled for delivery in 2010. However, a recovery in new orders from 2011 onwards could lead to the return of supply chain bottlenecks, such as long equipment lead-times. Several companies, such as Hyundai Heavy Industries and SBM Offshore, which subcontracts most of their work to a variety of yards, have record high backlogs in 2010 after securing non-Semi, TLP or SPAR related orders.



In Malaysia, a TLP is believed to be the preferred development concept for Shell's deepwater Malikai project offshore Sarawak. First production for this TLP is expected in 2013. Fabrication will be carried out by a local yard.

3.2.2 Major Competitors

Construction of a Semi, TLP or SPAR is can be divided among several contractors. Hull construction and topsides fabrication may be undertaken by different contractors, although most Semi, TLP and SPAR yards have the ability to do both. The following yards have been involved in building either Semi, TLP or Spar units since 2003.

Contractor	Yard Location
Semi, TLP and SPAR Yards	
Aker Solutions	Norway
DSME	South Korea
Estaleiro Atlantico Sul	Brazil
Gulf Island Fabrication	USA
Hyundai Heavy Industries	South Korea
J. Ray McDermott	USA, Mexico, Azerbaijan, Indonesia and Dubai
Keppel Corporation	USA, Brazil, China, and Singapore
Kiewit	USA

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Contractor	Yard Location
Semi, TLP and SPAR Yards	
MMHE	Malaysia
Quip consortium	Brazil
Samsung Heavy Industries	South Korea
SembCorp Marine	USA, China, and Singapore
Technip	Finland
Source: ODS-Petrodata	

In addition, the table below shows those yards which have been involved in building Semi units from 2003 onwards.

Semisubmersible Market Share (2003-2010)					
No.	Unit Name	Operator	Hull Yard	Topsides Yard	Country
1	Blind Faith	Chevron	Aker Solutions	Gulf Island Fabrication	USA
2	P-55	Petrobras	Atlantico Sul	Quip	Brazil
3	Octabuoy	ATP	COSCO Shipyard	Not available	UK
4	Atlantis	BP	DSME	J Ray McDermott	USA
5	Thunder Horse	BP	DSME	J Ray McDermott	USA
6	Thunder Hawk	Murphy	Dyna-Mac	Kiewit	USA
7	ATP Titan	ATP	Gulf Island Fabrication	Gulf Island Fabrication	USA
8	Na Kika	BP/Shell	Hyundai Heavy Industries	Hyundai Heavy Industries	USA
9	P-56	Petrobras	Keppel Corporation	Keppel Corporation	Brazil
10	P-52	Petrobras	Keppel Corporation	Keppel Corporation	Brazil
11	P-51	Petrobras	Keppel Corporation	Keppel Corporation	Brazil
12	Gumusut/Kakap	Shell	MMHE	MMHE	Malaysia
13	Kristin Semi	Statoil	Samsung Heavy Industries	Aker Solutions	Norway
14	Gjoea	Statoil	Samsung Heavy Industries	Aker Solutions	Norway
15	Independence Hub	Anadarko	SembCorp Marine	Kiewit	USA
16	ATP Innovator	ATP	Signal International	Omega Natchiq	USA
Source: ODS-Petrodata					

Competition to build Semis is normally intense, there are 12 yards globally that have been involved in building Semi hulls, compared to only four or five yards for TLP and SPAR hulls. The same trend prevails for the related topsides fabrication, with more yards active for the Semi segment as compared to the TLP and SPAR segment

MMHE is currently building the Gumusut-Kakap Semi for Shell and has a 6.2% market share (based on number of projects) from 2003-2010. Keppel Corporation is the market leader for Semi hulls with the company having a market share of 18.8% for 2003-2010 projects.

For TLP hull construction, Samsung Heavy Industries is the clear leader, being involved in five projects.

TLP Market Share (2003-2010)					
No.	Unit Name	Operator	Hull Yard	Topsides Yard	Country
1	Kizomba A - TLP	ExxonMobil	DSME	Heerema	Angola
2	Kizomba B - TLP	ExxonMobil	DSME	Heerema	Angola
3	West Seno TLP-A	Chevron	Hyundai Heavy Industries	Clough	Indonesia
4	Matterhorn	Total	Keppel Corporation	Gulf Island Fabrication	USA
5	P-61 TLWP	Petrobras	Keppel Corporation	Keppel Corporation	Brazil
6	Marco Polo	Anadarko	Samsung Heavy Industries	Kiewit	USA
7	Magnolia TLP	ConocoPhillips	Samsung Heavy Industries	Gulf Island Fabrication	USA
8	Okume/Ebano TLP	Hess	Samsung Heavy Industries	Samsung Heavy Industries	Equatorial Guinea

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9	Oveng TLP	Hess	Samsung Heavy Industries	Samsung Heavy Industries	Equatorial Guinea
10	Shenzi	BHP Billiton	Samsung Heavy Industries	Kiewit	USA
11	Neptune TLP	BHP Billiton	Signal International	Gulf Island Fabrication	USA

Source: ODS-Petrodata

Technip, J. Ray McDermott and Gulf Island Fabrication were the only three companies involved in building SPAR hulls until MMHE entered the market in 2005. MMHE, with a 2003-2010 market share of 9.1% (based on number of projects), has competed with the other companies in this segment on its ability to provide an integrated construction solution since the company is able to fabricate both topsides as well as hulls.

SPAR Market Share (2003-2010)					
No.	Unit Name	Operator	Hull Yard	Topsides Yard	Country
1	Red Hawk	Anadarko	Gulf Island Fabrication	Gulf Island Fabrication	USA
2	Medusa	Murphy	J. Ray McDermott	J. Ray McDermott	USA
3	Devils Tower	Dominion E&P	J. Ray McDermott	J. Ray McDermott	USA
4	Front Runner	Murphy	J. Ray McDermott	Gulf Island Fabrication	USA
5	Kikeh SPAR	Murphy	MMHE	MMHE	Malaysia
6	Global Producer VII	Anadarko	Technip	Gulf Island Fabrication	USA
7	Holstein	BP	Technip	J. Ray McDermott	USA
8	Mad Dog	BP	Technip	J. Ray McDermott	USA
9	Constitution	Anadarko	Technip	Gulf Island Fabrication	USA
10	Perdido Hub	Shell	Technip	Kiewit	USA
11	Tahiti	Chevron	Technip	Gulf Island Fabrication	USA

Source: ODS-Petrodata

3.2.3 Major Buyers

Market share for buyers of Semis, TLPs and SPARs, is calculated on a global basis. Recent deployments (2003 onwards) by the major buyers provides some insight but due to the small size of the market, market share for buyers is highly fragmented, with no buyer having a meaningful leadership position.

However, after signing a letter of intent for the P-61 TLWP in October 2009, Petrobras is now the world's largest buyer, although its market share is only marginally greater than its peers. One of the Petrobras's deployments also involves the redeployment of a previously idle Semi, the Atlantic Zephyr.

BP and Anadarko tie for the world's second largest buyer. Each company had a 12% market share (five deployments) in the period 2003 to 2010. These two companies dominate the North America market since all of their units are currently deployed in the US Gulf of Mexico. It is also worth noting that BP operates Thunder Horse, the largest Semi in the world by oil production capacity.

Major buyer	Deployments 2003-2009	Under Construction	Total	Total (%)	Region
Petrobras	3	3	6	15%	Central and South America
BP	5	0	5	12%	North America
Anadarko	5	0	5	12%	North America
Murphy	4	0	4	10%	Central and South America
Chevron	3	0	3	7%	North America, Asia Pacific
ATP	1	2	3	7%	North America, Europe
BHP Billiton	2	0	2	5%	North America
ExxonMobil	2	0	2	5%	Africa
Shell	0	2	2	5%	North America, Asia Pacific
Statoil	1	1	2	5%	Europe
Others	7	0	7	17%	-
Total	33	8	41	100%	-

8. INDUSTRY OVERVIEW (Cont'd)

Market Report

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Major buyer	Deployments 2003-2009	Under Construction	Total	Total (%)	Region
Source: ODS-Petrodata					

3.2.4 Trends and Risks

There is little risk of a supply overhang from asset speculation. Unlike the FPSO market, only one Semi has been ordered on speculation, and this unit has since been purchased. Since Semi, TLP and SPAR units are normally deployed for a long duration on a single field and are normally scrapped after finishing their deployments, idle units and consequently the redeployment of idle units is rare. This is also evident from market trends as only two Semis have been redeployed since 2003.

3.2.5 Barriers to Entry

Barriers to entry in this market are high, mainly due to a steep learning curve and the need for a good track record.

Even new entrants with strong engineering resources may struggle with their first project due to a steep learning curve. For example, J. Ray McDermott experienced significant losses and associated financing difficulties on its first three SPAR projects in 2002-2003. Meanwhile, Keppel Corporation encountered cost overruns while building the P-52 SEMI. This lump-sum, turnkey contract was secured in 2003.

A successful track record is crucial due to the high opportunity costs (delay in production) created by unexpected downtime. Technip's Pori yard has captured the lion's share of all the hull fabrication contracts for SPARs due to its status as one of the first yards to successfully deliver a SPAR hull. Furthermore, building the unique cylindrical structure of a SPAR hull also requires specialised equipment and facilities that are not normally present in most shipyards. As a result, companies that already have this equipment are at an advantage.

4.0 Marine Conversion

4.1 FPSO/FSO

FPSO/FSO vessels are used in many areas of the world. This is because installation of fixed structures is generally not viable in water depths over 300 metres or because the accumulation of oil is too small or distant from existing infrastructure, such as pipelines, to make it economical to deliver the oil to market.

According to ODS-Petrodata, nearly three-quarters of all floating production systems facilities globally are either FSO or FPSOs with the remaining systems mainly being Semi, TLP, and SPAR units.

Market Size of FPSO/FSO Units May 2010/ 223 working units	
FPSO	FSO
139	84
Source: ODS-Petrodata	

Increased discovery of deepwater oil and gas will drive demand for an increasing number of future FPSO/FSO development opportunities, but shallow water areas will also continue to drive demand, as oil and gas companies seek to efficiently develop smaller stranded assets. A higher oil price will increase the likelihood of both activities, as the gap between revenue and development cost increases.

4.2 Market Size

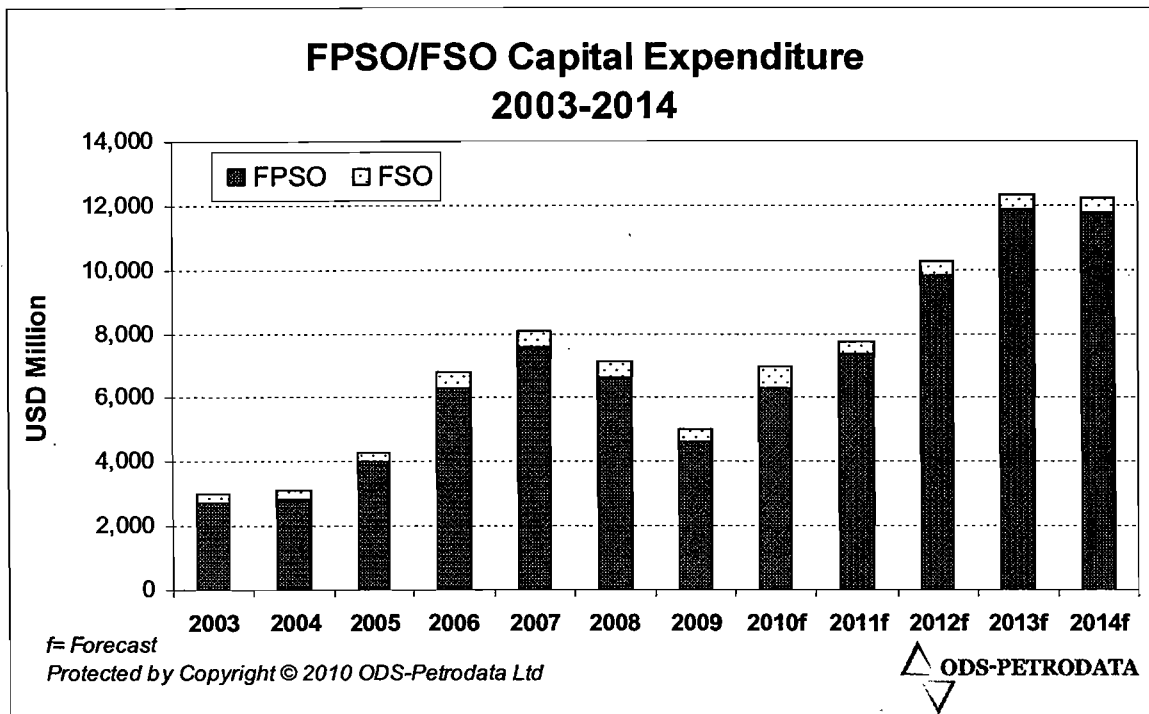
Long term demand for FPSO/FSO vessels remains strong, despite the slowdown in new orders that affected the market for most of 2009, as a result of the global economic slowdown. Indeed, ODS-Petrodata expects annual global expenditure on FPSO/FSO facilities to reach USD 12.2 billion in 2014 from USD 4.6 billion in 2009 – with a majority of it being spent on the conversion of tankers to FPSOs. The estimated FPSO/FSO capital expenditure for Asia Pacific is expected to increase from USD 873 million in 2009 to USD 1.2 billion in 2014.

For the Russian and Caspian regions, FPSO/FSO capital expenditure was just USD 25 million in 2009 and we currently do not expect any capital expenditure at all between now and 2014.

8. INDUSTRY OVERVIEW (Cont'd)

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Forecast and visible deployments have been presented separately in the graph below. Since forecasts account for delays/cancellations, forecast FPSO demand (as represented by annual deployments) is normally lower than the visible demand generated by ODS-Petrodata's databases. In contrast, forecast FSO demand is normally higher than the visible demand due to the lack of visibility and the shorter lead times associated with FSO projects.

Robust demand for FPSO/FSO vessels in the period 2003-2008 was driven by a concerted push into deepwater, where floating production was the only viable alternative. Until the second half of 2008, continued strength in oil prices also favoured new processing infrastructure via subsea tie-ins to existing infrastructure, thereby improving the profitability of previously stranded discoveries. However, the sharp drop in oil prices in late 2008 resulted in a number of projects being delayed or cancelled, particularly projects based on smaller, more marginal field development projects.

With oil prices increasing from their 2009 lows and improving credit conditions, operators have become more confident in near-term market dynamics and a broad recovery in contract awards for both large and marginal fields has been noted. This increase in contract awards will result in FPSO deployments increasing dramatically from its 2010 lows.

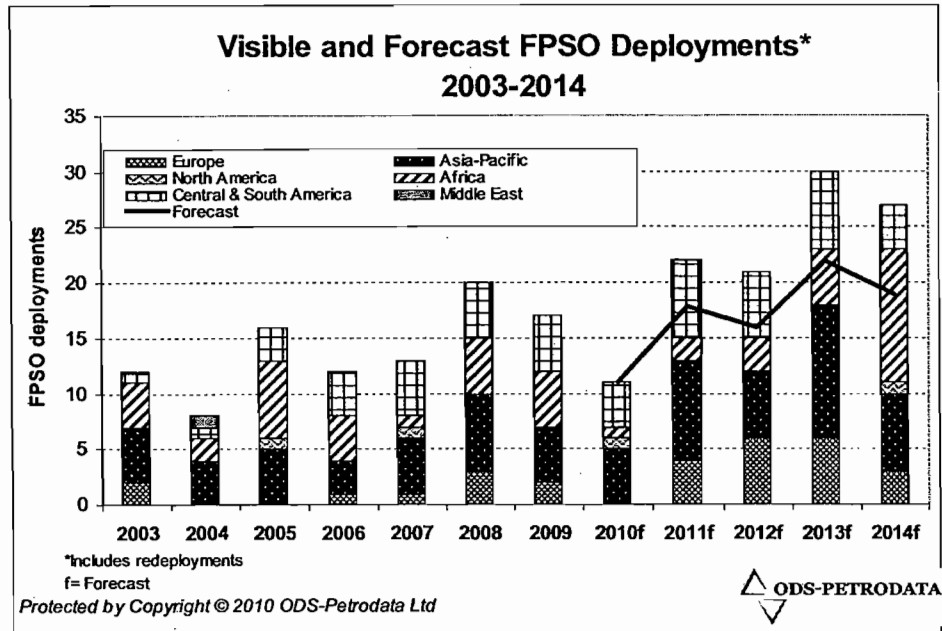
Most of the FPSO/FSO vessels on order are intended for Asia Pacific, Central & South America and Africa. They are widely used in these regions due to the relative scarcity of offshore pipeline infrastructure and/or widespread presence of deepwater reservoirs.

As the following graph illustrates, the longer-term outlook for the FPSO/FSO market remains positive, with deployment activity rebounding strongly in 2013/2014. One of the drivers behind the predicted turnaround is a return in demand for smaller, more marginal field developments. While a number of these projects are expected to ultimately run into additional delays or fall by the wayside, operator interest in FPSO/FSO vessels for these projects indicates a growing comfort with near-term oil prices and access to capital for project financing.

8. INDUSTRY OVERVIEW (Cont'd)

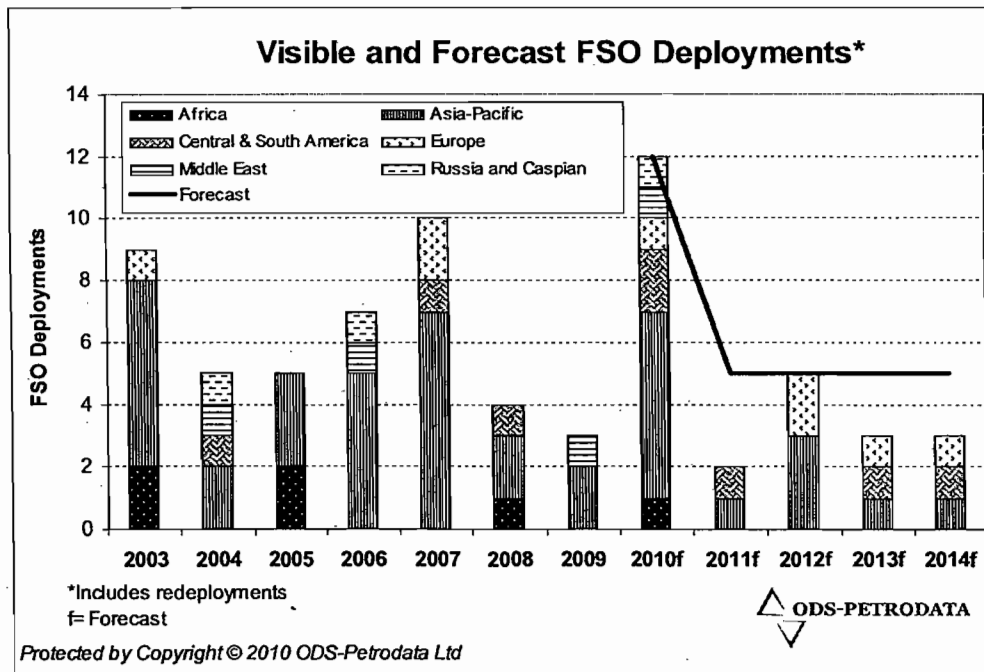
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The Asia Pacific region was the single largest market for both FPSO and FSO deployments from 2003-2009. FPSO projects in this region are often characterised by smaller, shallow-water field development projects that lean toward floating storage solutions due to their remote location.

In addition, these projects are often undertaken by smaller operators, which often have more limited access to capital resources. As a result of these factors, FPSO projects in the Asia Pacific region have a higher risk of being delayed or cancelled. Small-scale projects in the area that have been hit with delays include BGEC's Camago-Malampaya Oil Leg project and Otto Energy's Caluit project off the Philippines.



8. INDUSTRY OVERVIEW (Cont'd)

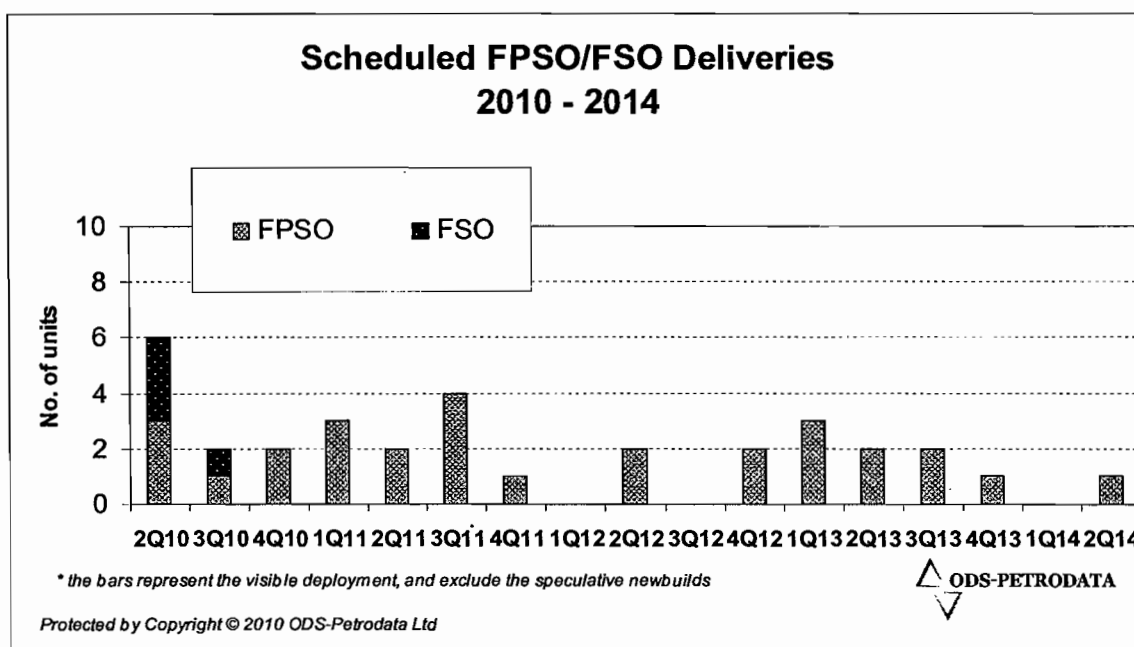
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There are currently no FPSOs planned for the Russia and Caspian regions, whereas there were three FSO deployments from 2003-2010. Two of these three FSOs are operating in the Caspian Sea while the BW Offshore-owned Belokamenka FSO is working for Rosneft in the Barents Sea. Activity in this region is expected to stay flat from 2011-2014, with no visible requirements from operators.

Newbuilds

The global fleet of FPSO/FSO units is expected to grow by 15% from 239 to 278 units from 2010 to 2014. There are 95 units currently in the Asia Pacific region and 10 units under construction. According to ODS-Petrodata, this growth should be driven by 10 projects at the tendering phase and another 39 projects at the "planned or possible" stage globally, some of which could be contracted between now and 2014.



Based on data compiled by ODS-Petrodata, near-term vessel deliveries will continue at a high pace, but as the market progresses into the latter part of 2011, the delivery schedule will begin to reflect the 2008-2009 hiatus in new FPSO/FSO orders. However, with contracting and new FPSO/FSO order activity already outstripping even the most optimistic predictions for 2010, this lull in the delivery schedule should be relatively short-lived. New orders exceeded deliveries in the first quarter of 2010, resulting in a slight increase in the number of vessels under construction.

4.3 Major Competitors

FPSO yards normally focus on either newbuilds or conversions, with the contract scope for each category being very different. Converted FPSOs are normally intended for smaller field developments and hence the size of each conversion contract is relatively small as compared to the billion dollar contracts associated with newbuild jobs.

Hull conversions normally involve life extension work on the tanker, fabrication of a flare tower and heli-deck and the installation of piping and topsides modules.

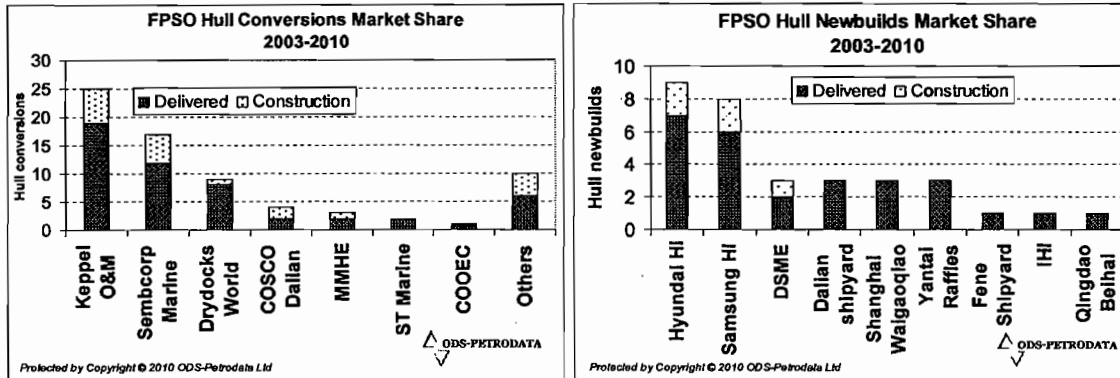
Based on the number of 2003-2010 projects, Keppel Corporation and SembCorp Marine have so far been the preferred choice for FPSO conversions, having completed 19 and 12 projects respectively, implying a market share of 36.5% and 23.1% respectively. One reason for this trend is because of the first mover's advantage secured by these companies. Both have been involved in FPSO conversions for more than two decades and have a good track record in timely deliveries. Drydocks World rank third in the sector with 8 conversions or a market share of 15.3% followed by COSCO Dalian and MMHE, each with a market share of 3.8%.

8. INDUSTRY OVERVIEW (Cont'd)

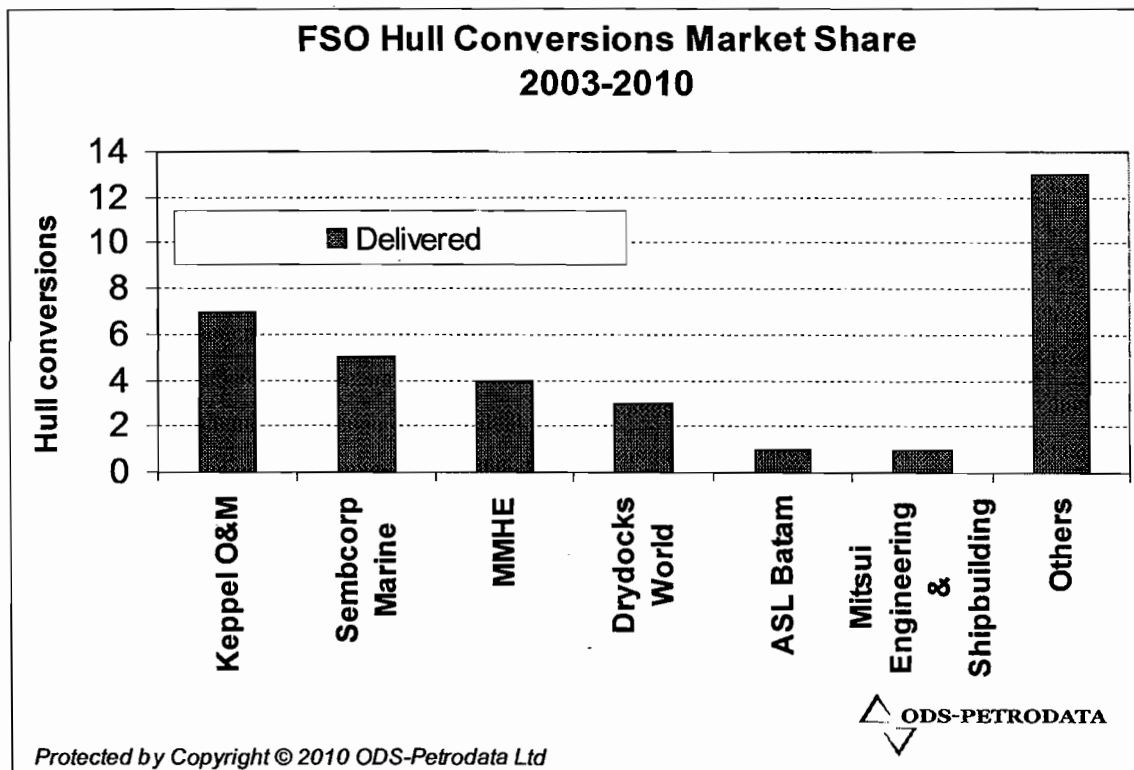
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Market share for hull newbuilds is dominated by the South Korean yards with Hyundai Heavy Industries, DSME and Samsung HI building most of the newbuild hulls, as the following graphs demonstrate.



The FSO segment is far smaller than the FPSO segment in terms of annual new deployments. Shipyards in the Asia Pacific region, a region known for FSO deployments, have been heavily involved in building these vessels. MMHE has secured a 12% market share in FSO conversions from 2003 to 2010, based on the number of projects in 2003 to 2010.



The various construction yards involved in FPSO/FSO construction contracts and their main area of expertise are highlighted below.

Contractor	Capabilities		FPSO/FSO Yard
	Newbuild	Conversion	Location
DSME	X		South Korea
Hyundai HI	X		South Korea
Samsung HI	X		South Korea

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Contractor	Capabilities		FPSO/FSO Yard
	Newbuild	Conversion	Location
SembCorp Marine		X	Singapore
COSCO Shipyard		X	China
Aker Solutions	X		Norway
Drydocks World		X	Dubai, Singapore
Keppel Corporation		X	Singapore, Brazil
Aibel		X	Norway
J.Ray McDermott		X	Indonesia, China
MMHE		X	Malaysia
Quip consortium		X	Brazil
Source: ODS-Petrodata			

4.4 Major Buyers

The table below shows the number of new deployments of FPSO/FSO from 2003 to the year to date, 2010, and the number of units under construction for the major buyers globally.

Buyer	Deployments 2003-2010 YTD	Under Construction	Total	Total (%)
Petrobras	20	9	29	22%
ExxonMobil	7	0	7	5%
Eni	4	3	7	5%
CNOOC	7	0	7	5%
Total	4	2	6	4%
ConocoPhillips	4	0	4	3%
Woodside	3	1	4	3%
BP	1	2	3	2%
Chevron	3	0	3	2%
CNR	3	0	3	2%
Petronas	2	1	3	2%
Others	46	12	58	43%
Total	104	30	134	100%
* Includes FPSOs ordered on speculation				
Source: ODS-Petrodata				

Petrobras is by far the largest buyer in the FPSO/FSO market, with a total of 29 deployments from 2003 onwards. ExxonMobil, CNOOC and Eni are a distant second, with seven deployments each. All of ExxonMobil's projects have been destined for developments in Africa, while CNOOC's FPSO deployments have been in China. Eni's projects have been evenly divided between Asia Pacific, Europe and Africa.

Having a large buyer's market share has allowed Petrobras the flexibility of issuing tenders with stringent local content requirements to contractors. Petrobras has also started ordering multiple FPSOs in a single tender in an effort to capture economies of scale and learning curve benefits.

4.5 Trends and Risks

2010 will be a good time for operators to order FPSOs. Spare capacity for engineering and construction of FPSOs continues to improve because the number of FPSOs under construction is at its lowest level since 2005 and the number under construction is likely to stay at a comfortable level for operators in 2010, even if 15-20 more FPSOs are ordered. MMHE is the only shipyard in Malaysia with a track record in FPSO conversions and should be well positioned to get conversion contracts for any new orders in the Asia Pacific region.

8. INDUSTRY OVERVIEW (Cont'd)

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Chinese Shipyards

Since 2004, tight capacity for experienced FPSO conversion yards globally has given less experienced Chinese yards the opportunity to enter this market. For FPSOs, hull and topsides can be constructed / converted by different shipyards. It is a comparatively easier job to build topsides, and this was the initial focus of most Chinese shipyards. The proximity of topsides fabrication yards such as BOMESC (Bohai Oil Marine Engineering and Supply) and COOEC (China Offshore Oil Engineering) also makes China an attractive destination for FPSO conversions. There are currently three FPSO conversion projects in Chinese yards, according to ODS-Petrodata.

Among the major FPSO owners, MODEC has been the most active in subcontracting work to the Chinese yards, with four units completed and another unit under conversion in Chinese yards. MODEC was one of the first companies in the world to award conversion jobs to Chinese yards such as COOEC and COSCO Shipyard Group.

COSCO Dalian, a part of COSCO Shipyard Group, received its first FPSO conversion contract from MODEC in 2007. However, the steep learning curve involved resulted in delays and cost overruns. COSCO Shipyard Group been climbing the learning curve quickly and has since secured multiple contracts from MODEC. They have also since, leveraged on its growing track record in order to secure a large conversion job from BW Offshore in 2010 to convert the Papa-Terra FPSO which will be deployed in Brazil. BW Offshore had only subcontracted tasks such as structural steel replacement, paint and blasting to COSCO Dalian previously.

Despite the learning curve difficulties, the willingness of lease contractors to continue working with the Chinese yards suggests that these new entrants will continue to play a role in the industry. This implies greater competition for MMHE and other incumbent conversion yards and a greater pool of contractors for FPSO owners to choose from.

Redeployment of existing idle units

The redeployment of idle FPSO/FSO units could provide a potential source of supply for operators but this is likely to be limited to smaller field development projects due to the smaller size of these units. According to ODS-Petrodata, there are currently 10 idle units: seven FPSOs and three FSOs. However most re-deployments to date have required extensive modification before re-deployment, and this could actually increase demand for FPSO/FSO conversion yards.

4.6 Barriers to Entry

Entry barriers for FPSO shipyards remain high. Shipyards with an established reputation in building or converting FPSO vessels enjoy a substantial first mover advantage and tend to get repeat orders.

The entry barriers involved in building an FSO are lower compared to an FPSO. COSCO Shipyard

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5.0 Marine Repair

The growth in potential ship repair activity is driven by the size of the cargo carrying fleet, which in turn is driven by underlying cargo demand. This section starts with a brief overview of the shipping market.

5.1 Shipping Market Overview

Shipping is the most cost effective mode of long haul transport for all goods other than those with very high value-to-weight ratios. Since 1990, the volume of world trade has grown much faster than the growth in total world output as measured by GDP. China's economic progress has contributed to the growth in demand for shipping since its accession to the WTO in 2001, and driven bulk trade of many commodities through the recession of 2008-2009. As with Japan, Korea and other Asian economies before it, Chinese industrialisation has been in large part export-led, and much of the oil, gas and industrial raw materials that underpin its development are imported, often over long distances. However the scale of Chinese industrialisation and development dwarfs its Asian neighbours.

5.1.1 Demand

The characteristics and volume of cargos determines the type and size of ships employed. Notwithstanding vessels carrying vehicles and people, seaborne cargos are customarily divided into 'wet' and 'dry' trades, as detailed in the table below.

SEABORNE CARGOS (million Tonnes)	2005	2006	2007	2008	2009	2010f	2011f	2012f	2013f	2014f
WET CARGOS	3,052	3,128	3,227	3,255	3,194	3,327	3,453	3,564	3,656	3,779
Crude Oil	2,033	2,013	2,047	2,051	1,993	2,045	2,104	2,161	2,197	2,273
Oil Products	683	750	798	816	789	809	842	869	892	920
Chemicals	138	147	152	156	160	168	177	186	198	204
Liquid Petroleum Gas (LPG)	58	59	61	64	65	70	77	82	84	89
Liquid Natural Gas (LNG)	141	158	170	168	188	235	253	266	284	293
DRY CARGOS	4,713	5,084	5,367	5,572	5,254	5,642	5,999	6,335	6,667	6,966
Dry Bulk	2,566	2,728	2,874	2,964	2,883	3,176	3,400	3,580	3,756	3,910
Container	1,044	1,148	1,278	1,340	1,236	1,303	1,413	1,545	1,689	1,835
General Cargo	1,075	1,178	1,184	1,238	1,107	1,135	1,158	1,181	1,193	1,193
Reefer Cargo	28	29	30	30	28	28	29	29	30	29
TOTAL CARGOS	7,765	8,211	8,594	8,827	8,448	8,969	9,451	9,898	10,323	10,745
(% Ch yoy)	3.0%	5.7%	4.7%	2.7%	-4.3%	6.2%	5.4%	4.7%	4.3%	4.1%

Source: MSI
f=Forecast

In their simplest form, wet cargos are carried in unpressurised tankers, ranging from Handysize ships (10,000-70,000 dwt) employed primarily in oil products trade, to VLCC and ULCC vessels, employed exclusively in crude oil trade. Chemical tanker cargos are more sensitive to contaminants and have specially coated tanks and pipes. The most complex are LNG and LPG carriers which carry large quantities of commodities under regulated temperature and pressure to keep them in a dense liquid form.

Dry cargos are primarily split by loose bulk and unitised cargo. Loose bulk cargos such as iron ore, coal and grains are principally shipped in dry bulk vessels. Reefer (refrigerated) bulk cargos are transported in similar bulk ships that can regulate the temperature of the holds. Unitised cargo comprise containerised, palletised or break-bulk. Containerised cargo is shipped in dedicated FCC (fully cellular containership) vessels while palletised and break-bulk cargos are shipped in general cargo carriers.

Shipping demand drivers are as diverse as international trade. Industrial goods are tied to the economic cycle, agricultural goods are affected by population growth, consumer preferences and weather, raw materials/fuels are determined by geographic natural resource imbalances, while manufactured goods are governed by comparative advantage and competition. Voyage time also impacts shipping demand which is affected by factors such as distance, speed and shore-based infrastructure.

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5.1.2 Supply

In broad terms, the supply of ships is governed by the cargo capacity of the existing stock of ships, together with the future inflow of newbuildings and the outflow of ship demolitions. The table below highlights the growth in the global supply by vessel types.

BULK FLEET (million dwt)	2005	2006	2007	2008	2009	2010f	2011f	2012f	2013f	2014f
TANKER FLEET	365	383	406	430	470	489	512	529	546	556
Crude Oil Tankers	272	281	294	302	329	341	361	374	386	391
Oil Products Tankers	32	33	35	36	36	37	38	40	42	44
Chemical Tankers	37	42	48	57	66	70	71	73	74	75
LPG Carriers	11	11	12	13	13	13	13	14	14	16
LNG Carriers	13	15	18	22	26	27	28	29	30	30
DRY CARGO FLEET	516	556	599	646	694	766	817	860	891	905
Dry Bulk Carriers	345	368	392	422	463	521	561	591	612	620
FCC Container Carriers	113	129	145	163	172	187	197	210	222	230
General Cargo Carriers	52	53	55	55	54	53	53	53	52	51
Reefer Carriers	6	6	6	6	6	5	5	5	5	5
TOTAL BULK FLEET	881	940	1,005	1,076	1,164	1,255	1,329	1,389	1,437	1,461
(% Ch yoy)	7.2%	6.6%	7.0%	7.0%	8.2%	7.8%	5.9%	4.5%	3.5%	1.7%

Source: MSI
f=Forecast

The last decade saw a significant boom in shipping, and new vessel contracting reached unprecedented heights during 2007, across all vessel types. More than 3,400 vessels of 233 million dwt were contracted in 2007, of which 61% were dry bulk carriers. In 2008-2009, an ensuing fall in trade and a consequent drop in earnings and asset values for almost all sectors resulted in a re-organisation of the industry's orderbook, with many contracts cancelled and deliveries delayed.

The following section relates only to the tanker fleet, the sectors where MMHE is actively engaged.

5.1.3 Market Size

5.1.3.1 LNG Carrier Sector

The LNG fleet has grown rapidly during the last decade, rising from 128 ships at the end of 2000 to 367 ships at the end of 2009, an average annual growth rate of 14.7%. This has resulted in an increasing share of younger vessels, with LNG carrier capacity under ten years old rising from 50% to almost 75%. Fleet growth was particularly strong from 2004 to 2007 due to a peak in new vessel contracting of an average 7.1 million cu.m per year. Contracting has since dropped away with no new contracts in 2009. MSI anticipates fleet growth to be sharply curtailed over the next five years with the fall-off in new vessel deliveries.

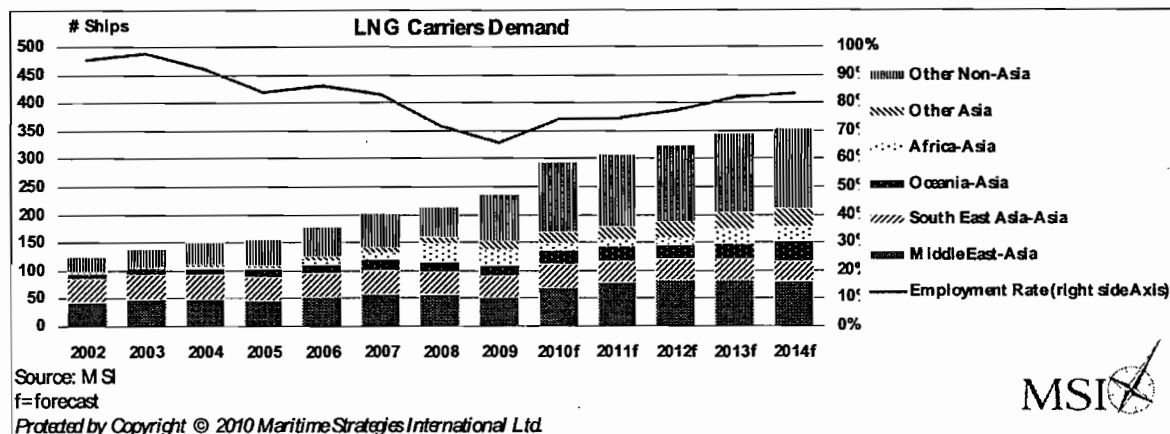
LNG Carrier Employment

After a period of intense growth in demand for LNG carriers, at an average 11.2% year-on-year since 2002, 2010 is expected to be a markedly strong year for this sector, with demand for ships rising from 230 to 279 vessels, as demonstrated in the following graph. 2010's boost to trade is expected as a result of a robust increase in LNG exports from Qatar, where a tranche of new developments are due to come on stream following a long construction delay.

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Asia/Pac Market Share	2002	2003	2004	2005	2006	2007	2008	2009	2010f	2011f	2012f	2013f	2014f
%	77.5	76.0	73.9	71.3	69.7	69.9	75.8	64.9	57.9	58.0	57.9	58.6	59.5

Employment rate declined during the latter half of the past decade, due to a chronic and growing oversupply of LNG ships caused by delays of many shore-based LNG production facilities due to technical difficulties compared to the delivery of LNG ships. 2010's boost in trade will mark a turning point in falling LNG employment rates, which MSI expects to gradually improve through to 2014.

Following a steady fall in the market share of trade routes through Asia Pacific, MSI expects this share to remain steady at around 60% going forward, with support coming from Middle East exports.

5.1.3.2 VLCC and ULCC Sector

The VLCC and ULCC vessel fleet has grown steadily at an average 3.5% year-on-year since 2002. Two years of peak contracting in 2006 and 2008 have lifted anticipated vessel deliveries over the next few years. Fleet growth is expected to be particularly strong in 2011 and continue increasing at an average 5% per annum to 2014. A spate of new deliveries coupled with increased scrapping of older vessels and an exodus of old tonnage converted for the bulkier sector means the share of younger vessels will grow. MSI expects the share of 0-4 year old ships to peak at 44% in 2011.

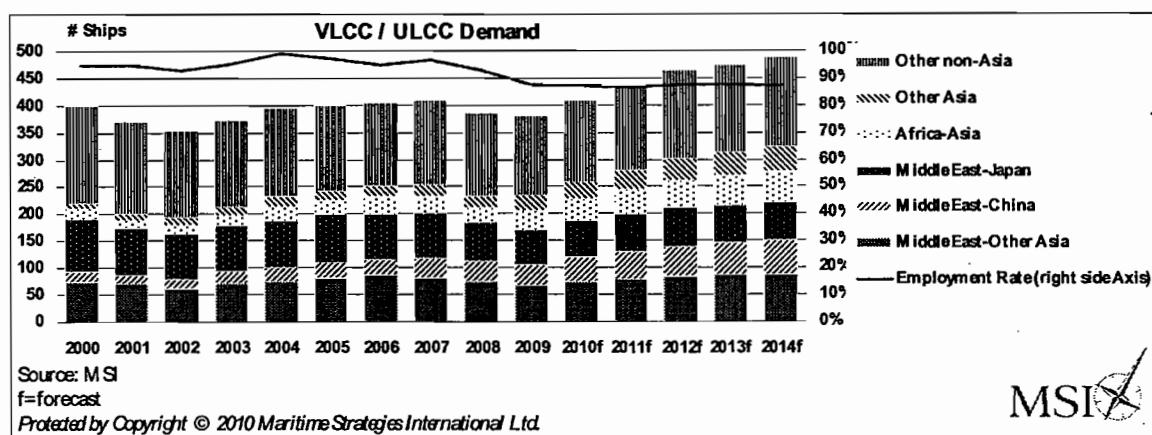
VLCC and ULCC Employment

After remaining relatively flat between 2000 and 2009 (except for a relatively stronger period between 2004 and 2007), MSI anticipates VLCC employment to grow by an average 5.3% year-on-year to 2014, as illustrated in the graph below. Increased demand from Asia, particularly China, is the primary driver behind an expected boost in VLCC employment to 2014. With such a substantial fleet growth forecast, MSI anticipates VLCC employment rates to remain under 90%.

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Asia/Pac Market Share	2002	2003	2004	2005	2006	2007	2008	2009	2010f	2011f	2012f	2013f	2014f
%	54.9	56.9	58.7	60.7	62.5	62.3	60.5	61.8	63.2	64.5	65.0	66.0	66.0

The share of Asia/Pacific routes in VLCC/ULCC trade has increased year-on-year since 2001, and MSI expects this trend to continue through to 2014. By 2014, two-thirds of VLCC/ULCC imports will be to Asian countries, with much of the growth coming from the Middle East and Africa into China, outweighing falls to Japan.

5.1.3.3 10,000-70,000 dwt Products and Chemical Tanker Sector

The 10,000-70,000 dwt tanker fleet comprises ships of varying sophistication. Crude oil tankers can only carry crude oil, products tankers can carry both crude oil and oil products and chemical tankers can, in addition, carry sensitive chemical cargos. While there is some inherent crossover in employment between the segments and cargos the 10,000-70,000 dwt fleet primarily comprises products and chemical tankers. At end 2009, only 15% of the fleet was designated crude oil tankers.

The past decade saw a steady progression of younger tonnage as new deliveries have picked up strongly. Since 2000, capacity has increased by an average 5.4% year-on-year. MSI anticipates this trend to wind down as the wave of new tonnage graduates to the 5-9 year old bracket and new deliveries are low. The share of 0-10 year old vessels will nevertheless remain very high, accounting for close to 70% of the fleet towards 2014. MSI anticipates negative fleet growth in 2011, before a period of very slow fleet growth to 2014 at an average 1.5% year-on-year.

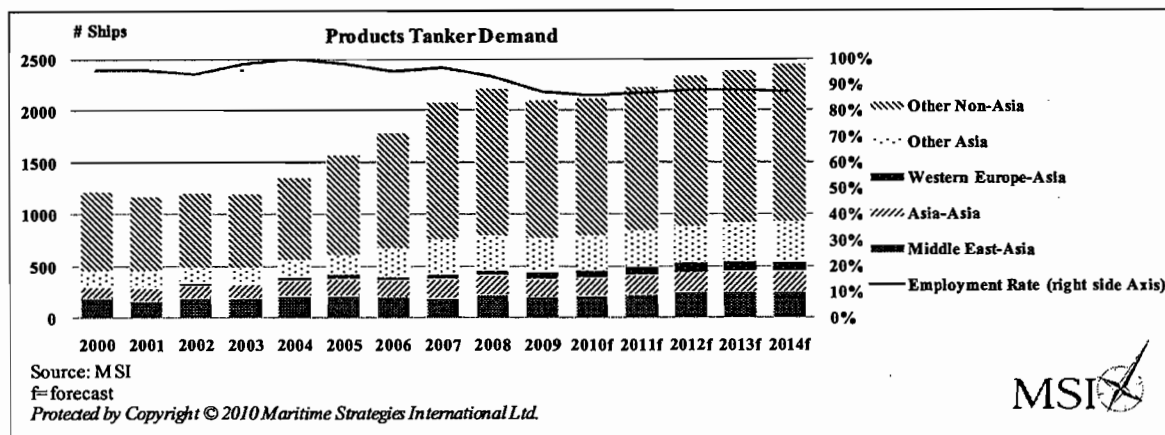
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Products Tanker Employment

As the graph below illustrates, products tanker demand grew strongly through the past decade, rising by an average 8.7% year-on-year from 2000 to 2008. This was particularly weighted towards the latter half at an average 14% year-on-year from 2004.

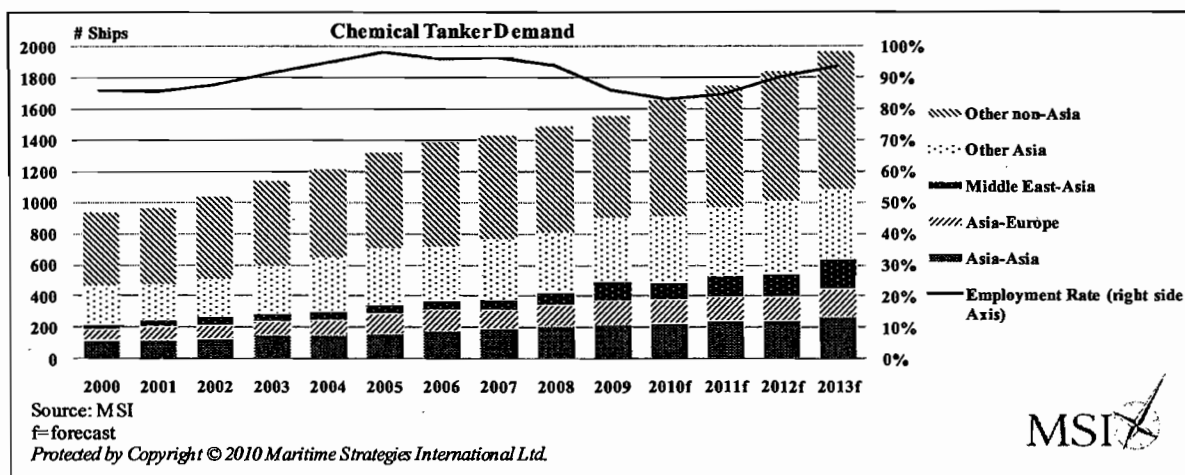


Asia/Pac Market Share	2002	2003	2004	2005	2006	2007	2008	2009	2010f	2011f	2012f	2013f	2014f
%	34.0	33.9	34.6	32.6	29.0	26.8	27.2	27.8	28.6	29.0	29.2	29.4	28.9

Unlike the VLCC/ULCC demand, the share of Asia Pacific trade routes in products tanker demand has fallen in recent years, from a third early in the last decade to only a quarter in 2009. Further, MSI expects the employment rate in the products tanker segment to remain subdued throughout the next few years, at between 86% and 88% to 2014.

Chemical Tanker Employment

The chemical tanker segment has witnessed a rising share of Asia Pacific trades since 2000, as per the table below, primarily in Intra-Asian routes and imports from the Middle East. Exports from Asia to Europe have also been a significant driver behind increased demand for chemical tankers. As the graph below illustrates, total demand has risen by an average 5.6% year-on-year since 2000. After a decline in chemical tanker employment from 2005 to 2009, MSI anticipates an increase in demand at an average of 6.1% year-on-year to 2013. This, along with slow fleet growth is expected by MSI to lead to a turnaround in employment rates from 83% in 2010 to almost 94% by 2013.



8. INDUSTRY OVERVIEW (Cont'd)

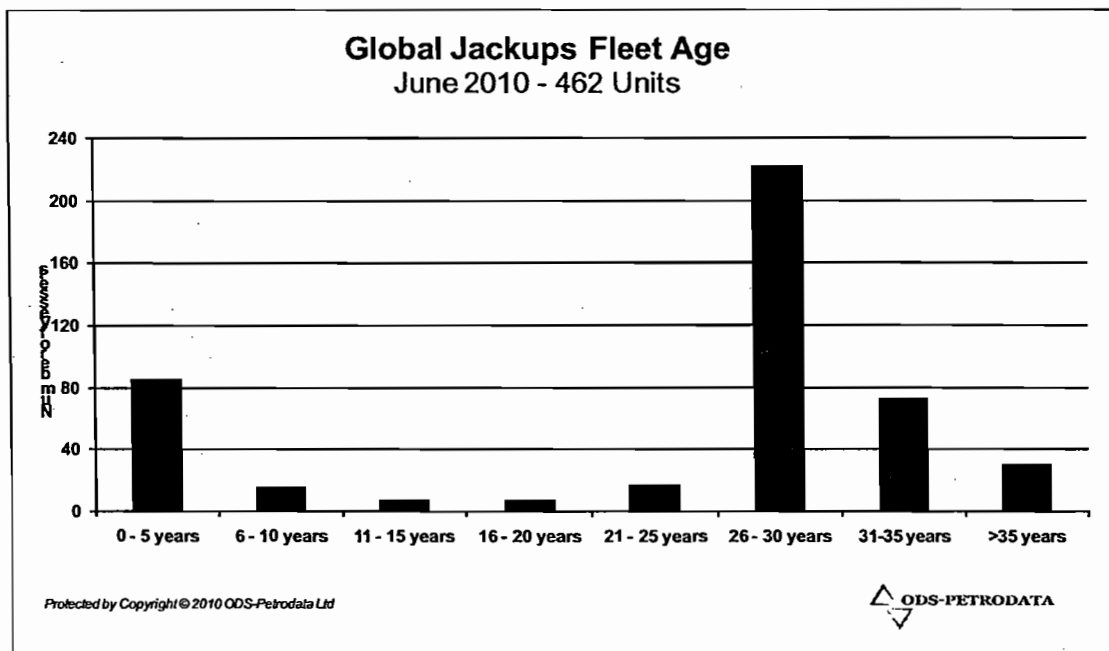
Market Report

An ODS-Petrodata Report for Malaysia Marine and Heavy Engineering Holdings Berhad

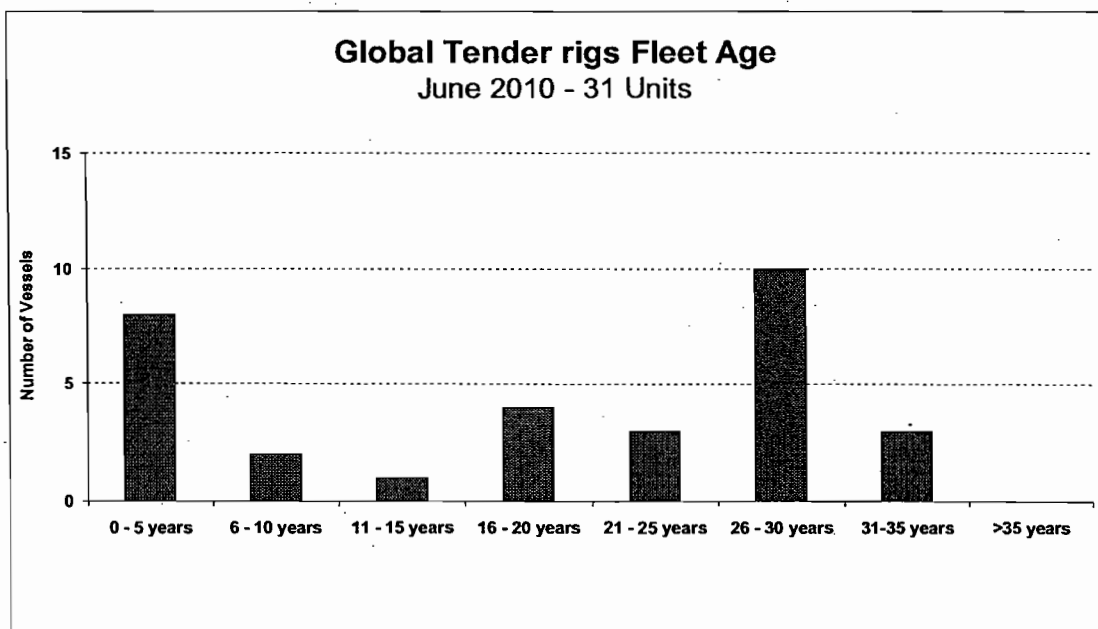
Asia/Pac Market Share	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010f	2011f	2012f	2013f
%	49.1	49.1	52.2	53.4	53.3	51.2	53.6	54.5	57.5	54.8	55.1	54.8	55.2

5.2 Rigs Repair Market Overview

Developing and producing offshore discoveries requires drilling rigs, floating or fixed production facilities, pipelines, subsea equipment, and various offshore vessels. Drilling rig activity is one of the key leading indicators of future E&P activity. With 70.6% of jackups over 25 years old, it could be argued that there will be a high level of future demand for repair and upgrading services. With falling steel prices and diminishing shipyard order books such repairs and upgrades may continue to be a competitive option for maintaining market share and utilisation of older units.



Similarly, 41.9% of the current tender rig fleet are over 25 years old, as illustrated in the graph below.



8. INDUSTRY OVERVIEW (Cont'd)

Market Report

An ODS-Petrodata Report for Malaysia Marine and Heavy Engineering Holdings Berhad

5.3 Ship Repair Market Overview

The supply of ship repair capacity is difficult to quantify. This is primarily due to the flexibility of dry-dock facilities. A shipyard's dry-dock used for repair work could, in theory, convert to a newbuilding yard within 1-2 years and vice versa. Further, in addition to dock size, capacity also depends on yard efficiency and vessel turnaround times. Repair capacity is a particularly grey area in China, where enormous shipbuilding capacity has been developed recently, but a significant proportion of this capacity may find employment in the repair sector if newbuilding contracts are not forthcoming. Beyond Chinese yards, new repair capacity have been reported in Vietnam, Indonesia, the Middle East, Turkey and Eastern Europe in recent years.

Despite competition from new capacity, yards around the Singapore port remain one of the major hubs of ship repair due to their location within the major shipping routes for tankers such as VLCCs, ULCCs and LNG carriers, particularly from the Middle East to Asia. These yards are also successful in securing more complex vessel conversion and refurbishment works such as for FPSO, FSO and LNG carriers.

Quantifying the demand for ship repair facilities is also difficult as it depends on a multitude of factors, including statutory vessel surveys, periodic maintenance, damage repair and technical improvements.

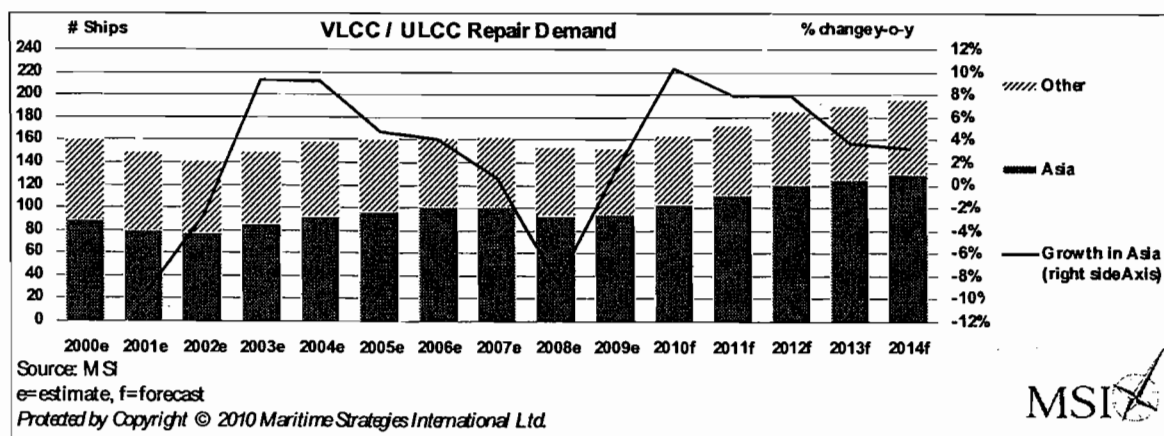
A declining market in repairs to 20+ year old tankers is expected to be more than compensated by a substantial increase in Asian VLCC trade, offering over 8% annual growth over the next few years. The repair needs for 1990s-built double hull tankers, which typically have extensive internal spaces that are susceptible to corrosion and increased inspections, may also lead to an increase in average time spent in dock. There is additionally an expanding specialised niche market for the repair and refurbishment of LNG carriers.

The single most important consideration in scheduled repairs is the drydocking cycle.

Although vessel owners are required by the Classification Society and the Safety of Life at Sea ("SOLAS") regulations to make scheduled repairs of their vessels at least twice during every five-year period, the schedule of the intermediate survey can be brought forward or delayed by three months from the two and a half years since the last special survey done while the special survey can be brought forward by 3 months from the five years since the last special survey docking. During periods when freight rates are low, vessel owners may opt to delay either surveys as long as possible or if required to, the surveys will be for minimal levels of maintenance and repairs to meet regulatory requirements, which may adversely affect marine repair business.

On the basis that vessels require dry-docking every two and a half years, and notwithstanding the impacts of market movements nor fleet age profile and associated wear-and-tear, the charts below summarise MSI's estimates for repairs for vessels employed in Asian versus non-Asian bilateral routes by vessel type during the last decade, and forecasts to 2013/14.

VLCC and ULCC Derived Repair Demand

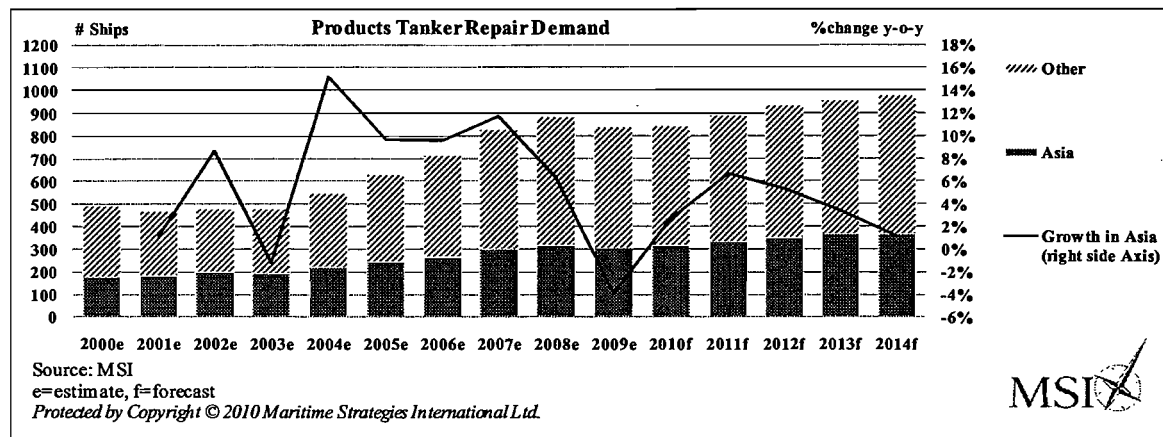


8. INDUSTRY OVERVIEW (Cont'd)

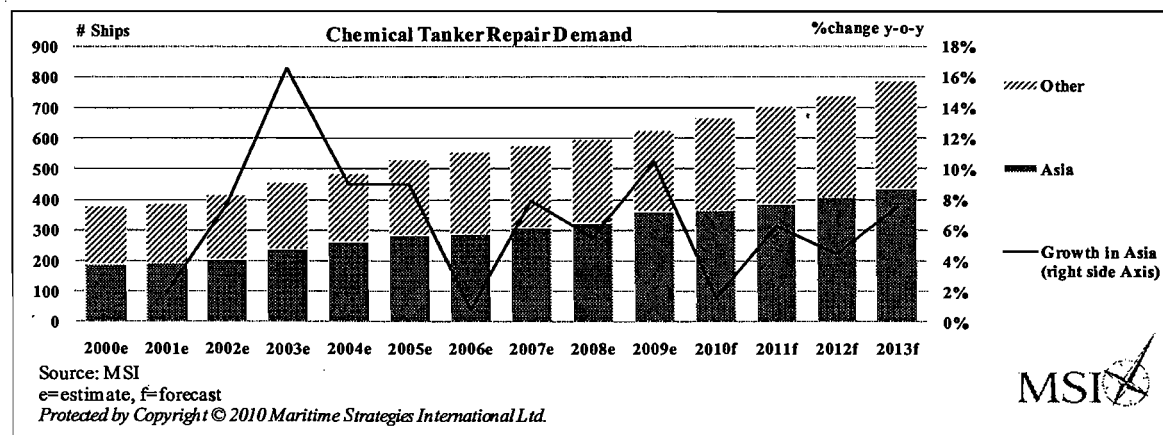
Market Report

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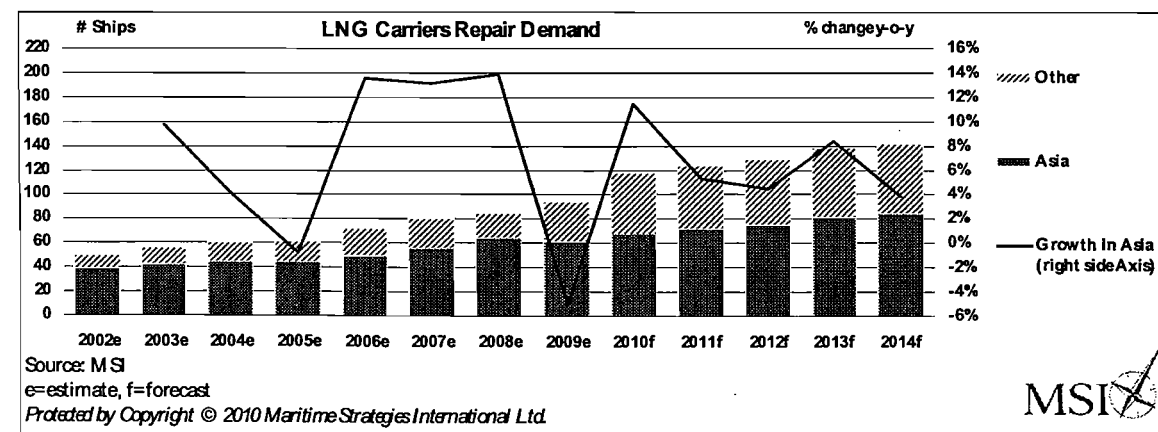
Product Tankers Derived Repair Demand



Chemical Tankers Derived Repair Demand



LNG Carriers Derived Repair Demand



8. INDUSTRY OVERVIEW (Cont'd)

Market Report

An ODS-Petrodata Report for Malaysia Marine and Heavy Engineering Holdings Berhad

5.3.1 Major shipyards in Southeast Asia

Country	Company	Yard	Length (m)	Width (m)	Quoted Maximum dwt
Indonesia	SembCorp Marine	PT Karimum Sembawang	230.0	35.0	65,000
Indonesia	Labroy Marine	PT Nanidah Mutiara Shipyard – Dock 1	92.0	24.0	N.A.
Indonesia	Labroy Marine	PT Nanidah Mutiara Shipyard – Dock 2	166.0	32.2	N.A.
Indonesia	Otto Marine	PT Batamec – Graving Dock	145	40	N.A.
Indonesia	Pan United	Batam Dock 4	116	21.6	N.A.
Indonesia	Pan United	Batam Dock 5	235	40	N.A.
Indonesia	ASL Marine	PT ASL	260	60	150,000
Malaysia	MMHE	Pasir Gudang Yard – Dry Dock 1	385	80	450,000
Malaysia	MMHE	Pasir Gudang Yard – Dry Dock 2	270	46	140,000
Philippines	Keppel Corporation	Keppel Cebu Shipyard	210	30	35,000
Singapore	Keppel Corporation	Keppel Batangas Shipyard	200	38	20,000
Singapore	Subic Shipyard & Engineering	Pacific Dock	350	65	340,000
Singapore	SembCorp Marine	Premier	384.0	64.0	400,000
Singapore	SembCorp Marine	President	290.0	48.0	150,000
Singapore	SembCorp Marine	KG VI	303.0	39.6	100,000
Singapore	SembCorp Marine	Republic	202.0	42.0	60,000
Singapore	SembCorp Marine	KFD	230.0	35	65,000
Singapore	Jurong Shipyard	Number 1	270.0	40.0	100,000
Singapore	Jurong Shipyard	Number 2	350.0	56.0	300,000
Singapore	Jurong Shipyard	Number 3	380.0	80.2	500,000
Singapore	Jurong Shipyard	Number 5	335.0	65.0	200,000
Singapore	Keppel Corporation	Admiral Dock	380	80	400,000
Singapore	Keppel Corporation	Tuas Dock	350	66	360,000
Singapore	Keppel Corporation	Raffles Dock	355	60	330,000
Singapore	Keppel Corporation	Temasek Dock	301	52	150,000
Singapore	Keppel Corporation	15 Benoi Yard – No. 1 Dry Dock	350	60	300,000
Singapore	Keppel Corporation	15 Benoi Yard – No. 2 Dry Dock	300	60	170,000
Singapore	Pan United	Singapore Dock 1 ⁽¹⁾	122	22	N.A.
Singapore	Pan United	Singapore Dock 2 ⁽¹⁾	195	34.6	N.A.
Singapore	Pan United	Singapore Dock 3 ⁽¹⁾	187.5	36.5	N.A.
Vietnam	Hyundai Vinashin Shipyard Co.	Number 1 Dock	260	45	80,000
Vietnam	Hyundai Vinashin Shipyard Co.	Number 2 Dock	380	65	400,000
Vietnam	Dung Quat Shipbuilding Industry Co	Dung Quat – No. 1	380	86	300,000
Vietnam	Dung Quat Shipbuilding Industry Co	Dung Quat – No. 2	520	110	150,000

Source: Company data, supplier websites

(1) Floating docks

N.A. = Not Available

As per the table above, MMHE's Pasir Gudang yard is one of the largest shipyards in Southeast Asia, with one of the largest dry dock spaces, along with SembCorp Marine's Premier Yard, Keppel Corporation's Admiral Dock, Jurong's Number 3 Dock and Hyundai Vinashin's Number 2 Dock. MMHE is one of the handful of yards in Southeast Asia that are able to service LNG carriers, handle VLCC and ULCC vessels of more than 450,000 dwt and a shiplift system with a capacity to handle Panamax sized vessels. Critically, both Singapore and Malaysia have to import labour, thus the costs and flexibility of continuing to do so presents risks to them.

The increasing demand for LNG carriers in the coming years will create opportunities for LNG carrier repair and refurbishment in particular – a market in which only few yards in Southeast Asia compete. Within this region, in 2009, SembCorp Marine repaired the most LNG carriers, with approximately 48% of the market share, followed by MMHE with 30% market share and Keppel Corporation with 20% market share. MMHE's high market share is largely due to its inherent advantage in gaining high-value ship repair jobs from MISC, which has a large LNG fleet, and has tended to use MMHE for the majority of its repair work.

8. INDUSTRY OVERVIEW (Cont'd)

Market Report

An ODS-Petrodata Report for Malaysia Marine and Heavy Engineering Holdings Berhad

5.3.2 Trends and Risks

Key factors set to dominate near term ship repair markets include:

- Tightening regulatory and chartering policies regarding vessel standards and maintenance,
- Continued development of low cost ship repair centres,
- Restructuring and reorientation of conventional shipbuilders towards ship repair,
- A significantly lower freight rates environment than in recent years, and
- Potential excess regional capacity is expected to encourage specialisation and the development of niche markets such as the LNG carrier sector.

5.3.3 Barriers to Entry

As with parts of the offshore fabrication sector, see section 4 earlier, recent years have seen new yards opening up in low cost countries, especially within the Asia Pacific region, given their small local scale, low labour costs and limited technology requirements. Looking forward, it is anticipated that shipyards serving low end shipbuilding may gravitate towards ship repair as new ordering volumes remain subdued. Factors such as government policies and yard location will also play a part in the establishment and support of repair facilities.

9. INFORMATION ON OUR DIRECTORS, PROMOTER, SUBSTANTIAL SHAREHOLDERS, STRATEGIC INVESTOR AND KEY MANAGEMENT

9.1 Directors

9.1.1 Board

Our Board is guided by the principles of corporate governance as laid down in the Malaysian Code on Corporate Governance ("Code"). In line with the Best Practises of the Code, our Board has the following responsibilities:

- (i) reviewing and adopting a strategic plan for our Group;
- (ii) overseeing the conduct of our Group's businesses to evaluate whether our businesses are being properly managed;
- (iii) identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- (iv) succession planning, including appointing, training, fixing the compensation of, and where appropriate, replacing key management;
- (v) developing and implementing an investor relations programme or shareholders' communications policy for our Company; and
- (vi) reviewing the adequacy and the integrity of our Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives, and guidelines.

As at LPD, our Board consists of seven (7) Directors. Under the Articles of Association, at the first annual general meeting of our Company, all our Directors shall retire from office, and at the annual general meeting in every subsequent year, one third of our Directors must retire at each annual general meeting of shareholders but are eligible for re-election. Our Directors must submit themselves for re-election at least once in three (3) years.

The members of our Board comprise the following Directors:

Name	Age	Address	Nationality	Date of appointment as Director	Profession
Datuk Nasarudin bin Md Idris	55	No. 79, Jalan Athinahapan Taman Tun Dr Ismail 60000 Kuala Lumpur Malaysia	Malaysian	15 June 2010	Non-Independent Non-Executive Director & Chairman
Dato' Halipah binti Esa	60	No. 2, Jalan P8 A/4, Presint 8 62250 Putrajaya Malaysia	Malaysian	1 April 2007	Independent Non-Executive Director
Wan Yusoff bin Wan Hamat	56	No. 41, Jalan Setiabakti 9 Bukit Damansara 50490 Kuala Lumpur Malaysia	Malaysian	4 August 2004	Non-Independent Executive Director, Managing Director/CEO of our Company
Yee Yang Chien	42	No. 13, Jalan Bidai U8/23 Seksyen U8, Bukit Jelutong 40150 Shah Alam Selangor Darul Ehsan Malaysia	Malaysian	1 April 2008	Non-Independent Non-Executive Director

9. INFORMATION ON OUR DIRECTORS, PROMOTER, SUBSTANTIAL SHAREHOLDERS, STRATEGIC INVESTOR AND KEY MANAGEMENT (Cont'd)

Name	Age	Address	Nationality	Date of appointment as Director	Profession
Heng Heyok Chiang @ Heng Hock Cheng	61	C-4-5 Sri Kenny 28, Jalan Tun Ismail 50480 Kuala Lumpur Malaysia	Malaysian	15 June 2010	Independent Non-Executive Director
Captain Rajalingam a/l Subramaniam	45	10-8-3, Robson Condominium Jalan Seputeh 50460 Kuala Lumpur Malaysia	Malaysian	15 June 2010	Non-Independent Non-Executive Director
Datuk Khoo Eng Choo	67	11-10-5, Desa Damansara Jalan Setiakasih Bukit Damansara 50490 Kuala Lumpur Malaysia	Malaysian	15 June 2010	Independent Non-Executive Director

An additional independent director will be appointed prior to the Listing pursuant to the condition imposed by the SC as stated in Section 10.2 of this Prospectus. The appointment of the independent director together with his/her credentials will be announced via Bursa LINK.

Our level of corporate governance would be further enhanced with the appointment of this additional independent director, who will not be connected to PETRONAS, its subsidiaries and/or affiliates.

9.1.2 Biographies of Directors

Datuk Nasarudin bin Md Idris is our Non-Independent Non-Executive Director and Chairman. Datuk Nasarudin has been on the Board of Directors of MISC since 11 October 2004 as a Non-Independent Non-Executive Director and was appointed as the President/CEO of MISC with effect from 15 June 2010. Datuk Nasarudin graduated from University of Malaya with a Bachelor of Arts (Honours) Degree and holds a Master Degree in Business Administration from Henley - The Management College (Brunel University), UK and has completed the Stanford Executive Programme at Stanford University, United States of America. Since joining PETRONAS in 1978, he has held various positions within the PETRONAS Group including as Vice President, Corporate Planning & Development of PETRONAS, Group CEO of KLCC Holdings Berhad; Senior General Manager, Corporate Planning and Development Division; Executive Assistant to the President; General Manager, Retail Business of PETRONAS Dagangan Berhad; General Manager, Corporate Development, and General Manager, Group Strategic Planning. Datuk Nasarudin is a Management Committee member of PETRONAS.

9. INFORMATION ON OUR DIRECTORS, PROMOTER, SUBSTANTIAL SHAREHOLDERS, STRATEGIC INVESTOR AND KEY MANAGEMENT (Cont'd)

Dato' Halipah binti Esa is our Independent Non-Executive Director of our Company and MISC. Dato' Halipah also sits as Chairman of Audit Committee of our Company and MISC. Dato' Halipah graduated with an Honours Degree majoring in Economics and was later conferred a Master Degree in Economics from the University of Malaya. She also holds Certificates in Advanced Economic Management from IMF Institute, Washington and the Kiel Institute of World Economics, Germany as well as a Certificate in Advanced Management Programme from Adam Smith Institute, London. She began her career in 1973 as Assistant Secretary, Administrative and Diplomatic Services in the Economic Planning Unit ("EPU") at the Prime Minister's Department. She subsequently held various other positions within EPU and became the Deputy Director General Macro from 1999 to 2004 prior to assuming the role of Deputy Secretary General (Policy) with the Ministry of Finance until 2005. Thereafter, she became the Director General of EPU before retiring in 2006. Dato' Halipah had been a consultant to the World Bank and United Nations Development Programme (UNDP) in advising the Royal Kingdom of Saudi Arabia on economic planning. She had also provided technical advice to planning agencies in Vietnam, Cambodia, Indonesia and several African countries. She also sits on the Boards of Cagamas SME Berhad, KLCC Property Holdings Berhad, PETRONAS Global Sukuk Ltd, Putrajaya Holdings Sdn Bhd, Northport (Malaysia) Bhd, and Kontena Nasional Berhad.

Wan Yusoff bin Wan Hamat is our Non-Independent Executive Director and Managing Director/CEO of MHB. He is also the Managing Director and CEO of MMHE. He started his career in 1977 as a project engineer in PETRONAS. During the span of 27 years that he had served PETRONAS, he held ascending leadership positions in various venture developments in petrochemical and refining businesses. He was the Managing Director and CEO of PETRONAS Penapisan (Terengganu) Sdn Bhd, appointed in 1999, before he was seconded to MMHE (then known as MSE) in 2004 as its Managing Director and CEO. He holds an Honours Degree in Engineering Production from University of Birmingham, UK. He also sits on the Board of several subsidiaries and joint venture companies within the MHB Group.

Yee Yang Chien is our Non-Independent Non-Executive Director and the Vice President, Corporate Planning and Development of MISC. He was an auditor prior to being involved in the equity research and investment banking arena with various local and international financial institutions such as HLG Capital Berhad and Merrill Lynch (Malaysia) over a span of ten (10) years. He had since focused mainly on corporate planning work and had also served MISC for two (2) years since 2003 in which he was involved in the acquisition of the current MISC's subsidiary, AET Group ("AET"). He had also served as Group Vice President of Corporate Planning, AET from June 2005 prior to joining MISC. He holds Degrees in Financial Accounting/Management and Economics from University of Sheffield, UK.

9. INFORMATION ON OUR DIRECTORS, PROMOTER, SUBSTANTIAL SHAREHOLDERS, STRATEGIC INVESTOR AND KEY MANAGEMENT (Cont'd)

Heng Heyok Chiang @ Heng Hock Cheng is our Independent Non-Executive Director. He retired from Shell in October 2006 after 34 years of service, spanning Upstream, Downstream and Gas & Power divisions, holding positions ranging from Refinery Process Engineer to Manufacturing Superintendent, from Senior Area Engineer with Shell International, the Hague in The Netherlands to Technical Director of Sarawak and Sabah Shell, from Managing Director of Shell Gas and Power Malaysia to Chairman of Shell China, based in Beijing. Since his retirement from Shell, he has taken up positions as Advisors and Directors to several corporations. He has broad experience in the oil and gas industry gained through wide and varied exposure which included refinery operations, the development of several major offshore oil and gas fields, the strategic business turnaround of the Shell MDS plant in Bintulu, negotiation of major PSCs and Board Directorship at several key Shell joint ventures in Malaysia and China. He holds a Bachelor of Science (Honours) degree in Chemical Engineering from University of Birmingham, UK in 1972. He is also a director of AET Tankers Holdings Sdn Bhd, AET Shipmanagement (Malaysia) Sdn Bhd and AET Shipmanagement (Singapore) Pte Ltd.

Captain Rajalingam a/l Subramaniam is our Non-Independent Non-Executive Director and the Vice President, Fleet Management Services of MISC. He holds a Master Degree in Business Administration from Universiti Utara Malaysia and a Master Certificate of Competency – Foreign Going from Akademi Laut Malaysia (ALAM), a wholly-owned subsidiary of MISC. He gained admission into ALAM as a cadet officer in 1983 and subsequently sailed on MISC vessels as a Sea Going Officer. In 1996, he was appointed as a Marine Superintendent in Fleet Chemical. Between 1996 and 2005, he was assigned various responsibilities in Fleet Management and Audit Department ranging from Health, Security, Safety & Environment, Vetting, Fleet Operations and Audit. When AET group became a part of MISC, Captain Rajalingam became the General Manager, AET Shipmanagement (Singapore) Pte Ltd in April 2005, before being promoted as its Group Vice President Ship Management in 2007. He was recently appointed as Honorary Commander of the Royal Malaysian Navy in November 2009, in recognition of MISC's support to the Naval Reservist Program and his role as Patron of MISC's Naval Reservist. Captain Rajalingam has been elected as an Intertanko Executive Committee Member and The London P & I Club Director in 2010. He also sits as Board Member in several subsidiaries and joint venture companies within the MISC Group.

Datuk Khoo Eng Choo is our Independent Non-Executive Director of our Company. He is a Chartered Accountant and a member of the Malaysian Institute of Certified Public Accountants (MICPA) and Malaysian Institute of Accountants (MIA). He was awarded a Master Degree in Business Administration (Hon) by the University of Bath, England. For over a decade prior to 2002, Datuk Khoo has served in key leadership positions in PriceWaterhouse and PriceWaterhouseCoopers in Malaysia, Asia and its World Firm. He served as a member of the Board and Executive Committee of PriceWaterhouseCoopers and its predecessor World Firms. He had served in the capacity as an independent director in public listed companies and in senior capacities in the Councils of professional and management institutes in Malaysia and Asia. Currently he is the Chairman of Eckhoo Associate Sdn Bhd and a director in NCB Holdings Berhad and Kontena Nasional Berhad. He had also previously served on the Boards of Putrajaya Corporation, MNI Holdings Berhad, Tanjong Public Limited Company, Powertek Berhad, Ranhill Berhad, Kumpulan Guthrie Berhad and some of its subsidiaries, and Highlands & Lowlands Berhad.

9. INFORMATION ON OUR DIRECTORS, PROMOTER, SUBSTANTIAL SHAREHOLDERS, STRATEGIC INVESTOR AND KEY MANAGEMENT (Cont'd)

9.1.3 Principal business activities outside of our Company and principal directorships

The following table sets out the principal directorships of our Directors as at LPD and that which was held within the past five (5) years up to the LPD, and the principal business activities performed outside of our Company by our Directors as at LPD:

Name	Directorships	Involvement in business activities other than as a director
Datuk Nasarudin bin Md Idris	<p><i>Present directorships:</i></p> <ul style="list-style-type: none"> ▪ MISC ▪ MMHE ▪ PETRONAS Tanker Sdn Bhd ▪ Asia LNG Transport Sdn Bhd ▪ Asia LNG Transport (Dua) Sdn Bhd ▪ AET Tanker Holdings Sdn Bhd ▪ AET Holdings (L) Pte Ltd ▪ PFLNG Solutions Limited ▪ Centralised Terminals Sdn Bhd ▪ Malaysia Deepwater Production Sdn Bhd ▪ MISC Integrated Logistics Sdn Bhd ▪ Malaysian Maritime Academy Sdn Bhd ▪ Asia Tank Terminal Limited ▪ FPSO Ventures Sdn Bhd <p><i>Previous directorships:</i></p> <ul style="list-style-type: none"> ▪ PETRONAS ▪ PETRONAS Carigali Sdn Bhd ▪ PETRONAS Carigali Overseas Sdn Bhd ▪ Putrajaya Holdings Sdn Bhd ▪ Ethylene Malaysia Sdn Bhd ▪ Kertih Terminal Sdn Bhd ▪ BASF-PETRONAS Chemicals Sdn Bhd ▪ PETRONAS Chemicals Group Sdn Bhd ▪ PETRONAS Lubricants International Sdn Bhd ▪ KLCC Holdings Sdn Bhd ▪ KLCC Property Holdings Berhad ▪ Asas Klasik Sdn Bhd ▪ PETRONAS International Corporation Ltd ▪ PETRONAS Lubricants Italy SPA ▪ PETRONAS China Company Ltd ▪ Uzbekistan GTL ▪ PETRONASThailand Co. Ltd ▪ PETRONAS Myanmar Ltd ▪ PETRONAS South Africa (Pty) Ltd 	Nil

9. INFORMATION ON OUR DIRECTORS, PROMOTER, SUBSTANTIAL SHAREHOLDERS, STRATEGIC INVESTOR AND KEY MANAGEMENT (Cont'd)

Name	Directorships	Involvement in business activities other than as a director
Dato' Halipah binti Esa	<p><i>Present directorships:</i></p> <ul style="list-style-type: none"> ▪ MISC ▪ MMHE ▪ Cagamas SME Berhad ▪ KLCC Property Holdings Berhad ▪ Putrajaya Holdings Sdn Bhd ▪ PETRONAS Global Sukuk Ltd ▪ UMH Sdn Bhd ▪ Northport (Malaysia) Bhd ▪ Kontena Nasional Berhad ▪ Securities Industry Dispute Resolution Centre ▪ Perbadanan Insurance Deposit Malaysia <p><i>Previous directorships:</i></p> <ul style="list-style-type: none"> ▪ UDA Holdings Berhad ▪ Petroliam Nasional Berhad ▪ Pengurusan Aset Air Berhad ▪ FELDA ▪ Malaysia-Thailand Joint Authority 	Nil
Wan Yusoff bin Wan Hamat	<p><i>Present directorships:</i></p> <ul style="list-style-type: none"> ▪ MMHE ▪ MSEC ▪ TISB ▪ MTSB ▪ MSLNG ▪ MMHE-ATB ▪ MMHE-TPGM <p><i>Previous directorships:</i></p> <p>Nil</p>	Nil
Yee Yang Chien	<p><i>Present directorships:</i></p> <ul style="list-style-type: none"> ▪ MISC Tanker Holdings Sdn Bhd ▪ MISC Tanker Holdings (Bermuda) Limited ▪ AET Tanker Holdings Sdn Bhd ▪ Red Harbour Sdn Bhd ▪ PFLNG Solutions Limited ▪ MTTI Sdn Bhd (formerly known Magna Conglomerate Sdn Bhd) ▪ Malaysia Vietnam Offshore Terminal (L) Limited ▪ Vietnam Offshore Floating Terminal (Ruby) Limited ▪ Malaysia Offshore Mobile Production (Labuan) Ltd ▪ BLG MILS Logistics Sdn Bhd ▪ Keer-MISC Logistics Co Ltd ▪ MISC Capital (L) Limited ▪ MISC International (L) Limited ▪ Offshore Marine Ventures Sdn Bhd ▪ MMHE ▪ MMHE-ATB <p><i>Previous directorships:</i></p> <ul style="list-style-type: none"> ▪ Asia LNG Transport Sdn Bhd ▪ Asia LNG Transport (Dua) Sdn Bhd ▪ MISC Integrated Logistics Sdn Bhd ▪ MISC Agencies Sdn Bhd ▪ MISC Agencies (Sarawak) Sdn Bhd ▪ PFLNG Solutions Limited 	Nil

9. INFORMATION ON OUR DIRECTORS, PROMOTER, SUBSTANTIAL SHAREHOLDERS, STRATEGIC INVESTOR AND KEY MANAGEMENT (Cont'd)

Name	Directorships	Involvement in business activities other than as a director
Heng Heyok Chiang @ Heng Hock Cheng	<p><i>Present directorships:</i></p> <ul style="list-style-type: none"> AET Tankers Holdings Sdn Bhd AET Shipmanagement (Malaysia) Sdn Bhd AET Shipmanagement (Singapore) Pte Ltd Timur Enterprises Sdn Bhd MG Biogreen Sdn Bhd Sarivest Holdings Sdn Bhd <p><i>Previous directorships:</i></p> <ul style="list-style-type: none"> Shell (China) Limited Shell China Exploration and Production Company Limited Shell Hong Kong Limited CNOOC & Shell Petrochemicals Company Ltd 	<ul style="list-style-type: none"> Advisor to the Samling Group of companies Advisor to the Dialog Group Berhad
Captain Rajalingam a/l Subramaniam	<p><i>Present directorships:</i></p> <ul style="list-style-type: none"> PETRONAS Tankers Sdn Bhd Puteri Delima Satu (L) Private Limited Puteri Firus Satu (L) Private Limited Puteri Nilam Satu (L) Private Limited Puteri Intan Satu (L) Private Limited Puteri Mutiara Satu (L) Private Limited Puteri Zamrud Satu (L) Private Limited Asia LNG Transport Sdn Bhd Asia LNG Transport Dua Sdn Bhd Nikorma Transport Limited Red Harbour Sdn Bhd AET Shipmanagement (Malaysia) Sdn Bhd AET Shipmanagement (Singapore) Pte Ltd AET Shipmanagement (India) Pte Ltd MMHE <p><i>Previous directorships:</i></p> <ul style="list-style-type: none"> Paramount Tankers Corporation 	Nil
Datuk Khoo Eng Choo	<p><i>Present directorships:</i></p> <ul style="list-style-type: none"> NCB Holdings Berhad Kontena Nasional Berhad Eckhoo Associates Sdn Bhd Heirlooms Sdn Bhd <p><i>Previous directorships:</i></p> <ul style="list-style-type: none"> Putrajaya Corporation MNI Holdings Berhad Tanjong Public Limited Company Powertek Berhad Ranhill Berhad Kumpulan Guthrie Berhad Guthrie Property Development Holdings Berhad Highlands & Lowlands Berhad PT Minamas Gemilang (Indonesia) PT Anugerah Sumbermakmur (Indonesia) 	Nil

Each of our Directors has confirmed that as at LPD, he or she has no interest in any other businesses and/or corporations that carry on a similar trade as our Group.

9. INFORMATION ON OUR DIRECTORS, PROMOTER, SUBSTANTIAL SHAREHOLDERS, STRATEGIC INVESTOR AND KEY MANAGEMENT (Cont'd)

9.1.4 Involvement in other businesses or corporations which carry on a similar trade as our Group or which are our customers or suppliers

As at LPD, none of our Directors have any interest, direct or indirect, in other businesses and corporations which are (i) carrying on a similar trade as that of our Group; or are (ii) our customers and/or suppliers.

9.1.5 Audit Committee

The Audit Committee of our Company comprises three (3) Directors, all of whom are Independent Non-Executive Directors. The Audit Committee, constituted on 21 June 2010, was established by our Board with the function of assisting our Board in fulfilling its oversight responsibilities. Our Audit Committee has full access to both internal and external auditors who in turn have access at all times to the Chairman of our Audit Committee. Our Audit Committee reviews, appraises, reports and makes appropriate recommendations to the Board on:

- (i) The audit plan, evaluation of the system of internal controls and the internal audit report with the internal and external auditors.
- (ii) The assistance and co-operation given by our employees to the external auditors.
- (iii) The adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work.
- (iv) The internal audit programme, processes, the results of the internal audits, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit functions.
- (v) The quarterly result and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
 - (a) Changes in or implementation of major accounting policy changes.
 - (b) Significant and unusual events.
 - (c) Compliance with accounting standards and other legal requirements.
- (vi) Any related party transaction and conflict of interest situation that may arise within our Company or Group including any transaction, procedure or course of conduct that raise questions of management integrity.
- (vii) The quality and effectiveness of the entire accounting and internal control system of our Group.
- (viii) The accounting policies adopted by our management and accepted by the external auditors, where alternatives are also acceptable.
- (ix) The effects of any changes in accounting principles or of any development emanating from the accounting profession or any statutory authority.
- (x) The adequacy of the disclosure of information essential for a fair and full presentation of the financial affairs of our Group.
- (xi) Any significant difficulties encountered or material discoveries and findings made by the internal or external auditors.

9. INFORMATION ON OUR DIRECTORS, PROMOTER, SUBSTANTIAL SHAREHOLDERS, STRATEGIC INVESTOR AND KEY MANAGEMENT (Cont'd)

- (xii) The firm of external auditors retained by the Group and the fees payable to the external auditors and any change in their fees, and recommendation, if any, to retain or replace such firm in the ensuing year.

Under its terms of reference, our Audit Committee must consist of at least three (3) members, a majority of whom shall be Independent Directors. At least one (1) member of the Committee must be a member of the Malaysian Institute of Accountants or have at least three (3) years working experience and have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967 or be a member of one of the associations of accountants specified by Part II of the 1st Schedule of the Accountants Act 1967. The Chairman of our Audit Committee must be an Independent Director and is selected by the members of our Audit Committee. Our Board will review the composition, term of office, performance and effectiveness of our Audit Committee annually.

The current members of Audit Committee of our Company are set forth below:

<u>Name</u>	<u>Position</u>	<u>Date of appointment</u>	<u>Directorship</u>
Dato' Halipah binti Esa	Chairman	1 April 2007	Independent Non-Executive Director
Datuk Khoo Eng Choo	Member	15 June 2010	Independent Non-Executive Director
Heng Heyok Chiang @ Heng Hock Cheng	Member	15 June 2010	Independent Non-Executive Director

9.1.6 Remuneration Committee

Our Remuneration Committee, constituted on 9 July 2010, was established by our Board and comprises three (3) members, the majority of whom are Independent Directors and shall all be composed of Non-Executive Directors. No Alternate Directors can be appointed as a member of the Committee. Our Remuneration Committee is in charged with the following primary responsibilities in respect of remuneration of Directors of our Company:

- (i) Recommending to the Board the remuneration and compensation of Executive Directors and Managing Director/CEO of our Company.
- (ii) Recommending to the Board the remuneration of Non-Executive Directors.
- (iii) Recommending to the Board the remuneration and compensation of the Management Committee members of our Company.
- (iv) Recommending to the Board the annual company bonus and merit bonus quantum for our Company and companies within our Group.

<u>Name</u>	<u>Position</u>	<u>Date of appointment</u>	<u>Directorship</u>
Heng Heyok Chiang @ Heng Hock Cheng	Chairman	23 July 2010	Independent Non-Executive Director
Dato' Halipah binti Esa	Member	23 July 2010	Independent Non-Executive Director
Captain Rajalingam a/l Subramaniam	Member	23 July 2010	Non-Independent Non-Executive Director

9. INFORMATION ON OUR DIRECTORS, PROMOTER, SUBSTANTIAL SHAREHOLDERS, STRATEGIC INVESTOR AND KEY MANAGEMENT (Cont'd)

9.1.7 Nomination Committee

Our Nomination Committee, constituted on 9 July 2010, was established by our Board and comprises three (3) members, the majority of whom are Independent Directors and shall all be composed of Non-Executive Directors. No Alternate Director is to be appointed as a member of the Committee. Our Nomination Committee is responsible for the following:

- (i) Propose, consider and recommend to the Board, candidates for directorships to be filled in our Company.
- (ii) Consider in making its recommendations, candidates for directorships proposed by the Chairman and the Managing Director/CEO of our Company and, within the bounds of practicability, by any other senior executive or any Director or shareholder.
- (iii) Recommending to the Board, the Directors to fill the seats on Board Committees.
- (iv) Recommending to the Board on matters of renewal or extension of Directors appointment and reappointment of retiring Directors.
- (v) To annually review, the Board's required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board.
- (vi) To implement a process for assessing the effectiveness of the Board as a whole, the Board Committees and also the contribution of each individual Director to the effective decision making of the Board, through an evaluation process. The recommendations of the Committee are subject to the approval of the Board.

The current members of our Nomination Committee are set forth below:

<u>Name</u>	<u>Position</u>	<u>Date of appointment</u>	<u>Directorship</u>
Datuk Khoo Eng Choo	Chairman	23 July 2010	Independent Non-Executive Director
Dato' Halipah binti Esa	Member	23 July 2010	Independent Non-Executive Director
Yee Yang Chien	Member	23 July 2010	Non-Independent Non-Executive Director

9. INFORMATION ON OUR DIRECTORS, PROMOTER, SUBSTANTIAL SHAREHOLDERS, STRATEGIC INVESTOR AND KEY MANAGEMENT (Cont'd)

9.1.8 Shareholding of Directors in our Company

None of our Directors hold any MHB Shares prior to the IPO. The following table sets forth the direct shareholdings of each Director upon the IPO (assuming full subscription of the Issue Shares pursuant to the pink form offer as set out in Section 4.3.1.2(iii) of this Prospectus):

Name	Upon the IPO**			
	Direct		Indirect	
	No. of MHB Shares held	%	No. of MHB Shares held	%
Datuk Nasarudin bin Md Idris	10,000	*	-	-
Dato' Halipah binti Esa	10,000	*	-	-
Wan Yusoff bin Wan Hamat	10,000	*	-	-
Yee Yang Chien	10,000	*	-	-
Heng Heyok Chiang @ Heng Hock Cheng	10,000	*	-	-
Captain Rajalingam a/l Subramaniam	10,000	*	-	-
Datuk Khoo Eng Choo	10,000	*	-	-

Notes:

* Less than 0.01%.

** This assumes that our Directors fully subscribe for the MHB Shares allocated to them as described in Section 4.3.1.2(iii) of this Prospectus but excludes such number of MHB Shares our Directors may subscribe under the Retail Offering.

9.1.9 Remuneration and material benefits-in-kind of Directors and CEO

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our Directors and CEO for services rendered in all capacities to our Group for the FYE 31 March 2010 and FYE 31 March 2011 respectively are as follows:

Category	Remuneration and material benefits-in-kind RM	FYE 31 March 2010	FYE 31 March 2011
		No. of Directors	
Executive Director	1,100,000 – 1,150,000	1	1
Non-Executive Directors	Below 50,000	6	6

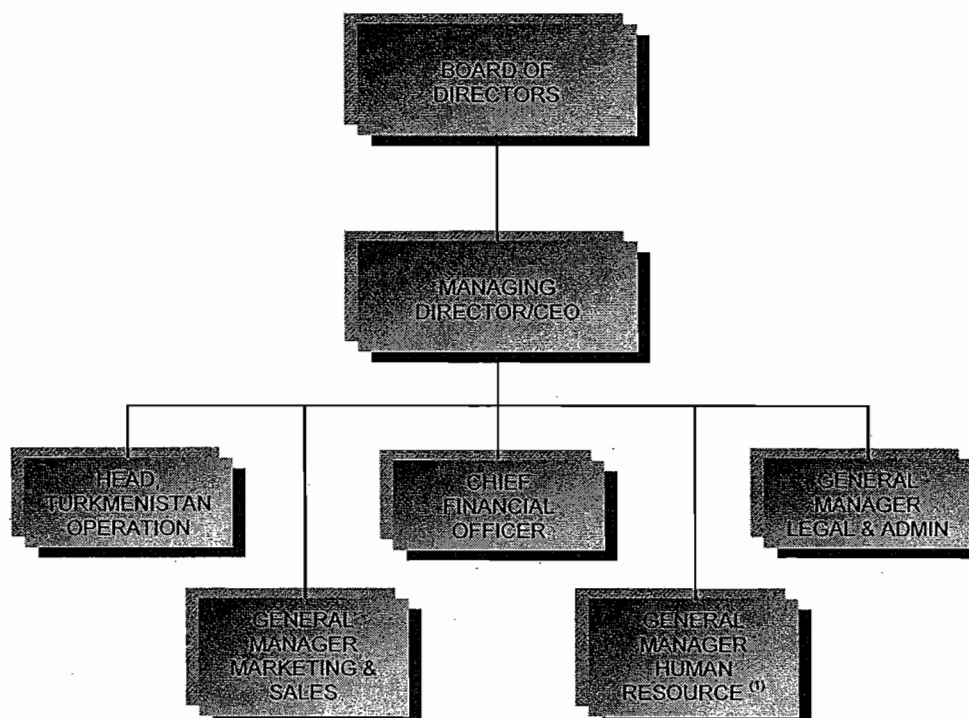
The remuneration of our Directors and CEO which includes Directors' annual fees and meeting allowances as well as other benefits, is approved by the Board, following recommendations made by our Remuneration Committee and subject to our Articles of Association. Any change in Directors' fees as set out in our Articles of Association must be approved by shareholders of our Company pursuant to an ordinary resolution passed at a general meeting where appropriate notice of any increase proposed, should be given. Please refer to Section 15.2.9 of this Prospectus for further details.

9. INFORMATION ON OUR DIRECTORS, PROMOTER, SUBSTANTIAL SHAREHOLDERS, STRATEGIC INVESTOR AND KEY MANAGEMENT (Cont'd)

9.2 Key management

9.2.1 Management structure

The management structure of the MHB is as follows:



Note:

⁽¹⁾ Appointed on 1 July 2010.

9.2.2 Key management

Our key management as at LPD is set out below:

Name	Age	Designation/Function
Wan Yusoff bin Wan Hamat	56	Managing Director/CEO
Wan Mashitah binti Wan Abdullah Sani	44	Chief Financial Officer
Ausmal bin Kardin	40	General Manager, Legal & Administration Division
Manoel Francisco Avelino Gomes	59	General Manager, Marketing & Sales Division
Rooyahaiti binti Yakub	46	General Manager, Human Resource Division
Mohamed Za'aba bin Hj. Abbas	46	Head of Turkmenistan Operation

9. INFORMATION ON OUR DIRECTORS, PROMOTER, SUBSTANTIAL SHAREHOLDERS, STRATEGIC INVESTOR AND KEY MANAGEMENT (Cont'd)

9.2.3 Biographies of key management

The profile of **Wan Yusoff bin Wan Hamat** is set out in Section 9.1.2 of this Prospectus.

Wan Mashitah binti Wan Abdullah Sani is an Accountant by profession and was appointed as our Chief Financial Officer ("CFO") on 30 June 2010. She was the CFO of MMHE since May 2010. She joined MISC in 2002 and held various positions in MISC with her last position being the General Manager, Finance before being seconded to MMHE. Her former experience before joining the MISC Group was as a professional accountant at Grant Thornton Malaysia. She is a fellow of the Chartered Association of Certified Accountants, UK and a member of Malaysian Institute of Accountants (MIA).

Ausmal bin Kardin was appointed as our General Manager, Legal & Administration Division on 30 June 2010. He joined MMHE in March 2010 as General Manager, Legal & Administration Division. He started his career with MISC in 1994 where he held various positions within the Legal & Corporate Secretarial Affairs Division. His last position in MISC was as Senior Manager, Maritime Legal Services before joining Bumi Armada Berhad as Vice President, Legal & Secretarial in 2005. Ausmal graduated with a Bachelor Degree in Law from the University of Wales, Aberystwyth and is also a licensed Company Secretary.

Manoel Francisco Avelino Gomes was appointed as General Manager, Marketing & Sales Division on 30 June 2010. He joined MMHE as General Manager, Marketing & Sales in August 2005. He began his career with Jurong Engineering Pte Ltd Singapore in 1976 before joining MMHE in 1981 as Head of Projects, Shipbuilding and rose to Senior Manager and later Director of Shipbuilding & Conversion. Manoel Gomes holds a Master in Business Administration Degree from Brunel University, UK and Bachelor of Engineering (Mechanical) Degree from the University of Singapore. Currently, he is a member of Institute of Engineers, Malaysia and also registered Professional Engineer (Mechanical) with the Board of Engineers, Malaysia (BOEM).

Rooyahaiti binti Yakub joined MMHE in July 2010 as our General Manager, Human Resource Division. She has worked in various industries namely, manufacturing, telecommunication, engineering and construction holding positions within the human resource management and development. She graduated from Malaysian Institute of Human Resource Management with Diploma in Human Resource Management and holds a Master Degree specialising in Human Resource Development from the University of Hull, UK.

Mohamed Za'aba bin Hj. Abbas was appointed as our General Manager, Engineering and Construction in August 2005 and is a graduate from Ungku Omar Polytechnic with Diploma in Marine Engineering. He joined MMHE in 1992 and had served in various positions including Engineer, Estimating and Planning Ship Repair, Mechanical and Structural Engineer, Engineering Division and Senior Project Manager, Engineering and Construction. He is also a Chairman of the Turkmenistan Project Steering Committee and is currently acting as the Head of Turkmenistan Operation.

9. INFORMATION ON OUR DIRECTORS, PROMOTER, SUBSTANTIAL SHAREHOLDERS, STRATEGIC INVESTOR AND KEY MANAGEMENT (Cont'd)

9.2.4 Shareholding of key management in our Company

None of the key management holds MHB Shares prior to the IPO. The following table sets forth the direct and indirect shareholding of each member of the key management after the IPO (assuming full subscription of the Issue Shares pursuant to the pink form offer as set out in Section 4.3.1.2(iii) of this Prospectus):

Name of key management	Upon the IPO**			
	Direct		Indirect	
	No. of MHB Shares held	%	No. of MHB Shares held	%
Wan Yusoff bin Wan Hamat	10,000	*	-	-
Wan Mashitah binti Wan Abdullah Sani	4,000	*	-	-
Ausmal bin Kardin	4,000	*	-	-
Manoel Francisco Avelino Gomes	4,000	*	-	-
Mohamed Za'aba bin Hj. Abbas	4,000	*	-	-

Notes:

* Less than 0.01%.

** This assumes that the key management fully subscribe for the MHB Shares allocated to them as described in Section 4.3.1.2(iii) of this Prospectus but excludes such number of MHB Shares our key management may subscribe under the Retail Offering.

9.2.5 Involvement of Executive Director and key management in other principal business activities

As at LPD, neither our Executive Directors nor our key management is involved in other principal business activities outside of our Company.

9.2.6 Remuneration of key management

The aggregate amount of compensation paid and benefits-in-kind provided to our key management (which includes performance bonuses) for the FYE 31 March 2010 was approximately RM3.0 million. The aggregate amount of compensation paid and benefits-in-kind proposed to be paid or provided to our key management FYE 31 March 2011, excluding performance bonuses which will only be determined at a later time, is estimated to be approximately RM2.9 million.

9. INFORMATION ON OUR DIRECTORS, PROMOTER, SUBSTANTIAL SHAREHOLDERS, STRATEGIC INVESTOR AND KEY MANAGEMENT (Cont'd)

9.3 Our Promoter and the Offeror

MISC is our Promoter and the Offeror.

MISC engages in ship owning, ship operating, and other activities related to shipping services, as well as owning and operating offshore floating terminals worldwide. The company provides LNG services, petroleum tanker services, and chemical tanker services. MISC also engages in the provision of engineering and construction works, marine conversion and marine repair; offering haulage brokerage liner merchant and carrier haulage services; the ownership, management, and operation of a cold storage logistic hub; the operation of sterilisation and fumigation facilities; and the operation and maintaining of floating production, storage and offloading terminals.

As at LPD, MISC and its subsidiaries owned a fleet of 117 vessels with a total tonnage of 10.4 million dwt. MISC was founded in 1968 and is headquartered in Kuala Lumpur, Malaysia. MISC is a 62.7% subsidiary of PETRONAS. MISC was listed on the Main Board (now known as Main Market) of Bursa Securities on 23 February 1987 and 1 June 1990 for MISC's local tranche (3816) ordinary shares of RM1.00 each ("Local Tranche Shares") and foreign tranche (3816F) ordinary shares of RM1.00 each ("Foreign Tranche Shares") respectively. The Foreign Tranche Shares was merged with the Local Tranche Shares on 31 March 2010.

As at LPD, the authorised share capital of MISC is RM10,000,000,001 comprising of 10,000,000,000 ordinary shares of RM1.00 each and 1 preference share of RM1.00 each. The issued and paid-up share capital of MISC is RM4,463,793,104 comprising 4,463,793,103 ordinary shares of RM1.00 each and 1 preference share of RM1.00 each held by MOF Incorporated.

Datuk Nasarudin bin Md Idris, who is the President and CEO of MISC, is also our Non-Independent Non-Executive Director and Chairman. In addition, Dato' Halipah binti Esa who is the Independent Non-Executive Director in MISC, is also our Independent Non-Executive Director. For details on the experience of Datuk Nasarudin bin Md Idris and Dato' Halipah binti Esa, please refer to their profiles as set out in Section 9.1.2 of this Prospectus.

MISC will be the beneficial owner of between 1,033,600,000 MHB Shares and 1,064,000,000 MHB Shares, representing between 64.6% and 66.5% of the enlarged share capital upon Listing under Scenario B and A respectively.

In addition to the lock-up arrangement referred to in Section 4.9.4 of this Prospectus, in accordance with the Equity Guidelines, MISC, in its capacity as our Promoter, has given a separate undertaking to the SC that it will not sell, transfer or assign its shareholdings in our Company as at the date of Listing, for six (6) months from the date of Listing.

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9. INFORMATION ON OUR DIRECTORS, PROMOTER, SUBSTANTIAL SHAREHOLDERS, STRATEGIC INVESTOR AND KEY MANAGEMENT (Cont'd)

9.4 Substantial shareholders

The following table sets forth the shareholdings of the substantial shareholders, being a person who holds not less than 5% of our Shares, based on our Register of Substantial Shareholders as at 23 September 2010 and upon the IPO:

Name of substantial shareholder	Country of Incorporation	As at 23 September 2010				Upon the IPO			
		Direct		Indirect		Based on Scenario A		Based on Scenario B	
		No. of MHB Shares held	%	No. of MHB Shares held	%	No. of MHB Shares held	%	No. of MHB Shares held	%
		'000		'000		'000		'000	
MISC	Malaysia	1,338,000	100.00	-	-	1,064,000	66.50	1,033,600	64.60
PETRONAS	Malaysia	-	-	1,338,000 ⁽¹⁾	100.00	-	-	-	-
Strategic Investor	France	-	-	-	-	128,000	8.00	158,400	9.90
								1,033,600 ⁽¹⁾	64.60

Note:

⁽¹⁾ Deemed interested by virtue of Section 6A of the Companies Act.

9. INFORMATION ON OUR DIRECTORS, PROMOTER, SUBSTANTIAL SHAREHOLDERS, STRATEGIC INVESTOR AND KEY MANAGEMENT (Cont'd)

The table below sets forth our substantial shareholders' and/or our Promoter's direct and indirect interests in our Company for the past three (3) years up to 23 September 2010:

Name	30 June 2008				30 June 2009				23 September 2010			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of ordinary shares held		No. of ordinary shares held		No. of ordinary shares held		No. of ordinary shares held		No. of MHB Shares held		No. of MHB Shares held	
	'000	%	'000	%	'000	%	'000	%	'000	%	'000	%
MISC	16,220	100.0	-	-	16,220	100.0	-	-	1,338,000	100.0	-	-
PETRONAS	-	-	16,220 ⁽¹⁾	100.0	-	-	16,220 ⁽¹⁾	100.0	-	-	1,338,000 ⁽¹⁾	100.0

Note:

⁽¹⁾ Deemed interested by virtue of Section 6A of the Companies Act.

MISC does not have any direct or indirect interests in other businesses and corporations carrying on a similar trade as that of our Company or in other businesses and corporations which are our customers and/or suppliers.

The due diligence working group for the IPO and the Listing confirms that, PETRONAS does not have any similar businesses which competes with the core business activities of the MHB Group.

Save as disclosed herein, our Company is not aware of any other person who directly or indirectly, jointly or severally, has control over our Company.

9.4.1 Strategic Investor

Technip was incorporated in France on 21 April 1958 under the French Code de Commerce, as a société anonyme, which refers to a commercial limited company under French Companies Act.

The present authorised share capital of Technip as at 31 July 2010 is €83,425,950.03 comprising 109,411,082 ordinary shares with a nominal value of €0.7625 each, whilst its issued and paid-up share capital is €83,425,950.03 comprising 109,411,082 ordinary shares with a nominal value of €0.7625 each.

Technip is a world leader in project management, engineering and construction for the oil and gas industry, with a comprehensive portfolio of innovative solutions and technologies, and consolidated revenues of €6.5 billion in 2009.

Technip possesses integrated capacity and recognised expertise in subsea infrastructures (subsea), offshore platforms (offshore) and onshore mega-complexes (onshore). Technip group is active in the three (3) segments of the worldwide oil and gas industry:

(i) Subsea

Technip's subsea activities include the design, manufacture and installation of rigid and flexible subsea pipelines and umbilicals. Technip is a key operator on this market as a result of its research and development investments. Technip offers a wide range of innovative subsea pipe technologies and solutions, and has leading industrial and operational assets.

9. INFORMATION ON OUR DIRECTORS, PROMOTER, SUBSTANTIAL SHAREHOLDERS, STRATEGIC INVESTOR AND KEY MANAGEMENT (Cont'd)

(ii) Offshore

The offshore segment including engineering, development and construction activities in relation of offshore for oil and gas platforms in both shallow water (fixed platforms such as TPG 500 and Unideck®) or deepwater (floating platforms such as SPAR, semi-submersible platforms and FPSOs). Technip devotes significant resources annually to research and development and is a leader in floatover technology. With the development of floating LNG, Technip continues to strengthen its offshore expertise.

(iii) Onshore

The onshore segment is active in engineering and construction for the entire range of onshore facilities for the oil and gas industry (refining, hydrogen, sulphur, gas treatment and liquefaction, onshore pipelines), petrochemical (ethylene, aromatics, olefins, polymers) and non-oil activities (mining and metallurgical projects, biofuels and renewable energy). Technip holds several proprietary technologies and is the leader in the design and construction of LNG and gas treatment plants as well as hydrogen and syngas units. Technip group is a worldwide leader in refining and petrochemical units.

Technip group is strongly committed to developing innovative technologies and reinforcing its expertise in each of its business segments.

Technip is active in increasingly ambitious, complex and challenging projects involving deep water, extreme climatic conditions, large-scale projects, non-conventional resources and higher environmental performance standards. Technip group is thus a key actor in the development of sustainable solutions to the challenges facing the energy sector in the 21st century.

The substantial shareholders of Technip and their respective shareholdings in Technip as at 31 December 2009 are set out below:

Substantial shareholders	Number of shares	Percentage shareholding	Number of voting rights*	Percentage voting rights
		%		%
Blackrock Inc	6,148,856	5.60	6,148,856	5.50
Tradewinds NWQ	5,497,183	5.00	5,497,183	4.95
Caisse Des Dépôts Et Consignations (indirectly via the Fonds Stratégique d'investissement)	5,472,000	5.00	5,472,000	4.90

9. INFORMATION ON OUR DIRECTORS, PROMOTER, SUBSTANTIAL SHAREHOLDERS, STRATEGIC INVESTOR AND KEY MANAGEMENT (Cont'd)

Note:

- * Including double voting rights (article 12 of the company's articles of association). As at 31 December 2009, 5,037,614 shares carried double voting rights. As at 31 December 2009, the total number of voting rights calculated on the basis of all of the shares to which they are attached, including shares stripped of voting rights (in accordance with the last paragraph of article 223-22 of the Autorité des Marchés Financiers' General Regulations), amounted to 114,380,908.

(Source: 2009 Reference Document including the Annual Financial Report of Technip.)

As at 31 July 2010, the directors of Technip are as follows:

Directors	Nationality
Thierry Pilenko	French
Gérard Hauser	French
John O'Leary	Irish
Olivier Appert	French
Pascal Colombani	French
Marwan Lahoud	French
Daniel Lebégue	French
Joseph Rinaldi	Australian and Italian
Bruno Weymuller	French
Marie-Ange Debon	French

9.5 Relationships and associations between our Directors, key management, substantial shareholders and Promoter

Save as disclosed below and the relationships and associations between our Company's substantial shareholders as described in Section 9.4 of this Prospectus, there is no family relationship/association between any of our Directors, key management, substantial shareholders and Promoter as at LPD:

9.5.1 Association between our substantial shareholders

- (i) PETRONAS is a substantial shareholder of our Promoter.

9.5.2 Association between our Directors and substantial shareholders/Promoter

- (i) Datuk Nasarudin bin Md Idris is the President and CEO of MISC, and Non-Independent Executive Director of MISC, as disclosed in Section 9.1.3 of this Prospectus. He is also a director of several other subsidiaries of the MISC Group, as disclosed in Section 9.1.3 of this Prospectus.
- (ii) Dato' Halipah binti Esa is an Independent Non-Executive Director of MISC and a director of PETRONAS Global Sukuk Ltd, a special purpose vehicle established for PETRONAS' funding purposes. She is also a director of Putrajaya Holdings Sdn Bhd and a director of KLCC Property Holdings Berhad, as disclosed in Section 9.1.3 of this Prospectus. KLCC Property Holdings Berhad and Putrajaya Holdings Sdn Bhd are both subsidiaries of PETRONAS.
- (iii) Yee Yang Chien is a director of several other subsidiaries of the MISC Group, as disclosed in Section 9.1.3 of this Prospectus.

9. INFORMATION ON OUR DIRECTORS, PROMOTER, SUBSTANTIAL SHAREHOLDERS, STRATEGIC INVESTOR AND KEY MANAGEMENT (Cont'd)

- (iv) Heng Heyok Chiang @ Heng Hock Cheng is a director of AET Tankers Holdings Sdn Bhd, AET Shipmanagement (Malaysia) Sdn Bhd and AET Shipmanagement (Singapore) Pte Ltd, being subsidiaries of MISC, as disclosed in Section 9.1.3 of this Prospectus.
- (v) Captain Rajalingam a/l Subramaniam is a director of several other subsidiaries of the MISC Group, as disclosed in Section 9.1.3 of this Prospectus.

9.6 Declaration by our Directors, Promoter and key management

Each of our Directors, Promoter, and key management has confirmed to us that he/she is not and has not been involved in any of the following events (whether in or outside Malaysia):

- (i) a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he is or was a partner or any corporation of which he was a director or key personnel;
- (ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) any judgment entered against each person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or
- (v) the subject of any order, judgement or ruling of any court, government or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

9.7 Service agreements

As at LPD, there is no existing or proposed service agreement entered into or to be entered into by our Directors nor any member of our key management and our Company that provides for benefits upon termination of employment.

9.8 Other matters

No amount has been paid or benefit given within the two (2) years preceding the LPD, nor is it intended to be so paid or given, to our Promoter, substantial shareholders and Directors except for the salaries and benefits-in-kind paid and payable to our Directors as set out in Section 9.1.9 of this Prospectus.

10. PRE-IPO EXERCISE AND APPROVALS

10.1 Pre-IPO exercise

In conjunction with, and as an integral part of our listing of and quotation for the entire enlarged issued and paid-up share capital of our Company on the Main Market of Bursa Securities, we implemented the following exercises:

10.1.1 Increase in authorised share capital and share split

Our Company concurrently increased its authorised share capital and undertook a share split of one (1) ordinary share of RM1.00 each into two (2) ordinary shares of RM0.50 each. The authorised share capital of our Company therefore increased from RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each to RM2,500,000,000 comprising 5,000,000,000 ordinary shares of RM0.50 each. Similarly, the number of issued and paid-up ordinary shares in our Company changed from 16,220,000 ordinary shares of RM1.00 each to 32,440,000 MHB Shares. The increase in authorised share capital and share split were effected on 23 September 2010 to facilitate the bonus issue and the Listing as well as to cater for any future increase in the share capital of our Company.

10.1.2 Dividends and bonus issue

On 23 September 2010, our Board declared a cash dividend payout of RM300,000,000 to our shareholder, MISC via dividend income received from MMHE.

Subsequently, an interim dividend of RM655,000,000 in the form of dividend-in-specie was declared by MMHE on 23 September 2010, which increased the retained earnings of our Company to RM654,792,000 in order to facilitate the bonus issue undertaken on 23 September 2010. The bonus issue which involved the issuance of 1,305,560,000 bonus shares on the basis of about 40.245 bonus shares for every one (1) MHB Share were credited as fully paid-up shares by way of capitalising RM652,780,000 of our Company's retained earnings.

10.1.3 Initial public offering

Upon completion of the increase in authorised share capital, share split, the dividends declaration and bonus issue on 23 September 2010, the Public Issue will be undertaken by our Company while, the SI Allocation and the Offer For Sale will be undertaken by the Offeror as detailed in Section 4.3 in this Prospectus.

10.1.4 Listing

On 21 September 2010, we obtained the approval from Bursa Securities for our admission to the Official List and for the listing of and quotation for our entire enlarged issued and paid-up share capital of RM800,000,000 comprising 1,600,000,000 MHB Shares on the Main Market of Bursa Securities.

10. PRE-IPO EXERCISE AND APPROVALS

10.2 Approvals and conditions

The SAC, vide its letter dated 29 July 2010, classified our Shares as Shariah-compliant.

The SC, vide its letter dated 30 August 2010, approved the IPO and the Listing under Section 212(5) of the CMA and the Bumiputera Equity Requirements for Public Listed Companies, subject to the following conditions:

Conditions imposed by the SC			Status of compliance	
(a)	MHB to appoint an additional independent director who is not connected to PETRONAS, its subsidiaries and/or affiliates, in terms of current and past directorships and employments;			To be complied. An additional independent director will be appointed prior to the Listing and the appointment together with his/her credentials will be announced via Bursa LINK. Please refer to Section 9.1.1 of this Prospectus.
(b)	MHB to obtain the Certificates of Completion and Compliance ("CCC") for structures with temporary permits as disclosed in the listing prospectus within 12 months from the date of SC's decision letter. In addition, MHB to make half yearly announcements on the status of the CCC application to Bursa Securities and to update the SC on the status of the CCC application when such announcements are made to Bursa Securities;			Noted and to be complied with.
(c)	The following shareholder is to be placed under moratorium for a period of 6 months from the date of listing as follows:			MISC has undertaken not to sell, transfer or assign its entire 1,192,000,000 MHB Shares less the total number of MHB Shares allocated to the Strategic Investor (if any), for six (6) months from the date of the Listing.
	Category	<div><div><---Scenario A---></div><div><div>No. of MHB Shares</div><div>'000</div></div><div><div>% of the enlarged issued and paid-up share capital of MHB</div><div>%</div></div></div>	<div><div><---Scenario B---></div><div><div>No. of MHB Shares</div><div>'000</div></div><div><div>% of the enlarged issued and paid-up share capital of MHB</div><div>%</div></div></div>	
	MISC	1,064,00066.5	1,033,60064.6	
(d)	Maybank IB/MHB to fully comply with the relevant requirements under the Equity Guidelines pertaining to the implementation of the proposals; and			Noted.
(e)	Maybank IB/MHB to inform SC upon the completion of the proposals.			To be complied with.

10. PRE-IPO EXERCISE AND APPROVALS (Cont'd)

The Equity Compliance Unit of the SC noted that the effective equity structure relating to Bumiputera, non-Bumiputera and foreign shareholdings in our Company as at 25 June 2010 would change arising from the implementation of the Listing as follows:

Categories	Before the pre-IPO exercise as at 25 June 2010 ⁽¹⁾ %	After the pre-IPO exercise and upon Listing	
		Scenario A %	Scenario B %
Bumiputera	75.01	64.24 ⁽²⁾	62.81 ⁽²⁾
Non-Bumiputera	20.30	18.27	17.88
Foreign	4.69	17.49	19.31
Total	100.00	100.00	100.00

Notes:

⁽¹⁾ Based on the effective interest of our Promoter pursuant to its Record of Depositors as at 25 June 2010.

⁽²⁾ Calculation of Bumiputera interest is based upon note (1) above and assumes that 12.5% of our enlarged issued and paid-up share capital are allocated to Bumiputera institutional and selected investors approved by MITI and public shareholders via balloting as well as 1.10% to Eligible Directors and Employees, and 0.75% to shareholders of MISC.

The MITI, vide its letters dated 26 August 2010 and 8 September 2010, approved the IPO, the Listing as well as the allocation of 184,000,000 Issue Shares to Bumiputera investors to be identified and approved by the MITI, subject to the condition that the SC approves the IPO and the Listing, which was obtained on 30 August 2010.

10.3 Waivers**(i) Waiver from Paragraph 11.03(a) of the Prospectus Guidelines**

Pursuant to Paragraph 11.03(a) of the Prospectus Guidelines, we are required to disclose, *inter alia*, details of PETRONAS' direct and indirect interests in:

- (a) other businesses and corporations carrying on a similar trade as our Group; and
- (b) other businesses and corporations which are the customers or suppliers of our Group.

The SC, vide its letter dated 10 August 2010, granted us a waiver from having to disclose the abovementioned details in this Prospectus, subject to the following conditions:

	Details of the conditions imposed	Status of compliance
(a)	A confirmation from the due diligence working group, to be disclosed in the prospectus that similar businesses carried on by PETRONAS do not compete with MHB's core business activities	Complied, Please refer to Section 9.4 of this Prospectus.
(b)	Disclosure on any conflict of interest situation between PETRONAS and MHB arising from other business carried on by PETRONAS and steps taken to address such conflicts.	There are no conflict of interest situations between PETRONAS and MHB arising from other businesses carried on by PETRONAS.

10. PRE-IPO EXERCISE AND APPROVALS (Cont'd)

(ii) Waiver from Paragraph 13.10 of the Prospectus Guidelines

Pursuant to Paragraph 13.10 of the Prospectus Guidelines, the Accountants' Report is to be accompanied by the relevant audit reports of those audited financial statements. Notes and schedules of the audited financial statements should also be disclosed.

The SC, vide its letter dated 10 August 2010, granted us a waiver from having to enclose the auditors' report in this Prospectus.

(iii) Waiver from Paragraph 5.21(b) of the Equity Guidelines

Pursuant to Paragraph 5.21(b) of the Equity Guidelines, restricted offers for sale and restricted offers for subscription which are undertaken as part of a listing scheme may only be made to the directors and employees of the subsidiary companies and holding company of the applicant.

The SC, vide its letter dated 30 August 2010, granted us a waiver from complying with Paragraph 5.21(b) of the Equity Guidelines and allowed the restricted offer for subscription to be extended to the directors and employees of selected subsidiaries of MISC.

10.4 Moratorium on our Shares

In accordance with the Equity Guidelines, our Promoter will not be allowed, and has undertaken not to sell, transfer or assign its entire 1,192,000,000 MHB Shares less the total number of MHB Shares allocated to the Strategic Investor (if any), for six (6) months from the date of the Listing.

The moratorium is specifically endorsed on the share certificates representing the shareholdings of our Promoter to ensure that our registrars do not register any transfer not in compliance with the moratorium restrictions. In compliance with the restrictions, Bursa Depository will, on our registrars' instructions in the prescribed forms, ensure that trading of these shares are not permitted in the moratorium period.

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11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

11.1 Related party transactions

As a company listed on the Main Market of Bursa Securities, our Company will be required to comply with the Listing Requirements, including requirements applicable to related party transactions. Pursuant to the Listing Requirements, subject to certain exemptions, a “related party transaction” is a transaction entered into by a listed issuer or its subsidiaries, which involves the interests, direct or indirect, of a related party. A “related party” is:

- (i) a director; or
- (ii) a major shareholder having an interest or interests in one or more voting shares in a corporation and the nominal amount of those shares, or the aggregate of the nominal amount of those shares, is:
 - (a) 10% or more of the aggregate of the nominal amounts of all voting shares in the corporation; or
 - (b) 5% or more of the aggregate of the nominal amounts of all the voting shares in the corporation where such person is the largest shareholder of the corporation,

of the listed company and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a director, chief executive or major shareholder of the listed company or its subsidiaries or holding company. Further, a related party includes person connected with such director or major shareholder as defined under the Listing Requirements.

11.1.1 Recurrent related party transactions

Related party transactions can be deemed as recurrent, if they are entered into at least once every three (3) years, in the ordinary course of business and are of a revenue nature necessary for the day-to-day operations of our Company.

After the Listing, our Company will be required to seek its shareholders’ approval each time it enters into material related party transactions in accordance with the Listing Requirements. However, if the related party transactions can be deemed as recurrent related party transactions, our Company may seek a general mandate from its shareholders to enter into these transactions without having to seek separate shareholders’ approval each time it wishes to enter into such related party transactions during the validity period of the mandate.

Under the Listing Requirements, related party transaction may be aggregated to determine its materiality if the transactions occur within a twelve (12)-month period, are entered into with the same party or with parties connected to one another or if the transactions involve the acquisition or disposal of securities or interests in one corporation/asset or of various parcels of land contiguous to each other.

As we were a wholly-owned subsidiary of MISC prior to the IPO, all transactions between our Group and MISC were not deemed as related party transactions under the Listing Requirements. However, upon Listing, transactions entered into between our Company, MISC and PETRONAS’ related companies would be deemed as related party transactions pursuant to the Listing Requirements.

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)

Details of the recurrent related party transactions for the past three (3) FYE 31 March 2008, 31 March 2009 and 31 March 2010 as well as recurrent related party transactions which are expected to be transacted for the eighteen (18) months ending 30 September 2011 (being the date by which the next annual general meeting of our Company is to be held) are as follows:

No.	Transacting parties	Nature of relationship	Nature of transaction	Transaction value			
				Actual			Estimate
				FYE 31 March 2008	FYE 31 March 2009	FYE 31 March 2010	18 months ending 30 September 2011 ⁽²⁾
				RM'000			
(i)	Our Group and the PETRONAS Group (excluding the MISC Group)	<u>Interested major shareholders</u> (1) PETRONAS <u>Interested directors</u> Nil	▪ Provision of oil and gas engineering and construction works by our Group to the PETRONAS Group	346,598	1,609,940	3,161,001	2,238,600
			▪ Manufacturing of pressure vessels by our Group for the PETRONAS Group	6,065	4,221	123	100
			▪ Provision of petroleum products by the PETRONAS Group to our Group	15,256	26,549	13,381	20,000
			▪ Provision of services and the sale of equipment and materials by the PETRONAS Group to our Group	202,561	726,164	951,919	1,250,000
			▪ Provision of training services rendered by the PETRONAS Group to our Group	-	484	131	150
(ii)	Our Group and the MISC Group (excluding the MHB Group)	<u>Interested major shareholders</u> (1) MISC (2) PETRONAS ⁽¹⁾ <u>Interested directors</u> Nil	▪ Provision of oil and gas engineering and construction works by our Group to the MISC Group	342,735	1,111,471	2,316,003	2,000,000
			▪ Provision of marine repair, marine conversion and drydocking services by our Group to the MISC Group	250,477	388,458	232,115	175,000
			▪ Provision of transportation and logistics services by the MISC Group to our Group	4,447	81,155	100,634	100,000
			▪ Provision of agency services rendered by the MISC Group to our Group	723	26	-	20
			▪ Provision of shared service comprising the provision of internal audit, property management and security services	170	261	278	500

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)

Notes:

⁽¹⁾ As at LPD, PETRONAS is a major shareholder of our Company and of MISC by virtue of its 62.7% indirect equity interest in MISC held through a nominee.

⁽²⁾ The independent directors of MISC have on 19 August 2010 approved the proposed recurrent related party transactions for the 18 months ending 30 September 2011. Our Company will seek our shareholders' approval for the recurrent related party transactions which are expected to be transacted for the subsequent twelve (12) months ending 30 September 2012 at the next annual general meeting of our Company.

Save as disclosed above, our Group does not expect to have any other proposed recurrent related party transactions to be entered into by our Group that involves the interest, direct or indirect, of our Directors, major shareholders and/or key management and/or persons connected with them.

Our Directors are of the view that all the above recurrent related party transactions have been conducted on arm's length basis and on terms not more favourable to the related parties than those generally available to the public and will ensure that future recurrent related party transactions will be conducted in such a manner.

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11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)**11.1.2 Loans made/received by us or any of our subsidiaries and entities to or for the benefit of related parties**

Save as disclosed below, there are no other outstanding loans (including guarantees of any kind) made/received by our Company or any of our subsidiaries and jointly controlled entities to or for the benefit of any related party, for the past (3) years ended 31 March 2010 and the three (3)-month FPE 30 June 2010:

Transacting parties	Nature of relationship	Nature of transaction	Transaction value			
			FYE 31 March 2008	FYE 31 March 2009	FYE 31 March 2010	Three (3)-Month FPE 30 June 2010
			RM'000			
MISC	Our holding company	Loan advance by MISC to MMHE to partially finance the capital expenditure of the Yard Optimisation Programme	-	-	300,000 ⁽¹⁾	-
MISC	Our holding company	Loan advances by MMHE to MISC for working capital purposes	-	-	500,000 ⁽²⁾	-

Notes:

⁽¹⁾ The outstanding amount was repaid in May 2010. The loan advance extended to MMHE was unsecured, was made on 5 August 2009 and had an original maturity date of 27 July 2012. Interest was payable at a rate per annum basis of 3.65%.

⁽²⁾ The outstanding amount was repaid in May 2010. The loan advances to MISC were unsecured, and the advances were made for a period of between three (3) and six (6) months. Interest was payable at a rate per annum basis of 2.60% for the first advance of RM100 million made on 15 March 2010 (which had an original maturity date of 15 June 2010), of 2.75% for the second advance of RM300 million made on 15 March 2010 (which had an original maturity date of 15 September 2010) and of 2.60% for the third advance of RM100 million made on 26 March 2010 (which had an original maturity date of 26 June 2010).

11.2 Monitoring and oversight of related party transactions and conflicts of interest**11.2.1 Audit Committee review**

Our Audit Committee was constituted on 9 July 2010 by the Board. Our Audit Committee periodically reviews:

- (i) any related party transaction and conflicts of interests that may arise within our Group; and
- (ii) the procedures set by our Company to monitor related party transactions to ensure that these transactions are carried out on normal commercial terms not more favourable to the related party than those generally available to the third parties dealing at arm's length and are not to the detriment of our Company's minority shareholders.

All reviews by our Audit Committee will be reported to our Board for its further action.

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (*Cont'd*)

11.2.2 Conflicts of interest

The related party transactions disclosed above, by their very nature, involve a conflict of interest between our Group and the related parties with whom our Group has entered into such transactions. Some of the officers and the Directors of our Group are also officers, directors and in some cases, shareholders of the related parties of our Group and, with respect to these related party transactions, a conflict of interest situation may arise. As at LPD and save as disclosed in this Prospectus, none of our Directors and MISC, being a substantial shareholder, has any direct and indirect interests in:

- (a) other business and corporations carrying on a similar trade as our Company and/or other corporation in our Group; and
- (b) other businesses and corporations which are customers or suppliers of our Company or our Group.

It is the policy of our Group not to enter into transactions with related parties unless these transactions are carried out on normal commercial terms not more favourable to the related party than those generally available to third parties dealing at arm's length with our Group and are not to the detriment of our Company's minority shareholders.

In relation to matters whereby a Director is interested in a matter or transaction by reason of the Director holding a directorship in a substantial shareholder and/or is an officer of a substantial shareholder or may have a conflict of interest for any other reason, the voting and deliberation of a Director on resolutions relating to these matters or transactions shall be governed by applicable Malaysian company law provisions, relevant regulatory requirements and the corporate governance principles that we have adopted.

11.3 Declarations by advisers on conflicts of interest

- (i) Maybank IB is not aware of any circumstances that exist or is likely to exist to give rise to a possible conflict of interest situation in its capacity as the Principal Adviser, Underwriter, Joint Global Co-ordinator and Joint Bookrunner, in relation to our IPO and our Listing.
- (ii) Adnan Sundra & Low has confirmed that there is, to the best of its knowledge, no existing or potential conflict of interest situation in its capacity as Legal Adviser to us as to Malaysian laws, in relation to our IPO and our Listing.
- (iii) Ernst & Young has confirmed that they are not aware of any circumstances or relationships which would give rise to a conflict of interest situation in its capacity to act as the External Auditors and Reporting Accountants to our Company, in relation to our IPO and our Listing.
- (iv) ODS-Petrodata Pte Limited has confirmed that there is, to the best of its knowledge, no existing or potential conflict of interest situation in its capacity as Independent Market Researcher, in relation to our IPO and our Listing.
- (v) Cleary Gottlieb Steen & Hamilton LLP has confirmed that there is, to the best of its knowledge, no existing or potential conflict of interest situation in its capacity as Legal Adviser to us as to United States and English laws, in relation to our IPO and our Listing.

11. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)

- (vi) CS is of the view that it has no conflict of interest in its capacity as Joint Global Co-ordinator and Joint Bookrunner in our Listing and CS has not made any loan to us, MISC or PETRONAS and, in its capacity as Joint Global Co-ordinator and Joint Bookrunner, CS will not receive any proceeds from the IPO, except with respect to the fees and expenses of CS in connection with the IPO.

CS is a full service securities firm engaged in securities trading and brokerage activities as well as investment banking and financial advisory services. In the ordinary course of its trading and brokerage activities, CS or its affiliates may hold position, for its own account or the accounts of customers, in equity, debt or other securities of ours, MISC or PETRONAS. In addition, CS in the past has provided, and may in the future provide investment banking services to us, MISC or PETRONAS, for which CS has received or may receive compensation.

- (vii) CS Malaysia is of the view that it has no conflict of interest in its capacity as Joint Bookrunner in our Listing and CS Malaysia has not made any loan to us, MISC or PETRONAS and, in its capacity as Joint Bookrunner, CS Malaysia will not receive any proceeds from the IPO, except with respect to the fees and expenses of CS Malaysia in connection with the IPO.

CS Malaysia is a full service securities firm engaged in securities trading and brokerage activities as well as investment banking and financial advisory services. In the ordinary course of its trading and brokerage activities, CS Malaysia or its affiliates may hold position, for its own account or the accounts of customers, in equity, debt or other securities of ours, MISC or PETRONAS. In addition, CS Malaysia in the past has provided, and may in the future provide investment banking services to us, MISC or PETRONAS, for which CS Malaysia has received or may receive compensation.

- (viii) JPM confirms that there is no conflict of interest in its capacity as a Joint Bookrunner in relation to our IPO and our Listing.
- (ix) JPM Malaysia confirms that there is no conflict of interest in its capacity as a Joint Bookrunner in relation to our IPO and our Listing.

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12. FINANCIAL INFORMATION

12.1 Historical audited consolidated financial information

The following tables present our selected audited consolidated financial information for the FYE 31 March 2008, 31 March 2009 and 31 March 2010 and the three-month period ended 30 June 2010 and our unaudited consolidated financial information for the three-month period ended 30 June 2009. Our consolidated financial statements are prepared in accordance with Malaysian FRS. Our consolidated financial statements for the FYE 31 March 2008, 31 March 2009 and 31 March 2010 and the three-month period ended 30 June 2010 have been audited by Ernst & Young.

The following summary consolidated financial information should be read in conjunction with the "Management's discussion and analysis of financial condition, results of operations and prospects" set out in Section 12.2 of this Prospectus and the Accountants' Report set out in Section 13 of this Prospectus.

The financial information included in this document does not reflect our Group's results of operations, financial position and cash flows in the future, and our Group's past operating results are not indicative of our Group's future operating performance.

	For the FYE 31 March			For the Three-Month FPE 30 June	
	2008 (audited)	2009 (audited)	2010 (audited)	2009 (unaudited)	2010 (audited)
	(RM'000, except for percentages and per share data)				
Income statement data:					
Revenue	1,741,922	4,021,147	6,147,012	1,679,755	1,172,898
Cost of sales	(1,379,352)	(3,422,530)	(5,550,584)	(1,587,858)	(1,048,953)
Gross profit	362,570	598,617	596,428	91,897	123,945
Other operating income	26,711	24,197	19,880	2,597	25,215
Selling and distribution expenses	(2,223)	(1,659)	(1,435)	(350)	(295)
Administrative expenses	(111,222)	(171,441)	(150,084)	(26,808)	(31,361)
Other operating expenses	(38,482)	(100,245)	(84,130)	(20,104)	(21,827)
Profit from operations	237,354	349,469	380,659	47,232	95,677
Finance costs	(1,456)	(427)	(3,452)	(194)	(733)
Share of results of jointly controlled entity	-	-	(1)	-	128
PBT	235,898	349,042	377,206	47,038	95,072
Taxation	(41,253)	(66,821)	(93,091)	(11,243)	15,185
PAT	194,645	282,221	284,115	35,795	110,257
PAT attributable to:					
Equity holders	192,398	278,301	279,203	35,542	110,247
Minority interests	2,247	3,920	4,912	253	10
	194,645	282,221	284,115	35,795	110,257
Profit from operations includes:					
Depreciation of other property, plant and equipment	22,189	22,491	24,864	5,456	6,524
Amortisation of prepaid lease	2,226	1,433	2,059	397	515
Total depreciation and amortisation	24,415	23,924	26,923	5,853	7,039
Total depreciation and amortisation included in:					
Cost of sales	20,288	20,598	21,259	5,541	5,092
Administrative expenses	4,127	3,326	5,664	1,497	844

12. FINANCIAL INFORMATION (Cont'd)

	For the FYE 31 March			For the Three-Month FPE 30 June	
	2008	2009	2010	2009	2010
	(audited)	(audited)	(audited)	(unaudited)	(audited)
	(RM'000, except for percentages and per share data)				
Other selected financial data:					
Cash flow from operating activities	56,450	108,892	1,243,304	381,300	924,820
Cash flow from investing activities	(245,115)	(180,599)	(260,042)	(103,701)	(42,881)
Cash flow from financing activities	(56,400)	206,650	(452,044)	(80,700)	(300,750)
EBITDA ⁽¹⁾	261,769	373,393	407,581	53,085	102,844
Dividends declared	-	-	-	-	-
Gross profit margin (%) ⁽²⁾	20.81	14.89	9.70	5.47	10.57
EBITDA margin (%) ⁽³⁾	15.03	9.29	6.63	3.16	8.77
PBT margin (%) ⁽⁴⁾	13.54	8.68	6.14	2.80	8.11
PAT margin (%) ⁽⁵⁾	11.17	7.02	4.62	2.13	9.40
No. of Shares in issue ('000)	16,220	16,220	16,220	16,220	16,220
EPS					
- Basic (RM) ⁽⁵⁾	11.86	17.16	17.21	2.19	6.80
- Diluted (RM)	*	*	*	*	*
Gross earnings per ordinary share (RM) ⁽⁷⁾	14.54	21.52	23.26	2.90	5.86
Net earnings per ordinary share (RM) ⁽⁸⁾	11.86	17.16	17.21	2.19	6.80

Notes:

⁽¹⁾ Computed by adding finance cost and total depreciation and amortisation to PBT.

EBITDA represents earnings before finance cost, taxation, depreciation and amortisation. The table below sets forth a reconciliation of our PAT to EBITDA:

	For the FYE 31 March			For the Three-Month FPE 30 June	
	2008	2009	2010	2009	2010
	(audited)	(audited)	(audited)	(unaudited)	(audited)
	(RM'000)				
EBITDA:					
Profit for the year	194,645	282,221	284,115	35,795	110,257
Taxation	41,253	66,821	93,091	11,243	(15,185)
PBT	235,898	349,042	377,206	47,038	95,072
Finance costs	1,456	427	3,452	194	733
Depreciation of property, plant and equipment	22,189	22,491	24,864	5,456	6,524
Amortisation of prepaid land lease	2,226	1,433	2,059	397	515
	261,769	373,393	407,581	53,085	102,844

EBITDA, as well as the related ratios presented in this Prospectus, are supplemental measures of our performance and liquidity that are not required by or presented in accordance with Malaysian FRS. EBITDA is not a measurement of financial performance or liquidity under Malaysian FRS and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with Malaysian FRS or as an alternative to cash flows from operating activities or as a measure of liquidity. In addition, EBITDA is not a standardised term, hence a direct comparison between companies using such a term may not be possible.

⁽²⁾ Computed based on the gross profit over total revenue of our Group.

⁽³⁾ Computed based on the EBITDA over total revenue of our Group.

⁽⁴⁾ Computed based on the PBT over total revenue of our Group.

⁽⁵⁾ Computed based on the PAT over total revenue of our Group.

12. FINANCIAL INFORMATION (Cont'd)

- ⁽⁶⁾ Basic EPS amounts are calculated by dividing profit for the year/period attributable to ordinary equity holders of our Company by the number of ordinary shares of 16,220,000 during the financial year/period.
- ⁽⁷⁾ Computed based on the PBT of our Group divided by 16,220,000 Shares, being the actual number of Shares in issue immediately prior to the share split and Bonus Issue.
- ⁽⁸⁾ Computed based on the PATAMI of our Group divided by 16,220,000 Shares, being the actual number of Shares in issue immediately prior to the share split and Bonus Issue.
- * Our Group has no convertible securities to convert into ordinary shares as at balance sheet date and therefore, diluted EPS has not been presented.

Please refer to the Accountants' Report in Section 13 of this Prospectus for the notes to the audited consolidated income statements of our Group for the past three (3) FYE 31 March 2010, FPE ended 30 June 2009 and 30 June 2010.

12.2 Management's discussion and analysis of financial condition, results of operations and prospects

The following discussion should be read in conjunction with the Accountants' Report included in "Reporting Accountants' Report" in Section 13 of this Prospectus. Our financial statements have been prepared in accordance with the provisions of the Companies Act and Malaysian FRS.

Any discrepancy in the tables included in this Prospectus between totals and the sums of amounts listed or between percentage changes and the listed amounts being compared are due to rounding.

12.2.1 Overview

We are a leading Malaysian heavy engineering and marine services provider, primarily focused on the oil and gas sector. We offer a wide spectrum of engineering and construction, marine conversion and marine repair services from our yard in Pasir Gudang, Johor, Malaysia and the yard we operate and manage in Kiyarly, Turkmenistan on behalf of PCTSB. Our Company is the parent company of MMHE, and we offer our services primarily under the "MMHE" brand.

We have three core businesses: engineering and construction, marine conversion and marine repair, and we divide our businesses into two operating segments: the engineering and construction segment and the marine conversion and marine repair segment. Our engineering and construction business offers a full range of oil and gas construction and engineering services, from detailed engineering design and procurement to construction, installation, hook-up and commissioning. Our marine conversion business offers a one-stop centre for converting vessels such as VLCCs, Aframax tankers and offshore oil rigs into floating structures for the offshore oil and gas industry such as FPSOs, FSOs, MOPUs and MODUs. Our marine repair business offers repair, refit and refurbishment services to a wide range of vessels, with a focus on energy-related vessels such as LNG carriers, ULCCs, VLCCs and other petroleum tankers, chemical tankers, offshore oil rigs, gas carriers, and other offshore support vessels.

Our recent capital expenditure consisted primarily of funds to continue our Yard Optimisation Programme at the Pasir Gudang yard in Malaysia and improve our capabilities at the Kiyarly yard in Turkmenistan.

12. FINANCIAL INFORMATION (Cont'd)

As at 30 June 2010, our Group had total assets of RM4,298.7 million and shareholders' equity excluding minority interests of RM1,308.6 million. For the FYE 31 March 2010, we generated PAT of RM284.1 million on revenue of RM6,147.0 million, and for the three-month FPE 30 June 2010, we generated PAT of RM110.3 million on revenue of RM1,172.9 million. Our orderbook as of 30 June 2010 was RM5,951.9 million.

12.2.2 Major factors affecting our Group's financial condition and results of operations

Our operating results have been and will continue to be affected by a number of factors, including those set out below:

(i) Business fluctuations and cyclical changes

Our engineering and construction, marine conversion and marine repair activities for energy-related vessels are subject to certain risks inherent in the oil and gas industry, while our marine repair activities for non-energy-related vessels are subject to certain risks inherent in the shipping industry.

Our engineering and construction, marine conversion and marine repair activities for energy-related vessels depend heavily on the levels of activity in oil and gas exploration, development and production. Historically, activity in the oil and gas industry has fluctuated based on macroeconomic factors and global political events, in particular, changes in oil and gas prices. Demand for oil and gas structures and facilities is highly dependent on the ability and willingness of oil and natural gas companies to make capital expenditures to explore for, develop and produce crude oil and natural gas. Exploration, development and production of crude oil and gas reserves tend to decline when oil and gas prices fall to levels where these activities are not commercially viable for oil and gas operators. Capital expenditures by oil and gas companies may also decline as a result of other factors, including changes in exploration, production and delivery costs; the improved attractiveness of and demand for alternative energy sources such as biofuels, solar power, wind power and nuclear power; and technological advances affecting oil and natural gas consumption. Lower levels of capital expenditure by the oil and gas industry may result in falling demand for our engineering and construction and marine conversion businesses, which would adversely affect our business, financial condition and results of operations.

Our marine repair activities are dependent on the level of maintenance expenditures by vessel owners. Vessels are generally required by maritime classification societies and international maritime regulations to undergo dry-docking at least twice during a five-year period. The first dry-docking during the five-year period, which normally occurs after two and a half years, may be delayed by up to three months. When freight rates are low, vessel owners may opt to delay the dry-docking within the requirements of the classification societies, and even when their vessels are in dry-dock, may opt for minimum levels of maintenance and repairs needed to meet regulatory requirements, which may adversely affect our marine repair business.

12. FINANCIAL INFORMATION (Cont'd)

(ii) **Nature and volume of projects for the PETRONAS Group**

We have benefited significantly from being the preferred engineering and construction, marine conversion and marine repair provider for the PETRONAS Group, although we are required to tender for projects on an "arm's length" basis and our bids need to be cost competitive with other comparable offers. In the FYE 31 March 2010, approximately 92.9% of our revenue and 73.4% of our PBT and for the three-month FPE 30 June 2010, approximately 94.0% of our revenue and 58.6% of our PBT was, in each case, derived from projects commissioned by the PETRONAS Group, including MISC. This included, for the FYE 31 March 2010 and the three-month FPE 30 June 2010, approximately 67.0% and 40.3%, respectively, of our PBT from engineering and construction services and approximately 6.4% and 18.3%, respectively, of our PBT from marine conversion and marine repair services, including the dry-docking of LNG carriers. Major current projects for the PETRONAS Group include the EPC projects for *Gumusut-Kakap* and *Turkmenistan Block 1, Phase 1*.

We expect that the PETRONAS Group will continue to be our largest customer for the foreseeable future, and, as a result, changes in the business of the PETRONAS Group or our relationship with the PETRONAS Group could have a material adverse effect on us. It is an important part of our business strategy to increase our total business with the PETRONAS Group while at the same time expanding our business with other customers. If we are unable to increase our business with other customers, our results of operations and financial condition may be materially adversely affected if the PETRONAS Group materially decreases its expenditures for exploration and production activities, materially decreases its business with us or terminates our status as the PETRONAS Group's preferred engineering and construction, marine conversion and marine repair provider.

(iii) **Revenue from the Kiyanly yard in Turkmenistan**

We have expanded our engineering and construction operations into Turkmenistan, where we have been operating and managing the Kiyanly yard on behalf of PCTSB since 2007. Revenue derived from the operations in the Kiyanly yard for the *Turkmenistan Block 1, Phase 1* gas development project has grown significantly in recent years, accounting for 41.7% and 58.4% of our total revenue for the FYE 31 March 2010 and the three-month FPE 30 June 2010, respectively.

The engineering and construction industry for oil and gas is a relatively new industry in Turkmenistan, with a limited supply of qualified local workers and other supporting infrastructure. Also, we are relatively new to doing business in the country. If we are not able to source key equipment, hire sufficient workers with requisite skills, train local workers, acquire local knowledge and networks within a reasonable period, the Kiyanly yard may not function as efficiently as intended and the utilisation of the Kiyanly yard may not be optimal.

12. FINANCIAL INFORMATION (Cont'd)**(iv) Keen competition**

The heavy engineering and marine services industry is highly competitive, and our failure to successfully compete would adversely affect our market position and our results of operations and financial condition. We face keen competition, both domestically and internationally. Some of our competitors may have more experience, greater financial resources to invest in their capacity and capability to deliver innovative products, or greater economies of scale. Some of our projects require the use of advanced technology, and for such projects we source the necessary technology from third parties. Our competitors may have, or may obtain, more advanced technology or be more successful in establishing and maintaining relationships with third parties that have such technology. As a result, our competitors may be in a better position than us to compete for future business opportunities, and if they are able to deliver more technically advanced products and services, there may be reduced demand for our products and skills. New market entrants with access to low-cost skilled labour could also provide significant competition if they were to acquire sufficient technology and experience to compete for the higher margin products and services that are our primary target markets.

We are one of seven licensed contractors of offshore structures that are eligible to bid for engineering and construction contracts tendered by PSC operators in Malaysia. If the PETRONAS Group were to change its policies by either increasing the number of licensed companies or allowing non-Malaysian companies to bid for these engineering and construction contracts, we would face materially increased competition, especially from new entrants with advanced technology.

(v) Fluctuations in the prices of materials and labour

The cost of materials represents a significant part of our aggregate operating costs and the overall costs of each project. The operating costs of projects are susceptible to fluctuations in the prices of the major materials beyond the base price specified and contracted for during the bidding phase. Under contracts with limited price escalation provisions, we bear at least a portion of the increase in the purchase price of key materials. Therefore, escalations in the prices of materials can lead to an adverse impact on our results of the operations.

One of the major materials we use in each of our business segments is steel, in the form of plates, sheets, pipes, beams and fittings, among others, comprising approximately 6.1% of total purchases in the FYE 31 March 2010. We do not have any long-term contracts for the supply of steel or other raw materials, and we have not entered into any transactions to hedge our risk relating to raw material price fluctuations. We typically purchase steel products from our suppliers as needs arise for our projects, and prices for these purchases are determined based on prevailing international market prices. The price of steel has increased substantially in recent years.

12. FINANCIAL INFORMATION (Cont'd)

During periods of expected price fluctuations, we endeavour to manage our inventory of materials and negotiate with materials providers to receive a steady supply of materials. We also endeavour to negotiate flexible contract terms with customers that will take into account the possible risks arising from the fluctuations in the prices of the major materials used. For example, we seek to negotiate fabrication contracts that allow the procurement and corresponding cost to be undertaken and borne by the customers or, alternatively, for large-scale projects and projects with greater risk, cost-plus type of contracts where customers are charged the actual cost of material with a certain mark-up margin.

We outsource a large percentage of our labour requirement to sub-contractors. On average, sub-contracted labour represented 49.5% of our cost of sales per financial year for the last three FYE 31 March. As of LPD, we engaged 110 sub-contracting firms to provide manpower, which provided the services of approximately 5,770 personnel to accomplish specific tasks. The decision on whether to staff a project with our employees or sub-contractors is based upon the type of work conducted, how consistent the level of work is expected to be and whether labour costs are expected to change significantly. Since sub-contractors are employed on a project basis, our sub-contracting strategy allows us to limit labour costs during period of weak demand for our services. The cost of labour is affected by general demand in the heavy engineering and marine services industry in our region and specific demand for specialised skills globally. If the risks of higher labour costs associated with a project are significant, we endeavour to manage our exposure by negotiating cost-plus contract terms with our customers.

(vi) Fixed-price and cost-plus arrangements

Our projects are generally carried out either on a fixed-price basis according to a defined timetable pursuant to the terms of a delivery contract, on a cost-plus basis or on a combination of these two methods.

The initial pricing of fixed-price contracts is crucial to our profitability, as is our ability to quantify the risks we bear and to provide for contingencies in the contract accordingly. If additional expenses arise, or the price of materials, services or labour increase, these expenses are usually borne by us, and our profit from the project is correspondingly reduced or eliminated.

Cost-plus contracts involve customers paying the costs of supplies, facilities, sub-contractors, employees, and other inputs at the cost that these materials, facilities or services are borne by us, with the addition of an agreed percentage of profit for us. With cost-plus contracts, we invoice the customer for the costs of materials or services at the time these items are ordered or utilised and receive payments within an agreed invoice time period. While this billing method provides us with a defined profit margin over the life of the project, these margins are typically lower than those we obtain for fixed-price contracts. Cost-plus contracts are typically used for unusual or novel projects (in which cost estimation is difficult) or a project involving completion risk that our client is prepared to accept. In recent years, our gross margins have declined, as a higher percentage of our revenue has come from cost-plus contracts, primarily because of our work in Turkmenistan, which is a new market for us, and because a substantial amount of the work on the *Gumusut-Kakap FPS*, which involves a complex structure that we have not previously produced, has been on a cost-plus basis.