



Meet Malaysia's largest rooftop solar panels installed in a single compound. These solar panels cover a total area of 440,496 sq ft and generate 10,000 MWh clean energy annually.





Rooftop Solar Panels on the main warehouse in MMHE West, Pasir Gudang, Johor

COVER RATIONALE

As a trusted and innovative global brand with over 45 years of history, MHB is conscious of the role that we play towards building a better world for our future generation.

Being part of the energy and marine value chain, we engineer solutions for a wide range of facilities and vessels to power businesses and economies all over the world.

WHAT'S INSIDE



Our strong cash position enabled us to put our strategic initiatives into action, as well as managing any operational disruptions or challenges and also maintaining our business continuity. Our organisational achievements over the past year reflect our commitment to build MHB's business resiliency, as we progress with our value creation journey to generate positive outcomes for our shareholders, investors and stakeholders in the longer term."

PANDAI OTHMAN

Managing Director & Chief Executive Officer



INTRODUCTION

04 About This Report

SECTION 1: WHO WE ARE

- 10 Corporate Statements
- 12 Who We Are and What We Do
- 16 Key Milestones
- 18 Corporate Information
- 19 Corporate Structure

SECTION 2: KEY MESSAGES

- 24 Chairman's Message
- 28 MD & CEO's Review

SECTION 3: HIGHLIGHTS

- 40 Key Highlights 2021
- 44 Corporate Events & Achievements in 2021

SECTION 4: STRATEGIC REVIEW

- 50 Strategic Overview
- 52 How We Create Value
- 56 Our Strategic Focus
- 58 Our Material Matters
- 62 Our Stakeholders
- 66 Our Operating Environment
- 74 Our Risks and Mitigation Strategies

SECTION 5: FINANCIAL REVIEW

- 80 Chief Financial Officer's Financial Review
- 86 Financial Calendar
- 87 Share Performance

SECTION 6: BUSINESS & OPERATIONAL REVIEW

- 90 Heavy Engineering
- 96 Marine
- 103 Plant Turnaround & Shutdown Maintenance

SECTION 7: SUSTAINABILITY STATEMENT

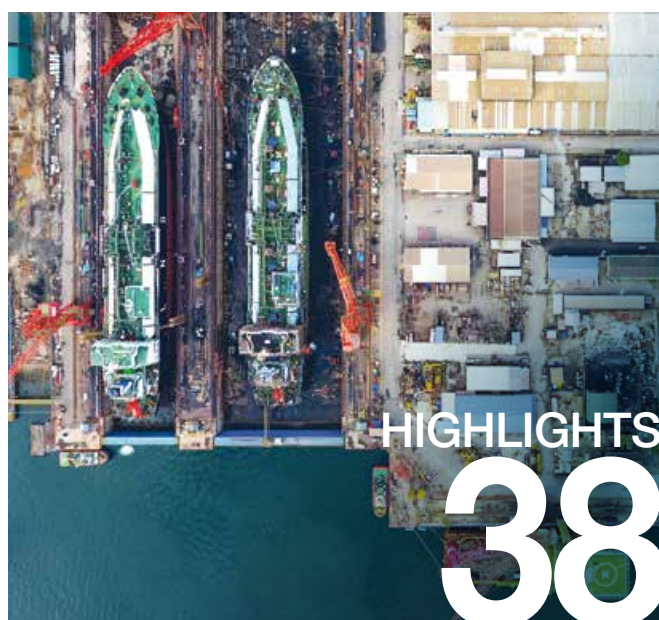
- 108 Introduction
- 110 Message from the MD & CEO
- 111 Sustainability Strategy
- 113 Sustainability Governance
- 123 Approach and Achievements
- 173 Task Force on Climate-Related Financial Disclosures

SECTION 8: LEADERSHIP

- 186 Our Board at a Glance
- 187 Profiles of the Board of Directors
- 197 Profiles of the Management Committee

SECTION 9: GOVERNANCE

- 204 Corporate Governance Overview Statement
- 215 Nomination and Remuneration Committee Report
- 219 Board Audit Committee Report
- 224 Board Risk Committee Report
- 226 Statement on Risk Management and Internal Control
- 234 Directors' Responsibility Statement
- 235 Investor Relations Report
- 239 Additional Compliance Information



SECTION 10: FINANCIAL STATEMENTS

- 242 Financial Statements

SECTION 11: ADDITIONAL INFORMATION

- 340 Properties Owned by MHB and its Subsidiaries
- 342 30 Largest Shareholders
- 344 Statistics on Shareholdings
- 346 Corporate Directory
- 347 List of Abbreviations

SECTION 12: ANNUAL GENERAL MEETING

- 352 Notice of Annual General Meeting
- 356 Administrative Notes
Form of Proxy

ABOUT THIS REPORT

MHB's Integrated Annual Report (IAR) 2021 seeks to provide accountable, transparent and balanced disclosures of our value creation endeavours for our shareholders and stakeholders for the financial year ended 2021 (FY2021). Our value creation journey reflects the integrated approach we take in considering the interdependencies and interconnectivities between our strategy, performance, risks and opportunities and future outlook in relation to Material Matters. This IAR has been developed in accordance to the Integrated Reporting <IR> Framework 2013 by Value Reporting Foundation, a merger between International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB).

REPORTING SCOPE AND BOUNDARY

MHB's IAR provides disclosures pertaining to our business segments, subsidiaries and joint venture operations. This IAR covers MHB's activities and performance for the financial year ended 31 December 2021 (FY2021). It also includes any material events that occurred after this date up to the date of publication. We have also provided information and data pertaining to our value creation activities and outcomes for our key stakeholder groups - refer to page 62 in the Our Stakeholders section.

Throughout this report, references to MHB are in relation to Malaysia Marine and Heavy Engineering Holdings Berhad (MHB) as the holding company, while references to MMHE are with regards to Malaysia Marine and Heavy Engineering Sdn Bhd (MMHE) as the operating company which is located in Pasir Gudang, Johor, where both the MMHE yards are located.

OUR MATERIAL MATTERS

MHB is aware of the critical importance of addressing the matters that are most material to our business and stakeholders. Towards this end, we have provided an account of how we identify and define our Material Matters and have mapped our Material Matters against other factors that inform our business model and value creation activities throughout this IAR.

SUSTAINABILITY

Sustainability considerations are an integral component of our business and we have taken cognisance of the sustainability issues and factors that impact our short, medium and

long-term value creation ability throughout this IAR. Our Sustainability Statement within this IAR provides disclosures of our sustainability governance, framework, strategic priorities, as well as our sustainability programmes and initiatives, along with outcomes and forward-moving plans. In 2021, MHB has committed to embarking on our Task Force on Climate-Related Financial Disclosures (TCFD) in the following year, in line with our commitment towards industry decarbonisation by 2050. Details of our TCFD plan can be found in our Sustainability Statement.

IMPROVEMENTS IN 2021

Demonstrating our commitment towards the full adoption of the <IR> Framework, in 2021, we enhanced our reporting approach and disclosures in line with the <IR> Framework, as well as local and international reporting guidelines and frameworks through the following means:

- Identified the markets of operation of our business – refer to page 12 in the Who We Are and What We Do section
- Elaborated on the description of the various factors of our operating landscape and their impacts against each of our business segments – refer to page 66 in the Our Operating Environment section
- Refined our Value Creation Model in line with the guiding principles and content elements of the <IR> Framework – refer to page 52 in the How We Create Value section
- Mapped the interdependencies and interconnectedness of our Material Matters across this IAR as follows:
 - Within our Value Creation Model – refer to page 52 in the How We Create Value section

- How our strategy addresses our Material Matters – refer to page 56 in the Our Strategic Focus section
 - How the external environment impacts our Material Matters – refer to page 66 in the Our Operating Environment section
- Provided an account of the trade-offs we make and their impact on our capitals – refer to page 52 in the How We Create Value section
 - Given a more comprehensive account of how we identify our stakeholders and our strategic response to their concerns refer to page 62 in the Our Stakeholders section and page 106 of our Sustainability Statement
 - Explained our Materiality determination process – refer to page 58 in the Our Material Matters section and page 106 of our Sustainability Statement
 - Enhanced our sustainability disclosures by:
 - Providing an account of our Sustainability Governance Structure – refer to page 113 of our Sustainability Statement
 - Laying out our Sustainability Framework Pillars & Strategic Priorities – refer to page 112 of our Sustainability Statement
 - Included our Board Responsibility Statement for this IAR – refer to page 5 in the About This Report section
 - Provided an explanation on our disclosure appetite and threshold – refer to the Information on Exclusion on page 5 in the About This Report section
 - Provided an account of our internal and external assurance mechanisms – refer to the Assurance statement on page 5 in the About This Report section

About This Report

→ Disclosed our plan to ensure our compliance with the requirements of the TCFD moving forward – refer to page 50 of Strategic Overview in the Strategic Review section and our TCFD Statement on page 173

OUR REPORTING FRAMEWORKS AND GUIDELINES

This IAR provides a comprehensive account of our value creation activities and the financial and non-financial outcomes we achieved in FY2021, along with our future outlook and forward-moving plans. It has been developed in accordance to the following reporting frameworks and guidelines.

	REPORTING FRAMEWORKS
Integrated Annual Report 2021	<ul style="list-style-type: none"> • Bursa Malaysia Securities Berhad Main Market Listing Requirements • Malaysian Code on Corporate Governance 2021 • Corporate Governance Guide (4th edition) issued by Bursa Malaysia • Integrated Reporting <IR> Framework • Companies Act 2016 • Malaysian Financial Reporting Standards (MFRS) • International Financial Reporting Standards (IFRS)
Sustainability Statement 2021	<ul style="list-style-type: none"> • Bursa Malaysia Securities Berhad Sustainability Reporting Guidelines • Sustainability Accounting Standards Board (SASB) Standards • Global Reporting Initiative (GRI) Standards (Core Option) • FTSE4Good Bursa Malaysia Index Criteria • Task Force on Climate-Related Financial Disclosures (TCFD)

ASSURANCE

We have obtained third party assurance for the following aspect of our reporting disclosures:

→ Our external auditor, Ernst & Young PLT, provides assurance on the audited financial statements

The MHB internal team has maintained its continuous oversight in the preparation of this IAR to ensure that all data provided are reliable and accurate as at the date of publication.

INFORMATION ON EXCLUSION

The information we have disclosed in this IAR is guided by our appetite for disclosure. We have withheld the following categories of information:

- Information that could potentially jeopardise our strategic and competitive advantage
- Information we are contractually precluded from sharing
- Information which we are unable to verify

FORWARD-LOOKING STATEMENTS

This IAR contains forward-looking statements that are subject to risks and uncertainties that could cause variance between actual results in the future and the expectations communicated in our forward-looking statements. These forward-looking statements should not be construed as guarantees or predictions of MHB's future performance. Readers of this IAR are advised not to place undue reliance on our forward-looking statements as actual results could materially differ from those stated due to prevailing and future uncertainties.

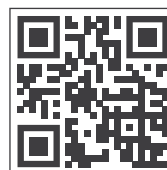
BOARD RESPONSIBILITY STATEMENT

Our Board of Directors acknowledges its responsibility in ensuring the integrity of this IAR. The Board has reviewed the contents of this IAR to ensure that the information provided is accurate and the report has been drafted in accordance with the <IR> Framework. The Board approved this report and its publication on 18 February 2022.

FEEDBACK

We value your opinions and insights on how we can improve and enhance our reporting communications. To provide feedback and for further inquiries on our report, please scan here to reach out to us via our website.

Scan here to access:



MHB's website
<https://mhb.com.my/>



Our people are the soul of the Company. With the strength of a highly capable workforce, we are committed to continuously deliver sustainable values to all our stakeholders.





Our project team bidding farewell to the Kasawari Gas Development Project Jacket during its sail away

SECTION 1

WHO WE ARE

- 10 Corporate Statements
- 12 Who We Are and What We Do
- 16 Key Milestones
- 18 Corporate Information
- 19 Corporate Structure



sec 01

CORPORATE STATEMENTS



engineering solutions

Vision

To consistently provide better marine and heavy engineering related solutions and services

Mission

To consistently be better, we strive:



to exceed the expectations of our customers



to promote individual and team excellence of our employees



to create a positive difference to the lives of communities



to care for the environment and operate responsibly



to drive sustainable value for our shareholders



Sail away of Bekok Oil Project structures



Marine Segment Operations in our Dry Dock

Corporate Statements



MHB Cultural Beliefs



Results Matter

I stretch my limits to deliver superior results

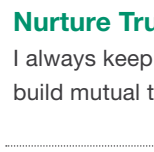
Own It!

I own the results and don't blame others



Focused Execution

I plan, commit and deliver with discipline



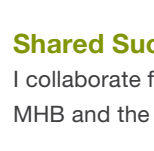
Nurture Trust

I always keep my promise and build mutual trust



Tell Me

I seek, give and act positively on feedback



Shared Success

I collaborate for the greater good of MHB and the MISC Group



Shared Values

Loyalty

Loyal to corporation



Integrity

Honest and upright



Professionalism

Strive for excellence



Cohesiveness

United, trust and respect for each other



sec 01

WHO WE ARE AND WHAT WE DO



Malaysia Marine and Heavy Engineering Holdings Berhad (MHB) is a globally trusted, energy and marine solutions provider for a wide range of heavy engineering facilities and vessels.

MMHE West, Pasir Gudang, Johor, Malaysia

We have more than 45 years of experience and a proven track record of delivering integrated and complex solutions, including deepwater services to international oil & gas customers. We are also recognised for our expertise in offshore conversion services, liquefied natural gas carrier (LNGC) repair and dry docking. We also own and operate a regional Centre of Excellence – a learning centre that produces technically expert workers for the industry.

Backed by years of track record, a highly skilled workforce and world-class facilities, MHB is able to provide innovative solutions to meet the complex demands of the energy industry – safely, on time and within cost.

MOVING TOWARDS SUSTAINABLE SOLUTIONS

We realise how fast the world is evolving and the importance of delivering sustainable solutions to our stakeholders. In line with responding to the needs of the energy transition, we have ventured into areas related to renewable energy which include the construction of offshore windfarm structures. Coupled with our experience and strength in offshore construction capabilities, we are on track towards building a sustainable future for our company, the industry and the world.



To know more, refer to page 88 in Business & Operational Review section.

WHO WE ARE



Incorporated in **1973**
and listed on the **Main Market of Bursa**
Malaysia Securities Berhad in **2010**



Listed on **FTSE4Good Bursa**
Malaysia Index in
2014



2,649
highly skilled workforce nationwide
(as at 31 December 2021)



More than
40.5 million
man-days recorded annually for the
past three years

Who We Are and What We Do

Own and operate
Malaysia's Largest Operating Yards,
 equipped with world-class facilities



Total yard size

2,005,540m²

MMHE West

1,537,090m²

MMHE East

468,450m²



Tonnage capacity of
129,700 MT

Own one of the
largest dry docks

in South East Asia

Own the
largest goliath cranes

in South East Asia
 [2 x 600T x 150m(W) x 100m(H)]

Own one of the
largest synchrolifts

in the World

Our Centre of Excellence,



a dedicated learning centre for the oil & gas and marine industries was established in 2015 and has trained **more than 65,000** people (as at 31 December 2021)

We adhere to the Highest Standard of Integrity



- **ISO 37001: 2016** Certified Anti-Bribery Management System

The only Malaysian company to be certified in **Canadian Standard Association (CSA) Standard W47.1 "Certification of Companies for Fusion Welding of Steel"** by the Canadian Welding Bureau (CWB)



Excellent Quality & Safety Culture

- **ISO 45001: 2018** Certified Occupational Health & Safety Management System
- **ISO 14001: 2015** Certified Environmental Management System
- **ISO 9001: 2015** Certified Quality Management System
- **ISO 3834-2: 2005** Certified Quality Requirements for Fusion Welding of Metallic Material
- **EN 1090-1: 2009 + A1: 2011** Certified Execution of Steel Structures and Aluminium Structures
- **ISO 29001: 2020** Certified Quality Management System for Petroleum, Petrochemical and Natural Gas Industry



sec 01

Who We Are and What We Do

Our Solutions



Over 45 years of delivering integrated and complex solutions for oil & gas and marine industries



Proven expertise in full range EPCIC services with the delivery of **over 200 offshore facilities** which include;

- 55 WHP Topsides
- 16 CPP Topsides
- 24 Turrets
- 63 Jackets
- 4 PAR & PAU
- 19 Modules
- 17 Floaters RLEC; including MOPU, CALM buoy
- 3 Semi-submersibles
 - 1 TLP
 - 1 FPS
 - 1 Spar



Delivered **more than 3,800 marine solutions** with comprehensive marine services for all types of vessels and rigs (repair, refurbishment, etc) in one location.

- Dry Dock No. 1 – Capacity: 450,000 dwt
- Dry Dock No. 2 – Capacity: 140,000 dwt
- Dry Dock No. 3 – Capacity: 400,000 dwt



Complete conversion facilities in one location with a track record of **more than 30 conversion projects** (inclusive of FSO, FPSO, MOPU, FSU & navy auxiliary ship)



Gumusut-Kakap Semi-Submersible Floating Production System (FPS)

OFFSHORE

Fabrication and full engineering, procurement, construction, installation and commissioning (EPCIC) services for offshore facilities.

- Deepwater facilities
- Fixed platforms
- Renewable energy facilities



4 Modules Pyrolysis Furnace

ONSHORE

Fabrication services for onshore modules and facilities.

- Pre-assembled unit (PAU) modules
- Pre-assembled rack (PAR) modules
- Pipe spool fabrication
- Site installation

Our Strategic Locations



Who We Are and What We Do



CONVERSION

Conversion of offshore facilities in one location.

- Floating production storage and offloading (FPSO)
- Floating storage and offloading (FSO)
- Floating storage units (FSU)
- Mobile offshore production units (MOPU)



PLANT MAINTENANCE & TURNAROUND

- Plant shutdown and maintenance
- Routine maintenance
- Upgrading works



MARINE REPAIR & REFURBISHMENT

Comprehensive marine repair and life extension solutions for various types of vessels, rigs and marine facilities.

- Gas carriers (LNGC/LPGC)
- Product tankers (chemical, crude oil, petroleum)
- Container carriers
- Offshore supply vessels
- Dredgers
- Oil rigs



OTHER SERVICES

- Fabrication of turrets
- Hook-up and commissioning for brownfield works
- Offshore services

Our People

Number of Employees
2,649
(as at 31 December 2021)

Male
2,117

Female
532

Technical
2,168

Non-Technical
481

Age Diversity

Baby Boomers
123

Gen X
684

Millennials
1,536

Post Millennials
306

Note:

Manpower generation data is based on the new definition i.e Baby Boomers (1965 and before), Gen X (1966-1979), Millennials (1980-1994) and Post Millennials (1995 and after).

sec 01

KEY MILESTONES



MHB's corporate journey began almost 50 years ago with our very first marine repair project. Since then, we have grown from strength to strength to become one of the leading energy and marine solutions providers for a wide range of offshore and onshore facilities and vessels.

Fortified by our commitment to embed sustainability into our business and supported by our ethos of operating responsibly, we aim to sustain our growth momentum by expanding our current services into the field of renewable energy and greener services.

From our humble beginnings, we are indeed proud of our journey of resilience and growth, which has seen us work on some of the largest projects in the world and the region, proving time and again our ability to deliver on our customers' expectations.

1973 – 2004

SETTING STRONG FOUNDATIONS

Our story begins with our incorporation in 1973 as Malaysia Shipyard and Engineering Sdn Bhd (MSE), which is now known as Malaysia Marine and Heavy Engineering Sdn Bhd (MMHE). During this period, we charted a series of firsts which established strong foundations for our future growth. We conducted our first marine repair job on Japan Lines' bulk carrier Japan Acacia, performed our first oil & gas (O&G) engineering and construction work and delivered our first conversion work of the MV Hitra to the FPSO Perintis.



Bulk Carrier Japan Acacia

2005 – 2009

ENHANCING OUR MARINE SOLUTIONS

In 2005, MSE changed its name to MMHE, which reflected our new and refined business purpose of providing solutions for a wide range of offshore and onshore facilities and vessels. These years saw us completing the construction of the Kikeh Truss Spar, Malaysia's first deepwater O&G field. We also completed our first deepwater FPSO facility, the FPSO Kikeh and our first LNG refurbishment project on MISC Berhad's LNGC Tenaga Tiga.



First O&G engineering and construction work – a set of living quarters

2017 – 2018

FOCUSING ON GROWTH

Having established a strong footing on both the FTSE4Good and Bursa Malaysia indices, we ventured on a path of refinement towards enhancing our value proposition for the marketplace. We refined our logo and articulated our corporate purpose through our vision, mission, shared values and cultural beliefs. We expanded our footprint into the international stage by securing a long-term agreement (LTA) with Saudi Aramco for the provision of EPCIC work for offshore facilities within the waters of the Kingdom of Saudi Arabia. During this time, we also delivered five units of Dangote Catenary Anchor Leg Mooring (CALM) buoys.

2019 – 2020

DRIVING OUR EXPANSION

Our well-established track record enabled us to deliver on projects such as the Offshore Wellhead Facilities (OWF) Tembikai Non-Associated Gas (TNAG) offshore fit-for-purpose facility, as well as securing new projects such as the Master Service Agreement for Integrated Turnaround Main Mechanical Static from PETRONAS and the Kasawari Gas Development Project from PETRONAS Carigali Sdn Bhd. By the end of 2020, we had added a third dry dock, Dry Dock No. 3 to our infrastructure, which commenced operations with the arrival of the first vessel, CSAV TOCONAO, a container vessel. As we enter a new era

Key Milestones

2010 – 2013

EXPANDING OUR CAPACITY

Having laid strong foundations for our business, we then focused on expanding our capacity and secured more projects in line with our growth ambition. We acquired a new yard, renamed as MMHE East, which enabled us to take on more complex projects. This period of time saw us completing the Gumusut-Kakap Semi-Submersible FPS, Asia's largest offshore operating facility. During this same period, MHB was listed on the Main Market of Bursa Malaysia Securities Berhad.



Gumusut-Kakap Semi-Submersible Floating Production System (FPS)

2014 – 2016

CHARTING REGIONAL FIRSTS

Within this three-year period, we recorded tremendous growth which further established our industry reputation as we worked on various complex projects. Milestone projects during these years included the largest enhanced oil recovery (EOR) facility in South East Asia, the Tapis-R topsides; repair works on the largest pipelay in the world, the Audacia; repair works on the world's largest ore carrier, Sea Beijing; conversion of a cargo carrier to a mobile sea base facility for Tun Azizan Mobile Sea Base, the first in South East Asia; and completion of Malaysia's first TLP deepwater project, the Malikai TLP. In 2015, we launched our Centre of Excellence, a dedicated learning centre for the O&G and marine industries, signifying our commitment to contributing to sustainable talent development within the sector. MMHE also formed a joint venture company known as MMHE EPIC Marine & Services Sdn Bhd, to expand into the



Malikai Tension Leg Platform (TLP)

provision of EPIC projects. Another first during these years was our inaugural listing on the FTSE4Good Bursa Malaysia Index, testament to our sustainability performance and strong Environmental, Social and Governance (ESG) practices.

2021

PREPARING FOR A GREENER FUTURE

of energy transition, climate change and industry decarbonisation, we adapted our business model and strategy to remain a relevant business into the future and in line with this diversified into the new growth area of renewable energy.



Offshore Wellhead Facilities (OWF) Tembikai Non-Associated Gas (TNAG)

Our strong business foundations have enabled us to withstand various tests and challenges since our inception. Besides venturing into the renewable energy sector, we started incorporating renewable energy into our own operations by using solar panels to power up MMHE West yard operations. This represents Malaysia's largest rooftop solar installed in a single compound. Our strong track record has enabled us to secure the EPIC Contract for SK408W Jerun Development Project which upon completion will be located offshore Sarawak, Malaysia.



Rooftop Solar Panels on the workshops at MMHE West, Pasir Gudang, Johor

CORPORATE INFORMATION

AS AT 16 FEBRUARY 2022

BOARD OF DIRECTORS

*Chairman, Independent
Non-Executive Director*
Datuk Nasarudin Md Idris

*Senior Independent
Non-Executive Director*
Choy Khai Choon

*Independent Non-Executive
Directors*

Keith Taylor
Ir Wan Yusoff Wan Hamat
Gladys Leong

*Non-Independent
Non-Executive Directors*
Datuk Yee Yang Chien
Syed Hashim Syed Abdullah
Ausmal Kardin

(appointed on 3 November 2021)
Emran Othman
(retired on 1 August 2021)

*Managing Director &
Chief Executive Officer,
Non-Independent Executive
Director*

Pandai Othman

**BOARD AUDIT COMMITTEE**

Choy Khai Choon (*Chairman*)
Keith Taylor
Gladys Leong
Ausmal Kardin
(appointed on 3 November 2021)
Emran Othman
(retired on 1 August 2021)

**NOMINATION AND
REMUNERATION COMMITTEE**

Ir Wan Yusoff Wan Hamat (*Chairman*)
Choy Khai Choon
Syed Hashim Syed Abdullah

BOARD RISK COMMITTEE

Keith Taylor (*Chairman*)
Ir Wan Yusoff Wan Hamat
Syed Hashim Syed Abdullah

COMPANY SECRETARIES

Shahrin Albakri Mustafa Albakri (M01832)
Suruhanjaya Syarikat Malaysia
Practicing Certificate (202108000633)

Haniza Sabaran (MAICSA 7032233)
Suruhanjaya Syarikat Malaysia
Practicing Certificate (201908001761)

REGISTERED OFFICE

Level 31, Menara Dayabumi
Jalan Sultan Hishamuddin
50050 Kuala Lumpur
Malaysia
Telephone +603 2273 0266
Facsimile +603 2273 8916
Email enquiries@mmhe.com.my
Website www.mhb.com.my

AUDITORS

Ernst & Young PLT
Level 23A Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Malaysia
Telephone +603 7495 8000
Facsimile +603 2095 5332

SHARE REGISTRAR

**Boardroom Share Registrars
Sdn Bhd**
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Telephone +603 7890 4700
Facsimile +603 7890 4670

FORM OF LEGAL ENTITY

Incorporated on 18 February 1989 as a private company limited by shares and converted into a public company limited by shares on 14 June 2010.

STOCK EXCHANGE LISTING

Listed on the Main Market of Bursa Malaysia Securities Berhad since 29 October 2010.
Stock Code 5186
Stock Name MHB

**PLACE OF INCORPORATION
AND DOMICILE**

Malaysia

CORPORATE STRUCTURE





At MHB, any successful project is defined by excellent performance in safety, timeliness delivery, with highest quality and at cost.





Sail away of Kasawari Gas Development Project WHP Topside

SECTION 2

KEY MESSAGES

24 Chairman's Message

28 MD & CEO's Review



Chairman's Message



DATUK NASARUDIN MD IDRIS

Chairman

REMAINING RESILIENT IN A TOUGH OPERATING LANDSCAPE

The rollout of vaccines in the first half of 2021 had resulted in an optimistic view of the year ahead, with projections that the global economy would rebound. Many economic sectors reopened on the back of the national vaccination programmes but the emergence of new Variants of Concern (VOC) through the year hampered the full resumption of economic activities. Supply chains were continuously disrupted and by extension, businesses.

Oil price volatility continued to dominate the market. In the first half of 2021, global oil demand began to recover as a result of an improvement in oil consumption due to the easing of travel restrictions and cross-border activities. By December 2021, global markets had rallied and oil prices rebounded to healthy levels to approximately USD80 per barrel. Concerns over the potential impact of the Omicron variant were mild and short-lived as the global community became increasingly adept at managing COVID-19 and its related challenges.

At MHB, we implemented our employees and subcontractors vaccination programme to ensure that our people were protected. Based on our experiences in 2020, we had developed robust business continuity, crisis management and action plans to counteract the negative impact that continuing lockdowns and other COVID-19 related restrictions had on our business activities. However, supply chain disruptions arising from national border closures and trading restrictions were not within our immediate control and was a major factor we had to contend with in delivering our projects. More resources, particularly manpower were deployed as we strived to maintain our project schedules.

Dear Stakeholders

The persisting COVID-19 pandemic in 2021 with its socio-economic and health risks has tested the mettle of businesses to continue being adaptable and effective. **MHB has persevered through the strong headwinds of the past year**, to maintain our strategic progress in our bid to create long-term value for our stakeholders.

CHAIRMAN'S MESSAGE

CONTINUING OUR VALUE CREATION JOURNEY

Despite the challenging external environment, MHB has remained on course with our business strategy, to effectively implement initiatives and programmes identified within our three Key Result Areas (KRA) 2021 – 2025. KRA 1 prioritises the strengthening of our three core business segments of Marine, Heavy Engineering and Plant Turnaround & Shutdown Maintenance. Within the Marine segment, repair and maintenance of high value Liquefied Natural Gas Carrier (LNGC) projects remained one of our focus areas to drive growth.

As for the Heavy Engineering segment, we strengthened our resolve to expand our international market presence and signed a Memorandum of Understanding (MoU) with Kellogg Brown & Root Asia Pacific (KBR). Another MoU we entered into was with Axens South East Asia (Axens SEA). This collaborative effort would better position us to explore opportunities and ventures within the Energy Transition space.

For the Plant Turnaround & Shutdown Maintenance segment, we are on track in our capability building journey. In 2021, we secured and delivered a turnaround contract for the Idemitsu plant owned by Idemitsu Kosan Co., Ltd and clocked a total of 144,000 man-hours for the project.

KRA 2 has been developed to future proof our business through diversification into new business areas, predominantly through windfarm and modular structure projects. In



Sail away of Kasawari Gas Development Project Topside

partnership with Smulders Projects Belgium, during the year we were able to secure a contract for the provision of technical manpower to assist in the execution of a windfarm project in Taiwan and actively participated in bids for windfarm projects. As for modular structure projects, we are laying the groundwork for us to compete effectively in this area. We are the first Malaysian company to obtain certification in the Canadian Standard Association (CSA) Standard W47.1 “Certification of Companies for Fusion Welding of Steel” by the Canadian Welding Bureau (CWB). Coupled with our MoU with KBR, we are optimistic that we will begin to make inroads in this segment in the near future.

KRA 3 focuses our energies inwards, to build our in-house capabilities to generate sustainable profits within our various business segments. In 2021, we were able to increase our fabrication efficiency by upgrading our machineries. We also considered the best option to enhance our infrastructure by conducting feasibility studies in offshore windfarm projects and optimising our dock-to-quay ratio to increase our marine capacity. At the same time, we established a core team to develop full engineering, procurement, construction, installation and commissioning (EPCIC) capability and to increase our in-house scope. In line with our strategic priority to focus on high value projects, we explored a partnership framework with engine makers to collaborate on machinery work.

Chairman's Message

ADDRESSING SUSTAINABILITY IN AN INTEGRATED MANNER

MHB strongly believes that addressing sustainability issues in an integrated manner in setting our strategy, business priorities and targets is crucial to ensure our long-term business viability. During the year, we entrusted the Board Risk Committee with among others, the responsibility to provide oversight on MHB's Corporate Risk Profile which include Environment, Social and Governance (ESG) risk.

We also put in place a new Sustainability Governance Structure to oversee our Sustainability Framework. In developing our Sustainability Framework, we have adopted our parent company, MISC Berhad's Sustainability Roadmap, to ensure alignment in meeting the sustainability imperatives of the maritime sector in general, whilst adapting to meet the needs of the Marine and Heavy Engineering segments that we operate in. Our comprehensive and robust Sustainability Governance Structure ensures that all sustainability matters are brought to the attention of the Board.

2021 is also the year that MHB embarked on our Task Force on Climate-Related Financial Disclosures (TCFD) journey and we have produced our first TCFD statement which can be found within the Sustainability Statement in this Integrated Annual Report (IAR). I believe the actions we have taken in 2021 have heightened our awareness of sustainability risks and opportunities, with frameworks and processes that will ensure we take conscious consideration of the impact of ESG and sustainability matters on MHB's strategies and policies.

EXTERNAL VALIDATIONS

During the year under review, MHB continued to obtain external awards and validations of our efforts and commitments. We remain a constituent of the FTSE4Good Index Series, having received independent assessment



MHB strongly believes that addressing sustainability issues in an integrated manner in setting our strategy, business priorities and targets is crucial to ensure our long-term business viability. During the year, we entrusted the Board Risk Committee with among others, the responsibility to provide oversight on MHB's Corporate Risk Profile which include Environment, Social and Governance (ESG) risk."

in June 2021 according to FTSE4Good criteria. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong ESG practices. Our positive assessment in 2021 underlines our commitment to incorporate ESG into our business, as a value creation enabler that will ensure our continued success.

In line with providing the highest levels of service for our clients, we renewed and obtained new certifications during the year. Certifications that were renewed included the ISO 45001: 2018 – Occupational Health and Safety Management System, the ISO 9001: 2015 – Quality Management System and the ISO 14001: 2015 – Environmental Management System. As for new certifications, we have added the ISO 29001: 2020 – Quality Management System for Petroleum, Petrochemical and Natural Gas Industry, the ISO 3834-2: 2005 – Quality Requirements for Fusion Welding of Metallic Material, the EN 1090-1: 2009 + A1: 2011 – Execution of Steel Structures and Aluminium Structures and the Canadian Standard Association (CSA) Standard W47.1 "Certification of Companies for Fusion Welding of Steel" by the Canadian Welding Bureau (CWB) to our list of certifications. In particular, the CWB certification provides a heightened level of confidence and assurance that MHB meets the Canadian standard and is capable of manufacturing and welding steel structure products for the construction of onshore and offshore facilities in the Canadian market.

Our excellent health and safety culture was recognised through two key awards during the year. On 9 September 2021, the Kasawari Gas Development Project was awarded the Royal Society for the Prevention of Accidents (RoSPA) Gold Award at the 2021 RoSPA Health & Safety Awards in recognition of its health and safety performance for the period covering 1 January 2020 till 31 December 2020. MHB was later awarded the Gold Merit Award at the Malaysian Society for Occupational Safety and Health (MSOSH) 39th OSH Awards 2021 under the Petroleum, Gas, Petrochemical & Allied Sectors category on 25 November 2021. The receipt of these national and international awards and recognitions have further augmented our business proposition in the marketplace.

OUTLOOK FOR 2022

Moving into 2022, lingering concerns remain in the year ahead on the potential resurgence of further waves of COVID-19 infections worldwide through new VOCs. Global economic expansions are expected to vary regionally, depending on new waves of COVID-19 infections and containment measures. In view of near-term uncertainties along with the lasting impact of the pandemic and high steel prices, oil majors are likely to remain cautious in their spending. However, future COVID-19 outbreaks are expected to have a muted impact on the ongoing global economy and oil demand recovery as the world becomes more equipped in managing the pandemic.

Chairman's Message

The 2021 United Nations Climate Change Conference (COP26) which was held in November 2021 and the resulting Glasgow Climate Pact has served to further accelerate the Energy Transition movement. While COP26 adopted less stringent resolutions than expected, it nevertheless reinforced the importance to work collectively towards a net-zero carbon future. Businesses can no longer ignore the impacts of climate-related risks and opportunities. Organisations need to effectively mitigate against climate-related risks, while finding their foothold in the new green future the global pact is working towards.

For MHB, our commitment is demonstrated through our adoption of TCFD which we share in our IAR this year. We are also exploring opportunities in the Renewable Energy

segment through our venture into the area of offshore windfarms to remain relevant in a greener world.

I am confident that MHB is well positioned to face challenges ahead, with robust governance systems in place that will maintain oversight of our strategic progress. MHB has always operated responsibly by adhering to internal and external policies and regulations and our continued approach in this regard enables us to maintain our strong and credible industry reputation. With the exceptional people management and development programmes we have in place, our human capital investments have ensured the sustainability of our highly skilled talent to implement and support MHB's strategies to achieve its mission and objectives.

ACKNOWLEDGEMENTS

We are deeply grateful to all our stakeholders for their continued support and faith in our company. To our esteemed shareholders, we are indebted to you for your sustained loyalty and belief in our value creation abilities. To our valued customers, we thank you for the trust you place in us to support you in your own business journey. To our business partners, vendors and associates, our sincere gratitude for continuing this journey with us in a collaborative spirit.

To our employees and Management at MHB, we thank you for your dedication and commitment in working together and giving your best to ensure the success of the Company even through the worst of times. I am confident that better days lie ahead and we will gain from the efforts we have made during these trying times.

I would also like to express my appreciation to Encik Emran Othman who has retired as a Non-Independent Non-Executive Director (NINED) on 1 August 2021. He has been an invaluable member of the Board and has helped to steer the Company through its strategic direction during his tenure. In his place, we welcome Encik Ausmal Kardin, who was appointed as a NINED on 3 November 2021. We look forward to working with him and the insights and perspectives he has to share with us in driving MHB's sustainable growth.

Finally, to my fellow Board members at MHB, my sincere appreciation for your commitment in steering the Company through turbulent times and keeping it on course with its value creation journey.

DATUK NASARUDIN MD IDRIS

Chairman



LNG Puteri Nilam Satu docking in Dry Dock No. 3

MD & CEO'S REVIEW

**PANDAI OTHMAN**

Managing Director & Chief Executive Officer

Dear Stakeholders

The year 2021 has continued to present a host of challenges to businesses and communities throughout the world as waves of COVID-19 infections persisted even as public health authorities ramped up on various control measures including vaccination drives. The pandemic which began in 2020 has resulted in businesses adapting to remain relevant and productive in this new paradigm. We have seen a sea change in the way companies now conduct their business activities, with hybrid and virtual work models becoming the new norm. We have had to work around the limitations of travel restrictions and border closures, along with disruptions in supply chains to maintain business and societal continuity.

Over the course of the past two years, the businesses that have survived are the ones that have realigned themselves to the new norms of a post-COVID-19 world. Here at MHB, as a result of our steep learning curve, we have refined our strategic priorities as well as implemented business continuity, crisis management and action plans to position our business on a sustainable growth trajectory. We have maintained our robust balance sheet and strong liquidity position. Our assets have increased to RM3,390.1 million in 2021, from RM3,146.4 million the previous year, while our cash balance stands at the RM709.9 million mark as at the end of 2021, compared to RM651.1 million in 2020.

Our strong cash position enabled us to put our strategic initiatives into action, as well as managing any operational disruptions or challenges and also maintaining our business continuity. Our organisational achievements over the past year reflect our commitment to build MHB's business resiliency, as we progress with our value creation journey to generate positive outcomes for our shareholders, investors and stakeholders in the longer term.

A CHALLENGING OPERATING LANDSCAPE

The residual impacts of the COVID-19 pandemic in 2021 are expected to continue into the future. MHB's business was impacted by the triple effect of volatile oil price trends in 2020, followed by the drastic impacts of the pandemic and an even further downturn in the global economy. These trends remained throughout 2021 as the global community struggled to chart its course through one of the most challenging times the world has faced.

During the year, oil price volatilities were further exacerbated by new COVID-19 lockdowns around the world. Reopened economies found themselves susceptible to the impacts of new virus variants and the fresh wave of infections

MD & CEO's Review

these brought on. This situation has hampered global economic revival, with expectations that economic growth, international trading relationships and supply chain dynamics will continue to be impacted by further waves of infections.

Our Heavy Engineering Segment was severely affected by breakdowns in international supply chains which delayed the delivery of specialised materials we required for our projects. As for the Marine Segment, competition intensified as our industry peers were all vying for a limited number of dry docking opportunities due to the lingering effects of the pandemic. Businesses in Singapore leveraged on its in-house infrastructure and technical experts whilst the emergence of new repair yards in China dictated industry pricing levels. At the same time, LNG demand from Far East consumers remained high during the winter despite the global gas price hike, which led to increasing LNG trade, leading to more LNG Carrier owners deferring dry docking.

Against these challenges, MHB has put into action lessons we learnt from the early days of the pandemic, to develop and implement robust and effective business continuity, crisis management and standard operating procedures (SOPs) that have ensured our business continuity through lockdowns and other pandemic-related constraints.



Please refer to Our Operating Environment on pages 66 to 73 and Our Risks and Mitigation Strategies on pages 74 to 77 for further information.

A REJUVENATED STRATEGY TO DRIVE OUR BUSINESS GROWTH

At MHB, we have shifted our organisational perspective of COVID-19 from being a pandemic, to an endemic disease that we will have to live with for the foreseeable future. This state of mind has informed us in the fine tuning of our strategy. We have positioned our business to remain resilient and flourish in

this endemic phase, to ensure that we can successfully navigate the risks and challenges we face. Whilst our strategy and value creation model by and large remain the same, our strategic initiatives have been refined to be sharply focused towards achieving more concise results by adapting to the changes brought upon by the pandemic. Our strategic focus for the year reflects our commitment to deliver sustainable solutions to our shareholders and broader stakeholders.

Within the Heavy Engineering Segment, we have continued to strengthen our more than 45-year industry track record in delivering integrated and complex solutions for our O&G customers. This was mainly due to the array of business continuity, crisis management plans and SOPs we had implemented to ensure our operational resilience. Consequently, we delivered on our projects for the year, to our customers' satisfaction.

We continued with our works on the Kasawari Gas Development Project for PETRONAS Carigali Sdn Bhd (PCSB) to complete and deliver project milestones. On 19 May 2021, we successfully sailed away the 4,980 MT Wellhead Platform (WHP) Jacket and on 24 June 2021 the 2,300 MT Topside for Kasawari. Both structures arrived safely at offshore Sarawak for installation works. Our safe delivery of this project to date has earned us the trust of our customer. During the year, MHB was awarded with the engineering, procurement, construction, installation and commissioning (EPCIC) works for the E11R-AA Riser Platform and Host Tie-In for the existing E11R-A Platform under the Kasawari Gas Development Project. We also managed to make deliveries for the Bekok Oil Project also for PCSB, where we completed the sail away of 535 MT WHP Topsides and 3,128 MT of substructure and bridge linking each of the Topsides to the existing Bekok-A and Bekok-B platforms respectively.

Our highly credible reputation has enabled us to successfully obtain a new project for our order book. In 2021, we secured a contract from SapuraOMV Upstream (Sarawak) Inc. to undertake the EPCIC works for the SK408W Jerun Development Project, offshore Sarawak. Both Kasawari and Jerun which are progressing at 64.20% and 19.32% respectively as at the end of 2021, include massive Central Processing Platform (CPP) projects that will sustain MHB with a recurring income until 2024.

Within the Marine Segment, the addition of our new Dry Dock No. 3 (DD3) at the end of 2020 to our existing two dry docks has greatly enhanced our capacity to conduct repair and refurbishment services on vessels and other marine and O&G facilities. DD3 has also allowed us more operational flexibility to provide multiple comprehensive works on liquefied natural gas carriers (LNGCs), floating production storage and offloading (FPSO) units, floating storage and offloading (FSO) units and oil rigs. In the longer term, once international border restrictions ease off, we can expect more customers on our books to augment our future profitability.

During the year, we successfully completed our first remote Carbon Containment System maintenance work onboard the FSU Tenaga Empat, an LNG floating storage unit owned by MISC Berhad. We also added seven en bloc agreements to our books, as part of the total 111 projects secured. As at the end of 2021, we are now serving 43 new customers comprising of 20 new domestic customers and 23 new international customers from Germany, Greece, Indonesia, Japan, Lebanon, Korea, Netherlands, Norway, Taiwan, Thailand, the United Kingdom (UK) and United States of America (USA). We remained focused on high value projects and have completed repair and maintenance works on 15 LNGCs out of the 97 vessels of various categories serviced during the year.

sec 02

MD & CEO's Review

A key strategic imperative for the year was to explore opportunities to venture further afield into international markets. With the aim of expanding our market footprint in the Heavy Engineering Segment, we identified and assessed potential partnerships with local Saudi Arabian companies for Aramco's long-term agreement (LTA) contracts.

A significant move in 2021 were the two Memorandum of Understanding (MoU) we entered to capture future growth. We signed MoU with Kellogg Brown & Root Asia Pacific Pte Ltd (KBR), a company that is globally recognised in the offshore platform and renewable energy sector. The MoU covers MHB's collaboration with KBR on offshore windfarm, offshore O&G platform and both offshore and onshore O&G modular structures for the Asia Pacific region. This move is aligned with our strategic focus of diversifying our business by leveraging on our industry skills and expertise. It has augmented our value proposition in our venture into new business areas that present us with good opportunities for future growth, namely windfarms and modular structures.

We also signed an MoU with Axens South East Asia Sdn Bhd (Axens SEA), which serves the Southeast Asia, Australia and New Zealand markets in the fields of oil refining, petrochemicals, gas processing, bio/renewable fuels and petrochemicals, plastics recycling and water treatment. Additionally, Axens SEA also provides technical assistance for technologies and products, as well as expertise for gas modular skid design, engineering procurement and fabrication. The MoU will provide us access to Axens SEA's licensing technologies and proprietary equipment. This collaboration puts us in a good position to take advantage

of energy transition opportunities and further advance our ventures in this space. By joining forces with Axens SEA, we will be able to leverage on collaborative synergies to pursue our strategic priorities and create more value for our customers.

The energy transition movement is gaining traction, as there has been a noticeable shift away from the hydrocarbon industry. This in turn is causing EPCIC contractors to transition into the renewable energy sector to remain as a relevant and viable business in the future. We foresee that there will still be a need for some aspects of hydrocarbons, for example hydrocarbon molecules which are used as raw materials for the production of plastics, fibres, rubbers and solvents, among others. As such, we will remain a market player to answer to this need.

At the same time, it makes sense for MHB to venture into renewable energy in terms of our closest vertical knowledge. As such, we are actively pursuing opportunities in the offshore windfarm market, as fabrication of offshore windfarm's jackets and sub-stations bears significant similarities to our offshore structures fabrication services. In line with this, we are working on improving our serial fabrication to enhance our capability in building multiple units of smaller platforms as required by offshore windfarms. In the longer term, there is an opportunity for us to expand our business to onshore modules as well.

Our partnership with Smulders Projects Belgium NV bore fruit in early 2021 when we provided technical manpower to assist in the execution of the Greater Changhua Windfarm Project in Taiwan. Our participation in this project has added to our understanding of

international markets' needs and expectations and has built our credibility to enable us to bid for projects in Taiwan, Japan and Korea.

Another new area of business we have identified which plays to our expertise and strengths is modular structure projects. We have been putting strong foundations in place to expand within this area by being the first company in Malaysia to be certified in Canadian Standard Association (CSA) Standard W47.1 "Certification of Companies for Fusion Welding of Steel" by the Canadian Welding Bureau (CWB). Our strong value proposition has enabled us to consistently pre-qualify for international projects in the USA, Canada, United Arab Emirates and Europe.

As for the Plant Turnaround & Shutdown Maintenance Segment, we conducted a turnaround project at the Idemitsu plant owned by Idemitsu Kosan Co., Ltd, a Japanese petroleum company, which consisted of shutdown, mechanical works and start up services. We have recorded over 1 million man-days to date on various plant maintenance & turnaround works for several processing and petrochemical plants in Malaysia since 2018. We have also focused on strengthening our Plant Maintenance & Turnaround business by bringing in reliable and reputable new partners. In particular, we identified and assessed a new partner for PETRONAS' Turnaround Main Mechanical and Maintenance Mechanical Static (TA4MS) contract. We are also exploring opportunities to pursue non-O&G plant maintenance, as well as chemical and palm oil plants. We believe that we are able to offer a valuable service for these sectors, based on our previous track record.

With many economies still floundering, businesses are employing a more prudent and cautious approach towards capital expenditures. Although higher oil prices towards the end of 2021 have provided assurance to oil majors to restart their projects, capital discipline is still being prioritised in view of the longer-term effects of the pandemic.



We are actively pursuing opportunities in the offshore windfarm market, as fabrication of offshore windfarm's jackets and sub-stations bears significant similarities to our offshore structures fabrication services."

MD & CEO's Review

Bearing this in mind, cost management is an area that MHB has been focusing on through strategic initiatives. Our strategic initiatives include enhancing the output and productivity of our infrastructure and machineries, as well as strengthening and expanding our in-house capabilities to deliver on a full scope of EPCIC works. This is translating into lower costs at MHB, the savings from which we are able to pass on to our customers in the form of more competitively priced projects.

Throughout 2021, we have focused our investments in new technology for welding machines and other related equipment for in-house tubular fabrication. We also completed the feasibility study for investment on a new Blasting and Painting workshop for our offshore windfarm projects. Additionally, we completed a feasibility study on the best upgrading option to achieve dock-to-quay ratio of 1:2 to optimise marine capacity and plan to commence with upgrading works in 2022.

We also conducted more project work in-house and enhanced our internal capabilities in line with this. As the Marine Segment recorded a lower number of projects for the year, we utilised our workers from this segment in the Heavy Engineering Segment by re-skilling them. This has enabled us to improve our service levels for our customers, whilst also ensuring that we did not lose sight of project schedules.

At the same time, we strengthened our Marine repair in-house capability for high value scopes of work. We also explored a partnership framework with engine makers to collaborate in the area of machinery work. Discussions on this front are ongoing and we expect the partnership model to be finalised in 2022.



Please refer to *Strategic Overview* on pages 50 to 51, *How We Create Value* on pages 52 to 55, *Our Strategic Focus* on pages 56 to 57 and *Business & Operational Review* on pages 88 to 105 for further information.



Pad eye installation works on a vessel in our dry dock

REMAINING OPERATIONALLY RESILIENT IN THE FACE OF CHALLENGES

None of our strategic achievements would have been possible without our robust business continuity and operational, health and safety SOPs as well as crisis management plans. We were able to react swiftly to the challenges brought on by the pandemic as a result of our operational resilience. When the initial Movement Control Order (MCO) was announced in March 2020, we were able to shorten the shutdown period of our yards to only six weeks after being designated as “essential services” and resumed our operations thereafter. We restarted our projects by expediting the job through extra resources and extended hours permitted within the SOPs. Putting our lessons learnt into practice, we were able to react swiftly to subsequent MCOs by ensuring we submitted all the relevant documentation to obtain the regulatory approval to operate at the permissible maximum capacity as soon as the announcement was made. By and large, our approach ensured that we were able to mitigate the impact of the pandemic to the schedule of our projects.

Another key aspect of our operational resilience was our speedy response to vaccinate all our workers. Our operations were back at 100% capacity through employing new norms of working when the vaccination rate of our workers reached 80%. As at the end of 2021, 100% of our yard workers have been fully vaccinated. We facilitated our employees' vaccinations by providing them shuttle bus services to and from the vaccination centres. This move has enabled our permanent employees, vendors and subcontractors to improve their level of protection against the virus whilst continuing their daily work and sustain their livelihoods.

Despite being an “essential services” business, MHB was not spared the consequences of the intermittent MCOs declared by the Government throughout the year. Stringent Government-mandated SOP requirements still resulted in our Heavy Engineering yards operating at lower productivity levels compared to pre-pandemic levels notwithstanding the higher operating capacity. The new norms in working, which is centred on safeguarding employees', contractors' and customers' health, did to an extent impact the progress of our projects.

sec 02


MD & CEO's Review



Dry Docks No. 1 and 2 at MMHE West, Pasir Gudang, Johor, Malaysia

Adding to that were disruptions in global supply chains which delayed the schedule and delivery of our projects. Although MHB managed to increase resources and the hours put in to work on impacted projects to preserve the completion dates and overall delivery schedule, supply chain disruptions due to border closures were beyond our control.

The Marine Segment was impacted by strict international border restrictions imposed by the Government which posed challenges to secure foreign customers as they continue to opt for shipyards in countries with more relaxed border restrictions. To a certain degree, this was also affected by population vaccination rates in different countries. By the third quarter of 2021, the acceleration of nationwide vaccination rates had helped Malaysia to rejuvenate its economy. Nonetheless, until international borders fully re-open, foreign customers are likely to continue to send their vessels to shipyards in countries with more relaxed border restrictions.

 Please refer to *Business & Operational Review* on pages 88 to 105 and *Sustainability Statement* on pages 106 to 182 for further information.

COMMITTED TO DEVELOPING OUR HUMAN CAPITAL

Our people remain an extremely valuable asset, forming our talent pool possessing the skills, knowledge and expertise to provide specialised solutions required by our customers. Health and safety remained our topmost priority, as we sought to safeguard our people. In 2021, we maintained our excellent health and safety culture to record zero lost time injury (LTI) for all Heavy Engineering projects and structures that were completed and sailed away.

We have continued with our programmes and initiatives to upskill and enhance our people's development. We conducted training and development programmes through both physical and virtual means. Underlining our efforts is our commitment to empower and motivate our people to ensure that they are innovative and productive in their efforts to achieve our business goals. The various programmes offered were structured

to address leadership, competency and functional development to nurture a more engaged, skilled and self-aware workforce.

Our robust Talent Management Programmes have been critical in allowing us to continuously identify, develop, monitor and track our internal talent pool as one of MHB's strategic business priorities in 2021. During the year, we recorded approximately 55,000 man-days in training programmes conducted through virtual, face to face and hybrid engagement models. Our talent development and training programmes provided the necessary impetus for us to expand our business and inter-divisional works, in line with upskilling and retooling unutilised manpower during the year. This included cross training and upskilling our Marine Segment employees to do Heavy Engineering jobs as we sought to preserve our project schedules after Government lockdowns.




Please refer to the *Sustainability Statement* from pages 106 to 182 for further information.

MD & CEO's Review

INVESTING IN NEW TECHNOLOGY & DIGITALISATION TO FUTURE PROOF OUR ORGANISATION

MHB believes that digitalisation and automation enable us to derive operational efficiencies and cost savings that facilitate better project outcomes. In 2021, we continued to focus our digitalisation and technology investments with this aim in mind. During the year, we invested in submerged-arc welding (SAW) Tandem welding machines with column and boom using ICE™ technology that improves welding speed and reduces flux consumption for tubular fabrication. We also deployed 4D Modelling that enables visualisation of the entire chain of construction activities throughout the project life.

To enable better marine repair project monitoring and tracking, we developed and deployed a Digital Daily Work Checklist system. As well as that, we embarked on our digitalisation initiative to re-invent our supply chain management (SCM) processes, which includes Coupa's e-procurement platform with procure-to-pay (P2P) features amongst others.


 Please refer to *Strategic Overview* on pages 50 to 51, *How We Create Value* on pages 52 to 55, *Our Strategic Focus* on pages 56 to 57, *Our Risks and Mitigation Strategies* on pages 74 to 77, *Business & Operational Review* on pages 88 to 105 and the *Sustainability Statement* on pages 106 to 182 for further information.

MARKET OUTLOOK FOR 2022

As we step into 2022, it is clear that the pandemic will still be a major concern, unleashing uncertainties with potentially new Variants of Concern (VOC). Economic growth is expected to vary in different regions, as dictated by new waves of COVID-19 infections and governmental response to curb the spread. However, we are in a better economic footing walking into 2022 than we were in 2021, as vaccination rates have increased to the point that most large economies have reopened. As of December 2021, the worldwide full vaccination rate stood at 50.3%.

The resumption of full economic activities will have several positive knock-on effects. The expected rise in consumption will result in a corresponding rise in energy demand. This in turn will lead to higher maritime traffic volume which will positively impact shipowner earnings, leading to lesser deferment in dry docking repairs.

As oil prices have been trending upwards throughout 2021, increase in upstream capex spending is expected in 2022 although still below the pre-pandemic level. However, the spike in Omicron variant infections recently has seen resurgence of targeted lockdowns and travel restrictions. Should the restrictions extend, the possibility of disruption in the ongoing oil market rebound remains. International oil companies will most likely continue to be prudent with their capital investment considering these uncertainties. Nonetheless, as the world comes to grips with managing and working within the limitations of COVID-19, we expect new waves of infections to bear lesser impact on the global economy and oil market recovery. Bearing all this in mind, we are vigilant about our business prospects in 2022.

 Please refer to *Our Operating Environment* on pages 66 to 73 for further information.



Project team of Kasawari Gas Development Project's Engagement Session with MD & CEO

MD & CEO's Review

OUR 2022 STRATEGIC PRIORITIES

Based on our analysis of the risks, challenges and opportunities that will define our future operating landscape, we have identified sharply focused strategic priorities within our three Key Result Areas (KRA) as follows.



DRIVING SUSTAINABLE LONG-TERM BUSINESS GROWTH

Bearing in mind prevalent and emerging risks, we have decided to look inwards and implement plans that will fortify our core business and operations to enable us to provide a more robust value proposition for our customers. These include strengthening our EPCIC offerings and closing gaps within these offerings, through both organic or inorganic means.



ENSURING OUR CONTINUOUS GROWTH



Heavy Engineering Fabrication

We aim to continue building internal capability to be competent and competitive through the following initiatives:

- Focus on developing strategic partnerships to expand our presence in international locations
- Actively pursue bids as an EPCIC subcontractor and explore partnerships towards being recognised as the main EPCIC contractor
- Develop international sourcing know-how to deepen MHB's knowledge and pool capability
- Enhance and mobilise our critical core team in Front End Engineering Verification, Transportation & Installation (T&I) and Hook-up & Commissioning (HUC) scopes
- Focus on developing our T&I execution and partnership strategy
- Increase internal and in-house capability for pre-fabrication services and specialised scopes
- Commit a significant portion of our capital expenditure (CAPEX) towards the re-development of MMHE East for Offshore Windfarm and/or Modularised Onshore projects to enable us to offer more cost efficient and better value services to our customers. With the Kasawari project utilising approximately 70% of our yard capacity in 2021 and the expectation that the Jerun project will take on another sizeable portion of our current capacity, the yard redevelopment will give us the headroom to take on further projects without compromising on our current deliveries



Marine Repair and Conversion

We seek to improve our value proposition via internal capability development through the following initiatives:

- Sustain our current market share by increasing the number of bids and penetrate new regions or market segments
- Increase berthing facilities to optimise number of vessels
- Explore suitable technology and digitalisation initiatives to increase operational efficiency
- Enhance ability for high value works for Main Engine and Propulsion systems and develop capability for new generation vessels



Plant Maintenance & Turnaround

We will explore opportunities in the non-O&G sector through the following means:

- Continue to explore non-PETRONAS opportunities
- Build up our industry reputation and track record through the PETRONAS TA4MS contract
- Explore plant maintenance & turnaround for power plants and oleochemical plants, to diversify our revenue streams



Modular and Serial Fabrication

We plan to diversify into this area of business through the following means:

- Secure Onshore Module projects
- Establish our footprint in the windfarm market
- Explore other opportunities in serial fabrication and 'Light Engineering' by optimising the utilisation of our current assets and manpower for fabrication jobs in the non-O&G sector and leveraging on MHB's capabilities

MD & CEO's Review



CAPITALISING ON ENERGY TRANSITION OPPORTUNITIES

With investments in Energy Transition reaching approximately USD501 billion in 2020, the highest ever recorded thus far and offshore wind energy consisting of approximately USD50 billion, there are valuable opportunities for us to explore which are congruent with our skill sets and industry expertise.

- In 2022, we will look towards deepening our commitment to offshore windfarms through our partnership with Smulders
- We are currently exploring other potential partnerships, especially with companies that can augment our value proposition in the area of serial production expertise for the Asia Pacific region
- We are also exploring other upcoming opportunities in Energy Transition such as Carbon Capture, Utilisation and Storage (CCUS) and onshore modular opportunities in hydrogen and ammonia production plants. The push for such requirements for Energy Transition in Asia is expected to come from East Asian countries such as Japan, South Korea and China



Please refer to Our Operating Environment on pages 66 to 73 for further information.



LEVERAGING ON DIGITALISATION FOR BUSINESS AND OPERATIONAL EFFICIENCY

We will embrace digitalisation, procure-to-pay (P2P) and category management in our supply chain and procurement services, with the end goal of achieving a 'Single Source of Truth'.



CONTINUE IMPLEMENTING ROBUST CRISIS MANAGEMENT AND ACTION PLANS

Towards ensuring our business continuity, we will remain resilient to meet our project schedules by swiftly responding to any COVID-19 related challenges through our detailed and comprehensive business continuity and crisis management plans. This will enable us to sustain our operations throughout 2022 and beyond as COVID-19 becomes an endemic disease. A key programme we will maintain is providing our workers and subcontractors with ongoing booster vaccinations, in line with our commitment to drive an excellent HSE culture at the workplace.

We are cautiously optimistic that our focused strategic approach in 2022 will build our business capabilities to remain resilient for the medium- to long-term future, as we continue to generate value for our shareholders, investors and stakeholders.



Please refer to the Sustainability Statement from pages 106 to 182 for further information.

APPRECIATION

Our ability to continue pursuing our strategic goals and ambitions would not have been possible without the support of our various groups of stakeholders. In recognition of their strong stewardship and strategic steering of our company, I would like to extend my deepest gratitude to the Board of Directors for their stellar efforts and support.

Our employees have performed above and beyond expectations through another tough year and I wish to thank them for their efforts. To our customers, partners and suppliers, we deeply appreciate their continued faith and trust in us. As for the Government and regulatory authorities, we thank you for your support and understanding and reiterate our commitment to contribute to the national agenda of sustainable growth and prosperity.

As we continue with our value creation journey in 2022, we are aware of the challenges ahead. However, we believe our focused strategy, as executed by our skilled and hardworking team, will sustain our growth and better profitability into the future.

PANDAI OTHMAN

Managing Director & Chief Executive Officer