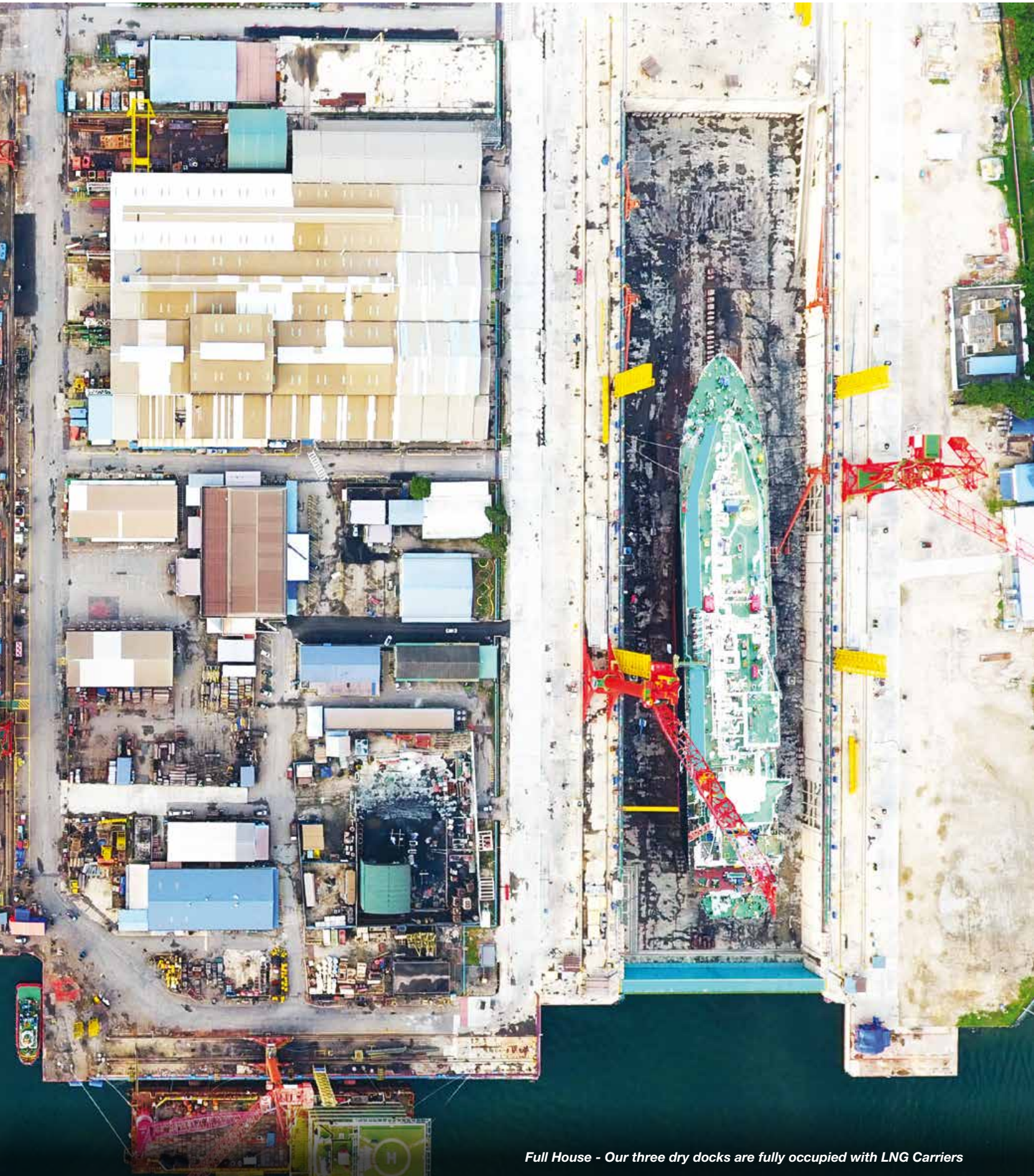




**Despite the
challenging year,
we managed to
persevere by
delivering
97 vessels under
the Marine
Segment.**





Full House - Our three dry docks are fully occupied with LNG Carriers

HIGHLIGHTS

40 Key Highlights 2021

44 Corporate Events & Achievements in 2021



KEY HIGHLIGHTS 2021

SUSTAINABILITY AT MHB

We have started our sustainability journey since 2011.

This year, a strategic approach has been taken towards MHB's sustainability efforts with the establishment of a comprehensive and structured Sustainability Framework. The framework consists of a clear sustainability commitment, supported by relevant strategic priorities which are aligned to key sustainability elements in Environment, Social and Governance (ESG).

ENVIRONMENT



Towards Decarbonisation

Embarkment on the journey of managing the Greenhouse Gas (GHG) Emission that contributes to net-zero economy

► Malaysia's Largest Rooftop Solar Panels Installed

in a Single

Compound

Total Solar Panels

18,720 units

Size of the Solar Panel (Area)

440,496 sq ft

Maximum Potential

Output of Power

8.3 MWp

Clean Energy Generated Annually

10,000 MWh

Clean Energy to be Generated

in 21 years

197,000 MWh

Estimated Savings of

RM30 million in 21 years

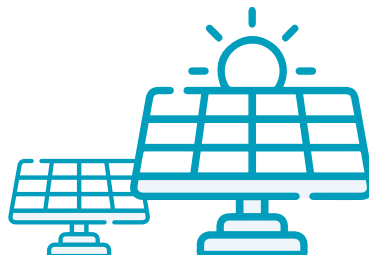
How these solar panels contribute to the environment:



Reduces **6,286 tonnes** of carbon emissions annually, equivalent to the impact of taking more than **1,000 5-seater sedans** that each drives around **18,000 km** off the road per year.

Reduces **132,000 tonnes** of carbon emissions throughout 21 years, equivalent to **planting 2 million trees**.

Generates clean energy that can light up as many as **725 units** of double-storey homes for a full year.



► **50%** of light bulbs in the yard replaced with LED lights

► **ALL** restrooms installed with motion sensor lights

► **15%** of air conditioners replaced from R22 gas to R23 (R32 refrigerant has three times lower global warming potential.)

SOCIAL



Workplace Health & Safety

► **3,401,385**

Man-days without Lost Time Injury (LTI)

► **0** Fatality

► **RM346,459**

spent on Environmental Monitoring Activities



Talent Excellence

► **92,668**

Training Man-days



Community Investment

► **MHB Biodiversity Mangrove Planting**

• **20** volunteers

• **150** trees planted in support of Greening Malaysia Programme "The 100 million Tree-Planting Campaign"

Key Highlights 2021

Concurrent with the establishment of the framework, a Sustainability Governance Structure has also been developed to ensure transparency and overall accountability of the sustainability efforts and disclosures.

Find out more about our Sustainability efforts on our Sustainability Statement which is embedded inside this Integrated Annual Report on page 106.

Community



Community Programmes

RM67,507 spent on community programmes

78 volunteers from MHB employees with **369** man-days recorded

926 individuals benefited from community programmes



Community Assistance

RM21,650 raised in Emergency Flood Relief in Johor e-Donation



COVID-19 Assistance

RM27,732 spent on COVID-19 contributions

- **RM24,232** raised in COVID-19 Relief e-Donation for underprivileged residents, frontliners and COVID-19 patients
- **RM3,500** contributed to the workers impacted during COVID-19 Movement Control Order by the government

GOVERNANCE



Value, Assurance & Ethics

Establishment of Grievance Mechanism



Cybersecurity

- Adoption of National Institute of Standards and Technology (NIST) Cyber Security Framework (CSF) Tier 3 from MISC Cybersecurity
- Intensive Cybersecurity communication



Responsible Supply Chain

Establishment of ESG Supply Chain Assurance Programme for business partners, which include vendors & subcontractors

Emphasises sustainable sourcing, circular economy, health and safety and business ethics compliance, including human rights.

FINANCIAL



Climate-related Risks & Opportunities Management

- Implementation of **Task Force on Climate-Related Financial Disclosures**
- Diversifying into greener products and services in support of **energy transition, as part of decarbonisation effort**



Digitalisation & Technology

PANTHERA Project:

Digitalisation of our Procurement to Pay (P2P) system, category management and strategic sourcing

STAKEHOLDER ENGAGEMENT



Reporting & Disclosures

Issuance of the first TCFD Statement embedded in the MHB IAR 2021



Stakeholder Engagement

Establishment of Stakeholder Engagement Guideline and Community Investment Guideline (adopted and aligned with MISC Group)

Key Highlights 2021

PROJECT HIGHLIGHTS

**Heavy Engineering Segment****2** Offshore Projects Sailed Away**1** Project Secured**Marine Segment**Completed Repair & Maintenance of
97 Vessels**15** Repair Works on LNG Carriers**20** Local & **23** International New Customers Secured**7** En Bloc Agreements Secured

AWARDS & ACCOLADES

MHB remains a **Constituent of the FTSE4Good Index Series**

(Quality) Certifications:

- **ISO 29001: 2020** - Quality Management System for Petroleum, Petrochemical and Natural Gas Industry
- **ISO 3834-2: 2005** - Quality Requirements for Fusion Welding of Metallic Material
- **EN 1090-1: 2009 + A1: 2011** - Execution of Steel Structures and Aluminium Structures
- **Certified to CSA Standard W47.1:** Manufacturing and welding of steel structure products for onshore and offshore facilities construction for the Canadian market

RoSPA Gold Award in the 2021 RoSPA Health & Safety Awards for Health and Safety Performance for Kasawari Gas Development project**Gold Class 1 Award in Malaysian Society for Occupational Safety & Health (MSOSH) Occupational Safety & Health (OSH) Awards 2021**

FINANCIAL HIGHLIGHTS



Revenue

RM1,467.3 million

LBITDA

RM178.9 million

Loss After Tax

RM274.1 million

Total Assets

RM3,390.1 million

Key Highlights 2021



Vaccination Programme

ADAPTING TO COVID-19 AT MHB



Vaccination Rate:

100% of our yard workers have been fully vaccinated

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CORPORATE EVENTS & ACHIEVEMENTS IN 2021

Project Milestones Corporate Community

13 JAN



Bokor CPP receives approval for Ready For Fuel Gas Introduction (RFFGI) Certificate from PETRONAS Carigali Sdn Bhd (PCSB)

11 MAR



Signing ceremony of the 14th Collective Agreement (CA) with Employees' Union

24 MAR



Contribution of air pollution kits to Sekolah Menengah Kebangsaan Dato Penggawa Timur

26 MAR



Achievement of 5 Million Safe Man-days for Kasawari Gas Development Project

31 MAR



Achievement of 20 Million Safe Man-days for MHB

13 APR



Awarded the Jerun Development Project by SapuraOMV Upstream (Sarawak) Inc.

14 APR



MHB 32nd Annual General Meeting (AGM) 2021

19 APR



First LNGC, Puteri Nilam Satu, owned by MISC Berhad, docking in Dry Dock No. 3, which commenced operation in December 2020

3 - 4 MAY



Contributions to:

- orphans and underprivileged children at Rumah Pertubuhan & Persatuan Kebajikan Nur Hidayah, Kuala Lumpur
- underprivileged community in Pasir Gudang, Johor

Corporate Events & Achievements in 2021



Dry Docks at full capacity with 3 LNGCs



Sail away of WHP Jacket for Kasawari Gas Development Project



MoU with KBR covering collaborations on offshore wind, onshore modular plant and offshore projects for the Asia Pacific region



Sail away of WHP Topside of Kasawari Gas Development Project



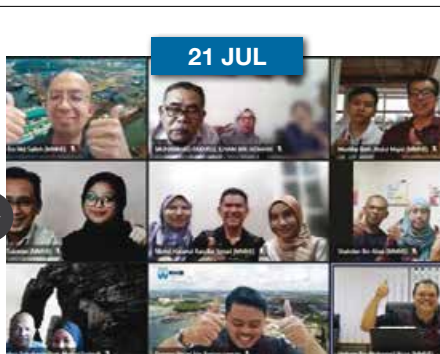
MHB's operation arm, MMHE, is the first in Malaysia to be certified in Division 2 of Canadian Standard Association (CSA) Standard W47.1 "Certification of Companies for Fusion Welding of Steel" by the Canadian Welding Bureau (CWB)



MHB powers up operation with Solar Panels which represents Malaysia's Largest Rooftop Solar Panels installed in a single compound



Sail away of Bekok Oil Project BB (Bekok BB) Platform



Academic Excellence Awards 2021 to reward high achievers in major examinations among children of MHB employees



LNGC Seri Balhaf, owned by MISC Berhad, sails away from MMHE West after a successful repair & maintenance services

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Corporate Events & Achievements in 2021

15 - 16 AUG



Contribution to underprivileged residents, frontliners and COVID-19 patients under the COVID-19 Relief e-Donation Drive

20 AUG



Sail away of Bekok Oil Project AA (Bekok AA) Platform

31 AUG



Completion of the Installation of Bekok Oil Project BB (Bekok BB)

9 SEP



Kasawari Gas Development Project was awarded the RoSPA Gold Award in the 2021 RoSPA Health & Safety Awards for Health and Safety performance

28 SEP



Subcontractors and Vendors Engagement (SAVE) 2021 session

5 OCT



1st cut of steel ceremony for Kasawari Project's E11RAA Topside

7 OCT



MD & CEO's Townhall 2021

25 OCT



Successful Lifting of Kasawari Gas Development Project's Central Processing Platform (CPP) Jacket Top Panel Centre Box

28 OCT



Signing of MoU with Axens South East Asia Sdn Bhd (Axens SEA) to better position MHB in the energy transition space

Corporate Events & Achievements in 2021



Completion of the installation of Bekok Oil Project AA (Bekok AA)



MHB receives Gold Merit Award for 2021 under the category of Petroleum, Gas, Petrochemical & Allied Sectors in the MSOSH Occupational Safety & Health (OSH) 39th Award 2021



MHB Mangrove Planting programme at Kampung Perigi Acheh in Pasir Gudang, Johor, a biodiversity conservation effort by MHB

IN THE NEWS

JERUN PROJECT AWARD



SOLAR PANELS



STRATEGIC REVIEW

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STRATEGIC OVERVIEW

In 2021, we realigned our strategy to position our business in a world that has been redefined by the COVID-19 pandemic. The multiple socio-economic impacts of the pandemic have persisted over the past two years and we envision them continuing into the near and middle-term future. Consequently, we have shifted our internal organisational perspective of COVID-19 as an 'endemic' disease that will be retained in society, rather than a 'pandemic' that will come to an end in the foreseeable future.

To ensure that MHB remains on a strong path of value creation for both our business and stakeholders, we have adapted our business processes, systems and working approaches to the current situation and anticipated future. Whilst our strategy and value creation model by and large remain the same, our strategic initiatives have been refined to be sharply focused on achieving more concise results by adapting to the changes brought upon by the pandemic.

We have taken into account the various forces that are shaping demand and supply shifts in our sector, along with current and future opportunities that we can take advantage of. In addition to the refined MHB Strategy 2021 – 2025, we have committed to fast-tracking our adoption of the framework developed by the Task Force on Climate-Related Financial Disclosures (TCFD) in disclosing our climate-related risks and opportunities, climate strategy and metrics and targets.

MHB STRATEGY 2021 – 2025

The MHB Strategy 2021 – 2025 consists of three Key Result Areas (KRA) and four strategic priorities with focused initiatives for each of our business segments that will deliver value over the next five years. In refining our strategy, we took into consideration the short, medium and long-term dynamics of the continuation of COVID-19 and the changes it has caused in business operations and activities, ways of working, consumption patterns and supply and demand chains.

The global call to combat climate change is another key imperative we have factored into our reinvigorated strategy, by taking a closer look at the climate risks our business faces, as well as opportunities that we can explore which makes the most of our organisational skillsets and capabilities.

Our customer commitment is clear. We would like to pass on the cost savings we obtain from building our in-house capabilities into competitively priced solutions for our customers. Bearing in mind changing customer preferences for more environmentally friendly solutions and services, we have identified niche areas such as renewable energy, where we believe we can play to our strengths. With strong foundations in the Marine and Heavy Engineering Segment, we are in a good position to venture afield into international markets.

Our ultimate aim is to continue delivering sustainable value to our shareholders and broader stakeholders. We believe our renewed business strategy will build our business' resilience and engender sustainable outcomes for all.

MHB STRATEGY 2021 – 2025



Our Strategic Priorities

- Expand market for existing Marine and Heavy Engineering Segments

Our Strategic Priorities

- Realise opportunities to secure renewable energy and modular structure projects

Our Strategic Priorities

- Enhance infrastructure and machineries
- Increase in-house scope of work

Strategic Overview

OUR FORWARD MOVING STRATEGY

For 2022, we remain committed to executing the strategic outcomes of our three KRAs through focused strategic priorities for each of our main business segments towards achieving our MHB Vision 2026.

MHB VISION 2026

We have identified our MHB Vision 2026 as a reflection of our commitment to provide business solutions and services that will ensure the relevance of our business within a competitive pricing structure that will drive our value proposition in the market place.



OUR 2022 STRATEGIC PRIORITIES



MHB CONTRIBUTES TO THE MISC 2050

MISC 2050 is our long-range business strategy that will enable MHB businesses to explore, innovate, and be part of the supporting value chain of Renewable Energy.

For more information on our strategic achievements, please refer to Our Strategic Focus on pages 56 to 57 and Business & Operational Review on pages 88 to 105.

For more information on MHB contributes to the MISC 2050, please refer to our TCFD Statement on pages 173 to 182 of our Sustainability Statement.


For more information on MHB 2022 Strategic Priorities, please refer to MD & CEO's Review on pages 28 to 35.

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HOW WE CREATE VALUE


INPUTS **BUSINESS ACTIVITIES & PROCESSES**

FINANCIAL



Cash and bank balances of RM709.9 million	Net cash used in operations of RM10.5 million
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MANUFACTURED



Property, plant and equipment (PPE): RM1,524.8 million	Right-of-use assets (ROU): RM202.7 million	CAPEX: RM48.1 million
--	--	---------------------------------

INTELLECTUAL




Investment of new technology to improve operation activities	Deployment and execution of digital applications and system for better project tracking and reporting
--	---

HUMAN




2,649 employees	RM3.1 million invested in employees and leadership trainings
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SOCIAL & RELATIONSHIP



Maintaining transparent engagements, strategic partnerships and trusted relationships with stakeholders through various tools and platforms

NATURAL



RM10,000 invested in environmental awareness campaigns	RM141,103 spent on environmental monitoring activities	Electricity consumption of 37,950 MWh
Scheduled & Non-Scheduled Waste Management plans and activities		Water consumption of 568,698 cubic metres

EXTERNAL ENVIRONMENT AND INDUSTRY TRENDS

Optimal Strategy & Resource Allocation To Ensure Our Sustainable Performance

HEAVY ENGINEERING BUSINESS

Provides comprehensive EPCIC services for fabrication of O&G offshore and onshore facilities including topsides, jackets, turrets, floaters structures, process modules and offshore windfarms

MARINE BUSINESS

Provides marine repair, life extensions solutions and conversion on various types of vessels, rigs and marine facilities

PLANT MAINTENANCE & TURNAROUND

Provides maintenance and turnaround services for plant facilities

ROBUST GOVERNANCE AS GUIDED BY OUR:



VISION



MISSION



SHARED VALUES



CULTURAL BELIEFS

IDENTIFY AND MANAGE OUR RISKS AND OPPORTUNITIES

OUR STAKEHOLDER ENGAGEMENT AND MANAGEMENT

How We Create Value

OUTPUTS



OUTCOMES

POSITIVE OUTPUTS

Financial Capital

- Cash and bank balance increase by 9% to RM709.9 million (2020: RM651.1 million)

NEGATIVE OUTPUTS

- Decrease in cash generated from operating activities by RM146.5 million

POSITIVE OUTPUTS

Manufactured Capital

- Investments in purchases, construction and maintenance of property, plants and other equipment that would bring long-term benefits
- New investments on new technology of welding machines and other related equipment for in-house tubular fabrication

POSITIVE OUTPUTS

Intellectual Capital

- Deployed 4D model and Daily Work Checklist (DWC) digital systems
- Digitalised our HSE system and implemented virtual training platforms

POSITIVE OUTPUTS

Human Capital

- Total hours of employee training of 92,668 hours (2020: 73,894)
- Average hours of training per year per employee of 35 (2020: 28)
- Voluntary staff turnover rate of 7.4%

POSITIVE OUTPUTS

Social & Relationship Capital

- Employee engagements included townhall sessions, electronic newsletters and internal portals
- Conducted Vendors & Subcontractors Engagement Sessions
- Engage with approximately 212 members of the investment community (2020: 115 members)

FINANCIAL CAPITAL

- Revenue of RM1,467.3 million (2020: RM1,566.8 million)
- LAT of RM274.1 million (2020: LAT of RM401.2 million)
- LBITDA of RM178.9 million (2020: LBITDA RM38.8 million)
- Credit ratings of AA_{is}
- Market capitalisation reduced by 12% to RM632 million as of 31 December 2021 (2020: RM720 million)

MANUFACTURED CAPITAL

- Increased fabrication efficiency
- Potential production cost saving and increase bid price competitiveness

INTELLECTUAL CAPITAL

- RM1.16 million investment in digitalisation in 2021 (2020: RM1.09 million)
- Utilised digitalisation and automation to improve and enhance our business processes and services

HUMAN CAPITAL

- Sustainable succession planning for leadership role with Successor Readiness Ratio of 3:1 (2020: 2:1)
- Total wages and salaries of RM231.1 million (2020: RM235.8 million)
- RM1.41 million spent on employee welfare (2020: RM0.55 million)
- Zero Total Recorded Fatalities (2020: 0)
- LTI frequency of 0.22 with 3.4 million safe man-hours (2020: 17.3 million safe man-hours with 0 LTI)
- Total recordable cumulative frequency (TRCF) of 0.50 (2020: 0.23)

SOCIAL & RELATIONSHIP CAPITAL

- Customers Satisfaction Index - Marine: 8.4/10; Heavy Engineering: 6.8/10 (2020: Marine: 8.2/10; Heavy Engineering: 7.2/10)
- Maintained our good compliance with regulations and international standards with no fines and penalties for health, safety and environment (2020: No fines and penalties)
- Subcontractor and Vendor Assessment Result by Packages: Good - 35%; Fair - 60%; Poor - 5% (2020: Good - 44%; Fair - 51%; Poor - 5%)
- Signed MoU with KBR and Axens covering collaborations on oil & gas offshore and onshore facilities, modular structures and offshore windfarm opportunities for the Asia Pacific region
- Identified and assessed new partner for PETRONAS' Turnaround Main Mechanical And Maintenance Mechanical Static (TA4MS) contract
- Contributed RM49,381.78 to provide COVID-19 assistance to communities and frontliners (2020: RM97,063 million)
- Invested RM67,506.52 in Community Development Programmes benefiting over 926 beneficiaries (2020: RM87,300; 1,400 beneficiaries)
- Offered 50 students from various institutions for on-the-job-training opportunities (2020: 55 students)

NATURAL CAPITAL

- Both electricity consumption and GHG emissions decreased to 37,950 MWh and 25,958 CO₂e respectively (2020: 52,577 MWh and 36,031 CO₂e)
- Increase water consumption to 568,698 cubic metres due to full enforcement of MCO in March 2020 (2020: 497,177 cubic metres)
- Reduced scheduled wastes recycled to 11,650 MT with zero final disposal (2020: 13,889 MT with 24.7 MT final disposal)
- Collection of domestic waste reduced to 3,475 MT due to less activities on site and hybrid working arrangement is still being implemented (2020: 5,632 MT)
- Completely banned the use of polystyrene in the yard

How We Create Value

TRADE-OFFS

FINANCIAL CAPITAL

We use our financial resources throughout all our business segments to maintain the continuity of our business operations and activities. In 2021, the mainstay of our financial expenditure has been our employees' wages and salaries, as well as maintenance of key assets such as our dry docks, workshops, machineries and equipment. While this has reduced our financial capital in the short term, in the longer term, it enables us to maintain our financial stability and resilience. Our operations have continued with business as usual despite pandemic restrictions and challenges, albeit with some unavoidable interruptions due to COVID-19 related events. We have maintained a rigorous focus on cost optimisation in the Management of our financial resources, which will strengthen our financial capital in the longer term.

HUMAN CAPITAL

We invested our financial and intellectual capital to establish a core team for Front End Engineering verification, Transportation & Installation (T&I) and Hook-up & Commissioning (HUC) to support our bidding process and manage project execution for these three work scopes. We also established a competent in-house team for Instrumentation work to reduce dependencies on subcontractor and obtain more effective control during execution. While this has reduced our financial capital in the short term, in the longer term it builds the capability of our human capital. In the medium-term, this will have some impacts on our suppliers and vendors, thus affecting our social and relationship capital. However, it will augment our financial capital in the longer term, as the reduction of dependencies on subcontractors will enable us to maintain more effective control during project execution, which in turn will lead to improvement in our social and relationship capital with higher customer satisfaction. The continuous training and development we conduct for our employees may reduce our financial capital in the short term, however, it leads to greater productivity and more engaged employees in the medium to long-term, which further builds the quality of our human capital.

MANUFACTURED CAPITAL

Our manufactured capital enables us to provide solutions and services to our customers. In 2021, we added to our base of manufactured capital by utilising our financial capital to procure new welding machines and other related equipment for our yards and workshops. We also expanded both our financial capital and intellectual capital to conduct feasibility studies to expand our manufactured capital in the medium term, namely a feasibility study looking at investing in a new Blasting & Painting (B&P) workshop for Offshore Windfarm projects and a feasibility study on the best option to upgrade our docks towards achieving a dock-to-quay ratio of 1:2 to optimise marine capacity. While our financial capital has reduced as a result of these exercises, we have enhanced our intellectual capital with new knowledge and insights as a result of the studies. Our efforts to enhance and expand our manufactured capital base will lead to better productivity and cost savings in the medium to long term through improvements in welding speed and the reduction of flux consumption for tubular fabrication. Additionally, we have enhanced our operational efficiency, fulfilled requirements to conduct windfarm projects and increased our capacity to optimise marine repair projects – all of which will augment our financial capital in the short, medium and long-term future.

INTELLECTUAL CAPITAL

We increased our intellectual capital during the year by expending our financial capital and human capital towards the deployment of 4D Modelling and Daily Work Checklist (DWC) digital systems. We also initiated digitalisation initiative to re-invent our supply chain management (SCM) processes, which in the longer term will lead to more effective management of our social and relationship capital and financial capital. In line with enhancements in our intellectual capital, we have also invested in upskilling our human capital to effectively use the new technologies we have incorporated to improve our overall productivity. We have also invested our financial capital to enhance our intellectual capital by digitalising several aspects of HSE for our workers. In the medium to long-term, we expect to benefit from a more seamless project management process through our 4D Modelling technology. DWC systems will reduce production time and increase the accuracy of work done reports (WDR) and work completion report (WCR) in our marine operation. The digitalisation of our SCM towards enabling a Single Source of Truth (SSOT) will lead to a more efficient use of our financial capital, whilst at the same time boosting our intellectual capital through digitised processes and systems. Our digital HSE initiatives will enable us to save approximately RM155,000 per annum, thus strengthening our financial capital, whilst at the same time boosting the health and safety of our human capital.



SOCIAL & RELATIONSHIP CAPITAL

Our comprehensive stakeholder engagement platforms play a crucial role in the maintenance of our social and relationship capital. While this reduces our financial capital through expenditures associated with these engagements and uses the resources of our human capital through the transparent and proactive engagements our people conduct, in the longer term our efforts will lead to us maintaining a robust level of social and relationship capital. Our community investments require us to use both our financial and human capital. However by helping build sustainable communities gives us our social license to operate, thus improving our social and relationship capital. Our continuous engagements with our investor community, industry peers and associations, as well as the regulatory authorities leads to greater visibility in the local and international markets. This in turn drives the long-term growth of our financial capital as we gain from investor confidence and increased inquiries for bidding activities.

NATURAL CAPITAL

We utilise our financial capital to responsibly manage our consumption of natural capital. This is primarily done through programmes for the disposal of scheduled and non-scheduled waste and energy-saving initiatives such as initiatives to use solar energy, managing our GHG emissions and employing more eco-friendly products such as LED lighting fixtures. Our initiatives to manage our natural capital builds our reputation as a responsible environmental steward, thus shoring up our social and relationship capital. At the same time, the implementation of new technologies boosts our intellectual capital base. In the longer term, our responsible management of natural capital consumption will improve our financial capital, as more investors seek out investment opportunities in companies with a strong green reputation and we gain from the cost efficiencies of using new green technologies. Our efforts to reduce our carbon footprint and manage our natural resource consumption will also enable us to better manage our financial capital with potential future savings of approximately RM500,000 per annum through waste management and energy-saving initiatives.













How We Create Value


	MATERIAL MATTERS	STAKEHOLDERS	UNSDGs
FINANCIAL	 <ul style="list-style-type: none"> → Project & Financial Performance → Business Sustainability → Supply Chain 	<ul style="list-style-type: none"> → Investment Community 	
MANUFACTURED	 <ul style="list-style-type: none"> → Project & Financial Performance → Business Sustainability → Asset Integrity & Reliability → Climate Change 	<ul style="list-style-type: none"> → Customers → Business Partners → Industry Peers 	   
INTELLECTUAL	 <ul style="list-style-type: none"> → Business Sustainability → Technology & Operational Innovation → Skilled Workforce 	<ul style="list-style-type: none"> → Customers → Employees 	  
HUMAN	 <ul style="list-style-type: none"> → Business Sustainability → Technology & Operational Innovation → Asset Integrity & Reliability → Health & Safety → Employee Engagement <ul style="list-style-type: none"> → Skilled Workforce → Human & Labour Rights → Diversity & Inclusion → Governance & Ethics 	<ul style="list-style-type: none"> → Employees → Customers 	   
SOCIAL & RELATIONSHIP	 <ul style="list-style-type: none"> → Health & Safety → Employee Engagement → Skilled Workforce → Supply Chain 	<ul style="list-style-type: none"> → Communities → Customers → Government/Regulatory 	    
NATURAL	 <ul style="list-style-type: none"> → Climate Change → Natural Resource & Consumption → Human & Labour Rights → Diversity & Inclusion → Governance & Ethics 	<ul style="list-style-type: none"> → Communities → Customers → Government/Regulatory 	     

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OUR STRATEGIC FOCUS

In 2021, the focused execution of our refined MHB Strategy 2021 – 2025 resulted in us capturing the following value for our business.

Key Result Areas 2021 – 2025	Strategic Priorities	Key Initiatives in 2021
 Strengthen Core Business	Expand market for existing Marine and Heavy Engineering Segments	 Heavy Engineering: → Strengthen our footing in international markets via strategic partnerships for offshore fabrication
		 Marine Business: → Increase high-value LNGC projects for Marine Repair
		 Plant Maintenance & Turnaround: → Strengthen Plant Maintenance & Turnaround business by bringing in reliable and reputable new partners
 Develop New Business	Realise opportunities to secure Renewable Energy and Modular Structure projects	 Offshore Wind Farm: <ul style="list-style-type: none"> Penetrate offshore wind market via partnership with Smulders Projects Belgium NV
		 Modular Structure: → Increase winning opportunities for modular structures through competitive pricing
 Enhance Capability	Enhance infrastructure and machineries	 Increase fabrication efficiency by upgrading workshop and facilities
		 Increase marine capacity by upgrading berthing facilities
	Increase in-house scope of work	 Establish core team to develop EPCIC
		 Strengthen Marine Repair in-house capability for high value scope of work

 For more information on our strategic achievements, please refer to MD & CEO's Review on pages 28 to 35 and the Business & Operational Review on pages 88 to 105.

Our Strategic Focus

Key Achievements in 2021	Link to Material Matters
<ul style="list-style-type: none"> → Identified and assessed potential partnerships with local Saudi companies for Aramco's LTA contract → Qualified by Qatar North Oil Company (NOC) to support DSME for Fabrication of Gallaf CPP Jacket, Piles and Bridge → Signed a couple of notable Memorandums of Understanding (MoUs) with Kellogg Brown & Root Asia Pacific Pte Ltd (KBR) and Axens South East Asia Sdn Bhd → Participated in 28 number of international bids 	<ul style="list-style-type: none"> → Governance & Ethics → Health & Safety → Climate Change → Natural Resources & Consumption → Project & Financial Performance → Business Sustainability → Technology & Operational Innovation → Customer Satisfaction
<ul style="list-style-type: none"> → Completed first remote Cargo Containment System maintenance work onboard LNG FSU Tenaga Empat (Offshore) → Recorded a slight increase in revenue from LNGC projects for Marine Repair 2020: RM95.4 million 2021: RM96.3 million → Secured volume contracts with Eaglestar and BW Gas → Obtained 3 new en bloc agreements from local customers; KSP Towage, Kejora Resources and Nautica Shipmanagement → Obtained 2 new en bloc agreements from international customers: Shearwater Geoservices and Kmarin Ocean 	<ul style="list-style-type: none"> → Supply Chain → Human & Labour Rights → Skilled Workforce → Asset Integrity & Reliability
<ul style="list-style-type: none"> → Identified and assessed new partner for PETRONAS' Turnaround Main Mechanical and Maintenance Mechanical Static (TA4MS) contract → Secured first turnaround (TA) project from Idemitsu 	
<ul style="list-style-type: none"> → Participated in 12 international bids → Secured 1 project in Taiwan (Technical Support for Greater Changhua Windfarm project) through partnership with Smulders → Participated in 9 bids with Smulders 	<ul style="list-style-type: none"> → Natural Resources & Consumption → Project & Financial Performance → Business Sustainability → Risk Management → Technology & Operational Innovation → Customer Satisfaction
<ul style="list-style-type: none"> → 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) → Consistently pre-qualified for international projects in USA, Canada, United Arab Emirates and Europe 	
<ul style="list-style-type: none"> → Focused investment in new technology - welding machines and other related equipment for in-house tubular fabrication → Completed feasibility study for investment on new Blasting and Painting workshop for Offshore Windfarm projects 	<ul style="list-style-type: none"> → Health & Safety → Climate Change → Natural Resources & Consumption → Project & Financial Performance → Business Sustainability → Technology & Operational Innovation → Customer Satisfaction
<ul style="list-style-type: none"> → Completed feasibility study on the best upgrading option to achieve dock-to-quay ratio of 1:2 to optimise marine capacity. Upgrading work will commence in 2022 	<ul style="list-style-type: none"> → Supply Chain → Human & Labour Rights → Employee Engagement → Diversity & Inclusion → Skilled Workforce → Asset Integrity & Reliability
<ul style="list-style-type: none"> → Established core team for Front-End Engineering verification, T&I and HUC to support bidding process and manage project execution for these three scopes 	<ul style="list-style-type: none"> → Health & Safety → Technology & Operational Innovation → Customer Satisfaction → Supply Chain → Human & Labour Rights → Employee Engagement
<ul style="list-style-type: none"> → Established competent in-house team for Instrumentation work to reduce dependency on subcontractors and obtain more effective control during execution → Developed partnership framework with engine makers to collaborate for machinery work. Discussions are ongoing to finalise the partnership model 	<ul style="list-style-type: none"> → Diversity & Inclusion → Skilled Workforce → Asset Integrity & Reliability

sec
04

OUR MATERIAL MATTERS

MHB’s six capitals and our ability to create value in the short, medium and long-term are impacted by the issues, opportunities and challenges faced by our business and stakeholders. These form the nexus of our Material Matters, which inform our business and sustainability strategies that aim to drive our sustainable business growth in alignment with our stakeholders’ needs and expectations.

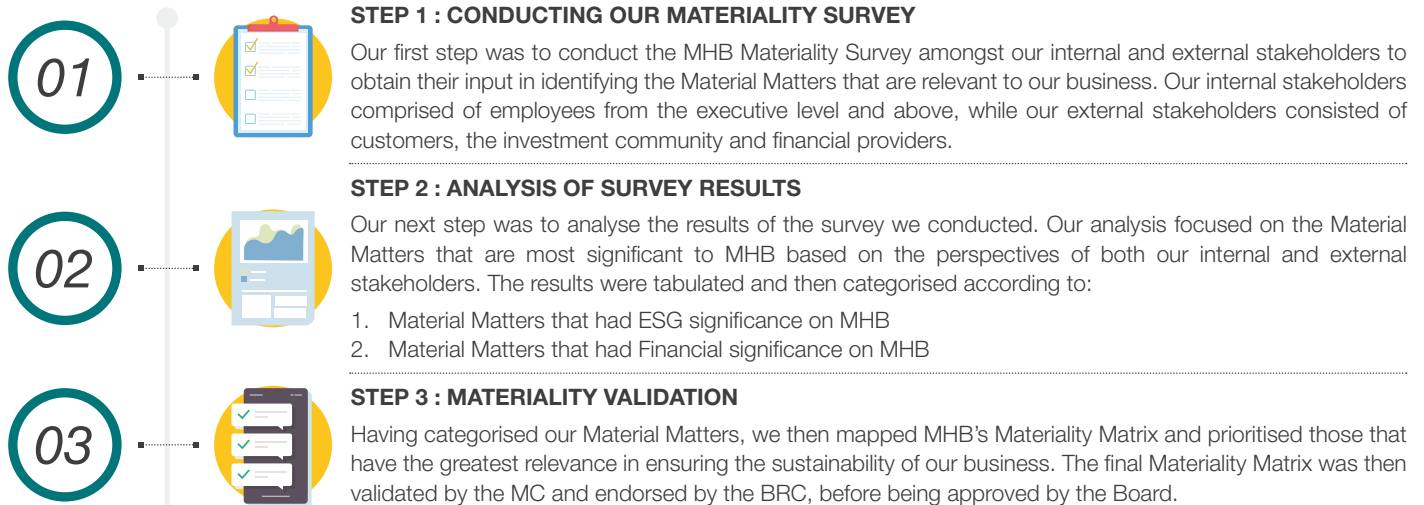
In 2021, we conducted a materiality assessment across the Company in order to gain a more in depth understanding of the factors that concern both our business and our stakeholders. Our materiality

process was conducted in adherence to the Bursa Malaysia Toolkit: Materiality Assessment and sustainability elements listed under FTSE4Good Bursa Malaysia requirements.

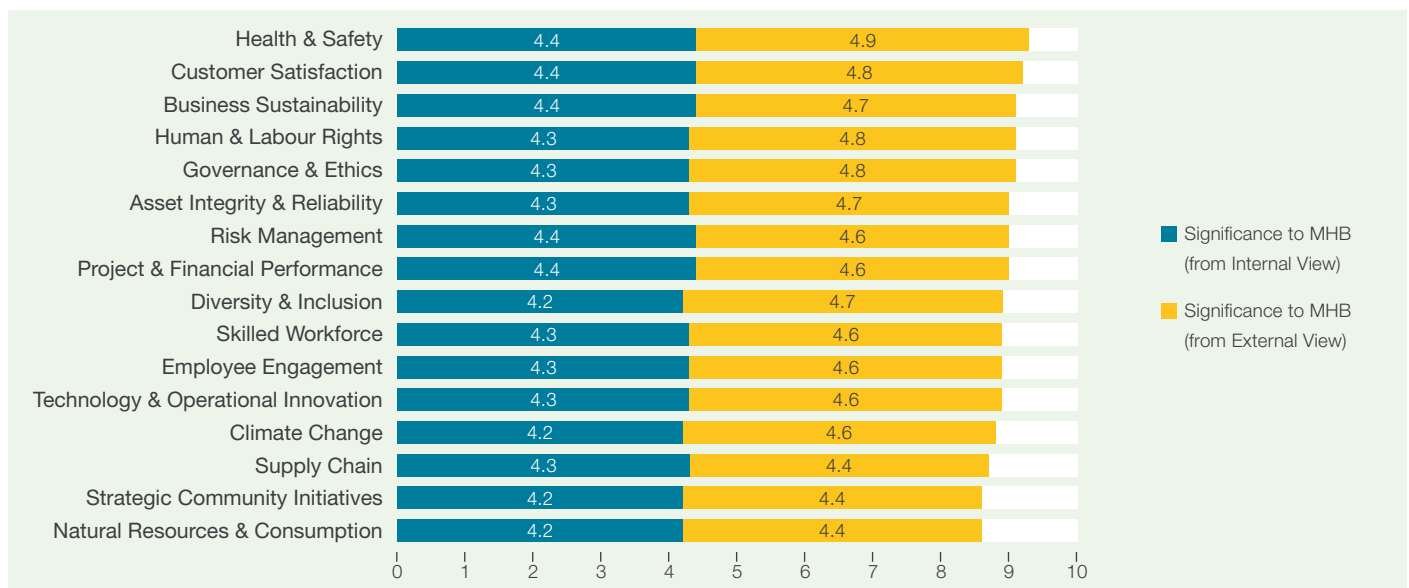
Based on the outcomes of our materiality assessment, we refined the definition and parameters of the Material Matters that are relevant to MHB. Applying the lens of value creation, our Board of Directors (Board), Board Risk Committee (BRC) and Management Committee (MC) take these Material Matters into account in their strategic and operational decisions for the Company.

OUR MATERIALITY PROCESS

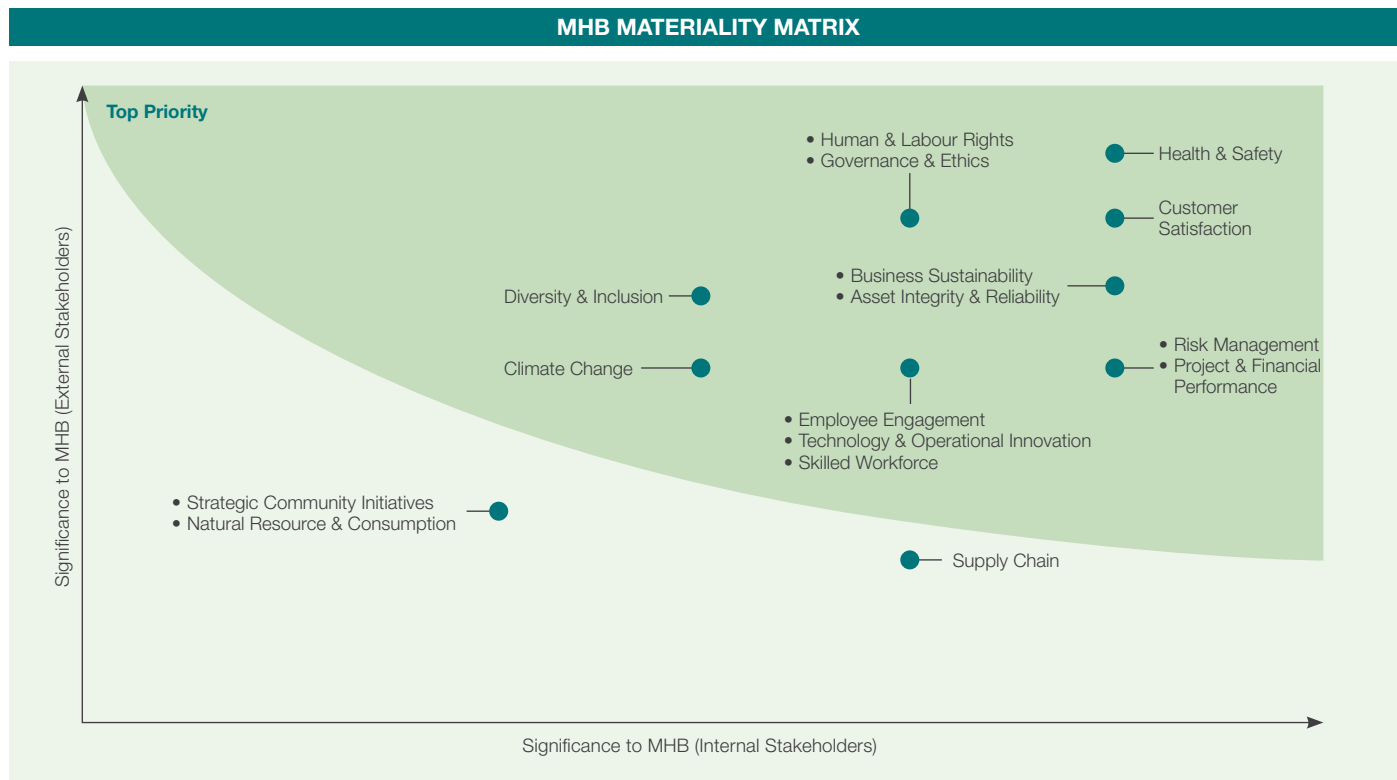
The following flow diagram outlines our materiality process:




INTERNAL AND EXTERNAL MATERIALITY



Our Material Matters



 For more details on how our Material Matters are integrated into the MHB Sustainability Framework, please refer to our Sustainability Statement on page 112 of this IAR.

APPLICATION OF OUR MATERIAL MATTERS

MHB's Material Matters are discussed in detail in this IAR and play a significant role in the formulation of our forward moving strategy. Throughout this IAR, we have demonstrated how we apply our understanding of our Material Matters in our business operations and strategy as follows:

- We take into account the degree of influence our Material Matters have on our capital trade-offs in the How We Create Value section on pages 52 to 55 of this IAR.
- We account for the impacts that the factors which form our operating landscape may have on our Material Matters which shape our outlook and opportunities in the Our Operating Environment section on pages 66 to 73 of this IAR.
- We outline the mitigation measures we have implemented for our Material Matters in the Our Risks and Mitigation Strategies section on pages 74 to 77 of this IAR.
- We provide clarity on how our Material Matters inform the development and execution of our business strategy in the Our Strategic Focus section on pages 56 to 57 of this IAR.

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Our Material Matters

DESCRIPTION OF OUR MATERIAL MATTERS

Health & Safety

Setting and maintaining necessary standards of health and safety management to ensure the wellbeing of our employees and others who may be affected by our business activities. It is also a measure of the extent to which our workforce is actively involved in health and safety in the facilitation of a positive health and safety culture.

Customer Satisfaction

Customer satisfaction includes customer experience and satisfaction with the services delivered by MHB. Value is created through the enhancement of our brand, increasing customer retention and thus increasing the confidence of our business partners and attracting new associations.

Business Sustainability

Drives our efforts in seizing new business opportunities, embarking in new businesses (i.e. low carbon products/services which include renewable energy and nature-based solutions) and being forward-looking in generating a more sustainable income for the organisation. Additionally, it also creates the ability to be on par with our stakeholders (i.e. customers) who have embarked on new businesses to ensure their business relevance and sustainability.

Human & Labour Rights

Commitment to act ethically and with integrity in all our business dealings and relationships and implementing and enforcing effective systems and controls to ensure modern slavery is not taking place anywhere within MHB's own business or in any part of MHB's supply chain.

Governance & Ethics

Conducting business responsibly by taking into consideration ESG factors in our decision-making process, dedicating proportionate resources to health, safety and the environment, encouraging the communication of intangible value drivers such as strategy, stakeholder relationships, innovation capacity and employee development. This also includes having a clear governance structure, which provides transparency on who oversees the respective committees and the responsibilities of each committee.

Asset Integrity & Reliability

Proactively mitigate risks possessed by assets owned and deployed to continuously improve our operations' integrity.

Risk Management

Risk identification and management is critical to our ability to create value over time to achieve MHB's goals at the lowest cost, in the most effective manner and develop and maintain the trust and confidence of our stakeholders. Risk assessment and management as a Material Matter includes managing financial risks (economic impact), strategic risks, innovation risks, governance risks, operational risks and regulatory risks.

Project & Financial Performance

Prioritise monitoring and improving project and financial performance. It refers to MHB's revenue growth, volume, cost and productivity in terms of net profit generated. It also includes other financial measures which provide values through the performance of MHB as an organisation such as total shareholder value, taxes and dividends.

Our Material Matters

Diversity & Inclusion

MHB's efforts to promote the social and economic inclusion of all employees, regardless of gender, sexuality, race, age, disability, ethnicity, religion, economic, or any other background/status.

Skilled Workforce

Attracting and retaining a skilled workforce entails efforts for employees to gain knowledge and skills, which is critical in increasing efficiency and effectiveness, as well as ensuring workplace productivity.

Employee Engagement

A measure of employee engagement that leads to value creation through higher service, better customer satisfaction, increased sales and profitability and improved shareholder returns.

Technology & Operational Innovation

MHB focuses on investments that will enable us to keep up with rapid changes in the technology and capital market environment towards improve working tools, techniques and applying new technologies in developing an innovation-led organisation.

Climate Change

Proactively manage our environmental footprint by identifying processes, standards and capabilities in place to reduce greenhouse gas (GHG) emissions, fuel emissions and energy consumption which includes investment in renewable energy and the ability to take advantage of opportunities and effectively mitigate against the risks and consequences of climate change.

Supply Chain

Working with subcontractors and vendors that behave in an economically, ethically as well as environmentally and socially responsible manner which will result in improvements in operational efficiencies and reductions in cost.

Strategic Community Initiatives

Comprehensive community initiatives to improve the quality of life of the communities within which we operate.

Natural Resources & Consumption

Managing natural resource use which includes water and waste management as a Material Matter to enable efficient utilisation of resources and making the most out of resources used whilst reducing waste. This includes moving towards more efficient resource flows and increasing energy and water-use efficiency.

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OUR STAKEHOLDERS

At MHB, we strongly believe in the importance of transparency and accountability in all the dialogues and communications we maintain with our stakeholder groups. Our efforts are aligned with our desire to create meaningful value over time for all our stakeholder groups, consisting of both internal and external stakeholders. They have been identified based on their importance and influence on our business. We have mapped our stakeholders according to their degree of influence and impact on our business. In 2021, we continued to communicate all material information related to our business to our various stakeholder groups in a timely manner throughout the year.

Our responsive and proactive approach towards our Stakeholder Engagements reflects our commitment to meeting the needs of our internal and external stakeholders' expectations and protecting their interests. It also enables us to understand how our strategic actions may impact our stakeholders. We use the feedback we receive to identify and prioritise our Material Matters, identify risks and opportunities, develop new and innovative ways to improve our business and refine our strategy to enhance the value we create for our stakeholders.

OUR STAKEHOLDER IDENTIFICATION PROCESS



STEP 1 : IDENTIFY OUR ECOSYSTEM OF STAKEHOLDERS

We compile a list of our internal and external stakeholders by obtaining feedback from all departments and units within MHB on groups that influence their daily business activities. We take into account the degree of interactions and involvement that various groups have on our business and objectively assess those that are either directly or indirectly impacted by our business activities and operations.



STEP 2 : ANALYSE OUR STAKEHOLDERS' NEEDS AGAINST OUR BUSINESS GOALS AND OBJECTIVES

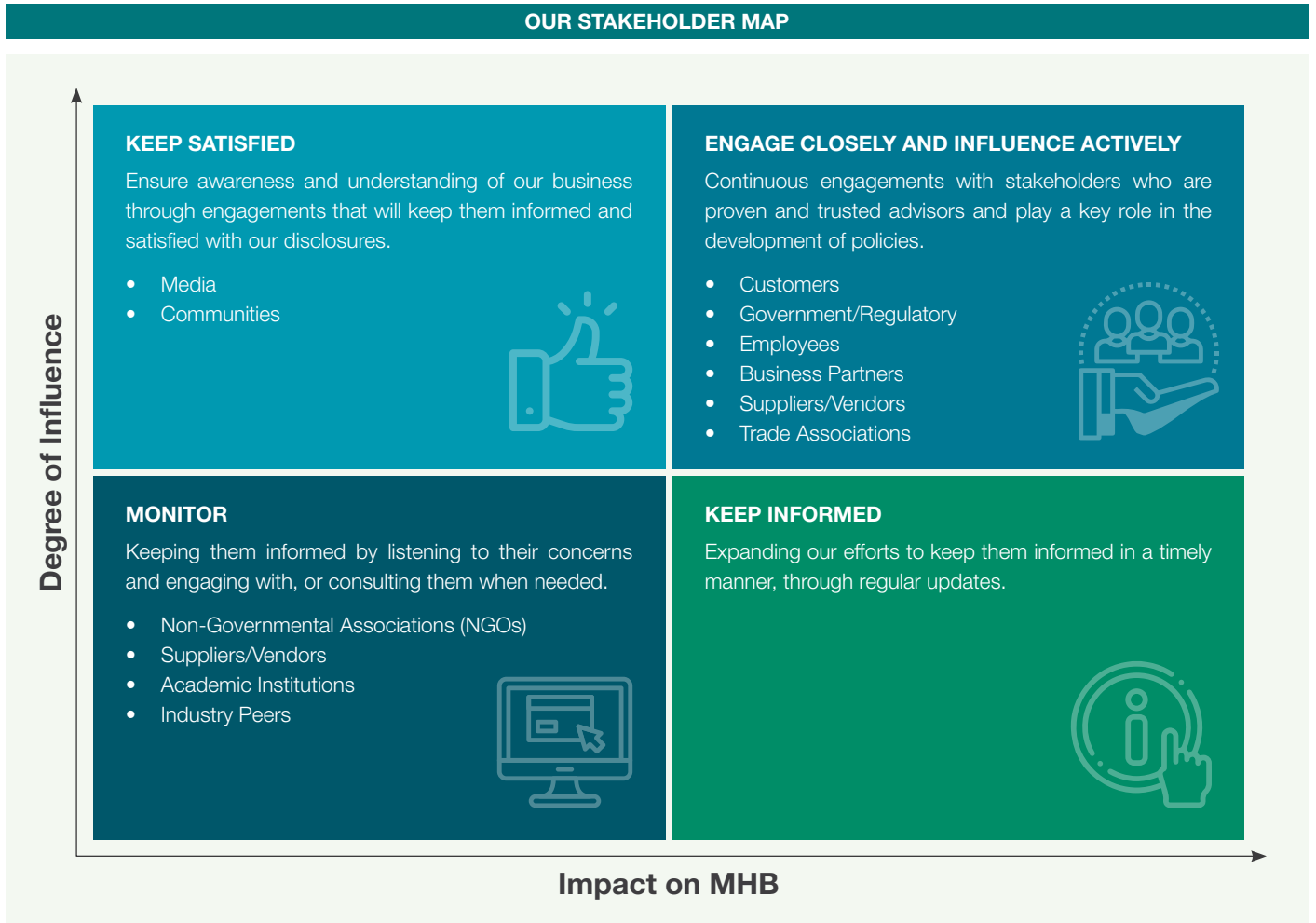
We then analyse each stakeholder group utilising the MHB Stakeholder Analysis Survey. We conduct focus group discussions with focal persons from relevant departments/divisions to gain further understanding and insight into their perceptions of current engagement levels between MHB and its stakeholders, as well as the issues and topics relevant to MHB's business which concern of stakeholders. The outcomes of these engagements play a key role in fine-tuning our strategic objectives and plans, to ensure that we are able to create sustainable and meaningful value for both our business and stakeholders. It also allows us to gauge the level of interdependency between our business and our stakeholders and the right levels of engagement that we should maintain with each group according to their degree of influence and impact on our business.



STEP 3 : PLOTTING OUR STAKEHOLDER MAP ACCORDING TO DEGREE OF INFLUENCE AND IMPACT ON OUR BUSINESS

Following on from the focus group discussions, we use the information obtained to analyse the impact and influence that each stakeholder group has on our business. This is then translated into MHB's Stakeholder Map, which guides us in our Stakeholder Engagements conducted throughout the year. Our Stakeholder Engagement platforms are designed to cater to the level of engagement we have identified as necessary to create value for both our business and the particular stakeholder group.

Our Stakeholders



For more details on how we engage with our stakeholders, please refer to our Sustainability Statement on pages 161 to 172 of this IAR.

Our Stakeholders

STAKEHOLDER ENGAGEMENT STRATEGY

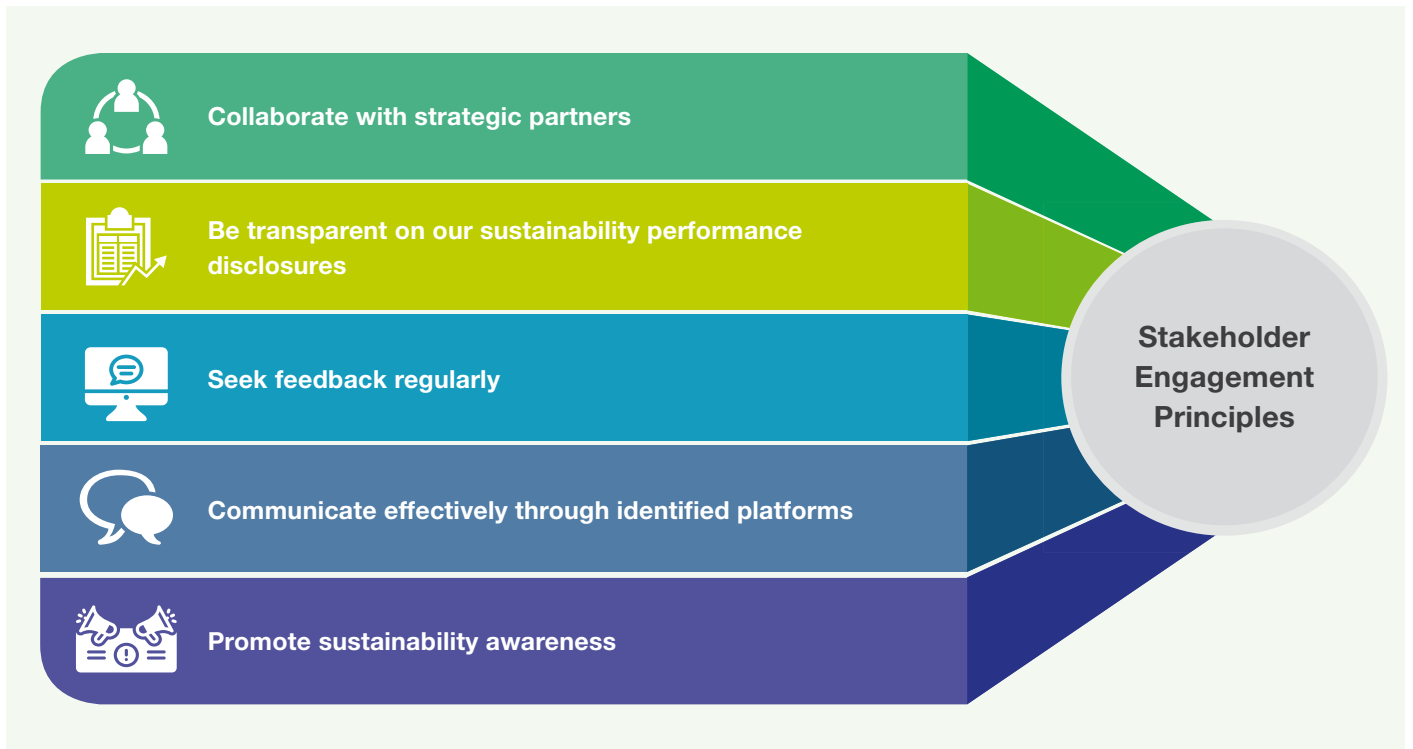
MHB is committed to ensure that our value creation endeavours also creates value for our stakeholders. We believe in creating positive and meaningful impacts for our diverse groups of stakeholders, as supported by our Stakeholder Engagement strategy, by creating value through awareness, dialogue and collaboration.

MHB recognises the interdependence of our relationship with our stakeholders, as evidenced by the impacts that our stakeholders have on our business and conversely, the impacts our business has on them. Bearing this in mind, we have taken into account our stakeholders' needs and interests throughout our value creation process and activities. We seek to maintain transparent and accountable engagements with our broad base of stakeholders, as we work collaboratively with them to develop solutions and services that are relevant to their needs and deliver on their expectations. Our Stakeholder Engagement principles, identification and prioritisation are based on our parent company, MISC Berhad.



Our Stakeholders

STAKEHOLDER ENGAGEMENT PRINCIPLES



STAKEHOLDER ENGAGEMENT PROCESS

Who Are Our Stakeholders?

We identify our stakeholders by taking into account their particular characteristics and the scope of their involvement with our company.

Stakeholders we consider relevant are those who either directly or indirectly affect or are impacted by our operations and activities.



Highly influential stakeholder groups are most likely to affect the Company's achievement of its strategic objectives

Highly dependent stakeholder groups are more positively or negatively impacted by the Company's operations and activities

Stakeholder Prioritisation

We prioritise issues that are relevant to both our stakeholders and the Company using a stakeholder matrix and map each stakeholder group according to their degree of influence and dependence on MHB.

OUR OPERATING ENVIRONMENT

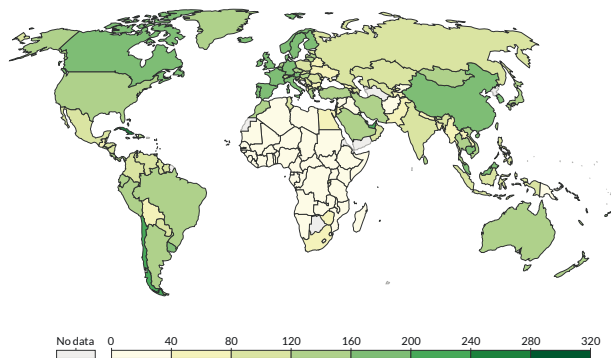
The continuing COVID-19 pandemic has been a seminal factor in determining recent shifts in our operating landscape, resulting in an external environment that is volatile, uncertain, complex and ambiguous. The uncertainties of current times, coupled with longer term societal imperatives, have resulted in MHB realigning our business strategy and approach to ensure that our organisation is able to react swiftly to any changes that may impact our business within the short, medium and long-term. Our analysis of our operating environment reflects our belief that MHB's value creation ability is closely intertwined with the macroeconomic environment we operate in. The factors that make up our operating environment impact our revenue generation ability and business continuity, the risks that our business is subject to and how we execute our business strategy. The following table lays out the key factors that informed our operating environment in 2021 and the outlook, opportunities and implications they have on our business.

COVID-19 PANDEMIC

TREND DESCRIPTION : VACCINATIONS

COVID-19 vaccine doses administered per 100 people

All doses, including boosters, are counted individually. As the same person may receive more than one dose, the number of doses per 100 people can be higher than 100.

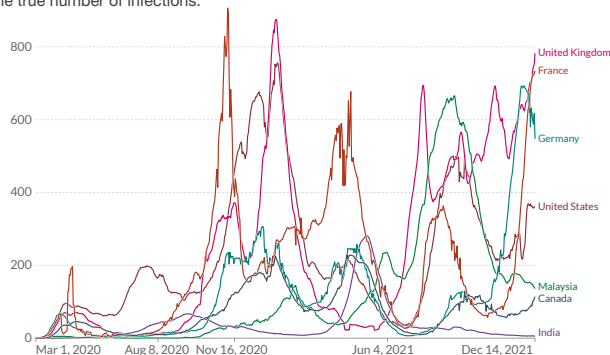


Source: Our World in Data

As at December 2021, at least 56% of global population has received at least one dose of the vaccine, with these largely coming from the developed countries. Vaccinations are continuing into 2022, with a current rate of 36 million doses administered daily as at 15 December 2021.

Daily new confirmed COVID-19 cases per million people

7-day rolling average. Due to limited testing, the number of confirmed cases is lower than the true number of infections.



Source: Our World in Data

Economies that have re-opened are finding themselves susceptible to waves of COVID-19 cases and new variants and these countries have shifted to viewing COVID-19 as 'endemic', rather than a 'pandemic'. The endemic approach has resulted in infections being managed by testing and isolation for positive cases. As at December 2021, reports of the new 'Omicron' variant casts a specter of fresh lockdowns. However, it is still too early to judge the severity of the new variant due to lack of data.

OUTLOOK AND OPPORTUNITIES

On the positive side, multiple vaccines have been developed at a record pace and have set the path for economic revival. However, the emergence of new virus strains and further waves of infections, combined with a slower than expected vaccine rollout could delay recovery in 2022.

As at December 2021, international borders in Malaysia are still not fully opened, with the government taking a cautious approach in light of the new 'Omicron' variant.

IMPLICATIONS TO MHB

There is still some uncertainty hanging in the air with regards to a positive outlook as 2021 closes. One of the more successful initiatives that MHB has implemented is a vaccination programme for our employees, that has allowed full working conditions to resume for essential staff. MHB will continue to proactively support and encourage the vaccination programme in 2022. As a result of these initiatives, improvements have been made on the business front as follows:

Heavy Engineering

- Operations have continued since the temporary yard suspension due to the Movement Control Orders which allowed MHB to execute delivery of its contracts.
- MHB has remained vigilant and will continuously implement all necessary COVID-19 mitigation measures.
- On the business development front, projects that were previously put on hold have been revived by customers, as a more positive outlook takes root in the economy.

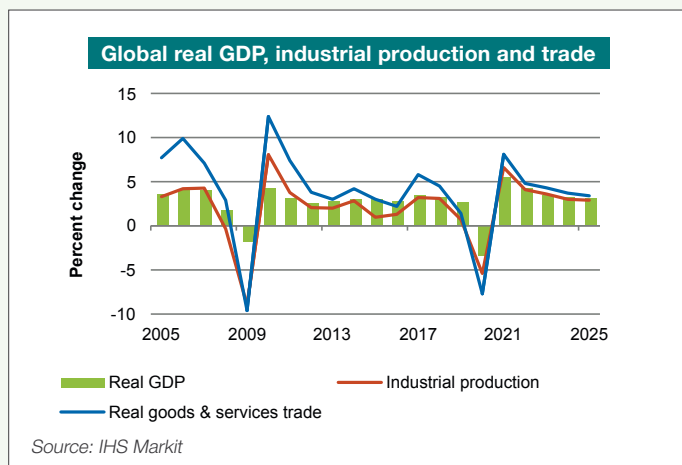
Marine

- Marine operations were impacted with the closures of international borders as foreign expertise in marine repairs could not travel to the yard in Pasir Gudang, Johor.
- As at the end of 2021, vessels are beginning to trickle down into the yard again, after being tied up in addressing the global supply chain crunch during the initial days of the re-opening of economies globally.

Our Operating Environment

ECONOMIC REBOUND

TREND DESCRIPTION : GLOBAL GROSS DOMESTIC PRODUCT (GDP)



- 2021 has been a rebound year for the global economy – global real GDP was projected to increase to 5.5% in 2021, tapering off to 4.2% in 2022. The rise in vaccinations have led to various economies opening up.
- The expectations for 2022 are that vaccination rates will continue to rise, businesses become more adept to working in the pandemic era and an expected shift in consumer spending from goods to services.
- Global economic expansion will vary across regions with each wave of the COVID-19 pandemic. These waves are impacting various global trading relationships with widespread supply shortage and escalating prices.

OUTLOOK AND OPPORTUNITIES

Heavy Engineering

The re-opening of economies implies that demand for oil and gas products will rise again. Such a positive outlook in the economy will also trigger new investments and fresh capital expenditure.

Marine

The re-opening of economies in the earlier part of 2021 has resulted in increased shipping and trade activities. However, this also means vessel owners will focus more on deliveries and trade, rather than doing repairs and maintenance.

IMPLICATIONS TO MHB

Heavy Engineering

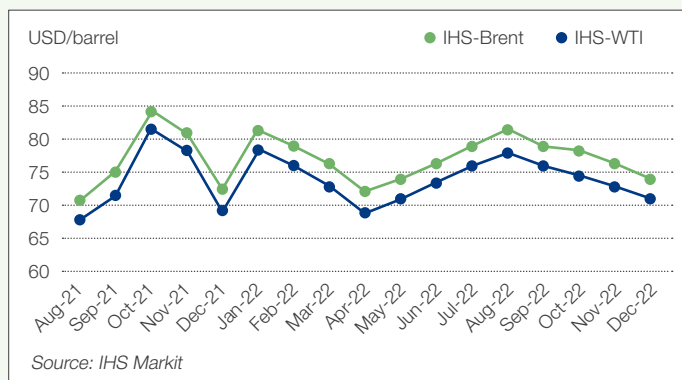
→ International offshore projects that have been put on hold have been revived and MHB is participating in tender enquiries in this space.

Marine

- For marine repairs, the initial re-opening of economies have caused less docking and repair works by vessel owners.
- However, as at the end of 2021, the outlook has become more positive and is expected to normalise in 2022.

OIL MARKETS RECOVERY

TREND DESCRIPTION : OIL PRICES



- Crude oil prices are projected to be USD74 a barrel in 2022 as oil demand strengthens and reaches pre-pandemic levels. The use of crude oil as a substitute for natural gas presents a potential gain to the demand outlook, although higher energy prices may start to weigh on global growth. (Source: World Bank, December 2021)
- According to the International Monetary Fund (IMF), it is expected that energy prices to revert to “more normal levels” in 2022 when heating demand falls and supplies adjust. (Source: IMF, December 2021)

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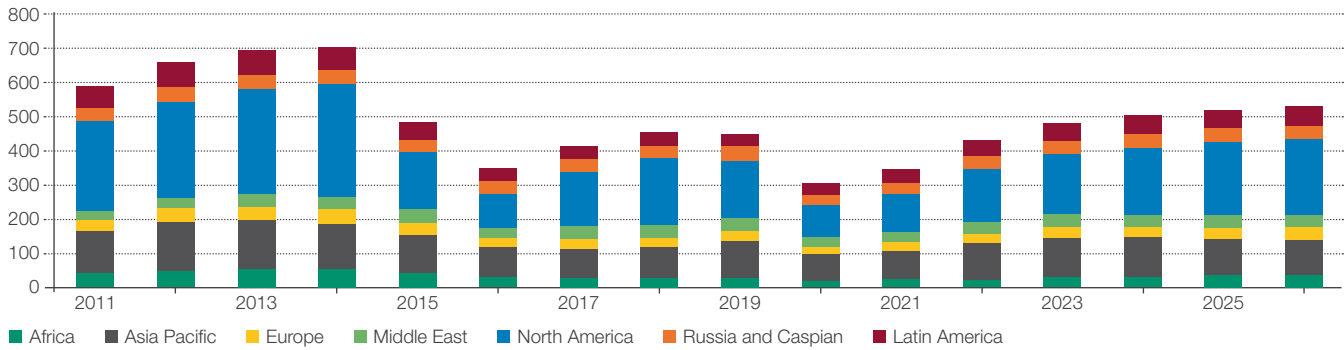
Our Operating Environment

OIL MARKETS RECOVERY

TREND DESCRIPTION : GLOBAL UPSTREAM E&P CAPEX

E&P capex by region

USD billion



Source: IHS Markit

@ 2021 IHS Markit

- Global E&P capex is forecasted to rise above USD500 billion levels through to 2026.
- In terms of share of the E&P capex, growth is mostly contributed for the Asia Pacific (APAC) (average 23% of total capex across 2022 to 2026) and North America (average of 38% of total capex across 2022 to 2026) markets.

OUTLOOK AND OPPORTUNITIES

The outlook on the oil market indicates that it is unlikely for oil prices to breach USD100 levels in the future. As such, the opportunity lies for MHB to diversify into non-traditional segments such as Energy Transition.

Having established our diversification plan towards Energy Transition segments, MHB will still continue to focus on its traditional oil and gas segment such as fixed offshore facilities.

IMPLICATIONS TO MHB

Heavy Engineering

MHB will continue with its current strategic focus on domestic markets Whilst also participating in international projects in the Middle East and India. MHB will also identify strategic partnerships with the aim of increasing MMHE's international market share for offshore fabrication projects. We will continue to build on our experience and strong track record with regards to delivering on a full-fledged EPCIC scope.

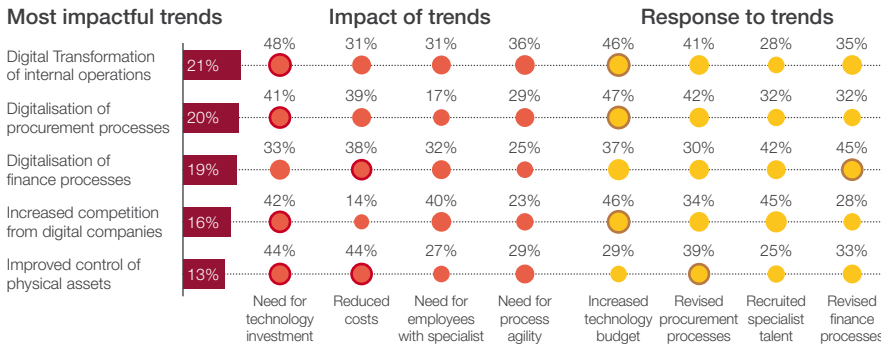
Marine

We will continue to strengthen our value proposition to sustain the current market share against current competition and continue to pursue conversion projects on an opportunistic basis. We also have in place plans to improve our value proposition via internal capability development.

Our Operating Environment

DIGITALISATION

Figure 2: Digitalisation trends, their impact and how companies have responded.
(% of respondents)



Note: Bubble size represents proportion of respondents choosing answer
Source: Economist Intelligence Unit

OUTLOOK AND OPPORTUNITIES

Businesses are expecting to increase investments in technology to revive procurement and finance processes.

Automation will free up time for employees to focus on strategic tasks.

IMPLICATIONS TO MHB

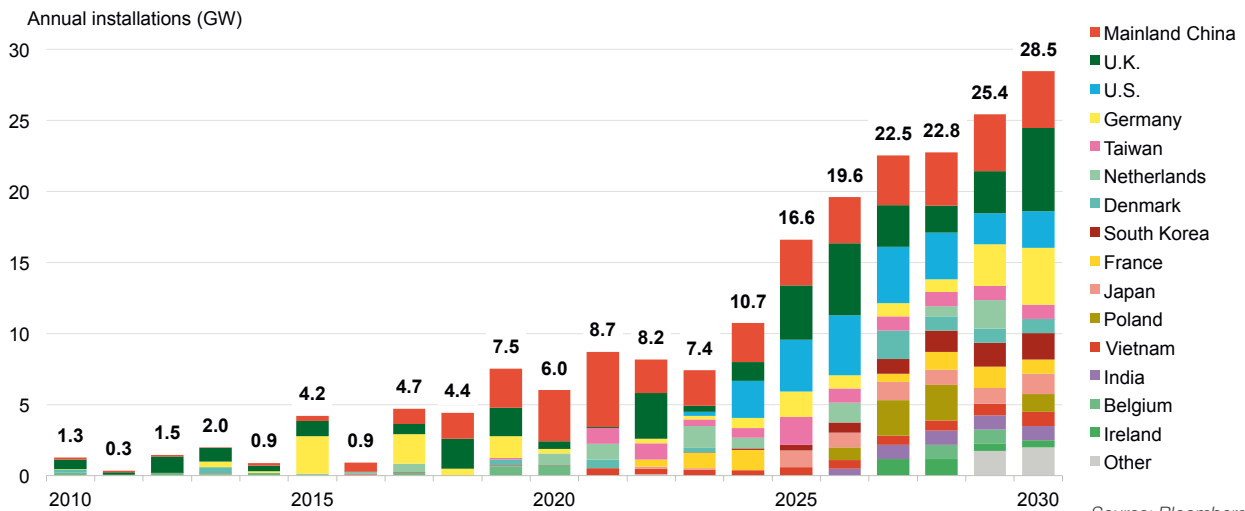
MHB is embarking on a long-term project to reinvigorate its internal supply chain services with the digitalisation of procure-to-pay, category management and strategic sourcing to achieve procurement excellence with a 'single-source-of-truth'.

- The adoption of digitalisation by businesses is gaining pace in recent years, with the biggest impact of the transition focusing on the transformation of the internal operations such as automation of payments, procurement processes and supply chain management.
- Such a transformation will result in the speeding up of business process efficiencies, with information available immediately, leading to faster decision making by organisations.
- Respondents in the above survey by the Economist Intelligence Unit have reached the consensus that the main challenge will be the allocation of new budgets for such digitalisation projects.

ENERGY TRANSITION

OFFSHORE WIND GROWTH

Global Offshore wind installations, by market



Source: BloombergNEF

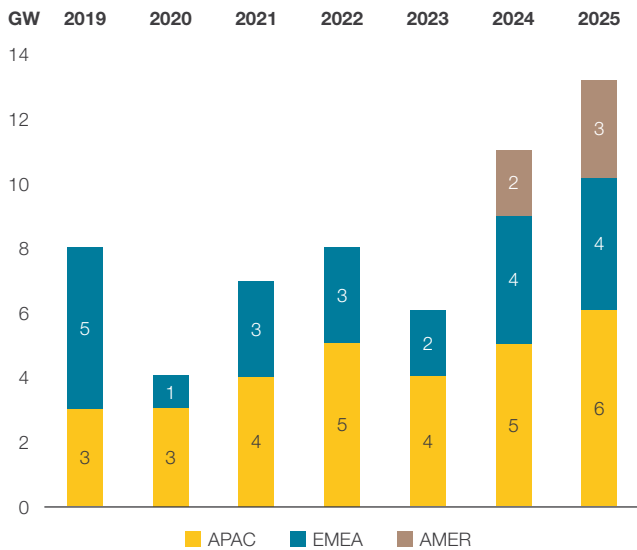
- Global offshore wind remains a high growth area within the Energy Transition market, registering a 14.92% CAGR from 2010 to 2020, with a forecasted CAGR of 15.22% from 2020 to 2030.

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Our Operating Environment

ENERGY TRANSITION (CONT'D)

Global offshore wind farm market by region



→ The Asia Pacific region remains a higher growth area for the offshore wind farm market compared to other regions, with projected CAPEX of USD144 billion expected from 2022 to 2026.

Source: BloombergNEF

OUTLOOK AND OPPORTUNITIES

Wind Farms

- Opportunities for MHB exist in fabrication of offshore structures in offshore wind farms including fixed foundations such as jackets and platforms for the substations.
- As Malaysia does not have high wind speeds that economically justifies large scale wind farms, any production of offshore wind products are considered as an export opportunity.
- Labour costs in Malaysia are still comparatively cheaper compared to most developed countries.

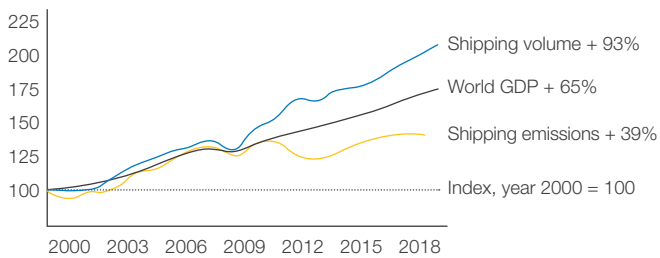
IMPLICATIONS TO MHB

Heavy Engineering

- MHB is considering deepening our partnerships with European-based fabricators to close the gaps in serial production methods for high volume fabrications.
- While our current focus is on opportunities in Asia (e.g., Taiwan, Japan and South Korea), MHB is not discounting opportunities in other regions.
- A platform with the government can be established to encourage the growth of offshore wind farms as an export industry.
- We plan to broaden our exposure in other product segments in offshore wind farms, beyond current familiar segments such as jackets and platforms.

Maritime decarbonisation

Shipping Volume, Emissions and GDP Growth



- Shipping and maritime trade is considered to be one of the hard-to-abate industries in the Energy Transition space.
- Shipping emissions have grown in parallel with shipping volumes and with the rise in global GDP.
- However, with the implementation of regulations by the International Maritime Organisation (IMO) since 2010, the rate of emissions have been reduced.

Source: UNCTAD, IEA, Deloitte

OUTLOOK AND OPPORTUNITIES

Maritime Decarbonisation

- Previously, the drive for vessel retrofits were an initiative of vessel owners to reduce their fuel consumption.
- However, the recent IMO regulations have re-invigorated the vessel retrofits. For example, EEXI and CII regulations that come into enforcement in 2023 will drive vessel owners to seek retrofits for regulations compliance.

IMPLICATIONS TO MHB

Maritime Decarbonisation

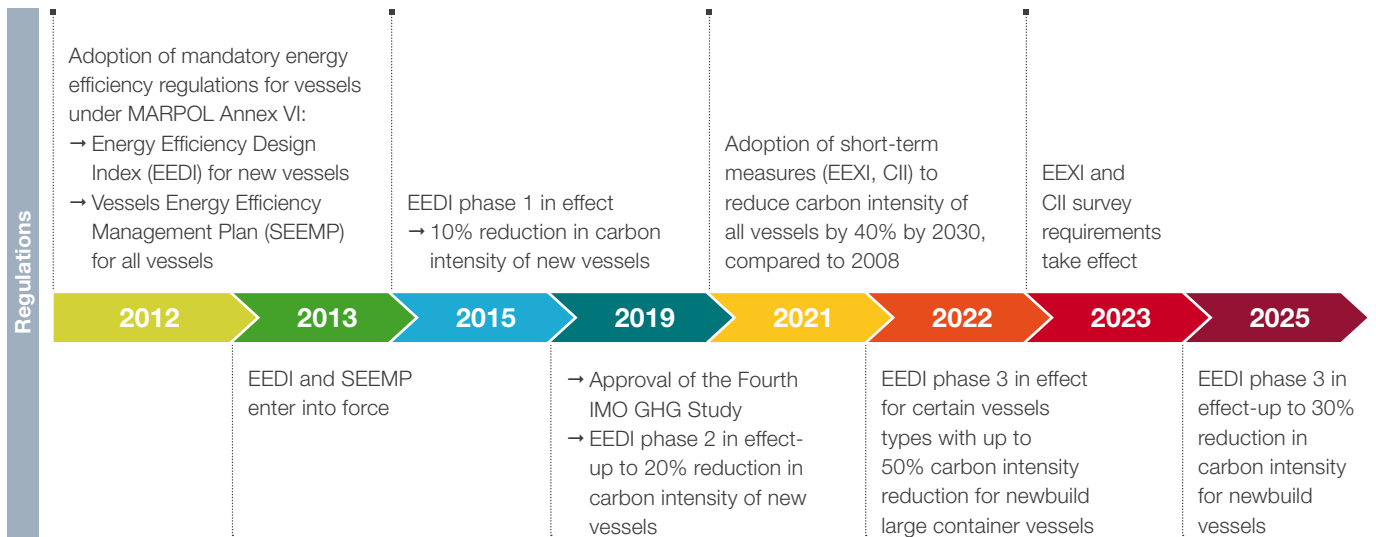
- MHB will start to monitor global vessel registers for vessels that have instituted and carried out decarbonisation efforts as a specific market segment i.e scrubber installations.
- Familiarise ourselves with impending regulations especially in EEXI and CII.
- Explore partnerships with propulsion players to have repair capabilities for alternative-fuelled vessels.
- Create capability and capacity in manpower and facilities to address decarbonised repair markets.

Our Operating Environment

ENERGY TRANSITION (CONT'D)

Maritime decarbonisation

IMO Key Regulatory Measures (2012-2025)



- The IMO has been instrumental in delivering regulations and implementing programmes for the shipping and maritime industry, to improve the shipping sector’s carbon footprint via improvements in engine and systems, hull and propeller, as well as capacity enhancement and operational enhancements.
- Energy Efficiency Design Index (EEXI) and Carbon Intensity Indicator (CII) will be applicable for all vessels and will enter into force in 2023.

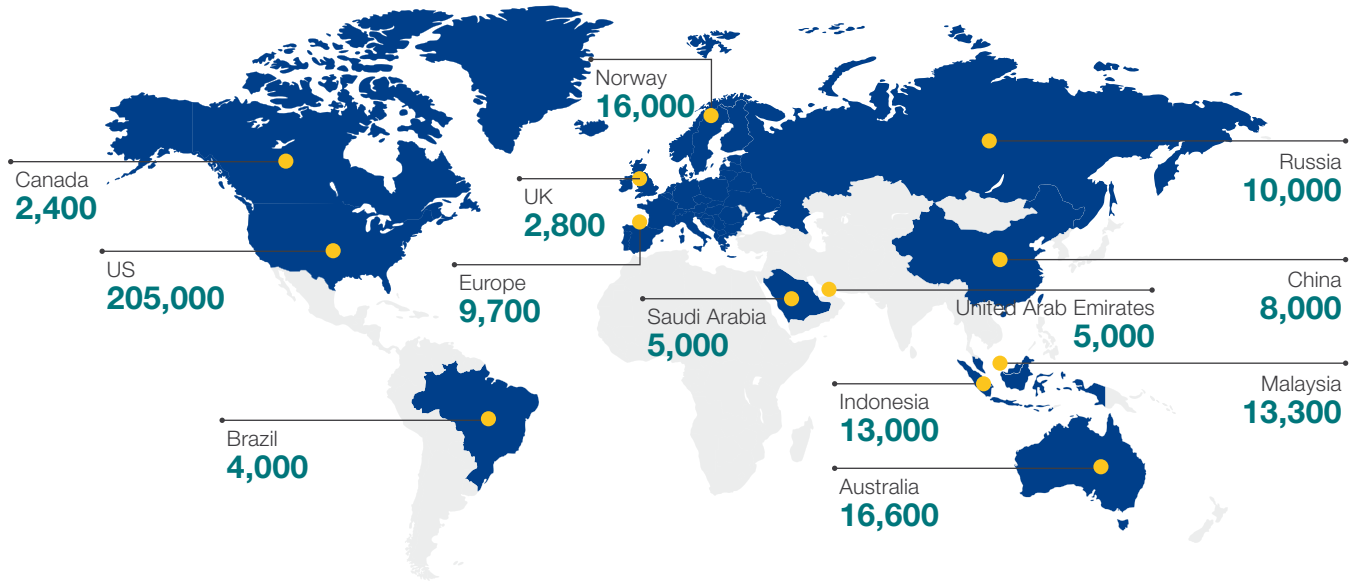
Source: IMO

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Our Operating Environment

ENERGY TRANSITION (CONT'D)

Global CO2 storage overview (million of tonnes)



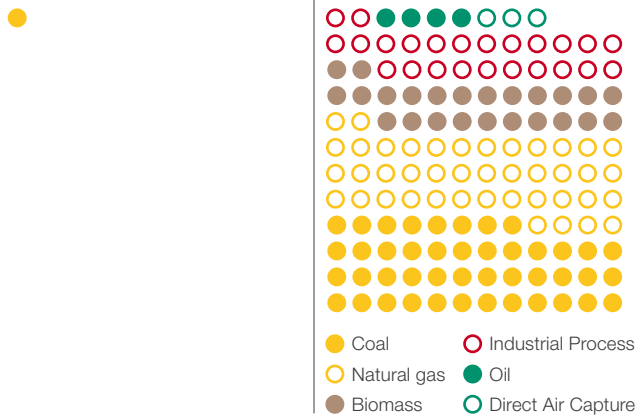
Source: Global CCS Institute

- The prevalence of high CO2 gas fields in the Southeast Asia region means a ready opportunity for CCUS.
- Malaysia presents a high storage potential for CO2 in our subsea geological formations and depleted oil and gas fields, with 13,300 million tonnes of CO2 storage capacity.

CO2 capture capacity in 2020 and 2050 by fuel and sector

40 Mtpa in 2020

5635 Mtpa by 2050



Source: Global CCS Institute

- CCUS capacity will continue to grow to address decarbonisation needs in these industries.

OUTLOOK AND OPPORTUNITIES

Carbon Capture Usage & Storage (CCUS)

- There is ample storage for CO2 in this region, resulting in countries that lack storage potential such as Japan and South Korea to send their CO2 emissions to Malaysia and Indonesia for sequestration.
- High CO2 gas fields coupled with pressure to decarbonise present opportunities for the establishment of a CCUS value chain in Malaysia.

IMPLICATIONS TO MHB

CCUS

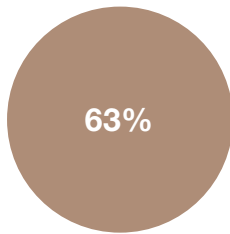
- MHB will establish our track record in Onshore Modular, which can have similar modular fabrications as CCUS projects.
- MHB will continue to pursue CCUS related projects in high CO2 gas fields in Malaysia.
- MHB is open to opportunities for partnerships to establish a CCUS value chain in Malaysia, with a particular focus on CO2 shipping and fabrication opportunities.

Our Operating Environment

CLIMATE CHANGE AND ESG AWARENESS

Results Of >2000 Studies On The Impact Of ESG Propositions On Equity

Share of positive findings



63%

Share of negative findings



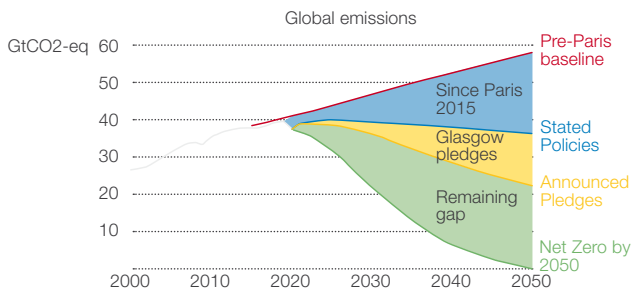
8%

Source: McKinsey

- Companies that pay attention to ESG concerns do not experience a drag on value creation, in fact, the opposite.
- A strong ESG proposition correlates with higher equity returns.
- Areas that would see improvements if ESG is pursued: Topline Growth, Cost Reductions, Regulatory and Legal Interventions, Productivity Uplift, Investment & Asset Optimisation.

Ambition gap between the Announced Pledges in Glasgow's COP26 and Net Zero Scenarios in 2050

A large ambition gap remains in 2030



Source: International Energy Administration (IEA)

Despite some positive signs, recent pledges close less than 20% of the gap to Net Zero by 2050 scenario. Hence, there is still a sizeable gap to reduce towards achieving Net Zero by 2050.

OUTLOOK AND OPPORTUNITIES

Climate Change/ESG

- Funding and financing activities and markets now are more ESG-centric.
- Increasingly more customers demand to see ESG credentials from MHB.
- Governments will step up their efforts in committing to climate change targets as a result of COP26.

IMPLICATIONS TO MHB

Climate Change/ESG







- MHB will strive to maintain credentials and inclusion in the FTSE4Good Bursa Malaysia Index.
- Through the implementation and execution of our Sustainability Framework, MHB can identify decarbonisation strategy and carbon footprint reduction plans.
- Engagements with organisations that provide third-party verification of environmental disclosures to meet requirements set by regulators.
- Compliance with Task Force on Climate-Related Financial Disclosures (TCFD) as a framework that aids MHB in disclosing climate-related risks and opportunities.
- Initiate dialogues with related government agencies in a bid to realise government ambitions and targets in climate change.
- In terms of our Social and Governance commitment, MHB continues with practising the values associated with our internal Code of Business Ethics (CoBE).

OUR RISKS AND MITIGATION STRATEGIES

At MHB, we believe in proactively managing our risks through mitigating actions that will limit its impact on our business. At the same time, opportunities exist which we can take advantage of, to build further value for our stakeholders. Our risk governance structure is overseen by the Board of Directors which holds overall responsibility for reviewing the adequacy and integrity of our risk management. Furthermore, MHB's risk management is supported by the Three Lines of Defence Model, which enables us to effectively implement our risk mitigations and monitor the outcomes. We leverage on the PETRONAS Enterprise Risk Management (ERM) Framework to identify, evaluate and manage our risks.

RISK TYPE	DESCRIPTION OF RISK	IMPLICATIONS ON MHB
MARKET RISK	<ul style="list-style-type: none"> → The prolonged COVID-19 pandemic has limited the number of project developments which has intensified competition for new oil & gas projects in both local and international markets → As more economies are re-opening on the back of global COVID-19 vaccinations, marine repair businesses did not recover as quickly as vessel owners were caught up in addressing the re-opening of supply chains → The push towards cleaner energy has accelerated the development of alternative energies as countries and companies across the world have committed towards net-zero emissions by 2050 	<ul style="list-style-type: none"> → Lack of visibility and presence in international market may hinder efforts to access new markets and customers, broaden service offerings and strengthen foothold in the international market → Slow recovery in the marine business segment led to deferment of dry docking activities which have resulted in lower contribution to the Group → Lack of preparedness in undertaking future alternative energies project may result in loss of opportunity
SUPPLIER RISK	<ul style="list-style-type: none"> → Risks arising from interactions with parties providing materials and services required to conduct business → The prolonged pandemic has disrupted supply chains 	<ul style="list-style-type: none"> → Delay in material delivery may lead to delay in completion of the project → Volatility in raw materials and service pricing could lead to erosion of project profit
FINANCIAL RISK	<ul style="list-style-type: none"> → Risks associated with maintaining the strength of the Company's balance sheet, liquidity position and sustainable cashflow 	<ul style="list-style-type: none"> → Depleting cashflow could lead to interruption of business operations and meeting debt obligations → Volatility of foreign exchange and interest rates could result in adverse impacts on our working capital
PROJECT RISK	<ul style="list-style-type: none"> → Risks associated with project execution that may affect schedule, costs, quality and financial performance 	<ul style="list-style-type: none"> → Project complications during execution may lead to cost escalation and delay the completion of the project
ASSET RISK	<ul style="list-style-type: none"> → Risks associated with reliability, availability and maintainability of assets and facilities 	<ul style="list-style-type: none"> → Operation disruption due to dysfunctional machinery and unavailability of critical equipment leading to delay in project delivery → Damages to yard infrastructure leading to hazardous conditions and/or incidents
TECHNOLOGY RISK	<ul style="list-style-type: none"> → Risks associated with cyberattacks and potential technology failures which can disrupt business operations 	<ul style="list-style-type: none"> → Cyber security risk which may increase MHB's exposure to operational disruption and financial losses → Failure of hardware/software would cause business interruption

Our Risks and Mitigation Strategies

OUR KEY RESPONSE	LINKS	
	STRATEGY (KRA)	MATERIAL MATTERS
<ul style="list-style-type: none"> → Strengthen our core business and operations by building up EPCIC capabilities and closing gaps via partnerships and enhancing in-house capability to ensure competitiveness → Continue exploring new business opportunities as well as venturing into new regions to diversify revenue → Focus on high value projects such as LNGCs, LPGCs, tankers and conversion → Pursue en bloc agreements / frame agreements whilst upholding timely delivery and quality → Gain a foothold in the Energy Transition sector especially in offshore windfarm projects through strategic partnerships 		<ul style="list-style-type: none"> → Project & Financial Performance → Business Sustainability → Risk Management → Climate Change
<ul style="list-style-type: none"> → Establish frame agreement with various suppliers to ensure material deliveries are conducted in timely manner → Develop e-Procurement and digitalised contract management systems to establish digital price database to ensure price competitiveness 		<ul style="list-style-type: none"> → Project & Financial Performance → Business Sustainability → Risk Management → Supply Chain → Technological & Operational Innovation
<ul style="list-style-type: none"> → Formation of MHB Credit Committee (MCC) to proactively discuss, review and monitor the Company's specific customer accounts and their credit performance as part of credit risk mitigation actions to minimise credit risk exposure → Establish hedging strategy to reduce exchange rate and interest rate risk exposure 		<ul style="list-style-type: none"> → Project & Financial Performance → Business Sustainability → Risk Management
<ul style="list-style-type: none"> → Conduct independent project risk assessment prior to project execution → Closely monitor and report performance of project execution by identifying, assessing, controlling and mitigating threats → Continuous effort to innovate work processes for cost-saving opportunities 		<ul style="list-style-type: none"> → Project & Financial Performance → Business Sustainability → Risk Management → Technological & Operational Innovation
<ul style="list-style-type: none"> → Preventive and corrective maintenance action to ensure assets are working efficiently → Monitor asset utilisation through implementation of Internet of Things (IoT) 		<ul style="list-style-type: none"> → Project & Financial Performance → Business Sustainability → Risk Management → Asset Integrity & Reliability
<ul style="list-style-type: none"> → Implement Multi-factor Authentication (MFA) to secure data and applications during system login → Conduct awareness campaign on phishing → Enforcement of Network Access Control (NAC) and Access Control Level to prevent any unrecognised devices from accessing the MHB network → Conduct Penetration and Vulnerability tests on web applications and infrastructure 		<ul style="list-style-type: none"> → Governance & Ethics → Risk Management → Business Sustainability

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Our Risks and Mitigation Strategies






RISK TYPE	DESCRIPTION OF RISK	IMPLICATIONS ON MHB
HEALTH, SAFETY AND SECURITY RISK	→ Risks associated with any occurrence of major HSSE incidents that may result in injury or loss of life, asset damage and security threats that could affect the business and its reputation	<ul style="list-style-type: none"> → Inability to respond and evacuate during major emergencies may lead to injuries and/or fatalities → Inability to contain contagious diseases or COVID-19 infections may lead to business disruption and/or fatalities → Lenient security measures may lead to unauthorised access into the yard with malicious intent and affect the safety and security of MHB premises
HUMAN CAPITAL RISK	→ Risks associated with attracting, retaining and developing talents to support the achievement of company goals	<ul style="list-style-type: none"> → Inadequate capability and competency may jeopardise work deliverables and effective execution of business strategies → Inability to retain and attract talents that may lead to operational disruption
CUSTOMER RISK	→ Risks associated with inability to retain and attract customers due to failing to meet their expectations	→ Poor customer experience and satisfaction may affect customer retention which would impact revenue and reputation
ENVIRONMENTAL AND CLIMATE-RELATED RISK	→ Risks associated with exposures to activities that may cause or be affected by environmental degradation, such as pollution and the physical and transition risks associated with climate change	<ul style="list-style-type: none"> → Improper and irresponsible disposal of hazardous and non-hazardous waste and mismanagement of greenhouse gas (GHG) emissions could create environmental pollution, health problems and safety concerns resulting in legal action by regulatory bodies and reputational damage → Inadequate commitment in reducing carbon footprint may jeopardise our chances of winning new international projects
LEGAL & REGULATORY RISK	→ Risks associated with poor corporate governance and irresponsible business practice resulting in reputational damage, loss of investor confidence and negative publicity	→ Misconduct and non-compliance of laws and regulations leading to prosecution and reputational damage



For more details on our strategic actions, please refer to Our Strategic Review section on pages 48 to 77 and our Sustainability Statement on pages 106 to 182.

For more details on our approach to Risk Management, please refer to the Statement on Risk Management and Internal Control on pages 226 to 233.

Our Risks and Mitigation Strategies

OUR KEY RESPONSE	LINKS	
	STRATEGY (KRA)	MATERIAL MATTERS
<ul style="list-style-type: none"> → Strengthen health and safety practices by creating awareness through trainings, safety drills, campaigns and toolbox talks → Implementation of control measures to prevent and contain the spread of COVID-19 → Implement real-time monitoring security system for a more practical and effective security management around yard 		<ul style="list-style-type: none"> → Risk Management → Business Sustainability → Health & Safety → Human & Labour Rights → Customer Satisfaction → Governance & Ethics → Employee Engagement
<ul style="list-style-type: none"> → Develop in-house capability and competency through partnerships with industry experts → Implementation of structured development programmes through Individual Learning and Development Programme (ILDLP) → Monitoring High Potential and Successors and revision of promotion policy for executives and non-executives 		<ul style="list-style-type: none"> → Project & Financial Performance → Employee Engagement → Skilled Workforce → Diversity & Inclusion → Business Sustainability → Risk Management → Human & Labour Rights
<ul style="list-style-type: none"> → Ensure work deliverables are of high quality and delivered on time by having competent and experienced project teams, proper work monitoring systems and conducting good and ethical business practice → Conduct customer satisfaction surveys as part of our continuous improvement initiative 		<ul style="list-style-type: none"> → Project & Financial Performance → Business Sustainability → Risk Management → Customer Satisfaction
<ul style="list-style-type: none"> → Establishing and implementing MHB's Sustainability Framework and agenda to address rising environmental concerns, climate change, energy transition and industry decarbonisation by 2050 → Established the Strategic Group Discussion for Towards Decarbonisation, helmed by the General Manager of Health, Safety, Security & Environment → Comprehensive energy management initiatives to reduce electricity consumption → Move towards utilising renewable energy at our yards by installing solar panels → Environmental Monitoring Programme which monitors the impacts of our business activities on our surrounding environment → Frequent monitoring and tracking of our GHG Scope 1 and Scope 2 emissions → Comprehensive Resource and Waste Management Programme to ensure compliance with regulatory requirements for both hazardous and non-hazardous waste, as well as scheduled and non-scheduled waste 		<ul style="list-style-type: none"> → Business Sustainability → Risk Management → Climate Change → Governance & Ethics → Supply Chain
<ul style="list-style-type: none"> → Conducting continuous communication and awareness programmes on integrity, compliance and the law across MHB → Conduct compulsory training such as Code of Business Ethics (CoBE), Anti-bribery and Corruption (ABC) Manual and Whistleblowing Policy refresher courses for all employees 		<ul style="list-style-type: none"> → Business Sustainability → Risk Management → Governance & Ethics

SECTION 5

FINANCIAL REVIEW

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- 86** Financial Calendar
- 87** Share Performance



CHIEF FINANCIAL OFFICER'S FINANCIAL REVIEW



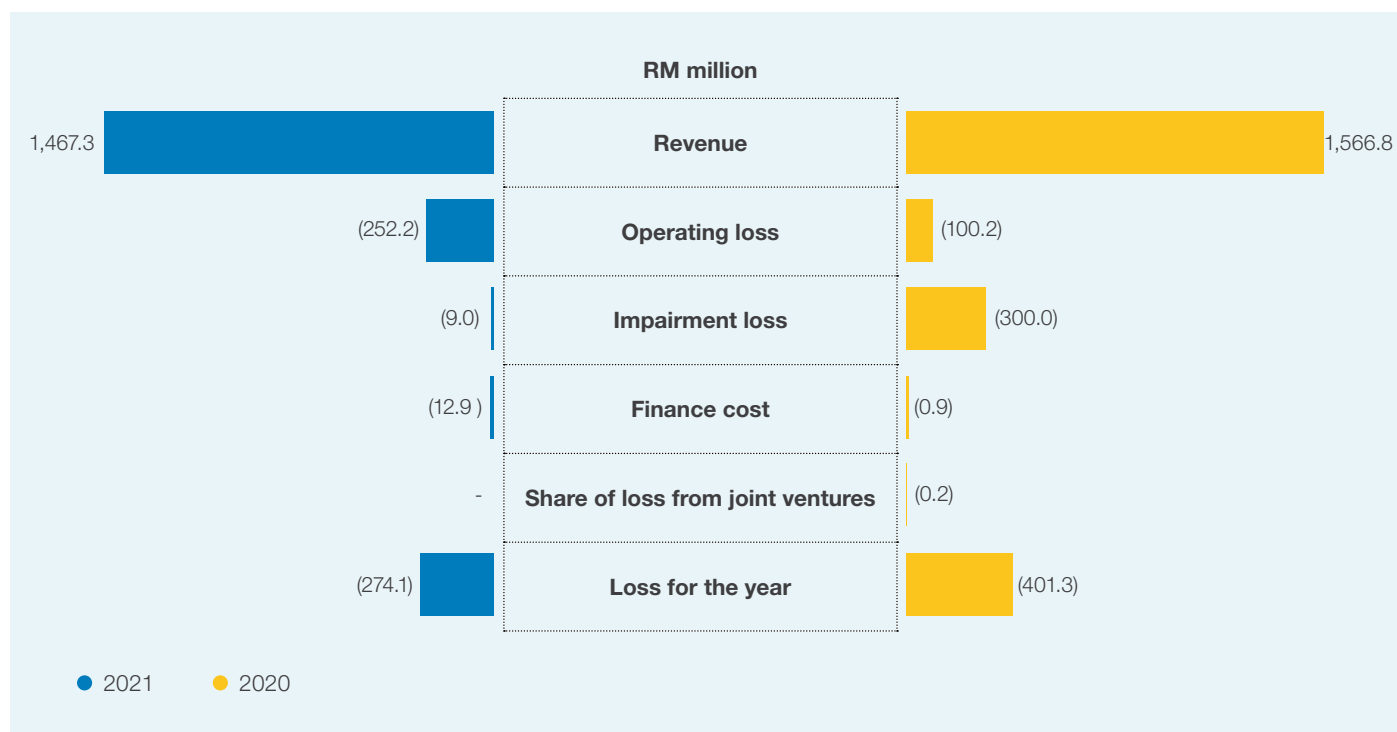
AHMAD ZAKRI MD SALEH

Chief Financial Officer

Despite the improvement in oil prices, 2021 has been yet another exceedingly difficult year for the oil and gas (O&G) industry, as businesses struggled with operational challenges that arose from the COVID-19 pandemic. Coupled with global supply chain disruptions, projects were inevitably delayed, resulting in schedule slippages and cost overruns. Consequently, many industry players recorded significant losses with some experiencing severe cash flow and liquidity problems casting doubt on their ability to continue to operate as a going concern. At the same time, the surge of Omicron cases globally had put the global oil and gas demand recovery at risk. Coupled with the renewed uncertainty created by the lingering effects of the pandemic and high material prices, oil and gas majors remained cautious in their CAPEX spending.

Against these intense pressures, we have leveraged on our longstanding track record in offshore construction and marine repair services to maintain our business and operational continuity. Our business is backed by a strong balance sheet to withstand pandemic-related challenges, whilst maintaining the Group's strategic focus to generate long-term value. Despite the adverse industry conditions, the Group managed to secure the SK408W Jerun Development Project, a major EPCIC contract which is expected to contribute to the Group's earnings well into 2024. Nevertheless, operational challenges brought about by the pandemic had caused extensions to project completion dates. This, coupled with the continuing adverse impact of COVID-19 border restrictions on the marine repair business had contributed significantly to the Group's operating loss for the financial year.

Chief Financial Officer's Financial Review



FINANCIAL PERFORMANCE IN 2021

For the year under review, MHB's revenue dipped to RM1,467.3 million from RM1,566.8 million due to lower revenue from our Marine business. Despite the drop in revenue, loss after tax reduced significantly to RM274.1 million from RM401.3 million in prior year mainly due to lower impairment loss recognised in 2021.

Having to bear the brunt of the lingering pandemic, losses for both segments widened at the operating level. In tandem with the significant increase in operating losses, our LBITDA increased to RM178.9 million from RM38.8 million in the prior year.

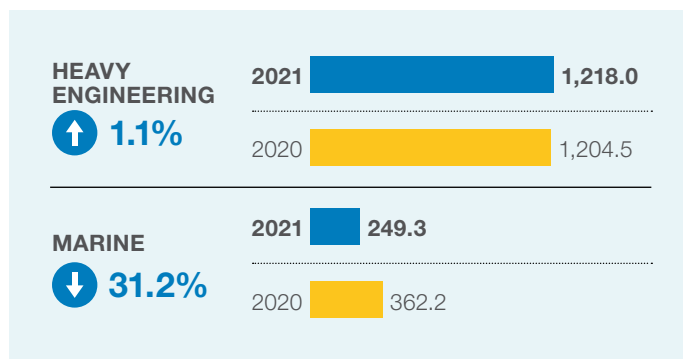
In the Heavy Engineering Segment, revenue improved marginally by 1.1% to RM1,218.0 million mainly due to progress on a major ongoing project which had advanced into the construction phase. However, COVID-19 cases involving employees of the Group and sub-contractors forced construction work to halt, resulting in project schedule slippage. In addition, the global supply chain disruption had impacted deliveries of certain equipment and supplies which exacerbated the situation. Productivity under the "new normal" such as

requirements to quarantine, perform swab tests and observe physical distancing continued to hinder our ability to expedite project schedule. These have contributed to significant escalation in costs. Whilst the Group continues to aggressively pursue recovery of COVID-19 costs from the customer, progress on this has been challenging. As a result, the Heavy Engineering Segment recorded an operating loss of RM209.1 million.

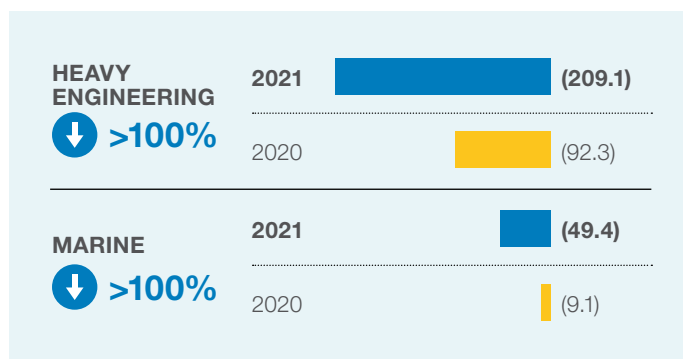
Within the Marine Segment, revenue reduced by 31.2% to RM249.3 million due to lower drydocking activities as a result of the prolonged border restrictions. This was not only caused by our marine repair customers opting for yards in regional countries with less strict border controls but was also due to limitations on the entry of specialists required to perform Marine repair work at our yard. The significant reduction in revenue had resulted in higher unabsorbed overheads leading to an operating loss of RM49.4 million for the year.

Chief Financial Officer's Financial Review

REVENUE BREAKDOWN BY SEGMENT (RM million)



OPERATING LOSS BREAKDOWN BY SEGMENT (RM million)



The Group recorded an impairment loss of RM9 million in the current financial year which was attributable to our subsidiary, MMHE-EPIC Marine & Services Sdn Bhd (MEMS) engaged in providing repair services and drydocking of marine vessels based in Kemaman.

FINANCIAL POSITION AND LIQUIDITY

Notwithstanding the higher operating loss, our financial position remained robust with healthy cash and bank balances accompanied by low gearing level and a growing order book. This has provided a strong foundation for us to deliver projects to customers and compete for new contracts to sustain and grow our business prospects despite the challenging industry conditions.

Our financial position is augmented by our strong asset base, which has increased year on year to RM3,390.1 million in 2021, from RM3,146.4 million in 2020. The increase was mainly contributed from higher receivables and cash and bank balances of RM832.3 million and RM709.9 million respectively. Majority of receivables is made up of creditworthy customers such as PETRONAS and MISC Group of Companies with a proven payment track record. The Group's healthy cash balance is a strong indicator of the Group's ability to continue to execute its ongoing projects and meet its debt obligations amidst the challenges posed by the ongoing pandemic. Also included in our total assets are deferred tax assets, which remained at RM93.3 million that the Group believes will be utilised to offset against future taxable profits. In addition to this, the Group also has at its disposal more than RM1.1 billion of unutilised Investment Tax Allowances, unabsorbed capital allowances and unutilised tax losses which have not been recognised as deferred tax assets but nevertheless are available to offset against future taxable profits of the Group.

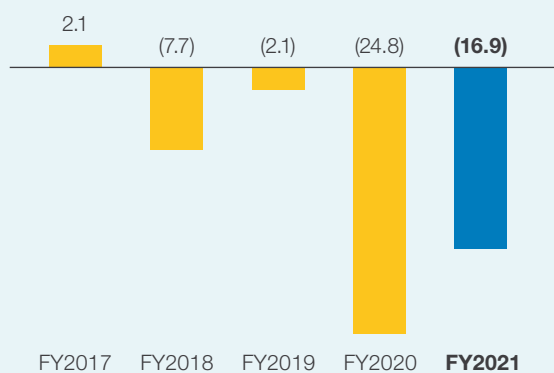
Our total liabilities stood at RM1,682.7 million, an increase of RM502.1 million from the RM1,180.6 million previously, mainly due to increase in payables as a result of the additional costs of extended project completion dates, in line with the higher operating loss. Borrowing increased to RM369.6 million, a net increase of RM121.2 million from prior year as the Group completed the full drawdown of its Tawarruq Financing Facility ("the Facility") with Bank Pembangunan Malaysia Berhad (BPMB) used to finance the construction of Dry Dock No. 3. The Group made principal repayments of RM28.4 million during the year consistent with the terms and conditions of the Facility. During the period under review, the Group had fully complied with the covenants stipulated in the Facility agreement.

Our cash flow from operations swung from a net positive RM136.1 million to a negative RM10.5 million in tandem with the higher operating loss. With the completion of Dry Dock No. 3 in late 2020, the Group recorded a significant decrease in its net cash used in investing activities to RM37.8 million from RM216.6 million in prior year. Conversely, net cash flow from financing activities increased by RM49.5 million to RM107.1 million in 2021 as the Group completed the Facility drawdown. Notwithstanding the higher operating loss and the negative cash flow from operations, the Group continues to maintain prudent fiscal and capital discipline in managing cash as demonstrated by the Group's healthy cash balance throughout the year.

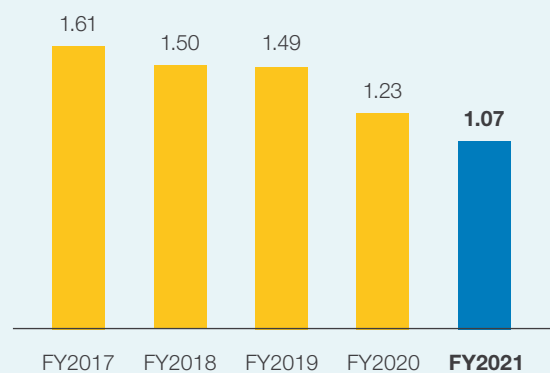
Chief Financial Officer's Financial Review

5-YEAR FINANCIAL HIGHLIGHT

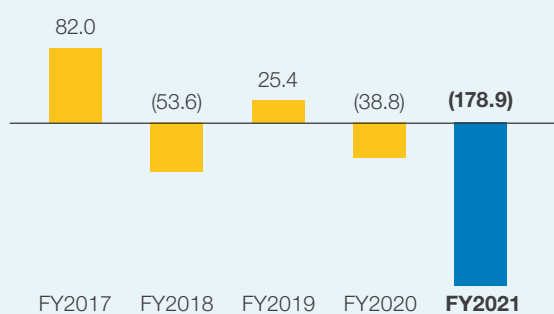
EARNINGS/(LOSS) PER SHARE (sen)



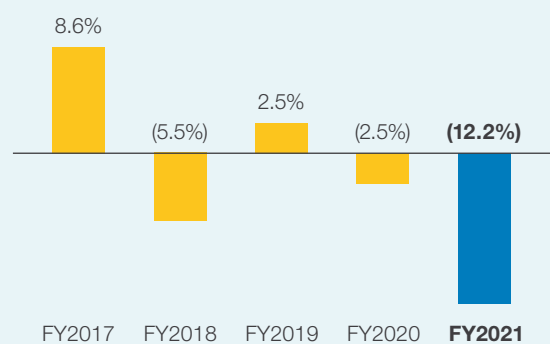
NET TANGIBLE ASSETS PER SHARE (RM)



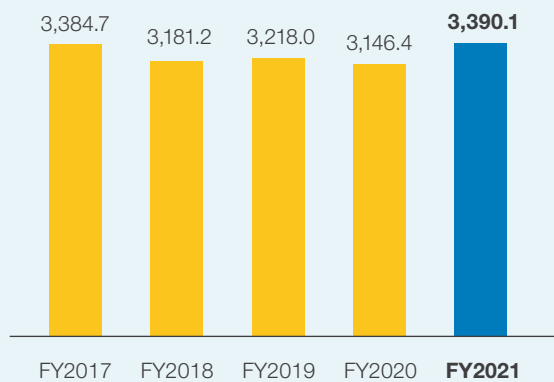
EBITDA/ (LBITDA) (RM million)



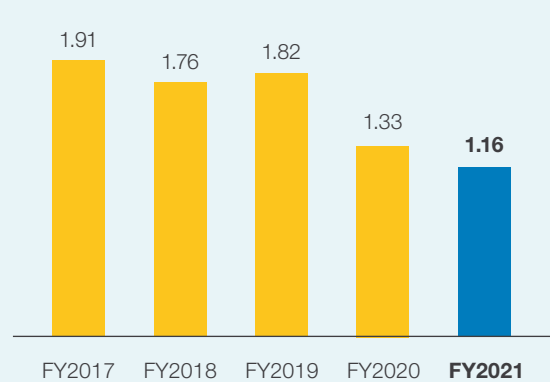
EBITDA/ (LBITDA) MARGIN



TOTAL ASSETS (RM million)



CURRENT RATIOS (times)



Chief Financial Officer's Financial Review

STRONG FINANCIAL GOVERNANCE TO DRIVE LONG-TERM SUSTAINABLE GROWTH

We continue to uphold our strong financial governance, as evidenced from our regulatory compliant financial disclosures which reinforce our financial integrity. Within MHB, our prudent and disciplined approach to financial budgets, plans and forecasts is informed by our internal audit processes and systems and our accountable reporting lines and procedures. Our consistently robust approach to financial management has ensured that MHB retained a strong balance sheet with ample liquidity. Our ability to maintain the strength of our balance sheet despite the multifaceted challenges we have faced over the course of the past two years is testament to the resilience of our organisation and reflects our ability to manage our cash flow well.

In February 2021, MHB was acknowledged as one of the Top 30 cash-rich companies on Bursa Malaysia (excluding financial sector) by Bloomberg. True to form, our net cash position remained healthy at RM339.4 million in 2021. Our strong net cash position indicates our ability to withstand the long-term pressures of the persisting pandemic and enabled us to continue executing our strategic priorities. Our low debt-to-equity ratio of 0.22x is well below the industry average and is the result of our prudent approach to debt management.



Net Cash

RM339.4 million

as at 31 December 2021



Debt-to-Equity Ratio

0.22x

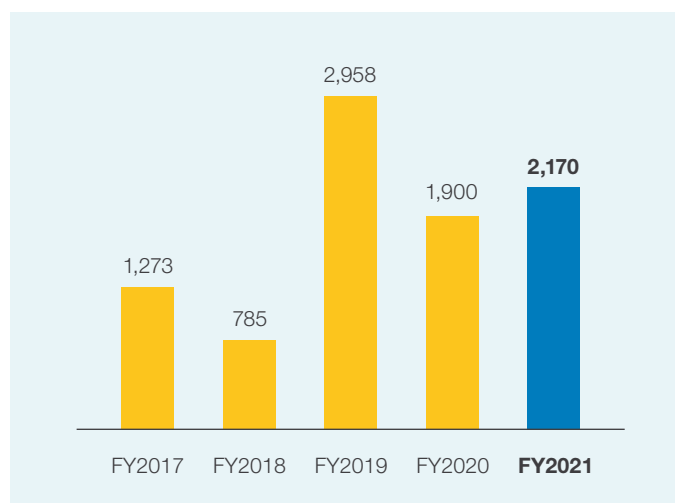
as at 31 December 2021

Supported by our strong financial fundamentals, MHB has continued to focus on project execution excellence. We have been able to obtain our customers' confidence that we possess both the know-how and the financial capability to execute the major projects awarded. External validation of our solid financial fundamentals was reinforced by Malaysian Rating Corporation Berhad (MARC) affirming our investment grade credit rating at AA-*is* in August 2021 with a stable outlook. The rating also reflects MHB's status as a member of the PETRONAS Group and its continued business support.



Please refer to the Investor Relations Report on pages 235 to 238 for more information.

ORDER BOOK (RM million)



ORDER BOOK OF RM2,170 MILLION AS AT 31 DECEMBER 2021



Heavy Engineering Business

99.1%



Marine Business

0.9%

Further reinforcing our strong financial governance, MHB successfully made full drawdown of the Facility from BPMB. We underwent 13 cycles of drawdown, with each cycle requiring submission of disbursement reports and documentation produced by the appointed Independent Checker Engineer who verified and certified all claims submitted. Thus, our excellent record keeping ability and sound financial governance have enabled us to meet stringent drawdown requirements.

Chief Financial Officer's Financial Review

EFFECTIVE MANAGEMENT OF OUR FINANCIAL RISKS

We have in place an effective financial risk management function undertaken by the Corporate Finance and Financial Risk Management Unit under the Finance Division. MHB is also guided by PETRONAS and MISC guidelines which provide detailed implementation, strategies, tools and approaches in ensuring that all risks are identified and determined, measured, monitored and reported, with effective control mechanisms and oversight by the relevant Board committees.

Towards further strengthening our financial risk management function, we implemented the new MHB Financial Policy, which is rolled down from the PETRONAS Financial Policy and MISC Financial Policy. This policy is anchored on MHB's commitment to become a financially resilient organisation through sound financial risk management practices. In line with this, we have been managing our foreign exchange risks by executing hedging strategies through forward contracts. In 2022, we will continue to focus on managing our foreign exchange risk to further fortify our financial position and secure our project margins. In addition, the Company diligently monitors and mitigates credit risk by performing credit rating assessment of all its counterparties using the PETRONAS Credit Risk Rating System. All key matters pertaining to credit risks are discussed, reviewed and monitored at the MHB Credit Committee which formulates appropriate mitigating actions to minimise exposure and manage overall credit performance.

INVESTOR ENGAGEMENT APPROACH

Throughout the year, we have maintained our commitment to provide transparent and accountable disclosures to the investment community and our stakeholders by continuously updating them on the latest developments, strategic directions and future outlook of the Group. Effective two-way communication has been maintained with analysts and fund managers to ensure that they have a good understanding of our business and how we intend to progress with our value creation efforts.



Please refer to the Investor Relations Report on pages 235 to 238 for more information.

MOVING FORWARD

We expect 2022 to be another challenging year on several fronts as the COVID-19 pandemic persists. While it has been a bitter pill to swallow, MHB has been able to integrate lessons learnt into an effective array of business continuity, crisis management and recovery plans. We plan to continue with our approach of putting lessons learnt into practice in terms of better management of our projects, execution plans and supply chain management, with the aim of improving operational performance to record better financial metrics in 2022.

2021 represented the beginning of our internal finance transformation efforts in line with the aspirations of MISC Group to transform our traditional transactional finance function into a data driven finance of the future with predictive and prescriptive capabilities anchored on a single source of truth. During the year we developed the implementation roadmap which we plan to diligently execute in 2022. At the same time, we will empower our people to support our internal transformation efforts by enhancing their capabilities.

Alongside this, we will maintain sharp focus on ensuring our financial strength and strong balance sheet by prudently managing financial risks and exercising proper due diligence in assessing the risks of new projects to determine whether we have the appetite to take on the risks. As we continue with our domestic and international bidding, we believe it is absolutely critical that we maintain financial discipline and rigour in bidding for projects, especially within the complex, multi-risk EPCIC jobs that we are aiming for. One of our key focus areas for 2022 is to continue conducting proper assessments of all COVID-19 related project risks so that we can effectively manage risks of potential delays and cost overruns.

We will continue to focus on cost optimisation by cutting costs where we can, reducing corporate overheads and minimising wastages and leakages in our operations as the critical foundation of our financial management strategy. As well as that, we will remain efficient in managing our projects through rigorous manpower planning and resource optimisation.

I believe our financial resilience and preparedness for the challenges ahead will ensure that we remain on a positive value creation trajectory to generate sustainable financial value for our stakeholders.

AHMAD ZAKRI MD SALLEH

Chief Financial Officer

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FINANCIAL CALENDAR

FINANCIAL YEAR 2021

Q1 FYE 2021 Results Announced — 28-Apr-21 Wednesday	Q2 FYE 2021 Results Announced — 30-Jul-21 Friday	Q3 FYE 2021 Results Announced — 02-Nov-21 Tuesday
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FINANCIAL YEAR 2022

FYE 2021 Full Year Results Announced — 11-Feb-22 Friday	Annual General Meeting — 21-Apr-22 Thursday
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SHARE PERFORMANCE

Month (2021)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Highest Closing Price (RM)	0.44	0.48	0.72	0.68	0.54	0.51	0.47	0.43	0.42	0.50	0.43	0.40
Lowest Closing Price (RM)	0.40	0.40	0.43	0.51	0.41	0.44	0.43	0.37	0.38	0.39	0.37	0.37
Average Closing Price (RM)	0.42	0.44	0.61	0.60	0.47	0.46	0.44	0.40	0.40	0.44	0.41	0.38
Volume Traded ('000)	16,410	59,227	205,117	60,446	52,926	36,853	7,504	26,668	19,569	70,082	12,601	2,942

