



engineering solutions

ENHANCING PERFORMANCE **DRIVING GROWTH**

INTEGRATED ANNUAL REPORT 2022





→ Our MMHE West yard, fully occupied with mega oil and gas projects.

- Malaysia's Largest Operating Yards
- 2,005,540m²
- Tonnage capacity of 129,700 MT



WHAT'S INSIDE

INTRODUCTION

04 About This Report

06-17

WHO WE ARE

08 Corporate Statements
10 Who We Are and What We Do
14 Key Milestones
16 Corporate Information
17 Corporate Structure

18-31

KEY MESSAGES

20 Chairman's Message
24 MD & CEO's Review

32-41

HIGHLIGHTS

34 Key Highlights 2022
38 A Look Back at 2022

42-73

STRATEGIC REVIEW

44 Strategic Overview
48 How We Create Value
52 Our Strategic Focus
54 Our Material Matters
59 Our Stakeholders
62 Our Operating Environment
70 Our Risks and Mitigation Strategies

74-83

FINANCIAL REVIEW

76 Chief Financial Officer's Financial Review
82 Financial Calendar
83 Share Performance



84-105

BUSINESS & OPERATIONAL REVIEW

86 Heavy Engineering
94 Marine
102 Plant Turnaround & Shutdown
Maintenance

106-227

SUSTAINABILITY STATEMENT

108 Introduction
110 Message from the MD & CEO
112 Sustainability Strategy
114 Sustainability Governance
117 Approach and Achievements
208 Climate-Related Financial Risks and
Opportunities

246-281

GOVERNANCE

- 248 Corporate Governance Overview Statement
- 259 Nomination & Remuneration Committee Report
- 261 Board Audit Committee Report
- 265 Board Risk Committee Report
- 267 Statement on Risk Management and Internal Control
- 276 Directors' Responsibility Statement
- 277 Investor Relations Report
- 281 Additional Compliance Information

282-378

FINANCIAL STATEMENTS

- 284 Financial Statements

380-391

ADDITIONAL INFORMATION

- 382 Properties Owned by MHB and its Subsidiaries
- 384 30 Largest Shareholders
- 386 Statistics on Shareholdings
- 388 Corporate Directory
- 389 List of Abbreviations

392-406

ANNUAL GENERAL MEETING

- 394 Notice of Annual General Meeting
- 398 Administrative Notes Form of Proxy



For more information
visit our website at:

www.mhb.com.my

34TH

ANNUAL GENERAL MEETING

Date : Thursday, 13 April 2023

Time : 11.00 a.m.

Broadcast : Conference Room 2,
Venue : Level 17, Menara Dayabumi,
Jalan Sultan Hishamuddin,
50050 Kuala Lumpur, Malaysia.

Meeting Platform : <https://meeting.boardroomlimited.my>

Cover Rationale

Regardless of the hurdles we have faced over the years, MHB has not wavered from continuing to strive in sustaining our business and operations.

As reflected in MHB Integrated Annual Report's cover this year, we have been constantly looking out for opportunities to **fortify our oil & gas and marine footings** in local and international markets, as well as **expanding into a novel horizon to provide sustainable and clean energy solutions** for our customers.

Our relentless efforts in **prioritising cost effective management and improving project execution and delivery** through strategic investment in people, technology, processes, and digitalisation are now being materialised.

Driven by our commitment for progressive growth, we are accelerating our way to build a better world.

228-245

LEADERSHIP

- 230 Our Board at a Glance
- 231 Profiles of the Board of Directors
- 240 Profiles of the Management Committee

ABOUT THIS REPORT

MHB's Integrated Annual Report (IAR) 2022

seeks to provide accountable, transparent and balanced disclosures of our value creation journey. Our report presents the integrated approach we take in considering the interdependencies and interconnectivities between our strategy, performance, risks and opportunities, and future outlook in relation to Material Matters. This IAR has been developed in accordance with the International Integrated Reporting <IR> Framework issued by the IFRS Foundation in January 2021.



REPORTING SCOPE AND BOUNDARY

MHB's IAR provides disclosures pertaining to our business segments, subsidiaries and joint venture operations. This IAR covers MHB's activities and performance for the financial year ended 31 December 2022 (FY2022). It also includes any material events that occurred after this date up to the date of publication. We have also provided information and data pertaining to our value creation activities and outcomes for our key stakeholder groups - refer to page 59 in the Our Stakeholders section.

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

OUR MATERIAL MATTERS

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

SUSTAINABILITY

Sustainability considerations are an integral component of our business and we have taken cognisance of the sustainability issues and factors that impact our short, medium and long-term value creation ability throughout this IAR. Our Sustainability Statement within this IAR provides disclosures of our sustainability governance, framework, strategic priorities, as well as our sustainability programmes and initiatives, along with outcomes and forward-moving plans.

ABOUT THIS REPORT



→ Vessel Q7000, a well intervention semi-submersible vessel dry docking in our Dry Dock No. 3, one of the largest dry docks in Southeast Asia.

OUR REPORTING FRAMEWORKS AND GUIDELINES

This IAR provides a comprehensive account of our value creation activities and the financial and non-financial outcomes we achieved in FY2022, along with our future outlook and forward-moving plans. It has been developed in accordance with the following reporting frameworks and guidelines.

Reporting Frameworks

Integrated Annual Report 2022	<ul style="list-style-type: none"> • Bursa Malaysia Securities Berhad Main Market Listing Requirements • Malaysian Code on Corporate Governance 2021 • Corporate Governance Guide (4th edition) issued by Bursa Malaysia • International <IR> Framework • Companies Act 2016 • Malaysian Financial Reporting Standards (MFRS) • International Financial Reporting Standards (IFRS)
Sustainability Statement 2022	<ul style="list-style-type: none"> • Bursa Malaysia Securities Berhad Sustainability Reporting Guide • Sustainability Accounting Standards Board (SASB) Standards • Global Reporting Initiative (GRI) Standards (Core Option) • FTSE4Good Bursa Malaysia Index Criteria • Task Force on Climate-Related Financial Disclosures (TCFD)

ASSURANCE

We have obtained third party assurance from our external auditor, Ernst & Young PLT, who provide assurance on the audited financial statements.

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

INFORMATION ON EXCLUSION

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

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

FORWARD-LOOKING STATEMENTS

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

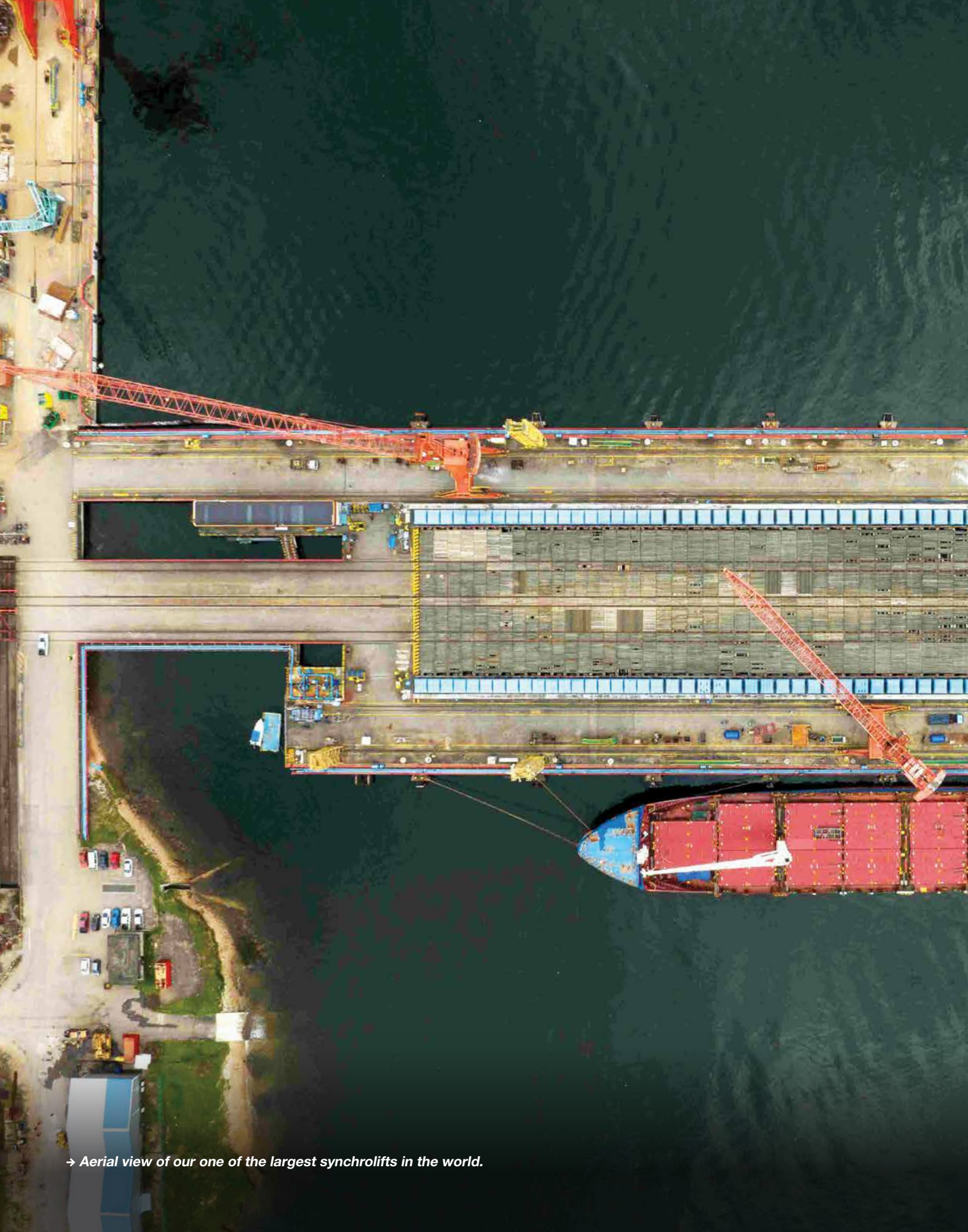
BOARD RESPONSIBILITY STATEMENT

Our Board of Directors acknowledges its responsibility in ensuring the integrity of this IAR. The Board has reviewed the contents of this IAR to ensure that the information provided is accurate and the report has been drafted in accordance with the <IR> Framework. The Board approved this report and its publication on 22 February 2023.

FEEDBACK



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



→ Aerial view of our one of the largest synchrolifts in the world.



WHO WE ARE



- 08** Corporate Statements
- 10** Who We Are and What We Do
- 14** Key Milestones
- 16** Corporate Information
- 17** Corporate Structure

CORPORATE STATEMENTS

VISION

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

MISSION

To consistently be better, we strive:

to exceed the expectations of our customers



to promote individual and team excellence of our employees



to create a positive difference to the lives of communities



to care for the environment and operate responsibly



to drive sustainable value for our shareholders



SHARED VALUES

LOYALTY

Loyal to corporation



INTEGRITY

Honest and upright



PROFESSIONALISM

Strive for excellence



COHESIVENESS

United, trust and respect for each other



CORPORATE
STATEMENTS

MHB CULTURAL BELIEFS



WHO WE ARE AND WHAT WE DO

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

We have close to a 50-year track record of delivering integrated and complex solutions, including deepwater services to international oil & gas customers. We are also recognised for our global expertise in offshore conversion services, LNG Carrier repair and dry docking. We own and operate a regional Centre of Excellence – a learning centre that produces technically expert workers for the industry.

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

MOVING TOWARDS SUSTAINABLE SOLUTIONS

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

In 2022, we charted new milestones in offering green solutions to our customers. Towards reducing greenhouse gas (GHG) emissions for greener operations, we have Malaysia's largest rooftop solar panels installed in a single compound covering a total area of 440,496 sq ft and generating 10,000 MWh clean energy annually which powers MMHE West yard operations. We have now taken a step further in our business offerings with the award of the Rosmari-Marjoram gas project off the coast of Sarawak, offshore Malaysia, which will utilise RE generated from solar panels.

In line with the maritime decarbonisation agenda and towards supporting vessel owners to meet the requirements of the International Maritime Organisation's Energy Efficiency Existing Ship Index (EEXI) and Carbon Intensity Indicator (CII), we have entered into strategic partnerships with maritime clean technology company Silverstream Technologies and Bureau Veritas Solutions. Our new partnerships will enable us to provide customers with vessel retrofit services that will ensure compliance with the EEXI and CII.

Representing a major step forward in PETRONAS' Sustainability Agenda to meet its carbon commitment and GHG emissions target, MHB is supporting our parent company's transition to a green future. In 2022, PETRONAS Carigali Sdn Bhd awarded MHB with Malaysia's first and the world's largest offshore carbon capture and storage (CCS) project by volume of CO₂ captured annually - the Kasawari CCS Project off the coast of Sarawak, offshore Malaysia.

WHO WE ARE



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



A constituent of
FTSE4Good
Bursa Malaysia Index since
2015



3,365
highly skilled workforce
nationwide
(as at 31 December 2022)



More than
46,128,460 million
man-hours recorded annually
for the past three years



Fabrication tonnage capacity of
129,700 MT



Own one of the
largest dry docks
in Southeast Asia



Own the
largest goliath cranes
in Southeast Asia
[2 x 600T x 150m(W) x 100m(H)]



Own one of the
largest sychrolifts
in the World

WHO WE ARE
AND WHAT WE DO



Our Centre of Excellence,
a dedicated learning centre for the oil & gas and marine industries was established in 2015 and has **trained over 91,000 people** as at end 2022



We adhere to the Highest Standard of Integrity

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



The only Malaysian company certified with **Canadian Standard Association (CSA) Standard W47.1 “Certification of Companies for Fusion Welding of Steel”** by the Canadian Welding Bureau (CWB)

Globally recognised products



- **American Petroleum Institute (API) 2B Monogram**
Certification for Authority to use the Official API Monogram
- **The American Society of Mechanical Engineers (ASME) U & R Stamp**
Authorisation for the Manufacture and Repair of Pressure Vessels
- **EN 1090-1: 2009 + A1: 2011 Certified**
Execution of Steel Structures and Aluminium Structures

Excellent Quality & Safety Culture

- **ISO 45001: 2018 Certified**
Occupational Health & Safety Management System
- **ISO 14001: 2015 Certified**
Environmental Management System
- **ISO 9001: 2015 Certified**
Quality Management System
- **ISO 3834-2: 2005 Certified**
Quality Requirements for Fusion Welding of Metallic Material
- **ISO 29001: 2020 Certified**
Quality Management System for Petroleum, Petrochemical and Natural Gas Industry
- **American Petroleum Institute (API) Q1 9th Edition**
Quality Management system for Fabrication of Structural Steel Pipe for the Oil and Gas Industry
- **IECEx Certified**
Repair and overhaul services of Ex d, Ex e and Ex n of certified rotating machines and enclosures



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

Total yard size
2,005,540m²

MMHE West: 1,537,090m²



MMHE East: 468,450m²



WHO WE ARE AND WHAT WE DO

OUR SOLUTIONS



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

Offshore

Fabrication and full EPCIC services for offshore facilities.

- Deepwater facilities
- Fixed platforms
- Renewable energy facilities



→ 4 Modules Pyrolysis Furnace

Onshore

Fabrication services for onshore modules and facilities.

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



→ FPSO Kikeh

Conversion

Conversion of offshore facilities in one location.

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



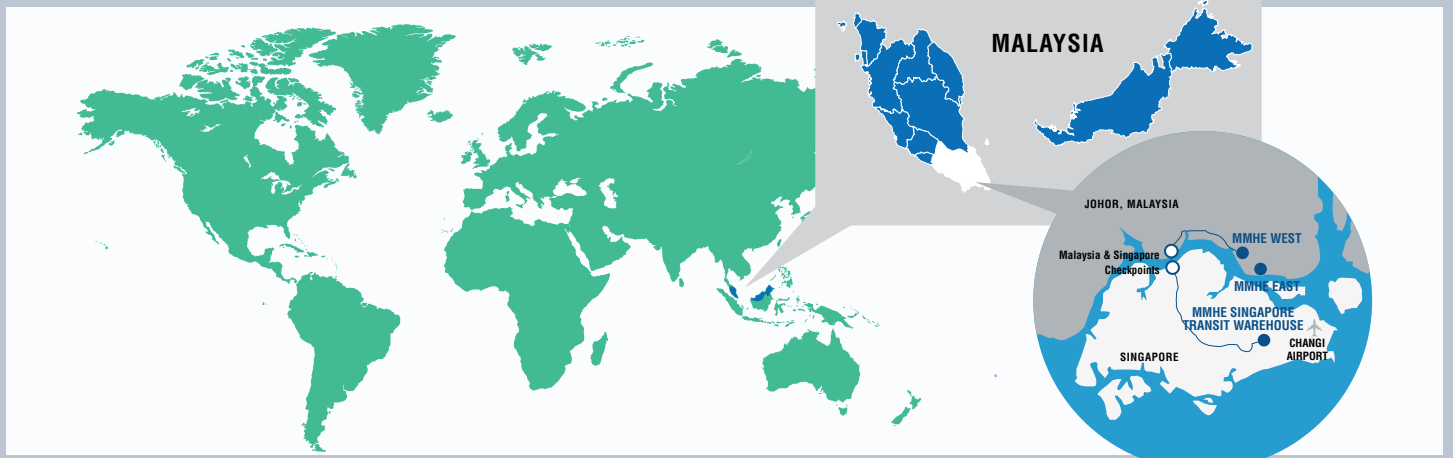
50 years of delivering integrated and complex solutions for oil & gas and marine industries



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

- | | | |
|-------------------|----------------------|----------|
| • 54 WHP Topsides | • 61 Jackets | • 1 TLP |
| • 14 CPP Topsides | • 15 Floaters | • 1 SPAR |
| • 24 Turrets | • 3 Semi-Submersible | |

OUR STRATEGIC LOCATION



WHO WE ARE
AND WHAT WE DO



→ LNGC *Seri Camelia*

Marine Repair & Refurbishment

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

- Gas carriers (Liquefied Natural Gas Carrier (LNGC) / Liquefied Petroleum Gas Carrier (LPGC))
- Product tankers (chemical, crude oil, petroleum) & VLCCs
- Container Vessels & Bulk Carriers
- Offshore supply vessels
- Dredgers, Car Carriers, Navy Vessels
- Oil rigs, Semi-submersibles and others



→ Routine Maintenance

Plant Maintenance & Turnaround

- Plant shutdown and maintenance
- Routine maintenance
- Upgrading works



→ HUC & Offshore Services

Other Services

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



Comprehensive marine services with **close to 4,000 marine repair and life extension solutions** on various types of vessels, rigs and marine facilities

- Dry Dock 1 – Capacity: 450,000 dwt
- Dry Dock 2 – Capacity: 140,000 dwt
- Dry Dock 3 – Capacity: 400,000 dwt



Complete Offshore Conversion Facilities with Track Record of **more than 30 Conversion Projects** (including FSO, FPSO, MOPU)

OUR PEOPLE



Number of Employees (as at 31 December 2022)
3,365

Male	Female	Technical	Non-Technical
2,743	622	2,813	552



Age Diversity

Baby Boomers	Gen X	Millennials	Post Millennials
105	719	1,778	763

Note:

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

KEY MILESTONES

1973
–
2004

SETTING STRONG FOUNDATIONS

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



→ Bulk Carrier Japan Acacia

2005
–
2009

ENHANCING OUR MARINE SOLUTIONS

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



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

2010
–
2013

EXPANDING OUR CAPACITY

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



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

2014
–
2016

CHARTING REGIONAL FIRSTS

Within this three-year period, we recorded tremendous growth which further established our industry reputation as we worked on various complex projects. Milestone projects during these years included the largest enhanced oil recovery (EOR) facility in Southeast Asia, the Tapis-R topsides; repair works on the largest pipelay in the world, the Audacia; repair works on the world's largest ore carrier, Sea Beijing; conversion of a cargo carrier to a mobile sea base facility for Tun Azizan Mobile Sea Base, the first in Southeast Asia; and completion of Malaysia's first tension leg platform (TLP) deepwater project, the Malikai TLP. In 2015, we launched our Centre of Excellence, a dedicated

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

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

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

2022

BUILDING OUR REPUTATION AS A GREEN SOLUTIONS PROVIDER

In more recent years, we have focused our business strategies to capture opportunities arising from energy transition and industry decarbonisation. Our MMHE West yard operations utilise Renewable Energy (RE) from clean energy generated by Malaysia's largest rooftop solar panels installed in a single compound. In 2022, we took our RE solution to the next level by securing the EPC contract for the Rosmari-Marjoram Solar Powered Offshore Platform from Sarawak Shell Berhad.

Leveraging on our credible industry reputation, in 2022 we built our market presence as a sustainable solutions provider through the award of the EPCIC Alliance contract for the Kasawari Carbon Capture and Storage Project from PETRONAS Carigali Sdn Bhd – the world's largest and Malaysia's first CCS project.

KEY MILESTONES

2017 – 2018

FOCUSING ON GROWTH

learning centre for the O&G and marine industries, signifying our commitment to contributing to sustainable talent development within the sector. Another first during these years was our inaugural listing on the FTSE4Good Bursa Malaysia Index, testament to our sustainability performance and strong Environmental, Social and Governance (ESG) practices.



→ *Malikai Tension Leg Platform (TLP)*

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

2019 – 2020

DRIVING OUR EXPANSION

Our well-established track record enabled us to deliver on projects such as the Offshore Wellhead Facilities (OWF) Tembikai Non-Associated Gas (TNAG) offshore fit-for-purpose facility, as well as securing new projects such as the Master Service Agreement for Integrated Turnaround Main Mechanical Static from PETRONAS and the Kasawari Gas Development



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

Project from PETRONAS Carigali Sdn Bhd. By the end of 2020, we had added a third dry dock, Dry Dock No. 3 to our infrastructure, which commenced operations with the arrival of the first vessel, CSAV TOCONAO, a container vessel. As we enter a new era of energy transition, climate change and industry decarbonisation, we adapted our business model and strategy to remain a relevant business into the future and in line with this diversified into the new growth area of renewable energy.

2021

PREPARING FOR A GREENER FUTURE

In our quest to support maritime industry decarbonisation, we embarked on two strategic partnerships in 2022 with Silverstream Technologies and Bureau Veritas Solutions to offer ship owners green vessel retrofits that will enable them to meet the International Maritime Organisation's Energy Efficiency Existing Ship Index (EEXI) and Carbon Intensity Indicator (CII) requirements, both of which aim to reduce GHG emissions by shipping.



→ *Utilising MHB's core competence in offshore fabrication for the offshore wind industry*

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

Project which upon completion will be located offshore Sarawak, Malaysia.



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

CORPORATE INFORMATION

AS AT 17 FEBRUARY 2023

BOARD OF DIRECTORS

Chairman, Independent Non-Executive Director

Datuk Nasarudin Md Idris

Senior Independent Non-Executive Director

Gladys Leong

Independent Non-Executive Directors

Keith Taylor

Wan Yusoff Wan Hamat

Non-Independent Non-Executive Directors

Ausmal Kardin

Captain Rajalingam Subramaniam

Raja Azlan Shah Raja Azwa

Managing Director & Chief Executive Officer,

Non-Independent Executive Director

Pandai Othman

BOARD AUDIT COMMITTEE

Gladys Leong (*Chairperson*)

Keith Taylor

Ausmal Kardin

NOMINATION & REMUNERATION COMMITTEE

Wan Yusoff Wan Hamat (*Chairman*)

Gladys Leong

Ausmal Kardin

BOARD RISK COMMITTEE

Keith Taylor (*Chairman*)

Wan Yusoff Wan Hamat

Raja Azlan Shah Raja Azwa

COMPANY SECRETARIES

Shahrin Albakri Mustafa Albakri MCCS
(M01832)

Suruhanjaya Syarikat Malaysia

Practicing Certificate (202108000633)

Haniza Sabaran FCIS (CS) (CGP)

(MAICSA 7032233)

Suruhanjaya Syarikat Malaysia

Practicing Certificate (201908001761)

REGISTERED OFFICE

Level 31, Menara Dayabumi

Jalan Sultan Hishamuddin

50050 Kuala Lumpur

Malaysia

Telephone +603 2273 0266

Facsimile +603 2273 8916

Email enquiries@mmhe.com.my

Website www.mhb.com.my

AUDITORS

Ernst & Young PLT

Level 23A Menara Milenium

Jalan Damanlela

Pusat Bandar Damansara

50490 Kuala Lumpur

Malaysia

Telephone +603 7495 8000

Facsimile +603 2095 5332

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd

11th Floor, Menara Symphony

No. 5, Jalan Prof. Khoo Kay Kim

Seksyen 13, 46200 Petaling Jaya

Selangor Darul Ehsan

Malaysia

Telephone +603 7890 4700

Facsimile +603 7890 4670

FORM OF LEGAL ENTITY

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

STOCK EXCHANGE LISTING

Listed on the Main Market of Bursa Malaysia Securities Berhad since 29 October 2010.

Stock Code 5186

Stock Name MHB

PLACE OF INCORPORATION AND DOMICILE

Malaysia

CORPORATE STRUCTURE





→ The construction of Kasawari Gas Development Project's central processing platform (CPP).



KEY MESSAGES



20 Chairman's Message

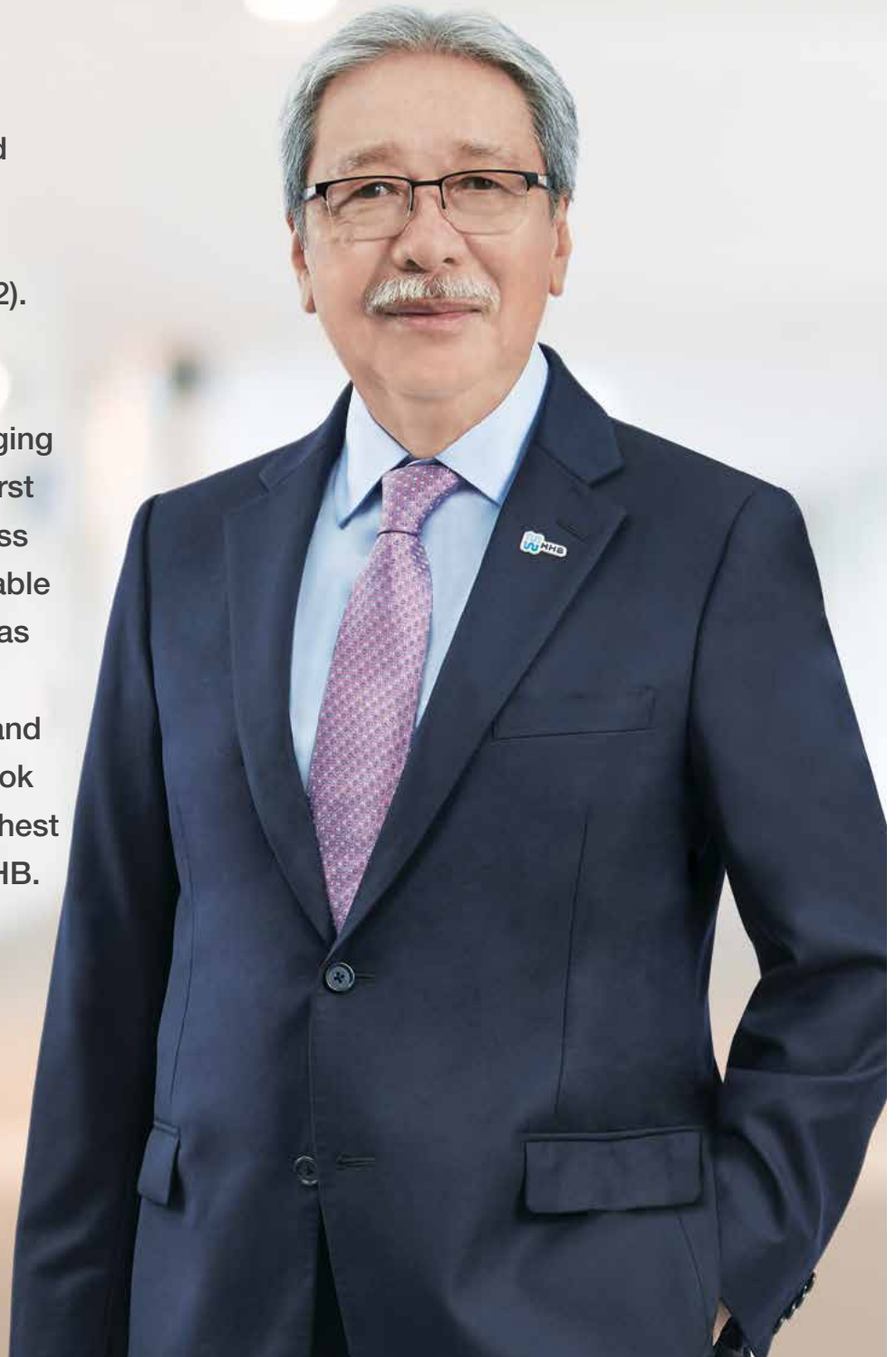
24 MD & CEO's Review

CHAIRMAN'S MESSAGE

DEAR STAKEHOLDERS

I am pleased to present to you MHB's Integrated Annual Report for the financial year ended 31 December 2022 (FY2022). It has been a year of tremendous growth for MHB with net profit surging to RM67.6 million, the first since 2017. Our relentless effort to build a sustainable and resilient business has enabled us to effect a successful turnaround and we secured an order book of RM6.6 billion, the highest ever in the history of MHB.

**Datuk Nasarudin
Md Idris**
Chairman



CHAIRMAN'S MESSAGE



Net profit surging to

**RM67.6
million**



Secures an order book of

**RM6.6
billion**



Secured the contract for

Malaysia's **first** carbon
capture and storage (CCS)
facility

REMAINING RESOLUTE IN A CHALLENGING ENVIRONMENT

During the year, the global economy experienced a broad-based slowdown arising from tightening financial conditions, the Russia-Ukraine war and the lingering effects of the COVID-19 pandemic which led to a cost-of-living crisis. According to the International Monetary Fund, global growth slowed down from 6.0% in 2021 to 3.2% in 2022 whilst global inflation rose from 4.7% in 2021 to 8.8% in 2022, severely impacting the cost of goods and services.

Geopolitical tensions arising from the fraught relationship between USA and China, as well as the Russia-Ukraine conflict exacerbated global supply chain issues driving upwards commodity prices. We were not spared of this predicament and were particularly impacted by high steel prices.

Oil prices trended upwards, and global exploration and production (E&P) annual capex spend increased in tandem following a recovery of the oil and gas (O&G) industry. In line with the resurgence of the O&G sector, we have intensified our efforts in bidding for work both domestically and internationally.

The decarbonisation agenda within the maritime sector has also been reinforced with introduction of the Energy Efficiency Existing Ship Index (EEXI) and Carbon Intensity Indicator (CII) regulations by the International Maritime Organisation effective 2023. All ships would need to comply with these new regulations and through our collaboration with maritime technology providers, we will continue to provide suitable solutions to help shipowners reduce greenhouse gas (GHG) emission.

In line with energy transition and decarbonisation, there has been an increase in the adoption of carbon capture, utilisation and storage (CCUS) projects. Global carbon capture capacity in 2022 reached 49.4 million tonnes per annum (Mtpa) and this is an area where we can leverage on our track record as an EPCIC contractor. In 2022, we secured the contract for Malaysia's first carbon capture and storage (CCS) facility from PETRONAS Carigali Sdn Bhd (PCSB) for the Kasawari CCS Project. The facility will be the world's largest offshore CCS facility by volume of CO₂ captured.

SUSTAINABILITY EMBEDDED IN OUR BUSINESS MODEL

At MHB, sustainability is not merely a 'cliché', but a responsibility that we embed in our business model with ownership at every level of the organisation. The Board, supported by the Board Risk Committee (BRC) maintains oversight of MHB overall sustainability strategy and performance to ensure focused implementation of sustainability initiatives.

CHAIRMAN'S MESSAGE



MHB was honoured with the Energy Industries Council (EIC) Regional Award 2022 in the Culture Category.

Having embarked on our Task Force on Climate-Related Financial Disclosures (TCFD) journey in 2021, last year we established the MHB Climate Framework in line with TCFD recommendations. We have enhanced our TCFD reporting by establishing key climate metrics that will be used to measure and monitor climate-related risks and opportunities.

CODE OF CONDUCT AND BUSINESS ETHICS (CoBE)

We believe a strong and effective governance framework, systems and processes will drive the long-term sustainability and success of the company. The Board is committed to the development of a strong culture of integrity and ethics at MHB. Our Code of Conduct and Business Ethics (CoBE) includes our stance on zero tolerance towards corruption, Whistleblowing Policy and No Gift Policy. The CoBE sets out MHB's core principles in this regard and promotes the desired standard of behaviour and ethical conduct expected from all Directors and employees as well as third parties performing works or services for and on behalf of the Company.

The CoBE is complemented by the Anti-Bribery and Corruption (ABC) Manual which lays out principles of anti-corruption and provides guidance to supplement the CoBE. MHB is also certified with the ISO 37001: 2016 Anti-Bribery Management System by SIRIM QAS International Sdn Bhd. We have enhanced our CoBE for third parties whereby their obligations now include compliance to MHB's Human Rights Commitment and Modern Slavery Policy.

CHANGES AT THE BOARD

In April 2022, we bade farewell to Mr Steven Choy Khai Choon who retired from the Board after serving the Company as an Independent Non-Executive Director for nine years. He was our Senior Independent Non-Executive Director and Chairperson of the Board Audit Committee. On behalf of the Board, I would like to record our appreciation to Mr Steven Choy for his immense contribution to the development of MHB. In his place, we welcome Ms Gladys Leong as the new Chairperson of the Board Audit Committee and Senior Independent Non-Executive Director of the company.

On 31 December 2022, Datuk Yee Yang Chien and Tuan Syed Hashim Syed Abdullah who are Non-Independent Non-Executive Directors retired from the Board. On behalf of the Board, I would like to thank them for their wise counsel and wisdom in helping to steer MHB resulting in a successful turnaround in 2022. In their place, we wish to welcome Captain Rajalingam Subramaniam and Raja Azlan Shah Raja Azwa who were appointed on 1 January 2023 as Non-Independent Non-Executive Directors. We look forward to working with both of them and we are confident that their knowledge and insights will further elevate MHB's sustainability and value in the years to come.

ACCOLADES AND ACCREDITATION

The year has seen MHB receiving several awards which have enhanced our industry reputation and credibility. During the year, MHB was honoured with the Energy Industries Council (EIC) Regional Award 2022 in the Culture Category. This award celebrates the MHB culture founded upon a set of cultural beliefs and ethical values to positively drive the organisation forward. MHB was also the recipient of Silver Award in the Energy Category at the Edge Malaysia ESG Awards 2022. This is a testament to our unwavering passion towards cultivating Environmental, Social and Governance (ESG) principles to drive long-term value for stakeholders. We were also recognised for our commitment to the health and safety of our employees and was the recipient of the Malaysian Society of Occupational Safety and Health's (MSOSH) OSH Gold Class 2 Award.

On the business front, we have strengthened our delivery capability through two international accreditations, namely the American Society of Mechanical Engineers (ASME) U, U2 and R Stamp Certification and the American Petroleum Institute (API) Q1 & 2B for Fabrication of Structural Steel Pipe for the O&G Industry.

CHAIRMAN'S MESSAGE



FUTURE OUTLOOK

2023 looks set to present us with further challenges, as geopolitical developments continue to exert pressure on our operating environment. At the same time, opportunities exist as the O&G sector rallies after years of underinvestment, and energy transition drives demand for renewable energy installations. The IMO's maritime decarbonisation targets will continue to impact the shipping sector, and MHB is cognisant of the opportunities that lie ahead in catering to the need to reduce GHG emissions from shipping.

Our strategic priorities for 2023 will see us focusing on further building our organisational resilience and delivery capability. Within the Heavy Engineering segment, we will strengthen our regional footing while establishing our international presence to secure EPCIC contracts. For the Marine segment, our focus will be to deliver on the high value projects we have on hand in tandem with capability and capacity development. We will also continue to build a credible reputation in providing green solutions with the recent award of the Kasawari CCS Project and establish our business footprint in delivering sustainable energy solutions in line with the demands of energy transition and decarbonisation.

ACKNOWLEDGEMENTS

MHB's successful turnaround in FY2022 would not have been possible without the steadfast support of all our stakeholders. We are indeed grateful to our shareholders for their unwavering trust upon us to deliver value for them. To our customers, we truly value your faith in our ability to deliver and reaffirm our commitment to execute and deliver your projects successfully.

As for our business partners, vendors and associates, our success is determined by your commitment to provide us with the support services we require to achieve our business goals, and we thank you for your efforts.

On behalf of the Board, I would also commend our dedicated employees and Management team for their diligence and relentless effort in ensuring the Company delivers its business objectives. To my fellow Board members, I thank you for your commitment to work collaboratively as we steer MHB forward in the challenging times ahead.

We look forward to sustaining our growth momentum to generate value for our shareholders and stakeholders.

DATUK NASARUDIN MD IDRIS

Chairman

MD & CEO'S REVIEW

DEAR STAKEHOLDERS

FY2022 has been a resoundingly successful year for MHB as we executed our business turnaround to record net profit of RM67.6 million following four consecutive years of losses.

Pandai Othman

Managing Director & Chief Executive Officer



Our focused efforts over the past few years to build business resilience as we navigated pandemic-related challenges have borne fruit, and we achieved highest order book in the history of MHB at RM6.6 billion, which will provide MHB secured recurring income till 2025.



MD & CEO'S REVIEW

Revenue increased by 13% to RM1.7 billion, and our profit position with EBITDA of RM118.6 million was driven by improved performance by the Heavy Engineering and Marine business segments. I am pleased to share that MHB has declared a dividend of 1.5 sen per share, amounting to RM24 million payout which will be paid to the shareholders in March 2023. As at end FY2022, MHB's market capitalisation had surged by 51% to RM952 million compared to RM632 million the previous year.

OPERATING LANDSCAPE

The easing of lockdowns and border closures as we moved into the endemic phase of COVID-19 in 2022 had positive economic impacts compared to the hardships of the previous two years. Brent prices averaged at USD100.93 per barrel during the year, significantly higher than 2021 oil prices. Globally, upstream exploration & production (E&P) CAPEX increased by 34% to USD494 billion in 2022 compared to the previous year.

The uptrend in the oil and gas (O&G) market unlocked opportunities for MHB as demand for fixed platforms, floaters and onshore facilities increased. It is fair to say we were optimistic that the worst was over for the Heavy Engineering segment, as evident from recent awards of major Heavy Engineering projects with more in the bidding phase that indicated recovery in the O&G industry. Additionally, the reopening of Malaysian borders on 1 April 2022 facilitated the entry of technical specialists into the yard which positively impacted Marine operations with high dry docking activities.

Nevertheless, global supply chain disruptions persisted caused by geopolitical tensions arising from the Russia-Ukraine war, the uncertainty of the pandemic/endemic status of different countries and restrictions imposed on resource mobilisation, and the global supply chain network. Production costs such as steel

continued to be high as commodity prices also remained on the rise on the back of geopolitical tensions and China's zero-COVID policy.



Please refer to Our Operating Environment on pages 62 to 69 and Our Risks Mitigation Strategies on pages 70 to 73 for further information

KEEPING TRUE TO OUR STRATEGIC PATH

MHB's focused determination to remain on our strategic path despite global challenges that dominated the world in the recent past was key to us winning major contracts in FY2022. Over the past four years, MHB has been strategically focused on venturing into the energy transition market as our response to the acceleration of energy transition due to climate change concerns.

Our efforts have paid off with the award of a major project, the Kasawari Carbon Capture & Storage (CCS) project from PETRONAS Carigali Sdn Bhd (PCSB). Once completed, Kasawari CCS will be the world's largest offshore CCS project by volume of CO₂ captured at 3.3 million tonnes per annum of CO₂, as well as being Malaysia's first CCS project. Scheduled to start up by the end of 2025, the Kasawari CCS project will be part of the overall Kasawari Gas Development project off the coast of Sarawak, offshore Malaysia.

The engineering, procurement, construction, installation and commissioning (EPCIC) alliance contract for Kasawari CCS had followed on from the award of the front-end engineering design (FEED) contract conducted in a FEED competition mode that MHB had won in early 2022. The FEED contract focuses on the Kasawari CCS facility capturing, transporting, and injecting high volume of CO₂ gas from the existing Kasawari Gas Development project's central processing platform (CPP) to the M1 Drilling Platform-A for storage in the reservoir, while the EPCIC contract includes

the construction of a 14,000-metric tonne (MT) topside, a 15,000-MT eight-legged jacket of Kasawari CCS platform and a bridge linking to the Kasawari CPP.

MHB's successful award of the milestone Kasawari CCS project demonstrates PETRONAS' continued confidence in our capability to produce the desired results to our customer's satisfaction. As this contract was won based on a FEED competition, it also reflects our cost competitiveness in delivering integrated EPCIC solutions to our customers.

Another key win was the award for engineering, procurement and construction (EPC) services by Sarawak Shell Berhad of the offshore platform for the Rosmari-Marjoram gas project, off the coast of Sarawak, offshore Malaysia. As another project emanating from our energy transition strategic focus, the unmanned platform will be primarily powered by renewable energy generated from solar panels. With a design life of 20 years, it will cater for up to 800 million standard cubic feet of gas per day. Start-up is targeted for 2026 for the supply of natural gas to the PETRONAS LNG Complex in Bintulu, Sarawak. This contract award to MHB indicates the beginning of the revitalisation of the Malaysian O&G industry that was previously impeded by the pandemic and economic slowdown that had led O&G developers to adopt a more cautious attitude towards CAPEX spending for new developments.

We are shored up by the knowledge that our offering to provide cleaner energy solutions will deliver value not just to our customers, but also contribute towards our decarbonisation agenda. Our ultimate aim is to deliver our projects safely and in a timely manner. Our financial resilience has strengthened as these new project awards will sustain MHB's recurring earnings until 2025.



Please refer to Strategic Overview on pages 44 to 47, Our Strategic Focus on pages 52 to 53, and Business & Operational Review on pages 86 to 105 for further information

MD & CEO'S REVIEW

COMMITTED TO PROJECT EXECUTION AND DELIVERY

As the world shifted to the endemic phase of COVID-19, MHB was able to resume operations to pre-pandemic levels to ensure our yards were operating at full capacity in delivering as per the agreed schedule for current projects on our books.

As at end FY2022, the EPCIC Kasawari Gas Development project had achieved 75.51% progress. The project consists of the construction of a 47,000-MT CPP, 8,600-MT wellhead platform (WHP) and a flare structure, together with two bridges linking the CPP to the WHP and the flare structure. The contract also involves the transportation & installation (T&I) of an 85 km pipeline linking the Kasawari CPP to the existing E11R-A platform. Once completed for loadout, the Kasawari CPP topside will be the heaviest offshore lift in Malaysia's history!

As for the EPCIC Jerun Development project, we recorded progress of 53.40% as at end FY2022. This project comprises the construction of an approximately 25,000-MT CPP which includes a wellhead deck. It also includes the design engineering of a 30-inch carbon steel pipeline with a length equivalent to 80 km distance from the CPP to the existing E11R-B platform that integrates with the existing trunkline to the PETRONAS LNG Complex in Bintulu, Sarawak.

Our current yard utilisation stands at 80% as at end FY2022 for the West yard, while we have reserved the East yard for offshore wind farm (OWF), renewable energy and serial fabrication projects apart from traditional O&G facilities fabrication works. As international borders reopened, this led to the easing of restrictions on the entry of foreign technical experts which had been a challenge during the pandemic. The tremendous improvement in the international mobility of specialists and experts contributed to the Marine business' significant turnaround as a result of higher dry docking activities. China's prolonged border closures based on its zero-COVID policy turned out to be a boon for

us in 2022, as it enabled the Marine business to capture greater market share during the year. Nonetheless, the prevailing nationwide manpower shortage issue mainly due to the lingering effects of the pandemic and workers seeking higher wages abroad had limited our ability to take up more marine repair jobs and would remain a challenge until it is resolved.

As at the end of FY2022, the Marine business had secured 41 new customers comprising 10 new domestic customers and 31 new international customers from South Korea, Hong Kong, the Netherlands, United States of America and United Kingdom among others. We also entered into six en bloc agreements as part of the total 111 projects secured. Throughout FY2022, Marine business completed the repair and maintenance of 87 vessels of various categories including 11 LNGCs.

We continued to diversify our business through the Plant Turnaround & Shutdown Maintenance (PTSM) segment. In FY2022, we completed Portable Boiler Services works for Malaysian Refining Company Sdn Bhd (MRC SB) secured under PETRONAS' Turnaround Main Mechanical and Maintenance Mechanical Static (TA4MS) contract. We have also concluded a non-O&G and non-PETRONAS turnaround project for KL-Kepong Oleomas Sdn Bhd's oleochemical plant along with underground fire water pipe replacement works for Idemitsu (M) Sdn Bhd's petrochemical plant. PTSM has recorded over 100,000 man-hours for FY2022 making it close to 1.5 million of accumulated man-hours to date since 2018.



Please refer to Strategic Overview on pages 44 to 47, Our Strategic Focus on pages 52 to 53, and Business & Operational Review on pages 86 to 105 for further information

ENHANCING OUR CAPABILITY

One of MHB's strategic Key Results Areas (KRA) is enhancing our capabilities to make the most out of the benefits this offers us. These include improving our efficiency and thus customer satisfaction, increasing competitiveness,

demonstrating greater adaptability to market changes and new challenges as well as improving employee skills.

During the year, our wholly owned subsidiary, Malaysia Marine and Heavy Engineering Sdn Bhd (MMHE) was certified with The American Society of Mechanical Engineers (ASME) for manufacturing U, U2 and R stamp coded pressure vessels. This is an important certification heralding our efforts in venturing into new business markets for the manufacturing and repair of pressure vessels. Aligned with our goal to provide global-level safety management for our customers, we are now recognised for our compliance to ASME's guidelines including design, fabrication, inspection and testing. Aside from that, MMHE was also certified for the fabrication of structural steel pipe for the O&G industry by the American Petroleum Institute (API), namely the certification of API Spec Q1, 9th Edition and Monogram API-2B. These certifications are specific for the organisations that manufacture products for the petroleum and natural gas industry as it helps the industry to improve risk assessment and management of processes employed to produce its products.

We also expanded our core FEED Detailed Design Engineering/Verification (FDDE/FEEV) team which will enable us to deliver on the new projects in our books. Furthering our goal of establishing our track record on managing full scope EPCIC projects, we concluded our T&I execution strategy for two projects namely the Kasawari CCS Topside and the Carigali PTTEPI Operating Company Sdn Bhd (CPOC) Phase 6 through long-term partnerships with notable T&I contractors. As well as that, we focused on augmenting our in-house capability to improve business and cost competitiveness.

In efforts to further improve on our value proposition, we have completed our feasibility study on the procurement of six new robotic blasting machines which was approved by the Board of Directors (Board) in November 2022, with a view to implementing it in 2023.

MD & CEO'S REVIEW

This new blasting technology signifies our continued commitment in internal capability development such that it utilises automation towards improving our dry dock operations. It is expected to provide positive environmental impacts by reducing dust emissions and marine sedimentation. Being electrically driven, these machines will also lower our greenhouse gas (GHG) emissions for blasting activities by 28%.

As part of our five-year quay improvement project, we have completed the upgrading of our berthing facilities at Quay 1 by installing new pneumatic fenders. The upgrading works at Quay 7 and West Finger Pier are currently underway, awaiting authorities' approval and procurement. We expect to receive the Certificate of Completion and Compliance by end of Q1 2023. Once completed, we would have increased our berthing facilities by achieving a dock to quay ratio of 1:2.



Please refer to Strategic Overview on pages 44 to 47, How We Create Value on pages 48 to 51, Our Strategic Focus on pages 52 to 53, and Business & Operational Review on pages 86 to 105 for further information

FUTURE PROOFING FOR A DECARBONISED WORLD

The decarbonisation of the maritime industry is an important part of the global effort to reduce CO₂ emissions and mitigate the impacts of climate change. There are several ways that the maritime industry is working towards decarbonisation. These include improving fuel efficiency through more efficient engine and hull designs, operational improvements and using alternative fuels that produce fewer or no emissions. CCS is also another aspect, as evident from new CCS projects in the pipeline. MHB is committed to stepping up and doing our part in the decarbonisation of the maritime industry. In line with this, MHB is supporting PETRONAS' aspiration of net-zero carbon emission and MISC's net-zero GHG emission by 2050.

To capture decarbonisation-related business opportunities, we are actively exploring partnership opportunities to enhance our capabilities for green vessel maintenance and repair. Towards this end, we entered into a strategic partnership with a maritime clean technology company, Silverstream Technologies. The partnership will facilitate retrofit opportunities for Silverstream's market-leading air lubrication technology – the Silverstream® System – as well as collaboration, information and knowledge sharing between the two companies.

We also partnered with Bureau Veritas Solutions on hull improvements including Bulbous Bow Retrofits in compliance with Energy Efficiency Existing Ship Index (EEXI) and Carbon Intensity Indicator (CII). The EEXI and CII are the International Maritime Organisation's (IMO) first two short-term GHG reduction measures which came into force on 1 January 2023. Going into the future, vessel owners will require retrofits to ensure EEXI and CII compliance and MHB is well placed to capture opportunities in this space. As one of the most prominent LNGC repair yards in Asia, we will be able to support LNGC owners and operators in their decarbonisation efforts.

We have continued with our efforts to garner wins in the sphere of renewable energy. During

the year, we participated in 13 prequalification exercises for OWF projects. Having been awarded the service contract by Smulders in Q1 2021 to supply manpower for a wind farm project in Taiwan, we have been capitalising on our relationship with them to build our credibility with OWF customers by establishing our footprint in key OWF markets such as Taiwan and Europe. We are also leveraging on our partnership with Kellogg Brown & Root Asia Pacific Pte Ltd (KBR) which we entered in 2021 covering collaborations on OWF, onshore modular plants and offshore projects for the APAC region.

In FY2022, we further strengthened our OWF proposition through a strategic alliance with Dyna-Mac Holdings Limited via its subsidiary Dyna-Mac Engineering Services Pte Ltd to conduct joint bidding exercises on international projects. This synergistic partnership will offer potential customers with a one-stop solution for module fabrication, vessel conversion and integration work. It will allow us to offer the market unique integrated solutions that are a powerful combination of our capacity and capability and Dyna-Mac's modular fabrication experience. We are optimistic of our ability to increase our chances to win OWF tenders as we continue to strengthen our offering.



MD & CEO'S REVIEW

On 28 November 2022, MHB was the recipient of the Silver Award in the Energy category at The Edge Malaysia ESG Awards 2022. The award is a testament to our deep and unwavering passion towards cultivating Environmental, Social and Governance (ESG) principles. Being a trusted heavy engineering and marine solutions provider, we are honoured with this recognition of our commitment towards all aspects of ESG. We are committed to continue implementing ESG initiatives to deliver long-term value to our stakeholders and remain purposeful in setting forth a sustainability agenda that will grow in tandem with our business aspirations. You can read more on our ESG agenda, commitments, and outcomes in my message for the Sustainability Statement section of this Integrated Annual Report (IAR).

COMMITTED TO OUR PEOPLE

MHB's commitment to our workforce is demonstrated in the robust talent development platform we have in place and our efforts to build a health, safety and environment (HSE) generative culture. Our talent management programmes which are geared towards upskilling and enhancing the capabilities of our internal talent pool was one of MHB's strategic

business priorities in 2022. Our investments in talent development are aligned with our efforts to venture into new sustainable solutions and ensure that our workforce is equipped with the right skills and knowledge to lead our business into a net-zero future. We are cognisant of the workplace risks that our people face in their daily jobs and have a spectrum of health and safety initiatives in place, along with other measures to ensure their well-being.

In 2022, we invested a total of RM3.5 million in training and development programmes, and our people recorded a total of 83,484 man-hours in training and development. In addition, we clocked a total of 5,679,441 safe man-hours without Lost Time Injury (LTI) as at the end of 2022. Testament to our high quality HSE generative culture, we were awarded the Occupational Safety and Health Gold Class 2 award at the Malaysian Society for Occupational Safety and Health (MSOSH) Award 2022.

For more detailed information on our people-centred efforts, please refer to my message in the Sustainability Statement of this IAR.

PROGRESSING OUR DIGITALISATION AGENDA

FY2022 has seen MHB continued to progress with our digitalisation agenda, as we seek to reap its full benefits. One of our key initiatives is the digitalisation of procurement processes through the PANTHERA project. Once completely implemented, PANTHERA will integrate our procurement processes to ensure data transparency among our stakeholders, help us identify cost saving opportunities and make better-informed decisions on our procurement activities based on data analysis. During the year, we kick-started the implementation of PANTHERA towards improving our price competitiveness. A vendor network was developed along with a frame agreement emphasising onshore modules. As at the end of FY2022, close to 7,000 new vendors are on MHB's approved vendor list, following the framework laid out.

We also continued improving the digital Daily Work Checklist (DWC) system for better marine repair project monitoring and tracking. We are already seeing benefits in terms of reduction in production times and an increase in the accuracy of work done in our Marine



MD & CEO'S REVIEW

operations. Moving forward, we will maintain the momentum of our digitalisation endeavours to improve the accuracy and precision of repair work conducted and increase the efficiency of our repair processes.

OUTLOOK FOR 2023

AFTER YEARS OF UNDERINVESTMENT IN THE O&G SECTOR, WE ARE SEEING A SURGE IN RECOVERY DRIVEN BY GLOBAL DEMAND AND GEOPOLITICAL DEVELOPMENTS. OIL PRICES HAVE NOW INCREASED TO 2014 HIGHS AND UPSTREAM CASH FLOWS ARE EXPECTED TO RECORD NEW LEVELS IN 2023.

Oil prices are expected to remain strong into the future mainly due to the reopening of China coupled with continuing sanctions on Russian O&G supply. As such, capital spending by oil majors is expected to remain steady in the medium to long-term.

As for O&G demand, it is projected that oil demand will peak around 2027 whilst long-term demand for gas will continue to grow at a steady pace, which will support positive Compound Annual Growth Rate (CAGR) of capital spending in O&G EPCC globally for the next five years. Going into 2023, we strongly believe that with a robust orderbook in hand, MHB is in a solid position to record favourable financial performance.

The strong oil prices is expected to drive E&P capex spend which is forecasted to breach above USD500 billion starting 2023. However, it is not expected that the trend will replicate the 'boom' years of 2012-2014 due to energy transition. These present MHB with short and medium-term growth opportunities in the O&G



market of fixed platforms, floaters and onshore facilities namely modular and plant maintenance. While we are mindful of the prevalent risks associated with the oil market volatility based on existing sanctions on Russia, potential new sanctions, supply interventions, and the US-Iran deal, we are optimistic that the worst is over for the O&G market. Nevertheless, China's recent lifting of its zero-COVID policy is also expected to become one of the factors contributing to O&G market growth in 2023 and 2024.

As for the offshore market, steady CAPEX growth led by APAC and the Middle East for fixed platforms and the Americas and Africa for floaters is expected in the short to medium-term. It has been projected that between 2022 and 2026, spending in the APAC region will

average USD126 billion per year and in the Middle East some USD42 billion per year, accounting for a 37% share of global offshore development. Although there are risks for late entrants to compete and secure projects in the Middle East which is a saturated market with well-established EPCIC players, we are optimistic that MHB is well placed to capture opportunities and secure projects in the APAC region. There is also a huge potential market to tap into in the Middle East for fixed platforms, and significant prospects for floaters in the Americas, Africa and APAC for us to explore.

MD & CEO'S REVIEW

The OWF market is set for strong growth in the long-term. MHB's competitive edge in terms of distance to market from the fabrication yard and being in the right region at the right time will enable us to capture growth with our existing resources and facilities. As for the onshore market, USD267 billion of LNG infrastructure spending by the US, Vietnam, Canada and Australia has been projected in the short to medium term. Capitalising on our collaboration with Axens and KBR, we plan to tap into potential LNG markets in the US, Canada and Australia. Other opportunities available are in domestic plant maintenance and turnaround as we continue to service the PETRONAS' TA4MS contract until 2024 with subsequent renewal options thereafter.

The marine and LNG markets will be defined by major diversions in seaborne energy trade patterns and volume in the short to medium-term. In the long term, LNG shipping demand will continue to grow at a steady rate to address renewed demand for inter-basin trade. Opportunities for MHB come in the form of LNGC docking repair and conversion which could provide an avenue for our yards to secure higher value projects. Concurrently, we are mindful of the risks of a possible reduction in the number of vessels passing through SEA trade routes as a result of conflicts and trade sanctions in the short to medium-term.

In maritime decarbonisation sphere, it is expected that vessel owners and operators will be cautious on spending capital expenditure in the first year of implementation of EEXI/CII in 2023 for decarbonisation retrofits and installations. However, MHB is well placed to capture growth in decarbonisation retrofits and installations, especially in air lubrication system, hull improvements such as on bulbous bow modifications, and pre-swirl duct installations with our current partnerships.

In other areas of energy transition, CCS has seen tremendous growth in the past few years as reliance on fossil fuels is still present in the short to medium-term. Hence, MHB has started to be involved in early-stage engagements with several industry players, including with PETRONAS on a potential development of a commercial CCS value chain in Malaysia and will explore opportunities in the CCS space that leverage on MHB's core competencies in Heavy Engineering and Marine. Our recent win of the Kasawari CCS project further cements our capabilities in serving the energy transition market.



Please refer to Strategic Overview on pages 44 to 47, Our Strategic Focus on pages 52 to 53 and Our Operating Environment on pages 62 to 69 for further information

STRATEGIC PRIORITIES FOR 2023

Considering the complexity of the market landscape we will face in 2023 and beyond, the following are our strategic priorities for 2023:



HEAVY ENGINEERING FABRICATION

We will strengthen our regional footing on all fronts and establish a strong international presence as an EPCIC contractor to achieve our targeted profit margins. This will entail us focusing on the followings:

- Achieve major order intakes of international projects
- Overcoming project delivery challenges across EPCIC phases
- Strengthen our track record of managing full scope EPCIC
- Preparing and equipping the yard for more potential jobs by reactivating the MMHE East yard



MARINE REPAIR & CONVERSION

We aim to deliver on high value projects in tandem with our capability development agenda to sustain our targeted profit margins. Our focus will be on:

- Increasing number of incoming vessels and asset utilisation
- Optimising yards and manpower, utilising technology and enhancing high value work
- Completing the quay improvement project
- Exploring opportunities in shipbuilding



MODULAR & SERIAL FABRICATION

To establish our track record by winning contracts in offshore wind and onshore modular as well as explore opportunities in light engineering, we plan to focus on the following:

- **Offshore Wind**
 - Strengthen internal capabilities and enhance our yards
 - Establish our footprint in the OWF market
- **Onshore Module**
 - Establish a track record as a competitive modular contractor
 - Develop technical and commercial competitiveness
- **Light Engineering**
 - Explore opportunities in the light engineering segment

MD & CEO'S REVIEW



PLANT MAINTENANCE & TURNAROUND

We will continue to secure projects from PETRONAS while penetrating non-PETRONAS and non-O&G segments by establishing our reputation as a plant maintenance and turnaround contractor.



ENERGY TRANSITION AND DECARBONISATION

We will maintain our efforts to build our reputation and credibility in delivering sustainable energy solutions across all business segments.



DIGITALISATION

We will continue to drive our digitalisation agenda through the following initiatives in 2023 and beyond:

- Continue to implement PANTHERA project to optimise and digitalise end-to-end EPCIC supply chain management processes from bid preparation until end of warranty
- Implement advanced work packaging (AWP) to align engineering, procurement and construction, as well as through driving construction planning efforts earlier in the project lifecycle
- Improve in-house skills and knowledge to manage IT-based systems
- Conduct a feasibility study on establishing a Process Technology Unit to further automate our processes
- Leverage on licensed technology from strategic partners and original equipment manufacturers (OEM) for access to new market technology
- Strategic collaboration with equipment/machinery owners for the consolidation of new technology offerings
- Utilisation of automated welding to increase productivity for serial fabrication methods
- Incorporate technology utilisation to increase the efficiency of marine operations such as the E-Dock System and E-Ship Movement



Please refer to Strategic Overview on pages 44 to 47 for further information

APPRECIATION

Our sterling performance in FY2022 would not have been possible without the enduring support of our ecosystem of stakeholders. On behalf of everyone here at MHB, I would like to extend my sincere gratitude to the Board of Directors for their robust stewardship of the Company.

To the MHB team of employees, thank you from the bottom of my heart for your diligence and perseverance in doing your jobs. Your relentless pursuit for better performance and improved financial results have turned the Company around from multiple years of losses into a profitable business. The tagline #MHBreturns that we all started in 2022 has proven to be the moral boost that gives us the energy and drive to leap forward.

As for our customers, partners and suppliers, please accept our highest appreciation for continuing to place your trust and faith in us.

We are deeply indebted to the Government and regulatory authorities for their continuous support and understanding through a difficult few years and reaffirm our commitment to support the nation's sustainable growth agenda.

As we progress with our value creation journey in 2023, we are imbued with both passion and optimism to continue doing our best to deliver on our strategic goals.

Pandai Othman

Managing Director & Chief Executive Officer



→ **SERI BEGAWAN**, a 2007-built LNG Carrier undergoing full High Performance Silicon (HPS) painting works during her 3rd Special Survey in our Dry Dock No. 3.



HIGHLIGHTS



34 Key Highlights 2022

38 A Look Back at 2022

KEY HIGHLIGHTS 2022

THE RISE OF MHB

Years after years of being hit hard by the low oil price scenario, economic downturn and COVID-19 pandemic, MHB continued to be resilient in ensuring the sustainability and growth of the Company. Backed by the determination to deliver values to our stakeholders, we are now finally seeing the materialisation of our efforts.



OUTSTANDING FINANCIAL PERFORMANCE WITH FIRST PROFIT FOR THE YEAR SINCE 2017

Revenue

**RM1.66
Million**

Profit

**RM67.6
Million**

Dividend

**1.50 sen
per share**

Total Assets

**RM3,358.12
Million**

OUR BUSINESS & OPERATIONS ACHIEVEMENTS

▶ HEAVY ENGINEERING

3

Offshore Projects Secured

1

FEED Contract Completed



▶ MARINE

Completed Repair & Maintenance of **87** Vessels

11 Repair Works on LNG Carriers

10 Local & 31 International New Customers Secured

6 En Bloc Agreements Secured



AWARDS & ACCOLADES TO SIGNIFY OUR EFFORTS AND COMMITMENT

- ▶ Remains a Constituent of FTSE4Good Bursa Malaysia Index
- ▶ Ranked among the top 25% Public Listed Companies (PLCs) in the FTSE Bursa Malaysia EMAS Index (FBM EMAS)
- ▶ EIC Regional Award 2022 in Culture Category
- ▶ The Edge Malaysia ESG Awards 2022 - Silver Award in the Energy category
- ▶ MSOSH OSH "Gold Class 2" Award

RECOGNITION TO OUR SYSTEMS AND PROCESSES BY GLOBAL CERTIFICATIONS

- ▶ American Society of Mechanical Engineers (ASME) U & R Stamp Authorization for the manufacture and repair of pressure vessels
- ▶ API Q1 & 2B Fabrication of Structural Steel Pipe for the Oil & Gas Industry



KEY HIGHLIGHTS
2022

EXPANDING OUR HORIZON IN ENERGY TRANSITION

PROJECT AWARD

EPCIC for the Kasawari Carbon Capture & Storage (CCS) Project from PETRONAS Carigali Sdn Bhd (PCSB)

Once completed, the project will be:

- THE WORLD'S LARGEST OFFSHORE CCS PROJECT BY VOLUME OF CO₂ CAPTURED
- THE FIRST CCS PROJECT IN MALAYSIA



PARTNERSHIPS



We marked our world-class facilities as a hub for Energy Efficiency Solutions in the maritime industry. Together with our global partners, we now provide comprehensive solutions to optimise operational efficiency of our customers' vessels through Maritime Decarbonisation Retrofits for EEXI & CII Compliance.

SILVERSTREAM
TECHNOLOGIES



AIR LUBRICATION SYSTEM

5-10%
FUEL AND CO₂ EMISSIONS
REDUCTION

Reduction of friction through injection of air bubbles layer on hull surface

BUREAU
VERITAS SOLUTIONS
Marine & Offshore



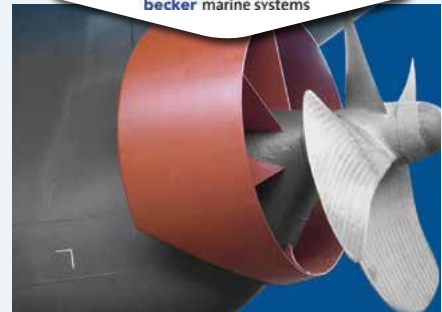
BULBOUS BOW RETROFIT
AND HULL IMPROVEMENTS

UP TO 17%
FUEL AND CO₂ EMISSIONS
REDUCTION

Optimisation from hull performance audit, retrofits and engineering solutions



becker marine systems



PRE-SWIRL DUCT

UP TO 8%
FUEL AND CO₂ EMISSIONS
REDUCTION

Straightening of hull's wake into the propeller through pre-swirl duct to produce a net forward thrust

KEY HIGHLIGHTS 2022

OUR SUSTAINABILITY JOURNEY INTENSIFIES...

As we march forward and progress to ensure business sustainability, we continue to amplify our sustainability efforts with the establishment of a comprehensive and structured Sustainability Framework in 2021. This year, we have taken further steps to realise our sustainability commitment, which are supported by relevant strategic priorities, pillared by the elements of Financial, Environment, Social, Governance and Stakeholder Engagement.

ENVIRONMENT

CLIMATE-RELATED RISKS & OPPORTUNITIES

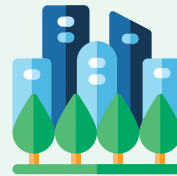
- ▶ Developed **MHB Climate Framework** which is **in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations**
- ▶ **Inclusion and enhancement of TCFD reporting by establishing key climate metrics** that will be used to measure and monitor climate-related risk and opportunities
- ▶ **Explored the usage of internal carbon pricing and its application** as an assumed cost to emissions associated with a given investment or project, to better understand our climate impacts



Launched the **MHB River Rehabilitation Programme** with the adoption of Sungai Buluh river in Pasir Gudang, Johor



Planted **500** mangrove tree saplings



RM221,874.00

spent on **Environmental Monitoring Activities**

OUR DECARBONISATION EFFORTS

- ▶ Embarked on **Scope 3 Inventory** for GHG Emissions
- ▶ **Mangrove Trees planted**

2022: **500** 2021: **150**



MHB GREEN INITIATIVES

- ▶ Continued replacing conventional compact fluorescent light (CFL) with light-emitting diodes (LED):

More than 60% of facilities' lightings have been replaced

- ▶ Intensified recycling efforts:



Aluminium, glass and iron collected:

2022: **646.26 MT**

2021: **51.33 MT**



Plastic collected:

2022: **78.91 MT**

2021: **3.55 MT**



KEY HIGHLIGHTS
2022

SOCIAL

0

Fatality

5,679,441

Man-hours without LTI (millions)
as of 31 December 2022

COMMUNITY

▶ **RM194,798.00** spent on
community programmes

▶ **197** volunteers from
MHB employees with
1,915 man-hours recorded

▶ **830** individuals benefitted from
community programmes

TALENT EXCELLENCE

Trained more than
26,000 people in a year
(Employees, subcontractors and public)



Organised a Free Market that benefitted **more than 500** family members across Pasir Gudang



MMHE and GASB inked a memorandum of understanding to **Accelerate Employment Opportunities** for Local Youth in Energy Sector



GOVERNANCE

CYBERSECURITY EFFORTS

0 Cybersecurity Incidents recorded

0 Data Breach recorded



RESPONSIBLE SUPPLY CHAIN

We have begun **engagement with our partners** to increase awareness on Sustainability matters which include Scope 3 journey

More than 150 Subcontractors and Vendors participated in the Subcontractors and Vendors Engagement (SAVE) 2022 event