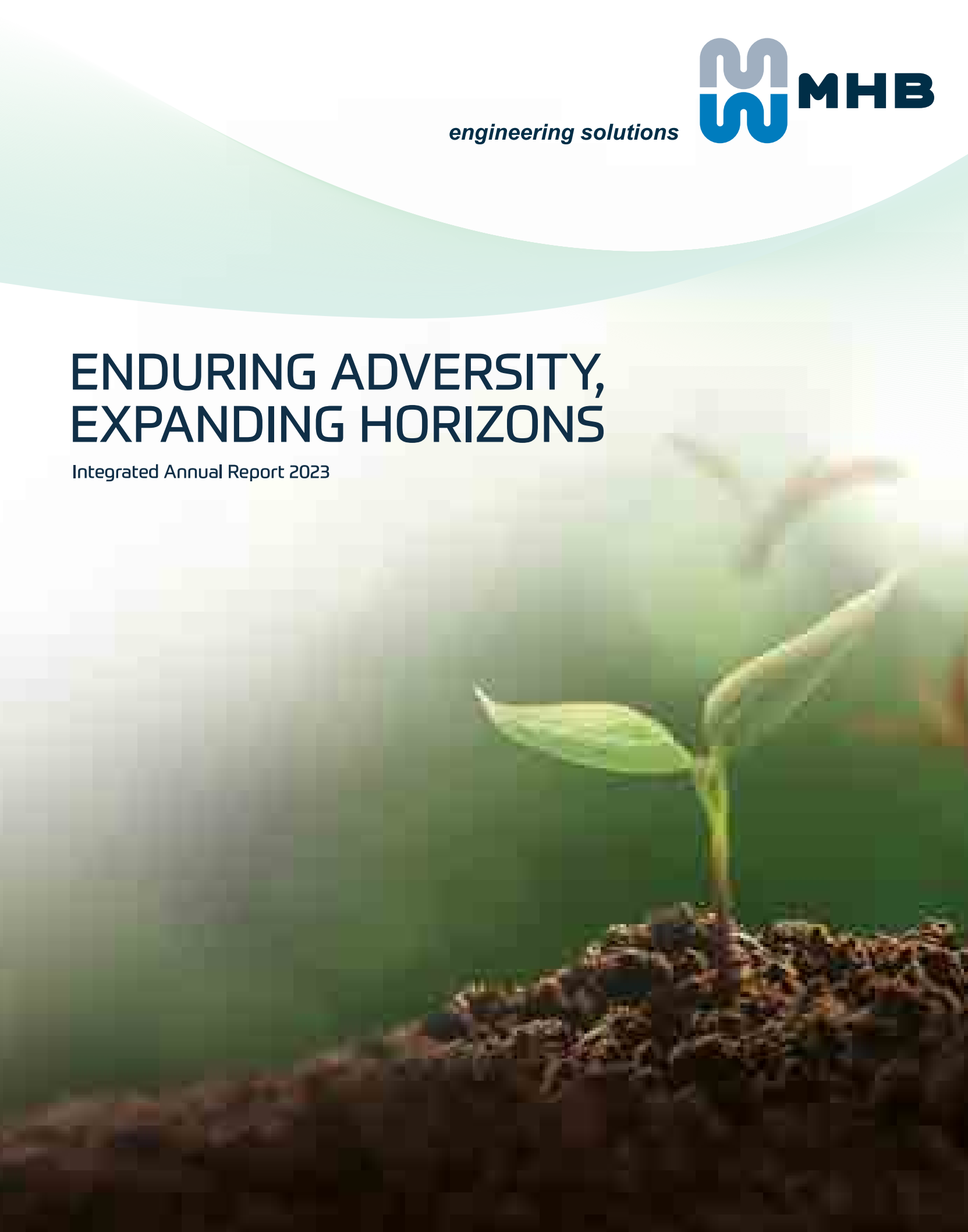


engineering solutions



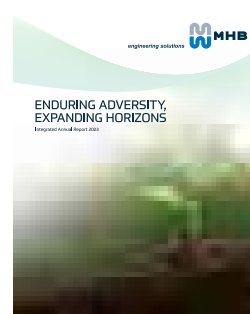
ENDURING ADVERSITY, EXPANDING HORIZONS

Integrated Annual Report 2023



Inside This Report

Enduring Adversity, Expanding Horizons



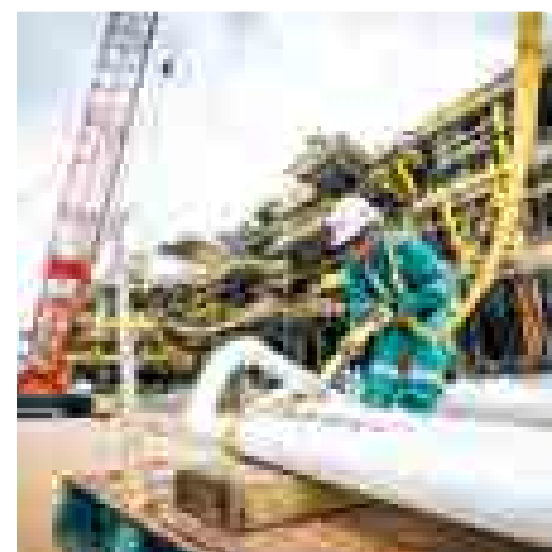
Cover Rationale

Celebrating 50 years, we see planting a seed as a powerful symbol for our company's refreshed beginning. Our deep roots in resilience and innovation have led us to diversify into various ventures. Now, at this pivotal moment, we sow the seeds of transformation, committing to nurture new growth and explore untapped potentials.

"Enduring Adversity, Expanding Horizons" encapsulates our journey perfectly. Through fifty years of challenges and triumphs, we have continuously pushed boundaries and expanded our horizons. Just as a plant endures adverse conditions to reach towards the sky, we have persevered through obstacles to reach new heights.

Reflecting on sustainability, our venture into renewable energy is a testament to this journey. Marked by a project award to build our first offshore substation high voltage direct current platform for the IJmuiden ver Alpha Project, a significant offshore wind farm project under TenneT's 2GW Programme in the Netherlands, we are embarking on a journey towards a cleaner, greener future. Venturing into renewable energy is not just a business decision; it is a commitment to sustainability and responsible stewardship.

Picture this seed as the beginning of a forest—a representation of our commitment to clean energy for the next five decades and beyond. Addressing the challenge of decarbonisation, the seed also signifies our entry into carbon capture projects. Just as a tree absorbs carbon dioxide, we aim to mitigate our carbon footprint, positively impacting the planet. By planting a seed, we are making a statement of our enduring values and ethical practices. It is about laying a foundation for the next century, ensuring a legacy that stands tall and proud in contributing to a better world.



For more information, visit our website at:
www.mhb.com.my

| | | | |
|--|----|--|-----|
| INTRODUCTION | | | |
| About This Report | 4 | Financial Growth | 108 |
| ABOUT MHB | | Environment Stewardship | 113 |
| Who We Are and What We Do | 6 | Social Responsibility | 122 |
| KEY MESSAGES | | Strong Governance | 136 |
| Chairman's Message | 12 | Stakeholder Engagement | 147 |
| MD & CEO's Message | 16 | LEADERSHIP | |
| Chief Financial Officer's Message | 22 | Profiles of the Board of Directors | 152 |
| HIGHLIGHTS | | Profiles of the Management Committee | 161 |
| Our 50-Year Journey | 26 | GOVERNANCE | |
| Key Highlights for 2023 | 32 | Corporate Governance | |
| Our 2023 Journey and Key Milestones | 36 | Overview Statement | 166 |
| VALUE WE CREATE | | Nomination and Remuneration Committee Report | 178 |
| Value Creation Business Model | 38 | Board Audit Committee Report | 181 |
| Key Capitals | 40 | Board Risk Committee Report | 185 |
| Engaging with Stakeholders | 44 | Statement on Risk Management and Internal Control | 187 |
| STRATEGIC REVIEW | | Statement of Directors' Responsibility | 196 |
| Our Operating Environment | 50 | Investor Relations Report | 197 |
| Our Material Matters | 61 | Additional Compliance Information | 201 |
| Our Risks and Mitigation Strategies | 66 | FINANCIAL STATEMENTS | |
| Delivering Our Strategy and its Focus | 70 | Financial Statements | 203 |
| BUSINESS REVIEW | | ADDITIONAL INFORMATION | |
| Heavy Engineering | 75 | Corporate Information | 304 |
| Marine | 78 | Corporate Structure | 305 |
| Plant Turnaround and Shutdown Maintenance | 81 | Properties Owned by MHB and its Subsidiaries | 306 |
| FINANCIAL REVIEW | | 30 Largest Shareholders | 308 |
| Financial Calendar | 84 | Statistics on Shareholdings | 310 |
| Five-Year Group Financial Performance | 85 | ESG Performance Data | 312 |
| Share Performance | 86 | Bursa Malaysia ESG Reporting Platform | 321 |
| SUSTAINABILITY STATEMENT | | List of Abbreviations | 323 |
| Leadership Statement | 88 | GRI Content Index | 329 |
| What Sustainability Means to Us | 90 | TCFD Content Index | 333 |
| Sustainability Governance | 93 | ANNUAL GENERAL MEETING | |
| Climate-Related Financial Risks and Opportunities (TCFD) | 97 | Notice of Annual General Meeting | 334 |
| | | Administrative Notes relating to the 35th Annual General Meeting | 339 |
| | | Form of Proxy | 345 |

INTRODUCTION

About This Report

We are pleased to present MHB's Integrated Annual Report (IAR) 2023. The purpose of this report is to provide a balanced and fair assessment of how we create value for our diverse stakeholders. Our IAR provides a factual narrative of material matters, business strategies, risks, corporate governance, and financial and non-financial performance. It also seeks to underscore our relentless drive towards innovation and low-carbon solutions, creating value for our shareholders and stakeholders alike.



Reporting Scope and Boundaries

This report covers the period from 1 January to 31 December 2023 for MHB. Any material events occurring after this date and up to the report's publication date is also included with remarks/indicators. References to MHB pertain to Malaysia Marine and Heavy Engineering Holdings Berhad, the holding company, and references to MMHE refer to Malaysia Marine and Heavy Engineering Sdn Bhd, the main operating company located in Pasir Gudang, Johor.

Materiality

Information in this IAR is based on matters critical to our business and stakeholders. We considered issues impacting our ability to deploy strategies, create shared value, and achieve long-term financial and non-financial performance, along with identified risks and stakeholder interests.

Our Integrated Thinking

We highlight the Group's value creation through corporate and sustainability strategies. We identified the linkages, impact and synergies between our financial and non-financial capitals, material topics, stakeholder expectations, strategic objectives, risks, and opportunities.

Sustainability Risks and Governance

We integrate Economic, Environmental, Social, and Governance (EES&G) risk management in all markets, as reflected in performance modelling. Detailed EES&G disclosures are presented throughout this report.

About This Report

MHB's 2023 Integrated Reporting <IR> Suite

For 2023, we have provided disclosures based on the following reporting frameworks:

Integrated Annual Report (IAR) 2023

This report provides shareholders and stakeholders with a balanced and comprehensive overview of our financial and non-financial performance. It delves into the external environment, our business model, strategy, achievements, financial statements, material matters, corporate governance, and risk management.

Sustainability Statement (SS) 2023

This report comprehensively outlines our progress in sustainability, including key disclosures aligned with global reporting standards such as GRI and FTSE4Good. The information presented also addresses our internal and external stakeholders as part of our commitment to sustainable practices.

Reporting Frameworks

- International <IR> Framework issued by the IFRS Foundation in 2021
- Main Market Listing Requirements of Bursa Malaysia
- Companies Act 2016
- Malaysian Code on Corporate Governance 2021
- Corporate Governance Guide (4th edition) issued by Bursa Malaysia
- Malaysian Financial Reporting Standards (MFRS)
- International Financial Reporting Standards (IFRS)

Assurance

The financial information in this report is based on the consolidated Audited Financial Statements for the year ended 31 December 2023, audited by Ernst and Young PLT. 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 of the date of publication. At present, the MHB Sustainability Statement 2023 has not been subject to an assurance process. Nonetheless, internal assurance measures are being developed for implementation in the fiscal year 2024.

Exclusions

Guided by our disclosure appetite, we withhold information that falls within the following categories:

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

Forward-Looking Statements

The report incorporates forward-looking statements that represent MHB's expectations of its future value creation prospects. These forward-looking statements involve a marked degree of uncertainty, given the dynamic nature of the operating environment and the inherent uncertainties within the industry in which MHB operates. Actual outcomes may deviate from the projections outlined in the forward-looking statements.

Statement of the Board of Directors of MHB

The Board of Directors acknowledges its responsibility to ensure the integrity of MHB IAR 2023. In the Board's opinion, this report has addressed all material issues and matters, and presents MHB's performance for the year 2023.

ABOUT MHB

Who We Are and What We Do

MHB: AN OVERVIEW

Malaysia Marine and Heavy Engineering Holdings Berhad (MHB) is a globally trusted energy and marine solutions provider for a wide range of offshore and onshore facilities and vessels. With an illustrious 50-year history of proven excellence and a reputation for delivering integrated solutions to international energy clients, we operate the largest fabrication yard in Malaysia and one of the largest in Southeast Asia. Our specialisation lies in energy offshore construction, including deepwater facilities, marine repair, conversion services, and marine refurbishment, with a niche focus on Liquefied Natural Gas (LNG) carriers.






Today, MHB is at the forefront of the green energy revolution, spearheading initiatives in renewable energy and decarbonisation. Leveraging our extensive expertise, we construct carbon capture facilities, advanced offshore wind farm substations, and provide fabrication services for green hydrogen facilities, supporting our clients' aspirations for cleaner and more sustainable energy solutions.

Vision

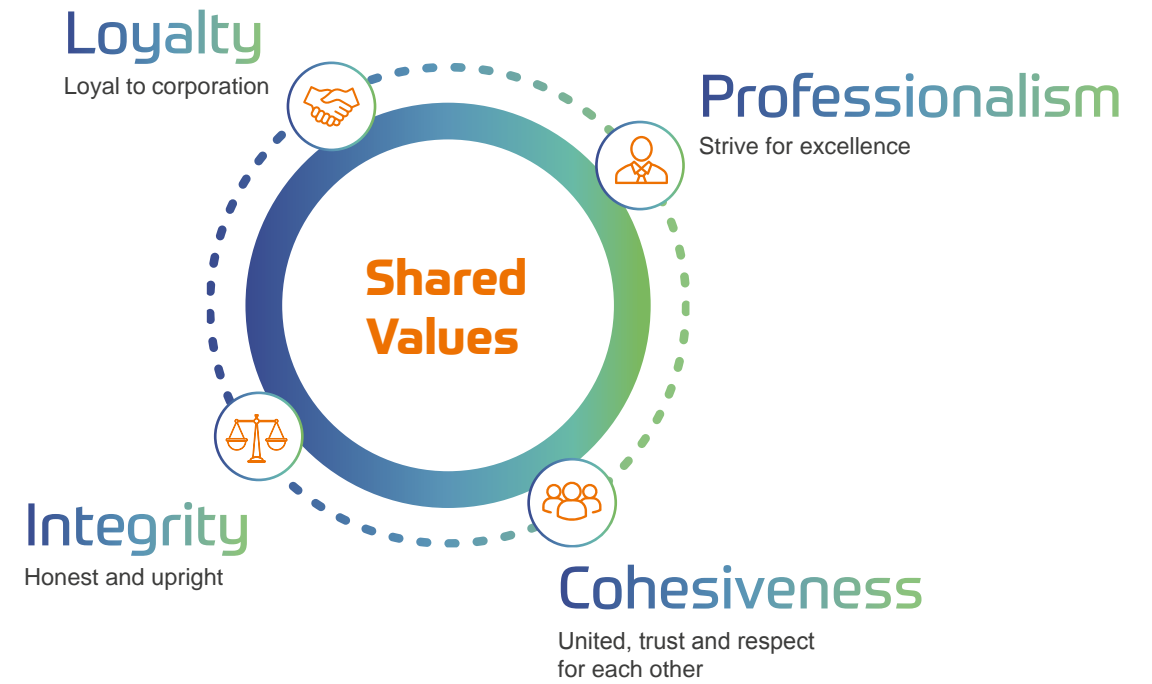
To consistently provide better marine and heavy engineering related solutions

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

Who We Are and What We Do











MHB Cultural Beliefs

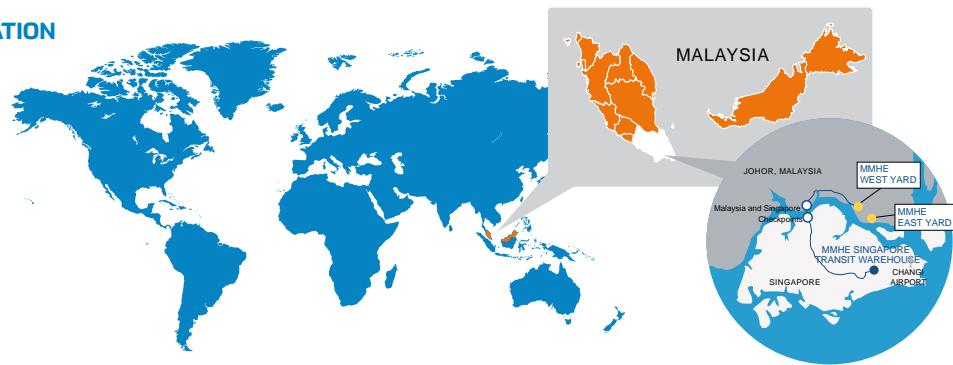
-  **Results Matter**
I stretch my limits to deliver superior results
-  **Own It!**
I own the results and don't blame others
-  **Focused Execution**
I plan, commit, and deliver with discipline
-  **Nurture Trust**
I always keep my promise and build mutual trust
-  **Tell Me**
I seek, give, and act positively on feedback
-  **Shared Success**
I collaborate for the greater good of MHB and the MISC Group

ABOUT MHB

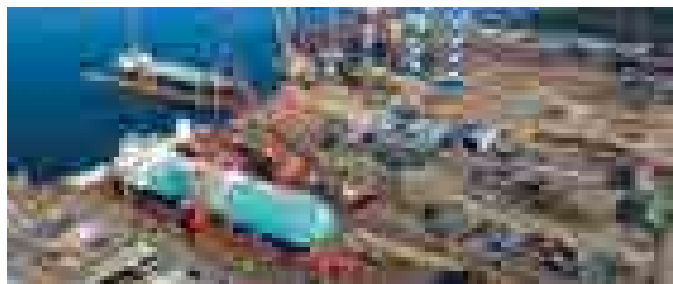
Who We Are and What We Do

| | | | |
|---|--|---|---|
|  <p>Incorporated in 1973 and listed on the Main Market of Bursa Malaysia Securities Berhad in 2010</p> |  <p>A constituent of FTSE4Good Bursa Malaysia Index since 2015</p> |  <p>Our Centre of Excellence, a dedicated learning centre for Oil and Gas (O&G) and marine industries and has trained over 100,000 people as of end 2023</p> |  <p>More than 55 million man-hours recorded annually for the past three years</p> |
|  <p>Fabrication tonnage capacity of 129,700 MT</p> |  <p>Own one of the largest dry docks in Southeast Asia</p> |  <p>Own the largest goliath cranes in Southeast Asia</p> |  <p>Own one of the largest shiplifts in the World</p> |

OUR STRATEGIC LOCATION



Own and operate Malaysia's Largest Operating Yards, equipped with world-class facilities:
Total Yard Size: 2,005,540m²



MMHE West Yard: 1,537,090m²



MMHE East Yard: 468,450m²

Who We Are and What We Do

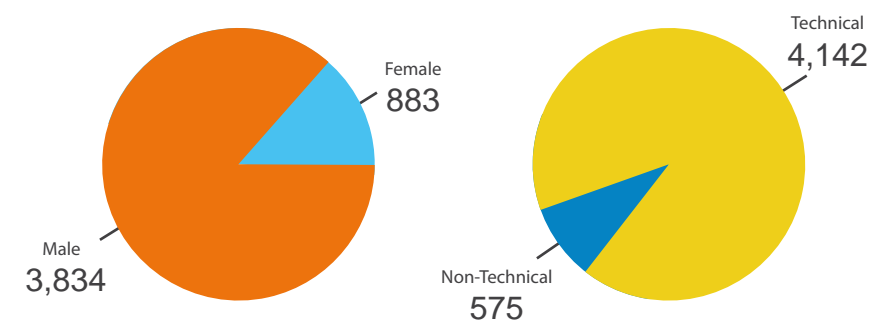
Our Globally-Recognised Certifications

- **ISO 45001: 2018 Certified**
Occupational Health and Safety Management System
- **ISO 14001: 2015 Certified**
Environmental Management System
- **ISO 37001: 2016 Certified**
Anti-Bribery 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
- **IECEX Certified**
Repair and Overhaul Services of Ex d, Ex e and Ex n of Certified Rotating Machines and Enclosures
- **American Petroleum Institute (API) Q1 9th Edition**
Quality Management System for Fabrication of Structural Steel Pipe for the O&G Industry
- **Certification of Companies for Fusion Welding of Steel**
by the Canadian Welding Bureau
- **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 Structure

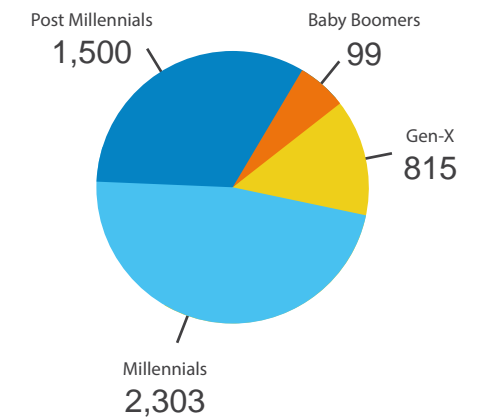
OUR PEOPLE

Number of Employees (as of 31 December 2023): **4,717**

Employee Composition



Age Diversity



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).

ABOUT MHB

Who We Are and What We Do

OUR SOLUTIONS

OIL & GAS



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

Offshore

Fabrication and full Engineering, Procurement, Construction, Installation and Commissioning (EPCIC) services of offshore facilities

- Deepwater facilities
- Fixed platforms
- Turrets

Onshore

Fabrication services for onshore modules and facilities

- Pre-Assembled Units (PAU) modules
- Pre-Assembled Rack (PAR) modules

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 and gas and marine industries

GREEN SOLUTIONS



TenneT's OSS HVDC

Renewable Energy

Offshore Wind

Fabrication and Engineering, Procurement and Construction (EPC) services of offshore wind facilities

- Foundations for wind turbine generators
- High-Voltage Direct Current (HVDC) and High-Voltage Alternating Current (HVAC) Offshore Substations (OSS)

Hydrogen

Full EPC services of hydrogen and ammonia production facilities

- Scalable modular hydrogen and ammonia generation plants

Carbon Capture

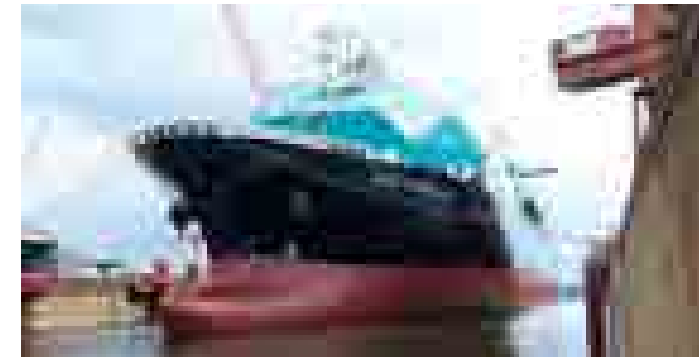
Fabrication and full EPCIC services of offshore and onshore carbon capture and storage facilities

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

- 55 Wellhead Platforms (WHP)
- 16 Central Processing Platforms (CPP)
- 24 Turrets
- 63 Jackets
- 16 Floaters
- 1 Semi-submersible
- 1 Tension Leg Platform (TLP)
- 1 Spar

Who We Are and What We Do

MARINE REPAIR AND REFURBISHMENT



LNGC Seri Camelia

Repair and Life Extension

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

- Gas carriers: Liquefied Natural Gas Carriers (LNGCs) / Liquefied Petroleum Gas Carriers (LPGCs)
- Product tankers (chemical, crude oil, petroleum) and Very Large Crude Carriers (VLCCs)
- Container vessels and bulk carriers
- Offshore supply vessels
- Dredgers, car carriers, navy vessels
- Oil rigs, semi-submersibles and others

Maritime Decarbonisation Retrofits

Retrofitting of Energy Saving Technologies (EST) to decarbonise vessel operations

- Air lubrication system
- Bulbous bow modification and hull improvements
- Pre-swirl duct

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

PLANT TURNAROUND AND SHUTDOWN MAINTENANCE



Plant Turnaround and Shutdown Maintenance

Plant Turnaround and Shutdown Maintenance

- Plant shutdown and turnaround
- Plant improvement
- Static equipment services
- Valve repair and overhaul
- Electrical and instrument works

Light Engineering

- Steel Structure (Telco tower, Guard Rail, Steel Gantry)
- Grid Line Tower

Complete offshore conversion facilities with track record of more than **30 Conversion Projects**

KEY MESSAGES

Chairman's Message



Dear Stakeholders,

In 2023, the Company had experienced a year of mixed fortunes as it navigated yet another very challenging business environment. While we continued to strengthen our strategic progress and sustainability with further increase in our order book value, we were also troubled with certain project delivery challenges caused by the lingering supply chain disruption and uncertainties. Despite this setback, we remained steadfast in our commitment and relentless effort to turnaround the Company, building our organisational resilience and transforming it into a more robust entity that will drive its long-term sustainability and success.

**Mohammad Suhaimi
Mohd Yasin**
Chairman

Chairman's Message

As we navigated through these challenges, we took cognisance that the global narrative has also increasingly pivoted towards the critical spheres of energy transition and sustainability. Confronting this critical shift in the energy landscape, we have developed within our business strategies, a transformative action plan that will chart our course not only to serve our stakeholders but also contribute to a sustainable future.

Forging ahead, MHB needs to consistently demonstrate a proactive approach to integrate robustness and resilience seamlessly into our core strategy. Our focus is not solely on recovering, but on future proofing our organisation. This strategic drive and effort should set the stage for MHB to chart better results and accomplishments in the years ahead.

Navigating Global Transitions

Global economic projections from both the International Monetary Fund (IMF) and the World Bank highlight a period of significant transformation. According to the IMF's World Economic Outlook, global growth is expected to slow down from 3.0 percent in 2023 to 2.9 percent in 2024, impacting both advanced and emerging market economies.

Simultaneously, global inflation is forecast to decline from 6.9 percent in 2023 to 5.8 percent in 2024. Emphasising the broader economic environment, the World Bank highlights challenges such as elevated inflation, higher interest rates, reduced investment, and disruptions caused by geopolitical events like the prolonged Russia-Ukraine war and recent Middle East conflicts. Amid ongoing geopolitical tensions, the depreciation of the ringgit, and supply chain disruptions, the global economy faces a confluence of challenges. These factors amplify existing vulnerabilities and uncertainties in the business environment, thus presenting a complex scenario for businesses to strategise and manage.

A crucial macro trend influencing our operating environment is the global shift towards renewable energy and the gradual departure from fossil fuels. The United Nations Climate Change Conference (COP28) concluded on 13 December 2023, with a historic agreement signalling the 'beginning of the end' of the fossil fuel era. The agreement emphasises a swift, just, and equitable transition, setting targets for tripling renewable energy capacity and doubling energy efficiency improvements by 2030. In this context, we remain cautious, focusing on our core business while transforming to adapt to this changing environment. This includes prioritising the management of costs, the development of required talents, sustainability efforts, and health and safety considerations.

On a national level, Malaysia has embraced this global shift. The government launched the National Energy Transition Roadmap (NETR) Phase 1, aiming to accelerate Malaysia's energy transition. NETR also emphasises the critical role of Carbon Capture Utilisation and Storage (CCUS) in achieving global energy transition goals, acknowledging its potential to address emission-intensive industries and enhance economic prospects.

This initiative aligns well with the Twelfth Malaysia Plan 2021-2025, aspiring the nation to achieve net zero emissions by 2050, and the National Energy Policy, outlining ambitions to become a low-carbon nation by 2040. Amidst these changing global economic dynamics, MHB has pivoted into the renewable and clean energy space, seizing the opportunities with the award of the Kasawari Carbon Capture and Storage (CCS) Project from PETRONAS Carigali Sdn Bhd in 2022 and a landmark offshore wind project to build the first Offshore Substation (OSS) High Voltage Direct Current (HVDC) platform for TenneT's 2GW programme in the Netherlands, awarded in Quarter 4, 2023. These projects underscore our contribution to decarbonisation and sustainable energy solutions, all in support of

our commitment to a greener world in line with our parent company's Sustainability Agenda. MHB is poised to seize more opportunities as it positions itself to secure more jobs in this new energy space.

Strengthening Corporate Governance and Health, Safety, Security, and Environment (HSSE)

This past year, our Board has reemphasised the core aspects of governance—from strong decision-making to project execution. The focus on accountability and ownership is being reinforced across all business functions to act as a powerful driver for the success of our initiatives. This needs to be cultivated into a strong corporate culture for MHB as it will bring about an effective impact on our transformation effort in driving integrity, professionalism, and project delivery excellence.

In our pursuit of robust corporate governance, we implemented focused interventions to fortify our compliance framework. Additional Compliance Key Performance Indicators (KPIs) were strategically integrated into our Management Scorecard, which are reviewed quarterly as tangible measures of our commitment to high governance standards and ethical conduct.

As we progress to achieve our transformation goals, we are also stepping up our effort to inculcate a generative HSSE culture among all our employees as well as our contractors' workforce. This is part of our broader goal to embed the essence and importance of a strong generative HSSE culture as an integral component of MHB's organisational culture. Our unwavering commitment to achieving the highest standard of HSSE with zero tolerance for unsafe acts remain a priority focus area in our transformation journey.

KEY MESSAGES

Chairman's Message



Looking Towards the Future

In the immediate term, our focus revolves around driving operational excellence and putting our house in good order. Within Heavy Engineering segment, we concentrate on improving project management and execution further reinforcing best practices, cost, and quality control while expanding our business footprint through strategic alliances and collaborations. Meanwhile, our Marine segment is committed to elevating capabilities and work execution, with a strong conviction to secure more ship dry docking, modification, and conversion as well as repair and maintenance jobs in our quest to position MHB as a premium yard in response to intensified market competition.

Our focus remains on operational efficiency to uphold our standards of cost-effectiveness, quality, HSSE and timely delivery as we strive to consistently deliver value and exceed our clients' expectations.

With the impending energy shift towards new and clean energy, we will further expand our footprint in clean energy projects. Our proactive approach would enable us to position ourselves as a key player in the clean energy space, contributing to a sustainable and environmentally responsible future for the Company. Our vision for MHB is clear and ambitious. We aim to be recognised as the best in class for Heavy Engineering project delivery and as a premium marine repair yard, striking the right balance between conventional and clean energy initiatives.

Creating Shared Value for Stakeholders

At MHB, our commitment to sustainable value creation is deeply ingrained in every aspect of our culture and operations. It serves as the guiding force behind our approach to risk management, decision-making processes, and stakeholder engagement. Our primary objective is to deliver sustainable outcomes that benefit all stakeholders –

including customers, employees, suppliers, shareholders, and the communities we serve. Today, we reaffirm our dedication to fostering positive relationships, enhancing experiences, and making a meaningful impact.

To achieve this overarching goal, we actively engage with both internal and external stakeholders to gain a comprehensive understanding of their needs, concerns, and expectations. Moreover, our engagement efforts extend beyond our core stakeholders to include collaborative initiatives with business partners, vendors, contractors, local institutions, and community-focused endeavours. These initiatives are instrumental in advancing the marine and oil & gas industries, promoting continuous learning, nurturing social entrepreneurship, and bolstering the overall sustainability of the business ecosystem. This collaborative approach ensures that our strategies and actions are aligned with the diverse interests of those involved in and impacted by our business.

Chairman's Message

Acknowledgement and Appreciation

"As we reflect on our progress, I wish to extend my deepest gratitude to our Board members, whose wisdom and unwavering support have been instrumental in guiding MHB in its turnaround and transformation agenda. A special tribute to our former Chairman, Datuk Nasarudin Md Idris, for his 13 years of exemplary leadership, especially crucial during the challenges posed by the pandemic. His steadfast guidance has been a beacon to everyone in MHB.

I also wish to express my sincere appreciation to our former Managing Director, Encik Pandai Othman, for his strong leadership, significant contributions, and efforts in shaping and revitalising MHB, which have steered the Company through various milestones and challenges. I am also pleased to welcome Encik Mohd Nazir Mohd Nor as the new Managing Director, and I look forward to his strong leadership with fresh perspectives and expertise to continue with the noble effort in transforming the Company to become a reputable player in the oil & gas and clean energy space.

Above all, our journey would not have been possible without the tireless dedication and exceptional efforts of every member of the MHB team which includes the Management, our employees, contractors, vendors and subcontractors. Your hard work, and resilience are the driving forces behind our accomplishments. I want to extend my deepest thanks to each and every one of you for your unwavering commitment and loyalty.

Furthermore, I would like to extend my heartfelt appreciation to our esteemed clients, particularly PETRONAS Carigali, SapuraOMV, Sarawak Shell, CPOC and Petrofac; as well as our Marine segment clients, for the trust, confidence, and support they have extended to MHB. Lastly, but certainly not least, I express my gratitude to our shareholders, regulators, partners, and all stakeholders. I am confident that better days lie ahead and with the collective efforts of every single party, MHB will be on the right path for a sustainable and bright future."

Mohammad Suhaimi Mohd Yasin
Chairman

KEY MESSAGES

MD & CEO's Message

Dear Stakeholders,

In an era defined by uncertainty, MHB stands resilient. From the lingering impacts of COVID-19 to rising global tensions and climate change, the obstacles have been substantial. Yet, as we celebrate our 50th anniversary, we reflect on our remarkable transformation from our origins in Pasir Gudang. This milestone symbolises not just our enduring legacy, but also the strength, unity, and resilience that are the hallmarks of MHB.

Mohd Nazir Mohd Nor
Managing Director &
Chief Executive Officer



MD & CEO's Message

Our commitment to excellence continues to guide us, particularly in advancing sustainable energy solutions. This year, we have made significant progress in renewable energy projects and strategic green technology partnerships, exemplifying our dedication to a more sustainable future. Succeeding Encik Pandai Othman, the former MD & CEO, I am committed to maintaining our high standards and guiding MHB through this era of transformation. Our vision remains clear - "To consistently provide better marine and heavy engineering related solutions and services." This commitment guides us as we continue to innovate and persevere.

Operational Excellence in a World of Change

2023 has been a defining year for MHB, set against a backdrop of global uncertainties. We have grappled with the ongoing fallout of the COVID-19 pandemic, geopolitical turmoil, and significant economic shifts. This landscape contributed to various adversities like supply chain disruptions, inflationary pressures, and currency fluctuations, demanding an unparalleled level of strategic agility and resilience.

Amidst these global shifts, MHB has demonstrated strength and resilience. In 2023, we increased our group revenue to RM3.3 billion from RM1.7 billion in 2022. A key driver of this success was our Heavy Engineering segment, which contributed to an order book peak of RM7.4 billion at one point during the year. The oil price surge and rebound in the oil market have augured well for MHB's business prospects.

During the year, we clinched awards of Joint Development Area (JDA) Field Development (Phase Six) project for Carigali-PTTEPI Operating Company Sdn Bhd (CPOC) and the subcontract for the first offshore substation (OSS) high voltage direct current (HVDC) platform for TenneT's 2GW Programme in the Netherlands by Petrofac International (UAE) LLC (Petrofac). The wins demonstrate our competitive edge and resilience, also marking a significant achievement alongside our ventures into renewable energy and expanding our international presence. With our robust order book in hand, we reactivated our MMHE East Yard, further optimising our assets and facilities.

This success is underscored by our operational achievements, which stand as a testament to our ability to deliver complex projects under challenging conditions. The EPCIC Kasawari Gas Development Project for PETRONAS Carigali Sdn Bhd (PCSB), marked a pivotal achievement with the successful installation of the CPP Jacket and CPP Topside in April and August respectively. This project is now in its final phase, which is the offshore hook-up and commissioning.

Furthermore, for the EPCIC Jerun Development project for SapuraOMV Upstream, we also reached a milestone with the successful completion of the CPP Jacket and wellhead deck in June, and construction of its CPP Topside is nearing completion, setting the stage for the next phase of offshore hook-up and commissioning.

As of the end of 2023, other ongoing projects at our yards include the Rosmari-Marjoram Gas project for Sarawak Shell Berhad, Kasawari

Carbon Capture and Storage (CCS) project also for PCSB, and JDA Field Development (Phase Six) project. These projects are progressing well, ranging from 20% to 80% completion.

Moreover, our Marine segment has navigated through intensified competition, especially following the reopening of China's borders and burgeoning of new LNG carrier (LNGC)-capable repair yards globally. Despite these challenges, we secured 25 new customers across domestic and international markets.

For more information on our project pipeline, milestones and achievements, please refer to page 26 and 75.

Addressing Financial Headwinds

2023 presented a mixed financial landscape for MHB. While we saw revenue growth and profitability in Q1 and Q4, the year concluded with a substantial pre-tax loss of RM483.1 million. This loss primarily arose from additional cost provisions resulting from revised schedule and price escalation impact on ongoing projects. Notably, these projects, based on lump-sum EPCIC contracts, were secured before the pandemic's far-reaching effects became evident.

For more information on our FY2023 performance, read our Chief Financial Officer's (CFO) Message at page 22.

KEY MESSAGES

MD & CEO's Message

Strategic Performance and Progress

In 2023, MHB's journey was strategically directed by our MHB Strategy 2023-2027, focusing on two pivotal Key Result Areas (KRAs) - Fortifying Our Core and Pushing Boundaries for Growth. Our objectives, aimed at both bolstering our core business and exploring innovative new ventures, were crucial in navigating the diverse challenges and opportunities in our operational landscape.

During the year, we have made notable progress in our KRAs:

1. Fortifying Our Core

This year, adapting to rapid technological change and shifting market demands was crucial. We bolstered operational resilience to not only respond to current industry dynamics but also to lay a robust foundation for future sustainability and growth.

- **Team Expansion and Mobilisation:** In our Heavy Engineering segment, a primary emphasis was placed on growing and activating our core teams. The significant growth of our Engineering team and the enhancement of our transportation & installation (T&I) and hook-up and commissioning (HUC) teams have been pivotal in boosting our project execution capabilities.
- **Digital Transformation:** A cornerstone of our operational improvement was the PANTHERA initiative, marking a significant milestone in digitalising our project delivery chain. The completion of key modules has laid the groundwork for an integrated EPCIC project platform, revolutionising our project management and execution processes.
- **Vendor and Subcontractor Expansion:** We have broadened our operational scope by expanding our vendor and subcontractor pool. This strategic move not only enhanced our capabilities in the Heavy Engineering segment but also demonstrated our commitment to fostering robust and dynamic partnerships that drive growth and innovation.
- **Internal Construction Capabilities:** We focused on strengthening our internal construction capabilities, especially in areas like piping, blasting, painting, and structural fabrication. This strategic decision aimed to enhance our operational flexibility and in-house expertise, ensuring high standards of quality and efficiency while still maintaining positive collaborations with subcontractors for a healthy ecosystem.

2. Pushing Boundaries for Growth

Aiming to lead the industry, we ventured into new domains, embraced innovative technologies, and formed strategic partnerships to broaden our horizons and redefine industry excellence.

- **Venturing into Offshore Wind:** A landmark achievement in 2023 was our successful venture into the offshore wind market and establishing our presence internationally in this rapidly growing sector. The award of this offshore wind project is not just a new business venture; it represents a significant stride towards sustainable energy solutions and diversifies our portfolio in line with global energy transition trends.
- **Developing Strategic Partnerships:** A significant achievement in 2023 was qualifying as an independent EPCIC contractor in key regions like the Middle East. This milestone allows us to participate directly in tenders, opening doors to new markets and opportunities. Our strategic partnerships underscore our commitment to increase our order intake, especially with international projects.
- **Marine Business Expansion:** In the Marine segment, we have navigated through a competitive landscape, securing high-value projects and expanding our client portfolio. The addition of 25 new clients, including 16 international clients from key maritime hubs, is a testament to our growing global presence and our ability to attract diverse clientele.

MD & CEO's Message

In embracing these new frontiers and innovations, we strive to lead not just our MHB family but also the industry into a sustainable and dynamic future, showcasing excellence and adaptability in all aspects of our business.

For more information on our strategy and initiatives, please refer to page 70.

Accelerating a Low-Carbon Future

As MHB celebrates its 50th anniversary, we continue to make progress towards our next major milestone: achieving Net Zero Emissions by 2050. It is more than a response to global trends – it has become a fundamental aspect of our business strategy and operational philosophy. However, as we progress, we remain committed to our sustainability efforts. Our aim is to enable a balanced shift in the energy sector as we transition to a cleaner, more sustainable world.

Our journey towards sustainability is tangible, evidenced by us maintaining our position as a constituent of the FTSE4Good Bursa Malaysia Index and driven by practical measures to minimise our carbon emissions. We actively reduce our carbon footprint through initiatives like the use of renewable energy from solar panel installations, transitioning to energy-efficient LED lighting, and adopting biodiesel for operations. As a result, we have managed to reduce our direct man-hour, emission intensity by 7.8% from baseline year 2016. Embracing circular economy principles, our Trash-to-Cash hub effectively reduces waste and optimises resource use. Furthermore, we prioritise addressing the challenges of climate change and remain steadfast in our commitment to mitigating its effects.

For more information on our sustainability initiatives, please refer to page 97.

Strategically, we are also expanding our horizons to embrace green energy transition. Our recent foray into offshore substation fabrication, substantiated by our recent subcontract award, signals our venture into the renewable energy space. This expansion is not just about showcasing our capabilities; it positions MHB as an active participant in the global shift towards environmentally-friendly energy solutions, ready to meet the surging demand for green energy.

A Spotlight on Our Human Capital

Over the past year, MHB has significantly advanced our employee capabilities through a strategic mix of upskilling programmes and collaborations with local agencies. At the heart of our talent development efforts is our Centre of Excellence (CoE) in Pasir Gudang, where we focus on equipping our team with the skills necessary to meet current industry demands and anticipated future trends.

In 2023, we invested RM3.8 million in people development, translated to 111,280 training man-hours, demonstrating our belief that the workforce is our most valuable asset. We also capitalised on employability initiatives by partnering with government agencies, enhancing our training capabilities and contributing to broader development efforts for the local community and industry.

A highlight of our efforts is the recent signing of a Memorandum of Cooperation (MoC) with the Malaysian government covering 12 ministries, aimed at bolstering talent development and meeting industry needs. This MoC emphasises our commitment to collaborating with government entities to meet workforce needs. We leverage the expertise and resources of different ministries to initiate comprehensive talent development programmes that will ensure a consistent supply of skilled professionals across various sectors.

Our recognition as one of the Top 10 Graduates' Choice Employers in the Engineering Category by Talentbank 2023 by Talentbank is a testament to our commitment to cultivate a dynamic and fulfilling workplace. This accolade reaffirms our dedication to creating an environment where employees can excel and contribute significantly to our shared achievements.

For more information on our initiatives to create a skilled workforce, please refer to page 88.

Looking into the Future

In this journey within the energy sector, we find ourselves at a pivotal juncture where the imperative of energy security for the next decade takes centre stage. Investment in renewables is set to rise, fueled by policy initiatives and cost reductions. Global energy investment in 2023 soared to \$2.0 trillion, an increase of \$146 billion from 2022. We witnessed a remarkable 44% surge in upstream spending, reaching \$565 billion. Notably, renewable power generation investment became a major focus, totaling \$463 billion. This trend is part of a larger industry dialogue, balancing energy security with a transition to sustainable sources. Governments worldwide remain dedicated to climate neutrality, and the projected 1.25 TW offshore wind deployment by 2050 aligns with broader energy transition goals. Despite rising capital costs due to supply chain bottlenecks and high financing costs driven by increasing interest rates, the offshore wind sector is still poised to achieve unprecedented milestones.

In addition to the ongoing global decline in coal usage, gas is poised to play a pivotal role in the energy transition, offering enhanced energy security. The transition towards gas is already unlocking offshore opportunities across various regions, including Asia-Pacific (APAC), the Middle East, America, and Africa.

KEY MESSAGES

MD & CEO's Message

In response to the projected landscape, we stand guided by MHB's strategic roadmap, fortifying our foothold across key industry segments:

PROJECT DELIVERY EXCELLENCE

Project delivery has always been at our core. We are working to continuously refine our project management protocols to ensure timely delivery of our projects to the highest quality and safety standards. We are setting ourselves up to become more agile and nimble in unlocking further value through optimisation and efficiency improvement.

HIGH QUALITY ORDER BOOK

With our robust order book in hand, we are constantly striving to improve our contracting strategies. The challenges of global supply chain disruption and volatile commodity prices brought about by the current geopolitical landscape have highlighted certain key risks in our current strategies. Learning from this, we have taken steps to improve our contracting strategies with clients where possible through alliance concept, reimbursable or cost-plus basis.

At the same time, we aim to strengthen our domestic presence while establishing a strong international footprint as an EPCIC contractor, achieving our profit targets and capturing significant international project orders.

The stable demand for LNG projected until 2030, present us with promising opportunities. Our goal is to become the preferred marine yard for LNGC dry docking, repair, smart partnerships, and conversions, while attentively monitoring geopolitical influences on vessel traffic. Additionally, we are focused on capturing ample floater conversion opportunities and boosting our capability for complex projects, thereby solidifying our presence in the floater conversion market.

BALANCED PORTFOLIO

Conventional energy remains relevant and crucial to ensuring global energy security amidst a transition to clean and sustainable energy. As a response, we are putting equal focus on conventional oil & gas opportunities as well as those in the clean energy space.

Our strategy expands to establishing a strong foothold in the clean energy sector and accelerating the energy transition in response to global demands. We aim to secure more green projects, align with decarbonisation initiatives by reducing carbon intensity, enhancing inventory management, and meeting regulatory standards. This prepares us for climate change mandates from stakeholders, particularly our clients.

Leveraging our experience from the Kasawari CCS project, we aim to strategically capitalise on the growing number of CCS offshore hubs expected in Malaysia, given our rich offshore carbon sequestration resources.

Looking ahead, our alignment with ESG initiatives caters to the increasing demand for sustainability in business practices. As MHB sails into the future, our commitment to innovation, sustainability, and excellence remains unwavering, positioning us as a growing leader in the evolving energy landscape.

For more information on our operating environment, please refer to page 50.

MD & CEO's Message

Acknowledgement & Appreciation

"I extend my deepest appreciation to our stakeholders, whose support has been fundamental to our journey. Special acknowledgement goes to our Board of Directors for their invaluable guidance. I am deeply grateful for the trust placed in me to lead MHB through these dynamic times. My heartfelt appreciation also goes to my predecessor, Encik Pandai Othman, for his exceptional leadership and the strong team he has built, a legacy I am honoured to continue.

I also express my gratitude to our former CFO, Encik Ahmad Zakri Md Salleh, and warmly welcome our new CFO, Encik Mohammad Romzi Shafi'e, whose insights and strategies are set to bolster our financial landscape.

Special thanks go to our former Chairman, Datuk Nasarudin Md Idris, for his visionary leadership, and I warmly welcome our new Chairman, Encik Mohammad Suhaimi Mohd Yasin. I look forward to his expertise and leadership further enhancing our journey.

As for our clients, partners, and suppliers, we truly appreciate your continued trust and confidence in MHB.

I would also like to extend my appreciation to the Government and regulatory authorities for their continuous understanding and support throughout challenging times. Your trust is our driving force in contributing to the nation's sustainability development agenda.

Most importantly, my profound gratitude is to the individuals of the MHB family. Your dedication, commitment, and hard work are the pillars of our success. It's through your collective efforts that we have navigated our journey together. For this, I am sincerely grateful."

Mohd Nazir Mohd Nor
Managing Director & Chief Executive Officer

KEY MESSAGES

Chief Financial Officer's Message

Dear Stakeholders,

The financial year 2023 has been a challenging time for MHB. Nevertheless, MHB has demonstrated its capacity to withstand adversity and remain committed to our path. Whilst our financial performance demands for an instant recovery, I request your trust and patience as we work to deliver on our promises to shareholders and stakeholders. Your continued support is crucial as we navigate with resilience and commitment to sustainable success.

Mohammad Romzi Shafi'e
Chief Financial Officer



Chief Financial Officer's Message

Navigating Geopolitical Turbulence and Market Resilience

In the macroeconomic landscape characterised by the prolonged Russia-Ukraine conflict and recent Middle East conflicts, an environment marked by geopolitical instability has emerged. The ongoing rivalry between the United States and China further amplifies the complexities faced by industries worldwide. These geopolitical factors have given rise to specific challenges within MHB's industry, shaping its market outlook:

- **Prolonged Global Supply Chain Disruption:** The geopolitical tensions contributed to a sustained disruption in the global supply chain. The ripple effects of conflicts and geopolitical maneuvering have led to delays, bottlenecks, and uncertainties in the sourcing and distribution of crucial resources and components.
- **Global Inflationary Pressures and Volatile Commodity Prices:** The uncertainty stemming from geopolitical tensions has translated into global inflationary pressures and increased volatility in commodity prices. Fluctuations in the cost of materials and resources pose challenges to cost management and profit margins for companies within the heavy engineering and marine segments.
- **Weakening Malaysian Ringgit Against United States Dollar (USD):** The geopolitical landscape has also influenced currency dynamics, resulting in the weakening of the Malaysian Ringgit against the USD. This currency depreciation introduces additional financial considerations that impact costs, pricing strategies, and overall financial performance.

Against this backdrop, stiffer competition among shipyards is also anticipated, given the rise in new liquefied natural gas carriers (LNGC)-repair yards globally adding to the multifaceted and challenging operating environment influencing market dynamics.

Notwithstanding these challenges, opportunities are available. The oil market is expected to improve further in 2024, supported by forecast demand and high oil prices amidst limited supply from continued production cuts by OPEC+.

Additionally, the increasing significance of Environmental, Social, and Governance (ESG) demands will create multiple business opportunities for MHB in the renewable energy space.

Our Financial Performance

For the financial year 2023, MHB saw a revenue increase of RM3,309.4 million, up from RM1,651.6 million the previous year. Specifically, our Heavy Engineering segment experienced notable revenue growth, rising to RM2,985.5 million from RM1,314.8 million. However, our Marine segment registered a slight decrease in revenue to RM323.9 million from RM336.9 million due to lower vessel dry docking services, particularly for LNGCs, a repercussion from the re-opening of China's borders at the beginning of 2023.

Despite the significant growth in revenue, MHB experienced a shift from an operating profit of RM60.9 million to an operating loss of RM467.7 million, necessitating immediate attention and decisive action. Within the Heavy Engineering segment in particular, there was a significant increase in operating loss, soaring to RM391 million from RM8.7 million, primarily driven by additional cost provisions stemming from revised schedules and price escalations impacting ongoing projects. Aside from that, the weakening of the Malaysian Ringgit against the USD had negatively impacted the hedging of receivables for a project. Additionally, the Marine segment registered a lower operating profit of RM22.5 million, from operating profit of RM61.6 million recorded in 2022 mainly due to higher revenue and margins coupled with doubtful debts recovery in that year.

Our Shareholder Equity and Cash Balances faced pressure, with the latter affected by a negative net operating cash flow of RM162.8 million. Nonetheless, our access to banking facilities reassures our operational continuity, alongside our efforts to recover costs through clients' claims.

This year, MHB's capital expenditure was primarily directed towards the reactivation of our MMHE East yard, a strategic investment for the recent renewable energy project we secured. This allocation of resources is necessary to pave the way for our expanded efforts. As we diligently continue to pursue this venture, our strategic investments will amplify MHB's capabilities. Beyond that, this allocation was essential for both infrastructure and technological enhancements to improve our operational efficiencies.

Anchored by a robust RM6.3 billion order book as of 31 December 2023, we project sustained growth and financial resilience extending through 2027. Moving forward, we are well-positioned to capitalise on emerging opportunities in the years to come.

KEY MESSAGES

Chief Financial Officer's Message

Outlook

As we enter 2024, we remain resolute in our refined financial strategy to effectively navigate risks and capitalise on growth opportunities, with the aim of enhancing MHB's financial health. Our strategic framework, underscored by detailed annual and seven-year business plans, is designed to set precise financial performance indicators, guiding our business segments towards their objectives within both MHB and the broader MISC context.

Key financial risk areas we will address include:

- **Project Execution Risks:** Given the dynamic landscape, regular project reviews will help us scrutinise our financial performance and identify improvement areas, with a keen focus on contracting strategies to maintain and boost profitability.
- **Liquidity Risks:** We will enhance our billing processes and renegotiate claims to improve cash flow, alongside securing adequate banking facilities and executing thorough cash flow forecasting to mitigate liquidity concerns.
- **Credit Risks:** Our approach includes in-depth financial evaluations of potential clients and partners to assess creditworthiness and mitigate default risks. Enhanced security protocols will be implemented to secure our transactions, and we will closely monitor receivables, addressing issues swiftly in Management Committee meetings. Additionally, strategic cash management practices will be employed to safeguard against credit risk disruptions.
- **Foreign Exchange Currency Risks:** To offset currency risks inherent in global operations, we will continue to utilise natural hedging mechanisms and strategic hedging contracts.

In the face of challenges in past and ongoing project execution within the Heavy Engineering segment, primarily driven by raw material cost escalations and global supply chain disruptions, our efforts will be focused on recovering costs overrun. These costs, stemming from inflationary impacts and schedule disruptions are being rigorously pursued for recovery from clients, vendors, and subcontractors. With a mindful consideration of the persistent challenges within the global supply chain, we will take proactive measures to enhance our contracting strategies with clients where possible through alliance concept, reimbursable and cost-plus basis.

Considering the intensifying competition within the Marine segment, especially with the global emergence of new LNGC-repair yards, our strategic focus for the year revolves around securing additional dry docking opportunities with major LNG players and actively participating in conversion projects. This trajectory is strategically aligned with the upward trend of oil prices and the stabilisation of the oil and gas market, fortifying our position in the industry.

Strategically, we aim to optimise revenue and yard resource utilisation, identify growth opportunities within our operational scope, and refine our organisation for better manpower efficiency, fostering a culture of innovation and collaboration.

Acknowledgement and Appreciation

"As I step into this role, I want to express my deep gratitude to the MHB team for guiding our financial journey. A special tribute is extended to Encik Ahmad Zakri Md Salleh, the former Chief Financial Officer, whose leadership has left an indelible mark on MHB's financial resilience and laid a robust foundation for our future pursuits. Together, we are authoring the story of MHB's financial resilience, one chapter at a time, with determination and wisdom. Thank you for your dedication and hard work."

Mohammad Romzi Shafi'e
Chief Financial Officer



HIGHLIGHTS

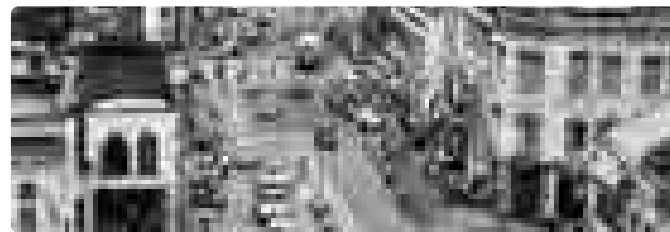
Our 50-Year Journey

1. Birth of MHB

MHB THEN

Our story began more than 50 years ago...

Through Malaysia's economic transformation, the industrial revolution has propelled us toward becoming a high-income nation.



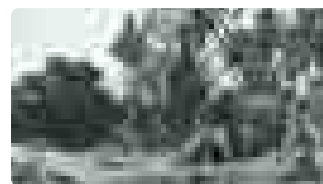
At signing ceremony between Malaysian government (represented by Tun Tan Siew Sin (2nd sitting from left), as then the Minister of Finance) and the three private companies on 21 May 1973 for the incorporation of MSE.

This vision led to the incorporation of Malaysia Shipyard and Engineering Sdn Bhd (MSE) in May 1973 and the pioneering of a local marine and heavy engineering industry.

Situated in the sheltered coast of the Straits of Johor in the southern-most tip of the Malay Peninsula, Pasir Gudang has the makings of an international maritime centre.



Funnelling ships that ply the Indian Ocean trade route through the Straits of Malacca, Johor, and Singapore on their journey between the two major trade centres of the Middle East and the Far East.



What was once a settlement of villages along an isolated beach, far removed from modern amenities, is now one of the country's biggest industrial areas and a regional maritime centre.

Swamplands and jungle made way for dry docks and slipways covering 123 hectares of terrain, becoming Malaysia's largest, most modern shipyard.



Tun Hussein Onn (1st from left) performed the groundbreaking ceremony on 19 November 1973 as MSE Chairman Raja Tun Mohar Raja Badiozaman (2nd from left) looked on.

Our 50-Year Journey

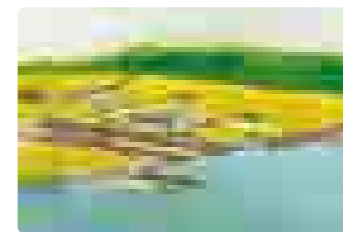
2. Building Foundations

MHB fortified its roots and built its capabilities that laid the foundation for Malaysia's offshore Oil and Gas (O&G) industry.

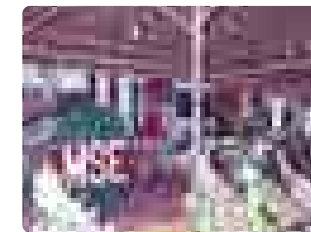


Cleared swamplands were gradually transformed into the nation's first shipyard over the course of three years.

Construction of the shipyard began in November 1973. Over nearly three years, the shipyard took shape, heralding the dawn of Malaysia's new future. The shipyard was completed on 9 September 1976 making available a range of facilities.



An artist's impression of MSE's yard layout before construction.

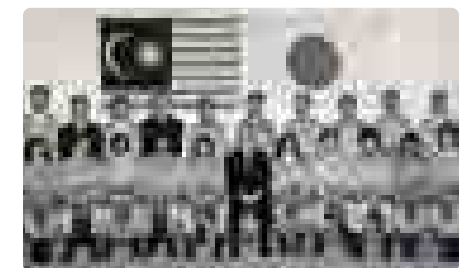


The grand opening of MSE was graced by the VVIPs of the industry and the Malaysian Government, with Prime Minister Tun Hussein Onn as the guest of honour.

Before MSE's privatisation in 1991, our story began as a Public-Private Partnership - a RM100 million joint venture between the Malaysian Government and the private sector, both local and foreign with a paid-up capital of RM20 million. MSE had four partners at the start, namely the Malaysian Ministry of Finance Inc, Sumitomo Heavy Industries Ltd of Japan, Kuok Brothers Sdn Bhd of Malaysia and International Maritime Carriers of Liberia.

Malaysia was still new to the ship repair and marine engineering business, and had little experience with shipping customers, limited domestic facilities and technological know-how. Sumitomo, with its extensive experience in heavy industries and shipyard, provided us with the leg-up we needed. 137 employees were sent for a one-year training mission to the shipyards and plants in Japan to learn the ropes of the business.

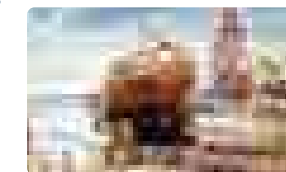
Upon their return, the 100 fundamental workers and 37 technical executives formed the nucleus of manpower for MSE's shipyard operations.



While the shipyard was under construction, we sent our first batch of employees to Japan for training in March 1974.

When we commenced operations in September 1976, the Company initially concentrated its operations on ship repair activities only, taking on commercial ships. However, the need to diversify our offering to provide a more comprehensive range of maritime services and the challenging business currents prompted MSE to venture into the shipbuilding market.

The Malaysian Government came on board as the main customer of MSE – where before this, the Government had to commission ships from companies in Hong Kong and Japan. The country is now able to capitalise on the local shipbuilding capabilities for some heavy cost savings.



The first tugboat built by MSE, Berserah, slid down the slipway during the launching ceremony in March 1979, commissioned by the Kuantan Port Authority.



The delivery of Malaysian Marine Department's suction dredger MV Tanjung Pinang in May 1980 marked the start of MSE's shipbuilding venture.

HIGHLIGHTS

Our 50-Year Journey

2. Building Foundations (cont)

With Malaysia heavily invested in the oil and gas business through the state-owned company PETRONAS, MSE's involvement into the energy sector is naturally in step with Malaysia's oil production and exploration activities at the hub of Southeast Asian oil fields. We charted a series of firsts which established strong foundations for our future growth.



We undertook the transformation of MV Hiltra into FPSO Perintis for PETRONAS as our first conversion project.

Over the years, we became a competitive player as a fabricator of oil and gas structures, winning over 60 project bids before 2000.



For MSE's first engineering and construction project, we were tasked with the offshore fabrication and construction of two 70-man living quarters.



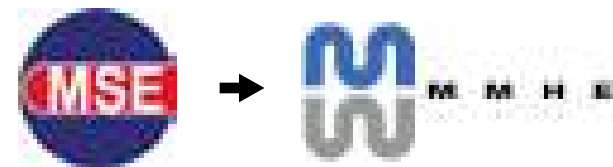
At the end of the millennium, MSE progressed on to build topside structures such as decks, production modules and helidecks, and is recognised as the leading Malaysian heavy engineering fabricator with extensive capabilities and experience in offshore structures fabrication.

3. Global Reach

Between 1990s to 2010s, MHB became a regional force, expanding its reach beyond Malaysian shores. MHB took a giant leap onto the global stage.

In the early 2000s, MSE marked the turning point where the management made a strategic shift in the business direction that changed the course of the Company's future for the better.

MSE was rebranded and changed its name to Malaysia Marine and Heavy Engineering Sdn Bhd (MMHE).



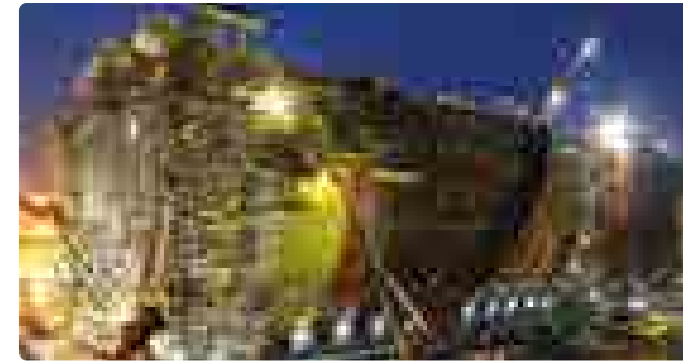
The new business thrust synergises the Company's efforts with PETRONAS' aim to nationalise and localise fabrication in support of Malaysia's oil and gas development, promoting national self-reliance by developing associated industries. This decision came on the heels of MISC gaining a controlling stake of the Company in March 2004, holding 65% of the shares.

The strategic shift into the oil and gas sector came just as Malaysia's energy future was taking off amid recent discoveries of oil and gas fields such as Sabah's Kikeh field.

Malaysia's first deepwater discovery at 4,400 ft deep - turning Malaysia into an offshore industrial hub with MMHE leading the engineering fore.

We also completed our first deepwater floating production storage and offloading (FPSO) facility, the FPSO Kikeh and our first liquefied natural gas carrier (LNGC) refurbishment project on MISC Berhad's LNGC Tenaga Tiga.

Our 50-Year Journey



Kikeh Truss Spar, for Malaysia's first deepwater oil and gas field.



Gumusut-Kakap Semi-Submersible FPS, Asia's largest offshore operating facility.

Marking the peak of our growth, MHB was listed on the Main Market of Bursa Malaysia Securities Berhad in 2010.

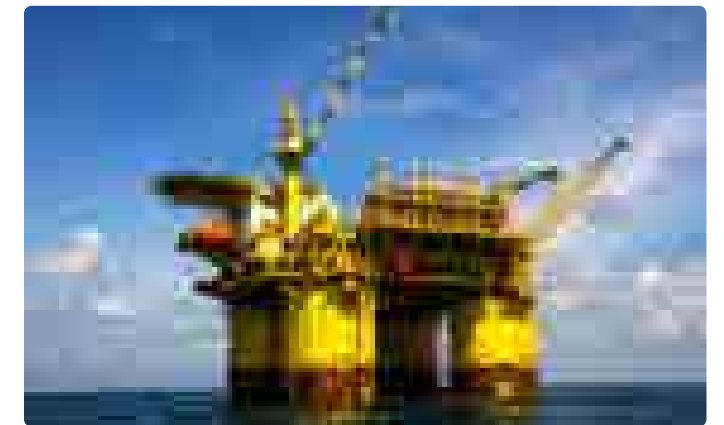


In April 2010, PETRONAS announced that MMHE, a cash-rich company with zero borrowings and registered revenue of over RM4 billion for the financial year ended 31 March 2009, would be listed on Bursa Malaysia. By June, Malaysia Shipyard and Engineering Holdings (MSEH) converted our status into a public company.

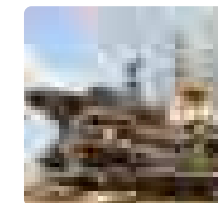
We then acquired a yard from Sime Darby Engineering Sdn Bhd (SDE) and renamed it as MMHE East yard, which enabled us to take on more complex projects.

This period of time saw us complete the Gumusut-Kakap Semi-Submersible Floating Production System (FPS), Asia's largest offshore operating facility.

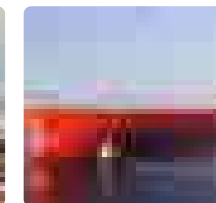
These achievements have placed MMHE in the spotlight and launched the Company's reputation as a formidable international offshore fabrication yard.



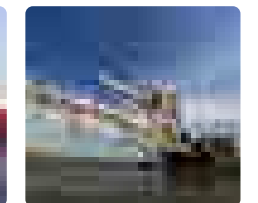
Malikai, Malaysia's first tension leg platform (TLP) deepwater project.



The largest Enhanced Oil Recovery (EOR) facility in Southeast Asia, the Tapis-R topsides.



The world's largest ore carrier, the Sea Beijing.



The largest pipelay in the world, the Audacia.

HIGHLIGHTS

Our 50-Year Journey

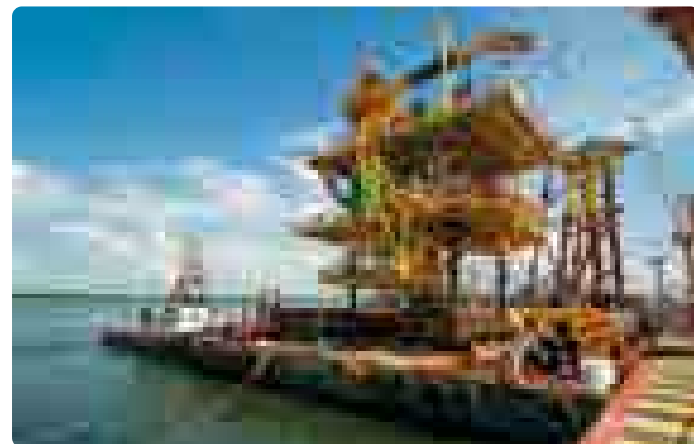
4. Sustainable Future

MHB TODAY

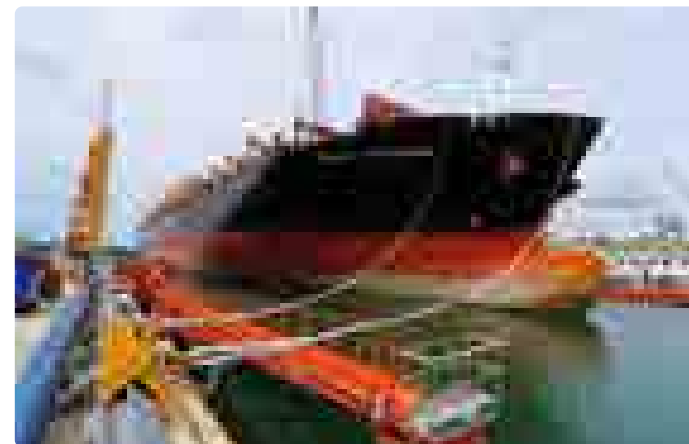
Moving towards 2020s, witness MHB's diversification into new frontiers, sectors and emerging industries.

Our well-established track record enabled us to deliver on projects such as the Offshore Wellhead Facilities (OWF) Tembakai Non-Associated Gas (TNAG) offshore fit-for-purpose facility, as well as securing new projects such as Kasawari Gas Development from PETRONAS.

Delivered OWF TNAG Offshore Fit-for-Purpose Facility.



Our third dry dock, Dry Dock No. 3.



To cater to the growing demand for our services, we made significant investments in expanding our facilities and capabilities.

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.

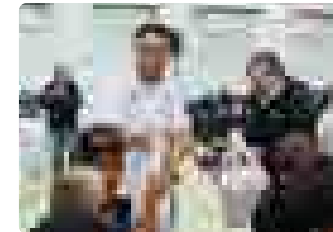
We also expanded our footprint into the international stage by securing a long-term agreement (LTA) with Saudi Aramco for the provision of EPCIC work for offshore facilities within the waters of the Kingdom of Saudi Arabia.

Having established a strong footing on our sustainability journey, we ventured on a path of refinement towards enhancing our value proposition for the marketplace.

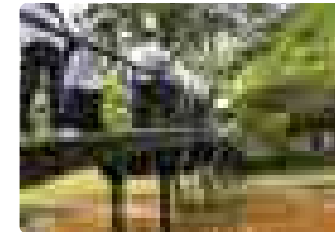
We refined our logo and articulated our corporate purpose through our vision, mission, shared values, and cultural beliefs.



Our 50-Year Journey

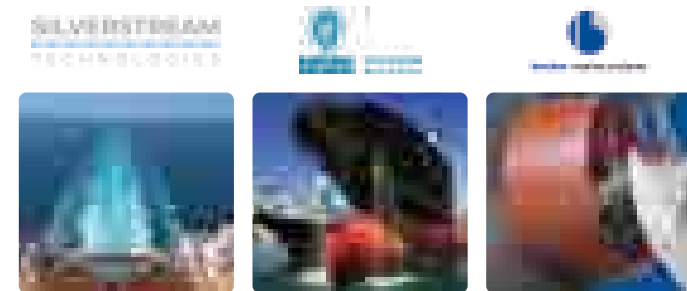


We organised Free Market events for more than 500 family members across Pasir Gudang area.



We launched our River Rehabilitation Programme with the adoption of Sungai Buluh, in collaboration with Pasir Gudang City Council and University of Technology Malaysia in December 2022.

Realising our effort to provide sustainable solutions to our clients and expand our horizons into energy transition, we embarked on strategic partnerships with global partners to offer ship owners a green vessel to support maritime industry decarbonisation.

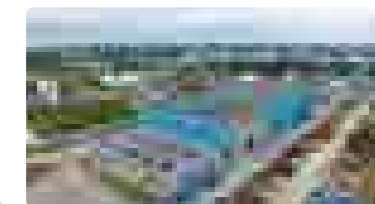
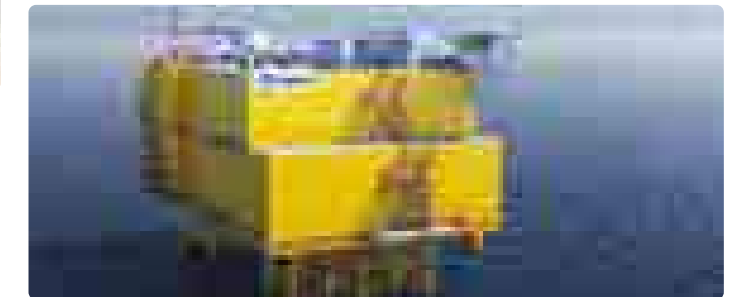


Entering further into a new era of the energy transition, climate change and industry decarbonisation, we adapted our business model and strategy to remain a relevant business in the future.

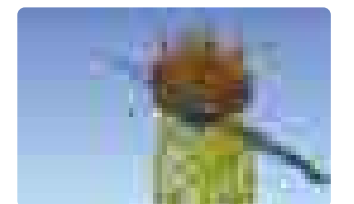
In 2022, we took our renewable energy solution to the next level by securing the Engineering, Procurement and Construction (EPC) contract for the Rosmari-Marjoram solar-powered offshore platform from Sarawak Shell Berhad.

Leveraging on our credible industry reputation, we established our presence in this emerging sector as a sustainable solutions provider through the award of the EPCIC alliance contract for the Kasawari Carbon Capture and Storage (CCS) Project from PETRONAS - the world's largest and Malaysia's first CCS Project.

In November 2023, MHB was awarded an offshore substation (OSS) High Voltage Direct Current (HVDC) Platform for TenneT's 2GW Programme in IJmuiden ver Alpha, a significant offshore wind farm project in the Netherlands.



Malaysia's largest rooftop solar panels installed in a single compound.



Blueprint of Kasawari Carbon Capture and Storage (CCS) project from PETRONAS.



Acknowledging MHB's remarkable 50-year journey, we look forward to a future filled with continued success and excellence.

HIGHLIGHTS

Key Highlights for 2023

Seeds of MHB Transformation

In our remarkable 50-year journey, we have led the way to numerous achievements and ventured into uncharted territories, leaving a lasting impact. As we celebrate this milestone, we see this opportunity for MHB's refreshed beginning embodied in resilience and innovation. In expanding our efforts towards energy projects, we strategically prioritise renewable energy and decarbonisation initiatives. Our involvement in carbon capture projects mirrors a proactive effort to mitigate our carbon footprint and contribute positively to the environment. This initiative serves as a tangible manifestation of our enduring corporate values, ethical standards, and responsible stewardship. As our journey continues, the seeds planted today are propelling the advancement of clean energy initiatives for the next five decades and beyond.



Our Financial Performance in 2023

Revenue: **RM 3.3 billion**

Total Assets: **RM 3.6 billion**

Our Business and Operations Achievements

Heavy Engineering

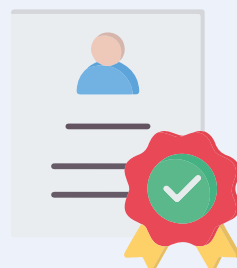
2 Offshore Projects Secured

Marine

- Completed Repair and Maintenance of **71** Vessels
- 14** Repair Works on LNG Carriers
- 9** Local and **16** 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
- The Edge Malaysia ESG Awards 2023 - Silver Award in the GreenTransition category
- Top 10 Graduates' Choice of Employers to Work for in the Engineering Category by Talentbank 2023
- Gold Class 1 for MSOSH Award
- EIC Regional Award 2023 in Culture Category
- Legal 500's GC Powerlist 2023



Key Highlights for 2023

New Era in Energy Transformation

PROJECT AWARD

Here to Serve Your Renewable Energy Needs
Construction of OSS HVDC platform for IJmuiden ver Alpha Project, Offshore Wind Farm



THE INNOVATIVE NEW STANDARD IN OFFSHORE GRID CONNECTION SYSTEMS



- Overall Weight equivalent to **4 x Eiffel Towers**
- Overall Dimension equivalent to **1 x Football Field**
- Powering up **2 million** households with clean energy in the Netherlands
- Prevent **2.5 million tonnes** of CO2e emissions annually

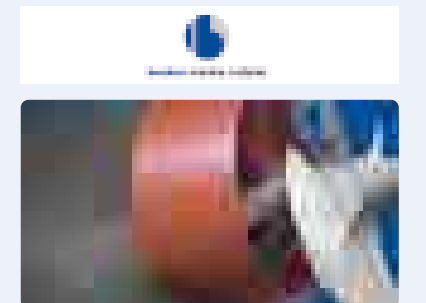
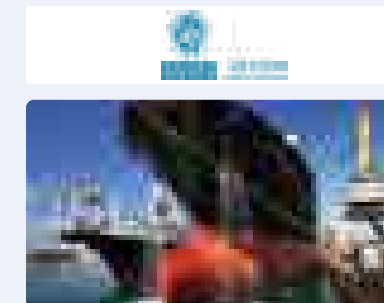
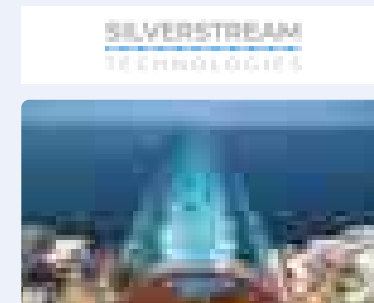
engineering, procurement and Construction (epc)

Estimated Total Weight: 40,000 MT Location: Offshore, the Netherlands Client: Petrofac International (UAE) LLC
Topside: 30,000 MT
Jacket: 10,000 MT

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 Energy Efficiency Existing Ship Index (EEXI) and Carbon Intensity Indicator (CII) Compliance.



HIGHLIGHTS

Key Highlights for 2023

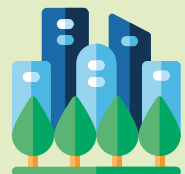
Our Sustainability Highlights

In advancing our long-term business sustainability, we have strengthened our commitment through our Sustainability Framework. This year, our emphasis on sustainability has evolved into a powerful force for creating value. We are focusing on key areas such as Finance, Environment, Social Impact, and Governance to ensure that our efforts not only sustain but actively generate lasting value across all aspects of our operations.

ENVIRONMENT

CLIMATE-RELATED RISKS and OPPORTUNITIES

- Developed the MHB Climate Framework in accordance with TCFD recommendations, improving reporting by introducing key climate metrics for effective risk and opportunity assessment.
- Explored internal carbon pricing to gain insights into our climate impacts, applying it as an assumed cost for emissions in specific investments or projects.



• **RM166,743.00** spent on Environmental Monitoring Activities (as of December 2023)

OUR DECARBONISATION EFFORTS

- Embarked on Scope 3 Inventory for GHG Emissions
- MHB Green Initiatives



• Continued replacing conventional light with light-emitting diodes (LED): **Successfully replaced 11,985 out of 14,005 conventional lights on our premises with LED lights.**

- Intensified recycling efforts

Aluminium, glass and iron collected:



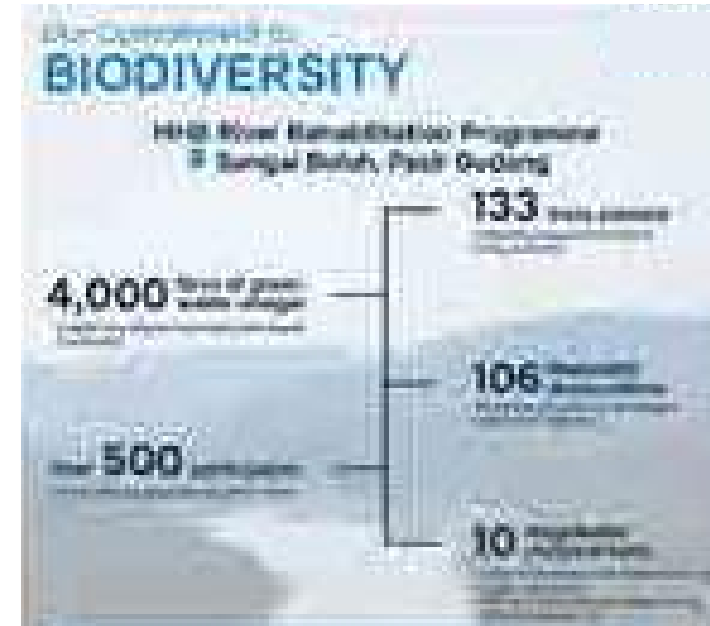
2023: 468.69 MT
2022: 646.26 MT
2021: 51.33 MT

Plastic collected:



2023: 25.24 MT
2022: 78.91 MT
2021: 3.55 MT

Key Highlights for 2023



SOCIAL

HEALTH and SAFETY

- Man-hours without LTI (millions) as of 31 December 2023: **4,454,094**

COMMUNITY

- **RM 146,603** spent on community programmes
- **200** volunteers from MHB employees with **90** man-hours recorded
- **350** individuals benefited from community programmes

TALENT EXCELLENCE

- Trained more than **44,000 People** in a year (Employees, subcontractors and public)

GOVERNANCE

CYBERSECURITY EFFORTS



Cybersecurity Incidents (Minor) recorded: 13
Data Breach recorded: 0

RESPONSIBLE SUPPLY CHAIN

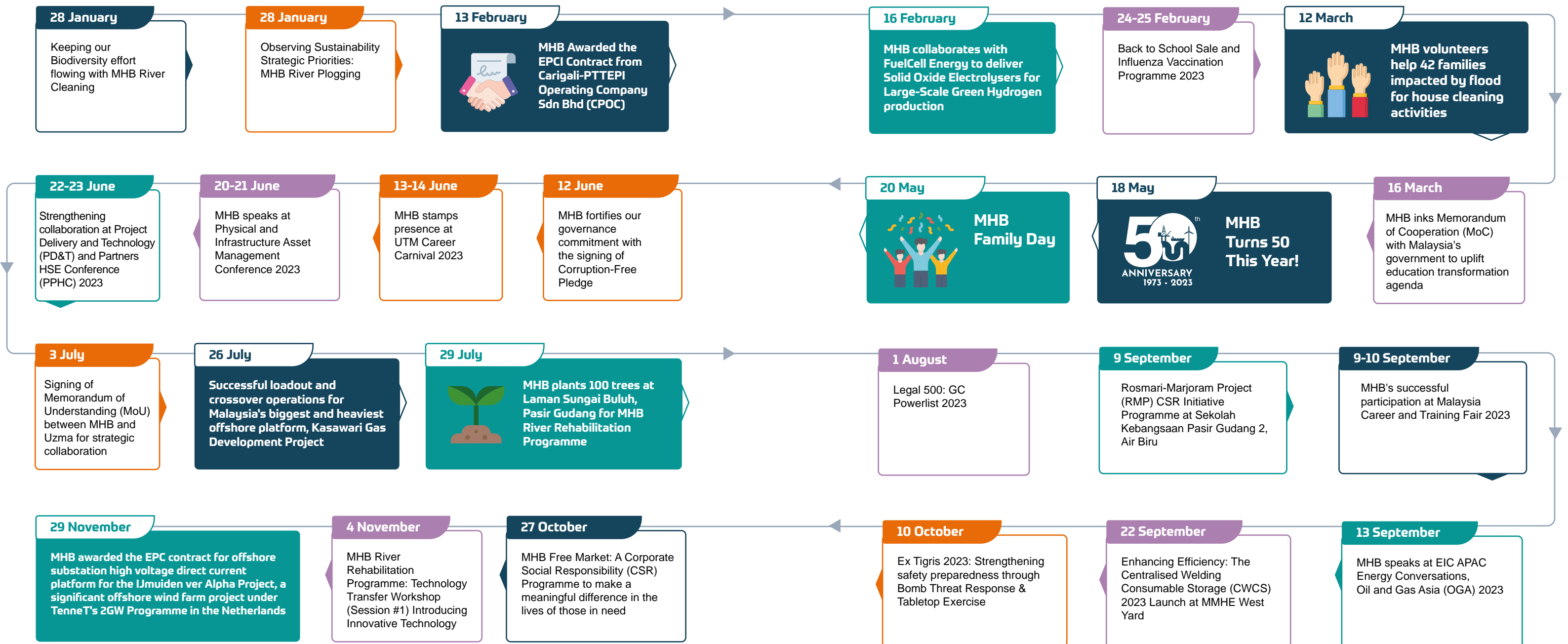
- We have begun engagement with our partners to increase awareness of sustainability matters which includes Scope 3 journey

HIGHLIGHTS

Our 2023 Journey and Key Milestones

Our 2023 Journey and Key Milestones

Snapshots of 2023



VALUE WE CREATE

Value Creation Business Model

Value Creation Business Model



Through a variety of resources

we aim to

drive our business

towards meaningful value

INPUTS

- Human**
 - 4,717 Employees (as of 31 December 2023)
 - RM3.8 million invested in employee trainings
- Financial**
 - Cash and bank balances of RM557.6 million
 - Net cash used in operations of RM162.8 million
- Manufactured**
 - Property, plant and equipment (PPE): RM1,507.7 million
 - Right-of-use assets (ROU): RM195.4 million
 - CAPEX: RM82.2 million
- Intellectual**
 - Investment of new technology to improve operation activities
 - Deployment and execution of digital applications and system for better project tracking and reporting
- Social and Relationship**
 - Continuous transparent engagements with existing stakeholders
 - Building new strategic partnerships and trusted relationships
 - Investment in a variety of engagement platforms (physical, virtual and media engagement)
- Natural**
 - Environmental awareness campaigns: RM28,000
 - Scheduled and non-scheduled waste management plans and activities
 - Environmental monitoring activities: RM166,743
 - Electricity consumption: 41,830 MWh
 - Volume of water consumption: 783,009 cbm
 - Total scheduled waste generated 2023: 19,009 metric tonnes

- Materiality**
 - Health and Safety
 - Customer Satisfaction
 - Business Sustainability
 - Human and Labour Rights
 - Governance and Ethics
 - Asset Integrity and Reliability
 - Risk Management
 - Project and Financial Performance
 - Diversity and Inclusion
 - Skilled Workforce
 - Employee Engagement
 - Technology and Operational Innovation
 - Climate Change
 - Supply Chain
 - Strategic Community Initiatives
 - Natural Resources and Consumption



KRA 1
Fortifying Our Core



KRA 2
Pushing Boundaries for Growth

- Core Business Segments**
 - Heavy Engineering
 - Marine
 - Plant Turnaround and Shutdown Maintenance

- Key Risks**
 - Competition Risk
 - Supplier Risk
 - Financial Risk
 - Project Risk
 - Asset Risk
 - Technology Risk
 - Health and Safety Risk
 - Security Risk
 - Human Capital Risk
 - Customer Risk
 - Environmental Risk
 - Legal and Regulatory Risk

OUTPUTS / OUTCOMES

- Human**
 - Total hours of employee training of 111,280 hours
 - Average hours of training per year per employee of 23.8 hours
 - Voluntary staff turnover rate of 16.4%
 - Total of 26 employees certified with specialist certifications
- Financial**
 - Positive Outputs**
 - Revenue increased to RM3,309.4 million
 - Negative Outputs**
 - Recorded net cash used in operating activities of RM162.8 million
- Manufactured**
 - Positive Outputs**
 - Heavy Engineering segment secured 2 contracts and achieved certification that enables independent manufacturing of pressure vessels
 - Marine segment completed 71 vessel repair and maintenance jobs and secured 87 jobs
- Intellectual**
 - Proportion of spending on local suppliers for digitalisation: 100%
 - Initiated supply chain digital solutions
 - Digitalisation of procurement function, enhanced category management and strategic sourcing via PANTHERA
- Social and Relationship**
 - Supply Chain Management processes
 - Health and safety briefings and programmes
 - Established new Wellness Centre located at Centre of Excellence for employees and subcontractors
 - Engaged with 350 members of the investment community
- Natural**
 - GHG emissions: Scope 1 - 9,928 tonnes CO₂e
Scope 2 - 27,882 tonnes CO₂e
 - NOx emissions: 9.07 tonnes
 - SOx emissions: 2.55 tonnes
 - PM10 emissions: 1.19 tonnes

STAKEHOLDERS

- **Employees**
- **Shareholders and Investors**
- **Shareholders and Investors**
- **Shareholders and Investors**
- **Regulatory Authorities and Policymakers**
- **Customers**
- **Communities**
- **Shareholders and Investors**
- **Communities**

VALUE WE CREATE

Key Capitals

Financial Capital

Introduction

Our financial capital is essential to us, supporting our daily operations and growth plans. It helps us innovate and expand, ensuring sustainability in our marine and heavy engineering projects.

Actions to Enhance Outcomes

- Reduce costs by analysing overheads, negotiating better supplier deals, and improving efficiency.
- Develop investment strategies by evaluating profitable opportunities and adjusting based on market conditions and expertise.
- Focus on continuous improvement by refining processes regularly, adapting strategies to industry trends, and emphasising green projects.

Trade-offs

Balancing cost reduction with quality is crucial to avoid compromising standards while cutting expenses. Similarly, finding the equilibrium between income generation and capital appreciation in investments is essential for stability and growth. While investments focused on regular income provide stability, growth-oriented ones offer higher potential for appreciation but may yield lower current income. Navigating short-term and long-term focuses entails implementing continuous improvement measures, which may demand short-term resource allocation, potentially impacting immediate results but contributing to long-term success.

Intellectual Capital

Introduction

Our intellectual capital encompasses the knowledge, expertise, and innovation driven by digitalisation, and research and development efforts. It fuels our competitive advantage, fosters continuous improvement, and empowers strategic decision-making, all while enhancing our organisational processes and intellectual property.

Actions to Enhance Outcomes

- Implement integrated Advanced Work Packaging (AWP) systems connecting with existing systems through APIs to automate processes and address talent retention challenges, while leveraging Advanced Analytics for data-driven decision-making and Digital Process Automation for effective deployment of lessons learned and task automation in construction strategies.
- Enhance Daily Work Checklist (DWC) to incorporate Subcontractor Requisition (SCR) and Material Requisition (MR) functions and ongoing development of Summary of Costing (SOC) generation capabilities.
- Establish a centralised Data and Analytics Centre integrating live and historical benchmarking functionalities such as Productivity, Yard Planning, Norm Data, Cost and Rate Analysis, and Manpower Analysis using optimised Business Intelligence (BI).
- Implement complete digitalisation modules encompassing Digital Procurement Management, Material Management and Logistics, and Vendor Assessment.

Trade-offs


Heavy Engineering's AWP boosts productivity and predictability but requires investment and cultural change. Capturing lessons learned aids continuous

Input

| | 2023 | 2022 |
|---|---------|---------|
| Total assets (RM million) | 3,649.3 | 3,358.1 |
| Shareholders' equity (RM million) | 1,267.3 | 1,769.5 |
| Cash flow from operations (CFFO) (RM million) | (162.8) | 135.9 |
| Cash and bank equivalents (RM million) | 557.6 | 797.0 |
| Debt (RM million) | 367.0 | 335.2 |

Outputs / Outcomes

| | 2023 | 2022 |
|---|---------|---------|
| Revenue (RM million) | 3,309.4 | 1,651.6 |
| Operating profit/(Loss) | (467.7) | 60.9 |
| Profit/(Loss) before tax (RM million) | (483.1) | 46.7 |
| Profit/(Loss) after tax (RM million) | (484.2) | 67.6 |
| Dividend payout (sen per share) | - | 1.5 |
| Cash flow from operations activities (RM million) | (162.8) | 135.9 |
| CAPEX (RM million) | 82.1 | 40.5 |

| Stakeholders: | Material Matters: | UNSDGs: |
|---|--|---|
| <ul style="list-style-type: none"> • Investment Community • Customers | <ul style="list-style-type: none"> • Business Sustainability • Project and Financial Performance |  |

improvement but demands time and resources. Our Digital War Room streamlines project management but needs upfront investment in technology and training. Implementing DWC in Marine segment accelerates project delivery but incurs setup and training costs. Information and Communications Technology (ICT) PANTHERA project enables procurement optimisation but faces integration challenges and stakeholder adjustment.

Input

| | 2023 | 2022 |
|---|------|------|
| Heavy engineering digitalisation (RM million) | 1.28 | 3.84 |
| Marine digitalisation (RM million) | 0.15 | N/A |
| ICT- PANTHERA (RM million) | 9.70 | 4.80 |

Outputs / Outcomes

| | 2023 | 2022 |
|--|---|---|
| Number of new products and software launched | HE - 3 initiatives launched: • Lesson Learned, • HEO Digital War Room, • HEO Dashboard Marine - N/A | HE - Advanced Work Packaging (AWP) Marine - Daily Work Checklist (DWC) 2.0 |

| Stakeholders: | Material Matters: | UNSDGs: |
|--|---|---|
| <ul style="list-style-type: none"> • Employees • Customers • Business Partners • Government / regulators | <ul style="list-style-type: none"> • Business Sustainability • Asset Integrity and Reliability • Project and Financial Performance • Technology and Operational Development |  |

Key Capitals

Manufactured Capital

Introduction

Our manufactured capital forms the infrastructure and assets crucial for our operations, facilitating efficiency and productivity in our marine and heavy engineering endeavours. It encompasses our physical resources and facilities, serving as the backbone of our business operations.

Actions to Enhance Outcomes

- Focus on monitoring and tracking the key equipment's reliability, to ensure asset availability.
- Strengthen preventive/corrective maintenance process to optimise the uptime against total hours.

Trade-offs

The expansion of our manufactured capital has enhanced our readiness for more upcoming Heavy Engineering and marine projects, improved cost efficiencies from owning rather than renting equipment, as well as scaled up our project delivery schedules. The improvement of our manufactured capital will augment our financial capital in the short, medium, and long-term future.

| Stakeholders: | Material Matters: | UNSDGs: |
|---|--|---|
| <ul style="list-style-type: none"> • Customers • Business Partners • Employees | <ul style="list-style-type: none"> • Asset Integrity and Reliability • Project and Financial Performance • Technology and Operational Development |  |

Input

| | 2023 | 2022 |
|--|--|--|
| Heavy Engineering Facilities | Fabrication areas: 6 Goliath cranes: 2 Unit transporters: 6 Unit crawler cranes: 10 Unit mobile cranes: 10 Loadout facilities: 45,000MT Loadout facilities: 40,000MT Bulkhead structure: 5,000MT | Fabrication areas: 6 Goliath cranes: 2 Unit transporters: 4 Unit crawler cranes: 6 Unit mobile cranes: 10 Loadout facilities: 45,000MT Loadout facilities: 40,000MT Bulkhead structure: 5,000MT |
| Marine Facilities | Dry docks: 3 Land berths: 2 Synchrolift system including shiplift platform: 1 Units of shiplift bulldozers: 3 Total fixed and portable winches: 72 Number Level Luffing Cranes: 15 Quay structures: 8 Units of mobile aerial platform: 16 | Dry docks: 3 Land berths: 2 Synchrolift system including shiplift platform: 1 Units of shiplift bulldozers: 2 Total fixed and portable winches: 72 Number Level Luffing Cranes: 16 Quay structures: 8 Units of mobile aerial platform: 20 |
| Yard Facilities | Numbers of workshop: 47 Unit of overhead and gantry cranes: 132 | Numbers of workshop: 47 Unit of overhead and gantry cranes: 132 |
| Property, Plant and Equipment (PPE) (RM million) | 1,507.7 | 1,493.4 |
| Right-of-use (ROU) assets | 195.4 | 200.4 |
| CAPEX | 82.1 | 40.5 |

Outputs / Outcomes

| | 2023 | 2022 |
|------------------------------------|--|---|
| New Major Assets Deployed | Rosmari-Marjoram Project (RMP) Foundation Upgrade Acquisition of Plate Girder Machine Shiplift Bulldozer: 1 Unit 250MT Crawler Crane: 4 Units | Cast of new penny weight and skid beam for HEO Project Purchase of new units welding machine (FCAW-GS, TIG, SAW) |
| Asset Life Extension / Enhancement | Reinstatement of Quay 2 and 3 Quay Expansion | Upgrading abrasive facilities by construct second processing plant |

VALUE WE CREATE

Key Capitals

Social and Relationship Capital

Introduction

Our social and relationship capital reflects the trust and network fostered with stakeholders, essential for building partnerships and driving collective success. It strengthens our reputation, fosters collaboration, and opens avenues for growth and opportunities.

Actions to Enhance Outcomes

- Organise technology transfer workshop with MHB Communities to support the core elements of the MHB River Rehabilitation programme such as the introduction of iNaturalist & GeoTrees applications, creation of green waste vinegar, urban farming, and composting.
- Create a synergy collaboration with the state government and non-governmental organisations (NGO) for MHB Free Market.

Trade-offs


Through our initiative with the community via the MHB River Rehabilitation Programme, along with the financial and manpower investments made, we anticipate fostering biodiversity and enhancing community well-being. This collaborative, science-driven, and community-engaged approach is expected to yield significant benefits.

Input

| | 2023 | 2022 |
|---|---------|--------|
| Investment in education, community well-being and development and environment programmes (RM) | 146,603 | 78,730 |
| Number of operations with local community engagement, impact assessment and development programme | 56 | 28 |

Outputs / Outcomes

| | 2023 | 2022 |
|---|------|------|
| Number of programmes to promote education and awareness amongst the youth | 16 | 12 |
| Number of beneficiaries from various programmes | 350 | 531 |

| Stakeholders: | Material Matters: | UNSDGs: |
|---------------|--|---|
| Community | <ul style="list-style-type: none"> Strategic Community Initiatives Employee Engagement |  |

Human Capital

Introduction

Our human capital represents the skills, knowledge, and expertise of our workforce, serving as the driving force behind our success.

Actions to Enhance Outcomes

- Emphasise leadership and functional competency development through engagement sessions with department heads and divisions, promoting awareness of the capability development framework.
- Enable equal opportunities for training and development through self-enrolment in programmes, fostering self-development.
- Implement Diversity and Inclusion (D&I) Awareness Programmes to cultivate understanding of the D&I Policy among employees.

Trade-offs





Balancing investments in employee development and well-being with financial constraints are paramount. While this may involve limitations in the short-term, focusing on long-term objectives such as improving in-house capability and reducing dependency on subcontractors is essential for sustained growth. Additionally, human capital development initiatives, such as allocating time for training, mentoring, and on-the-job training, contribute significantly to organisational success in the long run, despite potential short-term resource allocations.

Input

| | 2023 | 2022 |
|---|-------|-------|
| Total employees | 4,717 | 3,365 |
| Percentage of women employees (%) | 18.7 | 18.5 |
| Investment in training and development (RM million) | 3.8 | 3.6 |
| Total new hires | 2,029 | 1,277 |

Outputs / Outcomes

| | 2023 | 2022 |
|---|-------|-------|
| Employee attrition rate (%) | 16.4 | 18.8 |
| Number of employees completed training | 2,229 | 1,619 |
| Average total hours of training per employee (hours/person) | 23.8 | 24.8 |
| Number of fatalities | 1 | 0 |
| Lost time injury frequency (LTIF) | 0.13 | 0.10 |
| Total recordable sase frequency (TRCF) | 0.40 | 0.16 |

| Stakeholders: | Material Matters: | UNSDGs: |
|---|--|---|
| <ul style="list-style-type: none"> Employees Government/Regulatory Bodies | <ul style="list-style-type: none"> Health and Safety Diversity and Inclusion Skilled Workforce Governance and Ethics |     |

Key Capitals

Natural Capital

Introduction

Natural capital encompasses the resources and ecosystems that MHB relies on, such as land, water, and biodiversity. It underscores our commitment to sustainable practices and environmental stewardship, ensuring the preservation of vital resources for future generations.

Actions to Enhance Outcomes

- Increase energy efficiency by replacing conventional lights with LED lights and replacement of R22 to R32 refrigerant.
- Utilise renewable energy through solar panel installation at West yard.
- Phase out single-use plastic across our departments.

Trade-offs

In balancing our financial capital utilisation with responsible natural capital management, we prioritise initiatives like waste management and energy efficiency. While these efforts bolster our reputation as environmental stewards and enhance our social and relationship capital, they also contribute to expanding our intellectual capital through technology adoption. Additionally, our venture into energy transition and decarbonisation projects in 2023 has bolstered our manufactured capital. Looking ahead, our sustainable practices are anticipated to attract investors seeking sustainability commitments, thus enhancing our financial capital, while also yielding cost efficiencies from technology adoption.

Input

| | 2023 | 2022 |
|-------------------------------|---------|---------|
| Electricity consumption (MWh) | 41,803 | 42,446 |
| Freshwater consumption (m3) | 783,009 | 697,266 |

Outputs / Outcomes

| | 2023 | 2022 |
|--|---------|---------|
| GHG emissions – Scope 1 (tCO ₂ e) | 9,928 | 8,258 |
| GHG emissions – Scope 2 (tCO ₂ e)* | 27,882 | 28,312 |
| GHG emissions – Scope 3 (tCO ₂ e) - Employee commute | 1,436 | 5,288 |
| GHG emissions – Scope 3 (tCO ₂ e) - Business travel | 578.0 | 266.5 |
| Carbon Intensity (tCO ₂ e/revenue (RM million)*) | 12 | 23 |
| Freshwater consumption (m ³) | 783,009 | 697,266 |
| Total scheduled waste recycled/recovered (%) | 99.8 | 99.2 |
| No. of community and school-related programmes | 6 | 5 |
| Number of beach clean-ups conducted | 1 | 1 |

| Stakeholders: | Material Matters: | UNSDGs: |
|---|---|---|
| <ul style="list-style-type: none"> Community Employees Customers Investors Government Business Partners | <ul style="list-style-type: none"> Strategic Community Initiatives Climate Change Natural Resources and Consumption Strategic Community Initiatives |       |

VALUE WE CREATE

Engaging with Stakeholders

Stakeholder engagement is pivotal for MHB's value creation, forming the bedrock for sustained success and responsible corporate growth. It is through proactive collaboration and understanding of our diverse stakeholders that we not only navigate the complexities of the business landscape but also fortify our commitment to ethical practices, innovation, and positive societal impact.

We identify our stakeholders by considering their unique characteristics and involvement with our company. Additionally, we classify stakeholders as relevant based on whether they are directly or indirectly affected by our operations and activities. This comprehensive approach ensures that our engagement is tailored to the diverse interests and impacts within our stakeholder community.

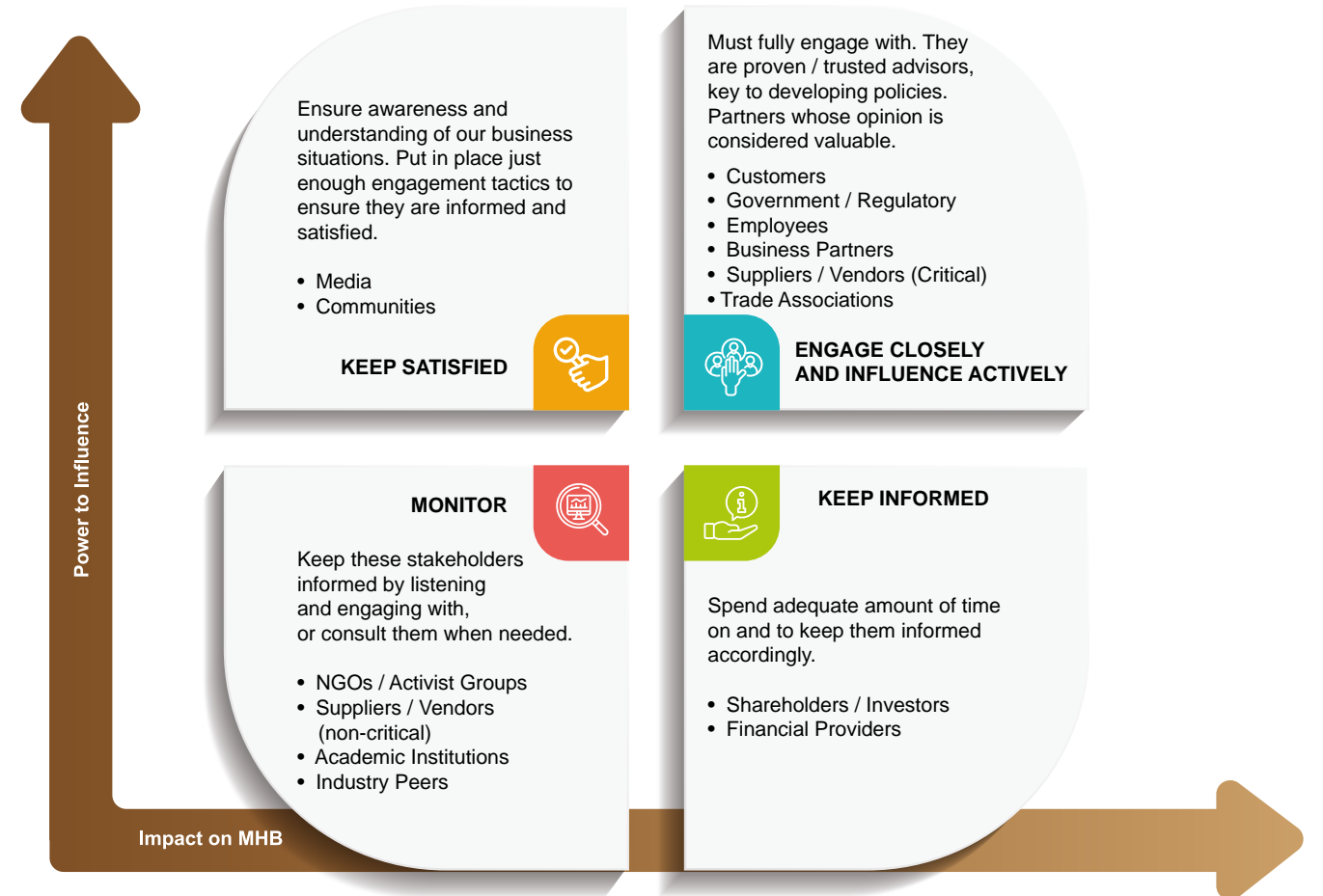
We use the following two-step process to define our stakeholders:



Engaging with Stakeholders

We prioritise stakeholders based on their impact and influence, using insights from our analysis. This information is represented in MHB's Stakeholder Map, serving as our compass for stakeholder engagements throughout the year.

MHB'S STAKEHOLDER MAP



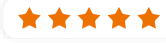



VALUE WE CREATE

Engaging with Stakeholders

Engaging with Stakeholders

Stakeholder Engagement in 2023

| | Why are They Important | Key Concerns | Response | Value Created for Stakeholders |
|----------------------------------|---|---|--|--|
| GOVERNMENT and REGULATORS | MHB believes in proactively and continuously ensuring complete adherence to all legal requirements that are pertinent to our business. | <ul style="list-style-type: none"> Ensure legal/regulatory compliance with relevant laws and requirements. | <ul style="list-style-type: none"> Committed to meeting legal requirements for our businesses. Maintained ongoing dialogues with government bodies and regulators to determine licensing and business activity scope. Implemented improvements to reduce our environmental footprint. | <ul style="list-style-type: none"> Enhanced insight into the challenges and intricacies of maintaining an environmentally responsible operation. Promoted ethical conduct, reduced corruption risks and ensured legal compliance. |
| CUSTOMERS | We consider customers essential for fostering robust relationships and elevating the quality of our project delivery. | <ul style="list-style-type: none"> Strategic networking and knowledge sharing. Brand reputation and advocacy. Potential business opportunities, partnerships and collaborations. | <ul style="list-style-type: none"> Utilised multiple engagement platforms for active customer feedback. Committed to a responsive, customer-centric approach. | <ul style="list-style-type: none"> Gained insights into the market trends, positioning, and emerging technologies. Promoted ethical conduct and enhancing global industry presence for an enriched customer experience. Strengthened MHB's industry presence, develop strategic relationships, enhance brand visibility, and contribute to the advancement and sustainability of the energy industry. |
| EMPLOYEES | Our employees are the beating heart of our success, essential for creating a cohesive and motivated workforce while fostering a collaborative environment, leading to increased employee satisfaction rates and organisational success. | <ul style="list-style-type: none"> Employee well-being, health and safety. Maintain positive management-employee relations. | <ul style="list-style-type: none"> Acknowledged and involved employees in driving value creation. Implemented diverse engagement activities. Designed initiatives to inspire and maintain employee motivation and commitment. | <ul style="list-style-type: none"> Improved employee job satisfaction rates. Experienced career development and growth in a sustainable organisation. |
| COMMUNITY | In the vibrant tapestry of our community, we find the keys to trust, responsiveness to local needs, and a shared commitment. Our decisions and initiatives are not just about impact but are woven with the fabric of our community's well-being and values, creating a harmonious and thriving connection. | <ul style="list-style-type: none"> Socio-economic development of local communities. | <ul style="list-style-type: none"> Implemented community-centred initiatives. Conducted engagement and environmental education session. Contributed to philanthropic donations. | <ul style="list-style-type: none"> Demonstrated our commitment to conduct our business and grow our organisation in ways that positively contribute to society. Raised local communities' awareness to ensure sustainable development and improvement in their quality of life. For more information on our Strategic Community Initiatives, please refer to page 127. |

| Quality of Engagement | Engagement Platform | Frequency | Capitals | Material Matters | Risks | Strategic Pillars | UNSDGs |
|--|--|----------------|--|--|---|--|---|
| 5 – strong relationship of mutual benefit  | <ul style="list-style-type: none"> Face-to-face and virtual meetings Reporting | AR AR | <ul style="list-style-type: none"> Social and Relationship Natural | <ul style="list-style-type: none"> Business Sustainability Health and Safety Human and Labor Rights Governance and Ethics Climate Change Natural Resources and Consumption | <ul style="list-style-type: none"> Health and Safety Risk Environmental Risk Legal and Regulatory Risk | <ul style="list-style-type: none"> KRA 1: Fortifying Our Core | <ul style="list-style-type: none"> SDG 3 SDG 12 SDG 13 SDG 16 |
| 5 – strong relationship of mutual benefit  | <ul style="list-style-type: none"> Face-to-face and virtual meetings Conferences and exhibitions Customer satisfaction survey | AR AR AR | <ul style="list-style-type: none"> Manufactured Social and Relationship Natural | <ul style="list-style-type: none"> Business Sustainability Project and Financial Performance Governance and Ethics | <ul style="list-style-type: none"> Customer Risk Competition Risk | <ul style="list-style-type: none"> KRA 1: Fortifying Our Core KRA 2: Pushing Boundaries for Growth | <ul style="list-style-type: none"> SDG 8 SDG 9 SDG 12 SDG 17 |
| 5 – strong relationship of mutual benefit  | <ul style="list-style-type: none"> Townhalls Staff engagements activities Internal communications | Y AR AR | <ul style="list-style-type: none"> Intellectual Human | <ul style="list-style-type: none"> Skilled Workforce Employee Engagement Health and Safety Human and Labour Rights Diversity and Inclusion Governance and Ethics | <ul style="list-style-type: none"> Human Capital Risk Health and Safety Risk | <ul style="list-style-type: none"> KRA 1: Fortifying Our Core KRA 2: Pushing Boundaries for Growth | <ul style="list-style-type: none"> SDG 3 SDG 8 SDG 5 SDG 10 |
| 5 – strong relationship of mutual benefit  | Community programmes | AR | <ul style="list-style-type: none"> Social and Relationship | <ul style="list-style-type: none"> Strategic Community Initiatives Health and Safety Human and Labour Rights | <ul style="list-style-type: none"> Health and Safety Risk Environmental Risk | <ul style="list-style-type: none"> KRA 1: Fortifying Our Core | <ul style="list-style-type: none"> SDG 3 SDG 4 |

AR - As Required Y - Yearly Q - Quarterly




VALUE WE CREATE

Engaging with Stakeholders

Engaging with Stakeholders

Stakeholder Engagement in 2023

| | Why are They Important | Key Concerns | Response | Value Created for Stakeholders |
|---------------------------------------|--|--|---|--|
| INVESTMENT COMMUNITY | Our investment community is instrumental in instilling confidence and shaping a positive perception of a company's financial health. It serves as a testament to our unwavering commitment to long-term value creation. | <ul style="list-style-type: none"> • Transparent and inclusive communication for decision-making. • Convey timely and accurate information on the Company's financial performance. • Enhance transparency for a deeper understanding of the Company's activities. | <ul style="list-style-type: none"> • Practised transparent communication. • Delivered financial value through regular engagements. • Provided pertinent information on strategic outcomes, growth potential, governance, ethical standards, and social and environmental impacts. | <ul style="list-style-type: none"> • Disseminated complete, transparent, and timely information, empowering the investment community to make well-informed decisions. • Offered a space for shareholders to express their views and seek clarification to build trust. • Granted deeper understanding of MHB's overall business operations. |
| SUPPLIERS / VENDORS | Our suppliers / vendors are vital partners in cultivating a collaborative alliance, where we proactively address challenges together to strengthen our bond and create mutual success. | <ul style="list-style-type: none"> • Understanding vendors' key challenges and concerns. • Innovation and development challenges. | <ul style="list-style-type: none"> • Included supply chain partners in the organisational journey. • Created meaningful relationships with partners to address key challenges collaboratively. • Lowered risks associated with contractual disputes and poor performance. • Elevated product/service quality. | <ul style="list-style-type: none"> • Improved customer satisfaction. • Promoted a culture of continuous improvement. • Exchanged ideas and innovations. |
| LOCAL INSTITUTIONS / ACADEMICS | Our local institutional partners and academics play a vital role in creating a supportive business environment. Their active contribution fosters community integration, ensures alignment with regional regulations and initiatives, establishing a mutually beneficial relationship that enriches all stakeholders involved. | <ul style="list-style-type: none"> • Collaboration on human capital development and talent pipeline. • Diverse pool of potential candidates. • Brand and industry awareness. | <ul style="list-style-type: none"> • Engaged closely with local institutions. • Collaborated through awareness sessions with students. | <ul style="list-style-type: none"> • Fostered a collaborative research and academic-industry synergy. • Alignment with current business trends, offering valuable insights and resources to academia. • Reinforced a commitment to industry leadership. |

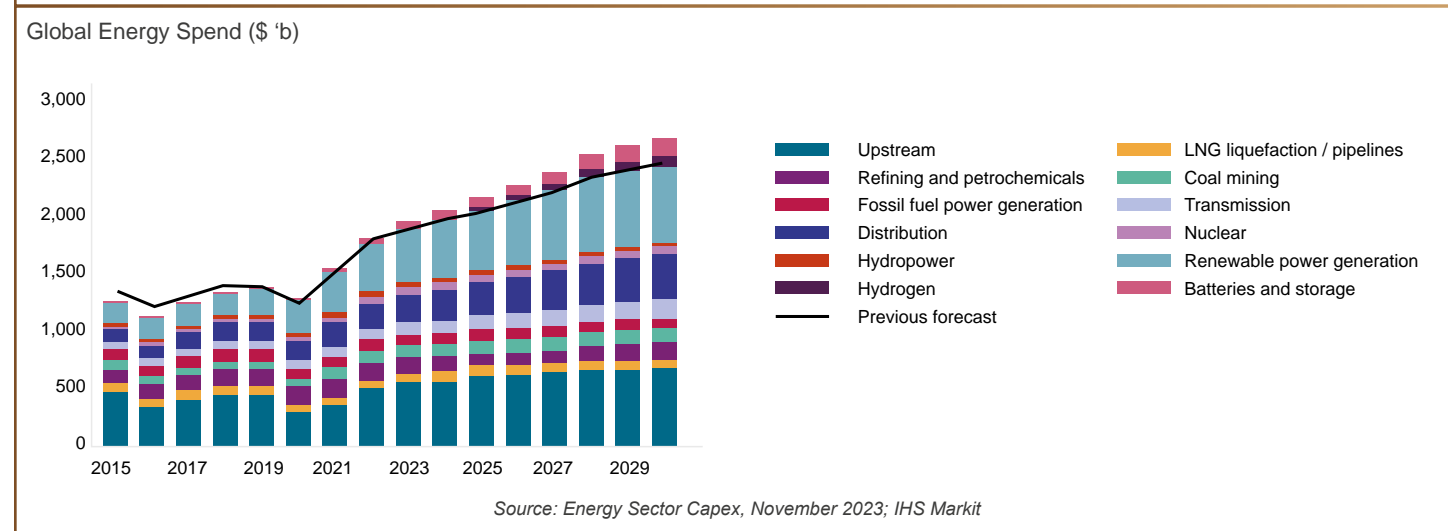
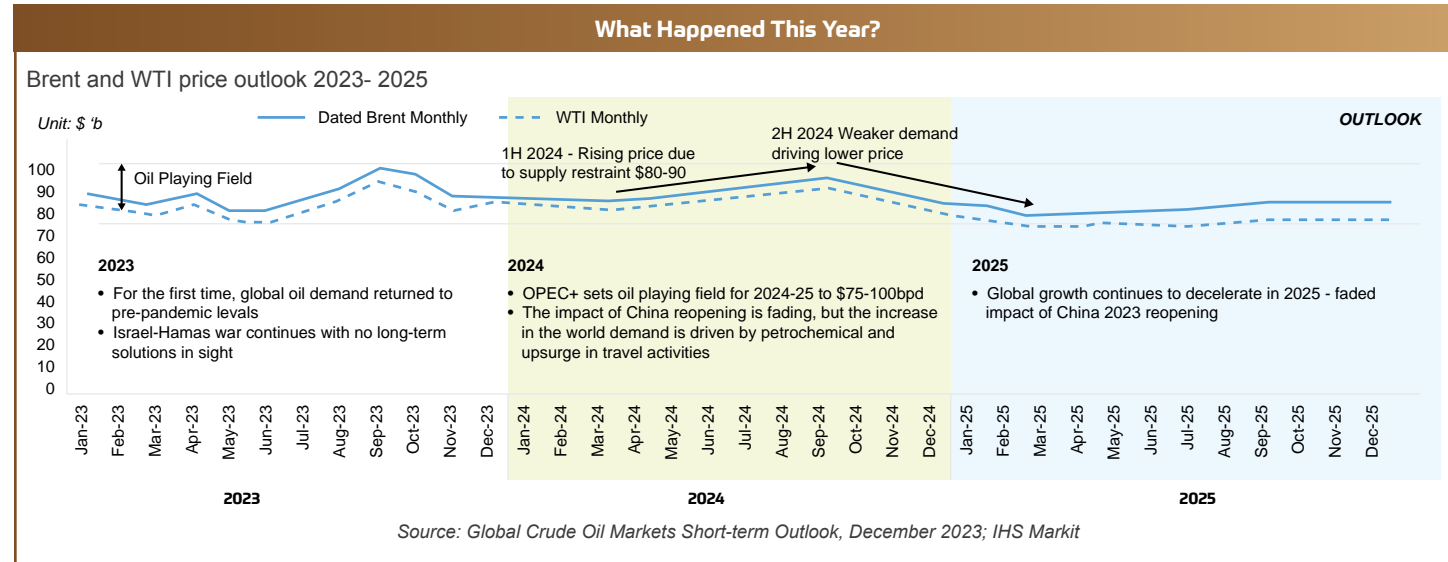
| Quality of Engagement | Engagement Platform | Frequency | Capitals | Material Matters | Risks | Strategic Pillars | UNSDGs |
|--|---|--------------------------|--|--|----------------------|--|---------|
| 5 – strong relationship of mutual benefit  | <ul style="list-style-type: none"> • Face-to-face and virtual meetings • Reports • Website • Annual General Meeting • Visits | AR Q AR Y AR | • Financial | <ul style="list-style-type: none"> • Business Sustainability • Project and Financial Performance | • Financial Risk | <ul style="list-style-type: none"> • KRA 1: Fortifying Our Core • KRA 2: Pushing Boundaries for Growth | • SDG 8 |
| 5 – strong relationship of mutual benefit  | Face-to-face and virtual meetings | AR | <ul style="list-style-type: none"> • Financial • Manufactured • Social and Relationship | <ul style="list-style-type: none"> • Supply Chain • Human and Labour Rights • Governance and Ethics | • Supplier Risk | <ul style="list-style-type: none"> • KRA 1: Fortifying Our Core • KRA 2: Pushing Boundaries for Growth | • SDG 8 |
| 4 – good quality  | <ul style="list-style-type: none"> • Career talk • Visits • Programs | AR AR AR | <ul style="list-style-type: none"> • Human • Intellectual | <ul style="list-style-type: none"> • Skilled Workforce • Employee Engagement | • Human Capital Risk | <ul style="list-style-type: none"> • KRA 1: Fortifying Our Core • KRA 2: Pushing Boundaries for Growth | • SDG 8 |

AR - As Required Y - Yearly Q - Quarterly

STRATEGIC REVIEW

Our Operating Environment

Global Energy Markets Growth



- Global energy spending to hit \$2.0 trillion by end of 2023, up \$146 billion from 2022.
- Upstream spending to rise by 44% to \$565 billion in 2023.
- Renewables power generation spending, is set to reach \$463 billion in 2023, driven by cost efficiency and strong policy support.

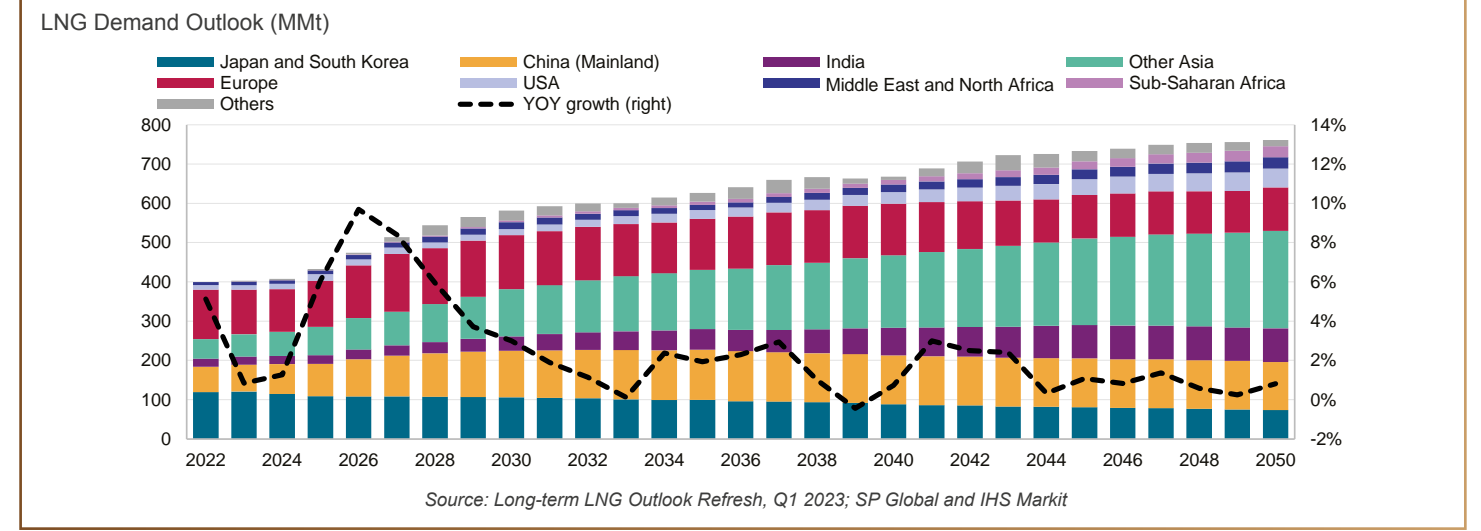
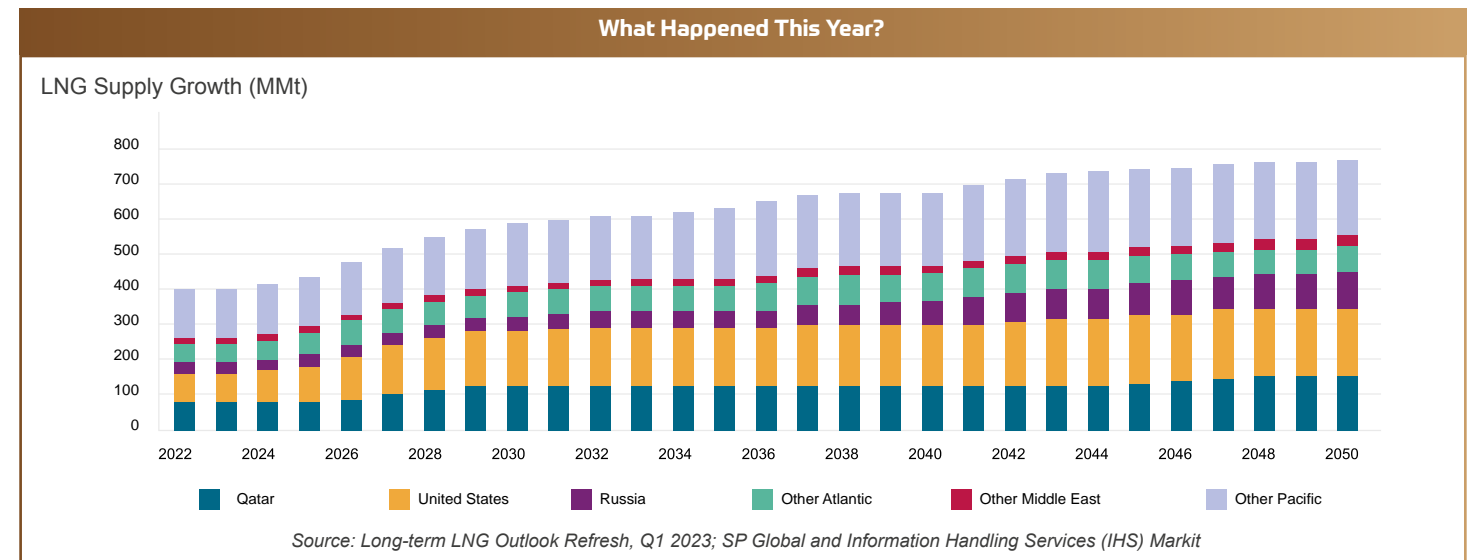
| How Were We Impacted? | How Did We Respond? |
|---|--|
| <ul style="list-style-type: none"> Saw record 2023 orders at RM7.4 billion amidst oil recovery. Awarded offshore wind project for TenneT. | <ul style="list-style-type: none"> Strategic resource planning for ongoing and upcoming projects. Pursued opportunities in both conventional and non-conventional segments of the global energy markets. |

Our Operating Environment

What Is Our Outlook?

| | | | |
|---|---|---|-------------------------------------|
| <p>Short-Term</p> <ul style="list-style-type: none"> Pursue global and local projects that span across conventional and renewable sectors (offshore wind). Seek collaborations with strategic partners to augment capabilities where needed. | <p>Medium to Long-Term</p> <ul style="list-style-type: none"> Explore other non-conventional segments of the global energy market that utilises our core competencies in one-off heavy engineering offshore fabrication projects. | | |
| Capitals: Financial, Natural | Strategic Pillars: Fortifying Our Core, Pushing Boundaries for Growth | Material Matters: Project and Financial Performance, Natural Resources and Consumption, Business Sustainability | Risks: Financial Risk, Project Risk |

Global and Regional Liquefied Natural Gas (LNG) Movements

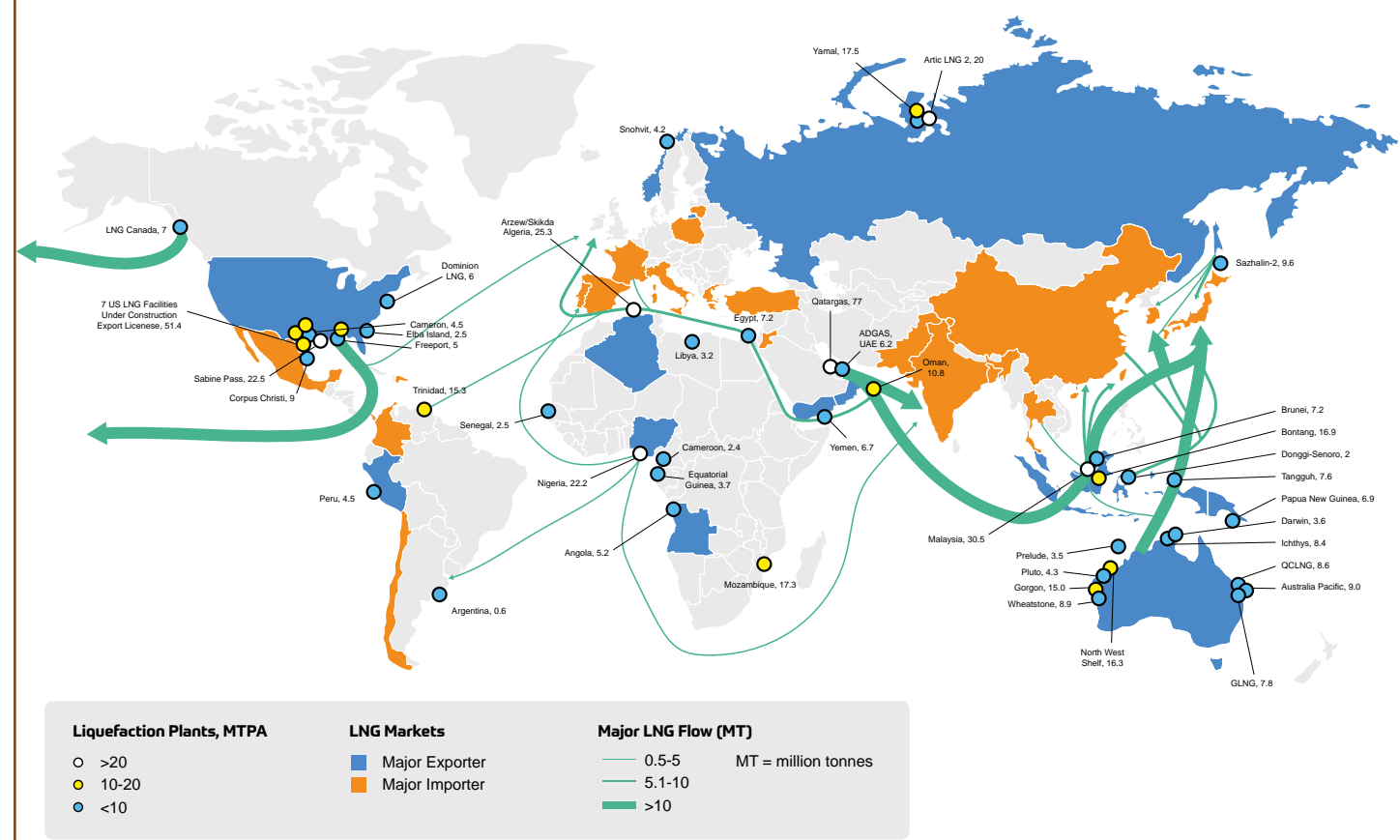


STRATEGIC REVIEW

Our Operating Environment

Global and Regional LNG Movements

Ongoing conflicts in Suez Canal route have caused troubles in the Red Sea-Suez Canal shipping lane, where 8% of worldwide LNG trades passed through annually. Major shipping companies (Maersk, MSC) has already diverted their vessels, avoiding the Suez Canal.



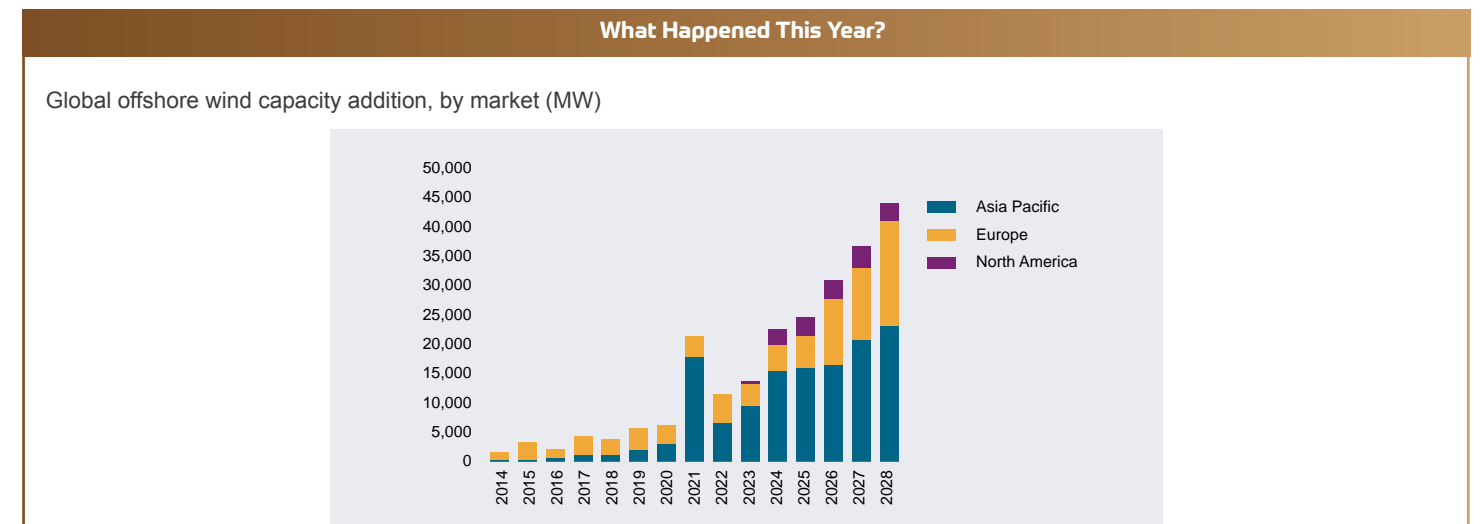
Source: Long-term LNG Outlook Refresh, Q1 2023; SP Global and IHS Markit

- Near-term LNG supply was led by the US and Qatar, while Russia faced setbacks due to EU sanctions.
- China remains the largest single importer, expected to continue until 2040 with the China-Russia Far East pipeline agreement.
- Europe has likely permanently moved away from Russian gas since 2022, and post-2040, it will shift away from gas as part of the energy transition movement.

Our Operating Environment

| How Were We Impacted? | | How Did We Respond? | |
|--|---|---|---|
| <ul style="list-style-type: none"> • Ongoing conflict in the Suez Canal route may indirectly impact our Marine segment if trade routes shift. | | <ul style="list-style-type: none"> • Engaged with our Marine segment clientele consistently for any potential trade routes shift. | |
| What Is Our Outlook? | | | |
| Short-Term <ul style="list-style-type: none"> • Enhance our expertise in LNG Cargo Containment Systems. • Transitioning with the industry to a low-carbon economy and adopting greener fuels. | | Medium to Long-Term <ul style="list-style-type: none"> • Enhance capabilities in LNG-related repair and maintenance in-line with our belief that LNG will be relevant until 2030 at least, despite the rise in alternative fuels usage. | |
| Capitals: Intellectual, Human | Strategic Pillars: Fortifying Our Core, Pushing Boundaries for Growth | Material Matters: Risk Management, Business Sustainability, Skilled Workforce, Climate Change | Risks: Supplier Risk, Competition Risk, Customer Risk |

Offshore Wind Markets Growth



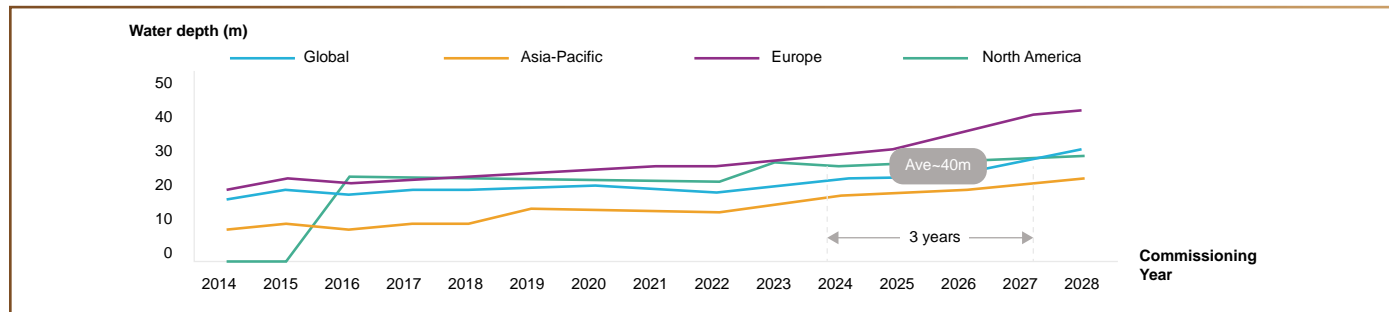
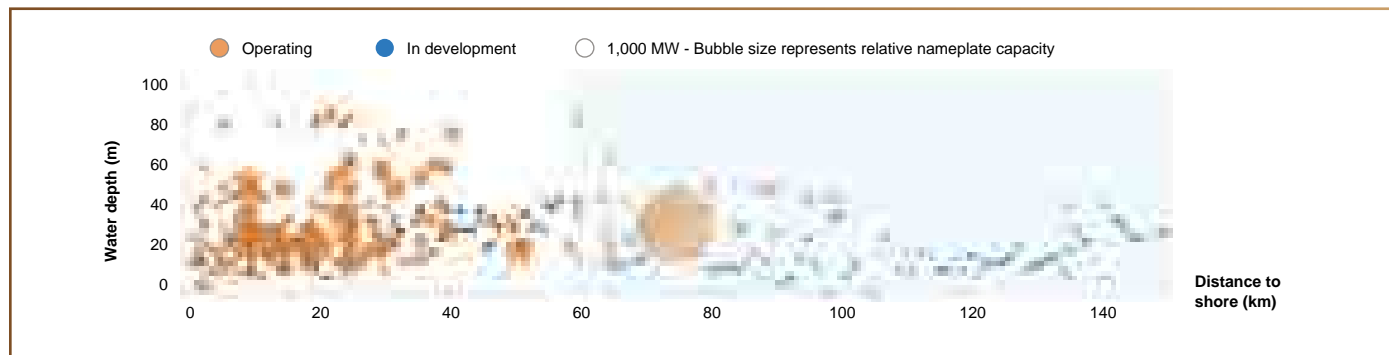
Source: Offshore Wind Industry Trends, December 2023; IHS Markit

- Europe and China continue to lead the global market demand.
- US offshore wind demand rises with White House's renewables policies, but local supply chain requires rapid expansion.
- Offshore wind faces challenges like high steel prices, rising costs, and subsidy reduction, impacting the industry.
- Taiwan projects face delays due to an immature local supply chain.
- Offshore wind growth persists due to increased carbon emissions, supportive policies, and clear permitting processes.

STRATEGIC REVIEW

Our Operating Environment

Global offshore wind projects: Average water depth (m) vs distance to shore (km)



Source: Offshore Wind Industry Trends, December 2023; IHS Markit

- Floating offshore wind is the next frontier for offshore wind growth – however, in the next 3 years, average global distance to shore is still below 60m, where fixed platforms and foundations are still relevant.

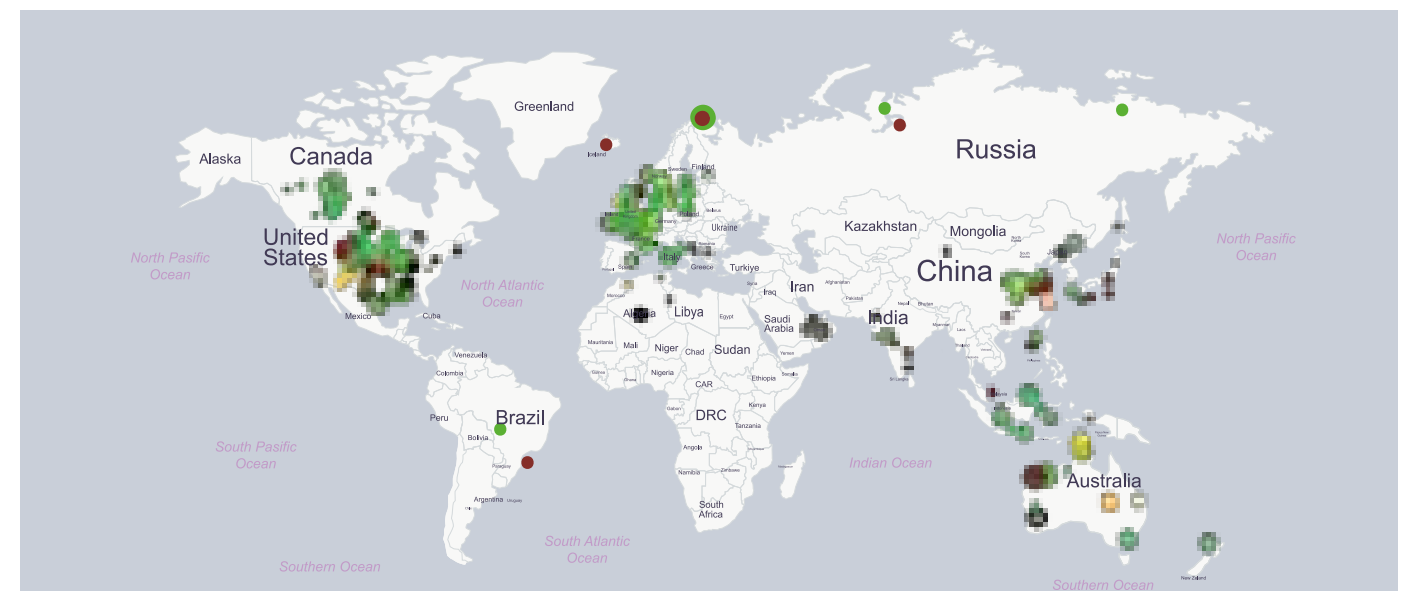
| How Were We Impacted? | | How Did We Respond? | |
|---|--|--|---|
| <ul style="list-style-type: none"> • Positive impact - MHB's winning bid on the TenneT's offshore wind farm project is a benefit from the market growth. | | <ul style="list-style-type: none"> • Build our capabilities in offshore wind segment continuously as a new entry in the segment. | |
| What Is Our Outlook? | | | |
| Short-Term <ul style="list-style-type: none"> • Focus on global EPC contracts for offshore substations apart from serial fabrication of wind turbine jackets. • Our win on the TenneT project signals the start of more offshore wind projects in the next two to three years. | | Medium to Long-Term <ul style="list-style-type: none"> • Gearing up for floating wind technology and capabilities. | |
| Capitals: Intellectual, Human | Strategic Pillars: Pushing Boundaries for Growth | Material Matters: Business Sustainability, Skilled Workforce, Technology and Operational Innovation, Climate Change, Natural Resources and Consumption | Risks: Supplier Risk, Technology Risk, Human Capital Risk |

Our Operating Environment

Carbon Capture, Utilisation and Storage (CCUS) Market Growth

What Happened This Year?

Global CCUS Project: US and Northwest Europe Dominate The Market



Top 5 Offshore CCUS Projects by Value

Papua Province

- Vorwata CCUS Project
- USD3bil
- Year 2027
- Operator BP

Offshore Northern Territories

- Bayu-Undan CCS Project
- USD1.1bil
- Year 2026
- Operator Santos Ltd

Texas

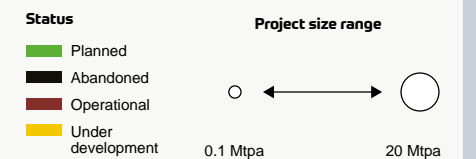
- Bayou Bend CCS Project
- USD 1bil
- Year 2027
- Operator Chevron

Guandong Province

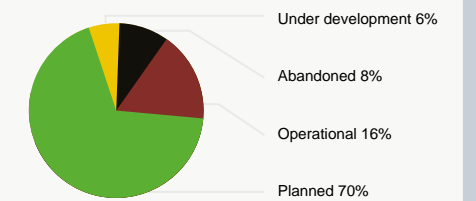
- Daya Bay CCS
- USD1bil
- Year 2028
- Operator China National Offshore Oil Corporation (CNOOC)

Norwegian Sea

- Trudvang CCS Project
- USD1bil
- Year 2029
- Operator Sval Energi AS



Statistical analysis of current status of CCUS projects



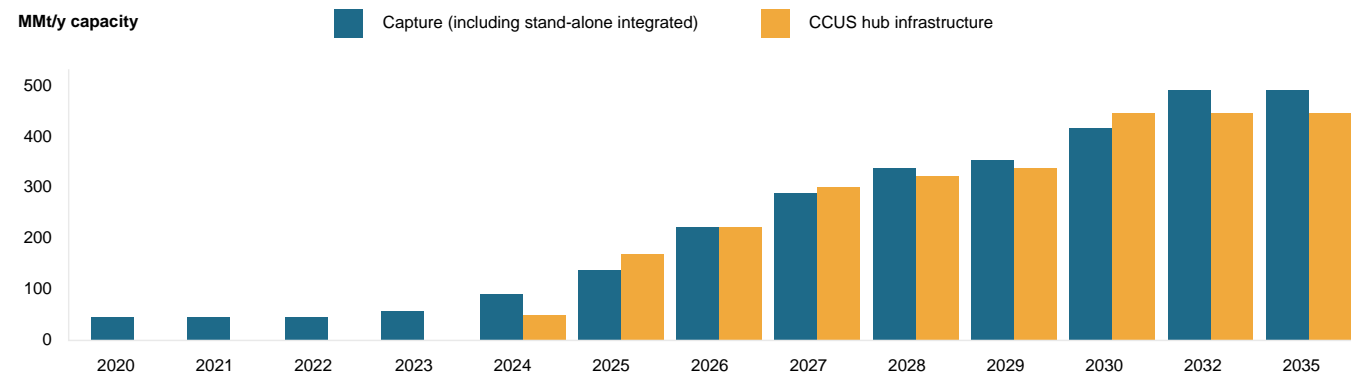
*Commercial CCUS projects excluding pilot and demonstration projects

Source: Energy Transition, June 2023; Rystad Energy and EIC Data Stream

STRATEGIC REVIEW

Our Operating Environment

Cumulative capacity of global CCUS deployment



Source: Global carbon capture, utilisation and sequestration (CCUS) industry trends: Clean Energy Technology (CET), October 2023; IHS Markit

- Government support and cost-cutting initiatives propelled large CCUS projects, emphasising innovation in project execution and operational efficiency.
- CCUS hubs facilitate a shift from mitigating internal emissions to offering decarbonisation services to other industries.
- By 2035, global CCUS hub capacity is projected to reach 446MMt/y.

| How Were We Impacted? | | How Did We Respond? | |
|---|--|---|---|
| <ul style="list-style-type: none"> • Ongoing Kasawari CCS Project creates opportunities for more CCS hub projects. | | <ul style="list-style-type: none"> • Utilised core competencies in one-off heavy engineering projects for upcoming CCS hub projects, with a specific emphasis on the offshore part of the value chain. | |
| What Is Our Outlook? | | | |
| Short-Term <ul style="list-style-type: none"> • Pursue discussions with PETRONAS and government agencies for local CCS opportunities. | | Medium to Long-Term <ul style="list-style-type: none"> • Explore opportunities in segments of the CCS value chain beyond the offshore segment. | |
| Capitals: Intellectual, Human | Strategic Pillars: Pushing Boundaries for Growth | Material Matters: Climate Change, Business Sustainability, Skilled Workforce, Natural Resources and Consumption | Risks: Supplier Risk, Technology Risk, Human Capital Risk |

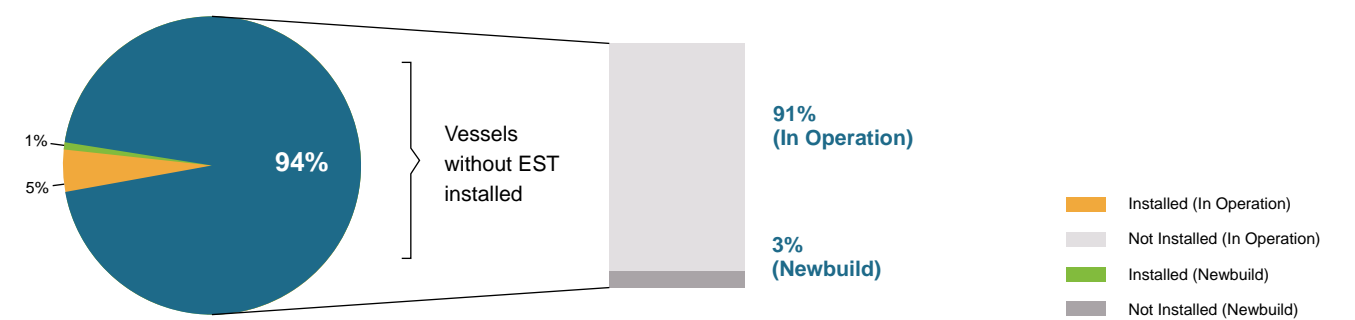
Maritime Decarbonisation

What Happened This Year?

- IMO's requirements for maritime decarbonisation are getting stringent every year as the world approaches the targeted Net Zero in 2050. There is also the EU Energy Savings Technology (EST) maritime regulations that will start to be implemented in January 2024.

Our Operating Environment

Only 6% of 109,985 vessels have installed ESTs onboard:

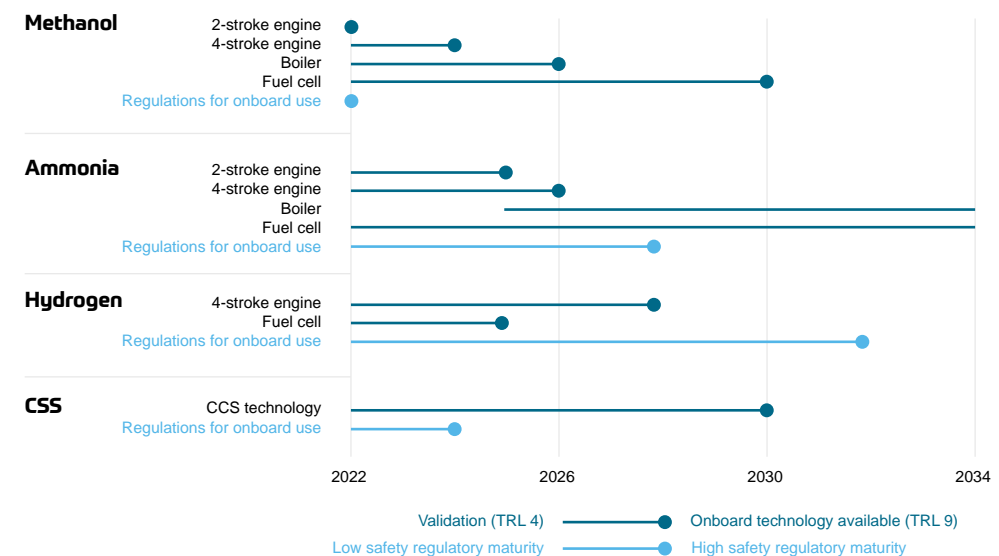


Source: Clarkson's Database 2023, MHB Analysis

- Only 6% of the vessels globally have installed EST onboard and the prominent ones are Exhaust Gas Economisers, Propeller Ducts and Rudder Enhancements due to their cost-effective nature.
- Cleaner fuels, including LNG, methanol, ammonia, and hydrogen, assist vessels in meeting International Maritime Organisation (IMO) requirements. However, the widespread adoption is expected after 2025, pending bunkering infrastructure readiness.

Maturity of Alternative Fuels Technologies

Estimated maturation timelines for energy converters, onboard CCS technologies, and corresponding safety regulations for onboard use.



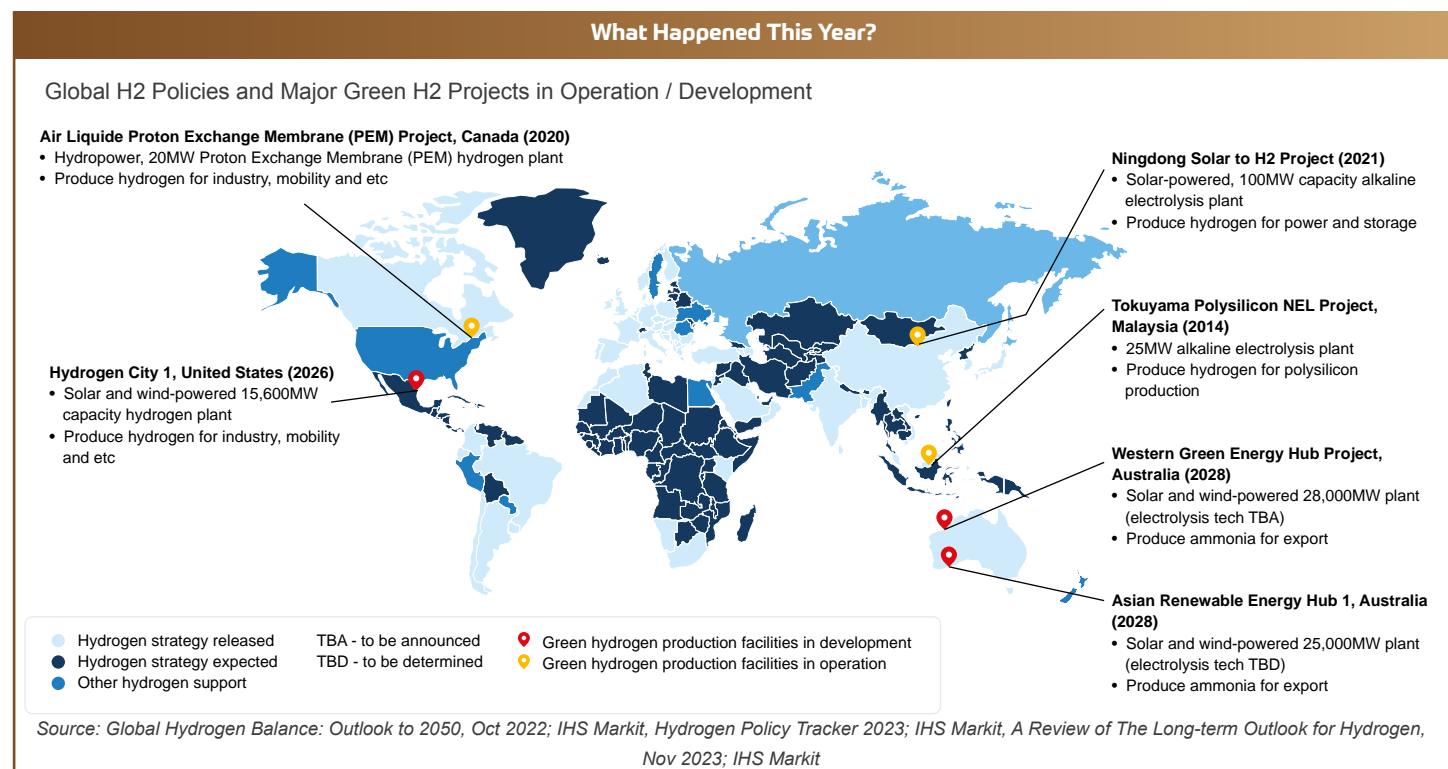
Source: Maritime Forecast to 2050, DNV, 2022

STRATEGIC REVIEW

Our Operating Environment

| How Were We Impacted? | | How Did We Respond? | |
|---|---|--|---|
| <ul style="list-style-type: none"> IMO regulations and other maritime decarbonisation regulations create opportunities for us to offer EST retrofits during dry docking. Shift to more efficient engines requires upskilling manpower to stay competitive. | | <ul style="list-style-type: none"> Explore EST retrofits collaborations with single technology providers and experienced East Asian shipyards. Marine engine roadmap guiding our strategic direction for industry relevance and agility. | |
| What Is Our Outlook? | | | |
| Short-Term <ul style="list-style-type: none"> Monitor EST adoption in vessels, focusing on long-term clientele, and pursue collaborations. To attract clients using newer engines, we will engage engine makers and specialists for capability building in our yard over the next 1-2 years. | | Medium to Long-Term <ul style="list-style-type: none"> Leverage collaborations for a well-equipped approach to EST retrofit projects, offering diverse solutions to our clientele. Enhance capabilities in alternative-fuelled engines, making our yard an appealing choice for clients seeking dry docking services. | |
| Capitals: Intellectual, Human | Strategic Pillars: Fortifying Our Core, Pushing Boundaries for Growth | Material Matters: Climate Change, Natural Resources and Consumption, Skilled Workforce, Business Sustainability | Risks: Technology Risk, Competition Risk, Supplier Risk |

Hydrogen Markets and Policies



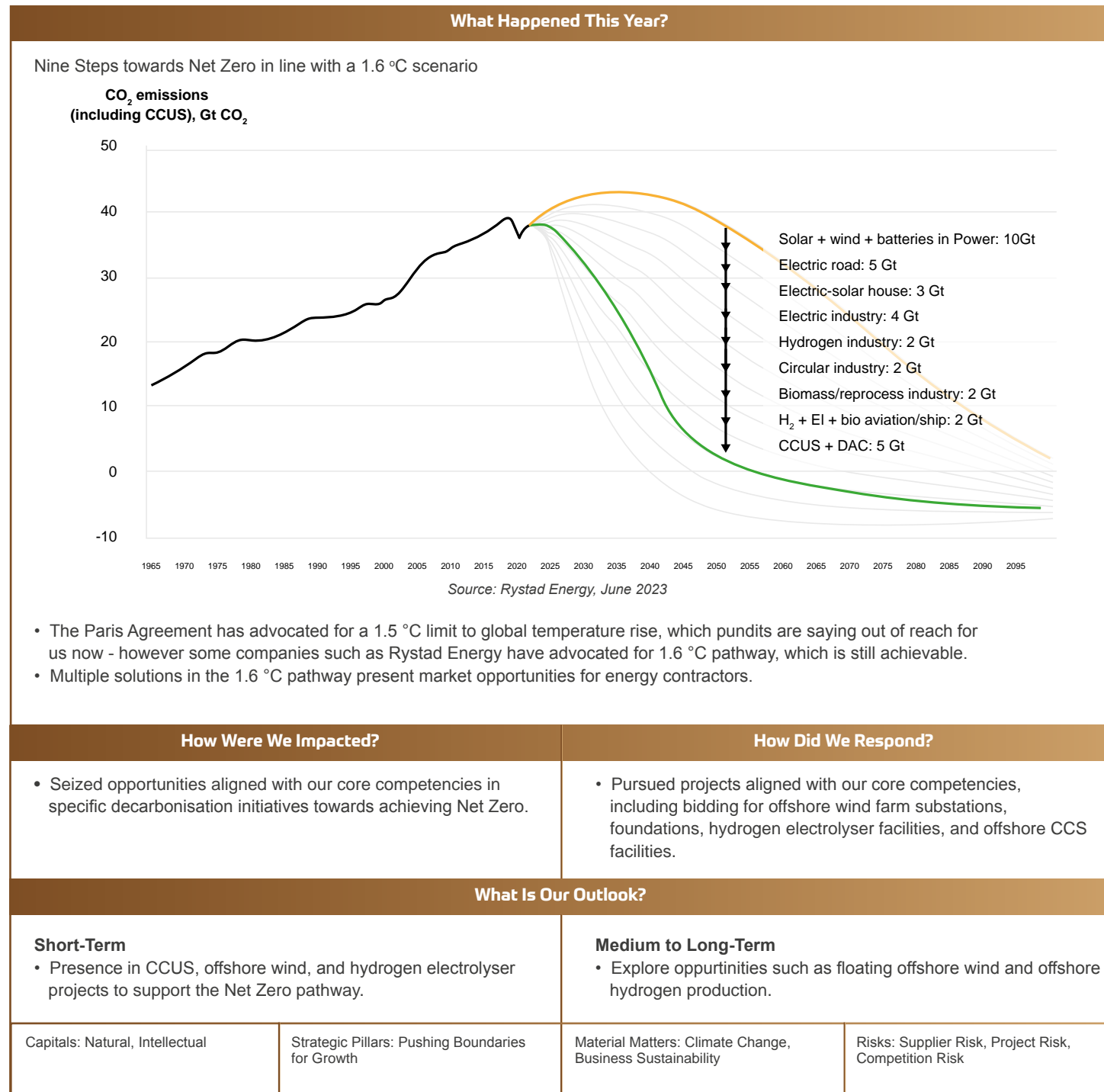
Our Operating Environment

| <ul style="list-style-type: none"> North American and European countries, with established hydrogen policies, are pivotal for the future demand of hydrogen. Key policy mandates, such as the European Renewable Energy Directive (RED) III, aim to drive hydrogen adoption across multiple sectors. | | | |
|---|--|--|--|
| How Were We Impacted? | | How Did We Respond? | |
| <ul style="list-style-type: none"> Engagements started in the initial stages of the emerging hydrogen market's growth. | | <ul style="list-style-type: none"> Signed a strategic Memorandum of Understanding (MoU) with FuelCell Energy to collaborate on bidding for the development of large-scale electrolyser facilities. | |
| What Is Our Outlook? | | | |
| Short-Term <ul style="list-style-type: none"> Explore domestic opportunities, focusing on initiatives related to the Hydrogen Economy and Technology Roadmap. Engage in international bids through our collaboration with FuelCell Energy. Opportunities in the hydrogen production value chain, leveraging on modular fabrication. | | Medium to Long-Term <ul style="list-style-type: none"> Leverage our offshore fabrication expertise not only for onshore hydrogen production facilities but also explore opportunities in offshore hydrogen production, contingent on decreasing costs. | |
| Capitals: Natural, intellectual | Strategic Pillars: Pushing Boundaries for Growth | Material Matters: Technology and Operational Innovation, Climate Change, Natural Resources and Consumption, Governance and Ethics | Risks: Supplier Risk, Financial Risk, Project Risk |

STRATEGIC REVIEW

Our Operating Environment

Climate Change and ESG Awareness

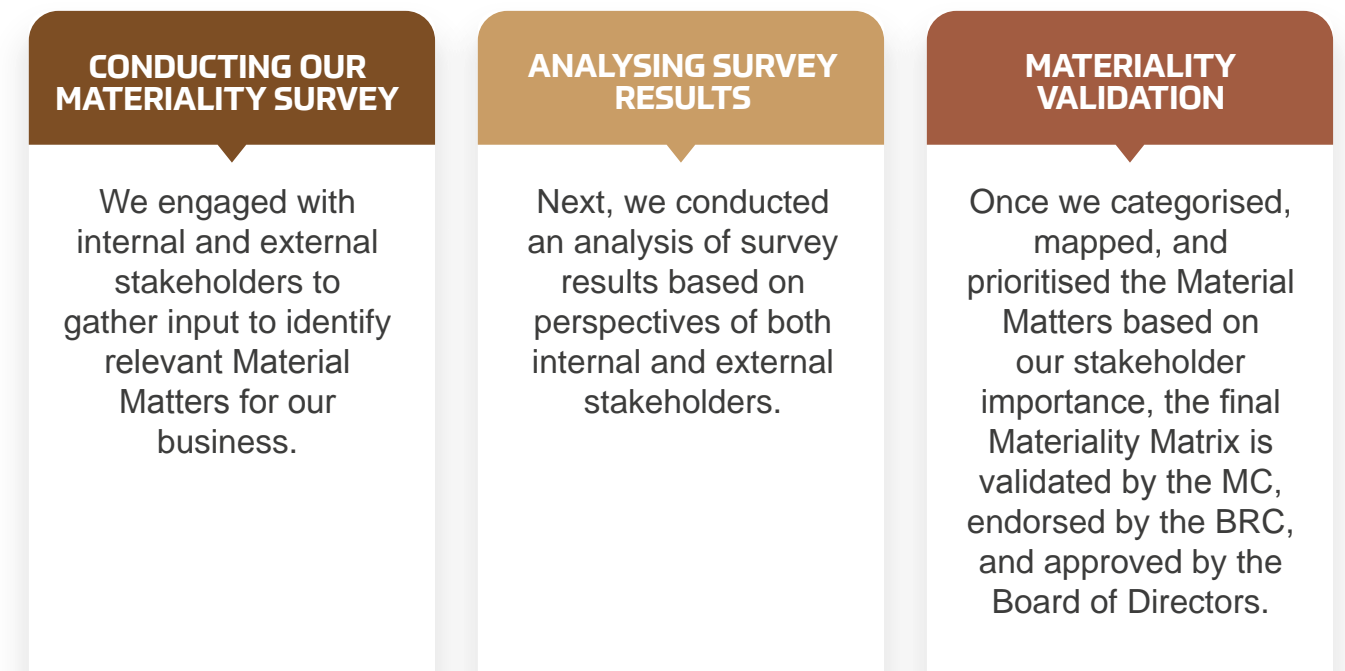


Our Material Matters

Materiality Process

Material Matters serve as the building blocks for seamless integration of our sustainability agenda into both business strategy and operations. To enhance our value creation efforts, we focus on addressing issues important to both our internal and external stakeholders. Our Material Matters encompass factors that may affect our business' value drivers and competitive positioning, potentially influencing long-term shareholder and stakeholder value creation.

This materiality process is conducted every three years to ensure our material matters are timely and relevant. Thus, the next comprehensive materiality assessment will be in 2024. MHB has in place a three-step materiality process that we use to determine and categorise our Material Matters:



Collectively, our Board of Directors, Board Risk Committee (BRC), and Management Committee (MC) also adopt a value creation approach to guide the Company's sustainability and business plans. This process helps us identify and prioritise Material Matters that have the most significant impact on both MHB and our stakeholders. In order to drive stakeholder value creation across our business operations, we link our materiality results across various chapters of our report, including:

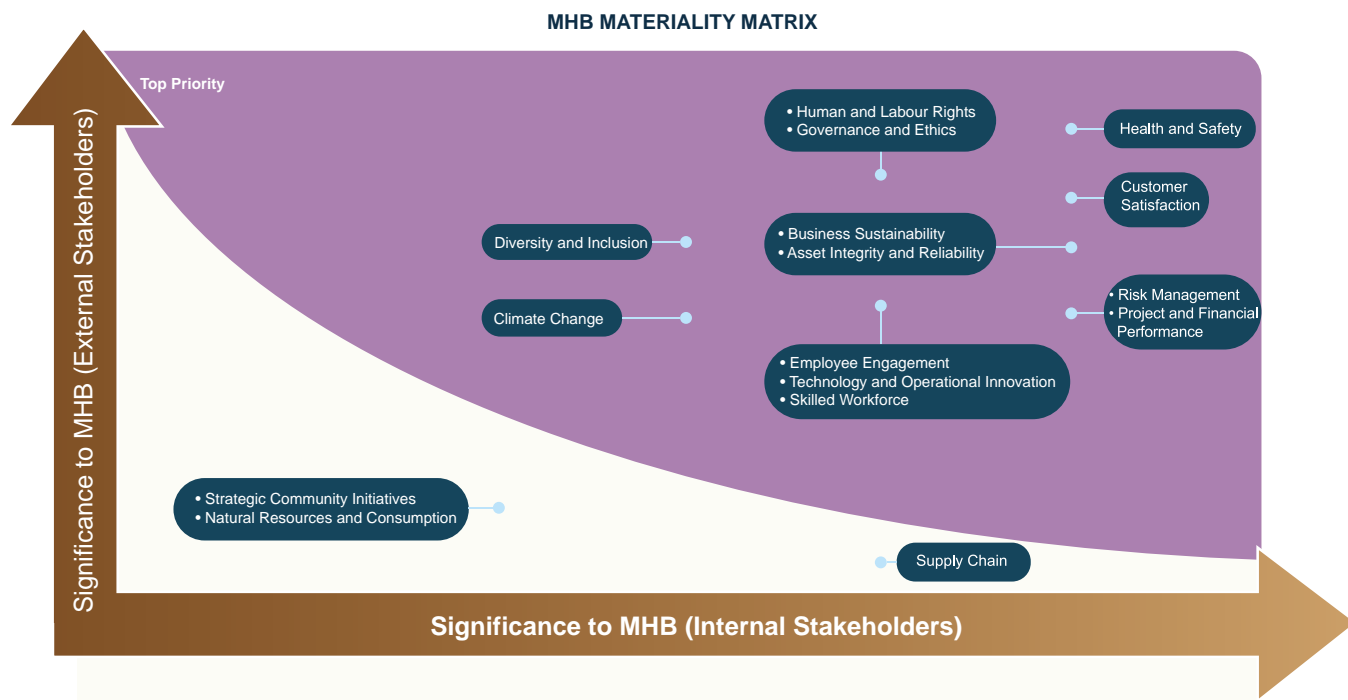
- Key Capitals: Material Matters guide our capital decisions (page 40).
- Operating Landscape: Various factors shape our outlook and opportunities based on Material Matters (page 50).
- Risk Mitigation: Material Matters inform risk identification and mitigation strategies (page 66).
- Strategic Focus: Material Matters are integral to our business strategy (page 70).
- UNSDG Contributions: Our impact on United Nations (UN) Sustainable Development Goals is mapped through Material Matters (page 90).

STRATEGIC REVIEW

Our Material Matters

Materiality Matrix

In alignment with our 2021 evaluation, we have identified 16 material matters crucial to both our internal and external stakeholders. These material issues serve as the foundation for shaping MHB's sustainability direction and strategy. The prioritisation of our material matters is thoughtfully presented in the materiality matrix below:



• Financial

| Material Matters | Definition | Linked to... | | |
|--|--|--|---|---|
| | | Strategic Focus Areas | Stakeholders | UNSDGs |
| Project and 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. | <ul style="list-style-type: none"> • KRA 1: Fortifying Our Core • KRA 2: Pushing Boundaries for Growth | <ul style="list-style-type: none"> • Shareholders / Investors • Customers • Business Partners • Government / Regulators • Financial Providers | <ul style="list-style-type: none"> SDG 7 SDG 8 SDG 9 SDG 13 |
| <i>For more information on Project and Financial Performance, refer page 108</i> | | | | |
| Technology and 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. | <ul style="list-style-type: none"> • KRA 1: Fortifying Our Core • KRA 2: Pushing Boundaries for Growth | <ul style="list-style-type: none"> • Customers • Suppliers / Vendors • Shareholders / Investors • Business Partners • Employees • Financial Providers • Industry Peers | <ul style="list-style-type: none"> SDG 7 SDG 8 SDG 9 SDG 13 |
| <i>For more information on Technology and Operational Innovation, refer page 109</i> | | | | |

Our Material Matters

• Financial (cont)

| Material Matters | Definition | Linked to... | | |
|--|--|--|--|---|
| | | Strategic Focus Areas | Stakeholders | UNSDGs |
| 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. | <ul style="list-style-type: none"> • KRA 1: Fortifying Our Core • KRA 2: Pushing Boundaries for Growth | <ul style="list-style-type: none"> • Shareholders / Investors • Customers • Business Partners • Government / Regulators • Financial Providers | <ul style="list-style-type: none"> SDG 7 SDG 8 SDG 9 SDG 13 |
| <i>For more information on Business Sustainability, refer page 111</i> | | | | |
| Asset Integrity and Reliability | Proactively mitigate risks possessed by assets owned and deployed to continuously improve our operations' integrity. | <ul style="list-style-type: none"> • KRA 1: Fortifying Our Core • KRA 2: Pushing Boundaries for Growth | <ul style="list-style-type: none"> • Shareholders / Investors • Customers • Suppliers / Vendors • Business Partners • Government / Regulators | <ul style="list-style-type: none"> SDG 7 SDG 8 SDG 9 SDG 13 |
| <i>For more information on Asset Integrity and Reliability, refer page 140</i> | | | | |
| 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. | <ul style="list-style-type: none"> • KRA 1: Fortifying Our Core • KRA 2: Pushing Boundaries for Growth | <ul style="list-style-type: none"> • Employees • Customers • Suppliers / Vendors • Business Partners • Shareholders/ Investors • Communities • Government / Regulators • Media • NGOs • Industry Peers | <ul style="list-style-type: none"> SDG 7 SDG 8 SDG 9 SDG 13 |
| <i>For more information on Risk Management, refer page 142</i> | | | | |
| • Environmental Stewardship | | | | |
| Material Matters | Definition | Linked to... | | |
| | | Strategic Focus Areas | Stakeholders | UNSDGs |
| 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. | <ul style="list-style-type: none"> • KRA 1: Fortifying Our Core | <ul style="list-style-type: none"> • Shareholders / Investors • Business Partners • Customers • Financial Providers • Government / Regulators • Communities • Media | <ul style="list-style-type: none"> SDG 6 SDG 7 SDG 9 SDG 12 SDG 13 SDG 15 |
| <i>For more information on Climate Change, refer page 113</i> | | | | |

STRATEGIC REVIEW

Our Material Matters

| • Environmental Stewardship (cont) | | | | |
|--|---|--|---|---|
| Material Matters | Definition | Linked to... | | |
| | | Strategic Focus Areas | Stakeholders | UNSDGs |
| Natural Resources and 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. | <ul style="list-style-type: none"> • KRA 1: Fortifying Our Core | <ul style="list-style-type: none"> • Shareholders / Investors • Government / Regulators • Customers • Communities | <ul style="list-style-type: none"> SDG 6 SDG 7 SDG 9 SDG 12 SDG 13 SDG 15 |
| <i>For more information on Natural Resources and Consumption, refer page 117</i> | | | | |
| • Social Responsibility | | | | |
| Material Matters | Definition | Linked to... | | |
| | | Strategic Focus Areas | Stakeholders | UNSDGs |
| Health and Safety | Setting and maintaining necessary standards of health and safety management to ensure the well-being 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. | <ul style="list-style-type: none"> • KRA 1: Fortifying Our Core | <ul style="list-style-type: none"> • Employees • Suppliers / Vendors • Shareholders/ Investors • Government / Regulators • Customers • Business Partners | <ul style="list-style-type: none"> SDG 6 SDG 7 SDG 9 SDG 12 SDG 13 SDG 15 |
| <i>For more information on Health and Safety, refer page 122</i> | | | | |
| Strategic Community Initiatives | Comprehensive community initiatives to improve the quality of life of the communities within which we operate. | <ul style="list-style-type: none"> • KRA 1: Fortifying Our Core | <ul style="list-style-type: none"> • Community • Shareholders / Investors • Media • NGOs • Learning Institutions | <ul style="list-style-type: none"> SDG 6 SDG 7 SDG 9 SDG 12 SDG 13 SDG 15 |
| <i>For more information on Strategic Community Initiatives, refer page 127</i> | | | | |
| Diversity and 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. | <ul style="list-style-type: none"> • KRA 1: Fortifying Our Core | <ul style="list-style-type: none"> • Employees • Customers • Suppliers / Vendors • Business Partners • Shareholders / Investors • Communities • Government / Regulators • Media • NGOs | <ul style="list-style-type: none"> SDG 3 SDG 5 SDG 10 |
| <i>For more information on Diversity and Inclusion, refer page 131</i> | | | | |
| 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. | <ul style="list-style-type: none"> • KRA 1: Fortifying Our Core | <ul style="list-style-type: none"> • Employees • Learning institutions | <ul style="list-style-type: none"> SDG 3 SDG 5 SDG 10 |
| <i>For more information on Skilled Workforce, refer page 133</i> | | | | |

Our Material Matters

| • Strong Governance | | | | |
|--|---|--|---|--|
| Material Matters | Definition | Linked to... | | |
| | | Strategic Focus Areas | Stakeholders | UNSDGs |
| Governance and 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. | <ul style="list-style-type: none"> • KRA 1: Fortifying Our Core | <ul style="list-style-type: none"> • Employees • Customers • Suppliers / Vendors • Business Partners • Shareholders / Investors • Government / Regulators • Media • NGOs | <ul style="list-style-type: none"> SDG 3 SDG 5 SDG 10 |
| <i>For more information on Governance and Ethics, refer page 136</i> | | | | |
| Human and 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. | <ul style="list-style-type: none"> • KRA 1: Fortifying Our Core | <ul style="list-style-type: none"> • Employees • Customers • Suppliers / Vendors • Business Partners • Shareholders / Investors • Communities • Government / Regulators • Media • NGOs | <ul style="list-style-type: none"> SDG 3 SDG 5 SDG 10 |
| <i>For more information on Human and Labour Rights, refer page 138</i> | | | | |
| 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. | <ul style="list-style-type: none"> • KRA 1: Fortifying Our Core • KRA 2: Pushing Boundaries for Growth | <ul style="list-style-type: none"> • Suppliers / Vendors • Customers • Business Partners • Government / Regulators | <ul style="list-style-type: none"> SDG 3 SDG 5 SDG 10 |
| <i>For more information on Supply Chain, refer page 144</i> | | | | |
| • Stakeholder Engagement | | | | |
| Material Matters | Definition | Linked to... | | |
| | | Strategic Focus Areas | Stakeholders | UNSDGs |
| 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. | <ul style="list-style-type: none"> • KRA 1: Fortifying Our Core | <ul style="list-style-type: none"> • Employees | <ul style="list-style-type: none"> SDG 3 SDG 5 SDG 10 |
| <i>For more information on Employee Engagement, refer page 147</i> | | | | |
| 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. | <ul style="list-style-type: none"> • KRA 1: Fortifying Our Core • KRA 2: Pushing Boundaries for Growth | <ul style="list-style-type: none"> • Customers • Business Partners | <ul style="list-style-type: none"> SDG 3 SDG 5 SDG 10 |
| <i>For more information on Customer Satisfaction, refer page 149</i> | | | | |

STRATEGIC REVIEW

Our Risks and Mitigation Strategies

MHB embraces a forward-thinking approach to embedding risk management within its core value creation process. Each year, we conduct thorough risk profiling sessions, where we methodically identify and evaluate key risks that could impact our operations. This proactive approach enables us to anticipate and strategically manage potential challenges, ensuring sustained value creation and resilience.

Explore more details in the Statement on Risk Management and Internal Control (SORMIC) on pages 187.

Our Risks and Mitigation Strategies

| Risk Type | Definition | Risk Movement | Impacts on Value | Mitigation Strategies | Opportunities | Material Matters: | Stakeholders: | Key Capitals: | UNSDGs: |
|-------------------------------|---|---------------|--|--|--|--|---|---|--|
| Competition Risk | Risks related to competitors' strategies in Oil and Gas (O&G), marine, or other industries. | | <ul style="list-style-type: none"> Limited Engineering, Procurement, Construction, Installation and Commissioning (EPCIC) capability may impede access to new and international markets, hinder customer expansion, and limit service diversification. Slow transitioning to a low-carbon economy may result in the loss of low-carbon business opportunities and competitiveness. | <ul style="list-style-type: none"> Enhanced EPCIC capabilities through partnerships. Developed partnerships and collaborations with technology players within the energy transition segments. Increased in-house capability for enhanced competitiveness. | <ul style="list-style-type: none"> Develop capabilities in the clean energy business. Increase revenue through service scope expansion. | <ul style="list-style-type: none"> Project and Financial Performance Business Sustainability Risk Management Climate Change Customer Satisfaction Skilled workforce | <ul style="list-style-type: none"> Shareholders / Investors Financial Providers Customers Employees Suppliers / Vendors Industry Peers | <ul style="list-style-type: none"> Financial Manufactured Intellectual Human | <ul style="list-style-type: none"> SDG 8 SDG 9 SDG 13 |
| Financial Risk | Risk associated with balancing a strong balance sheet, liquidity, and sustainable cash flow in a volatile market for the Company. | | <ul style="list-style-type: none"> Inadequate and unsustainable cash flow affecting business operations. Volatility of foreign exchange rates which adversely affecting the business's working capital. | <ul style="list-style-type: none"> Conducted prudent cash management and timely collection to ensure adequate cash reserve. Implemented hedging strategy to minimise foreign exchange risk. | <ul style="list-style-type: none"> Regular review of cash flow management and collection strategies to identify areas for improvement and make adjustments. Continuous review and assessment of project-specific foreign exchange management strategies throughout project execution for margin and cashflow protection. | <ul style="list-style-type: none"> Project and Financial Performance Business Sustainability Risk Management | <ul style="list-style-type: none"> Shareholders / Investors Financial Providers | <ul style="list-style-type: none"> Financial | <ul style="list-style-type: none"> SDG 8 |
| Customer Risk | Risk associated with failing to meet customer expectations, leading to potential loss of customer retention and attraction. | | <ul style="list-style-type: none"> Poor customer experience and satisfaction may affect customer retention, impacting revenue and reputation. Decline in reputation ranking can result an inability to attract new customers. | <ul style="list-style-type: none"> Enhanced project delivery with robust project management practices to ensure project execution is on schedule. Enhanced manpower capacity and capability to deliver project efficiently and effectively. | <ul style="list-style-type: none"> Strengthen the performance and quality of heavy engineering and marine projects. | <ul style="list-style-type: none"> Project and Financial Performance Health and Safety Business Sustainability Risk Management Customer Satisfaction Skilled workforce Technology and Operational Innovation Human and Labour Rights | <ul style="list-style-type: none"> Shareholders / Investors Customers Employees | <ul style="list-style-type: none"> Financial Manufactured Intellectual Human | <ul style="list-style-type: none"> SDG 8 |
| Technology Risk | Risk of potential cyberattacks and technology failures, with the capacity to disrupt business operations. | | <ul style="list-style-type: none"> Illegal access to ICT infrastructure and services poses a potential threat, capable of causing company disruption and harming its reputation. Inaccessibility and unavailability of data can result in business interruption and incur idling costs. | <ul style="list-style-type: none"> Enhanced security with an upgraded Web Application Firewall (WAF) and Network Infrastructure. Leveraged on the MISC Security Operations Centre (SOC) for effective incident identification, analysis, defence, investigation, and reporting. | <ul style="list-style-type: none"> Collaborative cybersecurity culture to empower employees in identifying threats and continuously enhancing cybersecurity effectiveness. | <ul style="list-style-type: none"> Project and Financial Performance Business Sustainability Governance & Ethics Risk Management Asset Integrity and Reliability Technology and Operational Innovation | <ul style="list-style-type: none"> Customers Employees Shareholders / Investors Suppliers / Vendors Business Partners | <ul style="list-style-type: none"> Financial Human Intellectual Manufactured | <ul style="list-style-type: none"> SDG 8 SDG 9 |
| Health and Safety Risk | Risks related to any occurrence of major health and safety incidents that may result in injury or loss of life, potentially affecting business operations and reputation. | | <ul style="list-style-type: none"> Major health and safety incidents may lead to injuries or fatality. Degrading mental health and well-being of employees leads to lower productivity and business disruption. | <ul style="list-style-type: none"> Conducted HSE compliance audits for the Project Management Team and subcontractors. Implemented revisions to the existing emergency response plan to ensure its readiness. Intensified health screening, lifestyle modification and health and fitness facilities improvement. | <ul style="list-style-type: none"> Foster a culture of safety awareness, responsibility, and continuous improvement. Identify room for improvement in health and safety processes. Commitment to health and safety to attract and retain top talent, build trust with stakeholders and enhance reputation. | <ul style="list-style-type: none"> Project and Financial Performance Risk Management Business Sustainability Health and Safety Human and Labour Rights Customer Satisfaction Governance and Ethics Employee Engagement | <ul style="list-style-type: none"> Media Communities Customers Government / Regulatory Employees Suppliers / Vendors Shareholders / Investors Business Partners | <ul style="list-style-type: none"> Financial Human Social and Relationship Intellectual | <ul style="list-style-type: none"> SDG 3 SDG 8 |

STRATEGIC REVIEW

Our Risks and Mitigation Strategies

Our Risks and Mitigation Strategies

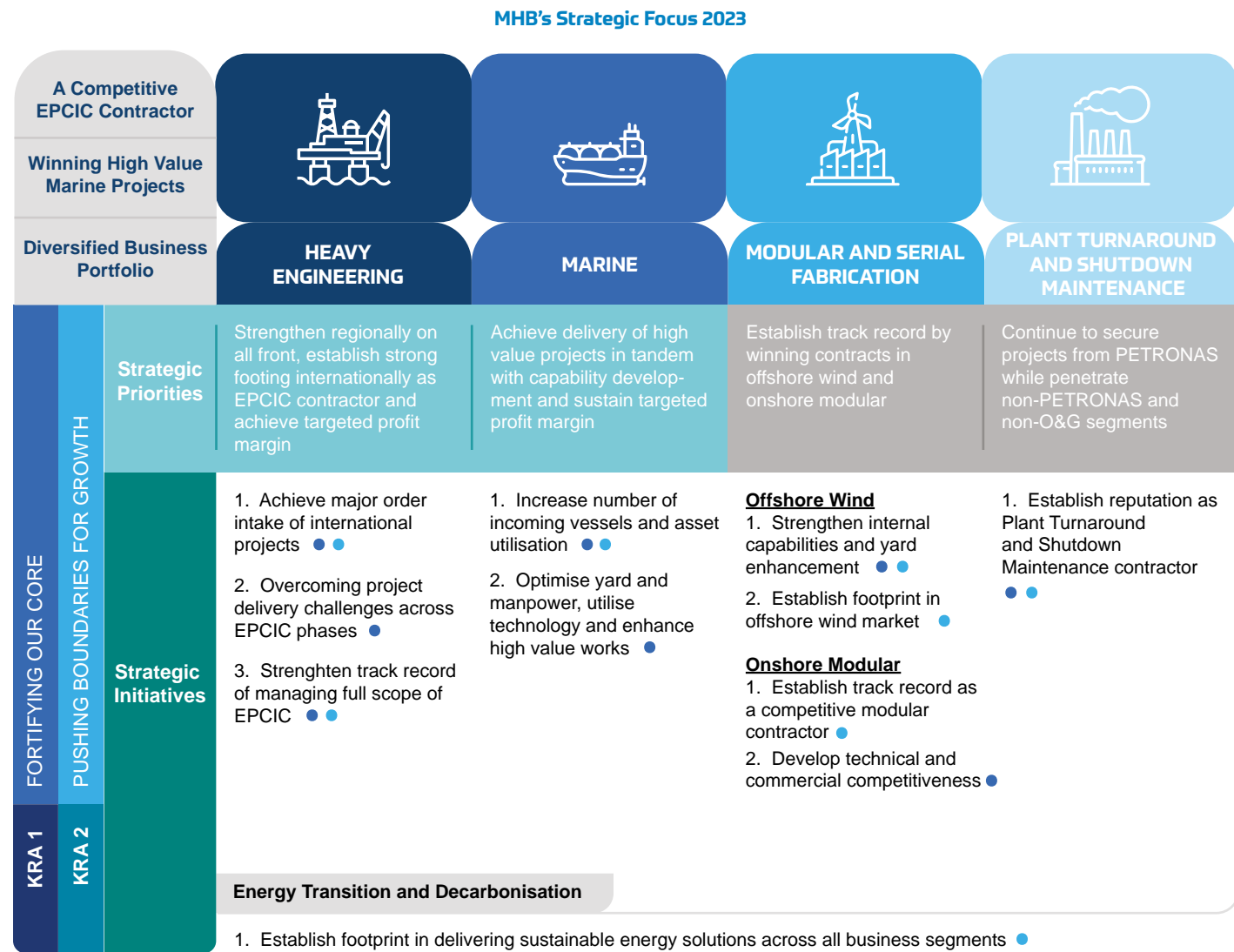
| Risk Type | Definition | Risk Movement | Impacts on Value | Mitigation Strategies | Opportunities | Material Matters: | Stakeholders: | Key Capitals: | UNSDGs: |
|----------------------------------|--|---------------|---|---|---|--|---|---|--|
| Human Capital Risk | Risks are associated with attracting, retaining, and developing talents crucial for supporting the achievement of company goals. | | <ul style="list-style-type: none"> Inadequate capability and competency may jeopardise work deliverables. Inability to retain and attract talents may lead to operational disruptions. | <ul style="list-style-type: none"> Developed in-house capability and competency through partnerships with industry experts. Enhanced training and development plans to improve manpower capability. Enhanced succession planning processes. Monitored the performance and progress of identified successors, High Performers (HiPos), and critical talents. | <ul style="list-style-type: none"> Build capabilities and competencies internally. | <ul style="list-style-type: none"> Project and Financial Performance Employee Engagement Skilled Workforce Diversity and Inclusion Business Sustainability Risk Management Human and Labour Rights Health and Safety | <ul style="list-style-type: none"> Customers Employees | <ul style="list-style-type: none"> Social and Relationship Human | <ul style="list-style-type: none"> SDG 3 SDG 4 SDG 8 SDG 10 |
| Environmental Risk | Risk entails potential exposure to loss arising from environmental degradation due to business operations. | | <ul style="list-style-type: none"> Improper and irresponsible disposal of hazardous and non-hazardous waste may result in legal action by regulatory bodies and reputational damage. Inadequate management of greenhouse gas (GHG) emissions may impact our net zero GHG aspiration by 2050. Increase frequency of severe extreme weather events resulting in major asset damage and injuries. | <ul style="list-style-type: none"> Implemented scheduled waste management for compliance with Department of Environment (DoE) regulations and yard procedures. Implemented initiatives to reduce Scope 1 and 2 emissions. Developed Scope 3 emission inventory. Monitored and assessed climate-related risks in line with TCFD recommendations. | <ul style="list-style-type: none"> Collaborate with strategic partners for low-carbon solutions. Explore business opportunities in green energy industries. | <ul style="list-style-type: none"> Project and Financial Performance Business Sustainability Risk Management Climate Change Governance & Ethics Supply Chain Employee Engagement Natural Resources and Consumption | <ul style="list-style-type: none"> Customers Government / Regulatory Business Partners Suppliers / Vendors Shareholders/Investors Communities | <ul style="list-style-type: none"> Natural Intellectual Manufactured | <ul style="list-style-type: none"> SDG 7 SDG 9 SDG 12 SDG 13 |
| Legal and Regulatory Risk | Risk arises from poor corporate governance and irresponsible business practices, potentially resulting in reputational damage, loss of investors' confidence, and negative publicity. | | <ul style="list-style-type: none"> Misconduct and non-compliance in critical legal areas such as sanctions, competition and trade, data privacy, export controls, and ethics and integrity pose a risk of prosecution and reputational damage. | <ul style="list-style-type: none"> Attested business / service units to regulatory compliance based on revised rules and legislation. Conducted periodic due diligence to minimise exposure to sanction risk. | <ul style="list-style-type: none"> Boost company reputation for good governance among clients to ensure sustainable growth. | <ul style="list-style-type: none"> Project and Financial Performance Business Sustainability Risk Management Governance and Ethics Human and Labour Rights | <ul style="list-style-type: none"> Customers Government / Regulatory Business Partners Employees | <ul style="list-style-type: none"> Financial Intellectual Social and Relationship Human | <ul style="list-style-type: none"> SDG 8 SDG 16 |
| Project Risk | Risk related to project execution that may affect schedule, cost, and quality. | | <ul style="list-style-type: none"> Poor project management leads to cost overruns, schedule slippage and quality issues. Quality non-conformance can cause project delays and reduce profitability. | <ul style="list-style-type: none"> Established the comprehensive MHB Project Management System (MPMS) and Programme Management Office (PMO). Reinforced Corporate Quality Division quality frameworks and processes across all MHB divisions. | <ul style="list-style-type: none"> Strengthen governance on Quality with a top-down approach from corporate to projects. | <ul style="list-style-type: none"> Project and Financial Performance Business Sustainability Risk Management Customer Satisfaction | <ul style="list-style-type: none"> Customers Suppliers / Vendors Shareholders / Investors Financial Providers | <ul style="list-style-type: none"> Financial Manufactured Intellectual Social and Relationship Human | <ul style="list-style-type: none"> SDG 8 SDG 9 |
| Supplier Risk | Risk related to supply chain disruption and subcontractors / vendors performance that may affect timely delivery of materials and quality of services from vendors and subcontractors. | | <ul style="list-style-type: none"> Price fluctuations in raw materials and services may reduce project profitability. Delayed material delivery can result in project completion delays. Substandard subcontractors' performance impacting the quality of project deliverables. | <ul style="list-style-type: none"> Digitised data management for improved forecasting. Prepared a Project-specific Pre-bid Agreement for faster procurement processes. Digitised vendor performance management for better vendor selection and evaluation. | <ul style="list-style-type: none"> Process optimisation and digitalisation contribute to enhance efficiency, precision, and productivity of procurement activities. | <ul style="list-style-type: none"> Project and Financial Performance Business Sustainability Risk Management Supply Chain Customer Satisfaction | <ul style="list-style-type: none"> Customers Suppliers / Vendors Shareholders / Investors Business partners | <ul style="list-style-type: none"> Financial Manufactured Intellectual Social and Relationship | <ul style="list-style-type: none"> SDG 8 SDG 9 SDG 12 |
| Asset Risk | Risks associated with the reliability, availability and maintainability of assets and facilities. | | <ul style="list-style-type: none"> Operational disruptions due to machine breakdown / dysfunction and critical equipment unavailability causing project delivery delays and unplanned downtime. Damage to yard infrastructure leading to hazardous conditions and incidents. | <ul style="list-style-type: none"> Performed effective scheduled maintenance for minimal downtime and asset integrity. Implemented the Internet of Things (IoT) for effective monitoring and optimisation of asset utilisation. | <ul style="list-style-type: none"> Productivity enhancement with effective asset management. | <ul style="list-style-type: none"> Project and Financial Performance Business Sustainability Risk Management Customer Satisfaction Asset Integrity and Liability Technology and Operational Innovation | <ul style="list-style-type: none"> Customers Suppliers / Vendors Shareholders / Investors Financial Providers Employees | <ul style="list-style-type: none"> Financial Manufactured Social and Relationship Human Intellectual | <ul style="list-style-type: none"> SDG 8 SDG 9 |

STRATEGIC REVIEW

Delivering Our Strategy and its Focus

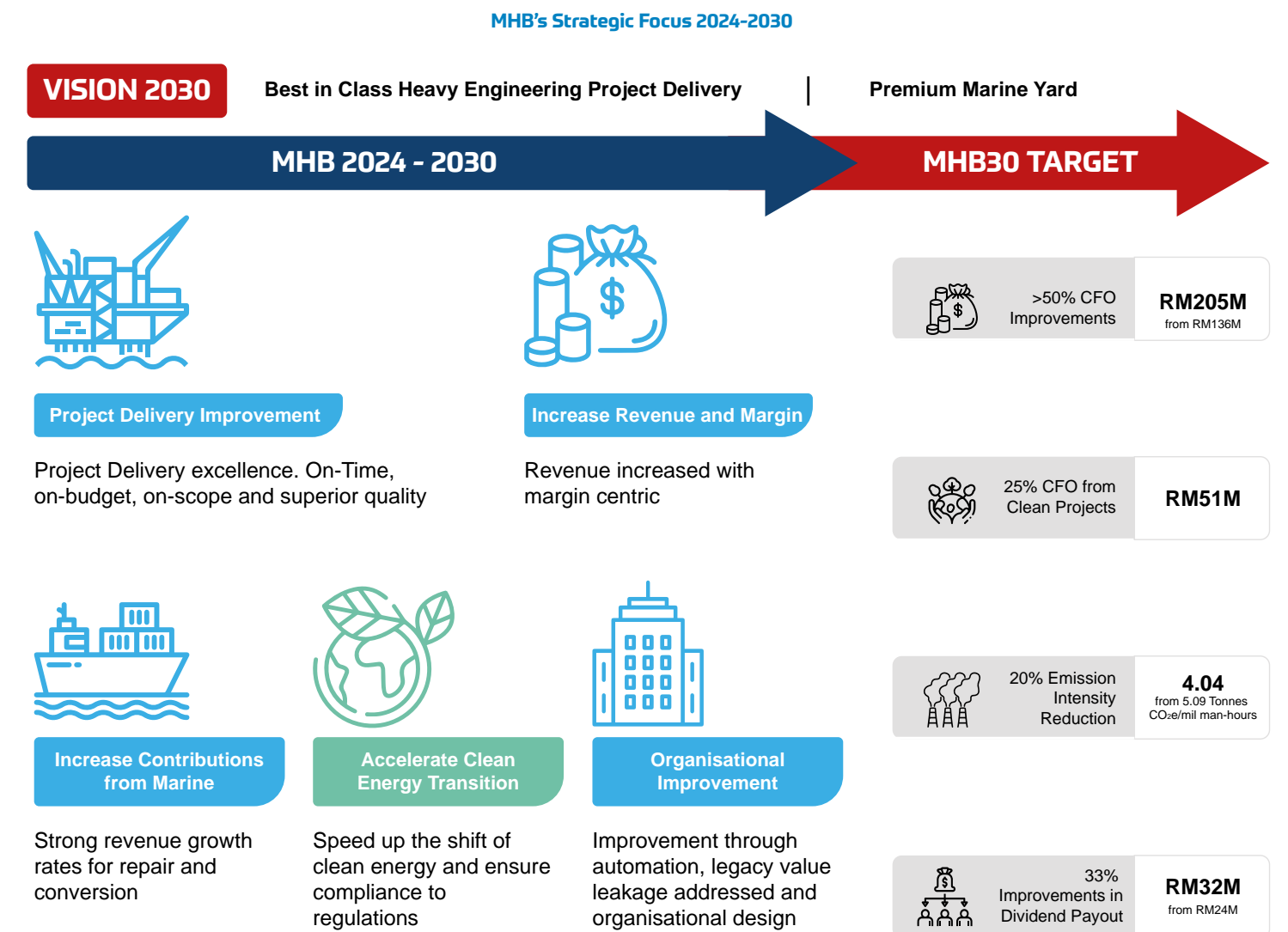
In charting the course for MHB's strategic focus in 2023, we remain committed to navigating a dynamic business landscape with vigilance and resilience. MHB's now reflects an astute response to the global call for energy transition and decarbonisation. With a vision of building a diversified business portfolio, winning high-value marine projects, and achieving competitiveness as an Engineering, Procurement, Construction, Installation and Commissioning (EPCIC) contractor on an international stage, our plan is to set new benchmarks for sustained growth.

In ensuring a just transition towards Net Zero Emissions, our strategy seeks to harmonise environmental imperatives with societal needs, redefining how the energy sector contributes to a fair and balanced shift. This puts a keen emphasis on delivering sustainable energy solutions and strategically leveraging our experience to enhance operational efficiency and performance across all processes.



Delivering Our Strategy and its Focus

In line with our vision, the MHB FY2024-30 Strategic Focus charts our course towards achieving to be the best in class in Heavy Engineering project delivery and becoming a premium marine yard by 2030. The MHB30 Target is derived based on the direction by parent company, MISC through MISC Aspiration 2030.



STRATEGIC REVIEW

Delivering Our Strategy and its Focus

STRATEGIC PERFORMANCE REVIEW

HEAVY ENGINEERING

- Won: RM 2.9 billion which exceeds the New Order Intake for 2023.
- In January 2023, MMHE was awarded by SapuraOMV Upstream (Sarawak) Inc. to rescue a unit of Production Separator (V-2020) for the SK408W Jerun Development Project. The first and notably thickest Pressure Vessel Fabrication was delivered on July 8, 2023.
- Carigali PTTEP Operating Company Sdn Bhd (CPOC) - EPCI Five (5) WHP, Five (5) Subsea Pipelines, and Host Tie-Ins Works for JDA Block B-17 and C-19 and Block B-17-01 Field Development Project. Awarded on 4th Feb 2023.
- Secured a contract from PETRONAS Carigali Sdn Bhd (PCSB) to manage the EPCIC services for the Kasawari Carbon Capture and Storage (CCS) project.
- Sailaway of Jerun jacket and substructure piles on 9 June 2023.
- Sailaway of 28,000-MT Kasawari Central Processing Platform (CPP) on 9 August 2023.
- MHB achieved certification with ASME U-Stamp, enabling independent manufacturing of pressure vessels.
- Awarded the epC for offshore substation (OSS) high voltage direct current (HVDC) platform for TenneT's 2GW IJmuiden Ver Alpha Project

Strategic Priorities: Strengthen regionally on all front, establish strong footing internationally as EPCIC contractor and achieve targeted margin

| Strategic Initiatives | What We Did in 2023 | Achievements and Results |
|--|--|---|
| Achieve Major Order Intake of International Projects | Expanded Vendor Pool | <ul style="list-style-type: none"> • Increased active vendors through the PANTHERA initiative, which diversifies our supply chain for enhanced project flexibility • Completed Vendor On-Boarding (VOB) and progressing with Vendor Performance Assessment (VPA) and catalogue development to improve procurement efficiency |
| | Qualified as EPCIC Contractor and Developed Strategic Partnerships | <ul style="list-style-type: none"> • MHB participated in Long-term Agreement (LTA) tenders independently in Saudi Arabia, thus allowing for direct engagement and increased market presence in a key region • Qualified as an EPCIC Contractor in Qatar, enabling direct participation in projects with Qatar Energy and others • Explored collaboration in newbuild floater projects, signed Memorandum of Understandings (MoUs) with Wison and Dynamac for module and hull fabrication |
| Overcome Project Delivery Challenges across EPCIC Phases | Instituting and Mobilising Core Team | <ul style="list-style-type: none"> • Expanded Engineering team to a headcount of 65 and achieved full strength in Transportation and Installation (T&I) and Hook-Up and Commissioning (HUC) teams, ensuring a comprehensive and robust support structure that enhances our bidding capability • Launched the PANTHERA initiative, marking a significant leap in digital transformation with the successful design, development, and deployment of an integrated platform. • Integrated key project management modules, with further progress expected as we move towards completing the digital transformation journey in 2024 |
| | Enhanced Estimation and Benchmarking | <ul style="list-style-type: none"> • Formalised a Standard Operating Procedure (SOP) for estimation and benchmarking, including a completed SOP Benchmarking Process for estimating contingencies • Implemented tool-based reports for data mining on 5 main projects, enhancing indent and ex-stock material benchmarking, and established a comprehensive coding nomenclature for better identification and traceability • Utilised Aveva Intelligent E3D for Lang Lebah, demonstrating our commitment to adopting cutting-edge technology for project execution, thereby improving efficiency and reducing costs |
| Strengthen Track Record of Managing Full Scope of EPCIC | Developed strategic partnerships with T&I Contractors | <ul style="list-style-type: none"> • Finalised pending auditing for T&I subcontractors under Supply Chain Management (SCM), enhancing our efficiency, mitigate risks, and leverage on the specialised expertise of our suppliers |
| Strengthen Track Record of Managing Full Scope of EPCIC | Expanded Scope of Internal Construction Capability | <ul style="list-style-type: none"> • Reduced dependency on subcontractors and develop internal capabilities for in-house construction. Gradually expand capabilities across six scopes namely piping, blasting and painting, structural, scaffolding, electrical and instrumentation, and mechanical, all of which are accepted by clients |

Delivering Our Strategy and its Focus

MARINE

- Secured an Engineering, Procurement, Construction, and Commissioning (EPCC) contract for the conversion of Liquefied Natural Gas (LNG) into a Floating Storage Unit (FSU).
- Successfully repaired and delivered the world's largest Moss-type LNG vessel, the PACIFIC BREEZE.
- Executed our inaugural Floating Storage Regasification (FSRU) modifications for BW BATANGAS.
- Conducted repairs and global testing for Floating Liquefied Natural Gas (FLNG).

- **71 Project Completed**
 - a. 56 Non-Gas Projects
 - b. 14 Gas Projects
- **8.7/10 Average Customer Satisfaction Index**
 - a. Non-Gas Projects: 8.4/10
 - b. Gas Projects: 8.7/10
 - c. 12 Vessels: 10/10

- **25 New Customers**
 - a. 9 Local Customers
 - b. 16 International Customers

- **6 New En-Bloc Agreements**
 - a. 3 Local Agreements
 - b. 3 International Agreements

Strategic Priorities: Achieve delivery of high value projects in tandem with capability development and sustain targeted profit margin

| Strategic Initiatives | What We Did in 2023 | Achievements and Results |
|---|--|---|
| Increase Number of Incoming Vessels and Asset Utilisation | Secured Volume Order from Existing Clients | <ul style="list-style-type: none"> • Entered into 6 frame agreements / en bloc contracts and secured 87 projects • Awarded 12 projects with a contract value of RM14.8 million • Made efforts to attract new clients from Korea and Brunei |
| | Engaged in Optimisation and Manpower Readiness | <ul style="list-style-type: none"> • Completed quay expansion at Quay 7 and the West Finger Pier, increasing berthing space and double banking capacity • Enhanced Dry Dock/Quay Ratio, allowing service for up to 87 vessels annually • Ongoing development of E-Dock Block System Phase 1 and E-Ship Movement Phase 1 |
| Optimise Yard and Manpower, Utilise Technology and Enhance High Value Works | Developed Yard-Specialist Partnerships | <ul style="list-style-type: none"> • Established MHB as a hub for energy efficiency solutions in the maritime industry through partnerships with manufacturers and technology providers • Developed a Marine Engine Capability roadmap to enhance capabilities in light of energy transition and decarbonisation, with the strategic objective of reducing the number of days in the dock |

STRATEGIC REVIEW

Delivering Our Strategy and its Focus

MODULAR AND SERIAL FABRICATION

Strategic Priorities: Establish track record by winning contracts in offshore wind and onshore modular.

| Strategic Initiatives | What We Did in 2023 | Achievements and Results |
|---|---|--|
| Offshore Wind: <ul style="list-style-type: none"> Strengthen Internal Capabilities and Yard Enhancement Establish Footprint in Offshore Wind Market | Conducted Offshore Wind Task Force Developed Fit-For-Purpose Facilities and Skills for Project Execution | <ul style="list-style-type: none"> Introduced the SMU-MMHE task force optimisations for jacket tenders MHB team become more independent, focused on Europe and US markets Initiated the development of a Blasting and Painting workshop at MMHE East Yard for TTenneT's 2GW OSS HVDC jacket Identified the need for a new automated production line for efficient fabrication of TenneT's 2GW OSS HVDC, aligning with production timelines and quality standards Ensured readiness with competitive regional suppliers for materials and components |
| Onshore Modular <ul style="list-style-type: none"> Establish Track Record as a Competitive Modular Contractor Develop Technical and Commercial Competitiveness | Implemented Regional Strategic Tie-Up for New Market Entry | <ul style="list-style-type: none"> Formed strategic partnerships: <ul style="list-style-type: none"> With offshore wind farm developers in Taiwan, Vietnam, and Japan With local fabricators in targeted countries to meet local content requirements With key EPCI/HV system players for OSS projects Explored tie-ups with technology leaders in floating Offshore Wind Farms (OWF) for Floating Wind technology projects |

PLANT TURNAROUND AND SHUTDOWN MAINTENANCE

Strategic Priorities: Continue to secure projects from PETRONAS while penetrating non-PETRONAS and non-O&G segments

| Strategic Initiatives | What We Did in 2023 | Achievements and Results |
|--|--|---|
| Establish reputation as Plant Turnaround and Shutdown Maintenance contractor | PETRONAS' Integrated TA Main Mechanical and Maintenance Mechanical Static (TA4MS) MSA | <ul style="list-style-type: none"> Regained reputation with Malaysian Refining Company Sdn Bhd (MRC SB) and successfully awarded 46 equipment for Plant Certificate Fitness (CF) renewal Continued success with projects like steam trap replacement. Continuously awarded plant daily maintenance under Project Engineering Turnaround Department (PETA) until contract completion. Secured a small area for turnaround. Actively pursuing PETRONAS SWEC Code Tier-1 qualification by clocking man-hours. |
| | Penetrate Non-PETRONAS and Non-Oil and Gas (O&G) Plants | <ul style="list-style-type: none"> Established presence in the Oleochemical industry and secured projects with new and recurring clients Successfully pursued power plant's outage and special projects through networking and marketing engagement Established a non-disclosure agreement with TNB Remaco for future business in Power Generation Plants and the O&G Industry. |

OUTLOOK

Our strategic initiatives are geared towards optimising the delivery of heavy engineering projects through the integration of an advanced Project Management System. Central to this effort is the recruitment of highly skilled subject matter experts and technical authorities to fortify our Project Management Office. In the realm of T&I projects, our focus lies on pre-bid planning, coupled with the recruitment of adept managers and engineers. Internationally, our expansion efforts target fixed platform projects in Saudi Arabia and Qatar, module projects in Australia and New Zealand, and offshore wind farm projects in the UK, Netherlands, and Taiwan. Within the marine sector, our emphasis is on bolstering workforce readiness, enhancing cryogenic system capabilities, and solidifying our presence in floater conversion. For plant turnaround and shutdown maintenance contractor, we aspire to be recognised as a national leader by diversifying our services, attaining Tier 1 status, and expanding our skilled workforce through strategic collaborations and investments. These strategic endeavours collectively aim to fortify our portfolio for sustained growth throughout 2024 and beyond.

BUSINESS REVIEW

Heavy Engineering



We continue expanding our presence internationally across Asia and Europe, strengthening our position within the energy sector. Our track record as a trusted Oil and Gas (O&G) and energy solutions provider has paved the way for innovative projects, including those in the Netherlands and Malaysia-Thailand Joint Development Area (MTJDA). These ventures have further solidified our industry leadership and extended our influence.

Diversifying into emerging sectors, we have fortified our footing in the decarbonisation sector, with the Kasawari Carbon Capture and Storage (CCS) project, showcasing our dedication to sustainability. Our strategic involvement in TenneT's 2 gigawatts (GW) Programme with the construction of offshore substation (OSS) high voltage direct current (HVDC) platform signifies our entry into cutting-edge offshore grid connection systems and setting a new industry benchmark, while our partnership with FuelCell Energy for hydrogen production spearheads and accelerates sustainable and clean energy solutions.

As we adapt to the dynamic business environment, our focus remains on delivering long-term value to customers and stakeholders, propelled by steps that combine sustainability with technological advancement, aiming not only to meet but exceed expectations.

WHAT WE DO

Our specialised business unit in Heavy Engineering covers engineering, procurement, construction, installation and commissioning (EPCIC) contracting for complex heavy engineering fabrication, offshore substations for offshore wind farms (OWFs), fixed platforms, floating facilities, and onshore facilities. Serving international clients and advancing in emerging sectors like carbon capture and storage, hydrogen production, our purpose is to offer innovative solutions and contribute to sustainable growth in the O&G and energy industry that enable us to establish a robust global presence.

BUSINESS REVIEW

Heavy Engineering

| KEY FOCUS AREAS AND RESULTS | | | |
|--|--|---|---|
| Focus Areas | What We Did in 2023 | Results | Stakeholders Impacted |
| International Expansion | <ul style="list-style-type: none"> Strengthened MHB's international presence across Asia and Europe Pre-qualified MHB as an EPCIC contractor with international clients for their offshore projects | <ul style="list-style-type: none"> Qualified and awarded project in the Netherlands Awarded the first Carigali-PTTEPI Operating Company Sdn Bhd (CPOC) Project in the Malaysia-Thailand Joint Development Area (MTJDA) Qualified as an EPCIC contractor with reputable oil majors in Qatar and Vietnam | <ul style="list-style-type: none"> Customers Shareholders |
| Diversification into Emerging Sectors | <ul style="list-style-type: none"> Established memorandum of understanding (MoU) and pre-bid agreements for hydrogen production projects Executed MHB's first offshore CCS project | <ul style="list-style-type: none"> Established a foothold in the emerging sector with MoUs and agreements for hydrogen production projects Collaboration with technology providers for upscaled standard modular solutions Pioneered Malaysia's first and the world's largest offshore CCS project | <ul style="list-style-type: none"> Customers Shareholders |
| OWF Development | <ul style="list-style-type: none"> Expanded into the OSS business with the involvement in TenneT's 2GW Programme which serves as the next generation offshore grid systems Collaborated with an EPCIC contractor for OWF OSS HVDC projects | <ul style="list-style-type: none"> Awarded TenneT's 2GW Project OSS HVDC, demonstrating expertise and competitiveness in offshore wind projects with collaboration towards the possibility for two additional OSS units of similar size | <ul style="list-style-type: none"> Customers Shareholders |
| Offshore Oil and Gas Infrastructure Development | <ul style="list-style-type: none"> Performed outstanding records for project execution | <ul style="list-style-type: none"> Set a Malaysian record with the heaviest topside for the Kasawari Central Processing Platform (CPP) Achieved ahead-of-schedule onshore completion for the Jerun CPP Topside | <ul style="list-style-type: none"> Customers Shareholders |
| Continued Business Success | <ul style="list-style-type: none"> Ensured strong customer retention from Sarawak Shell Berhad | <ul style="list-style-type: none"> Smooth execution of Sarawak Shell Berhad's Rosmari-Marjoram Project | <ul style="list-style-type: none"> Customers Shareholders |

| KEY PROJECTS / CONTRACTS | | |
|-----------------------------|----------------------------|---|
| Name of Contract/Project | Location | Contract / Project Description |
| Rosmari-Marjoram | Offshore Sarawak, Malaysia | EPC of wellhead platform (WHP) |
| Kasawari CCS | Offshore Sarawak, Malaysia | EPCIC of CCS Platform |
| Kasawari CPP | Offshore Sarawak, Malaysia | EPCIC of CPP Kasawari Gas Development Project |
| Jerun CPP Development | Offshore Sarawak, Malaysia | EPCIC of CPP Jerun A, and Front-End Engineering Design (FEED) contract for Jerun K compression module |
| CPOC | MTJDA | EPCI of 5 WHP |
| OSS HVDC IJmuiden ver Alpha | The Netherlands | Construction engineering, fabrication, mechanical completion, loadout and sea fastening, and architectural works on EPC basis |

Heavy Engineering

| NEW ASSETS / CAPABILITIES | | |
|--------------------------------------|--------------------------------|--|
| New Assets / Capabilities Acquired | Business / Segment Impacted | Significance to Revenue Generation / Business |
| Panel Line Machine | Structural Automation | The current capacity allows for cutting of 1 to 2 plates simultaneously. The new panel line machine is projected to automate the process and increase cutting speed, capable of concurrently cutting up to 8 plates |
| Blasting and Painting (B&P) Workshop | In-house Blasting and Painting | The new B&P Workshop is essential to accommodate future demand of 70,000m ² . While our MMHE West Yard currently offers 24,960m ² , the new MMHE East Yard workshop, standing at 30 meters tall, meets TenneT's need for complete paint coverage on jackets. It is expected to match the output of the existing workshop, with additional blaster stations and reactivation of the old chamber filling the remaining gap |

| CHALLENGES / OPPORTUNITIES | | |
|--|---|--|
| Challenges | Mitigation Actions | Results |
| Streamline Estimation Database | | |
| Absence of a centralised estimation database led to varied benchmarking references | Upgraded and centralised the database into a Single Point of Truth (SPoT) | Achieved end-to-end optimisation and digitalisation of the process flow from bid to project execution through MHB's system called PANTHERA |
| Global Supply Chain Volatility Impacting Cost Competitiveness | | |
| Geopolitical uncertainties and COVID-19's enduring effects created supply chain volatility, affecting essential resource availability and pricing | Engaged in negotiations with clients to establish mutually beneficial terms | Implemented indexing, reimbursable, cost-plus and re-measurable terms in new contracts |
| Growth Opportunities | | |
| <ul style="list-style-type: none"> Expansion into the OWF Market Establishment of MHB's strong track record for future CCS endeavours Establishment of strong partnerships with technology providers on hydrogen production | | |

| OUTLOOK AND PROSPECTS | |
|---|---|
| Short to Medium-Term | Long-Term |
| Our focus is to strengthen our regional presence and establish an international footprint as an EPC contractor, targeting improved profit margins. This includes pioneering the energy transition with a focus on OWFs, CCS, and upscaled hydrogen production. Moreover, we aim to pursue active engagements in the ongoing relevance of oil and gas to reduce our carbon footprint for our project execution and facilities. | We aim to solidify our position as a leading global solution provider for the energy industry. Focusing on continuous innovation and sector diversification will propel MHB's sustained efforts towards regional and international expansion. |

BUSINESS REVIEW

Marine



In the fiscal year 2023, despite ongoing recovery efforts following the 2022 manpower crisis that resulted in the loss of 33 potential projects (including 12 Liquefied Natural Gas Carriers (LNGC) valued at RM136.51 million, we effectively secured and executed 71 projects, resulting in a revenue of RM323.9 million. Swift initiatives were implemented to address client concerns, such as the enforcement of timekeeping policies and augmentation of our in-house manpower with the hiring of 537 workers (including 369 foreign workers).

Collaborative efforts between our business and operations divisions yielded significant outcomes. We expanded our client base by attracting 25 new customers, including 9 local and 16 international clients, and forged 6 new en-bloc agreements as well as reinstated 2 previously terminated agreements. These accomplishments highlighted our organisation’s ability to navigate challenges and deliver impactful results with the highest level of commitment.

Noteworthy project milestones included securing an Engineering, Procurement, Construction and Commissioning (EPCC) contract for LNGC to Floating Storage Unit (FSU) conversion, successfully repairing and delivering the world’s largest Moss-type LNGC, executing inaugural Floating Storage Regasification Unit (FSRU) modifications, and conducting repairs, along with global testing for Floating Liquefied Natural Gas (FLNG).

Marine

WHAT WE DO

In our pursuit to emerge as a premium shipyard by 2030, we are driven by a commitment to excellence and innovation. Our proficiency in ship repair for LNGC, Liquefied Petroleum Gas Carriers (LPGCs), Tankers, Bulk Carriers, and Containers among many others is coupled with a proven track record in executing complex projects, including repairs, life extensions, and conversions for Floating Storage and Offloading (FSOs), Floating Production Storage and Offloading (FPSOs), FSUs, Mobile Offshore Drilling Units (MODUs), Mobile Offshore Production Units (MOPUs), and jumboisation. We strive for on-time project delivery, precisely adhering to contractual schedules, while maintaining an unwavering focus on achieving zero incidents and zero rework. Simultaneously, our commitment to profitability underscores our strategic approach to sustainable growth.

In 2022, we started collaborating with Silverstream Technologies and Bureau Veritas Solutions to address vessel owners’ needs to decarbonise their operations, with the aim to meet the regulatory requirements of the Energy Efficiency Existing Ship Index (EEXI) and Carbon Intensity Indicator (CII). Both collaborations allow us to retrofit air lubrication systems and undertake hull enhancements such as bulbous bow modifications, respectively. We also continue to seek partnerships with other technology providers to gain access to additional Energy Savings Technologies that can be retrofitted on vessels.

| KEY FOCUS AREAS AND RESULTS | | | |
|---|--|--|---|
| Focus Areas | What We Did in 2023 | Results | Stakeholders Impacted |
| Manpower Capacity and Capability | <ul style="list-style-type: none"> Project delivery ahead of schedule Strengthening in-house manpower Expanding subcontractors' pool Workforce training plan | <ul style="list-style-type: none"> Increased manpower capacity by hiring 369 foreign workers and 168 from Johor Petroleum Development Corporation (JPDC) Total of 408 registered subcontractors 60% of our in-house workforce comprises semi-skilled and skilled workers. A training and development plan has been crafted to elevate this percentage to 100% | <ul style="list-style-type: none"> Customers Shareholders |
| Enhance Operations Efficiency | <ul style="list-style-type: none"> Enhanced resource competency Increased revenue and profits Secured memorandum of understandings (MoUs) and pre-bid agreements for hydrogen production projects, marking a significant entry into the emerging sector | <ul style="list-style-type: none"> Established a foothold in the emerging sector with MoUs and agreements for hydrogen production projects. Collaboration with technology providers for upscaled standard modular solutions Acquisition of robotic blasting technology for enhanced productivity Engagement with diverse clients for growth and financial success Purposeful interactions to broaden the project portfolio and increase revenue | <ul style="list-style-type: none"> Customers Technology providers |

| KEY PROJECTS / CONTRACTS | | |
|----------------------------|--------------|--------------------------------|
| Name of Contract / Project | Location | Contract / Project Description |
| Q 7000 | USA | Special Survey |
| BW Batangas | Phillippines | FSRU Repair |

BUSINESS REVIEW

Marine

| CHALLENGES / OPPORTUNITIES | | |
|---|---|---|
| Challenges | Mitigation Actions | Results |
| Insufficient In-House Skilled Manpower | Increasing training and upskilling programmes for workers | A training Development Plan and Workers' Competency Matrix have been developed to continuously identify areas for improvement and to increase skilled manpower |
| Ageing Equipment and Facilities | Engagement with in-house Facilities Assets Services (FAS) to identify high-value assets / equipment for replacement | The in-house yard capability was enhanced by adopting potential technology / advanced machineries or special tools |
| Lack of Capable Subcontractors | Increasing subcontractor capacity and ongoing tariff revalidation exercise | <ul style="list-style-type: none"> Strategic partnerships with selected contractors to demarcate the scope of work have been established Enhanced subcontractor development |
| Growth Opportunities | | |
| <ol style="list-style-type: none"> Increase skilled in-house manpower through providing adequate training and conducting competency assessments Potential technology adoption Replacement of ageing equipment and facilities to improve overall efficiency Strategic partnership with selected subcontractors | | |

| OUTLOOK AND PROSPECTS | |
|---|---|
| Short to Medium-Term | Long-Term |
| Over the next one to five years, our primary focus will revolve around key areas essential for growth and efficiency. Our goals include increasing manpower capability, improving facilities and infrastructure, upgrading equipment and tools, and embracing digital transformation and automation. Several projects are currently in the pipeline to support these objectives, such as training and upskilling programmes for workers, specialised subject-matter-expert (SME) training initiatives, a rotation programme for multi-skilled workers, extended operational hours to reduce dry docking days, and the replacement of ageing assets and equipment. Major targets for this period include achieving 100% skilled and semi-skilled manpower by 2024, establishing strategic partnerships with selected subcontractors, enhancing the project planning function, upskilling SMEs to meet premium yard aspirations, and enforcing productivity measurement and monitoring. | Beyond the next five years, we will focus on strategic enhancements and technological upgrades. Plans include integrating advanced machinery, adopting technology, and employing automation, such as robotic blasting to reduce dry docking days. We will prioritise multi-skilling for in-house workers, implementing real-time data monitoring, and upgrade facilities to meet industry standards. Long-term collaborations with energy saving technology providers aim to position us as leaders in sustainable practices within the Marine Repair Industry. |

Plant Turnaround and Shutdown Maintenance



We are committed to furthering our reputation as the preferred service provider offering a comprehensive range of onshore plant turnaround, maintenance and fabrication services, particularly within the petrochemical / refinery, oleochemical and power sectors.

Central to our operations are plant services, where the focus on constructability and operability guides the project lifecycle. Through effective project management, we provide solutions for complex turnaround projects while adhering to stringent safety and quality standards. We meticulously manage every aspect of plant operations, from the integrated phase to plant start-up, employing advanced workforce planning and execution techniques to ensure our clients' expectations are not only met but surpassed.

Highlighting our accomplishments, we have successfully completed Annual Plants Turnaround Static Equipment Mechanical works twice at KL-Kepong Oleomas Sdn Bhd in Pulau Indah, Selangor. Our versatility was evident in the execution of the Cooling Water Pipes Internal Cleaning project for Idemitsu SM (Malaysia) Sdn Bhd in Pasir Gudang, Johor. Additionally, for Idemitsu SM (Malaysia) Sdn Bhd, we successfully completed another project involving Removal Polymer works. Another significant milestone was our inaugural project execution at PETRONAS Chemicals Isononanol Sdn Bhd, where we secured the Fire Proofing Rectification and Repairing project.

WHAT WE DO

In 2017, MHB initiated strategic business diversification by introducing the Plant Turnaround and Shutdown Maintenance (PTSM) segment. Since its inception, we have undergone significant growth, expanding our service portfolio to encompass piping fabrication, mechanical static equipment cleaning, rotating equipment maintenance, refractory repair, onsite flange facing, catalyst, handling and chemical cleaning. With a primary focus on serving the petrochemical / refinery, oleochemical and power plants, our overarching goal is to establish ourselves as a comprehensive one-stop centre, delivering efficient solutions precisely tailored to our clients' needs.

BUSINESS REVIEW

Plant Turnaround and Shutdown Maintenance

| KEY FOCUS AREAS AND RESULTS | | | |
|-----------------------------------|--|---|---|
| Focus Areas | What We Did in 2023 | Results | Stakeholders Impacted |
| Petrochemical / Refineries | <ul style="list-style-type: none"> Ventured outside of PETRONAS' Master Service Agreement (MSA) Turnaround Main Mechanical and Maintenance Mechanical Static (TA4MS) scope Secured projects from potential short-term target clients Established dedicated teams for cleaning and mechanical work | <ul style="list-style-type: none"> Secured the first project on passive fireproofing at PETRONAS Chemicals Isononanol plant in Pengerang Successfully secured project from recurring client IDEMITSU SM (Malaysia) Sdn Bhd | <ul style="list-style-type: none"> Customers Shareholders |
| Oleochemical | <ul style="list-style-type: none"> Provided a dedicated project management team experienced in previous plant turnaround Established a dedicated department for 'one-stop centre' deliveries | <ul style="list-style-type: none"> Continuously secured 2 projects with KL-Kepong Oleomas Sdn Bhd | <ul style="list-style-type: none"> Customers Shareholders |
| Power | <ul style="list-style-type: none"> Identified regional targets and delivered pitch introductions and our value proposition Established local partnerships and facilities to continuously support local clients | <ul style="list-style-type: none"> Initiated and created brand awareness among clients in the power segment industry such as TNB Remaco Sdn Bhd Established a Non-Disclosure Agreement (NDA) between TNB Remaco Sdn Bhd to explore future business opportunities within 5 years | <ul style="list-style-type: none"> Customers Shareholders |

| KEY PROJECTS / CONTRACTS | | | |
|--|-----------------------|---|--|
| Name of Contract / Project | Location | Contract / Project Description | Completed / Ongoing (as at 31 December 2023) |
| KL-Kepong Oleomas Sdn Bhd (FAL 1 Annual Plant Turnaround Static Equipment Mechanical Work) | Pulau Indah, Selangor | Maintenance works for static equipment during FAL 1 plant shutdown | Completed |
| KL-Kepong Oleomas Sdn Bhd (EP 2 Annual Plant Turnaround Static Equipment Mechanical Work) | Pulau Indah, Selangor | Maintenance works for static equipment during EP 2 plant shutdown | Completed |
| PETRONAS Chemicals Isononanol Sdn Bhd (Fire Proofing Rectification and Repairing Works) at PETRONAS Chemicals Isononanol Sdn Bhd | Pengerang, Johor | Fireproofing coating works on exposed beam structure to act as surface protection | Ongoing |
| Idemitsu SM (Malaysia) Sdn Bhd (Remove Polymer Inside System V401 and E401A/B) | Pasir Gudang, Johor | Cleaning and removing hard polymer inside vessel and heat exchanger | Completed |

| NEW ASSETS / CAPABILITIES | | |
|--|--|--|
| New Asset / Capabilities Acquired | Business / Segment Impacted | Significance to Revenue Generation / Business |
| Established a project management team to cater to maintenance works for clients in various market segments | <ul style="list-style-type: none"> Oleochemical Petrochemical / Refineries | Optimise our current resources to seamlessly serve clients across a diverse range of market segments |

Plant Turnaround and Shutdown Maintenance

| CHALLENGES / OPPORTUNITIES | | |
|--|--|---|
| Challenges | Mitigation Actions | Results |
| Forming Key Partnerships | | |
| Challenges in identifying new partners may potentially hinder our capability to deliver enhanced value to our customers | Identified service providers and qualified subcontractors for PETRONAS' requirements | Joint venture with Boiler Master Sdn Bhd for PETRONAS Turnaround Main Mechanical and Maintenance Mechanical Static (MSA TA4MS) contract |
| Competency Improvement | | |
| Workers competency in line with customer requirements | Strengthened worker competency to better align with and meet customer requirements | Diversified training initiatives including forklift training, hydro jetting training and confined space training |
| Growth Opportunities | | |
| 1. Enhancing Capabilities: <ul style="list-style-type: none"> Increase turnaround man-hours to upgrade standardised work and equipment categories (SWEC) Code Tier 2 to Tier 1 Fulfil MSA TA4MS contract requirements Strengthen the value proposition, differentiating from other competitors | | |
| 2. Growing Customer Base: <ul style="list-style-type: none"> Pursue non-PETRONAS opportunities for PTSM services Expand the revenue stream by targeting other plants beside Malaysia Refining Company Sdn Bhd (MRCSB) | | |
| 3. Diversification into Non-Oil and Gas Sectors: <ul style="list-style-type: none"> Explore plant turnaround and maintenance opportunities in non-oil and gas sectors Leverage existing PETRONAS relationships for services in non-chemical and oleochemical facilities | | |
| 4. Building Track Records and Credibility: <ul style="list-style-type: none"> Maintain focus on PETRONAS' MSA TA4MS contract Deliver the highest quality to exceed customer expectations Build a strong track record in plant turnaround and maintenance for future customer acquisition | | |

| OUTLOOK AND PROSPECTS | |
|--|--|
| Short to Medium-Term | Long-Term |
| Our primary focus revolves around executing PTSM for selected plants, operating in diverse market segments, namely oleochemical, petrochemical / refineries and power. We are committed to positioning ourselves as a 'one-stop centre' for maintenance, modifications, hook-up, and commissioning services, thereby elevating project delivery performance. Additionally, our aim is to establish a strong regional presence by creating a compelling brand identity for this business segment. | Our long-term outlook involves targeting clients across market segments, emphasising sustained growth and expansion. Leveraging existing MSA, particularly with PETRONAS' TA4MS, is integral to our approach, ensuring a consistent stream of scheduled maintenance works. Panel subcontractors will be engaged for medium to large-scale projects, ensuring flexibility in project execution. Building local partnerships with key clients and setting up facilities in strategic regions further underscore our commitment to prompt and relevant client services. |

FINANCIAL REVIEW

Financial Calendar

Financial Year 2023

Q1 FY2023
Result Announced
18/05/2023 Thursday

Q2 FY2023
Result Announced
16/08/2023 Wednesday

Q3 FY2023
Result Announced
08/11/2023 Wednesday

DIVIDEND
Announced - 17/02/2023 Friday
Payment - 24/03/2023 Friday

Financial Year 2024

Q4 FY2023
Full Year Results Announced
14/02/2024 Wednesday

ANNUAL GENERAL MEETING
18/04/2024 Thursday

Five-Year Group Financial Performance



FINANCIAL REVIEW

Share Performance

MHB Share Price (RM)



— MHB Share Price

| Month (2023) | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|----------------------------|---------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Highest Closing Price (RM) | 0.69 | 0.75 | 0.73 | 0.68 | 0.62 | 0.54 | 0.58 | 0.58 | 0.56 | 0.55 | 0.54 | 0.49 |
| Lowest Closing Price (RM) | 0.59 | 0.66 | 0.59 | 0.62 | 0.52 | 0.49 | 0.51 | 0.45 | 0.50 | 0.51 | 0.46 | 0.46 |
| Average Closing Price (RM) | 0.63 | 0.71 | 0.65 | 0.65 | 0.55 | 0.52 | 0.54 | 0.51 | 0.53 | 0.52 | 0.49 | 0.47 |
| Volume Traded ('000) | 136,043 | 111,866 | 57,500 | 27,975 | 33,519 | 22,186 | 58,601 | 54,634 | 40,907 | 14,449 | 19,352 | 10,785 |

