

# GROUP MANAGING DIRECTOR’S REVIEW

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Key Highlights of the Year

LAND BANK

1,153

Acres

2021: 1,008 acres

GROSS DEVELOPMENT VALUE

RM33

Billion

2021: RM33 billion

EXTERNAL CLIENT CONSTRUCTION ORDER BOOK

RM26.3

Billion

2021: RM27.3 billion



**Despite some macro-level headwinds continuing to persist, we remained steadfast and successfully delivered two major infrastructure projects set to benefit the nation. We also continued to push ahead with our sustainability efforts, with the aim to create long-term, sustainable value for generations.**

**IMRAN SALIM**  
Group Managing Director

## YEAR IN REVIEW

The year 2022 saw a steady return to normalcy and economic and business recovery across most of the world as the pandemic retreated and movement restrictions were lifted. In Malaysia, unlike the year before, there was a complete absence of movement restrictions due to COVID-19, which provided a big boost to the economy as the nation moved from the pandemic to the endemic phase.

In 2022, we did not get hampered by the construction site closures we had to endure in 2021, and we were gradually able to transition our operations to full capacity, resulting in higher rates of productivity as workers returned to our construction sites, and as a result we achieved much higher construction progress across our property development and construction projects. Property sales also improved markedly, benefitting from pent-up demand and the opening up of the economy.

Some macro-level headwinds have continued to persist however, as both supply chains and labour markets struggled to keep pace

with the rapid sudden increase in demand and consumption. This was further exacerbated by the Russia-Ukraine conflict deepening geopolitical tensions that led to higher commodity prices, which added further to already elevated levels of inflation across the globe, prompting central banks all over the world, including Bank Negara Malaysia (BNM), to hike up interest rates. BNM increased the Overnight Policy Rate (OPR) by 100 basis points over four hikes in 2022, bringing the OPR up to 2.75% by the end of 2022. Meanwhile, climate change-related weather events continued to dominate the news as countries across the globe grappled with extreme weather that not only devastated economies, but also lives.

Despite the ongoing challenges, MRCB remained steadfast in ensuring business continuity as we completed several important infrastructure construction projects and made good progress on ongoing ones. We have also pushed ahead with our Climate Strategy Framework and embarked on new initiatives to achieve our Net Zero target in Scope 1 and Scope 2 carbon emissions

by 2040. To ensure that our initiatives remain both relevant and impactful in the context of climate change, we revisited our material matters to identify more climate-related matters that are important to our stakeholders. Beyond climate action, we also zeroed in on our labour and human rights practices and continued to strengthen our corporate governance practices.

## KEY BUSINESS HIGHLIGHTS

In 2022, the Group recorded revenue of RM3.2 billion and profit before tax of RM154 million, compared to revenue of RM1.4 billion and profit before tax of RM61 million in 2021. The better financial performance was largely due to more normalised operations after two years of COVID-19 related disruptions, which resulted in increased revenue and profit recognition from construction progress and a recovery in property sales. The Group’s performance also reflected a full year’s consolidation of the LRT3 project in 2022, which despite being affected by labour and materials shortages, achieved physical construction progress of 81% and financial progress of 75% as at 31 December 2022, and is on track for completion in 2024.

In addition, profit for the year was also bolstered by a RM18 million contribution from the value of the remaining land injected into Seri Iskandar Development Corporation Sdn Bhd (SIDEK).

Other noteworthy developments in 2022 included the completion of RM1.0 billion worth of projects comprising the construction and commissioning of a double circuit 500kV overhead transmission line from Mukim Jabi in Segamat to Mukim Serting Hilir in Jempol, the Mass Rapid Transit Line 2 Package V210 (MRT2) and the Damansara-Shah Alam Elevated Expressway Package CB2 (DASH) project. Meanwhile, the Sungai Besi-Ulu Kelang Elevated Expressway Package CA2 (SUKEL) project, which reached 85% construction completion as at end December 2022, is on schedule for completion in 2023.

Despite the MRT2 and DASH projects reaching completion, MRCB’s external client construction order book remained robust at RM26.3 billion, of which 66% or RM17.4 billion remained unbilled. New large infrastructure construction projects were slow to materialise due to pandemic-led disruptions over the past two years and continued caution exercised around long-term planning. Despite growing competition arising from the dearth of new projects available for tender, in 2022 MRCB was awarded the Muara Sg. Pahang Phase 3 coastal flood mitigation project worth RM380 million. Boosted by the participation in the tender for three (3) packages of the MRT3 Project, the Group’s open tenders stood at RM30 billion as at 31 December 2022. However, this excluded project tenders already won but where the project’s value has yet to be confirmed, such as the Shah Alam Stadium rebuilding project.

In the Property Development & Investment Division, we continued to see an upward trend in property sales as buying activity ramped up, with the Group selling RM478.1 million worth of properties in the whole of 2022. As construction progress and sales accelerated, our ongoing residential developments such as Sentral Suites in KL Sentral, the 9 Seputeh mixed development in Jalan Klang Lama, and Alstonia in Bukit Rahman Putra continued to contribute to our revenue and profit during the year, after the very slow pandemic-induced construction progress and sales performance in 2021. A key property sales strategy in 2022 was to enhance cashflow by monetising our inventory of completed unsold units, which as a result fell from RM361 million at the end of 2021 to RM227 million at the end of 2022.

Looking ahead, MRCB remains well-positioned to create long-term value with a strong pipeline of property projects with a GDV of RM33 billion across 1,153 acres of land.

## PUSHING AHEAD WITH DIVERSIFICATION

The Group continued to advance its key strategy of diversification in the year under review. Following our previous successful forays in Melbourne, Australia and our success in winning the bid to develop The Symphony Centre, formerly known as Aotea Central Over Station Development in Auckland, New Zealand in 2021, in 2022 we completed the purchase of 0.766 acres of prime land in the Gold Coast, Australia with plans to launch a residential high-rise development with a GDV of AUD391 million. We also acquired Bledisloe House located beside Aotea Station in the Central Business District of Auckland, New Zealand – a New Zealand Government heritage building built in the late 1950s, which will be refurbished and has an expected GDV of NZD137 million. This new project, which is set to begin in 2024, further solidifies MRCB’s presence in New Zealand and our international diversification strategy.

Another key milestone achieved in 2022 was the launch of the 810.57-acre Ipoh Raya Integrated Park, which marked MRCB’s first major foray into the industrial and logistics market, thus diversifying our business away from the traditional focus on green high-rise commercial and residential Transit Oriented Developments within the Klang Valley.

Located only 14 km from the city of Ipoh, next to the Simpang Pulai Rest & Recreation stop along the North-South Expressway, the Ipoh Raya Integrated Park will be the first of its kind – a bespoke and sustainable fully integrated logistics park. To be developed over six phases, the park will strengthen the industrial corridor within the region as it will feature an agro-based industrial hub, a logistics hub, three managed parks, as well as accommodation, technical and vocational education and training facilities. Phase 1 of the integrated park comprises a logistics hub, which is slated for completion in 2028, and will also incorporate environmentally sustainable elements.

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STEPPING UP CLIMATE ACTION

MRCB is committed to Science-Based Targets initiatives (SBTi) and has established a target to reduce Scope 1 and Scope 2 carbon emissions by 4.2% annually, which is aligned to the 1.5°C scenario. During the year, we intensified our efforts towards sustained climate action, in line with our deep commitment to fully embedding sustainable practices within our business operations. In this regard, in 2022 we enhanced our Sustainability Framework with the formulation of a Climate Strategy Framework (for further details please refer to page 22). Short to medium term priorities will see greater integration of climate-related issues into the business and includes initiatives on managing our transition and physical climate risks and transitioning the business to low carbon emissions.

Guided by this Framework, in 2022 MRCB began procuring Renewable Energy Certificates (RECs) under the Green Electricity Tariff by Tenaga Nasional Berhad. We subscribed to a monthly total of 1,206,000 kWh of electricity generated from renewable sources for three of the buildings we manage, namely Celcom Tower, Plaza Alam Sentral and Penang Sentral. We also continued to rationalise our office space as our headcount reduced through natural attrition due to the continued investment in the digitalisation of our operations, which contributed to a 9% reduction in energy consumption and a 65% reduction in our carbon emissions intensity in 2022 against our 2020 baseline.




Following our Supplier Assessment Survey conducted in 2021, a key initiative in 2022 was to expand our Scope 3 emissions data collection and reporting, which we began doing by collecting carbon emissions data from our largest sub-contractors. A full report on our findings can be read on page 146. We plan to continue to expand disclosure of our Scope 3 data and institutionalise this practice in future contracts with our suppliers and sub-contractors. We have also begun drafting a Design & Procurement Policy to ensure that sustainability principles are fully embedded at the design stage and the very outset of all our property development projects, specifying the type of materials that can be used in our projects and which geographical region they can be procured from to ensure they meet sustainability specifications and to reduce the embedded carbon in all our future projects.

While we have a long journey ahead, we are making good progress on the climate action front and are well positioned to meet the new reporting requirements introduced by Bursa Malaysia under its Enhanced Sustainability Reporting Framework in 2022, as well as the Employees Provident Fund’s Sustainability Investment Policy guidelines.

Even as we advance climate action, we continue to push ahead with other sustainability-centred business opportunities, such as our bid to enter the waste-to-energy (WTE) sector and our strong commitment to modular construction.

Our efforts to venture into WTE stem from the urgent need for alternative household waste disposal and treatment methods, which are currently almost totally dependent on landfills. Apart from the hazards arising from landfills – poisonous gases such as methane, a greenhouse gas that is 70 times worse than carbon dioxide at trapping heat in the atmosphere, leachate pollution that disrupts water treatment for drinking water, rats and other pests, and uncontrollable fires – Malaysia is also running out of land for waste disposal, and increasingly landfills are having to be built further away from urban areas, which leads to higher transportation costs and greater carbon emissions. With the expected growth in household waste, there is an urgent need for alternative ways to treat waste, in an environmentally compliant manner, and as is the case in many European countries, slowly eliminate landfills from Malaysia completely. To this end, we are hopeful that our endeavour in developing a waste-to-energy project will soon come to fruition, as we reach the final stage of negotiations at the Government level.

At the heart of our value creation and sustainability activities is our proprietary modular construction technology, MRCB Building System (MBS), which continues to gain traction given its time-saving, environmentally-friendly and efficiency characteristics. In addition, it reduces the dependence on unskilled foreign labour and is less dangerous for our workers compared to conventional methods of construction. With two completed projects, one in Singapore and another in Malaysia, and one other project underway in Hong Kong, we continue to market the MBS technology which is currently patented in 11 countries and has patents pending in another 19 countries.

Completed MBS Projects		Ongoing MBS Projects
 <b>Polyclinic, Nursing Home and Senior Care Center at Senja Road, Singapore</b> <ul style="list-style-type: none"><li>MBS technology licensed by MRCB to Imax Construction Pte. Ltd.</li><li>Awarded by Ministry of Health, Singapore</li><li>358 beds in an integrated nursing complex</li><li>6 storeys</li></ul>	 <b>Putrajaya School Extension, Malaysia</b> <ul style="list-style-type: none"><li>MRCB project</li><li>Awarded by Ministry of Education, Malaysia</li><li>35 classrooms across 5 schools in Putrajaya</li><li>123 classroom and toilet modules installed</li></ul>	 <b>Student Residence at Wong Chuk Hang site, Hong Kong University, Hong Kong</b> <ul style="list-style-type: none"><li>MBS technology licensed by MRCB to Paul Y. Engineering Group</li><li>1,224 units of student residences</li><li>2 blocks of 19-storey building</li></ul>

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We will be deploying our MBS technology to develop a premium 573-unit high rise residential building at Plot F in Kwasa Sentral, called Residensi Tujuh, which will be launched in 2023. The Group will also explore modular applications for low-cost and affordable housing and other public-sector buildings such as hospitals, police and army accommodation and prisons, where speed of construction is critical.

IN PURSUIT OF TRANSFORMATIVE CHANGE

In 2021, the Group introduced the MRCB People Transformation Accelerator Programme (PTAP) to help drive the Group’s culture transformation strategy. The PTAP was established to align the behaviours and mindsets of our people to accelerate and sustain organisational change. With 348 employees having completed PTAP workshops in 2021, we continued the programme in 2022 to cover another 653 employees comprising executives, senior executives, auxiliary police and security personnel over 28 workshops. In addition, three (3) “Light & Easy” sessions were organised for employees to engage with Senior Management.

Apart from targeted sessions such as the PTAP Programme, we also foster a positive work culture through open and frequent communication. MRCB continues to leverage on electronic digital media (EDM) to share key messages with our employees. This includes sharing new company developments; educating and reminding employees on matters pertaining to their welfare, climate change and sustainability, cybersecurity threats and our zero tolerance of bribery and corruption; as well as promoting a culture of integrity, accountability, and health and safety in the workplace.

MRCB continues to champion human rights, and in 2022 we undertook several initiatives that underscore our commitment. Our Human Rights Policy is now more aligned with globally recognised laws and conventions, and we have also embedded human rights compliance into our standard supplier contracts and will in due course conduct due diligence on human rights-related risks and their impact on the Group’s operations and supply chain.

ACKNOWLEDGEMENTS

We were deeply saddened by the demise of our Chairman, Tan Sri Azlan Zainol on 12 January 2023. He greatly contributed to the well-being of MRCB, its staff and shareholders, as well as to corporate Malaysia as a whole. I speak for all in MRCB when I say that his presence will be sorely missed. It has been a great honour to have had him as our Chairman, and as part of our extended family at MRCB.

I would also like to take this opportunity to welcome Datuk Seri Amir Hamzah Azizan, our new Non-Independent Non-Executive Chairman. Datuk Seri Amir Hamzah has been instrumental in helping us steer the Group towards greater heights and we look forward to his continued guidance and wisdom. The year 2022 is a demonstration of how MRCB can bounce back from difficult times and come out stronger. With more promising times ahead, I look forward to achieving more milestones with all my colleagues. I would like to thank our Board for their wisdom, as well as our Senior Management team and all our staff for their resilience, loyalty and strong support. I look forward to working closely with you to build a more sustainable tomorrow.

**IMRAN SALIM**  
Group Managing Director