MISC BERHAD

(Registration No. 196801000580 (8178-H))

Unaudited Condensed Consolidated Income Statement

For The Period Ended 30 June 2020

	Quarter Ended 30 June		Cumulative 6 Months Ended 30 June	
	2020	2019	2020	2019
	RM million	RM million	RM million	RM million
Revenue	2,186.3	2,161.7	4,700.1	4,439.4
Cost of sales	(1,401.1)	(1,511.3)	(2,906.8)	(3,029.1)
GROSS PROFIT	**785.2**	**650.4**	**1,793.3**	**1,410.3**
Other operating income	1.4	58.0	136.6	147.0
General and administrative expenses	(263.7)	(224.1)	(561.9)	(481.1)
OPERATING PROFIT	**522.9**	**484.3**	**1,368.0**	**1,076.2**
Impairment loss on ships, offshore floating asset, other property, plant and equipment and right-of-use assets	(306.0)	(51.1)	(306.0)	(51.1)
Gain on acquisition of a business	-	-	-	23.7
Gain on disposal of ships	21.6	-	21.6	17.5
Write off of trade receivables and loss on re-measurement of finance lease receivables	-	-	(935.2)	-
Provision for litigation claims	-	-	(1,049.2)	-
Finance costs	(100.5)	(115.6)	(196.3)	(249.8)
Share of profit of joint ventures	48.0	101.5	137.7	144.6
PROFIT/(LOSS) BEFORE TAX	**186.0**	**419.1**	**(959.4)**	**961.1**
Taxation	(21.7)	(17.2)	(27.3)	(43.2)
PROFIT/(LOSS) AFTER TAX	**164.3**	**401.9**	**(986.7)**	**917.9**
PROFIT/(LOSS) ATTRIBUTABLE TO:				
Equity holders of the Corporation	299.5	399.8	(857.3)	910.3
Non-controlling interests	(135.2)	2.1	(129.4)	7.6
PROFIT/(LOSS) AFTER TAX	**164.3**	**401.9**	**(986.7)**	**917.9**
BASIC EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE CORPORATION (SEN)	6.7	9.0	(19.2)	20.4

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2019.

MISC BERHAD
(Registration No. 196801000580 (8178-H))

Unaudited Condensed Consolidated Statement of Comprehensive Income
For The Period Ended 30 June 2020

	Quarter Ended 30 June		Cumulative 6 Months Ended 30 June	
	2020	2019	2020	2019
	RM million	RM million	RM million	RM million
PROFIT/(LOSS) AFTER TAX	**164.3**	**401.9**	**(986.7)**	**917.9**
OTHER COMPREHENSIVE (LOSS)/INCOME				
Items that may be reclassified to profit or loss in subsequent periods:				
Cash flow hedges:				
Fair value loss				
Group	(115.3)	(78.0)	(496.2)	(136.9)
(Loss)/gain on currency translation *	(344.4)	502.4	1,423.1	(21.7)
Total other comprehensive (loss)/income	**(459.7)**	**424.4**	**926.9**	**(158.6)**
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(295.4)**	**826.3**	**(59.8)**	**759.3**
TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO:				
Equity holders of the Corporation	(154.4)	821.3	61.3	751.9
Non-controlling interests	(141.0)	5.0	(121.1)	7.4
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(295.4)**	**826.3**	**(59.8)**	**759.3**

* The following USD:RM exchange rates were used in the calculation of (loss)/gain on currency translation:

	2020	2019	2018
As at 31 December	-	4.09950	4.14450
As at 31 March	4.32750	4.07950	3.86200
As at 30 June	4.28500	4.14150	4.04450

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2019.

MISC BERHAD

(Registration No. 196801000580 (8178-H))

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	30 June 2020 RM million	31 December 2019 RM million
NON CURRENT ASSETS		
Ships	22,434.5	20,975.9
Offshore floating assets	84.7	82.4
Property, plant and equipment	2,028.4	2,228.9
Prepaid lease payments on land and buildings	216.3	219.8
Finance lease receivables	14,855.5	15,008.0
Investments in associates	0.5	0.5
Investments in joint ventures	1,030.1	925.7
Other non-current financial assets	212.2	225.9
Intangible assets	878.3	840.7
Deferred tax assets	106.1	103.5
	41,846.6	**40,611.3**
CURRENT ASSETS		
Inventories	183.2	165.7
Finance lease receivables	1,304.5	1,387.7
Trade and other receivables	1,989.3	2,441.2
Cash, deposits and bank balances	8,423.9	7,030.8
Amounts due from related companies	82.3	82.6
Amounts due from joint ventures	32.2	19.2
Assets held for sale	15.6	125.3
Derivative assets	2.4	-
	12,033.4	**11,252.5**
TOTAL ASSETS	**53,880.0**	**51,863.8**
EQUITY		
Share capital	8,923.3	8,923.3
Treasury shares	(0.3)	(0.3)
Reserves	6,978.9	6,060.3
Retained profits	18,038.6	19,744.0
Equity attributable to equity holders of the Corporation	**33,940.5**	**34,727.3**
Non-controlling interests	902.4	1,026.5
TOTAL EQUITY	**34,842.9**	**35,753.8**
NON-CURRENT LIABILITIES		
Interest bearing loans and borrowings	10,675.4	7,552.7
Deferred income	1,270.1	566.3
Deferred tax liabilities	29.4	30.9
Derivative liabilities	671.3	158.4
	12,646.2	**8,308.3**
CURRENT LIABILITIES		
Interest bearing loans and borrowings	3,301.3	5,599.5
Trade and other payables	2,984.7	2,109.2
Provision for taxation	27.6	14.2
Amounts due to related companies	9.6	8.6
Amounts due to associates	1.0	1.0
Amounts due to joint ventures	66.7	67.6
Derivative liabilities	-	1.6
	6,390.9	**7,801.7**
TOTAL LIABILITIES	**19,037.1**	**16,110.0**
TOTAL EQUITY AND LIABILITIES	**53,880.0**	**51,863.8**

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2019.

MISC BERHAD

(Registration No. 196801000580 (8178-H))

Unaudited Condensed Consolidated Statement of Cash Flows

For the Period Ended 30 June 2020

	30 June 2020 RM million	30 June 2019 RM million
Cash Flows from Operating Activities:		
(Loss)/profit before tax	(959.4)	961.1
Writeback of impairment loss on finance lease receivables	(7.3)	(2.3)
Impairment loss on receivables	26.9	13.4
Bad debts written back	-	(0.9)
Depreciation of ships, offshore floating assets, other property, plant and equipment and right-of-use assets	1,054.3	1,082.0
Amortisation of prepaid lease payments	3.7	3.6
Impairment loss on ships, offshore floating asset, other property, plant and equipment and right-of-use assets	306.0	51.1
Write off of ships, property, plant and equipment	0.1	2.5
Write off of trade receivables and loss on re-measurement of finance lease receivables	935.2	-
Provision for litigation claims	1,049.2	-
Gain on disposal of ships	(21.6)	(17.5)
Net unrealised foreign exchange gain	(19.5)	(3.6)
Dividend income from equity investments	(0.6)	(0.7)
Finance costs	196.3	249.8
Finance income	(63.5)	(84.1)
Gain on acquisition of a business	-	(23.7)
Fair value movement in other investments	2.5	(4.3)
Amortisation of intangibles	2.9	3.4
Amortisation of upfront fees for borrowings	7.7	2.5
Share of profit of joint ventures	(137.7)	(144.6)
Operating profit before working capital changes	2,375.2	2,087.7
Inventories	(10.1)	36.7
Trade and other receivables	546.0	773.7
Trade and other payables	(155.5)	(148.0)
Deferred income	672.8	(22.8)
Cash generated from operations	3,428.4	2,727.3
Net tax paid	(17.9)	(36.0)
Net cash generated from operating activities	**3,410.5**	**2,691.3**

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2019.

	30 June 2020 RM million	30 June 2019 RM million
Cash Flows from Investing Activities:		
Purchase of ships, offshore floating assets and other property, plant and equipment	(1,879.7)	(1,135.5)
Investment in joint ventures	(42.5)	-
Proceeds from disposal of ships	254.5	101.4
Dividend received from:		
Quoted investments	0.6	0.7
Joint ventures	133.7	107.4
Acquisition of a business	-	(146.6)
Interest received	52.3	62.9
Placement of fixed deposit	(4.3)	(2.8)
Net cash used in investing activities	**(1,485.4)**	**(1,012.5)**
Cash Flows from Financing Activities:		
Drawdown of term loans and revolving credit	4,393.6	5,014.8
Repayment of term loans and revolving credit	(3,947.1)	(4,598.6)
Repayment of lease liabilities	(169.8)	(174.2)
Dividends paid to the equity holders of the Corporation	(848.1)	(714.2)
Dividends paid to non-controlling interest of subsidiaries	(3.0)	-
Interest paid	(252.7)	(213.3)
Placement of cash pledged with banks - restricted	(194.6)	(714.1)
Net cash used in financing activities	**(1,021.7)**	**(1,399.6)**
Net change in cash & cash equivalents	903.4	279.2
Cash & cash equivalents at the beginning of the year	5,740.4	5,537.2
Currency translation difference	230.8	2.5
Cash & cash equivalents at the end of the period	**6,874.6**	**5,818.9**
Cash pledged with bank - restricted and deposit with maturity more than 90 days	1,549.3	932.5
Cash, deposits and bank balances	**8,423.9**	**6,751.4**

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2019.

MISC BERHAD
(Registration No. 196801000580 (8178-H))

Unaudited Condensed Consolidated Statement of Changes in Equity

For the Period Ended 30 June 2020

	Total equity	Equity attributable to equity holders of the Corporation	Share capital*	Treasury shares	Retained profits	Other reserves, total	Other capital reserve	Capital reserve	Revaluation reserve	Statutory reserve	Hedging reserve	Currency translation reserve	Non-controlling Interests
		Attributable to equity holders of the Corporation											
	RM million	RM million	RM million	RM million	RM million	RM million	RM million	RM million	RM million	RM million	RM million	RM million	RM million
6 MONTHS ENDED 30 JUNE 2020													
At 1 January 2020	**35,753.8**	**34,727.3**	**8,923.3**	**(0.3)**	**19,744.0**	**6,060.3**	**99.3**	**435.2**	**1.4**	**3.2**	**(160.0)**	**5,681.2**	**1,026.5**
Total comprehensive (loss)/income	(59.8)	61.3	-	-	(857.3)	918.6	-	-	-	-	(497.5)	1,416.1	(121.1)
Transactions with owners													
Dividends	(851.1)	(848.1)	-	-	(848.1)	-	-	-	-	-	-	-	(3.0)
Total transactions with owners	(851.1)	(848.1)	-	-	(848.1)	-	-	-	-	-	-	-	(3.0)
At 30 June 2020	**34,842.9**	**33,940.5**	**8,923.3**	**(0.3)**	**18,038.6**	**6,978.9**	**99.3**	**435.2**	**1.4**	**3.2**	**(657.5)**	**7,097.3**	**902.4**
6 MONTHS ENDED 30 JUNE 2019													
At 1 January 2019	**36,364.2**	**35,351.2**	**8,923.3**	**(0.3)**	**19,844.2**	**6,584.0**	**99.3**	**435.2**	**1.4**	**3.2**	**2.9**	**6,042.0**	**1,013.0**
Adjustment on initial application of MFRS 16	(94.6)	(94.3)	-	-	(94.3)	-	-	-	-	-	-	-	(0.3)
At 1 January 2019 (Restated)	**36,269.6**	**35,256.9**	**8,923.3**	**(0.3)**	**19,749.9**	**6,584.0**	**99.3**	**435.2**	**1.4**	**3.2**	**2.9**	**6,042.0**	**1,012.7**
Total comprehensive income/(loss)	759.3	751.9	-	-	910.3	(158.4)	-	-	-	-	(136.9)	(21.5)	7.4
Transactions with owners													
Dividends	(714.2)	(714.2)	-	-	(714.2)	-	-	-	-	-	-	-	-
Total transactions with owners	(714.2)	(714.2)	-	-	(714.2)	-	-	-	-	-	-	-	-
At 30 June 2019	**36,314.7**	**35,294.6**	**8,923.3**	**(0.3)**	**19,946.0**	**6,425.6**	**99.3**	**435.2**	**1.4**	**3.2**	**(134.0)**	**6,020.5**	**1,020.1**

* Included in share capital is one preference share of RM1.

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2019.

MISC BERHAD

(Registration No. 196801000580 (8178-H))

Notes to the Unaudited Condensed Financial Statements

A1. CORPORATE INFORMATION

MISC Berhad is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad.

These unaudited condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 13 August 2020.

A2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the quarter ended 30 June 2020 have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. The results for this interim period are unaudited and should be read in conjunction with the Group's audited consolidated financial statements and the accompanying notes for the year ended 31 December 2019.

The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to understand the changes in the financial position and performance of the Group since the year ended 31 December 2019.

The audited consolidated financial statements of the Group for the year ended 31 December 2019 are available upon request from the Corporation's registered office located at Level 25, Menara Dayabumi, Jalan Sultan Hishamuddin, 50050 Kuala Lumpur.

The main functional currency of the Group is United States Dollar (“USD”) while these interim financial statements are presented in Ringgit Malaysia (“RM”).

A3. SIGNIFICANT ACCOUNTING POLICIES

The financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the annual consolidated financial statements for 31 December 2020 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2019 except as disclosed below:

As of 1 January 2020, the Group and the Corporation have adopted the following revised MFRSs and Amendments to MFRSs that have been issued by the MASB:

MFRS and amendments effective for annual periods beginning on or after 1 January 2020:

- Amendments to MFRS 3: Business Combinations (Definition of a Business)
- Amendments to MFRS 7: Financial Instruments: Disclosure (Interest Rate Benchmark Reform)
- Amendments to MFRS 9: Financial Instruments (Interest Rate Benchmark Reform)
- Amendment to MFRS 16: Leases (COVID-19-Related Rent Concessions)
- Amendments to MFRS 101: Presentation of Financial Statements (Definition of Material)
- Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)

The adoption of the above pronouncements has no material financial impact to the Group and the Corporation.

A4. CHANGES IN ESTIMATES

There were no material changes in estimates reported in the current financial period.

A5. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors issued an unqualified audit opinion on the financial statements for the year ended 31 December 2019.

A6. CHANGES IN COMPOSITION OF THE GROUP

(a) Pursuant to a Shareholders' Agreement entered into in September 2019 between Mitsubishi Corporation, Nippon Yusen Kabushiki Kaisha ("NYK") and Asia LNG Transport Dua Sdn. Bhd. ("ALT Dua"), a 51%-owned subsidiary of the Corporation, ALT Dua, had on 26 February 2020 completed the acquisition of shares in Diamond LNG Shipping 5 Pte. Ltd. ("DLS5"), a company incorporated in Singapore, from NYK. Subsequent thereto, DLS5 became a 50%-owned joint venture company of ALT Dua. The principal activity of DLS5 is owning and chartering of a LNG vessel.

(b) Malaysia Marine and Heavy Engineering Sdn. Bhd. ("MMHE"), a wholly-owned subsidiary of Malaysia Marine and Heavy Engineering Holdings Berhad, which in turn is a partly-owned subsidiary of the Corporation, had on 27 February 2020 incorporated a new subsidiary, MHS Integrated Engineering Sdn. Bhd. ("MHSI"), under the Malaysian Companies Act 2016 for the purpose of providing plant turnaround and shutdown maintenance.

(c) Pursuant to a Shareholders' Agreement entered into in September 2019 between Mitsubishi Corporation, Nippon Yusen Kabushiki Kaisha and Asia LNG Transport Dua Sdn. Bhd. ("ALT Dua"), a 51%-owned subsidiary of the Corporation, ALT Dua, had on 26 March 2020 completed the transfer of business from Diamond LNG Shipping 6 Ltd. ("DLS6 Bahamas"), a company incorporated in The Bahamas, to Diamond LNG Shipping 6 Pte. Ltd. ("DLS6 Singapore"), a company incorporated in Singapore. The business transfer is to align business ownership structure and optimise cost of operations. Subsequent thereto, DLS6 Singapore became a 50%-owned joint venture company of ALT Dua. The principal activity of DLS6 Singapore is owning and chartering of a LNG vessel. DLS6 Bahamas is to be dissolved thereafter.

(d) The Corporation had, on 2 April 2020, incorporated a new subsidiary, Magellan X Holdings (L) Pte Ltd ("Magellan X Holdings (L)"), under the Labuan Companies Act, 1990 for the purpose of investment holding. Magellan X Holdings (L) is a wholly-owned subsidiary of the Corporation.

(e) The Corporation had, on 30 April 2020, incorporated a new subsidiary, Eaglestar Shipmanagement GAS (S) Pte. Ltd. ("ESG"), under the Singapore Companies Act (Chapter 50) for the purpose of providing ship management and marine related services. ESG is a wholly-owned subsidiary of Eaglestar Marine Holdings (L) Pte. Ltd., a 50:50 jointly-owned subsidiary of the Corporation and AET Pte. Ltd.

(f) The Corporation had, on 30 April 2020, incorporated a new subsidiary, Eaglestar Shipmanagement Ventures (S) Pte. Ltd. ("ESV"), under the Singapore Companies Act (Chapter 50) for the purpose of providing ship management and marine related services. ESV is a wholly-owned subsidiary of Eaglestar Marine Holdings (L) Pte. Ltd., a 50:50 jointly-owned subsidiary of the Corporation and AET Pte. Ltd.

(g) The Corporation had, on 27 July 2020, incorporated a new subsidiary, AET DP Shuttle Pte. Ltd. ("AETDPS"), under the Singapore Companies Act (Chapter 50) for the purpose of owning, chartering and operating of vessels. AETDPS is a wholly-owned subsidiary of AET Singapore Holdings Pte. Ltd., an indirect wholly-owned subsidiary of the Corporation.

(h) The Corporation had, on 27 July 2020, incorporated a new subsidiary, AET DP Shuttle II Pte. Ltd. ("AETDPS II"), under the Singapore Companies Act (Chapter 50) for the purpose of owning, chartering and operating of vessels. AETDPS II is a wholly-owned subsidiary of AET Singapore Holdings Pte. Ltd., an indirect wholly-owned subsidiary of the Corporation.

(i) The Corporation had, on 27 July 2020, incorporated a new subsidiary, AET Shuttle Tankers III Pte. Ltd. ("AETST III"), under the Singapore Companies Act (Chapter 50) for the purpose of owning, chartering and operating of vessels. AETST III is a wholly-owned subsidiary of AET Singapore Holdings Pte. Ltd., an indirect wholly-owned subsidiary of the Corporation.

A7. SEGMENT REPORT

Segmental analysis for the current financial period is as follows:

	LNG	Petroleum	Offshore	Heavy Engineering	Others, eliminations and adjustments		Total
	RM million	RM million	RM million	RM million	RM million		RM million
Revenue							
External sales	1,387.9	2,317.6	428.9	492.3	73.4		4,700.1
Inter-segment	-	0.5	40.0	9.4	(49.9)		-
	1,387.9	**2,318.1**	**468.9**	**501.7**	**23.5**	*	**4,700.1**
Operating profit/(loss)	714.2	538.3	294.5	(94.6)	(84.4)	**	1,368.0

* Comprises inter-segment eliminations.

** Comprises net foreign exchange differences, interest income, dividend income from quoted investments, eliminations and adjustments.

A8. SEASONALITY OF OPERATIONS

The businesses of the Group are subject to market fluctuations.

A9. PROFIT FOR THE PERIOD

Included in the profit for the period are the following items:

	Quarter Ended 30 June		Cumulative 6 Months Ended 30 June	
	2020	**2019**	**2020**	**2019**
	RM million	**RM million**	**RM million**	**RM million**
Finance income	17.8	41.7	63.5	84.1
Other income	21.8	16.3	44.8	50.0
Finance costs	(100.5)	(115.6)	(196.3)	(249.8)
Depreciation of ships, offshore floating assets, other property, plant and equipment and right-of-use assets	(532.1)	(543.7)	(1,054.3)	(1,082.0)
Amortisation of prepaid lease payments	(1.8)	(1.8)	(3.7)	(3.6)
Amortisation of intangibles	(1.4)	(1.4)	(2.9)	(3.4)
Write off of ships, property, plant and equipment	(0.1)	(2.5)	(0.1)	(2.5)
Gain on acquisition of a business	-	-	-	23.7
Gain on disposal of ships	21.6	-	21.6	17.5
Impairment loss on ships, offshore floating asset, other property, plant and equipment and right-of-use assets	(306.0)	(51.1)	(306.0)	(51.1)
Impairment loss on receivables	(24.0)	(2.6)	(26.9)	(13.4)
Bad debts written back	0.9	0.9	-	0.9
Write off of trade receivables and loss on re-measurement of finance lease receivables	-	-	(935.2)	-
Provision for litigation claims	-	-	(1,049.2)	-
Fair value gain/(loss) in other investment	3.6	1.3	(2.5)	4.3
(Write off)/Writeback of impairment loss on finance lease receivables	(2.0)	0.5	7.3	2.3
Net realised foreign exchange loss	(8.8)	(4.3)	(7.8)	(5.7)
Net unrealised foreign exchange (loss)/gain	(25.2)	3.5	19.5	3.6

A10. SHIPS, OFFSHORE FLOATING ASSETS, OTHER PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

Included in ships, offshore floating assets and property, plant and equipment and right-of-use assets are construction work-in-progress, mainly for the construction of ships totalling RM3,127.0 million (31 December 2019: RM2,903.1 million) and right-of-use assets amounting to RM337.2 million (31 December 2019: RM461.0 million).

A11. INTANGIBLE ASSETS

	Goodwill	Other Intangible Assets	Total
	RM million	RM million	RM million
Cost			
At 1 January 2019	**991.9**	**212.7**	**1,204.6**
Currency translation differences	(9.8)	-	(9.8)
At 31 December 2019	**982.1**	**212.7**	**1,194.8**
Currency translation differences	40.5	-	40.5
At 30 June 2020	**1,022.6**	**212.7**	**1,235.3**
Accumulated amortisation and impairment			
At 1 January 2019	**162.5**	**185.2**	**347.7**
Amortisation	-	6.4	6.4
At 31 December 2019	**162.5**	**191.6**	**354.1**
Amortisation	-	2.9	2.9
At 30 June 2020	**162.5**	**194.5**	**357.0**
Net carrying amount			
At 1 January 2019	**829.4**	**27.5**	**856.9**
At 31 December 2019	**819.6**	**21.1**	**840.7**
At 30 June 2020	**860.1**	**18.2**	**878.3**

Goodwill is tested for impairment annually (31 December), or when circumstances indicate that the carrying value may be impaired. The Group's goodwill impairment test is a comparison of the goodwill's carrying value against its recoverable amount. The recoverable amounts are based on value-in-use for cash generating units ("CGU"), calculated using cash flow projections. The key assumptions used to determine the value-in-use of CGUs are disclosed in the annual consolidated financial statements for the year ended 31 December 2019.

A12. INVENTORIES

The Group did not recognise any write-down of inventories and reversal of inventories during the quarter ended 30 June 2020.

A13. CASH, DEPOSITS AND BANK BALANCES

Breakdown of cash, deposits and bank balances is as follows:

	30 June 2020	31 December 2019
	RM million	RM million
Cash with PETRONAS Integrated Financial Shared Service Centre *	5,341.7	4,355.5
Cash and bank balances	1,614.2	1,113.4
Deposits with licensed banks	1,468.0	1,561.9
Total cash, deposits and bank balances	**8,423.9**	**7,030.8**

* To allow for more efficient cash management by the Group, the Corporation's and a few subsidiaries in the Group's cash and bank balances have, since 1 July 2013, been held in the In-House Account ("IHA") managed by PETRONAS Integrated Financial Shared Service Centre ("IFSSC").

Included in cash and bank balances is the retention account of RM1,549.3 million (31 December 2019: RM1,289.7 million) which is restricted for use because it is pledged to the bank for the purpose of loan covenants.

A14. FAIR VALUE HIERARCHY

The Group uses the following hierarchy to determine the fair value of all financial instruments carried at fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets and liabilities
Level 2 - Inputs that are based on observable market data, either directly or indirectly
Level 3 - Inputs that are not based on observable market data

As at the reporting date, the Group held the following financial assets and liabilities that are measured at fair value:

	Level 1	Level 2	Level 3	Total
	RM million	RM million	RM million	RM million
At 30 June 2020				
Financial Assets				
Quoted investments	44.6	-	-	44.6
Unquoted investments	-	-	53.2	53.2
Forward exchange contracts	-	2.4	-	2.4
	44.6	**2.4**	**53.2**	**100.2**
Financial Liabilities				
Interest rate swaps designated as hedging instruments	-	(671.3)	-	(671.3)
	-	**(671.3)**	**-**	**(671.3)**

	Level 1	Level 2	Level 3	Total
	RM million	RM million	RM million	RM million
At 31 December 2019				
Financial Assets				
Quoted investments	47.3	-	-	47.3
Unquoted investments	-	-	65.1	65.1
	47.3	**-**	**65.1**	**112.4**
Financial Liabilities				
Forward exchange contracts	-	(1.6)	-	(1.6)
Interest rate swaps designated as hedging instruments	-	(158.4)	-	(158.4)
	-	**(160.0)**	**-**	**(160.0)**

No transfers between any levels of the fair value hierarchy took place during the current period and the comparative period. There were also no changes in the purpose of any financial instruments that subsequently caused a change in classification of those instruments.

A15. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuance or repayment of debt and equity securities made by the Group during the quarter ended 30 June 2020.

A16. INTEREST BEARING LOANS AND BORROWINGS

i) The tenure of Group borrowings, classified as short and long term as well as secured and unsecured, are as follows:

	30 June 2020 RM million	31 December 2019 RM million
Short Term Borrowings		
Secured	2,343.9	4,530.3
Unsecured	711.3	755.1
Lease liabilities	246.1	314.1
	3,301.3	5,599.5
Long Term Borrowings		
Secured	10,430.5	7,228.7
Lease liabilities	244.9	324.0
	10,675.4	7,552.7
Total	**13,976.7**	**13,152.2**

ii) Foreign borrowings in United States Dollar equivalent as at 30 June 2020 is as follows:

	RM million
United States Dollar Borrowings	13,675.5

A17. DIVIDENDS PAID

The Corporation paid the following dividends in the period ended 30 June 2020 and 31 December 2019:

	30 June 2020		31 December 2019	
	Sen/Share	RM million	Sen/Share	RM million
First tax exempt dividend in respect of:				
- Financial year ending 31 December 2020 on 9 June 2020	7.0	312.5	-	-
- Financial year ending 31 December 2019 on 25 June 2019	-	-	7.0	312.5
Special tax exempt dividend in respect of:				
- Financial year ended 31 December 2019 on 17 March 2020	3.0	133.9	-	-
Fourth tax exempt dividend in respect of:				
- Financial year ended 31 December 2019 on 17 March 2020	9.0	401.7	-	-
- Financial year ended 31 December 2018 on 26 March 2019	-	-	9.0	401.7
Third tax exempt dividend in respect of:				
- Financial year ended 31 December 2019 on 10 December 2019	-	-	7.0	312.5
Second tax exempt dividend in respect of:				
- Financial year ended 31 December 2019 on 18 September 2019	-	-	7.0	312.5

A18. CAPITAL COMMITMENTS

	30 June 2020 RM million	31 December 2019 RM million
Approved and contracted for:		
Group	4,946.2	4,112.7
Share of capital commitments		
of a joint venture	89.2	115.8
	5,035.4	4,228.5

A19. CONTINGENT LIABILITIES

Contingent liabilities of the Group as at 30 June 2020 comprise the following:

	RM million
Performance bonds on contract and bank guarantees	
extended to third parties	412.3

A20. SUBSEQUENT MATERIAL EVENT

On 15 July 2020, MISC has entered into Memorandum of Agreements ("MOAs") with six indirect wholly-owned subsidiaries of Zhejiang Satellite Petrochemical Co. Ltd. ("STL") for the purchase of six newbuild 98,000 cubic meters Very Large Ethane Carriers ("VLECs"). Concurrently, MISC, through its vessel-owning entity, Portovenere and Lerici (Singapore) Pte. Ltd. ("PLS") has entered into Time Charter Parties ("TCPs") with STL for the time charter of the six VLECs for operations in international waters.

The VLECs will be purchased by MISC for approximately USD726 million and chartered to STL through PLS for a firm period of 15 years. The charters for the VLECs are expected to commence in the fourth quarter of 2020. Samsung Heavy Industries Co., Ltd. and Hyundai Heavy Industries Co., Ltd., both shipyards in Korea, are constructing three vessels each.

B1. REVIEW OF GROUP PERFORMANCE

	Quarter Ended 30 June 2020 RM million	Quarter Ended 30 June 2019 RM million	Cumulative 6 Months Ended 30 June 2020 RM million	Cumulative 6 Months Ended 30 June 2019 RM million
Revenue				
LNG	692.0	657.9	1,387.9	1,283.3
Petroleum	1,090.1	992.5	2,318.1	2,166.2
Offshore	230.8	258.8	468.9	528.7
Heavy Engineering	155.2	277.0	501.7	479.8
Others, Eliminations and Adjustments	18.2	(24.5)	23.5	(18.6)
Total Revenue	**2,186.3**	**2,161.7**	**4,700.1**	**4,439.4**
Operating Profit/(Loss)				
LNG	352.5	318.9	714.2	643.1
Petroleum	201.8	33.1	538.3	168.0
Offshore	134.3	139.6	294.5	281.9
Heavy Engineering	(100.2)	(8.6)	(94.6)	(37.7)
Others, Eliminations and Adjustments	(65.5)	1.3	(84.4)	20.9
Total Operating Profit	**522.9**	**484.3**	**1,368.0**	**1,076.2**
Impairment loss on ships, offshore floating asset, other property, plant and equipment and right-of-use assets	(306.0)	(51.1)	(306.0)	(51.1)
Gain on acquisition of a business	-	-	-	23.7
Gain on disposal of ships	21.6	-	21.6	17.5
Write off of trade receivables and loss on re-measurement of finance lease receivables	-	-	(935.2)	-
Provision for litigation claims	-	-	(1,049.2)	-
Finance costs	(100.5)	(115.6)	(196.3)	(249.8)
Share of profit of joint ventures	48.0	101.5	137.7	144.6
Profit/(Loss) Before Tax	**186.0**	**419.1**	**(959.4)**	**961.1**

<u>Current quarter's performance against the quarter ended 30 June 2020</u>

Group revenue of RM2,186.3 million was 1.1% higher than the quarter ended 30 June 2019 ("corresponding quarter") revenue of RM2,161.7 million, while Group operating profit of RM522.9 million was RM38.6 million higher than the corresponding quarter's profit of RM484.3 million. The variances in Group performance by segments are further explained below.

<u>LNG</u>

Revenue of RM692.0 million was RM34.1 million or 5.2% higher than the corresponding quarter's revenue of RM657.9 million, mainly from higher earning days following no dry-docking activities in the current quarter.

Operating profit of RM352.5 million was RM33.6 million or 10.5% higher than the corresponding quarter's profit of RM318.9 million, mainly from higher revenue as explained above.

Petroleum
Revenue of RM1,090.1 million was RM97.6 million or 9.8% higher than the corresponding quarter’s revenue of RM992.5 million resulting from higher freight rates in the current quarter.

Operating profit of RM201.8 million was RM168.7 million higher than corresponding quarter’s profit of RM33.1 million, mainly from higher margin on freight rates in the current quarter.

Offshore
Revenue of RM230.8 million was RM28.0 million or 10.8% lower than the corresponding quarter’s revenue of RM258.8 million mainly due to impact of reducing finance lease income coupled with expiry of a Floating, Storage and Offloading (“FSO”) contract in December 2019.

The abovementioned lower revenue has caused the decrease in Offshore operating profit by RM5.3 million.

Heavy Engineering
Revenue of RM155.2 million was RM121.8 million or 44.0% lower than the corresponding quarter’s revenue of RM277.0 million mainly due to lower revenue from on-going heavy engineering projects and lower number of secured vessels in the Marine segment due to the yard shutdown during the Movement Control Order (“MCO”) period coupled with pandemic global lockdown measures; restricting the docking of international clients' vessels into the yard.

Heavy Engineering segment reported an operating loss of RM100.2 million compared to RM8.6 million loss in the corresponding quarter mainly due to lower revenue, additional cost provision and related higher unabsorbed overheads arising from the COVID-19 pandemic recognised in the current quarter.

Others, Eliminations and Adjustments
Other segment recorded an operating loss of RM65.5 million as compared to corresponding quarter’s profit of RM1.3 million, mainly due to lower interest income, net foreign exchange loss and unallocated corporate expenses.

The Group also recorded higher impairment loss on ships, offshore floating asset, other property, plant and equipment and right-of-use assets of RM306.0 million in the current quarter compared to RM51.1 million in the corresponding quarter. The impairment loss in the current quarter was recorded after the Group completed its assessment on the impact of COVID-19 pandemic and depressed oil price environment to the Heavy Engineering business where most oil and gas companies are expected to postpone their upstream projects and reduce their capital spend.

Current 6 months period performance against the 6 months period ended 30 June 2019

Group revenue of RM4,700.1 million was RM260.7 million or 5.9% higher than RM4,439.4 million revenue for the 6-month period ended 30 June 2019 (“corresponding period”). Group operating profit of RM1,368.0 million was RM291.8 million higher than the corresponding period's profit of RM1,076.2 million. The variances in Group performance by segments are further explained below.

LNG
LNG revenue of RM1,387.9 million was RM104.6 million or 8.2% higher than the corresponding period’s revenue of RM1,283.3 million, mainly from higher earning days following no dry-docking being performed in the first half of the year.

LNG operating profit of RM714.2 million was RM71.1 million or 11.1% higher than the corresponding period’s profit of RM643.1 million, mainly from higher revenue as explained above.

Petroleum
Petroleum revenue of RM2,318.1 million was 7.0% higher than the corresponding period’s revenue of RM2,166.2 million, mainly from higher freight rates.

Petroleum segment recorded an operating profit of RM538.3 million compared to corresponding period’s profit of RM168.0 million, mainly from higher margin on freight rates in the current period.

Offshore
Revenue of RM468.9 million was 11.3% lower than the corresponding period’s revenue of RM528.7 million mainly due to impact of reducing finance lease income coupled with expiry of a Floating, Storage and Offloading (“FSO”) contract in December 2019.

Operating profit of RM294.5 million was RM12.6 million higher than the corresponding period's profit of RM281.9 million mainly from a one time reimbursement of cost on engineering works as well as from lower depreciation following impairments made in previous year.

Heavy Engineering
Heavy Engineering revenue of RM501.7 million was 4.6% higher than the corresponding period's revenue of RM479.8 million mainly from higher revenue in heavy engineering on-going projects.

Heavy Engineering posted an operating loss of RM94.6 million, compared to operating loss of RM37.7 million in the corresponding period mainly due to additional cost provision and associated higher unabsorbed overheads arising from the COVID-19 pandemic.

Others, Eliminations and Adjustments
Other segment's posted an operating loss for the period of RM84.4 million as compared to corresponding period's profit of RM20.9 million mainly due to lower interest income, net foreign exchange loss and unallocated corporate expenses.

The Group also recorded higher impairment loss on ships, offshore floating asset, other property, plant and equipment and right-of-use assets of RM306.0 million in the current period compared to RM51.1 million in the corresponding period. The impairment loss in the current period was recorded after the Group completed its assessment on the impact of COVID-19 pandemic and depressed oil price environment to the Heavy Engineering business where most oil and gas companies are expected to postpone their upstream projects and reduce their capital spend. Additionally, provision for litigation claims amounting to RM1,049.2 million and write off of trade receivables and loss on re-measurement of finance lease receivables of RM935.2 million was recognised in the current period following the decision by the Arbitration Tribunal on the Group's arbitration proceeding against Sabah Shell Petroleum Limited ("SSPC").

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

GROUP	Quarter Ended 30 June 2020 RM million	Quarter Ended 31 March 2020 RM million
Revenue	**2,186.3**	**2,513.8**
Operating Profit	**522.9**	**845.1**
Impairment loss on a ship, other property, plant and equipment and right-of-use assets	(306.0)	-
Gain on disposal of a ship	21.6	-
Write off of trade receivables and loss on re-measurement of finance lease receivables	-	(935.2)
Provision for litigation claims	-	(1,049.2)
Finance costs	(100.5)	(95.8)
Share of profit of joint ventures	48.0	89.7
Profit/(Loss) Before Tax	**186.0**	**(1,145.4)**

Group revenue of RM2,186.3 million was RM327.5 million or 13.0% lower than the preceding quarter's revenue of RM2,513.8 million, mainly due to lower revenue from Heavy Engineering segment as a result of the yard suspension during MCO and border restrictions affecting Marine business, as well as due to lower freight rates achieved in Petroleum segment.

Group operating profit of RM522.9 million was RM322.2 million or 38.1% lower than the preceding quarter's profit of RM845.1 million, mainly due to lower revenue as explained above, lower margins on freight rates in the Petroleum segment, and associated cost impact from COVID-19 recognised in Heavy Engineering segment.

B3. GROUP CURRENT YEAR PROSPECTS

In the Petroleum tanker market, after the huge spike in spot rates during March-April 2020 when there was a sudden increase in oil supply due to the oil price war, rates have since plunged due to lower tonnage demand on the back of weak oil demand and OPEC-led production cuts as well as US shale output shut-ins. With the global economy expected to take some time to recover to pre-pandemic levels and with a large oil inventory overhang yet to be cleared, freight rates will likely remain under pressure for the remainder of the year. Nevertheless, the Petroleum shipping segment will continue to focus on building secured income through the expansion of its niche shuttle tanker business and rejuvenation of its VLCC fleet with eco-friendly LNG dual fuel systems to mitigate any weaknesses in the spot market.

LNG spot charter rates remain soft as COVID-19 continues to dampen LNG demand resulting in cargo cancellations and output cuts by producers. This is expected to persist in the coming quarter as the market enters the seasonal low-demand period. Nevertheless, this will have limited impact on the steady performance of the Group's LNG business segment as the majority of its vessels are under long-term charters. The six (6) new VLECs which are expected to commence their long-term charters from the fourth quarter of 2020 onwards will provide further growth in secured income.

While the Offshore business segment's existing long-term contracts continues to support its stable financial performance, the growth prospects for the Offshore business segment remains very challenging with the prolonged weakness in oil price. The cutback in capital spending by major oil companies continues to weigh heavily on the number of new opportunities to be tapped as it has resulted in projects and contract awards being deferred or cancelled in the near term. However, over the longer term, the Offshore business segment will remain a growth segment for the Group as it continues to source for offshore investment opportunities particularly for projects in the Atlantic Basin.

For the Heavy Engineering segment, whilst yard operations have resumed since April 2020, its operational activities are still constrained to the "new normal" and restrictions imposed to ensure the COVID-19 pandemic is kept under control. The segment's Marine business would be further affected by the slump in LNG demand and steeper competition from China and Singapore vying for the limited number of jobs available in the market. Given the prolonged oil market recovery outlook, the segment remains cautious on the prospect of securing new orders for the remainder of the year. Notwithstanding, the segment continues to focus on cost management to optimise operating costs and is also prioritising execution and safe delivery of ongoing projects. Additionally, the segment continues to intensify the pursuit of business opportunities in other areas to replenish its order book.

B4. VARIANCE OF ACTUAL RESULTS COMPARED WITH FORECAST AND SHORTFALL IN PROFIT GUARANTEE

The Corporation did not provide any profit forecast or profit guarantee in any public document.

B5. TAXATION

	Quarter Ended 30 June 2020 RM million	Cumulative 6 Months Ended 30 June 2020 RM million
Taxation for the period comprises the following charge:		
Income tax charge		
- current period	(10.4)	(27.8)
- prior year	(13.4)	(3.5)
Deferred taxation	2.1	4.0
	(21.7)	(27.3)

The tax legislation under Section 54A of the Income Tax Act, 1967 was amended effective from Year of Assessment ("YA") 2012, in which the tax exemption on shipping profits was reduced from 100% to 70%. The implementation of the amended Section 54A, however, was deferred until after YA2020 and on 10 July 2020, the Ministry of Finance ("MoF") issued an approval letter for the extension of the 100% shipping tax exemption up to YA2023 subject to the following two conditions to be implemented by the Ministry of Transport ("MoT"):

a) Each Malaysian shipowner to comply with the minimum requirements in terms of annual operating expenditure and number of full-time employees. MoT has been requested to establish the framework for each category of vessels; and

b) MoT to develop a framework and implement the imposition of annual tonnage fee to Malaysian shipowners by 1 January 2022.

Failure to adhere to the above conditions will result in the 100% tax exemption being withdrawn from YA2022 onwards.

The taxation charge in the accounts is attributable to tax in respect of other activities of the Group.

B6. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

There were no outstanding corporate proposals submitted by the Group for the quarter ended 30 June 2020.

B7. CHANGES IN MATERIAL LITIGATION

i) Gumusut-Kakap Semi-Floating Production System (L) Limited ("GKL") and Sabah Shell Petroleum Limited ("SSPC")

We refer to previous announcements made by MISC Berhad ("MISC or the Company") in respect of the Arbitration Proceedings commenced by the Company's wholly-owned subsidiary, Gumusut-Kakap Semi-Floating Production System (L) Limited ("GKL") against Sabah Shell Petroleum Company Limited ("SSPC").

As announced on 10 April 2020, the Arbitral Tribunal has issued its Award on 8 April 2020 ("Award") which found, among others, as follows:

(1) That GKL's claim in relation to the achievement of Handover Completion under the Contract was rejected and the Arbitral Tribunal decided that Handover Completion did not occur prior to 11 October 2014;

(2) In relation to GKL's claims for Variation Works, GKL was awarded:

a. USD222,132,575.60;
b. That an amount of USD88,791,006.17 is deducted from USD222,132,575.60 being manpower costs incurred by way of the Variation Works for rectification of defects (which the Tribunal held GKL to be liable for);
c. That the remainder sum of USD133,341,569.49 is converted to an Additional Lease Rate and represents a reduction from the Additional Lease Rate awarded by the Adjudication Awards. The new Additional Lease Rate is payable from the date of the Award. The base rate is unaffected by the Award and will continue for the Fixed Term.

(3) SSPC was awarded the following sums:

a. USD236,378,824.46 for defects rectification work (inclusive of USD15,000,000.00 for Liquidated Damages);
b. USD88,317,146.13 as a refund for overpayment of the Additional Lease Rate originally awarded in the Adjudication Proceedings for the period of April 2014 to January 2020 due to the reduction of the Additional Lease Rate as set out in Item 2(c) above;
c. Applicable interest up to the date of the Award;
d. Costs of USD12,746,570.70;
e. Interest at 6.65% on the sums awarded in the Award from the date of the Award until payment.

(4) SSPC is entitled to set-off the above claims against moneys owed by SSPC to GKL under the Contract, including but not limited to the lease rate.

(5) Any GST payable pursuant to the Goods and Services Tax Act 2014 to be accounted by the parties.

GKL is advised that it has legal grounds to challenge the Award and on 7 July 2020, GKL has filed the following court applications:

(i) an Originating Summons dated 7 July 2020 for setting aside of parts of the Arbitral Award dated 8 April 2020 ("**Setting Aside OS**"); and

(ii) a Notice of Application for an injunction to restrain SSPC from setting off the sums that GKL was ordered to pay to SSPC under the Arbitral Award dated 8 April 2020 ("**Injunction NOA**").

Setting Aside OS

In the Setting Aside OS, GKL has claimed for, among others, that parts of the Arbitral Award dated 8 April 2020 ("the Award") be set aside under several grounds of challenge under Section 37 of the Arbitration Act 2005.

In support of the Setting Aside OS, GKL has claimed that parts of the Award, which involve a considerable sum of USD330,169,830.68 (not inclusive of interests and costs) are susceptible to challenge on amongst others, the following grounds:

a. That the Arbitral Tribunal acted in excess of its jurisdiction;
b. That there was a breach of the rules of Natural Justice in the course of the arbitration; and
c. That parts of the Award breach the public policy of Malaysia.

Injunction NOA

Together with the Setting Aside OS, GKL also filed the Injunction NOA where GKL seeks, among others, the following:

a. An interlocutory injunction pending the disposal of the Setting Aside OS to restrain SSPC from setting off the sums that GKL was ordered to pay to SSPC under the Award against the monies owed to GKL by SSPC under the Semi-FPS Lease Agreement dated 9.11.2012, including but not limited to the Semi-FPS Day Rate; and

b. An ad interim injunction pending the disposal of the Injunction NOA to restrain SSPC from setting off the sums that GKL was ordered to pay to SSPC under the Award against the monies owed to GKL by SSPC under the Semi-FPS Lease Agreement dated 9.11.2012, including but not limited to the Semi-FPS Day Rate.

GKL believes it is entitled to the prayers sought in the Injunction NOA based on, among others, the following grounds:

i. That there are serious issues to be tried in the Setting Aside OS in relation to substantial parts of the Award;
ii. That the Award is for a considerable sum, of which USD330,169,830.68 million is being challenged on principle and quantum under the Setting Aside OS;
iii. That the Semi-FPS has been leased to SSPC for 25 years and SSPC has exclusive possession of the Semi-FPS and is currently engaged in the profitable production of oil;
iv. SSPC is bound by the Contract to pay a daily lease rate of USD600,000 per day;
v. SSPC has ceased to pay the daily lease rate whilst still continuing to enjoy exclusive possession of the Semi-FPS and engaging in a profitable production of oil;
vi. The Arbitral Tribunal had no jurisdiction to bypass the provisions of the Arbitration Act 2005 with regard to the statutory method of enforcement and recovery under an arbitral award;
vii. The Arbitral Tribunal had erred in jurisdiction and acted contrary to the terms of the Contract in providing for the set off; and
viii. Damages remain an available remedy for SSPC.

At the case management for the Setting Aside OS and Injunction NOA on 22 July 2020, the court provided dates for parties to exchange affidavits and subsequently written submissions. The hearing for the Injunction NOA is scheduled on 6 October 2020. The case management for the Setting Aside OS has been scheduled on 9 October 2020 for parties to update the court and to set a hearing date.

SSPC's ex-parte application for enforcement of the Award

In addition, GKL was made aware that SSPC had filed for an *ex-parte* application for recognition and enforcement of the Award.

Hearing for the ex-parte application took place on 7 July 2020 and SSPC was granted an ex-parte order in terms of their Originating Summons for the recognition and enforcement of the Award ("ex-parte Order"). On 13 July 2020, GKL was served with the sealed ex-parte Order.

GKL has filed its application to set aside the ex-parte Order on 27 July 2020 and a case management date for this application has been scheduled on 12 August 2020. The Award shall not be enforced until this application to set aside has been finally disposed of.

Further announcements on any material developments on the Legal Proceedings will be made in due course.

ii) <u>Malaysia Offshore Mobile Production (Labuan) Ltd ("MOMPL") and PCPP Operating Company Sdn Bhd ("PCPP")</u>

Malaysia Offshore Mobile Production (Labuan) Ltd ("MOMPL"), MISC Berhad's wholly owned subsidiary, and PCPP Operating Company Sdn Bhd ("PCPP") are parties to an Agreement for the Leasing, Operation and Maintenance of Two (2) Plain Mobile Offshore Production Unit Facilities for D30 and Dana Fields Development Project dated 28 November 2008 ("the Contract").

PCPP is a joint operating company with shareholders comprising PETRONAS Carigali Sdn Bhd (40%) ("PCSB"), PT Pertamina Hulu Energi (30%) ("PPHE") and PetroVietnam Exploration Production Corporation Ltd (30%) ("PVEP").

A dispute has arisen between the parties in relation to the Contract and there are substantial sums due and owing to MOMPL. Attempts to resolve the matter by means of a commercial settlement agreement failed to materialise and MOMPL was constrained to proceed with legal proceedings against PCPP to seek to recover the sums outstanding to MOMPL for the lease rates, payment for completed variation works, early termination fees, reimbursement of demobilisation costs and associated costs under the Contract totalling to approximately USD99,784,000 and service rates totalling approximately RM22,618,000. In this respect, the following actions have been filed:

<u>Arbitration</u>

1. The first arbitration proceedings seek to claim for part of the outstanding sums amounting to approximately USD18,829,000 and RM17,944,000. MOMPL's Statement of Claim was filed on 21 December 2016. MOMPL continues to pursue and progress the arbitration proceedings.

2. MOMPL has re-filed the Notice of Arbitration for the second arbitration proceedings for part of the outstanding sums amounting to approximately USD80,954,000.00 and RM4,674,000.00. PCPP has responded to the Notice of Arbitration on 15 July 2020.

<u>Adjudication</u>

3. Adjudication proceedings under the Construction Industry Payment and Adjudication Act 2012 ("CIPAA") was first commenced to recover MOMPL's claim for the completed variation works amounting to approximately USD9,949,000.00. On 9 January 2019, MOMPL was awarded its entire claim of USD9,949,734.00 plus interest and costs.

4. The second adjudication proceedings under CIPAA was commenced to recover the disputed demobilisation costs amounting to approximately USD4,796,000. On 7 October 2019, MOMPL received the second Adjudication decision dated 26 July 2019 where MOMPL was awarded its entire claim of USD4,752,239.11 plus interest and costs.

5. The Federal Court ("FC") had on 16 October 2019 made a ruling that the CIPAA, which provides the basis upon which the Adjudication Proceedings were commenced, only applies prospectively to construction contracts entered into after the date CIPAA became effective i.e. 15 April 2014. The MOMPL lease agreement is dated 28 November 2008 and as such, falls outside the purview of CIPAA.

6. In view of the FC decision, MOMPL has stayed its hand on moving for the enforcement of the Adjudication decisions and will focus on the Arbitration Proceedings in order to recover the monies owing by PCPP.

7. As far as MOMPL is aware, there is no pending application to set aside the said Adjudication decisions.

Proceedings in Court

8. An Originating Summons in the High Court was filed on 7 August 2018 to recover the undisputed portion of the early termination fees and demobilisation costs amounting to approximately USD42,307,000. The High Court had, on 30 May 2019, allowed PCPP's application to stay the Originating Summons pending the disposal of the arbitration proceedings. MOMPL has filed an appeal to the Court of Appeal against this decision.

9. A writ action in the High Court was also filed on 13 August 2018 against PCSB, PPHE and PVEP (being the shareholders of PCPP) seeking for a declaration that the shareholders be liable for the amounts due and owing by PCPP to MOMPL under the Contract. PCSB and PCPP filed applications in the High Court to strike out and stay the proceedings pending the disposal of the arbitration proceedings which were allowed on 26 October 2018 and 11 December 2018 respectively. MOMPL appealed against both decisions to the Court of Appeal.

   MOMPL's appeal against PCSB's striking out application was dismissed by the Court of Appeal on 26 September 2019. MOMPL has filed leave to appeal against the Court of Appeal's decision to uphold the High Court's decision to strike out the proceedings against PCSB to the Federal Court. The leave application hearing is fixed on 18 August 2020.

   The appeal against PCPP's stay application was heard on 19 June 2020. The Court of Appeal has set aside the stay against the shareholders i.e. PCSB, PERTAMINA and PETROVIETNAM, whilst the stay against PCPP is affirmed. Pursuant to this decision, MOMPL has proceeded to serve the cause papers out of jurisdiction on PERTAMINA and PETROVIETNAM.

(collectively referred to as the "Legal Proceedings")

If successful, the Legal Proceedings are expected to contribute positively to the earnings per share, gearing and net assets per share of MISC in the future.

iii) Malaysia Marine and Heavy Engineering Sdn Bhd ("MMHE") and E.A. Technique (M) Berhad ("EAT")

MMHE, a wholly owned subsidiary of the Company, and EAT are parties to a contract entered in June 2015 for the Provision of Demolition, Refurbishment and Conversion of Donor Vessel into a Floating, Storage and Offloading Facility for Full Development Project, North Malay Basin (hereinafter referred to as the "Contract").

Disputes and differences have arisen between parties, amongst others, in relation to MMHE's entitlement to payment for additional works completed under the Contract pursuant to the Additional Work Orders ("AWOs"), as well as in relation to a Letter of Undertaking dated 22 June 2018 ("LOU").

A Notice of Arbitration was filed by EAT on 27 September 2018 claiming for the sum of USD21,656,198 being (a) alleged over payment; (b) refund of sums paid by EAT to MMHE under the LOU; (c) certain costs incurred under the Contract as well as (d) a declaration that MMHE is not entitled to payment for the AWOs.

MMHE disputed EAT's claims and counter claims, amongst others, for the sum of USD49,095,096 being payment for the AWOs, prolongation costs and additional costs incurred due to variations to the original scope of work.

The evidential hearing for the Arbitration was concluded on 6 November 2019. Following the aforesaid, parties were directed to, and have complied with, the filing of written legal submissions whereby the latest written submissions were filed on 2 March 2020. The Arbitral Tribunal has requested that an oral clarification be fixed and this clarification, initially fixed on 31 March 2020, was re-scheduled to, and took place on 16 June 2020 in view of the extended MCO, as announced by the Government. Thereafter, the Tribunal declared the close of proceedings on 10 July 2020.

The Group has and will continue to rigorously defend the claims made by EAT and pursue its counterclaims in the course of the said oral clarification as well as in any other clarifications that the Tribunal may seek.

In parallel to the Arbitration, MMHE also referred part of its claim in the Arbitration to Adjudication proceedings pursuant to the Construction Industry Payment and Adjudication Act 2012 ("CIPAA"). The First Adjudication proceeding was in relation to MMHE's claim for the sum of USD30,211,301 for additional works performed by MMHE pursuant to the Contract in the form of the AWOs. In particular, MMHE seeks payment for invoices raised in Batch 1-34, 36 and 37 in respect of the AWOs, in which MMHE was successful via an Adjudication Decision dated 27 May 2019

(“1st Adjudication Decision). In the 1st Adjudication Decision, the Adjudicator awarded MMHE, amongst others, the sum of USD21,520,006.

EAT has applied to set aside and/or stay the 1st Adjudication Decision in the High Court of Malaya at Kuala Lumpur (“1st Setting Aside and/or Stay Application”). In turn, MMHE applied to register and enforce the Adjudication Decision (“1st Enforcement Application”). The High Court, on 1 June 2020, dismissed EAT’s 1st Setting Aside and/or Stay Application and allowed MMHE’s 1st Enforcement Application with costs payable by EAT to MMHE. The 1st Stay Application was part-heard on 13 July 2020. The Hearing is scheduled to continue on 24 August 2020. In the meantime, the High Court Judge has given certain directions relating to further affidavits to the Parties.

On 2 July 2020, EAT served on MMHE sealed Notices of Appeal to the Court of Appeal dated 26 June 2020, seeking to appeal against the High Court’s decision in dismissing the 1st Setting Aside Application and allowed MMHE’s 1st Enforcement Application.

The Second Adjudication proceeding was in relation to MMHE’s claim for the sum of USD6,096,791.91, also for additional works performed by MMHE pursuant to the Contract in the form of AWOs. In particular, MMHE seeks payment for the invoices raised in Batch 38 as well as for a set of works known to Parties as Tank Treatment works. MMHE was successful in this Claim via an Adjudication decision dated 2 December 2019 (“2nd Adjudication Decision”). In the 2nd Adjudication Decision, the Adjudicator awarded MMHE, amongst others, the full claim sum.

MMHE has filed an application on 9 December 2019 to enforce the 2nd Adjudication Decision in the High Court of Malaya at Johor Bahru (“2nd Enforcement Application”) whereas EAT has filed an application on 31 December 2019 to set aside and/or stay the 2nd Adjudication Decision (“2nd Setting Aside and/or Stay Application”) in the High Court of Malaya at Kuala Lumpur. Affidavits have been exhausted in respect of the Enforcement Application and 2nd Setting Aside and/or Stay Application.

In relation to the 2nd Enforcement Application, hearing is fixed on 23 July 2020.

In relation to the 2nd Setting Aside and/or Stay Application, on 25 February 2020, EAT filed an application to consolidate the 1st Setting Aside and/or Stay Application with that of the 2nd Setting Aside and/or Stay Application or, in the alternative, transfer the 2nd Setting Aside and/or Stay Application from Kuala Lumpur Construction No. 2 to Kuala Lumpur Construction Court No. 1 (“1st Transfer Application”). MMHE has objected to this Application.

On or about 10 June 2020, EAT subsequently informed Kuala Lumpur Construction Court No. 2 that it intends to withdraw the 1st Transfer Application and will instead seek to transfer the 2nd Setting Aside and/or Stay Application from Kuala Lumpur Construction Court No. 2 to the High Court of Johor Bahru in order for it to be heard together with the 2nd Enforcement Application (“2nd Transfer Application”). MMHE is opposing the 2nd Transfer Application as it will delay the disposal of the 2nd Enforcement Application. Parties are currently exchanging affidavits in relation to the 2nd Transfer Application and a case management has been fixed on 5 August 2020.

iv) <u>Malaysia Marine and Heavy Engineering Sdn Bhd (“MMHE”) and Kebabangan Petroleum Operating Company Sdn Bhd (“KPOC”)</u>

MMHE, a wholly owned subsidiary of the Company, received on 14 March 2019, via its solicitors, a Notice of Arbitration dated 13 March 2019 from KPOC in relation to claims arising from contracts known to parties as (a) Fabrication of KBB Topsides dated 20 September 2011 (Contract No. KPOC/COC/2009/015); and (b) Novation Agreement dated 30 March 2012, collectively hereinafter referred to as the “Contracts”.

KPOC, in its Notice of Arbitration, claims that MMHE was and is in breach of the express and/or implied terms of the Contracts in respect of the supply of certain valves. KPOC has included an indicative amount of its alleged loss in the sum of approximately RM125.1 million in the Notice of Arbitration, and claims that it continues, allegedly, to suffer losses.

On 11 April 2019, MMHE, through its solicitors, filed its Response to the Notice of Arbitration dated 11 April 2019 (“Response”). In the Response, MMHE has denied owing any liability whatsoever to KPOC. MMHE will vigorously defend itself from the claims made by KPOC.

On 11 October 2019, KPOC, through its solicitors, filed the Statement of Claim dated 11 October 2019 (“SOC”) and claimed, amongst others, an identified sum of RM93,191,304.29 (which differs from the amount claimed in the Notice of Arbitration i.e RM125.1 million, as previously announced by the Group on 18 March 2019) as loss and damage in respect of the valves procured by MMHE. KPOC further alleged in the SOC that such damage, arising from the procurement of valves, is continuing. MMHE has filed its Statement of Defence on 6 December 2019, following which, KPOC has subsequently filed its Statement of Reply on 17 January 2020. The latter filing marks the close of pleadings as no counterclaim is pursued by MMHE.

Parties have exchanged their respective request for documents and the Tribunal rendered its partial ruling in relation to the requests on 17 July 2020. Parties are currently attending to the Tribunal's rulings under Procedural Protocol No. 2 (Amended) dated 26 June 2020.

The Hearing is scheduled to take place between 17-20 and 30 November 2020, and 1 and 4 December 2020.

Apart from the Arbitration, MMHE reserves its right to pursue any other legal actions as may be permitted under the Malaysian laws, including, if appropriate, to seek indemnity from the ultimate supplier of the said valves.

Based on the parties' respective positions to date in the Arbitration and the evidence reviewed so far, MMHE has been advised by its solicitors that it has good grounds to defend the claim pursued by KPOC and therefore has not made any provisions in respect of this claim.

B8. DIVIDENDS

The Board of Directors has approved a second tax exempt dividend of 7.0 sen per share in respect of financial year 2020 amounting to RM312.5 million. The proposed dividend will be paid on 15 September 2020 to shareholders registered at the close of business on 28 August 2020.

A depositor shall qualify for entitlement to the dividend only in respect of:

i) Shares transferred into the Depositor's Securities Account before 4.30 pm on 28 August 2020 in respect of Ordinary Transfers; and
ii) Shares bought on the BMSB on a cum entitlement basis according to the rules of BMSB.

B9. DERIVATIVES

As part of the Group's efforts to hedge its interest rate risks, the Group entered into interest rate swap ("IRS") arrangements, a form of derivative to convert its interest exposure from floating rate into fixed rate. The maturity of the IRS arrangements coincides with the maturity of the original floating rate loans.

The Group had also entered into forward currency contracts to manage its foreign currency risk.

Details of the Group's derivative financial instruments outstanding as at 30 June 2020 are as follows:

Contract/Tenure	**Notional Value RM million**	**Fair Value gain/(loss) RM million**
<u>Foreign currency contracts</u>		
1 year to 3 years	256.9	2.6
	256.9	2.6
<u>Interest rate swaps</u>		
1 year to 3 years	986.5	(64.5)
More than 3 years	9,296.6	(435.6)
	10,283.1	(500.1)

During the quarter ended 30 June 2020, the Group had entered into an IRS arrangement to hedge against adverse movements in interest rates in compliance with the facility agreement as well as forward currency contracts designated as hedges of expected future payments denominated in United States Dollars.

There is no significant change for the financial derivatives in respect of the following since the last financial year ended 31 December 2019:

(a) the credit risk, market risk and liquidity risk associated with these financial derivatives;

(b) the cash requirements of the financial derivatives; and

(c) the policy in place for mitigating or controlling the risks associated with these financial derivatives.

B10. FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

As at 30 June 2020, the Group does not have any financial liabilities measured at fair value through profit or loss.

B11. EARNINGS/(LOSS) PER SHARE

	Quarter Ended 30 June		Cumulative 6 Months Ended 30 June	
	2020	**2019**	**2020**	**2019**
Basic earnings/(loss) per share are computed as follows:				
Profit/(loss) for the period attributable to equity holders of the Corporation (RM million):	299.5	399.8	(857.3)	910.3
Weighted average number of ordinary shares in issue (million)	**4,463.8**	**4,463.8**	**4,463.8**	**4,463.8**
Basic earnings/(loss) per share (sen)	6.7	9.0	(19.2)	20.4

The Group does not have any financial instrument which may dilute its basic earnings/(loss) per share.

B12. IMPACT OF COVID-19 PANDEMIC

The COVID-19 pandemic has not severely affected the overall performance of the Group in the first half of the year. This is primarily due to the stable contribution from the Group's portfolio of long-term contracts coupled with strong performance from the Petroleum shipping segment, which offset the impact of disruptions on the Heavy Engineering segment.

For the LNG business segment, the majority of its vessels are on long-term time charter, while for the Offshore business segment, all its assets are on long-term contracts. For both these segments, their assets have continued to operate despite the pandemic and these long-term charter contracts underwrite their stable financial performance.

In terms of assets under construction for the LNG and Offshore segments, there has been some delay in the construction progress of an LNG bunker vessel and an FSO arising from the COVID-19 movement restrictions. Both segments are in close engagement with clients and partners and closely monitoring project progress. The financial impact of these delays is not expected to be material.

The Petroleum shipping segment had benefitted from high demand for tankers to be used as floating storage despite the slump in global oil demand due to the COVID-19 pandemic.

For the Heavy Engineering segment, its business operations have been adversely impacted by the COVID-19 global pandemic and the measures taken to contain its spread. The operations at its yard in Pasir Gudang were suspended effective 23 March 2020 to comply with the MCO and only resumed operations upon obtaining Government's approval on 16 April 2020, albeit on a slow and ramp-up mode in accordance with Standard Operating Procedures ("SOPs") issued by the Ministry of Health. The MCO and the constraints faced under the "new normal" upon yard resumption has resulted in delays in the execution and completion of the existing projects. The Heavy Engineering sub-segment will focus on completing the on-going projects in hand and will take necessary measures to catch-up on the project schedule slippage during the MCO. However, the Marine sub-segment experienced loss of revenue as a result of resource challenges due to specialists and foreign clients being subjected to travel bans and border restrictions, thus restricting the docking of vessels into the yard and curtailment of shipping activities and is expected to recover once the border restriction is fully lifted by the Government.

<u>Impact on the Group’s cash flows, liquidity, financial position and financial performance</u>

There is minimal impact to the Group’s cash flows, liquidity, financial position and financial performance as the LNG, Petroleum and Offshore businesses are not materially affected by the COVID-19 pandemic.

However, the Heavy Engineering business is impacted as follows:

- The yard closure and suspension of operations during MCO has resulted in loss of revenue and higher unabsorbed overheads in the current quarter, mainly from the lower progress for heavy engineering ongoing projects and the inability of Marine segment to secure new vessels.
- The COVID-19 pandemic is estimated to cost the segment RM90 million so far, mainly from the extended project duration, resulting claims from subcontractors and associated unabsorbed overheads.
- In light of the weakening oil demand from the COVID-19 pandemic, the segment has recognised an impairment loss on property, plant and equipment and right-of-use assets amounting to RM300 million based on its latest business outlook.

In terms of cash flow and liquidity, the Group has not experienced any major delinquencies in its receivables account.

The Group’s financial position remains healthy at the end of the current quarter with cash balance of RM8,423.9 million coupled with low gearing as well as adequate working capital facilities to remain resilient in the current crisis. As a result, the Group does not anticipate any financial difficulties to meet its debt obligations in the foreseeable future as well as its ability to operate as a going concern. Notwithstanding this, the Group remains steadfast in its efforts to preserve cash through optimizing overheads and CAPEX spending by reducing and deferring all non-critical and non-essential spending.

<u>Impact on the Group’s business and earning prospects</u>

Although the Group is faced with a challenging business environment and except for the Heavy Engineering segment, the performance of the other core businesses have remained relatively stable and are not expected to be significantly impacted by COVID-19. This is due to the recurring income streams from the portfolio of long-term contracts under the LNG and Offshore business segments and aided by the strong performance from the Petroleum shipping segment in the first half of the year.

For the Heavy Engineering segment, the financial performance for the year is expected to be adversely affected by the ongoing pandemic as the reduction or deferment of CAPEX spending by the oil majors would result in project awards being deferred to future years. The marine sub-segment will continue to experience loss of revenue opportunities and is only expected to recover once the border restriction is fully lifted by the Government. In addition, the progress of the segment's ongoing projects which have been adversely affected by the yard shutdown during the MCO may be further hindered by the constraints imposed by the "new normal" coupled with the recent deterioration of the COVID-19 situation globally.

The Group will continue to focus on completing ongoing projects, optimizing operating expenditure and pursuing growth prospects to ensure resilience and sustainability of its business operations.

<u>COVID-19 health and safety measures at MISC Group facilities</u>

The Group has implemented all necessary COVID-19 mitigation measures in accordance with Standard Operating Procedures issued by the Ministry of Health Malaysia and regulators of home countries where we operate such as social distancing at work, workplace segregation, staggered work hours and lunch breaks, flexible working arrangements including working from home, virtual meetings, temperature checks and regular workplace sanitisation. As part of COVID-19 safety measures, the Group had conducted its first virtual Annual General Meeting on 26 June 2020.

By Order of the Board