MISC BERHAD

(Registration No. 196801000580 (8178-H))

Unaudited Condensed Consolidated Income Statement

For The Period Ended 31 March 2020

	Quarter Ended 31 March		Cumulative 3 Months Ended 31 March	
	2020	**2019**	**2020**	**2019**
	RM million	**RM million**	**RM million**	**RM million**
Revenue	2,513.8	2,277.7	2,513.8	2,277.7
Cost of sales	(1,505.7)	(1,517.8)	(1,505.7)	(1,517.8)
GROSS PROFIT	**1,008.1**	**759.9**	**1,008.1**	**759.9**
Other operating income	135.2	89.0	135.2	89.0
General and administrative expenses	(298.2)	(257.0)	(298.2)	(257.0)
OPERATING PROFIT	**845.1**	**591.9**	**845.1**	**591.9**
Gain on acquisition of a business	-	23.7	-	23.7
Gain on disposal of a ship	-	17.5	-	17.5
Write off of trade receivables and loss on re-measurement of finance lease receivables	(935.2)	-	(935.2)	-
Provision for litigation claims	(1,049.2)	-	(1,049.2)	-
Finance costs	(95.8)	(134.2)	(95.8)	(134.2)
Share of profit of joint ventures	89.7	43.1	89.7	43.1
(LOSS)/PROFIT BEFORE TAX	**(1,145.4)**	**542.0**	**(1,145.4)**	**542.0**
Taxation	(5.6)	(26.0)	(5.6)	(26.0)
(LOSS)/PROFIT AFTER TAX	**(1,151.0)**	**516.0**	**(1,151.0)**	**516.0**
(LOSS)/PROFIT ATTRIBUTABLE TO:				
Equity holders of the Corporation	(1,156.8)	510.5	(1,156.8)	510.5
Non-controlling interests	5.8	5.5	5.8	5.5
(LOSS)/PROFIT AFTER TAX	**(1,151.0)**	**516.0**	**(1,151.0)**	**516.0**
BASIC (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE CORPORATION (SEN)	(25.9)	11.4	(25.9)	11.4

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 31 March 2020

	Quarter Ended 31 March		Cumulative 3 Months Ended 31 March	
	2020	**2019**	**2020**	**2019**
	RM million	**RM million**	**RM million**	**RM million**
(LOSS)/PROFIT AFTER TAX	**(1,151.0)**	**516.0**	**(1,151.0)**	**516.0**
OTHER COMPREHENSIVE INCOME/(LOSS)				
Items that may be reclassified to profit or loss in subsequent periods:				
Cash flow hedges:				
Fair value loss				
Group	(380.9)	(58.9)	(380.9)	(58.9)
Gain/(loss) on currency translation *	1,767.5	(524.1)	1,767.5	(524.1)
Total other comprehensive income/(loss)	**1,386.6**	**(583.0)**	**1,386.6**	**(583.0)**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**235.6**	**(67.0)**	**235.6**	**(67.0)**
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:				
Equity holders of the Corporation	215.7	(69.4)	215.7	(69.4)
Non-controlling interests	19.9	2.4	19.9	2.4
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**235.6**	**(67.0)**	**235.6**	**(67.0)**

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

	2020	**2019**	**2018**
As at 31 December	-	4.09950	4.14450
As at 31 March	4.32750	4.07950	3.86200

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 31 March 2020

	31 March 2020 RM million	31 December 2019 RM million
NON CURRENT ASSETS		
Ships	22,376.2	20,975.9
Offshore floating assets	86.1	82.4
Property, plant and equipment	2,317.3	2,228.9
Prepaid lease payments on land and buildings	218.2	219.8
Finance lease receivables	15,278.4	15,008.0
Investments in associates	0.5	0.5
Investments in joint ventures	1,074.2	925.7
Other non-current financial assets	212.3	225.9
Intangible assets	889.1	840.7
Deferred tax assets	105.7	103.5
	42,558.0	**40,611.3**
CURRENT ASSETS		
Inventories	187.1	165.7
Finance lease receivables	1,387.5	1,387.7
Trade and other receivables	2,076.2	2,441.2
Cash, deposits and bank balances	8,150.7	7,030.8
Amounts due from related companies	37.7	82.6
Amounts due from joint ventures	24.5	19.2
Assets held for sale	124.0	125.3
Derivative assets	7.8	-
	11,995.5	**11,252.5**
TOTAL ASSETS	**54,553.5**	**51,863.8**
EQUITY		
Share capital	8,923.3	8,923.3
Treasury shares	(0.3)	(0.3)
Reserves	7,432.8	6,060.3
Retained profits	18,051.6	19,744.0
Equity attributable to equity holders of the Corporation	**34,407.4**	**34,727.3**
Non-controlling interests	1,043.4	1,026.5
TOTAL EQUITY	**35,450.8**	**35,753.8**
NON-CURRENT LIABILITIES		
Interest bearing loans and borrowings	8,249.7	7,552.7
Deferred income	1,306.3	566.3
Deferred tax liabilities	30.9	30.9
Derivative liabilities	570.5	158.4
	10,157.4	**8,308.3**
CURRENT LIABILITIES		
Interest bearing loans and borrowings	5,751.0	5,599.5
Trade and other payables	3,099.8	2,109.2
Provision for taxation	15.5	14.2
Amounts due to related companies	10.2	8.6
Amounts due to associates	1.0	1.0
Amounts due to joint ventures	67.8	67.6
Derivative liabilities	-	1.6
	8,945.3	**7,801.7**
TOTAL LIABILITIES	**19,102.7**	**16,110.0**
TOTAL EQUITY AND LIABILITIES	**54,553.5**	**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 31 March 2020

	31 March 2020 RM million	31 March 2019 RM million
Cash Flows from Operating Activities:		
(Loss)/profit before tax	(1,145.4)	542.0
Writeback of impairment loss on finance lease receivables	(9.3)	(1.8)
Impairment loss on receivables	2.9	10.8
Bad debts written off	0.9	-
Depreciation of ships, offshore floating assets, other property, plant and equipment and right-of-use assets	522.2	538.3
Amortisation of prepaid lease payments	1.9	1.8
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 a ship	-	(17.5)
Net unrealised foreign exchange gain	(44.7)	(0.1)
Dividend income from equity investments	(0.4)	(0.2)
Finance costs	95.8	134.2
Finance income	(45.7)	(42.4)
Gain on acquisition of a business	-	(23.7)
Fair value movement in other investments	6.1	(3.0)
Amortisation of intangibles	1.5	2.0
Amortisation of upfront fees for borrowings	1.4	1.2
Share of profit of joint ventures	(89.7)	(43.1)
Operating profit before working capital changes	1,281.9	1,098.5
Inventories	(12.0)	(6.1)
Trade and other receivables	213.4	543.4
Trade and other payables	706.8	(264.6)
Cash generated from operations	2,190.1	1,371.2
Net tax paid	(6.2)	(15.4)
Net cash generated from operating activities	**2,183.9**	**1,355.8**

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

	31 March 2020 RM million	31 March 2019 RM million
Cash Flows from Investing Activities:		
Purchase of ships and other property, plant and equipment	(1,079.6)	(756.7)
Investment in joint ventures	(33.7)	-
Proceeds from disposal of ships and an offshore floating asset	124.5	100.8
Dividend received from:		
Quoted investments	0.4	0.2
Joint ventures	44.8	45.9
Acquisition of a business	-	(145.6)
Interest received	37.2	30.2
Placement of fixed deposit	(4.4)	(0.9)
Net cash used in investing activities	**(910.8)**	**(726.1)**
Cash Flows from Financing Activities:		
Drawdown of term loans and revolving credit	1,135.0	4,832.9
Repayment of term loans and revolving credit	(921.0)	(4,310.0)
Repayment of lease liabilities	(87.0)	(87.2)
Dividends paid to the equity holders of the Corporation	(535.7)	(401.7)
Dividends paid to non-controlling interest of subsidiaries	(3.0)	-
Interest paid	(116.8)	(114.2)
(Placement)/receipt of cash pledged with banks - restricted	(46.1)	43.3
Net cash used in financing activities	**(574.6)**	**(36.9)**
Net change in cash & cash equivalents	698.5	592.8
Cash & cash equivalents at the beginning of the year	5,740.4	5,537.2
Currency translation difference	297.7	(79.6)
Cash & cash equivalents at the end of the period	**6,736.6**	**6,050.4**
Cash pledged with banks - restricted and deposit with maturity more than 90 days	1,414.1	175.1
Cash, deposits and bank balances	**8,150.7**	**6,225.5**

MISC BERHAD

(Registration No. 196801000580 (8178-H))

Unaudited Condensed Consolidated Statement of Changes in Equity

For the Period Ended 31 March 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
3 MONTHS ENDED 31 MARCH 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 income/(loss)	235.6	215.7	-	-	(1,156.8)	1,372.5	-	-	-	-	(384.0)	1,756.5	19.9
Transactions with owners													
Dividends	(538.6)	(535.6)	-	-	(535.6)	-	-	-	-	-	-	-	(3.0)
Total transactions with owners	(538.6)	(535.6)	-	-	(535.6)	-	-	-	-	-	-	-	(3.0)
At 31 March 2020	**35,450.8**	**34,407.4**	**8,923.3**	**(0.3)**	**18,051.6**	**7,432.8**	**99.3**	**435.2**	**1.4**	**3.2**	**(544.0)**	**7,437.7**	**1,043.4**
3 MONTHS ENDED 31 MARCH 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 (loss)/income	(67.0)	(69.4)	-	-	510.5	(579.9)	-	-	-	-	(58.9)	(521.0)	2.4
Transactions with owners													
Dividends	(401.7)	(401.7)	-	-	(401.7)	-	-	-	-	-	-	-	-
Total transactions with owners	(401.7)	(401.7)	-	-	(401.7)	-	-	-	-	-	-	-	-
At 31 March 2019	**35,800.9**	**34,785.8**	**8,923.3**	**(0.3)**	**19,858.7**	**6,004.1**	**99.3**	**435.2**	**1.4**	**3.2**	**(56.0)**	**5,521.0**	**1,015.1**

* 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 8 May 2020.

A2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the quarter ended 31 March 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)
- 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.

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	695.9	1,227.8	213.2	338.2	38.7		2,513.8
Inter-segment	-	0.2	24.9	8.3	(33.4)		-
	695.9	**1,228.0**	**238.1**	**346.5**	**5.3**	*	**2,513.8**
Operating profit/(loss)	361.7	336.5	160.2	5.6	(18.9)	**	845.1

* 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 31 March		Cumulative 3 Months Ended 31 March	
	2020	2019	2020	2019
	RM million	RM million	RM million	RM million
Finance income	45.7	42.4	45.7	42.4
Other income	23.0	33.7	23.0	33.7
Finance costs	(95.8)	(134.2)	(95.8)	(134.2)
Depreciation of ships, offshore floating assets, other property, plant and equipment and right-of-use assets	(522.2)	(538.3)	(522.2)	(538.3)
Amortisation of prepaid lease payments	(1.9)	(1.8)	(1.9)	(1.8)
Amortisation of intangibles	(1.5)	(2.0)	(1.5)	(2.0)
Gain on acquisition of a business	-	23.7	-	23.7
Gain on disposal of a ship	-	17.5	-	17.5
Impairment loss on receivables	(2.9)	(10.8)	(2.9)	(10.8)
Bad debts written off	(0.9)	-	(0.9)	-
Write off of trade receivables and loss on re-measurement of finance lease receivables	(935.2)	-	(935.2)	-
Provision for litigation claims	(1,049.2)	-	(1,049.2)	-
Fair value (loss)/gain in other investment	(6.1)	3.0	(6.1)	3.0
Writeback of impairment loss on finance lease receivables	9.3	1.8	9.3	1.8
Net realised foreign exchange gain/(loss)	1.0	(1.4)	1.0	(1.4)
Net unrealised foreign exchange gain	44.7	0.1	44.7	0.1

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 RM2,794.3 million (31 December 2019: RM2,903.1 million) and right-of-use assets amounting to RM410.4 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	49.9	-	49.9
At 31 March 2020	**1,032.0**	**212.7**	**1,244.7**
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	-	1.5	1.5
At 31 March 2020	**162.5**	**193.1**	**355.6**
Net carrying amount			
At 1 January 2019	**829.4**	**27.5**	**856.9**
At 31 December 2019	**819.6**	**21.1**	**840.7**
At 31 March 2020	**869.5**	**19.6**	**889.1**

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 31 March 2020.

A13. CASH, DEPOSITS AND BANK BALANCES

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

	31 March 2020	31 December 2019
	RM million	RM million
Cash with PETRONAS Integrated Financial Shared Service Centre *	4,772.5	4,355.5
Cash and bank balances	2,140.9	1,113.4
Deposits with licensed banks	1,237.3	1,561.9
Total cash, deposits and bank balances	**8,150.7**	**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 RM1,409.1 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 RM million	Level 2 RM million	Level 3 RM million	Total RM million
At 31 March 2020				
Financial Assets				
Quoted investments	40.9	-	-	40.9
Unquoted investments	-	-	53.7	53.7
Forward exchange contracts	-	7.8	-	7.8
	40.9	**7.8**	**53.7**	**102.4**
Financial Liabilities				
Interest rate swaps designated as hedging instruments	-	(570.5)	-	(570.5)
	-	**(570.5)**	**-**	**(570.5)**

	Level 1 RM million	Level 2 RM million	Level 3 RM million	Total 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	-	(158.3)	-	(158.3)
	-	**(159.9)**	**-**	**(159.9)**

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 31 March 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:

	31 March 2020 RM million	31 December 2019 RM million
Short Term Borrowings		
Secured	4,713.5	4,530.3
Unsecured	735.7	755.1
Lease liabilities	301.8	314.1
	5,751.0	5,599.5
Long Term Borrowings		
Secured	7,973.4	7,228.7
Lease liabilities	276.3	324.0
	8,249.7	7,552.7
Total	**14,000.7**	**13,152.2**

ii) Foreign borrowings in United States Dollar equivalent as at 31 March 2020 is as follows:

	RM million
United States Dollar Borrowings	13,693.5

A17. DIVIDENDS PAID

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

	31 March 2020		31 December 2019	
	Sen/Share	RM million	Sen/Share	RM million
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
First tax exempt dividend in respect of:				
- Financial year ending 31 December 2019 on 25 June 2019	-	-	7.0	312.5

A18. CAPITAL COMMITMENTS

	31 March 2020 RM million	31 December 2019 RM million
Approved and contracted for:		
Group	4,726.9	4,112.7
Share of capital commitments		
of a joint venture	92.8	115.8
	4,819.7	4,228.5

A19. CONTINGENT LIABILITIES

Contingent liabilities of the Group as at 31 March 2020 comprise the following:

	RM million
Performance bonds on contract and bank guarantees	
extended to third parties	398.5

A20. SUBSEQUENT MATERIAL EVENT

On 8 April 2020, the Arbitral Tribunal announced its decision on the arbitration proceedings initiated by the Corporation's wholly-owned subsidiary Gumusut-Kakap Semi-Floating Production System (L) Limited ("GKL") against Sabah Shell Petroleum Company Limited ("SSPC"). Details of the arbitration proceedings and the decision by the Arbitral Tribunal are disclosed in Section B7 of this announcement.

Following the decision, the Group had decided to include a write off of trade receivables and loss on re-measurement of finance lease receivables amounting to RM935.2 million and provision for litigation claims of RM1,049.2 million in the current quarter's financial results as disclosed in the condensed consolidated income statement and in Section A9.

B1. REVIEW OF GROUP PERFORMANCE

	Quarter Ended 31 March		Cumulative 3 Months Ended 31 March	
	2020	**2019**	**2020**	**2019**
	RM million	**RM million**	**RM million**	**RM million**
Revenue				
LNG	695.9	625.4	695.9	625.4
Petroleum	1,228.0	1,173.7	1,228.0	1,173.7
Offshore	238.1	269.9	238.1	269.9
Heavy Engineering	346.5	202.8	346.5	202.8
Others, Eliminations and Adjustments	5.3	5.9	5.3	5.9
Total Revenue	**2,513.8**	**2,277.7**	**2,513.8**	**2,277.7**
Operating Profit/(Loss)				
LNG	361.7	324.2	361.7	324.2
Petroleum	336.5	134.9	336.5	134.9
Offshore	160.2	142.3	160.2	142.3
Heavy Engineering	5.6	(29.1)	5.6	(29.1)
Others, Eliminations and Adjustments	(18.9)	19.6	(18.9)	19.6
Total Operating Profit	**845.1**	**591.9**	**845.1**	**591.9**
Gain on acquisition of a business	-	23.7	-	23.7
Gain on disposal of a ship	-	17.5	-	17.5
Write off of trade receivables and loss on re-measurement of finance lease receivables	(935.2)	-	(935.2)	-
Provision for litigation claims	(1,049.2)	-	(1,049.2)	-
Finance costs	(95.8)	(134.2)	(95.8)	(134.2)
Share of profit of joint ventures	89.7	43.1	89.7	43.1
(Loss)/Profit Before Tax	**(1,145.4)**	**542.0**	**(1,145.4)**	**542.0**

Current quarter's performance against the quarter ended 31 March 2019

Group revenue of RM2,513.8 million was 10.4% higher than the quarter ended 31 March 2019 ("corresponding quarter") revenue of RM2,277.7 million, while Group operating profit of RM845.1 million was RM253.2 million higher than the corresponding quarter's profit of RM591.9 million. The variances in Group performance by segments are further explained below.

LNG

Revenue of RM695.9 million was RM70.5 million or 11.3% higher than the corresponding quarter's revenue of RM625.4 million, mainly from higher earning days following lower dry-docking activities in the current quarter.

Operating profit of RM361.7 million was RM37.5 million or 11.6% higher than the corresponding quarter's profit of RM324.2 million, mainly from higher revenue as explained above.

Petroleum

Revenue of RM1,228.0 million was RM54.3 million or 4.6% higher than the corresponding quarter's revenue of RM1,173.7 million resulting from higher freight rates in the current quarter.

Operating profit of RM336.5 million was RM201.6 million higher than corresponding quarter's profit of RM134.9 million, mainly from higher margin on freight rates in the current quarter.

Offshore

Revenue of RM238.1 million was RM31.8 million or 11.8% lower than the corresponding quarter's revenue of RM269.9 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 RM160.2 million was RM17.9 million higher than corresponding quarter's profit of RM142.3 million, mainly from one time reimbursement of cost on engineering works in the current quarter.

Heavy Engineering

Revenue of RM346.5 million was RM143.7 million or 70.8% higher than the corresponding quarter's revenue of RM202.8 million mainly due to higher revenue from on-going heavy engineering projects coupled with the increase in Marine sub-segment revenue from LPG vessels and conversion work.

Heavy Engineering segment recorded operating profit of RM5.6 million compared to the corresponding quarter's loss of RM29.1 million, mainly due to reversal of cost provision and higher revenue in the current quarter as mentioned above.

Others, Eliminations and Adjustments

Other segment recorded higher operating loss of RM18.9 million as compared to corresponding quarter's profit of RM19.6 million, mainly due to unallocated corporate expenses and fair value loss in an investment in the current quarter.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

GROUP	Quarter Ended 31 March 2020 RM million	Quarter Ended 31 December 2019 RM million
Revenue	**2,513.8**	**2,375.5**
Operating Profit	**845.1**	**476.6**
Impairment loss on ships and offshore floating assets	-	(113.8)
Loss on disposal of offshore floating asset and property,plant and equipment	-	(4.3)
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	(95.8)	(118.4)
Share of profit of joint ventures	89.7	23.6
(Loss)/Profit Before Tax	**(1,145.4)**	**263.7**

Group revenue of RM2,513.8 million was RM138.3 million or 5.8% higher than the preceding quarter's revenue of RM2,375.5 million, mainly from higher revenue from Heavy Engineering's on-going projects and higher freight rates achieved in Petroleum segment.

Group operating profit of RM845.1 million was RM368.5 million or 77.3% higher than the preceding quarter's profit of RM476.6 million, mainly from higher revenue as explained above and higher margins on freight rates in the Petroleum segment.

B3. GROUP CURRENT YEAR PROSPECTS

The petroleum tanker market has been one of few segments of the oil industry that enjoyed positive momentum in first quarter of 2020. The unexpected price war that erupted between oil producers Russia and Saudi Arabia created a spike in tanker spot rates as demand for shipping surged due to the sudden flood of low-priced oil into the market. The segment was subsequently supported by high demand for tankers to be used as floating storage amid a slump in global oil demand due to the COVID-19 pandemic. While the tanker market remains firm for the moment, the OPEC+ coalition agreement to make deep production cuts to support oil prices will eventually lead to reduced demand for tankers. Hence, the prospects for the second half of the year is highly uncertain, depending on the duration and magnitude of the pandemic's impact on oil demand as well as the level of oil supply by OPEC+ and non-OPEC+ producers.

The LNG shipping segment's financial performance continues to be underpinned by recurring income from its portfolio of long-term contracts. Meanwhile, in the spot market, LNG shipping rates have been dipping due to the end of the peak winter season and exacerbated by a slowdown in Asian LNG demand amid the COVID-19 outbreak, a mild winter in Asia and high inventories. This is expected to persist in the second quarter of 2020 as the market enters the seasonal low-demand period. The weak global economy coupled with low LNG prices could cause delays in planned LNG projects, which may lead to slower fleet growth.

The offshore business segment's existing long-term contracts will continue to support its stable financial performance. However, the growth prospects for the offshore business segment will be very challenging as the depressed oil price would likely reduce the number of new opportunities to be tapped. The floating production system market is anticipating a reduction in capital and operating expenditures by major oil companies which may result in projects and contract awards being deferred or cancelled in the near term.

With the current COVID-19 pandemic and depressed oil price environment, the heavy engineering segment expects the risks of deferments and scale-down of upstream projects to prolong and continue to pose challenges to the industry for the remainder of the year. The outlook for marine repairs and dry-docking activities also remain uncertain with demand for LNG expected to experience a slowdown due to a significantly weakened economic outlook. The pandemic had also resulted in the suspension of the segment's yard operations to comply with the Movement Control Order (MCO) imposed nationwide, and it was only granted approval on 16 April 2020 to operate at limited capacity. Subsequently, on 28 April 2020, the Malaysian Government announced that approved companies are allowed to operate at full workforce capacity during the MCO. However, it remains uncertain how business operations will be conducted during and after the MCO as many other countries are also currently in or have just lifted their lockdowns. The segment expects significant disruption to the global supply chain which may affect the supply of raw materials and result in higher costs. As a result, the segment faces significant risks to its financial results and position including potential impairment of assets. The segment's ability to assess the impact is made more difficult due to the extremely fluid global situation riddled with uncertainties. Notwithstanding, the heavy engineering segment remains committed to focus on resource optimisation and competitiveness, as well as diversifying into new business opportunities, namely onshore and renewable segments.

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 31 March 2020 RM million
Taxation for the period comprises the following charge:	
Income tax charge	
- current period	(17.4)
- prior year	9.9
Deferred taxation	1.9
	(5.6)

The Government had proposed to reduce the exemption for the shipping sector provided under Section 54A of the Income Tax Act, 1967 from 100% to 70% of statutory income effective from Year of Assessment 2012. Subsequently in December 2015, the Government decided to defer the implementation of the above proposal to Year of Assessment 2021.

The taxation charge 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 31 March 2020.

B7. CHANGES IN MATERIAL LITIGATION

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

On 9 November 2012, MISC's wholly-owned subsidiary, GKL entered into a Semi FPS Lease Agreement with SSPC, a wholly-owned subsidiary of Shell, for the construction and lease of Gumusut-Kakap Semi-Floating Production System ("Semi-FPS") for the purposes of the production of crude oil ("the Contract").

On 2 September 2016, GKL filed a Notice of Arbitration dated 2 September 2016 with the Kuala Lumpur Regional Centre for Arbitration (now known as Asian International Arbitration Centre) to commence arbitration proceedings against SSPC ("Arbitration") whereby GKL is claiming for outstanding additional lease rates, payment for completed variation works and other associated costs under the Contract from SSPC, which covers the following:

i. The total sum of approximately USD245.0 million and applicable interest at any rate deemed fit by the tribunal/adjudicator;
ii. Declaratory relief;
iii. The costs of the arbitration/adjudication; and
iv. Any further or other awards as the tribunal/adjudicator deems fit.

In addition, GKL filed Notices of Adjudication against SSPC under the Construction Industry Payment and Adjudication Act 2012, resulting with GKL being successful under the First and Second Adjudication Decisions for payment of completed variation works amounting to approximately USD255 million and USD10.9 million respectively. A total of approximately USD73 million of outstanding increased Day Rates has been paid by SSPC as lump sum payments, with the balance amounts payable by SSPC as increased Day Rates for the relevant lease period.

SSPC refuted GKL's claims and filed a counterclaim against GKL in the Arbitration for alleged defective work, alleged limited functionality of the Semi-FPS, liquidated damages and a refund of the full amount paid to GKL under the Adjudication Decisions. SSPC's claims cover, among others, the following:

i. The sum of approximately USD588 million together with any applicable interest;
ii. Repayment to SSPC for the full amount paid to GKL under the First and Second Adjudication Decisions; and
iii. The costs and expenses of the Adjudication and Arbitration Proceedings.

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. USD 222,132,575.60;
b. That an amount of USD 88,791,006.17 is deducted from USD222,132,575.6 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 USD 133,341,569.49 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. USD 236,378,824.46 for defects rectification work (inclusive of USD 15,000,000.00 for Liquidated Damages);
b. USD 88,317,146.13 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 USD 12,746,570.70;
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 undoubtedly surprised and dismayed by the unexpected outcome of the Award. Nevertheless, GKL is advised that it has legal merits to challenge the Award under the Arbitration Act 2005 ("the Act"). GKL intends to pursue an application to set aside a substantial portion of the Award, which GKL considers to be permitted for challenge within the provisions of the Act and against other relevant laws. GKL is determined to rigorously challenge, among others, the Tribunal's decision and a significant portion of the claims awarded to SSPC.

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 is in the midst of re-filing the Notice of Arbitration for the second arbitration proceedings seeking to claim for early termination fees and demobilisation costs and the remaining lease and service rates.

<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.

<u>Proceedings in Court</u>

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. The appeal against PCPP's stay application has been fixed for hearing on 19 June 2020.

(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) <u>Malaysia Marine and Heavy Engineering Sdn Bhd ("MMHE") and E.A. Technique (M) Berhad ("EAT")</u>

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 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, has been re-scheduled to 16 June 2020 in view of the extended MCO, as announced by the Government.

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.

MMHE also filed for the Adjudication 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. In turn, MMHE applied to register and enforce the Adjudication Decision. The High Court, on its own accord, re-scheduled the delivery of decision in respect of the pending applications from 18 March 2020 to 10 April 2020. This date has since been vacated due to the MCO announced by the Government. A new date for the delivery of the said decision has not been fixed by the High Court.

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 ("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 whereas affidavits are being exchanged in respect of the 2nd Setting Aside and/or Stay Application. In relation to the Enforcement Application, hearing is fixed on 30 April 2020. In relation to EAT's Setting Aside and/or Stay Application, a case management was fixed on 16 April 2020. However, the case management has since been vacated in light of the extended MCO announced by the Government and has been re-fixed to 29 May 2020. In this regard, the Court (1) directed that EAT file its further Affidavit in Reply by 12 May 2020; and (2) informed parties that directions in respect of Written Submissions will be given on 29 May 2020 i.e. at the next case management date.

Further to the above, EAT has also filed an application on 25 February 2020 to consolidate the setting aside and/or stay application of the 1st Adjudication Decision 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 Court No. 2 to Kuala Lumpur Construction Court No. 1. Affidavits are currently being exchanged in respect of this application. In relation to this application, a case management was also fixed on 16 April 2020. This case management too was vacated in light of the extended MCO and has been re-fixed to 29 May 2020. In this regard, the Court directed that (1) EAT file its Affidavit in Reply by 12 May 2020; and (2) parties to file their respective Written Submissions by 26 May 2020.

iv) Malaysia Marine and Heavy Engineering Sdn Bhd ("MMHE") and Kebabangan Petroleum Operating Company Sdn Bhd ("KPOC")

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 are now presently in the discovery phase of the process and are attending to procedural matters as directed by the Arbitral Tribunal in Procedural Protocol No. 1 (as amended by the Tribunal's email dated 21 February 2020).

The Hearing is scheduled to take place between 17 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 first 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 9 June 2020 to shareholders registered at the close of business on 27 May 2020.

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

i) Shares transferred into the Depositor's Securities Account before 5.00 pm on 27 May 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 31 March 2020 are as follows:

Contract/Tenure	**Notional Value RM million**	**Fair Value gain/(loss) RM million**
Foreign currency contracts		
1 year to 3 years	378.7	6.2
	378.7	6.2
Interest rate swaps		
1 year to 3 years	1,037.0	(11.7)
More than 3 years	6,770.2	(378.5)
	7,807.2	(390.2)

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 31 March 2020, the Group does not have any financial liabilities measured at fair value through profit or loss.

B11. (LOSS)/EARNINGS PER SHARE

	Quarter Ended 31 March		Cumulative 3 Months Ended 31 March	
	2020	**2019**	**2020**	**2019**
Basic (loss)/earnings per share are computed as follows:				
(Loss)/profit for the period attributable to equity holders of the Corporation (RM million):	(1,156.8)	510.5	(1,156.8)	510.5
Weighted average number of ordinary shares in issue (million)	**4,463.8**	**4,463.8**	**4,463.8**	**4,463.8**
Basic (loss)/earnings per share (sen)	(25.9)	11.4	(25.9)	11.4

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

By Order of the Board