MISC BERHAD

(Registration No. 196801000580 (8178-H))

Unaudited Condensed Consolidated Income Statement

For The Period Ended 30 June 2021

	Quarter Ended 30 June		Cumulative 6 Months Ended 30 June	
	2021	2020	2021	2020
	RM million	RM million	RM million	RM million
Revenue	2,353.8	2,186.3	4,894.7	4,700.1
Cost of sales	(1,656.5)	(1,401.1)	(3,531.4)	(2,906.8)
GROSS PROFIT	**697.3**	**785.2**	**1,363.3**	**1,793.3**
Other operating income	220.2	1.4	285.2	136.6
General and administrative expenses	(290.5)	(263.7)	(557.7)	(561.9)
OPERATING PROFIT	**627.0**	**522.9**	**1,090.8**	**1,368.0**
Impairment of non current assets	(42.0)	(306.0)	(66.6)	(306.0)
Loss from deconsolidation of a subsidiary	(2.3)	-	(2.3)	-
Gain on disposal of ships	3.6	21.6	4.0	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	(97.9)	(100.5)	(191.0)	(196.3)
Share of profit of joint ventures and an associate	46.3	48.0	105.5	137.7
PROFIT/(LOSS) BEFORE TAX	**534.7**	**186.0**	**940.4**	**(959.4)**
Taxation	(10.6)	(21.7)	(20.7)	(27.3)
PROFIT/(LOSS) AFTER TAX	**524.1**	**164.3**	**919.7**	**(986.7)**
PROFIT/(LOSS) ATTRIBUTABLE TO:				
Equity holders of the Corporation	538.8	299.5	968.6	(857.3)
Non-controlling interests	(14.7)	(135.2)	(48.9)	(129.4)
PROFIT/(LOSS) AFTER TAX	**524.1**	**164.3**	**919.7**	**(986.7)**
BASIC EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE CORPORATION (SEN)	12.1	6.7	21.7	(19.2)

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2020.

MISC BERHAD

(Registration No. 196801000580 (8178-H))

Unaudited Condensed Consolidated Statement of Comprehensive Income

For The Period Ended 30 June 2021

	Quarter Ended 30 June		Cumulative 6 Months Ended 30 June	
	2021	**2020**	**2021**	**2020**
	RM million	**RM million**	**RM million**	**RM million**
PROFIT/(LOSS) AFTER TAX	**524.1**	**164.3**	**919.7**	**(986.7)**
OTHER COMPREHENSIVE (LOSS)/INCOME				
Items that may be reclassified to profit or loss in subsequent periods:				
Cash flow hedges:				
Fair value (loss)/gain				
Group	(55.9)	(115.3)	269.4	(496.2)
Joint venture	(12.5)	-	9.9	-
Gain/(loss) on currency translation *	16.7	(344.4)	980.8	1,423.1
Total other comprehensive (loss)/income	**(51.7)**	**(459.7)**	**1,260.1**	**926.9**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**472.4**	**(295.4)**	**2,179.8**	**(59.8)**
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:				
Equity holders of the Corporation	495.5	(154.4)	2,210.7	61.3
Non-controlling interests	(23.1)	(141.0)	(30.9)	(121.1)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**472.4**	**(295.4)**	**2,179.8**	**(59.8)**

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

	2021	**2020**	**2019**
As at 31 December	-	4.02850	4.09950
As at 31 March	4.15300	4.32750	4.07950
As at 30 June	4.15450	4.28500	4.14150

MISC BERHAD

(Registration No. 196801000580 (8178-H))

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	30 June 2021 RM million	31 December 2020 RM million
NON CURRENT ASSETS		
Ships	21,180.3	21,088.4
Offshore floating assets	51.2	51.3
Other property, plant and equipment	1,952.8	2,169.5
Prepaid lease payments on land and buildings	208.9	212.5
Finance lease receivables	15,996.6	13,754.5
Investments in associates	18.4	0.7
Investments in joint ventures	932.5	873.1
Other non-current financial assets	1,843.4	389.5
Derivative assets	51.3	-
Intangible assets	1,061.9	819.2
Deferred tax assets	101.4	104.4
	43,398.7	**39,463.1**
CURRENT ASSETS		
Inventories	87.4	91.3
Finance lease receivables	1,329.2	1,282.9
Trade and other receivables	2,923.2	3,956.6
Cash, deposits and bank balances	6,748.1	6,855.0
Amounts due from related companies	35.3	104.6
Amounts due from joint ventures	0.7	62.7
Assets held for sale	-	4.8
Derivative assets	0.9	-
	11,124.8	**12,357.9**
TOTAL ASSETS	**54,523.5**	**51,821.0**
EQUITY		
Share capital	8,923.3	8,923.3
Treasury shares	(0.3)	(0.3)
Reserves	6,363.6	5,122.0
Retained profits	18,348.3	18,227.8
Equity attributable to equity holders of the Corporation	**33,634.9**	**32,272.8**
Non-controlling interests	807.3	878.3
TOTAL EQUITY	**34,442.2**	**33,151.1**
NON-CURRENT LIABILITIES		
Interest bearing loans and borrowings	10,806.2	11,434.9
Deferred income	1,135.3	1,150.5
Deferred tax liabilities	7.1	7.8
Derivative liabilities	332.8	527.0
	12,281.4	**13,120.2**
CURRENT LIABILITIES		
Interest bearing loans and borrowings	4,427.4	2,005.5
Trade and other payables	3,253.8	3,427.5
Provision for taxation	27.5	23.3
Amounts due to related companies	5.4	11.8
Amounts due to an associate	13.6	1.0
Amounts due to joint ventures	72.2	68.9
Derivative liabilities	-	11.7
	7,799.9	**5,549.7**
TOTAL LIABILITIES	**20,081.3**	**18,669.9**
TOTAL EQUITY AND LIABILITIES	**54,523.5**	**51,821.0**

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2020.

MISC BERHAD

(Registration No. 196801000580 (8178-H))

Unaudited Condensed Consolidated Statement of Cash Flows

For the Period Ended 30 June 2021

	30 June 2021 RM million	30 June 2020 RM million
Cash Flows from Operating Activities:		
Profit/(loss) before tax	940.4	(959.4)
Writeback of impairment loss on finance lease receivables and trade receivables	(3.6)	(7.3)
Impairment loss on receivables	52.2	26.9
Bad debts written off	0.2	-
Depreciation of ships, offshore floating assets and other property, plant and equipment	965.5	1,054.3
Amortisation of prepaid lease payments	3.7	3.7
Impairment of non current assets	66.6	306.0
Write off of ships, property, plant and equipment	0.1	0.1
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	(4.0)	(21.6)
Net unrealised foreign exchange gain	(18.8)	(19.5)
Dividend income from an equity investment	(0.6)	(0.6)
Finance costs	179.1	196.3
Finance income	(23.6)	(63.5)
Loss from deconsolidation of a subsidiary	2.3	-
Fair value movement in other investments	(5.5)	2.5
Changes in fair value of hedging derivatives	(0.6)	-
Amortisation of intangibles	5.9	2.9
Amortisation of upfront fees for borrowings	11.9	7.7
Share of profit of joint ventures and an associate	(105.5)	(137.7)
Operating profit before working capital changes	2,065.7	2,375.2
Inventories	6.5	(10.1)
Trade and other receivables	(502.6)	546.0
Trade and other payables *	(85.9)	(155.5)
Deferred income	(50.3)	672.8
Cash generated from operations	1,433.4	3,428.4
Net tax paid	(14.9)	(17.9)
Net cash generated from operating activities	**1,418.5**	**3,410.5**

* The working capital changes in trade and other payables include payments for costs relating to the turnkey activities for the conversion of a Floating, Production, Storage and Offloading (“FPSO”) facility amounting to RM540.6 million in the current period. These payments are disclosed as part of cash flows from operating activities as the turnkey activities contribute to the recognition of contract assets per MFRS 15: Revenue from Contract with Customers.

	30 June 2021 RM million	30 June 2020 RM million
Cash Flows from Investing Activities:		
Purchase of ships and other property, plant and equipment	(2,399.4)	(1,879.7)
Investment in joint ventures	(45.6)	(42.5)
Proceeds from disposal of ships and offshore floating assets	345.2	254.5
Proceeds from disposal of interest in a subsidiary	26.9	-
Cash outflow from deconsolidation of a subsidiary	(48.6)	-
Dividend received from:		
Quoted investments	0.6	0.6
Joint ventures	127.8	133.7
Interest received	8.8	52.3
Net fixed deposit placement	(11.1)	(4.3)
Net cash used in investing activities	**(1,995.4)**	**(1,485.4)**
Cash Flows from Financing Activities:		
Drawdown of term loans and revolving credit	3,685.0	4,393.6
Repayment of term loans and revolving credit	(2,247.9)	(3,947.1)
Repayment of lease liabilities	(96.6)	(169.8)
Dividends paid to the equity holders of the Corporation	(848.1)	(848.1)
Dividends paid to non-controlling interest of subsidiaries	(24.5)	(3.0)
Interest paid	(193.3)	(252.7)
Receipt/(placement) of cash pledged with banks - restricted	393.8	(194.6)
Net cash generated from/(used in) financing activities	**668.4**	**(1,021.7)**
Net change in cash & cash equivalents	91.5	903.4
Cash & cash equivalents at the beginning of the year	5,545.1	5,740.4
Currency translation difference	148.9	230.8
Cash & cash equivalents at the end of the period	**5,785.5**	**6,874.6**
Cash pledged with banks - restricted and deposit with maturity more than 90 days	962.6	1,549.3
Cash, deposits and bank balances	**6,748.1**	**8,423.9**

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2020.

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

Unaudited Condensed Consolidated Statement of Changes in Equity

For the Period Ended 30 June 2021

		Attributable to equity holders of the Corporation											
	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
	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 2021													
At 1 January 2021	**33,151.1**	**32,272.8**	**8,923.3**	**(0.3)**	**18,227.8**	**5,122.0**	**99.3**	**435.2**	**1.4**	**3.2**	**(577.5)**	**5,160.4**	**878.3**
Total comprehensive income	2,179.8	2,210.7	-	-	968.6	1,242.1	-	-	-	-	268.6	973.5	(30.9)
Transactions with owners													
Liquidation of a joint venture	(0.5)	(0.5)	-	-	-	(0.5)	-	-	-	(0.2)	-	(0.3)	-
Deconsolidation of a subsidiary	(36.8)	-	-	-	-	-	-	-	-	-	-	-	(36.8)
Dilution of interest in subsidiaries	21.2	-	-	-	-	-	-	-	-	-	-	-	21.2
Dividends	(872.6)	(848.1)	-	-	(848.1)	-	-	-	-	-	-	-	(24.5)
Total transactions with owners	(888.7)	(848.6)	-	-	(848.1)	(0.5)	-	-	-	(0.2)	-	(0.3)	(40.1)
At 30 June 2021	**34,442.2**	**33,634.9**	**8,923.3**	**(0.3)**	**18,348.3**	**6,363.6**	**99.3**	**435.2**	**1.4**	**3.0**	**(308.9)**	**6,133.6**	**807.3**
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	(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**

* 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 2020.

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 2021.

A2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the period ended 30 June 2021 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 2020.

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 2020.

The audited consolidated financial statements of the Group for the year ended 31 December 2020 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 2021 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2020 except as disclosed below:

During the financial period, the Group and the Corporation have adopted the following revised MFRSs and Amendments to MFRSs that have been issued by the MASB:

Effective for annual periods beginning on or after 1 January 2021:

- Amendments to MFRS 9: Financial Instruments (Interest Rate Benchmark Reform - Phase 2)
- Amendments to MFRS 139: Financial Instruments: Recognition and Measurement (Interest Rate Benchmark Reform - Phase 2)
- Amendments to MFRS 7: Financial Instruments: Disclosure (Interest Rate Benchmark Reform - Phase 2)
- Amendments to MFRS 4: Insurance Contract (Interest Rate Benchmark Reform - Phase 2)
- Amendments to MFRS 16: Leases (Interest Rate Benchmark Reform - Phase 2)

Effective for annual periods beginning on or after 1 April 2021:

- Amendment to MFRS 16: Leases (COVID-19 Related Rent Concessions beyond 30 June 2021)

The adoption of the above pronouncements has no material financial impact to the Group and the Corporation other than as set out below:

Amendments to MFRS 9, MFRS 139, MFRS7 and MFRS16: (Interest Rate Benchmark Reform – Phase 2)

At 30 June 2021, the Group has cash flow hedges of USD London Interbank Offered Rate ("LIBOR") risk. The Group expects that indexation of the hedged items and hedging instruments to USD LIBOR will be replaced with a risk free rate. Whenever the replacement occurs, the Group expects to apply the amendments related to hedge accounting. However, there is uncertainty about when and how replacement may occur. When the change occurs to the hedged item or the hedging instrument, the Group will remeasure the cumulative change in fair value of the hedged item or the fair value of the interest rate swap, respectively based on the risk free rate. Hedging relationships may experience hedge ineffectiveness if there is a timing or other mismatch between the transition of the hedge item and that of the hedging instrument to the risk free rate. The Group does not expect that amounts accumulated in the cash flow hedge reserve will be immediately reclassified to profit or loss because of interbank offered rates ("IBOR") transition.

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 2020.

A6. CHANGES IN COMPOSITION OF THE GROUP

(a) Pursuant to a Share Sale and Purchase Agreement entered into between the Corporation and Ombak Simfoni Sdn. Bhd. on 31 March 2021 in respect of the disposal of a portion of equity interest held by the Corporation in FPSO Ventures Sdn. Bhd. ("FVSB"), comprising 3,795,200 ordinary shares representing approximately 31% of the total issued share capital of FVSB ("Proposed Disposal"), the Proposed Disposal was subsequently completed. Subsequent thereto, the Corporation's equity interest in FVSB stood at 20% and FVSB has since ceased to be a subsidiary of the Corporation.

(b) Based on the Notice of Formalization of Withdrawal of MISC from Nikorma Transport Limited ("Nikorma") dated 16 April 2021, Nikorma had completed the filings at the Nigerian Corporate Affairs Commission to formalize exit of MISC Berhad ("MISC") from Nikorma as per MISC's notice of withdrawal dated 4 June 2015. MISC's withdrawal from Nikorma was made effective from 19 June 2015 and Nikorma has since ceased to be an associate company of MISC.

(c) On 19 April 2021, the Corporation has been notified by its joint venture counterpart that MISC Shipping Services UAE (LLC), a 49%-owned joint venture company of MISC Agencies Sdn. Bhd., a wholly owned subsidiary of the Corporation, had completed its liquidation process.

(d) Pursuant to a Shareholders' Agreement entered into between the Corporation, Magellan X Pte. Ltd. ("Magellan X"), BCG Digital Ventures, an operating division of The Boston Consulting Group, Inc. ("BCGDV") and SOL-X Pte. Ltd. ("SOL-X"), SOL-X, then an indirect wholly-owned subsidiary of the Corporation, had on 1 April 2021 issued 200,000 Series A Shares to The Boston Consulting Group, Inc. Subsequent thereto, SOL-X became an 87.5%-owned subsidiary of the Corporation via Magellan X. Magellan X is wholly-owned by Magellan X Holdings (L) Pte. Ltd., a wholly-owned subsidiary of the Corporation.

(e) Pursuant to a Shareholders' Agreement entered into between the Corporation, Magellan X Pte. Ltd. ("Magellan X"), BCG Digital Ventures, an operating division of The Boston Consulting Group, Inc. ("BCGDV") and CHORD X Pte. Ltd. ("CHORD X"), CHORD X, then an indirect wholly-owned subsidiary of the Corporation, had on 1 April 2021 issued 150,000 Series A Shares to The Boston Consulting Group, Inc. Subsequent thereto, CHORD X became an 88.5%-owned subsidiary of the Corporation via Magellan X. Magellan X is wholly-owned by Magellan X Holdings (L) Pte. Ltd., a wholly-owned subsidiary of the Corporation.

(f) Pursuant to a Shareholders' Agreement entered into between the Corporation, Magellan X Pte. Ltd. ("Magellan X"), BCG Digital Ventures, an operating division of The Boston Consulting Group, Inc. ("BCGDV") and Spares CNX Pte. Ltd. ("Spares CNX"), Spares CNX, then an indirect wholly-owned subsidiary of the Corporation, had on 1 April 2021 issued 160,000 Series A Shares to The Boston Consulting Group, Inc. Subsequent thereto, Spares CNX became an 89%-owned subsidiary of the Corporation via Magellan X. Magellan X is wholly-owned by Magellan X Holdings (L) Pte. Ltd., a wholly-owned subsidiary of the Corporation.

A7. SEGMENT REPORT

Segmental analysis for the current financial period is as follows:

	LNG Asset Solutions	Petroleum & Product Shipping	Offshore Business	Marine & Heavy Engineering	Others, Eliminations and Adjustments		Total
	RM million	RM million	RM million	RM million	RM million		RM million
Revenue							
External sales	1,376.2	1,582.0	1,247.0	613.1	76.4		4,894.7
Inter-segment	-	0.3	16.1	32.9	(49.3)		-
	1,376.2	**1,582.3**	**1,263.1**	**646.0**	**27.1**	*	**4,894.7**
Operating profit/(loss)	**594.5**	**246.4**	**426.1**	**(128.2)**	**(48.0)**	**	**1,090.8**

* 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	
	2021 RM million	2020 RM million	2021 RM million	2020 RM million
Finance income	11.5	17.8	23.6	63.5
Other income	207.6	21.8	230.3	44.8
Finance costs	(97.9)	(100.5)	(191.0)	(196.3)
Depreciation of ships, offshore floating assets and other property, plant and equipment	(469.6)	(532.1)	(965.5)	(1,054.3)
Amortisation of prepaid lease payments	(1.8)	(1.8)	(3.7)	(3.7)
Amortisation of intangibles	(5.5)	(1.4)	(5.9)	(2.9)
Write off of ships, property, plant and equipment	(0.1)	(0.1)	(0.1)	(0.1)
Gain on disposal of ships	4.0	21.6	4.0	21.6
Impairment of non current assets	(42.0)	(306.0)	(66.6)	(306.0)
Loss from deconsolidation of a subsidiary	(2.3)	-	(2.3)	-
Impairment loss on receivables	(43.7)	(24.0)	(52.2)	(26.9)
Bad debts written back/(written off)	-	0.9	(0.2)	-
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 investments	1.8	3.6	5.5	(2.5)
Changes in fair value of hedging derivatives	0.4	-	0.6	-
Writeback/(write off) of impairment loss on finance lease receivables and trade receivables	2.6	(2.0)	3.6	7.3
Net realised foreign exchange loss	(1.0)	(8.8)	(17.2)	(7.8)
Net unrealised foreign exchange (loss)/gain	(1.5)	(25.2)	18.8	19.5

A10. SHIPS, OFFSHORE FLOATING ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT

Included in ships, offshore floating assets and other property, plant and equipment are construction work-in-progress, mainly for the construction of ships totalling RM2,172.8 million (31 December 2020: RM2,229.6 million) and right-of-use assets amounting to RM189.5 million (31 December 2020: RM229.9 million).

A11. INTANGIBLE ASSETS

	Goodwill	Other Intangible Assets	Total
	RM million	RM million	RM million
Cost			
At 1 January 2020	**982.1**	**212.7**	**1,194.8**
Currency translation differences	(15.6)	-	(15.6)
At 31 December 2020	**966.5**	**212.7**	**1,179.2**
Addition	-	218.3	218.3
Deconsolidation of a subsidiary	(0.2)	-	(0.2)
Currency translation differences	27.7	2.8	30.5
At 30 June 2021	**994.0**	**433.8**	**1,427.8**
Accumulated amortisation and impairment			
At 1 January 2020	**162.5**	**191.6**	**354.1**
Amortisation	-	5.9	5.9
At 31 December 2020	**162.5**	**197.5**	**360.0**
Amortisation	-	5.9	5.9
At 30 June 2021	**162.5**	**203.4**	**365.9**
Net carrying amount			
At 1 January 2020	**819.6**	**21.1**	**840.7**
At 31 December 2020	**804.0**	**15.2**	**819.2**
At 30 June 2021	**831.5**	**230.4**	**1,061.9**

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 2020.

A12. INVENTORIES

The Group did not recognise any write-down of inventories and reversal of inventories during the quarter ended 30 June 2021.

A13. CASH, DEPOSITS AND BANK BALANCES

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

	30 June 2021	31 December 2020
	RM million	RM million
Cash with PETRONAS Integrated Financial Shared Service Centre *	4,074.1	4,023.3
Cash and bank balances	2,245.7	1,840.1
Deposits with licensed banks	428.3	991.6
Total cash, deposits and bank balances	**6,748.1**	**6,855.0**

* 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 total cash, deposits and bank balances is the retention account of RM945.0 million (31 December 2020: RM1,303.4 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 30 June 2021				
Financial Assets				
Quoted investments	46.2	-	-	46.2
Unquoted investments	-	-	65.6	65.6
Forward currency contracts	-	0.9	-	0.9
Interest rate swaps designated as hedging instruments	-	51.3	-	51.3
	46.2	**52.2**	**65.6**	**164.0**
Financial Liabilities				
Forward currency contracts	-	(2.2)	-	(2.2)
Interest rate swaps designated as hedging instruments	-	(330.6)	-	(330.6)
	-	**(332.8)**	**-**	**(332.8)**

	Level 1 RM million	Level 2 RM million	Level 3 RM million	Total RM million
At 31 December 2020				
Financial Assets				
Quoted investments	40.7	-	-	40.7
Unquoted investments	-	-	63.5	63.5
	40.7	**-**	**63.5**	**104.2**
Financial Liabilities				
Forward currency contracts	-	(19.2)	-	(19.2)
Interest rate swaps designated as hedging instruments	-	(519.5)	-	(519.5)
	-	**(538.7)**	**-**	**(538.7)**

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 2021.

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 2021 RM million	31 December 2020 RM million
Short Term Borrowings		
Secured	2,138.5	1,478.5
Unsecured	2,143.1	342.4
Lease liabilities	145.8	184.6
	4,427.4	2,005.5
Long Term Borrowings		
Secured	10,665.5	10,977.5
Unsecured	-	292.7
Lease liabilities	140.7	164.7
	10,806.2	11,434.9
Total	**15,233.6**	**13,440.4**

ii) Foreign borrowings in United States Dollar equivalent as at 30 June 2021 is as follows:

	RM million
United States Dollar Borrowings	14,822.9

A17. DIVIDENDS PAID

The Corporation paid the following dividends in the period ended 30 June 2021 and 31 December 2020:

	30 June 2021 RM million	31 December 2020 RM million
In respect of the financial year ended 31 December 2019:		
Fourth tax exempt dividend of 9.0 sen per share paid on 17 March 2020	-	401.7
Special tax exempt dividend of 3.0 sen per share paid on 17 March 2020	-	133.9
In respect of the financial year ended 31 December 2020:		
First tax exempt dividend of 7.0 sen per share paid on 9 June 2020	-	312.5
Second tax exempt dividend of 7.0 sen per share paid on 15 September 2020	-	312.5
Third tax exempt dividend of 7.0 sen per share paid on 15 December 2020	-	312.5
Fourth tax exempt dividend of 12.0 sen per share paid on 16 March 2021	535.6	-
In respect of the financial year ending 31 December 2021:		
First tax exempt dividend of 7.0 sen per share paid on 9 June 2021	312.5	-

A18. CAPITAL COMMITMENTS

	30 June 2021 RM million	31 December 2020 RM million
Approved and contracted for:		
Group	4,382.5	6,637.5
	4,382.5	6,637.5

A19. CONTINGENT LIABILITIES

Contingent liabilities of the Group as at 30 June 2021 comprise the following:

	RM million
Performance bonds on contract and bank guarantees extended to customers	497.0

A20. SUBSEQUENT MATERIAL EVENTS

On 23 July 2021, the Arbitral Tribunal announced its decision on the arbitration proceedings initiated by Kebabangan Petroleum Operating Company Sdn Bhd ("KPOC") against the Corporation's subsidiary, Malaysia Marine and Heavy Engineering Sdn Bhd ("MMHE"). Details of the arbitration proceedings and the decision by the Arbitral Tribunal are disclosed in Section B7 of this announcement.

B1. REVIEW OF GROUP PERFORMANCE

	Quarter Ended 30 June		Cumulative 6 Months Ended 30 June	
	2021	**2020**	**2021**	**2020**
	RM million	**RM million**	**RM million**	**RM million**
Revenue				
LNG Asset Solutions	690.5	692.0	1,376.2	1,387.9
Petroleum & Product Shipping	787.2	1,090.1	1,582.3	2,318.1
Offshore Business	567.1	230.8	1,263.1	468.9
Marine & Heavy Engineering	302.5	155.2	646.0	501.7
Others, Eliminations and Adjustments	6.5	18.2	27.1	23.5
Total Revenue	**2,353.8**	**2,186.3**	**4,894.7**	**4,700.1**
Operating Profit/(Loss)				
LNG Asset Solutions	293.6	352.5	594.5	714.2
Petroleum & Product Shipping	212.0	201.8	246.4	538.3
Offshore Business	186.8	134.3	426.1	294.5
Marine & Heavy Engineering	(26.3)	(100.2)	(128.2)	(94.6)
Others, Eliminations and Adjustments	(39.1)	(65.5)	(48.0)	(84.4)
Total Operating Profit	**627.0**	**522.9**	**1,090.8**	**1,368.0**
Impairment of non current assets	(42.0)	(306.0)	(66.6)	(306.0)
Loss from deconsolidation of a subsidiary	(2.3)	-	(2.3)	-
Gain on disposal of ships	3.6	21.6	4.0	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	(97.9)	(100.5)	(191.0)	(196.3)
Share of profit of joint ventures and an associate	46.3	48.0	105.5	137.7
Profit/(Loss) Before Tax	**534.7**	**186.0**	**940.4**	**(959.4)**

Current quarter's performance against the quarter ended 30 June 2020

Group revenue of RM2,353.8 million was RM167.5 million or 7.7% higher than the quarter ended 30 June 2020 ("corresponding quarter") revenue of RM2,186.3 million, while Group operating profit of RM627.0 million was RM104.1 million or 19.9% higher than the corresponding quarter's profit of RM522.9 million. The variances in Group performance by segments are further explained below.

LNG Asset Solutions

Revenue of RM690.5 million was RM1.5 million or 0.2% lower than the corresponding quarter's revenue of RM692.0 million despite higher earning days following deliveries of six Very Large Ethane Carriers ("VLEC") since the fourth quarter of 2020 due to translational impact from strengthening of Ringgit Malaysia ("RM") against the United States Dollar ("USD").

Operating profit of RM293.6 million was RM58.9 million or 16.7% lower than the corresponding quarter's profit of RM352.5 million, mainly due to higher vessel operating costs and impairment on receivables in the current quarter.

Petroleum & Product Shipping

Revenue of RM787.2 million was RM302.9 million or 27.8% lower than the corresponding quarter's revenue of RM1,090.1 million resulting from lower freight rates in the current quarter and lower earning days from vessel disposals and redeliveries since last year.

Operating profit of RM212.0 million was RM10.2 million or 5.1% higher than corresponding quarter's profit of RM201.8 million, mainly due to a one-off compensation for a contract renegotiation which has offset the impact of lower freight rates and lower earning days due to vessel disposals and redeliveries in the current quarter.

Offshore Business

Revenue of RM567.1 million was RM336.3 million or more than 100% higher than the corresponding quarter's revenue of RM230.8 million mainly from the recognition of revenue from conversion of a Floating, Production, Storage and Offloading ("FPSO") in this quarter.

The increase in operating profit by RM52.5 million or 39.1% is mainly due to the abovementioned higher revenue.

Marine & Heavy Engineering

Revenue of RM302.5 million was RM147.3 million or 94.9% higher than the corresponding quarter's revenue of RM155.2 million as the corresponding quarter's activities were affected by the yard shutdown during the Movement Control Order ("MCO") 1.0.

Marine & Heavy Engineering segment reported an operating loss of RM26.3 million compared to RM100.2 million loss in the corresponding quarter mainly due to additional cost provision associated with the COVID-19 pandemic recognised in the corresponding quarter.

Others, Eliminations and Adjustments

Others segment recorded an operating loss of RM39.1 million as compared to corresponding quarter's loss of RM65.5 million, mainly due to lower net foreign exchange loss recognised in the current quarter.

The Group also recorded lower impairment on non current assets of RM42.0 million in the current quarter compared to RM306.0 million in the corresponding quarter. The impairment loss in the corresponding 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.

Current 6 months period performance against the 6 months period ended 30 June 2020

Group revenue of RM4,894.7 million was RM194.6 million or 4.1% higher than RM4,700.1 million revenue for the 6-month period ended 30 June 2020 ("corresponding period"). Group operating profit of RM1,090.8 million was RM277.2 million or 20.3% lower than the corresponding period's profit of RM1,368.0 million. The variances in Group performance by segments are further explained below.

LNG Asset Solutions

Revenue of RM1,376.2 million was RM11.7 million or 0.8% lower than the corresponding period's revenue of RM1,387.9 million despite higher earning days following deliveries of six Very Large Ethane Carriers ("VLEC") since the fourth quarter of 2020 due to translational impact from strengthening of Ringgit Malaysia ("RM") against the United States Dollar ("USD").

Operating profit of RM594.5 million was RM119.7 million or 16.8% lower than the corresponding period's profit of RM714.2 million, mainly due to higher vessel operating costs and impairment on receivables during the period.

Petroleum & Product Shipping

Revenue of RM1,582.3 million was RM735.8 million or 31.7% lower than the corresponding period's revenue of RM2,318.1 million, mainly from lower freight rates in the current period and lower earning days from vessel disposals and redeliveries since last year.

Operating profit of RM246.4 million was RM291.9 million or 54.2% lower compared to corresponding period's profit of RM538.3 million, mainly from lower margin on freight rates in the current period and lower earning days from vessel disposals and redeliveries since last year. However, the reduction in profit was softened by the one-off compensation for a contract renegotiation in the current period.

Offshore Business

Revenue of RM1,263.1 million was RM794.2 million or more than 100% higher than the corresponding period's revenue of RM468.9 million mainly from the recognition of revenue from conversion of an FPSO in this period.

The increase in operating profit by RM131.6 million or 44.7% is mainly due to the abovementioned higher revenue.

Marine & Heavy Engineering

Revenue of RM646.0 million was RM144.3 million or 28.8% higher than the corresponding period's revenue of RM501.7 million as the prior period was impacted by the yard shutdown during MCO 1.0.

Operating loss of RM128.2 million was RM33.6 million or 35.5% higher compared to operating loss of RM94.6 million in the corresponding period mainly due to additional cost provision recognised for an on-going project during the current period.

Others, Eliminations and Adjustments

Others segment posted an operating loss for the period of RM48.0 million as compared to corresponding period's loss of RM84.4 million mainly due to lower unallocated corporate expenses in the current period.

In the corresponding period, the Group recorded a provision for litigation claims of RM1,049.2 million and write off of trade receivables and loss on re-measurement of finance lease receivables of RM935.2 million following the decision by the Arbitration Tribunal on the Group's arbitration proceeding against Sabah Shell Petroleum Company Limited ("SSPC").

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

GROUP	Quarter Ended 30 June 2021 RM million	Quarter Ended 31 March 2021 RM million
Revenue	**2,353.8**	**2,540.9**
Operating Profit	**627.0**	**463.8**
Impairment of non current assets	(42.0)	(24.6)
Loss from deconsolidation of a subsidiary	(2.3)	-
Gain on disposal of ships	3.6	0.4
Finance costs	(97.9)	(93.1)
Share of profit of joint ventures and an associate	46.3	59.2
Profit Before Tax	**534.7**	**405.7**

Group revenue of RM2,353.8 million was RM187.1 million or 7.4% lower than the preceding quarter's revenue of RM2,540.9 million, mainly due to lower recognition of revenue from conversion of an FPSO as well as lower revenue in the Marine & Heavy Engineering segment in the current quarter.

Group operating profit of RM627.0 million was RM163.2 million or 35.2% higher than the preceding quarter's profit of RM463.8 million, mainly from a one-off compensation for a contract renegotiation in the Petroleum & Product Shipping segment in the current quarter.

B3. GROUP CURRENT YEAR PROSPECTS

In the LNG shipping market, spot charter rates rebounded in April and May 2021, earlier than the usual seasonal pick-up ahead of winter as seen in previous years. The pick-up in charter rates was mainly contributed by the strong restocking demand in Europe due to the extended winter and charterers securing vessels early to provide coverage for the expected restocking of gas for the coming winter. LNG shipping rates are expected to remain firm in the short term, sustained by robust vessel demand for LNG imports into Asia, Europe, and South America. As most of the Group's LNG carriers are on long-term charters including the six VLECs, the LNG Asset Solutions segment revenue is expected to remain steady. In the meantime, the segment will pursue growth opportunities selectively in the market.

The petroleum shipping market remains depressed with freight rates still under pressure from vessel oversupply amid the continuing COVID-19 pandemic. In the short term, the tanker market outlook continues to face challenges due to the new outbreaks of COVID-19 infections and re-imposition of restrictions on mobility and business activities in Asia, Latin America, the Middle East and Africa. Nonetheless, there is a ray of positivity for the tanker industry with the OPEC+ alliance reaching a belated consensus to increase oil production by 400,000 barrels per day each month from August 2021 continuing into 2022, which will help ease a looming oil supply squeeze. The medium-term prospects remain positive, with oil demand picking up in tandem with a more broad-based economic recovery as normalcy gradually returns to the globe.

As the oil price reached its highest level in more than two years on the back of optimism over oil demand recovery, this bodes well for the prospects of a gradual improvement in the oil and gas sector, including the global offshore exploration and production space. For the time being, the Offshore Business segment aims to focus on the execution of the new FPSO project in hand. Nevertheless, the segment will continue to monitor the market for the next major project as and when the right opportunity arises. In the meantime, the existing portfolio of long-term contracts will continue to underpin the financial performance of the Offshore Business segment.

The Marine & Heavy Engineering segment continues to be cautiously optimistic on future business prospects despite the oil and gas industry showing signs of recovery. The Marine business prospects are expected to continue to be impacted by the nation's prevailing stringent border restrictions as foreign clients continue to opt for shipyards in countries with lower COVID-19 cases and more relaxed border restrictions. Meanwhile, the segment remains committed to replenishing its order book and optimising its operating costs along with ensuring safe execution and delivery of ongoing projects on time and on budget.

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 2021 RM million	Cumulative 6 Months Ended 30 June 2021 RM million
Taxation for the period comprises the following charge:		
Income tax charge		
- current period	(12.7)	(21.4)
- prior year	2.4	2.3
Deferred taxation	(0.3)	(1.6)
	(10.6)	(20.7)

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 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.

In respect of the imposition of tonnage fee, MoF has indicated in their letter that if MoT fails to start imposing tonnage fee from 1 January 2022, the 100% tax exemption will be reverted to 70% from YA2022.

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 2021.

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 USD 88,791,006.17 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 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 was 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 and Injunction NOA

On 6 October 2020, GKL withdrew the Injunction NOA on the basis that a statutory stay of enforcement is automatically imposed on SSPC upon GKL's application to set aside SSPC's Award enforcement.

On 9 October 2020, the Court gave further directions for Parties' to exchange affidavits which have been duly exhausted.

Additionally, GKL had filed an interim application preventing SSPC from enforcing the Award prior to the determination of the Setting Aside OS. This application is now fixed for hearing on 16 August 2021, despite attempts made to try and secure an earlier hearing date.

GKL's substantive Setting Aside OS is fixed for hearing thereafter on 20 and/or 25 October 2021.

<u>SSPC's *ex-parte* application for enforcement of the Award</u>

There is an interim expungement application filed by SSPC which was partially heard on 9 August 2021. This application is fixed for continued hearing on 9 September 2021.

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. The arbitral tribunal for both arbitration proceedings have now been constituted respectively and parties are in the midst of finalising the terms of appointment.

<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 filed an appeal to the Court of Appeal ("CA") against this decision which was heard on 12 April 2021. The CA set aside the stay application granted by the High Court and instead imposed a conditional stay on PCPP wherein PCPP is required to deposit a sum of USD7,766,549.61 into a joint account held by both parties' solicitors within 30 days, failing which MOMPL will be able to proceed with the full hearing in the High Court action against PCPP. PCPP failed to make any such deposit and therefore the Originating Summons was reinstated in the High Court at MOMPL's request. Once the exchange of affidavits has been exhausted by both parties, the High Court is likely to fix a hearing date.

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 ("PCSB's Striking Out Application") and stay the proceedings pending the disposal of the arbitration proceedings ("PCPP's Stay Application") which were allowed on 26 October 2018 and 11 December 2018 respectively. MOMPL appealed against both decisions to the Court of Appeal.

10. MOMPL's appeal against PCSB's Striking Out Application by the High Court 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. On 18 August 2020, the Federal Court dismissed MOMPL's appeal.

11. MOMPL's appeal against PCPP's Stay Application by the High Court was heard by the Court of Appeal on 19 June 2020. The Court of Appeal has set aside the stay against the shareholders i.e. PCSB, PPHE and PVEP, whilst the stay against PCPP is affirmed. Pursuant to this decision, MOMPL has proceeded to serve the cause papers out of jurisdiction on PPHE and PVEP. PVEP has failed to respond to MOMPL's claim and therefore MOMPL has applied for a summary judgment to be made against PVEP. PPHE has filed an application to challenge the service of the cause papers in Indonesia which was partially heard on 11 August 2021. The Judge has directed for both parties to submit further written submissions on some of the key issues and has fixed a further hearing date on 24 September 2021.

(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")

The Group refers to Material Litigation status provided previously and would like to update that the Parties to the Arbitration have executed a Settlement Agreement on 8 March 2021. The salient terms of the Settlement Agreement are as follows:

1. EAT shall pay as full and final settlement an amount of USD25.5 million in instalments.

2. This amount of USD25.5 million however may revert to the original amount under the Arbitration award i.e. USD29,520,172.65 and costs in the sum of RM4,686,398.16 should EAT default on any of the instalments as agreed.

3. Sindora Berhad, EAT's parent company has also provided a Corporate Guarantee as a surety to EAT's compliance to the terms of the Settlement Agreement.

As part of the settlement, the parties also agreed to withdraw and have since withdrawn all pending Court actions, namely, actions which commenced post-Adjudication Decision dated 27 May 2019, post Adjudication Decision dated 2 December 2019 and post Final Award dated 10 November 2020.

The settlement sum is not expected to result in significant material upside or profit to the Group.

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

MMHE had on 13 March 2019 received a notice of arbitration from KPOC in relation to claims arising from the Kebabangan ("KBB") field project. KPOC claims that MMHE was and is in breach of the contract in respect of the appointed supplier of the valves per the contract. The actual valves procured were claimed to be defective and thus KPOC has suffered substantial loss and damage.

Pursuant to the Statement of Claim by KPOC dated 13 October 2019, total claims of approximately RM93.1 million were made in relation to loss and damage in respect of the valves procured by MMHE. This amount was later reduced to RM58.9 million following clarification with the Arbitration tribunal.

MMHE had on 3 August 2021 received via its solicitors Messrs Mohanadass Partnership the Final Award dated 23 July 2021 issued by the Arbitral Tribunal. The Arbitral Tribunal has dismissed all of KPOC's claim for loss of revenue in the sum of RM28,030,905.80. However, the Arbitral Tribunal has also ordered that MMHE shall pay KPOC the following:-

a) The sum of RM17,241,178.02 as damages for the costs expenses incurred by KPOC for assessment, procurement and replacement of valves in the period of 2016 to 2019, together with interest at the rate of 5% per annum from 11 October 2019 to the day of payment;

b) The sum of RM9,820,770.00 as damages suffered by KPOC in having to procure 1,365 valves and install 1,454 valves in the future, together with interest at the rate of 5% per annum from 11 October 2019 till the date of payment; and

c) The sum of RM1,029,167.25 for its legal fees and expenses.

The Final Award will not have any impact on the operation of MMHE. The total financial impact arising from the Final Award would be RM28,091,115.27 being the total of amounts in paragraphs (a), (b) and (c) above excluding any interest imposed thereof.

MMHE is advised that it has legal grounds to challenge the Final Award and is considering further action.

v) Boskalis Malaysia Sdn Bhd ("BMSB") and Malaysia Marine and Heavy Engineering Sdn Bhd ("MMHE")

MMHE had on 16 March 2021 received a Notice of Arbitration from BMSB in relation to claims arising from Subcontract No. 3900006700 ("Subcontract") for the Transportation and Installation (T&I) Works for Topside Float Over for Bokor CPP Project.

Pursuant to the Subcontract, BMSB, amongst others, was required to make available a vessel ("Vessel") for the load out of the Topside based on an agreed schedule.

In the Notice of Arbitration, BMSB claims that there was a delay in the load out exercise and that it had allegedly incurred demurrage and standby costs ("Alleged Costs") as a result of the delay. BMSB seeks the Alleged Costs, in the amount of USD11,954,475.00, together with interest and costs (collectively, "Claims").

MMHE disputes the Claims and maintains that MMHE has fully observed the provisions of the Subcontract at all times. BMSB's Claims are not consistent with the Subcontract and/or in law.

Further, the events and circumstances during the Claim Period were fully known to BMSB and there was no delay on MMHE's part during the said period that will entitle BMSB to any compensation.

MMHE will vigorously defend the Claims.

In terms of status of the Arbitration, MMHE has filed its Response to the Notice of Arbitration on 14 April 2021. On 17 May 2021, the Asian International Arbitration Centre (AIAC) confirmed the appointment of two (2) arbitrators; who subsequently nominated a third (3rd) arbitrator on 9 June 2021. However, the matter was put on hold as at 8 July 2021, as both parties are looking into a possible settlement which is expected to be concluded in August 2021.

The Group is of the view that it has a fair chance to defend against BMSB's claims and therefore has not made full provision 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 2021 amounting to RM312.5 million. The proposed dividend will be paid on 14 September 2021 to shareholders registered at the close of business on 30 August 2021.

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 30 August 2021 in respect of Ordinary Transfers; and
ii) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of Bursa Malaysia Securities Berhad.

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 2021 are as follows:

Contract/Tenure	Notional Value RM million	Fair Value as at 30 June 2021 RM million
Foreign currency contracts		
1 year to 3 years	508.3	(1.3)
	508.3	(1.3)
Interest rate swaps		
1 year to 3 years	800.1	(14.4)
More than 3 years	10,345.8	(264.9)
	11,145.9	(279.3)

During the current quarter ended 30 June 2021, the Group had entered into IRS arrangements 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 2020:

(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 2021, the Group does not have any material 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	
	2021	2020	2021	2020
Basic earnings/(loss) per share are computed as follows:				
Profit/(loss) for the period attributable to equity holders of the Corporation (RM million):	538.8	299.5	968.6	(857.3)
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)	12.1	6.7	21.7	(19.2)

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

B12. IMPACT OF COVID-19 PANDEMIC

For the LNG Asset Solutions segment, the majority of its vessels are on long-term time charter and the charter contracts remain intact. These long-term charter contracts underwrite its stable financial performance although there were some off hire days due to the pandemic in the current quarter and the period to-date.

Freight rates for crude tankers continue to be under pressure mainly due to weak global oil demand impacted by the pandemic, affecting the performance of the Petroleum & Product Shipping segment during the quarter and the period to-date.

Both the LNG and Petroleum segments had recorded an increase in their ship operating costs arising from the pandemic, mainly relating to quarantine and crew change activities.

The Offshore Business segment's assets are all on long-term charter contracts which support its stable financial performance for the quarter. Although there had been a temporary disruption to the operation of one of the jointly owned assets due to positive COVID-19 cases on-board, the segment has continued to earn its charter income. The segment also incurred additional operating costs due to the pandemic, mainly for quarantine, crew change and support activities.

The Marine & Heavy Engineering business segment's financial performance for the quarter and period to-date continues to be affected by the pandemic. There has been a major disruption to the Marine sub-segment as the country's prevailing border restrictions continue to adversely impact the business' competitiveness against the neighbouring yards. Although MCO 3.0 had not affected yard operations as much, the constraints under the "new normal" still had an impact on the Heavy Engineering sub-segment's operational performance as productivity has yet to reach pre-pandemic levels. To mitigate the adverse impact, the Group will continue to rigorously pursue recovery of COVID-19 costs from clients.

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

Although there have been off hire days and increase in operating costs, the COVID-19 pandemic has not materially affected the financial performance, financial position, cash flows and liquidity of LNG Asset Solutions and Offshore Business segments in the year to date.

However, the financial performance of the Petroleum & Product Shipping segment for the quarter was affected by the lower tanker freight rates, while the Marine & Heavy Engineering segment was affected by the on-going government-imposed border restrictions as explained above. The Marine & Heavy Engineering segment also recognised an impairment loss of RM7.9 million in the current period that was attributable to the prolonged downturn in the offshore support vessel market due to the COVID-19 pandemic.

In terms of cash flow and liquidity, the Group has not experienced any major delinquencies in its receivables account relating to the COVID-19 pandemic.

The Group's financial position remains healthy at the end of the current quarter with cash balance of RM6,748.1 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.

Impact on the Group's business and earning prospects

Other than Petroleum & Product Shipping and Marine & Heavy Engineering segments, the other core businesses' performances have remained relatively steady and are not expected to be significantly impacted by COVID-19. This is attributable to the recurring income streams from the portfolio of long-term contracts under the LNG Asset Solutions and Offshore Business segments.

The Petroleum & Product Shipping segment is expected to be affected by low activities and depressed rates in the short term due to the impact of the pandemic. Nevertheless, the medium-term prospects remain positive, with oil demand expected to rise in tandem with the economic recovery as normalcy gradually returns to the globe.

The Marine & Heavy Engineering segment continues to be cautious on future business prospects despite pockets of recovery for the oil and gas industry. The Marine business prospects continue to be impacted by the nation's prevailing stringent border restrictions as foreign clients continue to favor shipyards in countries with lower COVID-19 cases and more relaxed border restrictions.

Going forward, the Group continues to emphasise on completing ongoing projects, optimizing operating expenditure and pursuing growth prospects on a selective basis.

COVID-19 health and safety measures

The Group remains vigilant and has continuously implemented all necessary COVID-19 mitigation measures in accordance with Standard Operating Procedures ("SOPs") issued by the Ministry of Health Malaysia and regulators of home countries where we operate such as physical 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 sanitization. All staff are advised to work from home and only essential staff are permitted to work from office with approval from the Business Head.

Continuous advisories were sent out to the Group staff on strict adherence to the SOPs. Online programs were also carried out to ensure employees mental wellness and wellbeing.

In addition, staff returning from international business travel or red zones within the country are required to undergo COVID-19 RT-PCR test prior to returning to work. All ships and offshore crew are also required to undergo COVID-19 RT-PCR testing during sign-on and sign-off (joining & leaving the vessel).

For suspected and positive cases at workplace within the Group, there are SOPs established to follow through and render assistance accordingly.

By Order of the Board