MISC BERHAD

(Registration No. 196801000580 (8178-H))

Unaudited Condensed Consolidated Income Statement

For The Period Ended 31 March 2022

	Quarter Ended 31 March		Cumulative 3 Months Ended 31 March	
	2022	2021	2022	2021
	RM million	RM million	RM million	RM million
Revenue	2,867.6	2,540.9	2,867.6	2,540.9
Cost of sales	(2,209.7)	(1,874.9)	(2,209.7)	(1,874.9)
GROSS PROFIT	**657.9**	**666.0**	**657.9**	**666.0**
Other operating income	81.1	65.0	81.1	65.0
General and administrative expenses	(222.1)	(267.2)	(222.1)	(267.2)
OPERATING PROFIT	**516.9**	**463.8**	**516.9**	**463.8**
Impairment of non current asset	-	(24.6)	-	(24.6)
Gain on disposal of ships	3.8	0.4	3.8	0.4
Finance costs	(152.9)	(93.1)	(152.9)	(93.1)
Share of profit of an associate	1.3	-	1.3	-
Share of profit of joint ventures	17.5	59.2	17.5	59.2
PROFIT BEFORE TAX	**386.6**	**405.7**	**386.6**	**405.7**
Taxation	(11.6)	(10.1)	(11.6)	(10.1)
PROFIT AFTER TAX	**375.0**	**395.6**	**375.0**	**395.6**
PROFIT ATTRIBUTABLE TO:				
Equity holders of the Corporation	376.4	429.8	376.4	429.8
Non-controlling interests	(1.4)	(34.2)	(1.4)	(34.2)
PROFIT AFTER TAX	**375.0**	**395.6**	**375.0**	**395.6**
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE CORPORATION (SEN)	8.4	9.6	8.4	9.6

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2021.

MISC BERHAD

(Registration No. 196801000580 (8178-H))

Unaudited Condensed Consolidated Statement of Comprehensive Income

For The Period Ended 31 March 2022

	Quarter Ended 31 March		Cumulative 3 Months Ended 31 March	
	2022	**2021**	**2022**	**2021**
	RM million	**RM million**	**RM million**	**RM million**
PROFIT AFTER TAX	**375.0**	**395.6**	**375.0**	**395.6**
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified to profit or loss in subsequent periods:				
Cash flow hedges:				
Fair value gain				
Group	495.8	325.3	495.8	325.3
Joint ventures	45.2	22.4	45.2	22.4
Gain on currency translation *	236.0	964.1	236.0	964.1
Total other comprehensive income	**777.0**	**1,311.8**	**777.0**	**1,311.8**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,152.0**	**1,707.4**	**1,152.0**	**1,707.4**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the Corporation	1,128.0	1,715.2	1,128.0	1,715.2
Non-controlling interests	24.0	(7.8)	24.0	(7.8)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,152.0**	**1,707.4**	**1,152.0**	**1,707.4**

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

	2022	**2021**	**2020**
As at 31 March	4.20300	4.15300	4.32750
As at 31 December	-	4.17400	4.02850

MISC BERHAD

(Registration No. 196801000580 (8178-H))

Unaudited Condensed Consolidated Statement of Financial Position

As at 31 March 2022

	31 March 2022 RM million	31 December 2021 RM million
NON CURRENT ASSETS		
Ships	21,836.6	21,496.3
Offshore floating assets	25.6	25.5
Other property, plant and equipment	1,771.6	1,890.0
Prepaid lease payments on land and buildings	203.7	205.5
Finance lease receivables	15,209.7	15,439.5
Investments in associates	22.3	21.0
Investments in joint ventures	1,107.0	1,047.5
Other non current financial assets	3,938.8	3,289.2
Derivative assets	409.6	103.0
Intangible assets	1,080.1	1,060.9
Deferred tax assets	101.0	101.9
	45,706.0	**44,680.3**
CURRENT ASSETS		
Inventories	128.8	120.1
Finance lease receivables	1,382.0	1,347.5
Trade and other receivables	3,532.6	3,355.3
Cash, deposits and bank balances	5,618.2	7,952.3
Amounts due from related companies	28.8	21.1
Amounts due from associates	0.8	14.1
Amounts due from joint ventures	3.3	16.4
Non current assets classified as held for sale	14.3	14.3
	10,708.8	**12,841.1**
TOTAL ASSETS	**56,414.8**	**57,521.4**
EQUITY		
Share capital	8,923.3	8,923.3
Treasury shares	(0.3)	(0.3)
Reserves	7,405.3	6,653.7
Retained profits	18,426.9	18,586.1
Equity attributable to equity holders of the Corporation	**34,755.2**	**34,162.8**
Non-controlling interests	786.2	762.2
TOTAL EQUITY	**35,541.4**	**34,925.0**
NON CURRENT LIABILITIES		
Interest bearing loans and borrowings	10,021.2	8,719.7
Deferred income	1,079.3	1,105.0
Deferred tax liabilities	6.0	6.8
Derivative liabilities	22.6	161.2
Other non current liabilities	207.8	176.0
	11,336.9	**10,168.7**
CURRENT LIABILITIES		
Interest bearing loans and borrowings	5,498.3	8,309.3
Trade and other payables	3,956.0	3,998.0
Provision for taxation	28.2	19.9
Amounts due to related companies	7.4	3.3
Amounts due to an associate	14.8	10.7
Amounts due to joint ventures	28.8	29.6
Derivative liabilities	3.0	56.9
	9,536.5	**12,427.7**
TOTAL LIABILITIES	**20,873.4**	**22,596.4**
TOTAL EQUITY AND LIABILITIES	**56,414.8**	**57,521.4**

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2021.

MISC BERHAD

(Registration No. 196801000580 (8178-H))

Unaudited Condensed Consolidated Statement of Cash Flows

For the Period Ended 31 March 2022

	31 March 2022 RM million	31 March 2021 RM million
Cash Flows from Operating Activities:		
Profit before tax	386.6	405.7
Writeback of impairment loss on finance lease receivables and trade receivables	(12.8)	(1.0)
Impairment loss on receivables	6.0	8.5
Bad debts written off	-	0.2
Depreciation of ships, offshore floating assets and other property, plant and equipment	473.8	495.9
Amortisation of prepaid lease payments	1.9	1.9
Impairment of non current asset	-	24.6
Write off of ships, property, plant and equipment	1.4	-
Gain on disposal of ships	(3.8)	(0.4)
Net unrealised foreign exchange loss/(gain)	0.8	(20.3)
Dividend income from equity investments	(0.3)	(0.4)
Interest expense	105.2	88.6
Finance income	(13.1)	(12.1)
Fair value movement in other investments	(4.2)	(3.7)
Changes in fair value of hedging derivatives	(1.4)	(0.2)
Amortisation of intangibles	8.9	0.4
Amortisation of upfront fees for borrowings	47.7	4.5
Share of profit of an associate	(1.3)	-
Share of profit of joint ventures	(17.5)	(59.2)
Operating profit before working capital changes	977.9	933.0
Inventories	(7.9)	3.1
Trade and other receivables	363.3	(448.0)
Trade, other payables and other non current liabilities *	(836.3)	417.9
Deferred income	(33.2)	(28.8)
Cash generated from operations	463.8	877.2
Net tax paid	(2.2)	(3.4)
Net cash generated from operating activities	**461.6**	**873.8**

* The working capital changes in trade, other payables and other non current liabilities include payments for costs relating to the turnkey activities for the conversion of a Floating, Production, Storage and Offloading ("FPSO") facility amounting to RM687.5 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.

	31 March 2022 RM million	31 March 2021 RM million
Cash Flows from Investing Activities:		
Purchase of ships, other property, plant and equipment	(636.6)	(1,773.8)
Investment in a joint venture	-	(0.3)
Proceeds from disposal of ships and offshore floating assets	50.3	55.7
Dividend received from:		
Quoted investments	0.3	0.4
Joint ventures	10.7	45.6
Interest received	4.7	5.3
Net fixed deposit placement	(0.4)	-
Net cash used in investing activities	**(571.0)**	**(1,667.1)**
Cash Flows from Financing Activities:		
Drawdown of term loans and revolving credit	2,454.9	2,040.6
Repayment of term loans and revolving credit	(4,056.1)	(1,175.5)
Repayment of lease liabilities	(40.6)	(55.8)
Dividends paid to the equity holders of the Corporation	(535.6)	(535.6)
Dividends paid to non-controlling interest of subsidiaries	-	(24.5)
Interest paid	(96.7)	(97.8)
Receipt of cash pledged with banks (restricted for use)	415.9	325.7
Net cash (used in)/generated from financing activities	**(1,858.2)**	**477.1**
Net change in cash & cash equivalents	(1,967.6)	(316.2)
Cash & cash equivalents at the beginning of the year	6,994.3	5,545.1
Currency translation difference	43.5	139.2
Cash & cash equivalents at the end of period	**5,070.2**	**5,368.1**
Cash pledged with banks - restricted and deposited with maturity more than 90 days	548.0	1,017.7
Cash, deposits and bank balances	**5,618.2**	**6,385.8**

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2021.

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

Unaudited Condensed Consolidated Statement of Changes in Equity

For the Period Ended 31 March 2022

	Total equity	←			Attributable to equity holders of the Corporation								→	
		Equity attributable to equity holders of the Corporation	Share capital*	Treasury shares	Retained profits	Other reserves, total	Other capital reserve	Capital reserve	Revaluation reserve	Put option 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	RM million
3 MONTHS ENDED 31 MARCH 2022														
At 1 January 2022	**34,925.0**	**34,162.8**	**8,923.3**	**(0.3)**	**18,586.1**	**6,653.7**	**99.3**	**435.2**	**1.4**	**(10.6)**	**3.0**	**(136.4)**	**6,261.8**	**762.2**
Total comprehensive income	1,152.0	1,128.0	-	-	376.4	751.6	-	-	-	-	-	518.8	232.8	24.0
Transactions with owners														
Dividends	(535.6)	(535.6)	-	-	(535.6)	-	-	-	-	-	-	-	-	-
Total transactions with owners	(535.6)	(535.6)	-	-	(535.6)	-	-	-	-	-	-	-	-	-
At 31 March 2022	**35,541.4**	**34,755.2**	**8,923.3**	**(0.3)**	**18,426.9**	**7,405.3**	**99.3**	**435.2**	**1.4**	**(10.6)**	**3.0**	**382.4**	**6,494.6**	**786.2**
3 MONTHS ENDED 31 MARCH 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	1,707.4	1,715.2	-	-	429.8	1,285.4	-	-	-	-	-	330.0	955.4	(7.8)
Transactions with owners														
Liquidation of a joint venture	(0.5)	(0.5)	-	-	-	(0.5)	-	-	-	-	(0.2)	-	(0.3)	-
Dividends	(560.1)	(535.6)	-	-	(535.6)	-	-	-	-	-	-	-	-	(24.5)
Total transactions with owners	(560.6)	(536.1)	-	-	(535.6)	(0.5)	-	-	-	-	(0.2)	-	(0.3)	(24.5)
At 31 March 2021	**34,297.9**	**33,451.9**	**8,923.3**	**(0.3)**	**18,122.0**	**6,406.9**	**99.3**	**435.2**	**1.4**	**-**	**3.0**	**(247.5)**	**6,115.5**	**846.0**

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

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 26 May 2022.

A2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the quarter ended 31 March 2022 have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Main Market 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 2021.

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 2021.

The audited consolidated financial statements of the Group for the year ended 31 December 2021 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 2022 under the Malaysian Financial Reporting Standards (“MFRS”) framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2021 except as disclosed below:

As at 1 January 2022, the Group and the Corporation have adopted the following Amendments to MFRSs that have been issued by the Malaysian Accounting Standards Board (“MASB”):

Effective for annual periods beginning on or after 1 January 2022:

- Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018 - 2020)
- Amendments to MFRS 3: Business Combinations (Reference to the Conceptual Framework)
- Amendments to MFRS 9: Financial Instruments (Annual Improvements to MFRS Standards 2018 - 2020)
- Amendments to MFRS 116: Property, Plant and Equipment (Property, Plant and Equipment−Proceeds before Intended Use)
- Amendments to MFRS 137: Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts−Cost of Fulfilling a Contract)
- Amendments to MFRS 140: Investment Property (Annual Improvements to MFRS Standards 2018 – 2020)
- Amendments to MFRS 141: Agriculture (Annual Improvements to MFRS Standards 2018 - 2020)

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 2021.

A6. CHANGES IN COMPOSITION OF THE GROUP

There was no change in the composition of the Group during the quarter under review.

A7. SEGMENT REPORT

Segmental analysis for the current financial period is as follows:

	Gas Assets & 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	757.7	887.0	770.1	411.9	40.9		2,867.6
Inter-segment	-	0.3	-	5.9	(6.2)		-
	757.7	**887.3**	**770.1**	**417.8**	**34.7**	*	**2,867.6**
Operating profit/(loss)	391.2	32.2	120.8	6.3	(33.6)	**	516.9

* Comprises inter-segment eliminations.

** Comprises other diversified businesses, net foreign exchange differences, interest income, dividend income from quoted investments, corporate expenses, 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	
	2022	2021	2022	2021
	RM million	RM million	RM million	RM million
Finance income	13.1	12.1	13.1	12.1
Other income	42.7	22.7	42.7	22.7
Interest expense	(105.2)	(88.6)	(105.2)	(88.6)
Amortisation of upfront fees for borrowings	(47.7)	(4.5)	(47.7)	(4.5)
Depreciation of ships, offshore floating assets and other property, plant and equipment	(473.8)	(495.9)	(473.8)	(495.9)
Amortisation of prepaid lease payments	(1.9)	(1.9)	(1.9)	(1.9)
Amortisation of intangibles	(8.9)	(0.4)	(8.9)	(0.4)
Write off of ships, property, plant and equipment	(1.4)	-	(1.4)	-
Gain on disposal of ships	3.8	0.4	3.8	0.4
Impairment of non current asset	-	(24.6)	-	(24.6)
Impairment loss on receivables	(6.0)	(8.5)	(6.0)	(8.5)
Bad debts written off	-	(0.2)	-	(0.2)
Fair value gain in other investments	4.2	3.7	4.2	3.7
Changes in fair value of hedging derivatives	1.4	0.2	1.4	0.2
Writeback of impairment loss on finance lease receivables and trade receivables	12.8	1.0	12.8	1.0
Net realised foreign exchange gain/(loss)	3.4	(16.2)	3.4	(16.2)
Net unrealised foreign exchange (loss)/gain	(0.8)	20.3	(0.8)	20.3

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 RM3,241.4 million (31 December 2021: RM3,351.5 million) and right-of-use assets amounting to RM126.7 million (31 December 2021: RM168.9 million).

A11. INTANGIBLE ASSETS

	Goodwill	Other Intangible Assets	Total
	RM million	**RM million**	**RM million**
Cost			
At 1 January 2021	**966.5**	**212.7**	**1,179.2**
Reclassification from property, plant and equipment	-	231.2	231.2
Deconsolidation of a subsidiary	(0.2)	-	(0.2)
Currency translation differences	32.0	1.3	33.3
At 31 December 2021	**998.3**	**445.2**	**1,443.5**
Reclassification from property, plant and equipment	-	20.2	20.2
Currency translation differences	6.4	1.5	7.9
At 31 March 2022	**1,004.7**	**466.9**	**1,471.6**
Accumulated amortisation and impairment			
At 1 January 2021	**162.5**	**197.5**	**360.0**
Amortisation	-	22.6	22.6
At 31 December 2021	**162.5**	**220.1**	**382.6**
Amortisation	-	8.9	8.9
At 31 March 2022	**162.5**	**229.0**	**391.5**
Net carrying amount			
At 1 January 2021	**804.0**	**15.2**	**819.2**
At 31 December 2021	**835.8**	**225.1**	**1,060.9**
At 31 March 2022	**842.2**	**237.9**	**1,080.1**

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 were disclosed in the annual consolidated financial statements for the year ended 31 December 2021.

A12. INVENTORIES

The Group did not recognise any write-down of inventories nor reversal of inventories during the quarter ended 31 March 2022.

A13. CASH, DEPOSITS AND BANK BALANCES

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

	31 March 2022	31 December 2021
	RM million	**RM million**
Cash with PETRONAS Integrated Financial Shared Service Centre *	2,802.2	5,462.4
Cash and bank balances	2,388.6	2,088.1
Deposits with licensed banks	427.4	401.8
Total cash, deposits and bank balances	**5,618.2**	**7,952.3**

* 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 RM530.6 million (31 December 2021: RM941.0 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 2022				
Financial Assets				
Quoted investments	55.2	-	-	55.2
Unquoted investments	-	-	73.1	73.1
Interest rate swaps designated as hedging instruments	-	409.6	-	409.6
	55.2	**409.6**	**73.1**	**537.9**
Financial Liabilities				
Forward currency contracts	-	(3.0)	-	(3.0)
Interest rate swaps designated as hedging instruments	-	(22.6)	-	(22.6)
	-	**(25.6)**	**-**	**(25.6)**

	Level 1 RM million	Level 2 RM million	Level 3 RM million	Total RM million
At 31 December 2021				
Financial Assets				
Quoted investments	51.0	-	-	51.0
Unquoted investments	-	-	72.6	72.6
Interest rate swaps designated as hedging instruments	-	103.0	-	103.0
	51.0	**103.0**	**72.6**	**226.6**
Financial Liabilities				
Forward currency contracts	-	(4.7)	-	(4.7)
Interest rate swaps designated as hedging instruments	-	(213.4)	-	(213.4)
	-	**(218.1)**	**-**	**(218.1)**

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 period ended 31 March 2022.

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 2022 RM million	31 December 2021 RM million
Short Term Borrowings		
Secured	2,257.4	5,726.5
Unsecured	3,146.2	2,448.6
Lease liabilities	94.7	134.2
	5,498.3	8,309.3
Long Term Borrowings		
Secured	7,911.1	7,211.9
Unsecured	2,027.5	1,408.6
Lease liabilities	82.6	99.2
	10,021.2	8,719.7
Total	**15,519.5**	**17,029.0**

ii) Foreign borrowings in United States Dollar equivalent as at 31 March 2022 is as follows:

	RM million
United States Dollar Borrowings	15,066.8

A17. DIVIDENDS PAID

The Corporation paid the following dividends in the period ended 31 March 2022 and year ended 31 December 2021:

	31 March 2022 RM million	31 December 2021 RM million
In respect of the financial year ended 31 December 2020:		
Fourth tax exempt dividend of 12.0 sen per share paid on 16 March 2021	-	535.6
In respect of the financial year ended 31 December 2021:		
First tax exempt dividend of 7.0 sen per share paid on 9 June 2021	-	312.5
Second tax exempt dividend of 7.0 sen per share paid on 14 September 2021	-	312.5
Third tax exempt dividend of 7.0 sen per share paid on 14 December 2021	-	312.5
Fourth tax exempt dividend of 12.0 sen per share paid on 16 March 2022	535.6	-

A18. CAPITAL COMMITMENTS

	31 March 2022 RM million	31 December 2021 RM million
Approved and contracted for:		
Group	2,943.0	3,416.8
	2,943.0	3,416.8

The Group has excluded the approved and contracted capital expenditure relating to the turnkey activities for the conversion of a vessel to an FPSO to be leased out to a customer under a time charter contract. Accordingly, the Group has excluded the amount of RM3,390.9 million (31 December 2021: RM3,799.1 million) from the above capital commitments as the turnkey activities contribute to the recognition of contract assets per MFRS 15: Revenue from Contract with Customers.

A19. CONTINGENT LIABILITIES

Contingent liabilities of the Group as at 31 March 2022 comprise the following:

	RM million
Performance bonds on contract and bank guarantees extended to customers	499.8

A20. SUBSEQUENT MATERIAL EVENTS

Pursuant to the Global Medium Term Notes Programme of up to USD3.0 billion in nominal value or its equivalent in other currencies ("GMTN Programme") guaranteed by the Corporation, MISC Capital Two (Labuan) Limited, a wholly-owned subsidiary of the Corporation, has successfully priced its USD1.0 billion Global Medium Term Notes in nominal value on 30 March 2022. Subsequently, the Notes comprising USD400 million 3-year and USD600 million 5-year notes have been issued on 6 April 2022.

The proceeds from the Notes were mainly used to refinance the existing borrowings of the Group.

B1. REVIEW OF GROUP PERFORMANCE

	Quarter Ended 31 March		Cumulative 3 Months Ended 31 March	
	2022	**2021**	**2022**	**2021**
	RM million	**RM million**	**RM million**	**RM million**
Revenue				
Gas Assets & Solutions	757.7	685.7	757.7	685.7
Petroleum & Product Shipping	887.3	795.1	887.3	795.1
Offshore Business	770.1	696.0	770.1	696.0
Marine & Heavy Engineering	417.8	343.5	417.8	343.5
Others, Eliminations and Adjustments	34.7	20.6	34.7	20.6
Total Revenue	**2,867.6**	**2,540.9**	**2,867.6**	**2,540.9**
Operating Profit/(Loss)				
Gas Assets & Solutions	391.2	300.9	391.2	300.9
Petroleum & Product Shipping	32.2	34.4	32.2	34.4
Offshore Business	120.8	239.3	120.8	239.3
Marine & Heavy Engineering	6.3	(101.9)	6.3	(101.9)
Others, Eliminations and Adjustments	(33.6)	(8.9)	(33.6)	(8.9)
Total Operating Profit	**516.9**	**463.8**	**516.9**	**463.8**
Impairment of non current asset	-	(24.6)	-	(24.6)
Gain on disposal of ships	3.8	0.4	3.8	0.4
Finance costs	(152.9)	(93.1)	(152.9)	(93.1)
Share of profit of an associate	1.3	-	1.3	-
Share of profit of joint ventures	17.5	59.2	17.5	59.2
Profit Before Tax	**386.6**	**405.7**	**386.6**	**405.7**

Current quarter’s performance against the quarter ended 31 March 2021

Group revenue of RM2,867.6 million was RM326.7 million or 12.9% higher than the quarter ended 31 March 2021 (“corresponding quarter”) revenue of RM2,540.9 million, while Group operating profit of RM516.9 million was RM53.1 million or 11.4% higher than the corresponding quarter's profit of RM463.8 million. The variances in Group performance by segments are further explained below.

Gas Assets & Solutions

Revenue of RM757.7 million was RM72.0 million or 10.5% higher than the corresponding quarter’s revenue of RM685.7 million, mainly from higher earning days following higher number of vessels from charter commencement of three Very Large Ethane Carriers (“VLEC”) since the end of the corresponding quarter.

Operating profit of RM391.2 million was RM90.3 million or 30.0% higher than the corresponding quarter’s profit of RM300.9 million, mainly from higher earning days as mentioned above and higher vessel operating costs during the corresponding quarter.

Petroleum & Product Shipping

Revenue of RM887.3 million was RM92.2 million or 11.6% higher than the corresponding quarter’s revenue of RM795.1 million mainly from higher freight rates in the mid-sized tanker segment in the current quarter.

Operating profit of RM32.2 million was RM2.2 million or 6.4% lower than the corresponding quarter’s profit of RM34.4 million, mainly due to lower margin on freight rates in the current quarter.

Offshore Business
Revenue of RM770.1 million was RM74.1 million or 10.6% higher than the corresponding quarter's revenue of RM696.0 million, mainly from higher recognition of revenue from conversion of a Floating, Production, Storage and Offloading unit ("FPSO") following improved project progress in this quarter.

Operating profit of RM120.8 million was RM118.5 million or 49.5% lower than the corresponding quarter's profit of RM239.3 million, mainly due to increase in construction costs of an FPSO arising from the global supply chain issue and recent lockdowns in parts of China which affected the movement of project personnel, goods and services as well as from engineering, procurement and construction activities.

Marine & Heavy Engineering
Revenue of RM417.8 million was RM74.3 million or 21.6% higher than the corresponding quarter's revenue of RM343.5 million, mainly from higher activities for on-going Heavy Engineering projects and increased dry-docking activities in the Marine sub-segment in the current quarter.

Marine & Heavy Engineering segment's operating profit of RM6.3 million was RM108.2 million higher than the corresponding quarter's loss of RM101.9 million as it was impacted by additional costs provisions for on-going heavy engineering projects in the corresponding quarter coupled with higher revenue and reversal of warranty provision for post sail-away heavy engineering projects and partial recovery of COVID-19 claims in the current quarter.

Others, Eliminations and Adjustments
Others segment's operating loss of RM33.6 million was RM24.7 million higher than the corresponding quarter's loss of RM8.9 million, mainly due to higher corporate expenses, lower net foreign exchange gain in the current quarter and amortisation of new intangible assets beginning May 2021.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

GROUP	Quarter Ended 31 March 2022 RM million	Quarter Ended 31 December 2021 RM million
Revenue	**2,867.6**	**3,085.2**
Operating Profit	**516.9**	**373.3**
Impairment of non current assets	-	(36.3)
Gain on disposal of interest in joint ventures	-	25.1
Gain on disposal of ships	3.8	27.6
Finance costs	(152.9)	(122.5)
Share of profit of an associate	1.3	0.9
Share of profit of joint ventures	17.5	164.1
Profit Before Tax	**386.6**	**432.2**

Group revenue of RM2,867.6 million was RM217.6 million or 7.1% lower than the preceding quarter's revenue of RM3,085.2 million, mainly from lower recognition of revenue from conversion of an FPSO in the Offshore Business segment due to lower project progress during the quarter following the global supply chain issue and recent lockdowns in parts of China, mitigated by higher revenue in the Petroleum & Product Shipping segment from higher freight rates in the mid-sized tanker segment in the current quarter.

Group operating profit of RM516.9 million was RM143.6 million or 38.5% higher than the preceding quarter's profit of RM373.3 million, mainly from improved financial performance in the Marine & Heavy Engineering segment as it was impacted by additional costs provisions for on-going heavy engineering projects in the preceding quarter coupled with reversal of warranty provision for post sail-away heavy engineering projects and partial recovery of COVID-19 claims in the current quarter.

B3. GROUP CURRENT YEAR PROSPECTS

In the LNG shipping market, spot rates have marginally improved in March as compared to January 2022 due to higher LNG imports by European countries seeking to reduce reliance on Russian piped gas arising from the Russia-Ukraine war. In the short term, LNG imports in the European region are expected to increase as concerns over gas supplies, cold weather forecasts and reduced wind-based generation are expected to persist. Europe's aim to diversify away from Russian gas is also expected to support an even more positive LNG project sanctioning environment in coming years with many export projects mainly in the US advancing significantly in recent months. Meanwhile, the operating income of the Gas Assets and Solutions segment continues to remain stable, supported by its existing portfolio of long-term charters as it pursues available growth opportunities in the market.

The petroleum shipping market remained muted prior to the rise in geopolitical tensions at the end of February this year. In the short-term, the tanker market is likely to be supported by changes in crude oil trade patterns due to the ongoing Russia-Ukraine conflict, which has resulted in shifts to longer-haul routes. However, there remain notable downside risks from trends in the global economy particularly from lockdowns in China which will further undermine Chinese crude imports. Notwithstanding this, the Petroleum & Product Shipping segment continues to focus on rejuvenation of its eco-friendly tankers fleet and on building long-term secured income via its niche shuttle tanker business.

The outlook for the upstream oil and gas sector continues to be positive as oil prices stay elevated and with increasing global demand for oil amid a gradual return to more normal activity levels. Consequently, demand for FPSOs is expected to remain healthy despite lingering economic uncertainty, lockdowns in parts of China and supply chain concerns. Notwithstanding the anticipated increase in activity levels, the Offshore Business segment continues to focus on the execution of the FPSO project in hand. For the time being, the segment's financial performance is supported by its existing portfolio of long-term contracts.

The Marine & Heavy Engineering segment remains vigilant on the outlook of its Heavy Engineering sub-segment, as the timing of oil majors' capital spending remains uncertain with high prevailing steel prices. Meanwhile, the Marine sub-segment is expected to gradually recover in 2022. With the reopening of international borders and removal of compulsory quarantine requirements, the entry of technical experts is no longer restrictive, hence increasing the likelihood of projects to be secured from foreign clients. Additionally, the reimposition of lockdowns in China would be advantageous as clients seek dry-docking alternatives elsewhere. Notwithstanding this, the segment remains cautiously optimistic as it continues to pursue opportunities to replenish its order book and will prioritise on improving profitability whilst ensuring safe and timely execution of ongoing projects.

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 2022 RM million
Taxation for the period comprises the following charge:	
Income tax charge	
- current period	(10.6)
Deferred taxation	(1.0)
	(11.6)

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 substance 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.

On 2 November 2021, MoT notified the Malaysian Shipowners' Association that MoF has approved for a deferment in the imposition of the annual tonnage fee to latest by 31 December 2023. Based on this latest development, the Group would now be able to continue to enjoy the 100% shipping tax exemption up to YA 2023 on the basis that the substance requirements are duly met.

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 31 March 2022.

B7. CHANGES IN MATERIAL LITIGATION

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

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

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

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

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

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

Proceedings Post the Award

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

On 7 July 2020, GKL filed an Originating Summons to set aside parts of the Arbitral Award dated 8 April 2020. The proceeding of this Setting Aside OS was delayed due to the COVID-19 situation and the various applications filed by both Parties in relation to this matter:

(i) 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.

Additionally, GKL had filed an interim application preventing SSPC from enforcing the Award prior to the determination of the Setting Aside OS. This application was heard on 16 August 2021 and 1 October 2021. On 25 October 2021, the High Court dismissed GKL's interim application and decided that SSPC has the right to set off the award against the charter hire without full grounds of judgment. GKL has since obtained the High Court's written grounds of judgment and is of the opinion that there are grounds to appeal against the High Court's decision in dismissing GKL's interim application. As such, on 22 November 2021 GKL filed an appeal to the Court of Appeal against the High Court's decision. This appeal has now been fixed for hearing on 6 July 2022 with a final case management date fixed on 22 June 2022 for any final instructions that may be required.

GKL's Setting Aside OS was partly heard on 20 and 25 October 2021, 13 January 2022, 16 and 17 February 2022 and 4 April 2022. The matter is fixed for continued hearing on 10 and 11 August 2022.

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

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:

Adjudication

1. 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.

2. 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.

3. 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.

4. 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.

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

Proceedings in Court

6. 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.

   a. 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.

   b. The matter was heard on 7 October 2021 and on 26 October 2021, the High Court decided the matter in favour of MOMPL. MOMPL has now been awarded the full sum claimed amounting to USD42,307,549.61 together with interest and costs which is to be paid by PCPP. PCPP did not file any appeal against the High Court's decision however PCPP has failed to pay the sum awarded to MOMPL.

   c. In the circumstances, MOMPL proceeded to file a Statutory Notice pursuant to Sections 465 and 466 of the Companies Act 2016 against PCPP on 14 December 2021 ("Statutory Notice"). PCPP has failed to comply with the Statutory Notice and therefore on 25 March 2022, MOMPL proceeded to file a winding-up petition against PCPP in the High Court ("Winding-up Proceedings"). The Winding-up Proceedings has been fixed for hearing on 3 August 2022.

7. 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.

   a. 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.

b. 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 in the High Court of Malaysia to challenge the service of the cause papers in Indonesia which was heard on 11 August 2021. On 24 September 2021, the High Court allowed PPHE's application. MOMPL has elected to await the outcome of the Winding-up Proceedings against PCPP and will consider whether to file a fresh claim against PCPP's shareholders thereafter.

Arbitration

8. 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.

9. 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 negotiating and finalising the terms of appointment. However given the development in the filing of the Winding-up Proceedings, MOMPL has written to the arbitral tribunal for both the first and second arbitrations to request for the proceedings to be kept in abeyance until the Winding-up Proceedings is disposed off by the High Court.

(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 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 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.

By way of Final Award dated 23 July 2021 that was made available to MMHE on 3 August 2021 ("Final Award"), Arbitral Tribunal has ordered that MMHE shall pay KPOC the followings:-

a. The sum of RM17,241,178 as damages for the 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 date of payment;

b. The sum of RM9,820,770 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 for its legal fees and expenses.

In the Final Award, the Arbitral Tribunal dismissed all of KPOC's claim for loss of revenue in the sum of RM28,030,906.

On 30 September 2021, MMHE filed an application to set aside the Final Award pursuant to Section 37 of the Arbitration Act 2005, whereby MMHE seeks for the Final Award to be set aside on grounds, amongst others, that there was a breach of the rules of natural justice in connection with the making of the Final Award.

KPOC, in this regard, has filed an application to seek leave from the High Court to register and enforce the Final Award as a Judgment of the High Court.

The Hearing for both applications were heard on 11 February 2022 during which the Judge ordered for both Originating Summons to be heard simultaneously in a single session. The Hearing for both application was held on 15 April 2022 as scheduled but could not be completed. The High Court had fixed the matter for Continued Hearing on 20 May 2022 which went as scheduled and oral submissions were then completed. The Matter is now fixed for clarification on 24 June 2022.

B8. DIVIDENDS

The Board of Directors has approved a first tax exempt dividend of 7.0 sen per share in respect of financial year 2022 amounting to RM312.5 million. The proposed dividend will be paid on 22 June 2022 to shareholders registered at the close of business on 13 June 2022.

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 13 June 2022 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 31 March 2022 are as follows:

Contract/Tenure	**Notional Value RM million**	**Fair Value as at 31 March 2022 RM million**
Foreign currency contracts		
1 year to 3 years	372.0	(3.0)
	372.0	(3.0)
Interest rate swaps		
1 year to 3 years	690.9	(2.0)
More than 3 years	8,503.3	389.0
	9,194.2	387.0

During the current period ended 31 March 2022, 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 2021:

(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 2022, the Group does not have any material financial liabilities measured at fair value through profit or loss.

B11. EARNINGS PER SHARE

	Quarter Ended 31 March 2022	2021	Cumulative 3 Months Ended 31 March 2022	2021
Basic earnings per share are computed as follows:				
Profit for the period attributable to equity holders of the Corporation (RM million):	376.4	429.8	376.4	429.8
Weighted average number of ordinary shares in issue (million)	**4,463.8**	**4,463.8**	**4,463.8**	**4,463.8**
Basic earnings per share (sen)	8.4	9.6	8.4	9.6

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

B12. IMPACT OF COVID-19 PANDEMIC

For the Petroleum & Product Shipping segment, although crude tanker spot rates continue to be impacted by the pandemic, there has been some improvement towards the end of the quarter mainly due to the effect of the Russia-Ukraine conflict on crude oil trade patterns.

For the Gas Assets & Solutions segment, the majority of its vessels are on long-term time charters. However, the pandemic has caused some off hire days and an increase to their ship operating costs mainly relating to quarantine and crew change activities.

Similarly, the Offshore Business segment's assets are all on long-term charter contracts. However, the recent COVID-19 lockdowns in parts of China have impacted the Group's FPSO conversion project, similar to several other FPSO conversion projects in China. Some examples of the challenges faced because of the pandemic are restrictions of movement for project personnel and project equipment.

Although COVID-19 cases are still prevalent in the region, the existing vaccination drive and gradual lifting of COVID-19 restrictions provides a positive outlook to the Marine & Heavy Engineering segment. The announcement by the Malaysian Government on the reopening of borders and more relaxation on COVID-19 restrictions effective 1 April 2022 is expected to stimulate economic activities particularly for the Marine sub-segment. Nevertheless, the lingering effect of the pandemic such as resurgence of new COVID-19 cases remains a key risk to the segment's performance.

Impact on the Group's financial performance, financial position, cash flows and liquidity

The financial performance of the Petroleum & Product Shipping segment for the current period was affected by the lower tanker freight rates, off hire days and increase in operating costs mainly relating to quarantine and crew change activities.

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 Gas Assets & Solutions segment as the majority of its vessels are on long-term time charters. These long-term charter contracts underwrite its stable financial performance.

As mentioned above, the global supply chain issue and recent lockdowns in parts of China has resulted in an increase in cost of construction of an FPSO in the Offshore Business segment. However, significant efforts are being undertaken to manage the challenges emanating from the pandemic.

Throughout this recovery phase, the Marine & Heavy Engineering segment recorded higher revenue compared to prior year as one of its main on-going projects progressed further into construction phase. The segment posted an operating profit in the current quarter mainly due to partial recovery of COVID-19 claims and reversal of warranty provision for a post sail-away project in the current quarter.

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 current period with a cash balance of RM5,618.2 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

The performance of the Gas Assets & Solutions and Offshore Business segments remains steady and is not expected to be significantly impacted by COVID-19. This is due to the recurring income streams from the portfolio of long-term contracts under these business segments. However, the Offshore Business segment is expected to face continuing cost pressure on its FPSO conversion project arising from the lockdowns in parts of China. Nevertheless, significant mitigation efforts are being undertaken to minimise the impacts.

The medium-term prospects for the Petroleum & Product Shipping segment remain positive, with demand expected to gradually improve as global economies continue to recover from COVID-19. Increased tanker demand will be driven by the easing of the OPEC+ production cuts and the Russia-Ukraine conflict impacts which support broader tonne-mile demand across 2022.

The Marine & Heavy Engineering segment remains vigilant on the prospects of the Heavy Engineering sub-segment, taking into account that the timing of capital spending by oil majors remains uncertain as steel prices remain high, despite many countries moving towards the endemic phase. The Marine sub-segment is expected to improve in the light of reopening of international borders with more relaxed border restrictions. Furthermore, the reimposition of lockdowns in China though temporary, is expected to help the Marine sub-segment to gradually recover in 2022 as clients seek dry-docking alternatives elsewhere.

The Group continues its emphasis on completing ongoing projects, optimising operating expenditure while also pursuing growth prospects as the global economy gradually recovers.

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 staggered work hours and lunch breaks, staff to observe the Rule of 3 at all times (wear facemask, observe 1-meter physical distancing and maintain hand hygiene) and regular workplace sanitization. Although physical events, meetings and trainings are allowed, where practicable, staff are still encouraged to use virtual platforms. However, since 1 April 2022, further relaxations of COVID-19 SOPs were announced and implemented accordingly. Only staff who were fully vaccinated and did not exhibit flu-like symptoms are allowed to enter office premises. Inspections of installed True HEPA air cleaner units are conducted regularly to ensure clean indoor air quality.

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

Staff returning from international business travel are required to observe COVID-19 SOPs developed by the Authorities. All ships and offshore crew are also required to undergo COVID-19 testing during sign-on and sign-off (joining and leaving the vessel).

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

By Order of the Board