

MISC BERHAD

(Registration No. 196801000580 (8178-H))

QUARTERLY REPORT FOR SECOND QUARTER ENDED 30 JUNE 2023



UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Quarter Ended 30 June		Cumulative 6 Months Ended 30 June	
	2023 RM million	2022 RM million	2023 RM million	2022 RM million
Revenue	3,549.6	3,212.3	6,628.3	6,079.9
Cost of sales	(2,826.6)	(2,534.2)	(5,013.0)	(4,743.9)
GROSS PROFIT	723.0	678.1	1,615.3	1,336.0
Other operating income	148.6	92.5	396.5	173.6
General and administrative expenses	(340.3)	(309.7)	(655.0)	(531.8)
OPERATING PROFIT	531.3	460.9	1,356.8	977.8
Impairment of non current assets	(17.4)	(309.8)	(113.6)	(309.8)
Gain on disposal of ships	-	5.7	2.3	9.5
Finance costs	(176.6)	(147.5)	(352.9)	(300.4)
Share of profit of associates	0.5	0.6	0.8	1.9
Share of profit/(loss) of joint ventures	1.4	(10.3)	73.4	7.2
PROFIT/(LOSS) BEFORE TAX	339.2	(0.4)	966.8	386.2
Taxation	(17.3)	(13.1)	(33.9)	(24.7)
PROFIT/(LOSS) AFTER TAX	321.9	(13.5)	932.9	361.5
PROFIT/(LOSS) ATTRIBUTABLE TO:				
Equity holders of the Corporation	452.9	(19.1)	1,065.8	357.3
Non-controlling interests	(131.0)	5.6	(132.9)	4.2
PROFIT/(LOSS) AFTER TAX	321.9	(13.5)	932.9	361.5
BASIC EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE CORPORATION (SEN)	10.1	(0.4)	23.9	8.0


**QUARTERLY REPORT
FOR SECOND QUARTER ENDED 30 JUNE 2023**
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Quarter Ended		Cumulative	
	30 June		6 Months Ended	
	2023	2022	2023	2022
	RM million	RM million	RM million	RM million
PROFIT/(LOSS) AFTER TAX	321.9	(13.5)	932.9	361.5
OTHER COMPREHENSIVE INCOME/(LOSS)				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Cash flow hedges:				
Fair value gain/(loss)				
Group	135.0	197.2	(25.7)	693.0
Joint ventures	12.8	36.0	(0.4)	81.2
Gain on currency translation *	2,270.9	1,582.0	2,283.9	1,818.0
Total other comprehensive income	2,418.7	1,815.2	2,257.8	2,592.2
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,740.6	1,801.7	3,190.7	2,953.7
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:				
Equity holders of the Corporation	2,859.5	1,764.3	3,317.1	2,892.3
Non-controlling interests	(118.9)	37.4	(126.4)	61.4
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,740.6	1,801.7	3,190.7	2,953.7

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

	2023	2022	2021
As at 30 June	4.68600	4.40350	4.15450
As at 31 March	4.41500	4.20300	4.15300
As at 31 December	-	4.41500	4.17400

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QUARTERLY REPORT FOR SECOND QUARTER ENDED 30 JUNE 2023



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2023 RM million	As at 31 December 2022 RM million
NON CURRENT ASSETS		
Ships	24,257.5	22,482.1
Offshore floating assets	20.3	19.1
Other property, plant and equipment	1,801.3	1,803.8
Prepaid lease payments on land and buildings	195.8	198.6
Finance lease receivables	13,886.6	14,752.8
Investments in associates	323.6	306.0
Investments in joint ventures	1,094.6	1,029.6
Other non current assets	8,639.8	7,316.2
Derivative assets	971.8	910.8
Intangible assets	1,019.7	1,001.6
Deferred tax assets	102.0	98.8
	52,313.0	49,919.4
CURRENT ASSETS		
Inventories	88.1	97.9
Finance lease receivables	1,586.5	1,521.9
Trade and other receivables	4,470.2	3,858.6
Cash, deposits and bank balances	7,659.5	7,134.0
Non current assets classified as held for sale	-	132.5
	13,804.3	12,744.9
TOTAL ASSETS	66,117.3	62,664.3
EQUITY		
Share capital	8,923.3	8,923.3
Treasury shares	(0.3)	(0.3)
Reserves	11,817.8	9,555.9
Retained profits	19,197.5	18,979.8
Equity attributable to equity holders of the Corporation	39,938.3	37,458.7
Non-controlling interests	711.0	845.4
TOTAL EQUITY	40,649.3	38,304.1
NON CURRENT LIABILITIES		
Interest bearing loans and borrowings	16,235.9	14,256.1
Deferred income	1,071.8	1,063.6
Deferred tax liabilities	1.7	1.8
Other non current liabilities	305.5	271.5
	17,614.9	15,593.0
CURRENT LIABILITIES		
Interest bearing loans and borrowings	1,926.2	3,605.5
Trade and other payables	5,875.8	5,147.7
Provision for taxation	17.4	7.6
Derivative liabilities	33.7	6.4
	7,853.1	8,767.2
TOTAL LIABILITIES	25,468.0	24,360.2
TOTAL EQUITY AND LIABILITIES	66,117.3	62,664.3


**QUARTERLY REPORT
FOR SECOND QUARTER ENDED 30 JUNE 2023**
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative 6 Months Ended	
	30 June 2023 RM million	30 June 2022 RM million
Cash Flows from Operating Activities:		
Profit before tax	966.8	386.2
Writeback of impairment loss on finance lease receivables, trade and other receivables	(23.3)	(31.2)
Impairment loss on receivables	4.5	21.2
Depreciation of ships, offshore floating asset and other property, plant and equipment	1,051.1	972.9
Amortisation of prepaid lease payments	3.0	3.7
Impairment of non current assets	113.6	309.8
Write off of ships, property, plant and equipment	-	1.6
Gain on disposal of ships	(2.3)	(9.5)
Net unrealised foreign exchange loss/(gain)	10.3	(7.6)
Dividend income from equity investments	(0.3)	(0.6)
Interest expense	334.2	240.9
Finance income	(124.6)	(36.3)
Fair value gain in other investments	(2.9)	(6.3)
Changes in fair value of hedging derivatives	(2.4)	(6.9)
Amortisation of intangibles	7.4	18.8
Amortisation of upfront fees for borrowings	18.7	59.5
Share of profit of associates	(0.8)	(1.9)
Share of profit of joint ventures	(73.4)	(7.2)
Operating profit before working capital changes	2,279.6	1,907.1
Inventories	14.9	(59.4)
Trade and other receivables	477.2	(477.8)
Trade, other payables and other non current liabilities *	583.0	(217.2)
Deferred income	(54.3)	(56.3)
Cash generated from operations	3,300.4	1,096.4
Net tax paid	(23.8)	(12.2)
Net cash generated from operating activities	3,276.6	1,084.2

* 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 RM868.4 million in the current period and RM1,288.4 million in the period ended 30 June 2022. 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 Customer.


**QUARTERLY REPORT
FOR SECOND QUARTER ENDED 30 JUNE 2023**
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Cumulative 6 Months Ended	
	30 June 2023 RM million	30 June 2022 RM million
Cash Flows from Investing Activities:		
Purchase of ships, other property, plant and equipment	(1,501.0)	(1,394.4)
Proceeds from disposal of ships	120.7	120.7
Dividend received from:		
Quoted investments	0.3	0.6
Joint ventures and an associate	74.6	91.1
Interest received	102.6	22.4
Net fixed deposit (placement)/withdrawal	(130.4)	8.0
Net cash used in investing activities	(1,333.2)	(1,151.6)
Cash Flows from Financing Activities:		
Drawdown of interest bearing loans and borrowings	2,886.6	9,084.9
Repayment of interest bearing loans and borrowings	(3,566.6)	(7,653.3)
Repayment of lease liabilities	(71.2)	(66.8)
Dividends paid to the equity holders of the Corporation	(848.1)	(848.1)
Dividends paid to non-controlling interest of subsidiaries	(8.0)	-
Interest paid	(347.5)	(200.0)
(Placement)/receipt of cash pledged with banks (restricted for use)	(186.9)	378.3
Net cash (used in)/ generated from financing activities	(2,141.7)	695.0
Net change in cash & cash equivalents	(198.3)	627.6
Cash & cash equivalents at the beginning of the year	6,406.1	6,994.3
Currency translation difference	345.8	351.1
Cash & cash equivalents at the end of period	6,553.6	7,973.0
Cash pledged with banks - restricted for use and deposited with maturity more than 90 days	1,105.9	611.6
Cash, deposits and bank balances	7,659.5	8,584.6

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QUARTERLY REPORT FOR SECOND QUARTER ENDED 30 JUNE 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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	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
6 MONTHS ENDED 30 JUNE 2023														
At 1 January 2023	38,304.1	37,458.7	8,923.3	(0.3)	18,979.8	9,555.9	60.0	435.2	-	(10.6)	-	940.1	8,131.2	845.4
Total comprehensive income	3,190.7	3,317.1	-	-	1,065.8	2,251.3	-	-	-	-	-	(16.0)	2,267.3	(126.4)
Transactions with owners														
Reversal of dilution of interest in subsidiaries	10.6	10.6	-	-	-	10.6	-	-	-	10.6	-	-	-	-
Dividends	(848.1)	(848.1)	-	-	(848.1)	-	-	-	-	-	-	-	-	-
Dividends paid to non-controlling Interest	(8.0)	-	-	-	-	-	-	-	-	-	-	-	-	(8.0)
Total transactions with owners	(845.5)	(837.5)	-	-	(848.1)	10.6	-	-	-	10.6	-	-	-	(8.0)
At 30 June 2023	40,649.3	39,938.3	8,923.3	(0.3)	19,197.5	11,817.8	60.0	435.2	-	-	-	924.1	10,398.5	711.0
6 MONTHS ENDED 30 JUNE 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	2,953.7	2,892.3	-	-	357.3	2,535.0	-	-	-	-	-	733.0	1,802.0	61.4
Transactions with owners														
Dilution of interest in subsidiaries	1.2	-	-	-	-	-	-	-	-	-	-	-	-	1.2
Dividends	(848.1)	(848.1)	-	-	(848.1)	-	-	-	-	-	-	-	-	-
Total transactions with owners	(846.9)	(848.1)	-	-	(848.1)	-	-	-	-	-	-	-	-	1.2
At 30 June 2022	37,031.8	36,207.0	8,923.3	(0.3)	18,095.3	9,188.7	99.3	435.2	1.4	(10.6)	3.0	596.6	8,063.8	824.8

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

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QUARTERLY REPORT FOR SECOND QUARTER ENDED 30 JUNE 2023

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

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 24 August 2023.

A2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the period ended 30 June 2023 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 financial statements and the accompanying notes for the year ended 31 December 2022.

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 2022.

The audited financial statements of the Group for the year ended 31 December 2022 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 Group's annual financial statements for the year ending 31 December 2023 under the Malaysian Financial Reporting Standards ("MFRS") framework. These policies do not differ significantly from those used in the Group's audited financial statements for the year ended 31 December 2022 except as disclosed below.

As at 1 January 2023, 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 2023:

- MFRS 17: Insurance Contracts
- Amendments to MFRS 17: Insurance Contracts
- Amendments to MFRS 17: Insurance Contracts (Initial Application of MFRS 17 and MFRS 9 – Comparative Information)
- Amendments to MFRS 101: Presentation of Financial Statements and MFRS Practice Statement 2 (Disclosure of Accounting Policies)
- Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)
- Amendments to MFRS 112: Income Taxes (Deferred Tax related to Assets and Liabilities arising from single transaction)

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

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QUARTERLY REPORT FOR SECOND QUARTER ENDED 30 JUNE 2023

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (Continued)

A4. EXCEPTIONAL ITEMS

There were no exceptional items during the current financial period other than as disclosed in the condensed consolidated interim financial statements.

A5. MATERIAL CHANGES IN ACCOUNTING ESTIMATES

There were no material changes in estimates of the amounts reported in the most recent audited financial statements of the Group for the year ended 31 December 2022 that may have a material effect in the current quarter results.

A6. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audited financial statements of the Group for the year ended 31 December 2022 were not subjected to any audit qualification.

A7. CHANGES IN COMPOSITION OF THE GROUP

- (a) The Corporation had, on 10 March 2023, incorporated a new subsidiary, AET Tankers VLCC IV Pte. Ltd. (“AET VLCC IV”), under the Singapore Companies Act 1967 for the purpose of owning and operating vessels. AET VLCC IV is a wholly-owned subsidiary of AET Bermuda Holdings Limited, an indirect wholly-owned subsidiary of the Corporation.
- (b) The Corporation had, on 15 March 2023, incorporated a new subsidiary, AET Tankers VLCC III Pte. Ltd. (“AET VLCC III”), under the Labuan Companies Act 1990, for the purpose of owning and operating vessels. AET VLCC III is a wholly-owned subsidiary of AET Holdings (L) Pte. Ltd., an indirect wholly-owned subsidiary of the Corporation.
- (c) The Corporation had, on 18 March 2023, incorporated a new subsidiary, MGLNX India Private Limited (“MGX India”), under the India Companies Act 2013, for the purpose of development of software and applications, and provision of consultancy and data processing services for information technology, energy, industrial and maritime sectors. MGX India is a wholly-owned subsidiary of Magellan X Pte. Ltd. (“MGX Singapore”), an indirect wholly-owned subsidiary of the Corporation.
- (d) Pursuant to a Shareholders’ Agreement entered into between the Corporation, Magellan X Holdings (L) Pte. Ltd. (“MGX Labuan”), MGX Singapore and The Boston Consulting Group, Inc. (“BCG”), MGX Singapore, then an indirect wholly-owned subsidiary of the Corporation, had on 31 March 2023 completed the issuance of 510,000 non-redeemable preference shares to BCG. Subsequent thereto, MGX Singapore became a 95.23%-owned subsidiary of the Corporation via MGX Labuan, a wholly-owned subsidiary of the Corporation.
- (e) The Corporation had, on 26 April 2023, incorporated a new subsidiary, ES Marine Servicos (Brazil) Ltda. (“EMS B”), under the laws of Brazil for the purpose of provision of marine-related technical services, including ship management and crew management services. EMS B is a wholly-owned subsidiary of ES Crewing Pte. Ltd., an indirect wholly-owned subsidiary of the Corporation.
- (f) The Corporation had, on 26 June 2023, incorporated two (2) new subsidiaries, MISC Assets Holdings Pte. Ltd. (“MISC Assets”) and MISC Strategic Services Holdings (L) Pte. Ltd. (“MISC Strategic Services”), under the Labuan Companies Act 1990, for the purpose of investment holding. MISC Assets and MISC Strategic Services are wholly-owned subsidiaries of the Corporation.

A8. DISCONTINUED OPERATIONS

There were no discontinued operations in the Group during the financial period under review.

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QUARTERLY REPORT FOR SECOND QUARTER ENDED 30 JUNE 2023

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (Continued)

A9. SEASONALITY OF OPERATIONS

The businesses of the Group are subject to market fluctuations.

A10. REVENUE

The Group's revenue by segments are as follows:

Quarter Ended 30 June	Gas Assets & Solutions		Petroleum & Product Shipping		Offshore Business		Marine & Heavy Engineering		Others, Eliminations and Adjustments		Total	
	RM million 2023	2022	RM million 2023	2022	RM million 2023	2022	RM million 2023	2022	RM million 2023	2022	RM million 2023	2022
Revenue from contracts with customers	-	-	516.4	642.7	338.9	754.4	1,056.3	400.6	36.7	27.0	1,948.3	1,824.7
Revenue from charter *	771.8	762.5	701.7	489.1	127.8	136.0	-	-	-	-	1,601.3	1,387.6
	771.8	762.5	1,218.1	1,131.8	466.7	890.4	1,056.3	400.6	36.7	27.0	3,549.6	3,212.3

Cumulative 6 months Ended 30 June	Gas Assets & Solutions		Petroleum & Product Shipping		Offshore Business		Marine & Heavy Engineering		Others, Eliminations and Adjustments		Total	
	RM million 2023	2022	RM million 2023	2022	RM million 2023	2022	RM million 2023	2022	RM million 2023	2022	RM million 2023	2022
Revenue from contracts with customers	-	-	1,041.6	1,098.2	793.7	1,386.6	1,552.5	818.4	66.5	61.6	3,454.3	3,364.8
Revenue from charter *	1,527.7	1,520.2	1,388.7	921.0	257.6	273.9	-	-	-	-	3,174.0	2,715.1
	1,527.7	1,520.2	2,430.3	2,019.2	1,051.3	1,660.5	1,552.5	818.4	66.5	61.6	6,628.3	6,079.9

* Revenue from charter consists of charter income and finance income on lease receivables

A11. SEGMENT REPORT

The operating segments of the Group are as follows:

- Gas Assets & Solutions** - provision of Liquefied Natural Gas ("LNG") carrier services and non-conventional gas asset solutions;
- Petroleum & Product Shipping** - provision of petroleum tanker and chemical tanker services;
- Offshore Business** - own, lease, operation and maintenance of offshore, floating, production, storage and offloading terminals;
- Marine & Heavy Engineering** - marine repair, marine conversion and engineering and construction works; and
- Others** - integrated marine services, port & terminal services, maritime education & training and other diversified businesses.

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QUARTERLY REPORT FOR SECOND QUARTER ENDED 30 JUNE 2023

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (Continued)

Revenue and operating results by segments are as follows:

Quarter Ended 30 June	Gas Assets & Solutions		Petroleum & Product Shipping		Offshore Business		Marine & Heavy Engineering		Others, Eliminations and Adjustments *		Total	
	RM million 2023	2022	RM million 2023	2022	RM million 2023	2022	RM million 2023	2022	RM million 2023	2022	RM million 2023	2022
Revenue												
External sales	771.8	762.5	1,217.7	1,131.5	466.7	890.4	1,042.0	386.6	51.4	41.3	3,549.6	3,212.3
Inter-segment	-	-	0.4	0.3	-	-	14.3	14.0	(14.7)	(14.3)	-	-
	771.8	762.5	1,218.1	1,131.8	466.7	890.4	1,056.3	400.6	36.7	27.0	3,549.6	3,212.3
Operating profit/(loss)	418.6	330.0	325.2	115.1	239.7	43.6	(385.3)	25.8	(66.9)	(53.6)	531.3	460.9
Cumulative 6 months Ended 30 June	Gas Assets & Solutions		Petroleum & Product Shipping		Offshore Business		Marine & Heavy Engineering		Others, Eliminations and Adjustments *		Total	
	RM million 2023	2022	RM million 2023	2022	RM million 2023	2022	RM million 2023	2022	RM million 2023	2022	RM million 2023	2022
Revenue												
External sales	1,527.7	1,520.2	2,429.6	2,018.6	1,051.3	1,660.5	1,523.9	798.5	95.8	82.1	6,628.3	6,079.9
Inter-segment	-	-	0.7	0.6	-	-	28.6	19.9	(29.3)	(20.5)	-	-
	1,527.7	1,520.2	2,430.3	2,019.2	1,051.3	1,660.5	1,552.5	818.4	66.5	61.6	6,628.3	6,079.9
Operating profit/(loss)	803.4	721.2	637.7	147.3	406.4	164.4	(378.3)	32.1	(112.4)	(87.2)	1,356.8	977.8

* Comprises other diversified businesses, net foreign exchange differences, interest income, dividend income from quoted investment, corporate expenses, eliminations, and adjustments.

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QUARTERLY REPORT FOR SECOND QUARTER ENDED 30 JUNE 2023

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (Continued)

A12. 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	
	2023	2022	2023	2022
	RM million	RM million	RM million	RM million
Finance income	66.1	23.2	124.6	36.3
Other income	80.7	26.4	230.7	69.1
Interest expense	(167.5)	(135.7)	(334.2)	(240.9)
Amortisation of upfront fees for borrowings	(9.1)	(11.8)	(18.7)	(59.5)
Depreciation of ships, offshore floating asset and other property, plant and equipment	(532.4)	(499.1)	(1,051.1)	(972.9)
Amortisation of prepaid lease payments	(1.5)	(1.8)	(3.0)	(3.7)
Amortisation of intangibles	(2.8)	(9.9)	(7.4)	(18.8)
Write off of ships, property, plant and equipment	-	(0.2)	-	(1.6)
Gain on disposal of ships	-	5.7	2.3	9.5
Impairment of non current assets	(17.4)	(309.8)	(113.6)	(309.8)
Fair value gain in other investments	0.5	2.1	2.9	6.3
Changes in fair value of hedging derivatives	(1.4)	5.5	2.4	6.9
Writeback of impairment loss on finance lease receivables, trade and other receivables	8.6	3.2	18.8	10.0
Net realised foreign exchange (loss)/gain	(2.7)	1.2	(7.4)	4.6
Net unrealised foreign exchange (loss)/gain	(16.1)	8.4	(10.3)	7.6

A13. SHIPS, OFFSHORE FLOATING ASSET AND OTHER PROPERTY, PLANT AND EQUIPMENT

Included in ships, offshore floating asset and other property, plant and equipment are construction work-in-progress, mainly for the construction of ships totalling RM1,148.2 million (31 December 2022: RM1,633.6 million) and right-of-use assets amounting to RM142.2 million (31 December 2022: RM170.9 million).

The volatility of charter hire rates, expired charter contracts or contracts that are approaching their expiry dates were identified as indications that the carrying amount of certain ships may be impaired. The Group has performed a review of the recoverable amount of the ships at the end of the quarter. The recoverable amount was based on the higher of fair value less costs of disposal or value-in-use, and determined at the cash generating unit (“CGU”) level of each asset.

The review led to the recognition of net impairment losses of ships amounting to RM65.6 million in the current financial period as the recoverable amount of the ships amounting to RM1,043.3 million was lower than their carrying value.

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PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (Continued)

A14. INTANGIBLE ASSETS

	Goodwill	Other Intangible Assets	Total
	RM million	RM million	RM million
Cost			
At 1 January 2022	998.3	445.2	1,443.5
Reclassification from property, plant and equipment	-	61.7	61.7
Currency translation differences	53.1	11.8	64.9
At 31 December 2022	1,051.4	518.7	1,570.1
Reclassification from property, plant and equipment	-	10.6	10.6
Currency translation differences	59.3	3.6	62.9
At 30 June 2023	1,110.7	532.9	1,643.6
Accumulated amortisation and impairment			
At 1 January 2022	162.5	220.1	382.6
Amortisation	-	38.8	38.8
Impairment	-	147.1	147.1
At 31 December 2022	162.5	406.0	568.5
Amortisation	-	7.4	7.4
Impairment	-	48.0	48.0
At 30 June 2023	162.5	461.4	623.9
Net carrying amount			
At 1 January 2022	835.8	225.1	1,060.9
At 31 December 2022	888.9	112.7	1,001.6
At 30 June 2023	948.2	71.5	1,019.7

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 2022.

The other intangible assets relate to the fair value of long term customer contracts from acquisition of a subsidiary at the date of acquisition, which is amortised over the remaining contract periods and digital products, measured at cost which comprises the development costs and all costs that can be directly attributed to preparing the asset for its intended use. The intangible assets on digital products are amortised on a straight-line basis over its estimated useful life. The other intangible assets are assessed for impairment whenever there is indication that the intangible assets may be impaired.

The review of the impairment led to the recognition of impairment losses on other intangible assets amounting to RM48.0 million in the current financial period as the recoverable amount of the asset amounting to RM59.8 million was lower than their carrying value. The recoverable amount is based on value-in-use for CGU, calculated using cash flow projections.

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PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (Continued)

A15. 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 2023				
Financial Assets				
Quoted investments	53.7	-	-	53.7
Unquoted investments	-	-	80.1	80.1
Interest rate swaps designated as hedging instruments	-	971.8	-	971.8
	<u>53.7</u>	<u>971.8</u>	<u>80.1</u>	<u>1,105.6</u>
Financial Liabilities				
Forward currency contracts	-	(33.7)	-	(33.7)
	<u>-</u>	<u>(33.7)</u>	<u>-</u>	<u>(33.7)</u>
At 31 December 2022				
Financial Assets				
Quoted investments	51.0	-	-	51.0
Unquoted investments	-	-	75.4	75.4
Interest rate swaps designated as hedging instruments	-	910.8	-	910.8
	<u>51.0</u>	<u>910.8</u>	<u>75.4</u>	<u>1,037.2</u>
Financial Liabilities				
Forward currency contracts	-	(6.4)	-	(6.4)
	<u>-</u>	<u>(6.4)</u>	<u>-</u>	<u>(6.4)</u>

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.

A16. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

There was no issuance or repayment of debt and equity securities made by the Group during the period ended 30 June 2023.

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PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (Continued)

A17. 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 2023 RM million	31 December 2022 RM million
Short Term Borrowings		
Secured	1,400.3	1,164.8
Unsecured	448.1	2,350.0
Lease liabilities	77.8	90.7
	<u>1,926.2</u>	<u>3,605.5</u>
Long Term Borrowings		
Secured	11,115.7	8,934.3
Unsecured	5,033.5	5,208.9
Lease liabilities	86.7	112.9
	<u>16,235.9</u>	<u>14,256.1</u>
Total	<u>18,162.1</u>	<u>17,861.6</u>

ii) Foreign borrowings in United States Dollar equivalent as at 30 June 2023 and 31 December 2022 are as follows:

	30 June 2023 RM million	31 December 2022 RM million
United States Dollar Borrowings	<u>17,749.0</u>	<u>17,419.9</u>

A18. DIVIDENDS PAID

The Corporation paid the following dividends in the period ended 30 June 2023 and year ended 31 December 2022:

	30 June 2023 RM million	31 December 2022 RM million
In respect of the financial year ended 31 December 2021:		
Fourth tax exempt dividend of 12.0 sen per share paid on 16 March 2022	-	535.6
In respect of the financial year ended 31 December 2022:		
First tax exempt dividend of 7.0 sen per share paid on 22 June 2022	-	312.5
Second tax exempt dividend of 7.0 sen per share paid on 14 September 2022	-	312.5
Third tax exempt dividend of 7.0 sen per share paid on 14 December 2022	-	312.5
Fourth tax exempt dividend of 12.0 sen per share paid on 15 March 2023	535.6	-
In respect of the financial year ended 31 December 2023:		
First tax exempt dividend of 7.0 sen per share paid on 22 June 2023	312.5	-

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PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (Continued)

A19. RELATED PARTY TRANSACTIONS

In the period ended 30 June 2023, Gas Asia Terminal (L) Pte. Ltd. (“GATL”), a wholly-owned subsidiary of the Corporation has entered into an agreement with Regas Terminal (Sg. Udang) Sdn. Bhd. (“RGTSU”) for a one-off prepayment amounting to USD233.6 million for the early settlement of all capital expenditure hire fees payable for the remaining charter period of the Time Charter Parties (“TCPs”) for the provision of floating storage units (“FSUs”), FSU Tenaga Satu and FSU Tenaga Empat at LNG Regas Terminal Sg. Udang, to be fully satisfied in cash (“Prepayment”). Pursuant to the TCPs, the FSUs will continue to be employed by RGTSU until August 2032. Notwithstanding the Prepayment, the operating portion of the TCPs will remain unaffected.

Other than the above Prepayment, there were no new and significant transactions entered with related parties for the period ended 30 June 2023, compared to the related party transactions disclosed in the audited consolidated financial statements of the Group for the year ended 31 December 2022.

A20. CAPITAL COMMITMENTS

The Group’s outstanding commitments in respect of capital expenditure not provided for in the financial statements as at 30 June 2023 and 31 December 2022 are as follows:

	30 June 2023 RM million	31 December 2022 RM million
Approved and contracted for	<u>3,367.7</u>	<u>4,403.8</u>

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 RM1,785.1 million as at 30 June 2023 (31 December 2022: RM2,282.4 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.

A21. CONTINGENT LIABILITIES

Contingent liabilities of the Group as at 30 June 2023 and 31 December 2022 comprise the following:

	30 June 2023 RM million	31 December 2022 RM million
Performance bonds on contract and bank guarantees extended to customers	<u>913.5</u>	<u>745.6</u>

A22. SUBSEQUENT MATERIAL EVENTS

There were no material events subsequent to the period end date.

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QUARTERLY REPORT FOR SECOND QUARTER ENDED 30 JUNE 2023

PART B – OTHER EXPLANATORY NOTES

B1. REVIEW OF GROUP PERFORMANCE

	Quarter Ended 30 June		Cumulative 6 Months Ended 30 June	
	2023 RM million	2022 RM million	2023 RM million	2022 RM million
Revenue				
Gas Assets & Solutions	771.8	762.5	1,527.7	1,520.2
Petroleum & Product Shipping	1,218.1	1,131.8	2,430.3	2,019.2
Offshore Business	466.7	890.4	1,051.3	1,660.5
Marine & Heavy Engineering	1,056.3	400.6	1,552.5	818.4
Others, Eliminations and Adjustments	36.7	27.0	66.5	61.6
Total Revenue	3,549.6	3,212.3	6,628.3	6,079.9
Operating Profit/(Loss)				
Gas Assets & Solutions	418.6	330.0	803.4	721.2
Petroleum & Product Shipping	325.2	115.1	637.7	147.3
Offshore Business	239.7	43.6	406.4	164.4
Marine & Heavy Engineering	(385.3)	25.8	(378.3)	32.1
Others, Eliminations and Adjustments	(66.9)	(53.6)	(112.4)	(87.2)
Total Operating Profit	531.3	460.9	1,356.8	977.8
Impairment of non current assets	(17.4)	(309.8)	(113.6)	(309.8)
Gain on disposal of ships	-	5.7	2.3	9.5
Finance costs	(176.6)	(147.5)	(352.9)	(300.4)
Share of profit of associates	0.5	0.6	0.8	1.9
Share of profit/(loss) of joint ventures	1.4	(10.3)	73.4	7.2
Profit/(Loss) Before Tax	339.2	(0.4)	966.8	386.2

Current quarter's performance against the quarter ended 30 June 2022

Group revenue of RM3,549.6 million was RM337.3 million or 10.5% higher than the quarter ended 30 June 2022 ("corresponding quarter") revenue of RM3,212.3 million, while Group operating profit of RM531.3 million was RM70.4 million or 15.3% higher than the corresponding quarter's profit of RM460.9 million. The variances in Group performance by segments are further explained below.

Gas Assets & Solutions

Revenue of RM771.8 million was RM9.3 million or 1.2% higher than the corresponding quarter's revenue of RM762.5 million, mainly due to translational impact from weakening of Ringgit Malaysia ("RM") against the United States Dollar ("USD") in the current quarter. Operationally, the segment's revenue in the current quarter was comparable to the corresponding quarter's revenue.

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PART B – OTHER EXPLANATORY NOTES (Continued)

Operating profit of RM418.6 million was RM88.6 million or 26.8% higher than the corresponding quarter's profit of RM330.0 million, mainly from lower vessel operating costs and higher margin in the current quarter.

Petroleum & Product Shipping

Revenue of RM1,218.1 million was RM86.3 million or 7.6% higher than the corresponding quarter's revenue of RM1,131.8 million mainly from higher freight rates achieved in the current quarter. This was however offset by the lower earning days following higher dry-docking activities and vessel disposals and re-deliveries.

Operating profit of RM325.2 million was RM210.1 million or more than 100% higher than the corresponding quarter's profit of RM115.1 million mainly from higher margin on freight rates in the current quarter.

Offshore Business

Revenue of RM466.7 million was RM423.7 million or 47.6% lower than the corresponding quarter's revenue of RM890.4 million, mainly due to lower recognition of revenue from the conversion of a Floating, Production, Storage and Offloading unit ("FPSO") following lower project progress in the current quarter.

Operating profit of RM239.7 million was RM196.1 million or more than 100.0% higher than the corresponding quarter's profit of RM43.6 million, as the corresponding quarter was affected by the increase in construction costs of an FPSO arising from the global supply chain issue and 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 RM1,056.3 million was RM655.7 million or more than 100.0% higher than the corresponding quarter's revenue of RM400.6 million, mainly due to higher revenue from on-going Heavy Engineering projects.

Marine & Heavy Engineering segment recorded an operating loss of RM385.3 million compared to an operating profit of RM25.8 million in the corresponding quarter on the back of additional costs provisions as a result of revised schedule for on-going projects during the quarter. The revised schedule has caused the extension of delivery dates of the on-going projects, which was necessary to cater for the delayed onshore works. Notwithstanding the delays, the Kasawari project sailed-away offshore after this reporting period, meeting all requirements of the client.

Others, Eliminations and Adjustments

Others segment recorded an operating loss of RM66.9 million which was RM13.3 million or 24.8% higher than the corresponding quarter's loss of RM53.6 million, mainly due to net foreign exchange loss in the current quarter.

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PART B – OTHER EXPLANATORY NOTES (Continued)

Current 6 months period performance against the 6 months period ended 30 June 2022

Group revenue of RM6,628.3 million was RM548.4 million or 9.0% higher than the revenue for the 6-month period ended 30 June 2022 (“corresponding period”) of RM6,079.9 million mainly contributed by improved freight rates in the Petroleum & Product Shipping segment and higher revenue from ongoing projects coupled with higher dry-docking and repair activities in the Marine & Heavy Engineering segment. The increase in Group’s revenue was, however, offset by lower revenue recognition from the conversion of an FPSO following lower project progress in the current period.

Group operating profit of RM1,356.8 million was RM379.0 million or 38.8% higher than the corresponding period’s profit of RM977.8 million mainly from higher margin on freight rates in the Petroleum & Product Shipping segment coupled with higher profit in the Offshore Business segment as the corresponding period was affected by an increase in construction costs of an FPSO arising from the global supply chain issue and lockdowns in parts of China. The increase in Group’s operating profit was, however, offset by operating loss from Marine & Heavy Engineering segment due to additional costs provisions as explained above.

B2. COMPARISON WITH PRECEDING QUARTER’S RESULTS

<u>GROUP</u>	Quarter Ended 30 June 2023 RM million	Quarter Ended 31 March 2023 RM million
Revenue	<u>3,549.6</u>	<u>3,078.7</u>
Operating Profit	531.3	825.5
Impairment of non current assets	(17.4)	(96.2)
Gain on disposal of a ship	-	2.3
Finance costs	(176.6)	(176.3)
Share of profit of associates	0.5	0.3
Share of profit of joint ventures	1.4	72.0
Profit Before Tax	<u>339.2</u>	<u>627.6</u>

Group revenue of RM3,549.6 million was RM470.9 million or 15.3% higher than the preceding quarter’s revenue of RM3,078.7 million, mainly from higher revenue from the Marine & Heavy Engineering segment following higher progress from on-going projects.

Group operating profit of RM531.3 million was RM294.2 million or 35.6% lower than the preceding quarter’s profit of RM825.5 million, mainly due to additional costs provisions recognised in the Marine & Heavy Engineering segment for on-going Heavy Engineering projects.

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PART B – OTHER EXPLANATORY NOTES (Continued)

B3. REVIEW OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2023 RM million	As at 31 December 2022 RM million
Total assets	66,117.3	62,664.3
Total equity attributable to equity holders of the Corporation	39,938.3	37,458.7
Total liabilities	25,468.0	24,360.2

The Group's total assets at RM66,117.3 million was higher by RM3,453.0 million or 5.5% as a result of higher recognition of contract asset from conversion of an FPSO and capital expenditure incurred for ships in the current year and higher cash and bank balance following receipt of charter hire prepayment for two FSUs.

Total equity attributable to shareholders of the Company increased by RM2,479.6 million or 6.6% mainly from favourable movement in currency translation reserve following weakening of RM against USD.

Total liabilities were higher by RM1,107.8 million or 4.5% mainly due to accruals relating to additional cost provision for on-going projects under Marine & Heavy Engineering segment and translational impact from weakening of RM against the USD for loans and borrowings in the current year.

B4. REVIEW OF CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative 6 Months Ended	
	30 June 2023 RM million	30 June 2022 RM million
Net cash generated from operating activities	3,276.6	1,084.2
Net cash used in investing activities	(1,333.2)	(1,151.6)
Net cash (used in)/ generated from financing activities	(2,141.7)	695.0
Net change in cash and cash equivalents	(198.3)	627.6

The Group's net cash generated from operating activities of RM3,276.6 million was higher by RM2,192.4 million compared to RM1,084.2 million in the corresponding period, mainly due to higher operating performance in the current period and receipt of charter hire prepayment for two FSUs. Additionally, the Group recorded lower payments for cost relating to turnkey activities for the conversion of a FPSO amounting to RM868.4 million in the current period compared to payments of RM1,288.4 million in the corresponding period. Excluding the payments for the above turnkey activities, the Group's adjusted net cash generated from operating activities of RM4,145.0 million was higher by RM1,772.4 million or 74.7% compared to RM2,372.6 million in the corresponding period.

The Group's net cash used in investing activities of RM1,333.2 million was higher by RM181.6 million or 15.8% compared to net cash used in investing activities of RM1,151.6 million in the corresponding period, mainly due to higher payments on capital expenditure for ships, property, plant and equipment in the current period.

The Group recorded net cash used in financing activities of RM2,141.7 million in the current period due to higher repayment of loans and borrowings in the current period. In the corresponding period, the Group recorded net cash generated from financing activities of RM695.0 million mainly from higher drawdowns of loans and borrowings.

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PART B – OTHER EXPLANATORY NOTES (Continued)

B5. GROUP CURRENT YEAR PROSPECTS

In the LNG shipping market for the second quarter of 2023, spot rates bottomed-out in May with slight recovery in June on the back of improved chartering activity, mainly in the Atlantic basin partly due to the production setbacks in US and other producing locations. In the near term, prospects remain positive due to the rebounding of LNG demand prompted by lower prices, restocking for winter requirements and depletion of inventories in the summer given frequent heat waves. Premised on this, the Gas Assets and Solutions segment will continue to pursue available growth opportunities while its operating income continues to remain solid, supported by its current portfolio of long-term charters.

In the LNG shipping market for the second quarter of 2023, spot rates bottomed-out in May with slight recovery in June on the back of improved chartering activity, mainly in the Atlantic basin partly due to the production setbacks in the US and other producing locations. In the near term, prospects remain positive due to the rebounding of LNG demand prompted by lower prices, restocking for winter requirements and depletion of inventories in the summer given frequent heat waves. Premised on this, the Gas Assets and Solutions segment will continue to pursue available growth opportunities while its operating income continues to remain solid, supported by its current portfolio of long-term charters.

Meanwhile, the petroleum shipping market rates for VLCCs in the second quarter of 2023 remained firm while that of mid-sized tankers have softened in June 2023 due to lower activities in the UK Coast, Mediterranean and Black Sea region. Nevertheless, the overall tanker market outlook remains positive due to new trade patterns supporting tonne-mile demand, despite the recent short term production curbs by OPEC+. Based on the current environment, the Petroleum & Product Shipping segment has been continuing to improve the quality of its income and balance sheet through its niche shuttle tanker business and rejuvenation of its fleet with dual-fueled tankers.

The global upstream capex spending is forecasted to remain strong in 2023 encouraged by high oil prices despite mixed macroeconomic signals. Demand for FPSOs is expected to stay firm with anticipated increase in project awards over the next few years, particularly in the South American region. For the time being, the Offshore Business segment will remain focused on executing the project in hand and undertake mitigation measures to minimize cost and schedule pressures, while selectively pursuing new opportunities in the market. The existing portfolio of long-term contracts will continue to support the segment's financial performance.

For the Marine & Heavy Engineering segment, continuing high oil prices are expected to support increased oil & gas capex, and increasing significance of environmental, social and governance (ESG) will create multiple business opportunities in renewable energy for the Heavy Engineering sub-segment. However, ongoing project execution remains challenging due to raw material price escalation and global supply chain disruption which resulted in additional costs and schedule impact, which the recovery will be pursued from clients. Meanwhile, despite an anticipated increase in demand for dry-docking activities from a rise in seaborne trade requirements, the Marine sub-segment is also expected to remain challenging given the stiff competition from Chinese shipyards further to the re-opening of China's borders. The Marine & Heavy Engineering segment will continue exploring opportunities in the domestic and international markets with increased emphasis on decarbonisation and renewable energy. It also remains committed to the execution and delivery of all projects meeting clients' requirements. Additionally, it will look to improving its contracting strategies with clients through alliance concept or cost-plus basis to mitigate economic uncertainties for future projects.

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PART B – OTHER EXPLANATORY NOTES (Continued)

B6. PROFIT FORECAST AND PROFIT GUARANTEE

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

B7. TAXATION

	Quarter Ended 30 June 2023 RM million	Cumulative 6 Months Ended 30 June 2023 RM million
Taxation for the period comprises the following charge:		
Income tax charge		
- current period	(18.4)	(33.8)
- prior year	0.3	0.3
Deferred taxation	<u>0.8</u>	<u>(0.4)</u>
	<u>(17.3)</u>	<u>(33.9)</u>

Section 54A of the Malaysian 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 several times up to YA2020. On 6 October 2022, Gazette Order (i.e. Income Tax (Exemption) (No. 7) Order 2022 (P.U. (A) 312)) was enacted for the extension of the 100% shipping tax exemption from YA2021 to YA2023 subject to obtaining annual verification from the Ministry of Transport Malaysia that each Malaysian shipowner complies with the minimum substance requirements in terms of annual operating expenditure and minimum number of full-time Malaysian employees for each Malaysian ship for both shore employees and ship personnel.

Based on the Gazette Order, 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.

B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

There were no outstanding corporate proposals submitted by the Group for the quarter ended 30 June 2023.

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PART B – OTHER EXPLANATORY NOTES (Continued)

B9. 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”), in particular to the announcement on 10 April 2020 regarding the award issued by the Arbitral Tribunal and on 30 December 2022 regarding the decision of the High Court.

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”).

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PART B – OTHER EXPLANATORY NOTES (Continued)

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 which was heard on 6 July 2022. On 7 November 2022, the Court of Appeal dismissed GKL's appeal in respect of the interim application. General grounds were delivered orally and no written grounds were provided by the Court of Appeal. GKL is filing an application for leave to appeal to the Federal Court against the Court of Appeal's dismissal of its appeal in respect of the interim application. In addition, GKL is seeking to secure the Court of Appeal's written grounds of judgement.

GKL's Setting Aside OS was heard on 20 and 25 October 2021, 13 January 2022, 16 and 17 February 2022, 4 April 2022, 10 August 2022 and 23 September 2022. As announced on 30 December 2022, the High Court had dismissed GKL's Originating Summons to set aside parts of the Arbitral Award on 29 December 2022 with costs. The High Court's written grounds of judgment were only delivered thereafter. Upon review of the same, GKL has been advised that it has legal grounds to appeal against the High Court's decision and has filed notices of appeal to the Court of Appeal on 19 January 2023. The records of appeal were filed on 29 March 2023 and a case management was conducted on 19 April 2023. A further case management was held on 18 May 2023, where the hearing of the appeal is now fixed on 29 March 2024.

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:

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PART B – OTHER EXPLANATORY NOTES (Continued)

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 was heard on 6 September 2022 and the Winding-Up Order against PCPP was granted in the terms prayed for together with costs. This means that PCPP has been wound up and a liquidator has been appointed. On 24 October 2022, MOMPL filed its Proof of Debt against PCPP together with the supporting documents to substantiate its entire claim.

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PART B – OTHER EXPLANATORY NOTES (Continued)

- d. During the first creditor's meeting which was held on 11 April 2023, MOMPL was informed by PCPP's liquidator that it was PCPP's only creditor and that the liquidator has admitted the full amount of MOMPL's claim against PCPP amounting to USD121,892,523.00 as stated in the Proof of Debt. The liquidator has since requested a cash call from PCPP's shareholders pursuant to the terms of the Joint Operating Agreement executed in respect of PCPP. PCSB responded to dispute the cash call. Following this, the liquidator requested for further information to support PCSB's position. Since there was no response, the liquidator has instructed their solicitors to file an application for directions in the Winding Up Court for the cash call to be effectively ordered against PCSB, PPHE and PVEP.
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.

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QUARTERLY REPORT FOR SECOND QUARTER ENDED 30 JUNE 2023

PART B – OTHER EXPLANATORY NOTES (Continued)

iii) Malaysia Marine and Heavy Engineering Sdn Bhd (“MMHE”) and Kebabangan Petroleum Operating Company Sdn Bhd (“KPOC”)

On 13 March 2019, MMHE received a notice of arbitration from KPOC in relation to claims arising from the Kebabangan (“KBB”) field project. KPOC claimed that MMHE was in breach of contract in respect of matters relating to supply of certain valves. The valves procured by MMHE were claimed to be defective and that KPOC 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”), the Arbitral Tribunal has ordered that MMHE shall pay KPOC the following:-

- 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. (collectively, “Applications”).

The Applications were heard by the High Court on 15 April 2022 and 20 May 2022. After the completion of the Hearing, the matter proceeded for Clarification on 21 July 2022.

On 30 August 2022, the High Court allowed MMHE’s application to set aside the Final Award pursuant to Section 37 of the Arbitration Act 2005, amongst others, on grounds that there was a breach of the rules of natural justice in connection with the making of the Final Award with costs in favour of MMHE for the sum of RM30,000 and further dismissed KPOC’s application for leave to register and enforce the Final Award as a Judgment of the High Court with the costs to MMHE of RM10,000.

On 27 September 2022, KPOC lodged Notices of Appeal against the Orders of the High Court dated 30 August 2022. After a series of case management sessions, the matter has been fixed for another case management on 16 October 2023 for the Parties to update the Court of Appeal on the issuance of the Grounds of Judgment by the High Court.

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QUARTERLY REPORT FOR SECOND QUARTER ENDED 30 JUNE 2023

PART B – OTHER EXPLANATORY NOTES (Continued)

B10. DIVIDENDS

The Board of Directors has approved a second tax exempt dividend of 10.0 sen per share in respect of financial year 2023 amounting to RM446.4 million. The proposed dividend will be paid on 21 September 2023 to shareholders registered at the close of business on 12 September 2023.

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 12 September 2023 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.

B11. TRADE AND OTHER RECEIVABLES

	30 June 2023 RM million	31 December 2022 RM million
Trade receivables		
Third parties	3,517.4	3,259.8
Fellow subsidiaries	33.4	38.0
Joint ventures	29.7	30.1
	<u>3,580.5</u>	<u>3,327.9</u>
Due from customers on contracts	760.3	511.7
Other receivables	555.0	421.2
Less: Impairment	(425.6)	(402.2)
Trade and other receivables	<u>4,470.2</u>	<u>3,858.6</u>

The Group's normal trade credit terms with its customers range from 7 to 90 days. Credit terms are assessed and approved on a case-by-case basis and each customer is assigned a maximum credit limit.

The ageing of trade receivables (excluding amount due from customers on contracts) as at reporting date are as follows:

	30 June 2023 RM million	31 December 2022 RM million
Current	586.6	552.8
Past due 1-30 days	158.8	149.1
Past due 31-60 days	58.8	18.6
Past due 61-90 days	11.7	16.7
Past due more than 90 days	2,764.6	2,590.7
	<u>3,580.5</u>	<u>3,327.9</u>
Less: Impairment	(424.9)	(401.5)
Trade receivables, net	<u>3,155.6</u>	<u>2,926.4</u>

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QUARTERLY REPORT FOR SECOND QUARTER ENDED 30 JUNE 2023

PART B – OTHER EXPLANATORY NOTES (Continued)

B12. 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 2023 are as follows:

Contract/Tenure	Notional Value RM million	Fair Value as at 30 June 2023 RM million
<u>Foreign currency contracts</u>		
1 year to 3 years	1,006.7	(33.7)
	<u>1,006.7</u>	<u>(33.7)</u>
<u>Interest rate swaps</u>		
1 year to 3 years	234.3	13.2
More than 3 years	10,745.8	958.6
	<u>10,980.1</u>	<u>971.8</u>

During the current period ended 30 June 2023, 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 mainly 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 2022:

- (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.

B13. FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

The Group's derivative financial instruments such as interest rate swaps and foreign currency contracts are measured at fair value. The fair value of the derivative financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include:

- (a) using recent arm's length market transactions;
- (b) reference to the current fair value of another instrument that is substantially the same; and
- (c) discounted cash flow analysis or other valuation models.

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PART B – OTHER EXPLANATORY NOTES (Continued)

Any gains or losses arising from changes in fair value on derivative financial instruments during the period that do not qualify for hedge accounting and the ineffective portion of an effective hedge are recognised in the income statement. During the financial period, the Group recorded the following gain from change in fair value of derivative financial instruments:

	Quarter Ended 30 June 2023		Cumulative 6 Months Ended 30 June 2023	
	Loss recognised in income statements	Gain/(loss) recognised in other comprehensive income	Gain recognised in income statements	Gain/(loss) recognised in other comprehensive income
	RM million	RM million	RM million	RM million
Interest rate swaps	-	179.2	-	3.5
Foreign currency contracts	(1.4)	(31.4)	2.4	(29.6)

B14. EARNINGS PER SHARE

	Quarter Ended 30 June		Cumulative 6 Months Ended 30 June	
	2023	2022	2023	2022
Basic earnings/(loss) per share are computed as follows:				
Profit/(loss) for the period attributable to equity holders of the Corporation (RM million):	452.9	(19.1)	1,065.8	357.3
Weighted average number of ordinary shares in issue (million)	<u>4,463.8</u>	<u>4,463.8</u>	<u>4,463.8</u>	<u>4,463.8</u>
Basic earnings/(loss) per share (sen)	10.1	(0.4)	23.9	8.0

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

By Order of the Board