



# MISC BERHAD

(Registration No. 196801000580 (8178-H))

## Unaudited Condensed Consolidated Income Statement

For The Year Ended 31 December 2019

	Quarter Ended 31 December		Cumulative 12 Months Ended 31 December	
	2019	2018	2019	2018
	RM million	RM million	RM million	RM million
Revenue	2,375.5	2,388.5	8,962.7	8,780.3
Cost of sales	(1,607.5)	(1,681.8)	(6,215.6)	(6,447.5)
<b>GROSS PROFIT</b>	<b>768.0</b>	<b>706.7</b>	<b>2,747.1</b>	<b>2,332.8</b>
Other operating income	80.9	92.5	288.0	261.4
General and administrative expenses	(372.3)	(417.8)	(1,105.9)	(1,127.9)
<b>OPERATING PROFIT</b>	<b>476.6</b>	<b>381.4</b>	<b>1,929.2</b>	<b>1,466.3</b>
Impairment loss on ships, offshore floating assets and other investments	(113.8)	(97.9)	(214.9)	(99.0)
Gain on acquisition of businesses	-	29.6	23.7	100.0
(Loss)/gain on disposal of ships, offshore floating assets and property, plant and equipment	(4.3)	(9.2)	8.0	(11.9)
Finance costs	(118.4)	(109.5)	(484.3)	(394.6)
Share of profit of joint ventures	23.6	160.9	250.6	283.3
<b>PROFIT BEFORE TAX</b>	<b>263.7</b>	<b>355.3</b>	<b>1,512.3</b>	<b>1,344.1</b>
Taxation	(16.3)	(28.4)	(76.1)	(59.8)
<b>PROFIT AFTER TAX</b>	<b>247.4</b>	<b>326.9</b>	<b>1,436.2</b>	<b>1,284.3</b>
<b>PROFIT ATTRIBUTABLE TO:</b>				
Equity holders of the Corporation	249.9	338.7	1,426.3	1,311.5
Non-controlling interests	(2.5)	(11.8)	9.9	(27.2)
<b>PROFIT AFTER TAX</b>	<b>247.4</b>	<b>326.9</b>	<b>1,436.2</b>	<b>1,284.3</b>
<b>BASIC EARNINGS PER SHARE</b>				
<b>ATTRIBUTABLE TO EQUITY HOLDERS</b>				
<b>OF THE CORPORATION (SEN)</b>	<b>5.6</b>	<b>7.6</b>	<b>32.0</b>	<b>29.4</b>

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2018.



# MISC BERHAD

(Registration No. 196801000580 (8178-H))

## Unaudited Condensed Consolidated Statement of Comprehensive Income

For The Year Ended 31 December 2019

	Quarter Ended 31 December		Cumulative 12 Months Ended 31 December	
	2019	2018	2019	2018
	RM million	RM million	RM million	RM million
<b>PROFIT AFTER TAX</b>	<b>247.4</b>	<b>326.9</b>	<b>1,436.2</b>	<b>1,284.3</b>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Cash flow hedges:				
Fair value gain/(loss)				
Group	93.9	(34.5)	(163.4)	(5.4)
(Loss)/gain on currency translation *	(705.6)	(10.0)	(363.2)	686.6
<b>Total other comprehensive (loss)/income</b>	<b>(611.7)</b>	<b>(44.5)</b>	<b>(526.6)</b>	<b>681.2</b>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>	<b>(364.3)</b>	<b>282.4</b>	<b>909.6</b>	<b>1,965.5</b>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO:</b>				
Equity holders of the Corporation	(357.1)	294.2	902.5	1,989.0
Non-controlling interests	(7.2)	(11.8)	7.1	(23.5)
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>	<b>(364.3)</b>	<b>282.4</b>	<b>909.6</b>	<b>1,965.5</b>

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

	2019	2018	2017
As at 31 December	4.09950	4.14450	4.05950
As at 30 September	4.18700	4.14450	-
As at 30 June	4.14150	4.04550	-



# MISC BERHAD

(Registration No. 196801000580 (8178-H))

## Unaudited Condensed Consolidated Statement of Financial Position

As at 31 December 2019

	31 December 2019 RM million	31 December 2018 RM million
<b>NON CURRENT ASSETS</b>		
Ships	20,975.9	21,224.8
Offshore floating assets	82.4	222.2
Property, plant and equipment	2,228.9	1,888.9
Prepaid lease payments on land and buildings	219.8	213.0
Finance lease receivables	15,008.0	16,377.4
Investments in associates	0.5	0.5
Investments in joint ventures	925.7	955.1
Other non-current financial assets	225.9	244.6
Derivative assets	-	8.2
Intangible assets	840.7	856.9
Deferred tax assets	103.5	104.4
	<b>40,611.3</b>	<b>42,096.0</b>
<b>CURRENT ASSETS</b>		
Inventories	165.7	250.0
Finance lease receivables	1,387.7	1,247.2
Trade and other receivables	2,441.2	2,555.9
Cash, deposits and bank balances	7,030.8	5,755.6
Amounts due from related companies	82.6	102.5
Amounts due from joint ventures	19.2	43.7
Assets held for sale	125.3	-
Tax recoverable	-	14.5
	<b>11,252.5</b>	<b>9,969.4</b>
<b>TOTAL ASSETS</b>	<b>51,863.8</b>	<b>52,065.4</b>
<b>EQUITY</b>		
Share capital	8,923.3	8,923.3
Treasury shares	(0.3)	(0.3)
Reserves	6,060.2	6,584.0
Retained profits	19,744.0	19,844.2
<b>Equity attributable to equity holders of the Corporation</b>	<b>34,727.2</b>	<b>35,351.2</b>
Non-controlling interests	1,026.6	1,013.0
<b>TOTAL EQUITY</b>	<b>35,753.8</b>	<b>36,364.2</b>
<b>NON-CURRENT LIABILITIES</b>		
Interest bearing loans and borrowings	7,552.7	7,271.4
Deferred income	566.3	612.4
Deferred tax liabilities	30.9	32.5
Derivative liabilities	158.3	5.8
	<b>8,308.2</b>	<b>7,922.1</b>
<b>CURRENT LIABILITIES</b>		
Interest bearing loans and borrowings	5,599.5	5,778.5
Trade and other payables	2,109.3	1,890.2
Provision for taxation	14.2	-
Amounts due to related companies	8.6	17.7
Amounts due to associates	1.0	0.9
Amounts due to joint ventures	67.6	91.8
Derivative liabilities	1.6	-
	<b>7,801.8</b>	<b>7,779.1</b>
<b>TOTAL LIABILITIES</b>	<b>16,110.0</b>	<b>15,701.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>51,863.8</b>	<b>52,065.4</b>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2018.



# MISC BERHAD

(Registration No. 196801000580 (8178-H))

## Unaudited Condensed Consolidated Statement of Cash Flows

For the Year Ended 31 December 2019

	31 December 2019 RM million	31 December 2018 RM million
<b>Cash Flows from Operating Activities:</b>		
Profit before tax	1,512.3	1,344.1
Writeback of impairment loss on receivables	(5.5)	(0.6)
Impairment loss on receivables	36.8	141.3
Bad debts written off	1.1	10.4
Depreciation of ships, offshore floating assets, other property, plant and equipment and right-of-use assets	2,215.5	1,891.9
Amortisation of prepaid lease payments	7.4	7.2
Impairment loss on ships, offshore floating assets and other investments	214.9	99.0
Write off of ships, property, plant and equipment	13.2	32.5
(Gain)/loss on disposal of ships, offshore floating assets and property, plant and equipment	(8.0)	11.9
Net unrealised foreign exchange loss/(gain)	1.6	(20.4)
Dividend income from equity investments	(1.6)	(1.7)
Finance costs	484.3	394.6
Finance income	(169.2)	(132.9)
Gain on acquisition of businesses	(23.7)	(100.0)
Fair value movement in other investments	5.2	15.1
Intangible assets written off	-	0.7
Amortisation of intangibles	6.4	5.4
Amortisation of upfront fees for borrowings	26.2	10.7
Share of profit of joint ventures	(250.6)	(283.3)
Operating profit before working capital changes	4,066.3	3,425.9
Inventories	82.5	(46.9)
Trade and other receivables	1,398.3	1,024.9
Trade and other payables	79.5	(242.2)
Cash generated from operations	5,626.6	4,161.7
Net tax paid	(47.5)	(62.5)
<b>Net cash generated from operating activities</b>	<b>5,579.1</b>	<b>4,099.2</b>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2018.



	31 December 2019 RM million	31 December 2018 RM million
<b>Cash Flows from Investing Activities:</b>		
Purchase of ships, offshore floating assets and other property, plant and equipment	(2,161.0)	(2,292.2)
Investment in joint ventures	(16.0)	-
Proceeds from disposal of ships, offshore floating assets, property plant and equipment and held for sale assets	373.7	282.7
Progress payments for finance lease assets under construction	-	(1,002.7)
Dividend received from:		
Quoted investments	1.6	1.7
Associates and joint ventures	285.4	411.4
Acquisition of businesses	(130.3)	(1,197.4)
Redemption of shares in a joint venture	-	64.5
Purchase of treasury shares	-	(0.3)
Purchase of land use rights	(14.3)	-
Interest received	126.2	93.8
Net fixed deposit withdrawal	1.7	1.6
<b>Net cash used in investing activities</b>	<b>(1,533.0)</b>	<b>(3,636.9)</b>
<b>Cash Flows from Financing Activities:</b>		
Drawdown of term loans and revolving credit	5,575.3	5,441.7
Repayment of term loans and revolving credit	(5,994.0)	(4,345.4)
Repayment of lease liabilities	(447.8)	-
Dividends paid to the equity holders of the Corporation	(1,339.1)	(1,339.1)
Dividends paid to non-controlling interest of subsidiaries	(3.0)	(23.4)
Interest paid	(492.8)	(442.7)
Placement of cash pledged with banks - restricted	(1,071.3)	(113.7)
<b>Net cash used in financing activities</b>	<b>(3,772.7)</b>	<b>(822.6)</b>
Net change in cash & cash equivalents	273.4	(360.3)
Cash & cash equivalents at the beginning of the year	5,534.9	5,792.1
Currency translation difference	(67.8)	103.1
Cash & cash equivalents at the end of the period	<b>5,740.5</b>	<b>5,534.9</b>
Cash pledged with bank - restricted and deposit with maturity more than 90 days	1,290.3	220.7
<b>Cash, deposits and bank balances</b>	<b>7,030.8</b>	<b>5,755.6</b>


**MISC BERHAD**

(Registration No. 196801000580 (8178-H))

**Unaudited Condensed Consolidated Statement of Changes in Equity**

For the Year Ended 31 December 2019

	Attributable to equity holders of the Corporation													
	Total equity	Equity attributable to equity holders of the Corporation	Share capital*	Treasury shares	Retained profits	Other reserves, total	Other capital reserve	Capital reserve	Revaluation reserve	Statutory reserve	Fair value 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
12 MONTHS ENDED 31 DECEMBER 2019														
At 1 January 2019	36,364.2	35,351.2	8,923.3	(0.3)	19,844.2	6,584.0	99.3	435.2	1.4	3.2	-	2.9	6,042.0	1,013.0
Adjustment on initial application of MFRS 16	(186.9)	(187.4)	-	-	(187.4)	-	-	-	-	-	-	-	-	0.5
At 1 January 2019 (Restated)	36,177.3	35,163.8	8,923.3	(0.3)	19,656.8	6,584.0	99.3	435.2	1.4	3.2	-	2.9	6,042.0	1,013.5
Total comprehensive income/(loss)	909.6	902.5	-	-	1,426.3	(523.8)	-	-	-	-	-	(162.9)	(360.9)	7.1
Transactions with owners														
Dividends	(1,342.1)	(1,339.1)	-	-	(1,339.1)	-	-	-	-	-	-	-	-	(3.0)
Arising from increase in equity interest in subsidiary	9.0	-	-	-	-	-	-	-	-	-	-	-	-	9.0
Total transactions with owners	(1,333.1)	(1,339.1)	-	-	(1,339.1)	-	-	-	-	-	-	-	-	6.0
At 31 December 2019	35,753.8	34,727.2	8,923.3	(0.3)	19,744.0	6,060.2	99.3	435.2	1.4	3.2	-	(160.0)	5,681.1	1,026.6
12 MONTHS ENDED 31 DECEMBER 2018														
At 1 January 2018	35,904.8	34,844.2	8,923.3	-	19,961.4	5,959.5	99.3	435.2	1.4	3.2	53.0	8.3	5,359.1	1,060.6
Adjustment on initial application of MFRS 9	(143.3)	(142.6)	-	-	(89.6)	(53.0)	-	-	-	-	(53.0)	-	-	(0.7)
At 1 January 2018 (Restated)	35,761.5	34,701.6	8,923.3	-	19,871.8	5,906.5	99.3	435.2	1.4	3.2	-	8.3	5,359.1	1,059.9
Total comprehensive income/(loss)	1,965.5	1,989.0	-	-	1,311.5	677.5	-	-	-	-	-	(5.4)	682.9	(23.5)
Transactions with owners														
Dividends	(1,362.5)	(1,339.1)	-	-	(1,339.1)	-	-	-	-	-	-	-	-	(23.4)
Buyback of shares by the Corporation	(0.3)	(0.3)	-	(0.3)	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	(1,362.8)	(1,339.4)	-	(0.3)	(1,339.1)	-	-	-	-	-	-	-	-	(23.4)
At 31 December 2018	36,364.2	35,351.2	8,923.3	(0.3)	19,844.2	6,584.0	99.3	435.2	1.4	3.2	-	2.9	6,042.0	1,013.0

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

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2018.

# 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 18 February 2020.

### A2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the quarter and the year ended 31 December 2019 have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. The results for this interim period are unaudited and should be read in conjunction with the Group's audited consolidated financial statements and the accompanying notes for the year ended 31 December 2018.

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 2018.

The audited consolidated financial statements of the Group for the year ended 31 December 2018 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 2019 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2018 except as disclosed below:

As of 1 January 2019, the Group and the Corporation have adopted the following revised MFRSs and Amendments to MFRSs that have been issued by the MASB:

#### **MFRS and amendments effective for annual periods beginning on or after 1 January 2019:**

- MFRS 16: Leases
- Annual Improvements to MFRS Standards 2015 – 2017 Cycle
- IC Interpretation 23: Uncertainty over Income Tax Treatments

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

#### **i. MFRS 16: Leases**

The Group adopted MFRS 16: Leases on 1 January 2019. MFRS 16 replaces the guidance in MFRS 117: Leases, IC Interpretation 4: Determining whether an Arrangement contains a Lease, IC Interpretation 115: Operating Leases – Incentives and IC Interpretation 127: Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MFRS 16 introduces a single, on-balance sheet lease accounting for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The lessee shall choose to measure the right-of-use asset at either its carrying amount as if MFRS 16 has been applied since inception or an amount equal to the lease liability. There are recognition exemptions for short-term leases, leases of low-value items and variable lease payments. Lessor accounting remains similar i.e. lessor continues to classify leases as finance or operating leases.

The Group has elected the modified retrospective approach with no restatement of comparatives.

Effects arising from the initial application of MFRS 16 in retained earnings and balance sheet as at 1 January 2019 are as disclosed below:

<b>Impact of adoption of MFRS 16 to opening balance as at 1 January 2019</b>	
	<b>RM million</b>
Decrease in retained earnings	187.4
Increase in non-controlling interests	0.5
Increase in right-of-use assets	800.9
Increase in lease liabilities	987.8

The current period to date impact on depreciation of right-of-use assets is RM379.4 million and interest on lease liabilities is RM42.1 million.

#### **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 2018.

#### **A6. CHANGES IN COMPOSITION OF THE GROUP**

- (a) The Corporation had, on 17 December 2019, incorporated a new subsidiary, Magellan X Holdings Sdn. Bhd. ("Magellan X Holdings"), under the Malaysian Companies Act 2016 for the purpose of investment holding. Magellan X Holdings is a wholly-owned subsidiary of the Corporation.
- (b) Pursuant to a Shareholders' Agreement entered into in September 2019 between Mitsubishi Corporation, Nippon Yusen Kabushiki Kaisha ("NYK") and Asia LNG Transport Dua Sdn. Bhd. ("ALT Dua"), a 51%-owned subsidiary of the Corporation, ALT Dua had on 23 December 2019 completed the acquisition of shares in Diamond LNG Shipping 6 Ltd. ("DLS6"), a company incorporated in The Bahamas, from NYK. Subsequent thereto, DLS6 became a 50%-owned joint venture company of ALT Dua. The principal activity of DLS6 is owning, chartering and operating of vessel.
- (c) Pursuant to a Shareholders' Agreement entered into between the Corporation and Avenir LNG Limited ("Avenir"), Future Horizon (L) Pte. Ltd. ("Future Horizon"), then a wholly-owned subsidiary of the Corporation, had on 27 December 2019 increased its issued and paid-up capital by the issuance and allotment of new ordinary shares to the Corporation and Avenir. Upon completion of the allotment of shares, Future Horizon became a 51%-owned joint venture company of the Corporation.



## A7. SEGMENT REPORT

Segmental analysis for the current financial period is as follows:

	LNG	Petroleum	Offshore	Heavy Engineering	Others, eliminations and adjustments	Total
	RM million	RM million	RM million	RM million	RM million	RM million
Revenue						
External sales	2,582.1	4,302.9	980.8	936.5	160.4	8,962.7
Inter-segment	-	1.9	105.4	73.3	(180.6)	-
	<b>2,582.1</b>	<b>4,304.8</b>	<b>1,086.2</b>	<b>1,009.8</b>	<b>(20.2) *</b>	<b>8,962.7</b>
Operating profit/(loss)	1,190.4	360.4	496.4	(40.5)	(77.5) **	1,929.2

\* Comprises inter-segment eliminations.

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

## A8. SEASONALITY OF OPERATIONS

The businesses of the Group are subject to market fluctuations.

## A9. PROFIT FOR THE PERIOD

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

	Quarter Ended 31 December		Cumulative 12 Months Ended 31 December	
	2019	2018	2019	2018
	RM million	RM million	RM million	RM million
Finance income	45.6	35.6	169.2	132.9
Other income	31.7	54.0	105.8	105.4
Finance costs	(118.4)	(109.5)	(484.3)	(394.6)
Depreciation of ships, offshore floating assets, other property, plant and equipment and right-of-use assets	(567.5)	(496.4)	(2,215.5)	(1,891.9)
Amortisation of prepaid lease payments	(2.0)	(1.9)	(7.4)	(7.2)
Amortisation of intangibles	(1.5)	(1.0)	(6.4)	(5.4)
Intangible asset written off	-	(0.7)	-	(0.7)
Write off of ships, property, plant and equipment	(10.6)	(25.6)	(13.2)	(32.5)
Gain on acquisition of businesses	-	29.6	23.7	100.0
(Loss)/gain on disposal of ships, offshore floating assets and property, plant and equipment	(4.3)	(9.2)	8.0	(11.9)
Impairment loss on ships, offshore floating assets and other investments	(113.8)	(97.9)	(214.9)	(99.0)
Impairment loss on receivables	(21.7)	(47.6)	(36.8)	(141.3)
Bad debts written off	(2.0)	(13.7)	(1.1)	(10.4)
Fair value gain/(loss) in other investment	2.6	(8.2)	(5.2)	(15.1)
Writeback of impairment loss on receivables	5.5	0.6	5.5	0.6
Net realised foreign exchange loss	(14.4)	(3.5)	(19.7)	(14.8)
Net unrealised foreign exchange gain/(loss)	0.2	3.9	(1.6)	20.4

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

Included in ships, offshore floating assets and property, plant and equipment are construction work-in-progress, mainly for the construction of ships totalling RM2,903.1 million (31 December 2018: RM1,664.6 million) and right-of-use assets amounting to RM461.0 million.

#### A11. INTANGIBLE ASSETS

	Goodwill	Other Intangible Assets	Total
	RM million	RM million	RM million
<b>Cost</b>			
<b>At 1 January 2018</b>	<b>974.0</b>	<b>212.7</b>	<b>1,186.7</b>
Write-off	(0.7)	-	(0.7)
Currency translation differences	18.6	-	18.6
<b>At 31 December 2018</b>	<b>991.9</b>	<b>212.7</b>	<b>1,204.6</b>
Currency translation differences	(9.8)	-	(9.8)
<b>At 31 December 2019</b>	<b>982.1</b>	<b>212.7</b>	<b>1,194.8</b>
<b>Accumulated amortisation and impairment</b>			
<b>At 1 January 2018</b>	<b>162.5</b>	<b>179.8</b>	<b>342.3</b>
Amortisation	-	5.4	5.4
<b>At 31 December 2018</b>	<b>162.5</b>	<b>185.2</b>	<b>347.7</b>
Amortisation	-	6.4	6.4
<b>At 31 December 2019</b>	<b>162.5</b>	<b>191.6</b>	<b>354.1</b>
<b>Net carrying amount</b>			
<b>At 1 January 2018</b>	<b>811.5</b>	<b>32.9</b>	<b>844.4</b>
<b>At 31 December 2018</b>	<b>829.4</b>	<b>27.5</b>	<b>856.9</b>
<b>At 31 December 2019</b>	<b>819.6</b>	<b>21.1</b>	<b>840.7</b>

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

#### A12. INVENTORIES

The Group did not recognise any write-down of inventories and reversal of inventories during the quarter ended 31 December 2019.

### A13. CASH, DEPOSITS AND BANK BALANCES

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

	31 December 2019 RM million	31 December 2018 RM million
Cash with PETRONAS Integrated Financial Shared Service Centre *	4,356.6	4,204.4
Cash and bank balances	1,467.8	1,214.8
Deposits with licensed banks	1,206.4	336.4
<b>Total cash, deposits and bank balances</b>	<b>7,030.8</b>	<b>5,755.6</b>

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

Included in cash and bank balances is the retention account of RM1,289.7 million (31 December 2018: RM218.4 million) which is restricted for use because it is pledged to the bank for the purpose of loan covenants.

### A14. FAIR VALUE HIERARCHY

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

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

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

	Level 1 RM million	Level 2 RM million	Level 3 RM million	Total RM million
<b>At 31 December 2019</b>				
<b><u>Financial Assets</u></b>				
Quoted investments	47.3	-	-	47.3
Unquoted investments	-	-	65.1	65.1
	<b>47.3</b>	<b>-</b>	<b>65.1</b>	<b>112.4</b>
<b><u>Financial Liabilities</u></b>				
Forward currency contracts	-	(1.6)	-	(1.6)
Interest rate swaps designated as hedging instruments	-	(158.3)	-	(158.3)
	<b>-</b>	<b>(159.9)</b>	<b>-</b>	<b>(159.9)</b>

	Level 1 RM million	Level 2 RM million	Level 3 RM million	Total RM million
<b>At 31 December 2018</b>				
<b><u>Financial Assets</u></b>				
Quoted investments	47.8	-	-	47.8
Unquoted investments	-	-	73.9	73.9
Interest rate swaps designated as hedging instruments	-	8.2	-	8.2
	<b>47.8</b>	<b>8.2</b>	<b>73.9</b>	<b>129.9</b>
<b><u>Financial Liabilities</u></b>				
Interest rate swaps designated as hedging instruments	-	(5.8)	-	(5.8)
	<b>-</b>	<b>(5.8)</b>	<b>-</b>	<b>(5.8)</b>

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

#### A15. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuance or repayment of debt and equity securities made by the Group during the quarter ended 31 December 2019.

#### 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 December 2019 RM million	31 December 2018 RM million
Short Term Borrowings		
Secured	4,530.3	389.8
Unsecured	755.1	5,388.7
Lease liabilities	314.1	-
	<b>5,599.5</b>	<b>5,778.5</b>
Long Term Borrowings		
Secured	7,228.7	6,512.8
Unsecured	-	758.6
Lease liabilities	324.0	-
	<b>7,552.7</b>	<b>7,271.4</b>
<b>Total</b>	<b>13,152.2</b>	<b>13,049.9</b>

ii) Foreign borrowings in United States Dollar equivalent as at 31 December 2019 is as follows:

	RM million
United States Dollar Borrowings	<b>12,868.5</b>

#### A17. DIVIDENDS PAID

The Corporation paid the following dividends in the period ended 31 December 2019 and 31 December 2018:

	31 December 2019		31 December 2018	
	Sen/Share	RM million	Sen/Share	RM million
Third tax exempt dividend in respect of:				
- Financial year ended 31 December 2019 on 10 December 2019	7.0	312.5	-	-
- Financial year ended 31 December 2018 on 18 December 2018	-	-	7.0	312.5
Second tax exempt dividend in respect of:				
- Financial year ended 31 December 2019 on 18 September 2019	7.0	312.5	-	-
- Financial year ended 31 December 2018 on 14 September 2018	-	-	7.0	312.5
First tax exempt dividend in respect of:				
- Financial year ending 31 December 2019 on 25 June 2019	7.0	312.5	-	-
- Financial year ended 31 December 2018 on 12 June 2018	-	-	7.0	312.5
Fourth tax exempt dividend in respect of:				
- Financial year ended 31 December 2018 on 26 March 2019	9.0	401.7	-	-
- Financial year ended 31 December 2017 on 15 March 2018	-	-	9.0	401.7

#### A18. CAPITAL COMMITMENTS

	31 December 2019	31 December 2018
	RM million	RM million
Approved and contracted for:		
Group	4,112.7	2,792.3
Share of capital commitments		
in a joint venture	109.4	-
	<u>4,222.1</u>	<u>2,792.3</u>
Approved but not contracted for:		
Group	858.0	939.9
Share of capital commitments		
in a joint venture	40.8	-
	<u>898.8</u>	<u>939.9</u>
<b>Total</b>	<b><u>5,120.9</u></b>	<b><u>3,732.2</u></b>

#### A19. CONTINGENT LIABILITIES

Contingent liabilities of the Group as at 31 December 2019 comprise the following:

	RM million
Performance bonds on contract and bank guarantees	
extended to third parties	<u>411.5</u>

#### A20. SUBSEQUENT MATERIAL EVENT

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

## B1. REVIEW OF GROUP PERFORMANCE

	Quarter Ended 31 December		Cumulative 12 Months Ended 31 December	
	2019	2018	2019	2018
	RM million	RM million	RM million	RM million
<b>Revenue</b>				
LNG	648.4	562.3	2,582.1	2,346.3
Petroleum	1,158.6	1,278.3	4,304.8	4,312.9
Offshore	297.3	274.7	1,086.2	1,196.0
Heavy Engineering	275.7	272.2	1,009.8	974.3
Others, Eliminations and Adjustments	(4.5)	1.0	(20.2)	(49.2)
<b>Total Revenue</b>	<b>2,375.5</b>	<b>2,388.5</b>	<b>8,962.7</b>	<b>8,780.3</b>
<b>Operating Profit/(Loss)</b>				
LNG	269.3	186.2	1,190.4	985.4
Petroleum	171.4	108.6	360.4	(12.4)
Offshore	97.5	122.3	496.4	558.7
Heavy Engineering	2.0	(30.3)	(40.5)	(124.6)
Others, Eliminations and Adjustments	(63.6)	(5.4)	(77.5)	59.2
<b>Total Operating Profit</b>	<b>476.6</b>	<b>381.4</b>	<b>1,929.2</b>	<b>1,466.3</b>
Impairment loss on ships, offshore floating assets and other investments	(113.8)	(97.9)	(214.9)	(99.0)
Gain on acquisition of businesses	-	29.6	23.7	100.0
(Loss)/gain on disposal of ships, offshore floating asset and property, plant and equipment	(4.3)	(9.2)	8.0	(11.9)
Finance costs	(118.4)	(109.5)	(484.3)	(394.6)
Share of profit of joint ventures	23.6	160.9	250.6	283.3
<b>Profit Before Tax</b>	<b>263.7</b>	<b>355.3</b>	<b>1,512.3</b>	<b>1,344.1</b>

### Current quarter's performance against the quarter ended 31 December 2018

Group revenue of RM2,375.5 million was 0.5% lower than the quarter ended 31 December 2018 ("corresponding quarter") revenue of RM2,388.5 million, while Group operating profit of RM476.6 million was RM95.2 million higher than the corresponding quarter's profit of RM381.4 million. The variances in Group performance by segments are further explained below.

#### LNG

Revenue of RM648.4 million was RM86.1 million or 15.3% higher than the corresponding quarter's revenue of RM562.3 million, mainly from higher number of operating vessels in the current quarter following acquisition of two (2) LNG carriers, one each in December 2018 and January 2019, and redeployment of vessels previously on charter suspension.

Operating profit of RM269.3 million was RM83.1 million or 44.6% higher than the corresponding quarter's profit of RM186.2 million, mainly from higher revenue as explained above.

### **Petroleum**

Revenue of RM1,158.6 million was RM119.7 million or 9.4% lower than the corresponding quarter's revenue of RM1,278.3 million mainly due to lower number of operating vessels in the current quarter.

Operating profit of RM171.4 million was RM62.8 million higher than corresponding quarter's profit of RM108.6 million, mainly from higher margin on freight rates in the current quarter.

### **Offshore**

Revenue of RM297.3 million was RM22.6 million or 8.2% higher than the corresponding quarter's revenue of RM274.7 million mainly due to one time reimbursement cost on upgrading works for a Floating, Production, Storage and Offloading ("FPSO") recorded in the current quarter.

Operating profit of RM97.5 million was RM24.8 million lower than corresponding quarter's profit of RM122.3 million, mainly from recognition of additional demobilisation cost in the current quarter.

### **Heavy Engineering**

Revenue of RM275.7 million was RM3.5 million or 1.3% higher than the corresponding quarter's revenue of RM272.2 million, mainly due to higher revenue from conversion works in the current quarter.

Heavy Engineering segment recorded operating profit of RM2.0 million compared to the corresponding quarter's loss of RM30.3 million, mainly due to improved margin in the Marine sub-segment coupled with lower unabsorbed overhead costs in the current quarter.

### **Others, Eliminations and Adjustments**

Other segment recorded higher operating loss of RM63.6 million as compared to corresponding quarter's loss of RM5.4 million, mainly due to unallocated corporate expenses and higher net foreign exchange loss in the current quarter.

### **Current year performance against the year ended 31 December 2018**

Group revenue of RM8,962.7 million was RM182.4 million or 2.1% higher than RM8,780.3 million revenue for the year ended 31 December 2018 ("corresponding year"). Group operating profit of RM1,929.2 million was RM462.9 million or 31.6% higher than the corresponding year's profit of RM1,466.3 million. The variances in Group performance by segments are further explained below.

### **LNG**

LNG revenue of RM2,582.1 million was 10.0% higher than the corresponding year's revenue of RM2,346.3 million, mainly from higher number of operating vessels in the current year following acquisition of two (2) LNG carriers, one each in December 2018 and January 2019, and redeployment of vessels previously on charter suspension.

LNG operating profit of RM1,190.4 million was RM205.0 million or 20.8% higher than the corresponding year's profit of RM985.4 million, mainly from higher revenue as explained above coupled with additional charter rate for Floating Storage Units ("FSU").

### **Petroleum**

Petroleum revenue of RM4,304.8 million was 0.2% lower than the corresponding year's revenue of RM4,312.9 million, mainly due to lower number of vessels. However, the reduction in revenue is cushioned by higher freight rates achieved in the current year.

Petroleum segment recorded an operating profit of RM360.4 million compared to the corresponding year's loss of RM12.4 million, mainly from higher margin on freight rates in the current year.

### **Offshore**

Revenue of RM1,086.2 million was 9.2% lower than the corresponding year's revenue of RM1,196.0 million as the corresponding year included construction revenue of Floating, Storage and Offloading ("FSO") Benchamas 2 which was completed in May 2018 and one-time reimbursement cost on towing and installation of a project. However, the reduction in revenue is partially negated by the one time reimbursement cost on upgrading works for a FPSO recorded in the current year.

Offshore operating profit of RM496.4 million was RM62.3 million or 11.2% lower than the corresponding year's profits of RM558.7 million, mainly due to lower revenue as explained above coupled with recognition of demobilisation cost in the current year.

#### **Heavy Engineering**

Heavy Engineering revenue of RM1,009.8 million was 3.6% higher than the corresponding year's revenue of RM974.3 million, mainly due to higher revenue from dry docking services on LNG carriers and conversion works.

Heavy Engineering segment recorded a lower operating loss of RM40.5 million compared to corresponding year's loss of RM124.6 million, mainly due to higher revenue as explained above coupled with lower unabsorbed overheads in the Marine sub-segment.

#### **Others, Eliminations and Adjustments**

Other segment recorded operating loss for the year of RM77.5 million compared to corresponding year's profit of RM59.2 million mainly due to lower contribution from integrated marine, port and terminal services, fair value loss in an investment, higher net foreign exchange loss and unallocated corporate expenses.

### **B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS**

<b><u>GROUP</u></b>	<b>Quarter Ended 31 December 2019 RM million</b>	<b>Quarter Ended 30 September 2019 RM million</b>
<b>Revenue</b>	<b>2,375.5</b>	<b>2,147.8</b>
<b>Operating Profit</b>	<b>476.6</b>	<b>376.4</b>
Impairment loss on ships and offshore floating assets	(113.8)	(50.0)
Loss on disposal of a ships, offshore floating asset and property, plant and equipment	(4.3)	(5.2)
Finance costs	(118.4)	(116.1)
Share of profit of joint ventures	23.6	82.4
<b>Profit Before Tax</b>	<b>263.7</b>	<b>287.5</b>

Group revenue of RM2,375.5 million was RM227.7 million or 10.6% higher than the preceding quarter's revenue of RM2,147.8 million, mainly from higher freight rates achieved in Petroleum segment.

Group operating profit of RM476.6 million was RM100.2 million or 26.6% higher than the preceding quarter's profit of RM376.4 million, mainly from higher revenue as explained above.

### **B3. GROUP CURRENT YEAR PROSPECTS**

Petroleum freight rates were elevated and volatile throughout Q4 2019 on strong seasonal demand and geopolitical factors. The Petroleum shipping segment was able to reap some of the benefits of the robust albeit volatile market and ended the year on a stronger note. The tanker market is widely expected to remain firm in 2020 due to fewer deliveries and growing long-haul prospects as well as demand growth arising from the International Maritime Organization 2020 ("IMO 2020") sulphur cap implementation. However, the recent Covid-19 virus outbreak has posed some risks to the oil and tanker market, and whilst the impact is currently uncertain, the tanker market could face short-term headwinds if the outbreak is not contained or if the situation escalates.

In the LNG shipping segment, spot rates ended the year lower compared to the previous year mainly due to lack of demand owing to mild winter and high inventories. However, liquefaction expansion in North America and the Middle East is expected to lead to an increased requirement for vessels and this should support charter rates going forward. Nonetheless, the Group's present portfolio of long-term charters will underwrite the steady performance of MISC's LNG business segment, and the two long-term contracts secured in Q4 2019 will provide growth in future years.



The resurgence in offshore oil and gas projects is set to continue its upward trajectory in 2020 with oil prices remaining relatively stable. The floating production system market will likely remain robust with an increasing number of contract awards in the next few years, and MISC's Offshore business unit will continue to assess the merit of pursuing these opportunities. The unit's existing portfolio of long-term contracts will continue to support the stable financial performance of the Offshore business segment.

While there is an increase in offshore activities, the Heavy Engineering segment remains prudent on the outlook for its business in the near term amidst uncertainties on the timing of capital spending by major oil and gas players. Meanwhile, the segment is cautiously optimistic on the outlook for the marine business in view of the expected global LNG expansion driven by an increase in exports from Qatar, Australia, Russia and the United States to the Asia Pacific market and expects no further deferment of dry docking activities by ship owners in 2020 in relation to IMO 2020 implementation. Notwithstanding, the Heavy Engineering segment remains committed to replenish its order book by expanding its footprint in various geographical areas and diversifying into new business opportunities.

#### **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 December 2019 RM million	Cumulative 12 Months Ended 31 December 2019 RM million
Taxation for the period comprises the following charge:		
Income tax charge		
- current period	(15.4)	(74.2)
- prior year	-	(2.1)
Deferred taxation	(0.9)	0.2
	<u>(16.3)</u>	<u>(76.1)</u>

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

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

#### **B6. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED**

There were no outstanding corporate proposals submitted by the Group for the quarter ended 31 December 2019.

#### **B7. CHANGES IN MATERIAL LITIGATION**

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

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

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

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

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

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

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

The hearing for the Arbitration from 25 February 2019 to 16 March 2019 has been concluded and parties have filed their respective closing submissions. The decision is expected to be delivered in 2020.

GKL is of the view that GKL has a good legal position to succeed in its claims against SSPC and has a good legal position to defend SSPC's counterclaims.

The Arbitration and Adjudication initiated to resolve the contractual disputes will not have any impact on the operation of the Semi-FPS or the performance of the Contract, including the lease payments which continue to be paid by SSPC since October 2014. The lease period pursuant to the Contract remains intact and GKL continues to receive payment from SSPC for the relevant lease period.

## **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:

### **Arbitration**

1. The first arbitration proceedings seek to claim for part of the outstanding sums amounting to approximately USD18,829,000 and RM17,944,000. MOMPL's Statement of Claim was filed on 21 December 2016. MOMPL continues to pursue and progress the arbitration proceedings.
2. The second arbitration proceedings seek to claim for the disputed portion of the early termination fees and demobilisation costs and the remaining lease and service rates amounting to approximately USD38,646,000 and RM4,674,000. MOMPL's Notice of Arbitration was filed on 7 August 2018.

PCPP has objected to the filing of the Notice of Arbitration on the basis that Parties have yet to commence "good faith negotiations" as per Contract requirement. In order to move the matter forward, Arbitration Notice (No.2) has been withdrawn for parties to commence good faith negotiations.

### **Adjudication**

3. Adjudication proceedings under the Construction Industry Payment and Adjudication Act 2012 (“CIPAA”) was first commenced to recover MOMPL’s claim for the completed variation works amounting to approximately USD9,949,000.00. On 9 January 2019, MOMPL was awarded its entire claim of USD9,949,734.00 plus interest and costs.
4. The second adjudication proceedings under CIPAA was commenced to recover the disputed demobilisation costs amounting to approximately USD4,796,000. On 7 October 2019, MOMPL received the second Adjudication decision dated 26 July 2019 where MOMPL was awarded its entire claim of USD4,752,239.11 plus interest and costs.
5. The Federal Court (“FC”) had on 16 October 2019 made a ruling that the CIPAA, which provides the basis upon which the Adjudication Proceedings were commenced, only applies prospectively to construction contracts entered into after the date CIPAA became effective i.e. 15 April 2014. The MOMPL lease agreement is dated 28 November 2008 and as such, falls outside the purview of CIPAA.
6. In view of the FC decision, MOMPL has stayed its hand on moving for the enforcement of the Adjudication decisions and will focus on the Arbitration Proceedings in order to recover the monies owing by PCPP.
7. As far as MOMPL is aware, there is no pending application to set aside the said Adjudication decisions.

### **Proceedings in Court**

8. An Originating Summons in the High Court was filed on 7 August 2018 to recover the undisputed portion of the early termination fees and demobilisation costs amounting to approximately USD42,307,000. The High Court had, on 30 May 2019, allowed PCPP’s application to stay the Originating Summons pending the disposal of the arbitration proceedings. MOMPL has filed an appeal to the Court of Appeal against this decision.
9. A writ action in the High Court was also filed on 13 August 2018 against PCSB, PPHE and PVEP (being the shareholders of PCPP) seeking for a declaration that the shareholders be liable for the amounts due and owing by PCPP to MOMPL under the Contract. PCSB and PCPP filed applications in the High Court to strike out and stay the proceedings pending the disposal of the arbitration proceedings which were allowed on 26 October 2018 and 11 December 2018 respectively. MOMPL appealed against both decisions to the Court of Appeal. MOMPL’s appeal against PCSB’s striking out application was dismissed by the Court of Appeal on 26 September 2019. The appeal against PCPP’s stay application has been fixed for hearing on 19 June 2020.

(collectively referred to as the “Legal Proceedings”)

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

### **iii) Malaysia Marine and Heavy Engineering Sdn Bhd (“MMHE”) and E.A. Technique (M) Berhad (“EAT”)**

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

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

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

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

The Group will continue to rigorously defend the claims made by EAT and pursue its counterclaims.

The evidential hearing has concluded on 6 November 2019. The Parties are currently attending to the filing of legal submissions, with the final exchange expected to take place on 10 February 2020. However, EAT's solicitors have written to the Tribunal on 10 February 2020 to request for a short extension of time until 12 February 2020 for the filing of legal submissions and the Tribunal has similarly allowed the request. The Tribunal has scheduled an oral clarification of the matter on 24 February 2020.

MMHE also filed for the Adjudication pursuant to the Construction Industry Payment and Adjudication Act 2012 ("CIPAA"). The First Adjudication proceeding was in relation to MMHE's claim for the sum of USD30,211,301 for additional works performed by MMHE pursuant to the Contract in the form of the AWOs. In particular, MMHE seeks payment for invoices raised in Batch 1-34, 36 and 37 in respect of the AWOs, in which MMHE was successful via an Adjudication Decision dated 27 May 2019 ("1st Adjudication Decision"). In the 1st Adjudication Decision, the Adjudicator awarded MMHE, amongst others, the sum of USD21,520,006.

EAT has applied to set aside and/or stay the 1st Adjudication Decision in the High Court of Malaya at Kuala Lumpur. In turn, MMHE applied to register and enforce the Adjudication Decision. The High Court has indicated that a decision in respect of all pending applications will be delivered on 18 March 2020.

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

MMHE has filed an application on 9 December 2019 to enforce the 2nd Adjudication Decision in the High Court of Malaya at Johor Bharu ("Enforcement Application") whereas EAT has filed an application on 31 December 2019 to set aside and/or stay the 2nd Adjudication Decision ("Setting Aside and/or Stay Application") in the High Court of Malaya at Kuala Lumpur. Affidavits are currently being exchanged in all three (3) applications. In relation to the Enforcement Application, hearing is fixed on 30 April 2020. In relation to EAT's Setting Aside and/or Stay Application, the next case management is fixed on 6 March 2020.

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

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

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

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

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

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

Parties have now progressed to the discovery phase of the process and will be attending to procedural matters as directed by the Arbitral Tribunal in Procedural Protocol No. 1 (amended on 3 December 2019).

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

## B8. DIVIDENDS

The Board of Directors has approved a fourth tax exempt dividend of 9.0 sen per share in respect of financial year 2019 amounting to RM401.7 million. The proposed dividend will be paid on 17 March 2020 to shareholders registered at the close of business on 3 March 2020.

The Board of Directors has also approved a special tax exempt dividend of 3.0 per share in respect of financial year 2019 amounting to RM133.9 million. The special dividend was approved and declared by the Board of Directors due to surplus cash in excess of the foreseeable requirements of the Group. The proposed dividend will be paid on 17 March 2020 to shareholders registered at the close of business on 3 March 2020.

A depositor shall qualify for entitlement to the fourth and special dividends only in respect of:

- i) Shares transferred into the Depositor's Securities Account before 4.30 pm on 3 March 2020 in respect of Ordinary Transfers; and
- ii) Shares bought on the BMSB on a cum entitlement basis according to the rules of BMSB.

## B9. DERIVATIVES

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

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

Details of the Group's derivative financial instruments outstanding as at 31 December 2019 are as follows:

Contract/Tenure	Notional Value RM million	Fair Value Loss RM million
<b><u>Foreign currency contracts</u></b>		
1 year to 3 years	117.4	(1.0)
	<u>117.4</u>	<u>(1.0)</u>
<b><u>Interest rate swaps</u></b>		
1 year to 3 years	1,021.0	(18.0)
More than 3 years	6,560.3	(144.4)
	<u>7,581.4</u>	<u>(162.4)</u>

During the year ended 31 December 2019, the Group had entered into an IRS arrangement to hedge against adverse movements in interest rates in compliance with the facility agreement as well as forward currency contracts designated as hedges of expected future payments denominated in United States Dollars.

There is no significant change for the financial derivatives in respect of the following since the last financial year ended 31 December 2018:

- (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 December 2019, the Group does not have any financial liabilities measured at fair value through profit or loss.

## B11. EARNINGS PER SHARE

	Quarter Ended 31 December		Cumulative 12 Months Ended 31 December	
	2019	2018	2019	2018
Basic earnings per share are computed as follows:				
Profit for the period attributable to equity holders of the Corporation (RM million):	249.9	338.7	1,426.3	1,311.5
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 per share (sen)	5.6	7.6	32.0	29.4

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

By Order of the Board