MISC BERHAD

(Registration No. 196801000580 (8178-H))

Unaudited Condensed Consolidated Income Statement

For The Period Ended 31 March 2021

	Quarter Ended 31 March		Cumulative 3 Months Ended 31 March	
	2021	2020	2021	2020
	RM million	RM million	RM million	RM million
Revenue	2,540.9	2,513.8	2,540.9	2,513.8
Cost of sales	(1,874.9)	(1,505.7)	(1,874.9)	(1,505.7)
GROSS PROFIT	**666.0**	**1,008.1**	**666.0**	**1,008.1**
Other operating income	65.0	135.2	65.0	135.2
General and administrative expenses	(267.2)	(298.2)	(267.2)	(298.2)
OPERATING PROFIT	**463.8**	**845.1**	**463.8**	**845.1**
Impairment of non current asset	(24.6)	-	(24.6)	-
Gain on disposal of a ship	0.4	-	0.4	-
Write off of trade receivables and loss on re-measurement of finance lease receivables	-	(935.2)	-	(935.2)
Provision for litigation claims	-	(1,049.2)	-	(1,049.2)
Finance costs	(93.1)	(95.8)	(93.1)	(95.8)
Share of profit of joint ventures	59.2	89.7	59.2	89.7
PROFIT/(LOSS) BEFORE TAX	**405.7**	**(1,145.4)**	**405.7**	**(1,145.4)**
Taxation	(10.1)	(5.6)	(10.1)	(5.6)
PROFIT/(LOSS) AFTER TAX	**395.6**	**(1,151.0)**	**395.6**	**(1,151.0)**
PROFIT/(LOSS) ATTRIBUTABLE TO:				
Equity holders of the Corporation	429.8	(1,156.8)	429.8	(1,156.8)
Non-controlling interests	(34.2)	5.8	(34.2)	5.8
PROFIT/(LOSS) AFTER TAX	**395.6**	**(1,151.0)**	**395.6**	**(1,151.0)**
BASIC EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE CORPORATION (SEN)	9.6	(25.9)	9.6	(25.9)

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

MISC BERHAD

(Registration No. 196801000580 (8178-H))

Unaudited Condensed Consolidated Statement of Comprehensive Income

For The Period Ended 31 March 2021

	Quarter Ended 31 March		Cumulative 3 Months Ended 31 March	
	2021 RM million	2020 RM million	2021 RM million	2020 RM million
PROFIT/(LOSS) AFTER TAX	**395.6**	**(1,151.0)**	**395.6**	**(1,151.0)**
OTHER COMPREHENSIVE INCOME/(LOSS)				
Items that may be reclassified to profit or loss in subsequent periods:				
Cash flow hedges:				
Fair value gain/(loss)				
Group	325.3	(380.9)	325.3	(380.9)
Joint venture	22.4	-	22.4	-
Gain on currency translation *	964.1	1,767.5	964.1	1,767.5
Total other comprehensive income	**1,311.8**	**1,386.6**	**1,311.8**	**1,386.6**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,707.4**	**235.6**	**1,707.4**	**235.6**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the Corporation	1,715.2	215.7	1,715.2	215.7
Non-controlling interests	(7.8)	19.9	(7.8)	19.9
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,707.4**	**235.6**	**1,707.4**	**235.6**

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

	2021	2020	2019
As at 31 December	-	4.02850	4.09950
As at 31 March	4.15300	4.32750	4.07950

MISC BERHAD

(Registration No. 196801000580 (8178-H))

Unaudited Condensed Consolidated Statement of Financial Position

As at 31 March 2021

	31 March 2021 RM million	31 December 2020 RM million
NON CURRENT ASSETS		
Ships	21,508.4	21,088.4
Offshore floating assets	52.0	51.3
Other property, plant and equipment	2,161.0	2,169.5
Prepaid lease payments on land and buildings	210.8	212.5
Finance lease receivables	15,841.5	13,754.5
Investments in associates	0.5	0.7
Investments in joint ventures	936.8	873.1
Other non-current financial assets	402.9	389.5
Derivative assets	87.1	-
Intangible assets	845.9	819.2
Deferred tax assets	101.7	104.4
	42,148.6	**39,463.1**
CURRENT ASSETS		
Inventories	90.8	91.3
Finance lease receivables	1,348.9	1,282.9
Trade and other receivables	4,221.8	3,956.6
Cash, deposits and bank balances	6,385.8	6,855.0
Amounts due from related companies	11.9	104.6
Amounts due from joint ventures	5.8	62.7
Assets held for sale	150.3	4.8
Derivative assets	3.5	-
	12,218.8	**12,357.9**
TOTAL ASSETS	**54,367.4**	**51,821.0**
EQUITY		
Share capital	8,923.3	8,923.3
Treasury shares	(0.3)	(0.3)
Reserves	6,406.9	5,122.0
Retained profits	18,122.0	18,227.8
Equity attributable to equity holders of the Corporation	**33,451.9**	**32,272.8**
Non-controlling interests	846.0	878.3
TOTAL EQUITY	**34,297.9**	**33,151.1**
NON-CURRENT LIABILITIES		
Interest bearing loans and borrowings	11,423.5	11,434.9
Deferred income	1,156.5	1,150.5
Deferred tax liabilities	6.9	7.8
Derivative liabilities	311.0	527.0
	12,897.9	**13,120.2**
CURRENT LIABILITIES		
Interest bearing loans and borrowings	3,235.5	2,005.5
Trade and other payables	3,798.6	3,427.5
Provision for taxation	28.6	23.3
Amounts due to related companies	12.0	11.8
Amounts due to associates	-	1.0
Amounts due to joint ventures	70.2	68.9
Derivative liabilities	-	11.7
Liabilities held for sale	26.7	-
	7,171.6	**5,549.7**
TOTAL LIABILITIES	**20,069.5**	**18,669.9**
TOTAL EQUITY AND LIABILITIES	**54,367.4**	**51,821.0**

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

MISC BERHAD

(Registration No. 196801000580 (8178-H))

Unaudited Condensed Consolidated Statement of Cash Flows

For the Period Ended 31 March 2021

	31 March 2021 RM million	31 March 2020 RM million
Cash Flows from Operating Activities:		
Profit/(loss) before tax	405.7	(1,145.4)
Writeback of impairment loss on finance lease receivables	(1.0)	(9.3)
Impairment loss on receivables	8.5	2.9
Bad debts written off	0.2	0.9
Depreciation of ships, offshore floating assets and other property, plant and equipment	495.9	522.2
Amortisation of prepaid lease payments	1.9	1.9
Impairment of non current asset	24.6	-
Write off of trade receivables and loss on re-measurement of finance lease receivables	-	935.2
Provision for litigation claims	-	1,049.2
Gain on disposal of a ship	(0.4)	-
Net unrealised foreign exchange gain	(20.3)	(44.7)
Dividend income from an equity investment	(0.4)	(0.4)
Finance costs	93.1	95.8
Finance income	(12.1)	(45.7)
Fair value movement in other investments	(3.7)	6.1
Changes in fair value of hedging derivatives	(0.2)	-
Amortisation of intangibles	0.4	1.5
Amortisation of upfront fees for borrowings	4.5	1.4
Share of profit of joint ventures	(59.2)	(89.7)
Operating profit before working capital changes	937.5	1,281.9
Inventories	3.1	(12.0)
Trade and other receivables	(448.0)	213.4
Trade and other payables	413.4	21.8
Deferred income	(28.8)	685.0
Cash generated from operations	877.2	2,190.1
Net tax paid	(3.4)	(6.2)
Net cash generated from operating activities	**873.8**	**2,183.9**

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

	31 March 2021 RM million	31 March 2020 RM million
Cash Flows from Investing Activities:		
Purchase of ships, offshore floating assets and other property, plant and equipment	(1,773.8)	(1,079.6)
Investment in joint ventures	(0.3)	(33.7)
Proceeds from disposal of ships and offshore floating assets	55.7	124.5
Dividend received from:		
Quoted investments	0.4	0.4
Joint ventures	45.6	44.8
Interest received	5.3	37.2
Net fixed deposit placement	-	(4.4)
Net cash used in investing activities	**(1,667.1)**	**(910.8)**
Cash Flows from Financing Activities:		
Drawdown of term loans and revolving credit	2,040.6	1,135.0
Repayment of term loans and revolving credit	(1,175.5)	(921.0)
Repayment of lease liabilities	(55.8)	(87.0)
Dividends paid to the equity holders of the Corporation	(535.6)	(535.6)
Dividends paid to non-controlling interest of subsidiaries	(24.5)	(3.0)
Interest paid	(97.8)	(116.8)
Receipt/(placement) of cash pledged with banks - restricted	325.7	(46.1)
Net cash generated from/(used in) financing activities	**477.1**	**(574.5)**
Net change in cash & cash equivalents	(316.2)	698.6
Cash & cash equivalents at the beginning of the year	5,545.1	5,740.4
Currency translation difference	139.2	297.6
Cash & cash equivalents at the end of the period	**5,368.1**	**6,736.6**
Cash pledged with banks - restricted and deposit with maturity more than 90 days	1,017.7	1,414.1
Cash, deposits and bank balances	**6,385.8**	**8,150.7**

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

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

Unaudited Condensed Consolidated Statement of Changes in Equity

For the Period Ended 31 March 2021

		Attributable to equity holders of the Corporation											
	Total equity	Equity attributable to equity holders of the Corporation	Share capital*	Treasury shares	Retained profits	Other reserves, total	Other capital reserve	Capital reserve	Revaluation reserve	Statutory reserve	Hedging reserve	Currency translation reserve	Non-controlling Interests
	RM million	RM million	RM million	RM million	RM million	RM million	RM million	RM million	RM million	RM million	RM million	RM million	RM million
3 MONTHS ENDED 31 MARCH 2021													
At 1 January 2021	**33,151.1**	**32,272.8**	**8,923.3**	**(0.3)**	**18,227.8**	**5,122.0**	**99.3**	**435.2**	**1.4**	**3.2**	**(577.5)**	**5,160.4**	**878.3**
Total comprehensive income	1,707.4	1,715.2	-	-	429.8	1,285.4	-	-	-	-	330.0	955.4	(7.8)
Transactions with owners													
Liquidation of a joint venture	(0.5)	(0.5)	-	-	-	(0.5)	-	-	-	(0.2)	-	(0.3)	-
Dividends	(560.1)	(535.6)	-	-	(535.6)	-	-	-	-	-	-	-	(24.5)
Total transactions with owners	(560.6)	(536.1)	-	-	(535.6)	(0.5)	-	-	-	(0.2)	-	(0.3)	(24.5)
At 31 March 2021	**34,297.9**	**33,451.9**	**8,923.3**	**(0.3)**	**18,122.0**	**6,406.9**	**99.3**	**435.2**	**1.4**	**3.0**	**(247.5)**	**6,115.5**	**846.0**
3 MONTHS ENDED 31 MARCH 2020													
At 1 January 2020	**35,753.8**	**34,727.3**	**8,923.3**	**(0.3)**	**19,744.0**	**6,060.3**	**99.3**	**435.2**	**1.4**	**3.2**	**(160.0)**	**5,681.2**	**1,026.5**
Total comprehensive income	235.6	215.7	-	-	(1,156.8)	1,372.5	-	-	-	-	(384.0)	1,756.5	19.9
Transactions with owners													
Dividends	(538.6)	(535.6)	-	-	(535.6)	-	-	-	-	-	-	-	(3.0)
Total transactions with owners	(538.6)	(535.6)	-	-	(535.6)	-	-	-	-	-	-	-	(3.0)
At 31 March 2020	**35,450.8**	**34,407.4**	**8,923.3**	**(0.3)**	**18,051.6**	**7,432.8**	**99.3**	**435.2**	**1.4**	**3.2**	**(544.0)**	**7,437.7**	**1,043.4**

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

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

MISC BERHAD

(Registration No. 196801000580 (8178-H))

Notes to the Unaudited Condensed Financial Statements

A1. CORPORATE INFORMATION

MISC Berhad is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad.

These unaudited condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 6 May 2021.

A2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the quarter ended 31 March 2021 have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. The results for this interim period are unaudited and should be read in conjunction with the Group's audited consolidated financial statements and the accompanying notes for the year ended 31 December 2020.

The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to understand the changes in the financial position and performance of the Group since the year ended 31 December 2020.

The audited consolidated financial statements of the Group for the year ended 31 December 2020 are available upon request from the Corporation's registered office located at Level 25, Menara Dayabumi, Jalan Sultan Hishamuddin, 50050 Kuala Lumpur.

The main functional currency of the Group is United States Dollar (“USD”) while these interim financial statements are presented in Ringgit Malaysia (“RM”).

A3. SIGNIFICANT ACCOUNTING POLICIES

The financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the annual consolidated financial statements for 31 December 2021 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2020 except as disclosed below:

As of 1 January 2021, 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 2021:

- Amendments to MFRS 9: Financial Instruments (Interest Rate Benchmark Reform - Phase 2)
- Amendments to MFRS 139: Financial Instruments: Recognition and Measurement (Interest Rate Benchmark Reform - Phase 2)
- Amendments to MFRS 7: Financial Instruments: Disclosure (Interest Rate Benchmark Reform - Phase 2)
- Amendments to MFRS 4: Insurance Contract (Interest Rate Benchmark Reform - Phase 2)
- Amendments to MFRS 16: Leases (Interest Rate Benchmark Reform - Phase 2)
- Amendments to MFRS 16: Leases (COVID-19 Related Rent Concessions beyond 30 June 2021)

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

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

At 31 March 2021, the Group has cash flow hedges of USD London Interbank Offered Rate "(LIBOR") risk. The Group expects that indexation of the hedged items and hedging instruments to USD LIBOR will be replaced with a risk free rate. Whenever the replacement occurs, the Group expects to apply the amendments related to hedge accounting. However, there is uncertainty about when and how replacement may occur. When the change occurs to the hedged item or the hedging instrument, the Group will remeasure the cumulative change in fair value of the hedged item or the fair value of the interest rate swap, respectively based on the risk free rate. Hedging relationships may experience hedge ineffectiveness if there is a timing or other mismatch between the transition of the hedge item and that of the hedging instrument to the risk free rate. The Group does not expect that amounts accumulated in the cash flow hedge reserve will be immediately reclassified to profit or loss because of interbank offered rates ("IBOR") transition.

A4. CHANGES IN ESTIMATES

There were no material changes in estimates reported in the current financial period.

A5. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors issued an unqualified audit opinion on the financial statements for the year ended 31 December 2020.

A6. CHANGES IN COMPOSITION OF THE GROUP

(a) On 31 March 2021, the Corporation had entered into a Share Sale and Purchase Agreement with Ombak Simfoni Sdn. Bhd. for the disposal of a portion of its equity interest held in FPSO Ventures Sdn. Bhd. ("FVSB"), comprising 3,795,200 ordinary shares which representing approximately 31% of the total issued share capital of FVSB ("Proposed Disposal"). Upon the completion of the Proposed Disposal, the Corporation's equity interest in FVSB will reduce to 20% and FVSB will cease to be a subsidiary of the Corporation.

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

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

A7. SEGMENT REPORT

Segmental analysis for the current financial period is as follows:

	LNG Asset Solutions	Petroleum & Product Shipping	Offshore Business	Marine & Heavy Engineering	Others, Eliminations and Adjustments		Total
	RM million	RM million	RM million	RM million	RM million		RM million
Revenue							
External sales	685.7	794.8	679.9	343.0	37.5		2,540.9
Inter-segment	-	0.3	16.1	0.5	(16.9)		-
	685.7	**795.1**	**696.0**	**343.5**	**20.6**	*	**2,540.9**
Operating profit/(loss)	**300.9**	**34.4**	**239.3**	**(101.9)**	**(8.9)**	**	**463.8**

* Comprises inter-segment eliminations.

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

A8. SEASONALITY OF OPERATIONS

The businesses of the Group are subject to market fluctuations.

A9. PROFIT FOR THE PERIOD

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

	Quarter Ended 31 March		Cumulative 3 Months Ended 31 March	
	2021 RM million	2020 RM million	2021 RM million	2020 RM million
Finance income	12.1	45.7	12.1	45.7
Other income	22.7	23.0	22.7	23.0
Finance costs	(93.1)	(95.8)	(93.1)	(95.8)
Depreciation of ships, offshore floating assets and other property, plant and equipment	(495.9)	(522.2)	(495.9)	(522.2)
Amortisation of prepaid lease payments	(1.9)	(1.9)	(1.9)	(1.9)
Amortisation of intangibles	(0.4)	(1.5)	(0.4)	(1.5)
Gain on disposal of a ship	0.4	-	0.4	-
Impairment of non current asset	(24.6)	-	(24.6)	-
Impairment loss on receivables	(8.5)	(2.9)	(8.5)	(2.9)
Bad debts written off	(0.2)	(0.9)	(0.2)	(0.9)
Write off of trade receivables and loss on re-measurement of finance lease receivables	-	(935.2)	-	(935.2)
Provision for litigation claims	-	(1,049.2)	-	(1,049.2)
Fair value gain/(loss) in other investments	3.7	(6.1)	3.7	(6.1)
Changes in fair value of hedging derivatives	0.2	-	0.2	-
Writeback of impairment loss on finance lease receivables and trade receivables	1.0	9.3	1.0	9.3
Net realised foreign exchange (loss)/gain	(16.2)	1.0	(16.2)	1.0
Net unrealised foreign exchange gain	20.3	44.7	20.3	44.7

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

Included in ships, offshore floating assets and other property, plant and equipment are construction work-in-progress, mainly for the construction of ships totalling RM2,703.9 million (31 December 2020: RM2,229.6 million) and right-of-use assets amounting to RM179.7 million (31 December 2020: RM229.9 million).

A11. INTANGIBLE ASSETS

	Goodwill RM million	Other Intangible Assets RM million	Total RM million
Cost			
At 1 January 2020	**982.1**	**212.7**	**1,194.8**
Currency translation differences	(15.6)	-	(15.6)
At 31 December 2020	**966.5**	**212.7**	**1,179.2**
Transfer to assets held for sale	(0.2)	-	(0.2)
Currency translation differences	27.3	-	27.3
At 31 March 2021	**993.6**	**212.7**	**1,206.3**
Accumulated amortisation and impairment			
At 1 January 2020	**162.5**	**191.6**	**354.1**
Amortisation	-	5.9	5.9
At 31 December 2020	**162.5**	**197.5**	**360.0**
Amortisation	-	0.4	0.4
At 31 March 2021	**162.5**	**197.9**	**360.4**
Net carrying amount			
At 1 January 2020	**819.6**	**21.1**	**840.7**
At 31 December 2020	**804.0**	**15.2**	**819.2**
At 31 March 2021	**831.1**	**14.8**	**845.9**

Goodwill is tested for impairment annually (31 December), or when circumstances indicate that the carrying value may be impaired. The Group's goodwill impairment test is a comparison of the goodwill's carrying value against its recoverable amount. The recoverable amounts are based on value-in-use for cash generating units ("CGU"), calculated using cash flow projections. The key assumptions used to determine the value-in-use of CGUs are disclosed in the annual consolidated financial statements for the year ended 31 December 2020.

A12. INVENTORIES

The Group did not recognise any write-down of inventories and reversal of inventories during the quarter ended 31 March 2021.

A13. CASH, DEPOSITS AND BANK BALANCES

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

	31 March 2021 RM million	31 December 2020 RM million
Cash with PETRONAS Integrated Financial Shared Service Centre *	3,850.6	4,023.3
Cash and bank balances	1,766.7	1,840.1
Deposits with licensed banks	768.5	991.6
Total cash, deposits and bank balances	**6,385.8**	**6,855.0**

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

Included in total cash, deposits and bank balances is the retention account of RM1,011.1 million (31 December 2020: RM1,303.4 million) which is restricted for use because it is pledged to the bank for the purpose of loan covenants.

A14. FAIR VALUE HIERARCHY

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

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

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

	Level 1 RM million	Level 2 RM million	Level 3 RM million	Total RM million
At 31 March 2021				
Financial Assets				
Quoted investments	44.4	-	-	44.4
Unquoted investments	-	-	65.7	65.7
Forward currency contracts	-	3.5	-	3.5
Interest rate swaps designated as hedging instruments	-	87.1	-	87.1
	44.4	**90.6**	**65.7**	**200.7**
Financial Liabilities				
Forward currency contracts	-	(2.6)	-	(2.6)
Interest rate swaps designated as hedging instruments	-	(308.4)	-	(308.4)
	-	**(311.0)**	**-**	**(311.0)**

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

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

A15. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuance or repayment of debt and equity securities made by the Group during the quarter ended 31 March 2021.

A16. INTEREST BEARING LOANS AND BORROWINGS

i) The tenure of Group borrowings, classified as short and long term as well as secured and unsecured, are as follows:

	31 March 2021 RM million	31 December 2020 RM million
Short Term Borrowings		
Secured	1,606.4	1,478.5
Unsecured	1,472.6	342.4
Lease liabilities	156.5	184.6
	3,235.5	2,005.5
Long Term Borrowings		
Secured	11,291.1	10,977.5
Unsecured	-	292.7
Lease liabilities	132.4	164.7
	11,423.5	11,434.9
Total	**14,659.0**	**13,440.4**

ii) Foreign borrowings in United States Dollar equivalent as at 31 March 2021 is as follows:

	RM million
United States Dollar Borrowings	14,321.5

A17. DIVIDENDS PAID

The Corporation paid the following dividends in the year ended 31 March 2021 and 31 December 2020:

	31 March 2021		31 December 2020	
	Sen/Share	RM million	Sen/Share	RM million
Fourth tax exempt dividend in respect of:				
- Financial year ended 31 December 2020 on 16 March 2021	12.0	535.6	-	-
- Financial year ended 31 December 2019 on 17 March 2020	-	-	9.0	401.7
Special tax exempt dividend in respect of:				
- Financial year ended 31 December 2019 on 17 March 2020	-	-	3.0	133.9
Third tax exempt dividend in respect of:				
- Financial year ended 31 December 2020 on 15 December 2020	-	-	7.0	312.5
Second tax exempt dividend in respect of:				
- Financial year ended 31 December 2020 on 15 September 2020	-	-	7.0	312.5
First tax exempt dividend in respect of:				
- Financial year ending 31 December 2020 on 9 June 2020	-	-	7.0	312.5

A18. CAPITAL COMMITMENTS

	31 March 2021 RM million	31 December 2020 RM million
Approved and contracted for:		
Group	7,825.0	6,637.5
	7,825.0	6,637.5

A19. CONTINGENT LIABILITIES

Contingent liabilities of the Group as at 31 March 2021 comprise the following:

	RM million
Performance bonds on contract and bank guarantees extended to customers	414.0

A20. SUBSEQUENT MATERIAL EVENTS

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

B1. REVIEW OF GROUP PERFORMANCE

	Quarter Ended 31 March		Cumulative 3 Months Ended 31 March	
	2021 RM million	2020 RM million	2021 RM million	2020 RM million
Revenue				
LNG Asset Solutions	685.7	695.9	685.7	695.9
Petroleum & Product Shipping	795.1	1,228.0	795.1	1,228.0
Offshore Business	696.0	238.1	696.0	238.1
Marine & Heavy Engineering	343.5	346.5	343.5	346.5
Others, Eliminations and Adjustments	20.6	5.3	20.6	5.3
Total Revenue	**2,540.9**	**2,513.8**	**2,540.9**	**2,513.8**
Operating Profit/(Loss)				
LNG Asset Solutions	300.9	361.7	300.9	361.7
Petroleum & Product Shipping	34.4	336.5	34.4	336.5
Offshore Business	239.3	160.2	239.3	160.2
Marine & Heavy Engineering	(101.9)	5.6	(101.9)	5.6
Others, Eliminations and Adjustments	(8.9)	(18.9)	(8.9)	(18.9)
Total Operating Profit	**463.8**	**845.1**	**463.8**	**845.1**
Impairment of non current asset	(24.6)	-	(24.6)	-
Gain on disposal of a ship	0.4	-	0.4	-
Write off of trade receivables and loss on re-measurement of finance lease receivables	-	(935.2)	-	(935.2)
Provision for litigation claims	-	(1,049.2)	-	(1,049.2)
Finance costs	(93.1)	(95.8)	(93.1)	(95.8)
Share of profit of joint ventures	59.2	89.7	59.2	89.7
Profit/(Loss) Before Tax	**405.7**	**(1,145.4)**	**405.7**	**(1,145.4)**

Current quarter's performance against the quarter ended 31 March 2020

Group revenue of RM2,540.9 million was RM27.1 million or 1.1% higher than the quarter ended 31 March 2020 ("corresponding quarter") revenue of RM2,513.8 million, while Group operating profit of RM463.8 million was RM381.3 million or 45.1% lower than the corresponding quarter's profit of RM845.1 million. The variances in Group performance by segments are further explained below.

LNG Asset Solutions

Revenue of RM685.7 million was RM10.2 million or 1.5% lower than the corresponding quarter's revenue of RM695.9 million, mainly due to the strengthening of Ringgit Malaysia ("RM") against the United States Dollar ("USD") as follows:

	Quarter-to-date Average USD1:RM
Quarter ended 31 March 2021	4.06794
Quarter ended 31 March 2020	4.18167

Operationally, the segment recorded higher earning days following deliveries of Very Large Ethane Carriers ("VLEC") in the preceding and current quarter.

Operating profit of RM300.9 million was RM60.8 million or 16.8% lower than the corresponding quarter's profit of RM361.7 million, mainly from higher vessel operating costs during the quarter.

Petroleum & Product Shipping

Revenue of RM795.1 million was RM432.9 million or 35.3% lower than the corresponding quarter's revenue of RM1,228.0 million mainly from lower freight rates in the current quarter.

Operating profit of RM34.4 million was RM302.1 million or 89.8% lower that the corresponding quarter's operating profit of RM336.5 million mainly due to the lower freight rates as mentioned above.

Offshore Business

Revenue of RM696.0 million was RM457.9 million or more than 100% higher than the corresponding quarter's revenue of RM238.1 million mainly from the recognition of construction revenue for a Floating Production, Storage and Offloading ("FPSO") in this quarter.

Operating profit of RM239.3 million was RM79.1 million or 49.4% higher than the corresponding quarter's profit of RM160.2 million mainly due to the construction gain recognised for the FPSO mentioned above.

Marine & Heavy Engineering

Revenue of RM343.5 million was RM3.0 million or 0.9% lower than the corresponding quarter's revenue of RM346.5 million mainly from lower number of vessels secured for repair and maintenance works in the marine segment. This was due to the limited volume of marine repair projects in the current market as a result of high charter rates offered for shipments during the prolonged winter period as well as the lingering effects of COVID-19 pandemic.

Marine & Heavy Engineering segment reported an operating loss of RM101.9 million compared to RM5.6 million profit in the corresponding quarter mainly due to the lower revenue mentioned above and additional cost provision recognised as a result of revised target completion date for an on-going project in the current quarter.

Others, Eliminations and Adjustments

Other segment's operating loss of RM8.9 million was RM10.0 million lower compared to corresponding quarter's loss of RM18.9 million mainly from lower unallocated corporate expenses.

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

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

GROUP	Quarter Ended 31 March 2021 RM million	Quarter Ended 31 December 2020 RM million
Revenue	**2,540.9**	**2,641.6**
Operating Profit	**463.8**	**319.3**
Impairment of non current assets	(24.6)	(15.8)
Gain on disposal of ships	0.4	3.4
Writeback of trade receivables and loss on re-measurement of finance lease receivables	-	89.0
Finance costs	(93.1)	(94.0)
Share of profit of joint ventures and an associate	59.2	252.7
Profit Before Tax	**405.7**	**554.6**

Group revenue of RM2,540.9 million was RM100.7 million or 3.8% lower than the preceding quarter's revenue of RM2,641.6 million, mainly due to lower revenue from on-going projects and lower number of vessels secured for repair and maintenance works in the Marine & Heavy Engineering segment in the current quarter. However, the reduction in revenue was mitigated by higher earning days in the Petroleum & Product Shipping and LNG Asset Solutions segments.

Group operating profit of RM463.8 million was RM144.5 million or 45.3% higher than the preceding quarter's profit of RM319.3 million, mainly from higher earning days in the Petroleum & Product Shipping and LNG Asset Solutions segments coupled with higher construction gain recognised for an FPSO in the current quarter in the Offshore Business segment.

However, the Group's profit before tax of RM405.7 million was RM148.9 million or 26.8% lower than the preceding quarter's profit of RM554.6 million as preceding quarter's profit included recognition of a one-time gain from a contract extension secured by a joint venture and a partial reversal of the amount written off of trade receivables relating to the Group's arbitration proceeding against SSPC to reflect the latest outstanding balance from SSPC at the financial year end.

B3. GROUP CURRENT YEAR PROSPECTS

In the LNG shipping market, spot charter rates have fallen sharply in February and March 2021 after hitting historically high levels in January. The decline in charter rates was broadly due to weakening global spot trade as seasonal winter demand in Asia eased. This has been aggravated by a large wave of newbuild LNG carriers being delivered. Furthermore, more US spot cargoes were destined to Europe instead of Asia and thereby requiring less vessel capacity. If this situation persists, spot charter rates could potentially fall further in the near term but there could be some potential upside if countries start stockpiling earlier in the summer for the winter months. Nevertheless, most of the Group's LNG carriers are on long-term charters including the six new VLECs that joined the fleet recently which will provide revenue growth to the LNG Asset Solutions segment. In the meantime, the segment will continue to pursue available growth opportunities in the market.

Meanwhile, the crude tanker market had a sluggish start to 2021, with rates still suffering from the continuing oil production cuts by the OPEC+ alliance. The recent blockage of the Suez Canal has had a positive impact on spot rates, but its duration was short lived. Although tanker rates for smaller vessels are rebounding, some of the larger tankers continue to record low freight earnings. On the supply side, demolition has not picked up pace despite the disappointing freight rates during the quarter. In the short-term, the tanker market outlook remains challenging especially in the larger tanker segment, although the gradual return of OPEC+ oil production to the market across May to July 2021 is likely to provide some crude tanker market upside.

As the oil price climbs back to pre-pandemic levels, the oil and gas sector is on a gradual recovery path. The expected recovery in oil demand from the COVID-19 vaccine rollout and a more stable oil price environment will pave the way for an increase in activity levels in the global offshore exploration and production space. Notwithstanding the expected increase in activity levels, the Offshore Business segment will be very selective on growth opportunities as it focuses on the execution of the new FPSO project in hand. Nevertheless, the segment will continue to monitor the market for the next major project as and when the right opportunity arises. The existing portfolio of long-term contracts will continue to support the financial performance of the Offshore Business segment.

For the Marine & Heavy Engineering segment, aligned with the recent recovery in oil price, several deferred projects have since been revived and its efforts to replenish its order book have generated positive results with the recent award of the EPCIC contract for the SK408W Jerun Development Project, offshore Sarawak. Nevertheless, the volatile industry condition and the wider lingering effects of the COVID-19 pandemic remain major risks moving forward. As such, the segment maintains its cautiously optimistic stance regarding its business prospects throughout the year and into 2022. Meanwhile, the prospects of acquiring more marine repair projects are highly dependent on the reopening of borders and worldwide recovery from the COVID-19 pandemic. Hence, the segment expects the marine business to remain challenging. The segment will continue to pursue business opportunities in other areas and new regions to grow its order book.

B4. VARIANCE OF ACTUAL RESULTS COMPARED WITH FORECAST AND SHORTFALL IN PROFIT GUARANTEE

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

B5. TAXATION

	Quarter Ended 31 March 2021 RM million
Taxation for the period comprises the following charge:	
Income tax charge	
- current period	(8.7)
- prior year	(0.1)
Deferred taxation	(1.3)
	(10.1)

Section 54A of the Income Tax Act, 1967 was amended effective from Year of Assessment ("YA") 2012, in which the tax exemption on shipping profits was reduced from 100% to 70%. The implementation of the amended Section 54A, however, was deferred and on 10 July 2020, the Ministry of Finance ("MoF") issued an approval letter for the extension of the 100% shipping tax exemption up to YA2023 subject to the following two conditions to be implemented by the Ministry of Transport ("MoT"):

a) Each Malaysian shipowner to comply with the minimum requirements in terms of annual operating expenditure and number of full-time employees. MoT has been requested to establish the framework for each category of vessels; and

b) MoT to develop a framework and implement the imposition of annual tonnage fee to Malaysian shipowners by 1 January 2022.

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

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

B6. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

There were no outstanding corporate proposals submitted by the Group for the quarter ended 31 March 2021.

B7. CHANGES IN MATERIAL LITIGATION

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

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

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

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

(2) In relation to GKL's claims for Variation Works, GKL was awarded:
   a. USD222,132,575.60;
   b. That an amount of USD 88,791,006.17 is deducted from USD222,132,575.60 being manpower costs incurred by way of the Variation Works for rectification of defects (which the Tribunal held GKL to be liable for);

c. That the remainder sum of USD133,341,569.49 is converted to an Additional Lease Rate and represents a reduction from the Additional Lease Rate awarded by the Adjudication Awards. The new Additional Lease Rate is payable from the date of the Award. The base rate is unaffected by the Award and will continue for the Fixed Term.

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

(4) SSPC is entitled to set-off the above claims against moneys owed by SSPC to GKL under the Contract, including but not limited to the lease rate.

(5) Any GST payable pursuant to the Goods and Services Tax Act 2014 to be accounted by the parties.

GKL is advised that it has legal grounds to challenge the Award and on 7 July 2020, GKL has filed the following court applications:

(i) an Originating Summons dated 7 July 2020 for setting aside of parts of the Arbitral Award dated 8 April 2020 ("**Setting Aside OS**"); and
(ii) a Notice of Application for an injunction to restrain SSPC from setting off the sums that GKL was ordered to pay to SSPC under the Arbitral Award dated 8 April 2020 ("**Injunction NOA**").

Setting Aside OS and Injunction NOA

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

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

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

GKL's substantive Setting Aside OS is fixed for hearing thereafter on 9 September 2021.

SSPC's *ex-parte* application for enforcement of the Award

There is an interim expungement application filed by SSPC which would have to be heard first before SSPC's application for enforcement of the Award can be heard. This interim expungement application has been fixed for hearing on 9 August 2021.

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. 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. Parties are in the midst of constituting the tribunal.

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 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.

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. 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.

The appeal against PCPP's stay application was heard 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.

(collectively referred to as the "Legal Proceedings")

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

iii) Malaysia Marine and Heavy Engineering Sdn Bhd ("MMHE") and E.A. Technique (M) Berhad ("EAT")

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

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

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

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

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

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

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

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

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

The Group will vigorously defend the claims made by KPOC. Oral submissions have been conducted on 14 April 2021. The Arbitration Tribunal has yet to issue further instructions on the proceedings.

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

The Group is of the view that it has a fair chance to defend against KPOC's claims and therefore has not made any provisions in respect of this claim.

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

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

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

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

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

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

MMHE will vigorously defend the Claims.

In terms of status of the Arbitration, MMHE has filed its Response to the Notice of Arbitration on 14 April 2021.

The Group is of the view that it has a fair chance to defend against BMSB's claims and therefore has not made full provision in respect of this claim.

B8. DIVIDENDS

The Board of Directors has approved a first tax exempt dividend of 7.0 sen per share in respect of financial year 2021 amounting to RM312.5 million. The proposed dividend will be paid on 9 June 2021 to shareholders registered at the close of business on 25 May 2021.

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

i) Shares transferred into the Depositor's Securities Account before 4.30 pm on 25 May 2021 in respect of Ordinary Transfers; and
ii) Shares bought on the BMSB on a cum entitlement basis according to the rules of BMSB.

B9. DERIVATIVES

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

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

Details of the Group's derivative financial instruments outstanding as at 31 March 2021 are as follows:

Contract/Tenure	Notional Value RM million	Fair Value as at 31 March 2021 RM million
Foreign currency contracts		
1 year to 3 years	567.2	0.9
	567.2	0.9
Interest rate swaps		
1 year to 3 years	838.9	(18.1)
More than 3 years	10,058.9	(203.2)
	10,897.8	(221.3)

During the current quarter ended 31 March 2021, 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 2020:

(a) the credit risk, market risk and liquidity risk associated with these financial derivatives;

(b) the cash requirements of the financial derivatives; and

(c) the policy in place for mitigating or controlling the risks associated with these financial derivatives.

B10. FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

As at 31 March 2021, the Group does not have any financial liabilities measured at fair value through profit or loss.

B11. EARNINGS/(LOSS) PER SHARE

	Quarter Ended 31 March		Cumulative 3 Months Ended 31 March	
	2021	**2020**	**2021**	**2020**
Basic earnings/(loss) per share are computed as follows:				
Profit/(loss) for the period attributable to equity holders of the Corporation (RM million):	429.8	(1,156.8)	429.8	(1,156.8)
Weighted average number of ordinary shares in issue (million)	**4,463.8**	**4,463.8**	**4,463.8**	**4,463.8**
Basic earnings/(loss) per share (sen)	9.6	(25.9)	9.6	(25.9)

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

B12. IMPACT OF COVID-19 PANDEMIC

Crude tanker freight rates continue to remain subdued mainly due to weak global oil demand impacted by the pandemic, affecting the performance of the Petroleum & Product Shipping segment during the quarter.

For the LNG Asset Solutions segment, the majority of its vessels are on long-term time charter. These long-term charter contracts underwrite its stable financial performance although there have been some offhire days and minimal increase to their ship operating costs arising from the pandemic, mainly relating to quarantine and crew change activities.

Similarly, the Offshore Business segment's assets are all on long-term charter contracts which underwrite its stable financial performance for the quarter.

However, the Marine & Heavy Engineering business segment's financial performance for the quarter continues to be affected by the pandemic. On the Heavy Engineering sub-segment, yard operations have been restored to the "new normal" way of working which is reduced compared to pre-pandemic levels. The Group will continue to rigorously pursue recovery of COVID-19 costs from clients. The Marine sub-segment remains impacted by the COVID-19 pandemic, mainly due to the on-going government-imposed border restrictions. Despite several relaxations on the restrictions since the first wave, the segment continues to be at a disadvantage compared to the neighbouring yards.

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

The COVID-19 pandemic has not materially affected the financial performance, financial position, cash flows and liquidity of LNG Asset Solutions and Offshore Business segments in the year to date.

However, the financial performance of the Petroleum & Product Shipping segment and the Marine & Heavy Engineering segment for the quarter was affected by the lower tanker freight rates and the on-going government-imposed border restrictions respectively as explained above.

As there were new contracts secured by the Marine & Heavy Engineering segment during the quarter, the Group is of the view that the carrying amount of the property, plant and equipment and right-of-use assets in the Marine & Heavy Engineering segment does not exceed its recoverable amount at the end of the current quarter.

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

The Group's financial position remains healthy at the end of the current quarter with cash balance of RM6,385.8 million coupled with low gearing as well as adequate working capital facilities to remain resilient in the current crisis. As a result, the Group does not anticipate any financial difficulties to meet its debt obligations in the foreseeable future as well as its ability to operate as a going concern. Notwithstanding this, the Group remains steadfast in its efforts to preserve cash through optimizing overheads and CAPEX spending.

Impact on the Group's business and earning prospects

The performance of the other core businesses besides Petroleum & Product Shipping and Marine & Heavy Engineering segments, has remained relatively stable and are not expected to be significantly impacted by COVID-19. This is due to the recurring income streams from the portfolio of long-term contracts under the LNG Asset Solutions and Offshore Business segments.

Although the Petroleum & Product Shipping segment continues to be affected by a vessel oversupply situation in the short term due to the impact of the pandemic, the medium-term prospects are positive given the current low orderbook for new tankers and the gradual return of oil production to the market.

Prospects for the Marine & Heavy Engineering segment remain challenging due to the volatile industry condition and the wider lingering effects of the COVID-19 pandemic despite revival of several deferred projects to replenish the order book. Similarly, the marine business sub-segment continues to be at a disadvantage compared to the neighbouring yards even though there have been several relaxations on the border restrictions since the first pandemic wave.

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

COVID-19 health and safety measures

The Group remains vigilant and continuously implements all necessary COVID-19 mitigation measures in accordance with Standard Operating Procedures ("SOPs") issued by the Ministry of Health Malaysia and regulators of home countries where we operate such as physical distancing at work, workplace segregation, staggered work hours and lunch breaks, flexible working arrangements including working from home, virtual meetings, temperature checks and regular workplace sanitization.

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

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

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

By Order of the Board