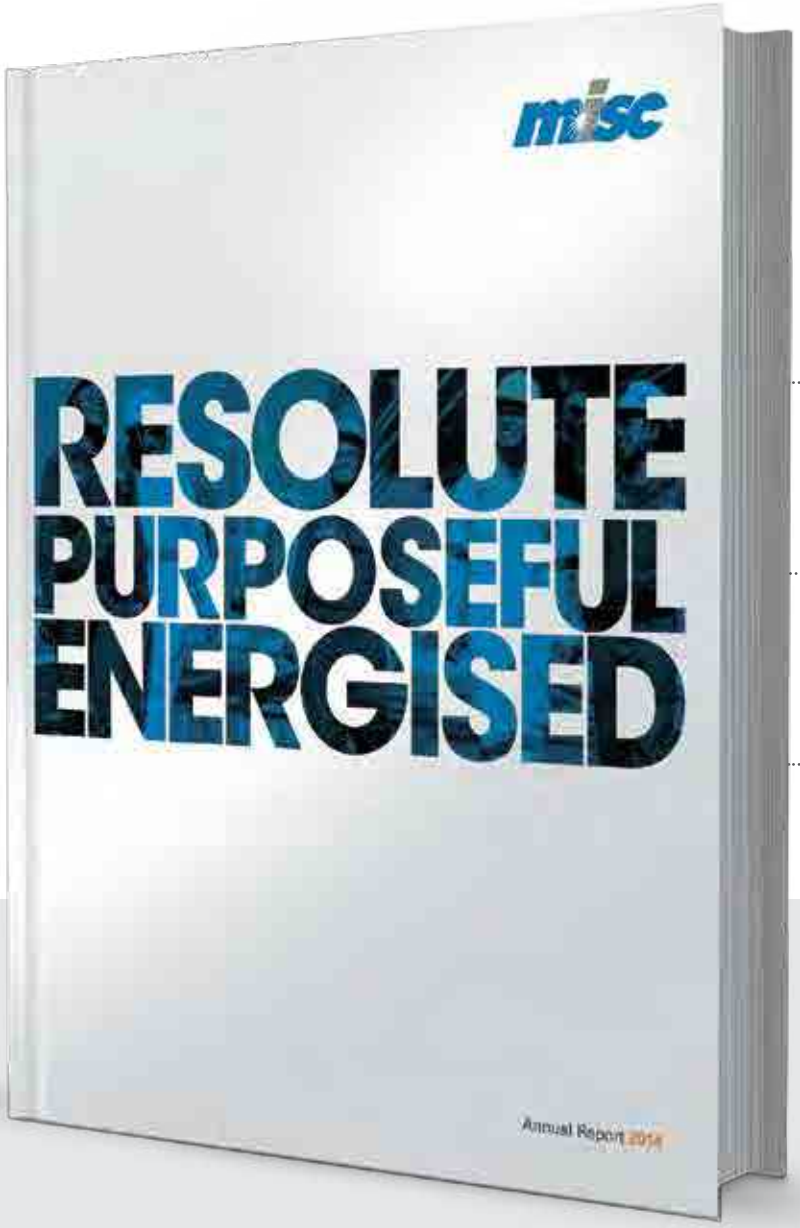
RESOLUTE
PURPOSEFUL
ENERGISED

Annual Report **2014**


misc
RESOLUTE
PURPOSEFUL
ENERGISED
Annual Report 2014

re•so•lute
/ˈrɛzəluːt/

adjective
with great determination to overcome challenges; unwavering and steadfast

pur•pose•ful
/ˈpəːpəsfʊl,-f(ə)l/

adjective
unfaltering and tenacious, highly motivated; a firm state of mind, driving decisive action with intent

e•ner•gised
/ˈɛnədʒʌɪzd/

verb
give vitality to our vision; facing the future with renewed vigour and dynamic enthusiasm

We have been **RESOLUTE** in overcoming the shipping industry downturns; **PURPOSEFUL** in making tough decisions needed to ensure our survival and continue to be **ENERGISED** to face challenges and opportunities ahead; as we move into the new phase of building and expansion.

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FINANCIAL REVIEW

"I would like to take this opportunity to thank YBhg. Datuk George Ratilal, as the previous Chairman of the Board of Directors and YBhg. Datuk Nasarudin Md Idris, who retired as the President/Chief Executive Officer of MISC Berhad at the end of the financial year, for their stewardship and wisdom in steering the Group the past few challenging years."

"Today, we enjoy better financial performances with strong operational profits, supported by healthier cash reserves and a re-energised balance sheet."

MISC AT A GLANCE

BOARD AND MANAGEMENT

INVESTOR'S OVERVIEW

PERFORMANCE REVIEW

This section charts our key milestones during our journey in the year 2014

SUSTAINABILITY

CORPORATE GOVERNANCE

FINANCIALS

FORTY-SIXTH (46TH) ANNUAL GENERAL MEETING

GROUP FINANCIAL REVIEW

REVENUE FROM CONTINUING OPERATIONS

Group revenue of RM9,296.3 million was 3.6% higher than FY2013 revenue of RM8,971.8 million. Improved freight rates for Petroleum business and commencement of operations of a Floating Production, Storage and Offloading (FPSO) unit during the year were the main contributors to the increase in Group revenue.

OPERATING PROFIT FROM CONTINUING OPERATIONS

Group operating profit of RM1,841.7 million was 18.6% higher than FY2013 operating profit of RM1,552.6 million. Higher revenue and effective cost management from a smaller fleet of operating vessels were the main contributors to the increase in operating profit.

PROFIT/LOSS BEFORE TAX FROM CONTINUING OPERATIONS

Group profit before tax of RM2,410.3 million was 8.2% higher than FY2013 profit before tax of RM2,227.7 million. The increase in profit was mainly due to the recognition of a once off gain on disposal through finance lease of an FPSO in the year under review. The Group also recognised gains from the listing of VTTI Energy Partners LP, an entity owned by its joint venture, VTTI B.V. and from disposal of NCB Holdings Bhd. shares during the year.

EARNINGS/LOSS PER SHARE (SEN)

Profit attributable to the equity holders of the Corporation of RM2,204.3 million was 5.7% or RM118.9 million higher than RM2,085.4 million profit in FY2013. This translates to an improved earnings per share of 49.4 sen in FY2014 from 46.7 sen in FY2013.

DIVIDENDS

The Board had in August 2014, declared a first interim tax exempt dividend of 4.0 sen per share. The first interim tax exempt dividend amounting to RM178.6 million was paid in September 2014.

In February 2015, the Board declared a second interim tax exempt dividend of 6.0 sen per share. The second tax exempt dividend amounting to RM267.8 million was paid in March 2015.

The aggregated interim tax exempt dividend of 10.0 sen per share or RM446.4 million for FY2014 was higher than the 5.0 sen per share or RM226.6 million final and total tax exempt dividend approved for FY2013.

TOTAL ASSETS

Group total assets as at 31 December 2014 of RM41,584.3 million was 3.4% higher than total assets of RM40,232.2 million as at 31 December 2013.

The increase in Group total assets were mainly due to an increase in finance lease receivables following the delivery and commissioning of an FPSO during the year, and higher carrying value of investment in joint ventures from higher share of profit recognised during the year.

The Group's cash, deposits and bank balances as at 31 December 2014 of RM4,838.8 million was 1.9% higher than RM4,747.7 million as at 31 December 2013.

TOTAL LIABILITIES

Group total liabilities as at 31 December 2014 of RM12,763.2 million was 11.8% lower than RM14,474.9 million as at 31 December 2013. Significant loan repayments during the year contributed to the decrease in Group total liabilities.

SHAREHOLDERS' EQUITY

Shareholders' equity as at 31 December 2014 of RM27,756.3 million was 12.3% higher than RM24,712.9 million as at 31 December 2013. The increase in shareholders' equity was mainly due to profit attributable to equity holders of RM2,204.3 million and currency translation gain of RM1,341.4 million in FY2014. The Corporation also paid dividends totalling RM401.7 million in the year under review.

NET DEBT/EQUITY RATIO

The Group's net debt/equity ratio of 0.14 as at 31 December 2014 was lower compared to 0.21 as at 31 December 2013 following increase in shareholders' equity and reduction in total borrowings during the year under review.

GROUP REVENUE RM9,296.3 MILLION

3.6%
INCREASE

GROUP OPERATING PROFIT RM1,841.7 MILLION

18.6%
INCREASE

EARNINGS PER SHARE 49.4 SEN

TOTAL ASSETS RM41,584.3 MILLION

3.4%
INCREASE

FIVE YEAR GROUP FINANCIAL PERFORMANCE

	Audited[5] 1.1.2014 to 31.12.2014 RM Million	Audited[5][7] 1.1.2013 to 31.12.2013 RM Million	Restated[5][6][7] 1.1.2012 to 31.12.2012 RM Million	Unaudited[1][5][6] 1.1.2011 to 31.12.2011 RM Million	Restated[5][6] 1.4.2011 to 31.12.2011 RM Million	Restated[2] 1.4.2010 to 31.3.2011 RM Million
Continuing Operations:						
Revenue	**9,296.3**	8,971.8	9,050.3	9,798.3	7,226.7	12,325.6
Operating profit	**1,841.7**	1,552.6	1,517.4	1,613.5	1,225.3	1,509.0
Profit before taxation	**2,410.3**	2,227.7	1,516.7	845.1	852.1	2,244.3
Profit after taxation	**2,320.0**	2,229.5	921.4	(1,521.0)	(1,304.0)	2,227.4
Continuing Operations	**2,320.0**	2,225.2	1,544.3	773.9	760.3	–
Discontinued Operations	**–**	4.3	(622.9)	(2,294.9)	(2,064.3)	–
Profit/(Loss) for the year attributable to equity holders of the Corporation						
Continuing Operations	**2,204.3**	2,081.1	1,393.1	505.6	589.8	1,870.8
Discontinued Operations	**–**	4.3	(622.9)	(2,295.6)	(2,065.0)	–
	2,204.3	2,085.4	770.2	(1,790.0)	(1,475.2)	1,870.8
Dividends paid during the year	**401.7**	–	–	421.9	438.4	1,543.2
Earnings/(Loss) per share (sen)[3]	**49.4**	46.7	17.3	(40.1)	(33.1)	41.9
Continuing Operations	**49.4**	46.6	31.2	11.3	13.2	–
Discontinued Operations	**0.0**	0.1	(13.9)	(51.4)	(46.3)	–
Total assets	**41,584.3**	40,232.2	36,479.6	41,217.1	41,217.1	38,597.1
Total liabilities	**12,763.2**	14,474.9	14,275.6	19,131.3	19,131.3	15,250.5
Shareholders' equity	**27,756.3**	24,712.9	21,124.0	20,797.1	20,797.1	22,191.6
Total borrowings	**8,739.2**	10,218.8	8,962.7	14,192.2	14,192.2	11,255.4
Net tangible assets per share (sen)	**624.8**	556.8	478.0	475.6	475.6	504.0
Gross debt/equity ratio	**0.30**	0.40	0.42	0.68	0.68	0.51
Net debt/equity ratio	**0.14**	0.21	0.24	0.48	0.48	0.36
Interest cover ratio[4]	**8.1**	6.7	5.0	5.1	5.0	4.8

Notes:

(1) The unaudited twelve months result for financial period ended 31 December 2011 is disclosed for comparative purposes.

(2) The FY2010/11 audited summary data reflects the prior year adjustment due to under recognition of the Group's share of gain from foreign currency translation reserve of a jointly controlled entity in the prior year.

(3) EPS has been calculated using the weighted average number of ordinary shares in issue during the financial year.

(4) Excluding gain on dilution of interest in MHB, realisation of intercompany profit from disposal of a subsidiary, gain on disposal of assets through finance lease and net (loss)/gain on disposal of ships.

(5) Segregation of information between continuing and discontinued operations (Liner related business operations) effective FY2012. The comparative figures have been reclassified accordingly.

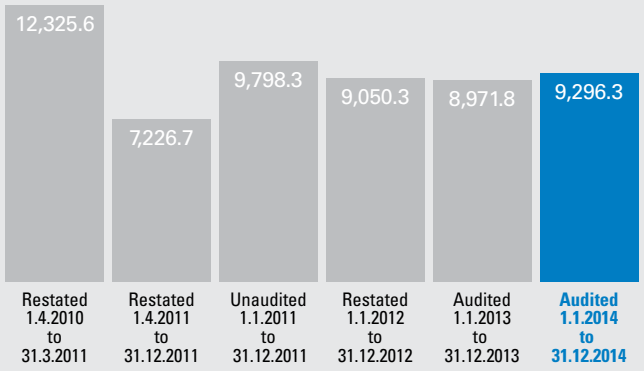
(6) The FY2012 audited summary data reflects the first time adoption of Malaysian Financial Reporting Standards ("MFRS"). Accordingly, the comparative figures have been adjusted since transition date (1 April 2011).

(7) The FY2013 audited summary data reflects the adoption of MFRS 10 & 11. Accordingly, the comparative figures have been adjusted to reflect the adoption of MFRS 10 & 11.

Revenue

(RM Million)

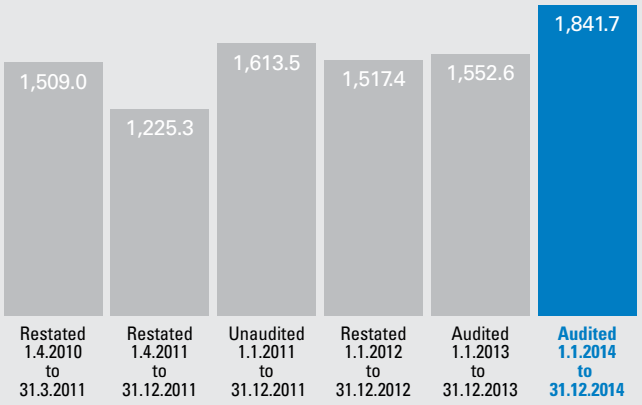
+ RM324.5m



Operating Profit

(RM Million)

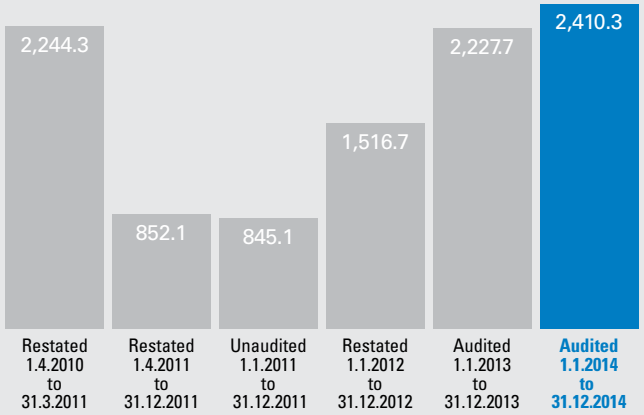
+ RM289.1m



Profit Before Taxation

(RM Million)

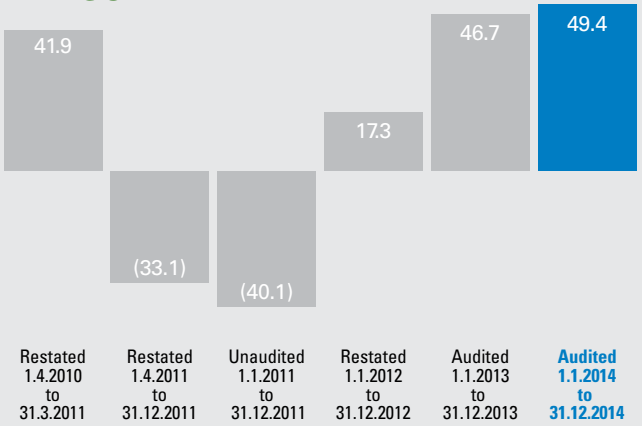
+ RM182.6m



Earnings/(Loss) Per Share

(Sen)

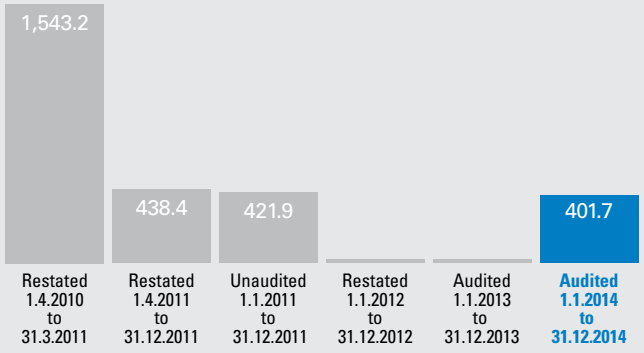
+ 2.7sen



Dividends

(RM Million)

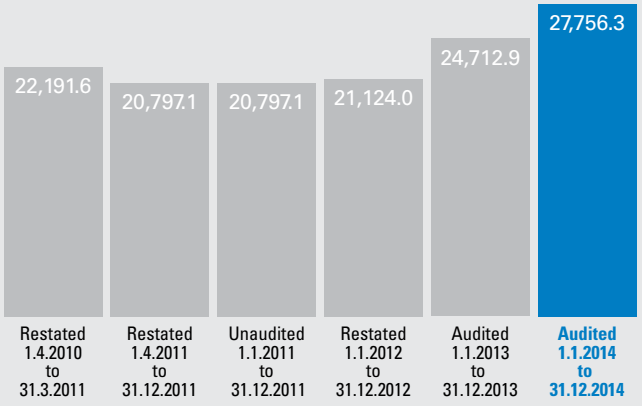
+ RM401.7m



Shareholders' Equity

(RM Million)

+ RM3,043.4m



FINANCIAL CALENDAR

FINANCIAL PERIOD

ANNOUNCEMENT OF RESULTS & DIVIDENDS

1 JAN 2014 – 31 DEC 2014

QUARTER 1
Announced
9 MAY 2014

QUARTER 2
Announced
6 AUG 2014

QUARTER 3
Announced
7 NOV 2014

QUARTER 4
Announced
6 FEB 2015

DIVIDENDS

First Interim Dividend
Announced : 6 August 2014
Paid : 24 September 2014

Second Interim Dividend
Announced : 6 February 2015
Paid : 11 March 2015

CORPORATE INFORMATION

as at 31 March 2015

BOARD OF DIRECTORS

Chairman, Independent Non-Executive Director
Dato' Ab. Halim bin Mohyiddin
(Appointed effective 15 January 2015)

Independent Non-Executive Directors
Harry K. Menon
Dato' Halipah binti Esa
Dato' Kalsom binti Abd. Rahman
Lim Beng Choon
Dato' Sekhar Krishnan
(Appointed effective 15 January 2015)

Non-Independent Non-Executive Directors
Datuk Manharlal Ratilal
Mohd. Farid bin Mohd. Adnan
Datuk Nasarudin Md Idris
(Re-designated effective 1 January 2015)

President/Chief Executive Officer
Non-Independent Executive Director
Yee Yang Chien
(Appointed effective 1 January 2015)

AUDIT COMMITTEE

Chairman
Harry K. Menon

Members
Dato' Halipah binti Esa
Dato' Kalsom binti Abd. Rahman
Lim Beng Choon
Dato' Sekhar Krishnan
(Appointed effective 1 March 2015)

NOMINATION AND REMUNERATION COMMITTEE

Chairman
Dato' Halipah binti Esa

Members
Dato' Kalsom binti Abd. Rahman
Mohd. Farid bin Mohd. Adnan

COMPANY SECRETARIES

Fadzillah binti Kamaruddin
(LS 0008989)

Zawardi bin Salleh @ Mohamed Salleh
(MAICSA 7026210)

REGISTERED OFFICE

Level 25, Menara Dayabumi
Jalan Sultan Hishamuddin
50050 Kuala Lumpur
Tel: +603 2264 0888
Fax: +603 2273 6602
Homepage: www.misc.com.my
Email: miscweb@miscbhd.com

AUDITORS

Ernst & Young
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Tel: +603 7495 8000
Fax: +603 2095 5332

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House, Block D13
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel: +603 7841 8000/7849 0777
Fax: +603 7841 8151/ 8152

FORM OF LEGAL ENTITY

Incorporated on 6 November 1968 as a public company limited by shares under the Companies Act, 1965

PLACE OF INCORPORATION AND DOMICILE

Malaysia

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Name: MISC
Stock Code: 3816

VISION, MISSION AND SHARED VALUES

VISION

To be the preferred provider of world class maritime transportation & logistics services.

MISSION

We are a logistics service provider, maritime transportation is our core business and we support the nation's aspiration to become a leading maritime nation.

SHARED VALUES

- **LOYALTY**
  Loyal to nation and corporation
- **INTEGRITY**
  Honest and upright
- **PROFESSIONALISM**
  Committed, innovative, proactive and always striving for excellence
- **COHESIVENESS**
  United in purpose and fellowship

ABOUT US

The MISC Group is one of the world's leading international shipping and maritime conglomerates. The principal businesses of MISC consist of shipping and its related activities, owning and operating offshore floating solutions, marine repair and conversion, engineering and construction works, maritime education and training, as well as owning tank terminals. Operating a modern and well-diversified fleet of more than 130 vessels/assets and backed by knowledgeable workforce made up of more than 10,000 employees from all corners of the globe, we are committed to impart quality services to our customers, creating value for our stakeholders and contributing to the sustainability of the industry.

FLEET STRENGTH

X29
LNG CARRIERS

X76
PETROLEUM TANKERS

X15
CHEMICAL TANKERS

X13
OFFSHORE FLOATING FACILITIES

Delivering almost 9% of the world's liquefied natural gas across the seas, our track record of LNG transport and operation excellence of over three decades is a testament of our commitment towards reliability, safety, on-time cargo deliveries and enduring partnerships. Our LNG carriers are compatible with more than 80 terminals worldwide and periodic vessels' inspection, audit and vetting ensures that they perform to the highest safety standards. Our end-to-end Group competencies span across ship-owning, ship management, maritime education and training as well as ship repair which aims to meet our customers' every shipping need. MISC is also owner and operator of Floating Storage Units for LNG and is building up capabilities in Floating Storage and Regasification Units (FSRUs) and Floating LNG Units (FLNGs).

Our petroleum arm, AET Tanker Holdings Sdn. Bhd., is a specialist and leading provider of safe, high quality maritime logistics solutions for the international petroleum sector. AET's fleet of 76 petroleum tankers ply worldwide, serving national and international oil companies, refiners and traders. AET is also the market leader in lightering operations for the U.S. Gulf ship-to-ship transfers and has successfully entered the shuttle tanker sector in the last two years, a testament of its expanding footprint into new geographies. Its young and technically advanced fleet of crude oil and clean petroleum product tankers is professionally managed out of Houston, Texas, London and Singapore. It runs full service offshore operations in Galveston, Texas and Montevideo, Uruguay.

With four decades of experience, our chemical shipping business transports a wide range of cargoes from chemicals to vegetable oils across major trading regions in the world including South East Asia, the Far East, Middle East, Europe, the Indian Subcontinent and the

MORE THAN 130 VESSELS/ASSETS

MORE THAN 10,000 EMPLOYEES

197.4 HECTARES OF **PASIR GUDANG YARD**

Americas. We pride ourselves in operating a quality fleet, comprising mainly of double-hulled IMO II vessels with a mixture of stainless steel and coated tanks to meet the highest safety requirements for transporting liquid bulk cargo.

From design to operations, our offshore business offers a comprehensive suite of offshore floating terminal services tailored to meet the most demanding environments. Our priority is to deliver safe, reliable and optimised offshore solutions. Certified with ISO 9001:2008 for Offshore Engineering and Asset Management, we adopt business processes of International Standards and Practices. Being one of the largest Floating Production, Storage and Offloading (FPSO)/Floating Storage and Offloading (FSO) owner/operators in the world, we have the reach across Malaysia, Vietnam and Brazil, and other strategic locations to meet the global demands of the Oil & Gas industry today. Going forward, we will continue to build on our offshore strengths and extend our thought leadership to similar deepwater and small field developments.

As part of MISC's strategy to expand its shipping business by providing customers with integrated supply value chain services, in 2009, MISC entered into the tank terminal business via our project in Tanjung Langsat, Johor, Malaysia. In partnership with energy traders, Vitol Holding B.V., we have since expanded our presence and logistics assets all around the world, through a joint venture subsidiary, VTTI B.V. (VTTI). VTTI is one of the world's fastest-growing energy storage businesses. Today, our total tank terminal capacity currently stands at 8.7 million cbm and we have a worldwide presence with terminals in Johor, Malaysia, ARA Region (Antwerp, Rotterdam and Amsterdam), Europe, America, Africa, Cyprus and the Middle East, with expansions into Spain. Through VTTI, we are currently the seventh largest independent tank terminal operator globally.

Our logistics arm, MISC Integrated Logistics Sdn. Bhd. (MILS), offers one-stop logistics services catering to the entire spectrum of our customers' logistics needs. MILS is an ISO 19001:2008, OHSAS 18001:2007, and MS 14001:2004 certified company specialising in Project Logistics and Supply Chain Logistics Solutions. Its Halal certified Cold Hub facility is also certified with ISO 2200:2005 Food Safety Management System from Lloyd's Register Quality Assurance. MILS is a registered vendor for PETRONAS and one of the government licensed Multimodal Transport Operator (MTO) which offers efficient and cost effective integrated logistics services, inclusive of Project Cargo Logistics, Freight Forwarding, Transportation, Warehousing, Supply Chain Management and Duty & Tax Exemption application.

MISC was presented with the opportunity to divest our investment in our wholly-owned subsidiary, MILS. However, due to unforeseen circumstances, we were not able to complete the sale process.

Our listed subsidiary, Malaysia Marine and Heavy Engineering Holdings Berhad (MHB) is a leading marine and heavy engineering services provider in Malaysia, focused primarily on the Oil & Gas sector. MHB offers a wide spectrum of offshore construction, offshore conversion and marine repair services at two yards in Pasir Gudang, Johor, Malaysia. With a total yard size of 197.4 hectares in Pasir Gudang, MHB has one of the largest marine and heavy engineering facilities in the region with an annual capacity of 129,700 MT.

MISC's diverse operations are supported by a strong backbone of dynamic, capable and progressive staff. Our professional seafarers are trained in a structured training and education system at our in-house academy, Malaysian Maritime Academy Sdn. Bhd. (ALAM).

Our people are our most valuable assets. It is MISC's commitment to continually develop our staff to be competent and knowledgeable, and to ensure that they remain resolute, purposeful and energised while bringing MISC to greater heights.

MISC BERHAD

LNG

- MISC Tankers Sdn. Bhd. 100% *(Investment Holding and Provision of Management Services)*
  - Puteri Delima Sdn. Bhd. 100% *(Shipping)*
  - Puteri Firus Sdn. Bhd. 100% *(Shipping)*
  - Puteri Intan Sdn. Bhd. 100% *(Shipping)*
  - Puteri Nilam Sdn. Bhd. 100% *(Shipping)*
  - Puteri Zamrud Sdn. Bhd. 100% *(Shipping)*
- Puteri Delima Satu (L) Pte. Ltd. 100% *(Shipping)*
- Puteri Firus Satu (L) Pte. Ltd. 100% *(Shipping)*
- Puteri Nilam Satu (L) Pte. Ltd. 100% *(Shipping)*
- Puteri Intan Satu (L) Pte. Ltd. 100% *(Shipping)*
- Puteri Mutiara Satu (L) Pte. Ltd. 100% *(Shipping)*
- Puteri Zamrud Satu (L) Pte. Ltd. 100% *(Shipping)*
- MISC PNG Shipping Limited 100% *(Investment Holding)*
  - Western Pacific Shipping Limited 60% *(Providing Shipping Solutions to meet LNG Project Requirements and also Supports Other General Shipping Requirements of Papua New Guinea)*
- Gas Asia Terminal (L) Pte. Ltd. 100% *(Development and Ownership of LNG Floating Storage Units)*
- Asia LNG Transport Sdn. Bhd. 51% *(Shipowning and Ship Management)*
- Asia LNG Transport Dua Sdn. Bhd. 51% *(Shipowning and Ship Management)*
- Nikorma Transport Limited 30% *(LNG Transportation)*

PETROLEUM

- MISC Tanker Holdings Sdn. Bhd. 100% *(Investment Holding)*
  - MISC Tanker Holdings (Bermuda) Ltd. 100% *(Investment Holding)*
    - AET Tanker Holdings Sdn. Bhd. 100% *(Investment Holding)*
      - AET Petroleum Tanker (M) Sdn. Bhd. 100% *(Shipowning)*
        - AET Shuttle Tankers Sdn. Bhd. 100% *(Shipowning and Operations)*
        - AET MCV Delta Sdn. Bhd. 100% *(Investment Holding)*
          - AET MCV Alpha L.L.C. 100% *(Shipowning)*
          - AET MCV Beta L.L.C. 100% *(Shipowning)*
        - AET Brasil Servicos Maritimos Ltda. 100% *(Manning, Crewing Agent and Technical Office)*
        - AET Brasil Servicos STS Ltda. 100% *(Lightering Support Services)*
      - AET Shipmanagement (Malaysia) Sdn. Bhd. 100% *(Shipping Management)*
        - AMI Manning Services Pvt. Ltd. 79% *(formerly known as AET Shipmanagement (India) Private Limited) (Ship Management and Manning Activities)*
        - Eagle Star Crew Management Corporation 24% *(Recruitment and Provision of Manpower for Maritime Vessels)*
      - AET Shipmanagement (Singapore) Pte. Ltd. 100% *(Ship Management, Manning and Technical Activities)*
        - AET Shipmanagement (USA) L.L.C. 100% *(Ship Management)*
      - AET Tankers Pte. Ltd. 100% *(Commercial Operation and Chartering)*
        - AET Tanker India Private Limited 99% *(Shipowning)*
      - AET UK Limited 100% *(Commercial Operation and Chartering)*
        - AET Sea Shuttle AS 97.5% *(Owning and Operating DP Shuttle Tankers)*
      - AET Holdings (L) Pte. Ltd. 100% *(Investment Holding)*
        - AET Inc. Limited 100% *(Shipowning and Operations)*
          - AET Tankers (Suezmax) Pte. Ltd. 100% *(Shipowning and Operations)*
          - AET MCV Gamma L.L.C. 100% *(Chartering and Operations)*
          - AET Agencies Inc. 100% *(Property Owning)*
          - AET Offshore Services Inc. 100% *(Lightering)*
          - AET Lightering Services L.L.C. 100% *(Lightering)*
          - Paramount Tankers Corp 50% *(Shipowning and Operations)*
          - ELS Lightering Services S.A. 50% *(Lightering Activity)*
          - Akudel S.A. 49% *(Owning and Operating Workboats for Lightering Activity)*

CHEMICAL/TANK TERMINALS

- Centralised Terminals Sdn. Bhd. 45% *(Own, Manage, Operate and Maintain Centralised Tankage Facility)*
  - Langsat Terminal (One) Sdn. Bhd. 36% *(Provision of Tank Terminal Activities)*
  - Langsat Terminal (Two) Sdn. Bhd. 36% *(Provision of Multi User Petrochemical Terminal Facilities)*
- MTTI Sdn. Bhd. 100% *(Investment Holding)*
  - VTTI B.V. 50% *(Owning (in whole or in part), Operating and Managing a Network of Oil Product Storage Terminals and Refineries)*
    - VTTI MLP Partners B.V. 50% *(To perform corporate related activities and other activities of an industrial, financial and commercial in nature)*
      - VTTI MLP Services Ltd. 50% *(Secondment of employees to VTTI MLP Holdings Ltd. and provision of IT services and equipment)*
      - VTTI MLP B.V. 32% *(To perform corporate related activities and other activities of an industrial, financial and commercial in nature)*
      - VTTI Engery Partners GP L.L.C. 50% *(To conduct dealings in relation to the partnership interests and act as the general partner of VTTI Energy Partners LP and engage in lawful and permitted business activities)*
      - VTTI Energy Partners LP 24.5% *(To engage in any lawful limited partnership related business activities and exercise all rights and powers in relation thereto including the making of capital contributions or loans to a Group member)*
        - VTTI MLP Holdings Ltd. 24.5% *(To provide management and administrative support services to VTTI Energy Partners LP)*

OFFSHORE

- MISC Offshore Holdings (Brazil) Sdn. Bhd. 100% *(Investment Holding)*
  - SBM Systems Inc. 49% *(FPSO Owner)*
  - FPSO Brasil Venture S.A. 49% *(Investment and Offshore Activities)*
    - SBM Operacoes Ltda. 49% *(Operating and Maintaining FPSO Terminals)*
  - Brazilian Deepwater Floating Terminals Limited 49% *(Construction of FPSO)*
  - Brazilian Deepwater Production Limited 49% *(Chartering of FPSO)*
  - Brazilian Deepwater Production Contractors Limited 49% *(Operation and Maintenance of FPSO)*
    - Operacoes Maritimas em Mar Profundo Brasileiro Ltda. 49% *(Operation and Maintenance of FPSO)*
- MISC Offshore Floating Terminals (L) Limited 100% *(Offshore Floating Terminals Ownership)*
- MISC Offshore Floating Terminals Dua (L) Limited 100% *(Offshore Floating Terminals Ownership)*
- GK O&M (L) Limited 100% *(To carry out the business of providing professional services for Oil & Gas industry)*
- Malaysia Offshore Mobile Production (Labuan) Ltd. 100% *(Mobile Offshore Production Unit Owner)*
- Malaysia Vietnam Offshore Terminal (L) Limited 51% *(FSO Owner)*
- Malaysia Deepwater Floating Terminal (Kikeh) Limited 51% *(FPSO Owner)*
- Malaysia Deepwater Production Contractors Sdn. Bhd. 51% *(Operating and Maintaining FPSO Terminals)*
- FPSO Ventures Sdn. Bhd. 51% *(Operating and Maintaining FPSO Terminals)*
- Gumusut-Kakap Semi-Floating Production System (L) Limited 50% *(Asset Ownership and Leasing of Semi-Submersible Floating Production System)*
- Vietnam Offshore Floating Terminal (Ruby) Ltd. 40% *(FPSO Owner)*

MISC GROUP STRUCTURE

as at 31 March 2015 *excluding dormant companies

MARINE & HEAVY ENGINEERING

Malaysia Marine and Heavy Engineering Holdings Berhad 66.5%
(Investment Holding)

- Malaysia Marine and Heavy Engineering Sdn. Bhd. 66.5%
  (Provision of Oil & Gas Engineering and Construction Works and Marine Conversion and Repair Services)
  - MMHE-SHI LNG Sdn. Bhd. 46.6%
    (Provision of Repair Services and Drydocking of Liquefied Natural Gas Carriers)
  - MMHE-TPGM Sdn. Bhd. 40%
    (Provision of Engineering, Procurement, Construction, Installation and Commissioning)
  - MMHE-ATB Sdn. Bhd. 27%
    (Manufacturing of Pressure Vessels and Tube Heat Exchangers)
- Techno Indah Sdn. Bhd. 66.5%
  (Sludge Disposal Management)
- Technip MHB Hull Engineering Sdn. Bhd. 33.3%
  (Build and Develop Hull Engineering and Engineering Project Management Capacities)

INTEGRATED LOGISTICS

MISC Integrated Logistics Sdn. Bhd. 100%
(Integrated Logistics Services)

- Misan Logistics B.V. 100%
  (Haulage, Brokerage, Liner Merchant and Carriage Haulage)
- MILS Cold Chain Logistics Sdn. Bhd. 100%
  (Owner of a Cold Storage Logistics Hub)
- BLG MILS Logistics Sdn. Bhd. 60%
  (Automotive Solutions and Related Integrated Logistics Services)
- Rais-Mils Logistics FZCO 50%
  (In Liquidation)

MARITIME EDUCATION

Malaysian Maritime Academy Sdn. Bhd. 100%
(Education and Training for Seamen and Maritime Personnel)

OTHERS

MISC Capital (L) Ltd. 100%
(Special Purpose Vehicle for Financing Arrangement)

MISC International (L) Ltd. 100%
(Investment Holding)

- SL-MISC International Line Co. Ltd. 49%
  (In Liquidation)

MISC Enterprises Holdings Sdn. Bhd. 100%
(In Liquidation)

- Trans-ware Logistics (Pvt.) Ltd. 25%
  (Inland Container Depot)

MISC Agencies Sdn. Bhd. 100%
(Holding Company)

- MISC Agencies (Netherlands) B.V. 100%
  (Property Owning)
- MISC Agencies (Japan) Ltd. 100%
  (In Liquidation)
- MISC Agencies India (Private) Limited 60%
  (Shipping Agent)
- MISC Agencies Lanka (Private) Limited 40%
  (In Liquidation)
- MISC Agencies (Singapore) Pte. Ltd. 100%
  (In Liquidation)

RESOLUTE
PURPOSEFUL
ENERGISED

ANNUAL REPORT 2014

re•so•lute
/ˈrɛzəluːt/
adjective: **with great determination to overcome challenges; unwavering and steadfast**

We have survived the downturn of the shipping industry and came out stronger from the experience. Throughout the journey, MISC was RESOLUTE in implementing tough decisions to bring stability back to its financial position.

Today, MISC have attained improved operational profits that are supported by healthy cash reserves and a stronger balance sheet.

Revenue
RM9.3 billion

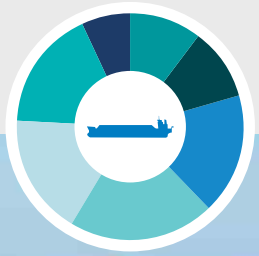
Profit Before Tax
RM2.4 billion

Operating Profit
RM1.8 billion

BUSINESS OVERVIEW AND FLEET STRENGTH

as at 31 December 2014

LIQUEFIED NATURAL GAS SHIPPING



Class	Number of Vessels
Aman Class	3
Tenaga Class	3
Puteri Class	5
Puteri Satu Class	6
Seri A Class	5
Seri B Class	5
Floating Storage Units	2
Total	**29**

MISC have over three decades of proven experience in Liquefied Natural Gas (LNG) transportation and we have earned a distinguished reputation for overall operational excellence, reliability, safety and on-time cargo deliveries from our charterers.

- Full in-house capabilities in ship-owning and ship management including maritime education and ship repair.
- Vessels' compatibility with more than 80 terminals worldwide.
- Periodic vessels' inspection, audit and vetting to ensure highest safety standards.
- With 29 vessels operating globally, MISC LNG fleet represents 6.6% of the total world fleet.
- MISC is also owner and operator of Floating Storage Units for LNG and is building up capabilities in Floating Storage and Regasification Units (FSRUs) and Floating LNG (FLNG) units.

MAJOR DEVELOPMENTS FROM 1 JANUARY 2014 – 31 DECEMBER 2014

- MISC delivered a total of 408 cargoes amounting to 21.8 million tonnes of LNG which represents 9.0% of total world LNG trade.
- Tenaga Lima, MISC's LNG carrier chartered to Malaysia LNG Sdn. Bhd. (MLNG), successfully carried out the commissioning activities at the new Hibiki LNG Receiving Terminal in Japan from 31 July to 6 August 2014.
- Puteri Intan, MISC's LNG carrier performed her final contractual voyage for Malaysia LNG Sdn. Bhd. (MLNG) on 27 September 2014. For the past 20 years, MISC have carried a total of 24.3 million tonnes of Liquefied Natural Gas via Puteri Intan for MLNG.
- In September 2014, Seri Bakti, MISC's LNG carrier completed a one-year contract for Koch Shipping Inc. (Koch) successfully. She is the first LNG carrier chartered by Koch in their LNG market debut and has carried a total of 7 cargoes amounting to 446,857 tonnes of LNG for Koch from Nigeria's Bonny Island LNG export facility to worldwide customers.
- MISC continues to maintain our third party business with the signing of a new time-charter party with GLNG on 4 December 2014. Under the agreement, MISC will be chartering out Seri Bakti to service GLNG's LNG transportation needs between August and October 2015 until 2016.

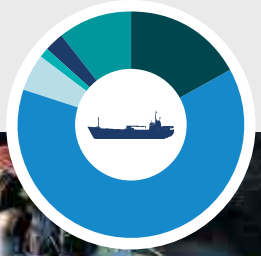
PETROLEUM SHIPPING

AET is our specialist and leading global provider of safe, high quality maritime logistics solutions to the international petroleum sector with a fleet of 76 crude oil and product tankers with asset base of more than USD3 billion. AET's global coverage and growth plans combined with its superior service and excellent customer support will allow it to continuously enhance our position in the crude and product tanker markets.

- Market leader in ship-to-ship transfers in the US Gulf.
- Solutions provider with a modern, young fleet of vessels of various capacities, that provides niche and custom solutions to keep up with customers' changing needs.

MAJOR DEVELOPMENTS FROM 1 JANUARY 2014 – 31 DECEMBER 2014

- AET celebrated its 20th year in the petroleum logistics business with year-long customer commemorations, as well as activities with shore staff and those on the fleet. Its anniversary theme "20 Years of Creating Solutions" encapsulated AET's vision and mission, and promoted the company's strengths in successfully transforming its role from a traditional shipowner to a provider of petroleum logistics solutions.
- The world's first modular capture vessels (MCVs) for specialised marine containment logistics successfully completed their modular conversion and sea trials. They were set to rejoin the fleet in 2015.
- AET achieved 429 days/18,940,052 man-hours ZERO Lost Time Injury (LTI) as at 31 December 2014. This achievement is proof that ZERO Spills, ZERO Accidents, and ZERO LTI are possible through continued vigilance and an absolute commitment to safety.
- AET named the world's most advanced 120,000 dwt DP shuttle tanker Eagle Barents. The 120,000 dwt vessel is the first of our ships to service the great Nords and will be devoted to offshore oil field, the Goliat Fields when she begins full operations in 2015.
- AET continued to champion safety and achieved safety excellence as 42 of its vessels were bestowed with the Jones F. Devlin Awards and 55 more, the 2014 Environment Achievement Awards. Both awards were given in recognition of accident-free operations over two consecutive years or more.



Type	Number of Vessels
VLCC	13
Aframax	48
Suezmax	4
Panamax	1
DP Shuttle Tankers	2
Medium-range Product Tankers	8
Total	**76**

BUSINESS OVERVIEW AND FLEET STRENGTH

as at 31 December 2014

CHEMICAL SHIPPING

Class	Number of Vessels
Akasia Class	7
L Class	6
Others	2
Total	**15**

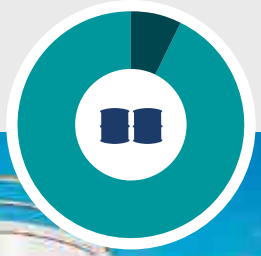
MISC's four decades of experience in Chemical Shipping has earned us an undeniable reputation for reliability and safety in transporting a wide range of cargoes from clean petroleum products, chemicals to vegetable oils. Our service integrity is a testament of our operational expertise, working within stringent safety rules and regulations to deliver cargoes efficiently.

- Proven track record in transporting clean petroleum products, chemicals and vegetable oils for major producers/traders/charterers.
- Quality fleet, comprising mainly double-hulled IMO II Oil/ Chemical tanker vessels with a mixture of stainless steel and coated tanks to meet the highest safety requirements for transporting liquid bulk cargo.

MAJOR DEVELOPMENTS FROM 1 JANUARY 2014 – 31 DECEMBER 2014

- Maintained business relationships with oil majors, world's leading chemical manufacturers such as PETRONAS, Shell and ExxonMobil.
- Renewed multiple Contract of Affreightments/Contract of Requirements from oil majors and leading chemical manufacturers.
- As part of our business portfolio rebalancing efforts, we had undertaken a fleet rationalisation initiative to reduce our fleet size and focused on cost optimisation while maintaining operational excellence.

TANK TERMINAL BUSINESS



Assets	Capacity (cbm)
VTTI	8,069,000
Langsat Terminals	647,000
Total	**8,716,000**

MISC's foray into the tank terminal business was via our project in Tanjung Langsat, Johor, Malaysia. Langsat Terminals commenced its first phase of 476,000 cbm tank capacity in September 2009 and now has a total capacity of 647,000 cbm. In partnership with energy trader, Vitol Holding B.V., MISC further expanded its presence and logistics assets all over the world through a joint venture company, VTTI B.V. (VTTI). VTTI is a fast growing independent provider of energy storage worldwide and is currently offering 8 million cbm of combined storage capacity across 5 continents.

The total capacity of our terminals is approximately 8.7 million cbm.

With terminals strategically located at key hub and spoke locations, e.g. ARA Region (Antwerp, Rotterdam and Amsterdam), United States of America and Johor in Malaysia, we have global presence and strong capabilities in the storage of energy. A pool of experienced personnel has allowed MISC to offer dynamic services to customers. We comply with all local legislations and are also committed to meet the highest international standards of our industry.

MAJOR DEVELOPMENTS FROM 1 JANUARY 2014 – 31 DECEMBER 2014

- VTTI Energy Partners LP launched its initial public offering (IPO) of 20,125,000 common units representing limited partner interests at USD21 per common unit. The public and VTTI MLP Partners B.V. own 49% of the shares respectively. The common units began trading on the New York Stock Exchange on 1 August 2014 under the ticker symbol "VTTI". The total net proceeds from the IPO were approximately USD390 million. As at 31 December 2014, the market capitalisation of VTTI Energy Partners LP was approximately USD1 billion.
- Burgan Cape Terminals in South Africa which is 70% owned by VTTI B.V., together with its partners, Thebe Investment Corporation (15%) and Jicaro (15%) was awarded a 20-year contract by the Transnet National Ports Authority to develop fuel storage of 118,000 cbm at the Eastern Mole of the Port of Cape Town.
- Commencement of VTTV, Vasiliko, Cyprus operations in November 2014 with total storage capacity of 544,000 cbm.

BUSINESS OVERVIEW AND FLEET STRENGTH

as at 31 December 2014

OFFSHORE BUSINESS

Class	Number of Facilities
Floating Production, Storage and Offloading (FPSO)	6 *
Floating Storage and Offloading (FSO)	4 **
Mobile Offshore Production Unit (MOPU)	2
Semi Submersible Floating Production System (Semi-Sub FPS)	1 ***
Total	**13**

* Includes four jointly-owned FPSO

** Includes jointly-owned with Petroleum Technical Services Corporation (PTSC)

*** Jointly-owned with E&P Venture Solutions Co. Sdn. Bhd. (EPV), a wholly-owned subsidiary of PETRONAS Carigali Sdn. Bhd. (PCSB)

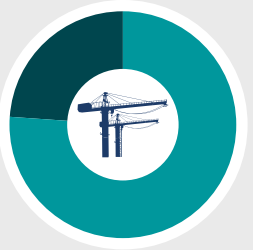
MISC have delivered safe and successful projects through well-built relationships with customers and partners. These partnerships have enabled us to further enhance our capabilities in Offshore Engineering and Asset Management with business processes that are in accordance with international standards and best practices and is certified ISO 9001:2008.

- Proven technology to provide the best solutions for our customers' offshore development needs.
- Solid foundation in the offshore industry to offer comprehensive solutions for deepwater and small field developments.
- Pursuing technical alliances and strategic partnerships to achieve supremacy in the domestic market and competitiveness in selected international markets especially in FPSO/FSO and other potential new businesses.

MAJOR DEVELOPMENTS FROM 1 JANUARY 2014 – 31 DECEMBER 2014

- Successful sail away of FPSO Cendor on 29 March 2014 and received first oil on 1 September 2014. The FPSO Cendor, developed as Cendor Phase 2 is the succession to FSO Cendor for Block PM304 and is designed to be operated for 10 years uninterrupted. The FPSO, which is spread moored is capable of storing a minimum of 750,000 bbls.
- Appointed by PETRONAS Malaysia Petroleum Management (MPM) to conduct basic engineering design for the Water Injection Facility (WIF). The WIF is intended to improve initial incremental oil recovery by providing water injection system into the current production well.
- Our first Semi-sub FPS Gumusut-Kakap, Malaysia's second deepwater development, achieved first oil production in October 2014. The FPS was fully built and integrated at MMHE, a subsidiary of MISC Berhad.
- Completed decommissioning and demobilisation activity of FSO Cendor from offshore Terengganu (Cendor Field PM304) on 19 October 2014. The achievement will be the launching pad for future demobilisation projects with its display of commendable success.
- MISC received the Letter of Award (LOA) from Vestigo Petroleum Sdn. Bhd. for the EPCIC and leasing of a production vessel to develop its marginal oil field. The term of the contract is 11 years with an option to further extend up to 5 years.

MARINE & HEAVY ENGINEERING BUSINESS

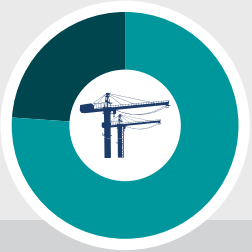


West Yard

Capacities	Ability to construct large marine structures with a total tonnage of 69,700 MT per year	
Total Area	150.6 hectare (372 acres) complex with 1.8 km seafront	
Fabrication Area	6 fabrication and assembly areas totaling 341,680 m^2	
Workshops	38 fully equipped service and production workshops covering an area of 106,100 m^2	
Skid Tracks	Skidding facilities that are able to cater up to 55,000 MT	
Docking Facilities	• 2 drydocks accommodating vessels up to 450,000 dwt • Has one of the world's largest shiplift systems that is able to cater up to 50,000 dwt	
	Others LNG carrier repair facilities • 3 global test control rooms • 1 cryogenic workshop (750 m^2) • Invar welding training centre • In-house Invar welders/fitters	
Landberths	Landberth 1 Length : 345 m Capacity : 142 tonnes/m	Landberth 2 Length : 345 m Capacity : 125 tonnes/m

BUSINESS
OVERVIEW
AND FLEET STRENGTH
as at 31 December 2014

MARINE & HEAVY ENGINEERING BUSINESS (Cont'd.)



East Yard	
Capacities	Ability to construct large marine structures with a total tonnage of 60,000 MT per year
Total Area	46.8 hectare (116 acres) complex with 500 metres seafront
Fabrication Area	3 fabrication and assembly areas totaling 200,700 m^2
Workshops	9 fully equipped service and production workshops covering an area of 19,590 m^2
Skid Tracks	Skidding facilities that are able to cater up to 25,000 MT

Malaysia Marine and Heavy Engineering Holdings Berhad (MHB) provides a wide spectrum of Oil & Gas production facilities and services in offshore construction, offshore conversion and marine repair.

- With the two (2) yards in Pasir Gudang, namely MMHE East and MMHE West, MHB has the largest offshore and marine heavy industry facilities in the region with a total area of 197.4 hectares.
- In the year under review, MMHE acquired four (4) 250 T crawler cranes and eight (8) 50 T rough terrain cranes for operational optimisation in the yards.

MAJOR DEVELOPMENTS FROM 1 JANUARY 2014 – 31 DECEMBER 2014

- Completed the conversion of FPSO Cendor for MISC Berhad which is now deployed at Cendor field, offshore Terengganu, Malaysia.
- Delivered the Tapis-R topsides for ExxonMobil Exploration and Production Malaysia Inc. (EMEPMI) which comprised of 18,000 MT integrated deck with space for production processing equipment, utilities systems and living quarters for 145 personnel.
- Sail away of the Kebabangan (KBB) Topsides for Kebabangan Petroleum Operating Company (KPOC) which were installed offshore Sabah in East Malaysia.
- Awarded contracts by Taiwanese Shipping Companies; Simosa Oil Co. Limited (Simosa) and Formosa Plastics Marine Corp. (FPMC). The contract from Simosa was for drydocking repair works for two (2) of their tankers.
- Secured contracts of RM350 million which involve fabrication and other associated works for two exploration and production projects offshore Peninsular Malaysia for North Malay Basin (NMB) Bergading Complex and Besar-A of PETRONAS Carigali Sdn. Bhd.
- Secured a fabrication contract for an external turret by SOFEC, Inc. for PETRONAS FLNG2 Facility located at Rotan Field, Sarawak.

As a one-stop service provider, MILS is a logistics integrator that manages customers' ocean freighting, distribution, freight forwarding, warehousing and haulage activities. MILS offers customised solutions to meet customers' local, regional and global logistics requirements.

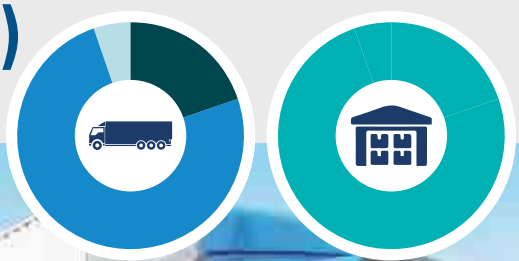
MILS is a registered vendor of PETRONAS and a licensed Multimodal Transport Operator (MTO).

- In Project Logistics, MILS offers a full range of project cargo solutions based on two basic premises; safe cargo handling and cost efficiency. In collaboration with established partners and vendors locally and globally, MILS has successfully and safely shipped high value, over dimensional cargo for multiple Oil & Gas, and infrastructure projects.
- In Supply Chain Management (SCM), our customised solutions are backed by the company's strong logistics asset base and strategic nationwide presence. The services are further enhanced by the company's high commitment in upholding the highest standard of Health, Safety & Environment (HSE). MILS' SCM service provision focuses on industry such as Oil & Gas, Petrochemicals and fast-moving consumer goods (FMCGs).
- MILS is recognised and entrusted by established market leaders such as PETRONAS NGV and a leading bulk industrial gas supplier in the provision of specialised transportation for compressed natural gas, and industrial liquids and gases such as nitrogen and oxygen.
- MILS is a recognised entity in Halal Logistics with a state-of-the-art dry and cold storage facility in Pulau Indah with various accreditations and standards. Our Cold Hub is certified with ISO 22000:2005 Food Safety Management System (FSMS).

MAJOR DEVELOPMENTS FROM 1 JANUARY 2014 – 31 DECEMBER 2014

- PETRONAS NGV awarded MILS a 4-year contract extension for the provision of logistics services to transport NGV nationwide in January 2014.
- MILS secured a long-term logistics contract from PETRONAS Chemicals Marketing Sdn. Bhd. (PCM) in August 2014 which involved the provision of haulage, inland distribution and warehousing services to support the demand growth of PCM's products and services.

MISC INTEGRATED LOGISTICS (MILS)



Assets	No.
Prime Movers	208 units
Trailers	783 units
NGV Tankers	54 units
Total Storage Facility	790,620 sq.ft

BUSINESS OVERVIEW AND FLEET STRENGTH

as at 31 December 2014

MARITIME EDUCATION AND TRAINING (MET)

Resources

- Highly qualified and experienced faculty members
- State-of-the-art Simulation Centre
- Maritime Library & Resource Centre with comprehensive maritime and shipping based materials
- In-campus accommodation and facilities for more than 1,000 students
- Well-equipped workshops and laboratories

Malaysian Maritime Academy Sdn. Bhd. (ALAM) is the premier training centre for the development of seafaring professionals. For over 30 years, ALAM has trained more than 10,000 seafarers through a structured training and education system unique to the academy. Working in collaboration with companies and institutions in the maritime industry locally and regionally, ALAM prepares students to face the demanding career challenges of the maritime profession.

- A balance of professional regimentation with a challenging college environment, ALAM's system is a structured blend of classroom instructions, practical training and professional development skills.
- Consistently rated highly by DNV-GL under their internationally well-known benchmarking rating system for Maritime Education and Training (MET) Institutions, placing ALAM amongst the world's leading maritime education and training providers.
- The choice MET institution in this region with student diversity which includes foreign students from the Philippines, India, China, Yemen, Iran, Indonesia, Bangladesh, Brunei and Ukraine.

MAJOR DEVELOPMENTS FROM 1 JANUARY 2014 – 31 DECEMBER 2014

- ALAM played host to members of the maritime fraternity from all around the globe at the Annual Global Maritime Education and Training Association's (GlobalMET) Conference 2014 that was held in Kuala Lumpur and Malacca.
- ALAM's research capability was recognised by the Malaysian Government and is listed under 1DANA in the category of Maritime Research and Consultancy.
- 20 PALAPES Laut ALAM cadets were commissioned at the Sultan Idris University of Education in Tanjung Malim, Perak, amongst 1,584 cadets from 12 universities and colleges throughout Malaysia. At the ceremony, ALAM's very own Wan Aris bin Wan Razali won the title of Best Overall Cadet from the joint contingent of ALAM, Universiti Malaysia Pahang and Universiti Malaysia Terengganu.

BOARD OF DIRECTORS

Effective from 15 January 2015

YEE YANG CHIEN
President/Chief Executive Officer

DATO' SEKHAR KRISHNAN

DATO' AB. HALIM BIN MOHYIDDIN
Chairman

DATUK NASARUDIN MD IDRIS

DATO' KALSOM BINTI ABD. RAHMAN


DATUK MANHARLAL RATILAL
MOHD. FARID BIN MOHD. ADNAN
HARRY K. MENON
LIM BENG CHOON
DATO' HALIPAH BINTI ESA

PROFILES OF DIRECTORS

Dato' Ab. Halim bin Mohyiddin
Chairman, Independent Non-Executive Director

Dato' Ab. Halim bin Mohyiddin, a Malaysian aged 69, was appointed as Chairman and Independent Non-Executive Director of MISC Berhad on 15 January 2015.

Qualification, Skills and Experience

Dato' Ab. Halim graduated with a Bachelor of Economics (Accounting) from the University of Malaya in 1971 and thereafter joined University Kebangsaan Malaysia as a Faculty member of the Faculty of Economics. He obtained his Masters of Business Administration degree from the University of Alberta, Edmonton, Alberta, Canada in 1973 and subsequently a Diploma in Accountancy (post-graduate) from University Malaya in 1975.

He is a Member of the Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountants (MICPA).

Dato' Ab. Halim joined KPMG/KPMG Desa Megat & Co. in 1977. He had his early accounting training both in Malaysia and the United States of America. He held various positions in KPMG and acted as receiver and manager and liquidator for several companies. He was made Partner of KPMG in 1985. At the time of his retirement on 1 October 2001, he was the Partner in Charge of the Assurance and Financial Advisory Services Divisions and was also responsible for the Secured e-Commerce Practice of the firm.

Other Commitments

Dato' Ab. Halim currently sits on the boards of PETRONAS Gas Berhad, Amway (Malaysia) Holdings Berhad, Digi.com Berhad and KNM Group Berhad.

Datuk Manharlal Ratilal (Datuk George Ratilal)

Non-Independent Non-Executive Director

Datuk George Ratilal, a Malaysian aged 55, was appointed as Chairman and Non-Independent Non-Executive Director of MISC Berhad on 1 August 2011. On 15 January 2015, he was re-designated as a Non-Independent Non-Executive Director of MISC Berhad.

Qualification, Skills and Experience

Datuk George holds a Bachelor of Arts (Honours) degree in Accountancy from Birmingham City Polytechnic, United Kingdom in 1982 and Masters in Business Administration from University of Aston in Birmingham, United Kingdom in 1984.

Prior to joining PETRONAS in 2003, he was attached with a local investment bank for 18 years, concentrating on corporate finance where he was involved in advisory work in mergers and acquisitions, equity and debt capital markets. From 1997 to 2002, he served as the Managing Director of the investment bank. Datuk George is the Executive Vice President and Group Chief Financial Officer of PETRONAS. He is also a member of Executive Committee and Management Committee of PETRONAS.

Other Commitments

Datuk George also sits on the boards of PETRONAS Gas Berhad, KLCC Property Holdings Berhad, KLCC REIT Management Sdn. Bhd., Cagamas Holdings Berhad and other subsidiaries of the PETRONAS Group.

PROFILES OF DIRECTORS

Yee Yang Chien
President/
Chief Executive Officer

Yee Yang Chien, a Malaysian aged 47, was appointed as President/Chief Executive Officer and Non-Independent Executive Director of MISC Berhad on 1 January 2015.

Qualification, Skills and Experience

He holds a double-degree in Financial Accounting/Management and Economics from University of Sheffield, United Kingdom.

Yee Yang Chien began his career as an auditor, undertaking both external and internal audit assignments, and progressed on to equity research and investment banking work with various local and international financial institutions.

He joined MISC Berhad in 2001 as Senior Manager of Research and Evaluation of the Corporate Planning and Development Unit. He subsequently joined AET Group as Group Vice President of Corporate Planning in June 2005.

Yee Yang Chien returned to MISC Berhad in April 2008 as the Vice President of Corporate Planning and Development, focusing on strategic planning and budget development for the Group.

He was appointed as the Chief Operating Officer of MISC Berhad in July 2013 where he was also given oversight over Group Finance and Human Resource functions as well as the Chemical Business unit.

Other Commitments

Yee Yang Chien is the Chairman and a board member of several major subsidiaries within MISC Group, including MISC Integrated Logistics Sdn. Bhd., Malaysia Deepwater Floating Terminal (Kikeh) Limited, Malaysia Deepwater Production Contractors Sdn. Bhd., Asia LNG Transport Sdn. Bhd. and Asia LNG Transport Dua Sdn. Bhd. He is also the Deputy Chairman of AET Tanker Holdings Sdn. Bhd. and a Director of Malaysia Marine and Heavy Engineering Holdings Berhad.

Datuk Nasarudin Md Idris

Non-Independent
Non-Executive Director

Datuk Nasarudin Md Idris, a Malaysian aged 59, was appointed as Non-Independent Non-Executive Director of MISC Berhad on 11 October 2004 before assuming the position of President/ Chief Executive Officer (CEO) on 15 June 2010. On 1 January 2015, Datuk Nasarudin was re-designated as Non-Independent Non-Executive Director following his retirement as President/ CEO of MISC Berhad on 31 December 2014.

Qualification, Skills and Experience

Datuk Nasarudin graduated from University of Malaya with a Bachelor of Arts (Honours) degree, and holds a Masters degree in Business Administration from Henley – The Management College (Brunel University), United Kingdom. He also attended the Stanford Executive Programme at Stanford University, United States of America.

He joined PETRONAS in 1978 and had held various positions within PETRONAS Group including as Vice President, Corporate Planning and Development; Group Chief Executive Officer of KLCC Holdings Berhad; Senior General Manager, Corporate Planning and Development Division; Executive Assistant to the President; General Manager, Marketing of PETRONAS Dagangan Berhad; General Manager, Corporate Development; and General Manager, Group Strategic Planning.

Other Commitments

Datuk Nasarudin is the Chairman of several major subsidiaries within MISC Group including Malaysia Marine and Heavy Engineering Holdings Berhad, AET Tanker Holdings Sdn. Bhd. and Malaysian Maritime Academy Sdn. Bhd. He is also a Director of Bintulu Port Holdings Berhad.

PROFILES OF DIRECTORS

Harry K. Menon

Independent Non-Executive Director

Harry K. Menon, a Malaysian aged 65, was appointed as Independent Non-Executive Director of MISC Berhad on 30 August 2001.

Qualification, Skills and Experience

Harry K. Menon is a Fellow of the Institute of Chartered Accountants in England and Wales, a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.

He spent 13 years in public practice with Hanafiah Raslan & Mohamad, 7 years of which he served as a partner of the firm. He then joined Public Bank Berhad as General Manager and was subsequently promoted to Executive Vice President of the bank. He was the Chief Operating Officer of Putrajaya Holdings Sdn. Bhd. from 1997 to 2000.

Other Commitments

Harry K. Menon currently sits on the boards of PETRONAS, SCICOM (MSC) Berhad, KLCC Property Holdings Berhad, KLCC REIT Management Sdn. Bhd., KLCC (Holdings) Sdn. Bhd. and Econpile Holdings Berhad.

Board Committee Membership

Harry K. Menon is the Chairman of Board Audit Committee of MISC Berhad.

Dato' Halipah binti Esa

Independent
Non-Executive Director

Dato' Halipah binti Esa, a Malaysian aged 65, was appointed as Independent Non-Executive Director of MISC Berhad on 26 April 2004.

Qualification, Skills and Experience

Dato' Halipah received her Bachelor of Arts (Honours) degree in Economics and a Master of Economics from the University of Malaya. She also holds Certificates in Economic Management from the IMF Institute, Washington and the Kiel Institute for World Economics, Germany as well as a Certificate in Advanced Management Programme from Adam Smith Institute, London.

She started her career in 1973 with the Administrative and Diplomatic Services in the Economic Planning Unit (EPU) of the Prime Minister's Department. During her tenure in EPU, she served in various capacities in the areas of infrastructure, water supply, energy, health, housing, telecommunications, urban services, human resource development, macro economy, international economy, environment, regional development and distribution. She held various senior positions in the EPU and retired as the Director General in 2006. She had also served the Ministry of Finance as the Deputy Secretary General.

She was previously the Chairman of Pengurusan Aset Air Berhad and had also served on the Boards of PETRONAS, Employees Provident Fund, Inland Revenue Board, Bank Pertanian, Federal Land Development Authority and UDA Holdings Berhad. She was a consultant to the World Bank and United Nations Development Programme in advising the Royal Kingdom of Saudi Arabia on economic planning, and had also provided technical advice to planning agencies in Vietnam, Cambodia, Indonesia and several African countries.

Other Commitments

Currently, Dato' Halipah serves on the boards of Malaysia Marine and Heavy Engineering Holdings Berhad, KLCC Property Holdings Berhad, KLCC REIT Management Sdn. Bhd., NCB Holdings Berhad, Cagamas Berhad, S P Setia Berhad, Malaysia Deposit Insurance Corporation and Securities Industry Dispute Resolution Centre.

Board Committee Membership

Dato' Halipah is a member of the Board Audit Committee and chairs the Nomination and Remuneration Committee of MISC Berhad.

PROFILES OF DIRECTORS

Dato' Kalsom binti Abd. Rahman
Independent Non-Executive Director

Dato' Kalsom binti Abd. Rahman, a Malaysian aged 66, was appointed as Independent Non-Executive Director of MISC Berhad on 27 October 2004.

Qualification, Skills and Experience

Dato' Kalsom holds a Bachelor of Economics (Honours) degree from University of Malaya and Masters in Business Administration (Finance) from University of Eugene, Oregon, United States of America (USA).

During her tenure in the public sector, she attended management courses organised by Harvard Business School and Stanford University in USA. Dato' Kalsom had served in various capacities in the Ministry of International Trade and Industry (MITI) both at the Headquarters and overseas offices, the last post being the Deputy Secretary General (Industry).

Other Commitments

Dato' Kalsom currently sits on the boards of several public companies, namely Malaysian Industrial Development Finance Berhad (MIDF), MIDF Asset Management Berhad, MIDF Property Berhad, MIDF Amanah Investment Bank Berhad and Lion Forest Industries Berhad.

Board Committee Membership

Dato' Kalsom is also a member of the Board Audit Committee and the Nomination and Remuneration Committee of MISC Berhad.

Mohd. Farid bin Mohd. Adnan

Non-Independent
Non-Executive Director

Mohd. Farid bin Mohd. Adnan, a Malaysian aged 52, was appointed as Non-Independent Non-Executive Director of MISC Berhad on 1 December 2011.

Qualification, Skills and Experience

Mohd. Farid holds a Master of International Business Studies from University of South Carolina, United States of America (USA) and Bachelor of Science Degree (BSc.) in Chemical Engineering from University of Tennessee at Knoxville, USA.

He has been with PETRONAS for more than 29 years and is currently the Vice President of Oil Business, Downstream, PETRONAS. He had spent most of his professional experience in various functions across the business including Marketing and Trading in Oil, Petrochemical and LNG, Corporate Planning as well as Retail Business. He had also spent one (1) year attachment in Houston, with Conoco Ltd. and four (4) years in South Africa with Engen Ltd.

Other Commitments

Mohd. Farid holds directorships in various companies within PETRONAS Group, including Engen Ltd., South Africa, PETRONAS Dagangan Berhad, PETRONAS Energy Trading Ltd., United Kingdom, PETRONAS Trading Corporation Sdn. Bhd., PETRONAS Penapisan (Terengganu) Sdn. Bhd., PETRONAS Penapisan (Melaka) Sdn. Bhd., Malaysian Refining Company Sdn. Bhd., PETRONAS Maritime Services Sdn. Bhd., PT PETRONAS Niaga Indonesia and PETRONAS Refinery and Petrochemical Corporation Sdn. Bhd.

Board Committee Membership

Mohd. Farid is a member of the Nomination and Remuneration Committee of MISC Berhad.

PROFILES OF DIRECTORS

Lim Beng Choon

Independent Non-Executive Director

Lim Beng Choon, a Malaysian aged 55, was appointed as Independent Non-Executive Director of MISC Berhad on 16 August 2012.

Qualification, Skills and Experience

Lim Beng Choon holds a Bachelor of Science (First Class Honours) in Mathematics and Computer Science from the Australian National University, Canberra, ACT, Australia and has attended numerous Accenture Management Training Programmes around the globe including the IMD Leadership Program in Switzerland.

He was the Country Managing Director of Accenture, the global consulting, technology and outsourcing giant, before retiring in 2009. He held various positions during his 28 years tenure in Accenture, including Managing Partner for Accenture's Resources Industry Group (Oil & Gas, Chemicals, Utilities, Natural Resources) in South-East Asia. He also had oversight of the Management Consulting practice across industries in ASEAN.

His experience in management consulting spans around strategy formulation, operational consulting and merger integrations. He has led complex projects to deliver transformational change for Malaysian and foreign multinational companies. Prior to moving into management consulting, he was in technology consulting covering technology strategy and systems integration work.

Other Commitments

Lim Beng Choon serves as a Trustee of the ECM Libra Foundation, actively advising on their welfare initiatives. He is an Independent Non-Executive Director on the boards of PETRONAS Gas Berhad and PETRONAS Dagangan Berhad.

Board Committee Membership

Lim Beng Choon is a member of the Board Audit Committee of MISC Berhad.

Dato' Sekhar Krishnan
Independent
Non-Executive Director

Dato' Sekhar Krishnan, a Malaysian aged 59, was appointed as Independent Non-Executive Director of MISC Berhad on 15 January 2015.

Qualification, Skills and Experience

Dato' Sekhar is a member of the Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountants (MICPA).

Dato' Sekhar retired in 2010 as the Executive Vice President, Corporate Services of Sime Darby Berhad. He was responsible for Sime Darby Group's legal, secretarial, risk management, sustainability and quality management functions, as well as the Commodity Trading and Marketing and Allied Products & Services activities of the Group.

Prior to joining the Sime Darby Group in 1982, Dato' Sekhar had three years of post-qualifying experience with Peat Marwick Mitchell & Co. (now known as KPMG). Since then, he had held various senior financial positions within the Sime Darby Group including as Finance Director of Sime UEP Properties Berhad, Group Financial Controller of Sime Darby Berhad and Finance Director of Tractors Malaysia Holdings Berhad.

Board Committee Membership

Dato' Sekhar is a member of the Board Audit Committee of MISC Berhad.

None of the Directors has:

- Family relationship with other directors and/or major shareholders of the Company.
- Conflict of interest with the Company.
- Conviction of offences within the past 10 years.

MANAGEMENT COMMITTEE

Effective from 1 January 2015

Standing from left to right

Yee Yang Chien

Captain Rajalingam Subramaniam

Faizul bin Ismail

Hor Weng Yew

Abu Fitri bin Abdul Jalil

Sitting from left to right

Iwan Azlan bin Mokhtar
Fadzillah binti Kamaruddin
Rozainah binti Awang
Nordin bin Mat Yusoff

PROFILES OF MANAGEMENT COMMITTEE

YEE YANG CHIEN

President/Chief Executive Officer

Yee Yang Chien, aged 47, was appointed as President / Chief Executive Officer and Non-Independent Executive Director of MISC Berhad on 1 January 2015.

Qualification, Skills and Experience

He holds a double-degree in Financial Accounting/Management and Economics from University of Sheffield, United Kingdom.

Yee Yang Chien began his career as an auditor, undertaking both external and internal audit assignments, and progressed on to equity research and investment banking work with various local and international financial institutions.

He joined MISC Berhad in 2001 as Senior Manager of Research and Evaluation of the Corporate Planning and Development Unit. He subsequently joined AET Group as Group Vice President of Corporate Planning in June 2005.

Yee Yang Chien returned to MISC Berhad in April 2008 as the Vice President of Corporate Planning and Development, focusing on strategic planning and budget development for the Group.

He was appointed as the Chief Operating Officer of MISC Berhad in July 2013 where he was also given oversight over Group Finance and Human Resource functions as well as the Chemical Business unit.

Other Commitments

Yee Yang Chien is the Chairman and a board member of several major subsidiaries within MISC Group, including MISC Integrated Logistis Sdn. Bhd., Malaysia Deepwater Floating Terminal (Kikeh) Limited, Malaysia Deepwater Production Contractors Sdn. Bhd., Asia LNG Transport Sdn. Bhd. and Asia LNG Transport Dua Sdn. Bhd. He is also the Deputy Chairman of AET Tanker Holdings Sdn. Bhd. and a Director of Malaysia Marine and Heavy Engineering Holdings Berhad.

ROZAINAH BINTI AWANG

Vice President, Finance

Rozainah binti Awang, aged 46, was appointed as Vice President, Finance on 1 April 2013.

Qualification, Skills and Experience

Rozainah obtained a Chartered Institute of Management Accountant (CIMA) qualification from A.T. College, London in the United Kingdom in 1991. She is also an Associate Member of CIMA (ACMA) since 1996 and a member of Malaysian Institute of Accountants.

She joined the MISC Group in 2002 and prior to her current position, she was the General Manager, Finance and Project Services for Offshore Business, MISC Berhad. Rozainah held various positions within MISC Berhad including General Manager, Strategic Planning within the Corporate Planning and Development Division. In addition to her roles within the MISC Group, Rozainah was involved in the Economic Transformation Plan (ETP) by PEMANDU.

She has accumulated 20 years of professional experience in Management Accounting, Strategic Planning as well as Cost Control. Her external working exposure includes working with multinationals ALCOM (M) Bhd. and Colgate Palmolive.

Other Commitments

Rozainah also holds directorships in various subsidiaries and joint venture companies within MISC Group.

HOR WENG YEW

President/Chief Executive Officer
AET Tanker Holdings Sdn. Bhd.

Hor Weng Yew, aged 48, was appointed as President/ Chief Executive Officer, AET Tanker Holdings Sdn. Bhd. on 1 January 2009.

Qualification, Skills and Experience

He holds a Bachelor of Arts (Economics) Degree from National University of Singapore and obtained his MSc in Shipping, Trade & Finance (Distinction) from City University Business School, London.

Hor Weng Yew began his career with Neptune Orient Lines Limited (NOL) in 1989 and was involved in the commercial operations and chartering, project management, strategy and business planning initiatives for NOL and American Eagle Tanker Inc. Ltd. (AET), a subsidiary of NOL, since its inception in 1994.

He joined MISC Berhad in July 2003, following the acquisition of AET by MISC. He was later seconded to London to set up the MISC Regional Office and was appointed Regional Business Director (Europe, Americas, Africa and FSU) of MISC in June 2005. Prior to his current position, he was Vice President, Chemical Business after serving the same division in the capacity of Senior General Manager, a position he held since 1 September 2006.

Other Commitments

Hor Weng Yew sits on the boards of several subsidiaries and joint venture companies within MISC Group.

NORDIN BIN MAT YUSOFF

Vice President, Group Technical Services

Nordin bin Mat Yusoff, aged 55, was appointed as Vice President, Group Technical Services on 1 August 2008. Prior to holding the current position, he was Vice President, Fleet Management Services since 1 April 2005.

Qualification, Skills and Experience

Nordin graduated from University of Glasgow, Scotland with a Degree in Naval Architecture & Ocean Engineering and is a registered Professional Engineer with the Board of Engineers, Malaysia, Member of the Royal Institution of Naval Architects, United Kingdom and Fellow of the Institute of Marine Engineers Science and Technology, United Kingdom.

He joined PETRONAS in 1989 and had served in various capacities in PETRONAS Carigali Sdn. Bhd. and PETRONAS Tankers Sdn. Bhd. before joining MISC Berhad as Senior General Manager of Fleet Management Services on 1 April 2001. Prior to joining PETRONAS, he served Malaysia Marine and Heavy Engineering Sdn. Bhd. and was involved in project management of various shipbuilding and offshore structures fabrication works.

Other Commitments

Nordin currently is a Committee Member of various Classification Societies and International Shipping Organisations and a Director of Britannia Steamship Insurance Association Limited, as well as a Director of various subsidiaries and joint venture companies within MISC Group.

He is also the Chairman of the Malaysia Shipowners' Association and was the Chairman of Federation of ASEAN Shipowners' Association.

PROFILES OF MANAGEMENT COMMITTEE

IWAN AZLAN BIN MOKHTAR

Vice President, Human Resource Management

Iwan Azlan bin Mokhtar, aged 47, was appointed as Vice President, Human Resource Management on 1 April 2009.

Qualification, Skills and Experience

Iwan Azlan holds a Degree in Law from University of Nottingham, United Kingdom.

He was with the Shell Group of Companies for almost 17 years in various positions including as Regional Human Resource Policy Manager for Shell Downstream based in Kuala Lumpur and Human Resource Advisor for Shell Services International based in Melbourne, Australia.

Prior to joining MISC Berhad, he was the Country Human Resource Manager, Shell Global Solutions (M) Sdn. Bhd., a technical consulting subsidiary of the Royal Dutch Shell Group.

Other Commitments

Iwan Azlan also sits on the boards of several subsidiary companies within MISC Group.

FAIZUL BIN ISMAIL

Vice President, LNG Business

Faizul bin Ismail, aged 54, was appointed the Vice President of LNG Business, effective 1 August 2011. Prior to his current position, he was the Senior General Manager, LNG Business since 1 April 2010.

Qualification, Skills and Experience

Faizul is a qualified Marine Engineer specialising in Steam Plant from South Tyne Side Marine College, United Kingdom in 1990 and Australian Maritime College, Lanceston Australia in 1987.

He joined MISC Berhad in 1980 and served as an Engineer for the MISC LNG Fleet until 1990. In the following year, he joined PETRONAS as a Marine Engineer Superintendent and was involved in the LNG shipbuilding project in France until 1994. He held various positions in PETRONAS including as Safety Manager, Senior Superintendent and Operations relating to the LNG shipping industry; General Manager of PETRONAS Tankers; Chief Executive Officer of Malaysian International Trading Corporation (Japan) Sdn. Bhd. and PETRONAS Country Manager for Japan.

Faizul returned to MISC Berhad in 2005 as General Manager of Technical Services Department of Fleet Management Services. In 2006, he held the position of General Manager of Commercial Operations LNG Business and in 2008, he was appointed as General Manager of Business Development LNG Business.

Other Commitments

Faizul is a Board Director of International Gas Tanker and Technical Operators Ltd. (SIGTTO) based in London and on Executive Committee Member of Malaysia Shipowner's Association (MASA).

Faizul is also a board member of several subsidiaries and joint venture companies within MISC Group.

from left to right

Captain Rajalingam Subramaniam

Abu Fitri bin Abdul Jalil

Fadzillah binti Kamaruddin

CAPTAIN RAJALINGAM SUBRAMANIAM

Vice President, Fleet Management Services

Captain Rajalingam Subramaniam, aged 49, was appointed as Vice President, Fleet Management Services on 1 September 2008.

Qualification, Skills and Experience

He holds a Post Graduate Masters in Business Administration from Universiti Utara Malaysia and a Master Certificate of Competency – Foreign Going from Akademi Laut Malaysia (ALAM), a wholly-owned subsidiary of MISC Berhad.

Captain Rajalingam graduated from ALAM in 1983 and subsequently sailed on MISC vessels as a Sea Going Officer before joining shore services in 1996 as a Marine Superintendent. Since then, he has held various positions in MISC Berhad. Between 2005 to 2008, he served in AET as General Manager Shipmanagement and subsequently as Group Vice President of AET Shipmanagement.

He was appointed as Honorary Commander of the Royal Malaysian Navy in November 2009, in recognition of MISC's support to the Naval Reservist Programme and his role as Patron of MISC's Naval Reservist.

Other Commitments

Captain Rajalingam was elected as the Vice Chairman of the International Tankers Owners' Association (INTERTANKO) in 2012.

He also sits on the boards of several subsidiaries and joint venture companies within MISC Group.

ABU FITRI BIN ABDUL JALIL

Vice President, Offshore Business
(Resigned effective 28 February 2015)

Abu Fitri bin Abdul Jalil, aged 50, was appointed as Vice President, Offshore Business on 16 March 2013. On 28 February 2015, he resigned as Vice President, Offshore Business of MISC Berhad to join Malaysia Marine Heavy Engineering Holdings Berhad, a subsidiary of MISC Berhad, as Managing Director/Chief Executive Officer.

Qualification, Skills and Experience

Abu Fitri graduated with a Bachelor of Science Degree in Chemical Engineering from California State University, United States of America in 1987.

Prior to joining MISC, he was the Senior General Manager, Petroleum Operations Management in the Petroleum Management Unit of PETRONAS. Since joining PETRONAS Group in 1991, he had held various positions within PETRONAS both in Malaysia and overseas.

Other Commitments

Abu Fitri is a board member of several subsidiaries and joint venture companies within MISC Group.

FADZILLAH BINTI KAMARUDDIN

Vice President, Legal, Corporate Secretarial and Compliance

Fadzillah binti Kamaruddin, aged 49, was appointed as Vice President, Legal, Corporate Secretarial and Compliance (previously known as Legal and Corporate Secretarial Affairs) on 1 August 2010 and Company Secretary of MISC Berhad on 1 November 2007. Prior to her current position, she was the Senior General Manager, Legal & Corporate Secretarial Affairs, since 1 January 2008.

Qualification, Skills and Experience

Fadzillah obtained an LLB (Honours) Degree from University of Nottingham, United Kingdom and was further conferred Barrister-at-Law (Lincoln's Inn). She began her legal career with the Advisory and International Division, Attorney-General's Chambers and in 1999, she joined the Ministry of International Trade and Industry (MITI) as its Legal Adviser until 2003.

She then served PETRONAS Carigali Sdn. Bhd., a subsidiary of PETRONAS as Senior Legal Counsel, Domestic Operations, before joining MISC Berhad as General Manager, Legal and Corporate Secretarial Affairs on 1 July 2005.

Other Commitments

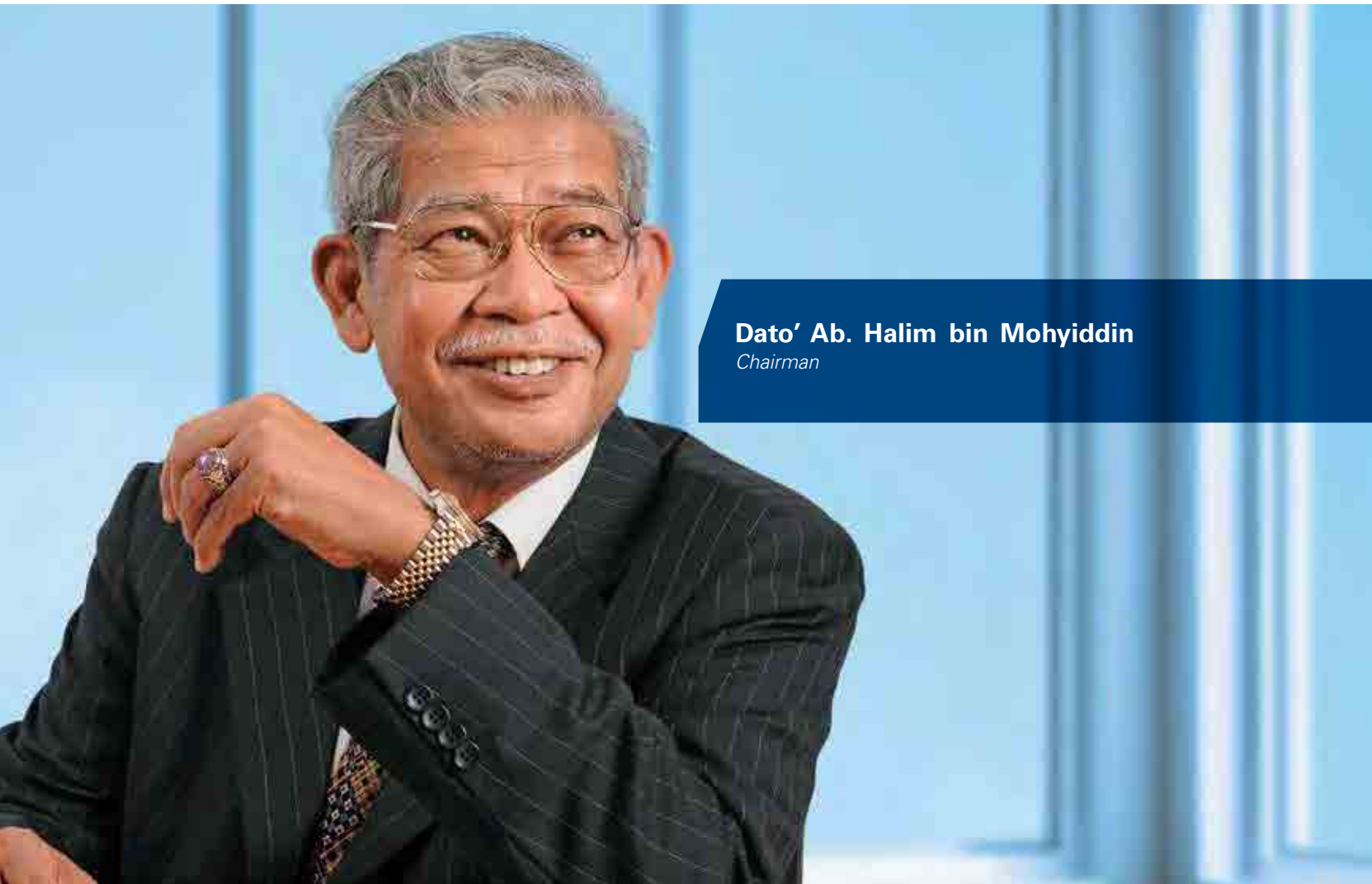
She is the Company Secretary of several subsidiaries and joint venture companies within MISC Group.

Fadzillah also holds directorships in various subsidiaries and joint venture companies within MISC Group.

CHAIRMAN'S STATEMENT

I would like to take this opportunity to thank YBhg. Datuk George Ratilal, as the previous Chairman of the Board of Directors and YBhg. Datuk Nasarudin Md Idris, who retired as the President/Chief Executive Officer of MISC Berhad at the end of the financial year, for their stewardship and wisdom in steering the Group the past few challenging years.

The global economy expanded at a moderate pace in early 2014, albeit, uneven across and within regions. While growth in the US continued to display strength and showed broad signs of improvement, economic activities in Europe and Japan remained subdued. As the year progressed, downside risks to overall global growth re-emerged following geopolitical developments in Eastern Europe and the Middle East, coupled with weaker-than-expected economic activities in a number of major economies. In addition, there were rising concerns over the growth prospects of commodity-producing emerging economies amid the significant decline in the prices of oil and other commodities in the second half of the year.



Dato' Ab. Halim bin Mohyiddin
Chairman

The year also witnessed the dramatic fall in crude oil prices, from a high of approximately USD115 per barrel to as low as USD45 in the early 2015. The implications of a low oil price environment are far reaching, as Oil & Gas players took drastic measures in preparation of a more challenging operating environment, in particular, the significant reduction in the operational and capital expenditures.

During the year, the petroleum shipping segment saw a steady climb in freight rates, to a level that we had not seen since global financial crisis broke in 2008. The improvement in freight rates was mainly due to the steady demand for the movement of crude oil worldwide throughout the year but more importantly, due to a much slower growth in new deliveries of tankers during the same period. It is worth highlighting that the drastic drop in oil prices have had little effect on freight rates as global production remains high, supporting a buoyant demand for crude oil movements. Besides the strength in freight rates, ship owners in general have also benefited from lower bunker costs on the back of lower oil prices.

In contrast, the LNG shipping segment faced an onslaught of new vessel deliveries during the year. Unfortunately, this growth in supply of LNG vessels far outpaced the growth in demand. Due to this excess capacity and in the wake of further deliveries of new vessels expected in the coming one to two years, freight rates are expected to remain under pressure in the foreseeable future. MISC's long held strategy of not building a vessel without a charter in hand has served us well as most of our vessels are on long-term contracts or with a contract in hand. This will shield us from the present pressure on freight rates faced by the LNG shipping market.

"The last few years had been filled with challenges but we had been resilient and committed to our mission and objectives."

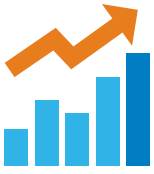
"I'm also very pleased to report that the health of the Group's balance sheet has been fully restored through the various efforts we have undertaken in the last few years."

CHAIRMAN'S STATEMENT

... we had successfully secured a novation of contracts from PETRONAS in February 2015, for the construction of five (5) new LNG vessels.

... charter extensions for the Puteri Class will further stamp MISC's position...

RM2.4b
PROFIT BEFORE TAX



RM9.3b
REVENUE

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2014, I am pleased to report that the MISC Group posted a profit before tax from continuing operations of RM2.4 billion on the back of revenue of RM9.3 billion. The lion share of the contributions was from our LNG, Offshore and Petroleum tanker businesses. I am also very pleased to report that the health of the Group's balance sheet has been fully restored through the various efforts we have undertaken in the last few years. At the end of the financial year ending 31 December 2014, cash balances stood at RM4.8 billion and our net-debt-to-equity ratio improved to 0.14 from 0.22 in the previous year. The improvement in our balance sheet will certainly allow MISC to position itself to refocus on a more aggressive growth trajectory, a luxury the Group could not afford in the past few years due to the difficult operating environment faced by the global shipping industry.

DIVIDEND

While higher profits during the year, coupled with a revitalised balance sheet, undoubtedly supports a healthier dividend payment to our shareholders, the Group is also mindful of the need to allocate sufficient financial resources to support a renewed growth agenda for MISC.

Therefore, the Board of Directors had taken great care in striking an optimum balance between maintaining a reasonable dividend pay-out that commensurate with financial performance of the Group while conserving sufficient internal resources for investment purposes.

In view of this, two interim dividends have been declared and paid at 4 sen and 6 sen per share in September 2014 and March 2015 respectively.

CORPORATE DEVELOPMENTS

I am happy to report that, arising from the efforts and negotiations during the financial year, we had successfully secured a novation of contracts from PETRONAS in February 2015, for the construction of five (5) new LNG vessels. The Group had subsequently entered into long-term charters for each of these vessels with PETRONAS as well. In addition to these new vessels, the Group had also concluded negotiations with PETRONAS for the extension of the charters of the Puteri Class LNG vessels for another 10 years. These new vessels, along with the charter extensions for the Puteri Class will further stamp MISC's position as a leading LNG ship owner/operator in the world.

Another notable accomplishment during the year was the delivery and commissioning of the FPSO Cendor. The FPSO Cendor conversion project had been undertaken by our subsidiary Malaysia Marine and Heavy Engineering Holdings Berhad (MHB) which included the procurement, construction and commissioning of the asset. With the inclusion of the FPSO Cendor, as at December 2014, we have six (6) FPSOs (inclusive of those jointly-owned), making MISC the sixth largest owner and operator of FPSOs in the world.

RM4.8b
CASH BALANCE

0.14x
NET DEBT TO EQUITY RATIO
IMPROVED FROM 0.22

INTERIM DIVIDENDS PAID
Sep 2014
Mar 2015

CHAIRMAN'S STATEMENT

I look forward to 2015 with new eagerness and optimism, knowing full well that MISC's revitalised balance sheet will serve us well in our renewed pursuit of growth...

VTTI Energy Partners LP

LISTED ON NYSE

In August 2014, VTTI B.V. (VTTI), our jointly-owned tank terminal company with VITOL, listed VTTI Energy Partner L.P. (VTTI EP) on the New York Stock Exchange (NYSE). VTTI EP, a Master Limited Partnership (MLP) structure, is essentially a yield-based investment vehicle for investors looking for secured payouts. VTTI EP houses six (6) of VTTI's terminal assets and the stable cash flow from these terminal assets underwrites the annual dividend yields investors look for. More importantly, with VTTI EP, VTTI will now have a very competitive and effective vehicle to monetise its assets for funds that can be reinvested into new greenfield or brownfield projects as well as funding potential acquisitions.

As part of the Group's continued initiative to divest and exit non-core non-energy related businesses and investments, MISC also divested its 15.73% shareholdings in NCB Holdings Berhad to MMC Corporation Berhad during the year.

OUTLOOK

The outlook for the global economy in 2015 is expected to be fairly muted. Save for strength in the US economy, the same cannot be said for most of the other developed economies. As Europe and Japan continue to struggle economically and with reforms, China faces its own pressure points and stumbling blocks towards greater economic growth. As policy makers continue to use monetary policies, in particular interest rates to spur economic activities, the currency markets will face a period of great volatility.

The sharp decline in oil prices is perhaps the single most important economic factor in 2015. The reduction in capital and operating expenditures by Oil & Gas players will have significant bearing on the prospects of heavy engineering as well as Oil & Gas service providers. We expect challenging times for our Offshore and Heavy Engineering segments as growth opportunities will be scarce and competition can only intensify.

The outlook for LNG shipping is expected to be equally challenging as the industry grapples with oversupply of vessels. Heavy delivery of new vessels in 2015 will exacerbate the situation. While this will depress freight rates, there remain opportunities to develop new LNG time charters on the back of new LNG projects that are in progress. The Group will have to position itself to pursue and expand its third party businesses as we continue to support PETRONAS' requirements.

On a brighter note, the Group does expect freight rates in the petroleum shipping sector to remain buoyant. Ironically, as producers continue to maintain their outputs which had put pressure on oil prices, it will be a boon for the shipping sector as demand for the movement of oil will remain very robust. 2015 will be another year of relatively modest delivery of new vessels, keeping the threat of excess supply at bay.

I look forward to 2015 with new eagerness and optimism, knowing full well that MISC's revitalised balance sheet will serve us well in our renewed pursuit of growth, an agenda that the Group was not able to focus on as we channelled our resources towards battling and resisting the down-cycle that had plagued the shipping sector since 2009. Despite uncertainty in world economic conditions and the risks from a low oil price environment, I believe MISC will be able to seize any opportunities that may appear in this period of adversity.

APPRECIATION

I would like to take this opportunity to thank YBhg. Datuk George Ratilal, as the previous Chairman of the Board of Directors and YBhg. Datuk Nasarudin Md Idris, who retired as the President/ Chief Executive Officer of MISC Berhad at the end of the financial year, for their stewardship and wisdom in steering the Group the past few challenging years. I am very pleased that they will continue to serve as Board Members and we can continue to benefit from their valuable knowledge and experience. My gratitude goes out to all the other Board Members for their guidance and counsel the past year.

In addition, I would like to record my appreciation to the management and employees of the company for their commitment and dedication in delivering the outstanding performance for the year. I look forward to MISC's next phase of growth together with all of you.

To all our customers, suppliers, business partners and financiers, my sincere thank you to you for your continued support and cooperation in all our endeavours. A special note of thank you as well to the Royal Malaysian Navy for their support and assistance to us over the years which has enabled us to ply our trade safely and securely from possible piracy threats.

Last but not least, my heartfelt appreciation to all our shareholders for your belief and faith in us throughout the years. The last few years had been filled with challenges but we had been resilient and committed to our mission and objectives. I hope we have repaid your confidence in us with the restoration of the financial strength of the Group as well as the delivery of an outstanding financial performance in the past financial year 2014. We look forward to MISC growing from strength to strength.

DATO' AB. HALIM BIN MOHYIDDIN
Chairman

3 April 2015

RESOLUTE
PURPOSEFUL
ENERGISED

ANNUAL REPORT 2014

pur•pose•ful
/ˈpəːpəsfʊl,-f(ə)l/
adjective: **unfaltering and tenacious, highly motivated; a firm state of mind, driving decisive action with intent**

MISC took bold and PURPOSEFUL actions for the greater good of the company.

As a result of all these purposeful actions taken in the past years, today, we enjoy better financial performances with strong operational profits, supported by healthier cash reserves and a re-energised balance sheet.

We remain **agile** and are focused on **growing our key businesses**, specifically the energy transportation and offshore solutions sectors.

We are focused on improving **efficiency** and **effectiveness** through fleet rationalisation and cost management.

PRESIDENT/ CEO'S REPORT

The global shipping industry underwent one of its most painful down-cycle in decades, a recession that coincided with the outbreak of the global financial crisis in 2008. However, the Board of Directors and the management of MISC have been resolute in ensuring that the Group survives the tough times. We remain committed in our cause to bring back stability and strength to our financial position.

The year 2014 started with plenty of optimism, a hope for better and improved global economic conditions, led by advanced economies such as US and improved sentiments in Japan on the back of economic reforms. However, the optimism was short lived. While the US continued to show strength in its economy, the rest of the developed economies faltered. Even China, once the powerhouse behind the global economic growth machinery, began to struggle with economic pains. As we entered the second half of the year, global economy dynamics took another turn when oil prices plunged drastically from June, sending shock waves throughout the world.

Yee Yang Chien
President/Chief Executive Officer

Perhaps, the writing was on the wall that the high oil price era was not sustainable. On hindsight, maybe we should have paid attention to the fact that there has been a rapid expansion of shale oil production which had boosted the growth in the US economy. Maybe we should have seen the warning signs of potential oversupply of oil in the market due to OPEC's unabated oil production. However, as the saying goes, "hindsight is always twenty-twenty".

What is without doubt, is the ripple effect the rapid drop in oil prices had on the global economy. Besides the adverse economic impact on energy exporting countries, the effect is perhaps most visibly displayed through the drastic actions that all oil majors and players alike were forced to deal with, potentially a sustained period of depressed oil prices. The effects of cuts in operating costs and deferral of capital expenditures will haunt the Oil & Gas service sector for the greater part of 2015 and beyond.

On a positive note, dealing with adversity and challenging economic circumstances is not new to us at MISC. The global shipping industry underwent one of its most painful down-cycle in decades, a recession that coincided with the outbreak of the global financial crisis in 2008. However, the Board of Directors and the management of MISC have been resolute in ensuring that the Group survives the tough times. We remain committed in our cause to bring back stability and strength to our financial position.

As a result of all these purposeful actions taken in the past years such as the bold decision to exit the liner business, a business that was synonymous with MISC when the Group first began, we are now realising the benefits of those tough decisions. Today, we enjoy better financial performances with strong operational profits, supported by healthier cash reserves and a re-energised balance sheet.

During the year, freight rates in the petroleum shipping segment continued to improve on the back of steady demand of vessels for crude oil movements, coupled with lower new tanker deliveries. In fact, supply of new vessels grew at its slowest pace in the last 10 years. Our petroleum shipping arm, AET, achieved better than expected results, thanks to the improvement in tanker freight rates, an increase in market share in the lightering business and effective cost management. In addition, contributions from our Dynamic Positioning (DP) tankers and Modular Capture Vessels (MCV), contracted on long-term charters, provided new sources of stable and recurring income to AET.

PETRONAS' decision in early 2015 to novate the shipbuilding contracts and subsequent execution of long-term charters for five (5) new LNG carriers with MISC had boosted the market sentiment on the Group. Favourably, PETRONAS had also agreed on the charter extension for the five (5) Puteri Class carriers on a time charter basis for the next 10 years.

These positive developments signal PETRONAS' continued support and confidence in MISC as their preferred LNG transporter. As we celebrate these milestones, they are also a testament to MISC's extensive experience, expertise and proven track record in delivering the operational excellence in LNG transportation.

- Long-term charters provided new sources of stable and **recurring income to AET**
- Novation of the shipbuilding contracts and subsequent execution of long-term charters for **5 new LNG carriers**
- Charter extension for the **5 Puteri Class carriers** on a time charter basis for the next **10 years**

PRESIDENT/ CEO'S REPORT

For the year 2014, we had embarked on a listing exercise in the Tank Terminal business by using a Master Limited Partnership (MLP) structure in the US. Our 50% owned joint venture, VTTI, listed six of its matured terminals via an initial public offering (IPO) of VTTI Energy Partners (VTTI EP). This had presented MISC with a good opportunity to unlock the value of its investments in VTTI. More importantly, VTTI has now, avail itself with a new source of capital raising to fund its future growth agenda. VTTI EP was successfully traded on the New York Stock Exchange (NYSE) in August 2014.

Additionally, our Offshore Business had successfully completed and delivered our latest asset, the FPSO Cendor. The Floating Production, Storage and Offloading (FPSO) was constructed at our subsidiary Malaysia Marine and Heavy Engineering Holdings Berhad's (MHB) yard in Pasir Gudang and had successfully sailed away in March 2014. FPSO Cendor was subsequently deployed at Cendor Field, offshore Terengganu.

> Today, we enjoy better financial performances with strong operational profits, supported by healthier cash reserves and a re-energised balance sheet.

Our past expertise, experience and technical capability from undertaking mega projects in the past such as Gumusut-Kakap FPS and FPSO Kikeh have continued to serve us well in delivering the FPSO Cendor.

During the year, MISC continued to seize any opportunities to streamline the Group's assets and investment portfolios. One of the initiatives taken was to embark on a fleet rationalisation for our Chemical shipping business. During the year, we disposed of seven (7) chemical tankers and downsized the fleet to refocus the business on niche trade lanes. The downsizing has enabled us to reduce our losses from the chemical shipping segment.

We also reviewed the opportunity of divesting and monetising our remaining non-energy related businesses. During the year, we were presented with the opportunity to divest our investment in our wholly-owned subsidiary, MILS. However, due to unforeseen circumstances, we were not able to complete the sale process. But, we managed to dispose of our 15.73%, equity stake in NCB Holding Berhad for a total cash of RM222 million. The cash raised from the sale would be channelled back into the business for future expansion and growth.

During the year, MISC continued to seize any opportunities to streamline the Group's assets and investment portfolios

PRESIDENT/
CEO'S
REPORT

BUSINESS SEGMENT REVIEW

LNG SHIPPING

HIGHLIGHTS OF 2014:

- **Delivered 21.8m tonnes of LNG cargo (9.0% of world trade)**
- **15-year contract with PETRONAS for five (5) new LNG vessels**
- **10-year contract extension for Puteri Class**
- **New contract with GLNG for Seri Bakti**

The LNG shipping segment is experiencing some softening in freight rates over the past two years primarily due to oversupply of vessels against a flat demand. Spot freight rates, under pressure are hovering around USD60,000 to USD70,000 per day compared to the highs of USD100,000 per day, some 2 years ago.

During the year under review, MISC delivered a total of 408 cargoes amounting to 21.8 million tonnes of LNG for its customers, carving 9.0% of the total world LNG trade. Our track record of over 30 years for on time and reliable delivery was further reinforced when in early 2015, MISC secured a contract novation from PETRONAS for five (5) new LNG vessels together with a 15 year long-term charter contract. The first delivery is scheduled for end 2016. Orders for the Moss type vessels have already been placed with Hyundai Heavy Industries and our very own engineers are currently monitoring the construction progress for as per requirement. This new contract will secure MISC's income stability in the coming years.

To further defend our steady income stream, we have successfully secured extensions for our Puteri Class vessels for another 10 years after the current contract expiry. We have also signed a new contract with GLNG for our Seri Bakti vessel and its operation is scheduled to commence in the third quarter of 2015. These mean our current vessels will remain employed to continue to generate recurring income for the Group.

For 2015, LNG supply is expected to further increase which may not be reciprocated by demand. The uncertainty as to Japan's policies to restart its nuclear power plants and the slower growth rate in the Far East may dampen the demand for LNG especially in this primary Asian market. It will impact the recoveries of spot rates to the desired level.

As such, moving forward, we will continue to monitor the dynamics for the LNG shipping segment closely. MISC will be on the lookout for new third party contracts to further grow the business, enhance our performance and maintain our position as one of the world's most preferred LNG carriers.

PRESIDENT/
CEO'S
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BUSINESS SEGMENT REVIEW

PETROLEUM SHIPPING

HIGHLIGHTS OF 2014:

- **Outperform expectations**
- **Eagle Parana & Eagle Paraiba fully operationalised**
- **Received delivery of second MCV, Eagle Louisiana**

2014 has been a turnaround year for the tanker market following a five-year period of depressed global economy and poor freight rates. With tanker delivery at its lowest in 10 years and an improved tonnage demand, this has helped to balance the supply-demand dynamics.

Crude tanker rates strengthened significantly in 2014, to achieve the highest average level since 2007 which is due to the higher demand for tonnage with only a slight corresponding increase in supply. The upswing in rates reinvigorated the sluggish petroleum segment and gave it a new breath of fresh air. AET, our petroleum shipping arm, therefore capitalised on the improved rates by leveraging on the high premium lightering business through renewal of its term contracts at higher rates.

AET continued to vary its portfolio by venturing into businesses that generated long-term recurring income. Their two Dynamic Positioning (DP) shuttle tankers chartered to Petrobras, namely Eagle Parana and Eagle Paraiba, operating since 2014 have been contributing a steady revenue to AET. In addition to the first Modular Capture Vessel (MCV), Eagle Texas in 2013, the second MCV, Eagle Louisiana was delivered in 2014. Both vessels had undergone Operational Readiness Testing (ORT) in 2014 and would service the contract with the Marine Well Containment Company (MWCC) in the US Gulf of Mexico, introducing a new stream of income to AET.

2015 will witness the delivery of two (2) new DP shuttle tankers to service the contracts for Statoil. They are fitted with Volatile Organic Compound (VOC) recovery units to protect the environment from harmful emissions during loading and offloading of crude oil and in the Barents Sea. These DP shuttle tankers are contracted on a long-term charter, again, providing stability to AET's income.

Whilst the improved market environment has helped the performance of petroleum sector, AET has diligently continued with cost saving initiatives to further optimise the operating costs too. This includes savings in manning and dry-docking costs as well as cost avoidance due to zero accidents over the year as a result of conscientious observance to the highest Health, Safety, Security and Environment (HSSE) standards.

The immediate term outlook for tanker demand remains very positive with modest fleet supply growth and strong cargo demand anticipated for 2015, which will push tonnage utilisation higher. Subsequently, this will translate into improvement in the charter rates for petroleum tankers, helping AET to further strengthen its performance for the year. With the tides changing for the better, plans for the future on fleet renewal could also take place to replace its aging vessels beyond 2015.

PRESIDENT/
CEO'S
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BUSINESS SEGMENT REVIEW

CHEMICAL SHIPPING

HIGHLIGHTS OF 2014:

- **Multiple contract renewal**
- **Reduced vessel downtime**
- **Increased vessel availability**

The global chemical market remained challenging for the year 2014. It struggled against a continued weakness in the global economy, especially in key markets such as Europe and China. Growth in the manufacturing sector for the world's second largest economy was also slowing down. All these had undoubtedly softened demand for chemical products and further pushed freight rates down. Despite the weak freight market, the numbers of newbuilding continued to increase, some 37% throughout the year. This will add more woes to the industry if demand continues to remain sluggish. Conversely, the low bunker prices have assisted in keeping margin at a decent level for the chemical shipping segment.

During the year, our chemical business had renewed multiple contracts with oil majors and leading chemical manufacturers. These renewals had helped the chemical business segment to reduce its exposure on the weak cargo demand.

As part of our business portfolio rebalancing efforts, we had undertaken a fleet rationalisation initiative to reduce our fleet size and focused on cost optimisation while maintaining operational excellence. During the year, we disposed of four (4) Bakawali class vessels and three (3) Kantan class vessels which helped to reduce the impact from the challenging chemical tanker market.

We have increased our presence in Intra Asia, a niche regional market, where the earnings have improved as compared to the previous year. Stable freight rates are seen for both chemical and palm oil shipment which is in line with our strategy to continue focusing in this niche regional market.

As for the 2015 outlook, the chemical segment remains lacklustre and challenging. The growth rate in the total seaborne trade for chemical products is expected to be slower in view of weaker demand from key importing economies whilst the vegetable oil sector is expected to remain stable.

It is also observed that many plans for new petrochemical plants have been deferred and this can further dampen any upside to the earnings in this segment. Moving forward, our chemical business segment will continue to focus on its targeted niche and specialised chemical and palm oil shipping market.

PRESIDENT/
CEO'S
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BUSINESS SEGMENT REVIEW

TANK TERMINAL BUSINESS

HIGHLIGHTS OF 2014:

- **Total storage capacity increased to 8.7 million cbm**
- **VTTI Energy Partners LP listed on NYSE**
- **VTTV Vasiliko Cyprus commissioned in November, with total storage capacity of 544,000 cbm**

MISC's involvement in tank terminal business is via its 45% interest in Centralised Terminal Sdn. Bhd. (CTSB) and 50% interest in VTTI B.V. Throughout the year, the tank terminal business continued to provide a stable income flow to the Group. CTSB owns and operates 0.6 million cubic metres (cbm) tank capacity in Tanjung Langsat in Johor, Malaysia. Meanwhile, VTTI B.V. owns and operates 8.1 million cbm tank capacity located in various parts of the world such as Amsterdam, Rotterdam, Antwerp, Fujairah, Russia, etc. With this capacity, MISC through VTTI B.V. is amongst the top independent tank terminal operators in the world.

In August 2014, VTTI B.V. had successfully listed VTTI Energy Partners LP on the New York Stock Exchange (NYSE). The initial public offering of VTTI Energy Partners LP using the Master Limited Partnership (MLP) structure had enabled MISC to monetise our investment in VTTI B.V. while providing the capital raising avenue for the latter to fund the tank terminal business' future growth.

Another milestone for the segment was the commissioning of VTTV Vasiliko Cyprus in November 2014 with a total storage capacity of 544,000 cbm. With this investment, Cyprus would be one of the important trading hubs for oil products in the region contributing multiple benefits to the country's economy.

Based on the stable growth outlook in tank terminal business, VTTI B.V. further developed its business by expanding a few projects including ATT Tanjung Bin (ATB) Phase 2 terminal. The project is currently in progress and will further add 250,000 cbm to the current 900,000 cbm capacity which is already in operation.

VTTI B.V. is confident to take advantage of the positive business view by continuing its expansion project in the existing Terminal such as in VTTI Fujairah Terminal. Other than that, VTTI B.V. is also exploring new potential markets such as Cape Town which shows an increase in demand for the oil products.

Looking ahead, as one of the leaders in the independent energy storage business, we will focus our business enhancement on the existing assets and new development in potential strategic greenfields.

PRESIDENT/
CEO'S
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BUSINESS SEGMENT REVIEW

OFFSHORE BUSINESS

HIGHLIGHTS OF 2014:

- **Completed & delivered FPSO Cendor**
- **Completed our first decommissioning & demobilisation of FSO Cendor**

The Oil & Gas industry experienced a drastic change in the operating environment due to the oil price decline in the second half of 2014 contributed by the emergence of U.S. shale-oil production and OPEC's stable production. This impacted on reduced upstream investment caused by the oil majors cutting back significantly in capital expenditure. As more drastic measures taken by oil majors, new exploration and development projects might be deferred or cancelled, and investments in producing fields reduced which would likely slow the growth in upstream operations.

As for the financial year under review, Offshore Business completed and delivered FPSO Cendor which was converted at the Malaysia Marine and Heavy Engineering Holdings Berhad's yard in Pasir Gudang for deployment in the Cendor field, offshore Terengganu, Malaysia. FPSO Cendor would be replacing the aging facility on the site, the FSO Cendor which was decommissioned and demobilised by MISC.

In 2015, MISC will be embarking on a new project with the conversion of a Marginal Marine Production Unit (MAMPU) to be deployed in Malaysia's marginal oil fields. The MAMPU represents our entry into marginal oil field development.

Moving forward, MISC will have to develop product offerings that are creative, innovative and cost effective to meet the challenges in the changing landscape of Oil & Gas sector.

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BUSINESS SEGMENT REVIEW

MARINE & HEAVY ENGINEERING BUSINESS

HIGHLIGHTS OF 2014:

- **Sail away of Tapis-R Topside, MHB's first EOR project**
- **Completed Kebabangan Topside**
- **Awarded "Engineering and Construction Project of the Year" by "The Oil & Gas Year" for Malikai TLP**
- **Awarded "2013 Shell CEO's HSSE & Social Performance Awards" by Sarawak Shell Berhad for F14/F29 Project**

The offshore Oil & Gas industry has remained robust even though the challenges in the industry prevailed. As the low price environment poses new risks to the industry as a whole, globally, Oil & Gas companies are implementing strict controls on capital spending as they face tightening margins and intensified competition.

During the period under review, MHB successfully delivered the Floating Production, Storage and Offloading (FPSO) facility, FPSO Cendor, which left the yard on the morning of 29 March 2014 to its location offshore Terengganu, Peninsular Malaysia. This eleventh conversion for MHB reinforces its position as the only domestic company that has the capability, know-how and facilities to convert floating structures into FPSO and floating, storage and offloading (FSO) facilities.

This was followed a month later by the sail away of Tapis-R topside, MHB's first Enhanced Oil Recovery (EOR) project. The topsides consisted of 18,000 MT integrated deck with space for production processing equipment, utilities systems and living quarters for 145 personnel. In addition, the Kebabangan (KBB) Topside was also completed and sailed away during the first half of the year. It is the first platform in Malaysia that uses free-fall lifeboats, enabling the fastest and safest way to escape from the platform.

Several key projects are underway with a number of them scheduled for completion in 2015. These include the construction of the Central Processing Platform (CPP) and a bridge-linked Wellhead Platform (WHP) for the development of two gas fields in Block SK316 for PETRONAS Carigali Sdn. Bhd. Equally important is the construction of the Malikai Tension Leg Platform (TLP) for the Malikai Deepwater Project for Sabah Shell Petroleum Company (SSPC).

Other newly secured projects were the Besar–A WHP for PETRONAS Carigali Sdn. Bhd. and the CPP for the North Malay Basin (NMB) Bergading Complex for Hess Exploration and Production Malaysia B.V., as well as a fabrication contract for an External Turret Mooring System for the PETRONAS FLNG2 Facility. By the same token, MHB had also successfully paired both technical experience and good customer relations to achieve a full capacity of 15 vessels and rigs for repair and refurbishment works during the year.

The Business Transformation Programme had brought about an increase in productivity in the fabrication activities. We are pleased to have been awarded the "Engineering and Construction Project of the Year" by publisher "The Oil & Gas Year", for the TLP Malikai Deepwater Project. The award recognises MHB as the only offshore heavy engineering yard in Malaysia for deepwater fabrication. MHB was also awarded with the "2013 Shell Chief Executive Officer's Health, Safety, Security, Environment and Social Performance Awards (CEO's HSSE & SP Awards)" by Sarawak Shell Berhad (SSB) for the F14/F29 Project. The Award recognises MHB's achievements in sustaining Health, Safety, Security and Environment (HSSE) performance and goal zero (i.e. zero fatalities, zero accidents and zero significant incidents) throughout the entire fabrication work load out and sail away activities.

2015 will be another demanding year. The Exploration & Production (E&P) environment in Malaysia continues to remain challenging in the offshore fabrication segment. Recognising this, MHB will continue to undertake major operations excellence and cost leadership initiatives to ensure it retains its market competitiveness during the challenging year ahead.

PRESIDENT/
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BUSINESS SEGMENT REVIEW

INTEGRATED LOGISTICS BUSINESS

HIGHLIGHTS OF 2014:

- **Provided services to Murphy Oil, Sinohydro Corporation, and WASCO Coating Malaysia in Turkmenistan**
- **Contract extension for PETRONAS NGV**

2014 had been a tough and challenging year for MILS, given the general cost escalations in the domestic business environment as well as delays in new project commencements.

During the year, we were presented with the opportunity to divest our investment in our wholly-owned subsidiary, MILS. However, due to unforeseen circumstances, we were not able to complete the sale process.

Despite these challenges, MILS managed to turn in a credible performance during the year, growing its presence and profitability in the project logistics segment with new contracts from the Energy sector being secured.

During the year, MILS had successfully provided international logistics, freight forwarding and shipping services to reputable customers such as Murphy Oil, Sinohydro Corporation for the Connaught Bridge Cogen plant project, as well as services for WASCO Coating Malaysia in Turkmenistan.

At our supply chain management and contract logistic segment, MILS continued to expand its coverage by securing a long-term logistics contract from PETRONAS Chemicals Marketing Sdn. Bhd. (PCM) which involved the provision of haulage, inland distribution and warehousing services to support the demand growth of PCM's products and services. Further to that, our proven track record had also resulted in the extension of our contract with PETRONAS NGV for another 4 years, for the provision of logistics services to transport NGV to all PETRONAS stations nationwide.

The logistics landscape is expected to remain challenging in 2015 with weaker global appetite in certain sectors, especially in the Oil & Gas project logistics sector. Under these circumstances, MILS will continue to develop and synergise our internal capabilities to pursue other growth sectors less sensitive to fluctuation in oil prices and to remain focused in providing high quality logistic services to our customers.

PRESIDENT/
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REPORT

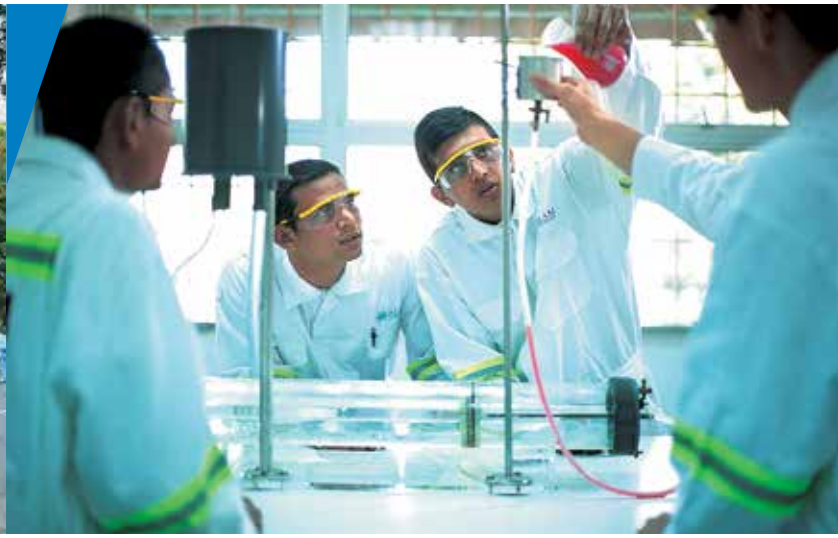
BUSINESS SEGMENT REVIEW

MARITIME EDUCATION AND TRAINING

HIGHLIGHTS OF 2014:

- **Commissioned to conduct real-time ship simulation for PFLNG2 for PETRONAS**
- **Launched Chemical e-Learning Programme with ABS**
- **Hosted 2014 Annual Global Maritime Education and Training Association's conference**

Our maritime education and training arm - Malaysian Maritime Academy (ALAM) maintained its position as being the leading Maritime Education and Training (MET) facility in the region. The rising number of cadets who have enrolled in the academy over recent years, which includes international cadets, is a positive sign that ALAM is now attaining international recognition. Offering diplomas in Nautical Studies and Marine Engineering, ALAM has, over the years, trained more than 12,000 seafarers since its founding in 1977.



The growing presence of ALAM in the maritime industry surpasses beyond its academic achievement. Today, ALAM is also renowned as a centre of excellence for research and development work. ALAM has signed MOUs with a number of reputable global institutions including the United States Merchant Marine Academy, CRYOSTAR France and Korea Maritime University. Recently, the Academy has also been engaged by International Islamic University Malaysia as their research partner in Maritime Research and Development.

ALAM's strong focus on holistic training and development is acknowledged by various maritime leading organisations with accreditation as an offshore safety centre from Offshore Petroleum Industry Training Organisation (OPITO) and Lloyd's Register as an approved training provider.

During the year under review, ALAM was commissioned to conduct real-time ship simulation for PFLNG2 for PETRONAS. ALAM had also launched the Chemical e-Learning programme in collaboration with American Bureau of Shipping (ABS). These collaborations are just a few of the many partnerships that ALAM has built and nurtured over the years.

2014 saw ALAM mark another milestone in its growth and evolution, as ALAM played host to members of the maritime fraternity from all around the globe at the Annual Global Maritime Education and Training Association's (GlobalMET) conference. GlobalMET is a conglomerate of international training institutions which has been at the forefront in pushing for enhancements of seafarer training since its establishment in 1996. This gathering had given prominence to ALAM in the MET industry, and to lift further the Academy's reputable status amongst the maritime community from all around the world.

Amongst the challenges faced by ALAM is the poaching of trainers by the MET industry at large. With ease of establishing MET centres here in Malaysia, be it local or foreign institutions, the demand for trainers has increased making it important to retain highly qualified and capable trainers. In addition, the bigger challenge is the renewal of the concession agreement of ALAM under Malaysian Maritime Academy Sdn. Bhd. (MMASB) with "Unit Kerjasama Awam Swasta Jabatan Perdana Menteri (UKAS)" which will expire by the end of 2016. MMASB has applied for the extension of the concession agreement in the hope that further investment can be made including growing its portfolio of courses, to further cement ALAM's position as the premier maritime training institution.

As the maritime industry become more sophisticated and increasingly more stringent in their requirement, maintaining a sufficient pool of qualified and experienced seafarers will be a priority for all market participants. In view of these high expectations, together with ALAM's capabilities in nurturing professional maritime leaders that will face the ever-changing needs of the industry, ALAM is set to position itself as the regional and global nerve centre for training excellence for aspiring cadets as well as the grooming of future leaders for shipping organisations, Oil & Gas corporations and related government agencies worldwide.

PRESIDENT/
CEO'S
REPORT

BUSINESS SEGMENT REVIEW

FLEET MANAGEMENT SERVICES

HIGHLIGHTS OF 2014:

- **Successfully delivered 408 LNG cargoes & conducted 173 chemical voyages**
- **Improved HSE Performance with Zero LTI across all fleet**
- **Rolled out "Dual Skilling Programme"**
- **Reduced bunker consumption by 26,000 MT**
- **Assisted in the SAR operations of MH370**
- **Provided security in East Sabah**

MISC continued the drive towards operational excellence as we delivered 408 LNG cargoes and conducted 173 chemical voyages to the satisfaction of business units and customers this year. At the same time, our vessel availability rate of 99.7% surpassed industry benchmarks across all segments of the shipping sector.

Safety and well-being of our seafarers continues to be the main area of focus where maintaining the right mindset and practices in Health, Safety and Environment (HSE) is of utmost priority in our organisation. We are pleased to report that we have recorded an improved HSE performance with zero Loss Time Injury Frequency (LTIF) across all fleet. Last year, we were also nominated as one of the finalists for The Safety & Quality Award category during the 11th Seatrade Maritime Awards 2014.

With vessel technology rapidly changing over the years, it is important to ensure that our crew are equipped with the latest technological knowledge. At the same time, we also realise that there is a need to have multi-skilled officers in the organisation. With this in mind, MISC had rolled out the "Dual Skilling Programme" which is aimed to provide further opportunities for our sea staff to advance their skills and knowledge in both the Chemicals as well as the LNG environment. This will help to build up a class of seafarers who are agile, versatile and able to capitalise on the knowledge and experience learned from both shipping segments. MISC will continue to build capabilities and skills of our sea staff to be in line with the industry demands of today and tomorrow.

We also see more stringent new regulations and conventions which will be enforced in the near future. These include, amongst others, the Safety of Life at Sea (SOLAS), Installation of Electronic Chart Display & Information System (ECDIS) (2015), IMOs Ballast Water Management Convention (2016), MARPOL Annex VI - Reduction in sulphur limits in fuel oils for ECAs (2015) and MARPOL Annex 1 - All tankers are required to demonstrate compliance with damage stability requirements (2016). As we move forward to stay in compliance with these international standards, our team has been proactively reviewing all the new regulatory requirements for adoption ahead of the effective implementation timeline.

As most of our businesses revolve around operating in the marine environment globally, it is in our interests to ensure that our environmental impact on the oceans, seas and countries where we operate in are minimal. Last year, MISC was certified with ISO14001:2004 Environmental Management Recertification which demonstrated our commitment to sound environmental management on board our vessels and also provided our customers with the assurance that we had a system in place to adhere to all applicable environmental regulations in our fleet operations.

Our focus on the energy efficiency continued with the extended implementation of the application of Advanced Low Friction Paint, Propeller Boss Cap Fins (PBCF) and "I Save Fuel" programme. Through these initiatives, we were able to reduce our bunker consumption by 26,000 MT during the last financial year. We will continuously monitor and track the efficiency and savings stemming from these initiatives.

Last year, along with its normal usage as a security escort for our voyages in the Gulf of Aden, MISC's Naval Auxiliary vessel, Bunga Mas Enam (BM6) and Bunga Mas Lima (BM5), with the assistance of the Royal Malaysian Navy (RMN), supported the Search and Recovery (SAR) operations for the missing aircraft MH370 and also in providing security in East Sabah. They managed to complete their assignments with dedication and professionalism. MISC is very proud to have played a part in serving the nation.

PRESIDENT/
CEO'S
REPORT

BUSINESS SEGMENT REVIEW

HUMAN RESOURCE MANAGEMENT

Highlights of 2014:

- **Continued Competency Profiling, Technical Engineering Competency Development programme, Crew Competency Management programme, and Train-the-Trainer sessions**
- **Organised Senior Officers Management Forum**

In today's competitive global market environment, our employees continue to be our primary asset. It is critical to instil cultural values for the future success of MISC and our employees. In view of this, staff development remains to be our top priority as we strive to ensure that all employees are equipped with the necessary skills and knowledge to remain resilient and adaptable in these challenging times.

Competency Profiling for both leadership skills and functional capabilities have been developed as part of our training programmes. In order to further develop their skills and capabilities, employees are sent for training courses or experiential learning opportunities. For technical talents, a structured Technical Engineering Competency Development programme has been developed to provide them with the appropriate career paths in order for them to achieve their career aspirations of becoming Technical Professionals. Another initiative for our technical staff is the Crew Competency Management (CCM) programme, where the mentor-mentee platform has created opportunities for learning and development, supported by the Train-the-Trainer sessions to equip mentors with the necessary skills.

Succession planning is another priority for the organisation to ensure a continuous stream of qualified and competent employees are readily available within MISC. With this intention, we have developed a consistent and structured talent development programme, providing our employees with the high level of competency and readiness required, enabling them to take MISC to greater heights.

As an organisation, the well-being of our employees, both shore and sea is a priority to ensure a high performance culture. Quarterly Townhall engagement sessions were held as interactive engagement avenues between employees and Management Committee members. A Human Resource Management (HRM) Open Day was also organised in 2014 to further introduce MISC employees on the role and services provided by HRM.

For the sea staff, engagement with the leadership team is also highly encouraged. Several Senior Officers Management Forum (SOMF) were held with the latest one in India which brought together more than 100 Senior Officers from the organisation. We believe that continuous engagement sessions and open communication between all levels are crucial in ensuring employees are kept abreast of the MISC journey.

We will continue to enhance functional and leadership competencies and Succession Planning programmes, as well as increase our efforts in employee engagement activities to ensure that the MISC workforce is fully equipped with the necessary skills, knowledge and leadership qualities required to propel the organisation further in achieving its desired objectives moving forward.

PRESIDENT/ CEO'S REPORT

FUTURE OUTLOOK

We are expecting a mixed outlook for the global economy in 2015. Countries like the US and the UK are projected to enjoy robust growth during the year. However, not unlike 2014, Europe and Japan are expected to struggle while China grapples with domestic pressure points in its domestic economy. To top this off, geopolitical events are likely to dominate the news front, creating unnecessary distractions for a global economy looking for certainty.

In addition, the after effects from the dramatic drop in the oil price since second half of 2014 have yet to be fully felt throughout the Oil & Gas industry globally, let alone its impact on energy exporting countries which had benefited from high oil prices in the past few years. The economic adjustment towards a low oil price environment will be painful, to say the least.

For the shipping industry, the outlook for petroleum shipping is positive as buoyant demand growth continues to support firm freight rates in the absence of aggressive vessel supply growth. Falling oil price has minimal impact on freight rates as rates are directly driven by supply and demand of oil, not oil price. The high global output of oil that has dragged oil prices down, while a bane to the Oil & Gas sector, is a major positive for tanker owners as the barrels produced continue to fuel demand for vessels. We will also enjoy the added benefit of much lower bunker prices compared to yesteryears.

However, for LNG shipping, the sector will face challenges due to the oversupply of LNG vessels. While projects which had secured final investment decision (FID) are likely to proceed as planned, there will be many more projects in the pipeline that are likely to be deferred or even cancelled. This will greatly reduce the demand growth for vessels. Nevertheless, we are sheltered from the weakness in charter rates as most of MISC's LNG vessels are secured against long-term contracts with fixed rates.

Unfortunately, the low oil price environment will negatively impact our Offshore and Heavy Engineering business divisions. With the cutback in operating expenditure as well as capital investments, the Oil & Gas sector as a whole is bracing itself for a period of limited opportunities. Hence, under this lacklustre atmosphere, efforts have to be intensified to develop creative yet economical offshore product substitutes that are of value and interest to our customers, despite low energy prices.

It has been a while since the Group can afford to pursue a growth agenda as our resources in the past few years have been dedicated towards withstanding the economic pressures from a shipping industry in recession. I am very glad to say that we have put all these behind us. Moving forward, with our much improved financial means, it is imperative that we renew our focus on growth. I believe, regardless of any economic circumstances, we need to put ourselves in a position to exploit any valuable growth opportunities. And ready, we shall be.

We often forget that MISC is essentially a service provider in the global maritime and Oil & Gas sectors. This means our greatest asset is our people. More so than our vessels and hard assets. Without the commitment and faith of our employees, I do not believe we would have been able to display the resilience that has carried us through the past few difficult years.

Hence, our commitment towards developing our people remains steadfast as we continue to upgrade our skill sets and suite of capabilities. We will also continue to focus on talent management and succession planning as we build the right bench strength of MISC leaders for the future.

I would like to take this opportunity to acknowledge and thank our former Chairman, YBhg. Datuk George Ratilal, for his advice and guidance to the management as we braved through the tough years together. In addition, the management and I would also like to record our appreciation to YBhg. Datuk Nasarudin Md Idris who retired as the President and CEO of MISC at the end of 2014. We will continue to build on the foundation that he has laid for us as he steered MISC through the difficult times. We are fortunate that both YBhg. Datuk George and YBhg. Datuk Nasarudin will continue to serve on the Board of Directors and we shall continue to benefit from their wisdom and experience.

My gratitude also goes out to all other members of the Board of Directors. Your wise counsel has been invaluable to the management and provided us with the confidence to chart our path in the past year.

To our valued shareholders, clients and partners, thank you for your trust and faith in us all these years. And a special note of appreciation to the Royal Malaysian Navy for their support in keeping our fleet safe from possible threats of piracy.

Finally, my sincere and personal gratitude goes to all our staff for their dedication and contribution to the Group during the year. We have weathered a turbulent few years through an unwavering resolve to survive the shipping industry downturn. And indeed, we have emerged from the downturn, stronger, leaner and better. Let's join hands as we write our new chapter of growth.

YEE YANG CHIEN
President/Chief Executive Officer

3 April 2015

BUSINESS HIGHLIGHTS

1 January 2014 – 31 December 2014

JAN 2014

24 January 2014

AET celebrated 20 years of creating solutions

AET celebrated its 20th year in the petroleum logistics business with year-long customer commemorations, and activities with staff ashore as well as on the fleet. Its anniversary theme "20 Years of Creating Solutions" encapsulated AET's vision and mission and promoted the company's strengths in successfully transforming its role from a traditional shipowner to a provider of petroleum logistics solutions, from its past into its future.

FEB 2014

17 February 2014

MISC signed Memorandum of Agreement (MoA) with Bintulu Port Authority

MISC Berhad signed a Memorandum of Agreement (MoA) with Bintulu Port Authority (BPA) at Menara Dayabumi, Kuala Lumpur. Under the MoA, MISC will annually provide two (2) sailing berths to BPA officers on board MISC's LNG carriers, with the scope of actual shipboard training and other relevant trainings to enhance the capability, competence and technical skills on merchant marine operations.

MAR 2014

3 March 2014

ALAM played host to the maritime fraternity at the 12th Annual GlobalMET Conference

The Malaysian Maritime Academy (ALAM) played host to members of the maritime fraternity from all around the globe at the Annual Global Maritime Education and Training Association's (GlobalMET) conference. GlobalMET is a conglomerate of international training institutions and has been at the forefront in pushing for enhancements of seafarer training since its establishment in 1996. This year's theme, "Maritime Education and Training: Closing the Gap Between What is Needed and What is Provided", saw 18 papers presented by delegates from Australia, New Zealand, Singapore, Papua New Guinea, Sri Lanka, Philippines, Nigeria and Malaysia.

MAR 2014

29 March 2014

Sail away of FPSO Cendor Project

MHB completed the conversion of FPSO Cendor for MISC Berhad which is now deployed at Cendor field, offshore Terengganu, Malaysia. The scope of work covered engineering, procurement, construction and commissioning work for the 12,032 MT facility.

APR 2014

17 April 2014

MHB delivered Tapis-R topsides

MHB marked another milestone with the delivery of the Tapis-R topsides for ExxonMobil Exploration and Production Malaysia Incorporated (EMEPMI). The project is one of the largest Enhanced Oil Recovery (EOR) projects in Southeast Asia and was highlighted by the Prime Minister Dato' Sri Najib Tun Razak under Malaysia's Economic Transformation Programme in 2011.

17 April 2014

MISC deployed Bunga Mas Enam (BM6) to assist in MH370 search operations

At the request of Majlis Keselamatan Negara (MKN) to provide logistical support in search of MH370 in Southern Indian Ocean, MISC's Naval Auxiliary vessel Bunga Mas Enam (BM6) joined TLDM's KD Lekiu and 17 other vessels. The ship carried a crew of 25 MISC sea staff who are also reservists from the Royal Malaysian Navy (RMN) Volunteer Reserve Unit (PSSTLDM) as well as two (2) members from the Medical Team of the Malaysian Army.

BUSINESS HIGHLIGHTS

1 January 2014 – 31 December 2014

APR 2014

29 April 2014

MISC's Liquefied Natural Gas (LNG) Carrier, Seri Begawan carried out its first Ship-To-Ship (STS) operation

Seri Begawan, MISC's LNG carrier chartered to PETRONAS LNG Ltd. (PLL) successfully carried out its first Ship-to-Ship (STS) operation at Bahia LNG Terminal, Brazil on 29 April 2014. The STS operation has showcased the company's capability to undertake such operations.

MAY 2014

6 May 2014

Premier Christy Clark visited Puteri Delima Satu in Bintulu

The Honorable Christy Clark, Premier of British Columbia, Canada paid a visit to MISC's LNG carrier Puteri Delima Satu at Bintulu Port on 6 May 2014 to familiarise with the ship and its operation together with her delegates from Pacific Northwest and TransCanada Pipelines.

20 May 2014

MISC held its 45th AGM

MISC held its 45th Annual General Meeting at the Intercontinental Hotel, Kuala Lumpur on 20 May 2014. The AGM saw an increase in attendance from last year, with close to 400 shareholders attending the event. MISC's Chairman, YBhg. Datuk George Ratilal presided over the AGM and was joined on the stage by MISC President/CEO, YBhg. Datuk Nasarudin Md Idris and other Board Members. Also present at the AGM were members of the Management Committee.

JUN 2014

16 June 2014

Safe sail away of KBB Topsides

MHB delivered the Kebabangan (KBB) Topsides for Kebabangan Petroleum Operating Company (KPOC). The 17,442 MT topsides were installed offshore Sabah in East Malaysia. MHB's scope of work included the engineering, procurement and construction.

JUL 2014

20 July 2014

HRH Sultan Selangor visited Bunga Mas Lima (BM5) during its naval operation in Sabah waters

HRH Sultan Selangor, Sultan Sharafuddin Idris Shah Al-Haj Ibni Almarhum Sultan Salahuddin Abdul Aziz Shah Al-Haj, in his capacity as the Captain in Chief of the Royal Malaysian Navy (RMN), visited MISC's Naval Auxiliary Vessel Bunga Mas Lima (BM5) at anchorage off Sabah waters to meet the crew who would be working during Hari Raya then. He personally presented goodies contributed by the Malaysian Armed Forces and MISC Berhad. The involvement of BM5 demonstrates MISC's commitment towards supporting the government in enhancing security within Sabah and Sarawak waters.

AUG 2014

6 August 2014

Successfully carried out the commissioning of New Hibiki LNG Receiving Terminal, Japan

Tenaga Lima, MISC's LNG carrier chartered to Malaysia LNG Sdn. Bhd. (MLNG), successfully carried out the commissioning activities at the new Hibiki LNG Receiving Terminal in Japan from 31 July to 6 August 2014. The terminal commissioning operation has showcased MISC's capability in undertaking such complex and demanding tasks and is another milestone in the company's LNG shipping capability. By running commissioning activities, MISC continues to create value to our customers, especially in terms of commercial flexibility. To date, a total of eight (8) import and one (1) export LNG terminals were commissioned by MISC's LNG carriers.

BUSINESS HIGHLIGHTS

1 January 2014 – 31 December 2014

AUG 2014

18 August 2014

Aluminium-cutting ceremony of HN 2729

An aluminium-cutting ceremony was held for HN 2729, the first vessel in a series of five (5) LNG carriers ordered by PETRONAS from Hyundai Heavy Industries. MISC have been entrusted by PETRONAS on Project Management and as the Technical Consultant to oversee the drawing approval and construction of this project.

SEP 2014

22 September 2014

Official opening ceremony of MISC LNG Liaison Office Japan (MLLOJ)

An official opening ceremony was held for the MISC LNG Liaison Office Japan (MLLOJ), Yokohama. The ceremony was attended by a delegation from MISC's President's Office, MISC's Fleet Management Services Unit, MISC's Corporate Secretarial Unit and LNG Business Unit as well as the staff from the MLLOJ. The MLLOJ represents MISC's LNG Business in managing Ship Attendance Duties, Ship Shore Compatibility Studies, Incident Management, Safety Reviews and Customer Relationship Management.

26 September 2014

MISC and ALAM joined in celebrating World Maritime Day 2014

MISC and ALAM joined in celebrating the 2014 World Maritime Day by participating as an exhibitor and sponsor of the World Maritime Day Celebrations organised by the Ministry of Transport and the Malaysian Shipowners Association (MASA). The World Maritime Day (WMD) is celebrated annually by the International Maritime Organisation (IMO). The event focused on the importance of shipping safety, maritime security and the marine environment. The MISC team at the booth were also honoured by a visit from YBhg. Dato' Sri Liow Tiong Lai, Minister of Transport, Malaysia.

OCT 2014

10 October 2014

AET took delivery of industry's most advanced DP shuttle tanker

At a ceremony held at Samsung Heavy Industries (SHI) shipyard in Busan, South Korea on 10 October 2014, AET took delivery of Eagle Barents, a 120,000 dwt DPII shuttle tanker built to the industry's most demanding "Goliat" standard.

It is twin skeg, twin engine, fitted with a new generation bow loading system for cold climate operations and fully winterised in accordance with DNV's cold notation. In addition, the vessel is fitted with a range of eco-innovations to reduce its impact on the natural environment.

NOV 2014

3 November 2014

MHB secured contracts worth RM350 million

MHB secured contracts close to RM350 million involving fabrication and other related works for offshore Peninsular Malaysia exploration and production projects. The fabrication and related works will be for the North Malay Basin (NMB) Bergading Complex. The project is scheduled to be delivered by 2016. The second contract is for the procurement, construction, hook up and commissioning contract for the Besar-A wellhead platform and its jacket as well as associated host tie-in work for PETRONAS Carigali Sdn. Bhd. scheduled to be completed by the end of 2015.

5 November 2014

MHB bagged turret contract

MHB was awarded a fabrication contract for an external turret mooring system from Specialized Offshore Facilities and Engineered Components (SOFEC) Incorporated. The turret is scheduled for delivery and sail away in 2016 to its facility in Rotan Field, Sarawak, East Malaysia. The turret is for the PETRONAS FLNG2 Facility and it will be MHB's 20th turret constructed.

BUSINESS HIGHLIGHTS

1 January 2014 – 31 December 2014

NOV 2014

26 November 2014

MISC won "Best First-Time Sustainability Reporting Award" (ACCA MaSRA 2014)

MISC was named as the Winner for "Best First-Time Reporting" in the annual ACCA Malaysian Sustainability Reporting Awards (MaSRA) 2014. It was the first Sustainability Report produced by MISC. Held on 26 November 2014 at KL Hilton, MISC was amongst the 26 companies which were short-listed to win an award. The award was presented by YB. Senator Dato' Sri Abdul Wahid Omar, Minister in the Prime Minister's Department and was accepted on MISC's behalf by our then Chief Operating Officer, Mr. Yee Yang Chien.

26 November 2014

MISC & AET Senior Officers Conference - Forum in Gurgaon, New Delhi

To create stronger synergy and cultivate better working relationship between MISC and AET, MISC's Fleet Management Service (FMS) and AET came together in organising their first ever joint Senior Officers Forum at the Taj Hotel & Resort in Gurgaon, New Delhi. With the theme, "Sustaining a High Performance Culture for Operational Excellence", the event brought together more than 100 Senior Officers from both organisations. The joint forum saw the sharing of best practices and helped to inculcate high standards of safety culture and operational excellence across the MISC Group.

DEC 2014

4 December 2014

MISC signed new time-charter party with GLNG

MISC continues to grow its third party business with the signing of a new time-charter party with GLNG.

DEC 2014

9 December 2014

"Naga Emas Exercise 2014" between MISC and the Royal Malaysian Navy

MISC and the Royal Malaysian Navy (RMN) Special Forces (PASKAL) once again collaborated to organise the annual Naga Emas anti-hijacking exercise on 9 December 2014. This year, the exercise was conducted on board MISC's chemical and oil tanker Bunga Aster, in the vicinity of Pulau Pangkor. The exercise involved live boarding of Special Forces team both by air and sea using naval helicopters and assault boats. A total of 170 naval personnel were involved in the exercise.

22 December 2014

MVOT awarded with Talisman's CEO Global Safety Award 2014

In recognition for improved safety of FSO Orkid, Malaysia Vietnam Offshore Terminal (L) Limited (MVOT), a joint venture company between MISC Berhad and PetroVietnam Technical Services Corporation (PTSC), was awarded with Talisman Energy Inc.'s CEO Global Safety Award 2014. This annual CEO Safety Award by Talisman identifies and acknowledges individuals across its global operations who have introduced further improvements to safety culture, safety leadership and contractor safety management practices. This achievement was a testament of MISC Berhad's management in championing HSE commitments.

22 December 2014

MISC included in the FTSE4Good Bursa Malaysia Environmental, Social & Governance (ESG) Index

MISC reached another milestone when the company was notified by Bursa Malaysia that it had been included in the new FTSE4Good Bursa Malaysia Index (also known as the ESG Index), for Malaysian Public Listed Companies.

INVESTOR RELATIONS REPORT

MISC is committed to foster and maintain transparent communication with our shareholders, investors and the general public. The investor relations (IR) programme continues to be an integral part of MISC's commitment towards timely and transparent disclosure of material information to stakeholders about our business operations, financial performance, strategies and future prospects.

During the financial year, the Group upholds high standard of corporate governance via timely announcements of our quarterly results as per Bursa Malaysia's Listing Requirements. Quarterly analysts' briefings were held via audio conferencing to our global investors, where in-depth explanation on the Group's results, market conditions, long-term prospects and strategies were shared to promote a deeper understanding of the Group's strategic vision. At the same time, comprehensive annual reviews were also done with the credit rating agencies, namely Moody's Investors Services (Moody's), Standard & Poor's (S&P) and Malaysian Rating Corporation Bhd. (MARC).

At MISC, the management team continues to take a proactive approach in engaging with the investing community. Throughout the year, MISC engaged in regular communications with stakeholders through private one-to-one meetings, teleconferences and dialogues with institutional investors as well as analysts from across the globe. MISC aims to build and maintain improved transparency with the investing community by keeping our communication channels open and accessible.

In promoting an effective two-way communication with our shareholders, MISC 45th Annual General Meeting (AGM) provided the perfect platform for minority shareholders to interact with our President/CEO and our Board of Directors. Updates on our business operations, financial performance, corporate strategies and future prospects were shared by MISC President/CEO, giving minority shareholders, invited guests and investors an overview of the latest developments at MISC.

The MISC IR team continued to ensure that the Investor Relations section of the corporate website remained up-to-date with the latest Group disclosures. Monthly industry newsletters were disseminated to educate investors of the current trends and developments in our industry. In recognition of the Group's efforts in best practices in IR, MISC was nominated by Malaysian Investor Relations Association Berhad (MIRA) under Bursa Malaysia, for "Business Knowledge & Insights of IR Team", "Best IR Website", "Most Improved Service from IR Team" and "Quality of Annual Reports/Formal Disclosure". The nominations marked another milestone in MISC's journey in upholding high standards of corporate governance and IR practices.

Moving into the new financial year, MISC's IR strategy will continue to focus on transparent, accessible and credible communication with our investors in achieving best of IR practices. We will continue to enhance our IR efforts and proactively engage our investing community with information on an equal basis, promptly and in a clear and consistent manner.

The Group's "Corporate Disclosure Policies and Procedures" identify the following Management Personnel responsible for IR activities:

President/Chief Executive Officer

Vice President, Finance

General Manager, Corporate Planning and Development

MISC aims to continuously offer support, build and maintain transparent communication to our shareholders and the public. For further enquiries or feedback, stakeholders and interested parties are encouraged to submit their comments to: **investor.relations@miscbhd.com**.

Similarly, further information on the Group can be obtained through our corporate website: **www.misc.com.my**.

STATISTICS ON SHAREHOLDINGS

as at 31 March 2015

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	554	9.83	6,975	0.00
100 - 1,000	1,123	19.93	716,804	0.02
1,001 - 10,000	2,475	43.91	10,149,545	0.23
10,001 - 100,000	923	16.38	30,891,011	0.69
100,001 to less than 5% of issued shares	558	9.90	1,094,065,957	24.51
5% and above of issued shares	3	0.05	3,327,962,811	74.55
Total	**5,636**	**100.00**	**4,463,793,103**	**100.00**

DIRECTORS' SHAREHOLDINGS

		Direct Interest		Indirect Interest	
No.	Name of Directors	No. of Shares	%	No. of Shares	%
1	Dato' Ab. Halim bin Mohyiddin	–	–	–	–
2	Datuk Manharlal Ratilal	–	–	–	–
3	Yee Yang Chien	–	–	–	–
4	Datuk Nasarudin Md Idris	–	–	–	–
5	Harry K. Menon	–	–	–	–
6	Dato' Halipah binti Esa	–	–	10,000*	0.00
7	Dato' Kalsom binti Abd. Rahman	–	–	–	–
8	Mohd. Farid bin Mohd. Adnan	5,000	0.00	–	–
9	Lim Beng Choon	–	–	–	–
10	Dato' Sekhar Krishnan	–	–	–	–

* Deemed interested by virtue of her indirect shareholding in MISC through a family member.

STATISTICS ON SHAREHOLDINGS
as at 31 March 2015

SUBSTANTIAL SHAREHOLDERS

No.	Name of Substantial Shareholders	No. of Shares		%
1	Petroliam Nasional Berhad		2,797,459,800	62.67
	– CIMB Group Nominees (Tempatan) Sdn. Bhd. Exempt An for Petroliam Nasional Berhad	2,797,459,800		
2	Employees Provident Fund Board	1,500,000	316,407,671	7.09
	– Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board	280,503,011		
	– Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (CIMB PRIN)	23,318,000		
	– Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (NOMURA)	6,129,100		
	– Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (AM INV)	2,344,660		
	– Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (AMUNDI)	1,200,000		
	– Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (F TEMPLETON)	762,900		
	– Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (ARIM)	650,000		
3	Skim Amanah Saham Bumiputera		250,000,000	5.60
	– AmanahRaya Trustees Berhad Skim Amanah Saham Bumiputera	250,000,000		

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR PETROLIAM NASIONAL BERHAD	2,797,459,800	62.67
2	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EMPLOYEES PROVIDENT FUND BOARD	280,503,011	6.28
3	AMANAHRAYA TRUSTEES BERHAD SKIM AMANAH SAHAM BUMIPUTERA	250,000,000	5.60
4	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	101,417,840	2.27
5	LEMBAGA KEMAJUAN TANAH PERSEKUTUAN (FELDA)	93,838,250	2.10
6	STATE FINANCIAL SECRETARY SARAWAK	67,466,667	1.51
7	PENANG DEVELOPMENT CORPORATION	50,800,000	1.14
8	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM WAWASAN 2020	39,432,340	0.88
9	AMSEC NOMINEES (TEMPATAN) SDN. BHD. AMTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB-DALI)	29,745,400	0.67
10	CARTABAN NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	28,860,268	0.65

LIST OF THIRTY (30) LARGEST SHAREHOLDERS (CONT'D.)

No.	Name of Shareholders	No. of Shares	%
11	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	28,000,000	0.63
12	HSBC NOMINEES (ASING) SDN. BHD. BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	27,388,191	0.61
13	CARTABAN NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR EASTSPRING INVESTMENTS BERHAD	25,894,000	0.58
14	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)	23,318,000	0.52
15	KERAJAAN NEGERI PAHANG	20,596,320	0.46
16	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR AIA BHD	19,571,926	0.44
17	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.S.A.)	17,200,610	0.39
18	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BCH)	15,133,180	0.34
19	CITIGROUP NOMINEES (ASING) SDN. BHD. CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	13,437,404	0.30
20	CARTABAN NOMINEES (ASING) SDN. BHD. GIC PRIVATE LIMITED FOR GOVERNMENT OF SINGAPORE (C)	12,644,100	0.28
21	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC DIVIDEND FUND	12,085,560	0.27
22	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT ENTERPRISES FUND	11,096,040	0.25
23	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. AMTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY THEME FUND	10,874,600	0.24
24	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (CIMB EQUITIES)	10,671,400	0.24
25	PERMODALAN NASIONAL BERHAD	10,502,400	0.24
26	CARTABAN NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR RBC INVESTOR SERVICES TRUST (CLIENTS ACCOUNT)	10,131,180	0.23
27	CITIGROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 9)	9,187,800	0.21
28	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC EQUITY FUND	7,555,160	0.17
29	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SECTOR SELECT FUND	6,990,700	0.16
30	CITIGROUP NOMINEES (ASING) SDN. BHD. LEGAL & GENERAL ASSURANCE (PENSIONS MANAGEMENT) LIMITED (A/C 1125250001)	6,948,000	0.16
	TOTAL	**4,038,750,147**	**90.48**

RESOLUTE
PURPOSEFUL
ENERGISED

ANNUAL REPORT 2014

e•ner•gised
/ˈɛnədʒʌɪzd/
verb: **give vitality to our vision; facing the future with renewed vigour and dynamic enthusiasm**

MISC is in a stronger position now, and is ENERGISED to propel the company forward.

With the accomplishments of the year, we are now set for the next phase of our journey, the growth of our businesses. MISC will capitalise on timely investment opportunities to ensure future sustainability.

People are our greatest asset. Staff development remains our top priority to ensure that our employees are equipped with the necessary skills and knowledge to remain resilient, adaptable and energised.

SUSTAINABILITY REPORT

SUSTAINABILITY AT MISC

The year under review marked the end of a period of business rationalisation for the Group. In spite of having to make difficult decisions, this period allowed for the Group to refocus its energies and to examine the vision and mission of the organisation with sustainability being the key driver. We believe that this renewed focus on sustainability, by strengthening our core business areas and business practices will only help propel us into the future. Since the publishing of MISC's inaugural Sustainability Report 2013 last year, we have been steadily refining the tools, processes and reporting mechanisms internally, towards helping achieve our goals.

The publishing of MISC's inaugural sustainability report was a key milestone; an opportunity for us to showcase our non-financial performance to our stakeholders, and to also be recognised for our achievements. It was a momentous occasion for the Group when MISC was named the Winner for Best First-Time Reporting at the ACCA-MaSRA Awards on 26 November 2014. Apart from being commended for sustainability reporting, MISC was also included as an index constituent in the FTSE4Good Bursa Malaysia Index which acknowledges Malaysian companies who have met globally recognised standards of demonstrating good Environmental, Social and Governance (ESG) practices.

MISC is now poised for growth and is more financially stable than ever. Our current aim is to grow and leverage on opportunities that come our way. The principles of sustainability will continue to guide our decision-making processes in the aspects of Marketplace, Workplace, Environment and Community as we plan ahead for the future. The challenge that lies ahead is for us to do this cohesively and to ensure that all our efforts are complementary to achieve our ultimate goal of sustainability.

MARKETPLACE

The shipping industry continues to expand year after year as countries develop and economies grow. Shipping connects countries, markets, businesses and people efficiently, through complex networks and trade routes. Being the preferred means of transport for businesses, shipping is also highly dependent on the state of the global economy. This, coupled with heavy regulation; the maritime industry finds itself with its own set of industry specific challenges to navigate. Apart from environmental issues, the industry also faces significant concerns relating to health and safety, security/piracy and business conduct/ethics.

MARKETPLACE

At MISC, we recognise that the operating context for the shipping and maritime industry has changed and will continue to evolve with the times, bringing with it new challenges and opportunities. A long-term business view with sustainability as the key driver will definitely benefit the Group as we continue to navigate an ever-changing market. Some of the challenges that are currently on our radar include aspects relating to:

- **Environmental Regulations**

  At MISC, we recognise and fully comply with the IMO regulations. On 1 January 2015, stricter environmental regulations with regards to sulphur emissions in Emission Control Areas (ECAs) would have come into force with such regulations set to expand globally in 2020. Compliance with increasing regulations may pose challenges to industry members due to high costs of implementation and lack of current available technology.

- **Resource Efficiency**

  As more global organisations recognise the importance of sustainability in the aspects of managing their businesses, resource efficiency becomes an area of concern due to cost increases of raw materials and rising material scarcity. At MISC, resource efficiency comes in the form of managing energy efficiency for our business – both at shore and at sea.

- **Health & Safety**

  The health and safety of our employees and assets will always be at the forefront of our priorities. As maritime trade continues to expand globally, safety practices should also improve in tandem, to minimise safety-related incidences that could have significant impact on assets, people and the environment.

- **Overcapacity**

  With the LNG market expanding rapidly over the past decade, overcapacity continues to remain a concern for MISC as the next few years will continue to see delivery of LNG newbuildings. However, with the recent cost optimisation and fleet efficiency exercises carried out at MISC, we have stayed financially secure as well as competitive in the marketplace by providing the best service to our customers through our targeted customer relationship management initiatives.

- **Business Ethics**

  Being an organisation that operates globally across markets and cultures, sound business practices will remain a key area for the Group. Improving upon existing practices, MISC also rolled out a manual to specifically detail the Group's zero tolerance policy against all forms of bribery and corruption which complements the MISC Code of Business Conduct and Ethics (CoBE).

- **Ethical Investment Market**

  Bursa Malaysia launched the FTSE4Good Bursa Malaysia Index on 22 December 2014 with MISC as an index constituent. This index that measures the Environmental, Social and Governance (ESG) performance of public listed companies will provide the opportunity for socially responsible investors to selectively invest in organisations with responsible and ethical business practices.

- **Global Energy Prices**

  Oil prices have been steadily decreasing since Quarter 3, 2014 and industry experts have predicted that prices will remain low for the time being. Despite weak demand and rising supply, there have been some upsides for the shipping industry as tanker rates have strengthened due to lowered oil prices. The Group will continue to closely monitor global energy prices and evaluate its impact on the business.

- **Social Responsibility**

  Good corporate citizenship continues to remain one of the areas of priority for the Group. Our focus on education and youth development continue to carry on through the various initiatives and projects conducted throughout the year.

These matters will continue to stay on the Group's agenda as the year progresses to ensure that all aspects will be looked into for our competitiveness in the marketplace and at the same time, in meeting the expectations of our wider stakeholders.

CODE OF BUSINESS CONDUCT AND ETHICS (CoBE)

As part of efforts to strengthen the Code of Business Conduct and Ethics (CoBE) practiced at MISC and its subsidiaries, the MISC Anti-Bribery and Corruption (ABC) Manual was rolled out in 2014 to further emphasise the Group's zero tolerance policy against all forms of bribery and corruption. All employees were provided with a copy of the ABC Manual where its contents provide guidance and strict provisions that specifically address MISC's policies regarding entertainment and corporate hospitality, dealings with public officials, political contribution and the "No Gift" policy.

Apart from directors and employees, third parties that work with or on behalf of the company are also subject to the relevant policies as listed in the ABC Manual. Joint venture companies in which MISC is a non-controlling co-venturer and associated companies are also encouraged to adopt similar principles and standards. Further details can be found at www.misc.com.my.

CREATING VALUE

MISC is committed to creating value in the marketplace together with our vendors, suppliers and customers. Sustainability principles applied in our marketplace initiatives have resulted in a more competitive and strong, value-driven supply chain, apart from eliciting greater engagement and service value for our customers.

Vendor/Supplier Management

Competitive Procurement

Engagement and collaboration with suppliers are essential towards procurement excellence. MISC focused on joint growth and value creation with key suppliers for strategic partnerships by becoming the customer of choice, focusing on value, leveraging on supplier capabilities and sharing of business requirements.

MISC's marketplace initiatives in 2014 reflected our ongoing efforts to remain competitive, improve efficiency and effectiveness whilst maintaining good governance and transparency. MISC continued to focus and develop broader set of strategies to drive performance by having strategic partnerships with key suppliers to develop sourcing strategies within the Group to achieve maximum cost savings via Economies of Scale (EOS).

MISC also continued to enhance its procurement processes and functions to become leaner and robust, to support the business effectively and efficiently. At the same time, MISC also promoted sustainability by working with vendors and suppliers that meet our social and environmental standards.

Monitoring and assessment exercises are also carried out once a vendor has successfully secured a contract to ensure that expectations are met. MISC also complies with the stipulated legislation in relation to our vendors/suppliers such as the Personal Data Protection Act (PDPA) 2010.

Supplier Relationship Management (SRM) Programmes

The Supplier Relationship Management (SRM) Programmes for vendors/suppliers were established to provide a structured form of engagement. The programmes provided for monitoring of vendor/supplier performance and deliverables to ensure that there are no gaps between their deliverables and our expectations. The SRM programmes carried out in 2014 included the following:

- **Quarterly Supplier/Vendor Engagement Programme (SEP/VEP)**

  Supplier Engagement Programme (SEP) for existing suppliers and the Vendor Engagement Programme (VEP) is conducted for new vendors to enhance working relationships while providing opportunities for information sharing from all parties.

- **Quarterly Delivery Assessment Exercise (DAE)**

  Delivery Assessment Exercise (DAE) is a physical assessment conducted by the procurement team on board vessels and at the vendors' premises for both bunker and non-bunker vendors/suppliers. This assessment measures their performance on quality, cost, delivery and reliability of services as agreed in the scope of work. In 2014, 10 DAE activities were conducted successfully where all vendors'/suppliers' performance were satisfactory.

- **Vendor Performance Assessment (VPA)**

  Vendor Performance Assessment (VPA) is conducted annually to gauge vendor performance and to facilitate selection of potential vendors. Inability to meet the requirements of the VPA will form the basis of further action under vendor consequence management. In 2014, 11 VPAs were conducted on selected vendors/suppliers covering bunker and non-bunker and we are pleased to report that the assessed vendors/suppliers met MISC's specifications and requirements.

MARKETPLACE

SUSTAINABILITY REPORT

Customer Relationship Management

The Group also focused on customer relationship management through engagement with customers and through creating awareness among employees in the year under review. MISC's enhanced focus on customers stems from the fact that as a service-based industry providing mainly maritime transport and engineering services, it is imperative that our clients receive the best possible customer experience. MISC's financial performance is reliant upon the revenue generated through business with customers and it is only good business sense to deliver the best service possible.

Customer Feedback Exercise

A customer feedback exercise was conducted to gauge customer satisfaction on the services provided by MISC. Feedback received was then analysed and an intervention plan crafted to help improve overall customer experience.

Customer Information Management

At MISC, we work with a vast network of businesses and organisations, both upstream and downstream in the global maritime and Oil & Gas sectors. Hence, a robust system to manage the customer information that flows through the organisation while maintaining compliance with the PDPA 2010 is of utmost importance. Internally, the Customer

Relationship Management (CRM) division is developing a structured customer databank to manage and retain customer information in a more accessible and organised manner using a database platform.

Promoting Customer Centricity

To further build up and enhance employee awareness on the importance of customer centricity, tips, quizzes and case studies were shared internally on a large scale to MISC employees through various means. "Focus on Customers" programmes were also carried out to further build capacity of the employees in managing customer relationships.

Customer Appreciation Events

As a way to appreciate our customers and strengthen MISC's relationships with its customers, several events were organised outside of the office such as appreciation dinners, friendly sporting matches and other similar events.

Industry Exhibitions

MISC took part in several exhibitions that specifically targeted members of the Oil & Gas fraternity. The events were beneficial as it provided opportunities to engage with current and potential customers, and as an avenue to showcase MISC's services and successes. Some of the exhibitions the Group participated at included:

- Offshore Technology Conference Asia (OTC) in March 2014.
- Sabah Oil & Gas Conference and Exhibition (SOGCE) in May 2014.
- The 2nd Malaysia Oil & Gas Services Exhibition and Conference (MOGSEC 2014) in September 2014.

WORKPLACE

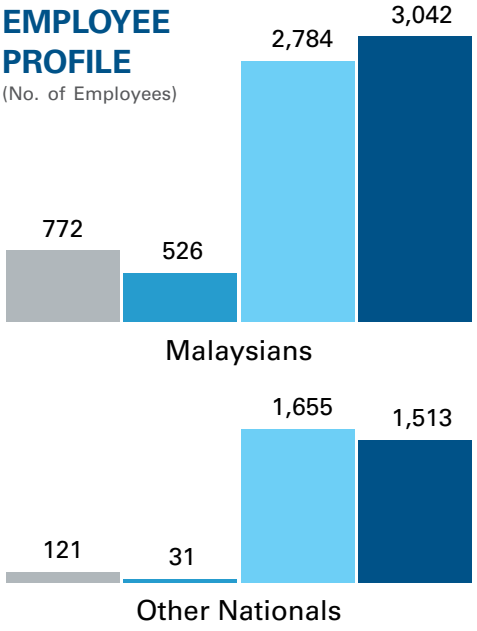
At MISC, our biggest asset is the talent within our organisation. The wellbeing of our employees, both shore and sea is a priority to ensure a high performance culture within the organisation. Being an organisation that operates internationally across various regions, our workforce is a reflection of diversity while keeping close to our Malaysian roots.

As at 31 December 2014, we had 10,444 personnel that encompassed both permanent, contract and project based employees across the Group at all locations of operations, at sea and ashore. Although this marked a 5% decrease from the previous year due to the business optimisation of our chemical vessel fleet, we still maintain that over two thirds of our employees are Malaysian nationals.

Our hiring practices are based on capability and suitability and there is no discrimination in our hiring policies. MISC's gender ratios at the workplace in 2014 were similar to that in 2013 with approximately 14% of total employee headcount consisting of female employees due to the nature of work in the maritime and Oil & Gas sector. At the Group's shore offices, 24.5% of employees are female which is also reflected in the 29% of women belonging to MISC Berhad's Senior Management team.

MISC GROUP EMPLOYEE PROFILE

(No. of Employees)

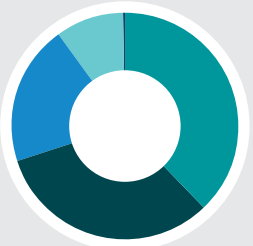


WORKPLACE

SUSTAINABILITY REPORT

Approximately 70% of our workforce consists of employees between the ages of 20 to 40 which means the Group has a relatively youthful workforce.

MISC GROUP EMPLOYEES BY AGE GROUP

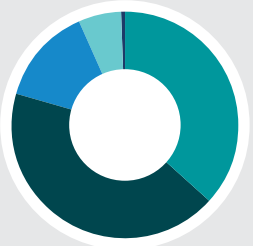


20 – 30	37.6%
31 – 40	32.2%
41 – 50	19.9%
51 – 60	9.7%
> 61	0.5%

Employee Resignation

In 2014, the overall resignation rate for MISC Group shore employees was 9.9% where a total of 559 employees resigned which is a slight increase from 5.8% in 2013 previously. Resignations were mainly received from ages 20 to 30 and 31 to 40.

SHORE EMPLOYEE RESIGNATION BY AGE GROUP



20 – 30	37%
31 – 40	43%
41 – 50	14%
51 – 60	6%
> 61	0%

PEOPLE DEVELOPMENT

With our workforce being our primary asset, investing in the up-skilling and development of our employees is a continuous effort. We do this to ensure that our employees are constantly equipped with the necessary skills to successfully carry out their tasks in an ever evolving workplace and marketplace.

MISC continued to move forward with its capability development plan with ongoing focus on Leadership Competency Profiling (LCP) and Functional Competency Profiling (FCP) since it was first put into place in 2011.

- **Leadership Competency Profiling (LCP)**

  Annual assessments are carried out for both Executives and Managers during the year-end performance appraisal. In 2014, a total of 11 leadership-focused training programmes were held where a total of 219 employees attended. Recognising the benefit gained from this initiative, the Management also extended the programme to include Senior Managers in the year under review.

- **Functional Competency Profiling (FCP)**

  Similar to the LCP, the FCP was first initiated in 2011 to help identify areas of improvement for employees' job-related competencies. In 2014, a total of 188 functional training programmes were organised which were attended by a total of 914 employees. Both the LCP and FCP will continue to be an ongoing initiative to further equip and develop our employees.

- **Technical Engineering Competency Development**

  First initiated in 2011, the objective was to develop a pool of Technical Executives and provide them with the appropriate career paths in order for them to achieve their career aspirations of becoming Technical Professionals. Primarily focused on GTS and OBU, a total of 35 Technical Executives have completed their assessment as at 31 December 2014.

- **Succession Planning**

  To ensure a continuous stream of qualified and competent employees who are ready to fill up critical positions should the need arise, the organisation implemented succession planning as part of risk management. With a total of three categories of critical positions within the organisation, members of the Management Development Committee (MDC) has identified and endorsed a list of Ready Talents along with their structured development plan.

Various initiatives and programmes were also carried out for our sea staff throughout the year. They were designed to enhance capabilities and to encourage continuous engagement across all ranks and the programmes include:

- **Senior Officers Management Forum (SOMF)**

  In our journey to create stronger synergy and cultivate closer working relationships between MISC and AET, MISC's Fleet Management Service and AET Shipmanagement organised the first ever joint Senior Officers Management Forum (SOMF) in Gurgaon, New Delhi, India. With the theme "Sustaining a High Performance Culture for Operational Excellence", the event brought together more than 100 Senior Officers from both organisations and allowed for the sharing of best practices, as well as helped inculcate high standards of safety culture and operational excellence across the MISC Group.

- **Crew Competency Management (CCM)**

  Crew Competency Management (CCM) was first introduced by FMS in 2013. The aim of the programme is to create opportunities for learning and development of sea staff using the mentor-mentee platform. The CCM has successfully been rolled out onboard all LNG vessels and four Chemical vessels where a total of 426 sea staff have undergone this programme. Additionally, seven "Train the Trainer" sessions have been conducted with the sole aim of equipping the mentors with the necessarily coaching skills.

- **Dual Skilling Programme**

  MISC recognises the need to expand in the energy market, with the aspiration of supporting the FLNG and LNG business. In order to have sustainable expertise and skills in LNG-related business, the Dual Skilling Programme continued to be carried out for Senior and Junior Officers in the Chemical Fleet to provide for current and future human capital demand for the LNG fleet. A total of 103 officers and 202 ratings are currently undergoing this programme and attending the necessary training and certifications required.

- **Senior Officers Leadership Assessment Programme (SOLAP) & Senior Engineers Leadership Assessment Programme (SELAP)**

  Senior Officers Leadership Assessment Programme (SOLAP) & Senior Engineers Leadership Assessment Programme (SELAP) are specifically designed to assess the leadership qualities of senior officers for assuming the Shipmaster & Chief Engineer respectively. So far, a total of 87 employees have undergone this programme.

EMPLOYEE ENGAGEMENT

"Sembang" Sessions with COO

Interactive engagement sessions with the COO were held throughout Quarter 3 and Quarter 4, 2014 to further foster communication between employees and management. Employees were encouraged to share their thoughts and aspirations for the organisation with the COO and vice versa.

Corporate Orientation for New Employees (CONE)

CONE is a custom in-house programme designed for all new MISC employees, to give them an understanding of the organisation in terms of the Corporate Overview, Business Operations and Business Activities. Formerly conducted over a span of one and a half days, the programme was revised and refreshed for the year under review.

HRM Open Day

On 24-25 November 2014, the inaugural HRM Open Day 2014 was organised for MISC employees to be further introduced to role and services provided by HRM. The Open Day also acted as a platform for employees to engage with various government related and private service providers such as Kumpulan Wang Simpanan Pekerja (KWSP), Lembaga Urusan Tabung Haji (Tabung Haji), Lembaga Hasil Dalam Negeri (LHDN), Agensi Kaunseling dan Pengurusan Kredit (AKPK), Pentadbir Pencen Swasta (PPA) and AIA Insurance Malaysia.

PETRONAS Organisational Culture Survey (POCS) Focus Group

Following the sharing of the 2013 POCS results, Focus Group sessions were organised, aimed at gathering staff feedback. Employees involved in the Focus Group sessions were tasked with identifying and prioritising key areas of concern, as well as coming up with action plans to address these areas.

Maritime Labour Convention (MLC) 2006 Campaign

A campaign was launched to highlight the importance of the International Labour Organisation's (ILO) Maritime Labour Convention (MLC) 2006 which provides comprehensive rights and protection at work for seafarers. This was done to raise seafarer awareness as part of gearing up for full MLC compliance and in meeting future Port State Control (PSC) inspection requirements. MLC went into full effect on 20 August 2014 where port state authorities stepped-up the enforcement of the MLC 2006 requirements through inspection whereby failure to comply may lead to possible vessel detention.

Acknowledging Loyalty

With loyalty being one of the four shared values of the company, MISC celebrated 158 of its long-serving employees at the MISC Retirement and Long Service Awards 2013 which was held on 16 January 2014 at the Kuala Lumpur

WORKPLACE

SUSTAINABILITY REPORT

Convention Centre. With the theme "Jasamu Dikenang", the event honoured employees who have served the company for 35 years, 25 years, 20 years and 15 years. A total of nine (9) employees who were retiring from the company were also celebrated at the same event.

Awarding Excellence

Every year MISC celebrates the achievements of its employees' children in the UPSR, PMR and SPM examinations via the MISC Education Excellence Awards (EEA). On 30 May 2014, 53 bright young students who excelled in their 2013 school examinations were honoured at Istana Hotel Kuala Lumpur together with their family members.

Family on Board

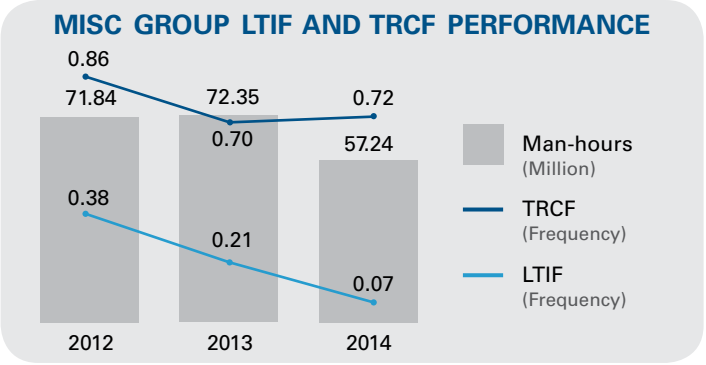
The Ship Board Management Team at HR Sea initiated a programme which allowed for family members of seafarers to board the vessel for a short duration during the seafarer's tour of service. Apart from allowing family members to experience life as a seafarer, this initiative helped improve the welfare and morale of our sea staff and it was well received.

HEALTH & SAFETY

The issue of employee and asset safety remain an utmost priority and our dedication to this is evident in the strong safety culture practiced throughout the Group and through the safety performance achieved in 2014.

In 2014, the Group achieved 57.24 million man-hours which is a 20.9% reduction from the previous year. The reduction in man-hours was due to chemical fleet optimisation at MISC, and fewer ongoing projects on site at MHB.

The Lost Time Injury Frequency (LTIF) was recorded at 0.07 compared to 0.21 previously and Total Recordable Case Frequency (TRCF) was 0.72, slightly up from 0.70 in 2013. This is a 66.7% reduction and a 2.9% increase respectively from the previous year. The TRCF rate recorded a slight increase although there was an overall reduction in the number of cases due to lowered man-hours.



Although overall LTIF was down by 66.7%, there was an unfortunate incident of one fatality case recorded at MHB. The incident occurred when a contractor welder helper was hit by a moving gantry crane. A thorough investigation into the matter was conducted where remedial actions were recommended and carried out to prevent similar incidents from reoccurring in the future.

Recognition for Our Safety Efforts

As with the previous year, several of our AET petroleum tankers received the Jones F. Devlin Award and Safety Achievement Award from the Chamber of Shipping of America (CSA) for superior health and safety practices on board the vessels. Many of the AET vessels were honoured with one particular vessel achieving 19 years without recording a single LTI on board.

Malaysia Vietnam Offshore Terminal (L) Limited (MVOT), a joint venture company between MISC Berhad and PetroVietnam Technical Services Corporation (PTSC), was awarded with the Talisman Energy Inc's CEO Global Safety Award 2014 as recognition for improvements in the safety practices on board FSO Orkid. MVOT is the owner and operator of the FSO Orkid for Talisman (Malaysia) Limited (TML). This was the first time that a company from the Asia Pacific region was honoured with this award.

MISC was also shortlisted as one of the finalists for the "Safety & Quality Award" category during the 11th Edition of the Seatrade Maritime Awards on 27 October 2014.

Building a Health and Safety Culture Ashore and At Sea

The Health and Safety of our employees is a top priority for the Group as evidenced by top management participation in the MISC Group Health, Safety and Environment (HSE) Council. Dedicated HSE teams at corporate and operational level continuously monitor Health and Safety performance throughout the Group and implement various initiatives at the workplace to keep Health and Safety at the forefront

of day-to-day priorities and practices. In the year under review, many initiatives were carried out across the Group including:

- **Research on Non-communicable Diseases Risk Factors among MISC Staff**

  Carried out in collaboration with BiO-LiFE® and International Medical University (IMU), a total of 95 MISC staff participated in the programme. The results of the research were disclosed to individual participants and the consolidated results were then presented to HRM as a glimpse into the general well-being of MISC employees. Consultation sessions with healthcare experts were also made available to the participants after disclosure of study results.

- **Focus on Health**

  A Health Day event was organised for the benefit of all MISC employees on 14 August 2014 with health talks, free health screenings and various health-product exhibitions held on the day. Our AET offices also ran a health campaign, "Health is Wealth" that specifically focused on office ergonomics awareness.

  A series of health talks were also held at MHB at regular intervals throughout the year to enhance employee awareness on occupational health and personal health management. Apart from the health talks, health-centric programmes were also carried out at MHB including a Drug and Alcohol Prevention Campaign, SOCSO Health Screening and Health Talk, Hearing Conservation Campaign and a Health Risk Assessment Programme.

- **Fire Safety Talk – "Fire Safety Begins With You"**

  MISC employees within Menara Dayabumi were invited to attend a Fire Safety Talk held on 19 November 2014. The aim of the programme was to increase the level of fire safety awareness amongst employees especially in their own homes.

- **Behaviour Based Safety through Intervention of Unsafe Acts**

  MHB started the Behaviour Based Safety (BBS) programme since 2012 through the implementation of MMHE 10 Safety Rules and "Dah Ambil Peduli Ambil Tindakan" (DAPAT) behavioural safety programmes. In 2014, efforts to promote and encourage intervention of unsafe acts continued with the launch of the BBS programme, "Behavioural Excellence All Together" by MHB's offshore business unit.

- **Promoting Safety at the Workplace**

  In 2014, a significant number of safety campaigns were organised by MHB with the primary objective of instilling safety awareness and enhancing greater involvement in HSE issues among the workforce. The campaigns were:

  - Near Miss Reporting Campaign
  - Caught in Between Campaign
  - Dropped Object Campaign
  - Hand & Finger Injury Prevention Campaign
  - Road Safety Campaign
  - Specific Project HSE Campaign

- **Blood Donation Drives**

  Once again, MISC organised two Blood Donation Drives in 2014 which saw the participation of many employees and tenants within the Menara Dayabumi area. The event was held in collaboration with KLCC Urusharta (KLCCUH), the building management of Menara Dayabumi and the University Malaya Medical Centre blood bank. A similar programme was also held by MHB in Pasir Gudang Johor.

- **Improving Health On-Board Vessels**

  Thorough and comprehensive health risks assessments were initiated on board AET vessels as well as workboat operations in Galveston to enhance health management of sea staff. Following these assessments, additional initiatives were implemented to augment "potable water safety" with test and sampling kits for vessels and "hearing protection aids" with upgraded devices to mitigate noise hazards. Similarly, MISC also conducted a health risk assessment on board its vessel, Puteri Firus in May 2014. The MISC Medical Standards for Seafarers (MSS) was also developed to govern the minimum health requirements for employment on board MISC vessels in order for seafarers to be able to safely carry out their duties without bringing harm to themselves, their colleagues and the operations of the vessel.

- **Sustaining Good Safety Practices**

  The effectiveness of the Zero Tolerance Guidelines is reflected in the decreasing trend of LTIF/TRCF along with an increasing trend in near miss reporting at both AET and MISC and will be reiterated to the fleet in 2015. Additionally, "Safety Champion 2014" is being continued where monitoring of leading indicators, identification of risk behaviors and gaps in operational discipline are embedded in the programme. A similar campaign focusing on "Slips, Trips & Falls" was also carried out on MISC vessels.

- **Navigational Campaign**

  A navigational campaign was launched by Fleet Management Services (FMS) to address the increasing number of navigational mishaps and incidences of near misses arising in the shipping industry. Congestion

around busy trade routes and ports due to the growth in trade demand and vessel numbers is on the rise. This programme was carried out to ensure that our seafarers comply with the International Regulations for Preventing Collisions at Sea 1972 (COLREGS 1972) and adopt a vigilant approach when approaching busy areas to mitigate potential safety incidences.

- **Zero Incident Zero Accident (ZIZA) Awards**

  A firm fixture at MISC, the ZIZA awards were held again in 2014 at the SOMF to recognise vessels with outstanding safety performance.

- **LNG and Tankers Ship Safety Management Workshop in Shanghai, China**

  As part of efforts in creating bilateral engagement in the regional maritime industry, the LNG and Tankers Ship Safety Management Workshop was held by the Group for the second time in Shanghai, China for the Maritime Safety Administration of People's Republic of China (MSA). The three-day workshop, held in August 2014 saw the participation of 31 representatives from MSA along with 10 participants from the MISC Group. Through knowledge sharing, the event was part of MISC's contribution in strengthening bilateral ties between nations, as well as contributing towards the enhancement of safety and efficiency in the maritime industry.

- **Tanker Management and Self-Assessment (TMSA) Programme**

  The Oil Companies International Marine Forum (OCIMF) is an association of oil companies having an interest in the shipment and terminalling of crude oil and oil products, with the primary mission of promoting safe and environmentally sound operations of tankers and tank terminals. The OCIMF Tanker Management and Self-Assessment (TMSA) Programme was introduced as a tool to help vessel operators assess, measure and improve their safety management systems. The TMSA works in tandem with industry quality codes and is intended to encourage self-regulation and promote continuous improvement among tanker operators through a standardised framework for the assessment of a vessel operator's safety management system. Upon MISC FMS' completion of the TMSA review, a two-day audit was carried out by TOTAL shipping to verify the scores received.

- **Drivers Competency & Technical Training**

  As an enhancement to the MILS Driver Safety Passport Programme that was first established in 2007, several additional modules were included in the programme in 2014. Drivers who successfully pass a written test and in-cab assessment after completion of the programme will then be awarded with a two-year validation of their Safety Passport. This document is subject to mandatory renewal after a two-year period.

- **Automated External Defibrillator (AED) Awareness**

  Emphasis on the availability and use of Automated External Defibrillators (AEDs) at various locations of operations were also carried out in the year under review. AED demonstrations took place during the MISC SOMF and Junior Officers Focused Seminar (JOFS) to introduce the use of the device to sea staff. Similarly, MILS also equipped their offices and warehouses with 17 units of AED devices and provided training to employees to ensure that they will be equipped with the skills on how to utilise it should an emergency situation occur.

CRISIS MANAGEMENT

As a measure to further strengthen our response to emergency situations, a MISC Group Crisis Table Top Exercise was held in 2014. The exercise was carried out to test the MISC Group Crisis Management Team's (GCMT) ability to activate, coordinate and respond well towards a crisis scenario and was led by MISC's President/CEO who is the Group Crisis Commander for the GCMT. The participants included members of the Management Committee along with the FMS Emergency Response Team (ERT) and the simulation team from Corporate Health, Safety and Environment (CHSE). Similar exercises were carried out at subsidiary level to ensure a high level of emergency preparedness and response as part of crisis management to ensure business continuity.

In 2014, MHB conducted a total of 62 emergency drills on its fixed assets, offshore projects and vessels. Various scenarios ware introduced to the drill including firefighting, building rescue, at height rescue, confined space rescue, evacuation of workforce and Medical Emergency Response. One of these drills was the Pasir Gudang Emergency Mutual Aid (PAGEMA), an annual major drill where all relevant government agencies such as the Fire and Rescue Department (BOMBA), Royal Malaysia Police (PDRM), Malaysian Civil Defence Department (JPAM), Malaysia Marine Department, Department of Occupational Safety and Health (DOSH), Department Of Environment (DOE) and Department of Chemistry Malaysia were involved.

Moving forward, CHSE will continue to work closely with the various units and GCMT to further enhance and improve internal mechanisms with regards to crisis management.

ENVIRONMENT

As most of our business revolves around operating in the marine environment globally, it is in our interest to ensure minimal environmental impact on the oceans, seas and countries in which we operate in. We are also subject to international and local regulations in our areas of operation and hence, MISC is committed to ensure compliance to such regulations and where possible, to adhere to best practices in the industry.

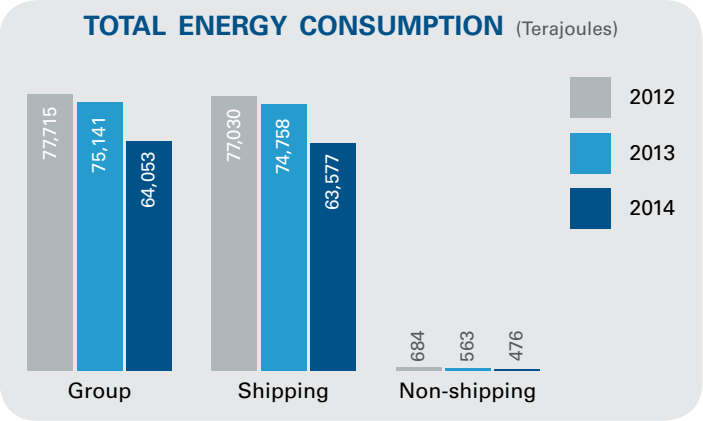
MISC continued to focus on climate change mitigation and adaptation through monitoring and conducting various initiatives across the Group. Since a very significant proportion of the Group's energy consumption and carbon emissions are derived from the shipping business, most of the mitigation efforts carried out throughout the Group are focused on the shipping business.

ENVIRONMENT

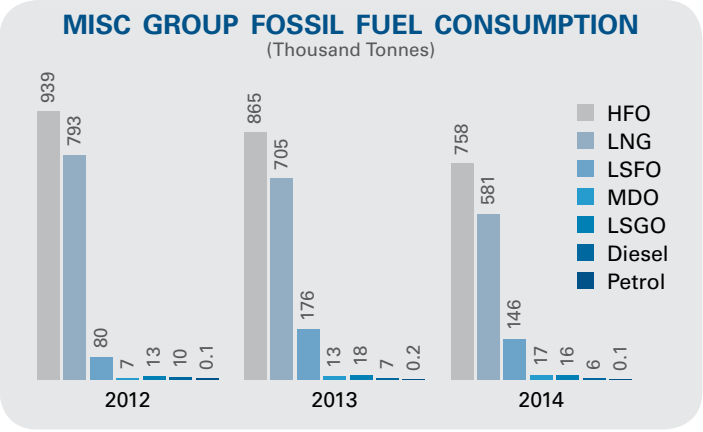
SUSTAINABILITY REPORT

ENERGY CONSUMPTION AND EMISSIONS

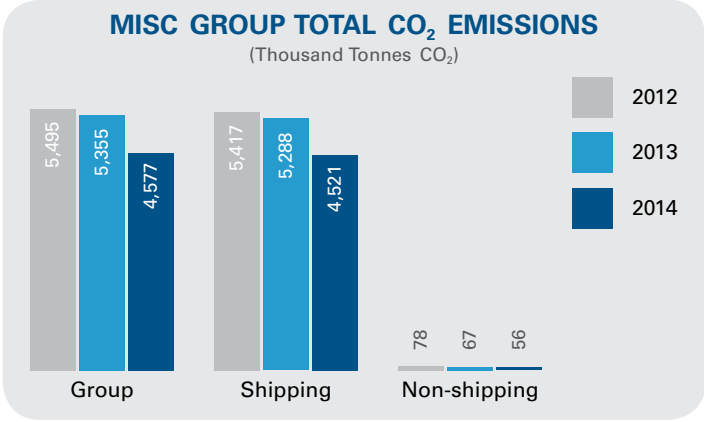
Total energy consumption for the MISC Group based on direct and indirect sources in 2014 was 64,053 terajoules (TJ) which is a 14.8% reduction from 2013. As with the previous years, most of the energy consumption, over 99% of total energy is a result of our shipping business through the burning of fuel.



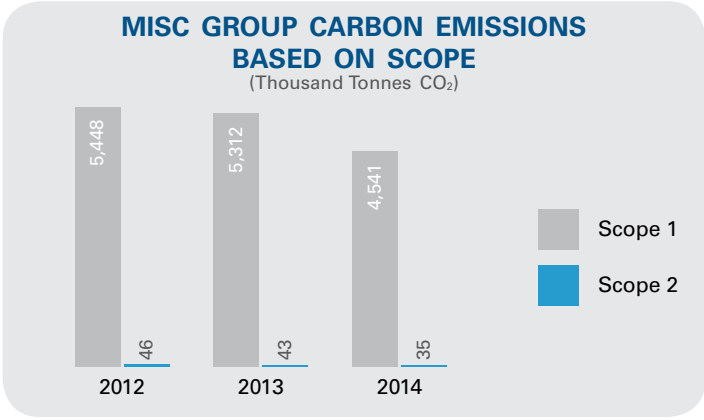
As such, fossil fuel consumption across the Group also saw a decline with the exception of Marine Diesel Oil (MDO). Heavy Fuel Oil (HFO) and LNG remained the primary choice of fuel for our vessels and operations. The use of Low Sulphur Fuel Oil (LSFO) and Low Sulphur Gas Oil (LSGO) also saw a decrease due to the reduced number of vessels in line with business rationalisation across the Group.



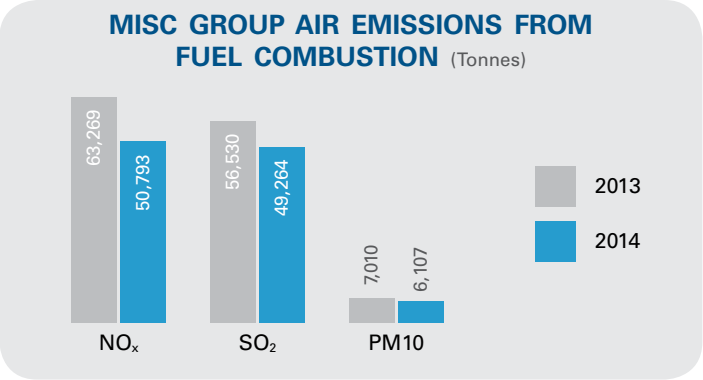
In line with lowered energy consumption across all units, total CO_2 emissions produced by the Group in 2014 also recorded a 14.5% reduction at approximately 4.6 million tonnes as compared to 5.4 million tonnes in 2013. The Group operated a fleet size of more than 100 vessels comprising of LNG Carriers, Petroleum Tankers and Chemical Tankers as at 31 December 2014. As such, the shipping business accounts for a very large proportion of the Group's total CO_2 emissions.



Similar to the previous years, over 99% of total carbon emissions is derived through combustion of fuel and thus, is categorised under Scope 1. Scope 2 emissions derived from indirect sources only constituted 0.8% of total carbon emissions in 2014.

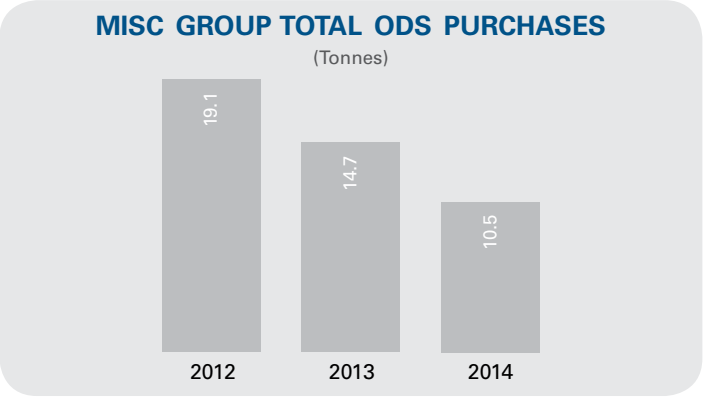


MISC also monitors the nitrogen oxide (NO_x) and sulphur dioxide (SO_2) emissions arising from its operations in line with the International Convention for the Prevention of Pollution from Ships (MARPOL). Additionally, parameters such as particulate matter (PM10) are also monitored for tracking purposes. In 2014, all NO_x, SO_2 and PM10 emissions recorded a decrease in line with lowered fuel consumption.



OZONE DEPLETING SUBSTANCES (ODS)

In 2014, a total of 10.5 tonnes of Ozone Depleting Substances (ODS) was purchased and utilised by the Group, a 28.9% decrease from 14.7 tonnes in 2013. The use of ODS in the shipping industry is currently being phased out under the provisions of the Montreal Protocol where signatory nations have agreed to reduce consumption and production of ODS to protect the ozone layer.



ENERGY EFFICIENCY INITIATIVES

Optimising energy consumption across the Group not only makes business sense as it reduces costs, but energy efficiency measures are also in-line with the Group's commitment to mitigate climate change. Over 99% of the Group's carbon emissions are derived from fuel combustion through its shipping business and hence, the energy efficiency initiatives adopted and implemented are primarily focused there. The Group has taken a long-term approach in carrying out these initiatives, some of which have shown greater progress in 2014:

- **Phase II "I Save Fuel" Programme**

  The Energy Efficiency Unit at FMS fully initiated the functionalities of the ISAVEFUEL Software System through the Phase II launch of the programme. The complete implementation of the ISAVEFUEL Software System on board MISC vessels will enable collection of energy data from Noon Reports, Arrival Reports and Departure Reports via a simple and integrated reporting tool which automatically transmits the data into the ISAVEFUEL Portal that can be easily accessed by shore-based operations.

  This fully automated system which is customised to MISC's requirements will collate information which is then presented via performance charts that are monitored by both the vessel and Energy Efficiency Unit to ensure that the vessel is within compliance of the baseline EEOI values. The full rollout of the ISAVEFUEL Software System has boosted data accuracy, simplified the reporting process and eased the monitoring of fuel efficiency aboard all MISC-owned vessels.

- **Low Friction Anti-Fouling Paint**

  MISC continued to carry out testing of Advanced Low Friction Anti-Fouling Paint on two more of its vessels in 2014. The paint is a specially formulated coating for ships that when applied, reduces hull resistance upon contact with water as well as inhibits the growth of marine organisms. This paint is also eco-friendly towards the marine ecosystem. Vessels that are coated with this paint are expected to achieve fuel savings of up to 4% which also results in lowered GHG emissions. In 2014, MISC-FMS fleet achieved fuel savings of 5,409 MT, equivalent to USD3.05 million as at 31 December 2014 which is 30% more fuel saved compared to 4,159 MT in 2013.

- **Propeller Boss Cap Fins (PBCF)**

  PBCFs are devices that are installed at the end of ships' propellers to help recapture some of the rotational energy generated by the propeller system which otherwise would have been lost. MISC continued to gain fuel savings from the use of PBCFs installed on some of its vessels where in 2014, a total of 5,015 MT of fuel was saved due to the use of PBCFs. This amount of fuel saved translates to USD2.82 million as at 31 December 2014 which is an increase of 6.4% increase compared to 4,715 MT fuel saved in 2013.

- **Energy Management**

  The ship management arm of AET is enhancing its sustainability initiatives with the adoption of "ISO 50001 - Energy Management". Conservation of energy resources and enhancement of productivity will provide competitive advantage through costs reduction and consequently, reduce carbon emissions. The requisite management

framework for ISO 50001 - Energy management is already in place and certification is planned to be completed by early 2015.

OTHER ENVIRONMENTAL INITIATIVES

Apart from the initiatives that specifically focus on energy efficiency and energy management, there were other environment-centric activities carried out throughout the year, both at sea and ashore. These include but were not limited to:

- **ISO14001:2004 Environmental Management Recertification**

  All ships managed by MISC – FMS are certified under the ISO14001:2004 Environmental Management Standard. This certification demonstrates our commitment to sound environmental management on board MISC's vessels and also provides our customers with the assurance that the proper systems are in place to adhere to all applicable environmental regulations in our fleet operations.

- **Environmental Ship Index (ESI) Certification**

  Around the world, key ports have committed to reduce emissions to air through the World Ports Climate Initiative (WPCI). WPCI influences supply chains for greater sustainability by engaging with vessels to support their measures to reduce emissions to air through the Environmental Ship Index (ESI). The ESI was developed to evaluate and identify vessels that exceed IMO regulatory compliance with regards to NO_x, SO_x and GHG emissions. Developed as an incentive programme, the ESI is then used by ports to reward participating vessels that meet the criteria. Two of MISC's chemical tankers are participants of the programme.

- **Environmental Management Programme (EMP)**

  Environmental Management Programme (EMP) is carried out at MHB as part of its licence to operate and entails regular environment monitoring activities. Carried out to ensure minimal impact on the surrounding environment, activities to date include air emissions monitoring, ambient air monitoring, wastewater sampling, noise monitoring, monitoring of effluent and discharge, as well as monitoring of spill containment facilities. On site, there is a Centralised Scheduled Waste store to ensure proper segregation and storage of hazardous waste, and an Industrial Effluent Treatment System (IETS) which safely processes wastewater prior to discharge. MHB's environmental conservation effort focuses on minimising the environmental impact of its activities and this is also seen through the newly launched MHB 7 Environment Rules.

- **"Our Environment, Our Future & Our Life" Campaign**

  In 2014, MHB launched the "Our Environment, Our Future & Our Life" campaign aimed at furthering the promotion of environmental conservation at the workplace. The campaign saw the launch of MHB's 7 Environment Rules as well as the promotion of the 3R Concept (Reduce, Reuse, Recycle) at the workplace. The 3R Concept has been well put in place at MHB through various initiatives including:

  - **Reuse of spent copper slag and spent garnet**

    MHB, with the approval from Department of Environment (DOE), have signed an agreement with local cement companies to transport the spent blasting materials for inclusion into blended cement as a sand replacement component. This recycling of waste material from one industry into input material for another industry helps minimise waste disposal and prolongs the lifecycle of materials.

  - **Recycling of used paint containers and expired/ discarded paint**

    All of used paint containers, expired paint and contaminated rags/filters were sent by MHB to DOE approved contractors for recycling, reuse or recovery.

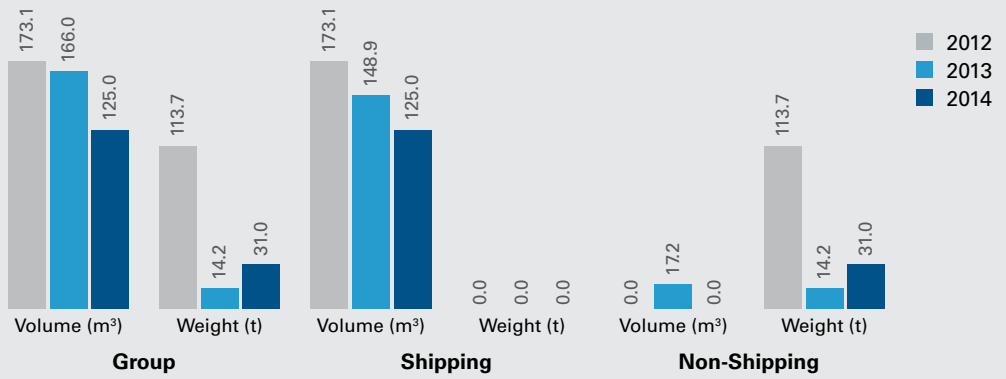
  - **Recovering the value of scheduled waste**

    Almost 100% of spent lubricating oil, spent hydraulic oil, electric and electronic waste, and acid battery waste in the yard were sent for recovery as valuable scheduled waste. This resulted in a savings of approximately RM0.5 million for MHB as a result of carrying out the 3R activities.

WASTE MANAGEMENT

Waste generation at the Group is measured by weight and by volume. Total waste measured in volume includes garbage, cargo residues, bilges and oil sludge generated from vessels. Total waste generation across the Group saw a decrease in 2014 compared to the previous year. Waste generated by volume was down 24.7% from 166,000 m^3 in 2013 to 125,000 m^3 in 2014 but waste generated by weight saw a twofold increase from 14,200 tonnes in 2013 to 31,000 tonnes in 2014. The increase in 2014 was due to the inclusion of non-hazardous waste data which was not previously captured in 2013.

MISC GROUP TOTAL WASTE GENERATION (Thousands)



ENVIRONMENTAL AWARDS AND RECOGNITIONS

In 2014, several of the Group's vessels had their Green Award Certification renewed again by the Green Award Foundation. The Green Award Certification is an acknowledgement by the Rotterdam Municipal Port Management and the Dutch Ministry of Transport to identify vessels that are operating well above safety and environmental standards. Vessels which are Green Award Certified receive a considerable reduction on port dues at ports in Belgium, Canada, Japan, Latvia, Lithuania, the Netherlands, Oman, New Zealand, Portugal and South Africa apart from receiving recognition from incentive providers, government institutions as well as private companies.

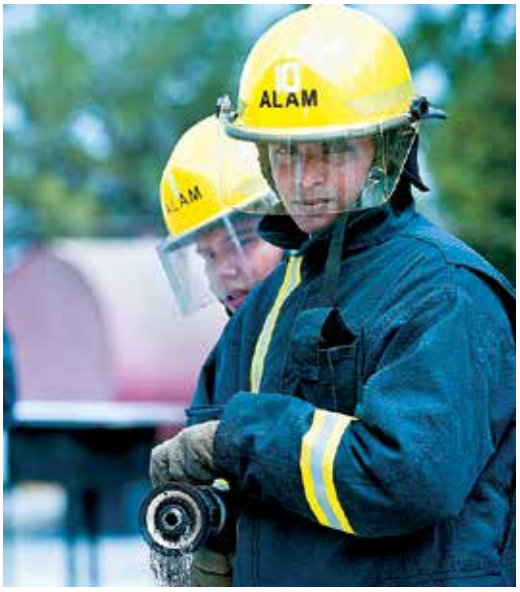
As at 31 December 2014, two of our chemical vessels, five of our Seri "B" Class MISC LNG tankers and thirteen AET petroleum tankers have been accredited with Green Awards, making a total of 20 vessels certified.

The Chamber of Shipping of America (CSA) has organised Environmental Achievement Awards for owners and operators to be recognised for their endeavours in minimising impact to the environment. In total, 53 AET vessels operating in the Gulf of Mexico were recipients of the 2014 awards with Eagle Boston achieving 18 years of zero spillage and zero pollution violations.

Business Unit	Ship	Current Certificate Issued
Chemical	Bunga Akasia	2011
	Bunga Alamanda	
LNG	Seri Balhaf	2011
	Seri Balqis	2012
	Seri Begawan	
	Seri Bijaksana	
	Seri Bakti	2013
AET	Eagle Kinabalu	2011
	Eagle Klang	
	Eagle Kuantan	
	Eagle Tampa	
	Eagle Trenton	2012
	Eagle San Antonio	2013
	Eagle San Diego	
	Eagle San Juan	
	Eagle Toledo	
	Eagle Tuscon	
	Eagle Kangar	2014
	Eagle Kinarut	
	Eagle Kuching	

COMMUNITY INVESTMENT

Community investment continued to be the primary method of demonstrating MISC's approach towards active and good corporate citizenship. Malaysian Maritime Academy Sdn. Bhd. (ALAM) remained the primary arm through which the Group promotes maritime education and youth development, especially through the Cadet Sponsorship Programme.



BUILDING FUTURE MARITIME LEADERS

Incorporated in 1977, ALAM not only continues to be an internationally recognised Maritime Education and Training (MET) institution by Det Norske Veritas - Germanischer Lloyd (DNV-GL) but also serves as an arm to which the MISC Group carries out its community investment initiatives through maritime education since it became a subsidiary of the Group.

As one of the leading maritime academies in the region, ALAM has proved to be committed to its role in promoting the seafaring career as attractive and rewarding with long-term prospects, not only at sea but also in the broader maritime industry. Apart from the MISC Group, other organisations also utilise the training programmes provided by ALAM in the maritime and Oil & Gas sectors to equip their employees with the necessary skills and certifications required by the industry.

The MISC Cadet Sponsorship Programme continues to be a core part of our community investment initiatives through ALAM. A total of 89 cadets were sponsored by the Group in 2014, four of which were female cadets. Under the Cadet Sponsorship Programme, the Group sponsors the best and brightest talents for either the Diploma in Nautical Studies or the Diploma in Marine Engineering course at ALAM. The total number of cadets sponsored in 2014 decreased by 18.3% compared to a total of 109 cadets in 2013 due to a lack of readily available ship berths for shipboard practical training for the cadets. Although there was a slight decrease in the number of cadets sponsored compared to the previous year, this programme continues to receive recognition and participation from students, parents and international organisations which contributes to its growth year after year.

The year 2014 also marked another milestone for ALAM as the Academy celebrated its 110th Convocation Ceremony on 5 April 2014 where a total of 262 cadets received their diplomas. Since opening its doors to the recruitment of female cadets in 2006, a total of 172 female cadets have passed through ALAM. The rising number of local and international cadets enrolled over the past few years have shown that ALAM continues to be an internationally recognised institution of choice for both young men and women from Malaysia, Philippines, India, China, Yemen, Iran, Bangladesh, Indonesia and Ukraine. Additionally, since 2008, MISC have sent a total of four cadets to further their education at the prestigious United States Merchant Marine Academy (USMMA), or better known as "Kings Point". On 21 June 2014, MISC saw the graduation of two of its cadets with another cadet due to graduate in June 2015.

INTERNATIONAL MARITIME COLLABORATION

On 3 to 4 April 2014, ALAM played host to members of the maritime fraternity from all around the globe at the annual Global Maritime Education and Training Association's (GlobalMET) conference in Kuala Lumpur. GlobalMET is a conglomerate of international training institutions and has been at the forefront in pushing for enhancements of seafarer training since its establishment in 1996. Participants from government agencies, port authorities, ship owners, training institutions and classification societies use GlobalMET as a platform to share their ideas for the training of the current and future generation of seafarers.

On 4 October 2013, MISC entered into a Memorandum of Agreement with the Philippines Coast Guard (PCG) where MISC will provide two sailing berths annually to PCG officers on board MISC's LNG carriers for training purposes. This collaboration was carried out with the objective of strengthening bilateral ties between the two countries and also between the relevant authorities. In 2014, two PCG officers successfully completed their training on board the Puteri Mutiara Satu in August, making it the second year that this programme was successfully carried out.

COMMUNITY INVESTMENT

REACHING COMMUNITIES

Community investment initiatives are also carried out through Outreach Programmes where MISC employees are given the opportunity to plan and participate in them. As the main thrust of MISC's community investment focuses on education, most of the Outreach Programmes focused on providing educational assistance and motivation to underprivileged children. Some of the notable programmes carried out for the year were:

- "**We Care, We Strive, We Excel"** – A motivational programme to support underprivileged students amongst the Orang Asli (indigenous) community at Sekolah Kebangsaan (SK) Bukit Lanjan (Asli). Several initiatives were carried out as part of this programme including an educational trip, a motivational talk and upgrading works to the study room that was also established by MISC in the previous year.

- **Project "Mata Hati"** – A long-term development programme with the visually impaired students of SM Pendidikan Khas Setapak, the programme aims to promote the exploration of arts amongst these students. Some of the activities that were carried out during the year included an art exhibition to feature the students' artworks, an advanced cooking class in partnership with the Young Chefs Academy, an Open Day and an Annual Charity Luncheon.
- "**Unravelling the Mogul"** – A long-term business competition created to instil an entrepreneurial mind-set among school students, a total of five schools were selected to participate in 2014. These schools were Sekolah Menengah (SM) Sains Alam Shah, Sekolah Menengah Kebangsaan (SMK) Aminuddin Baki, SM Sains Selangor, SMK Seri Bintang Selatan and Victoria Institution. The objective of the programme was to set up a viable and profitable business using seed money provided by MISC. At the end of the competition, the proceeds were channelled back for the benefit of each of the schools.
- **"MHB Knights of Nature"** – Aimed at educating and encouraging young adults on the importance of volunteering and playing an active role in community care and community welfare, the Outreach Team at MHB partnered with EcoKnights to organise the "Knights of Nature" Sustainability Camp for youths in Johor. Apart from learning the value-add of volunteering, it also provided opportunities for the participants to gain leadership skills, teamwork, time management and problem solving.
- "**Cultivating Healthier Tomorrows"** – AET Houston employees volunteered at the University of Houston's Campus Community Garden in support of the garden's mission to promote healthy communities, sound nutrition and respect for the environment. The garden is a community education and public health initiative that depends on volunteers for maintenance. All produce harvested are donated to local homeless shelters and food banks which provide meals to the area's families in need.

Other Outreach Programmes carried out throughout the year include but were not limited to:

- "Mountain of Life"
- Developing Soft Skills
- "Engkau Bagaikan Permata"
- Improving for the Future
- "Satu Sentuhan Sejuta Harapan"
- Developing Youth
- "MHB Art of Science"
- "Go Green"
- "MHB Cares"
- Fundraising for Charity
- Annual Gift Drive

CONTRIBUTIONS FOR A CAUSE

Apart from community investment initiatives, the Group is also involved in philanthropic and charitable giving where we support numerous associations in the countries we operate in. Throughout the financial year, we provided financial assistance towards the following:

- Contribution to "Pertubuhan Kebajikan Rumah Pengasih Warga Prihatin", an orphanage in Kuala Lumpur.
- Contribution of "Hari Raya" gift packages to the Malaysian Armed Forces (MAF) and the Malaysian Maritime Enforcement Agency (MMEA).
- Sponsorship for "Malam Amal Samudra Perkasa" Charity Dinner for the Royal Malaysian Navy Veterans Society.
- Sponsorship for the Malaysian Shipowners' Association (MASA) Annual Golf Tournament 2014 at Sultan Abdul Aziz Shah Golf Club, Shah Alam.
- Sponsorship for MASA Annual Dinner 2014 at Kuala Lumpur Convention Centre.
- Sponsorship of MASA Charity Golf Tournament 2014 at Bukit Kemuning Golf and Country Report, Shah Alam.
- Sponsorship for Malaysia Joint Branch Royal Institution of Naval Architects (RINA) and Institute of Marine Engineering, Science and Technology (IMarEST) 27th Annual Dinner in Kuala Lumpur.
- Contribution of five haemodialysis machines to the Waqaf An-Nur Hospital in Pasir Gudang, Johor in collaboration with 28 MHB contractors.
- Contribution towards the Welfare and Education Fund of Retired Malaysian Naval Officers Association (RMNOA).
- Sponsorship for the Retired Malaysian Naval Officers Association (RMNOA) Charity Golf Tournament.

SUPPORTING THE NATION

MISC's auxiliary naval vessel, Bunga Mas Enam (BM6) was deployed on 16 April 2014 together with KD Lekiu from the Royal Malaysian Navy (RMN) in search of MH370 alongside other vessels from China, Australia, United Kingdom and the United States of America (USA). BM6 was deployed to the Southern Corridor of the Indian Ocean and carried a crew of 25 MISC sea staff who are also members of the RMN Volunteer Reserve Unit.

BM6, a 699 TEU containership, was the second Malaysian merchant ship to be modified as an auxiliary vessel for RMN in August 2011. This initiative was carried out following the previous hijacking of two MISC ships in the Gulf of Aden in 2008. MISC in partnership with the RMN also utilises BM6 to provide security escort for MISC vessels in the Gulf of Aden, Indian Ocean, West Africa and Gulf of Guinea which are known to be high risk areas for incidences of piracy.

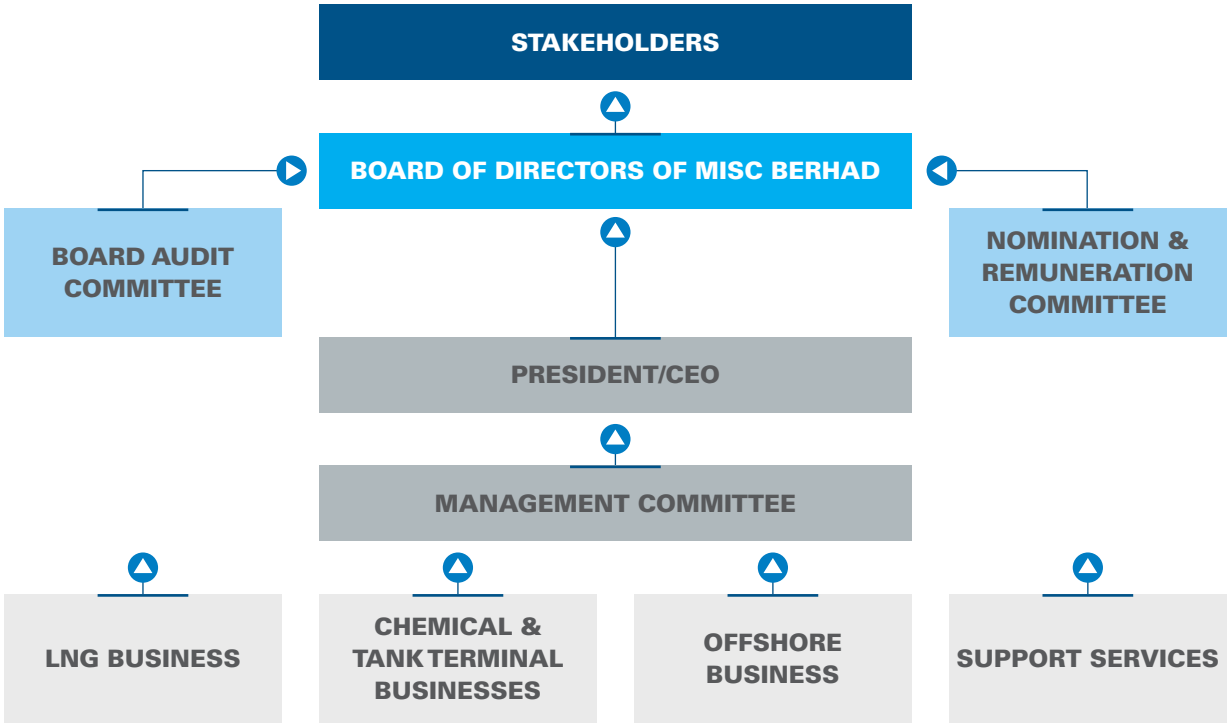
STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("the Board"), Management and employees of MISC Berhad ("MISC" or "the Company") remain resolute and committed in upholding a high standard of corporate governance practices throughout the MISC Berhad Group ("the Group"). The Company adopts a corporate governance framework which is premised on the belief that sound corporate governance practices are fundamental towards winning investors' confidence. They are prerequisites to achievement of the Company's ultimate objectives of enhancing long-term shareholders' value and protecting shareholders' interest.

The Board strives to ensure that the Company's corporate governance practices conform to the best practice recommendations as laid down in the Malaysian Code on Corporate Governance 2012 ("the Code"). The Company's corporate governance practices also conform to the requirements of Bursa Malaysia Securities Berhad's ("Bursa Securities") Main Market Listing Requirements ("MMLR"). It is also guided by Bursa Securities' Corporate Governance Guide (2nd Edition).

CORPORATE GOVERNANCE FRAMEWORK

The Company's corporate governance framework is reviewed by the Board from time to time to ensure its relevance and ability to support operational requirements. The corporate governance structure of the Company, as shown below, illustrates how the MISC Corporate Governance Framework is structured in terms of responsibility and accountability. Each layer of responsibility, i.e., Board of Directors, Board Committees, Management Committee, Business Units and Service Units, is distinctly different but compliments each other in attaining the objectives of the Group.



The Group's other business units such as Heavy Engineering Business, Petroleum Business, Integrated Logistics Business and Maritime Education & Training reside in separate companies within the Group and have their own separate corporate governance frameworks that are largely modelled along the lines of the Company's corporate governance framework.

The Board is pleased to disclose the Company's application of the principles as set out in the Code.

BOARD OF DIRECTORS

The Group continues to be led by a dynamic Board which plays a vital role in the stewardship of the Group's strategic direction and operations. Decisions on material matters are reserved for the Board. These include the overall Group strategies and directions, acquisitions and investment or divestment policies, major projects and capital expenditures, budgets and significant financial matters, as well as major human resource policies and oversight over risk management. The Board also monitors the overall performance of the Group.

a. Board Composition

The Board currently has ten (10) Directors comprising a Chairman who is an Independent Non-Executive Director, five (5) other Independent Non-Executive Directors, three (3) Non-Independent Non-Executive Directors and the President/CEO who is a Non-Independent Executive Director. The Non-Independent Non-Executive Directors are YBhg. Datuk Manharlal Ratilal and En. Mohd. Farid bin Mohd. Adnan, who are nominees of Petroliam Nasional Berhad ("PETRONAS"), and YBhg. Datuk Nasarudin Md Idris.

The composition of the Board has seen the following changes since the close of the financial year ended 31 December 2014:-

- Effective 1 January 2015, the Company appointed Mr. Yee Yang Chien as its President/CEO to replace YBhg. Datuk Nasarudin Md Idris, who had retired from the Company. YBhg. Datuk Nasarudin Md Idris was re-designated as Non-Independent Non-Executive Director.

- Effective 15 January 2015, the Company appointed YBhg. Dato' Ab. Halim bin Mohyiddin as Independent Non-Executive Director and new Chairman in place of YBhg. Datuk Manharlal Ratilal who continues his directorate as Non-Independent Non-Executive Director. The Company also appointed YBhg. Dato' Sekhar Krishnan as Independent Non-Executive Director effective 15 January 2015.

The composition of the Board is in compliance with Paragraph 15.02 of the MMLR which stipulates at least two (2) or one-third (1/3) of the Board members shall be Independent Directors, whichever is higher.

Membership of the Board is drawn from various professional backgrounds, bringing in depth and diversity in experience, expertise and perspectives to guide the Group. To ensure a balance of power and authority and clarity in decision making, there is a clear division of responsibilities between the roles of the Chairman and the President/CEO. As the Chairman, YBhg. Dato' Ab. Halim bin Mohyiddin is primarily responsible to lead the Board for the orderly conduct and effectiveness of the Board in discharging its responsibilities, whilst Mr. Yee Yang Chien, as the President/CEO, is responsible for the overall operations of the business, organisational effectiveness and the implementation of the Group's strategies and policies as guided by the Board. The President/CEO is assisted by the Management Committee in managing the Group's business operations on a day-to-day basis. The Management Committee is responsible in the implementation of the Group's policy and procedures as well as all strategic decisions of the Board.

The six (6) Independent Non-Executive Directors, including the Chairman, are independent of management and free from any business or other relationships that could materially interfere with the exercise of their independent judgement. Besides their skills and experience, the Independent Non-Executive Directors are individuals of strong calibre and standing. This ensures that the strategies proposed by the Management are open to constructive challenges and are fully deliberated and examined for the long-term interest of the Group, as well as of the stakeholders.

The composition of the Board is further enhanced in terms of gender diversity. This is evident where two (2) out of the five (5) Independent Directors are women.

Each individual member of the Board is expected to devote sufficient time to the Company in carrying out their duties and responsibilities. The Chairman will be notified before the Directors accept any new directorship outside the Group. The notification includes an indication of time that will be spent on the new appointment.

The profiles of the Board members are presented on pages 30 to 39 of this Annual Report.

b. Board Meetings and Supply of Information

Board Meetings are scheduled in advance of any new financial year to facilitate Directors to plan ahead and fit the year's meetings into their schedules. The Board meets every quarter and additional meetings are held as and when required. During the financial year ended 31 December 2014, ten (10) Board Meetings were held.

All Board members complied with Paragraph 15.05(3)(c) of the MMLR which states that the office of a Director will become vacant if the Director is absent from more than 50% of the total Board meetings held during a financial year.

It is a mandatory practice at all the Company's Board meetings that in the event that any Director is interested in a particular matter to be deliberated by the Board, the Director is required to declare the nature of his interest, whether direct or indirect, prior to the deliberation. The interested Directors are then required to abstain from deliberation and voting on the particular matter. Where necessary, he may also excuse himself from the meeting when the matter is being deliberated.

Records of attendance of each Director at Board meetings held in the year under review are as follows:-

Director	Number of Board Meetings Attended
Dato' Ab. Halim bin Mohyiddin (appointed on 15 January 2015)	NA
Datuk Manharlal Ratilal	9/10
Mr. Harry K. Menon	10/10
Dato' Sekhar Krishnan (appointed on 15 January 2015)	NA
Dato' Halipah binti Esa	9/10
Datuk Nasarudin Md Idris	10/10
Dato' Kalsom binti Abd. Rahman	10/10
En. Mohd. Farid bin Mohd. Adnan	8/10
Mr. Lim Beng Choon	9/10
Mr. Yee Yang Chien (appointed on 1 January 2015)	NA

The agenda and full set of Board Papers are distributed prior to Board Meetings to ensure that Directors have sufficient time to read and be prepared for discussion at the meetings. Comprehensive and balanced financial and non-financial information are encapsulated in the papers covering amongst others, strategic and operational issues, financial and governance matters, regulatory and marketing matters, risk factors, human resource issues and any other issues as identified by the Board.

Minutes of Board Meetings which include a record of the decisions and resolutions of the Board Meetings are properly maintained by the Company Secretary. The Directors have full access to the advice and services of the Company Secretary who is responsible for ensuring that Board Meeting procedures are followed. The Company Secretary also serves and advises the Board on matters relating to compliance with relevant laws, rules, procedures and regulations affecting the Board and the Group, as well as best practices on corporate governance.

c. Company Secretaries

To ensure the effective functioning of the Board, all Directors have direct access to the advice and services of the Company Secretaries. The Company Secretaries play an advisory role to the Board in relation to compliance with relevant laws, rules, regulations and governance best practices, boardroom effectiveness and Directors' duties and responsibilities.

The Company Secretaries ensure that deliberations at meetings of the Board and Board Committees are properly captured, minuted and communicated to relevant management for necessary action.

d. Appointment and Re-election of Directors

The Nomination and Remuneration Committee ("NRC") has the responsibility in making recommendations for new appointments to the Board. In making these recommendations, the NRC assesses the suitability of candidates, taking into account the required mix of skills, knowledge, expertise and experience, professionalism, integrity, competencies and other necessary qualities, before recommending potential new Directors to the Board for appointment.

In accordance with Article 95 of the Company's Articles of Association ("the Articles"), all Directors who are newly appointed to the Board shall hold office until the next Annual General Meeting ("AGM") subsequent to their appointment and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that AGM. Article 97 of the Company's Articles also provide that at least one-third (1/3) of the Directors shall retire from office by rotation at least once in every three (3) years but shall be eligible for re-election.

At the forthcoming AGM, YBhg. Dato' Ab. Halim bin Mohyiddin, YBhg. Dato' Sekhar Krishnan and Mr. Yee Yang Chien are retiring pursuant to Article 95 of the Articles as they are newly appointed to the Board after the last AGM and being eligible, have offered themselves for re-election. Meanwhile, YBhg. Dato' Halipah binti Esa and Mr. Lim Beng Choon are retiring pursuant to Article 97 of the Articles and being eligible, have also offered themselves for re-election.

The re-election of Directors is also regulated by the provision of Section 129(6) of the Companies Act, 1965 which provides that Directors over seventy years of age are to retire at every AGM and may offer themselves for re-election. However, none of the Company's Directors has reached seventy years of age as at the date of this Annual Report. A retiring Director shall retain office until the close of the general meeting at which he or she retires.

The Board is cognisant of the recommendation of the Code that the term for Independent Non-Executive Directors should not be more than nine (9) years. In view of this, the Board had through the NRC, actively deliberated on the succession planning of the members of the Board. This had resulted in the appointment of YBhg. Dato' Ab. Halim bin Mohyiddin as Independent Non-Executive Director and new Chairman, and the appointment of YBhg. Dato' Sekhar Krishnan as new Independent Non-Executive Director, both effective 15 January 2015. YBhg. Dato' Sekhar Krishnan was also made a Member of the Board Audit Committee ("BAC") effective 1 March 2015.

With regard to Independent Non-Executive Directors who have served the Company for more than nine (9) years, i.e., Mr. Harry K. Menon, YBhg. Dato' Halipah binti Esa and YBhg. Dato' Kalsom binti Abd. Rahman, the Board believes that their independence has never been compromised and they have diligently delivered the duties and responsibilities as expected of them, including in protecting the minority shareholders' interest. The Board is of the opinion that Mr. Harry K. Menon, YBhg. Dato' Halipah binti Esa and YBhg. Dato' Kalsom binti Abd. Rahman would continue to be professional and will discharge their duties and responsibilities as Independent Non-Executive Directors of the Company.

All the Independent Non-Executive Directors have also completed the independent directors' self-assessment checklist as provided by the Bursa Securities' Corporate Governance Guide (2nd Edition). Apart from being on the Board for more than nine (9) years, for Mr. Harry K. Menon, YBhg. Dato' Halipah binti Esa and YBhg. Dato' Kalsom binti Abd. Rahman, there exist no other elements that would compromise their independence.

e. Directors' Remuneration

The NRC is responsible for reviewing and recommending to the Board the Director's remuneration in line with the responsibilities and contributions made for the year. In line with the Code, the Company aims to set remuneration for Directors at levels which are sufficient to attract and retain persons of calibre to guide the Group, taking into consideration the workload and responsibilities involved.

The level of remuneration for Non-Executive Directors reflects the level of responsibilities undertaken and contributions made by them. With the exception of the President/CEO, all Non-Executive Directors are paid Directors' fees which are subsequently approved by the shareholders at the AGM. However, all payments of Directors' fees for executives of PETRONAS with the positions of Vice President and above, representing PETRONAS on the boards of PETRONAS' subsidiaries/associated companies,are treated as management fees and are paid directly to PETRONAS. The Company paid RM246,000 as management fees to PETRONAS during the financial year ended 31 December 2014 in respect of Directors' fees and meetings attendance allowances for Datuk Manharlal Ratilal and En. Mohd. Farid bin Mohd. Adnan.

The breakdown of Directors' fees and attendance allowances received by each Director for the financial year ended 31 December 2014 is listed below:-

	Name of Directors	Annual Fees (RM)	Board Attendance Allowance (RM)	Board Committees Attendance Allowance (RM)	Total (RM)
1.	Dato' Ab. Halim bin Mohyiddin (appointed on 15 January 2015)	NA	NA	NA	NA
2.	Datuk Manharlal Ratilal (re-designated on 15 January 2015)	NIL	NIL	NIL	NIL
3.	Datuk Nasarudin Md Idris (re-designated on 31 December 2014)	NIL	NIL	NIL	NIL
4.	Mr. Harry K. Menon	72,000	30,000	15,000	117,000
5.	Dato' Sekhar Krishnan (appointed on 15 January 2015)	NA	NA	NA	NA
6.	Dato' Halipah binti Esa	72,000	27,000	23,000	122,000
7.	Dato' Kalsom binti Abd. Rahman	72,000	30,000	20,000	122,000
8.	En. Mohd. Farid bin Mohd. Adnan	NIL	NIL	NIL	NIL
9.	Mr. Lim Beng Choon	72,000	27,000	10,000	109,000
10.	Mr. Yee Yang Chien (appointed on 1 January 2015)	NA	NA	NA	NA
	TOTAL	**288,000**	**114,000**	**68,000**	**470,000**

Information on Directors' remuneration for the year under review presented in bands are on pages 198 to 199 of this Annual Report.

BOARD COMMITTEES

To ensure effectiveness in discharging its duties and responsibilities, the Board is assisted by the Board Committees which operate under their respective terms of reference. Meetings of Board Committees are normally scheduled prior to Board meetings to enable the Board Committees to go through the relevant papers before they are tabled to the Board for decisions.

During Board meetings, the Chairpersons of each Board Committee provide summary reports of the recommendations and decisions made at respective Board Committee meetings and highlight to the Board any further deliberation that are required at Board level.

The Company has two (2) Board Committees, namely the Board Audit Committee and the Nomination and Remuneration Committee.

a. Board Audit Committee

The composition, terms of reference and a summary of the activities of the Board Audit Committee ("BAC") are set out separately in the BAC Report on pages 134 to 139 of this Annual Report. The terms of reference of the BAC provides clarity on the responsibilities of the BAC and reflects the BAC's oversight role on governance, financial reporting, risk management and internal control.

b. Nomination and Remuneration Committee

The Nomination and Remuneration Committee ("NRC") consists of the following members:-

	Name of Member	Designation	Directorate
1.	YBhg. Dato' Halipah binti Esa	Chairperson	Independent Non-Executive Director
2.	YBhg. Dato' Kalsom binti Abd. Rahman	Member	Independent Non-Executive Director
3.	En. Mohd. Farid bin Mohd. Adnan	Member	Non-Independent Non-Executive Director

The functions of the NRC include:-

- to assess and recommend the appointment Board members and Board Committee members to the Board.
- to conduct annual review of the Board's required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors and President/CEO should bring to the Board.
- to implement a formal process for assessing the effectiveness of the Board as a whole, the Board Committees and also the contribution of each individual Director to the effective decision making of the Board, through an evaluation process.
- to make recommendations to the Board on the appointment or extension of Management Committee members' employment.
- to recommend to the Board the remuneration and compensation of the Non-Executive Directors, the President/CEO, Management Committee members and the salary increment and bonus quantum for the Group.

The NRC had five (5) meetings during the financial year ended 31 December 2014. YBhg. Dato' Halipah binti Esa and YBhg. Dato' Kalsom binti Abd. Rahman attended all the five (5) meetings, whilst En. Mohd. Farid bin Mohd. Adnan attended three (3) of the meetings. Key activities of the NRC during the year are:-

i. Conducted the annual Board Performance Evaluation process. The NRC reviewed the Board performance for the financial year ended 31 December 2013 against the KPIs set for the Board and identified certain ways and means to improve Board operations. This included a review of the effectiveness Management responsibilities in supporting the Board to perform its oversight role on risk management and certain aspects of internal control.

ii. In line with the Recommendations 3.2 and 3.3 of the Code, a review of the tenure of the Independent Directors who have been with the Company for more than nine (9) years was also conducted, whereupon the Board decided to retain the said Directors as Independent Directors without obtaining shareholders' approval in view that their independence and professionalism have never been impaired.

iii. Deliberations took place on the succession planning plan and policy of the Company. In addition, as part of succession planning of the President/CEO, the NRC deliberated and recommended to the Board that Mr. Yee Yang Chien, Chief Operating Officer and Vice President, Corporate Planning and Development, be appointed as the President/CEO of the Company in place of YBhg. Datuk Nasarudin Md Idris who was retiring.

iv. With regard to the succession planning of Board members, potential candidates for new Independent Directors were reviewed. Focus was given to relevant regulatory requirements, the need for the right mix of skills and experience and succession of Independent Directors who have served for more than nine (9) years.

v. The NRC also deliberated the results of MISC 2014 Balanced Scorecard and the proposed MISC 2015 Balanced Scorecard. Other matters deliberated by the NRC are the MISC Remuneration Process and the renewal of contracts of employment for senior management.

DIRECTORS' TRAINING AND DEVELOPMENT

All Board members of the Company are encouraged to attend continuous education programmes, talks, seminars, workshops and conferences in order to ensure they keep abreast with new developments in the business and economic environment, to enhance their skills, as well as ensuring that they possess the necessary knowledge to enable them to discharge their duties and responsibilities more effectively.

The NRC also undertook a review of the training requirements of Directors where a more customised approach was taken to fit the needs of the respective Directors. This is an annual exercise where the Company would gauge the Directors' training and development needs through a questionnaire. Further review is conducted as to the core competencies which Directors should bring to the Board. Relevant training programmes are then arranged by the Company Secretaries for the Directors. A dedicated in-house training programme is also organised for all company directors and Management personnel within the Group on an annual basis.

All Board members of the Company have attended the Mandatory Accreditation Programme as required by the MMLR.

The training programmes attended by the Board members during the year under review include:-

	Title	Organiser	Date
1.	MISC Board of Directors' Talk on Lease Accounting	MISC	7 January 2014
2.	KLCCP and KLCCH Directors' Training - GST Conference 2014	Tricor Tax Services Sdn. Bhd.	22 January 2014
3.	PNB Investment Series : PNB Nominee Directors Convention 2014 - Managing Stakeholders' Expectations in the Fast Changing Business Trends Towards Value Creation	Perbadanan Nasional Berhad ("PNB")	18 February 2014
4.	Effective Thought Structuring Workshop	PETRONAS	25 February 2014
5.	Goods and Services Tax	PETRONAS Dagangan Berhad	12 March 2014
6.	Audit Committee Conference 2014 - Stepping up for Better Governance	The Institute of Auditors Malaysia and Malaysia Institute of Accountants	20 March 2014
7.	Briefing Session on Corporate Governance Guide - Towards Boardroom Excellence	Bursa Malaysia Berhad	26 March 2014

	Title	Organiser	Date
8.	Competition Law • Understanding Competition Act 2010 and Identifying the Relevant Markets • Exploring Cartel, Objects and Effect in Section 4 and the Abuse of Dominant Position in Section 10 • Exclusive Distribution Agreements, Exclusive Dealing Agreements and Resale Price Maintenance and Case Studies • Exemptions, Penalties and Compliance	LION Group	30 April 2014
9.	Annual External Environment Analysis and Sectorial Outlook	MISC	7 August 2014
10.	The Role of the Board in Behavioural Issues Aligning Business and Human Capital Strategies	Financial Institutions Directors' Education Programme, BNM and PIDM	12 August 2014
11.	PETRONAS Directors' Training - Board Dynamics	PETRONAS	25 August 2014
12.	CAANZ-MICPA Audit Forum : Risk Management - Walk the Talk	Chartered Accountants of Australia and New Zealand and the Malaysian Institute of Chartered Public Accountants	5 September 2014
13.	Annual ASEAN Corporate Governance Summit 2014 - Governance and Regulatory Updates	Malaysian Institute of Corporate Governance and Federation of Public Listed Companies Berhad	1-2 October 2014
14.	MISC Board of Directors' Annual Training • Conflict of Interest • Finance & Accounting Treatment Issues • Outlook of LNG Shipping Industry • Outlook of Oil & Gas Industry	MISC	15 October 2014
15.	Customised Advocacy Session for Directors : Current Statement and Future Direction - Regulatory Perspective - Trends in Sustainability and Corporate Governance	Bursa Malaysia Berhad	27 November 2014

INVESTOR RELATIONS

The Board values its dialogue with both institutional shareholders and private investors and recognises the importance of providing timely and equal dissemination of relevant information to them.

The AGM is the principal forum of dialogue with the shareholders and also an avenue for the Chairman and Board Members to respond personally to all relevant questions and provide sufficient clarification on issues and concerns as raised by the shareholders. The Chairman plays a pivotal role in accommodating a constructive dialogue amongst shareholders, the Board and Management. The shareholders are strongly encouraged to attend, speak and vote at the Company's general meetings. In compliance with

the MMLR, the Company will hold a poll voting whenever general meetings to decide on related party transactions are held.

Other forums for communication between the Company and shareholders are as follows:-

- the Company's other general meetings (if any);
- quarterly financial statements and annual reports;
- announcements on major developments to Bursa Securities;
- the Company's website at www.misc.com.my; and
- quarterly briefing sessions between the Company's Management and analysts and investors.

Further details on the Company's investor relations activities are provided in page 88 of this Annual Report.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to present a balanced and meaningful assessment of the Group's financial performance, position and prospects, primarily through the annual financial statements and quarterly announcements of results to the shareholders as well as the Chairman's Statement and President/CEO's Report on the business segment review in the Annual Report. The Board is assisted by the BAC to oversee the Group's financial reporting processes and the quality of its financial reporting.

Risk Management and Internal Control

The Board acknowledges its overall responsibility for continuous maintenance of a sound risk management framework and internal control to safeguard shareholders' investment and the Group's assets. This principle is elaborated under the Statement on Risk Management and Internal Control by the Directors in pages 126 to 130 of this Annual Report.

Relationship with the External Auditors

The Board ensures that there are formal and transparent arrangements for the maintenance of an objective and professional relationship with the external auditors. The BAC had private meetings with the external auditors twice during the year under review without the presence of management personnel to discuss any matters that the BAC or the external auditors may wish to highlight.

Code of Conduct and Business Ethics

The Company observes its own Code of Conduct and Business Ethics ("CoBE"), including the Whistle-blowing Policy and the No Gift Policy. The CoBE is applicable to all Directors, employees and third parties performing works or services for and on behalf of the Company. It governs the desired standard of behaviour and ethical conducts expected from each individual to whom the CoBE applies.

The Company adopts the PETRONAS' Anti-Bribery and Corruption Manual ("ABC Manual"), which applies to all Directors and employees of the Group as well as the Company's agents and contractors. The ABC Manual supplements the CoBE and provides the basis on which the Company will be able to defend itself against any corruption charges that may be brought by any parties against the Company.

Related Party Transactions

The Group has put in place procedures, internal controls and guidelines to ensure that Related Party Transactions ("RPTs") and Recurrent Related Party Transactions ("RRPTs") are entered into on normal commercial terms and on terms which are not more favourable than those generally available to third parties dealing on arms' length basis and are not detrimental to the minority shareholders of the Company.

The BAC is responsible to ensure the following:-

a) That a framework and appropriate procedures are in place for the purposes of identifying, monitoring, evaluating, reporting and approving RPTs and RRPTs;

b) That a review of any RPTs or RRPTs and conflict of interests that may arise within the Group is conducted; and

c) That the established procedures are adequate in order to ensure that the RPTs and RRPTs are entered into in the best interest of the Company, on fair and reasonable commercial terms and not detrimental to the interest of minority shareholders.

The Group's internal Guidelines on RPTs and RRPTs are summarised as follows:

- Information on related parties and procedures applicable for RPTs and RRPTs which involve interest, direct or indirect, of such related parties shall be disseminated from time to time to all MISC's business and service units as well as subsidiaries, for their reference.

- All Business Units and Service Units shall review their existing information systems on an on-going basis to ensure that relevant features are incorporated in the systems for capturing information on RPTs and RRPTs at source. All Heads of Departments are advised to report on all transactions with related parties.

- RPTs and RRPTs will only be undertaken after it has been ascertained that the transaction prices, terms and conditions, quality of products or services are comparable with those prevailing in the market and will meet industry standards. The transaction prices will be based on the prevailing market rates or prices of the service or product or to otherwise accord with the normal commercial terms and applicable industry norms. The interests of non-interested shareholders will be taken into account when entering into the RPTs and RRPTs to ensure that their rights and interests are upheld as per the MMLR.

- Where possible, other contemporaneous or similar transactions with unrelated third parties for similar products or services and/or quantities will be used as comparison, to determine whether the price and terms offered to or by the related parties are fair and reasonable and comparable to those offered to or by other unrelated third parties for the same or substantially similar type of products or services and/or quantities.

  In the event that quotation or comparative pricing from unrelated third parties cannot be obtained, the transaction price will be based on prevailing market rates or prices that are agreed upon under similar commercial arrangements for transactions with third parties, business practices and policies and on terms which are generally in line with industry norms in order to ensure that the RPTs and RRPTs is not detrimental to the Company or the Group.

- Ongoing awareness sessions are arranged with employees and stakeholders to ensure sufficient knowledge and familiarity on RPTs and RRPTs in order to comply with the MMLR. Records of all transactions with the related parties are properly maintained by all Business Units, Service Units and the subsidiaries.

- Group Internal Audit shall review the internal control process and records of RPTs and RRPTs within the affected scope to verify that relevant approvals have been obtained and review procedures in respect of such transactions are adhered to. Any divergence will be reported to the BAC.

- The BAC shall review the internal audit reports and will also review from time to time any related party transactions that may arise within the Group. If the BAC is of the view that the procedures are insufficient to ensure that RPTs and RRPTs are undertaken on an arm's length basis and on normal commercial terms and on terms that are not more favourable to the transacting party than those generally available to public during their periodic review of the procedures, the BAC has the discretion to request for additional procedures to be imposed on the RPTs and RRPTs.

- An interested/deemed interested Director in any particular RPTs or RRPTs shall be required to declare his or her interest in the RPTs or RRPTs and will have to refrain from any deliberation and also abstain from voting on the matter at the Board meeting in respect of that RPTs or RRPTs.

- MISC's Limits of Authority also reflect the relevant thresholds for the approval of RPTs or RRPTs. A process flow is also defined to articulate the necessary steps of the process.

The RRPTs entered into by the Group during the financial year ended 31 December 2014 are summarised below:-

	Nature of Transaction	Transacting Party	Related Party
1.	Provision of freight forwarding activities and/or logistics services to PETRONAS Group	MISC Integrated Logistics Sdn. Bhd.	PETRONAS*
2.	Purchase of lubricants and other petroleum products including bunker oil from PETRONAS Dagangan Berhad	MISC and/or its subsidiaries	PETRONAS*
3.	Charters of petroleum and chemical tankers and LNG carriers from MISC by PETRONAS Group	MISC and/or its subsidiaries	PETRONAS*
4.	Fabrication and construction of Oil & Gas offshore structures for PETRONAS Group	MISC and/or its subsidiaries	PETRONAS*

**PETRONAS is a major shareholder of the Company*

The BAC has reviewed the above RRPTs and confirmed that the methods or procedures for determining the prices and terms of the RRPTs have not changed since the issuance of the Independent Adviser's opinion by PricewaterhouseCoopers Capital Sdn. Bhd. dated 26 March 2012. The same was published in the Company's Annual Report for the financial period ended 31 December 2012.

The BAC has also confirmed that the methods or procedures, as mentioned above, are sufficient to ensure that the RRPTs will be carried out on normal commercial terms and are not detrimental to the Company's minority shareholders.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors passed on 24 February 2015.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

The Malaysian Code on Corporate Governance 2012 ("the Code") recommends as best practices that the Board establishes a sound risk management framework and internal control system, and disclose in the Company's Annual Report the main features of the risk management framework and internal control system.

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad (Bursa Securities), the Board is also required to include in the Company's annual report, a statement about the state of internal control of the listed issuer as a Group.

Accordingly, the Board is pleased to provide the Company's Statement on Risk Management and Internal Control for the financial year ended 31 December 2014 which was prepared in accordance with the "Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers", endorsed by Bursa Securities.

ACCOUNTABILITY OF THE BOARD

The Board recognises its principal responsibility of establishing a sound risk management framework and internal control system, as manifested in Recommendation 6.1 of the Code.

Accordingly, the Board has entrusted the responsibility of risk management oversight to the MISC Board Audit Committee ("BAC"). In respect of risk management, the BAC is supported by the MISC Risk Management Committee ("RMC"). The Company has a systematic risk management framework adopted from the PETRONAS Risk Governance Framework which is used to identify, evaluate and manage the principal risks of the Group and implement appropriate internal control systems to manage these risks, details of which are set-out in the following pages.

In addition to the risk management process, the BAC periodically reviews and/or tests the efficiency and effectiveness of the Group's internal control system to ensure viability and robustness of the system. In doing so, the BAC is also supported by the Management Audit Committee ("MAC").

In dealing with risks, the Board understands that it is not always possible, cost-effective or desirable to eliminate risk altogether. Accordingly, these internal control systems can only provide reasonable but not absolute assurance against material misstatement or loss, or the occurrence of unforeseeable circumstances. Thus, the Board adopts a cost-benefit approach to ensure that the expected returns outweigh the cost of risk controls.

RISK MANAGEMENT FRAMEWORK

The Company continues to leverage on the PETRONAS Risk Governance Framework to ensure all business risks are prudently identified, evaluated and managed in accordance with acceptable international standards, principles and guidelines on risk management.

The framework of risk management comprises the following key elements:-

- **Risk Management Policy**

  The Group adopts the PETRONAS Enterprise Risk Management ("ERM") Policy for purposes of identifying, assessing, reporting and monitoring the ever changing risks facing the Group and take specific measures to mitigate these risks. The policy stresses the importance of balancing between risk and reward in making business decisions to protect key stakeholders' interests, and to comply with statutory and legal requirements.

  In addition, MISC is represented in the **PETRONAS Risk Management Committee** which allows the MISC Group to leverage on PETRONAS ERM approaches, standards and current initiatives in implementing Enterprise Risk Management. This platform also allows mutual exchange of information between MISC and PETRONAS to keep abreast of developments in managing risks. In addition, the PETRONAS Risk Management Committee also coordinates group-wide risk management in terms of building risk management awareness and capabilities, monitoring risk exposures and planning responses to potential major risk events.

- **Risk Governance Structure**

  The RMC was established to review and monitor the Group's risk management and practices. It consists of mainly Vice Presidents and Heads of key service units, and is primarily responsible for driving the Risk Management Framework and acts as the central platform for the Group to undertake the following responsibilities:

  - Assist the Management in identifying principal risks at Group level and providing assurance that the ERM is implemented group-wide to protect and safeguard MISC interest;

  - Review and recommend policies and frameworks specifically to address risk inherent in all business operations and environment pertaining to the Group; and

  - To provide a reasonable assurance to the BAC that the Group's risks are being managed appropriately.

  Risk management activities are undertaken at corporate and business units/subsidiaries levels and risk reports are reviewed and monitored by the Risk Management Department ("RMD") on regular intervals prior to escalation to RMC. Each appointed risk focal person has the responsibility for risk management activities in their specific department/unit to ensure consistent implementation of risk management processes across the Group.

  The RMC meets on a regular basis to update any risk management issues to the Management Committee ("MC"), President/CEO and BAC, which then updates the Board.

  To ensure the integrity of financial risk management, the Finance Risk Management Unit continues to monitor and ensure effective and robust implementation of the financial risk management through the implementation of the **PETRONAS Corporate Financial Policy ("CFP")**. The CFP supports the delivery of consistent approach in financial and risk management discipline across the Group. The CFP is supplemented with Guidelines in the areas of Integrated Financial Shared Services Centralisation, Liquidity Management, Cash Repatriation, Financing, Investment, Banking, Asset Liability Management, Foreign Exchange Management, Credit, Group Tax Management, Inward Financial Guarantee and Documentary Credit and Financial Risk Management.

  The Group has established its **Financial Risk Appetite Setting ("FRAS")** in the areas of Interest Rate Risk, Foreign Exchange Risk and Financial Institution Credit Counterparty Risk which provides early warning signals through the monitoring of Financial Risk Appetite Scorecards and its Key Risk Indicators (KRIs).

  The Group is also represented by invitation in the **PETRONAS Financial Risk Management Operational Committee ("FRMOCO")** which is commissioned to address financial risk management, governance and operational issues in a holistic manner.

RISK MANAGEMENT PROCESS

The risk management process in MISC requires management to identify business risks at strategic, operational and tactical levels, and assess these risks in terms of likelihood and magnitude of impact, as well as to identify and evaluate the adequacy of mechanisms in place to manage these risks. This process involves assessments at business unit level before being examined on a Group or strategic perspective.

The following summarises the key risk management activities undertaken during the year under review:

- **Embedding risk management into strategy planning**

  The Board acknowledges the significance of managing key risk events to sustain the achievement of business objectives. In ensuring efficient and effective integration between risk management and business performance, risk profiles for Business Units ("BU"), key Service Units ("SU") and key Subsidiaries ("Subs") are subjected to an annual review with the emphasis in linking risks to MISC's business objectives.

  In addition, KRIs were reviewed and identified to monitor the movement of risks throughout the year, thus enabling the management to act and take necessary measures in managing risks thus ensuring business objectives are met.

- **Continuous Monitoring via Risk Reports**

  During the year, Management continued to rely on Risk Reports to monitor the level of risks in relation to the acceptable risk appetite. Risk Reports are derived from the BU/SU/Subs risk registers after risk events have been prioritised by level of significance and severity of impact to business objectives. The performance of these key

risks is monitored using specific KRIs, which are reported to the RMC, MC and BAC on a quarterly basis. Hence, any changes or movements in the KRIs will provide an early warning mechanism should risk transcend into undesirable levels.

- **Project Risk Assessment**

  Project Risk Assessment ("PRA") is conducted for capital intensive projects to ensure that the controls in place and the project returns commensurate with the level of risk taken.

  During the year in review, RMD undertook PRAs on specific projects and the results were presented to the RMC. The purpose of the PRA is to identify the projects' risks in advance and implement controls either to reduce or eliminate the risk impact.

  In addition, Post Implementation Economic Review ("PIER") was also performed on specific projects/assets to assess whether agreed objectives, targets and returns have been achieved. PIER is an integral process of the entire PRA value chain.

- **Business Continuity Planning**

  Business Continuity Planning ("BCP") has been implemented in stages to ensure continuity of critical business functions in the event of disaster.

  During the year in review, BCP simulations were conducted for critical units to test the effectiveness of the recovery plans and to familiarise staff with the situation of working away from the office.

OTHER KEY INTERNAL CONTROL PROCESSES

To further enhance the internal control system, the Group's other internal control processes are as follows:-

1. The Board reviews **quarterly reports** from Management on key operating performance and legal, environmental and regulatory matters. Financial performance is deliberated by the MC and tabled to the BAC and the Board on a quarterly basis.

2. The Group performs a **comprehensive annual planning and budgeting exercise** which involves the development of business strategies for the next five years to achieve the Group's vision. The long-term strategies are supported by initiatives to be accomplished in the upcoming year, and for effective implementation, the initiatives are tied to specific measurable indicators which will be evaluated against the relevant business/service units and subsidiaries' deliverables. The Group's strategic directions are then reviewed annually taking into account current progress level and other indicators such as latest developments in the industry, changes in market conditions and significant business risks. In addition to that, the Group's business plan is translated into budgetary numbers for the next five years, and financial performance and variance against budget is analysed and reported quarterly to the MC and the Board.

3. The **Limits of Authority ("LOA")** manual provides a sound framework of authority and accountability within the organisation and facilitates sound and timely corporate decision making at the appropriate level in the organisation's hierarchy. The Board had in the year under review approved broad changes to the LOA manual that caters to the current operational and business needs of the Company, and of the Group.

4. To enhance the quality of the Group's financial reports, the Group has implemented the **PETRONAS Financial Control Framework ("FCF")** initiative. FCF is a structured process of ensuring the adequacy and effectiveness of key internal controls operating at various levels within the Group at all times. FCF requires among others, documentation of process workflows, key controls, remediation of control gaps as well as regular testing of control effectiveness.

   On a semi-annual basis, each key process owner at various management levels is required to complete and submit a Letter of Assurance which provides confirmation of compliance to key controls for the areas of the business for which they are accountable.

5. The Group continues to practice the **PETRONAS Debt Compliance Management ("DCM")** initiative, the objective of which is, to provide assurance that debt covenants of its external borrowings are being observed and complied with.

6. There is a clear procedure for **investment appraisal** including equity investment or divestment and capital expenditure.

7. MISC's Procurement Manual ("MPM") provides the overall procurement principles, scope, functions, procedures and exceptions to be adopted in relation to procurement activities within MISC.

   Tender Committees are established to ensure tender evaluation exercises are conducted in an effective, transparent and fair manner.

8. Information and Communications Technology ("ICT") is extensively employed in MISC to automate work processes and to collect key business information. MISC's information and communication system, which acts as an enabler to improve business processes, work productivity and decision making, are implemented throughout the Group.

   The **Information and Communications Technology Steering Committee ("ITSC")** provides strategic directions and guidance to ICT initiatives. Progress of ICT initiatives is monitored and reported at the ITSC meetings to ensure smooth implementation of ICT initiatives.

   System reviews are initiated and conducted to ensure that adequate controls are in place in order to conform to the Company's business objectives, policies and procedures. Quarterly reports are presented to the MAC and BAC and agreed corrective actions are taken to address any non-compliance.

9. The professionalism and competency of employees are enhanced through structured development programs and potential entrants or candidates are subject to a stringent recruitment process. A **Performance Management System ("PMS")** is established with performance indicators to measure employees' performance and performance reviews are conducted twice annually. Action plans to address employees developmental requirements are prepared and implemented in a timely manner. This is to ensure that employees are able to deliver the expected performance so that the Group can meet its plans and targets.

10. The Company observes its own Code of Conduct and Business Ethics ("CoBE") and the coverage is extended to not only MISC employees and directors within the MISC Group but also to third parties performing works or services for or on behalf of MISC Group of Companies. To support the general policy statements in the CoBE, MISC also observes the principles set out in the Anti-Corruption and Bribery Manual which provide further guidelines on dealing with improper solicitation, bribery and other corrupt activities as well as issues that may arise in the course of doing business.

    The Whistleblowing Policy provides an avenue for all employees of MISC and members of the public to report any improper conduct within MISC.

11. A study on conflict of interest or potential conflict of interest situation for company directors in the Group was conducted during the year under review. Arising from the study, several recommended improvements for managing conflict of interest or potential conflict of interest situation, including the creation of a conflict of interest register, were approved by the Board for implementation.

ASSURANCE FUNCTIONS

The Group has in place the following assurance functions to review the effectiveness of internal control systems and processes:-

1. The **Ship Management Audit ("SMA")** division, which reports to the MAC and the BAC, performs independent scheduled inspections on the Group's vessels and floating facilities. The objectives of the inspections are to verify, evaluate and review the Group's operational activities to ensure the vessels' and floating facilities' operational integrity and reliability are maintained at all times, consistent with international regulations and internal policies.

   MISC Group vessels are subjected to stringent audits, vetting and inspections to meet various regulatory and commercial requirements. These include vetting by oil majors, audits by the Malaysian Marine Department and ship classification societies to maintain international safety and security management certification under the relevant codes. In addition, MISC is also subjected to periodic management reviews by its customers' risk management units.

   The SMA division submits its findings and recommendations on corrective actions of each ship and floating facilities inspected to the **Fleet Management Services ("FMS")** division and **Offshore Business Unit ("OBU")** respectively. The monitoring and follow-up on the status of the corrective actions are maintained on a monthly basis until closure. On a six-monthly as well as annual basis, findings on each ship inspected are

collated and analysed into a consolidated report. The consolidated reports are submitted and presented to the MAC for review, comments and further actions. The reports are then presented to BAC with the deliberations and decisions shared.

2. The **Corporate Health, Safety and Environment ("CHSE")** Division drives various sustainable HSE initiatives and defines the framework that exemplifies CHSE's effort to continuously meet legal compliance as a minimum. CHSE also drives strategies and monitors performance to ensure HSE risks are managed to as low as reasonably practicable.

3. The **Corporate Security Division ("CSD")** maintains a clear policy, procedures and framework with the aim to continuously monitor conformance to established industry security standards as well as international security standards applicable under the relevant codes.

GROUP INTERNAL AUDIT

MISC **Group Internal Audit ("GIA")** supports the BAC in their responsibilities by providing feedback as an independent assurance body on the adequacy of risk management, governance and the efficiency and effectiveness of the internal control system.

The GIA processes and activities are guided by the approved Internal Audit Charter and aligned with internal audit industry standards (i.e. The International Professional Practices Framework ("IPPF") and Statement of Responsibilities issued by the Institute of the Internal Auditors ("IIA")).

The GIA adopted the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework; a comprehensive, structured and widely used auditing approach, in conducting the audit works. Based on COSO framework, all aspects of controls are given emphasis in order to ensure risk is well managed and mitigated.

The GIA, through its Risk Based Internal Audit ("RBIA") methodology, makes reference to the approved risk register in identifying areas to be audited and more focus are given on areas with higher risk exposure.

OTHER MATTERS

With regard to the associated companies and jointly controlled entities, the Board does not regularly review the internal control system as the Board has no direct control over their operations. Nevertheless, MISC's interests in the associated companies and jointly controlled entities are served via representations on the boards as well as review of management accounts and inquiries thereof.

AFFIRMATION BY THE BOARD

The Board has received assurance from the President/CEO and Vice President, Finance that the risk management and internal control systems of the Company and its subsidiaries for the year under review up to the date of approval of the statement are, in all material aspects, operating adequately and effectively.

There were no material losses incurred during the financial year under review as a result of weaknesses of internal control. Management would continue to take measures to strengthen MISC's control environment.

This statement is made in accordance with the resolution of the Board of Directors dated 24 February 2015.

STATEMENT OF DIRECTORS' RESPONSIBILITY

The directors are responsible in ensuring that the annual audited financial statements of the Group and of the Company are drawn up in accordance with the provisions of the Companies Act, 1965, the Main Market Listing Requirements and the requirements of the applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board.

The directors are also responsible to ensure that the annual audited financial statements of the Group and of the Company present a true and fair view of the state of affairs of the Group and of the Company as at the financial year end and of their financial performance and cash flows for the financial year then ended.

In preparing the annual audited financial statements of the Group and of the Company for the financial year ended 31 December 2014, the directors have ensured that, appropriate and relevant accounting policies are adopted and consistently applied, reasonable and prudent estimates are exercised and going concern basis was adopted.

The directors are responsible to ensure that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Company which enable them to ensure that the financial statements comply with the Companies Act, 1965, the Main Market Listing Requirements and the requirements of the applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board.

The directors have the overall responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

ADDITIONAL COMPLIANCE INFORMATION

a. Status of Utilisation of Proceeds

The status of utilisation of proceeds raised from the following corporate exercise as at 31 March 2015 is as follows:

Disposal of 50% equity interest in Gumusut-Kakap Semi-Floating Production System (L) Limited, a wholly-owned subsidiary of MISC Berhad **("MISC")**, to E&P Venture Solutions Co. Sdn. Bhd., a wholly-owned subsidiary of PETRONAS Carigali Sdn. Bhd. **("Share Disposal")**, which was completed on 14 December 2012 **("Completion Date")**

Purpose	Proposed utilisation[1] RM Million	Actual utilisation RM Million	Estimated timeframe for utilisation from the Completion Date[1]	Revised timeframe for utilisation from the Completion Date	Deviation amount RM Million	Deviation amount % [3]	Explanations
Repayment of bank loans and borrowings	3,820.6	3,820.6	Within nine (9) months	Within nine (9) months	–	–	
Capital expenditure	1,472.2	1,303.4	Within eighteen (18) months	Within thirty six (36) months[2]	168.8	11.5	Slower progress than originally anticipated of a capital project and deferment of a capital project to which some of the proceeds were intended for utilisation.
Estimated expenses in relation to the Share Disposal	2.0	1.8	Within three (3) months	Within three (3) months	0.2	10.0	See note (4) below.
Total	**5,294.8**	**5,125.8**			**169.0**		

Notes:

* *Negligible.*

(1) *As disclosed in MISC's circular to shareholders in relation to the Share Disposal dated 12 November 2012.*

(2) *Given the progress of utilisation of proceeds for capital expenditure against the actual utilisation as at 31 March 2014, the Board agreed to extend the timeframe for utilisation of proceeds for capital expenditure by an additional eighteen (18) months. This results in the extension of the timeframe for utilisation of proceeds for capital expenditure to thirty six (36) months from the original timeframe of eighteen (18) months.*

(3) *Computed based on the deviation amount divided by the proposed utilisation for each purpose.*

(4) *As disclosed in MISC's circular to shareholders in relation to the Share Disposal dated 12 November 2012, any excess in funds allocated for estimated expenses relating to the Share Disposal will be used for capital expenditure.*

b. Material Contracts

There were no material contracts entered into by the Company and its subsidiaries, involving the Directors' and major shareholders' interests, still subsisting at the end of the financial year ended 31 December 2014 or, if not then subsisting, entered into since the end of the previous financial year.

c. Sanctions

During the financial year, there were no sanctions and/or penalties imposed on the Company, Directors or Management by the relevant regulatory bodies.

d. Non-Audit Fees

The amount of non-audit fees incurred for services rendered to the Group for the financial year ended 31 December 2014 by the Company's external auditors or their affiliates is RM0.1 million.

e. Share Buybacks

The Company did not purchase any of its own shares during the financial year.

f. Option, Warrants or Convertible Securities

The Company did not offer any options or warrants during the financial year.

g. Depository Receipt Programme

The Company did not sponsor any depository receipt programme during the financial year.

h. Profit Estimate, Forecast or Projection

The Company did not announce any profit estimate, forecast or projection for the financial year.

i. Profit Guarantee

No profit guarantee was given by the Company in respect of the financial year.

BOARD AUDIT COMMITTEE REPORT

CHAIRMAN	MEMBERS	SECRETARY
Harry K. Menon *Independent Non-Executive Director*	Dato' Halipah binti Esa *Independent Non-Executive Director*	Zawardi bin Salleh *Joint Company Secretary*
	Dato' Kalsom binti Abd. Rahman *Independent Non-Executive Director*	
	Lim Beng Choon *Independent Non-Executive Director*	
	Dato' Sekhar Krishnan *Independent Non-Executive Director*	

The Board of Audit Committee ("BAC") of MISC Berhad ("MISC" or "the Company") was established on 28 June 1993 with the objective of assisting the Board of Directors ("the Board") in fulfilling its responsibilities primarily relating to financial accounting, risk management process and systems of internal control of the Group.

MEMBERSHIP

The BAC is composed of five (5) members, all of whom are Independent Non-Executive Directors. Dato' Sekhar Krishnan was appointed as a new Member on 1 March 2015.

The composition of the BAC and qualifications of its members comply with Paragraph 15.09(1) of the Main Market Listing Requirements ("MMLR") of Bursa Securities Malaysia Berhad ("Bursa Securities").

Both Harry K. Menon and Dato' Sekhar Krishnan are members of Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants whilst Harry K. Menon is also a member of Institute of Chartered Accountants of England and Wales.

The BAC had six (6) meetings in the financial year ended 31 December 2014. The members' attendance record is as follows:-

Member	Designation	Number of Meetings Attended
Harry K. Menon	Chairman/Independent Non-Executive Director	6/6
Dato' Halipah binti Esa	Independent Non-Executive Director	5/6
Dato' Kalsom binti Abd. Rahman	Independent Non-Executive Director	6/6
Lim Beng Choon	Independent Non-Executive Director	6/6
Dato' Sekhar Krishnan (Appointed on 1 March 2015)	Independent Non-Executive Director	NA

TERMS OF REFERENCE

Composition

- The BAC shall be appointed by the Board from amongst its non-executive members and shall consist of not less than three (3) members with the majority comprising Independent Directors.
- At least one (1) member of the BAC must be a member of the Malaysian Institute of Accountants or having at least three (3) years working experience and must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967 or be a member of one of the associations of accountants specified by Part II of the 1st Schedule of the Accountants Act, 1967.
- No Alternate Director can be appointed as a member of the BAC.

Chairman

- The members of the BAC must elect a Chairman from among themselves who shall be an Independent Non-Executive Director.

Meetings

- The BAC shall hold meetings every quarter and additional meetings may be held as and when required. The quorum for each meeting must be two (2) members who shall both be Independent Directors. The external auditors may request a meeting if they consider necessary.
- The BAC must sit with the external auditors at least twice a year without the presence of any executive member of the Board.
- The proceedings of the BAC meetings shall be recorded and maintained by the Secretary to the BAC. The Joint Company Secretary of MISC Berhad is the Secretary of the BAC.
- The President/Chief Executive Officer, Chief Operating Officer, Vice President - Finance, and the Head of Group Internal Audit ("GIA") shall normally attend BAC meetings. Other representatives of Management and representatives of the external auditors may be invited to attend BAC meetings on matters relevant to them.

Authority

The BAC is empowered by the Board with the following authorities to investigate any matters within its terms of reference at the cost to be borne by MISC Berhad:-

- Full and unrestricted access to resources and information which are required to perform its duties. This includes authority to seek information from any employees of the Group. Employees subjected to such requisition are directed to co-operate with the BAC;
- Direct communication channels with the external auditors and person(s) carrying out the internal audit functions and activities;
- Ability to obtain independent professional advice or other and advices. The BAC may also invite external independent professionals to its meetings;
- Ability to convene meetings with the external auditors, the internal auditors or both, without the presence of other Directors and representatives of Management of the Group, if necessary; and
- Where the BAC is of the view that a matter reported to the Board has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements, the BAC must promptly report such matter to Bursa Securities.

BOARD AUDIT COMMITTEE REPORT

Functions

The BAC's functions are to review, evaluate, report and make appropriate recommendations to the Board on the following matters:-

In Relation to External Auditors:-

- Appointment of the external auditors, the audit fee and any questions of resignation and dismissal;
- Formulation of policies and procedures to assess the suitability and independence of external auditors;
- Review with the external auditors the nature and scope of the audit plan, the system of internal control and the audit report, including the external auditors' management letter and Management's response;
- Assistance and cooperation rendered by the Group's employees to the external auditors.

In Relation to the Internal Auditors:-

- Ensure adequacy of GIA's resources, its appropriate competency and authority within the Group;
- Identification of the Head of GIA who reports directly to the BAC, and in consultation with the Management;
- Approve GIA's annual internal audit plan, processes and reports/findings generated by the GIA, and whether appropriate action is taken on the recommendations of GIA;
- Issuance of guidance and instructions for further actions to be taken by Management.

General:-

- Review quarterly and annual financial statements, focusing particularly on:-
  - ➢ any changes in or implementation of accounting policies and practices;
  - ➢ significant and unusual events arising from the audit; and
  - ➢ compliance with accounting standards and other legal requirements.
- Ensure adequacy and effectiveness of the Group's accounting policies and procedures, risk management framework and internal control systems;
- Review and endorse any related party transaction and review any situation of conflict of interest that may arise within the Group including any transaction, procedure or course of action that raises questions of management integrity; and
- Consider any other topics as defined by the Board.

Vacancy

In the event of any vacancy in the BAC resulting in the non-compliance with Paragraph 15.09(1) of the MMLR, the vacancy must be filled within three (3) months.

SUMMARY OF ACTIVITIES

BAC meetings are scheduled in advance of any new financial year to allow its members to plan ahead and fit the year's meetings into their schedules. The BAC meets every quarter and additional meetings are held as and when required. During the financial year under review, six (6) BAC meetings were held. Minutes of BAC meetings which include records of the decisions and resolutions of the meetings are properly maintained by the Secretary of the BAC.

A summary of the activities of the BAC during the financial year ended 31 December 2014 is set out below:-

Risk Management

- Reviewed the adequacy and effectiveness of Risk Management Framework and the relevant on-going activities for identifying, evaluating, monitoring and managing risks.
- Received and reviewed reports on key strategic and operational risk issues arising from quarterly Risk Management Committee ("RMC") meeting. The RMC meets at least once in every quarter and is primarily responsible for driving the Risk Management Framework and acts as a central platform for risk oversight within the Group.
- Reviewed and endorsed the Group's risk profile emanating from the Annual Planning Cycle and ensured that appropriate systems and processes are in place to effectively monitor and manage these risks.

Internal Audit

- Reviewed and approved GIA long-term audit plan and Annual Audit Plan to ensure adequacy of resources, competencies and coverage on auditable entities as per risk-based assessment.
- Reviewed internal audit reports issued by GIA on the effectiveness and adequacy of governance, risk management, operational and compliance processes.
- Reviewed inputs and management action plans provided by Management Audit Committee ("MAC") on the deliberated audit reports.
- Reviewed the adequacy and effectiveness of agreed corrective actions taken by management on all significant and secondary issues raised.
- Reviewed the adequacy of resources and competencies of staff within GIA to execute the audit plan.
- Conducted half-yearly and yearly assessment on the adequacy of GIA's functions and resources, scope of work, service orientation, and its Annual Plan and Strategy.
- Prior to BAC meetings, the Chairman held private meetings and discussions with Head and senior staff of GIA on audit reports and any Internal Audit related matters.

External Audit

- Reviewed and approved the external auditors' terms of engagement, audit plan, nature and scope for the financial year.
- Reviewed the results and issues arising from their audit for the financial year and the resolution of issues highlighted in their report to the BAC and Management's response.
- Reviewed the scope and engagement strategy of the external auditor and upon satisfactory assessment, recommended that the Board approves the fee payable to the external auditor in respect of the scope of work performed.

- Held private meetings with the external auditors without the presence of Management twice a year (on 11 February 2014 and 5 November 2014) to ensure that there were no restrictions on the scope of their audit and to discuss any matters that they may wish to present.

Financial Results

- Reviewed the quarterly and annual financial statement of the Company and Group including Bursa's announcements, and recommended them to the Board for approval.

Corporate Governance

- Reviewed and deliberated on the Recurrent Related Party Transactions ("RRPTs") reports on quarterly basis and reviewed the framework and procedures of RRPTs.
- Reviewed and recommended to the Board the Statement on Risk Management and Internal Control, BAC Report and Additional Compliance Information for inclusion in the 2013 Annual Report for approval.
- Reviewed the findings of study on company directors' conflict of interest or potential conflict of interest in the Group and recommended the improvement measures for managing conflict of interest to the Board for approval.
- Reviewed and recommended the revised Terms of Reference of the BAC to the Board for approval.

Ship Management Audit ("SMA")

- Reviewed the SMA's quarterly and annual audit reports on the condition and management of the Group's vessels (including FSO/FPSOs) relating to efficiency and effectiveness of the internal control systems implemented.

INTERNAL AUDIT FUNCTION

The internal audit function of the Company is carried out in-house by the GIA, which reports functionally to the BAC in discharging its duties. GIA conducts scheduled audits independently to ensure there are effective risk monitoring, internal controls, governance processes and compliance procedures to provide the level of assurance required by the Board. GIA also conducts additional assurance assignments and/or special reviews upon request by the Management or BAC.

In the conduct of their audits, GIA places emphasis on a risk-based auditing where the focus is given on higher risk areas. Audit reviews the adequacy of the identified mitigations and evaluates the effectiveness and efficiency of the controls to mitigate the risk events.

The key in solving lapses in internal control is the submission of audit findings, recommendations on audit issues and execution of the Agreed Corrective Actions ("ACA") which are encompassed in the audit reports. GIA monitors the status of implementation of these ACA through the Quarterly Audit Status Reports, of which, the ACA are recorded and analysed. The consolidated reports are submitted and presented to the MAC and BAC for deliberation and endorsement on a half-yearly basis. Such regular monitoring is essential to ensure the integrity and effectiveness of the Group's system of internal control.

GIA submits their findings and recommendations on audit issues to the MAC for executive review.

Subsequently, the reports together with deliberations by the MAC are tabled at the BAC Meetings for decisions.

At the Board Meetings, the Chairman of the BAC highlights key audit issues and overall decisions and resolutions made during the BAC Meetings to the Board Members.

During the financial year, GIA had carried out audits according to the internal audit plan approved by the BAC. The total cost incurred in discharging the internal audit functions during the financial year ended 31 December 2014 was RM6.231 million.

The conduct of internal audit work is governed by the Internal Audit Charter and the Internal Audit Charter Memorandum. In addition, the internal audit work also conforms to the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing.

STATEMENT ON RRPTs

The BAC has reviewed the internal guidelines pertaining to the governance of Related Party Transactions ("RPTs") and RRPTs as outlined on pages 124 to 125 of this Annual Report and is of the view that the said guidelines are sufficient to ensure that the RPTs and RRPTs are fair, reasonable and in the best interest of the Group. The BAC is satisfied that the Group has put in place adequate procedures and processes to monitor, track and identify RPTs and RRPTs in a timely and orderly manner to ensure that the RPTs and RRPTs are, at all times, carried out on normal commercial terms and consistent with the Group's practices and are not to the detriment of the minority shareholders. The procedures and processes will be reviewed from time to time based on recommendations from the internal audit team of the Company.

The GIA has also conducted an audit on RPTs and RRPTs as at 31 December 2014 and reviewed the internal control process and records of RPTs and RRPTs within the affected scope to verify the procedures and relevant approvals have been obtained. The established procedures are adequate and RPTs and RRPTs are fairly concluded on prevailing market rates/prices, normal commercial terms/ conditions, applicable industry norms and not detrimental to the interests of MISC and its minority shareholders. The audit report was tabled to the BAC on 4 February 2015.

This statement is made in accordance with the resolution of the Board of Directors of MISC duly passed on 24 February 2015.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Corporation for the financial year ended 31 December 2014.

Principal activities

The principal activities of the Corporation consist of shipowning, ship operating, other activities related to shipping services, and owning and operating offshore floating terminals.

The principal activities of the subsidiaries, associates and joint arrangements are stated in Notes 37, 38 and 39 to the financial statements respectively.

There have been no significant changes in the nature of the principal activities during the financial year.

Results

	Group RM'000	Corporation RM'000
Profit for the year	2,320,037	1,534,864
Attributable to:		
Equity holders of the Corporation	2,204,310	1,534,864
Non-controlling interests	115,727	–
	2,320,037	1,534,864

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Corporation during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividends

The amount of dividends paid by the Corporation since 31 December 2013 were as follows:

In respect of the financial year ended 31 December 2013 as reported in the directors' report of that year:

	RM'000
Final tax exempt dividend of 5 sen per share on 4,463,794,000 ordinary shares under single tier system, declared on 13 February 2014 and paid on 18 June 2014	223,190

In respect of the financial year ended 31 December 2014:

	RM'000
A first interim tax exempt dividend of 4 sen per share on 4,463,794,000 ordinary shares under single tier system, declared on 6 August 2014 and paid on 24 September 2014	178,552

A second interim tax exempt dividend in respect of the financial year ended 31 December 2014 of 6 sen per share under the single tier system on 4,463,794,000 ordinary shares amounting to a dividend payable of RM267,828,000, will be payable on 11 March 2015.

The financial statements for the current financial year do not reflect this second interim dividend. Such dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2015.

Directors

The names of the directors of the Corporation in office since the date of the last report and at the date of this report are:

Datuk Manharlal Ratilal	
Dato' Ab. Halim bin Mohyiddin	(Appointed on 15 January 2015)
Datuk Nasarudin Md Idris	
Harry K. Menon	
Dato' Halipah binti Esa	
Dato' Kalsom binti Abd. Rahman	
Mohd. Farid bin Mohd. Adnan	
Lim Beng Choon	
Dato' Sekhar Krishnan	(Appointed on 15 January 2015)
Yee Yang Chien	(Appointed on 1 January 2015)

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Corporation was a party, whereby the directors might acquire benefits by means of acquiring of shares in or debentures of the Corporation or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or fixed salary of full-time employees of the Corporation and other related corporations as disclosed in Note 7 to the financial statements) by reason of a contract made by the Corporation or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Corporation and its related corporations during the financial year were as follows:

	Number of ordinary shares of RM1 each			
	1 January 2014	Bought	Sold	31 December 2014
Corporation - MISC Berhad				
Direct				
Mohd. Farid bin Mohd. Adnan	5,000	–	–	5,000
Indirect				
Dato' Halipah binti Esa	10,000	–	–	10,000
Fellow subsidiary - PETRONAS Gas Berhad				
Direct				
Datuk Nasarudin Md Idris	3,000	–	–	3,000

Directors' interests (cont'd.)

	Number of stapled securities of KLCC Property Holdings Berhad and KLCC Real Estate Investment Trust			
	1 January 2014	Bought	Sold	31 December 2014
Fellow subsidiary - KLCC Property Holdings Berhad				
Direct				
Datuk Manharlal Ratilal	5,000	–	–	5,000
Datuk Nasarudin Md Idris	5,000	–	–	5,000

	Number of ordinary shares of RM0.10 each			
	1 January 2014	Bought	Sold	31 December 2014
Fellow subsidiary - PETRONAS Chemical Group Berhad				
Direct				
Datuk Manharlal Ratilal	20,000	–	–	20,000
Datuk Nasarudin Md Idris	10,000	–	–	10,000
Harry K. Menon	20,000	–	–	20,000
Dato' Kalsom binti Abd. Rahman	35,000	–	–	35,000
Dato' Halipah binti Esa	10,000	–	–	10,000
Mohd. Farid bin Mohd. Adnan	15,000	–	–	15,000
Indirect				
Dato' Halipah binti Esa	13,100	–	–	13,100

Directors' interests (cont'd.)

	Number of ordinary shares of RM0.50 each			
	1 January 2014	Bought	Sold	31 December 2014
Subsidiary - Malaysia Marine and Heavy Engineering Holdings Berhad				
Direct				
Datuk Nasarudin Md Idris	10,000	–	–	10,000
Dato' Halipah binti Esa	10,000	–	–	10,000
Dato' Kalsom binti Abd. Rahman	90,000	–	–	90,000
Mohd. Farid bin Mohd. Adnan	15,000	–	–	15,000
Indirect				
Dato' Halipah binti Esa	10,000	–	–	10,000

Other than as disclosed above, none of the other directors in office at the end of the financial year had any interest in shares in the Corporation or its related corporations during the financial year.

Other statutory information

(a) Before the income statements, statements of comprehensive income, and statements of financial position of the Group and of the Corporation were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Corporation inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Corporation misleading.

Other statutory information (cont'd.)

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Corporation misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Corporation which would render any amount stated in the financial statements misleading.

(e) At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Corporation which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Corporation which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Corporation to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to substantially affect the results of the operations of the Group or of the Corporation for the financial year in which this report is made.

Significant events

The significant events during the financial year are disclosed in Note 41 to the financial statements.

Subsequent events

The details of subsequent events are disclosed in Note 42 to the financial statements.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 24 February 2015.

Datuk Manharlal Ratilal **Yee Yang Chien**

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, Datuk Manharlal Ratilal and Yee Yang Chien, being two of the directors of MISC Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 150 to 311 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Corporation as at 31 December 2014 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 43 on page 312 to the financial statements have been prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the directors dated 24 February 2015.

Datuk Manharlal Ratilal **Yee Yang Chien**

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, Rozainah binti Awang, being the officer primarily responsible for the financial management of MISC Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 150 to 312 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Rozainah binti Awang at Kuala Lumpur in Wilayah Persekutuan on 24 February 2015

Rozainah binti Awang

Before me,

INDEPENDENT AUDITORS' REPORT

to the members of MISC Berhad
(Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of MISC Berhad, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Corporation, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Corporation for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 150 to 311.

Directors' responsibility for the financial statements

The directors of the Corporation are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Corporation's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Corporation as at 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT

to the members of MISC Berhad
(Incorporated in Malaysia)

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Corporation and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 37 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Corporation are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

Other reporting responsibilities

The supplementary information set out in Note 43 on page 312 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

This report is made solely to the members of the Corporation, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Ahmad Zahirudin bin Abdul Rahim
No. 2607/12/16 (J)
Chartered Accountant

Kuala Lumpur, Malaysia
24 February 2015

INCOME STATEMENTS

for the year ended 31 December 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Corporation 2014 RM'000	Corporation 2013 RM'000
Continuing operations					
Revenue	3	**9,296,254**	8,971,805	**1,643,474**	1,930,346
Cost of sales		**(6,651,437)**	(6,918,146)	**(1,233,826)**	(1,573,876)
Gross profit		**2,644,817**	2,053,659	**409,648**	356,470
Other operating income	4	**280,255**	299,321	**1,887,285**	1,286,280
Disposal of asset through finance lease	18(d)	**654,549**	–	**–**	–
Net (loss)/gain on disposal of ships		**(33,800)**	11,606	**(34,758)**	38,028
Finance income	8(b)	**70,628**	36,687	**135,280**	123,245
General and administrative expenses		**(1,154,033)**	(837,083)	**(547,228)**	(173,372)
Impairment provisions	5(a)	**(358,917)**	(97,903)	**(155,471)**	(68,685)
Finance costs	8(a)	**(304,494)**	(408,391)	**(159,892)**	(224,135)
Share of loss of associates		**(30)**	(43)	**–**	–
Share of profit of joint ventures		**611,373**	1,169,874	**–**	–
Profit before taxation from continuing operations	5	**2,410,348**	2,227,727	**1,534,864**	1,337,831
Taxation	9	**(90,311)**	(2,509)	**–**	–
Profit after taxation from continuing operations		**2,320,037**	2,225,218	**1,534,864**	1,337,831
Discontinued operations					
Profit after taxation from discontinued operations	40(a)	**–**	4,310	**–**	7,637
Profit after taxation		**2,320,037**	2,229,528	**1,534,864**	1,345,468
Attributable to:					
Equity holders of the Corporation					
- Continuing operations		**2,204,310**	2,081,065	**1,534,864**	1,337,831
- Discontinued operations		**–**	4,310	**–**	7,637
Non-controlling interests		**115,727**	144,153	**–**	–
		2,320,037	2,229,528	**1,534,864**	1,345,468

INCOME STATEMENTS
for the year ended 31 December 2014

	Note	Group 2014	2013
Earnings per share attributable to equity holders of the Corporation (sen)			
Basic			
- from continuing operations	10	49.4	46.6
- from discontinued operations	10	–	0.1
		49.4	46.7
Diluted			
- from continuing operations	10	49.4	46.6
- from discontinued operations	10	–	0.1
		49.4	46.7

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2014

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit after taxation	**2,320,037**	2,229,528	**1,534,864**	1,345,468
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss				
Gain on currency translation	**1,349,907**	1,495,078	**576,794**	1,467,823
Non-current investments				
- changes in fair value	**(88,195)**	(62,040)	**(88,195)**	(62,040)
- reclassification to income statement on disposal of non-current quoted equity investment	**(39,160)**	–	**(39,160)**	–
Cash flow hedges				
- fair value gain	**21,917**	58,100	**–**	–
- reclassification to income statement on termination of hedging arrangements	**4,208**	–	**–**	–
- reclassification to income statement on maturity of hedging arrangements	**1,378**	26,717	**–**	–
Total other comprehensive income for the year	**1,250,055**	1,517,855	**449,439**	1,405,783
Total comprehensive income for the year	**3,570,092**	3,747,383	**1,984,303**	2,751,251
Total comprehensive income attributable to:				
Equity holders of the Corporation				
Continuing operations	**3,445,074**	3,582,837	**1,984,303**	2,751,251
Discontinued operations	**–**	3,282	**–**	–
Non-controlling interests	**125,018**	161,264	**–**	–
	3,570,092	3,747,383	**1,984,303**	2,751,251

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2014

	Note	Group 2014 RM'000	2013 RM'000
Non-current assets			
Ships	12	**18,215,599**	18,948,734
Offshore floating assets	12	**326,374**	1,888,439
Other property, plant and equipment	12	**1,971,972**	1,854,313
Prepaid lease payments on land and buildings	13	**249,905**	251,750
Intangible assets	14	**931,319**	901,533
Investments in associates	16	**1,987**	1,971
Investments in joint ventures	17	**6,248,878**	6,031,026
Other non-current financial assets	18(a)	**572,000**	817,780
Finance lease receivables	18(d)	**3,561,430**	1,387,841
Deferred tax assets	27	**90,373**	65,422
		32,169,837	32,148,809
Current assets			
Inventories	19	**243,782**	262,900
Trade and other receivables	20	**3,408,886**	2,849,715
Derivative assets	18(b)	**246**	1,344
Cash, deposits and bank balances	22	**4,838,829**	4,747,735
		8,491,743	7,861,694
Non-current assets classified as held for sale	23	**922,722**	221,728
		9,414,465	8,083,422
Current liabilities			
Trade and other payables	24	**3,401,392**	3,594,266
Interest-bearing loans and borrowings	18(c)	**1,148,814**	3,392,624
Provision for taxation		**42,491**	34,421
		4,592,697	7,021,311
Net current assets		**4,821,768**	1,062,111
		36,991,605	33,210,920

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2014

	Note	Group 2014 RM'000	2013 RM'000
Equity			
Equity attributable to equity holders of the Corporation			
Share capital	25(a)	**4,463,794**	4,463,794
Share premium	25(b)	**4,459,468**	4,459,468
Other reserves	26	**2,035,596**	794,832
Retained profits		**16,797,403**	14,994,835
		27,756,261	24,712,929
Non-controlling interests		**1,064,843**	1,044,440
		28,821,104	25,757,369
Non-current liabilities			
Interest-bearing loans and borrowings	18(c)	**7,590,349**	6,826,205
Deferred tax liabilities	27	**28,963**	20,143
Derivative liabilities	18(b)	**–**	4,230
Provisions	24(d)	**551,189**	602,973
		8,170,501	7,453,551
		36,991,605	33,210,920

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2014

	Note	Corporation 2014 RM'000	2013 RM'000
Non-current assets			
Ships	12	**5,140,158**	6,619,907
Offshore floating assets	12	**5,047**	1,034,731
Other property and equipment	12	**43,319**	36,598
Prepaid lease payments on land and buildings	13	**8,336**	2,361
Investments in subsidiaries	15	**9,228,364**	9,278,447
Investments in associates	16	**105**	99
Investments in joint ventures	17	**1,306,581**	1,230,119
Other non-current financial assets	18(a)	**4,171,941**	4,265,501
Deferred tax assets	27	**–**	–
		19,903,851	22,467,763
Current assets			
Inventories	19	**52,012**	56,247
Trade and other receivables	20	**2,720,122**	702,128
Cash, deposits and bank balances	22	**2,581,274**	2,107,345
		5,353,408	2,865,720
Non-current assets classified as held for sale	23	**916,440**	126,969
		6,269,848	2,992,689
Current liabilities			
Trade and other payables	24	**2,120,397**	1,703,333
Interest-bearing loans and borrowings	18(c)	**560,122**	500,000
		2,680,519	2,203,333
Net current assets		**3,589,329**	789,356
		23,493,180	23,257,119
Equity			
Equity attributable to equity holders of the Corporation			
Share capital	25(a)	**4,463,794**	4,463,794
Share premium	25(b)	**4,459,468**	4,459,468
Other reserves	26	**242,081**	(207,358)
Retained profits		**10,190,101**	9,056,979
		19,355,444	17,772,883
Non-current liabilities			
Interest-bearing loans and borrowings	18(c)	**3,586,547**	4,881,954
Provisions	24(d)	**551,189**	602,282
		4,137,736	5,484,236
		23,493,180	23,257,119

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2014

	Note	Total equity RM'000	Equity attributable to equity holders of the Corporation RM'000	Share capital* RM'000	Share premium RM'000	Retained profits RM'000	Other reserves, total RM'000
				Non Distributable		Distributable	
2014							
At 1 January 2014		**25,757,369**	**24,712,929**	**4,463,794**	**4,459,468**	**14,994,835**	**794,832**
Total comprehensive income/(loss)		**3,570,092**	**3,445,074**	**–**	**–**	**2,204,310**	**1,240,764**
Transactions with equity holders							
Dilution of interest in a subsidiary		**5,503**	**–**	**–**	**–**	**–**	**–**
Dividends	11	**(511,860)**	**(401,742)**	**–**	**–**	**(401,742)**	**–**
Total transactions with equity holders		**(506,357)**	**(401,742)**	**–**	**–**	**(401,742)**	**–**
At 31 December 2014		**28,821,104**	**27,756,261**	**4,463,794**	**4,459,468**	**16,797,403**	**2,035,596**
2013							
At 1 January 2013		22,203,993	21,123,978	4,463,794	4,459,468	12,906,628	(705,912)
Total comprehensive income/(loss)		3,747,383	3,586,119	–	–	2,085,375	1,500,744
Transactions with equity holders							
Acquisition of non-controlling interests		(59,719)	2,832	–	–	2,832	–
Disposal of a subsidiary		(1,617)	–	–	–	–	–
Distributions to non-controlling interests		(132,671)	–	–	–	–	–
Total transactions with equity holders		(194,007)	2,832	–	–	2,832	–
At 31 December 2013		25,757,369	24,712,929	4,463,794	4,459,468	14,994,835	794,832

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

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2014

Attributable to equity holders of the Corporation									
Non Distributable									
	Other capital reserve RM'000	Capital reserve RM'000	Revaluation reserve RM'000	Statutory reserve RM'000	Capital redemption reserve RM'000	Fair value reserve RM'000	Hedging reserve RM'000	Currency translation reserve RM'000	Non-controlling interests RM'000
	41,415	**435,284**	**1,357**	**1,966**	**59,715**	**190,754**	**(32,306)**	**96,647**	**1,044,440**
	–	**–**	**–**	**–**	**–**	**(127,355)**	**26,760**	**1,341,359**	**125,018**
	–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,503**
	–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(110,118)**
	–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(104,615)**
	41,415	**435,284**	**1,357**	**1,966**	**59,715**	**63,399**	**(5,546)**	**1,438,006**	**1,064,843**
	41,415	435,284	1,357	1,966	59,715	252,794	(116,147)	(1,382,296)	1,080,015
	–	–	–	–	–	(62,040)	83,841	1,478,943	161,264
	–	–	–	–	–	–	–	–	(62,551)
	–	–	–	–	–	–	–	–	(1,617)
	–	–	–	–	–	–	–	–	(132,671)
	–	–	–	–	–	–	–	–	(196,839)
	41,415	435,284	1,357	1,966	59,715	190,754	(32,306)	96,647	1,044,440

STATEMENTS OF CHANGE IN EQUITY

for the year ended 31 December 2014

	Note	Total equity RM'000	Share capital* RM'000	Share premium RM'000	Retained profits RM'000	Other reserves, total RM'000	Fair value reserve RM'000	Currency translation reserve RM'000
			I----- Non Distributable -----I		Distributable	I---------- Non Distributable ----------I		
2014								
At 1 January 2014		**17,772,883**	**4,463,794**	**4,459,468**	**9,056,979**	**(207,358)**	**190,754**	**(398,112)**
Total comprehensive income/(loss)		**1,984,303**	**–**	**–**	**1,534,864**	**449,439**	**(127,355)**	**576,794**
Transactions with equity holders								
Dividends	11	**(401,742)**	**–**	**–**	**(401,742)**	**–**	**–**	**–**
At 31 December 2014		**19,355,444**	**4,463,794**	**4,459,468**	**10,190,101**	**242,081**	**63,399**	**178,682**
2013								
At 1 January 2013		15,021,632	4,463,794	4,459,468	7,711,511	(1,613,141)	252,794	(1,865,935)
Total comprehensive income/(loss)		2,751,251	–	–	1,345,468	1,405,783	(62,040)	1,467,823
At 31 December 2013		17,772,883	4,463,794	4,459,468	9,056,979	(207,358)	190,754	(398,112)

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

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Corporation 2014 RM'000	Corporation 2013 RM'000
Operating activities					
Cash receipts from customers		**8,902,086**	9,328,811	**1,293,636**	3,420,774
Cash paid to suppliers and employees		**(5,954,846)**	(7,206,002)	**(735,254)**	(1,919,268)
Cash generated from continuing operations		**2,947,240**	2,122,809	**558,382**	1,501,506
Taxation paid		**(101,529)**	(42,819)	**–**	–
Net cash generated from continuing operations		**2,845,711**	2,079,990	**558,382**	1,501,506
Net cash used in discontinued operations	40(b)	**–**	(68,828)	**–**	(68,628)
Net cash generated from operating activities		**2,845,711**	2,011,162	**558,382**	1,432,878
Investing activities					
Net cash (used in)/generated from continuing operations		**(176,815)**	(1,643,237)	**1,752,778**	(1,322,634)
Net cash generated from discontinued operations	40(b)	**–**	15,063	**–**	12,115
Net cash (used in)/generated from investing activities	28	**(176,815)**	(1,628,174)	**1,752,778**	(1,310,519)
Financing activities					
Net cash (used in)/generated from continuing operations		**(2,819,326)**	170,449	**(1,967,911)**	(311,215)
Net cash (used in)/generated from financing activities	29	**(2,819,326)**	170,449	**(1,967,911)**	(311,215)

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Corporation 2014 RM'000	Corporation 2013 RM'000
Net (decrease)/increase in cash and cash equivalents		**(150,430)**	553,437	**343,249**	(188,856)
Cash and cash equivalents at beginning of financial year		**4,747,735**	3,972,744	**2,107,345**	2,145,223
Currency translation differences		**241,524**	221,554	**130,680**	150,978
Cash and cash equivalents at end of financial year		**4,838,829**	4,747,735	**2,581,274**	2,107,345
Cash and cash equivalents comprise:					
Cash, deposits and bank balances	22	**4,838,829**	4,747,735	**2,581,274**	2,107,345

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
- 31 December 2014

1. Corporate information

The Corporation is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The registered office of the Corporation is located at Level 25, Menara Dayabumi, Jalan Sultan Hishamuddin, 50050 Kuala Lumpur.

The immediate and ultimate holding company of the Corporation is Petroliam Nasional Berhad ("PETRONAS"), a company incorporated and domiciled in Malaysia.

The principal activities of the Corporation consist of shipowning, ship operating, other activities related to shipping services, and owning and operating offshore floating terminals.

The principal activities of the subsidiaries, associates and joint arrangements are described in Notes 37, 38 and 39 respectively.

There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 February 2015.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Corporation comply with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the Companies Act, 1965 in Malaysia.

These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The financial statements of the Group and of the Corporation have been prepared on a historical cost basis unless otherwise indicated in the accounting policies below.

The functional currency of the Corporation is United States Dollar ("USD"). The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Group and the Corporation's financial statements are presented in Ringgit Malaysia ("RM").

2. Significant accounting policies (cont'd.)

2.2 Changes in accounting policies and effects arising from the adoption of New and Revised MFRSs

The Group and the Corporation had on 1 January 2014 adopted the following new and amended MFRSs and IC Interpretations (collectively referred to as "pronouncements") that has been issued by the Malaysian Accounting Standards Board ("MASB");

- Amendments to MFRS 10: Consolidated Financial Statements - Investment Entities
- Amendments to MFRS 12: Disclosure of Interests in Other Entities - Investment Entities
- Amendments to MFRS 127: Consolidated and Separate Financial Statements
- Amendments to MFRS 132: Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136: Impairment of Assets - Recoverable Amount Disclosures for Non-financial Assets
- Amendments to MFRS 139: Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21: Levies

The adoption of the above pronouncements did not have any significant financial impact to the Group and the Corporation.

2.3 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and, unless otherwise stated, have been applied consistently by the Group and the Corporation.

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are entities including structured entities controlled by the Corporation. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that control commences until the date that control ceases.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(a) Subsidiaries and basis of consolidation (cont'd.)

(i) Subsidiaries (cont'd.)

All inter-company transactions are eliminated on consolidation and revenue and profits relate to external transactions only. Unrealised losses resulting from intercompany transactions are also eliminated, except for instances where cost cannot be recovered.

In the Corporation's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Corporation and its subsidiaries as at reporting date. The financial statements of the subsidiaries are prepared for the same reporting date as the Corporation.

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. Business combinations are accounted for using the acquisition method. The identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date. The cost of an acquisition is measured as the aggregate of the fair value of the consideration transferred and the amount of any non-controlling interests in the acquiree. Non-controlling interests are stated either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

When a business combination is achieved in stages, the Group remeasures its previously held non-controlling equity interest in the acquiree at fair value at the acquisition date, with any resulting gain or loss recognised in the income statement. Increase in the Group's ownership interest in an existing subsidiary is accounted for as equity transactions with differences between the fair value of consideration paid and the Group's proportionate share of net assets acquired, recognised directly in equity.

For acquisitions on or after 1 April 2011, the Group measures goodwill as the excess of, the cost of an acquisition as defined above and the fair values of any previously held interest in the acquiree, over the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in income statement.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(a) Subsidiaries and basis of consolidation (cont'd.)

(ii) Basis of consolidation (cont'd.)

For acquisitions prior to 1 April 2011, goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, the difference was recognised immediately in the income statement. Transaction costs, other than those associated with the issue or debt equity securities, that the Group incurred in connection with business combination were capitalised as part of the cost of acquisition.

Transaction costs, other than those associated with the issuance of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Non-controlling interests

Non-controlling interests at the reporting period, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Corporation, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Corporation. Non-controlling interests in the results of the Group are presented in the consolidated income statement and comprehensive income as an allocation of the income statement and other comprehensive income for the year between the non-controlling interests and shareholders of the Corporation.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests, even if doing so causes the non-controlling interests to have a deficit balance.

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(a) Subsidiaries and basis of consolidation (cont'd.)

(ii) Basis of consolidation (cont'd.)

Loss of Control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in income statement. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, depending on the level of influence retained, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset.

(b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated statement of financial position at cost, adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated statement of comprehensive income. Where there has been a change recognised directly in the equity of the associate, the Group recognises its shares of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After the application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the associate's net fair value of identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(b) Associates (cont'd.)

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that in substance form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the financial year. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in the income statement. Any retained interest in the former associate at the date when significant influence is lost is re-measured at fair value, and this amount is regarded as the initial carrying amount of a financial asset.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised as profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to income statement.

In the Corporation's separate financial statements, investments in associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

(c) Joint arrangements

Joint arrangements are arrangements in which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified as either joint operations or joint ventures. A joint arrangement is classified as a joint operation when the Group or the Corporation has rights to the assets and obligations for the liabilities relating to an arrangement. Whilst, a joint arrangement is classified as a joint venture when the Group has rights only to the net assets of the arrangement.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(c) Joint arrangements (cont'd.)

(i) Joint ventures

Investment in joint ventures is accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in joint ventures is carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the joint ventures. The Group's share of the net profit or loss of the joint ventures is recognised in the income statement. Where there has been a change recognised directly in the equity of the joint ventures, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the joint ventures are eliminated to the extent of the Group's interest in the joint ventures. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the joint ventures. The Group determines at each reporting date whether there is any objective evidence that the investment in the joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in the income statement. The joint ventures are equity accounted for from the date the Group obtains joint control until the date the Group ceases to have joint control over the joint ventures.

Goodwill relating to a joint venture is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the joint ventures' identifiable assets, liabilities and contingent liabilities over the cost of the investments is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the joint ventures' profit or loss in the year in which the investments are acquired.

When the Group's share of losses in joint ventures equals or exceeds its interest in the joint ventures, including any long-term interests that, in substance, form part of the Group's net investment in the joint ventures, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(c) Joint arrangements (cont'd.)

(i) Joint ventures (cont'd.)

The most recent available audited financial statements of the joint ventures are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting year. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

On disposal of joint ventures, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

In the Corporation's separate financial statements, investments in joint ventures are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

(ii) Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group as a joint operator recognises in relation to its interest in a joint operation:

(i) its assets, including its share of any assets held jointly;
(ii) its liabilities, including its share of any liabilities incurred jointly;
(iii) its revenue from the sale of its share of the output arising from the joint operation;
(iv) its share of the revenue from the sale of the output by the joint operation; and
(v) its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the MFRSs applicable to the particular assets, liabilities, revenues and expenses.

Profits and losses resulting from transactions between the Group and its joint operation are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the joint operation.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(d) Intangible assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is instead reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment, annually or more frequently, if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating-unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

(e) Ships, offshore floating assets, other property, plant and equipment, and depreciation

All ships, offshore floating assets and other property, plant, and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to initial recognition, ships, offshore floating assets and other property, plant and equipment (except for ships and offshore floating assets under construction and projects in progress) are stated at cost less accumulated depreciation and any accumulated impairment losses.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(e) Ships, offshore floating assets, other property, plant and equipment, and depreciation (cont'd.)

Freehold land has an unlimited useful life and therefore is not depreciated. Ships and offshore floating assets under construction and projects in progress are also not depreciated as these assets are not available for use.

Depreciation of ships and offshore floating assets commences from the date of delivery of both assets. Depreciation of ships and offshore floating assets in operation and other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Ships	2.5% - 4.0%
Offshore floating assets	5.0% - 20.0%
Buildings	2.0% - 7.0%
Drydocks and waste plant	2.0% - 10.0%
Motor vehicles	10.0% - 33.3%
Furniture, fittings and equipment	10.0% - 33.3%
Computer software and hardware	15.0% - 33.3%
Plant and machinery	10.0% - 20.0%
Tugboats, engines and pushers	6.7% - 20.0%

The depreciation policy for drydocking cost included in ships is stated in Note 2.3(x).

The residual values, useful lives and depreciation method are reviewed at each financial period end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the ships, offshore floating assets, and other property, plant and equipment.

Ships, offshore floating assets and other property, plant and equipment are derecognised upon disposal, or when no future economic benefits are expected from their use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus is taken directly to retained profits.

(f) Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of physical completion or based on technical milestones defined under the contracts, and taking into account the nature and its associated risk.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that is probable to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(f) Construction contracts (cont'd.)

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

(g) Impairment of non-financial assets

The carrying amounts of non-financial assets, other than deferred tax assets, inventories and amount due from construction contract are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, the recoverable amount is estimated at each reporting date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating-unit ("CGU") to which the asset belongs to. Goodwill acquired in a business combination is allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units from the acquisition date.

An asset's recoverable amount is the higher of the asset's or CGU's fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(g) Impairment of non-financial assets (cont'd.)

An impairment loss is recognised in the income statement in the period in which it arises, if the asset is carried at a revalued amount, the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve of the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the income statement. If the asset is carried at revalued amount, such a reversal is treated as a revaluation increase.

(h) Inventories

Inventories which comprise bunkers, lubricants, spares, raw materials and consumable stores are held for own consumption and are stated at lower of cost and net realisable value. Cost is arrived at on the weighted average basis and comprises the purchase price and other direct charges. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(i) Financial assets

Initial recognition:

Financial assets within the scope of MFRS 139 are classified as "financial assets at fair value through profit or loss", "loans and receivables", "held-to-maturity investments", "available-for-sale financial assets", or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value plus, in the case of case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace concerned (regular way of purchases) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash, deposits and bank balances, trade and other receivables, loans, quoted and unquoted financial instruments, and derivative financial instruments.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(i) Financial assets (cont'd.)

Subsequent measurement:

The subsequent measurement of financial assets depends on their classification as follows:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) and financial assets that are specifically designated into this category upon initial recognition.

Financial assets, categorised as fair value through profit or loss are subsequently measured at their fair value, with gains or losses recognised in the income statement.

The Group has not designated any financial assets as at fair value through profit or loss during the years ended 31 December 2014 and 31 December 2013.

(ii) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market. Subsequent to initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest rate method.

(iii) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group has positive intention and ability to hold the assets to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest rate method.

The Group did not have any held-to-maturity investments as at 31 December 2014 and 31 December 2013.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(i) Financial assets (cont'd.)

Subsequent measurement (cont'd.):

(iv) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at fair value with unrealised gains and losses recognised directly in other comprehensive income and accumulated under available-for-sale reserve in equity until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss previously recorded in equity is recognised in the income statement.

The Group and the Corporation have designated their non-current investments as available-for-sale financial assets.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment as described in Note 2.3(m).

(j) Financial liabilities

Initial recognition:

Financial liabilities are classified as "financial liabilities at fair value through profit or loss", "loans and borrowings" or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, any directly attributable transactions costs.

The Group's financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(j) Financial liabilities (cont'd.)

Subsequent measurement:

The subsequent measurement of financial liabilities depends on their classification as follows:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) and financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities, categorised as fair value through profit or loss are subsequently measured at their fair value, with gains or losses recognised in the income statement.

The Group has not designated any financial liabilities at fair value through profit or loss.

(ii) Loans and borrowings

Subsequent to initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the income statement when the financial liabilities are derecognised as well as through the amortisation process.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make a payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Financial guarantee contracts are amortised on a straight-line basis over the contractual period of the debt instrument. Where the guarantee does not have a specific period, the guarantee will only be recognised in the income statement upon discharge of the guarantee.

When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(k) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(l) Amortised cost of financial instruments

Amortised cost is computed using the effective interest rate method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

(m) Impairment of financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries, investments in associates and investments in joint ventures) are assessed at each reporting date to determine whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the financial asset's recoverable amount is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in the income statement and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in the income statement and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to the income statement.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in the income statement and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses are recognised in the income statement for an investment in an equity instrument classified as available-for-sale is not reversed through the income statement.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(m) Impairment of financial assets (cont'd.)

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statement.

(n) Derecognition of financial instruments

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the right to receive cash flows from the asset has expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and

- either (i) the Group has transferred substantially all the risks and rewards of the assets, or (ii) the Group has neither transferred nor retained substantially all the risks and rewards of the assets but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a "pass through" agreement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including cash settled options or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase. However, in the case of a written put option (including cash settled options or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(n) Derecognition of financial instruments (cont'd.)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

(o) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as interest rate swaps to hedge its interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at each reporting date. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge are taken directly to the income statement.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk);

- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to:-

  - a particular risk associated with a recognised asset; or
  - liability or a highly probable forecast transaction; or
  - the foreign currency risk in an unrecognised firm commitment;

- hedges of a net investment in a foreign operation.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(o) Derivative financial instruments and hedge accounting (cont'd.)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective of the hedge and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value of cash flows and are assessed on an ongoing basis to determine that they have actually been highly effective throughout the financial reporting years for which they are designated.

The Group has entered into cash flow hedges which meet the criteria for hedge accounting. The hedges are accounted for as follows:

Cash flow hedges

The effective portion of the gains or losses on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the income statement. Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement, such as when the hedged finance income or finance expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

Derivative instruments that are not designated as effective hedging instrument are classified and allocated as current or non-current based on an assessment of the facts and circumstances as follows:

- Where the Group will continue to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(p) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially all the risks and rewards incidental to the Group's ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets, and the land and the buildings elements of a lease are considered separately for the purposes of lease classification. Leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(ii) Operating lease - the Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, to the land and the buildings elements in proportion to their relative fair values at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(iii) Operating lease - the Group as lessor

Assets leased out under operating leases are presented in the statement of financial position according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(iv) Finance lease - the Group as lessor

Leases in which substantially all of the risks and rewards of ownership are transferred to the lessee are classified as finance leases. Assets held pursuant to a finance lease are presented in the statement of financial position as receivable at an amount equal to the net investment in the lease. The recognition of finance income on the receivable is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(p) Leases (cont'd.)

(v) Prepaid lease payments

Leasehold land which in substance is an operating lease are classified as prepaid lease payments. The payment made on entering into a lease arrangement or acquiring a leasehold land are accounted for as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

Leasehold land is classified into long term lease and short term lease. Long term lease is defined as a lease with an unexpired lease period of fifty years or more. Short term lease is defined as a lease with an unexpired lease period of less than fifty years.

(q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement of the period in which they are incurred.

(r) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided using the liability method on temporary differences between the tax bases and the carrying amounts for financial reporting purposes of assets and liabilities at the reporting date.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(r) Income tax (cont'd.)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that is probable that taxable profit will be available and can be utilised, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax relating to items recognised outside the income statement is recognised outside the income statement. Deferred tax items are recognised in relation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(s) Provisions

Provisions are recognised when all of the following conditions have been satisfied:

- the Group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount can be made.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the accretion in the provision due to the passage of time is recognised as a finance cost.

Possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group are not recognised in the financial statements but are disclosed as contingent liabilities, unless the possibility of an outflow of economic resources is considered remote.

Provision for warranty is made based on service histories to cover the estimated liability that may arise during the warranty period. Any surplus provision will be written back at the end of the warranty period, while additional provision is made as and when necessary.

(t) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(t) Employee benefits (cont'd.)

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans, under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current period and preceding financial years. Such contributions are recognised as an expense in the income statement as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory and/or voluntary pension schemes.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after reporting date are discounted to present value.

(u) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Corporation is United States Dollar ("USD"). The Group and Corporation's financial statements are presented in Ringgit Malaysia ("RM").

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated to United States Dollar ("USD") at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(u) Foreign currencies (cont'd.)

(ii) Foreign currency transactions (cont'd.)

Exchange differences arising on the settlement of monetary items, or on translating monetary items at the reporting date are included in the income statement, except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to income statement of the Group on disposal of the foreign operation.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in the income statement for the year. Exchange differences arising on monetary items that form part of the Corporation's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in the income statement of the Corporation's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the income statement for the year, except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign operations

The results and financial position of operations that have a functional currency different from the presentation currency ("RM") ("Foreign Operation") are translated into RM as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at the reporting date;

- Income and expenses for each income statement are translated at average exchange rate for the year, which approximates the exchange rates at the dates of the transactions; and

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(u) Foreign currencies (cont'd.)

(iii) Foreign operations (cont'd.)

- All resulting exchange differences are taken to the currency translation reserve within other comprehensive income.

Goodwill and fair value adjustments arising from the acquisition of foreign operations on or after 1 April 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations, translated at the closing rate at the reporting date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 April 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

(v) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Freight income

Freight receivable and the relevant discharge costs of cargoes loaded onto ships up to the reporting date are accrued for in the financial statements, using the percentage of completion method.

(ii) Charter income

The results of ships employed on voyage charter and that of other services rendered are accounted for on a time accrual basis. Certain charter income is recognised on a straight-line basis over the firm period of the contract.

(iii) Lightering income

Income from lightering charges is recognised on percentage of completion of voyages, calculated on a discharge-to-discharge basis. The voyage revenue is recognised evenly over the period from a ship's departure from its previous discharge point to its projected departure from its next discharge point.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(v) Revenue recognition (cont'd.)

(iv) Other shipping related income

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are performed.

(v) Finance income on lease receivables

Finance income on lease receivables is recognised according to the effective interest rate method so as to provide constant periodic rate of return on the net investment.

(vi) Construction contracts

Revenue from construction contracts is accounted for in accordance with the policy set out in Note 2.3(f).

(vii) Rental income

Rental income from an investment property is recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessee is recognised as a reduction of rental income over the lease term on a straight-line basis.

(viii) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(ix) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(w) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition, subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable MFRS. Then, on initial classification as held for sale, non-current assets are measured in accordance with MFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations* that is, at the lower of carrying amount and fair value less costs to sell. Any differences are included in the income statement.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(x) Repairs and maintenance

Repairs and maintenance costs are recognised in the income statement in the period they are incurred. Drydocking expenditure is capitalised and depreciated over a period of 30 months or the period until the next drydocking date, whichever is shorter.

(y) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, being within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(z) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(aa) Fair value measurements

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

(i) Financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include:

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

Where fair value cannot be reliably estimated, assets are carried at cost less impairment losses, if any.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(aa) Fair value measurements (cont'd.)

(ii) Non-financial assets

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and Corporation use observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1 - Quoted pries (unadjusted) in active markets for identifical assets and liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable input).

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

2.4 Pronouncements not yet in effect

The following pronouncements that have been issued by the MASB will become effective in future financial reporting periods and have not been adopted by the Group and/or the Corporation:

Effective for annual periods beginning on or after 1 July 2014:

- Amendments to MFRS 2: Share-based Payment (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 3: Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
- Amendments to MFRS 8: Operating Segments (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 13: Fair Value Measurement (Annual Improvements 2011-2013 Cycle)
- Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 119: Employee Benefits - Defined Benefit Plans: Employee Contributions
- Amendments to MFRS 124: Related Party Disclosures (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 138: Intangible Assets (Annual Improvements 2010-2012 Cycle)
- Amendments to MFRS 140: Investment Property (Annual Improvements 2011-2013 Cycle)

2. Significant accounting policies (cont'd.)

2.4 Pronouncements not yet in effect (cont'd.)

Effective for annual periods beginning on or after 1 January 2016:

- MFRS 14: Regulatory Deferral Accounts
- Amendments to MFRS 5: Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 7: Financial Instruments - Disclosures (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 10: Consolidated Financial Statements - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to MFRS 10: Consolidated Financial Statements: Investment Entities - Applying the Consolidation Exception
- Amendments to MFRS 11: Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 12: Disclosure of Interests in Other Entities - Investment Entities: Applying the Consolidation Exception
- Amendments to MFRS 101: Presentation of Financial Statements - Disclosure Initiative
- Amendments to MFRS 116: Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116: Property, Plant and Equipment - Bearer Plants
- Amendments to MFRS 119: Employee Benefits (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 127: Consolidated and Separate Financial Statements - Equity Method in Separate Financial Statements
- Amendments to MFRS 128: Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to MFRS 128: Investment in Associates - Investment Entities: - Applying the Consolidation Exception
- Amendments to MFRS 134: Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 138: Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 141: Agriculture - Bearer Plants

Effective for annual periods beginning on or after 1 January 2017:

- MFRS 15: Revenue from Contracts with Customers

Effective for annual periods beginning on or after 1 January 2018:

- MFRS 9: Financial Instruments

2. Significant accounting policies (cont'd.)

2.4 Pronouncements not yet in effect (cont'd.)

The Group and the Corporation are expected to apply the abovementioned pronouncements beginning from the respective dates the pronouncements become effective. The initial application of the abovementioned pronouncements is not expected to have any material impact to the financial statements of the Group and the Corporation except as mentioned below:

(i) MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

(ii) MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of MFRS 15, if any, and plans to adopt the new standard on the stipulated effective date.

2. Significant accounting policies (cont'd.)

2.5 Significant accounting estimates and judgements

(a) Critical judgements made in applying accounting policies

The following are the judgements made by management in applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

(i) Operating lease commitments - the Group as lessor

In its ordinary course of business, the Group enter into lease arrangements with related and third parties on its ships and offshore floating assets. Where the Group has determined that it retains all the significant risks and rewards of ownership of these ships and offshore floating assets, the ships and offshore floating assets are recognised and classified as part of non-current assets of the Group and the Corporation.

(ii) Construction contracts

The Group recognises revenue and expenses from construction contracts in the income statement by using the stage of completion method. The stage of completion is measured by reference to the completion of physical proportion of the contract work.

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs, as well as the recoverability of the construction costs. In making this judgement, the Group evaluates based on past experience and by relying on the work of internal specialists.

2. Significant accounting policies (cont'd.)

2.5 Significant accounting estimates and judgements (cont'd.)

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of goodwill

The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value-in-use of the cash-generating-units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying amount, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are provided in Note 14.

(ii) Provisions

Provisions are recognised in accordance with the accounting policy in Note 2.3(s). To determine whether it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made, the Group takes into consideration factors such as existence of legal/contractual agreements, past historical experience, external advisors' assessments and other available information.

(iii) Impairment of ships, offshore floating assets and other property, plant and equipment

The Group and the Corporation have performed a review of the recoverable amount of their ships, offshore floating assets and other property, plant and equipment during the financial year. The review led to the recognition of impairment losses as disclosed in Note 5(a).

The Group carried out the impairment test based on a variety of estimations, including the value-in-use of the CGU to which ships, offshore floating assets and other property, plant and equipment are allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate to calculate the present value of those cash flows.

Further details of the impairment loss recognised are disclosed in Note 12(b).

2. Significant accounting policies (cont'd.)

2.5 Significant accounting estimates and judgements (cont'd.)

(b) Key sources of estimation uncertainty (cont'd.)

(iv) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax planning strategies. The total carrying value of recognised deferred tax assets and the unrecognised tax losses and capital allowances are as disclosed in Note 27.

(v) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statements of financial position cannot be derived from active markets, they are determined using valuation techniques, including the discounted cash flow method. Where possible, the inputs to these valuation models are taken from observable markets. However, when this is considered unfeasible, a degree of judgement is made in establishing fair values. The judgements made include having considered a host of factors including liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Further disclosure of fair value of financial instruments is provided in Note 34.

3. Revenue

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Charter and lightering income	**5,722,916**	5,238,525	**1,051,268**	974,101
Freight income	**563,718**	930,852	**563,718**	922,187
Construction contracts	**2,136,102**	1,986,870	**–**	–
Other shipping related income	**360,451**	468,722	**28,488**	34,058
Finance income on lease receivables	**221,465**	208,856	**–**	–
Non-shipping income	**291,602**	137,980	**–**	–
	9,296,254	8,971,805	**1,643,474**	1,930,346

Non-shipping income mainly represents revenue generated from the operation and maintenance of offshore floating assets.

4. Other operating income

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Rental income	**1,264**	2,257	**7**	18
Exchange gain:				
Realised	**48,361**	110,543	**20,980**	82,290
Unrealised	**46,181**	23,256	**18,060**	18,352
Management services:				
Subsidiaries	**–**	–	**32,129**	29,878
Joint ventures	**11,374**	16,220	**11,374**	16,220
Gain on disposal of other property, plant and equipment and non-current assets held for sale	**6,968**	–	**6,370**	187
Gain on disposal of quoted equity investment	**79,338**	–	**79,338**	–
Dividend income on equity investments:				
Subsidiaries	**–**	–	**1,619,699**	1,038,197
Joint ventures	**–**	–	**43,706**	38,071
Quoted equity investments	**7,587**	7,663	**7,587**	7,663
Write back of impairment loss on trade receivables:				
Third Parties	**10,639**	3,430	**–**	–
Miscellaneous:				
Subsidiaries	**2,627**	–	**3,250**	–
Third Parties	**65,916**	135,952	**44,785**	55,404
	280,255	299,321	**1,887,285**	1,286,280

5. Profit before taxation from continuing operations

The following amounts have been included in arriving at profit before taxation from continuing operations:

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Amortisation of intangible assets (Note 14)	**13,076**	13,076	**–**	–
Amortisation of prepaid lease payments on land and buildings (Note 13)	**8,207**	9,433	**387**	149
Auditors' remuneration:				
Auditors of the Corporation:				
- Statutory audits	**3,338**	3,069	**721**	680
- Other services	**74**	455	**65**	397
Charter hire expenses	**852,522**	877,495	**236,391**	276,551
Inventories used	**1,010,495**	1,224,476	**288,526**	422,709
Exchange loss:				
- Realised	**77,302**	6,733	**72,984**	443
- Unrealised	**24,416**	28,318	**9,258**	7,337
Impairment loss on trade receivables:				
- Third parties	**9,267**	12,816	**–**	–
Bad debts written off	**5,323**	–	**–**	–
Operating lease rental:				
- Equipment	**70,415**	126,380	**5,573**	8,910
- Land and buildings	**32,164**	41,717	**16,110**	18,853
Ships, offshore floating assets and other property, plant and equipment:				
- Depreciation	**1,231,709**	1,208,454	**361,499**	382,256
- Written off	**30,466**	58,581	**9,838**	6,795
Loss on disposal of other property, plant and equipment	**–**	3,269	**–**	–
Impairment provisions (Note 5(a))	**358,917**	97,903	**155,471**	68,685
Staff costs (Note 6)	**1,379,856**	1,187,039	**440,151**	382,399
Non-executive directors' remuneration (Note 7)	**609**	608	**470**	476

5. Profit before taxation from continuing operations (cont'd.)

(a) Impairment provisions

Continuing Operations

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Ships and offshore floating assets in operation	**424,879**	54,293	**119,058**	34,540
Other property, plant and equipment	**5,040**	–	**–**	–
Non-current assets held for sale written down	**–**	9,562	**–**	–
Investments in subsidiaries	**–**	–	**36,413**	63,659
Investment in a joint venture	**–**	63,562	**–**	–
	429,919	127,417	**155,471**	98,199
Less:				
Reversal of impairment of ships and offshore floating assets	**(71,002)**	(29,514)	**–**	(29,514)
Net impairment	**358,917**	97,903	**155,471**	68,685

6. Staff costs

Continuing Operations

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Wages, salaries and bonuses	**999,274**	979,564	**313,902**	330,769
Contributions to defined contribution plans	**71,963**	70,056	**16,078**	13,191
Social security costs	**2,918**	2,799	**782**	445
Termination benefits	**89,592**	–	**63,943**	–
Other staff related expenses	**216,109**	134,620	**45,446**	37,994
	1,379,856	1,187,039	**440,151**	382,399

6. Staff costs (cont'd.)

Included in staff costs of the Group and of the Corporation are executive director's remuneration amounting to RM3,533,000 (2013: RM2,847,000) and RM3,107,000 (2013: RM2,417,000) respectively as further disclosed in Note 7.

7. Directors' remuneration

The details of remuneration receivable by directors of the Corporation during the financial year are as follows:

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Executive:				
Salaries and other emoluments	**2,050**	1,853	**1,624**	1,423
Bonus	**672**	301	**672**	301
Defined contribution plans	**704**	567	**704**	567
Total executive director's remuneration (excluding benefits-in-kind)	**3,426**	2,721	**3,000**	2,291
Estimated money value of benefits-in-kind	**107**	126	**107**	126
Total executive director's remuneration (including benefits-in-kind) (Note 30(h))	**3,533**	2,847	**3,107**	2,417
Non-executive directors' remuneration:				
Fees	**470**	476	**470**	476
Fees from subsidiary	**139**	132	**–**	–
Total non-executive directors' remuneration (Note 5)	**609**	608	**470**	476
Total directors' remuneration including benefits-in-kind	**4,142**	3,455	**3,577**	2,893

The number of directors of the Corporation whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of directors	
	2014	2013
Executive directors:		
RM2,800,001 - RM2,850,000	**–**	1
RM3,500,001 - RM3,550,000	**1**	–
	1	1

7. Directors' remuneration (cont'd.)

	Number of directors	
	2014	**2013**
Non-executive directors*:		
RM100,001 - RM150,000	**3**	3
RM250,001 - RM300,000	**1**	1
	4	4

* Excludes the directors of the Corporation who are paid directly by the immediate holding company of the Corporation, PETRONAS.

8. (a) Finance costs

	Group		Corporation	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Interest expense:				
Holding company	**17,800**	32,383	**17,800**	32,383
Subsidiaries	**–**	–	**56,247**	86,064
Third parties	**200,849**	270,320	**–**	–
Islamic Private Debt Securities	**24,896**	45,881	**24,896**	45,881
Unwinding of discount on provisions	**60,949**	59,807	**60,949**	59,807
Total finance costs	**304,494**	408,391	**159,892**	224,135

(b) Finance income

Interest income:				
Subsidiaries	**–**	–	**95,648**	110,037
Joint ventures	**8,282**	6,837	**8,186**	6,765
Deposits	**62,346**	29,850	**31,446**	6,443
Total finance income	**70,628**	36,687	**135,280**	123,245

9. Taxation

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current income tax - continuing operations:				
Malaysian income tax	**28,162**	31,831	**–**	–
Foreign tax	**80,544**	14,221	**–**	–
(Over)/underprovision in prior year:				
Malaysian income tax	**(2,222)**	4,176	**–**	–
	106,484	50,228	**–**	–
Deferred tax - continuing operations:				
Relating to origination and reversal of temporary differences	**(13,446)**	(7,258)	**–**	–
Overprovision in prior year	**(2,727)**	(40,461)	**–**	–
	(16,173)	(47,719)	**–**	–
Taxation attributable to continuing operations	**90,311**	2,509	**–**	–
Taxation attributable to discontinued operations	**–**	(527)	**–**	–
Taxation for the year	**90,311**	1,982	**–**	–

Domestic current income tax is calculated at the statutory tax rate of 25% (2013: 25%) of the estimated assessable profit for the financial year. The domestic statutory tax rate will be reduced to 24% from the current year's rate of 25%, effective year of assessment 2016. The computation of deferred tax as at 31 December 2014 did not reflect these changes as the effect is not significant.

9. Taxation (cont'd.)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Corporation is as follows:

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit before taxation from continuing operations	**2,410,348**	2,227,727	**1,534,864**	1,337,831
Profit before taxation from discontinued operations	**–**	3,783	**–**	7,637
Accounting profit before taxation	**2,410,348**	2,231,510	**1,534,864**	1,345,468
Taxation at Malaysian statutory tax rate of 25%	**602,587**	557,878	**383,716**	336,367
Effect of different tax rates in other countries/jurisdictions	**(238,976)**	(42,412)	**–**	–
Effect on changes in tax rates on opening balance of deferred tax	**–**	181	**–**	–
Income not subject to tax:				
Tax exempt shipping income	**(496,950)**	(531,446)	**(179,819)**	(193,123)
Other tax exempt income	**(12,722)**	(16,843)	**(438,285)**	(311,815)
Expenses not deductible for tax purposes	**419,653**	418,954	**218,948**	162,138
Effect of share of results of associates and joint ventures	**(146,287)**	(293,864)	**–**	–
Utilisation of current year's investment tax allowance	**(22,199)**	(38,050)	**–**	–
Deferred tax assets recognised on unutilised investment tax allowances	**(25,565)**	(24,577)	**–**	–
Net deferred tax assets not recognised during the year	**15,719**	8,446	**15,440**	6,433
Deferred tax over provided in prior year	**(2,727)**	(40,461)	**–**	–
Income tax (over)/under provided in prior year	**(2,222)**	4,176	**–**	–
Taxation for the year	**90,311**	1,982	**–**	–

9. Taxation (cont'd.)

The Government had on 7 October 2011 proposed that the existing exemption for the shipping sector provided under Section 54A of the Income Tax Act, 1967 ("the Act") be reduced from 100% to 70% of statutory income effective from Year of Assessment ("YA") 2012. However, the Government subsequently decided to defer the above proposal for a period of 2 years via Income Tax (Exemption) (No.2) Order 2012 dated 29 May 2012 and for another period of 2 years as per letter issued by Malaysian Ministry of Finance ("MOF") dated 29 October 2013.

10. Earnings per share

Basic earnings per share are calculated by dividing profit for the year attributable to ordinary equity holders of the Corporation by the weighted average number of ordinary shares in issue during the financial year.

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

	Group	
	2014	**2013**
Profit after taxation attributable to equity holders of the Corporation (RM'000)		
- from continuing operations	**2,204,310**	2,081,065
- from discontinued operations	**–**	4,310
Number of ordinary shares in issue ('000)	**4,463,794**	4,463,794
Weighted average number of ordinary shares in issue ('000)	**4,463,794**	4,463,794
Basic earnings per share (sen)		
- from continuing operations	**49.4**	46.6
- from discontinued operations	**–**	0.1
	49.4	46.7
Diluted earnings per share (sen)		
- from continuing operations	**49.4**	46.6
- from discontinued operations	**–**	0.1
	49.4	46.7

11. Dividends

	2014 RM'000	2013 RM'000
Recognised during the year:		
Final tax exempt dividend of 5 sen per share under single tier system in respect of the financial year ended 31 December 2013	**223,190**	–
A first interim tax exempt dividend of 4 sen per share under single tier system in respect of the financial year ended 31 December 2014	**178,552**	–
	401,742	–

A second interim tax exempt dividend under the single tier system in respect of the financial year ended 31 December 2014 of 6 sen per share amounting to a dividend payable of RM267,828,000 will be payable on 11 March 2015.

The financial statements for the current financial year do not reflect this second interim dividend. This dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2015.

12. Ships, offshore floating assets and other property, plant and equipment

	At 1.1.2014 RM'000	Additions RM'000	Disposals RM'000
Group - 31 December 2014			
Ships			
Ships in operation	32,168,903	336,616	(625,195)
Ships under construction	1,327,806	474,422	–
	33,496,709	811,038	(625,195)
Offshore floating assets			
Offshore floating assets in operation	1,063,193	4,708	(1,735,479)
Offshore floating assets under construction	1,433,629	234,968	–
	2,496,822	239,676	(1,735,479)
Other property, plant and equipment			
Freehold land	14,552	–	–
Freehold buildings	101,200	517	–
Leasehold land	44,158	51	–
Leasehold buildings	139,232	–	(91)
Drydocks and waste plant	1,246,156	25,496	–
Motor vehicles	123,218	11,613	(833)
Furniture, fittings and equipment	134,082	7,640	(6,749)
Computer software and hardware	254,840	4,427	(2,129)
Projects in progress	262,682	129,385	–
Plant and machinery	580,626	69,735	–
Tugboats, engines and pushers	3,675	–	–
	2,904,421	248,864	(9,802)

Cost						
Write-offs RM'000	Transfers RM'000	Transfer from held for sale RM'000	Reclassified as held for sale RM'000	Reclassified as prepaid lease payments on land and buildings RM'000	Currency translation differences RM'000	At 31.12.2014 RM'000
(478,241)	608,294	423,473	(3,197,112)	–	1,951,764	31,188,502
–	(605,675)	–	–	–	116,916	1,313,469
(478,241)	2,619	423,473	(3,197,112)	–	2,068,680	32,501,971
(11,201)	1,735,479	–	–	–	70,018	1,126,718
–	(1,735,479)	–	–	–	105,019	38,137
(11,201)	–	–	–	–	175,037	1,164,855
–	–	–	–	–	(138)	14,414
(228)	–	–	–	–	175	101,664
–	–	–	–	–	3	44,212
–	–	–	–	–	99	139,240
(478)	105,139	–	–	–	–	1,376,313
(793)	–	–	–	–	545	133,750
(1,935)	–	–	–	–	1,486	134,524
(1,884)	6,349	–	–	–	14,045	275,648
–	(128,676)	–	–	(6,298)	4,050	261,143
(4,249)	14,569	–	(11,249)	–	880	650,312
–	–	–	–	–	–	3,675
(9,567)	(2,619)	–	(11,249)	(6,298)	21,145	3,134,895

12. Ships, offshore floating assets and other property, plant and equipment (cont'd.)

	As 1.1.2014 RM'000	Depreciation charge for the year RM'000	Impairment losses RM'000	Disposals RM'000
Group - 31 December 2014				
Ships				
Ships in operation	**14,547,975**	**1,065,602**	**233,854**	**(99,479)**
Ships under construction	**–**	**–**	**–**	**–**
	14,547,975	**1,065,602**	**233,854**	**(99,479)**
Offshore floating assets				
Offshore floating assets in operation	**608,383**	**57,605**	**120,023**	**–**
Offshore floating assets under construction	**–**	**–**	**–**	**–**
	608,383	**57,605**	**120,023**	**–**
Other property, plant and equipment				
Freehold land	**–**	**–**	**–**	**–**
Freehold buildings	**42,017**	**3,970**	**73**	**–**
Leasehold land	**7,743**	**230**	**–**	**–**
Leasehold buildings	**47,420**	**5,001**	**–**	**(38)**
Drydocks and waste plant	**245,426**	**30,377**	**–**	**–**
Motor vehicles	**91,228**	**9,491**	**–**	**(800)**
Furniture, fittings and equipment	**89,617**	**9,946**	**–**	**(2,675)**
Computer software and hardware	**216,953**	**16,161**	**–**	**(1,523)**
Projects in progress	**–**	**–**	**–**	**–**
Plant and machinery	**306,306**	**33,283**	**4,967**	**(34)**
Tugboats, engines and pushers	**3,398**	**43**	**–**	**–**
	1,050,108	**108,502**	**5,040**	**(5,070)**

Accumulated depreciation/impairment						Net book value
Write-offs RM'000	Transfers RM'000	Transfer from held for sale RM'000	Reclassified as held for sale RM'000	Currency translation differences RM'000	At 31.12.2014 RM'000	At 31.12.2014 RM'000
(461,277)	–	322,824	(2,284,344)	961,217	14,286,372	16,902,130
–	–	–	–	–	–	1,313,469
(461,277)	–	322,824	(2,284,344)	961,217	14,286,372	18,215,599
–	–	–	–	52,470	838,481	288,237
–	–	–	–	–	–	38,137
–	–	–	–	52,470	838,481	326,374
–	–	–	–	–	–	14,414
–	–	–	–	(245)	45,815	55,849
–	–	–	–	–	7,973	36,239
–	–	–	–	78	52,461	86,779
(207)	–	–	–	–	275,596	1,100,717
(793)	–	–	–	456	99,582	34,168
(2,248)	–	–	–	1,078	95,718	38,806
(1,547)	–	–	–	14,680	244,724	30,924
–	–	–	–	–	–	261,143
(2,471)	–	–	(4,967)	529	337,613	312,699
–	–	–	–	–	3,441	234
(7,266)	–	–	(4,967)	16,576	1,162,923	1,971,972

12. Ships, offshore floating assets and other property, plant and equipment (cont'd.)

	At 1.1.2013 RM'000	Additions RM'000
Group - 31 December 2013		
Ships		
Ships in operation	29,410,724	520,847
Ships under construction	1,943,919	1,082,274
	31,354,643	1,603,121
Offshore floating assets		
Offshore floating assets in operation	949,887	36,010
Offshore floating assets under construction	880,658	487,062
	1,830,545	523,072
Other property, plant and equipment		
Freehold land	14,070	–
Freehold buildings	105,237	448
Leasehold land	59,418	–
Leasehold buildings	123,763	110
Drydocks and waste plant	1,085,473	–
Motor vehicles	121,281	4,011
Furniture, fittings and equipment	126,517	7,376
Computer software and hardware	237,879	7,016
Projects in progress	366,279	143,593
Plant and machinery	499,426	5,245
Tugboats, engines and pushers	3,675	–
	2,743,018	167,799

Cost						
Disposals RM'000	Disposal of a subsidiary RM'000	Write-offs RM'000	Transfers RM'000	Reclassified as held for sale RM'000	Currency translation differences RM'000	At 31.12.2013 RM'000
(943,073)	–	(303,483)	1,892,362	(562,570)	2,154,096	32,168,903
–	–	(1,245)	(1,892,362)	–	195,220	1,327,806
(943,073)	–	(304,728)	–	(562,570)	2,349,316	33,496,709
–	–	–	–	–	77,296	1,063,193
–	–	(811)	–	–	66,720	1,433,629
–	–	(811)	–	–	144,016	2,496,822
–	–	–	–	–	482	14,552
(6,783)	–	–	233	–	2,065	101,200
–	–	–	(15,260)	–	–	44,158
–	(52)	–	15,260	–	151	139,232
–	–	(1,414)	162,097	–	–	1,246,156
(2,152)	(182)	(337)	–	–	597	123,218
(1,121)	(156)	(4,033)	3,910	–	1,589	134,082
(6,280)	(30)	(1,966)	3,031	–	15,190	254,840
–	–	(1,175)	(248,805)	–	2,790	262,682
(1,736)	–	(2,657)	79,534	–	814	580,626
–	–	–	–	–	–	3,675
(18,072)	(420)	(11,582)	–	–	23,678	2,904,421

12. Ships, offshore floating assets and other property, plant and equipment (cont'd.)

	At 1.1.2013 RM'000	Depreciation charge for the year RM'000	Impairment losses RM'000	Disposals RM'000
Group - 31 December 2013				
Ships				
Ships in operation	13,803,143	1,030,207	24,779	(690,602)
Ships under construction	–	–	–	–
	13,803,143	1,030,207	24,779	(690,602)
Offshore floating assets				
Offshore floating assets in operation	486,680	79,876	–	–
Offshore floating assets under construction	–	–	–	–
	486,680	79,876	–	–
Other property, plant and equipment				
Freehold land	–	–	–	–
Freehold buildings	32,612	8,189	1,243	(1,076)
Leasehold land	13,474	453	–	–
Leasehold buildings	40,450	785	–	–
Drydocks and waste plant	220,061	25,937	–	–
Motor vehicles	82,819	10,321	–	(2,141)
Furniture, fittings and equipment	81,920	10,517	–	(97)
Computer software and hardware	198,716	13,520	–	(6,281)
Projects in progress	–	–	–	–
Plant and machinery	280,572	28,799	–	(858)
Tugboats, engines and pushers	3,355	43	–	–
	953,979	98,564	1,243	(10,453)

Accumulated depreciation/impairment						Net book value
Disposal of a subsidiary RM'000	Write-offs RM'000	Transfers RM'000	Reclassified as held for sale RM'000	Currency translation differences RM'000	At 31.12.2013 RM'000	At 31.12.2013 RM'000
–	(249,213)	–	(409,761)	1,039,422	14,547,975	17,620,928
–	–	–	–	–	–	1,327,806
–	(249,213)	–	(409,761)	1,039,422	14,547,975	18,948,734
–	–	–	–	41,827	608,383	454,810
–	–	–	–	–	–	1,433,629
–	–	–	–	41,827	608,383	1,888,439
–	–	–	–	–	–	14,552
–	–	–	–	1,049	42,017	59,183
–	–	(6,165)	–	(19)	7,743	36,415
(44)	–	6,165	–	64	47,420	91,812
–	(572)	–	–	–	245,426	1,000,730
(100)	(172)	–	–	501	91,228	31,990
(46)	(3,956)	–	–	1,279	89,617	44,465
(29)	(1,975)	–	–	13,002	216,953	37,887
–	–	–	–	–	–	262,682
–	(2,636)	–	–	429	306,306	274,320
–	–	–	–	–	3,398	277
(219)	(9,311)	–	–	16,305	1,050,108	1,854,313

12. Ships, offshore floating assets and other property, plant and equipment (cont'd.)

	At 1.1.2014 RM'000	Additions RM'000
Corporation - 31 December 2014		
Ships		
Ships in operation	**12,682,286**	**90,154**
Offshore floating assets		
Offshore floating assets under construction	**1,034,731**	**600,776**
Other property and equipment		
Motor vehicles	**7,596**	**793**
Furniture, fittings and equipment	**11,761**	**50**
Computer software and hardware	**149,130**	**–**
Projects in progress	**22,814**	**17,360**
	191,301	**18,203**

Cost						
Disposals RM'000	Write-offs RM'000	Transfers RM'000	Reclassified as held for sale RM'000	Reclassified as prepaid lease payments on land and buildings RM'000	Currency translation differences RM'000	At 31.12.2014 RM'000
(2,346,657)	(103,250)	1,735,479	(3,197,112)	–	763,100	9,624,000
–	–	(1,735,479)	–	–	105,019	5,047
(586)	–	–	–	–	486	8,289
–	–	–	–	–	734	12,545
(825)	–	6,303	–	–	9,055	163,663
–	–	(6,303)	–	(6,298)	2,594	30,167
(1,411)	–	–	–	(6,298)	12,869	214,664

12. Ships, offshore floating assets and other property, plant and equipment (cont'd.)

	At 1.1.2014 RM'000	Depreciation charge for the year RM'000	Impairment losses RM'000
Corporation - 31 December 2014			
Ships			
Ships in operation	**6,062,379**	**353,507**	**119,058**
Offshore floating assets			
Offshore floating assets under construction	**–**	**–**	**–**
Other property and equipment			
Motor vehicles	**7,022**	**416**	**–**
Furniture, fittings and equipment	**11,436**	**257**	**–**
Computer software and hardware	**136,245**	**7,319**	**–**
Projects in progress	**–**	**–**	**–**
	154,703	**7,992**	**–**

Accumulated depreciation/impairment							Net book value
Disposals RM'000	Write-offs RM'000	Transfers RM'000	Reclassified as held for sale RM'000	Currency translation differences RM'000	At 31.12.2014 RM'000	At 31.12.2014 RM'000
(87,048)	(93,412)	–	(2,284,344)	413,702	4,483,842	5,140,158
–	–	–	–	–	–	5,047
(586)	–	–	–	424	7,276	1,013
–	–	–	–	728	12,421	124
(825)	–	–	–	8,909	151,648	12,015
–	–	–	–	–	–	30,167
(1,411)	–	–	–	10,061	171,345	43,319

12. Ships, offshore floating assets and other property, plant and equipment (cont'd.)

	At 1.1.2013 RM'000	Additions RM'000
Corporation - 31 December 2013		
Ships		
Ships in operation	12,675,196	201,589
Offshore floating assets		
Offshore floating assets under construction	793,595	175,227
Other property and equipment		
Motor vehicles	7,119	218
Furniture, fittings and equipment	10,942	6
Computer software and hardware	139,092	745
Projects in progress	11,469	12,947
	168,622	13,916

Cost						
Disposals RM'000	Disposal of a subsidiary RM'000	Write-offs RM'000	Transfers RM'000	Reclassified as held for sale RM'000	Currency translation differences RM'000	At 31.12.2013 RM'000
(601,516)	–	(237,830)	–	(269,534)	914,381	12,682,286
–	–	(811)	–	–	66,720	1,034,731
(268)	–	–	–	–	527	7,596
–	–	–	–	–	813	11,761
(3,929)	–	–	3,031	–	10,191	149,130
–	–	–	(3,031)	–	1,429	22,814
(4,197)	–	–	–	–	12,960	191,301

12. Ships, offshore floating assets and other property, plant and equipment (cont'd.)

	At 1.1.2013 RM'000	Depreciation charge for the year RM'000	Impairment losses RM'000
Corporation - 31 December 2013			
Ships			
Ships in operation	6,128,169	377,929	5,026
Offshore floating assets			
Offshore floating assets under construction	–	–	–
Other property and equipment			
Motor vehicles	6,348	451	–
Furniture, fittings and equipment	10,395	257	–
Computer software and hardware	127,134	3,619	–
Projects in progress	–	–	–
	143,877	4,327	–

Accumulated depreciation/impairment						Net book value
Disposals RM'000	Write-offs RM'000	Transfers RM'000	Reclassified as held for sale RM'000	Currency translation differences RM'000	At 31.12.2013 RM'000	At 31.12.2013 RM'000
(480,169)	(231,837)	–	(178,516)	441,777	6,062,379	6,619,907
–	–	–	–	–	–	1,034,731
(257)	–	–	–	480	7,022	574
–	–	–	–	784	11,436	325
(3,929)	(9)	–	–	9,430	136,245	12,885
–	–	–	–	–	–	22,814
(4,186)	(9)	–	–	10,694	154,703	36,598

12. Ships, offshore floating assets and other property, plant and equipment (cont'd.)

(a) The net carrying amounts of ships and other property, plant and equipment pledged as security for borrowings (Note 18(c)) are as follows:

	Group	
	2014 RM'000	**2013 RM'000**
Ships	**1,904,807**	1,875,757
Other property, plant and equipment	**28,685**	29,336
	1,933,492	1,905,093

(b) The Group and the Corporation have performed a review of the recoverable amount of their ships, offshore floating assets and other property, plant and equipment during the financial year. The review led to the recognition of net impairment losses of RM358,917,000 (2013: RM24,779,000) and RM119,058,000 (2013: RM5,026,000) for the Group and the Corporation respectively, as disclosed in Note 5(a). Impairment losses from discontinued operations recorded in prior year amounts to RM11,952,000 and RM10,709,000 for the Group and Corporation respectively, as disclosed in Note 40(a).

The recoverable amount was based on the higher of fair value less costs of disposal or value-in-use and was determined at the cash-generating-unit ("CGU") of each asset.

The following table summarises the recoverable amount and the impairment loss recognised under each basis of recoverable amount.

Basis of recoverable amount	**Group**		**Corporation**	
	Recoverable amount 2014 RM'000	**Impairment loss 2014 RM'000**	**Recoverable amount 2014 RM'000**	**Impairment loss 2014 RM'000**
Value-in-use (i)	**636,635**	**305,821**	**–**	**–**
Fair value less costs of disposal (ii)	**155,910**	**124,098**	**139,780**	**119,058**

(i) The value-in-use for certain ships and offshore floating assets were calculated using cash flow projections for the remaining lease period and discounted at a rate between 5.68% to 9.03%.

(ii) Certain ships and plant and machinery of the Group were impaired based on the fair value less costs of disposal. The fair values of ships were determined based on the valuation performed by independent ship valuers taking into consideration the type, size and age of the ships and the assumptions that the ships are in good and seaworthy condition, to be transacted between willing buyer and willing seller.

The fair value of the plant and machinery was estimated using a recent selling price offered by a potential buyer.

The fair value measurement was categorised as a Level 3 fair value based on inputs in the valuation technique used as defined in Note 2.3(aa).

12. Ships, offshore floating assets and other property, plant and equipment (cont'd.)

(c) During the financial year, the Group recognised a write-back of impairment losses on certain ships amounting to RM71,002,000 (2013: RM29,514,000). In arriving at the writeback of impairment losses, the carrying amount was compared with the recoverable amount of RM176,420,000. The recoverable amount was determined from the value-in-use calculations, using cash flow projections that are discounted at a rate of 7.80%.

13. Prepaid lease payments on land and buildings

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 January	**251,750**	264,232	**2,361**	5,561
Transfer to non-current assets classified as held for sale (Note 23)	**–**	(3,457)	**–**	(3,457)
Transfer from other property, plant and equipment (Note 12)	**6,298**	–	**6,298**	–
Amortisation for the year (Note 5)	**(8,207)**	(9,433)	**(387)**	(149)
Currency translation differences	**64**	408	**64**	406
At 31 December	**249,905**	251,750	**8,336**	2,361
Analysed as:				
Long term leasehold land	**237,635**	244,730	**–**	–
Short term leasehold land	**3,934**	4,659	**–**	–
Leasehold buildings	**8,336**	2,361	**8,336**	2,361
	249,905	251,750	**8,336**	2,361

Included in long term leasehold land of the Group is the carrying value of a long term leasehold and foreshore land of a subsidiary of RM237,635,000 (2013: RM244,730,000) which cannot be disposed off, charged or subleased without the prior consent of the Johor State Government.

14. Intangible assets

	Group		
	Goodwill RM'000	Other intangible assets RM'000	Total RM'000
Cost			
At 1 January 2013	763,002	504,463	1,267,465
Currency translation differences	47,682	–	47,682
At 31 December 2013	810,684	504,463	1,315,147
Currency translation differences	42,862	–	42,862
At 31 December 2014	**853,546**	**504,463**	**1,358,009**
Accumulated amortisation and impairment			
At 1 January 2013	2,325	398,213	400,538
Amortisation for the year (Note 5)	–	13,076	13,076
At 31 December 2013	2,325	411,289	413,614
Amortisation for the year (Note 5)	–	13,076	13,076
At 31 December 2014	**2,325**	**424,365**	**426,690**
Net carrying amount			
At 31 December 2013	808,359	93,174	901,533
At 31 December 2014	**851,221**	**80,098**	**931,319**

The other intangible assets relate to the fair value at the date of acquisition of time charter hire contracts arising from acquisition of a subsidiary, and are amortised over the remaining charter period.

14. Intangible assets (cont'd.)

Impairment test for goodwill

(a) Impairment loss recognised

The Group performed a review on the recoverable amount of goodwill during the financial year. Based on this review, no impairment loss was recognised (2013: RM Nil). Generally, the recoverable amounts are based on the higher of market value of quoted share or value-in-use for the cash-generating unit ("CGU") to which the goodwill is allocated. In determining value-in-use for the CGU, the cash flows were discounted at rates determined by management on a pre-tax basis.

(b) Allocation of goodwill

Goodwill has been allocated to the Group's CGUs identified according to business segment as follows:

	Group	
	2014	**2013**
	RM'000	**RM'000**
Energy related shipping	**697,859**	657,019
Other energy businesses	**152,492**	150,470
Non-shipping and others	**870**	870
	851,221	808,359

(c) Key assumptions used in value-in-use calculations

The recoverable amount of a CGU is determined using value-in-use method based on cash flow projections derived from financial projections approved by the management covering a five year period. The discount rate used is based on the pre-tax weighted average cost of capital determined by the management.

14. Intangible assets (cont'd.)

(c) Key assumptions used in value-in-use calculations (cont'd.)

Energy Related Shipping

Goodwill for this segment represents goodwill arising from acquisition of American Eagle Tanker Inc ("AET"), a company involved in petroleum shipping business. An impairment review of the carrying amount of the goodwill at the reporting date was undertaken by comparing to the recoverable amount of the CGU, which was based on value-in-use calculations. The recoverable amount exceeds its carrying amount by RM531,164,000. The value-in-use is most sensitive to the following key assumptions:

1. Spot charter rates to increase based on forecasts by industry research publications.

2. Risk adjusted discount rate used is 7.8% (2013: 7.41%) which reflects the current market assessment of the risks specific to AET. In determining the discount rate for AET, reference has been made to the yield on a 10 years (2013: 30 years) US Treasury Bills at reporting date. An increase of 0.38% or 38 basis points in discount rate would result in recoverable amount equal to the carrying amount of the goodwill.

3. Terminal value and growth rate - The terminal value is based on expected cash flows for year 2019 into perpetuity with terminal year growth rate of 0% (2013: 0%). Terminal year charter rates are based on ten-year average historical market rates.

   A decrease of 2.25% or 225 basis points in the charter rates in deriving at the terminal value would result in recoverable amount equal to the carrying amount of the goodwill.

4. Expenses to increase by an annual average rate of 2% (2013: 1.5%).

The Directors are of the opinion that the underlying key assumptions used in the estimation of the recoverable amount are reasonable. Based on the above assumptions, there is no impairment to the goodwill of AET.

14. Intangible assets (cont'd.)

(c) Key assumptions used in value-in-use calculations (cont'd.)

Other Energy Businesses

Goodwill for Other Energy Businesses relates to the Group's interest in Malaysia Marine and Heavy Engineering Holdings Berhad ("MHB") and Malaysia Offshore Mobile Production (Labuan) Ltd. ("MOMPL"). The recoverable amount of MHB and MOMPL is determined based on value-in-use calculations.

Key assumptions used in MHB's value-in-use calculations

The recoverable amount of the CGU is determined based on value-in-use calculations using forecasts on Earnings Before Interests, Taxation, Depreciation and Amortisation ("EBITDA") based on financial budgets approved by management covering a five-year period. EBITDA forecast beyond the five-year period are extrapolated based on the five-year average figures into perpetuity, assuming growth of 3% and using a pre-tax discount rate of 10.8%.

The calculations of value-in-use for the CGU are most sensitive to the following assumptions:

(i) Revenue

MHB's offshore segment revenue are estimated based on existing order book and anticipated future projects.

(ii) Budgeted gross margins

Gross margins are estimated based on completed projects and budgeted margins of identified future projects.

(iii) Growth rates

The forecasted growth rates are based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the CGUs.

Key assumptions used in MOMPL's value-in-use calculations

The applied discount rate is based on the pre-tax weighted average cost of capital determined by the management. It is the benchmark used by the management to assess operating performance and to evaluate future investments.

Since the recoverable amount exceeds the carrying amount of the CGUs, the Directors are of the opinion that there is no impairment to the goodwill of this segment.

The Directors believe that there are no reasonable possible changes in key assumptions that would cause the carrying value of MHB or MOMPL to exceed its recoverable amount.

15. Investments in subsidiaries

	Corporation	
	2014 RM'000	2013 RM'000
At 1 January	**9,278,447**	7,736,374
Additional investments in subsidiaries (Note a)	**–**	729,026
Impairment of investment in unquoted subsidiaries (Note b)	**(36,413)**	(63,659)
Currency translation differences	**(13,670)**	876,706
At 31 December	**9,228,364**	9,278,447
Quoted shares	**225,934**	212,712
Unquoted shares	**9,002,430**	9,065,735
	9,228,364	9,278,447

Included in unquoted shares are preference shares of RM6,906,459,000 (2013: RM6,549,843,000) which bear interest ranging from 5.00% to 6.00% (2013: 5.00% to 6.00%) per annum.

a. In the previous financial year, a subsidiary, Gas Asia Terminal (L) Pte Ltd ("GATL") issued 99,990 new ordinary shares of USD1 each (approximately RM306,219) as part consideration for ownership transfer of two (2) floating storage units from the Corporation.

   In December 2013, the Corporation acquired additional 20% equity interest in Malaysia Offshore Mobile Production (Labuan) Ltd. ("MOMPL") consisting of 20,000 ordinary shares of USD1 per share and 7,200,066 Redeemable Convertible Preference Share of USD1 per share for a purchase consideration of RM59,220,000 (USD18,000,000). The difference between the purchase consideration and the book value of the interest acquired is reflected in equity.

   As part of a subsidiary's debt capitalisation exercise in December 2013, the Corporation subscribed to an additional 669,477,000 units of preference shares of RM1 each issued by its subsidiary, MISC Tanker Holdings Sdn. Bhd. for a debt settlement value of RM669,477,000 (USD201,947,000).

b. An impairment review of the carrying amounts of investments in subsidiaries at the reporting date was undertaken by comparing it to the respective recoverable amounts. An impairment loss of RM36,413,000 (2013: RM63,659,000) was recognised during the financial year.

Details of the subsidiaries are disclosed in Note 37.

15. Investments in subsidiaries (cont'd.)

Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	2014		
	Malaysia Marine and Heavy Engineering Holdings Berhad RM'000	Other individually immaterial subsidiaries RM'000	Total RM'000
NCI percentage of ownership interest and voting interest	**33.5%**		
Carrying amount of NCI	**875,467**	**189,376**	**1,064,843**
Profit allocated to NCI	**43,550**	**72,177**	**115,727**

Summarised financial information before intra-group elimination	
As at 31 December	**RM'000**
Non-current assets	**2,005,452**
Current assets	**2,459,430**
Current liabilities	**(1,828,760)**
Net assets	**2,636,122**
Year ended 31 December	
Revenue	**2,700,505**
Profit for the year	**130,620**
Total comprehensive income	**129,743**
Cash inflows from operating activities	**245,367**
Cash outflows from investing activities	**(161,471)**
Cash outflows from financing activities	**(117,852)**
Net decrease in cash and cash equivalents	**(33,956)**
Dividends paid to NCI	**(26,800)**

15. Investments in subsidiaries (cont'd.)

Non-controlling interests in subsidiaries (cont'd.)

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows (cont'd.):

	2013		
	Malaysia Marine and Heavy Engineering Holdings Berhad RM'000	Other individually immaterial subsidiaries RM'000	Total RM'000
NCI percentage of ownership interest and voting interest	33.5%		
Carrying amount of NCI	858,810	185,630	1,044,440
Profit allocated to NCI	72,274	71,879	144,153

Summarised financial information before intra-group elimination	
As at 31 December	**RM'000**
Non-current assets	1,901,601
Current assets	3,118,519
Current liabilities	(2,433,741)
Net assets	2,586,379
Year ended 31 December	
Revenue	2,884,518
Profit for the year	237,186
Total comprehensive income	238,481
Cash outflows from operating activities	(293,565)
Cash outflows from investing activities	(96,611)
Cash inflows from financing activities	98,072
Net decrease in cash and cash equivalents	(292,104)
Dividends paid to NCI	(53,600)

16. Investments in associates

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Unquoted shares in Malaysia, at cost	**440**	440	**–**	–
Unquoted shares outside Malaysia, at cost	**4,248**	4,657	**105**	99
	4,688	5,097	**105**	99
Share of post-acquisition loss	**(2,335)**	(2,360)	**–**	–
Share of other post-acquisition reserves	**2,273**	2,288	**–**	–
	4,626	5,025	**105**	99
Less: Accumulated impairment losses	**(2,639)**	(3,054)	**–**	–
Carrying amount of the investment	**1,987**	1,971	**105**	99

The summarised financial information of the associates are as follows:

	2014 RM'000	2013 RM'000
Assets and liabilities		
Non-current assets	**11,062**	10,451
Current assets	**15,045**	14,143
Total assets	**26,107**	24,594
Current liabilities	**14,484**	13,623
Non-current liabilities	**1,126**	578
Total liabilities	**15,610**	14,201
Results		
Revenue	**3,067**	2,965
Total comprehensive income/(loss)	**109**	(171)

16. Investments in associates (cont'd.)

Reconciliation of net assets to carrying amount as at 31 December:

	2014 RM'000	2013 RM'000
Group's share of net assets	**4,626**	5,025
Impairment loss	**(2,639)**	(3,054)
Carrying amount in the statement financial position	**1,987**	1,971

Details of the associates are disclosed in Note 38.

17. Investments in joint ventures

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Unquoted shares in Malaysia, at cost	**1,311,477**	1,235,046	**1,306,057**	1,229,626
Unquoted shares outside Malaysia, at cost	**3,420,491**	3,220,757	**524**	493
	4,731,968	4,455,803	**1,306,581**	1,230,119
Share of post-acquisition profits	**1,500,617**	1,554,934	**–**	–
Share of other post-acquisition reserves	**86,846**	89,134	**–**	–
	6,319,431	6,099,871	**1,306,581**	1,230,119
Less: Accumulated impairment loss	**(70,553)**	(68,845)	**–**	–
Carrying amount of the investment	**6,248,878**	6,031,026	**1,306,581**	1,230,119

The following tables summarise the financial information of the Group's material joint ventures, as adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in joint ventures.

17. Investments in joint ventures (cont'd.)

Group

The summarised financial information of the material joint ventures are as follows:

	2014		
	Gumusut-Kakap Semi-Floating Production System (L) Limited ("GKL") RM'000	VTTI B.V. RM'000	Malaysia Deepwater Floating Terminal (Kikeh) Ltd. ("MDFT") RM'000
As at 31 December			
Non-current assets	**7,854,415**	**7,077,697**	**1,730,990**
Current assets	**914,900**	**645,944**	**529**
Cash and cash equivalents	**40,466**	**190,317**	**96,208**
Non-current liabilities	**–**	**(3,605,856)**	**–**
Current liabilities	**(4,700,176)**	**(366,870)**	**(672,656)**
Net assets	**4,109,605**	**3,941,232**	**1,155,071**

	2014		
	GKL RM'000	VTTI B.V. RM'000	MDFT RM'000
Year ended 31 December			
Profit after taxation	**450,722**	**879,809**	**249,700**
Other comprehensive (loss)/income	**–**	**(236,769)**	**5,084**
Total comprehensive income	**450,722**	**643,040**	**254,784**
Included in the total comprehensive income is:			
Revenue	**544,449**	**1,173,625**	**430,426**
Depreciation and amortisation	**–**	**(287,634)**	**(156,798)**
Interest income	**–**	**7,832**	**166**
Interest expense	**(82,604)**	**(122,398)**	**(17,810)**
Income tax expense	**(20)**	**(51,288)**	**(20)**

17. Investments in joint ventures (cont'd.)

Group (cont'd.)

The summarised financial information of the material joint ventures are as follows (cont'd.):

	2013		
	GKL RM'000	VTTI B.V. RM'000	MDFT RM'000
As at 31 December			
Non-current assets	7,293,255	6,868,273	1,706,976
Current assets	1,207,210	537,395	21,871
Cash and cash equivalents	17	184,033	57,189
Non-current liabilities	–	(2,885,014)	(323,657)
Current liabilities	(5,085,002)	(394,099)	(586,614)
Net assets	3,415,480	4,310,588	875,765
Year ended 31 December			
Profit after taxation	1,348,832	252,020	196,074
Other comprehensive income	–	95,928	14,537
Total comprehensive income	1,348,832	347,948	210,611
Included in the total comprehensive income is:			
Revenue	1,445,724	1,121,307	283,230
Depreciation and amortisation	–	(249,636)	(82,256)
Interest income	–	6,747	139
Interest expense	(75,725)	(55,634)	(18,959)
Income tax expense	(20)	(79,172)	(20)

17. Investments in joint ventures (cont'd.)

Group (cont'd.)

	2014				
	GKL RM'000	VTTI B.V. RM'000	MDFT RM'000	Other individually immaterial joint ventures RM'000	Total RM'000
Reconciliation of net assets to carrying amount					
As at 31 December					
Group's share of net assets	**2,054,803**	**1,970,617**	**589,086**	**772,241**	**5,386,747**
Goodwill	**–**	**1,096,523**	**–**	**–**	**1,096,523**
Pre-acquisition adjustment	**–**	**(273,770)**	**–**	**–**	**(273,770)**
Fair value adjustments on property, plant and equipment	**–**	**118,853**	**–**	**–**	**118,853**
Amortisation of revalued property, plant and equipment	**–**	**(20,514)**	**–**	**–**	**(20,514)**
Elimination of unrealised profits	**–**	**–**	**(37,607)**	**(21,354)**	**(58,961)**
Carrying amount in the statement of financial position	**2,054,803**	**2,891,709**	**551,479**	**750,887**	**6,248,878**
Group's share of results					
Year ended 31 December					
Group's share of profit after taxation	**225,627**	**140,767**	**130,427**	**114,552**	**611,373**
Group's share of other comprehensive (loss)/income	**–**	**(118,385)**	**2,542**	**113,541**	**(2,302)**
Group's share of total comprehensive income	**225,627**	**22,382**	**132,969**	**228,093**	**609,071**
Other information					
Dividends received	**–**	**621,826**	**22,533**		

17. Investments in joint ventures (cont'd.)

Group (cont'd.)

	2013				
	GKL RM'000	VTTI B.V. RM'000	MDFT RM'000	Other individually immaterial joint ventures RM'000	Total RM'000
Reconciliation of net assets to carrying amount					
As at 31 December					
Group's share of net assets	1,707,740	2,155,294	446,640	629,990	4,939,664
Goodwill	–	1,245,329	–	–	1,245,329
Pre-acquisition adjustment	–	(257,749)	–	–	(257,749)
Fair value adjustments on property, plant and equipment	–	176,385	–	–	176,385
Amortisation of revalued property, plant and equipment	–	(11,853)	–	–	(11,853)
Elimination of unrealised profits	–	–	(37,214)	(23,536)	(60,750)
Carrying amount in the statement of financial position	1,707,740	3,307,406	409,426	606,454	6,031,026
Group's share of results					
Year ended 31 December					
Group's share of profit after taxation	852,096	121,749	103,078	92,951	1,169,874
Group's share of other comprehensive income	–	47,964	7,268	99,114	154,346
Group's share of total comprehensive income	852,096	169,713	110,346	192,065	1,324,220
Other information					
Dividends received	–	–	18,794		

17. Investments in joint ventures (cont'd.)

	Group	
	2014 RM'000	2013 RM'000
Contingent liabilities		
Bank guarantees extended to third party	**198,488**	221,897

a. In the current financial year, VTTI formed a Master Limited Partnership ("MLP"), i.e. VTTI Energy Partners LP ("VTTI Energy") to own, operate, develop and acquire refined petroleum product and crude oil terminalling and related energy infrastructure assets. On 1 August 2014, VTTI Energy completed its initial public offering ("IPO") with the sale and issuance of 49.0% of its limited partner interest to the public. In connection with the IPO, VTTI Energy acquired 36.0% ownership interest in VTTI MLP BV, a subsidiary of VTTI, which owns a portfolio of six terminals.

   Included in the share of earnings of joint ventures is the Group's share of the net gain from this listing exercise of RM110,317,000.

b. In 2012, GKL entered into a lease agreement with Sabah Shell Petroleum Company, to lease the semi-submersible floating production system ("FPS") for a period of 25 years.

   In the previous year, following the commencement of the lease, the Group recognised its share of the one-off gain on disposal of the FPS recorded by GKL amounting to RM750,000,000.

   Details of the joint ventures are disclosed in Note 39.

18. Other financial assets and financial liabilities

(a) Other non-current financial assets

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Available-for-sale:				
Non-current unquoted equity investments	**41,763**	39,335	**41,379**	38,957
Non-current quoted equity investments	**74,333**	338,613	**74,333**	338,613
Total available-for-sale	**116,096**	377,948	**115,712**	377,570
Loans and receivables:				
Long term receivables	**131,359**	124,256	**–**	–
Loans and advances:				
Subsidiaries	**–**	–	**3,790,175**	3,646,173
Joint ventures	**324,238**	315,269	**324,238**	297,174
Associates	**2,404**	4,057	**2,097**	1,974
	326,642	319,326	**4,116,510**	3,945,321
Less:				
Impairment on loans to:				
Subsidiary	**–**	–	**(58,184)**	(55,416)
Associates	**(2,097)**	(3,750)	**(2,097)**	(1,974)
	(2,097)	(3,750)	**(60,281)**	(57,390)
Net loans and advances	**324,545**	315,576	**4,056,229**	3,887,931
Total other non-current financial assets	**572,000**	817,780	**4,171,941**	4,265,501

Non-current quoted equity instruments are held as long-term strategic investments.

Long term receivables relate to lease rental income of a subsidiary during the ships construction period which is payable by the lessee progressively over a 20-year time charter period.

The loans and advances to subsidiaries are unsecured and bear interest ranging from 1.5% to 5.05% (2013: 1.5% to 5.26%) per annum.

The loans and advances to joint ventures are unsecured and bear interest ranging from 1.92% to 4.75% (2013: 1.91% to 4.59%) per annum.

18. Other financial assets and financial liabilities (cont'd.)

(b) Derivative assets/liabilities

	Group 2014 RM'000	2013 RM'000
Derivative assets		
Current:		
Currency hedge - effective hedges (i)	**246**	1,344
Derivative liabilities		
Non-current:		
Interest rate swaps ("IRS") - effective hedges (ii)	**–**	4,230

(i) At 31 December 2014, the Group held forward currency contracts designated as hedges of expected future receipts and payments denominated in United States Dollars, Singapore Dollars, Euro and Sterling Pounds. The forward currency contracts are being used to hedge the foreign currency risk of the highly probable forecasted transactions. The notional amount of this currency hedging arrangement as at 31 December 2014 was RM50,324,000 (2013: RM79,936,000).

(ii) On 27 May 2011, the Group entered into an interest rate swap hedging arrangement to hedge 90% of its subsidiary's syndicated term loan facility. Under this arrangement, the Group pays fixed interest rate of 1.85% (2013: 1.85%) per annum and receives cash flows at floating rates. The hedging arrangement was terminated following early settlement of the syndicated term loan facility in the current financial year. The notional amount of the interest rate swap hedging arrangement as at 31 December 2013 was RM183,431,000.

18. Other financial assets and financial liabilities (cont'd.)

(c) Interest-bearing loans and borrowings (cont'd.)

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Short term borrowings				
Secured:				
Term loans				
Fixed rate	**263,558**	184,943	**–**	–
Floating rate	**57,143**	112,436	**–**	–
Hire purchase	**3,993**	3,993	**–**	–
	324,694	301,372	**–**	–
Unsecured:				
Revolving credit	**265,000**	290,000	**–**	–
Term loans				
Floating rate*	**559,120**	–	**–**	–
US Dollar Guaranteed Notes	**–**	2,301,252	**–**	–
Islamic Private Debt Securities				
Al Murabahah Medium Term Notes	**–**	500,000	**–**	500,000
Loans from subsidiary	**–**	–	**560,122**	–
	824,120	3,091,252	**560,122**	500,000
	1,148,814	3,392,624	**560,122**	500,000
Long term borrowings				
Secured:				
Term loans				
Fixed rate	**18,597**	267,129	**–**	–
Floating rate	**680,924**	840,049	**–**	–
Hire purchase	**11,648**	15,641	**–**	–
	711,169	1,122,819	**–**	–
Unsecured:				
Term loans				
Floating rate*	**6,879,180**	3,258,386	**–**	–
Islamic Private Debt Securities				
Al Murabahah Medium Term Notes	**–**	800,000	**–**	800,000
Revolving credit from holding company**	**–**	1,645,000	**–**	1,645,000
Loans from subsidiary	**–**	–	**3,586,547**	2,436,954
	6,879,180	5,703,386	**3,586,547**	4,881,954
	7,590,349	6,826,205	**3,586,547**	4,881,954

18. Other financial assets and financial liabilities (cont'd.)

(c) Interest-bearing loans and borrowings (cont'd.)

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Total borrowings				
Term loans	**8,458,522**	4,662,943	**–**	–
Hire purchase	**15,641**	19,634	**–**	–
US Dollar Guaranteed Notes ***	**–**	2,301,252	**–**	–
Islamic Private Debt Securities Al Murabahah Medium Term Notes ***	**–**	1,300,000	**–**	1,300,000
Revolving credit	**265,000**	290,000	**–**	–
Loans from subsidiary	**–**	–	**4,146,669**	2,436,954
Revolving credit from holding company	**–**	1,645,000	**–**	1,645,000
	8,739,163	10,218,829	**4,146,669**	5,381,954

* In the previous financial year, the Group raised USD1.0 billion Term Loan Facility. This loan is subject to floating interest rates of 3 months LIBOR + 1.05%. In the current financial year, the Group paid floating interest rates of 1.29% (2013: 1.30%) for this loan.

The Group raised USD1.55 billion Term Loan Facility in the current financial year and drew USD700,000,000 and USD850,000,000 from the facility in June 2014 and July 2014 respectively. USD1,150,000,000 of the facility is subject to floating interest rate of 3 months LIBOR + 1.13%, while the remaining USD400,000,000 is subject to floating interest of 3 months LIBOR + 0.70%. The Group paid floating interest rates of 0.96% to 1.39% in respect of this USD1.55 billion term loan in the current year.

** The Corporation made early settlement of the revolving credit from holding company which were due and payable on 31 January 2016.

*** The Group had in July 2014 made full repayments of its Islamic Private Debt Securities Al Murabahah Medium Term Notes Facility and US Dollar Guaranteed Notes Facility.

Included in the outstanding borrowings are loans obtained from the financial institutions related to the Government of Malaysia amounting to RM41,027,000 (2013: RM51,481,000).

18. Other financial assets and financial liabilities (cont'd.)

(c) Interest-bearing loans and borrowings (cont'd.)

The secured term loans are secured by mortgages over certain ships and other property, plant and equipment together with charter agreements and insurance of the relevant assets. The carrying values of the ships and other property, plant and equipment pledged are stated in Note 12(a).

The range of interest rates as at the reporting date of the above interest-bearing loans and borrowings are as follows:

	Group		Corporation	
	2014 %	2013 %	2014 %	2013 %
Fixed rate				
Term loans	**4.63 - 5.20**	4.54 - 5.20	–	–
Hire purchase	**2.85**	2.85	–	–
US Dollar Guaranteed Notes	–	6.13	–	–
Islamic Private Debt Securities Al Murabahah Medium Term Notes	–	3.48 - 3.75	–	3.48 - 3.75
Revolving credit	**4.10 - 4.30**	3.65 - 3.75	–	–
Floating rate				
Term loans				
- before interest rate swap	–	1.30 - 3.04	–	–
- after interest rate swap	–	1.30 - 4.65	–	–
- interest rate	**0.95 - 1.48**	–	–	–
Loans from subsidiary	–	–	**1.50 - 1.63**	1.30
Revolving credit from holding company	–	2.00	–	2.00

18. Other financial assets and financial liabilities (cont'd.)

(c) Interest-bearing loans and borrowings (cont'd.)

The following tables set out the carrying amounts of liabilities as at the reporting date and the remaining maturities of the Group and the Corporation's financial instruments.

At 31 December 2014	Within 1 year RM'000	More than 1 year and within 2 years RM'000	More than 2 years and within 3 years RM'000	More than 3 years and within 4 years RM'000	More than 4 years and within 5 years RM'000	More than 5 years RM'000	Total RM'000
Group							
Fixed rate							
Term loans	263,558	7,154	7,530	3,913	–	–	282,155
Hire purchase	3,993	3,991	3,993	3,664	–	–	15,641
Revolving credit	265,000	–	–	–	–	–	265,000
	532,551	11,145	11,523	7,577	–	–	562,796
Floating rate							
Term loans	616,263	857,813	1,189,984	911,092	2,981,282	1,619,933	8,176,367
Total borrowings	1,148,814	868,958	1,201,507	918,669	2,981,282	1,619,933	8,739,163
Corporation							
Floating rate							
Loans from subsidiary	560,122	628,652	590,687	311,794	1,509,096	546,318	4,146,669
Total borrowings	560,122	628,652	590,687	311,794	1,509,096	546,318	4,146,669

18. Other financial assets and financial liabilities (cont'd.)

(c) Interest-bearing loans and borrowings (cont'd.)

At 31 December 2013	Within 1 year RM'000	More than 1 year and within 2 years RM'000	More than 2 years and within 3 years RM'000	More than 3 years and within 4 years RM'000	More than 4 years and within 5 years RM'000	More than 5 years RM'000	Total RM'000
Group							
Fixed rate							
Term loans	184,943	148,534	92,762	21,921	3,912	–	452,072
Hire purchase	3,993	3,993	3,991	3,993	3,664	–	19,634
US Dollar Guaranteed Notes	2,301,252	–	–	–	–	–	2,301,252
Islamic Private Debt Securities Al Murabahah Medium Term Notes	500,000	200,000	300,000	300,000	–	–	1,300,000
Revolving credit	290,000	–	–	–	–	–	290,000
	3,280,188	352,527	396,753	325,914	7,576	–	4,362,958
Floating rate							
Term loans	112,436	169,739	173,705	124,520	3,365,982	264,489	4,210,871
Revolving credit from holding company	–	–	1,645,000	–	–	–	1,645,000
	112,436	169,739	1,818,705	124,520	3,365,982	264,489	5,855,871
Total borrowings	3,392,624	522,266	2,215,458	450,434	3,373,558	264,489	10,218,829

18. Other financial assets and financial liabilities (cont'd.)

(c) Interest-bearing loans and borrowings (cont'd.)

At 31 December 2013	Within 1 year RM'000	More than 1 year and within 2 years RM'000	More than 2 years and within 3 years RM'000	More than 3 years and within 4 years RM'000	More than 4 years and within 5 years RM'000	More than 5 years RM'000	Total RM'000
Corporation							
Fixed rate							
Islamic Private Debt Securities Al Murabahah Medium Term Notes	500,000	200,000	300,000	300,000	–	–	1,300,000
Floating rate							
Loans from subsidiary	–	–	–	–	2,436,954	–	2,436,954
Revolving credit from holding company	–	–	1,645,000	–	–	–	1,645,000
	–	–	1,645,000	–	2,436,954	–	4,081,954
Total borrowings	500,000	200,000	1,945,000	300,000	2,436,954	–	5,381,954

18. Other financial assets and financial liabilities (cont'd.)

(d) Finance lease receivables

Finance lease receivables represent lease rental and interest receivable due from customers in relation to the lease of offshore floating assets by the Group.

	Group	
	2014 RM'000	**2013 RM'000**
Minimum lease receivables:		
Not later than 1 year	**650,475**	180,764
Later than 1 year and not later than 2 years	**653,387**	181,658
Later than 2 years and not later than 5 years	**1,745,671**	548,304
Later than 5 years	**2,446,188**	1,538,977
	5,495,721	2,449,703
Less: Future finance income	**(1,543,656)**	(1,002,738)
Present value of finance lease assets	**3,952,065**	1,446,965
Present value of finance lease receivables:		
Not later than 1 year	**390,635**	59,124
Later than 1 year and not later than 2 years	**421,771**	66,961
Later than 2 years and not later than 5 years	**1,239,122**	258,933
Later than 5 years	**1,900,537**	1,061,947
	3,952,065	1,446,965
Analysed as:		
Due within 12 months (Note 20)	**390,635**	59,124
Due after 12 months	**3,561,430**	1,387,841
	3,952,065	1,446,965

The effective interest rate of the Group's finance lease receivables is between 5.96% to 16.37% (2013: 5.91% to 16.37%). Included in minimum lease receivables are the estimated unguaranteed residual values of the leased assets of RM118,230,343 (2013: RM83,517,500).

The Group entered into a lease agreement with a third party, to lease a floating production, storage and offloading asset ("FPSO") for a period of 10 years. Following commencement of the lease for the FPSO in the current year, the Group recognised a net gain of RM654,549,000 upon disposal of the FPSO through this finance lease arrangement.

19. Inventories

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At cost				
Bunkers, lubricants and consumable stores	**170,556**	198,134	**26,236**	35,162
Spares	**61,372**	52,168	**25,776**	21,085
Raw materials	**11,854**	12,598	**–**	–
	243,782	262,900	**52,012**	56,247

20. Trade and other receivables

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade receivables				
Third parties	**1,011,414**	672,879	**70,375**	65,079
Subsidiaries	**–**	–	**97,841**	71,431
Holding company	**4,636**	6,051	**3,479**	3,491
Fellow subsidiaries	**86,271**	58,372	**9,034**	17,166
Associates	**374**	372	**32**	30
Joint ventures	**56,688**	305,138	**29,253**	274,913
	1,159,383	1,042,812	**210,014**	432,110
Finance lease receivables (Note 18(d))	**390,635**	59,124	**–**	–
Due from customers on contracts (Note 21)	**1,178,243**	1,284,807	**90,733**	–
	2,728,261	2,386,743	**300,747**	432,110
Less: Impairment loss on trade receivables:				
Third parties	**(96,382)**	(110,643)	**(58,512)**	(55,093)
Subsidiaries	**–**	–	**(3,844)**	(3,619)
Fellow subsidiaries	**(3,391)**	(3,420)	**–**	–
Joint ventures	**(18,915)**	(17,816)	**(18,885)**	(17,779)
	(118,688)	(131,879)	**(81,241)**	(76,491)
Trade receivables, net	**2,609,573**	2,254,864	**219,506**	355,619

20. Trade and other receivables (cont'd.)

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Other receivables				
Amount due from related parties:				
Subsidiaries	**–**	–	**1,860,023**	166,102
Associates	**357**	118	**–**	–
Joint ventures	**361,965**	72,232	**341,813**	69,022
	362,322	72,350	**2,201,836**	235,124
Amount due from a joint venture partner	**–**	19,948	**–**	–
Deposits	**12,150**	8,687	**2,904**	2,721
Prepayments	**79,556**	100,281	**5,357**	22,530
Others	**345,708**	394,088	**316,773**	110,853
	799,736	595,354	**2,526,870**	371,228
Less: Impairment loss on other receivables:				
Subsidiaries	**–**	–	**(26,254)**	(24,719)
Associates	**(423)**	(293)	**–**	–
Joint ventures	**–**	(210)	**–**	–
	(423)	(503)	**(26,254)**	(24,719)
Other receivables, net	**799,313**	594,851	**2,500,616**	346,509
Total trade and other receivables	**3,408,886**	2,849,715	**2,720,122**	702,128
Add: Cash, deposits and bank balances (Note 22)	**4,838,829**	4,747,735	**2,581,274**	2,107,345
Add: Net loans and advances (Note 18(a))	**324,545**	315,576	**4,056,229**	3,887,931
Add: Long term receivables (Note 18(a))	**131,359**	124,256	**–**	–
Add: Finance lease receivables (Note 18(d))	**3,561,430**	1,387,841	**–**	–
Less: Prepayments	**(79,556)**	(100,281)	**(5,357)**	(22,530)
Less: Due from customers on contracts (Note 21)	**(1,178,243)**	(1,284,807)	**(90,733)**	–
Total loans and receivables	**11,007,250**	8,040,035	**9,261,535**	6,674,874

20. Trade and other receivables (cont'd.)

The ageing of trade receivables as at the reporting date were as follows:

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Neither past due nor impaired	**357,588**	409,716	**56,292**	253,307
Past due but not impaired				
1-30 days	**243,677**	166,528	**5,803**	2,600
31-60 days	**68,265**	67,020	**8,857**	5,611
61-90 days	**37,343**	30,960	**6,942**	6,966
more than 90 days	**333,822**	236,709	**50,879**	87,135
	1,040,695	910,933	**128,773**	355,619
Impaired	**118,688**	131,879	**81,241**	76,491
	1,159,383	1,042,812	**210,014**	432,110

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are credit worthy debtors with good payment records with the Group and the Corporation.

Receivables that are past due but not impaired

The Group and the Corporation have trade receivables that are past due at the reporting date but not impaired amounting to RM683,107,000 (2013: RM501,217,000) and RM72,481,000 (2013: RM102,312,000) respectively. These balances relate mainly to customers who have never defaulted on payments but are slow paymasters and hence, are periodically monitored.

Receivables that are impaired

The Group and Corporation's trade receivables that are impaired at the reporting date are as follows:

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade receivables				
- nominal amounts	**118,688**	131,879	**81,241**	76,491
Less: Allowance for impairment	**(118,688)**	(131,879)	**(81,241)**	(76,491)
	–	–	**–**	–

20. Trade and other receivables (cont'd.)

Significant financial difficulties of the debtors, probability that the debtors will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days aging of trade receivable balances) are considered indicators that the trade receivable is impaired. Individual debtor is written off when management deemed the amount to be not collectible.

Trade receivables that were impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Corporation	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
At 1 January	**131,879**	119,046	**76,491**	71,202
Impairment loss recognised:				
Third parties	**9,267**	12,816	**–**	–
Write-back of impairment loss:				
Third parties	**(10,639)**	(4,136)	**–**	–
Bad debts written off:	**–**	–	**–**	–
Third parties	**(5,323)**	–	**–**	–
Currency translation differences	**(6,496)**	4,153	**4,750**	5,289
At 31 December	**118,688**	131,879	**81,241**	76,491

(a) Trade receivables

The Group's trading terms with its customers are mainly on credit, except for new customers, where advance payments are normally required. The Group's normal trade credit terms range from 7 to 90 days (2013: 7 to 90 days). Other credit terms are assessed and approved on a case-by-case basis and each customer is assigned a maximum credit limit.

(b) Amounts due from Group companies

The trade amounts due from holding company, fellow subsidiaries and subsidiaries are unsecured with credit terms ranging from 15 to 30 days (2013: 15 to 30 days).

(c) Amounts due from associates and joint ventures

The trade amounts due from associates and joint ventures are unsecured and have normal credit terms ranging from 15 to 30 days (2013: 15 to 30 days). The non-trade balances are repayable on demand and are non-interest bearing.

21. Due from/(to) customers on contracts

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Construction contract costs incurred and recognised profits to date	**13,886,741**	12,698,519	**90,733**	–
Less: Progress billings	**(12,725,883)**	(11,423,177)	**–**	–
	1,160,858	1,275,342	**90,733**	–
Due from customers on contracts (Note 20)	**1,178,243**	1,284,807	**90,733**	–
Due to customers on contracts (Note 24)	**(17,385)**	(9,465)	**–**	–
	1,160,858	1,275,342	**90,733**	–

22. Cash, deposits and bank balances

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash with PETRONAS Integrated Financial Shared Services Centre	**3,258,864**	2,414,069	**2,349,268**	2,039,763
Cash and bank balances	**351,092**	286,098	**12,037**	3,339
Deposits with licensed banks	**1,228,873**	2,047,568	**219,969**	64,243
	4,838,829	4,747,735	**2,581,274**	2,107,345

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

Cash at banks earn interest at floating rates based on daily bank deposit rates. Deposits with licensed banks are made for varying periods between 1 to 92 days (2013: 1 to 103 days) depending on the immediate cash requirements of the Group and of the Corporation and earn interest rates ranging from 0.03% to 8.50% (2013: 0.03% to 8.50%) per annum and 0.01% to 4.20% (2013: 0.05% to 3.05%) per annum respectively.

Other information on financial risks of cash and cash equivalents are disclosed in Note 35.

23. Non-current assets classified as held for sale

The Group and the Corporation have reclassified certain ships, land and building, and plant and machinery previously presented as property, plant and equipment to non-current assets classified as held for sale as disclosed below:

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-current assets held for sale				
Ships	**912,768**	185,776	**912,768**	91,018
Containers	**–**	32,495	**–**	32,494
Leasehold building	**3,672**	3,457	**3,672**	3,457
Plant and machinery	**6,282**	–	**–**	–
	922,722	221,728	**916,440**	126,969

The movement during the financial year relating to non-current assets held for sale are as follows:

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 January	**221,728**	374,415	**126,969**	52,057
Addition	**–**	6,211	**–**	–
Written down	**–**	(20,271)	**–**	(10,709)
Transfer from ships and other property, plant and equipment (Note 12)	**919,050**	152,809	**912,768**	91,018
Transfer from prepaid lease payments on land and buildings (Note 13)	**–**	3,457	**–**	3,457
Transfer to ships (Note 12)	**(100,649)**	–	**–**	–
Disposals	**(122,866)**	(308,326)	**(122,866)**	(11,592)
Currency translation differences	**5,459**	13,433	**(431)**	2,738
At 31 December	**922,722**	221,728	**916,440**	126,969

During the financial year, the Group changed its intention to operate certain of its ships held for sale on a long term basis. Accordingly, the Group reclassified these ships from "Held for Sale" to "Ships in operation".

24. Trade and other payables

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade payables				
Third parties	**431,618**	606,178	**16,119**	3,256
Subsidiaries	**–**	–	**227,948**	371,349
Holding company	**213**	2,399	**–**	–
Fellow subsidiaries	**3,886**	13,597	**3,112**	–
Associates	**45**	53	**45**	53
Joint ventures	**33**	36	**–**	–
Accruals	**1,837,609**	2,182,002	**753,298**	486,387
Due to customers on contracts (Note 21)	**17,385**	9,465	**–**	–
	2,290,789	2,813,730	**1,000,522**	861,045
Other payables				
Amount due to related parties:				
Subsidiaries	**–**	–	**411,578**	427,386
Associates	**2,124**	2,124	**–**	–
Joint ventures	**94,489**	84,844	**–**	–
Accruals	**255,010**	284,441	**65,209**	73,729
Provisions	**569,313**	226,599	**514,354**	224,024
Others	**189,667**	182,528	**128,734**	117,149
	1,110,603	780,536	**1,119,875**	842,288
Total trade and other payables	**3,401,392**	3,594,266	**2,120,397**	1,703,333
Add: Total borrowings (Note 18(c))	**8,739,163**	10,218,829	**4,146,669**	5,381,954
Less: Due to customers on contracts (Note 21)	**(17,385)**	(9,465)	**–**	–
Total financial liabilities carried at amortised cost	**12,123,170**	13,803,630	**6,267,066**	7,085,287

24. Trade and other payables (cont'd.)

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranges from 14 to 90 days (2013: 14 to 90 days).

(b) Amounts due to Group companies

The trade amounts due to holding company, fellow subsidiaries and subsidiaries are unsecured and repayable in accordance to the credit terms granted. The non-trade balances are repayable on demand and are non-interest bearing.

(c) Amounts due to associates and joint ventures

The trade amounts due to associates and joint ventures have normal credit terms ranging from 15 to 30 days (2013: 15 to 30 days) and are non-interest bearing. The non-trade balances are repayable on demand.

(d) Provisions

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 January	**829,572**	904,954	**826,306**	866,613
Arose during the year	**301,005**	4,351	**248,620**	4,351
Utilised	**(133,617)**	(176,371)	**(133,617)**	(139,811)
Unused amount reversed	**–**	(24,568)	**–**	(24,568)
Unwinding of discount	**60,949**	59,807	**60,949**	59,807
Currency translation differences	**62,593**	61,399	**63,285**	59,914
At 31 December	**1,120,502**	829,572	**1,065,543**	826,306
Current	**569,313**	226,599	**514,354**	224,024
Non-current:				
Later than 1 year but not later than 2 years	**129,117**	125,818	**129,117**	125,818
Later than 2 years but not later than 5 years	**333,405**	308,136	**333,405**	308,136
More than 5 years	**88,667**	169,019	**88,667**	168,328
	551,189	602,973	**551,189**	602,282
	1,120,502	829,572	**1,065,543**	826,306

The provisions include the termination of leases and contractual obligations and employee related costs associated with the exit of the Liner Business in prior years.

25. Share capital and share premium

(a) Share capital

	Group and Corporation			
	Number of shares of RM1 each		Amount	
	2014 '000	2013 '000	2014 RM'000	2013 RM'000
Authorised				
Ordinary shares				
At 1 January and 31 December	**10,000,000**	10,000,000	**10,000,000**	10,000,000
Authorised				
Special preference share	**– (i)**	– (i)	**– (i)**	– (i)
Issued and fully paid				
Ordinary shares				
At 1 January	**4,463,794**	4,463,794	**4,463,794**	4,463,794
At 31 December	**4,463,794**	4,463,794	**4,463,794**	4,463,794
Special preference share	**– (i)**	– (i)	**– (i)**	– (i)

(i) Special preference share

The Group has one authorised and issued special preference share of RM1.

The special preference share, which may only be held by the Ministry of Finance ("MoF") or its successors or any Minister, representative, or any person acting on behalf of the Government of Malaysia, carries rights as provided by Article 3B of the Corporation's Articles of Association. Certain matters, in particular the alterations of specified Articles of Association, require the prior approval of the holder of the preference share.

The holder of the special preference share is not entitled to any dividend nor to participate in the capital distribution upon dissolution of the Corporation but shall rank for repayment in priority to all other shares. The share does not carry any right to vote at General Meetings but the holder is entitled to attend and speak at such meetings.

(b) Share premium

	Group and Corporation	
	2014 RM'000	2013 RM'000
At 1 January and 31 December	**4,459,468**	4,459,468

26. Other reserves

	Other capital reserve RM'000 26(c)	Capital reserve RM'000 26(b)
Group		
At 1 January 2014	**41,415**	**435,284**
Currency translation differences:		
Group	–	–
Associates	–	–
Joint ventures	–	–
Fair value loss on non-current investments	–	–
Fair value (loss)/ gain on cash flow hedges:		
Group	–	–
Joint ventures	–	–
Reclassification to income statement on disposal of non-current quoted equity investment	–	–
Reclassification to income statement on termination of hedging arrangements	–	–
Reclassification to income statement on maturity of hedging arrangements	–	–
At 31 December 2014	**41,415**	**435,284**

Revaluation reserve RM'000 26(a)	Statutory reserve RM'000 26(d)	Capital redemption reserve RM'000 26(e)	Fair value reserve RM'000 26(f)	Hedging reserve RM'000 26(g)	Currency translation reserve RM'000 26(h)	Total RM'000
1,357	1,966	59,715	190,754	(32,306)	96,647	794,832
–	–	–	–	–	1,369,719	1,369,719
–	–	–	–	–	83	83
–	–	–	–	–	(28,443)	(28,443)
–	–	–	(88,195)	–	–	(88,195)
–	–	–	–	(2,975)	–	(2,975)
–	–	–	–	24,149	–	24,149
–	–	–	(39,160)	–	–	(39,160)
–	–	–	–	4,208	–	4,208
–	–	–	–	1,378	–	1,378
1,357	1,966	59,715	63,399	(5,546)	1,438,006	2,035,596

26. Other reserves (cont'd.)

	Other capital reserve RM'000 26(c)	Capital reserve RM'000 26(b)
Group		
At 1 January 2013	41,415	435,284
Currency translation differences:		
Group	–	–
Associates	–	–
Joint ventures	–	–
Fair value loss on non–current investments	–	–
Fair value gain on cash flow hedges:		
Group	–	–
Joint ventures	–	–
Reclassification to income statement on maturity of hedging arrangements	–	–
At 31 December 2013	41,415	435,284

Revaluation reserve RM'000 26(a)	Statutory reserve RM'000 26(d)	Capital redemption reserve RM'000 26(e)	Fair value reserve RM'000 26(f)	Hedging reserve RM'000 26(g)	Currency translation reserve RM'000 26(h)	Total RM'000
1,357	1,966	59,715	252,794	(116,147)	(1,382,296)	(705,912)
–	–	–	–	–	1,388,562	1,388,562
–	–	–	–	–	83	83
–	–	–	–	–	90,298	90,298
–	–	–	(62,040)	–	–	(62,040)
–	–	–	–	29,199	–	29,199
–	–	–	–	27,925	–	27,925
–	–	–	–	26,717	–	26,717
1,357	1,966	59,715	190,754	(32,306)	96,647	794,832

26. Other reserves (cont'd.)

	Fair value reserve RM'000	Currency translation reserve RM'000	Total RM'000
Corporation			
At 1 January 2014	**190,754**	**(398,112)**	**(207,358)**
Currency translation differences	**–**	**576,794**	**576,794**
Fair value loss on non-current investments	**(88,195)**	**–**	**(88,195)**
Reclassification to income statement on disposal of non-current quoted equity investment	**(39,160)**	**–**	**(39,160)**
At 31 December 2014	**63,399**	**178,682**	**242,081**
At 1 January 2013	252,794	(1,865,935)	(1,613,141)
Currency translation differences	–	1,467,823	1,467,823
Fair value loss on non-current investments	(62,040)	–	(62,040)
At 31 December 2013	190,754	(398,112)	(207,358)

The nature and purpose of each category of reserves are as follows:

(a) Revaluation reserve

Revaluation reserve represents surplus arising from revaluation of certain freehold land.

(b) Capital reserve

Capital reserve represents reserve arising from bonus issue by subsidiaries.

(c) Other capital reserve

Other capital reserve represents the Group's share of its subsidiaries' reserve.

(d) Statutory reserve

Statutory reserve is maintained by overseas subsidiaries and joint ventures in accordance with the laws of the country of operations.

(e) Capital redemption reserve

Capital redemption reserve represents reserve created upon the redemption of preference shares in subsidiaries.

26. Other reserves (cont'd.)

(f) Fair value reserve

This reserve records changes in available-for-sale financial assets until they are disposed off or impaired.

(g) Hedging reserve

Hedging reserve represents the effective portion of the gain or loss on hedging instruments in the Group's cash flow hedges and includes the Group's share of hedging reserve of joint ventures.

(h) Currency translation reserve

Currency translation reserve comprises all foreign exchange differences arising from translation of the financial statements of the Corporation and foreign operations whose functional currencies are different from that of the Group's presentation currency.

27. Deferred tax

	Group	
	2014 RM'000	**2013 RM'000**
At 1 January	**(45,279)**	2,476
Recognised in income statement:		
In Malaysia	**(7,889)**	(49,730)
Outside Malaysia	**(8,284)**	2,011
	(16,173)	(47,719)
Currency translation differences	**42**	(36)
At 31 December	**(61,410)**	(45,279)
Presented after appropriate offsetting as follows:		
Deferred tax assets	**(90,373)**	(65,422)
Deferred tax liabilities	**28,963**	20,143
	(61,410)	(45,279)

27. Deferred tax (cont'd.)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM'000
At 1 January 2014	**69,668**
Recognised in income statement:	
In Malaysia	**4,142**
Outside Malaysia	**7,770**
At 31 December 2014	**81,580**
At 1 January 2013	66,675
Recognised in income statement:	
In Malaysia	971
Outside Malaysia	2,022
At 31 December 2013	69,668

Deferred tax assets of the Group:

	Other payables RM'000	Tax losses, investment tax allowance and unabsorbed capital allowances RM'000	Others RM'000	Total RM'000
At 1 January 2014	**(4,711)**	**(100,708)**	**(9,528)**	**(114,947)**
Recognised in income statement:				
In Malaysia	**(1,598)**	**(25,560)**	**(1,067)**	**(28,225)**
Outside Malaysia	**140**	**–**	**–**	**140**
Currency translation differences	**(23)**	**–**	**65**	**42**
At 31 December 2014	**(6,192)**	**(126,268)**	**(10,530)**	**(142,990)**

27. Deferred tax (cont'd.)

Deferred tax assets of the Group:

	Other payables RM'000	Tax losses, investment tax allowance and unabsorbed capital allowances RM'000	Others RM'000	Total RM'000
At 1 January 2013	(6,244)	(45,450)	(12,505)	(64,199)
Recognised in income statement:				
In Malaysia	1,580	(55,258)	2,977	(50,701)
Outside Malaysia	(11)	–	–	(11)
Currency translation differences	(36)	–	–	(36)
At 31 December 2013	(4,711)	(100,708)	(9,528)	(114,947)

Deferred tax assets have not been recognised in respect of the following items:

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Unused tax losses	**6,005,486**	5,942,612	**5,988,931**	5,927,172
Unabsorbed capital allowances	**29,859**	29,859	**–**	–
Others	**13,680**	13,680	**–**	–
	6,049,025	5,986,151	**5,988,931**	5,927,172

The unused tax losses and unabsorbed capital allowances of the Group, amounting to RM6,005,486,000 (2013: RM5,942,612,000) and RM29,859,000 (2013: RM29,859,000) respectively, are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

The unused tax losses of the Corporation relate to the loss making non-resident ships and can be utilised to offset against future taxable profits.

Deferred tax assets have not been recognised for certain subsidiaries as these subsidiaries have a recent history of losses.

28. Cash flows from investing activities

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Purchase of ships, offshore floating assets and other property, plant and equipment	**(1,708,835)**	(2,271,255)	**(822,456)**	(953,989)
Purchase of additional shares in a subsidiary	**–**	–	**–**	(636,394)
Issuance of loans to subsidiaries net of repayment	**–**	–	**(163,639)**	(988,238)
Dividend received from:				
Quoted equity investments	**7,587**	7,663	**7,587**	7,663
Subsidiaries	**–**	–	**1,619,699**	1,038,194
Associates and joint ventures	**665,532**	77,897	**43,706**	38,071
Repayment of loans due from subsidiaries	**–**	–	**241,032**	–
Repayment of loans due from associates and joint ventures	**2,772**	81,287	**2,772**	–
Proceeds from disposal of ships, other property, plant and equipment and held for sale assets	**626,482**	594,479	**624,926**	165,625
Deposit forfeited	**5,000**	–	**5,000**	–
Proceeds from disposal of quoted investment	**221,641**	–	**221,641**	–
Acquisition of non-controlling interests	**(58,910)**	–	**(58,910)**	–
Interest received	**61,916**	39,536	**31,420**	6,434
Loans to associates and joint ventures	**–**	(172,844)	**–**	–
Net cash (used in)/generated from continuing operations	**(176,815)**	(1,643,237)	**1,752,778**	(1,322,634)
Net cash generated from discontinued operations (Note 40(b))	**–**	15,063	**–**	12,115
Net cash (used in)/generated from investing activities	**(176,815)**	(1,628,174)	**1,752,778**	(1,310,519)

29. Cash flows from financing activities

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Drawdown of term loans	**5,023,628**	3,154,740	**2,781,855**	–
Drawdown of revolving credit	**764,000**	290,000	**–**	–
Drawdown of loans from subsidiaries	**–**	–	**–**	2,362,298
Repayment of term loans	**(5,342,829)**	(2,603,340)	**(4,244,013)**	–
Repayment of revolving credit	**(789,000)**	(145,997)	**–**	–
Repayment of loan from holding company	**(1,636,385)**	–	**–**	–
Repayment of loan due to subsidiaries	**–**	–	**–**	(2,415,843)
Acquisition of subsidiary	**–**	(500)	**–**	–
Dividend	**(401,741)**	–	**(401,741)**	–
Dividend paid to minority shareholders of subsidiaries	**(110,118)**	(132,671)	**–**	–
Interest paid	**(326,881)**	(391,783)	**(104,012)**	(257,670)
Net cash (used in)/generated from financing activities	**(2,819,326)**	170,449	**(1,967,911)**	(311,215)

30. Related party disclosures

In addition to related party disclosures elsewhere in the financial statements, set out below are other significant related party transactions. The directors are of the opinion that, unless otherwise stated, the transactions below have been entered into in the normal course of business at terms agreed between the parties during the financial year.

As the ultimate holding company is wholly owned by the Ministry of Finance ("MoF"), the Group is deemed to be related to entities that are controlled, jointly controlled or significantly influenced by the Government of Malaysia.

30. Related party disclosures (cont'd.)

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
(a) Income from fellow subsidiaries				
Freight and charter hire revenue	**2,576,594**	2,495,261	**697,280**	664,678
Forwarding charges	**31,357**	44,496	**–**	–
Warehouse service	**19,459**	6,843	**–**	–
Haulage service	**58,130**	55,471	**–**	–
Fabrication service	**1,023,205**	495,614	**–**	–
Offshore and maintenance service	**75,051**	55,190	**–**	–
Finance lease income	**135,995**	115,786	**–**	–
(b) Purchase from fellow subsidiaries				
Purchase of bunkers, lubricants, spare parts and other materials	**(247,583)**	(295,065)	**(159,916)**	(223,794)
Purchase of information technology services	**(26,794)**	(7,727)	**(26,794)**	(7,727)
Purchase of service for rental of premises	**(11,690)**	(17,481)	**(11,690)**	(17,481)
Purchase of insurance	**(14,070)**	(1,126)	**(14,070)**	(1,126)
Fees for representation in the Board of Directors*	**(303)**	(185)	**(303)**	(185)

* Fees paid directly to PETRONAS in respect of directors who are appointees of the holding company.

30. Related party disclosures (cont'd.)

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
(c) Purchase of service for repairs, conversion of ships, drydocking and fabrication from a subsidiary	**–**	–	**(641,005)**	(1,234,117)
(d) Disposal of a freehold building to a fellow subsidiary	**–**	(5,707)	**–**	–
(e) Finance lease income from a joint venture of fellow subsidiary	**85,470**	93,070	**–**	–
(f) Income on fabrication services provided to a joint venture	**–**	250,000	**–**	250,000
(g) Government of Malaysia's related entities				
(i) Provision of shipping and shipping related services				
Freight revenue	**57,263**	83,358	**57,263**	83,358
(ii) Purchase of goods and services				
Utilities	**(28,111)**	(36,155)	**(1,502)**	(1,053)
Port services	**(3,403)**	(5,585)	**(1)**	–

30. Related party disclosures (cont'd.)

(h) Compensation of key management personnel

Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Corporation, directly or indirectly, including any director of the Group and of the Corporation.

The remuneration of directors and other members of key management during the financial year were as follows:

	Group		Group	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Short-term employee benefits	**29,677**	28,481	**11,803**	8,756
Defined contribution plans	**3,371**	3,294	**2,760**	2,230
	33,048	31,775	**14,563**	10,986

Included in the total key management personnel are:

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Director's remuneration (Note 7)	**3,533**	2,847	**3,107**	2,417

31. Commitments

(a) Capital commitments

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Capital expenditure				
Approved and contracted for:				
Ships, offshore floating assets and other property, plant and equipment	**506,301**	704,915	**19,317**	365,920
Information and communication technology	**18,949**	675	**2,189**	675
Share of capital commitments in joint ventures	**144,506**	309,581	**–**	–
	669,756	1,015,171	**21,506**	366,595

31. Commitments (cont'd.)

(a) Capital commitments (cont'd.)

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Approved but not contracted for:				
Ships, offshore floating assets and other property, plant and equipment	**313,060**	2,410,636	**284,199**	465,461
Information and communication technology	**3,336**	12,377	**2,942**	11,727
Share of capital commitments in joint ventures	**79,661**	77,670	**–**	–
	396,057	2,500,683	**287,141**	477,188

(b) Non-cancellable operating lease commitments - Group as lessee

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Future minimum rentals payable:				
Not later than 1 year	**582,194**	180,466	**110,967**	154,139
Later than 1 year and not later than 5 years	**1,289,749**	1,110,972	**375,477**	403,685
Later than 5 years	**409,231**	1,452,389	**272,779**	326,361
	2,281,174	2,743,827	**759,223**	884,185

31. Commitments (cont'd.)

(c) Non-cancellable operating lease commitments - Group as lessor

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Future minimum rentals receivable:				
Not later than 1 year	**3,369,342**	3,036,839	**886,975**	1,011,260
Later than 1 year and not later than 5 years	**8,094,727**	8,494,709	**3,423,210**	3,572,811
Later than 5 years	**12,958,544**	13,595,934	**8,736,409**	9,133,392
	24,422,613	25,127,482	**13,046,594**	13,717,463

32. Contingent liabilities

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Secured				
Bank guarantee extended to a third party	**26,045**	32,668	**–**	–
Unsecured				
Performance bond on contract extended to third parties	**312,225**	404,584	**8,526**	135,389
Corporate guarantees given to banks for credit facilities granted to subsidiaries	**–**	–	**7,695,069**	5,979,865

33. Segment information

(a) Business segments

For management purposes, the Group is organised on a worldwide basis into three major business segments:

(i) Energy related shipping - the provision of liquefied natural gas ("LNG") services, petroleum tanker services, and chemical tanker services;

(ii) Other energy businesses - operation and maintenance of oil and petrochemical products at storage terminals, operation and maintenance of offshore floating terminals, and marine repair, marine conversion and engineering and construction works; and

(iii) Non-shipping and others - integrated logistics (i.e. haulage, trucking and warehousing), marine education and training, and other diversified businesses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

The Group officially ceased operations of its liner business on 30 June 2012. Accordingly, the liner business has been classified as discontinued operations in the previous financial year. The breakdown of the results of the discontinued operations for prior year ended 31 December 2013 is disclosed in Note 40.

The results of the remaining integrated logistics business which is still in operation are included as part of non-shipping and others as its contribution to the Group is not material.

33. Segment information (cont'd.)

(a) Business segments (cont'd.)

31 December 2014	Energy related shipping RM'000	Other energy businesses RM'000	Non-shipping and others RM'000	Total RM'000	Eliminations and adjustments RM'000		Consolidated RM'000
Revenue							
External sales	6,303,436	2,650,306	361,706	9,315,448	(19,194)		9,296,254
Inter-segment	3,737	805,166	34,945	843,848	(843,848)	A	–
	6,307,173	3,455,472	396,651	10,159,296	(863,042)		9,296,254
Results							
Segment results	1,471,691	307,048	(364,098)	1,414,641	76,143	A	1,490,784
Other operating income	14,650	681,669	1,897,759	2,594,078	(2,313,823)	A	280,255
Disposal of asset through finance lease	–	654,549	–	654,549	–		654,549
Net loss on disposal of ships	(33,800)	–	–	(33,800)	–		(33,800)
Finance income	10,347	18,167	344,720	373,234	(302,606)	A	70,628
Impairment provisions	(233,854)	(124,990)	(73)	(358,917)	–		(358,917)
Finance costs	(210,559)	(28,223)	(338,801)	(577,583)	273,089	A	(304,494)
Share of loss of associates	–	–	(30)	(30)	–		(30)
Share of profit of joint ventures	29,707	581,666	–	611,373	–		611,373
Profit before taxation							2,410,348
Taxation							(90,311)
Profit after taxation							2,320,037
Non-controlling interests							(115,727)
Net profit attributable to equity holders of the Corporation							2,204,310

33. Segment information (cont'd.)

(a) Business segments (cont'd.)

31 December 2014 (cont'd.)	Energy related shipping RM'000	Other energy businesses RM'000	Non-shipping and others RM'000	Total RM'000	Eliminations and adjustments RM'000		Consolidated RM'000
ASSETS							
Ships	18,180,576	–	35,023*	18,215,599	–		18,215,599
Offshore floating assets	–	326,374	–	326,374	–		326,374
Intangible assets	777,955	152,494	870	931,319	–		931,31
Investments in joint ventures	218,527	6,030,399	(48)	6,248,878	–		6,248,878
Other assets (unallocated)	–	–	–	–	–	B	15,862,132
LIABILITIES							
Interest-bearing loans and borrowings	8,954,831	453,543	11,631,978	21,040,352	(12,301,189)		8,739,163
Other liabilities (unallocated)	–	–	–	–	–	C	4,024,035

* Net book value of Navy Auxiliary ships owned by the Corporation, i.e. Bunga Mas 5 and Bunga Mas 6.

33. Segment information (cont'd.)

(a) Business segments (cont'd.)

31 December 2013	Energy related shipping RM'000	Other energy businesses RM'000	Non-shipping and others RM'000	Total RM'000	Eliminations and adjustments RM'000		Consolidated RM'000
Revenue							
External sales	6,143,806	2,428,810	418,420	8,991,036	(19,231)		8,971,805
Inter-segment	7,140	983,449	34,938	1,025,527	(1,025,527)	A	–
	6,150,946	3,412,259	453,358	10,016,563	(1,044,758)		8,971,805
Results							
Segment results	1,026,545	308,691	(62,213)	1,273,023	(56,447)	A	1,216,576
Other operating income	40,309	133,743	1,294,648	1,468,700	(1,169,379)	A	299,321
Net gain on disposal of ships	11,606	–	–	11,606	–		11,606
Finance income	2,665	21,472	383,871	408,008	(371,321)	A	36,687
Impairment provisions	(34,341)	(63,562)	–	(97,903)	–		(97,903)
Finance costs	(302,797)	(28,269)	(436,498)	(767,564)	359,173	A	(408,391)
Share of profit/(loss) of associates	3	–	(46)	(43)	–		(43)
Share of (loss)/profit of joint ventures	(5,638)	1,175,512	–	1,169,874	–		1,169,874
Profit before taxation							2,227,727
Taxation							(2,509)
Profit after taxation							2,225,218
Non-controlling interests							(144,153)
Net profit attributable to equity holders of the Corporation							2,081,065

33. Segment information (cont'd.)

(a) Business segments (cont'd.)

31 December 2013 (cont'd.)	Energy related shipping RM'000	Other energy businesses RM'000	Non-shipping and others RM'000	Total RM'000	Eliminations and adjustments RM'000		Consolidated RM'000
ASSETS							
Ships	18,910,167	–	38,567*	18,948,734	–		18,948,734
Offshore floating assets	–	1,888,439	–	1,888,439	–		1,888,439
Intangible assets	750,191	150,472	870	901,533	–		901,533
Investments in joint ventures	175,916	5,855,231	(121)	6,031,026	–		6,031,026
Other assets (unallocated)	–	–	–	–	–	B	12,462,499
LIABILITIES							
Interest-bearing loans and borrowings	1,937,822	598,520	10,993,072	13,529,414	(3,310,585)		10,218,829
Other liabilities (unallocated)	–	–	–	–	–	C	4,256,033

* Net book value of Navy Auxiliary ships owned by the Corporation, i.e. Bunga Mas 5 and Bunga Mas 6.

33. Segment information (cont'd.)

(b) Business segments (cont'd.)

Note

A Inter-segment revenues and transactions are eliminated on consolidation.

B Other assets comprise the following items:

	2014 RM'000	2013 RM'000
Other property, plant and equipment	**1,971,972**	1,854,313
Prepaid lease payments on land and buildings	**249,905**	251,750
Investments in associates	**1,987**	1,971
Other non-current financial assets	**572,000**	817,780
Finance lease receivables	**3,561,430**	1,387,841
Deferred tax assets	**90,373**	65,422
Inventories	**243,782**	262,900
Trade and other receivables	**3,408,886**	2,849,715
Cash, deposits and bank balances	**4,838,829**	4,747,735
Derivative assets	**246**	1,344
Non-current assets classified as held for sale	**922,722**	221,728
	15,862,132	12,462,499

C Other liabilities comprise the following items:

	2014 RM'000	2013 RM'000
Trade and other payables	**3,401,392**	3,594,266
Provision for taxation	**42,491**	34,421
Deferred tax liabilities	**28,963**	20,143
Derivative liabilities	**–**	4,230
Provisions	**551,189**	602,973
	4,024,035	4,256,033

33. Segment information (cont'd.)

(c) Geographical segments

Although the Group's three major business segments are managed on a worldwide basis, they operate in five principal geographical areas of the world. In Malaysia, its home country, the Group's areas of operation comprise energy related shipping, other energy businesses and non-shipping and others.

The Group also operates energy related shipping in other global regions as follows:
- Asia and Africa
- Europe
- Australasia
- The Americas

The following table provides an analysis of the Group's revenue and carrying amount of segment assets by geographical segments:

	Malaysia RM'000	Asia and Africa RM'000	Europe RM'000	Australasia RM'000	The Americas RM'000	Consolidated RM'000
31 December 2014						
Revenue	**5,540,005**	**548,201**	**274,016**	**53,994**	**2,880,038**	**9,296,254**
Segment assets	**30,256,125**	**6,923**	**6,939**	**2**	**11,314,313**	**41,584,302**
31 December 2013						
Revenue	5,370,012	580,206	376,595	60,658	2,584,334	8,971,805
Segment assets	29,706,875	7,440	7,134	2	10,510,780	40,232,231

33. Segment information (cont'd.)

(d) Information about major customers

Breakdown of revenue from major customers are as follows:

	2014 RM'000	2013 RM'000
Fellow subsidiaries:		
- Malaysia LNG Sdn Bhd	**1,978,885**	1,955,534
- Petronas Carigali Sdn Bhd	**977,004**	280,177
- Petronas Gas Berhad	**136,321**	155,990
	3,092,210	2,391,701
Third Parties:		
- Royal Dutch Shell PLC	**336,401**	260,675
- Exxon Mobil Corporation	**248,729**	277,188
- Saudi Petroleum	**190,652**	109,196
- Oman Trading International Limited	**60,977**	1,366
- Talisman Energy	**62,510**	59,764
- Petrofac (Malaysia) Limited	**58,553**	27,491
	957,822	735,680

34. Fair value disclosures

Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investments in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

The following table analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

34. Fair value disclosures (cont'd.)

Fair value information (cont'd.)

The different levels have been defined as follows:

(a) Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities

(b) Level 2 Input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

(c) Level 3 Input for the asset or liability that are not based on observable market data (unobservable input)

At 31 December 2014

		Fair value of assets and liabilities carried at fair value			
	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group					
Financial assets:					
Non-current quoted equity investment	18(a)	**74,333**	–	–	**74,333**
Forward exchange contract	18(b)	–	**246**	–	**246**
		74,333	**246**	–	**74,579**
Non-financial assets:					
Non-current assets classified as held for sale	23	–	–	**922,722**	**922,722**

34. Fair value disclosures (cont'd.)

Fair value information (cont'd.)

At 31 December 2013

	Note	Fair value of assets and liabilities carried at fair value			
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group					
Financial assets:					
Non-current quoted equity investments	18(a)	338,613	–	–	338,613
Forward exchange contract	18(b)	–	1,344	–	1,344
		338,613	1,344	–	339,957
Non-financial assets:					
Non-current assets classified as held for sale	23	–	–	221,728	221,728
Financial Liabilities:					
Interest rate swaps designated as hedging instruments	18(b)	–	(4,230)	–	(4,230)

At 31 December 2014

	Note	Fair value of financial instruments not carried at fair value				
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
Group						
Financial assets:						
Non-current unquoted equity investments	18(a)	–	–	*	*	**41,763**
Long term receivables	18(a)	–	–	**100,038**	**100,038**	**131,359**
Finance lease receivables	18(d)	–	–	**3,952,065**	**3,952,065**	**3,952,065**
		–	–	**4,052,103**	**4,052,103**	**4,125,187**

34. Fair value disclosures (cont'd.)

Fair value information (cont'd.)

At 31 December 2014 (cont'd.)

	Note	Fair value of financial instruments not carried at fair value				Carrying amount RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
Group						
Financial Liabilities:						
Term loans	18(c)	**–**	**(8,461,920)**	**–**	**(8,461,920)**	**(8,458,522)**

At 31 December 2013

Group						
Financial assets:						
Non-current unquoted equity investments	18(a)	–	–	*	*	39,335
Long term receivables	18(a)	–	–	83,607	83,607	124,256
Finance lease receivables	18(d)	–	–	1,446,965	1,446,965	1,446,965
		–	–	1,530,572	1,530,572	1,610,556
Financial Liabilities:						
Term loans	18(c)	–	(4,687,815)	–	(4,687,815)	(4,662,943)
Islamic Private Debt Securities Al Murabahah Medium Term Notes	18(c)	–	(1,202,740)	–	(1,202,740)	(1,300,000)
US Dollar Guaranteed Notes	18(c)	(2,352,900)	–	–	(2,352,900)	(2,301,252)
Revolving credit from holding company	18(c)	–	(1,645,000)	–	(1,645,000)	(1,645,000)
		(2,352,900)	(7,535,555)	–	(9,888,455)	(9,909,195)

* The unquoted equity investments are measured at cost since they do not have a quoted market price in an active market and the fair value cannot be reliably measured.

34. Fair value disclosures (cont'd.)

Fair value information (cont'd.)

Corporation	Note	Fair value of assets and liabilities carried at fair value			
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 31 December 2014					
Financial assets:					
Non-current quoted equity investment	18(a)	**74,333**	**–**	**–**	**74,333**
Non-financial assets:					
Non-current assets classified as held for sale	23	**–**	**–**	**916,440**	**916,440**
At 31 December 2013					
Financial assets:					
Non-current quoted equity investments	18(a)	338,613	–	–	338,613
Non-financial assets:					
Non-current assets classified as held for sale	23	–	–	126,969	126,969

	Note	Fair value of financial instruments not carried at fair value				
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
At 31 December 2014						
Financial assets:						
Non-current unquoted equity investments	18(a)	**–**	**–**	*****	*****	**41,379**
Loans to subsidiaries	35(a)	**–**	**853,590**	**–**	**853,590**	**936,155**
		–	**853,590**	*****	**853,590**	**977,534**

34. Fair value disclosures (cont'd.)

Fair value information (cont'd.)

Corporation	Note	Fair value of financial instruments not carried at fair value (cont'd.) Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
At 31 December 2014 (cont'd.)						
Financial liabilities:						
Loans from subsidiary	18(c)	**–**	**(4,146,669)**	**–**	**(4,146,669)**	**(4,146,669)**
At 31 December 2013						
Financial assets:						
Non-current unquoted equity investments	18(a)	–	–	*	*	38,957
Loans to subsidiary	35(a)	–	644,094	–	644,094	873,632
		–	644,094	*	644,094	912,589
Financial liabilities:						
Loans from subsidiary	18(c)	–	(2,436,954)	–	(2,436,954)	(2,436,954)
Revolving credit from holding company	18(c)	–	(1,645,000)	–	(1,645,000)	(1,645,000)
Islamic Private Debt Securities Al Murabahah Medium Term Notes	18(c)	–	(1,202,740)	–	(1,202,740)	(1,300,000)
		–	(5,284,694)	–	(5,284,694)	(5,381,954)

* The unquoted equity investments are measured at cost since they do not have a quoted market price in an active market and the fair value cannot be reliably measured.

34. Fair value disclosures (cont'd.)

Fair value information (cont'd.)

Transfers between Level 1 and Level 2 fair values

There has been no transfers between Level 1 and Level 2 fair values during the financial year.

Level 1 fair value measurements

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical assets that the entity can assess at the measurement date.

Level 2 fair value measurements

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset either directly or indirectly.

The following are descriptions of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Derivatives

Interest rate swap contracts and forward exchange contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

Non-derivative financial liabilities

The fair value of the loan and borrowings which is determined for disclosure purposes is calculated by discounting expected future cash flows at the market rate of interest at the end of the reporting period.

Level 3 fair value measurements

Level 3 fair value is estimated using unobservable inputs that are not based on observable market data.

34. Fair value disclosures (cont'd.)

Fair value information (cont'd.)

Level 3 fair value measurements (cont'd.)

The following table shows the information about fair value measurements using significant unobservable inputs within Level 3 of the fair value hierarchy:

	Group		Corporation			
	Fair value at 31 December 2014 RM'000	Fair value at 31 December 2013 RM'000	Fair value at 31 December 2014 RM'000	Fair value at 31 December 2013 RM'000	Valuation techniques	Unobservable inputs
Financial assets measured at fair value						
Non-current assets held for sale						
- Ships (Petroleum)	–	94,758	–	–	Market comparable approach	Market report on secondhand tanker price adjusted based on management's assumptions for difference in key attributes such as size and age
- Ships (Chemical)	**912,768**	91,018	**912,768**	91,018	Market comparable approach	Market values determined by independent ship valuers taking into consideration the type, size and age of the ships and the assumptions that the ships are in good and seaworthy condition, to be transacted between willing buyer and willing seller

34. Fair value disclosures (cont'd.)

Fair value information (cont'd.)

Level 3 fair value measurements (cont'd.)

	Group		Corporation			
	Fair value at 31 December 2014 RM'000	Fair value at 31 December 2013 RM'000	Fair value at 31 December 2014 RM'000	Fair value at 31 December 2013 RM'000	Valuation techniques	Unobservable inputs
Financial assets measured at fair value (cont'd.)						
Non-current assets held for sale (cont'd.)						
- Containers	**–**	32,495	**–**	32,495	Market comparable approach	Recent sales transactions
- Leasehold building	**3,672**	3,457	**3,672**	3,457	Market comparable approach	Price per square foot of comparable properties adjusted based on management's assumptions for key attributes such as property size
- Plant and machinery	**6,282**	–	**–**	–	Market comparable approach	Sale price offered by potential buyer
	922,722	221,728	**916,440**	126,969		

34. Fair value disclosures (cont'd.)

Fair value information (cont'd.)

Level 3 fair value measurements (cont'd.)

	Group		Corporation			
	Fair value at 31 December 2014 RM'000	Fair value at 31 December 2013 RM'000	Fair value at 31 December 2014 RM'000	Fair value at 31 December 2013 RM'000	Valuation techniques	Unobservable inputs
Financial assets not measured at fair value						
Long term receivables	**100,038**	83,607	**–**	–	Discounted cash flow method	Discounting expected future cash flows at the market rate of interest at the end of the reporting period
Finance lease receivables	**3,952,065**	1,446,965	**–**	–	Discounted cash flow method	Discounting expected future cash flows at the market rate of interest at the end of the reporting period
	4,052,103	1,530,572	**–**	–		

An increase in market values of comparable assets used in the above valuation would result in an increase in the fair values and vice versa.

35. Financial risk management objectives and policies

The Group is exposed to various risks that are related to its core business of shipowning, ship operating, other shipping related activities and services, owning and operating of offshore facilities and marine repair, marine conversion and engineering and construction works. These risks arise in the normal course of the Group's business.

The Group's Financial Risk Management Framework and Guidelines set the foundation for the establishment of effective risk management practices across the Group.

The Group's Financial Risk Management Policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risk (both fair value and cash flow), foreign currency risk, liquidity risk, credit risk, equity price risk and bunker price risk. The Board reviews and agrees policies for managing each of these risks as summarised below. It is, and has been throughout the period under review, the Group's policy that no speculative trading in derivative financial instruments shall be undertaken.

The following sections provide details regarding the Group and the Corporation's exposure to the above-mentioned financial risks and the objectives, policies and processes in place to manage these risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. As the Group has no significant long term interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been placed mostly in time deposits and overnight placements. The Group's interest rate risk arises primarily from interest-bearing loans and borrowings.

Borrowings at floating rates expose the Group and the Corporation to cash flow interest rate risk. The Group's interest rate risks arise from the volatility of the benchmark interest rates both in Ringgit Malaysia ("RM") and United States Dollar ("USD"), (which are its main borrowing currencies).

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings. As at 31 December 2014, 6.44% (2013: 42.7%) of the Group's total borrowings were fixed rate in nature. The Group had during the year raised USD1.55 billion of floating rate borrowing to refinance a maturing fixed rate USD700 million Guaranteed Notes and RM1,300 million fixed rate Islamic Medium Term Notes.

The Group actively monitors the Interest Rate Swap ("IRS") market to convert some of its floating rate borrowings into fixed rate borrowings at a time most advantageous to the Group.

35. Financial risk management objectives and policies (cont'd.)

(a) Interest rate risk (cont'd.)

The Group had in May 2011 entered into an IRS to hedge its interest rate risk of a floating rate borrowing. In conjunction with the early settlement of the floating rate borrowing during the year, the Group also terminated the corresponding IRS attached to this borrowing on the date of the loan repayment. The total notional principal amount of interest rate swaps of the Group at the end of the previous financial year was RM183,431,000 and the fixed interest rates relating to interest rate swaps was 1.85% per annum.

As at reporting date, the following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Corporation's profit before taxation and equity via floating rate borrowings and interest rate swaps respectively.

	Increase/ (Decrease) in LIBOR basis points	Effect on profit before taxation (Decrease)/ Increase RM'000	Effect on other comprehensive income (Decrease)/ Increase RM'000
As at 31 December 2014			
Group			
USD - 3 Months LIBOR	**+10**	**(7,658)**	**–**
USD - 3 Months LIBOR	**–10**	**7,658**	**–**
Corporation			
USD - 3 Months LIBOR	**+10**	**(3,883)**	**–**
USD - 3 Months LIBOR	**–10**	**3,883**	**–**
As at 31 December 2013			
Group			
USD - 3 Months LIBOR	+10	(5,606)	(4,352)
USD - 3 Months LIBOR	–10	5,606	4,352
Corporation			
USD - 3 Months LIBOR	+10	(3,907)	–
USD - 3 Months LIBOR	–10	3,907	–

35. Financial risk management objectives and policies (cont'd.)

(a) Interest rate risk (cont'd.)

As at 31 December 2014, the Group and the Corporation's exposure to the risk of changes in market interest rate relates primarily to the Group and the Corporation's placement of deposits with licensed banks, cash and bank balances, loans to subsidiaries and joint ventures, interest bearing loans and borrowings and loans from subsidiaries and joint ventures.

The interest rate profiles of the Group and of the Corporation's interest-bearing financial instruments based on carrying amount, as at reporting date were as follows:

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Fixed rate instruments				
Financial assets				
Deposits with licensed banks	**1,228,873**	2,047,568	**219,969**	64,243
Deposits with IFSSC	**3,258,864**	2,414,069	**2,349,268**	2,039,763
Loans to:				
Subsidiaries	**–**	–	**936,155**	873,632
Joint ventures	**48,240**	48,203	**48,240**	48,203
Financial liabilities				
Fixed rate borrowings	**562,796**	4,362,958	**–**	1,300,000
Floating rate borrowings (swapped to fixed rate)#	**–**	183,431	**–**	–
Floating rate instruments				
Financial assets				
Cash and bank balances	**351,092**	286,098	**12,037**	3,339
Loans to:				
Subsidiaries	**–**	–	**2,795,600**	2,717,125
Joint ventures	**275,998**	248,971	**275,998**	248,971
Financial liabilities				
Floating rate borrowings	**8,176,367**	5,672,440	**–**	1,645,000
Loans from subsidiaries	–	–	**4,146,669**	2,436,954

The Group had terminated its interest rate swap ("IRS") arrangements on its borrowing as disclosed in Note 18(b).

35. Financial risk management objectives and policies (cont'd.)

(b) Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily RM and USD. Approximately 9% (2013: 9%) of the Group's sales are denominated in currencies other than the Group's functional currency by the operating unit making the sale, whilst almost 95% (2013: 88%) of costs are denominated in the Group's functional currency.

The Group maintains a natural hedge, wherever possible, by borrowing in currencies that matches the future revenue streams to be generated from its investments, except for the following:

At 31 December 2014, the Group held forward currency contracts designated as hedges of expected future receipts and payments denominated in USD and Singapore Dollar. The forward currency contracts are being used to hedge the foreign currency risk of the highly probable forecasted transactions.

The cash flow hedges of the expected future receipts which are expected to occur within the next 12 months, were assessed to be highly effective and a net unrealised gain of RM501,000 (2013: RM1,378,000), which represents the effective portion of the hedging relationship, is included in other comprehensive income.

With all other variables held constant, the following table demonstrates the sensitivity of the Group and the Corporation's profit before taxation to a reasonably possible change in the USD and RM exchange rates.

	2014		**2013**	
	Change in currency rate %	**Effect on profit before taxation (Decrease)/ Increase RM'000**	**Change in currency rate %**	**Effect on profit before taxation (Decrease)/ Increase RM'000**
Group				
USD/RM	**+5%**	**(90,761)**	+5%	(89,031)
	–5%	**90,761**	–5%	89,031
Corporation				
USD/RM	**+5%**	**(101,375)**	+5%	(79,550)
	–5%	**101,375**	–5%	79,550

35. Financial risk management objectives and policies (cont'd.)

(b) Foreign currency risk (cont'd.)

The net unhedged financial receivables and payables and cash and bank balances of the Group and of the Corporation that are not denominated in their functional currencies are as follows:

	Net financial receivables/(payables) and cash and bank balances held in non-functional currencies						
Functional currency of Group entities	**Ringgit Malaysia RM'000**	**United States Dollar RM'000**	**Sterling Pound RM'000**	**Australian Dollar RM'000**	**Euro RM'000**	**Singapore Dollar RM'000**	**Total RM'000**
At 31 December 2014							
Ringgit Malaysia	**–**	**169,209**	**(4,913)**	**–**	**(16,854)**	**27,084**	**174,526**
United States Dollar	**1,984,437**	**–**	**5,330**	**187**	**14,220**	**26,444**	**2,030,618**
	1,984,437	**169,209**	**417**	**187**	**(2,634)**	**53,528**	**2,205,144**
At 31 December 2013							
Ringgit Malaysia	–	153,243	(4,994)	(2)	(9,750)	22,706	161,203
United States Dollar	1,933,859	–	(1,099)	80	25,094	23,992	1,981,926
	1,933,859	153,243	(6,093)	78	15,344	46,698	2,143,129
Functional currency of Corporation							
At 31 December 2014							
United States Dollar	**2,027,495**	**–**	**12,959**	**–**	**22,899**	**1,643**	**2,064,996**
At 31 December 2013							
United States Dollar	1,591,000	–	(709)	82	16,315	10,123	1,616,811

35. Financial risk management objectives and policies (cont'd.)

(c) Liquidity risk

Liquidity risk is the risk that the Group and the Corporation will encounter difficulty in meeting their financial obligations due to shortage of funds. The Group and the Corporation's exposure to liquidity risk arise primarily from mismatches of the maturities of financial assets and liabilities. The Group and the Corporation's objective are to maintain a balance between continuity of funding and flexibility through the use of bank loans and various other sources of funding.

The Group and the Corporation have at their disposal cash and short term deposits amounting to RM4,838,829,000 (2013: RM4,747,735,000) and RM2,581,274,000 (2013: RM2,107,345,000) respectively. As at 31 December 2014, the Group and the Corporation have unutilised credit lines of RM3.6 billion (2013: RM1.2 billion) and RM2.7 billion (2013: RM1.2 billion) respectively, which could be used for working capital purposes.

35. Financial risk management objectives and policies (cont'd.)

(c) Liquidity risk (cont'd.)

The table below summarises the maturity profile of the Group and Corporation's financial liabilities as at the reporting date based on undiscounted contractual payments:

	Carrying amount RM'000
At 31 December 2014	
Group	
Interest-bearing loans and borrowings	**8,739,163**
Trade and other payables	**2,814,694**
	11,553,857
Corporation	
Interest-bearing loans and borrowings	**4,146,669**
Trade and other payables	**1,606,043**
	5,752,712
At 31 December 2013	
Group	
Interest-bearing loans and borrowings	10,218,829
Trade and other payables	3,358,202
	13,577,031
Corporation	
Interest-bearing loans and borrowings	5,381,954
Trade and other payables	1,479,309
	6,861,263

Contractual cash flows RM'000	Within 1 year RM'000	More than 1 year and within 2 years RM'000	More than 2 years and within 3 years RM'000	More than 3 years and within 4 years RM'000	More than 4 years and within 5 years RM'000	More than 5 years RM'000
9,106,297	**1,015,583**	**1,008,047**	**1,336,412**	**1,031,844**	**3,037,866**	**1,676,545**
2,814,694	**2,814,694**	**–**	**–**	**–**	**–**	**–**
11,920,991	**3,830,277**	**1,008,047**	**1,336,412**	**1,031,844**	**3,037,866**	**1,676,545**
4,380,378	**614,532**	**686,964**	**642,676**	**353,733**	**1,525,342**	**557,131**
1,606,043	**1,606,043**	**–**	**–**	**–**	**–**	**–**
5,986,421	**2,220,575**	**686,964**	**642,676**	**353,733**	**1,525,342**	**557,131**
10,862,240	3,634,932	661,805	2,313,390	537,847	3,437,364	276,902
3,358,202	3,358,202	–	–	–	–	–
14,220,442	6,993,134	661,805	2,313,390	537,847	3,437,364	276,902
5,699,825	605,909	291,397	1,997,710	338,875	2,465,934	–
1,479,309	1,479,309	–	–	–	–	–
7,179,134	2,085,218	291,397	1,997,710	338,875	2,465,934	–

35. Financial risk management objectives and policies (cont'd.)

(c) Liquidity risk (cont'd.)

Group

Hedging activities

The Group had in prior years entered into an interest rate swap ("IRS") arrangement to hedge its cash flow risk on a floating interest rate term loan. Following early settlement of the floating rate term loan in July 2014, the corresponding IRS was also terminated on the loan repayment date. As a result, the cumulative loss on the IRS of RM4,208,000 has been reclassified from equity into the income statement.

The Group's hedging activities on the IRS were tested to be effective and the Group recognised a gain of RM22,199,000 on the IRS of its subsidiaries in other comprehensive income in the prior year.

The following table indicates the periods in which the cash flows are expected to occur for cash flow hedges as at 31 December 2013:

	Carrying amount RM'000	Contractual cash flows RM'000	Within 1 year RM'000	More than 1 year and within 2 years RM'000	More than 2 years and within 3 years RM'000	More than 3 years and within 4 years RM'000	More than 4 years and within 5 years RM'000
At 31 December 2013							
Net cash outflows	4,230	(4,648)	(2,462)	(1,567)	(619)	–	–

The Group's share of its joint ventures' unrealised gain on IRS during the year was RM23,112,000 (2013: RM27,925,000).

35. Financial risk management objectives and policies (cont'd.)

(d) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from its operating activities (mainly for trade receivables) and from its finance activities including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risk from balances with banks and financial institutions is managed by Group Treasury in accordance with the Group's policy. The Group Treasury Investment Guideline defines the parameters within which the investment activities shall operate to achieve the Group's investment objective of preserving capital and generating optimal returns. In accordance with the guideline, investment of surplus funds are made only with highly credit rated counterparties.

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets mentioned in Notes 18(a), 20 and 22 and is recognised in the statements of financial position.

The Group does not hold any collateral as security.

Trade receivables

The Group and the Corporation determine concentrations of credit risk by monitoring the industry sector profile of their receivables on an ongoing basis. The credit risk concentration profile of the Group's and the Corporation's trade receivables due from third parties at the reporting date are as follows:

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Energy related shipping	**224,665**	248,204	**1,126**	1,215
Other energy businesses	**1,752,268**	1,464,986	**91,482**	510
Non-shipping and others	**116,342**	133,853	**9,988**	8,261
	2,093,275	1,847,043	**102,596**	9,986

35. Financial risk management objectives and policies (cont'd.)

(d) Credit risk (cont'd.)

Trade receivables (cont'd.)

At reporting date, approximately:

25.8% (2013: 16.8%) of the Group's trade and other receivables were due from related parties while 84.3% (2013: 79.2%) of the Corporation's trade and other receivables were due from related parties.

Other financial assets

With respect to credit risk arising from the other financial assets of the Group, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure represented by the carrying amount of these instruments.

Effective from 1 July 2013, cash and bank balances were held in the In-House Account Banking account managed by PETRONAS Integrated Financial Shared Services Centre ("IFFSC"). The centralisation of fund management allows more effective cash visibility, fund management for the Group and minimise exposure to counter party credit risk. The beneficiary of these financial assets remains with the Corporation. PETRONAS IFSSC, which functions as treasury management platform, in turn, places all funds under management in licensed financial institutions with strong credit ratings globally and in Malaysia. In addition, a majority of the Group's deposits are placed with licensed banks with strong credit ratings in Malaysia.

(e) Equity price risk

Equity price risk arises from the Group's investments in quoted equity shares listed on Bursa Malaysia.

At the reporting date, the exposure to listed equity securities at fair value was RM74,333,000 (2013: RM338,613,000).

35. Financial risk management objectives and policies (cont'd.)

(e) Equity price risk (cont'd.)

The following table demonstrates the indicative effects on the Group and the Corporation's equity applying reasonably foreseeable market movements in the following index rates:

	Carrying value RM'000	Weighted average change in index rate %	Effect on equity Increase/ (Decrease) RM'000
Group and Corporation			
2014			
Malaysian quoted equity shares	**74,333**	**+15**	**11,150**
Malaysian quoted equity shares	**74,333**	**–15**	**(11,150)**
2013			
Malaysian quoted equity shares	338,613	+15	50,792
Malaysian quoted equity shares	338,613	–15	(50,792)

This analysis assumes all other variables remain constant and that the price of the Group's quoted investments are perfectly correlated to the market index.

36. Capital management

Capital management is defined as the process of managing the composition of the Group's debt and equity to ensure it maintains a strong credit rating and healthy capital ratios that support its businesses and maximise its shareholder value. The Group's approach in managing capital is set out in the Group Corporate Financial Policy.

The Group and the Corporation monitor and maintain a prudent level of total debt to total asset ratio to optimise shareholder value and to ensure compliance with covenants under debt agreements.

The debt to equity ratios of the Group and of the Corporation as at 31 December 2014 and 31 December 2013 are as follows:

	Note	Group		Corporation	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Short term borrowings	18(c)	**1,148,814**	3,392,624	**560,122**	500,000
Long term borrowings	18(c)	**7,590,349**	6,826,205	**3,586,547**	4,881,954
Total debts		**8,739,163**	10,218,829	**4,146,669**	5,381,954
Total equity		**28,821,104**	25,757,369	**19,355,444**	17,772,883
Gross debt equity ratio		**0.30**	0.40	**0.21**	0.30

37. Subsidiaries and activities

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%)	
			2014	2013
MISC Tankers Sdn. Bhd.	Malaysia	Investment holding and provision of management services	**100**	100
Puteri Intan Sdn. Bhd.	Malaysia	Shipping	**100**	100
Puteri Delima Sdn. Bhd.	Malaysia	Shipping	**100**	100
Puteri Nilam Sdn. Bhd.	Malaysia	Shipping	**100**	100
Puteri Zamrud Sdn. Bhd.	Malaysia	Shipping	**100**	100
Puteri Firus Sdn. Bhd.	Malaysia	Shipping	**100**	100
MISC Ship Management Sdn. Bhd.	Malaysia	Dormant	**100**	100

37. Subsidiaries and activities (cont'd.)

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%)	
			2014	2013
MISC Enterprises Holdings Sdn. Bhd.	Malaysia	In-liquidation	**100**	100
MISC Properties Sdn. Bhd.	Malaysia	Dormant	**100**	100
Malaysia Marine and Heavy Engineering Holdings Berhad^	Malaysia	Investment holding	**66.5**	66.5
Malaysia Marine and Heavy Engineering Sdn. Bhd.	Malaysia	Provision of oil and gas engineering and construction works and marine conversion and repair services	**66.5**	66.5
MMHE-SHI LNG Sdn. Bhd.	Malaysia	Provision of repair services and dry docking of Liquefied Natural Gas carriers	**46.6**	46.6
Techno Indah Sdn. Bhd.	Malaysia	Sludge disposal management	**66.5**	66.5
Malaysia Marine and Heavy Engineering (Turkmenistan) Sdn. Bhd.	Malaysia	Dormant	**66.5**	66.5
MISC Agencies Sdn. Bhd.	Malaysia	Dormant	**100**	100
MISC Agencies (Netherlands) B.V.*	Netherlands	Property Owning	**100**	100
Misan Logistics B.V. *	Netherlands	Haulage brokerage, liner merchant and carrier haulage	**100**	100
MISC Agencies (U.K.) Ltd.*	United Kingdom	Dormant	**100**	100
MISC Agencies India Private Limited*	India	Shipping agent	**60**	60
MISC Agencies (Japan) Ltd.*	Japan	In-liquidation	**100**	100
MISC Agencies (Singapore) Pte. Ltd.*	Singapore	In-liquidation	**100**	100
MISC Ferry Services Sdn. Bhd.	Malaysia	Dormant	**100**	100
MISC Integrated Logistics Sdn. Bhd.	Malaysia	Integrated logistics services		
MISC Haulage Services Sdn. Bhd.	Malaysia	Dormant	**100**	100
MISC Trucking and Warehousing Services Sdn. Bhd.	Malaysia	Dormant	**100**	100

37. Subsidiaries and activities (cont'd.)

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%)	
			2014	2013
MILS Cold Chain Logistics Sdn. Bhd.	Malaysia	Owner of a cold storage logistics hub	**100**	100
MILS Cold Hub Sdn. Bhd.	Malaysia	Dormant	**100**	100
Asia LNG Transport Sdn. Bhd.	Malaysia	Shipowning and ship management	**51**	51
Asia LNG Transport Dua Sdn. Bhd.	Malaysia	Shipowning and ship management	**51**	51
Malaysian Maritime Academy Sdn. Bhd.	Malaysia	Education and training for seamen and maritime personnel	**100**	100
Puteri Intan Satu (L) Private Limited	Malaysia	Shipping	**100**	100
Puteri Delima Satu (L) Private Limited	Malaysia	Shipping	**100**	100
Puteri Nilam Satu (L) Private Limited	Malaysia	Shipping	**100**	100
Puteri Zamrud Satu (L) Private Limited	Malaysia	Shipping	**100**	100
Puteri Firus Satu (L) Private Limited	Malaysia	Shipping	**100**	100
Puteri Mutiara Satu (L) Private Limited	Malaysia	Shipping	**100**	100
MISC Tanker Holdings Sdn. Bhd.	Malaysia	Investment holding	**100**	100
MISC Tanker Holdings (Bermuda) Limited	Bermuda	Investment holding	**100**	100
AET Tanker Holdings Sdn. Bhd.	Malaysia	Investment holding	**100**	100
AET Petroleum Tanker (M) Sdn. Bhd.	Malaysia	Shipowning	**100**	100
AET Shipmanagement (Malaysia) Sdn. Bhd.	Malaysia	Shipping management	**100**	100
AET Shipmanagement (Singapore) Pte. Ltd.#	Singapore	Ship management manning and technical activities	**100**	100
AET Holdings (L) Pte. Ltd.	Malaysia	Investment holding	**100**	100
AET Inc. Limited	Bermuda	Shipowning and operations	**100**	100
AET Shipmanagement (India) Private Limited#	India	Dormant	**100**	100
AET Lightering Services LLC	The United States of America	Lightering	**100**	100

37. Subsidiaries and activities (cont'd.)

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%)	
			2014	2013
AET Tankers Pte. Ltd.#	Singapore	Commercial operation and chartering	**100**	100
AET UK Limited#	United Kingdom	Commercial operation and chartering	**100**	100
AET Offshore Services Company Inc.	The United States of America	Lightering	**100**	100
AET Agencies Inc.	The United States of America	Shipping agent and lightering	**100**	100
AET Tankers India Private Limited#	India	Dormant	**100**	100
AET Azerbaijan Limited	Azerbaijan	Dormant	**100**	100
AET Tankers Kazakhstan LLP	Kazakhstan	Dormant	**100**	100
AET Shipmanagement (USA) LLC#	The United States of America	Ship management	**100**	100
AET Tankers (Suezmax) Pte. Ltd.#	Singapore	Shipowning and operations	**100**	100
AET Shuttle Tankers Sdn. Bhd.	Malaysia	Shipowning and operations	**100**	100
AET MCV Delta Sdn. Bhd.	Malaysia	Investment holding	**100**	100
AET MCV Alpha LLC	Republic of Marshall Islands	Shipowning	**100**	100
AET MCV Beta LLC	Republic of Marshall Islands	Shipowning	**100**	100
AET MCV Gamma LLC	Republic of Marshall Islands	Chartering and operations	**100**	100
AET MCV Alpha Pte. Ltd.	Singapore	Dormant	**100**	100
AET MCV Beta Pte. Ltd.	Singapore	Dormant	**100**	100

37. Subsidiaries and activities (cont'd.)

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%)	
			2014	2013
AET Brasil Servicos Maritimos Ltda.	Brazil	Manning, crewing agent and technical office	**100**	100
AET Brasil Servicos STS Ltda.	Brazil	Lightering support services	**100**	100
AET Sea Shuttle AS#	Norway	Owning and operating DP shuttle tankers	**97.5**	97.5
MISC International (L) Ltd.	Malaysia	Investment holding	**100**	100
MISC Offshore Floating Terminals (L) Ltd.	Malaysia	Offshore floating terminals ownership	**100**	100
MISC Capital (L) Ltd.	Malaysia	Special purpose vehicle for Financing Arrangement	**100**	100
MISC Offshore Holdings (Brazil) Sdn. Bhd.	Malaysia	Investment holding	**100**	100
M.I.S.C. Nigeria Ltd.*	Nigeria	Dormant	**60**	60
FPSO Ventures Sdn. Bhd.	Malaysia	Operating and maintaining FPSO terminals	**51**	51
Bunga Kasturi (L) Pte. Ltd.	Malaysia	In-liquidation	**100**	100
Malaysia Offshore Mobile Production (Labuan) Ltd.	Malaysia	Mobile offshore production unit owner	**100**	100
MTTI Sdn. Bhd.	Malaysia	Investment holding	**100**	100
MISC PNG Shipping Limited	Malaysia	Investment holding	**100**	100
Gas Asia Terminal (L) Pte. Ltd.	Malaysia	Development and ownership of LNG floating storage units	**100**	100
MISC Offshore Floating Terminals Dua (L) Ltd.	Malaysia	Offshore floating terminals ownership	**100**	100
GK O & M (L) Limited	Malaysia	To carry out the business of providing professional services for oil and gas industry	**100**	100

* Audited by firms of auditors other than Ernst & Young
\# Audited by affiliates of Ernst & Young Malaysia
^ Listed on the Main Board of Bursa Malaysia Securities Berhad

38. Associates and activities

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%)	
			2014	2013
BLG MILS Logistics Sdn. Bhd.**	Malaysia	Automotive solutions and related integrated logistic services	**60**	60
Rais - Mils Logistic FZCO	United Arab Emirates	In-liquidation	**50**	50
MISC Agencies Lanka Pte. Ltd.	Sri Lanka	In-liquidation	**40**	40
Trans-ware Logistics (Pvt) Ltd.	Sri Lanka	Inland container depot	**25**	25
Nikorma Transport Limited	Nigeria	LNG transportation	**30**	30
Eagle Star Crew Management Corp.	Philippines	Recruitment and provision of manpower for maritime vessels	**24**	24

** Although the Group holds 60% effective interest in BLG MILS Logistics Sdn. Bhd. ("BML"), BML is deemed to be an associate as the Group is unable to exercise control over the financial and operating policies of the economic activities of BML.

39. Joint arrangements and activities

(a) Joint ventures and activities

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%)	
			2014	2013
Malaysia Vietnam Offshore Terminal (L) Ltd.****	Malaysia	FSO owner	**51**	51
Vietnam Offshore Floating Terminal (Ruby) Ltd.***	Malaysia	FSO owner	**40**	40
Paramount Tankers Corporation	Republic of the Marshall Islands	Shipowning and operations	**50**	50
MMHE-TPGM Sdn. Bhd.***	Malaysia	Provision of engineering, procurement, construction, installation and commissioning	**40**	40

39. Joint arrangements and activities (cont'd.)

(a) Joint ventures and activities (cont'd.)

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%)	
			2014	2013
MMHE-ATB Sdn. Bhd.***	Malaysia	Manufacturing work of pressure vessels and tube heat exchangers	**27**	27
Technip MHB Hull Engineering Sdn. Bhd.***	Malaysia	Build and develop hull engineering and engineering project management capacities	**33.3**	33.3
SL-MISC International Line Co. Ltd.***	Sudan	In-liquidation	**49**	49
SBM Systems Inc.***	Switzerland	FPSO owner	**49**	49
FPSO Brasil Venture S.A.***	Switzerland	Investment and offshore activities	**49**	49
SBM Operacoes Ltda.***	Brazil	Operating and maintaining FPSO terminals	**49**	49
Operacoes Maritamas em Mar Profundo Brasileiro Ltda.***	Brazil	Operating and maintaining of FPSO	**49**	49
Brazilian Deepwater Floating Terminals Ltd.***	Bermuda	Construction of FPSO	**49**	49
Brazilian Deepwater Production Ltd.***	Bermuda	Chartering of FPSO	**49**	49
Brazilian Deepwater Production Contractors Ltd.***	Bermuda	Operation and maintenance of FPSO	**49**	49
Centralised Terminals Sdn. Bhd.***	Malaysia	Own, manage, operate and maintain centralised tankage facility	**45**	45
Langsat Terminal (Three) Sdn. Bhd.***	Malaysia	Dormant	**45**	45
Langsat Terminal (Two) Sdn. Bhd.***	Malaysia	Provision of multi user petrochemical terminal facilities	**36**	36
Langsat Terminal (One) Sdn. Bhd.***	Malaysia	Provision of tank terminal activities	**36**	36

39. Joint arrangements and activities (cont'd.)

(a) Joint ventures and activities (cont'd.)

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%)	
			2014	2013
MISC Shipping Services (UAE) LLC***	United Arab Emirates	Dormant	**49**	49
Western Pacific Shipping Ltd.****	Bermuda	Providing shipping solutions to meet LNG Project requirements and also supports other general shipping requirements of Papua New Guinea	**60**	60
VTTI B.V.	Netherlands	Owning (in whole or in part), operating and managing a network of oil product storage terminals and refineries	**50**	50
ELS Lightering Services S.A	Uruguay	Lightering activity	**50**	50
Akudel S.A***	Uruguay	Owning and operating workboats for lightering activity	**49**	49
Gumusut-Kakap Semi-Floating Production System (L) Limited	Malaysia	Asset ownership and leasing of semi-submersible floating production system	**50**	50
Malaysia Deepwater Floating Terminal (Kikeh) Ltd.****	Malaysia	FPSO owner	**51**	51
Malaysia Deepwater Production Contractors Sdn. Bhd.****	Malaysia	Operating and maintaining FPSO terminals	**51**	51

*** Even though the Group holds less than 50% equity interest in these companies, all material operational and financial matters require unanimous consent of the joint venture parties.

**** Even though the Group holds more than 50% equity interest in these companies, all material operational and financial matters require unanimous consent of the joint venture parties.

39. Joint arrangements and activities (cont'd.)

(a) Joint ventures and activities (cont'd.)

The financial statements of the above joint ventures are coterminous with those of the Group, except for these joint ventures:

	Financial year end
Centralised Terminals Sdn. Bhd.	30 June
Langsat Terminal (One) Sdn. Bhd.	30 June
Langsat Terminal (Two) Sdn. Bhd.	30 June
Langsat Terminal (Three) Sdn. Bhd.	30 June

For the above entities, the audited financial statements up to the financial year ended 30 June 2014 and management accounts up to 31 December 2014 have been used to apply the equity method of accounting.

(b) Joint operation and activities

Details of the Group's joint operations are as follows:

Name	% of ownership interest held by the Group	
	2014	2013
Technip MMHE (Malikai) Joint Venture	**50%**	50%
Technip MMHE (SK316) Joint Venture	**50%**	50%

Technip MMHE (Malikai) Joint Venture and Technip MMHE (SK316) Joint Venture are unincorporated joint venture between the subsidiary, MMHE and Technip Geoproduction (M) Sdn. Bhd. to undertake specific engineering, procurement and construction, installation and commissioning projects.

40. Discontinued operations

The Group effectively ceased its Liner related business operations upon delivery of cargo under its final Perdana service voyage in June 2012. All outstanding business cessation processes were completed in the fourth quarter ended 31 December 2012.

Financial statement disclosures

The results of the Liner related business for the prior year ended 31 December 2013 has been presented separately in the income statement as "Profit/(loss) after taxation from discontinued operations". The net cash flows attributable to the Liner related business operations have also been presented separately in the statements of cash flows.

(a) Income statements disclosures

The results of the Liner related business operations for the year ended 31 December are as follows:

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Revenue	–	585	–	6
Cost of sales	–	(25)	–	–
Gross profit	–	560	–	6
Other operating income	–	1,375	–	522
Net gain on disposal of a subsidiary	–	312	–	–
Finance income	–	135	–	–
General and administrative expenses	–	(6,854)	–	(2,399)
Reversal of liner exit provisions	–	8,265	–	9,508
	–	3,793	–	7,637
Share of loss of joint ventures	–	(10)	–	–
Profit before taxation from discontinued operations (Note 40(c))	–	3,783	–	7,637
Taxation	–	527	–	–
Profit after taxation from discontinued operations	–	4,310	–	7,637

40. Discontinued operations (cont'd.)

Financial statement disclosures (cont'd.)

(a) Income statements disclosures (cont'd.)

Details of the Liner exit provisions are as follows:

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Impairment provision				
- non-current assets held for sale written down	–	10,709	–	10,709
- other property, plant and equipment	–	1,243	–	–
Reversal of termination of leases and contractual obligations	–	(20,217)	–	(20,217)
	–	(8,265)	–	(9,508)

(b) Statements of cash flows disclosures

The cash flows attributable to the Liner related business operations for the year ended 31 December are as follows:

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Operating	–	(68,828)	–	(68,628)
Investing	–	15,063	–	12,115
Net cash outflows	–	(53,765)	–	(56,513)

40. Discontinued operations (cont'd.)

Financial statement disclosures (cont'd.)

(c) Profit before taxation from discontinued operations

The following amounts have been included in arriving at profit before taxation from discontinued operations:

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Auditors' remuneration:				
Auditors of the Corporation:				
Statutory audits	–	10	–	–
Slot and charter hire expenses	–	6,634	–	6,634
Exchange loss:				
Unrealised	–	1,056	–	–
Write-back of impairment loss on trade receivables:				
Third parties	–	(706)	–	–
Bad debts written off	–	761	–	–
Rental of land and buildings	–	8	–	–
Impairment loss on investment in a joint venture	–	446	–	–
Ships, offshore floating assets and other property, plant and equipment:				
- Depreciation	–	193	–	–
- Written off	–	16	–	–
Gain on disposal of non-current assets held for sale	–	523	–	523
Staff costs (Note 40(d))	–	1,179	–	655

40. Discontinued operations (cont'd.)

Financial statement disclosures (cont'd.)

(d) Staff costs

	Group		Corporation	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Wages, salaries and bonuses	–	491	–	176
Contributions to defined contribution plans	–	55	–	12
Social security costs	–	1	–	–
Other staff related expenses	–	632	–	467
(Note 40(c))	–	1,179	–	655

41. Significant events

(a) In the current financial year, a joint venture entity of the Group, VTTI B.V. ("VTTI") formed a Master Limited Partnership ("MLP"), VTTI Energy Partners LP ("VTTI Energy"), to own, operate, develop and acquire refined petroleum product and crude oil terminalling and related energy infrastructure assets. On 1 August 2014, VTTI Energy completed its initial public offering ("IPO") with the sale and issuance of 17,500,000 common units representing limited partner interests in VTTI Energy at USD21.00 per common unit. The common units commenced trading on the New York Stock Exchange under the ticker symbol "VTTI".

(b) The Corporation entered into an Agreement for Sale and Purchase of Shares with MMC Ventures Sdn Bhd ("MMCV"), a wholly-owned subsidiary of MMC Corporation Berhad ("MMC"), on 27 November 2014 for the disposal of 15.73% equity interest held by MISC in NCB Holdings Berhad ("NCB") to MMCV, comprising 73,991,679 issued and paid-up ordinary shares for a total cash consideration of RM221.98 million. The disposal was completed on 2 December 2014 and the Corporation recognised a gain on disposal amounting to RM79,338,000.

42. Subsequent events

(a) On 23 February 2015, the Corporation announced that PETRONAS and Hyundai Heavy Industries Co. Ltd. ("HHI") have agreed to enter into a novation agreement with the Corporation for the novation of Shipbuilding Contracts between PETRONAS and HHI to the Corporation, for the construction and delivery of the New Liquefied Natural Gas ("Newbuild LNG") Carriers. In conjunction with the novation agreement, PETRONAS via its indirect subsidiary, PETRONAS LNG Sdn Bhd ("PLSB"), also agreed to enter into Time Charter Parties for the charter of the Newbuild LNG Carriers.

(b) The Corporation also announced on 23 February 2015 that PLSB has agreed to extend the charter of five refurbished Puteri Class LNG Carriers on a time charter basis for another ten years for each refurbished LNG Carrier. The respective charters shall commence from the date of delivery of each refurbished Carrier to PLSB, which are expected to be from September 2015 to September 2017.

43. Supplementary information - breakdown of retained profits into realised and unrealised

The breakdown of the retained profits of the Group and of the Corporation as at 31 December 2014 and 31 December 2013 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:

	Group		Corporation	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Total retained profits of MISC and its subsidiaries:				
- Realised	**17,864,552**	15,825,518	**10,490,868**	9,168,640
- Unrealised	**(226,394)**	(59,965)	**(300,767)**	(111,661)
	17,638,158	15,765,553	**10,190,101**	9,056,979
Total share of accumulated losses from associates:				
- Realised	**(2,335)**	(2,292)	**–**	–
- Unrealised	**–**	(68)	**–**	–
	(2,335)	(2,360)	**–**	–
Total share of retained profits from joint ventures:				
- Realised	**1,509,442**	1,532,069	**–**	–
- Unrealised	**(8,825)**	22,865	**–**	–
	1,500,617	1,554,934	**–**	–
Total retained profits	**19,136,440**	17,318,127	**10,190,101**	9,056,979
Less:				
Consolidation adjustments	**(2,339,037)**	(2,323,292)	**–**	–
Retained profits as per financial statements	**16,797,403**	14,994,835	**10,190,101**	9,056,979

PROPERTIES OWNED BY MISC BERHAD AND ITS SUBSIDIARIES

as at 31 December 2014

No.	Location	Description	Tenure & Year Lease Expires	Area in sq. ft.	Existing Use	Age of Building /Land (Years)	Approx. Net Book Value (RM'000)
1.	Lot 23, Lebuh Sultan Mohamad 1 Bandar Sultan Sulaiman 42008 Port Klang Selangor Darul Ehsan	Land, Office Building, Warehouse, Workshop, Repair Shed & Container Yard	Leasehold/ 2105	2,232,950	Cargo cum Office Complex & Container Yard	24	65,559
2.	Lot 36, Seksyen 7 Fasa 1A, Pulau Indah Industrial Park (West Port) Pelabuhan Klang Selangor Darul Ehsan	Land, Office Building & Warehouse	Leasehold/ 2097	1,815,103	Logistics Hub	8	104,032
3.	Plot 2 P.T. 2113 Air Keroh Industrial Estate, Melaka	Land & Container Yard	Leasehold/ 2091	241,326	Office Building & Container Yard	23	3,172
4.	Lot 2939-2941, 2946-2954, 2978-2980 Mukim 16 Daerah Seberang Perai Utara, Pulau Pinang	Land, Office Building, Warehouse, Workshop, Repair Shed & Container Yard	Freehold	752,752	Cargo cum Office Complex & Container Yard	23	29,566
5.	PTD 97072 Tebrau II Industrial Estate Johor Darul Takzim	Land, Office Building, Warehouse, Workshop, Repair Shed & Container Yard	Leasehold/ 2023	894,287	Cargo cum Office Complex & Container Yard	22	17,499
6.	PLO 516, Jalan Keluli 3 Kaw. Perindustrian Pasir Gudang, Mukim Plentong Johor Darul Takzim	Land, Office Building & Container Yard	Leasehold/ 2025	217,800	Office Building & Container Yard	20	1,313

PROPERTIES OWNED BY MISC BERHAD AND ITS SUBSIDIARIES

as at 31 December 2014

No.	Location	Description	Tenure & Year Lease Expires	Area in sq. ft.	Existing Use	Age of Building /Land (Years)	Approx. Net Book Value (RM'000)
7.	PTD 22805 Mukim Plentong, Johor Bahru	Land, Shipyard	Leasehold/ 2072	13,115,306	Marine Repair, Marine Conversion, Engineering & Construction Fabrication Yard, Ancillary Facilities & Office Buildings	35	51,356
8.	PTD 11549 Mukim Plentong, Johor Bahru	Land, Shipyard	Leasehold/ 2075	522,720		39	1,007
9.	PTD 65615 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2044	698,266	Staff Quarters	31	2,535
10.	PTD 65618 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2044	587,624	Staff Quarters	31	2,133
11.	PTD 65619 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2044	128,502	Staff Quarters	31	466
12.	PTD 65616 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2044	169,884	Vacant	31	617
13.	PTD 65617 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2044	374,180	Vacant	31	1,358
14.	Pasir Gudang Industrial Estate 81707 Pasir Gudang Johor (erected on Land 7 and 8 above)	Warehouse, Workshops & Office Buildings	Leasehold/ 2072/2075	1,956,881	Marine Repair, Marine Conversion, Engineering & Construction Fabrication Yard, Ancillary Facilities & Office Buildings	37	1,091,269
15.	Rumah Pangsa MMHE 81700 Pasir Gudang (erected on Land 9 to 11 above)	4-storey Residential Flats	Leasehold/ 2044	383,559	Staff Quarters	36	4,337

No.	Location	Description	Tenure & Year Lease Expires	Area in sq. ft.	Existing Use	Age of Building /Land (Years)	Approx. Net Book Value (RM'000)
16.	PTD 101363 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2039	2,567,862	Storage Area	5	17,972
17.	PTD 71056 Mukim Plentong, Johor Bahru	Land, Yard	Leasehold/ 2045	1,524,600	Engineering & Construction Fabrication Yard, Ancillary Facilities & Office Buildings	29	46,529
18.	PTD 109040 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2053	217,800	Workshop, Ancillary Facilities & Site Office	21	7,011
19.	PTD 200290 Mukim Plentong, Johor Bahru	Land, Yard	Leasehold/ 2052	2,424,158	Workshop, Ancillary Facilities & Office Buildings	6	81,160
20.	PTD 22768 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2040	435,600	Storage Area	34	13,078
21.	Lot 51611 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2045	173,514	Ancillary Facilities & Storage Area	18	5,295
22.	PTD 110760 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2052	205,603	Workshop, Ancillary Facilities & Office Buildings	21	6,476
23.	PTD 110758 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2052	59,242	Cabin Office & Warehouse	21	1,964

PROPERTIES OWNED BY MISC BERHAD AND ITS SUBSIDIARIES

as at 31 December 2014

No.	Location	Description	Tenure & Year Lease Expires	Area in sq. ft.	Existing Use	Age of Building /Land (Years)	Approx. Net Book Value (RM'000)
24.	Lot 76, Mukim Kuala Sungei Baru, Alor Gajah Melaka	Villas & Boathouse	Leasehold/ 2016	463,641	Akademi Laut Malaysia, Melaka Campus	6	1,237
25.	Lot 1516 Mukim Kuala Sungei Baru (Kampus ALAM, Batu 31 Kampung Tanjung Dahan Kuala Sungai Baru Melaka)	Post Sea Hostel	Leasehold/ 2016	24,210	Student Accommodation	4	2,148
26.	305, The Collonades Porchester Square Bayswater, London W2 6AS	Apartment	Leasehold/ 2073	1,200	For Staff	23	8,336
27.	13, Town Quay Wharf Barking, Essex, London	Office Building	Leasehold/ 2990	10,000	Vacant (to be sold)	21	3,672
28.	Galveston, Texas, USA	Land & Office	Freehold	290,415	Workboats, Dockage & Lightering Support Operation	46	11,953
29.	Rivium 1e straat 42 2909 LE Capelle ann den IJssel, Netherlands	Land & Office	Freehold	21,140	Office	17	5,345

LIST OF VESSELS AND ASSETS

as at 31 December 2014

LNG CARRIERS (Owned)							
Class	Total	Vessel	Built	Age	Yard	dwt	Flag
Aman Class	3	AMAN BINTULU	1993	21	NKK, Tsu, Japan	11,001	Malaysia
		AMAN SENDAI	1997	17	NKK, Tsu, Japan	10,957	Malaysia
		AMAN HAKATA	1998	16	NKK, Tsu, Japan	10,951	Malaysia
Tenaga Class	3	TENAGA DUA	1981	33	Societe Metallurgique Et Navale Dunkerque, France	71,580	Malaysia
		TENAGA TIGA	1981	33	Societe Metallurgique Et Navale Dunkerque, France	72,083	Malaysia
		TENAGA LIMA	1981	33	Chantiers De Nord Industrielle Marseille, France	71,585	Malaysia
Puteri Class	5	PUTERI INTAN	1994	20	Chantiers de l'Atlantique, France	73,519	Malaysia
		PUTERI DELIMA	1995	19	Chantiers de l'Atlantique, France	73,519	Malaysia
		PUTERI NILAM	1995	19	Chantiers de l'Atlantique, France	73,519	Malaysia
		PUTERI ZAMRUD	1996	18	Chantiers de l'Atlantique, France	73,519	Malaysia
		PUTERI FIRUS	1997	17	Chantiers de l'Atlantique, France	73,519	Malaysia
Puteri Satu Class	6	PUTERI INTAN SATU	2002	12	Mitsubishi Heavy Industries, Japan	75,849	Malaysia
		PUTERI DELIMA SATU	2002	12	Mitsui Engineering & Shipbuilding Co., Japan	76,190	Malaysia
		PUTERI NILAM SATU	2003	11	Mitsubishi Heavy Industries, Japan	76,124	Malaysia
		PUTERI ZAMRUD SATU	2004	10	Mitsui Engineering & Shipbuilding Co., Japan	76,144	Malaysia
		PUTERI FIRUS SATU	2004	10	Mitsubishi Heavy Industries, Japan	76,197	Malaysia
		PUTERI MUTIARA SATU	2005	9	Mitsui Engineering & Shipbuilding Co., Japan	76,144	Malaysia
Seri A Class	5	SERI ALAM	2005	9	Samsung Heavy Industries Co. Ltd., Korea	83,824	Malaysia
		SERI AMANAH	2006	8	Samsung Heavy Industries Co. Ltd., Korea	83,400	Malaysia
		SERI ANGGUN	2006	8	Samsung Heavy Industries Co. Ltd., Korea	83,395	Malaysia
		SERI ANGKASA	2006	8	Samsung Heavy Industries Co. Ltd., Korea	83,403	Malaysia
		SERI AYU	2007	7	Samsung Heavy Industries Co. Ltd., Korea	83,366	Malaysia

LIST OF VESSELS AND ASSETS
as at 31 December 2014

LNG CARRIERS (Owned) (Cont'd)							
Class	**Total**	**Vessel**	**Built**	**Age**	**Yard**	**dwt**	**Flag**
Seri B Class	5	SERI BAKTI	2007	7	Mitsubishi Heavy Industries, Japan	90,065	Malaysia
		SERI BEGAWAN	2007	7	Mitsubishi Heavy Industries, Japan	89,902	Malaysia
		SERI BIJAKSANA	2008	6	Mitsubishi Heavy Industries, Japan	89,953	Malaysia
		SERI BALHAF	2008	6	Mitsubishi Heavy Industries, Japan	91,201	Malaysia
		SERI BALQIS	2009	5	Mitsubishi Heavy Industries, Japan	91,198	Malaysia
Floating Storage Units (FSU)	2	FSU TENAGA SATU	2012	1	Malaysia Marine and Heavy Engineering, Malaysia	–	–
		FSU TENAGA EMPAT	2012	1	Keppel Shipyard, Singapore	–	–
Total Owned	**29**					**1,942,107**	

PETROLEUM TANKERS (Owned)							
Class	**Total**	**Vessel**	**Built**	**Age**	**Yard**	**dwt**	**Flag**
VLCC	10	BUNGA KASTURI	2003	11	Universal Shipbuilding Corporation, Japan	299,999	Malaysia
		BUNGA KASTURI DUA	2005	9	Universal Shipbuilding Corporation, Japan	300,542	Malaysia
		BUNGA KASTURI TIGA	2006	8	Universal Shipbuilding Corporation, Japan	300,398	Malaysia
		BUNGA KASTURI EMPAT	2007	7	Universal Shipbuilding Corporation, Japan	300,325	Malaysia
		BUNGA KASTURI LIMA	2007	7	Universal Shipbuilding Corporation, Japan	300,246	Malaysia
		BUNGA KASTURI ENAM	2008	6	Universal Shipbuilding Corporation, Japan	299,319	Malaysia
		EAGLE VANCOUVER	2013	1	Daewoo Shipbuilding and Marine Engineering	311,922	Singapore
		EAGLE VARNA	2013	1	Daewoo Shipbuilding and Marine Engineering	311,922	Singapore
		EAGLE VERONA (renamed British Venture)	2013	1	Daewoo Shipbuilding and Marine Engineering	311,922	Isle of Man
		EAGLE VERSAILLES (renamed British Vantage)	2013	1	Daewoo Shipbuilding and Marine Engineering	311,922	Isle of Man
Aframax	36	BUNGA KELANA DUA	1997	17	Hyundai Heavy Industries Corp. Ltd., Korea	105,976	Malaysia
		EAGLE COLUMBUS	1997	17	Koyo Dockyard Co. Ltd., Japan	107,166	Singapore
		BUNGA KELANA 3	1998	16	Hyundai Heavy Industries Corp. Ltd., Korea	105,784	Malaysia
		EAGLE PHOENIX	1998	16	Namura Shipbuilding Co. Ltd., Japan	106,127	Singapore
		EAGLE AUSTIN	1998	16	Samsung Heavy Industries Co. Ltd., Korea	105,426	Singapore
		BUNGA KELANA 4	1999	15	Hyundai Heavy Industries Corp. Ltd., Korea	105,815	Malaysia
		BUNGA KELANA 5	1999	15	Hyundai Heavy Industries Corp. Ltd., Korea	105,788	Malaysia
		BUNGA KELANA 6	1999	15	Hyundai Heavy Industries Corp. Ltd., Korea	105,815	Malaysia
		EAGLE AUGUSTA	1999	15	Samsung Heavy Industries Co. Ltd., Korea	105,345	Singapore
		EAGLE ANAHEIM	1999	15	Koyo Dockyard Co. Ltd., Japan	107,160	Singapore
		EAGLE ATLANTA	1999	15	Koyo Dockyard Co. Ltd., Japan	107,160	Singapore
		EAGLE TACOMA	2002	12	Imabari Shipbuilding Co. Ltd., Japan	107,123	Singapore

LIST OF VESSELS AND ASSETS
as at 31 December 2014

PETROLEUM TANKERS (Owned) (Cont'd)							
Class	Total	Vessel	Built	Age	Yard	dwt	Flag
Aframax (Cont'd)		EAGLE TOLEDO	2003	11	Imabari Shipbuilding Co. Ltd., Japan	107,092	Singapore
		EAGLE TRENTON	2003	11	Imabari Shipbuilding Co. Ltd., Japan	107,123	Singapore
		EAGLE TUCSON	2003	11	Imabari Shipbuilding Co. Ltd., Japan	107,123	Singapore
		EAGLE TAMPA	2003	11	Imabari Shipbuilding Co. Ltd., Japan	107,123	Singapore
		BUNGA KELANA 7	2004	10	Samsung Heavy Industries Co. Ltd., Korea	105,194	Malaysia
		BUNGA KELANA 8	2004	10	Samsung Heavy Industries Co. Ltd., Korea	105,174	Malaysia
		BUNGA KELANA 9	2004	10	Samsung Heavy Industries Co. Ltd., Korea	105,200	Malaysia
		BUNGA KELANA 10	2004	10	Samsung Heavy Industries Co. Ltd., Korea	105,274	Malaysia
		EAGLE TORRANCE	2007	7	Imabari Shipbuilding Co. Ltd., Japan	107,123	Singapore
		EAGLE TURIN	2008	6	Imabari Shipbuilding Co. Ltd., Japan	107,123	Singapore
		EAGLE KUCHING	2009	5	Tsuneishi Holdings Corporation, Japan	107,481	Singapore
		EAGLE KUANTAN	2010	4	Tsuneishi Holdings Corporation, Japan	107,481	Singapore
		PARAMOUNT HANOVER	2010	4	Sungdong Shipbuilding and Marine Engineering Co. Ltd., Korea	114,014	Isle of Man
		EAGLE KANGAR	2010	4	Tsuneishi Holdings Corporation, Japan	107,481	Singapore
		PARAMOUNT HELSINKI	2010	4	Sungdong Shipbuilding and Marine Engineering Co. Ltd., Korea	114,014	Isle of Man
		PARAMOUNT HAMILTON	2010	4	Sungdong Shipbuilding and Marine Engineering Co. Ltd., Korea	114,014	Isle of Man
		EAGLE KLANG	2010	4	Tsuneishi Holdings Corporation, Japan	107,481	Singapore
		PARAMOUNT HATTERAS	2010	4	Sungdong Shipbuilding and Marine Engineering Co. Ltd., Korea	114,164	Isle of Man
		PARAMOUNT HALIFAX	2010	4	Sungdong Shipbuilding and Marine Engineering Co. Ltd., Korea	114,164	Isle of Man

PETROLEUM TANKERS (Owned) (Cont'd)							
Class	**Total**	**Vessel**	**Built**	**Age**	**Yard**	**dwt**	**Flag**
Aframax (Cont'd)		PARAMOUNT HYDRA	2011	3	Sungdong Shipbuilding and Marine Engineering Co. Ltd., Korea	114,164	Isle of Man
		EAGLE KINABALU	2011	3	Tsuneishi Holdings Corporation, Japan	107,481	Singapore
		EAGLE KINARUT	2011	3	Tsuneishi Holdings Corporation, Japan	107,481	Singapore
		EAGLE LOUISIANA	2011	3	Tsuneishi Holdings Corporation, Japan	107,481	Singapore
		EAGLE TEXAS	2011	3	Tsuneishi Holdings Corporation, Japan	107,481	Marshall Islands
Suezmax	4	EAGLE SAN ANTONIO	2012	2	Samsung Heavy Industries Co. Ltd., Korea	157,850	Singapore
		EAGLE SAN DIEGO	2012	2	Samsung Heavy Industries Co. Ltd., Korea	157,850	Singapore
		EAGLE SAN JUAN	2012	2	Samsung Heavy Industries Co. Ltd., Korea	157,850	Singapore
		EAGLE SAN PEDRO	2012	2	Samsung Heavy Industries Co. Ltd., Korea	157,850	Singapore
DP Shuttle	2	EAGLE PARAIBA	2012	2	Samsung Heavy Industries Co. Ltd., Korea	105,153	Malaysia
		EAGLE PARANA	2012	2	Samsung Heavy Industries Co. Ltd., Korea	105,153	Malaysia
Panamax	1	BUNGA KENANGA	2000	14	Samsung Heavy Industries Co. Ltd., Korea	73,096	Malaysia
Total Owned	**53**					**7,845,935**	

PETROLEUM TANKERS (In-chartered)							
Class	**Total**	**Vessel**	**Built**	**Age**	**Yard**	**dwt**	**Flag**
VLCC	3	EAGLE VERMONT	2002	12	Hyundai Heavy Industries Corp. Ltd., Korea	299,999	Singapore
		EAGLE VIRGINIA	2002	12	Hyundai Heavy Industries Corp. Ltd., Korea	306,999	Singapore
		BLUE TOPAZ	2010	4	Daewoo Shipbuilding and Marine Engineering	321,243	Marshall Islands
Aframax	12	EAGLE BALTIMORE	1996	18	Samsung Heavy Industries Co. Ltd., Korea	99,406	Singapore
		EAGLE BEAUMONT	1996	18	Samsung Heavy Industries Co. Ltd., Korea	99,449	Singapore

LIST OF VESSELS AND ASSETS
as at 31 December 2014

PETROLEUM TANKERS (In-chartered) (Cont'd)							
Class	**Total**	**Vessel**	**Built**	**Age**	**Yard**	**dwt**	**Flag**
Aframax (Cont'd)		EAGLE BOSTON	1996	18	Samsung Heavy Industries Co. Ltd., Korea	99,328	Singapore
		EAGLE BIRMINGHAM	1997	17	Samsung Heavy Industries Co. Ltd., Korea	99,343	Singapore
		EAGLE SEVILLE	1999	15	Samsung Heavy Industries Co. Ltd., Korea	104,556	Singapore
		EAGLE SIBU	1999	15	Samsung Heavy Industries Co. Ltd., Korea	105,364	Singapore
		EAGLE STEALTH	2001	13	Sumitomo Heavy Industries, Japan	99,976	Marshall Islands
		JAG LYALL	2006	8	Da Lian Shipping Industry Co., Ltd.	110,537	India
		EAGLE SAPPORO	2008	6	Mitsui Engineering & Shipbuilding Co., Japan	110,448	Singapore
		EAGLE STAVANGER	2009	5	Sumitomo Heavy Industries, Japan	105,355	Panama
		EAGLE SYDNEY	2009	5	Sumitomo Heavy Industries, Japan	105,419	Panama
		STEALTH SKYROS	2011	3	Daewoo Shipbuilding and Marine Engineering	116,337	Marshall Islands
MR2	8	EAGLE MIRI	2008	6	STX Offshore & Shipbuilding Co. Ltd., Korea	46,195	Panama
		EAGLE MADRID	2008	6	STX Offshore & Shipbuilding Co. Ltd., Korea	46,197	Panama
		EAGLE MILAN	2010	4	Naikai Zosen, Japan	46,549	Panama
		EAGLE MATSUYAMA	2010	4	Shin Kurishima Dockyard Co. Ltd.	45,942	Panama
		EAGLE MELBOURNE	2011	3	Onomichi Dockyard Co. Ltd., Japan	50,079	Singapore
		GALISSAS	2008	6	SPP Shipbuilding Co., Ltd.	50,058	Panama
		FPMC 26	2011	3	Onomichi Dockyard Co., Ltd.	50,076	Liberia
		FPMC 25	2011	3	Onomichi Dockyard Co., Ltd.	50,085	Liberia
Total In-Chartered	**23**					**2,568,940**	
Total Owned	**76**					**10,414,875**	

CHEMICAL TANKERS (Owned)								
Class	**Total**	**Vessel**	**Built**	**Age**	**Yard**	**Cargo Capacity**	**dwt**	**Flag**
A Class	7	BUNGA AKASIA	2009	5	STX Offshore & Shipbuilding Co. Ltd., Korea	34k MT (chem) / 35k MT (vegoil)	38,000	Malaysia
		BUNGA ALAMANDA	2009	5	STX Offshore & Shipbuilding Co. Ltd., Korea	34k MT (chem) / 35k MT (vegoil)	38,000	Malaysia
		BUNGA ALLIUM	2010	4	STX Offshore & Shipbuilding Co. Ltd., Korea	34k MT (chem) / 35k MT (vegoil)	38,000	Malaysia
		BUNGA ANGSANA	2010	4	STX Offshore & Shipbuilding Co. Ltd., Korea	34k MT (chem) / 35k MT (vegoil)	38,000	Malaysia
		BUNGA ANGELICA	2010	4	STX Offshore & Shipbuilding Co. Ltd., Korea	34k MT (chem) / 35k MT (vegoil)	38,000	Malaysia
		BUNGA AZALEA	2010	4	STX Offshore & Shipbuilding Co. Ltd., Korea	34k MT (chem) / 35k MT (vegoil)	38,000	Malaysia
		BUNGA ASTER	2010	4	STX Offshore & Shipbuilding Co. Ltd., Korea	34k MT (chem) / 35k MT (vegoil)	38,000	Malaysia
Total Owned	**7**						**266,000**	

CHEMICAL TANKERS (In-chartered)								
Class	**Total**	**Vessel**	**Built**	**Age**	**Yard**	**Cargo Capacity**	**dwt**	**Flag**
Bunga L Class	6	BUNGA LAUREL	2010	4	Fukuoka Shipyard, Japan	18k MT (chem) / 18.5k MT (vegoil)	19,000	Panama
		BUNGA LAVENDER	2010	4	Fukuoka Shipyard, Japan	18k MT (chem) / 18.5k MT (vegoil)	19,000	Panama
		BUNGA LILAC	2011	3	Fukuoka Shipyard, Japan	18k MT (chem) / 18.5k MT (vegoil)	19,000	Panama
		BUNGA LILY	2011	3	Fukuoka Shipyard, Japan	18k MT (chem) / 18.5k MT (vegoil)	19,000	Panama
		BUNGA LOTUS	2012	2	Fukuoka Shipyard, Japan	18k MT (chem) / 18.5k MT (vegoil)	19,000	Singapore
		BUNGA LUCERNE	2012	2	Fukuoka Shipyard, Japan	18k MT (chem) / 18.5k MT (vegoil)	19,000	Singapore
Others	2	LAUREL GALAXY	2004	10	Kitanihon Shipbuilding Co. Ltd., Japan	18k MT (chem) / 18.5k MT (vegoil)	19,800	Panama
		BUNGA KEMBOJA	1998	16	Mitsubishi Heavy Industries, Japan	20k MT (ammonia)	20,613	Marshall Island
Total In-Chartered	**8**						**154,413**	
Total Owned	**15**						**420,413**	

LIST OF VESSELS AND ASSETS

as at 31 December 2014

OFFSHORE FLOATING FACILITIES						
Type	**Total**	**Facility**	**Built**	**Yard**	**Design Production Capacity (bpd)**	**Storage Capacity (bbls)**
Floating Production Storage and Offloading (FPSO)	6	FPSO Brasil*	2002	Keppel Shipyard, Singapore	90,000	1,700,000
		FPSO Bunga Kertas	2004	Malaysia Marine and Heavy Engineering, Malaysia	30,000	619,000
		FPSO Kikeh*	2007	Malaysia Marine and Heavy Engineering, Malaysia	120,000	2,000,000
		FPSO Espirito Santo*	2009	Keppel Shipyard, Singapore	100,000	2,020,000
		FPSO Ruby II*	2010	Malaysia Marine and Heavy Engineering, Malaysia	45,000	745,000
		FPSO Cendor	2014	Malaysia Marine and Heavy Engineering, Malaysia	35,000	745,000
Total					**420,000**	**7,829,000**
Floating Storage and Offloading (FSO)	4	FSO Puteri Dulang	1991	Mitsubishi Heavy Industries, Japan	–	873,847
		FSO Angsi	2005	Malaysia Marine and Heavy Engineering, Malaysia	–	472,631
		FSO Abu	2007	Malaysia Marine and Heavy Engineering, Malaysia	–	617,200
		FSO Orkid**	2009	Malaysia Marine and Heavy Engineering, Malaysia	–	777,504
Total					**–**	**2,741,182**
Mobile Offshore Production Unit (MOPU)	2	MOPU SATU	2010	Malaysia Marine and Heavy Engineering, Malaysia	–	–
		MOPU DUA	2011	Malaysia Marine and Heavy Engineering, Malaysia	–	–
Total					**–**	**–**
Semi Submersible Floating Production System	1	GUMUSUT-KAKAP***	2013	Malaysia Marine and Heavy Engineering, Malaysia	–	–
Total					**–**	**–**
TOTAL OFFSHORE FACILITIES	**13**					

*Jointly-owned FPSO

**Jointly-owned with Petroleum Technical Services Corporation (PTSC)

***Jointly-owned with E&P Venture Solutions Co. Sdn. Bhd. (EPV), a wholly owned subsidiary of PETRONAS Carigali Sdn. Bhd. (PCSB)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-Sixth (46th) Annual General Meeting of MISC Berhad ("MISC" or "the Company") will be held at Sapphire Room, Level 1, Mandarin Oriental Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia on Wednesday, 27 May 2015 at 11.00 a.m. for the following purposes:

AGENDA

As Ordinary Business	
1. To receive the Audited Financial Statements for the financial year ended 31 December 2014 together with the Reports of the Directors and Auditors thereon.	**Resolution 1**
2. To re-elect the following Directors who retire pursuant to Article 95 of the Company's Articles of Association:-	
a. Dato' Ab. Halim bin Mohyiddin	**Resolution 2**
b. Dato' Sekhar Krishnan	**Resolution 3**
c. Yee Yang Chien	**Resolution 4**
3. To re-elect the following Directors who retire pursuant to Article 97 of the Company's Articles of Association:-	
a. Dato' Halipah binti Esa	**Resolution 5**
b. Lim Beng Choon	**Resolution 6**
4. To approve the payment of Directors' fees of RM470,000.00 for the financial year ended 31 December 2014.	**Resolution 7**
5. To re-appoint Messrs. Ernst & Young as Auditors for the ensuing year and to authorise the Directors to fix their remuneration.	**Resolution 8**

As Special Business	
6. To consider and, if thought fit, to pass the following Ordinary Resolution:	**Resolution 9**

Proposed Authority for the Company to Purchase its Own Shares of up to 10% of its Prevailing Ordinary Issued and Paid-up Share Capital at Any Time ("Proposed Share Buy-Back Authority")

"**THAT** subject to compliance with the Companies Act, 1965 ("**Act**"), MISC's Articles of Association, and all prevailing laws, rules, regulations, orders, guidelines and requirements which may be applicable from time to time by Bursa Malaysia Securities Berhad ("**Bursa Securities**") and/or any other relevant regulatory authority, approval and authority be and are hereby given to the Directors of the Company, to the extent permitted by law, to purchase such number of ordinary shares of RM1.00 each in MISC ("**MISC Shares**") as may be determined by the Directors from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit, necessary and expedient in the best interest of the Company, provided that the maximum aggregate number of MISC Shares which may be purchased and/or held by the Company shall not exceed 10% of its prevailing ordinary issued and paid-up share capital at any time, and the maximum funds to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the amount of the retained earnings and/or share premium accounts of the Company for the time being;

NOTICE OF ANNUAL GENERAL MEETING

THAT the Directors be and are hereby authorised to deal with the MISC Shares so purchased, at their discretion, in the following manner:

(i) cancel the MISC Shares so purchased; or

(ii) retain the MISC Shares so purchased as treasury shares which may be distributed as share dividends to MISC's shareholders and/or be resold on the Main Market of Bursa Securities in accordance with the relevant rules of Bursa Securities and/or be cancelled subsequently; or

(iii) combination of items (i) and (ii) above,

or in any other manner as may be prescribed by the Act, all applicable laws, regulations and guidelines applied from time to time by Bursa Securities and/or any other relevant authority for the time being in force and that the authority to deal with the purchased MISC Shares shall continue to be valid until all the purchased MISC Shares have been dealt with by the Directors of the Company;

THAT the authority conferred by this resolution shall be effective immediately upon the passing of this resolution and shall continue to be in force until the earlier of:

(i) the conclusion of the Forty-Seventh AGM of MISC ("**47th AGM**"); or

(ii) the expiration of the period within which the 47th AGM is required by law to be held; or

(iii) the authority is revoked or varied by ordinary resolution passed by the shareholders of MISC in a general meeting.

AND THAT the Directors be and are hereby authorised and empowered to do all acts and things and to take all such steps as necessary or expedient (including opening and maintaining a Central Depository System account) and to enter into and execute, on behalf of the Company, any instrument, agreement and/or arrangement with any person, and with full power to assent to any condition, modification, variation and/or amendment as may be imposed by Bursa Securities or any relevant regulatory authority, and/or as may be required in the best interest of the Company and to take all such steps as the Directors may deem fit, necessary and expedient in the best interest of the Company in order to implement, finalise and give full effect to the purchase by the Company of its own shares."

7. To transact any other ordinary business for which due notice has been given.

By Order of the Board

Fadzillah binti Kamaruddin (LS 0008989)
Zawardi bin Salleh @ Mohamed Salleh (MAICSA 7026210)
Company Secretaries
30 April 2015
Kuala Lumpur

Notes:

1. Only depositors whose names appear in the Record of Depositors as at 20 May 2015 shall be entitled to attend, speak and vote at the meeting.

2. A member of the Company may appoint not more than two (2) proxies to attend and vote at the same meeting. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy.

3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint up to two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account and the number of shares to be represented by each proxy must be clearly indicated.

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds. Where an exempt authorised nominee appoints more than one (1) proxy in respect of each Omnibus Account, the appointment shall not be valid unless the exempt authorised nominee specifies the proportion of the shareholding to be represented by each proxy.

   An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

5. Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the Form of Proxy.

6. The Form of Proxy must be signed by the appointer of the proxy, or its attorney duly authorised in writing. In the case of a corporation, the Form of Proxy shall be executed under its common seal, or signed by its attorney duly authorised in writing or by a duly authorised officer on behalf of the corporation.

7. The Form of Proxy must be deposited at the Company's Share Registrar, Symphony Share Registrars Sdn. Bhd. (378993-D) at Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia, **not less than forty-eight (48) hours** before the time appointed for the holding of the meeting or at any adjournment thereof.

Explanatory Notes on Special Business

Resolution No. 9
Proposed Share Buy-Back Authority

The Ordinary Resolution No. 9 proposed under item 6, if passed, will allow the Company to purchase its own shares of up to 10% of its prevailing ordinary issued and paid-up share capital at any time. The authority, unless revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting, will expire at the conclusion of the 47th AGM of the Company or the expiration of the period within which the 47th AGM is required by law to be held, whichever occurs first.

Further information on the Proposed Share Buy-Back Authority is set out in the Circular to Shareholders dated 30 April 2015 which is despatched together with the Company's Annual Report 2014.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Made Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Securities.

1. The Directors retiring pursuant to Article 95 of the Company's Articles of Association and seeking re-election are as follows:-

   a. Dato' Ab. Halim bin Mohyiddin

   b. Dato' Sekhar Krishnan

   c. Yee Yang Chien

2. The Directors retiring pursuant to Article 97 of the Company's Articles of Association and seeking re-election are as follows:-

   a. Dato' Halipah binti Esa

   b. Lim Beng Choon

3. The profiles of the above Directors who are standing for re-election are set out from page 30 to 39 of this Annual Report. The details of the Directors' shareholdings in the Company are set out in page 89 of this Annual Report.

MISC BERHAD
(Company No. 8178-H)

Proxy Form

CDS Account No.:

No. of Shares Held:

I/We _____
(Full name in block letters)

NRIC/Company No. :_____ of _____

_____
(Address in full)

telephone no. _____ being a member of **MISC BERHAD** ("the Company"),

hereby appoint _____
(Full name of proxy in block letters as per identity card/passport)

NRIC : _____ of _____

_____
(Address in full)

and/or failing him/her _____
(Full name in block letters)

NRIC : _____ of _____

_____
(Address in full)

and failing the abovenamed proxies, the Chairman of the Meeting, as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Forty-Sixth (46th) Annual General Meeting of the Company to be held at Sapphire Room, Level 1, Mandarin Oriental Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia on Wednesday, 27 May 2015 at 11.00 a.m. and at any adjournment thereof. My/our proxy is to vote as indicated below:

ORDINARY RESOLUTIONS	RESOLUTION NO.	FOR	AGAINST
Adoption of Audited Financial Statements for the financial year ended 31 December 2014 and the Reports of the Directors and Auditors thereon.	1		
Re-election of Dato' Ab. Halim bin Mohyiddin as Director pursuant to Article 95 of the Company's Articles of Association.	2		
Re-election of Dato' Sekhar Krishnan as Director pursuant to Article 95 of the Company's Articles of Association.	3		
Re-election of Yee Yang Chien as Director pursuant to Article 95 of the Company's Articles of Association.	4		
Re-election of Dato' Halipah binti Esa as Director pursuant to Article 97 of the Company's Articles of Association.	5		
Re-election of Lim Beng Choon as Director pursuant to Article 97 of the Company's Articles of Association.	6		
To approve the payment of Directors' fees of RM470,000.00 for the financial year ended 31 December 2014.	7		
Re-appointment of Messrs. Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.	8		
Proposed Authority for the Company to Purchase its Own Shares of up to 10% of its Prevailing Ordinary Issued and Paid-up Share Capital at Any Time.	9		

(Please indicate with an "X" in the space whether you wish your votes to be cast for or against the resolutions. In the absence of such specific directions, your proxy will vote or abstain as he thinks fit).

Dated this _____ day of _____ 2015.

_____
Signature(s)/Common Seal of Member(s)

The proportions of my/our holding to be represented by my/our proxies are as follows :

	No. of shares	Percentage
First Proxy		
Second Proxy		
Total		100%

Notes:

1. Only depositors whose names appear in the Record of Depositors as at 20 May 2015 shall be entitled to attend, speak and vote at the meeting.
2. A member of the Company may appoint not more than two (2) proxies to attend and vote at the same meeting. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy.
3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint up to two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account and the number of shares to be represented by each proxy must be clearly indicated.
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6. The Form of Proxy must be signed by the appointer of the proxy, or its attorney duly authorised in writing. In the case of a corporation, the Form of Proxy shall be executed under its common seal, or signed by its attorney duly authorised in writing or by a duly authorised officer on behalf of the corporation.
7. The Form of Proxy must be deposited at the Company's Share Registrar, Symphony Share Registrars Sdn. Bhd. (378993-D) at Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia, **not less than forty-eight (48) hours** before the time appointed for the holding of the meeting or at any adjournment thereof.

MISC Berhad
Annual General Meeting
27 May 2015

STAMP

Symphony Share Registrars Sdn. Bhd.

Level 6, Symphony House, Block D13
Pusat Dagangan Dana 1, Jalan PJU 1A/46
47301 Petaling Jaya, Selangor Darul Ehsan
Malaysia

MISC Berhad (8178-H)

Level 25, Menara Dayabumi, Jalan Sultan Hishamuddin, 50050 Kuala Lumpur
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