misc
moving energy

REDISCOVER REBUILD SUSTAIN

ANNUAL REPORT 2015

LOGO RATIONALE

Our enhanced logo takes its energy from the strength and fluidity of the oceans where we have been operating dedicatedly to provide better energy related maritime solutions and services. The blue sea bed which reflects our solid foundation and parentage is enhanced with rolling waves of confidence and ambition. The swell of the waves symbolises the drive, energy and ambition that MISC has as we forge ahead with confidence and vigour. They propel us forward and inspire us to consistently push ourselves to achieve our aspiration of “moving energy to build a better world”.

REDISCOVER I REBUILD I SUSTAIN

This year, we are on a journey to REDISCOVER our aspirations and reinforce our understanding of who we are, and what we do. Focused on the future, we will REBUILD our passion for our business, strengthening our business model and value proposition to realise our full potential as a successful brand. We will SUSTAIN the long-term growth we have strategised through operational infrastructure, execution excellence and teamwork.

moving energy

to build a better world

THE MISC BRAND STORY

From a tiny drop in the ocean, today, our impact ripples far and wide. With nearly 50 years of experience moving energy across the seven seas to power businesses and economies, MISC has built a reputation for excellence, making waves wherever we go. Every crest and trough of that journey has shaped us into the company we are today – a company defined not just by what we do, but how we do it.

We have embarked on a journey to rediscover the MISC brand, unifying our distinct identity into a cohesive brand that celebrates our legacy and champions our aspirations for the future. Together, our refreshed Vision, Mission and Tagline as well as our enhanced logo will help us compete effectively in an ever evolving global marketplace to make a real difference in the world.

moving energy

1968
MALAYSIA INTERNATIONAL SHIPPING CORPORATION WAS INCORPORATED

1997
PETRONAS ACQUIRED STAKE

1998
PETRONAS INCREASED STAKE

2005
REBRANDED AS MISC BERHAD

2016
NOW

moving energy
to build a better world

VISION

To consistently provide better energy related maritime solutions and services

MISSION

To be consistently better, we strive:

- to exceed the expectations of our customers
- to promote individual and team excellence of our employees
- to create a positive difference to the lives of communities
- to care for the environment and operate responsibly
- to drive sustainable value for our shareholders

SHARED VALUES

LOYALTY
Loyal to corporation

INTEGRITY
Honest and upright

PROFESSIONALISM
Strive for excellence

COHESIVENESS
United, trust and respect for each other

INSIDE THIS REPORT

FINANCIAL REVIEW

MISC BERHAD OVERVIEW

BOARD & MANAGEMENT

GROUP FINANCIAL REVIEW

REVENUE

For the financial year ended 31 December 2015 (FY2015), Group revenue of RM10,908.4 million was 17.3% higher than the financial year ended 31 December 2014 (FY2014)'s revenue of RM9,296.3 million. Higher freight rates in the Petroleum shipping business, full-year finance lease income of a Floating Production Storage and Offloading (FPSO) unit and revenue from a number of Engineering, Procurement and Construction (EPC) projects in the Offshore Business segment were the main contributors to the increase in Group revenue.

GROUP REVENUE
RM10,908.4 MILLION
17.3% INCREASE

OPERATING PROFIT

Group operating profit of RM2,782.6 million was 51.1% higher than FY2014's operating profit of RM1,841.7 million. Higher revenue with improved operating margins, primarily in the Petroleum shipping and Offshore Business segments, and favourable foreign exchange impact from the strengthening of US Dollar currency against Malaysian Ringgit contributed to the increase in operating profit.

PROFIT/LOSS BEFORE TAX

Group profit before tax of RM2,566.9 million was 6.5% higher than FY2014's profit before tax of RM2,410.3 million. The increase in profit was largely driven by the strength of operating profit during the year under review. However, the Group also took higher impairment provisions in the current year which moderated the increase in profit.

EARNINGS/LOSS PER SHARE (SEN)

Profit attributable to the equity holders of the Corporation of RM2,467.8 million was 12.0% or RM263.5 million higher than RM2,204.3 million profit in FY2014. This translates to an improved earnings per share of 55.3 sen in FY2015 from 49.4 sen in FY2014.

DIVIDENDS

The Board had in August 2015, declared a first interim tax exempt dividend of 7.5 sen per share in respect of FY2015. This first interim tax exempt dividend amounting to RM334.8 million was paid in September 2015.

In February 2016, the Board declared a second interim tax exempt dividend in respect of FY2015 of 12.5 sen per share. This second tax exempt dividend of RM558.0 million was paid in March 2016.

The Board is recommending a final tax exempt dividend of 10.0 sen per share in respect of FY2015 at the forthcoming Annual General Meeting. In proposing the final dividend, the Board has taken due consideration of the need to provide healthy dividend income to shareholders, while ensuring that future funding requirements of the Group are adequately met to support the Group's growth objectives. If approved, the final tax exempt dividend of 10.0 sen per share of RM446.4 million will be paid in May 2016.

Including the proposed final tax exempt dividend, the aggregated tax exempt dividend of 30.0 sen per share or RM1,339.2 million for FY2015 is higher than the 10.0 sen per share or RM446.4 million total tax exempt dividend paid for FY2014.

GROUP OPERATING PROFIT
RM2,782.6 MILLION
51.1% INCREASE

EARNINGS PER SHARE
55.3 SEN

TOTAL ASSETS
RM47,539.1 MILLION
14.3% INCREASE

TOTAL ASSETS

Group total assets of RM47,539.1 million as at 31 December 2015 was 14.3% higher than total assets of RM41,584.3 million as at 31 December 2014.

The increase in Group total assets was mainly due to higher capital expenditure on finance lease assets under construction, ships, offshore floating assets and other property, plant and equipment incurred during the year, as well as favourable foreign currency translation impact from the strengthening of US Dollar against Malaysian Ringgit.

The Group's cash, deposits and bank balances of RM5,654.0 million as at 31 December 2015 was 16.8% higher than cash, deposits and bank balances as at 31 December 2014 of RM4,838.8 million.

TOTAL LIABILITIES

Group total liabilities of RM11,079.9 million as at 31 December 2015 was 13.2% lower than Group total liabilities as at 31 December 2014 of RM12,763.2 million. Significant loan repayments during the year contributed to the decrease in Group total liabilities.

SHAREHOLDERS' EQUITY

Shareholders' equity of RM35,361.5 million as at 31 December 2015 was 27.4% higher than as at 31 December 2014 of RM27,756.3 million. The increase in shareholders' equity was mainly due to a currency translation gain of RM5,730.5 million and profit attributable to equity holders of RM2,467.8 million in FY2015. The Corporation also paid dividends totalling RM602.6 million in the year under review.

NET DEBT/EQUITY RATIO

Following the increase in shareholders' equity and the reduction in total borrowings during the year, the Group's net debt-to-equity ratio improved to 0.02 times as at 31 December 2015 compared to 0.14 times as at 31 December 2014.

FIVE YEAR GROUP FINANCIAL PERFORMANCE

	Audited 1.1.2015 to 31.12.2015 RM Million	Audited[4] 1.1.2014 to 31.12.2014 RM Million	Audited[4][6] 1.1.2013 to 31.12.2013 RM Million	Restated[4][5][6] 1.1.2012 to 31.12.2012 RM Million	Unaudited[1][4][5] 1.1.2011 to 31.12.2011 RM Million	Restated[4][5] 1.4.2011 to 31.12.2011 RM Million
Continuing Operations:						
Revenue	10,908.4	9,296.3	8,971.8	9,050.3	9,798.3	7,226.7
Operating profit	2,782.6	1,841.7	1,552.6	1,517.4	1,613.5	1,225.3
Profit before taxation	2,566.9	2,410.3	2,227.7	1,516.7	845.1	852.1
Profit/(Loss) after taxation	2,535.1	2,320.0	2,229.5	921.4	(1,521.0)	(1,304.0)
Continuing Operations	2,535.1	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	2,467.8	2,204.3	2,081.1	1,393.1	505.6	589.8
Discontinued Operations	–	–	4.3	(622.9)	(2,295.6)	(2,065.0)
	2,467.8	2,204.3	2,085.4	770.2	(1,790.0)	(1,475.2)
Dividends paid during the year	602.6	401.7	–	–	421.9	438.4
Earnings/(Loss) per share (sen)[2]	55.3	49.4	46.7	17.3	(40.1)	(33.1)
Continuing Operations	55.3	49.4	46.6	31.2	11.3	13.2
Discontinued Operations	0.0	0.0	0.1	(13.9)	(51.4)	(46.3)
Total assets	47,539.1	41,584.3	40,232.2	36,479.6	41,217.1	41,217.1
Total liabilities	11,079.9	12,763.2	14,474.9	14,275.6	19,131.3	19,131.3
Shareholders' equity	35,361.5	27,756.3	24,712.9	21,124.0	20,797.1	20,797.1
Total borrowings	6,504.4	8,739.2	10,218.8	8,962.7	14,192.2	14,192.2
Net tangible assets per share (sen)	796.0	624.8	556.8	478.0	475.6	475.6
Gross debt/equity ratio	0.18	0.30	0.40	0.42	0.68	0.68
Net debt/equity ratio	0.02	0.14	0.21	0.24	0.48	0.48
Interest cover ratio[3]	14.0	8.1	6.7	5.0	5.1	5.0

Notes:

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

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

(3) 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.

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

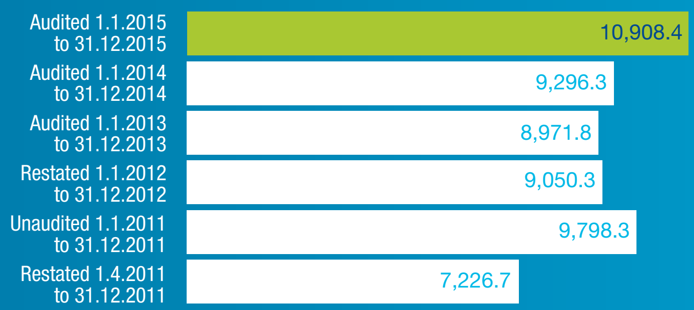
(5) The FY2012 audited summary data reflects the first time adoption of Malaysian Financial Reporting Standards (MFRS). Accordingly, the comparative figures have been adjusted since transition date (1 April 2011).

(6) 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

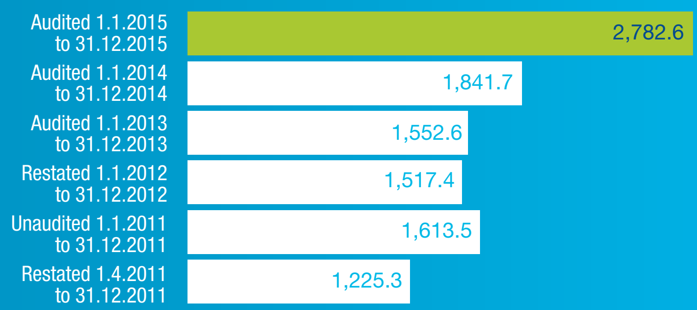
+17.3% RM1,612.1M



OPERATING PROFIT

RM Million

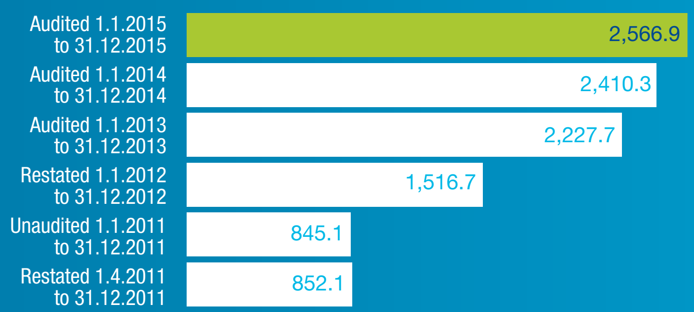
+51.1% RM940.9M



PROFIT BEFORE TAXATION

RM Million

+6.5% RM156.6M



EARNINGS/(LOSS) PER SHARE

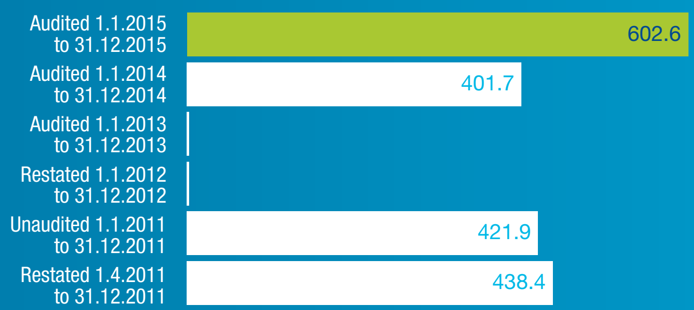
Sen

+12.0% 5.9 SEN

DIVIDENDS

RM Million

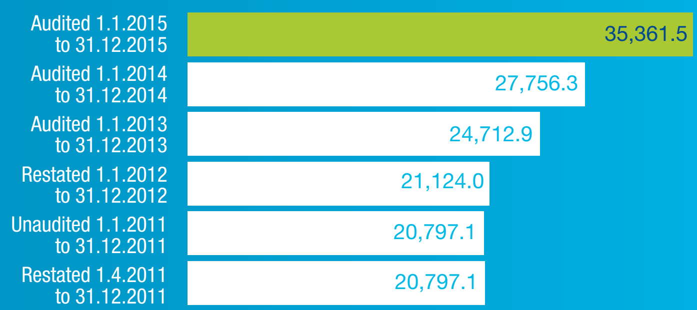
+50.0% RM200.9M



SHAREHOLDERS' EQUITY

RM Million

+27.4% RM7,605.2M



FINANCIAL CALENDAR

FINANCIAL PERIOD

1 JAN 2015 – 31 DEC 2015

Announcement of Results & Dividends

Q1

QUARTER 1

Announced
30 APR 2015

Q2

QUARTER 2

Announced
4 AUG 2015

Q3

QUARTER 3

Announced
4 NOV 2015

Q4

QUARTER 4

Announced
5 FEB 2016

DIVIDENDS

First Interim Dividend
Announced : 4 August 2015
Paid : 2 September 2015

Second Interim Dividend
Announced : 5 February 2016
Paid : 9 March 2016

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Independent Non-Executive Directors
Dato' Sekhar Krishnan

Dato' Halipah binti Esa

Dato' Kalsom binti Abd. Rahman

Lim Beng Choon

Harry K. Menon
(Resigned effective 28 May 2015)

Non-Independent Non-Executive Directors
Datuk Manharlal Ratilal

Datuk Nasarudin bin Md Idris

Mohd. Farid bin Mohd. Adnan
(Resigned effective 1 October 2015)

Mohamed Firouz bin Asnan
(Appointed effective 1 October 2015)

President/Chief Executive Officer
Non-Independent Executive Director
Yee Yang Chien

AUDIT COMMITTEE

Chairman
Dato' Sekhar Krishnan
(Re-designated effective 28 May 2015)

Harry K. Menon
(Resigned effective 28 May 2015)

Members
Dato' Halipah binti Esa

Dato' Kalsom binti Abd. Rahman

Lim Beng Choon

NOMINATION AND REMUNERATION COMMITTEE

Chairman
Dato' Halipah binti Esa

Members
Dato' Kalsom binti Abd. Rahman

Mohd. Farid bin Mohd. Adnan
(Resigned effective 1 October 2015)

Mohamed Firouz bin Asnan
(Appointed effective 1 October 2015)

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
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

ABOUT MISC

MISC BERHAD (MISC), A SUBSIDIARY OF PETRONAS, WAS INCORPORATED IN 1968 AND IS ONE OF THE WORLD'S LEADING INTERNATIONAL PROVIDER OF ENERGY SHIPPING AND MARITIME SOLUTIONS.

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.

Its fleet consists of more than 110 owned and in-chartered LNG, Chemical and Petroleum vessels with additionally 16 offshore floating facilities. The fleet has a combined capacity of about 12 million dwt.

Aside from its shipping business, maritime education as well as training and innovation are a priority for the company and its Malaysian Maritime Academy (ALAM) is ranked amongst the top 10% of the world's Maritime Education and Training (MET) institutions.

Backed by a knowledgeable workforce made up of more than 10,000 employees from all corners of the globe, MISC is committed to imparting quality services to our customers, creating value for our stakeholders and contributing to the sustainability of the industry.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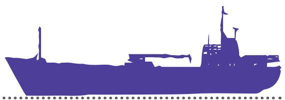
MISC AT A GLANCE

LNG SHIPPING

Delivers Liquefied Natural Gas (LNG) across the globe with over three decades of proven experience as well as a distinguished reputation for overall operational excellence, reliability, safety and on-time cargo deliveries.

PETROLEUM SHIPPING

Provides safe, high quality and comprehensive ocean transportation and specialist petroleum services to the world's largest oil companies, trading houses and refiners.



CHEMICAL SHIPPING

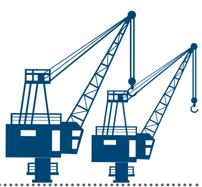
Transports clean petroleum products, chemicals and vegetable oils across major trading regions in the world through a quality fleet of vessels, comprising mainly double-hulled IMO II vessels with a mixture of stainless steel and coated tanks to meet the highest safety requirements for transporting liquid bulk cargo.

OFFSHORE FLOATING SOLUTIONS

Delivers complete, comprehensive and innovative solutions from design to operations, catering for marginal, conventional and deepwater field developments with an excellent production and operations performance track record for all its facilities.

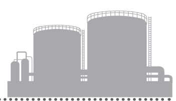
MARINE & HEAVY ENGINEERING

Specialises in offshore construction, offshore conversion and marine repair as well as owning and operating the largest marine and heavy engineering facility in the region.



TANK TERMINALS

Manages and operates tank terminals through strategic joint ventures with energy storage providers, in line with MISC's strategy to expand its shipping business by providing customers with integrated supply value chain services. Our total tank terminal capacity stands at 0.7 million cbm.

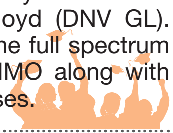


INTEGRATED LOGISTICS

Provides a comprehensive integrated logistics solutions comprising of freighting, distribution, freight forwarding, warehousing and haulage services.

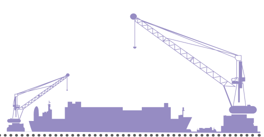
MARITIME EDUCATION & TRAINING

Supports the industry's growing requirement for professionally trained seafarers, MISC's subsidiary Malaysian Maritime Academy (ALAM) is one of the premier maritime education and training (MET) institution in the region and is consistently rated highly by Det Norske Veritas Germanischer Lloyd (DNV GL). The Academy provides the full spectrum of MET as required by IMO along with offshore and other courses.



MARITIME SERVICES & PORT AND TERMINAL MANAGEMENT

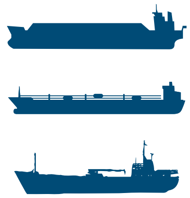
The maritime services centre for the provision of marine assurance and compliance, port & terminal operation and management, consultancy and services to PETRONAS group of companies.



KEY FACTS & FIGURES

Almost **50** years of proven experience in delivering energy related maritime solutions and services

Approximately **10,000** talented employees in Malaysia and across the globe

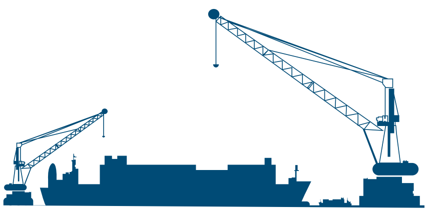


Modern fleet of over **110** LNG, Petroleum and Chemical vessels and floating assets

Transporting approximately **8.3%** of the world's LNG

A market leader in lightering operations for US Gulf ship-to-ship transfers

Floating Production Systems (FPS) Operator and Owner in the world with **14** assets



The only yard in Malaysia capable of constructing complex offshore mega structures and marine facilities

Customised and integrated project cargo and supply chain logistics solutions

Premier education and training institution for seagoing professionals

MISC IN THE NEWS

MISC appoints new president/CEO

PETALING JAYA: Energy shipping and oil and gas provider MISC Bhd has appointed Yee Yang Chien, 46, as its new president and chief executive officer effective Jan 1, 2015.

He replaces Datuk Nasarudin Md Idris, 59, who retired yesterday.

Yee served as vice-president of corporate planning and development in MISC from April 2008 before being appointed chief operating officer in July 2013.

MISC recently appointed Datuk Ab Halim Mohyiddin its new chairman effective Dec 15, 2014.

MISC rallies on RM4bil LNG deal

MISC's LNG contracts to provide earnings stability

MISC may generate profit from petroleum tanker segment in 2Q

MISC signs deal to build new LNG ships for US$1.1b

MMHE unit wins RM324mil contracts

FPSO contribution may lift MISC's earnings further

MMHE records RM36m profit in first 3 months

RM3.6bil for capex

MISC increases capex to US$1b for this year

MISC buys maritime unit from Petronas for RM54m

MISC calls off stake sale

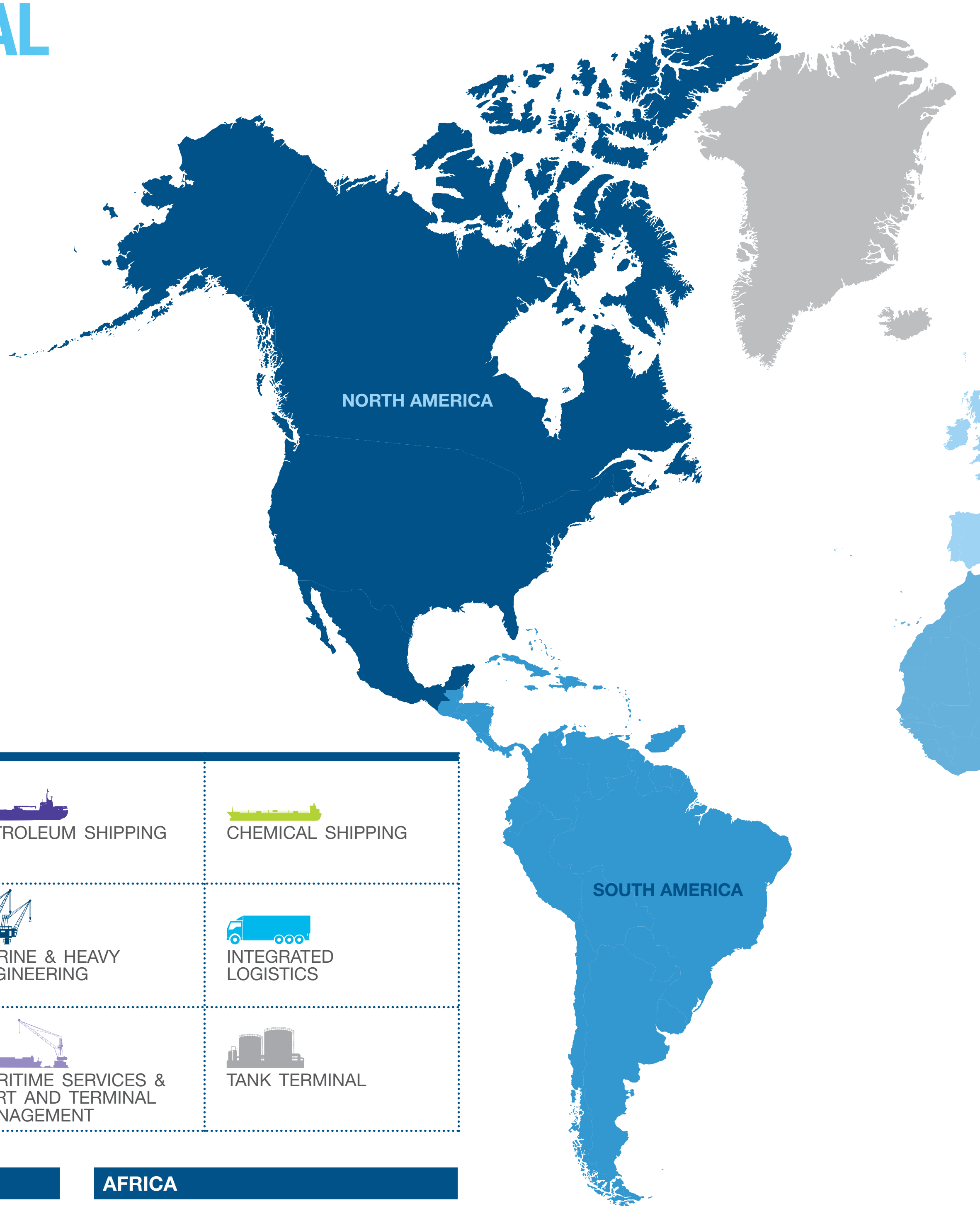
PETRONAS ubah suai kapal Tun Azizan

Petronas, MISC, MMHE ubah kapal kargo Tun Azizan

MISC to benefit from Petronas contracts


MISC disposes entire 50% VTTI share for RM3b
EPIC inks MoU with MMHE for fabrication jobs
MISC sails through the storm
Malaysian masterclass
MISC's unit AET Inc buys eight tankers for US$500m
Outperform' rating retained for MISC
analyst report
MISC registers higher net profit in 3Q
Positive earnings outlook for MISC
6-MONTH FORECAST: Higher petroleum tanker freight rates to help lift profit, says Maybank IB
MISC's Q3 net profit rises 2.7%
AET confirms new CEO
MISC halts its hunt for new boss of tanker arm as it sticks with in-house candidate
MISC heads north

OUR GLOBAL PRESENCE



LNG SHIPPING	PETROLEUM SHIPPING	CHEMICAL SHIPPING
OFFSHORE FLOATING SOLUTIONS	MARINE & HEAVY ENGINEERING	INTEGRATED LOGISTICS
MARITIME EDUCATION & TRAINING	MARITIME SERVICES & PORT AND TERMINAL MANAGEMENT	TANK TERMINAL

NORTH AMERICA	
Canada	●
USA	● ●

SOUTH AMERICA	
Mexico	●
Brazil	● ● ●
Chile	●
Trinidad & Tobago	●
Uruguay	●

AFRICA	
Nigeria	●
Algeria	●
Equatorial Guinea	●

MIDDLE EAST	
Kuwait	● ●
Egypt	●
Oman	● ●
Qatar	● ●
UAE	● ●
Yemen	●
Saudi Arabia	●

EUROPE	
Belgium	● ●
Spain	● ●
Turkey	● ●
France	● ●
Greece	● ●
UK	● ●
Portugal	● ●
Norway	● ●
Italy	● ●
Ukraine	●

SOUTH ASIA	
India	● ● ●
Bangladesh	●
Pakistan	●

EAST ASIA	
China	● ● ●
Japan	● ●
South Korea	● ●
Taiwan	● ●

SOUTHEAST ASIA	
Brunei	●
Malaysia	● ● ● ● ● ● ● ● ●
Indonesia	● ● ●
Singapore	● ● ●
Philippines	● ●
Thailand	● ●
Vietnam	●

OCEANIA	
Australia	●

MISC2020 : OUR 5-YEAR STRATEGY

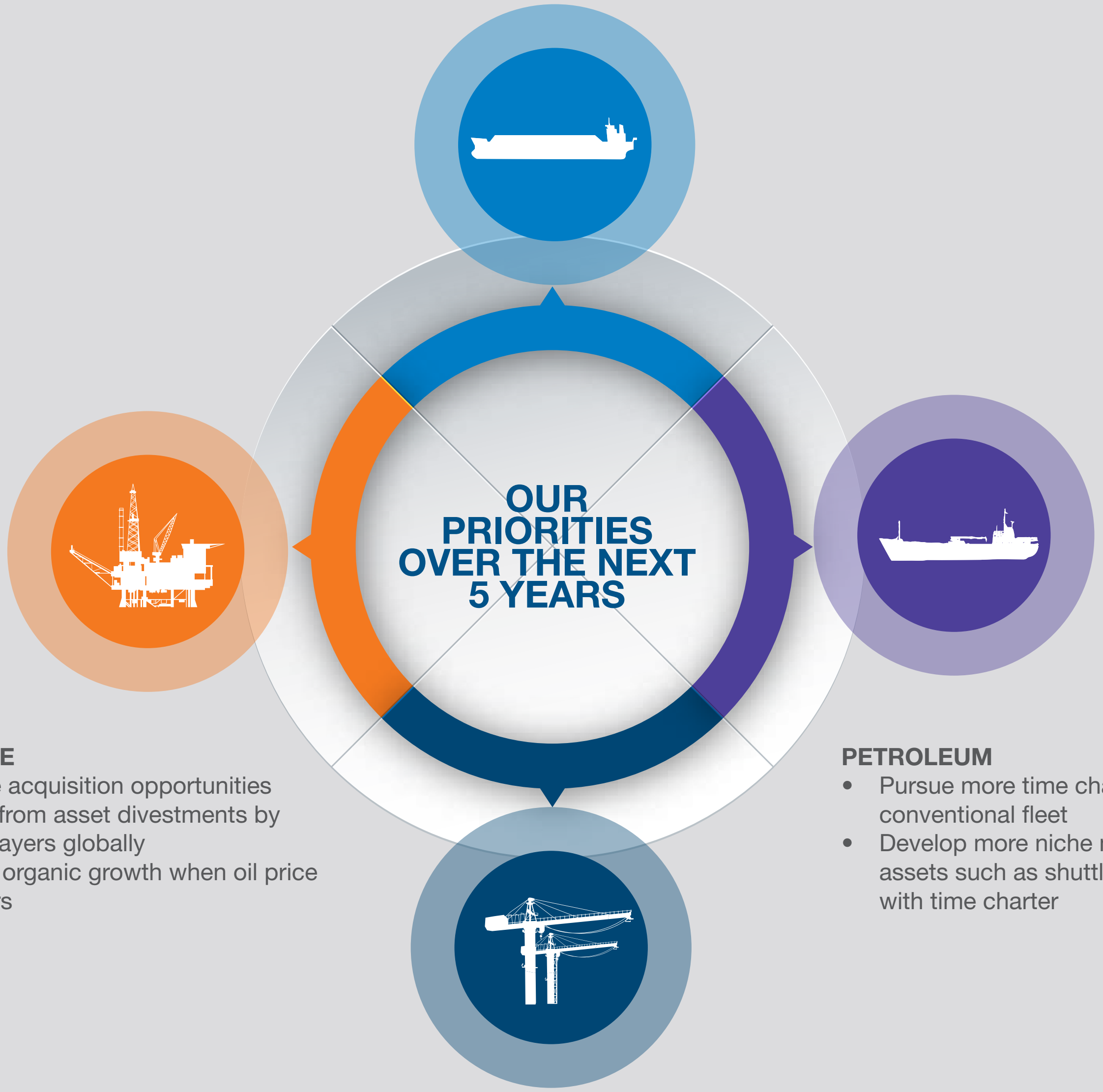
A 5-YEAR MASTER PLAN TO ACHIEVE SUSTAINABLE PERFORMANCE

Sustainable level of secured profit by FY2020

Sustainable ROACE (Return on Average Capital Employed) of more than 10% by 2020

GROWTH REGION IN THE NEXT 5 YEARS

LNG
- Pursue more third party long-term charters



OFFSHORE
- Explore acquisition opportunities arising from asset divestments by O&G players globally
- Pursue organic growth when oil price recovers

PETROLEUM
- Pursue more time charters for conventional fleet
- Develop more niche market assets such as shuttle tankers with time charter

MHB
- Develop larger recurring income base e.g. marine repair business
- Manage cost and process efficiency

MISC GROUP STRUCTURE

AS AT 23 FEBRUARY 2016

*excluding dormant companies

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 Supporting 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)*

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 the Oil & Gas industry)*
- MISC 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)*

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 and Gas Engineering and Construction Works and Marine Conversion and Repair Services)
  - MMHE-SHI LNG Sdn. Bhd. 46.6%
    (Provision of Repair Services and Dry Docking 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

PETRONAS Maritime Services Sdn. Bhd. 100%
(Provision of Maritime Services and Consultancy and Maritime Audit)

- Sungai Udang Port Sdn. Bhd. 100%
  (Operation and Management of Sungai Udang Port)

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%
  (Under Members Voluntary Winding-Up)
- MISC Agencies Lanka (Private) Limited 40%
  (In Liquidation)

REDISCOVER

WE ARE CHARTING OUR COURSE TO THE FUTURE, ALIGNING OUR ENDEAVOUR WITH A REFRESHED VISION, MISSION AND TAGLINE AS WELL AS AN ENHANCED LOGO. WE ARE NOW ENERGISED TO MOVE FORWARD IN OUR PURSUIT OF GROWTH AND AUGMENT OUR BRAND POSITIONING AS WE ADAPT TO A CHANGING MARKETPLACE WITH PASSION AND CONFIDENCE.


RM2.8 billion
OPERATING PROFIT
2.6
RM2.6 billion
PROFIT BEFORE TAX
RM10.9 billion
REVENUE

BOARD OF DIRECTORS

From left to right:

YEE YANG CHIEN
PRESIDENT/CHIEF EXECUTIVE OFFICER
NON-INDEPENDENT EXECUTIVE DIRECTOR

DATO' AB. HALIM BIN MOHYIDDIN
CHAIRMAN, INDEPENDENT
NON-EXECUTIVE DIRECTOR

DATO' KALSOM BINTI ABD. RAHMAN
INDEPENDENT
NON-EXECUTIVE DIRECTOR

LIM BENG CHOON
INDEPENDENT
NON-EXECUTIVE DIRECTOR

DATO' HALIPAH BINTI ESA
INDEPENDENT
NON-EXECUTIVE DIRECTOR

From left to right:

DATO' SEKHAR KRISHNAN
INDEPENDENT
NON-EXECUTIVE DIRECTOR

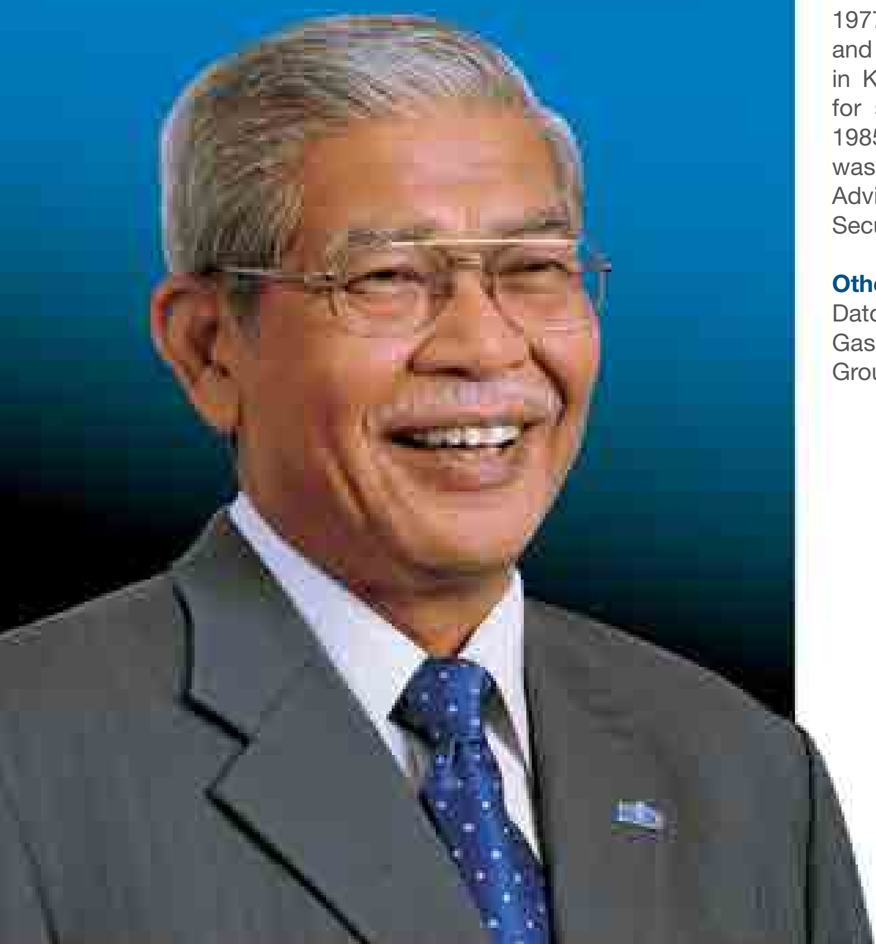
DATUK NASARUDIN BIN MD IDRIS
NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR

MOHAMED FIROUZ BIN ASNAN
NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR

DATUK MANHARLAL RATILAL
NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR

PROFILES OF DIRECTORS

DATO' AB. HALIM BIN MOHYIDDIN, A MALAYSIAN AGED 70, WAS APPOINTED AS CHAIRMAN AND AN INDEPENDENT NON-EXECUTIVE DIRECTOR OF MISC BERHAD ON 15 JANUARY 2015.



DATO' AB. HALIM BIN MOHYIDDIN

CHAIRMAN, INDEPENDENT NON-EXECUTIVE DIRECTOR

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 and KNM Group Berhad.

YEE YANG CHIEN, A MALAYSIAN AGED 48, WAS APPOINTED AS PRESIDENT/ CHIEF EXECUTIVE OFFICER AND A NON-INDEPENDENT EXECUTIVE DIRECTOR OF MISC BERHAD ON 1 JANUARY 2015.

YEE YANG CHIEN

PRESIDENT/CHIEF EXECUTIVE OFFICER, NON-INDEPENDENT EXECUTIVE DIRECTOR

Qualification, Skills and Experience

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

He 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, enterprise risk management, budget development and special projects 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 Tanker Business Unit.

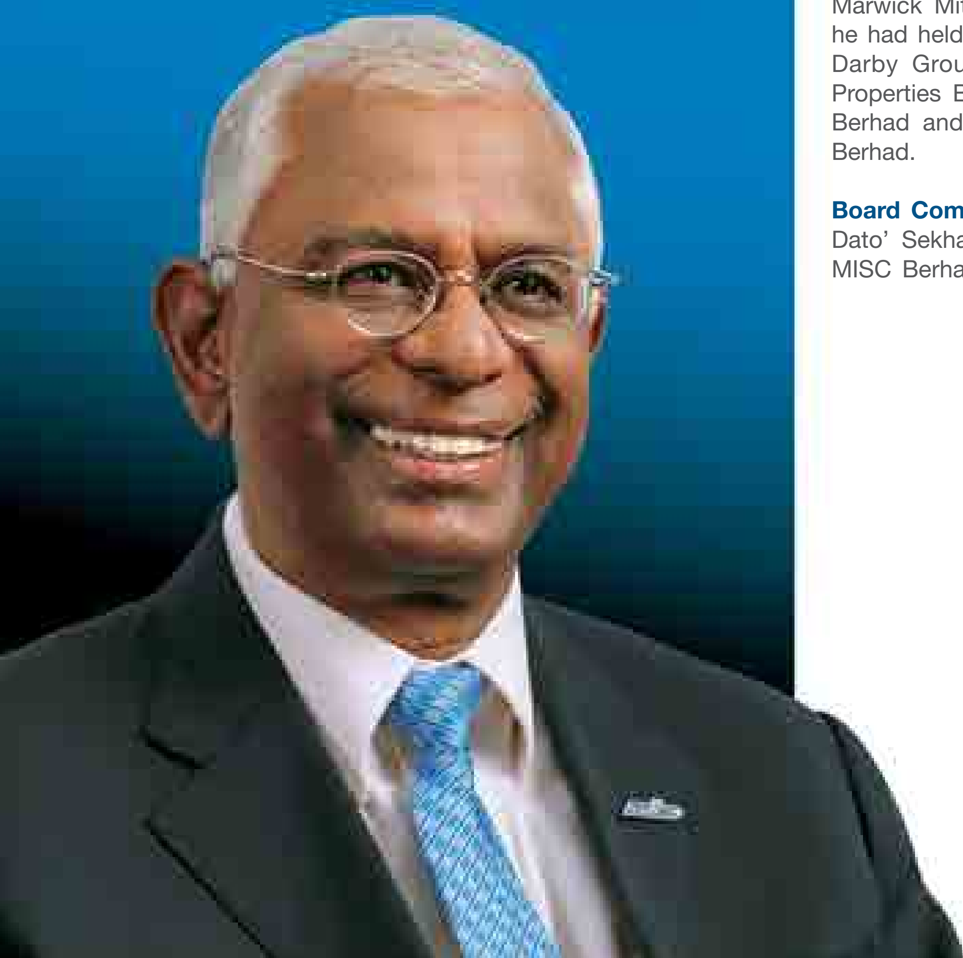
Other Commitments

Yee Yang Chien is the Chairman of several major subsidiaries within the MISC Group and is Deputy Chairman of AET Tanker Holdings Sdn. Bhd. and Malaysian Maritime Academy Sdn. Bhd. He is also a Director of Malaysia Marine and Heavy Engineering Holdings Berhad, Centralised Terminals Sdn. Bhd. and FPSO Ventures Sdn. Bhd.

Additionally, Yee Yang Chien is a Board Member of the United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited (UK P&I Club) and an Executive Committee member of the International Association of Independent Tanker Owners (INTERTANKO).

PROFILES OF DIRECTORS

DATO' SEKHAR KRISHNAN, A MALAYSIAN AGED 60, WAS APPOINTED AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR OF MISC BERHAD ON 15 JANUARY 2015.



DATO' SEKHAR KRISHNAN

INDEPENDENT NON-EXECUTIVE DIRECTOR

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 the Chairman of Board Audit Committee of MISC Berhad.

DATO' HALIPAH BINTI ESA, A MALAYSIAN AGED 66, WAS APPOINTED AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR OF MISC BERHAD ON 26 APRIL 2004.

DATO' HALIPAH BINTI ESA

INDEPENDENT NON-EXECUTIVE DIRECTOR

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., 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, A MALAYSIAN AGED 67, WAS APPOINTED AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR OF MISC BERHAD ON 27 OCTOBER 2004.

DATO' KALSOM BINTI ABD. RAHMAN

INDEPENDENT NON-EXECUTIVE DIRECTOR

Qualification, Skills and Experience

Dato' Kalsom holds a Bachelor of Economics (Honours) degree from the University of Malaya and a 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 as well as other trade and investments related courses/seminars organised by regional and international organisations such as ASEAN, APEC, WTO, UNCTAD, UNIDO, WIPO and the World Bank. 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 MIDF Asset Management Berhad, MIDF Property Berhad, MIDF Amanah Investment Bank Berhad, Lion Forest Industries Berhad and Amanah International Finance Berhad.

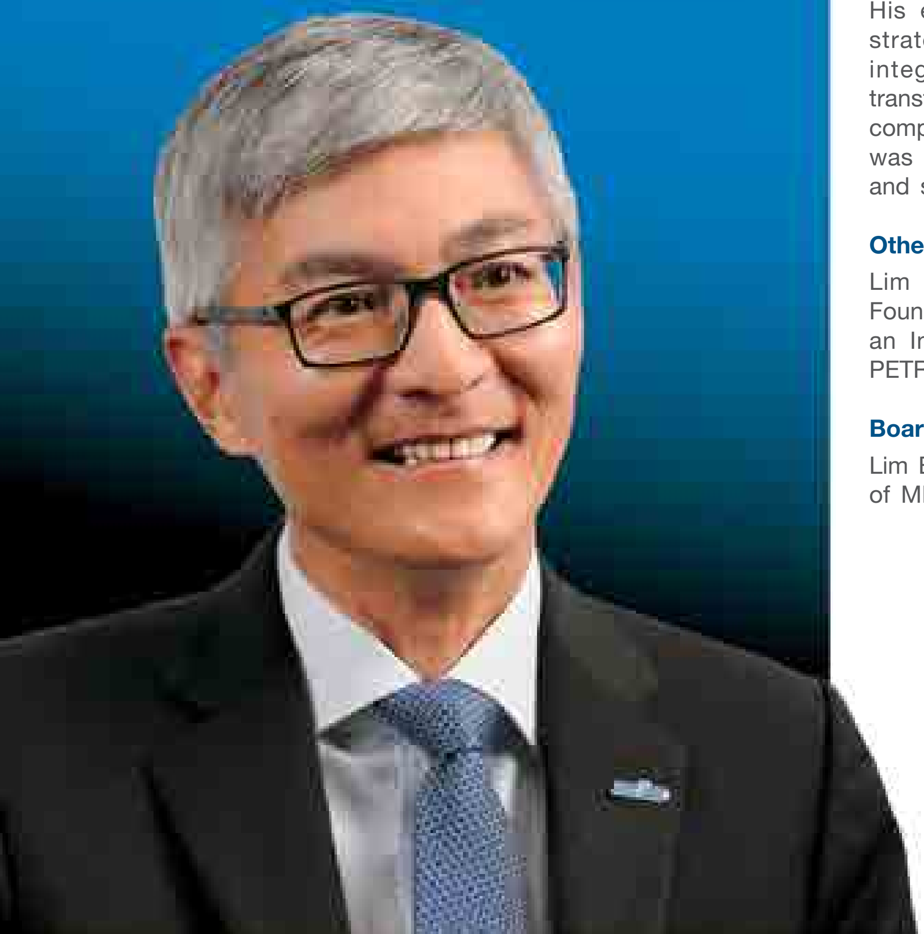
Board Committee Membership

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

LIM BENG CHOON

INDEPENDENT NON-EXECUTIVE DIRECTOR

LIM BENG CHOON, A MALAYSIAN AGED 56, WAS APPOINTED AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR OF MISC BERHAD ON 16 AUGUST 2012.



Qualification, Skills and Experience

Lim Beng Choon holds a Bachelor of Science (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 Programme 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) in South-East Asia, India and Korea.

His experience in management consulting spans across 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.

PROFILES OF DIRECTORS

DATUK GEORGE RATILAL, A MALAYSIAN AGED 56, WAS APPOINTED AS CHAIRMAN AND A 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.

DATUK MANHARLAL RATILAL

(DATUK GEORGE RATILAL)

NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR

Qualification, Skills and Experience

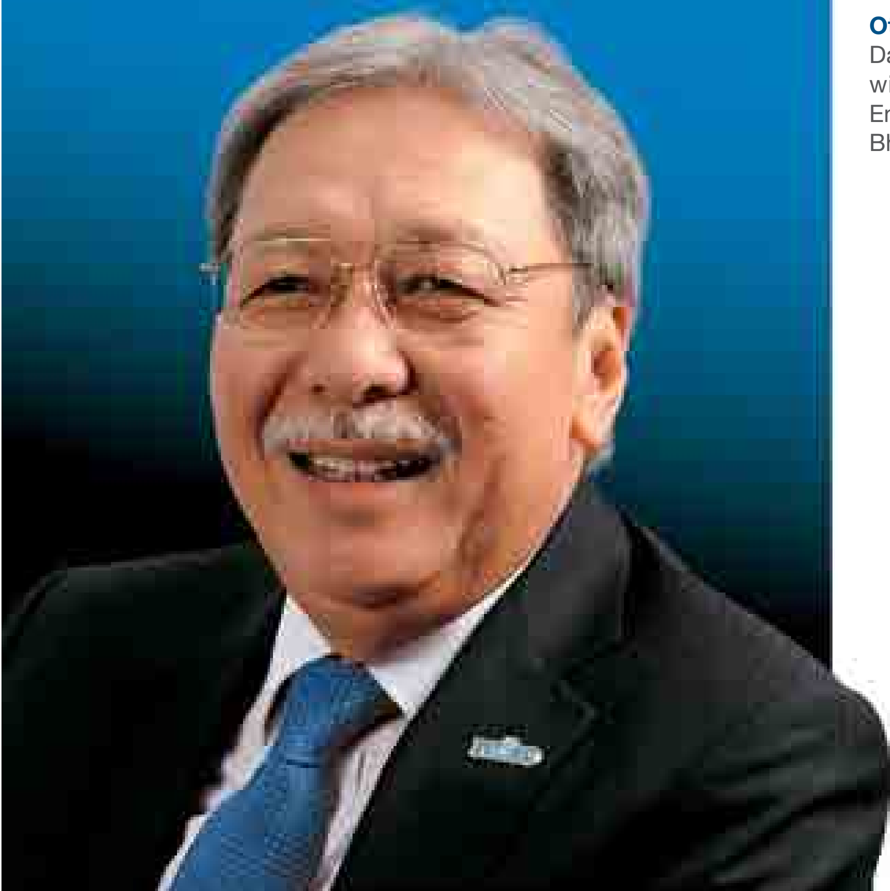
Datuk George holds a Bachelor of Arts (Honours) degree in Accountancy from Birmingham City University, United Kingdom in 1982 and Masters in Business Administration from the University of Aston in Birmingham, United Kingdom in 1984.

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 the Board of Directors of PETRONAS and its Executive Committee.

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.

DATUK NASARUDIN BIN MD IDRIS, A MALAYSIAN AGED 60, WAS APPOINTED AS A 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.



DATUK NASARUDIN BIN MD IDRIS

NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR

Qualification, Skills and Experience

Datuk Nasarudin graduated from the 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 (“USA”).

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 two major subsidiaries within MISC Group including Malaysia Marine and Heavy Engineering Holdings Berhad and AET Tanker Holdings Sdn. Bhd. He is also a Director of Bintulu Port Holdings Berhad.

PROFILES OF DIRECTORS

MOHAMED FIROUZ BIN ASNAN, A MALAYSIAN AGED 50, WAS APPOINTED AS A NON-INDEPENDENT NON-EXECUTIVE DIRECTOR OF MISC BERHAD ON 1 OCTOBER 2015.

MOHAMED FIROUZ BIN ASNAN

NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR

Qualification, Skills and Experience

Mohamed Firouz bin Asnan holds a Master in Business Administration from the Massachusetts Institute of Technology, United States of America ("USA") and a Bachelor of Science (B.Sc.) in Civil Engineering from the University of Louisiana at Lafayette, USA and is a Registered Professional Engineer and Member of the Institution of Engineers, Malaysia.

Mohamed Firouz is currently the Vice President of Oil Business, Downstream, PETRONAS. He started his career as a facilities engineer in the Exploration & Production Division in 1989 before moving to Corporate Planning followed by a two-year stint in Dubai. In 2005, he was appointed as the General Manager of Business Development where he was responsible for planning, identifying and evaluating new business opportunities including mergers and acquisitions. He returned to Upstream in 2009 with posting to Ho Chi Minh City as Head of Vietnam Operations with joint appointment as Country Chairman. Prior to taking up his current position, he was the Chairman of PETRONAS Sabah and Labuan and Head of Sabah Operations of PETRONAS Carigali Sdn. Bhd. from 2013 to 2015.

Other Commitments

Mohamed Firouz currently sits on the board of PETRONAS Dagangan Berhad and other subsidiaries within the PETRONAS Group.

Board Committee Membership

Mohamed Firouz is a member of the Nomination and Remuneration Committee of MISC Berhad.

None of the Directors have:
- *A family relationship with other directors and/or major shareholders of the Company.*
- *A conflict of interest with the Company.*
- *Been convicted of an offence within the past 10 years.*

MANAGEMENT COMMITTEE

From left to right:

Rozainah binti Awang
Vice President, Finance

Faizul bin Ismail
Vice President, LNG Business

Fadzillah binti Kamaruddin
Vice President, Legal, Corporate Secretarial & Compliance

Syed Hashim bin Syed Abdullah
Vice President, Offshore Business

From left to right:

Captain Rajalingam Subramaniam
President/Chief Executive Officer
AET Tanker Holdings Sdn. Bhd.

Yee Yang Chien
President/Chief Executive Officer

Iwan Azlan bin Mokhtar
Vice President, Human Resource Management

PROFILES OF THE MANAGEMENT COMMITTEE


Yee Yang Chien

YEE YANG CHIEN

President/Chief Executive Officer

Yee Yang Chien, a Malaysian aged 48, was appointed as President/Chief Executive Officer and Non-Independent Executive Director of MISC Berhad on 1 January 2015.

Qualification, Skills and Experience

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

He 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, enterprise risk management, budget development and special projects 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 Tanker Business Unit.

Other Commitments

Yee Yang Chien is the Chairman of several major subsidiaries within the MISC Group and is Deputy Chairman of AET Tanker Holdings Sdn. Bhd. and Malaysian Maritime Academy Sdn. Bhd. He is also a Director of Malaysia Marine and Heavy Engineering Holdings Berhad, Centralised Terminals Sdn. Bhd. and FPSO Ventures Sdn. Bhd.

Additionally, Yee Yang Chien is a Board Member of the United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited (UK P&I Club) and an Executive Committee member of the International Association of Independent Tanker Owners (INTERTANKO).

from left to right

Captain Rajalingam Subramaniam
Faizul bin Ismail

CAPTAIN RAJALINGAM SUBRAMANIAM

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

Captain Rajalingam Subramaniam, aged 50, was appointed as the President/Chief Executive Officer of AET Tanker Holdings Sdn. Bhd. on 1 January 2016. Prior to holding the current position, he was Vice President, Fleet Management Services of MISC Berhad since 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.

Other Commitments

Captain Rajalingam 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.

He served as International Association of Independent Tanker Owners (INTERTANKO) EXCO Member from 2009 to 2015, and was recently appointed as Chairman of the Association's new Gas Tankers Committee in November 2015.

Captain Rajalingam also sits as a board member in several subsidiaries and joint venture companies within MISC and AET Group.

FAIZUL BIN ISMAIL

Vice President, LNG Business

Faizul bin Ismail, aged 55, was appointed as Vice President of LNG Business, effective 1 August 2011. Prior to his current position, he was the Senior General Manager, LNG Business from 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, Launceston 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 member of several subsidiaries and joint venture companies within the MISC Group. He is also a board member of Society of International Gas Tanker and Terminal Operators Ltd. (SIGTTO) and an EXCO Member of Malaysia Shipowners' Association (MASA).

PROFILES OF THE MANAGEMENT COMMITTEE

from left to right

Syed Hashim bin Syed Abdullah
Rozainah binti Awang

SYED HASHIM BIN SYED ABDULLAH

Vice President, Offshore Business

Syed Hashim bin Syed Abdullah, aged 59, was appointed as Vice President, Offshore Business on 5 May 2015. Prior to his current position, he was the General Manager, Asset Management of Offshore Business since 1 December 2014.

Qualification, Skills and Experience

He holds a Diploma in Industrial Chemistry from Institute Technology MARA and has attended the Senior Management Development Programme at INSEAD in 2004.

He has more than thirty (30) years of experience in the upstream Oil & Gas industry business chain i.e. exploration, development and production, serving in various roles and capacities. He has thus, acquired in-depth technical knowledge, capability in operations, safety and project management, and also management competencies in strategic planning, PSC management, problem solving and decision making in addition to human resource development and management.

He commenced his career in 1978 as Production Superior/Planner with Hewlett Packard Malaysia and left in 1982 to join PETRONAS Carigali Sdn. Bhd. (PCSB) as a Production Specialist. He was with PCSB until 2011 where the last position held was as General Manager, JV Operations.

Other Commitments

Syed Hashim also holds directorships in various subsidiaries and joint venture companies within the MISC Group.

ROZAINAH BINTI AWANG

Vice President, Finance

Rozainah binti Awang, aged 47, 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 the 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 more than 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 the MISC Group.

from left to right

Iwan Azlan bin Mokhtar
Fadzillah binti Kamaruddin

IWAN AZLAN BIN MOKHTAR

Vice President, Human Resource Management

Iwan Azlan bin Mokhtar, aged 48, was appointed as Vice President, Human Resource Management on 1 April 2009.

Qualification, Skills and Experience

Iwan Azlan holds a Degree in Law from the 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.

FADZILLAH BINTI KAMARUDDIN

Vice President, Legal, Corporate Secretarial and Compliance

Fadzillah binti Kamaruddin, aged 50, 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 acquired her LLB (Honours) Degree from the University of Nottingham, United Kingdom, and was further conferred a 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

Fadzillah holds directorships in, and serves as Company Secretary of, various subsidiaries and joint venture companies within the MISC Group.

CHAIRMAN'S STATEMENT

DATO' AB. HALIM BIN MOHYIDDIN

CHAIRMAN

REDISCOVER REBUILD SUSTAIN

Dear Valued Shareholders,

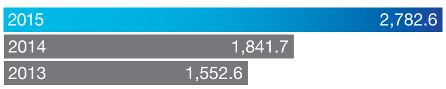
On behalf of the Board of Directors, it is with great pleasure that I present to you the Annual Report and Audited Financial Statements of MISC Berhad and its subsidiaries for the financial year ended 31 December 2015.

+17.3% RM Million

Revenue

+51.1% RM Million

Operating Profit



The year 2015 was a remarkable one for MISC Berhad. We embarked on our journey of rediscovery and rebuilding, as well as set in place the building blocks for the Group's sustained growth. Despite the very real challenge of the weak oil price environment, which affected the fortunes of many a company, MISC implemented several effective strategies to turn in a solid performance.

We believe we have made good headway over the years and are encouraged by the results which have strengthened our position to grow in a more energised and sustainable manner. I am confident that we are certainly on track to deliver a sustainable performance as we steer a steady course towards new heights of success.

SOLID FINANCIAL PERFORMANCE

I am pleased to report that for the financial year ended 31 December 2015, the MISC Group turned in a solid performance registering revenue of RM10.91 billion, 17.3% higher than the preceding year's revenue of RM9.30 billion. Improved freight rates for the Petroleum shipping segment, the full-year finance lease income from a Floating Production, Storage and Offloading (FPSO) unit, as well as Engineering, Procurement and Construction (EPC) revenue from a number of projects all helped strengthen Group revenue.

The Group's profit before tax (PBT) rose 6.5% to RM2.57 billion in 2015 from PBT of RM2.41 billion in 2014. This came on the back of higher profit in the Petroleum shipping segment and lower loss from operating a smaller fleet of vessels on the Chemical shipping front.

GOOD SHAREHOLDER VALUE CREATION

I am particularly delighted to report that the Group's balance sheet has strengthened dramatically through the restorative measures we have been undertaking these past few years and will serve us well in our renewed pursuit of growth. At the end of 2015, MISC's cash balances stood at RM5.65 billion, 16.8% higher than the preceding year's figure, while our net debt-to-equity ratio improved to 0.02 from 0.14 in the preceding year following an increase in shareholders' equity and the reduction in total borrowings. We registered improved earnings per share (EPS) of 55.3 sen in 2015 against EPS of 49.4 sen previously. As at 31 December 2015, shareholders' equity of RM35.36 billion was 27.4% higher than the preceding year's figure of RM27.76 billion.

Our stronger financial position has placed us on firmer footing and is enabling us to refocus on a more aggressive growth trajectory. Moreover, it places us in a position to capitalise on bargain opportunities particularly during the prevailing Oil & Gas industry downturn. For instance, we now have the opportunity to purchase or lease floating assets with good charter contracts from upstream developers whom may be in financial distress. This would complement the 16 floating offshore units we now own alongside our fleet and bolster our overall fleet capability.

CHAIRMAN'S STATEMENT

While higher profits during the year, coupled with a revitalised balance sheet, undoubtedly support 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 commensurates with the financial performance of the Group while conserving sufficient internal resources for investment purposes.

In view of this, two interim dividends of 7.5 sen and 12.5 sen per share were declared and paid out in September 2015 and March 2016 respectively. The Board of Directors is recommending a final dividend of 10 sen per share for the financial year subject to shareholder approval at the upcoming Annual General Meeting.

RM2.57B
PROFIT BEFORE TAX

RM10.91B
REVENUE

RM5.65B
CASH BALANCE

0.02x
NET DEBT TO EQUITY

OUR STRONGER FINANCIAL POSITION HAS PLACED US ON FIRMER FOOTING AND IS ENABLING US TO REFOCUS ON A MORE AGGRESSIVE GROWTH TRAJECTORY.

MISC continues to create good value for our shareholders through the recognition that we garner on several fronts. We reached a new milestone when we became a constituent of the FTSE4Good Bursa Malaysia Index (also known as the Environmental, Social, Governance or ESG Index) for Malaysian public listed companies towards the start of 2015. The FTSE4Good Bursa Malaysia Index is designed to measure the performance of companies demonstrating good ESG practices and is aligned with other leading global ESG frameworks such as the Global Reporting Initiative (GRI) and the Carbon Disclosure Project. As a constituent of this index, we are demonstrating our commitment to upholding responsible ESG practices within the Malaysian market.

At the World Maritime Day Malaysia (WMD) 2015 conference and exhibition in October 2015, MISC was named the "Best Shipping Company" while subsidiary Akademi Laut Malaysia or ALAM received the "Best Maritime Education and Training Award". These awards attest to the Group's reputation and confidence of our stakeholders in the national maritime industry.

TOWARDS SUSTAINABLE GROWTH

The changes we are undergoing as a Group in line with our journey of rediscovery and rebuilding are unfolding at the fundamental level, redefining who we are as an organisation. On 15 January 2016, MISC began a new chapter in its corporate annals with the launch of our new Vision, Mission and Tagline as well as an enhanced logo at its first employee town hall session for the year.

Our new Vision calls for MISC "to consistently provide better energy related maritime solutions and services" which reflects our aspirations to forge ahead into the future with optimism, by having a clear perspective of who we are, what we do and how we do it.

Correspondingly, our new Mission was also unveiled which resonates with our Vision, mandating us to be consistently better by striving to fulfil the expectations of and making a positive impact on our five key stakeholder groups, namely our customers, employees, communities, the environment and our shareholders.

This underscores MISC's commitment as a responsible and sustainable organisation that appreciates the multiple stakeholders within our ecosystem and the roles that they play towards our success as well as our focus on creating more value for the short, medium and long-terms.

All these are underpinned by a new Tagline, "moving energy to build a better world" that encapsulates our ambitions beyond delivering hard targets, towards building a sustainable future for us and the generations to come.

I AM CONFIDENT THAT WE ARE CERTAINLY ON TRACK TO DELIVER A SUSTAINABLE PERFORMANCE AS WE STEER A STEADY COURSE TOWARDS NEW HEIGHTS OF SUCCESS.

As we embrace the elements that make up our new "battle cry", we now have a five-year business plan called "MISC2020" to get us where we want to be. Based on continuity and sustainability, it is a plan that calls for us to keep things simple but effective.

The finer details of these developments will be expounded upon by our President/CEO, Mr. Yee in his report and business & operations review.

As MISC ventures forth, the issue of business sustainability remains high on our agenda. From the way we conduct our business, manage our employees, mitigate the impact of our operations on the environment and make a positive impact on local communities, the Group is committed to operating in a responsible and sustainable manner. By actively engaging our key stakeholder groups, we are ensuring that material issues are identified, addressed and managed effectively.

MISC employs a multi-pronged approach to manage sustainability matters across the Group. Our Sustainability Steering Committee, the MISC Group HSE Council and the Management Committee all have collective oversight for sustainability governance matters and are responsible for addressing material issues across all our businesses and locations of operations.

An overview of the Group's sustainability approach and efforts can be found in our Sustainability Statement on pages 96 to 97 of this Annual report, while the finer details are spelt out in the standalone MISC Sustainability Report 2015.

CHAIRMAN'S STATEMENT

MOVING FORWARD INTO 2016 AND BEYOND

The International Monetary Fund in its World Economic Outlook, forecasts that global growth will gradually increase to 3.4% in 2016 and 3.6% in 2017 from the current estimate of 3.1% in 2015. In the advanced economies, the modest and uneven recovery is expected to continue, while output gaps are expected to further narrow. The forecast for the emerging markets and developing economies while diverse, is still quite challenging. The slowdown and rebalancing of the Chinese economy, lower commodity prices, and strains in some large emerging market economies will continue to weigh on growth prospects between 2016 and 2017.

The outlook for the global shipping sector for 2016 too is muted. Rating agency, Fitch Ratings, expects low-key global trade growth and the economic slowdown in emerging markets to intensify overcapacity, leading to weakening and erratic freight rates. However, performance is expected to differ across the segments, with dry-bulk and container shipping under pressure, while tanker and LNG shipping are expected to fare better. China's slower growth and economic transition will pose particularly significant risks for the shipping sector due to its key role in global trade, accounting for two-thirds of global iron ore imports and 20% of world coal imports.

Shipping companies on the whole are expected to continue implementing defensive measures including cost-containment and rigorous capacity discipline. Their efforts will be helped by lower bunker prices and slow steaming to achieve profitability.

Going forward into 2016, MISC expects the Petroleum shipping segment to continue enjoying the benefits of market strength and buoyant freight rates. Even as producers are expected to pump out oil, we will be in a strong position to capitalise on opportunities to move this oil.

Despite the challenge of an oversupply of LNG vessels, the LNG shipping segment is expected to continue delivering a steadfast performance on the back of the portfolio of long-term contracts we have in place. We will position ourselves to pursue and expand our third party businesses even as we continue to support PETRONAS' LNG requirements.

However, the outlook and prospects for the upstream Oil & Gas industry is projected to remain poor with the prolonged weakness in oil price. Growth opportunities are expected to become scarcer as competition intensifies. The cutback in exploration and production activities will continue to weigh heavily on our Offshore as well as Marine & Heavy Engineering segments.

To mitigate any business setbacks, the Offshore segment will set its sights on inorganic growth by aggressively exploring the addition of opportunistic assets into our fleet. On a positive note, the Marine and Heavy Engineering segment's marine repair business is expected to perform steadily and to a limited extent, cushion the weak performance of its offshore construction business.

Your Board of Directors is confident that from an operational perspective the Group will sustain its financial performance for 2016. We will continue to leverage on our strong balance sheet which will undoubtedly serve us well in our renewed pursuit of growth. We have come a long way from the time that we were simply surviving the down-cycle that had plagued the shipping sector since 2009. Today, as we move forward with a reinvigorated Vision, Mission and Tagline and our MISC2020 battle plan, we are in a position to face all challenges and capitalise on any opportunities out there.

GOING FORWARD, WE HAVE SET IN PLACE A PRAGMATIC, LASER-FOCUSED BLUEPRINT SIMPLY CALLED "MISC2020", A REFRESHED VISION, MISSION AND TAGLINE, AS WELL AS OTHER DEFINITE MEASURES TO PROPEL THE GROUP STEADFASTLY FORWARD.

IN APPRECIATION

MISC has certainly grown from strength to strength this last one year alone and there are many parties that we owe a debt of gratitude to.

I would like to convey my sincere appreciation to all our customers, suppliers, business partners and financiers, for their unwavering support and cooperation. A special note of thanks to the Royal Malaysian Navy for the support and assistance they have rendered us over the years and which have kept our vessels safe and secure from any threats of piracy.

I wish to accord my heartfelt appreciation to the management and employees of MISC for their fine work, steadfast commitment and dedication in helping us deliver a stellar performance in 2015. Their commitment to excellence is all the more notable given the challenges that the year brought with it. I certainly look forward to working with all of them as we rise above any challenges that this year may bring and embrace our next phase of growth.

I am also deeply grateful to my colleagues on the Board for their wise counsel and astute insights in steering the Group through the challenges of this past year and look forward to their continued guidance.

On another note, Mr. Harry Menon, an Independent Director and En. Mohd Farid bin Mohd Adnan, a Non-Independent Director, resigned in May and October 2015 respectively. We thank these gentlemen for their worthy contributions to MISC during their tenure with us as well as bid them adieu and every success in their endeavours.

Please join me in welcoming on board Dato' Sekhar Krishnan who joined us as an Independent Director in January 2015 and En. Mohamed Firouz bin Asnan who joined us as a Non-Independent Director in October 2015. Dato' Sekhar Krishnan was subsequently appointed the Chairman of the Board Audit Committee in May 2015.

Last but not least, my utmost gratitude to you, our shareholders, for your continued confidence and faith in us, especially in the midst of such trying times. Thank you for being patient with us as we pursue our journey of rediscovery and rebuilding and we ask for your continued patience as we now prepare for sustainable growth.

I trust that all our stakeholders will continue to lend us their unwavering support as we set our sights on fulfilling the next phase of MISC's growth. Rest assured that as we venture forth, MISC will continue to grow steadfastly from strength to strength.

DATO' AB. HALIM BIN MOHYIDDIN
Chairman
8 March 2016

REBUILD

WE ARE FOCUSED ON THE OUTLOOK AS WE DEFINE OUR STRATEGIES AND RECONNECT WITH THE PASSION OF OUR BUSINESS THROUGH MISC2020, THE ROADMAP TO SUSTAIN OUR STABILITY AND BUILD OUR PROSPERITY IN THE INDUSTRY. WORKING COLLABORATIVELY WITH OUR PEOPLE ACROSS THE ORGANISATION, WE ARE UNITED IN OUR VALUES AND PURPOSE AS WE STRIVE TOGETHER TOWARDS GREATER HEIGHTS OF EXCELLENCE.

FUELLED BY AN UNWAVERING BELIEF, PRIDE AND PASSION, THE PEOPLE OF MISC HAVE WORKED HARD TO BUILD A GLOBAL BUSINESS AND BRAND. WITH NEARLY 50 YEARS OF EXCELLENCE TO OUR NAME, WE CONTINUE TO MOVE ENERGY ACROSS THE SEVEN SEAS TO POWER BUSINESSES AND ECONOMIES AND BUILD A BETTER WORLD.

PRESIDENT/CEO'S REPORT

YEE YANG CHIEN

PRESIDENT/CHIEF EXECUTIVE OFFICER

Dear Shareholders,

I am delighted to report that MISC turned in a commendable performance on the financial and operational fronts in the year under review. While 2015 brought with it a continuing low oil price environment that forced Oil & Gas companies the world over to realign their operations for survival's sake, MISC leveraged on these conditions and several effective strategies, to deliver a sound performance.

DIVERSE DEVELOPMENTS AMIDST CHALLENGING CONDITIONS

Global economic activity remained subdued in 2015 even as growth in emerging markets and developing economies declined for the fifth consecutive year while the advanced economies registered modest growth. Global economic progress continued to be hampered by several factors including the persistent slowdown and rebalancing of economic activity in China that saw an easing away from investment and manufacturing activities and a move towards consumption and services. The gradual tightening of monetary policy in the United States (US) amidst resilient economic recovery also influenced global growth even as other major advanced economy central banks continued to ease monetary policy.

On top of this, global growth continued to be adversely impacted by lower prices for energy and other commodities.

The relentless plunge in crude oil prices continued to send shockwaves throughout the globe in 2015. This was primarily the result of a marked slowdown in demand growth and record increases in supply, particularly tight oil from North America. It was also due to the decision by the Organisation of Petroleum Exporting Countries (OPEC) to avoid rebalancing the market through output reductions.

Following a period of relatively stable but historically high prices from 2010 until mid-2014 (at which point oil traded at around USD115 per barrel), international benchmark oil prices fell by more than 50% in 2015 and remained in the USD40 to USD60 per barrel range for much of the year.

By December 2015, the markets were routed as unrelenting oversupply, swollen inventories and a torrent of negative economic news pressured prices, so that by mid-January 2016, crude oil hit twelve-year lows with both ICE Brent and NYMEX WTI plummeting below USD30 per barrel. As expected, given the highly challenging operating environment, Oil & Gas players continued to take sweeping measures to safeguard their operations by significantly reducing headcount as well as operational and capital expenditure.

PRESIDENT/CEO'S REPORT

Despite plummeting oil prices, freight rates for the Petroleum shipping segment maintained a positive momentum in 2015. This was primarily driven by sustained global oil production that in turn supported steady demand for the movement of crude oil worldwide. Freight rates also maintained their upward momentum due to a much slower growth in new deliveries of tankers. The low oil price environment also led to lower bunker costs, which benefitted ship owners like us.

17.3% REVENUE

51.1% OPERATING PROFIT

6.5% PROFIT BEFORE TAX (PBT)

LNG SHIPPING, OFFSHORE & PETROLEUM SHIPPING CONTRIBUTE OVER **90%** TO GROUP'S PBT

Moving into 2016, oil supply demand dynamics remain favourable for the Petroleum shipping segment. To capitalise on the abundance of market opportunities in this area, MISC will continue to employ an optimum spot-term strategy for its tanker fleet.

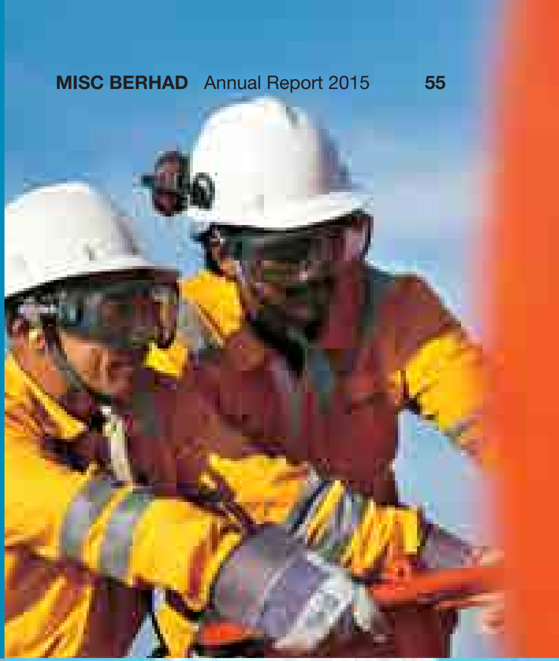
In stark contrast, the LNG shipping segment experienced a drop in spot charter rates and an overall reduction in vessel utilisation over the course of 2015. Even as excess capacity in the supply of LNG vessels continues to outpace demand growth, freight rates are expected to remain under pressure in the near future. The Group's strategy of not building a vessel without a charter in hand continues to bode well for us with our existing long-term charter contracts continuing to provide long-term income stability for the company. Moving forward, we will continue to support PETRONAS' LNG shipping requirements as well as explore additional opportunities with more third-party charterers.

A YEAR OF CONTINUED PROGRESS

MISC turned in a commendable performance on the financial and operational fronts in the year under review. For the financial year ended 31 December 2015, the MISC Group achieved 17.3% growth in revenue and a 51.1% rise in operating profit to RM10.91 billion and RM2.78 billion respectively compared to the previous year. The Group's profit before tax (PBT) rose 6.5% to RM2.57 billion primarily on the back of higher profit from the Petroleum shipping segment business as a result of higher revenue, and a lower loss in the Chemical shipping segment from operating a reduced fleet of vessels. The main contributors to the Group's PBT were the LNG shipping, Offshore and Petroleum shipping business segments, contributing over 90% to the Group's PBT.

The year saw us making good strides forward on the operational front too. Our Petroleum shipping segment under AET turned in a stellar performance on the back of improved market strength and buoyant freight rates. Even as oil producers continued to pump out oil amidst the low oil price environment, AET capitalised on the opportunity to move this oil. The year also saw AET embarking on a fleet renewal programme to bolster its competitive edge.

In 2015, our LNG shipping segment successfully secured a contract novation from PETRONAS for five new LNG carriers together with a 15-year long-term charter contract. In addition, MISC also secured the charter extension for five Puteri Class carriers on a time charter basis for the next 10 years.



Our Offshore Business segment continued to deliver on its promises and bring several key offshore structure projects to a close as well as optimise asset performance. It delivered the Mobile Sea Base PL Tun Azizan and deployed a Marginal Marine Production Unit, the MaMPU I, marking MISC's maiden entry into the marginal oil field development arena.

Meanwhile, under our Marine & Heavy Engineering Business segment, its marine repair operations continued to run at near full capacity, its solid performance helping absorb the slowdown in demand for offshore fabrication activities.

The fact that we achieved these results amidst challenging global economic conditions is testament that MISC's prudent business strategies, professional management approach and steady focus on delivering long-term sustainable growth, are all coming together. Moreover, it bears testament to the resilience, worthy efforts and commitment to excellence that the people of MISC continue to exhibit.

PRESIDENT/CEO'S REPORT

BUSINESS AND OPERATIONS REVIEW

LNG SHIPPING

MARKET REVIEW

IN 2015, THE LNG SHIPPING MARKET CONTINUED TO REMAIN WEAK WITH SOFTENING SPOT FREIGHT RATES AND AN OVERSUPPLY OF LNG VESSELS IN THE INDUSTRY. THE AVERAGE SPOT FREIGHT RATE FOR LNG VESSELS IN 2015 HAS ALMOST HALVED COMPARED TO THE PREVIOUS YEAR.

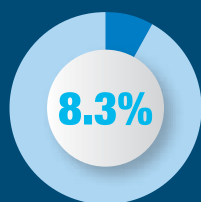
5

NEW LNG CARRIERS TO BE DELIVERED WITHIN 2016-2017

DELIVERED

20.74MIL

TONNES OF LNG



OF WORLD LNG TRADE

Several factors contributed to the weakening of spot market rates. These included the introduction of new vessels into the market without an equal increase in LNG trade, and delays in the completion of new LNG projects in Australia which reduced spot charter opportunities for ramp-up cargoes. Outages in several liquefaction plants, namely in Yemen, Angola and Egypt, which reduced the LNG supply and eventually shipping demand, also led to weaker spot market rates.

KEY DEVELOPMENTS

For the year in review, MISC made a total of 372 shipments carrying cargoes amounting to 20.74 million tonnes of LNG for our customers, carving 8.3% of the total world LNG trade.

In early 2015, we secured a contract novation from PETRONAS for five new LNG carriers together with long-term charter contracts. Orders for the Moss type carriers have been placed with Hyundai Heavy Industries Co. Ltd. (HHI) with the first newbuild LNG carrier scheduled for delivery by the end of 2016. This new contract will provide income stability for the Group in the coming years. As part of our efforts to defend our steady income stream, we successfully secured extensions for our Puteri Class vessels for long-term contracts. The Puteri Intan and Puteri Delima were delivered to PETRONAS LNG Sdn. Bhd. (PLSB) in October 2015 signifying the completion of the repair and life extension (RLE) programmes for both vessels and the beginning of their contract extensions. By the year's end, the Puteri Nilam was delivered to PLSB upon completion of its RLE programme with its contract extension kicking in.

The year also saw the Group expanding its presence in Australia when our Seri Bakti vessel became the first MISC vessel to berth at the Santos GLNG terminal in the month of September. The terminal successfully completed loading 150,000 cbm of LNG or 98.5% of the total capacity of the vessel. The first shipment from GLNG, Curtis Island was successfully delivered on schedule to Pyeong Taek Terminal in South Korea on 27 October 2015.

MOVING FORWARD

With no sign of an uptrend in the oil price, the market for LNG is expected to remain below the desired level. This will prolong the low vessel utilisation environment and low in-charter hire rates in the LNG shipping market. Globally, 44 newbuilds are expected to be delivered in 2016 whereby 20% out of the total number will be delivered without any employment. Most of these vessels are expected to be deployed to Australian and US-based liquefaction projects. In view of this, spot charter rates for LNG shipping are expected to remain low.

MISC will continue to support PETRONAS LNG shipping requirements while continuing to explore opportunities with third-party charterers to provide income stability. To reinforce the Group's position as one of the world's most preferred LNG carriers, we remain flexible towards adopting new technology and larger size vessels. We look forward to the introduction of our Moss type carriers we have secured for PETRONAS requirements. This will provide an avenue to greater operational flexibility where predominantly MISC is operating membrane type carriers. Apart from our focus on LNG shipping, we will continue to monitor the development of LNG floating facilities, namely Floating Storage Regasification Units (FSRUs) and Floating LNG (FLNG) opportunities in the marketplace.

PRESIDENT/CEO'S REPORT

BUSINESS AND OPERATIONS REVIEW

2 DPSTs
TO SERVICE THE NORTH SEA SHUTTLE TANKER MARKETS

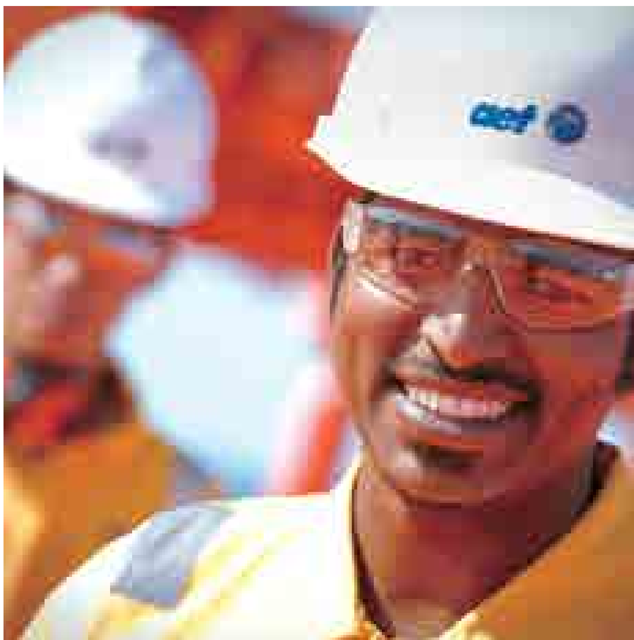
SIGNED FOR 8 NEWBUILDS FOR **USD500MIL**

59
VESSELS RECEIVED ENVIRONMENTAL ACHIEVEMENT AWARD IN 2015

PETROLEUM SHIPPING

MARKET REVIEW

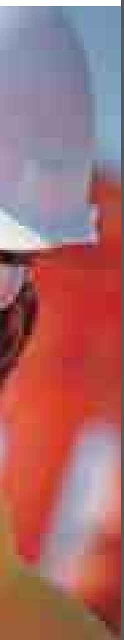
IN 2015, THE TANKER MARKET CONTINUED TO MAINTAIN A POSITIVE MOMENTUM, BENEFITING FROM SIGNIFICANTLY IMPROVED TANKER RATES AND EARNINGS, AS WELL AS HIGH LEVELS OF TRADING ACTIVITIES THAT AROSE FROM A MYRIAD OF FACTORS. THESE INCLUDED LOW OIL PRICES, ARBITRAGE TRADING, REFINERIES RAMPING UP PRODUCTION, INVENTORY BUILD-UPS, AND REGIONAL MISMATCHES IN REFINERY CONFIGURATIONS.



OPEC's decision to maintain its production target also contributed to the protracted slump in low crude oil prices. The low prices, along with surplus production of oil led to the continued build-up of onshore storage and boosted demand for tankers. With the number of crude tanker deliveries during the year remaining relatively low, this led to a tighter supply of tonnage and improvement in earnings for the petroleum shipping industry. Amidst an improved tanker rate environment, AET, our petroleum shipping arm, seized the opportunity to capitalise on higher spot charter rates and renewed contracts which were expiring at higher time-charter rates.

KEY DEVELOPMENTS

AET continued to make steady progress in enhancing the competitiveness of its fleet, with the mission to deliver optimum solutions to its customers. In 2015, AET embarked on a fleet renewal programme for its crude tanker fleet and ordered four 113,000 dwt Aframax vessels and two 158,000 dwt Suezmax vessels, to be delivered by Samsung Heavy Industries Co. Ltd. (SHI) in 2018 and Hyundai Heavy Industries (HHI) in 2017 respectively. These newbuilds, upon delivery, will replace older tonnage in the AET fleet and re-balance the fleet profile. In addition, AET placed orders for two long-range (LR) product tankers of 114,000 dwt as a testament to its commitment to expand its business in the Clean Products sector. The vessels, upon delivery from HHI in 2017, will mark AET's maiden venture into the ownership of LR2 vessels.



The year also saw AET expanding into the North Sea shuttle tanker market, after taking delivery of two state-of-the-art Dynamic Positioning (DP) shuttle tankers to service long-term contracts with Norwegian energy company, Statoil. Both vessels, Eagle Barents and Eagle Bergen, are equipped with DP technology to enhance their ability to stay in position, especially crucial when operating in harsh water conditions in the North Sea oil fields. The vessels are also fitted with a range of eco-innovations to reduce their impact on the natural environment including a fully fitted ballast water treatment system, SOx scrubber.

In 2015, 59 AET vessels were bestowed the prestigious 2015 Environmental Achievement Award by the Chamber of Shipping America testifying to their conscientious observance of the highest Health, Safety, Security and Environment (HSSE) standards. AET Shipmanagement attained ISO 50001:2011 Energy Management certification which features complex monitoring and measurement parameters relating to energy management systems. In Singapore, AET became the second company to achieve this certification in partnership with ABS.

MOVING FORWARD

For the immediate term, the tanker market is projected to be favourable, as crude oil market is expected to remain oversupplied. AET will remain vigilant on the market developments, and continue to employ an optimum spot term strategy for its fleet. Today, AET's fleet operates globally which gives it additional flexibility in positioning its vessels. AET will continue to maintain its Aframax fleet presence in both the Atlantic and Pacific regions and will supplement the fleet with in-charters as and when needed to take advantage of market conditions.

In the lightering trade, AET will continue to provide its specialised services in the niche US Gulf (USG) lightering market through active customer and fleet management. In the clean tanker space, AET will focus on building a sustainable yet flexible fleet (including a portfolio of short and long-term chartered-in vessels) to meet the growing needs of its customers.

For 2016 and beyond, AET will also be focusing on building a revenue stream of secured income on the back of long-term contracts. This includes looking for opportunities to expand AET's shuttle tanker business and strategic partnerships with its customers on the conventional tanker front.

PRESIDENT/CEO'S REPORT

BUSINESS AND OPERATIONS REVIEW

FLEET OF
14 VESSELS
TO TRANSPORT LIQUID BULK CARGOES

SERVICES VARIOUS MARKETS WORLDWIDE

CHEMICAL SHIPPING

MARKET REVIEW

THE CHEMICAL SHIPPING MARKET EXPERIENCED A MODEST RECOVERY IN 2015 BUT GROWTH REMAINED LACKLUSTRE AS THE MARKET WAS STILL STRUCTURALLY OVERSUPPLIED. MARGIN IMPROVEMENTS CAME ON THE BACK OF OVERALL IMPROVED FREIGHT RATES IN 2015 AS COMPARED TO THE PRECEDING YEAR PLUS LOWER BUNKER PRICES FROM THE SPOT MARKET.

KEY DEVELOPMENTS

With 14 vessels within its fold after a rationalisation exercise, MISC's Chemical shipping business segment possesses one of the smallest fleets within the Group. Over the course of 2015, this segment renewed multiple contracts of affreightment (COA) and term shipping contracts with oil majors and leading chemical manufacturers that helped secure stable revenue and mitigate rate volatility.

MOVING FORWARD

Amidst a weak global economy characterised by low oil and commodity prices, the seaborne volume of petrochemical products is expected to remain subdued while a weaker spot market will offer only short-term opportunities for certain sectors. However, the expected rebound in demand for chemical products and increased trading activities will help support the recovery of rates. While the outlook for the chemical tanker market segment is expected to be similar to 2015, we can expect a very modest uptrend in freight rates and earnings in 2016.

In the medium-term, chemical tanker market dynamics will remain vulnerable due to higher fleet growth of IMO Medium Range tankers which are due to be delivered between 2016 and 2017. However, the upcoming expansion of refineries and the extended capacity of petrochemical plants in the Middle East, China and India between 2016 and 2020, bodes well for increased exports and the movement of products. Coupled with the increasing production and the export of vegetable oils from Southeast Asia, we anticipate regional market growth on a long-term basis.

Our Chemical shipping business segment will continue to focus on its targeted niche and specialised chemical and palm oil shipping market. The business will also continue to focus its efforts on maximising revenue and cost optimisation with its current rationalised fleet.

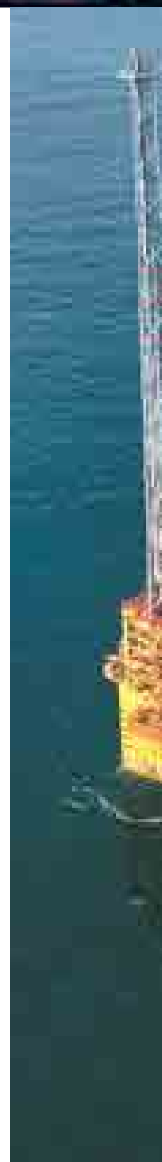
PRESIDENT/CEO'S REPORT

BUSINESS AND OPERATIONS REVIEW

EXCELLENT ASSET PERFORMANCE WITH UPTIME OF **99.67%**

EXCELLENT SAFETY PERFORMANCE **– ZERO LTIF & ZERO TRCF**

OFFSHORE BUSINESS



MARKET REVIEW

THE YEAR 2015 WAS THE YEAR THAT OIL & GAS COMPANIES CUT EVER DEEPER INTO THE BONE TO WEATHER THEIR WORST DOWNTURN IN DECADES. BY EARLY 2016, CRUDE PRICES HAD PLUMMETED MORE THAN 70% OVER 18 MONTHS TO BELOW USD30 PER BARREL. OIL MAJORS CONTINUED TO CUT BACK SIGNIFICANTLY ON CAPITAL EXPENDITURE (CAPEX) BY SOME 25% TO 35% DEFERRING OR CANCELLING NEW EXPLORATION AND DEVELOPMENT PROJECTS OR REDUCING INVESTMENTS IN PRODUCING FIELDS. IN TANDEM WITH THIS, CAPEX FOR FLOATING PRODUCTION SYSTEMS FELL BY SOME 24% AND THIS IS EXPECTED TO BE IMPACTED FURTHER IF THE PRICE OF OIL REMAINS UNPREDICTABLE OVER THE NEXT TWO YEARS. THE YEAR ALSO SAW DEEPWATER DRILLING ACTIVITY SLOWING DOWN TREMENDOUSLY, PROVIDING A GLIMPSE INTO WHAT FUTURE DEMAND FOR POTENTIAL FLOATING PRODUCTION PROJECTS MAY BE LIKE.

KEY DEVELOPMENTS

In the year under review, our Offshore Business segment delivered the Mobile Sea Base PL Tun Azizan in the month of May as well as completed the decommissioning and demobilisation of the aging facility, the FSO Cendor in October. The segment also embarked on a project to deploy a Marginal Marine Production Unit (MaMPU). The MaMPU I was delivered in September 2015 marking MISC's maiden entry into the marginal oil field development arena.

The year also saw the Offshore Business segment making excellent strides forward on the asset performance front achieving uptime of 99.67%. Both the FPSO Espirito Santo and FPSO Kikeh exceeded their contractual uptime obligations which led to both assets being entitled for a performance bonus from their clients. In terms of Health, Safety and Environmental (HSE) performance, we achieved zero lost time injury frequency (LTIF) and a zero total recoverable cases frequency (TRCF) rate.

MOVING FORWARD

Given the current low oil price scenario, the floating production market is expected to remain stagnant. With tendering and contract execution activities slowing down dramatically, competition is expected to ramp up. To meet the challenges of a fast-changing playing field, MISC will work to develop product offerings that are creative, innovative and cost effective. This need not necessarily take the form of new assets but could involve the provision of innovative solutions to increase the production capabilities of existing assets.

The next two years will see us focusing our efforts on inorganic growth. We will do this by looking for distressed assets, particularly those attached to good third party contracts as well as exploring merger and acquisition opportunities with distressed companies on the local and international fronts. Upon the oil price recovering, we will refocus our efforts on organic growth.

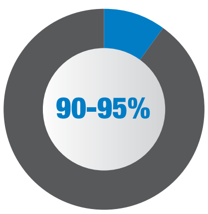
PRESIDENT/CEO'S REPORT

BUSINESS AND OPERATIONS REVIEW

MARINE & HEAVY ENGINEERING BUSINESS

MARKET REVIEW

THE PROLONGED DECLINE IN CRUDE OIL PRICES CONTINUED TO IMPACT NEGATIVELY UPON THE EXPLORATION & PRODUCTION (E&P) ENVIRONMENT IN MALAYSIA LEADING TO LOW DEMAND FOR OFFSHORE STRUCTURES. IN LINE WITH THIS, MARINE & HEAVY ENGINEERING HOLDINGS BERHAD'S (MHB) OFFSHORE FABRICATION UNIT EXPERIENCED A SUBSTANTIAL DROP IN NEW ORDERS FOR OFFSHORE STRUCTURES AKIN TO THE DROP THAT ITS COMPETITORS EXPERIENCED. THE REDUCED DEMAND NEGATIVELY IMPACTED THIS BUSINESS UNIT'S CAPACITY, RATES AND TERMS.



AVERAGE CAPACITY UTILISATION RATE BETWEEN 90-95%

LOCAL MARKET LEADER IN SHIP REPAIR BUSINESS

ONLY YARD IN MALAYSIA THAT HAS CONSTRUCTED DEEPWATER STRUCTURES

On a positive note, MHB's Marine Repair Business Unit (MBU) registered an average capacity utilisation rate of between 90% and 95%, the slew of orders helping to mitigate the slowdown on the offshore fabrication front.

KEY DEVELOPMENTS

For the second year running, MBU's docks were running at near full capacity with some 15 vessels and rigs under simultaneous repair and refurbishment works. For the Offshore Business, key projects that were successfully completed were the SK316 Central Processing Platform (CPP) which was delivered safely to a location offshore Sarawak. The CPP topside which weighs 13,696 Metric Tonne (MT) recorded 8,359,290 man-hours without a Lost Time Injury (LTI).

The year saw the launch of the Centre of Excellence (COE), the Group's new integrated training facility in Pasir Gudang, Johor. This first-of-its-kind facility will provide training and competency development in a safe environment as well as hands-on technical programmes crucial for a real working environment. Open to partners, vendors, subcontractors and clients, the four-acre complex is equipped with state-of-the-art workshop facilities such as an auditorium and simulators for confined space and scaffolding training.

To date, MHB's yard is the only one in Malaysia that has constructed deepwater structures. These include structures such as the Kikeh spar, Gumusut-Kakap Semi-Submersible Floating Production System (FPS) and the soon-to-be-delivered Malikai Tension Leg Platform for the Malikai Deepwater Project.

MHB remains the local market leader in the ship repair business (in terms of aggregate work value) and is one of the leading domestic sub-contractors for the RAPID Pengerang Project.

MOVING FORWARD

The low oil price environment is expected to remain protracted until at least 2017. As such, E&P activities will remain subdued as will the prospects for the offshore fabrication segment. Recognising this, MHB will continue to enhance operational and cost efficiencies to ensure it retains its market competitiveness. MHB will focus its efforts on replenishing its order book by exploring onshore construction jobs on the domestic front (such as that relating to the RAPID Pengerang Project) and overseas front. The performance of the marine repair business is expected to help partially offset the cyclicality of revenue streams from the offshore fabrication side and MHB will continue its efforts to strengthen business activities in this area.

PRESIDENT/CEO'S REPORT

BUSINESS AND OPERATIONS REVIEW

TANK TERMINAL BUSINESS

MARKET REVIEW

UP UNTIL NOVEMBER 2015, THE GROUP'S INVOLVEMENT IN THE TANK TERMINAL BUSINESS WAS VIA A 45% INTEREST IN CENTRALISED TERMINALS SDN. BHD. (CTSB) AND A 50% INTEREST IN VTTI B.V.. CTSB OWNS AND OPERATES TANK TERMINAL FACILITIES WITH A 0.7 MILLION CBM CAPACITY IN TANJUNG LANGSAT IN JOHOR, MALAYSIA, WHILE VTTI B.V., BEING ONE OF THE TOP INDEPENDENT TANK TERMINAL OPERATORS IN THE WORLD, HAD A TOTAL WORLDWIDE CAPACITY OF 8.1 MILLION CBM. THE TANK TERMINAL BUSINESS PROVIDES A STABLE INCOME FLOW TO THE GROUP.

KEY DEVELOPMENTS

On 21 August 2015, MISC entered into an agreement to dispose of our 50% interest in the issued share capital of VTTI B.V. with VIP Terminals Finance B.V., ultimately a wholly-owned subsidiary of Vitol Investment Partnership Limited. The disposal exercise, involving a cash consideration of USD830 million, was completed on 9 November 2015. Today, VTTI B.V. is no longer a joint venture company of the MISC Group.

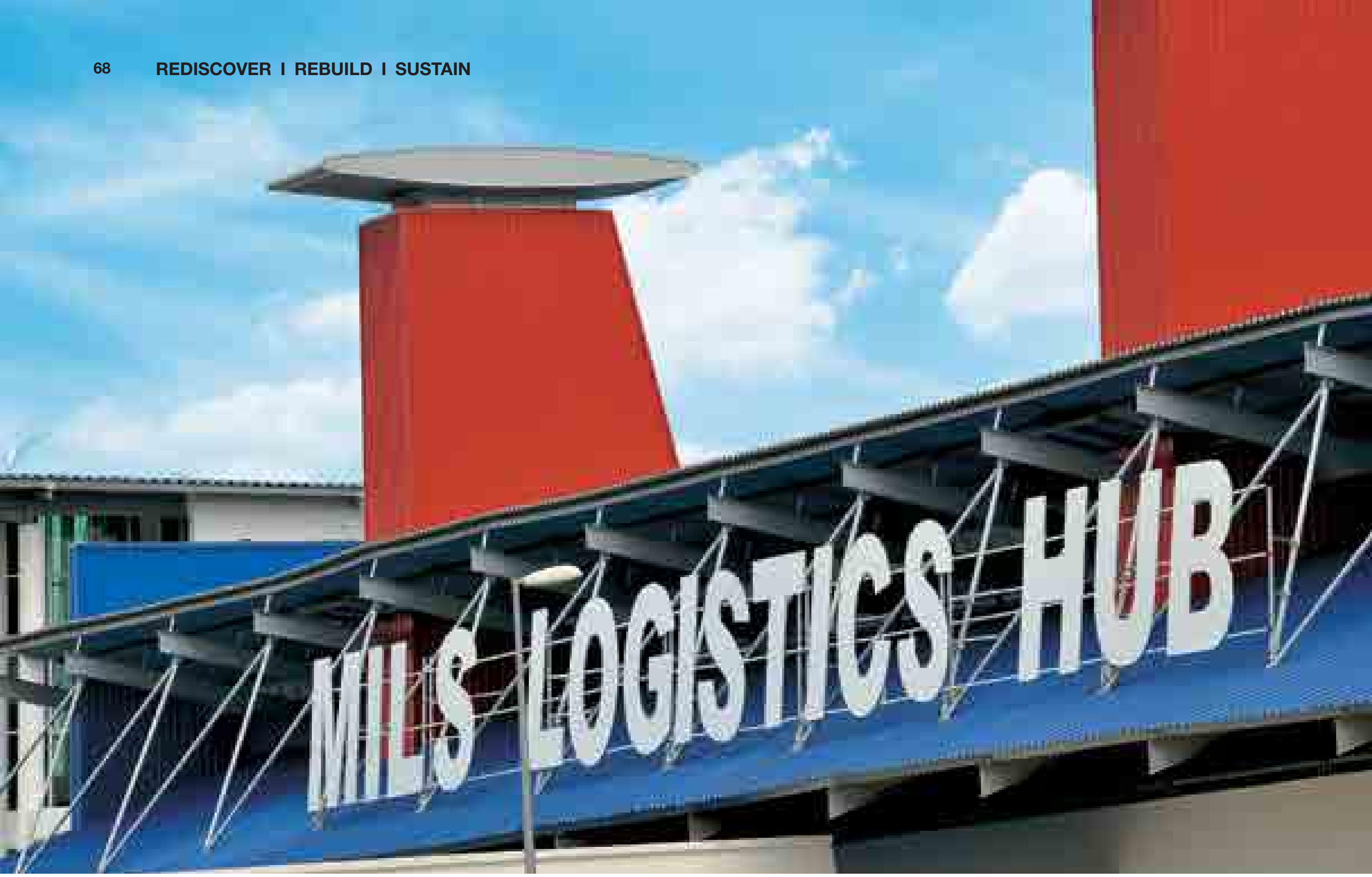
With the monetisation of our interests in the VTTI B.V. tank terminal business, MISC has unlocked the value of this investment. Today, the Group's remaining interest in the tank terminal business is via our joint venture partnership with Dialog Group Berhad in CTSB.

MOVING FORWARD

The current operating entities under CTSB are Langsat Terminal (One) Sdn. Bhd. and Langsat Terminal (Two) Sdn. Bhd. that are operating on long-term fee-based contracts. This guarantees secured income for MISC and does not directly expose us to commodity price fluctuations.

2 TANK TERMINALS
OPERATING ON LONG-TERM CONTRACTS

0.7 MILLION
CBM CAPACITY IN TANJUNG LANGSAT



PRESIDENT/CEO'S REPORT

BUSINESS AND OPERATIONS REVIEW

INTEGRATED LOGISTICS BUSINESS

MARKET REVIEW

THE LOGISTICS LANDSCAPE REMAINED CHALLENGING IN 2015 WITH WEAKER GLOBAL APPETITE IN CERTAIN SECTORS, PARTICULARLY THE OIL & GAS PROJECT LOGISTICS SECTOR. OUR INTEGRATED LOGISTICS ARM, MISC INTEGRATED LOGISTICS (MILS), EXPERIENCED WEAKER PERFORMANCE ON THE PROJECT LOGISTICS FRONT AS A RESULT OF A SLOWDOWN IN GLOBAL PROJECTS. THIS WAS MADE WORSE BY COMPETITIVE PRICING AMONG LOGISTICS PLAYERS. MILS' PERFORMANCE WAS SUSTAINED BY THE ENCOURAGING CONTRIBUTION OF THE SUPPLY CHAIN MANAGEMENT BUSINESS, WHICH IS CHARACTERISED BY RECURRING AND TERM CONTRACTS.

KEY DEVELOPMENTS

The year witnessed MILS investing in 11 units of brand new Volvo FM440 prime movers and two additional units of trailers (Type IV) to strengthen its NGV transportation services to PETRONAS NGV's petrol stations.

MILS was also awarded a contract by Linde Malaysia Sdn. Bhd. for road distribution services of bulk gases in the central region after having provided services on an ad-hoc basis since 2013. The contract requires MILS investing in 31 units of brand new prime movers.

At the SPAD Gala Dinner & Industry Awards Programme, MILS received merit awards as an operator for cargo transportation in the KA and A categories from the Land Public Transport Commission (SPAD) for its commitment to logistics excellence.

MOVING FORWARD

While the global logistics landscape is expected to remain challenging going forward, on a positive note, the scheduled implementation of the ASEAN Economic Community (by end 2016) will open up new opportunities for logistics players. In view of this, MILS is readying itself to handle cross border transactions while preparing for the influx of foreign logistics players.

MILS is also working to strengthen its position domestically, striking a balance between sustainable operational excellence and cost optimisation. Going forward, the company will continue to develop and synergise its internal capabilities to pursue other growth sectors less sensitive to fluctuation in oil prices. It will also remain focused on providing high quality logistic services to its customers.

INVESTED IN 42 NEW PRIME MOVERS AND 2 NEW TRAILERS

RECEIVED TWO MERIT AWARDS FROM SPAD FOR COMMITMENT TO EXCELLENCE

PRESIDENT/CEO'S REPORT

BUSINESS AND OPERATIONS REVIEW

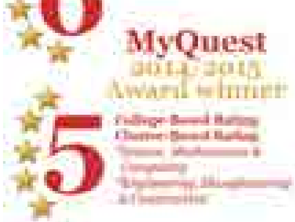
RECEIVED **THE "BEST MARITIME TRAINING INSTITUTION" AWARD** IN 2015

TRAINED OVER **12,500** SEAFARERS SINCE 1977

CONSISTENTLY ACHIEVED EXCELLENT RATINGS FROM **MyQUEST** SINCE 2010

MARITIME EDUCATION AND TRAINING

OUR MARITIME EDUCATION AND TRAINING ARM, MALAYSIAN MARITIME ACADEMY (ALAM), MADE STRONG INROADS ON SEVERAL FRONTS IN 2015 THUS REINFORCING ITS POSITION AS THE LEADING MARITIME EDUCATION AND TRAINING (MET) FACILITY IN THE REGION.



Offering diplomas in Nautical Studies and Marine Engineering, ALAM has to date trained over 12,500 seafarers since its inception in 1977. Of the total number of 294 graduates at ALAM's 112th Convocation Ceremony in 2015, 22 of them were female graduates, representing the largest number of female cadets graduating from the academy. At its 113th Certificate Presentation Ceremony, 111 rating graduates were certified as having complied with the 2010 Manila Amendments to the Standards of Training, Certification and Watchkeeping (STCW) Convention.

In 2015, ALAM was selected by the Melaka State Government Economic Planning Unit to train a new batch of ratings for its upcoming Ratings programme. With the support of various maritime shipping organisations, ALAM successfully secured 265 scholarships for school leavers through its Cadetship and Ratings programmes in 2015. These efforts will go a long way in supporting the nation's aspirations to produce capable and professional seafarers for the maritime industry.

Another academic milestone was reached when ALAM successfully launched the Maritime Library and Resource Centre (MLRC) portal for its students and staff. The portal acts as a one-stop source for information and provides ready-references and necessary tools to assist users in their assignments or research. ALAM also signed a Memorandum of Understanding with the Malaysian Maritime Enforcement Agency (MMEA) to provide 17 competency and modular courses (in compliance with the STCW) to MMEA officers.

On the research and consultancy front, ALAM has delivered 12 research and consultancy projects for various clients and industry sectors. ALAM is also gearing up to offer a simulation study project for PETRONAS Floating Liquified Natural Gas-2 (PFLNG-2) currently being built at Samsung Heavy Industries. Through collaboration with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), ALAM provided advisory services to the Timor-Leste Marine Department and presented a paper entitled "Women Seafarers" during World Maritime Day Timor-Leste.

The year saw ALAM playing an active role in a myriad of exhibitions. In collaboration with the Ministry of Transport Malaysia, ALAM was an exhibitor at the Langkawi International Maritime & Aerospace Exhibition 2015 (LIMA 2015). In addition, the academy joined the Asia Oil and Gas Conference (Malaysia) and the Sarawak Career and Training Fair 2015 under the ambit of PETRONAS.

During the World Maritime Day Malaysia (WMD) 2015 celebration, the academy was named as the "Best Maritime Training Institution", attesting to its leadership role in the maritime education and training sector. At the same event, ALAM presented a paper titled, "Maritime education and training - prospects for and roles of maritime training institutions", and participated in the MISC Group booth and conducted career talks.

As a testament to its ongoing and consistent commitment to upholding academic excellence, the academy once again received high ratings under the Malaysian Quality Evaluation System for Private Colleges (MyQUEST) 2014/2015. The MyQUEST rating system serves to evaluate the current performance of private colleges under the Ministry of Education Malaysia. ALAM has consistently achieved excellent ratings since the inception of MyQUEST in 2010. ALAM was also nominated as a contending finalist in the Lloyd's Register Asia Awards underscoring the academy's commitment to excellence and leadership on the maritime education and training front.

PRESIDENT/CEO'S REPORT

BUSINESS AND OPERATIONS REVIEW

MARITIME SERVICES AND PORT & TERMINAL MANAGEMENT

IN JULY 2015, PETRONAS MARITIME SERVICES SDN. BHD. (PMSSB), A WHOLLY OWNED SUBSIDIARY OF PETRONAS, CAME UNDER THE AMBIT OF MISC. ESTABLISHED IN JUNE 1992, PMSSB IS VESTED WITH THE AUTHORITY ON BEHALF OF PETRONAS TO ENFORCE THE PETRONAS POLICY ON MARITIME ACTIVITIES. THE MAIN ROLE OF PMSSB IS TO BE THE MARITIME SERVICES CENTRE FOR THE PROVISION OF MARINE ASSURANCE AND COMPLIANCE, PORT & TERMINAL OPERATIONS AND MANAGEMENT, CONSULTANCY AND SERVICES TO PETRONAS GROUP OF COMPANIES.

PMSSB has been operating and managing PETRONAS' ports and terminals at Kertih, Bintulu, Miri and Kimanis (Sabah Oil & Gas Terminal) since 1994. In addition to that, PMSSB also provides logistics support services to PETRONAS Carigali Sdn. Bhd. at its Kemaman and Labuan supply bases.

An ISO 9001:2008 certified company, PMSSB has to date successfully handled more than 30,000 vessels of up to 350,000 DWT at its terminals in Malaysia. The company's professional workforce comprises master mariners, marine engineers, naval architects and marine technologists. PMSSB also acts as a regulator, auditor and advisor for the marine related activities of PETRONAS. The company enjoys a strong working relationship with various government authorities and agencies and is a member of the Oil Company International Marine Forum (OCIMF).

The year 2015 was a challenging one for PMSSB due to the low oil price environment. The number of vessels calling at PMSSB-managed ports and terminals as well as related ship inspection activities were slightly lower than the preceding year. Moving forward, the company will be looking to enhance its business operations and explore potential new markets to ensure sustainable business growth. Now that it is within MISC's stable of companies, PMSSB is in a position to better tap the synergies of the Group to realise its aspiration of becoming a centre of maritime excellence and the principal provider of maritime services to PETRONAS.

PRESIDENT/CEO'S REPORT

BUSINESS AND OPERATIONS REVIEW

FLEET MANAGEMENT SERVICES

IN 2015, MISC'S FLEET MANAGEMENT SERVICES (FMS) DIVISION CONTINUED TO FOCUS ITS EFFORTS ON THE FLAWLESS EXECUTION OF TECHNICAL MANAGEMENT ACTIVITIES TO ENSURE HIGH VESSEL RELIABILITY AND AVAILABILITY ACROSS THE GROUP'S FLEET. THE DRIVE TOWARDS OPERATIONAL EXCELLENCE RESULTED IN A VESSEL AVAILABILITY RATE OF 99.8% SURPASSING INDUSTRY BENCHMARKS ACROSS ALL SEGMENTS OF THE SHIPPING SECTOR. THE YEAR ALSO SAW FMS MAKING 372 LNG SHIPMENTS AND CONDUCTING 100 CHEMICAL VOYAGES FLAWLESSLY TO THE SATISFACTION OF BUSINESS UNITS AND CUSTOMERS.

COMMITTED TO OPERATIONAL EXCELLENCE WITH **99.8%** VESSEL AVAILABILITY RATE

SUCCESSFULLY MADE **372 LNG & 100 CHEMICAL** SHIPMENTS

CERTIFIED WITH **ISO14001:2004** ENVIRONMENTAL MANAGEMENT

MISC's commitment to upholding world class Health, Safety and Environment or HSE standards is evident in the sterling HSE results that we achieved in 2015. FMS achieved a LTIF rate of 0.08 and a TRCF rate of 0.31 which are among the industry's best. In terms of Port State Control (PSC) inspections, 86% of the PSC inspections conducted in 2015 resulted in zero deficiency, while on the SIRE risk assessment inspection front, the average observation per inspection dropped by 12%. To ensure the safety and well-being of our seafarers, we continued to leverage on various initiatives and campaigns to embed the right HSE mind-set and practices throughout the organisation. Our efforts continued to bear fruit with our vessels receiving improved management ratings during inspections by oil, chemical and gas majors.

Over the course of the year, we adopted a peer-to-peer support (P2P) system which was implemented fleet wide. It endorses the distinctive advantages brought on by peer assistance and is helping strengthen the safety culture on board our vessels. To acknowledge the importance of unlearning and relearning, we have embraced the "Reflective Learning" methodology to enhance understanding of shared information and the assimilation of lessons learnt from fleet and industry incidences.

MISC remains committed to building up the capabilities and skills of our sea staff so that they remain at the forefront of our industry and are prepared to meet industry demands today and tomorrow. Several human resource initiatives were introduced in 2015 to strengthen our workforce. The Watch Keeping Officer (WKO) Programme for deck ratings was introduced to provide a career progression opportunity for ratings looking to become officers. Several Officers' Developmental Needs Leadership programmes were designed to address the developmental needs of MISC's officers. These included the Senior Officers Leadership Assessment Programme (SOLAP) and the Senior Engineers Leadership Assessment Programme (SELAP).

Over the next five years, we anticipate more stringent regulations and conventions to be enforced. These include, among others, the MARPOL, Annex II/IBC/IGC Code which requires all tankers to demonstrate compliance with damage stability requirements (2016), IMO's Ballast Water Management Convention (2016), the Manila Amendments 2010 – STCW for seafarers (2017), and SOLAS Regulation III/1.5 – Lifeboat Release and Retrieval System (2019). FMS has been proactively reviewing all the new regulatory requirements and has developed a comprehensive plan and budget to adopt these requirements ahead of their effective implementation timeline.

As most of MISC's 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. In 2015, MISC renewed its IS014001:2004 Environmental Management certification demonstrating our commitment to sound environmental management on board our vessels. This also provides our customers the assurance that we have a strong management system in place to ensure compliance with all applicable environmental regulations.

Our naval auxiliary vessel Bunga Mas Enam participated in the Langkawi International Maritime and Aerospace Exhibition (LIMA) at the invitation of the Royal Malaysian Navy (RMN). May 2015 saw the delivery of the Mobile Sea Base PL Tun Azizan to the RMN. MISC has been tasked with operating and maintaining the vessel which will serve as a forward base in Sabah waters for the Eastern Sabah Security Command (ESSCOM). This development bears testimony to the Malaysian Government's trust and confidence in the operational performance of MISC.

Recognition for MISC's stellar performance was further affirmed when MISC was named the "Best Shipping Company" during The World Maritime Day (WMD) Malaysia 2015 conference which was held in October 2015.

PRESIDENT/CEO'S REPORT

BUSINESS AND OPERATIONS REVIEW

HUMAN RESOURCE MANAGEMENT

OUR WORKFORCE OF OVER 10,000 EMPLOYEES REMAINS OUR MOST IMPORTANT ASSET. THIS IS ALL THE MORE IMPORTANT AMIDST THE HIGHLY COMPETITIVE PLAYING FIELD THAT WE OPERATE IN. THE DEVELOPMENT OF STAFF COMPETENCIES REMAINS A TOP PRIORITY AND WE ENDEAVOUR TO ENSURE THAT ALL EMPLOYEES ARE EQUIPPED WITH THE NECESSARY SKILLS, KNOWLEDGE AND TOOLS TO GIVE OF THEIR BEST TO MISC.

In 2015, MISC invested some RM2.82 million in training programmes amounting to an average of 2.42 man days of training per employee. Of the 183 programmes conducted, the bulk of these (153 programmes) related to functional training while the remainder was split down the middle between leadership and programmes which have been selected to address the identified areas of development arising from the Succession Planning exercise.

MISC's training programmes encompass competency profiling for both leadership skills and functional capabilities as well as experiential learning opportunities to further develop the skills and capabilities of our employees. On the technical skills front, our staff have access to a structured Technical Engineering Competency Development programme that helps them plan their career path, while the Crew Competency Management (CCM) programme gives them access to a pool of mentors ready to share their experience and offer guidance.

To ensure a talent pool of qualified and competent employees are readily available to lead MISC forward, we have in place a structured succession planning programme. Our talent development programme ensures that our employees are equipped with high levels of competency, skills and readiness to take MISC to greater heights.

To ensure we progress forward as a unified organisation, we continue to undertake employee engagement activities that go a long way in helping strengthen the camaraderie and esprit de corps within MISC. In 2015, we continued to leverage on quarterly townhall sessions to cascade down the results of our performance as well as announce developments of existing and new initiatives. Townhall sessions were held in April, June, August and November 2015 respectively.

The June session themed "Afternoon with the President/CEO 2015 – A Journey of Rediscovering & Rebuilding" was a platform to share the aspirations, values and passion of MISC with our people and to gauge their feedback. The two "Sembang Session with the President/CEO" events involving all senior general managers, general managers and business development personnel, were opportune platforms to roll out specific directives and begin crafting the vision for the Group's five-year strategic blueprint.

The MISC family is a multi-racial one and as a company, we have always shown respect for the customs and conventions that are important to our communities. In 2015, we had the opportunity to celebrate the diverse cultural festivals in Malaysia. We continue to acknowledge our people and recognise their invaluable contributions to MISC over the years. In 2015, the annually celebrated MISC Retirement and Long Service Awards was held to honour a total of 115 long-service employees and retirees.

Through the HRM Open Day 2015, employees were given insights into the roles and responsibilities of the HRM function and introduced to the various services offered by public and private sector organisations. As the Group moves forward, people development will remain a key area on our business agenda to ensure the sustainability of our business and shareholder value.

PRESIDENT/CEO'S REPORT

OUR STRATEGIC PRIORITIES

The financial year under review is the beginning of a new chapter for MISC in our journey of rediscovery and rebuilding. The positive developments as a result of our strategic decisions have placed us in a very strong position to grow both organically and inorganically. We now have all the elements in place to drive MISC's sustained growth. The low oil price environment and related developments are actually opportunistic platforms for us to grow in a more invigorated manner.

The mantra "as they pump it, we will move it" has become one that is embedded within our people's consciousness and which is spurring us into action. Armed with a host of effective tools such as our new Vision, Mission, Tagline and the MISC2020 corporate strategy, plus a steely determination to remain resolute come what may, the Board of Directors and the management of MISC are confident that we are on track to realise the Group's full potential and deliver a sustainable performance.

THE POSITIVE DEVELOPMENTS AS A RESULT OF OUR STRATEGIC DECISIONS HAVE PLACED US IN A VERY STRONG POSITON TO GROW BOTH ORGANICALLY AND INORGANICALLY. WE NOW HAVE ALL THE ELEMENTS IN PLACE TO DRIVE MISC'S SUSTAINED GROWTH.

Allow me to share some of what MISC2020, our five-year master plan to achieve sustainable financial performance, will entail.

Beginning 2016 and ending 2020, the MISC2020 corporate strategy calls for the Group to deliver on two primary objectives, namely:

- To achieve a sustainable level of secured profit by 2020; and
- To achieve a sustainable return on average capital employed (ROACE) of more than 10% by 2020.

In order to achieve a sustainable level of secured profit by 2020, MISC must work over the five-year timeframe to absorb all fixed costs and overheads as well as absorb losses from our cyclical business segments during the worst of cycles. This will ensure that we never fall into the red in the worst of times. Subsequently, to deliver a sustainable ROACE of more than 10% by 2020, MISC must instil the discipline to spend wisely and make the right investment decisions.

These overarching objectives call for our core LNG Shipping, Petroleum Shipping, Offshore as well as Marine & Heavy Engineering business segments to prioritise specific initiatives over the next five years.

To attain our first objective of achieving a sustainable level of secured profit by 2020, our business segments will pursue these pathways to prosperity:

LNG Shipping: With the anticipated decline in LNG profitability, there is an urgent need to build a sustainable stream of secured profit. As such, our LNG Shipping segment will set its sights on expanding its portfolio of third party LNG time charters and ensure they are value accretive despite the current competitive landscape.

Petroleum Shipping: Helmed by AET, this segment will shift its business and asset mix to secure more long-term businesses. It will look to attain a good mix of time and spot charters as well as explore expansion opportunities within the niche shuttle tanker segment that will provide long-term secured income to help mitigate any downturn in the cyclical spot market.

Offshore: On the Offshore front, this business will explore acquisition opportunities arising from asset divestments by Oil & Gas players globally as well as pursue organic growth when the oil price recovers. Our Offshore business will ultimately move beyond Malaysian shores and expand its international footprint.

Marine & Heavy Engineering: This segment under MHB will look to reduce the cyclicality of its revenue streams by developing a larger recurring income base (from the marine repair business for instance) while managing cost and process efficiencies.

In achieving the second objective of sustainable ROACE of more than 10% by 2020, we will work hard to balance our portfolio of assets vis-à-vis cash and profit generating assets. At the same time, we will restructure our mix of long-term capital (debt to equity) for competitive cost of capital. Finally, we will endeavour to find the right mix of debt to equity to drive long-term ROACE. We are of the opinion that size does not matter but that quality of income and cash flow is paramount.

As we venture forth, we will continue to focus on shipping and maritime-related Oil & Gas activities and not stray from our four core business segments. Plans are underway for the Group to tap opportunities in our next growth region, namely the Atlantic Basin, over the next five years and we will announce our plans as they unfold.

The fact that the MISC Group is today a USD10 billion dollar company in terms of assets with minimal borrowings, bodes well for us. Leveraging on our financial strength, our highly competent and unified workforce, our strategic assets plus robust business strategies, MISC is poised to forge ahead with vigour and optimism.

THE WAY FORWARD

MISC is well positioned to take advantage of the low oil price environment and other factors to propel forward and deliver a sustainable performance. As we set our sights on delivering sustainable growth, we will be guided by our refreshed Vision which calls for MISC "to consistently provide better energy related maritime solutions and services", while our revitalised Mission directs us "to be consistently better".

Fuelled by an unwavering belief, pride and passion, the people of MISC have worked hard to build a global business and brand. With nearly 50 years of excellence to our name, we continue to move energy across the seven seas to power businesses and economies and build a better world. Our impact continues to resonate far and wide and we continue to energise ourselves to be consistently better.

With that in mind, we will endeavour to conduct our business operations in a responsible and sustainable manner, define and enhance relationships with our key stakeholders as well as ensuring holistic value creation over time. These notions are of paramount importance for MISC and therefore, our refreshed Mission reflects our pledge to our stakeholders whereby **to be consistently better we strive:**

- to exceed the expectations of our customers
- to promote individual and team excellence of our employees
- to create a positive difference to the lives of communities
- to care for the environment and operate responsibly
- to drive sustainable value for our shareholders

As we work hard to reach our aspirations, I am confident that we will continue to make waves wherever we go. The solid groundwork we have laid and the good momentum we have gained to date, together with our purpose, which defines us, shapes us and moves us, will enable us to make strong strides forward.

A NOTE OF APPRECIATION

In closing, I wish to record my deep appreciation to the members of the Board of Directors for their wise counsel in helping us chart a steady path. Your insights has proven invaluable in helping us make this journey that has seen us grow from strength to strength.

I also wish to convey my heartfelt thanks to our valued shareholders, clients and partners for their unwavering trust and confidence in us these many years. My gratitude also goes to the Royal Malaysian Navy for their notable efforts in keeping our fleet safe from threats of piracy.

Last but not least, my sincere and personal gratitude goes to all our staff for their hard work, unswerving dedication and invaluable contributions to MISC over the course of 2015. Together, we have weathered many a storm and survived the challenges befalling our industry. Together, we have emerged from the tempests more resilient, more capable and determined for success.

As we prepare to embrace a new hope and a future with our reinvigorated vision and mission as well as our MISC2020 battle plan, I am quietly confident that we will make good headway. The fair wind in our sails will help propel us along on our journey to new heights of success.

YEE YANG CHIEN
President/Chief Executive Officer
8 March 2016

KEY HIGHLIGHTS OF 2015

JAN 2015

14 JANUARY 2015

Successful Commissioning of New Hachinohe LNG Terminal, Japan

Puteri Mutiara Satu under charter to PETRONAS LNG Sdn. Bhd. (PLSB) successfully carried out the commissioning and the Initial Cool Down of the Shore Tanks of the new Hachinohe LNG Terminal located in the North Eastern region of Japan from 8 to 14 January 2015. Hachinohe LNG Terminal is owned by JX-NOE and operated by JX LNG Services, both are group companies of the Nippon Oil Corporation.

MAR 2015

2 MARCH 2015

MISC Signed Time Charter Party Contracts for Five (5) New LNG Carriers with PETRONAS

The contracts are for long-term for each vessel commencing upon delivery of the new LNG carriers to PLSB and will have a charterer's option of extension. This marks a significant milestone to MISC as these five new LNG carriers will be the first fleet of Moss type vessels that MISC will own and operate. It also marks MISC's entry into the new Floating LNG (FLNG) market by operating those vessels into PETRONAS' new FLNG facilities. On a separate transaction, PLSB has also agreed to extend the charter of five (5) refurbished Puteri Class LNG carriers on a time charter basis for another long-term contracts for each refurbished LNG carrier.

13 MARCH 2015

MISC Showcase its Business at the Australasian Oil and Gas Exhibition

MISC's OBU participated as an exhibitor at Australia's largest resource industry event, the Australasian Oil and Gas Exhibition and Conference (AOG) 2015 at Perth Convention Exhibition Centre from 11-13 March 2015. AOG gave the opportunity for MISC to showcase OBU as its in-house engineering and project management capabilities in developing and managing floating assets of various concepts.

MAR 2015

16 MARCH 2015

Steel Cutting Ceremony for Hull No. 2729

A steel cutting ceremony was held for Hull No. 2729, MISC's first vessel in a series of five (5) Moss type LNG carriers at the Hyundai Heavy Industries (HHI) in Ulsan, South Korea. The steel cutting event signifies another major milestone and marked MISC as the proud owner of the project, following the completion of the novation agreement between PETRONAS, HHI and MISC Berhad in February 2015.

20 MARCH 2015

Wildlife and the Ocean Art Exhibition by Project Mata Hati

As part of its Community Outreach Programme, MISC, in collaboration with Sekolah Menengah Pendidikan Khas (SMPK) Setapak, Kuala Lumpur and Universiti Pendidikan Sultan Idris (UPSI) launched the Project Mata Hati in year 2011 that includes extra tuition, language, music, tahfiz and art classes to enhance the students' abilities in academic, literature, fine arts, music and religious studies. The students were given the opportunity to experience nature on an outing in March 2014, to a beach in Kemaman and were later encouraged to craft their experiences in the form of artwork. Their artwork were put on display to be appreciated by art lovers and were sold as part of the school's fundraising programme. Some of the artworks were also used as part of the design in MISC's festive greeting cards for 2015.

21 MARCH 2015

MISC's Bunga Mas Enam Featured in LIMA 2015

MISC was showcased in the Langkawi International Maritime and Aerospace Exhibition 2015 (LIMA 2015) that went on from 17-21 March 2015. MISC's Bunga Mas Enam (BM6) along with other naval vessels participated in the Multinational Maritime Security Sea Exercise 2015 (MNMSSX15) and was used as the target vessel in an anti-piracy exercise. BM6 was also one of the naval vessels saluted in its International Fleet Review which was attended by honoured dignitaries, including the ministers of defence of various countries, and senior officers of navies from other countries.

One of the highlighted events of LIMA 2015 was the Chief of Navy Roundtable Talks which was attended by Malaysia's Minister of Defence, YB Dato' Seri Hishamuddin Hussein and other dignitaries. During the discussion, MISC highlighted the need for greater regional effort to secure the Southwest corridor of the South China Sea. This recommendation was well received by the participants.

KEY HIGHLIGHTS OF 2015

MAR 2015

25 MARCH 2015

Aman Hakata Delivered Her Final LNG Cargo to Saibu Gas Nagasaki Works

This marked a significant chapter in MISC's history as it closed the curtain on the Aman Class-Saibu Gas LNG project. Since 1993, Aman Class had safely delivered 760 LNG cargoes to Saibu Gas via its Fukuhoku Works LNG Terminal and Nagasaki Works LNG Terminal, without a single major incident.

APR 2015

25 APRIL 2015

Malaysian Maritime Academy (ALAM) Celebrates its 112th Convocation Ceremony

Malaysian Maritime Academy (ALAM) celebrated its 112th Convocation Ceremony, which saw a total of 294 graduates ready to embark on a rewarding seafaring career. The event was officiated by YBhg. Datuk Nasarudin bin Md Idris, Chairman of Malaysian Maritime Academy Sdn. Bhd. The ceremony also marked a significant milestone for ALAM as it celebrated its highest number of female graduates passing out from the academy. A total of 22 female graduates received their Diplomas with some also receiving the ALAM Rank Holders Award.

MAY 2015

5 MAY 2015

MISC Delivers Mobile Sea Base PL Tun Azizan

It was a momentous day when MISC and MHB delivered the Mobile Sea Base, PL Tun Azizan to PETRONAS. Previously a cargo vessel, the PL Tun Azizan was successfully converted into a mobile sea base ship equipped with the necessary features to function as a long-term national security asset. The name Tun Azizan was chosen as a tribute to the late Tun Azizan Zainul Abidin, whose contributions to PETRONAS and the nation, are undoubtedly significant and inspiring. In his 44-years of service to the country, Tun Azizan has achieved beyond the means of his position as the principal private secretary to Tun Abdul Razak Hussein, Tun Hussein Onn and Tun Dr. Mahathir Mohamad.

MAY 2015

15 MAY 2015

Aman Sendai Delivered its 300th LNG Cargo to Gas Bureau, City of Sendai via their Shin-Minato Works LNG Terminal

Aman Sendai delivered her first LNG Cargo on 28 May 1997. The 300th Cargo Ceremony was so momentous to both the Gas Bureau, City of Sendai and the LNG terminal due to the dismal fact that the terminal's jetty, the administration building and its infrastructure were completely destroyed by the Tsunami during the triple disaster that hit the North Eastern Japan on 11 March 2011 and took them nine months to rebuild the facilities.

19 MAY 2015

MISC Participates in the 18th Asia Oil and Gas Conference

MISC participated as an exhibitor at the 18th Asia Oil and Gas Conference (AOGC 2015). The two-day conference was held from 18-19 May 2015 at the Kuala Lumpur Convention Centre. This year, the conference saw the participation of more than 1,000 delegates, ranging from policy and key decision makers to government officials and key figures of major oil and gas corporations across the globe. Its theme, "Realising Opportunities Amidst Challenges", aimed to highlight on current issues, exchange ideas and opinions, discuss and deliberate challenges and solutions confronting the Oil & Gas industry.

26 MAY 2015

Steel Cutting Ceremony for Hull No. 2730

A steel cutting ceremony was held for Hull No. 2730, MISC's second vessel in a series of five (5) Moss type LNG carriers at the HHI in Ulsan, South Korea. The steel cutting event commemorates another major milestone for MISC as the proud owner of the project.

KEY HIGHLIGHTS OF 2015

MAY 2015

27 MAY 2015

MISC Holds its 46th AGM

MISC held its 46th Annual General Meeting at the Mandarin Oriental Hotel, Kuala Lumpur on 27 May 2015. The AGM saw a great attendance of shareholders. MISC's Chairman, YBhg. Dato' Ab. Halim bin Mohyiddin presided over the AGM and was joined on the stage by MISC's President/CEO, Mr. Yee Yang Chien as well as other Board Members. The AGM began with a briefing to the Shareholders on the industry overview and MISC's performance by President/CEO. The question and answer session showed the shareholders' strong interest in the development and growth of MISC.

30 MAY 2015

MISC & AET Senior Officers Management Conference and Launch of the New Funnel Design

During the Senior Officers Forum which took place at Holiday Inn from 26-30 May 2015, MISC's President/CEO delivered an impactful address by sharing the business performance and direction of MISC Group in general. He also unveiled the new design of the MISC funnel. The new funnel was designed to reflect the strength and resilience of MISC Berhad as a global entity and the visual represents a renewed bold, vibrant and a more contemporary image to MISC's dynamic growth.

JUN 2015

1 JUNE 2015

The Director General of Marine Department Malaysia's visit to ALAM

ALAM had the honour of being visited by YBhg. Dato Hj. Baharin bin Dato' Abdul Hamid, Director General of Marine Department Malaysia on 1 June 2015. During his visit, Dato' Hj. Baharin was accompanied by Captain Nazri bin Abu Hassan, Principal Assistant Director, Examination and Seafarers Competency Unit, Marine Department Malaysia. Dato' Hj. Baharin commended on the capabilities and high standards exhibited by all the students and staff.

JUN 2015

9 JUNE 2015

AMI Manning Services Fully Operational

First launched in November last year, at the officers' conference in Gurgaon, AMI Manning Services Pvt. Ltd. is now fully operational. The new organisation celebrated this milestone with an inauguration event on 9 June 2015. A joint venture company between MISC and AET, AMI is established in the "millennium city" of Gurgaon in the north of India with branch offices in Mumbai and Chennai and is dedicated to recruiting and retaining high quality Indian officers and ratings to serve in the MISC and AET fleets.

JUL 2015

7 JULY 2015

MISC Acquired PMSSB

On 7 July 2015, MISC completed the acquisition for the 100% equity interest in PETRONAS Maritime Services Sdn. Bhd. (PMSSB), a subsidiary of PETRONAS. The acquisition includes PMSSB's wholly-owned subsidiary, Sungai Udang Port Sdn. Bhd. (SUPSB). The rationale of this transaction is to position MISC as a one-stop maritime centre for PETRONAS. It will allow MISC to offer a full range of maritime services to the PETRONAS Group and become its centre of maritime excellence.

27 JULY 2015

Steel Cutting Ceremony for Hull No. 2731

A Steel Cutting Ceremony was held for Hull No. 2731, MISC's third vessel in a series of five (5) Moss type LNG carriers at the HHI in Ulsan, South Korea. The steel cutting event commemorates another major milestone for MISC LNG shipping project.

AUG 2015

4 AUGUST 2015

MISC Celebrates Raya with Customers

On 4 August 2015, MISC hosted a Hari Raya celebration with its key customers, bankers, representatives from the Royal Malaysian Navy and other government agencies. This special occasion gave MISC a great opportunity to get-together to celebrate Hari Raya and fortify relationships.

KEY HIGHLIGHTS OF 2015

AUG 2015

9 AUGUST 2015

MISC and the Royal Malaysian Navy (RMN) Successfully Completed its Anti-Hijacking Drill – The Annual Naga Emas Exercise

MISC and the RMN conducted a joint exercise to test and drill our crew members in preparation to combat acts of piracy against shipping companies. To support this objective, one of the initiatives include the Naga Emas Exercise, annually held between MISC and the RMN's Special Forces (PASKAL). Currently in its 28th year running since 1987, the exercise for this year was organised on board MISC's chemical tanker, Bunga Aster. The exercise involved live boarding of the Special Forces team simultaneously by air, surface and sub-surface using helicopters, assault boats and divers. A Multi-Purpose Command and Support ship, KD Sri Indera Sakti and two Navy helicopters were deployed to support the team during the assault phase. A total of 200 naval personnel were involved in this exercise and some of MISC's Bunga Aster crew members participated as hostages.

SEP 2015

4 SEPTEMBER 2015

AET Names DP Shuttle for Statoil Charter

On Friday, 4 September 2015, a shipnaming ceremony was held at Port of Stavanger, Norway, for our newest petroleum vessel, a 120,000 DWT DP2 shuttle tanker, "Eagle Bergen". "Eagle Bergen" is the second of two vessels built by Samsung Heavy Industries to the standards required to operate on the Norwegian continental shelf. She is fixed on long-term charter to Statoil ASA. "Eagle Bergen", and "Eagle Barents" are amongst the most advanced vessels of their type to operate anywhere in the world.

12 SEPTEMBER 2015

MISC Hits Another Milestone and Delivers a Fit-for-Purpose FPSO

MISC achieved another significant milestone with the successful completion of a fit-for-purpose FPSO for client, Vestigo Petroleum Sdn. Bhd. (Vestigo). This synergy between Vestigo (a wholly-owned subsidiary of PETRONAS Carigali), MISC Berhad and MHB resulted in this innovative solution to support PETRONAS' passage into the development of marginal oil fields. The contract for Marginal Marine Production Unit (MaMPU), an FPSO solution, was awarded to MISC in September 2014. The conversion works of MaMPU 1 recorded an achievement of 560,094 million incident-free man hours.

OCT 2015

8 OCTOBER 2015

MISC President/CEO Addresses Regulators and Public-Listed Companies at Bursa Malaysia CAP10 Sustainability Symposium 2015

The Bursa Malaysia ASEAN CAP10 Sustainability Symposium was held at the Majestic Hotel Kuala Lumpur with the theme, "Responsible Business, Responsible Investing." The symposium was organised to create bold and deep conversation about the growth of the marketplace in the ASEAN region by focusing on sustainability. MISC's President/CEO was invited as a panel member in one of the Panel Discussions entitled "The Value of Sustainability Practices and Reporting to Stakeholders". The panel members also comprised of top level representatives from BlackRock, Kumpulan Wang Persaraan (Diperbadankan) (KWAP) and Bursa Malaysia, moderated by a representative from WWF International. The main theme of this panel centered around the values gained by organisations in adopting corporate sustainability as well as the relationships, expectations and benefits gained from this approach with respect to their wider stakeholders (with specific focus on the investment community).

27 OCTOBER 2015

MISC's Seri Bakti Delivered GLNG's First Cargo

Seri Bakti became the first vessel to berth at the Santos GLNG terminal on 28 September 2015. Being the first loading operation, both the terminal and vessel carried out various interface and operational tests on board. The terminal successfully completed loading 150,000 cbm of LNG or 98.5% of the total capacity of the vessel. The first shipment from GLNG, Curtis Island was successfully delivered on schedule to Pyeong Taek Terminal, South Korea on 27 October 2015.

28 OCTOBER 2015

AET SIGNS CONTRACTS FOR EIGHT NEWBUILD TANKERS

AET contracts eight new vessels in a deal valued at approximately USD500 million. SHI will build four 113,000 dwt Aframax vessels for delivery in 2018, while Hyundai Heavy Industries Co Ltd (HHI) will build two 114,000 dwt LR2 product vessels and two 158,000 dwt Suezmax vessels for delivery in 2017. Once delivered, the LR2 product vessels will service long-term time charters earlier awarded by a strategic oil major client. The six other newbuilds will replace older tonnage and re-balance the fleet profile, ensuring it continues to deliver optimum solutions for its customers.

KEY HIGHLIGHTS OF 2015

OCT 2015

30 OCTOBER 2015

MISC and ALAM Win "Best Shipping Company" and "Best Maritime Education & Training" Awards

During the World Maritime Day Malaysia (WMD) 2015 conference and exhibition, MISC was named the "Best Shipping Company" while its subsidiary "Malaysian Maritime Academy (ALAM)" won the "Best Maritime Education and Training" Award. The event was held on 30-31 October 2015 at PWTC. This year, the WMD was launched by the International Maritime Organisation (IMO) with the theme "Maritime Education and Training (MET)". The theme placed emphasis on the wider spectrum of maritime education and training, in particular its adequacy and quality. As a bedrock of a safe and secure shipping industry, MET needs to preserve the quality, practical skills and competence of qualified human resources, in order to ensure its sustainability.

NOV 2015

5 NOVEMBER 2015

MISC Showcased During the Asian Corporate Governance Association (ACGA) Annual Conference

Recognised as an organisation that practices good Environment, Social and Governance, as well as winning the Best First-Time Reporting for Sustainability from the ACCA Malaysian Sustainability Reporting Awards, MISC was picked by PETRONAS to share our experiences in our pursuit towards good governance and sustainability practices with the Asian Corporate Governance Association (ACGA). MISC's President/CEO said that the key motivation is to create sustainable value for our stakeholders and that the key element in deciding how we stay ahead of the curve is to identify the risks so that they could be mitigated.

INVESTOR RELATIONS REPORT

IN OUR COMMITMENT TO UPHOLD BEST PRACTICES IN CORPORATE GOVERNANCE AND ENSURE TIMELY DISCLOSURE OF MATERIAL INFORMATION TO STAKEHOLDERS, MISC CONTINUES TO BE CONSISTENT AND TRANSPARENT IN PROVIDING UPDATES AND REPORTS ON OUR BUSINESS OPERATIONS, FINANCIAL PERFORMANCE, STRATEGIES AND FUTURE PROSPECTS.

During the financial year, the Group's Investor Relations (IR) Programme continues to provide a platform for two-way communication between MISC and the investment community, with active participation by the Group's senior management. We remain committed to keeping the market informed via timely announcements of our quarterly financial results in line with Bursa Malaysia's Listing Requirements. Active stakeholders' engagement efforts were conducted by means of quarterly analysts' briefings via audio conferencing with 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 and performance.

At MISC, we understand the importance of keeping an open and credible communication channel with the investment community as an integral part of our commitment towards transparency and corporate governance. Throughout the year, the management team together with the Investor Relations unit have been engaging investors with interests in sustainability, the environment, social and governance (ESG) issues. Regular communication were held with the investing community through private meetings, one-to-one engagements, teleconferences, hi-tea sessions and dialogues with institutional investors as well as analysts from both within Malaysia and overseas. Our strong commitment to communicate with the investment community not only enhances investors' understanding of the Group, but we also aim to use our IR Programme to obtain important feedback from investors and to ensure we keep abreast with shareholder expectations.

Our IR programme continues with investors' education and awareness through dissemination of monthly industry newsletters to assist the investment community in keeping abreast of the current trends and developments in our industry. Our corporate website has also been upgraded for ease of information gathering with the latest Group disclosures.

In promoting a more inclusive and engaging communication with minority shareholders, MISC's 46th Annual General Meeting (AGM) was held on 27 May 2015. Through our AGM, minority shareholders were given the opportunity to interact and receive updates on the operations, financials, business strategies and future prospects of MISC from our President/CEO and the Board of Directors.

To provide stakeholders and the public with an independent view of the Group, comprehensive annual reviews were also done with the credit rating agencies, namely Moody's Investor's Services (Moody's), Standard & Poor's (S&P) and Malaysian Rating Corporation Bhd (MARC).

In the year ahead, MISC will continue to disclose material information on our corporate developments in line with best IR practices and as required under Bursa Malaysia's Listing Requirements. We will continue to enhance our IR efforts and proactively engage institutional shareholders and investors with information on an equal basis, promptly and in a clear and consistent manner.

INVESTOR RELATIONS REPORT

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

President/Chief Executive Officer

Vice President for Finance

Vice President for Corporate Planning and Development

General Manager – Corporate Strategy and Risk

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 23 FEBRUARY 2016

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	552	10.04	6,896	0.00
100 - 1,000	1,033	18.78	649,296	0.01
1,001 - 10,000	2,287	41.58	9,391,130	0.21
10,001 - 100,000	989	17.98	34,412,501	0.78
100,001 to less than 5% of issued shares	637	11.58	1,332,537,469	29.85
5% and above of issued shares	2	0.04	3,086,795,811	69.15
Total	**5,500**	**100.00**	**4,463,793,103**	**100.00**

DIRECTORS' SHAREHOLDINGS

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

* Deemed interested by virtue of her daughter's shareholding in MISC pursuant to Section 134(12)(c) of the Companies Act, 1965

SUBSTANTIAL SHAREHOLDERS

No.	Name of Substantial Shareholders	No. of Shares	%
1	Petroliam Nasional Berhad – CIMB Group Nominees (Tempatan) Sdn. Bhd. Exempt An for Petroliam Nasional Berhad	2,797,459,800	62.67
2	Employees Provident Fund Board – Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board	323,545,111	7.25

STATISTICS ON SHAREHOLDINGS

AS AT 23 FEBRUARY 2016

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	289,336,011	6.48
3	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	152,400,000	3.41
4	STATE FINANCIAL SECRETARY SARAWAK	67,466,667	1.51
5	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	61,184,080	1.37
6	PENANG DEVELOPMENT CORPORATION	50,800,000	1.14
7	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. MALAYAN BANKING BERHAD FOR LEMBAGA KEMAJUAN TANAH PERSEKUTUAN (FELDA)	46,610,200	1.04
8	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM WAWASAN 2020	33,268,940	0.75
9	AMSEC NOMINEES (TEMPATAN) SDN. BHD. AMTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB-DALI)	29,648,400	0.66
10	PERMODALAN NASIONAL BERHAD	29,232,700	0.65
11	CARTABAN NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	29,153,868	0.65
12	CARTABAN NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR EASTSPRING INVESTMENTS BERHAD	25,417,000	0.57
13	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. MALAYAN BANKING BERHAD FOR LEMBAGA KEMAJUAN TANAH PERSEKUTUAN (FELDA 2)	25,000,000	0.56
14	HSBC NOMINEES (ASING) SDN. BHD. BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	24,060,091	0.54
15	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	22,654,000	0.51
16	LEMBAGA KEMAJUAN TANAH PERSEKUTUAN (FELDA)	21,948,050	0.49
17	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.S.A.)	20,424,479	0.46
18	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR AIA BERHAD	19,197,426	0.43
19	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC DIVIDEND FUND	17,117,560	0.38
20	CARTABAN NOMINEES (ASING) SDN. BHD. GIC PRIVATE LIMITED FOR GOVERNMENT OF SINGAPORE (C)	16,916,700	0.38

30 LARGEST SHAREHOLDERS (CONT'D.)

No.	Name of Shareholders	No. of Shares	%
21	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM DIDIK	16,101,300	0.36
22	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. MAYBANK TRUSTEES BERHAD FOR PUBLIC ITTIKAL FUND (N14011970240)	15,000,000	0.34
23	CITIGROUP NOMINEES (ASING) SDN. BHD. CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	14,766,104	0.33
24	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BCH)	14,333,180	0.32
25	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EMPLOYEES PROVIDENT FUND BOARD (NOMURA)	14,000,000	0.31
26	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)	12,715,900	0.28
27	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT ENTERPRISES FUND	11,956,040	0.27
28	MINISTER OF FINANCE AKAUN JAMINAN PINJAMAN KERAJAAN PERSEKUTUAN	10,000,000	0.22
29	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (JPMELAB AIF APG)	9,350,500	0.21
30	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC EQUITY FUND	8,624,560	0.19
	TOTAL	**3,906,143,556**	**87.51**

SUSTAIN

WE ARE COMMITTED TOWARDS OPERATING OUR BUSINESS RESPONSIBLY AND RESPECTFULLY AS WELL AS CREATING VALUE AND POSITIVE IMPACT THAT WILL RESONATE ACROSS OUR KEY STAKEHOLDERS. THE PRINCIPLES OF SUSTAINABILITY AND CONTINUITY ARE THE ANCHOR IN OUR JOURNEY OF BUILDING A BETTER WORLD FOR US AND THE GENERATIONS TO COME.

"AS MISC VENTURES FORTH, THE ISSUE OF BUSINESS SUSTAINABILITY REMAINS HIGH ON OUR AGENDA. FROM THE WAY WE CONDUCT OUR BUSINESS, MANAGE OUR EMPLOYEES, MITIGATE THE IMPACT OF OUR OPERATIONS ON THE ENVIRONMENT AND MAKE A POSITIVE IMPACT ON LOCAL COMMUNITIES, THE GROUP IS COMMITTED TO OPERATING IN A RESPONSIBLE AND SUSTAINABLE MANNER."

SUSTAINABILITY STATEMENT

SUSTAINABILITY @ MISC

SUSTAINABILITY IS AN INTEGRAL PART OF MISC'S OPERATIONS, FROM THE WAY BUSINESS IS CONDUCTED, EMPLOYEES MANAGED, ENVIRONMENTAL IMPACT REDUCED AND POSITIVE IMPACT IS CREATED FOR LOCAL COMMUNITIES. IN OPERATING RESPONSIBLY, THE GROUP STAKEHOLDERS ARE ACTIVELY ENGAGED, TO ENSURE THAT MATERIAL ISSUES ARE IDENTIFIED, ADDRESSED AND MANAGED EFFECTIVELY.

At present, sustainability is practiced within the organisation through the Group's Mission statements which serve as a guide in reaching the organisational goal. With the understanding that sustainability is a long term process, MISC is working towards a more strategic approach in managing sustainability within the organisation. Capitalising on the Group's strengths and improving on identified gaps will help drive the Group to the next level, in line with the aspiration of enduring growth and progress.

SUSTAINABILITY GOVERNANCE

A multi-pronged approach is taken in managing sustainability matters within the Group through the Sustainability Steering Committee, the MISC Group HSE Council and the Management Committee.

All sustainability matters are reported and managed through these three bodies which function to consistently address material issues across all businesses and locations of operations.

Guided by the MISC Mission Statements, the Group seeks to fulfil its responsibilities and commitments to its five key stakeholders.

SHAREHOLDERS

As one of the largest shipping and maritime companies based on market capitalisation, MISC's aim is to consistently deliver sustainable returns to investors and shareholders. This is done by strengthening the Group's core businesses and capitalising on growth opportunities in the near future. Good governance is integral to the way business is conducted, from the strong leadership team to the Group's robust balance sheet as a result of prudent decisions made in the past few years. Internal controls are in place to complement business policies and recommended best practice to ensure informed decision-making processes are made within the Group.

CUSTOMERS

The Group primarily caters to the oil and gas markets through core businesses in LNG and petroleum transportation, offshore business and marine & heavy engineering. The sustained low oil price environment is posing a challenge even to the most resilient of companies. At MISC, the strategy is to focus on providing the best service and experience to all customers – through stringent health and safety standards, operational responsiveness, and tailored solutions in order to exceed customer expectations.

EMPLOYEES

The MISC Group employs over 10,000 staff globally, both sea and shore, from various nationalities. Equipping employees with the necessary functional and leadership skills is imperative in order to help them excel at the workplace. Apart from providing various training opportunities, MISC aims to create a highly engaged workplace with an emphasis on performance and excellence. In 2015, there was an increased focus on employee engagement with more avenues such as Employee Townhalls, "Sembang" Sessions, festive celebrations and family days for both sea and shore staff.

Safety is an aspect that is not just important to customers, but also to the Group due to the nature of work carried out. The safety of the Group's employees is a key concern, and employees are constantly reminded by management to make safety a priority in their daily duties through the various campaigns carried out perennially.

ENVIRONMENT

The biggest impact to environment is through greenhouse gas emissions, a by-product of the fuel consumption of the Group's many fleet vessels. Although the shipping industry only emits 2.2% of global emissions, the IMO has introduced regulations to help minimise environmental impact arising from the shipping industry. Apart from meeting IMO regulations, the Group has also undertaken efforts to improve efficiency through the various energy saving initiatives such as the "I Save Fuel" Programme and ISO 50001 Energy Management System for the Group's floating assets. Operating in a responsible manner and minimising impact on the environment where possible, is key to the way business is managed at MISC.

COMMUNITY

The Group actively seeks ways to leave a positive impact on the communities that we come in touch with. This is carried out through various means, including providing education and career opportunities through the Group's maritime academy, ALAM, and through the various community outreach programmes carried out, such as Project Mata Hati which benefits vision impaired school children and the Annual Gift Drive for the Sailor's Society.

Further details on the Group's sustainability approach and efforts can be found in the MISC Sustainability Report 2015.

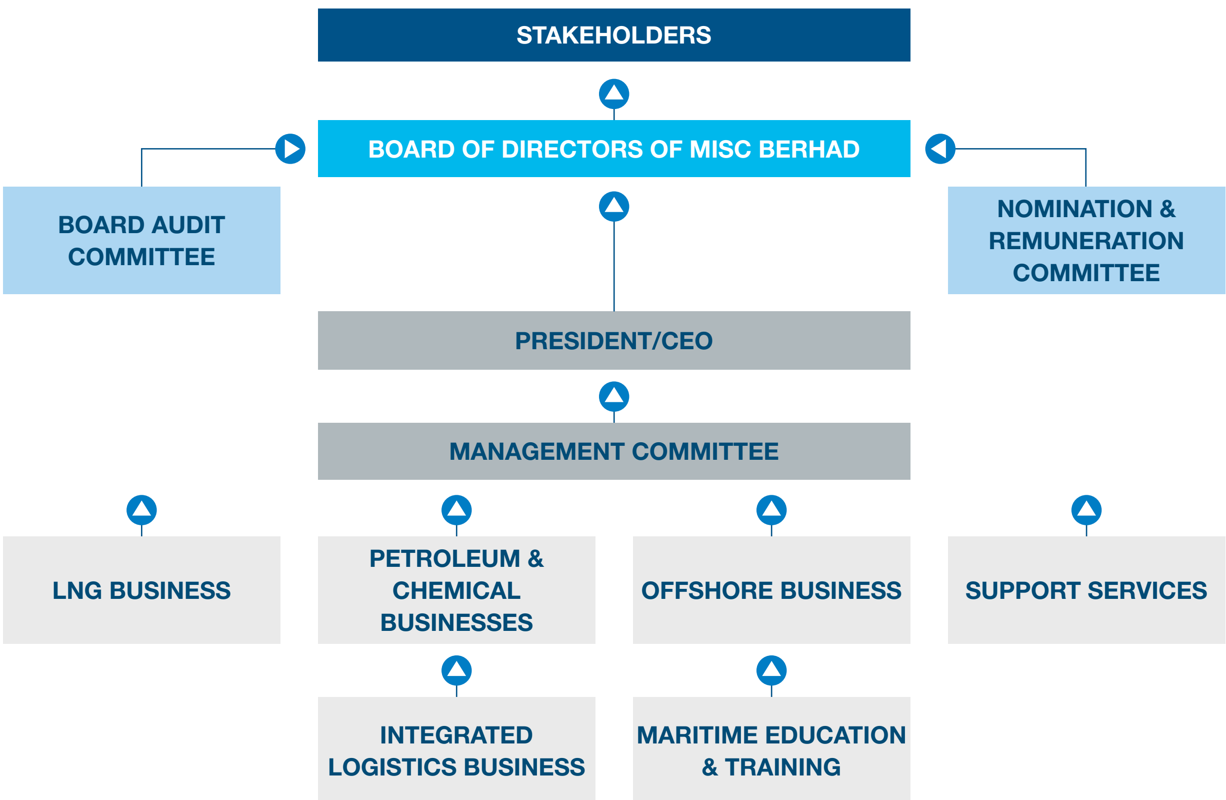
STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("the Board"), Management and employees of MISC Berhad ("MISC" or "the Company") continue to improve the standard of corporate governance practices throughout the MISC Berhad Group ("the Group"). The Company adopts the belief that sound corporate governance practices are fundamental towards winning investors' confidence and are prerequisites to achieving 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 Heavy Engineering Business resides in a separate company within the Group and has its own separate corporate governance framework that is 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

A. Board Charter

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. In order for the Board to discharge its roles and responsibilities, the Board is guided by the MISC Board Charter that provides the framework in the performance of the Board's function and duties vis-à-vis the Company and Management.

The Board Charter outlines amongst others, Board Roles and Responsibilities, Board Processes, Board Functions and Board Development in order to ensure efficiency in Board performance. The Board Charter is available on the Company's website at www.misc.com.

B. Board Roles and Responsibilities

The Board is responsible for providing oversight and stewardship through the following:-

- Establishing a strategic plan in line with the Company's vision, mission and objectives;
- Overseeing the conduct and performance of the Company and of the President/CEO against agreed goals and objectives;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage the risks;
- Ensuring a sound succession plan and continuous development of human capital;
- Developing and implementing an investor relations programme;
- Reviewing the adequacy and the integrity of the Company's internal control systems; and
- Reviewing the strategic, capital or funding transactions and monitoring execution of these transactions.

To facilitate the Board's effectiveness and the efficient discharge of its duties and responsibilities, the Board is assisted by the Board Committees that operate under clearly defined Terms of Reference. Nevertheless, the Board is ultimately accountable and responsible for the affairs and business of the Company.

The Board's responsibilities are clearly provided in the Board Charter and MISC Limits of Authority ("MISC LOA") which also outline the demarcation between Board's and Management's responsibilities.

STATEMENT ON CORPORATE GOVERNANCE

Policy and Strategy

A dedicated Special Board meeting is held before the end of the year to focus on deliberations of the Company's Annual Business Plan and Budget for the following year, including any long-term business plan. Ahead of the Business Plan and Budget meeting, the Board members also participate with the Management in the External Environment Analysis and Sectorial Outlook discussion on the Company's business together with the budget parameters, capital expenditure and financing plan.

The Company's performance is monitored via a Company Balanced Scorecard which outlines five (5) dimensions for monitoring performance, i.e., Financial, Strategic Initiatives, Operations, Health, Safety & Environment (HSE) and People Development. These dimensions are generally in line with the Annual Business Plan and Budget approved by the Board. The Balanced Scorecard is deliberated at length at the Nomination and Remuneration Committee ("NRC") prior to the performance year in question, to be approved at the Board. For each dimension, specific weightages are given, along with the 'Minimum', 'Base' and 'Stretch' targets to be met by the Company and President/CEO. These specific performance dimensions are in turn monitored by measurable Key Performance Indicators ("KPIs") which are reviewed by the Board and given ratings as appropriate.

The Board also deliberated on the Company's revised Succession Planning Policy, which covers the appropriate succession plan for the Company's Management Committee members and other critical positions within the Company. In addressing the Succession Planning Policy, the Board also deliberated on the necessary developmental plans applicable for Management Committee members.

Risk Management & 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.

Over and above the quarterly updates by the Board Audit Committee on risk events and mitigation measures at the enterprise level, in 2015 the Board conducted an overall review of the Company's Risk Management Framework and status of risk management activities to date, including the emerging risks stemming from the depressed oil and gas industry. The Board also ensures that all relevant project and investment risks are deliberated when making such decisions.

In relation to reviewing the adequacy and the integrity of the Company's internal control systems (conducted via the Board Audit Committee), the Board reviewed Related Party Transactions oversight, Conflict of Interest oversight and certain improvements to internal controls and processes as highlighted by the Group Internal Audit.

This Company's Risk Management & Internal Control practice is further elaborated in the Statement on Risk Management and Internal Control in pages 112 to 118 of this Annual Report.

Ethics and Compliance

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 the Company, its 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 MISC Anti-Bribery and Corruption Manual also serves to guide the Company in relation to such matters.

The Whistleblowing Policy outlines the systems and processes, including support of a Secretariat and a dedicated CoBE hotline for employees to utilise on a strictly confidential basis, for purposes of making reports of non-compliance with the CoBE. In line with the highest standards of integrity expected of the Company's employees, the Board also reviews material Whistleblowing reports submitted to it. As at 31 December 2015, the Whistle-blowing Secretariat and Whistle-blowing Committee have been operationalised by the Compliance Unit of Legal, Corporate Secretarial & Compliance Department of MISC.

Health, Safety and Environment ("HSE")

The Board is committed to giving attention to strategies relating to HSE and compliance with the relevant laws, rules and regulations. The Board also places emphasis on the formulation of strategies to promote sustainable development in areas covering economics, environment and social development.

C. Board Composition and Balance

The Board currently has 9 Directors comprising a Chairman who is an Independent Non-Executive Director, 4 other Independent Non-Executive Directors, 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. Mohamed Firouz Asnan, who are nominees of Petroliam Nasional Berhad ("PETRONAS"), and YBhg. Datuk Nasarudin Md Idris who is the former President/CEO of the Company.

The composition of the Board has seen the following changes since the last Annual General Meeting ("AGM") of the Company:-

- Mr. Harry K. Menon resigned as an Independent Non-Executive effective 28 May 2015 due to the implementation of Directors' succession planning in relation to Independent Directors. His chairmanship on the Board of Audit Committee was assumed by YBhg. Dato' Sekhar Krishnan.

- Effective 1 October 2015, the Company appointed En. Mohamed Firouz Asnan as Non-Independent Non-Executive Director and nominee of PETRONAS in place of En. Mohd. Farid Mohd. Adnan due to certain changes of management portfolio in PETRONAS.

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

Membership of the Board is drawn from various professional backgrounds, bringing 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 Chairman and the President/CEO.

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 28 to 36 of this Annual Report.

Chairman

In line with Recommendation 3.5 of the Code, the Chairman of the Company is an Independent Non-Executive Director. As the Chairman, YBhg. Dato' Ab. Halim Mohyiddin is primarily responsible to lead the Board for the orderly conduct and effectiveness of the Board in discharging its responsibilities. This includes setting the agenda, style and tone of Board's discussions so as to promote constructive debate and effective decision-making, and leading all Board meetings and general meetings. He also has the discretion to determine whether additional Board Committees are required to support the Board's role and ensuring the effectiveness of such Committees.

President/CEO

Mr. Yee Yang Chien, the President/CEO, is responsible for the overall operations of the business, organisational effectiveness as well as coordinating the development and implementation of policies and business strategies, as guided and approved by the Board. He is also responsible for developing and translating the policies and business strategies into a set of manageable goals and priorities based on effective risk management controls for business operations, investments and other activities.

STATEMENT ON CORPORATE GOVERNANCE

The President/CEO ensures that financial management practices are performed with the highest level of integrity and transparency in the interest of the Company's stakeholders and that the business and affairs of the Company are carried out in an ethical manner and in full compliance with the relevant laws and regulations.

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 policies and procedures as well as all strategic decisions taken by the President/CEO and/or the Board. The Management Committee's responsibilities and respective authorities are also specified in the MISC LOA.

Non-Executive Directors

The 5 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. The role of Independent Non-Executive Directors is pivotal in providing independent views and advice so that the strategies proposed by the Management are open to constructive challenges for the long-term interest of the Group, taking into consideration the interest of stakeholders, including the minority shareholders.

Conflict of Interest

The Non-Executive Directors do not participate in the day-to-day management of the Company and do not engage in any business transactions or other relationships with the Company as they have the responsibility to exercise independent judgement and to act in the best interest of the Company. All directors within the MISC Group are required to provide a declaration of their interest twice yearly in order to minimise issues relating to conflict of interest. All declarations are maintained in a register of conflict of interest, which is tabled to, and reviewed by the Board Audit Committee. The Company's Group Internal Audit had also conducted an audit on matters related to Directors' conflict of interest, with the general finding that the Company's systems and processes in monitoring Directors' conflict of interest are adequate.

Board Diversity

The Board believes a diverse mix of skills and experience is essential for good governance and a productive Board. The composition of the Board is further enhanced in terms of gender diversity whereby 2 out of 9 Directors are women. The Company is fully committed to meet Recommendation 2.2 of the Code relating to gender diversity. The Board is of the view that each Director should be evaluated and/or appointed based on his or her merits, nevertheless gives due consideration to diversity in general when conducting such evaluation. In this regard, the Board had also agreed to an amendment to the Terms of Reference of the NRC which now expressly requires the NRC to take into account diversity in addressing Board composition. The diversity component has also been embedded in the annual Board KPIs for purposes of monitoring Board performance.

D. Board Meetings and Supply of Information

Board Meetings together with tentative agendas 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. The tentative agendas include matters reserved for Board meetings such as the Annual Budget and Business Plan, financial performance review, major investments and financial decisions and other strategic matters including changes or implementation of key policies and procedures and delegation of authority limits. During the financial year ended 31 December 2015, 8 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 for more than 50% of the total Board meetings held during a financial year.

It is a mandatory practice at all the 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. If necessary, the interested Directors are required to abstain from deliberation and voting on the particular matter. The relevant Director(s) may also excuse himself from the meeting when the matter is being deliberated.

Records of attendance of each Director at Board meetings held in 2015 are as follows:-

Director	Number of Board Meetings Attended
Dato' Ab. Halim Mohyiddin	8 out of 8
Mr. Yee Yang Chien	8 out of 8
Datuk Manharlal Ratilal	7 out of 8
Dato' Sekhar Krishnan	8 out of 8
Dato' Halipah Esa	8 out of 8
Dato' Kalsom Abd. Rahman	7 out of 8
Datuk Nasarudin Md Idris	7 out of 8
Mr. Lim Beng Choon	7 out of 8
En. Mohamed Firouz Asnan (appointed on 1 October 2015)	2 out of 2
En. Mohd. Farid Mohd. Adnan (resigned on 1 October 2015)	5 out of 5
Mr. Harry K. Menon (resigned on 28 May 2015)	4 out of 4

The notice of Board meeting is issued to the Board members at least 2 weeks before the meeting date. Subsequently, the agenda and full set of Board Papers are distributed on a timely manner prior to the 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.

The Directors have direct access to the Management and unrestricted access to any information relating to the Company and the Group in discharging their duties. Where necessary, Management presentations and briefings are held before or during Board meetings to provide clarity to the Board before they can deliberate and approve a certain matter. Distribution of Board papers and other relevant information are done electronically as this enables the Directors to access the information at their convenience.

E. Company Secretaries

To ensure the effective functioning of the Board, all Directors have full access to the advice and services of the Company Secretaries. The Company Secretaries are responsible for ensuring that Board meeting procedures are followed. The Company Secretaries also serve and advise the Board on matters relating to compliance with relevant laws, rules and regulation, governance best practices and Directors' duties and responsibilities. To render the advisory roles to the Board, the Company Secretaries possess the necessary qualifications and experience. Pn. Fadzillah Kamaruddin, the Company Secretary, is also the Vice President, Legal, Corporate Secretarial and Compliance, and possesses the requisite legal qualifications to give legal and corporate governance best practices advice to the Board Members as and when necessary. Her profile is available on page 43 of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE

The Company Secretaries are also responsible for advising the Board of their obligations and duties to disclose their interest in securities, disclosure of any conflict of interest in any transactions involving the Company, prohibition on dealing in securities and restrictions on disclosure of price-sensitive information in line with Recommendation 1.6 of the Code.

The Company Secretaries organise and attend all Board and Board Committee meetings and ensures these meetings are properly convened and deliberations at the Board and Board Committee meetings are properly recorded, minuted and communicated to relevant management for necessary action. Minutes of Board meetings, which include records of the decisions of the Board, are properly maintained by the Company Secretaries.

F. Appointment and Re-election of Directors

The 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, including diversity in gender, 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 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 provides that at least one-third (1/3) of the Directors shall retire from office by rotation at least once in every three years but shall be eligible for re-election.

At the forthcoming AGM, En. Mohamed Firouz Asnan is retiring pursuant to Article 95 of the Articles as he is newly appointed to the Board after the last AGM and being eligible, has offered himself for re-election. Meanwhile, YBhg. Datuk Nasarudin Md Idris and YBhg. Datuk Manharlal Ratilal 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. YBhg. Dato' Ab. Halim Mohyiddin, who has reached seventy years of age as at the date of this Annual Report has offered himself for re-election pursuant to this section and shall retain office until the conclusion of next AGM.

The Board is cognisant of the recommendation of the Code that the term for Independent Non-Executive Directors should not be more than 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 Mohyiddin as Independent Non-Executive Director and Chairman, and the appointment of YBhg. Dato' Sekhar Krishnan as Independent Non-Executive Director, back in 15 January 2015. YBhg. Dato Sekhar Krishnan was also made a Member of the Board Audit Committee ("BAC") effective 1 March 2015 and later re-designated as Chairman of BAC in place of Mr. Harry K. Menon effective 28 May 2015.

With regard to Independent Non-Executive Directors who have served the Company for more than 9 years, i.e., YBhg. Dato' Halipah Esa and YBhg. Dato' Kalsom 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 the protection of minority shareholders' interest. The Board is of the opinion that YBhg. Dato' Halipah Esa and YBhg. Dato' Kalsom Abd. Rahman would continue to be professional and will discharge their duties and responsibilities as Independent Non-Executive Directors of the Company. At the forthcoming AGM, the Company will seek its shareholders' approval to retain YBhg. Dato' Halipah Esa and YBhg. Dato' Kalsom Abd. Rahman as Independent Non-Executive Directors of the Company in line with Recommendation 3.3 of the Code.

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). It was concluded that apart from being on the Board for more than 9 years for YBhg. Dato' Halipah Esa and YBhg. Dato' Kalsom Abd. Rahman, there exists no other elements that would compromise the Independent Non-Executive Directors' independence and professionalism.

G. 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. 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 RM194,968 as management fees to PETRONAS during the financial year ended 31 December 2015 in respect of Directors' fees and meetings attendance allowances for Datuk Manharlal Ratilal, En. Mohd. Farid Mohd. Adnan and En. Mohamed Firouz Asnan.

The remuneration package for the Executive Director, i.e., the President/CEO comprises fixed and performance-linked elements based on KPIs outlined the Balanced Scorecard. As an Executive Director, the President/CEO is not entitled to separate Directors' fees or any meeting allowance.

Non-Executive Directors' remuneration paid for the financial year ended 31 December 2015 in aggregate is as follows:

	Salary (RM)	Bonus (RM)	Directors' Fees** (RM)	Attendance Fees (RM)	Benefits in kind (RM)	Total (RM)
Non-Executive Directors*	Nil	Nil	490,644	225,000	Nil	715,644

* *Includes Directors who resigned in 2015*

** *Amounts provided are before tax and excludes RM194,968 paid directly to PETRONAS as management fees.*

The number of Non-Executive Directors whose remuneration band falls within the following successive bands of RM50,000 is as follows:-

RM	Non-Executive Directors^
1 – 50,000	–
50,001 – 100,000	2
100,001 – 150,000	5

^ *Includes Director who resigned in 2015 and exclude fees paid directly to PETRONAS as management fees to Directors representing PETRONAS on the boards of PETRONAS's subsidiaries/associated companies.*

STATEMENT ON CORPORATE GOVERNANCE

H. Criteria for Board Assessment

The performance of the Board and the Board Committees is tracked annually against the Board KPIs, using a Performance Evaluation Sheet ("PES") as a tool. The Board KPIs focus on achievements of measurable 'hard targets' based on 3 criteria, i.e., Board Structure (covering for example, Board composition and Directors' Succession Planning), Board Operations (covering for example Timeliness, Adequacy of Information and Access to Management) and Board Roles and Responsibilities (covering for example Strategic Vision and Risk Management oversight). Under each criteria the detailed KPI components are stated consistent with best practice requirements.

Each Director is required to give Rating '1' for Best Practice, Rating '2' for Meets Requirement and Rating '3' for Areas of Improvement. The final ratings are then reviewed by the NRC, the Board and the Management, and consequently Action Plans are implemented by Management for the areas for improvement highlighted.

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 2 Board Committees, namely the BAC and the NRC.

a. Board Audit Committee

The composition, terms of reference and a summary of the activities of the BAC are set out separately in the BAC Report on pages 121 to 127 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 NRC consists of the following members:-

	Name of Member	Designation	Directorate
1.	Dato' Halipah Esa	Chairperson	Independent Non-Executive Director
2.	Dato' Kalsom Abd. Rahman	Member	Independent Non-Executive Director
3.	En. Mohd. Farid Mohd. Adnan (resigned on 1 October 2015)	Member	Non-Independent Non-Executive Director
4.	En. Mohamed Firouz Asnan (appointed in 1 October 2015)	Member	Non-Independent Non-Executive Director

The functions of the NRC include:-

- to assess and recommend to the Board the appointment new Board members and new Board Committee members.
- 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 Company.

The NRC had 5 meetings during the financial year ended 31 December 2015 and details of attendance of each NRC members are as follows:-

Name of Member	Number of Meetings Attended
Dato' Halipah Esa	5 out of 5
Dato' Kalsom Abd. Rahman	5 out of 5
En. Mohd. Farid Mohd. Adnan (resigned on 1 October 2015)	2 out of 3
En. Mohamed Firouz Asnan (appointed on 1 October 2015)	2 out of 2

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 2014 against the KPIs agreed by the Board and identified certain ways and means to improve Board operations. This included a review of the effective performance of 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, the NRC continues to review the tenure of the Independent Directors who have been with the Company for more than 9 years. The Board decided to retain the said Independent Directors as their independence has never been compromised and they continue to perform their duties and responsibilities professionally. The Board agreed to obtain shareholders' approval to retain the said Directors as Independent Directors at the forthcoming AGM of the Company.

iii. Deliberations took place on the succession planning plan and policy of the Company. In addition, as part of succession planning of the Independent Directors, the NRC deliberated and recommended to the Board that YBhg. Dato' Sekhar Krishnan, Independent Non-Executive Director and Member of the BAC, be appointed as the Chairman of the BAC in place of Mr. Harry K. Menon who was resigning.

STATEMENT ON CORPORATE GOVERNANCE

iv. With regard to the succession planning of Board members, the NRC deliberated and recommended to the Board that En. Mohamed Firouz Asnan, be appointed as Non-Independent Non-Executive Director in place of En. Mohd. Farid Mohd. Adnan as nominee of PETRONAS on the Board. Focus was given to the Board's mix of skills and experience where En. Mohamed Firouz Asnan replaced En. Mohd. Farid Mohd. Adnan as a Board member who has a technical and engineering background.

v. With regard to Directors' training and development, a review was undertaken on the training requirements of Directors. This is an annual exercise where the NRC would gauge the Directors' training and development needs through their individual feedback.

vi. The NRC reviewed its Terms of Reference where it decided among others to include 'diversity' as a new criteria for Board composition. A similar component was inserted in the Board KPIs. The NRC also deliberated the results of MISC 2015 Balanced Scorecard, the proposed MISC 2016 Balanced Scorecard and Board KPIs for 2016. Other matters deliberated by the NRC are the MISC salary increment and bonus policy as well as the renewal of employment contracts for senior management.

DIRECTORS' TRAINING AND DEVELOPMENT

All Board members of the Company are encouraged to attend continuous education programmes 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.

In 2015, having reviewed the training and development requirements of Directors, the NRC agreed to cover both regulatory and business issues for the dedicated in-house annual training programme for all Company Directors and management personnel. This is in line with Recommendation 4.2 of the Code. In January 2016, the Company thus organised MISC Board of Directors' Annual Training which covered the topics on *Companies Bill 2015, Directors and Officers Liability Insurance, Outlook of Offshore Business,* and *Tankers & Gas Carriers - Trends and Technology Impacting the Future of Shipping.*

All Board members of the Company have attended the Mandatory Accreditation Programme ("MAP") as required by the MMLR. En. Mohamed Firouz Asnan, who became a director of Bursa Securities' listed company for the first time after being appointed on the Board of the Company on 1 October 2015, attended the MAP from 9 December 2015 to 10 December 2015.

In compliance with Paragraph 15.08(2) of the MMLR, details of other training programmes attended by the Board members in 2015 are as follows:-

Title	Organiser
• Annual External Environment Analysis and Sectorial Outlook for 2016	MISC
• Integrated Financial Reporting	Malaysian Institute of Accountants
• BTA Series 3: Payment & Transactions Management	Knowledge Group of Companies
• Directors' in House Training: - New Companies Bill; and - Boardroom War / Tussles	PETRONAS Dagangan Berhad
• Directors' Training and Site Visit: Construction of Regasification Plant	PETRONAS Gas Berhad
• Nominating Committee Programme 2: Effective Board Evaluation	Bursa Malaysia & ICLIF Leadership and Governance Centre

Title	Organiser
• PNB YTI Public Lecture Series 2015: Light and Shadow in Boardroom – Reflections on Board Evaluation and Development	Permodalan Nasional Berhad
• Creating an Entrepreneurial Culture • Myths of Innovation	Genovasi/Stanford Design School
• Special Discussion on TPPA	IDEAS
• Capital Market Director Programme	Bank Negara Malaysia
• Board Education Session on Resolution of Insurance Companies & Framework for Evaluation Model	Perbadanan Insurans Deposit Malaysia
• Media Spokesperson Training	PETRONAS

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 AGM. 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/investors.

Further details on the Company's investor relations activities are provided in pages 89 to 90 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 financial 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.

STATEMENT ON CORPORATE GOVERNANCE

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 in 2015 without the presence of management personnel to discuss any matters that the BAC or the external auditors may wish to highlight.

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.

- On-going 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 2015 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 and gas offshore structures for PETRONAS Group	MISC and/or its subsidiaries	PETRONAS*
5.	Marine and consultancy Services**	MISC and/or its subsidiaries	PETRONAS*
6.	Sungai Udang Port management**	MISC and/or its subsidiaries	PETRONAS*

* *PETRONAS is a major shareholder of the Company*

** *RRPTs come into view due to the acquisition of PETRONAS Maritime Services Sdn. Bhd. and its wholly-owned subsidiary, Sungai Udang Port Sdn. Bhd. However, the amount of transaction did not exceed the threshold of the MMLR.*

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 year 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 23 February 2016.

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 2015 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 PETRONAS. During the year, the Company further strengthened its risk management framework by adopting the newly launched PETRONAS Resiliency Model ("PRM"), which incorporates the PETRONAS Enterprise Risk Management ("ERM") Framework (previously known as PETRONAS Risk Governance Framework). The PETRONAS ERM 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 Committee ("MC") to reflect the prominence and focus by management on the control and risks of the organisation.

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

RISK MANAGEMENT FRAMEWORK

In April 2015, the Board approved the adoption of the PRM and a revised Risk Policy which provides an integrated view for managing risk focusing on three frameworks namely:

i. Enterprise Risk Management ("ERM")
ii. Crisis Management ("CM")
iii. Business Continuity Management ("BCM")

The Risk Policy states that:-

"MISC shall adopt and implement risk management best practices by identifying, assessing, treating and monitoring risks as well as effectively responding to crises.

In the event of prolonged disruption, business continuity practices shall be adopted to restore and ensure continuity of MISC's key business activities."

Hence, for the implementation of risk management best practices, the Company leverages on the ERM Framework to ensure all business risks are prudently identified, evaluated and managed accordingly. The aim is to reduce the likelihood and impact of all identified risks to enhance the organisation's ability to achieve its strategic objectives.

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

- **Risk Management Policy**

  The Group adopts the PETRONAS Risk 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 effectiveness in responding to crises and incidents, as well as ability to restore and ensure continuity of key business activities in the case of prolonged disruption.

  In addition, MISC is represented in the **PETRONAS Risk Management Committee** which allows the Company to leverage on PETRONAS Resiliency Model approaches, frameworks and current initiatives in implementing ERM. This platform also allows mutual exchange of information between the Company and PETRONAS to keep abreast of developments in managing risks. The PETRONAS Risk Management Committee also coordinates group-wide risk management efforts 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 practices. It consists of mainly Vice Presidents and Heads of key service units, and is primarily responsible for driving implementation of 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;

  - Review, deliberate and recommend mitigation actions to ensure that the Group's risks are being mitigated effectively; 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 and dedicated 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 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 execution of 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, Tax, Inward Financial Guarantee and Documentary Credit, and Integrated Financial Risk Management.

The Group has established its **Financial Risk Appetite Setting ("FRAS")** in the areas of 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. The Interest Rate exposures were continuously monitored on case to case basis for each borrowings.

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.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

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.

In essence, the risk management processes are as follows:-

Risk Profiling

- Identify risks and existing controls via risk assessment facilitated in a workshop.
- Establish risk rating based on risk matrix and registered into Risk Registers.
- Selection of appropriate risk treatment option.

Risk Monitoring

- Continuous monitoring of risk level using the Risk Registers.
- The performance of key risks is monitored using Key Risk Indicators (KRIs).
- Any changes or movement in the KRIs, will provide an early warning.

Risk Reporting

- Presentation of Risk Register to RMC and BAC on a quarterly basis.
- MISC have developed the MISC Common Risk Dashboard, a risk reporting tool to better represent the overall risk health for MISC.

In addition, 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, Key Risk Indicators (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 to ensure business objectives are met.

  Essentially, to ensure management and Board are well informed of the risks affecting the business, the enterprise level risk are monitored using MISC Common Risk Dashboard, a tool which comprises of several Common Risks that are prevalent and deemed significant across the MISC Group. The common risks are derived from the business and service unit risk register and may have direct or indirect impact on the Company.

  For the purpose of risk reporting, the MISC Common Risk Dashboard will be updated and reported to the RMC and BAC on a quarterly basis, complete with the mitigation action plans to mitigate the risks.

- **Project Risk Assessment**

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

Hence, PRA is a tool for business to identify the projects' risks in advance and implement controls either to reduce or eliminate the risk impact. During the year, there was one PRA conducted and deliberated at the RMC.

In addition, Post Implementation Economic Review ("PIER") is also performed on specific projects/assets, where necessary, 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 under review, BCP simulations were organised for critical units based in Menara Dayabumi to test the resiliency and robustness of the BCP initiative put in place, as well as to familiarise employees with the business continuity plans. The scenario-based simulation was designed to test all roles and responsibilities of the critical business functions, including critical staff who are required to carry out business recovery from the alternate site.

  The purpose of the BCP simulations is to ensure that employees understand their specific roles and responsibilities as laid out in the plans, as well as establishing familiarity with the alternate site.

  The outcome of the simulations identifies the improvement measures that need to be taken, and the lessons learned were employed to enhance and update the plan.

  This strategy allows MISC to recognise benefits from the investment made, taking advantage of knowledge gained and experience attained through the testing of the business continuity plans.

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 pursued 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 direction is 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 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.

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.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

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. If ineffective controls exist, the key process owner will have to put in place appropriate remediation plans whilst the control owner will monitor the execution of the plans to ensure the controls are effective before the next FCF's testing.

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 process for **investment appraisal** of equity investment or divestment and capital expenditure including, but not limited to, the generation of ideas, risk assessment, financial appraisal, due diligence procedures, authorisation, implementation and control of the project.

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

   Tender Committees and Quotation Committees are established to ensure procurement activities are conducted in an effective, transparent and fair manner whereas Vendor Performance Review Committee is established to review, deliberate and endorse on overall vendor performance matters including application for suspension, blacklisting, uplifting and reinstatement.

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.

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 provides 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 in breach of the CoBE. The whistleblowing system includes a dedicated Hotline for employees to make reports in a confidential manner, and oversight of the processes by a Whistleblowing Committee. Where necessary, material whistleblowing reports are also escalated to the Board.

A dedicated Compliance Unit was established with the responsibility to drive compliance of the CoBE and to ensure adequacy of MISC's systems and processes, and the training of all employees, in relation to ethics and integrity, to support an effective compliance and ethics programme. From the business angle, Compliance Unit supports all necessary ethical due diligence inquiries to ensure integrity standards are upheld by MISC's joint venture partners, vendors and/or persons conducting work on MISC's behalf.

11. The Company keeps a register on conflict of interest or potential conflict of interest situation for company directors in the Group which is reviewed on an annual basis. Results of the review and any new recommendations for improvement, together with contents of the register are tabled to the BAC and Board for information and further action, where necessary.

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")**, which reports to the MC 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 Ship Management Audit 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 MC 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 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")).

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

The GIA adopted the Committee of Sponsoring Organisations 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 to areas with higher risk exposure.

OTHER MATTERS

With regard to the associated companies and joint ventures, 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/Chief Executive Officer 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.

REVIEW BY EXTERNAL AUDITOR

The external auditor, Messrs Ernst & Young, have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 31 December 2015, in compliance with paragraph 15.23 of the Listing Requirements in accordance with guidelines issued by the Malaysian Institute of Accountants, and reported to the Board that nothing has come to their attention to cause them to believe that the statement intended to be included in the annual report is not prepared, in all material respects, in accordance with disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuer, or that the statement is factually inaccurate.

For the financial year under review, based on enquiry, information and assurance provided, the Board is satisfied that the system of internal control was generally satisfactory. Measures would continuously be taken to ensure ongoing adequacy and effectiveness of internal controls, and to safeguard the Group's assets and shareholders' investment.

This statement is made in accordance with the resolution of the Board of Directors dated 23 February 2016.

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 2015, 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

As at 23 February 2016, the Group has fully utilised the proceeds from the following corporate proposal:

(i) 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. which was completed on 14 December 2012.

b. Material Contracts

Save for the following contract, there were no other material contracts entered into by the Company and its subsidiaries, involving the Directors' and/or major shareholders' interests, still subsisting at the end of the financial year ended 31 December 2015 or, if not then subsisting, entered into since the end of the previous financial year:-

(i) Agreement for Sale and Purchase of Shares entered into between MISC Berhad ("MISC") and Petroliam Nasional Berhad ("PETRONAS") for the acquisition by MISC of PETRONAS' entire equity interest in PETRONAS Maritime Services Sdn. Bhd.

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. Share Buybacks

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

e. Option, Warrants or Convertible Securities

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

f. Depository Receipt Programme

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

g. Profit Estimate, Forecast or Projection

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

h. Profit Guarantee

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

BOARD AUDIT COMMITTEE REPORT

CHAIRMAN	MEMBERS	SECRETARY
• Dato' Sekhar Krishnan Independent Non-Executive Director *(re-designated on 28 May 2015)*	• Dato' Halipah Esa Independent Non-Executive Director	• Zawardi Salleh Joint Company Secretary
• Harry K. Menon Independent Non-Executive Director *(resigned on 28 May 2015)*	• Dato' Kalsom Abd. Rahman Independent Non-Executive Director	
	• Lim Beng Choon Independent Non-Executive Director	

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

MEMBERSHIP

The BAC is composed of 4 members, all of whom are Independent Non-Executive Directors. Dato' Sekhar Krishnan was appointed as a new Member on 1 March 2015. He was subsequently re-designated as Chairman in place of Harry K. Menon on 28 May 2015 when the latter resigned from the Board of the Company. Dato' Sekhar Krishnan is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.

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").

The BAC had 5 meetings during the financial year ended 31 December 2015. Records of attendance of each Member are as follows:-

Member	Designation	Number of Meetings Attended
Dato' Sekhar Krishnan *(appointed on 1 March 2015 and re-designated on 28 May 2015)*	Chairman/Independent Non-Executive Director	3 out of 3
Harry K. Menon *(resigned on 28 May 2015)*	Chairman/Independent Non-Executive Director	3 out of 3
Dato' Halipah Esa	Independent Non-Executive Director	5 out of 5
Dato' Kalsom Abd. Rahman	Independent Non-Executive Director	5 out of 5
Lim Beng Choon	Independent Non-Executive Director	4 out of 5

BOARD AUDIT COMMITTEE REPORT

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 is the Secretary of the BAC.

- The President/Chief Executive 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:-

- 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 advice. 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 MMLR, the BAC must promptly report such matter to Bursa Securities.

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.

BOARD AUDIT COMMITTEE REPORT

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 and tentative agendas are scheduled in advance of any new financial year to facilitate BAC members to plan ahead and fit the year's meetings into their schedules. The BAC meets every quarter, with additional meetings held as and when required, to review and deliberate the quarterly and annual financial statements, the Enterprise Risk Management report, GIA reports, related party transaction matters and other relevant matters within the BAC's terms of reference.

During the financial year under review, 5 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.

The President/CEO was also invited to attend BAC meetings to facilitate the discussion as well as to provide explanation on audit issues, risk management and financial matters, and other matters within the terms of reference of the BAC. The BAC meetings were also attended by Senior General Manager, Group Internal Audit of PETRONAS and General Manager, GIA of MISC to observe the proceedings of the meetings and provide clarification on any relevant Internal Audit reports tabled to the BAC together with relevant Management Committee members. The External Auditors were also invited to present their Audit Plan and Audit Results, Memorandum of Suggestion and other relevant matters.

During the financial year ended 31 December 2015, the BAC carried out the following activities in discharging its functions and duties:-

A) Risk Management

- The RMC met at least once in every quarter and primarily responsible for driving the Risk Management Framework and acted as a central platform for risk oversight within the Group.
- 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, including review of the mitigation plans to address the said risks.
- Reviewed and endorsed the Group's Financial Year 2015 Enterprise Risk Management Risk Register emanating from the Annual Planning Cycle and ensured that appropriate systems and processes are in place to effectively monitor and manage these risks.
- Reviewed the emerging risks affecting the Company's business as a result of the depressed oil and gas market.
- Reviewed and recommended the PETRONAS Resiliency Model for adoption at MISC Group.
- Reviewed MISC's Business Continuity Plan ("BCP') and the status of implementation of the BCPs within the Group.
- Reviewed the Statement on Risk Management and Internal Control in line with Paragraph 15.23 of the MMLR.

B) Internal Audit

- Reviewed and approved GIA long term audit plan and Annual Internal Audit Plan ("AIAP") as guided by the approved Enhanced Risk Based Internal Audit ("RBIA") Framework of MISC in order to ensure adequacy of resources, competencies and coverage on auditable entities. RBIA refers to the approved risk register that identify areas to be audited and more focus were given to areas with higher risk exposure. The areas of audit engagements covered during Financial Year Ended 31 December 2015 as follows:-

    ➢ Improvement in the Processes and Effective Cost Management, i.e., Vendor Management, Fixed Asset Management, Staff Expenses Claim;

    ➢ Safeguarding MISC's Investment i.e. Project Risk Assessment, Contract Management, audit on joint venture companies within MISC Group; and

    ➢ Assist BAC in Governance Oversight Role i.e. Management of Directors' Conflict of Interest and Quarterly and Annual Recurrent Related Party Transactions

- Reviewed internal audit reports issued by GIA based on the approved AIAP and ensure that appropriate agreed correction action is taken by the Management on the gaps in controls or procedures as identified by GIA.

- Reviewed inputs and management action plans provided by Management Committee ("MC") on the deliberated audit reports.

- Reviewed the adequacy and effectiveness of agreed corrective actions taken by management on all significant and secondary issues raised by in its audit reports.

- Reviewed the minutes of meeting of the BAC of subsidiaries for an overview of the risk management and internal control systems of the subsidiary companies.

- Requested the Company to conduct special audit into activities or matters arising from whistle blowing report or within the terms of reference of the BAC.

- 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.

C) 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 External Auditors' audit for the financial year and the resolution of issues highlighted in their report to the BAC and Management's response.

- BAC had 2 private meetings with the External Auditors without the presence of Management in financial year ended 31 December 2015 (i.e., on 4 February 2015 and 2 November 2015) to ensure that there were no restrictions in the scope of their audit and to discuss any matters that they may wish to present.

- The BAC recommended the External Auditors' re-appointment to the Board, including the fees payable.

BOARD AUDIT COMMITTEE REPORT

C) External Audit (cont'd)

To ensure that the External Auditors' independence is not impaired, the Audit Engagement Partner in charge of the Company is changed every 5 years. Internally, the External Auditors conduct an Independent Partner Review in order to preserve their independence.

The External Auditors had also provided written assurance to the BAC that in accordance with the terms of all relevant professional and regulatory requirements, they had been independent throughout the audit engagement for the financial year ended 31 December 2015.

The Company also engages the External Auditors for other non-audit works as and when required. For the financial year ended 31 December 2015, the amount of non-audit fees incurred for services rendered by the External Auditors or their affiliates to MISC Group is RM643,000.

D) Financial Results and Other Finance Matters

- Reviewed the quarterly and annual financial statements of the Company and the Group including Bursa's announcements with focus on compliance with the Financial Reporting Standards and other relevant regulatory requirements or changes in accounting policy.

- Reviewed the adequacy and effectiveness of MISC Group Financial Risk Appetite Settings for financial year 2015 relating to interest rate exposure, foreign exchange exposure and financial institutions credit counterparty exposure.

- Deliberated on the financial impact of different estimated useful lives of ships and floating assets for setting up the Depreciation Policy for Ships and Floating Assets of MISC Group.

E) Corporate Governance and Compliance

- 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 2014 Annual Report.

- Reviewed the following transactions that were deemed as related party transactions:

  i. Acquisition of PETRONAS Maritime Services Sdn. Bhd. from PETRONAS; and
  ii. Tenancy Agreement between MISC and PETRONAS for MISC's Office at Menara Dayabumi, Kuala Lumpur.

- Reviewed the Register of Directors' Conflict of Interest for MISC Group.

F) Ship Management Audit ("SMA")

- Reviewed the SMA's semi-annual and annual audit reports focusing on the efficiency and effectiveness of the internal control systems in the management of the Group's vessels (including FSO/FPSOs).

INTERNAL AUDIT FUNCTION

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

In the conduct of their audits, GIA placed emphasis on a risk-based auditing where the focus was 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 was the submission of audit findings, recommendations on audit issues and execution of the Agreed Corrective Actions ("ACA") which were encompassed in the audit reports. GIA monitored the status of implementation of these ACA through the Quarterly Audit Status Reports, of which, the ACA were recorded and analysed. The consolidated reports were submitted and presented to the MC and BAC for deliberation and endorsement on a half-yearly basis. Such regular monitoring was essential to ensure the integrity and effectiveness of the Group's system of internal control.

GIA submitted their findings and recommendations on audit issues to the MC for executive review.

Subsequently, the reports together with deliberations by the MC were tabled at the BAC Meetings for decisions.

At the Board Meetings, Chairman of the BAC highlighted the 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 2015 was RM5.61 million.

The conduct of internal audit work was 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 110 to 111 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 was 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 were, at all times, carried out on normal commercial terms and consistent with the Group's practices and were 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 2015 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 were adequate and RPTs and RRPTs were 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 3 February 2016.

This report is made in accordance with the resolution of the Board of Directors duly passed on 23 February 2016.

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 2015.

Principal activities

The principal activities of the Corporation consist of shipowning, ship operating and 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	2,535,107	778,691
Attributable to:		
Equity holders of the Corporation	2,467,780	778,691
Non-controlling interests	67,327	–
	2,535,107	778,691

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.

DIRECTORS' REPORT

Dividends

The amount of dividends paid by the Corporation since 31 December 2014 were as follows:

In respect of the financial year ended 31 December 2014 as reported in the directors' report of that year:

	RM'000
A second interim tax exempt dividend of 6 sen per share on 4,463,794,000 ordinary shares under single tier system, declared on 6 February 2015 and paid on 11 March 2015	267,828

In respect of the financial year ended 31 December 2015:

	RM'000
A first interim tax exempt dividend of 7.5 sen per share on 4,463,794,000 ordinary shares under single tier system, declared on 4 August 2015 and paid on 2 September 2015	334,784

A second interim tax exempt dividend in respect of the financial year ended 31 December 2015 of 12.5 sen per share under the single tier system on 4,463,794,000 ordinary shares amounting to a dividend payable of RM557,974,000 will be payable on 9 March 2016.

At the forthcoming Annual General Meeting, a final tax exempt dividend of 10.0 sen per share under the single tier system on 4,463,794,000 ordinary shares amounting to a dividend payable of RM446,379,000 will be proposed for shareholders' approval in respect of financial year ended 31 December 2015.

The financial statements for the current financial year do not reflect the second interim and final dividends. The dividends will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2016.

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:

Dato' Ab. Halim bin Mohyiddin	
Datuk Manharlal Ratilal	
Datuk Nasarudin Md Idris	
Dato' Halipah binti Esa	
Dato' Kalsom binti Abd. Rahman	
Lim Beng Choon	
Dato' Sekhar Krishnan	
Yee Yang Chien	
Mohamed Firouz bin Asnan	(Appointed on 1 October 2015)
Harry K. Menon	(Resigned on 28 May 2015)
Mohd. Farid bin Mohd. Adnan	(Resigned on 1 October 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 2015 / Date of appointment	**Bought**	**Sold**	**31 December 2015**
Corporation - MISC Berhad				
Indirect				
Dato' Halipah binti Esa	10,000	–	–	10,000
Fellow subsidiary - PETRONAS Gas Berhad				
Direct				
Dato' Ab. Halim bin Mohyiddin	5,000	–	–	5,000
Datuk Nasarudin Md Idris	3,000	–	–	3,000

DIRECTORS' REPORT

Directors' interests (cont'd.)

	Number of stapled securities of KLCC Property Holdings Berhad and KLCC Real Estate Investment Trust			
	1 January 2015	Bought	Sold	31 December 2015
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 2015 / Date of appointment	Bought	Sold	31 December 2015
Fellow subsidiary - PETRONAS Chemicals Group Berhad				
Direct				
Dato' Ab. Halim bin Mohyiddin	5,000	–	–	5,000
Datuk Manharlal Ratilal	20,000	–	–	20,000
Datuk Nasarudin Md Idris	10,000	–	–	10,000
Dato' Kalsom binti Abd. Rahman	35,000	–	–	35,000
Dato' Halipah binti Esa	10,000	–	–	10,000
Mohamed Firouz bin Asnan	6,000	–	–	6,000
Indirect				
Dato' Halipah binti Esa	13,100	–	–	13,100

Directors' interests (cont'd.)

	Number of ordinary shares of RM0.50 each			
	1 January 2015 / Date of appointment	**Bought**	**Sold**	**31 December 2015**
Subsidiary - Malaysia Marine and Heavy Engineering Holdings Berhad				
Direct				
Dato' Ab. Halim bin Mohyiddin	5,000	–	–	5,000
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
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.

DIRECTORS' REPORT

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 40 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 23 February 2016.

Dato' Ab. Halim bin Mohyiddin **Yee Yang Chien**

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Dato' Ab. Halim bin Mohyiddin 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 138 to 288 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 2015 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 41 on page 289 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 23 February 2016.

Dato' Ab. Halim bin Mohyiddin **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 138 to 289 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 23 February 2016

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 2015 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 138 to 288.

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 2015 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.

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 41 on page 289 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
23 February 2016

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Corporation 2015 RM'000	Corporation 2014 RM'000
Revenue	3	**10,908,386**	9,296,254	**1,718,880**	1,643,474
Cost of sales		**(7,528,245)**	(6,651,437)	**(1,201,775)**	(1,233,826)
Gross profit		**3,380,141**	2,644,817	**517,105**	409,648
Other operating income	4	**592,616**	280,255	**873,249**	1,887,285
Disposal of asset through finance lease	18(d)	**–**	654,549	**–**	–
Net loss on disposal of ships		**(70,622)**	(33,800)	**(70,622)**	(34,758)
Finance income	8(b)	**60,333**	70,628	**184,334**	135,280
General and administrative expenses		**(1,250,520)**	(1,154,033)	**(140,474)**	(547,228)
Impairment provisions	5(a)	**(491,272)**	(358,917)	**(461,489)**	(155,471)
Finance costs	8(a)	**(240,353)**	(304,494)	**(123,412)**	(159,892)
Share of profit/(loss) of associates		**157**	(30)	**–**	–
Share of profit of joint ventures		**586,377**	611,373	**–**	–
Profit before taxation	5	**2,566,857**	2,410,348	**778,691**	1,534,864
Taxation	9	**(31,750)**	(90,311)	**–**	–
Profit after taxation		**2,535,107**	2,320,037	**778,691**	1,534,864
Attributable to:					
Equity holders of the Corporation		**2,467,780**	2,204,310	**778,691**	1,534,864
Non-controlling interests		**67,327**	115,727	**–**	–
		2,535,107	2,320,037	**778,691**	1,534,864
Earnings per share attributable to equity holders of the Corporation (sen)					
Basic	10	**55.3**	49.4		
Diluted	10	**55.3**	49.4		

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 2015

	Group		Corporation	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit after taxation	**2,535,107**	2,320,037	**778,691**	1,534,864
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss				
Gain on currency translation	**5,774,098**	1,349,907	**4,755,157**	576,794
Non-current investments				
- changes in fair value	**2,167**	(88,195)	**2,167**	(88,195)
- reclassification to income statement on disposal of non-current quoted equity investment	**–**	(39,160)	**–**	(39,160)
Cash flow hedges				
- fair value gain	**8,314**	21,917	**–**	–
- reclassification to income statement on termination of hedging arrangements	**–**	4,208	**–**	–
- reclassification to income statement on maturity of hedging arrangements	**–**	1,378	**–**	–
Total other comprehensive income for the year	**5,784,579**	1,250,055	**4,757,324**	449,439
Total comprehensive income for the year	**8,319,686**	3,570,092	**5,536,015**	1,984,303
Total comprehensive income attributable to:				
Equity holders of the Corporation	**8,207,803**	3,445,074	**5,536,015**	1,984,303
Non-controlling interests	**111,883**	125,018	**–**	–
	8,319,686	3,570,092	**5,536,015**	1,984,303

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	Group 2015 RM'000	Group 2014 RM'000
Non-current assets			
Ships	12	**22,947,385**	18,215,599
Offshore floating assets	12	**403,429**	326,374
Other property, plant and equipment	12	**2,092,769**	1,971,972
Prepaid lease payments on land and buildings	13	**238,208**	249,905
Intangible assets	14	**925,635**	931,319
Investments in associates	16	**2,369**	1,987
Investments in joint ventures	17	**4,684,574**	6,248,878
Other non-current financial assets	18(a)	**360,967**	572,000
Derivative assets	18(b)	**976**	–
Finance lease receivables	18(d)	**3,786,759**	3,561,430
Finance lease assets under construction	18(e)	**1,256,005**	–
Deferred tax assets	27	**92,186**	90,373
		36,791,262	32,169,837
Current assets			
Inventories	19	**205,216**	243,782
Trade and other receivables	20	**4,888,047**	3,408,886
Derivative assets	18(b)	**525**	246
Cash, deposits and bank balances	22	**5,654,024**	4,838,829
		10,747,812	8,491,743
Non-current assets classified as held for sale	23	**–**	922,722
		10,747,812	9,414,465
Current liabilities			
Trade and other payables	24	**3,817,030**	3,401,392
Interest-bearing loans and borrowings	18(c)	**1,110,055**	1,148,814
Provision for taxation		**29,155**	42,491
		4,956,240	4,592,697
Net current assets		**5,791,572**	4,821,768
		42,582,834	36,991,605

	Note	Group 2015 RM'000	2014 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	**7,775,619**	2,035,596
Retained profits		**18,662,571**	16,797,403
		35,361,452	27,756,261
Non-controlling interests		**1,097,690**	1,064,843
		36,459,142	28,821,104
Non-current liabilities			
Interest-bearing loans and borrowings	18(c)	**5,394,348**	7,590,349
Deferred tax liabilities	27	**30,369**	28,963
Derivative liabilities	18(b)	**1,931**	–
Provisions	24(c)	**697,044**	551,189
		6,123,692	8,170,501
		42,582,834	36,991,605

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	Corporation 2015 RM'000	Corporation 2014 RM'000
Non-current assets			
Ships	12	**6,074,580**	5,140,158
Offshore floating assets	12	**17,421**	5,047
Other property and equipment	12	**84,471**	43,319
Prepaid lease payments on land and buildings	13	**4,234**	8,336
Investments in subsidiaries	15	**11,280,489**	9,228,364
Investments in associates	16	**129**	105
Investments in joint ventures	17	**1,605,512**	1,306,581
Other non-current financial assets	18(a)	**6,159,776**	4,171,941
Finance lease assets under construction	18(e)	**1,256,005**	–
		26,482,617	19,903,851
Current assets			
Inventories	19	**229,049**	52,012
Trade and other receivables	20	**2,385,455**	2,720,122
Cash, deposits and bank balances	22	**2,070,683**	2,581,274
		4,685,187	5,353,408
Non-current assets classified as held for sale	23	**923,210**	916,440
		5,608,397	6,269,848
Current liabilities			
Trade and other payables	24	**5,348,806**	2,120,397
Interest-bearing loans and borrowings	18(c)	**687,662**	560,122
		6,036,468	2,680,519
Net current (liabilities)/assets		**(428,071)**	3,589,329
		26,054,546	23,493,180

	Note	Corporation 2015 RM'000	2014 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	**4,999,405**	242,081
Retained profits		**10,366,180**	10,190,101
		24,288,847	19,355,444
Non-current liabilities			
Interest-bearing loans and borrowings	18(c)	**1,068,655**	3,586,547
Provisions	24(c)	**697,044**	551,189
		1,765,699	4,137,736
		26,054,546	23,493,180

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 2015

			I---------------------------------	I---- Non Distributable	---I Distributable	I---------------------------------	
	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
2015							
At 1 January 2015		**28,821,104**	**27,756,261**	**4,463,794**	**4,459,468**	**16,797,403**	**2,035,596**
Total comprehensive income		**8,319,686**	**8,207,803**	**–**	**–**	**2,467,780**	**5,740,023**
Transactions with equity holders							
Liquidation of a subsidiary		**(338)**	**–**	**–**	**–**	**–**	**–**
Dividends	11	**(681,310)**	**(602,612)**	**–**	**–**	**(602,612)**	**–**
Total transactions with equity holders		**(681,648)**	**(602,612)**	**–**	**–**	**(602,612)**	**–**
At 31 December 2015		**36,459,142**	**35,361,452**	**4,463,794**	**4,459,468**	**18,662,571**	**7,775,619**
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

* 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.

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**	**63,399**	**(5,546)**	**1,438,006**	**1,064,843**
–	**–**	**–**	**–**	**–**	**2,167**	**7,389**	**5,730,467**	**111,883**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(338)**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(78,698)**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(79,036)**
41,415	**435,284**	**1,357**	**1,966**	**59,715**	**65,566**	**1,843**	**7,168,473**	**1,097,690**
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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

			I----- Non Distributable	-----I	Distributable	I------------ Non Distributable		-------------I
	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**
2015								
At 1 January 2015		**19,355,444**	**4,463,794**	**4,459,468**	**10,190,101**	**242,081**	**63,399**	**178,682**
Total comprehensive income		**5,536,015**	**–**	**–**	**778,691**	**4,757,324**	**2,167**	**4,755,157**
Transactions with equity holders								
Dividends	11	**(602,612)**	**–**	**–**	**(602,612)**	**–**	**–**	**–**
At 31 December 2015		**24,288,847**	**4,463,794**	**4,459,468**	**10,366,180**	**4,999,405**	**65,566**	**4,933,839**
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

* 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 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Corporation 2015 RM'000	Corporation 2014 RM'000
Operating activities					
Cash receipts from customers		**10,198,737**	8,902,086	**361,778**	1,293,636
Cash paid to suppliers and employees		**(6,691,033)**	(5,954,846)	**(675,568)**	(735,254)
Cash generated from operating activities		**3,507,704**	2,947,240	**(313,790)**	558,382
Taxation paid		**(80,913)**	(101,529)	**–**	–
Net cash generated from/(used in) operating activities		**3,426,791**	2,845,711	**(313,790)**	558,382
Investing activities					
Net cash generated from/ (used in) investing activities	28	**1,335,811**	(345,197)	**(252,539)**	1,752,778
Financing activities					
Net cash used in financing activities	29	**(4,737,369)**	(2,860,830)	**(486,139)**	(1,967,911)
Net (decrease)/increase in cash and cash equivalents		**25,233**	(360,316)	**(1,052,468)**	343,249
Cash and cash equivalents at beginning of financial year		**4,628,943**	4,747,735	**2,581,274**	2,107,345
Currency translation differences		**879,637**	241,524	**541,877**	130,680
Cash and cash equivalents at end of financial year		**5,533,813**	4,628,943	**2,070,683**	2,581,274
Cash and cash equivalents comprise:					
Cash, deposits and bank balances	22	**5,654,024**	4,838,829	**2,070,683**	2,581,274
Less: Deposits with maturity more than 90 days		**(28,457)**	(168,382)	**–**	–
Cash pledged with bank - restricted		**(91,754)**	(41,504)	**–**	–
Cash and cash equivalents		**5,533,813**	4,628,943	**2,070,683**	2,581,274

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2015

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 23 February 2016.

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 requirements of 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 2015 adopted the following new and amended MFRSs (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB"):

- Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions
- 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 to 2011 – 2013 Cycle)
- Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2010 – 2012 Cycle)
- 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 to 2011 – 2013 Cycle)

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.

All inter-company transactions are eliminated on consolidation and hence, 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.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2015

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

The consolidated financial statements comprise the financial statements of the Corporation and its subsidiaries as at the 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 the income statement.

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 issuance of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

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.)

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.

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 the 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.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2015

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(b) Associates (cont'd.)

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.

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.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(b) Associates (cont'd.)

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 the 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. A joint arrangement is classified as a joint venture when the Group has rights only to the net assets of the arrangement.

(i) Joint ventures

Investment in a joint venture is accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in joint venture 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 venture. The Group's share of the net profit or loss of the joint venture is recognised in the income statement. Where there has been a change recognised directly in the equity of the joint venture, 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 venture are eliminated to the extent of the Group's interest in the joint venture. 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 venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture 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 venture is equity accounted for from the date the Group obtains joint control until the date the Group ceases to have joint control over the joint venture.

NOTES TO THE FINANCIAL STATEMENTS
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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.)

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 venture's 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 joint venture's profit or loss in the year in which the investment is acquired.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any long-term interests that, in substance, form part of the Group's net investment in the joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

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.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(c) Joint arrangements (cont'd.)

(ii) Joint operations (cont'd.)

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.

(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 related 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 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 their 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.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2015

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

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 are stated at cost less accumulated depreciation and any accumulated impairment losses.

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 such 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.

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.)

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.

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 can be 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.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2015

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(g) Impairment of non-financial assets (cont'd.)

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.

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 financial assets not at fair value through profit or loss, directly attributable transaction costs.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(i) Financial assets (cont'd.)

Initial recognition (cont'd.):

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.

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 through profit or loss comprise 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 2015 and 31 December 2014.

(ii) Loans and receivables

Loans and receivables comprise 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.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2015

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(i) Financial assets (cont'd.)

Subsequent measurement (cont'd.):

(iii) Held-to-maturity investments

Held-to-maturity investments comprise 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 2015 and 31 December 2014.

(iv) Available-for-sale financial assets

Available-for-sale financial assets comprise 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 through profit or loss comprise 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2015

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.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or has expired.

NOTES TO THE FINANCIAL STATEMENTS
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2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(n) Derecognition of financial instruments (cont'd.)

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.

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.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(o) Derivative financial instruments and hedge accounting (cont'd.)

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.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2015

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.

(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.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(p) Leases (cont'd.)

(v) Prepaid lease payments (cont'd.)

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 be reversed in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2015

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.

(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.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(s) Provisions (cont'd.)

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.

(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.

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2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(t) Employee benefits (cont'd.)

(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.

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.

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 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 which approximates the exchange rates at the dates of the transactions; and

- 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.

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2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(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.

(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.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(v) Revenue recognition (cont'd.)

(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.

(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.

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2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(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.

(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.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(aa) Fair value measurements (cont'd.)

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 prices (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 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: 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: Investment in Associates and Joint Venture - Investment Entities - Applying the Consolidation Exception

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: (cont'd.)

- 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 2018:

- MFRS 9: Financial Instruments
- MFRS 15: Revenue from Contracts with Customers

The Group and the Corporation are expected to apply the above mentioned 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 models 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 depict 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.

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: (cont'd.)

(ii) MFRS 15 Revenue from Contracts with Customers (cont'd.)

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 2018 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 required effective date.

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 of 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 impairment losses recognised, 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	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Charter and lightering income	**7,200,129**	5,722,916	**1,101,048**	1,051,268
Freight income	**453,957**	563,718	**453,957**	563,718
Construction contracts	**2,254,440**	2,136,102	**147,399**	–
Other shipping related income	**411,327**	360,451	**16,476**	28,488
Finance income on lease receivables	**366,047**	221,465	**–**	–
Non-shipping income	**222,486**	291,602	**–**	–
	10,908,386	9,296,254	**1,718,880**	1,643,474

Non-shipping income mainly represents revenue generated from the operation and maintenance of offshore floating assets.

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4. Other operating income

	Group		Corporation	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Rental income	**525**	1,264	**–**	7
Exchange gain:				
Realised	**37,942**	48,361	**11,711**	20,980
Unrealised	**137,228**	46,181	**63,792**	18,060
Management services:				
Subsidiaries	**–**	–	**25,612**	32,129
Joint ventures	**7,094**	11,374	**7,094**	11,374
Gain on disposal of other property, plant and equipment and non-current assets held for sale	**3,282**	6,968	**6,328**	6,370
Gain on disposal of investment:				
Quoted equity investment	**–**	79,338	**–**	79,338
Joint Venture	**65,317**	–	**–**	–
Dividend income on equity investment:				
Subsidiaries	**–**	–	**507,568**	1,619,699
Joint ventures	**–**	–	**25,585**	43,706
Quoted equity investments	**2,628**	7,587	**2,611**	7,587
Write back of impairment loss on trade receivables	**7,013**	10,639	**7,013**	–
Compensation receivable on early termination of contract	**194,024**	–	**194,024**	–
Insurance claims received	**27,335**	–	**–**	–
Student course fees	**32,854**	20,550	**–**	–
Miscellaneous income from:				
Subsidiaries	**–**	–	**1,680**	3,250
Fellow subsidiaries	**9,196**	2,627	**–**	–
Third Parties	**68,178**	45,366	**20,231**	44,785
	592,616	280,255	**873,249**	1,887,285

5. Profit before taxation

The following amounts have been included in arriving at profit before taxation:

	Group		Corporation	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Amortisation of intangible assets (Note 14)	**13,077**	13,076	**–**	–
Amortisation of prepaid lease payments on land and buildings (Note 13)	**7,962**	8,207	**367**	387
Auditors' remuneration:				
Auditors of the Corporation:				
- Statutory audits	**3,793**	3,338	**757**	721
- Other services	**643**	71	**26**	33
Charter hire expenses	**1,221,416**	852,522	**201,394**	236,391
Inventories used	**1,029,630**	1,010,495	**317,285**	288,526
Exchange loss:				
- Realised	**75,182**	77,302	**25,049**	72,984
- Unrealised	**64,373**	24,416	**36,148**	9,258
Impairment loss on trade receivables:				
- Third parties	**47,585**	9,267	**–**	–
Bad debts written off	**2,374**	5,323	**–**	–
Operating lease rental:				
- Equipment	**53,782**	70,415	**5,022**	5,573
- Land and buildings	**58,223**	32,164	**28,540**	16,110
Ships, offshore floating assets and other property plant and equipment (Note 12):				
- Depreciation	**1,482,189**	1,231,709	**333,243**	361,499
- Written off	**19,517**	30,466	**4,342**	9,838
Impairment provisions (Note 5(a))	**491,272**	358,917	**461,489**	155,471
Staff costs (Note 6)	**1,612,908**	1,379,856	**346,358**	440,151
Non-executive directors' remuneration (Note 7)	**1,318**	609	**715**	470

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5. Profit before taxation (cont'd.)

(a) Impairment provisions

	Group 2015 RM'000	Group 2014 RM'000	Corporation 2015 RM'000	Corporation 2014 RM'000
Ships and offshore floating assets (Note 12)	**294,079**	424,879	**28,252**	119,058
Other property, plant and equipment (Note 12)	**37,017**	5,040	**–**	–
Non-current assets held for sale written down (Note 23)	**–**	–	**57,580**	–
Goodwill (Note 14)	**160,176**	–	**–**	–
Investments in subsidiaries (Note 15)	**–**	–	**375,657**	36,413
	491,272	429,919	**461,489**	155,471
Less: Reversal of impairment of ships and offshore floating assets	**–**	(71,002)	**–**	–
Net impairment	**491,272**	358,917	**461,489**	155,471

6. Staff costs

	Group 2015 RM'000	Group 2014 RM'000	Corporation 2015 RM'000	Corporation 2014 RM'000
Wages, salaries and bonuses	**1,484,228**	999,274	**344,000**	313,902
Contributions to defined contribution plans	**95,549**	71,963	**36,840**	16,078
Social security costs	**4,020**	2,918	**377**	782
(Reversal of) provision for termination benefits	**(63,021)**	89,592	**(63,021)**	63,943
Other staff related expenses	**92,132**	216,109	**28,162**	45,446
	1,612,908	1,379,856	**346,358**	440,151

Included in staff costs of the Group and of the Corporation are executive director's remuneration amounting to RM2,923,000 (2014: RM3,533,000) and RM2,454,000 (2014: RM3,107,000) 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	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Executive:				
Salaries and other emoluments	**1,711**	2,050	**1,242**	1,624
Bonus	**593**	672	**593**	672
Defined contribution plans	**540**	704	**540**	704
Total executive director's remuneration (excluding benefits-in-kind)	**2,844**	3,426	**2,375**	3,000
Estimated money value of benefits-in-kind	**79**	107	**79**	107
Total executive director's remuneration (including benefits-in-kind)	**2,923**	3,533	**2,454**	3,107
Non-executive directors' remuneration:				
Fees	**715**	470	**715**	470
Fees from subsidiary	**603**	139	**–**	–
Total non-executive directors' remuneration (Note 5)	**1,318**	609	**715**	470
Total directors' remuneration including benefits-in-kind (Note 30(g))	**4,241**	4,142	**3,169**	3,577

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	
	2015	**2014**
Executive directors:		
RM2,900,001 - RM2,950,000	**1**	–
RM3,500,001 - RM3,550,000	**–**	1
	1	1

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7. Directors' remuneration (cont'd.)

	Number of directors 2015	2014
Non-executive directors*:		
RM50,001 - RM100,000	**1**	–
RM100,001 - RM150,000	**4**	3
RM250,001 - RM300,000	**1**	1
RM550,001 - RM600,000	**1**	–
	7	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 2015 RM'000	2014 RM'000	Corporation 2015 RM'000	2014 RM'000
Interest expense:				
Holding company	**–**	17,800	**–**	17,800
Subsidiaries	**–**	–	**59,249**	56,247
Third parties	**176,190**	200,849	**–**	–
Islamic Private Debt Securities	**–**	24,896	**–**	24,896
Unwinding of discount on provisions	**64,163**	60,949	**64,163**	60,949
Total finance costs	**240,353**	304,494	**123,412**	159,892

(b) Finance income

	Group 2015 RM'000	2014 RM'000	Corporation 2015 RM'000	2014 RM'000
Interest income:				
Subsidiaries	**–**	–	**145,569**	95,648
Joint ventures	**9,082**	8,282	**7,352**	8,186
Deposits	**51,251**	62,346	**31,413**	31,446
Total finance income	**60,333**	70,628	**184,334**	135,280

9. Taxation

	Group 2015 RM'000	Group 2014 RM'000	Corporation 2015 RM'000	Corporation 2014 RM'000
Current income tax:				
Malaysian income tax	**22,538**	28,162	**–**	–
Foreign tax	**16,192**	80,544	**–**	–
Overprovision in prior year:				
Malaysian income tax	**(5,448)**	(2,222)	**–**	–
Foreign tax	**(1,129)**	–	**–**	–
	32,153	106,484	**–**	–
Deferred tax:				
Relating to origination and reversal of temporary differences	**631**	(13,446)	**–**	–
Overprovision in prior year	**(1,034)**	(2,727)	**–**	–
	(403)	(16,173)	**–**	–
Taxation for the year	**31,750**	90,311	**–**	–

Domestic current income tax is calculated at the statutory tax rate of 25% (2014: 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 2015 has reflected these changes.

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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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit before taxation	**2,566,857**	2,410,348	**778,691**	1,534,864
Taxation at Malaysian statutory tax rate of 25%(2014: 25%)	**641,714**	602,587	**194,673**	383,716
Effect of different tax rates in other countries/jurisdictions	**(28,209)**	(238,976)	**–**	–
Effect of reduction in tax rate on deferred tax recognised	**2,093**	–	**–**	–
Income not subject to tax: Tax exempt shipping income	**(634,646)**	(496,950)	**(260,596)**	(179,819)
Other tax exempt income	**(15,368)**	(12,722)	**(150,490)**	(438,285)
Expenses not deductible for tax purposes	**352,646**	419,653	**296,954**	218,948
Effect of share of results of associates and joint ventures	**(146,594)**	(146,287)	**–**	–
Utilisation of current year's investment tax allowance	**(19,657)**	(22,199)	**–**	–
Utilisation of previously unrecognised tax losses	**(74,931)**	–	**(74,931)**	–
Utilisation of previously unrecognised unabsorbed capital allowances	**(27,970)**	–	**(27,970)**	–
Deferred tax assets recognised on unutilised investment tax allowances	**(32,336)**	(25,565)	**–**	–
Net deferred tax assets not recognised during the year	**22,619**	15,719	**22,360**	15,440
Deferred tax over provided in prior year	**(1,034)**	(2,727)	**–**	–
Income tax over provided in prior year	**(6,577)**	(2,222)	**–**	–
Taxation for the year	**31,750**	90,311	**–**	–

The Government had proposed to reduce the exemption for the shipping sector provided under Section 54A of the Income Tax Act, 1967 ("the Act") from 100% to 70% of statutory income effective from Year of Assessment ("YA") 2012. Subsequently in December 2015, the Government has decided to defer the implementation of the above proposal to YA2020.

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	
	2015	**2014**
Profit after taxation attributable to equity holders of the Corporation (RM'000)	**2,467,780**	2,204,310
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)	**55.3**	49.4
Diluted earnings per share (sen)	**55.3**	49.4

11. Dividends

	2015 RM'000	**2014 RM'000**
Dividend recognised during the year:		
In respect of financial year ended 31 December 2013:		
Final tax exempt dividend under the single tier system of 5 sen per share	**–**	223,190
In respect of financial year ended 31 December 2014:		
First interim tax exempt dividend under the single tier system of 4 sen per share	**–**	178,552
Second interim tax exempt dividend under the single tier system of 6 sen per share	**267,828**	–
In respect of financial year ended 31 December 2015:		
First interim tax exempt dividend under the single tier system of 7.5 sen per share	**334,784**	–
	602,612	401,742

A second interim tax exempt dividend under the single tier system in respect of the financial year ended 31 December 2015 of 12.5 sen per share amounting to a dividend payable of RM557,974,000 will be payable on 9 March 2016.

At the forthcoming Annual General Meeting, a final tax exempt dividend of 10.0 sen per share under the single tier system on 4,463,794,000 ordinary shares amounting to a dividend payable of RM446,379,000 will be proposed for shareholders' approval in respect of financial year ended 31 December 2015 .

The financial statements for the current financial year do not reflect the second interim and final dividends. The dividends will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2016.

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12. Ships, offshore floating assets and other property, plant and equipment

	At 1.1.2015 RM'000	Acquisition of a subsidiary RM'000	Additions RM'000
Group - 31 December 2015			
Ships			
Ships in operation	31,188,502	–	750,734
Ships under construction	1,313,469	–	474,629
	32,501,971	–	1,225,363
Offshore floating assets			
Offshore floating assets in operation	1,126,718	–	5,732
Offshore floating assets under construction	38,137	–	37,768
	1,164,855	–	43,500
Other property, plant and equipment			
Freehold land	14,414	–	–
Freehold buildings	101,664	–	103
Leasehold land	44,212	–	–
Leasehold buildings	139,240	–	5,132
Drydocks and waste plant	1,376,313	–	6,879
Motor vehicles	133,750	670	27,675
Furniture, fittings and equipment	134,524	263	9,393
Computer software and hardware	275,648	546	19,327
Projects in progress	261,143	498	161,472
Plant and machinery	650,312	1,848	15,456
Tugboats, engines and pushers	3,675	–	–
	3,134,895	3,825	245,437
Total	36,801,721	3,825	1,514,300

---- Cost ----						
Disposals RM'000	Write-offs RM'000	Transfers RM'000	Reclassified from held for sale RM'000	Reclassified from prepaid lease payments on land and buildings RM'000	Currency translation differences RM'000	At 31.12.2015 RM'000
(11,867)	(868,497)	1,620,597	3,265,135	–	7,201,806	43,146,410
–	–	(1,620,597)	–	–	253,999	421,500
(11,867)	(868,497)	–	3,265,135	–	7,455,805	43,567,910
–	–	–	–	–	248,940	1,381,390
–	–	–	–	–	19,733	95,638
–	–	–	–	–	268,673	1,477,028
–	–	–	–	–	699	15,113
–	(75)	–	–	–	4,813	106,505
–	–	–	–	–	12	44,224
(667)	(897)	68,105	–	–	–	210,913
–	–	91,303	–	–	–	1,474,495
(8,312)	(88)	8	–	–	1,578	155,281
(1,192)	(577)	4,740	–	7,670	6,572	161,393
(2,560)	(12,390)	5,389	–	–	56,549	342,509
–	–	(224,030)	–	–	23,252	222,335
(491)	(14,499)	54,485	–	–	6,425	713,536
–	–	–	–	–	–	3,675
(13,222)	(28,526)	–	–	7,670	99,900	3,449,979
(25,089)	(897,023)	–	3,265,135	7,670	7,824,378	48,494,917

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2015

12. Ships, offshore floating assets and other property, plant and equipment (cont'd.)

	As 1.1.2015 RM'000	Acquisition of a subsidiary RM'000	Depreciation charge for the year RM'000	Impairment losses RM'000	Disposals RM'000
Group - 31 December 2015					
Ships					
Ships in operation	14,286,372	–	1,303,469	294,079	(9,797)
Ships under construction	–	–	–	–	–
	14,286,372	–	1,303,469	294,079	(9,797)
Offshore floating assets					
Offshore floating assets in operation	838,481	–	49,663	–	–
Offshore floating assets under construction	–	–	–	–	–
	838,481	–	49,663	–	–
Other property, plant and equipment					
Freehold land	–	–	–	–	–
Freehold buildings	45,815	–	4,085	–	–
Leasehold land	7,973	–	230	–	–
Leasehold buildings	52,461	–	5,350	–	–
Drydocks and waste plant	275,596	–	30,623	–	–
Motor vehicles	99,582	372	14,058	–	(8,223)
Furniture, fittings and equipment	95,718	177	12,925	–	(110)
Computer software and hardware	244,724	546	19,395	–	(1,849)
Projects in progress	–	–	–	–	–
Plant and machinery	337,613	1,102	42,349	37,017	(491)
Tugboats, engines and pushers	3,441	–	42	–	–
	1,162,923	2,197	129,057	37,017	(10,673)
Total	16,287,776	2,197	1,482,189	331,096	(20,470)

---------- Accumulated depreciation/impairment ----------						Net book value
Write-offs RM'000	Transfers RM'000	Reclassified from held for sale RM'000	Reclassified from prepaid lease payments on land and buildings RM'000	Currency translation differences RM'000	At 31.12.2015 RM'000	At 31.12.2015 RM'000
(849,749)	–	2,284,344	–	3,311,807	20,620,525	22,525,885
–	–	–	–	–	–	421,500
(849,749)	–	2,284,344	–	3,311,807	20,620,525	22,947,385
–	–	–	–	185,455	1,073,599	307,791
–	–	–	–	–	–	95,638
–	–	–	–	185,455	1,073,599	403,429
–	–	–	–	–	–	15,113
–	–	–	–	2,104	52,004	54,501
–	–	–	–	–	8,203	36,021
(602)	–	–	–	14	57,223	153,690
–	–	–	–	–	306,219	1,168,276
(32)	–	–	–	1,201	106,958	48,323
(504)	–	–	476	5,275	113,957	47,436
(12,277)	–	–	–	50,334	300,873	41,636
–	–	–	–	–	–	222,335
(14,342)	–	–	–	5,042	408,290	305,246
–	–	–	–	–	3,483	192
(27,757)	–	–	476	63,970	1,357,210	2,092,769
(877,506)	–	2,284,344	476	3,561,232	23,051,334	25,443,583

NOTES TO THE FINANCIAL STATEMENTS
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12. Ships, offshore floating assets and other property, plant and equipment (cont'd.)

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	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)
Total	38,897,952	1,299,578	(2,370,476)

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
(499,009)	–	423,473	(3,208,361)	(6,298)	2,264,862	36,801,721

NOTES TO THE FINANCIAL STATEMENTS
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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)
Total	16,206,466	1,231,709	358,917	(104,549)

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
(468,543)	–	322,824	(2,289,311)	1,030,263	16,287,776	20,513,945

NOTES TO THE FINANCIAL STATEMENTS
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12. Ships, offshore floating assets and other property, plant and equipment (cont'd.)

	I------------------------------
	At 1.1.2015 RM'000
Corporation - 31 December 2015	
Ships	
Ships in operation	9,624,000
Offshore floating assets	
Offshore floating assets under construction	5,047
Other property and equipment	
Motor vehicles	8,289
Furniture, fittings and equipment	12,545
Computer software and hardware	163,663
Projects in progress	30,167
	214,664
Total	9,843,711

Cost						
Additions RM'000	Disposals RM'000	Write-offs RM'000	Transfers RM'000	Reclassified from prepaid lease payments on land and buildings RM'000	Currency translation differences RM'000	At 31.12.2015 RM'000
130,626	–	(71,857)	1,511	–	2,207,734	11,892,014
11,579	–	–	(1,511)	–	2,306	17,421
2,197	(7,822)	–	–	–	1,333	3,997
–	(5)	–	1,121	7,670	2,869	24,200
57	(461)	–	5,389	–	37,404	206,052
31,811	–	–	(6,510)	–	10,072	65,540
34,065	(8,288)	–	–	7,670	51,678	299,789
176,270	(8,288)	(71,857)	–	7,670	2,261,718	12,209,224

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2015

12. Ships, offshore floating assets and other property, plant and equipment (cont'd.)

|---

	At 1.1.2015 RM'000	Depreciation charge for the year RM'000	Impairment losses RM'000
Corporation - 31 December 2015			
Ships			
Ships in operation	4,483,842	321,619	28,252
Offshore floating assets			
Offshore floating assets under construction	–	–	–
Other property and equipment			
Motor vehicles	7,276	1,245	–
Furniture, fittings and equipment	12,421	3,968	–
Computer software and hardware	151,648	6,411	–
Projects in progress	–	–	–
	171,345	11,624	–
Total	4,655,187	333,243	28,252

---------------- Accumulated depreciation/impairment ----------------						Net book value
Disposals RM'000	Write-offs RM'000	Transfers RM'000	Reclassified from prepaid lease payments on land and buildings RM'000	Currency translation differences RM'000	At 31.12.2015 RM'000	At 31.12.2015 RM'000
–	(67,515)	–	–	1,051,236	5,817,434	6,074,580
–	–	–	–	–	–	17,421
(7,250)	–	–	–	1,065	2,336	1,661
(5)	–	–	476	3,236	20,096	4,104
(461)	–	–	–	35,288	192,886	13,166
–	–	–	–	–	–	65,540
(7,716)	–	–	476	39,589	215,318	84,471
(7,716)	(67,515)	–	476	1,090,825	6,032,752	6,176,472

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2015

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
Total	13,908,318	709,133

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
(2,348,068)	(103,250)	–	(3,197,112)	(6,298)	880,988	9,843,711

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2015

12. Ships, offshore floating assets and other property, plant and equipment (cont'd.)

	I---		
	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	–
Total	6,217,082	361,499	119,058

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
(88,459)	(93,412)	–	(2,284,344)	423,763	4,655,187	5,188,524

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2015

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	
	2015	**2014**
	RM'000	**RM'000**
Ships	**2,431,768**	1,904,807
Other property, plant and equipment	**982**	28,685
	2,432,750	1,933,492

(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 RM331,096,000 (2014: RM358,917,000) and RM28,252,000 (2014: RM119,058,000) for the Group and the Corporation respectively, as disclosed in Note 5(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.

(i) Recoverable amount determined from value-in-use

The Group's recoverable amount for impaired ships, offshore floating assets and other property, plant and equipment of RM1,160,465,000 (2014: RM636,635,000) was determined from the value-in-use calculations using cash flow projections discounted at rates between 6.50% to 10.30% (2014: 5.68% to 9.03%). Impairment losses of RM331,096,000 (2014: RM305,821,000) and RM28,252,000 (2014: RM Nil) for the Group and the Corporation respectively were recognised using this basis.

In the previous financial year, the Group recognised a writeback of impairment losses on certain ships amounting to RM71,002,000. 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%.

(ii) Recoverable amount determined from fair value less costs of disposal

In the current financial year, there was no impairment recognised based on fair value less costs of disposal by the Group and the Corporation.

In the previous year, 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.

12. Ships, offshore floating assets and other property, plant and equipment (cont'd.)

(ii) Recoverable amount determined from fair value less costs of disposal (cont'd.)

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).

Impairment losses of RM124,098,000 and RM119,058,000 for the Group and the Corporation respectively were recognised using this basis.

13. Prepaid lease payments on land and buildings

	Group		Corporation	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At 1 January	**249,905**	251,750	**8,336**	2,361
Transfer (to)/from other property, plant and equipment (Note 12)	**(7,194)**	6,298	**(7,194)**	6,298
Amortisation for the year (Note 5)	**(7,962)**	(8,207)	**(367)**	(387)
Currency translation differences	**3,459**	64	**3,459**	64
At 31 December	**238,208**	249,905	**4,234**	8,336
Analysed as:				
Long term leasehold land	**230,541**	237,635	**–**	–
Short term leasehold land	**3,433**	3,934	**–**	–
Leasehold buildings	**4,234**	8,336	**4,234**	8,336
	238,208	249,905	**4,234**	8,336

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 RM230,541,000 (2014: RM237,635,000) which cannot be disposed off, charged or subleased without the prior consent of the Johor State Government.

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14. Intangible assets

	Group		
	Goodwill RM'000	Other intangible assets RM'000	Total RM'000
Cost			
At 1 January 2014	810,684	504,463	1,315,147
Currency translation differences	42,862	–	42,862
At 31 December 2014/1 January 2015	**853,546**	**504,463**	**1,358,009**
Currency translation differences	167,569	–	167,569
At 31 December 2015	**1,021,115**	**504,463**	**1,525,578**
Accumulated amortisation and impairment			
At 1 January 2014	2,325	411,289	413,614
Amortisation for the year (Note 5)	–	13,076	13,076
At 31 December 2014/1 January 2015	**2,325**	**424,365**	**426,690**
Amortisation for the year (Note 5)	–	13,077	13,077
Impairment for the year (Note 5(a))	160,176	–	160,176
At 31 December 2015	**162,501**	**437,442**	**599,943**
Net carrying amount			
At 31 December 2014	851,221	80,098	931,319
At 31 December 2015	**858,614**	**67,021**	**925,635**

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. Generally, the recoverable amounts are based on the higher of market value of quoted share or value-in-use for the CGUs to which the goodwill is allocated. In determining value-in-use for the CGUs, the cash flows were discounted at rates determined by management on a pre-tax basis. Based on this review, impairment loss of RM160,176,000 (2014: RM Nil) was recognised by the Group.

(b) Allocation of goodwill

Goodwill has been allocated to the Group's CGUs identified according to business segment as follows:

	Group	
	2015	**2014**
	RM'000	**RM'000**
Energy related shipping	**857,521**	697,859
Other energy businesses	**223**	152,492
Non-shipping and others	**870**	870
	858,614	851,221

(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.

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 RM1,639,116,000. 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 8.25% (2014: 7.8%) 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 (2014: 10 years) US Treasury Bills at reporting date. An increase of 1.29% or 129 basis points in discount rate would result in recoverable amount equal to the carrying amount of the goodwill.

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14. Intangible assets (cont'd.)

(c) Key assumptions used in value-in-use calculations (cont'd.)

Energy Related Shipping (cont'd.)

3. Terminal value and growth rate - The terminal value is based on expected cash flows for year 2020 into perpetuity with terminal year growth rate of 0% (2014: 0%). Terminal year charter rates are based on ten-year average historical market rates.

   A decrease of 3.10% or 310 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 1.5% (2014: 2%).

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.

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 as follows:

Key assumptions used in MHB's value-in-use calculations

For the purpose of impairment testing, the recoverable amount of a cash-generating-unit ("CGU") is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(i) Revenue
Revenue are estimated based on existing order book and anticipated future projects.

(ii) Budgeted gross margins
Gross margins are estimated based on forecast margins for order book, customer contract, management's expectation and past experience for new work.

(iii) Discount rate
The discount rate reflects specific risk relating to the CGU. The discount rate used is 10.3% (2014: 10.8%).

(iv) Growth rate
Cash flow beyond the five-year period is extrapolated using a growth rate of 2.8% (2014: 3%). The growth rate is based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the CGU.

Based on these calculations, an impairment loss was recognised to write down the entire carrying amount of goodwill for MHB of RM117,709,000.

14. Intangible assets (cont'd.)

Impairment test for goodwill (cont'd.)

(c) Key assumptions used in value-in-use calculations (cont'd.)

<u>**Other Energy Businesses (cont'd.)**</u>

Key assumptions used in MOMPL's value-in-use calculations

The recoverable amount of the CGU is determined based on value-in-use calculations using cash flow projections for the remaining charter contract period and the estimated residual value of the assets. 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.

Based on these calculations, an impairment loss was recognised to write down the entire carrying amount of goodwill for MOMPL of RM42,467,000.

15. Investments in subsidiaries

	Corporation 2015 RM'000	2014 RM'000
At 1 January	**9,228,364**	9,278,447
Additional investments in subsidiaries (Note a)	**54,111**	–
Liquidation of a subsidiary (Note b)	**(57,221)**	–
Impairment of investment in unquoted subsidiaries (Note c)	**(375,657)**	(36,413)
Currency translation differences	**2,430,892**	(13,670)
At 31 December	**11,280,489**	9,228,364
Quoted shares	**277,625**	225,934
Unquoted shares	**11,002,864**	9,002,430
	11,280,489	9,228,364

Included in unquoted shares are preference shares of RM8,486,575,000 (2014: RM6,549,843,000) which bear interest ranging from 5.00% to 6.00% (2014: 5.00% to 6.00%) per annum.

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15. Investments in subsidiaries (cont'd.)

a. On 7 July 2015, the Corporation acquired the entire equity interest in PETRONAS Maritime Services Sdn. Bhd. ("PMSSB") from its immediate holding company, Petroliam Nasional Berhad ("PETRONAS") for a cash consideration of RM54,111,244.

   Initial accounting for business combination has yet to be completed pending determination of the fair value of the net assets acquired. Accordingly, the net assets acquired has provisionally been recorded at the purchase consideration which approximates the carrying amount in PMSSB as at the date of acquisition. Upon finalisation of this fair value, the effect of any adjustments will be retrospectively adjusted in the financial statements for the year ending 31 December 2016.

b. During the financial year, the Corporation wound up its subsidiary, Bunga Kasturi (L) Private Limited ("BKPL") which ceased operation and became dormant on 22 March 2011. This has resulted in a capital distribution of RM57,221,000 which has been offsetted against the amount due to the subsidiary.

c. 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. As a result, an impairment loss of RM375,657,000 (2014: RM36,413,000) was recognised during the financial year.

Details of the subsidiaries are disclosed in Note 37.

Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

		2015	
	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	**877,090**	**220,600**	**1,097,690**
Profit allocated to NCI	**698**	**66,629**	**67,327**

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.)

	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	**Malaysia Marine and Heavy Engineering Holdings Berhad** 2015 RM'000	2014 RM'000
Non-current assets	**1,968,334**	2,005,452
Current assets	**2,351,760**	2,459,430
Current liabilities	**(1,639,672)**	(1,828,760)
Net assets	**2,680,422**	2,636,122
Year ended 31 December		
Revenue	**2,459,033**	2,700,505
Profit for the year	**44,445**	130,620
Total comprehensive income	**44,300**	129,743
Cash inflows from operating activities	**674,753**	245,367
Cash outflows from investing activities	**(134,297)**	(161,471)
Cash outflows from financing activities	**(269,509)**	(117,852)
Net increase/(decrease) in cash and cash equivalents	**270,947**	(33,956)
Dividends paid to NCI	**–**	(26,800)

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16. Investments in associates

	Group		Corporation	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Unquoted shares in Malaysia, at cost	**440**	440	**–**	–
Unquoted shares outside Malaysia, at cost	**4,272**	4,248	**129**	105
	4,712	4,688	**129**	105
Share of post-acquisition loss	**(2,178)**	(2,335)	**–**	–
Share of other post-acquisition reserves	**2,752**	2,273	**–**	–
	5,286	4,626	**129**	105
Less: Accumulated impairment losses	**(2,917)**	(2,639)	**–**	–
Carrying amount of the investment	**2,369**	1,987	**129**	105

The summarised financial information of the associates are as follows:

	2015 RM'000	2014 RM'000
Assets and liabilities		
Non-current assets	**19,043**	11,062
Current assets	**12,432**	15,045
Total assets	**31,475**	26,107
Current liabilities	**17,785**	14,484
Non-current liabilities	**1,290**	1,126
Total liabilities	**19,075**	15,610
Results		
Revenue	**4,540**	3,067
Total comprehensive income	**601**	109

16. Investments in associates (cont'd.)

Reconciliation of net assets to carrying amount as at 31 December:

	2015 RM'000	2014 RM'000
Group's share of net assets	**5,286**	4,626
Impairment loss	**(2,917)**	(2,639)
Carrying amount in the statement of financial position	**2,369**	1,987

Details of the associates are disclosed in Note 38.

17. Investments in joint ventures

	Group		Corporation	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Unquoted shares in Malaysia, at cost	**1,610,288**	1,311,477	**1,604,868**	1,306,057
Unquoted shares outside Malaysia, at cost	**412,657**	3,420,491	**644**	524
	2,022,945	4,731,968	**1,605,512**	1,306,581
Share of post-acquisition profits	**2,314,227**	1,500,617	**–**	–
Share of other post- acquisition reserves	**426,376**	86,846	**–**	–
	4,763,548	6,319,431	**1,605,512**	1,306,581
Less: Accumulated impairment loss	**(78,974)**	(70,553)	**–**	–
Carrying amount of the investment	**4,684,574**	6,248,878	**1,605,512**	1,306,581

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.

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17. Investments in joint ventures (cont'd.)

Group

The summarised financial information of the material joint ventures are as follows:

	2015		
	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	9,245,609	–	1,919,258
Current assets	1,155,114	–	633
Cash and cash equivalents	125,304	–	80,566
Current liabilities	(4,985,811)	–	(210,082)
Net assets	5,540,216	–	1,790,375

	2015		
	GKL RM'000	**VTTI B.V. RM'000**	**MDFT RM'000**
Year ended 31 December			
Profit after taxation	445,950	83,687	337,420
Other comprehensive loss	–	(151,125)	–
Total comprehensive income/(loss)	445,950	(67,438)	337,420
Included in the total comprehensive income is:			
Revenue	550,975	762,549	529,458
Depreciation and amortisation	–	(189,187)	(188,937)
Interest income	774	7,084	141
Interest expense	(91,540)	(28,654)	(10,152)
Income tax expense	(20)	(60,827)	(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.)

		2014	
	GKL RM'000	**VTTI B.V. RM'000**	**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)

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17. Investments in joint ventures (cont'd.)

Group (cont'd.)

			2015		
	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	2,770,108	–	913,091	1,052,713	4,735,912
Elimination of unrealised profits	–	–	(37,607)	(13,731)	(51,338)
Carrying amount in the statement of financial position	2,770,108	–	875,484	1,038,982	4,684,574
Group's share of results					
Year ended 31 December					
Group's share of profit after taxation	222,975	37,441	175,164	150,797	586,377
Group's share of other comprehensive (loss)/income	–	(75,899)	–	7,147	(68,752)
Group's share of total comprehensive income/(loss)	222,975	(38,458)	175,164	157,944	517,625
Other information					
Dividends received	–	–	–		

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	3,322	(112,521)
Group's share of total comprehensive income	225,627	22,382	132,969	117,874	498,852
Other information					
Dividends received	–	621,826	22,533		

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17. Investments in joint ventures (cont'd.)

	Group	
	2015 RM'000	2014 RM'000
Contingent liabilities		
Bank guarantees extended to third party	–	198,488

a. In the previous 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 terminaling 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 previous financial year's share of earnings of joint ventures is the Group's share of the net gain from this listing exercise of RM110,317,000.

b. On 21 August 2015, the Corporation and its subsidiary, MTTI Sdn. Bhd. ("MTTI") entered into an Agreement for Sale and Purchase of 50% of the Issued Share Capital of VTTI B.V. with VIP Terminals Finance B.V., ultimately a wholly-owned subsidiary of Vitol Investment Partnership Limited, for the disposal of 50% of the issued share capital of VTTI B.V. for a cash consideration of USD830.0 million (RM3,246,279,000).

   The disposal was completed on 7 November 2015 and VTTI ceased to be a joint-venture company of MTTI. The Group recognised a gain on disposal of investment in joint venture amounting to RM65,317,000 in the current financial year as disclosed in Note 4.

   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	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Available-for-sale:				
Non-current unquoted equity investments (Note 34)	**51,007**	41,763	**50,846**	41,379
Non-current quoted equity investment (Note 34)	**76,244**	74,333	**76,244**	74,333
Total available-for-sale	**127,251**	116,096	**127,090**	115,712
Loans and receivables:				
Long term receivables (Note 34)	**152,909**	131,359	**–**	–
Loans and advances:				
Subsidiaries	**–**	–	**6,022,651**	3,790,175
Joint ventures	**80,807**	324,238	**80,500**	324,238
Associates	**2,576**	2,404	**2,576**	2,097
	83,383	326,642	**6,105,727**	4,116,510
Less:				
Impairment on loans to:				
Subsidiary	**–**	–	**(70,465)**	(58,184)
Associates	**(2,576)**	(2,097)	**(2,576)**	(2,097)
	(2,576)	(2,097)	**(73,041)**	(60,281)
Net loans and advances	**80,807**	324,545	**6,032,686**	4,056,229
Total other non-current financial assets	**360,967**	572,000	**6,159,776**	4,171,941

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 1.72% to 4.69% (2014: 1.5% to 5.05%) per annum.

The loans and advances to joint ventures are unsecured and bear interest ranging from 2.26% to 4.97% (2014: 2.25% to 4.75%) per annum.

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18. Other financial assets and financial liabilities (cont'd.)

(b) Derivative assets/liabilities

	Group 2015 RM'000	Group 2014 RM'000
Derivative assets		
Current:		
Currency hedge - effective hedges (i)	**525**	246
Non-current:		
Interest rate swaps ("IRS") - effective hedges (ii)	**976**	–
Derivative liabilities		
Non-current:		
Interest rate swaps ("IRS") - effective hedges (iii)	**1,931**	–

(i) At 31 December 2015, the Group held forward currency contracts designated as hedges of expected future receipts and payments denominated in United States Dollars and Sterling Pounds. The forward currency contracts are being used to hedge the foreign currency risk of the highly probable forecasted transactions. The net notional amount of this currency hedging arrangement as at 31 December 2015 was RM136,991,000 (2014: RM50,324,000).

(ii) On 22 June 2015, the Group entered into a USD300.0 million interest rate swap arrangement to hedge 50% of its subsidiary's outstanding USD term loan facility. Under this arrangement, the Group pays fixed interest rate of 1.31% + 1.05% per annum and receives cash flows at floating rates. The notional amount of the interest rate swap arrangement as at 31 December 2015 was RM1,288,200,000 and will mature on 20 September 2018.

(iii) During the year, the Group entered into a USD52.5 million interest rate swap arrangement to hedge 26% of its subsidiary's USD term loan facility. Under this arrangement, the Group pays fixed interest rate of 1.90% per annum and receives cash flows at floating rates. The notional amount of the interest rate swap arrangement as at 31 December 2015 was RM225,492,000 and will mature on 6 May 2022.

18. Other financial assets and financial liabilities (cont'd.)

(c) Interest-bearing loans and borrowings

	Group		Corporation	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Short term borrowings				
Secured:				
Term loans				
Fixed rate (i)	**7,154**	263,558	**–**	–
Floating rate (ii)	**161,591**	57,143	**–**	–
Hire purchase	**5,218**	3,993	**–**	–
	173,963	324,694	**–**	–
Unsecured:				
Revolving credit (iii)	**–**	265,000	**–**	–
Term loans				
Floating rate	**936,092**	559,120	**–**	–
Loans from subsidiary	**–**	–	**687,662**	560,122
	936,092	824,120	**687,662**	560,122
	1,110,055	1,148,814	**687,662**	560,122
Long term borrowings				
Secured:				
Term loans				
Fixed rate (ii)	**236,935**	18,597	**–**	–
Floating rate (ii)	**1,328,679**	680,924	**–**	–
Hire purchase	**10,393**	11,648	**–**	–
	1,576,007	711,169	**–**	–
Unsecured:				
Term loans				
Fixed rate (iv)	**1,264,311**	–	**–**	–
Floating rate (v)	**2,554,030**	6,879,180	**–**	–
Loans from subsidiary	**–**	–	**1,068,655**	3,586,547
	3,818,341	6,879,180	**1,068,655**	3,586,547
	5,394,348	7,590,349	**1,068,655**	3,586,547

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18. Other financial assets and financial liabilities (cont'd.)

(c) Interest-bearing loans and borrowings (cont'd.)

	Group 2015 RM'000	Group 2014 RM'000	Corporation 2015 RM'000	Corporation 2014 RM'000
Total borrowings				
Term loans (Note 34)	**6,488,792**	8,458,522	**–**	–
Hire purchase	**15,611**	15,641	**–**	–
Revolving credit	**–**	265,000	**–**	–
Loans from subsidiary	**–**	–	**1,756,317**	4,146,669
	6,504,403	8,739,163	**1,756,317**	4,146,669

(i) The Group had in March 2015 made full repayment of its Japan Bank for International Cooperation facility of RM256.4 million.

(ii) The Group raised USD212.8 million Term Loan Facility on 25 March 2015. This facility is subject to floating interest rate of 3 months LIBOR + 1.00%. However, during the year, the Group entered into an interest rate swap arrangement to hedge 26% of the outstanding amount which is subject to fixed interest rate of 1.90% + 1.00% and will mature on 6 May 2022.

(iii) The Group made full repayments of its revolving credit facility in the current financial year.

(iv) On 22 June 2015, the Group entered into an interest rate swap arrangement to hedge 50% of the outstanding USD1.0 billion Term Loan Facility. Under this arrangement, the Group pays fixed interest rate of 1.31% + 1.05% per annum and receives cash flows at floating rate. This arrangement will mature on 20 September 2018.

(v) The Group made early repayments of the USD1.0 billion and USD1.55 billion Term Loan Facility which were due on 20 September 2018 and 29 June 2021 respectively. The total amount prepaid is USD870 million (RM3,397,297,800).

Included in the outstanding borrowings are loans obtained from the financial institutions related to the Government of Malaysia amounting to RM18,597,000 (2014: RM41,027,000).

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.

The range of interest rates as at the reporting date of the above interest-bearing loans and borrowings are as follows:

	Group		Corporation	
	2015	**2014**	**2015**	**2014**
	%	**%**	**%**	**%**
Fixed rate				
Term loans	**2.36-5.20**	4.63-5.20	**–**	–
Hire purchase	**2.85-3.00**	2.85	**–**	–
Revolving credit	**–**	4.10-4.30	**–**	–
Floating rate				
Term loans	**0.95-1.73**	0.95-1.48	**–**	–
Loans from subsidiary	**–**	–	**0.95-1.46**	1.50-1.63

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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 2015	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	7,154	7,530	1,268,224	–	–	225,492	1,508,400
Hire purchase	5,218	5,221	4,478	520	174	–	15,611
	12,372	12,751	1,272,702	520	174	225,492	1,524,011
Floating rate							
Term loans	1,097,683	995,573	654,515	654,515	654,515	923,591	4,980,392
Total borrowings	1,110,055	1,008,324	1,927,217	655,035	654,689	1,149,083	6,504,403
Corporation							
Floating rate							
Loans from subsidiary	687,662	341,059	727,596	–	–	–	1,756,317
Total borrowings	687,662	341,059	727,596	–	–	–	1,756,317

18. Other financial assets and financial liabilities (cont'd.)

(c) Interest-bearing loans and borrowings (cont'd.)

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

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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	
	2015	**2014**
	RM'000	**RM'000**
Minimum lease receivables:		
Not later than 1 year	**773,227**	650,475
Later than 1 year and not later than 2 years	**795,332**	653,387
Later than 2 years and not later than 5 years	**1,874,911**	1,745,671
Later than 5 years	**2,403,953**	2,446,188
	5,847,423	5,495,721
Less: Future finance income	**(1,569,424)**	(1,543,656)
Present value of finance lease assets (Note 34)	**4,277,999**	3,952,065
Present value of finance lease receivables:		
Not later than 1 year	**491,240**	390,635
Later than 1 year and not later than 2 years	**550,287**	421,771
Later than 2 years and not later than 5 years	**1,367,850**	1,239,122
Later than 5 years	**1,868,622**	1,900,537
	4,277,999	3,952,065
Analysed as:		
Due within 12 months (Note 20)	**491,240**	390,635
Due after 12 months	**3,786,759**	3,561,430
	4,277,999	3,952,065

The effective interest rate of the Group's finance lease receivables is between 5.89% to 16.37% (2014: 5.96% to 16.37%). Included in minimum lease receivables are the estimated unguaranteed residual values of the leased assets of RM145,280,038 (2014: RM118,230,343).

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, the Group recognised a net gain of RM654,549,000 upon disposal of the FPSO through this finance lease arrangement in the previous financial year.

18. Other financial assets and financial liabilities (cont'd.)

(e) Finance lease assets under construction

The finance lease assets under construction relates to progress payments made in respect of ships under construction for which charter contracts classified as finance leases have been entered into with a lessor.

19. Inventories

	Group		Corporation	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At cost				
Bunkers, lubricants and consumable stores	**130,288**	170,556	**13,235**	26,236
Spares	**62,664**	61,372	**21,740**	25,776
Raw materials	**12,264**	11,854	**–**	–
Work-in-progress *	**–**	–	**194,074**	–
	205,216	243,782	**229,049**	52,012

* Work-in-progress relates to cost incurred to-date for an asset under construction that will be disposed to a subsidiary upon its completion.

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20. Trade and other receivables

	Group		Corporation	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Trade receivables				
Third parties	**1,612,216**	1,011,414	**119,171**	70,375
Subsidiaries	**–**	–	**100,364**	97,841
Holding company	**32,060**	4,636	**33,534**	3,479
Fellow subsidiaries	**347,104**	86,271	**236,992**	9,034
Associates	**505**	374	**138**	32
Joint ventures	**54,887**	56,688	**48,816**	29,253
	2,046,772	1,159,383	**539,015**	210,014
Finance lease receivables (Note 18(d))	**491,240**	390,635	**–**	–
Due from customers on contracts (Note 21)	**1,064,715**	1,178,243	**110**	90,733
	3,602,727	2,728,261	**539,125**	300,747
Less: Impairment loss on trade receivables:				
Third parties	**(161,523)**	(96,382)	**(64,019)**	(58,512)
Subsidiaries	**–**	–	**(4,723)**	(3,844)
Fellow subsidiaries	**(9,703)**	(3,391)	**–**	–
Associates	**(299)**	–	**–**	–
Joint ventures	**(23,236)**	(18,915)	**(23,205)**	(18,885)
	(194,761)	(118,688)	**(91,947)**	(81,241)
Trade receivables, net	**3,407,966**	2,609,573	**447,178**	219,506

20. Trade and other receivables (cont'd.)

	Group		Corporation	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Other receivables				
Amount due from related parties:				
Holding company	**1,673**	–	**229**	–
Subsidiaries	**–**	–	**720,774**	1,860,023
Associates	**242**	357	**–**	–
Joint ventures	**491,066**	361,965	**437,638**	341,813
	492,981	362,322	**1,158,641**	2,201,836
Deposits	**13,256**	12,150	**3,017**	2,904
Prepayments	**96,189**	79,556	**2,915**	5,357
Unbilled reimbursable expenses from joint venture	**651,722**	207,967	**651,722**	207,967
Others	**225,933**	137,741	**154,243**	108,806
	1,480,081	799,736	**1,970,538**	2,526,870
Less: Impairment loss on other receivables:				
Subsidiaries	**–**	–	**(32,261)**	(26,254)
Associates	**–**	(423)	**–**	–
	–	(423)	**(32,261)**	(26,254)
Other receivables, net	**1,480,081**	799,313	**1,938,277**	2,500,616
Total trade and other receivables	**4,888,047**	3,408,886	**2,385,455**	2,720,122
Add: Cash, deposits and bank balances (Note 22)	**5,654,024**	4,838,829	**2,070,683**	2,581,274
Add: Net loans and advances (Note 18(a))	**80,807**	324,545	**6,032,686**	4,056,229
Add: Long term receivables (Note 18(a))	**152,909**	131,359	**–**	–
Add: Finance lease receivables (Note 18(d))	**3,786,759**	3,561,430	**–**	–
Less: Prepayments	**(96,189)**	(79,556)	**(2,915)**	(5,357)
Less: Due from customers on contracts (Note 21)	**(1,064,715)**	(1,178,243)	**(110)**	(90,733)
Total loans and receivables	**13,401,642**	11,007,250	**10,485,799**	9,261,535

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20. Trade and other receivables (cont'd.)

The analysis of trade receivables as at the reporting date is as follows:

	Group		Corporation	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Neither past due nor impaired	**760,011**	357,588	**137,195**	56,292
Past due but not impaired				
1-30 days	**272,524**	243,677	**13,543**	5,803
31-60 days	**195,962**	68,265	**123,577**	8,857
61-90 days	**101,907**	37,343	**17,020**	6,942
more than 90 days	**521,608**	333,822	**155,733**	50,879
	1,852,012	1,040,695	**447,068**	128,773
Impaired	**194,760**	118,688	**91,947**	81,241
	2,046,772	1,159,383	**539,015**	210,014

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 RM1,092,001,000 (2014: RM683,107,000) and RM309,873,000 (2014: RM72,481,000) 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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Trade receivables - nominal amounts	**194,760**	118,688	**91,947**	81,241
Less: Allowance for impairment	**(194,760)**	(118,688)	**(91,947)**	(81,241)
	–	–	**–**	–

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 ageing 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	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
At 1 January	**118,688**	131,879	**81,241**	76,491
Impairment loss recognised:				
Third parties	**47,585**	9,267	**–**	–
Write-back of impairment loss:				
Third parties	**(7,013)**	(10,639)	**(7,013)**	–
Bad debts written off:				
Third parties	**(2,374)**	(5,323)	**–**	–
Currency translation differences	**37,874**	(6,496)	**17,719**	4,750
At 31 December	**194,760**	118,688	**91,947**	81,241

(a) Trade receivables

The Group's normal trade credit terms with its customers range from 7 to 90 days (2014: 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) Other receivables and amounts due from related parties

The non-trade balances due from holding company, subsidiaries, associates and joint ventures are repayable on demand and are non-interest bearing.

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21. Due from/(to) customers on contracts

	Group		Corporation	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Construction contract costs incurred and recognised profits to date	**17,387,139**	13,886,741	**110**	90,733
Less: Progress billings	**(16,348,122)**	(12,725,883)	**–**	–
	1,039,017	1,160,858	**110**	90,733
Due from customers on contracts (Note 20)	**1,064,715**	1,178,243	**110**	90,733
Due to customers on contracts (Note 24)	**(25,698)**	(17,385)	**–**	–
	1,039,017	1,160,858	**110**	90,733

22. Cash, deposits and bank balances

	Group		Corporation	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash with PETRONAS Integrated Financial Shared Services Centre	**3,600,430**	3,258,864	**2,067,585**	2,349,268
Cash and bank balances	**1,288,277**	351,092	**1,613**	12,037
Deposits with licensed banks	**765,317**	1,228,873	**1,485**	219,969
	5,654,024	4,838,829	**2,070,683**	2,581,274

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").

Included in cash and bank balances is the retention account of RM91,754,000 (2014: RM41,504,000) which is restricted for use because it is pledged to the bank for the purpose of acquisition of vessels.

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 365 days (2014: 1 to 365 days) depending on the immediate cash requirements of the Group and of the Corporation and earn interest rates ranging from 0.008% to 4.30% (2014: 0.03% to 8.50%) per annum and 0.04% to 3.80% (2014: 0.01% to 4.20%) 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, leasehold 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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-current assets held for sale				
Ships	**–**	912,768	**923,210**	912,768
Leasehold building	**–**	3,672	**–**	3,672
Plant and machinery	**–**	6,282	**–**	–
	–	922,722	**923,210**	916,440

The movement during the financial year relating to non-current assets held for sale are as follows:

	Group		Corporation	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At 1 January	**922,722**	221,728	**916,440**	126,969
Addition	**28,253**	–	**28,253**	–
Write down	**–**	–	**(57,580)**	–
Transfer from ships and other property, plant and equipment (Note 12)	**–**	919,050	**–**	912,768
Transfer to ships and other property, plant and equipment (Note 12)	**(980,791)**	(100,649)	**–**	–
Disposals	**(181,813)**	(122,866)	**(175,531)**	(122,866)
Currency translation differences	**211,629**	5,459	**211,628**	(431)
At 31 December	**–**	922,722	**923,210**	916,440

During the financial year, the Corporation decided to dispose its ships held for sale to a subsidiary. Accordingly, the Group reclassified these ships from "Held for Sale" to "Ships in operation". The write down of RM57,580,000 recognised by the Corporation was reversed and correspondingly, depreciation of RM57,580,000 has been recognised by the Group during the financial year. However, at the Corporation level, the ships remain as held for sale pending disposal to the subsidiary.

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24. Trade and other payables

	Group		Corporation	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Trade payables				
Third parties	**436,630**	431,618	**32,911**	16,119
Subsidiaries	**–**	–	**203,116**	227,948
Holding company	**–**	213	**–**	–
Fellow subsidiaries	**829**	3,886	**465**	3,112
Associates	**13**	45	**13**	45
Joint ventures	**4,652**	33	**4,652**	–
Accruals	**1,729,178**	1,837,609	**390,197**	753,298
Due to customers on contracts (Note 21)	**25,698**	17,385	**–**	–
	2,197,000	2,290,789	**631,354**	1,000,522
Other payables				
Amount due to related parties:				
Subsidiaries	**–**	–	**4,057,019**	411,578
Holding company	**567**	–	**–**	–
Fellow subsidiaries	**62**	–	**10**	–
Associates	**2,124**	2,124	**–**	–
Joint ventures	**101,432**	94,489	**–**	–
Accruals	**672,851**	255,010	**76,277**	65,209
Provisions (Note 24(c))	**579,980**	569,313	**487,319**	514,354
Others	**263,014**	189,667	**96,827**	128,734
	1,620,030	1,110,603	**4,717,452**	1,119,875
Total trade and other payables	**3,817,030**	3,401,392	**5,348,806**	2,120,397
Add: Total borrowings (Note 18(c))	**6,504,403**	8,739,163	**1,756,317**	4,146,669
Less: Due to customers on contracts (Note 21)	**(25,698)**	(17,385)	**–**	–
Less: Provisions (Note 24(c))	**(579,980)**	(569,313)	**(487,319)**	(514,354)
Total financial liabilities carried at amortised cost	**9,715,755**	11,553,857	**6,617,804**	5,752,712

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 (2014: 14 to 90 days).

(b) Other payables and amounts due to related parties

The non-trade balances due to holding company, subsidiaries, associates and joint ventures are repayable on demand and are non-interest bearing.

(c) Provisions

	Group		Corporation	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
At 1 January	**1,120,502**	829,572	**1,065,543**	826,306
Arose during the year	**217,814**	301,005	**173,590**	248,620
Utilised	**(288,334)**	(133,617)	**(288,334)**	(133,617)
Unused amount reversed	**(63,021)**	–	**(63,021)**	–
Unwinding of discount	**64,163**	60,949	**64,163**	60,949
Currency translation differences	**225,900**	62,593	**232,422**	63,285
At 31 December	**1,277,024**	1,120,502	**1,184,363**	1,065,543
Current	**579,980**	569,313	**487,319**	514,354
Non-current:				
Later than 1 year but not later than 2 years	**197,243**	129,117	**197,243**	129,117
Later than 2 years but not later than 5 years	**469,404**	333,405	**469,404**	333,405
More than 5 years	**30,397**	88,667	**30,397**	88,667
	697,044	551,189	**697,044**	551,189
	1,277,024	1,120,502	**1,184,363**	1,065,543

The provisions include the contract for in-chartered ships where the unavoidable cost of meeting the obligations under the contracts exceed the economic benefits expected to be derived from the assets and one time termination benefits provided to employees.

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25. Share capital and share premium

(a) Share capital

	Group and Corporation			
	Number of shares of RM1 each		Amount	
	2015 '000	2014 '000	2015 RM'000	2014 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)

25. Share capital and share premium (cont'd.)

(a) Share capital (cont'd.)

(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 special 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	
	2015	**2014**
	RM'000	**RM'000**
At 1 January and 31 December	**4,459,468**	4,459,468

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26. Other reserves

	Other capital reserve RM'000 26(c)	Capital reserve RM'000 26(b)
Group		
At 1 January 2015	**41,415**	**435,284**
Currency translation differences: Group	–	–
Associates	–	–
Joint ventures	–	–
Fair value gain on non-current investments	–	–
Fair value gain on cash flow hedges: Group	–	–
Joint ventures	–	–
At 31 December 2015	**41,415**	**435,284**
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**	**63,399**	**(5,546)**	**1,438,006**	**2,035,596**
–	**–**	**–**	**–**	**–**	**5,321,984**	**5,321,984**
–	**–**	**–**	**–**	**–**	**192**	**192**
–	**–**	**–**	**–**	**–**	**408,291**	**408,291**
–	**–**	**–**	**2,167**	**–**	**–**	**2,167**
–	**–**	**–**	**–**	**1,420**	**–**	**1,420**
–	**–**	**–**	**–**	**5,969**	**–**	**5,969**
1,357	**1,966**	**59,715**	**65,566**	**1,843**	**7,168,473**	**7,775,619**
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

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26. Other reserves (cont'd.)

	Fair value reserve RM'000	Currency translation reserve RM'000	Total RM'000
Corporation			
At 1 January 2015	**63,399**	**178,682**	**242,081**
Currency translation differences	**–**	**4,755,157**	**4,755,157**
Fair value gain on non-current investments	**2,167**	**–**	**2,167**
At 31 December 2015	**65,566**	**4,933,839**	**4,999,405**
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

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 2015 RM'000	Group 2014 RM'000
At 1 January	**(61,410)**	(45,279)
Recognised in income statement:		
In Malaysia	**2,008**	(7,889)
Outside Malaysia	**(2,411)**	(8,284)
	(403)	(16,173)
Currency translation differences	**(4)**	42
At 31 December	**(61,817)**	(61,410)
Presented after appropriate offsetting as follows:		
Deferred tax assets	**(92,186)**	(90,373)
Deferred tax liabilities	**30,369**	28,963
	(61,817)	(61,410)

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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 2015	**81,580**
Recognised in income statement: In Malaysia	**6,332**
Outside Malaysia	**2,000**
At 31 December 2015	**89,912**
At 1 January 2014	69,668
Recognised in income statement: In Malaysia	4,142
Outside Malaysia	7,770
At 31 December 2014	81,580

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 2015	**(6,192)**	**(126,268)**	**(10,530)**	**(142,990)**
Recognised in income statement: In Malaysia	**(1,038)**	**(3,240)**	**(3,703)**	**(7,981)**
Outside Malaysia	**(642)**	**–**	**–**	**(642)**
Currency translation differences	**(116)**	**–**	**–**	**(116)**
At 31 December 2015	**(7,988)**	**(129,508)**	**(14,233)**	**(151,729)**

27. Deferred tax (cont'd.)

Deferred tax assets of the Group: (cont'd.)

	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)

Deferred tax assets have not been recognised in respect of the following items:

	Group		Corporation	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Unused tax losses	**5,910,372**	6,119,829	**5,877,782**	6,088,066
Unabsorbed capital allowances	**29,540**	141,218	**–**	111,879
Others	**13,680**	13,680	**–**	–
	5,953,592	6,274,727	**5,877,782**	6,199,945

The unused tax losses and unabsorbed capital allowances of the Group, amounting to RM5,910,372,000 (2014: RM6,119,829,000) and RM29,540,000 (2014: RM141,218,000) 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.

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28. Cash flows from investing activities

	Group		Corporation	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Purchase of ships, offshore floating assets and other property, plant and equipment	**(1,301,576)**	(1,708,835)	**(292,073)**	(822,456)
Acquisition of a subsidiary (Note 15)	**(54,111)**	–	**(54,111)**	–
Cash acquired on acquisition of a subsidiary	**56,008**	–	**–**	–
Issuance of loans to subsidiaries net of repayment	**–**	–	**245,866**	(163,639)
Dividend received from: Quoted equity investments	**2,628**	7,587	**2,611**	7,587
Subsidiaries	**–**	–	**507,568**	1,619,699
Joint ventures	**45,109**	665,532	**25,585**	43,706
Repayment of loans due from subsidiaries	**–**	–	**–**	241,032
Repayment of loans due from associates and joint ventures	**276,931**	2,772	**276,931**	2,772
Proceeds from disposal of ships, other property, plant and equipment and held for sale assets	**119,092**	626,482	**105,481**	624,926
Deposit forfeited	**–**	5,000	**–**	5,000
Proceeds from disposal of - quoted investment	**–**	221,641	**–**	221,641
- investment in joint venture	**3,246,279**	–	**–**	–
Acquisition of non-controlling interests	**–**	(58,910)	**–**	(58,910)
Interest received	**61,531**	61,916	**185,608**	31,420
Progress payments under finance lease under construction	**(1,256,005)**	–	**(1,256,005)**	–
Fixed deposit placement	**(3,457)**	(168,382)	**–**	–
Fixed deposit withdrawal	**143,382**	–	**–**	–
Net cash generated from/ (used in) investing activities	**1,335,811**	(345,197)	**(252,539)**	1,752,778

29. Cash flows from financing activities

	Group		Corporation	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Drawdown of term loans	**835,693**	5,023,628	**–**	2,781,855
Drawdown of revolving credit	**186,000**	764,000	**–**	–
Advances from a subsidiary	**–**	–	**3,241,100**	–
Repayment of term loans	**(4,415,978)**	(5,342,829)	**–**	(4,244,013)
Repayment of revolving credit	**(451,000)**	(789,000)	**–**	–
Repayment of loan from holding company	**–**	(1,636,385)	**–**	–
Repayment of loan due to subsidiaries	**–**	–	**(3,065,378)**	–
Dividends (Note 11)	**(602,612)**	(401,742)	**(602,612)**	(401,742)
Dividend paid to minority shareholders of subsidiaries	**(78,698)**	(110,118)	**–**	–
Interest paid	**(170,020)**	(326,880)	**(59,249)**	(104,011)
Cash pledged with bank - restricted	**(40,754)**	(41,504)	**–**	–
Net cash used in financing activities	**(4,737,369)**	(2,860,830)	**(486,139)**	(1,967,911)

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.

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30. Related party disclosures (cont'd.)

		Group		Corporation	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
(a)	**Income from fellow subsidiaries**				
	Freight and charter hire revenue	**2,806,918**	2,576,594	**884,984**	697,280
	Forwarding charges	**16,858**	31,357	**–**	–
	Warehouse service	**40,920**	19,459	**–**	–
	Haulage service	**79,866**	58,130	**–**	–
	Fabrication service	**900,865**	1,023,205	**–**	–
	Offshore, maintenance and manpower service	**160,167**	75,051	**88,017**	–
	Marine and consultancy services	**9,684**	–	**–**	–
	Sungai Udang Port management	**9,776**	–	**–**	–
(b)	**Purchase from fellow subsidiaries**				
	Purchase of bunkers, lubricants, spare parts and other materials	**(81,172)**	(247,583)	**(46,255)**	(159,916)
	Purchase of information technology services	**(10,288)**	(26,794)	**(10,288)**	(26,794)
	Purchase of service for rental of premises	**(26,284)**	(11,690)	**(25,062)**	(11,690)
	Purchase of insurance	**(277)**	(14,070)	**(277)**	(14,070)
	Fees for representation in the Board of Directors*	**(195)**	(303)	**(195)**	(303)

* Fees paid directly to PETRONAS in respect of directors who are appointees of the holding company.

30. Related party disclosures (cont'd.)

	Group 2015 RM'000	Group 2014 RM'000	Corporation 2015 RM'000	Corporation 2014 RM'000
(c) Purchase of service for repairs, conversion of ships, drydocking and fabrication from a subsidiary	**–**	–	**(634,005)**	(641,005)
(d) Finance lease arrangement with fellow subsidiary:				
- Finance lease income	**145,459**	135,995	**–**	–
(e) Finance lease income from a joint venture of fellow subsidiary	**83,700**	85,470	**–**	–
(f) Government of Malaysia's related entities				
(i) Provision of shipping and shipping related services				
Freight revenue	**10,192**	57,263	**10,192**	57,263
(ii) Purchase of goods and services				
Utilities	**(38,904)**	(28,111)	**(1,376)**	(1,502)
Port services	**(7,743)**	(3,403)	**–**	(1)

30. Related party disclosures (cont'd.)

(g) 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		Corporation	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Short-term employee benefits	**34,949**	29,677	**9,801**	11,803
Defined contribution plans	**2,928**	3,371	**2,281**	2,760
	37,877	33,048	**12,082**	14,563

Included in the total key management personnel are:

	Group		Corporation	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Director's remuneration (Note 7)	**4,241**	4,142	**3,169**	3,577

31. Commitments

(a) Capital commitments

	Group		Corporation	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Capital expenditure				
Approved and contracted for:				
Ships, offshore floating assets and other property, plant and equipment	**5,098,626**	506,301	**3,226,316**	19,317
Information and communication technology	**6,710**	18,949	**5,508**	2,189
Share of capital commitments in joint ventures	**–**	144,506	**–**	–
	5,105,336	669,756	**3,231,824**	21,506

31. Commitments (cont'd.)

(a) Capital commitments (cont'd.)

	Group		Corporation	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Approved but not contracted for:				
Ships, offshore floating assets and other property, plant and equipment	**242,240**	313,060	**205,101**	284,199
Information and communication technology	**16,449**	3,336	**12,324**	2,942
Share of capital commitments in joint ventures	**–**	79,661	**–**	–
	258,689	396,057	**217,425**	287,141

(b) Non-cancellable operating lease commitments - Group as lessee

	Group		Corporation	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Future minimum rentals payable:				
Not later than 1 year	**870,577**	582,194	**122,584**	110,967
Later than 1 year and not later than 5 years	**2,029,693**	1,289,749	**431,269**	375,477
Later than 5 years	**1,210,721**	409,231	**242,926**	272,779
	4,110,991	2,281,174	**796,779**	759,223

(c) Non-cancellable operating lease commitments - Group as lessor

	Group		Corporation	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Future minimum rentals receivable:				
Not later than 1 year	**3,974,234**	3,369,342	**903,541**	886,975
Later than 1 year and not later than 5 years	**11,791,828**	8,094,727	**4,165,527**	3,423,210
Later than 5 years	**19,675,586**	12,958,544	**9,481,667**	8,736,409
	35,441,648	24,422,613	**14,550,735**	13,046,594

32. Contingent liabilities

	Group 2015 RM'000	Group 2014 RM'000	Corporation 2015 RM'000	Corporation 2014 RM'000
Secured				
Bank guarantee extended to a third party	**19,638**	26,045	**–**	–
Unsecured				
Performance bond on contract extended to third parties	**491,016**	312,225	**8,983**	8,526
Corporate guarantees given to banks for credit facilities granted to subsidiaries	**–**	–	**4,754,433**	7,695,069

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.

33. Segment information (cont'd.)

(a) Business segments (cont'd.)

31 December 2015	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	7,523,309	2,831,656	572,823	10,927,788	(19,402)		10,908,386
Inter-segment	27,336	435,991	31,604	494,931	(494,931)	A	–
	7,550,645	3,267,647	604,427	11,422,719	(514,333)		10,908,386
Results							
Segment results	2,029,570	(30,392)	(699,978)	1,299,200	830,421	A	2,129,621
Other operating income	281,303	192,807	689,549	1,163,659	(571,043)		592,616
Net loss on disposal of ships	(70,622)	–	–	(70,622)	–	A	(70,622)
Finance income	13,113	17,524	383,622	414,259	(353,926)	A	60,333
Impairment provisions	(232,325)	(133,302)	(28,252)	(393,879)	(97,393)		(491,272)
Finance costs	(222,603)	(60,914)	(284,768)	(568,285)	327,932	A	(240,353)
Share of loss of associates	–	–	157	157	–		157
Share of profit of joint ventures	70,004	516,373	–	586,377	–		586,377
Profit before taxation							2,566,857
Taxation							(31,750)
Profit after taxation							2,535,107
Non-controlling interests							(67,327)
Net profit attributable to equity holders							–
Net profit attributable to equity holders of the Corporation							2,467,780

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33. Segment information (cont'd.)

(a) Business segments (cont'd.)

31 December 2015	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	22,928,205	–	19,180*	22,947,385	–		22,947,385
Offshore floating assets	–	403,429	–	403,429	–		403,429
Intangible assets	924,540	225	870	925,635	–		925,635
Investments in joint ventures	320,943	4,363,432	199	4,684,574	–		4,684,574
Other assets (unallocated)						B	18,578,051
LIABILITIES							
Interest-bearing loans and borrowings	8,772,291	1,889,721	9,719,480	20,381,492	(13,877,089)		6,504,403
Other liabilities (unallocated)						C	4,575,529

* Net book value of Navy Auxiliary ship owned by the Corporation, i.e. Bunga Mas 6.

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							–
Net profit attributable to equity holders of the Corporation							2,204,310

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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
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	–		931,319
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.)

(b) Business segments

Note

A Inter-segment revenues and transactions are eliminated on consolidation.

B Other assets comprise the following items:

	2015 RM'000	2014 RM'000
Other property, plant and equipment	**2,092,769**	1,971,972
Prepaid lease payments on land and buildings	**238,208**	249,905
Investments in associates	**2,369**	1,987
Other non-current financial assets	**360,967**	572,000
Finance lease receivables	**3,786,759**	3,561,430
Deferred tax assets	**92,186**	90,373
Inventories	**205,216**	243,782
Trade and other receivables	**4,888,047**	3,408,886
Cash, deposits and bank balances	**5,654,024**	4,838,829
Derivative assets	**1,501**	246
Non-current assets classified as held for sale	**–**	922,722
Finance lease assets under construction	**1,256,005**	–
	18,578,051	15,862,132

C Other liabilities comprise the following items:

	2015 RM'000	2014 RM'000
Trade and other payables	**3,817,030**	3,401,392
Provision for taxation	**29,155**	42,491
Deferred tax liabilities	**30,369**	28,963
Derivative liabilities	**1,931**	–
Provisions	**697,044**	551,189
	4,575,529	4,024,035

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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 2015						
Revenue	**5,826,711**	**510,418**	**177,543**	**33,209**	**4,360,505**	**10,908,386**
Segment assets	**36,684,234**	**1,372**	**7,427**	**–**	**11,030,851**	**47,723,884**
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

33. Segment information (cont'd.)

(d) Information about major customers

Breakdown of revenue from major customers are as follows:

	2015 RM'000	2014 RM'000
Fellow subsidiaries:		
- Malaysia LNG Sdn Bhd	**1,931,595**	1,978,885
- Petronas Carigali Sdn Bhd	**1,173,955**	977,004
- Petronas LNG Ltd	**436,527**	383,575
	3,542,077	3,339,464
Third Parties:		
- Royal Dutch Shell PLC	**489,038**	336,401
- British Petroleum	**410,079**	176,229
- Marine Well Containment Company	**268,810**	190,652
- CITGO Petroleum Corporation	**247,699**	170,469
- Exxon Mobil Corporation	**244,487**	248,729
- Saudi Petroleum	**228,280**	190,652
- Oman Trading International Limited	**80,715**	60,977
- Talisman Energy	**69,117**	62,510
- Petrofac (Malaysia) Limited	**16,791**	58,553
	2,055,016	1,495,172

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.

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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).

		Fair value of assets and liabilities carried at fair value			
		Level 1	**Level 2**	**Level 3**	**Total**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Group					
At 31 December 2015					
Financial assets:					
Non-current quoted equity investment	18(a)	**76,244**	**–**	**–**	**76,244**
Forward exchange contract	18(b)	**–**	**525**	**–**	**525**
Interest rate swaps designated as hedging instruments	18(b)	**–**	**976**	**–**	**976**
		76,244	**1,501**	**–**	**77,745**
Financial liabilities:					
Interest rate swaps designated as hedging instruments	18(b)	**–**	**(1,931)**	**–**	**(1,931)**
At 31 December 2014					
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.)

	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 2015						
Group						
Financial assets:						
Non-current unquoted equity investments	18(a)	**–**	**–**	*****	*****	**51,007**
Long term receivables	18(a)	**–**	**–**	**120,092**	**120,092**	**152,909**
Finance lease receivables	18(d)	**–**	**–**	**4,277,999**	**4,277,999**	**4,277,999**
		–	**–**	**4,398,091**	**4,398,091**	**4,481,915**
Financial Liabilities:						
Term loans	18(c)	**–**	**(6,488,744)**	**–**	**–**	**(6,488,792)**
At 31 December 2014						
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
Financial Liabilities:						
Term loans	18(c)	–	(8,461,920)	–	(8,461,920)	(8,458,522)

* 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.

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34. Fair value disclosures (cont'd.)

Fair value information (cont'd.)

	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
Corporation					
At 31 December 2015					
Financial assets:					
Non-current quoted equity investment	18(a)	**76,244**	**–**	**–**	**76,244**
Non-financial assets:					
Non-current assets classified as held for sale	23	**–**	**–**	**923,210**	**923,210**
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

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 2015						
Financial assets:						
Non-current unquoted equity investments	18(a)	**–**	**–**	*	*	**50,846**
Loans to subsidiaries	35(a)	**–**	**5,454,002**	**–**	**5,454,002**	**5,952,186**
		–	**5,454,002**	**–**	**5,454,002**	**6,003,032**
Financial liabilities:						
Loans from subsidiary	18(c)	**–**	**(1,756,317)**	**–**	**(1,756,317)**	**(1,756,317)**
At 31 December 2014						
Financial assets:						
Non-current unquoted equity investments	18(a)	–	–	*	–	41,379
Loans to subsidiaries	35(a)	–	3,649,190	–	3,649,190	3,731,755
		–	3,649,190	*	3,649,190	3,773,134
Financial liabilities:						
Loans from subsidiary	18(c)	–	(4,146,669)	–	(4,146,669)	(4,146,669)

* 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.

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.

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34. Fair value disclosures (cont'd.)

Fair value information (cont'd.)

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 2015 RM'000	Fair value at 31 December 2014 RM'000	Fair value at 31 December 2015 RM'000	Fair value at 31 December 2014 RM'000	Valuation techniques	Unobservable inputs
Assets measured at fair value						
Non-current assets held for sale						
- Ships (Chemical)	–	912,768	**923,210**	912,768	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.
- Leasehold building	–	3,672	–	3,672	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	**923,210**	916,440		

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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 2015 RM'000	Fair value at 31 December 2014 RM'000	Fair value at 31 December 2015 RM'000	Fair value at 31 December 2014 RM'000	Valuation techniques	Unobservable inputs
Financial assets not measured at fair value						
Long term receivables	**120,092**	100,038	**–**	–	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	**4,277,999**	3,952,065	**–**	–	Discounted cash flow method	Discounting expected future cash flows at the market rate of interest at the end of the reporting period.
	4,398,091	4,052,103	**–**	–		

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 and equity 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 2015, 23.4% (2014: 6.44%) of the Group's total borrowings were fixed rate in nature. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps in which the Group agrees to exchange at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed upon notional principal amount.

As at reporting date, the total notional principal amount of interest rate swaps of the Group is RM1,513,692,000 (2014: RM Nil). The fixed interest rates relating to interest rate swaps at the reporting date ranges from 1.31% - 1.90% (2014: RM Nil) per annum.

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35. Financial risk management objectives and policies (cont'd.)

(a) Interest rate risk (cont'd.)

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 Increase/ (Decrease) RM'000
As at 31 December 2015			
Group			
USD - 3 Months LIBOR	**+10**	**(4,557)**	**1,505**
USD - 3 Months LIBOR	**-10**	**4,557**	**(1,505)**
Corporation			
USD - 3 Months LIBOR	**+10**	**(937)**	**–**
USD - 3 Months LIBOR	**-10**	**937**	**–**
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	–

35. Financial risk management objectives and policies (cont'd.)

(a) Interest rate risk (cont'd.)

As at 31 December 2015, the Group's 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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Fixed rate instruments				
Financial assets				
Deposits with licensed banks	**765,317**	1,228,873	**–**	219,969
Deposits with IFSSC	**3,600,430**	3,258,864	**2,067,585**	2,349,268
Loans to:				
Subsidiaries	**–**	–	**4,259,595**	936,155
Joint ventures	**48,240**	48,240	**48,240**	48,240
Financial liabilities				
Fixed rate borrowings	**34,208**	562,796	**–**	–
Floating rate borrowings (swapped to fixed rate)	**1,489,803**	–	**–**	–
Loans from subsidiaries	**–**	–	**728,218**	–
Floating rate instruments				
Financial assets				
Cash and bank balances	**1,288,276**	351,092	**1,485**	12,037
Loans to:				
Subsidiaries	**–**	–	**1,692,591**	2,795,600
Joint ventures	**32,567**	275,998	**32,260**	275,998
Financial liabilities				
Floating rate borrowings	**4,980,392**	8,176,367	**–**	–
Loans from subsidiaries	**–**	–	**1,028,099**	4,146,669

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 4% (2014: 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 94% (2014: 95%) 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 2015, the Group held forward currency contracts designated as hedges of expected future receipts and payments denominated in USD, 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 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 RM356,000 (2014: RM501,000), 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.

	2015		2014	
	Change in currency rate %	Effect on profit before taxation Increase/ (Decrease) RM'000	Change in currency rate %	Effect on profit before taxation (Decrease)/ Increase RM'000
Group				
USD/RM	**+5%**	**7,480**	+5%	(90,761)
	-5%	**(7,480)**	-5%	90,761
Corporation				
USD/RM	**+5%**	**8,317**	+5%	(101,375)
	-5%	**(8,317)**	-5%	101,375

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 2015							
Ringgit Malaysia	**–**	**205,661**	**4,264**	**–**	**11,667**	**(237)**	**221,355**
United States Dollar	**56,064**	**–**	**(16,111)**	**418**	**15,993**	**36,678**	**93,042**
	56,064	**205,661**	**(11,847)**	**418**	**27,660**	**36,441**	**314,397**
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
Functional currency of Corporation							
At 31 December 2015							
United States Dollar	**(166,341)**	**–**	**137**	**490**	**18,951**	**22,843**	**(123,920)**
At 31 December 2014							
United States Dollar	2,027,495	–	12,959	–	22,899	1,643	2,064,996

(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's and the Corporation's objective is 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 RM5,654,024,000 (2014: RM4,838,829,000) and RM2,070,683,000 (2014: RM2,581,274,000) respectively. As at 31 December 2015, the Group and the Corporation have unutilised credit lines of RM3.6 billion (2014: RM3.6 billion) and RM2.6 billion (2014: RM2.7 billion) respectively, which could be used for working capital purposes.

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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 2015	
Group	
Interest-bearing loans and borrowings	**6,504,403**
Trade and other payables	**3,396,162**
	9,900,565
Corporation	
Interest-bearing loans and borrowings	**1,756,317**
Trade and other payables	**4,858,162**
	6,614,479
At 31 December 2014	
Group	
Interest-bearing loans and borrowings	8,739,163
Trade and other payables	2,814,693
	11,553,856
Corporation	
Interest-bearing loans and borrowings	4,146,669
Trade and other payables	1,606,043
	5,752,712

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
7,015,501	**1,239,628**	**1,141,974**	**2,028,045**	**720,668**	**704,358**	**1,180,828**
3,396,162	**3,396,162**	**–**	**–**	**–**	**–**	**–**
10,411,663	**4,635,790**	**1,141,974**	**2,028,045**	**720,668**	**704,358**	**1,180,828**
1,818,562	**716,364**	**361,694**	**740,504**	**–**	**–**	**–**
4,858,162	**4,858,162**	**–**	**–**	**–**	**–**	**–**
6,676,724	**5,574,526**	**361,694**	**740,504**	**–**	**–**	**–**
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

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35. Financial risk management objectives and policies (cont'd.)

(c) Liquidity risk (cont'd.)

Group

Hedging activities

The Group entered into interest rate swaps to hedge the cash flow risk of floating interest rate on the term loans. The notional amount swapped as at 31 December 2015 was RM1,513,692,000 (2014: RM Nil). The swaps are settled quarterly, consistent with the interest payment schedule of the loan.

The following table indicates the periods in which the cash flows are expected to occur for cash flow hedges as at 31 December 2015:

	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	More than 5 years RM'000
At 31 December 2015								
Net cash outflows	**(955)**	**(43,493)**	**(12,083)**	**(12,050)**	**(9,505)**	**(2,943)**	**(2,951)**	**(3,961)**

The Group's hedging activities on the interest rate swaps are tested to be effective. During the year, the Group recognised in other comprehensive income a gain of RM1,064,000 (2014: loss of RM3,476,000) on the interest rate swaps of its subsidiaries.

The Group had, in previous year terminated some of its interest rate swap arrangements following early settlement of certain loans prior to maturity. As a result, the cumulative loss on the interest rate swap of RM4,208,000 has been reclassified from equity into the income statement.

The Group's share of its joint ventures' unrealised gain on interest rate swap during the year was RM5,969,000 (2014: RM24,149,000).

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) and 20, 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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Energy related shipping	**431,798**	224,665	**28,880**	1,126
Other energy businesses	**893,973**	574,025	**19,914**	749
Non-shipping and others	**124,922**	116,342	**6,358**	9,988
	1,450,693	915,032	**55,152**	11,863

35. Financial risk management objectives and policies (cont'd.)

(d) Credit risk (cont'd.)

Trade receivables (cont'd.)

At the reporting date, approximately:

21.7% (2014: 12.1%) of the Group's trade receivables were due from related parties while 87.7% (2014: 90.8%) of the Corporation's trade 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 ("IFSSC"). 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 a 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 investment in quoted equity shares listed on Bursa Malaysia. At the reporting date, the fair value of the quoted equity shares was RM76,244,000 (2014: RM74,333,000).

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 investment in quoted equity shares 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			
2015			
Malaysian quoted equity shares	**76,244**	**+15**	**11,437**
Malaysian quoted equity shares	**76,244**	**-15**	**(11,437)**
2014			
Malaysian quoted equity shares	74,333	+15	11,150
Malaysian quoted equity shares	74,333	-15	(11,150)

This analysis assumes all other variables remain constant and that the price of the Group's quoted equity investment is 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.

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36. Capital management (cont'd.)

The debt to equity ratios of the Group and of the Corporation as at 31 December 2015 and 31 December 2014 are as follows:

	Note	Group 2015 RM'000	Group 2014 RM'000	Corporation 2015 RM'000	Corporation 2014 RM'000
Short term borrowings	18(c)	**1,110,055**	1,148,814	**687,662**	560,122
Long term borrowings	18(c)	**5,394,348**	7,590,349	**1,068,655**	3,586,547
Total debts		**6,504,403**	8,739,163	**1,756,317**	4,146,669
Total equity		**36,459,142**	28,821,104	**24,288,847**	19,355,444
Gross debt equity ratio		**0.18**	0.30	**0.07**	0.21

37. Subsidiaries and activities

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%) 2015	Ownership interest and voting interest (%) 2014
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
MISC Enterprises Holdings Sdn. Bhd.	Malaysia	In-liquidation	**100**	100
MISC Properties 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 (%) 2015	2014
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 haulage carrier	**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

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37. Subsidiaries and activities (cont'd.)

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%) 2015	2014
MISC Integrated Logistics Sdn. Bhd.	Malaysia	Integrated logistics services	**100**	100
MISC Haulage Services Sdn. Bhd.	Malaysia	Dormant	**100**	100
MISC Trucking and Warehousing Services Sdn. Bhd.	Malaysia	Dormant	**100**	100
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

37. Subsidiaries and activities (cont'd.)

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%) 2015	2014
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
AMI Manning Services Private Limited (formerly known as AET Shipmanagement (India) Private Limited) #	India	Dormant	**100**	100
AET Lightering Services LLC	The United States of America	Lightering	**100**	100
AET Tankers Pte. Ltd. #	Singapore	Commercial operation and chartering	**100**	100

37. Subsidiaries and activities (cont'd.)

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%)	
			2015	2014
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

37. Subsidiaries and activities (cont'd.)

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%) 2015	2014
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
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	**95**	97.5
MISC International (L) Ltd.	Malaysia	Investment holding	**100**	100
MISC Offshore Floating Terminals (L) Ltd.	Malaysia	Owning offshore floating terminals	**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	Liquidated	**–**	100
Malaysia Offshore Mobile Production (Labuan) Ltd.	Malaysia	Mobile offshore production unit owner	**100**	100
MTTI Sdn. Bhd.	Malaysia	Investment holding	**100**	100

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37. Subsidiaries and activities (cont'd.)

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%) 2015	2014
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	Owning offshore floating terminals	**100**	100
GK O & M (L) Limited	Malaysia	To carry out the business of providing professional services for oil and gas industry	**100**	100
PETRONAS Maritime Services Sdn. Bhd.	Malaysia	Provision of maritime services and consultancy and maritime audit	**100**	–
Sungai Udang Port Sdn. Bhd.	Malaysia	Operation and management of Sungai Udang Port	**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 (%) 2015	2014
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.

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39. Joint arrangements and activities

(a) Joint ventures and activities

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%) 2015	2014
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 installation and commissioning	**40**	40
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

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 (%)	
			2015	**2014**
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
MISC Shipping Services (UAE) LLC ***	United Arab Emirates	Dormant	**49**	49

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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 (%) 2015	2014
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
ELS Lightering Services S.A	Uruguay	Lightering activity	**50**	50
Akudel S.A ***	Uruguay	Owning and operating workboats for lightering activity	**–**	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

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 (%) 2015	2014
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.

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 2015 and management accounts up to 31 December 2015 have been used to apply the equity method of accounting.

NOTES TO THE FINANCIAL STATEMENTS
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39. Joint arrangements and activities (cont'd.)

(b) Joint operation and activities

Details of the Group's joint operations are as follows:

Name	% of ownership interest held by the Group 2015	2014
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. Significant events

(a) On 15 June 2015, the Corporation entered into an Agreement for Sale and Purchase of Shares with Petroliam Nasional Berhad ("PETRONAS") for the acquisition of PETRONAS' entire equity interest in PETRONAS Maritime Services Sdn. Bhd. ("PMSSB") for a cash consideration of RM54,111,244. PMSSB has a wholly-owned subsidiary, Sungai Udang Port Sdn Bhd ("SUPSB").

Upon completion of the acquisition on 7 July 2015, PMSSB became a wholly-owned subsidiary of the Corporation.

(b) On 21 August 2015, the Corporation and its Subsidiary, MTTI Sdn. Bhd. ("MTTI") entered into an Agreement for Sale and Purchase of 50% of the issued share capital of VTTI B.V. with VIP Terminals Finance B.V., ultimately a wholly-owned subsidiary of Vitol Investment Partnership Limited, for the disposal of 50% of the issued share capital of VTTI B.V. for a cash consideration of USD830.0 million (RM 3,246,279,000).

The disposal was completed on 7 November 2015 and VTTI ceased to be a joint venture company of MTTI. The Group recognised a gain on disposal of investment in joint venture amounting to RM65,317,000 as disclosed in Note 4 and 17.

41. 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 2015 and 31 December 2014 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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Total retained profits of MISC and its subsidiaries:				
- Realised	**18,976,102**	17,864,552	**11,522,898**	10,490,868
- Unrealised	**(1,142,352)**	(226,394)	**(1,156,718)**	(300,767)
	17,833,750	17,638,158	**10,366,180**	10,190,101
Total share of accumulated losses from associates:				
- Realised	**(2,178)**	(2,335)	**–**	–
	(2,178)	(2,335)	**–**	–
Total share of retained profits from joint ventures :				
- Realised	**2,314,807**	1,509,442	**–**	–
- Unrealised	**(580)**	(8,825)	**–**	–
	2,314,227	1,500,617	**–**	–
Total retained profits	**20,145,799**	19,136,440	**10,366,180**	10,190,101
Less: Consolidation adjustments	**(1,483,228)**	(2,339,037)	**–**	–
Retained profits as per financial statements	**18,662,571**	16,797,403	**10,366,180**	10,190,101

PROPERTIES OWNED BY MISC BERHAD AND ITS SUBSIDIARIES

AS AT 31 DECEMBER 2015

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	25	64,440
2.	PT 128571 – 128576, Mukim Klang (West Port) Pelabuhan Klang Selangor Darul Ehsan	Land, Office Building & Warehouse	Leasehold/ 2097	1,721,524	Logistics Hub	9	101,784
3.	Plot 2 P.T. 2113 Air Keroh Industrial Estate, Melaka	Land & Container Yard	Leasehold/ 2091	241,326	Office Building & Container Yard	24	3,099
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	24	29,159
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	23	15,450
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	21	1,186

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	36	48,754
8.	PTD 11549 Mukim Plentong, Johor Bahru	Land, Shipyard	Leasehold/ 2075	522,720		40	937
9.	PTD 65615 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2044	698,266	Staff Quarters	32	2,373
10.	PTD 65618 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2044	587,624	Staff Quarters	32	1,997
11.	PTD 65619 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2044	128,502	Staff Quarters	32	437
12.	PTD 65616 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2044	169,884	Vacant	32	577
13.	PTD 65617 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2044	374,180	Vacant	32	1,271
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	38	1,228,913
15.	Rumah Pangsa MMHE 81700 Pasir Gudang (erected on Land 9 to 11 above)	4-storey Residential Flats	Leasehold/ 2044	383,559	Staff Quarters	37	4,035

PROPERTIES OWNED BY MISC BERHAD AND ITS SUBSIDIARIES

AS AT 31 DECEMBER 2015

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	6	17,502
17.	PTD 71056 Mukim Plentong, Johor Bahru	Land, Yard	Leasehold/ 2045	1,524,600	Engineering & Construction Fabrication Yard, Ancillary Facilities & Office Buildings	30	44,991
18.	PTD 109040 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2053	217,800	Workshop, Ancillary Facilities & Site Office	22	6,827
19.	PTD 200290 Mukim Plentong, Johor Bahru	Land, Yard	Leasehold/ 2052	2,424,158	Workshop, Ancillary Facilities & Office Buildings	7	78,982
20.	PTD 22768 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2040	435,600	Storage Area	35	12,560
21.	Lot 51611 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2045	173,514	Ancillary Facilities & Storage Area	19	5,120
22.	PTD 110760 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2052	205,603	Workshop, Ancillary Facilities & Office Buildings	22	6,302
23.	PTD 110758 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2052	59,242	Cabin Office & Warehouse	22	1,911

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	7	540
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	5	1,026
26.	305, The Collonades Porchester Square Bayswater, London W2 6AS	Apartment	Leasehold/ 2073	1,200	For Staff	24	4,235
27.	Galveston, Texas, USA	Land & Office	Freehold	290,415	Workboats, Dockage & Lightering Support Operation	47	8,899
28.	Rivium 1e straat 42 2909 LE Capelle ann den IJssel, Netherlands	Land & Office	Freehold	21,140	Office	18	5,565

LIST OF VESSELS AND ASSETS

AS AT 31 DECEMBER 2015

LNG CARRIERS (Owned)								
Class	**Total**	**Vessel**	**Built**	**Age**	**Yard**	**Cargo Capacity (cbm)**	**dwt**	**Flag**
Aman Class	3	AMAN BINTULU	1993	22	NKK, Tsu, Japan	18,927	11,001	Malaysia
		AMAN SENDAI	1997	18	NKK, Tsu, Japan	18,928	10,957	Malaysia
		AMAN HAKATA	1998	17	NKK, Tsu, Japan	18,942	10,951	Malaysia
Tenaga Class	1	TENAGA LIMA	1981	34	Chantiers De Nord Industrielle Marseille, France	130,021	71,585	Malaysia
Puteri Class	5	PUTERI INTAN	1994	21	Chantiers de l'Atlantique, France	130,000	73,519	Malaysia
		PUTERI DELIMA	1995	20	Chantiers de l'Atlantique, France	130,000	73,519	Malaysia
		PUTERI NILAM	1995	20	Chantiers de l'Atlantique, France	130,000	73,519	Malaysia
		PUTERI ZAMRUD	1996	19	Chantiers de l'Atlantique, France	130,000	73,519	Malaysia
		PUTERI FIRUS	1997	18	Chantiers de l'Atlantique, France	130,000	73,519	Malaysia
Puteri Satu Class	6	PUTERI INTAN SATU	2002	13	Mitsubishi Heavy Industries, Japan	137,489	75,849	Malaysia
		PUTERI DELIMA SATU	2002	13	Mitsui Engineering & Shipbuilding Co., Japan	137,601	76,190	Malaysia
		PUTERI NILAM SATU	2003	12	Mitsubishi Heavy Industries, Japan	137,585	76,124	Malaysia
		PUTERI ZAMRUD SATU	2004	11	Mitsui Engineering & Shipbuilding Co., Japan	137,590	76,144	Malaysia
		PUTERI FIRUS SATU	2004	11	Mitsubishi Heavy Industries, Japan	137,617	76,197	Malaysia
		PUTERI MUTIARA SATU	2005	10	Mitsui Engineering & Shipbuilding Co., Japan	137,595	76,144	Malaysia
Seri A Class	5	SERI ALAM	2005	10	Samsung Heavy Industries Co. Ltd., Korea	145,572	83,824	Malaysia
		SERI AMANAH	2006	9	Samsung Heavy Industries Co. Ltd., Korea	145,709	83,400	Malaysia
		SERI ANGGUN	2006	9	Samsung Heavy Industries Co. Ltd., Korea	145,731	83,395	Malaysia
		SERI ANGKASA	2006	9	Samsung Heavy Industries Co. Ltd., Korea	145,700	83,403	Malaysia
		SERI AYU	2007	8	Samsung Heavy Industries Co. Ltd., Korea	145,659	83,366	Malaysia

LNG CARRIERS (Owned) (Cont'd)								
Class	**Total**	**Vessel**	**Built**	**Age**	**Yard**	**Cargo Capacity (cbm)**	**dwt**	**Flag**
Seri B Class	5	SERI BAKTI	2007	8	Mitsubishi Heavy Industries, Japan	152,944	90,065	Malaysia
		SERI BEGAWAN	2007	8	Mitsubishi Heavy Industries, Japan	153,023	89,902	Malaysia
		SERI BIJAKSANA	2008	7	Mitsubishi Heavy Industries, Japan	153,023	89,953	Malaysia
		SERI BALHAF	2008	7	Mitsubishi Heavy Industries, Japan	157,720	91,201	Malaysia
		SERI BALQIS	2009	6	Mitsubishi Heavy Industries, Japan	157,720	91,198	Malaysia
Total Owned	**25**					**3,165,096**	**1,798,444**	

LNG FLOATERS								
Class	**Total**	**Vessel**	**Built**	**Age**	**Yard**	**Cargo Capacity (cbm)**	**dwt**	**Flag**
Floating Storage Unit (FSU)	2	FSU TENAGA SATU	2012	3	Malaysia Marine and Heavy Engineering, Malaysia	130,000	–	Malaysia
		FSU TENAGA EMPAT	2012	3	Keppel Shipyard, Singapore	130,000	–	Malaysia
Total	**2**					**260,000**	**–**	

NEWBUILDING							
Class	**Total**	**Vessel**	**Delivery**	**Yard**	**Cargo Capacity (cbm)**	**dwt**	**Flag**
	5	HN. 2729	2016	Hyundai Heavy Industries, Korea	150,200	–	Malaysia
		HN. 2730	2017	Hyundai Heavy Industries, Korea	150,200	–	Malaysia
		HN. 2731	2017	Hyundai Heavy Industries, Korea	150,200	–	Malaysia
		HN. 2732	2017	Hyundai Heavy Industries, Korea	150,200	–	Malaysia
		HN. 2735	2017	Hyundai Heavy Industries, Korea	150,200	–	Malaysia
Total Newbuilding	**5**				**751,000**	**–**	

LIST OF VESSELS AND ASSETS
AS AT 31 DECEMBER 2015

PETROLEUM TANKERS (Owned)							
Class	Total	Vessel	Built	Age	Yard	dwt	Flag
VLCC	10	EAGLE VARNA	2013	2	Daewoo Shipbuilding and Marine Engineering	311,922	Singapore
		EAGLE VANCOUVER	2013	2	Daewoo Shipbuilding and Marine Engineering	311,922	Singapore
		EAGLE VERONA (RENAMED BRITISH VENTURE)	2013	2	Daewoo Shipbuilding and Marine Engineering	320,122	Isle of Man
		EAGLE VERSAILLES (RENAMED BRITISH VANTAGE)	2013	2	Daewoo Shipbuilding and Marine Engineering	320,122	Isle of Man
		BUNGA KASTURI ENAM	2008	7	Universal Shipbuilding Corp	299,319	Malaysia
		BUNGA KASTURI LIMA	2007	8	Universal Shipbuilding Corp	300,246	Malaysia
		BUNGA KASTURI EMPAT	2007	8	Universal Shipbuilding Corp	300,325	Malaysia
		BUNGA KASTURI TIGA	2006	9	Universal Shipbuilding Corp	300,398	Malaysia
		BUNGA KASTURI DUA	2005	10	Universal Shipbuilding Corp	300,542	Malaysia
		BUNGA KASTURI	2003	12	Universal Shipbuilding Corp	299,999	Malaysia
Aframax	30	EAGLE TEXAS	2011	4	Tsuneishi Shipbuilding	107,481	Marshall Islands
		EAGLE LOUISIANA	2011	4	Tsuneishi Shipbuilding	107,481	Marshall Islands
		EAGLE KINARUT	2011	4	Tsuneishi Shipbuilding	107,481	Singapore
		EAGLE KINABALU	2011	4	Tsuneishi Shipbuilding	107,481	Singapore
		EAGLE KLANG	2010	5	Tsuneishi Shipbuilding	107,481	Singapore
		EAGLE KUANTAN	2010	5	Tsuneishi Shipbuilding	107,481	Singapore
		EAGLE KANGAR	2010	5	Tsuneishi Shipbuilding	107,481	Singapore
		EAGLE KUCHING	2009	6	Tsuneishi Shipbuilding	107,481	Singapore
		EAGLE TURIN	2008	7	Imabari	107,123	Singapore
		EAGLE TORRANCE	2007	8	Imabari	107,123	Singapore
		BUNGA KELANA 7	2004	11	Samsung Heavy Industries	105,194	Malaysia
		BUNGA KELANA 8	2004	11	Samsung Heavy Industries	105,174	Malaysia
		BUNGA KELANA 9	2004	11	Samsung Heavy Industries	105,200	Malaysia
		BUNGA KELANA 10	2004	11	Samsung Heavy Industries	105,274	Malaysia
		EAGLE TOLEDO	2003	12	Imabari	107,092	Singapore
		EAGLE TRENTON	2003	12	Imabari	107,123	Singapore
		EAGLE TUCSON	2003	12	Imabari	107,123	Singapore
		EAGLE TAMPA	2003	12	Imabari	107,123	Singapore

PETROLEUM TANKERS (Owned) (Cont'd)							
Class	**Total**	**Vessel**	**Built**	**Age**	**Yard**	**dwt**	**Flag**
Aframax (Cont'd)		EAGLE TACOMA	2002	13	Imabari	107,123	Singapore
		BUNGA KELANA 4	1999	16	Hyundai Heavy Industries	105,815	Malaysia
		BUNGA KELANA 5	1999	16	Hyundai Heavy Industries	105,788	Malaysia
		EAGLE AUGUSTA	1999	16	Samsung Heavy Industries	105,345	Singapore
		EAGLE ATLANTA	1999	16	Koyo	107,160	Singapore
		BUNGA KELANA 6	1999	16	Hyundai Heavy Industries	105,815	Malaysia
		EAGLE ANAHEIM	1999	16	Koyo	107,160	Singapore
		EAGLE PHOENIX	1998	17	Namura	106,127	Singapore
		EAGLE AUSTIN	1998	17	Samsung Heavy Industries	105,426	Singapore
		BUNGA KELANA 3	1998	17	Hyundai Heavy Industries	105,784	Malaysia
		BUNGA KELANA DUA	1997	18	Hyundai Heavy Industries	105,976	Malaysia
		EAGLE COLUMBUS	1997	18	Koyo	107,166	Singapore
Suezmax	4	EAGLE SAN ANTONIO	2012	3	Samsung Heavy Industries Co. Ltd., Korea	157,850	Singapore
		EAGLE SAN DIEGO	2012	3	Samsung Heavy Industries Co. Ltd., Korea	157,850	Singapore
		EAGLE SAN JUAN	2012	3	Samsung Heavy Industries Co. Ltd., Korea	157,850	Singapore
		EAGLE SAN PEDRO	2012	3	Samsung Heavy Industries Co. Ltd., Korea	157,850	Singapore
DP Shuttle	4	EAGLE BERGEN	2015	0	Samsung Heavy Industries (SHI)	120,000	Bahamas
		EAGLE BARENTS	2014	1	Samsung Heavy Industries (SHI)	121,400	Bahamas
		EAGLE PARANA	2012	3	Samsung Heavy Industries	105,153	Malaysia
		EAGLE PARAIBA	2012	3	Samsung Heavy Industries	105,153	Malaysia
Panamax	1	BUNGA KENANGA	2000	15	Samsung Heavy Industries Co. Ltd., Korea	73,096	Malaysia
Total Owned	**49**					**7,419,201**	

PETROLEUM TANKERS (Jointly owned via JV)							
Class	**Total**	**Vessel**	**Built**	**Age**	**Yard**	**dwt**	**Flag**
Aframax	6	Paramount Hydra	2011	4	Sungdong	114,164	Isle of Man
		Paramount Helsinki	2010	5	Sungdong	114,164	Isle of Man
		Paramount Halifax	2010	5	Sungdong	114,164	Isle of Man
		Paramount Hanover	2010	5	Sungdong	114,014	Isle of Man
		Paramount Hamilton	2010	5	Sungdong	114,560	Isle of Man
		Paramount Hatteras	2010	5	Sungdong	114,164	Isle of Man
Total JV Owned	**6**					**685,230**	

LIST OF VESSELS AND ASSETS
AS AT 31 DECEMBER 2015

PETROLEUM TANKERS (In-chartered)							
Class	**Total**	**Vessel**	**Built**	**Age**	**Yard**	**dwt**	**Flag**
VLCC	2	EAGLE VERMONT	2002	13	Hyundai Heavy Industries	299,999	Singapore
		EAGLE VIRGINIA	2002	13	Hyundai Heavy Industries	306,999	Singapore
Aframax	13	STEALTH SKYROS	2011	4	Daewoo	116,337	Marshall Islands
		EAGLE STAVANGER	2009	6	Sumitomo Heavy Industries	105,355	Panama
		EAGLE SYDNEY	2009	6	Sumitomo Heavy Industries	105,419	Panama
		EAGLE SAPPORO	2008	7	MES	110,448	Singapore
		JAG LYALL	2006	9	Da Lian Shipping Industry Co., Ltd	110, 537	India
		Astro Arcturus	1997	18	Daewood Shipbuilding and Marine Engineering	98,805	Greece
		EAGLE STEALTH	2001	14	Sumitomo Heavy Industries	99,976	Marshall Islands
		EAGLE SIBU	1999	16	Samsung Heavy Industries	105,364	Singapore
		EAGLE SEVILLE	1999	16	Samsung Heavy Industries	104,556	Singapore
		EAGLE BIRMINGHAM	1997	18	Samsung Heavy Industries	99,343	Singapore
		EAGLE BOSTON	1996	19	Samsung Heavy Industries	99,328	Singapore
		EAGLE BALTIMORE	1996	19	Samsung Heavy Industries	99,406	Singapore
		EAGLE BEAUMONT	1996	19	Samsung Heavy Industries	99,449	Singapore
LR2	3	TROVIKEN	2006	9	Samsung Heavy Industries	99,999	Bahamas
		TOFTVIKEN	2005	10	Samsung Heavy Industries	115,341	Bahamas
		TELLEVIKEN	2005	10	Samsung Heavy Industries	99,999	Bahamas
MR2	8	EAGLE MELBOURNE	2011	4	Onomichi Dockyard Co., Ltd.	50,079	Singapore
		FPMC 26	2011	4	Onomichi Dockyard Co., Ltd.	50,076	Liberia
		FPMC 25	2011	4	Onomichi Dockyard Co., Ltd.	50,085	Liberia
		EAGLE MATSUYAMA	2010	5	Shin Kurushima Dockyard Co., Ltd	45,942	Panama
		EAGLE MILAN	2010	5	Nikai Zosen Corporation, Setoda Shipyard	46,549	Panama
		EAGLE MIRI	2008	7	STX Shipbuilding	46,195	Panama
		EAGLE MADRID	2008	7	STX Shipbuilding	46,197	Panama
		GALISSAS	2008	7	SPP Shipbuilding Co., Ltd	50,058	Panama
Total In-Chartered	**26**					**1,359,127**	
Total	**81**						

PETROLEUM NEWBUILDS						
Class	**Total**	**Vessel (Hull No.)**	**Delivery**	**Yard**	**dwt**	**Flag**
Aframax	4	HN. 2195	2018	Samsung Heavy Industries Co Ltd	113,000	Singapore
		HN. 2196	2018	Samsung Heavy Industries Co Ltd	113,000	Singapore
		HN. 2197	2018	Samsung Heavy Industries Co Ltd	113,000	Singapore
		HN. 2198	2018	Samsung Heavy Industries Co Ltd	113,000	Singapore
LR2	2	HN. 2899	2017	Hyundai Heavy Industries Co Ltd	114,000	Singapore
		HN. 2900	2017	Hyundai Heavy Industries Co Ltd	114,000	Singapore
Suezmax	2	HN. 2901	2017	Hyundai Heavy Industries Co Ltd	158,000	Singapore
		HN. 2902	2017	Hyundai Heavy Industries Co Ltd	158,000	Singapore
Total JV Owned	**8**				**996,000**	

CHEMICAL TANKERS (Owned)							
Class	**Total**	**Vessel**	**Built**	**Age**	**Yard**	**dwt**	**Flag**
A Class	7	BUNGA AKASIA	2009	6	STX Offshore & Shipbuilding Co. Ltd., Korea	38,000	Malaysia
		BUNGA ALAMANDA	2009	6	STX Offshore & Shipbuilding Co. Ltd., Korea	38,000	Malaysia
		BUNGA ALLIUM	2010	5	STX Offshore & Shipbuilding Co. Ltd., Korea	38,000	Malaysia
		BUNGA ANGSANA	2010	5	STX Offshore & Shipbuilding Co. Ltd., Korea	38,000	Malaysia
		BUNGA ANGELICA	2010	5	STX Offshore & Shipbuilding Co. Ltd., Korea	38,000	Malaysia
		BUNGA AZALEA	2010	5	STX Offshore & Shipbuilding Co. Ltd., Korea	38,000	Malaysia
		BUNGA ASTER	2010	5	STX Offshore & Shipbuilding Co. Ltd., Korea	38,000	Malaysia
Total Owned	**7**					**266,000**	

LIST OF VESSELS AND ASSETS
AS AT 31 DECEMBER 2015

CHEMICAL TANKERS (In-chartered)							
Class	**Total**	**Vessel**	**Built**	**Age**	**Yard**	**dwt**	**Flag**
L Class	6	BUNGA LAUREL	2010	5	Fukuoka Shipyard, Japan	19,900	Panama
		BUNGA LAVENDER	2010	5	Fukuoka Shipyard, Japan	19,900	Panama
		BUNGA LILAC	2011	4	Fukuoka Shipyard, Japan	19,900	Panama
		BUNGA LILY	2011	4	Fukuoka Shipyard, Japan	19,900	Panama
		BUNGA LOTUS	2012	3	Fukuoka Shipyard, Japan	19,900	Singapore
		BUNGA LUCERNE	2012	3	Fukuoka Shipyard, Japan	19,900	Singapore
LPG/C	1	BUNGA KEMBOJA	1998	17	Mitsubishi Heavy Industries, Japan	20,613	Marshall Island
Total In-Chartered	**7**					**134,613**	
Total	**14**					**400,613**	

OFFSHORE FLOATING FACILITIES						
Type	**Total**	**Facility**	**Built**	**Yard**	**Design Production Capacity (bpd)**	**Storage Capacity (bbls)**
Floating Production Storage and Offloading (FPSO)	6	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	39,000	745,000
		FPSO Cendor	2014	Malaysia Marine and Heavy Engineering, Malaysia	35,000	745,000
		MAMPU 1	2015	Malaysia Marine and Heavy Engineering, Malaysia	10,000	350,000
Total					**334,000**	**6,479,000**
Floating Storage and Offloading (FSO)	5	FSO Puteri Dulang	1991	Mitsubishi Heavy Industries, Japan	–	873,847
		FSO Angsi	2005	Malaysia Marine and Heavy Engineering, Malaysia	–	472,631
		FSO Cendor *expired	2006	Malaysia Marine and Heavy Engineering, Malaysia	–	590,000
		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**

OFFSHORE FLOATING FACILITIES (Cont'd)						
Type	**Total**	**Facility**	**Built**	**Yard**	**Design Production Capacity (bpd)**	**Storage Capacity (bbls)**
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	–	20,000
Total					**–**	**–**
TOTAL OFFSHORE FACILITIES	**14**					

* Jointly owned with Single Buoy Mooring (SBM)
** Jointly owned with Petroleum Technical Services Corporation (PTSC)
*** Joinyly owned with E&P Venture Solutions Co Sdn. Bhd. (EPV), a wholly owned subsidiary of PETRONAS Carigali Sdn. Bhd. (PCSB)

*expired: FSO Cendor was refurbished in 2015 as a ready asset to be redeployed at any suitable field operation.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-Seventh (47th) 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 Tuesday, 19 April 2016 at 10.30 a.m. for the following purposes:-

AGENDA

As Ordinary Business

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2015 together with the Reports of the Directors and Auditors thereon.	**Resolution 1**
2.	To declare a final tax exempt dividend of 10 sen per ordinary share for the financial year ended 31 December 2015.	**Resolution 2**
3.	To re-elect En. Mohamed Firouz bin Asnan who retires as Director pursuant to Article 95 of the Company's Articles of Association.	**Resolution 3**
4.	To re-elect the following Directors who retire pursuant to Article 97 of the Company's Articles of Association:	
	(i) Datuk Nasarudin bin Md Idris	**Resolution 4**
	(ii) Datuk Manharlal Ratilal	**Resolution 5**
5.	To approve the payment of Directors' fees of RM717,644.00 for the financial year ended 31 December 2015.	**Resolution 6**
6.	To re-appoint Messrs. Ernst & Young as Auditors for the ensuing year and to authorise the Directors to fix their remuneration.	**Resolution 7**

As Special Business

To consider and, if thought fit, to pass the following Ordinary Resolutions, with or without modifications:-

7.	Re-appointment of Dato' Ab. Halim bin Mohyiddin as Director of the Company pursuant to Section 129(6) of the Companies Act, 1965	**Resolution 8**
	"**THAT** pursuant to Section 129(6) of the Companies Act, 1965, Dato' Ab. Halim bin Mohyiddin be and is hereby re-appointed as Director of the Company, to hold office until the conclusion of the next Annual General Meeting."	
8.	Continuing in Office as Independent Non-Executive Director:-	
	(i) Dato' Halipah binti Esa	**Resolution 9**
	"**THAT** Dato' Halipah binti Esa, who has served as an Independent Non-Executive Director for more than nine (9) years, be and is hereby re-appointed as Independent Non-Executive Director of the Company, to hold office until the conclusion of the next Annual General Meeting."	

(ii) Dato' Kalsom binti Abd. Rahman **Resolution 10**

"**THAT** Dato' Kalsom binti Abd. Rahman, who has served as an Independent Non-Executive Director for more than nine (9) years, be and is hereby re-appointed as an Independent Non-Executive Director of the Company, to hold office until the conclusion of the next Annual General Meeting."

9. Proposed Share Buy-Back Renewal **Resolution 11**

"**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;

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-Eighth Annual General Meeting of MISC ("48th AGM"); or

(ii) the expiration of the period within which the 48th 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.

NOTICE OF ANNUAL GENERAL MEETING

AND THAT the Directors of the Company 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."

10. To transact any other business for which due notice has been given.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT subject to the approval of members at the Forty-Seventh (47th) Annual General Meeting on 19 April 2016, a final tax exempt dividend of 10 sen per ordinary share for the financial year ended 31 December 2015 will be paid on 19 May 2016 to the depositors whose names appear in the Record of Depositors on 20 April 2016.

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

(i) shares transferred into the depositor's securities account before 4.00 p.m. on 20 April 2016 in respect of ordinary transfers; and

(ii) shares bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of Bursa Securities.

By Order of the Board

Fadzillah binti Kamaruddin (LS 0008989)
Zawardi bin Salleh @ Mohamed Salleh (MAICSA 7026210)
Company Secretaries
28 March 2016
Kuala Lumpur

Notes:

1. Only depositors whose names appear in the Record of Depositors as at 11 April 2016 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, 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 any adjournment thereof.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes on Special Business

Resolution 8

Section 129(6) of the Companies Act, 1965 stipulates that a Director who has attained the age of 70 years or over the age of 70 years may be appointed or re-appointed as Director of the Company by a resolution duly passed by a majority of not less than three-fourth (3/4) of such members of the Company as being entitled to vote in person or by proxy. Such Director will hold office until the conclusion of the next AGM.

Dato' Ab. Halim bin Mohyiddin is the Director standing for re-appointment under Section 129(6) of the Companies Act, 1965 and being eligible, has offered himself for re-appointment at this AGM.

Resolutions 9 and 10
Continuing in Office as Independent Non-Executive Director

Ordinary Resolutions 9 and 10, as proposed under item 8, are to comply with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012 which states the Board must justify and seek shareholders' approval in the event it retains as independent director, a person who has served in that capacity for more than 9 years. Dato' Halipah binti Esa and Dato' Kalsom binti Abd. Rahman have served as Independent Non-Executive Directors of the Company since 26 April 2004 and 27 October 2004, respectively. The Board has recommended that they continue to act as Independent Non-Executive Directors of the Company. Please refer to the Statement on Corporate Governance on pages 104 to 105 of the 2015 Annual Report for detailed information and justification.

Resolution 11
Proposed Share Buy-Back Renewal

Ordinary Resolution 11, as proposed under item 9, if passed, will renew the authority granted by the shareholders at the last Annual General Meeting. The renewed authority 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 renewed 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 48th AGM of the Company or the expiration of the period within which the 48th AGM is required by law to be held, whichever occurs first.

Further information on the Proposed Share Buy-Back Renewal is set out in the statement dated 28 March 2016 which is despatched together with the Company's 2015 Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Details of Directors seeking re-election/re-appointment as mentioned in the Notice of Annual General Meeting are set out in the Directors' Profile on pages 28 to 36 of 2015 Annual Report.

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I/We ____

(Full name in block letters)

NRIC/Company No. :_______________________ of _____________________________________

____

(Full address)

being a member/members of **MISC BERHAD** (Company No. 8178-H), do hereby appoint

____

(Full name of proxy in block letters as per identity card/passport)

NRIC/Company No. : ______________________________ of ______________________________

____

(Full address)

and/or failing him/her ____

(Full name in block letters)

NRIC : ______________________________ of _____________________________________

____

(Full address)

moving energy

(Company No. 8178-H)
(Incorporated in Malaysia under the Companies Act, 1965)

PROXY FORM

CDS Account No.:

No. of Shares Held:

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-Seventh (47th) 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 Tuesday, 19 April 2016 at 10.30 a.m. and at any adjournment thereof. My/our proxy is to vote as indicated below:

ORDINARY RESOLUTIONS	RESOLUTION	FOR	AGAINST
Adoption of Audited Financial Statements for the financial year ended 31 December 2015 and the Reports of the Directors and Auditors thereon.	1		
Declaration of final tax exempt dividend of 10 sen per ordinary share for financial year ended 31 December 2015.	2		
Re-election of Mohamed Firouz bin Asnan as Director pursuant to Article 95 of the Company's Articles of Association.	3		
Re-election of Datuk Nasarudin bin Md Idris as Director pursuant to Article 97 of the Company's Articles of Association.	4		
Re-election of Datuk Manharlal Ratilal as Director pursuant to Article 97 of the Company's Articles of Association.	5		
To approve the payment of Directors' fees of RM717,644.00 for the financial year ended 31 December 2015.	6		
Re-appointment of Messrs. Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.	7		
Re-appointment of Dato' Ab. Halim bin Mohyiddin as Director pursuant to Section 129(6) of the Companies Act, 1965.	8		
Re-appointment of Dato' Halipah binti Esa as an Independent Non-Executive Director.	9		
Re-appointment of Dato' Kalsom binti Abd. Rahman as an Independent Non-Executive Director.	10		
Proposed Share Buy-Back Renewal.	11		

(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 ______________ 2016.

____

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 11 April 2016 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, 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 any adjournment thereof.

MISC Berhad
Annual General Meeting
19 April 2016

STAMP

Symphony Share Registrars Sdn. Bhd.

Level 6, Symphony House, Pusat Dagangan Dana 1
Jalan PJU 1A/46, 47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

www.misc.com.my

MISC Berhad 8178-H
Level 25, Menara Dayabumi
Jalan Sultan Hishamuddin
50050 Kuala Lumpur

T: +603 2264 0888
F: +603 2273 6602

To: The Shareholders of MISC Berhad ("MISC" or "the Company")

ERRATA TO THE NOTICE AND PROXY FORM FOR FORTY-SEVENTH (47TH) ANNUAL GENERAL MEETING OF MISC

Dear Sir/Madam,

We wish to inform that there is a typographical error in the Notice and Proxy Form for the Forty-Seventh (47th) AGM in the Company's Annual Report 2015 and as advertised on 28 March 2016. The error is in respect of Ordinary Resolution 6 relating to the amount of Directors' fees for the financial year ended 31 December 2015.

The amount of Directors' fees for the financial year ended 31 December 2015 proposed for the shareholders' approval should read **RM715,644.00**, instead of RM717,644.00.

The amended Notice of 47th AGM and Proxy Form are attached for your attention.

Yours faithfully,
For and on behalf of MISC Berhad

FADZILLAH BINTI KAMARUDDIN (LS 0008989)
ZAWARDI BIN SALLEH @ MOHAMED SALLEH (MAICSA 7026210)
Company Secretaries

6 April 2016

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-Seventh (47th) 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 Tuesday, 19 April 2016 at 10.30 a.m. for the following purposes:-

AGENDA

As Ordinary Business		
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2015 together with the Reports of the Directors and Auditors thereon.	**Resolution 1**
2.	To declare a final tax exempt dividend of 10 sen per ordinary share for the financial year ended 31 December 2015.	**Resolution 2**
3.	To re-elect En. Mohamed Firouz bin Asnan who retires as Director pursuant to Article 95 of the Company's Articles of Association.	**Resolution 3**
4.	To re-elect the following Directors who retire pursuant to Article 97 of the Company's Articles of Association:	
	(i) Datuk Nasarudin bin Md Idris	**Resolution 4**
	(ii) Datuk Manharlal Ratilal	**Resolution 5**
5.	To approve the payment of Directors' fees of RM715,644.00 for the financial year ended 31 December 2015.	**Resolution 6**
6.	To re-appoint Messrs. Ernst & Young as Auditors for the ensuing year and to authorise the Directors to fix their remuneration.	**Resolution 7**
As Special Business		
To consider and, if thought fit, to pass the following Ordinary Resolutions, with or without modifications:-		
7.	Re-appointment of Dato' Ab. Halim bin Mohyiddin as Director of the Company pursuant to Section 129(6) of the Companies Act, 1965	**Resolution 8**
	"**THAT** pursuant to Section 129(6) of the Companies Act, 1965, Dato' Ab. Halim bin Mohyiddin be and is hereby re-appointed as Director of the Company, to hold office until the conclusion of the next Annual General Meeting."	
8.	Continuing in Office as Independent Non-Executive Director:-	
	(i) Dato' Halipah binti Esa	**Resolution 9**
	"**THAT** Dato' Halipah binti Esa, who has served as an Independent Non-Executive Director for more than nine (9) years, be and is hereby re-appointed as Independent Non-Executive Director of the Company, to hold office until the conclusion of the next Annual General Meeting."	

(ii) Dato' Kalsom binti Abd. Rahman — Resolution 10

"THAT Dato' Kalsom binti Abd. Rahman, who has served as an Independent Non-Executive Director for more than nine (9) years, be and is hereby re-appointed as an Independent Non-Executive Director of the Company, to hold office until the conclusion of the next Annual General Meeting."

9. Proposed Share Buy-Back Renewal — Resolution 11

"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;

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-Eighth Annual General Meeting of MISC ("48th AGM"); or

(ii) the expiration of the period within which the 48th 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.

NOTICE OF ANNUAL GENERAL MEETING

AND THAT the Directors of the Company 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."

10. To transact any other business for which due notice has been given.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT subject to the approval of members at the Forty-Seventh (47th) Annual General Meeting on 19 April 2016, a final tax exempt dividend of 10 sen per ordinary share for the financial year ended 31 December 2015 will be paid on 19 May 2016 to the depositors whose names appear in the Record of Depositors on 20 April 2016.

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

(i) shares transferred into the depositor's securities account before 4.00 p.m. on 20 April 2016 in respect of ordinary transfers; and

(ii) shares bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of Bursa Securities.

By Order of the Board

Fadzillah binti Kamaruddin (LS 0008989)
Zawardi bin Salleh @ Mohamed Salleh (MAICSA 7026210)
Company Secretaries
28 March 2016
Kuala Lumpur

Notes:

1. Only depositors whose names appear in the Record of Depositors as at 11 April 2016 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, 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 any adjournment thereof.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes on Special Business

Resolution 8

Section 129(6) of the Companies Act, 1965 stipulates that a Director who has attained the age of 70 years or over the age of 70 years may be appointed or re-appointed as Director of the Company by a resolution duly passed by a majority of not less than three-fourth (3/4) of such members of the Company as being entitled to vote in person or by proxy. Such Director will hold office until the conclusion of the next AGM.

Dato' Ab. Halim bin Mohyiddin is the Director standing for re-appointment under Section 129(6) of the Companies Act, 1965 and being eligible, has offered himself for re-appointment at this AGM.

Resolutions 9 and 10
Continuing in Office as Independent Non-Executive Director

Ordinary Resolutions 9 and 10, as proposed under item 8, are to comply with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012 which states the Board must justify and seek shareholders' approval in the event it retains as independent director, a person who has served in that capacity for more than 9 years. Dato' Halipah binti Esa and Dato' Kalsom binti Abd. Rahman have served as Independent Non-Executive Directors of the Company since 26 April 2004 and 27 October 2004, respectively. The Board has recommended that they continue to act as Independent Non-Executive Directors of the Company. Please refer to the Statement on Corporate Governance on pages 104 to 105 of the 2015 Annual Report for detailed information and justification.

Resolution 11
Proposed Share Buy-Back Renewal

Ordinary Resolution 11, as proposed under item 9, if passed, will renew the authority granted by the shareholders at the last Annual General Meeting. The renewed authority 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 renewed 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 48th AGM of the Company or the expiration of the period within which the 48th AGM is required by law to be held, whichever occurs first.

Further information on the Proposed Share Buy-Back Renewal is set out in the statement dated 28 March 2016 which is despatched together with the Company's 2015 Annual Report.

I/We ____
(Full name in block letters)

NRIC/Company No. :______________________ of ___________________________________

____
(Full address)

being a member/members of **MISC BERHAD** (Company No. 8178-H), do hereby appoint

____
(Full name of proxy in block letters as per identity card/passport)

NRIC/Company No. : ______________________________ of ____________________________

____
(Full address)

and/or failing him/her ____
(Full name in block letters)

NRIC : ______________________________ of _______________________________________

____
(Full address)

moving energy

(Company No. 8178-H)
(Incorporated in Malaysia under the Companies Act, 1965)

PROXY FORM

CDS Account No.:

No. of Shares Held:

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-Seventh (47th) 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 Tuesday, 19 April 2016 at 10.30 a.m. and at any adjournment thereof. My/our proxy is to vote as indicated below:

ORDINARY RESOLUTIONS	RESOLUTION	FOR	AGAINST
Adoption of Audited Financial Statements for the financial year ended 31 December 2015 and the Reports of the Directors and Auditors thereon.	1		
Declaration of final tax exempt dividend of 10 sen per ordinary share for financial year ended 31 December 2015.	2		
Re-election of Mohamed Firouz bin Asnan as Director pursuant to Article 95 of the Company's Articles of Association.	3		
Re-election of Datuk Nasarudin bin Md Idris as Director pursuant to Article 97 of the Company's Articles of Association.	4		
Re-election of Datuk Manharlal Ratilal as Director pursuant to Article 97 of the Company's Articles of Association.	5		
To approve the payment of Directors' fees of RM715,644.00 for the financial year ended 31 December 2015.	6		
Re-appointment of Messrs. Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.	7		
Re-appointment of Dato' Ab. Halim bin Mohyiddin as Director pursuant to Section 129(6) of the Companies Act, 1965.	8		
Re-appointment of Dato' Halipah binti Esa as an Independent Non-Executive Director.	9		
Re-appointment of Dato' Kalsom binti Abd. Rahman as an Independent Non-Executive Director.	10		
Proposed Share Buy-Back Renewal.	11		

(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 ______________ 2016.

____
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%