MISC BERHAD

(Company No. 8178 H)

Unaudited Condensed Consolidated Income Statement

For The Year Ended 31 December 2016

	Quarter Ended 31 December		Cumulative 12 Months Ended 31 December	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	2,517,511	3,312,062	9,597,239	10,908,386
Cost of sales	(1,721,792)	(2,344,871)	(6,758,690)	(7,528,245)
GROSS PROFIT	**795,719**	**967,191**	**2,838,549**	**3,380,141**
Other operating income	385,668	523,219	1,268,894	652,949
General and administrative expenses	(514,809)	(462,327)	(1,654,254)	(1,250,520)
OPERATING PROFIT	**666,578**	**1,028,083**	**2,453,189**	**2,782,570**
Net impairment provisions	(175,554)	(258,947)	(413,417)	(491,272)
Net gain on disposal of a subsidiary	73,635	-	73,635	-
Net gain/(loss) on deemed disposal of joint ventures	955	-	(31,494)	-
Net gain on acquisition of subsidiaries	501	-	845,204	-
Recognition of Intangibles	-	-	47,453	-
Provision for charter hire loss	-	-	(200,758)	-
Net loss on disposal of ships, property, plant and equipment	-	(78,273)	-	(70,622)
Finance costs	(68,339)	(96,808)	(247,900)	(240,353)
Share of profit/(loss) of associates	1	(56)	107	157
Share of profit of joint ventures	6,711	169,134	287,948	586,377
PROFIT BEFORE TAX	**504,488**	**763,133**	**2,813,967**	**2,566,857**
Taxation	(4,746)	(10,744)	(20,691)	(31,750)
PROFIT FOR THE PERIOD	**499,742**	**752,389**	**2,793,276**	**2,535,107**
PROFIT ATTRIBUTABLE TO:				
Equity Holders of the Corporation	529,827	752,720	2,581,550	2,467,780
Non-Controlling Interests	(30,085)	(331)	211,726	67,327
PROFIT FOR THE PERIOD	**499,742**	**752,389**	**2,793,276**	**2,535,107**
BASIC & DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE CORPORATION	11.9	16.9	57.8	55.3

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2015.

MISC BERHAD

(Company No. 8178 H)

Unaudited Condensed Consolidated Statement of Comprehensive Income

For The Year Ended 31 December 2016

	Quarter Ended 31 December		Cumulative 12 Months Ended 31 December	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
PROFIT AFTER TAX FOR THE PERIOD	**499,742**	**752,389**	**2,793,276**	**2,535,107**
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified to profit or loss in subsequent periods:				
Fair value (loss)/gain on non-current investments	(4,566)	7,546	(9,557)	2,167
Cash flow hedges:				
Fair value gain/(loss)	17,692	19,781	(8,852)	8,314
Gain/(loss) on currency translation *	2,601,119	(1,253,064)	1,612,632	5,774,098
Total other comprehensive income/(loss)	**2,614,245**	**(1,225,737)**	**1,594,223**	**5,784,579**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**3,113,987**	**(473,348)**	**4,387,499**	**8,319,686**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity Holders of the Corporation	3,117,509	(468,658)	4,154,948	8,207,803
Non-Controlling Interests	(3,522)	(4,690)	232,551	111,883
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**3,113,987**	**(473,348)**	**4,387,499**	**8,319,686**

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

	2016	**2015**	**2014**
As at 31 December	4.48450	4.29400	3.49450
As at 30 June	4.01800	3.77450	-
As at 30 September	4.14650	4.44750	-

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2015.

MISC BERHAD

(Company No. 8178 H)

Unaudited Condensed Consolidated Statement of Financial Position

As at 31 December 2016

	31 December 2016 RM'000	31 December 2015 RM'000
NON CURRENT ASSETS		
Ships	24,061,506	22,947,385
Offshore floating assets	360,901	403,429
Property, plant and equipment	1,704,772	2,092,769
Prepaid lease payments on land and buildings	232,319	238,208
Finance lease receivables	13,456,084	3,786,759
Finance lease assets under construction	1,417,983	1,256,005
Investments in associates	2,466	2,369
Investments in joint ventures	1,602,175	4,684,574
Other non-current financial assets	318,829	360,967
Derivative assets	1,472	976
Intangible assets	938,676	925,635
Deferred tax assets	85,335	92,186
	44,182,518	**36,791,262**
CURRENT ASSETS		
Inventories	213,468	205,216
Finance lease receivables	1,008,430	491,240
Trade and other receivables	3,886,843	3,502,508
Cash and cash equivalents	6,559,207	5,654,024
Amounts due from related companies	69,417	371,134
Amounts due from associates	48	448
Amounts due from joint ventures	60,933	522,717
Assets held for sale	175,035	-
Derivative assets	-	525
	11,973,381	**10,747,812**
TOTAL ASSETS	**56,155,899**	**47,539,074**
EQUITY		
Share capital	4,463,794	4,463,794
Share premium	4,459,468	4,459,468
Reserves	9,349,017	7,775,619
Retained profits	19,793,388	18,662,571
Equity attributable to equity holders of the Corporation	**38,065,667**	**35,361,452**
Non-Controlling Interests	1,265,287	1,097,690
TOTAL EQUITY	**39,330,954**	**36,459,142**
NON-CURRENT LIABILITIES		
Interest bearing loans and borrowings	5,228,538	5,394,348
Deferred tax liabilities	37,190	30,369
Provisions	681,826	697,044
Derivative liabilities	7,346	1,931
	5,954,900	**6,123,692**
CURRENT LIABILITIES		
Interest bearing loans and borrowings	7,372,969	1,110,055
Trade and other payables	3,382,017	3,707,351
Provision for taxation	1,445	29,155
Amounts due to related companies	4,603	1,458
Amounts due to associates	957	2,137
Amounts due to joint ventures	108,054	106,084
	10,870,045	**4,956,240**
TOTAL LIABILITIES	**16,824,945**	**11,079,932**
TOTAL EQUITY AND LIABILITIES	**56,155,899**	**47,539,074**

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2015.

MISC BERHAD

(Company No. 8178 H)

Unaudited Condensed Consolidated Statement of Cash Flows

For the Year Ended 31 December 2016

	31 December 2016 RM'000	31 December 2015 RM'000
Cash Flow from Operating Activities:		
Cash receipts from customers	12,909,241	10,198,737
Cash paid to suppliers and employees	(7,658,441)	(6,691,033)
Cash Generated from Operating Activities	**5,250,800**	**3,507,704**
Taxation paid	(17,051)	(80,913)
Net cash flows generated from operating activities	**5,233,749**	**3,426,791**
Cash Flow from Investing Activities:		
Purchase of ships, offshore floating assets and other property, plant and equipment	(1,396,590)	(1,301,576)
Proceeds from disposal of ships, other property, plant and equipment and assets held for sale	-	119,092
Progress payments under finance lease under construction	(947,462)	(1,256,005)
Proceeds from disposal of investment in joint venture	-	3,246,279
Dividend received from:		
Quoted investments	3,180	2,628
Associates and joint ventures	296,926	45,109
Repayment of loans due from joint ventures	31,586	276,931
Proceeds from disposal of a subsidiary	357,989	-
Additional investments in subsidiaries	(1,973,161)	(54,111)
Cash acquired on acquisition of subsidiaries	424,421	56,008
Interest received	50,206	61,531
Net cash flows (used in)/generated from investing activities	**(3,152,905)**	**1,195,886**
Cash Flow from Financing Activities:		
Drawdown of term loans and revolving credit	5,787,335	1,021,693
Repayment of term loans and revolving credit	(5,492,774)	(4,866,978)
Repayment of shareholders loan	-	-
Dividends paid to the equity holders of the Corporation	(1,450,733)	(602,612)
Dividends paid to non-controlling interest of subsidiaries	(64,436)	(78,698)
Cash advances from joint ventures	17,917	-
Interest paid	(177,771)	(170,020)
Net cash flows used in financing activities	**(1,380,462)**	**(4,696,615)**
Net Change in Cash & Cash Equivalents	700,382	(73,938)
Cash & Cash Equivalents at the beginning of the year	5,654,024	4,838,829
Currency translation difference	204,801	889,133
Cash & Cash Equivalents at the end of the period	**6,559,207**	**5,654,024**

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2015.

MISC BERHAD
(Company No. 8178 H)

Unaudited Condensed Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2016

	←						**Attributable to equity holders of the Corporation** →								
	Total equity	Equity attributable to equity holders of the Corporation	Share capital* Ordinary shares	Share premium	Retained profits	Other reserves, total	Other capital reserve	Capital reserve	Revaluation reserve	Statutory reserve	Capital redemption reserve	Fair value reserve	Hedging reserve	Currency translation reserve	Non-controlling Interests
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
12 MONTHS ENDED 31 DECEMBER 2016															
At 1 January 2016	**36,459,142**	**35,361,452**	**4,463,794**	**4,459,468**	**18,662,571**	**7,775,619**	**41,415**	**435,284**	**1,357**	**1,966**	**59,715**	**65,566**	**1,843**	**7,168,473**	**1,097,690**
Total comprehensive income/(loss)	4,387,499	4,154,948	-	-	2,581,550	1,573,398	-	-	-	-	-	(9,557)	(5,625)	1,588,580	232,551
Transactions with owners															
Additional investment in subsidiary	(3,518)	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,518)
Incorporation of a subsidiary	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,000
Dividends	(1,515,169)	(1,450,733)	-	-	(1,450,733)	-	-	-	-	-	-	-	-	-	(64,436)
Total transactions with owners	(1,515,687)	(1,450,733)	-	-	(1,450,733)	-	-	-	-	-	-	-	-	-	(64,954)
At 31 December 2016	**39,330,954**	**38,065,667**	**4,463,794**	**4,459,468**	**19,793,388**	**9,349,017**	**41,415**	**435,284**	**1,357**	**1,966**	**59,715**	**56,009**	**(3,782)**	**8,757,053**	**1,265,287**
12 MONTHS ENDED 31 DECEMBER 2015															
At 1 January 2015	**28,821,104**	**27,756,261**	**4,463,794**	**4,459,468**	**16,797,403**	**2,035,596**	**41,415**	**435,284**	**1,357**	**1,966**	**59,715**	**63,399**	**(5,546)**	**1,438,006**	**1,064,843**
Total comprehensive income	8,319,686	8,207,803	-	-	2,467,780	5,740,023	-	-	-	-	-	2,167	7,389	5,730,467	111,883
Transactions with owners															
Liquidation of a subsidiary	(338)	-	-	-	-	-	-	-	-	-	-	-	-	-	(338)
Dividends	(681,310)	(602,612)	-	-	(602,612)	-	-	-	-	-	-	-	-	-	(78,698)
Total transactions with owners	(681,648)	(602,612)	-	-	(602,612)	-	-	-	-	-	-	-	-	-	(79,036)
At 31 December 2015	**36,459,142**	**35,361,452**	**4,463,794**	**4,459,468**	**18,662,571**	**7,775,619**	**41,415**	**435,284**	**1,357**	**1,966**	**59,715**	**65,566**	**1,843**	**7,168,473**	**1,097,690**

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

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2015.

MISC BERHAD
(Company No. 8178 H)

Notes to the Unaudited Condensed Financial Statements

A1. CORPORATE INFORMATION

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

These unaudited condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 10 February 2017.

A2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the quarter and the year ended 31 December 2016 have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. The results for this interim period are unaudited and should be read in conjunction with the Group's audited consolidated financial statements and the accompanying notes for the year ended 31 December 2015.

The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to understand the changes in the financial position and performance of the Group since the year ended 31 December 2015.

The audited consolidated financial statements of the Group for the year ended 31 December 2015 are available upon request from the Corporation's registered office located at Level 25, Menara Dayabumi, Jalan Sultan Hishamuddin, 50050 Kuala Lumpur.

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

A3. SIGNIFICANT ACCOUNTING POLICIES

The financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the annual consolidated financial statements for 31 December 2016 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2015.

As of 1 January 2016, the Group and the Corporation have adopted the following revised MFRSs and Amendments to MFRSs that have been issued by the MASB:

MFRS and amendments effective for annual periods beginning on or after 1 January 2016:
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, 12 and 128: Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11: Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
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 and 141: Agriculture: Bearer Plants
Amendments to MFRS 119: Employee Benefits (Annual Improvements 2012-2014 Cycle)
Amendments to MFRS 127: Separate Financial Statements: Equity Method in Separate Financial Statements
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
MFRS 14: Regulatory Deferral Accounts

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

A4. CHANGES IN ESTIMATES

Having considered rapid changes in vessel design and technology, and as part of the Group's annual review on estimated useful life ("EUL") of Ships, Property, Plant and Equipment ("SPPE"), the Board had in the current year decided to change the estimated useful life of ships as follows:

Vessel Type	Current EUL	Previous EUL
Petroleum and Chemical Tankers	20 Years	25 Years
LNG Carriers	Higher of 25 years, firm contract period or the extended life post vessel refurbishment	Higher of 30 years or firm contract period with a maximum of 40 years for refurbished ships

The change in useful life of ships caused an increase in depreciation for the current year as follows:

	Current EUL RM'000	Previous EUL RM'000	Increase in Depreciation RM'000
Depreciation	1,811,810	1,361,589	450,221

A5. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors issued an unqualified audit opinion on the financial statements for the year ended 31 December 2015.

A6. CHANGES IN COMPOSITION OF THE GROUP

(a) The Corporation had on 24 February 2016 entered into a conditional share purchase agreement with E&P Venture Solutions Co Sdn. Bhd., a wholly-owned subsidiary of PETRONAS Carigali Sdn. Bhd., for the equity buyback of the remaining 50% interest in Gumusut-Kakap Semi-Floating Production System (L) Limited ("GKL") for a cash consideration of USD445.0 million (approximately RM1,849.0 million). The equity buyback was approved by the shareholders of the Corporation at the Extraordinary General Meeting held on 19 April 2016.

Upon completion of the equity buyback on 13 May 2016, GKL became a wholly-owned subsidiary of the Corporation. Accordingly, the Group recognised a loss on deemed disposal of a joint venture amounting to RM18.2 million and a gain on acquisition of a subsidiary of RM823.5 million in the current year.

(b) AET Tanker Holdings Sdn. Bhd. ("AET"), a wholly-owned subsidiary of the Corporation, had on 11 March 2016 acquired two (2) ordinary shares of RM1.00 each, representing 100% equity interest in AET Product Tankers Sdn. Bhd. ("AETPT") for a cash consideration of RM2.00. The principal activity of AETPT is to own and operate clean product tankers, in line with the Group's merger of the Corporation's chemical tanker fleet with AET's clean product tanker fleet.

(c) AET Inc. Limited, a wholly-owned subsidiary of the MISC Group, had on 21 April 2016 entered into a share sale and purchase agreement with Golden Energy Tankers Holdings Corp. for the acquisition of the remaining 50% equity interest in Paramount Tankers Corp. for a cash consideration of USD59.3 million (approximately RM242.1 million).

Upon acquiring full control on 13 May 2016, Paramount Tankers Corp. became a wholly-owned subsidiary of AET Inc. Limited. On 29 August 2016, the final price adjustment was agreed and the acquisition was fully completed. The Group recognised a provisional loss on deemed disposal of a joint venture amounting to RM13.3 million and a gain on acquisition of a subsidiary of RM21.7 million for this acquisition in the current year.

(d) Malaysia Marine and Heavy Engineering Sdn. Bhd. ("MMHE"), a subsidiary of the MISC Group, had on 16 August 2016 subscribed to 7.0 million ordinary shares of RM1.00 each, representing a 70% interest, in MMHE EPIC Marine & Services Sdn. Bhd. ("MEMS").

MEMS was incorporated pursuant to a Joint Venture Agreement dated 16 August 2016 between MMHE and Eastern Pacific Industrial Corporation Berhad ("EPIC") to undertake repair services of marine vessels, which include dry docking repair, refit, refurbishment, maintenance and technical solutions at the ship repair facilities located in Kemaman, Terengganu.

(e) The Corporation had on 30 September 2016 received the delivery of Seri Camellia, a newly built LNG Carrier from Hyundai Heavy Industries Co. Ltd. In conjunction with the delivery of Seri Camellia, MISC Tankers Sdn. Bhd., a wholly-owned subsidiary of the Corporation, incorporated a wholly-owned subsidiary, Seri Camellia (L) Private Limited, under the Labuan Companies Act, 1990, to own and operate Seri Camellia.

(f) The Corporation had on 24 October 2016 completed the disposal of the entire equity interest in MISC Integrated Logistics Sdn. Bhd. ("MILS"), a wholly-owned subsidiary of the Group, to Swift Haulage Sdn. Bhd. ("SWIFT") for a purchase consideration of RM257.2 million. Accordingly, MILS ceased being a subsidiary of MISC effective 24 October 2016.

(g) MMHE, a subsidiary of the MISC Group, had on 21 November 2016 acquired the remaining 30% holding in a subsidiary known as MMHE-SHI LNG Sdn. Bhd. ("MSLNG") from Samsung Heavy Industries Co. Ltd.

MSLNG was incorporated in Malaysia under the Companies Act on 6 April 2006 as a private limited company. MSLNG commenced business on 6 April 2006, with principal activity to provide repair services and drydocking of LNG carriers.

(h) The Corporation had on 20 January 2017 received the delivery of Seri Cenderawasih, a newly built LNG Carrier from Hyundai Heavy Industries Co. Ltd. In conjunction with the delivery of Seri Cenderawasih, MISC Tankers Sdn. Bhd., a wholly-owned subsidiary of the Corporation, incorporated a wholly-owned subsidiary, Seri Cenderawasih (L) Private Limited, under the Labuan Companies Act, 1990, to own and operate Seri Cenderawasih.

A7. SEGMENT REPORT

Segmental analysis for the current financial period is as follows:

	LNG	Petroleum*	Offshore	Heavy Engineering	Others, eliminations and adjustments		Total
	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000
Revenue							
External sales	2,460,512	4,741,328	1,071,743	843,190	480,466		9,597,239
Inter-segment	21,116	13,525	87,867	348,108	(470,616)		-
	2,481,628	**4,754,853**	**1,159,610**	**1,191,298**	**9,850**	**	**9,597,239**
Operating profit	**1,492,947**	**327,024**	**375,349**	**13,170**	**244,699**	***	**2,453,189**

* Following internal reorganization in the current year, Chemical segment's results have been combined with the clean products tanker group of the Petroleum segment.

** Comprises Integrated Logistics results, Tank Terminal results and inter-segment eliminations.

*** Comprises Integrated Logistics results, Tank Terminal results, net foreign exchange differences, interest income, dividend income from quoted investments, eliminations and adjustments.

A8. SEASONALITY OF OPERATIONS

The businesses of the Group are subject to market fluctuations.

A9. PROFIT FOR THE PERIOD

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

	Quarter Ended 31 December		Cumulative 12 Months Ended 31 December	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest income	15,136	31,295	50,276	60,333
Other income	400,420	335,403	1,131,427	417,446
Finance costs	(68,339)	(96,808)	(247,900)	(240,353)
Depreciation of ships, property, plant and equipment	(509,459)	(474,112)	(2,004,945)	(1,482,189)
Amortisation of prepaid lease payments	(1,775)	(2,266)	(7,518)	(7,962)
Amortisation of intangibles	(3,677)	(3,297)	(17,675)	(13,077)
Net impairment provisions	(175,554)	(258,947)	(413,417)	(491,272)
Impairment loss on trade and non trade receivables:				
Third parties	(263,762)	(47,468)	(266,401)	(47,585)
Bad debts written off	(617)	-	(1,491)	(2,392)
Net realised foreign exchange loss	(80,610)	(77,649)	(64,612)	(37,240)
Net unrealised foreign exchange gain	75,850	86,963	20,755	72,855

A10. SHIPS, PROPERTY, PLANT AND EQUIPMENT (“SPPE”)

Included in SPPE are construction work-in-progress, mainly for the construction of ships and offshore floating assets totalling RM886,137,000.

The Group did not dispose any SPPE in the quarter ended 31 December 2016. The Group recognised a net loss on disposal of RM78,273,000 from disposal of SPPE in the quarter ended 31 December 2015.

The Group did not dispose any SPPE for the year ended 31 December 2016. The Group recognised a net loss on disposal of RM70,622,000 from disposal of SPPE in the year ended 31 December 2015.

A11. INTANGIBLE ASSETS

	Goodwill	Other Intangible Assets	Total
	RM'000	RM'000	RM'000
Cost			
At 1 January 2015	**853,546**	**504,463**	**1,358,009**
Addition	-	-	-
Currency translation differences	167,569	-	167,569
At 31 December 2015	**1,021,115**	**504,463**	**1,525,578**
Addition	-	47,453	47,453
Disposal of subsidiary	(149)	-	(149)
Currency translation differences	38,043	-	38,043
At 31 December 2016	**1,059,009**	**551,916**	**1,610,925**
Accumulated amortisation and impairment			
At 1 January 2015	**2,325**	**424,365**	**426,690**
Amortisation	-	13,077	13,077
Impairment	160,176	-	160,176
At 31 December 2015	**162,501**	**437,442**	**599,943**
Amortisation	-	17,675	17,675
Impairment	-	54,631	54,631
At 31 December 2016	**162,501**	**509,748**	**672,249**
Net carrying amount			
At 1 January 2015	**851,221**	**80,098**	**931,319**
At 31 December 2015	**858,614**	**67,021**	**925,635**
At 31 December 2016	**896,508**	**42,168**	**938,676**

Goodwill is tested for impairment annually (31 December), or when circumstances indicate that the carrying value may be impaired. The Group's goodwill impairment test is a comparison of the goodwill's carrying value against its recoverable amount. The recoverable amounts are based on value-in-use for cash generating units ("CGU"), calculated using cash flow projections.

Goodwill impairment test was performed on the Group's investments as at 31 December 2016. There was no impairment on the goodwill of the Group's investments for the year ended 31 December 2016. The key assumptions used to determine the value-in-use of CGUs will be disclosed in the annual consolidated financial statements for the year ended 31 December 2016.

The other intangible assets relate to fair value of long term charter hire contracts, as determined by an independent professional valuer, amortised over the time charter period of the contracts. Following the early termination of contract for two vessels in the quarter ended 31 March 2016, the Group accordingly wrote off the related intangible assets of the said contracts amounting to RM54,631,000.

On 7 July 2015, the Corporation acquired the entire equity interest in PETRONAS Maritime Services Sdn. Bhd. ("PMSSB") from its ultimate holding company, Petroliam Nasional Berhad. Following completion of the purchase price allocation exercise of this acquisition, the Group recognised intangible assets of customer contracts from PMSSB and its subsidiary, Sungai Udang Port Sdn. Bhd., totalling RM47,453,000 in the quarter ended 30 June 2016.

A12. INVENTORIES

The Group did not recognise any write-down of inventories or reversal of inventories during the quarter ended 31 December 2016.

A13. CASH AND CASH EQUIVALENTS

Breakdown of cash and cash equivalents is as follows:

	31 December 2016 RM'000	31 December 2015 RM'000
Cash with PETRONAS Integrated Financial Shared Service Centre *	5,359,726	3,721,928
Cash and bank balances	368,970	386,141
Deposits with licensed banks	830,511	1,545,955
Total cash and cash equivalents	**6,559,207**	**5,654,024**

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

A14. FAIR VALUE HIERARCHY

The Group uses the following hierarchy to determine the fair value of all financial instruments carried at fair value:
Level 1 - Quoted prices (unadjusted) in active markets for identical assets and liabilities
Level 2 - Inputs that are based on observable market data, either directly or indirectly
Level 3 - Inputs that are not based on observable market data

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 31 December 2016				
Financial Assets				
Available-for-sale financial assets				
Quoted investments	**66,687**	**-**	**-**	**66,687**
Derivatives				
Interest rate swaps designated as hedging instruments	-	1,472	-	1,472
	66,687	**1,472**	**-**	**68,159**
Financial Liabilities				
Derivatives				
Forward exchange contracts	-	(6,655)	-	(6,655)
Interest rate swaps designated as hedging instruments	-	(691)	-	(691)
	-	**(7,346)**	**-**	**(7,346)**

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 31 December 2015				
Financial Assets				
Available-for-sale financial assets				
Quoted investments	76,244	-	-	76,244
Derivatives				
Interest rate swaps designated as hedging instruments	-	976	-	976
Forward exchange contracts	-	525	-	525
	76,244	**1,501**	**-**	**77,745**
Financial Liabilities				
Derivatives				
Interest rate swaps designated as hedging instruments	**-**	**(1,931)**	**-**	**(1,931)**

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

A15. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

A subsidiary of the Group, Malaysia Marine and Heavy Engineering Holdings Berhad ("MHB"), had on 19 September 2016 made its maiden issuance of RM20.0 million in nominal value Sukuk Murabahah under the Sukuk Murabahah Programme with a tenure of one year. The proceeds raised from the Sukuk Murabahah shall be utilised by MHB to finance its capital expenditure, working capital requirements and/or other general corporate purposes in a Shariah compliant manner and for Shariah compliant purposes.

A16. INTEREST BEARING LOANS AND BORROWINGS

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

	31 December 2016 RM'000	31 December 2015 RM'000
Short Term Borrowings		
Secured	241,409	173,964
Unsecured	7,131,560	936,091
	7,372,969	1,110,055
Long Term Borrowings		
Secured	2,102,706	1,576,006
Unsecured	3,125,832	3,818,342
	5,228,538	5,394,348
Total	**12,601,507**	**6,504,403**

ii) Foreign borrowings in United States Dollar equivalent as at 31 December 2016 is as follows:

	RM'000
United States Dollar Borrowings	11,505,227

A17. DIVIDENDS PAID

The Corporation paid the following dividends in the year ended 31 December 2016 and 31 December 2015:

	31 December 2016		31 December 2015	
	Sen/Share	**RM Million**	**Sen/Share**	**RM Million**
Second interim tax exempt dividend in respect of:				
- Financial year ended 31 December 2015 on 9 March 2016	12.5	558.0	-	-
- Financial year ended 31 December 2014 on 11 March 2015	-	-	6.0	267.8
Final tax exempt dividend in respect of:				
- Financial year ended 31 December 2015 on 19 May 2016	10.0	446.4	-	-
First interim tax exempt dividend in respect of:				
- Financial year ending 31 December 2016 on 7 September 2016	10.0	446.4	-	-
- Financial year ended 31 December 2015 on 2 September 2015	-	-	7.5	334.8

A18. CAPITAL COMMITMENTS

	31 December 2016 RM'000	31 December 2015 RM'000
Approved and contracted for:		
Group	3,848,570	5,105,336
Approved but not contracted for:		
Group	194,717	258,689
Total	**4,043,287**	**5,364,025**

A19. CONTINGENT LIABILITIES

Contingent liabilities of the Group comprise the following:

	RM'000
Secured	
Bank guarantees extended to a third party	362
Unsecured	
Bank guarantees extended to a third party	33,204
Performance bond on contract extended to third parties	302,133
	335,337

A20. SUBSEQUENT MATERIAL EVENT

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

B1. REVIEW OF GROUP PERFORMANCE

	Quarter Ended 31 December		Cumulative 12 Months Ended 31 December	
	2016	2015	2016	2015
	RM Million	RM Million	RM Million	RM Million
Revenue				
LNG	558.1	749.8	2,481.6	2,805.0
Petroleum	1,270.8	1,323.0	4,754.9	4,745.6
Offshore	463.6	438.5	1,159.6	1,089.5
Heavy Engineering	303.6	721.2	1,191.3	2,459.6
Others, Eliminations and Adjustments	(78.6)	79.6	9.8	(191.3)
Total	**2,517.5**	**3,312.1**	**9,597.2**	**10,908.4**
Operating Profit				
LNG	256.4	618.9	1,492.9	1,751.0
Petroleum	78.3	206.8	327.0	580.9
Offshore	301.3	73.1	375.4	252.3
Heavy Engineering	18.7	50.4	13.1	123.7
Others, Eliminations and Adjustments	11.9	78.9	244.8	74.7
Total Operating Profit	**666.6**	**1,028.1**	**2,453.2**	**2,782.6**
Net impairment provisons	(175.6)	(258.9)	(413.4)	(491.3)
Net gain on disposal of a subsidiary	73.6	-	73.6	-
Net gain/(loss) on deemed disposal of joint ventures	1.0	-	(31.5)	-
Net gain on acquisition of subsidiaries	0.5	-	845.2	-
Recognition of Intangibles	-	-	47.5	-
Provision for charter hire loss	-	-	(200.8)	-
Net loss on disposal of SPPE	-	(78.3)	-	(70.6)
Finance costs	(68.3)	(96.8)	(247.9)	(240.4)
Share of profit of associates and joint ventures	6.7	169.0	288.1	586.6
Profit Before Tax	**504.5**	**763.1**	**2,814.0**	**2,566.9**

Current quarter’s performance against the quarter ended 31 December 2015

Group revenue of RM2,517.5 million was 24.0% lower than the quarter ended 31 December 2015 (“corresponding quarter”) revenue of RM3,312.1 million, while Group operating profit of RM666.6 million was 35.2% lower than the corresponding quarter's profit of RM1,028.1 million. The variances in Group performance by segments are further explained below.

LNG
Revenue of RM558.1 million was 25.6% lower than the corresponding quarter’s revenue of RM749.8 million, mainly from operating a smaller fleet of vessels following disposal of two vessels in November 2015 and lower charter rates earned on new contracts in the current quarter. However, LNG also recognised revenue from commencement of a newly delivered vessel in the current quarter.

Operating profit of RM256.4 million was 58.6% lower than the corresponding quarter's profit of RM618.9 million, mainly from lower revenue and higher depreciation by RM52.3 million following the change in estimated useful life of vessels in January 2016.

Petroleum

Revenue of RM1,270.8 million was 3.9% lower than the corresponding quarter's revenue of RM1,323.0 million, mainly from lower freight rates in the current quarter.

Operating profit of RM78.3 million was 62.1% lower than the corresponding quarter's profit of RM206.8 million, mainly from the decrease in revenue and higher depreciation by RM66.4 million following the change in estimated useful life of vessels in January 2016.

Offshore

Revenue of RM463.6 million was 5.7% higher than the corresponding quarter's revenue of RM438.5 million, mainly from consolidation of GKL beginning 13 May 2016 and commencement of a Marginal Marine Production Unit ("MaMPU") in the current quarter.

Operating profit of RM301.3 million was higher than the corresponding quarter's profit of RM73.1 million, mainly from higher profit in GKL following completion of the equity buyback in May 2016 and construction gain recognition of a finance lease asset in the current quarter.

Heavy Engineering

Revenue of RM303.6 million was 57.9% lower than the corresponding quarter's revenue of RM721.2 million, mainly due to fewer and lower backlog and order intake in its Heavy Engineering sub-segment. However, its Marine sub-segment recorded higher revenue from higher value of vessels repaired from LNG and FPSO conversion works in the current quarter.

Operating profit of RM18.7 million was 62.9% lower than the corresponding quarter's profit of RM50.4 million, mainly due to operating loss incurred from lower revenue in the Heavy Engineering sub-segment. However, the Marine sub-segment recorded higher operating profit from higher revenue in the current quarter.

Others, Eliminations and Adjustments

Operating profit of RM11.9 million was 84.9% lower than the corresponding quarter's profit of RM78.9 million, mainly due to corresponding quarter's profit included a gain on disposal of a joint venture amounting to RM65.4 million.

Current year performance against the year ended 31 December 2015

Group revenue of RM9,597.2 million was 12.0% lower than RM10,908.4 million revenue for the year ended 31 December 2015 ("corresponding year"). Group operating profit of RM2,453.2 million was 11.8% lower than the corresponding year's profit of RM2,782.6 million. The variances in Group performance by segments are further explained below.

LNG

Revenue of RM2,481.6 million was 11.5% lower than the corresponding year's revenue of RM2,805.0 million, mainly from operating a smaller fleet of vessels following disposal of two vessels in November 2015 and lower charter rates earned on new contracts in the current year. However, LNG also recognised revenue in the current year from commencement of a newly delivered vessel in the current quarter.

Operating profit of RM1,492.9 million was 14.7% lower than the corresponding year's profit of RM1,751.0 million, mainly from higher depreciation by RM161.1 million following the change in estimated useful life of vessels in January 2016. However, LNG also recognised higher compensation for early termination of time charter contracts in the current year.

Petroleum

Revenue of RM4,754.9 million was 0.2% higher than the corresponding year's revenue of RM4,745.6 million, mainly due to the strengthening of United States Dollar ("USD") against Ringgit Malaysia ("RM") as follows:

	Year-to-Date Average USD1 : RM
Year ended 31 December 2015	3.90494
Year ended 31 December 2016	4.14334

Operating profit of RM327.0 million was 43.7% lower than the corresponding year's profit of RM580.9 million, mainly from lower profit margin and higher depreciation by RM289.1 million following the change in estimated useful life of vessels in January 2016.

Offshore
Revenue of RM1,159.6 million was 6.4% higher than the corresponding year's revenue of RM1,089.5 million, mainly due to consolidation of GKL revenue beginning 13 May 2016 that outweighed the Engineering, Procurement and Construction ("EPC") revenue of two (2) projects completed in the corresponding year.

Operating profit of RM375.4 million was 48.8% higher than the corresponding year's profit of RM252.3 million, mainly due to higher contribution from GKL following full consolidation beginning 13 May 2016 and construction gain recognition of a finance lease asset in the current year.

Heavy Engineering
Revenue of RM1,191.3 million was 51.6% lower than the corresponding year's revenue of RM2,459.6 million as a result of fewer and lower backlog and order intake in its Heavy Engineering sub-segment. However, its Marine sub-segment recorded lower revenue in the current year.

Operating profit of RM13.1 million was 89.4% lower than the corresponding year's profit of RM123.7 million, mainly due to operating loss incurred from lower revenue in its Heavy Engineering sub-segment. However, its Marine sub-segment recorded higher operating profit despite lower revenue in the current year.

Others, Eliminations and Adjustments
Operating profit of RM244.8 million was higher than the corresponding year's profit of RM74.7 million, mainly due to RM250.8 million reversal of provision for a legal suit in the current year.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

GROUP	Quarter Ended 31 December 2016 RM Million	Quarter Ended 30 September 2016 RM Million
Revenue	**2,517.5**	**2,292.8**
Operating Profit	**666.6**	**310.8**
Net impairment provisons	(175.6)	(164.4)
Net gain on disposal of a subsidiary	73.6	-
Net gain on deemed disposal of joint ventures	1.0	16.2
Net gain/(loss) on acquisition of subsidiaries	0.5	(2.6)
Finance costs	(68.3)	(68.1)
Share of profit of associates and joint ventures	6.7	62.7
Profit Before Tax	**504.5**	**154.6**

Group revenue of RM2,517.5 million was 9.8% higher than the preceding quarter's revenue of RM2,292.8 million, mainly due to higher freight rates from the Petroleum segment.

Group operating profit of RM666.6 million was higher than the preceding quarter's profit of RM310.8 million, mainly due to higher profit in Petroleum from higher freight rates and construction gain recognition of a finance lease asset in the current year.

B3. GROUP CURRENT YEAR PROSPECTS

The Petroleum shipping segment's performance will come under pressure in 2017, with high fleet growth and potentially lower tonne mile demand as a result of reduced OPEC oil production post January 2017's quota restriction. However, the impact from the OPEC cut may be offset by higher production elsewhere and shipowners are hopeful that the enforcement of the ballast water treatment systems convention from September 2017 will reduce vessel supply through accelerated vessel scrapping.

On the LNG front, global LNG supply is expected to increase by 14% with the completion of new liquefaction plants in 2017. Despite the increase in gas supply, demand for LNG shipping is expected to remain sluggish as the tonnage oversupply situation will continue to persist as a result of higher vessel deliveries and lower project absorption. This however will not impact the steady performance of the Group's LNG business segment as most of the vessels are employed under long term charters.

The optimism for the upstream oil and gas industry has improved with the gradual recovery in oil prices, setting the stage for gradual recovery in global offshore exploration and production investment, especially for developments within the Atlantic Basin. Despite the improved sentiment in the market, the impact may not be seen to flow through to the Heavy Engineering segment immediately. The Heavy Engineering segment will continue with its effort on cost management and resource optimization to reduce its operating cost in line with the outlook of the industry. In addition, the Group intensifies its effort to replenish its orderbook, namely from onshore segment, hook-up & commissioning and facilities improvement.

The Group's offshore business segment's stable financial performance will continue to be supported by long term contracts.

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

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

B5. TAXATION

	Quarter Ended 31 December 2016 RM'000	**Cumulative 12 Months Ended 31 December 2016 RM'000**
Taxation for the period comprises the following charge:		
Income tax charge		
- current period	4,194	10,091
- prior year	-	(61)
Deferred taxation	552	10,661
	4,746	20,691

The Government had proposed to reduce the exemption for the shipping sector provided under Section 54A of the Income Tax Act, 1967 from 100% to 70% of statutory income effective from Year of Assessment 2012. Subsequently in December 2015, the Government decided to defer the implementation of the above proposal to Year of Assessment 2020.

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

B6. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

There were no outstanding corporate proposals submitted by the Group for the quarter ended 31 December 2016.

B7. CHANGES IN MATERIAL LITIGATION

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

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

On 2 September 2016, GKL filed a Notice of Arbitration dated 2 September 2016 with the Kuala Lumpur Regional Centre for Arbitration to commence arbitration proceedings against SSPC and on 23 September 2016, GKL filed a Notice of Adjudication against SSPC under Construction Industry Payment and Adjudication Act ("CIPAA") 2012 ("Legal Proceedings").

The Legal Proceedings were commenced to seek resolution on contractual disputes covering claims for outstanding additional lease rates, payment for completed variation works and other associated costs under the Contract.

Among others, GKL is claiming the following from SSPC:
1) The total sum of approximately USD245.0 million and applicable interest at any rate deemed fit by the tribunal/adjudicator;
2) Declaratory relief;
3) The costs of the arbitration/adjudication; and
4) Any further or other awards as the tribunal/adjudicator deems fit.

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

The status to date of the Legal Proceedings is as follows:

Adjudication Claim:
The appointment of the Adjudicator was finalised on 7 November 2016 and both Parties have completed submission of claims and replies to the Adjudicator. The oral hearing with the Adjudicator was held on 6 February 2017 and the decision is expected to be issued by March 2017.

Arbitration:
The arbitral Tribunal comprising 3 Arbitrators has been formed. The procedural orders and timetable for the proceedings have been finalised with the Tribunal. The arbitration hearing will be from 25 February 2019 to 16 March 2019.

Injunction:
On 19 October 2016, SSPC called upon GKL's USD20 million Bank Guarantee for GKL's warranty obligations under the Contract ("BG").

GKL obtained an Interim Injunction from the Court against the BG release on 20 October 2016. The Inter Partes Injunction was heard at the High Court on 3, 4, 18 and 20 January 2017, and 8 February 2017. The next hearing is scheduled on 14 February 2017.

On 4 November 2016, the High Court made an order for GKL to deposit the interest earned on the sum secured i.e. USD20 million, calculated at the rate of 3% per annum to be paid on the last day of each month to GKL's solicitors until the disposal of the Originating Summons. GKL has filed an appeal to the Court of Appeal on the interest order and the appeal proceedings are currently ongoing.

The Legal Proceedings are not expected to have any material impact on the earnings per share, gearing and net assets per share of MISC for the financial year ending 31 December 2016.

B8. DIVIDENDS

The Board of Directors has approved a tax exempt dividend of 20.0 sen per share (2015: 12.5 sen) in respect of financial year 2016 amounting to RM892.8 million (2015: RM558.0 million). The proposed dividend will be paid on 16 March 2017 to shareholders registered at the close of business on 28 February 2017.

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 pm on 28 February 2017 in respect of Ordinary Transfers; and
ii) Shares bought on the BMSB on a cum entitlement basis according to the rules of BMSB.

B9. DERIVATIVES

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

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

Details of the Group's derivative financial instruments outstanding as at 31 December 2016 are as follows:

Contract/Tenure	**Notional Value RM'000**	**Fair Value Gain/(Loss) RM'000**
Foreign exchange contracts		
1 year to 3 years	63,550	(6,966)
	63,550	(6,966)
Interest rate swaps		
1 year to 3 years	1,345,350	1,360
More than 3 years	411,309	1,338
	1,756,659	2,698
Total	**1,820,209**	**(4,268)**

B10. EARNINGS PER SHARE

	Quarter Ended 31 December 2016	**2015**	**Cumulative 12 Months Ended 31 December 2016**	**2015**
Basic earnings per share are computed as follows:				
Profit for the period attributable to equity holders of the Corporation (RM'000):	529,827	752,720	2,581,550	2,467,780
Weighted average number of ordinary shares in issue (thousand)	**4,463,794**	**4,463,794**	**4,463,794**	**4,463,794**
Basic earnings per share (sen)	11.9	16.9	57.8	55.3

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

B11. REALISED AND UNREALISED PROFIT

The breakdown of the Group's retained profits as at 31 December 2016 and 31 December 2015 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.

	31 December 2016 RM'000	**31 December 2015 RM'000**
Total retained profits of MISC Group and its subsidiaries:		
- Realised	21,580,777	18,976,102
- Unrealised	(955,913)	(1,142,352)
	20,624,864	**17,833,750**
Total share of retained loss from associates:		
- Realised	99	(2,178)
- Unrealised	-	-
	99	**(2,178)**
Total share of retained profits from joint ventures:		
- Realised	936,886	2,314,807
- Unrealised	(604)	(580)
	936,282	**2,314,227**
Total Group retained profits	**21,561,245**	**20,145,799**
Less:		
Consolidation adjustments	(1,767,857)	(1,483,228)
Total Group retained profits as per consolidated accounts	**19,793,388**	**18,662,571**

By Order of the Board