THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from, or in reliance upon the whole or any part of the contents of this Circular.

MISC BERHAD

(Company No. 8178-H)
(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PART A

PROPOSED ACQUISITION BY MISC BERHAD ("MISC") OF THE REMAINING 50% EQUITY INTEREST IN GUMUSUT-KAKAP SEMI-FLOATING PRODUCTION SYSTEM (L) LIMITED FROM E&P VENTURE SOLUTIONS CO SDN. BHD., A WHOLLY-OWNED SUBSIDIARY OF PETRONAS CARIGALI SDN. BHD., FOR A CASH CONSIDERATION OF UNITED STATES DOLLAR 445.0 MILLION (APPROXIMATELY RM1,849.0 MILLION) ("PROPOSED ACQUISITION")

PART B

INDEPENDENT ADVICE LETTER FROM AMINVESTMENT BANK BERHAD TO THE NON-INTERESTED SHAREHOLDERS OF MISC IN RELATION TO THE PROPOSED ACQUISITION

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

Maybank Investment Bank Berhad (15938-H)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser

AmInvestment Bank Berhad
(Company No. 23742-V)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of Extraordinary General Meeting ("**EGM**") and Form of Proxy are enclosed in this Circular. The details of our EGM are as follows:

Date and time of our EGM	:	Immediately following the conclusion or adjournment (as the case may be) of our 47th Annual General Meeting, which 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.
Venue of our EGM	:	Sapphire Room, Level 1, Mandarin Oriental Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia

If you are unable to attend and vote in person at our EGM, you may appoint a proxy or proxies to attend and vote on your behalf. If you wish to do so, you must complete and deposit the Form of Proxy at the office of our Share Registrar, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia by Sunday, 17 April 2016 at 10.30 a.m., or in the event our EGM is adjourned, not less than forty-eight (48) hours before the adjourned EGM. The lodging of the Form of Proxy will not preclude you from attending and voting in person at our EGM should you subsequently wish to do so.

This Circular is dated 28 March 2016

DEFINITIONS

For the purpose of this Circular, except where the context otherwise requires, the following words and abbreviations shall have the following meanings:

Board	:	Our Board of Directors
Bursa Securities	:	Bursa Malaysia Securities Berhad
Circular	:	This circular to our shareholders dated 28 March 2016 in relation to the Proposed Acquisition
Disposal of GKL	:	Disposal by our Company of 50% equity interest in GKL to EPV, for a cash consideration of USD305.7 million (approximately RM934.4 million then), which was completed on 14 December 2012
EGM	:	Extraordinary general meeting
EPS	:	Earnings per share
EPV	:	E&P Venture Solutions Co Sdn. Bhd., a wholly-owned subsidiary of PCSB
FYE	:	Financial year ended
GKL	:	Gumusut-Kakap Semi-Floating Production System (L) Limited, a joint venture between our Company and EPV as at the Latest Practicable Date
GKL Share(s)	:	Ordinary share(s) in GKL
Gumusut-Kakap Semi-FPS	:	Gumusut-Kakap Semi-Floating Production System
Independent Advice Letter	:	Independent advice letter dated 28 March 2016 from AmInvestment Bank to the non-interested shareholders of our Company in relation to the Proposed Acquisition
Independent Adviser or AmInvestment Bank	:	AmInvestment Bank Berhad, being the independent adviser for the Proposed Acquisition
Interested Directors	:	Collectively, Datuk Manharlal Ratilal and Encik Mohamed Firouz bin Asnan
Latest Practicable Date	:	29 February 2016, being the latest practicable date prior to the printing of this Circular
Lease Agreement	:	Lease agreement entered into between GKL and its client for the leasing of the Gumusut-Kakap Semi-FPS, which will expire 25 years from commencement of commercial production in October 2014
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
Maybank IB	:	Maybank Investment Bank Berhad
MISC or Company	:	MISC Berhad
MISC Group or Group	:	Collectively, our Company and our subsidiaries
MISC Share(s) or Share(s)	:	Ordinary share(s) of RM1.00 each in our Company

NA	:	Net assets
PAT	:	Profit after taxation
PCSB	:	PETRONAS Carigali Sdn. Bhd., a wholly-owned subsidiary of PETRONAS
PETRONAS	:	Petroliam Nasional Berhad, which holds 62.67% equity interest in our Company as at the Latest Practicable Date
Principal Adviser or Maybank IB	:	Maybank Investment Bank Berhad, being the Principal Adviser to our Company for the Proposed Acquisition
Proposed Acquisition	:	Proposed acquisition by our Company of the Sale Shares from EPV for the Purchase Consideration
Purchase Consideration	:	Cash consideration for the acquisition of the Sale Shares in the sum of USD445.0 million (approximately RM1,849.0 million)
Sale Shares	:	305,700,001 GKL Shares, representing 50% of the issued and paid-up share capital of GKL, which is the subject matter of the Proposed Acquisition
Semi-FPS	:	Semi-submersible floating production system, an oil and gas production facility comprising topsides, process, utility and accommodation systems supported on large pontoon-like marine/hull structures semi-submerged below the sea surface
SPA	:	Conditional share purchase agreement dated 24 February 2016 entered into between our Company and EPV in relation to the Proposed Acquisition, subject to the terms and conditions therein

CURRENCIES

RM and sen	:	Ringgit Malaysia and sen, the lawful currency of Malaysia
USD	:	United States Dollar, the lawful currency of the United States of America

All references to "our Company" in this Circular are to MISC Berhad and references to "our Group" are to our Company and our subsidiaries, collectively. All references to "we", "us", "our" and "ourselves" are to our Company, and where the context requires otherwise, shall include our Company and our subsidiaries.

All references to "you" in this Circular are to the shareholders of our Company,

Unless specifically referred to, words denoting the singular shall, where applicable, include the plural, and vice versa, and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders, and vice versa. Reference to persons shall include corporations, unless otherwise specified.

Any reference to any enactment in this Circular is a reference to that enactment as amended or re-enacted from time to time.

Any reference to a time of day in this Circular is a reference to Malaysian time, unless otherwise stated.

Any discrepancy in the figures included in this Circular between the amounts stated and the totals thereof are due to rounding.

In this Circular, translation of USD amounts into RM amounts or vice versa, have been made according to the exchange rate of USD1.00:RM4.1550, being the middle rate quoted by Bank Negara Malaysia as at 5.00 p.m. on 29 January 2016, unless otherwise indicated.

Such translations are provided solely for the convenience of readers and should not be constituted as representative that the translation amounts stated in this Circular could have been or would have been converted into such other amounts or vice versa, at the above rate.

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PART A

LETTER FROM OUR BOARD TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSED ACQUISITION

MISC BERHAD
(Company No. 8178-H)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office

Level 25, Menara Dayabumi
Jalan Sultan Hishamuddin
50050 Kuala Lumpur
Malaysia

28 March 2016

Board of Directors

Dato' Ab. Halim bin Mohyiddin *(Chairman and Independent Non-Executive Director)*
Yee Yang Chien *(President/Chief Executive Officer and Non-Independent Executive Director)*
Datuk Manharlal Ratilal *(Non-Independent Non-Executive Director)*
Datuk Nasarudin Md Idris *(Non-Independent Non-Executive Director)*
Dato' Halipah binti Esa *(Independent Non-Executive Director)*
Dato' Kalsom binti Abd. Rahman *(Independent Non-Executive Director)*
Lim Beng Choon *(Independent Non-Executive Director)*
Dato' Sekhar Krishnan *(Independent Non-Executive Director)*
Mohamed Firouz bin Asnan *(Non-Independent Non-Executive Director)*

To: Our Shareholders

Dear Sir/Madam,

PROPOSED ACQUISITION

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1. INTRODUCTION

On 24 February 2016, on behalf of our Board, Maybank IB announced that we had entered into the SPA with EPV, a wholly-owned subsidiary of PCSB, on even date for the Proposed Acquisition. PCSB is a wholly-owned subsidiary of PETRONAS, which in turn holds 62.67% equity interest in our Company as at the Latest Practicable Date. Upon completion of the SPA, GKL will become a wholly-owned subsidiary of our Company.

In view of the interests of our interested major shareholder and Interested Directors as set out in Section 8 of Part A of this Circular, the Proposed Acquisition is deemed to be a related party transaction. Accordingly, in compliance with Paragraph 10.08(2) of the Listing Requirements, AmInvestment Bank has been appointed on 15 February 2016 to act as the Independent Adviser to, among others, advise our non-interested shareholders in relation to the Proposed Acquisition. The Independent Advice Letter is set out in Part B of this Circular.

The purpose of this Circular is to provide you with the relevant information pertaining to the Proposed Acquisition and to seek your approval for the Proposed Acquisition as set out in the resolution to be tabled at our forthcoming EGM. The Notice of EGM and Form of Proxy are enclosed in this Circular.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF PART A OF THIS CIRCULAR AND THE INDEPENDENT ADVICE LETTER AS SET OUT IN PART B OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT OUR FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Proposed Acquisition

The Proposed Acquisition entails the acquisition by our Company of 305,700,001 GKL Shares, representing 50% of the issued and paid-up share capital of GKL, from EPV for a cash consideration of USD445.0 million (approximately RM1,849.0 million).

The Proposed Acquisition is subject to the terms and conditions of the SPA, the salient terms of which are set out in Section 2.4 of Part A of this Circular.

2.2 Background information on GKL

GKL was incorporated in Labuan, Malaysia, under the Labuan Companies Act, 1990 on 10 October 2007 as a private limited company under the name of MISC Floating Production System (Gumusut) Limited. Subsequently, GKL assumed its present name on 27 September 2012.

As at the Latest Practicable Date, the issued and paid-up share capital of GKL is USD611,400,002 (approximately RM2,540.4 million) comprising 611,400,002 GKL Shares.

In December 2012, our Company disposed 50% of our equity interest in GKL to EPV, for a cash consideration of USD305.7 million (approximately RM934.4 million then).

As at the Latest Practicable Date, GKL does not have any subsidiary nor associated company.

The principal activity of GKL is the owning and leasing of a Semi-FPS, namely the Gumusut-Kakap Semi-FPS.

Based on the latest audited financial statements of GKL for the FYE 31 December 2015, GKL registered a PAT of USD114.2 million (approximately RM445.9 million based on the average exchange rate of USD1.00:RM3.90494 for the said financial period) while the NA of GKL as at 31 December 2015 was USD1,290.2 million (approximately RM5,540.1 million based on the exchange rate of USD1.00:RM4.29400 as at 31 December 2015).

Further information on GKL and the Gumusut-Kakap Semi-FPS are set out in **Appendix I** of this Circular.

2.3 Background information on EPV

EPV was incorporated in Malaysia under the Companies Act, 1965 on 1 November 2011 as a private limited company by shares under its present name.

As at the Latest Practicable Date, the authorised share capital of EPV is RM839,000 comprising 100,000 ordinary shares of RM1.00 each in EPV ("**EPV Shares**") and 739,000 redeemable preference shares of RM1.00 each in EPV ("**EPV RPS**"), of which 100,000 EPV Shares and 739,000 EPV RPS have been issued and fully paid-up.

EPV is carrying on business as an investment company related to oil and gas activities and in the development, production, management, operation and maintenance of new and existing onshore/offshore assets and facilities.

As at the Latest Practicable Date, the directors of EPV are Datuk Mohd Anuar bin Taib and Encik Mohamad Johari bin Dasri.

As at the Latest Practicable Date, EPV is a wholly-owned subsidiary of PCSB, which in turn is a wholly-owned subsidiary of PETRONAS.

2.4 Salient terms of the SPA

The salient terms of the SPA include, among others, the following:

2.4.1 Subject to the terms of the SPA, our Company shall acquire, and EPV shall sell with full legal and beneficial title free of any encumbrance to our Company, the Sale Shares at the Purchase Consideration.

2.4.2 Our Company's obligation to acquire and EPV's obligation to sell the Sale Shares shall be conditional upon the following conditions precedent:

(i) the approval of all actions required to implement and effect the acquisition and sale (where relevant) of the Sale Shares as contemplated under the SPA by our Board and the board of directors of EPV respectively, being obtained; and

(ii) the approvals as set out in Section 7 of Part A of this Circular being obtained.

(collectively referred to as "**Conditions Precedent**")

2.4.3 Completion of the acquisition and sale (where relevant) will take place on the Completion Date (as defined in Section 2.4.5 of Part A of this Circular), subject to the Conditions Precedent being fulfilled.

2.4.4 Subject to Section 2.4.2 of Part A of this Circular and unless otherwise agreed by our Company and EPV, we shall make payment for the Sale Shares within 30 days from the date when all Conditions Precedent are fulfilled (the date within such period being the "**Payment Date**") by delivering to EPV the Purchase Consideration in immediately available funds by way of transfer to EPV's bank account.

2.4.5 Within 14 days from the Payment Date (the date within such period being the "**Completion Date**"), EPV shall procure that the name of our Company is entered in GKL's register of members as the holder of the Sale Shares and a new share certificate for the Sale Shares shall be issued and delivered to our Company.

2.4.6 Upon completion of the Proposed Acquisition, the shareholders' agreement dated 5 October 2012 entered into by our Company and EPV defining their rights and obligations as shareholders of GKL ("**Shareholders' Agreement**") shall cease to have any effect (save for those clauses in the Shareholders' Agreement which are expressly provided for therein to survive the termination of the Shareholders' Agreement) and will be deemed immediately terminated by our Company and EPV without the need for further action by either party.

2.4.7 If any of the approvals required pursuant to Section 2.4.2 of Part A of this Circular is not procured by 1 May 2016 (or such extended date, as may be agreed between our Company and EPV) ("**Cut-Off Date**"), our Company's obligation to acquire and EPV's obligation to sell the Sale Shares shall cease and the SPA will terminate and be of no effect, provided that the termination of the SPA pursuant to this Section 2.4.7 shall be without prejudice to the accrued rights or liabilities of either our Company or EPV to the other party in respect of the terms of the SPA at or before such termination.

2.5 Basis, justification and manner of satisfaction for the Purchase Consideration

The Purchase Consideration was arrived at on a willing-buyer willing-seller basis after taking into consideration, among others, the following:

(i) audited PAT of GKL for the FYE 31 December 2015 of USD114.2 million (approximately RM445.9 million based on the average exchange rate of USD1.00:RM3.90494 for the said financial period);

(ii) audited NA of GKL as at 31 December 2015 of USD1,290.2 million (approximately RM5,540.1 million based on the exchange rate of USD1.00:RM4.29400 as at 31 December 2015);

(iii) earnings before interest, taxation, depreciation and amortisation of GKL for the FYE 31 December 2015 of USD137.6 million (approximately RM537.3 million based on the average exchange rate of USD1.00:RM3.90494 for the said financial period); and

(iv) the remaining lease period of the Gumusut-Kakap Semi-FPS of more than 23 years which provides stable and recurrent revenue to GKL.

In addition to the above, the improved risk profile of GKL was also considered in determining the Purchase Consideration. At the point of the Disposal of GKL in 2012, the Gumusut-Kakap Semi-FPS was still under construction and GKL faced construction risk which could affect cost and schedule. The Gumusut-Kakap Semi-FPS is currently in the second (2^{nd}) year of its lease to GKL's client and is now a cash generating asset receiving stable long-term lease income. As the Proposed Acquisition now entails less risk to our Company, the Purchase Consideration is higher than EPV's original cost of investment of USD305.7 million in 2012. The purchase consideration of USD445.0 million was determined based on negotiations between our Company and EPV on a willing-buyer willing-seller basis.

Our Board, save for our Interested Directors (who have abstained for the reasons set out in Section 8 of Part A of this Circular), had also taken into consideration the opinion of the Independent Adviser, AmInvestment Bank, that the Proposed Acquisition, including the Purchase Consideration, is fair and reasonable and not detrimental to our non-interested shareholders.

2.6 Source of funding

The Purchase Consideration shall be satisfied by our Company in cash using internally generated funds.

2.7 Liabilities to be assumed

There are no liabilities, including contingent liabilities and guarantees, to be assumed by our Company pursuant to the Proposed Acquisition.

The existing liabilities of GKL, as and when due, will be settled by GKL in its ordinary course of business.

2.8 Additional financial commitment

Our Company does not expect to incur any additional financial commitment to put the business of GKL on-stream as GKL is already in operation.

2.9 Original cost of investment

EPV's original cost of investment in GKL was USD305.7 million (equivalent to approximately RM934.4 million* then), which was completed on 14 December 2012 and represents the total cost of EPV's 50% equity investment in GKL.

Note:

* *Based on the exchange rate of USD1.00:RM3.0565, being the middle rate as quoted by Bank Negara Malaysia as at 5.00 p.m. on 14 December 2012.*

3. RATIONALE FOR AND BENEFITS OF THE PROPOSED ACQUISITION

In December 2012, our Company completed the Disposal of GKL, while we retained the remaining 50% equity interest. The Disposal of GKL was undertaken to strengthen our Group's financial position to weather the tough operating conditions in the shipping industry prevailing at that point in time, while still retaining 50% of GKL's income stream.

The monetisation of GKL enabled our Group to pare down our debt and improve our liquidity and cash position. Our Group's gearing prior to the Disposal of GKL based on our unaudited financial statements for the nine (9)-month financial period ended 30 September 2012 stood at 0.67 times. Since the Disposal of GKL, our Group's financial position has improved significantly and as at 31 December 2015, our Group's gearing level stood at 0.18 times. As such, our Group is now in a much stronger financial position than we were during the FYE 31 December 2012, and will be able to undertake the Proposed Acquisition without significantly impacting our gearing. Based on the proforma effects of the Proposed Acquisition as set out in Section 6.3 of Part A of this Circular, our Group's gearing is expected to increase from 0.18 times to 0.30 times.

Since 2012, the operating conditions for the shipping industry have improved whereas the oil and gas industry is currently facing a challenging environment. The lingering weakness in the global crude oil prices has led to the slowdown in upstream activities due to the cutback in operating expenditures and capital investments by oil majors. In tandem with the prolonged decline in global crude oil prices, the limited future growth prospects in the offshore oil and gas segment may adversely impact our Group's ability in securing new offshore contracts.

In view of the foregoing, the Proposed Acquisition represents a good opportunity for our Company to fully own an asset that is under a long-term lease with a strong client, which is a subsidiary of an international oil and gas company. The Proposed Acquisition will allow our Company to gain full control over GKL and fully consolidate its future earnings as it becomes our wholly-owned subsidiary. The increase in stable and recurring revenue contribution to our Company will further strengthen the financial position of our Group.

Furthermore, the Proposed Acquisition represents a low risk investment to our Company in comparison to investing in greenfield projects, as the Gumusut-Kakap Semi-FPS is already in operation and the long-term lease of 25 years has commenced.

4. PROSPECTS OF GKL AND INDUSTRY OUTLOOK

4.1 Prospects of GKL

The Gumusut-Kakap Semi-FPS is designed as a deepwater facility in the South China Sea and is the first deepwater Semi-FPS in the Asia Pacific region. It has a process facility capable of producing 150,000 barrels of crude oil per day from subsea wells and is capable of 300 million cubic feet per day gas injection and 225,000 barrels of water per day water injection. It has a power generating capacity of 69 megawatts. As the Gumusut-Kakap Semi-FPS is already in operation and chartered on a long-term lease, with fixed charter hire, to GKL's client for oil production at the Gumusut-Kakap field, it represents a secured income stream for the tenure of the Lease Agreement. GKL is not expected to be affected by the fluctuations in oil prices, including the current low oil price environment which is expected to persist. The slowdown in upstream activities, cutback in operating expenditures and capital investments by oil majors as discussed in Section 3 of Part A of this Circular are also not expected to affect GKL given the long-term lease. Hence, the prospects of GKL remain attractive.

4.2 Outlook and prospects of the oil and gas industry including demand for floating production systems ("FPS")

Low crude oil prices resulting from excess supply amid weak demand have led to cuts in capital expenditures, deferment of projects and implementation of various cost optimisation measures in the oil and gas industry. Accordingly, the outlook and prospects for the upstream oil and gas industry, including in Malaysia and its surrounding region, is projected to remain poor with weakness in oil prices.

(Source: MISC)

The oil price collapse has severely impacted the market, leading to a number of delayed project sanctions as well as cancellations of other projects. As a result of low oil prices, orders in 2015 have declined to their lowest point since 2003, which will lead to low installations in 2018 and 2019.

In Douglas-Westwood's last release it anticipated a total 2015-2019 spend of USD81 billion but this has been revised down to USD68 billion, demonstrating the sustained nature of the current oil price collapse. Despite this, total capital expenditure is expected to be 49% higher than 2010-2014. The value of annual installations is projected to grow from USD8.3 billion in 2015 to USD11.6 billion in 2019 but this will be significantly lower than 2017 which will have a capital expenditure of USD22 billion mostly from already ordered units.

Douglas-Westwood expects 2019 to be the low point in the cycle for capital expenditure with things improving after that. 2015's low orders are not expected to be mirrored in 2016; these were a result of operators revising project final investment decisions ("**FIDs**") until 2016 to help them bring costs down in line with the oil price. In 2016 operators will have had time to adapt and orders should be better as a result.

There is upside potential, though this is unlikely without significant improvement in the oil price. Douglas-Westwood is tracking 150 FPS opportunities and have taken what it believes to be a realistic appraisal of these projects to arrive at its forecast of 85 installations.

(Source: Douglas-Westwood's World Floating Production Market Forecast 2015-2019 Q4 Update)

The low oil price environment is expected to continue in the near-term with oil price hovering around the USD40 per barrel mark. As a result, FIDs for new FPS projects in Asia, particularly Malaysia, Vietnam and Indonesia will continue to be limited in the near-term.

(Source: MISC)

5. RISK FACTORS

The risk factors associated with the Proposed Acquisition and our Company's additional exposure in GKL upon completion of the Proposed Acquisition, which are by no means exhaustive, are as follows:

5.1 Completion of the Proposed Acquisition

The completion of the Proposed Acquisition is conditional upon the Conditions Precedent being satisfied and/or waived (as the case may be) in accordance with the provisions of the SPA. There can be no assurance that the Conditions Precedent will be satisfied by the Cut-Off Date.

Nevertheless, our Company shall use our best endeavours to ensure the satisfaction and/or waiver (as the case may be) of the Conditions Precedent which are within the control of our Company and EPV to ensure completion of the Proposed Acquisition.

5.2 Investment risks in respect of our Company's shareholding in GKL

Our Company operates in the same industry which GKL operates and is an existing shareholder which holds 50% of the equity interest in GKL. As such, we are not expected to be exposed to new risks associated with the oil and gas industry, nor our investment in GKL. Notwithstanding this, our Company's exposure to the existing risks associated with GKL, such as business, operational and financial risks, will increase upon completion of the Proposed Acquisition as GKL will become our wholly-owned subsidiary.

5.3 Operational risk

Gumusut-Kakap Semi-FPS is designed and equipped according to specifications from GKL's client. Although the Lease Agreement is structured to secure an acceptable return on the investment within the contract period, there can be no assurance that the Gumusut-Kakap Semi-FPS will achieve the returns expected due to asset integrity risks, warranty issues, additional capital expenditure, and health, safety and environmental incidents affecting the asset, among other risks. Nevertheless such risks are the usual risks associated with the ownership of the Gumusut-Kakap Semi-FPS.

5.4 Termination of the lease agreement between GKL and its client

GKL's revenue is derived from the leasing of the Gumusut-Kakap Semi-FPS to its client for oil production at the Gumusut-Kakap field. Although GKL had entered into the Lease Agreement with its client, there can be no assurance that the Lease Agreement will not be suspended or terminated before its expiry date. In such an event, the earnings and profitability of our Group could be adversely affected.

5.5 Default or delay in payments

The earnings and profitability of our Group may be impacted in the event GKL experiences a delay in receiving payments from its client, or if its client defaults on its payment obligations under the Lease Agreement.

Our Company is familiar with the risks set out in Sections 5.2 to 5.5 of Part A of this Circular that are currently faced by GKL. However, upon completion of the Proposed Acquisition, these risks will be solely borne by our Company as GKL will become our wholly-owned subsidiary.

6. EFFECTS OF THE PROPOSED ACQUISITION

6.1 Share capital

The Proposed Acquisition will not have any effect on our issued and paid-up share capital.

6.2 Substantial shareholders' shareholdings

The Proposed Acquisition will not have any effect on our substantial shareholders' shareholdings in our Company.

6.3 NA and gearing

For illustrative purposes only, based on our audited consolidated statement of financial position as at 31 December 2015 and on the assumption that the Proposed Acquisition had been effected on that date, the proforma effects of the Proposed Acquisition on the NA and gearing of our Group are as follows:

	Audited as at 31 December 2015	Adjustments	After the Proposed Acquisition
	RM'000	RM'000	RM'000
Share capital	4,463,794		4,463,794
Share premium	4,459,468		4,459,468
Other reserves	7,775,619		7,775,619
Retained profits	18,662,571	(3) 919,133	19,581,704
NA attributable to equity holders of our Company	35,361,452		36,280,585
Non-controlling interests	1,097,690		1,097,690
Total equity	36,459,142		37,378,275
Number of MISC Shares in issue ('000)	4,463,794		4,463,794
NA per MISC Share (RM)	7.92		8.13
Total borrowings (1)	6,504,403	(4) 4,551,640	11,056,043
Gearing ratio (times) (2)	0.18		0.30

Notes:

(1) *Comprises short-term and long-term interest-bearing borrowings.*

(2) *Computed based on total borrowings over NA attributable to equity holders of our Company.*

(3) *Relates to the recognition of a one-off gain relating to negative goodwill of approximately RM921.1 million less estimated transaction cost relating to the Proposed Acquisition of RM2.0 million.*

The negative goodwill of approximately RM921.1 million was derived as follows:

	RM'million
Cash consideration	*1,849.0*
Fair value of investment retained as at 31 December 2015 (a)	*2,770.1*
Fair value of NA acquired as at 31 December 2015 (b)	*(5,540.2)*
Negative goodwill recognised in profit or loss	*921.1*

Notes (cont'd):

(a) *Relates to our Group's investment in GKL via our existing 50% equity interest in GKL at fair value as at 31 December 2015. The fair value is assumed to equate to 50% of the NA of GKL as at 31 December 2015 based on the audited financial statements of GKL for the FYE 31 December 2015.*

(b) *Relates to the fair value of the NA of GKL, which is assumed to equate the NA value of GKL as at 31 December 2015 based on the audited financial statements of GKL for the FYE 31 December 2015.*

The exchange rate of USD1.00:RM4.29400 as at 31 December 2015 is used in translating the fair value of investment retained and fair value of NA acquired as at 31 December 2015.

(4) *Relates to the consolidation of GKL's borrowings as at 31 December 2015 of USD1,060.0 million (approximately RM4,551.6 million based on the exchange rate of USD1.00:RM4.29400 as at 31 December 2015).*

6.4 Earnings and EPS

The Proposed Acquisition is expected to contribute positively to the future earnings of our Group in the ensuing financial years with the full consolidation of the earnings of GKL.

For illustrative purposes only, the proforma effects of the Proposed Acquisition on the earnings and EPS of our Group on the assumption that the Proposed Acquisition had been effected on 1 January 2015, being the beginning of the FYE 31 December 2015, are as follows:

	Audited as at 31 December 2015	**Adjustments**	**After the Proposed Acquisition**
PAT attributable to equity holders of our Company (RM'000)	2,467,780	(1) 429,738	2,897,518
EPS (sen)	55.3		64.9

Note:

(1) *Relates to the recognition of a one-off gain relating to negative goodwill as at 1 January 2015 of approximately RM208.8 million and additional 50% of GKL's operating profit for the FYE 31 December 2015 of RM222.9 million less estimated transaction cost relating to the Proposed Acquisition of RM2.0 million.*

The negative goodwill of approximately RM208.8 million was derived as follows:

	RM'million
Cash consideration	*1,849.0*
Fair value of investment retained as at 31 December 2014 (a)	*2,057.7*
Fair value of NA acquired as at 31 December 2014 (b)	*(4,115.5)*
Negative goodwill recognised in profit or loss	*208.8*

(a) *Relates to our Group's investment in GKL via our existing 50% equity interest in GKL at fair value as at 31 December 2014. The fair value is assumed to equate to 50% of the NA of GKL as at 31 December 2014 based on the audited financial statements of GKL for the FYE 31 December 2014.*

(b) *Relates to the fair value of the NA of GKL, which is assumed to equate the NA value of GKL as at 31 December 2014 based on the audited financial statements of GKL for the FYE 31 December 2014.*

The exchange rate of USD1.00:RM3.4995 on 2 January 2015 is used in translating the fair value of investment retained and fair value of NA acquired as at 1 January 2015 to derive the one-off gain relating to negative goodwill whilst the average exchange rate of USD1.00:RM3.90494 for the period from 1 January 2015 to 31 December 2015 was used in translating the additional 50% of GKL's operating profit for the FYE 31 December 2015.

As mentioned in Sections 6.3 and 6.4 of Part A of this Circular, the proforma effects of the Proposed Acquisition was based on the assumption that the Proposed Acquisition had been effected on 31 December 2015 and 1 January 2015 (being the beginning of the FYE 31 December 2015) respectively. Furthermore, the exchange rates used in translating the fair value of investment retained and fair value of NA acquired in Sections 6.3 and 6.4 of Part A of this Circular are based on different dates. Given the foregoing, the negative goodwill amounts in Sections 6.3 and 6.4 of Part A of this Circular are different.

7. APPROVALS REQUIRED

The Proposed Acquisition is subject to the approvals from the following parties being obtained:

(i) GKL's client, which was obtained on 19 February 2016;

(ii) our non-interested shareholders at our forthcoming EGM; and

(iii) any other relevant regulatory authorities, if required.

8. INTERESTS OF OUR DIRECTORS, MAJOR SHAREHOLDER AND/OR PERSONS CONNECTED WITH THEM

PETRONAS is deemed interested in the Proposed Acquisition as EPV, the party to the Proposed Acquisition, is a wholly-owned subsidiary of PCSB, which in turn is a wholly-owned subsidiary of PETRONAS, holding 62.67% equity interest in our Company as at the Latest Practicable Date.

The following Directors are also deemed interested in the Proposed Acquisition:

(i) Datuk Manharlal Ratilal, a Non-Independent Non-Executive Director of our Company, by virtue of him being a representative of PETRONAS on our Board and a Director of PCSB; and

(ii) Encik Mohamed Firouz bin Asnan, a Non-Independent Non-Executive Director of our Company, by virtue of him being the representative of PETRONAS on our Board.

The shareholdings of PETRONAS and our Interested Directors in our Company as at the Latest Practicable Date are as follows:

	Direct		Indirect	
Name	**No. of MISC Shares held**	**%**	**No. of MISC Shares held**	**%**
PETRONAS	2,797,459,800	62.67	-	-
Datuk Manharlal Ratilal	-	-	-	-
Encik Mohamed Firouz bin Asnan	-	-	-	-

Accordingly, our Interested Directors have abstained and will continue to abstain from deliberating and voting on the Proposed Acquisition at the relevant Board meetings of our Company. Our Interested Directors and PETRONAS will also abstain from voting in respect of their direct and/or indirect shareholdings in our Company, if any, on the resolution pertaining to the Proposed Acquisition to be tabled at our forthcoming EGM. Our Interested Directors and PETRONAS have also undertaken to ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in our Company, if any, on the resolution pertaining to the Proposed Acquisition to be tabled at our forthcoming EGM.

Save as mentioned above, none of our other Directors and major shareholders as well as persons connected with them have any interest, direct or indirect, in the Proposed Acquisition.

9. AUDIT COMMITTEE'S STATEMENT

Our Audit Committee, after having considered all aspects of the Proposed Acquisition, including but not limited to the rationale for and benefits of the Proposed Acquisition, the basis of and justification for the Purchase Consideration, the salient terms of the SPA and the effects of the Proposed Acquisition, is of the view that the Proposed Acquisition is:

(i) in the best interest of our Company;

(ii) fair, reasonable and on normal commercial terms; and

(iii) not detrimental to the interest of our non-interested shareholders.

Our Audit Committee has also sought the opinion of the Independent Adviser, in forming its view in relation to the Proposed Acquisition and has concurred with the views of the Independent Adviser.

10. DIRECTORS' RECOMMENDATION

After taking into consideration, among others, the advice of the Principal Adviser and the Independent Adviser in relation to the Proposed Acquisition, the rationale for and benefits of the Proposed Acquisition, the basis of and justification for the Purchase Consideration, the salient terms of the SPA as well as the effects of the Proposed Acquisition, our Board, save for our Interested Directors (who have abstained for the reasons set out in Section 8 of Part A of this Circular), is of the opinion that the Proposed Acquisition is in the best interest of our Company.

Accordingly, our Board, save for our Interested Directors, recommends that you vote in favour of the resolution pertaining to the Proposed Acquisition to be tabled at our forthcoming EGM.

11. TENTATIVE TIMETABLE

Barring any unforeseen circumstances and subject to all required approvals being obtained, our Board expects the Proposed Acquisition to be completed in the second (2^{nd}) quarter of 2016.

The tentative timetable in relation to the Proposed Acquisition is as follows:

Event	Tentative timeline
EGM and fulfilment of all the Conditions Precedent	19 April 2016
Completion of the Proposed Acquisition	By early June 2016

12. PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Acquisition, our Company does not have any other corporate exercise/scheme that has been announced but pending completion as at the Latest Practicable Date.

The Proposed Acquisition is not conditional/inter-conditional upon any other corporate exercise/scheme.

13. INDEPENDENT ADVISER

The Proposed Acquisition is a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. Accordingly, AmInvestment Bank has been appointed to act as the Independent Adviser to undertake the following in relation to the Proposed Acquisition:

(i) comment as to whether the Proposed Acquisition is:

(a) fair and reasonable so far as our non-interested shareholders are concerned; and

(b) to the detriment of our non-interested shareholders,

and such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;

(ii) advise our non-interested shareholders whether they should vote in favour of the Proposed Acquisition; and

(iii) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in relation to items (i) and (ii) above.

The Independent Advice Letter from AmInvestment Bank is set out in **Part B** of this Circular. You are advised to read and consider carefully the contents of Part A of this Circular and the Independent Advice Letter as set out in Part B of this Circular before voting on the resolution pertaining to the Proposed Acquisition to be tabled at our forthcoming EGM.

14. TOTAL AMOUNT TRANSACTED BETWEEN OUR GROUP AND PETRONAS AND ITS SUBSIDIARIES FOR THE PRECEDING 12 MONTHS

The total amount transacted between our Group and PETRONAS and its subsidiaries for the 12 months preceding the Latest Practicable Date, other than transactions in the ordinary course of business, is approximately RM54.1 million, being the cash purchase consideration for the acquisition by our Company of PETRONAS' entire equity interest in PETRONAS Maritime Services Sdn Bhd, which was completed on 7 July 2015.

15. EGM

Our EGM 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 immediately following the conclusion or adjournment (as the case may be) of our 47th Annual General Meeting, which will be held at the same venue on the same day at 10.30 a.m., for the purpose of considering and if deemed fit, passing the resolution to give effect to the Proposed Acquisition. You are advised to refer to the Notice of EGM and Form of Proxy which are enclosed in this Circular.

If you are unable to attend and vote in person at our EGM, you may appoint a proxy or proxies to attend and vote on your behalf. If you wish to do so, you must complete and deposit the Form of Proxy at the office of our Share Registrar, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia by Sunday, 17 April 2016 at 10.30 a.m., or in the event our EGM is adjourned, not less than forty-eight (48) hours before the adjourned EGM. The lodging of the Form of Proxy will not preclude you from attending and voting in person at our EGM should you subsequently wish to do so.

16. FURTHER INFORMATION

You are advised to refer to the attached appendices for further information.

Yours faithfully
for and on behalf of the Board of
MISC BERHAD

DATO' AB. HALIM BIN MOHYIDDIN
Chairman and Independent Non-Executive Director

PART B

INDEPENDENT ADVICE LETTER FROM AMINVESTMENT BANK TO OUR NON-INTERESTED SHAREHOLDERS IN RELATION TO THE PROPOSED ACQUISITION

EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meaning as the words and expressions defined in the "Definitions" section of the Circular, except where the context otherwise requires or is otherwise defined in the Independent Advice Letter. All references to "we", "us" or "our" are to AmInvestment Bank, being the Independent Adviser for the Proposed Acquisition. All references to "you" are to the Non-Interested Shareholders.

This Executive Summary is intended to be a brief summary of the Independent Advice Letter to provide you with an independent evaluation of the Proposed Acquisition and to express our recommendation thereon.

1. INTRODUCTION

On 24 February 2016, on behalf of the Board, Maybank IB announced that the Company had, on even date, entered into the SPA with EPV, a wholly-owned subsidiary of PCSB, for the Proposed Acquisition. PCSB is a wholly-owned subsidiary of PETRONAS, which in turn holds 62.67% equity interest in MISC as at the Latest Practicable Date. Upon completion of the SPA, GKL will become a wholly-owned subsidiary of MISC.

In view of the interests of the Company's interested major shareholder and certain Directors as set out in Section 8, Part A of the Circular, the Proposed Acquisition is deemed to be a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. Accordingly, in compliance with Paragraph 10.08(2) of the Listing Requirements, AmInvestment Bank has been appointed on 15 February 2016 to act as the Independent Adviser in relation to the Proposed Acquisition.

2. EVALUATION OF THE PROPOSED ACQUISITION

2.1 FINANCIAL EVALUATION OF THE PURCHASE CONSIDERATION

Based on the DCF valuation, the indicative equity value for 50% equity interest in GKL is between **USD498.4 million** and **USD570.7 million**. As such, the Purchase Consideration represents a discount of between **USD53.4 million (10.7%)** and **USD125.7 million (22.0%)** to the range of the indicative equity value for 50% equity interest in GKL.

Please refer to **Section 6.1** of this Independent Advice Letter for further details.

2.2 RATIONALE FOR THE PROPOSED ACQUISITION

Since the Disposal of GKL in December 2012, the MISC Group's financial position has improved significantly. As such, the MISC Group is in a much stronger financial position to undertake the Proposed Acquisition without significantly impacting its gearing. The current limited future growth prospects in the offshore oil and gas segment resulting from the weakness in global crude oil prices may adversely impact the Group's ability in securing new offshore contracts.

As such, the Proposed Acquisition represents a timely opportunity for MISC to reacquire interest in an asset which is within MISC's core business and one which it is already familiar with. The increase in stable and recurring revenue contribution over the remaining lease period of more than 23 years will further enhance the financial performance of the MISC Group.

Please refer to **Section 6.2** of this Independent Advice Letter for further details.

2.3 INDUSTRY OUTLOOK AND FUTURE PROSPECTS OF THE MISC GROUP

The OPEC Reference Basket value recovered in February 2016 for the first time in three (3) months, gaining more than 8%. It was supported by numerous positive factors, such as a fairly healthy physical oil market and especially a proposal by major oil exporters to freeze production levels, despite ongoing oversupply, a slowing global economy, record high inventories and a strengthening USD. The OPEC Reference Basket gained USD2.22 to USD28.72 per barrel for February 2016, but slipped about 45% compared to the same period last year. On 11 March 2016, the OPEC Reference Basket stood at USD35.62 per barrel, USD6.90 above the February 2016 average.

The global crude oil price is expected to continue to be depressed and volatile in the near term due to the current level of oil glut. The lower oil and gas prices and excess supply amid weak demand have affected the financial performance of our national oil company as well as the international oil companies globally. Many oil and gas companies were seen to have also cut back on their capital budgets and have placed greater emphasis in achieving cost efficiency in view of the subdued oil and gas outlook.

The weakness in the global crude oil prices may adversely affect the exploration and production activities in the offshore oil and gas industry thereby hurting the opportunity for future offshore job wins by the MISC Group. However, we note that the cutback in the exploration and production activities in offshore oil and gas industry is not expected to affect GKL given that the Gumusut-Kakap Semi-FPS is already in operation and is in the second year of its Lease to GKL's client. Hence, the Proposed Acquisition represents a good opportunity for MISC in view that offshore opportunities may be limited if the current outlook of the industry persists. The increased recognition of recurring cash flows and earnings pursuant to the Proposed Acquisition will further enhance the financial performance of the MISC Group during the period of continued weakness in the FPS sector.

Please refer to **Section 6.3** of this Independent Advice Letter for further details.

2.4 EFFECTS OF THE PROPOSED ACQUISITION

The proforma effects of the Proposed Acquisition on MISC's issued and paid-up share capital, substantial shareholders' shareholdings, consolidated NA and gearing as well as consolidated earnings and EPS are summarised as follows:-

(a) the Proposed Acquisition will not give rise to any effect on the issued and paid-up share capital and substantial shareholders' shareholdings of the Company as the Proposed Acquisition will be satisfied entirely by cash;

(b) the proforma NA of the MISC Group as at 31 December 2015 is expected to increase from RM35.36 billion or RM7.92 per MISC Share to RM36.28 billion or RM8.13 per MISC Share as a result of the recognition of negative goodwill of approximately RM921.1 million less estimated transaction cost relating to the Proposed Acquisition of RM2.0 million. In addition, the gearing of the MISC Group is expected to increase from 0.18 times to 0.30 times; and

(c) the MISC Group is expected to register a one-off gain in earnings upon the completion of the Proposed Acquisition arising from the recognition of negative goodwill. If the Proposed Acquisition was completed on 31 December 2015, the one-off gain is estimated to be RM921.1 million or 20.6 sen per MISC Share.

    The Proposed Acquisition is expected to contribute positively to the future earnings of the MISC Group for the financial year ending 31 December 2016 and the ensuing financial years thereof, in view that the Proposed Acquisition would allow the Company to recognise an additional 50% of GKL's PAT. As an illustration, based on GKL's audited PAT for the FYE 31 December 2015, the additional PAT recognition would increase the MISC Group's earnings and EPS by RM222.9 million or 5.0 sen per MISC Share.

Please refer to **Section 6.4** of this Independent Advice Letter for further details.

2.5 RISK FACTORS RELATING TO THE PROPOSED ACQUISITION

MISC currently owns 50% equity interest in GKL, a company which is in the business of owning and leasing the Gumusut-Kakap Semi-FPS. As such, the Proposed Acquisition will not result in MISC being exposed to an area of new business but rather an increased exposure to a business that the MISC Group is already involved in, i.e. the offshore segment. Therefore, we are of the view that the Proposed Acquisition is not expected to materially change the risk profile of the MISC Group.

The Company's increased exposure to the business and operational risks is mitigated as GKL's business is one of the MISC Group's core business activities and GKL's net assets of RM1.29 billion is relatively small as compared to the MISC Group's net assets of approximately RM35.36 billion as at 31 December 2015. We also note that the Company's increased exposure to financial risks would be manageable as the MISC Group's gearing is not expected to be impacted significantly upon completion of the Proposed Acquisition.

In respect of the risk of termination of the Lease, we note that the circumstances for termination are limited. With regards to the risk of possible default or delay in lease payments by GKL's client, we are of the view the risk is mitigated as the client is a subsidiary of a major international oil and gas company and that it has made prompt lease payments since the commencement of the Lease in 2014.

We further note that the Board will take necessary measures to mitigate the risks associated with the Proposed Acquisition in ensuring the successful completion of the Proposed Acquisition.

Please refer to **Section 6.5** of this Independent Advice Letter for further details.

2.6 SALIENT TERMS OF THE SPA

Based on our review of the salient terms of the SPA, we are of the view that the terms and conditions of the SPA appear to be common and reasonable given the nature of the transaction. Premised on the foregoing, we are of the opinion that the terms and conditions of the SPA are reasonable and not detrimental to your interest.

Please refer to **Section 6.6** of this Independent Advice Letter for further details.

3. RECOMMENDATION

Based on our evaluation of the Proposed Acquisition as set out in this Independent Advice Letter, we are of the opinion that the Proposed Acquisition is **FAIR AND REASONABLE** and **NOT DETRIMENTAL** to your interest.

Accordingly, we recommend that you vote **<u>in favour</u>** of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

YOU ARE ADVISED TO READ BOTH THIS INDEPENDENT ADVICE LETTER AND PART A OF THE CIRCULAR TOGETHER WITH THE APPENDICES ENCLOSED THEREON THOROUGHLY FOR MORE INFORMATION AND NOT TO RELY SOLELY ON THIS EXECUTIVE SUMMARY BEFORE FORMING AN OPINION ON THE PROPOSED ACQUISITION.

YOU ARE ADVISED TO CONSIDER CAREFULLY THE RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION AT THE FORTHCOMING EGM.

AmInvestment Bank

Your Bank. Malaysia's Bank. AmInvestment Bank.

***Registered Office*:-**
22nd Floor
Bangunan AmBank Group
55, Jalan Raja Chulan
50200 Kuala Lumpur

28 March 2016

To: The Non-Interested Shareholders of MISC Berhad ("MISC" or the "Company")

Dear Sir / Madam,

INDEPENDENT ADVICE LETTER FROM AMINVESTMENT BANK BERHAD TO THE NON-INTERESTED SHAREHOLDERS OF MISC IN RELATION TO THE PROPOSED ACQUISITION BY MISC OF THE REMAINING 50% EQUITY INTEREST IN GUMUSUT-KAKAP SEMI-FLOATING PRODUCTION SYSTEM (L) LIMITED FROM E&P VENTURE SOLUTIONS CO SDN. BHD., A WHOLLY-OWNED SUBSIDIARY OF PETRONAS CARIGALI SDN. BHD., FOR A CASH CONSIDERATION OF USD445.0 MILLION (APPROXIMATELY RM1,849.0 MILLION)

This Independent Advice Letter is prepared for inclusion in the circular to the shareholders of MISC dated 28 March 2016 in relation to the Proposed Acquisition and should be read in conjunction with the same. All definitions used in this Independent Advice Letter shall have the same meaning as the words and expressions provided in the "Definitions" section of the Circular, except where the context otherwise requires or where otherwise defined herein.

1. INTRODUCTION

On 24 February 2016, on behalf of the Board, Maybank IB announced that the Company had, on even date, entered into the SPA with EPV, a wholly-owned subsidiary of PCSB, for the Proposed Acquisition. PCSB is a wholly-owned subsidiary of PETRONAS, which in turn holds 62.67% equity interest in MISC as at the Latest Practicable Date. Upon completion of the SPA, GKL will become a wholly-owned subsidiary of MISC.

In view of the interests of the Company's interested major shareholder and certain Directors as set out in Section 8, Part A of the Circular, the Proposed Acquisition is deemed to be a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements.

Accordingly, in compliance with Paragraph 10.08(2) of the Listing Requirements, AmInvestment Bank has been appointed on 15 February 2016 to act as the Independent Adviser in relation to the Proposed Acquisition.

The purpose of this Independent Advice Letter is to provide the non-interested shareholders of MISC ("**Non-Interested Shareholders**") with an independent evaluation of the Proposed Acquisition, together with the opinions and recommendations contained herein, subject to the scope and limitations set out herein. This Independent Advice Letter is prepared solely for the purpose of assisting the non-interested Directors and advising the Non-Interested Shareholders to evaluate the fairness and reasonableness of the Proposed Acquisition. You, as the Non-Interested Shareholder, should nonetheless rely on your own examination of the merits of the Proposed Acquisition before making a decision in connection with the resolution pertaining to the Proposed Acquisition at the forthcoming EGM.

AmInvestment Bank Berhad (23742-V)
A member of the AmBank Group
(A Participating Organisation of Bursa Malaysia Securities Berhad)
22nd Floor, Bangunan AmBank Group, 55, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia. P. O. Box 10233, 50708 Kuala Lumpur, Malaysia.
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W: ambankgroup.com, amesecurities.com.my

YOU ARE ADVISED TO READ BOTH THIS INDEPENDENT ADVICE LETTER AND PART A OF THE CIRCULAR TOGETHER WITH THE APPENDICES ENCLOSED THEREON THOROUGHLY, AND TO CONSIDER CAREFULLY THE RECOMMENDATIONS CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION AT THE FORTHCOMING EGM.

IF YOU ARE IN DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, ACCOUNTANT, SOLICITOR OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. DETAILS OF THE PROPOSED ACQUISITION

The Proposed Acquisition entails the acquisition by MISC of 305,700,001 GKL Shares, representing the remaining 50% of the issued and paid-up share capital of GKL it does not own, from EPV for a cash consideration of USD445.0 million or equivalent to approximately RM1,849.0 million, based on the justification for the Purchase Consideration as set out in Section 2.5, Part A of the Circular.

The Proposed Acquisition is subject to the terms and conditions of the SPA, the salient terms of which are set out in Section 2.4, Part A of the Circular.

2.1 INFORMATION ON GKL

GKL was incorporated in Labuan, Malaysia, under the Labuan Companies Act, 1990 on 10 October 2007 as a private limited company under the name of MISC Floating Production System (Gumusut) Limited. Subsequently, GKL assumed its present name on 27 September 2012. On 14 December 2012, MISC completed the disposal of 50% equity interest in GKL to EPV for a cash consideration of USD305.7 million or equivalent to approximately RM934.4 million at the then prevailing exchange rates. Please refer to Section 2.2 of this Independent Advice Letter for information on EPV.

As at the Latest Practicable Date, the issued and paid-up share capital of GKL is USD611,400,002 (approximately RM2,540.4 million) comprising 611,400,002 GKL Shares. GKL does not have any subsidiary or associated company as at the Latest Practicable Date.

The principal activity of GKL is owning and leasing of a Semi-FPS, i.e. the Gumusut-Kakap Semi-FPS. The Gumusut-Kakap Semi-FPS was designed and specially built as a deepwater facility in the Gumusut-Kakap field, located offshore of Sabah, Malaysia, weighing approximately 37,500 metric tonnes and is the first deepwater Semi-FPS in the Asia Pacific region. It has a process facility capable of producing 150,000 barrels of crude oil per day from subsea wells and is capable of 300 million cubic feet per day gas injection and 225,000 barrels of water per day water injection. It has a power generating capacity of 69 megawatts. It is installed in approximately 1,200 metres water depth offshore of Sabah, Malaysia.

The Gumusut-Kakap Semi-FPS achieved commencement of commercial production in October 2014. Currently, the Gumusut-Kakap Semi-FPS is leased to GKL's client on a long-term lease ("**Lease**") pursuant to the Lease Agreement entered between GKL and its client. The Lease will expire 25 years from the commencement of commercial production in October 2014.

Further information on GKL and the Gumusut-Kakap Semi-FPS are set out in Section 2.2, Part A and Appendix I of the Circular.

2.2 INFORMATION ON EPV

EPV was incorporated in Malaysia under the Companies Act, 1965 on 1 November 2011 as a private limited company by shares under its present name.

As at the Latest Practicable Date, the authorised share capital of EPV is RM839,000 comprising 100,000 ordinary shares of RM1.00 each in EPV ("**EPV Shares**") and 739,000 redeemable preference shares of RM1.00 each in EPV ("**EPV RPS**"), of which 100,000 EPV Shares and 739,000 EPV RPS have been issued and fully paid-up.

EPV is carrying on business as an investment company related to oil and gas activities and in the development, production, management, operation and maintenance of new and existing onshore/offshore assets and facilities.

As at the Latest Practicable Date, the directors of EPV are Datuk Mohd Anuar bin Taib and Encik Mohamad Johari bin Dasri.

As at the Latest Practicable Date, EPV is a wholly-owned subsidiary of PCSB, which in turn is a wholly-owned subsidiary of PETRONAS.

3. INTERESTED DIRECTORS AND INTERESTED MAJOR SHAREHOLDER

PETRONAS is deemed interested in the Proposed Acquisition as EPV, the party to the Proposed Acquisition, is a wholly-owned subsidiary of PCSB, which in turn is a wholly-owned subsidiary of PETRONAS. As at the Latest Practicable Date, PETRONAS ("**Interested Major Shareholder**") holds 62.67% equity interest in MISC.

The following Directors of MISC are also deemed interested in the Proposed Acquisition:-

(a) Datuk Manharlal Ratilal, the Non-Independent Non-Executive Director of MISC, by virtue of him being a representative of PETRONAS on the Board and a Director of PCSB; and

(b) Encik Mohamed Firouz bin Asnan, the Non-Independent Non-Executive Director of MISC, by virtue of him being the representative of PETRONAS on the Board.

The shareholdings of the Interested Major Shareholder and the Interested Directors as at the Latest Practicable Date are as follows:-

	Direct		Indirect	
Name	**No. of MISC Shares**	**%**	**No. of MISC Shares**	**%**
<u>**Interested Major Shareholder**</u>				
PETRONAS	2,797,459,800	62.67	-	-
<u>**Interested Directors**</u>				
Datuk Manharlal Ratilal	-	-	-	-
Encik Mohamed Firouz bin Asnan	-	-	-	-

The Interested Directors have abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings of MISC pertaining to the Proposed Acquisition. The Interested Major Shareholder and Interested Directors will also abstain from voting in respect of their direct and/or indirect shareholdings in MISC, if any, on the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

The Interested Major Shareholder and Interested Directors have also undertaken to ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in MISC, if any, on the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

Save as disclosed above, none of the other Directors of MISC, major shareholders of MISC and/or persons connected with them have any interest, direct or indirect, in the Proposed Acquisition.

4. SCOPE, LIMITATIONS AND ASSUMPTIONS TO THE EVALUATION AND OPINION

AmInvestment Bank was not involved in the formulation of or any of the deliberations and negotiations on the terms and conditions of the Proposed Acquisition and the SPA. In performing our evaluation, we have relied on the following:-

(a) information contained in the SPA;

(b) information contained in Part A of the Circular and the accompanying appendices in the Circular;

(c) other relevant information, documents, confirmation and/or representations provided by the Board and the management of MISC, or obtained in or derived from the discussions with the management of MISC; and

(d) other publicly available information as we deemed relevant.

The Board and management of the Company had also confirmed that it had read this Independent Advice Letter and collectively and individually accept full responsibility for the accuracy of the information on the Company, GKL and the Proposed Acquisition disclosed in this Independent Advice Letter and/or documents provided to us, which are essential to our evaluation, and confirm that after making all reasonable enquiries, and to the best of their knowledge and belief, there is no omission of any material fact which would make any information and statement disclosed to us incomplete, inaccurate, false or misleading. Accordingly, after having made all reasonable enquiries, we are satisfied with the information and documents provided by the Company, and to the best of our knowledge and belief, the information provided to us is reasonable, accurate, complete and free from material omission.

The Board and management of the Company had confirmed that the financial projections have been reasonably prepared on the basis that it reflects the prudent prevailing estimates based on information known to MISC. After having reviewed the assumptions, nothing has come to our attention which would cause us to believe that the assumptions used do not provide a reasonable basis for the preparation of the financial projections. However, we have not undertaken an independent investigation into the business of GKL or the Company.

It is not within our terms of reference to express any opinion on the commercial benefits of the Proposed Acquisition and this remains the responsibility of the Board and management of the Company. In preparing this Independent Advice Letter, we have considered various factors which we believe are important in enabling us to form an opinion on the fairness and reasonableness of the Proposed Acquisition so far as the Non-Interested Shareholders are concerned, and whether it is to the detriment of the Non-Interested Shareholders. We are not in possession of information relating to, and have not given any consideration to, separate specific investment objectives, financial situations and particular needs of any individual shareholder or any specific group of shareholders.

We recommend that any individual shareholder or any specific group of shareholders who may require advice in relation to the Proposed Acquisition in the context of their individual objectives, financial situations and particular needs to consult their stockbroker, bank manager, solicitor, accountant and other professional advisers. We shall not be liable for any damage or loss of any kind sustained or suffered by any individual shareholders or group of shareholders in reliance on the opinion stated herein for any purpose whatsoever which is particular to such shareholder or group of shareholders.

The scope of AmInvestment Bank's responsibility with regard to its evaluation and recommendation is based on the considerations set out in the ensuing sections of this Independent Advice Letter, and where comments or points of consideration are included on matters which may be commercially oriented, these are incidental to our overall evaluation and concern matters which we may deem material for disclosure.

Our opinion as set out in this Independent Advice Letter is, amongst others, based on prevailing market, economic, industry and other conditions (if applicable), and the information and/or documents made available to us as of 29 February 2016, being the Latest Practicable Date. Such conditions may change significantly over a short period of time. It should be noted that our evaluation and opinions expressed in this Independent Advice Letter may not take into account the information, events or conditions arising after the Latest Practicable Date of the Circular or such other period as specified herein, as the case may be.

5. DECLARATION OF CONFLICT OF INTEREST AND OUR CREDENTIALS, EXPERIENCE AND EXPERTISE

As at the Latest Practicable Date, AmInvestment Bank, our subsidiary and associated companies, as well as our holding company, AMMB Holdings Berhad and the subsidiaries and associated companies of AMMB Holdings Berhad ("**AmBank Group**") have in the ordinary course of its banking businesses, extended credit facilities to the MISC Group. The aforementioned credit facilities represent approximately 3% of the loan outstanding in the MISC Group as at 31 December 2015 and approximately 1% of the latest audited shareholders' funds of the AmBank Group as at 31 December 2015. We are of the view that the aforementioned extension of credit facilities does not result in conflict of interest situations in respect of our capacity as the Independent Adviser for the Proposed Acquisition as the aforementioned credit facilities have been extended by the AmBank Group in the ordinary course of its banking business, and terms and conditions of such facilities are offered on an arm's length basis.

Save for the Proposed Acquisition, which is the subject matter of the Circular, we have not advised MISC in the capacity of principal adviser or independent adviser for any corporate exercise within the past two (2) years preceding the Latest Practicable Date.

Premised on the above, we confirm that no conflict of interest situation exists or likely to exist in relation to our role as the Independent Adviser to MISC in respect of the Proposed Acquisition.

AmInvestment Bank provides a range of advisory services including, amongst others, mergers and acquisitions, take-overs/general offers, restructuring, equity fund raisings and initial public offerings. We have significant experience in the independent analysis of transactions, including acquisitions, disposals and general offers, and issuing opinions on whether those transactions are deemed fair and reasonable. AmInvestment Bank is an approved corporate finance adviser within the meaning of the Principal Adviser Guidelines issued by the Securities Commission Malaysia.

The credentials and experience of AmInvestment Bank as an independent adviser include amongst others, the following:-

(a) unconditional mandatory take-over offer by Dayang Enterprise Holdings Bhd ("**Dayang**") through Maybank IB to acquire all the remaining ordinary shares of RM0.50 each in Perdana Petroleum Berhad ("**PPB**") ("**PPB Shares**") not already owned by Dayang and such number of new PPB Shares that may be issued pursuant to the exercise of any outstanding 5-year warrants 2010/2015 issued by PPB ("**PPB Warrants**") prior to the close of offer and all the remaining PPB Warrants not already owned by Dayang, which was announced on 2 July 2015;

(b) selective capital reduction and repayment exercise of Malaysian Airline System Berhad pursuant to Sections 60 and 64 of the Companies Act, 1965, which was announced on 8 August 2014; and

(c) reverse take-over of Symphony House Berhad ("**Symphony House**") by Ranhill Holdings Berhad ("**Ranhill Holdings**"), disposal by Ranhill Holdings of the entire equity interest in Symphony House to Stone Equity Sdn Bhd through a management buy-out, granting of a call option by Ranhill Group Sdn Bhd to Ranhill Holdings for Ranhill Holdings to purchase its 51% equity interest in Ranhill WorleyParsons Sdn Bhd as well as the transfer of listing status of Symphony House to Ranhill Holdings and the admission of Ranhill Holdings to the Main Market of Bursa Securities, which was announced on 20 June 2014.

Premised on the foregoing, we are capable and competent and have the relevant experience in carrying out our role and responsibilities as the Independent Adviser to advise the Non-Interested Shareholders in relation to the Proposed Acquisition.

6. EVALUATION OF THE PROPOSED ACQUISITION

In evaluating the Proposed Acquisition, we have considered the following factors:-

(a) financial evaluation of the Purchase Consideration;

(b) rationale for the Proposed Acquisition;

(c) industry outlook and future prospects of the MISC Group;

(d) effects of the Proposed Acquisition;

(e) risk factors relating to the Proposed Acquisition; and

(f) salient terms of the SPA.

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6.1 FINANCIAL EVALUATION OF THE PURCHASE CONSIDERATION

As set out in Section 2.5, Part A of the Circular, the Purchase Consideration was arrived at on a willing-buyer willing-seller basis after taking into consideration, amongst others, the following:-

(a) audited PAT of GKL for the FYE 31 December 2015 of USD114.2 million (approximately RM445.9 million based on the average exchange rate of USD1.00: RM3.90494 for the said financial period);

(b) audited NA of GKL as at 31 December 2015 of USD1,290.2 million (approximately RM5,540.1 million based on the exchange rate of USD1.00:RM4.29400 as at 31 December 2015);

(c) earnings before interest, taxation, depreciation and amortisation of GKL for the FYE 31 December 2015 of USD137.6 million (approximately RM537.3 million based on the average exchange rate of USD1.00:RM3.90494 for the said financial period);

(d) the remaining lease period of the Gumusut-Kakap Semi-FPS of more than 23 years ("**Remaining Lease Period**") which provides stable and recurrent revenue to GKL; and

(e) GKL's improved risk profile. At the point of the Disposal of GKL in 2012, the Gumusut-Kakap Semi-FPS was still under construction and GKL faced construction risk which could affect cost and schedule. The Gumusut-Kakap Semi-FPS is currently in the second year of the Lease and is now a cash generating asset receiving stable long-term lease income.

For the purposes of estimating the indicative equity value of GKL and to evaluate the fairness and reasonableness of the Purchase Consideration, we view that the discounted cash flow ("**DCF**") valuation method would be the most appropriate valuation methodology in view of the nature of GKL's business operations. Pursuant to the Lease, Gumusut-Kakap Semi-FPS is chartered by GKL's client at lease rates which generate a steady and constant stream of cash flows to GKL for the finite Remaining Lease Period. Due to the highly specialised nature of the Gumusut-Kakap Semi-FPS, we have not performed relative valuation or comparable transaction analysis in evaluating the fairness and reasonableness of the Purchase Consideration.

The DCF method is an investment appraisal technique which takes into consideration both the future economic benefits to be derived from the asset/business over a fixed period of time and the time value of money. Under this approach, the future net cash flows from the asset/business are discounted at an appropriate discount rate to arrive at the net present value.

The valuation based on the DCF method is derived from the present value of GKL's projected net cash flows from 1 April 2016 to the expiry date of the Lease, which are computed based on the projected lease income less overhead costs, debt servicing and repayment as well as taxation ("**Net Cash Flows**"). The Net Cash Flows were prepared based on assumptions provided by the Company. The Net Cash Flows have not been independently verified by any professional advisers and the Company is responsible for the bases and assumptions considered and used in the preparation of the Net Cash Flows. We are satisfied that the bases and assumptions adopted in arriving at the Net Cash Flows appear to be reasonable. The Net Cash Flows are discounted at the discount rates stated below to derive the equity value of GKL.

Key Bases and Assumptions

The key bases and assumptions for the projected Net Cash Flows include, amongst others, the following:-

(a) the Lease will provide GKL with a contracted and finite stream of future cash flows over the Remaining Lease Period;

(b) we understand that the lease rates for the first 20 years of the Lease are fixed but the lease rates for the remaining lease period will be determined upon negotiations between GKL and its client no later than the end of the 18^{th} year of the Lease. For the purposes of the DCF valuation, we have assumed that the lease rates for the aforementioned remaining lease period will be the same as that on the 20^{th} year of the Lease;

(c) the Gumusut-Kakap Semi-FPS cannot be redeployed for the usage of other oil fields without substantial modifications and costs. For the purposes of the DCF valuation, the Gumusut-Kakap Semi-FPS is assumed to be scrapped upon the expiry of the Lease based on average steel scrap prices in the Asia Pacific region for the past ten (10) years up to January 2016. As the Gumusut-Kakap Semi-FPS is assumed to be scrapped upon the expiry of the Lease, we have not considered any other terminal value for GKL;

(d) there will be no significant changes to the terms and conditions of the Lease Agreement;

(e) there will be no expropriation of the Gumusut-Kakap Semi-FPS by the relevant authorities or other termination events leading up to the termination of the Lease, and the Lease continues to subsist until its expiry;

(f) there will be no significant changes expected in the quantum of overhead costs;

(g) all debt financing will be available in accordance with the Net Cash Flows and all debts servicing and repayment shall be paid in accordance with the repayment profile provided;

(h) there will be no major industrial disputes, economic and political changes (domestically and/or internationally) or any abnormal circumstances which will adversely affect the operations of the Gumusut-Kakap Semi-FPS;

(i) there is no material transaction cost, including duties and taxes, which may be associated with the Proposed Acquisition; and

(j) the lease income will be honoured pursuant to the timeframe stipulated in the Lease Agreement.

Discount Rates

For the purposes of the DCF valuation, we have applied the cost of equity (K_e) as the discount rate to arrive at the present value of the Net Cash Flows. Based on the Capital Asset Pricing Model, the cost of equity (K_e) is derived as follows:-

$K_e = R_f + \beta (R_m - R_f)$

The components of the cost of equity (K_e) are as follows:-

(a) Risk free rate (R_f)

The risk free rate compensates the investor for the time value of money and expected inflation rate over the investment period. The frequently adopted proxy for the risk free rate is the long-term government bond rate of return. We have adopted the 4.7% yield of the 30-year Malaysian Government Securities with maturity date falling on 30 September 2043 as the closest proxy for the expected rate of return of risk free assets in Malaysia *(Source: Bloomberg).*

(b) Expected market return (R_m)

The expected market return is the return on the equity market portfolio and it is usually the expected rate of return of a general index of listed securities. We applied an expected market return of 9.1% based on the FTSE Bursa Malaysia Top 100 Index ("**FBM100 Index**") *(Source: Bloomberg).*

(c) Equity market risk premium (R_m – R_f)

The equity market risk premium represents the return required for taking on additional risk associated with holding an investment of equity market portfolio as compared to the expected rate of return from holding risk free assets. The equity market risk premium adopted is 4.4% which is the difference between the expected market return and the risk free rate.

(d) Beta (β)

The beta coefficient measures the systematic risk of a security relative to that of the equity market portfolio, which is a proxy for a well-diversified portfolio. Beta estimates the degree of fluctuations of a stock's price based on a given movement in the representative equity market index. We have adopted a beta of 0.75, being the historical two (2)-year weekly beta of MISC *(Source: Bloomberg).*

Based on the above, the cost of equity (K_e) is computed as follows:-

$$
\begin{aligned}
K_e &= R_f + \beta\,(R_m - R_f) \\
&= 4.7\% + 0.75\,(9.1\% - 4.7\%) \\
&\approx 8.0\%
\end{aligned}
$$

In view that GKL is an unlisted private entity, we have also imputed an additional liquidity risk premium of 2.0% to account for the lack of liquidity and marketability of GKL Shares. Premised on the above, we have adopted discount rates of 8.0% and 10.0% for the purpose of the DCF valuation.

The summary of the DCF valuation is as follows:-

Discount rates	8.0%	10.0%
Indicative equity value for 50% equity interest in GKL (USD' million)	570.7	498.4
Purchase Consideration (USD' million)	445.0	445.0
Discount of Purchase Consideration over the indicative equity value		
- USD' million	125.7	53.4
- %	22.0%	10.7%

Based on the DCF valuation, the indicative equity value for 50% equity interest in GKL is between **USD498.4 million** and **USD570.7 million** ("**Indicative Equity Value**"). As such, the Purchase Consideration represents a discount of between **USD53.4 million (10.7%)** and **USD125.7 million (22.0%)** to the range of the Indicative Equity Value.

Premised on the above, we are of the opinion that the Proposed Acquisition is fair and not detrimental to your interest.

In evaluating the fairness and reasonableness of the Purchase Consideration, we have also considered the internal rate of return ("**IRR**") represented by the Proposed Acquisition. The IRR is the rate of return of a stream of cash flows taking into consideration the time value of money. More specifically, the IRR is the rate of return which makes the present value of future cash flows equal to the investment outlay.

The IRR at which the Indicative Equity Value is equivalent to the Purchase Consideration of USD445.0 million is approximately **11.86%**, which is higher than the cost of equity of 8.0% and 10.0% applied to derive the Indicative Equity Value.

In 2012, the Company had undertaken the Disposal of GKL for a disposal consideration of USD305.7 million. The Purchase Consideration of USD445.0 million represents a premium of approximately 45.6% to the aforementioned disposal consideration. In the independent advice letter for the Disposal of GKL dated 12 November 2012, the indicative equity value for 50% equity interest in GKL was arrived at between USD260.3 million and USD301.2 million ("**Previous Valuation**"), while the current indicative equity value for 50% equity interest in GKL arrived at for the Proposed Acquisition is between USD498.4 million and USD570.7 million ("**Current Valuation**"). The higher Current Valuation is largely attributable to the following factors:-

(a) *Significantly lower amounts of project financing considered in the Current Valuation*

The Current Valuation considered a significantly lower amount of project financing of approximately USD1,411.7 million (principal plus interest) compared to the Previous Valuation of approximately USD1,918.7 million (principal plus interest). The lower amount of project financing was mainly due to the repayments made by GKL from July 2014 to December 2015. The actual total repayments made by GKL for the aforementioned period was USD440.8 million (principal plus interest). The lower amount of project financing assumed is expected to lead to lower amounts of interest and principal repayments in the future, which in turn will lead to higher amounts of future Net Cash Flows potentially available to MISC and hence the higher Current Valuation.

(b) *Lower discount rates used in the Current Valuation*

The discount rates applied in arriving at the Current Valuation of 8.0% and 10.0% are lower compared to the discount rates applied in arriving at the Previous Valuation of 12.0% and 14.0%.

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The components of the cost of equity (K_e) applied to arrive at the Current Valuation and Previous Valuation based on the Capital Asset Pricing Model are as follows:-

Components of the cost of equity	*Current Valuation*[(1)]	*Previous Valuation*
β	*0.75*[(2)]	*1.25*
R_f	*4.7%*[(3)]	*3.9%*[(4)]
R_m	*9.1%*[(5)]	*10.5%*
$K_e = R_f + \beta (R_m - R_f)$	**≈8.0%**	**≈12.0%**

(Source: Bloomberg)

Notes:

(1) The basis of deriving the components of the cost of equity is explained in Section 6.1 above.

(2) A beta (β) of less than 1.0 reflects the lower volatility of MISC Shares' price movement as compared to the FBM100 Index, and is lower compared to the Previous Valuation.

(3) The higher risk free rate may be due to, amongst others, growing concerns over global growth coupled with faster than expected slowdown in emerging economies as well as weaker foreign currency exchange rate of Ringgit Malaysia.

(4) In arriving at the Previous Valuation, the 20-year Malaysian Government Securities with maturity date falling on 15 April 2032 was adopted as the closest proxy to the risk free assets in Malaysia available at that point in time.

(5) The lower expected market return (R_m) may be due to the softening prospects of the Malaysian equity market.

6.2 RATIONALE FOR THE PROPOSED ACQUISITION

We note the rationale for the Proposed Acquisition as stated in Section 3, Part A of the Circular, and wish to highlight the following:-

(a) the Disposal of GKL in December 2012 was undertaken to enable the MISC Group to pare down its debt as well as improve its liquidity and cash position, while retaining 50% of GKL's income stream. Since the Disposal of GKL, the MISC Group's financial position has improved significantly. As such, the MISC Group is in a much stronger financial position to undertake the Proposed Acquisition without significantly impacting its gearing;

(b) the Proposed Acquisition allows MISC to gain full control over GKL and fully consolidate its future earnings. The increase in stable and recurring revenue contribution over the remaining lease period of more than 23 years will further enhance the financial performance of the MISC Group;

(c) the Proposed Acquisition represents a low risk investment to MISC as the Gumusut-Kakap Semi-FPS is already in operation and the Lease has commenced; and

(d) the weakness in global crude oil prices has led to the slowdown in upstream oil and gas activities due to the cutback in operating expenditures and capital investments by oil majors. The current limited future growth prospects in the offshore oil and gas segment may adversely impact the Group's ability in securing new offshore contracts.

Given the above, the Proposed Acquisition represents a timely opportunity for MISC to reacquire interest in an asset which is within MISC's core business and one which it is already familiar with. The offshore segment is one of MISC's core business segments and it currently owns (either in whole or in part) 12 offshore floating facilities providing the Group with stable and recurring earnings and cash flows.

We further note that when MISC undertook the Disposal of GKL in 2012, the Gumusut-Kakap Semi-FPS was still under construction and the Lease had not commenced. As the Gumusut-Kakap Semi-FPS is already in operation and is in the second year of the Lease to GKL's client, the Proposed Acquisition entails less risk to the purchaser compared to the time it was disposed.

Accordingly, we are of the view that there is sufficient merit to the rationale for the Proposed Acquisition and it is reasonable and not detrimental to your interest.

6.3 INDUSTRY OUTLOOK AND FUTURE PROSPECTS OF THE MISC GROUP

In evaluating the prospects of the MISC Group, we have considered the overview and prospects of the global and Malaysian economy as well as the oil and gas industry which are relevant to the business operations of the MISC Group.

6.3.1 OVERVIEW OF GLOBAL AND MALAYSIAN ECONOMY

Global Economy

Global economic activity continued to expand at a moderate pace in the fourth quarter of 2015. The advanced economies registered modest improvements, but with the pace of growth remaining constrained by crisis-related legacies, including high indebtedness and labour market weaknesses. In Asia, economic activity continued to be supported by domestic demand amid weak export performance. Monetary policy stances experienced a more pronounced divergence given the differing country-specific domestic challenges.

Downside risks to the global outlook remain elevated. This is reflected in the re-emergence of heightened volatility in the financial markets in the early weeks of 2016, following concerns over the growth prospects of the major economies, the fall in energy prices and global policy shifts. Going forward, although the global economy is projected to expand further, growth will be moderate and uneven. The pace of recovery will remain modest in the major advanced economies. Meanwhile, in Asia, domestic demand is expected to continue to support growth.

(Source: Economic and Financial Developments in the Malaysian Economy in the Fourth Quarter of 2015, Bank Negara Malaysia)

Malaysian Economy

The Malaysian economy registered a growth of 4.5% in the fourth quarter of 2015 (3Q 2015: 4.7%), supported mainly by the private sector demand. On the supply side, growth was underpinned by the major economic sectors. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.5% (3Q 2015: 0.7%). For the year 2015, the Malaysian economy expanded by 5.0%.

The Malaysian economy is expected to face a challenging operating environment in the immediate future. Growth will continue to be driven by domestic demand, with some support from net exports. Nevertheless, the pace of domestic demand expansion is projected to moderate. While the growth in income and employment continues to support private consumption, it is expected to moderate as households continue to adjust to the higher cost of living. Meanwhile, private investment is projected to moderate to below its long term trend but will nevertheless be supported by the capital expenditure in the manufacturing and services sectors, as well as the implementation of infrastructure projects. The downside risks to growth will however remain, given the continued uncertainty in the external environment and the on-going reforms in the domestic economy.

(Source: Economic and Financial Developments in the Malaysian Economy in the Fourth Quarter of 2015, Bank Negara Malaysia)

<u>Our commentary:-</u>

We note that albeit the heightened downside risks to the global outlook remains, the future global economic growth is expected to expand further at moderate and uneven pace.

On the Malaysian front, we note that the economic growth will continue to be underpinned by domestic demand, with downside risks expected to remain given the external uncertainty and the on-going reforms in the domestic economy.

6.3.2 OVERVIEW OF THE OIL & GAS INDUSTRY

In addition to Section 4.2, Part A of the Circular, we note the following with regards to the oil and gas industry based on the Organisation of Petroleum Exporting Countries Monthly Oil Market Report:-

The Organisation of Petroleum Exporting Countries ("**OPEC**") Reference Basket ("**OPEC Reference Basket**") value recovered in February 2016 for the first time in three (3) months, gaining more than 8%. It was supported by numerous positive factors, such as a fairly healthy physical oil market and especially a proposal by major oil exporters to freeze production levels, despite ongoing oversupply, a slowing global economy, record high inventories and a strengthening USD. The OPEC Reference Basket gained USD2.22 to USD28.72 per barrel for February 2016, but slipped about 45% compared to the same period last year. On 11 March 2016, the OPEC Reference Basket stood at USD35.62 per barrel, USD6.90 above the February 2016 average. As for crude oil futures, Intercontinental Exchange Brent ("**ICE Brent**") ended February 2016 gaining, while New York Mercantile Exchange West Texas Intermediate ("**Nymex WTI**") – more impacted by United States ("**US**") fundamentals, specifically Cushing stockbuilds – eased its sharp deterioration over recent months. ICE Brent ended up USD1.60 at USD33.53 per barrel, while Nymex WTI fell by USD1.16 to USD30.62 per barrel. Compared to 2015, both contracts lost about 36-40% of their values.

In 2016, world oil demand is anticipated to rise by 1.25 million barrels per day ("**mb/d**") to average 94.23 mb/d.

Non-OPEC oil supply for 2016, despite several upward and downward revisions, remained unchanged to contract by 0.70 mb/d and average 56.39 mb/d compare to the OPEC Monthly Oil Market Report last month. However, this forecast is subject to many uncertainties. In February 2016, OPEC crude production decreased by 175 thousand barrels per day to average 32.28 mb/d, according to secondary sources. As a result, preliminary data indicates that global oil supply decreased by 0.21 mb/d in February 2016 to average 95.73 mb/d.

(Source: OPEC, Monthly Oil Market Report dated 14 March 2016)

<u>Our commentary:-</u>

The global crude oil price is expected to continue to be depressed and volatile in the near term due to the current level of oil glut. On the Latest Practicable Date, the Brent crude oil price for December 2016 settlement closed at USD40.71 per barrel, which is approximately 8% lower than its closing price of USD44.26 recorded on the first trading day of 2016.

The lower oil and gas prices and excess supply amid weak demand have affected the financial performance of our national oil company as well as the international oil companies globally. Against this backdrop, there have been an increased number of oil and gas projects that were cancelled or put on hold. Many oil and gas companies were seen to have also cut back on their capital budgets and have placed greater emphasis in achieving cost efficiency in view of the subdued oil and gas outlook.

Premised on the above, we are of the view that the outlook and prospects of the global oil and gas market remains lacklustre in 2016 amid the uncertainties in oil supply, oil consumption growth and the responsiveness of non-OPEC production to low oil prices.

6.3.3 THE FUTURE PROSPECTS OF THE MISC GROUP

Going forward into 2016, MISC expects the petroleum shipping segment to continue enjoying the benefits of market strength and buoyant freight rates. As producers are expected to pump out oil, MISC will be in a strong position to capitalise on opportunities to secure charters for the MISC Group's petroleum tankers.

Despite the challenge of an oversupply of liquefied natural gas ("**LNG**") vessels, the LNG shipping segment is expected to continue delivering a steadfast performance on the back of the portfolio of long-term contracts that MISC has in place. MISC will pursue and expand its third party businesses even as MISC continues to support PETRONAS' LNG requirements.

However, the outlook and prospects for the upstream oil and gas industry is projected to remain poor with the 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 MISC's offshore as well as marine and heavy engineering segments.

To mitigate any business setbacks, the offshore segment will set its sights on growth from mergers and acquisitions by aggressively exploring the addition of opportunistic assets into MISC's portfolio of offshore floating facilities. 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.

(Source: MISC)

Our commentary:-

We note that the outlook for the petroleum shipping remains positive as the upswing in freight rates for petroleum shipping is expected to continue on the back of buoyant demand for vessels supported by continued production by the OPEC and the US as well as the new oil supply entering the market from Russia and Iran. However, the demand for oil may be affected as China's economic expansion weakens.

As for the LNG shipping and offshore segment, the secured steady income streams generated from the MISC Group's existing long-term contracts will mitigate the impacts of the softening freight rates arising from the overcapacity of vessels in LNG shipping industry and cut back in the exploration and production activities in offshore oil and gas industry due to subdued outlook and prospects of the upstream oil and gas industry.

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We note that the downward crude oil price pressure is forecasted to persist amid the high global output of crude oil. The weakness in the global crude oil prices may adversely affect the exploration and production activities in the offshore oil and gas industry thereby hurting the opportunity for future offshore job wins by the MISC Group. We further note that orders for FPS in 2015 have declined to the lowest point since 2003. However, we note that the cutback in the exploration and production activities in offshore oil and gas industry is not expected to affect GKL given that the Gumusut-Kakap Semi-FPS is already in operation and is in the second year of its Lease to GKL's client. Hence, the Proposed Acquisition represents a good opportunity for MISC in view that offshore opportunities may be limited if the current outlook of the industry persists. The increased recognition of recurring cash flows and earnings pursuant to the Proposed Acquisition will further enhance the financial performance of the MISC Group during the period of continued weakness in the FPS sector.

6.4 EFFECTS OF THE PROPOSED ACQUISITION

In our evaluation, we have also considered the effects arising from the Proposed Acquisition as set out in Section 6, Part A of the Circular.

Effects of the Proposed Acquisition on:-	**Remarks**
Share capital and substantial shareholders' shareholdings	We note that the Proposed Acquisition will not give rise to any effect on the issued and paid-up share capital and substantial shareholders' shareholdings of the Company as the Proposed Acquisition will be satisfied entirely by cash.
NA and gearing	We note that assuming the Proposed Acquisition was completed on 31 December 2015, the proforma NA of the MISC Group as at 31 December 2015 is expected to increase from RM35.36 billion or RM7.92 per MISC Share to RM36.28 billion or RM8.13 per MISC Share as a result of the recognition of negative goodwill of approximately RM921.1 million[1] less estimated transaction cost relating to the Proposed Acquisition of RM2.0 million. In addition, following the completion of the Proposed Acquisition, the gearing of the MISC Group is expected to increase from 0.18 times to 0.30 times.

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[1] *The exchange rate of USD1.00:RM4.29400 as at 31 December 2015 is used in translating the fair value of investment retained by MISC in GKL and fair value of the GKL's NA acquired as at 31 December 2015.*

Effects of the Proposed Acquisition on:-	Remarks
Earnings and EPS	We take note of the effects on earnings as set out in Section 6.4, Part A of the Circular. The MISC Group is expected to register a one-off gain in earnings upon the completion of the Proposed Acquisition arising from the recognition of negative goodwill. If the Proposed Acquisition was completed on 31 December 2015, the one-off gain is estimated to be RM921.1 million[1] or 20.6 sen per MISC Share. The Proposed Acquisition is expected to contribute positively to the future earnings of the MISC Group for the financial year ending 31 December 2016 and the ensuing financial years thereof, in view that the Proposed Acquisition would allow the Company to recognise an additional 50% of GKL's PAT. As an illustration, based on GKL's audited PAT for the FYE 31 December 2015, the additional PAT recognition would increase the MISC Group's earnings and EPS by RM222.9 million[2] or 5.0 sen per MISC Share.

Premised on the above, we are of the opinion that the effects of the Proposed Acquisition are reasonable and not detrimental to your interest.

6.5 RISK FACTORS RELATING TO THE PROPOSED ACQUISITION

In evaluating the Proposed Acquisition, you should carefully consider the potential risk factors disclosed under Section 5, Part A of the Circular before voting on the resolution pertaining to the Proposed Acquisition at the forthcoming EGM.

MISC currently owns 50% equity interest in GKL, a company which is in the business of owning and leasing the Gumusut-Kakap Semi-FPS. As such, the Proposed Acquisition will not result in MISC being exposed to an area of new business but rather an increased exposure to a business that the MISC Group is already involved in, i.e. the offshore segment. Therefore, we are of the view that the Proposed Acquisition is not expected to materially change the risk profile of the MISC Group.

The Company's increased exposure to the business and operational risks is mitigated as GKL's business is one of the MISC Group's core business activities and GKL's net assets of RM1.29 billion is relatively small as compared to the MISC Group's net assets of approximately RM35.36 billion as at 31 December 2015. We also note that the Company's increased exposure to financial risks would be manageable as the MISC Group's gearing is not expected to be impacted significantly upon completion of the Proposed Acquisition. Following the completion of the Proposed Acquisition, the gearing of the MISC Group is only expected to increase from 0.18 times to 0.30 times.

In respect of the risk of termination of the Lease, we note that the circumstances for termination are limited. With regards to the risk of possible default or delay in lease payments by GKL's client, we are of the view the risk is mitigated as the client is a subsidiary of a major international oil and gas company and that it has made prompt lease payments since the commencement of the Lease in 2014.

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1 *The exchange rate of USD1.00:RM4.29400 as at 31 December 2015 is used in translating the fair value of investment retained by MISC in GKL and fair value of the GKL's NA acquired as at 31 December 2015.*

2 *The average exchange rate of USD1.00:RM3.90494 for the period from 1 January 2015 to 31 December 2015 was used in translating the additional 50% of GKL's operating profit for the FYE 31 December 2015.*

We further note that the Board will take necessary measures to mitigate the risks associated with the Proposed Acquisition in ensuring the successful completion of the Proposed Acquisition.

6.6 SALIENT TERMS OF THE SPA

Our comments on the salient terms of the SPA are as follows:-

	Salient Terms of the SPA	Comments from AmInvestment Bank
(a)	**Purchase of GKL Shares**	
	Subject to the terms of the SPA, MISC shall acquire, and EPV shall sell with full legal and beneficial title free of any encumbrance to MISC, the Sale Shares at the Purchase Consideration.	This term is common and appears reasonable for the purpose of acquiring the Sale Shares.
(b)	**Conditions Precedent**	
	MISC's obligation to acquire and EPV's obligation to sell the Sale Shares shall be conditional upon the following conditions precedent:- (i) the approval of all actions required to implement and effect the acquisition and sale (where relevant) of the Sale Shares as contemplated under the SPA by the board of directors of MISC and EPV respectively, being obtained; (ii) the approval of GKL's client, which was obtained on 19 February 2016; (iii) the approval of the Non-Interested Shareholders being obtained; and (iv) the approval of any other relevant regulatory authorities (if required) being obtained. (collectively referred to as "**Conditions Precedent**")	The Conditions Precedent set out in the SPA appear reasonable given the nature of the transaction. The fulfilment of the Conditions Precedent is necessary to effect the Proposed Acquisition.
(c)	**Completion**	
	(i) Completion Completion of the acquisition and sale (where relevant) will take place on the Completion Date (as defined below), subject to the Conditions Precedent being fulfilled.	This term appears to be common for the purpose of completion of the SPA.

Salient Terms of the SPA		Comments from AmInvestment Bank
(ii)	**Payment**	
	Subject to item (b) above and unless otherwise agreed by MISC and EPV, MISC shall make payment for the Sale Shares within 30 days from the date when all Conditions Precedent are fulfilled (the date within such period being the "**Payment Date**") by delivering to EPV the Purchase Consideration in immediately available funds by way of transfer to EPV's bank account.	This term appears to be common for the purpose of completion of the SPA.
(iii)	**Delivery**	
	Within 14 days from the Payment Date (the date within such period being the "**Completion Date**"), EPV shall procure that the name of MISC is entered in GKL's register of members as the holder of the Sale Shares and a new share certificate for the Sale Shares shall be issued and delivered to MISC.	This term appears to be common for the purpose of completion of the SPA.
(iv)	**Termination of the shareholders' agreement**	
	Upon completion of the Proposed Acquisition, the shareholders' agreement dated 5 October 2012 entered into by MISC and EPV defining their rights and obligations as shareholders of GKL ("**Shareholders' Agreement**") shall cease to have any effect (save for those clauses in the Shareholders' Agreement which are expressly provided for therein to survive the termination of the Shareholders' Agreement) and will be deemed immediately terminated by MISC and EPV without the need for further action by either party.	Upon completion of the Proposed Acquisition, MISC will hold 100% legal and beneficial ownership in GKL. As such, the Shareholders' Agreement is no longer required.
(v)	**Non-fulfilment of Conditions Precedent**	
	If any of the approvals required pursuant to item (b) above is not procured by 1 May 2016 (or such extended date, as may be agreed between MISC and EPV), MISC's obligation to acquire and EPV's obligation to sell the Sale Shares shall cease and the SPA will terminate and be of no effect, provided that the termination of the SPA pursuant to this term shall be without prejudice to the accrued rights or liabilities of either MISC or EPV to the other party in respect of the terms of the SPA at or before such termination.	This term gives the right to the non-defaulting party to terminate the SPA in the event the Conditions Precedent which are necessary to give effect to the Proposed Acquisition are not fulfilled within a negotiated timeframe. This term also serves to protect MISC from having to undertake the Proposed Acquisition in the event the necessary approvals are not obtained or delayed.

	Salient Terms of the SPA	Comments from AmInvestment Bank
(d)	**Termination** The SPA may be terminated prior to the completion of the Proposed Acquisition as follows:- (i) by the written consent of MISC and EPV; (ii) by either MISC or EPV if there shall be in effect a final non-appealable order of a governmental authority of competent jurisdiction restraining, enjoining or otherwise prohibiting the consummation of the transaction contemplated in the SPA; it being agreed that, MISC and EPV shall promptly appeal any adverse determination which is not non-appealable (and pursue such appeal with reasonable diligence); provided that the right to terminate the SPA under this provision shall not be available to either MISC or EPV if such order was primarily due to the failure of such party to perform any of its obligations under the SPA; or (iii) by either MISC or EPV if the other party becomes insolvent or is deemed unable to pay its debts pursuant to the laws of Malaysia and there are grounds for Malaysia courts to make an order to wind up or liquidate such party, or having a similar effect, provided that the termination of the SPA pursuant to this provision shall be without prejudice to the accrued rights or liabilities of either party to the other party in respect of the terms of the SPA at or before such termination.	The clauses pertaining to the termination of the SPA are common and reasonable.

Based on our review of the salient terms of the SPA, we are of the opinion that the overall terms of the SPA are reasonable and not detrimental to your interest.

7. CONCLUSION AND RECOMMENDATION

In evaluating the Proposed Acquisition, you should carefully consider the following factors:-

(a) Financial evaluation of the Purchase Consideration (Section 6.1 of this Independent Advice Letter)

Based on the DCF valuation, the Indicative Equity Value is between USD498.4 million and USD570.7 million. As such, the Purchase Consideration of USD445.0 million represents a discount of between USD53.4 million (10.7%) and USD125.7 million (22.0%) to the range of the Indicative Equity Value.

(b) Rationale for the Proposed Acquisition (Section 6.2 of this Independent Advice Letter)

Since the Disposal of GKL in December 2012, the MISC Group's financial position has improved significantly. As such, the MISC Group is in a much stronger financial position to undertake the Proposed Acquisition without significantly impacting its gearing. The current limited future growth prospects in the offshore oil and gas segment may adversely impact the Group's ability in securing new offshore contracts.

As such, the Proposed Acquisition represents a timely opportunity for MISC to reacquire interest in an asset which is within MISC's core business and one which it is already familiar with. The increase in stable and recurring revenue contribution over the remaining lease period of more than 23 years will further enhance the financial performance of the MISC Group.

(c) Industry outlook and future prospects of the MISC Group (Section 6.3 of this Independent Advice Letter)

The global crude oil price is expected to continue to be depressed and volatile in the near term due to the current level of oil glut. The lower oil and gas prices and excess supply amid weak demand have affected the financial performance of our national oil company as well as the international oil companies globally. Many oil and gas companies were seen to have also cut back on their capital budgets and have placed greater emphasis in achieving cost efficiency in view of the subdued oil and gas outlook.

The weakness in the global crude oil prices may adversely affect the exploration and production activities in the offshore oil and gas industry thereby hurting the opportunity for future offshore job wins by the MISC Group. However, we note that the cutback in the exploration and production activities in offshore oil and gas industry is not expected to affect GKL given that the Gumusut-Kakap Semi-FPS is already in operation and is in the second year of its Lease to GKL's client. Hence, the Proposed Acquisition represents a good opportunity for MISC in view that offshore opportunities may be limited if the current outlook of the industry persists. The increased recognition of recurring cash flows and earnings pursuant to the Proposed Acquisition will further enhance the financial performance of the MISC Group during the period of continued weakness in the FPS sector.

(d) Effects of the Proposed Acquisition (Section 6.4 of this Independent Advice Letter)

The proforma NA of the MISC Group as at 31 December 2015 is expected to increase from RM35.36 billion or RM7.92 per MISC Share to RM36.28 billion or RM8.13 per MISC Share as a result of the recognition of negative goodwill of approximately RM921.1 million less estimated transaction cost relating to the Proposed Acquisition of RM2.0 million. In addition, the gearing of the MISC Group is expected to increase from 0.18 times to 0.30 times.

The MISC Group is expected to register a one-off gain in earnings upon the completion of the Proposed Acquisition arising from the recognition of negative goodwill. If the Proposed Acquisition was completed on 31 December 2015, the one-off gain is estimated to be RM921.1 million or 20.6 sen per MISC Share.

The Proposed Acquisition is expected to contribute positively to the future earnings of the MISC Group for the financial year ending 31 December 2016 and the ensuing financial years thereof, in view that the Proposed Acquisition would allow the Company to recognise an additional 50% of GKL's PAT. As an illustration, based on GKL's audited PAT for the FYE 31 December 2015, the additional PAT recognition would increase the MISC Group's earnings and EPS by RM222.9 million or 5.0 sen per MISC Share.

(e) **Risk factors relating to the Proposed Acquisition (Section 6.5 of this Independent Advice Letter)**

The risk factors set out in Section 5, Part A of the Circular and Section 6.5 of this Independent Advice Letter should be carefully considered.

The Proposed Acquisition will not result in MISC being exposed to an area of new business but rather an increased exposure to a business that the MISC Group is already involved in, i.e. the offshore segment. Therefore, we are of the view that the Proposed Acquisition is not expected to materially change the risk profile of the MISC Group.

The Company's increased exposure to the business and operational risks is mitigated as GKL's business is one of the MISC Group's core business activities and GKL's net assets of RM1.29 billion is relatively small as compared to the MISC Group's net assets of approximately RM35.36 billion as at 31 December 2015. We also note that the Company's increased exposure to financial risks would be manageable as the MISC Group's gearing is not expected to be impacted significantly upon completion of the Proposed Acquisition.

In respect of the risk of termination of the Lease, we note that the circumstances for termination are limited. With regards to the risk of possible default or delay in lease payments by GKL's client, we are of the view the risk is mitigated as the client is a subsidiary of a major international oil and gas company and that it has made prompt lease payments since the commencement of the Lease in 2014.

(f) **Salient Terms of the SPA (Section 6.6 of this Independent Advice Letter)**

In general, the salient terms of the SPA appear to be common and reasonable given the nature of the transaction. Premised on the foregoing, we are of the opinion that the terms and conditions of the SPA are reasonable and not detrimental to your interest.

We have assessed and evaluated the Proposed Acquisition after taking into consideration the various factors as discussed above. Based on our evaluation and on the basis of the information available to us, we are of the view that the Proposed Acquisition is **FAIR AND REASONABLE** and **NOT DETRIMENTAL** to your interest.

Accordingly, we recommend that you vote <u>in favour</u> of the resolution pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM.

Yours faithfully,
For and on behalf of
AmInvestment Bank Berhad

FOONG YEIN FUN Senior Vice President Corporate Finance	**ANTHONY KOH** Senior Vice President Corporate Finance

INFORMATION ON GKL

1. HISTORY AND BUSINESS

GKL was incorporated in Labuan, Malaysia, under the Labuan Companies Act, 1990 on 10 October 2007 as a private limited company under the name of MISC Floating Production System (Gumusut) Limited. Subsequently, GKL assumed its present name on 27 September 2012.

The principal activity of GKL is the owning and leasing of a Semi-FPS, namely the Gumusut-Kakap Semi-FPS.

GKL acquired the Gumusut-Kakap Semi-FPS from our Company pursuant to a sale of asset agreement dated 2 October 2012 entered into between GKL and our Company, which was completed on 4 October 2012. Subsequently, on 5 October 2012, our Company entered into a share purchase agreement with EPV for the Disposal of GKL. The cash consideration for the said disposal was arrived at based on the cost of our Company's equity investment in GKL, and after taking into consideration GKL's unaudited NA of USD611.4 million (equivalent to approximately RM1,868.7 million then) as at 4 October 2012 upon the acquisition by GKL of the Gumusut-Kakap Semi-FPS.

The Gumusut-Kakap Semi-FPS is a Semi-FPS weighing approximately 37,500 metric tonnes. It has a process facility capable of producing 150,000 barrels of crude oil per day from subsea wells and is capable of 300 million cubic feet per day gas injection and 225,000 barrels of water per day water injection. It has a power generating capacity of 69 megawatts. The Gumusut-Kakap Semi-FPS is designed as a deepwater facility in the South China Sea and is the first deepwater Semi-FPS in the Asia Pacific region. The Gumusut-Kakap Semi-FPS is installed in approximately 1,200 metres water depth offshore of Sabah, Malaysia, and achieved commencement of commercial production in October 2014. The Gumusut-Kakap Semi-FPS is on a long-term lease to the client, which will expire 25 years from commencement of commercial production in October 2014.

2. SHARE CAPITAL

The issued and paid-up share capital of GKL as at the Latest Practicable Date is as follows:

	No. of GKL Shares	Amount USD	Amount RM
Ordinary shares	611,400,002	611,400,002	2,540,367,008

3. DIRECTORS

The directors of GKL as at the Latest Practicable Date are as follows:

Name	Nationality	Designation
Syed Hashim Syed Abdullah	Malaysian	Chairman
Rozainah Awang	Malaysian	Director
Liza Mustapha	Malaysian	Director
Mohd Jukris Abdul Wahab	Malaysian	Director

As at the Latest Practicable Date, none of the Directors of GKL hold any GKL Shares.

4. SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of GKL and their respective shareholdings in GKL as at the Latest Practicable Date are as follows:

		Direct		Indirect	
Name	**Country of incorporation**	**No. of GKL Shares held**	**%**	**No. of GKL Shares held**	**%**
MISC	Malaysia	305,700,001	50.0	-	-
EPV	Malaysia	305,700,001	50.0	-	-
PCSB	Malaysia	-	-	(1) 305,700,001	50.0
PETRONAS	Malaysia	-	-	(2) 611,400,002	100.0

Notes:

(1) *Deemed interest pursuant to Section 6A of the Act, by virtue of its shareholdings in EPV.*

(2) *Deemed interest pursuant to Section 6A of the Act, by virtue of its shareholdings in our Company and PCSB.*

5. SUBSIDIARY AND ASSOCIATED COMPANY

As at the Latest Practicable Date, GKL does not have any subsidiary nor associated company.

6. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

6.1 Material commitments

As at the Latest Practicable Date, the board of directors of GKL is not aware of any material commitments incurred or known to be incurred by GKL which may have a material impact on the profits or NA of GKL.

6.2 Contingent liabilities

Save as disclosed below, as at the Latest Practicable Date, the board of directors of GKL is not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on the profits or NA of GKL:

	Unaudited
	As at the Latest Practicable Date
	USD'000
Bank guarantee extended to a third party	20,000

7. MATERIAL CONTRACTS

GKL has not entered into any material contracts (not being contracts entered into in the ordinary course of business) during the past two (2) years immediately preceding the Latest Practicable Date.

8. MATERIAL LITIGATION

GKL is not engaged in any material litigation, claims and/or arbitration, either as plaintiff or defendant, and the board of directors of GKL is not aware of any proceedings, pending or threatened, against GKL or of any facts likely to give rise to any proceedings which may materially affect the business or financial position of GKL.

9. FINANCIAL INFORMATION

The selected financial information of GKL based on the audited financial statements of GKL for the past three (3) FYE 31 December 2013 to 2015 are as follows:

	FYE 31 December		
	2013	**2014**	**2015**
	USD	**USD**	**USD**
Revenue	452,303,979	166,357,351	141,096,834
Other income	14	24,846	530,654
General and administrative expenses	(20,269)	(3,255,229)	(3,979,118)
Operating profit	452,283,724	163,126,968	137,648,370
Finance costs	(24,041,557)	(25,239,768)	(23,442,225)
Profit before taxation	428,242,167	137,887,200	114,206,145
Taxation	(6,079)	(5,934)	(4,658)
PAT, representing total comprehensive income for the year	428,236,088	137,881,266	114,201,487
Number of GKL Shares in issue	611,400,002	611,400,002	611,400,002
Paid-up share capital	611,400,002	611,400,002	611,400,002
Shareholders' funds/NA	1,038,139,900	1,176,021,166	1,290,222,653
NA per GKL Share	1.70	1.92	2.11
Gross EPS [(1)]	0.70	0.23	0.19
Net EPS [(2)]	0.70	0.23	0.19
Current ratio (times)	0.24	0.20	0.26
Total interest-bearing borrowings	1,426,600,000	1,250,000,000	1,060,000,000
Gearing ratio (times) [(3)]	1.37	1.06	0.82

Notes:

(1) *Gross EPS is calculated as profit before taxation over the number of GKL Shares in issue.*

(2) *Net EPS is calculated as PAT over the number of GKL Shares in issue.*

(3) *Gearing ratio is calculated as total interest-bearing borrowings over shareholders' funds.*

Commentaries on financial performance:

FYE 31 December 2013

For the FYE 31 December 2013, GKL registered a PAT of USD428.2 million, as compared to the loss after taxation of USD1.5 million for the FYE 31 December 2012. The significant increase was attributable to a one-time gain of USD363.9 million arising from the initial recognition of finance lease receivables in the FYE 31 December 2013 upon GKL completing its scope of work.

FYE 31 December 2014

For the FYE 31 December 2014, GKL registered a PAT of USD137.9 million, which was lower than the PAT for the FYE 31 December 2013 of USD428.2 million. The significant decrease in PAT was attributable to the one-time gain in the FYE 31 December 2013 as discussed above. Excluding the one-time gain in the FYE 31 December 2013, GKL recorded a higher PAT following full year finance lease income recognition in the FYE 31 December 2014, compared to four (4) months' finance lease income in the FYE 31 December 2013.

FYE 31 December 2015

For the FYE 31 December 2015, GKL registered a PAT of USD114.2 million, as compared to USD137.9 million for the FYE 31 December 2014. The decrease in PAT of approximately 17.2% was attributable to a one-time gain from a variation to the original capital expenditure of USD13.2 million in the FYE 31 December 2014 and the decreasing income recognition under finance lease. Finance lease income decreases over time as interest is charged on the principal amount of the lease receivables which reduces over the lease term.

The audited financial statements of GKL were not subject to any audit qualification for the past three (3) FYE 31 December 2013 to 2015.

GKL commenced recognition of finance lease income in 2013 and the accounting policies adopted by GKL is consistent with our Group. Accordingly, there are no accounting policies adopted in the preparation of GKL's financial statements which are peculiar to GKL and its business operations.

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REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Prepared for inclusion in the Circular to Shareholders to be dated 28 March 2016)

The Board of Directors
MISC Berhad
Level 25, Menara Dayabumi
Jalan Sultan Hishamuddin
50050 Kuala Lumpur

22 March 2016

Dear Sirs,

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 FOR THE PROPOSED ACQUISITION BY MISC BERHAD ("MISC" OR "THE COMPANY") OF THE REMAINING 50% EQUITY INTEREST IN GUMUSUT-KAKAP SEMI-FLOATING PRODUCTION SYSTEM (L) LIMITED ("GKL") FROM E&P VENTURE SOLUTIONS CO SDN. BHD. ("EPV"), A WHOLLY-OWNED SUBSIDIARY OF PETRONAS CARIGALI SDN. BHD., FOR A CASH CONSIDERATION OF USD445.0 MILLION (APPROXIMATELY RM1,849.0 MILLION) ("PROPOSED ACQUISITION")

We have completed our assurance engagement to report on the compilation of the pro forma consolidated statement of financial position of MISC prepared by the Directors of the Company ("Directors"). The pro forma consolidated statement of financial position as at 31 December 2015 and the related notes are as set out on page 45 to 49 of the circular to the shareholders of the Company in relation to the Proposed Acquisition ("Circular").

The pro forma consolidated statement of financial position has been compiled by the Directors for the inclusion in the Circular solely to illustrate the impact of the Proposed Acquisition on MISC's consolidated statement of financial position as at 31 December 2015 as if the Proposed Acquisition had taken place as at 31 December 2015. As part of this process, information about MISC's consolidated statement of financial position has been extracted by the Directors from the consolidated financial statements of MISC for the financial year ended 31 December 2015, on which audit reports have been published.

The Directors' Responsibility for the Pro Forma Consolidated Statement of Financial Position

The Directors are responsible for compiling the pro forma consolidated statement of financial position on the basis of the applicable criteria.

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Our Responsibilities

Our responsibility is to express an opinion about whether the pro forma consolidated statement of financial position has been compiled, in all material respects, by the Directors of MISC on the basis of the applicable criteria.

We conducted our engagement in accordance with the Malaysian Approved Standard on Assurance Engagements, *ISAE 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information included in a Prospectus*, issued by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the pro forma financial information on the basis of the applicable criteria.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated statement of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated statement of financial position.

The purpose of the pro forma consolidated statement of financial position included in a Circular is solely to illustrate the impact of the Proposed Acquisition on the unadjusted consolidated statement of financial position of the entity as if the Proposed Acquisition had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated statement of financial position has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma consolidated statement of financial position provide a reasonable basis for presenting the significant effects directly attributable to the Proposed Acquisition, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The pro forma consolidated statement of financial position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of MISC and its subsidiaries ("MISC Group"), the Proposed Acquisition in respect of which the pro forma consolidated statement of financial position has been compiled, and other relevant engagement circumstances.

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The engagement also involves evaluating the overall presentation of the pro forma consolidated statement of financial position.

We believe that the evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the pro forma consolidated statement of financial position has been compiled, in all material respects, on the basis of the applicable criteria.

Other matters

Our work had been carried out in accordance with Malaysian Approved Standards on Assurance Engagements and accordingly, should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions. Therefore, this letter is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the Proposed Acquisition described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this letter in connection with any type of transaction, including the sale of securities other than the Proposed Acquisition.

Yours faithfully

Ernst & Young	Ahmad Zahirudin bin Abdul Rahim
AF: 0039	2607/12/16(J)
Chartered Accountants	Chartered Accountant

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APPENDIX 1

MISC BERHAD

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

The pro forma consolidated statement of financial position of MISC as at 31 December 2015 as set out below are presented for illustrative purposes only and are based on the audited consolidated statement of financial position of MISC Group as at 31 December 2015 to show the effects of the Proposed Acquisition had it been effected on 31 December 2015 and should be read in conjunction with the Notes thereon.

	Audited as at 31.12.2015 RM'000	Adjustments RM'000	Pro Forma RM'000
Non-current assets			
Ships	22,947,385	-	22,947,385
Offshore floating assets	403,429	-	403,429
Other property, plant and equipment	2,092,769	-	2,092,769
Prepaid lease payments on land and buildings	238,208	-	238,208
Intangible assets	925,635	-	925,635
Investments in associates	2,369	-	2,369
Investments in joint ventures	4,684,574	(2,770,108)	1,914,466
Other non-current financial assets	360,967	-	360,967
Finance lease receivables	3,786,759	9,245,609	13,032,368
Deferred tax assets	92,186	-	92,186
Derivatives assets	976	-	976
Finance lease assets under construction	1,256,005	-	1,256,005
	36,791,262		43,266,763
Current assets			
Inventories	205,216	-	205,216
Trade and other receivables	4,888,047	1,057,614	5,945,661
Derivative assets	525	-	525
Cash, deposits and bank balances	5,654,024	(1,725,671)	3,928,353
	10,747,812		10,079,755

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APPENDIX 1

MISC BERHAD

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (CONT'D.)

	Audited as at 31.12.2015 RM'000	Adjustments RM'000	Pro Forma RM'000
Current liabilities			
Trade and other payables	3,817,030	336,651	4,153,681
Interest-bearing loans and borrowings	1,110,055	4,551,640	5,661,695
Provision for taxation	29,155	20	29,175
	4,956,240		9,844,551
Net current assets	5,791,572	-	235,204
	42,582,834		43,501,967
Equity			
Equity attributable to equity holders of the Corporation			
Share capital	4,463,794	-	4,463,794
Share premium	4,459,468	-	4,459,468
Other reserves	7,775,619	-	7,775,619
Retained profits	18,662,571	919,133	19,581,704
	35,361,452		36,280,585
Non-controlling interests	1,097,690	-	1,097,690
	36,459,142		37,378,275
Non-current liabilities			
Interest-bearing loans and borrowings	5,394,348	-	5,394,348
Deferred tax liabilities	30,369	-	30,369
Derivative liabilities	1,931	-	1,931
Provisions	697,044	-	697,044
	6,123,692		6,123,692
	42,582,834		43,501,967

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MISC BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

1. Basis of preparation

The pro forma consolidated statement of financial position of MISC for which the Directors are solely responsible, have been prepared for illustrative purposes only for the inclusion in the Circular.

The pro forma consolidated statement of financial position illustrates the effect of the above Proposed Acquisition, had the Proposed Acquisition been implemented and completed on 31 December 2015. The pro forma consolidated statement of financial position of MISC have been properly compiled using the audited consolidated financial statements of MISC for the financial year ended 31 December 2015 which was prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards, and in a manner consistent with both the format of financial statements and the accounting policies of MISC.

The pro forma consolidated statement of financial position, because of its nature, may not be reflective of the MISC Group's actual financial position. Furthermore, such financial information does not purport to predict the future financial position of the MISC Group.

The pro forma consolidated statement of financial position is expressed in Ringgit Malaysia ("RM"), and rounded to the nearest thousand, unless otherwise stated. The foreign exchange rate of USD1.00: RM4.294 used in this pro forma consolidated statement of financial position is consistent with the rate used in preparing the consolidated financial statements of MISC as at 31 December 2015.

2. Effects on the Pro Forma Consolidated Statement of Financial Position

The pro forma consolidated statement of financial position incorporates the effects of the Proposed Acquisition, which involves the acquisition of 305,700,001 ordinary shares in GKL, representing 50% of the issued and paid-up share capital of GKL from EPV for a cash consideration of USD445.0 million (approximately RM1,849.0 million). Presently, GKL is a joint venture of MISC and upon completion of the Proposed Acquisition, GKL will become a wholly-owned subsidiary of MISC.

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NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (CONT'D.)

2. Effects on the Pro Forma Consolidated Statement of Financial Position (cont'd.)

The Proposed Acquisition will have the following effects on the pro forma consolidated statement of financial position as at 31 December 2015.

i. Derecognition of the carrying amount of investment in joint venture amounting to RM2,770.1 million (approximately USD645.1 million) as a result of MISC acquiring control in a former investment in joint venture. Following the Proposed Acquisition, MISC will discontinue recognising its share of results of GKL with EPV under the equity method of accounting.

ii. Consolidation of the statement of financial position of GKL based on the audited financial statements of GKL as at 31 December 2015 in accordance with *MFRS 10 - Consolidated Financial Statements*. For the purpose of this pro forma consolidated statement of financial position, RM2.0 million being transaction cost relating to the Proposed Acquisition has been recognised in profit or loss.

iii. a) Record the fair value of GKL as at the date of acquisition in accordance with *MFRS 3 - Business Combinations*. MFRS 3 requires revaluation of the previously held interest in the equity accounted investment at its acquisition-date fair value, with recognition of any gain or loss in profit or loss. For the purpose of this pro forma consolidated statement of financial position, the fair value is assumed to equate with the MISC's share of net asset value of GKL as at 31 December 2015 based on the audited financial statements of GKL as at 31 December 2015.

b) Under MFRS 3, the initial recognition of the separate assets and liabilities acquired is based on the fair value of those assets and liabilities at acquisition date (i.e. the Purchase Price Allocation). The fair value of the net assets acquired is assumed to equate with MISC's share of net asset value of GKL as at 31 December 2015 based on the audited financial statements of GKL as at 31 December 2015. The Purchase Price Allocation shall be completed within one year from the date of completion of the Proposed Acquisition.

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NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (CONT'D.)

2. Effects on the Pro Forma Consolidated Statement of Financial Position (cont'd.)

The Proposed Acquisition will have the following effects on the pro forma consolidated statement of financial position as at 31 December 2015.

b) For the purpose of this pro forma consolidated statement of financial position and based on the above assumptions, the Proposed Acquisition results in negative goodwill to be recognised as profit as follows:

	RM'000
Cash consideration *	1,848,975
Fair value of investment retained	2,770,108
Fair value of net assets acquired	(5,540,216)
Negative goodwill recognised in profit or loss	**921,133**

* The foreign exchange rate of USD1.00: RM4.155 is used in translating the cash consideration of USD445.0 million.

The final determination of the purchase price, fair values, and resulting goodwill or negative goodwill may differ significantly from what is reflected in this pro forma consolidated statement of financial position.

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GUMUSUT-KAKAP SEMI-FLOATING PRODUCTION SYSTEM (L) LIMITED

(LL 06165)

(Incorporated in the Federal Territory of Labuan, Malaysia)

Statement by Directors and Audited Financial Statements 31 December 2015

LL 06165

Gumusut-Kakap Semi-Floating Production System (L) Limited
(Incorporated in the Federal Territory of Labuan, Malaysia)

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Gumusut-Kakap Semi-Floating Production System (L) Limited
(Incorporated in the Federal Territory of Labuan, Malaysia)

Statement by director

We, Rozainah Awang and Liza Mustapha, being two of the directors of Gumusut-Kakap Semi-Floating Production System (L) Limited, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 4 to 28 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 31 December 2015 and of its financial performance and the cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 February 2016.

Rozainah Awang

Liza Mustapha

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Ernst & Young AAL0001
(GST Reg No: 001556430848)
Chartered Accountants
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LL 06165

Independent auditors' report to the members of Gumusut-Kakap Semi-Floating Production System (L) Limited (Incorporated in the Federal Territory of Labuan, Malaysia)

Report on the financial statements

We have audited the financial statements of Gumusut-Kakap Semi-Floating Production System (L) Limited, which comprise statement of financial position as at 31 December 2015, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 4 to 28.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The directors are 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of the 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.

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Independent auditors' report to the members of
Gumusut-Kakap Semi-Floating Production System (L) Limited (cont'd.)
(Incorporated in the Federal Territory of Labuan, Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 117 of the Labuan Companies Act, 1990 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young	Muhammad Affan Bin Daud
AAL: 0001	No. 3063/02/16(J)
Chartered Accountants	Chartered Accountant

Federal Territory of Labuan, Malaysia
22 February 2016

LL 06165

Gumusut-Kakap Semi-Floating Production System (L) Limited
(Incorporated in the Federal Territory of Labuan, Malaysia)

Statement of comprehensive income
For the year ended 31 December 2015

	Note	2015 USD	2014 USD
Revenue	3	141,096,834	166,357,351
Other income		530,654	24,846
General and administrative expenses		(3,979,118)	(3,255,229)
Operating profit	4	137,648,370	163,126,968
Finance costs	5	(23,442,225)	(25,239,768)
Profit before taxation		114,206,145	137,887,200
Taxation	6	(4,658)	(5,934)
Profit after taxation, representing total comprehensive income for the year		114,201,487	137,881,266

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

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Gumusut-Kakap Semi-Floating Production System (L) Limited
(Incorporated in the Federal Territory of Labuan, Malaysia)

Statement of financial position as at 31 December 2015

	Note	2015 USD	2014 USD
Non-current asset			
Trade receivables	7	2,153,146,131	2,247,650,661
Current assets			
Trade and other receivables	7	269,006,533	261,811,556
Cash and cash equivalents		29,181,166	11,580,051
Total current assets		298,187,699	273,391,607
Total assets		2,451,333,830	2,521,042,268
Equity attributable to equity holders of the Company			
Share capital	9	611,400,002	611,400,002
Retained profits		678,822,651	564,621,164
Total equity		1,290,222,653	1,176,021,166
Current liabilities			
Trade and other payables	10	97,690,240	95,015,379
Amount due to ultimate holding company	11	3,416,279	-
Loan from ultimate holding company	12	1,060,000,000	1,250,000,000
Taxation		4,658	5,723
Total liabilities		1,161,111,177	1,345,021,102
Total equity and liabilities		2,451,333,830	2,521,042,268

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

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Gumusut-Kakap Semi-Floating Production System (L) Limited
(Incorporated in the Federal Territory of Labuan, Malaysia)

Statement of changes in equity
For the year ended 31 December 2015

	Share capital USD	Distributable retained profits USD	Total equity USD
At 1 January 2014	611,400,002	426,739,898	1,038,139,900
Total comprehensive income for the year	-	137,881,266	137,881,266
At 31 December 2014/1 January 2015	611,400,002	564,621,164	1,176,021,166
Total comprehensive income for the year	-	114,201,487	114,201,487
At 31 December 2015	611,400,002	678,822,651	1,290,222,653

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

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Gumusut-Kakap Semi-Floating Production System (L) Limited
(Incorporated in the Federal Territory of Labuan, Malaysia)

Statement of cash flows
For the year ended 31 December 2015

	2015 USD	2014 USD
Cash flow from operating activities		
Cash receipts from customer	241,607,307	134,836,194
Cash receipts from ultimate shareholders	-	197,459,334
Cash paid to suppliers and employees	(4,157,552)	(3,465,589)
Cash paid to shareholders	(6,604,657)	(89,895,528)
Net cash generated from operating activities	230,845,098	238,934,411
Cash flow from investing activity		
Interest received, representing net cash generated from investing activity	198,242	24,846
Cash flows from financing activities		
Repayment of loan from ultimate holding company	(190,000,000)	(176,600,000)
Interest paid	(23,442,225)	(50,784,327)
Net cash used in financing activities	(213,442,225)	(227,384,327)
Net movement in cash and cash equivalents	17,601,115	11,574,930
Cash and cash equivalents at beginning of year	11,580,051	5,121
Cash and cash equivalents at end of financial year	29,181,166	11,580,051

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

Gumusut-Kakap Semi-Floating Production System (L) Limited
(Incorporated in the Federal Territory of Labuan, Malaysia)

Notes to the financial statements - 31 December 2015

1. Corporate information

The Company ("GKL") is a private limited liability company, incorporated and domiciled in Labuan. The registered office of the Company is located at Unit Level 13(A), Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 Federal Territory of Labuan, Malaysia.

The shareholders are MISC Berhad ("MISC") and E&P Venture Solutions Co Sdn. Bhd. ("E&P"). These companies are incorporated and domiciled in Malaysia. The ultimate holding company of the Company is Petroliam Nasional Berhad ("Petronas") by virtue of Petronas being the holding company of the corporate shareholders, MISC and E&P. Petronas is a company incorporated and domiciled in Malaysia.

The principal activities of the Company is owning and leasing of Semi-Submersible Floating Production System ("Semi-FPS").

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22 February 2016.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Labuan Companies Act, 1990 in Malaysia.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollar ("USD").

As at 31 December 2015, the current liabilities of the Company exceeded its current assets by USD862,923,478 (2014: USD1,071,629,495) mainly due to the loan from the ultimate holding company of USD1,060,000,000 (2014: USD1,250,000,000). The financial statements of the Company have been prepared on a going concern basis, as the ultimate holding company has agreed to provide the Company with financial support to meet its obligations when they fall due.

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Gumusut-Kakap Semi-Floating Production System (L) Limited
(Incorporated in the Federal Territory of Labuan, Malaysia)

2. Significant accounting policies (cont'd.)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2015, the Company adopted the following new and amended MFRSs and IC Interpretation mandatory for annual financial periods beginning on or after 1 January 2015.

- 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)

Adoption of the above standards and IC Interpretations did not have any material effect on the financial performance or position of the Company.

Gumusut-Kakap Semi-Floating Production System (L) Limited
(Incorporated in the Federal Territory of Labuan, Malaysia)

2. Significant accounting policies (cont'd.)

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

MFRS, IC Interpretations and amendments 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
- 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

MFRS and amendments effective for annual periods beginning on or after 1 January 2018:

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

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application.

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Gumusut-Kakap Semi-Floating Production System (L) Limited
(Incorporated in the Federal Territory of Labuan, Malaysia)

2. Significant accounting policies (cont'd.)

2.4 Summary of significant accounting policies

(a) Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Company determines the classification of their financial assets at initial recognition. Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables, classified as current assets. All financial assets of the Company are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in the profit or loss.

(b) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

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Gumusut-Kakap Semi-Floating Production System (L) Limited
(Incorporated in the Federal Territory of Labuan, Malaysia)

2. Significant accounting policies (cont'd.)

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

(b) Financial liabilities (cont'd.)

Loans and borrowings are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Company has unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Gains and losses are recognised in the profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. 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, and the difference in the respective carrying amounts is recognised in the profit or loss.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank that is readily convertible to cash with insignificant risk of changes in value.

(d) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(e) Provisions

Provisions are recognised when all of the following conditions have been satisfied:

- the Company 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.

Gumusut-Kakap Semi-Floating Production System (L) Limited
(Incorporated in the Federal Territory of Labuan, Malaysia)

2. Significant accounting policies (cont'd.)

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

(e) 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 Company, 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.

(f) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Finance income on lease receivables

Finance income on lease receivables arising from the leasing of the Semi-FPS is recognised according to the effective interest rate method so as to provide constant periodic rate of return on the net investment.

(ii) Gain on disposal of Semi-FPS through finance lease

Revenue from gain on disposal of Semi-FPS through finance lease is recognised at the commencement of the finance lease and upon transfer of significant risk and rewards of ownership of the asset to the lessee.

(iii) Gain on modification of finance lease

Revenue from gain on modification of finance lease is recognised at the commencement of the finance lease and upon completion the variation review for the variation case.

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Gumusut-Kakap Semi-Floating Production System (L) Limited
(Incorporated in the Federal Territory of Labuan, Malaysia)

2. Significant accounting policies (cont'd.)

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

(g) Borrowing costs

Borrowing costs are recognised in the profit or loss in the period they are incurred.

(h) Income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(i) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially all the risks and rewards incidental to the Company's ownership. Leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(ii) Finance lease - the Company 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.

Gumusut-Kakap Semi-Floating Production System (L) Limited
(Incorporated in the Federal Territory of Labuan, Malaysia)

2. Significant accounting policies (cont'd.)

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

(j) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the 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.

(k) Fair value measurements

Fair Value Measurement which prescribed that fair value of an asset or a liability, except for lease transactions, share-based payments transactions and measurement that has some similarities to fair value but are not fair value such as net realisable value in MFRS 102, Inventories and MFRS 136, Impairment of assets, 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.

(l) Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in the profit or loss.

Gumusut-Kakap Semi-Floating Production System (L) Limited
(Incorporated in the Federal Territory of Labuan, Malaysia)

2. Significant accounting policies (cont'd.)

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

(l) Impairment of financial assets (cont'd.)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the profit or loss.

2.5 Significant accounting estimates and judgements

(a) Critical judgement made in applying accounting policies

The following is the judgement made by management in applying the Company's accounting policies that has the most significant effect on the amounts recognised in the financial statements:

Finance lease commitment - the Company as lessor

The Company has developed certain criteria based on MFRS 117 in making judgement whether a lease qualifies as a finance lease. Judgement is made on an individual lease contract basis when at the inception of the lease, the present value of the minimum lease payments amounts to at least equal to or more than 90% of the fair value of the leased asset, the lease is classified as a finance lease. Management deemed this criteria as significant substance leading to the substantial transfer of all the risks and rewards incidental to ownership of an asset from lessor to lessee.

(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.

Present value of finance lease receivables

Present value of finance lease receivables was computed based on the lessee's borrowing rate which matches the terms of the lease agreement and credit profile of the lessee, and the expected cash inflow arising from the lease payments.

Gumusut-Kakap Semi-Floating Production System (L) Limited
(Incorporated in the Federal Territory of Labuan, Malaysia)

3. Revenue

	2015 USD	2014 USD
Finance lease interest	141,096,834	153,077,953
Gain on modification of finance lease	-	13,279,398
	141,096,834	166,357,351

4. Operating profit

Operating profit is arrived after charging/(crediting) the following:

	2015 USD	2014 USD
Auditors' remuneration	10,746	11,874
Interest income	(198,242)	(24,846)
Realised foreign exchange gain	(332,412)	-

5. Finance costs

Finance costs is in respect of interest on loan from ultimate holding company which bears interest ranging from 1.81% to 1.89% (2014: 1.78% to 1.80%) per annum.

6. Taxation

	2015 USD	2014 USD
Current income tax:		
Labuan Business Activity Tax Act, 1990	4,658	5,934

Income tax relating to lease revenue is measured using the fixed tax rate of 3% on the audited net profit or RM20,000 equivalent to USD4,658 that have been enacted by the Labuan Business Activity Tax Act, 1990 at the reporting date.

As the Company's principal activity is leasing of Semi-FPS, the Company has elected to be taxed at RM20,000 in accordance with the Labuan Business Activity Tax Act, 1990, chargeable in the calendar year.

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Gumusut-Kakap Semi-Floating Production System (L) Limited
(Incorporated in the Federal Territory of Labuan, Malaysia)

7. Trade and other receivables

	2015 USD	2014 USD
Current		
Trade		
Amount due from a customer		
- Billed	163,972,162	153,600,000
- Unbilled	5,515,523	1,534,793
- Lease receivables (Note 8)	94,504,532	101,676,763
Amount due from a corporate shareholder	5,000,000	5,000,000
	268,992,217	261,811,556
Non-trade		
Prepayments	14,316	-
	269,006,533	261,811,556
Non-current		
Amount due from a customer, lease receivables (Note 8)	2,153,146,131	2,247,650,661
Total trade and other receivables	2,422,152,664	2,509,462,217

The Company's normal credit term is 45 (2014: 45) days. Trade receivables comprise of amounts due from a third party customer which also represents the Company's concentration of credit risk. The amount due from a corporate shareholder is unsecured, non-interest bearing and repayable on demand.

Ageing analysis of trade receivables

The ageing analysis of the Company's trade receivables (excluding finance lease receivables) is as follow:

	2015 USD	2014 USD
Neither past due nor impaired	26,458,797	19,534,793
Past due but not impaired:		
46-60 days	916,364	-
More than 90 days	142,112,524	135,600,000
	169,487,685	155,134,793

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Gumusut-Kakap Semi-Floating Production System (L) Limited
(Incorporated in the Federal Territory of Labuan, Malaysia)

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

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired is due from a creditworthy debtor with good credit rating and profile.

None of the Company's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Company has trade receivables amounting to USD143,028,888 (2014: USD135,600,000) that are past due but not impaired. The directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Company does not hold any collateral or other credit enhancement over these balances.

8. Finance lease receivable

	2015 USD	2014 USD
Future minimum lease receivables:		
Not later than one year	230,146,832	242,773,597
Later than one year and not later than five years	918,700,879	918,700,878
Later than five years	2,244,076,580	2,474,223,412
Total minimum future lease receivables	3,392,924,291	3,635,697,887
Less: Future finance charges	(1,145,273,628)	(1,286,370,463)
Present value of finance lease receivables	2,247,650,663	2,349,327,424
Analysis of present value of finance lease receivables:		
Not later than one year	94,504,532	101,676,763
Later than one year and not later than five years	465,868,274	432,081,616
Later than five years	1,687,277,857	1,815,569,045
	2,247,650,663	2,349,327,424
Less: Amount due within twelve months	(94,504,532)	(101,676,763)
Amount due after twelve months	2,153,146,131	2,247,650,661

Finance lease receivables represent lease rental and interest receivable due from a customer, Sabah Shell Petroleum Company Limited ("SSPC"), for the lease of Semi-FPS.

As at reporting date, included in the minimum lease receivable is the estimated unguaranteed residual value of the leased asset valued based on the estimated scrap market value of the Semi-FPS.

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9. Share capital

	Number of ordinary shares		Amount	
	2015	2014	2015 USD	2014 USD
Issued and fully paid:				
At beginning and at end of year	611,400,002	611,400,002	611,400,002	611,400,002

The holders of the ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

10. Trade and other payables

	2015 USD	2014 USD
Trade payables		
A corporate shareholder	88,666,094	88,666,094
Other payables		
Payables	-	41,976
Accruals	5,211,837	5,213,163
A corporate shareholder	3,812,309	1,094,146
	9,024,146	6,349,285
	97,690,240	95,015,379

The amount due to a corporate shareholder has trade credit term of 30 days (2014: 30 days), non-interest bearing, unsecured and are repayable on demand.

11. Amount due to ultimate holding company

The amount due to ultimate holding company is non trade in nature, with credit term of 30 days, unsecured and bears interest of 6.5% per annum.

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Gumusut-Kakap Semi-Floating Production System (L) Limited
(Incorporated in the Federal Territory of Labuan, Malaysia)

12. Loan from ultimate holding company

On 5 October 2012, the Company obtained a loan facility totalling up to USD1,500,000,000 from its ultimate holding company for the acquisition of the Semi-FPS from a corporate shareholder, MISC Berhad. The Company made its first drawdown amounting to USD1,426,600,000. The unsecured loan from its ultimate holding company bears interest at 6 months LIBOR + 1.45% (2014: 6 months LIBOR + 1.45%) per annum and is repayable in a single bullet repayment on or before 31 December 2015. The Company has made total loan repayment of USD190,000,000 during the financial year. The loan has the following negative covenants whereby the Company undertakes with Petronas that, from the date of the loan agreement until all its liabilities under the loan agreement have been discharged it will not without the prior written consent of Petronas:

(a) Negative pledge

Create or permit to exist over all or any part of its or its business or assets or undertake any secured liabilities.

(b) Disposal

Sell, transfer, encumber, lease or otherwise dispose off or in any case cease to exercise control over, whether by a single transaction or a number of transactions, related or not, the whole or substantial part of value of the Company's undertaking, business or assets or undertake or permit any merger, consolidation or reorganisation save and except in the ordinary course of business on ordinary commercial terms and on the basis of arms' length arrangements. In this respect, Petronas acknowledges that the Company will be leasing the Semi-FPS to Sabah Shell Petroleum Company Limited for a period of at least 20 years.

(c) Mergers

The Company may not enter into any amalgamation, demerger, merger or reconstruction (each a merger) unless:

(i) the merger takes place as part of a Group-wide solvent re-organisation; and

(ii) Petronas is satisfied (acting reasonably) that:

  (i) this Agreement is (or will be) valid, binding and enforceable on the Company or any successor merged entity to Petronas immediately following the merger; and

  (ii) the credit standing of the Company or any successor merged entity to Petronas immediately following the merger is no worse than the credit standing of the Company immediately prior to the merger.

On 31 December 2015, Petronas has granted an extension on the repayment of the loan of USD1,060,000,000 to 31 December 2016.

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Gumusut-Kakap Semi-Floating Production System (L) Limited
(Incorporated in the Federal Territory of Labuan, Malaysia)

13. Related party transactions

(a) In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions with related parties during the financial year:

	2015 USD	2014 USD
Interest expense charged by ultimate holding company	23,442,225	25,239,768
Variation order on Semi-FPS charged by corporate shareholder	-	88,666,094
Management fees charged by related company	3,000,000	3,000,000

The above transactions and transactions detailed elsewhere were undertaken at mutually agreed terms between the parties in the normal course of business and based on terms and conditions established under negotiated terms.

(b) Compensation of key management personnel

There is no disclosure for compensation to key management personnel of the Company as the authority and responsibility for planning, directing and controlling the activities of the entity is by the Board of Directors of the Company whose remuneration is borne by the corporate shareholders.

14. Contingent liabilities

	2015 USD	2014 USD
Unsecured		
Bank guarantee extended to a third party	20,000,000	20,000,000

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15. Fair value disclosure and classification of financial instruments

(i) Determination of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

Current	**Note**
Cash and cash equivalents	
Trade and other receivables (excluding prepayments)	7
Trade and other payables	10
Amount due to ultimate holding company	11
Loan from ultimate holding company	12

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(a) <u>Cash and bank balances, trade and other receivables, trade and other payables, amount due to ultimate holding company and loan from ultimate holding company</u>

The carrying amounts approximate fair value due to the relatively short term maturity of these financial instruments.

Gumusut-Kakap Semi-Floating Production System (L) Limited
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15. Fair value disclosure and classification of financial instruments (cont'd.)

(ii) Fair value hierarchy

The following provides the fair value measurement hierarchy of the Company's assets and liabilities.

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 — Valuation techniques for which the lowest level input that is significant to the fair value measurement are directly or indirectly observable.

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.

(c) Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable market data.

		Fair value of assets and liabilities carried at fair value	
		2015	**2014**
	Level	**USD**	**USD**
Financial asset:			
Finance lease receivables (Note 8)	3	2,247,650,663	2,349,327,424

Level 3 fair value measurements

Valuation techniques	**Unobservable inputs**
Discounted cash flow method	Discounting expected future cash flows at the market rate of interest at the end of the reporting period.

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Gumusut-Kakap Semi-Floating Production System (L) Limited
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15. Fair value disclosure and classification of financial instruments (cont'd.)

(ii) Fair value hierarchy (cont'd.)

Policy on transfer between levels

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.

There has been no transfers in either direction of the fair value hierarchy during the financial year and prior year.

(iii) Classification of financial instruments

The following table analyses the financial assets and financial liabilities in the statement of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Note	Loans and receivables USD	Financial liabilities at amortised cost USD	Total USD
At 31 December 2015				
Assets				
Trade and other receivables	7	168,972,162	-	168,972,162
Cash and bank balances		29,181,166	-	29,181,166
Total financial assets		198,153,328	-	198,153,328
Non financial assets				2,253,180,502
Total assets				2,451,333,830
Liabilities				
Trade and other payables	10	-	97,690,240	97,690,240
Amount due to ultimate holding company	11	-	3,416,279	3,416,279
Loan from ultimate holding company	12	-	1,060,000,000	1,060,000,000
Total financial liabilities		-	1,161,106,519	1,161,106,519
Non financial liability				4,658
Total liabilities				1,161,111,177

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15. Fair value disclosure and classification of financial instruments (cont'd.)

(iii) Classification of financial instruments (cont'd.)

	Note	Loans and receivables USD	Financial liabilities at amortised cost USD	Total USD
At 31 December 2014				
Assets				
Trade receivables	7	158,600,000	-	158,600,000
Cash and bank balances		11,580,051	-	11,580,051
Total financial assets		170,180,051	-	170,180,051
Non financial assets				2,350,862,217
Total assets				2,521,042,268
Liabilities				
Trade and other payables	10	-	95,015,379	95,015,379
Loan from ultimate holding company	12	-	1,250,000,000	1,250,000,000
Total financial liabilities		-	1,250,000,000	1,345,015,379
Non financial liability				5,723
Total liabilities				1,345,021,102

16. Financial instruments

The Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Company's business whilst managing its interest rate risk, liquidity risk and credit risk. The Company operates within clearly defined guidelines that are approved by the Board and the Company's policy is to not engage in speculative transactions.

(i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company's interest rate risk arises primarily from interest-bearing shareholder's loan which are at floating rates.

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16. Financial instruments (cont'd.)

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

Sensitivity analysis for interest rate risk

At the reporting date, if the interest rate had been 10 basis points higher/lower, with all other variables held constant, the Company's profit after tax would have been approximately USD1,090,000 (2014: USD1,250,000) lower/higher, arising mainly as a result of higher/lower interest expense arising from the unhedged borrowing at floating rates. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Company's policies and procedures would principally involve obtaining funding from its corporate shareholder or its ultimate holding company to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

The financial liabilities comprise trade and other payables, amount due to ultimate holding company and loan from ultimate holding company which are due within one year.

(iii) Credit rate risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Company's exposure to credit risk arises primarily from cash and bank balances and trade and other receivables. For other financial assets, the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's credit risk is primarily attributable to trade receivables. The Company trades only with recognised and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables balance are monitored on an ongoing basis and the Company's exposure to bad debts is not significant.

The credit risk of the Company's other financial assets, which comprise merely cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The Company has significant concentration of credit risk as disclosed in Note 7.

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(Incorporated in the Federal Territory of Labuan, Malaysia)

17. Capital management

The Company defines capital as total equity and debt of the Company. The objective of the Company's capital management is to maintain an optimal capital structure and ensuring availability of funds in order to support its business and maximises shareholder value. The Company monitors and maintains a prudent level of total debt to total asset ratio to optimise shareholder value and to ensure compliance with covenants under debt and shareholders' agreements and regulatory requirements if any.

1. RESPONSIBILITY STATEMENT

Our Board has seen and approved this Circular and they collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and confirms that, after making all reasonable enquiries, and to the best of their knowledge and belief, there are no facts, the omission of which would make any statement in this Circular false or misleading.

Information pertaining to GKL and EPV was extracted from publicly available information and/or documents provided by the board of directors and management of GKL and EPV respectively. Therefore, the responsibility of our Board is limited to ensuring that such information is accurately reproduced in this Circular.

2. CONSENTS

2.1 Maybank IB

Maybank IB, being the Principal Adviser for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

2.2 AmInvestment Bank

AmInvestment Bank, being the Independent Adviser for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, the Independent Advice Letter and all references thereto in the form and context in which they appear in this Circular.

2.3 Ernst & Young

Ernst & Young, being the Reporting Accountants for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the Reporting Accountants' letter on our proforma consolidated statement of financial position as at 31 December 2015 and all references thereto in the form and context in which they appear in this Circular.

3. CONFLICT OF INTEREST

3.1 Maybank IB

Maybank IB and its related and associated companies ("**Maybank Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and fund management and credit transaction services businesses. The Maybank Group has engaged and may in the future, engage in transactions with and perform services for our Company and/or any of our affiliates, in addition to the role set out in this Circular. In addition, in the ordinary course of business, any member of the Maybank Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with any member of our Group, or any other entity or transactions for its own account or the account of its customers in debt or equity securities or senior loans. This is a result of the business of the Maybank Group generally acting independent of each other and accordingly, there may be situations where parts of the Maybank Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the said interest. Nonetheless, the Maybank Group is required to comply with applicable laws and regulations issued by the relevant authorities governing its advisory business, which require among others, segregation between dealing and advisory activities and Chinese wall between different business divisions.

As at the Latest Practicable Date, our Group has existing credit facilities with the Maybank Group. The said credit facilities have been extended by the Maybank Group in its ordinary course of business. Notwithstanding this, Maybank IB is of the opinion that the aforesaid lending relationship would not give rise to a conflict of interest situation in its capacity as the Principal Adviser for the Proposed Acquisition as:

(i) the extension of credit facilities arose in the ordinary course of business of the Maybank Group;

(ii) the conduct of the Maybank Group in its banking business is strictly regulated by the Financial Services Act, 2013 and the Maybank Group's own internal controls and checks; and

(iii) the total outstanding amount owed by our Group is not material when compared to the audited NA of the Maybank Group as at 31 December 2015 of RM61.7 billion.

Maybank IB confirms that, as at the Latest Practicable Date, it is not aware of any circumstance that exists or is likely to exist which would give rise to a possible conflict of interest situation in its capacity as the Principal Adviser for the Proposed Acquisition.

3.2 AmInvestment Bank

AmInvestment Bank is not aware of any circumstance that exists or is likely to exist which would give rise to a possible conflict of interest situation in its capacity as the Independent Adviser for the Proposed Acquisition.

3.3 Ernst & Young

Ernst & Young is not aware of any circumstance that exists or is likely to exist which would give rise to a possible conflict of interest situation in its capacity as the Reporting Accountants for the Proposed Acquisition.

4. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

4.1 Material commitments

Save as disclosed below, as at the Latest Practicable Date, our Board is not aware of any material commitments incurred or known to be incurred by our Group which may have a material impact on the profits or NA of our Group:

	Unaudited
	As at the Latest Practicable Date
	RM'000
Approved and contracted for [(1)]	4,845,489
Approved but not contracted for [(2)]	180,526
Total	**5,026,015**

Notes:

[(1)] *Further breakdown of the material commitments approved and contracted for are set out below:*

	RM'000
Ships, offshore floating assets and other property, plant and equipment	*4,837,104*
Information and communication technology	*8,385*
	4,845,489

Notes (cont'd):

(2) *Further breakdown of the material commitments approved but not contracted for are set out below:*

	RM'000
Ships, offshore floating assets and other property, plant and equipment	*159,904*
Information and communication technology	*20,622*
	180,526

4.2 Contingent liabilities

Save as disclosed below, as at the Latest Practicable Date, our Board is not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on the profits or NA of our Group:

	Unaudited
	As at the Latest Practicable Date
	RM'000
Unsecured	
Performance bond on contract extended to third parties	438,172

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our registered office at Level 25, Menara Dayabumi, Jalan Sultan Hishamuddin, 50050 Kuala Lumpur, Malaysia during normal office hours from Monday to Friday (except on public holidays) from the date of this Circular up to and including the date of our forthcoming EGM:

(i) the SPA;

(ii) the Memorandum and Articles of Association of our Company and GKL;

(iii) the audited consolidated financial statements of our Company for the past two (2) FYE 31 December 2014 and 2015;

(iv) the audited financial statements of GKL for the past two (2) FYE 31 December 2014 and 2015;

(v) our proforma consolidated statement of financial position as at 31 December 2015 together with the Reporting Accountants' Letter thereon as referred to in **Appendix II** of this Circular;

(vi) the Independent Advice Letter as referred to in **Part B** of this Circular; and

(vii) the letters of consent as referred to in Section 2 of this Appendix.

MISC BERHAD

(Company No. 8178-H)
(Incorporated in Malaysia under the Companies Act, 1965)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting of MISC Berhad ("**MISC**" or "**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 immediately following the conclusion or adjournment (as the case may be) of the 47th Annual General Meeting of MISC, which will be held at the same venue on the same day at 10.30 a.m., for the purpose of considering and, if deemed fit, passing with or without modification, the following resolution:

ORDINARY RESOLUTION

PROPOSED ACQUISITION BY MISC OF THE REMAINING 50% EQUITY INTEREST IN GUMUSUT-KAKAP SEMI-FLOATING PRODUCTION SYSTEM (L) LIMITED ("GKL") FROM E&P VENTURE SOLUTIONS CO SDN. BHD. ("EPV"), A WHOLLY-OWNED SUBSIDIARY OF PETRONAS CARIGALI SDN. BHD., FOR A CASH CONSIDERATION OF UNITED STATES DOLLAR ("USD") 445.0 MILLION (APPROXIMATELY RM1,849.0 MILLION)

"**THAT**, subject to the approvals of all relevant parties (if required) being obtained and the conditions precedent in the conditional agreement for the sale and purchase of shares dated 24 February 2016 ("**SPA**") entered into between the Company and EPV being fulfilled or waived (as the case may be), approval be and is hereby given for the Company to undertake the proposed acquisition of 305,700,001 ordinary shares in GKL, representing 50% of the issued and paid-up share capital of GKL, from EPV for a cash consideration of USD445.0 million, upon and subject to the terms and conditions stipulated in the SPA ("**Proposed Acquisition**");

AND THAT the Directors be authorised to act for and on behalf of the Company, to take all such steps and execute all necessary documents to complete the Proposed Acquisition with full powers to give effect or assent to any conditions, modifications, variations and/or amendments as may be required by the relevant parties or otherwise deemed by the Directors to be in the best interest of the Company."

By Order of the Board

Fadzillah binti Kamaruddin (LS 0008989)
Zawardi bin Salleh @ Mohamed Salleh (MAICSA 7026210)
Company Secretaries

Kuala Lumpur, Malaysia
28 March 2016

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 the 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

(Company No. 8178-H)
(Incorporated in Malaysia under the Companies Act, 1965)

FORM OF PROXY

I/We……………………………………………………………………………[NRIC No:……………………………………………]
(Full name in block letters)

of……
(Full address)

being a member / members of **MISC BERHAD** (Company No. 8178-H), do hereby appoint
……………………………………………………………………………………[NRIC No…………………………………………………]
(Full name in block letters)

of ……
(Full address)

or failing him/her …………………………………………………………………………[NRIC No ……………………………………]
(Full name in block letters)

of ……
(Full address)

and failing the abovenamed proxies, the Chairman of the Meeting, as *my/our proxy to attend and to vote for me/us on*my/our behalf at the Extraordinary 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 immediately following the conclusion or adjournment (as the case may be) of the 47th Annual General Meeting of MISC Berhad, which will be held at the same venue on the same day at 10.30 a.m. My/our proxy is to vote as indicated below:-

RESOLUTION	FOR	AGAINST
ORDINARY RESOLUTION – PROPOSED ACQUISITION		

(Please indicate with a cross (X) in the space whether you wish your votes to be cast for or against the resolution. In the absence of such specific directions, your proxy will vote or abstain as he thinks fit).

Number of shares held	
CDS Account No.	

Dated this ______________ day __________ 2016

____
Signature/Common Seal

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 the 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.

Fold this flap for sealing

Then fold here

AFFIX
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

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