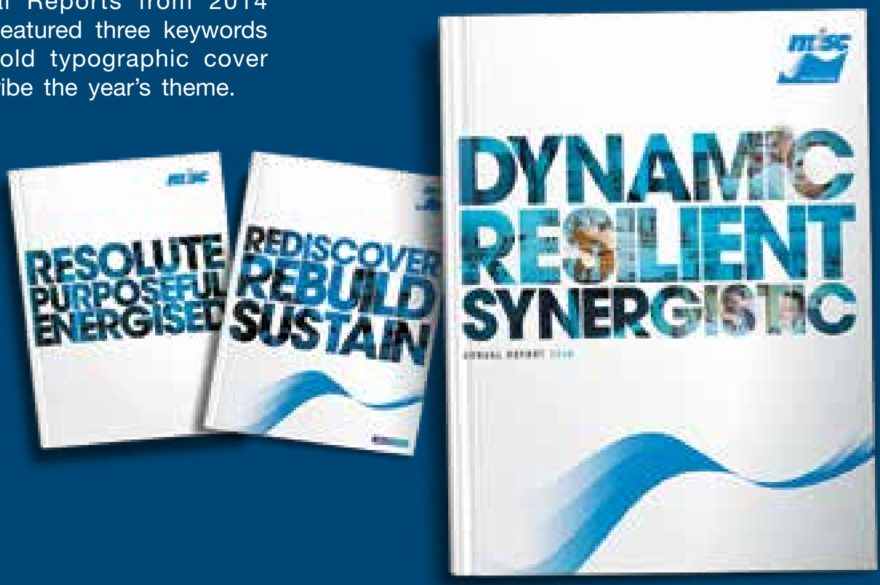
misc
moving energy

DYNAMIC RESILIENT SYNERGISTIC

ANNUAL REPORT 2016

MISC's Annual Reports from 2014 to 2016 each featured three keywords in a strong, bold typographic cover design to describe the year's theme.



In 2014, RESOLUTE, PURPOSEFUL and ENERGISED keywords were chosen to represent MISC's spirit as we overcame the downturn of the shipping industry that began in year 2009. We made few hard, but necessary strategic decisions to strengthen our financial position and rationalise our asset portfolio. These decisions had laid a better foundation for us to rebuild our business portfolios and to face future challenges with confidence.

In 2015, MISC chose the keywords REDISCOVER, REBUILD and SUSTAIN to reflect the beginning of our new chapter in our journey of rediscovering our aspirations, and rebuilding our strengths. A refreshed Vision, Mission and Tagline, as well as MISC2020 five-year business plan were born out of these exercises. We aim to drive sustainable growth via our new MISC2020 goals.

This year, for the conclusion of our typographic Annual Report cover design series, we have entrusted the selection of the final three keywords to our most valued stakeholder who has made us who we are – our people. In a survey participated by employees from all levels within the Group, they have chosen these three words that best described MISC's journey and performance in 2016:

- **DYNAMIC:** As a leading maritime solutions and services provider in the volatile oil and gas industry, MISC has been agile in adapting our strategy to respond to the challenges presented by this environment of uncertainty. Our attitude in making this new oil price scenario work to our advantage is what defines us as a dynamic organisation. Likewise, our willingness to embrace our internal cultural shift shows that we are a progressive and energetic organisation driven to be consistently better no matter what.

- **RESILIENT:** For the past few years, we have taken painful but necessary steps in restructuring our business and asset portfolio to ensure the survival of MISC as a Group. Our sacrifices have paid off, and we have emerged stronger than ever before. With our strategic vision MISC2020 in place, we will continue to strengthen our ability to stay resilient in anticipating and overcoming industry challenges, and enhance our visibility and stature in the global space.

- **SYNERGISTIC:** With an updated vision and mission statements, a new tagline, and a refreshed logo, we have rebuilt MISC into the company that we are all proud to work for. Now with our new cultural beliefs in place guiding how we work, we have grown closer together as a team, united in our diversity. Leveraging the synergistic partnerships amongst our diverse business segments and stakeholders, we offer customers extensive solutions and services beyond their expectations.

The three words are a testament from our people that our aspirations and success matter to them and exemplify their perseverance and dedication to the organisation. They reinforced our shared values and team spirit as we rise above challenges and forge ahead towards our future, embracing opportunities for MISC to consistently do better together and realise our potential as a Group.

moving energy
to build a better world

LOGO RATIONALE

Our enhanced MISC logo draws its energy from the natural strength and fluidity of the ocean. The blue sea bed at the base represents the solid foundations upon which MISC is built. Above it, dynamic waves depict the energy that drives us forward with confidence and vigour. The continuous rise of the waves reflects our growth ambitions and our quest to consistently push ourselves to provide better solutions for our customers and stakeholders.

VISION

To **consistently** provide better **energy** related maritime solutions and services

MISSION

To be consistently better, we strive:

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

CULTURAL BELIEFS

RESULTS MATTER
I stretch my limits to deliver superior results

OWN IT!
I own the results and don't blame others

FOCUSED EXECUTION
I plan, commit, and deliver with discipline

NURTURE TRUST
I always keep my promise and build mutual trust

TELL ME
I seek, give and act positively on feedback

SHARED SUCCESS
I collaborate for the greater good of MISC Group

SHARED VALUES

LOYALTY
Loyal to corporation

INTEGRITY
Honest and upright

PROFESSIONALISM
Strive for excellence

COHESIVENESS
United, trust and respect for each other

INSIDE THIS REPORT

FINANCIAL REVIEW

MISC BERHAD OVERVIEW

BOARD & MANAGEMENT

PERFORMANCE REVIEW

INVESTOR'S OVERVIEW

SUSTAINABILITY STATEMENT

CORPORATE GOVERNANCE

FINANCIAL

PROPERTIES OWNED BY MISC GROUP

LIST OF VESSELS AND ASSETS

FORTY-EIGHTH (48TH) ANNUAL GENERAL MEETING

GROUP FINANCIAL REVIEW

REVENUE

For the financial year ended 31 December 2016 (FY2016), Group revenue of RM9,597.2 million was 12.0% lower than the financial year ended 31 December 2015 (FY2015)'s revenue of RM10,908.4 million. Lower charter rates earned on new contracts in LNG segment and lower revenue from construction contracts in the Marine & Heavy Engineering segment were the main factors for the decrease in Group revenue.

OPERATING PROFIT

Group operating profit of RM2,228.8 million was 19.9% lower than FY2015 operating profit of RM2,782.6 million. Lower revenue and higher depreciation, arising from the change in estimated useful life of vessels in the current year, were the main causes of the decrease in operating profit.

PROFIT BEFORE TAX

Group profit before tax of RM2,814.0 million was 9.6% higher than FY2015 profit before tax of RM2,566.9 million. The increase in profit was mainly due to the recognition of gains on acquisition and disposal of subsidiaries during the year under review.

EARNINGS PER SHARE (SEN)

Profit attributable to the equity holders of the Corporation of RM2,581.6 million was 4.6% or RM113.8 million higher than RM2,467.8 million profit in FY2015. This translates to an improved earnings per share of 57.8 sen from 55.3 sen in FY2015.

DIVIDENDS

The Board had in August 2016, declared a first interim tax exempt dividend of 10.0 sen per share in respect of FY2016. This first interim tax exempt dividend, amounting to RM446.4 million, was paid in September 2016.

In February 2017, the Board declared a second tax exempt dividend in respect of FY2016 of 20.0 sen per share. This second tax exempt dividend of RM892.8 million was paid in March 2017.

TOTAL ASSETS

Group total assets as at the end of FY2016 of RM56,151.3 million was 18.1% higher than RM47,539.1 million as at the end of FY2015.

The increase in Group total assets were mainly due to consolidation of Gumusut-Kakap Semi-Floating Production System (L) Limited ("GKL"), following completion of the equity buyback in May 2016, and higher capital expenditure incurred during the year.

The Group's cash, deposits and bank balances as at the end of FY2016 of RM6,559.2 million was 16.0% higher than RM5,654.0 million as at the end of FY2015.

TOTAL LIABILITIES

Group total liabilities as at the end of FY2016 of RM16,820.3 million was 51.8% higher than RM11,079.9 million as at the end of FY2015, mainly from increase in borrowings, following completion of the equity buyback of GKL in May 2016.

SHAREHOLDERS' EQUITY

Shareholders' equity of RM38,065.7 million as at 31 December 2016 was 7.6% higher than RM35,361.5 million as at 31 December 2015. The increase in shareholders' equity was mainly due to currency translation gain of RM1,588.6 million and profit attributable to equity holders of RM2,581.6 million in FY2016. The Corporation also paid dividends totalling RM1,450.7 million in FY2016.

NET DEBT/EQUITY RATIO

Following increase in total borrowings during the year, the Group's net debt-to-equity ratio increased to 0.15 times as at 31 December 2016 compared to 0.02 times as at 31 December 2015.

CAPITAL EXPENDITURE REQUIREMENTS

Group committed capital expenditure as at the end of FY2016 stood at RM4,346.1 million. Based on our strong cash position as at the end of FY2016 and existing funding facilities, the Group should be able to fund committed capital expenditure and planned growth plans.

Given the relatively low net debt/equity ratio, the Group will pursue the optimum capital structure for any capital project or investment.

Group Revenue

RM9,597.2 MILLION

Group Operating Profit

RM2,228.8 MILLION

Earnings Per Share

57.8 SEN

Total Assets

RM56,151.3 MILLION

FIVE YEAR GROUP FINANCIAL PERFORMANCE

	Audited 1.1.2016 to 31.12.2016 RM Million	Audited 1.1.2015 to 31.12.2015 RM Million	Audited[3] 1.1.2014 to 31.12.2014 RM Million	Audited[3][5] 1.1.2013 to 31.12.2013 RM Million	Restated[3][4][5] 1.1.2012 to 31.12.2012 RM Million
Continuing Operations:					
Revenue	9,597.2	10,908.4	9,296.3	8,971.8	9,050.3
Operating profit	2,228.8	2,782.6	1,841.7	1,552.6	1,517.4
Profit before taxation	2,814.0	2,566.9	2,410.3	2,227.7	1,516.7
Profit/(Loss) after taxation	2,793.3	2,535.1	2,320.0	2,229.5	921.4
Continuing Operations	2,793.3	2,535.1	2,320.0	2,225.2	1,544.3
Discontinued Operations	–	–	–	4.3	(622.9)
Profit/(Loss) for the year attributable to equity holders of the Corporation					
Continuing Operations	2,581.6	2,467.8	2,204.3	2,081.1	1,393.1
Discontinued Operations	–	–	–	4.3	(622.9)
	2,581.6	2,467.8	2,204.3	2,085.4	770.2
Dividends paid during the year	1,450.7	602.6	401.7	–	–
Earnings/(Loss) per share (sen)[1]	57.8	55.3	49.4	46.7	17.3
Continuing Operations	57.8	55.3	49.4	46.6	31.2
Discontinued Operations	–	–	–	0.1	(13.9)
Total assets	56,151.3	47,539.1	41,584.3	40,232.2	36,479.6
Total liabilities	16,820.3	11,079.9	12,763.2	14,474.9	14,275.6
Shareholders' equity	38,065.7	35,361.5	27,756.3	24,712.9	21,124.0
Total borrowings	12,601.5	6,504.4	8,739.2	10,218.8	8,962.7
Net tangible assets per share (sen)	860.1	796.0	624.8	556.8	478.0
Gross debt/equity ratio	0.32	0.18	0.30	0.40	0.42
Net debt/equity ratio	0.15	0.02	0.14	0.21	0.24
Interest cover ratio[2]	10.2	14.0	8.1	6.7	5.0

Notes:

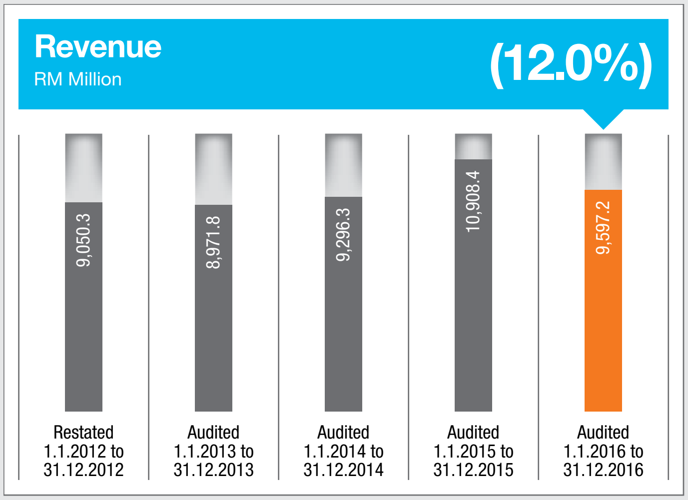
(1) EPS has been calculated using the weighted average number of ordinary shares in issue during the financial year.

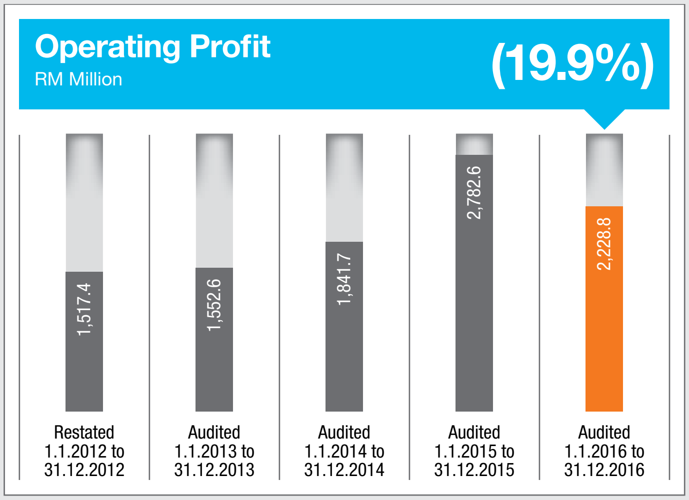
(2) Excluding gain/(loss) on disposal/acquisition of a subsidiary, gain on disposal of assets through finance lease and net (loss)/gain on disposal of ships.

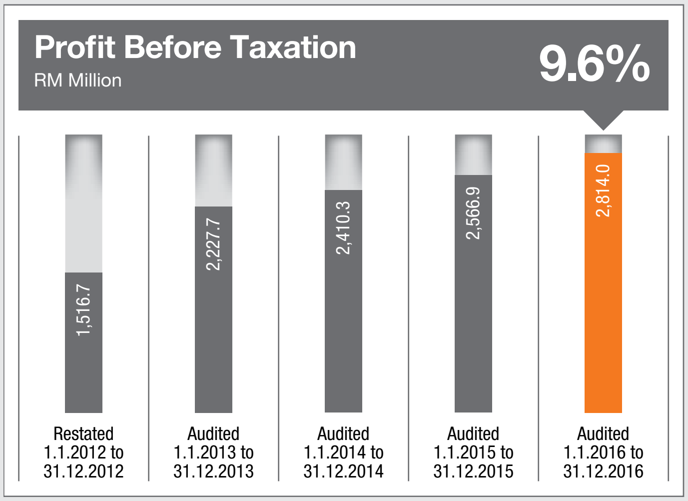
(3) Segregation of information between continuing and discontinued operations (Liner related business operations) effective FY2012. The comparative figures have been reclassified accordingly.

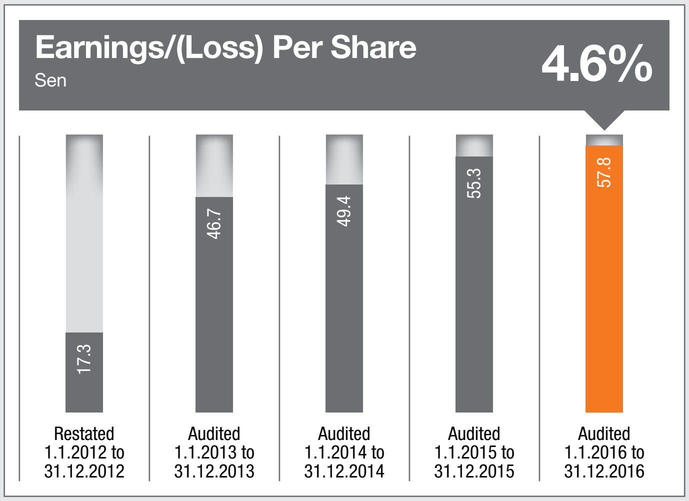
(4) The FY2012 audited summary data reflects the first time adoption of Malaysian Financial Reporting Standards (“MFRS”).

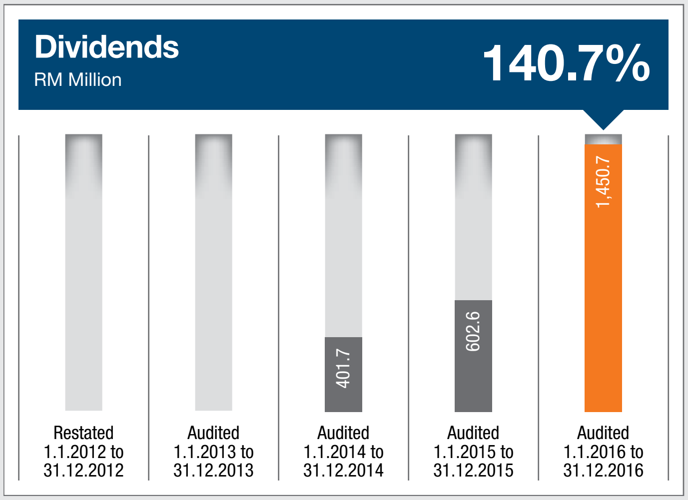
(5) The FY2013 audited summary data reflects the adoption of MFRS 10 & 11. Accordingly, the comparative figures have been adjusted to reflect the adoption of MFRS 10 & 11.

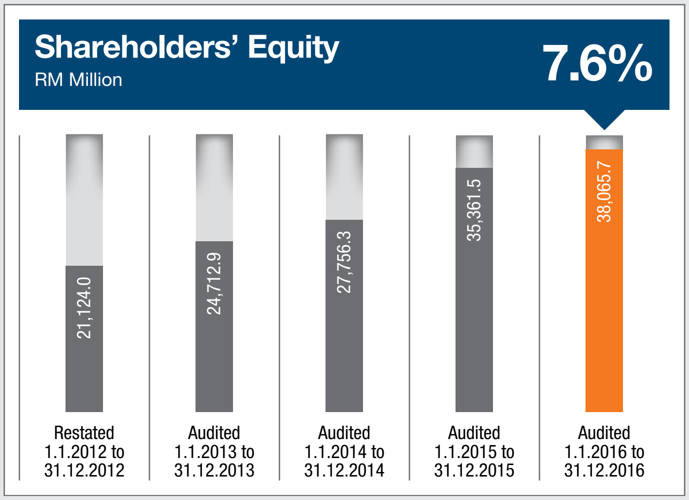

Revenue
RM Million
(12.0%)
9,050.3
8,971.8
9,296.3
10,908.4
9,597.2
Restated 1.1.2012 to 31.12.2012
Audited 1.1.2013 to 31.12.2013
Audited 1.1.2014 to 31.12.2014
Audited 1.1.2015 to 31.12.2015
Audited 1.1.2016 to 31.12.2016


Operating Profit
RM Million
(19.9%)
1,517.4
1,552.6
1,841.7
2,782.6
2,228.8
Restated 1.1.2012 to 31.12.2012
Audited 1.1.2013 to 31.12.2013
Audited 1.1.2014 to 31.12.2014
Audited 1.1.2015 to 31.12.2015
Audited 1.1.2016 to 31.12.2016


Profit Before Taxation
RM Million
9.6%
1,516.7
2,227.7
2,410.3
2,566.9
2,814.0
Restated 1.1.2012 to 31.12.2012
Audited 1.1.2013 to 31.12.2013
Audited 1.1.2014 to 31.12.2014
Audited 1.1.2015 to 31.12.2015
Audited 1.1.2016 to 31.12.2016


Earnings/(Loss) Per Share
Sen
4.6%
17.3
46.7
49.4
55.3
57.8
Restated 1.1.2012 to 31.12.2012
Audited 1.1.2013 to 31.12.2013
Audited 1.1.2014 to 31.12.2014
Audited 1.1.2015 to 31.12.2015
Audited 1.1.2016 to 31.12.2016


Dividends
RM Million
140.7%
401.7
602.6
1,450.7
Restated 1.1.2012 to 31.12.2012
Audited 1.1.2013 to 31.12.2013
Audited 1.1.2014 to 31.12.2014
Audited 1.1.2015 to 31.12.2015
Audited 1.1.2016 to 31.12.2016


Shareholders' Equity
RM Million
7.6%
21,124.0
24,712.9
27,756.3
35,361.5
38,065.7
Restated 1.1.2012 to 31.12.2012
Audited 1.1.2013 to 31.12.2013
Audited 1.1.2014 to 31.12.2014
Audited 1.1.2015 to 31.12.2015
Audited 1.1.2016 to 31.12.2016

FINANCIAL CALENDAR

FINANCIAL PERIOD:
1 JAN 2016 – 31 DEC 2016

Announcement of Results & Dividends

QUARTER 1
ANNOUNCED
6 MAY 2016

DIVIDENDS

First Interim Dividend
Announced : 4 August 2016
Paid : 7 September 2016

Second Interim Dividend
Announced : 10 February 2017
Paid : 16 March 2017

QUARTER 2
ANNOUNCED
4 AUGUST 2016

QUARTER 3
ANNOUNCED
2 NOVEMBER 2016

QUARTER 4
ANNOUNCED
10 FEBRUARY 2017

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Independent Non-Executive Directors
Dato' Sekhar Krishnan

Dato' Halipah binti Esa

Dato' Kalsom binti Abd. Rahman

Lim Beng Choon

Datuk Nasarudin bin Md Idris
(Re-designated effective 23 February 2017)

Non-Independent Non-Executive Directors
Datuk Manharlal Ratilal

Mohamed Firouz bin Asnan

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

AUDIT COMMITTEE

Chairman
Dato' Sekhar Krishnan

Members
Dato' Halipah binti Esa

Dato' Kalsom binti Abd. Rahman

Lim Beng Choon

NOMINATION AND REMUNERATION COMMITTEE

Chairman
Dato' Halipah binti Esa

Members
Dato' Kalsom binti Abd. Rahman

Mohamed Firouz bin Asnan

COMPANY SECRETARIES

Fadzillah binti Kamaruddin
(LS 0008989)

Zawardi bin Salleh @ Mohamed Salleh
(MAICSA 7026210)

REGISTERED OFFICE

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

AUDITORS

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

SHARE REGISTRAR

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

FORM OF LEGAL ENTITY

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

PLACE OF INCORPORATION AND DOMICILE

Malaysia

STOCK EXCHANGE LISTING

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

ABOUT MISC

MISC Berhad (MISC) was incorporated in 1968 and is a world leading provider of international energy related maritime solutions and services. We take pride in our asset and service reliability, commitment to uphold the highest standards of Health, Safety and Environment (HSE), fostering a culture of excellence amongst our employees, operating responsibly and caring for the environment as well as making a positive difference to the communities in which we operate.

The principal businesses of the Group comprise energy shipping and its related activities, owning and operating offshore floating solutions, marine repair and conversion, engineering and construction works, port and terminal services as well as maritime education and training.

MISC Group's fleet consists of more than 110 owned and in-chartered LNG, Petroleum and Product vessels; as well as 14 floating facilities. The fleet has a combined capacity of approximately 12 million dwt.

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

Since 2014, we have been a proud constituent of the FTSE4Good Bursa Malaysia Index, a testament to our sustainability performance and strong Environmental, Social and Governance (ESG) practices.

MISC IN THE NEWS

MISC Q2 net jumps 80pc to RM1.34b

MISC posts RM2.46b full-year net profit

Higher earnings seen for MISC in second half

S&P affirms MISC rating at 'BBB'

MISC, AET to merge chemical, clean petroleum products fleets

No bumper dividend for MISC shareholders

Moody's: Petronas LNG, MISC on review for 'downgrade'

MISC's plan to buy 50% in GKL 'fair and reasonable'

MISC eyeing acquisition of new assets for growth

To deliver sustainable, robust value to shareholders

MISC's acquisition of 50% in Gumusut-Kakap from Petronas

IN BRIEF

MISC Offshore wins US$230m Chevron contract

MISC unit eyes 50pc Paramount Tankers stake

EXPERIENCE THE CITIES

Higher MISC Q1 pre-tax profit

Seri Camellia

New LNG Carrier for MISC Berhad

One-off charter termination boost with dividend surprise for MISC

BILLION RINGGIT Club 2016

Malaysian shipping executives say LNG carrier fleet is in long-term game of changing fortunes

Kapal BM5 beroperasi di Esszone

MISC bids for LNG contracts in India — report

Former MISC container ship BM5 joins Navy fleet


Yee is MISC president/CEO
Seafarers to get better welfare
Provisions to be supported in Parliament
GKP acquisition seen raising MISC's EPS by 3% to 4%
MISC sedia ambil alih aset O&G bermasalah
MISC outlook remains positive
MISC's LNG segment likely to remain weak until 2018
FPSO business to shine in tough times
Silver lining in Petronas' cloud
MISC wins RM926mil contract from Chevron
Deal is for the lease and operations of FSO in Gulf of Thailand
'Order replenishment a concern for MHB'
YEE YANG CHIEN
MMHE targets RM640m revenue for FY16
MISC on the lookout for distressed assets
MHB shifts focus to marine business
Amid a slowdown in the offshore oil and gas sector
MISC eyes FPSO assets
Stronger financials prompt shipping company to look for bargains
MISC's 2Q net profit up 81%, pays 10 sen dividend

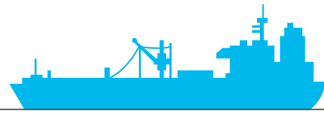
MISC AT A GLANCE

LNG SHIPPING

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

PETROLEUM & PRODUCT SHIPPING

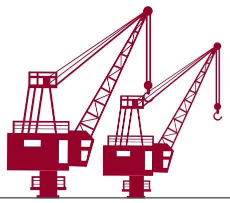
Provides safe, high quality and comprehensive ocean transportation and specialist petroleum services to the world's largest oil companies, trading houses and refiners. Its services include global marine transportation of crude oil, clean petroleum products (CPP) and chemicals; lightering and ship-to-ship (STS) transfer of oil; the provision of Dynamic Positioning Shuttle Tankers (DPSTs) to the world's oil majors; and the provision of Modular Capture vessels (MCvs) for marine well containment systems in the US Gulf (USG).



OFFSHORE BUSINESS

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

Certified with ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007

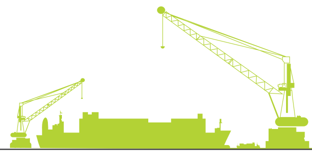


MARINE & HEAVY ENGINEERING

Specialises in offshore construction, offshore and onshore conversion and marine repair. Owns and operates one of the largest marine and heavy engineering facilities in the region.

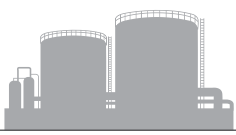
MARITIME EDUCATION & TRAINING

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



PORT & TERMINAL SERVICES

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



TANK TERMINALS

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

MISC is one of the world's leading providers of energy related maritime solutions and services. Operating a modern and diversified fleet, backed by a workforce of almost 9,000 employees from all over the world, we are committed to creating value for our stakeholders and contributing to the sustainability of our industry.

KEY FACTS & FIGURES

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

Modern fleet of over
110
LNG, Petroleum and Product vessels as well as floating assets

Approximately
9,000
talented workforce at sea and shore across the globe

Cumulatively made more than
8,600
VOYAGES
carrying more than 430 million tonnes of LNG

Market leading lightering operations for US Gulf ship-to-ship transfers, with technical lightering operations conducted from Galveston, Texas

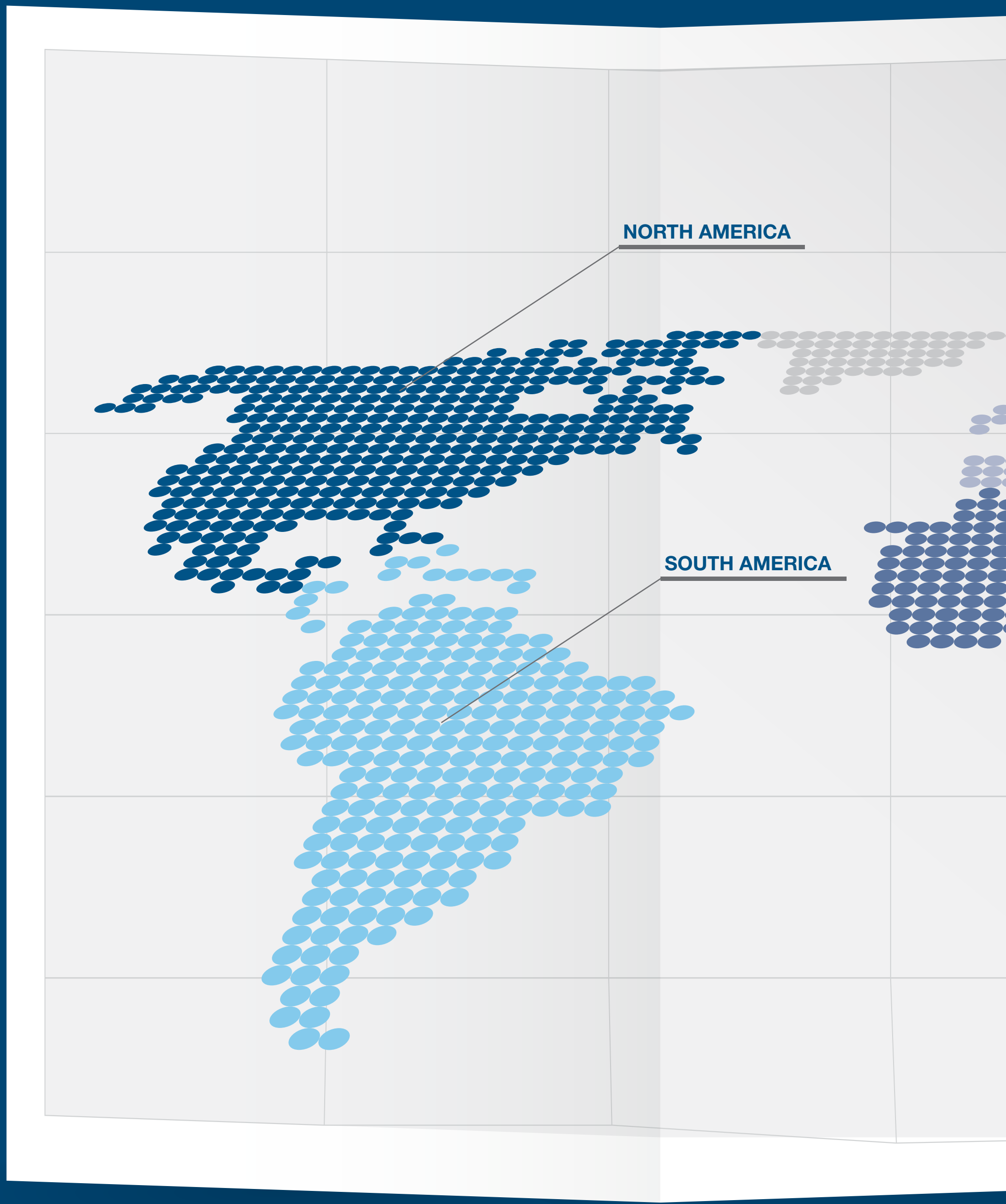
Among the world's largest FPSO / FSO owner-operators with
14
ASSETS

Successfully trained more than
13,000
SEAFARERS
since inception in
1977

30
YEARS
of proven experience in Port Management & Maritime Services

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

OUR GLOBAL PRESENCE



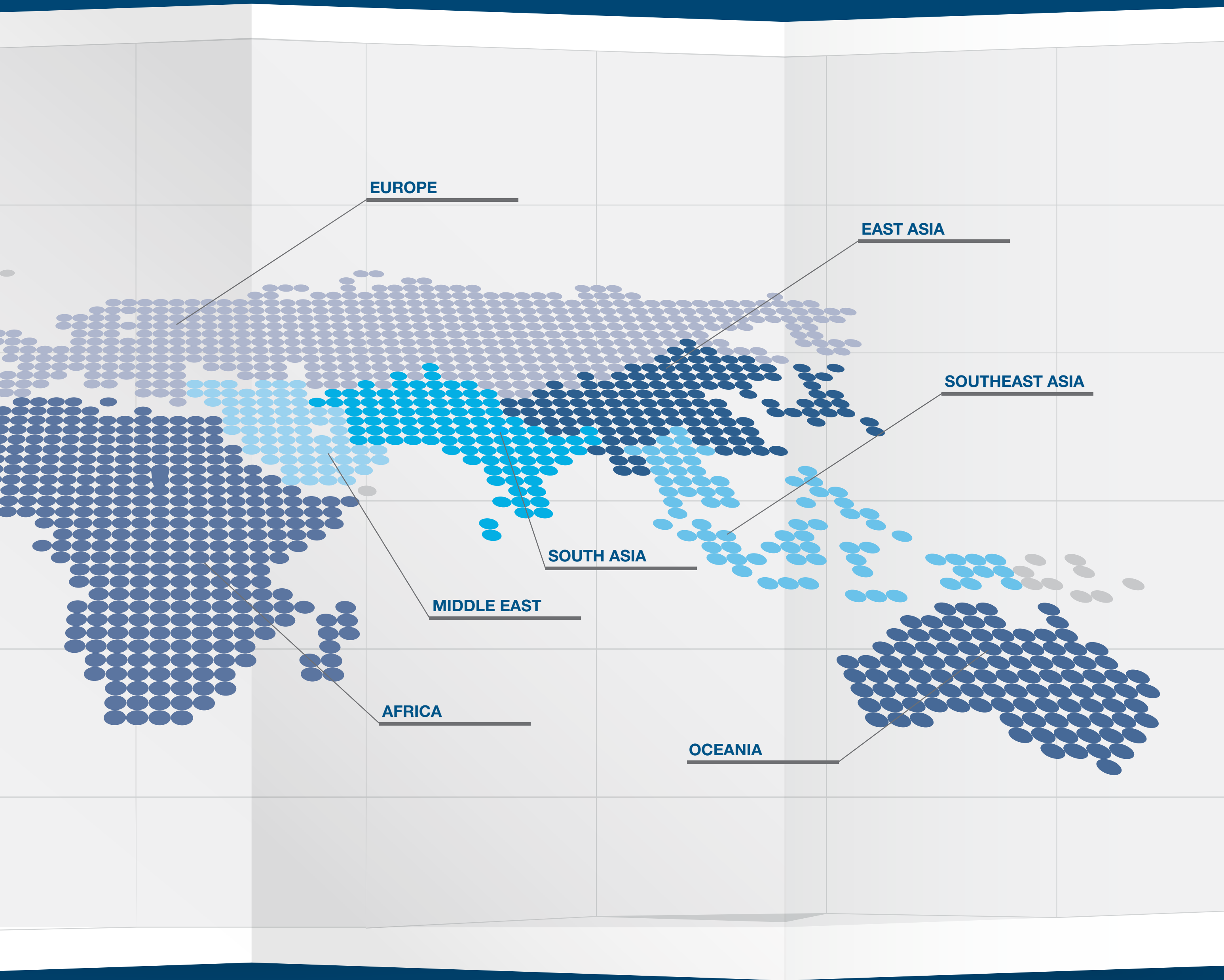
- LNG SHIPPING
- PETROLEUM SHIPPING
- CHEMICAL SHIPPING
- OFFSHORE FLOATING SOLUTIONS
- MARINE & HEAVY ENGINEERING
- MARITIME EDUCATION & TRAINING
- PORT & TERMINAL SERVICES
- TANK TERMINAL

NORTH AMERICA	
Canada	● ●
USA	● ●

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

AFRICA	
Nigeria	●
Algeria	●
Equatorial Guinea	●

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



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

SOUTH ASIA	
India	● ● ●
Bangladesh	●
Pakistan	●

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

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

OCEANIA	
Australia	●

MISC2020: OUR 5-YEAR STRATEGY

A 5-YEAR MASTER PLAN TO ACHIEVE SUSTAINABLE PERFORMANCE

Sustainable level of secured profit by FY2020

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

GROWTH REGION IN THE NEXT 5 YEARS

OUR PRIORITIES OVER THE NEXT 5 YEARS

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

LNG
- Pursue more third party long-term charters
- Develop concepts for non-conventional LNG solutions

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

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

MISC
GROUP STRUCTURE

AS AT 23 FEBRUARY 2017

* EXCLUDING DORMANT COMPANIES

LNG SHIPPING

MISC Tankers Sdn. Bhd. **100%**
(Investment Holding and Provision of Management Services)

- Puteri Delima Sdn. Bhd. 100% *(Shipping)*
- Puteri Firus Sdn. Bhd. 100% *(Shipping)*
- Puteri Intan Sdn. Bhd. 100% *(Shipping)*
- Puteri Nilam Sdn. Bhd. 100% *(Shipping)*
- Seri Camellia (L) Private Limited 100% *(Shipping)*
- Seri Cenderawasih (L) Private Limited 100% *(Shipping)*
- Puteri Zamrud Sdn. Bhd. 10% *(Shipping)*

Puteri Delima Satu (L) Pte. Ltd. **100%**
(Shipping)

Puteri Firus Satu (L) Pte. Ltd. **100%**
(Shipping)

Puteri Nilam Satu (L) Pte. Ltd. **100%**
(Shipping)

Puteri Intan Satu (L) Pte. Ltd. **100%**
(Shipping)

Puteri Mutiara Satu (L) Pte. Ltd. **100%**
(Shipping)

Puteri Zamrud Satu (L) Pte. Ltd. **100%**
(Shipping)

MISC PNG Shipping Limited **100%**
(Investment Holding)

- Western Pacific Shipping Limited 60% *(Providing shipping solutions to meet LNG project requirements and also supports other general shipping requirements of Papua New Guinea)*

Gas Asia Terminal (L) Pte. Ltd. **100%**
(Development and Ownership of LNG Floating Storage Units)

Asia LNG Transport Sdn. Bhd. **51%**
(Shipowning and Ship Management)

Asia LNG Transport Dua Sdn. Bhd. **51%**
(Shipowning and ship management)

Nikorma Transport Limited **30%**
(LNG transportation)

PETROLEUM & PRODUCT SHIPPING

MISC Tanker Holdings Sdn. Bhd. **100%**
(Investment Holding)

- MISC Tanker Holdings (Bermuda) Ltd. 100% *(Investment Holding)*
  - AET Tanker Holdings Sdn. Bhd. 100% *(Investment Holding)*
    - AET Product Tankers Sdn. Bhd. 100% *(Shipowning and Operations)*
    - AET Petroleum Tanker (M) Sdn. Bhd. 100% *(Shipowning)*
      - AET Shuttle Tankers Sdn. Bhd. 100% *(Shipowning and Operations)*
      - AET MCV Delta Sdn. Bhd. 100% *(Investment Holding)*
        - AET MCV Alpha L.L.C. 100% *(Shipowning)*
        - AET MCV Beta L.L.C. 100% *(Shipowning)*
        - AET Brasil Servicos Maritimos Ltda. 100% *(Manning, Crewing Agent and Technical Office)*
      - AET Brasil Servicos STS Ltda. 100% *(Lightering Support Services)*
    - AET Shipmanagement (Malaysia) Sdn. Bhd. 100% *(Shipping Management)*
      - AMI Manning Services Pvt. Ltd. 100% *(Ship Management and Manning Activities)*
      - Eagle Star Management Corporation 24% *(Recruitment and Provision of Manpower for Maritime Vessels)*
    - AET Shipmanagement (Singapore) Pte. Ltd. 100% *(Ship Management, Manning and Technical Activities)*
      - AET Shipmanagement (USA) L.L.C. 100% *(Ship Management)*
    - AET Tankers Pte. Ltd. 100% *(Commercial Operation and Chartering)*
      - AET Tankers India Private Limited 100% *(Shipowning)*
    - AET UK Limited 100% *(Commercial Operation and Chartering)*
      - AET Sea Shuttle AS 95% *(Owning and Operating DP Shuttle Tankers)*
    - AET Holdings (L) Pte. Ltd. 100% *(Investment Holding)*
      - AET Inc. Limited 100% *(Shipowning and Operations)*
        - AET Tankers (Suezmax) Pte. Ltd. 100% *(Shipowning and Operations)*
        - AET MCV Gamma L.L.C. 100% *(Chartering and Operations)*
        - AET Agencies Inc. 100% *(Property Owning)*
          - AET Offshore Services Inc. 100% *(Lightering)*
        - AET Lightering Services L.L.C. 100% *(Lightering)*
        - ELS Lightering Services S.A. 50% *(Lightering Activity)*
        - Paramount Tankers Corp 100% *(Shipowning and Operations)*
          - Atenea Services S.A. 100% *(Shipowning)*
          - Hendham Enterprises Ltd. 100% *(Shipowning)*
          - Odley Worldwide Inc. 100% *(Shipowning)*
          - Oldson Ventures Ltd. 100% *(Shipowning)*
          - Twyford International Business Corp. 100% *(Shipowning)*
          - Zangwill Business Corp. 100% *(Shipowning)*

TANK TERMINALS

Centralised Terminals Sdn. Bhd. **45%**
(Own, Manage, Operate and Maintain Centralised Tankage Facility)

- Langsat Terminal (One) Sdn. Bhd. 36% *(Provision of Tank Terminal Activities)*
- Langsat Terminal (Two) Sdn. Bhd. 36% *(Provision of Multi User Petrochemical Terminal Facilities)*

OFFSHORE BUSINESS

MISC Offshore Holdings (Brazil) Sdn. Bhd. **100%**
(Investment Holding)

- SBM Systems Inc. 49%
  (FPSO Owner)
- FPSO Brasil Venture S.A. 49%
  (Investment and Offshore Activities)
  - SBM Operacoes Ltda. 49%
    (Operating and Maintaining FPSO Terminals)
- Brazilian Deepwater Floating Terminals Limited 49%
  (Construction of FPSO)
- Brazilian Deepwater Production Limited 49%
  (Chartering of FPSO)
- Brazilian Deepwater Production Contractors Limited 49%
  (Operation and Maintenance of FPSO)
  - Operacoes Maritimas em Mar Profundo Brasileiro Ltda. 49%
    (Operation and Maintenance of FPSO)

MISC Offshore Floating Terminals (L) Limited **100%**
(Offshore Floating Terminals Ownership)

MISC Offshore Floating Terminals Dua (L) Limited **100%**
(Offshore Floating Terminals Ownership)

GK O&M (L) Limited **100%**
(To carry out the business of providing professional services for Oil & Gas industry)

Malaysia Offshore Mobile Production (Labuan) Ltd. **100%**
(Mobile Offshore Production Unit Owner)

Gumusut-Kakap Semi-Floating Production System (L) Limited **100%**
(Owning and Leasing of Semi-Submersible Floating Production System)

Malaysia Vietnam Offshore Terminal (L) Limited **51%**
(FSO Owner)

Malaysia Deepwater Floating Terminal (Kikeh) Limited **51%**
(FPSO Owner)

Malaysia Deepwater Production Contractors Sdn. Bhd. **51%**
(Operating and Maintaining FPSO Terminals)

FPSO Ventures Sdn. Bhd. **51%**
(Operating and Maintaining FPSO Terminals)

Vietnam Offshore Floating Terminal (Ruby) Ltd. **40%**
(FPSO Owner)

MARINE & HEAVY ENGINEERING

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

- Malaysia Marine and Heavy Engineering Sdn. Bhd. 66.5%
  (Provision of Oil and Gas Engineering and Construction Works and Marine Conversion and Repair Services)
  - Techno Indah Sdn. Bhd. 66.5%
    (Sludge Disposal Management)
  - MMHE-TPGM Sdn. Bhd. 40%
    (Provision of Engineering, Procurement, Construction Installation and Commissioning Services)
  - MMHE-ATB Sdn. Bhd. 27%
    (Manufacturing of Pressure Vessels and Tube Heat Exchangers)
  - MMHE EPIC Marine & Services Sdn. Bhd. 46.6%
    (Provisions of Repair Services and Dry Docking of Marine Vessels at the Ship Repair Facilities Located in Kemaman, Terengganu)
- Technip MHB Hull Engineering Sdn. Bhd. 33.3%
  (Builds and Develops Hull Engineering and Engineering Project Management Capacities)

MARITIME EDUCATION

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

OTHERS

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

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

MISC Capital (L) Limited **100%**
(Special Purpose Vehicle for Financing Arrangement)

MISC International (L) Limited **100%**
(Investment Holding)

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

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

- MISC Agencies (Netherlands) B.V. 100%
  (Property Owning)
- MISC Agencies (Japan) Ltd. 100%
  (In Liquidation)
- MISC Agencies India (Private) Limited 60%
  (In Liquidation)
- MISC Agencies Lanka (Private) Limited 40%
  (In Liquidation)
- MISC Berhad (UK) Limited 100%
  (Commercial Operations)

MISC Ship Management Sdn. Bhd. **100%**
(Investment Holding)

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

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

DYNAMIC RESILIENT SYNERGISTIC

As a leading maritime solutions and services provider in the volatile oil and gas industry, MISC has been agile in adapting our strategy to respond to the challenges presented by this environment of uncertainty. Our attitude in making this new oil price scenario work to our advantage is what defines us as a dynamic organisation. Likewise, our willingness to embrace our internal cultural shift shows that we are a progressive and energetic organisation driven to be consistently better no matter what.

+18.1%
Total Assets

RM6.56B
CASH BALANCE

RM2,228.8 MILLION
Operating Profit

S&P upgraded our credit and bank loans ratings to BBB+

BOARD OF DIRECTORS

From left to right:

DATO' HALIPAH BINTI ESA
INDEPENDENT NON-EXECUTIVE DIRECTOR

DATUK NASARUDIN MD IDRIS
INDEPENDENT NON-EXECUTIVE DIRECTOR

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

LIM BENG CHOON
INDEPENDENT NON-EXECUTIVE DIRECTOR

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

From left to right:

DATO' SEKHAR KRISHNAN
INDEPENDENT NON-EXECUTIVE DIRECTOR

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

MOHAMED FIROUZ BIN ASNAN
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

DATUK MANHARLAL RATILAL (DATUK GEORGE RATILAL)
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

PROFILES OF DIRECTORS

DATO' AB. HALIM BIN MOHYIDDIN

CHAIRMAN, INDEPENDENT NON-EXECUTIVE DIRECTOR

AGE 71, MALE, MALAYSIAN

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

Qualification, Skills and Experience

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

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

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

Other Commitments

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

YEE YANG CHIEN

PRESIDENT/GROUP CHIEF EXECUTIVE OFFICER
NON-INDEPENDENT EXECUTIVE DIRECTOR

AGE 49, MALE, MALAYSIAN

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

Qualification, Skills and Experience

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

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

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

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

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

Other Commitments

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

Additionally, Yee Yang Chien is a Director of the Members' Committee of The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited and an Executive Committee member of the International Association of Independent Tankers Owners (INTERTANKO).

PROFILES OF DIRECTORS

DATO' SEKHAR KRISHNAN

INDEPENDENT NON-EXECUTIVE DIRECTOR

AGE 61, MALE, MALAYSIAN

DATO' SEKHAR KRISHNAN WAS APPOINTED AS INDEPENDENT NON-EXECUTIVE DIRECTOR OF MISC BERHAD ON 15 JANUARY 2015.

Qualification, Skills and Experience

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

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

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

Board Committee Membership

- Chairman of the Board Audit Committee

DATO' HALIPAH BINTI ESA

INDEPENDENT NON-EXECUTIVE DIRECTOR
AGE 67, FEMALE, MALAYSIAN

DATO' HALIPAH BINTI ESA WAS APPOINTED AS INDEPENDENT NON-EXECUTIVE DIRECTOR OF MISC BERHAD ON 26 APRIL 2004.

Qualification, Skills and Experience

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

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

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

Other Commitments

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

Board Committee Membership

- Chairman of the Nomination and Remuneration Committee
- Member of the Board Audit Committee

PROFILES OF DIRECTORS

DATO' KALSOM BINTI ABD. RAHMAN

INDEPENDENT NON-EXECUTIVE DIRECTOR

AGE 68, FEMALE, MALAYSIAN

DATO' KALSOM BINTI ABD. RAHMAN WAS APPOINTED AS INDEPENDENT NON-EXECUTIVE DIRECTOR OF MISC BERHAD ON 27 OCTOBER 2004.

Qualification, Skills and Experience

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

During her tenure in the public sector, she attended management courses organised by Harvard Business School and Stanford University in USA as well as other trade and investments related courses/seminars organised by regional and international organisations such as ASEAN, APEC, WTO, UNCTAD, UNIDO, WIPO and the World Bank. Dato' Kalsom had served in various capacities in the Ministry of International Trade and Industry (MITI) both at the Headquarters and Overseas offices, the last post being the Deputy Secretary General (Industry).

Other Commitments

Dato' Kalsom currently sits on the boards of MIDF Property Berhad and Lion Forest Industries Berhad.

Board Committee Membership

- Member of the Board Audit Committee
- Member of the Nomination and Remuneration Committee

LIM BENG CHOON

INDEPENDENT NON-EXECUTIVE DIRECTOR
AGE 57, MALE, MALAYSIAN

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

Qualification, Skills and Experience

Lim Beng Choon holds a Bachelor of Science (Honours) degree from the Australian National University and has attended numerous management development programmes throughout his career including the IMD Leadership Programme in Switzerland.

He was the Country Managing Director of Accenture, the global consulting, technology and outsourcing giant, before retiring in 2009. He held various positions in multiple locations during his 28 years tenure in Accenture, including Managing Partner for Accenture's Resources Industry Group (Oil & Gas, Chemicals, Utilities) in South-East Asia, India and Korea.

In his consulting career, he has helped clients with strategy formulation, operational improvements and merger integrations. He has led complex projects to deliver transformational change for Malaysian and foreign multinational companies. Prior to moving into management consulting, he was in technology consulting covering technology strategy and systems integration work.

Between 2010 and last year, he served on the boards of Hong Leong Bank Berhad and PETRONAS Gas Berhad.

Other Commitments

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

Board Committee Membership

- Member of the Board Audit Committee

PROFILES OF DIRECTORS

DATUK MANHARLAL RATILAL (DATUK GEORGE RATILAL)

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

AGE 57, MALE, MALAYSIAN

DATUK GEORGE RATILAL WAS APPOINTED AS CHAIRMAN AND NON-INDEPENDENT NON-EXECUTIVE DIRECTOR OF MISC BERHAD ON 1 AUGUST 2011. ON 15 JANUARY 2015, HE WAS RE-DESIGNATED AS A NON-INDEPENDENT NON-EXECUTIVE DIRECTOR OF MISC BERHAD.

Qualification, Skills and Experience

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

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

Other Commitments

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

DATUK NASARUDIN MD IDRIS

INDEPENDENT NON-EXECUTIVE DIRECTOR

AGE 61, MALE, MALAYSIAN

DATUK NASARUDIN BIN MD IDRIS WAS APPOINTED AS A NON-INDEPENDENT NON-EXECUTIVE DIRECTOR OF MISC BERHAD ON 11 OCTOBER 2004 BEFORE ASSUMING THE POSITION OF PRESIDENT/CHIEF EXECUTIVE OFFICER ("CEO") ON 15 JUNE 2010. ON 1 JANUARY 2015, DATUK NASARUDIN WAS RE-DESIGNATED AS NON-INDEPENDENT NON-EXECUTIVE DIRECTOR FOLLOWING HIS RETIREMENT AS PRESIDENT/CEO OF MISC BERHAD ON 31 DECEMBER 2014.

EFFECTIVE 23 FEBRUARY 2017, DATUK NASARUDIN WAS RE-DESIGNATED AS INDEPENDENT NON-EXECUTIVE DIRECTOR OF THE COMPANY.

Qualification, Skills and Experience

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

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

Other Commitments

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

PROFILES OF DIRECTORS

MOHAMED FIROUZ BIN ASNAN

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR
AGE 51, MALE, MALAYSIAN

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

Qualification, Skills and Experience

Mohamed Firouz is currently the Vice President of Refining and Trading, Downstream, PETRONAS. He started his career in PETRONAS as a facilities engineer in the Exploration & Production Division in 1989 before moving to Corporate Planning followed by a two-year stint in Dubai. In 2005, he was appointed as the General Manager of Business Development where he was responsible for planning, identifying and evaluating new business opportunities including mergers and acquisitions.

He returned to Upstream in 2009 with posting to Ho Chi Minh City as Head of Vietnam Operations with joint appointment as Country Chairman. Prior to taking up his current position, he was the Chairman of PETRONAS Sabah and Labuan and Head of Sabah Operations of PETRONAS Carigali Sdn. Bhd. from 2013 to 2015.

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

Other Commitments

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

Board Committee Membership

- Member of the Nomination and Remuneration Committee

None of the Directors have:
- *A family relationship with other directors and/or major shareholders of the Company;*
- *A conflict of interest with the Company; and*
- *Been convicted of any offence within the past 5 years and have not been imposed any penalty by the relevant regulatory bodies during the financial year 2016.*

MANAGEMENT COMMITTEE

From left to right:

IWAN AZLAN BIN MOKHTAR
Vice President, Human Resource Management

SYED HASHIM BIN SYED ABDULLAH
Vice President, Offshore Business

WONG TSHUN MEEI
Senior General Manager, Corporate Planning and Development

CAPTAIN RAJA SAGER MUNIANDY
Head, Fleet Management Services

CAPTAIN RAJALINGAM SUBRAMANIAM
President & Chief Executive Officer,
AET Tanker Holdings Sdn. Bhd.

FADZILLAH BINTI KAMARUDDIN
Vice President, Legal, Corporate Secretarial and Compliance

ROZAINAH BINTI AWANG
Vice President, Finance

YEE YANG CHIEN
President/Group Chief Executive Officer

FAIZUL BIN ISMAIL
Vice President, LNG Business

None of the Management Committee have:

- *A family relationship with other directors and/or major shareholders of the Company;*
- *A conflict of interest with the Company; and*
- *Been convicted of any offence within the past 5 years and have not been imposed any penalty by the relevant regulatory bodies during the financial year 2016.*

PROFILES OF THE MANAGEMENT COMMITTEE

YEE YANG CHIEN
President/Group Chief Executive Officer
Age 49, Male, Malaysian

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

Qualification, Skills and Experience

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

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

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

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

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

Other Commitments

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

Additionally, Yee Yang Chien is a Director of the Members' Committee of The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited and an Executive Committee member of the International Association of Independent Tankers Owners (INTERTANKO).

CAPTAIN RAJALINGAM SUBRAMANIAM

President & Chief Executive Officer
AET Tanker Holdings Sdn. Bhd.
Age 51, Male, Malaysian

Captain Rajalingam Subramaniam was appointed as the President & Chief Executive Officer of AET Tanker Holdings Sdn. Bhd. on 1 January 2016. Prior to holding the current position, he was Vice President, Fleet Management Services of MISC Berhad since 1 September 2008.

Qualification, Skills and Experience

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

Captain Rajalingam graduated from ALAM in 1983 and subsequently sailed on MISC vessels before joining shore services in 1996. Since then, he has held various positions in MISC Berhad and AET.

Other Commitments

Captain Rajalingam also serves the industry, such as the Royal Malaysian Navy where he was appointed Honorary Commander in November 2009. He has served at the International Association of Independent Tankers Owners (INTERTANKO) as Vice Chairman and currently chairs its Gas Tankers Committee. He also sits on the committee for a number of class societies.

He also serves as a board member in several subsidiaries and joint venture companies within MISC and AET Group.

SYED HASHIM BIN SYED ABDULLAH

Vice President, Offshore Business
Age 60, Male, Malaysian

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

Qualification, Skills and Experience

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

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

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

Other Commitments

Syed Hashim also holds directorships in various subsidiaries and joint venture companies within the MISC Group including Malaysia Marine and Heavy Engineering Holdings Berhad.

PROFILES OF THE MANAGEMENT COMMITTEE

FAIZUL BIN ISMAIL

Vice President, LNG Business
Age 56, Male, Malaysian

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

Qualification, Skills and Experience

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

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

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

Other Commitments

Faizul is a board member of several subsidiaries and joint venture companies within the MISC Group. He is also a board member of Society of International Gas Tanker and Terminal Operators Ltd. (SIGTTO) and an EXCO Member of Malaysia Shipowners' Association (MASA).

ROZAINAH BINTI AWANG

Vice President, Finance
Age 48, Female, Malaysian

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

Qualification, Skills and Experience

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

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

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

Other Commitments

Rozainah also holds directorships in various subsidiaries and joint venture companies within the MISC Group including Malaysia Marine and Heavy Engineering Holdings Berhad.

She is a Board Member of The London Steam-Ship Owners' Mutual Insurance Association Limited (The London P&I Club).

IWAN AZLAN BIN MOKHTAR

Vice President, Human Resource Management
Age 49, Male, Malaysian

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

Qualification, Skills and Experience

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

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

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

Other Commitments

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

FADZILLAH BINTI KAMARUDDIN

Vice President, Legal, Corporate Secretarial and Compliance
Age 51, Female, Malaysian

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

Qualification, Skills and Experience

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

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

Other Commitments

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

PROFILES OF THE MANAGEMENT COMMITTEE

CAPTAIN RAJA SAGER MUNIANDY

Head, Fleet Management Services
Age 55, Male, Malaysian

Captain Raja Sager Muniandy was appointed as Head of Fleet Management Services on 1 January 2016. Prior to his current position, he was serving as the Senior General Manager of Fleet Operations & Maintenance, a position he had been holding since 1 March 2011.

Qualification, Skills and Experience

Captain Raja holds a Masters in Business Administration from University Utara Malaysia and a Master's Foreign Going Certificate of Competency from the Ministry of Transport, New Zealand. He joined MISC as a Cadet Officer in 1981 and had sailed on the MISC fleet of ships, finishing his sea career as the Captain on Chemical Tankers. In 1995, he was transferred to shore service and has worked in various positions in MISC. Between 2008 and 2011, he was seconded to AET, where he served as General Manager in the Ship Management Group and subsequently assumed the responsibility of the Fleet Director in AET Ship management.

Other Commitments

Captain Raja Sager also sits on the board of several subsidiary and joint venture companies within the MISC Group.

WONG TSHUN MEEI

Senior General Manager,
Corporate Planning and Development
Age 39, Female, Malaysian

Wong Tshun Meei was appointed as Senior General Manager, Corporate Planning and Development on 1 April 2016.

Qualification, Skills and Experience

Meei holds a Bachelor of Arts degree in Economics and Social Studies (Accounting and Finance) from the University of Manchester, England.

Meei was an entrepreneur with more than 10 years of experience in the shipping industry. Meei founded a shipping business in excess of US$500 million in capital in 2006, Maritime Capital Shipping Group, a specialist owner of modern dry bulk vessels which was successfully sold subsequently. She has experience in all aspects of establishing and running a business, including equity raising, debt finance, vessel sale and purchase, chartering and post-fixture operations, planning and financial analysis.

Prior to that, Meei was responsible for business planning and projects and the listing of Pacific Basin Shipping Limited, a leading dry bulk shipping company on the Hong Kong Stock Exchange from 2003 to 2006. She also held the position of Head of Corporate Communications and Investor Relations of Pacific Basin Shipping Limited. Prior to this, Meei spent several years at the investment banking division of Societe Generale.

Meei was on the Board of the Pacific Basin Economic Council (PBEC) as Vice Chairman since 2010, PBEC is an influential independent business association in the Asia Pacific Region.

Other Commitments

Meei also sits on the board of several subsidiary companies and joint venture companies within the MISC Group.

DATO' AB. HALIM BIN MOHYIDDIN
CHAIRMAN

CHAIRMAN'S STATEMENT

RM9,597.2 MILLION
REVENUE

+4.6%
PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS

57.8 SEN
EARNINGS PER SHARE

Dear Valued Shareholders,

On behalf of the Board of Directors, I am pleased to present you the Annual Report and Audited Financial Statements of MISC Berhad and its subsidiaries for the financial year ended 31 December 2016.

The year in review was a fruitful one for MISC Berhad. I am pleased to say that as a result of the many structural and operational changes made across our business last year, we made good strides forward on the operational front while maintaining a steadfast financial performance. These achievements are all the more noteworthy given that they were achieved amidst weak market conditions in the energy shipping and offshore Oil & Gas segments.

This year's Annual Report carries the theme "**Dynamic • Resilient • Synergistic**". It underscores how MISC, in its bid to consistently provide better energy related maritime solutions and services, has **dynamically** adapted to rapid macroeconomic and industry challenges and remained **resilient** amidst the storms buffeting the energy shipping segment. As we venture forth, we will continue to leverage on **synergistic** partnerships to achieve mutual success and deliver sustainable growth.

The MISC of today is not the same one that was simply trying to survive the down-cycle that had plagued the shipping sector in 2009. Following the launch of the Group's revitalised Vision, Mission and Tagline, together with our MISC2020 battle plan last year, we have progressively grown from strength to strength and are today poised to grow in a more energised and sustainable manner despite the woes befalling our industry. The results of our 2016 operational and financial performance underscore the fact that the measures we have taken to streamline and future-proof the Group's businesses are working effectively.

FINANCIAL PERFORMANCE

I am pleased to report that for the financial year ended 31 December 2016, MISC Group turned in a commendable performance registering revenue of RM9,597.2 million, some 12.0% lower than the preceding year's revenue of RM10,908.4 million. The lower revenue came on the back of lower charter rates earned on new contracts in the LNG segment and lower revenue from construction contracts in the Marine and Heavy Engineering segment.

CHAIRMAN'S STATEMENT

The Group's profit before tax (PBT) rose 9.6% to RM2,814.0 million in 2016 against PBT of RM2,566.9 million in 2015. The rise in profit was mainly due to the recognition of gains on acquisitions and the disposal of subsidiaries over the course of the year.

GOOD SHAREHOLDER VALUE CREATION

I am delighted to report that the Group's balance sheet continues to remain healthy and will serve us well as we pursue our agenda of renewed growth. As at the end of 2016, the Group's cash, deposits and bank balances stood at RM6,559.2 million, some 16.0% higher than the preceding year's figure. Following an increase in total borrowings during the year, MISC's net debt-to-equity ratio increased to 0.15 times at the end of 2016 in comparison to 0.02 times at the end of 2015.

The Group's earnings per share (EPS) increased to 57.8 sen in 2016 from 55.3 sen previously. As at 31 December 2016, profit attributable to the equity holders of MISC of RM2,581.6 million was some 4.6% or RM113.8 million higher than the RM2,467.8 million profit attributable to equity shareholders in 2015.

With a stronger financial position, MISC is now well placed to adopt a more aggressive growth trajectory. Our strong cash position also gives us the leeway to leverage on bargain opportunities particularly during the prevailing Oil & Gas industry downturn. While higher profits during the year, together with a revitalised balance sheet, undoubtedly support a healthier dividend payment to our shareholders, the Group is also mindful of the need to allocate sufficient financial resources to support MISC's renewed growth agenda.

Your Board of Directors will continue to pursue a policy which strikes an optimum balance between maintaining a reasonable dividend pay-out commensurate with the financial health of the Group while conserving sufficient internal resources for investment purposes. In respect of the financial year ended 31 December 2016, a first interim tax exempt dividend of 10.0 sen per share amounting to RM446.4 million was declared in August and paid out in September 2016. In February 2017, the Board declared a second tax exempt dividend of 20.0 sen per share amounting to RM892.8 million which was paid out on 16 March 2017.

MISC continues to create good value for our shareholders through the awards and accolades for excellence that we garner on several fronts. I am pleased to report that in December 2016, we have once again secured our position as a constituent of the FTSE4Good Bursa Malaysia Index, as a result of the Group's strong performance across a variety of Environmental, Social and Governance (ESG) practices. The FTSE4Good Bursa Malaysia Index constituents are selected from the top 200 Malaysian stocks, screened in accordance with transparent and defined ESG criteria. The index has been designed to identify Malaysian companies with recognised corporate responsibility practices. We turned in an improved overall score which came on the back of an independent assessment of the MISC Sustainability Report 2015 by FTSE analysts.

WITH A STRONGER FINANCIAL POSITION, MISC IS NOW WELL PLACED TO ADOPT A MORE AGGRESSIVE GROWTH TRAJECTORY.

Improved FTSE4Good Bursa Malaysia Index

shortlisted in the Lloyd's List Global Awards for the

CLASS NK TANKER OPERATOR OF THE YEAR AWARD

(2016)

RM2.81B
PROFIT BEFORE TAX

RM6.56B
CASH BALANCE

0.15x
NET DEBT TO EQUITY

CHAIRMAN'S STATEMENT

This recognition underpins MISC's position as a role model for responsible corporate behaviour within the Malaysian market and reflects our commitment to managing our ESG risks. Our subsidiary, MHB, which is also a constituent of the FTSE4Good Bursa Malaysia Index, too, maintained its position based on an earlier review in 2016.

The year saw the MISC Sustainability Report 2015 being shortlisted for the second time for the prestigious ACCA MaSRA (Malaysian Sustainability Reporting Awards). This follows our winning the award for the "Best First-Time Reporting" category back in 2014 for the MISC Sustainability Report 2013. This recognition is testament that we are making good progress in the way of embedding sustainability across the Group, specifically in relation to the standards set for disclosure of our non-financial performance.

Our commitment to creating good shareholder value was also reflected in our winning the coveted The Edge Billion Ringgit Club (BRC) Corporate Award 2016 for achieving the highest growth in profit before tax over three years under the category of Companies with RM10 Billion to RM40 Billion Market Capitalisation (Big Cap Companies).

The Group's solid financial performance was acknowledged by Standard & Poor's Rating Services (S&P) which upgraded our long-term corporate credit rating and the senior unsecured long-term ratings on our bank loans to 'BBB+' from 'BBB'. According to S&P, our performance in the first half of 2016 was "solid, better than expected, with cash flows remaining resilient amid a difficult market environment".

The upgrade also reflects S&P's expectation that the Group will maintain solid cash flow adequacy right through 2018 because of a combination of steady cash flows, moderating capital spending and prudent financial policies. Prudent cash-flow management is critical in the shipping industry and has proven to be one of the key factors to surviving the unexpected, prolonged downturn. At the same time, S&P also affirmed their rating 'axA+' long-term ASEAN regional scale rating on MISC.

Our leadership team continues to do us proud. The 2016 Lloyd's List annual special edition entitled "100 Most Influential People in the Shipping Industry" featured our President/Group CEO, Mr Yee Yang Chien, for the second time in a row while AET's President & CEO, Capt. Rajalingam was featured in Tanker Shipping & Trade's list of top 50 tanker industry leaders of 2016.

S&P **UPGRADED** OUR CREDIT AND BANK LOANS RATINGS TO

BBB+

SOLID, BETTER THAN EXPECTED

In the global listing, Mr Yee retained his 45th ranking and was cited for steering MISC through a turbulent 2016 and positioning the Group for growth.

In 2016, MISC emerged as the only Asian shipping company to be shortlisted in the Lloyd's List Global Awards for the Class NK Tanker Operator of the Year award. The Lloyd's List Global Awards are highly regarded as a global mark of recognition within the shipping industry. The list pinpoints companies that have shone brightly throughout the year, and have been able to demonstrate first class performance operationally or financially.

UPHOLDING RESPONSIBLE CORPORATE PRACTICES

MISC's Board of Directors is committed to upholding and implementing the highest standards of corporate governance as well as robust risk management and internal control measures throughout the Group. As integral components of our business, these elements are helping to ensure sustainable business growth, bolster investor confidence, preserve our corporate reputation and uphold our ability to deliver continued shareholder value creation.

In our efforts to uphold the highest corporate governance standards, we continue to subscribe to the principles, guidelines and recommendations set out in the Second Edition of the Corporate Governance Guide issued by Bursa Malaysia Securities Berhad and the Malaysian Code of Corporate Governance (MCCG) 2012. The details of our corporate governance measures and risk management practices are spelt out in the relevant sections of this Annual Report.

CHAIRMAN'S STATEMENT

The issue of business sustainability remains a priority on our agenda as evidenced by the MISC Sustainability Strategy receiving formal endorsement by the Board at the end of 2016. This strategy, which constitutes the sustainability pillars of Customers, Shareholders, Governance, Employees, Environment and Community, will serve as our five-year roadmap to guide us further in conducting business as a responsible corporate citizen. With a focus on enhancing MISC's social integrity, improving our environmental stewardship and creating economic value for our stakeholders, this strategy will also ensure that our material areas and the initiatives we are embarking on all align with our Vision, Mission and the MISC2020 blueprint. Together, all these elements will serve as a guiding light for the Group and our employees as we continue unfalteringly on our journey towards sustainable growth.

The details of the Group's sustainability agenda and the related activities can be found in our Sustainability Statement on pages 117 to 120 of this Annual Report, while the finer details are spelt out in the standalone MISC Sustainability Report 2016.

MOVING FORWARD INTO 2017 AND BEYOND

According to the International Monetary Fund's (IMF) World Economic Outlook (WEO) update as of January 2017, following 2016's lacklustre growth of 3.15%, global economic activity is expected to pick up in 2017 and 2018, touching 3.4% and 3.6% respectively. The advanced economies are forecast to make small steps up, while activities in emerging market and developing economies will continue to drive global growth. However, at the same time, global risks remain significant and difficult to predict.

Anxieties about US policy under President Trump, the perils of muddled Brexit negotiations and the apprehension about the outcome of upcoming leadership elections in the Eurozone, all lend to the air of uncertainty. Coupled with China's structural slowdown and Japan's struggle with deflation, the outlook for 2017 is indeed rather uncertain. However, amidst all these, there still remains hope that things can turn around for the better should the policies that promote sustainable and inclusive growth as well as cooperation and coordination be brought into play.

The global shipping sector is expected to have a subdued outlook in 2017 with all segments continuing to come under pressure. According to Fitch Ratings, muted demand growth will aggravate overcapacity of the shipping sector in 2017, putting pressure on freight rates and driving further consolidation and defaults.

The poor freight market and weak outlook across major shipping segments have forced financial institutions to reduce their exposure and the financing available to the shipping sector in general. This will have an impact on companies that are not able to cover their upcoming maturities and definitely has had an impact on the future of newbuild orders. High profile bankruptcies within the shipping sector have further forced financial institutions to reassess the financing landscape and their support for the industry.

In the short-to medium-term, more mergers and acquisitions (M&As) as well as financial defaults are expected to take place. However, these are expected only to restore equilibrium and boost freight rates if they prompt capacity reduction.

Within the MISC Group, the performance of the Petroleum and Product Shipping segment is expected to come under pressure. Growth may be affected by high fleet growth and potentially lower tonne mile demand as a result of reduced OPEC oil production post-January 2017's quota restriction. However, the impact from the OPEC cut may be offset by higher production elsewhere. Fleet owners are hopeful that the enforcement of the ballast water treatment systems convention from September 2017 onwards will reduce vessel supply even as vessel scrapping is fast-tracked.

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

With the gradual recovery in oil prices, the outlook for the upstream oil and gas industry should also begin to improve. This will set the stage for gradual recovery in global offshore exploration and production investment, particularly in relation to developments within the Atlantic Basin. Despite the improved market sentiment, the impact may not flow through to the Marine and Heavy Engineering segment immediately. The segment will continue to focus on cost management and resource optimisation to reduce its operating cost in line with the outlook for the industry.

Moving forward, MHB will intensify its efforts to replenish its order book by leveraging on onshore segment activities as well as hook-up and commissioning and facilities improvement activities. It is expected that the stable financial performance of the Group's offshore business segment will continue to be supported by long-term contracts.

In view of the above, your Board of Directors is confident that from an operational perspective, the Group will be able to sustain its financial performance for 2017. To fulfil our aspiration of consistently providing better energy-related maritime solutions and services, MISC will capitalise on timely investment opportunities to ensure future business sustainability. Leveraging on our healthy balance sheet, we will allocate both our capital and human resources toward building value in our existing businesses. At the same time, we will work on strengthening the quality of our income by expanding into growth areas that will provide us with recurring long-term income streams.

Even as we renew our pursuit of growth, we will work to build a sustainable and responsible business by consistently providing better energy-related maritime solutions and services. To this end, we will push for more stringent performance standards across the sector and demonstrate our commitment to safeguarding the environment. In all that we undertake, we will ensure we adopt a unified approach, a clear direction for growth and a shared understanding of who we are and what we can achieve.

IN APPRECIATION

The MISC Group continues to strengthen on the back of a focused growth agenda, solid teamwork and robust operational and financial performance. For this, we have many parties to thank.

I would like to express my heartfelt appreciation to all our customers, suppliers, business partners and financiers, for their steadfast support and cooperation. My utmost gratitude to the loyal management and employees of MISC for their excellent work, unwavering commitment and resilience amidst the year's challenges which certainly helped us deliver another fine performance. To my esteemed colleagues on the Board, please accept my sincere thanks for your wise counsel and astute insights in guiding the Group to greater heights of success.

Last but not least, my deep gratitude to you, our shareholders, for your unremitting confidence and faith in us, especially amidst the challenges of our industry. Even as you have been patient with us as we ride out the storm assailing our industry, we ask for your continued patience as we get down to pursuing sustainable growth.

I trust that all our stakeholders will continue to accord us their unwavering support as we will charge full steam ahead, confident and driven by our aspiration of "moving energy to build a better world". Rest assured that the MISC Group will continue to remain dynamic and resilient while leveraging on the synergistic partnerships amongst our business segments and stakeholders to grow in a sustainable manner.

DATO' AB. HALIM BIN MOHYIDDIN
Chairman
13 March 2017

PRESIDENT/GROUP CEO'S REVIEW AND MD&A

YEE YANG CHIEN
PRESIDENT/GROUP CEO

+18.1%

TOTAL ASSETS

RM2,228.8 MILLION

OPERATING PROFIT

Dear Shareholders,

I am delighted to report that despite the difficult market conditions and prevailing challenges we faced in 2016, MISC once again proved its mettle by turning in commendable financial and operational performance. Adapting quickly to flagging market conditions in the energy shipping and offshore Oil & Gas segments, we proactively took steps to streamline and bolster our businesses in line with our new MISC2020 strategy. Even as we laid down the foundations to pursue renewed growth, we began to emerge a stronger, more resilient Group. Today, we continue to press forward in a confident but measured manner to achieve our MISC2020 aspirations, driven by our ambition of "moving energy to build a better world".

POSITIVE DEVELOPMENTS AMIDST PREVAILING CHALLENGES

The year 2016 saw the global shipping industry undergoing another volatile year with players across the sector having to contend with muted trade growth, market volatility and pressures on already slim operating margins. This was aggravated further by the continued low oil price environment and surplus supply coming on-stream. Businesses across the Oil & Gas supply chain were affected by these developments to varying degrees. Major producers and refiners felt the pressure of lower oil prices and high operating costs most severely, while other players benefited significantly from the changes.

In 2016, the petroleum and product shipping sectors faced a more challenging operating environment than the previous year, with earnings across all sectors declining compared to 2015. However, earnings for crude tankers were healthy enough for MISC to remain in the black and focus on growth and development. Meanwhile, in the clean petroleum products and chemical shipping space, MISC faced strong headwinds as these sectors underwent challenges in a poor market environment which affected almost all owners and operators.

In line with the Group's overall business strategy and growth plans, we continued to implement several significant structural changes to bolster our Petroleum and Product Shipping segment under AET as well as to spread our reach across diverse market segments. The year saw us completing the transfer of ownership of MISC's chemical carriers to AET to create a comprehensive products shipping division. This has resulted in an enlarged products fleet that now has the capability to offer enhanced capacity and flexibility to customers who require clean vessels.

PRESIDENT/GROUP CEO'S REVIEW AND MD&A

In 2016, AET purchased the remaining 50% of our joint venture equity in Paramount Tankers, enabling AET to take control of both the technical and commercial management of six Aframax vessels to ensure optimum operational efficiency. As a result, we now have full integration between our petroleum and chemical shipping operations and are able to respond instinctively to the changing needs of our customers in each market.

On the LNG Shipping front, we took delivery of two newbuild LNG carriers in 2016 and 2017, namely the Seri Camellia and Seri Cenderawasih. These are the first two LNG carrier in a series of five MOSS-Type LNG carriers ordered from Hyundai Heavy Industries Co., Ltd. Joining our fleet as our 26th and 27th LNG carriers respectively, these newbuilds reinforce our position as a reliable and safe transporter of LNG globally. We are proud to share that the Seri Camellia was recognised as one of the Great Ships of 2016 by the Maritime Reporter and Engineering News.

Our Offshore Business segment successfully completed the acquisition of the remaining 50% equity interest in Gumusut-Kakap Semi-Floating Production System (L) Limited which will now enable us to fully consolidate the future earnings of this long-term charter asset.

August 2016 marked the Offshore Business segment's maiden foray into Thailand's offshore Oil & Gas market via the signing of a 10-year contract for the lease and operations of a Floating, Storage and Offloading Vessel (FSO) for the FSO Benchamas 2 Project with Chevron Offshore Thailand Ltd. in the Gulf of Thailand. Our success here is all the more noteworthy given that we had to contend against intense competition from well-established international players to secure the project. With this contract

in hand, it opens up opportunities for us to do business with Chevron in other areas where it operates.

Meanwhile, our Marine & Heavy Engineering Business segment under MHB completed the engineering, procurement and construction of Malikai TLP for Shell and PETRONAS, successfully. This structure, the first of its kind in Malaysia, underscores MHB's commitment to operational excellence and to delivering on its promises amidst challenging times. We also celebrated the sail away of the Group's first Marginal Marine Production Unit, the MaMPU 1, a fit-for-purpose Floating Production, Storage and Offloading (FPSO) unit for the development of marginal fields.

Our success in 2016 was the result of us recognising the fact that global energy volatility would linger for yet a while and taking the necessary steps to reshape and future-proof our business. By taking measures to strengthen their positions and their offerings to customers, our key business segments were able to mitigate the full brunt of marketplace volatility.

The year in review also saw us divesting the entire equity interest in our Logistics business under wholly-owned subsidiary MISC Integrated Logistics Sdn. Bhd. (MILS). We can now focus our efforts fully on our core business of energy and petroleum-related shipping as well as channel the sale proceeds from the divestment to other potential growth areas within our core business.

I am delighted to announce that MISC continued to gain recognition for its commitment to operational excellence on several fronts. MISC won the Operational Excellence Award at the annual Tanker Shipping & Trade Conference & Awards held in London in recognition of our cadet sponsorship programme, in particular our innovative ship-berth training and crew competency management initiatives.

MISC was also shortlisted for the Lloyd's List Asia Awards 2016 in two award categories, namely "The ABS (American Bureau of Shipping) Tanker Operator of the Year" and "The HPH (Hutchison Port Holdings) Trust Safer Cleaner Seas Award". The former award recognises a company that has demonstrated excellent operational and financial performance beyond the norm, while the latter honours maritime companies which have made a meaningful and positive difference in both safety and environmental performance. We are privileged to have been considered as a candidate for these prestigious awards.

STEADFAST FINANCIAL PERFORMANCE

As we put in place the measures to drive robust operational performance amidst the year's challenging operating environment, this was reflected in our steadfast financial performance for the year in review. For the financial year ended 31 December 2016, the MISC Group posted revenue of RM9,597.2 million, a 12.0% decline against the preceding year's revenue of RM10,908.4 million. The lower revenue was primarily attributable to lower charter rates earned on new contracts in the LNG segment and lower revenue from construction contracts in the Marine & Heavy Engineering segment.

The Group turned in an operating profit of RM2,228.8 million, which was 19.9% lower than 2015's operating profit of RM2,782.6 million. Lower revenue and higher depreciation, arising from the change in the estimated useful life of vessels in the current year, were the main causes for the decrease in operating profit. We recorded profit before tax of RM2,814.0 million in 2016, a 9.6% increase over the preceding year's profit before tax of RM2,566.9 million. The increase in profit was mainly due to the recognition of gains on acquisitions and the disposal of subsidiaries during the year under review.

As at the year's end, the Group's total assets stood at RM56,151.3 million or 18.1% higher than the RM47,539.1 million as at the end of 2015. The increase in the Group total assets were mainly due to consolidation of Gumusut-Kakap Semi-Floating Production System (L) Limited (GKL), following completion of the equity buyback in May 2016, and higher capital expenditure incurred during the year. Group total liabilities at the end of 2016 of RM16,820.3 million were 51.8% higher than the RM11,079.9 million posted at the end of 2015, mainly from the increase in borrowings, following completion of the equity buyback of GKL in May 2016.

As a result of the increase in total borrowings during the year, the Group's net debt-to-equity ratio increased to 0.15 times as at 31 December 2016 from 0.02 times as at 31 December 2015. The Group's committed capital expenditure stood at RM4,346.1 million as at the end of 2016. Based on our healthy financial position, combined with existing funding facilities and planned funding plans, the Group should be able to fund our committed capital expenditure and planned growth plans. Given the relatively low net debt/equity ratio, the Group will pursue the optimum capital structure for any capital project or investment.

PRESIDENT/GROUP CEO'S REVIEW AND MD&A

OUR STRATEGIC PRIORITIES

To reinforce and sustain MISC's position in the Oil & Gas sector as a leading provider of energy-related maritime solutions and services, we continue to bring several strategic elements into play. A year after our revitalised Vision, Mission and Tagline as well as MISC2020 corporate strategy were introduced, these elements are well entrenched within our corporate culture. Today, these elements are helping to unite the MISC family and are guiding us on our journey to realise our full potential.

To recap, our MISC2020 five-year strategic plan (2016-2020) calls for the Group to deliver on two primary objectives, namely:

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

In order to achieve a sustainable level of secured profit by 2020, MISC will set its sights on absorbing all fixed costs and overheads as well as absorbing losses from cyclical business segments during the worst of cycles. This will ensure that the Group never falls into the red in the worst of times. To deliver a sustainable ROACE of more than 10% by 2020, MISC will focus its efforts on instilling the discipline to spend wisely and make the right investment decisions.

In line with these overarching objectives, our core LNG Shipping, Petroleum and Products Shipping, Offshore Business as well as Marine & Heavy Engineering business segments will prioritise specific initiatives over the five-year timeframe.

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

LNG Shipping:

Given the expected decline in LNG profitability, there is an urgent need to build a sustainable stream of secured profit. As such, our LNG Shipping segment will set its sights on expanding its portfolio of third party LNG time charters and ensure they are value accretive despite the current competitive landscape. The segment will also focus its efforts on developing concepts for non-conventional LNG solutions.

Petroleum and Products Shipping:

Helmed by AET, this segment will continue to evolve its business and asset mix to garner more long-term businesses. It will look to secure a good mix of time and spot charters as well as explore expansion opportunities within the niche shuttle tanker segment. The latter will help provide long-term secured income to help moderate any downturn in the cyclical spot market.

A 5-YEAR MASTER PLAN TO ACHIEVE SUSTAINABLE PERFORMANCE

Offshore Business:

This business segment will explore acquisition opportunities arising from asset divestments by Oil & Gas players globally as well as pursue organic growth when the oil price recovers. Ultimately, the Offshore Business will move beyond Malaysian shores and expand its international footprint.

Marine & Heavy Engineering:

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

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

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

GROWTH REGION IN THE NEXT 5 YEARS

PRESIDENT/GROUP CEO'S
REVIEW AND MD&A

BUSINESS SEGMENT AND OPERATIONS REVIEW

LNG SHIPPING

The LNG Shipping segment today owns and operates Liquefied Natural Gas (LNG) vessels and floating storage units (FSUs) that deliver LNG to PETRONAS and various international LNG companies across the globe. As at end 2016, our LNG Shipping fleet comprised 26 LNG vessels and two FSUs. The segment possesses over three decades of proven experience as well as a distinguished reputation for overall operational excellence, reliability, safety and on-time cargo deliveries.

Currently owns and operates
26
LNG vessels and two floating storage units (FSUs)

In 2016, delivered
21.64 MILLION
tonnes of LNG
representing 8% of total world LNG trade

Has safely delivered
more than
400 MILLION
tonnes of LNG for more than 30 years

MARKET REVIEW

In 2016, an oversupply of LNG compounded by plunging gas prices negatively impacted the LNG shipping market. Despite this, LNG supply grew by more than 15 million tonnes for the year with Australia alone contributing 14 million tonnes. This was however dampened by several notable outages in Nigeria, Trinidad, Yemen and Egypt which saw charterers reluctant to charter on a long-term basis thus pressuring rates downwards. The LNG shipping market continues to be a charterer's market with a choice of options available for spot charters.

KEY DEVELOPMENTS

In September 2016 and January 2017, MISC took delivery of the Seri Camellia and Seri Cenderawasih MOSS-Type LNG carriers at the Hyundai Heavy Industries Co., Ltd. (HHI) shipyard in Ulsan, South Korea. These 150,200-cubic metre (CBM) carriers are the first two in a series of five MOSS-Type vessels ordered from HHI. Part of the new generation Seri C Class LNG fleet, they offer a more robust and superior cargo containment system and ensure a higher degree of operational flexibility for MISC to operate in harsh meteorological conditions.

These new LNG carriers which are chartered to PETRONAS for the next 15 years will strengthen MISC's leadership position in the global LNG transportation business. They bring the current number of MISC's LNG fleet to 26 LNG vessels and two FSUs today, further cementing MISC's position as a reliable and safe transporter of LNG.

The remaining three vessels are currently under construction and will be completed on a staggered basis and delivered to MISC in due course over the next two years. MISC today remains one of the world's largest single owner-operators of LNG vessels and has safely delivered more than 400 million tonnes of LNG for more than 30 years. In 2016, we delivered 21.64 million tonnes of LNG, carving around 8% of the total world LNG trade.

The year also saw the FSU Tenaga Satu and FSU Tenaga Empat being retrofitted with smaller deck boilers which will bring significant cost savings in terms of fuel consumption and improved operational efficiencies over the remaining tenure of the 16-year charter. In September 2016, Asia LNG Transport Sdn. Bhd., a subsidiary of MISC, signed a 10-year Time Charter Party contract for the Aman Sendai with Malaysia LNG Sdn. Bhd.

PRESIDENT/GROUP CEO'S REVIEW AND MD&A

BUSINESS SEGMENT AND OPERATIONS REVIEW

LNG SHIPPING

MOVING FORWARD

The LNG Shipping landscape is changing as spot or short-term charters become the norm given weakening rates and a persistent oversupply. Charterers, no longer keen on chartering LNG vessels on a long-term basis, are now securing vessels for a medium-term tenure of between 7 and 10 years at lower rates resulting in a lower return on equity to ship owners. The year ahead will see a continued growing preference by charterers for newer, bigger and more fuel efficient LNG carriers compared to the steam vessels further impacting an already unfavourable market with reduced spot charter rates. This has already affected two of our vessels, the Seri Bakti and Seri Anggun. Growth opportunities for new LNG shipping projects have also been stifled with many LNG liquefaction project owners postponing their final investment decision due to unfavourable market conditions.

To remain profitable, the segment will also explore the possibility of non-conventional LNG shipping and alternative LNG floating solution projects in key LNG demand centres and emerging economies.

PRESIDENT/GROUP CEO'S
REVIEW AND MD&A

BUSINESS SEGMENT AND OPERATIONS REVIEW

PETROLEUM & PRODUCT SHIPPING

The Petroleum & Product Shipping segment under AET provides safe, high quality and comprehensive ocean transportation and specialist petroleum services to the world's largest oil companies, trading houses and refiners. Its services include global marine transportation of crude oil, clean petroleum products (CPP) and chemicals; lightering and ship-to-ship (STS) transfer of oil; the provision of Dynamic Positioning Shuttle Tankers (DPSTs) to the world's oil majors; and the provision of Modular Capture Vessels (MCVs) for marine well containment systems in the US Gulf (USG).

Owns and operates **99** commercial vessels with another eight tankers under construction

The only tanker company globally to possess **MCV capabilities** and experience

58 AET VESSELS awarded the Environmental Achievement Awards by the Chamber of Shipping of America (CSA)

Two workboats and 55 vessels were presented with the Jones F. Devlin Awards for **ACCIDENT-FREE OPERATIONS**

The segment today owns and operates 99 commercial vessels including Very Large Crude Carriers (VLCCs), MCVs, DPSTs, Lightering Support Vessels (LSVs), Panamax, Suezmax and Aframax vessels, CPP and chemical tankers, as well as an Liquefied Petroleum Gas (LPG). AET is one of the market leaders in the USG lightering market with the ability to provide end-to-end marine logistic services to the global petroleum industry. It is also the only tanker company globally to possess MCV capabilities and experience.

MARKET REVIEW

Tanker owners experienced a challenging year in 2016 as the market continued to be suppressed by growing tonnage oversupply and relatively lacklustre demand. The lifting of sanctions on Iran in January 2016 partially offered additional demand for tankers, but this was severely negated by oil supply disruptions in Nigeria, Libya and Venezuela. Prevailing low oil prices also continued to curtail exploration and production investment, capping any new demand for shuttle tankers in 2016. Even against a softer commercial environment, AET's financial performance was comparable to 2015, largely due to improved triangulation and utilisation, and lower cost of operations across the AET Group.

PRESIDENT/GROUP CEO'S REVIEW AND MD&A

BUSINESS SEGMENT AND OPERATIONS REVIEW

PETROLEUM & PRODUCT SHIPPING

KEY DEVELOPMENTS

In 2016, we acquired the remaining 50% stake in the Paramount Tankers JV, to strengthen AET's core fleet age profile and capacity. The chemical and CPP fleets were also merged to provide greater flexibility and capacity to customers while allowing AET to secure spot fixtures as well as generate earnings from both front and back haul trades. The integration of the two fleets enables the Group to enjoy economies of scale as well as deliver a more integrated marine logistics solution to customers.

The segment also performed a number of lightering operations using Suezmax instead of Aframax tankers. In anticipation of potential cargo upsizing in the future, AET took the opportunity to improve triangulation and optimisation opportunities for both fleets.

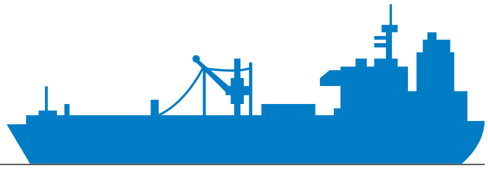
58 AET vessels were awarded the Environmental Achievement Awards by the Chamber of Shipping of America (CSA) for their environmentally responsible operations, while two workboats and 55 vessels were presented with the Jones F. Devlin Awards for accident-free operations at the CSA Annual Safety Awards.

In 2016, AET continued to expand its presence and operations in Latin America. Its efforts included the acquisition of a new on-water LSV to maintain and expand lightering operations in the region and the expansion of its Brazil office. Also in 2016, a subsidiary was incorporated in Panama to capitalise on opportunities potentially arising from the expanded Panama Canal, including STS operation off the coasts of Panama, Ecuador and the US West Coast.

MOVING FORWARD

AET will continue to consolidate its position as a leading provider of lightering support services in the USG and replicate this successful business model in Latin America. To this end, it will focus on operationalising its new Panamanian subsidiary by establishing STS operations in the west coast of the Americas. Concerted efforts will also be undertaken to grow our footprint in the shuttle tanker business as it will provide AET with long-term quality income.

BUSINESS SEGMENT AND OPERATIONS REVIEW



OFFSHORE BUSINESS

The Offshore Business segment delivers comprehensive and innovative solutions from design to operation, catering for marginal, conventional and deepwater field developments. It has an extensive production and operations performance track record for all its facilities. The segment currently owns 14 floating solutions comprising six FPSOs, five FSOs (three of which are in operation), two Mobile Offshore Production Unit Mobile Offshore Production Unit (MOPUs) and one Floating Production System (FPS). It also offers comprehensive solutions for small, marginal and deepwater field developments, from design to operation and decommissioning of floating assets (EPCICOD). Today, the Offshore Business segment owns 50% of the total floating facilities in Malaysia.

Owns
50%
of the total floating facilities in Malaysia.

99.88%
ASSET UPTIME
in 2016

Achieved
ZERO
lost time injury frequency (LTIF)

MARKET REVIEW

The year 2016 was a challenging year for the FPSO market, with FPSO awards reaching a record low. Only three FPSOs and six FSOs were awarded (including the FSO Benchamas 2 replacement unit), while 11 FPSOs and nine FSOs were delivered in the same year. In addition, there was a substantial amount of decommissioning with 23 floating production facilities decommissioned mainly due to end of economic field life. This brought the total available floating production units in the market to 46 (minus the scrapped units).

The year also witnessed significant cost cutting efforts with many oil majors reducing capital expenditure by as much as 30%, further distressing the Oil & Gas services industry with many contracts renegotiated and some even terminated.

PRESIDENT/GROUP CEO'S REVIEW AND MD&A

BUSINESS SEGMENT AND OPERATIONS REVIEW

OFFSHORE BUSINESS

KEY DEVELOPMENTS

The year in review saw our Offshore Business segment successfully completing the buyback of the remaining 50% equity interest in the Gumusut-Kakap Semi-Floating Production System (L) Limited (GKL) from PETRONAS. With GKL now a 100% wholly-owned subsidiary of MISC, we are now able to fully consolidate its future earnings. The asset has a 25-year time charter attached to it and will provide stable and recurring revenue contributions.

In August 2016, MISC Offshore Floating Terminals (L) Limited, a wholly-owned subsidiary of MISC, signed a 10-year contract for the lease and operations of an FSO for the FSO Benchamas 2 project with Chevron Offshore Thailand Ltd. in the Gulf of Thailand. This contract, which marks MISC's maiden foray into Thailand's offshore Oil & Gas market, is the first ever long-term, international offshore contract of its kind secured by competitive bid. This development is also significant in that it opens up possibilities for doing business with Chevron in other areas where it operates.

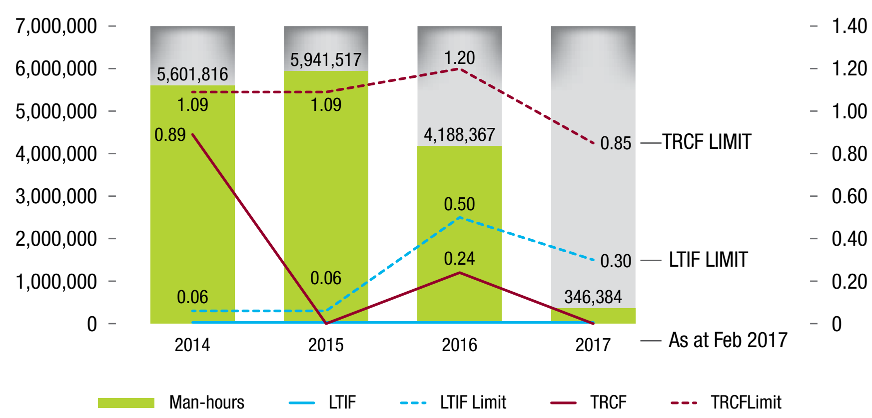
For the FSO Benchamas 2 project, an AET vessel, the Bunga Kelana 5 will undergo conversion works by MHB in order to transform it into an FSO. The Offshore Business is scheduled to operate the asset in Thailand waters come the second quarter of 2018 and it is expected to contribute to the Group's future earnings. This exercise reflects the synergistic workings and collaborative efforts across the Group for shared success. Together with the MaMPU1, which achieved first oil in November 2016 and is already contributing secured income to the Group by way of a long-term charter contract, both assets will reinforce the Group's efforts to achieve a sustainable level of secured profit by 2020.

The Offshore Business segment's technical capabilities include demobilisation and it achieved significant milestones in 2016, when it completed the demobilisation of the FSO Abu, the MOPU SATU and the MOPU DUA as per schedule with zero Loss Time Injury (LTI).

The Offshore Business continued to show excellent asset performance, registering 99.88% asset uptime in 2016. In addition, we achieved 0.24 of recordable accidents with zero Lost Time Injury Frequency (LTIF).

OBU HSE PERFORMANCE STATISTICS

Trending LTIF & TRCF against Man-hours (FY 2014 - FY 2017)

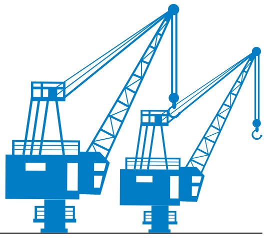


YEAR	LTIF ACTUAL	LTIF LIMIT	TRCF ACTUAL	TRCF LIMIT	Man-hours
2014	0.00	0.06	0.89	1.09	5,601,816
2015	0.00	0.06	0.00	1.09	5,941,517
2016	0.00	0.50	0.24	1.20	4,188,367
2017 (as at Feb 2017)	0.00	0.30	0.00	0.85	346,384

MOVING FORWARD

To ensure sustainable growth, the Offshore Business segment will focus on strategic acquisitions particularly in the areas of assets in distress and equity participation. It will also expand its international footprint regionally and globally as well as seek new market opportunities. In addition, the segment will move towards adopting more green technology and focus its efforts on optimising cost efficiencies and operational excellence.

BUSINESS SEGMENT AND OPERATIONS REVIEW



MARINE & HEAVY ENGINEERING

The Marine & Heavy Engineering segment under MHB specialises in offshore and onshore construction, offshore conversion and marine repair solutions. MHB owns and operates one of the largest marine and heavy engineering facility in the region with an array of state-of-the art equipment. Its 372-acres and 488-acres yards at Pasir Gudang are the largest in Malaysia, while it also boasts the largest annual fabrication capacity in Malaysia at 129.7 k MT per annum. Its offer of 7 skid tracks and bulkheads with a maximum capacity of 55 k MT and 167 k MT in total are among the largest in the Far East Asia region. On top of this, MHB's dry dock is one of Southeast Asia's largest in terms of cubic and deadweight tonnage capacities. The yards are strategically located close to Johor Port and the crossroads of international maritime trade routes.

Owns and operates one of the **LARGEST MARINE AND HEAVY ENGINEERING FACILITIES** in the region

One of the largest dry dock in **SOUTHEAST ASIA** in terms of cubic capacity

Completed the first of its **GOLIATH CRANE** a massive structure with a 600-tonne lifting capacity and a 100 metre hook height

MARKET REVIEW

The prevailing low oil price environment in 2016, which made it unattractive for Oil & Gas majors to consider further investment, continued to pose a challenge to players in the offshore construction sector. However, the intervention by OPEC and non-OPEC countries to restrict oil output to quickly ease the supply glut, as well as Saudi Arabia's decision to reduce output by more than it had first suggested, are both positive developments. Nevertheless, it remains to be seen whether these countries will honour their commitments.

PRESIDENT/GROUP CEO'S REVIEW AND MD&A

BUSINESS SEGMENT AND OPERATIONS REVIEW

MARINE & HEAVY ENGINEERING

KEY DEVELOPMENTS

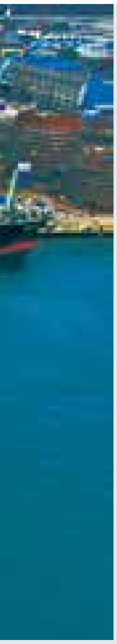
Despite the vagaries of the marketplace, MHB achieved several key milestones. The year saw the safe and successful sail away of the completed Malikai TLP for Shell and PETRONAS, the first of its kind in Malaysia. MHB also celebrated the sail away of the MaMPU 1 which was deployed to the Anjung Kecil oil field offshore Sarawak in September 2016.

With the deployment of the MaMPU 1, MISC is the first in the region to introduce new technologies on a floating asset and this development is set to strengthen our position as one of the leading marginal field solutions providers. The MaMPU 1's technology frontier has been enhanced by incorporating the Condensate Recovery System (CRS), a process that recovers condensation from unwanted gases (usually flared gas) and increases the hydrocarbon yield from the field. When combined with the Sep-iSYS™, production will be enhanced by an additional 50 barrels of oil per one million square cubic feet of flared gas. It is expected that the CRS will also contribute to lowering CO_2 emissions by 25% to 30% on daily flaring rates. This is consistent with MISC's mission to operate responsibly and proactively minimise our impact on the environment where possible.

The segment's performance was lifted up by a number of new contracts that were signed in the year under review. These included Package 3 and Package 14 for the RAPID project, Dangote CALM buoy mooring system, Benchamas 2 external turret mooring system, the supply and installation of offshore wellhead facilities and LNGC Puteri Zamrud repair life extension.

MMHE EPIC Marine and Services Sdn. Bhd. (MMHE), a joint venture company, was formed to undertake repair services at the Kemaman ship repair facilities primarily for the East Coast-based offshore vessels market. This will drastically reduce the journey time and bunker requirements for these vessels which previously underwent repairs at Pasir Gudang. It will also free up the Pasir Gudang marine facilities to cater to other types of vessels.

MHB also completed the first of its Goliath Crane, a massive structure with a 600-tonne lifting capacity and a 100 metre hook height. The GC1 will enable the projects to be rolled out at a lower cost and in a more productive manner. A second crane, the GC2, is expected to be completed in 2017.



MOVING FORWARD

MHB's key focus will be on securing recurring revenue from Oil & Gas services and marine businesses for the next three years. It will intensify its efforts in the area of Oil & Gas services by developing onshore and offshore segments, focusing on RAPID project, hook-up & commissioning (HUC) facilities as well as platform improvement and maintenance works.

There are plans to expand MHB's market with its joint venture partner, EPIC, to attract offshore vessels operating in the Gulf of Thailand. As a long term initiative, this will offer more flexibility in terms of the diverse dry-docking activities, vessel type and ad-hoc/en-bloc requirements as well as safeguard MHB's market share. MHB is evaluating the potential to expand its capacity via the proposed construction of a new third drydock. At the same time, the company will focus its efforts on cost and asset utilisation programmes by ensuring cost reductions in the tender process, undertaking productivity improvements, as well as optimising workshop and machinery usage.

PRESIDENT/GROUP CEO'S
REVIEW AND MD&A

BUSINESS SEGMENT AND OPERATIONS REVIEW

MARITIME EDUCATION & TRAINING

In 2016, our maritime education and training arm, the Malaysian Maritime Academy also known as Akademi Laut Malaysia (ALAM), continued to build upon its success in several areas to further consolidate its position as the leading maritime education and training facility in the region.

MISC has sponsored more than **4,200 cadets** with total sponsorship of **RM164 MILLION** for over 35 years

Consistently ranked amongst the top **10%** of the world's Maritime Education and Training (MET) institutions

341 students received their diplomas in Nautical Studies and Marine Engineering together with the Certificate of Proficiency for Deck and Engine Ratings at the 114th Convocation ceremony

KEY HIGHLIGHTS

Some 341 students received their diplomas in Nautical Studies and Marine Engineering together with the Certificate of Proficiency for Deck and Engine Ratings at the 114th Convocation ceremony. They join the ranks of more than 13,000 seafarers who have been trained at ALAM since its inception in 1977. Having trained the first batch of 34 ratings under the Melaka state government's State Economic Planning Unit or Unit Perancang Ekonomi Negeri (UPEN) in 2016, ALAM's collaboration with UPEN continued with 50 candidates enrolled for its upcoming Ratings programme commencing in 2017.

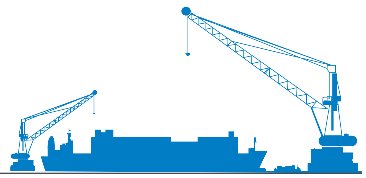
A total of 266 sponsorships totalling RM12 million were secured from various maritime organisations for school leavers to join ALAM's Cadetship and Ratings programmes in 2016. This is part of the academy's national commitment to providing capable and professional seafarers for the maritime industry. ALAM has been consistently ranked amongst the top 10% of the world's Maritime Education and Training (MET) institutions, achieving an excellent rating by DNV-GL.

The academy achieved a significant milestone in the international arena with the signing of an International Collaborative Agreement with Liverpool John Moore University (LJMU). This opens up the opportunity for ALAM's cadets to sit for the LJMU Diploma of Higher Education (DipHE) at ALAM and subsequently transfer over to the Bachelor's Degree programme at LJMU. A Memorandum of Understanding (MoU) was also signed with Kolej Yayasan Pelajaran Johor (KYPJ) to provide KYPJ culinary students career options in the maritime sector. The MoU will see the inclusion of certain culinary modular courses at ALAM commencing in 2017.

The Academy delivered 10 research and consultancy projects to various clients and industry sectors in 2016 and jointly participated in a number of events and exhibitions that included World Maritime Day 2016 and the Sarawak Career and Training Fair 2016. One of the notable events at ALAM over the year was the visit by the Secretary General of the International Maritime Organisation, His Excellency, Mr Kitack Lim.

In 2016, ALAM was shortlisted for the Lloyd's List Asia Awards 2016 in the "Excellence in Training" category. This reflects that ALAM's ongoing efforts and commitment to achieving academic excellence are gaining recognition. The Academy is now an approved training centre for Offshore Support Vessel Training Programmes having received approval from Jabatan Pembangunan Kemahiran Malaysia (the Department of Skills Development). The academy also received ISO 9001:2015 standard accreditation from SIRIM in 2016.

BUSINESS SEGMENT AND OPERATIONS REVIEW



PORT & TERMINAL SERVICES

PETRONAS Maritime Services Sdn. Bhd. (PMSSB) serves as the centre for maritime services in provision of marine assurance and compliance, port and terminal operations & management, consultancy and services to the PETRONAS group of companies. PMSSB is vested with the authority on behalf of PETRONAS to enforce the PETRONAS policy on maritime activities. As a service provider, the company possesses highly experienced and qualified marine technical and consultancy personnel and accredited inspectors and engineers.

THE MARITIME SERVICES CENTRE for marine assurance and compliance, port and terminal operations & management, consultancy and services to the PETRONAS group of companies

80% of the company's revenue is derived from **PORT AND TERMINAL OPERATIONS**

MARKET REVIEW

Since becoming a wholly owned subsidiary of MISC in July 2015, the company has adapted favourably to market conditions and is continuously reviewing the organisation to ensure optimal use of resources to deliver consistent and efficient services. The company supports PETRONAS Coral 2.0 cost reduction programme and the Integrated Logistic Tower project that will bring significant changes to the upstream marine sector.

KEY DEVELOPMENTS

Almost 80% of the company's revenue is derived from Port and Terminal operations while Marine Assurance and Services make up the balance. The PETRONAS Floating LNG (PFLNG) contract which commenced at the beginning of 2016 will contribute a steady revenue stream as will eight new contracts totalling an estimated RM95 million, including two from PETRONAS Carigali Sdn. Bhd. (PCSB).

MOVING FORWARD

The outlook for PMSSB remains positive with the expansion of marine facilities within PETRONAS and the requirement to ensure vessel integrity for the safe conveyance of petroleum products. The company plans to provide a one-stop maintenance centre for PCSB for their single buoy mooring (SBM) facilities in Peninsular Malaysia, Sabah and Sarawak while also exploring opportunities to provide piloting and loading master services to other SBM owners.

PRESIDENT/GROUP CEO'S
REVIEW AND MD&A

BUSINESS SEGMENT AND OPERATIONS REVIEW

TANK TERMINAL SERVICES

MISC's Tank Terminal business offers bulk liquid storage and handling services as well as centralised tankage facilities for the oil, gas and petrochemical industry via its two operating entities, Langsat Terminal (One) Sdn. Bhd. (LgT-1) and Langsat Terminal (Two) Sdn. Bhd. (LgT-2). The segment provides storage services for various types of oil products such as Middle Distillates, Naphtha, Gas Oil, Gasoline, Biodiesel and Drilling Base Oil as well as Road Tanker Loading Facility. Strategically positioned for customers using major shipping routes at seaports close to the areas of production and areas of consumption, this business offers competitive storage rental fees in comparison to other terminals in Malaysia, Singapore and Indonesia.

42 oil storage tanks with total storage capacity of **647,000 cbm** for petroleum products

Both terminals are **ISO 9001, ISO 14001 and OHSAS 18001-accredited**

MARKET REVIEW

Despite the current downward trend for the Oil & Gas sector globally and low oil prices, the LgT-1 and LgT-2 continued to provide a stable revenue flow to the Group in 2016 as the terminals' capacity rental is based mainly on long-term, take-or-pay contracts. These contracts provide a stable source of income, leading to relatively consistent margins for contracted storage.

KEY DEVELOPMENTS

In 2016, it was business as usual for the Tank Terminal business with both terminals continuing to operate 42 oil storage tanks with a total storage capacity of 647,000 cbm for petroleum products. All of the storage capacity has been contracted to customers. Both terminals, which are ISO 9001, ISO 14001 and OHSAS 18001-accredited, achieved a cumulative 1.5 million man-hours without a LTI.

MOVING FORWARD

While the Tank Terminal industry rely on economic growth and trade activity, both the Langsat terminals will continue to enjoy secured income based on the long-term fee-based contracts.

BUSINESS SEGMENT AND OPERATIONS REVIEW

FLEET MANAGEMENT SERVICES

Our Fleet Management Services (FMS) Division provides fleet technical management and operation services for the Group's LNG and Chemical fleet of vessels. This involves the provision of services relating to the maintenance, repair and running of vessels, in compliance with flag state and international operating standards. The division also provides crew management services which cover the selection, training, administration and manning operations of crews, dry-docking management and project management services for newbuild construction and conversion projects.

Maintained a high overall vessel availability rate of **ABOVE 99%** for the LNG and Chemical fleets

ZERO LTI & ZERO PSC (Port State Control) detention rate

Achieved **OPERATIONAL EXCELLENCE AWARD** at the annual Tanker Shipping & Trade Conference & Awards 2016

MARKET REVIEW

With charter rates on the decline in 2016, FMS, which manages the LNG and Chemical Shipping fleets, focused its efforts on cost optimisation and efficiency whilst maintaining the highest standards of operation.

PRESIDENT/GROUP CEO'S REVIEW AND MD&A

BUSINESS SEGMENT AND OPERATIONS REVIEW

FLEET MANAGEMENT SERVICES

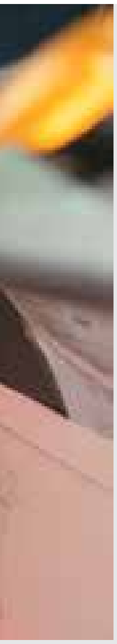
KEY DEVELOPMENTS

In 2016, FMS introduced a bold five-year master plan, dubbed Fleet 2020, to consolidate and align its operations with the Group's MISC2020 strategy. Focusing on achieving cost efficiencies and overall superior operational asset performance, the Fleet 2020 initiatives aim to benefit the division for the long-run. Fleet 2020 also aims to enhance the capabilities and skillsets of FMS Sea and Shore staff in incremental steps to ensure they are able to deliver a superior performance.

Among FMS' notable achievements in 2016 was its success in maintaining a high overall vessel availability rate of above 99% for the LNG and Chemical fleets. This surpassed the industry benchmark across all segments of shipping.

The division also turned in a Zero LTI and Zero Port State Control (PSC) detention rate. We garnered the Operational Excellence Award at the annual Tanker Shipping & Trade Conference & Awards 2016 and successfully delivered on time the Seri Camellia, the first of five MOSS-Type LNG carriers ordered from Hyundai Heavy Industries (HHI).

On top of this, MISC's Seri A Class LNG carriers were awarded the Certificate of Classification for STAR-MACH additional class notation from Bureau Veritas (M) Sdn. Bhd. (BV) whereas Seri B, Puteri, Puteri Satu, Bunga A, and Bunga L Classes were awarded the Attestation of Approval in compliance with STAR-MACH additional class notation, also from BV. This was for FMS' Reliability Centred Maintenance (RCM) program aimed at further enhancing and improving the reliability of our vessels.



MOVING FORWARD

The depression in shipping charter rates, which is expected to continue in 2017, will continue to exert pressure on the operating costs of vessels. We anticipate a challenging period for FMS as further cost optimisation is required in order for asset owners to remain competitive, whilst demanding the highest level of operating standards. FMS will continue to implement strategies and initiatives focusing on delivering superior performance, cost optimisation and operational efficiency in support of the objectives envisioned in MISC2020. The division will also work on developing in-house FSRU engineering capabilities in preparation for potential future FSRU business requirements.

Another factor that will likely have big influence on fleet operations going forward is the compliance with specific regulatory or legislative requirements that will require substantial financial investment. For instance, the Ballast Water Management (BWM) Convention which comes into effect in September 2017, would involve substantial investment in the installation of ballast water management system on board the vessels. Such investments certainly impose financial pressure on the owners and in turn will impact the operation of the vessels financially. To this end, we are currently reviewing the retrofit plan in 2017.

In addition to the BWM Convention, come 1 January 2019, the MARPOL Annex VI, Chapter 4 relating to ship energy efficiency regulations will come into effect. FMS' Fuel Efficiency team is already working on gathering the necessary data to ensure compliance with these new regulations.

BUSINESS SEGMENT AND OPERATIONS REVIEW

HUMAN RESOURCES MANAGEMENT

MISC's workforce of close to 9,000 employees remains the Group's most important asset, particularly so amidst the energy shipping segment's highly competitive landscape. To this end, the Human Resources (HR) division is tasked with developing staff competencies to ensure all employees are equipped with the necessary skills, knowledge and tools to undertake their respective responsibilities efficiently. HR is also tasked with looking after employee welfare and talent sourcing as well as facilitating personal development and career progression within MISC.

Invested
RM5.55 MIL
in training programmes amounting to an average of
2.28
MAN DAYS
of training per employee

MARKET REVIEW

While many international and local companies were involved in manpower rationalisation exercises in 2016 to ensure survival amidst a highly challenging market environment, MISC did not follow suit. However, due to the divestment of MILS, the Group's overall headcount now stands at approximately 9,000 employees as compared to more than 10,000 employees in 2015. The year saw HR focusing its efforts on monitoring manpower costs to ensure prudent utilisation of the manpower budget.

BUSINESS SEGMENT AND OPERATIONS REVIEW

HUMAN RESOURCES MANAGEMENT

KEY DEVELOPMENTS

For 2016, the Group invested some RM5.55 million in training programmes amounting to an average of 2.28 man days of training per employee. Of the 477 programmes conducted, the bulk of these (403 programmes) related to functional training while the remainder focused on leadership and succession management programmes.

Following the launch of MISC's refreshed Vision, Mission and corporate logo/identity in January 2016, HR, in collaboration with the MISC President/Group CEO's Office and the PETRONAS Learning Centre (PLC), successfully organised a series of Cultural Beliefs Workshops for all employees. The Cultural Beliefs were first introduced by PETRONAS in 2015. Being part of PETRONAS family, MISC too has embraced these beliefs and anchored them on our Shared Values of Loyalty, Integrity, Professionalism and Cohesiveness. Eleven workshops were rolled out in 2016 to institutionalise the beliefs among MISC employees and to help drive the MISC2020 corporate strategy.

As part of our efforts to embed a high performance culture within MISC, we introduced the enhanced Performance Management process in 2016. The key objective of this process is to encourage more meaningful and objective performance appraisal discussions between supervisors and their subordinates, whilst observing the behaviours demonstrated by employees in performing their job functions. The process also serves to encourage employees to perform above and beyond their job roles in line with our Cultural Beliefs.

In September 2016, MISC was among the recipients of "The Best Employer" award by the Employee Provident Fund in recognition of our continuous compliance with the statutory contribution regulated by Malaysian Labour Law. This award underscores our commitment to looking after the interests of our employees in accordance with local laws. We also show how much we value our employees by recognising employee contributions across the Group. At our annual MISC Retirement & Long Service Awards event which was held in conjunction with the Company's Annual Dinner, a total of 216 shore and sea employees who had served between 15 to 35 years were recognised for their loyal service to MISC.

HR is on course with its five-year master plan to promote individual and team excellence within the Group in line with the goals set under MISC2020. The plan encompasses two main focus areas, namely succession planning and employee competency development for both leadership and functional skills. To ensure a seamless leadership and sustainable talent pipeline across all job levels, several initiatives are underway to extend the ambit of the succession planning exercise to include more positions and talent across the Group. Efforts are also being taken to introduce more timely reviews and assessment tools to support the succession planning process. On the employee competency development front, we are rolling out various initiatives to ensure a more structured and holistic developmental process including intra-Group job postings for development exposure and the introduction of individual career maps for employees to plan their career progression within the Group.

MOVING FORWARD

The scarcity of specialised talent in the maritime and offshore segment for instance LNG superintendents, and turret/mooring specialists may continue to challenge recruitment efforts. To this end, we will leverage on HR's five-year master plan to enhance the MISC Employee Value Proposition and attract top talent to join MISC as the preferred Employer of Choice. The year 2016 saw good talent retention within the Group, posting an attrition rate below the national general market average of 14%. This augurs well for us in our efforts to retain good and capable talent and is especially important as we strive to improve our performance and achieve MISC2020.

PRESIDENT/GROUP CEO'S REVIEW AND MD&A

BUSINESS RISK

MISC continues to grow from strength to strength and demonstrate its resiliency amidst a highly challenging playing field. As we venture forth, there are several key risks that we are exposed to in the course of our business and we continue to do our best to minimise these risks. As per Bursa Malaysia's new disclosure requirements, we are highlighting the key anticipated or known risks that the Group is exposed to that may have a material effect on our operations, performance, financial condition, and liquidity. We also touch upon the plans we have to mitigate such risks.

External risks

The Group faces the possibility of not being able to achieve MISC2020 and our objective of sustainable performance should certain macroeconomic factors hinder our businesses. Factors such as a prolonged weak or volatile Oil & Gas market may affect the Group's ability to secure new projects or may see projects being deferred or cancelled.

To mitigate the impact of these external risks, the Group's business segments continue to monitor the external environment continuously and adjust their plans accordingly. At the same time, they remain open to exploring new avenues of opportunity. The LNG Shipping segment, for instance, is set to expand its portfolio of third party LNG charters and ensure they are value accretive despite the current competitive landscape. The Group will also pursue efforts to develop concepts for non-conventional LNG solutions.

AET will set its sights on securing more fixed long-term charters and exploring expansion opportunities within the niche shuttle tanker segment. Meanwhile, MHB will focus its efforts on cost management and resource optimisation to reduce its operating costs as well as raise the income base for its recurring marine business. The Offshore Business segment will explore both organic and inorganic growth in the international arena, especially in the Atlantic Basin.

On top of this, the possibility of higher bunker costs brought on by higher fuel prices, could pose a significant risk to vessel owners and operators. To mitigate the effects of high bunker costs, we will continue to monitor bunker consumption closely to detect any significant variations and take the appropriate steps to minimise these variations. Additionally, a comprehensive bunker procurement strategy is currently being discussed and formulated at the management level to optimise future bunker purchases.

Operational risks

The Group may face delays or penalties for material non-compliance with maritime rules and regulations. With a slew of new regulations relating to ballast water management, ship energy efficiency and low sulphur emissions coming into play, MISC continues to proactively keep abreast of the changing regulatory environment and take early steps to ensure full compliance. Internally, we are already reviewing the 2017 retrofit plan for vessels requiring the new ballast water treatment while FMS has already begun gathering data to take the necessary actions relating to ship energy efficiency regulations.

Changes pertaining to industry certification may also impinge upon our business going forward. On 1 January 2017, under the STCW 2010 Manila Convention, the new set of amendments to the Standards of Training Certification and Watchkeeping of Seafarers, came into play.

These guidelines serve to ensure that the necessary global standards are in place to train and certify seafarers to operate technologically advanced ships for some time to come. Since 2012, MISC's seagoing crew have been upgrading their certificates in stages to ensure compliance with the requirements. Our crews are fully STWC-compliant today.

MISC also faces major Health, Safety and Environmental (HSE) risks. Incidents such as fatalities, pollution, fires and navigational incidents can result in loss of life, bring about financial and operational impact, and affect our reputation. Security incidents including the risk of piracy, hijacking, stowaways/ refugees and theft too, can have severe implications.

To mitigate such risks, The Group continues to lay down strong HSE and security foundations, inculcate effective behaviour amongst staff and contractors, enhance their capabilities, and make key personnel more accountable. Our strong HSE track record speaks for itself as does our being shortlisted for the Lloyd's List Asia Awards "The HPH Trust Safer Cleaner Seas Award" which honours maritime companies that have made a meaningful and positive difference in both safety and environmental performance. On top of this, our zero LTIF rate underscore our commitment in this area.

The maritime sector is today facing a shortage of ready talent, particularly competent seafarers for vessels. On top of this, there is also the risk of an insufficient number of readily available successors to assume critical positions within the Group.

To overcome this perennial problem, MISC has embarked on measures to ensure proper manpower and succession planning are in place so as to bring about business continuity and sustenance. We are also working to mitigate market forces by implementing a structured employee competency development plan to ensure continuous development of our internal capabilities and the competencies within our organisation.

We are also strengthening staff mobility processes and rigorously developing identified successors. Today, ALAM is providing a strong in-house pool of ready, high quality talent as well as cadet sponsorships.

We are confident that these and other mitigation strategies that we are already employing will help deflect any risks to our business.

PRESIDENT/GROUP CEO'S REVIEW AND MD&A

THE WAY FORWARD

Going forward, we anticipate that 2017's operating environment will be equally, if not more challenging for industry players. Market conditions across all shipping segments are expected to remain restrained in view of the prevalent tonnage oversupply and downward pressure on margins. Declining charter rates for vessels too are putting increasing pressure on ship managers to maintain or optimise operating costs so that owners can remain competitive. The industry outlook remains uncertain.

The issue of survival will remain top-of-mind and we are likely to see more companies going into distress. Notwithstanding the already taxing business environment, the shipping markets are not expected to get a reprieve as the cost of complying with new regulations such as ballast water management and emissions control standards will place a bigger burden on ship owners and operators.

The topic of LNG as a marine fuel too will gather even more momentum as gas producers and the marine industry debate the pros and cons of this development.

Amidst the expected low-key environment, MISC will focus its efforts on leveraging its resources and financial strength to create opportunities for growth in the coming future. Our businesses will look to our MISC2020 corporate strategy to guide us.

Back in 2015, MISC was a USD10 billion asset company with no debt. In 2016, we touched the USD12 billion asset mark with only net debt of about USD1 billion. Our financial capacity to grow remains tremendous and is our greatest strength. The fact that we continue to demonstrate to the market that we are able to find new ways to grow despite tough market conditions, continues to stand us in good stead. On top of this, we have our highly competent and unified workforce, our strategic assets plus robust business strategies to leverage on to maintain our forward momentum.

While growth opportunities are scarce given that most Oil & Gas customers are recalibrating their operations and aggressively trimming both operating and investment budgets to meet the challenges, I believe that if we are prepared to look hard and think out of the box, there will be ample opportunities for us to capitalise on. The strategic decisions we have undertaken these past few years and the positive results that have ensued, place MISC in a strong position to tap inorganic growth opportunities and deliver sustained growth. Be it the acquisition of distressed companies or assets or the strategic partnerships that we form with allies with common objectives, the only thing that can stop us is our own ambition and creativity.

The people of MISC will continue to be fuelled by an unwavering belief, pride and passion as we work hard to build a global business and brand. We will also endeavour to conduct our business operations in a responsible and sustainable manner, define and enhance relationships with our key stakeholders as well as ensure holistic value creation over time. As the MISC Family rises to the task, I believe this is when we as a group will show our true capability and prowess.

A NOTE OF APPRECIATION

Our success amidst 2016's challenging operating environment is the result of the worthy support of several parties.

I wish to express my deep gratitude to our valued shareholders, clients and partners for their unstinting trust and confidence in us amidst the vagaries of the Oil & Gas industry. My thanks also goes to the Royal Malaysian Navy for their continuous efforts in safeguarding our fleet from threats of piracy.

I wish to convey my sincere appreciation to the members of the Board of Directors for their astute insights in helping us navigate a steady course through another challenging year. Your wise counsel has proven invaluable in helping MISC grow from strength to strength.

At this time, I would like to congratulate Cik Wan Mashitah Wan Abdullah Sani, upon her appointment as the new Managing Director and Chief Executive Officer (CEO) of Malaysia Marine and Heavy Engineering Berhad (MHB) effective 1 January 2017. Prior to this, she served as acting CEO and Chief Financial Officer of the company. With her breadth of experience and knowledge of the industry, spanning almost 15 years in the MISC Group, we certainly look forward to her continuing contributions in her new position.

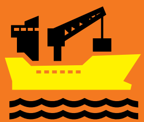
Last but not least, my heartfelt gratitude goes to the rest of our leadership team and our staff for their diligence, loyalty and invaluable contributions to MISC over the course of 2016. Thank you for braving the challenges of our industry, for stepping up to the plate, and for continuing to exhibit a spirit of excellence. I am honoured to be serving with such a talented and resilient group of professionals.

Another year lies ahead of us. Opportunities abound and challenges are aplenty. As we venture forth, I call upon all our stakeholders to lend us their steadfast support as we set our sights on helping MISC unleash its full potential.

YEE YANG CHIEN
President/Group Chief Executive Officer
13 March 2017

DYNAMIC RESILIENT SYNERGISTIC

For the past few years, we have taken painful but necessary steps in restructuring our business and asset portfolio to ensure the survival of MISC as a Group. Our sacrifices have paid off, and we have emerged stronger than ever before. With our strategic vision MISC2020 in place, we will continue to strengthen our ability to stay resilient in anticipating and overcoming industry challenges, and enhance our visibility and stature in the global space.



Owns **50%** of the total floating facilities in Malaysia

Has safely delivered **MORE THAN 400 MILLION** tonnes of LNG for more than 30 years

Owns and operates one of the **LARGEST MARINE AND HEAVY ENGINEERING FACILITIES** in the region

The only tanker company globally to possess **MCV** capabilities and experience

KEY HIGHLIGHTS OF 2016

JAN 2016

15 JANUARY

President/Group CEO's Townhall 2016

Over 700 MISC staff gathered for the inaugural MISC President/Group CEO's Townhall. During the event, the President/Group CEO provided an overview of the current economic situation, what we can expect in the coming years as well as the various opportunities we could take advantage of in the current environment. He also shared our 5-year strategic business plan of Rebuilding MISC (MISC2020) to ensure our stability in the volatile market. The highlight of the event was the unveiling of MISC's new Vision, Mission Statement and Tagline.

22 JANUARY

Bunga Mas Lima (BM5) Handover Ceremony

MISC handed over the Bunga Mas Lima (BM5) Naval Auxiliary Vessel to the Royal Malaysian Navy (RMN) in a ceremony at the RMN Kota Kinabalu Naval Base in Sabah. The event was graced by the presence of the Navy Chief, Admiral Datuk Seri Ahmad Kamarulzaman Ahmad Badaruddin and MISC President/ Group CEO, Mr. Yee Yang Chien. BM5 was originally a 699 Twenty Foot Equivalent Units (TEU) container ship that was the first Malaysian vessel of its kind to be converted into a naval auxiliary vessel.

FEB 2016

10 FEBRUARY

ALAM and MMEA signed memorandum of understanding for 17 competency and modular courses

Mr. David Fredrick, CEO of Malaysian Maritime Academy Sdn. Bhd. (MMASB) has successfully signed a memorandum of understanding (MoU), worth RM2 million with Director General, Laksamana Maritim Dato' Ahmad Puzi Bin Hj. Ab. Kahar of the Malaysian Maritime Enforcement Agency (MMEA) at MMEA's headquarters. The MoU is to provide 17 Competency and Modular Courses that will be conducted at the ALAM campus in Kuala Sungai Baru to a total of 486 MMEA officers from the period of November 2015 to October 2018.

MAR 2016

14-18 MARCH

SOMC Chennai - Strengthening MISC Group synergy for a consistent higher performance

A five-day Senior Officers' Management Conference (SOMC), was organised by MISC's Fleet Management Service (FMS), AET Shipmanagement (AETSM) and AMI Manning Services Pvt. Ltd, at Chennai, India. The SOMC saw the participation of 103 Senior Officers. This year's theme, "Moving Energy: Consistently Performing Better", focused on strengthening MISC's group synergy and working relationship between both shipmanagement units. Mr. Yee Yang Chien, President/Group CEO of MISC Berhad had also engaged with the officers and shared MISC Group's business performance and direction in general for the next five years.

23 MARCH

MISC sponsors Topical Luncheon at OTC Asia 2016

MISC Berhad participated as one of the Topical Luncheon sponsors at OTC Asia 2016, held at the Mandarin Oriental Hotel, Kuala Lumpur. It was attended by more than 350 energy professionals and decision makers from all over the world. Vice President Offshore Business Unit, Tuan Syed Hashim Syed Abdullah shared MISC's remarkable history and its capabilities especially in the Oil and Gas Industry. He also presented on the topic, "Development of Marginal Fields in Malaysia using Optimised Floating Solutions – MaMPU".

KEY HIGHLIGHTS OF 2016

APR 2016

1 APRIL

MISC and AET's Combined Junior Officers' Focused Seminar at The Saujana Resort & Hotel, Subang

MISC and AET conducted the first Combined Junior Officers' Focused Seminar at The Saujana Resort Hotel, Subang that was attended by 139 Junior Officers. Similar to the theme for this year's SOMC, "Moving Energy: Consistently Performing Better", the seminar focused on providing the insights of MISC's 2020 plan as well as to enhance the Junior Officers' understanding on how they can play an active role to support MISC Group's aspirations.

19 APRIL

47th MISC Annual General Meeting (AGM) and Extraordinary General Meeting (EGM)

MISC held its AGM and EGM at the Mandarin Oriental, Kuala Lumpur which was attended by almost 500 shareholders. MISC's Chairman, YBhg. Dato' Ab. Halim presided over the AGM and was joined on the stage by MISC's President/ Group CEO, Mr. Yee Yang Chien as well as other Board members. Following the AGM, the EGM was held for the Proposed Acquisition of the remaining 50% shares of the Gumusut-Kakap Semi-Floating Production System (L) Ltd. (GKL). 99.99% of the shareholders voted their agreement for MISC to purchase the remaining stake in GKL via the e polling system, for the first time.

21 & 22 APRIL

MISC Cultural Beliefs Workshop for MISC Senior Leadership Team

The MISC Culture Belief workshop was organised for the Senior Leadership Team comprised of Senior Managers and above. The Cultural Beliefs was launched by PETRONAS in 2015, to complement the Shared Values of Loyalty, Integrity, Professionalism, and Cohesiveness and define the desired actions and behaviours. Held at Saujana Hotel, the workshop began with the context setting, sharing of the MISC2020 and 2016 Key Results by our President/Group CEO, Mr. Yee Yang Chien. The day was wrapped up with a sharing session by the MC Members on their experiences relating to the Culture Beliefs and recognition to those who had demonstrated the Cultural Beliefs.

APR 2016

28 APRIL

ALAM's 114th Convocation Ceremony

The Malaysian Maritime Academy (ALAM) celebrated its 114th Convocation Ceremony, which saw a total of 341 graduates ready to embark on a rewarding seafaring career. The ceremony was graced by the presence of its Guest-of Honour, Y.B. Dato' Sri Liow Tiong Lai, Minister of Transport, Malaysia who also presented awards to the special awards recipients. The convocation was presided by Y.Bhg. Dato' Halipah Binti Esa, Chairman of ALAM's Academic Board. It was the first convocation conducted outside of the campus and it celebrated both its internationally recognised Diploma programmes and the six-month Certificate of Proficiency for Deck and Engine Ratings programmes.

MAY 2016

13 MAY

Combat Oil Spill Drill 2016

MISC and AET successfully participated in the "Combat Oil Spill 2016" drill organised by the Malaysian Department of Environment (DOE) over three days at Tanjung Bruas Port, Malacca. The objective is to test the response to an oil spill in the congested Malacca Straits and also to cement relationships between government agencies and the major Refineries along the coast. The participants were mainly government agencies and private organisations. AET's vessel, Bunga Kelana 3 served as a "spiller" vessel during the mobilisation day.

19 MAY

MISC LNGC Shipbuilding Project Management Team embrace MISC's mission to be consistently better

MISC LNGC's PMT has successfully organised the Steel Cutting Ceremony for Hull No. 2732, MISC's fourth vessel in a series of five (5) MOSS-Type LNG carriers at Hyundai Heavy Industries (HHI) in Ulsan, South Korea. The steel cutting event commemorated another major milestone for MISC as the proud owner of the LNG carrier.

KEY HIGHLIGHTS OF 2016

MAY 2016

23-27 MAY

MISC and AET share industry insights at International Association of Independent Tanker Owners (INTERTANKO) 2016

MISC and AET sponsored the annual International Association of Independent Tanker Owners (INTERTANKO) event for 2016 that was held at the Capella Singapore Sentosa. The conference saw more than 300 participants from around the world. MISC's President/Group CEO Mr. Yee attended as the Exco member and AET's President & CEO, Captain Raja, who also serves as Chairman of INTERTANKO's Gas Tanker Committee, was a panelist in the Tanker Summit on the Asian Market and Global Geopolitics segment. Captain Catalin Ionescu, General Manager of Quality Assurance & HSSE for Fleet Management Services, MISC also presented a paper on Gas Tanker Vetting in the Gas Forum.

JUN 2016

21 & 24 JUNE

MISC Contributed to MAF and MMEA for the Upcoming Hari Raya Aidilfitri Celebration

On 21 June, the SGM of MISC's FMS, Captain Raja Sager represented MISC in presenting a mock cheque to the Minister of Defence, Dato' Seri Hishammuddin Tun Hussein to symbolise MISC's contribution at the annual Hari Raya Goodies Presentation to the Malaysian Armed Forces (MAF), at MINDEF Auditorium. Later on 24 June, the MISC team led by the SGM of FMS presented Hari Raya goodies to the Malaysian Maritime Enforcement Agency (MMEA) HQ at Putrajaya as a token of MISC's appreciation to the maritime agency for their continuous support to given to our seafarers in traversing the Malaysian waters.

JUL 2016

18 & 22 JULY

SOMC Manila 2016 - Strengthening MISC Group synergy for a consistent higher performance

The Senior Officers' Management Conference (SOMC) held at Manila, Philippines saw a participation of 110 Senior Officers Best practices and high standards of safety culture were shared and inculcated through various case studies, reflective learning approach and internalising organisation values to drive operational excellence across the MISC Group. President & CEO of AET, Captain Rajalingam presented the Long Service Awards to 14 Senior Officers to celebrate and commemorate the commitment and loyalty of Senior Officers who have achieved significant milestones with AET. Epaulettes were presented to seven recently promoted Senior Officers. Mr. Yee, the President/Group CEO also delivered an impactful address by sharing the business performance and direction of MISC Group for the next five years.

AUG 2016

5 AUGUST

MISC Group Celebrated Hari Raya Aidilfitri 2016 with Clients and Business Associates

MISC Group hosted a Hari Raya celebration for its key customers, bankers as well as representatives from the Royal Malaysian Navy and other government agencies. This event served as a social platform to get together and strenghten relationships. President & Group CEO of PETRONAS, Datuk Wan Zulkiflee Wan Ariffin, was also present at the MISC Family open house.

KEY HIGHLIGHTS OF 2016

AUG 2016

9 AUGUST

Visit by His Excellency Mr. Kitack Lim to ALAM

ALAM had the honour of being visited by the Secretary General of the International Maritime Organization (IMO), His Excellency Mr. Kitack Lim. He was accompanied by senior officers of the Malaysian Marine Department, YBhg. Dato' Kapten Jailaini Bin Jalal, Captain Nazri bin Abu Hasan, Captain Rosli bin Ahmad and his Liaison Officer, En. Mohd Hafidz bin Abdul Latif. He commended that he was impressed with the training facilities in ALAM and acknowledged ALAM's significant role in equipping today's seafarers' with the necessary knowledge and skills.

15 AUGUST

MISC won The Edge Billion Ringgit Club Corporate Award 2016

MISC Berhad, one of the 30 shortlisted public companies, has won the coveted The Edge Billion Ringgit Club (BRC) Corporate Award 2016 in the category of Companies with RM10 - RM40 Billion Market Capitalisation (Big Cap Companies). The award was presented to MISC's President/Group CEO, Mr. Yee, at a black-tie gala dinner in Kuala Lumpur which was well attended by Malaysia's biggest and best performing companies.

22 & 23 AUGUST

The second phase of the MISC Cultural Beliefs Workshop roll-out for MISC Managers

The MISC Culture Belief workshop for was also rolled out for MISC Managers, following the success of the first roll out batch for the senior leadership in April. Held at PETRONAS Leadership Centre (PLC), it started off with Mr Yee delivering the refreshed Vision and Mission towards being consistently better every day, to accomplish the objectives of MISC2020, emphasising on MISC's 5-year plan. The workshop sessions were also facilitated by an external facilitator, from PLC as well as our own in-house trained facilitators, the senior leaders of MISC. Activities and sharing sessions were organised where managers exchanged ideas and shared experiences, lessons learnt, gratitude and self-realisation. The key take-away from the sessions were to aim to fix our day-to-day experience because it shapes our beliefs and that will translate into actions which ultimately produce results.

AUG 2016

23 AUGUST

Chevron FSO contract marks MISC's maiden excursion into Thailand offshore arena.

"Shared Success" and "Results Matter" was clearly demonstrated when MISC Offshore Floating Terminals (L) Limited, a wholly-owned subsidiary of MISC, signed a contract for the lease and operations of a Floating, Storage and Offloading Vessel ("FSO") for the FSO Benchamas 2 Project with Chevron Offshore Thailand Ltd. in the Gulf of Thailand for a duration of 10 years. The contract is for the FSO to be converted as a replacement unit for Chevron's Benchamas field operations and is scheduled to commence operations in Thailand waters by the second quarter of 2018.

SEP 2016

1 SEPTEMBER

MISC is now an Authorised Training Employer (ATE) of the Institute of Chartered Accountants for England & Wales (ICAEW)

On 1 September, 2016, the Institute of Chartered Accountants for England & Wales (ICAEW) had approved MISC's application to be an Authorised Training Employer (ATE). To commemorate the approval, a recognition plaque was presented to En. Nik Azlan Aziz, SGM Finance, representing MISC at ICAEW Malaysian Chapter's Annual Dinner. This is a part of MISC's efforts to provide a structured learning platform for its Finance fraternity, in line with MISC's aspirations of promoting individual and team excellence of our employees.

2-4 SEPTEMBER

4th LNG and Tankers Ship Safety Management Workshop in Shenzhen, China

MISC's FMS and AETSM, together with the Maritime Safety Administration of People's Republic of China (MSA) had organised a three-day LNG and Tankers Ship Safety Management Workshop for the fourth year. It saw a total of 42 participants from various parts of China. This bilateral engagement and cooperation was hoped to further enhance the Chinese Authorities' confidence and local business' interest to partner with MISC.

KEY HIGHLIGHTS OF 2016

SEP 2016

7 SEPTEMBER

Cultural Beliefs Workshop roll out to MISC Executives

The MISC Culture Belief workshop for was also rolled out to MISC Executives. Held at PETRONAS Leadership Centre (PLC), it started off with Mr Yee emphasising on the Cultural Belief, being the very foundation to drive unity as MISC moves towards achieving its Vision and Mission, consistently providing better energy related maritime solutions and services. The workshop sessions were mainly facilitated by our own in-house trainers, the senior leaders of MISC. MISC puts its focus on the Executives group because that makes the largest number from the population. Mr. Yee also mentioned that the Executives form the backbone of MISC. Activities and sharing sessions were also organised for the Executives. To quote MISC's President/Group CEO's encouragement for the Executives, "Do better every day, it starts with you."

16 SEPTEMBER

MISC, AET and Petco London Dragon Boat rowers give back to the Great Ormond Street Hospital

MISC, AET and Petco team members at the London office participated in the 2016 OSCAR (Ocean Shipping Community Advancing Children's Health and Research) Dragon Boat Race at the Docklands Sailing and Watersports Centre in London. The great cause is to raise funds towards areas of research at Great Ormand Street Hospital.

19 & 20 SEPTEMBER

The 17th FPSO World Congress in Singapore

MISC's Offshore Business, participated in the 17th Floating Production Storage and Offloading (FPSO) World Congress. The congress was held at Marina Bay Sands, Singapore and saw around 450 delegates. MISC sponsored the lanyards for the event, as well as took the opportunity to speak at the conference. Tuan Syed Hashim presented on "Operational Excellence During Low Oil Price: Decommissioning and Demobilisation of Assets" which showcased the demobilisation of FSO Abu and FSO Cendor.

SEP 2016

21 SEPTEMBER

Signing Ceremony of Time Charter Party for Aman Sendai

Asia LNG Transport Sdn. Bhd. (ALT), a subsidiary of MISC Berhad, signed a long term Time Charter Party (TCP) contract for the LNGC Aman Sendai with Malaysia LNG Sdn. Bhd. (MLNG) at Mandarin Oriental Kuala Lumpur for 10 years firm charter. The signing was represented by Mr. Faizul Ismail, Chairman of ALT Sdn. Bhd. and Mr. Fumitake Tominami, Director of ALT Sdn. Bhd. MLNG was represented by Mr. Ahmad Adly Alias, Managing Director/CEO of PLSB Sdn. Bhd. and Mr. M. Hanafi Jamal, General Manager, Fleet Management Department of PLSB Sdn. Bhd. witnessed by Mr. Yee Yang Chien, President/Group CEO of MISC Berhad and Mr. Dzafri Sham Ahmad, Vice President of LNG Assets, PETRONAS.

24 SEPTEMBER

MISC Group Family Day 2016 brought staff together for a fun filled morning

The MISC Family Day 2016 was organised at the Bukit Kiara Equestrian Club Indoor Arena, Kuala Lumpur. The theme this year, “Tradisi Kita” was well attended by over 1,000 staff from MISC Berhad and its subsidiaries. It was a great time for everyone to mingle and interact in an informal, fun-filled environment with their colleagues and family members.

KEY HIGHLIGHTS OF 2016

SEP 2016

26 SEPTEMBER

MISC LNG Liaison Office Japan hosted the 19th LNG Shipping Forum

MISC LNG Liaison Office Japan hosted the 19th LNG Shipping forum at Yokohama Landmark Tower. The Forum served as a platform for LNG shipowners to relook at the best way forward in addressing concerns in ensuring safe and smooth delivery of LNG to all Japanese terminals. It is also to keep close contact with other leading industry players on related opportunities and issues of mutual interest and concern.

28 SEPTEMBER

LNGC Seri Bakti was successfully substituted with MISC's Floating Storage Unit 2 (FSU2) Tenaga Empat

It was a momentous milestone for MISC's LNG Business Unit when LNGC Seri Bakti was successfully substituted with MISC's Floating Storage Unit 2 (FSU2) Tenaga Empat at PETRONAS Regasification Terminal Sungai Udang (RGTSU) from July to September 2016. Due to the Seri Bakti substitution, RGTSU was able to achieve 100% cargo delivery reliability to their clients in July, August and September 2016. The Seri Bakti safely departed from the RGTSU Terminal on 28 September 2016 and a simple ceremony was held onboard Seri Bakti to commemorate the vessel's departure.

29 SEPTEMBER

MaMPU 1 Sailed to Anjung Kecil Field, Offshore Sarawak

A sailaway ceremony was held on 29 September 2016 to celebrate MaMPU 1's deployment to Anjung Kecil field in Sarawak. MaMPU 1 is expected to service the field for a period of three years before being mobilised to another marginal field within the offshore of Sarawak. The celebration was attended by MISC's Vice President of Offshore Business Unit (OBU), Tuan Syed Hashim Syed Abdullah, Mr. Keith Collins, CEO of Vestigo Petroleum Sdn. Bhd. as well as management and representatives from PETRONAS, MISC, MMHE, and NGL Tech Sdn. Bhd. MaMPU 1 is the first self-propelled Floating Production Storage and Offloading (FPSO) unit which marks yet another important milestone for MISC.

SEP 2016

30 SEPTEMBER

Naming and Delivery Ceremony of Seri Camellia, MISC's first MOSS-Type LNG Carrier

Seri Camellia, the first of five new MOSS-Type LNG Carriers, belonging to MISC, was successfully delivered at the Hyundai Heavy Industries Co., Ltd. (HHI) shipyard in Ulsan, South Korea. The naming and delivery ceremony was officiated by the Lady Sponsor, Y. Bhg. Puan Sri Dato' Wan Noorlina Wan Hussin, and the Guest of Honour, Y. Bhg. Tan Sri Sidek Hassan, the Chairman of PETRONAS.

OCT 2016

8 OCTOBER

MISC Ruled the MOGSC Futsal Tournament

Malaysia Oil and Gas Services Council (MOGSC) recently organised a futsal tournament for the industry, held at Ampang Sports Planet. A total of 250 players representing the country's Oil and Gas sector took part in the tournament. MISC's Offshore Business Unit (OBU), being the only company that sponsored the event, distributed blue face towels with MISC's enhanced logo to all participants and event committees. MISC was crowned as the Champion after MISC defeated Schlumberger (2-0).

8 OCTOBER

MISC Celebrated the First Loading of its LNG Carrier, Seri Camellia

MISC marked a significant milestone with the first loading/maiden voyage operation of its new MOSS-Type LNG carrier, Seri Camellia. Encik Faizul Ismail, Vice President of LNG Business Unit presented special mementos to the Master of Seri Camellia, PLSB, MLNG, BPA and BPSB as a token of appreciation to mark this historic event. The vessel successfully completed the first Loading operations at Bintulu, Malaysia and proceeded to Pyeong Taek, Korea for its first discharge operations.

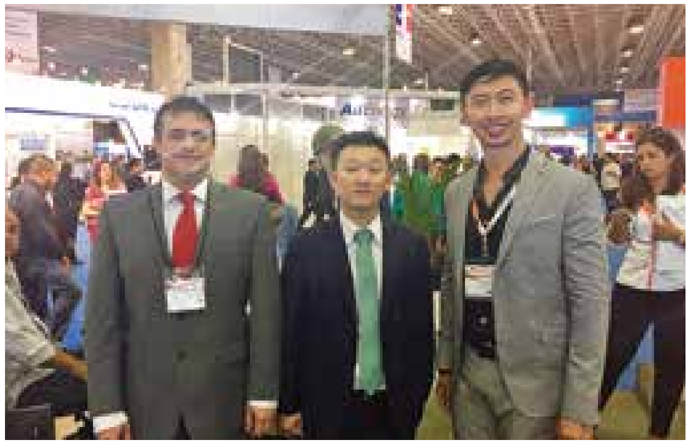
KEY HIGHLIGHTS OF 2016

OCT 2016

24–27 OCTOBER

Rio Oil & Gas 2016 Expo and Conference

The Rio Oil & Gas 2016 Expo and Conference that took place in Rio de Janeiro, Brazil saw the involvement of 22 countries, a total of 34,200 registered visitors, 3,920 conference delegates and 540 exhibitors. With the slogan of "Pathways to a Competitive Petroleum Industry" the conference debates focused on the key challenges within the current market conditions, in addition to issues related to the economic and political crisis, both locally and internationally. During the exhibition, MISC representatives took the opportunity to touch base and exchange views with various potential clients, partners, potential contractors as well as regulatory bodies.



NOV 2016

2 NOVEMBER

AET has 58 vessels recognised for environmental Excellence

The Chamber of Shipping of America (CSA) Annual Environmental Achievement Awards Dinner recognised 58 AET vessels for their environmentally responsible operations. These awards celebrate the dedication to the environmental excellence of the seafarers and the company personnel shore-side who operate the vessels to the highest standards.

NOV 2016

15 NOVEMBER

MISC Awarded the Operational Excellence Award

MISC won the prestigious Operational Excellence Award at the annual Tanker Shipping & Trade Conference & Awards held in London. The award, sponsored by Winterthur Gas & Diesel, was awarded to us for our psychometric approach in assessing leadership competencies required for higher positions and developing customised leadership and soft skills programmes to close the gaps arising from these assessments. MISC went head to head in this category with leading international competitors such as DNV GL and PROMATECH Maritime Technologies.

22, 24 & 29 NOVEMBER

AET launched new VMT and Cultural Beliefs

Captain Rajalingam launched AET's refreshed Vision, Mission and Cultural Beliefs in the UK, Singapore and US. He highlighted that great culture starts with a great Vision and Mission statement, which underpins and provides focus for the company. Their new Vision, which is the same as the Group's, is simple - "to consistently provide better energy related maritime solutions and services" for their stakeholders.

DYNAMIC RESILIENT SYNERGISTIC

With an updated vision and mission statements, a new tagline, and a refreshed logo, we have rebuilt MISC into the company that we are all proud to work for. Now with our new cultural beliefs in place guiding how we work, we have grown closer together as a team, united in our diversity. Leveraging the synergistic partnerships amongst our diverse business segments and stakeholders, we offer customers extensive solutions and services beyond their expectations.

Improved FTSE4Good Bursa Malaysia Index

Achieved Operational Excellence Award at the annual Tanker Shipping & Trade Conference & Awards 2016

58 AET VESSELS awarded the Environmental Achievement Awards by the Chamber of Shipping of America (CSA)

Consistently ranked amongst the top 10% of the world's Maritime Education and Training (MET) institutions


SAFETY FIRST

INVESTOR RELATIONS REPORT

MISC recognises the importance of engaging with our valued stakeholders to facilitate informed decision-making and evaluation by our investors. Our strong commitment to communicate with the investment community enhances investors' understanding of the Group. We aim to continuously build and maintain transparent communication with our shareholders, potential investors and the investing community. Through our Group's Investor Relations (IR) programme, MISC is committed to uphold best practices in corporate governance and ensure timely disclosure of material information to stakeholders.

At MISC, a dedicated IR team supports the active participation of the Group's senior management in various IR engagements with the financial community and is committed to provide comprehensive insights on the Group's business performance, strategies and corporate developments. To this end, MISC continuously reviews and enhances its IR programme and initiatives to ensure a consistent flow of timely and relevant information regarding the Group and its businesses to investors.

During the financial year, various IR engagement activities were conducted, which include analysts briefings via audio conferencing on our quarterly financial results, conference calls, corporate events and one-on-one meetings with investors. We also aim to use our IR programme to obtain important feedback from investors and keep abreast with shareholder expectations via our various IR engagements throughout the year.

Our Board of Directors understands the importance of maintaining an open and credible communication channel with various groups of investors. On 19 April 2016, MISC held its 47th Annual General Meeting (AGM) and Extraordinary General Meeting (EGM) at the Mandarin Oriental, Kuala Lumpur. Through our AGM and EGM, minority shareholders were given the opportunity to interact and receive updates on the operations, financials, business strategies and future prospects of MISC from our President/Group CEO and the Board of Directors.

Broader investor communication takes place via our corporate website which remains up-to-date with the latest Group developments and disclosures. Public announcements to Bursa Malaysia and media engagements by the Group are centralised on our corporate website for investors' easy access. To enhance shareholder's appreciation MISC's businesses, the monthly industry newsletter pertaining to the shipping and offshore oil & gas markets are disseminated to the investment community to provide up-to-date information on the latest developments in our industry.

MISC is committed to provide our stakeholders and the public with an independent view of the Group. Comprehensive credit reviews are done periodically with the credit rating agencies, namely Moody's Investors Services (Moody's), Standard & Poor's (S&P) and Malaysian Rating Corporation Berhad (MARC). In May 2016, S&P upgraded MISC's credit rating to BBB+ with a Stable outlook. The credit rating upgrade is a testament to MISC's credit strengths, reinforced by our strong operating track record and prudent debt management.

MISC's strong performance across a variety of Environmental, Social and Governance (ESG) practices has once again secured its position as a constituent in the FTSE4Good Bursa Malaysia Index. Being on the FTSE4Good Bursa Malaysia Index demonstrates our Group's commitment in adhering to good corporate responsibility practices in our businesses. Sustainability reporting is an integral platform for our stakeholders to understand the progress and developments of the company, specifically in accordance to the four pillars of sustainability which is the Marketplace, Workplace, Environment and Community. Since 2014, MISC has been producing cohesive and comprehensive disclosures of our sustainability performance through standalone sustainability reports, aligned with and in compliance to regulatory requirements, sustainability guidelines and best practice.

We aspire to create long term and sustainable value for shareholders through proactive engagement with shareholders and investors. We strive to communicate accurately and consistently material information and corporate developments on an equal basis, in accordance with best IR practices and as required under Bursa Malaysia's Listing Requirements.

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

President/Group Chief Executive Officer

Vice President, Finance

Vice President/Senior General Manager, Corporate Planning and Development

For further enquiries or feedback, stakeholders and interested parties are encouraged to submit their comments to: investor.relations@miscbhd.com.

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

STATISTICS ON SHAREHOLDINGS

AS AT 23 FEBRUARY 2017

ANALYSIS OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	582	10.59	7,166	0.00
100 - 1,000	1,133	20.61	711,019	0.02
1,001 - 10,000	2,309	42.01	9,463,597	0.21
10,001 - 100,000	914	16.63	31,187,461	0.70
100,001 to less than 5% of issued shares	556	10.12	1,362,983,386	30.53
5% and above of issued shares	2	0.04	3,059,440,474	68.54
Total	**5,496**	**100.00**	**4,463,793,103**	**100.00**

DIRECTORS' SHAREHOLDINGS

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

* Deemed interested by virtue of her daughter's shareholding in MISC pursuant to Section 59(11)(c) of the Companies Act 2016

SUBSTANTIAL SHAREHOLDERS

No.	Name of Substantial Shareholders	No. of Shares	%
1	Petroliam Nasional Berhad - CIMB Group Nominees (Tempatan) Sdn. Bhd. Exempt An for Petroliam Nasional Berhad	2,797,459,800	62.67
2	Employees Provident Fund Board - Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board	282,262,474	6.32

30 LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PETROLIAM NASIONAL BERHAD	2,797,459,800	62.67
2	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	261,980,674	5.87
3	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	196,769,500	4.41
4	LEMBAGA TABUNG HAJI	70,840,000	1.59
5	STATE FINANCIAL SECRETARY SARAWAK	67,466,667	1.51
6	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	62,691,600	1.40
7	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	54,963,700	1.23
8	PENANG DEVELOPMENT CORPORATION	50,800,000	1.14
9	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM WAWASAN 2020	48,426,900	1.08
10	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD MALAYAN BANKING BERHAD FOR LEMBAGA KEMAJUAN TANAH PERSEKUTUAN (FELDA)	46,610,200	1.04
11	AMANAHRAYA TRUSTEES BERHAD AS 1MALAYSIA	29,449,000	0.66
12	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA 2	28,080,000	0.63
13	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	27,984,668	0.63
14	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD MALAYAN BANKING BERHAD FOR LEMBAGA KEMAJUAN TANAH PERSEKUTUAN (FELDA 2)	25,000,000	0.56
15	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	23,788,191	0.53
16	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.S.A.)	20,308,352	0.45
17	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC ITTIKAL FUND (N14011970240)	19,800,000	0.44
18	CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PRULINK EQUITY FUND	19,080,900	0.43

STATISTICS ON SHAREHOLDINGS
AS AT 23 FEBRUARY 2017

30 LARGEST SHAREHOLDERS (CONT'D)

No.	Name of Shareholders	No. of Shares	%
19	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM DIDIK	19,040,100	0.43
20	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC DIVIDEND FUND	17,417,560	0.39
21	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	16,155,404	0.36
22	PERMODALAN NASIONAL BERHAD	15,773,300	0.35
23	CARTABAN NOMINEES (ASING) SDN BHD GIC PRIVATE LIMITED FOR GOVERNMENT OF SINGAPORE (C)	14,482,000	0.32
24	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BCH)	13,491,980	0.30
25	ABB NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEMBAGA KEMAJUAN TANAH PERSEKUTUAN (FELDA)	13,000,000	0.29
26	AMSEC NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB-DALI)	11,630,300	0.26
27	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD	10,777,926	0.24
28	MINISTER OF FINANCE AKAUN JAMINAN PINJAMAN KERAJAAN PERSEKUTUAN	10,000,000	0.22
29	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (JPMELAB AIF APG)	9,300,400	0.21
30	LEMBAGA KEMAJUAN TANAH PERSEKUTUAN (FELDA)	8,948,050	0.20
	TOTAL	**4,011,517,172**	**89.87**

SUSTAINABILITY STATEMENT

Sustainability is an integral component in MISC's operations, from the way we conduct our business, manage our employees, reduce impact on the environment, deliver sustainable returns to our investors and shareholders, strive to exceed the expectations of our customers, as well as create positive impact for the local communities.

As our business expands, long term sustainability issues will pose a challenge to our business in the maritime and offshore solutions industry. Approximately 90% of goods traded internationally is transported by sea, the industry has a significant economic impact and an associated social and environmental footprint (i.e. accounting for nearly 3% of global carbon dioxide emissions).

Being a leading energy shipping and maritime solutions provider, we recognise the importance of the role we play in the local and global industry. Industry stakeholders are increasingly concerned about sustainability practices and we will continue to respond to these expectations, in parallel with our own ambitions towards sustainability. Focusing on sustainability will position us better to manage our non-financial risk, exploit opportunities for increasing efficiency, enter new markets, as well as enhance our reputation and position in our industry.

Since we began taking a more focused approach towards managing our sustainability performance these last few years, we have made good progress. Our achievements to date includes recognition for our sustainability reporting and maintaining our position in the FTSE4Good Bursa Malaysia Environmental, Social and Governance (ESG) index, amongst other milestones. These acknowledgements of the effort that MISC has undertaken to improve the way we address sustainability issues has only encouraged us to do better.

We are continuing our endeavour in our sustainability commitments due to the fundamental belief that good sustainability practices will bring long term value to our organisation. With this in mind, at present, we have been working towards a more strategic approach in managing sustainability within the organisation.

The MISC Sustainability Strategy, is constituted by the sustainability pillars of Customers, Shareholders, Governance, Employees, Environment and Community. This strategy will act as our five year roadmap to guide us further in conducting business as a responsible corporate citizen – that will enhance our social integrity, improve our environmental stewardship and create economic value for our stakeholders. This strategy will ensure our material areas and the initiatives we embark on are in line with our Vision and Mission as well as MISC 2020. These will act as our compass for the Group as we steer towards a successful journey.

Further details of our strategic approach towards sustainability will be disclosed in our Sustainability Report 2016.

SUSTAINABILITY STATEMENT

SUSTAINABILITY GOVERNANCE

Sustainability elements were incorporated into the MISC Board Charter, as a way of ensuring sustainability matters are managed at the highest level. This is supported by a cross-functional approach through the Management Committee (MC), the MISC Group Health, Safety and Environment (HSE) Council and the Sustainability Steering Committee (SC). This approach is required to coherently address and manage sustainability matters and identified material issues arising, across all our businesses and location of operations. Together, these committees are involved in decision making processes, setting the tone for our sustainability direction and initiatives, as well as addressing risks, communications and stakeholder management.

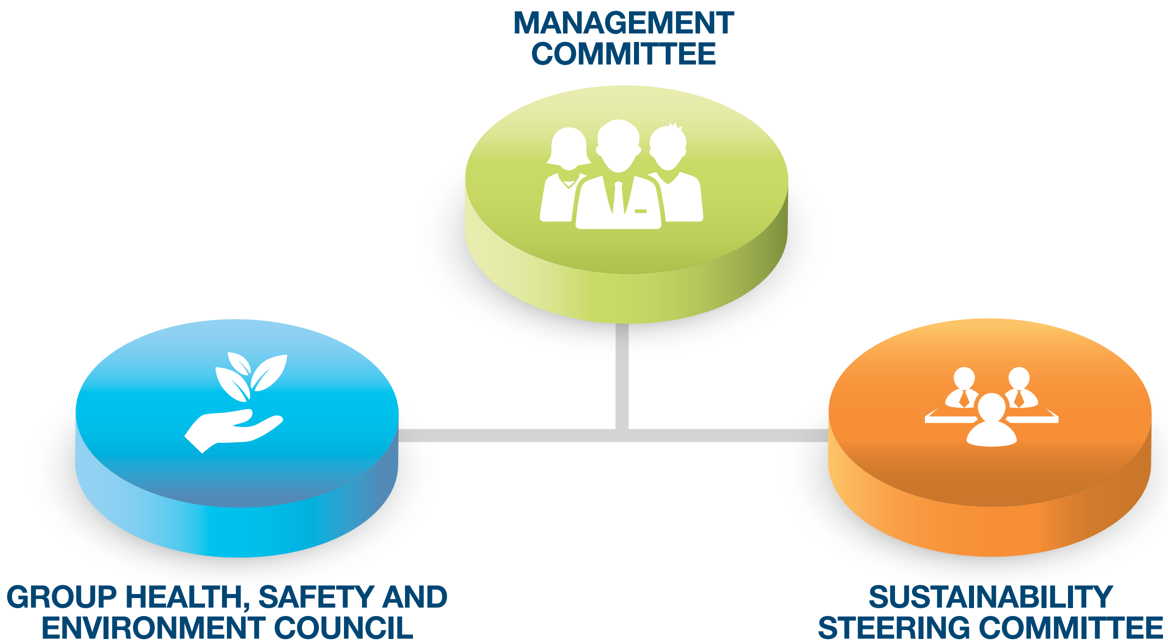
MATERIALITY AND STAKEHOLDER ENGAGEMENT

The identification of material issues is very much aligned to the development of our strategic sustainability approach which included benchmarking with international peers and understanding of stakeholder expectations through various engagement activities. The identification and prioritisation of issues were enabled through the conduct of specific workshops involving key representatives from across the Group.

At MISC, we engage with various stakeholder groups, from industry regulators to members of the local communities in both formal and informal settings. Hence, various methods of engagement are required to handle specific areas of interest. Engagement with stakeholders are conducted on a regular basis and as and when required, meeting each stakeholder group at least once a year.

Further details of materiality and stakeholder engagement will be disclosed in our Sustainability Report 2016.

Guided by the MISC Mission Statements and sustainability strategy pillars, the Group seeks to fulfill its responsibilities and commitments to its five key stakeholders.



Shareholders

MISC being one of the largest shipping and maritime companies based on market capitalisation, we aim to consistently deliver sustainable returns to investors and shareholders. This is achieved through the strengthening of the Group's core businesses and capitalising on growth opportunities in the near future. Good governance is integral to the way business is conducted. In order to ensure informed decision-making processes take place throughout the Group, internal controls are established to complement business policies and uphold good governance practices.

We strive in keeping our shareholders well informed through proactive engagement activities and in the provision of insights on the Group's business performance, strategies and corporate development, which takes place on a regular basis.

Customers

MISC primarily provides services to the global oil and gas market through its core businesses in LNG and petroleum transportation, offshore floating solutions and marine & heavy engineering. Despite the volatile trends and forces of the oil and gas market over the past few years, the Group aims to exceed the expectations of our customers through the highest standard operating procedures, stringent safety and health practices and excellent customer relationship management.

In our continued commitment towards providing value added solutions, MISC had successfully delivered its first MOSS-Type LNG Carrier in September 2016, with four others in the pipeline for delivery within a scheduled timeframe. These newbuilds will reap long-term benefits for the Group, as well as the charterer in terms of cost savings and risk management, due to their innovative features and design.

SUSTAINABILITY STATEMENT

Employees

The MISC Group employs approximately 9,000 staff globally, both sea and shore, from various backgrounds and nationalities. Our mission is to promote individual and team excellence of our employees and we strive to achieve this by developing internal capabilities through various developmental programmes. We believe that equipping our employees with the right functional and leadership skills are important to help them excel at the workplace and also develop their ability to be able to successfully tackle business challenges head on.

2016 also saw the launch of MISC Cultural Beliefs, with the objective of promoting cohesiveness, empowerment and unity amongst our employees, through a common set of values, individually and collectively, with respect to embedding the organisation's value system and to carry through these beliefs in our day to day function and operations. A series of Cultural Beliefs Workshop for all MISC employees was organised throughout the year, which was attended by the President/Group CEO and essentially provided an engagement platform between employees and the President/Group CEO.

We also strive to create a highly engaged workplace with an emphasis on performance and excellence through several organised engagement programmes which includes quarterly Employee Townhalls, celebration of festive seasons, Family Days, Long Service Awards and Annual Dinners for the Group's shore and sea employees.

The Safety and Health of our employees is paramount to the Group, especially due to the nature of work carried out. The Group is committed to providing a safe and healthy working environment for everyone, and this is done through various campaigns and initiatives, tied to the MISC Behavioural Safety (BhS) Campaign launched in 2015. The campaign is an ongoing five-year programme focusing on various aspects of office safety, health and wellness of our employees and environmental awareness.

Environment

Shipping operations that maintain a healthy environment are of benefit to the greater human good and the shipping industry as a whole, particularly as awareness grows with respect to climate change and the need for 'green credentials'. Although the shipping industry accounts for 90% of global trade transportation, it only emits about nearly 3% of the total greenhouse gas (GHG) emissions. However, research estimates that the industry will be doubled in 2050, as will the GHG emissions. Hence, we ensure our diligence in taking a proactive approach in the management of our environmental footprint including emissions mitigation. The Group has proactively rolled-out the MISC Corporate GHG Monitoring, Reporting and Verification (MRV) Procedure for all its business units.

Apart from that, the Group has also undertaken various initiatives to reduce emissions from our operations including carrying out close monitoring of our vessels' energy performance, retrofitting vessels with fuel saving technologies and optimising voyage efficiency through operational best practices. Additionally, we have continued to strengthen our practices on waste management and to reduce, recycle, recover and re-use wastes wherever feasible. All of these on-going initiatives are in place to support MISC's mission to care for the environment and to operate responsibly.

Community

In line with our mission to 'create a positive difference to the lives of communities', our primary focus of value creation for the wider community is through education, with an emphasis on maritime education.

Our maritime academy, Malaysian Maritime Academy (ALAM) continues to be the primary means by which we fulfill our responsibility in providing opportunities to deserving students in the field of maritime education.

The Academy provides a full spectrum of maritime education and training programmes, which continues to support the industry's growing requirement for professionally trained seafarers and leaders for Maritime Malaysia.

Since its inception in 1977, more than 13,000 seafarers have been trained at ALAM. In 2016, a total of 266 sponsorships totalling RM12 million were secured from various maritime organisations for school leavers to join ALAM's Cadetship and Ratings programmes.

Apart from our investment in maritime education with ALAM, we also reach the communities through our subsidiaries where their own social investment programmes are championed independently with guidance from the Group. As a multinational and globally-focused organisation, we are also moving towards a more coordinated and synergised approach where the Group collaborates with its subsidiaries wherever possible on projects that bring maximum advantages and value to us and the local community.

Further details of our efforts, approach and performance in sustainability will be disclosed in our Sustainability Report 2016.

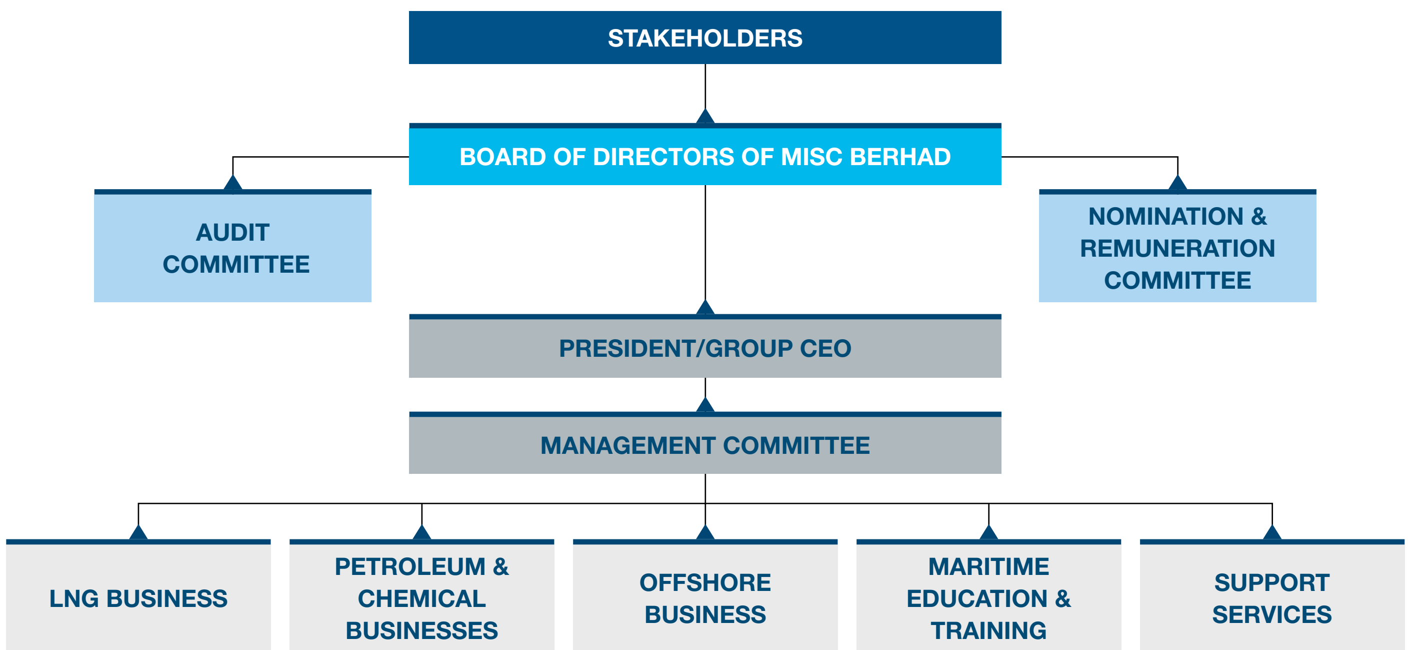
STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("the Board"), Management and employees of MISC Berhad ("MISC" or "the Company") continue to improve the standard of corporate governance practices throughout the MISC Berhad Group ("the Group"). MISC believes that sound corporate governance practices are fundamental towards winning investors' confidence and are prerequisites to achieving the Company's ultimate objectives of enhancing long-term shareholders' value and protecting shareholders' interest.

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

CORPORATE GOVERNANCE FRAMEWORK

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



STATEMENT ON CORPORATE GOVERNANCE

The Group's Heavy Engineering Business resides in a separate listed entity within the Group. It has a separate corporate governance framework that is modelled along the lines of MISC's corporate governance framework.

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

BOARD OF DIRECTORS

A. Board Charter

The Group continues to be led by a dynamic Board which plays a vital role in the stewardship of the Group's strategic direction and operations. In order for the Board to discharge its roles and responsibilities, the Board is guided by the MISC Board Charter that provides the framework in the performance of the Board's function and duties vis-à-vis the Company and Management.

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

B. Board Roles and Responsibilities

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

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

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

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

Policy and Strategy

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

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

Risk Management & Internal Control

The Board acknowledges its overall responsibility for continuous maintenance of a sound risk management framework and internal control to safeguard shareholders' investment and the Group's assets.

Over and above the quarterly review by the Board Audit Committee on risk events and mitigation measures at the enterprise level, the Board reviewed the status of risk management activities and the updated Risk Register. The Board also ensures that all relevant project and investment risks, including the mitigation measures, are deliberated when making such decisions. Such Project Risk Assessments encompass, amongst others, project execution risk, contract management risk, counter-party risk, operations risk, geopolitical risk, and asset integrity risk.

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

The Company's Risk Management & Internal Control practice is further elaborated in the Statement on Risk Management and Internal Control in pages 138 to 145 of this Annual Report.

Ethics and Compliance

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

During the year under review, the Board endorsed the MISC Compliance and Ethics Programme, which outlines the policy, action plans and deliverables to ultimately create a culture within the Company that embodies ethical conduct and commitment to integrity in all business dealings. The MISC Group Policy Statement on Anti-Bribery and Corruption, which is made as part of the MISC Board Charter, was also adopted. As part of the Programme, the Company has, amongst others, rolled out Operational Guidelines on Third Party Due Diligence as part of risk assessment enhancement and improved its Compliance Unit resources, and shall develop a comprehensive training programme on anti-bribery and corruption for all employees, Management and the Board. Compliance monitoring measures have also been enhanced with the establishment of the Gift Register, the Whistle-Blowing Register and the Conflict of Interest register for all employees.

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

Health, Safety and Environment ("HSE")

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

The detailed statement on HSE is provided in the Sustainability Report in pages 117 to 121 of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE

C. Board Composition and Balance

The Board currently has 9 Directors comprising a Chairman who is an Independent Non-Executive Director, 5 other Independent Non-Executive Directors, 2 Non-Independent Non-Executive Directors and the President/Group CEO who is a Non-Independent Executive Director.

The Non-Independent Non-Executive Directors are Y. Bhg. Datuk Manharlal Ratilal and En. Mohamed Firouz Asnan, who are nominees of Petroliam Nasional Berhad ("PETRONAS"). YBhg Datuk Nasarudin Md Idris, who is the former President/Group CEO of the Company, has been re-designated as Independent Non-Executive Director on 23 February 2017 after he completed his two (2) year tenure as Non-Independent Non-Executive Director.

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

Membership of the Board is drawn from various professional backgrounds, bringing depth and diversity in experience, expertise and perspectives to guide the Group. To ensure a balance of power and authority and clarity in decision making, there is a clear division of responsibilities between the Chairman and the President/Group CEO.

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

The profiles of the Board members are presented on pages 28 to 36 of this Annual Report.

Chairman

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

President/Group CEO

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

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

The President/Group CEO is assisted by the Management Committee in managing the Group's business operations on a day-to-day basis. The Management Committee is responsible for the implementation of the Group's policies and procedures as well as all strategic decisions taken by the President/Group CEO and/or the Board. The Management Committee's responsibilities and respective authorities are also specified in the MISC LOA.

Non-Executive Directors

The 6 Independent Non-Executive Directors, including the Chairman, are independent of management and free from any business or other relationships that could materially interfere with the exercise of their independent judgement. Besides their skills and experience, the Independent Non-Executive Directors are individuals of strong calibre and standing. The role of Independent Non-Executive Directors is pivotal in providing independent views and advice so that the strategies and initiatives proposed by the Management are open to constructive challenges for the long-term interest of the Group, taking into consideration the interest of stakeholders, including the minority shareholders.

Conflict of Interest

The Non-Executive Directors do not participate in the day-to-day management of the Company and do not engage in any business transactions or other relationships with the Company as they have the responsibility to exercise independent judgement and to act in the best interest of the Company. All company directors within the MISC Group are required to provide a declaration of their interest twice yearly in order to minimise issues relating to conflict of interest. All declarations are maintained in a register of conflict of interest which is reviewed on an annual basis, and any significant declaration will be highlighted to the Board Audit Committee. At the Group, the management of directors' conflict of interest is subject to audit by the Company's Group Internal Audit.

Board Diversity

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

D. Board Meetings and Supply of Information

Board of Directors' meetings together with tentative agendas are scheduled in advance of any new financial year to facilitate Directors to plan ahead and fit the year's meetings into their schedules. The Board meets every quarter and additional meetings are held as and when required. The tentative agendas include matters reserved for Board meetings such as the Annual Budget and Business Plan, financial performance review, major investments and financial decisions and other strategic matters including changes or implementation of key policies and procedures and delegation of authority limits. During the financial year ended 31 December 2016, the Company held 9 Board meetings.

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

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

STATEMENT ON CORPORATE GOVERNANCE

Records of attendance of each Director at Board meetings held in 2016 are as follows:-

Director	Number of Board Meetings Attended
Dato' Ab. Halim Mohyiddin	9 out of 9
Mr. Yee Yang Chien	9 out of 9
Datuk Manharlal Ratilal	8 out of 9
Dato' Sekhar Krishnan	9 out of 9
Dato' Halipah Esa	9 out of 9
Dato' Kalsom Abd. Rahman	9 out of 9
Datuk Nasarudin Md Idris	9 out of 9
Mr. Lim Beng Choon	8 out of 9
En. Mohamed Firouz Asnan	8 out of 9

The notice of Board meeting is issued to the Board members at least 2 weeks before the meeting date. The agenda of the meeting is discussed amongst the Chairman, the President/Group CEO and the Company Secretary during pre-Board meetings. A full set of Board Papers as per the agenda is distributed in a timely manner prior to the Board meetings to ensure that Directors have sufficient time to read and be prepared for discussion at the meetings. Comprehensive and balanced financial and non-financial information are encapsulated in the papers covering amongst others, strategic and operational issues, financial and governance matters, regulatory and marketing matters, risk factors, human resource issues and any other issues as identified by the Board.

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

E. Company Secretaries

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

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

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

F. Appointment and Re-election of Directors

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

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

At the forthcoming 48th AGM of the Company, Dato' Kalsom Abd. Rahman, Dato' Sekhar Krishnan and Mr. Yee Yang Chien are retiring pursuant to Article 97 of the Articles of Association. Dato' Sekhar Krishnan and Mr. Yee Yang Chien, being eligible, have offered themselves for re-election. Dato' Kalsom Abd. Rahman, who has served the company for more than nine years, did not offer herself for re-election and has opted to retire from the Company. Dato' Halipah Esa who has also served the Company for more than nine years, will also retire from the Company after the 48th AGM of MISC.

The NRC and the Board had deliberated on the succession planning of the members of the Board and are actively pursuing for replacements for Dato' Kalsom Abd. Rahman and Dato' Halipah Esa as Independent Non-Executive Directors.

All the Independent Non-Executive Directors have completed the Independent Directors' Self-assessment Checklist as provided by the Bursa Securities' Corporate Governance Guide (2nd Edition). It was concluded that there exists no other elements that would compromise their independence and professionalism.

G. Directors' Remuneration

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

The level of remuneration for Non-Executive Directors reflects the level of responsibilities undertaken and contributions made by them. All Non-Executive Directors are paid Directors' fees and meetings attendance allowance which are subsequently approved by the shareholders at the AGM. However, all payments of Directors' fees and meetings attendance allowance for executives of PETRONAS with the positions of Vice President and above, representing PETRONAS on the boards of PETRONAS' subsidiaries and associated companies are treated as management fees and are paid directly to PETRONAS. The Company paid a total of RM208,000 as management fees to PETRONAS during the financial year ended 31 December 2016 in respect of Directors' fees and meetings attendance allowance for Datuk Manharlal Ratilal and En. Mohamed Firouz Asnan.

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

STATEMENT ON CORPORATE GOVERNANCE

Details of Directors' remuneration for the financial year ended 31 December 2016 in aggregate are as follows:

	Salary & Other Remuneration (RM)	Directors' Fees		Benefits-in-kind (RM)	Total (RM)	Range of Remuneration in RM50,000 band (RM)
		By MISC (RM)	By Subsidiaries (RM)			
Executive Director						
Yee Yang Chien *President/Group CEO*	2,523,122	–	227,100.5	120,466	2,870,688.5	2,850,000 to 2,900,000
Non-Executive Director						
Dato' Ab. Halim Mohyiddin	N/A	144,000	–	–	144,000	100,000 to 150,000
Datuk Manharlal Ratilal	N/A	N/A	N/A	N/A	N/A	N/A
Datuk Nasarudin Md Idris	N/A	99,000	462,089	–	561,089	550,000 to 600,000
Dato' Halipah Esa	N/A	133,000	162,000	–	295,000	250,000 to 300,000
Dato' Kalsom Abd. Rahman	N/A	125,000	–	–	125,000	100,000 to 150,000
Dato' Sekhar Krishnan	N/A	114,000	–	–	114,000	100,000 to 150,000
Lim Beng Choon	N/A	104,000	–	–	104,000	100,000 to 150,000
Mohamed Firouz Asnan	N/A	N/A	N/A	N/A	N/A	N/A
Total	**2,523,122**	**719,000**	**851,189.5**	**120,466**	**4,213,777.5**	**–**
		1,570,189.5				

H. Criteria for Board Assessment

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

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

BOARD COMMITTEES

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

During Board meetings, the Chairpersons of each Board Committee provide summary reports of the recommendations and decisions made at respective Board Committee meetings and highlight any further matters for deliberation at the Board.

The Company has two (2) Board Committees, namely the BAC and the NRC.

A. Board Audit Committee ("BAC")

The composition and summary of activities of the BAC are set out separately in the BAC Report on pages 148 to 153 of this Annual Report. The terms of reference of the BAC provides clarity on the responsibilities of the BAC and reflects the BAC's oversight role on governance, financial reporting, risk management and internal control.

B. Nomination and Remuneration Committee ("NRC")

The composition and summary of activities of the NRC are set out separately in the NRC Report on pages 135 to 137 of this Annual Report. The terms of reference of the NRC provides clarity on the responsibilities of the NRC and reflects the NRC's oversight role on compensation and rewards, succession planning and human capital.

DIRECTORS' TRAINING AND DEVELOPMENT

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

In 2016, having reviewed the training and development requirements of Directors, the NRC agreed that the Company's dedicated in-house annual training programme for the Group's company directors and management personnel shall cover the areas of governance, regulatory, business issues and operations. Therefore, in November 2016, the Company organised its Annual Board of Directors' Training which covered the topics on 'MISC's Code of Conducts and Business Ethics', including 'International Compliance Issues' and 'Corporate Financial Reporting - Updates on Changes in Financial Reporting'. For the areas of business issues and operations, the topics covered were 'Competitors' Landscape in LNG Business - Case Studies on the Success, Failure and Lessons Learnt' and 'Surviving in the New Normal' mainly for the Group's marine and heavy engineering business and 'Overview of MISC Group Fleet Technical Operations Standards & Practices'.

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

STATEMENT ON CORPORATE GOVERNANCE

In compliance with Paragraph 15.08(2) of the MMLR, the main training programmes attended by the Board members in 2016 are as follows:-

Name of Director	Name of Training Attended	Organiser	Date
Dato' Ab. Halim Mohyiddin	1. MISC Annual Directors' Training 2016 and Site Visit to Malaysian Marine and Heavy Engineering Sdn. Bhd.'s Yard at Pasir Gudang, Johor	MISC and Malaysian Marine and Heavy Engineering Holdings Berhad ("MHB")	11 & 12 November 2016
	2. Fifth PETRONAS Board Audit Committee Forum 2016	PETRONAS	16 August 2016
	3. MISC Annual Planning Forum 2016	MISC	13 July 2016
	4. MFRS Update 2015/2016 Seminar	KPMG	23 March 2016
	5. MISC Annual Directors' Training 2015	MISC	14 January 2016
Datuk Nasarudin Md Idris	1. MISC Annual Planning Forum 2016	MISC	13 July 2016
	2. MISC Annual Directors' Training 2015	MISC	14 January 2016
Datuk Manharlal Ratilal	1. Advance 2: PETRONAS Board Excellence Programme	PETRONAS	17 October 2016
	2. Fifth PETRONAS Board Audit Committee Forum 2016	PETRONAS	16 August 2016
	3. PETRONAS Board of Directors Strategy Away Day	PETRONAS	12 & 13 August 2016
	4. MISC Annual Planning Forum 2016	MISC	13 July 2016
	5. PETRONAS Board of Directors' Training – Inception Programme Best Practices of Board Effectiveness	PETRONAS and Malaysian Directors Academy	26 February 2016
Dato' Halipah Esa	1. MISC Annual Directors' Training 2016	MISC	11 November 2016
	2. Site Visit to Akademi Laut Malaysia (ALAM)	ALAM	22 November 2016
	3. Global Conference 2016 on Enterprise Risk Management & Power of Disruption	Institute of Enterprise Risk Practitioners	8 & 9 November 2016
	4. Audit Committee Seminars for the Public and Private Sectors 2016 - "Improving Audit Effectiveness"	Federation of Public Listed Companies Berhad	16 & 17 May 2016
	5. Improving Board Risk Oversight Effectiveness	Bursa Malaysia Berhad	26 February 2016
	6. MISC Annual Directors' Training 2015	MISC	14 January 2016

Name of Director	Name of Training Attended	Organiser	Date
Dato' Kalsom Abd. Rahman	1. MISC Annual Directors' Training 2016 and Site Visit to Malaysian Marine and Heavy Engineering Sdn. Bhd.'s Yard at Pasir Gudang, Johor	MISC and MHB	11 & 12 November 2016
	2. Site Visit to ALAM	ALAM	22 November 2016
	3. Fifth PETRONAS Board Audit Committee Forum 2016	PETRONAS	16 August 2016
	4. MISC Annual Planning Forum 2016	MISC	13 July 2016
	5. MISC Annual Directors' Training 2015	MISC	14 January 2016
Dato' Sekhar Krishnan	1. MISC Annual Directors' Training 2016 and Site Visit to Malaysian Marine and Heavy Engineering Sdn. Bhd.'s Yard at Pasir Gudang, Johor	MISC and MHB	11 & 12 November 2016
	2. Fifth PETRONAS Board Audit Committee Forum	PETRONAS	16 August 2016
	3. MISC Annual Planning Forum 2016	MISC	13 July 2016
	4. Audit Committee Conference	MIA/IIAM	29 March 2016
	5. MISC Annual Directors' Training 2015	MISC	14 January 2016
Lim Beng Choon	1. MISC Annual Directors' Training 2016 and Site Visit to Malaysian Marine and Heavy Engineering Sdn. Bhd.'s Yard at Pasir Gudang, Johor	MISC and MHB	11 & 12 November 2015
	2. Fifth PETRONAS Board Audit Committee Forum 2016	PETRONAS	16 August 2016
	3. MISC Annual Planning Forum 2016	MISC	13 July 2016
Mohamed Firouz Asnan	1. The Annual General Meeting – A Practical Insight and Managing Shareholders' Expectation	Bursatra Sdn Bhd	14 December 2016
	2. PETRONAS Board of Directors' Training – Inception Programme Best Practices of Board Effectiveness	PETRONAS and Malaysian Directors Academy	26 February 2016
	3. Site Visit to ALAM	ALAM	22 November 2016
Yee Yang Chien	1. MISC Annual Directors' Training 2016	MISC	11 November 2016
	2. MISC Annual Planning Forum 2016	MISC	13 July 2016
	3. MISC Annual Directors' Training 2015	MISC	14 January 2016

INVESTOR RELATIONS

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

The AGM is the principal forum of dialogue with the shareholders and also an avenue for the Chairman and Board members to respond personally to all relevant questions and provide sufficient clarification on issues and concerns as raised by the shareholders. The Chairman plays a pivotal role in accommodating a constructive dialogue amongst shareholders, the Board and Management. The shareholders are strongly encouraged to attend, participate, speak and vote at the Company's AGM. In compliance with the MMLR, the Company will hold a poll voting at the forthcoming 48th AGM.

STATEMENT ON CORPORATE GOVERNANCE

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

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

Further details on the Company's investor relations activities are provided in pages 112 to 113 of this Annual Report.

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

Relationship with External Auditors

The Board ensures that there are formal and transparent arrangements for the maintenance of an objective and professional relationship with the external auditors. In this relation, in compliance with Recommendation 5.2 of the Code, the Company has adopted a Policy on Assessment of External Auditors that outlines the guidelines and procedures to be undertaken by the BAC for the selection, appointment and reappointment of external auditors. The criteria for assessing the external auditors is provided in the BAC Report in pages 148 to 153 of this Annual Report.

Based on the BAC's recommendation, the Board has approved the re-appointment of Messrs Ernst & Young as external auditors for the ensuing year to be tabled at the forthcoming 48th AGM of the Company.

Related Party Transactions

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

Further details on the procedures, controls mechanism and guidelines of RPTs and RRPTs are provided in the BAC Report on pages 148 to 153 of this Annual Report.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors passed on 23 February 2017.

NOMINATION AND REMUNERATION COMMITTEE REPORT

In compliance with Paragraph 15.08A of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), the Nomination Committee ("NC") and Remuneration Committee ("RC") were established on 6 May 2011. Effective 1 January 2013, the NC and RC were combined and became the Nomination and Remuneration Committee ("NRC").

COMPOSITION

The NRC comprises of 3 members, all of whom are Non-Executive Directors which complies with the requirements of the Malaysian Code on Corporate Governance 2012 ("the Code"). The members are as follows:

Chairperson
• Y. Bhg. Dato' Halipah Esa *Independent Non-Executive Director*
Members
• Y. Bhg. Dato' Kalsom Abd. Rahman *Independent Non-Executive Director*
• En. Mohamed Firouz Asnan *Non-Independent Non-Executive Director*

Terms of Reference (ToR)

The NRC is governed by the ToR and the ToR is consistent with the requirements of MMLR and the Code. The ToR can be viewed on MISC's website at www.misc.com.my.

The functions of the NRC include:

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

Meetings

The NRC had 8 meetings during the financial year ended 31 December 2016 and details of attendance of each NRC members are as follows:-

Name of Member	Number of Meetings Attended
Y. Bhg. Dato' Halipah Esa	8 out of 8
Y. Bhg. Dato' Kalsom Abd. Rahman	8 out of 8
En. Mohamed Firouz Asnan	8 out of 8

The President/Group CEO attends the NRC meetings to facilitate the discussion, as well as to provide the appropriate information and advice on relevant matters for the NRC. The Company Secretary, who is also the Vice President of Legal, Corporate Secretarial and Compliance, together with the Vice President of Human Resource act as Joint Secretaries to the NRC.

NRC meetings together with the tentative agendas are scheduled in advance of any new financial year in order to facilitate the Directors to plan ahead and fit the year's meetings into their schedule. All proceedings of the NRC meetings are duly recorded in the minutes and are properly kept by the Company Secretary.

NOMINATION AND REMUNERATION COMMITTEE REPORT

A. Summary of Activities of the NRC

Succession Planning and Appointment/Re-election of Directors

The NRC has the responsibility for ensuring appropriate succession planning of Directors and for reviewing the Board's required mix of skills and experience, which includes review of the tenure of Independent Directors on the Board and proposals for retirement and/or re-election. In this regard, the Board deliberated on the succession planning for its members who have served the Company for more than nine years, i.e., YBhg Dato' Kalsom Abd Rahman and YBhg Dato' Halipah Esa, who have both intimated their intention to retire from the Company. As part of the succession planning, the Company is actively sourcing for suitable candidates as replacement for YBhg Dato' Kalsom Abd. Rahman and YBhg Dato' Halipah Esa.

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

At the forthcoming 48th AGM, YBhg Dato' Kalsom Abd. Rahman, Y. Bhg. Dato' Sekhar Krishnan and Mr. Yee Yang Chien are retiring pursuant to Article 97 of the Company's Articles. Y. Bhg. Dato' Sekhar Krishan and Mr. Yee Yang Chien being eligible, have offered themselves for re-election. However, YBhg. Dato' Kalsom Abd. Rahman has indicated that she does not wish to seek re-election. Hence, she will retire at the conclusion of the forthcoming 48th AGM of the Company. YBhg Dato' Halipah Esa will also retire from the Company after the 48th AGM of the Company. The NRC and the Board deliberated on the succession planning of Independent Non-Executive Director(s) to replace YBhg Dato' Halipah and YBhg Dato' Kalsom, and are actively pursuing for their replacements.

In making recommendations for new appointments to the Board, the NRC assesses the suitability of candidates, taking into account the required mix of skills, knowledge, expertise and experience, professionalism, integrity, competencies and other necessary qualities, including diversity in gender, before recommending potential new Directors to the Board for appointment.

Board Assessment

The NRC conducted a review of the formal Board Performance Evaluation, which is done on an annual basis. This included a review of the effective performance of Management responsibilities in supporting the Board to perform its oversight role on risk management and certain aspects of internal control. The NRC also agreed to the set of Board KPIs that will track Board performance for FY2017.

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

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

The NRC deliberated the findings from the Board Performance Evaluation for FY2015 Board Performance and made some recommendations for improvement moving forward.

Succession Planning and Appointment of New Management Committee Members

The NRC conducted a review of MISC Berhad's 5-Year Human Resource Roadmap ("HR 2020") which aims to support the achievement of MISC's 5-year plan, MISC 2020. The HR 2020 was designed to achieve a key objective which is to have a healthy pipeline of able and ready talents to fill up critical positions in the MISC Group as the opportunity arises. HR 2020 also addresses measures to enhance Leadership Competencies and Functional Competencies.

The NRC also deliberated on the proposed new composition of the Management Committee and the succession planning for the Management Committee positions. In addition, the NRC deliberated on the appointment of the new Senior General Manager of Corporate Planning and Development as a new Management Committee Member.

B. Summary of Other Activities of the NRC

The NRC also carried out the following activities in discharging its functions and duties:-

i. Conducted the Annual Board Performance Evaluation process. The NRC reviewed the Board performance for the financial year ended 31 December 2015 against the KPIs agreed by the Board and identified certain ways and means to improve Board operations.

ii. In line with the Recommendations 3.2 and 3.3 of the Code, the Company reviewed the tenure of the Independent Directors who have been with the Company for more than nine years. YBhg Dato' Halipah Esa and YBhg Dato' Kalsom Abd. Rahman who were reappointed as Independent Non-Executive Directors at the 47th AGM in 2016, have indicated that they will retire from the Company at the conclusion of the forthcoming 48th AGM of the Company. The actual review was conducted at the Board as YBhg Dato' Halipah Esa and YBhg Dato' Kalsom Abd. Rahman are themselves NRC members.

iii. With regard to the succession planning of Board members, the NRC also deliberated and recommended to the Board that YBhg Datuk Nasarudin Md. Idris, be re-designated as Independent Director Non-Executive Director of the Company and his re-designation to be made effective in 2017 in order to comply with the requirement in the MMLR.

iv. The performance appraisal for the FY2016 Balanced Scorecard of the Company was deliberated at length by the NRC along with the proposed Balance Scorecard for FY2017. Specific performance dimensions in the said Scorecard are monitored by measurable Key Performance Indicators ("KPIs") which are then reviewed by the Board and given ratings as appropriate.

v. Deliberated on the MISC employment benchmarking for MISC's Management Committee members.

vi. Deliberated on the MISC proposed salary increment and bonus policy for the FY2016 performance appraisal and the renewal of contracts of employment for senior management.

vii. Deliberated and recommended to the Board the adoption of PETRONAS' policy for achieving 30% women representation at the MISC Board.

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

ix. Reviewed the amendments to MISC Board Charter whereby the MISC Policy Statement on Anti-Bribery and Corruption was adopted and recommended to the Board as part of MISC's Compliance and Ethics programme for FY2016.

This NRC Report is made in accordance with the resolution of the Board of Directors passed on 23 February 2017.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

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

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

Accordingly, the Board is pleased to provide the Company's Statement on Risk Management and Internal Control for the financial year ended 31 December 2016 which was prepared in accordance with the 'Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers', endorsed by Bursa Securities.

ACCOUNTABILITY OF THE BOARD

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

Accordingly, the Board has entrusted the responsibility of risk management oversight to the MISC Board Audit Committee ("BAC"). In respect of risk management, the BAC is supported by the MISC Risk Management Committee ("RMC") that comprises mainly Heads of Divisions. The Company's risk management framework is used to identify, evaluate and manage the principal risks of the Group and appropriate internal control systems are also implemented to manage these risks, details of which are set-out in the following pages.

In addition to the risk management process, the BAC periodically reviews the efficiency and effectiveness of the Group's internal control system to ensure viability and robustness of the system. Group Internal Audit ("GIA") with its risk-based approach supports the BAC in ensuring the said internal control systems are in place and effective in dealing with risks. The BAC is also supported by the Management Committee ("MC") to reflect the prominence and focus by management on the control and risks of the organisation.

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

RISK MANAGEMENT FRAMEWORK

Since 2015 the Board has approved the adoption of the PETRONAS Resiliency Model ("PRM") which provides an integrated view for managing risk. The PRM focuses on three frameworks namely:

i. **Enterprise Risk Management ("ERM")**

   ERM process is an integral part of managing business that provides a guide to systematically identify, assess, treat, monitor and review risks. It aims to improve the ability to reduce the likelihood and impact of identified risks that may affect the achievement of business objectives.

ii. **Crisis Management ("CM")**

   Crisis Management defines the structure and processes for managing emergencies including crises at both domestic and international operations.

iii. **Business Continuity Management ("BCM")**

   Business continuity practices ensure a structured recovery of business operations and business continuity in the event of a crisis or prolonged business disruption.

The MISC Risk Policy states that:-

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

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

The Company has implemented risk management best practices in the form of ERM framework which ensures all business risks are prudently identified, evaluated, treated and managed accordingly to achieve MISC's strategic objectives.

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

- **Risk Management Policy**

  The Group's Risk Management Policy guides the overall best practice of identifying, evaluating, managing, reporting and monitoring the ever changing risks facing the Group and specific measures to mitigate these risks. The emphasis is to effectively reduce the impact of risks, respond to immediate risk events and recover from prolonged business disruption to ensure continuity and sustainability of key business activities as well as delivery of business objectives.

- **Risk Governance Structure**

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

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

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

- Review, deliberate and recommend mitigation actions to ensure that the Group's risks are being mitigated effectively; and

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

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

The RMC meets on a regular basis to update any risk management issues to the MC, President/Group Chief Executive Officer and BAC, which then updates the Board.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

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

The Group has established its Financial Risk Appetite Setting ("FRAS") in the areas of Foreign Exchange exposure and Financial Institution Credit Counterparty risks, to mitigate the Group's risks arising from operations in non-functional currencies and financial loss arising from failure of counterparty banks. Liquidity risk was managed through the monitoring of the Financial Risk Report and its Key Risk Indicators. The Group's Interest Rate exposures were continuously monitored on case to case basis for each borrowing.

The Group is represented in the PETRONAS Financial Risk Management Operational Committee ("FRMOCO"). The FRMOCO is commissioned to address financial risk management, including financial risk governance and operational issues in a holistic manner. This Committee serves as a platform for members to raise, highlight and seek guidance on the said areas.

RISK MANAGEMENT PROCESS

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

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

RISK PROFILING

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

RISK MONITORING

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

RISK REPORTING

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

In addition, the following summarises the key risk management activities undertaken during the year under review:

- **Embedding risk management into strategy planning**

  In sustaining the achievement of business objectives, it is important to manage risks across the Group on an integrated basis with a balanced view of the risks taken against the rewards of business performance. The Business Units ("BU"), Service Units ("SU") and key Subsidiaries ("Subs") are required to perform an annual review of their risk profiles with the emphasis in linking risks to MISC's business objectives.

  In addition, Key Risk Indicators (KRIs) were reviewed and identified to monitor the movement of risks throughout the year, thus enabling the management to act and take necessary measures in managing risks to ensure that strategic initiatives are implemented effectively and business objectives are met.

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

- **Project Evaluation**

  The Group had, during the year under review, introduced the Project Return Framework ("PRF"), a risk-based pricing framework that is used to ensure that the returns of any capital investment or project, adequately covers the risks assumed from undertaking such investment or project. Amongst the risk elements considered within the PRF are Project Risk Assessment ("PRA"), counter party credit risk, project tenure, assumed level of debt taken to fund the project and the residual value risk of the asset at the end of the contract period.

  PRA is a stringent tool adopted by the Group in identifying a project's risks prior to embarking on a new capital intensive project. PRA enables the business to identify and implement appropriate controls to at least reduce, if not eliminate, the risk impact to projects. Ultimately, the objective of PRA is ensuring that project returns commensurate with the level of risk taken. During the year, there were five (5) PRAs conducted and deliberated at the RMC.

  In addition, the PRA advocates and ensures a consistent approach to project prioritisation during the overall planning and budget cycle throughout the Group, as well as promoting investment discipline.

- **Business Continuity Planning**

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

  During the year under review, BCP simulations were organised for critical units based in Menara Dayabumi to test the resiliency and robustness of the BCP initiative put in place, as well as to familiarise employees with the business continuity plans. The scenario-based simulation was designed to test all roles and responsibilities of the critical business functions, including critical staff who are required to carry out business recovery from the alternate site.

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

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

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

OTHER KEY INTERNAL CONTROL PROCESSES

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

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

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

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

3. The Limits of Authority ("LOA") manual provides a framework of authority and accountability within the organisation and facilitates sound and timely corporate decision making at the appropriate level in the organisation's hierarchy.

4. To enhance the quality of the Group's financial reports, the Group continues the execution of the PETRONAS Financial Control Framework ("FCF"). FCF is a structured process of ensuring the adequacy and effectiveness of internal controls operating at various levels within the Group at all times. FCF requires documentation of process workflows, control descriptions, testing on control effectiveness as well as remediation of control gaps.

   On a semi-annual basis, the process owner at various management levels and operating entities is required to complete and submit a Letter of Assurance which provides confirmation of compliance to specified controls for the accountable business areas. If ineffective controls exist, the process owner will have to put in place appropriate remediation plans and the control owner will monitor the execution plans to ensure the controls are mitigated by the next FCF's process.

   The FCF process is further enhanced with the implementation of limited controls testing between PETRONAS group of companies during the year under review.

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

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

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

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

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

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

   System reviews are initiated and conducted to ensure that adequate controls are in place in order to conform to the Company's business objectives, policies and procedures.

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

A structured Succession Planning framework was developed and implemented to identify and develop a leadership pipeline in the Group. The Succession Planning framework takes into account the potential successor's performance track record, leadership capability and display of the MISC cultural beliefs. The Succession Planning framework also provides for development plans to be mapped appropriately for each potential successor in order for them to be ready to assume the critical positions as the opportunity arises. A special talent review session by the Management Development Committee (MDC) is conducted annually to assess and gauge the identified talent pool's suitability as well as their readiness level for the proposed Critical Position. The framework signifies the Group's commitment towards developing the future leaders of MISC.

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

The Compliance Unit developed a comprehensive programme and policy on CoBE-related matters which focused on anti-bribery and corruption, including for compliance monitoring, review and implementation of sanctions. A risk-based approach was adopted in developing the said programme, which was also bench-marked against international standards and best practices.

A comprehensive Compliance & Ethics Programme was approved by Board in June 2016 which underpins the role of the Board and Management in combatting bribery, provides for enhanced training and communication programmes, and implementation of appropriate counter-party due diligence. The Board also adopted the following Anti-Bribery and Corruption Policy, as reflected in its Board Charter, which also applies throughout the Group:

"We at MISC Group (MISC) are committed to applying the highest standards of ethical conduct, integrity and accountability in all our business activities and operations. This Policy applies to all MISC business dealings and relationships.

MISC has a zero tolerance policy towards any form of bribery and corruption by, or of, employees or any persons or companies acting for MISC or on its behalf. The MISC Code of Conduct and Business Ethics (MISC CoBE) and Anti-Bribery and Corruption Policy and Guidelines apply throughout the Group and reflect our commitment to fight any corrupt and unethical practices in the course of conducting business in the jurisdictions in which we operate.

The Board and management are committed to implementing and enforcing effective and robust policies and procedures to prevent, monitor and eliminate bribery and corruption. Employees and others acting for or on behalf of MISC are strictly prohibited from directly or indirectly soliciting, accepting or offering bribes in relation to MISC's businesses and operations.

Employees across MISC are expected to observe the MISC CoBE and uphold MISC's zero tolerance towards bribery and corruption. Employees who fail to comply with the CoBE will be subject to the appropriate disciplinary measures".

The Company's monitoring processes have also been enhanced with the establishment, amongst others, of employees' Conflict of Interest Register, employees' Gift Register and the Whistleblowing Register. A comprehensive Third Party Due Diligence Guidelines was also rolled out to the Group in September 2016. The Compliance Unit also conducted a training program covering Corporate Orientation for New Employees ("CONE") in December 2016. All company directors in the Group also attended a refresher training programme on MISC's CoBE and international compliance issues in November 2016.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

The Whistleblowing Policy provides an avenue for all employees of MISC and members of the public to report any improper conduct within MISC in breach of the CoBE. The whistleblowing system includes a dedicated Hotline for employees to make reports in a confidential manner, and oversight of the processes by a Whistleblowing Committee. Where necessary, whistleblowing reports are also escalated to the Board.

From the business angle, the Compliance Unit also supports all the necessary ethical due diligence inquiries to ensure high standards of integrity are upheld by the Company's joint venture partners, vendors and/or persons conducting work on behalf of MISC.

11. During the year under review, MISC established its Corporate Disclosure Policy ("CDP") and Corporate Disclosure Guidelines ("CDG"). The CDP guides the Board, Management and employees when communicating and making disclosure of information to external parties such as Bursa Securities, investment community, media, government authorities and other relevant stakeholders. It also sets out the parameters to enable timely, adequate and accurate disclosure of such information. The CDG, which is an internal document, provides more definitive guidelines for communication and disclosure of information in the above areas.

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

ASSURANCE FUNCTIONS

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

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

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

   The Ship Management Audit Division submits its findings and recommendations on corrective actions of each ship and floating facilities inspected to the Fleet Management Services ("FMS") Division and Offshore Business Unit ("OBU") respectively. The monitoring and follow-up on the status of the corrective actions are maintained on a monthly basis until closure. On a six-monthly as well as annual basis, findings on each ship inspected are collated and analysed into a consolidated report. The consolidated reports are submitted and presented to the MC for review, comments and further actions. The reports are then presented to BAC with the deliberations and decisions shared.

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

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

GROUP INTERNAL AUDIT

MISC Group Internal Audit ("GIA") supports the BAC by providing independent feedback on the adequacy of risk management, governance and the efficiency and effectiveness of the internal control system.

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

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

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

OTHER MATTERS

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

AFFIRMATION BY THE BOARD

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

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

REVIEW BY EXTERNAL AUDITOR

The external auditor, Messrs Ernst & Young, have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 31 December 2016, in compliance with paragraph 15.23 of the Listing Requirements in accordance with guidelines issued by the Malaysian Institute of Accountants, and reported to the Board that nothing has come to their attention to cause them to believe that the statement intended to be included in the annual report is not prepared, in all material respects, in accordance with disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuer, or that the statement is factually inaccurate.

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

This statement is made in accordance with the resolution of the Board of Directors dated 23 February 2017.

STATEMENT OF DIRECTORS' RESPONSIBILITY

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

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

In preparing the annual audited financial statements of the Group and of the Company for the financial year ended 31 December 2016, the directors have ensured that, appropriate and relevant accounting policies are adopted and consistently applied, reasonable and prudent estimates are made and going concern basis was adopted.

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

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

ADDITIONAL COMPLIANCE INFORMATION

A. Status of Utilisation of Proceeds

During the financial year ended 31 December 2016, the Company did not raise any proceeds from corporate proposals.

B. Audit and Non-Audit Fees

(i) The amount of audit fees paid or payable to the external auditors, Messrs Ernst & Young (EY), for services rendered to the Group and the Company for the financial year ended 31 December 2016 amounted to RM3.741 million and RM0.765 million respectively.

(ii) The amount of non-audit fees paid or payable to the external auditors, EY, and their affiliated companies for services rendered to the Group and the Company for the financial year ended 31 December 2016 amounted to RM0.340 million and RM0.059 million respectively.

C. Material Contracts

Save for the following contract, there were no other material contracts entered into by the Company and its subsidiaries, involving the Directors' and/or major shareholders' interests, still subsisting at the end of the financial year ended 31 December 2016 or, if not then subsisting, entered into since the end of the previous financial year:-

(i) Agreement for Sale and Purchase of Shares entered into between MISC Berhad ("MISC") and E&P Venture Solutions Co Sdn. Bhd. for the acquisition by MISC of the remaining 50% equity interest in Gumusut-Kakap Semi-Floating Production System (L) Limited.

BOARD AUDIT COMMITTEE REPORT

Chairman	Members	Secretaries
• YBhg Dato' Sekhar Krishnan *Independent Non-Executive Director*	• YBhg Dato' Halipah Esa *Independent Non-Executive Director* • YBhg Dato' Kalsom Abd. Rahman *Independent Non-Executive Director* • Lim Beng Choon *Independent Non-Executive Director*	• Zawardi Salleh *Joint BAC Secretary* • Sa'adiah Mohd Salleh *Joint BAC Secretary*

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

MEMBERSHIP

The BAC comprises 4 members, all of whom are Independent Non-Executive Directors of the Company. The Chairman of the BAC, YBhg Dato' Sekhar Krishnan, is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.

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

The BAC had 5 meetings in the financial year ended 31 December 2016. Records of attendance of the Members are as follows:-

Member	Designation	Number of Meetings Attended
YBhg Dato' Sekhar Krishnan	Chairman/Independent Non-Executive Director	5 out of 5
YBhg Dato' Halipah Binti Esa	Independent Non-Executive Director	5 out of 5
YBhg Dato' Kalsom Binti Abd. Rahman	Independent Non-Executive Director	5 out of 5
Mr. Lim Beng Choon	Independent Non-Executive Director	4 out of 5

TERMS OF REFERENCE (ToR)

The BAC is governed by its ToR which was drawn according to the requirements of the MMLR and Malaysian Code on Corporate Governance 2012 ("the Code"). The ToR of the BAC is available on the Company's website at www.misc.com.my

SUMMARY OF ACTIVITIES

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

Minutes of BAC meetings which include records of the deliberations, decisions and resolutions of the meetings are properly maintained by the Secretary of the BAC.

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

During the financial year ended 31 December 2016, the following activities were carried out by the BAC in discharging its functions and duties:-

A) Risk Management

- Reviewed the adequacy and effectiveness of Risk Management Framework and the on-going activities for identifying, evaluating, monitoring and mitigating risks.

- Received and reviewed reports on key strategic and operational risk issues arising from quarterly Risk Management Committee ("RMC") meetings, including review of the mitigation plans to address the said risks.

- Reviewed and endorsed the Group's Financial Year 2016 Enterprise Risk Management ("ERM") Risk Register emanating from the Annual Planning Cycle and ensured that appropriate systems and processes are in place to effectively monitor and manage the identified risks.

- Reviewed the emerging risks affecting the Company's businesses as a result of the depressed oil and gas market environment.

- Reviewed MISC's Business Continuity Plan ("BCP') and the status of implementation of the BCPs within the Group.

- Reviewed and endorsed the Group's Financial Year 2017 ERM Risk Register and ensured that systems and processes are in place to monitor and manage the identified risks in 2017.

- Reviewed the Statement on Risk Management and Internal Control for inclusion in the Company's 2016 Annual Report in compliance with Paragraph 15.23 of the MMLR.

B) Internal Audit

- Reviewed and approved GIA's long term audit plan and Annual Internal Audit Plan ("AIAP") as guided by the approved Enhanced Risk Based Internal Audit Framework of MISC in order to ensure adequacy of coverage on auditable entities and resources allocated.

- The areas of audit engagements covered during the year under review are as follows:-

  ➢ Improvement in the Processes and Effective Cost Management, i.e., Procurement Activities for Offshore Business Unit (OBU) and Fleet Management Services (FMS), Post Implementation of Goods & Services Tax (GST), Quality, Health, Safety, Security and Environment (QHSSE) & Victualing, Information and Communication Technology (ICT) Service Desk Management System and Insurance Management;

  ➢ Safeguarding MISC's Investment, i.e., Marginal Marine Production Unit (MAMPU1) Project, audit on subsidiaries, joint venture companies within MISC Group including associated companies; and

  ➢ Governance and regulatory compliance oversight, i.e., Financial Control Framework, Tax Management Review and review of Quarterly Recurrent Related Party Transactions.

- Reviewed internal audit reports issued by GIA based on the approved AIAP and ensured that appropriate agreed corrective actions are taken by the Management on the gaps in controls or procedures as identified by GIA.

BOARD AUDIT COMMITTEE REPORT

- Reviewed the responses and action plans provided by Management Committee on the deliberated audit reports.

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

- Reviewed the minutes of meetings of the audit committee of Malaysia Marine and Heavy Engineering Holdings Berhad and minutes of meetings of the Audit and Risk Management Committee of AET Tanker Holdings Sdn. Bhd. for overview of the state of risk management and internal control systems of the subsidiary companies.

- Reviewed the adequacy of resources and competencies of GIA's staff to execute the audit plan.

- Conducted half-yearly and yearly assessment on the adequacy of GIA's functions and resources, scope of work, service orientation, and its Annual Plan and Strategy.

- Prior to BAC meetings, the Chairman of the BAC held private meetings and discussions with Head and senior staff of GIA on audit reports and any Internal Audit related matters.

C) External Audit

- Reviewed and approved the External Auditors' terms of engagement, audit plan, nature and scope for the financial year.

- Reviewed the results and issues arising from External Auditors' audit for the financial year and the resolution of issues highlighted in their report to the BAC and Management's response.

- BAC had 2 private meetings with the External Auditors without the presence of Management during the financial year ended 31 December 2016 (i.e., on 3 February 2016 and 31 October 2016) to discuss any matters the External Auditors may wish to present and to ensure that there were no restrictions in the scope and discharge of their audit activities.

- The BAC also recommended the External Auditors' re-appointment to the Board to be proposed for shareholders' approval at the last AGM.

The Company also engages the External Auditors for other non-audit works as and when required. For the financial year ended 31 December 2016, the amount of non-audit fees incurred for services rendered by the External Auditors or their affiliates to MISC Group is RM340,000.

To ensure that the External Auditors' independence is not impaired, the Audit Engagement Partner in charge of the Company is rotated every 5 years. Internally, the External Auditors conduct an Independent Partner Review in order to preserve their independence. The External Auditors had also provided written assurance to the BAC that in accordance with the terms of all relevant professional and regulatory requirements, they had been independent throughout the audit engagement.

The Company has also adopted a Policy on the Assessment of External Auditors. With this policy, the BAC will carry out annual assessment on the performance, suitability and independence of the External Auditors based on the following criteria:-

- quality of engagement team (including sufficiency of resources).

- quality of communication and interaction.

- independence, objectivity and professional scepticism.

D) Financial Results and Other Finance Matters

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

- Reviewed the adequacy and effectiveness of Interest Rate Risk Appetite, Optimum Gearing Ratio, and Minimum Cash Balance for MISC Group.

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

E) Corporate Governance and Regulatory Compliance

- Reviewed and deliberated on the Recurrent Related Party Transactions ("RRPTs") reports on quarterly basis, including the framework and procedures of RRPTs.
- Reviewed and recommended to the Board the Statement on Risk Management and Internal Control, BAC Report and Additional Compliance Information for inclusion in the 2016 Annual Report.
- Reviewed the following transactions that were deemed as related party transactions:
  i. Acquisition of 50% equity interest in Gumusut-Kakap Semi-Floating Production System (L) Limited ("GKL") from E&P Venture Solutions Co. Sdn. Bhd. ("EVS"), a wholly-owned subsidiary of PETRONAS Carigali Sdn. Bhd.; and
  ii. Revision of commercial terms of existing Time Charter Party with PETRONAS LNG Sdn. Bhd. ("PLNG").
- Reviewed the Directors' Conflict of Interest report for MISC Group.

With regard to the acquisition of 50% equity interest in GKL from EVS, the transaction was deliberated by the BAC to ensure the terms of the transaction are fair, reasonable and in the best interest of the Company, on an arm's length basis and normal commercial terms and were not to the detriment of the minority shareholders. The BAC was also advised by the Company's principal adviser (Maybank Investment Bank Berhad) as well as independent adviser (AmInvestment Bank Berhad) who presented their assessment and independent opinion of the transaction and recommended the transaction to the non-interested Directors for approval. The transaction was approved by the non-interested shareholders at an extraordinary general meeting ("EGM") which was conducted via poll voting in compliance with the requirements of the MMLR for related party transactions.

For the revision of commercial terms of existing Time Charter Party ("TCP") with PETRONAS LNG Sdn. Bhd., the BAC deliberated the matter to ensure that the revised terms of the TCP are fair and reasonable and not detrimental to the non-interested shareholders' interest. The revision was later approved by the non-interested Directors as recommended by the BAC.

F) Ship Management Audit ("SMA")

- Reviewed the SMA's semi-annual and annual audit reports focusing on the efficiency and effectiveness of the maintenance of the Group's vessels and floating assets.

STATEMENT ON INTERNAL AUDIT FUNCTION

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

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

The audit reports prepared by GIA provide details of audit findings and corresponding Agreed Corrective Actions ("ACA"). GIA monitored the status of implementation of these ACA through the Quarterly Audit Status Reports, of which, the ACA were monitored and analysed. The consolidated reports were submitted and presented to the Management Committee and BAC for deliberation and endorsement on a quarterly basis. Such regular monitoring was essential to ensure the integrity and effectiveness of the Group's system of internal control.

GIA submitted their findings and recommendations on audit issues to the MC for executive review. Subsequently, the reports together with deliberations by the MC were tabled at the BAC Meetings for decisions. At the Board Meetings, Chairman of the BAC highlighted the key audit issues and overall decisions and resolutions made during the BAC Meetings to the Board Members.

During the financial year, GIA had carried out audits according to the internal audit plan approved by the BAC. The total cost incurred in discharging the internal audit functions during the financial year ended 31 December 2016 was RM6.45 million.

BOARD AUDIT COMMITTEE REPORT

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

STATEMENT ON RPTs AND RRPTs

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

In ensuring adequate procedures and processes are in place, the BAC is responsible to ensure the following:-

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The RRPTs entered into by the Group during the financial year ended 31 December 2016 are summarised below:-

Nature of Transaction		Transacting Party	Related Party
1.	Provision of freight forwarding activities and/or logistics services to PETRONAS Group	MISC Integrated Logistics Sdn. Bhd. (ceased as subsidiary of MISC on 24 October 2016)	PETRONAS*
2.	Purchase of lubricants and other petroleum products including bunker oil from PETRONAS Dagangan Berhad	MISC and/or its subsidiaries	PETRONAS*
3.	Charters of petroleum and chemical tankers and LNG carriers from MISC by PETRONAS Group	MISC and/or its subsidiaries	PETRONAS*
4.	Marine and consultancy Services**	MISC and/or its subsidiaries	PETRONAS*
5.	Sungai Udang Port management**	MISC and/or its subsidiaries	PETRONAS*

* *PETRONAS is a major shareholder of the Company*

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

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

The GIA has also conducted an audit on RPTs and RRPTs as at 31 December 2016 and reviewed the internal control process and records of RPTs and RRPTs within the affected scope to verify the procedures and relevant approvals have been obtained. The BAC is satisfied with the established procedures and the RPTs and RRPTs were fairly concluded on prevailing market rates/prices, normal commercial terms/conditions, applicable industry norms and not detrimental to the interests of MISC and its minority shareholders. The audit report was tabled to the BAC on 7 February 2017.

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

This report is made in accordance with the resolution of the Board of Directors duly passed on 23 February 2017.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Corporation for the financial year ended 31 December 2016.

Principal activities

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

The principal activities of the subsidiaries, associates and joint arrangements are stated in Notes 39, 40 and 41 to the financial statements respectively.

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

Results

	Group RM'000	Corporation RM'000
Profit for the year	2,793,276	1,996,092
Attributable to:		
Equity holders of the Corporation	2,581,550	1,996,092
Non-controlling interests	211,726	–
	2,793,276	1,996,092

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

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

DIRECTORS' REPORT

Dividends

The amount of dividends paid by the Corporation since 31 December 2015 were as follows:

In respect of the financial year ended 31 December 2015 as reported in the directors' report of that year:

	RM'000
A second interim tax exempt dividend of 12.5 sen per share on 4,463,794,000 ordinary shares under single tier system, declared on 5 February 2016 paid on 9 March 2016	557,975
Final tax exempt dividend of 10.0 sen per share on 4,463,794,000 ordinary shares under the single tier system, approved by the shareholders on 19 April 2016 and paid on 19 May 2016	446,379

In respect of the financial year ended 31 December 2016:

	RM'000
A first interim tax exempt dividend of 10.0 sen per share on 4,463,794,000 ordinary shares under single tier system, declared on 4 August 2016 and paid on 7 September 2016	446,379

A second tax exempt dividend, under the single tier system, in respect of the financial year ended 31 December 2016 of 20.0 sen per share amounting to a dividend payable of RM892,758,800, will be paid on 16 March 2017.

The second dividend is not reflected in the current year's financial statements. The dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2017.

Directors

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

Dato' Ab. Halim bin Mohyiddin
Datuk Manharlal Ratilal
Datuk Nasarudin Md Idris
Dato' Halipah binti Esa
Dato' Kalsom binti Abd. Rahman
Lim Beng Choon
Dato' Sekhar Krishnan
Yee Yang Chien
Mohamed Firouz bin Asnan

Directors' benefits

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

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

Directors' interests

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

	Number of ordinary shares of RM1 each			
	1 January 2016	**Bought**	**Sold**	**31 December 2016**
Corporation - MISC Berhad				
Indirect				
Dato' Halipah binti Esa#	10,000	–	–	10,000
Fellow subsidiary - PETRONAS Gas Berhad				
Direct				
Dato' Ab. Halim bin Mohyiddin	5,000	–	–	5,000
Datuk Nasarudin Md Idris	3,000	–	–	3,000

DIRECTORS' REPORT

Directors' interests (cont'd.)

	Number of stapled securities of KLCC Property Holdings Berhad and KLCC Real Estate Investment Trust			
	1 January 2016	Bought	Sold	31 December 2016
Fellow subsidiary - KLCC Property Holdings Berhad				
Direct				
Datuk Manharlal Ratilal	5,000	–	–	5,000
Datuk Nasarudin Md Idris	5,000	–	–	5,000

	Number of ordinary shares of RM0.10 each			
	1 January 2016	Bought	Sold	31 December 2016
Fellow subsidiary - PETRONAS Chemicals Group Berhad				
Direct				
Dato' Ab. Halim bin Mohyiddin	5,000	–	–	5,000
Datuk Manharlal Ratilal	20,000	–	–	20,000
Datuk Nasarudin Md Idris	10,000	–	–	10,000
Dato' Kalsom binti Abd. Rahman	35,000	–	–	35,000
Dato' Halipah binti Esa	10,000	–	–	10,000
Mohamed Firouz bin Asnan	6,000	–	–	6,000
Indirect				
Dato' Halipah binti Esa#	13,100	–	–	13,100

Directors' interests (cont'd.)

	Number of ordinary shares of RM0.50 each			
	1 January 2016	Bought	Sold	31 December 2016
Subsidiary - Malaysia Marine and Heavy Engineering Holdings Berhad				
Direct				
Dato' Ab. Halim bin Mohyiddin	5,000	–	–	5,000
Datuk Nasarudin Md Idris	10,000	–	–	10,000
Dato' Halipah binti Esa	10,000	–	–	10,000
Dato' Kalsom binti Abd. Rahman	90,000	–	–	90,000
Indirect				
Dato' Halipah binti Esa#	10,000	–	–	10,000

Deemed interest by virtue of Director's family members' shareholding.

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

Other statutory information

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

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

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

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

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

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

DIRECTORS' REPORT

Other statutory information (cont'd.)

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

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

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

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

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

(f) In the opinion of the directors:

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

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

Significant events

The significant events during the financial year are disclosed in Note 42 to the financial statements.

Subsequent event

The subsequent event is disclosed in Note 43 to the financial statements.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 February 2017.

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

STATEMENT BY DIRECTORS

We, Dato' Ab. Halim bin Mohyiddin and Yee Yang Chien, being two of the directors of MISC Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 162 to 333 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Corporation as at 31 December 2016 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 44 on page 334 to the financial statements have been prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 February 2017.

Dato' Ab. Halim bin Mohyiddin

Yee Yang Chien

STATUTORY DECLARATION

I, Rozainah binti Awang, being the officer primarily responsible for the financial management of MISC Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 162 to 334 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Rozainah binti Awang at
Kuala Lumpur in Wilayah Persekutuan
on 23 February 2017

Rozainah binti Awang

Before me,

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Corporation 2016 RM'000	Corporation 2015 RM'000
Revenue	3	9,597,239	10,908,386	1,118,736	1,718,880
Cost of sales		(6,758,690)	(7,528,245)	(855,889)	(1,201,775)
Gross profit		2,838,549	3,380,141	262,847	517,105
Other operating income	4	1,292,269	592,616	2,165,711	873,249
Impairment provisions	5(a)	(358,657)	(491,272)	(9,433)	(461,489)
Net loss on disposal of ships		–	(70,622)	–	(70,622)
Gain on acquisition of subsidiaries	15	903,682	–	–	–
Finance income	8(b)	50,276	60,333	179,185	184,334
General and administrative expenses		(1,952,308)	(1,250,520)	(496,975)	(140,474)
Finance costs	8(a)	(247,900)	(240,353)	(105,243)	(123,412)
Share of profit of associates		107	157	–	–
Share of profit of joint ventures		287,949	586,377	–	–
Profit before taxation	5	2,813,967	2,566,857	1,996,092	778,691
Taxation	9	(20,691)	(31,750)	–	–
Profit after taxation		2,793,276	2,535,107	1,996,092	778,691
Attributable to:					
Equity holders of the Corporation		2,581,550	2,467,780	1,996,092	778,691
Non-controlling interests		211,726	67,327	–	–
		2,793,276	2,535,107	1,996,092	778,691
Earnings per share attributable to equity holders of the Corporation (sen)					
Basic	10	57.8	55.3		
Diluted	10	57.8	55.3		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit after taxation	2,793,276	2,535,107	1,996,092	778,691
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss				
Gain on currency translation	1,612,631	5,774,098	1,106,115	4,755,157
Non-current quoted equity investments - changes in fair value	(9,557)	2,167	(9,557)	2,167
Cash flow hedges - fair value (loss)/gain	(8,852)	8,314	–	–
Total other comprehensive income for the year	1,594,222	5,784,579	1,096,558	4,757,324
Total comprehensive income for the year	4,387,498	8,319,686	3,092,650	5,536,015
Total comprehensive income attributable to:				
Equity holders of the Corporation	4,154,947	8,207,803	3,092,650	5,536,015
Non-controlling interests	232,551	111,883	–	–
	4,387,498	8,319,686	3,092,650	5,536,015

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Group 2016 RM'000	Group 2015 RM'000
Non-current assets			
Ships	12	23,858,401	22,947,385
Offshore floating assets	12	473,486	403,429
Other property, plant and equipment	12	1,782,397	2,092,769
Prepaid lease payments on land and buildings	13	227,752	238,208
Intangible assets	14	938,676	925,635
Investments in associates	16	2,466	2,369
Investments in joint ventures	17	1,602,175	4,684,574
Other non-current financial assets	18(a)	318,829	360,967
Derivative assets	18(b)	1,472	976
Finance lease receivables	18(d)	13,454,226	3,786,759
Finance lease assets under construction	19	1,417,983	1,256,005
Deferred tax assets	28	85,335	92,186
		44,163,198	36,791,262
Current assets			
Inventories	20	213,468	205,216
Trade and other receivables	21	5,040,361	4,888,047
Derivative assets	18(b)	–	525
Cash, deposits and bank balances	23	6,559,207	5,654,024
		11,813,036	10,747,812
Non-current assets classified as held for sale	24	175,035	–
		11,988,071	10,747,812
Current liabilities			
Trade and other payables	25	2,734,042	3,817,030
Derivative liabilities	18(b)	6,655	–
Interest-bearing loans and borrowings	18(c)	7,372,969	1,110,055
Provision for taxation		1,445	29,155
		10,115,111	4,956,240
Net current assets		1,872,960	5,791,572
		46,036,158	42,582,834

	Note	Group 2016 RM'000	2015 RM'000
Equity			
Equity attributable to equity holders of the Corporation			
Share capital	26(a)	4,463,794	4,463,794
Share premium	26(b)	4,459,468	4,459,468
Other reserves	27	9,349,016	7,775,619
Retained profits		19,793,388	18,662,571
		38,065,666	35,361,452
Non-controlling interests		1,265,287	1,097,690
		39,330,953	36,459,142
Non-current liabilities			
Interest-bearing loans and borrowings	18(c)	5,228,537	5,394,348
Deferred tax liabilities	28	37,190	30,369
Derivative liabilities	18(b)	691	1,931
Deferred income	29	756,961	–
Provisions	25(c)	681,826	697,044
		6,705,205	6,123,692
		46,036,158	42,582,834

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Corporation 2016 RM'000	Corporation 2015 RM'000
Non-current assets			
Ships	12	6,046,141	6,074,580
Offshore floating assets	12	–	17,421
Other property and equipment	12	95,069	84,471
Prepaid lease payments on land and buildings	13	4,305	4,234
Investments in subsidiaries	15	18,915,174	11,280,489
Investments in associates	16	135	129
Investments in joint ventures	17	305,828	1,605,512
Other non-current financial assets	18(a)	4,877,570	6,159,776
Finance lease assets under construction	19	1,417,983	1,256,005
		31,662,205	26,482,617
Current assets			
Inventories	20	25,583	229,049
Trade and other receivables	21	2,862,005	2,385,455
Cash, deposits and bank balances	23	3,468,856	2,070,683
		6,356,444	4,685,187
Non-current assets classified as held for sale	24	–	923,210
		6,356,444	5,608,397
Current liabilities			
Trade and other payables	25	1,668,333	5,348,806
Interest-bearing loans and borrowings	18(c)	2,804,497	687,662
		4,472,830	6,036,468
Net current assets/(liabilities)		1,883,614	(428,071)
		33,545,819	26,054,546

	Note	Corporation 2016 RM'000	2015 RM'000
Equity			
Equity attributable to equity holders of the Corporation			
Share capital	26(a)	4,463,794	4,463,794
Share premium	26(b)	4,459,468	4,459,468
Other reserves	27	6,095,963	4,999,405
Retained profits		10,911,539	10,366,180
		25,930,764	24,288,847
Non-current liabilities			
Interest-bearing loans and borrowings	18(c)	6,933,229	1,068,655
Provisions	25(c)	681,826	697,044
		7,615,055	1,765,699
		33,545,819	26,054,546

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

			I----------	I---- Non Distributable	---I Distributable	I----------	
	Note	Total equity RM'000	Equity attributable to equity holders of the Corporation RM'000	Share capital* RM'000	Share premium RM'000	Retained profits RM'000	Other reserves, total RM'000
2016							
At 1 January 2016		36,459,142	35,361,452	4,463,794	4,459,468	18,662,571	7,775,619
Total comprehensive income/(loss)		4,387,498	4,154,947	–	–	2,581,550	1,573,397
Transactions with equity holders							
Additional investment in subsidiary		(3,518)	–	–	–	–	–
Acquisition of a subsidiary		3,000	–	–	–	–	–
Dividends	11	(1,515,169)	(1,450,733)	–	–	(1,450,733)	–
Total transactions with equity holders		(1,515,687)	(1,450,733)	–	–	(1,450,733)	–
At 31 December 2016		39,330,953	38,065,666	4,463,794	4,459,468	19,793,388	9,349,016
2015							
At 1 January 2015		28,821,104	27,756,261	4,463,794	4,459,468	16,797,403	2,035,596
Total comprehensive income		8,319,686	8,207,803	–	–	2,467,780	5,740,023
Transactions with equity holders							
Liquidation of a subsidiary		(338)	–	–	–	–	–
Dividends	11	(681,310)	(602,612)	–	–	(602,612)	–
Total transactions with equity holders		(681,648)	(602,612)	–	–	(602,612)	–
At 31 December 2015		36,459,142	35,361,452	4,463,794	4,459,468	18,662,571	7,775,619

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

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

--------------------------------------- Attributable to equity holders of the Corporation ---------------------------------------I

--- Non Distributable ---I

Other capital reserve RM'000	Capital reserve RM'000	Revaluation reserve RM'000	Statutory reserve RM'000	Capital redemption reserve RM'000	Fair value reserve RM'000	Hedging reserve RM'000	Currency translation reserve RM'000	Non-controlling interests RM'000
41,415	435,284	1,357	1,966	59,715	65,566	1,843	7,168,473	1,097,690
–	–	–	–	–	(9,557)	(5,625)	1,588,579	232,551
–	–	–	–	–	–	–	–	(3,518)
–	–	–	–	–	–	–	–	3,000
–	–	–	–	–	–	–	–	(64,436)
–	–	–	–	–	–	–	–	(64,954)
41,415	435,284	1,357	1,966	59,715	56,009	(3,782)	8,757,052	1,265,287
41,415	435,284	1,357	1,966	59,715	63,399	(5,546)	1,438,006	1,064,843
–	–	–	–	–	2,167	7,389	5,730,467	111,883
–	–	–	–	–	–	–	–	(338)
–	–	–	–	–	–	–	–	(78,698)
–	–	–	–	–	–	–	–	(79,036)
41,415	435,284	1,357	1,966	59,715	65,566	1,843	7,168,473	1,097,690

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

		I----- Non Distributable	-----I		Distributable	I----------- Non Distributable	------------I	
	Note	**Total equity RM'000**	**Share capital* RM'000**	**Share premium RM'000**	**Retained profits RM'000**	**Other reserves, total RM'000**	**Fair value reserve RM'000**	**Currency translation reserve RM'000**
2016								
At 1 January 2016		24,288,847	4,463,794	4,459,468	10,366,180	4,999,405	65,566	4,933,839
Total comprehensive income/(loss)		3,092,650	–	–	1,996,092	1,096,558	(9,557)	1,106,115
Transactions with equity holders								
Dividends	11	(1,450,733)	–	–	(1,450,733)	–	–	–
At 31 December 2016		25,930,764	4,463,794	4,459,468	10,911,539	6,095,963	56,009	6,039,954
2015								
At 1 January 2015		19,355,444	4,463,794	4,459,468	10,190,101	242,081	63,399	178,682
Total comprehensive income		5,536,015	–	–	778,691	4,757,324	2,167	4,755,157
Transactions with equity holders								
Dividends	11	(602,612)	–	–	(602,612)	–	–	–
At 31 December 2015		24,288,847	4,463,794	4,459,468	10,366,180	4,999,405	65,566	4,933,839

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

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Corporation 2016 RM'000	Corporation 2015 RM'000
Operating activities					
Cash receipts from customers		12,118,462	10,198,737	1,958,039	361,778
Cash paid to suppliers and employees		(6,858,412)	(6,691,033)	(1,759,076)	(675,568)
Cash generated from operating activities		5,260,050	3,507,704	198,963	(313,790)
Taxation paid		(37,792)	(80,913)	–	–
Net cash generated from/(used in) operating activities		5,222,258	3,426,791	198,963	(313,790)
Investing activities					
Net cash (used in)/generated from investing activities	30	(3,339,264)	1,335,811	1,641,334	(252,539)
Financing activities					
Net cash used in financing activities	31	(1,212,637)	(4,737,369)	(533,930)	(486,139)
Net increase/(decrease) in cash and cash equivalents		670,357	25,233	1,306,367	(1,052,468)
Cash and cash equivalents at beginning of financial year		5,533,813	4,628,943	2,070,683	2,581,274
Currency translation differences		204,801	879,637	91,806	541,877
Cash and cash equivalents at end of financial year		6,408,971	5,533,813	3,468,856	2,070,683
Cash and cash equivalents comprise:					
Cash, deposits and bank balances	23	6,559,207	5,654,024	3,468,856	2,070,683
Less: Deposits with maturity more than 90 days		(4,597)	(28,457)	–	–
Cash pledged with bank - restricted		(145,639)	(91,754)	–	–
Cash and cash equivalents		6,408,971	5,533,813	3,468,856	2,070,683

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

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

1. Corporate information

The Corporation is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The registered office of the Corporation is located at Level 25, Menara Dayabumi, Jalan Sultan Hishamuddin, 50050 Kuala Lumpur.

The immediate and ultimate holding company of the Corporation is Petroliam Nasional Berhad ("PETRONAS"), a company incorporated and domiciled in Malaysia.

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

The principal activities of the subsidiaries, associates and joint arrangements are described in Notes 39, 40 and 41 respectively.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 23 February 2017.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Corporation comply with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The financial statements of the Group and of the Corporation have been prepared on a historical cost basis unless otherwise indicated in the accounting policies below.

The functional currency of the Corporation is United States Dollar ("USD"). The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Group and the Corporation's financial statements are presented in Ringgit Malaysia ("RM").

2. Significant accounting policies (cont'd.)

2.2 Changes in accounting policies and effects arising from the adoption of New and Revised MFRSs

The Group and the Corporation had on 1 January 2016 adopted the following new and amended MFRSs (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB"):

- Amendments to MFRS 5: Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 7: Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 10, 12 and 128: Investment Entities: Applying the Consolidation Exception
- Amendments to MFRS 11: Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 101: Presentation of Financial Statements: Disclosure Initiative
- Amendments to MFRS 116 and 138: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116 and 141: Agriculture: Bearer Plants
- Amendments to MFRS 119: Employee Benefits (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 127: Separate Financial Statements: Equity Method in Separate Financial Statements
- Amendments to MFRS 134: Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)
- MFRS 14: Regulatory Deferral Accounts

The adoption of the above pronouncements did not have any significant financial impact to the Group and the Corporation.

2.3 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and, unless otherwise stated, have been applied consistently by the Group and the Corporation.

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are entities including structured entities controlled by the Corporation. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that control commences until the date that control ceases.

2. Significant accounting policies (cont'd.)

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

(a) Subsidiaries and basis of consolidation (cont'd.)

(i) Subsidiaries (cont'd.)

All inter-company transactions are eliminated on consolidation and hence, revenue and profits relate to external transactions only. Unrealised losses resulting from intercompany transactions are also eliminated, except for instances where cost cannot be recovered.

In the Corporation's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Corporation and its subsidiaries as at the reporting date. The financial statements of the subsidiaries are prepared for the same reporting date as the Corporation.

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. Business combinations are accounted for using the acquisition method. The identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date. The cost of an acquisition is measured as the aggregate of the fair value of the consideration transferred and the amount of any non-controlling interests in the acquiree. Non-controlling interests are stated either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

When a business combination is achieved in stages, the Group remeasures its previously held non-controlling equity interest in the acquiree at fair value at the acquisition date, with any resulting gain or loss recognised in the income statement. Increase in the Group's ownership interest in an existing subsidiary is accounted for as equity transactions, with differences between the fair value of consideration paid and the Group's proportionate share of net assets acquired, recognised directly in equity.

Transaction costs, other than those associated with the issuance of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

2. Significant accounting policies (cont'd.)

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

(a) Subsidiaries and basis of consolidation (cont'd.)

(ii) Basis of consolidation (cont'd.)

Non-controlling interests

Non-controlling interests at the end of the reporting period, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Corporation, whether directly, or indirectly through subsidiaries, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the shareholders of the Corporation. Non-controlling interests in the results of the Group are presented in the consolidated income statement and comprehensive income as an allocation of the income statement and other comprehensive income for the year between the non-controlling interests and shareholders of the Corporation.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests, even if doing so causes the non-controlling interests to have a deficit balance.

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to Group reserves.

Loss of Control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in the income statement. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, depending on the level of influence retained, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset.

(b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies.

2. Significant accounting policies (cont'd.)

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

(b) Associates (cont'd.)

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated statement of financial position at cost, adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated income statements. Where there has been a change recognised directly in the equity of the associate, the Group recognises its shares of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After the application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the associate's net fair value of identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

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

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the financial year. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in the income statement. Any retained interest in the former associate at the date when significant influence is lost is re-measured at fair value, and this amount is regarded as the initial carrying amount of a financial asset.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised as profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the income statement.

2. Significant accounting policies (cont'd.)

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

(b) Associates (cont'd.)

In the Corporation's separate financial statements, investments in associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

(c) Joint arrangements

Joint arrangements are arrangements in which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified as either joint operations or joint ventures. A joint arrangement is classified as a joint operation when the Group or the Corporation has rights to the assets and obligations for the liabilities relating to an arrangement. A joint arrangement is classified as a joint venture when the Group has rights only to the net assets of the arrangement.

Investment in a joint venture is accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in joint venture is carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the joint venture. The Group's share of the net profit or loss of the joint venture is recognised in the income statement. Where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of such changes.

(i) Joint ventures

In applying the equity method, unrealised gains and losses on transactions between the Group and the joint venture are eliminated to the extent of the Group's interest in the joint venture. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in the income statement. The joint venture is equity accounted for from the date the Group obtains joint control until the date the Group ceases to have joint control over the joint venture.

Goodwill relating to a joint venture is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the joint venture's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the joint venture's profit or loss in the year in which the investment is acquired.

2. Significant accounting policies (cont'd.)

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

(c) Joint arrangements (cont'd.)

(i) Joint ventures (cont'd.)

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

The most recent available audited financial statements of the joint ventures are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting year. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

On disposal of joint ventures, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

In the Corporation's separate financial statements, investments in joint ventures are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

(ii) Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group as a joint operator recognises in relation to its interest in a joint operation:

(i) its assets, including its share of any assets held jointly;
(ii) its liabilities, including its share of any liabilities incurred jointly;
(iii) its revenue from the sale of its share of the output arising from the joint operation;
(iv) its share of the revenue from the sale of the output by the joint operation; and
(v) its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the MFRSs applicable to the particular assets, liabilities, revenues and expenses.

Profits and losses resulting from transactions between the Group and its joint operation are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the joint operation.

2. Significant accounting policies (cont'd.)

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

(d) Intangible assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is instead reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. Gains or losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

(ii) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised on a straight-line basis over their estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment, annually or more frequently, if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating-unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

(e) Ships, offshore floating assets, other property, plant and equipment, and depreciation

All ships, offshore floating assets and other property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to initial recognition, ships, offshore floating assets, and other property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

2. Significant accounting policies (cont'd.)

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

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

Freehold land has an unlimited useful life and therefore is not depreciated. Ships and offshore floating assets under construction and projects in progress are also not depreciated as these assets are not available for use.

Depreciation of ships and offshore floating assets commences from the date of delivery of such assets. Depreciation of ships and offshore floating assets in operation and other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Ships	2.5% - 5.0%
Offshore floating assets	5.0% - 20.0%
Buildings	2.0% - 7.0%
Drydocks and waste plant	2.0% - 10.0%
Motor vehicles	10.0% - 33.3%
Furniture, fittings and equipment	10.0% - 33.3%
Computer software and hardware	15.0% - 33.3%
Plant and machinery	6.7% - 20.0%

Drydocking expenditure is capitalised and depreciated over a period of 30 months or the period until the next drydocking date, whichever is shorter.

The residual values, useful lives and depreciation method are reviewed at each financial period end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the ships, offshore floating assets, and other property, plant and equipment.

Ships, offshore floating assets, and other property, plant and equipment are derecognised upon disposal, or when no future economic benefits are expected from their use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus is taken directly to retained profits.

2. Significant accounting policies (cont'd.)

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

(f) Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of physical completion or based on technical milestones defined under the contracts, and taking into account the nature of activities and its associated risk.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that is probable to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue, and can be reliably measured.

(g) Impairment of non-financial assets

The carrying amounts of non-financial assets, other than deferred tax assets, inventories, non-current assets classified as held for sale and amount due from construction contract, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss, if any.

For goodwill, the recoverable amount is estimated at each reporting date, or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is usually determined on an individual asset basis. If an asset does not generate cash flows that are largely independent of those from other assets, recoverable amount is determined for the cash-generating-unit ("CGU") to which the asset belongs. Goodwill acquired in a business combination is allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units from the acquisition date.

2. Significant accounting policies (cont'd.)

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

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

An asset's recoverable amount is the higher of the asset's or CGU's fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are firstly allocated to reduce the carrying amount of any associated goodwill to those units or groups of units. Any excess losses thereof, will result in a reduction to the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in the income statement in the period in which it arises. If the asset is carried at a revalued amount, the impairment loss is accounted for as a revaluation loss, to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve of the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset, other than goodwill, is reversed if, and only if, there has been a change in the estimates, used to determine the asset's recoverable amount, since the last impairment loss was recognised. The carrying amount of an asset, other than goodwill, is increased to its revised recoverable amount, provided that this amount does not exceed the asset's carrying amount had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset, other than goodwill, is recognised in the income statement. If the asset is carried at revalued amount, such a reversal is treated as a revaluation gain.

(h) Inventories

Inventories which comprise bunkers, lubricants, spares, raw materials and consumable stores are held for own consumption and are stated at lower of cost and net realisable value. Cost is arrived at on the weighted average basis and comprises the purchase price and other direct charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to complete the sale.

(i) Financial assets

Initial recognition:

Financial assets within the scope of MFRS 139 are classified as "financial assets at fair value through profit or loss", "loans and receivables", "held-to-maturity investments", "available-for-sale financial assets", or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

2. Significant accounting policies (cont'd.)

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

(i) Financial assets (cont'd.)

Initial recognition: (cont'd.)

Financial assets are recognised initially at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace concerned (regular way of purchases) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash, deposits and bank balances, trade and other receivables, loans, quoted and unquoted financial instruments, and derivative financial instruments.

Subsequent measurement:

The subsequent measurement of financial assets depends on their classification as follows:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) and financial assets that are specifically designated into this category upon initial recognition.

Financial assets, categorised as fair value through profit or loss are subsequently measured at their fair value, with gains or losses recognised in the income statement.

The Group has not designated any financial assets as at fair value through profit or loss for the years ended 31 December 2016 and 31 December 2015.

(ii) Loans and receivables

Loans and receivables comprise debt instruments that are not quoted in an active market. Subsequent to initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest rate method.

2. Significant accounting policies (cont'd.)

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

(i) Financial assets (cont'd.)

Subsequent measurement (cont'd.):

(iii) Held-to-maturity investments

Held-to-maturity investments comprise debt instruments that are quoted in an active market and the Group has positive intention and ability to hold the assets to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest rate method.

The Group did not have any held-to-maturity investments as at 31 December 2016 and 31 December 2015.

(iv) Available-for-sale financial assets

Available-for-sale financial assets comprise investment in equity and debt instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at fair value, with unrealised gains and losses recognised directly in other comprehensive income and accumulated under available-for-sale reserve in equity until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss previously recorded in equity is reclassified to the income statement.

The Group and the Corporation have designated their non-current investments as available-for-sale financial assets.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment as described in Note 2.3(m).

(j) Financial liabilities

Initial recognition:

Financial liabilities are classified as "financial liabilities at fair value through profit or loss", "loans and borrowings" or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, any directly attributable transactions costs.

2. Significant accounting policies (cont'd.)

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

(j) Financial liabilities (cont'd.)

Initial recognition: (cont'd.)

The Group's financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments.

Subsequent measurement:

The subsequent measurement of financial liabilities depends on their classification as follows:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) and financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities, categorised as fair value through profit or loss are subsequently measured at their fair value, with gains or losses recognised in the income statement.

The Group has not designated any financial liabilities at fair value through profit or loss for the years ended 31 December 2016 and 31 December 2015.

(ii) Loans and borrowings

Subsequent to initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the income statement when the financial liabilities are derecognised as well as through the amortisation process.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make a payment when due, in accordance with the terms of a debt instrument.

2. Significant accounting policies (cont'd.)

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

(j) Financial liabilities (cont'd.)

Subsequent measurement (cont'd.):

(iii) Financial guarantee contracts (cont'd.)

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Financial guarantee contracts are amortised on a straight-line basis over the contractual period of the debt instrument. Where the guarantee does not have a specific period, the guarantee will only be recognised in the income statement upon discharge of the guarantee.

When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(k) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(l) Amortised cost of financial instruments

Amortised cost is computed using the effective interest rate method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

(m) Impairment of financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries, investments in associates and investments in joint ventures) are assessed at each reporting date to determine whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the financial asset's recoverable amount is estimated.

2. Significant accounting policies (cont'd.)

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

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

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in the income statement and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in the income statement and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to the income statement.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in the income statement and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses are recognised in the income statement for an investment in an equity instrument classified as available-for-sale is not reversed through the income statement.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statement.

(n) Derecognition of financial instruments

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the right to receive cash flows from the asset has expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and
- either (i) the Group has transferred substantially all the risks and rewards of the assets, or (ii) the Group has neither transferred nor retained substantially all the risks and rewards of the assets but has transferred control of the asset.

2. Significant accounting policies (cont'd.)

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a "pass through" agreement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including cash settled options or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase. However, in the case of a written put option (including cash settled options or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

(o) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as interest rate swaps to hedge its interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at each reporting date. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge are recognised in the income statement.

2. Significant accounting policies (cont'd.)

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

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

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk);

- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to:-

  - a particular risk associated with a recognised asset; or
  - liability or a highly probable forecast transaction; or
  - the foreign currency risk in an unrecognised firm commitment.

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective of the hedge and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value of cash flows and are assessed on an ongoing basis to determine that they have actually been highly effective throughout the financial reporting years for which they are designated.

The Group has entered into cash flow hedges which meet the criteria for hedge accounting. The hedges are accounted for as follows:

Cash flow hedges

The effective portion of the gains or losses on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the income statement. Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement, such as when the hedged finance income or finance expense is recognised, or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

2. Significant accounting policies (cont'd.)

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

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

Cash flow hedges (cont'd.)

Derivative instruments that are not designated as effective hedging instrument are classified and allocated as current or non-current based on an assessment of the facts and circumstances as follows:

- Where the Group will continue to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.

Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

(p) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially all the risks and rewards incidental to the Group's ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets, and the land and the buildings elements of a lease are considered separately for the purposes of lease classification. Leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(ii) Operating lease - the Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, to the land and the buildings elements in proportion to their relative fair values at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

2. Significant accounting policies (cont'd.)

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

(p) Leases (cont'd.)

(iii) Operating lease - the Group as lessor

Assets leased out under operating leases are presented in the statement of financial position according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(iv) Finance lease - the Group as lessor

Leases in which substantially all of the risks and rewards of ownership are transferred to the lessee are classified as finance leases. Assets held pursuant to a finance lease are presented in the statement of financial position as receivable at an amount equal to the net investment in the lease. The recognition of finance income on the receivable is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

(v) Prepaid lease payments

Leasehold land which in substance is an operating lease are classified as prepaid lease payments. The payment made on entering into a lease arrangement or acquiring a leasehold land are accounted for as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

Leasehold land is classified into long term lease and short term lease. Long term lease is defined as a lease with an unexpired lease period of fifty years or more. Short term lease is defined as a lease with an unexpired lease period of less than fifty years.

(q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement of the period in which they are incurred.

2. Significant accounting policies (cont'd.)

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

(r) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided using the liability method on temporary differences between the tax bases and the carrying amounts for financial reporting purposes of assets and liabilities at the reporting date.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill, or of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that is probable that taxable profit will be available and can be utilised, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available to utilise the deferred tax assets.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

2. Significant accounting policies (cont'd.)

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

(r) Income tax (cont'd.)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax relating to items recognised outside the income statement is recognised outside the income statement. Deferred tax items are recognised in relation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(s) Provisions

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

- the Group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount can be made.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the accretion in the provision due to the passage of time is recognised as a finance cost.

Possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, not wholly within the control of the Group, are not recognised in the financial statements but are disclosed as contingent liabilities, unless the possibility of an outflow of economic resources is considered remote.

Provision for warranty is made based on service histories to cover the estimated liability that may arise during the warranty period. Any surplus provision will be written back at the end of the warranty period, while additional provision is made as and when necessary.

2. Significant accounting policies (cont'd.)

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

(t) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans, under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current period and preceding financial years. Such contributions are recognised as an expense in the income statement as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory and/or voluntary pension schemes.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after reporting date are discounted to present value.

2. **Significant accounting policies (cont'd.)**

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

(u) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Corporation is United States Dollar ("USD"). The Group and Corporation's financial statements are presented in Ringgit Malaysia ("RM").

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated to the functional currency at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, or on translating monetary items at the reporting date are included in the income statement, except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to income statement of the Group on disposal of the foreign operation.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in the income statement for the year. Exchange differences arising on monetary items that form part of the Corporation's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in the income statement of the Corporation's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the income statement for the year, except for the differences arising on the retranslation of available-for-sale equity instruments, which are recognised in equity.

2. Significant accounting policies (cont'd.)

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

(u) Foreign currencies (cont'd.)

(iii) Foreign operations

The results and financial position of operations that have a functional currency different from the presentation currency ("RM") ("Foreign Operation") are translated into RM as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at the reporting date;

- Income and expenses for each income statement are translated at the exchange rate at the date of the transactions or an average rate that approximates those rates; and

- All resulting exchange differences are taken to the currency translation reserve within other comprehensive income.

Goodwill and fair value adjustments arising from the acquisition of foreign operations on or after 1 April 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations, translated at the closing rate at the reporting date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 April 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

(v) Revenue recognition

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

(i) Freight income

Freight receivable and the relevant discharge costs of cargoes loaded onto ships up to the reporting date are accrued for in the financial statements, using the percentage of completion method.

(ii) Charter income

The results of ships employed on voyage charter and that of other services rendered are accounted for on a time accrual basis. Certain charter income is recognised on a straight-line basis over the firm period of the contract.

2. Significant accounting policies (cont'd.)

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

(v) Revenue recognition (cont'd.)

(iii) Lightering income

Income from lightering charges is recognised on percentage of completion of voyages, calculated on a discharge-to-discharge basis. The voyage revenue is recognised evenly over the period from a ship's departure from its previous discharge point to its projected departure from its next discharge point.

(iv) Other shipping related income and non-shipping income

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are performed.

(v) Finance income on lease receivables

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

(vi) Construction contracts

Revenue from construction contracts is accounted for in accordance with the policy set out in Note 2.3(f).

(vii) Rental income

Rental income from an investment property is recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessee is recognised as a reduction of rental income over the lease term on a straight-line basis.

(viii) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(ix) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

2. Significant accounting policies (cont'd.)

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

(w) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition, subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable MFRS. Then, on initial classification as held for sale, non-current assets are measured in accordance with MFRS 5, Non-Current Assets Held for Sale and Discontinued Operations that is, at the lower of carrying amount and fair value less costs to sell. Any differences are included in the income statement.

(x) Repairs and maintenance

Repairs and maintenance costs are recognised in the income statement in the period they are incurred.

(y) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, being within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(z) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

2. Significant accounting policies (cont'd.)

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

(aa) Fair value measurements

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

(i) Financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include:

- using recent arm's length market transactions;
- reference to the current fair value of another instrument that is substantially the same; and
- discounted cash flow analysis or other valuation models.

Where fair value cannot be reliably estimated, assets are carried at cost less impairment losses, if any.

(ii) Non-financial assets

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and Corporation use observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable input).

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

2. Significant accounting policies (cont'd.)

2.4 Pronouncements not yet in effect

The following pronouncements that have been issued by the MASB will become effective in future financial reporting periods and have not been adopted by the Group and/or the Corporation:

Effective for annual periods beginning on or after 1 January 2017:

- Amendments to MFRS 12: Disclosure of Interests in Other Entities (Annual Improvements 2014–2016 Cycle)
- Amendments to MFRS 107: Statement of Cash Flows: Disclosure Initiative
- Amendments to MFRS 112: Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

Effective for annual periods beginning on or after 1 January 2018:

- Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2014-2016 Cycle)
- Amendments to MFRS 2: Shared-based Payment: Classification and Measurement of Share-based Payment Transactions
- MFRS 9: Financial Instruments
- MFRS 15: Revenue from Contracts with Customers
- Amendments to MFRS 15: Revenue from Contracts with Customers: Clarifications
- Amendments to MFRS 128: Investments in Associates and Joint Ventures (Annual Improvements 2014-2016 Cycle)
- Amendments to MFRS 140: Investment Property: Transfer of Investment Property
- IC Interpretation: Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after 1 January 2019:

- MFRS 16: Leases

Effective for a date yet to be confirmed:

- Amendments to MFRS 10 and 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Corporation are expected to apply the above mentioned pronouncements beginning from the respective dates the pronouncements become effective. The initial application of the abovementioned pronouncements is not expected to have any material impact to the financial statements of the Group and the Corporation except as mentioned below:

(i) MFRS 9: Financial Instruments

MFRS 9 replaces the guidance in MFRS 139: Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, and on hedge accounting. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

2. Significant accounting policies (cont'd.)

2.4 Pronouncements not yet in effect (cont'd.)

(ii) MFRS 15: Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111: Construction Contracts, MFRS 118: Revenue, IC Interpretation 13: Customer Loyalty Programmes, IC Interpretation 15: Agreements for Construction of Real Estate, IC Interpretation 18: Transfers of Assets from Customers and IC Interpretation 131: Revenue – Barter Transactions Involving Advertising Services. The Group is currently assessing the impact of MFRS 15, if any, and plans to adopt the new standard on the required effective date.

(ii) MFRS 16: Leases

In April 2016, MASB issued MFRS 16 Leases which sets out principles for the recognition, measurement, presentation and disclosure of leases, and replaces the existing MFRS 117: Leases. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Assets and liabilities arising from a lease are initially measured on a present value basis includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise the option, or not terminating the lease.

Lessor accounting is substantially unchanged from the existing MFRS 117: Leases except for MFRS 16 requires enhanced disclosure to be provided by lessors that will improve information disclosed about lessor's risk exposure, particularly to residual value risk.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective transition approach. MFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early application permitted, but not before an entity applies MFRS 15.

The Group is currently assessing the impact of MFRS 16 and plans to adopt the new standard on the required effective date.

2. Significant accounting policies (cont'd.)

2.5 Significant accounting estimates and judgements

(a) Critical judgements made in applying accounting policies

The following are the judgements made by management in applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

(i) Operating lease commitments - the Group as lessor

In its ordinary course of business, the Group enter into lease arrangements with related and third parties on its ships and offshore floating assets. Where the Group has determined that it retains all the significant risks and rewards of ownership of these ships and offshore floating assets, the ships and offshore floating assets are recognised and classified as part of non-current assets of the Group and of the Corporation.

(ii) Construction contracts

The Group recognises revenue and expenses from construction contracts in the income statement by using the stage of completion method. The stage of completion is measured by reference to the completion of physical proportion of the contract work.

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs, as well as the recoverability of the construction costs. In making this judgement, the Group evaluates based on past experience and by relying on the work of internal specialists.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of goodwill

The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value-in-use of the cash-generating-units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the impairment losses recognised, carrying amount, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are provided in Note 14.

2. Significant accounting policies (cont'd.)

2.5 Significant accounting estimates and judgements (cont'd.)

(b) Key sources of estimation uncertainty (cont'd.)

(ii) Provisions

Provisions are recognised in accordance with the accounting policy in Note 2.3(s). To determine whether it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made, the Group takes into consideration factors such as existence of legal/contractual agreements, past historical experience, external advisors' assessments and other available information.

(iii) Impairment of ships, offshore floating assets and other property, plant and equipment

The Group and the Corporation have performed a review of the recoverable amount of their ships, offshore floating assets and other property, plant and equipment during the financial year. The review led to the recognition of impairment losses as disclosed in Note 5(a).

The Group carried out the impairment test based on a variety of estimations, including the value-in-use of the CGU to which ships, offshore floating assets and other property, plant and equipment are allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate to calculate the present value of those cash flows.

Further details of the impairment loss recognised are disclosed in Note 12(b).

(iv) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax planning strategies. The total carrying value of recognised deferred tax assets and the unrecognised tax losses and capital allowances are as disclosed in Note 28.

(v) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statements of financial position cannot be derived from active markets, they are determined using valuation techniques, including the discounted cash flow method. Where possible, the inputs to these valuation models are taken from observable markets. However, when this is considered unfeasible, a degree of judgement is made in establishing fair values. The judgements made include having considered a host of factors including liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Further disclosure of fair value of financial instruments is provided in Note 36.

2. Significant accounting policies (cont'd.)

2.5 Significant accounting estimates and judgements (cont'd.)

(c) Change in estimates

The cost of ships is depreciated on a straight-line basis over the assets' useful life. During the year, the Group and the Corporation revised the estimated useful life of its ships based on the consideration of the rapid changes in the design and technology of ships in the industry. The Group and the Corporation have decreased the useful life of the ships to 20 years - 40 years from previously 25 years - 40 years.

The revision was accounted for prospectively as a change in estimate and the effect of these changes on depreciation expenses charged in current and future periods are as follows:

	2016 RM'000	2017 RM'000	2018 RM'000	Later RM'000
Group				
Increase in depreciation expenses	389,228	379,794	379,772	1,065,890
Corporation				
Increase in depreciation expenses	50,310	50,310	50,310	150,931

3. Revenue

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Charter and lightering income	6,972,257	7,200,129	989,427	1,101,048
Freight income	389,818	453,957	92,769	453,957
Construction contracts	932,089	2,254,440	–	147,399
Other shipping related income	87,659	411,327	25,709	16,476
Finance income on lease receivables	645,104	366,047	10,831	–
Non-shipping income	570,312	222,486	–	–
	9,597,239	10,908,386	1,118,736	1,718,880

Non-shipping income mainly represents revenue generated from the operation and maintenance of offshore floating assets, management of operation of ports, marine terminals and marine vessels, provision of marine support services and consulting services for marine matters.

4. Other operating income

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Rental income	849	525	–	–
Exchange gain: Realised	25,691	37,942	6,478	11,711
Unrealised	61,501	137,228	22,316	63,792
Management services: Subsidiaries	–	–	20,211	25,612
Joint ventures	8,583	7,094	8,583	7,094
Associates	185	–	–	–
Gain on disposal of other property, plant and equipment and non-current assets held for sale	–	3,282	–	6,328
Gain on disposal of investments in: Subsidiary	73,635	–	29,983	–
Joint Venture	–	65,317	–	–
Dividend income on equity investment: Subsidiaries	–	–	1,549,251	507,568
Joint ventures	–	–	209,197	25,585
Quoted equity investments	1,937	2,628	1,937	2,611
Unquoted equity investments	1,243	–	1,243	–
Write back of impairment loss on third parties' receivables	2,441	7,013	2,441	7,013
Compensation on termination of contract	665,932	194,024	–	194,024
Insurance claims received	–	27,335	–	–
Reversal of provision for litigation claims	277,203	–	247,581	–
Student course fees	23,805	32,854	–	–
Miscellaneous income from: Subsidiaries	–	–	1,473	1,680
Fellow subsidiaries	69,734	9,196	7,799	–
Third Parties	79,530	68,178	57,218	20,231
	1,292,269	592,616	2,165,711	873,249

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

5. Profit before taxation

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

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Amortisation of intangible assets (Note 14)	17,675	13,077	–	–
Intangible assets written off	54,631	–	–	–
Amortisation of prepaid lease payments on land and buildings (Note 13)	7,518	7,962	108	367
Auditors' remuneration:				
Auditors of the Corporation:				
- Statutory audits	3,741	3,793	765	757
- Other services	340	643	59	26
Charter hire expenses	1,075,054	1,047,826	60,375	27,804
Provisions (Note 25(c))	226,025	217,814	218,197	173,590
Inventories used	812,854	1,029,630	119,953	317,285
Loss from remeasurement of previously held interest in joint ventures	42,534	–	–	–
Exchange loss:				
- Realised	90,303	75,182	24,503	25,049
- Unrealised	40,746	64,373	10,739	36,148
Impairment loss for third parties				
- Trade receivables (Note 21)	201,400	47,585	4,691	–
- Other receivables (Note 21)	67,654	–	67,654	–
Bad debts written off	1,491	2,374	–	–
Write off of finance lease receivables	276,593	–	–	–
Operating lease rental:				
- Equipment	67,560	53,782	5,230	5,022
- Land and buildings	51,119	58,223	23,943	28,540
Ships, offshore floating assets and other property, plant and equipment (Note 12):				
- Depreciation	2,004,945	1,482,189	413,333	333,243
- Written off	20,396	19,517	32,252	4,342
Impairment provisions (Note 5(a))	358,657	491,272	9,433	461,489
Staff costs (Note 6)	1,561,381	1,612,908	316,906	346,358
Non-executive directors' remuneration (Note 7)	1,343	1,318	719	715

5. Profit before taxation (cont'd.)

(a) Impairment provisions

	Group 2016 RM'000	Group 2015 RM'000	Corporation 2016 RM'000	Corporation 2015 RM'000
Ships and offshore floating assets (Note 12)	218,402	294,079	9,433	28,252
Other property, plant and equipment (Note 12)	140,255	37,017	–	–
Non-current assets held for sale written down (Note 24)	–	–	–	57,580
Goodwill (Note 14)	–	160,176	–	–
Investments in subsidiaries (Note 15)	–	–	–	375,657
	358,657	491,272	9,433	461,489

6. Staff costs

	Group 2016 RM'000	Group 2015 RM'000	Corporation 2016 RM'000	Corporation 2015 RM'000
Wages, salaries and bonuses	1,331,123	1,484,228	241,869	344,000
Contributions to defined contribution plans	79,875	95,549	28,155	36,840
Social security costs	5,250	4,020	677	377
Reversal of provision for termination benefits	(1,935)	(63,021)	(1,935)	(63,021)
Other staff related expenses	147,068	92,132	48,140	28,162
	1,561,381	1,612,908	316,906	346,358

Included in staff costs of the Group and of the Corporation are executive director's remuneration amounting to RM2,870,000 (2015: RM2,923,000) and RM2,643,000 (2015: RM2,454,000) respectively as further disclosed in Note 7.

7. Directors' remuneration

The details of remuneration receivable by directors of the Corporation during the financial year are as follows:

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Executive:				
Salaries and other emoluments	1,601	1,711	1,374	1,242
Bonus	570	593	570	593
Defined contribution plans	579	540	579	540
Total executive director's remuneration (excluding benefits-in-kind)	2,750	2,844	2,523	2,375
Estimated money value of benefits-in-kind	120	79	120	79
Total executive director's remuneration (including benefits-in-kind)	2,870	2,923	2,643	2,454
Non-executive directors' remuneration:				
Fees	719	715	719	715
Fees from subsidiaries	624	603	–	–
Total non-executive directors' remuneration (Note 5)	1,343	1,318	719	715
Total directors' remuneration including benefits-in-kind (Note 32(j))	4,213	4,241	3,362	3,169

The number of directors of the Corporation whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of directors	
	2016	2015
Executive directors:		
RM2,850,001 - RM2,900,000	1	1

7. Directors' remuneration (cont'd.)

	Number of directors 2016	2015
Non-executive directors*:		
RM50,001 - RM100,000	–	1
RM100,001 - RM150,000	4	4
RM250,001 - RM300,000	1	1
RM550,001 - RM600,000	1	1
	6	7

* Excludes the directors of the Corporation who are paid directly by the immediate holding company of the Corporation, PETRONAS.

8. (a) Finance costs

	Group 2016 RM'000	Group 2015 RM'000	Corporation 2016 RM'000	Corporation 2015 RM'000
Interest expense:				
Subsidiaries	–	–	34,588	59,249
Third parties	177,509	176,190	526	–
Sukuk Murabahah	262	–	–	–
Unwinding of discount on provisions	70,129	64,163	70,129	64,163
Total finance costs	247,900	240,353	105,243	123,412

(b) Finance income

	Group 2016 RM'000	Group 2015 RM'000	Corporation 2016 RM'000	Corporation 2015 RM'000
Interest income:				
Subsidiaries	–	–	165,238	158,221
Joint ventures	2,734	9,082	2,654	7,352
Deposits	47,542	51,251	11,293	18,761
Total finance income	50,276	60,333	179,185	184,334

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

9. Taxation

	Group 2016 RM'000	Group 2015 RM'000	Corporation 2016 RM'000	Corporation 2015 RM'000
Current income tax:				
Malaysian income tax	31,490	22,538	–	–
Foreign tax	8,807	16,192	–	–
Overprovision in prior year:				
Malaysian income tax	(30,493)	(5,448)	–	–
Foreign tax	(1,690)	(1,129)	–	–
	8,114	32,153	–	–
Deferred tax:				
Relating to origination and reversal of temporary differences	(13,270)	631	–	–
Under/(over) provision in prior year	25,847	(1,034)	–	–
	12,577	(403)	–	–
Taxation for the year	20,691	31,750	–	–

Domestic current income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the financial year.

9. Taxation (cont'd.)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Corporation is as follows:

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before taxation	2,813,967	2,566,857	1,996,092	778,691
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	675,352	641,714	479,062	194,673
Effect of different tax rates in other countries/jurisdictions	8,111	(28,209)	–	–
Effect of reduction in tax rate on deferred tax recognised	144	2,093	–	–
Income not subject to tax:				
Tax exempt shipping income	(606,914)	(634,646)	(130,513)	(260,596)
Other tax exempt income	(462,410)	(15,368)	(428,725)	(150,490)
Expenses not deductible for tax purposes	541,110	352,646	145,499	296,954
Effect of share of results of associates and joint ventures	(69,108)	(146,594)	–	–
Utilisation of current year's investment tax allowance	–	(19,657)	–	–
Utilisation of previously unrecognised tax losses	(65,033)	(74,931)	(65,323)	(74,931)
Utilisation of previously unrecognised unabsorbed capital allowances	(23)	(27,970)	–	(27,970)
Deferred tax assets recognised on unutilised investment tax allowances	(24,788)	(32,336)	–	–
Deferred tax assets not recognised on unutilised reinvestment allowances	30,586	–	–	–
Deferred tax assets not recognised during the year	–	22,619	–	22,360
Deferred tax under/(over) provided in prior year	25,847	(1,034)	–	–
Income tax over provided in prior year	(32,183)	(6,577)	–	–
Taxation for the year	20,691	31,750	–	–

9. Taxation (cont'd.)

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

10. Earnings per share

Basic earnings per share are calculated by dividing profit for the year attributable to ordinary equity holders of the Corporation by the weighted average number of ordinary shares in issue during the financial year.

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

	Group	
	2016	2015
Profit after taxation attributable to equity holders of the Corporation (RM'000)	2,581,550	2,467,780
Number of ordinary shares in issue ('000)	4,463,794	4,463,794
Weighted average number of ordinary shares in issue ('000)	4,463,794	4,463,794
Basic earnings per share (sen)	57.8	55.3
Diluted earnings per share (sen)	57.8	55.3

11. Dividends

	2016 RM'000	2015 RM'000
Dividend recognised during the year:		
In respect of financial year ended 31 December 2014:		
Second interim tax exempt dividend under the single tier system of 6 sen per share	–	267,828
In respect of financial year ended 31 December 2015:		
First interim tax exempt dividend under the single tier system of 7.5 sen per share	–	334,784
Second interim tax exempt dividend under the single tier system of 12.5 sen per share	557,975	–
Final tax exempt dividend under the single tier system of 10.0 sen per share	446,379	–
In respect of financial year ended 31 December 2016:		
First interim tax exempt dividend under the single tier system of 10.0 sen per share	446,379	–
	1,450,733	602,612

A second tax exempt dividend, under the single tier system, in respect of the financial year ended 31 December 2016 of 20.0 sen per share amounting to a dividend payable of RM892,758,800, will be paid on 16 March 2017.

The second dividend is not reflected in the current year's financial statements. The dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

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

	I-------------------------------------			
	At 1.1.2016 RM'000	Additions RM'000	Disposals RM'000	Write-offs RM'000
Group - 31 December 2016				
Ships				
Ships in operation	43,146,410	509,577	–	(429,645)
Ships under construction	421,500	371,938	–	–
	43,567,910	881,515	–	(429,645)
Offshore floating assets				
Offshore floating assets in operation	1,381,390	1,591	–	–
Offshore floating assets under construction	95,638	96,616	–	–
	1,477,028	98,207	–	–
Other property, plant and equipment				
Freehold land	15,113	–	–	–
Freehold buildings, drydocks and waste plant	1,581,000	913	–	(900)
Leasehold land	44,224	–	–	–
Leasehold buildings	210,913	190	–	–
Motor vehicles	155,281	13,429	–	(166)
Furniture, fittings and equipment	161,393	3,936	–	(21,612)
Computer software and hardware	342,509	5,082	(133)	(2,365)
Projects in progress	222,335	130,050	–	–
Plant and machinery	717,211	34,172	–	(115,522)
	3,449,979	187,772	(133)	(140,565)
Total	48,494,917	1,167,494	(133)	(570,210)

Cost						
Acquisition of subsidiary RM'000	Disposals of subsidiary RM'000	Transfers RM'000	Reclassification into / out of PPE RM'000	Reclassified from/(to) held for sale RM'000	Currency translation differences RM'000	At 31.12.2016 RM'000
1,147,703	–	23,057	–	(604,433)	1,627,681	45,420,350
–	–	(268)	–	–	15,127	808,297
1,147,703	–	22,789	–	(604,433)	1,642,808	46,228,647
–	–	92,386	160,795	–	25,069	1,661,231
–	–	(92,386)	(79,911)	–	(19,957)	–
–	–	–	80,884	–	5,112	1,661,231
–	(9,551)	–	–	–	111	5,673
–	(18,330)	55,068	–	–	1,161	1,618,912
–	(44,224)	–	–	–	–	–
–	(135,747)	285	–	–	(238)	75,403
–	(144,265)	–	–	–	251	24,530
–	(8,501)	418	–	–	485	136,119
–	(27,352)	3,797	–	–	13,978	335,516
–	(580)	(139,762)	–	–	4,375	216,418
–	(32,809)	57,405	–	–	9,704	670,161
–	(421,359)	(22,789)	–	–	29,827	3,082,732
1,147,703	(421,359)	–	80,884	(604,433)	1,677,747	50,972,610

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

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

	I---					
	At 1.1.2016 RM'000	Depreciation charge for the year RM'000	Impairment losses RM'000	Disposals RM'000	Write-offs RM'000	Acquisition of subsidiary RM'000
Group - 31 December 2016						
Ships						
Ships in operation	20,620,525	1,812,993	199,823	–	(411,636)	–
Ships under construction	–	–	–	–	–	–
	20,620,525	1,812,993	199,823	–	(411,636)	–
Offshore floating assets						
Offshore floating assets in operation	1,073,599	68,677	18,579	–	–	–
Offshore floating assets under construction	–	–	–	–	–	–
	1,073,599	68,677	18,579	–	–	–
Other property, plant and equipment						
Freehold land	–	–	–	–	–	–
Freehold buildings, drydocks and waste plant	358,223	40,472	140,255	–	(790)	–
Leasehold land	8,203	2,754	–	–	–	–
Leasehold buildings	57,223	1,342	–	–	–	–
Motor vehicles	106,958	13,383	–	–	(133)	–
Furniture, fittings and equipment	113,957	4,870	–	–	(19,387)	–
Computer software and hardware	300,873	20,939	–	(133)	(2,363)	–
Projects in progress	–	–	–	–	–	–
Plant and machinery	411,773	39,515	–	–	(115,505)	–
	1,357,210	123,275	140,255	(133)	(138,178)	–
Total	23,051,334	2,004,945	358,657	(133)	(549,814)	–

---------- Accumulated depreciation/impairment ----------						Net book value
Disposals of subsidiary RM'000	Transfers RM'000	Reclassification into / out of PPE RM'000	Reclassified from/(to) held for sale RM'000	Currency translation differences RM'000	At 31.12.2016 RM'000	At 31.12.2016 RM'000
–	–	–	(442,714)	591,255	22,370,246	23,050,104
–	–	–	–	–	–	808,297
–	–	–	(442,714)	591,255	22,370,246	23,858,401
–	–	–	–	26,890	1,187,745	473,486
–	–	–	–	–	–	–
–	–	–	–	26,890	1,187,745	473,486
–	–	–	–	–	–	5,673
(3,651)	–	–	–	517	535,026	1,083,886
(10,957)	–	–	–	–	–	–
(32,071)	–	–	–	(59)	26,435	48,968
(102,098)	–	–	–	220	18,330	6,200
(5,972)	–	–	–	217	93,685	42,434
(26,121)	–	–	–	13,071	306,266	29,250
–	–	–	–	–	–	216,418
(24,451)	–	–	–	9,261	320,593	349,568
(205,321)	–	–	–	23,227	1,300,335	1,782,397
(205,321)	–	–	(442,714)	641,372	24,858,326	26,114,284

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

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

	I---		
	At 1.1.2015 RM'000	Acquisition of a subsidiary RM'000	Additions RM'000
Group - 31 December 2015			
Ships			
Ships in operation	31,188,502	–	750,734
Ships under construction	1,313,469	–	474,629
	32,501,971	–	1,225,363
Offshore floating assets			
Offshore floating assets in operation	1,126,718	–	5,732
Offshore floating assets under construction	38,137	–	37,768
	1,164,855	–	43,500
Other property, plant and equipment			
Freehold land	14,414	–	–
Freehold buildings, drydocks and waste plant	1,477,977	–	6,982
Leasehold land	44,212	–	–
Leasehold buildings	139,240	–	5,132
Motor vehicles	133,750	670	27,675
Furniture, fittings and equipment	134,524	263	9,393
Computer software and hardware	275,648	546	19,327
Projects in progress	261,143	498	161,472
Plant and machinery	653,987	1,848	15,456
	3,134,895	3,825	245,437
Total	36,801,721	3,825	1,514,300

	Cost						
	Disposals RM'000	Write-offs RM'000	Transfers RM'000	Reclassified from held for sale RM'000	Reclassified from prepaid lease payments on land and buildings RM'000	Currency translation differences RM'000	At 31.12.2015 RM'000
	(11,867)	(868,497)	1,620,597	3,265,135	–	7,201,806	43,146,410
	–	–	(1,620,597)	–	–	253,999	421,500
	(11,867)	(868,497)	–	3,265,135	–	7,455,805	43,567,910
	–	–	–	–	–	248,940	1,381,390
	–	–	–	–	–	19,733	95,638
	–	–	–	–	–	268,673	1,477,028
	–	–	–	–	–	699	15,113
	–	(75)	91,303	–	–	4,813	1,581,000
	–	–	–	–	–	12	44,224
	(667)	(897)	68,105	–	–	–	210,913
	(8,312)	(88)	8	–	–	1,578	155,281
	(1,192)	(577)	4,740	–	7,670	6,572	161,393
	(2,560)	(12,390)	5,389	–	–	56,549	342,509
	–	–	(224,030)	–	–	23,252	222,335
	(491)	(14,499)	54,485	–	–	6,425	717,211
	(13,222)	(28,526)	–	–	7,670	99,900	3,449,979
	(25,089)	(897,023)	–	3,265,135	7,670	7,824,378	48,494,917

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

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

	As 1.1.2015 RM'000	Acquisition of a subsidiary RM'000	Depreciation charge for the year RM'000	Impairment losses RM'000	Disposals RM'000
Group - 31 December 2015					
Ships					
Ships in operation	14,286,372	–	1,303,469	294,079	(9,797)
Ships under construction	–	–	–	–	–
	14,286,372	–	1,303,469	294,079	(9,797)
Offshore floating assets					
Offshore floating assets in operation	838,481	–	49,663	–	–
Offshore floating assets under construction	–	–	–	–	–
	838,481	–	49,663	–	–
Other property, plant and equipment					
Freehold land	–	–	–	–	–
Freehold buildings, drydocks and waste plant	321,411	–	34,708	–	–
Leasehold land	7,973	–	230	–	–
Leasehold buildings	52,461	–	5,350	–	–
Motor vehicles	99,582	372	14,058	–	(8,223)
Furniture, fittings and equipment	95,718	177	12,925	–	(110)
Computer software and hardware	244,724	546	19,395	–	(1,849)
Projects in progress	–	–	–	–	–
Plant and machinery	341,054	1,102	42,391	37,017	(491)
	1,162,923	2,197	129,057	37,017	(10,673)
Total	16,287,776	2,197	1,482,189	331,096	(20,470)

Accumulated depreciation/impairment Write-offs RM'000	Transfers RM'000	Reclassified from held for sale RM'000	Reclassified from prepaid lease payments on land and buildings RM'000	Currency translation differences RM'000	At 31.12.2015 RM'000	Net book value At 31.12.2015 RM'000
(849,749)	–	2,284,344	–	3,311,807	20,620,525	22,525,885
–	–	–	–	–	–	421,500
(849,749)	–	2,284,344	–	3,311,807	20,620,525	22,947,385
–	–	–	–	185,455	1,073,599	307,791
–	–	–	–	–	–	95,638
–	–	–	–	185,455	1,073,599	403,429
–	–	–	–	–	–	15,113
–	–	–	–	2,104	358,223	1,222,777
–	–	–	–	–	8,203	36,021
(602)	–	–	–	14	57,223	153,690
(32)	–	–	–	1,201	106,958	48,323
(504)	–	–	476	5,275	113,957	47,436
(12,277)	–	–	–	50,334	300,873	41,636
–	–	–	–	–	–	222,335
(14,342)	–	–	–	5,042	411,773	305,438
(27,757)	–	–	476	63,970	1,357,210	2,092,769
(877,506)	–	2,284,344	476	3,561,232	23,051,334	25,443,583

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

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

Corporation - 31 December 2016
Ships
Ships in operation
Offshore floating assets
Offshore floating assets under construction
Other property and equipment
Motor vehicles
Furniture, fittings and equipment
Computer software and hardware
Projects in progress
Total

	I------------------	------------------	------------------ Cost	------------------	------------------	------------------	------------------I
	At 1.1.2016 RM'000	Additions RM'000	Reclassified to trade and other receivables RM'000	Write-offs RM'000	Transfers RM'000	Currency translation differences RM'000	At 31.12.2016 RM'000
	11,892,014	162,326	(8,060)	(34,818)	14,947	445,350	12,471,759
	17,421	63,091	(79,911)	–	–	(601)	–
	3,997	–	–	–	–	177	4,174
	24,200	91	–	(21,242)	–	8,132	11,181
	206,052	49	–	(257)	3,460	9,084	218,388
	65,540	39,651	(7,851)	–	(18,407)	5,050	83,983
	299,789	39,791	(7,851)	(21,499)	(14,947)	22,443	317,726
	12,209,224	265,208	(95,822)	(56,317)	–	467,192	12,789,485

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

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

	I-------------------------	
	At 1.1.2016 RM'000	Depreciation charge for the year RM'000
Corporation - 31 December 2016		
Ships		
Ships in operation	5,817,434	404,734
Offshore floating assets		
Offshore floating assets under construction	–	–
Other property and equipment		
Motor vehicles	2,336	770
Furniture, fittings and equipment	20,096	823
Computer software and hardware	192,886	7,006
Projects in progress	–	–
	215,318	8,599
Total	6,032,752	413,333

------- Accumulated depreciation/impairment					-------I	Net book value
Impairment losses RM'000	Reclassified to trade and other receivables RM'000	Write-offs RM'000	Transfers RM'000	Currency translation differences RM'000	At 31.12.2016 RM'000	At 31.12.2016 RM'000
9,433	–	(4,791)	–	198,808	6,425,618	6,046,141
–	–	–	–	–	–	–
–	–	–	–	167	3,273	901
–	–	(19,017)	–	8,733	10,635	546
–	–	(257)	–	9,114	208,749	9,639
–	–	–	–	–	–	83,983
–	–	(19,274)	–	18,014	222,657	95,069
9,433	–	(24,065)	–	216,822	6,648,275	6,141,210

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

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

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

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

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

(a) The net carrying amounts of ships and other property, plant and equipment pledged as security for borrowings (Note 18(c)) are as follows:

	Group	
	2016 RM'000	2015 RM'000
Ships	2,344,116	1,715,763
Other property, plant and equipment	–	982
	2,344,116	1,716,745

(b) The Group and the Corporation have performed a review of the recoverable amount of their ships, offshore floating assets and other property, plant and equipment during the financial year. The review led to the recognition of net impairment losses of RM358,657,000 (2015: RM331,096,000) and RM9,433,000 (2015: RM28,252,000) for the Group and the Corporation respectively, as disclosed in Note 5(a).

The recoverable amount was based on the higher of fair value less costs of disposal or value-in-use, and determined at the cash-generating-unit ("CGU") of each asset.

Recoverable amount determined from value-in-use

The Group's recoverable amount for impaired ships, offshore floating assets and other property, plant and equipment of RM2,174,531,000 (2015: RM1,160,465,000) was determined from the value-in-use calculations using cash flow projections discounted at rates between 6.50% to 10.30% (2015: 6.50% to 10.30%). Impairment losses of RM354,564,000 (2015: RM331,096,000) and RM9,433,000 (2015: RM28,252,000) for the Group and the Corporation respectively were recognised using this basis.

The key assumptions used in the value-in-use calculations are as follows:

(i) Ships

- The value-in-use for certain ships were calculated using cash flow projections for the remaining lease period and discounted at a rate of 6.80% (2015: 6.80%).

(ii) Offshore floating assets

- The value-in-use for certain offshore floating assets were calculated using cash flow projections for the remaining lease period and discounted at a rate of 6.50% (2015: 6.50%).

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

Recoverable amount determined from value-in-use (cont'd.)

(iii) Other property, plant and equipment

- Revenue are estimated based on existing order book and anticipated future projects.

- Gross margins are estimated based on forecast margins for order book, management's expectation and past experience.

- The discount rate reflects specific risk relating to the CGU. The discount rate used is 10.30% (2015: 10.30%).

- Cash flow beyond the five-year period is extrapolated using a growth rate of 2.50% (2015: 2.80%). The growth rate is based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the CGU.

Recoverable amount determined from fair value less costs of disposal

The fair values of ships were determined based on sale price offered by potential buyers. The fair value measurement was categorised as Level 3 fair value as defined in Note 2.3(aa).

Impairment of RM4,093,000 (2015:nil) for the Group was recognised using this basis.

(c) Following early termination of finance lease contract of two Mobile Offshore Production Units ("MOPUs") during the financial year, the Group has subsequently reinstated the MOPUs to offshore floating assets at a carrying value of RM160,795,000.

13. Prepaid lease payments on land and buildings

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January	238,208	249,905	4,234	8,336
Transfer to other property, plant and equipment (Note 12)	–	(7,194)	–	(7,194)
Amortisation for the year (Note 5)	(7,518)	(7,962)	(108)	(367)
Disposal of a subsidiary	(3,117)	–	–	–
Currency translation differences	179	3,459	179	3,459
At 31 December	227,752	238,208	4,305	4,234
Analysed as:				
Long term leasehold land	223,409	230,541	–	–
Short term leasehold land	38	3,433	–	–
Leasehold buildings	4,305	4,234	4,305	4,234
	227,752	238,208	4,305	4,234

Included in long term leasehold land of the Group is the carrying value of a long term leasehold and foreshore land of a subsidiary of RM223,409,000 (2015: RM230,541,000) which cannot be disposed off, charged or subleased without the prior consent of the Johor State Government.

14. Intangible assets

	Group		
	Goodwill RM'000	Other intangible assets RM'000	Total RM'000
Cost			
At 1 January 2015	853,546	504,463	1,358,009
Currency translation differences	167,569	–	167,569
At 31 December 2015/1 January 2016	1,021,115	504,463	1,525,578
Addition	–	47,453	47,453
Disposal of subsidiary	(149)	–	(149)
Write-off	–	(339,359)	(339,359)
Currency translation differences	38,043	–	38,043
At 31 December 2016	1,059,009	212,557	1,271,566
Accumulated amortisation and impairment			
At 1 January 2015	2,325	424,365	426,690
Amortisation for the year (Note 5)	–	13,077	13,077
Impairment for the year (Note 5(a))	160,176	–	160,176
At 31 December 2015/1 January 2016	162,501	437,442	599,943
Amortisation for the year (Note 5)	–	17,675	17,675
Write-off	–	(284,728)	(284,728)
At 31 December 2016	162,501	170,389	332,890
Net carrying amount			
At 31 December 2015	858,614	67,021	925,635
At 31 December 2016	896,508	42,168	938,676

14. Intangible assets (cont'd.)

The other intangible assets relate to the fair value at the date of acquisition of time charter hire contracts arising from acquisition of a subsidiary, and are amortised over the remaining charter period. As a result of the early termination of certain time charter contracts, the other intangible assets amounting to RM54,631,000 has been written off in the current financial year.

The addition in the other intangible assets amounting to RM47,453,000 relates to the fair value, at the date of acquisition, of long term customer contracts from acquisition of PETRONAS Maritime Services Sdn. Bhd. ("PMSSB") to be amortised over the remaining contract periods.

Impairment test for goodwill

(a) Impairment loss recognised

The Group performed a review on the recoverable amount of goodwill during the financial year. Generally, the recoverable amounts are based on the higher of fair value less cost to sell or value-in-use for the CGUs to which the goodwill is allocated. In determining value-in-use for the CGUs, the cash flows were discounted at rates determined by management on a pre-tax basis. Based on this review, no impairment loss was recognised by the Group (2015: RM160,176,000).

(b) Allocation of goodwill

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

	Group	
	2016 RM'000	2015 RM'000
Petroleum	895,563	857,521
Offshore	225	223
Others	720	870
	896,508	858,614

(c) Key assumptions used in value-in-use calculations

The recoverable amount of a CGU is determined using the value-in-use method, based on cash flow projections derived from financial projections approved by the management covering a five-year period. The discount rate used is based on the pre-tax weighted average cost of capital determined by the management.

14. Intangible assets (cont'd.)

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

Petroleum

Goodwill for this segment represents goodwill arising from acquisition of American Eagle Tanker Inc ("AET"). An impairment review of the carrying amount of the goodwill at the reporting date was undertaken by comparing to the recoverable amount of the CGU, which was based on value-in-use calculations. The value-in-use is most sensitive to the following key assumptions:

(i) Risk adjusted discount rate used is 7.55% (2015: 8.25%). The discount rate reflects the current market assessment of the risks specific to the Group. This is the benchmark used by the management to assess operating performance and to evaluate future investments. In determining the discount rate for the Group, reference has been made to the yield of a 10 years (2015: 10 years) US Treasury Bills as at reporting date.

An increase of 0.31% (2015: 1.29%) or 31 (2015: 129) basis points in discount rate would result in recoverable amount that equates to the carrying amount of the goodwill.

(ii) Terminal value and growth rate - The terminal value is based on expected cash flows for year 2021 into perpetuity with terminal year growth rate of 2.0% (2015: 1.5%). Terminal year charter rates are based on ten-year average historical market rates.

A decrease of 1.51% (2015: 3.10%) or 151 (2015: 310) basis points in the charter rates in deriving at the terminal value would result in recoverable amount that equates to the carrying amount of the goodwill.

(iii) Expenses are estimated to increase by an annual average rate of 2.0% (2015: 1.5%).

(iv) Spot charter rates are estimated based on forecasts by industry research publications.

Heavy Engineering

In the previous financial year, an impairment loss amounting to RM117,709,000 was recognised to write down the entire carrying amount of goodwill relating to the Group's interest in Malaysia Marine and Heavy Engineering Holdings Berhad ("MHB").

Offshore

In the previous financial year, the Group also recognised an impairment loss amounting to RM42,467,000 to write down the entire carrying amount of goodwill for Malaysia Offshore Mobile Production (Labuan) Ltd. ("MOMPL").

15. Investments in subsidiaries

	Corporation 2016 RM'000	2015 RM'000
At 1 January	11,280,489	9,228,364
Additional investments in subsidiaries (Note a)	5,518,646	54,111
Liquidation of a subsidiary (Note b)	–	(57,221)
Disposal of a subsidiary (Note c)	(312,921)	–
Impairment of investment in unquoted subsidiaries (Note d)	–	(375,657)
Currency translation differences	2,428,960	2,430,892
At 31 December	18,915,174	11,280,489
Quoted shares	289,941	277,625
Unquoted shares	18,625,233	11,002,864
	18,915,174	11,280,489

Included in unquoted shares are preference shares of RM12,966,392,000 (2015: RM8,486,575,000) which bear interest ranging from 5.00% to 6.00% (2015: 5.00% to 6.00%) per annum.

a. (i) During the financial year, the Corporation increased its investment in MISC Tanker Holdings Sdn. Bhd. by RM3,791,157,000, in support of the subsidiary's debt capitalisation exercise and as consideration for the transfer of ships via issuance of shares.

(ii) The Corporation had on 24 February 2016 entered into a conditional share purchase agreement with E&P Venture Solutions Co Sdn. Bhd., a wholly-owned subsidiary of PETRONAS Carigali Sdn. Bhd., for the equity buyback of the remaining 50% equity interest in a joint venture, Gumusut-Kakap Semi-Floating Production System (L) Limited ("GKL"), for a cash consideration of USD445,000,000 (RM1,727,489,000).

The equity buyback was approved by the shareholders of the Corporation at the Extraordinary General Meeting held on 19 April 2016. Upon completion of the equity buyback on 13 May 2016, GKL became a wholly-owned subsidiary of the Corporation. The Group recognised a loss from remeasurement of previously held interest in a joint venture amounting to RM18,234,000 and a gain on acquisition of a subsidiary of RM823,542,000 for this acquisition in the current financial year.

15. Investments in subsidiaries (cont'd.)

a. (ii) The carrying amount and the fair values of the identifiable assets and liabilities of GKL as at the date of acquisition were as follows:

	At carrying amount RM'000	At fair value RM'000
Non-current finance lease receivables	8,183,332	8,146,865
Current assets	1,502,954	1,502,954
Current liabilities	(4,547,757)	(4,547,757)
Net identifiable assets and liabilities	5,138,529	5,102,062

Total cost of acquisition

The cost of acquisition comprised cash consideration of RM1,727,489,000.

The effect of the acquisition on the Group's cash flows is as follows:

	RM'000
Purchase consideration satisfied in cash	1,727,489
Less: Cash and cash equivalents of subsidiary acquired	(386,571)
Net cash outflow on acquisition	1,340,918

15. Investments in subsidiaries (cont'd.)

a. (ii) Loss from remeasurement of previously held interest in the joint venture on the date of acquisition

	RM'000
Carrying amount of equity interests previously owned at the date of acquisition	2,569,265
Less: Fair value of equity interests previously owned at the date of acquisition	(2,551,031)
Loss from remeasurement of previously held interest in the joint venture	18,234

Gain on acquisition of subsidiary

	RM'000
Purchase consideration satisfied in cash	1,727,489
Fair value of equity interests previously owned at the date of acquisition, net of intra-group elimination	2,551,031
	4,278,520
Less: Fair value of net identifiable assets	(5,102,062)
Gain on acquisition of subsidiary	(823,542)

a. (ii) Impact of acquisition in profit or loss

In the current financial year, GKL contributed revenue of RM384,366,000 and a net profit of RM331,154,000 to the consolidated net profit for the year. If the acquisition had occurred on 1 January 2016, management estimates that the Group's revenue and profit for the year would have increased by RM176,450,000 and RM109,738,000 respectively. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same had the acquisition occurred on 1 January 2016.

(iii) In the previous financial year, the Corporation acquired the entire equity interest in PETRONAS Maritime Services Sdn. Bhd. ("PMSSB") from its immediate holding company, Petroliam Nasional Berhad ("PETRONAS") for a cash consideration of RM54,111,244. However, the Group did not complete the initial acounting for business combination in the prior year, pending determination of the fair value of the net assets acquired.

The Group completed its assessment of the fair value of the net assets acquired in the current financial year and recognised intangible assets on the fair value of the long term customer contracts amounting to RM47,453,000 as disclosed in Note 14.

15. Investments in subsidiaries (cont'd.)

a. (iii) The carrying amount and the fair values of the identifiable assets and liabilities of PMSSB as at the date of acquisition were as follows:

	At carrying amount RM'000	At fair value RM'000
Non-current assets	1,626	49,079
Current assets	71,074	71,074
Current liabilities	(18,589)	(18,589)
Net identifiable assets and liabilities	54,111	101,564

<u>Total cost of acquisition</u>

The cost of acquisition comprised cash consideration of RM54,111,000.

The effect of the acquisition on cash flows in previous year is as follows:

	RM'000
Purchase consideration satisfied in cash	54,111
Less: Cash and cash equivalents of subsidiary acquired	(56,008)
Net cash inflow on acquisition	(1,897)

<u>Gain on acquisition of subsidiary</u>

	RM'000
Purchase consideration satisfied in cash	54,111
Less: Fair value of net identifiable assets	(101,564)
Gain on acquisition of subsidiary	(47,453)

15. Investments in subsidiaries (cont'd.)

a. (iv) AET Inc. Limited, a wholly-owned subsidiary of the Group, had on 21 April 2016 entered into a share sale and purchase agreement with Golden Energy Tankers Holdings Corp. for the acquisition of the remaining 50% equity interest in a joint venture, Paramount Tankers Corp., for a cash consideration of USD59,293,000 (RM238,565,000).

Upon acquiring full control on 12 May 2016, Paramount Tankers Corp. became a wholly-owned subsidiary of the Group. On 29 August 2016, the final price adjustment was agreed and the acquisition was fully completed. The Group recognised a loss from remeasurement of previously held interest in the joint venture amounting to RM24,300,000 and a gain on acquisition of a subsidiary of RM32,687,000 for this acquisition in the current financial year.

The carrying amount and the fair values of the identifiable assets and liabilities of Paramount Tankers Corp. as at the date of acquisition were as follows:

	At carrying amount RM'000	At fair value RM'000
Ships	1,196,304	1,147,703
Current assets	92,194	92,194
Current liabilities	(84,346)	(84,346)
Non-current liabilities	(657,150)	(657,150)
Net identifiable assets and liabilities	547,002	498,401

<u>Total cost of acquisition</u>

The cost of acquisition comprised cash consideration of RM238,565,000.

The effect of the acquisition on cash flows is as follows:

	RM'000
Purchase consideration satisfied in cash	238,565
Less: Cash and cash equivalents of subsidiary acquired	(37,779)
Net cash outflow on acquisition	200,786

15. Investments in subsidiaries (cont'd.)

a. (iv) Loss from remeasurement of previously held interest in the joint venture on the date of acquisition

	RM'000
Carrying amount of equity interests previously owned at the date of acquisition	273,501
Less: Fair value of equity interests previously owned at the date of acquisition	(249,201)
Loss from remeasurement of previously held interest in the joint venture	24,300

Gain on acquisition of subsidiary

	RM'000
Purchase consideration satisfied in cash	238,565
Fair value of equity interests previously owned at the date of acquisition, net of intra-group elimination	227,149
	465,714
Less: Fair value of net identifiable assets	(498,401)
Gain on acquisition of subsidiary	(32,687)

Impact of acquisition in profit or loss

In the current financial year, Paramount contributed revenue of RM37,957,000 and a net profit of RM16,963,000 to the consolidated net profit for the year. If the acquisition had occurred on 1 January 2016, management estimates that the Group's revenue and profit for the year would have increased by RM65,204,000 and RM41,011,000 respectively. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same had the acquisition occurred on 1 January 2016.

b. In the previous financial year, the Corporation wound up its subsidiary, Bunga Kasturi (L) Private Limited ("BKPL") which ceased operation and became dormant on 22 March 2011. The winding up resulted in a capital distribution of RM57,221,000 which settled the amount due to BKPL.

c. The Corporation had on 24 October 2016 completed the disposal of its entire equity interest in MISC Integrated Logistics Sdn. Bhd. ("MILS"), a wholly-owned subsidiary of the Group, to Swift Haulage Sdn. Bhd. ("SWIFT") for a total consideration of RM357,989,000. As a result, the Group and the Corporation recognised a gain on disposal of RM73,635,000 and RM29,983,000 respectively in the current financial year. Accordingly, MILS ceased to be a subsidiary of the Corporation from the said date.

The net profit contributed by MILS from 1 January 2016 to the date of disposal is not material to the consolidated net profit of the Group for the year.

15. Investments in subsidiaries (cont'd.)

c. The net effect of the above disposal to the Group's cash flows and carrying amount of assets and liabilities disposed are as follows:

	Carrying amount at disposal date RM'000
Property, plant and equipment	222,272
Non-current assets	74,967
Current assets	230,622
Current liabilities	(223,778)
Non-current liabilities	(19,729)
Net assets disposed	284,354
Gain on disposal of subsidiary	
Sale consideration	357,989
Net assets disposed	(284,354)
Gain on disposal of subsidiary	73,635

The effect of the disposal on cash flows is as follows:

Sale consideration received	324,000
Less: Cash and cash equivalents disposed	(32,494)
Net cash flow on disposal	291,506

d. An impairment review of the carrying amounts of investments in subsidiaries at the reporting date was undertaken by comparing it to the respective recoverable amounts. The Corporation did not record any impairment loss on investments in subsdiaries in the current financial year (2015: RM375,657,000).

Details of the subsidiaries are disclosed in Note 39.

15. Investments in subsidiaries (cont'd.)

Non-controlling interests in subsidiaries

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

	2016				
	Malaysia Marine and Heavy Engineering Holdings Berhad RM'000	Asia LNG Transport Sdn. Bhd. RM'000	Asia LNG Transport Dua Sdn. Bhd. RM'000	Other individually immaterial subsidiaries RM'000	Total RM'000
NCI percentage of ownership interest and voting interest	33.5%	49.0%	49.0%		
Carrying amount of NCI	827,625	241,237	143,507	52,918	1,265,287
(Loss)/profit allocated to NCI	(45,722)	114,451	123,401	19,596	211,726

	2015				
	Malaysia Marine and Heavy Engineering Holdings Berhad RM'000	Asia LNG Transport Sdn. Bhd. RM'000	Asia LNG Transport Dua Sdn. Bhd. RM'000	Other individually immaterial subsidiaries RM'000	Total RM'000
NCI percentage of ownership interest and voting interest	33.5%	49.0%	49.0%		
Carrying amount of NCI	877,090	134,871	43,536	42,193	1,097,690
Profit allocated to NCI	698	35,994	15,857	14,778	67,327

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

15. Investments in subsidiaries (cont'd.)

Non-controlling interests in subsidiaries (cont'd.)

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

Summarised financial information before intra-group elimination	2016 Malaysia Marine and Heavy Engineering Holdings Berhad RM'000	Asia LNG Transport Sdn. Bhd. RM'000	Asia LNG Transport Dua Sdn. Bhd. RM'000
As at 31 December			
Non-current assets	1,857,528	124,916	133,521
Current assets	1,744,993	306,668	210,269
Current liabilities	(1,063,904)	(2,582)	(619)
Net assets	2,538,617	429,002	343,171
Year ended 31 December			
Revenue	1,191,298	100,490	9,544
(Loss)/profit for the year	(134,563)	204,664	238,665
Total comprehensive (loss)/income	(141,480)	228,232	257,848
Cash (outflows)/inflows from operating activities	(107,321)	232,197	250,080
Cash (outflows)/inflows from investing activities	(101,494)	43	563
Cash inflows/(outflows) from financing activities	44,738	(40,062)	(67,000)
Net (decrease)/increase in cash and cash equivalents	(164,077)	192,178	183,643
Dividends paid to NCI	–	19,630	32,830

15. Investments in subsidiaries (cont'd.)

Non-controlling interests in subsidiaries (cont'd.)

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

Summarised financial information before intra-group elimination	2015 Malaysia Marine and Heavy Engineering Holdings Berhad RM'000	Asia LNG Transport Sdn. Bhd. RM'000	Asia LNG Transport Dua Sdn. Bhd. RM'000
As at 31 December			
Non-current assets	1,968,334	207,213	144,776
Current assets	2,351,760	41,050	12,302
Current liabilities	(1,639,672)	(7,431)	(4,755)
Net assets	2,680,422	240,832	152,323
Year ended 31 December			
Revenue	2,459,033	103,661	54,570
Profit for the year	44,445	61,149	24,787
Total comprehensive income	44,300	107,254	53,994
Cash inflows from operating activities	674,753	89,544	42,390
Cash (outflows)/inflows from investing activities	(134,297)	(3,235)	117
Cash outflows from financing activities	(269,509)	(66,102)	(38,000)
Net increase in cash and cash equivalents	270,947	20,207	4,507
Dividends paid to NCI	–	32,390	18,620

16. Investments in associates

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unquoted shares in Malaysia, at cost	–	440	–	–
Unquoted shares outside Malaysia, at cost	3,293	4,272	135	129
	3,293	4,712	135	129
Share of post-acquisition profit/(loss)	99	(2,178)	–	–
Share of other post-acquisition reserves	288	2,752	–	–
	3,680	5,286	135	129
Less: Accumulated impairment losses	(1,214)	(2,917)	–	–
Carrying amount of the investment	2,466	2,369	135	129

The summarised financial information of the associates are as follows:

	2016 RM'000	2015 RM'000
Assets and liabilities		
Non-current assets	19,204	19,043
Current assets	13,387	12,432
Total assets	32,591	31,475
Current liabilities	18,661	17,785
Non-current liabilities	981	1,290
Total liabilities	19,642	19,075
Results		
Revenue	644	4,540
Total comprehensive income	328	601

16. Investments in associates (cont'd.)

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

	2016 RM'000	2015 RM'000
Group's share of net assets	3,680	5,286
Impairment loss	(1,214)	(2,917)
Carrying amount in the statement of financial position	2,466	2,369

Details of the associates are disclosed in Note 40.

17. Investments in joint ventures

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unquoted shares in Malaysia, at cost	310,575	1,610,288	305,155	1,604,868
Unquoted shares outside Malaysia, at cost	148,494	412,657	673	644
	459,069	2,022,945	305,828	1,605,512
Share of post-acquisition profits	936,282	2,314,227	–	–
Share of other post-acquisition reserves	289,748	426,376	–	–
	1,685,099	4,763,548	305,828	1,605,512
Less: Accumulated impairment loss	(82,924)	(78,974)	–	–
Carrying amount of the investment	1,602,175	4,684,574	305,828	1,605,512

The following tables summarise the financial information of the Group's material joint ventures, as adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in joint ventures.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

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

Group

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

	2016 Gumusut -Kakap Semi-Floating Production System (L) Limited ("GKL") RM'000	2016 Malaysia Deepwater Floating Terminal (Kikeh) Limited ("MDFT") RM'000
As at 31 December		
Non-current assets	–	1,775,234
Current assets	–	2,209
Cash and cash equivalents	–	11,136
Current liabilities	–	(15,297)
Net assets	–	1,773,282

	2016 GKL RM'000	2016 MDFT RM'000
Year ended 31 December		
Profit after taxation	137,783	259,113
Other comprehensive income	–	–
Total comprehensive income	137,783	259,113
Included in the total comprehensive income is:		
Revenue	176,450	474,878
Depreciation and amortisation	–	(199,733)
Interest income	50	6
Interest expense	–	(961)
Income tax expense	(5)	(21)

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

Group (cont'd.)

The summarised financial information of the material joint ventures are as follows (cont'd.):

	GKL RM'000	2015 VTTI B.V. RM'000	MDFT RM'000
As at 31 December			
Non-current assets	9,245,609	–	1,919,258
Current assets	1,155,114	–	633
Cash and cash equivalents	125,304	–	80,566
Non-current liabilities	(4,985,811)	–	(210,082)
Net assets	5,540,216	–	1,790,375

	GKL RM'000	2015 VTTI B.V. RM'000	MDFT RM'000
Year ended 31 December			
Profit after taxation	445,950	83,687	337,420
Other comprehensive loss	–	(151,125)	–
Total comprehensive income/(loss)	445,950	(67,438)	337,420
Included in the total comprehensive income/(loss) is:			
Revenue	550,975	762,549	529,458
Depreciation and amortisation	–	(189,187)	(188,937)
Interest income	774	7,084	141
Interest expense	(91,540)	(28,654)	(10,152)
Income tax expense	(20)	(60,827)	(18)

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

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

Group

	2016		
	MDFT RM'000	Other individually immaterial joint ventures RM'000	Total RM'000
Reconciliation of net assets to carrying amount			
As at 31 December			
Group's share of net assets	904,374	746,613	1,650,987
Elimination of unrealised profits	(31,448)	(17,364)	(48,812)
Carrying amount in the statement of financial position	872,926	729,249	1,602,175

	2016			
	GKL RM'000	MDFT RM'000	Other individually immaterial joint ventures RM'000	Total RM'000
Group's share of results				
Year ended 31 December				
Group's share of profit after taxation	68,892	135,227	83,830	287,949
Group's share of other comprehensive income	–	–	23,541	23,541
Group's share of total comprehensive income	68,892	135,227	107,371	311,490

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

Group

	2015				
	GKL RM'000	VTTI B.V. RM'000	MDFT RM'000	Other individually immaterial joint ventures RM'000	Total RM'000
Reconciliation of net assets to carrying amount					
As at 31 December					
Group's share of net assets	2,770,108	–	913,091	1,052,713	4,735,912
Elimination of unrealised profits	–	–	(37,607)	(13,731)	(51,338)
Carrying amount in the statement of financial position	2,770,108	–	875,484	1,038,982	4,684,574
Group's share of results					
Year ended 31 December					
Group's share of profit after taxation	222,975	37,441	175,164	150,797	586,377
Group's share of other comprehensive (loss)/income	–	(75,899)	–	7,147	(68,752)
Group's share of total comprehensive income/(loss)	222,975	(38,458)	175,164	157,944	517,625

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

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

	Group 2016 RM'000	Group 2015 RM'000
Contingent liabilities		
Bank guarantees extended to third parties	–	85,880

a. The Corporation had on 24 February 2016 entered into a conditional share purchase agreement with E&P Venture Solutions Co Sdn. Bhd., a wholly-owned subsidiary of PETRONAS Carigali Sdn. Bhd., for the equity buyback of the remaining 50% interest in a joint venture, Gumusut-Kakap Semi-Floating Production System (L) Limited ("GKL"), for a cash consideration of USD445,000,000 (RM1,727,489,000).

   The equity buyback was approved by the shareholders of the Corporation at the Extraordinary General Meeting held on 19 April 2016. Upon completion of the equity buyback on 13 May 2016, GKL ceased to be a joint venture of the Corporation. Accordingly, the Group recognised a loss from remeasurement of previously held interest in the joint venture amounting to RM18,234,000 and a gain on acquisition of a subsidiary of RM823,542,000 in the current financial year.

b. AET Inc. Limited, a wholly-owned subsidiary of the Corporation, had on 21 April 2016 entered into a share sale and purchase agreement with Golden Energy Tankers Holdings Corp. for the acquisition of the remaining 50% equity interest in a joint venture, Paramount Tankers Corp., for a cash consideration of USD59,293,000 (RM238,565,000).

   Upon acquiring full control on 12 May 2016, Paramount Tankers Corp. ceased to be a joint venture of AET Inc. Limited. On 29 August 2016, the final price adjustment was agreed and the acquisition was fully completed.

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

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

   Details of the joint ventures are disclosed in Note 41.

18. Other financial assets and financial liabilities

(a) Other non-current financial assets

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Available-for-sale:				
Non-current unquoted equity investments (Note 36)	53,269	51,007	53,101	50,846
Non-current quoted equity investment (Note 36)	66,687	76,244	66,687	76,244
Total available-for-sale	119,956	127,251	119,788	127,090
Loans and receivables:				
Long term receivables (Note 36)	150,812	152,909	–	–
Loans and advances:				
Subsidiaries	–	–	4,709,895	6,022,651
Joint ventures	47,887	80,807	47,887	80,500
Associates	2,865	2,576	2,691	2,576
	50,752	83,383	4,760,473	6,105,727
Less:				
Impairment on loans to:				
Subsidiary	–	–	–	(70,465)
Associates	(2,691)	(2,576)	(2,691)	(2,576)
	(2,691)	(2,576)	(2,691)	(73,041)
Net loans and advances (Note 21)	48,061	80,807	4,757,782	6,032,686
Total other non-current financial assets	318,829	360,967	4,877,570	6,159,776

Non-current quoted equity instruments are held as long-term strategic investments.

Long term receivables relate to a subsidiary's lease income during the ships construction period which is payable by the lessee progressively over a 20-year time charter period.

The loans and advances to subsidiaries are unsecured and bear interest ranging from 1.55% to 4.25% (2015: 1.72% to 4.69%) per annum.

The loans and advances to joint ventures are unsecured and bear interest ranging from 4.50% to 4.87% (2015: 2.26% to 4.97%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

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

(b) Derivative assets/liabilities

	Group 2016 RM'000	Group 2015 RM'000
Derivative assets		
Current:		
Currency hedge - effective hedges (i)	–	525
Non-current:		
Interest rate swaps ("IRS") - effective hedges (ii)	1,472	976
Derivative liabilities		
Current:		
Currency hedge - effective hedges (i)	6,655	–
Non-current:		
Interest rate swaps ("IRS") - effective hedges (iii)	691	1,931

(i) At 31 December 2016, the Group held forward currency contracts designated as hedges of expected future receipts and payments denominated in United States Dollars. The forward currency contracts are being used to hedge the foreign currency risk of the highly probable forecasted transactions. The net notional amount of the currency hedging arrangement as at 31 December 2016 was RM63,550,000 (2015: RM136,991,000).

(ii) In the previous financial year, the Group entered into a USD300.0 million interest rate swap arrangement to hedge 50% of its subsidiary's outstanding USD term loan facility. Under this arrangement, the Group pays fixed interest rate of 1.31% + 1.05% per annum and receives cash flows at floating rates. The notional amount of the interest rate swap arrangement as at 31 December 2016 was RM1,345,350,000 (2015: RM1,288,200,000) and will mature on 20 September 2018.

(iii) In the previous financial year, the Group entered into a USD52.5 million interest rate swap arrangement to hedge 25% of its subsidiary's USD term loan facility. Under this arrangement, the Group pays fixed interest rate of 1.90% + 1.00% per annum and receives cash flows at floating rates. The notional amount of the interest rate swap arrangement as at 31 December 2016 was RM241,693,000 (2015: RM231,426,000) and will mature on 6 May 2022.

In the current financial year, the Group entered into an additional interest rate swap arrangement to hedge 23% of its subsidiary's USD term loan facility. Under this arrangement, the Group pays fixed interest rate of 1.96% + 1.00% per annum and receives cash flows at floating rates. The notional amount of the interest rate swap arrangement as at 31 December 2016 was RM217,797,000 and will mature on 4 July 2022.

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

(c) Interest-bearing loans and borrowings

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Short term borrowings				
Secured:				
Term loans				
Fixed rate	–	7,154	–	–
Floating rate (i)	241,410	161,591	–	–
Hire purchase	–	5,218	–	–
	241,410	173,963	–	–
Unsecured:				
Revolving credits (ii)	1,748,955	–	807,210	–
Term loans				
Floating rate	5,362,604	936,092	–	–
Sukuk Murabahah (iii)	20,000	–	–	–
Loans from subsidiaries				
Floating rate	–	–	1,997,287	687,662
	7,131,559	936,092	2,804,497	687,662
	7,372,969	1,110,055	2,804,497	687,662
Long term borrowings				
Secured:				
Term loans				
Fixed rate (i)	411,310	236,935	–	–
Floating rate (i)	1,691,396	1,328,679	–	–
Hire purchase	-	10,393	–	–
	2,102,706	1,576,007	–	–
Unsecured:				
Term loans				
Fixed rate (iv)	1,329,474	1,264,311	–	–
Floating rate (v)	1,796,357	2,554,030	–	–
Loans from subsidiaries				
Fixed rate	–	–	769,533	728,218
Floating rate	–	–	6,163,696	340,437
	3,125,831	3,818,341	6,933,229	1,068,655
	5,228,537	5,394,348	6,933,229	1,068,655

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

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

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total borrowings				
Term loans (Note 36)	10,832,551	6,488,792	–	–
Hire purchase	–	15,611	–	–
Revolving credits	1,748,955	–	807,210	–
Sukuk Murabahah	20,000	–	–	–
Loans from subsidiaries (Note 36)	–	–	8,930,516	1,756,317
	12,601,506	6,504,403	9,737,726	1,756,317

(i) The Group raised USD212.8 million Term Loan Facility on 25 March 2015. This facility is subject to floating interest rate of 3 months LIBOR + 1.00%. However, during the previous financial year, the Group entered into an interest rate swap hedging arrangement to hedge 25% of the outstanding amount which is subject to fixed interest rate of 1.90% + 1.00% per annum and receives cash flows at floating rates. The notional amount of the interest rate swap arrangement as at 31 December 2016 was RM241,693,000 (2015: RM231,426,000) and will mature on 6 May 2022.

In the current financial year, the Group entered into an additional interest rate swap arrangement to hedge 23% of the term loan facility. Under this arrangement, the Group pays fixed interest rate of 1.96% + 1.00% per annum and receives cash flows at floating rates. The notional amount of the interest rate swap arrangement as at 31 December 2016 was RM217,797,000 and the arrangement will mature on 4 July 2022.

As disclosed in Note 15, upon completion of the equity buyback on 13 May 2016, GKL became a wholly-owned subsidiary of the Corporation. Included in the net assets and liabilities acquired is GKL's shareholders' loan from PETRONAS of RM4,114,920,000 (USD1,060,000,000). The Group had in July 2016 made full repayment of the said shareholders' loan and subsequently raised USD1.0 billion Term Loan Facility. This facility is subject to floating interest rate of 3 months LIBOR + 0.50%.

Pursuant to the acquisition of the remaining 50% equity interest in Paramount Tankers Corporation in the current financial year, Paramount Tankers Corporation became a wholly-owned subsidiary of the Group. Included in the net assets and liabilities acquired is a term loan of RM657,150,000 (USD163,328,000) as at acquisition date.

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

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

(ii) The Group and the Corporation drew the following revolving credit facilities during the year:

Group

Facilities	Interest rate	Drawdown date
USD150.0 million	3 months LIBOR + 0.35%	16 February 2016
USD30.0 million	3 months LIBOR + 0.50%	29 August 2016
USD210.0 million	3 months LIBOR + 0.50%	29 August 2016

Corporation

Facilities	Interest rate	Drawdown date
USD30.0 million	3 months LIBOR + 0.50%	29 August 2016

(iii) The Group had in September 2016 issued RM20.0 million Sukuk Murabahah which is subject to fixed interest rate of 4.60% per annum.

(iv) The Group had in the previous year entered into an interest rate swap hedging arrangement to hedge USD300 million Term Loan Facility maturing on 20 September 2018. Under this arrangement, the Group pays fixed interest rate of 1.31% + 1.05% per annum and receives cash flows at floating rate.

(v) In the previous financial year, the Group made early repayments of the USD1.0 billion and USD1.55 billion Term Loan Facilities which were due on 20 September 2018 and 29 June 2021 respectively. The total prepaid amount was USD870,000,000 (RM3,397,298,000).

The secured term loans are secured by mortgages over certain ships and other property, plant and equipment, together with charter agreements and insurance of the relevant assets. The carrying values of the ships and other property, plant and equipment pledged are stated in Note 12.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

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

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

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

	Group 2016 %	Group 2015 %	Corporation 2016 %	Corporation 2015 %
Fixed rate				
Term loans	2.36-2.96	2.36-5.20	–	–
Hire purchase	–	2.85-3.00	–	–
Revolving credit	1.35-1.50	–	1.35-1.50	–
Sukuk Murabahah	4.60	–	–	–
Loans from subsidiaries	–	–	2.36	2.36
Floating rate				
Term loans	1.35-2.50	0.95-1.73	–	–
Loans from subsidiaries	–	–	1.35-2.38	0.95-1.46

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

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

The following tables set out the carrying amounts of liabilities as at the reporting date and the remaining maturities of the Group and the Corporation's financial instruments.

At 31 December 2016	Within 1 year RM'000	More than 1 year and within 2 years RM'000	More than 2 years and within 3 years RM'000	More than 3 years and within 4 years RM'000	More than 4 years and within 5 years RM'000	More than 5 years RM'000	Total RM'000
Group							
Fixed rate							
Term loans	–	1,329,474	–	–	65,841	345,469	1,740,784
Sukuk Murabahah	20,000	–	–	–	–	–	20,000
	20,000	1,329,474	–	–	65,841	345,469	1,760,784
Floating rate							
Term loans	5,604,014	756,201	756,200	756,200	785,304	433,848	9,091,767
Revolving credits	1,748,955	–	–	–	–	–	1,748,955
	7,352,969	756,201	756,200	756,200	785,304	433,848	10,840,722
Total borrowings	7,372,969	2,085,675	756,200	756,200	851,145	779,317	12,601,506
Corporation							
Fixed rate							
Loans from subsidiaries	–	769,533	–	–	–	–	769,533
Floating rate							
Revolving credit	807,210	–	–	–	–	–	807,210
Loans from subsidiaries	1,997,287	4,419,724	697,589	697,589	348,794	–	8,160,983
	2,804,497	4,419,724	697,589	697,589	348,794	–	8,968,193
Total borrowings	2,804,497	5,189,257	697,589	697,589	348,794	–	9,737,726

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

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

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

At 31 December 2015	Within 1 year RM'000	More than 1 year and within 2 years RM'000	More than 2 years and within 3 years RM'000	More than 3 years and within 4 years RM'000	More than 4 years and within 5 years RM'000	More than 5 years RM'000	Total RM'000
Group							
Fixed rate							
Term loans	7,154	7,530	1,268,224	–	–	225,492	1,508,400
Hire purchase	5,218	5,221	4,478	520	174	–	15,611
	12,372	12,751	1,272,702	520	174	225,492	1,524,011
Floating rate							
Term loans	1,097,683	995,573	654,515	654,515	654,515	923,591	4,980,392
Total borrowings	1,110,055	1,008,324	1,927,217	655,035	654,689	1,149,083	6,504,403
Corporation							
Fixed rate							
Loans from a subsidiary	–	–	728,218	–	–	–	728,218
Floating rate							
Loans from subsidiaries	687,662	340,437	–	–	–	–	1,028,099
Total borrowings	687,662	340,437	728,218	–	–	–	1,756,317

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

(d) Finance lease receivables

Finance lease receivables represent lease rental and interest receivable due from customers in relation to the lease of offshore floating assets by the Group.

	Group 2016 RM'000	Group 2015 RM'000
Minimum lease receivables:		
Not later than 1 year	1,858,956	773,227
Later than 1 year and not later than 2 years	1,787,832	795,332
Later than 2 years and not later than 5 years	4,864,001	1,874,911
Later than 5 years	12,370,860	2,403,953
	20,881,649	5,847,423
Less: Future finance income	(6,417,135)	(1,569,424)
Present value of finance lease assets (Note 36)	14,464,514	4,277,999
Present value of finance lease receivables:		
Not later than 1 year	1,010,288	491,240
Later than 1 year and not later than 2 years	1,026,697	550,287
Later than 2 years and not later than 5 years	2,923,800	1,367,850
Later than 5 years	9,503,729	1,868,622
	14,464,514	4,277,999
Analysed as:		
Due within 12 months (Note 21)	1,010,288	491,240
Due after 12 months (Note 21)	13,454,226	3,786,759
	14,464,514	4,277,999

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

(d) Finance lease receivables (cont'd.)

The effective interest rate of the Group's finance lease receivables is between 4.75% to 6.52% (2015: 5.96% to 16.37%). Included in minimum lease receivables are the estimated unguaranteed residual values of the leased assets of RM264,122,000 (2015: RM145,280,000).

As disclosed in Note 15, upon completion of the equity buyback on 13 May 2016, GKL became a wholly-owned subsidiary of the Corporation. Included in the net assets and liabilities acquired is GKL's finance lease receivables of RM9,108,105,000.

In the current financial year, the Group took delivery of a liquefied natural gas ("LNG") carrier. Upon commencement of the finance lease of the ship on 7 October 2016, RM908,220,000 was recognised as finance lease receivables.

In the current financial year, the Group also wrote off RM196,054,000 of finance lease receivables following termination of a lease contract by the customer.

19. Finance lease assets under construction

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

The movement of the finance lease assets under constructions are as follows:

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January	1,256,005	–	1,256,005	–
Additions	1,006,393	1,142,204	1,006,393	1,142,204
Transfer to finance lease receivables (Note 18(d))	(908,220)	–	(908,220)	–
Currency translation differences	63,805	113,801	63,805	113,801
At 31 December	1,417,983	1,256,005	1,417,983	1,256,005

19. Finance lease assets under construction (cont'd.)

In the current financial year, the Group took delivery of a liquefied natural gas ("LNG") carrier. Following commencement of the finance lease of the LNG carrier on 7 October 2016, RM908,220,000 was recognised as finance lease receivables.

Included in additions to the finance lease assets under constructions of the Group and the Corporation is finance costs capitalised during the year of RM8,501,000.

20. Inventories

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At cost				
Bunkers, lubricants and consumable stores	141,830	130,288	3,220	13,235
Spares	59,566	62,664	17,544	21,740
Raw materials	12,072	12,264	–	–
Work-in-progress *	–	–	4,819	194,074
	213,468	205,216	25,583	229,049

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

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

21. Trade and other receivables

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade receivables				
Third parties	2,466,384	1,612,216	269,688	119,171
Subsidiaries	–	–	505,906	100,364
Holding company	6,149	32,060	5,183	33,534
Fellow subsidiaries	61,956	347,104	21,143	236,992
Associates	48	505	133	138
Joint ventures	44,768	54,887	36,765	48,816
	2,579,305	2,046,772	838,818	539,015
Finance lease receivables (Note 18(d))	1,010,288	491,240	–	–
Due from customers on contracts (Note 22)	606,504	1,064,715	–	110
	4,196,097	3,602,727	838,818	539,125
Less: Impairment loss on trade receivables:				
Third parties	(288,335)	(161,523)	(69,329)	(64,019)
Subsidiaries	–	–	–	(4,723)
Fellow subsidiaries	–	(9,703)	–	–
Associates	–	(299)	–	–
Joint ventures	(24,235)	(23,236)	(24,235)	(23,205)
	(312,570)	(194,761)	(93,564)	(91,947)
Trade receivables, net	3,883,527	3,407,966	745,254	447,178

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

	Group 2016 RM'000	Group 2015 RM'000	Corporation 2016 RM'000	Corporation 2015 RM'000
Other receivables				
Amount due from related parties:				
Holding company	830	1,673	239	229
Subsidiaries	–	–	1,201,173	720,774
Fellow subsidiaries	2,000	–	–	–
Associates	–	242	–	–
Joint ventures	38,400	491,066	18,358	437,638
	41,230	492,981	1,219,770	1,158,641
Deposits	8,699	13,256	2,518	3,017
Prepayments	102,079	96,189	12,044	2,915
Unbilled reimbursable expenses due from:				
Third parties	812,993	–	812,993	–
Joint ventures	–	651,722	–	651,722
Others	259,487	225,933	137,080	154,243
	1,224,488	1,480,081	2,184,405	1,970,538
Less: Impairment loss on other receivables:				
Third parties	(67,654)	–	(67,654)	–
Subsidiaries	–	–	–	(32,261)
	(67,654)	–	(67,654)	(32,261)
Other receivables, net	1,156,834	1,480,081	2,116,751	1,938,277
Total trade and other receivables	5,040,361	4,888,047	2,862,005	2,385,455
Add: Cash, deposits and bank balances (Note 23)	6,559,207	5,654,024	3,468,856	2,070,683
Add: Net loans and advances (Note 18(a))	48,061	80,807	4,757,782	6,032,686
Add: Long term receivables (Note 18(a))	150,812	152,909	–	–
Add: Finance lease receivables (Note 18(d))	13,454,226	3,786,759	–	–
Less: Prepayments	(102,079)	(96,189)	(12,044)	(2,915)
Less: Due from customers on contracts (Note 22)	(606,504)	(1,064,715)	–	(110)
Total loans and receivables	24,544,084	13,401,642	11,076,599	10,485,799

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

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

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Neither past due nor impaired	963,132	760,011	212,336	137,195
Past due but not impaired				
1-30 days	244,856	272,524	64,385	13,543
31-60 days	48,469	195,962	46,270	123,577
61-90 days	36,292	101,907	19,468	17,020
more than 90 days	973,986	521,607	402,795	155,733
	2,266,735	1,852,011	745,254	447,068
Impaired	312,570	194,761	93,564	91,947
	2,579,305	2,046,772	838,818	539,015

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are credit worthy debtors with good payment records with the Group and the Corporation.

Receivables that are past due but not impaired

The Group and the Corporation have trade receivables that are past due at the reporting date but not impaired amounting to RM1,303,603,000 (2015: RM1,092,000,000) and RM532,918,000 (2015: RM309,873,000) respectively. These balances relate mainly to customers who have never defaulted on payments but are slow paymasters and hence, are periodically monitored.

Receivables that are impaired

The Group and Corporation's trade receivables that are impaired at the reporting date are as follows:

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade receivables - nominal amounts	312,570	194,761	93,564	91,947
Less: Allowance for impairment	(312,570)	(194,761)	(93,564)	(91,947)
	–	–	–	–

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

Significant financial difficulties of the debtors, probability that the debtors will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days ageing of trade receivable balances) are considered indicators that the trade receivable is impaired. Individual debtor is written off when management deemed the amount to be not collectible.

Trade receivables that were impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January	194,761	118,688	91,947	81,241
Impairment loss recognised (Note 5)	201,400	47,585	4,691	–
Write-back of impairment loss	(2,441)	(7,013)	(2,441)	(7,013)
Bad debts written off	(7,857)	(2,374)	–	–
Disposal of a subsidiary	(35,214)	–	–	–
Currency translation differences	(38,079)	37,875	(633)	17,719
At 31 December	312,570	194,761	93,564	91,947

(a) Trade receivables

The Group's normal trade credit terms with its customers range from 7 to 90 days (2015: 7 to 90 days). Other credit terms are assessed and approved on a case-by-case basis and each customer is assigned a maximum credit limit.

(b) Other receivables and amounts due from related parties

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

22. Due from/(to) customers on contracts

	Group 2016 RM'000	Group 2015 RM'000	Corporation 2016 RM'000	Corporation 2015 RM'000
Construction contract costs incurred and recognised profits to date	14,602,106	17,387,139	–	110
Less: Progress billings	(14,014,075)	(16,348,122)	–	–
	588,031	1,039,017	–	110
Due from customers on contracts (Note 21)	606,504	1,064,715	–	110
Due to customers on contracts (Note 25)	(18,473)	(25,698)	–	–
	588,031	1,039,017	–	110

23. Cash, deposits and bank balances

	Group 2016 RM'000	Group 2015 RM'000	Corporation 2016 RM'000	Corporation 2015 RM'000
Cash with PETRONAS Integrated Financial Shared Services Centre	5,401,275	3,600,430	3,468,220	2,067,585
Cash and bank balances	929,919	1,288,277	235	1,613
Deposits with licensed banks	228,013	765,317	401	1,485
	6,559,207	5,654,024	3,468,856	2,070,683

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

Included in cash and bank balances is the retention account of RM145,639,000 (2015: RM91,754,000) which is restricted for use because it is pledged to the bank for the purpose of acquisition of ships.

Cash at banks earn interest at floating rates based on daily bank deposit rates. Deposits with licensed banks are made for varying periods between 1 to 365 days (2015: 1 to 365 days) depending on the immediate cash requirements of the Group and of the Corporation and earn interest rates ranging from 0.04% to 7.00% (2015: 0.01% to 4.30%) per annum and 0.04% to 3.50% (2015: 0.04% to 3.8%) per annum respectively.

Other information on financial risks of cash and cash equivalents are disclosed in Note 37.

24. Non-current assets classified as held for sale

	Group 2016 RM'000	Group 2015 RM'000	Corporation 2016 RM'000	Corporation 2015 RM'000
Non-current assets held for sale				
Ships	175,035	–	–	923,210
	175,035	–	–	923,210

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

	Group 2016 RM'000	Group 2015 RM'000	Corporation 2016 RM'000	Corporation 2015 RM'000
At 1 January	–	922,722	923,210	916,440
Addition	–	28,253	–	28,253
Write down	–	–	–	(57,580)
Transfer from/(to) ships and other property, plant and equipment (Note 12)	161,719	(980,791)	–	–
Disposals	–	(181,813)	(890,818)	(175,531)
Currency translation differences	13,316	211,629	(32,392)	211,628
At 31 December	175,035	–	–	923,210

In the current financial year, the Group and the Corporation have classified certain ships as held for sale with the intention of disposal in the immediate future.

In the previous financial year, the Group made a decision to transfer the Corporation's held for sale ships to a subsidiary. Accordingly, the Group reclassified these ships from "Held for Sale" to "Ships in operation". The write down of RM57,580,000 recognised by the Corporation was reversed and correspondingly, depreciation of RM57,580,000 recognised by the Group in the previous financial year. At the Corporation level, the ships remain as held for sale as at 31 December 2015 pending disposal to the subsidiary. The disposal was completed in the current financial year with no gain or loss on disposal was recognised by the Corporation.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

25. Trade and other payables

	Group 2016 RM'000	Group 2015 RM'000	Corporation 2016 RM'000	Corporation 2015 RM'000
Trade payables				
Third parties	203,519	436,630	25,662	32,911
Subsidiaries	–	–	201,908	203,116
Holding company	2,379	–	–	–
Fellow subsidiaries	878	829	265	465
Associates	–	13	–	13
Joint ventures	–	4,652	–	4,652
Accruals	1,278,230	1,729,178	427,690	390,197
Deferred income (Note 29)	89,309	67,201	–	–
Due to customers on contracts (Note 22)	18,473	25,698	–	–
	1,592,788	2,264,201	655,525	631,354
Other payables				
Amount due to related parties:				
Subsidiaries	–	–	555,791	4,057,019
Holding company	62	567	–	–
Fellow subsidiaries	1,055	62	–	10
Associates	965	2,124	–	–
Joint ventures	108,054	101,432	–	–
Accruals	545,277	672,851	79,755	76,277
Provisions (Note 25(c))	342,987	579,980	315,284	487,319
Others	142,854	195,813	61,978	96,827
	1,141,254	1,552,829	1,012,808	4,717,452
Total trade and other payables	2,734,042	3,817,030	1,668,333	5,348,806
Add: Total borrowings (Note 18(c))	12,601,506	6,504,403	9,737,726	1,756,317
Less: Due to customers on contracts (Note 22)	(18,473)	(25,698)	–	–
Less: Provisions (Note 25(c))	(342,987)	(579,980)	(315,284)	(487,319)
Total financial liabilities carried at amortised cost	14,974,088	9,715,755	11,090,775	6,617,804

25. Trade and other payables (cont'd.)

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranges from 14 to 90 days (2015: 14 to 90 days).

(b) Other payables and amounts due to related parties

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

(c) Provisions

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January	1,277,024	1,120,502	1,184,363	1,065,543
Arose during the year (Note 5)	226,025	217,814	218,197	173,590
Utilised	(301,698)	(288,334)	(262,297)	(288,334)
Unused amount reversed	(278,511)	(63,021)	(247,581)	(63,021)
Unwinding of discount	70,129	64,163	70,129	64,163
Currency translation differences	31,844	225,900	34,299	232,422
At 31 December	1,024,813	1,277,024	997,110	1,184,363
Current	342,987	579,980	315,284	487,319
Non-current:				
Later than 1 year but not later than 2 years	256,085	197,243	256,085	197,243
Later than 2 years but not later than 5 years	425,741	469,404	425,741	469,404
More than 5 years	–	30,397	–	30,397
	681,826	697,044	681,826	697,044
	1,024,813	1,277,024	997,110	1,184,363

The provisions of the Group and the Corporation as at 31 December 2016 includes provisions made on vessel in-charter contracts, where the unavoidable cost of meeting the obligations under the contracts exceed the economic benefits expected to be derived from the assets amounting to RM962,366,000 (2015: RM908,483,000).

26. Share capital and share premium

(a) Share capital

	Group and Corporation			
	Number of shares of RM1 each		Amount	
	2016 '000	2015 '000	2016 RM'000	2015 RM'000
Authorised				
Ordinary shares				
At 1 January and 31 December	10,000,000	10,000,000	10,000,000	10,000,000
Authorised				
Special preference share	– (i)	– (i)	– (i)	– (i)
Issued and fully paid				
Ordinary shares				
At 1 January and 31 December	4,463,794	4,463,794	4,463,794	4,463,794
Special preference share	– (i)	– (i)	– (i)	– (i)

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

(a) Share capital (cont'd.)

(i) Special preference share

The Group has one authorised and issued special preference share of RM1.

The special preference share, which may only be held by the Ministry of Finance ("MoF") or its successors or any Minister, representative, or any person acting on behalf of the Government of Malaysia, carries rights as provided by Article 3B of the Corporation's Articles of Association. Certain matters, in particular the alterations of specified Articles of Association, require the prior approval of the holder of the special preference share.

The holder of the special preference share is not entitled to any dividend nor to participate in the capital distribution upon dissolution of the Corporation but shall rank for repayment in priority to all other shares. The share does not carry any right to vote at General Meetings but the holder is entitled to attend and speak at such meetings.

(b) Share premium

	Group and Corporation	
	2016 RM'000	2015 RM'000
At 1 January and 31 December	4,459,468	4,459,468

27. Other reserves

	Other capital reserve RM'000 27(c)	Capital reserve RM'000 27(b)
Group		
At 1 January 2016	41,415	435,284
Currency translation differences: Group	–	–
Associates	–	–
Joint ventures	–	–
Fair value loss on non-current investments	–	–
Fair value gain on cash flow hedges: Group	–	–
Joint ventures	–	–
Reclassification to income statement on deemed disposal of joint ventures	–	–
Reclassification to income statement on disposal of associates	–	–
At 31 December 2016	41,415	435,284
At 1 January 2015	41,415	435,284
Currency translation differences: Group	–	–
Associates	–	–
Joint ventures	–	–
Fair value gain on non-current investments	–	–
Fair value gain on cash flow hedges: Group	–	–
Joint ventures	–	–
At 31 December 2015	41,415	435,284

Revaluation reserve RM'000 27(a)	Statutory reserve RM'000 27(d)	Capital redemption reserve RM'000 27(e)	Fair value reserve RM'000 27(f)	Hedging reserve RM'000 27(g)	Currency translation reserve RM'000 27(h)	Total RM'000
1,357	1,966	59,715	65,566	1,843	7,168,473	7,775,619
–	–	–	–	–	1,909,693	1,909,693
–	–	–	–	–	13	13
–	–	–	–	–	(128,055)	(128,055)
–	–	–	(9,557)	–	–	(9,557)
–	–	–	–	(6,626)	–	(6,626)
–	–	–	–	1,001	–	1,001
–	–	–	–	–	(192,949)	(192,949)
–	–	–	–	–	(123)	(123)
1,357	1,966	59,715	56,009	(3,782)	8,757,052	9,349,016
1,357	1,966	59,715	63,399	(5,546)	1,438,006	2,035,596
–	–	–	–	–	5,321,984	5,321,984
–	–	–	–	–	192	192
–	–	–	–	–	408,291	408,291
–	–	–	2,167	–	–	2,167
–	–	–	–	1,420	–	1,420
–	–	–	–	5,969	–	5,969
1,357	1,966	59,715	65,566	1,843	7,168,473	7,775,619

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

27. Other reserves (cont'd.)

	Fair value reserve RM'000	Currency translation reserve RM'000	Total RM'000
Corporation			
At 1 January 2016	65,566	4,933,839	4,999,405
Currency translation differences	–	1,106,115	1,106,115
Fair value gain on non-current investments	(9,557)	–	(9,557)
At 31 December 2016	56,009	6,039,954	6,095,963
At 1 January 2015	63,399	178,682	242,081
Currency translation differences	–	4,755,157	4,755,157
Fair value loss on non-current investments	2,167	–	2,167
At 31 December 2015	65,566	4,933,839	4,999,405

The nature and purpose of each category of reserves are as follows:

(a) Revaluation reserve

Revaluation reserve represents surplus arising from revaluation of certain freehold land.

(b) Capital reserve

Capital reserve represents reserve arising from bonus issue by subsidiaries.

(c) Other capital reserve

Other capital reserve represents the Group's share of its subsidiaries' reserve.

(d) Statutory reserve

Statutory reserve is maintained by overseas subsidiaries and joint ventures in accordance with the laws of the host countries.

(e) Capital redemption reserve

Capital redemption reserve represents reserve created upon the redemption of preference shares in subsidiaries.

27. Other reserves (cont'd.)

(f) Fair value reserve

This reserve records changes in available-for-sale financial assets until they are disposed off or impaired.

(g) Hedging reserve

Hedging reserve represents the effective portion of the gain or loss on hedging instruments in the Group's cash flow hedges and includes the Group's share of hedging reserve of joint ventures.

(h) Currency translation reserve

Currency translation reserve comprises all foreign exchange differences arising from translation of the financial statements of the Corporation and foreign operations with different functional currencies from that of the Group's presentation currency.

28. Deferred tax

	Group	
	2016	**2015**
	RM'000	**RM'000**
At 1 January	(61,817)	(61,410)
Recognised in income statement:		
In Malaysia	9,159	2,008
Outside Malaysia	3,418	(2,411)
	12,577	(403)
Currency translation differences	1,095	(4)
At 31 December	(48,145)	(61,817)
Presented after appropriate offsetting as follows:		
Deferred tax assets	(85,335)	(92,186)
Deferred tax liabilities	37,190	30,369
	(48,145)	(61,817)

28. Deferred tax (cont'd.)

The components and movements of deferred tax liabilities and assets during the financial year, prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM'000
At 1 January 2016	89,912
Recognised in income statement: In Malaysia	(17,210)
Outside Malaysia	4,136
At 31 December 2016	76,838
1 January 2015	81,580
Recognised in income statement: In Malaysia	6,332
Outside Malaysia	2,000
At 31 December 2015	89,912

Deferred tax assets of the Group:

	Other payables RM'000	Tax losses, investment tax allowance and unabsorbed capital allowances RM'000	Others RM'000	Total RM'000
At 1 January 2016	(7,988)	(129,508)	(14,233)	(151,729)
Recognised in income statement: In Malaysia	(415)	25,375	1,321	26,281
Outside Malaysia	(630)	–	–	(630)
Currency translation differences	1,095	–	–	1,095
At 31 December 2016	(7,938)	(104,133)	(12,912)	(124,983)

28. Deferred tax (cont'd.)

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

	Other payables RM'000	Tax losses, investment tax allowance and unabsorbed capital allowances RM'000	Others RM'000	Total RM'000
At 1 January 2015	(6,192)	(126,268)	(10,530)	(142,990)
Recognised in income statement:				
In Malaysia	(1,038)	(3,240)	(3,703)	(7,981)
Outside Malaysia	(642)	–	–	(642)
Currency translation differences	(116)	–	–	(116)
At 31 December 2015	(7,988)	(129,508)	(14,233)	(151,729)

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

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unused tax losses	6,120,564	6,391,535	6,086,764	6,358,945
Unabsorbed capital allowances	29,773	29,868	–	–
Unutillised reinvestment allowances	127,442	–	–	–
Others	13,680	13,680	–	–
	6,291,459	6,435,083	6,086,764	6,358,945

28. Deferred tax (cont'd.)

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

The unused tax losses and unabsorbed capital allowances of the Group, amounting to RM6,120,564,000 (2015: RM6,391,535,000) and RM29,773,000 (2015: RM29,868,000) respectively, are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

The unused tax losses of the Corporation relate to the loss making non-resident ships and can be utilised to offset against future taxable profits.

Deferred tax assets have not been recognised for certain subsidiaries with recent history of losses.

29. Deferred Income

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January	67,201	67,201	–	–
Deferred during the year	717,047	–	–	–
Currency translation differences	62,022	–	–	–
At 31 December	846,270	67,201	–	–
Current (Note 25)	89,309	67,201	–	–
Non-current	756,961	–	–	–
	846,270	67,201	–	–

Deferred income relates to time charter income paid in advance by customers.

30. Cash flows from investing activities

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Purchase of ships, offshore floating assets and other property, plant and equipment	(1,396,590)	(1,301,576)	(189,543)	(292,073)
Purchase consideration on acquisition of subsidiaries (Note 15)	(1,966,054)	(54,111)	(1,727,489)	(54,111)
Cash acquired on acquisition of a subsidiary	424,350	56,008	–	–
Cash disposed on disposal of a subsidiary	(32,494)	–	–	–
Issuance of loans to subsidiaries net of repayment	–	–	2,293,891	245,866
Dividend received from: Quoted equity investments	2,565	2,628	2,565	2,611
Subsidiaries	–	–	1,549,251	507,568
Joint ventures	227,565	45,109	200,761	25,585
Repayment of loans due from associates and joint ventures	49,554	276,931	31,856	276,931
Proceeds from disposal of ships, other property, plant and equipment and held for sale assets	–	119,092	–	105,481
Proceeds from disposal of - subsidiary	324,000	–	324,000	–
- investment in joint venture	–	3,246,279	–	–
Interest received	34,233	61,531	162,435	185,608
Progress payments for finance lease under construction	(1,006,393)	(1,256,005)	(1,006,393)	(1,256,005)
Net fixed deposit withdrawal	–	139,925	–	–
Net cash (used in)/generated from investing activities	(3,339,264)	1,335,811	1,641,334	(252,539)

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

31. Cash flows from financing activities

	Group 2016 RM'000	Group 2015 RM'000	Corporation 2016 RM'000	Corporation 2015 RM'000
Drawdown of term loans	4,171,432	835,693	–	–
Drawdown of revolving credits	1,615,903	186,000	745,801	–
Drawdown of loans from a subsidiary	–	–	870,101	–
Advances from a subsidiary	–	–	–	3,241,100
Repayment of term loans	(1,100,834)	(4,415,978)	–	–
Repayment of revolving credits	–	(451,000)	–	–
Repayment of loan from holding company	(4,114,920)	–	–	–
Repayment of loan due to a subsidiary	–	–	(662,934)	(3,065,378)
Dividends (Note 11)	(1,450,733)	(602,612)	(1,450,733)	(602,612)
Dividend paid to minority shareholders of subsidiaries	(64,436)	(78,698)	–	–
Interest paid	(239,026)	(170,020)	(36,165)	(59,249)
Cash pledged with bank - restricted	(30,023)	(40,754)	–	–
Net cash used in financing activities	(1,212,637)	(4,737,369)	(533,930)	(486,139)

32. Related party disclosures

In addition to related party disclosures elsewhere in the financial statements, set out below are other significant related party transactions. The directors are of the opinion that, unless otherwise stated, the transactions below have been entered into in the normal course of business at terms agreed between the parties during the financial year.

As the ultimate holding company is wholly-owned by the Ministry of Finance ("MoF"), the Group is deemed to be related to entities that are controlled, jointly controlled or significantly influenced by the Government of Malaysia.

32. Related party disclosures (cont'd.)

		Group 2016 RM'000	Group 2015 RM'000	Corporation 2016 RM'000	Corporation 2015 RM'000
(a)	**Income from fellow subsidiaries**				
	Freight and charter hire revenue	3,135,565	2,806,918	765,884	884,984
	Forwarding charges	8,458	16,858	–	–
	Warehouse service	26,840	40,920	–	–
	Haulage service	53,575	79,866	–	–
	Fabrication service	230,118	900,865	–	–
	Offshore, maintenance and manpower service	99,075	160,167	8,393	88,017
	Marine and consultancy services	20,584	9,684	–	–
	Sungai Udang Port management	23,443	9,776	–	–
(b)	**Purchase from fellow subsidiaries**				
	Purchase of bunkers, lubricants, spare parts and other materials	(109,234)	(81,172)	(38,990)	(46,255)
	Purchase of information technology services	(18,934)	(10,288)	(18,934)	(10,288)
	Purchase of service for rental of premises	(27,066)	(26,284)	(25,824)	(25,062)
	Purchase of insurance	(1,074)	(277)	(1,074)	(277)
	Fees for representation in the Board of Directors*	(208)	(195)	(208)	(195)
(c)	**Management fee from subsidiaries**				
	Fees for representation in the Board of Directors**	–	–	182	–

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

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

32. Related party disclosures (cont'd.)

	Group 2016 RM'000	Group 2015 RM'000	Corporation 2016 RM'000	Corporation 2015 RM'000
(d) Purchase of service for repairs, conversion of ships, drydocking and fabrication from a subsidiary	–	–	(348,108)	(634,005)
(e) Finance lease income from fellow subsidiaries	127,882	145,459	–	–
(f) Finance lease income from a joint venture of fellow subsidiary	86,780	83,700	–	–
(g) Acquisition of a subsidiary from holding company				
Purchase consideration	–	54,111	–	54,111
(h) Acquisition of a subsidiary from fellow subsidiary				
Purchase consideration	1,727,489	–	1,727,489	–
(i) Government of Malaysia's related entities				
(i) Provision of shipping and shipping related services				
Freight revenue	2,449	10,192	–	10,192
(ii) Purchase of goods and services				
Utilities	(27,053)	(38,904)	(1,529)	(1,376)
Port services	–	(7,743)	–	–

32. Related party disclosures (cont'd.)

(j) Compensation of key management personnel

Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Corporation, directly or indirectly, including any director of the Group and of the Corporation.

The remuneration of directors and other members of key management during the financial year were as follows:

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Short-term employee benefits	30,132	34,949	7,761	9,801
Defined contribution plans	2,534	2,928	1,910	2,281
	32,666	37,877	9,671	12,082

Included in the total key management personnel are:

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Director's remuneration (Note 7)	4,213	4,241	3,362	3,169

33. Commitments

(a) Capital commitments

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Capital expenditure				
Approved and contracted for:				
Ships, offshore floating assets and other property, plant and equipment	3,956,625	5,098,626	2,487,269	3,226,316
Information and communication technology	18,492	6,710	16,173	5,508
	3,975,117	5,105,336	2,503,442	3,231,824
Approved but not contracted for:				
Ships, offshore floating assets and other property, plant and equipment	369,233	242,240	359,475	205,101
Information and communication technology	1,792	16,449	1,721	12,324
	371,025	258,689	361,196	217,425

33. Commitments (cont'd.)

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

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Future minimum rentals payable:				
Not later than 1 year	909,711	870,577	–	122,584
Later than 1 year and not later than 5 years	2,184,945	2,029,693	–	431,269
Later than 5 years	1,388,046	1,210,721	–	242,926
	4,482,702	4,110,991	–	796,779

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

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Future minimum rentals receivable:				
Not later than 1 year	3,657,628	3,974,234	836,174	903,541
Later than 1 year and not later than 5 years	12,052,315	11,791,828	4,369,407	4,165,527
Later than 5 years	15,839,885	19,675,586	9,239,748	9,481,667
	31,549,828	35,441,648	14,445,329	14,550,735

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

34. Contingent liabilities

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Secured				
Bank guarantee extended to a third party	362	19,638	–	–
Unsecured				
Performance bond on contract extended to third parties	435,533	491,016	10,852	8,983
Corporate guarantees given to banks for credit facilities granted to subsidiaries	–	–	8,488,436	4,754,433

35. Segment information

(a) Business segments

In the prior financial years, the Group is organised on a worldwide basis into three major business segments:

(i) Energy related shipping - the provision of liquefied natural gas ("LNG") services, petroleum tanker services, and chemical tanker services;

(ii) Other energy businesses - operation and maintenance of oil and petrochemical products at storage terminals, operation and maintenance of offshore floating terminals, and marine repair, marine conversion and engineering and construction works; and

(iii) Non-shipping and others - integrated logistics (i.e. haulage, trucking and warehousing), marine education and training, and other diversified businesses.

35. Segment information (cont'd.)

(a) Business segments (cont'd.)

Beginning 1 January 2016 and following the Group's focus on providing energy related maritime solutions and services, the Group changed the structure of the segments that the management uses to make decisions about operating matters, and the main measure used for the purpose of allocating resources and measuring performance. The operating segments of the Group are as follows:-

(i) LNG - provision of liquefied natural gas ("LNG") carrier services;

(ii) Petroleum - provision of petroleum tanker and chemical tanker services;

(iii) Offshore - operation and maintenance of oil and petrochemical products at storage terminals, operation and maintenance of offshore floating terminals;

(iv) Heavy Engineering - marine repair, marine conversion and engineering and construction works; and

(v) Others - management of operation of ports and marine terminals, provision of marine support services and consulting services relating to marine matters, integrated logistics (i.e. haulage, trucking and warehousing), marine education and training, and other diversified businesses.

The segment information for the previous financial year has been restated to conform with these changes.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

35. Segment information (cont'd.)

(a) Business segments (cont'd.)

31 December 2016	LNG RM'000
Revenue	
External sales	2,460,513
Inter-segment	21,116
	2,481,629
Results	
Segment results	954,008
Other operating income	477,865
Gain on acquisition of subsidiaries	–
Impairment provisions	(186,297)
Finance income	6,442
Finance costs	(49,126)
Share of profit of associates	–
Share of profit/(loss) of joint ventures	–
Profit before taxation	
Taxation	
Profit after taxation	
Non-controlling interests	
Net profit attributable to equity holders of the Corporation	
ASSETS	
Ships	10,313,222
Offshore floating assets	–
Non-current assets classified as held for sale	55,747
Intangible assets	3,540
Investments in joint ventures	–
Other assets (unallocated)	
LIABILITIES	
Interest-bearing loans and borrowings	1,747,496
Other liabilities (unallocated)	

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

	Petroleum RM'000	Offshore RM'000	Heavy Engineering RM'000	Others RM'000	Total RM'000	Eliminations and adjustments RM'000		Consolidated RM'000
	4,741,328	1,071,743	843,190	502,753	9,619,527	(22,288)		9,597,239
	13,525	87,867	348,108	42,555	513,171	(513,171)	A	–
	4,754,853	1,159,610	1,191,298	545,308	10,132,698	(535,459)		9,597,239
	198,777	70,204	(22,039)	(284,614)	916,336	(30,095)	A	886,241
	113,277	362,391	14,868	2,122,491	3,090,892	(1,798,623)	A	1,292,269
	32,688	–	–	–	32,688	870,994		903,682
	(14,791)	(18,579)	(140,255)	(9,433)	(369,355)	10,698		(358,657)
	1,383	3,662	20,214	401,797	433,498	(383,222)	A	50,276
	(197,759)	(88,132)	(262)	(294,877)	(630,156)	382,256	A	(247,900)
	–	–	–	107	107	–		107
	46,044	237,761	(8,367)	12,511	287,949	–		287,949
								2,813,967
								(20,691)
								2,793,276
								(211,726)
								2,581,550
	13,537,759	–	–	7,420 *	23,858,401	–		23,858,401
	–	473,486	–	–	473,486	–		473,486
	119,288	–	–	–	175,035	–		175,035
	895,563	225	–	39,348	938,676	–		938,676
	50,675	1,482,754	8,166	60,580	1,602,175	–		1,602,175
							B	29,103,496
	4,115,360	945,092	20,000	21,192,032	28,019,980	(15,418,474)		12,601,506
							C	4,218,810

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

35. Segment information (cont'd.)

(a) Business segments (cont'd.)

31 December 2015	LNG RM'000
Revenue	
External sales	2,777,688
Inter-segment	27,336
	2,805,024
Results	
Segment results	1,421,471
Other operating income	313,158
Net loss on disposal of ships	(70,622)
Finance income	8,486
Impairment provisions	(232,325)
Finance costs	(59,307)
Share of profit of associates	–
Share of profit/(loss) of joint ventures	–
Profit before taxation	
Taxation	
Profit after taxation	
Non-controlling interests	
Net profit attributable to equity holders of the Corporation	
ASSETS	
Ships	10,614,499
Offshore floating assets	–
Intangible assets	67,020
Investments in joint ventures	–
Other assets (unallocated)	
LIABILITIES	
Interest-bearing loans and borrowings	928,067
Other liabilities (unallocated)	

* Net book value of Navy Auxiliary ships owned by the Corporation, i.e. Bunga Mas 5 and Bunga Mas 6.

Petroleum RM'000	Offshore RM'000	Heavy Engineering RM'000	Others RM'000	Total RM'000	Eliminations and adjustments RM'000		Consolidated RM'000
4,745,621	724,614	2,107,042	572,823	10,927,788	(19,402)		10,908,386
–	83,422	352,569	31,604	494,931	(494,931)	A	–
4,745,621	808,036	2,459,611	604,427	11,422,719	(514,333)		10,908,386
608,099	(18,914)	27,578	(739,034)	1,299,200	830,421	A	2,129,621
(31,855)	270,593	86,697	525,066	1,163,659	(571,043)	A	592,616
–	–	–	–	(70,622)	–		(70,622)
4,627	3,566	13,896	383,684	414,259	(353,926)	A	60,333
–	(33,502)	(99,800)	(28,252)	(393,879)	(97,393)		(491,272)
(163,296)	(56,405)	(4,509)	(284,768)	(568,285)	327,932	A	(240,353)
–	–	–	157	157	–		157
69,943	468,211	(551)	48,774	586,377	–		586,377
							2,566,857
							(31,750)
							2,535,107
							(67,327)
							2,467,780
12,313,706	–	–	19,180 *	22,947,385	–		22,947,385
–	403,429	–	–	403,429	–		403,429
857,520	225	314	556	925,635	–		925,635
320,299	4,229,475	16,533	118,267	4,684,574	–		4,684,574
						B	18,578,051
7,844,224	1,889,721	–	9,719,480	20,381,492	(13,877,089)		6,504,403
						C	4,575,529

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

35. Segment information (cont'd.)

(a) Business segments (cont'd.)

For comparison, the Group's segmental information had it not changed the structure of its business segments is as follows:

31 December 2016	Energy related shipping RM'000	Other energy businesses RM'000	Non-shipping and others RM'000	Total RM'000	Eliminations and adjustments RM'000		Consolidated RM'000
Revenue							
External sales	7,201,841	1,914,933	502,753	9,619,527	(22,288)		9,597,239
Inter-segment	34,641	435,975	42,555	513,171	(513,171)	A	–
	7,236,482	2,350,908	545,308	10,132,698	(535,459)		9,597,239
Results							
Segment results	1,152,785	52,392	(288,841)	916,336	(30,095)	A	886,241
Other operating income	591,142	377,259	2,122,491	3,090,892	(1,798,623)	A	1,292,269
Gain on acquisition of subsidiaries	32,688	–	–	32,688	870,994		903,682
Impairment provisions	(201,087)	(158,835)	(9,433)	(369,355)	10,698		(358,657)
Finance income	7,825	28,113	397,560	433,498	(383,222)	A	50,276
Finance costs	(246,885)	(88,394)	(294,877)	(630,156)	382,256	A	(247,900)
Share of profit of associates	–	–	107	107	–		107
Share of profit of joint ventures	46,044	229,394	12,511	287,949	–		287,949
Profit before taxation							2,813,967
Taxation							(20,691)
Profit after taxation							2,793,276
Non-controlling interests							(211,726)
Net profit attributable to equity holders of the Corporation							2,581,550

35. Segment information (cont'd.)

(a) Business segments (cont'd.)

31 December 2016	Energy related shipping RM'000	Other energy businesses RM'000	Non-shipping and others RM'000	Total RM'000	Eliminations and adjustments RM'000		Consolidated RM'000
ASSETS							
Ships	23,850,981	–	7,420 *	23,858,401	–		23,858,401
Offshore floating assets	–	473,486	–	473,486	–		473,486
Non-current assets classified as held for sale	175,035	–	–	175,035	–		175,035
Intangible assets	899,103	225	39,348	938,676	–		938,676
Investments in joint ventures	50,675	1,550,817	683	1,602,175	–		1,602,175
Other assets (unallocated)						B	29,103,496
LIABILITIES							
Interest-bearing loans and borrowings	5,862,856	965,092	21,192,032	28,019,980	(15,418,474)		12,601,506
Other liabilities (unallocated)						C	4,218,810

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

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

35. Segment information (cont'd.)

(a) Business segments (cont'd.)

31 December 2015	Energy related shipping RM'000	Other energy businesses RM'000	Non-shipping and others RM'000	Total RM'000	Eliminations and adjustments RM'000		Consolidated RM'000
Revenue							
External sales	7,523,309	2,831,656	572,823	10,927,788	(19,402)		10,908,386
Inter-segment	27,336	435,991	31,604	494,931	(494,931)	A	–
	7,550,645	3,267,647	604,427	11,422,719	(514,333)		10,908,386
Results							
Segment results	2,029,570	(30,392)	(699,978)	1,299,200	830,421	A	2,129,621
Other operating income	281,303	192,807	689,549	1,163,659	(571,043)	A	592,616
Net loss on disposal of ships	(70,622)	–	–	(70,622)	–		(70,622)
Finance income	13,113	17,524	383,622	414,259	(353,926)	A	60,333
Impairment provisions	(232,325)	(133,302)	(28,252)	(393,879)	(97,393)		(491,272)
Finance costs	(222,603)	(60,914)	(284,768)	(568,285)	327,932	A	(240,353)
Share of profit of associates	–	–	157	157	–		157
Share of profit of joint ventures	69,943	516,434	–	586,377	–		586,377
Taxation							2,566,857
Profit after taxation							(31,750)
Non-controlling interests							2,535,107
Net profit attributable to equity holders of the Corporation							(67,327)
							2,467,780

35. Segment information (cont'd.)

(a) Business segments (cont'd.)

31 December 2015	Energy related shipping RM'000	Other energy businesses RM'000	Non-shipping and others RM'000	Total RM'000	Eliminations and adjustments RM'000		Consolidated RM'000
ASSETS							
Ships	22,928,205	–	19,180*	22,947,385	–		22,947,385
Offshore floating assets	–	403,429	–	403,429	–		403,429
Intangible assets	924,540	225	870	925,635	–		925,635
Investments in joint ventures	320,299	4,363,432	843	4,684,574	–		4,684,574
Other assets (unallocated)						B	18,578,051
LIABILITIES							
Interest-bearing loans and borrowings	8,772,291	1,889,721	9,719,480	20,381,492	(13,877,089)		6,504,403
Other liabilities (unallocated)						C	4,575,529

* Net book value of Navy Auxiliary ships owned by the Corporation, i.e. Bunga Mas 5 and Bunga Mas 6.

35. Segment information (cont'd.)

(a) Business segments (cont'd.)

Note

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

B Other assets comprise the following items:

	2016 RM'000	2015 RM'000
Other property, plant and equipment	1,782,397	2,092,769
Prepaid lease payments on land and buildings	227,752	238,208
Investments in associates	2,466	2,369
Other non-current financial assets	318,829	360,967
Finance lease receivables	13,454,226	3,786,759
Deferred tax assets	85,335	92,186
Inventories	213,468	205,216
Trade and other receivables	5,040,361	4,888,047
Cash, deposits and bank balances	6,559,207	5,654,024
Derivative assets	1,472	1,501
Finance lease assets under construction	1,417,983	1,256,005
	29,103,496	18,578,051

35. Segment information (cont'd.)

(a) Business segments (cont'd.)

C Other liabilities comprise the following items:

	2016 RM'000	2015 RM'000
Trade and other payables	2,734,042	3,817,030
Provision for taxation	1,445	29,155
Deferred tax liabilities	37,190	30,369
Derivative liabilities	7,346	1,931
Deferred income	756,961	–
Provisions	681,826	697,044
	4,218,810	4,575,529

(b) Geographical segments

Although the Group's four major business segments are managed on a worldwide basis, they operate in five principal geographical areas of the world. In Malaysia, its home country, the Group's areas of operation comprise LNG, Petroleum, Offshore, Heavy Engineering and others.

The following table provides an analysis of the Group's revenue and carrying amount of assets by geographical segments:

	Malaysia RM'000	Asia and Africa RM'000	Europe RM'000	The Americas RM'000	Consolidated RM'000
31 December 2016					
Revenue	4,942,947	–	598	4,653,694	9,597,239
Assets	47,440,835	1,111	–	8,709,323	56,151,269
31 December 2015					
Revenue	6,588,857	–	603	4,318,926	10,908,386
Assets	36,499,425	1,372	7,427	11,030,850	47,539,074

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

35. Segment information (cont'd.)

(c) Information about major customers

Breakdown of revenue from major customers are as follows:

	2016 RM'000	2015 RM'000
Fellow subsidiaries:		
- Malaysia LNG Sdn Bhd	1,623,047	1,931,595
- Petronas Carigali Sdn Bhd	441,675	1,173,955
- Petronas LNG Ltd	660,980	436,527
	2,725,702	3,542,077
Third Parties:		
- Sabah Shell Petroleum Company Limited	384,366	–
- Royal Dutch Shell PLC	359,459	489,038
- British Petroleum	329,317	410,079
- Marine Well Containment Company	261,132	268,810
- CITGO Petroleum Corporation	272,715	247,699
- Exxon Mobil Corporation	253,175	244,487
- Saudi Petroleum	185,796	228,280
- Talisman Energy	60,115	69,117
- Petrofac (Malaysia) Limited	137,211	16,791
	2,243,286	1,974,301

36. Fair value disclosures

Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investments in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

The following table analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

The different levels have been defined as follows:

(a) Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(b) Level 2 - Input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(c) Level 3 - Input for the asset or liability that are not based on observable market data (unobservable input).

36. Fair value disclosures (cont'd.)

Fair value information (cont'd.)

	Note	Fair value of assets and liabilities carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group					
At 31 December 2016					
Financial assets:					
Non-current quoted equity investment	18(a)	66,687	–	–	66,687
Interest rate swaps designated as hedging instruments	18(b)	–	1,472	–	1,472
		66,687	1,472	–	68,159
Non-financial assets:					
Non-current assets classified as held for sale		–	–	175,035	175,035
Financial liabilities:					
Interest rate swaps designated as hedging instruments	18(b)	–	(691)	–	(691)
Forward exchange contract	18(b)	–	(6,655)	–	(6,655)
		–	(7,346)	–	(7,346)
At 31 December 2015					
Financial assets:					
Non-current quoted equity investment	18(a)	76,244	–	–	76,244
Forward exchange contract	18(b)	–	525	–	525
Interest rate swaps designated as hedging instruments	18(b)	–	976	–	976
		76,244	1,501	–	77,745
Non-financial assets:					
Interest rate swaps designated as hedging instruments	18(b)	–	(1,931)	–	(1,931)

36. Fair value disclosures (cont'd.)

Fair value information (cont'd.)

	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
		Fair value of financial instruments not carried at fair value				
At 31 December 2016						
Group						
Financial assets:						
Non-current unquoted equity investments	18(a)	–	–	*	*	53,269
Long term receivables	18(a)	–	–	118,798	118,798	150,812
Finance lease receivables	18(d)	–	–	14,434,742	14,434,742	14,464,514
		–	–	14,553,540	14,553,540	14,668,595
Financial Liabilities:						
Term loans	18(c)	–	(10,722,454)	–	(10,722,454)	(10,832,551)
At 31 December 2015						
Financial assets:						
Non-current unquoted equity investments	18(a)	–	–	*	*	51,007
Long term receivables	18(a)	–	–	120,092	120,092	152,909
Finance lease receivables	18(d)	–	–	4,277,999	4,277,999	4,277,999
		–	–	4,398,091	4,398,091	4,481,915
Financial Liabilities:						
Term loans	18(c)	–	(6,375,833)	–	(6,375,833)	(6,488,792)

* The unquoted equity investments are measured at cost since they do not have a quoted market price in an active market and the fair value cannot be reliably measured.

36. Fair value disclosures (cont'd.)

Fair value information (cont'd.)

	Note	Fair value of assets and liabilities carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Corporation					
At 31 December 2016					
Financial assets:					
Non-current quoted equity investment	18(a)	66,687	–	–	66,687
At 31 December 2015					
Financial assets:					
Non-current quoted equity investment	18(a)	76,244	–	–	76,244
Non-financial assets:					
Non-current assets classified as held for sale	24	–	–	923,210	923,210

36. Fair value disclosures (cont'd.)

Fair value information (cont'd.)

Corporation

	Note	Fair value of financial instruments not carried at fair value				Carrying amount
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000
At 31 December 2016						
Financial assets:						
Non-current unquoted equity investments	18(a)	–	–	*	*	53,101
Loans to subsidiaries		–	4,536,559	–	4,536,559	4,709,895
		–	4,536,559	*	4,536,559	4,762,996
Financial liabilities:						
Loans from subsidiary	18(c)	–	(8,872,908)	–	(8,872,908)	(8,930,516)
At 31 December 2015						
Financial assets:						
Non-current unquoted equity investments	18(a)	–	–	*	*	50,846
Loans to subsidiaries		–	5,626,398	–	5,626,398	5,952,186
		–	5,626,398	*	5,626,398	6,003,032
Financial liabilities:						
Loans from subsidiary	18(c)	–	(1,699,748)	–	(1,699,748)	(1,756,317)

* The unquoted equity investments are measured at cost since they do not have a quoted market price in an active market and the fair value cannot be reliably measured.

Transfers between Level 1 and Level 2 fair values

There has been no transfers between Level 1 and Level 2 fair values during the financial year.

36. Fair value disclosures (cont'd.)

Fair value information (cont'd.)

Level 1 fair value measurements

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical assets that the entity can assess at the measurement date.

Level 2 fair value measurements

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset either directly or indirectly.

The following are descriptions of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Derivatives

Interest rate swap contracts and forward exchange contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

Non-derivative financial liabilities

The fair value of the loan and borrowings which is determined for disclosure purposes is calculated by discounting expected future cash flows at the market rate of interest at the end of the reporting period.

Level 3 fair value measurements

Level 3 fair value is estimated using unobservable inputs that are not based on observable market data.

36. Fair value disclosures (cont'd.)

Fair value information (cont'd.)

Level 3 fair value measurements (cont'd.)

The following table shows the information about fair value measurements using significant unobservable inputs within Level 3 of the fair value hierarchy:

	Group		Corporation			
	Fair value at 31 December 2016	Fair value at 31 December 2015	Fair value at 31 December 2016	Fair value at 31 December 2015	Valuation techniques	Unobservable inputs
	RM'000	RM'000	RM'000	RM'000		
Assets measured at fair value						
Non-current assets held for sale						
- Ships	175,035	–	–	923,210	Market comparable approach	Sale price offered by potential buyer.
Financial assets not measured at fair value						
Long term receivables	118,798	120,092	–	–	Discounted cash flow method	Discounting expected future cash flows applying market rate of interest at the end of the reporting period.
Finance lease receivables	14,434,742	4,277,999	–	–	Discounted cash flow method	Discounting expected future cash flows applying market rate of interest at the end of the reporting period.
	14,553,540	4,398,091	–	–		

An increase in market values of comparable assets used in the above valuation would result in an increase in the fair values and vice versa.

37. Financial risk management objectives and policies

The Group is exposed to various risks that are related to its core business of shipowning, ship operating, other shipping related activities and services, owning and operating of offshore facilities and marine repair, marine conversion and engineering and construction works. These risks arise in the normal course of the Group's business.

The Group's Financial Risk Management Framework and Guidelines set the foundation for the establishment of effective risk management practices across the Group.

The Group's Financial Risk Management Policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risk (both fair value and cash flow), foreign currency risk, liquidity risk, credit risk and equity price risk. The Board reviews and agrees policies for managing each of these risks as summarised below. It is, and has been throughout the period under review, the Group's policy that no speculative trading in derivative financial instruments shall be undertaken.

The following sections provide details regarding the Group and the Corporation's exposure to the above-mentioned financial risks and the objectives, policies and processes in place to manage these risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. As the Group has no significant long term interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been placed mostly in time deposits and overnight placements. The Group's interest rate risk arises primarily from interest-bearing loans and borrowings.

Borrowings at floating rates expose the Group and the Corporation to cash flow interest rate risk. The Group's interest rate risks arise from the volatility of the benchmark interest rates both in Ringgit Malaysia ("RM") and United States Dollar ("USD"), its main borrowing currencies.

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings. As at 31 December 2016, 14.0% (2015: 23.4%) of the Group's total borrowings were fixed rate in nature. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps in which the Group agrees to exchange at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed upon notional principal amount.

As at reporting date, the total notional principal amount of interest rate swaps of the Group is RM1,804,840,000 (2015: RM1,519,626,000). The fixed interest rates relating to interest rate swaps at the reporting date ranges from 1.31% - 1.96% (2015: 1.31% - 1.90%) per annum.

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

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Corporation's profit before taxation and equity via floating rate borrowings and interest rate swaps respectively.

	Increase/ (Decrease) in LIBOR basis points	Effect on profit before taxation (Decrease)/ Increase RM'000	Effect on other comprehensive income Increase/ (Decrease) RM'000
As at 31 December 2016			
Group			
USD - 3 Months LIBOR	+50	(50,080)	1,323
USD - 3 Months LIBOR	-50	50,080	(1,323)
Corporation			
USD - 3 Months LIBOR	+50	(41,429)	–
USD - 3 Months LIBOR	-50	41,429	–
As at 31 December 2015			
Group			
USD - 3 Months LIBOR	+10	(4,557)	1,505
USD - 3 Months LIBOR	-10	4,557	(1,505)
Corporation			
USD - 3 Months LIBOR	+10	(937)	–
USD - 3 Months LIBOR	-10	937	–

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

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

As at 31 December 2016, the Group's and the Corporation's exposure to the risk of changes in market interest rate relates primarily to the Group and the Corporation's placement of deposits with licensed banks, cash and bank balances, loans to subsidiaries and joint ventures, interest-bearing loans and borrowings and loans from subsidiaries and joint ventures.

The interest rate profiles of the Group and of the Corporation's interest-bearing financial instruments based on carrying amount, as at reporting date were as follows:

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fixed rate instruments				
Financial assets				
Deposits with licensed banks	228,013	765,317	401	1,485
Deposits with IFSSC	5,401,275	3,600,430	3,468,220	2,067,585
Loans to:				
Subsidiaries	–	–	1,714,960	4,259,595
Joint ventures	47,887	48,240	47,887	48,240
Financial liabilities				
Fixed rate borrowings	20,000	34,208	–	–
Floating rate borrowings (swapped to fixed rate)	1,740,783	1,489,803	–	–
Loans from subsidiaries	–	–	769,533	728,218
Floating rate instruments				
Financial assets				
Cash and bank balances	929,919	1,288,277	235	1,613
Loans to:				
Subsidiaries	–	–	2,994,935	1,692,591
Joint ventures	–	32,567	–	32,260
Financial liabilities				
Floating rate borrowings	10,840,723	4,980,392	807,210	–
Loans from subsidiaries	–	–	8,160,983	1,028,099

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

(b) Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily RM and USD. Approximately 3% (2015: 9%) of the Group's sales are denominated in currencies other than the Group's functional currency whilst almost 90% (2015: 95%) of costs are denominated in the Group's functional currency.

The Group maintains a natural hedge, wherever possible, by borrowing in currencies that matches the future revenue streams to be generated from its investments, except for the following:

At 31 December 2016, the Group held forward currency contracts designated as hedges of expected future receipts and payments denominated in United States Dollar, Singapore Dollar, Euro and Great Britain Pound. The forward currency contracts are being used to hedge the foreign currency risk of the highly probable forecasted transactions.

The cash flow hedges of the expected future receipts which are expected to occur within the next 12 months, were assessed to be highly effective and a net unrealised gain of RM6,561,000 (2015: RM356,000), which represents the effective portion of the hedging relationship, is included in other comprehensive income.

With all other variables held constant, the following table demonstrates the sensitivity of the Group and the Corporation's profit before taxation to a reasonably possible change in the USD and RM exchange rates.

	2016		2015	
	Change in currency rate %	**Effect on profit before taxation (Decrease)/ Increase RM'000**	**Change in currency rate %**	**Effect on profit before taxation (Decrease)/ Increase RM'000**
Group				
USD/RM	+5%	(860)	+5%	(1,095)
	-5%	860	-5%	1,095
Corporation				
USD/RM	+5%	3,511	+5%	8,317
	-5%	(3,511)	-5%	(8,317)

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

(b) Foreign currency risk (cont'd.)

The net unhedged financial receivables and payables and cash and bank balances of the Group and of the Corporation that are not denominated in their functional currencies are as follows:

Functional currency of Group entities	Net financial receivables/(payables) and cash and bank balances held in non-functional currencies						
	Ringgit Malaysia RM'000	United States Dollar RM'000	Great Britain Pound RM'000	Australian Dollar RM'000	Euro RM'000	Singapore Dollar RM'000	Total RM'000
At 31 December 2016							
Ringgit Malaysia	–	(4,697)	(1,008)	–	–	–	(5,705)
United States Dollar	17,208	–	(4,696)	269	5,555	15,224	33,560
	17,208	(4,697)	(5,704)	269	5,555	15,224	27,855
At 31 December 2015							
Ringgit Malaysia	–	205,661	4,264	–	11,667	(237)	221,355
United States Dollar	56,064	–	(16,111)	418	15,993	36,678	93,042
	56,064	205,661	(11,847)	418	27,660	36,441	314,397
Functional currency of Corporation							
At 31 December 2016							
United States Dollar	(70,223)	–	1,287	269	61,353	25,536	18,222
At 31 December 2015							
United States Dollar	(166,341)	–	137	490	18,951	22,843	(123,920)

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

(c) Liquidity risk

Liquidity risk is the risk that the Group and the Corporation will encounter difficulty in meeting their financial obligations due to shortage of funds. The Group and the Corporation's exposure to liquidity risk arise primarily from mismatches of the maturities of financial assets and liabilities. The Group and the Corporation's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and various other sources of funding.

The Group and the Corporation have at their disposal cash and short term deposits amounting to RM6,559,207,000 (2015: RM5,654,024,000) and RM3,468,856,000 (2015: RM2,070,683,000) respectively. As at 31 December 2016, the Group and the Corporation have unutilised credit lines of RM3.7 billion (2015: RM3.6 billion) and RM2.7 billion (2015: RM2.6 billion) respectively, which could be used for working capital purposes.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

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

(c) Liquidity risk (cont'd.)

The table below summarises the maturity profile of the Group and Corporation's financial liabilities as at the reporting date based on undiscounted contractual payments:

	Carrying amount RM'000
At 31 December 2016	
Group	
Interest-bearing loans and borrowings	12,601,506
Trade and other payables	2,372,582
	14,974,088
Corporation	
Interest-bearing loans and borrowings	9,737,726
Trade and other payables	1,353,049
	11,090,775
At 31 December 2015	
Group	
Interest-bearing loans and borrowings	6,504,403
Trade and other payables	3,211,352
	9,715,755
Corporation	
Interest-bearing loans and borrowings	1,756,317
Trade and other payables	4,861,487
	6,617,804

Contractual cash flows RM'000	Within 1 year RM'000	More than 1 year and within 2 years RM'000	More than 2 years and within 3 years RM'000	More than 3 years and within 4 years RM'000	More than 4 years and within 5 years RM'000	More than 5 years RM'000
13,084,811	7,543,101	2,190,798	827,497	815,595	892,214	815,606
2,372,582	2,372,582	–	–	–	–	–
15,457,393	9,915,683	2,190,798	827,497	815,595	892,214	815,606
10,078,641	2,949,727	5,312,309	737,927	724,750	353,928	–
1,353,049	1,353,049	–	–	–	–	–
11,431,690	4,302,776	5,312,309	737,927	724,750	353,928	–
7,015,501	1,239,628	1,141,974	2,028,045	720,668	704,358	1,180,828
3,211,352	3,211,352	–	–	–	–	–
10,226,853	4,450,980	1,141,974	2,028,045	720,668	704,358	1,180,828
1,818,562	716,364	361,694	740,504	–	–	–
4,861,487	4,861,487	–	–	–	–	–
6,680,049	5,577,851	361,694	740,504	–	–	–

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

(c) Liquidity risk (cont'd.)

Group

Hedging activities

The Group entered into interest rate swaps to hedge the cash flow risk of floating interest rate on the term loans. The notional amount swapped as at 31 December 2016 was RM1,804,840,000 (2015: RM1,519,626,000). The swaps are settled quarterly, consistent with the interest payment schedule of the loan.

The following table indicates the periods in which the cash flows are expected to occur for cash flow hedges as at 31 December 2016:

	Carrying amount RM'000	Contractual cash flows RM'000	Within 1 year RM'000	More than 1 year and within 2 years RM'000	More than 2 years and within 3 years RM'000	More than 3 years and within 4 years RM'000	More than 4 years and within 5 years RM'000	More than 5 years RM'000
At 31 December 2016								
Net cash outflows	781	(27,659)	(8,010)	(6,820)	(3,753)	(3,763)	(3,707)	(1,606)
At 31 December 2015								
Net cash outflows	(955)	(43,493)	(12,083)	(12,050)	(9,505)	(2,943)	(2,951)	(3,961)

The Group's hedging activities on the interest rate swaps are tested to be effective. During the year, the Group recognised in other comprehensive income a loss of RM221,000 (2015: RM1,064,000) on the interest rate swaps of its subsidiaries.

The Group's share of its joint ventures' unrealised gain on interest rate swap during the year was RM1,001,000 (2015: RM5,969,000).

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

(d) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from its operating activities (mainly for trade receivables) and from its finance activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risk from balances with banks and financial institutions is managed by Group Treasury in accordance with the Group's policy. The Group Treasury Investment Guideline defines the parameters within which the investment activities shall operate to achieve the Group's investment objective of preserving capital and generating optimal returns. In accordance with the guideline, investment of surplus funds are made only with highly credit rated counterparties.

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets mentioned in Notes 18(a) and 21, and is recognised in the statements of financial position.

The Group does not hold any collateral as security.

Trade receivables

The Group and the Corporation determine concentrations of credit risk by monitoring the industry sector profile of their receivables on an ongoing basis. The credit risk concentration profile of the Group's and the Corporation's trade receivables due from third parties at the reporting date are as follows:

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
LNG	29,369	13,240	161,543	9,804
Petroleum	435,362	418,558	6,415	19,076
Offshore	1,482,297	568,649	13,589	19,914
Heavy Engineering	193,280	325,324	–	–
Others	37,741	124,922	18,812	6,358
	2,178,049	1,450,693	200,359	55,152

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

(d) Credit risk (cont'd.)

Trade receivables (cont'd.)

At the reporting date, approximately:

4.0% (2015: 21.7%) of the Group's trade receivables were due from related parties while 73.1% (2015: 87.7%) of the Corporation's trade receivables were due from related parties.

Other financial assets

With respect to credit risk arising from the other financial assets of the Group, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure represented by the carrying amount of these instruments.

Effective from 1 July 2013, cash and bank balances were held in the In-House Account ("IHA") managed by PETRONAS Integrated Financial Shared Services Centre ("IFSSC"). The centralisation of fund management allows more effective cash visibility and fund management of the Group, as well as minimise exposure to counter party credit risk. The beneficiary of these financial assets remains with the Corporation. PETRONAS IFSSC, which functions as a treasury management platform, in turn, places all funds under management in licensed financial institutions with strong credit ratings globally and in Malaysia. In addition, a majority of the Group's deposits are placed with licensed banks with strong credit ratings in Malaysia.

(e) Equity price risk

Equity price risk arises from the Group's investment in quoted equity shares listed on Bursa Malaysia. At the reporting date, the fair value of the quoted equity shares was RM66,687,000 (2015: RM76,244,000).

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

(e) Equity price risk (cont'd.)

The following table demonstrates the indicative effects on the Group and the Corporation's investment in quoted equity shares applying reasonably foreseeable market movements in the following index rates:

	Carrying value RM'000	Weighted average change in index rate %	Effect on equity Increase/ (Decrease) RM'000
Group and Corporation			
2016			
Malaysian quoted equity shares	66,687	+15	10,003
Malaysian quoted equity shares	66,687	-15	(10,003)
2015			
Malaysian quoted equity shares	76,244	+15	11,437
Malaysian quoted equity shares	76,244	-15	(11,437)

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

38. Capital management

Capital management is defined as the process of managing the composition of the Group's debt and equity to ensure it maintains a strong credit rating and healthy capital ratios that support its businesses and maximise its shareholder value. The Group's approach in managing capital is set out in the Group Corporate Financial Policy.

The Group and the Corporation monitor and maintain a prudent level of total debt to total asset ratio to optimise shareholder value and to ensure compliance with covenants under debt agreements.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

38. Capital management (cont'd.)

The debt to equity ratios of the Group and of the Corporation as at 31 December 2016 and 31 December 2015 are as follows:

	Note	Group 2016 RM'000	Group 2015 RM'000	Corporation 2016 RM'000	Corporation 2015 RM'000
Short term borrowings	18(c)	7,372,969	1,110,055	2,804,497	687,662
Long term borrowings	18(c)	5,228,537	5,394,348	6,933,229	1,068,655
Gross debts		12,601,506	6,504,403	9,737,726	1,756,317
Cash, deposits and bank balances	23	6,559,207	5,654,024	3,468,856	2,070,683
Net debts		6,042,299	850,379	6,268,870	(314,366)
Total equity		39,330,953	36,459,142	25,930,764	24,288,847
Gross debt equity ratio		0.32	0.18	0.38	0.07
Net debt equity ratio		0.15	0.02	0.24	(0.01)

39. Subsidiaries and activities

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%) 2016	Ownership interest and voting interest (%) 2015
MISC Tankers Sdn. Bhd.	Malaysia	Investment holding and provision of management services	100	100
Puteri Intan Sdn. Bhd.	Malaysia	Shipping	100	100
Puteri Delima Sdn. Bhd.	Malaysia	Shipping	100	100
Puteri Nilam Sdn. Bhd.	Malaysia	Shipping	100	100

39. Subsidiaries and activities (cont'd.)

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%) 2016	2015
Puteri Zamrud Sdn. Bhd.	Malaysia	Shipping	100	100
Puteri Firus Sdn. Bhd.	Malaysia	Shipping	100	100
Seri Camellia (L) Private Limited ^^	Malaysia	Shipping	100	–
Seri Cempaka (L) Private Limited ^^	Malaysia	Shipping	100	–
Seri Cenderawasih (L) Private Limited ^^	Malaysia	Shipping	100	–
Seri Cemara (L) Private Limited ^^	Malaysia	Shipping	100	–
Seri Camar (L) Private Limited ^^	Malaysia	Shipping	100	–
MISC Ship Management Sdn. Bhd.	Malaysia	Dormant	100	100
MISC Enterprises Holdings Sdn. Bhd.	Malaysia	In-liquidation	100	100
MISC Properties Sdn. Bhd.	Malaysia	Dormant	100	100
Malaysia Marine and Heavy Engineering Holdings Berhad ^	Malaysia	Investment holding	66.5	66.5
Malaysia Marine and Heavy Engineering Sdn. Bhd.	Malaysia	Provision of oil and gas engineering and construction works, and services	66.5	66.5
MMHE-SHI LNG Sdn. Bhd.	Malaysia	Provision of repair services and dry docking of Liquefied Natural Gas ("LNG")	66.5	46.6
Techno Indah Sdn. Bhd.	Malaysia	Sludge disposal management	66.5	66.5

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

39. Subsidiaries and activities (cont'd.)

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%) 2016	2015
MMHE International Sdn. Bhd. (formerly known as Malaysia Marine and Heavy Engineering (Turkmenistan) Sdn. Bhd.)	Malaysia	Dormant	66.5	66.5
MMHE EPIC Marine & Services Sdn. Bhd. ^^	Malaysia	Repair and maintenance of vessel	70	–
MISC Agencies Sdn. Bhd.	Malaysia	Dormant	100	100
MISC Agencies (Netherlands) B.V. *	Netherlands	Property owning	100	100
Misan Logistics B.V. *	Netherlands	Haulage brokerage liner merchant and haulage carrier	100	100
MISC Berhad (UK) Limited (formerly known as MISC Agencies (U.K.) Ltd.) *	United Kingdom	Dormant	100	100
MISC Agencies India Private Limited *	India	Shipping agent	60	60
MISC Agencies (Japan) Ltd. *	Japan	In-liquidation	100	100
MISC Ferry Services Sdn. Bhd.	Malaysia	Dormant	100	100
MISC Integrated Logistics Sdn. Bhd.	Malaysia	Integrated logistics services	–	100
MISC Haulage Services Sdn. Bhd.	Malaysia	Dormant	–	100
MISC Trucking and Warehousing Services Sdn. Bhd.	Malaysia	Dormant	–	100
MILS Cold Chain Logistics Sdn. Bhd.	Malaysia	Owner of a cold storage logistics hub	–	100
MILS Cold Hub Sdn. Bhd.	Malaysia	Dormant	–	100

39. Subsidiaries and activities (cont'd.)

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%) 2016	2015
Asia LNG Transport Sdn. Bhd.	Malaysia	Shipowning and ship management	51	51
Asia LNG Transport Dua Sdn. Bhd.	Malaysia	Shipowning and ship management	51	51
Malaysian Maritime Academy Sdn. Bhd.	Malaysia	Education and training for seamen and maritime personnel	100	100
Puteri Intan Satu (L) Private Limited	Malaysia	Shipping	100	100
Puteri Delima Satu (L) Private Limited	Malaysia	Shipping	100	100
Puteri Nilam Satu (L) Private Limited	Malaysia	Shipping	100	100
Puteri Zamrud Satu (L) Private Limited	Malaysia	Shipping	100	100
Puteri Firus Satu (L) Private Limited	Malaysia	Shipping	100	100
Puteri Mutiara Satu (L) Private Limited	Malaysia	Shipping	100	100
MISC Tanker Holdings Sdn. Bhd.	Malaysia	Investment holding	100	100
MISC Tanker Holdings (Bermuda) Limited	Bermuda	Investment holding	100	100
AET Tanker Holdings Sdn. Bhd.	Malaysia	Investment holding	100	100
AET Product Tankers Sdn. Bhd.	Malaysia	Shipowning and marine transportation services	100	–
AET Petroleum Tanker (M) Sdn. Bhd.	Malaysia	Shipowning	100	100
AET Shipmanagement (Malaysia) Sdn. Bhd.	Malaysia	Shipping management	100	100

39. Subsidiaries and activities (cont'd.)

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%) 2016	2015
AET Shipmanagement (Singapore) Pte. Ltd. #	Singapore	Ship management manning and technical activities	100	100
AET Holdings (L) Pte. Ltd.	Malaysia	Investment holding	100	100
AET Inc. Limited	Bermuda	Shipowning and operations	100	100
AMI Manning Services Private Limited #	India	Dormant	100	100
AET Lightering Services LLC	The United States of America	Lightering	100	100
AET Tankers Pte. Ltd. #	Singapore	Commercial operation and chartering	100	100
AET UK Limited #	United Kingdom	Commercial operation and chartering	100	100
AET Offshore Services Company Inc.	The United States of America	Lightering	100	100
AET Agencies Inc.	The United States of America	Shipping agent and lightering	100	100
AET Tankers India Private Limited #	India	Dormant	100	100
AET Azerbaijan Limited	Azerbaijan	Dormant	100	100
AET Tankers Kazakhstan LLP	Kazakhstan	Dormant	100	100
AET Shipmanagement (USA) LLC #	The United States of America	Ship management	100	100

39. Subsidiaries and activities (cont'd.)

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%) 2016	2015
AET Tankers (Suezmax) Pte. Ltd. #	Singapore	Shipowning and operations	100	100
AET Shuttle Tankers Sdn. Bhd.	Malaysia	Shipowning and operations	100	100
AET MCV Delta Sdn. Bhd.	Malaysia	Investment holding	100	100
AET MCV Alpha LLC	Republic of Marshall Islands	Shipowning	100	100
AET MCV Beta LLC	Republic of Marshall Islands	Shipowning	100	100
AET MCV Gamma LLC	Republic of Marshall Islands	Chartering and operations	100	100
AET MCV Alpha Pte. Ltd.	Singapore	Dormant	100	100
AET MCV Beta Pte. Ltd.	Singapore	Dormant	100	100
AET Brasil Servicos Maritimos Ltda.	Brazil	Manning, crewing agent and technical office	100	100
AET Brasil Servicos STS Ltda.	Brazil	Lightering support services	100	100
AET Sea Shuttle AS #	Norway	Owning and operating DP shuttle tankers	95	95
MISC International (L) Ltd.	Malaysia	Investment holding	100	100
MISC Offshore Floating Terminals (L) Ltd.	Malaysia	Owning offshore floating terminals	100	100

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

39. Subsidiaries and activities (cont'd.)

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%) 2016	2015
MISC Capital (L) Ltd.	Malaysia	Special purpose vehicle for financing arrangement	100	100
MISC Offshore Holdings (Brazil) Sdn. Bhd.	Malaysia	Investment holding	100	100
M.I.S.C. Nigeria Ltd. *	Nigeria	Dormant	60	60
FPSO Ventures Sdn. Bhd.	Malaysia	Operating and maintaining FPSO terminals	51	51
Malaysia Offshore Mobile Production (Labuan) Ltd.	Malaysia	Mobile offshore	100	100
MTTI Sdn. Bhd.	Malaysia	Investment holding	100	100
MISC PNG Shipping Limited	Malaysia	Investment holding	100	100
Gas Asia Terminal (L) Pte. Ltd.	Malaysia	Development and ownership of LNG floating storage units	100	100
MISC Offshore Floating Terminals Dua (L) Ltd.	Malaysia	Owning offshore floating terminals	100	100
GK O & M (L) Limited	Malaysia	To carry out the business of providing professional services for oil and gas industry	100	100
PETRONAS Maritime Services Sdn. Bhd.	Malaysia	Provision of maritime services and consultancy and maritime audit	100	100

39. Subsidiaries and activities (cont'd.)

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%)	
			2016	2015
Sungai Udang Port Sdn. Bhd.	Malaysia	Operation and management of Sungai Udang Port	100	100
Gumusut-Kakap Semi-Floating Production System (L) Limited @	Malaysia	Asset ownership and leasing of semi -submersible floating production system	100	50
Paramount Tankers Corporation @	Republic of the Marshall Islands	Shipowning and operations	100	50
Atenea Services S.A. @	British Virgin Islands	Shipowning	100	50
Hendham Enterprises Ltd. @	British Virgin Islands	Shipowning	100	50
Odley Worldwide Inc. @	British Virgin Islands	Shipowning	100	50
Oldson Ventures Ltd. @	British Virgin Islands	Shipowning	100	50
Twyford International Business Corp. @	British Virgin Islands	Shipowning	100	50
Zangwill Business Corp. @	British Virgin Islands	Shipowning	100	50

* Audited by firms of auditors other than Ernst & Young
\# Audited by affiliates of Ernst & Young Malaysia
^ Listed on the Main Board of Bursa Malaysia Securities Berhad
^^ Newly incorporated during the year
@ Upon acquiring full control as disclosed in Note 15, this company ceased to be a joint venture of the Group.

40. Associates and activities

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%) 2016	2015
BLG MILS Logistics Sdn. Bhd. **	Malaysia	Automotive solutions and related integrated logistic services	–	60
Rais - Mils Logistic FZCO	United Arab Emirates	In-liquidation	–	50
MISC Agencies Lanka Pte. Ltd.	Sri Lanka	In-liquidation	40	40
Trans-ware Logistics (Pvt) Ltd.	Sri Lanka	Inland container depot	25	25
Nikorma Transport Limited	Nigeria	LNG transportation	30	30
Eagle Star Crew Management Corp.	Philippines	Recruitment and provision of manpower for maritime vessels	24	24

** Although the Group holds 60% effective interest in BLG MILS Logistics Sdn. Bhd. ("BML"), BML is deemed to be an associate as the Group in the previous financial year since it was unable to exercise control over the financial and operating policies of the economic activities of BML.

41. Joint arrangements and activities

(a) Joint ventures and activities

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%) 2016	2015
Malaysia Vietnam Offshore Terminal (L) Ltd. ****	Malaysia	FSO owner	51	51
Vietnam Offshore Floating Terminal (Ruby) Ltd. ***	Malaysia	FSO owner	40	40

41. Joint arrangements and activities (cont'd.)

(a) Joint ventures and activities (cont'd.)

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%) 2016	2015
MMHE-TPGM Sdn. Bhd. ***	Malaysia	Provision of installation and commissioning	40	40
MMHE-ATB Sdn. Bhd. ***	Malaysia	Manufacturing work of pressure vessels and tube heat exchangers	27	27
Technip MHB Hull Engineering Sdn. Bhd. ***	Malaysia	Build and develop hull engineering and engineering project management capacities	33.3	33.3
SL-MISC International Line Co. Ltd. ***	Sudan	In-liquidation	49	49
SBM Systems Inc.***	Switzerland	FPSO owner	49	49
FPSO Brasil Venture S.A.***	Switzerland	Investment and offshore activities	49	49
SBM Operacoes Ltda. ***	Brazil	Operating and maintaining FPSO terminals	49	49
Operacoes Maritamas em Mar Profundo Brasileiro Ltda. ***	Brazil	Operating and maintaining of FPSO	49	49
Brazilian Deepwater Floating Terminals Ltd. ***	Bermuda	Construction of FPSO	49	49
Brazilian Deepwater Production Ltd. ***	Bermuda	Chartering of FPSO	49	49

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

41. Joint arrangements and activities (cont'd.)

(a) Joint ventures and activities (cont'd.)

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%) 2016	2015
Brazilian Deepwater Production Contractors Ltd. ***	Bermuda	Operation and maintenance of FPSO	49	49
Centralised Terminals Sdn. Bhd. ***	Malaysia	Own, manage, operate and maintain centralised tankage facility	45	45
Langsat Terminal (Three) Sdn. Bhd. ***	Malaysia	Dormant	45	45
Langsat Terminal (Two) Sdn. Bhd. ***	Malaysia	Provision of multi user petrochemical terminal facilities	36	36
Langsat Terminal (One) Sdn. Bhd. ***	Malaysia	Provision of tank terminal activities	36	36
MISC Shipping Services (UAE) LLC ***	United Arab Emirates	Dormant	49	49
Western Pacific Shipping Ltd. ****	Bermuda	Providing shipping solutions to meet LNG Project requirements and also supports other general shipping requirements of Papua New Guinea	60	60
ELS Lightering Services S.A	Uruguay	Lightering activity	50	50

41. Joint arrangements and activities (cont'd.)

(a) Joint ventures and activities (cont'd.)

Name of company	Country of incorporation	Principal activities	Ownership interest and voting interest (%)	
			2016	2015
Malaysia Deepwater Floating Terminal (Kikeh) Ltd. ****	Malaysia	FPSO owner	51	51
Malaysia Deepwater Production Contractors Sdn. Bhd. ****	Malaysia	Operating and maintaining FPSO terminals	51	51

*** Even though the Group holds less than 50% equity interest in these companies, all material operational and financial matters require unanimous consent of the joint venture parties.

**** Even though the Group holds more than 50% equity interest in these companies, all material operational and financial matters require unanimous consent of the joint venture parties.

The financial statements of the above joint ventures are coterminous with those of the Group, except for these joint ventures:

	Financial year end
Centralised Terminals Sdn. Bhd.	30 June
Langsat Terminal (One) Sdn. Bhd.	30 June
Langsat Terminal (Two) Sdn. Bhd.	30 June
Langsat Terminal (Three) Sdn. Bhd.	30 June

For the above entities, the audited financial statements up to the financial year ended 30 June 2016 and management accounts up to 31 December 2016 have been used to apply the equity method of accounting.

41. Joint arrangements and activities (cont'd.)

(b) Joint operations

Details of the Group's joint operations are as follows:

Name	% of ownership interest held by the Group	
	2016	**2015**
Technip MMHE (Malikai) Joint Venture	**50%**	50%
Technip MMHE (SK316) Joint Venture	**50%**	50%

Technip MMHE (Malikai) Joint Venture and Technip MMHE (SK316) Joint Venture are unincorporated joint venture between the subsidiary, MMHE and Technip Geoproduction (M) Sdn. Bhd. to undertake specific engineering, procurement and construction, installation and commissioning projects.

42. Significant events

(a) The Corporation had on 24 February 2016 entered into a conditional share purchase agreement with E&P Venture Solutions Co Sdn. Bhd., a wholly-owned subsidiary of PETRONAS Carigali Sdn. Bhd., for the equity buyback of the remaining 50% interest in Gumusut-Kakap Semi-Floating Production System (L) Limited ("GKL").

The equity buyback was approved by the shareholders of the Corporation at the Extraordinary General Meeting held on 19 April 2016. Upon completion of the equity buyback on 13 May 2016, GKL became a wholly-owned subsidiary of the Corporation.

(b) AET Inc. Limited, a wholly-owned subsidiary of the Group, had on 21 April 2016 entered into a share sale and purchase agreement with Golden Energy Tankers Holdings Corp. for the acquisition of the remaining 50% equity interest in Paramount Tankers Corp.

Upon acquiring full control on 12 May 2016, Paramount Tankers Corp. became a wholly-owned subsidiary of AET Inc. Limited. On 29 August 2016, the final price adjustment was agreed and the acquisition was fully completed.

(c) The Corporation had on 24 October 2016 completed the disposal of its entire equity interest in MISC Integrated Logistics Sdn. Bhd. ("MILS"), a wholly-owned subsidiary of the Group, to Swift Haulage Sdn. Bhd. ("SWIFT"). The disposal was completed on 24 October 2016 and MILS ceased to be a subsidiary of the Corporation.

42. Significant events (cont'd.)

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

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

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

(e) A wholly-owned subsidiary of the Corporation, MISC Offshore Floating Terminals (L) Limited ("MOFT"), was awarded a contract for the lease and operations of a Floating, Storage and Offloading Vessel ("FSO") for the FSO Benchamas 2 Project by Chevron Offshore (Thailand) Limited ("COTL") in the Gulf of Thailand ("the Contract") on 23 August 2016.

The Contract, valued at approximately USD230 million, is for a duration of 10 years with COTL having the right to extend for up to 5 extensions of one year each. The scope of work under the Contract includes engineering, procurement, construction, installation, commissioning, lease and operations of the FSO Benchamas 2 Project, which is expected to commence operations by the second quarter of 2018.

43. Subsequent event

As disclosed in Note 42, GKL commenced an Adjudication Proceedings against SSPC under CIPAA 2012 by issuance of a Notice of Adjudication dated 23 September 2016. Following the Adjudication Proceedings, an Adjudication Decision has been issued in GKL's favour and GKL was awarded, amongst others, the following:

(i) the total sum of USD254,447,464.00 being the amount due to GKL for variation works undertaken by GKL. The said amount will be paid as increased Day Rates pursuant to the terms of the Lease Agreement dated 9 November 2012 between GKL and SSPC for the construction and lease of the Gumusut-Kakap Semi-Floating Production System for the purposes of the production of crude oil;

(ii) applicable interest; and

(iii) costs of RM308,634.04.

The Adjudication Decision is binding on GKL and SSPC pursuant to CIPAA 2012.

The financial impact of the Adjudication Decision will be recorded accordingly beginning financial year ending 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2016

44. Supplementary information - breakdown of retained profits into realised and unrealised

The breakdown of the retained profits of the Group and of the Corporation as at 31 December 2016 and 31 December 2015 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:

	Group		Corporation	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained profits of MISC and its subsidiaries:				
- Realised	21,636,926	18,976,102	11,897,072	11,522,898
- Unrealised	(955,913)	(1,142,352)	(985,533)	(1,156,718)
	20,681,013	17,833,750	10,911,539	10,366,180
Total share of retained profits/ (accumulated losses) from associates:				
- Realised	99	(2,178)	–	–
	99	(2,178)	–	–
Total share of retained profits from joint ventures :				
- Realised	936,886	2,314,807	–	–
- Unrealised	(604)	(580)	–	–
	936,282	2,314,227	–	–
Total retained profits	21,617,394	20,145,799	10,911,539	10,366,180
Less: Consolidation adjustments	(1,824,006)	(1,483,228)	–	–
Retained profits as per financial statements	19,793,388	18,662,571	10,911,539	10,366,180

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MISC BERHAD
(INCORPORATED IN MALAYSIA)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of MISC Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Corporation, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Corporation for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 162 to 333.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Corporation as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Corporation in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Corporation for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Corporation as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MISC BERHAD
(INCORPORATED IN MALAYSIA)

Key audit matters (cont'd.)

Key audit matters	How we addressed the key audit matters
Impairment of goodwill – *(Refer to Note 14 – Intangible assets, to the financial statements)* The Group is required to perform annual impairment test of cash generating units (CGUs) or groups of CGUs to which goodwill has been allocated. The Group estimated the recoverable amount of its CGUs or groups of CGUs to which the goodwill is allocated based on value-in-use (VIU). Estimating the VIU of CGUs or groups of CGUs involves estimating the future cash inflows and outflows and discounting them at an appropriate rate. Included in the Group's goodwill as at 31 December 2016 of RM896.5 million is goodwill relating to the Petroleum segment. We focused on the impairment review of the goodwill relating to this segment as it represents more than 99% of the Group's goodwill as at 31 December 2016 and significant judgements were involved in the assessment of future charter hire rates and the determination of an appropriate discount rate, which may cause possible variations in the recoverable amount of the CGU to which the goodwill has been allocated.	Our audit procedures included, among others evaluating the assumptions and methodologies used by the Group, in particular the assumptions to which the recoverable amount of the CGUs are most sensitive such as the terminal value of the expected cash flows, the growth rate as well as the discount rate used. We have assessed and tested the key assumptions used by management to estimate the projected cash flows for the CGUs as follows: a) assessed and tested the key assumptions of future charter hire rates by comparing them to the past long-term trends; b) evaluated the appropriateness of the discount rate used to determine the present value of the cash flows and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset; and c) assessed the sensitivity of the goodwill balance to changes in the discount rate and long term charter hire rates applied. In addition, we also evaluated the adequacy of the disclosures of each key assumption on which the Group has based its cash flow projections and to which the recoverable amount is most sensitive, as disclosed in Note 14 to the financial statements.

Key audit matters (cont'd.)

Key audit matters	How we addressed the key audit matters
Impairment of non-current assets – *(Refer to Note 12 - Ships, offshore floating assets and other property, plant and equipment, to the financial statements)* The Group is required to perform impairment test of CGU whenever there is an indication that the CGU may be impaired by comparing the carrying amount with its recoverable amount. (i) <u>Other property, plant and equipment</u> Due to the continued depressed oil and gas market, Malaysia Marine and Heavy Engineering Holdings Berhad (MHB), a subsidiary of the Corporation reported a decline in revenue and gross profit for the current financial year, indicating that the carrying amount of the related property, plant and equipment of MHB may be impaired. Accordingly, the Group estimated the recoverable amount of the property, plant and equipment of MHB using VIU based on cash flow projections covering a five year period. Estimating the VIU involves estimating the future cash inflows and outflows that will be derived from the CGU, and discounting them at an appropriate discount rate. The aforementioned impairment review gave rise to an impairment loss of property, plant and equipment of MHB of RM140.3 million for the year ended 31 December 2016. This impairment review was significant to our audit because the assessment process is complex and is based on assumptions that are highly judgemental.	Our audit procedures included, among others evaluating the assumptions and methodologies used by the Group, in particular those relating to the discount rate and projected cash flows for the CGU. The areas that involved significant audit effort and judgement were the assessment of the probability of securing the revenue contracts, possible variations in the amount and timing of cash flows and the determination of an appropriate discount rate. Our procedures to assess management's impairment testing included the following: a) enquired with the project teams to obtain an understanding of the status of negotiations and the likelihood of securing the significant revenue contracts; b) evaluated the reasonableness of the estimated profits to be derived from those significant revenue contracts by comparing the estimated profits with the actual profits derived from similar completed contracts in previous years; and c) assessed the appropriateness of the discount rate used to determine the present value of the cash flows and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset. In addition, we also evaluated the adequacy of the Group's disclosures of each key assumption on which the Group has based its cash flow projections and to which the CGU's recoverable amount is most sensitive, as disclosed in Note 12 to the financial statements.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MISC BERHAD
(INCORPORATED IN MALAYSIA)

Key audit matters (cont'd.)

Key audit matters	How we addressed the key audit matters
Impairment of non-current assets – *(Refer to Note 12 - Ships, offshore floating assets and other property, plant and equipment, to the financial statements) (cont'd.)* ii) Ships The significant drop in charter hire rates was identified by the management as an indication that the carrying amount of certain ships may be impaired. Accordingly, the Group estimated the recoverable amount of the ships using VIU and recorded an impairment loss of RM195.7 million in respect of certain ships. This impairment review was significant to our audit because the assessment process is based on assumptions that are highly judgemental.	Our audit procedures to assess management's impairment testing included the following: a) assessed the assumptions of future charter hire rates by comparing to the terms and conditions stipulated in the time charter party agreements entered into with the lessee, in particular the daily charter hire rates; b) assessed whether the assumptions on the future refurbishment costs and operating costs are supportable when compared to the past trends; and c) evaluated the appropriateness of the discount rate used to determine the present value of the cash flows and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset. We also evaluated the adequacy of the disclosures of the key assumptions to which the Group has based its cash flow projections, as disclosed in Note 12 to the financial statements.
Recognition of revenue and cost of construction and marine projects – *(Refer to Note 3 - Revenue and Note 22 - Due from/(to) customers on contracts, to the financial statements)* A significant proportion of the Group's revenues and profits are derived from long-term construction and marine projects which span more than one accounting period. The Group uses the percentage-of-completion method in accounting for these long-term contracts. The stage of completion is measured by reference to the physical completion of the contracts. We focused on this area because management applies significant judgement and estimation uncertainties in determining the stage of physical completion in respect of marine projects and in estimating total estimated project costs.	In addressing this area of audit focus, we obtained an understanding of the relevant internal controls over the accuracy and timing of revenue and cost recognised in the financial statements, including controls performed by the management in estimating total project costs, profit margin and percentage-of-completion of projects. In addition, we also performed the following: (a) read all key contracts to obtain an understanding of the specific terms and conditions; (b) agreed contract revenue to the original signed customer contracts and/or approved change orders; (c) reviewed management meeting minutes to obtain an understanding of the performance and status of the key projects; (d) assessed the reasonableness of assumptions applied in the determination of percentage-of-completion in light of supporting evidence such as engineers' reports in relation to marine projects; and (e) considered the historical accuracy of management's budgeted project margins in assessing the reasonableness of estimated margins of similar projects.

Key audit matters (cont'd.)

Key audit matters	How we addressed the key audit matters
Recognition of gain on the acquisition of the remaining 50% equity interest in Gumusut-Kakap Semi-Floating Production System (L) Limited ("GKL") – *(Refer to Note 15 - Investments in subsidiaries, to the financial statements)* During the financial year ended 31 December 2016, the Group recognised a gain on acquisition of subsidiary amounting to RM824 million in respect of its acquisition of the remaining 50% of equity interest in Gumusut-Kakap Semi-Floating Production System (L) Limited. Due to the significance of the amount of gain on acquisition of subsidiary recognised, we identified it as an area of audit focus.	In our audit of the accounting of the acquisition, we have perused the purchase agreement and verified the payment made on the purchase price. An important element of our audit relates to the identification and measurement of the acquired assets and liabilities. Based on our understanding of the business of the acquired subsidiary, we have performed the following: a) assessed management's valuation methodologies applied for the fair value measurement of the acquired assets and liabilities; and b) reviewed the key assumptions used in measuring the fair value of the acquired assets and liabilities. We have also evaluated the adequacy of the related disclosures in Note 15 to the financial statements.

Information other than the financial statements and Auditor's Report

The directors of the Corporation are responsible for the other information. The other information comprises the information included in the Group's 2016 Annual Report, but does not include the financial statements of the Group and of the Corporation and our auditors' report thereon. The Group's 2016 Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Corporation, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MISC BERHAD
(INCORPORATED IN MALAYSIA)

Responsibilities of the directors for the financial statements

The directors of the Corporation are responsible for the preparation of financial statements of the Group and of the Corporation that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Corporation that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Corporation, the directors are responsible for assessing the Group's and the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Corporation or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Corporation as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Corporation, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Corporation or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Corporation to cease to continue as a going concern.

Auditors' responsibilities for the audit of the financial statements (cont'd.)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Corporation, including the disclosures, and whether the financial statements of the Group and of the Corporation represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Corporation for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Corporation and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 39 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Corporation are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MISC BERHAD
(INCORPORATED IN MALAYSIA)

Other reporting responsibilities

The supplementary information set out in Note 44 on page 334 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

This report is made solely to the members of the Corporation, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Ismed Darwis Bin Bahatiar
No. 2921/04/18 (J)
Chartered Accountant

Kuala Lumpur, Malaysia
23 February 2017

PROPERTIES OWNED BY MISC BERHAD AND ITS SUBSIDIARIES

AS AT 31 DECEMBER 2016

No.	Location	Description	Tenure & Year Lease Expires	Area in sq. ft.	Existing Use	Age of Building /Land (Years)	Approx. Net Book Value (RM'000)
1.	PTD 22805 Mukim Plentong, Johor Bahru	Land, Shipyard	Leasehold/ 2072	13,115,306	Marine Repair, Marine Conversion, engineering & construction fabrication yard, ancillary facilities and office buildings	37	47,286
2.	PTD 11549 Mukim Plentong, Johor Bahru	Land, Shipyard	Leasehold/ 2075	522,720		41	902
3.	PTD 101363 Mukim Plentong Johor Bahru	Land	Leasehold/ 2039	2,567,862	Storage Areas	7	17,032
4.	PTD 65615 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2044	698,266	Staff Quarters	33	2,265
5.	PTD 65618 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2044	587,624	Staff Quarters	33	1,906
6.	PTD 65619 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2044	128,502	Staff Quarters	33	417
7.	PTD 65616 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2044	169,884	Vacant	33	551
8.	PTD 65617 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2044	374,180	Vacant	33	1,214
9.	Pasir Gudang Industrial Estate 81707 Pasir Gudang Johor (erected on Land 1 & 2 above)	Warehouse, Workshops & Office Buildings	Leasehold/ 2072/2075	1,956,881	Marine Repair, Marine Conversion, engineering & construction fabrication yard, ancillary facilities and office buildings	39	1,247,738

PROPERTIES OWNED BY MISC BERHAD AND ITS SUBSIDIARIES
AS AT 31 DECEMBER 2016

No.	Location	Description	Tenure & Year Lease Expires	Area in sq. ft.	Existing Use	Age of Building /Land (Years)	Approx. Net Book Value (RM'000)
10.	Rumah Pangsa MMHE 81700 Pasir Gudang (erected on Land 4 to 6 above)	4-storey Residential Flats	Leasehold/ 2044	383,559	Staff Quarters	38	3,734
11.	PTD 71056 Mukim Plentong, Johor Bahru	Land, Yard	Leasehold/ 2045	1,524,600	Engineering & construction fabrication yard, ancillary facilities and office buildings	31	43,453
12.	PTD 109040 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2053	217,800	Workshop, ancillary facilities and site office	23	6,644
13.	PTD 200290 Mukim Plentong, Johor Bahru	Land, Yard	Leasehold/ 2052	2,424,158	Workshop, ancillary facilities and office buildings	8	76,803
14.	PTD 22768 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2040	435,600	Storage Area	36	12,042
15.	Lot 51611 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2045	173,514	Ancillary facilities and storage area	20	4,945
16.	PTD 110760 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2052	205,603	Workshop, ancillary facilities and office buildings	23	6,128
17.	PTD 110758 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2052	59,242	Cabin office and warehouse	23	1,859

No.	Location	Description	Tenure & Year Lease Expires	Area in sq. ft.	Existing Use	Age of Building /Land (Years)	Approx. Net Book Value (RM'000)
18.	Lot 76, Mukim Kuala Sungei Baru, Alor Gajah Melaka	Villas & Boathouse	Leasehold/ 2016	13,474	Akademi Laut Malaysia, Melaka Campus	8	–
19.	Lot 1516 Mukim Kuala Sungei Baru (Kampus ALAM, Batu 31 Kampung Tanjung Dahan Kuala Sungai Baru Melaka)	Post Sea Hostel	Leasehold/ 2016	24,210	Student Accommodation	6	–
20.	305, The Collonades Porchester Square Bayswater, London W2 6AS	Apartment	Leasehold/ 2073	1,200	For Staff	25	4,305
21.	Galveston, Texas, USA	Land & Office	Freehold	290,415	Workboats, Dockage & Lightering Support Operation	48	12,624
22.	Rivium 1e straat 42 2909 LE, Capelle ann den IJssel, Netherlands	Land & Office	Freehold	21,140	Office	19	5,607

LIST OF VESSELS AND ASSETS

AS AT 31 DECEMBER 2016

LNG CARRIERS (Owned)								
Class	**Total**	**Vessel**	**Built**	**Age**	**Yard**	**Cargo Capacity (cbm)**	**dwt**	**Flag**
Aman Class	3	AMAN BINTULU	1993	23	NKK, Tsu, Japan	18,927	11,001	Malaysia
		AMAN SENDAI	1997	19	NKK, Tsu, Japan	18,928	10,957	Malaysia
		AMAN HAKATA	1998	18	NKK, Tsu, Japan	18,942	10,951	Malaysia
Tenaga Class	1	TENAGA LIMA	1981	35	Chantiers De Nord Industrielle Marseile, France	130,021	71,585	Malaysia
Puteri Class	5	PUTERI INTAN	1994	22	Chantiers de l'Atlantique, France	130,000	73,519	Malaysia
		PUTERI DELIMA	1995	21	Chantiers de l'Atlantique, France	130,000	73,519	Malaysia
		PUTERI NILAM	1995	21	Chantiers de l'Atlantique, France	130,000	73,519	Malaysia
		PUTERI ZAMRUD	1996	20	Chantiers de l'Atlantique, France	130,000	73,519	Malaysia
		PUTERI FIRUS	1997	19	Chantiers de l'Atlantique, France	130,000	73,519	Malaysia
Puteri Satu Class	6	PUTERI INTAN SATU	2002	14	Mitsubishi Heavy Industries, Japan	137,489	75,849	Malaysia
		PUTERI DELIMA SATU	2002	14	Mitsui Engineering & Shipbuilding Co., Japan	137,601	76,190	Malaysia
		PUTERI NILAM SATU	2003	13	Mitsubishi Heavy Industries, Japan	137,585	76,124	Malaysia
		PUTERI ZAMRUD SATU	2004	12	Mitsui Engineering & Shipbuilding Co., Japan	137,590	76,144	Malaysia
		PUTERI FIRUS SATU	2004	12	Mitsubishi Heavy Industries, Japan	137,617	76,197	Malaysia
		PUTERI MUTIARA SATU	2005	11	Mitsui Engineering & Shipbuilding Co., Japan	137,595	76,144	Malaysia
Seri A Class	5	SERI ALAM	2005	11	Samsung Heavy Industries Co. Ltd., Korea	145,572	83,824	Malaysia
		SERI AMANAH	2006	10	Samsung Heavy Industries Co. Ltd., Korea	145,709	83,400	Malaysia
		SERI ANGGUN	2006	10	Samsung Heavy Industries Co. Ltd., Korea	145,731	83,395	Malaysia
		SERI ANGKASA	2006	10	Samsung Heavy Industries Co. Ltd., Korea	145,700	83,403	Malaysia
		SERI AYU	2007	9	Samsung Heavy Industries Co. Ltd., Korea	145,659	83,366	Malaysia

LNG CARRIERS (Owned) (Cont'd)								
Class	**Total**	**Vessel**	**Built**	**Age**	**Yard**	**Cargo Capacity (cbm)**	**dwt**	**Flag**
Seri B Class	5	SERI BAKTI	2007	9	Mitsubishi Heavy Industries, Japan	152,944	90,065	Malaysia
		SERI BEGAWAN	2007	9	Mitsubishi Heavy Industries, Japan	153,023	89,902	Malaysia
		SERI BIJAKSANA	2008	8	Mitsubishi Heavy Industries, Japan	153,023	89,953	Malaysia
		SERI BALHAF	2008	8	Mitsubishi Heavy Industries, Japan	157,720	91,201	Malaysia
		SERI BALQIS	2009	7	Mitsubishi Heavy Industries, Japan	157,720	91,198	Malaysia
Seri C Class	1	SERI CAMELLIA	2016	0	Hyundai Heavy Industries, Korea	150,200	72,880	Malaysia
Total Owned	**26**					**3,315,296**	**1,871,324**	

LNG FLOATERS								
Class	**Total**	**Vessel**	**Built**	**Age**	**Yard**	**Cargo Capacity (cbm)**	**dwt**	**Flag**
Floating Storage Unit (FSU)	2	FSU TENAGA SATU	2012	4	Malaysia Marine and Heavy Engineering, Malaysia	130,000	–	Malaysia
		FSU TENAGA EMPAT	2012	4	Keppel Shipyard, Singapore	130,000	–	Malaysia
Total	**2**				**-**	**260,000**	**–**	**–**

NEWBUILDING							
Class	**Total**	**Vessel**	**Delivery**	**Yard**	**Cargo Capacity (cbm)**	**dwt**	**Flag**
	4	HN 2730	2017	Hyundai Heavy Industries, Korea	150,200	72,880	Malaysia
		HN 2731	2017	Hyundai Heavy Industries, Korea	150,200	72,880	Malaysia
		HN 2732	2018	Hyundai Heavy Industries, Korea	150,200	72,880	Malaysia
		HN 2735	2018	Hyundai Heavy Industries, Korea	150,200	72,880	Malaysia
Total Newbuilding	**4**				**600,800**	**291,520**	

LIST OF VESSELS AND ASSETS
AS AT 31 DECEMBER 2016

PETROLEUM AND PRODUCT VESSELS (Owned)							
Type	**Total**	**Vessel**	**Built**	**Age**	**Yard**	**dwt**	**Flag**
VLCC	10	BUNGA KASTURI	2003	13	Universal Shipbuilding Corp	299,999	Malaysia
		BUNGA KASTURI DUA	2005	11	Universal Shipbuilding Corp	300,542	Malaysia
		BUNGA KASTURI TIGA	2006	10	Universal Shipbuilding Corp	300,398	Malaysia
		BUNGA KASTURI EMPAT	2007	9	Universal Shipbuilding Corp	300,325	Malaysia
		BUNGA KASTURI LIMA	2007	9	Universal Shipbuilding Corp	300,246	Malaysia
		BUNGA KASTURI ENAM	2008	8	Universal Shipbuilding Corp	299,319	Malaysia
		EAGLE VANCOUVER	2013	3	Daewoo Shipbuilding and Marine Engineering	311,922	Singapore
		EAGLE VARNA	2013	3	Daewoo Shipbuilding and Marine Engineering	311,922	Singapore
		EAGLE VERONA (RENAMED BRITISH VENTURE)	2013	3	Daewoo Shipbuilding and Marine Engineering	320,122	Isle of Man
		EAGLE VERSAILLES (RENAMED BRITISH VANTAGE)	2013	3	Daewoo Shipbuilding and Marine Engineering	320,122	Isle of Man
						3,064,917	
Suezmax	4	EAGLE SAN ANTONIO	2012	4	Samsung Heavy Industries Co. Ltd., Korea	157,850	Singapore
		EAGLE SAN DIEGO	2012	4	Samsung Heavy Industries Co. Ltd., Korea	157,850	Singapore
		EAGLE SAN JUAN	2012	4	Samsung Heavy Industries Co. Ltd., Korea	157,850	Singapore
		EAGLE SAN PEDRO	2012	4	Samsung Heavy Industries Co. Ltd., Korea	157,850	Singapore
						631,400	
DP Shuttle	4	EAGLE BARENTS	2014	2	Samsung Heavy Industries (SHI)	121,400	Bahamas
		EAGLE BERGEN	2015	1	Samsung Heavy Industries (SHI)	120,000	Bahamas
		EAGLE PARAIBA	2012	4	Samsung Heavy Industries	105,153	Malaysia
		EAGLE PARANA	2012	4	Samsung Heavy Industries	105,153	Malaysia
						451,706	

PETROLEUM AND PRODUCT VESSELS (Owned) (Cont'd)							
Type	**Total**	**Vessel**	**Built**	**Age**	**Yard**	**dwt**	**Flag**
Aframax	36	BUNGA KELANA 10	2004	12	Samsung Heavy Industries	105,274	Malaysia
		BUNGA KELANA 3	1998	18	Hyundai Heavy Industries	105,784	Malaysia
		BUNGA KELANA 4	1999	17	Hyundai Heavy Industries	105,815	Malaysia
		BUNGA KELANA 5	1999	17	Hyundai Heavy Industries	105,788	Malaysia
		BUNGA KELANA 6	1999	17	Hyundai Heavy Industries	105,815	Malaysia
		BUNGA KELANA 7	2004	12	Samsung Heavy Industries	105,194	Malaysia
		BUNGA KELANA 8	2004	12	Samsung Heavy Industries	105,174	Malaysia
		BUNGA KELANA 9	2004	12	Samsung Heavy Industries	105,200	Malaysia
		BUNGA KELANA DUA	1997	19	Hyundai Heavy Industries	105,976	Malaysia
		EAGLE ANAHEIM	1999	17	Koyo	107,160	Singapore
		EAGLE ATLANTA	1999	17	Koyo	107,160	Singapore
		EAGLE AUGUSTA	1999	17	Samsung Heavy Industries	105,345	Singapore
		EAGLE AUSTIN	1998	18	Samsung Heavy Industries	105,426	Singapore
		EAGLE COLUMBUS	1997	19	Koyo	107,166	Singapore
		EAGLE KANGAR	2010	6	Tsuneishi Shipbuilding	107,481	Singapore
		EAGLE KINABALU	2011	5	Tsuneishi Shipbuilding	107,481	Singapore
		EAGLE KINARUT	2011	5	Tsuneishi Shipbuilding	107,481	Singapore
		EAGLE KLANG	2010	6	Tsuneishi Shipbuilding	107,481	Singapore
		EAGLE KUANTAN	2010	6	Tsuneishi Shipbuilding	107,481	Singapore
		EAGLE KUCHING	2009	7	Tsuneishi Shipbuilding	107,481	Singapore
		EAGLE LOUISIANA	2011	5	Tsuneishi Shipbuilding	107,481	Marshall Islands
		EAGLE PHOENIX	1998	18	Namura	106,127	Singapore
		EAGLE TACOMA	2002	14	Imabari	107,123	Singapore
		EAGLE TAMPA	2003	13	Imabari	107,123	Singapore
		EAGLE TEXAS	2011	5	Tsuneishi Shipbuilding	107,481	Marshall Islands
		EAGLE TOLEDO	2003	13	Imabari	107,092	Singapore
		EAGLE TORRANCE	2007	9	Imabari	107,123	Singapore
		EAGLE TRENTON	2003	13	Imabari	107,123	Singapore
		EAGLE TUCSON	2003	13	Imabari	107,123	Singapore
		EAGLE TURIN	2008	8	Imabari	107,123	Singapore
		Paramount Hydra	2011	5	Sungdong	114,164	Isle of Man
		Paramount Helsinki	2010	6	Sungdong	114,164	Isle of Man
		Paramount Halifax	2010	6	Sungdong	114,164	Isle of Man
		Paramount Hanover	2010	6	Sungdong	114,014	Isle of Man
		Paramount Hamilton	2010	6	Sungdong	114,560	Isle of Man
		Paramount Hatteras	2010	6	Sungdong	114,164	Isle of Man
						3,883,312	

LIST OF VESSELS AND ASSETS

AS AT 31 DECEMBER 2016

PETROLEUM AND PRODUCT VESSELS (Owned) (Cont'd)

Type	Total	Vessel	Built	Age	Yard	dwt	Flag
Chemical Products	13	BUNGA AKASIA	2009	7	STX Offshore & Shipbuilding Co. Ltd., Korea	37,961	Malaysia
		BUNGA ALAMANDA	2009	7	STX Offshore & Shipbuilding Co. Ltd., Korea	38,005	Malaysia
		BUNGA ALLUM	2010	6	STX Offshore & Shipbuilding Co. Ltd., Korea	38,016	Malaysia
		BUNGA ANGSANA	2010	6	STX Offshore & Shipbuilding Co. Ltd., Korea	37,986	Malaysia
		BUNGA ANGELICA	2010	6	STX Offshore & Shipbuilding Co. Ltd., Korea	38,001	Malaysia
		BUNGA AZALEA	2010	6	STX Offshore & Shipbuilding Co. Ltd., Korea	37,959	Malaysia
		BUNGA ASTER	2010	6	STX Offshore & Shipbuilding Co. Ltd., Korea	37,934	Malaysia
		BUNGA LAUREL	2010	6	Fukuoka Shipyard, Japan	19,992	Panama
		BUNGA LAVENDER	2010	6	Fukuoka Shipyard, Japan	19,997	Panama
		BUNGA LILAC	2011	5	Fukuoka Shipyard, Japan	19,992	Panama
		BUNGA LILY	2011	5	Fukuoka Shipyard, Japan	19,991	Panama
		BUNGA LOTUS	2012	4	Fukuoka Shipyard, Japan	19,992	Singapore
		BUNGA LUCERNE	2012	4	Fukuoka Shipyard, Japan	19,991	Singapore
						385,817	
Panamax	1	BUNGA KENANGA	2000	16	Samsung Heavy Industries Co. Ltd., Korea	**73,096**	Malaysia
Workboats	4	AET Innovator	2011	5	Leevac Industries, LLC	1,475	USA
		AET Excellence	2012	4	Leevac Industries, LLC	1,475	USA
		AET Partnership	2012	4	Leevac Industries, LLC	1,475	USA
		AET Responsibility	2012	4	Leevac Industries, LLC	1,475	USA
						5,900	
Total Owned	**72**					**16,919,200**	

PETROLEUM AND PRODUCT VESSELS (JV)

Type	Total	Vessel	Built	Age	Yard	dwt	Flag
Workboat	1	ELS Maite	1975	41	Zigler Shipyard, Louisiana	**1,023**	USA
Total JV owned	**1**					**1,023**	

PETROLEUM AND PRODUCT VESSELS (In-chartered)							
Type	**Total**	**Vessel**	**Built**	**Age**	**Yard**	**dwt**	**Flag**
VLCC	2	EAGLE VERMONT	2002	14	Hyundai Heavy Industries	299,999	Singapore
		EAGLE VIRGINIA	2002	14	Hyundai Heavy Industries	306,999	Singapore
						606,998	
Aframax	12	ADS OSLO	2003	13	Imabari	107,127	Marshall Islands
		AL HABIBAH	2004	12	Hyundai Heavy Industries	105,946	Saudi Arabia
		Astro Arcturus	1997	18	Daewood Shipbuilding and Marine Engineering	98,805	Greece
		EAGLE BIRMINGHAM	1997	19	Samsung Heavy Industries	99,343	Singapore
		EAGLE SAPPORO	2008	8	MES	110,448	Singapore
		EAGLE SEVILLE	1999	17	Samsung Heavy Industries	104,556	Singapore
		EAGLE SIBU	1999	17	Samsung Heavy Industries	105,364	Singapore
		EAGLE STAVANGER	2009	7	Sumitomo Heavy Industries	105,355	Panama
		EAGLE STEALTH	2001	15	Sumitomo Heavy Industries	99,976	Marshall Islands
		EAGLE SYDNEY	2009	7	Sumitomo Heavy Industries	105,419	Panama
		Mitera Marigo	2007	9	Sumitomo Heavy Industries	105,495	Liberia
		Giovanni Battista De Carlini	2010	6	Hudong Zhonghua Shipbuilding Co. Ltd	108,983	Napoli
						1,256,817	
LR Clean Product	3	TROVIKEN	2006	10	Samsung Heavy Industries	99,999	Bahamas
		TOFTVIKEN	2005	11	Samsung Heavy Industries	115,341	Bahamas
		TELLEVIKEN	2005	11	Samsung Heavy Industries	99,999	Bahamas
						315,339	
MR2 Clean Product	5	EAGLE MELBOURNE	2011	5	Onomichi Dockyard Co., Ltd.	50,079	Singapore
		EAGLE MATSUYAMA	2010	6	Shin Kurushima Dockyard Co., Ltd.	45,942	Panama
		EAGLE MILAN	2010	6	Nikai Zosen Corporation, Setoda Shipyard	46,549	Panama
		EAGLE MIRI	2008	8	STX Shipbuilding	46,195	Panama
		EAGLE MADRID	2008	8	STX Shipbuilding	46,197	Panama
						234,962	

LIST OF VESSELS AND ASSETS

AS AT 31 DECEMBER 2016

PETROLEUM AND PRODUCT VESSELS (In-chartered) (Cont'd)							
Type	**Total**	**Vessel**	**Built**	**Age**	**Yard**	**dwt**	**Flag**
LPG	1	BUNGA KEMBOJA	1998	18	Mitsubishi Heavy Industries	**20,613**	Marshall Islands
Workboats	3	Didi K	2008	8	Guangzhou Hangtong Shipbuilding & Shipping Co Ltd	1,371	Uruguay
		Rana Miller	1997	19	Lockport, Louisiana	551	USA
		Josephine K Miller	2009	7	Houma, Louisiana	675	USA
						2,597	
Total In-chartered	**26**					**4,854,039**	
Total	**99**						

PETROLEUM AND PRODUCT VESSELS (Orderbook)						
Type	**Total**	**Vessel**	**Delivery**	**Yard**	**dwt**	**Flag**
LR2	8	HN2899	2017	Hyundai Heavy Industries Co Ltd (HHI)	114,000	Singapore
LR2		HN2900	2017	Hyundai Heavy Industries Co Ltd (HHI)	114,000	Singapore
Suezmax		HN2901	2017	Hyundai Heavy Industries Co Ltd (HHI)	158,000	Singapore
Suezmax		HN2902	2017	Hyundai Heavy Industries Co Ltd (HHI)	158,000	Singapore
Aframax		HN2195	2018	Samsung Heavy Industries Co Ltd (SHI)	113,400	Singapore
Aframax		HN2196	2018	Samsung Heavy Industries Co Ltd (SHI)	113,400	Singapore
Aframax		HN2197	2018	Samsung Heavy Industries Co Ltd (SHI)	113,400	Singapore
Aframax		HN2198	2018	Samsung Heavy Industries Co Ltd (SHI)	113,400	Singapore
Total Newbuilding	**8**				**997,600**	

OFFSHORE FLOATING FACILITIES						
Type	**Total**	**Facility**	**Built**	**Yard**	**Design Production Capacity (bpd)**	**Storage Capacity (bbls)**
Floating Production Storage and Offloading (FPSO)	6	FPSO Bunga Kertas	2004	Malaysia Marine and Heavy Engineering, Malaysia	30,000	619,000
		FPSO Kikeh*	2007	Malaysia Marine and Heavy Engineering, Malaysia	120,000	2,000,000
		FPSO Espirito Santo*	2009	Keppel Shipyard, Singapore	100,000	2,020,000
		FPSO Ruby II**	2010	Malaysia Marine and Heavy Engineering, Malaysia	39,000	745,000
		FPSO Cendor	2014	Malaysia Marine and Heavy Engineering, Malaysia	35,000	745,000
		MAMPU 1	2015	Malaysia Marine and Heavy Engineering, Malaysia	10,000	350,000
Total					**334,000**	**6,479,000**
Floating Storage and Offloading (FSO)	5	FSO Puteri Dulang	1991	Mitsubishi Heavy Industries, Japan	–	873,847
		FSO Angsi	2005	Malaysia Marine and Heavy Engineering, Malaysia	–	472,631
		FSO Cendor *Contract expired	2006	Malaysia Marine and Heavy Engineering, Malaysia	–	590,000
		FSO Abu *Contract expired	2007	Malaysia Marine and Heavy Engineering, Malaysia	–	617,200
		FSO Orkid**	2009	Malaysia Marine and Heavy Engineering, Malaysia	–	777,504
Total					**–**	**2,741,182**

LIST OF VESSELS AND ASSETS
AS AT 31 DECEMBER 2016

OFFSHORE FLOATING FACILITIES (Cont'd)						
Type	**Total**	**Facility**	**Built**	**Yard**	**Design Production Capacity (bpd)**	**Storage Capacity (bbls)**
Mobile Offshore Production Unit (MOPU)	2	MOPU SATU *Contract expired	2010	Malaysia Marine and Heavy Engineering, Malaysia	20,000	–
		MOPU DUA *Contract expired	2011	Malaysia Marine and Heavy Engineering, Malaysia	20,000	–
Total					**40,000**	**–**
Semi Submersible Floating Production System	1	GUMUSUT-KAKAP	2013	Malaysia Marine and Heavy Engineering, Malaysia	150,000	–
Total					**150,000**	**–**
TOTAL OFFSHORE FLOATING FACILITIES	**14**					

* Jointly owned with Single Buoy Mooring (SBM)
** Jointly owned with Petroleum Technical Services Corporation (PTSC)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-Eighth (48th) Annual General Meeting of MISC Berhad ("MISC" or "the Company") will be held at Ballroom 1 & 2, Level 2, InterContinental Kuala Lumpur, 165, Jalan Ampang, 50450 Kuala Lumpur, Malaysia on Thursday, 20 April 2017 at 11.00 a.m. for the following purposes:-

AGENDA

As Ordinary Business

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon.	
2.	To re-elect the following Directors who retire by rotation pursuant to Article 97 of the Company's Articles of Association:-	
	(i) Mr. Yee Yang Chien	**Resolution 1**
	(ii) Dato' Sekhar Krishnan	**Resolution 2**
3.	To receive the retirement of Dato' Kalsom Abd. Rahman who retires by rotation pursuant to Article 97 of the Company's Articles of Association.	
4.	To approve the payment of Directors' fees (inclusive of benefits-in-kind) of RM1,690,655.50 for the financial year ended 31 December 2016.	**Resolution 3**
5.	To re-appoint Messrs. Ernst & Young as Auditors for the ensuing year and to authorise the Directors to fix their remuneration.	**Resolution 4**

As Special Business

To consider and, if thought fit, to pass the following Ordinary Resolution, with or without modifications:-

6. Proposed Share Buy Back Renewal — **Resolution 5**

"**THAT** subject to compliance with the Companies Act 2016 ("Act"), MISC's Articles of Association, and all prevailing laws, rules, regulations, orders, guidelines and requirements which may be applicable from time to time by Bursa Malaysia Securities Berhad ("Bursa Securities") and/or any other relevant regulatory authority, approval and authority be and are hereby given to the Directors of the Company, to the extent permitted by law, to purchase such number of ordinary shares in MISC ("MISC Shares") as may be determined by the Directors from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit, necessary and expedient in the best interest of the Company, provided that the maximum aggregate number of MISC Shares which may be purchased and/or held by the Company shall not exceed 10% of its prevailing ordinary issued and paid-up share capital at any time, and the maximum funds to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the amount of the retained earnings of the Company for the time being;

THAT the Directors be and are hereby authorised to deal with the MISC Shares so purchased, at their discretion, in the following manner:

(i) cancel the MISC Shares so purchased; or

NOTICE OF ANNUAL GENERAL MEETING

(ii) retain the MISC Shares so purchased as treasury shares which may be dealt with in accordance with Section 127 (7) of the Act; or

(iii) retain part of the MISC Shares so purchased as treasury shares and cancel the remainder of the MISC Shares,

or in any other manner as may be prescribed by the Act, all applicable laws, regulations and guidelines applied from time to time by Bursa Securities and/or any other relevant authority for the time being in force and that the authority to deal with the purchased MISC Shares shall continue to be valid until all the purchased MISC Shares have been dealt with by the Directors of the Company;

THAT the authority conferred by this resolution shall be effective immediately upon the passing of this resolution and shall continue to be in force until the earlier of:

(i) the conclusion of the Forty-Ninth Annual General Meeting of MISC ("49th AGM"); or

(ii) the expiration of the period within which the 49th AGM is required by law to be held; or

(iii) revoked or varied by ordinary resolution passed by the shareholders of MISC in a general meeting.

AND THAT the Directors of the Company be and are hereby authorised and empowered to do all acts and things and to take all such steps as necessary or expedient (including opening and maintaining a Central Depository System account) and to enter into and execute, on behalf of the Company, any instrument, agreement and/or arrangement with any person, and with full power to assent to any condition, modification, variation and/or amendment as may be imposed by Bursa Securities or any relevant regulatory authority, and/or as may be required in the best interest of the Company and to take all such steps as the Directors may deem fit, necessary and expedient in the best interest of the Company in order to implement, finalise and give full effect to the purchase by the Company of its own shares."

7. To transact any other business for which due notice has been given.

By Order of the Board

Fadzillah binti Kamaruddin (LS 0008989)
Zawardi bin Salleh @ Mohamed Salleh (MAICSA 7026210)
Company Secretaries
29 March 2017
Kuala Lumpur

Notes:

1. Only depositors whose names appear in the Record of Depositors as at 12 April 2017 shall be entitled to attend, speak and vote at the meeting.

2. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to exercise all or any of his rights to attend, participate, speak and vote at the meeting.

3. A member may appoint not more than two proxies to attend the same meeting. Where a member appoints two (2) proxies the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy. 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. There shall be no restriction as to the qualification of the proxy.

4. 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.

5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds. Where an exempt authorised nominee appoints more than one (1) proxy in respect of each Omnibus Account, the appointment shall not be valid unless the exempt authorised nominee specifies the proportion of the shareholding to be represented by each proxy.

   An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

6. 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.

7. 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.

8. 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.

9. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR), all the resolutions set out in the Notice of AGM will be put to vote by poll.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes on Ordinary Businesses

1. Audited Financial Statements for the financial year ended 31 December 2016

This Agenda item is meant for discussion only as Section 340(1) of the Companies Act, 2016 does not require the Audited Financial Statements to be formally approved by the shareholders. As such, this Agenda item is not put forward for voting.

2. Retirement of Director

Dato' Kalsom Abd. Rahman has informed the Board of her intention to retire as an Independent Non-Executive Director and therefore would not be seeking re-election at the AGM in accordance with Article 97 of the Company's Articles of Association. She will retain office until the conclusion of this AGM.

3. Payment of Directors' Fees (inclusive of Benefits-in-kind)

Please refer to page 130 of the Statement on Corporate Governance in the Company's Annual Report 2016 for the detailed amount of Directors' Fees and Benefits-in-kind.

Explanatory Notes on Special Business

1. Proposed Share Buy-Back Renewal

Ordinary Resolution 5, as proposed under item 6, if passed, will renew the authority granted by the shareholders at the last Annual General Meeting. The renewed authority will allow the Company to purchase its own shares of up to 10% of its prevailing ordinary issued and paid-up share capital at any time. The renewed authority, unless revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting, will expire at the conclusion of the 49th AGM of the Company or the expiration of the period within which the 49th AGM is required by law to be held, whichever occurs first.

Further information on the Proposed Share Buy-Back Renewal is set out in the statement dated 29 March 2017 which is despatched together with the Company's 2016 Annual Report.

STATEMENT ACCOMPANYING NOTICE OF 48TH ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Details of Directors seeking re-election as mentioned in the Notice of Annual General Meeting are set out in the Directors' Profile on pages 28 to 36 of 2016 Annual Report.

ADMINISTRATIVE NOTES RELATING TO THE 48TH ANNUAL GENERAL MEETING ("AGM")

Date : Thursday, 20 April 2017
Time : 11.00 a.m.
Venue : Ballroom 1 & 2, Level 2, InterContinental Kuala Lumpur
165, Jalan Ampang, 50450 Kuala Lumpur

Registration

1. Registration will start at 8.15 a.m. on 20 April 2017 in front of the Ballroom 1 & 2, Level 2, InterContinental Kuala Lumpur, 165, Jalan Ampang, 50450 Kuala Lumpur.

2. Please read the signage to ascertain where you should register yourself for the meeting and join the queue accordingly.

3. Please produce your original Identity Card ("IC") at the registration counter for verification. Please make sure your IC is returned to you thereafter.

4. Upon verification, you are required to write your name and sign on the Attendance List placed on the registration table.

5. You will be given an identification wristband and only be allowed to enter the meeting hall if you are wearing the identification wristband. There will be no replacement in the event you lose or misplace the identification wristband.

6. No person will be allowed to register on behalf of another person, even with the original IC of that person.

7. The registration counter will handle only verification of identity and registration. If you have any enquiry, please proceed to the Help Desk located next to the registration counters.

Help Desk

8. Please proceed to the Help Desk for any clarification or enquiry.

9. The Help Desk will also handle revocation of proxy's appointment.

Parking

10. You are advised to park at Level B2 of InterContinental Kuala Lumpur, on a first come first served basis. Please bring along your parking ticket for validation at the **Secretariat Desk** near the Ballroom 1 & 2.

11. By validating the parking ticket, you will not be charged for parking when you leave. Please be advised that the parking ticket will expire by 4.00 p.m. on 20 April 2017. Any additional costs incurred for parking after 4 p.m. will not be borne by MISC.

Voting Procedure

12. The voting at the 48th AGM will be conducted on a poll in accordance with Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements.

13. MISC have appointed Symphony Share Registrar Sdn Bhd as Poll Administrator to conduct the poll by way of electronic voting (e-polling) and Symphony Corporate House Sdn Bhd as scrutineers to verify the poll results.

14. E-polling for each of the resolutions as set out in the Notice of 48th AGM will take place only upon conclusion of the deliberations of all businesses transacted at the 48th AGM. The registration for attendance will be closed, to facilitate commencement of the poll.

Annual Report 2016

15. The Annual Report 2016 is available on Bursa Malaysia Berhad's website at www.bursamalaysia.com under Company Announcements of MISC Berhad and also at MISC Berhad's website at www.miscbhd.com

16. Printed copies are also available for collection at the **Secretariat Desk** during the 48th AGM on a first come first served basis.

(Company No. 8178-H)
(Incorporated in Malaysia)

PROXY FORM

CDS Account No.:

No. of Shares Held:

I/We ____
(Full name in block letters)

NRIC/Company No. : ______________________ of ______________________

____
(Full address)

being a member/members of **MISC BERHAD** (Company No. 8178-H), do hereby appoint

____
(Full name of proxy in block letters as per identity card/passport)

NRIC/Company No. : ______________________ of ______________________

____
(Full address)

and/or failing him/her ____
(Full name in block letters)

NRIC : ______________________ of ______________________

____
(Full address)

and failing the abovenamed proxies, the Chairman of the Meeting, *as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Forty-Eighth (48th) Annual General Meeting of the Company to be held at Ballroom 1 & 2, Level 2, InterContinental Kuala Lumpur, 165, Jalan Ampang, 50450 Kuala Lumpur, Malaysia on Thursday, 20 April 2017 at 11.00 a.m. and at any adjournment thereof. My/our proxy is to vote as indicated below:

ORDINARY RESOLUTIONS	RESOLUTION	FOR	AGAINST
Re-election of Yee Yang Chien as Director pursuant to Article 97 of the Company's Articles of Association.	1		
Re-election of Dato' Sekhar Krishnan as Director pursuant to Article 97 of the Company's Articles of Association.	2		
To approve the payment of Directors' fees (inclusive of benefits-in-kind) of RM1,690,655.50 for the financial year ended 31 December 2016.	3		
Re-appointment of Messrs. Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.	4		
Proposed Share Buy Back Renewal.	5		

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

Dated this __________ day of ___________ 2017.

____
Signature(s)/Common Seal of Member(s)

The proportions of my/our holding to be represented by my/our proxies are as follows :

	No. of shares	Percentage
First Proxy		
Second Proxy		
Total		100%

Notes:

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3. A member may appoint not more than two proxies to attend the same meeting. Where a member appoints two (2) proxies the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy. 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. There shall be no restriction as to the qualification of the proxy.
4. 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.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds. Where an exempt authorised nominee appoints more than one (1) proxy in respect of each Omnibus Account, the appointment shall not be valid unless the exempt authorised nominee specifies the proportion of the shareholding to be represented by each proxy.

   An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
6. 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.
7. 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.
8. 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.
9. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR), all the resolutions set out in the Notice of AGM will be put to vote by poll.

MISC Berhad
Annual General Meeting
20 April 2017

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