MISC’s accomplishments throughout the years are achieved through the dedication of our People at sea and shore, who are committed to uphold the highest standards of excellence in everything that we do.
We push the boundaries with Passion and leverage on our Group’s synergy to provide a comprehensive range of energy related maritime solutions and services.
Through the commitment and dedication of our People, fuelled by their unwavering Passion, we believe there are greater Possibilities ahead as we collaborate actively and embrace opportunities that emerge from the evolving industry to create a sustainable future today and tomorrow.
MISC Berhad has embarked on a journey to adopt the Integrated Reporting <IR> Framework as outlined by the International Integrated Reporting Council starting with our 2017 Annual Report, and this 2019 Annual Report reflects our advancement in the commitment towards adhering to the best practices of corporate reporting. We aim for full adoption of the <IR> Framework by our 2020 Annual Report which is to be released in 2021.

This Report acknowledges the correlation between economic, environmental, social and governance considerations as they have an influence on how the Group conducts itself when evaluating sustainable value creation. It aims to provide:

- An insight into how our strategy creates sustainable value for our various stakeholders;
- A record of our accomplishments on the journey towards attaining our strategic targets; and
- An orientation of where we are, where we aim to be and how we plan to address the expectations and challenges ahead.

In order to produce a comprehensive perspective of the Group, each of the business units, subsidiaries and key internal divisions were engaged in the preparation of this Report.

An external auditor conducted an assurance engagement to verify the greenhouse gas (GHG) emissions data. We have not undertaken third party assurance for the data disclosed in this report except for:
- Financial data contained in the audited financial statements; and
- GHG emissions reported by all of our vessels operating in EU ports in accordance with Regulation (EU) 2015/75 - MRV (Monitoring, Reporting and Verification).

We have not undertaken third party assurance for the data disclosed in this report except for:
- Financial data contained in the audited financial statements; and
- GHG emissions reported by all of our vessels operating in EU ports in accordance with Regulation (EU) 2015/75 - MRV (Monitoring, Reporting and Verification).

Consistent with our commitment to sustainability, we also provide an extensive report on our sustainability performance and how we respond to stakeholders in relation to economic, environmental, social and governance.

**SCOPE AND COMPLETENESS**

This Report covers information on the Group’s operations around the world, including LNG Asset Solutions, Petroleum & Product Shipping, Offshore Business and Marine & Heavy Engineering business segments. It also covers our Integrated Marine Services, Maritime Education & Training as well as Port Management & Maritime Services business segments.

**REPORTING PERIOD**

This Report presents the Group’s corporate strategies and targets as well as our financial and operational performance for the financial year ended 31 December 2019.

**CONTEXT**

MISC Berhad and its subsidiaries are referred to as MISC or the Group in this report. The context prioritises areas deemed material for a Malaysia-based energy related maritime solutions and services company with a global footprint. It also incorporates references to global developments, industry challenges and outlook.

**DATA MEASUREMENT TECHNIQUES AND ASSUMPTIONS**


The other sustainability data presented in this report references the Global Reporting Initiative (GRI) Standard and we will continue to work on disclosing more data on a best-effort basis.

**MAKING USE OF THE SIX CAPITALS**

We continuously strive to enhance the clarity of our reporting in accordance with the <IR> Framework. This includes providing greater insight into how we interact with the external environment and utilise the six capitals to create sustainable value for our stakeholders over the short, medium and long term.

**FURTHER INFORMATION**

Further information can be found on our website www.misc.com.my.

**CONTACTS**

- Investor Relations: investor.relations@misc.com.my
- Sustainability: misc.sustainability@misc.com.my
- Corporate Governance: misc.corporategovernance@misc.com.my

The Group’s Corporate Disclosure Guidelines identify the following management personnel responsible for Investor Relations activities:
- President/Group CEO
- Vice President, Corporate Planning
- Vice President, Finance
- General Manager, Corporate Planning

**ABBREVIATIONS AND ACRONYMS**

A list of the abbreviations and acronyms used in this Report can be found on pages 399 to 401.
#whatyoudontknow
MISC is one of the founding members of Getting to Zero Coalition

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MISC Berhad (MISC), was incorporated in 1968 and is a world leading provider of international energy related maritime solutions and services. 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, integrated marine services, port management and maritime services as well as maritime education and training.

Operating a modern and diversified fleet, backed by a workforce of over 8,800 employees from all over the world, we are committed to creating value for our stakeholders and contributing to the sustainability of our industry.
Our accomplishments have been achieved through the dedication of our people at sea and shore, who are committed to upholding the highest standards of excellence in everything that we do.

MISC Berhad has 22% female Board members

#whatyoudontknow
Dear Valued Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of MISC Berhad and its subsidiaries for the financial year ended 31 December 2019.

The year 2019 was fraught by geopolitical tensions that influenced market sentiments, economic uncertainties that reverberated throughout the industry and the consequences of an ongoing trade war between China and the US that impacted global businesses and economic activities.

Despite the prevailing challenges, the LNG industry saw expansion prospects due to the growing demand for cleaner energy coupled with an increase in the investment in global liquefaction capacity. This translates into a higher number of vessels required to support the growth in LNG demand, albeit in a more competitive environment.

In the meantime, the petroleum tanker market continued to improve in 2019 with a tremendous surge in charter rates not seen in recent years during the fourth quarter.

The surge was largely attributable to strong seasonal demand and exacerbated by geopolitical factors.

For the upstream sector, the market has remained optimistic with the gradual recovery in upstream activities from 2018 to continue gaining momentum. This has given rise to more opportunities for the areas of offshore floating solutions, mainly FPSOs, as well as heavy engineering.

Chairman’s Message

Chairman

Dato’ Ab. Halim Mohyiddin
Chairman

Dividends Per Share

FY2019
FY2018

33.0 sen
30.0 sen

FY2019
FY2018

RM8,962.7 million
RM1,512.3 million

Group Revenue

2.1%

Group Profit Before Tax

12.5%
Chairman’s Message

MISC BERHAD
PEOPLE. PASSION. POSSIBILITIES

Driven by Our People

The commitment of MISC’s workforce has been the very foundation of our accomplishments and the strong reputation that we have today in the maritime as well as the energy industry. Over the five years, since joining MISC’s Board, I have been impressed by the depth and breadth of knowledge of the people and how they have mastered the technical capabilities so well.

Our people will always remain instrumental in fostering stronger relationships with various stakeholders and business partners throughout the years, winning their trust and confidence with continuous assurance that we deliver on our promise of the highest standards without any compromise.

Therefore, it is important for the Group to provide the workforce both at sea and shore with the conducive environment to cultivate their potential and enhance their capability to perform their jobs to the leading world class standards demanded of the industry wherever they may be.

We will also continue to attract the best people to build a talent pipeline that we can rely on to power us forward in the next period of growth. One of the efforts is through our maritime education and training academy, ALAM, which provides the avenue to nurture the next generation of seafarers and enable them to develop their career potential in the maritime industry.

Our Performance

MISC Group delivered another solid performance in 2019 and we have made good progress on our strategic initiatives as well as remaining on course in our long-term growth agenda.

During the year, the Group secured over USD180 million worth of long-term projects in terms of capital expenditure. In addition, we secured another USD200 million worth of projects in early 2020. These contracts will go a long way in building and sustaining our business for many years to come.

The contracts secured are a testament to MISC’s reputation as a competitive global shipping conglomerate that conducts itself at the highest industry leading standards. With the international oil majors as a part of MISC’s portfolio of long-term clients and a wide global presence that spans from South America to East Asia, it is also a clear indication that MISC is a reliable partner to various international energy players.

In addition to the contracts we have secured, our financial performance in 2019 was indeed commendable. For the financial year ended 31 December 2019, MISC recorded a higher Group revenue of RM8,062.7 million which was 2.1% higher than the financial year of 2018, while Group profit before tax increased by 12.5% to RM1,512.3 million. The Group’s balance sheet remained healthy.

We are in the favourable position of having a lower net debt to equity ratio of 0.17, compared to 0.20 in 2018; augmented by having one of the best credit ratings in the industry of Baa2 (Stable) by Moody’s, A- (stable) by Fitch Ratings and BBB+ (stable) by S&P Global Ratings. Earnings per share for the financial year of 2019 is 32.0 sen, compared to 29.4 sen for the previous year.

This has allowed the Board of Directors to remain committed to maintain its balanced policy of generating meaningful dividend yield on a sustainable basis. As such, in respect of the financial year ended 31 December 2019 taking into consideration the stronger performance, the Board has declared a quarterly basis, a total tax-exempt dividend of 33 sen per share inclusive of a special dividend of 3 sen per share amounting to RM1,472.0 million for the financial year of 2019 compared to RM1,359.1 million previously.

In Appreciation

Our noteworthy accomplishments this year is made possible through the solid support from our stakeholders. Firstly, I would like to record my sincere appreciation to our customers, business partners and financiers for the unwavering trust that they have placed in us.

My almost gratitude to the management team and the people of MISC for their steadfast commitment and excellent work in helping us to deliver another successful year for the Group. I am also deeply grateful to my colleagues on the Board for their wise counsel and guidance as we navigate through the crests and troughs of this industry.

On behalf of the Board of Directors of MISC, I would like to express my heartfelt appreciation to Pn. Fadzillah Kamaruddin, who has retired as the Company Secretary at the end of 2019, for her invaluable contribution over the past 12 years.

Before I conclude, I would like to thank our shareholders for the faith you have placed in MISC and for being part of our growth journey. Together, we will create a sustainable future ahead, fuelled by the passion to explore the endless possibilities in moving energy to build a better world.

DATO’ AB. HALIM MOHYIDDIN
Chairman
20 March 2020

Upholding Responsible Corporate Practices

I am honoured that MISC’s commitment towards upholding integrity and sound corporate governance practices has been recognised at the Alpha Southeast Asia’s Annual Institutional Investor Awards for Corporates 2019 as the winner in the “Best Senior Management Investor Relations Support” category. MISC was also named as the first runner-up for two other categories, namely “Most Organised Investor Relations” and “Most Consistent Dividend Policy” and was named as second runner-up in the “Strongest Adherence to Corporate Governance” category. We have also been ranked by the Malaysian Institute of Corporate Governance (MICG) among the top 10 best scoring companies in corporate reporting transparency.

Our commitment to the principles of corporate governance as well as robust risk management and internal control measures will augur well for us in the long term in strengthening investor confidence and safeguarding our corporate reputation as well as enhancing our ability to maximise shareholder value.

Sustainability has always been an integral component of MISC’s overall business agenda. As one of the leading players in the international maritime industry, operating in a responsible manner and consistently stepping up the efforts to minimise our environmental footprint is a priority for the Group. Our structured approach focuses on the key areas of enhancing energy efficiency, reducing harmful emissions from our operations, conservation of marine biodiversity, as well as improving our waste management practices.

The Board is in full support of the initiatives by the management to enhance our sustainability stewardship as well as create holistic value to our stakeholders.

DATO’ AB. HALIM MOHYIDDIN
Chairman
20 March 2020

In the Year

ANNUAL REPORT 2019
IN REVIEW
Dear Valued Shareholders,

To many, 2019 has been a very chaotic and unpredictable year. It was challenging to say the least, given the volatile global geopolitical climate that threatened economic growth. For us at MISC, I am proud that we have enjoyed another fulfilling year. Tailwinds still blew strongly, enabling us to deliver our commitment of investment growth while upholding operational excellence.

In my message last year, I had expressed our readiness to step up our presence in the international arena and compete and win against established players globally. I had expressed our belief that a tailwind would carry us in our pursuit of greater growth opportunities into 2019. The confidence that we harboured going into 2019 was premised on our success in securing close to USD900 million worth of new investments in assets with long-term income streams in 2018, despite a challenging economic climate for the world in general.

We had expected and prepared ourselves for an equally volatile and challenging 2019. Even then, I have to admit that the unpredictable turn of geopolitical events had caught us off guard. We were caught up and sometimes befuddled by the constantly shifting issues that dominated global headlines. We couldn’t help but ask ourselves whether our strategies for 2019 were at risk, being upended by the violent swings in the global markets. The solution? Nothing beats going back to long-term economic and industrial fundamentals.

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Reflected in the financial results for the year, we achieved a 31.6% increase in Operating Profit to RM1,929.3 million and a 36.1% increase in Net Cash Flows from Operations to RM5,579.1 million.

Earnings Per Share:

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<tr>
<th>FY2019</th>
<th>32.0 sen</th>
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<tr>
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YEE YANG CHIEN  
President/Group CEO
I am a big believer in the identification and the use of long-term trends and inflexion points as strategic decision drivers. Partly because of my tertiary education in economics, and partly because of my experience as an analyst in my previous profession. I am a big advocate of building long-term growth strategies along long-term economic and industrial drivers. This approach helps any organisation to achieve steady and sustainable growth over time while reaping and amortising short-term volatility. It safeguards companies from the temptation of pursuing short-term rewards that are anchored around short-term and unsustainable business/economic circumstances that may very well sacrifice future benefits. It also helps companies to avoid reading too much into short-term volatility and uncertainty but instead, focus on the consistency and predictability of long-term fundamentals.

Hence, despite the uncertain economic and business landscape of 2019, we remained quietly confident that opportunities would come our way, as our understanding of certain industry trends. Granted, the year started slowly with many growth projects that we were prioritising appearing to stall. Project sponsors and clients were hesitant in their respective decision-making given the volatile global business climate, driven especially by the trade war between China and the US. Our conviction was rewarded by the second half of the year. Including a new investment project that was officially awarded to MISC in early 2020 (with the bulk of the awards in 2019), we have been able to deliver approximately USD1.1 billion of new investments for the year.

It is most appropriate that we are continuing with the theme of People, Passion, Possibilities for this year’s Annual Report. Our secret weapon is our people, fuelled by their passion to compete with the best globally, and make the impossible possible, be consistently better, unified by a conviction that we are capable of achieving more. I wholeheartedly believe that our people, fuelled by their passion to be consistently better, unified by a conviction that we are capable of competing with the best globally, and make the impossible possible, are the true heroes of MISC in 2019. I salute them.

Our Financial Performance

We achieved a good year in terms of financial results. The Group revenue of RM8,862.7 million for the financial year ended 31 December 2019 was 2.1% higher than the previous year.

Our operating profit showed a 3.1% increase from the previous year to RM1,929.3 million for the current financial year. The substantial increase in operating profit was mainly due to the higher number of operating vessels in our LNG Asset Solutions segment and higher freight rates margins achieved in the Petroleum & Product Shipping segment.

The Group’s profit before tax increased by 12.5% to RM1,512.3 million from the previous year’s profit before tax of RM1,344.1 million. The cash flow from operations meanwhile, saw a 36.1% increase to RM1,579.1 million over the previous year, contributed by the improved operating results.

We continue to maintain a strong balance sheet. With the improvement in our cash and bank balances, we are in the favourable position of having a lower net debt-to-equity ratio of 0.17 compared to 0.20 in 2018.

The Group’s earnings per share for the current financial year increased to 32.0 sen, from 20.4 sen in the prior year. For the financial year 2019, profit attributable to the equity holders of MISC was higher by 8.6% at RM426.4 million from RM311.5 million in 2018.

How Our Core Businesses Performed

Our LNG Asset Solutions segment had an excellent year, contributing to the lion’s share of the contracts secured by the Group. More noteworthy in terms of our strategic journey was that we made significant strides expanding our third-party business with premium customers. We won long-term charters for two newbuild LNG carriers with SeaMaritime L.L.C., a wholly-owned subsidiary of Exxon Mobil Corporation, and formed a joint venture partnership with Mitsui O S O Corporation and HNAC for our first – with PETRONAS, in collaboration with Avenir LNG.

Along in line with our strategic priorities, the LNG Asset Solutions segment made a breakthrough into the non-conventional LNG solutions sector by securing a time charter contract for an LNG bunkering vessel – our first – with FERTIGAS, in collaboration with Avenir LNG.

The Petroleum & Product Shipping Segment started 2019 with some optimism, amidst still-difficult market conditions. Over the year, we saw an improvement in tanker freight rates compared to 2018, which contributed to the segment’s improved financial performance in 2019. While we were busied by the positive market environment, we did not take our eyes off our strategic goal of increasing our secured income base, and thus we continued to build momentum in securing more long-term DPST contracts. The segment ended the year with the announcement of the award of long-term charters from Shell for three DPSTs, and this was followed in February 2020 with the award of another three DPSTs by Brazil’s Petrolebras. Once all our 13 newbuild DPSTs are delivered over the next few years, we would be one of the global market leaders in this niche segment.

Despite some volatility, oil prices in 2019 were in a range that was supportive of continued investment in the upstream sector. Our Offshore Business segment was actively pursuing growth opportunities in Brazil, Southeast Asia and the Middle East. Behind the scenes, much effort was being devoted by the management towards solidifying our foundation, developing our deepwater capabilities and enhancing our operations and maintenance capabilities. Our primary goal is to enhance our presence as a major player in Brazil, which is one of the major hotspots for FPSOs in the world. We have made much progress and are ready to compete against the best in that space.

The Marine & Heavy Engineering segment showed much improved financial performance during the year. For the past few years, we have been working intensively to strengthen our capabilities and competitiveness, and we are starting to see the results. We closed in 2019 to secure several new major projects such as the Kasanser Gas Development project, and also made headway to diversify our revenue streams through contract wins in plant turnaround and maintenance. Dry Dock 3, which is scheduled for completion in 2020, will increase our marine segment revenue opportunities.

Understanding MISC’s Business and Income Model

It may be confusing to some in trying to understand MISC’s business and income model. If one pays too much attention to the technical aspects of our operations, and we have multiple businesses and operations, it can be confusing and hard to grasp.

Let me assist by simplifying it in layman terms. First, put aside the type of businesses MISC is in. Just take note of a very fundamental fact - MISC is an asset leasing company. What this means is that our business is to own assets and to lease them to users who will lease/ hire them. In return, the hirees or charterers, to be technically precise, pay us a lease income. It is as simple as that.

Next, apply the fact that MISC operates within the global maritime supply chain. Specifically, we are a shipping company. Our assets are, therefore, ships or vessels. In the upstream production segment where we are also present, we own various floating assets (FPSOs and FPSOs), which are typically vessel-looking production assets mobilised for the production of oil and gas in deepwater fields or for small or marginal fields.

There are a few key aspects of this business and the associated income model. Firstly, each asset requires a hefty capital expenditure or investment. The investment cost per asset can range from USD60-70 million for an Aframax-size crude tanker to approximately USD200 million for an LNG tanker. For more complex assets like FPSOs, the investment cost could climb as high as ten-fold to USD2 billion. In addition, an FPSO investment can carry substantial construction risks.

To fund the construction of these assets, besides our own equity, we require the support and partnership of the international banking fraternity in the provision of long-term borrowings. Hence, it is imperative that we are able to generate enough cash flow from the asset leases so that we can honour our debt repayment obligations. If we do not have predictability or security in our long-term leases and the associated cash flows, we run a high risk of not being able to meet our financial obligations.

To ensure that we have predictability and security in our leases, we therefore, prefer to work on long-term leases (the longer the better, to match the period of the loan repayment). To assure our charterers we honour the leases which we have entered into, we need to focus on working with the right counterparties. And of course, MISC must be able to operate and maintain those assets to a high standard as practically possible as our commitment to the counterparties.

Summing those factors together, in order for MISC to thrive in the long-term and to be able to generate sustainable and recurring performance, we must ensure that we have the right assets, the ability to operate them with the highest standards of excellence, secure the right long-term charter contracts for those assets and partner the right customers. This congruence is what will produce favourable levels of predictable income.

Explaining the business and income model is the easy part. Delving the model is something else. Achieving the ideal scenario as described requires us to undertake very rigorous risk assessments, be very careful in managing our financial resources and have a very disciplined approach before bringing opportunities to the Board of Directors for approval. To achieve that, we map out the scenarios before us and think them through in order to see how we can maximise our chance of success and minimise possibility of failure, which also prepares us to enter into negotiations with a high level of confidence.

Complementing our very structured risk assessment process is our financial strength, which allows us to raise the necessary funding for the projects that we bid for. MISC continues to have the strongest credit rating in the maritime sector – a stature that we bear with a lot of responsibility and pride.
President/Group CEO’s Review

We view the banks as our key financial partners for growth. The strong relationship that we have nurtured with the banks comes from them knowing how meticulously we assess each project. In the process of doing so, we also do risk it for the banks as they know that we have studied all the aspects, which gives them the confidence that we can honour our loans.

We are in this fortuitous position today as a result of careful preparation and forward planning, which is something that we have inculcated as a mindset in MISC that has allowed us to seize opportunities when they come along.

Building A Virtuous Cycle of Growth

Consistently reward our shareholders in terms of dividend payment. Secondly, we will aim to strengthen our partnerships. Confidence begets more confidence in each other that will help us in the building of a virtuous cycle of growth.

A highly predictable source of cash flow for MISC for a sustainable and repeatable long-term value creation philosophy. The short-term business and economic turmoil which may not impact the long-term in nature. Just as we build our strategy around long-term fundamental drivers and forward planning, which is something that we have inculcated as a mindset in MISC that has allowed us to seize opportunities when they come along.

Sustainability – The Need to Self-Perpetuate

Sustainability is a buzz word in today’s corporate world. If you are a sceptic, it is easy to dismiss this as a fad. A theme that is hot today may be forgotten tomorrow. For some, the word sustainability is associated with the environment - the need for the world to reduce its carbon footprint, to rid the world of plastics and the like can go on and on. For others, it is another set of rules that regulators and authorities impose such as the United Nation’s Sustainable Development Goals (UNSDGs).

For us at MISC, sustainability is both a philosophy and a culture. A way of life. It is anchored around the belief that we need to perpetuate our existence. We need to ensure that this world continues to be a livable place for generations to come. We need to leave this world in a better place for the next generation than when we inherited it.

When applying this philosophy to MISC as a group and from a business perspective, it means leaving the global maritime space in a healthier place for the next generation of businesses to operate in compared to today. To do so, we need to perpetuate the well-being of the maritime ecosystem to ensure that future business and economic activities within the maritime space remains healthy for future generations.

There are many facets of sustainability. First and most publicly recognised facet - the environment. As a Strategic Partner of the Global Maritime Forum, where the aspiration is to become the equivalent of the World Economic Forum for the global shipping industry, we are able to find kindred spirits who share our aspiration of working collaboratively in keeping the environment cleaner with the reduction of harmful greenhouse gases (GHGs). In January 2020, MISC, together with Samsung Heavy Industries, Lloyd’s Register and MAN Energy Solutions, announced that we will work together on a joint development project for an ammonia-fuelled tanker to support shipping’s drive towards a decarbonised future. The goal is to have commercially viable zero-carbon emission deep sea-going vessels available to the global maritime industry by 2030.

In addition, MISC is also a member of the Getting to Zero Coalition, which is a partnership between the Global Maritime Forum, the Friends of Ocean Action, and the World Economic Forum. The coalition is a powerful global alliance of more than 70 public and private organisations which is committed to developing zero-emission vessels by 2030 and leading the push for international shipping’s decarbonisation in line with the IMO’s aspirations.

All these efforts will require considerable amount of time and resources invested to make the mission a reality. Through global collaboration and partnership with strategic partners who are leaders in the respective fields, we hope we can provide leadership and inspire others in the maritime ecosystem to undertake such environmental projects that will collectively contribute towards a zero carbon environment for the future.

Sometimes in the coming year, MISC will also be launching its biodiversity initiatives, specifically crafted on the theme of clean seas and oceans. We believe what we take from the oceans for our economic gains, we need to put back to preserve and safeguard it for the next generation.

Another important facet of sustainability for MISC is the need to uphold the integrity of doing business. Fair play, human rights, code of business ethics, to name a few themes. At MISC, we believe it is everyone’s responsibility to practice good ethics which is essentially doing business the right way. This cannot be better represented by our internal campaign, aptly named the ‘See.Speak.Support’ programme.

In this programme, we reinforce the culture of integrity throughout the organisation through collaborative initiatives such as awareness sessions and talks from internal and external experts on topics related to ethics and integrity. We want our employees to feel empowered to speak up, seek support and to keep an eye on unethical behaviours or practices throughout the company.
President/Group CEO’s Review

Last year, MISC won the Best in Business Responsibility and Ethics as well as Best in United Nations Sustainable Development Goals at the Sustainable Business Awards 2019. We also received a Special Recognition in Strategy and Sustainability Management, which is an affirmation that the world is watching us and that we are doing the right thing.

Another aspect of sustainability that matters to us is the access to resources to fuel the organisation that will allow us to keep on doing what we do. I have explained at length the importance of financial resources to MISC as a group. The other important resource – our human capital. Our people, our greatest asset. Our greatest engine for growth. How do we perpetuate our ability to continuously have access to a healthy pool and pipeline of talents and future leaders?

One of the biggest challenges that we have is getting the very best people, so we need to work with the industry to make the shipping industry more appealing. That is why we need to keep pushing the envelope in our human capital development although that is not something where we can see the results immediately. It goes without saying that succession planning is something the Board of Directors and the Management have emphasized over and over again as a key driver to our business sustainability.

Besides training and development, we pay particular attention to inculcate the right corporate culture and DNA of the organisation across the Group, and the reason why we often refer to the “MISC family” as it is the multi-generation cultural values that will define who we are for generations to come. Culture eats strategy for breakfast, so the saying goes. We believe a sound strategy and culture will guarantee our sustainability.

Looking Ahead

Though the same optimism from 2019 into 2020, this may sound ironic and to some, this may come across as even over-confidence. I assure you, we are not full of ourselves.

There is a difference between false confidence and belief built on fundamentals. I have painstakingly explained our deliberate and disciplined approach in our analysis of long-term drivers that underpin how we set our growth strategies. I believe long-term data and the right data will not lie. Our belief in another exciting 2020 for MISC as a group is therefore, premised on what we see on a longer-term basis and matched by the opportunities that we are able to identify.

As I write this, we have presently over USD6 billion of investment opportunities being pursued and everyone in the MISC family is excited about the success prospects.

Truly, the tailwind that had started in 2018, blew hard in 2019 in support of our ability to deliver up to USD1.1 billion of new growth projects, and it is my conviction that it will continue to carry us into 2020. If we are able to convert some of these opportunities into actual success, we will make 2020 a year of accelerated growth for the Group.

Note of Appreciation

I wish to record my deep gratitude to our valued shareholders, customers and partners for their generous support as well as unwavering trust and confidence in MISC through all these years. I would also like to express my heartfelt appreciation to the MISC Board of Directors for their wise counsel in helping us chart a steady path forward. Your astute insights have proven instrumental in helping us make this journey, growing from strength to strength, to emerge an even more resilient and dynamic Group.

Last but not least, my utmost gratitude goes to our leadership team and employees at sea and at shore, for their commitment, loyalty and invaluable contributions to MISC. Thank you for stepping up to the plate in braving this turbulent industry and for inspiring each other with the spirit of innovation and collaboration towards shared success.

I am confident of MISC’s tremendous potential and 2020 will be a pivotal year for us. The strategic decisions we have made over the past few years have placed us in a strong position to tap growth opportunities and deliver sustainable value. How we strategize our plans for the next phase of growth will determine how we write our future.

In all that we undertake, we will ensure that we adopt a unified approach, a clear sense of direction for growth and a shared understanding of who we are and what we can achieve. Together with our People, energized by the Passion, courage and determination to create incredible Possibilities ahead, we will continue to make strong strides forward.

YEE YANG CHIEN
President/Group CEO
30 March 2020

#whatyoudontknow

An oil tanker used to transport crude oil or other black oils is called a dirty tanker.
Key Highlights 2019

Among the world's shipping conglomerates by market capitalisation at USD9.0 billion

Chamber of Shipping America (CSA) Jones F. Devlin Awards for 60 vessels
Environmental Achievement Awards for 59 vessels

Became member of Getting to Zero Coalition Maritime Anti-Corruption Network

Reduction in carbon emission intensity by LNG fleet 16% Petroleum fleet 13% Product fleet 9% from baseline of 2016
Ship naming of the world's first 2 LNG dual-fuel DPSTs Zero major spills to the environment since 2013 Zero fatalities

Operational Excellence

>99% vessel availability
>99% vessel utilisation
>99% floating asset uptime

107 female seafarers in MISC 12.5% female employees 87.5% male employees

Stephanie Bacharach

COMMISSIONER OF CONSUMER AFFAIRS WESTERN AUSTRALIA
Our people will always remain instrumental in fostering stronger relationships with various stakeholders and business partners throughout the years, winning their trust and confidence with continuous assurance that we deliver on our promise of the highest standards without any compromise.

#whatyoudontknow

Our highest-ranking female seafarer today is a Chief Officer.

Our business
Shipping is one of the oldest industries in the world. It began thousands of years ago when seafarers traded simple items such as food and jewels. Today, it remains one of the leading forms of transportation and plays an integral part in our global economy.

#whatyouknow

Shipping is one of the oldest industries in the world. It began thousands of years ago when seafarers traded simple items such as food and jewels. Today, it remains one of the leading forms of transportation and plays an integral part in our global economy.
MISC'S HISTORY & JOURNEY

MISC's history began in 1968 to support trade and economic development and at the same time promote the maritime sector for Malaysia. Since then, we have grown into a global maritime conglomerate with over 100 vessels and floating assets and more than 8,800 professionals at sea and shore.

Throughout the years, MISC has various streams of businesses which cut across multiple aspects of shipping and logistics, from liner, dry and liquid bulk, LNG, petroleum and chemical products.

Over time, we have defined the focus of our businesses in supporting the energy value chain through our range of energy-related maritime solutions and services. We have successfully built our presence in the global energy industry with a distinguished reputation for safety, efficiency and reliability.

Today, our work supports many of our clients’ own success stories from the safe transportation of energy related cargoes to operating offshore floating solutions and the construction of complex marine structures.

1968-1980
OUR HUMBLE BEGINNINGS
A decade of firsts unfolds with the incorporation of the Malaysia International Shipping Corporation (MISC), as the country’s first shipping line followed by the launch of MV Bunga Raya being MISC’s first ship.

We then received our first batch of qualified and trained Malaysian seafarers. We began building our global presence, serving the regional and intercontinental shipping routes with a diversified range of shipping solutions including liner, dry bulk and liquid bulk.

This period also saw the foundation of the Malaysian Training and Education of Seamen (MATES).

1981-1999
ACHIEVING HISTORIC MILESTONES
MISC launched our foray into energy shipping and was entrusted to deliver Malaysia’s first LNG cargo to Japan. Our first fleet of LNG carriers were the Tenaga Class. During this period, we also embarked on the chemical shipping business.

MATES was upgraded to academy status and renamed as the Malaysian Maritime Academy (ALAM).

The highlight of the era was the listing of MISC on the Main Board of the Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Securities Berhad).

2000-2008
REACHING NEW HEIGHTS
A dynamic era of growth and expansions, particularly in the energy-related maritime solutions sector. MISC acquired American Eagle Tankers (now known as AET) and made the Malaysia Shipyard and Engineering Sdn. Bhd. (MSE) its wholly-owned subsidiary, which was later renamed as the Malaysia Marine and Heavy Engineering Sdn. Bhd. (MMHE).

Offshore Business Unit was formed during this period as we continue to strengthen our position as a leading player in the oil and gas industry.

MISC took delivery of our first floating production, storage & offloading (FPSO) facility, FPSO Bunga Kertas and our first deepwater facility, FPSO Kikeh.

MISC also diversified its energy solutions portfolio by venturing into the business of developing and operating tank terminals for storage solutions.

MISC also diversified its businesses to include land-based shipping-related services such as container services, logistics and warehousing as well as shipping agency.

Towards the end of this period, MISC became a subsidiary of PETRONAS.

Today, our work supports many of our clients’ own success stories from the safe transportation of energy related cargoes to operating offshore floating solutions and the construction of complex marine structures. 
WEATHERING THE STORM

After weathering several years of severely challenging conditions in the shipping industry, we took the difficult decision to exit from the liner business in 2011 as well as to divest our non-core businesses (such as the land logistics and tank terminal business), a process which continued until 2017.

This strategic rebalancing of our business portfolio allowed us to channel our resources on our four core businesses, namely LNG shipping, petroleum shipping, offshore and heavy engineering business, and take advantage of other opportunities within the energy and maritime industry.

MMHE was listed on the main market of Bursa Securities as Malaysia Marine and Heavy Engineering Holdings Berhad (MH-E). During this period, MISC delivered the Gunusut-Kakap semi-submersible FPS, Asia’s largest facility for deepwater development.

The Group also launched our first two LNG floating storage units (FSUs) for Malaysia’s first regasification terminal in Sungai Udang, Melaka.

AET successfully operationalised its dynamic positioning shuttle tanker (DPST) business in Brazil.

2014-2017

JOURNEY OF REBUILDING & DISCOVERY

MISC became a constituent of the FTSE4Good Bursa Malaysia Index, a testament to our remarkable sustainability performance.

We also refreshed our Vision, Mission Statements and Tagline as well as enhanced our logos.

During this period, the Group’s ship management units were integrated into a single entity known as Eaglestar.


MISC took delivery of our first fleet of Moss-type LNG Carriers, the Seri C Class. The period also saw AET taking delivery of its first modular capture vessel (MCV), Eagle Texas.

MISC joined the ranks of global maritime industry players as a Strategic Partner of the Global Maritime Forum (GMF), committed to unleashing the potential of the global maritime industry to increase sustainable long-term economic development and human wellbeing.

EMBRACING OPPORTUNITIES

We have been pursuing efforts towards sustainable growth in the long term by developing a healthy pipeline of new projects as well as winning the trust and confidence of our stakeholders.

MISC has also received numerous accolades which recognised our excellence in corporate governance, investor relations, sustainability and HSSE performance.

We became a member of Getting to Zero Coalition by GMF, leading the push for international shipping’s decarbonisation.

We broke new grounds within the industry through the deployment of LNG dual-fuel vessels and have joined forces with other industry players to develop new zero-carbon fuel technology that reflects our pledge in upholding sound environmental stewardship.

For more details about our achievements in 2019, please refer to pages 26 to 27 and pages 158 to 161.
Our Brands and Businesses

<table>
<thead>
<tr>
<th>Core Business</th>
<th>Key Enabler</th>
</tr>
</thead>
<tbody>
<tr>
<td>LNG ASSET SOLUTIONS</td>
<td>Delivers LNG across the globe with decades of proven experience as well as a distinguished reputation for overall operational excellence, reliability and on-time cargo deliveries.</td>
</tr>
<tr>
<td>PETROLEUM &amp; PRODUCT SHIPPING</td>
<td>Provides safe, high quality and comprehensive ocean transportation and specialist petroleum services to the world’s largest oil companies, trading houses and refiners.</td>
</tr>
<tr>
<td>OFFSHORE BUSINESS</td>
<td>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.</td>
</tr>
<tr>
<td>MARINE &amp; HEAVY ENGINEERING</td>
<td>Specialises in offshore construction, conversion and marine repair. Owns and operates one of the largest marine and heavy engineering facilities in the region.</td>
</tr>
<tr>
<td>INTEGRATED MARINE SERVICES</td>
<td>Provides a comprehensive, reliable and efficient ship management services. Operates and maintains a modern and diversified fleet of vessels, supported by a team of highly skilled, competent and dedicated professionals.</td>
</tr>
<tr>
<td>PORT MANAGEMENT &amp; MARITIME SERVICES</td>
<td>Delivers world-class maritime services and expertise in marine assurance and compliance as well as port and terminal operations and management, to the major oil and gas companies including the PETRONAS Group.</td>
</tr>
<tr>
<td>MARINE EDUCATION &amp; TRAINING</td>
<td>Nurtures the talent of future maritime professionals and supports the industry’s growing requirement for professionally trained seafarers by providing the full spectrum of maritime training and education as well as offshore and other courses.</td>
</tr>
<tr>
<td>MARKET LEADER in lightering operations in the US Gulf</td>
<td>One of the world’s LEADING FPSO/FSO owner-operators.</td>
</tr>
<tr>
<td>One of the world’s largest LNG carrier owner-operators</td>
<td>The only tanker company globally possessing MCV capabilities.</td>
</tr>
<tr>
<td>Excellent asset performance with uptime of over 99%</td>
<td>Over 40 years delivering integrated and complex solutions including deepwater facilities.</td>
</tr>
<tr>
<td>High vessel availability rate of over 99%</td>
<td>Consistently achieved excellent results in HSE, HSC and PSC performance.</td>
</tr>
<tr>
<td>Over 9,800 voyages made since 1983</td>
<td>Trained over 13,500 seafarers occupying nearly all key positions in the merchant marine sector in Malaysia both at sea and shore since 1976.</td>
</tr>
<tr>
<td>One of the LARGEST dry docks in Southeast Asia in terms of cubic capacity</td>
<td>Successfully handled over 52,000 vessels.</td>
</tr>
</tbody>
</table>

MISC’s fleet consists of 110 owned and in-chartered LNG, petroleum and product vessels, 14 floating production systems (FPS) as well as two LNG floating storage units (FSU). The fleet has a combined deadweight tonnage (dwt) capacity of approximately 16 million tonnes.

| LNG Carriers | 29 |
| Petroleum & Product Tankers | 81 |
| Floating Storage Units | 2 |
| Offshore Floating Production Systems | 14 |
Our Core Businesses and Activities

LNG Asset Solutions

LNG carriers allow natural gas to be transported in liquid state, making it feasible to be transported across oceans without pipelines. The containment systems on board the vessels are capable of storing the natural gas at a temperature of -162°C. At this temperature, the gas turns to liquid, occupying a volume 600 times smaller. MISC’s fleet of LNG carriers consist of two types of containment systems which are known as membrane and moss types.

**Membrane-type LNG Carrier**
The membrane-type system is more space-efficient and is able to have higher capacity than a moss-type vessel of the same dimension.

**Moss-type LNG Carrier**
A moss-type vessel has self-supporting spherical tanks making it more robust and resistant to shock. It provides a higher degree of operational flexibility for worldwide trading capability including the ability to load cargoes at a floating liquefied natural gas (FLNG) unit.

Floating Storage Unit
An FSU is a flexible LNG storage solution which is an alternative to land-based facilities.

Activities
- Transport LNG from LNG liquefaction terminals/ floating facilities
- Develop new LNG based asset solutions by conducting pre-engineering study on L3P solutions and continuous engagement with our partners to develop and market the proposed solutions
- Provide technological solutions for FSU and customised, non-conventional LNG solutions for clients

Customers
- PETRONAS Group
- Energy majors
- Energy traders

Revenue Structure
- Revenue from time charter contracts with customers

Cost Structure
- Operational costs such as employees/crew costs, repair and maintenance, materials and supplies as well as professional and purchased services and depreciation

Cargoes Carried
- LNG from LNG liquefaction terminals/ floating facilities
- New LNG asset-based solutions
- Technological solutions for FSU

Services Performed
- Transportation of LNG
- New LNG asset-based solutions
- Technological solutions for FSU

Petroleum & Product Shipping

Cargoes Carried
- Very large crude carrier (VLCC)
- Aframax tanker
- Suezmax tanker
- Dynamic positioning shuttle tanker (DPST)
- Modular capture vessel (MCV)

Services Performed
- Conventional services
- Transportation of crude oil, petroleum products, chemicals and vegetable oils
- Specialised services
- Operator of DPSTs in the North Sea and Brazil
- Operator of lightering services in the US Gulf and Latin America
- Operator of MCVs

Activities
- Transport crude oil, petroleum products, chemicals and vegetable oils
- Delivers specialist petroleum services such as lightering services
- Provide and operate DPSTs
- Provide and operate MCVs

Customers
- Energy majors
- Refiners
- NOCs
- Energy traders

Revenue Structure
- Revenue from time charter contracts, voyage charter contracts, lightering and other shipping related income such as charters of aggregation

Cost Structure
- Operational costs such as bunker (marine fuel), employee/ crew costs, repair and maintenance, materials and supplies, depreciation as well as professional and purchased services

Physical Capital
- 1,901 Employees**
- 28 LNG carriers
- 14 LNG carriers under construction

Human Capital
- 3,341 Employees**
- 81 vessels
- 13 DPSTs under construction (includes three DPSTs awarded in Q1 FY2020)

** Including seafarers under Eaglestar

* Cargoes belong to customer

** Including seafarers under Eaglestar

* Includes one panamax tanker and three Aframax tankers currently trading crude oil

* Includes one Panamax tanker and three Aframax tankers currently trading crude oil


**OFFSHORE BUSINESS**

FPSOs and FSOs today have become the effective way of extracting hydrocarbon for many offshore oil and gas producing regions around the world. The vessels size depend on the oil and condensed storage capacity requirements and the vessels are secured to the seabed via mooring systems which are determined by the environment where they operate.

**VESSELS**

An FPSO is a vessel type production system that receives full well stream fluids such as crude oil, water and others from a subsea reservoir through risers. It has topside production facilities that separate the fluids into crude oil, natural gas, water and impurities. It also has storage tanks where processed crude oil is stored. Crude oil is offloaded onto shuttle tankers for further refining onshore. It can be designed with the capacity of staying on location for continuous operations for 20 years or longer.

An FSO is similar to an FPSO as it does not have production processing capabilities. It is normally integrated with other production systems such as fixed platforms, MODUs, tension leg platforms (TLPs) among others. An FSO is also equipped to store and offload crude oil to a shuttle tanker.

**MOBILE OFFSHORE PRODUCTION UNIT (MOPU)**

A MOPU is a mobile structure for offshore well production, operating in shallow waters. It has production facilities to process oil and natural gas and export oil through subsea pipeline to an FPSO.

**SEMI-SUBMERSIBLE FLOATING PRODUCTION SYSTEM (FPS)**

A semi-submersible FPS is a large platform with a deck area designed to float on the sea surface at a predetermined depth with a floating production system that collects fluids such as crude oil, water and others from a subsea reservoir through risers. The riser production facilities separate the fluids into crude oil, natural gas, water and impurities. Our semi-sub FSO operates at a depth of 1,400 metres. The oil is exported via a 200-kilometre long pipeline to an oil and gas terminal in Kimanis, Sabah.

**HUMAN CAPITAL**

- Employees: 909

**PHYSICAL CAPITAL**

- 14 offshore floating solutions
- 1 FSO under conversion

**ACTIVITIES**

Provide full scope of services from design to operation and decommissioning of floating assets for small, marginal and deepwater field development:

- EPCIC/EDD
- Operate offshore floating solutions
- Maintenance for offshore floating assets

**RESOURCES**

- Hydrocarbons from the sea

**SERVICES PERFORMED**

- Engineering, procurement, construction, installation, commissioning, operations & maintenance, decommissioning and demolition (EPCIC/EDD) solutions
- Operate offshore assets to extract, store and offload the hydrocarbons to shuttle tankers
- Provide operations and maintenance services for offshore floating assets

**MARINE BUSINESS ASSETS**

Our well-equipped yard includes:

- Dry docks, land berths, quays and a wharf. These facilities enable us to perform repair works, maintenance, marine conversion and refurbishment of a wide range of vessels.

**RESOURCES USED**

- Raw materials comprising mainly steel

**MARINE & HEAVY ENGINEERING**

**HEAVY ENGINEERING ASSETS**

- We have the largest fabrication area for onshore, offshore and shipbuilding
- We offer a full range of offshore fabrication facilities for EPCIC contractors
- We are the largest providers of marine services including:
  - Dry docking, repair, refurbishment, upgrading and conversion of wide range of vessels
  - Plating, welding, painting facilities
  - MMMCs

**RESOURCES USED**

- EPCIC services for offshore facilities such as deepwater and shipbuilding
- Fabrication services for onshore modules
- Marine repair, refurbishment and conversion
- Plant maintenance and turnaround services

**COST STRUCTURE**

- Plant maintenance and turnaround services
- Construction and conversion contract revenue based on scope of work
- Marine repair income

**ACTIVITIES**

- Heavy Engineering segment:
  - Provides a wide range of EPCIC services of offshore and onshore facilities
  - EPCIC contractors (offshore and onshore)
  - Petrochemical companies
  - Domestic and international shipping companies

- Marine segment:
  - Provides comprehensive marine services including:
    - Dry docking, repair, refurbishment, upgrading and conversion
    - Plating, welding, painting facilities
    - MMMCs

- EPCIC services for offshore and onshore facilities
- Petrochemical companies
- Domestic and international shipping companies

**PHYSICAL CAPITAL**

- Our fully equipped yards in Pasir Gudang
  - 2 dry docks
  - 1 land berth
  - LNG carrier repair facilities
  - Floating dock (Kianman Supply Base)
  - Workshops
  - Cranes

**CUSTOMERS**

- PETRONAS Group
- NDCs
- Production sharing contractors
- EPC contractors
- Petrochemical companies
- Domestic and international shipping companies

**REVENUE STRUCTURE**

- Construction and conversion contract revenue based on scope of work
- Marine repair income

**COST STRUCTURE**

- Operational costs such as for labour and subcontractors, materials and supplies, as well as professional and purchased services and depreciation

**RESOURCES**

- Vessels

**SERVICES PERFORMED**

- Maintenance for offshore floating assets
- Provide comprehensive marine services including:
  - Dry docking, repair, refurbishment, upgrading and conversion
  - Plating, welding, painting facilities
  - MMMCs

**CUSTOMERS**

- PETRONAS Group
- NDCs
- Production sharing contractors
- EPC contractors
- Petrochemical companies
- Domestic and international shipping companies

**ACTIVITIES**

- Operate offshore floating solutions
- Maintenance for offshore floating assets

**RESOURCES USED**

- Raw materials comprising mainly steel

**RESOURCES**

- Vessels
Natural gas and oil are resources which are central to our modern lives. We rely on them for fuel, electricity and all kinds of products. Today, these commodities are transported by sea over large distances to their eventual end users. MISC is proud to play its role in providing maritime transportation solutions to meet the energy needs of the world.
Where We Operate

Crude oil from Atlantic Basin (US, North Sea, Latin America & West Africa) destined for Asia Pacific and the US.

Crude oil from Middle East destined for Asia Pacific and the US.

LNG from Middle East destined for Europe and East Asia.

LNG from Africa destined for Asia and Europe.

LNG from the US destined for Europe.

LNG from Malaysia destined for East Asia (Japan, Korea, China & Taiwan) and Malaysia.

LNG from Australia destined for East Asia (Japan, Korea, China & Taiwan) and Malaysia.
While we can be proud of the projects we won, our fundamental belief when it comes to the measurement of success is not primarily about securing projects today, but rather about the ability to sustain positive returns in the long term.
Overview

Our Value Creation Model

MISC’s value creation model as presented below shows how we use various resources to create value for our capital providers and other stakeholders. These resources – the ‘inputs’ – are in the form of six capitals. The capitals that we use comprise financial, physical, intellectual, human, social and relationship, and natural capitals.

Under our business model, we take in these inputs and through our business activities, we convert them into ‘outputs’ – the services that we render to our customers. This in turn leads to various outcomes in terms of their effects on our stakeholders and on the capital.

For example, when we draw on our cash reserves and new loans to construct a LNG carrier, we initially use up financial capital and increase our physical capital. Once the vessel is completed, it will be used to generate profit which would increase our stock of financial capital over time to benefit us and our lenders and shareholders. These outcomes therefore represent the value that we create for our stakeholders in the short, medium and long term.

Our business strategy sets out the direction we take and the resources we allocate to our portfolio of businesses.

The formulation of our strategy draws on our analysis of the environment in which we operate. This includes economic, societal, political, regulatory, technological, environmental, and industrial factors, as well as long-term trends impacting the landscape. We identify the opportunities and risks arising and assess the outlook for our industry and business. Very importantly, we also consider the needs of our stakeholders and the ‘material matters’ – those matters that substantively affect MISC’s ability to create value.

As the custodian of the Group’s planning and risk management functions, Corporate Planning’s role is to facilitate the growth of the Group by providing strategic perspectives to various business units when they pursue growth opportunities.

There were certainly many such opportunities in 2019. During the year, the Group bid for projects with over USD3.9 billion in capital expenditure values, out of which we secured above USD600 million, with some bids still pending decision from our clients.

While we can be proud of the projects we won, our fundamental belief when it comes to the measurement of success is not primarily about securing projects today, but rather about the ability to sustain positive returns in the long term.

This is especially true considering that the investments we make are very high in value with a relatively long payback period. There are a lot of uncertainties to be considered and mitigation plans to be mapped out before a conscious decision can be made.

Therefore, it is crucial that we have in place a robust and rigorous risk assessment process, before any investment proposal is presented to the Board. We in Corporate Planning engage closely with the business units to facilitate this process which would require us to play the role of devil’s advocate. In doing so, we must be impartial and objective as part of a constructive review process because as much as we want to grow, we also need to be mindful of the risks along the journey.

After all, it is never our intention to fail a project, but it is always our intention to make sure that the project is successful because winning a project today does not mean anything to the Group if it is causing problems a few years down the road.

EMRAN OTHMAN

Vice President, Corporate Planning

As a constituent of the FTSE4Good Bursa Malaysia Index since 2014 through our efforts in championing the sustainable development agenda, this recognition further strengthens our leading position as one of the role models within the Malaysian market in managing our environmental, social and governance risks.

The next few years will certainly be an exciting period and we are looking at the bigger picture of what MISC needs to do as a group as well as how we can succeed together not just today but in the years ahead.

When we talk about success, one of the principles of our Cultural Focus is ‘Shared Success’, and this guides us as a team to collaborate for the greater good of the Group. This includes identifying opportunities for cross-collaboration and synchronisation wherever possible. We believe that more can be achieved by working together as a unified team, clearing away the silos that may hold us back from our growth journey.

With the right people, attitude and behaviour there is every possibility for us to reach higher attitudes and achieve greater accomplishments. Ultimately, People, Passion, Possibilities is a theme that will be relevant to the company for a long time and it is through our people that we will define, drive and realise the Group’s aspirations.

EMRAN OTHMAN

Vice President, Corporate Planning

In the area of sustainability, I am pleased that MISC continues to be a constituent of the FTSE4Good Bursa Malaysia Index since 2014 through our efforts in championing the sustainable development agenda. This recognition further strengthens our leading position as one of the role models within the Malaysian market in managing our environmental, social and governance risks.

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EMRAN OTHMAN

Vice President, Corporate Planning
### Key Focus Areas

#### Strategic Priorities

- **LNG Asset Solutions**
  - Grow shipping business including third party business portfolio
  - Develop non-conventional LNG solutions to broaden our revenue sources

- **Petroleum & Product Shipping**
  - Secure more time charters for conventional fleet
  - Expand niche market assets such as shuttle tankers with time charters

- **Offshore Business**
  - Explore acquisition opportunities selectively arising from asset divestments by oil & gas players globally
  - Pursue organic growth and expand international footprint

- **Marine & Heavy Engineering**
  - Develop engineering-related solutions and larger recurring income base to diversify revenue and reduce the impact on cyclicality of the business
  - Manage cost and process efficiency

- **Shareholders**
  - Broaden engagement activities to give greater visibility to investors
  - Increase standard of customer experience through efforts to exceed their expectations
  - Improve customer perception and interaction

- **Customers**
  - To exceed the expectations of our customers
  - To embed business ethics and ethical conduct as a cultural component within the organisation
  - Work towards formal inclusion of sustainability on the Board agenda

- **Employees**
  - To promote individual and team excellence of our employees
  - Focus on succession planning to ensure a sustainable talent pipeline is in place across the job levels in MISC
  - To have a competent and capable workforce through a structured and holistic employee developmental process
  - Cultivate a healthy workforce

- **Environment**
  - To care for the environment and operate responsibly
  - Explore viability of low emission solutions for positive long-term environmental impact
  - Proactively manage our environmental footprint, as well as inculcate environmental consciousness amongst our employees

- **Community**
  - To create a positive difference to the lives of communities
  - Invest in the next generation via well-established and fully functioning programmes that promote education and awareness amongst the youth towards becoming the next leaders in the industry and in contributing towards their future development
  - Organise various community investment activities at MISC Group offices, locally and internationally
  - Collaborate with the maritime community in shaping the future of the seaborne trade

- **Shareholders**
  - To maintain a sustainable governance and business ethics framework

- **Governance & Business Ethics**
  - To embed business ethics and ethical conduct as a cultural component within the organisation
  - Work towards formal inclusion of sustainability on the Board agenda

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

- **Our Strategic Focus**
  - To drive sustainable value for our shareholders

### Material Matters

- Project and financial performance
- Risk management
- Values and governance

More information on how we determined our material matters can be found in the Anchoring Sustainability@MISC section on pages 164 to 169.
Our Operating Environment

In 2019, the global environment in which MISC operates continued to be volatile and challenging. The year was marked by the slowdown of the global economy, volatility in the oil market, trade sanctions, geopolitical instability and increasing environmental awareness globally.

**Our Operating Environment**

### 2019 LANDSCAPE

#### Slower Economic Growth

- World GDP annual growth fell to 2.9% in 2019 – its lowest rate since the financial crisis – amidst the continued deepening of US-China trade policy tensions during the year.

- The oil market remained volatile and risk averse throughout 2019 amidst the US-China trade war, recession fears and geopolitical tensions in key oil-producing countries. Oil prices moderated since the early part of 2019. Supply restrictions by OPEC and Russia, with production in Iran and Venezuela declining sharply, helped to underpin prices, but oil demand weakened. The oil prices in 2019 fluctuated from a daily low of USD53 per barrel to a high of USD75 per barrel (as at November 2019) yielding an average of USD64 per barrel as compared with the average of USD71 per barrel in 2018.

### OUTLOOK

- The global growth outlook remains unstable and was expected to remain at around 3% over the next two years. The coronavirus disease (COVID-19) outbreak has added more uncertainty.

- There is robust oil supply coming from non-OPEC producers, predominantly from the US. The US, currently the largest producer of crude oil, is targeting to be a net energy exporter by 2020, a first for the US in nearly 70 years. In addition, there are other projects being ramped up in Canada, Brazil, Guyana and Norway. The International Energy Agency in its November 2019 report indicated that non-OPEC production is expected to continue to grow, adding 2.3 million barrels per day of oil supply in 2020.

### IMPLICATIONS TO MISC

- As part of our strategy towards more secured profits, most of our assets in LNG Asset Solutions and Offshore Business are on long-term charters. The Petroleum & Product Shipping segment has also increased its proportion of tankers on long-term charters. This is expected to support a steady performance even if global growth slows down.

- Despite the slower GDP growth, both the LNG shipping and crude tanker markets had a positive 2019, as there are other factors also driving the markets. For further information on the dynamics of the energy shipping industry, refer to pages 30 to 35.

- As noted above, MISC’s portfolio of long-term charters would underpin a stable performance.

- Despite the volatility and decline in 2019, oil prices were still within a band which was supportive of new upstream exploration and production activity. The expected increase in activity and supply from non-OPEC producers, particularly from the Atlantic Basin, presents growth opportunities for MISC to tap. There has been amplified oil price volatility in March 2020, which if it persists for an extended period, may dampen the growth of the upstream sector.

Sources: Petronas, OECD, Argus, IEA

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**Real GDP forecast**

- Total, Annual growth rate (%), 2012 – 2021

**Brent Crude Oil Price**

- January - December 2019

**Source:** ICE

**Source:** OECD (21 Nov 2019)

**Source:** OECD & Fitch

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**Source:** Petrolianas, OECD, Argus, IEA

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**Source:** ICE
Our Operating Environment

The US sanctions on Iran, Venezuela and some Chinese-owned tankers coupled with a slew of geopolitical events in Saudi Arabia and Iran had driven the cost of moving oil around the world to hit an 11-year high in the fourth quarter of 2019 as producers scrambled to secure available tankers.

The IMO 2020 sulphur cap regulation came into force on 1 January 2020, whereby the sulphur content in fuel oil must be reduced to 0.5% from 3.5% for all vessels worldwide.

The shipping industry is also under increasing pressure to reduce its carbon footprint. The IMO has introduced targets towards gradually decreasing greenhouse gas emissions by at least half compared to 2008 levels by 2050.

Sources: Forbes, Norton Rose, Gibson

Crude oil tanker earnings have fallen from the highs at the end of fourth quarter 2019 as positive drivers have faded, including seasonal factors and sanctions being lifted on the Chinese-owned tankers. Nevertheless, the possibility of further sanctions remains.

Towards the end of 2019 the transition to the use of low sulphur fuels in complying with IMO 2020 was handled with little disruption to global trade.

A modern ship is a highly capital-intensive asset with a typical life span of around 25 years. To deliver on ambitious climate targets, zero-carbon emission vessels will need to enter the fleet by 2030.

In the meantime, LNG, which complies with IMO 2020 and has lower carbon emissions compared to fuel oil and marine gasoil, is seen as the preferred transitional marine fuel.

MISC’s vessels are in compliance with IMO 2020 requirements. MISC has embarked on a joint development project to develop a zero-carbon emission vessel. Petroleum & Product Shipping segment already operates LNG dual-fuel tankers, and is committed to growing its fleet of LNG-powered vessels.

The LNG Asset Solutions segment has secured a charter to provide an LNG bunker vessel. The fledgling LNG bunkering segment holds growth potential.
To create value for our stakeholders over the long term, it is essential that we are able to identify and manage the risks that are inherent in our business as well as to exploit and maximise opportunities in the market. Risk considerations are paramount to our business strategy as well as our investment decisions. MISC has an established Risk Management Framework that includes Enterprise Risk Management to guide the identification, assessment, treatment, monitoring and review of risks. Further details of the Group’s risk management processes can be found in the Statement on Risk Management and Internal Control on pages 220 to 229.

The following are the key risks and opportunities that the Group is facing at present:

<table>
<thead>
<tr>
<th>DRIVERS</th>
<th>MATERIAL MATTERS</th>
<th>DESCRIPTION/IMPACT</th>
<th>TREND</th>
<th>RESPONSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business cyclicality</td>
<td>• Project and financial performance</td>
<td>Risk: The highly cyclical nature of the shipping markets makes it a challenge to generate predictable cash flows and earnings to sustain our borrowings on capital expenditures. Tonnage oversupply in the petroleum and LNG shipping sectors could place downward pressure on charter rates.</td>
<td>Neutral</td>
<td>• Growing the proportion of assets that generate stable long-term income while maintaining some flexibility to capture the upside when the cycles turn in our favour. In the meantime, the Group’s operating cash flow and earnings continue to be underpinned by our portfolio of long-term charters and contracts. • Developing and growing new recurring income businesses to diversify our revenue, such as DPSTs and non-conventional LNG solutions.</td>
</tr>
<tr>
<td>Geopolitics</td>
<td>• Project and financial performance</td>
<td>Risk/opportunity: Geopolitical developments may lead to trade tensions or risk of military conflict, affecting supply or demand for oil and gas. Economic sanctions on key oil-producing countries or shipping companies could alter energy trade patterns and supply of vessels, which may be favourable or unfavourable to us.</td>
<td>Upward</td>
<td>• Carrying out robust risk assessments on countries, customers and projects. • Diligently monitoring global developments. • Regularly reviewing commercial strategy and being nimble to adapt to changing conditions.</td>
</tr>
<tr>
<td>Crude oil dynamics - supply, demand and price</td>
<td>• Project and financial performance • Customer satisfaction</td>
<td>Risk: A low and volatile oil price environment would reduce the likelihood for new upstream oil and gas projects to be sanctioned, resulting in fewer opportunities for our Offshore Business and Heavy Engineering segments. However, if oil prices are too high, it may limit oil demand and reduce the demand for tankers. Opportunity: Countries such as the US and Brazil have been rapidly growing their energy exports. This would boost oil tanker and LNG carrier tonne-mile demand, as the main importers are situated in Asia.</td>
<td>Upward</td>
<td>• Maintaining a diversified portfolio of core businesses which are not all subject to identical cycles and drivers. • Growing the proportion of assets that generate stable long-term income as compared to short-term income. • Developing new recurring businesses to diversify our revenue, such as DPSTs, non-conventional LNG solutions and fabrication of offshore wind farm structures.</td>
</tr>
<tr>
<td>Evolving LNG market</td>
<td>• Project and financial performance • Customer satisfaction</td>
<td>Risk/opportunity: The LNG market has been evolving, characterised by shorter duration LNG contracts, the increasing participation of commodity traders and a growing spot/short-term market. As a result, the LNG shipping market is also changing, with shorter charter periods, new counterparties, and a more liquid spot market. Opportunity: Comapnies such as the US and Brazil have been rapidly growing their energy exports. This would boost oil tanker and LNG carrier tonne-mile demand, as the main importers are situated in Asia.</td>
<td>Upward</td>
<td>• Expanding our presence and strengthening our capability to capitalise on the ample opportunities in the Atlantic Basin for FPSOs, DPSTs and oil and LNG shipping services. • Being prudent and selective in bidding for new projects, and where feasible, to take advantage of the short-term/spot shipping market opportunities that present themselves. • Venturing into new LNG asset-based solutions to address changing market needs.</td>
</tr>
<tr>
<td>Asset availability and utilisation</td>
<td>• Project and financial performance • Customer satisfaction</td>
<td>Risk: Not achieving the optimum use of our vessels, floating assets or facilities would affect our earnings.</td>
<td>Neutral</td>
<td>• With well-trained crew and by applying stringent operations and maintenance policies and procedures, we have a good track record of achieving commendable levels of vessel availability and floating asset uptime rates. • We also improve utilisation rates by virtue of having more of our assets on long-term charters.</td>
</tr>
</tbody>
</table>

To achieve higher earnings and returns, MISC is focusing on leveraging on the Group’s credit standing to secure competitive financing terms, while maintaining a diversified portfolio of core businesses which are not all subject to identical cycles and drivers. The Group is also focusing on ensuring good track record of achieving commendable levels of vessel availability and floating asset uptime rates.
<table>
<thead>
<tr>
<th>MATERIAL MATTERS</th>
<th>DESCRIPTION/IMPACT</th>
<th>TENDENCY</th>
<th>RESPONSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health and safety</td>
<td>Risk: Any major HSSE incidents involving any one of our assets may result in injury or loss of life, asset or environmental damage, financial or reputational impact</td>
<td>Neutral</td>
<td>The GHSS council monitors all HSSE related risks and events. The Council places high priority on ensuring that relevant regulations are complied with and best practice safety standards are applied across the Group. Our reputation and track record on strong HSSE practices has allowed us to be among the preferred global ship operators.</td>
</tr>
<tr>
<td></td>
<td>Developing and retaining talent</td>
<td>Neutral</td>
<td>Implemented various succession planning and competency development initiatives to ensure a sustainable pipeline of talent is available to meet the Groups' requirements. Strong brand and employee value proposition. Group wide platform for talent development and deployment. Increased diversity of workforce with vast experience, nationally and age group.</td>
</tr>
<tr>
<td></td>
<td>Risks and Opportunities</td>
<td>Upward</td>
<td>We are looking into adopting digital solutions focusing on vessel safety and risk management, inventory solution management and maintenance.</td>
</tr>
<tr>
<td></td>
<td>Climate change and environment</td>
<td>Upward</td>
<td>MISC adheres to the NIST Cybersecurity Framework where we completed the Identify phase in 2019 and increased our capabilities in Protect, Detect, Response and Recover considerably. Regular simulation of scenarios conducted across the Group.</td>
</tr>
<tr>
<td></td>
<td>Climate change and environment</td>
<td>Upward</td>
<td>The Group has demonstrated its continuing commitment to adhering to the required standards of conduct. In some areas, we are going beyond the minimum compliance requirements, in applying responsible business practices and ESG best practices.</td>
</tr>
<tr>
<td></td>
<td>Regeneration and innovation</td>
<td>Upward</td>
<td>Capitalising on the increasing demand for natural gas globally – and hence, LNG shipping requirements – to grow the secured income base under our LNG Asset Solutions segment. Adding more LNG dual-fuel vessels into our fleet and continuing to pursue opportunities to own and operate LNG bunkering vessels.</td>
</tr>
<tr>
<td></td>
<td>Peak oil</td>
<td>Upward</td>
<td>The Group is taking the initiatives as stated above to play our role towards curbing carbon emissions.</td>
</tr>
<tr>
<td></td>
<td>Peak oil</td>
<td>Upward</td>
<td>Continuing to monitor the peak oil demand projections and assessing its potential impact on our business direction and strategy.</td>
</tr>
</tbody>
</table>
The above are some of the key activities of the Group. For further details on the activities and key developments of the businesses, please refer to our Core Businesses & Activities on pages 42 to 45 and Management Discussion & Analysis on pages 88 to 157.

**POSITIVE OUTPUTS**

- Energy resources transported in 2019
- LNG Asset Solutions segment – transported 7% of world’s LNG
- Petroleum & Product Shipping segment – transported an estimated 125 million tonnes of crude, petroleum products and chemicals to global customers
- Provision of a range of quality services and solutions: Integrated marine services from Eaglestar
- Port management and maritime services from MMS
- Offshore solutions from Offshore Business
- Marine and heavy engineering services from MHB
- Crude oil processing and storage in 2019: Offshore Business processed and stored an estimated 26% of Malaysia’s crude oil production
- Highly trained and qualified seafarers
- Maritime education and training from ALAM

**NEGATIVE OUTPUTS**

**Environment**

- 4.25 million tonnes of GHG emissions
- 740,542 m³ freshwater withdrawal (for non-shipping activities)

**FINANCIAL OUTCOMES**

- Consistent dividend payout of 30 sen per share over the last five years, with a special dividend payout of 3 sen per share for 2019
- Share price increased by 24.6%, market capitalisation increased to USD9.0 billion as at 31 December 2019; total shareholders return of 29.6%
- Strongest credit rating in marine transport sector by Moody’s Investors Service and S&P Global Ratings as at 31 December 2019
- Improved net gearing from 0.20 to 0.17
- Higher cash flow from operations which led to 22% increase in cash balance

**OPERATIONAL OUTCOMES**

- High vessel availability rate of > 99% for our fleet
- Consistently maintained high vessel utilisation of more than 99%
- Excellent floating asset performance with uptime of more than 90%
- Completed marine repair and maintenance of 77 vessels by Marine & Heavy Engineering segment (2018: 93 vessels)

**HUMAN CAPITAL OUTCOMES**

- Developmental opportunities and progressions: Enhanced leadership programmes and succession planning with more positions filled (2019: 6 positions filled; 2018: 2 positions filled)
- RM1.8 billion spent on employee costs, 10% increase from 2018
- Higher TRCF of 0.27 and LTIF of 0.10 recorded (2018: TRCF 0.22; LTIF 0.07)
- Maintained consistent safety track record for HSE and welfare, pays work related fatalities
- Competent and skilled workforce including seafarers

**SOCIAL AND RELATIONSHIP OUTCOMES**

- Increased customer engagement through various programmes throughout the year
- Compliance with regulations and international standards
- Established partnership on development of marine biodiversity and capacity building
- Contributed to the growth of the nation’s maritime and energy industries through our well-established programmes in ALAM that promotes education and awareness amongst the youth
- Community investment programmes in fostering a positive difference to communities
- Collaboration with industry peers to improve the future of maritime industry

**ENVIRONMENTAL OUTCOMES**

- Energy efficiency and carbon emissions: 8% reduction in vessel fuel consumption resulting in avoidance of approximately 300,000 tonnes of total vessel carbon emissions (7% reduction) from a baseline of 2016
- Major spills: Zero incidents of major spills to the environment from all operations since 2013
- Pollution control: Reduction of 27% SOx and 6% NOx intensity across all vessel types through the use of cleaner fuels and emission control systems in 2019
- Natural resources management: Through freshwater generation system onboard our vessels, about 322,000 m³ freshwater withdrawal from land was avoided in 2019
- Waste management: Hazardous wastes from shore based operations were 99% recycled in 2019
Delivering Our Strategy

The MISC2020 strategy together with the MISC sustainability strategy which comprises the identified sustainability pillars continue to act as our compass for the Group as we steer towards greater heights.

The progress of each pillars/key focus areas is illustrated under the Strategic Priorities as follows:

### STRATEGIC PRIORITIES

<table>
<thead>
<tr>
<th>MATERIAL MATTERS</th>
<th>PILLAR/KEY FOCUS AREA</th>
<th>STRATEGIC PRIORITIES</th>
<th>2019 KEY ACHIEVEMENTS</th>
<th>REFERENCE TO OTHER SECTIONS</th>
<th>UNSDG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholder Engagement</td>
<td>LNG Asset Solutions</td>
<td>To drive sustainable value for our shareholders</td>
<td>• Secured long-term charter contract with a third party, SeaRiver Maritime LLC (a subsidiary of ExmarMobil) for the provision of two LNG carriers</td>
<td>Stakeholder Engagement page 72</td>
<td>LNG Asset Solutions page 88</td>
</tr>
<tr>
<td>Petroleum &amp; Product Shipping</td>
<td>Petroleum &amp; Product Shipping</td>
<td>• Grow shipping business including third party business portfolio</td>
<td>• Secured long-term charter contract via a partnership with NYK and Mitsubishi Corporation for the provision of two LNG carriers</td>
<td>Petroleum &amp; Product Shipping page 84</td>
<td></td>
</tr>
<tr>
<td>• Develop non-conventional LNG solutions to broaden our revenue sources</td>
<td>• Secured a time charter party with PETRONAS in collaboration with Avenir LNG to provide an LNG bunker vessel</td>
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<tr>
<td>• Secure more time charters for conventional fleet</td>
<td>• Majority of the fleet is chartered out on long-term charters</td>
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<tr>
<td>• Expand niche market assets such as shuttle tankers with time charters</td>
<td>• Secured five and renewed two long-term VLCC time charter contracts, which resulted in secured time charter contracts for all VLCCs</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>• Secured a time charter party with PETRONAS in collaboration with Avenir LNG to provide an LNG bunker vessel</td>
<td>• Scaled back its chemical fleet through the sale of all seven A-class and redelivery of two L-class vessels which were mainly on spot charters</td>
<td></td>
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<tr>
<td>• Secured long-term charter contracts with Shell</td>
<td>• Secured long-term charter contracts for three specialised DPSTs with Shell</td>
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<tr>
<td>• Secured another three contracts for similar-size DPSTs with Petronas in early 2020</td>
<td>• With seven DPSTs that are currently under construction, this will bring the total DPST fleet to 17 from four that are currently in operations</td>
<td></td>
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<tr>
<td>• Majority of the fleet is chartered out on long-term charters</td>
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</tr>
<tr>
<td>• Secured long-term charter contracts for three specialised DPSTs with Shell</td>
<td>• Remained active in exploring potential acquisition opportunities globally</td>
<td>Offshore Business page 102</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Secured another three contracts for similar-size DPSTs with Petronas in early 2020</td>
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</tr>
<tr>
<td>• With seven DPSTs that are currently under construction, this will bring the total DPST fleet to 17 from four that are currently in operations</td>
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<tr>
<td>• Secured an EPCIC contract from PCSB for the Kasawari Gas Development project</td>
<td>• Pursued several floater opportunities in the Asia Pacific and Middle East region</td>
<td>Marine &amp; Heavy Engineering page 108</td>
<td></td>
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</tr>
<tr>
<td>• Secured a long-term charter contract with a third party, SeaRiver Maritime LLC (a subsidiary of ExmarMobil) for the provision of two LNG carriers</td>
<td>• Beyond Asia Pacific and Middle East, Offshore Business has prequalified to participate in tenders from Petronas and will continue to actively source for opportunities in Brazil, in line with its business growth objectives in the Atlantic Basin</td>
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</tr>
<tr>
<td>• Secured long-term charter contract via a partnership with NYK and Mitsubishi Corporation for the provision of two LNG carriers</td>
<td>• Awarded the Master Service Agreement for Integrated Turnaround Main Mechanical &amp; Maintenance Static from PETRONAS for a period of five years</td>
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</tr>
<tr>
<td>• Secured a time charter party with PETRONAS in collaboration with Avenir LNG to provide an LNG bunker vessel</td>
<td>• Reinforcing internal control for process improvement by conducting project management assurance audit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Majority of the fleet is chartered out on long-term charters</td>
<td>• Strengthening project planning to facilitate tracking on project progress and expedite identification of potential risks to avoid operation setbacks</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Secured five and renewed two long-term VLCC time charter contracts, which resulted in secured time charter contracts for all VLCCs</td>
<td>• Organised Investors and Analyst Maritime Day at ALAM, Melaka to promote the sustainability strategy of MISC and the opportunity to showcase our assets/business segments that contribute to MISC’s business</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>• Scaled back its chemical fleet through the sale of all seven A-class and redelivery of two L-class vessels which were mainly on spot charters</td>
<td>• Organised more analyst/investor engagement sessions with President/Group CEO</td>
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</tr>
</tbody>
</table>
Delivering Our Strategy

**MATERIAL MATTERS**

- **Customer satisfaction**
  - To exceed the expectations of our customers
- **Values and governance**
  - To maintain a sustainable governance and business ethics framework
- **Skilled workforce**
  - **Employee engagement**
    - To promote individual and team excellence of our employees
  - **Health and safety**
    - To care for the environment and operate responsibly
  - **Climate change**
    - **Natural resource use**
    - **Ocean health**
    - To create a positive difference to the lives of communities

**PILLAR/KEY FOCUS AREA**

- **Strategic Priorities**
  - To enhance standard of customer experience through efforts to exceed their expectations
  - To embed business ethics and ethical conduct as a cultural component within the organisation
  - Focus on succession planning to ensure a sustainable talent pipeline is in place across the job levels in MISC
  - To have a competent and capable workforce through a structured and holistic employee developmental process
  - To explore viability of low emission solutions for positive long-term environmental impact
  - To ensure the health, safety, security, environment and sustainability among our employees
  - To invest in the next generation via well-established and fully functioning employee developmental process
  - To collaborate with the maritime community in shaping the future of the seaborne trade

**2019 KEY ACHIEVEMENTS**

- Implemented the recommendation identified in the action plan based on the customer survey that was conducted in 2018 which includes the following:
  - One visit per year to major customers by senior management and two visits per year to major customers by operational team to better understand customers’ needs and develop opportunities to co-create solutions together
  - Initiatives to secure more favourable asset prices and financing rates which enables us to offer more competitive pricing
  - Regular customer engagement activities at the business units and subsidiaries such as appreciation dinner and luncheon
- Annual engagement sessions for the Group to network and engage with bankers on our business objectives and plans moving forward
- Delivered the world’s first LNG dual-fuel Aframax tankers and named the world’s first LNG dual-fuel DPSTs
- Received the ISO 37001: 2016 Anti Bribery Management System certification for MISC Berhad and MHBI
- Developed Human Rights Commitment and Modern Slavery Policy and Statement
- Conducted Social Risk Assessment at our operations
- Sustainability discussed as one of the Board’s agenda
- Continuation of the succession planning to ensure all critical positions are filled to avoid business and operational disruption
- Introduction of Talent Management System and MISC Feedback Platform
- RM13.9 million invested in training programmes for the Group
- Continuous implementation of b-HSESE programmes
- Zero fatalities at all our operations
- Achieved further reduction on our carbon emissions intensity for shipping operations
- Established a Biodiversity Conservation Flagship programme
- Joined the Getting to Zero Coalition with the target of getting commercially viable deep sea zero-carbon emission vessels powered by zero emission fuels into operation by 2030
- Collaborating with maritime industry players to develop a zero-carbon emission vessel
- Received Green Seal Green Office Partner certification for AET’s Singapore, London, Houston and Rio de Janeiro offices
- All our fleets are in full compliance with IMO 2020 sulphur cap regulation
- Providing the solution for a cleaner fuel to the maritime industry by offering LNG bunkering capability
- Offering new eco-friendly vessels including LNG dual-fuel system and VOC recovery system to customers
- 353 new cadets enrolled at ALAM, where 200 were sponsored by our subsidiary, Eaglestar
- See Community Investment Programme section on page 70
- See Community Investment Programme section on page 70

**REFERENCE TO OTHER SECTIONS**

- Stakeholder Engagement page 72
- Operating Responsibility page 150
- People Development page 128
- Operating Safety and Sustainability page 136
- Maritime Education and Training page 124
### Delivering Our Strategy

#### OTHER KEY PERFORMANCE INDICATORS AND RESULTS

<table>
<thead>
<tr>
<th>KPI</th>
<th>2018 RESULT</th>
<th>2019 RESULT</th>
<th>2019 RESULT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Net Profit After Tax (NPAT)</td>
<td>RM1,284 million</td>
<td>RM1,436 million</td>
<td></td>
</tr>
<tr>
<td>2. Net Cash Flow from Operations for the year</td>
<td>RM4,099 million</td>
<td>RM5,579 million</td>
<td></td>
</tr>
<tr>
<td><strong>Strategic Initiative</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. CAPEX in new projects that generate secured and recurring income</td>
<td>USD900 million</td>
<td>USD900 million (with another USD300 million announced in February 2020)</td>
<td></td>
</tr>
<tr>
<td><strong>Operations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Vessel availability</td>
<td>100% (LNG) 99% (Petroleum)</td>
<td>98% (LNG) 99% (Petroleum)</td>
<td></td>
</tr>
<tr>
<td>2. Vessel utilisation</td>
<td>98%</td>
<td>99%</td>
<td></td>
</tr>
<tr>
<td>3. Offshore Rotorb uptime</td>
<td>0.67</td>
<td>0.10</td>
<td></td>
</tr>
<tr>
<td><strong>HSSE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Number of fatalities</td>
<td>1</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>2. Number of pollution</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>3. LTRF</td>
<td>0.07</td>
<td>0.27</td>
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</tr>
<tr>
<td>4. TRCF</td>
<td>0.22</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>PEOPLE DEVELOPMENT</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Succession planning</td>
<td>2.3:1</td>
<td>2.3:1</td>
<td></td>
</tr>
<tr>
<td>a. Management committee position</td>
<td>1:1</td>
<td>1.6:1</td>
<td></td>
</tr>
</tbody>
</table>

### COMMUNITY INVESTMENT PROGRAMME

We understand that as a responsible corporate citizen, investing in our communities will help to achieve a positive social impact. On top of ensuring that our community investments benefit the communities, our investments are also aligned to our strategic business context and the broader UN SDGs, as depicted in the table below:

<table>
<thead>
<tr>
<th>COMMUNITY INVESTMENT THEMES</th>
<th>ASPECTS</th>
<th>BENEFIT TO COMMUNITIES</th>
<th>MATERIAL MATTERS</th>
<th><em>RELEVANCE TO STRATEGIC PRIORITIES</em></th>
<th>UNSDG</th>
<th><em>REFERENCE TO OTHER SECTION</em></th>
</tr>
</thead>
<tbody>
<tr>
<td>Biodiversity conservation</td>
<td>• Marine (coral reef) conservation, Ocean plastics</td>
<td>• Increase socio-economic status of the local community</td>
<td>• Ocean health</td>
<td>★ ★ ★</td>
<td>Operating Safety and Sustainability pages 147 to 148</td>
<td>Marine and Heavy Engineering page 113</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Conservation of marine biodiversity</td>
<td>• Employee engagement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Sustainable tourism</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Turtle conservation</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Mangrove conservation (Eco-Knights)</td>
<td>• Protect shorelines by slowing erosion and providing natural barriers for coastal communities</td>
<td></td>
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</tr>
<tr>
<td></td>
<td></td>
<td>• Climate change</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• Employee engagement</td>
<td></td>
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</tr>
<tr>
<td>Education</td>
<td>• “Back to School Programme” - Assistance for school for underprivileged</td>
<td>• Support communities to have better access to education resources</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• Employee engagement</td>
<td></td>
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<tr>
<td>Waste management</td>
<td>• Beach cleaning</td>
<td>• Preventing pollution to the seas</td>
<td></td>
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</tr>
<tr>
<td></td>
<td></td>
<td>• Ocean health</td>
<td></td>
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</tr>
<tr>
<td>Healthcare and water conservation</td>
<td>• “AET Travels the World” campaign to raise money for WaterAid</td>
<td>• Help communities to have better access to clean water and sanitation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Employee health</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Safety and infrastructure</td>
<td>• Fire/Guang emergency preparedness and response</td>
<td>• Support the local agencies to provide a safer environment</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Health and safety</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Port Management &amp; Maritime Services page 123</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Climate change</td>
<td>• Global Maritime Forum (GMF)</td>
<td>• Collaborate with the maritime community through partnership with GMF in shaping the future of the seaborne trade which focuses on climate action, digitalisation and safety</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td></td>
<td>• Climate change</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Digitalisation and innovation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Relevance to strategic priorities: ★ ★ ★ high ★ ★ moderate ★ low
### Stakeholder Engagement

**An important part of sustainability is the stakeholder engagement process to facilitate open dialogue as well as effective and ongoing communication. This is to promote better understanding and collaboration to achieve the best possible outcomes.**

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. MISC engages with our stakeholders on a regular basis or as and when required, meeting each stakeholder group at least once a year.

Material matters discussed during the various stakeholder engagements have been identified and prioritised based on their relative importance to stakeholders and their impact on MISC.

The table on the right sets out our stakeholder engagement activities throughout the year.

<table>
<thead>
<tr>
<th>STAKEHOLDER GROUPS</th>
<th>METHODS OF ENGAGEMENT</th>
<th>ISSUES/TOPICS DISCUSSED DURING THE ENGAGEMENTS</th>
<th>MATERIAL MATTERS</th>
</tr>
</thead>
</table>
| Shareholders, investors and analysts | • Monthly reports/newsletters  
• Analyst briefings  
• Board meetings  
• Annual General Meeting  
• Group and one-on-one meetings  
• Investors and Analysts  
• Maritime day  
• Broker engagement sessions | • Financial and operational performance, future plans, strategies and prospects of MISC  
• Business development and market outlook | • Project and financial performance  
• Values and governance |
| Employees | • Bankers’ engagement events  
• Townhall  
• Family day  
• Team building day  
• Newsletter and alerts  
• Ratings Seminar, Junior and Senior Officers Management Conference  
• Surveys  
• Management walkthroughs  
• Awareness sessions  
• Roadshows | • Business development and market outlook  
• Sustainability agenda of the organisation  
• Competitive remuneration and employment conditions  
• Career development and growth opportunities  
• Health, safety, security and environment management  
• Market outlook and opportunities | • Climate change  
• Diversity and inclusion |
| Customers | • Customers’ appreciation events  
• Meetings  
• Conferences  
• Site visits  
• Surveys and feedback | • Market outlook  
• Business development and opportunities  
• Business collaboration  
• Customers satisfaction  
• Service experience | • Values and governance  
• Skilled workforce  
• Natural resource use  
• Health and safety |
| Government/Regulatory Authorities | • Meetings  
• Forums  
• Site visits  
• Audits  
• Events  
• Steering committees | • Strategies to support the development of the shipping sector  
• New business opportunities  
• New regulatory requirements  
• Market outlook  
• Business development and opportunities  
• Business collaboration  
• Development of capabilities and courses | • Values and governance  
• Skilled workforce  
• Business knowledge and expertise  
• Health and safety |
| Business Partners | • Meetings  
• Conference calls  
• Site visits  
• Business partners events  
• Site visits | • Business development and opportunities  
• Business collaboration  
• Market outlook | • Project and financial performance  
• Values and governance  
• Skilled workforce  
• Business knowledge and expertise  |
| Suppliers | • Meetings  
• Forums  | • Sustainability agenda of the organisation  
• Supply chain management | • Values and governance  
• Natural resource use  
• Climate change |
| Industry Peers | • Forums  
• Seminars  
• Workshops | • Challenges in maritime industry  
• Emerging risks  
• New regulatory requirements  
• Availability of new technologies | • Health and safety  
• Climate change  
• Digitalisation and innovation  
• Diversity and inclusion |
| Community, NGOs and the Public | • Community outreach programme  
• School programme  
• Beach cleaning  
• Fundraising  
• Blood donation  
• Whistleblowing channels | • Community outreach  
• Youth development  
• Maritime industry education  
• Awareness on environment and health  
• Business development and opportunities  
• Market outlook | • Climate change  
• Natural resource use  
• Diversity and inclusion  
• Values and governance |
| Media | • Interview  
• Press releases | • Business development and opportunities  
• Market outlook | • Project and financial performance  
• Business knowledge and expertise |

**PEOPLE. PASSION. POSSIBILITIES**

**STAKEHOLDER GROUPS**  
**METHODS OF ENGAGEMENT**  
**ISSUES/TOPICS DISCUSSED DURING THE ENGAGEMENTS**  
**MATERIAL MATTERS**
Stakeholder Engagement

MISC understands that engaging with our shareholders and investors is important to increase transparency and build trust. In 2019, we held an Investors and Analysts Maritime Day where we invited investors and analysts to our maritime training and education academy, ALAM, in Melaka. The event was held to provide a better understanding of the businesses within the MISC group of companies and the sustainable value we create for our stakeholders.

In conjunction with the World Maritime Week Forum in 2019, MISC organised a HSSE Forum, with the theme of “Together Towards HSSE Excellence”. The highlight of the event was a strategic panel discussion, led by Captain Sachithananthan Athinalingam, MISC Head of GHSSE, titled “Commitment Towards UNSDG in Maritime Industry”. Members of the panel consisted of UNSDG specialists from PETRONAS, UNDP, KPMG and MISC. The key takeaway from the forum was that all stakeholders need to collaborate with each other to ensure a safe, healthy and sustainable future.

MISC is a strategic partner of the Global Maritime Forum, an international not-for-profit organisation, committed to shaping the future of global seaborne trade to increase sustainable long-term economic development and human well-being in the future. Our President/Group CEO, Yee Yang Chien, is a member of the Advisory Council along with other senior stakeholders and leading experts in the maritime industry.

MISC is also a founding member of the Getting to Zero Coalition, an alliance of more than 70 public and private organisations that will lead the push for international shipping’s decarbonisation and is committed to making this target a reality by getting commercially viable deep-sea zero carbon emission vessels powered by zero emission fuels into operation by 2030.

2019 INVESTORS & ANALYSTS MARITIME DAY

4 DECEMBER 2019

AKADEMI LAUT MALAYSIA (ALAM), MELAKA

16 NUMBER OF ORGANISATIONS

88% SATISFACTION RATE
Going forward, we will strive to maintain our strong operating cash flow position and create more value for our shareholders.

Shipping is the most cost-effective way to move goods and raw materials around the world.
The Group’s healthy cash position is supported by the steady cash flow generated from the Offshore and LNG segments’ long term portfolio of contracts.

RAJA AZLAN SHAH RAJA AZWA
Vice President, Finance

2019 was overall a very good year for MISC that was defined financially by stronger revenue, profits and cash flows from operations as well as a low gearing ratio and an increase in dividends. The year ended with a healthy cash position, strong balance sheet and recurring cash flows that will continue to support the business in the years to come.

We had several major successes in the core business segments, where we secured long-term charter contracts for four LNG carriers, two of which are through our partnership with NYK and Mitsubishi, one LNG Bunkering Vessel contract through our partnership with Avenir, three DPSTs in 2019 and another three DPSTs in 2020, as well as several heavy engineering contracts, which will contribute to our secured income growth for 2020 and beyond.

The positive performance and higher profits for 2019 were mainly contributed by our LNG Asset Solutions (LNG) and Petroleum & Product Shipping (Petroleum) segments, from redeployment of vessels previously on charter suspension, and higher freight rates realised. The higher profits and cash flow from operations were generated despite higher vessel impairments and lower gain on business acquisitions during 2019.

An accurate measurement for our performance is cash flow from operations which saw a 36% increase over the previous year. 25% increase in cash flows from operations is contributed by improved operating results as mentioned earlier whereas the additional 11% is coming from cash flow reclassification arising from new accounting standard requirements.

As a result of the increase in cash flow from operations for the year, and after taking into consideration MISC’s forecasted cash flow from operations and future capital expenditure requirements, MISC declared a special dividend of 3 sen which increased the dividends payout this year to 33 sen in total for the year compared to 30 sen in the previous year. Going forward, we will strive to maintain our strong operating cash flow position and create more value for our shareholders.

The strong financial health of MISC is a result of the effective and robust execution of financial risk management. We have established a strict project risk assessment process that looks at the contractual, project, execution and financial risks on a very disciplined basis. This then facilitates the matching of the targeted return to the relative risks of the projects which we are quite disciplined and conscientious about.

Complementing that is the very good relationship MISC has with the global banks, while operating as a USD company and borrowing in USD provides us with a competitive cost of funds, which allows us to reduce our cost of financing.

It is also a very fortuitous time to be part of MISC because we have a very low gearing ratio, with a gross gearing ratio of about 37% and not gearing ratio of about 17%. With this ample debt headroom, we are also among the best global banks, while operating as a USD company and borrowing in USD provides us with a competitive cost of funds, which allows us to reduce our cost of financing.

Moving forward, we expect 2020 to be another good year for MISC. With most of our LNG and Offshore assets tied to long-term contracts, we believe that the earnings from 2019 can be sustained in 2020 and with the seven DPSTs that will be delivered in 2020, these will add further growth to our secured income. We will continue to pursue contract opportunities, specifically on non-conventional LNG solutions contracts, and the first Brazilian deepwater FPSO contract for our Offshore Business (Offshore) segment in line with MISC’s strategy to achieve a sustainable level of secured income.

However, there are some areas of concern including our ability to sustain MISC’s earnings in the future. Nevertheless, MISC has been able to secure several new long-term contracts in order to replenish as well as to grow our base of secured income. Currently, we have four LNG carriers and 13 DPSTs to be delivered between 2020 and 2023, as well as a RM3.0 billion order book in our Marine & Heavy Engineering (Heavy Engineering) segment.

The volatility of the market is also a concern as factors such as geopolitical events has an impact on our charter rates and our revenues. This is one of the reasons why we are moving towards secured income and minimizing our exposurs to the spot market volatility.

Digital disruption is also something that we must be able to keep up with, and to embrace this change and strive for continuous improvement in our business processes, we have embarked on digital transformation processes in which we strive to improve our efficiency and effectiveness to better service our customers.

Last but not least, we hope to be able to retain as well as attract the right talent to support the growth ambitions of the Company.

For the financial year ended 31 December 2019 (FY2019), Group revenue of RM8,962.7 million was 2.1% higher than the financial year ended 31 December 2018 (FY2018) revenue of RM8,780.3 million. The increase in revenue was mainly from higher number of operating vessels in the LNG segment following redeployment of vessels previously on charter suspension and acquisition of two LNG carriers, whereby one carrier was acquired in December 2018 and the other carrier was acquired in January 2019. Higher revenue from dry dockings services and conversion works from the Heavy Engineering segment also contributed to the higher revenue in the current year.

RAJA AZLAN SHAH RAJA AZWA
Vice President, Finance

Our Results

<table>
<thead>
<tr>
<th>Financial Results</th>
<th>FY2019</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>RM8,962.7 million</td>
<td>RM8,780.3 million</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>RM1,929.3 million</td>
<td>RM1,512.3 million</td>
</tr>
<tr>
<td>Profit Before Tax</td>
<td>RM1,512.3 million</td>
<td>RM1,466.4 million</td>
</tr>
<tr>
<td>Dividends</td>
<td>RM1,473.0 million</td>
<td>RM1,399.1 million</td>
</tr>
</tbody>
</table>

Highlights of Financial Performance

For the financial year ended 31 December 2019 (FY2019), Group revenue of RM8,962.7 million was 2.1% higher than the financial year ended 31 December 2018 (FY2018) revenue of RM8,780.3 million. The increase in revenue was mainly from higher number of operating vessels in the LNG segment following redeployment of vessels previously on charter suspension and acquisition of two LNG carriers, whereby one carrier was acquired in December 2018 and the other carrier was acquired in January 2019. Higher revenue from dry dockings services and conversion works from the Heavy Engineering segment also contributed to the higher revenue in the current year.
Group Financial Review

Operating Profit

Group operating profit of RM1,929.3 million was 31.6% higher than FY2018 operating profit of RM1,466.4 million mainly driven by higher margin on freight rates achieved in Petroleum segment and higher revenue in the LNG segment, combined with lower losses in the Heavy Engineering segment from its conversion works and lower unabsorbed overheads.

Profit Before Tax

Group profit before tax of RM1,512.3 million was 12.5% higher than FY2018 profit before tax of RM1,344.1 million largely from higher operating profit recorded in the current financial year but was partially offset by higher impairment recorded in the current financial year.

Earnings Per Share (Sen)

Profit attributable to the equity holders of the Corporation amounting to RM1,426.4 million translates to earnings per share of 32.0 sen in FY2019 as opposed to 29.4 sen in FY2018.

Dividends

In respect of FY2019, the Board had approved and declared on quarterly basis a total tax exempt dividend of 30.0 sen per share. In addition to the quarterly dividends, a special dividend of 3.0 sen per share was also approved and declared by the Board, making a total approved and declared tax exempt dividend of 33.0 sen per share or RM1,473.0 million in respect of FY2019. This was higher than the dividend declared and paid in respect of FY2018 of 30.0 sen per share or RM1,339.1 million. The special dividend was approved and declared by the Board due to surplus cash in excess of the foreseeable requirements of the Group.

Segmental Performance – FY2019

<table>
<thead>
<tr>
<th>Segment</th>
<th>Revenue</th>
<th>Operating Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>LNG</td>
<td>RM2,582.1</td>
<td>RM1,190.4</td>
</tr>
<tr>
<td>Petroleum</td>
<td>RM4,304.8</td>
<td>RM360.4</td>
</tr>
<tr>
<td>Offshore</td>
<td>RM1,086.2</td>
<td>RM495.4</td>
</tr>
<tr>
<td>Heavy Engineering</td>
<td>RM1,009.8</td>
<td>RM40.5</td>
</tr>
</tbody>
</table>

Revenue of RM2,582.1 million was 10.0% higher than the corresponding year’s revenue of RM2,346.3 million, mainly from higher number of operating vessels in the current year following acquisition of two LNG carriers, whereby one carrier was acquired in December 2018 and the other carrier was acquired in January 2019, and redeployment of vessels previously on charter suspension.

LNG operating profit of RM1,190.4 million was RM205.8 million or 20.9% higher than the corresponding year’s profit of RM984.6 million, mainly from higher revenue as explained above coupled with additional charter rate for Floating Storage Units (FSU).

Petroleum revenue of RM4,304.8 million was 0.2% lower than the corresponding year’s revenue of RM4,312.8 million, mainly due to lower number of vessels. However, the reduction in revenue is cushioned by higher freight rates secured in the current year.

Petroleum segment recorded an operating profit of RM360.4 million compared to the corresponding year’s loss of RM123.3 million, mainly from higher margin on freight rates in the current year.

Offshore Revenue of RM1,086.2 million was 9.2% lower than the corresponding year’s revenue of RM1,196.0 million as the corresponding year included construction revenue of Floating, Storage and Offloading (FSO) Benchamas 2 which was completed in May 2018 and one-time reimbursement cost on towing and installation of a project. However, the reduction in revenue is partially negated by the one-time reimbursement cost on upgrading works for an FPSO recorded in the current year.

Offshore operating profit of RM495.4 million was RM66.4 million or 11.8% lower than the corresponding year’s profits of RM561.8 million, mainly due to lower revenue as explained above coupled with recognition of demobilisation costs in the current year.

Heavy Engineering Heavy Engineering revenue of RM1,009.8 million was 3.6% higher than the corresponding year’s revenue of RM974.3 million, mainly due to higher revenue from dry docking services on LNG carriers and conversion works.

Heavy Engineering segment recorded a lower operating loss of RM40.5 million compared to corresponding year’s loss of RM124.6 million, mainly due to higher revenue as explained above coupled with lower unabsorbed overheads in the Marine sub-segment.
Group Financial Review

Financial Position

Total Assets
Group total assets as at 31 December 2019 of RM51,863.8 million was 0.4% lower than RM52,065.3 million as at 31 December 2018. The decrease in Group total assets was mainly due to amortisation of finance lease receivables coupled with the disposals and impairment loss on ships and offshore floating assets during the year.

Total Liabilities
Group total liabilities of RM16,110.1 million as at 31 December 2019 was 2.6% higher than RM15,701.2 million as at 31 December 2018 mainly due to increase in interest-bearing loans and borrowings.

Shareholders’ Equity
Shareholders’ equity of RM34,727.2 million as at 31 December 2019 was 1.8% lower than RM35,351.1 million as at 31 December 2018. The decrease in shareholders’ equity was mainly due to currency translation loss as Malaysian Ringgit (RM) strengthened against the United States Dollar (USD) during the year and total dividend paid by the Corporation of RM1,339.1 million in FY2019.

Net Debt/Equity Ratio
The Group’s net debt-to-equity ratio of 0.17 as at 31 December 2019 was lower compared to 0.20 as at 31 December 2018 following increase in total cash, deposits and bank balances during the year under review.

Cash Flow
Group’s cash generated from operating activities increased by 36% or RM1,479.9 million to RM5,579.1 million in the current year from RM4,099.2 million in the previous financial year. 25% of the increase in the cash generated from operating activities is mainly from higher net inflows in all the business segments whereas the additional 11% is coming from cash flow reclassification arising from new accounting standard requirements. The Group’s healthy cash position is supported by the steady cash flow generated from the Offshore and LNG segments’ long-term portfolio of contracts.

Capital Expenditure
The Group’s approved and contracted committed capital expenditure as at the end of FY2019 stood at RM4,228.5 million. Based on our strong cash position as at the end of FY2019 and existing funding facilities, the Group should be able to fund committed capital expenditure and planned growth plans.

Details of the Group’s financial position as at 31 December 2019 can be found on pages 243 to 245 of this Annual Report.

Details of the Group’s cash flows for the year ended 31 December 2019 can be found on pages 249 to 252 of this Annual Report.

Details of the Group’s capital commitments as at 31 December 2019 can be found on page 336 of this Annual Report.

Financial Calendar

FINANCIAL PERIOD
1 January 2019 to 31 December 2019

ANNOUNCEMENTS OF FINANCIAL RESULTS

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Announcement Date</th>
<th>Payment Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Quarter</td>
<td>24 May 2019</td>
<td>25 June 2019</td>
</tr>
<tr>
<td>Second Quarter</td>
<td>14 August 2019</td>
<td>18 September 2019</td>
</tr>
<tr>
<td>Third Quarter</td>
<td>13 November 2019</td>
<td>10 December 2019</td>
</tr>
<tr>
<td>Fourth Quarter</td>
<td>18 February 2020</td>
<td>17 March 2020</td>
</tr>
</tbody>
</table>

ANNOUNCEMENT OF TAX EXEMPT DIVIDENDS

<table>
<thead>
<tr>
<th>Dividend</th>
<th>Announcement Date</th>
<th>Payment Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Dividend</td>
<td>24 May 2019</td>
<td>25 June 2019</td>
</tr>
<tr>
<td>Second Dividend</td>
<td>14 August 2019</td>
<td>18 September 2019</td>
</tr>
<tr>
<td>Third Dividend</td>
<td>13 November 2019</td>
<td>10 December 2019</td>
</tr>
<tr>
<td>Special Dividend</td>
<td>18 February 2020</td>
<td>17 March 2020</td>
</tr>
</tbody>
</table>
Five-Year Group Financial Performance

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>8,962.7</td>
<td>8,780.3</td>
<td>10,068.2</td>
<td>9,597.2</td>
<td>10,908.4</td>
</tr>
<tr>
<td>Operating profit</td>
<td>1,929.3</td>
<td>1,466.4</td>
<td>2,733.6</td>
<td>2,228.8</td>
<td>2,782.6</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>1,512.3</td>
<td>1,344.1</td>
<td>2,003.6</td>
<td>2,814.0</td>
<td>2,566.9</td>
</tr>
<tr>
<td>Profit after taxation</td>
<td>1,426.4</td>
<td>1,311.5</td>
<td>1,961.5</td>
<td>2,581.6</td>
<td>2,467.8</td>
</tr>
<tr>
<td>Dividends paid during the year</td>
<td>1,339.1</td>
<td>1,339.1</td>
<td>1,339.1</td>
<td>1,830.2</td>
<td>1,450.7</td>
</tr>
<tr>
<td>Earnings per share (sen)</td>
<td>32.0</td>
<td>29.4</td>
<td>44.4</td>
<td>57.8</td>
<td>55.3</td>
</tr>
<tr>
<td>Total assets</td>
<td>51,863.8</td>
<td>52,065.3</td>
<td>50,469.8</td>
<td>56,151.3</td>
<td>47,539.1</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>16,110.1</td>
<td>15,701.2</td>
<td>14,565.0</td>
<td>16,820.3</td>
<td>11,079.9</td>
</tr>
<tr>
<td>Shareholders' equity</td>
<td>34,752.2</td>
<td>36,364.1</td>
<td>35,804.8</td>
<td>39,330.9</td>
<td>36,460.2</td>
</tr>
<tr>
<td>Total borrowings</td>
<td>13,152.2</td>
<td>13,049.9</td>
<td>11,663.9</td>
<td>12,601.5</td>
<td>6,504.4</td>
</tr>
<tr>
<td>Net tangible assets per share (sen)</td>
<td>782.1</td>
<td>730.4</td>
<td>756.4</td>
<td>860.1</td>
<td>796.0</td>
</tr>
<tr>
<td>Gross debt/equity ratio (times)</td>
<td>0.37</td>
<td>0.36</td>
<td>0.32</td>
<td>0.32</td>
<td>0.18</td>
</tr>
<tr>
<td>Net debt/equity ratio (times)</td>
<td>0.17</td>
<td>0.20</td>
<td>0.16</td>
<td>0.15</td>
<td>0.02</td>
</tr>
<tr>
<td>Interest cover ratio (times)</td>
<td>4.5</td>
<td>4.4</td>
<td>11.0</td>
<td>10.2</td>
<td>14.0</td>
</tr>
</tbody>
</table>

Notes:
(1) Earnings Per Share (EPS) has been calculated using the weighted average number of ordinary shares in issue during the financial year.
(2) Excluding gain on acquisition of businesses, net gain/(loss) on disposal of ships and offshore floating assets and impairment provisions.
MISC Group delivered another solid performance in 2019 and we have made good progress on our strategic initiatives as well as remaining on course in our long-term growth agenda.
MISC’s LNG Asset Solutions segment possesses more than three decades of distinguished reputation as a global industry leader in safe and efficient transportation of LNG. With a proven track record of operational excellence, reliability, safety and on-time cargo deliveries, we are well-positioned to capitalise on emerging opportunities including non-conventional LNG solutions by leveraging on our in-house technical and ship management capabilities as well as the expertise in project management for newbuildings and refurbishment projects.
Management Discussion & Analysis

LNG Asset Solutions

2019 was an exceptionally successful year for LNG Business as we achieved significant milestones that aligned with MISC’s strategic priorities of diversifying its business ventures, expanding its third-party portfolios as well as broadening its revenue sources.

Vice President’s Remarks

ZAHID OSMAN
Vice President, LNG Business

2019 was an exceptionally successful year for LNG Business as we achieved significant milestones that aligned with MISC’s strategic priorities of diversifying its business ventures, expanding its third-party portfolios as well as broadening its revenue sources.

The gas and LNG markets continue to evolve and expand. The market is becoming more competitive with a high number of new entrants, contract periods becoming shorter and customers demanding very competitive charter rates. The spot and short-term markets are expanding, and seasonal fluctuations will remain as a permanent fixture. Currently, spot and short-term markets account for about 32% of global LNG trade. That number is expected to grow bigger in the near term. The increasing numbers of flexible LNG contracts and the emergence of portfolio players are driving such growth. Notwithstanding such growth, 90% of our current LNG assets are on secured long-term charters. This provides a very competitive charter rate. The spot and short-term market is becoming more competitive with a high number of new entrants, contract periods becoming shorter and customers demanding very competitive charter rates.

Compared to a year ago, gas continues to be the preferred partner to renewable energy while dominating the growth in the fossil fuel segment. LNG demand is expected to grow between 2% and 5% annually in the next 10 to 15 years. To meet that rapidly growing demand, we anticipate global LNG liquefaction capacity to grow by more than 50% between now and 2025. That is equivalent to about 200 million metric tonnes per annum (MMtpa) of new capacity. To support these new volumes coming into the market, industry analysts estimate that about 150 new LNG vessels will be required.

Furthermore, Asia will continue to attract the biggest share of new LNG demand due to its economic growth and lack of gas infrastructure. During 2019, key milestones were achieved by MISC on the expansion of MISC’s third-party LNG business with the signing of long-term charter contracts for two LNG carriers with Seaspan LNG (a wholly-owned subsidiary of ExxonMobil Corporation) and the formation of a joint venture partnership with Mitsui & Company Corporation and Nippon Yusen Kabushiki Kaisha (NYK) to co-own two newbuild LNG vessels mainly for the LNG Canada project.

In addition to the above, we have made a major breakthrough in broadening our revenue sources through non-conventional LNG solutions when we secured a time charter contract with PETHNAS in collaboration with Aveva LNG for their first LNG bunkering operations in the region. This is a momentous achievement considering that LNG business segment’s focus in the past has always been in conventional LNG shipping.

Growing our asset portfolio is through investment in conventional shipping and non-conventional LNG asset-based solutions like LNG bunkering vessel, FSRU, and small to mid-sized LNG vessel. We are pursuing opportunities to grow the business in the small to mid-sized LNG vessels in Asia Pacific especially for the China market as the demand for small-scale vessels is on the rise due to the physical limitations at the terminals.

There are tremendous opportunities in the non-conventional LNG solutions as a result of a stronger push for cleaner energy and environmental concerns by society and regulators. Our effort in pursuing opportunities in LPG, LNG bunkering vessels and new gas carriers matches the needs for more infrastructure that support delivery of cleaner energy.

Our last strategic priority will involve tapping into our market expertise and technical know-how to innovate and commercialise solutions that will enable MISC to penetrate new markets and generate additional revenue streams.

At the end of the day, we aim to have a more balanced asset portfolio between conventional LNG shipping and non-conventional solutions that add resilience to our secured income base. Furthermore, the introduction of new LNG vessels will help us to high-grade our asset portfolio.

For 2020, we will continue to build on the foundation of the success that we have secured in 2019. Our people are motivated, proactive and results driven. We will continue to strengthen their competencies in all areas especially business development and technology maturation.

There are many opportunities that we are pursuing and new technological solutions that we are considering. In supporting this, it is crucial for us to have the ability to make fast decisions on the opportunity. With the calculated risk taken, we will be able to learn fast from the hurdles that we have encountered and move on to the next one swiftly.

In addition to strengthening key competencies, we intend to improve the way we assess and evaluate opportunities and business risks by simplifying the process and shortening the duration required without compromising the quality of our risk assessment. We hope to learn and incorporate lessons learnt and best practices into our next opportunities.

As the energy requirements of a rapidly changing world continue to transform and present new challenges to the global energy supply chain, we strongly believe that there are various opportunities possible for MISC to support its aspiration for a sustainable future in the LNG shipping industry.
Management Discussion & Analysis

LNG Asset Solutions

Market Review

Global LNG trade grew by a record amount in 2019, surpassing the previous record set in 2010 at the height of the Qatari megatrain projects. The net global LNG trade rose by 13% year-on-year.

On global LNG supply, although the US (15%) and Russia (8%) led the charge to commission the largest volume of new LNG supply, it was Australia (22%) that took the crown for the world’s largest LNG exporter of 2019, replacing Qatar (21%) for the first time in a decade.

On the demand side, Japan remains the largest importer of LNG, accounting for LNG imports with 22%, followed by China (17%) and South Korea (11%). China’s import growth, though no longer the fastest growing market, was still robust at 14% year-on-year. LNG’s import growth was largely driven by Europe’s ability to absorb LNG volumes with a 67% year-on-year increment.

The year 2019 marked a ‘year of records in the LNG industry’. The year produced the highest level of liquefaction final investment decisions (FIDs). Total sanctioned capacity was 70 MMtpa in 2019—surpassing the preceding all-time high of 60 MMtpa reached in 2006. 2019 also marked the highest volume of liquefaction start-ups with 39 MMtpa of commercial starts in 2019—nearly surpassing the record set in 2009 of 38 MMtpa.

As the LNG market dealt with a growing surplus of LNG supply in 2019, the spot and short-term market was vital in balancing global LNG trade. Many carriers found home in the flexible and liquid short-term markets of Europe. The volume of LNG delivered under spot or short-term contracts more than tripled since 2009, and new accounts for 30% of total global LNG trade.

With the development of LNG projects progressing to reach FIDs at greater pace, demand for LNG shipping is expected to grow to support this new requirement. A multi of new orders at the end of the year helped push the LNG shipping orders total for 2019 to 50 conventional LNG ships. LNG ship deliveries came to a total of 41 conventional LNG ships added to the fleet in 2019. This brings the total number of active LNG ships in the market to 400.

Charterers continue to opt for more efficient vessels and shorter long-term charter periods (five to 10 years) resulting in increased uncertainty in terms of investment return and higher asset residual value risk to ship owners. Although the prevailing market continues to be more competitive, the outlook for the LNG industry is promising with additions of new supplies and compliances to environmental regulation promoting its use. The LNG shipping market will continue to expand and innovate to support this development.

Key Developments

In 2019, we have successfully secured time charter contracts with ExxonMobil Corporation’s wholly owned subsidiary, SasolMarine Maritime L.L.C for two LNG carriers to be chartered out for 15 years starting from the first quarter of 2023.

Another notable highlight in 2019 was a partnership with Mitsubishi Corporation and NYK to jointly co-own two LNG carriers that will be delivered in 2021 and to be chartered out for a period of 18 years.

In line with our strategic priorities to develop non-conventional LNG solutions to broaden revenue streams, we secured a time charter party with PETRONAS in collaboration with Avenir LNG to provide one LNG bunker vessel (LBV) for 3 years beginning the first quarter of 2020. This marks our first venture into LNG bunkering business and this strategic development will support our expansion into non-conventional LNG solutions.

In 2019, we have continued our efforts to enhance our market presence by participating in pre-qualifications and tenders for LNG shipping. LBVs and keel-laid ethane carrier requirements globally as to ensure that it is able to maintain its long-term revenue and profit stream. We also continued to expand our international footprint in 2019 to North and South Americas via our spot vessels.

Moving Forward

The LNG market continues to grow in response to strong demand mainly from Asia that currently accounts more than half of global LNG imports. As such, we see a sustainable future both for the business and environment. Those are driven by the demands for fuel switching, green policies and economic growth.

FIDs of new supply projects are expected to remain strong in 2020 reaching ~60 MMtpa, with Qatar (20.2 MMtpa), Mozambique (15.2 MMtpa), Port Arthur LNG in the US (11 MMtpa), Rovuma LNG in Mozambique (15.2 MMtpa), and several smaller projects close to investment decisions.

The expected demand growth provides significant opportunities for investment in L2P projects. Despite the challenges in terms of LNG competing with coal and other renewable energy sources, the strong policies implemented by the governments will drive the demand for clean energy and this is complimented by the competitive price of LNG against fossil fuel as well as the abundance of its supply.

With the conventional LNG shipping becoming increasingly competitive, market players have also aggressively focused into new ventures such as FSRU and LNG bunkering. We are expecting a lot more developments, especially in LNG bunkering infrastructures and LNG-fuelled vessels following the implementation of the IMO 2020 sulphur cap regulation.

The continuous focus on strategic priorities coupled with our proven track record on technical know-how, will put MISC in the best position to capitalise on the opportunities presented by these developments in the industry.

At the end of their lifespan, vessels can be converted for other use in the energy industry.
The Petroleum & Product Shipping segment helmed by AET continues to strengthen its reputation as one of the leading providers of safe, high quality and comprehensive maritime transport, and specialist energy maritime logistics services to the global energy industry.

Over the years we have developed our leadership presence in various segments of our global business, including strengthening our strategic presence in VLCCs and mid-size tankers, growing our partnerships in the dynamic positioning shuttle tankers (DPST) space in Latin America and the North Sea, and expanding our lightering services in the US Gulf and Latin America. AET is also the only tanker company worldwide to possess MCV for marine well blowout containment systems in the US Gulf.


**KEY HIGHLIGHTS**

Owner and operator of the first and only Two Modular Capture Vessels (MCVs) in the world

Ship naming of the World’s first 2 LNG dual-fuel DPSTs

Market leader in Lightering Operations in the US Gulf

Awarded Chamber of Shipping of America Jones F. Devlin Awards for 60 vessels

Environmental Achievement Awards for 59 vessels, of which 18 vessels have held the rank for 10 years or more

Global offices in Singapore, London, Houston and Rio de Janeiro

Green Seal Certified

**FINANCIAL PERFORMANCE**

Revenue RM4,305 million

Operating Profit RM360 million
The year 2019 saw AET undergoing a successful transformation and it was a year of positive progress despite a challenging external environment. What we achieved during this year was the result of the solid commitment, passion and determination of our people that has brought the company to where it is today.

When we set sail in the beginning of the year, we faced global uncertainties due to geopolitical tensions, sanctions being implemented on certain countries and increasing regulatory and legislative changes, as well as an unclear financing market. However, there was also a lot of positivity and tailwinds that came our way resulting in a better-than-expected performance in terms of financial returns, capital expenditure and opportunities for the decade ahead.

We realised that we needed to expand our horizons and strengthen our business portfolio. This was done by mitigating market risks and placing ourselves in the position to take on any market recoveries. We were also cautiously optimistic that the second half of the year would bring the IMO 2020 sulphur cap regulations as well as the 2030 and 2050 carbon emission reduction targets. When we took the initiative to switch our tankers to LNG dual-fuel back in 2017, we were one of the first in the tanker space to do so and while most of the industry was looking at 2020 compliance, we were already preparing for 2030. That required us to take on a fuel supply security risk, but we transformed that into a price risk which fortunately, turned out positive as LNG fuel prices were within our estimated forecasts.

What we did in 2019 included tactical manoeuvres to capitalise on opportunities and ultimately, the returns that we expect. What we will not do, however, is compromise on our standards in the risks that we take as we pride ourselves on our operational standards that are second to none.

We got to where we are today by focusing on our strategic priority to secure more long-term time-charter contracts with a premium by working with top-tier clients and expanding rich market assets such as the shuttle tanker market. We have also replicated business models that have proven successful in other growth areas for the new markets we entered, in compliance with local legislation.

The client portfolio was also prioritised in terms of returns and we offered them integrated solutions. As a result, our select clients and stakeholders now have even more confidence in us.

We also made efforts to meet the environmental targets in compliance with the IMO’s 2020 sulphur cap regulations as well as the 2030 and 2050 carbon reduction targets. We were one of the first in the tanker space to do so and while most of the industry was looking at 2020 compliance, we were already preparing for 2030. That required us to take on a fuel supply security risk, but we transformed that into a price risk which fortunately, turned out positive as LNG fuel prices were within our estimated forecasts.

Additionally, in our efforts to reduce environmental emissions from our fleet, we witnessed the momentous occasion of the naming ceremony for our two ships, which are the most energy efficient LNG dual-fuel DPSTs ever built in the world. These are among the wins that primed AET for success over 2018 and 2019. These vessels are proof that environmental sustainability and commercial viability can coexist.

Looking ahead, as far as our fleet portfolio is concerned, when considering new vessels or projects, we are looking at what is going to bring the IMO 2020 greenhouse gas emissions targets within our striking distance.

We are prioritising projects that have an LNG dual-fuel element. With significantly lower emissions, widespread availability and assurance of supply as well as proven commercial viability for a wide range of vessels and trades, LNG is the best option we currently have before zero-carbon fueling solutions become viable for all shipowners.

Our lightering business continues to be a core service in the US Gulf and also in Latin America, where we are now an emerging player in Brazil. We continue to maintain our service delivery standards and on-time performance in this region by replicating the business model we used in the US Gulf for other growth areas. Our WOC and Suauzeax fleet with a global footprint continues to serve a wide range of customers worldwide. The Product fleet employed in short to long-term charters and on-time performance in this region by replicating the business model we used in the US Gulf for other growth areas. Our WOC and Suauzeax fleet with a global footprint continues to serve a wide range of customers worldwide.

Our product fleet is proving to be a core service in the US Gulf and also in Latin America, where we are now an emerging player in Brazil. We continue to maintain our service delivery standards and on-time performance in this region by replicating the business model we used in the US Gulf for other growth areas. Our WOC and Suauzeax fleet with a global footprint continues to serve a wide range of customers worldwide. Our Product fleet employed in short to long-term charters and on-time performance in this region by replicating the business model we used in the US Gulf for other growth areas. Our WOC and Suauzeax fleet with a global footprint continues to serve a wide range of customers worldwide.

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The social and relationship aspect, building relationships with banks and other international finance houses has always been one of our key focus areas. We are very fortunate that we have a very good relationship with our banks who trust us, appreciate and understand how we work and how we risk our ventures. Our relationship is further bolstered by the fact that we have a strong balance sheet, our gearing ratio is relatively low when compared to the industry and we have good visibility over our cash flow - all enabling us to get very competitive long-term rates for our financing purposes.

But the major focus has always been on our people – the success of 2019 was mainly due to the dedication and perseverance of our team, who have experienced both failure and success, as they worked cohesively to focus on how we can convert our passion, possibilities and opportunities into contracts. I am also very proud of the gender diversity in the team across all corporate functions and front-line business, with one fourth of middle management being women, all of whom are appointed purely on merit. The world has to be more inclusive and give equal opportunities for all genders and that is one of AET’s key philosophies.

We ended the year on a high note with the announcement of the award for three long-term charter contracts from Shell to provide and operate three Suauzeax-class DPSTs. The award for long-term charter contracts by Brazil’s Petrobras for three Suauzeax-class DPSTs soon followed suit in February 2020 and all these newbuilds will be delivered in 2022 for operations in international and Brazilian waters.

It was certainly a great year in 2019 and an exciting start to 2020 with such great momentum. We are exhilarated with the awards won and we are honoured once again that AET has won new valued contracts from premium clients in the energy segment. These long-term time charter contracts will reinstate our position as one of the global market leaders in the niche DPST market. It will also strengthen our position as being among the world’s leading international petroleum shipping solutions providers.

AET was once ranked seventh in the shuttle tanker space but with the contracts that we have won in recent years, we will be ranked third in the world by 2020. We currently operate in Brazil and alongside the other big players in the North Sea, but we believe we have the potential to do more.

Therefore, for 2020 and beyond, we are preparing ourselves for the next phase of the energy business, evaluating and prioritising opportunities. We are also looking at growth through joint ventures because while we know there is growth potential in that space, we also realise that we will not be able to do everything on our own.

We will continue to experiment with geographical uncertainties and oil price fluctuation. However, despite these challenges, I see a lot of opportunities ahead and I am confident that our clients will continue with us on our journey as they have seen our strengths and the eco-system within which we operate.

The broader agenda is to create value to build a better world and AET will be contributing its part in the maritime space as we take on a larger global role.

AET has come a long way in the past 25 years during which we have developed and grown from a boutique lightering company operating exclusively in the US Gulf into the global entity that we are today. The pioneering spirit that we started out with will always inspire us, it is the passion and commitment of our people that will create possibilities in the future to move energy to build a better world.

CAPTAIN RAJALINGAM SUBRAMANIAM
President & CEO, AET Tanker Holdings Sdn. Bhd.
Management Discussion & Analysis
Petroleum & Product Shipping

Market Review
The vessel oversupply situation continued to persist across all sectors in 2019, exacerbated by weak growth in seaborne demand when in turn led to a weak height market for the tanker industry, during most of the year.

Crude tanker tonnage demand growth slowed down in 2019 and was lower than 2018 due to factors such as production cuts by OPEC and its allies, sanctions on Iran and Venezuela, and overall slowing global economic growth. Meanwhile, product tanker tonnage demand barely grew in 2019, reflecting the subdued chemical product shipments into Southeast Asia and Europe, while the global fleet remains structurally large.

In the conventional tanker sector, global seaborne trade growth slowed down amid weak global economic growth, partly due to the ongoing US-China trade war. Vessel supply growth was estimated to have increased by 5.1% in 2019, indicating further oversupply in the market.

The tide gradually started to turn towards the end of third quarter 2019 when tanker time charter equivalent rates jumped to astonishing levels as the DPSTs will be delivered in stages in 2022. DPSTs which were secured in early 2020. All operations in international and Brazilian waters. During the year, AET named its two new LNG dual-fuel DPSTs – Eagle Banke and Eagle Askold, at a naming ceremony held in South Korea. These vessels primed AET’s success in the DPST market, AET was awarded long-term charter contracts by Shell in December 2019.

In early 2019, AET delivered Eagle Brasileiro and Eagle Britania, two of the world’s pioneering LNG dual-fuel Aframax tankers. This marked the commencement of a new income stream for a greener, environmentally friendly, shipping solution in line with the Group’s Green Sustainability Agenda. Designed to operate with optimum efficiency and deliver environmental efficiency alongside operational excellence, they are part of the endeavours and investments AET is making to minimise our environmental impact and carbon footprint.

Leaving our shipping track record and market presence in the US Gulf, we secured new lightering contracts and renewed existing contracts. We were also able to successfully capitalise on the rising US crude exports by performing export-lightering operations there and continued to expand our presence in ship-to-ship operations in Latin America in 2019.

Key Developments
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In line with our strategic portfolio review, we decided to scale back our chemical fleet and seven A-Class vessels were sold during the year. While two L-Class vessels, Bunga Lotus and Bunga Lucerne, were re-driven in 2019. These measures will streamline the business structure, consolidate our position in the crude oil business and bolster our business sustainability.

To enable us to service our customers better and strengthen client relationships, we expanded our presence in the North Sea region in 2019 with an office in Stavanger, Norway, where AET has a significant base through our shuttle tanker business. Our solid commitment to delivering highly efficient and sustainable operations resulted in several notable accolades in 2019. AET together with Eaglestar was awarded the Jonas F. Davin Awards by the Chamber of Shipping of America (CSA) in recognition of our outstanding safety records for a combined 60 vessels in 2019. These awards are given to manned merchant vessels that have operated for two full years or more without incurring any loss time injury. A combined 59 vessels from AET and Eaglestar were also recognised by the CSA with Environmental Achievement Awards in 2019, with 18 vessels holding this rank for 10 years or more. These two awards further validated our stringent HSSE policies and reflected industry recognition of our accomplishments.

Meanwhile, the DPST newbuild programme at Samsung Heavy Industries achieved 1.5 million manhours with zero lost time injury. These achievements have validated AET’s commitment to the highest international standards of safety, compliance and environmental performance, and build a positive brand experience that ultimately enables us to differentiate ourselves from the competition.

Sustainability
Our sustainability strategy is governed by a five-year roadmap that guides and encourages us to integrate our thinking and planning across six key pillars: customers, shareholders, governance and business ethics, employees, environment and community.

Our drive for continuous evolution to remain relevant and aligned with the changing business needs of our customers was rewarded with the award of a total of six long-term DPST contracts from Shell and Petronas mentioned earlier.

Celebrating our 25th anniversary in 2019, we hosted Customer and Business Partner Appreciation dinners in Houston, Singapore, London and Geneva to appreciate and further strengthen the partnerships we have developed with our customers and business partners.

Our Code of Conduct and Business Ethics is embedded as a cultural component within the organisation and to ensure delivery of consistent, practical and purposeful ethics and compliance training to every member of our organisation, online ethics and compliance training was successfully completed by all AET onboard staff, the training covered the topics of anti-bribery and corruption and global data protection and privacy.

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Employees
Gender and inclusion are fundamental components of talent management at AET to ensure the future success of our business.

Gender and nationality are the two areas of diversity where we continue to focus on. Given the global nature of our business, our talent is naturally diverse; coming from some 17 nationalities while the gender distribution ratio between male and female at AET shore currently stands at 56% to 44%, with women representing 25% of the management and above. In the maritime industry this is a commendable achievement with gender diversity across corporate functions and front-line business.

AET aims to develop a workplace that values inclusion where employees from different backgrounds and beliefs can flourish, and in 2019 we trained our employees on better self-awareness and mitigation of unconscious biases to develop better inclusion practices by mitigating unconscious biases in recruiting, in talent reviews etc.
AET tap into new markets and expand into existing ones. This helps increase our top line, thus We believe that Environment, Social and Governance (ESG) is a strong proposition that helps programme. to feed children aged 18 and under in the Houston Food Bank’s Kids Café over two events, contributing to the preparation of more than 15,000 meals about 28,700 km and raised USD27,041. The funds will help transform the over two months, AET’s self-driven and motivated employees in their own time collectively walked, ran and swam around the globe for a total of 13 tanker newbuilds currently on order. We enter into 2020 with great momentum and we are already geared up for 2020 which presents opportunities for us. We intend to leveraging our experience and agility to consistently provide better energy-related maritime solutions and services that our customers and industry have come to expect of us.

For AET, 2020 is projected to be a year with abundant opportunities but also some challenges. The tanker market is widely expected to remain firm in 2020 as tonnage growth slows due to historically limited orderbooks as well as vessels undergoing scrubber retrofitting to comply with the IMO 2020 sulphur cap regulation. The implementation of IMO 2020 is also likely to positively drive the crude and product tanker markets as additional refinery throughput is required to meet the increased demand for compliant fuels, thus increasing the demand for tankers.

Crude tanker demand in 2020 will also continue to benefit from the ongoing robust growth in US crude exports and growing pipeline takeaway capacity along with sizeable increases in North Sea crude supply following the start-up of the massive Johan Sverdrup oil field in Norway.

However, a range of factors could challenge the outlook including the ongoing geopolitical issues that continue to cloud economic and oil demand outlooks, including unrest in the Middle East and the recent US-Iran tensions. The tanker market will benefit from the decision by OPEC and its allies to end their production cuts by end of March 2020, as higher crude production spurs the demand for tankers. However, a range of uncertainty continues to cloud the outlook. The extent of the recent coronavirus outbreak’s impact on the global economy and oil demand remains highly uncertain.

The shift towards greener shipping also presents opportunities for us. We intend to rejuvenate our fleet through eco-solution assets, particularly in the VLCC segment. This will help us differentiate as well as build sustainability in the fleet portfolio and position us to capture the growing potential in eco-solution vessels with key clients.

AET’s business strategies remain fundamentally geared towards pursuing long-term sustainability by growing our secured income portfolio and participating in other energy-related maritime services either on our own or through strategic partnerships. We enter into 2020 with great momentum with 13 tanker newbuilds currently on order or under construction.

We are already geared up for 2020 which we have prepared for with conscientious planning to take any opportunities that can maximise the growth potential and sustainability of AET. This will include leveraging our experience and agility to consistently provide better energy-related maritime solutions and services that our customers and industry have come to expect of us.

We believe that Environment, Social and Governance (ESG) is a strong proposition that helps AET tap into new markets and expand into existing ones. This helps increase our top line, thus driving financial value for our shareholders.

In 2019, we reduced our carbon emission intensity by 13% and 9% for our petroleum (to 3.19 gCO2/tonne-nm) and product fleet (to 8.85 gCO2/tonne-nm for Chemical alone) respectively, against the 2016 baseline. We aim to reduce the carbon emission intensity from our tankers ahead of the IMO’s stipulated 2030 goal by investing in greener vessels. We believe these low-carbon initiatives will support the business to live up to the demands of our customers for low-carbon transportation.

AET took delivery of the world’s first two LNG dual-fuel Aframax tankers in early 2019 and named the world’s first LNG dual fuel shuttle tankers in Q4 2019. The new greener tankers emit 85% less SOx, 98% less NOx, 98% less particulate matter and 90% less total carbon particulates than DPSTs burning conventional fuel.

Both the LNG dual-fuel Aframax tankers Eagle Brasilia and Eagle Birbulu successfully completed their first ship-to-ship (STS) LNG bunkering at the Port of Rotterdam, marking AET’s commitment on climate action towards a low carbon economy.

In line with our goal to make our office environmentally sustainable, AET’s offices in Singapore, Houston, London and Rio de Janeiro are Green Seal certified, which recognizes offices that have made significant steps in purchasing, operations, internal recycling regulations, and educating employees to reduce the office’s environmental footprint and provide a cleaner, healthier working environment.

To commemorate our 25th Anniversary in 2019, we launched the ‘AET Travels the World’ campaign to raise money for WaterAid and create a positive difference to the lives of communities in need of proper sanitation and clean water facilities. Over a two-month period, AET’s self-driven and motivated employees in their own time collectively walked, ran and swam around the globe for a total of about 28,700 km and raised USD27,041. The funds will help transform the lives of more than 1,000 families by providing them with access to clean water, toilets and hygiene which are the building blocks of progress.

We also participated in annual beach cleaning project at Singapore’s East Coast Beach and Repulse Beach in Rio de Janeiro. Employees from AET and Expleast volunteered at the Houston Food Bank over two events, contributing to the preparation of more than 15,000 meals to feed children aged 18 and under in the Houston Food Bank’s Kids Café programme.

We were highly uncertain.

Moving Forward

The implementation of IMO 2020 is also likely to positively drive the crude and product tanker markets as additional refinery throughput is required to meet the increased demand for compliant fuels, thus increasing the demand for tankers. Crude tanker demand in 2020 will also continue to benefit from the ongoing robust growth in US crude exports and growing pipeline takeaway capacity along with sizeable increases in North Sea crude supply following the start-up of the massive Johan Sverdrup oil field in Norway.

However, a range of factors could challenge the outlook including the ongoing geopolitical issues that continue to cloud economic and oil demand outlooks, including unrest in the Middle East and the recent US-Iran tensions. The tanker market will benefit from the decision by OPEC and its allies to end their production cuts by end of March 2020, as higher crude production spurs the demand for tankers. However, a range of uncertainty continues to cloud the outlook. The extent of the recent coronavirus outbreak’s impact on the global economy and oil demand remains highly uncertain.

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On the vessel supply side, the high number of deliveries and minimum scrapping activities during 2019 presents a risk of excess tonnage across all sectors in 2020.

For AET, 2020 is projected to be a year with abundant opportunities but also some challenges. The tanker market is widely expected to remain firm in 2020 as tonnage growth slows due to historically limited orderbooks as well as vessels undergoing scrubber retrofitting to comply with the IMO 2020 sulphur cap regulation. The implementation of IMO 2020 is also likely to positively drive the crude and product tanker markets as additional refinery throughput is required to meet the increased demand for compliant fuels, thus increasing the demand for tankers.

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MISC’s Offshore Business segment offers a comprehensive array of innovative offshore solutions, from concept selection, engineering design, project management and operations right up to decommissioning in the floating production systems (FPS) market. We cater to marginal, conventional and deepwater field developments with exceptional production and operations performance track records for all our facilities.

As one of the leading floating offshore solutions providers in the world with 14 assets, MISC has a reach across Malaysia, Vietnam, Thailand, Brazil and other strategic locations to meet the global demands of the oil and gas industry.

**KEY HIGHLIGHTS**

**OFFSHORE BUSINESS**

One of the world’s leading FPSO/FSO owner and operators with 14 assets

Excellent asset performance with uptime of over 99%

Owns the first and largest semi-submersible floating production system in Asia

**FINANCIAL PERFORMANCE**

Revenue
RM1,086 million

Operating Profit
RM495 million
Over the years, we have been very focused on delivering safe, reliable and optimised offshore solutions while pushing ourselves to greater heights.

SYED HASHIM SYED ABDULLAH
Vice President, Offshore Business

Offshore Business

**VICE PRESIDENT’S REMARKS**

2019 marked a period of revitalisation for the oil and gas industry and it was a watershed year for the Offshore Business segment with the oil majors recognising our capability and tremendous potential to add valuable offshore solutions as part of the energy value chain.

We received numerous inquiries and requests for quotations, as well as invitations to participate in new projects such as design competitions for brownfield development.

This is a very important milestone which is the result of our resilience, passion and determination; it signifies that we are now being welcomed by international players and the global oil and gas market at large.

Over the years, we have been very focused on delivering safe, reliable and optimised offshore solutions while pushing ourselves to greater heights. Today, our excellent track record for delivering projects in a timely manner as well as the stellar results of our operational and HSSE performance is a testament to our capability.

An example of this would be the FPSO Bunchammas 2 project, which was MISC’s first partnership with Chevron Thailand and maiden foray into Thailand’s offshore oil and gas sector. The project was a ground-breaking achievement for MISC in many ways as it proves our capability to secure new contracts competitively from renowned oil majors, our diligence in adhering to strict tender requirements and meeting the very high expectations of our client.

MISC has established ourselves in Southeast Asia’s offshore floating solutions market with a strong reputation in our operating and maintenance capabilities. Nevertheless, we know that there are more possibilities out there for us to pursue and we are poised to do more, grow bigger and vigorously explore other playing fields beyond Southeast Asia.

Our priority and a strategic opportunity that we have been pursuing is to enhance our presence to be a major player in Brazil, where most of the oil and gas activities are taking place. We are optimistic of the potential to secure notable projects of the many developments in Brazil, including the Meri development. The FPSO projects in Brazil are known to be complex and challenging in nature.

We have been preparing ourselves diligently for this endeavour, starting with establishing the right organisational requirement and having people with the experience, knowledge and expertise to meet the huge undertaking. For this purpose, we have embarked on large-scale capability building since 2018 to enhance our team and diversify our people with the right skillset, depth and breadth of the engineering and technical knowledge to meet those demands.

In line with MISC’s principles of shared success, we leveraged on the cross-collaboration and synergy within the Group, united by our passion to optimise our business performance and success in the long term.

Beyond Brazil, we are also exploring other prospects and opportunities in Mexico as well as the African continent. In these regions, there are potential opportunities for inorganic growth. Nonetheless, we will continue to maintain our significant presence in Malaysia and Southeast Asia as these are our key business areas.

Ultimately, my aspiration for 2020 is securing projects in Brazil as it will be an achievement that signifies emphatic validation by the industry that we have arrived, and a clear recognition that we have made our mark as a major player in the FPSO market, which will open up a horizon of new opportunities for MISC.

**Market Review**

2019 has been a strong year for offshore exploration and production companies, with free cashflow remaining strong as an indication of imminent new offshore investment cycles. Globally, the amount of oil and gas resources approved for development was reported to be 20.6 billion barrels of oil equivalent, an increase of 50% as compared to 2018. In the FPSO market, there have been 13 new contract awards, putting the global backlog of FPSO units under construction and on order at a total of 28 vessels. Of the 28, only two were scheduled for production in 2020 while the bulk of the other projects are expected to begin production only in 2023.

**Key Developments**

The Offshore Business segment continues to remain active in the domestic market and other countries where we have established our footprint. In Malaysia, we have demonstrated our value-adding capability by successfully retrofitting our first Marginal Marine Production Unit (MMPU) 1 with an additional module that supports its function to enhance the development of marginal and stranded fields. MMPU 1 is currently deployed in offshore Sarawak.

Beyond Asia Pacific and the Middle East, we have been successfully pre-qualified to participate in tenders from Petrobras and will continue to actively source for opportunities in Brazil.

In the medium term, we will continue to develop our capability and capacity to go further in this challenging and evolving offshore marketplace. We also place sustainability high on our agenda, aligned with the Group’s aspiration to conduct our business in a responsible and sustainable manner as well as to ensure value creation through our range of solutions.

With a view to transform MISC into a credible FPSO turnkey contractor on a global scale that is capable of winning, executing and operating deepwater projects, we have also rolled out and implemented transformation initiatives that cover yard strategy, developing deepwater capabilities, enhancing operations and maintenance capabilities. We are also positioning ourselves to look at future challenges of the industry through our research and development initiatives that will lead to innovative designs to exceed the expectations of our customers.
Management Discussion & Analysis

Offshore Business

We have also established a funding strategy and identified efficient business and asset ownership structures. This will be key for opportunities in Brazil, in line with the long-term business growth objectives in the Atlantic Basin which is generating the most sizeable floater opportunities that have potential for long term sustainable income.

Moving Forward

The outlook going into 2020 continues to be promising as oil majors are expected to stay the course to approve more final investment decisions (FID) for greenfield and brownfield projects. Based on the data extracted from Rystad Energy, potential greenfield oil and gas projects that are expected to be approved in 2020 have increased significantly to 389 projects compared to about 295 projects a year ago.

In the FPSO market, Energy Maritime Associates (EMA) is forecasting that 125 new projects involving FPSOs and FSOs are poised to come on stream in the next five years.

Moving forward, MISC aims to establish itself through the Offshore Business segment as a credible floater turnkey contractor, owner and operator for deepwater projects on a global scale.

Key Achievements in 2019

MSOSH Occupational Safety & Health Award 2018
Gold Class I Award : MaMPU1
Gold Class II Award : FSO Orkid

The award recognises that these facilities have achieved commendable occupational safety and health performance and shown remarkable improvement in OSH processes through sound Safety and Health Management System. This recognition provides trust and assurance to stakeholders in MISC's HSE capability, processes and performance thus creating future business opportunities.

MSOSH Occupational Safety & Health Award 2018
Gold Class II Award : FSO Orkid

The challenges that lie before us include standardised newbuild floater concepts employed by the industry players, capacity constraint in shipyards due to an increase in the number of projects awarded in the short timeframe, geopolitical instability and current oil price scenario that is causing the oil majors to be cautious in taking FIDs.

As part of MISC’s growth agenda, we will continue to explore potential projects that will serve the Group’s best interests as well as building strategic partnerships and expansion within the domestic and international offshore space which includes the Asia Pacific, the Americas and Africa.

MSOSH Occupational Safety & Health Award 2018
Gold Class II Award : FSO Orkid

#whatyoudontknow

MISC recorded zero major spills since 2013
The Marine & Heavy Engineering segment operated by MHB is a globally-trusted energy industry and marine solutions provider offering a broad spectrum of engineering and construction services for offshore and onshore facilities, marine conversion, repair and refurbishment services.

With a track record of over 40 years delivering integrated and complex solutions, including deepwater facilities to international oil and gas clients, MHB is well positioned along one of Southeast Asia’s busiest shipping lanes to provide innovative solutions that meet the intricate demands of the energy industry.

MHB owns and operates one of the largest marine and heavy engineering facilities in the region as well as the only yard in Malaysia capable of constructing complex deepwater offshore mega structures and having dry docking facilities.

**KEY HIGHLIGHTS**

**MARINE & HEAVY ENGINEERING**

**FINANCIAL PERFORMANCE**

- Revenue: RM1,010 million
- Operating Loss: RM41 million

**KEY HIGHLIGHTS**

- Malaysia’s largest fabrication yard by area of 542,380 m²
- Capable of fabricating structures of up to 55,000 MT and annual fabrication capacity of 129,700 MT
- Dry dock facilities capable of handling vessels up to 450,000 dwt, one of the largest in Southeast Asia
- Full range of EPCIC services for heavy engineering construction, comprehensive marine repair, refurbishment, upgrading and life extension of vessels and rigs
- Two Goliath cranes with 600 tonne lifting capacity each
Management Discussion & Analysis

Marine & Heavy Engineering

2019 was a breakthrough year for MHB as we managed to swing back to profit in the fourth quarter of 2019 after seven quarters in the red. Our success was attributed mainly to the hard work and dedication of our people and the preparations that we undergone over the past few years.

The year under review was meaningful as we repositioned our Heavy Engineering business with new contract awards such as the Kawsari Gas Development project and Bako Oil project, both from PCSB. We were also awarded the Berjading project from Hess Exploration and Production Malaysia B.V. under the six-year PETRONAS Frame Agreement that was awarded to us in late 2018.

On the marine side, MHB served 24 new clients, mainly from overseas. We have secured four en bloc agreements throughout the year as part of the 86 projects secured. The completion of our third dry dock will enable us to compete head on with Singapore in overseas. We have secured four en bloc agreements throughout the year as part of our transformation internally to increase our competencies and capabilities while aggressively going for new markets and new frontiers. Despite being in a challenging environment in the last three years, our perseverance has paid off as we ended the year on a positive note.

We continued with our pursuit to strengthen our business portfolio into the year as part of our long-term strategy to sustain the existing business and have been relentlessly exploring opportunities on the domestic and international front in our effort to diversify our business. While project-centric, Asia Pacific remained highly prospective, we noted a rise in 2019 for potential projects in North America, the Middle East and locally where we shall continue to focus on our construction and fabrication business expansion.

Equally important for us is acquiring new business with our fabrication capabilities, which includes venturing into offshore wind farm fabrication. As offshore wind farms gain momentum in the global market for renewable energy, we continued to engage with targeted offshore wind farm EPC contractors and technology providers to position ourselves as a reliable subcontractor to the awarded main contractors.

In relation to our strategy to manage cost and process efficiency, we also continued to explore ways to increase our operational efficiencies and project management effectiveness. We believe that the implementation of initiatives in 2019 to reinforce internal process control and strengthen project planning will facilitate tracking of project progress and expedite identification of potential risks to prevent operational setbacks.

We saw the market picking up with the increased level of bid activities in 2019, which ended with our 2019 orderbook being at a healthy level. We are hopeful that this will be a good start and that our orderbook will continue to grow as we progress.

We recognise that our people are one of our most valuable assets and their development is key to operational excellence. In order to nurture skilful and competent project management team for quality project execution, various training programmes were conducted to empower them throughout the year. Capability development of our people was also one of our key focus areas for 2019.

HSE remained one of our utmost priorities in our business. We stayed committed to ensuring all HSE procedures are in place and in line with regulations and safety standards. We went forth to conduct various initiatives and awareness campaigns ranging from occupational safety to promoting employees’ healthy lifestyle in general throughout the year.

The market is gradually seeing an uptick and we believe that we have enough work in the pipeline for 2020. We will strive to tap into the opportunities while ensuring timely delivery of ongoing projects.

My aspirations for the coming year are to improve our performance, for the team to deliver on the execution, efficiently and professionally, and to be able to move the company forward. We will remain resilient in strengthening our core business and shall continue expanding strategically into new opportunities. With the right strategy in place and a capable team to execute it, I am certain we will be able to deliver on our commitments to our clients and maximise value for everyone.

We will remain resilient in strengthening our core business and shall continue expanding strategically into new opportunities.

MANAGING DIRECTOR/CEO’S REMARKS

WAN MASHTAHAT WAIK ABDULLAH SANI
Managing Director/CEO, Malaysia Marine and Heavy Engineering Holdings Berhad

Market Review

Oil prices registered the largest annual gain in three years despite trading within relatively narrow price ranges, with no sharp spikes throughout 2019. Echoing the recovery in oil prices, we saw several sanctioned offshore projects being implemented as planned. Nevertheless, the volatile nature of the market was not discounted, and we instead chose to maintain a cautious and vigilant stance in our spending throughout the year.

The imminent implementation of the IMO 2020 sulphur cap regulation caused a stir in the marine industry which resulted in most shipowners resorting to cost optimisation measures by cutting their dry docking budget in favour of preparations to meet the requirements by the end of 2019.

Meanwhile, LNG trade expansion continued with transition from local and bilateral trading flows to regional and global markets. While overall LNG consumption is expected to be further concentrated in the Asia Pacific region, the trend towards diversification of consuming countries will continue.

Key Developments

In 2019, our Heavy Engineering segment successfully completed and delivered several offshore projects such as the Gumusut-Kakap Phase II Extension Subsea Manifold project for TechnipFMC and the Tembikai Non-Associated Gas Offshore Wellhead Facilities for both topside and substructure. Both contracts were completed on schedule with zero lost time injury (LTI).

The hook-up and commissioning works for the Tembikai project is in progress and targeted to complete in the second quarter of 2020.

For onshore projects, we also successfully completed the construction and commissioning of steel structure, piping, mechanical equipment, electrical and instrumentation erection, insulation and painting works for the RAPID project Package 14 for PETRONAS’ Refinery and Petrochemical Corporation and electro-mechanical works for RAPID Package 3 Area 2 for Tecnicas Reunidas Malaysia Sdn. Bhd. Both onshore projects were completed as scheduled with zero LTI.

In 2019, we completed four subsea projects for our clients. We also have four onshore projects under implementation.

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Management Discussion & Analysis

Marine & Heavy Engineering

Our presence in the industry was further strengthened when we successfully secured a conversion contract for an FPSO facility and the construction of its external turret for the Sao Vang and Nguyen Development Project, offshore Vietnam in 2019. Awarded by Malaysia Vattenfall Offshore Terminal (A) Limited, the conversion contract involves fabrication engineering, fabrication procurement, construction and commissioning (ePCC) for the reinstallation and conversion of the FPSO facility.

In the marine segment, of the 96 projects secured in 2019, four were on bcp agreements, and we served 24 new clients comprising 12 new domestic clients and 12 new international clients from Russia, Cyprus, France, Korea and Indonesia. 20 LNG vessels were repaired during the year and we will also successfully delivered dry docking repairs for two drilling rigs, UMMI Naga 5 and Naga 2, from Venlo Energy Baruad, Malaysia. As part of our strategy to develop a larger recurring income base to reduce cyclicality of the business and for future growth, through our joint venture with Hipa Sang Engineering Pte Ltd, we awarded the Master Service Agreement for Integrated Turnaround Main and refurbishment services.

The construction of our third dry dock, Dry Dock 3, is progressing at 86% with expected completion in second half of 2020. This will increase our marine repair services opportunities especially for LNG vessels and tankers thus elevating our competitive advantage in terms of capacity offering, among others.

In support of the UN SDG 4 - Quality Education, we implemented the following programmes:
Eaglestar is the Integrated Marine Services arm of MISC and delivers a comprehensive suite of solutions ranging from fleet management and operations, to crew management and manning services, dry docking management as well as project management services for newbuild construction and conversion projects.

Our highly skilled team of maritime professionals manages a modern and diversified fleet of vessels including LNG carriers, petroleum tankers, DPSTs, LNG FSUs as well as MCVs.

We are committed to uphold world-class HSSE standards as evidenced in the excellent results we have consistently achieved throughout the years in our HSSE performance and port state control (PSC) performance as well as improved customer satisfaction and Tanker Management and Self Assessment (TMSA) rating.

With over half a century of experience, Eaglestar continues to place top priority in providing a full spectrum of technical management and operation services whilst maintaining the highest operating standards.

**KEY HIGHLIGHTS**

Pioneers in the successful construction and operation of LNG dual-fuel Aframax tankers and DPSTs

Ensures high overall vessel availability rate of above 99%

Operates and manages more than 100 vessels across the globe

Diverse workforce of over 5,000 sea and shore professionals

Over half a century of industry experience and knowledge
In 2019, Eaglestar continues to steadily build its brand and reputation in the global maritime industry as an integrated marine services provider and we work closely with other business units within MISC as the key enabler in providing shipmanagement services.

One of the key highlights for 2019 was a new five-year business plan which presents a clear perspective of Eaglestar’s goals which includes expanding our services to other external customers. This will enhance cost efficiencies through economies of scale benefiting the Group’s fleet. In addition, the extension of services to third-party shipowners will provide an avenue for our employees to develop their capabilities, therefore allowing them to progress further in their careers.

Our 5,000 maritime professionals at sea and shore are the most valuable assets to Eaglestar. The capability of our people reflects our expertise to the Joint Development Project together with other industry players, namely Samsung Heavy Industries, Lloyd’s Register, MAN Energy Solutions in exploring alternative fuels towards providing a zero-carbon emission vessel, targeted to be operational by 2030. Digitisation is the game changer that will benefit the maritime industry by harnessing the possibilities offered by digital technologies, artificial intelligence and automation. Eaglestar is exploring the available technologies that can synergise with its current operations. Some of the applications are currently being analysed in terms of their potential to enhance the health and safety of our seafarers, improve our environmental footprint and increase the efficiency of our shipmanagement operations.

The future looks to be exciting as it will enable us to move faster, work smarter and operate with the flexibility required to serve the changing needs of our customers. Most importantly, it is an opportunity to enhance the skills of our people for them to be more agile and dynamic in adapting to technological advancements.

We believe that understanding the complexities of the markets we operate in and delving into the ‘hows’ and ‘whys’ of our customers’ requirements will set us apart from the rest. Sharing intelligence, working in an open, transparent and transformative way across the organisation will be key to Eaglestar’s continued progression in this evolving industry.

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For shipowners and shipmanagement companies, the immediate priority is on understanding the requirements and effectively assessing their options. This enables them to take the necessary measures and implement the solutions that comply with these regulations. In compliance with the various regulations, possible challenges may surround the systems to be embarked on by shipowners and ship operators.

One example would be the challenges of the BWM Convention. Some 40,000 ships were expected to install Ballast Water Treatment systems and to comply with the requirements which had to be done over a short timescale saddled with the technology, for the most part, being relatively new and unproven may have led to a rush in decision-making causing uncertainties in its operations.

On the security front, piracy and armed attacks against shipping were a global concern that required a concerted response by shipowners and operators. While serious threats continue in the Indian Ocean and SouthEast Asia, the ship security community has been particularly concerned with the deteriorating security situation in the Gulf of Guinea where there has been a sharp increase in the number of violent attacks on seafarers.
Management Discussion & Analysis

Integrated Marine Services

Key Developments

Eaglestar remains committed to optimising our operational efficiency, ensuring high vessel reliability and availability across the fleet as well as achieving cost efficiencies. Our drive towards operational excellence is reflected in the vessel availability rate of above 99%, surpassing industry benchmarks across all segments of the shipping sector.

Furthermore, we upheld the highest standards of HSSE throughout all aspects of our operations and this is evident in the sterling results we have achieved in 2019 in our HSSE performance, PSC performance as well as improved customer satisfaction and TMSA rating. Most recently, our project management team supervising the construction of the LNG dual-fuel OPSTs has achieved one million manhours without zero LTI.

On top of this, Eaglestar, in collaboration with AET, was recognised by the Chamber of Shipping of America (CSA) in 2019 for the Annual Environmental Achievement Awards which saw 59 ships receiving this honour with 16 vessels holding this title for 10 years and more and the CSA Jones F. Devlin Awards for 60 vessels.

Eaglestar is committed to promoting career opportunities at sea for women which reflects our support towards the UNESD 5: Gender Equality. This is done through the cadet sponsorship programme from which we continue to encourage their career development as we prepare them to take up leadership roles. By 2022 we expect to have at least four female seafarers taking up the leadership roles of Master and Chief Engineer within Eaglestar.

In line with our support for UNESD 10: Reduced inequalities, Eaglestar consciously ensures that the workforce carries a diverse set of quality seafarers. During the year, Eaglestar conducted various technical, leadership and cultural beliefs trainings towards cultivating an engaged and skilled workforce that is adaptable and progressive to serve our global customers.

In 2019, Eaglestar had coordinated various HSSE awareness programmes aimed at increasing awareness on ocean health as well as promoting an environmentally conscious culture among our employees. This is aligned with UNESD 14: Life below Water which includes:

- Environmental Awareness programme involving 120 Eaglestar employees held at Sekolah Menengah Kebangsaan Subang where the students were given the exposure on efficient water use through fish breeding and pond cleaning, tree planting, the impact of plastic pollution in the ocean, recycling and upcycling.
- As part of Eaglestar’s Senior Officers’ Management Conference programmes, over 140 officers, sea and shore employees contributed towards the conservation of marine biodiversity, Eaglestar’s employees were part of the Group’s “Beyond the Beach Clean-up” programme at Bagian Lalang, Selangor.
- In support of the International Coastal Cleanup Celebration and to embrace the conservation of marine biodiversity, Eaglestar’s employees were part of the Group’s “Beyond the Beach Clean-up” programme at Bagian Lalang, Selangor.

Our dynamic workforce at sea and shore are our greatest assets and we are dedicated towards building their capabilities at all levels from cadetship right up to leadership to enhance their competency and proficiency to support various aspects of the business and operations.

In collaboration with the ship owning business segments of the Group, Eaglestar supports the efforts in nurturing the talent of future maritime professionals through the cadet sponsorship programme at MISC’s maritime education and training academy, ALAM. On average, 200 students were sponsored to undertake the diploma in Nautical Studies as well as the diploma in Marine Engineering. Upon completing the diploma programmes, they will go on to join Eaglestar’s seafaring force onboard the Group’s vessels.

Sustainability

Decarbonisation of the shipping sector was one of the key topics discussed during the Global Maritime Forum’s Annual Summit which was held in Singapore in October 2019, where leaders across the maritime spectrum including MISC and Eaglestar met to confer on the challenges facing the global shipping industry.

In line with the Group’s GHG Reduction Strategy, Eaglestar has implemented measures to reduce greenhouse gas emissions and optimise energy efficiency:

- Eaglestar’s carbon commitment and GHG reduction strategy from year 2017


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<thead>
<tr>
<th>Group Carbon Commitment</th>
<th>Group GHG Reduction Strategy (2017 to 2020) Energy Efficiency Optimisation</th>
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<tbody>
<tr>
<td>Acquire vessels with consistently better energy efficiency</td>
<td>Operational Optimisation</td>
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<tr>
<td>Improve energy efficiency of vessels operated by the Group</td>
<td>Technology Optimisation</td>
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<td>Improve energy efficiency of vessels operated by the Group</td>
<td>Commercial Optimisation</td>
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<td>Improve energy efficiency of vessels operated by the Group</td>
<td>Awareness / Capability</td>
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- Hull and propeller cleaning
- Optimise plant machinery efficiency
- Trim optimisation
- Cargo heading optimisation
- Voyage optimisation
- Performance monitoring and analysis

- Improve hull coating
- Propulsion enhancement devices
- Voyage planning and speed optimisation
- Near time monitoring system
- Awareness, trainings and campaigns

Moving Forward

The outlook for the shipping industry as a whole over the next few years will continue to be challenging. We are adopting a progressive mindset and proactively exploring the benefits of making the best use of new technology and innovation.

We at Eaglestar believe that technology will open various new possibilities, from improving connectivity and network efficiency to smart technologies in artificial intelligence and automation which will be the game changer in modernising various aspects of our operations. We will continue to leverage on technologies that will positively impact safety, efficiency and environmental performance in modernising the maritime industry.

Eaglestar’s operational experience in managing LNG carriers for more than three decades gives us the competitive edge to secure the management of more similar type of vessels, especially given that it is a new technology in the market of limited number of shipmanagement companies that possess similar competencies.

New technology, digitisation and automation will also greatly influence the future of the maritime industry and therefore it is critical to adopt a progressive mindset and proactively explore the benefits of making the best use of technology and innovation.

Furthermore, with the rising demand in the use of LNG as one of the cleaner marine fuel alternatives, we see the increasing opportunities in the areas of LNG bunkering and operating LNG dual-fuel vessels.

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The Port Management & Maritime Services segment under MISC Maritime Services Sdn. Bhd. (MMS) delivers world-class maritime services and expertise in marine assurance and compliance, as well as port and terminal operations and management to major oil and gas companies.

Through our highly experienced and qualified marine technical and consultancy personnel as well as accredited inspectors and engineers, MMS provides qualified pilotage and loading master services to ports and terminals in Terengganu, Melaka, Sabah and Sarawak in addition to marine consultancy and assurance services.

MMS also provides other marine-related activities including jetty and single buoy mooring operations as well as screening, inspection and assessment services supporting upstream and downstream activities.

**KEY HIGHLIGHTS**

- Successfully handled over 52,000 vessels of up to 350,000 deadweight tonnage
- Zero Lost Time Injury (LTI) since 1999
- In-house risk management tools and database, Vessel Inspection System (VIS) and Offshore Support Vessel Inspection System (OSVIS) serves over 250 clients across the globe
- One of the five Recognised Security Organisations (RSOs) appointed by the Malaysian Marine Department to conduct IMO-accredited International Ship and Port Facility Security (ISPS) code consultancy and assurance
- More than 50 ISPS consultancy work and audits performed

**Further details on Port Management & Maritime Services:**
With everything now in place, our strategic priorities for the long term are the expansion of our existing business, development of new businesses, and capability enhancement.

HAZRIN HASAN
Managing Director and CEO, MISC Maritime Services Sdn. Bhd. (MMS)

With the stabilisation of oil prices, 2019 was a good year for MMS due to the increased number of vessels we inspected and cargo that is expected in the coming years. The 2019 oil market stabilised around USD50 to USD70 per barrel and at that price, the demand outlook for the next three years was forecast to remain positive for production and petrochemical products. The price served as a positive indication that provides MMS with a certain degree of business confidence as increased demand for petrochemical products or crude leads to more activity for our clients regionally and globally.

Key Developments

In 2019, new domestic business secured includes agreements with Pengang Integrated Terminal Sdn Bhd and Pengang Integrated Terminal 2 Sdn Bhd. for vessel screening and provision of other marine services at the Pengang terminals where we expect a significant increase in the number of vessels to be screened by MMS in 2020. The Pengang terminals serve one of the busiest global shipping lanes and will support the transportation of crude and petrochemical products for the RAPID megaproject. In the long run, it is foreseeable that the terminals will remain busy as strong demand for crude and petrochemical products is expected in the coming years.

In Turkmenistan, we performed an Offshore Vessel Inspection Database (OVID) inspection at the request of Caspian Marport Ltd and signed a Memorandum of Understanding with PETRONAS Carigali (Turkmenistan) Sdn. Bhd. for us to operate its Kiyani Supply Base potentially expanding our global footprint.

We also secured contracts for the provision of Marine Coordinator services at Yatagan Offshore for PETRONAS Carigali (Hong Kong) Myanmar Ltd. ISPS, Code Marine consultancy services for PETRONAS’ second floating LNG vessel, PFLNG2 and Offtake Tanker Ship Inspection Report (STIR) vetting services for PETROFAC.

HAZRIN HASAN
Managing Director and CEO, MISC Maritime Services Sdn. Bhd. (MMS)

Port Management & Maritime Services

Our challenge is to create our own opportunities and market our capabilities in the niche industry of port management and maritime services. The element that drives our ambitions in 2020 will be our people who fuel the business with their passion to do everything possible for our clients and in turn, the demand for our services.

Market Review

The 2019 oil market stabilised around USD50 to USD70 per barrel and at that price, the demand outlook for the next three years was forecast to remain positive for production and petrochemical products. The price served as a positive indication that provided MMS with a certain degree of business confidence as increased demand for petrochemical products or crude leads to more activity for our clients regionally and globally.

The new financial year offers the prospect for us to expand our market footprint domestically and internationally as well as owning some assets to grow our revenue base.

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The new financial year offers the prospect for us to expand our market footprint domestically and internationally as well as owning some assets to grow our revenue base.
As the leading maritime education and training (MET) institution in the region, ALAM offers the full spectrum of maritime courses including nautical and marine engineering programmes, maritime and offshore safety courses, simulator-based courses and maritime management programmes, as well as research and consultancy services.

ALAM continues to play an important role in shaping the maritime industry by producing qualified and competent seafarers to promote employment of Malaysian ships as well as Malaysian seafarers and maritime human resources. This aligns with the Malaysian Shipping Master Plan 2017-2020 and is also in support of the UNSDG 4 to ensure equitable quality education.

**KEY HIGHLIGHTS**

- Offers over 150 courses including customised courses
- Trained over 13,500 seafarers since 1976
- Enrolment of 303 cadets for FY2019 cadetship programme
Management Discussion & Analysis
Maritime Education & Training

During the year, MISC’s subsidiary Eaglestar also sponsored 200 cadet enrolments as part of its capacity-building initiative to provide skilled seafarers for their own fleet and to the maritime industry. Meanwhile, loans continued to be provided by the National Higher Education Fund Corporation/Perbadanan Tabung Pendidikan Tinggi Nasional for 120 cadets in 2019, which translates into a significant RM11 million in revenue over a period of three years in total.

To strive for education excellence and develop the best industry-relevant curriculum, ALAM introduced its ‘International Code of Safety for Ships using gas or other low-flashpoint fuels’ course for shore staff.

We also conducted the first ‘Electro-Technical Rating’ course with participants from the Royal Sultanate of Oman and a ‘Train the Trainer’ (IMO model course 6.09) for 17 trainers from the Jiangsu Maritime Institute. Exchange programmes for participants from 11 countries were also hosted for a ‘Transportation of LNG’ course sponsored by the Malaysian Technical Cooperation Programme under the Ministry of Foreign Affairs.

The enrolment of female cadets has also increased to 16 in 2019, in line with our efforts of promoting gender equality, aligned with the UN Women’s gender equality goals. The year also saw a total of 173 cadets and 18 ratings graduated during the 120th Convocation, ready to serve the maritime industry. Since inception in 1976, ALAM has trained more than 13,500 seafarers and will continue to train more cadets and officers of all ranks in the years to come.

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Sustainability
Aligning ourselves with MISC Group’s sustainability agenda for a cleaner environment, various green initiatives such as campaigns, talks, movie screenings and workshops were carried out in 2019. As part of the group-wide 3R programmes, a plastic recycling centre was established, and the use of disposable plastic drinking bottles was stopped along with the banning of non-biodegradable plastic straws.

As a means of serving the communities we operate in, four beach cleaning programmes were organised with three in Melaka and one in Negri Sembilan with the participation from 98 cadets.

Moving Forward
The maritime education and training sector will continue to be challenging in 2020 amidst the backdrop of a global economic slowdown and slow maritime industry growth. Many of the industry players are implementing cost-saving measures and one of the effects of that is the demand for modular courses has reduced significantly, exacerbated by an increasing trend for non-seafaring programmes.

Nevertheless, we will continue to explore state and national funds for cadetship and ratings programmes and other financial institutions as funding alternatives. We are also actively marketing internationally such as in Singapore and Brunei, as well as leveraging the strong alliances formed over the years with many international institutions to overcome the challenge of low enrolment.

Focusing on consultancy projects and maritime courses along with ALAM’s international accreditation for foreign market attraction, there is intent to expand the regional market coverage through more international collaborations with Cambodia, Timor Leste, Singapore and the Middle East.

We also see growth potential in the cruise industry which leads to a demand for Standards of Training, Certification and Watchkeeping (STCW) and cruise-related mandatory courses, despite the competition from other MET institutions. Other areas where we are considering diversifying into are market segments such as ports, terminals and logistic training, as well as embarking on College University Upgrading and non-STCW Diploma programmes. The shift of the government’s focus towards Technical and Vocational Education Training to develop future generations is also a good opportunity for ALAM to offer its expertise to train Malaysians for a career that can help to build a better world.
Our people are the most important asset that has sustained us over the past 50 years. Their unwavering passion to make our business better has turned many possibilities into reality. It is our talented workforce, made up of more than 8,800 sea and shore professionals from all corners of the globe, who take the steps day after day to understand and serve our clients better. They make continuous effort to improve our technology and efficiency while contributing to the sustainability of our industry, and ultimately to build a better world.

Within the MISC Group, the Human Resources division is tasked with nurturing and developing our shore employees, while our Integrated Marine Services segment (Eaglestar) does the same for our seafarers.

Collectively, we look after employee welfare and talent sourcing, as well as facilitate personal development and career progression. By recruiting, developing and retaining the right talent, the MISC Group aims to create a highly engaged and diversified workforce with emphasis on enthusiasm, performance and excellence.

**A diverse and inclusive workforce of 8,839 employees from 42 nationalities**

Continue to embed strong cultural beliefs and shared values to create a strong and committed workforce.

**Continuous investment in employees training, talent development and succession training programmes**
Management Discussion & Analysis

People Development

Fair play is also important as that is what differentiates us. MISC has a soul and in deciding the way forward, it is about doing the right thing.

IWAN AZLAN MOKHTAR
Vice President, Human Resource Management

Throughout 2019, Human Resources (HR) under MISC Group continued to perform one of its key roles, which is to support the growth and aspirations of MISC by preparing a workforce that is competent, willing and able to power our operations and aspirations from land-locked KL to the Bering sea.

As MISC continued to expand its presence around the globe, HR played a crucial role in ensuring that the requirements and needs of various stakeholders are met. We endeavored to add value to the business and one of the ways is to contribute to the development and expansion of the workforce to meet the growth needs of MISC in the coming years.

In 2019, we were able to power through the year and fulfill the requirement to recruit over 100 highly skilled professionals even though our resources were stretched. The build-up in manpower is to meet the business expansion of MISC into new markets especially in the Offshore Business segment as they are preparing to build the business expansion of MISC into new markets especially in the growing Offshore Business segment as they are preparing to build the presence in Brazil. This large-scale capability building recruitment exercise required HR to search for the right talent so that we have the most experienced people on board with the right depth and breadth of knowledge to deliver our growth strategy.

With growth and new markets opening up, there is also a growing need for us to be able to keep up with the future demand for highly skilled manpower to ensure the sustainability of the business. Hence, another area that we focused on in 2019 was to enhance our succession planning framework and preparing our people for their future roles. That includes investing in developing talent at the junior levels by giving them more exposure and opportunities to unlock their capabilities.

The high quality of our people is one of the reasons MISC is able to stand tall in the industry today. Acquiring and training the right calibre of people is crucial but is a constant challenge for us. In order for us to serve our customers efficiently, we need to have a pipeline of competent manpower and future talent. We aim to truly nurture employability and not just security of tenure, as that is what is required these days.

At MISC, we look at the employment relationship as a partnership and what we strive to achieve is to forge close and smooth relationships which in turn will make every employee feel engaged. Therefore, we have invested extensively on staff engagement, capability development and improving our HR systems to help our people to grow and with the improved engagement sessions, systems, training and pathways, we will be able to develop a workforce that is competent, passionate, loyal and willing. Most importantly, they must also have the desire to improve, and reciprocity is important.

However, we understand that it will be a long journey for us to build up those resources and capability to meet MISC’s high standards and values before we can see the results. As we endeavour to achieve this, it will be necessary for us to stay clearly articulating why certain plans and strategies are being carried out and the need to meet MISC’s stringent standards is one of the reasons this needs to be done.

Moving forward, the focus in 2020 will be on strengthening some of the processes, while reviewing and revamping others. We need to look at aligning things such as procedures and benefits across the board while taking into consideration that our people need to be more global.

Fair play is also important as that is what differentiates us. MISC has a soul and in deciding the way forward, it is about doing the right thing in every aspect that we do.

IWAN AZLAN MOKHTAR
Vice President, Human Resource Management

Strong Cultural Beliefs and Shared Values

We continue to embed our cultural beliefs and shared values within the mindset and behaviour of our people at MISC in order to create a strong and committed workforce. Our cultural beliefs are that results matter, and we own those results and do not blame others. We believe in focused execution and we nurture trust. We seek, give and act positively on feedback and share successes.

Our shared values of loyalty, integrity, professionalism and cohesiveness map directly to PETRONAS, our majority shareholder. This is part of the “A PETRONAS2020” initiative, led by PETRONAS Group Human Resources to create a single, unified PETRONAS identity throughout human resources.

Our accomplishments have been achieved through the dedication of our people at sea and shore, who are committed to uphold the highest standards of excellence in everything that we do.

Through the commitment and dedication of our people, fuelled by their unwavering passion, we believe there are greater possibilities ahead as we embrace opportunities that emerge from the evolving industry and collaborate actively towards creating a sustainable future today and tomorrow.
Management Discussion & Analysis

People Development

A Diverse and Equal Workforce

In an increasingly borderless market, we are cognisant of the fact that bringing people with diverse expertise, experience and socio-cultural backgrounds together will enable the Group to rise to current challenges and ensure a sustainable future. At MISC, we believe in respect for diversity and equal opportunities, and the prevention of all forms of discrimination. We also do not tolerate any form of discrimination based on ethnic groups, gender, religion, nationality, age, political affiliation, physical or mental disability, or any other personal characteristic or condition.

To date, MISC has a total of 8,839 employees from 42 nationalities. MISC Group has 12.5% female employees. On the shipping side, we have 107 ethnic groups, gender, religion, nationality, age, political affiliation, physical or mental disability, or any other personal characteristic or condition.

Diversity and equal opportunities, and the prevention of all forms of discrimination. We also do not tolerate any form of discrimination based on ethnic groups, gender, religion, nationality, age, political affiliation, physical or mental disability, or any other personal characteristic or condition.

Industry HR Trends

Overall, the global hiring market in 2019 was dynamic despite widespread economic and political uncertainty, with demand being primarily for specialist technology skills, as well as risk, regulatory and compliance professionals. This has led to candidate shortages in many markets.

In Malaysia and Singapore, hiring showed steady signs of growth as digitalisation continued to gain pace within Malaysia where companies across every industry sought to accelerate their transformation efforts to scale and grow.

Meanwhile, the rest of Southeast Asia experienced a buoyant hiring market, particularly in the high-growth markets of Indonesia, the Philippines, Thailand and Vietnam. Demand for ‘global’ talent – professionals with a strong understanding of both global business practices and local cultural mindsets – continued as more businesses internationalised.

With talent shortage remaining relatively significant in 2020, employers will need to strengthen their recruitment process and remuneration package to remain competitive.

Correspondingly, retention strategies will continue to be a top priority in 2020.

In order to avoid losing top talents, companies continued to adopt the same process of succession planning to assess the level of potential of senior leaders, comprising senior managers and above from across the Group, with the purpose of identifying a successor with the potential of senior leaders, comprising senior managers and above from across the Group, with the purpose of identifying a successor with high potential.

Meanwhile, efforts to attract, retain and develop the right talent to support the Group’s sustainability goals continued from the previous year where diversity and inclusiveness were leveraged as differentiating factors.

Since senior position resourcing remains a challenge that most organisations are facing today, the Group placed a lot of emphasis to ensure the senior positions are filled within three months from a position being vacant to avoid business and operational disruption. In FY2019, more than 90% of the senior position resourcing for Management Committees, critical positions and senior positions were filled. The hiring trend will constantly evolve; therefore, the focus will continue to be competitive in response to the trend.

The other strategic priority for the Group is retaining the right talent in order to sustain the business and for future growth. In 2019, the retention rate of high performing talents was at 94%. As it is critical for the Group to retain high performing talent, efforts will continue to provide talents with a challenging role, competitive remuneration and structured development in both functional and leadership areas.

Key Developments for Shore Employees

Female Employees Percentage at MISC Group

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<th>Nationality</th>
<th>Shore</th>
<th>Sea</th>
<th>Total</th>
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<tbody>
<tr>
<td>Male</td>
<td>Female</td>
<td></td>
<td></td>
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<tr>
<td>Malaysia</td>
<td>4,840</td>
<td>54.6%</td>
<td>167</td>
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<tr>
<td>Indonesia</td>
<td>132 (2.3%)</td>
<td>(1.3%)</td>
<td>(1.5%)</td>
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<tr>
<td>Philippines</td>
<td>207 (3.6%)</td>
<td>(2.8%)</td>
<td>(3.2%)</td>
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<tr>
<td>Singapore</td>
<td>267 (4.8%)</td>
<td>205</td>
<td>19%</td>
</tr>
<tr>
<td>Others</td>
<td>112 (2.0%)</td>
<td>(1.5%)</td>
<td>(1.8%)</td>
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MISC Group

<table>
<thead>
<tr>
<th>Male</th>
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<tr>
<td>7,718</td>
<td>43%</td>
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Male 1,103 | Female 325 |

MHB | ALAM | MBS | AET (shore) | MISC Berhad |
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<td>19%</td>
<td>38%</td>
<td>21%</td>
<td>44%</td>
<td>43%</td>
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MHB | ALAM | MBS | AET (shore) | MISC Berhad |
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<tr>
<td>44%</td>
<td>38%</td>
<td>21%</td>
<td>29%</td>
<td>43%</td>
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MISC Group

32 Leadership Programmes
419 Training man-days
121 Functional Training Programmes
400 Participants
818 Training man-days
5 Platform Series
RM 7.66 million Total Training Costs
588 Million
Management Discussion & Analysis

People Development

As the market remains competitive and the skills requirements of organisations undergo rapid change for managing employee development, we continuously develop talent in various ways by investing in new tools to embed a learning culture.

A host of leadership and functional skills initiatives were rolled out during the year, which included the launch of the 2019 training calendar during HR Learning Day. It was supplemented with the “Platform Series” and “Pocket Size Learning” that serves as an introduction to the 2019 Leadership Development series that enables employees to self-register themselves for relevant training programmes throughout the year.

At MISC Berhad, a total of 413 employees participated in 919 man-days of leadership programmes over the year and a further 400 employees participated in 1818 man-days of functional programmes. Group investment in training programmes in 2019 was RM7.66 million across more than 3,000 shore employees.

In support of the Technical and Vocational Education and Training initiatives by the Ministry of Education, MHS with three other industry partners formed a strategic collaboration to become an active player by providing Structured Internship Programme placements for students from the institutions managed by the Department of Polytechnic and Community College Education.

In keeping up with the global trend of moving towards digitalisation to support MISC’s business needs, we embarked on two groupwide digitalisation initiatives in 2019 to increase our efficiency in managing the human resource aspect of the Organisation. These two initiatives are the Talent Management System (TMS) and MISC Feedback Platform application.

TMS was implemented with the objective of enhancing our efficiency in managing the requirements for recruitment and onboarding, learning management, competency assessments and succession planning for the MISC Group of Companies. It enables the talent management process via a single platform that eliminates the manual process. TMS also empowers MISC employees to take charge of their own development as it includes e-learning functionality and online access to the learning calendar for the year, where employees can register themselves for any training programmes listed.

TMS is being implemented in phases and Phase 1 which covers learning management, recruitment and onboarding was launched in December 2019. Phase 2, which focuses on competency assessment and succession planning, is expected to go-live in 2020.

Meanwhile, the MISC Feedback Platform application encourages and promotes a culture of feedback exchange to further strengthen the institutionalisation of MISC’s Cultural Values among employees. Real-time feedback provides the opportunity for managers to have meaningful and forward-looking conversations about personal and professional development with the employee, resulting in better engagement and improved productivity.

Our subsidiaries such as MHB are also moving towards the digitalisation of all HR functions including talent learning, interviewing, recruiting, on-boarding, training, and other HR-related matters.

Meanwhile, Eagistar has established several collaborative initiatives with various external partners and technology companies to explore and invest in next generation technology as HR enablers. This will address the transformation of the shipping industry as a result of digitalisation, artificial intelligence, autonomous ships and the Internet-of-Things.

AET also took the opportunity to leverage digital technology to improve the employee experience and drive greater efficiencies while building leadership capability to manage different multi-generational and cultural teams.

In order for us to achieve that, we are continuously investing in staff training and retraining, talent development and succession planning to enhance their competencies, proficiency and capabilities in various aspects of the business and operations. During the year in review, Eagistar supported the development of its seafarers by investing RM54.2 million in training and development programmes.

Eagistar is also identifying and developing new and future-ready skills for the seafarers to understand and operate new concepts in smart ships, multi-fuel engine designs, as well as changes in maritime legislation and regulations to build a team of more robust and versatile universal seafarers.

During the year, there was a focus on mandatory functional and HSSE training for safe and efficient management of the ships and staff on board, with an emphasis on leadership and talent development.

This included ship to shore attachments, shore conferences and engagement sessions for officers and ratings, as well as attachments with our partners for the development of next generation ship management tools.

The structured training ensured that they are equipped with sufficient knowledge and skills to adapt to changing regulatory environments, new engine developments, new digital tools, communication protocols and crisis management.

On top of that, leadership programmes were also conducted with the aim to inculcate the right culture, values and ethics, and behaviour in developing the next generation of leaders.

Following the Group, Eagistar also has a structured staff succession planning process to support staff development that will prepare them to take on more challenging or higher jobs, where gap assessment and identified interventions are critical elements of the succession planning process.

Key Developments for Seafarers

Part of the Group’s strategic focus and commitment is to ensure that there is a sustainable pool of seafarers who can execute the business strategies through our integrated marine services subsidiary, Eagistar. In order for us to achieve that, we are continuously investing in staff training and retraining, talent development and succession planning to enhance their competencies, proficiency and capabilities in various aspects of the business and operations. During the year in review, Eagistar supported the development of its seafarers by investing RM54.2 million in training and development programmes.

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Moving Forward

With talent shortages expected to remain relatively significant in 2020, employers need to remain competitive to avoid losing top talents. As such, retention strategies will continue to be a top priority in 2020.

This will continue to be done through strategic talent management initiatives with a structured and holistic developmental framework that ultimately feeds into the talent pipeline for succession planning.

Aside from focusing on succession planning and employee competency development, the Group will work towards implementing our new TMS system in phases.

As the impact of global events and direction of domestic policies became clearer, companies will look for digitally savvy talent with a progressive mindset across all functions to bring fresh ideas and perspectives in order to accelerate digitalisation efforts. We will therefore set our sights on providing ongoing upskilling training for our employees to effectively deliver efficient and safe operations, whilst remaining agile to adapt to further developments.

There will be high demand for professionals who are not only skilled at what they do, but also possess business acumen and the ability to leverage new technology to innovate and drive the business. In order for us to attract such talent into our organisation, we will strive to communicate clear career development pathways, as well as demonstrate how their work can bring positive impact to the business.

We recognise that the employee landscape faces unprecedented changes with the new disruptive technology business models while transforming how work is done, therefore we will have to adapt to remain competitive in the changing landscape.

With mature and agile programmes in place to meet emerging needs, we are confident that MISC is well positioned to meet the challenges of a changing environment in 2020. We will focus on the skills that are relevant in the industry to support the aspiration for the workforce to be future-ready as well as strengthen the current and future leadership bench.
Health, safety, security and environment (HSSE) are core values that constitute an integral part of our commitment to conducting our business in a sustainable and safe manner. All our HSSE risks across the businesses are managed through our strict adherence to prevailing regulatory requirements and international as well as local industry standards. To drive excellence in HSSE, MISC embarked on various programmes to embed a generative HSSE culture in the Group where the value of HSSE is fully integrated into every aspect of our systems and processes.

KEY HIGHLIGHTS

MISC consistently ranked in the top quartile for HSSE performance in the industry by INTERTANKO

Achieved a commendable safety performance of LTIF at 0.10 and TRCF at 0.27 in 2019

Recorded zero fatality in 2019

Recorded zero major spills since 2013

MISC has successfully reduced 300,163 tonnes of total vessel carbon emission, from a baseline of 2016
Operating Safely and Sustainably

The stringent HSSE standards that we practice and are now identified with have become synonymous with our identity and is one of the reasons MISC is able to work with the world’s top oil and gas companies.

CAPTAIN SACHITHANANTHAN ATMALINGAM
Head of Group Health, Safety, Security & Environment (GHSSE)

One of the main reasons MISC is recognised today and able to work with the world’s top oil and gas companies is because of the very high standards we uphold in HSSE performance.

As a further testament to our capability, MISC today operates in highly environmentally-sensitive geographical areas such as the Bering and Barents Seas, adjacent to the Arctic Circle. Such operational risks require a continuous journey of improvement, in line with or exceeding the tightening regulations and expectations of our various stakeholders.

In every segment that MISC operates in – Shipping, Offshore Production, Shipyard, Port Operations and Maritime Education – we continue to be among the top performers in terms of HSSE. This translates into the ability to partner golden standard customers of the industry and not merely maintain a license to operate.

For MISC to be a part of the G7F is a defining milestone for the company. Membership in the G7F continues to influence how we behave and operate as one of the global industry leaders for which I have no doubt of the commitment and willingness from the leadership to do so. The need to sustain and continuously improve HSSE performance in providing better service to customers therefore cannot be overstated.

The G7F – the Group of Seven Foals, is an expert partner, from a sustainability perspective, we have also envisioned partnerships with non-governmental organisations which are here for the long run and by moderating our risk appetite we can hedge our risk exposure. HSSE will continue to remain at the core of what we do and it will be part and parcel of our DNA as a responsible, safe and sustainable company.

The HSSE council – chaired by the President/Group CEO with membership made up of all the Vice Presidents and MDs/CEOs of business segments, with permanent attendances in the form of HSSE managers across all businesses – meets each month to review, challenge, guide and support the HSSE agenda.

Among the initiatives approved in 2019 were the policy on substance misuse, which is at par or better than the industry best practices, and Security Policy & Management System which has been institutionalised throughout the Group.

The journey towards a generative HSSE culture continues to expand the leadership’s strategic and operational focus, from the conventional lagging indicators to encompass leading indicators with in-depth analysis and review and agreed actions.

Leading indicators such as reporting of near misses, Unsafe Condition Unsafe Act (UCUA) reporting (which exceeds more than 100,000 reports annually), training, management walkthroughs and behavioural HSSE allow interventions before an accident or incident happens and prevents anyone from getting hurt.

As much as MISC’s livelihood is derived from sustaining, offshore floaters, shipyards that provide heavy marine engineering solutions, port operations and training ocean-going professionals, it is only natural for us to give back to the ocean. The biodiversity conservation project has the potential to be replicated in other parts of the world in the future where MISC is present.

MISC successfully celebrated its golden jubilee in 2019 and it is our intention to continue to prosper for another fifty years. As such, we are here for the long run and by moderating our risk appetite we can hedge our risk exposure.

The stringent HSSE standards that we practice and are now identified with have become synonymous with our identity and is one of the reasons MISC is able to work with the world’s top oil and gas companies.

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Management Discussion & Analysis
Operating Safely and Sustainably

MISC continues to benchmark ourselves against other industry players to ensure that our HSSE performance is consistently in the top quartile standards.

Governing how we practice HSSE is the MISC Group HSSE Council that reports to the Board of Directors and is chaired by the President/Group CEO. Members consist of Vice Presidents and Chief Executive Officers of all the subsidiaries along with the Head of Group HSSE.

The council meets every month to provide stewardship and oversight on all HSSE-related matters that includes group-wide HSSE Policy, strategy, initiatives, systems, targets, performance and management review.

As a founding partner of the Global Maritime Forum – an international not-for-profit organisation committed to shaping the future of global seaborne trade to increase sustainable long-term economic development and human wellbeing – with a seat on its Advisory Council, we are today in a position to help influence how HSSE is practiced for the sustainability of the industry as well as how we operate in the future.

Effective execution of key strategies and associated issues that affect group-wide HSSE key result areas, risk management, internal controls as well as guidance on the way forward are also discussed at the Council level.

HSSE committees have been established within some of the larger businesses segments to manage HSSE performance at their own level, while HSSE practitioners within the Group meet every quarter during which they can enhance their professional knowledge to ensure effective practice and entrenched of a strong HSSE culture.

Contractor HSSE Management Intervention Plan

How do we ensure Contractors HSSE is managed effectively and contractors related incidents are reduced?

Leadership Commitment

Make requirement for Contractor Leadership Team to accompany Contractor Management Site Walkabout

Partnership

One Contractor Management Walkabout every month

Focused Interventions

Group wide ASA implementation and trained Change Agents

Risk Management

Annual update of HER and JHA based on the re-assessment of hazards

Consequence Management

Structured Consequence Management Implementation in 2020

Safety

We achieved a commendable safety performance of Lost Time Injury Frequency Rate (LTIF) at 0.10 and Total Recordable Case Frequency (TRCF) at 0.27 in 2019 with zero fatalities.

A key part of the incident investigation procedure is the identification of both the immediate and root causes. The dominant factor in root causes for incidents in our operations continues to be issues around risk management, including inadequate hazard identification, application of risk controls, communications and change management. In response to this, we further enhanced our Contractor Intervention Plan within the MISC Group.

To reduce the number of occupational hazards that might lead to serious injuries, MISC has standardised the Unsafe Condition Unsafe Act (UCUA) reporting within the Group. We strongly believe that the safety of an organisation is the responsibility of not just individuals, but all parties. The UCUA standardisation promotes the ‘See It, Own It’ culture.

In addition, MISC has started reporting Process Safety KPIs at HSSE Council level with the overall aim of proactively assessing the health of barriers that manage the risk of Process Safety Events (PSE), particularly, those that could result in major incidents.

A total of 17 audits were conducted at our operations and contractors facilities

Awards and Recognition

MISC received Gold Merit Award at the Malaysian Society for Occupational Safety and Health (MOSOH) Awards 2018 under the Petroleum, Gas, Petrochemicals and Allied Sectors category.

The award recognises MISC’s excellent occupational safety and health practices. In addition, MISC bagged two Gold Class award for MaMPU1 and FSO Orkid. MHB received ICES’ Certification recognising its safety compliance in hazardous areas by SIRIM QAS International.

MISC introduced the b-HSSE campaign in 2018 to improve the general health and well-being of employees. The campaign encourages them to be more physically active, improve their intake of healthy nutrition and develop a healthier mind. In 2019, the campaign was complemented by the Move, Mind, Munch (MMM) programme to further focus on their health and well-being.

Various activities were also conducted for employees that included group workouts, Muay Thai classes, group walking challenges, health talks, monthly health advisories and healthy food campaigns across the Group.

In 2019, two health risk assessments were completed at our facilities in Sip Udang, Melakka and Sabah Oil and Gas Terminal (SOGT) in Sabah.
Management Discussion & Analysis
Operating Safely and Sustainably

Environment

Changing global trends coupled with increasing scrutiny on climate change and environmental issues from stakeholders are impacting the way shipping is currently being operated. MISC is a member of the ‘Getting to Zero Coalition’, committed to developing zero emission vessels by 2030, which is closely aligned with the International Maritime Organization’s (IMO) Initial Greenhouse Gas Strategy. The strategy prescribes that international shipping must reduce its total annual greenhouse gas emissions by at least 50% of 2008 levels by 2050, while pursuing efforts towards phasing them out as soon as possible in this century. In view of this, operating in a responsible manner and minimising the impact on the environment are essential to how business is managed at MISC.

In 2017, we established and formalised the MISC Carbon Commitments to improve the energy efficiency of vessels operated by MISC and prioritised vessel energy efficiency capacity in newbuilds and acquisitions. Our newbuilds (year built ≥2016) are on average, 7% more efficient vessels into our fleet. Compared to the 2016 baseline. Our CO2 intensity reduction targets and strategies for our petroleum fleet, against the 2018 baseline. MISC recorded a 16% reduction in CO2 emissions from all our operations by an overall 7%, compared to 2016, although transport work increased by 10% within the same period. The overall reduction can be attributed to an increase in operational efficiency as well as the introduction of newer and more efficient vessels into our fleet.

We also reduced our carbon emissions from our operations by an overall 7%, compared to 2016, although transport work increased by 10% within the same period. The overall reduction can be attributed to an increase in operational efficiency as well as the introduction of newer and more efficient vessels into our fleet.

In 2019, MISC recorded a 16% reduction in CO2 intensity from the LNG fleet, 13% reduction from the petroleum fleet and 9% reduction from the product fleet, against the 2018 baseline. Our CO2 intensity is calculated in tonnes of CO2 divided by displacement tonnage multiplied with distance travelled in nautical miles.

We also reduced our carbon emissions from all our operations by an overall 7%, compared to 2016, although transport work increased by 10% within the same period. The overall reduction can be attributed to an increase in operational efficiency as well as the introduction of newer and more efficient vessels into our fleet.

In 2019, we invested approximately RM23 million for our environmental protection initiatives.

Average CO2 intensity reduced by 2% in 2019 compared to 2018

• 50% vessels showed improvement in CO2 intensity from 2018
• Average CO2 intensity reduced by 10% in 2019 compared to 2018

Average CO2 intensity reduced by 4% in 2019 compared to 2018

Our LNG and petrolum fleet have showed a decreasing trend in carbon intensity performance since 2016
**Management Discussion & Analysis**

**Operating Safely and Sustainably**

In 2019, DNVGL provided external assurance for all our vessels trading within EU ports. The assurance certifies that all the vessels' fuel consumption and CO2 emissions report covering the reporting period 2018 were found to be satisfactory in compliance with the requirements of Regulation (EU) 2015/75 - MRV (Monitoring, Reporting and Verification).

Our 2019 CO2 emissions reported by all our vessels will be subjected to external assurance by DNVGL in accordance with IMO DCS (Data Collection System) by end of March 2020.

MISC also fully supports the use of cleaner fuels which will reduce the amount of SOx and NOx emitted from ships. As of 2019, our LNG Asset Solutions and Petroleum & Product Shipping segments showed improvements in SOx and NOx intensity. The NOx improvements can be attributed to the increase in more efficient vessels in our fleet of which our newer vessels are capable of complying to the most stringent IMO Tier III emissions. For our Seti C vessels, compliance to the most stringent NOx standards are achieved through the installation of Selective Catalytic Reduction (SCR) system and for our LNG dual fuel Altairne vessels, through lean homogeneous combustion characteristics of its engine when on gas mode. Improvement in SOx intensity is contributed by our switch to cleaner fuels i.e. LNG and low sulfur compliant fuels.

MISC has also been a significant 50% reduction in the consumption of ODSs in 2019 compared to 2016. The total shipping refrigerant consumption was also reduced by 9% in 2019, compared to 2016 despite an increase in vessel activity.

All vessels also receive regular hull and propeller polishing which is carried out based on performance monitoring and condition assessment. The vessel performance monitoring and analysis system was upgraded in 2018 by adopting DNVGL’s Navigator and Eco Insight monitoring and reporting tool. This customised software has improved data accuracy through improved monitoring and enhanced performance analysis, enabling informed decisions to be made to improve vessel energy efficiency performance.

Additionally, to enhance our energy efficiency commitment and performance, our petroleum fleet has been ISO 50001:2018 Energy Management System certified. The certification ensures that our fleet consistently abides by systems and processes for energy management, to achieve continual improvement of energy performance. The ISO standards will be rolled out to the LNG fleet in 2020.

**Energy Efficiency**

To reduce dependency on natural resources and non-renewable energy, MISC understands the importance of adopting energy efficient practices. We also recognise that this will support us in our carbon emission reduction strategy.

One of our initiatives involved the installation of Propeller Boss Cap Fin energy saving devices on 30 of our vessels. Refined in the vessel’s fin shape and height resulted in enhanced propeller thrust and reduced torque, which should lead to fuel savings of 2-5%.

We also painted 11 vessels with advanced low friction anti-fouling paint to reduce hull friction by weakening the capability of marine organisms to attach to the coated surface. This will result in a 4 – 6% reduction of carbon emissions.

**Waste**

Reducing waste is a key part to lowering our environmental footprint. In this regard, we are proud to share that in 2019, almost 100% of our hazardous waste generated from our non-shipping operations are either recycled, reused or recovered.

A significant amount of our hazardous waste generation comprises spent blasting materials generated from our shipyard operations in Pasir Gudang. Our spent copper slag waste is fully recycled into raw material for cement manufacturing while spent garnet is treated and recovered via an onsite facility to recover reusable garnet. Moreover, we continued to assess alternative environmentally friendly solutions to manage the spent blasting materials by continuing the collaboration with local universities to study the characteristics of the waste and find reliable and sustainable solutions for its management.

Effective 1 October 2019, except for events where safe drinking water supply is not available or may not be sufficient, disposable plastic drinking bottles are prohibited at all events organised by the company. These include meetings, trainings and conferences held internally and externally, and employees are required to make arrangements for bottled water free events by working with the venue provider to serve water in pitchers or water dispensers.

In 2019, we continued to monitor and ensure compliance of our operations with respect to the prohibition. Complementing it was the discontinuation of the use of single use plastic on all our vessels in 2019 together with the installation of drinking water filtration kits throughout the MISC fleet as an alternative method to avoid purchase of disposable plastic bottles.

As a means to reduce paper consumption, MISC has progressively embarked on a digital signature programme for internal documents that require approval signatures. MISC partnered with DocuSign to allow its employees to conveniently obtain and deliver digital signatures and thus reduce the need for printing.

Our offshore business unit initiated a fabric recycling movement by adopting two fabric bins and in just one month, 200 kg of clothes were collected and shared with Kloth Cares to be sorted and graded to be donated to charitable organisations, exported to developing countries or recycled into industrial wiping clothes, upcycled garments or as fuel.
Going GREEN as We Sail Across the Blue

MISC fleet renewal with adoption of green vessels

Through our subsidiary, AET, we equipped two Aframax tankers, Eagle Bintulu and Eagle Brasilia, with LNG dual-fuel systems. These vessels were delivered in early 2019 and are amongst the first LNG dual-fuelled vessels in the industry. They are also equipped with optimised hull design and modern, energy efficient engines and machinery.

In the same year, AET named its newest vessels, two of the world’s first LNG dual-fuel DPSTs. The vessels, hailed as the cleanest DPSTs ever built, will emit 40-48% less carbon than equivalent vessels built in 2008, meeting the IMO’s target of reducing CO₂ emissions by 40% by 2030 and halving CO₂ emissions by 2050. These LNG dual-fuel DPSTs also emit 85% less SOx, 98% less NOx, 98% less particulate matter and 93% less black carbon particulates than DPSTs burning conventional fuel.

Powered using LNG as the primary fuel, the LNG dual-fuel DPSTs will also be able to capture 100% of the harmful Volatile Organic Compounds (VOC) which escape into the air from crude cargo during loading and voyage for reuse as a supplementary fuel. Utilising a more efficient system for dynamic positioning, the activity of ensuring the vessel remains stationary above a specified area of seabed while loading or offload, combined with the LNG dual-fuel and VOC recovery systems, these vessels will save up to an estimated 3,000 tonnes of fuel per year compared with conventional DPSTs of the same size.

Embracing on our journey towards zero carbon

In September 2019, MISC became a member of the ‘Getting to Zero Coalition’, an association of global industry leaders that have committed to develop deep-sea zero emission vessels by 2030. The move is a first step towards realising the IMO ambitions for GHG reduction.

Members of the coalition are committed to embarking on research and development of commercially viable deep-sea zero emission vessels powered by zero emission fuels into operation by 2030.

In 2019, MISC embarked on a joint development project with Samsung Heavy Industries, Lloyd’s Register and MAN Energy Solutions to build an ammonia-fuelled tanker in line with the aspiration of a decarbonised future. The alliance was motivated by united beliefs that collaboration amongst industry leaders are imperative to meet the IMO’s 2050 Greenhouse Gas emission target, which requires commercially viable deep-sea zero emission vessels to be operational by 2030. Ammonia represents one of the routes to achieving zero-carbon emitting vessels.

Utilising solar power to reduce our carbon footprint

On 10 October 2019, MISC’s subsidiary, Malaysia Marine and Heavy Engineering Holdings Berhad (MHB), together with PERNAS, signed a Memorandum of Understanding for the installation of solar rooftop solutions at MHB’s ship installation yard in Pasir Gudang, Johor.

Work on installation will begin in 2020 aimed at increasing usage of renewable energy and contributing to a lower carbon economy by conserving the use of natural resources. It is estimated that the installation of the solar panels would reduce CO₂ emissions by about 7,000 tonnes annually and targets assured generation of 200 million kWh of solar power in 25 years.

Biodiversity

All our vessels are equipped with ballast water management plans as we realise the importance of reducing the risk of spreading non-native aquatic species into the marine environment from the ballast water of the vessels. Since 2016, all newbuilds are equipped with Ballast Water Treatment Systems (BWTS) and in 2019, an additional six vessels were retrofitted with them.

We also use an environmentally friendly detergent on our vessels to minimise the release of harmful substances into the ocean. These green certified detergents are 100% non-toxic and biodegradable, contain only plant-based enzymes and are free from formaldehyde, sulphates and petrochemicals.

We developed a framework for our Biodiversity Conservation Flagship Programme which is set to launch in early 2020. The programme is aimed at improving ocean health through supporting conservation initiatives of coral reefs and actions to prevent and reduce plastic litter in our oceans. Two focus areas i.e. waste management and marine debris plastic waste management will form the core of the programme. The implementation of this programme which is in partnership with a non-profit organisation largely involves the participation of MISC employees as well as collaboration with local communities, academia and local authorities.

Water Consumption

Freshwater consumption by our vessels are produced on-board by each vessel’s freshwater generator, hence, depletion of freshwater resources is not considered material for our sea operations. Nevertheless, we recognise that water usage on our vessels for domestic and the running of machineries are tied to energy use as energy consumption because a significant amount of energy is required to generate freshwater from these generators. In 2019, our freshwater withdrawal from non-shipping operations has reduced by 21%, mainly due to a reduction from our shipyard operations. As part of the yard’s green campaign, water saving fittings were installed on taps resulting in a reduction in consumption from a more controlled and reduced water flow. Meanwhile, total freshwater consumption for shipping operations has increased by about 12% as a result of increase in vessels’ activity.

Environmental Certifications and Awards

- ISO 14001 Environmental Management System
- Environmental Achievement Awards
- Environmental Ship Index (ESI)
- Green Passport Certification on inventory of hazardous materials (11 vessels)
- Green Ship Programme Recognised Award in Energy Efficiency (58 vessels)

- Total Freshwater Withdrawal (Non-shipping)
- Freshwater Consumption (Shipping)

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<th>2016</th>
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<th>2018</th>
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<td>Freshwater Consumption (Shipping)</td>
<td>267,124</td>
<td>281,199</td>
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Environmental Consciousness and Environmental Community Programmes

Starting from 2018, we intensified our efforts on behavioural-based environmental programmes and embarked on a campaign known as b-HSSE aimed at promoting environmentally sustainable behaviour among staff. Under the b-HSSE campaign, various activities involving MISC employees including seafarers were implemented.

The 2019 campaign was focused on raising awareness on plastic pollution and its impact on marine biodiversity, as well as to inculcate a culture that refuses single-use plastics among employees. Various activities were carried out throughout the year including sharing of awareness videos and factsheets, environmental awareness quizzes, eco movie screening, a ‘Care to Refuse’ campaign, and beach clean-ups carried out throughout the Group.

In conjunction with the International Coastal Cleanup Celebration in September 2019, beach clean-ups were held across six locations including in Malaysia, USA, Singapore and Brazil. Over 700 kg of waste was collected and removed, and the trash collected were recorded in the Ocean Swell Application to generate data that contributes to the Ocean Conservancy global marine debris database. The programme was not only about cleaning the area, but also awareness creation on the importance of keeping our seas clean and safe for marine life. It brought the employees closer to nature to witness the growing crisis of plastic pollution and how it is affecting the health of our oceans.

The ‘Care to Refuse’ campaign was a plastic free challenge which sought to capture and promote green actions by employees, and for others to be inspired to take similar actions to beat plastic pollution. Designed as a photo competition, employees were required to post a photo/video of themselves with a reusable alternative to single use plastic in their day-to-day life and attach an inspiring caption with the photo. To inspire employees to participate in the campaign and as reminders for employees to refuse single-use plastics, awareness factsheets were circulated every Thursday during the campaign period. The factsheets provided varying facts and statistics on different types of single-use plastics and the damaging effects throughout its life cycle.

Security

The emergence of global security threats such as terrorism, kidnapping, piracy and cyber-attack pose greater challenges towards MISC’s people, asset, information and reputation. MISC needs agility and adequate preparedness in assessing potential impact and mitigation of security risk throughout the development, implementation and assurance of standardised methodology to manage security risk control across the Group.

The newly revised MISC Security Policy was approved by the MISC Board on 24 May 2019, in addressing the prevailing business security risk and exposures.

With the approval of the new security policy, a new Security Management System known as SeMS adapted from PETRONAS, was also introduced in MISC. The key objective of MISC SeMS is to ensure standard technical practice and control are adhered across the Group.

The new MISC Security Policy and SeMS are based on accumulated knowledge, experience and best practices supplemented by national and international standards, where appropriate.

Cybersecurity

MISC adheres to the NIST Cybersecurity Framework where we completed the Identify phase in 2019 and increased our capabilities in Protect, Detect, Response and Recover phases considerably.

Aligning with PETRONAS, MISC invested in various detect and respond technologies like End Point Detection and Response, Advanced Threat Protection technologies and will continue to invest on the right technologies to protect MISC from cyber-attacks.

The Group also mandated the launch of cybersecurity programmes that cover culture, comprehensive user awareness, stricter controls and a dedicated cybersecurity team.

The Group has gone a step further in enhancing our Group Crisis Management Plan and Business Continuity Plan by developing an incident response plan for cybersecurity that provides structure and guidance for investigating and responding to cybersecurity incidents in a systematic manner. The plan intends to prevent or minimise disruption of critical information systems, loss or theft of sensitive or critical information, as well as to quickly and efficiently remediate and recover from cybersecurity events.
In a continuously ever-changing global business environment, it is very important that we operate our business responsibly and in cognisance of the international developments that apply to us today regarding good governance, business ethics and conduct. We believe a strong Corporate Governance framework, principles and process is of paramount importance to help us achieve our business objectives while adhering to best practices. Matters concerning governance and ethics are taken very seriously at MISC, where we are committed to ensure they form the foundation of which we operate our business.
Management Discussion & Analysis

Operating Responsibly

A simple measure of a good leader is one who works with tireless honesty and integrity.

FAZIZILLAH KAMARUDDIN
Vice President, Legal, Corporate Secretarial and Compliance

Ethics and integrity are integral to the conduct of MISC’s business and should be well embedded not just in our business operations but in the conduct of our people. We continuously strive to inculcate a culture of integrity in the company because it is everybody’s responsibility to practice good ethics in our day-to-day business. There is a need to constantly maintain the highest ethical standards, which is made more crucial as we expand our global presence.

Deliverables and plans charted on a year-to-year basis since 2016 via the MISC Group Compliance and Ethics Programme towards 2020 have been progressively and successfully implemented. For the 2019 programme deliverables, these continued to be implemented through various awareness sessions, refresher training on MISC’s Code of Conduct and Business Ethics (CoBE), enhancements of whistleblowing processes and more comprehensive due diligence exercises. Deeper focus was given in 2019 to conducting bribery risk assessment and outlining the requisite mitigation plans for the high risk areas of our business operations.

As a result of our compliance and ethics programme, I am proud to say that MISC is now seen both in Malaysia and internationally as a leading company in ethics and good governance. Business ethics is a major component of MISC’s sustainability strategy and would serve our stakeholders’ interests well in the long term.

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In a major milestone in 2019, MISC has adopted the Human Rights Commitment as well as the Modern Slavery Policy and Statement. We recognise that the industry is operating in complex environments where social concerns are at the forefront. As a leading company in the global maritime industry, we want our stakeholders to know that we are committed to respecting internationally recognised human rights in all areas of our operations.

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To further drive the sustainability agenda at the topmost level of the company, I am delighted that the Board has now formally and regular oversight over MISC’s sustainability strategy. This demonstrates the Board’s commitment in driving MISC’s sustainability agenda.

A key focus in 2020 will be on capability and competency enhancement on ethics and integrity, as the landscape and risk profiles will change as MISC enters new and less-familiar jurisdictions, and deals with new clients, partners and employees. Decisions should be premised on adequate due diligence, and having a risk-based approach. No matter where we are and who we deal with, ethics and integrity will not be compromised.

Last but not least, I am proud to be a female in a leadership position in MISC, in an industry which is often seen as a male-dominated industry. The female workforce in MISC is large, however we need more of them in the decision-making and technical roles.

I truly believe I got to where I am through merit and hard work, and not just because I am a female. This is what we should teach our daughters and our young female workforce. We should instil the belief in them that they can do any job as well as any male and as leaders, we can empower them to reach greater heights.

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Management Discussion & Analysis

Operating Responsibly

MISC’s commitment in ensuring the highest standards of compliance and business ethics practices forms an integral part of our daily decision-making process throughout the Group. MISC Group Compliance and Ethics Programme which was implemented since 2015 outlines the policy, action plans and deliverables aimed at creating a sustainable business culture committed to integrity and ethical conduct.

CoBE is one of the main elements of the MISC Compliance and Ethics Programme. The CoBE outlines the desired standards of behaviour and ethical conduct expected of each individual, directors, employees and third parties performing works or services for and on behalf of the Company. The CoBE also contains internationally benchmarked guidelines on workplace conduct, latest relevant local and international law practices and policy statements.

MISC Compliance & Ethics Programme 2020

Journey so far (2015-2019)

- Compliance unit established
- Gap analysis
- Benchmarking & survey
- Developed MISC Compliance & Ethics programme
- Policy statement on Anti-Bribery & Corruption
- Due Diligence operational guidelines
- PDPA operational guidelines
- First annual CoBE refresher trainings
- Enhancements to whistleblowing initiative and channels
- Economic Sanctions supplementary guidelines
- Compliance champions
- Train-the-trainer
- Vendor Integrity Pledge
- CoBE for 3rd party
- CoBE e-learning
- Benchmarking & survey
- CQMS ISO 37001 certification (gap analysis, internal audit)
- Corporate Privacy Policy
- Human Rights initiative
- ISO 37001 ABMS certified
- Annual Conflict of Interest declaration
- Human Rights commitment & Modern Slavery policy
- Personal Data & Information Notice roll-out
- Continuation See.Speak.Support quarterly awareness sessions
- Revised Third Party Compliance Due Diligence operational guidelines
- CoBE Training for Third Parties
- Economic Sanctions supplementary guidelines
- Compliance champions
- Train-the-trainer
- Vendor Integrity Pledge
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- CoBE e-learning
- Benchmarking & survey
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- Corporate Privacy Policy
- Human Rights initiative
- ISO 37001 ABMS certified
- Annual Conflict of Interest declaration
- Human Rights commitment & Modern Slavery policy
- Personal Data & Information Notice roll-out
- Continuation See.Speak.Support quarterly awareness sessions
- Revised Third Party Compliance Due Diligence operational guidelines
- CoBE Training for Third Parties

"See.Speak.Support." Awareness Programme

We continued our group-wide employee awareness programmes in 2019 to reinforce our commitment on all CoBE, supplementary policies and guidelines. More than 600 participants joined the "See.Speak.Support." programmes where external and internal speakers were invited to provide insights on compliance-related topics, and sharing of context and learnings from best practices and case studies. In 2019, the Compliance Unit also conducted the CoBE for Third Party Service Providers training session that was attended by 66 representatives across the supply chain.
Management Discussion & Analysis
Operating Responsibly

ISO 37001 Anti-Bribery Management System
In 2019, MISC Berhad and MHB attained the ISO 37001 Anti-Bribery Management System certification from SIRIM. The target is for all subsidiaries within the Group to be ISO 37001 certified by the end of 2020. This reinforces the Group’s zero tolerance policy against all forms of bribery and corruption and signifies MISC’s commitment to prevent, detect and respond to bribery incidences. The standard also includes compliance to laws, regulations and other voluntary commitments.

Maritime Anti-Corruption Network (MACN)
MISC is a member of the MACN, a global business network working towards the vision of a maritime industry free of corruption that enables fair trade to the benefit of society at large. Our participation in MACN is aligned to the United Nation’s Sustainable Development Goals (UNSDGs), in particular, UNSDG 16 for Peace, Justice and Strong Institutions and UNSDG 17 for Partnership for Goals.

Whistleblowing
MISC Group’s Whistleblowing policy provides an avenue for all employees to disclose and report any suspected unethical and/or unlawful conduct involving our employees. The policy provides clarity of oversight and responsibilities of the whistleblowing process, the reporting process, protection to whistleblowers and confidentiality afforded to the whistleblowers. The three whistleblowing channels are available on MISC Group’s website and include email, e-form through portal or website and hotline. The Whistleblowing policy is managed by the Whistleblowing Secretariat, deliberated at the Whistleblowing committee level and reported to the Board. In 2019, five whistleblowing cases were received and investigated.

Anti-Competition & Anti-Trust
MISC’s policy is to conduct its business activities in accordance with competition laws in areas of its operations and to avoid anti-competitive behaviour at all times. Employees are required to act fairly towards business partners, competitors and government authorities in accordance with proper business practices and in compliance with competition laws.

Whistleblowing Policy
Process of making disclosure for employees

- WHISTLEBLOWER
  - Making the disclosure via one of the reporting channels
- WHISTLEBLOWING SECRETARIAT (WBS)
  - Administers, classifies and evaluates disclosures registered under Whistleblowing Register
- HUMAN RESOURCE MANAGEMENT (HRM)
  - Invokes disciplinary action process & procedures
- WHISTLEBLOWER COMMITTEE (WBC)
  - Deliberates on the disclosure and decides on the next course of action
- INVESTIGATION TEAM
  - Conducts investigation and issues report

- WHISTLEBLOWER
  - Notified on the outcome of the disclosure

ISO 37001 Anti-Bribery Management System
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**2019 Key Corporate Events & Achievements**

**JANUARY**
- MHB secures frame agreement with PETRONAS for offshore structure works.

**FEBRUARY**
- MHB’s first steel cut for Pluto Water Handling Unit Project.

**MARCH**
- LNG Dual Fuel DPST newbuilds project team achieves 1 million man-hours with zero LTI.

**JUNE**
- Eaglestar Shipmanagement (L) Pte Ltd receives the Jones F. Devlin Award issued by the Chamber of Shipping of America.
- MHB achieves 3 million safe man-hours in Bokor Phase 3 redevelopment.

**JULY**
- The sail away of Tembikai Non-Associated Gas Facilities for both topside and substructure.
- MMHE Marine Operations’ Electrical and Instrumental workshop receives IECEx certificate by SIRIM.

**AUGUST**
- Triple win for MISC at the Malaysian Society for Occupational Safety & Health Award.
- MISC & MHB achieve the ISO 37001:2016 Anti Bribery Management System.
- Eagle Bintulu, one of AET’s first LNG dual-fuel sister Aframaxes, successfully completes her first ship-to-ship (STS) LNG bunkering at the Port of Rotterdam.
- Cadets and ratings receive their diplomas and certificates respectively at ALAM’s 120th Convocation.
- First steel cut ceremony of FPSO MTC Ledang.
2019 Key Corporate Events & Achievements

SEPTEMBER
- MISC, NYK & Mitsubishi Corporation form partnership to co-own two newbuild LNG vessels for the LNG Canada Project.
- Quadruple awards for MISC at the Alpha South East Asia’s 8th Annual Institutional Investor Awards 2019.

OCTOBER
- MISC, Avenir ink LNG Bunker Vessel Charter with PETRONAS.
- MISC secures 15-year charter deals with ExxonMobil for two new LNG carriers.
- Inaugural shipowners and charterers forum led and hosted by MMS.
- AET welcomes two of the world’s first LNG Dual-Fuel DPSTs Eagle Blane and Eagle Balder.

NOVEMBER
- Society of International Gas Tanker & Terminal Operators’ 40th Annual General Meeting hosted by MISC in Kuala Lumpur.
- Hat-trick win by MISC at the Sustainable Business Awards 2019 Malaysia.

SNAPSHOTS OF MISC GROUP IN THE PRESS

- LNG shipping leads MISC to be Malaysia’s top stock.
- MISC gains US$88 million from Fako deal.
- MISC signs three charter parties with ExxonMobil.
- Full volume award for MISC.
- MISC ink long-term contract with Fako.
- Eagle Blane and Eagle Balder.
- MISC secures long-term contracts with ExxonMobil.
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- MISC secures long-term contracts with ExxonMobil.
MISC recognises that sustainability is an integral component of our operations, from the way we conduct our business to the way we create positive impact for the local communities.

MISC recycles spent copper slag generated during blasting operations.

#whatyoudontknow
Anchoring Sustainability@MISC

To strengthen the practice and inculation of sustainability across the Group, during the year, the Board decided that MISC’s sustainability strategy and performance will be incorporated into the Board agenda to ensure that the strategy involves the highest level of decision-making in the Group.

YEE YANG CHIEN
President/Group CEO

Material Matters

As we are creating value for our stakeholders, it is imperative for us to first identify the matters that are most important to our business and stakeholders. In 2019, we conducted a materiality assessment exercise to assess and understand the matters and concerns raised by our key stakeholders. The identified material matters will be discussed in detail throughout this report and shall form the basis in the development of our strategy moving forward.

The process of deriving our material matters are described below:

Benchmarking

Conduct desktop research from key industry issues, peers and leaders to identify a broad list of issues relevant to MISC. Categorise the universe of issues into the six capitals:

- Financial
- Physical
- Intellectual
- Human
- Social and relationship
- Natural

Stakeholder Engagement

Engage internal and external stakeholders to better understand and prioritise the matters by selecting and scoring the top five material matters.

- Conducted 15 interviews sessions with the management, Board members, customers, investors and banks
- Conducted employee focus group sessions from various divisions, business segments and subsidiaries

Materiality Validation

Mapping MISC materiality matrix based on inputs from internal and external stakeholder engagements.

Validation by the Management Committee on the final materiality matrix.

Sustainability Governance Structure

The governance of sustainability matters remains a core element as we continue to incorporate the principles of sustainability into our strategy, decision-making processes and operations. We strive to commit and create value for our five stakeholders – Customers, Shareholders, Employees, Environment and Community – through progressive governance and sustainable management practices.

To strengthen the practice and inculation of sustainability across the Group, during the year, the Board decided that MISC’s sustainability strategy and performance will be incorporated into the Board agenda to ensure that the strategy involves the highest level of decision-making in the Group.

This is supported by a multilevel approach through a Management Committee (MC), Sustainability Working Committees chaired by the MC members and Corporate Sustainability Team. Working committees have been set up for each of the six sustainability pillars – Customers, Shareholders, Environment, Governance & Business Ethics, Employees, and Community – to ensure successful delivery and implementation of strategies for the respective pillars.
### Anchoring Sustainability@MISC

#### Material Matters

<table>
<thead>
<tr>
<th>Material Matters</th>
<th>Description</th>
<th>Capitals Affected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project and financial performance</td>
<td>Project and financial performance include revenue growth, volume, costs, rates, and productivity in terms of net profit generated. It can also include other financial measures such as total shareholder value, taxes, and dividends, providing value through access to capital and performance of the company in different areas, across different markets, to create an overview of the value across different markets.</td>
<td>Financial and Physical</td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>Customer satisfaction includes customer experience and satisfaction with the goods and services delivered. Value is created through enhancement of the brand, increasing customer retention, and thus increasing confidence from business partners, and attracting new associations.</td>
<td>Social and Relationship</td>
</tr>
<tr>
<td>Values and governance</td>
<td>Conducting business responsibly entails taking into consideration Environment, Social and Governance (ESG) factors in decision-making, dedicating proportionate resources to health, safety, and the environment, encouraging the communication of intangible value drivers such as strategy, stakeholder relationships, innovation capacity, and employee development. This also includes having clear governance structure, with transparency of who is in charge of committees and what the committees do. Corporate values and ethics drive strong corporate governance and a dedication to sustainable strategy. Managing material matters such as integrity, reputation, ethics, loyalty, accountability and entrepreneurship in turn develops the organisation’s brand and relationship with stakeholders.</td>
<td>Human</td>
</tr>
<tr>
<td>Skilled workforce</td>
<td>Attracting and retaining a skilled workforce entails efforts for employees to gain knowledge and skills, which is critical in increasing efficiency and effectiveness, as well as workplace productivity.</td>
<td>Intellectual and Human</td>
</tr>
<tr>
<td>Climate change</td>
<td>This material matter identifies processes, standards and capabilities in place to reduce greenhouse gas emissions, fuel emissions, and energy consumption (including investment in renewable energy), and the ability to take advantage of opportunities and cope with the risks and consequences of climate change.</td>
<td>Natural</td>
</tr>
<tr>
<td>Risk management</td>
<td>Risk identification and management is critical to creating value over time to achieve its goals at the lowest cost, the most effectively, by providing confidence to stakeholders. Risk assessments and management as a material matter includes managing financial risks (economic impacts), strategic risks, innovation risks, governance risks, operational risks and regulatory risks.</td>
<td>Financial</td>
</tr>
</tbody>
</table>

#### Affected Capitals

<table>
<thead>
<tr>
<th>Affected Capital</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ocean health</td>
<td>This material matter identifies processes, standards, and capabilities in place to ensure clean oceans, reducing marine pollution from sea based and land-based sources, dumping, and reducing oil and hydrotreatment spills and strikes to increase and preserve biodiversity and the ecosystem around them. Minimising impact allows the value of resources to be maintained, thus allowing the continuous utilisation of these ecosystem services towards further value creation.</td>
</tr>
<tr>
<td>Diversity and inclusion</td>
<td>Diversity and inclusion illustrate efforts to promote the social and economic inclusion of all employees, regardless of gender, sexuality, race, age, disability, ethnicity, religion, economic, or other status.</td>
</tr>
<tr>
<td>Digitalisation and innovation</td>
<td>Making investments to keep up with rapid changes in the technology and capital market environment towards improving working tools, techniques and apply technology in developing innovation. This can include undertaking research, development and deployment of products, services and business models, innovations, and patented technologies. Data analysis is rapidly changing the availability of information, allowing companies to respond to changes more rapidly, and increase efficiency and productivity. Efforts to manage this material matter could include a commitment to digitisation and innovation of digital applications.</td>
</tr>
<tr>
<td>Business knowledge and expertise</td>
<td>This material matter involves the knowledge and expertise of senior members, and relies on their experience to making informed decisions, in order to maintain competitiveness and performance in a rapidly changing environment. Research and knowledge allow the company to react to trends in the marketplace, to mitigate risk and optimise returns.</td>
</tr>
<tr>
<td>Health and safety</td>
<td>This material matter considers efforts in reducing the risk of incidents by encouraging a compliance culture, implementing reporting systems, providing support and resources to employees, regularly auditing systems and processes, establishing policies, complying with health and safety standards to mitigate risks, prevent any incidents as well as investigating all incidents that occur.</td>
</tr>
<tr>
<td>Employee engagement</td>
<td>A measure of employee engagement that leads to value creation through higher service, better customer satisfaction, increased sales and profitability and improved shareholder returns.</td>
</tr>
<tr>
<td>Natural resource use</td>
<td>Managing natural resource use which includes water and waste management as a material matter to enable utilisation of resources efficiently and making the most of resources used while reducing waste, including moving towards more efficient resource flows and sourcing from sustainable supply chains, increasing energy efficiency, and increasing water-use efficiency.</td>
</tr>
</tbody>
</table>
We have included health and safety, employee engagement and natural resource use as additional material matters to us. This is due to the utmost importance we place on ensuring the health and safety of our employees as well as the community where we operate. We believe that employee engagement is material in strengthening the mental and emotional connection employees feel towards their place of work, thus enhances productivity and talent management. Natural resource use is also deemed material to us due to growing concerns on environmental awareness and we are committed to play our part in conserving our environment for a sustainable future.

The following diagram highlights some of the policies and systems in place that support the sustainability governance process and the management of specific sustainability related matters:

**Sustainability Strategy Progress Update**

Sustainability is an integral component in MISC’s operations. Focusing on sustainability will better position us to manage our non-financial risks, exploit opportunities for increasing efficiency, explore new markets, as well as enhance our reputation and position in the industry.

Our progress for each pillars is discussed throughout the report and can be referenced in Delivering Our Strategy section on pages 66 to 71.

Further information on our sustainability initiatives: [https://www.misc.com.my/sustainability/](https://www.misc.com.my/sustainability/)
The high quality of our people is one of the reasons MISC is able stand tall in the industry today.
Our Board at a Glance
Information as at 2 March 2020

**COMPOSITION**

- Senior Independent Non-Executive Director
- Independent Non-Executive Director
- Non-Independent Non-Executive Director (PETRONAS nominees)
- Non-Independent Executive Director (President/Group CEO of MISC)

**AGE ETHNICITY GENDER**

- 50 - 59 years
  - Malay Male: 2
  - Chinese: 6
  - Indian: 6
- > 60 years
  - Male: 1
  - Female: 2

**Skills & Experience Matrix**

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance &amp; Audit</td>
<td>6</td>
</tr>
<tr>
<td>Economics</td>
<td>6</td>
</tr>
<tr>
<td>Risk Management</td>
<td>7</td>
</tr>
<tr>
<td>Corporate Planning &amp; Development</td>
<td>2</td>
</tr>
<tr>
<td>Commercial &amp; Marketing</td>
<td>9</td>
</tr>
<tr>
<td>Legal &amp; Regulatory</td>
<td>4</td>
</tr>
<tr>
<td>Oil &amp; Gas</td>
<td>3</td>
</tr>
<tr>
<td>Operations</td>
<td>6</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>7</td>
</tr>
<tr>
<td>Shipping</td>
<td>2</td>
</tr>
<tr>
<td>Human Resource</td>
<td>4</td>
</tr>
<tr>
<td>Engineering</td>
<td>1</td>
</tr>
<tr>
<td>Information Technology</td>
<td>1</td>
</tr>
<tr>
<td>Banking &amp; Finance</td>
<td>1</td>
</tr>
<tr>
<td>Others — Retail &amp; Commerce</td>
<td>1</td>
</tr>
</tbody>
</table>

**Profiles of the Board of Directors**
Information as at 2 March 2020

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

**Academic/Professional Qualifications**

- Master of Business Administration, University of Alberta, Canada
- Bachelor of Economics in Accounting, University of Malaya, Malaysia
- Diploma in Accountancy, University of Malaya, Malaysia
- Member, Malaysian Institute of Certified Public Accountants
- Member, Malaysian Institute of Accountants

**Skills and Experience**

- Finance & Audit
- Economics
- Risk Management
- Corporate Planning & Development
- Corporate Governance
- Information Technology
- Banking & Finance
- Others — Retail & Commerce

**Present Appointments**

- Chairman, MISC Berhad
- Chairman, KNM Group Berhad
- Chairman, Audit Committee, KNM Group Berhad
- Chairman, Nomination Committee, KNM Group Berhad
- Member, Remuneration Committee, KNM Group Berhad
- Chairman, Nomination and Remuneration Committee, PETRONAS Gas Berhad
- Member, Board Audit Committee, PETRONAS Gas Berhad

**Past Experience**

- Chairman, Amway (Malaysia) Holdings Berhad
- Chairman, Board Audit Committee, Amway (Malaysia) Holdings Berhad
- Member, Nomination Committee, Amway (Malaysia) Holdings Berhad
- Partner, KPMG /KPMG Desa Megat & Co
- Member, Education Committee, International Federation of Accountants

**Present Directorships**

**Listed Issuers:**
- MISC Berhad
- PETRONAS Gas Berhad
- KNM Group Berhad

**Other Public Company:**
- NIL
YEE YANG CHIEN  
President/Group Chief Executive Officer  
Non-Independent Executive Director

ACADEMIC/PROFESSIONAL QUALIFICATIONS
• Double-degree in Financial Accounting/Management and Economics, University of Sheffield, UK

SKILLS AND EXPERIENCE
• Finance & Audit
• Economics
• Commercial & Marketing
• Operations
• Corporate Planning & Development
• Shipping
• Human Resource
• Risk Management

PRESENT DIRECTORSHIPS
• MISC Berhad
• Malaysia Marine and Heavy Engineering Holdings Berhad

OTHER PUBLIC COMPANY:  
• NIL

PRESENT APPOINTMENTS
• Chairman and Board Member of various companies in MISC Group
• Director of the Members’ Committee, The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited (UK P&I Club)
• Member of the Advisory Council, Global Maritime Forum
• Member of the Advisory Board, Lloyd’s Register

PAST EXPERIENCE
• Chief Operating Officer, MISC Berhad
• Vice President, Corporate Planning, MISC Berhad
• Group Vice President, Corporate Planning, AET Group
• Senior Manager, Research and Evaluation, Corporate Planning and Development Unit, MISC Berhad
• 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

DATO’ SEKHAR KRISHNAN  
Senior Independent  
Non-Executive Director

ACADEMIC/PROFESSIONAL QUALIFICATIONS
• Member, Malaysian Institute of Certified Public Accountants
• Member, Malaysian Institute of Accountants

SKILLS AND EXPERIENCE
• Finance & Audit
• Risk Management
• Corporate Planning & Development
• Corporate Governance
• Legal & Regulatory

PRESENT DIRECTORSHIPS
• MISC Berhad

PRESENT APPOINTMENTS
• Chairman, Board Audit and Risk Committee, MISC Berhad

PAST EXPERIENCE
• Executive Vice President, Corporate Services, Sime Darby Berhad
• Group Chief Financial Officer, Sime Darby Berhad
• Finance Director, Tractors Malaysia Holdings Berhad
• Finance Director, Sime UEP Properties Berhad
• PwC Malaysia & Co. (now known as KPMG)

Nationality  
Malaysian
Age  
64
Gender  
Male

Date of Appointment  
15 January 2015

Length of Service (as at 2 March 2020)  
5 years and 2 months

Number of Board Meetings Attended in 2019  
12/12

Number of Board Meetings Attended in 2019  
11/12
LIM BENG CHOON
Independent
Non-Executive Director

ACADEMIC/PROFESSIONAL QUALIFICATIONS
• Master of Business Administration, Henley – The Management College (Brunel University), UK
• Bachelor of Arts (Honours) Degree, University of Malaya, Malaysia
• Stanford Executive Programme, Stanford University, USA

SKILLS AND EXPERIENCE
• Corporate Planning & Development
• Operations
• Shipping
• Human Resource
• Finance & Audit
• Risk Management
• Corporate Governance
• Commercial & Marketing

PRESENT DIRECTORSHIPS
LISTED ISSUERS:
• MISC Berhad
• PETRONAS Dagangan Berhad

OTHER PUBLIC COMPANY:
• NIL

NATIONALITY
Malaysian

AGE
60

GENDER
Male

DATE OF APPOINTMENT
16 August 2012

LENGTH OF SERVICE (AS AT 2 MARCH 2020)
7 years and 7 months

NUMBER OF BOARD MEETINGS
ATTENDED IN 2019
11/12

DATUK NASARUDIN MD IDRIS
Independent
Non-Executive Director

ACADEMIC/PROFESSIONAL QUALIFICATIONS
• Master of Business Administration, Henley – The Management College (Brunel University), UK
• Bachelor of Arts (Honours) Degree, University of Malaya, Malaysia
• Stanford Executive Programme, Stanford University, USA

SKILLS AND EXPERIENCE
• Corporate Planning & Development
• Operations
• Shipping
• Human Resource
• Finance & Audit
• Risk Management
• Corporate Governance
• Commercial & Marketing

PRESENT DIRECTORSHIPS
LISTED ISSUERS:
• MISC Berhad
• PETRONAS Dagangan Berhad

OTHER PUBLIC COMPANY:
• NIL

NATIONALITY
Malaysian

AGE
64

GENDER
Male

DATE OF APPOINTMENT
11 October 2004 as Non-Independent Non-Executive Director
15 June 2010 as President/CEO
11 October 2017 as Independent Non-Executive Director

LENGTH OF SERVICE (AS AT 2 MARCH 2020)
3 years (as Independent Non-Executive Director)

NUMBER OF BOARD MEETINGS
ATTENDED IN 2019
12/12

Profilles of the Board of Directors
Information as at 2 March 2020
DATO’ ROZALILA ABDUL RAHMAN  
Independent  
Non-Executive Director  

NATIONALITY: Malaysian  
AGE: 58  
GENDER: Female  

Date of Appointment: 1 August 2018  
Length of Service (as at 2 March 2020): 1 year and 7 months  
Number of Board Meetings Attended in 2019: 12/12  

ACADEMIC/PROFESSIONAL QUALIFICATIONS  
• Bachelor of Food Science & Technology, Universiti Pertanian Malaysia, Malaysia  
• Certificate of Merit (JAL Summer Scholarship Programme), Sophia University, Tokyo, Japan  
• Diploma in Science with Education, Universiti Pertanian Malaysia, Malaysia  

SKILLS AND EXPERIENCE  
• Commercial & Marketing  
• Corporate Planning & Development  
• Corporate Governance  
• Retail knowledge, manufacturing operations and quality assurance of fast moving consumer goods  
• Telco, e-Commerce, m-Commerce Knowledge including TV home shopping experience  

PRESENT DIRECTORSHIPS  
LISTED ISSUERS:  
• MISC Berhad  
• Affin Bank Berhad  
OTHER PUBLIC COMPANY:  
• NIL  

PRESENT APPOINTMENTS  
• Member, Nomination and Remuneration Committee, MISC Berhad  
• Chairman, Group Board Risk Management Committee, Affin Bank Berhad  
• Member, Group Board Audit Committee, Affin Bank Berhad  
• Member, Group Board Credit Review & Recovery Committee, Affin Bank Berhad  
• Managing Director and owner of Lestari Prestasi Sdn. Bhd.  
• Board Member, Awake Asia Distribution Sdn. Bhd.  

PAST EXPERIENCE  
• Chief Executive Officer, Astro GS Shop Sdn. Bhd.  
• Chief Marketing Officer, TM Berhad  
• General Manager, Maxis Berhad  
• Sales & Marketing Director of Bank Simpanan Malaysia  
• Marketing Manager of Reckitt Benckiser (M) Sdn Bhd, Malaysia & Singapore  
• Marketing Manager of Kellogg Asia Inc., South East Asia  
• Various managerial positions in Technical and Marketing at Unilever (M) Holdings Sdn Bhd., Malaysia & Singapore  
• 32 years of working experience in the area of business and strategic marketing, consumer lifestyle and brand management, product lifecycle management including technical expertise in retail, telecommunications and fast moving consumer goods industries.  

TENGKU MUHAMMAD TAUFIK  
Non-Independent  
Non-Executive Director  

NATIONALITY: Malaysian  
AGE: 46  
GENDER: Male  

Date of Appointment: 15 November 2018  
Length of Service (as at 2 March 2020): 1 year and 4 months  
Number of Board Meetings Attended in 2019: 12/12  

ACADEMIC/PROFESSIONAL QUALIFICATIONS  
• Fellow of the Institute of Chartered Accountants in England and Wales  
• BA (Hons) Finance & Accounting, Strathclyde University, Glasgow  
• Member, Malaysian Institute of Accountants  

SKILLS AND EXPERIENCE  
• Finance & Audit  
• Corporate Planning & Development  
• Risk Management  
• Operations  
• Corporate Governance  
• Commercial & Marketing  
• Oil & Gas  
• Banking & Finance  

PRESENT DIRECTORSHIPS  
LISTED ISSUERS:  
• MISC Berhad  
• KLCC Property Holdings Berhad  
OTHER PUBLIC COMPANY:  
• Petroliam Nasional Berhad  

PRESENT APPOINTMENTS  
• Executive Vice President and Group Chief Financial Officer, PETRONAS  
• Member, Executive Leadership Team, PETRONAS  
• Board Member of various companies in PETRONAS  
• Member, Nomination Committee, KLCC Property Holdings Berhad  
• Member, Remuneration Committee, KLCC Property Holdings Berhad  

PAST EXPERIENCE  
• Partner, Capital Projects & Infrastructure & Malaysia Oil & Gas Practice Leader, PricewaterhouseCoopers Advisory Sdn. Bhd.  
• Group Chief Financial Officer, Sapura Energy (formerly SapuraKencana Petroleum Berhad)  
• Deputy Chief Financial Officer, Tenjngt Pte Ltd (Usaha Tegas Group)  
• Head, Group Strategic Planning, PETRONAS  
• Head, Finance & Risk Management (Gas & Power), PETRONAS  
• General Manager Finance/Chief Financial Officer, KLCC Property Holdings Berhad  
• Audit Supervisor, Tanon plc (formerly Manon Stoneham)
Profiles of the Board of Directors

Information as at 2 March 2020

MOHD YUSRI MOHAMED YUSOF
Non-Independent
Non-Executive Director

Nationality: Malaysian
Age: 53
Gender: Male

Date of Appointment: 7 December 2017
Length of Service (as at 2 March 2020): 2 years and 3 months
Number of Board Meetings Attended in 2019: 12/12

ACHIEVEMENTS

- Bachelor of Science Degree in Chemical Engineering, Oklahoma State University, USA
- Advanced Management Programme, The Wharton School, University of Pennsylvania, USA
- Registered Professional Engineer (PE), Board of Engineers Malaysia
- Fellow Chartered Engineer (FIChemE), Institution of Chemical Engineers, UK

SKILLS AND EXPERIENCE

- Engineering
- Economics
- Operations
- Commercial & Marketing
- Corporate Planning & Development
- Human Resources
- Risk Management
- Corporate Governance
- Oil & Gas

PRESENT DIRECTORS

- MISC Berhad

PAST EXPERIENCE

- Head, Manufacturing, PETRONAS Chemicals Group
- MD/CEO, PETRONAS Chemicals Derivatives Sdn Bhd
- GM, Ethylene Malaysia Sdn Bhd

PRESENT APPOINTMENTS

- Member, Nomination and Remuneration Committee, MISC Berhad
- Vice President, Retailing and Trading, Downstream Business, PETRONAS
- Board Member of various companies in PETRONAS

LIZA MUSTAPHA
Non-Independent
Non-Executive Director

Nationality: Malaysian
Age: 49
Gender: Female

Date of Appointment: 1 July 2017
Length of Service (as at 2 March 2020): 2 years and 8 months
Number of Board Meetings Attended in 2019: 12/12

ACHIEVEMENTS

- Bachelor of Science Degree in Economics, majoring in Accounting and Finance, The London School of Economics and Political Science, UK
- Fellow of the Association of Chartered Certified Accountants
- Advance Management Programme, The Harvard Business School, USA

SKILLS AND EXPERIENCE

- Finance & Audit
- Corporate Planning & Development
- Operations
- Risk Management
- Oil & Gas

PRESENT DIRECTORS

- MISC Berhad

PAST EXPERIENCE

- Group Financial Controller, PETRONAS
- Chief Financial Officer, PETRONAS’ Upstream Business
- Senior General Manager, PETRONAS Group Treasury
- Chief Financial Officer, PETRONAS Gas Berhad

PRESENT APPOINTMENTS

- Member, Board Audit and Risk Committee, MISC Berhad
- Vice President, Group Procurement Project Delivery & Technology, PETRONAS
- Board Member of various companies in PETRONAS

DECLARATION BY ALL DIRECTORS

- No family relationship with any Director/Major Shareholder of MISC Berhad
- No conflict of interests with MISC Berhad
- No conviction for any offences within the past 5 years other than traffic offences, if any
- No public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2019
PROFILES OF THE MANAGEMENT COMMITTEE

Information as at 2 March 2020

YEE YANG CHIEN
President & CEO

NATIONALITY: Malaysian  AGE: 52  GENDER: Male

LENGTH OF SERVICE (AS AT 2 MARCH 2020): 4 YEARS 2 MONTHS

DATE OF APPOINTMENT: 1 JANUARY 2015

RESPONSIBILITIES
- Implementation of policies, strategies and decisions as formulated by the Board and overseeing the day-to-day management and operations of MISC Group
- Ensuring that a sound management structure is in place

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- Double-degree in Financial Accounting/Management and Economics, University of Sheffield, UK

PRESENT APPOINTMENTS
- Group CEO, MISC Berhad
- President, AET
- Board Member, MISC Berhad
- Vice President, Fleet Management Services, MISC Berhad
- Member of the Advisory Council, Global Maritime Forum
- Member of the Advisory Board, Lloyd's Register

PAST EXPERIENCE
- Chief Operating Officer, MISC Berhad
- Vice President, Corporate Planning, MISC Berhad
- Group Vice President, Corporate Planning, AET Group
- Senior Manager, Research and Evaluation, Corporate Planning and Development Unit, MISC Berhad
- 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

ZAHID OSMAN
Vice President, LNG Business

NATIONALITY: Malaysian  AGE: 47  GENDER: Male

LENGTH OF SERVICE (AS AT 2 MARCH 2020): 2 YEARS 7 MONTHS

DATE OF APPOINTMENT: 1 AUGUST 2017

RESPONSIBILITIES
- Overall management and operations of the LNG Business arm of MISC
- Development of the LNG Business' sustainability and profitability through efficient and strategic business development and stakeholder management

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- Diploma in Industrial Chemistry, Institute Technology MARA
- Senior Management Development Program, INSEAD Fontainebleau

PRESENT APPOINTMENTS
- Board Member, various subsidiaries and joint venture companies within the MISC Group
- Council Member, Malaysian Gas Association
- Chairman of Advisory Panel at Malaysia Women in Energy (MYNIE)
- Committee Member, The London P&I Club

PAST EXPERIENCE
- Vice President of Venture Development, Shell Integrated Gas & New Energies
- Management positions in finance, Liquified Natural Gas (LNG) marketing and trading, business development, commercial, Upstream production sharing contract (PSC), stakeholder management, Joint Venture (JV) governance, gas advocacy and project management in Upstream, Downstream, Integrated Gas and Trading businesses, Shell Group of Companies

CAPTAIN RAJALINGAM SUBRAMANIAM
Vice President, AET Tanker

NATIONALITY: Malaysian  AGE: 54  GENDER: Male

LENGTH OF SERVICE (AS AT 2 MARCH 2020): 4 YEARS 2 MONTHS

DATE OF APPOINTMENT: 1 JANUARY 2016

RESPONSIBILITIES
- Overall leadership and management of AET, the petroleum and product shipping arm of MISC
- Development of AET's sustainability and profitability through efficient and strategic business development and stakeholder management

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- Post Graduate Masters in Business Administration
- Master Certificate (Foreign Going), Malaysian Maritime Academy Sdn. Bhd. (ALAM)
- Executive Education in a Finance Program, INSEAD Fontainebleau

PRESENT APPOINTMENTS
- Board Member, various subsidiaries within the MISC Group
- Board Member, GARF P&I
- Chair, various class committees
- Honorary Commander, Royal Malaysian Navy Reserve Program

PAST EXPERIENCE
- Vice President, Fleet Management Services, MISC Berhad
- Group Vice President, AET Shipmanagement
- Winner of the 2018 Tanker Shipping & Trade Industry Leader Award
- Awarded – National Seafarers Icon 2017 – Malaysia Marine Department

SYED HASSAN
Vice President, Offshore Business

NATIONALITY: Malaysian  AGE: 65  GENDER: Male

LENGTH OF SERVICE (AS AT 2 MARCH 2020): 4 YEARS 10 MONTHS

DATE OF APPOINTMENT: 5 MAY 2015

RESPONSIBILITIES
- Overall management and operations of the Offshore Business arm of MISC
- Development of the Offshore Business’ sustainability and profitability through efficient and strategic business development and stakeholder management

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- Degree in Industrial Economics, University of Nottingham, UK
- Management Program on Strategy Creation, Columbia Business School

PRESENT APPOINTMENTS
- Board Member, various subsidiaries and joint venture companies within the MISC Group
- Council Member, Malaysian Gas Association
- Chairman of Advisory Panel at Malaysia Women in Energy (MYNIE)
- Committee Member, The London P&I Club

PAST EXPERIENCE
- Vice President of Venture Development, Shell Integrated Gas & New Energies
- Management positions in finance, Liquified Natural Gas (LNG) marketing and trading, business development, commercial, Upstream production sharing contract (PSC), stakeholder management, Joint Venture (JV) governance, gas advocacy and project management in Upstream, Downstream, Integrated Gas and Trading businesses, Shell Group of Companies

SYED ABDULLAH
Vice President, Offshore Business

NATIONALITY: Malaysian  AGE: 63  GENDER: Male

LENGTH OF SERVICE (AS AT 2 MARCH 2020): 4 YEARS 10 MONTHS

DATE OF APPOINTMENT: 5 MAY 2015

RESPONSIBILITIES
- Overall management and operations of the Offshore Business arm of MISC
- Development of the Offshore Business’ sustainability and profitability through efficient and strategic business development and stakeholder management
Profiles of the Management Committee
Information as at 2 March 2020

RESPONSIBILITIES
- Overall management and operations of MHB, the marine and heavy engineering arm of MISC
- Development of MHB’s sustainability and profitability through efficient and strategic business development and stakeholder management

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- Masters in Business Administration, University Utara Malaysia
- Master’s Foreign Going Certificate of Competency, Ministry of Transport, New Zealand

PRESENT APPOINTMENTS
- Board Member, MHB and various subsidiaries and joint venture companies within the MHB Group

PAST EXPERIENCE
- Acting Chief Executive Officer, MHB
- Chief Financial Officer, MHB
- General Manager, Finance, MISC Berhad
- Professional Accountant, Grant Thornton, Malaysia

WAN MASHITAH WAN ABDULLAH SANI
Managing Director & CEO, MHB

CAPTAIN RAJA SAGER MURHAN
Managing Director/CEO, Eaglestar Marine

HAZRIN HASAN
Managing Director & CEO, MHB

RAJA AZLAN SHAH
Vice President, Finance

HAZRIN HASAN
Managing Director/CEO, MHB

PAST EXPERIENCE
- Acting Chief Executive Officer, MHB
- Chief Financial Officer, MHB
- General Manager, Finance, MISC Berhad
- Professional Accountant, Grant Thornton, Malaysia

RESPONSIBILITIES
- Overall management and operations of Eaglestar, the integrated marine services arm of MISC
- Development of Eaglestar’s sustainability and profitability through efficient and strategic business development and stakeholder management

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- Fellow of the Chartered Association of Certified Accountants, UK
- Member, Malaysian Institute of Accountants

PRESENT APPOINTMENTS
- Board Member, MHB and various subsidiaries and joint venture companies within the MHB Group

PAST EXPERIENCE
- Joined MISC as an Engine Cadet and had sailed on MISC LNG vessels, finishing his sea career as Chief Engineer
- Held several engineering and managerial roles in Fleet Management Services (FMS) and the marine services arm of MISC
- Head, Ship Operations and Contract Management, LNG Business, MISC Berhad
- Nationality: Malaysian
- Age: 53
- Gender: Male

CAPTAIN RAJA SAGER MURHAN
Managing Director/CEO, Eaglestar Marine

HAZRIN HASAN
Managing Director & CEO, MHB

RAJA AZLAN SHAH
Vice President, Finance

PAST EXPERIENCE
- Head, Ship Operations and Contract Management, LNG Business, MISC Berhad
- Managerial roles in Fleet Management Services (FMS) and the marine services arm of MISC
- Nationality: Malaysian
- Age: 53
- Gender: Male

HAZRIN HASAN
Managing Director & CEO, MHB

PAST EXPERIENCE
- Independent Non-Executive Director, RH Holdings Sdn. Bhd.
- Independent Non-Executive Director, D.B.E. Gurney Resources Berhad
- Independent Non-Executive Director, D.B.E. Gurney Resources Berhad
- Nationality: Malaysian
- Age: 53
- Gender: Male

HAZRIN HASAN
Managing Director & CEO, MHB

PAST EXPERIENCE
- Independent Non-Executive Director, RH Holdings Sdn. Bhd.
- Independent Non-Executive Director, D.B.E. Gurney Resources Berhad
- Independent Non-Executive Director, D.B.E. Gurney Resources Berhad
- Nationality: Malaysian
- Age: 53
- Gender: Male

RAJA AZLAN SHAH
Vice President, Finance

RESPONSIBILITIES
- Overall management and coordination of financial reporting, financial planning, debt financing, treasury and budget management functions of the MISC Group
- Ensuring that the accounting procedures and reporting of the MISC Group complies with the relevant accounting principles, standards and regulations

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- Certified Chief Engineer, Maritime and Coastguard Agency (MCA), UK
- Marine Engineering, South Tyneside College, UK
- Senior Management Development Program, INSEAD

PRESENT APPOINTMENTS
- Board Member, MMS Group
- Vice Chairman of Malaysia Shipowners’ Association (MASA)

PAST EXPERIENCE
- Head, Ship Operations and Contract Management, LNG Business, MISC Berhad
- Nationality: Malaysian
- Age: 49
- Gender: Male
Profiles of the Management Committee

Information as at 2 March 2020

EMRAN OTHMAN
Vice President, Corporate Planning

Nationality: Malaysian  |  Age: 52  |  Gender: Male
Date of Appointment: 1 October 2018  |  Length of Service (As at 2 March 2020): 1 year 5 months

RESPONSIBILITIES
- Overall management and implementation of MISC Group corporate strategies and plans
- Manage and monitor risk management and internal controls for MISC Group

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- Degree in Electrical Engineering, University of Texas El Paso

PRESENT APPOINTMENTS
- Board Member, various subsidiaries within the MISC Group
- Board Member, Malaysia Marine and Heavy Engineering Holdings Berhad
- Board Member, Gas District Cooling (KLA) Sdn. Bhd.

PAST EXPERIENCE
- Board Member, various subsidiaries within the PETRONAS Group
- Head of Mergers & Acquisitions, PETRONAS
- General Manager, Business Development Unit, PETRONAS
- Manager, Planning & Performance, Group Strategic Planning, PETRONAS
- Business Planner, Strategic Planning Department, PETRONAS
- Electrical Engineer, PCSB

IWAN AZLAN MOKHTAR
Vice President, Human Resource Management

Nationality: Malaysian  |  Age: 49  |  Gender: Male
Date of Appointment: 1 January 2020  |  Length of Service (As at 2 March 2020): 2 months

RESPONSIBILITIES
- Formulate people strategies and human resource agenda for MISC Group to identify and develop capable leaders for the Group through succession planning, competency profiling and learning and development
- Ensure the availability and constant supply of competent and able resources to support the Group’s goals and aspirations for present and future

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- Bachelor of Arts (Law), University of Nottingham, UK
- Diploma in Human Resource Management, Malaysian Institute of Human Resource Management

PRESENT APPOINTMENTS
- Board Member, various subsidiaries within the MISC Group

PAST EXPERIENCE
- Country HR Manager, Shell Global Solutions (M) Sdn. Bhd.
- Regional HR Policy Manager, Shell Downstream
- HR Advisor, Shell Malaysia
- Business Process Team Lead, Shell Global HR Information Systems project
- Regional HR Advisor, Shell Services International, Australia
- Learning Advisor, Shell Malaysia Downstream
- Employee Relations Advisor, Shell Malaysia Downstream
- Remuneration Executive, Shell Malaysia Downstream

AUSMAL KARDIN
Vice President, Legal, Corporate Secretarial and Compliance

Nationality: Malaysian  |  Age: 52  |  Gender: Male
Date of Appointment: 1 April 2009  |  Length of Service (As at 2 March 2020): 10 years 11 months

RESPONSIBILITIES
- Responsible for the management of all legal affairs, company secretarial services, compliance and insurance matters of the Group

ACADEMIC/PROFESSIONAL QUALIFICATIONS
- Bachelor’s Degree in Law from the University of Wales, Aberystwyth, Unibd Kingdom
- Licensed Company Secretary

PRESENT APPOINTMENTS
- Company Secretary of MISC Berhad
- Board Member, various subsidiaries within the MISC Group
- Company Secretary, Malaysia Marine and Heavy Engineering Holdings Berhad (MHB) and various subsidiaries and joint venture companies within the MHB Group
- Board Member, joint venture company within the MHB Group

PAST EXPERIENCE
- Senior General Manager, Legal, Corporate Secretarial & Human Resources, MHB
- Senior General Manager, Legal & Corporate Secretarial Affairs, MHB
- General Manager, Legal, Corporate Secretarial and Administration, MHB Group
- General Manager, Legal & Administration, MHB
- Vice President, Legal & Secretarial, Bumi Armada Berhad

DECLARATION BY ALL MANAGEMENT COMMITTEE MEMBERS
- No family relationship with any Director/Major Shareholder of MISC Berhad
- No conflict of interests with MISC Berhad
- No conviction for any offences within the past 5 years other than traffic offences, if any
- No public sanction or penalty imposed by the relevant regulatory bodies during the financial year 2019
We continuously strive to inculcate a culture of integrity in the company because it is everybody’s responsibility to practice good ethics in our day to day business.
Corporate Governance Overview Statement

2019 was a year of validation and recognition of MISC’s drive towards sound corporate governance (CG) practices. The Company was named as second runner-up in the “Strongest Adherence to Corporate Governance” category at the Alpha Southeast Asia’s 9th Annual Institutional Investor Awards for Corporates 2019 held on 17 September 2019 in Singapore. The Malaysian Institute of Corporate Governance (MICO) 2019 Report ranked MISC amongst the top ten best-scoring listed companies in corporate reporting transparency.

MISC firmly believe that sound CG practices are fundamental towards winning investors’ confidence and are pre-requisites to achieving the Company’s ultimate objectives of enhancing long-term shareholder value and protecting stakeholders’ interests. Hence, the Board strives to ensure that MISC’s CG practices conform to the best practice recommendations as laid down in the Malaysian Code on Corporate Governance 2017 (MCCG 2017) and comply with the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Securities). MISC has subscribed to all twelve Intended Outcomes with some deviations on the Practices of the MCCG 2017.

This CG Overview Statement seeks to provide investors and stakeholders with insights into the CG practices of MISC, specifically the following three key CG Principles as set out in the MCCG 2017:

Principle A: Board Leadership & Effectiveness

- Establishing a strategic plan and setting of targets for the Company in line with the Company’s vision, mission and business objectives which supports long-term value creation and includes a sustainability agenda; 
- Overseeing the conduct and performance of the Company and of the President/Group CEO against set goals and objectives; 
- Upholding, together with Senior Management, good CG culture and business conduct within the Company and its employees, which reinforces ethical, prudent and professional behaviour; 
- Identifying and understanding the principal risks of the Company and setting the Company’s risk appetite and ensuring the implementation of appropriate systems to evaluate, monitor and manage those risks; 
- Establishing an effective risk management and internal control framework, including regular review of the adequacy and effectiveness of the framework; 
- Reviewing the Company’s strategic, capital or funding transactions and monitoring execution of these transactions; 
- Ensuring the integrity and adequacy of the Company’s financial and non-financial reporting and disclosure; 
- Ensuring sound success plan and continuous development of human capital, particularly the Senior Management, and ensuring there are measures in place for the orderly succession of Board and Senior Management; and 
- Developing and implementing an investor relations programme and putting in place procedures to enable effective communications with the stakeholders of the Company.

Matters reserved for the Board are clearly defined in the MISC LOA, which provides a clear demarcation between the responsibilities of the Board and Management. Board-reserved matters are generally divided into three categories:

1. Statutory decisions for MISC based on regulatory and statutory requirements; 
2. Strategic decisions for MISC Group; and 
3. Operational decisions for MISC Group that are of high importance and value.

To facilitate an effective and efficient discharge of the Board’s duties and responsibilities, the Board is complemented by two Board Committees, namely the Board Audit & Risk Committee (BARC) and the Nomination & Remuneration Committee (NRC), which operate under their respective Terms of Reference. Nonetheless, the Board is ultimately accountable and responsible for the affairs and business of MISC.

The BARC provides oversight on governance, financial reporting, risk management and internal control. The BARC is also responsible for the risk appetite setting for the Company in managing the key risks affecting the Company and has oversight on MISC’s whistleblowing management framework and process.

The NRC provides oversight on Board performance, Board composition and diversity, Directors’ skills and experience, Directors’ induction and continuous training programmes, remuneration of Directors and Senior Management, and succession planning for the Board and Senior Management.

For more information on the Board Committees, please refer to their respective reports on pages 212 to 213 (for the BARC) and pages 204 to 210 (for the NRC) of this Annual Report.
Board Composition and Diversity

The MISC Board comprises a majority of Independent Directors, which is compliant with the MMLR and the MCCG 2017. The Board composition promotes diversity and enables various perspectives to be given, which facilitates the making of informed decisions and the stewardship of the Company. The Board recognises the need for it to strategically evolve as a dynamic Board in accordance with the strategic direction of the Company. Hence, the Board actively reviews its composition to ensure it has the right balance of independence and diversity to effectively discharge its collective responsibilities.

As at 2 March 2020, the Board composition is as follows:

<table>
<thead>
<tr>
<th>Director's Name</th>
<th>Age</th>
<th>Gender</th>
<th>Nationality/Ethnicity</th>
<th>Date of Appointment</th>
<th>Tenure (Years, “Y”) (Months, “M”)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Non-Executive Directors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dato' Ab. Halim Mohyiddin</td>
<td>74</td>
<td>Male</td>
<td>Malaysian/Malay</td>
<td>15 January 2015</td>
<td>5Y 2M</td>
</tr>
<tr>
<td>Dato’ Sekhar Krishnan</td>
<td>64</td>
<td>Male</td>
<td>Malaysian/Indian</td>
<td>15 January 2015</td>
<td>5Y 2M</td>
</tr>
<tr>
<td>Datuk Nasaruddin Md Idris</td>
<td>64</td>
<td>Male</td>
<td>Malaysian/Malay</td>
<td>23 February 2017</td>
<td>3Y</td>
</tr>
<tr>
<td>Lim Beng Choon</td>
<td>60</td>
<td>Male</td>
<td>Malaysian/Chinese</td>
<td>16 August 2012</td>
<td>7Y 7M</td>
</tr>
<tr>
<td>Dato’ Rozalila Abdul Rahman</td>
<td>58</td>
<td>Female</td>
<td>Malaysian/Malay</td>
<td>1 August 2018</td>
<td>1Y 7M</td>
</tr>
<tr>
<td>Non-Independent Non-Executive Directors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tengku Muhammad Taufik</td>
<td>46</td>
<td>Male</td>
<td>Malaysian/Malay</td>
<td>15 November 2018</td>
<td>1Y 4M</td>
</tr>
<tr>
<td>Liza Mustapha</td>
<td>49</td>
<td>Female</td>
<td>Malaysian/Malay</td>
<td>1 July 2017</td>
<td>2Y 8M</td>
</tr>
<tr>
<td>Mohd Yusri Mahmoud Yusof</td>
<td>53</td>
<td>Male</td>
<td>Malaysian/Malay</td>
<td>7 December 2017</td>
<td>2Y 3M</td>
</tr>
<tr>
<td>Executive Director</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yee Yang Chien</td>
<td>52</td>
<td>Male</td>
<td>Malaysian/Chinese</td>
<td>1 January 2015</td>
<td>5Y 2M</td>
</tr>
</tbody>
</table>

Each Director 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 would include an indication of the time commitment required for the new appointment. In accordance with the MMLR, none of the Board members hold more than five directorships in listed companies.

As at 2 March 2020, the Board composition is as follows:

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<th>Director's Name</th>
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<tr>
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<td>16 August 2012</td>
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</tr>
<tr>
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<td>Female</td>
<td>Malaysian/Malay</td>
<td>1 August 2018</td>
<td>1Y 7M</td>
</tr>
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<tr>
<td>Tengku Muhammad Taufik</td>
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<td>Malaysian/Malay</td>
<td>1 July 2017</td>
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<td>Male</td>
<td>Malaysian/Chinese</td>
<td>1 January 2015</td>
<td>5Y 2M</td>
</tr>
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</table>

Each Director 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 would include an indication of the time commitment required for the new appointment. In accordance with the MMLR, none of the Board members hold more than five directorships in listed companies.

For more information on the Board members, please refer to their respective profiles on pages 173 to 181 of this Annual Report.
Corporate Governance Overview Statement

Chairman

Dato’ Ab. Halim Mohyiddin is the Independent Non-Executive Chairman of MISC. The Chairman’s primary role is to lead the Board and ensure the Board fulfils its obligations to the Company effectively. This includes setting the agenda, style and tone of Board discussions so as to promote constructive debate, effective decision-making, instilling and monitoring good CG practices 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.

President/Group CEO

Mr. Yee Yang Chien is the President/Group CEO and Executive Director of MISC. 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 operations of the business, organisational effectiveness as well as coordinating the development and implementation of policies and business 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 an ethical manner and in compliance with the relevant laws and regulations.

The President/Group CEO is supported 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 and all strategic decisions taken by the President/Group CEO and/or the Board. The Management Committee’s responsibilities and respective authorities are specified in the MISC LOA.

Independent Non-Executive Directors

The five Independent Non-Executive Directors (INEDs), 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 INEDs are individuals of strong calibre and standing. The role of INEDs is pivotal in providing independent views and advice so that the strategies and initiatives proposed by 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. Based on the criteria on INEDs pursuant to the MMLR, there exists no other elements that would compromise their independence and professionalism.

Pursuant to the MISC Board Charter, the INEDs are subject to a nine-year limit on their tenure in MISC. To-date, none of MISC’s INEDs have exceeded the nine-year limit on their tenure.

Senior Independent Director

Dato’ Sekhar Krishnan was appointed as Senior Independent Director on 8 August 2017. As the Senior Independent Director, his responsibilities include:

- To act as a sounding board for the Chairman of the Board;
- To act as an intermediary for other Directors and/or Chairman when necessary;
- To act as a point of contact for shareholders and other stakeholders on areas that cannot be resolved through the normal channels of contact with the Chairman or President/Group CEO;
- To act as a sounding board for the Chairman;
- To exercise other roles as designated by the Board from time to time.

Any issues relating to the Group that requires the attention of the Senior Independent Director can be directed to his email address at sekhar@miscbhd.com or the following address:

Dato’ Sekhar Krishnan  
Senior Independent Director  
MISC Berhad  
Level 25, Menara Dayabumi  
Jalan Sultan Hishamuddin  
50050 Kuala Lumpur

Board Meetings and Access to Management, Company Secretaries, Information and External Experts

Board of Directors’ meetings together with tentative agendas are scheduled in advance of any new financial year to enable Directors to plan and fit the year’s meetings into their schedules. The Board meets on a quarterly basis and additional meetings are held as and when required.

The tentative agendas include matters reserved for the Board 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.

<table>
<thead>
<tr>
<th>MISC Board / Board Committees’ Focus Areas in 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>STRATEGIC GROWTH</strong></td>
</tr>
<tr>
<td>Review the long-term business strategy and challenges faced, and adopt a business plan and budget which facilitates Management’s pursuit of MISC’s targets.</td>
</tr>
<tr>
<td>Oversee the conduct of MISC’s businesses, including the participation in tenders for projects, partnerships and initiatives.</td>
</tr>
<tr>
<td><strong>BUSINESS SUSTAINABILITY &amp; RISK</strong></td>
</tr>
<tr>
<td>Establish the risk appetite within which Management is expected to operate and ensure effective risk management framework and internal controls are in place to identify, evaluate, manage and monitor both current and emerging risks.</td>
</tr>
<tr>
<td>Review the MISC Sustainability Strategy 2020 progress and discuss post-2020 sustainability strategy.</td>
</tr>
<tr>
<td><strong>SUCCESION PLANNING</strong></td>
</tr>
<tr>
<td>Review of succession plan to ensure a sustainable talent pipeline is in place across all levels within MISC, including the Board.</td>
</tr>
<tr>
<td>Oversee the cultivation of a competent and capable workforce through a structured and holistic employee development process and promote safe working conditions.</td>
</tr>
<tr>
<td><strong>CORPORATE GOVERNANCE</strong></td>
</tr>
<tr>
<td>Ensure the integrity of MISC’s financial and non-financial reporting.</td>
</tr>
<tr>
<td>Promote good culture across MISC with the MISC Code of Conduct and Business Ethics at its core.</td>
</tr>
</tbody>
</table>

To avoid any conflict of interest, all Board members declare their interests where applicable at all Board meetings.
Corporate Governance Overview Statement

All Board members complied with the minimum attendance requirement of at least 50% of the Board meetings held during the financial year pursuant to Paragraph 15.05(3)(c) of the MMLR. The following is a summary of the AGM, Board and Board Committees’ meetings attendance in 2019:

<table>
<thead>
<tr>
<th>Name of Directors</th>
<th>Meeting attendance in 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AGM</td>
</tr>
<tr>
<td>Dato' Ab. Halim Mohyiddin</td>
<td>1/1</td>
</tr>
<tr>
<td>(Chairman)</td>
<td></td>
</tr>
<tr>
<td>Dato' Sekhar Krishnan</td>
<td>1/1</td>
</tr>
<tr>
<td>(BARC Chairman)</td>
<td></td>
</tr>
<tr>
<td>Datuk Nasarudin Md Idris</td>
<td>1/1</td>
</tr>
<tr>
<td>(NRC Chairman)</td>
<td></td>
</tr>
<tr>
<td>Lim Beng Chooon</td>
<td>1/1</td>
</tr>
<tr>
<td>Datu' Rozalila Abdul Rahman</td>
<td>1/1</td>
</tr>
<tr>
<td>Tanggu Muhammad Taulik</td>
<td>1/1</td>
</tr>
<tr>
<td>Lisa Mustapha</td>
<td>1/1</td>
</tr>
<tr>
<td>Mohd Yuzri Mohamad Yusof</td>
<td>1/1</td>
</tr>
<tr>
<td>Yee Yang Chien</td>
<td>1/1</td>
</tr>
<tr>
<td>(President/Group CEO)</td>
<td></td>
</tr>
</tbody>
</table>

* Dato' Rozalila Abdul Rahman was appointed as NRC member with effect from 9 December 2019.

The Directors have direct access to 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 members before they deliberate on matters tabled for approval. Distribution of Board papers and other relevant information is done electronically as it enhances efficiency and enables the Directors to access the information at their convenience.

The Board is also supported by qualified and competent Company Secretaries who provide sound advice on governance, ensure adherence to rules and procedures, and advocate the adoption of CG best practices. Effective 1 January 2020, Enck Ausmal Kardin was appointed as the Company Secretary of MISC Berhad in place of Puan Fadzillah Kamaruddin, who resigned on 31 December 2019. Enck Ausmal Kardin is also the Vice President, Legal, Corporate Secretarial and Compliance and possesses the requisite qualifications to advise the Board. Puan Noridah Khamis, the General Manager, Legal, Corporate Secretarial and Compliance, is the Joint Company Secretary of MISC Berhad.

The deliberations at the Board and Board Committee meetings are properly recorded and communicated to Management for necessary action. Minutes of Board meetings, which include records of the Board’s decisions, are properly maintained by the Company Secretary.

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

In compliance with Paragraphs 15.08(2) and (3) of the MMLR, the main training programmes attended by the Board members in 2019 are as follows:

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Training Attended</th>
<th>Organiser</th>
<th>Date</th>
</tr>
</thead>
</table>
| Dato' Ab. Halim Mohyiddin | 1. MISC Group Directors’ Training and Annual Planning Forum  
• Mega Trends & Macroeconomics  
• Oil & Gas and Upstream Outlook  
• Energy Shipping Outlook  
• Geopolitical Outlook  
• Beyond IMO 2020  
2. Building Trust Award 2019  
3. 2nd MISC Group Directors’ Training FY2019  
• Culture-Proofing Organisations in the Digital Era: Creating the Right Culture for Sustainable Growth  
• Economic Sanctions & Export Controls  
• Overview of Port Management & Maritime Service and Business Outlook  
• Decarbonisation of the Shipping Industry | MISC Berhad | 26 June 2019 |
| Dato’ Sekhar Krishnan | 1. Dawn of a New Corporate Malaysia  
2. One-Day Workshop on “Blockchain for Accountants – Awareness Workshop”  
3. MISC Group Directors’ Training and Annual Planning Forum  
• Mega Trends & Macroeconomics  
• Oil & Gas and Upstream Outlook  
• Energy Shipping Outlook  
• Geopolitical Outlook  
• Beyond IMO 2020  
4. Introduction to Integrated Reporting  
5. 2nd MISC Group Directors’ Training FY2019  
• Culture-Proofing Organisations in the Digital Era: Creating the Right Culture for Sustainable Growth  
• Economic Sanctions & Export Controls  
• Overview of Port Management & Maritime Service and Business Outlook  
• Decarbonisation of the Shipping Industry | ZICO Law | 28 January 2019 |
<p>|                   |                   | MDPRA | 20 February 2019 |
|                   |                   | MISC Berhad | 26 June 2019 |
|                   |                   | MISC Berhad | 5 December 2019 |
|                   |                   | 17 July 2019 |
|                   |                   | 5 December 2019 |</p>
<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Training Attended</th>
<th>Organiser</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Datuk Nasaruddin Md Idris</td>
<td>1. MISC Group Directors' Training and Annual Planning Forum</td>
<td>MISC Berhad</td>
<td>26 June 2019</td>
</tr>
<tr>
<td></td>
<td>• Mega Trends &amp; Macroeconomics</td>
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<tr>
<td></td>
<td>• Oil &amp; Gas and Upstream Outlook</td>
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<td>• Energy Shipping Outlook</td>
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<td>• Geopolitical Outlook</td>
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<td></td>
<td>• Beyond IMO 2020</td>
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<tr>
<td></td>
<td>2. 2nd MISC Group Directors' Training FY2019</td>
<td>MISC Berhad</td>
<td>5 December 2019</td>
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<tr>
<td></td>
<td>• Culture-Proofing Organisations in the Digital Era: Creating the Right Culture for Sustainable Growth</td>
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<td>• Economic Sanctions &amp; Export Controls</td>
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<td>• Overview of Port Management &amp; Maritime Service and Business Outlook</td>
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<td></td>
<td>• Decarbonisation of the Shipping Industry</td>
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</tr>
<tr>
<td>Lim Beng Choon</td>
<td>1. MISC Group Directors' Training and Annual Planning Forum</td>
<td>MISC Berhad</td>
<td>26 June 2019</td>
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<tr>
<td></td>
<td>• Mega Trends &amp; Macroeconomics</td>
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<td>• Oil &amp; Gas and Upstream Outlook</td>
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<td></td>
<td>• Beyond IMO 2020</td>
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<tr>
<td></td>
<td>2. Effective Strategy for Stakeholder Management</td>
<td>PETRONAS</td>
<td>8 July 2019</td>
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<tr>
<td></td>
<td>4. 2nd MISC Group Directors' Training FY2019</td>
<td>MISC Berhad</td>
<td>5 December 2019</td>
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<td></td>
<td>• Culture-Proofing Organisations in the Digital Era: Creating the Right Culture for Sustainable Growth</td>
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<td></td>
<td>• Economic Sanctions &amp; Export Controls</td>
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<td>• Overview of Port Management &amp; Maritime Service and Business Outlook</td>
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<td></td>
<td>• Decarbonisation of the Shipping Industry</td>
<td></td>
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</tr>
<tr>
<td>Tengku Muhammad Taufik</td>
<td>1. Mandatory Accreditation Programme for Directors of Public Listed Companies</td>
<td>IdF</td>
<td>14 – 15 January 2019</td>
</tr>
<tr>
<td></td>
<td>2. EY Innovation Realised 2019 Summit</td>
<td>EY</td>
<td>8 – 9 March 2019</td>
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<tr>
<td></td>
<td>3. MISC Group Directors’ Training and Annual Planning Forum</td>
<td>MISC Berhad</td>
<td>26 June 2019</td>
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<td></td>
<td>• Mega Trends &amp; Macroeconomics</td>
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<td>• Beyond IMO 2020</td>
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<td></td>
<td>5. EY C-Suite Forum 2019</td>
<td>EY</td>
<td>7 November 2019</td>
</tr>
</tbody>
</table>
Corporate Governance Overview Statement

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Training Attended</th>
<th>Organiser</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chien Liza Mustapha</td>
<td>1. The Institute of Internal Auditors Malaysia – Audit Committee Conference 2019</td>
<td>MIA</td>
<td>15 April 2019</td>
</tr>
<tr>
<td></td>
<td>2. MISC Group Directors’ Training and Annual Planning Forum</td>
<td>MISC Berhad</td>
<td>26 June 2019</td>
</tr>
<tr>
<td></td>
<td>• Mega Trends &amp; Macroeconomics</td>
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<td>• Oil &amp; Gas and Upstream Outlook</td>
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<td>• Beyond IMO 2020</td>
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<td></td>
<td>3. 2nd MISC Group Directors’ Training FY2019</td>
<td>MISC Berhad</td>
<td>5 December 2019</td>
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<td></td>
<td>• Culture-Proofing Organisations in the Digital Era: Creating the Right Culture for Sustainable Growth</td>
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<td>• Economic Sanctions &amp; Export Controls</td>
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<td>• Overview of Port Management &amp; Maritime Service and Business Outlook</td>
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<td></td>
<td>• Decarbonisation of the Shipping Industry</td>
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<tr>
<td></td>
<td>4. MFRS Updates Training for CFOs</td>
<td>PETRONAS</td>
<td>9 December 2019</td>
</tr>
<tr>
<td>Mohd Yuni Mohamed Yusof</td>
<td>1. World Petrochemical Conference</td>
<td>IHS Market</td>
<td>18 – 21 March 2019</td>
</tr>
<tr>
<td></td>
<td>2. Asia Oil &amp; Gas Conference</td>
<td>ICSP</td>
<td>24 – 25 June 2019</td>
</tr>
<tr>
<td></td>
<td>3. MISC Group Directors’ Training and Annual Planning Forum</td>
<td>MISC Berhad</td>
<td>26 June 2019</td>
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<td></td>
<td>• Mega Trends &amp; Macroeconomics</td>
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<td>• Beyond IMO 2020</td>
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<tr>
<td></td>
<td>4. World Economic Forum (WEF) – Africa</td>
<td>WEF</td>
<td>4 – 6 September 2019</td>
</tr>
<tr>
<td>Yee Yang Chien</td>
<td>1. MISC Group Directors’ Training and Annual Planning Forum</td>
<td>MISC Berhad</td>
<td>26 June 2019</td>
</tr>
<tr>
<td></td>
<td>• Mega Trends &amp; Macroeconomics</td>
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<td></td>
<td>2. 2nd MISC Group Directors’ Training FY2019</td>
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<td>5 December 2019</td>
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<tr>
<td></td>
<td>• Culture-Proofing Organisations in the Digital Era: Creating the Right Culture for Sustainable Growth</td>
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<td></td>
<td>• Economic Sanctions &amp; Export Controls</td>
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<tr>
<td></td>
<td>• Overview of Port Management &amp; Maritime Service and Business Outreach</td>
<td></td>
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<tr>
<td></td>
<td>• Decarbonisation of the Shipping Industry</td>
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</tr>
</tbody>
</table>

Ethics and Compliance

MISC observes its own Code of Conduct and Business Ethics (CoBE), including the Whistleblowing Policy and No Gift Policy. The CoBE is applicable to the Company, its Directors, employees and third parties performing work or services for and on behalf of the Company. It governs the desired standards of behaviour and ethical conduct 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.

A whistleblowing structure to review and manage any whistleblowing reports is in place, which includes a whistleblowing framework and management process. The Chairman of the BARC, is also the Chairman of the Whistleblowing Committee 1 (WBC 1). The WBC 1 operates reviews made against any member of Senior Management whereas the Whistleblowing Committee 2 (WBC 2) reviews reports made against any other employee of the Company. The Board, through the BARC, reviews whistleblowing reports on a quarterly basis.

The Board places emphasis on fighting bribery and corruption and continuously reviews the Company’s Compliance and Ethics Plan and related initiatives. In January 2019, MISC was awarded with the ISO 37001:2016 Anti-Bribery Management System certification. The Board has also demonstrated its commitment for fighting bribery and corruption by signing the Corruption Free Pledge (CFP).

For more information on MISC’s and compliance initiatives in 2019, please refer to the BARC Report on pages 212 to 219 of this Annual Report.


Directors’ Remuneration

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. MISC’s policy for remunerating its Directors is based on the PETRONAS Public Listed Companies Non-Executive Directors’ Guidelines and Remuneration Package.

For the financial year ended 31 December 2019, details of the Directors’ remuneration (excluding the President/Group CEO) are as follows:

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Directors’ Fees (Inclusive of Annual Fees and Meeting Allowance)</th>
<th>Benefits-in-kind (RM)</th>
<th>Total (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Dato’ Ab. Hafiz Mohd Hadzali</em></td>
<td>218,500.00</td>
<td>-</td>
<td>218,500.00</td>
</tr>
<tr>
<td><em>Dato’ Shafiee bin Mohd Ali</em></td>
<td>176,000.00</td>
<td>4,408.11</td>
<td>180,408.11</td>
</tr>
<tr>
<td><em>Dato’ Nasiruddin bin Mat Nor</em></td>
<td>204,000.00</td>
<td>296,710.00</td>
<td>469,710.00</td>
</tr>
<tr>
<td><em>Lim Beng Choon</em></td>
<td>200,500.00</td>
<td>3,316.34</td>
<td>203,816.34</td>
</tr>
<tr>
<td><em>Dato’ Zainal Abidin bin Haji Ahmad</em></td>
<td>162,000.00</td>
<td>5,352.62</td>
<td>167,352.62</td>
</tr>
<tr>
<td><em>Singh Muhammad Taufik</em></td>
<td>162,000.00</td>
<td>-</td>
<td>162,000.00</td>
</tr>
<tr>
<td><em>Liza Mustapha</em></td>
<td>179,500.00</td>
<td>-</td>
<td>179,500.00</td>
</tr>
<tr>
<td><em>Mohd Yuni Mohamed Yusof</em></td>
<td>186,500.00</td>
<td>-</td>
<td>186,500.00</td>
</tr>
<tr>
<td>Total</td>
<td>1,549,000.00</td>
<td>296,710.00</td>
<td>1,845,710.00</td>
</tr>
</tbody>
</table>

* Fees paid to PETRONAS

During the year under review, the President/Group CEO of MISC received a total remuneration of RM3,049,743.00 in salary, other emoluments and benefits-in-kind. As an Executive Director, the President/Group CEO is not entitled to Directors’ fees or any meeting attendance allowance.

For more information on the remuneration structure for MISC’s Directors, please refer to the MISC Report on pages 204 to 210 of this Annual Report.
Corporate Governance Overview Statement

**PRINCIPLE B: Effective Risk Management and Internal Control**

Board Audit and Risk Committee (BARC)
The BARC was established with the objective of assisting the Board in fulfilling its responsibilities primarily relating to financial management, financial accounting, risk management framework and process, and internal control systems of the Group. The BARC also monitors compliance with established policies and procedures and assesses the suitability, objectivity and independence of both the external and internal audit functions.

The Board has deliberated on having a separate Board Risk Committee as recommended by MCCG 2017 and concluded that the current structure of combining the audit, internal control oversight and risk management functions should remain with the BARC, until additional Independent Directors are appointed to the Board.

The Terms of Reference of the BARC have been enhanced to reflect Independent Directors are appointed to the Board. Management functions should remain with the BARC, until additional structure of combining the audit, internal control and risk management functions should remain with the BARC, until additional Independent Directors are appointed to the Board.

For more information on the BARC and how it has met its responsibilities in 2019, please refer to the BARC Report on pages 212 to 219 of this Annual Report.

Risk Management and Internal Control Framework
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 BARC on risk events, relevant risk appetite and mitigation measures at the enterprise level, the Board reviews 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 integrity of the Company’s internal control systems (conducted via the BARC), the Board reviewed the reports on Related Party Transactions, Conflict of Interest oversight, Whistleblowing cases and enhanced management processes thereof, and certain improvements to internal controls as highlighted by the Group Internal Audit.

For more information on MISC’s risk management and internal control practices, please refer to the BARC Report on pages 212 to 219 of this Annual Report as well as the Statement on Risk Management and Internal Control on pages 230 to 239 of this Annual Report.

**PRINCIPLE C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders**

Incorporator Relations and Communication with Stakeholders
The Board values its dialogue with the investing community, including both the institutional shareholders and private investors, to enhance investors’ understanding of the Group. MISC aims to continuously build and maintain transparent communication with the shareholders, potential investors and the investing community. Through the MISC Group Investor Relations programme, MISC is committed to uphold best practices in CG and ensure timely and equal dissemination of material information to its stakeholders.

In 2019, MISC used the following channels/forums to communicate and engage with its stakeholders:

- MISC Annual General Meeting;
- Quarterly financial reports;
- MISC Annual Report;
- Announcements on major developments to Bursa Securities;
- MISC website at www.misc.com.my; and
- Analyst Briefings following the announcement of quarterly financial reports.

For more information on MISC’s engagement with stakeholders in 2019, please refer to the Stakeholder Engagement section on pages 72 to 75 of this Annual Report.

Integrated Reporting
MISC is moving towards adopting integrated reporting based on a globally recognised framework with a view of helping our stakeholders understand how MISC creates value and to promote greater transparency and accountability on the part of the Company, in line with the MCGG 2017.

The adoption of integrated reporting has been implemented on a staggered basis since 2018 and certain sections of MISC Annual Report 2019 have already been prepared based on the integrated reporting framework.

Conduct of Annual General Meeting (AGM)
The MISC AGM is the principal forum for dialogue with our shareholders and an avenue for the Chairman and Board members to interact with the shareholders. The Chairman plays a pivotal role in accommodating constructive dialogue between shareholders and the Board. The shareholders are strongly encouraged to attend, participate, speak and vote at the Company’s AGM, and all queries posited to the Board prior to and during the AGM are responded to accordingly.

The following are some measures taken by MISC to encourage attendance and participation from the shareholders at the AGM:

- Shareholders who are unable to attend the AGM may appoint up to two proxies to attend, participate, speak and vote at the meeting on their behalf;
- The Management Committee members and External Auditors of MISC are present at the AGM to address any questions or concerns raised by the shareholders;
- Questions raised by the Minority Shareholders Watch Group (MSWG) prior to the AGM are shared with the shareholders during the AGM together with the Company’s responses thereto; and
- The President/Group CEO will present highlights of MISC Group’s performance prior to the formal proceedings of the AGM and responds to queries from shareholders.

The AGM is scheduled in advance of any new financial year to facilitate Board members to plan and fit the year’s AGM into their schedules. In 2019, all nine Board members attended the AGM. The Notice of AGM is issued twenty-eight days prior to the AGM, as recommended by the MCGG 2017. Voting at the AGM is conducted via electronic polling, in compliance with the MMLR. The polling process is explained clearly during the AGM to ensure a smooth and pleasant voting experience by the shareholder. Poll results are verified by appointed scrutineers prior to the Chairman’s announcement of the outcome.

In relation to the recommendation by MCCG 2017 for listed companies with a large number of shareholders to leverage on technology to facilitate voting in absentia and remote shareholders’ participation at general meetings, MISC will consider the recommendations subject to the availability of the technology and also its practicality to the Company.

This CG Overview Statement is made in accordance with the resolution of the Board of Directors passed on 26 February 2020.
Dear Shareholders,

In compliance with Paragraph 15.08A of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Securities), 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 four members, all of whom are Non-Executive Directors, and a majority of whom are Independent Directors, which complies with the requirements of the MMLR and the Malaysian Code on Corporate Governance 2017 (MCCG 2017). As at the date of this report, the composition of the NRC is as follows:

<table>
<thead>
<tr>
<th>Members</th>
<th>Date of appointment as NRC Member</th>
</tr>
</thead>
<tbody>
<tr>
<td>DATUK NASARUDIN MD IDRIS</td>
<td>20 April 2017 (Re-designated as Chairman on 1 September 2017)</td>
</tr>
<tr>
<td>LIM BENG CHOON</td>
<td>1 September 2017</td>
</tr>
<tr>
<td>MOHD YUSRI MOHAMMED YUSOF</td>
<td>7 December 2017</td>
</tr>
<tr>
<td>DATO' ROZALILA ABDUL RAHMAN</td>
<td>9 December 2019</td>
</tr>
</tbody>
</table>

**Terms of Reference**

The NRC is governed by its own Terms of Reference (TOR), which is consistent with the requirements of the MMLR and best practices of the MCCG 2017.

For more information on the NRC’s TOR, please refer to MISC’s corporate website at [www.misc.com.my](http://www.misc.com.my).

Sustainability of a company has many aspects, from being profitable and able to perform our role as a responsible corporate citizen, to being able to satisfy a myriad of stakeholders. And we must accept that we can only deliver our goals through the people that work with the company.

One of the key imperatives of the Nomination and Remuneration Committee is succession planning and drawing the right talents into the company. Sustainable companies are those which are able to bring the best talents into the company whether at the Board or senior management level, and even in the recruitment of younger ones.

During the year, we also had an independent evaluation of the Board’s overall effectiveness as well as that of individual directors. I think this was a good exercise because we are able to have an external perspective of the overall effectiveness of the Board. The results indicate that the Board is cohesive, focused, highly disciplined and competent. A good Board is not only about governance, but equally important is the need for it to be a good ‘sounding board’ to Management, providing the counsel and guidance as we move ahead.

**Meetings**

The NRC met seven times during the year under review. Details of each NRC member’s attendance are as follows:

<table>
<thead>
<tr>
<th>Name of member</th>
<th>Number of meetings attended in 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Datuk Nasarudin Md Idris</td>
<td>7/7</td>
</tr>
<tr>
<td>Lim Beng Choon</td>
<td>7/7</td>
</tr>
<tr>
<td>MOHD YUSRI MOHAMMED YUSOF</td>
<td>7/7</td>
</tr>
<tr>
<td>DATO’ ROZALILA ABDUL RAHMAN</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Dato’ Rozalila Abdul Rahman was appointed as NRC member with effect from 9 December 2019.

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 to allow the NRC members to plan ahead and incorporate the year’s meetings into their respective schedules. The agenda and meeting papers are distributed to the NRC members via a secured collaborative software, which assists the process of distribution of meeting papers and minimises leakage of sensitive information, as well as enabling the Directors to have access to the papers electronically, anytime and anywhere. All proceedings of the NRC meetings are duly recorded in the minutes and are properly kept by the Company Secretary.

During the year, we also had an independent evaluation of the Board’s overall effectiveness as well as that of individual directors. I think this was a good exercise because we are able to have an external perspective of the overall effectiveness of the Board. The results indicate that the Board is cohesive, focused, highly disciplined and competent. A good Board is not only about governance, but equally important is the need for it to be a good ‘sounding board’ to Management, providing the counsel and guidance as we move ahead.

DATUK NASARUDIN MD IDRIS
Chairman, Nomination and Remuneration Committee
Nomination and Remuneration Committee Report

Functions of the NRC and related activities in FY2019

L. Board Membership - Appointment/Re-election of Directors and Succession Planning

The NRC has the responsibility for ensuring appropriate succession planning of Directors 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 re-appointment or re-election.

The nomination of new Board members follows the following Board appointment process:

1. Circumstances giving rise to a Board Vacancy
2. Management initiates search for candidates
3. NRC develops the selection criteria, i.e. competencies and attributes required
4. The NRC interviews shortlisted candidates
5. Deliberation by the NRC on suitability of the candidate
6. Table proposed appointment of Director to MISC Board for approval
7. On-boarding Session for new Director
8. Mandatory Accreditation Programme (if applicable), Continuous Training & Annual Performance Assessment

Board Vacancy:
- Non-Independent Non-Executive Director
- Independent Director
- Executive Director

Company Secretary to seek PETRONAS nomination of the new Board representative

Non-Independent

Non-Independent Director Selection Criteria:
- Professionalism
- Integrity
- Personal attributes
- Time commitment

Non-Independent Director Nomination

The nomination of Non-Independent Non-Executive Directors (NINEDs) to the Board is made by PETRONAS, being the majority shareholder of the Company.

The potential candidates to assume the role of Independent Non-Executive Directors (INEDs) are first tabled to the NRC for consideration and evaluation based on merit, suitability with the Company's objectives and required mix of skills, knowledge, expertise, experience, professionalism, integrity, personal attributes and time commitment required to effectively fulfill his or her role as a Director.

During the year under review, the NRC took a multi-year view of three years when conducting its annual review of the Board succession plan to identify the circumstances giving rise to a Board vacancy, including casual vacancy, tenure and gaps in Board diversity. Arising therefrom, the NRC detailed the Board's endorsement to commence the search for candidates, through independent search firms, to increase the Board composition by appointing up to two new INEDs.

The NRC is also responsible for recommending to the Board, Directors who are standing for re-appointment or re-election at the Annual General Meeting (AGM) pursuant to Rules 21.7 and 21.8 of MISC's Constitution. At the forthcoming 51st AGM of the Company, the following Directors will be retiring by rotation pursuant to Rule 21.8, and being eligible, have offered themselves for re-election:
- Dato' Sakhar Kishnan
- Puan Liza Mustapha
- Encik Mohd Yusri Mohamed Yusof

In line with the MCCG 2017, the Board Charter includes a policy which limits the tenure of INEDs to nine years as well as the Board Diversity Policy.

ii. Board Performance Evaluation - Board and Board Committees' Assessment

The performance of the Board and the Board Committees is tracked annually against the Board Key Performance Indicators (KPIs), using a Performance Evaluation Sheet as a tool. The Board KPIs focus on achievements of measurable ‘hard targets’ based on three criteria, i.e. Board Structure, Board Operations and Board Roles and Responsibilities. Each Director is required to give Rating “1” for Best Practice, Rating “2” for Meets Requirement or Rating “3” for Areas of Improvement. The final ratings are then reviewed by Management, the NRC and the Board, and consequently action plans are implemented by Management for the areas for improvement highlighted.

For FY2019, the following areas will be assessed:

Board and Management Structure
- Composition
- Orientation, Training & Development
- Board Operations
- Timeliness
- Adequacy of Information
- Access to Management

Board Roles and Responsibilities
- Strategic Vision
- Succession Planning
- Risk Management & Internal Controls
- Investor Relations

Board Committees Performance Evaluation
- Effectiveness
- Discharge of functions, duties and responsibilities in accordance with the TOR
Nomination and Remuneration Committee Report

During the year under review, the FY2018 Board Effectiveness Evaluation (BEE) facilitated by independent consultants, which included an assessment of individual Directors, was completed. The following conclusions were arrived at by the independent consultants:

- Overall, the results of the BEE indicate that the Board is cohesive, focused, highly disciplined and competent.
- Connectivity amongst the Board members is good.
- The Board has drawn on a mix of talents and expertise to set the strategy, identify risks and mitigate these in a structured and professional manner whilst continuing to identify new business opportunities.
- The NINEDs bring new young talent and fresh perspectives to enhance board effectiveness.
- There is a consistent commitment to improvements in best practices in corporate governance and a strong principle of accountability.
- The NINEDs speak openly and demonstrate independence exemplified by impartiality, objectivity and consideration of all stakeholders' interest.
- Although the Board has reasonable knowledge and understanding of MISC Group’s business environment and strategy, upskilling, especially on market trends of shipping related industry, should be enriched through various learning platforms.

### ii. Senior Management - Appointment and Succession Planning

The NRC is tasked with making appropriate recommendations to the Board for the appointment or renewal of contracts of employment of the President/Group CEO and Management Committee (MC) members of the Company, taking into account diversity in addressing the MC composition.

During the year under review, having conducted all relevant reviews and assessments, the NRC deliberated and recommended the appointment of the following MC members:

- Aqmal Kardin (appointed as Vice President, Legal, Corporate Secretarial and Compliance and MC member effective 1 January 2020); and
- Wan Mashitah Wan Abdullah Sani (re-appointed as MD & CEO of Malaysia Marine & Heavy Engineering Holdings Berhad and MC member effective 9 January 2020).

The NRC also has the responsibility for ensuring appropriate succession planning for MC members. Below is a brief illustration of the succession planning approach and process adopted by MISC Group:

<table>
<thead>
<tr>
<th>1</th>
<th>Identification of Critical Positions within the Group based on three criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact on business results</td>
<td></td>
</tr>
<tr>
<td>Sustaining the business</td>
<td></td>
</tr>
<tr>
<td>Uniqueness of positions</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2</th>
<th>Identification of potential successors from pool of staff at General Manager and Senior Manager levels, nominated and assessed by the Leadership Team on the basis of four criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achievement: Sustainability of performance</td>
<td></td>
</tr>
<tr>
<td>Ability: Competence to deliver successively</td>
<td></td>
</tr>
<tr>
<td>Agility: Traits and values which help adaptability</td>
<td></td>
</tr>
<tr>
<td>Aspiration: Passion, tenacity and commitment for self and the organisation</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3</th>
<th>Determination and identification of successors for the MC based on three criteria, followed by mapping of shortlisted individuals to a maximum of three Critical Positions and rating of readiness levels:</th>
</tr>
</thead>
<tbody>
<tr>
<td>R1: Ready now</td>
<td></td>
</tr>
<tr>
<td>R2: Ready within 12 months</td>
<td></td>
</tr>
<tr>
<td>R3: Ready between 12 &amp; 24 months</td>
<td></td>
</tr>
<tr>
<td>R4: Ready above 24 months</td>
<td></td>
</tr>
</tbody>
</table>

| 4 | Formulation of an Individual Development Plan for each individual |

### iv. Directors’ and Senior Management Remuneration

The Company’s policy for remunerating its Directors is based on the PETRONAS Public Listed Companies Non-Executive Directors’ Guidelines and Remuneration Package. The fee structure for NEDs of MISC is as follows:

<table>
<thead>
<tr>
<th>Positions and rating of readiness levels:</th>
</tr>
</thead>
<tbody>
<tr>
<td>R1: Ready now</td>
</tr>
<tr>
<td>R2: Ready within 12 months</td>
</tr>
<tr>
<td>R3: Ready between 12 &amp; 24 months</td>
</tr>
<tr>
<td>R4: Ready above 24 months</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Positions and rating of readiness levels:</th>
</tr>
</thead>
<tbody>
<tr>
<td>R1: Ready now</td>
</tr>
<tr>
<td>R2: Ready within 12 months</td>
</tr>
<tr>
<td>R3: Ready between 12 &amp; 24 months</td>
</tr>
<tr>
<td>R4: Ready above 24 months</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Monthly Fees</th>
<th>Board</th>
<th>Board Audit &amp; Risk Committee</th>
<th>Nomination &amp; Remuneration Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>RM200,000</td>
<td>RM3,500</td>
<td>RM3,500</td>
</tr>
<tr>
<td>Member</td>
<td>RM10,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The fees and allowances for NEDs are determined by the Board and are subject to the approval of the shareholders of MISC. The breakdown of the detailed Directors’ fees paid during the year under review is disclosed in the Corporate Governance Overview Statement on pages 190 to 203 of this Annual Report.

The Directors’ fees and remuneration for NINEDs are paid directly to PETRONAS. The presence and participation of the NINEDs who are employees of PETRONAS give the Board a deeper insight into PETRONAS’ operations.

The remuneration package for the Executive Director of MISC is balanced between fixed and performance-linked elements. A portion of the Executive Director’s remuneration package is variable in nature and is KPI based, which includes the Group’s performance. As an Executive Director, he is not entitled to receive Directors’ fees or meeting allowance.

The MISC members’ remuneration is based on salary bands reflective of industry standards and categorised into two categories, i.e. MC 1 (for business heads) and MC 2 (for service division heads).

### v. Company and President/Group CEO Performance Appraisal

The Company’s performance against the FY2019 Balanced Scorecard was deliberated by the NRC. The performance appraisal covered the following Scorecard dimensions, whereby specific ratings were given to each dimension based on “Minimum”, “Base” or “Stretch” achievements:

- Financials
- Strategic Initiatives
- Operations
- Health, Safety and Environment (HSE)
- People Development

Based on the Company’s performance against the FY2019 Balanced Scorecard, the NRC also deliberated on the individual performance of the President/CEO of the Company for FY2019 and made the appropriate recommendations to the Board for further deliberation.
Overview of the NRC’s activities in respect of FY2019

Board Membership
1. Reviewed the mix of skills, diversity in terms of gender, ethnicity, age, education and business experience as well as other qualities, including core competencies of the Directors.
2. Recommended the Directors who are eligible for re-election and re-appointment at the AGM.

Succession Planning
1. Reviewed the MISC Board and Board Committees Structure and endorsed the way forward on Directors’ Succession Plan, including the proposed drafting of a MISC Board Succession Planning Framework.
2. Received update on Succession Planning for MC positions and Critical Positions.
3. Obtained the Board’s endorsement to commence the search for candidates to increase the Board composition by appointing up to two new INEDs.
4. Endorsed the appointment of one new MC member and re-appointment of one MC member.

Performance Management
1. Reviewed and endorsed the MISC Group FY2018 Balanced Scorecard Results.
2. Reviewed and endorsed the proposed Annual Salary Increment and Performance Bonus for Appraisal Year 2018.
3. Reviewed and endorsed the MISC Group FY2020 Balanced Scorecard.

Board Performance Evaluation
1. Reviewed the results of the MISC Board and Board Committees Performance Evaluation for FY2018 based on the Board KPIs for FY2018.
2. Completed the FY2018 Board Effectiveness Evaluation facilitated by independent consultants, which included an assessment of individual Directors.

Training and Development
Reviewed and endorsed topics for the FY2019 Annual Directors’ Training.

Annual Reporting

DATUK NASARUDIN MD IDRIS
Chairman
Nomination and Remuneration Committee
Dear Shareholders,

The Board Audit and Risk Committee (BARC) of MISC was established with the objective of assisting the Board in fulfilling its responsibilities primarily relating to financial management, financial accounting, risk management framework and process, and systems of internal controls of the Group.

Composition

The BARC comprises of four members, the majority of whom are Independent Non-Executive Directors of the Company. The Chairman of the BARC, Dato' Sekhar Krishnan, is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. The composition of the BARC and qualifications of its members comply with Paragraph 15.09(1) of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Securities). As at the date of this report, the composition of the BARC is as follows:

<table>
<thead>
<tr>
<th>Member</th>
<th>Date of appointment as BARC Member</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dato' Sekhar Krishnan</td>
<td>1 March 2015 (Re-designated as Chairman on 28 May 2015)</td>
</tr>
<tr>
<td>Datuk Nasarudin Md Idris</td>
<td>20 April 2017</td>
</tr>
<tr>
<td>Lim Beng Choon</td>
<td>16 August 2012</td>
</tr>
<tr>
<td>Liza Mustapha</td>
<td>1 September 2017</td>
</tr>
</tbody>
</table>

Terms of Reference

The BARC is governed by its own Terms of Reference (TOR), which is consistent with the requirements of the MMLR and best practices of the Malaysian Code on Corporate Governance 2017 (MCCG 2017).

Meetings

The BARC met five times during the year under review. Details of each BARC member’s attendance are as follows:

<table>
<thead>
<tr>
<th>Member</th>
<th>Number of meetings attended in 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dato’ Sekhar Krishnan</td>
<td>5 out of 5</td>
</tr>
<tr>
<td>Datuk Nasarudin Md Idris</td>
<td>5 out of 5</td>
</tr>
<tr>
<td>Lim Beng Choon</td>
<td>5 out of 5</td>
</tr>
<tr>
<td>Liza Mustapha</td>
<td>5 out of 5</td>
</tr>
</tbody>
</table>

The BARC meets every quarter to review and deliberate the quarterly and annual financial statements, the Enterprise Risk Management report, emerging risks updates, Group Internal Audit (GIA) reports, related party transaction matters, whistleblowing updates, compliance & ethics updates and other relevant matters within the BARC’s TOR. Additional meetings are convened as and when required.

The President/Group CEO is invited to attend the BARC 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 BARC’s TOR. The Portfolio Head, GIA of PETRONAS or his representative and the Head, GIA of MISC are also invited to the BARC meetings, together with the relevant management personnel, to observe the proceedings and provide clarification on any relevant Internal Audit reports tabled to the BARC. The External Auditors are invited to present their audit plan and audit results, Memorandum of Suggestions, and other relevant matters.
### Board Audit and Risk Committee Report

BARC meetings together with the tentative agenda are scheduled in advance of any new financial year to allow the BARC members to plan ahead and incorporate the year’s meetings into their respective schedules. The agenda and meeting papers are distributed to the BARC members via a secured collaborative software, which eases the process of distribution of meeting papers and minimises leakage of sensitive information, as well as enabling the Directors to have access to the papers electronically, anytime and anywhere. All proceedings of the BARC meetings are duly recorded in the minutes and are properly kept by the Company Secretary.

**Summary of the BARC’s work in respect of FY2019**

Appended below is a summary of the BARC’s work in respect of the financial year under review, in discharging its functions and duties:

#### Financial Reporting
- Reviewed the quarterly results for announcements to Bursa Securities, focusing on compliance with the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS), the MMLR and other relevant regulatory requirements, before recommending the same for approval by the Board.
- Reviewed the audited financial statements of the Company prior to submission to the Board for approval, upon being satisfied that the audited financial statements were drawn up in accordance with the MFRS, IFRS and provisions of the Companies Act 2016 in Malaysia.

The abovementioned reviews were conducted together with the President/CEO and Vice President, Finance.

#### Risk Management and Internal Controls
- Reviewed the adequacy and effectiveness of the MSC Group Risk Management Framework and the on-going activities for identifying, evaluating, monitoring and mitigating risks.
- Reviewed the proposed revision to MSC’s Limits of Authority Manual.
- Reviewed the proposed adoption of Enhanced PETRONAS Risk Policy.
- Discussed the emerging risks updates for MSC Group.
- Received and reviewed reports on key strategic and operational risk issues arising from quarterly Risk Management Committee (RMCo) meetings, including identification of the risk appetite at the enterprise level and review of the mitigation plans to address the said risks.
- Reviewed and endorsed the Group’s FY2019 Enterprise Risk Management Risk Register emanating from the annual planning cycle and ensured that appropriate systems and processes are in place to effectively monitor and manage the identified risks.
- Reviewed the Statement on Risk Management and Internal Control (SORMIC) for inclusion in the Company’s 2019 Annual Report pursuant to Paragraph 15.23 and Part II, Practice Note 9 of the MMLR.
- Reviewed the Cyber Security risk assessment findings and recommendations/ action plans.
- Reviewed internal audit reports issued by GIA based on the approved Annual Internal Audit Plan (AIAP) and ensured that appropriate agreed corrective actions are taken by the Management on the gaps in controls as identified by GIA.
- Reviewed and approved GIA’s AIAP for the financial year ending 31 December 2020 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.
- Reviewed the responses and action plans provided by Management 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 adequacy of resources and competencies of GIA staff to execute the audit plan.
- Discussed the proposed appointment of a new Head of GIA.
- Conducted half-yearly and yearly assessments on the performance of GIA.
- Reviewed the minutes of meetings of the Board Audit and Risk Committee of Malaysia Marine and Heavy Engineering Holdings Berhad and minutes of meetings of the Audit and Risk Management Committee of AET Tankers Holdings Sdn. Bhd. for overview of the state of risk management and internal control systems of those subsidiaries.
- Reviewed the updates on the implementation status of GIA’s action plans following a quality assessment by the Institute of Internal Auditors Malaysia (IIAM).
- Prior to BARC meetings, the Chairman of the BARC held private meetings and discussions with the Head and senior auditors of GIA on internal audit reports and any related matters.

#### Internal Audit
- Reviewed internal audit reports issued by GIA based on the approved Annual Internal Audit Plan (AIAP) and ensured that appropriate agreed corrective actions are taken by the Management on the gaps in controls as identified by GIA.
- Reviewed and approved GIA’s AIAP for the financial year ending 31 December 2020 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.
- Reviewed the responses and action plans provided by Management 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 adequacy of resources and competencies of GIA staff to execute the audit plan.
- Discussed the proposed appointment of a new Head of GIA.
- Conducted half-yearly and yearly assessments on the performance of GIA.
- Reviewed the minutes of meetings of the Board Audit and Risk Committee of Malaysia Marine and Heavy Engineering Holdings Berhad and minutes of meetings of the Audit and Risk Management Committee of AET Tankers Holdings Sdn. Bhd. for overview of the state of risk management and internal control systems of those subsidiaries.
- Reviewed the updates on the implementation status of GIA’s action plans following a quality assessment by the Institute of Internal Auditors Malaysia (IIAM).
- Prior to BARC meetings, the Chairman of the BARC held private meetings and discussions with the Head and senior auditors of GIA on internal audit reports and any related matters.

#### External Audit

**FY2019 Key Audit Matters (KAM) addressed by the BARC**

<table>
<thead>
<tr>
<th>KAM</th>
<th>Matters Considered</th>
<th>BARC Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impairment of non-current assets</td>
<td>- The Group’s assets under review included ships, right of use assets of in-chartered ships, offshore floating assets and other property, plant and equipment that had indication of impairment and goodwill. - Management has carried out impairment review on its assets based on value-in-use (ViU) analysis and market values by engaging independent ship valuers.</td>
<td>The BARC concurred with Management’s assessment on the impairment of assets.</td>
</tr>
<tr>
<td>Material adjudications / arbitrations</td>
<td>- Recoverability of existing trade receivables and sufficiency of provision for claims for material adjudication/arbitrations involving the Group.</td>
<td>The BARC concurred with Management’s assessment on the recoverability of the trade receivables and sufficiency of provision for claims.</td>
</tr>
<tr>
<td>Recognition of revenue and cost for construction and marine projects</td>
<td>- A significant portion 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. - Management applies significant judgement and estimation in determining the stage of physical completion in respect of heavy engineering and marine projects, and in estimating total project costs.</td>
<td>The BARC concurred with Management’s assessment on the percentage-of-completion of projects and estimated total project costs.</td>
</tr>
</tbody>
</table>

For more information on the KAM, please refer to the Independent Auditors’ Report on pages 374 to 381 of this Annual Report.

- Reviewed the results and issues arising from the External Auditors’ audit, including the Key Audit Matters and the resolution of issues highlighted in their report to the BARC and Management’s responses thereto.
- The BARC had two private meetings with the External Auditors without the presence of Management during the year under review (i.e. on 18 February 2019 and 7 November 2019) 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.
- Reviewed and approved the External Auditors’ terms of engagement, audit plan, nature, scope and proposed fees for FY2019.
- Reviewed the Policy on the Assessment of External Auditors and Provision of Non-Audit Services by External Auditors, which is now renamed to the Policy on External Auditors.
- Reviewed and recommended the External Auditors’ re-appointment to the Board to be proposed for shareholders’ approval at the last AGM.

### External Audit

#### FY2019 Key Audit Matters (KAM) addressed by the BARC

<table>
<thead>
<tr>
<th>KAM</th>
<th>Matters Considered</th>
<th>BARC Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impairment of non-current assets</td>
<td>- The Group’s assets under review included ships, right of use assets of in-chartered ships, offshore floating assets and other property, plant and equipment that had indication of impairment and goodwill. - Management has carried out impairment review on its assets based on value-in-use (ViU) analysis and market values by engaging independent ship valuers.</td>
<td>The BARC concurred with Management’s assessment on the impairment of assets.</td>
</tr>
<tr>
<td>Material adjudications / arbitrations</td>
<td>- Recoverability of existing trade receivables and sufficiency of provision for claims for material adjudication/arbitrations involving the Group.</td>
<td>The BARC concurred with Management’s assessment on the recoverability of the trade receivables and sufficiency of provision for claims.</td>
</tr>
<tr>
<td>Recognition of revenue and cost for construction and marine projects</td>
<td>- A significant portion 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. - Management applies significant judgement and estimation in determining the stage of physical completion in respect of heavy engineering and marine projects, and in estimating total project costs.</td>
<td>The BARC concurred with Management’s assessment on the percentage-of-completion of projects and estimated total project costs.</td>
</tr>
</tbody>
</table>

For more information on the KAM, please refer to the Independent Auditors’ Report on pages 374 to 381 of this Annual Report.

- Reviewed the results and issues arising from the External Auditors’ audit, including the Key Audit Matters and the resolution of issues highlighted in their report to the BARC and Management’s responses thereto.
- The BARC had two private meetings with the External Auditors without the presence of Management during the year under review (i.e. on 18 February 2019 and 7 November 2019) 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.
- Reviewed and approved the External Auditors’ terms of engagement, audit plan, nature, scope and proposed fees for FY2019.
- Reviewed the Policy on the Assessment of External Auditors and Provision of Non-Audit Services by External Auditors, which is now renamed to the Policy on External Auditors.
- Reviewed and 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 FY2019, the amount of non-audit fees incurred for services rendered by the External Auditors or their affiliates to MISC Group is RM119,000, which includes limited review of semi-annual financial results and tax advisory.

To ensure that the External Auditors’ independence is not impaired, the Audit Engagement Partner in charge of the Company is changed every seven years and is required to observe a cooling-off period of five years before being reappointed, which is in line with the recommendation by the Malaysian Institute of Accountants (MIA). 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 BARC 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 revised its policy on the assessment of External Auditors as part of the revised Policy on External Auditors adopted during the year. With this policy, the BARC had carried out an assessment on the performance, suitability and independence of the External Auditors based on the following criteria, and will continue to do so on an annual basis:

- Quality of engagement team (including sufficiency of resources);
- Quality of communication and interaction; and
- Independence, objectivity and professional scepticism.

Corporate Governance and Regulatory Compliance

- Reviewed and deliberated on the Related Party Transactions (RPTs) and Recurrent Related Party Transactions (RRPTs) reports on a quarterly basis.
- Reviewed and recommended to the Board the SORMIC, BARC, and RPTs and RRPTs reports.
- Reviewed the whistleblowing quarterly reports of the Company.
- Reviewed the Group Health, Safety, Security and Environment (GHSSE) Audit & Assurance Bi-Annual Reports.

The annual audit plan and strategy including the scope of works and resources are approved by the BARC. The audit plan is established primarily using a risk-based approach as well as input gathered from various sources, including feedback from Management and the BARC, trends and findings from past audit engagements.

GIA conducts scheduled audits independently to ensure there is effective risk monitoring, internal controls, governance processes and compliance procedures to provide the level of assurance required by the Board. GIA also supports and conducts special reviews upon request by Management or the BARC.

GIA submits its audit reports to the Management Committee (MC) for executive review. Subsequently, the reports together with deliberations by the MC are tabled at the BARC meetings for endorsement. At the Board meetings, the BARC Chairman highlights the key audit issues and overall decisions and resolutions made during the BARC meetings to the Board.

The audit reports prepared by GIA provide details of audit findings and corresponding Agreed Corrective Actions (ACAs). The status of implementation of these ACAs are captured through the Quarterly Audit Status Reports, from which, the ACAs are monitored and analysed. The consolidated reports are submitted and presented to the MC and BARC for deliberation and endorsement on a quarterly basis. Such regular monitoring is essential to ensure the integrity and effectiveness of the Group’s systems of internal controls.

During the financial year, GIA completed and reported the following audits as per the approved internal audit plan:

Corporate Governance & Compliance

- Review of the initiatives by Management in relation to Compliance and Ethics, which included the following:
  4. “Safeguarding Personal Data & Cybersecurity Risk”;
  5. Review of the initiatives by Management in relation to Compliance and Ethics, which included the following:

The internal audit function of the Company was carried out in-house by the Group Internal Audit Department (GIA). GIA undertakes a systematic and disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes within the MISC Group.

The Head of GIA reports functionally to the BARC and administratively to the President/CEO of MISC. On 1 September 2019, Mohammad Normil Shafie was appointed as the new Head of GIA. He is a Fellow member of the Institute of Chartered Accountants in England and Wales (ICAEW) and holds a Bachelor of Science (Honours) Degree in Accounting and Finance from the University of Wales, UK.

GIA adopts the Standards and Principles outlined in the Institute of Internal Auditors’ International Professional Practices Framework (IPPF) and the Committee of Sponsoring Organisations of the Treadway Commission (COSO) framework; a comprehensive, structured and widely used auditing approach, in conducting the audit activities. The conduct of internal audit work is also governed by the MISC Internal Audit Charter and GIA’s established procedures and guidelines.
Board Audit and Risk Committee Report

Statement on RPTs and RRPTs

MISC has put in place internal controls, guidelines and procedures to ensure that RPTs and RRPTs are entered into on a normal commercial terms and on terms which are not more favourable than those generally available to third parties dealing on an arm’s length basis and are not detrimental to the minority shareholders of the Company.

In ensuring adequate procedures and processes are in place, the BARC 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 segments and service divisions 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 required 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 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-related 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 competitive 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 are 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 segments, service divisions 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 BARC.
- The BARC shall review the internal audit reports and will also review from time to time any RPTs that may arise within the Group. If the BARC 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 the public during their periodic review of the procedures, the BARC 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 the 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 2019 are summarised below:

<table>
<thead>
<tr>
<th>Nature of Transaction</th>
<th>Transacting Party</th>
<th>Related Party</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Purchase of lubricants and other petroleum products including bunker oil from PETRONAS Dagangan Berhad</td>
<td>MISC and/or its subsidiaries</td>
<td>PETRONAS*</td>
</tr>
<tr>
<td>2. Charters of petroleum and chemical tankers and LNG carriers from MISC by PETRONAS Group</td>
<td>MISC and/or its subsidiaries</td>
<td>PETRONAS*</td>
</tr>
<tr>
<td>3. Marine and Consultancy Services**</td>
<td>MISC and/or its subsidiaries</td>
<td>PETRONAS*</td>
</tr>
<tr>
<td>4. Sungai Udang Port management***</td>
<td>MISC and/or its subsidiaries</td>
<td>PETRONAS*</td>
</tr>
</tbody>
</table>

* PETRONAS is a major shareholder of the Company.

** RRPTs come into view due to the acquisition of MISC 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 BARC 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 BARC 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.

During the financial year under review, the GIA also conducted quarterly audits on RPTs and RRPTs and reviewed the internal control process and records of RPTs and RRPTs within the affected scope to verify that adequate procedures are in place and have been adhered to. The BARC 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 BARC 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 Advisor’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.

DATO’ SEKHAR KRISHNAN
Chairman
Board Audit and Risk Committee
Statement on Risk Management & Internal Control

The Board is pleased to provide the Company’s Statement on Risk Management and Internal Control which outlines the nature and scope of risk management and internal controls within the MISC Group for the financial year ended 31 December 2019. This statement is made in accordance with Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities) which requires the board of directors of public companies to publish a statement about the state of internal control of the listed issuer as a Group.

Accountability of the Board

The Board recognises its principal responsibility of establishing an effective risk management and internal control framework which includes regular review of the adequacy and effectiveness of the framework, as manifested in the Malaysian Code on Corporate Governance 2017. Accordingly, the Board has entrusted the responsibility of risk management and internal control oversight to the MISC Board Audit & Risk Committee (BARC). The responsibilities of the BARC are outlined on pages 212 to 219 of this annual report.

In discharging its responsibilities, the BARC is supported by the MISC Risk Management Committee (RMC), which comprises Management Committee members and Heads of Divisions, to reflect the prominence and focus by management on the oversight of internal control and risk management of the MISC Group. The Board, via BARC, periodically reviews the efficiency and effectiveness of the Group's internal control systems to ensure viability and robustness of the system. Group Internal Audit (GIA) with its risk-based approach supports the BARC in ensuring that all internal control systems are in place and effective in dealing with risks.

The Board understands that it is not always possible, cost-effective nor practical to eliminate risk altogether. Accordingly, these internal control systems can only provide reasonable assurance against crisis or prolonged business disruption. The enhancement is anchored on the following key considerations:

- Providing overarching philosophy in managing risk for the organisation;
- Emphasising risk-based decision-making;
- Requiring a holistic and integrated view of risk;
- Inoculating stronger risk culture across the organisation; and
- Driving risk ownership across the organisation.

The Board adopts the PETRONAS Resiliency Model (PRM) which provides an integrated view for managing risks and is also guided by international best practice as per ISO 31000. The PRM focuses on three frameworks namely:

1. 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.

2. Crisis Management (CM)
   - Crisis Management defines the structure and processes for managing emergencies including crises at both domestic and international operations.

3. 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.

In November 2019, the Board approved the adoption of the enhanced Risk Policy. The enhancement to risk management is crucial to ensure alignment with the Group’s aspiration for the future and the evolving industry landscapes. The enhancement is anchored on the following key considerations:

- Promoting an overarching philosophy in managing risk for the organisation;
- Emphasising risk-based decision-making;
- Requiring a holistic and integrated view of risk;
- Inoculating stronger risk culture across the organisation; and
- Driving risk ownership across the organisation.

The enhanced MISC Risk Policy states that:

MISC is committed to become a risk-resilient organisation.

MISC shall continuously strive to implement:

- Risk management best practices to protect and create value within the set boundaries; and
- Risk based decision making by providing a balanced and holistic view of exposure to achieve business objectives.

Managing risk is everyone’s responsibility.

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

The ERM framework comprises the following key elements:

- Risk Management
  - MISC’s Risk Policy guides the overall best practice of identifying, evaluating, managing, reporting and monitoring the ever-changing risks faced by 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 Group’s risk governance structure facilitates the flow of information and effective oversight on the implementation of risk management practices across our businesses.
Risk Management Process

The risk management process in MISC requires management to identify business risks at the 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. The pertinent risks evaluated are financial, operational, regulatory and reputational risks. This process involves assessments at business unit/subsidiary levels before being examined on a Group or strategic perspective.

In essence, the risk management processes are as follows:

**Risk Profiling**
- Identifying risks and existing controls via risk assessment
- Establish risk rating based on matrix and record into Risk Registers
- Select appropriate risk treatment option

**Risk Monitoring**
- Continuous monitoring of risk level using the Risk Registers
- The performance of key risks is monitored using KRI
- Any change or movement in the KRI’s, will provide an early warning

**Risk Reporting**
- KRI’s that breach set thresholds are reviewed by CP before presentation to RMC for discussion on a quarterly basis
- Significant breaches and key risk issues are raised to the BARC for discussion and deliberation
- Mitigation to eliminate/minimise risk exposure are deliberated at RMC and BARC

**Risk Management Process**

The Group 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 a 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 Financial Risk Appetite Setting (FRAs), which sets out the following Key Risk Indicators (KRI) as a means of monitoring and mitigating against adverse trends of relevant financial risks:

- **Foreign exchange and financial institution credit counterparty risk appetite**, to mitigate risks arising from operations in non-functional currencies and financial losses arising from failure of counterparty financial institutions.
- **Interest rate risk appetite limit**, whereby the Weighted Average Cost of Debt of the Group for the specific year is set to monitor the overall finance cost of debt of the Group.
- **Leverage ratio**, to ensure the Group maintains an optimum debt level.
- **Minimum cash balance level**, to ensure that the Group can meet its immediate operational, committed capex and debt obligation requirements.
In addition, the following summarises the key risk management activities undertaken during the year under review:

- **Embedding risk management into the annual business plan**
  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, service units and key subsidiaries are required to perform an annual review of their risk profiles with the emphasis of linking risks to MISC’s business objectives.

- **Project Evaluation**
  The Group continues to use a risk-based pricing framework to ensure that the returns of any capital investment or project, adequately covers the risks assumed for undertaking such an investment or project. Amongst the risk elements considered in the Project Risk Assessment (PRA) are 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 mitigate the risk of projects. In addition, the PRA advocates and ensures a consistent approach to project prioritisation during the overall planning and budget cycle throughout the Group, whilst promoting investment discipline.

  Ultimately, the objective of PRA is to ensure that project returns are commensurate with the level of risk taken. During the year under review, there were 14 PRAs conducted and deliberated at the RMC.

- **Crisis Management**
  Crisis Management is an integrated process that aims to prepare an organisation to respond and manage crisis in the risk areas, to protect people, environment, assets and reputation.

  A three-tiered response system provides the demarcation of roles and responsibilities between emergency site management, business unit/subsidiary management, corporate and internal/external response agencies and/or authorities.

  During the year under review, drill exercises were conducted once every three months for vessel emergencies. Drill exercises carried out via simulation of test scenarios validate the effectiveness of response plans, as well as promote continuous improvement as identified in the Group Crisis Management Plan (GCMP). Drill exercise programmes are also being carried out at the respective business units and subsidiaries.

- **Business Continuity Management**
  Business Continuity Planning (BCP) was established through the BCP Process to enhance the MISC Group’s preparedness to recover and restore businesses’ critical functions within a reasonable period of time towards sustaining the Group’s activities and minimising disruptions to stakeholders.

  Business Continuity Planning (BCP) was established through the BCP process to enhance the MISC Group’s preparedness to recover and restore businesses’ critical functions within a reasonable period of time towards sustaining the Group’s activities and minimising disruptions to stakeholders. Simulation exercises of test scenarios validate the effectiveness of recovery strategies, as well as maintain a high level of competence and readiness as identified in the BCP. While BCP simulations are carried out once every three years, Business Impact Analysis and recovery plan reviews are carried out on a yearly basis.

  The Group has gone a step further in enhancing our GCM and BCP by developing an incident response plan for cybersecurity that provides structure and guidance for investigating and responding to cybersecurity incidents in a systematic manner. The plan intends to prevent or minimise disruption of critical information systems, loss or theft of sensitive or critical information, as well as quick and efficient remediation and recovery following cybersecurity events.

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**Key Risk Areas**

All relevant risks that may impact the Group are evaluated as part of the risk management process. Key risks covering financials, asset performance, major Health, Safety, Security and Environmental (HSSE) incidents, project management and human resource were monitored closely at the Company’s quarterly RMC and BARC meetings. These key risks were selected based on risks that are prevalent and common across the Group, and risks that may have significant and material impact to the Group.

The RMC holds quarterly meetings to review the key risks and at the same time ensure that mitigation plans are in place to manage such risks. The adequacy and effectiveness of the controls and 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, a breach of risk event is reported to the RMC and BARC on a quarterly basis, complete with action plans to mitigate the relevant risks.

**Statement on Risk Management & Internal Control**

- A Corruption Risk Assessment was conducted through a Corruption Risk Management (CRM) Workshop held in October 2019 to ensure that a comprehensive Anti-Bribery and Corruption (ABC) risk assessment is completed with adequate mitigation measures in place and captured in MISC’s ERM system. This is to further ensure MISC’s readiness for the new provision in the MACC Act (Amendment 2018) under Section 17A: Corporate Liability which will take effect from 1 June 2020. Similar CRM Workshop and outcome is planned to be conducted for the other subsidiaries in 2020.

- MISC’s management has endorsed the establishment of a dedicated Cybersecurity team led by a Head of Cybersecurity who will be responsible for all cybersecurity programmes for MISC Group onshore and offshore. The Cybersecurity team together with Information and Communications Technology (ICT) department is tasked to implement comprehensive programmes covering user awareness, cybersecurity processes and technologies which are targeted to be completed by 2021. The status of cybersecurity programmes is presented periodically as part of the permanent MISC HSSE Council and BARC agenda respectively. A total of 16 action items were completed in 2019. The Cybersecurity transition team made up of members from Group HSSE and ICT department has operationalised the Incident Response Plan in-line with the Crisis Management Plan and put in place a Detect and Response surveillance operation for active cybersecurity threats. In summary, MISC’s cybersecurity preparedness improved reasonably in 2019 as compared to 2018.

All findings and areas of improvements identified above are incorporated into the Group’s on-going improvement process and updated at appropriate review opportunities primarily during the Group’s Annual Planning Forum, yearly risk register review and BARC meetings.

- A Key Risk Management (KRM) Workshop was conducted for MISC’s Board of Directors and senior management in November 2019 to ensure that a comprehensive KRM workshop is completed with adequate mitigation measures in place and captured in MISC’s ERM system. This is to further ensure MISC’s readiness for the new provision in the Corporate Liability Act (Amendment 2018) under Section 17A: Corporate Liability which will take effect from 1 June 2020. Similar CRM Workshop and outcome is planned to be conducted for the other subsidiaries in 2020.

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All findings and areas of improvements identified above are incorporated into the Group’s on-going improvement process and updated at appropriate review opportunities primarily during the Group’s Annual Planning Forum, yearly risk register review and BARC meetings.
Statement on Risk Management & Internal Control

Other Key Internal Control Processes

To further enhance the internal control systems, 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 Management Committee (MC) and tabled to the BARC and the Board on a quarterly basis.

2. The Group performs a comprehensive annual planning and budgeting exercise which drives 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 service/unit indicators and subsidiaries’ deliverables. The Group’s strategic direction is then reviewed annually taking into account the current progress level and other indicators such as latest developments in the industry, changes in significant business risks. In addition, the Group’s business plan is translated into budgetary targets for the next five years and financial performance and variance against budget is analyzed and reported monthly to the MC and quarterly to the BARC and the Board.

3. The Limits of Authority 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 covers internal controls related to financial reporting based on the identified processes and risks.

5. Project management of LNG and AET newbuilds are handled by Project Management (PM) of the Eaglestar Group, whereas the project management for the Offshore Business will be monitored by the Project Delivery Team (PDT). The primary objective of PM and PDT is to strategize, lead and control shipbuilding/conversion of vessels and conversion of facilities respectively, to ensure safe and successful execution of projects within the agreed schedule and allocated budget limits.

6. To ensure that the Group has the right competency and capability, a structured Functional Competency and Leadership Competency framework is applicable to all employees in the Company. The objective of the Functional Competency and Leadership Competency framework is to have a competent and capable workforce through a structured and holistic developmental process, which ultimately feeds into the talent pipeline for the Succession Planning framework.

7. The Functional Competency and Leadership Competency framework, together with the Succession Planning framework, demonstrates the Group’s commitment towards developing future leaders of MISC.

8. Two main functions of Eaglestar’s PM are (i) project engineering, which mainly manages project tendering and contracting, including feasibility studies, design and scope of work; and (ii) project management, which handles contract administration, supervision and appraisal of builders’ performance. PM site team constantly reviews the execution of the project against the project execution plan, which includes the planned program, procurement schedule, factory test schedule and commissioning schedule. PM also maintains regular reporting to Management on progress and to escalate pertinent issues.

9. The Offshore Business’ PDT provides support and oversight for asset acquisitions from bid through FEED and execution until handover to asset management. During project execution, the team will carry out regular project reviews and risk assessment and formulate risk mitigation to ensure that appropriate actions are taken in a timely manner. Independent reviews are performed during the project execution phase by MISC QA.

10. Risk mitigation activities are in place to ensure that all risks are mitigated within the Group. Management and Executive Members have the task of ensuring that all adaptations to the environment are dealt with. The Group continues to monitor debt covenants on its external borrowings on a quarterly basis, to ensure that they are observed and complied with under the PETRONAS Debt Compliance Management reporting.

11. MISC’s Procurement Manual provides the overall procurement principles, scope, functions, governance, operational procurement processes, procedures and exceptions to be adopted in relation to procurement activities within MISC.

12. 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.

13. The primary objective of PM and FCF is to strategize, lead and control shipbuilding/conversion of vessels and conversion of facilities respectively, to ensure safe and successful execution of projects within the agreed schedule and allocated budget limits.

To ensure that the organisation has the right competency and capability, a structured Functional Competency and Leadership Competency framework is applicable to all employees in the Company. The objective of the Functional Competency and Leadership Competency framework is to have a competent and capable workforce through a structured and holistic developmental process, which ultimately feeds into the talent pipeline for the Succession Planning framework. Through the framework, all employees are required to go through the functional and leadership competency assessment annually where they are assessed against the competency required for their role and at their job level respectively. Based on the competency gap identified from the assessment, employees are empowered to identify and propose suitable intervention plans to address their competency gap via one-on-one discussion with their supervisors.

The Functional Competency and Leadership Competency framework, together with the Succession Planning framework, demonstrates the Group’s commitment towards developing future leaders of MISC.

14. The Company observes the Code of Conduct and Business Ethics (CoBE) which underpins the role of the Board and Management in combating bribery and corruption and provides enhanced training and communication programmes, implementation of appropriate counter-party due diligence and anti-bribery risk assessments.

The Group has adopted an ABC Policy Statement and observes the Code of Conduct and Business Ethics (CoBE) that extends to employees and directors within the MISC Group and third parties performing works or services for or on behalf of MISC Group of Companies. MISC also observes the
principles set out in the ABC Manual which provides further guidelines in dealing with improper solicitation, bribery and other corrupt activities as well as issues that may arise in the course of doing business.

A Compliance function was established with the responsibility to oversee the implementation of the MISC Compliance and Ethics Programme and the Anti-Bribery Management System (ABMS). This function has direct access to the Board and Management for matters relating to Compliance and Ethics initiatives, ABMS including issues related to bribery and corruption.

MISC Berhad was successfully certified with the ISO 37001:2016 ABMS on 28 January 2019 by SIRIM. The certification, which sets out the requisite requirements to prevent, identify and respond to bribery, further fortifies the internal control processes and systems of the Company in respect of anti-bribery and corruption management. In this respect, MISC has put in place the ABMS Manual.

The remainder of the MISC Group will also embark on obtaining the ISO 37001:2016 ABMS certification with MHB already being certified on 27 June 2019.

Dealing with third parties is part of MISC’s business operations and in ensuring that all business dealings are conducted in accordance to the MISC CoBe policies and guidelines, due diligence exercises are carried out on all third parties as outlined in MISC’s Third Party Compliance Due Diligence Operational Guidelines.

MISC Group has also adopted the Human Rights Commitment and Modern Slavery Policy on 24 May 2019 to ensure adherence to the CoBe policies and guidelines, due diligence exercises are carried out on all third parties as outlined in MISC’s Third Party Compliance Due Diligence Operational Guidelines.

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Statement of Directors’ Responsibility

The directors are responsible in ensuring that the annual audited financial statements of the Group and of the Corporation are drawn up in accordance with the provisions of the Companies Act 2016, 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 Corporation present a true and fair view of the state of affairs of the Group and of the Corporation 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 Corporation for the financial year ended 31 December 2019, the directors have ensured that, appropriate and relevant accounting policies were adopted and consistently applied, reasonable and prudent estimates were made and the going concern basis was adopted.

The directors are responsible to ensure that the Group and the Corporation keep accounting records which disclose, with reasonable accuracy, the financial position of the Group and the Corporation which enable them to ensure that the financial statements comply with the Companies Act 2016, 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 responsibility for taking such steps that are reasonably available to them to safeguard the assets of the Group and the Corporation to prevent and detect fraud and other irregularities.

Additional Compliance Information

A. STATUS OF UTILISATION OF PROCEEDS

During the financial year ended 31 December 2019, 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, Ernst & Young PLT (“EY PLT”), for services rendered to the Group and the Company for the financial year ended 31 December 2019 amounted to RM4.423 million and RM0.824 million respectively.

(ii) The amount of non-audit fees paid or payable to the external auditors, EY PLT, and their affiliated companies for services rendered to the Group and the Company for the financial year ended 31 December 2019 amounted to RM1.119 million and RM0.886 million respectively. The non-audit services rendered to the Group and the Company includes limited review of semi-annual financial results and tax advisory.

C. MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries which were not in the ordinary course of business, involving the Directors’ and/or major shareholders’ interests, still subsisting at the end of the financial year ended 31 December 2019 or, if not then subsisting, entered into since the end of the previous financial year.
The year ended with a healthy cash position, strong balance sheet and recurring cash flows that will continue to support the business in the years to come.

MISC transports about 7% of the global LNG cargo.
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 2019.

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

The principal activities of the subsidiaries, associates and joint arrangements are described in Notes 39, 40 and 41 to the financial statements respectively. The directors deem such information is included in the Directors’ Report by such reference and shall form part of the Directors’ Report.

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

HOLDING COMPANY
The immediate and ultimate holding company of the Corporation is Petronas Nasional Berhad (“PETRONAS”), a company incorporated and domiciled in Malaysia.

SUBSIDIARIES
The details of the Corporation’s subsidiaries are disclosed in Note 39 to the financial statements.

RESULTS

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td></td>
<td>1,436,267</td>
<td>1,864,414</td>
</tr>
</tbody>
</table>

Attributable to:

Equity holders of the Corporation

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td></td>
<td>1,426,355</td>
<td>1,864,414</td>
</tr>
</tbody>
</table>

Non-controlling interests

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>9,912</td>
<td>–</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,436,267</td>
<td>1,864,414</td>
</tr>
</tbody>
</table>

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

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

DIVIDENDS
The amount of dividends paid by the Corporation since 31 December 2018 were as follows:

In respect of the financial year ended 31 December 2018 as reported in the directors’ report of that year:

A fourth tax exempt dividend of 9.0 sen per ordinary share, declared on 22 February 2019 and paid on 26 March 2019

RM’000

401,737

In respect of the financial year ended 31 December 2019:

A first tax exempt dividend of 7.0 sen per ordinary share, declared on 24 May 2019 and paid on 25 June 2019

RM’000

312,462

A second tax exempt dividend of 7.0 sen per ordinary share, declared on 14 August 2019 and paid on 18 September 2019

RM’000

312,462

A third tax exempt dividend of 7.0 sen per ordinary share, declared on 13 November 2019 and paid on 10 December 2019

RM’000

312,462

A fourth tax exempt dividend in respect of the financial year ended 31 December 2019 of 9.0 sen per ordinary share amounting to a dividend payable of RM401,737,000 will be paid on 17 March 2020.

A special tax exempt dividend in respect of the financial year ended 31 December 2019 of 3.0 sen per ordinary share amounting to a dividend payable of RM133,912,000 will be paid on 17 March 2020.

The fourth and special tax exempt dividends are not reflected in the current year’s financial statements. The dividends will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2020.

DIRECTORS
The names of the directors of the Corporation in office since the beginning of the financial year to the date of this report are:

Dato’ Ab. Halim bin Mohyiddin
Datuk Nasarudin bin Md Idris
Lim Beng Choon
Dato’ Sekhar Krishnan
Yee Yang Chien
Mohd Yusri bin Mohamed Yusof
Liza binti Mustapha
Dato’ Rozalila binti Abdul Rahman
Tengku Muhammad Taufik

The names of directors of subsidiaries are set out in their respective subsidiary’s directors’ report and the Board deems such information is included in the Corporation’s Directors’ Report by such reference and shall form part of the Corporation’s Directors’ Report.
DIRECTORS’ REPORT

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 corporates.

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 remunerations 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 and deemed 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:

<table>
<thead>
<tr>
<th>Number of ordinary shares</th>
<th>1 January 2019</th>
<th>Bought</th>
<th>Sold</th>
<th>31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fellow subsidiary - PETRONAS Gas Berhad</td>
<td>Direct</td>
<td>Dato' Ab. Halim bin Mohyiddin</td>
<td>5,000</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Direct</td>
<td>Datuk Nasrulnizam bin Mohd Idris</td>
<td>3,000</td>
<td>–</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of stapled securities</th>
<th>1 January 2019</th>
<th>Bought</th>
<th>Sold</th>
<th>31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fellow subsidiaries - KLCC Property Holdings Berhad and KLCC Real Estate Investment Trust</td>
<td>Direct</td>
<td>Datuk Nasrulnizam bin Mohd Idris</td>
<td>5,000</td>
<td>–</td>
</tr>
</tbody>
</table>

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

INDEMNITY AND INSURANCE COSTS
During the financial year, PETRONAS and its subsidiaries (hereinafter referred to as “PETRONAS Group”), including the Corporation, maintained a Directors’ and Officers’ Liability Insurance in accordance with Section 289 of the Companies Act 2016. The total insured limit for the Directors and Officers Liability Insurance effected for the Directors and Officers of the PETRONAS Group is RM1,290 million (2018: RM1,290 million) per occurrence and in the aggregate. The insurance premium for the Corporation is RM16,267 (2018: RM30,060).
OTHER STATUTORY INFORMATION

(a) Before the financial statements 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.

(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) the results of the operations of the Group and of the Corporation for the financial year ended 31 December 2019 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

The Corporation has been granted a relief order pursuant to Section 255(1) of the Companies Act 2016 relieving the Corporation’s Directors from full compliance to the requirements under Section 253(2) of the Companies Act 2016.

DIRECTORS’ REPORT

AUDITORS

The auditors, Ernst & Young PLT (converted from a conventional partnership, Ernst & Young, on 2 January 2020) have expressed their willingness to continue in office.

The auditors’ remuneration are disclosed in Note 5 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 February 2020.

Dato’ Ab. Halim bin Mohyiddin

Yee Yang Chien
**STATEMENT BY DIRECTORS**

Pursuant to Section 251(2) of the Companies Act 2016

Wai, 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 241 to 373 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2019 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 February 2020.

Dato’ Ab. Halim bin Mohyiddin

Yee Yang Chien

**STATUTORY DECLARATION**

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Raja Azlan Shah bin Raja Azwa, 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 241 to 373 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 Raja Azlan Shah bin Raja Azwa,
at Kuala Lumpur in Wilayah Persekutuan
on 26 February 2020.

Raja Azlan Shah bin Raja Azwa

**INCOME STATEMENTS**

For the year ended 31 December 2019

<table>
<thead>
<tr>
<th>Note</th>
<th>Group</th>
<th>Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Revenue</td>
<td>3</td>
<td>8,962,724</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(6,215,588)</td>
<td>(6,447,624)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>2,747,136</td>
<td>2,332,751</td>
</tr>
<tr>
<td>Other operating income</td>
<td>118,853</td>
<td>128,607</td>
</tr>
<tr>
<td>Impairment provisions</td>
<td>(214,943)</td>
<td>(90,036)</td>
</tr>
<tr>
<td>Gain on acquisition of businesses</td>
<td>7,884</td>
<td>(11,976)</td>
</tr>
<tr>
<td>Finance income</td>
<td>23,731</td>
<td>100,001</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(604,303)</td>
<td>(394,559)</td>
</tr>
<tr>
<td>Share of profit of joint ventures</td>
<td>250,629</td>
<td>283,284</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>1,512,323</td>
<td>1,344,113</td>
</tr>
<tr>
<td>Taxation</td>
<td>(76,056)</td>
<td>(59,772)</td>
</tr>
<tr>
<td>Profit after taxation</td>
<td>1,436,267</td>
<td>1,284,341</td>
</tr>
</tbody>
</table>

Attributable to:

<table>
<thead>
<tr>
<th>Note</th>
<th>Group</th>
<th>Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Equity holders of the Corporation</td>
<td>1,426,355</td>
<td>1,311,503</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>9,912</td>
<td>(27,162)</td>
</tr>
<tr>
<td></td>
<td>1,436,267</td>
<td>1,284,341</td>
</tr>
</tbody>
</table>

Earnings per share attributable to equity holders of the Corporation (sen)

<table>
<thead>
<tr>
<th>Note</th>
<th>Basic</th>
<th>Diluted</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>sen</td>
<td>sen</td>
</tr>
<tr>
<td>Basic</td>
<td>32.0</td>
<td>29.4</td>
</tr>
<tr>
<td>Diluted</td>
<td>32.0</td>
<td>29.4</td>
</tr>
</tbody>
</table>

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 2019

<table>
<thead>
<tr>
<th></th>
<th>Group 2019 (RM'000)</th>
<th>Group 2018 (RM'000)</th>
<th>Corporation 2019 (RM'000)</th>
<th>Corporation 2018 (RM'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit after taxation</td>
<td>1,436,267</td>
<td>1,284,341</td>
<td>1,864,414</td>
<td>1,252,261</td>
</tr>
<tr>
<td>Other comprehensive (loss)/income:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that may be reclassified subsequently to profit or loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss/gain on currency translation</td>
<td>(863,183)</td>
<td>686,551</td>
<td>(259,910)</td>
<td>2,163,665</td>
</tr>
<tr>
<td>Cash flow hedges</td>
<td>(163,408)</td>
<td>(5,386)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total other comprehensive (loss)/income for the year</td>
<td>(526,591)</td>
<td>681,166</td>
<td>(259,910)</td>
<td>2,163,665</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>909,676</td>
<td>1,865,507</td>
<td>1,604,504</td>
<td>3,415,926</td>
</tr>
<tr>
<td>Total comprehensive income/(loss) attributable to:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity holders of the Corporation</td>
<td>922,602</td>
<td>1,898,906</td>
<td>1,604,504</td>
<td>3,415,926</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>7,074</td>
<td>(23,491)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total comprehensive income/(loss) attributable to:</td>
<td>929,676</td>
<td>1,875,507</td>
<td>1,604,504</td>
<td>3,415,926</td>
</tr>
</tbody>
</table>

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

### Statements of Financial Position

As at 31 December 2019

<table>
<thead>
<tr>
<th></th>
<th>Note</th>
<th>Group 2019 (RM'000)</th>
<th>Group 2018 (RM'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ships</td>
<td>13</td>
<td>20,975,927</td>
<td>21,224,833</td>
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<tr>
<td>Offshore floating assets</td>
<td>13</td>
<td>82,267</td>
<td>222,204</td>
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<tr>
<td>Other property, plant and equipment</td>
<td>13</td>
<td>2,228,917</td>
<td>1,888,890</td>
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<tr>
<td>Prepaid lease payments on land and buildings</td>
<td>14</td>
<td>219,843</td>
<td>212,988</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>15</td>
<td>840,653</td>
<td>856,881</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>17</td>
<td>482</td>
<td>482</td>
</tr>
<tr>
<td>Investments in joint ventures</td>
<td>18</td>
<td>925,715</td>
<td>955,071</td>
</tr>
<tr>
<td>Other non-current financial assets</td>
<td>19(a)</td>
<td>235,903</td>
<td>244,614</td>
</tr>
<tr>
<td>Derivative assets</td>
<td>19(b)</td>
<td>8,165</td>
<td></td>
</tr>
<tr>
<td>Finance lease receivables</td>
<td>19(d)</td>
<td>15,067,971</td>
<td>16,377,390</td>
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<tr>
<td>Deferred tax assets</td>
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<td>103,499</td>
<td>104,379</td>
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<tr>
<td></td>
<td></td>
<td>40,611,267</td>
<td>42,095,917</td>
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<td>Current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>20</td>
<td>165,731</td>
<td>250,030</td>
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<tr>
<td>Trade and other receivables</td>
<td>21</td>
<td>3,935,735</td>
<td>3,949,200</td>
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<tr>
<td>Tax recoverable</td>
<td></td>
<td>–</td>
<td>14,549</td>
</tr>
<tr>
<td>Cash, deposits and bank balances</td>
<td>23</td>
<td>7,030,814</td>
<td>5,755,604</td>
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<tr>
<td></td>
<td></td>
<td>11,127,250</td>
<td>9,969,383</td>
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<tr>
<td>Non-current assets classified as held for sale</td>
<td>24</td>
<td>125,278</td>
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<tr>
<td></td>
<td></td>
<td>11,252,528</td>
<td>9,969,383</td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>25</td>
<td>2,186,588</td>
<td>2,000,588</td>
</tr>
<tr>
<td>Derivative liabilities</td>
<td>19(b)</td>
<td>1,560</td>
<td>–</td>
</tr>
<tr>
<td>Interest-bearing loans and borrowings</td>
<td>19(c)</td>
<td>5,599,481</td>
<td>5,778,493</td>
</tr>
<tr>
<td>Provision for taxation</td>
<td>14</td>
<td>4,165</td>
<td>–</td>
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<tr>
<td></td>
<td></td>
<td>7,861,794</td>
<td>7,773,081</td>
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<tr>
<td>Net current assets</td>
<td></td>
<td>3,450,734</td>
<td>2,193,302</td>
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<tr>
<td></td>
<td></td>
<td>44,062,051</td>
<td>44,288,219</td>
</tr>
</tbody>
</table>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.
### STATEMENTS OF FINANCIAL POSITION

#### As at 31 December 2019

<table>
<thead>
<tr>
<th>Note</th>
<th>Group</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity attributable to equity holders of the Corporation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>26</td>
<td>8,923,262</td>
<td>8,923,262</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>26</td>
<td>(271)</td>
<td>(271)</td>
</tr>
<tr>
<td>Other reserves</td>
<td>27</td>
<td>6,060,251</td>
<td>6,584,004</td>
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<tr>
<td>Retained profits</td>
<td></td>
<td>19,743,960</td>
<td>19,644,154</td>
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<tr>
<td><strong>Non-controlling interests</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>34,727,192</td>
<td>35,351,149</td>
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<td></td>
<td></td>
<td>1,029,026</td>
<td>1,012,982</td>
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<td></td>
<td></td>
<td>35,756,218</td>
<td>36,364,131</td>
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<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest-bearing loans and borrowings</td>
<td>19(c)</td>
<td>7,552,692</td>
<td>7,271,413</td>
</tr>
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<td>Deferred tax liabilities</td>
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<td>33,907</td>
<td>32,418</td>
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<tr>
<td>Derivative liabilities</td>
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<td>5,836</td>
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<td>Deferred income</td>
<td>29</td>
<td>566,324</td>
<td>612,421</td>
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<tr>
<td></td>
<td></td>
<td>8,308,283</td>
<td>7,920,088</td>
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<tr>
<td></td>
<td></td>
<td>44,062,091</td>
<td>44,286,219</td>
</tr>
</tbody>
</table>

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### STATEMENTS OF FINANCIAL POSITION

#### As at 31 December 2019

<table>
<thead>
<tr>
<th>Note</th>
<th>Corporation</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ships</td>
<td>13</td>
<td>4,433,005</td>
<td>4,705,158</td>
</tr>
<tr>
<td>Other property and equipment</td>
<td>13</td>
<td>323,468</td>
<td>163,352</td>
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<tr>
<td>Prepaid lease payments on land and buildings</td>
<td>14</td>
<td>3,966</td>
<td>3,730</td>
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<tr>
<td>Investments in subsidiaries</td>
<td>16</td>
<td>14,986,590</td>
<td>18,669,884</td>
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<tr>
<td>Investments in associates</td>
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<td>124</td>
<td>124</td>
</tr>
<tr>
<td>Investments in joint ventures</td>
<td>18</td>
<td>195,384</td>
<td>197,488</td>
</tr>
<tr>
<td>Other non-current financial assets</td>
<td>19(a)</td>
<td>1,079,755</td>
<td>1,354,508</td>
</tr>
<tr>
<td>Finance lease receivables</td>
<td>19(d)</td>
<td>1,012,006</td>
<td>1,042,591</td>
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<td></td>
<td></td>
<td>22,003,886</td>
<td>26,176,845</td>
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<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>21</td>
<td>1,747,140</td>
<td>3,003,130</td>
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<tr>
<td>Cash, deposits and bank balances</td>
<td>23</td>
<td>2,817,049</td>
<td>1,957,819</td>
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<tr>
<td></td>
<td></td>
<td>4,564,189</td>
<td>4,960,949</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>25</td>
<td>996,929</td>
<td>1,183,374</td>
</tr>
<tr>
<td>Interest-bearing loans and borrowings</td>
<td>19(c)</td>
<td>1,620,012</td>
<td>2,048,630</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2,616,941</td>
<td>3,232,004</td>
</tr>
<tr>
<td><strong>Net current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,947,248</td>
<td>1,728,945</td>
</tr>
<tr>
<td></td>
<td></td>
<td>23,951,146</td>
<td>27,905,790</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity attributable to equity holders of the Corporation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>26</td>
<td>8,923,262</td>
<td>8,923,262</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>26</td>
<td>(271)</td>
<td>(271)</td>
</tr>
<tr>
<td>Other reserves</td>
<td>27</td>
<td>3,832,478</td>
<td>4,092,388</td>
</tr>
<tr>
<td>Retained profits</td>
<td></td>
<td>11,165,769</td>
<td>10,641,671</td>
</tr>
<tr>
<td></td>
<td></td>
<td>23,921,238</td>
<td>23,657,050</td>
</tr>
<tr>
<td><strong>Non-current liability</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest-bearing loans and borrowings</td>
<td>19(c)</td>
<td>29,608</td>
<td>4,248,740</td>
</tr>
<tr>
<td></td>
<td></td>
<td>23,951,146</td>
<td>27,905,790</td>
</tr>
</tbody>
</table>

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

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

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### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the year ended 31 December 2019

#### Non Distributable

<table>
<thead>
<tr>
<th>Group</th>
<th>Note</th>
<th>Total equity attributable to equity holders of the Corporation RM’000</th>
<th>Share capital*</th>
<th>Treasury shares RM’000</th>
<th>Retained profits RM’000</th>
<th>Other reserves, total RM’000</th>
</tr>
</thead>
</table>

#### Distributable

<table>
<thead>
<tr>
<th>Group</th>
<th>Note</th>
<th>Total equity attributable to equity holders of the Corporation RM’000</th>
<th>Share capital*</th>
<th>Treasury shares RM’000</th>
<th>Retained profits RM’000</th>
<th>Other reserves, total RM’000</th>
</tr>
</thead>
</table>

#### 2019

At 1 January 2019

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
</table>

Adjustment on initial application of MFRS 16

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
</table>

At 1 January 2019 (Restated)

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
</table>

Dividends

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
</table>

Dividends paid to non-controlling interest

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
</table>

Arising from increase in investment in subsidiary

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
</table>

Total transactions with equity holders

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
</table>

At 31 December 2019

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
</table>

---

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the year ended 31 December 2019

#### Attributable to equity holders of the Corporation

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
</table>

#### Non Distributable

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
</table>

---

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

For the year ended 31 December 2019

<table>
<thead>
<tr>
<th>Corporation</th>
<th>Note</th>
<th>Total equity</th>
<th>Share capital*</th>
<th>Treasury shares</th>
<th>Retained profits</th>
<th>Other reserves, total</th>
<th>Fair value reserve</th>
<th>Currency translation reserve</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
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<td>RM’000</td>
<td>RM’000</td>
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<td>2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2019</td>
<td>(1,130)</td>
<td>23,657,050</td>
<td>8,023,262</td>
<td>(271)</td>
<td>10,641,671</td>
<td>4,002,388</td>
<td>–</td>
<td>4,002,388</td>
</tr>
<tr>
<td>Adjustment on initial application of MFRS 16</td>
<td>(1,130)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>At 1 January 2019 (Restated)</td>
<td>–</td>
<td>23,655,857</td>
<td>8,023,262</td>
<td>(271)</td>
<td>10,640,478</td>
<td>4,002,388</td>
<td>–</td>
<td>4,002,388</td>
</tr>
<tr>
<td>Total comprehensive income/(loss)</td>
<td>1,604,504</td>
<td>–</td>
<td>–</td>
<td>1,864,414</td>
<td>(259,910)</td>
<td>–</td>
<td>(259,910)</td>
<td></td>
</tr>
<tr>
<td>Transactions with equity holders</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
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<td>–</td>
<td>(1,339,123)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>221,021,236</td>
<td>8,023,263</td>
<td>(271)</td>
<td>11,165,769</td>
<td>3,632,476</td>
<td>–</td>
<td>3,632,476</td>
<td></td>
</tr>
<tr>
<td>2018</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2018</td>
<td>(1,130)</td>
<td>21,649,955</td>
<td>8,023,262</td>
<td>–</td>
<td>10,744,934</td>
<td>1,928,723</td>
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<td>1,928,723</td>
</tr>
<tr>
<td>Adjustment on initial application of MFRS 9</td>
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<td>–</td>
<td>–</td>
<td>(16,365)</td>
<td>(53,036)</td>
<td>–</td>
<td>(53,036)</td>
<td></td>
</tr>
<tr>
<td>At 1 January 2018 (Restated)</td>
<td>–</td>
<td>21,580,534</td>
<td>8,023,262</td>
<td>–</td>
<td>10,728,549</td>
<td>1,928,723</td>
<td>–</td>
<td>1,928,723</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>3,415,026</td>
<td>–</td>
<td>–</td>
<td>1,252,261</td>
<td>2,163,665</td>
<td>–</td>
<td>2,163,665</td>
<td></td>
</tr>
<tr>
<td>Transactions with equity holders</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td>12 (1,339,139)</td>
<td>–</td>
<td>–</td>
<td>(1,339,139)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Buyback of shares by the Corporation</td>
<td>26 (271)</td>
<td>–</td>
<td>–</td>
<td>(271)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td>23,657,050</td>
<td>8,023,262</td>
<td>(271)</td>
<td>10,641,671</td>
<td>4,002,388</td>
<td>–</td>
<td>4,002,388</td>
<td></td>
</tr>
</tbody>
</table>

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

CASH FLOWS FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Group</th>
<th>2019 RM’000</th>
<th>2018 RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before taxation</td>
<td>1,512,323</td>
<td>1,344,113</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Writeback of impairment loss on:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Trade and other receivables</td>
<td>–</td>
<td>(621)</td>
</tr>
<tr>
<td>- Finance lease receivables</td>
<td>(5,455)</td>
<td>–</td>
</tr>
<tr>
<td>Impairment loss on:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Trade and other receivables</td>
<td>36,839</td>
<td>139,237</td>
</tr>
<tr>
<td>- Finance lease receivables</td>
<td>–</td>
<td>2,062</td>
</tr>
<tr>
<td>Bad debts written off</td>
<td>1,065</td>
<td>10,426</td>
</tr>
<tr>
<td>Ships, offshore floating assets, other property, plant and equipment and right-of-use assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Depreciation</td>
<td>2,215,528</td>
<td>1,891,826</td>
</tr>
<tr>
<td>- Written off</td>
<td>13,189</td>
<td>32,455</td>
</tr>
<tr>
<td>- Impairment loss</td>
<td>214,933</td>
<td>99,036</td>
</tr>
<tr>
<td>Amortisation of prepaid lease payments</td>
<td>7,435</td>
<td>7,216</td>
</tr>
<tr>
<td>Amortisation of upfront fees for borrowings</td>
<td>26,188</td>
<td>10,653</td>
</tr>
<tr>
<td>Gain on disposal of other property, plant and equipment</td>
<td>–</td>
<td>(96)</td>
</tr>
<tr>
<td>Net (gain)/loss on disposal of ships and offshore floating assets</td>
<td>(7,884)</td>
<td>11,976</td>
</tr>
<tr>
<td>Net unrealised foreign exchange loss/(gain)</td>
<td>1,636</td>
<td>(20,356)</td>
</tr>
<tr>
<td>Dividend income from equity investments</td>
<td>(1,572)</td>
<td>(1,715)</td>
</tr>
<tr>
<td>Amortisation of intangible assets</td>
<td>6,373</td>
<td>5,392</td>
</tr>
<tr>
<td>Intangible assets written off</td>
<td>721</td>
<td>721</td>
</tr>
<tr>
<td>Gain on acquisition of businesses</td>
<td>(23,731)</td>
<td>(100,001)</td>
</tr>
<tr>
<td>Fair value movement in other investments</td>
<td>5,175</td>
<td>15,120</td>
</tr>
<tr>
<td>Finance income</td>
<td>169,256</td>
<td>(132,907)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>484,303</td>
<td>394,559</td>
</tr>
<tr>
<td>Share of profit of joint ventures</td>
<td>(250,628)</td>
<td>(283,294)</td>
</tr>
<tr>
<td>Operating profit before working capital changes</td>
<td>4,066,447</td>
<td>3,425,866</td>
</tr>
<tr>
<td>Inventories</td>
<td>82,518</td>
<td>(46,916)</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>1,386,311</td>
<td>1,024,903</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>79,232</td>
<td>(242,103)</td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>5,626,598</td>
<td>4,161,766</td>
</tr>
<tr>
<td>Net tax paid</td>
<td>(47,451)</td>
<td>(62,539)</td>
</tr>
<tr>
<td>Net cash generated from operating activities</td>
<td>5,579,147</td>
<td>4,099,227</td>
</tr>
</tbody>
</table>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.
CASH FLOWS FROM INVESTING ACTIVITIES
Net cash used in investing activities 30 (1,533,025) (3,636,803)

CASH FLOWS FROM FINANCING ACTIVITIES
Net cash used in financing activities 31 (3,772,691) (822,695)

Net increase/(decrease) in cash and cash equivalents 273,341 (360,271)

Cash and cash equivalents at beginning of financial year 5,534,849 5,792,035

Currency translation differences 87,755 103,085

Cash and cash equivalents at end of financial year 5,740,435 5,534,849

Cash and cash equivalents comprise:

Cash, deposits and bank balances 7,030,814 5,755,604

Less: Cash pledged with bank - restricted (1,289,730) (218,429)

Deposits with maturity more than 90 days (649) (2,326)

Cash and cash equivalents 5,740,435 5,534,849

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 2019

<table>
<thead>
<tr>
<th>Note</th>
<th>Corporation</th>
<th>Note</th>
<th>Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019 RM’000</td>
<td>2018 RM’000</td>
<td>2019 RM’000</td>
</tr>
<tr>
<td>CASH FLOWS FROM INVESTING ACTIVITIES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash generated from/(used in) investing activities</td>
<td>30</td>
<td>1,958,663</td>
<td>(609,617)</td>
</tr>
</tbody>
</table>

| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net cash used in financing activities | 31 | (2,714,093) | (2,590,475) |

| Net increase/(decrease) in cash and cash equivalents | 32 | 889,585 | (66,073) |

| Cash and cash equivalents at beginning of financial year | | |
| Cash and cash equivalents at end of financial year | 2,817,049 | 1,957,819 |
| Cash and cash equivalents comprise; | | |
| Cash, deposits and bank balances | 23 | 2,817,049 | 1,957,819 |

| Total cash outflows for leases | | |
| - Lease liabilities | 13,288 |
| - Short term leases and leases of low-value assets | 4,335 |
| 17,623 |

NOTES TO THE FINANCIAL STATEMENTS
31 December 2019

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 Petronas Nasional Berhad (“PETRONAS”), a company incorporated and domiciled in Malaysia.

The principal activities of the Corporation consist of shipowning, ship operating and other activities related to shipping services 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 26 February 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation


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’s and the Corporation’s financial statements are presented in Ringgit Malaysia (“RM”).

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 2019 adopted new MFRSs, amendments to MFRS and IC Interpretation (collectively referred to as “pronouncements”) that have been issued by the Malaysian Accounting Standards Board (“MABF”) as follows:

- MFRS 16: Leases
- Annual Improvements to MFRS Standards 2015 - 2017 Cycle
- IC Interpretation 23: Uncertainty over Tax Treatments

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.
Changes in accounting policies and effects arising from the adoption of new and revised MFRSs (cont’d.)

(i) MFRS 16: Leases

The Group and the Corporation adopted MFRS 16: Leases on 1 January 2019. MFRS 16 replaces the guidance in MFRS 117: Leases, IC Interpretation 4: Determining whether an Arrangement contains a Lease, IC Interpretation 115: Operating Leases - Incentives and IC Interpretation 127: Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MFRS 16 introduces a single, on-balance sheet lease accounting for leases. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The lessee shall choose to measure the right-of-use asset at either its carrying amount as if MFRS 16 has been applied since inception or an amount equal to the lease liability. There are recognition exemptions for short-term leases, leases of low-value items and variable lease payments. Lessor accounting remains similar i.e. lessor continues to classify leases as finance or operating leases.

The Group and the Corporation have elected the modified retrospective approach with no restatement of comparatives.

Effects arising from the initial application of MFRS 16 in retained earnings and balance sheet as at 1 January 2019 are as disclosed below:

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decrease in retained earnings</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Increase in non-controlling interests</td>
<td>470</td>
<td>–</td>
</tr>
<tr>
<td>Increase in right-of-use assets</td>
<td>800,915</td>
<td>53,388</td>
</tr>
<tr>
<td>Increase in lease liabilities</td>
<td>987,881</td>
<td>54,581</td>
</tr>
</tbody>
</table>

Operating lease commitment as at 31 December 2018

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td>RM’000</td>
<td>RM’000</td>
<td></td>
</tr>
<tr>
<td>1,156,277</td>
<td>15,980</td>
<td></td>
</tr>
</tbody>
</table>

Less:

Commitments related to short-term leases | RM’000 | RM’000     |
| (155,588) | (206)     |

Commitments related to leases of low-value assets | RM’000 | RM’000     |
| (2,234)   | –         |

Adjustments to lease payments relating to revision of rates not included in operating lease as at 31 December 2018 | RM’000 | RM’000     |
| (16,607)  | –         |

Non-lease component | RM’000 | RM’000     |
| (1,143)    | (1,143)   |

Extension option certain to be exercised | RM’000 | RM’000     |
| 67,534     | 43,923     |

Net operating lease commitments at 31 December 2018 | RM’000 | RM’000     |
| 1,048,239  | 58,564     |

Discounted at the incremental borrowing rates at 1 January 2019 | RM’000 | RM’000     |
| (60,356)   | (2,964)    |

Lease liabilities recognised at 1 January 2019 | RM’000 | RM’000     |
| 987,881    | 54,581     |

When measuring lease liabilities, the Group and the Corporation discounted lease payments using respective incremental borrowing rates at 1 January 2019. The range of incremental borrowing rates applied for the Group and the Corporation are from 3.0% to 6.8% and 3.0% respectively.
(a) Subsidiaries and basis of consolidation (cont’d.)

(2) Basis of consolidation (cont’d.)

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 values 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.

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 recognised directly in equity as transactions with shareholders.

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, it is accounted for as an equity-accounted investee or as a fair value through other comprehensive income (“FVOCI”) financial assets depending on the level of influence retained.

(b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. Under the equity method, the investment in associates 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 in income as 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 remeasured 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 in the income statement. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the income statement.

In the Corporation’s separate financial statements, investments in associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.
2. SIGNIFICANT ACCOUNTING POLICIES (cont’d.)

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

(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.

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.

When the Group’s share of losses in a joint venture equals or exceeds its interest in the joint venture, including any goodwill relating to a joint venture, 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. After application of the equity method, the Group eliminates to the extent of the Group’s interest in the joint venture. The Group then assesses whether the recoverable amount of the joint venture is less than its carrying amount and recognises the amount in the income statement.

Joint ventures

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.

Intangible assets

Intangible assets are stated at cost and reduced by accumulated amortisation and any impairment losses.

Intangible assets with finite lives are amortised over their estimated useful lives on a straight-line basis and tested for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired. Gains or losses on the disposal of an intangible asset include the carrying amount of goodwill related to the disposed of intangible asset.

Intangible assets with indefinite lives are not amortised but are tested for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired. Gains or losses on the disposal of an intangible asset include the carrying amount of goodwill related to the disposed of intangible asset.

(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.

(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 intangible asset include the carrying amount of goodwill related to the disposed of intangible asset.

(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.
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 (“PPE”) and depreciation

All ships, offshore floating assets and other PPE 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 PPE are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freestand 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 PPE is provided for on a straight-line basis to depreciate the cost of each asset to its residual value over the estimated useful life at the following annual rates:

- **Ships**: 3.3% - 5.0%
- **Offshore floating assets**: 6.7% - 10.0%
- **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 machineries**: 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 embedded in the ships, offshore floating assets, and other PPE.

Ships, offshore floating assets, and other PPE 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.
2. SIGNIFICANT ACCOUNTING POLICIES (CONT’D.)

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

(h) Financial assets

Initial recognition and measurement

Financial assets are classified and measured at:
- amortised cost;
- FVOCI; and
- fair value through profit or loss (“FVTPL”).

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group and the Corporation’s business model for managing them. The Group and the Corporation do not change the classification of financial assets subsequent to their initial recognition unless the Group and the Corporation changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. With the exception of trade receivables that do not contain a significant financing component, the Group and the Corporation initially measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component is initially measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed on an instrument level.

The Group’s and the Corporation’s business model for managing financial assets refers to how they manage their financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified into four categories:
- Financial assets at amortised cost (debt instruments);
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at FVTPL.

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group and the Corporation. The Group and the Corporation measure financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (“EIR”) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Interest income and foreign exchange gains or losses are recognised in profit or loss.

The Group’s financial assets at amortised cost include cash and bank balances, trade and other receivables, finance lease receivables and long-term receivables.

Financial assets at fair value through other comprehensive income

This category comprises debt instruments where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category includes derivative financial assets (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument as per Note 2.3(i)).

Financial assets categorised as FVTPL are subsequently measured at fair value with gains or losses recognised directly in other comprehensive income and accumulated under FVOCI in equity. For debt instruments, when the investment is derecognised or determined to be impaired, the cumulative gain or loss previously recorded in equity is reclassified to the profit or loss. For equity instruments, the gains or losses are never reclassified to profit or loss.

Financial assets transferred to FVTPL are subsequently measured at fair value with unrealised gains and losses recognised directly in other comprehensive income and accumulated under FVOCI in equity. For debt instruments, when the investment is derecognised or determined to be impaired, the cumulative gain or loss previously recorded in equity is reclassified to the profit or loss.

The Group and the Corporation have not designated any financial assets at FVOCI.

Financial assets at fair value through profit or loss

All financial assets not classified as amortised cost or FVOCI as described above are measured at FVTPL. This includes derivative financial assets (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument as per Note 2.3(i)).

This category comprises investment in equity that is not held for trading, and the Group and the Corporation did not irrevocably elect to present subsequent changes in the investment’s FVOCI. This election is made on an investment-by-investment basis.

Financial assets categorised as FVOCI are subsequently measured at fair value with unrealised gains and losses recognised directly in other comprehensive income and accumulated under FVOCI in equity. The gains or losses are never reclassified to profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:
- The rights to receive cash flows from the asset have expired; or
- The Group and the Corporation have transferred their rights to receive cash flows from the asset or have 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:
  (a) the Group and the Corporation have transferred substantially all the risks and rewards of the asset; or
  (b) the Group and the Corporation have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.
Summary of significant accounting policies (cont’d.)

(h) Financial assets (cont’d.)

Subsequent measurement (cont’d.)

Derecognition (cont’d.)

When the Group and the Corporation have transferred their rights to receive cash flows from an asset or has entered into a “pass through” arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Corporation continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Corporation also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Corporation have retained.

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 and the Corporation could be required to repay.

(i) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified at initial recognition as follows: financial liabilities at FVTPL or amortised cost, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of at amortised cost, net of directly attributable transaction costs.

The Group’s and the Corporation’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 described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL.

Financial liabilities are measured at fair value, with gains and losses on financial liabilities arising from changes in fair value recognised in profit or loss. Financial liabilities at FVTPL are subsequently measured at fair value with gains and losses on financial liabilities arising from changes in fair value recognised in profit or loss.

Financial liabilities designated upon initial recognition at FVTPL are measured at fair value, and can be offset against financial assets at fair value.

Gains or losses on liabilities held for trading are recognised in the income statement.

Financial liabilities designated upon initial recognition at FVTPL are measured at fair value, and can be offset against financial assets at fair value.

Gains or losses on liabilities held for trading are recognised in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT’D.)

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

(ii) Financial liabilities (cont’d.)

Subsequent measurement (cont’d.)

Loans and borrowings

This category is the most relevant to the Group and the Corporation. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

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

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 if it incurs when the guaranteed debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of:

- the best estimate of the expenditure required to settle the present obligation at the reporting date; and
- the amount initially recognised less cumulative amortisation.

(j) 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.
2.3 Summary of significant accounting policies (cont’d.)

(k) Impairment of financial assets

The Group and the Corporation recognise loss allowances for expected credit losses (“ECL”) on financial assets measured at amortised cost and finance lease receivables.

The Group and the Corporation measure loss allowances on debt securities at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, other debt securities for which credit risk has not increased significantly since initial recognition and finance lease receivables, which are measured as 12 month expected credit loss.

Loss allowances for trade receivables and contract assets (amount due from customers on contracts) are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Corporation consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience, informed credit assessment and forward-looking information.

The Group and the Corporation assume that the credit risk on a financial asset has increased significantly if it is past due.

The Group and the Corporation consider a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group and the Corporation in full, without recourse by the Group and the Corporation to take actions such as realising security.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, while 12 month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date.

Expected credit losses are measured as a function of probability of default and loss given default. Probability of default is the likelihood of default over a particular time horizon and is derived using internal credit ratings. If they are available, or internal credit ratings based on quantitative or qualitative information for the counterparty. Loss given default is the assumption of the proportion of financial asset that cannot be recovered by conversion of collateral to cash or by legal process, and is assessed based on the Group’s and the Corporation’s historical experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at FVOCI is recognised in profit or loss and the allowance account is derecognised in full.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of trade receivables and contract assets (amount due from customers on contracts) is recognised in profit or loss and the allowance account is derecognised in full.

Information about the exposure to credit risk and ECLs for financial assets as at 31 December 2019 is disclosed in Note 21 and Note 37.

(f) Derivative financial instruments and hedge accounting

The Group and the Corporation use derivative financial instruments such as interest rate swaps and currency hedges to hedge its interest rate risk and foreign currency 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.

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 the 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; and
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group and the Corporation formally designate and document the hedge relationship to which the Group and the Corporation wish 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, the nature of the risk being hedged and how the Group and the Corporation will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instruments.
- The effect of credit risk does not “dominate the value changes” that result from that economic relationship.
- The hedging ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group and the Corporation actually hedge and the quantity of the hedging instrument that the Group and the Corporation actually use to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

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.
Significant Accounting Policies (cont’d.)

Leases

The Group and the Corporation apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Corporation recognise lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group and the Corporation recognise right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). The cost of right-of-use assets are initially recognised as the amount of lease liabilities recognised adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Right-of-use assets are subsequently stated at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group and the Corporation at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment as disclosed in Note 2.3(h).

(ii) Lease liabilities

At the commencement date of the lease, the Group and the Corporation recognise lease liabilities measured at the present value of lease payments to be made over the lease term discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective entities’ incremental borrowing rate is used. The basis to determine the incremental borrowing rate is further explained in Note 2.5(b)(vii). The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Corporation and payments of penalties for terminating the lease, if the lease term reflects the Group and the Corporation exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

The Group and the Corporation’s lease liabilities are included in interest-bearing loans and borrowings as disclosed in Note 19(c).

(iii) Short-term leases and leases of low-value assets

The Group and the Corporation have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group and the Corporation recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

When the Group and the Corporation act as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group and the Corporation make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group and the Corporation apply MFRS 15 Revenue from Contracts with Customers to allocate the consideration in the contract based on the stand-alone selling price.

The Group and the Corporation recognise assets held under a finance lease in its statement of financial position and presents them as a receivables at an amount equal to the net investment in the lease. The Group and the Corporation use the interest rate implicit in the lease to measure the net investment in the lease.

The Group and the Corporation recognise lease payments received under operating leases as income on a straight-line basis over the lease term and is included in revenue in the profit or loss due to its operating nature. The Group and the Corporation recognise finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group’s and the Corporation’s net investment in the lease. The Group and the Corporation apply the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9 Financial Instruments as disclosed in Note 2.3(b).
2. SIGNIFICANT ACCOUNTING POLICIES (CONT’D.)

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

(m) Leases (cont’d.)

Previous Financial Year

(i) Classification

A lease is recognised as a finance lease if it transfers substantially all the risks and rewards incidental to the Group’s and the Corporation’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 and the Corporation as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term, on a straight-line basis. In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, to the land and the buildings elements in proportion to their relative fair values at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(iii) Operating lease - the Group and the Corporation as lessor

Leases where the Group and the Corporation retain substantially all the risks and rewards of ownership of the asset are classified as operating lease.

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 and the Corporation as lessee

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 lessee’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 is 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.

(n) 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 or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the assets is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs ceases when all activities necessary to prepare the qualifying asset for its intended use or sale are completed.

In capitalising general borrowing costs, the Group shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate. The capitalisation rate shall be the weighted average of the borrowing costs applicable to all general borrowings of the Group. General borrowing are all borrowings that are outstanding during the period, except for specific borrowings that are made specifically to obtain a qualifying asset that is not yet ready for its intended use or sale. If a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of the Group’s general borrowing.

(o) 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 it 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 it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.
2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(o) Income tax (cont'd.)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax relating to items recognised outside the income statement is recognised outside the income statement. Deferred tax items are recognised in relation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if it is legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets relate to the same taxable entity and the same taxation authority.

(p) Provisions

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

- the Group and the Corporation have 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 and the Corporation, 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.

Provision for termination benefits is made based on service histories to cover the estimated obligation that may arise if employees accept a redundancy offer made to the Corporation. Benefits falling due more than twelve months after reporting date are discounted to present value.

(q) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.
2. SIGNIFICANT ACCOUNTING POLICIES (CONT’D.)

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

(r) Foreign currencies (cont’d.)

(ii) Foreign currency transactions (cont’d.)

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 non-monetary items (in respect of which gains and losses are recognised directly in other comprehensive income). Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign operations

The results and financial position of operations that have a functional currency different from the presentation currency (“RM”) ("Foreign Operation") are translated into RM as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at the reporting date;
- Income and expenses for each income statement are translated at 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.

(b) Revenue and other income recognition

(i) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer and exclude amounts collected on behalf of third parties. The Group and the Corporation recognise revenue when or as it transfers control over a product or service to the customer. An asset is transferred when (or as) the customer obtains control of the asset.

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.

The Group’s contract with customers mainly contain one performance obligation where the Group is contracted to construct a specific asset for a customer and to provide repair and maintenance services on customer’s marine vessels.

The Group considers whether there are other promises in the contract with customers that are separate performance obligations. The Group typically only provides assurance type warranties to assure that the completed project complies with agreed-upon specifications of the contract and therefore, does not give rise to a separate performance obligation.

Where the outcome of a 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.

Transaction price comprises the initial amount of consideration agreed in the contract, variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The Group’s construction contracts contain penalty clauses (i.e. liquidated and ascertained damages) for late delivery. When it is probable that the construction contract will not be fulfilled on time, the penalty will be deducted from the contract revenue.

Revenue from construction contract is based on stage of completion. The stage of completion is measured by reference to the proportion of physical completion based on technical milestones defined under the contracts and taking into account the nature of activities and its associated risks.

Contract assets represent the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. Contract assets are subject to impairment in accordance with MFRS 6: Financial Instruments. The contract assets of the Group comprise of amounts due from customers on contracts.

Contract liabilities represent the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration, or the amount is due, from the customer. The contract liabilities of the Group comprise of amounts due to customers on contracts.
2. SIGNIFICANT ACCOUNTING POLICIES (CONT’D.)

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

(a) Revenue and other income recognition (cont’d.)

(i) Revenue from contracts with customers (cont’d.)

(ii) Revenue and voyage expenses of ships operating in pool arrangements are pooled and the resulting net pool revenues, and non-lease components are the same and the lease and non-lease components are treated as a combined unit of income on a straight-line basis over the firm period of the contract, as service is performed.

(vi) Non-lease component of the time charter income is not separately disclosed as the pattern of revenue recognition for lease and non-lease components are the same.

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

(t) 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.

(u) Repairs and maintenance

Repairs and maintenance costs are recognised in the income statement in the period they are incurred.

(v) 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 and the Corporation’s cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(w) 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 reduction 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.

(x) Fair value measurements

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

(i) Financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include:

- using recent arm’s length market transactions;
- reference to the current fair value of another instrument that is substantially the same; and
- discounted cash flow analysis or other valuation models.

Where fair value cannot be reliably estimated, assets are carried at cost less impairment losses, if any.
2. SIGNIFICANT ACCOUNTING POLICIES (CONT’D.)

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

(a) Fair value measurements (cont’d.)

(ii) Non-financial assets

For a non-financial asset, the fair value measurement takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Corporation use observable market data as far as possible. Fair value is 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.

2.4 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 the Corporation:

Effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3: Business Combinations (Definition of a Business)
- Amendments to MFRS 7: Financial Instruments: Disclosure (Interest Rate Benchmark Reform)
- Amendments to MFRS 9: Financial Instruments (Interest Rate Benchmark Reform)
- Amendments to MFRS 101: Presentation of Financial Statements (Definition of Material)
- Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)

Effective for annual periods beginning on or after 1 January 2021

- MFRS 17: Insurance Contracts

Effective for a date yet to be confirmed

- Amendments to MFRS 10: Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to MFRS 128: Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Corporation are expected to apply the abovementioned pronouncements beginning from the respective dates the pronouncements become effective. The initial application of the abovementioned pronouncements is not expected to have any material impact to the financial statements of the Group and of the Corporation.

2.5 Significant accounting estimates and judgements

(a) Critical judgements made in applying accounting policies

Management has applied judgement in the Group’s accounting policies related to construction contracts that have the most significant effect on the amounts recognised in the financial statements.

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 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 15.

(ii) Provisions

Provisions are recognised in accordance with the accounting policy in Note 2.3(p). 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 and the Corporation take 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, other property, plant and equipment and right-of-use assets

The Group and the Corporation have performed a review of the recoverable amount of their ships, offshore floating assets, other property, plant and equipment and right-of-use assets during the financial year. The review led to the recognition of impairment losses as disclosed in Note 15(a).

The Group and the Corporation 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 losses recognised are disclosed in Note 13(b).
2. SIGNIFICANT ACCOUNTING POLICIES (CONT’D.)

2.5 Significant accounting estimates and judgements (cont’d.)

(b) Key sources of estimation uncertainty (cont’d.)

(iv) Impairment of trade and other receivables

The Group and the Corporation assess at each reporting date whether there is any objective evidence that their trade and other receivables are impaired. To determine whether there is objective evidence of impairment, factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are considered.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

The Group and the Corporation have performed a review of the recoverable amount of their receivables during the financial year. The review led to the recognition of impairment losses as disclosed in Note 21.

(v) 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.

(vi) 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.

(vii) Discount rate used in leases

Where the interest rate implicit in the lease cannot be readily determined, the Group and the Corporation use the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group and the Corporation would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group and the Corporation estimate the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2019

3. REVENUE (CONT’D.)

Contract balances (cont’d)

Amount due from customers on contracts primarily relates to the Group’s rights to consideration for work completed but not billed at the reporting date. Amount due from customers on contracts are transferred to receivables when rights become unconditional.

Amount due to customers on contracts primarily relate to the advance consideration received (or an amount of consideration is due) from the customer, for which revenue is recognised if and when the Group progressively satisfies its performance obligation.

Transaction price allocated to the remaining performance obligations

The following table shows revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The disclosure is only providing information for contracts that have a duration of more than one year.

Under 1 year 1-5 years Total

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction contract and marine repair</td>
<td>1,555,900</td>
<td>1,347,323</td>
<td>2,903,313</td>
<td></td>
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<tr>
<td>Non-shipping income</td>
<td>136,597</td>
<td>222,051</td>
<td>358,648</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,692,497</td>
<td>1,569,374</td>
<td>3,261,871</td>
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</tbody>
</table>

4. OTHER OPERATING INCOME

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
<th>2019</th>
<th>2018</th>
</tr>
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<tbody>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Rental income</td>
<td>81</td>
<td>133</td>
<td>–</td>
<td>–</td>
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<tr>
<td>Exchange gain:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realised</td>
<td>15</td>
<td>1,266</td>
<td>1,452</td>
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<tr>
<td>Unrealised</td>
<td>7,486</td>
<td>21,885</td>
<td>8,789</td>
<td>13,941</td>
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<tr>
<td><strong>Subsidiaries</strong></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Management services:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsidiaries</td>
<td>–</td>
<td>–</td>
<td>2,053</td>
<td>3,537</td>
</tr>
<tr>
<td>Joint ventures</td>
<td>4,722</td>
<td>4,443</td>
<td>4,722</td>
<td>4,443</td>
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<tr>
<td>Gain on disposal of other property, plant and equipment</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Gain from liquidation of a subsidiary</td>
<td>–</td>
<td>–</td>
<td>151,869</td>
<td>–</td>
</tr>
<tr>
<td>Dividend income from equity investment:</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Subsidiaries</td>
<td>–</td>
<td>–</td>
<td>1,283,518</td>
<td>936,549</td>
</tr>
<tr>
<td>Joint ventures</td>
<td>–</td>
<td>–</td>
<td>227,789</td>
<td>214,800</td>
</tr>
<tr>
<td>Quoted equity investments</td>
<td>1,562</td>
<td>1,707</td>
<td>1,693</td>
<td>1,707</td>
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<tr>
<td>Unquoted equity investments</td>
<td>10</td>
<td>8</td>
<td>10</td>
<td>8</td>
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<tr>
<td>Writeback of impairment loss on (Note 21)</td>
<td>5,455</td>
<td>–</td>
<td>5,455</td>
<td>–</td>
</tr>
<tr>
<td>- Trade and other receivables</td>
<td>–</td>
<td>–</td>
<td>621</td>
<td>–</td>
</tr>
<tr>
<td>- Finance lease receivables</td>
<td>–</td>
<td>–</td>
<td>369</td>
<td>–</td>
</tr>
<tr>
<td>Student course fees</td>
<td>13,718</td>
<td>12,041</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Miscellaneous income from:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsidiaries</td>
<td>–</td>
<td>–</td>
<td>7,290</td>
<td>6,691</td>
</tr>
<tr>
<td>Fellow subsidiaries</td>
<td>43,987</td>
<td>10,432</td>
<td>1,568</td>
<td>61</td>
</tr>
<tr>
<td>Third parties</td>
<td>41,818</td>
<td>75,975</td>
<td>23,415</td>
<td>29,810</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>118,853</td>
<td>128,607</td>
<td>1,693,085</td>
<td>1,213,199</td>
</tr>
</tbody>
</table>

NOTES TO THE FINANCIAL STATEMENTS
31 December 2019

5. PROFIT BEFORE TAXATION

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

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortisation of intangible assets (Note 15)</td>
<td>6,373</td>
<td>5,392</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Intangible assets written off (Note 15)</td>
<td>–</td>
<td>721</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Amortisation of prepaid lease payments on land and buildings (Note 14)</td>
<td>7,406</td>
<td>7,216</td>
<td>124</td>
<td>121</td>
</tr>
<tr>
<td>Auditors’ remuneration:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auditors of the Corporation:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Statutory audits</td>
<td>4,423</td>
<td>4,184</td>
<td>824</td>
<td>788</td>
</tr>
<tr>
<td>- Other services</td>
<td>1,119</td>
<td>1,465</td>
<td>886</td>
<td>1,283</td>
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<tr>
<td>Inventories used (Note 20)</td>
<td>915,284</td>
<td>922,861</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Fair value movement in other investments</td>
<td>5,175</td>
<td>15,120</td>
<td>5,175</td>
<td>15,120</td>
</tr>
<tr>
<td>Exchange loss:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Realised</td>
<td>19,669</td>
<td>16,066</td>
<td>14,902</td>
<td>4,992</td>
</tr>
<tr>
<td>- Unrealised</td>
<td>9,121</td>
<td>1,529</td>
<td>5,357</td>
<td>4,444</td>
</tr>
<tr>
<td><strong>Impairment loss for: (Note 21)</strong></td>
<td>–</td>
<td>–</td>
<td>22,019</td>
<td>133,327</td>
</tr>
<tr>
<td>- Trade and other receivables</td>
<td>36,839</td>
<td>139,237</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>- Finance lease receivables</td>
<td>–</td>
<td>2,062</td>
<td>–</td>
<td>7,662</td>
</tr>
<tr>
<td><strong>Bad debts written off</strong></td>
<td>1,065</td>
<td>10,426</td>
<td>524</td>
<td>–</td>
</tr>
<tr>
<td>Operating lease rental:*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Ships</td>
<td>257,384</td>
<td>710,985</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>- Equipment</td>
<td>10,462</td>
<td>32,931</td>
<td>548</td>
<td>3,694</td>
</tr>
<tr>
<td>- Land and buildings</td>
<td>27,916</td>
<td>71,877</td>
<td>3,787</td>
<td>17,644</td>
</tr>
<tr>
<td>Ships, offshore floating assets, other property, plant and equipment and right-of-use assets (Note 13)</td>
<td>–</td>
<td>–</td>
<td>365,692</td>
<td>348,426</td>
</tr>
<tr>
<td>- Depreciation</td>
<td>2,215,528</td>
<td>1,891,806</td>
<td>365,692</td>
<td>348,426</td>
</tr>
<tr>
<td>- Written off</td>
<td>13,189</td>
<td>32,456</td>
<td>525</td>
<td>4,377</td>
</tr>
<tr>
<td>Impairment provisions (Note 5(a))</td>
<td>214,943</td>
<td>90,026</td>
<td>101,407</td>
<td>91,591</td>
</tr>
<tr>
<td>Staff costs (Note 6)</td>
<td>1,765,161</td>
<td>1,610,924</td>
<td>243,914</td>
<td>150,257</td>
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<tr>
<td>Non-executive directors’ remuneration (Note 7)</td>
<td>1,567</td>
<td>1,511</td>
<td>1,039</td>
<td>983</td>
</tr>
</tbody>
</table>

* The Group leases ships, equipment, land and buildings. These leases are short term and/or leases of low-value assets. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.
### 5. PROFIT BEFORE TAXATION (CONT'D.)

(a) Impairment provisions

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td></td>
<td>RM'000</td>
<td></td>
<td>RM'000</td>
<td></td>
</tr>
<tr>
<td>Ships and offshore</td>
<td>154,949</td>
<td>75,222</td>
<td>8,582</td>
<td>49,802</td>
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<tr>
<td>floating assets</td>
<td></td>
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</tr>
<tr>
<td>(Note 13)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Right-of-use assets</td>
<td>40,386</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Note 13)</td>
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<tr>
<td>Loss on termination</td>
<td>19,608</td>
<td>–</td>
<td>–</td>
<td>–</td>
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<tr>
<td>of contracts</td>
<td></td>
<td></td>
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<tr>
<td>Non-current assets</td>
<td>–</td>
<td>23,814</td>
<td>–</td>
<td>–</td>
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<tr>
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<td>down (Note 24)</td>
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</tr>
<tr>
<td>Investments in</td>
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<td>–</td>
<td>92,825</td>
<td>41,789</td>
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</tr>
<tr>
<td>subsidiaries (Note</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16)</td>
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<td></td>
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</tr>
<tr>
<td></td>
<td>214,343</td>
<td>99,036</td>
<td>101,407</td>
<td>91,591</td>
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</tr>
</tbody>
</table>

### 6. STAFF COSTS

<table>
<thead>
<tr>
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<th></th>
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<td></td>
<td>RM'000</td>
<td></td>
<td>RM'000</td>
<td></td>
</tr>
<tr>
<td>Wages, salaries and</td>
<td>1,434,882</td>
<td>1,310,278</td>
<td>232,621</td>
<td>114,405</td>
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<td>bonuses</td>
<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Contributions to</td>
<td>87,289</td>
<td>82,957</td>
<td>16,594</td>
<td>15,034</td>
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<tr>
<td>defined contribution</td>
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<td>plans</td>
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<td>Social security costs</td>
<td>7,860</td>
<td>7,466</td>
<td>498</td>
<td>458</td>
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<td>Other staff related</td>
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<td>210,224</td>
<td>24,291</td>
<td>20,307</td>
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<tr>
<td>expenses</td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,765,161</td>
<td>1,610,024</td>
<td>243,914</td>
<td>192,257</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Included in staff costs of the Group and of the Corporation are executive director’s remuneration amounting to RM2,778,000 (2018: RM2,452,000) 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:

<table>
<thead>
<tr>
<th></th>
<th>Group 2019</th>
<th>2018</th>
<th>Group 2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM'000</td>
<td></td>
<td>RM'000</td>
<td></td>
</tr>
<tr>
<td>Executive:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and other</td>
<td>1,587</td>
<td>1,539</td>
<td>1,587</td>
<td>1,539</td>
</tr>
<tr>
<td>emoluments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonus</td>
<td>536</td>
<td>313</td>
<td>635</td>
<td>313</td>
</tr>
<tr>
<td>Defined contribution</td>
<td>656</td>
<td>600</td>
<td>656</td>
<td>600</td>
</tr>
<tr>
<td>plans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total executive</td>
<td>2,778</td>
<td>2,452</td>
<td>2,778</td>
<td>2,452</td>
</tr>
<tr>
<td>directors’ remuneration (excluding benefits-in-kind)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated money value</td>
<td>272</td>
<td>32</td>
<td>272</td>
<td>32</td>
</tr>
<tr>
<td>of benefits-in-kind</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total executive</td>
<td>3,050</td>
<td>2,484</td>
<td>3,050</td>
<td>2,484</td>
</tr>
<tr>
<td>directors’ remuneration (including benefits-in-kind)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-executive directors:</td>
<td>1,039</td>
<td>993</td>
<td>1,039</td>
<td>993</td>
</tr>
<tr>
<td>Fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees from subsidiaries</td>
<td>528</td>
<td>518</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total non-executive</td>
<td>1,567</td>
<td>1,511</td>
<td>1,039</td>
<td>993</td>
</tr>
<tr>
<td>directors’ remuneration (Note 5)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total directors’</td>
<td>4,617</td>
<td>3,956</td>
<td>4,089</td>
<td>3,477</td>
</tr>
<tr>
<td>remuneration including</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>benefits-in-kind (Note 32(g))</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The number of directors of the Corporation whose total remuneration during the financial year fell within the following bands is analysed below:

<table>
<thead>
<tr>
<th>Number of directors</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive director:</td>
<td>–</td>
<td>1</td>
</tr>
<tr>
<td>RM2,450,001 - RM2,500,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RM3,000,001 - RM3,050,000</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>Non-executive directors:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RM50,001 - RM100,000</td>
<td>–</td>
<td>1</td>
</tr>
<tr>
<td>RM150,001 - RM200,000</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>RM250,001 - RM300,000</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>RM500,001 - RM700,000</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

* Excludes the directors of the Corporation whose fees are paid directly to the immediate holding company of the Corporation, PETRONAS.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2019

B. GAIN ON ACQUISITION OF BUSINESSES

(a) The Corporation had on 26 November 2018 signed a sale and purchase agreement of LNG Puntoneare with LNG Shipping S.p.A. with a purchase price of RM130,283,000. This transaction constitutes a business acquisition and the Group recognised gain on acquisition of business of RM20,574,000.

(b) In the previous financial year, the Corporation had on 26 November 2018 signed a sale and purchase agreement of LNG Lerici with LNG Shipping S.p.A. with a purchase price of RM1,070,475,000. This transaction constitutes a business acquisition and the Group recognised gain on acquisition of business of RM79,427,000.

(c) In the previous financial year, the Corporation had on 29 June 2018 signed a sale and purchase agreement of FSO Mekar Bergading with Hess Exploration and Production Malaysia B.V. with a purchase price of RM1,070,475,000. This transaction constitutes a business acquisition and the Group recognised gain on acquisition of business of RM23,731,000.

FINANCE COSTS

Interest on lease liabilities (Note 19(c))
Interest expense on loans and borrowings from:
- Subsidiaries
- Banks and financial institutions
- Interest on lease liabilities (Note 19(c))

Total finance costs

FINANCE INCOME

Interest income:
Subsidiaries
Third party
Deposits
Unwinding of discount on trade and other receivables

Total finance income

10. TAXATION

Group
Corporation

2019 RM’000 2018 RM’000 2019 RM’000 2018 RM’000

Current income tax:
- Malaysian income tax
- Foreign tax

(Deprecated)/Under provision in prior year:
- Malaysian income tax
- Foreign tax

Deferred tax (Note 28):
- Relating to origination and reversal of temporary differences
- Under provision in prior year
- Effect of share of results of joint ventures
- Expenses not deductible for tax purposes
- Effect of share of results of joint ventures
- Utilisation of previously unrecognised tax losses
- Deferred tax assets recognised on unutilised investment tax allowances
- Deferred tax assets not recognised during the year
- Deferred tax under provided in prior year
- Income tax (depreciated)/under provided in prior year

Total finance income

195,643
300,543
347,705
240,588
152,495
240,588
52,007
447,818
1,344,113
1,496
1,496
195,643
300,543
347,705
240,588
152,495
240,588
447,818
1,496
1,496

Deferred tax (Note 28):

Effect of different tax rates in other countries/jurisdictions
- Tax exempt shipping income
- Others

Effect of share of results of joint ventures
- Expenses not deductible for tax purposes
- Effect of share of results of joint ventures
- Utilisation of previously unrecognised tax losses
- Deferred tax assets recognised on unutilised investment tax allowances
- Deferred tax assets not recognised during the year
- Deferred tax under provided in prior year
- Income tax (depreciated)/under provided in prior year

Taxation for the year
10. 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 YA2021.

The Group has available options to ensure that the Group continues to enjoy the tax benefit arising from shipping income.

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit for the year attributable to ordinary equity holders of the Corporation by the weighted average number of ordinary shares outstanding during the financial year. The Group does not have any financial instrument which may dilute its basic earnings per share.

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit after taxation attributable to equity holders of the Corporation (RM'000)</td>
<td>1,426,355</td>
<td>1,311,503</td>
</tr>
<tr>
<td>Number of ordinary shares in issue (’000)</td>
<td>4,463,794</td>
<td>4,463,794</td>
</tr>
<tr>
<td>Weighted average number of ordinary shares in issue (’000)</td>
<td>4,463,794</td>
<td>4,463,794</td>
</tr>
<tr>
<td>Basic earnings per share (sen)</td>
<td>32.0</td>
<td>29.4</td>
</tr>
<tr>
<td>Diluted earnings per share (sen)</td>
<td>32.0</td>
<td>29.4</td>
</tr>
</tbody>
</table>

12. DIVIDENDS

Dividends recognised during the year:

In respect of financial year ended 31 December 2017:

Fourth tax exempt dividend of 9.0 sen per share – 401,741

In respect of financial year ended 31 December 2018:

First tax exempt dividend of 7.0 sen per share – 312,466
Second tax exempt dividend of 7.0 sen per share – 312,466
Third tax exempt dividend of 7.0 sen per share – 312,466
Fourth tax exempt dividend of 9.0 sen per share 401,737 –

In respect of financial year ended 31 December 2019:

First tax exempt dividend of 7.0 sen per share 312,462 –
Second tax exempt dividend of 7.0 sen per share 312,462 –
Third tax exempt dividend of 7.0 sen per share 312,462 –

1,339,123 1,339,139

A fourth tax exempt dividend in respect of the financial year ended 31 December 2019 of 9.0 sen per share amounting to a dividend payable of RM401,737,000 will be paid on 17 March 2020.

A special tax exempt dividend in respect of the financial year ended 31 December 2019 of 3.0 sen per share amounting to a dividend payable of RM133,912,000 will be paid on 17 March 2020.

The fourth and special tax exempt dividends are not reflected in the current year’s financial statements. The dividends will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2020.
### 13. SHIPS, OFFSHORE FLOATING ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT

<table>
<thead>
<tr>
<th></th>
<th>At 1.1.2019 RM’000</th>
<th>Effect of adoption of MFRS 16 RM’000</th>
<th>At 31.12.2019 (Restated) RM’000</th>
<th>Additions RM’000</th>
<th>Disposals RM’000</th>
<th>Write-offs RM’000</th>
<th>Transfers RM’000</th>
<th>Reclassification out of PPE** RM’000</th>
<th>Reclassified to hold for sale RM’000</th>
<th>Termination of lease contract RM’000</th>
<th>Currency translation differences RM’000</th>
<th>Cost at 31.12.2019 RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group - 31 December 2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Ships</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Ships in operation*</td>
<td>41,783,627</td>
<td></td>
<td>397,987</td>
<td>(128,775)</td>
<td>(367,590)</td>
<td>592,598</td>
<td>(42,670)</td>
<td>(1,400,528)</td>
<td></td>
<td></td>
<td></td>
<td>40,440,901</td>
</tr>
<tr>
<td>- Right-of-use</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Ships under construction</td>
<td>1,360,089</td>
<td></td>
<td>1,540,284</td>
<td>(578,585)</td>
<td>(3,476)</td>
<td>2,025</td>
<td>(129,557)</td>
<td>(413,527)</td>
<td></td>
<td></td>
<td></td>
<td>2,295,581</td>
</tr>
<tr>
<td><strong>Offshore floating assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subject to operating lease as a lessor</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Offshore floating assets in operation</td>
<td>1,343,326</td>
<td></td>
<td>1,343,326</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,137,815</td>
</tr>
<tr>
<td><strong>Other property, plant and equipment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Freehold land</td>
<td>12,976</td>
<td></td>
<td>12,976</td>
<td>(6,516)</td>
<td>(3,077)</td>
<td>2,025</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(119)</td>
</tr>
<tr>
<td>Freehold buildings, drydocks and waste plant</td>
<td>1,674,066</td>
<td></td>
<td>1,674,066</td>
<td>104</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,666,810</td>
</tr>
<tr>
<td>Leasehold buildings</td>
<td>73,882</td>
<td></td>
<td>73,882</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>73,882</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>20,975</td>
<td></td>
<td>20,975</td>
<td>(4,496)</td>
<td>(129)</td>
<td>2,429</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>168,544</td>
</tr>
<tr>
<td>Furniture, fittings and equipment</td>
<td>308,001</td>
<td></td>
<td>308,001</td>
<td>(2,287)</td>
<td>(2,020)</td>
<td>5,405</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>607,537</td>
</tr>
<tr>
<td>Computer software and hardware</td>
<td>326,273</td>
<td></td>
<td>326,273</td>
<td>(2,083)</td>
<td>(6,903)</td>
<td>5,405</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>686,196</td>
</tr>
<tr>
<td>Projects in progress</td>
<td>3,236,925</td>
<td></td>
<td>3,236,925</td>
<td>340,745</td>
<td>(17,300)</td>
<td>(10,649)</td>
<td>(4,013)</td>
<td>(12)</td>
<td></td>
<td></td>
<td></td>
<td>3,538,173</td>
</tr>
<tr>
<td>Plant and machineries</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>47,723,967</td>
<td>2,640,295</td>
<td>50,364,262</td>
<td>2,458,226</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td>50,094,258</td>
</tr>
</tbody>
</table>
### 13. SHIPS, OFFSHORE FLOATING ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

<table>
<thead>
<tr>
<th></th>
<th>At 1.1.2019 RM'000</th>
<th>Effect of adoption of MFRS 16 RM'000</th>
<th>At 31.12.2019 (Restated) RM'000</th>
<th>Depreciation charge for the year RM'000</th>
<th>Impairment losses RM'000</th>
<th>Accumulated depreciation/impairment</th>
<th>Net book value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>1.1.2019</strong></td>
<td></td>
<td></td>
<td>21,918,883</td>
<td>1,795,495</td>
<td>23,714,378</td>
<td>18,327,867</td>
<td></td>
</tr>
<tr>
<td><strong>31.12.2019</strong></td>
<td></td>
<td></td>
<td>21,918,883</td>
<td>1,795,495</td>
<td>23,714,378</td>
<td>18,327,867</td>
<td></td>
</tr>
<tr>
<td><strong>Group - 31 December 2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Ships</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ships in operation*</td>
<td>21,918,883</td>
<td>–</td>
<td>21,918,883</td>
<td>1,795,495</td>
<td>21,918,883</td>
<td>1,795,495</td>
<td>1,121,122</td>
</tr>
<tr>
<td>Right-of-use</td>
<td>–</td>
<td>–</td>
<td>1,795,495</td>
<td>352,764</td>
<td>1,795,495</td>
<td>352,764</td>
<td>1,121,122</td>
</tr>
<tr>
<td>- ships in operation*</td>
<td>–</td>
<td>–</td>
<td>1,795,495</td>
<td>352,764</td>
<td>1,795,495</td>
<td>352,764</td>
<td>1,121,122</td>
</tr>
<tr>
<td><strong>Ships under construction</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>21,918,883</td>
<td>(85,630)</td>
<td>(85,630)</td>
<td>(85,630)</td>
<td>(1,121,122)</td>
</tr>
<tr>
<td><strong>Offshore floating assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subject to operating lease as a lessor</td>
<td>1,121,122</td>
<td>–</td>
<td>1,121,122</td>
<td>266,179</td>
<td>1,121,122</td>
<td>266,179</td>
<td>883,943</td>
</tr>
<tr>
<td>- offshore floating assets in operation</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>1,121,122</td>
<td>266,179</td>
<td>1,384,296</td>
<td>1,384,296</td>
<td>883,943</td>
</tr>
<tr>
<td><strong>Other property, plant and equipment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Freehold land</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Leasehold buildings</td>
<td>24,689</td>
<td>–</td>
<td>24,689</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>17,577</td>
<td>–</td>
<td>17,577</td>
<td>1,127</td>
<td>17,577</td>
<td>1,127</td>
<td>16,450</td>
</tr>
<tr>
<td>Furniture, fitments and equipment</td>
<td>104,866</td>
<td>–</td>
<td>104,866</td>
<td>13,358</td>
<td>104,866</td>
<td>13,358</td>
<td>91,508</td>
</tr>
<tr>
<td>Computer software and hardware</td>
<td>266,179</td>
<td>–</td>
<td>266,179</td>
<td>8,822</td>
<td>266,179</td>
<td>8,822</td>
<td>257,357</td>
</tr>
<tr>
<td>Projects in progress</td>
<td>333,442</td>
<td>–</td>
<td>333,442</td>
<td>38,878</td>
<td>333,442</td>
<td>38,878</td>
<td>294,564</td>
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<tr>
<td>Plant and machineries</td>
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<td>1,348,035</td>
<td>98,056</td>
<td>1,348,035</td>
<td>98,056</td>
<td>1,249,979</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,736,369</td>
<td>–</td>
<td>4,736,369</td>
<td>241,793</td>
<td>4,736,369</td>
<td>241,793</td>
<td>4,494,576</td>
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<tr>
<td><strong>Right-of-use assets</strong></td>
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<td></td>
</tr>
<tr>
<td>- office premise, warehouse and wharf</td>
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<td>43,655</td>
<td>43,655</td>
<td>26,426</td>
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</tr>
<tr>
<td>- computer software and hardware</td>
<td>–</td>
<td>230</td>
<td>230</td>
<td>184</td>
<td>–</td>
<td>–</td>
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<tr>
<td><strong>Total</strong></td>
<td>1,348,035</td>
<td>43,885</td>
<td>1,391,920</td>
<td>124,665</td>
<td>1,348,035</td>
<td>124,665</td>
<td>1,223,370</td>
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<tr>
<td><strong>Total</strong></td>
<td>24,388,040</td>
<td>1,839,380</td>
<td>26,227,420</td>
<td>2,215,528</td>
<td>24,388,040</td>
<td>2,215,528</td>
<td>22,172,522</td>
</tr>
</tbody>
</table>

* Included in ships in operation and right-of-use - ships in operation are ships subject to operating lease as a lessor with a carrying amount of RM14,403,219,000 and RM34,647,392 respectively based on the ships contractual arrangement as at 31 December 2019. Certain ships in operation are used interchangeably between time charter and spot charter during the financial year.

** Reclassification out of PPE relates to capital expenditure which are reimbursable and reclassed to other receivables.
## 13. SHIPS, OFFSHORE FLOATING ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONT’D.)

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>At 1.1.2018</th>
<th>Additions</th>
<th>Disposals</th>
<th>Write-offs</th>
<th>Transfers</th>
<th>Reclassification</th>
<th>Currency</th>
<th>At 31.12.2018</th>
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</thead>
<tbody>
<tr>
<td></td>
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<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>out of PPE</td>
<td>translation differences</td>
<td>RM’000</td>
</tr>
<tr>
<td><strong>Group - 31 December 2018</strong></td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ships in operation</td>
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<td>40,805,229</td>
<td>391,453</td>
<td>(965,347)</td>
<td>(207,807)</td>
<td>1,023,727</td>
<td>(673)</td>
<td></td>
<td>737,045</td>
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<td>–</td>
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<td>–</td>
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<td></td>
<td></td>
<td>41,674,031</td>
<td>1,857,435</td>
<td>(965,347)</td>
<td>(207,807)</td>
<td>20,854</td>
<td>(673)</td>
<td></td>
<td>765,223</td>
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<tr>
<td><strong>Offshore floating assets</strong></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Offshore floating assets in operation</td>
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<td>–</td>
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<td><strong>Other property, plant and equipment</strong></td>
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<td>–</td>
<td>–</td>
<td>–</td>
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<td>(4,613)</td>
<td>12,702</td>
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<tr>
<td>Leasehold buildings</td>
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<td>74,010</td>
<td>–</td>
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<td>(22)</td>
<td>–</td>
<td>–</td>
<td></td>
<td>(106)</td>
</tr>
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<td>Motor vehicles</td>
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<td>20,697</td>
<td>463</td>
<td>(233)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
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<td>Furniture, fittings and equipment</td>
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<td>5,357</td>
<td>(314)</td>
<td>(34)</td>
<td>5,607</td>
<td>(245)</td>
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<td>807</td>
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<td>Computer software and hardware</td>
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<td>323,377</td>
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<td>(4,506)</td>
<td>(42,823)</td>
<td>10,492</td>
<td>(245)</td>
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<td>3,670</td>
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<td>Plant and machineries</td>
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<td>8,063</td>
<td>(243)</td>
<td>(47,211)</td>
<td>10,013</td>
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<td>(94,703)</td>
<td>(20,854)</td>
<td>(245)</td>
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<td><strong>Total</strong></td>
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<td>2,112,843</td>
<td>(1,152,236)</td>
<td>(502,513)</td>
<td>–</td>
<td>(916)</td>
<td></td>
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### 13. SHIPS, OFFSHORE FLOATING ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONT’D.)

<table>
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<th></th>
<th>At 1.1.2018 RM’000</th>
<th>Depreciation charge for the year RM’000</th>
<th>Impairment losses RM’000</th>
<th>Accumulated depreciation/impairment</th>
<th>Net book value</th>
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<tbody>
<tr>
<td></td>
<td>Disposals RM’000</td>
<td>Write-offs RM’000</td>
<td>Transfers out of PPE RM’000</td>
<td>Currency translation differences RM’000</td>
<td>At 31.12.2018 RM’000</td>
</tr>
<tr>
<td><strong>Group - 31 December 2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Ships</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ships in operation</td>
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<td>1,710,572</td>
<td>75,222</td>
<td>(792,586)</td>
<td>21,918,883</td>
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<tr>
<td>Ships under construction</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>20,771,560</td>
<td>1,710,572</td>
<td>75,222</td>
<td>(792,586)</td>
<td>21,918,883</td>
</tr>
<tr>
<td><strong>Offshore floating assets</strong></td>
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</tr>
<tr>
<td>Offshore floating assets in operation</td>
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<td>81,381</td>
<td>–</td>
<td>(157,393)</td>
<td>1,121,122</td>
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<td><strong>Other property, plant and equipment</strong></td>
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<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Freehold land</td>
<td>–</td>
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<td>–</td>
<td>–</td>
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<td>37,018</td>
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<td>1,173</td>
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<td>(233)</td>
<td>15,458</td>
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<td>Furniture, fittings and equipment</td>
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<td>6,849</td>
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<td>(305)</td>
<td>90,539</td>
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<td>–</td>
<td>–</td>
<td>1,058</td>
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<td>Plant and machineries</td>
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<td>99,943</td>
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<td><strong>Total</strong></td>
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<td>1,891,806</td>
<td>75,222</td>
<td>(954,182)</td>
<td>24,388,040</td>
</tr>
</tbody>
</table>

### NOTES TO THE FINANCIAL STATEMENTS

**31 December 2019**

**MISC BERHAD**

**ANNUAL REPORT 2019**

**FINANCIAL STATEMENTS**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 December 2019**

**FINANCIAL STATEMENTS**

**MISC BERHAD**

**ANNUAL REPORT 2019**

**NOTES TO THE FINANCIAL STATEMENTS**
### 13. SHIPS, OFFSHORE FLOATING ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

<table>
<thead>
<tr>
<th>Corporation - 31 December 2019</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ships</strong></td>
<td></td>
</tr>
<tr>
<td>Subject to operating lease as a lessor</td>
<td></td>
</tr>
<tr>
<td>- ships in operation</td>
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</tr>
<tr>
<td>3,989,691</td>
<td>107,475</td>
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<table>
<thead>
<tr>
<th>Other property and equipment</th>
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<tbody>
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<td>Freehold land</td>
<td></td>
</tr>
<tr>
<td>7,442</td>
<td>–</td>
</tr>
<tr>
<td>Freehold buildings</td>
<td></td>
</tr>
<tr>
<td>22,770</td>
<td>–</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td></td>
</tr>
<tr>
<td>927</td>
<td>–</td>
</tr>
<tr>
<td>Furniture, fittings and equipment</td>
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</tr>
<tr>
<td>33,747</td>
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</tr>
<tr>
<td>Computer software and hardware</td>
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<tr>
<td>166,450</td>
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<tr>
<td>Projects in progress</td>
<td></td>
</tr>
<tr>
<td>105,907</td>
<td>–</td>
</tr>
<tr>
<td>337,243</td>
<td>–</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Right-of-use</th>
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</thead>
<tbody>
<tr>
<td>- office premises</td>
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<tr>
<td>80,081</td>
<td>3,081</td>
</tr>
<tr>
<td>337,243</td>
<td>80,081</td>
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<tr>
<td>Total</td>
<td>10,317,934</td>
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</table>

* Reclassification out of PPE relates to capital expenditure which are reimbursable and reclassed to other receivables.
### 13. Ships, Offshore Floating Assets and Other Property, Plant and Equipment (Cont’d.)

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>Depletion/impairment</td>
<td>write-offs</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td><strong>Ships</strong></td>
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<td></td>
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</tr>
<tr>
<td>Subject to operating lease as a lessor</td>
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<tr>
<td>- ships in operation</td>
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<td>413</td>
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<td>-</td>
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<td>Motor vehicles</td>
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<td>894</td>
<td>24</td>
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<td>(545)</td>
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<td>14,865</td>
<td>3,816</td>
<td>-</td>
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<td>369</td>
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<td>Computer software and hardware</td>
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<td>157,166</td>
<td>5,298</td>
<td>-</td>
<td>(209)</td>
<td>15,163</td>
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<td>Projects in progress</td>
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<td></td>
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</tr>
<tr>
<td></td>
<td>173,891</td>
<td>-</td>
<td>173,891</td>
<td>9,553</td>
<td>-</td>
<td>(333)</td>
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<tr>
<td><strong>Right-of-use</strong></td>
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<td></td>
</tr>
<tr>
<td>- office premise</td>
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</tr>
<tr>
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<td>173,891</td>
<td>26,693</td>
<td>200,584</td>
<td>23,416</td>
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<td>220,309</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
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<td>26,693</td>
<td>5,476,117</td>
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<td>8,582</td>
<td>96,584</td>
<td>5,713,790</td>
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</table>

**Notes:**
- **Net book value**
- **Corporate - 31 December 2019**
- **Currency translation differences**
## 13. SHIPS, OFFSHORE FLOATING ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONT’D.)

<table>
<thead>
<tr>
<th></th>
<th>At 1.1.2018 RM’000</th>
<th>Additions RM’000</th>
<th>Write-offs RM’000</th>
<th>Disposals RM’000</th>
<th>Transfers RM’000</th>
<th>Reclassification out of PPE RM’000</th>
<th>Currency translation differences RM’000</th>
<th>At 31.12.2018 RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corporation - 31 December 2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Ships</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ships in operation</td>
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<td>–</td>
<td>162,313</td>
<td>162,313</td>
<td>9,980,691</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Freestall land</td>
<td>–</td>
<td>7,244</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>198</td>
<td>7,442</td>
</tr>
<tr>
<td>Freestall buildings</td>
<td>–</td>
<td>21,489</td>
<td>(201)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>22,770</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>908</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>19</td>
<td>927</td>
</tr>
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<td>Furniture, fittings and equipment</td>
<td>26,100</td>
<td>5,039</td>
<td>–</td>
<td>–</td>
<td>796</td>
<td>(114)</td>
<td>(5)</td>
<td>30,747</td>
</tr>
<tr>
<td>Computer software and hardware</td>
<td>204,863</td>
<td>2,363</td>
<td>(42,798)</td>
<td>(2,104)</td>
<td>1,152</td>
<td>(245)</td>
<td>3,159</td>
<td>166,450</td>
</tr>
<tr>
<td>Projects in progress</td>
<td>63,852</td>
<td>42,042</td>
<td>(143)</td>
<td>–</td>
<td>(1,178)</td>
<td>–</td>
<td>1,040</td>
<td>105,907</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>297,026</td>
<td>79,126</td>
<td>(43,142)</td>
<td>(2,104)</td>
<td>–</td>
<td>(247)</td>
<td>5,674</td>
<td>337,243</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th><strong>At</strong> 1.1.2018 RM’000</th>
<th><strong>Depreciation charge for the year RM’000</strong></th>
<th><strong>Impairment losses RM’000</strong></th>
<th><strong>At</strong> 31.12.2018 RM’000</th>
<th><strong>At</strong> 31.12.2018 RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corporation - 31 December 2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Ships</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ships in operation</td>
<td>4,892,914</td>
<td>339,344</td>
<td>49,802</td>
<td>(72,687)</td>
<td>(60,809)</td>
</tr>
<tr>
<td><strong>Other property and equipment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Freestall land</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Freestall buildings</td>
<td>–</td>
<td>323</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>784</td>
<td>91</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Furniture, fittings and equipment</td>
<td>10,695</td>
<td>3,594</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Computer software and hardware</td>
<td>192,756</td>
<td>4,474</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Projects in progress</td>
<td>204,235</td>
<td>9,062</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,097,149</td>
<td>348,426</td>
<td>49,802</td>
<td>(72,687)</td>
<td>(60,809)</td>
</tr>
</tbody>
</table>
13. SHIPS, OFFSHORE FLOATING ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT (CONT’D.)

(a) The net carrying amounts of ships pledged as security for borrowings (Note 19(c)) are as follows:

<table>
<thead>
<tr>
<th>Group</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Ships in operation</td>
<td>6,300,806</td>
<td>6,761,553</td>
</tr>
</tbody>
</table>

(b) The volatility of charter hire rates, expired charter contracts or contracts that approaching the expiry date were identified as indications that the carrying amount of certain ships may be impaired.

The Group and the Corporation have performed a review of the recoverable amount of their ships, offshore floating assets, other property, plant and equipment and right-of-use assets during the financial year. The review led to the recognition of net impairment losses of RM195,335,000 (2018: RM75,222,000) and RM8,582,000 (2018: RM49,802,000) 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 CGU of each asset.

Recoverable amount determined from value-in-use (“VIU”)

The Group’s recoverable amount for impaired ships and right-of-use assets of RM21,877,000 (2018: RM467,500,000) was determined from the VIU calculations using cash flow projections discounted at rate ranging from 7.2% to 10.3% (2018: 7.6% to 10.5%). Impairment losses of RM40,386,000 (2018: RM49,802,000) for the Group was recognised using this basis.

Recoverable amount determined from fair value less costs of disposal

The fair values of certain ships and offshore floating assets were determined based on valuation performed by independent valuers based on comparable ships and offshore floating assets.

Impairment of RM54,245,000 (2018: RM5,420,000) and RM8,582,000 (2018: RM54,200,000) for the Group and the Corporation respectively were recognised using this basis.

Both fair value measurement and VIU were categorised as Level 3 fair value as defined in Note 2.3(x).

(c) Included in additions to the ships under construction and project-in-progress of the Group is finance costs capitalised during the year of RM67,245,000, including general borrowing costs (2018: RM5,404,000).

14. PREPAID LEASE PAYMENTS ON LAND AND BUILDINGS

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019 RM’000</td>
<td>2018 RM’000</td>
</tr>
<tr>
<td>At 1 January</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Addition</td>
<td>212,988</td>
<td>220,128</td>
</tr>
<tr>
<td>Amortisation for the year (Note 5)</td>
<td>(7,216)</td>
<td>(124)</td>
</tr>
<tr>
<td>Currency translation differences</td>
<td>(40)</td>
<td>76</td>
</tr>
<tr>
<td>At 31 December</td>
<td>219,843</td>
<td>212,988</td>
</tr>
<tr>
<td>Analysed as:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leasehold land</td>
<td>216,277</td>
<td>205,258</td>
</tr>
<tr>
<td>Leasehold buildings</td>
<td>3,566</td>
<td>3,730</td>
</tr>
<tr>
<td>Total</td>
<td>219,843</td>
<td>212,988</td>
</tr>
</tbody>
</table>

Included in leasehold land of the Group is the carrying value of a long term leasehold and foreshore land of a subsidiary of RM216,277,000 (2018: RM205,258,000) which cannot be disposed off, charged or subleased without the prior consent of the Johor State Government.

15. INTANGIBLE ASSETS

<table>
<thead>
<tr>
<th></th>
<th>Group Goodwill RM’000</th>
<th>Group Other intangible assets RM’000</th>
<th>Total RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2018</td>
<td>974,136</td>
<td>212,557</td>
<td>1,186,693</td>
</tr>
<tr>
<td>Write-off (Note 5)</td>
<td>(721)</td>
<td>–</td>
<td>(721)</td>
</tr>
<tr>
<td>Currency translation differences</td>
<td>18,615</td>
<td>–</td>
<td>18,615</td>
</tr>
<tr>
<td>At 31 December 2018/1 January 2019</td>
<td>982,030</td>
<td>212,557</td>
<td>1,204,587</td>
</tr>
<tr>
<td>Currency translation differences</td>
<td>(9,865)</td>
<td>–</td>
<td>(9,865)</td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>982,175</td>
<td>212,557</td>
<td>1,194,732</td>
</tr>
</tbody>
</table>

Accumulated amortisation and impairment

<table>
<thead>
<tr>
<th></th>
<th>Group Goodwill RM’000</th>
<th>Group Other intangible assets RM’000</th>
<th>Total RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2018</td>
<td>162,501</td>
<td>179,813</td>
<td>342,314</td>
</tr>
<tr>
<td>Amortisation for the year (Note 5)</td>
<td>–</td>
<td>5,392</td>
<td>5,392</td>
</tr>
<tr>
<td>At 31 December 2018/1 January 2019</td>
<td>162,501</td>
<td>185,205</td>
<td>347,706</td>
</tr>
<tr>
<td>Amortisation for the year (Note 5)</td>
<td>–</td>
<td>6,373</td>
<td>6,373</td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>162,501</td>
<td>191,578</td>
<td>354,079</td>
</tr>
</tbody>
</table>

Net carrying amount

<table>
<thead>
<tr>
<th></th>
<th>Group Goodwill RM’000</th>
<th>Group Other intangible assets RM’000</th>
<th>Total RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 31 December 2018</td>
<td>829,529</td>
<td>27,352</td>
<td>856,881</td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>819,674</td>
<td>20,979</td>
<td>840,653</td>
</tr>
</tbody>
</table>
15. INTANGIBLE ASSETS (CONT'D.)

Impairment test for goodwill

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

<table>
<thead>
<tr>
<th>Group</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petroleum</td>
<td>819,449</td>
<td>829,304</td>
</tr>
<tr>
<td>Offshore</td>
<td>225</td>
<td>225</td>
</tr>
<tr>
<td></td>
<td>819,674</td>
<td>829,529</td>
</tr>
</tbody>
</table>

(b) 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 costs to sell or value-in-use for the CGUs to which the goodwill is allocated.

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.

Goodwill for the Petroleum 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 derived 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 6.90% (2018: 7.59%). The discount rate reflects the current market assessment of the risks specific to the Petroleum segment. This is the benchmark used by the management to assess operating performance and to evaluate future investments. An increase of 0.85% (2018: 0.81%) or 85 (2018: 81) basis points in discount rate would result in recoverable amount that equates to the carrying amount of the CGU.

(ii) Terminal value and growth rate - The terminal value is based on expected cash flows for year 2024 into perpetuity with terminal year growth rate of 2.0% (2018: 2.5%). Terminal year charter rates are based on fifteen-year average historical market rates. A decrease of 4.66% (2018: 4.81%) or 46 (2018: 48) 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 CGU. A decrease to 1.12% (2018: 1.05%) or 112 (2018: 105) basis points in terminal growth rate would result in recoverable amount that equates to the carrying amount of the CGU.

(iii) Expenses are estimated to increase by an annual average rate of 2.0% (2018: 2.5%).

(iv) Spot and time charter rates are estimated based on forecasts by industry-research publications.

16. INVESTMENTS IN SUBSIDIARIES

<table>
<thead>
<tr>
<th>Corporation</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional Investments in subsidiaries (Note a)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liquidation of a subsidiary (Note b)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment of investment in unquoted subsidiaries (Note 5(a))</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency translation differences</td>
<td>(186,171)</td>
<td>(2,064,454)</td>
</tr>
<tr>
<td>At 31 December</td>
<td>14,986,590</td>
<td>18,669,894</td>
</tr>
<tr>
<td>Quoted shares</td>
<td>265,050</td>
<td>267,959</td>
</tr>
<tr>
<td>Unquoted shares</td>
<td>14,721,540</td>
<td>18,401,935</td>
</tr>
<tr>
<td>Included in unquoted shares are preference shares of RM8,662,931,000 (2018: RM12,587,056,000) which bear interest ranging from 3.00% to 6.00% (2018: 3.00% to 6.00%) per annum.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(a) Additional investments in subsidiaries

(i) During the current financial year, the Corporation increased its investment in Eaglestar Marine Holdings Sdn. Bhd. (“EMH”) by RM14,000,000 in support of the subsidiary’s debt capitalisation exercise via issuance of ordinary shares.

(ii) In the previous financial year:

(a) The Corporation increased its investment in MISC Tanker Sdn. Bhd. (“MTSB”), a wholly owned subsidiary by RM789,148,000, in support of subsidiary’s debt capitalisation exercise and as consideration for transfer ownership of Seri Cempaka, Seri Camar and Seri Cemara ships via issuance of ordinary shares and Cumulative Redeemable Preferences shares (“CRPS”).

(b) The Corporation had incorporated a new subsidiary, namely Portovenere and Lerici (Labuan) Private Limited (“PLL”) with an issued and paid up capital of USD10 divided into 10 ordinary shares. The incorporation of PLL is for the purpose of investment holding, owning, chartering and operating of ships.

(b) During the current financial year, the Corporation had initiated the liquidation of its wholly owned subsidiary, MTTI Sdn. Bhd. via members’ voluntary winding up pursuant to Section 439(1)(b) of the Companies Act 2016. Subsequent to the liquidation commencement, the Corporation derecognised its investment in MTTI Sdn. Bhd, up to the amount of outstanding loan from MTTI Sdn. Bhd, in the current financial year.

Details of the subsidiaries are disclosed in Note 39.
### 16. INVESTMENTS IN SUBSIDIARIES (CONT’D.)

**Non-controlling interests in subsidiaries**

The Group’s subsidiaries that have material non-controlling interests ("NCI") are Malaysia Marine and Heavy Engineering Holdings Berhad ("MHB"), Asia LNG Transport Sdn. Bhd. ("ALT") and Asia LNG Transport Dua Sdn. Bhd. ("ALT 2") as shown below:

<table>
<thead>
<tr>
<th></th>
<th>MHB</th>
<th>ALT</th>
<th>ALT 2</th>
<th>Others*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NCI percentage of ownership interest and voting interest</td>
<td>33.5%</td>
<td>49.0%</td>
<td>49.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carrying amount of NCI as at 31 December</td>
<td>775,755</td>
<td>130,146</td>
<td>46,386</td>
<td>74,239</td>
<td>1,026,526</td>
</tr>
<tr>
<td>(Loss)/profit allocated to NCI for the year ended 31 December</td>
<td>(9,457)</td>
<td>(5,252)</td>
<td>8,567</td>
<td>16,054</td>
<td>9,912</td>
</tr>
<tr>
<td><strong>2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NCI percentage of ownership interest and voting interest</td>
<td>33.5%</td>
<td>49.0%</td>
<td>49.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carrying amount of NCI as at 31 December</td>
<td>777,519</td>
<td>136,466</td>
<td>38,605</td>
<td>60,392</td>
<td>1,012,982</td>
</tr>
<tr>
<td>(Loss)/profit allocated to NCI for the year ended 31 December</td>
<td>(40,104)</td>
<td>7,022</td>
<td>(7,360)</td>
<td>13,280</td>
<td>(27,162)</td>
</tr>
</tbody>
</table>

* Other individually immaterial subsidiaries

**Summarised financial information before intra-group elimination**

<table>
<thead>
<tr>
<th></th>
<th>MHB</th>
<th>ALT</th>
<th>ALT 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As at 31 December 2019</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current assets</td>
<td>2,034,854</td>
<td>104,007</td>
<td>15,783</td>
</tr>
<tr>
<td>Current assets</td>
<td>1,183,122</td>
<td>101,338</td>
<td>131,242</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>(187,471)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>(649,968)</td>
<td>(217)</td>
<td>(146)</td>
</tr>
<tr>
<td>Net assets</td>
<td>2,381,437</td>
<td>204,428</td>
<td>146,879</td>
</tr>
</tbody>
</table>

| **Year ended 31 December 2019** |      |      |       |
| Revenue | 1,009,541 | 37,662 | 161 |
| (Loss)/profit for the year | (34,220) | 5,204 | 19,396 |
| Total comprehensive (loss)/income | (39,780) | (12,960) | 15,880 |
| Cash inflows/(outflows) from operating activities | 123,852 | 13,186 | (6,439) |
| Cash (outflows)/inflows from investing activities | (176,497) | (16,146) | 89,155 |
| Cash inflows from financing activities | 124,015 |        |       |
| Net increase/(decrease) in cash and cash equivalents | 72,370 | (2,909) | 82,756 |

**Notes to the Financial Statements**

31 December 2019

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### 17. INVESTMENTS IN ASSOCIATES

**Group**

<table>
<thead>
<tr>
<th></th>
<th>MHB</th>
<th>ALT</th>
<th>ALT 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unquoted shares outside Malaysia, at cost</td>
<td>331</td>
<td>331</td>
<td>124</td>
</tr>
<tr>
<td>Share of post-acquisition profit</td>
<td>455</td>
<td>455</td>
<td>–</td>
</tr>
<tr>
<td>Share of other post-acquisition reserves</td>
<td>(304)</td>
<td>(304)</td>
<td>–</td>
</tr>
<tr>
<td>Carrying amount of the investment</td>
<td>482</td>
<td>482</td>
<td>124</td>
</tr>
</tbody>
</table>

Details of the associates are disclosed in Note 40.
### 18. Investments in Joint Ventures

#### 18. Investments in Joint Ventures (Cont’d.)

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

<table>
<thead>
<tr>
<th></th>
<th>MDFT</th>
<th>MVOT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td><strong>As at 31 December 2019</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current assets</td>
<td>1,034,353</td>
<td>274,491</td>
</tr>
<tr>
<td>Current assets</td>
<td>13,604</td>
<td>417,685</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>227</td>
<td>51,065</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>(8,041)</td>
<td>(165,022)</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>(69,729)</td>
<td>–</td>
</tr>
<tr>
<td>Net assets</td>
<td>913,404</td>
<td>576,199</td>
</tr>
<tr>
<td><strong>Year ended 31 December 2019</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit after taxation/total comprehensive income</td>
<td>196,323</td>
<td>92,462</td>
</tr>
<tr>
<td>Included in the total comprehensive income is:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>400,512</td>
<td>489,021</td>
</tr>
<tr>
<td>Other income</td>
<td>–</td>
<td>65</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(198,218)</td>
<td>(564)</td>
</tr>
<tr>
<td>Interest income</td>
<td>91</td>
<td>234</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(6,073)</td>
<td>(6,917)</td>
</tr>
<tr>
<td><strong>As at 31 December 2018</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current assets</td>
<td>1,244,019</td>
<td>305,966</td>
</tr>
<tr>
<td>Current assets</td>
<td>722</td>
<td>66,715</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>2,942</td>
<td>136,011</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>(54,043)</td>
<td>–</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>(917,665)</td>
<td>(16,944)</td>
</tr>
<tr>
<td>Net assets</td>
<td>1,162,749</td>
<td>491,728</td>
</tr>
<tr>
<td><strong>Year ended 31 December 2018</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit after taxation/total comprehensive income</td>
<td>151,161</td>
<td>124,090</td>
</tr>
<tr>
<td>Included in the total comprehensive income is:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>344,592</td>
<td>111,525</td>
</tr>
<tr>
<td>Other income</td>
<td>–</td>
<td>68,026</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(193,036)</td>
<td>–</td>
</tr>
<tr>
<td>Interest income</td>
<td>54</td>
<td>489</td>
</tr>
<tr>
<td>Interest expense</td>
<td>–</td>
<td>(31)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(20)</td>
<td>(1,133)</td>
</tr>
</tbody>
</table>

#### 18. Investments in Joint Ventures

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.

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Unquoted shares in Malaysia, at cost</td>
<td>176,184</td>
<td>178,016</td>
<td>170,762</td>
<td>172,596</td>
</tr>
<tr>
<td>Unquoted shares outside Malaysia, at cost</td>
<td>176,124</td>
<td>161,655</td>
<td>24,622</td>
<td>24,892</td>
</tr>
<tr>
<td>Share of post-acquisition profits</td>
<td>352,308</td>
<td>339,671</td>
<td>195,384</td>
<td>197,488</td>
</tr>
<tr>
<td>Share of other post-acquisition reserves</td>
<td>450,736</td>
<td>486,687</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Loss: Accumulated impairment loss</td>
<td>201,819</td>
<td>208,308</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Carrying amount of the investment</td>
<td>925,715</td>
<td>955,071</td>
<td>195,384</td>
<td>197,488</td>
</tr>
</tbody>
</table>

#### Notes to the Financial Statements

- **a)** During the current financial year, the Corporation through its subsidiary, Asia LNG Transport Dua Sdn. Bhd. (“ALT Dua”), a 51%-owned subsidiary of the Corporation entered into a shareholders’ agreement between the Corporation and Mitsubishi Corporation (“MC”) and Nippon Yusen Kabushiki Kaisha (“NYK”) for the acquisition of shares in Diamond LNG Shipping 6 Ltd. (“DLS6”), a company incorporated in The Bahamas, from NYK for a cash consideration of RM15,949,000. Subsequent thereto, DLS6 became a 50%-owned joint venture company of ALT Dua and 25% owned by MC and NYK respectively.

- **b)** During the current financial year, the Corporation entered into a shareholders agreement between the Corporation and Avenir LNG Limited (“Avenir”) to incorporate a joint venture company. Pursuant to that, Future Horizon (L) Pte. Ltd. (“Future Horizon”), then a wholly-owned subsidiary of the Corporation had increased its issued and paid-up capital by the issuance and allotment of new ordinary shares to Avenir and Avenir. Upon completion of the allotment of shares, Future Horizon became a 51%-owned joint venture company of ALT Dua and 25% owned by MC and NYK respectively.

- **c)** The Group has discontinued recognising its share of losses in a joint venture as the share of losses exceeds the Group’s interest in this joint venture. As such, the Group did not recognise its share of losses of this joint venture in the current year and the Group’s cumulative share of unrecognised losses in this joint venture amounting to RM4,244,000 (2018: RM4,295,000).

- **d)** In the previous financial year, the Group had on 20 December 2018 surrendered 16,000,000 Redeemable Convertible Preference Shares (“RCPS”) in Vietnam Offshore Floating Terminal (Ruby) Limited at the redemption price of USD1.00 per RCPS, equivalent to a total cash redemption sum of USD16,000,000 (RM64,548,000). The RCPS surrendered are cancelled and may not be reissued.
NOTES TO THE FINANCIAL STATEMENTS
31 December 2019

18. INVESTMENTS IN JOINT VENTURES (CONT’D.)

<table>
<thead>
<tr>
<th>Group</th>
<th>MDFT</th>
<th>MVOT</th>
<th>Others*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Reconciliation of net assets to carrying amount</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As at 31 December</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group’s share of net assets</td>
<td>496,436</td>
<td>294,881</td>
<td>162,436</td>
<td>953,753</td>
</tr>
<tr>
<td>Elimination of unrealised profits</td>
<td>(25,762)</td>
<td>–</td>
<td>(2,276)</td>
<td>(28,038)</td>
</tr>
<tr>
<td>Carrying amount in the statement of financial position</td>
<td>470,674</td>
<td>294,881</td>
<td>160,160</td>
<td>925,715</td>
</tr>
<tr>
<td>Group’s share of results</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year ended 31 December</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group’s share of profit after taxation/total comprehensive income</td>
<td>100,125</td>
<td>47,156</td>
<td>103,348</td>
<td>250,629</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Group</th>
<th>MDFT</th>
<th>MVOT</th>
<th>Others*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Reconciliation of net assets to carrying amount</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As at 31 December</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group’s share of net assets</td>
<td>593,002</td>
<td>250,786</td>
<td>154,936</td>
<td>998,724</td>
</tr>
<tr>
<td>Elimination of unrealised profits</td>
<td>(28,841)</td>
<td>–</td>
<td>(14,812)</td>
<td>(43,653)</td>
</tr>
<tr>
<td>Carrying amount in the statement of financial position</td>
<td>564,161</td>
<td>250,786</td>
<td>140,124</td>
<td>955,071</td>
</tr>
</tbody>
</table>

NOTES TO THE FINANCIAL STATEMENTS
31 December 2019

19. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) Other non-current financial assets

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unquoted equity investments (Note 36)</td>
<td>65,137</td>
<td>73,864</td>
</tr>
<tr>
<td>Quoted equity investments (Note 36)</td>
<td>47,255</td>
<td>47,786</td>
</tr>
<tr>
<td>Total equity instruments</td>
<td>112,392</td>
<td>121,650</td>
</tr>
<tr>
<td>Long term receivables (Note 36)</td>
<td>113,511</td>
<td>122,964</td>
</tr>
<tr>
<td>Loans and advances:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsidiaries</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Associates</td>
<td>2,460</td>
<td>2,487</td>
</tr>
<tr>
<td>Total loans and advances</td>
<td>2,460</td>
<td>2,487</td>
</tr>
<tr>
<td>Less: Impairment on loans to associates</td>
<td>(2,460)</td>
<td>(2,487)</td>
</tr>
<tr>
<td>Net loans and advances (Note 21)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total long term receivables</td>
<td>113,511</td>
<td>122,964</td>
</tr>
<tr>
<td>Add: Total equity instruments</td>
<td>112,392</td>
<td>121,650</td>
</tr>
<tr>
<td>Total other non-current financial assets</td>
<td>225,903</td>
<td>244,614</td>
</tr>
</tbody>
</table>

Long term receivables relate to a subsidiary’s accrued revenue earned but not invoiced.

The loans and advances to subsidiaries are unsecured and bear interest ranging from 3.00% to 4.70% (2018: 2.27% to 4.70%) per annum.
19. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D.)

(b) Derivative assets/liabilities

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Non-current:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate swaps (&quot;IRS&quot;) - effective hedges</td>
<td>–</td>
<td>8,185</td>
</tr>
<tr>
<td>Derivative liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forward currency contracts ($)</td>
<td>1,580</td>
<td>–</td>
</tr>
<tr>
<td>Non-current:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IRS - effective hedges [ii]</td>
<td>158,360</td>
<td>5,836</td>
</tr>
</tbody>
</table>

(i) As at 31 December 2019, the Group held forward currency contracts designated as hedges of future 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 notional amount of the currency hedging arrangement as at 31 December 2019 was RM119.0 million (2018: RMNil).

(ii) The Group entered into IRS arrangements to hedge certain USD term loan facilities. Under these arrangements, the Group pays fixed interest rate ranging from 1.79% - 3.19% (2018: 1.90% - 3.19%) per annum and receives cash flows at floating rates. The IRS arrangements entered by the Group mature between year 2022 and year 2030 (2018: year 2021 and year 2029).

(c) Interest-bearing loans and borrowings

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Short term borrowings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secured:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Term loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed rate</td>
<td>–</td>
<td>158,395</td>
</tr>
<tr>
<td>Floating rate</td>
<td>–</td>
<td>4,466,867</td>
</tr>
<tr>
<td>Revolving credits</td>
<td>755,128</td>
<td>763,416</td>
</tr>
<tr>
<td>Loans from subsidiaries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed rate</td>
<td>–</td>
<td>113,099</td>
</tr>
<tr>
<td>Floating rate</td>
<td>–</td>
<td>737,910</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>314,148</td>
<td>1,126,819</td>
</tr>
<tr>
<td>Total</td>
<td>1,069,276</td>
<td>2,048,630</td>
</tr>
<tr>
<td>Unsecured:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Term loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed rate</td>
<td>–</td>
<td>283,473</td>
</tr>
<tr>
<td>Floating rate</td>
<td>–</td>
<td>475,168</td>
</tr>
<tr>
<td>Revolving credit</td>
<td>–</td>
<td>2,186,775</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>7,226,726</td>
<td>2,048,630</td>
</tr>
<tr>
<td>Long term borrowings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secured:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Term loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed rate</td>
<td>7,039,714</td>
<td>1,286,279</td>
</tr>
<tr>
<td>Floating rate</td>
<td>219,012</td>
<td>3,039,718</td>
</tr>
<tr>
<td>Revolving credit</td>
<td>–</td>
<td>2,186,775</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>7,552,692</td>
<td>4,248,740</td>
</tr>
</tbody>
</table>

19. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D.)

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

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Short term borrowings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secured:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Term loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed rate</td>
<td>–</td>
<td>283,473</td>
</tr>
<tr>
<td>Floating rate</td>
<td>–</td>
<td>475,168</td>
</tr>
<tr>
<td>Revolving credits</td>
<td>–</td>
<td>2,186,775</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>7,226,726</td>
<td>4,248,740</td>
</tr>
<tr>
<td>Unsecured:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Term loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed rate</td>
<td>–</td>
<td>283,473</td>
</tr>
<tr>
<td>Floating rate</td>
<td>–</td>
<td>475,168</td>
</tr>
<tr>
<td>Revolving credit</td>
<td>–</td>
<td>2,186,775</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>7,552,692</td>
<td>4,248,740</td>
</tr>
<tr>
<td>Loans from subsidiaries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed rate</td>
<td>–</td>
<td>851,009</td>
</tr>
<tr>
<td>Floating rate</td>
<td>–</td>
<td>4,011,148</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>10,404,737</td>
<td>4,248,740</td>
</tr>
<tr>
<td>Total borrowings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Term loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed rate</td>
<td>–</td>
<td>283,473</td>
</tr>
<tr>
<td>Floating rate</td>
<td>–</td>
<td>475,168</td>
</tr>
<tr>
<td>Revolving credits</td>
<td>–</td>
<td>2,186,775</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>7,552,692</td>
<td>4,248,740</td>
</tr>
<tr>
<td>Loans from subsidiaries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed rate</td>
<td>–</td>
<td>851,009</td>
</tr>
<tr>
<td>Floating rate</td>
<td>–</td>
<td>4,011,148</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>11,152,173</td>
<td>4,248,740</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>15,649,908</td>
<td>8,497,370</td>
</tr>
</tbody>
</table>
19. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT’D.)

Interest-bearing loans and borrowings (cont’d.)

The secured term loans and revolving credits are secured by mortgages over certain ships, together with charter agreements and insurance of the relevant assets as well as retention accounts. The carrying values of the ships pledged and retention accounts restricted for use are stated in Note 13(a) and Note 23 respectively.

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

<table>
<thead>
<tr>
<th>Group</th>
<th>Term Loans</th>
<th>Revolving Credits</th>
<th>Lease Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed rate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Term loans</td>
<td>2.90-4.44</td>
<td>2.90-4.44</td>
<td>–</td>
</tr>
<tr>
<td>Loans from subsidiaries</td>
<td>–</td>
<td>–</td>
<td>3.00</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>3.49-6.83</td>
<td>–</td>
<td>3.49</td>
</tr>
</tbody>
</table>

| Floating rate          |            |                   |                   |
| Term loans             | 2.91-3.41  | 3.56-4.31         | –                 |
| Revolving credits      | 2.48-2.91  | 3.38-3.56         | 2.48-2.66         |
| Loans from subsidiaries| –          | –                 | 2.58              | 3.31-4.19 |

Changes in liabilities arising from financing activities:

<table>
<thead>
<tr>
<th>Group</th>
<th>Term Loans</th>
<th>Revolving Credits</th>
<th>Lease Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2019</td>
<td>10,090,715</td>
<td>2,950,191</td>
<td>–</td>
</tr>
<tr>
<td>Effect of adoption of MFRS 16</td>
<td>–</td>
<td>–</td>
<td>967,881</td>
</tr>
<tr>
<td>At 1 January 2019 (restated)</td>
<td>10,090,715</td>
<td>2,950,191</td>
<td>967,881</td>
</tr>
<tr>
<td>Drawdown/Addition</td>
<td>5,393,167</td>
<td>187,111</td>
<td>178,866</td>
</tr>
<tr>
<td>Repayment</td>
<td>(5,992,531)</td>
<td>(1,500)</td>
<td>(489,946)</td>
</tr>
<tr>
<td>Amortisation of upfront fees</td>
<td>12,406</td>
<td>7,963</td>
<td>–</td>
</tr>
<tr>
<td>Transaction cost paid</td>
<td>(1,919)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Accretion of interest (Note 9(b))</td>
<td>–</td>
<td>–</td>
<td>42,112</td>
</tr>
<tr>
<td>Termination of lease contract</td>
<td>–</td>
<td>–</td>
<td>(75,465)</td>
</tr>
<tr>
<td>The effect of changes in foreign exchange rates</td>
<td>(101,611)</td>
<td>(34,043)</td>
<td>(5,334)</td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>9,404,337</td>
<td>3,109,722</td>
<td>638,114</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Group</th>
<th>Term Loans</th>
<th>Revolving Credits</th>
<th>Lease Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2019</td>
<td>5,533,954</td>
<td>763,416</td>
<td>–</td>
</tr>
<tr>
<td>Effect of adoption of MFRS 16</td>
<td>–</td>
<td>–</td>
<td>54,581</td>
</tr>
<tr>
<td>At 1 January 2019 (restated)</td>
<td>5,533,954</td>
<td>763,416</td>
<td>54,581</td>
</tr>
<tr>
<td>Drawdown/Addition</td>
<td>859,944</td>
<td>–</td>
<td>2,429</td>
</tr>
<tr>
<td>Repayment</td>
<td>(2,098,929)</td>
<td>–</td>
<td>(15,651)</td>
</tr>
<tr>
<td>Liquidation of a subsidiary (Note 16)</td>
<td>(3,438,308)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Accretion of interest (Note 9(b))</td>
<td>–</td>
<td>–</td>
<td>1,763</td>
</tr>
<tr>
<td>The effect of changes in foreign exchange rates</td>
<td>(11,552)</td>
<td>(6,298)</td>
<td>81</td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>851,009</td>
<td>755,128</td>
<td>43,783</td>
</tr>
</tbody>
</table>
19. **OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D.)**

**Interest-bearing loans and borrowings (cont’d.)**

<table>
<thead>
<tr>
<th></th>
<th>Term Loans RM'000</th>
<th>Revolving Credits RM'000</th>
<th>Total RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2018</td>
<td>10,726,148</td>
<td>937,745</td>
<td>11,663,893</td>
</tr>
<tr>
<td>Drawdown</td>
<td>2,575,438</td>
<td>2,866,251</td>
<td>5,441,689</td>
</tr>
<tr>
<td>Repayment</td>
<td>(3,413,483)</td>
<td>(931,911)</td>
<td>(4,345,394)</td>
</tr>
<tr>
<td>Amortisation of upfront fees</td>
<td>10,653</td>
<td>–</td>
<td>10,653</td>
</tr>
<tr>
<td>The effect of changes in foreign exchange rates</td>
<td>200,959</td>
<td>78,106</td>
<td>279,065</td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td>10,099,715</td>
<td>2,950,191</td>
<td>13,049,906</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Term Loans RM'000</th>
<th>Revolving Credits RM'000</th>
<th>Total RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corporation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2018</td>
<td>7,102,782</td>
<td>121,785</td>
<td>7,224,567</td>
</tr>
<tr>
<td>Drawdown</td>
<td>1,169,933</td>
<td>743,109</td>
<td>1,913,042</td>
</tr>
<tr>
<td>Repayment</td>
<td>(2,846,237)</td>
<td>(121,028)</td>
<td>(2,967,265)</td>
</tr>
<tr>
<td>Amortisation of upfront fees</td>
<td>6,121</td>
<td>–</td>
<td>6,121</td>
</tr>
<tr>
<td>The effect of changes in foreign exchange rates</td>
<td>101,355</td>
<td>19,550</td>
<td>120,905</td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td>5,533,954</td>
<td>763,416</td>
<td>6,297,370</td>
</tr>
</tbody>
</table>

The following tables set out the carrying amounts of liabilities as at the reporting date and the remaining maturities of the Group’s and the Corporation’s financial instruments:

<table>
<thead>
<tr>
<th></th>
<th>Within 1 year RM'000</th>
<th>More than 1 year and within 2 years RM'000</th>
<th>More than 2 years and within 3 years RM'000</th>
<th>More than 3 years and within 4 years RM'000</th>
<th>More than 4 years and within 5 years RM'000</th>
<th>More than 5 years RM'000</th>
<th>Total RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Term loans</td>
<td>750,438</td>
<td>789,246</td>
<td>1,364,861</td>
<td>678,489</td>
<td>720,761</td>
<td>3,458,357</td>
<td>7,760,122</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>314,148</td>
<td>189,740</td>
<td>87,814</td>
<td>36,504</td>
<td>6,892</td>
<td>23,376</td>
<td>638,114</td>
</tr>
<tr>
<td>Total</td>
<td>1,064,556</td>
<td>978,986</td>
<td>1,432,775</td>
<td>715,043</td>
<td>727,143</td>
<td>3,479,733</td>
<td>8,398,236</td>
</tr>
<tr>
<td>Floating rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Term loans</td>
<td>1,425,203</td>
<td>219,012</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,644,215</td>
</tr>
<tr>
<td>Revolving credits</td>
<td>3,109,722</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>3,109,722</td>
</tr>
<tr>
<td>Total</td>
<td>4,534,925</td>
<td>219,012</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4,753,937</td>
</tr>
<tr>
<td><strong>Total borrowings</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5,090,481</td>
<td>1,197,298</td>
<td>1,432,775</td>
<td>715,043</td>
<td>727,143</td>
<td>3,479,733</td>
<td>13,152,173</td>
</tr>
</tbody>
</table>

|                      |                      |                                            |                                          |                                       |                                          |                            |              |
| **Corporation**      |                      |                                            |                                          |                                       |                                          |                            |              |
| Fixed rate           |                      |                                            |                                          |                                       |                                          |                            |              |
| Loans from subsidiaries | 113,099          | –                                          | –                                        | –                                     | –                                        | –              | 113,099      |
| Lease liabilities    | 13,875               | 14,367                                     | 14,878                                   | 528                                   | 135                                      | –              | 43,793       |
| Total                | 126,974              | 14,367                                     | 14,878                                   | 528                                   | 135                                      | –              | 150,882      |
| Floating rate        |                      |                                            |                                          |                                       |                                          |                            |              |
| Revolving credits    | 755,128              | –                                          | –                                        | –                                     | –                                        | –              | 755,128      |
| Loans from subsidiaries | 737,910          | –                                          | –                                        | –                                     | –                                        | –              | 737,910      |
| Total                | 1,493,038            | –                                          | –                                        | –                                     | –                                        | –              | 1,493,038    |
| **Total borrowings** |                      |                                            |                                          |                                       |                                          |                            |              |
|                      | 1,620,012            | 14,367                                     | 14,878                                   | 528                                   | 135                                      | –              | 1,649,205    |
19. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT’D.)

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

<table>
<thead>
<tr>
<th>At 31 December 2018</th>
<th>Within 1 year RM’000</th>
<th>More than 1 year and within 2 years RM’000</th>
<th>More than 2 years and within 3 years RM’000</th>
<th>More than 3 years and within 4 years RM’000</th>
<th>More than 4 years and within 5 years RM’000</th>
<th>More than 5 years RM’000</th>
<th>Total RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Term loans</td>
<td>295,619</td>
<td>296,796</td>
<td>223,840</td>
<td>265,822</td>
<td>109,450</td>
<td>673,844</td>
<td>1,865,371</td>
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<tr>
<td>Floating rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Term loans</td>
<td>4,719,458</td>
<td>642,639</td>
<td>817,536</td>
<td>707,672</td>
<td>150,688</td>
<td>1,196,351</td>
<td>8,234,344</td>
</tr>
<tr>
<td>Revolving credits</td>
<td>5,482,874</td>
<td>2,629,414</td>
<td>817,536</td>
<td>707,672</td>
<td>150,688</td>
<td>1,196,351</td>
<td>11,184,535</td>
</tr>
<tr>
<td>Total borrowings</td>
<td>5,776,493</td>
<td>3,126,210</td>
<td>1,041,376</td>
<td>973,404</td>
<td>265,338</td>
<td>1,870,195</td>
<td>13,049,906</td>
</tr>
<tr>
<td><strong>Corporation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans from subsidiaries</td>
<td>158,395</td>
<td>158,395</td>
<td>73,127</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>356,987</td>
</tr>
<tr>
<td>Floating rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revolving credits</td>
<td>763,416</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>763,416</td>
</tr>
<tr>
<td>Loans from subsidiaries</td>
<td>1,126,819</td>
<td>3,625,744</td>
<td>190,404</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>5,297,967</td>
</tr>
<tr>
<td>Total borrowings</td>
<td>2,045,630</td>
<td>3,975,139</td>
<td>269,601</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>9,327,370</td>
</tr>
</tbody>
</table>

Finance lease receivables represent lease rental and interest receivable due from customers in relation to the lease of ships and offshore floating assets by the Group and the Corporation.

<table>
<thead>
<tr>
<th>Minimum lease receivables:</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not later than 1 year</td>
<td>2,333,665</td>
<td>2,299,800</td>
</tr>
<tr>
<td>Later than 1 year and not later than 5 years</td>
<td>8,376,451</td>
<td>8,485,728</td>
</tr>
<tr>
<td>Later than 5 years</td>
<td>11,870,577</td>
<td>14,060,204</td>
</tr>
</tbody>
</table>


Less: Impairment (Note 21) (73,138) (79,398)

Present value of finance lease assets: 16,395,649 (2018: 17,624,548)


Due within 12 months (Note 21): 1,387,678 (71,940) (67,115)

Due after 12 months (Note 21): 15,007,971 (1,012,006) (72,629)

The effective interest rate of the Group’s finance lease receivables is between 4.10% to 7.60% (2018: 4.10% to 7.60%). Included in minimum lease receivables are the estimated unguaranteed residual values of the leased assets of RM557,323,000 (2018: RM538,636,000).

The effective interest rate of the Corporation’s finance lease receivable is 7.60% (2018: 7.60%). Included in minimum lease receivable is the estimated unguaranteed residual value of the leased assets of RM3,659,000 (2018: RM3,019,000).

In the current financial year, the Group recognised total finance lease receivables amounting to RM154,314,000 in relation to delivery of ship. In prior year, the total finance lease receivables recognised at Group and Corporation were RM54,577,145,000 and RM114,962,000 respectively in relation to delivery of ships and offshore floating assets.
### 20. INVENTORIES

<table>
<thead>
<tr>
<th></th>
<th>2019 RM'000</th>
<th>2018 RM'000</th>
<th>2019 RM'000</th>
<th>2018 RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bunkers, lubricants and consumable stores</td>
<td>114,771</td>
<td>205,376</td>
<td>165,731</td>
<td>250,030</td>
</tr>
<tr>
<td>Raw materials</td>
<td>6,080</td>
<td>7,224</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>165,731</td>
<td>250,030</td>
</tr>
</tbody>
</table>

The cost of inventories recognised as cost of sales during the financial year of the Group was RM915,284,000 (2018: RM922,861,000).

### 21. TRADE AND OTHER RECEIVABLES

<table>
<thead>
<tr>
<th></th>
<th>2019 RM'000</th>
<th>2018 RM'000</th>
<th>2019 RM'000</th>
<th>2018 RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>2019</td>
<td>2019</td>
<td>2018</td>
<td>2018</td>
</tr>
<tr>
<td>Third parties</td>
<td>2,603,223</td>
<td>2,662,819</td>
<td>517,724</td>
<td>663,441</td>
</tr>
<tr>
<td>Fellow subsidiaries</td>
<td>73,147</td>
<td>98,187</td>
<td>28,733</td>
<td>40,706</td>
</tr>
<tr>
<td>Associates</td>
<td>44</td>
<td>44</td>
<td>44</td>
<td>44</td>
</tr>
<tr>
<td>Joint ventures</td>
<td>30,952</td>
<td>44,880</td>
<td>26,532</td>
<td>32,362</td>
</tr>
<tr>
<td></td>
<td>2,707,366</td>
<td>2,805,938</td>
<td>573,033</td>
<td>736,373</td>
</tr>
<tr>
<td>Finance lease receivables (Note 19(i))</td>
<td>1,387,678</td>
<td>1,247,158</td>
<td>71,840</td>
<td>67,115</td>
</tr>
<tr>
<td>Due from customers on contracts (Note 22)</td>
<td>39,137</td>
<td>221,286</td>
<td>6,765</td>
<td>1,695</td>
</tr>
<tr>
<td></td>
<td>4,134,181</td>
<td>4,274,382</td>
<td>644,873</td>
<td>803,468</td>
</tr>
<tr>
<td>Less: Impairment loss on trade receivables:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Third parties</td>
<td>(641,334)</td>
<td>(686,465)</td>
<td>(355,665)</td>
<td>(428,590)</td>
</tr>
<tr>
<td>Joint ventures</td>
<td>(22,154)</td>
<td>(22,307)</td>
<td>(22,154)</td>
<td>(22,307)</td>
</tr>
<tr>
<td></td>
<td>(663,488)</td>
<td>(708,353)</td>
<td>(377,820)</td>
<td>(430,907)</td>
</tr>
<tr>
<td>Trade receivables, net</td>
<td>3,470,890</td>
<td>3,556,029</td>
<td>287,054</td>
<td>372,551</td>
</tr>
</tbody>
</table>

#### 21. TRADE AND OTHER RECEIVABLES (CONT’D.)

<table>
<thead>
<tr>
<th></th>
<th>2019 RM'000</th>
<th>2018 RM'000</th>
<th>2019 RM'000</th>
<th>2018 RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other receivables</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount due from related parties:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Holding company</td>
<td>108</td>
<td>4,219</td>
<td></td>
<td>221</td>
</tr>
<tr>
<td>Subsidiaries</td>
<td></td>
<td></td>
<td>1,433,305</td>
<td>2,532,237</td>
</tr>
<tr>
<td>Fellow subsidiaries</td>
<td>9,297</td>
<td>46</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Joint ventures</td>
<td>10,384</td>
<td>21,168</td>
<td>1,438</td>
<td>780</td>
</tr>
<tr>
<td></td>
<td>19,796</td>
<td>25,433</td>
<td>1,434,713</td>
<td>2,533,238</td>
</tr>
<tr>
<td>Deposits</td>
<td>10,058</td>
<td>9,946</td>
<td>2,315</td>
<td>2,341</td>
</tr>
<tr>
<td>Prepayments</td>
<td>190,875</td>
<td>116,559</td>
<td>6,765</td>
<td>1,695</td>
</tr>
<tr>
<td>Unfilled reimbursable expenses due from third parties</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5,696</td>
<td>5,696</td>
</tr>
<tr>
<td>Others</td>
<td>237,001</td>
<td>227,155</td>
<td>39,983</td>
<td>93,256</td>
</tr>
<tr>
<td></td>
<td>460,724</td>
<td>384,779</td>
<td>1,483,776</td>
<td>2,636,216</td>
</tr>
</tbody>
</table>

Less: Impairment loss on other receivables:

<table>
<thead>
<tr>
<th></th>
<th>2019 RM'000</th>
<th>2018 RM'000</th>
<th>2019 RM'000</th>
<th>2018 RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Third parties</td>
<td>(712)</td>
<td>(608)</td>
<td>(71)</td>
<td>(174)</td>
</tr>
<tr>
<td>Subsidiaries</td>
<td></td>
<td></td>
<td>(3,629)</td>
<td>(5,413)</td>
</tr>
<tr>
<td></td>
<td>(712)</td>
<td>(608)</td>
<td>(3,700)</td>
<td>(5,587)</td>
</tr>
<tr>
<td>Other receivables, net</td>
<td>460,012</td>
<td>384,171</td>
<td>1,480,076</td>
<td>2,630,629</td>
</tr>
</tbody>
</table>

Total trade and other receivables:

<table>
<thead>
<tr>
<th></th>
<th>2019 RM'000</th>
<th>2018 RM'000</th>
<th>2019 RM'000</th>
<th>2018 RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Add: Cash, deposits and bank balances (Note 23)</td>
<td>7,030,814</td>
<td>5,755,804</td>
<td>2,817,049</td>
<td>1,967,819</td>
</tr>
<tr>
<td>Add: Net loans and advances (Note 19(a))</td>
<td></td>
<td></td>
<td>987,378</td>
<td>1,242,872</td>
</tr>
<tr>
<td>Add: Long term receivables (Note 19(a))</td>
<td>113,511</td>
<td>122,964</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add: Long term finance lease receivables (Note 19(i))</td>
<td>15,007,971</td>
<td>16,377,300</td>
<td>1,012,006</td>
<td>1,082,591</td>
</tr>
<tr>
<td>Less: Due from customers on contracts (Note 22)</td>
<td>(59,137)</td>
<td>(221,248)</td>
<td>(6,765)</td>
<td>(1,695)</td>
</tr>
<tr>
<td>Less: Prepayments</td>
<td>(190,875)</td>
<td>(116,559)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3,930,705</td>
<td>3,949,200</td>
<td>1,747,140</td>
<td>3,003,130</td>
</tr>
</tbody>
</table>

Total financial assets carried at amortised cost:

<table>
<thead>
<tr>
<th></th>
<th>2019 RM'000</th>
<th>2018 RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Add: Cash, deposits and bank balances (Note 23)</td>
<td>25,849,989</td>
<td>25,867,313</td>
</tr>
<tr>
<td>Add: Net loans and advances (Note 19(a))</td>
<td>6,536,808</td>
<td>6,536,808</td>
</tr>
<tr>
<td>Add: Long term finance lease receivables (Note 19(i))</td>
<td>7,274,717</td>
<td>7,274,717</td>
</tr>
</tbody>
</table>

(a) Trade receivables

The Group's normal trade credit terms with its customers range from 7 to 90 days (2018: 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.
### 21. TRADE AND OTHER RECEIVABLES (CONT’D.)

(b) Other receivables and amounts due from related parties

The non-trade balances due from holding company, subsidiaries, associates and joint ventures arose in the normal course of business. Certain loans and advances to subsidiaries bear interest ranging from 3.00% to 4.70% (2018: 2.27% to 4.70%) per annum.

The ageing of trade receivables net of impairment (excluding amount due from customers on contracts and finance lease receivables) as at the end of the reporting period is analysed below:

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>At net</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>952,764</td>
<td>998,405</td>
</tr>
<tr>
<td>Past due 1-30 days</td>
<td>186,832</td>
<td>161,474</td>
</tr>
<tr>
<td>Past due 31-60 days</td>
<td>38,806</td>
<td>97,783</td>
</tr>
<tr>
<td>Past due 61-90 days</td>
<td>26,783</td>
<td>88,426</td>
</tr>
<tr>
<td>Past due more than 90 days</td>
<td>838,693</td>
<td>750,497</td>
</tr>
<tr>
<td></td>
<td>2,043,878</td>
<td>2,096,585</td>
</tr>
</tbody>
</table>

The movement in the allowance for impairment loss of trade, other and finance lease receivables during the year are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Trade and Other Receivables</td>
<td>Finance Lease Receivables (Note 19(d))</td>
</tr>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>At 1 January 2019</td>
<td>709,961</td>
<td>70,398</td>
</tr>
<tr>
<td>Impairment loss (Note 5)</td>
<td>36,839</td>
<td>–</td>
</tr>
<tr>
<td>W.r.t. back of impairment loss (Note 4)</td>
<td>(41,425)</td>
<td>(5,450)</td>
</tr>
<tr>
<td>W.r.t. cut</td>
<td>(16,477)</td>
<td>–</td>
</tr>
<tr>
<td>Unwinding of discount on trade receivable</td>
<td>(24,926)</td>
<td>(805)</td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>664,200</td>
<td>73,138</td>
</tr>
</tbody>
</table>

The movement in the allowance for impairment loss of trade, other and finance lease receivables during the year are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Trade and Other Receivables</td>
<td>Finance Lease Receivables (Note 19(d))</td>
</tr>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>At 1 January 2019</td>
<td>556,350</td>
<td>71,040</td>
</tr>
<tr>
<td>Impairment loss (Note 5)</td>
<td>139,237</td>
<td>2,062</td>
</tr>
<tr>
<td>W.r.t. back of impairment loss (Note 4)</td>
<td>(621)</td>
<td>–</td>
</tr>
<tr>
<td>W.r.t. cut</td>
<td>14,956</td>
<td>6,206</td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>700,961</td>
<td>79,398</td>
</tr>
</tbody>
</table>

### 22. DUE FROM/(TO) CUSTOMERS ON CONTRACTS

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>At the beginning of the year</td>
<td>218,880</td>
<td>896,297</td>
</tr>
<tr>
<td>Revenue recognised during the year (Note 3)</td>
<td>936,523</td>
<td>956,245</td>
</tr>
<tr>
<td>Progress billings during the year</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>At the end of the year</td>
<td>33,144</td>
<td>218,880</td>
</tr>
</tbody>
</table>

### 23. CASH, DEPOSITS AND BANK BALANCES

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Cash with PETRONAS Integrated Financial Shared Services Centre</td>
<td>4,355,497</td>
<td>4,204,421</td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td>1,113,410</td>
<td>1,214,789</td>
</tr>
<tr>
<td>Deposits with licensed banks</td>
<td>1,561,907</td>
<td>336,394</td>
</tr>
<tr>
<td>At the end of the year</td>
<td>7,030,814</td>
<td>5,755,604</td>
</tr>
</tbody>
</table>
23. CASH, DEPOSITS AND BANK BALANCES (CONT’D.)

To allow more efficient cash management for the Group and the Corporation, the Group’s 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 and deposits with licensed banks of the Group is the retention account of RM1,289,730,000 (2018: RM218,429,000) which is restricted for use because of the requirement of loan covenants.

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 99 days (2018: 1 to 187 days) depending on the immediate cash requirements of the Group and of the Corporation and earn interest rates ranging from 0.88% to 3.55% (2018: 2.30% to 7.00%) per annum and 2.90% to 3.52% (2018: 3.10% to 3.31%) 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 2019 2018
RM’000 RM’000
Ships and offshore floating assets 125,278 –

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

Group 2019 2018
RM’000 RM’000
At 1 January – 123,003
Write down (Note 5(a)) – (23,814)
Transfer from ships and offshore floating assets (Note 13) 448,837 –
Disposals (320,244) (68,430)
Currency translation differences (1,316) (753)
At 31 December 125,278 –

In the current financial year, the Group has classified certain ships and offshore floating assets as held for sale with the intention of disposal in the immediate future.

25. TRADE AND OTHER PAYABLES

Group Corporation
2019 2018 2019 2018
RM’000 RM’000 RM’000 RM’000
Trade payables
Third parties 153,988 238,235 5,883 11,497
Subsidiaries – – 117,325 84,699
Holding company 6,824 6,436 6,567 5,096
Fellow subsidiaries 1,341 10,922 30 10,091
Joint ventures – 1,974 – 1,974
Accruals 982,004 973,962 266,644 329,604
Deferred income (Note 20) 102,626 70,247 – –
Due to customers on contracts (Note 22) 5,993 2,406 – –
1,252,776 1,274,182 396,447 443,801

Other payables
Amount due to related parties:
Subsidiaries – – 339,311 557,465
Holding company 457 62 404 –
Fellow subsidiaries 6 291 4 –
Associates 965 944 – –
Joint ventures 67,583 89,821 2,923 2,782
Accruals 562,075 442,013 40,867 68,029
Provisions (Note 25(c)) 43,906 72,717 42,928 64,950
Others 259,160 120,558 174,045 46,347
933,812 726,406 650,482 739,573

Total trade and other payables 2,186,588 2,000,588 996,929 1,183,374
Add: Total borrowings (Note 19(c)) 13,152,173 13,049,906 1,649,920 6,237,370
Less: Due to customers on contracts (Note 22) (5,993) (2,406) – –
Less: Provisions (Note 25(c)) (43,906) (72,717) (42,928) (64,950)
Less: Deferred income (Note 20) (102,626) (70,247) – –
Total financial liabilities carried at amortised cost 15,186,576 14,905,124 2,603,921 7,415,794
NOTES TO THE FINANCIAL STATEMENTS
31 December 2019

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 (2018: 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 arose in the normal course of business.

(c) Provisions

26. SHARE CAPITAL AND TREASURY SHARES

Group and Corporation

<table>
<thead>
<tr>
<th></th>
<th>Number of shares</th>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Share Capital '000</td>
<td>Treasury Shares '000</td>
<td>Share Capital '000</td>
</tr>
<tr>
<td>At 1 January/31 December 2019</td>
<td>4,463,794</td>
<td>(47)</td>
<td>8,923,262</td>
</tr>
<tr>
<td>At 1 January 2018</td>
<td>4,463,794</td>
<td>-</td>
<td>8,923,262</td>
</tr>
<tr>
<td>Purchase of treasury shares (i)</td>
<td>-</td>
<td>(47)</td>
<td>-</td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td>4,463,794</td>
<td>(47)</td>
<td>8,923,262</td>
</tr>
</tbody>
</table>

(i) In the previous financial year, the Corporation had repurchased a total of 47,400 ordinary shares from the open market at an average price of RM5.69 per share for a total consideration of RM270,846 including transaction costs which were financed from internally generated funds. The repurchased shares are held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016. As at 31 December 2019, the total number of treasury shares held is 0.001% of the total paid up share capital of the Corporation.

(ii) 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 in the Corporation’s Constitution. Certain matters, in particular the alterations of specified Rules in the Constitution, 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.

27. OTHER RESERVES


<table>
<thead>
<tr>
<th></th>
<th>Revaluation Reserve RM’000</th>
<th>Capital Reserve RM’000</th>
<th>Other Capital Reserve RM’000</th>
<th>Statutory Reserve RM’000</th>
<th>Hedging Reserve RM’000</th>
<th>Currency Translation Reserve RM’000</th>
<th>Total RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency translation differences:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(353,608)</td>
<td>(353,608)</td>
</tr>
<tr>
<td>Associates</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1)</td>
<td>(1)</td>
</tr>
<tr>
<td>Joint ventures</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(7,259)</td>
<td>(7,259)</td>
</tr>
<tr>
<td>Fair value loss on cash flow hedges:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(162,885)</td>
<td>(162,885)</td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>1,357</td>
<td>435,199</td>
<td>99,299</td>
<td>3,161</td>
<td>2,956</td>
<td>5,691,164</td>
<td>6,042,032</td>
</tr>
<tr>
<td>Currency translation differences:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group</td>
<td>1,357</td>
<td>435,199</td>
<td>99,299</td>
<td>3,161</td>
<td>159,829</td>
<td>5,691,164</td>
<td>6,042,032</td>
</tr>
<tr>
<td>Associates</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>668,942</td>
<td>668,942</td>
</tr>
<tr>
<td>Joint ventures</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13,986</td>
<td>13,986</td>
</tr>
<tr>
<td>Fair value loss on cash flow hedges:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,400</td>
<td>5,400</td>
</tr>
<tr>
<td>Joint ventures</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td>1,357</td>
<td>435,199</td>
<td>99,299</td>
<td>3,161</td>
<td>2,956</td>
<td>6,042,032</td>
<td>6,042,032</td>
</tr>
</tbody>
</table>

27. OTHER RESERVES (CONT’D.)

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) 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.

(f) 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 (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:

<table>
<thead>
<tr>
<th></th>
<th>Accelerated capital allowances</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2019</td>
<td>91,733</td>
<td>22,140</td>
<td>113,873</td>
</tr>
<tr>
<td>Recognised in income statement:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In Malaysia</td>
<td>7,353</td>
<td>–</td>
<td>7,353</td>
</tr>
<tr>
<td>Outside Malaysia</td>
<td>–</td>
<td>567</td>
<td>567</td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>90,386</td>
<td>21,573</td>
<td>122,959</td>
</tr>
<tr>
<td>At 1 January 2018</td>
<td>81,904</td>
<td>21,083</td>
<td>102,987</td>
</tr>
<tr>
<td>Recognised in income statement:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In Malaysia</td>
<td>9,829</td>
<td>–</td>
<td>9,829</td>
</tr>
<tr>
<td>Outside Malaysia</td>
<td>–</td>
<td>1,047</td>
<td>1,047</td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td>91,733</td>
<td>22,140</td>
<td>113,873</td>
</tr>
</tbody>
</table>

Deferred tax assets of the Group:

<table>
<thead>
<tr>
<th></th>
<th>Other payables allowances</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2019</td>
<td>(17,965)</td>
<td>(145,460)</td>
<td>(163,425)</td>
</tr>
<tr>
<td>Recognised in income statement:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In Malaysia</td>
<td>372</td>
<td>(9,181)</td>
<td>(6,809)</td>
</tr>
<tr>
<td>Outside Malaysia</td>
<td>645</td>
<td>–</td>
<td>645</td>
</tr>
<tr>
<td>Currency translation differences</td>
<td>(532)</td>
<td>52</td>
<td>(480)</td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>(17,480)</td>
<td>(154,641)</td>
<td>(172,121)</td>
</tr>
<tr>
<td>At 1 January 2018</td>
<td>(1,765)</td>
<td>(152,064)</td>
<td>(153,829)</td>
</tr>
<tr>
<td>Recognised in income statement:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In Malaysia</td>
<td>(16,435)</td>
<td>6,604</td>
<td>(9,830)</td>
</tr>
<tr>
<td>Outside Malaysia</td>
<td>1,373</td>
<td>–</td>
<td>1,373</td>
</tr>
<tr>
<td>Currency translation differences</td>
<td>467</td>
<td>–</td>
<td>467</td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td>(17,965)</td>
<td>(145,460)</td>
<td>(163,425)</td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS
31 December 2019

28. DEFERRED TAX (CONT’D.)

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

<table>
<thead>
<tr>
<th>Group</th>
<th>2019</th>
<th>2018</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>Unused tax losses</td>
<td>6,330,778</td>
<td>6,543,702</td>
<td>6,263,132</td>
<td>6,485,105</td>
</tr>
<tr>
<td>Unabsorbed capital allowances</td>
<td>43,840</td>
<td>37,604</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>6,374,618</td>
<td>6,581,306</td>
<td>6,263,132</td>
<td>6,485,105</td>
</tr>
</tbody>
</table>

In Malaysia, the unused tax losses can be carried forward and available for use for 7 years starting from the year of assessment 2018. 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.

The unabsorbed capital allowances are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to tax law and tax guidance issued by the tax authority enacted at the reporting date.

Deferred tax assets have not been recognised for certain subsidiaries with recent history of losses.

29. DEFERRED INCOME

<table>
<thead>
<tr>
<th>Group</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>At 1 January</td>
<td>682,668</td>
<td>724,125</td>
</tr>
<tr>
<td>Recognised during the year in income statement</td>
<td>(103,296)</td>
<td>(113,308)</td>
</tr>
<tr>
<td>Advances received during the year</td>
<td>53,658</td>
<td>58,254</td>
</tr>
<tr>
<td>Currency translation differences</td>
<td>(7,230)</td>
<td>13,597</td>
</tr>
<tr>
<td>At 31 December</td>
<td>668,950</td>
<td>682,668</td>
</tr>
<tr>
<td>Current (Note 25)</td>
<td>102,626</td>
<td>70,247</td>
</tr>
<tr>
<td>Non-current</td>
<td>566,324</td>
<td>612,421</td>
</tr>
<tr>
<td></td>
<td>668,950</td>
<td>682,668</td>
</tr>
</tbody>
</table>

Deferred income relates to time charter income paid in advance by customers.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2019

30. CASH FLOWS FROM INVESTING ACTIVITIES

<table>
<thead>
<tr>
<th>Group</th>
<th>2019 RM’000</th>
<th>2018 RM’000</th>
<th>2019 RM’000</th>
<th>2018 RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of ships, offshore floating assets and other property, plant and equipment</td>
<td>(2,160,987)</td>
<td>(2,232,226)</td>
<td>(169,222)</td>
<td>(481,391)</td>
</tr>
<tr>
<td>Progress payments for finance lease assets under construction</td>
<td>–</td>
<td>(1,002,725)</td>
<td>–</td>
<td>(1,002,725)</td>
</tr>
<tr>
<td>Redemption of shares in a joint venture (Note 18(d))</td>
<td>–</td>
<td>64,548</td>
<td>–</td>
<td>64,548</td>
</tr>
<tr>
<td>Acquisition of businesses</td>
<td>(130,283)</td>
<td>(1,197,352)</td>
<td>(130,283)</td>
<td>(1,197,352)</td>
</tr>
<tr>
<td>Dividend received from:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quoted and unquoted equity investment</td>
<td>1,572</td>
<td>1,715</td>
<td>1,703</td>
<td>1,715</td>
</tr>
<tr>
<td>Subsidiaries</td>
<td>–</td>
<td>–</td>
<td>1,283,518</td>
<td>936,549</td>
</tr>
<tr>
<td>Associates and joint ventures</td>
<td>285,422</td>
<td>411,425</td>
<td>207,769</td>
<td>214,800</td>
</tr>
<tr>
<td>Net repayment of loans due from subsidiaries</td>
<td>–</td>
<td>–</td>
<td>711,179</td>
<td>773,280</td>
</tr>
<tr>
<td>Proceeds from disposal of ships, offshore floating assets and other property, plant and equipment</td>
<td>373,684</td>
<td>282,690</td>
<td>–</td>
<td>45,587</td>
</tr>
<tr>
<td>Investment in joint ventures</td>
<td>(15,891)</td>
<td>–</td>
<td>(42)</td>
<td>–</td>
</tr>
<tr>
<td>Interest received</td>
<td>126,181</td>
<td>93,762</td>
<td>54,041</td>
<td>35,663</td>
</tr>
<tr>
<td>Purchases of treasury shares (Note 26(i))</td>
<td>–</td>
<td>(271)</td>
<td>–</td>
<td>(271)</td>
</tr>
<tr>
<td>Net fixed deposit withdrawal</td>
<td>1,677</td>
<td>1,631</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Payment of prepaid lease</td>
<td>(14,300)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Net cash (used in)/generated from investing activities</td>
<td>(1,533,025)</td>
<td>(3,636,803)</td>
<td>1,958,663</td>
<td>(609,617)</td>
</tr>
</tbody>
</table>

FINANCIAL STATEMENTS
MISC BERHAD PEOPLE. PASSION. POSSIBILITIES
ANNUAL REPORT 2019
## 31. CASH FLOWS FROM FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>Group 2019 (RM'000)</th>
<th>Group 2018 (RM'000)</th>
<th>Corporation 2019 (RM'000)</th>
<th>Corporation 2018 (RM'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drawdown of term loans</td>
<td>5,388,187</td>
<td>2,575,438</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Drawdown of revolving credits</td>
<td>187,111</td>
<td>2,866,251</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Drawdown of loans from subsidiaries</td>
<td>–</td>
<td>–</td>
<td>859,944</td>
<td>1,169,903</td>
</tr>
<tr>
<td>Repayment of term loans</td>
<td>(5,992,531)</td>
<td>(3,413,483)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Repayment of revolving credits</td>
<td>(1,500)</td>
<td>(931,911)</td>
<td>–</td>
<td>(121,028)</td>
</tr>
<tr>
<td>Repayment of loan due to subsidiaries</td>
<td>–</td>
<td>(2,093,059)</td>
<td>(2,846,237)</td>
<td>–</td>
</tr>
<tr>
<td>Dividends (Note 1)</td>
<td>(1,339,129)</td>
<td>(1,339,139)</td>
<td>(1,339,129)</td>
<td>(1,339,159)</td>
</tr>
<tr>
<td>Dividends paid to minority shareholders of subsidiaries</td>
<td>(3,000)</td>
<td>(23,430)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(447,700)</td>
<td>(442,724)</td>
<td>(128,597)</td>
<td>(197,113)</td>
</tr>
<tr>
<td>Payment of lease liabilities</td>
<td>(1,071,301)</td>
<td>(113,697)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Placement of cash pledged with bank - restricted</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Net cash used in financing activities</strong></td>
<td>(3,772,691)</td>
<td>(622,605)</td>
<td>(2,714,093)</td>
<td>(2,590,475)</td>
</tr>
</tbody>
</table>

## 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 holding company is wholly owned by the MoF, the Group is deemed to be related to entities that are controlled, jointly controlled or significantly influenced by the Government of Malaysia.

### (a) Income from fellow subsidiaries
- Freight and charter hire revenue: 2,006,230 (2018: 2,042,158)
- Fabrication services: 535,004 (2018: 551,266)
- Offshore, maintenance and manpower services: 168,057 (2018: 110,941)
- Marine and consultancy services: 37,072 (2018: 17,870)
- Sungai Udang Port management: 33,755 (2018: 33,238)

### (b) Purchase from fellow subsidiaries
- Purchase of bunkers, lubricants, spare parts and other materials: (113,845) (2018: 103,425)
- Purchase of service for rental of premises: (22,202) (2018: 22,760)
- Fees for representation in the Board of Directors*: (528) (2018: 519)

### (c) Management fee from subsidiaries
- Fees for representation in the Board of Directors**: – –

### (d) Purchase of service for repairs, conversion of ships, drydocking and fabrication from a subsidiary
- (13,801) (2018: 19,090)

### (e) Purchase of ship operating and management services from a subsidiary
- (164,012) (2018: 131,461)

### (f) Government of Malaysia’s related entities

#### (i) Provision of shipping and shipping related services
- Freight revenue: 20,638 (2018: 15,867)

#### (ii) Purchase of goods and services

### (g) Compensation of key management personnel (“KMP”)

KMP 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.

* 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.
CONTINGENT LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>Group 2019</th>
<th>2018</th>
<th>Group 2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secured</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank guarantee extended to a third party</td>
<td>199</td>
<td>392</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unsecured</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance bond on contract and bank guarantees extended to third parties</td>
<td>411,271</td>
<td>204,305</td>
<td>2,513</td>
<td>347</td>
</tr>
</tbody>
</table>

The Corporation no longer discloses the corporate guarantees given to banks for credit facilities granted to subsidiaries as these would instead be accounted as financial liabilities if considered likely to crystallise.

SEGMENT INFORMATION

(a) Business segments

(i) LNG - provision of liquefied natural gas ("LNG") carrier services;
(ii) Petroleum - provision of petroleum tanker and chemical tanker services;
(iii) Offshore - own, lease, operation and maintenance of offshore, floating, production and offloading 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, provision of ship management services, marine education and training, and other diversified businesses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.
### 3.5. SEGMENT INFORMATION (CONT’D.)

#### (a) Business segments (cont’d.)

<table>
<thead>
<tr>
<th>31 December 2019</th>
<th>LNG RM’000</th>
<th>Petroleum RM’000</th>
<th>Offshore Engineering RM’000</th>
<th>Others RM’000</th>
<th>Total RM’000</th>
<th>Adjustments and Consolidated RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>REVENUE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External sales</td>
<td>2,582,056</td>
<td>4,302,096</td>
<td>980,785</td>
<td>906,523</td>
<td>174,142</td>
<td>8,976,442</td>
</tr>
<tr>
<td>Inter-segment</td>
<td>–</td>
<td>1,840</td>
<td>105,434</td>
<td>73,299</td>
<td>1,353,591</td>
<td>1,534,164</td>
</tr>
<tr>
<td></td>
<td>2,582,056</td>
<td>4,304,776</td>
<td>1,086,219</td>
<td>1,009,822</td>
<td>1,052,733</td>
<td>10,510,606</td>
</tr>
<tr>
<td>RESULTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Segment results</td>
<td>1,823,227</td>
<td>1,613,646</td>
<td>515,160</td>
<td>1,086,219</td>
<td>3,907,247</td>
<td>63,282</td>
</tr>
<tr>
<td>Other operating income</td>
<td>46,454</td>
<td>24,912</td>
<td>17,075</td>
<td>214,943</td>
<td>2,003,557</td>
<td>(1,884,704)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(766,445)</td>
<td>(1,280,300)</td>
<td>(76,555)</td>
<td>(3,079)</td>
<td>(2,215,528)</td>
<td>–</td>
</tr>
<tr>
<td>Amortisation of intangible assets</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(6,373)</td>
<td>–</td>
</tr>
<tr>
<td>Amortisation of prepaid lease payments on land and buildings</td>
<td>–</td>
<td>–</td>
<td>(7,405)</td>
<td>(7,405)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Impairment provisions</td>
<td>(28,594)</td>
<td>(116,890)</td>
<td>(6,953)</td>
<td>(123)</td>
<td>(7,405)</td>
<td>–</td>
</tr>
<tr>
<td>Net gain/(loss) on disposal of ships and offshore floating assets</td>
<td>17,614</td>
<td>6,468</td>
<td>(3,261)</td>
<td>–</td>
<td>7,844</td>
<td>–</td>
</tr>
<tr>
<td>Gain on acquisition of business</td>
<td>23,731</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Finance income</td>
<td>87,118</td>
<td>2,102</td>
<td>19,727</td>
<td>322,248</td>
<td>448,995</td>
<td>–</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(159,142)</td>
<td>(206,986)</td>
<td>(159,031)</td>
<td>(215,667)</td>
<td>(774,428)</td>
<td>–</td>
</tr>
<tr>
<td>Share of profit of joint ventures</td>
<td>–</td>
<td>15,176</td>
<td>230,318</td>
<td>1,348</td>
<td>246,492</td>
<td>3,787</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>1,512,323</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit after taxation</td>
<td>1,436,267</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net profit attributable to equity holders of the Corporation</td>
<td>1,426,355</td>
<td></td>
<td></td>
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<td></td>
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</tr>
</tbody>
</table>

### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ships</td>
<td>7,494,843</td>
<td>13,444,226</td>
<td>–</td>
<td>–</td>
<td>36,858 *</td>
<td>20,975,027</td>
</tr>
<tr>
<td>Offshore floating assets</td>
<td>–</td>
<td>–</td>
<td>82,367</td>
<td>–</td>
<td>82,367</td>
<td>–</td>
</tr>
<tr>
<td>Non-current assets classified as held for sale</td>
<td>–</td>
<td>110,391</td>
<td>14,887</td>
<td>–</td>
<td>125,278</td>
<td>–</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>–</td>
<td>819,449</td>
<td>225</td>
<td>20,979</td>
<td>840,653</td>
<td>–</td>
</tr>
<tr>
<td>Investments in joint ventures</td>
<td>16,563</td>
<td>29,010</td>
<td>870,685</td>
<td>9,099</td>
<td>925,715</td>
<td>–</td>
</tr>
<tr>
<td>Finance lease receivables</td>
<td>5,174,021</td>
<td>–</td>
<td>9,633,950</td>
<td>–</td>
<td>15,007,971</td>
<td>–</td>
</tr>
<tr>
<td>Other assets (unallocated)</td>
<td>–</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest-bearing loans and borrowings</td>
<td>3,411,205</td>
<td>6,051,298</td>
<td>4,317,341</td>
<td>189,476</td>
<td>1,302,610</td>
<td>15,271,090</td>
</tr>
<tr>
<td>Other liabilities (unallocated)</td>
<td>C 2,957,904</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Included in the net book value of ships - others is Navy Auxiliary ship owned by the Corporation, Bunga Mas 6.
### 35. SEGMENT INFORMATION (CONT'D.)

#### (a) Business segments (cont’d.)

<table>
<thead>
<tr>
<th></th>
<th>LNG  RM'000</th>
<th>Petroleum RM'000</th>
<th>Offshore Engineering RM'000</th>
<th>Others RM'000</th>
<th>Total Adjustments RM'000</th>
<th>Consolidated RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External sales</td>
<td>2,346,313</td>
<td>4,311,089</td>
<td>1,098,687</td>
<td>871,229</td>
<td>164,999</td>
<td>8,792,317</td>
</tr>
<tr>
<td>Inter-segment</td>
<td>–</td>
<td>1,725</td>
<td>97,311</td>
<td>103,066</td>
<td>1,300,351</td>
<td>1,502,453</td>
</tr>
<tr>
<td></td>
<td>2,346,313</td>
<td>4,312,814</td>
<td>1,195,998</td>
<td>974,295</td>
<td>1465,350</td>
<td>10,294,770</td>
</tr>
<tr>
<td><strong>RESULTS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Segment results</td>
<td>1,634,251</td>
<td>930,224</td>
<td>619,654</td>
<td>(80,312)</td>
<td>79,142</td>
<td>3,024,677</td>
</tr>
<tr>
<td>Other operating income</td>
<td>20,088</td>
<td>35,283</td>
<td>15,000</td>
<td>25,502</td>
<td>1,223,660</td>
<td>3,191,563</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(732,915)</td>
<td>(979,110)</td>
<td>(88,661)</td>
<td>(7,736)</td>
<td>(13,307)</td>
<td>(1,891,629)</td>
</tr>
<tr>
<td>Amortisation of intangible assets</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(5,392)</td>
<td>(5,392)</td>
</tr>
<tr>
<td>Amortisation of prepaid lease payments on land and buildings</td>
<td>–</td>
<td>–</td>
<td>(7,094)</td>
<td>(112)</td>
<td>(7,216)</td>
<td>–</td>
</tr>
<tr>
<td>Impairment provisions</td>
<td>(49,802)</td>
<td>(49,234)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(99,036)</td>
</tr>
<tr>
<td>Net gain/(loss) on disposal of ships and offshore floating assets</td>
<td>4,984</td>
<td>(12,604)</td>
<td>(4,396)</td>
<td>–</td>
<td>(11,976)</td>
<td>–</td>
</tr>
<tr>
<td>Gain on acquisition of businesses</td>
<td>20,574</td>
<td>–</td>
<td>79,427</td>
<td>–</td>
<td>100,001</td>
<td>–</td>
</tr>
<tr>
<td>Finance income</td>
<td>63,201</td>
<td>1,343</td>
<td>15,734</td>
<td>14,937</td>
<td>564,666</td>
<td>659,881</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(136,928)</td>
<td>(173,703)</td>
<td>(149,773)</td>
<td>(463,498)</td>
<td>(923,903)</td>
<td>529,351</td>
</tr>
<tr>
<td>Share of profit of joint ventures</td>
<td>–</td>
<td>7,182</td>
<td>268,657</td>
<td>3,658</td>
<td>279,497</td>
<td>3,787</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Profit before taxation</strong></td>
<td>1,344,113</td>
<td>1,284,341</td>
<td>1,277,773</td>
<td>3,658</td>
<td>279,497</td>
<td>3,787</td>
</tr>
<tr>
<td><strong>Taxation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>59,772</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,344,113</td>
</tr>
<tr>
<td><strong>Profit after taxation</strong></td>
<td>1,284,341</td>
<td>1,284,341</td>
<td>1,277,773</td>
<td>3,658</td>
<td>279,497</td>
<td>3,787</td>
</tr>
<tr>
<td><strong>Non-controlling interests</strong></td>
<td>27,162</td>
<td>27,162</td>
<td>27,162</td>
<td>27,162</td>
<td>27,162</td>
<td>27,162</td>
</tr>
<tr>
<td><strong>Net profit attributable to equity holders of the Corporation</strong></td>
<td>1,311,503</td>
<td>1,311,503</td>
<td>1,311,503</td>
<td>3,658</td>
<td>279,497</td>
<td>3,787</td>
</tr>
</tbody>
</table>

#### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>LNG  RM'000</th>
<th>Petroleum RM'000</th>
<th>Offshore Engineering RM'000</th>
<th>Others RM'000</th>
<th>Total Adjustments RM'000</th>
<th>Consolidated RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ships</strong></td>
<td>8,063,634</td>
<td>13,153,779</td>
<td>–</td>
<td>–</td>
<td>7,420</td>
<td>21,224,833</td>
</tr>
<tr>
<td><strong>Offshore floating assets</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>21,224,833</td>
</tr>
<tr>
<td><strong>Intangible assets</strong></td>
<td>829,304</td>
<td>223,204</td>
<td>223,204</td>
<td>223,204</td>
<td>223,204</td>
<td>856,881</td>
</tr>
<tr>
<td><strong>Investments in joint ventures</strong></td>
<td>746</td>
<td>30,245</td>
<td>915,878</td>
<td>7,751</td>
<td>451</td>
<td>965,071</td>
</tr>
<tr>
<td><strong>Finance lease receivables</strong></td>
<td>5,407,112</td>
<td>10,970,278</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>16,377,390</td>
</tr>
<tr>
<td><strong>Other assets (unallocated)</strong></td>
<td>B</td>
<td>12,428,921</td>
<td>12,428,921</td>
<td>12,428,921</td>
<td>12,428,921</td>
<td>12,428,921</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest bearing loans and borrowings</td>
<td>3,546,458</td>
<td>5,036,517</td>
<td>6,446,524</td>
<td>50,000</td>
<td>3,838,010</td>
<td>17,915,529</td>
</tr>
<tr>
<td><strong>Other liabilities (unallocated)</strong></td>
<td>C</td>
<td>2,651,263</td>
<td>2,651,263</td>
<td>2,651,263</td>
<td>2,651,263</td>
<td>2,651,263</td>
</tr>
</tbody>
</table>

* Net book value of Navy Auxiliary ship owned by the Corporation, 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:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other property, plant and equipment</td>
<td>2,228,917</td>
<td>1,888,890</td>
</tr>
<tr>
<td>Prepaid lease payments on land and buildings</td>
<td>219,843</td>
<td>212,988</td>
</tr>
<tr>
<td>Investment in associates</td>
<td>482</td>
<td>482</td>
</tr>
<tr>
<td>Other non-current financial assets</td>
<td>225,903</td>
<td>244,614</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>103,490</td>
<td>104,379</td>
</tr>
<tr>
<td>Inventories</td>
<td>165,731</td>
<td>250,030</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>3,930,705</td>
<td>3,949,200</td>
</tr>
<tr>
<td>Cash, deposits and bank balances</td>
<td>7,030,814</td>
<td>5,755,604</td>
</tr>
<tr>
<td>Derivative assets</td>
<td>225,903</td>
<td>244,614</td>
</tr>
<tr>
<td>Tax recoverable</td>
<td>1,459</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>13,905,894</td>
<td>12,426,921</td>
</tr>
</tbody>
</table>

C Other liabilities comprise the following items:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other payables</td>
<td>2,186,588</td>
<td>2,000,588</td>
</tr>
<tr>
<td>Provision for taxation</td>
<td>14,165</td>
<td>–</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>30,907</td>
<td>32,418</td>
</tr>
<tr>
<td>Derivative liabilities</td>
<td>159,903</td>
<td>5,836</td>
</tr>
<tr>
<td>Deferred income</td>
<td>586,324</td>
<td>612,421</td>
</tr>
<tr>
<td></td>
<td>2,957,004</td>
<td>2,651,263</td>
</tr>
</tbody>
</table>

(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:

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>Malaysia RM’000</td>
<td>The Americas RM’000</td>
</tr>
<tr>
<td></td>
<td>4,659,323</td>
<td>4,302,936</td>
</tr>
<tr>
<td>Assets</td>
<td>43,358,316</td>
<td>8,504,938</td>
</tr>
<tr>
<td></td>
<td>31 December 2018</td>
<td>31 December 2018</td>
</tr>
<tr>
<td>Revenue</td>
<td>Malaysia RM’000</td>
<td>The Americas RM’000</td>
</tr>
<tr>
<td></td>
<td>4,469,127</td>
<td>4,311,089</td>
</tr>
<tr>
<td>Assets</td>
<td>44,000,897</td>
<td>8,063,830</td>
</tr>
</tbody>
</table>

(c) Information about major customers

Breakdown of revenue from major customers are as follows:

<table>
<thead>
<tr>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fellow subsidiaries:</td>
<td></td>
</tr>
<tr>
<td>- Petrosains LNG Sdn. Bhd.</td>
<td>1,088,252</td>
</tr>
<tr>
<td>- Malaysia LNG Sdn. Bhd.</td>
<td>951,989</td>
</tr>
<tr>
<td>- Petronas Carigali Sdn. Bhd.</td>
<td>603,609</td>
</tr>
<tr>
<td></td>
<td>2,643,850</td>
</tr>
<tr>
<td>Third Parties:</td>
<td></td>
</tr>
<tr>
<td>- Sabab Shell Petroleum Company Limited</td>
<td>521,418</td>
</tr>
<tr>
<td>- Royal Dutch Shell PLC</td>
<td>381,495</td>
</tr>
<tr>
<td>- KOCJ Petroluem</td>
<td>232,820</td>
</tr>
<tr>
<td>- Statoil ASA</td>
<td>232,663</td>
</tr>
<tr>
<td>- Marine Well Containment Company</td>
<td>232,457</td>
</tr>
<tr>
<td>- Petroleo Brasileiro Sa</td>
<td>232,457</td>
</tr>
<tr>
<td>- PBF Energy</td>
<td>232,457</td>
</tr>
<tr>
<td>- VALERO Group</td>
<td>232,457</td>
</tr>
<tr>
<td>- SINOPEC</td>
<td>186,631</td>
</tr>
<tr>
<td>- British Petroleum</td>
<td>186,631</td>
</tr>
<tr>
<td></td>
<td>2,586,303</td>
</tr>
</tbody>
</table>
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.

The carrying amounts of floating rate loans and borrowings reasonably approximate their fair values as they are repriced to market interest rates on or near the reporting date.

The following table analyses assets and liabilities carried at fair value and those not carried at fair value, together with their fair values and carrying amounts shown in the statements of financial position.

### Fair value of assets and liabilities carried at fair value

<table>
<thead>
<tr>
<th>Note</th>
<th>Level 1 RM'000</th>
<th>Level 2 RM'000</th>
<th>Level 3 RM'000</th>
<th>Total RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quoted equity investment</td>
<td>19(a)</td>
<td>47,255</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Unquoted equity investments</td>
<td>19(a)</td>
<td>–</td>
<td>–</td>
<td>65,137</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-financial assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current assets classified as held for sale</td>
<td>24</td>
<td>–</td>
<td>–</td>
<td>125,278</td>
</tr>
<tr>
<td>Financial liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forward currency contract</td>
<td>19(b)</td>
<td>–</td>
<td>(1,560)</td>
<td>–</td>
</tr>
<tr>
<td>Interest rate swaps designated as hedging instruments</td>
<td>19(b)</td>
<td>–</td>
<td>(158,360)</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>–</td>
<td>(159,920)</td>
<td>–</td>
<td>(159,920)</td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quoted equity investment</td>
<td>19(a)</td>
<td>47,786</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Unquoted equity investments</td>
<td>19(a)</td>
<td>–</td>
<td>–</td>
<td>73,864</td>
</tr>
<tr>
<td>Interest rate swaps designated as hedging instruments</td>
<td>19(b)</td>
<td>–</td>
<td>8,185</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>47,786</td>
<td>8,185</td>
<td>73,864</td>
<td>129,235</td>
</tr>
<tr>
<td>Financial liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate swaps designated as hedging instruments</td>
<td>19(b)</td>
<td>–</td>
<td>(5,836)</td>
<td>–</td>
</tr>
</tbody>
</table>

### Fair value information (cont'd.)

<table>
<thead>
<tr>
<th>Note</th>
<th>Level 1 RM'000</th>
<th>Level 2 RM'000</th>
<th>Level 3 RM'000</th>
<th>Total RM'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long term receivables</td>
<td>19(a)</td>
<td>–</td>
<td>–</td>
<td>96,453</td>
</tr>
<tr>
<td>Finance lease receivables</td>
<td>19(d)</td>
<td>–</td>
<td>–</td>
<td>15,364,445</td>
</tr>
<tr>
<td>Total</td>
<td>–</td>
<td>–</td>
<td>15,460,898</td>
<td>15,460,898</td>
</tr>
<tr>
<td>Financial liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Term loans - fixed rate</td>
<td>19(c)</td>
<td>–</td>
<td>(6,460,927)</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>–</td>
<td>–</td>
<td>(7,009,714)</td>
<td></td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long term receivables</td>
<td>19(a)</td>
<td>–</td>
<td>–</td>
<td>98,789</td>
</tr>
<tr>
<td>Finance lease receivables</td>
<td>19(d)</td>
<td>–</td>
<td>–</td>
<td>15,671,938</td>
</tr>
<tr>
<td>Total</td>
<td>–</td>
<td>–</td>
<td>16,660,727</td>
<td>16,660,727</td>
</tr>
<tr>
<td>Financial liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Term loans - fixed rate</td>
<td>19(c)</td>
<td>–</td>
<td>(1,390,895)</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>–</td>
<td>–</td>
<td>(1,569,752)</td>
<td></td>
</tr>
</tbody>
</table>
36. FAIR VALUE DISCLOSURES (CONT’D.)

Fair value information (cont’d.)

<table>
<thead>
<tr>
<th>Note</th>
<th>Fair value of assets and liabilities carried at fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1</td>
</tr>
<tr>
<td></td>
<td>RM’000</td>
</tr>
</tbody>
</table>

Corporation

At 31 December 2019

Financial assets:
Quoted equity investment 19(a) | 47,255 | – | – | 47,255
Unquoted equity investments 19(a) | – | – | 65,122 | 65,122

At 31 December 2018

Financial assets:
Quoted equity investment 19(a) | 47,786 | – | – | 47,786
Unquoted equity investments 19(a) | – | – | 73,850 | 73,850

Fair value of financial instruments not carried at fair value

<table>
<thead>
<tr>
<th>Note</th>
<th>Fair value of financial instruments not carried at fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1</td>
</tr>
<tr>
<td></td>
<td>RM’000</td>
</tr>
</tbody>
</table>

Corporation

At 31 December 2019

Financial assets:
Loans to subsidiaries 19(a) | – | 871,860 | – | 871,860 | 967,378
Finance lease receivables 19(d) | – | – | 1,016,558 | 1,016,558 | 1,012,006

At 31 December 2018

Financial assets:
Loans to subsidiaries 19(a) | – | 1,082,331 | – | 1,082,331 | 1,232,872
Finance lease receivables 19(d) | – | – | 961,839 | 961,839 | 1,082,591

Financial liabilities:
Loans from subsidiaries 19(c) | – | (213,014) | – | (213,014) | (237,592)

NOTES TO THE FINANCIAL STATEMENTS
31 December 2019

36. FAIR VALUE DISCLOSURES (CONT’D.)

Fair value information (cont’d.)

Transfers between Level 1 and Level 2 fair values

There has been no transfers between Level 1 and Level 2 fair values during the financial year.

Level 1 fair value measurements

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical assets that the entity can assess at the measurement date.

Level 2 fair value measurements

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset either directly or indirectly.

The following are descriptions of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Derivatives

Interest rate swap contracts 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 fixed rate 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:

<table>
<thead>
<tr>
<th>Group Fair value at 31 December 2019 RM’000</th>
<th>Fair value at 31 December 2018 RM’000</th>
<th>Corporation Fair value at 31 December 2019 RM’000</th>
<th>Fair value at 31 December 2018 RM’000</th>
<th>Valuation techniques</th>
<th>Unobservable inputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets measured at fair value</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current assets held for sale</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Ships and offshore floating assets</td>
<td>125,278</td>
<td>–</td>
<td>–</td>
<td>Market comparable approach</td>
<td>Transacted comparable ships adjusted for the current condition of the assets/sales price offered by potential buyers.</td>
</tr>
<tr>
<td>Financial assets not measured at fair value</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long term receivables</td>
<td>96,453</td>
<td>98,789</td>
<td>–</td>
<td>Discounted cash flow method</td>
<td>Discounting expected future cash flows applying market rate of interest at the end of the reporting period.</td>
</tr>
</tbody>
</table>

An increase in market value of comparable assets used in the above valuation would result in an increase in the fair value 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 of Directors 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’s 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 to cash flow interest rate risk. The Group’s interest rate risks arise from the volatility of the benchmark interest rates in United States Dollar (“USD”), which is the Group’s main borrowing currency.

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings. As at 31 December 2019, 62.0% (2018: 14.3%) and 7.0% (2018: 6.3%) of the Group’s and the Corporation’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.
37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT’D.)

(a) Interest rate risk (cont’d.)

As at reporting date, the total notional principal amount of interest rate swaps of the Group is RM7,581,251,000 (2018: RM1,815,371,000). The fixed interest rates relating to interest rate swaps at the reporting date ranges from 1.79% - 3.19% (2018: 1.90% - 3.19%) per annum.

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:

<table>
<thead>
<tr>
<th>Effect on</th>
<th>Effect on</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase/ (Decrease)</td>
<td>Increase/ (Decrease)</td>
</tr>
<tr>
<td>in LIBOR basis points</td>
<td>before taxation</td>
</tr>
<tr>
<td>-----------</td>
<td>-----------</td>
</tr>
<tr>
<td>Group</td>
<td>Corporation</td>
</tr>
<tr>
<td>As at 31 December 2019</td>
<td></td>
</tr>
<tr>
<td>USD - 3 Months LIBOR</td>
<td>+70</td>
</tr>
<tr>
<td>USD - 3 Months LIBOR</td>
<td>-70</td>
</tr>
<tr>
<td>Corporation</td>
<td></td>
</tr>
<tr>
<td>USD - 3 Months LIBOR</td>
<td>+70</td>
</tr>
<tr>
<td>USD - 3 Months LIBOR</td>
<td>-70</td>
</tr>
</tbody>
</table>

As at 31 December 2018

Group

USD - 3 Months LIBOR
+50
(54,435)
2,713
USD - 3 Months LIBOR
-50
54,435
(2,713)

Corporation

USD - 3 Months LIBOR
+50
(25,006) –
USD - 3 Months LIBOR
-50
25,006 –

As at 31 December 2019, the Group’s and the Corporation’s exposure to the risk of changes in market interest rates relates primarily to the Group’s and the Corporation’s placement of deposits with licensed banks, cash and bank balances, loans to subsidiaries and associate, interest-bearing loans and borrowings and loans from subsidiaries.

(b) Foreign currency risk

The currencies giving rise to this risk are primarily RM and USD.

Approximately 4% (2018: 7%) and 4% (2018: 5%) of the Group’s and the Corporation’s revenue are denominated in currency other than the currency of the primary economic environment which the entities operate.

Approximately 1% (2018: 4%) and 12% (2018: 4%) of the Group’s and the Corporation’s cost of sales are denominated in currency other than the currency of the primary economic environment which the entities operate.

The Group maintains a natural hedge, wherever possible, by borrowing in currencies that matches the future revenue streams to be generated from its investments.

During the current financial year, the Group held forward currency contracts designated as hedges of expected future payments denominated in United States Dollar. The forward currency contracts are being used to hedge the foreign currency risk of the highly probable forecasted transactions. The cash flow hedges of the expected future receipts which are expected to occur within the next 12 months, were assessed to be highly effective and a net unrealised loss of RM1,560,000 (2018: RMNil), which represents the effective portion of the hedging relationship, is included in the other comprehensive income.

Notes to the Financial Statements
37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT’D.)

(b) Foreign currency risk (cont’d.)

With all other variables held constant, the following table demonstrates the sensitivity of the Group’s and the Corporation’s profit before taxation to a reasonably possible change in the USD and RM exchange rates.

<table>
<thead>
<tr>
<th>Currency</th>
<th>2019</th>
<th>Effect on profit before taxation</th>
<th>2018</th>
<th>Effect on profit before taxation</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD/RM</td>
<td></td>
<td>Change in currency rate %</td>
<td>Change in currency rate %</td>
<td></td>
</tr>
<tr>
<td>Group</td>
<td></td>
<td>+5%</td>
<td>3,370</td>
<td>+5%</td>
</tr>
<tr>
<td>Corporation</td>
<td></td>
<td>+5%</td>
<td>20,669</td>
<td>+5%</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Functional currency of Group entities</th>
<th>Ringgit Malaysia</th>
<th>United States Dollar</th>
<th>Great Britain Pound</th>
<th>Singapore Dollar</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 31 December 2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ringgit Malaysia</td>
<td>–</td>
<td>(86,006)</td>
<td>–</td>
<td>(333)</td>
<td>85,226</td>
</tr>
<tr>
<td>United States Dollar</td>
<td>19,331</td>
<td>–</td>
<td>5,851</td>
<td>26,318</td>
<td>44,604</td>
</tr>
<tr>
<td></td>
<td>(19,331)</td>
<td>86,006</td>
<td>5,851</td>
<td>25,985</td>
<td>142,668</td>
</tr>
</tbody>
</table>

| At 31 December 2018                   |                  |                     |                     |                 |       |
| Ringgit Malaysia                      | –                | 207,381             | 102                 | 57,511          | 30,003 |
| United States Dollar                 | 110,017          | –                   | 16,213              | 18,236          | 252,537 |
|                                       | 110,017          | 207,381             | 16,314              | 18,236          | 382,531 |

| Functional currency of Corporation   |                  |                     |                     |                 |       |
| At 31 December 2019                   |                  |                     |                     |                 |       |
| United States Dollar                 | 427,451          | –                   | 610                 | 17,503          | 409,588 |

| At 31 December 2018                   |                  |                     |                     |                 |       |
| United States Dollar                 | 146,136          | –                   | 401                 | 57,511          | 1,274 |
|                                       | (96,920)         |                     |                     |                 |       |

(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’s and the Corporation’s exposure to liquidity risk arise primarily from mismatches of the maturities of financial assets and liabilities. The Group’s and the Corporation’s objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and various other sources of funding.

The Group and the Corporation have at their disposal cash and short term deposits amounting to RM5,740,435,000 (2018: RM5,534,849,000) and RM2,817,049,000 (2018: RM1,957,819,000) respectively. As at 31 December 2019, the Group and the Corporation have unutilised credit lines of RM1.4 billion (2018: RM1.3 billion) and RM0.3 billion (2018: RM0.3 billion) respectively, which could be used for working capital purposes.
The table below summarises the maturity profile of the Group’s and Corporation’s financial liabilities as at the reporting date based on undiscounted contractual payments:

<table>
<thead>
<tr>
<th></th>
<th>Carrying amount</th>
<th>Contractual cash flows</th>
<th>Within 1 year</th>
<th>More than 1 - 2 years</th>
<th>More than 2 - 3 years</th>
<th>More than 3 - 4 years</th>
<th>More than 4 - 5 years</th>
<th>More than 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest-bearing loans and borrowings</td>
<td>12,514,059</td>
<td>13,921,576</td>
<td>5,620,465</td>
<td>1,250,822</td>
<td>1,570,393</td>
<td>847,147</td>
<td>864,238</td>
<td>3,768,511</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>636,114</td>
<td>685,392</td>
<td>308,246</td>
<td>186,147</td>
<td>96,258</td>
<td>29,799</td>
<td>7,604</td>
<td>27,138</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>2,034,403</td>
<td>2,034,403</td>
<td>2,034,403</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Corporation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest-bearing loans and borrowings</td>
<td>1,606,137</td>
<td>1,652,192</td>
<td>1,652,192</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>43,783</td>
<td>46,231</td>
<td>15,184</td>
<td>15,184</td>
<td>543</td>
<td>136</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>954,501</td>
<td>954,501</td>
<td>954,501</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>At 31 December 2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest-bearing loans and borrowings</td>
<td>13,049,906</td>
<td>14,304,768</td>
<td>6,195,922</td>
<td>3,346,642</td>
<td>1,183,066</td>
<td>1,000,083</td>
<td>347,356</td>
<td>2,141,690</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>1,855,218</td>
<td>1,855,218</td>
<td>1,855,218</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Corporation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest-bearing loans and borrowings</td>
<td>6,297,370</td>
<td>6,599,888</td>
<td>2,091,036</td>
<td>4,228,368</td>
<td>280,484</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>1,118,424</td>
<td>1,118,424</td>
<td>1,118,424</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>At 31 December 2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest-bearing loans and borrowings</td>
<td>15,186,576</td>
<td>16,641,371</td>
<td>7,003,114</td>
<td>1,436,969</td>
<td>1,666,651</td>
<td>876,946</td>
<td>872,042</td>
<td>3,795,649</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>43,783</td>
<td>46,231</td>
<td>15,184</td>
<td>15,184</td>
<td>543</td>
<td>136</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>954,501</td>
<td>954,501</td>
<td>954,501</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>
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 2019 was RM7,581,251,000 (2018: RM1,815,371,000). 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 2019 and 31 December 2018:

<table>
<thead>
<tr>
<th>Carrying amount</th>
<th>Contractual cash flows</th>
<th>Within 1 year</th>
<th>1 - 2 years</th>
<th>2 - 3 years</th>
<th>3 - 4 years</th>
<th>More than 4 years</th>
<th>More than 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
<td>RM’000</td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>(159,920)</td>
<td>(229,280)</td>
<td>(23,833)</td>
<td>(22,666)</td>
<td>(21,340)</td>
<td>(21,398)</td>
<td>(116,151)</td>
</tr>
<tr>
<td>Net cash outflows</td>
<td>3,349</td>
<td>37,444</td>
<td>3,432</td>
<td>6,884</td>
<td>6,886</td>
<td>5,158</td>
<td>3,486</td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td>2,349</td>
<td>37,444</td>
<td>3,432</td>
<td>6,884</td>
<td>6,886</td>
<td>5,158</td>
<td>3,486</td>
</tr>
</tbody>
</table>

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 RM161,848,000 (2018: loss of RM5,400,000) on the interest rate swaps of its subsidiaries.

(d) Credit risk (cont’d.)

Receivables and contract assets

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:

<table>
<thead>
<tr>
<th>Group</th>
<th>2019</th>
<th>2018</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporation</td>
<td>2019</td>
<td>2018</td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>LNG</td>
<td>168,031</td>
<td>116,687</td>
<td>144,919</td>
<td>121,577</td>
</tr>
<tr>
<td>Petroleum</td>
<td>331,406</td>
<td>449,761</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Offshore</td>
<td>1,126,964</td>
<td>1,184,075</td>
<td>17,150</td>
<td>133,274</td>
</tr>
<tr>
<td>Heavy Engineering</td>
<td>313,792</td>
<td>210,844</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Others</td>
<td>21,696</td>
<td>14,496</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Group Total</td>
<td>1,961,889</td>
<td>1,975,863</td>
<td>162,069</td>
<td>254,851</td>
</tr>
</tbody>
</table>

At reporting date, approximately 2.6% (2018: 3.7%) and 83.8% (2018: 85.9%) of the Group’s and the Corporation’s trade and other receivables were due from related parties.

The Group and the Corporation perform credit rating assessment of all its counterparties in order to measure ECLs of trade receivables for all segments using the PETRONAS Credit Risk Rating System. This credit rating assessment considers quantitative assessment using the counterparties’ financial statements or a qualitative assessment of the counterparties, which includes but is not limited to their reputation, competitive position, industry and geopolitical outlook.

In determining the ECL, the probability of default assigned to each counterparty is based on their individual credit rating. This probability of default is derived by benchmarking against available third party and market information, which also incorporates forward looking information.
## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

### (d) Credit risk (cont’d.)

Receivables and contract assets (cont’d.)

The following table provides information about the exposure to credit risk and ECLs for receivables and contract assets as at 31 December 2019 which are grouped together as they are expected to have similar risk nature.

<table>
<thead>
<tr>
<th>Group</th>
<th>Gross carrying amount RM’000</th>
<th>Loss allowance RM’000</th>
<th>Net balance RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2019</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit risk rating</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low risk rating</td>
<td>1,072,864</td>
<td>(642)</td>
<td>1,072,222</td>
</tr>
<tr>
<td>Medium risk rating</td>
<td>18,664,097</td>
<td>(437,796)</td>
<td>17,226,301</td>
</tr>
<tr>
<td>High risk rating</td>
<td>539,053</td>
<td>(298,900)</td>
<td>240,153</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>19,676,014</td>
<td>(737,338)</td>
<td>18,938,676</td>
</tr>
</tbody>
</table>

Representing:

- Trade and other receivables 4,594,905 (664,200) 3,930,705
- Finance lease receivables (Note 19(d)) 15,081,109 (73,138) 15,007,971

<table>
<thead>
<tr>
<th>Group</th>
<th>Gross carrying amount RM’000</th>
<th>Loss allowance RM’000</th>
<th>Net balance RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2018</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit risk rating</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low risk rating</td>
<td>833,140</td>
<td>(500)</td>
<td>832,640</td>
</tr>
<tr>
<td>Medium risk rating</td>
<td>19,716,367</td>
<td>(453,423)</td>
<td>19,262,944</td>
</tr>
<tr>
<td>High risk rating</td>
<td>566,442</td>
<td>(335,436)</td>
<td>231,006</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>21,115,949</td>
<td>(789,359)</td>
<td>20,326,590</td>
</tr>
</tbody>
</table>

Representing:

- Trade and other receivables 4,659,161 (729,961) 3,949,200
- Finance lease receivables (Note 19(d)) 16,456,788 (79,398) 16,377,390

<table>
<thead>
<tr>
<th>Group</th>
<th>Gross carrying amount RM’000</th>
<th>Loss allowance RM’000</th>
<th>Net balance RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corporation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit risk rating</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medium risk rating</td>
<td>4,068,200</td>
<td>(112,939)</td>
<td>3,955,261</td>
</tr>
<tr>
<td>High risk rating</td>
<td>461,967</td>
<td>(331,507)</td>
<td>130,460</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4,530,167</td>
<td>(444,446)</td>
<td>4,085,721</td>
</tr>
</tbody>
</table>

Representing:

- Trade and other receivables 3,439,704 (436,574) 3,003,130
- Finance lease receivables (Note 19(d)) 1,090,463 (7,872) 1,082,591

<table>
<thead>
<tr>
<th>Group</th>
<th>Gross carrying amount RM’000</th>
<th>Loss allowance RM’000</th>
<th>Net balance RM’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit risk rating</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low risk rating</td>
<td>833,140</td>
<td>(500)</td>
<td>832,640</td>
</tr>
<tr>
<td>Medium risk rating</td>
<td>19,716,367</td>
<td>(453,423)</td>
<td>19,262,944</td>
</tr>
<tr>
<td>High risk rating</td>
<td>566,442</td>
<td>(335,436)</td>
<td>231,006</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>21,115,949</td>
<td>(789,359)</td>
<td>20,326,590</td>
</tr>
</tbody>
</table>

Representing:

- Trade and other receivables 4,659,161 (729,961) 3,949,200
- Finance lease receivables (Note 19(d)) 16,456,788 (79,398) 16,377,390

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NOTES TO THE FINANCIAL STATEMENTS
31 December 2019

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NOTES TO THE FINANCIAL STATEMENTS
31 December 2019
37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT’D.)

(d) Credit risk (cont’d.)

Effective 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 counterparty 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.

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.

The past due receivables balances are either secured by collaterals or relate mainly to customers who have never defaulted on payments but are slow paymasters and hence, are periodically monitored.

(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 exposure security at fair value was RM47,255,000 (2018: RM47,786,000).

The following table demonstrates the indicative effects on the Group’s and the Corporation’s investment in quoted equity shares applying reasonably foreseeable market movements in the following index rates:

<table>
<thead>
<tr>
<th>Carrying value</th>
<th>Weighted average change in index rate</th>
<th>Effect on profit before taxation increase/ (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>RM’000</td>
<td>%</td>
<td>RM’000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Group and Corporation</th>
<th>2019</th>
<th>2018</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysian quoted equity shares</td>
<td>47,255</td>
<td>+15</td>
<td>7,088</td>
<td>47,255</td>
</tr>
<tr>
<td>Malaysian quoted equity shares</td>
<td>47,255</td>
<td>-15</td>
<td>(7,088)</td>
<td>47,255</td>
</tr>
</tbody>
</table>

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 equity ratio to optimise shareholder value and to ensure compliance with covenants under debt agreements.

The debt to equity ratios of the Group and of the Corporation as at 31 December 2019 and 31 December 2018 are as follows:

<table>
<thead>
<tr>
<th>Note</th>
<th>2019</th>
<th>2018</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short term borrowings</td>
<td>19(c)</td>
<td>5,500,481</td>
<td>5,778,493</td>
<td>1,620,012</td>
</tr>
<tr>
<td>Long term borrowings</td>
<td>19(c)</td>
<td>7,552,692</td>
<td>7,271,413</td>
<td>29,908</td>
</tr>
<tr>
<td>Gross debts</td>
<td>13,152,173</td>
<td>13,049,906</td>
<td>1,649,920</td>
<td>6,297,370</td>
</tr>
<tr>
<td>Cash, deposits and bank balances</td>
<td>23</td>
<td>7,030,814</td>
<td>5,755,604</td>
<td>2,817,049</td>
</tr>
<tr>
<td>Net debts</td>
<td>6,121,359</td>
<td>7,294,302</td>
<td>(1,167,129)</td>
<td>4,339,551</td>
</tr>
<tr>
<td>Total debt</td>
<td>35,753,718</td>
<td>36,364,131</td>
<td>23,921,238</td>
<td>23,657,050</td>
</tr>
<tr>
<td>Total equity</td>
<td>35,753,718</td>
<td>36,364,131</td>
<td>23,921,238</td>
<td>23,657,050</td>
</tr>
<tr>
<td>Gross debt ratio</td>
<td>0.37</td>
<td>0.36</td>
<td>0.07</td>
<td>0.27</td>
</tr>
<tr>
<td>Net debt ratio</td>
<td>0.17</td>
<td>0.20</td>
<td>(0.05)</td>
<td>0.18</td>
</tr>
</tbody>
</table>

The gearing ratio is not governed by MFRS and its definition and calculation may vary from one group/company to another.
### 39. SUBSIDIARIES AND ACTIVITIES

<table>
<thead>
<tr>
<th>Name of company</th>
<th>Country of incorporation</th>
<th>Principal activities</th>
<th>Effective interest held (%)</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>MISC Tankers Sdn. Bhd.</td>
<td>Malaysia</td>
<td>Investment holding and provision of management services</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Puteri Intan Sdn. Bhd.</td>
<td>Malaysia</td>
<td>Shipping</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Puteri Delima Sdn. Bhd.</td>
<td>Malaysia</td>
<td>Shipping</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Puteri Nilam Sdn. Bhd.</td>
<td>Malaysia</td>
<td>Shipping</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Puteri Zamrud Sdn. Bhd.</td>
<td>Malaysia</td>
<td>Shipping</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Puteri Firus Sdn. Bhd.</td>
<td>Malaysia</td>
<td>Shipping</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Puteri Monara Sdn. Bhd.</td>
<td>Malaysia</td>
<td>Shipping</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Seri Camellia (L) Private Limited</td>
<td>Malaysia</td>
<td>Shipping</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Seri Cempaka (L) Private Limited</td>
<td>Malaysia</td>
<td>Shipping</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Seri Cenderawasih (L) Private Limited</td>
<td>Malaysia</td>
<td>Shipping</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Seri Cimara (L) Private Limited</td>
<td>Malaysia</td>
<td>Shipping</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Seri Cinar (L) Private Limited</td>
<td>Malaysia</td>
<td>Shipping</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>MISC Ship Management Sdn. Bhd.</td>
<td>Malaysia</td>
<td>Investment holding</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>MISC Enterprises Holdings Sdn. Bhd.</td>
<td>Malaysia</td>
<td>In Member's Voluntary Liquidation</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Malaysia Marine and Heavy Engineering Holdings Bhd. *</td>
<td>Malaysia</td>
<td>Investment holding</td>
<td>66.5</td>
<td>66.5</td>
<td></td>
</tr>
<tr>
<td>Malaysia Marine and Heavy Engineering Sdn. Bhd. (*&quot;MMHE&quot;)</td>
<td>Malaysia</td>
<td>Provision of oil and gas engineering and construction works, and marine conversion and repair services</td>
<td>66.5</td>
<td>66.5</td>
<td></td>
</tr>
<tr>
<td>MMHE LNG Sdn. Bhd.</td>
<td>Malaysia</td>
<td>Dormant</td>
<td>66.5</td>
<td>66.5</td>
<td></td>
</tr>
<tr>
<td>Techno Indah Sdn. Bhd.</td>
<td>Malaysia</td>
<td>Sludge disposal management</td>
<td>66.5</td>
<td>66.5</td>
<td></td>
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<tr>
<td>MMHE International Sdn. Bhd.</td>
<td>Malaysia</td>
<td>Dormant</td>
<td>66.5</td>
<td>66.5</td>
<td></td>
</tr>
<tr>
<td>MMHE EPIC Marine &amp; Services Sdn. Bhd.</td>
<td>Malaysia</td>
<td>Provision of repair services and dry docking of marine vessels</td>
<td>46.6</td>
<td>46.6</td>
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</tbody>
</table>

### 39. SUBSIDIARIES AND ACTIVITIES (CONT’D.)

<table>
<thead>
<tr>
<th>Name of company</th>
<th>Country of incorporation</th>
<th>Principal activities</th>
<th>Effective interest held (%)</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysia Marine and Heavy Engineering Saudi Limited</td>
<td>Saudi Arabia</td>
<td>Provision of engineering, procurement, construction, installation and commissioning services for offshore and onshore facilities</td>
<td>66.5</td>
<td>66.5</td>
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</tr>
<tr>
<td>MISC Agencis Sdn. Bhd.</td>
<td>Malaysia</td>
<td>Investment holding</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>MISC Agencis (Netherlands) B.V. *</td>
<td>Netherlands</td>
<td>Property owning</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>MISC Barhad (UK) Limited</td>
<td>United Kingdom</td>
<td>Commercial operation</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>MISC Agencis India Private Limited *</td>
<td>India</td>
<td>In liquidation</td>
<td>60</td>
<td>60</td>
<td></td>
</tr>
<tr>
<td>MISC Ferry Services Sdn. Bhd.</td>
<td>Malaysia</td>
<td>Dormant</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Asia LNG Transport Sdn. Bhd.</td>
<td>Malaysia</td>
<td>Shipowning and ship management</td>
<td>51</td>
<td>51</td>
<td></td>
</tr>
<tr>
<td>Asia LNG Transport Dua Sdn. Bhd.</td>
<td>Malaysia</td>
<td>Shipowning and ship management and investment holding</td>
<td>51</td>
<td>51</td>
<td></td>
</tr>
<tr>
<td>Malaysian Maritime Academy Sdn. Bhd.</td>
<td>Malaysia</td>
<td>Education and training for seamen and maritime personnel</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Puteri Intan Satu (L) Private Limited</td>
<td>Malaysia</td>
<td>Shipping</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Puteri Delma Satu (L) Private Limited</td>
<td>Malaysia</td>
<td>Shipping</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Puteri Nilam Satu (L) Private Limited</td>
<td>Malaysia</td>
<td>Shipping</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Puteri Zamrud Satu (L) Private Limited</td>
<td>Malaysia</td>
<td>Shipping</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Puteri Fira Satu (L) Private Limited</td>
<td>Malaysia</td>
<td>Shipping</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Puteri Mulita Satu (L) Private Limited</td>
<td>Malaysia</td>
<td>Shipping</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>MISC Tanker Holdings Sdn. Bhd.</td>
<td>Malaysia</td>
<td>Investment holding</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>MISC Tanker Holdings (Bermuda) Limited</td>
<td>Bermuda</td>
<td>Investment holding</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>AET Tanker Holdings Sdn. Bhd.</td>
<td>Malaysia</td>
<td>Investment holding</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>
### Subsidiaries and Activities (Cont’d.)

<table>
<thead>
<tr>
<th>Name of company</th>
<th>Country of incorporation</th>
<th>Principal activities</th>
<th>Effective interest held (%)</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>AET Product Tankers Sdn. Bhd.</td>
<td>Malaysia</td>
<td>Shipowning, ship chartering and operating of ships</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>AET Petroleum Tanker (M) Sdn. Bhd.</td>
<td>Malaysia</td>
<td>Shipowning</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>AET Shipmanagement (Malaysia) Sdn. Bhd.</td>
<td>Malaysia</td>
<td>Ship management</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Eaglestar Shipmanagement (S) Pte. Ltd. #</td>
<td>Singapore</td>
<td>Provision of ship management and marine related services</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>AET Holdings (S) Pte. Ltd.</td>
<td>Malaysia</td>
<td>Investment holding</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>AET Inc. Limited</td>
<td>Bermuda</td>
<td>Shipowning and operations</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Eaglestar Marine India Private Limited #</td>
<td>India</td>
<td>Ship management and manning activities</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>AET Lightering Services LLC</td>
<td>The United States of America</td>
<td>Lightering</td>
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<td>100</td>
<td>100</td>
</tr>
<tr>
<td>AET STS Limited Inc. *</td>
<td>Panama</td>
<td>Lightering operations</td>
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<td>100</td>
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<tr>
<td>AET Bermuda One Ltd.</td>
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<td>100</td>
</tr>
<tr>
<td>AET Tankers Pte. Ltd.</td>
<td>Singapore</td>
<td>Commercial operation and chartering</td>
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<td>100</td>
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</tr>
<tr>
<td>AET UK Limited #</td>
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<td>Commercial operation and chartering</td>
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<td>100</td>
<td>100</td>
</tr>
<tr>
<td>AET Offshore Services Inc.</td>
<td>The United States of America</td>
<td>Lightering</td>
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<td>100</td>
<td>100</td>
</tr>
<tr>
<td>AET Agencies Inc.</td>
<td>The United States of America</td>
<td>Property owning</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>AET Tanker India Private Limited #</td>
<td>India</td>
<td>Shipowning</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>AET Azerbaijan Limited</td>
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<tr>
<td>AET Singapore One Pte. Ltd.</td>
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<td>100</td>
</tr>
<tr>
<td>AET Tanker Kazakhstan LLP</td>
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</tr>
<tr>
<td>Eaglestar Shipmanagement (USA) LLC</td>
<td>The United States of America</td>
<td>Provision of ship management and marine related services</td>
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<td>100</td>
</tr>
<tr>
<td>AET Tankers (Suezmax) Pte. Ltd.</td>
<td>Singapore</td>
<td>Shipowning and operations</td>
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</tr>
<tr>
<td>AET Shuttle Tankers Sdn. Bhd.</td>
<td>Malaysia</td>
<td>Shipowning, ship chartering and operating of ships</td>
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<tr>
<td>AET MCV Delta Sdn. Bhd.</td>
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<tr>
<td>AET MCV Alpha LLC</td>
<td>Republic of Marshall Islands</td>
<td>Shipowning</td>
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<tr>
<td>AET MCV Beta LLC</td>
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<tr>
<td>AET MCV Gamma LLC</td>
<td>Republic of Marshall Islands</td>
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<td>AET Labuan One Pte. Ltd.</td>
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<tr>
<td>AET Brasil Servicos Maritimos Ltd.</td>
<td>Brazil</td>
<td>Manning, crewing agent and technical office</td>
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<tr>
<td>AET Brasil Servicos STS Ltda.</td>
<td>Brazil</td>
<td>Lightering support services</td>
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<tr>
<td>AET Sea Shuttle AS #</td>
<td>Norway</td>
<td>Owning and operating DP shuttle tankers</td>
<td>95</td>
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<tr>
<td>MISC International (S) Ltd.</td>
<td>Malaysia</td>
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<td>MSC Offshore Floating Terminals (S) Ltd.</td>
<td>Malaysia</td>
<td>Owning offshore floating terminals</td>
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<tr>
<td>MISC Capital (S) Ltd.</td>
<td>Malaysia</td>
<td>Special purpose vehicle for financing arrangement</td>
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</tr>
<tr>
<td>MSC Offshore Holdings (Brazil) Sdn. Bhd.</td>
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<td>Investment holding</td>
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<td>100</td>
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<tr>
<td>MSC do Brasil Servicos de Energia Ltd.</td>
<td>Brazil</td>
<td>Dormant</td>
<td>100</td>
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</tbody>
</table>
### 39. SUBSIDIARIES AND ACTIVITIES (CONT’D.)

<table>
<thead>
<tr>
<th>Name of company</th>
<th>Country of incorporation</th>
<th>Principal activities</th>
<th>Effective interest held (%)</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>M.I.S.C. Nigeria Ltd. *</td>
<td>Nigeria</td>
<td>Dormant</td>
<td>60</td>
<td>60</td>
<td></td>
</tr>
<tr>
<td>FPSO Ventures Sdn. Bhd.</td>
<td>Malaysia</td>
<td>Provision of operations and maintenance of FPSO, FSO, MOPU and Fixed Facilities and management consultancy</td>
<td>51</td>
<td>51</td>
<td></td>
</tr>
<tr>
<td>Malaysia Offshore Mobile Production (Labuan) Ltd.</td>
<td>Malaysia</td>
<td>Owning mobile offshore production units</td>
<td>100</td>
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</tr>
<tr>
<td>MTTI Sdn. Bhd.</td>
<td>Malaysia</td>
<td>In Member’s Voluntary Liquidation</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>MISC PNG Shipping Limited</td>
<td>Malaysia</td>
<td>Investment holding</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Gas Asia Terminal (L) Pte. Ltd.</td>
<td>Malaysia</td>
<td>Development and ownership of LNG floating storage units</td>
<td>100</td>
<td>100</td>
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</tr>
<tr>
<td>MISC Offshore Floating Terminals Dua (L) Ltd.</td>
<td>Malaysia</td>
<td>Owning offshore floating terminals</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Malaysia Offshore Mobile Production Dua (Labuan) Ltd.</td>
<td>Malaysia</td>
<td>Dormant</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>MISC Maritime Services Sdn. Bhd.</td>
<td>Malaysia</td>
<td>Provision of maritime services and consultancy and maritime audit</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Sungai Udang Port Sdn. Bhd.</td>
<td>Malaysia</td>
<td>Operation and management of Sungai Udang Port</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Gumusut-Kalap Semi-Floating Production System (L) Limited</td>
<td>Malaysia</td>
<td>Ownership and leasing of semi-submersible floating production system</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Makar Berading Offshore Floating (L) Limited</td>
<td>Malaysia</td>
<td>Owing, operation and maintenance of FSO vessels</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Eaglestar Marine Holdings (L) Pte. Ltd.</td>
<td>Malaysia</td>
<td>Provision of integrated marine services and investment holding</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Eaglestar Shipmanagement (L) Pte. Ltd.</td>
<td>Malaysia</td>
<td>Provision of ship management and marine related services</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Eaglestar Marine B.V.</td>
<td>Netherlands</td>
<td>Provision of marine and procurement services</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Paramount Tankers Corporation</td>
<td>Republic of the Marshall Islands</td>
<td>Shipowning and operations</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Atorea Services S.A.</td>
<td>British Virgin Islands</td>
<td>Shipowning</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Hardham Enterprises Ltd.</td>
<td>British Virgin Islands</td>
<td>Shipowning</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Odex Worldwide Inc.</td>
<td>British Virgin Islands</td>
<td>Shipowning</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Oldson Ventures Ltd.</td>
<td>British Virgin Islands</td>
<td>Shipowning</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Tivford International Business Corp.</td>
<td>British Virgin Islands</td>
<td>Shipowning</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Zangwil Business Corp.</td>
<td>British Virgin Islands</td>
<td>Shipowning</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Portovenere and Lerici (Labuan) Pte. Ltd.</td>
<td>Malaysia</td>
<td>Investment holding</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Portovenere and Lerici (Singapore) Pte. Ltd.</td>
<td>Singapore</td>
<td>Shipping</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Magellan X Holdings Sdn. Bhd. #</td>
<td>Malaysia</td>
<td>Dormant</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Polaris LNG One Pte. Ltd.</td>
<td>Singapore</td>
<td>Shipping</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Polaris LNG Two Pte. Ltd.</td>
<td>Singapore</td>
<td>Shipping</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>AET Labuan Pte. Ltd.</td>
<td>Malaysia</td>
<td>Investment holding</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>
### 39. SUBSIDIARIES AND ACTIVITIES (CONT’D.)

<table>
<thead>
<tr>
<th>Name of company</th>
<th>Country of incorporation</th>
<th>Principal activities</th>
<th>Effective interest held (%)</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>AET Bermuda Holdings Limited</td>
<td>Bermuda</td>
<td>Investment holding</td>
<td>100</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>AET Shuttle Tankers II Pte. Ltd. #</td>
<td>Singapore</td>
<td>Owing, chartering and operating of vessels</td>
<td>100</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>AET Singapore Holdings Pte. Ltd. #</td>
<td>Singapore</td>
<td>Investment holding</td>
<td>100</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>AET Pte. Ltd. #</td>
<td>Singapore</td>
<td>Investment holding</td>
<td>100</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>AET Sea Shuttle II AS #</td>
<td>Norway</td>
<td>Owing, chartering and operating of vessels</td>
<td>95</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>MISC Offshore (USA) LLC</td>
<td>The United States of America</td>
<td>Providing support services in the bidding and execution of offshore deepwater FPSO projects</td>
<td>100</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>MISC Offshore (Singapore) Pte. Ltd.</td>
<td>Singapore</td>
<td>Providing support services in the bidding and execution of offshore deepwater FPSO projects</td>
<td>100</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Magellan X Pte. Ltd. #</td>
<td>Singapore</td>
<td>Providing support services in the development of digital products and solutions</td>
<td>100</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Chord X Pte. Ltd. #</td>
<td>Singapore</td>
<td>Providing data-driven solutions for industrial machinery application</td>
<td>100</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>SOL-X Pte Ltd #</td>
<td>Singapore</td>
<td>Providing health, safety and security management solutions</td>
<td>100</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Spires CNX Pte. Ltd. #</td>
<td>Singapore</td>
<td>Providing inventory management and procurement systems</td>
<td>100</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

* Audited by firms of auditors other than Ernst & Young
# Audited by affiliates of Ernst & Young PLT Malaysia
^ Listed on the Main Board of Bursa Malaysia Securities Berhad

### 40. ASSOCIATES AND ACTIVITIES

<table>
<thead>
<tr>
<th>Name of company</th>
<th>Country of incorporation</th>
<th>Principal activities</th>
<th>Effective interest held (%)</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>MISC Agencies Lanka Pte. Ltd.</td>
<td>Sri Lanka</td>
<td>In liquidation</td>
<td>40</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>Nikorma Transport Limited</td>
<td>Nigeria</td>
<td>LNG transportation</td>
<td>30</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Eagle Marine (Philippines) Corporation formerly known as Eagle Star Crew Management Corporation</td>
<td>Philippines</td>
<td>Recruitment and provision of manpower for maritime vessels</td>
<td>24</td>
<td>24</td>
<td>24</td>
</tr>
</tbody>
</table>

### 41. JOINT ARRANGEMENTS AND ACTIVITIES

<table>
<thead>
<tr>
<th>Name of company</th>
<th>Country of incorporation</th>
<th>Principal activities</th>
<th>Effective interest held (%)</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysia Vietnam Offshore Terminal (S.) Ltd. ***</td>
<td>Malaysia</td>
<td>FSO owner</td>
<td>51</td>
<td>51</td>
<td>51</td>
</tr>
<tr>
<td>Vietnam Offshore Floating Terminal (Pty) Ltd. ***</td>
<td>Malaysia</td>
<td>FSO owner</td>
<td>40</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>MMHE-TPMG Sdn. Bhd. ***</td>
<td>Malaysia</td>
<td>Dormant</td>
<td>40</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>MMHE-JTB Sdn. Bhd. ***</td>
<td>Malaysia</td>
<td>Dormant</td>
<td>27</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>Technip MHI Hull Engineering Sdn. Bhd. ***</td>
<td>Malaysia</td>
<td>Dormant</td>
<td>33</td>
<td>33</td>
<td>33</td>
</tr>
<tr>
<td>EL-MISC International Lina Co. Ltd. ***</td>
<td>Sudan</td>
<td>In liquidation</td>
<td>49</td>
<td>49</td>
<td>49</td>
</tr>
<tr>
<td>SBM Systems Inc.***</td>
<td>Switzerland</td>
<td>FSO owner</td>
<td>49</td>
<td>49</td>
<td>49</td>
</tr>
<tr>
<td>FPSO Brasil Venture S.A. ***</td>
<td>Switzerland</td>
<td>Investment and offshore activities</td>
<td>49</td>
<td>49</td>
<td>49</td>
</tr>
<tr>
<td>SBM Operacoes Ltda. ***</td>
<td>Brazil</td>
<td>Operating and maintaining FPSO terminals</td>
<td>49</td>
<td>49</td>
<td>49</td>
</tr>
<tr>
<td>Operacoes Maritimas em Mar Profundo Brasilco Ltda. ***</td>
<td>Brazil</td>
<td>Operation and maintenance of FPSO</td>
<td>49</td>
<td>49</td>
<td>49</td>
</tr>
</tbody>
</table>
### Joint Arrangements and Activities (Cont’d.)

#### (a) Joint ventures and activities (cont’d.)

<table>
<thead>
<tr>
<th>Name of company</th>
<th>Country of incorporation</th>
<th>Principal activities</th>
<th>Effective interest held (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazilian Deepwater Floating Terminals Ltd. ***</td>
<td>Bermuda</td>
<td>Construction of FPSO</td>
<td>49</td>
</tr>
<tr>
<td>Brazilian Deepwater Production Ltd. ***</td>
<td>Bermuda</td>
<td>Chartering of FPSO</td>
<td>49</td>
</tr>
<tr>
<td>Brazilian Deepwater Production Contractors Ltd. ***</td>
<td>Bermuda</td>
<td>Operation and maintenance of FPSO</td>
<td>49</td>
</tr>
<tr>
<td>**MISC Shipping Services (UAE) LLC ****</td>
<td>United Arab Emirates</td>
<td>Dormant</td>
<td>49</td>
</tr>
<tr>
<td>**Western Pacific Shipping Ltd. ****</td>
<td>Bermuda</td>
<td>Providing shipping solutions for LNG project requirements and other general shipping requirements of Papua New Guinea</td>
<td>60</td>
</tr>
<tr>
<td>**ELS Lightering Services S.A. ****</td>
<td>Uruguay</td>
<td>Lightering activity</td>
<td>50</td>
</tr>
<tr>
<td>**Malaysia Deepwater Floating Terminal (Kuwaiti) Ltd. ****</td>
<td>Malaysia</td>
<td>FPSO owner</td>
<td>51</td>
</tr>
<tr>
<td>**Malaysia Deepwater Production Contractors Sdn. Bhd. ****</td>
<td>Malaysia</td>
<td>Operating and maintaining FPSO terminal</td>
<td>51</td>
</tr>
<tr>
<td>**Diamond LNG Shipping Sdn. Bhd. ****</td>
<td>The Bahamas</td>
<td>Owning, chartering and operating of vessel</td>
<td>25.5</td>
</tr>
<tr>
<td>**Future Horizon (L) Pte. Ltd. ****</td>
<td>Malaysia</td>
<td>Carrying on LNG carriage and LNG bunkering operations</td>
<td>51</td>
</tr>
</tbody>
</table>

*** 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 50% or more than 50% equity interest in these companies, all material operational and financial matters require unanimous consent of the joint venture parties.

#### (b) Joint operations

Details of the Group’s joint operations are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Effective interest held by the Group (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Technip MMHE (Malikai) Joint Venture</strong></td>
<td>33</td>
</tr>
<tr>
<td><strong>Technip MMHE (SK316) Joint Venture</strong></td>
<td>33</td>
</tr>
<tr>
<td><strong>Technip MMHE (Kasawari) Joint Venture</strong></td>
<td>40</td>
</tr>
</tbody>
</table>

Technip MMHE (Malikai) Joint Venture, Technip MMHE (SK316) Joint Venture and Technip MMHE (Kasawari) Joint Venture are unincorporated joint ventures between the subsidiary, MMHE and Technip Geoproduction (M) Sdn. Bhd. to undertake specific engineering, procurement and construction, installation and commissioning projects.

### Significant Events

#### Material Litigation

(i) **Gumusut-Kakap Semi-Floating Production System (L) Limited (“GKL”) and Sabah Shell Petroleum Limited (“SSPC”)**

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

On 2 September 2016, GKL filed a Notice of Arbitration dated 2 September 2016 with the Kuala Lumpur Regional Centre for Arbitration (now known as Asian International Arbitration Centre) to commence arbitration proceedings against SSPC (“Arbitration”) whereby GKL is claiming for outstanding additional lease rates, payment for completed variation works and other associated costs under the Contract which covers the following:

- The total sum of approximately USD245.0 million and applicable interest at any rate deemed fit by the tribunal/adjudicator;
- Declaratory relief;
- The costs of the arbitration/adjudication; and
- Any further or other awards as the tribunal/adjudicator deems fit.

In addition, GKL filed a Notice of Arbitration against SSPC under the Construction Industry Payment and Adjudication Act 2012, resulting with GKL being successful under the First and Second Adjudication Decisions for payment of completed variation works amounting to approximately USD255 million and USD10.9 million respectively. A total of approximately USD73 million of outstanding increased Day Rates has been paid by SSPC as lump sum payments, with the balance amounts payable by SSPC as increased Day Rates for the relevant lease period.
SIGNIFICANT EVENTS (CONT’D.)

Material litigation (cont’d.)

(i) Gumusut-Kakap Semi-Floating Production System (L) Limited (“GKL”) and Sabah Shell Petroleum Limited (“SSPC”) (cont’d.)

SSPC refuted GKL’s claims and filed a counterclaim against GKL in the Arbitration for alleged defective work, alleged limited functionality of the Semi-FPS, liquidated damages and a refund of the full amount paid to GKL under the Adjudication Decisions. SSPC’s claims cover, among others, the following:

i. The sum of approximately USD588 million together with any applicable interest;

ii. Repayment to SSPC for the full amount paid to GKL under the First and Second Adjudication Decisions; and

iii. The costs and expenses of the Adjudication and Arbitration Proceedings.

The hearing for the Arbitration from 25 February 2019 to 16 March 2019 has been concluded and parties have filed their respective closing submissions. The decision is expected to be delivered in 2020.

(ii) Malaysia Marine and Heavy Engineering Sdn Bhd (“MMHE”) and EA Technique (M) Berhad (“EAT”)

MMHE, a subsidiary of the Corporation, had on 27 September 2018 received a Notice of Arbitration from EAT for a number of claims in relation to the contract entered into by MMHE in June 2015 for the Provision of Demolition, Refurbishment and Conversion of Donor Vessel into a Floating, Storage and Offloading Facility for Full Development Project, North Malay Basin, hereinafter referred to as the “Conversion Contract”.

During the period of the contract, MMHE issued Additional Work Orders (“AWOs”) to EAT, claiming for payments for work done. Disputes and differences have arisen between the parties over the valuation of the invoices and AWOs issued.

On 22 June 2018, EAT and MMHE entered into an agreement via a Letter of Undertaking (“LOU”) to settle the sums due under the invoices and AWOs. Under the LOU, the parties agreed to perform a joint review of the claims made by MMHE over a specified period. However, both parties were unable to reach an amicable settlement and as a result thereof, EAT initiated arbitration proceedings against MMHE to resolve the disputes.

EAT’s claims totaling approximately USD21.7 million are in relation to over-payment of original contract value, sums paid under the LOU and costs incurred pursuant to the Conversion Contract.

(iii) Kebabangan Petroleum Operating Company Sdn Bhd (“KPOC”) v MMHE

KPOC claims that MMHE was and is in breach of the contract in respect of the appointed supplier of the valves per the contract. The actual valves procured were claimed to be defective and thus KPOC has suffered substantial loss and damage.

Pursuant to the Statement of Claims by KPOC dated 13 October 2019, total claims of approximately RM93.1 million were made in relation to the replacement of the defective valves as follows:

i. Cost for assessment on the replaced valves, amounting to approximately RM17.2 million;

ii. Cost for assessment of valves to be replaced, amounting to approximately RM13.7 million; and

iii. Loss of revenue for planned facilities shutdown to replace valves, amounting to approximately RM62.2 million.

The Group will vigorously defend the claims made by KPOC. As at the date of this report, MMHE has responded with a Statement of Reply to KPOC on 6 December 2019.

As at the date of this report, the arbitration proceedings are at the discovery phase and hearing is scheduled for quarter four of the financial year 2020.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

42. SIGNIFICANT EVENTS (CONT’D.)

Material litigation (cont’d.)

(k) Kebabangan Petroleum Operating Company Sdn Bhd (“KPOC”) v MMHE

MMHE had on 13 March 2019 received a notice of arbitration from KPOC in relation to claims arising from the Kebabangan (“KBB”) field project. KPOC claims that MMHE was and is in breach of the contract in respect of the appointed supplier of the valves per the contract. The actual valves procured were claimed to be defective and thus KPOC has suffered substantial loss and damage.

Pursuant to the Statement of Claims by KPOC dated 13 October 2019, total claims of approximately RM93.1 million were made in relation to the replacement of the defective valves as follows:

i. Cost for assessment on the replaced valves, amounting to approximately RM17.2 million;

ii. Cost for assessment of valves to be replaced, amounting to approximately RM13.7 million; and

iii. Loss of revenue for planned facilities shutdown to replace valves, amounting to approximately RM62.2 million.

The Group will vigorously defend the claims made by KPOC. As at the date of this report, MMHE has responded with a Statement of Reply to KPOC on 6 December 2019.

As at the date of this report, the arbitration proceedings are at the discovery phase and hearing is scheduled for quarter four of the financial year 2020.

MMHE is of the view that it has good legal position to defend against KPOC’s claims.
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 2019 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 241 to 373.

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 2019, 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 2016 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 Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Cod"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters (cont’d.)

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.

<table>
<thead>
<tr>
<th>Key audit matters</th>
<th>How we addressed the key audit matters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impairment of goodwill – (Refer to Note 15 - Intangible assets, to the financial statements)</td>
<td>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.</td>
</tr>
<tr>
<td>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”).</td>
<td>We have assessed and tested the key assumptions used by management to estimate the projected cash flows for the CGUs as follows: (a) evaluated 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;</td>
</tr>
<tr>
<td>(b) evaluated the terminal value and growth rate of the expected cash flows; and</td>
<td>(c) assessed the sensitivity of the goodwill balance to changes in the discount rate, terminal value and growth rate of cash flows.</td>
</tr>
<tr>
<td>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 15 to the financial statements.</td>
<td></td>
</tr>
</tbody>
</table>
### Key audit matters (cont’d.)

**Impairment of non-current assets –**

(Please refer to Note 13 - 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) **Other property, plant and equipment**

The carrying amount of Malaysia Marine and Heavy Engineering Holdings Berhad ("MHB") Group's net assets exceeds its market capitalisation, thereby indicating potential impairment of MHB Group's non-current assets.

Accordingly, the Group estimated the recoverable amount of the property, plant and equipment and right-of-use assets of MHB Group using VIU based on cash flow projections derived from budgets approved by management covering a five year period including terminal value. Estimating the VIU involves estimating the future cash inflows and outflows and discounting them at an appropriate discount rate.

<table>
<thead>
<tr>
<th>Key audit matters</th>
<th>How we addressed the key audit matters</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td>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.</td>
</tr>
<tr>
<td>(b)</td>
<td>The areas that involved significant audit effort and judgement were the assessment of the probability of securing the future revenue contracts, possible variations in the amount and timing of cash flows and the determination of an appropriate discount rate.</td>
</tr>
<tr>
<td>(c)</td>
<td>Our audit procedures to assess management’s impairment testing included the following:</td>
</tr>
<tr>
<td></td>
<td>(a)</td>
</tr>
<tr>
<td></td>
<td>(b)</td>
</tr>
<tr>
<td></td>
<td>(c)</td>
</tr>
</tbody>
</table>

(ii) **Ships and right-of-use assets of in-chartered ships**

In addition, continued volatility of charter hire rates and certain ships’ contracts which have expired or are approaching expiry were also identified by management as indicators that the carrying amount of certain ships and right-of-use assets may be impaired.

Accordingly, the Group and the Corporation estimated the recoverable amount of the ships using the higher of fair value less costs of disposal ("FVLCS") and VIU. For recoverable amount that is based on FVLCS, the Group engaged independent valuers to assist the fair value of the ships.

<table>
<thead>
<tr>
<th>Key audit matters</th>
<th>How we addressed the key audit matters</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td>This impairment review was significant to our audit because the assessment process is complex and is based on assumptions that are highly judgemental.</td>
</tr>
<tr>
<td>(b)</td>
<td>Evaluated 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.</td>
</tr>
<tr>
<td>(c)</td>
<td>Assessed the assumptions of future charter hire rates.</td>
</tr>
</tbody>
</table>

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 13 to the financial statements.
INDEPENDENT AUDITORS’ REPORT

to the members of MISC Berhad
(Incorporated in Malaysia)

Key audit matters (cont’d.)

<table>
<thead>
<tr>
<th>Key audit matters</th>
<th>How we addressed the key audit matters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recognition of revenue and cost of construction and marine projects – <em>(Refer to Note 3 - Revenue and Note 22 - Due from/to customers on contracts, to the financial statements)</em></td>
<td>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 POC of projects.</td>
</tr>
<tr>
<td>In addition, we also performed the following:</td>
<td></td>
</tr>
<tr>
<td>(a) Read all key contracts to obtain an understanding of the specific terms and conditions;</td>
<td></td>
</tr>
<tr>
<td>(b) Agreed contract revenue to the original signed customer contracts and/or approved variation orders;</td>
<td></td>
</tr>
<tr>
<td>(c) Reviewed management meeting minutes to obtain an understanding of the performance and status of the projects above our testing threshold;</td>
<td></td>
</tr>
<tr>
<td>(d) Reviewed management’s budgeted project costs to ensure adequacy of costs to complete;</td>
<td></td>
</tr>
<tr>
<td>(e) Assessed the reasonableness of assumptions applied in the determination of POC in light of supporting evidence such as engineers’ reports in relation to marine projects and signed progress reports by third party for heavy engineering projects;</td>
<td></td>
</tr>
<tr>
<td>(f) Considered the historical accuracy of management’s budgeted project margins in assessing the reasonableness of estimated margins of similar projects;</td>
<td></td>
</tr>
<tr>
<td>(g) Assessed and ensured that actual project costs are appropriately accrued and supported by documentary evidences, such as work completion reports and material acceptance certificates, which represent activities performed to date;</td>
<td></td>
</tr>
<tr>
<td>(h) Re-performed the calculations of the revenue based on the POC method and where applicable, considered the implications of any changes in estimates; and</td>
<td></td>
</tr>
<tr>
<td>(i) Evaluated the presentation and disclosures of construction contracts in the financial statements, including significant accounting policies.</td>
<td></td>
</tr>
</tbody>
</table>

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 (“POC”) method in accounting for the revenue of these long-term contracts. The stage of completion is measured by reference to the physical completion of the contracts. Cost is recognised based on actual costs incurred to date.

We focused on this area because management applies significant judgement and estimates in determining the stage of physical completion in respect of heavy engineering and marine projects and in estimating total estimated project costs.

In addressing this area of audit focus, we considered whether an obligation exists, the appropriateness of provisioning and/or disclosure based on the facts and circumstances available.

We have performed the following:

(a) Obtained and reviewed the relevant correspondences in relation to Arbitration and Litigation cases; |
(b) Compared the opinion provided by the Group’s external legal counsel against management’s assessment on the measurement and/or disclosures for the contingent liability; |
(c) Considered the independence, reputation and capabilities of the external legal counsel; |
(d) Obtained legal confirmations from the Group’s external legal counsel; and |
(e) Considered whether the Group’s disclosures of the application of judgement in estimating provisions and contingent liabilities adequately reflected the uncertainties associated with legal and regulatory matters.

Contingent liability – *(Refer to Note 42 – Significant Events - Material litigation, to the financial statements)*

We focused on this area as the eventual outcome of claims is uncertain and the positions taken by the Directors are based on the application of material judgement and estimation. Accordingly, unexpected adverse outcomes could significantly impact the Group’s reported profit and statement of financial position.

We have performed the following:

(a) Obtained and reviewed the relevant correspondences in relation to Arbitration and Litigation cases; |
(b) Compared the opinion provided by the Group’s external legal counsel against management’s assessment on the measurement and/or disclosures for the contingent liability; |
(c) Considered the independence, reputation and capabilities of the external legal counsel; |
(d) Obtained legal confirmations from the Group’s external legal counsel; and |
(e) Considered whether the Group’s disclosures of the application of judgement in estimating provisions and contingent liabilities adequately reflected the uncertainties associated with legal and regulatory matters.

Information other than the financial statements and auditors’ report thereon

The directors of the Corporation are responsible for the other information. Other information comprises the information included in the Group’s 2019 Annual Report, but does not include the financial statements of the Group and of the Corporation and our auditors’ report thereon.

The Group’s 2019 Annual Report is expected to be made available to us after the date of this auditors’ report.

Our opinion on the financial statements of the Group and of the Corporation 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 of the Group and of the Corporation or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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 2016 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.
INDEPENDENT AUDITORS’ REPORT

to the members of MISC Berhad
(Incorporated in Malaysia)

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.
- 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.

INDEPENDENT AUDITORS’ REPORT

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 39 to the financial statements.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young PLT*
202006000003 (LLP0022765-LCA) & AF 0039
Chartered Accountants
Ernst & Young PLT*
02921/04/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
26 February 2020

*I ernst & Young PLT has converted from a conventional partnership, Ernst & Young on 2 January 2020
The commitment of the MISC family has been the very foundation of our accomplishments and the strong reputation that we have today in the maritime as well as the energy industry.

303 cadets enrolled for ALAM in 2019.
## PROPERTIES OWNED BY MISC BERHAD AND ITS SUBSIDIARIES

As at 31 December 2019

<table>
<thead>
<tr>
<th>NO</th>
<th>LOCATION</th>
<th>DESCRIPTION</th>
<th>TENURE &amp; YEAR LEASE EXPIRES</th>
<th>AREA IN SQ FT</th>
<th>EXISTING USE</th>
<th>AGE OF BUILDING/LAND (YEARS)</th>
<th>APPROX NBV (RM’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>PTD 22805 Mukim Plentong Johor Bahru</td>
<td>Land, Shipyard Leasehold/2073</td>
<td>13,115,306</td>
<td>Marine Repair, Marine Conversion, Heavy Engineering fabrication yard, ancillary facilities and office buildings</td>
<td>40</td>
<td>42,876</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>PTD 11549 Mukim Plentong Johor Bahru</td>
<td>Land, Shipyard Leasehold/2075</td>
<td>522,720</td>
<td>44</td>
<td>797</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>PTD 101933 Mukim Plentong Johor Bahru</td>
<td>Land Leasehold/2075</td>
<td>2,567,862</td>
<td>Storage Area</td>
<td>10</td>
<td>15,623</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>PTD 65615 Mukim Plentong Johor Bahru</td>
<td>Land Leasehold/2044</td>
<td>636,206</td>
<td>Staff Quarters</td>
<td>36</td>
<td>1,980</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>PTD 65616 Mukim Plentong Johor Bahru</td>
<td>Land Leasehold/2044</td>
<td>597,624</td>
<td>Staff Quarters</td>
<td>36</td>
<td>1,667</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>PTD 65619 Mukim Plentong Johor Bahru</td>
<td>Land Leasehold/2044</td>
<td>126,502</td>
<td>Staff Quarters</td>
<td>36</td>
<td>364</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>PTD 65618 Mukim Plentong Johor Bahru</td>
<td>Land Leasehold/2044</td>
<td>169,884</td>
<td>Vacant</td>
<td>36</td>
<td>482</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>PTD 65617 Mukim Plentong Johor Bahru</td>
<td>Land Leasehold/2044</td>
<td>374,180</td>
<td>Vacant</td>
<td>36</td>
<td>1,061</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>PTD 71056 Mukim Plentong Johor Bahru</td>
<td>Land Leasehold/2044</td>
<td>1,956,881</td>
<td>Marine Repair, Marine Conversion, Heavy engineering fabrication yard, ancillary facilities and office buildings</td>
<td>42</td>
<td>1,066,681</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>PTD 200290 Mukim Plentong Johor Bahru</td>
<td>Land, Yard Leasehold/2052</td>
<td>2,424,158</td>
<td>Workshop, ancillary facilities and office buildings</td>
<td>11</td>
<td>70,266</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>PTD 22768 Mukim Plentong Johor Bahru</td>
<td>Land Leasehold/2052</td>
<td>435,600</td>
<td>Storage Area</td>
<td>39</td>
<td>10,489</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>LOT 51611 Mukim Plentong Johor Bahru</td>
<td>Land Leasehold/2045</td>
<td>1,753,144</td>
<td>Ancillary facilities and storage area</td>
<td>23</td>
<td>4,420</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>PTD 110760 Mukim Plentong Johor Bahru</td>
<td>Land, Building Leasehold/2052</td>
<td>235,600</td>
<td>Workshop, ancillary facilities and office buildings</td>
<td>23</td>
<td>5,608</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>PTD 110768 Mukim Plentong Johor Bahru</td>
<td>Land, Building Leasehold/2052</td>
<td>59,242</td>
<td>Cabin office and warehouse</td>
<td>26</td>
<td>1,701</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>PTD 1103477 Mukim Plentong Johor Bahru</td>
<td>Land, Yard Leasehold/2079</td>
<td>333,197</td>
<td>Heavy Engineering fabrication yard and ancillary facilities &amp; storage</td>
<td>1</td>
<td>14,014</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Lot 76, Mukim Kuala Sungai Baru, Alor Gajah Melaka</td>
<td>Building Leasehold/2013</td>
<td>13,474</td>
<td>Accommodation, meeting facilities &amp; storage</td>
<td>11</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Lot 1516, Mukim Kuala Sungai Baru Kampus ALAM, Batu 31 Kampung Tanjung Dahan Kuala Sungai Baru Melaka</td>
<td>Building Leasehold/2018</td>
<td>24,210</td>
<td>Post Sea Hostel</td>
<td>9</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Lot 1516, Mukim Kuala Sungai Baru</td>
<td>Building Leasehold/2018</td>
<td>24,210</td>
<td>Post Sea Hostel</td>
<td>9</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Lot 3298, Mukim Dengkil, No. 3955 Jalan Tenggatok 5, Cempaka, Selangor</td>
<td>Building Leasehold/2073</td>
<td>58,652</td>
<td>Vacant</td>
<td>17</td>
<td>28,688</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Galveston, Texas, USA</td>
<td>Land, Building Leasehold/2023</td>
<td>290,415</td>
<td>Workboats, Dockage &amp; Lightering Support Operation</td>
<td>51</td>
<td>8,599</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>21, 1e straat 42, 2909 LE, Capelle aan den IJssel, Netherlands</td>
<td>Land, Building Leasehold/2053</td>
<td>21,740</td>
<td>Office</td>
<td>22</td>
<td>5,741</td>
<td></td>
</tr>
</tbody>
</table>
# LIST OF VESSELS AND ASSETS

**As at 31 December 2019**

<table>
<thead>
<tr>
<th>Class</th>
<th>Total</th>
<th>Vessel</th>
<th>Cargo Capacity</th>
<th>Built</th>
<th>Age</th>
<th>Yard</th>
<th>DWT</th>
<th>Flag</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LNG CARRIERS: EXISTING (OWNED)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Medium-Small LNG</strong></td>
<td>3</td>
<td>AMAN SENDAI</td>
<td>18,930</td>
<td>1997</td>
<td>22</td>
<td>NKK, Tsu, Japan</td>
<td>10,975</td>
<td>Malaysia</td>
</tr>
<tr>
<td>PORTOVENERE</td>
<td>1997</td>
<td>22</td>
<td>65,262</td>
<td>36,760</td>
<td>Singapore</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LEPO</td>
<td>1998</td>
<td>21</td>
<td>65,299</td>
<td>36,760</td>
<td>Singapore</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Puteri Class</strong></td>
<td>5</td>
<td>PUTERI INTAN</td>
<td>130,300</td>
<td>1994</td>
<td>25</td>
<td>Chantiers de l'Atlantique, France</td>
<td>73,519</td>
<td>Malaysia</td>
</tr>
<tr>
<td>PUTERI DELIMA</td>
<td>1995</td>
<td>24</td>
<td>130,404</td>
<td>73,519</td>
<td>Malaysia</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PUTERI NILAM</td>
<td>1995</td>
<td>24</td>
<td>130,363</td>
<td>73,519</td>
<td>Malaysia</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PUTERI ZAMRUD</td>
<td>1996</td>
<td>23</td>
<td>130,358</td>
<td>73,519</td>
<td>Malaysia</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PUTERI FIRUS</td>
<td>1997</td>
<td>22</td>
<td>130,294</td>
<td>73,519</td>
<td>Malaysia</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Puteri Satu Class</strong></td>
<td>6</td>
<td>PUTERI INTAN SATU</td>
<td>137,489</td>
<td>2002</td>
<td>17</td>
<td>Mitsubishi Heavy Industries, Japan</td>
<td>75,849</td>
<td>Malaysia</td>
</tr>
<tr>
<td>PUTERI DELIMA SATU</td>
<td>2002</td>
<td>17</td>
<td>137,601</td>
<td>75,929</td>
<td>Malaysia</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PUTERI NILAM SATU</td>
<td>2003</td>
<td>16</td>
<td>137,585</td>
<td>76,124</td>
<td>Malaysia</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PUTERI ZAMRUD SATU</td>
<td>2004</td>
<td>15</td>
<td>137,590</td>
<td>76,144</td>
<td>Malaysia</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PUTERI FIRUS SATU</td>
<td>2004</td>
<td>15</td>
<td>137,617</td>
<td>76,197</td>
<td>Malaysia</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PUTERI MUTIARA SATU</td>
<td>2005</td>
<td>14</td>
<td>137,595</td>
<td>76,229</td>
<td>Malaysia</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Seri A Class</strong></td>
<td>5</td>
<td>SERI ALAM</td>
<td>145,572</td>
<td>2005</td>
<td>14</td>
<td>Samsung Heavy Industries Co. Ltd., Korea</td>
<td>83,482</td>
<td>Malaysia</td>
</tr>
<tr>
<td>SERI AMANAH</td>
<td>2006</td>
<td>13</td>
<td>145,709</td>
<td>83,400</td>
<td>Korea</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SERI AGUNG</td>
<td>2006</td>
<td>13</td>
<td>146,731</td>
<td>83,395</td>
<td>Korea</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SERI ANGKASA</td>
<td>2006</td>
<td>13</td>
<td>146,700</td>
<td>83,407</td>
<td>Korea</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SERI AVU</td>
<td>2007</td>
<td>12</td>
<td>145,659</td>
<td>83,365</td>
<td>Korea</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Seri B Class</strong></td>
<td>5</td>
<td>SERI BAKTI</td>
<td>152,945</td>
<td>2007</td>
<td>12</td>
<td>Mitsubishi Heavy Industries, Japan</td>
<td>90,065</td>
<td>Malaysia</td>
</tr>
<tr>
<td>SERI BEGAWAN</td>
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**ADDITIONAL INFORMATION**

MISC BERHAD
PEOPLE. PASSION. POSSIBILITIES
ANNUAL REPORT 2019

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**LNG FLOATERS: EXISTING (OWNED)**

Floating Storage Unit (FSU) | 2 | FSU TENAGA SATU | 130,075 | 2012 | Malaysia Marine and Heavy Engineering, Malaysia | – | Malaysia |
| FSU TENAGA EMPAT | 2012 | 7 | 130,006 | Keppler Shipyard, Singapore | – | Malaysia |
| **TOTAL** | | | 260,081 | – | |

**LNG CARRIERS: NEWBUILDING**

Owned | 2 | Hull No. 2364 | 174,000 | 2023 | Samsung Heavy Industries | 87,400 | TBC |
| Hull No. 2365 | 2023 | Samsung Heavy Industries | 174,000 | 87,400 | TBC |
| **TOTAL** | | | 348,000 | 174,000 | |

**JV** | | | | | | | | |
| 2 | Hull No. 8030 | 174,000 | 2021 | Hyundai Samho Heavy Industries | 83,742 | TBC |
| Hull No. 8031 | 2021 | Hyundai Samho Heavy Industries | 174,000 | 83,742 | TBC |
| **TOTAL** | | | 348,000 | 167,484 | |

**LNG BUNKER VESSEL: NEWBUILDING**

In-chartered | 1 | Hull No. H400 | 7,500 | 2020 | Keppel Offshore & Marine (Nantong) | 3,800 | Malaysia |
<p>| <strong>TOTAL</strong> | | | 7,500 | 3,800 | |</p>
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**Total DWT: 3,168,331**

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<th>DWT</th>
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### PETROLEUM AND PRODUCT VESSELS (OWNED)

<table>
<thead>
<tr>
<th>Type</th>
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<th>Age</th>
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<tr>
<td>Chemical Products</td>
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<td>DUBAI HARMONY</td>
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<td>JOSEPHINE K MILLER</td>
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<td>MARILLARD</td>
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<td>11</td>
<td>Master Boat Builders Incorporated</td>
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<td>USA</td>
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<td></td>
<td>NS LORETO</td>
<td>1982</td>
<td>13</td>
<td>Maclelan IC Estaleiros e Servicos S.A.</td>
<td>1,557</td>
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<td>OLIMA</td>
<td>2008</td>
<td>12</td>
<td>Candies Shipbuilding, LLC</td>
<td>1,227</td>
<td>Uruguay</td>
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<tr>
<td></td>
<td>DIDI K</td>
<td>2008</td>
<td>12</td>
<td>Guangzhou Hangtong Shipbuilding &amp; Shipping Company Limited</td>
<td>1,371</td>
<td>Uruguay</td>
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<tr>
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### PETROLEUM AND PRODUCT VESSELS: NEWBUILDING

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<th>Vessel</th>
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<th>Age</th>
<th>Yard</th>
<th>DWT</th>
<th>Flag</th>
</tr>
</thead>
<tbody>
<tr>
<td>DP2 Shuttle Tanker</td>
<td>HN 2236</td>
<td>2019</td>
<td></td>
<td>Samsung Heavy Industries</td>
<td>125,000</td>
<td>TBC</td>
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<tr>
<td></td>
<td>HN 2237</td>
<td>2019</td>
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<td>Samsung Heavy Industries</td>
<td>125,000</td>
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<tr>
<td></td>
<td>HN 2277</td>
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<td>Total Newbuilding</td>
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### List of Vessels and Assets

**As of 31 December 2019**

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<th>Yard</th>
<th>Design</th>
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<td>FPSO Espirito Santo*</td>
<td>2009</td>
<td>Kappel Shipyard, Singapore</td>
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<td></td>
<td>FPSO Ruby IV**</td>
<td>2010</td>
<td>Malaysia Marine and Heavy Engineering, Malaysia</td>
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<td>745,000</td>
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<td>FPSO Garbar</td>
<td>2014</td>
<td>Malaysia Marine and Heavy Engineering, Malaysia</td>
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<td></td>
<td></td>
<td>MAMPU 1</td>
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<td>Floating Storage and Offloading (FSO)</td>
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<td>FSO Puteri Olang</td>
<td>1991</td>
<td>Mitsubishi Heavy Industries, Japan</td>
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<td></td>
<td></td>
<td>FSO Angi</td>
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<td></td>
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<td>FSO Benchamas 2</td>
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<td>FSO Mekar Bangading</td>
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<td>Semi Submersible Floating Production System (Semi-FPS)</td>
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<td>TOTAL OFFSHORE FLOATING FACILITIES</td>
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### Statistics on Shareholdings

**As at 2 March 2020**

- **Total Number of Issued Shares**: 4,463,793,103*
- **Class of Share**: Ordinary shares
- **Voting Right**: One vote per ordinary share held
- *Includes 47,400 treasury shares

#### Analysis of Shareholdings

<table>
<thead>
<tr>
<th>Size of Shareholdings</th>
<th>No. of Shareholders</th>
<th>% of Shareholders</th>
<th>No. of Shares</th>
<th>% of Issued Share Capital</th>
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<td>Less than 100</td>
<td>790</td>
<td>13.36</td>
<td>7,840</td>
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<tr>
<td>100 - 1,000</td>
<td>1,237</td>
<td>20.90</td>
<td>724,056</td>
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<td>1,001 - 10,000</td>
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<td>10,001 - 1,000,000</td>
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<td>16.23</td>
<td>34,324,584</td>
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<td>100,001 to less than 5% of issued shares</td>
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<td>12.21</td>
<td>1,527,128,121</td>
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<td>5% and above of issued shares</td>
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<td>0.03</td>
<td>2,892,530,411</td>
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<td>Total</td>
<td>5,914</td>
<td>100.00</td>
<td>4,463,745,703</td>
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*Excludes 47,400 ordinary shares bought back by the Company and held as treasury shares as at 2 March 2020

#### Directors’ Shareholdings in the Company

<table>
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<th>No.</th>
<th>Name of Directors</th>
<th>Direct Interest</th>
<th>% Indirect Interest</th>
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<tbody>
<tr>
<td>1</td>
<td>Dato’ Ab. Halim Muhammad</td>
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</tr>
<tr>
<td>2</td>
<td>Yee Yang Chien</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>3</td>
<td>Dato’ K Sekhar S Krishnan</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>4</td>
<td>Lim Beng Choon</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>5</td>
<td>Datuk Nasarudin Md Idris</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>6</td>
<td>Dato’ Rozalila Abdul Rahman</td>
<td>–</td>
<td>–</td>
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<tr>
<td>7</td>
<td>Tengku Muhammad Taufik</td>
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<td>8</td>
<td>Mohd Yusri Mohamed Yusof</td>
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<td>–</td>
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<td>9</td>
<td>Liza Mustapha</td>
<td>–</td>
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* Jointly owned with SBM Offshore
** Jointly owned with Petroleum Technical Services Corporation (PTSC)
## DIRECTORS' SHAREHOLDINGS IN RELATED CORPORATIONS

### Malaysia Marine and Heavy Engineering Holdings Berhad

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of Directors</th>
<th>No. of Shares</th>
<th>Direct Interest %</th>
<th>Indirect Interest %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
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<td>5,000</td>
<td>0.00</td>
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<tr>
<td>2</td>
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<td>0.00</td>
<td>–</td>
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### PETRONAS Gas Berhad

<table>
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<th>Name of Directors</th>
<th>No. of Shares</th>
<th>Direct Interest %</th>
<th>Indirect Interest %</th>
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<tbody>
<tr>
<td>1</td>
<td>Dato' Ab. Halim Mohyiddin</td>
<td>5,000</td>
<td>0.00</td>
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</tr>
<tr>
<td>2</td>
<td>Datuk Nasranudin Md Idris</td>
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<td>0.00</td>
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### KLCC Property Holdings Berhad and KLCC Real Estate Investment Trust

<table>
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<tr>
<th>No.</th>
<th>Name of Directors</th>
<th>No. of Stapled Securities</th>
<th>Direct Interest %</th>
<th>Indirect Interest %</th>
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<tbody>
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<td>1</td>
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### PETRONAS Chemicals Group Berhad

<table>
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<th>No.</th>
<th>Name of Directors</th>
<th>No. of Shares</th>
<th>Direct Interest %</th>
<th>Indirect Interest %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Dato' Ab. Halim Mohyiddin</td>
<td>5,000</td>
<td>0.00</td>
<td>–</td>
</tr>
<tr>
<td>2</td>
<td>Datuk Nasranudin Md Idris</td>
<td>10,000</td>
<td>0.00</td>
<td>–</td>
</tr>
<tr>
<td>3</td>
<td>Mohd Yusri Mohamed Yusof</td>
<td>13,000</td>
<td>0.00</td>
<td>–</td>
</tr>
</tbody>
</table>

## PETRONAS

### PETRONAS

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of Directors</th>
<th>No. of Shares</th>
<th>Direct Interest %</th>
<th>Indirect Interest %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Dato' Ab. Halim Mohyiddin</td>
<td>5,000</td>
<td>0.00</td>
<td>–</td>
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<tr>
<td>2</td>
<td>Datuk Nasranudin Md Idris</td>
<td>3,000</td>
<td>0.00</td>
<td>–</td>
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</table>

## KLCC Property Holdings Berhad and KLCC Real Estate Investment Trust

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of Directors</th>
<th>No. of Stapled Securities</th>
<th>Direct Interest %</th>
<th>Indirect Interest %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Datuk Nasranudin Md Idris</td>
<td>5,000</td>
<td>0.00</td>
<td>–</td>
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</tbody>
</table>

## KLCC Property Holdings Berhad

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of Directors</th>
<th>No. of Shares</th>
<th>Direct Interest %</th>
<th>Indirect Interest %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Dato' Ab. Halim Mohyiddin</td>
<td>5,000</td>
<td>0.00</td>
<td>–</td>
</tr>
<tr>
<td>2</td>
<td>Datuk Nasranudin Md Idris</td>
<td>10,000</td>
<td>0.00</td>
<td>–</td>
</tr>
<tr>
<td>3</td>
<td>Mohd Yusri Mohamed Yusof</td>
<td>13,000</td>
<td>0.00</td>
<td>–</td>
</tr>
</tbody>
</table>

## SUBSTANTIAL SHAREHOLDERS

### Substantial Shareholders

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of Substantial Shareholders</th>
<th>No. of Shares</th>
<th>Direct Interest %</th>
<th>Indirect Interest %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Petronas Nasional Berhad</td>
<td>2,569,183,900</td>
<td>57.56</td>
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</tr>
<tr>
<td>2</td>
<td>Employees Provident Fund Board</td>
<td>353,155,111</td>
<td>7.91</td>
<td>–</td>
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</tbody>
</table>

* Excludes 47,400 ordinary shares bought back by the Company and held as treasury shares as at 2 March 2020.
### 30 Largest Shareholders as at 2 March 2020 (Cont’d.)

<table>
<thead>
<tr>
<th>No. of Shareholders</th>
<th>Name of Shareholders</th>
<th>No. of Shares</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>21</td>
<td>AMANAHRAVA TRUSTEES BERHAD</td>
<td>17,421,300</td>
<td>0.39</td>
</tr>
<tr>
<td>22</td>
<td>AMANAH SAHAM BUMPUTERA 3 - DJOK.</td>
<td>16,600,000</td>
<td>0.37</td>
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<tr>
<td>23</td>
<td>CITIGROUP NOMINEES (TEMPATAN) SDN. BHD.</td>
<td>15,182,200</td>
<td>0.34</td>
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<tr>
<td>24</td>
<td>CITIGROUP NOMINEES (ASING) SDN. BHD.</td>
<td>14,757,300</td>
<td>0.33</td>
</tr>
<tr>
<td>25</td>
<td>AMANAHRAVA TRUSTEES BERHAD</td>
<td>14,650,350</td>
<td>0.33</td>
</tr>
<tr>
<td>26</td>
<td>CITIGROUP NOMINEES (TEMPATAN) SDN. BHD.</td>
<td>14,445,182</td>
<td>0.29</td>
</tr>
<tr>
<td>27</td>
<td>MINISTER OF FINANCE</td>
<td>10,000,000</td>
<td>0.22</td>
</tr>
<tr>
<td>28</td>
<td>HSBC NOMINEES (ASING) SDN. BHD.</td>
<td>9,518,400</td>
<td>0.21</td>
</tr>
<tr>
<td>29</td>
<td>EAT</td>
<td>9,417,400</td>
<td>0.21</td>
</tr>
<tr>
<td>30</td>
<td>DWT</td>
<td>9,417,400</td>
<td>0.21</td>
</tr>
</tbody>
</table>

**TOTAL** 3,855,045,670 86.34

*Excludes 47,400 ordinary shares bought back by the Company and held as treasury shares as at 2 March 2020.

### List of Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>51st AGM</td>
<td>Fifty-First Annual General Meeting of MISC</td>
</tr>
<tr>
<td>52nd AGM</td>
<td>Fifty-Second Annual General Meeting of MISC</td>
</tr>
<tr>
<td>ABC</td>
<td>Anti-Bribery and Corruption</td>
</tr>
<tr>
<td>ABMS</td>
<td>Anti-Bribery Management System (ISO 37001:2016)</td>
</tr>
<tr>
<td>ABS</td>
<td>American Bureau of Shipping</td>
</tr>
<tr>
<td>AGM</td>
<td>Annual General Meeting</td>
</tr>
<tr>
<td>ALAM</td>
<td>Akademi Laut Malaysia</td>
</tr>
<tr>
<td>AFT</td>
<td>Asia LNG Transport (Asia) Ltd.</td>
</tr>
<tr>
<td>API</td>
<td>American Petroleum Institute</td>
</tr>
<tr>
<td>ASIA</td>
<td>Advanced Safety Audit</td>
</tr>
<tr>
<td>Avasi</td>
<td>Avasi LNG Limited</td>
</tr>
<tr>
<td>AWO</td>
<td>Additional Work Orders</td>
</tr>
<tr>
<td>BARC</td>
<td>Board of Audit and Risk Committee</td>
</tr>
<tr>
<td>Bibles</td>
<td>Barrels</td>
</tr>
<tr>
<td>BCP</td>
<td>Business Continuity Planning</td>
</tr>
<tr>
<td>BEE</td>
<td>Board Effectiveness Evaluation</td>
</tr>
<tr>
<td>BID</td>
<td>Board of Directors of MISC Berhad</td>
</tr>
<tr>
<td>BIDP</td>
<td>Barrels per day</td>
</tr>
<tr>
<td>Bursa Securities</td>
<td>Bursa Malaysia Securities Berhad</td>
</tr>
<tr>
<td>BWMM</td>
<td>Ballast water management</td>
</tr>
<tr>
<td>CAPEX</td>
<td>Capital expenditure</td>
</tr>
<tr>
<td>CBM</td>
<td>Cubic metre</td>
</tr>
<tr>
<td>CDG</td>
<td>Corporate Disclosure Guidelines</td>
</tr>
<tr>
<td>CDIP</td>
<td>Corporate Disclosure Policy</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CFP</td>
<td>Corruption Free Pledge</td>
</tr>
<tr>
<td>CG</td>
<td>Corporate governance</td>
</tr>
<tr>
<td>CSU</td>
<td>Cash generating unit</td>
</tr>
<tr>
<td>CoBE</td>
<td>Code of Conduct and Business Ethics</td>
</tr>
<tr>
<td>Company/Corporation</td>
<td>MISC Berhad</td>
</tr>
<tr>
<td>COSO</td>
<td>Committee of Sponsoring Organisations of the Treadway Commission</td>
</tr>
<tr>
<td>CPA</td>
<td>Certified Public Accountant</td>
</tr>
<tr>
<td>CPP</td>
<td>Central processing platform</td>
</tr>
<tr>
<td>CPP-MRJ</td>
<td>Central processing platform-marine removal unit</td>
</tr>
<tr>
<td>CRM</td>
<td>Corruption Risk Management</td>
</tr>
<tr>
<td>CRPS</td>
<td>Cumulative redeemable preference shares</td>
</tr>
<tr>
<td>CSA</td>
<td>Chamber of Shipping of America</td>
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<tr>
<td>DCS</td>
<td>Data Collection System</td>
</tr>
<tr>
<td>DDI</td>
<td>Diamond Gas International Pte. Ltd.</td>
</tr>
<tr>
<td>DLSI</td>
<td>Diamond LNG Shipping Ltd.</td>
</tr>
<tr>
<td>DP</td>
<td>Dynamic positioning</td>
</tr>
<tr>
<td>DPF</td>
<td>Dynamic positioning shuttle tanker</td>
</tr>
<tr>
<td>DMV</td>
<td>Deadweight tonnage</td>
</tr>
<tr>
<td>EAT</td>
<td>E.A. Technique (M) Berhad</td>
</tr>
<tr>
<td>ECL</td>
<td>Expected credit loss</td>
</tr>
<tr>
<td>EDD</td>
<td>Enhanced Due Diligence</td>
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<tr>
<td>EFA</td>
<td>European Economic Area</td>
</tr>
<tr>
<td>ERM</td>
<td>Effective Interest rate</td>
</tr>
<tr>
<td>EMA</td>
<td>Energy Maritime Associates</td>
</tr>
<tr>
<td>EMH</td>
<td>Equatorial Marine Holdings (U) Pte. Ltd.</td>
</tr>
<tr>
<td>EPC</td>
<td>Engineering, procurement and construction</td>
</tr>
<tr>
<td>EPCG</td>
<td>Fabrication-engineering, fabrication</td>
</tr>
<tr>
<td>EPCO</td>
<td>Procurement, construction and commissioning</td>
</tr>
<tr>
<td>EPCC</td>
<td>Engineering, procurement, construction and commissioning</td>
</tr>
<tr>
<td>EPIC</td>
<td>Engineering, procurement, construction, installation and commissioning</td>
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<tr>
<td>EPS</td>
<td>Earnings per share</td>
</tr>
<tr>
<td>ERM</td>
<td>Enterprise risk management</td>
</tr>
<tr>
<td>ESG</td>
<td>Environmental, social and governance</td>
</tr>
<tr>
<td>ESI</td>
<td>Environmental Ship Index</td>
</tr>
<tr>
<td>ETR</td>
<td>Electro-Technical Rating</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>ET</td>
<td>Ernst &amp; Young PLT</td>
</tr>
<tr>
<td>FCF</td>
<td>Fellow Chartered Engineer, Institution of Chemical Engineers, UK</td>
</tr>
<tr>
<td>FIO</td>
<td>Final investment decision</td>
</tr>
<tr>
<td>FLNG</td>
<td>Floating liquefied natural gas</td>
</tr>
<tr>
<td>FPS</td>
<td>Floating production system</td>
</tr>
<tr>
<td>FPSO</td>
<td>Floating production, storage and offloading</td>
</tr>
<tr>
<td>FPV</td>
<td>Floating production unit</td>
</tr>
<tr>
<td>FSO</td>
<td>Floating, storage and offloading</td>
</tr>
<tr>
<td>FSB</td>
<td>Floating storage unit</td>
</tr>
<tr>
<td>Future Horizon</td>
<td>Future Horizon (L) Pte. Ltd.</td>
</tr>
<tr>
<td>FVCLS</td>
<td>Fair value less costs of disposal</td>
</tr>
<tr>
<td>FVCOI</td>
<td>Fair value through other comprehensive income</td>
</tr>
<tr>
<td>FYVP</td>
<td>Fair value through profit or loss</td>
</tr>
<tr>
<td>FY2019</td>
<td>Financial year ended 31 December 2019</td>
</tr>
<tr>
<td>FY2020</td>
<td>Financial year ending 31 December 2020</td>
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<tr>
<td>GPMP</td>
<td>Group Crisis Management Plan</td>
</tr>
<tr>
<td>GDPR</td>
<td>General Data Protection Regulation (EU) 2016/679</td>
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<td>GHG</td>
<td>Greenhouse gas</td>
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<td>GSS</td>
<td>Group Health, Safety, Security and Environment</td>
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</table>
# LIST OF ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>GIA</td>
<td>Group Internal Audit</td>
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<tr>
<td>GMF</td>
<td>Group</td>
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<tr>
<td>H &amp; R</td>
<td>Human Resource</td>
</tr>
<tr>
<td>HSE</td>
<td>Health, safety and environment</td>
</tr>
<tr>
<td>IC</td>
<td>Identification card</td>
</tr>
<tr>
<td>ICAEW</td>
<td>Institute of Chartered Accountants in England and Wales</td>
</tr>
<tr>
<td>ICT</td>
<td>Information and communications technology</td>
</tr>
<tr>
<td>IRS</td>
<td>International Financial Reporting Standards</td>
</tr>
<tr>
<td>IFSSC</td>
<td>PETRONAS Integrated Financial Shared Services Centre</td>
</tr>
<tr>
<td>IG Code</td>
<td>International Code of Safety for Ships using Gases or other Low-flashpoint Fuels</td>
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<tr>
<td>IHA</td>
<td>In-house account</td>
</tr>
<tr>
<td>ILG</td>
<td>International Labour Organisation</td>
</tr>
<tr>
<td>IMCA</td>
<td>International Marine Contractors Association</td>
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<tr>
<td>IMO</td>
<td>International Maritime Organization</td>
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<tr>
<td>INECs</td>
<td>Independent Non-Executive Directors</td>
</tr>
<tr>
<td>IOPP</td>
<td>International Oil Pollution Prevention</td>
</tr>
<tr>
<td>IPF</td>
<td>International Professional Practices Framework</td>
</tr>
<tr>
<td>IRS</td>
<td>Interest rate swaps</td>
</tr>
<tr>
<td>ISO</td>
<td>International Organization for Standardization</td>
</tr>
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<td>ISP</td>
<td>International Ship and Port Facility Security Code</td>
</tr>
<tr>
<td>ITSC</td>
<td>Information and Communications Technology Steering Committee</td>
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<tr>
<td>JHA</td>
<td>Job Hazard Analysis</td>
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<td>JV</td>
<td>Joint venture</td>
</tr>
<tr>
<td>KAM</td>
<td>Key Audit Matters</td>
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<td>KSB</td>
<td>Kelabangai field</td>
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<td>KMP</td>
<td>Key management personnel</td>
</tr>
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<td>KPI</td>
<td>Key performance indicator</td>
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<tr>
<td>KPWKM</td>
<td>Kementeri Pembangunan Wanita &amp; Kelabangai Masyarakat</td>
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<tr>
<td>KRI</td>
<td>Key risk indicator</td>
</tr>
<tr>
<td>KYC</td>
<td>Know Your Customer Questionnaires</td>
</tr>
<tr>
<td>L2P</td>
<td>LNG-to-power</td>
</tr>
<tr>
<td>LBIV</td>
<td>LNG bunker vessel</td>
</tr>
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<td>LNG</td>
<td>Liquified natural gas</td>
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<tr>
<td>LOU</td>
<td>Letter of Undertaking</td>
</tr>
<tr>
<td>LSV</td>
<td>Lightening support vessel</td>
</tr>
<tr>
<td>LTI</td>
<td>Lost time injury</td>
</tr>
<tr>
<td>LTIF</td>
<td>Lost time injury frequency</td>
</tr>
<tr>
<td>MACN</td>
<td>Maritime Anti-Corruption Network</td>
</tr>
<tr>
<td>MAMPU</td>
<td>Marginal Marine Production Unit</td>
</tr>
<tr>
<td>MAISA</td>
<td>Malaysia Shipowners’ Association</td>
</tr>
<tr>
<td>MABS</td>
<td>Malaysian Accounting Standards Board</td>
</tr>
<tr>
<td>MATES</td>
<td>Malaysian Training and Education of Seamen</td>
</tr>
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<td>MCA</td>
<td>Management Committee</td>
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<td>MCG</td>
<td>Malaysia Code on Corporate Governance</td>
</tr>
<tr>
<td>MOV</td>
<td>Modular capture vessel</td>
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<tr>
<td>MDFIT</td>
<td>Malaysia Deepwater Floating Terminal (Kiohi) Limited</td>
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<td>MEC</td>
<td>Maritime education and training</td>
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<td>MFRC</td>
<td>Malaysian Financial Reporting Standards</td>
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<td>MHBS</td>
<td>Malaysian Marine &amp; Heavy Engineering Holdings Berhad</td>
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<td>MICO</td>
<td>Malaysian Institute of Corporate Governance</td>
</tr>
<tr>
<td>MSC</td>
<td>MISC Berhad and its subsidiaries</td>
</tr>
<tr>
<td>MIS</td>
<td>Ordinary shares in MISC</td>
</tr>
<tr>
<td>MTRA</td>
<td>Malaysia Transformation Unit</td>
</tr>
<tr>
<td>MMIS</td>
<td>Malaysian International Shipping Industries Sdn Bhd.</td>
</tr>
<tr>
<td>MMRsa</td>
<td>Million mature tenor per annum</td>
</tr>
<tr>
<td>MOF</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>MOPU</td>
<td>Mobile offshore production unit</td>
</tr>
<tr>
<td>MR</td>
<td>Mid-range</td>
</tr>
<tr>
<td>MRV</td>
<td>Monitoring, reporting and verification</td>
</tr>
<tr>
<td>MSOSH</td>
<td>Malaysian Society for Occupational Safety and Health</td>
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<tr>
<td>MSWG</td>
<td>Minority Shareholders Watch Group</td>
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<tr>
<td>MTB</td>
<td>MISC Tanker Sdn. Bhd.</td>
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<tr>
<td>MVOT</td>
<td>Malaysia Vietnam Offshore Terminal (L) Limited</td>
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<td>MWHI</td>
<td>Malaysia Women in Energy</td>
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<td>NCI</td>
<td>Non-controlling interests</td>
</tr>
<tr>
<td>NEDs</td>
<td>Non-Executive Directors</td>
</tr>
<tr>
<td>NINECs</td>
<td>Non-Independent Non-Executive Directors</td>
</tr>
<tr>
<td>NBT</td>
<td>National Institutes of Standards and Technology</td>
</tr>
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<td>NOC</td>
<td>National oil companies</td>
</tr>
<tr>
<td>NRC</td>
<td>Nomination and Remuneration Committee</td>
</tr>
<tr>
<td>NYK</td>
<td>Nippon Yusen Kabushiki Kaisha</td>
</tr>
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<td>OCMF</td>
<td>Oil Companies International Marine Forum</td>
</tr>
<tr>
<td>ODS</td>
<td>Ozone Depleting Substance</td>
</tr>
<tr>
<td>Ombinit Account</td>
<td>Multiple beneficial owners in one securities account</td>
</tr>
<tr>
<td>OPEC</td>
<td>Organization of the Petroleum Exporting Countries</td>
</tr>
</tbody>
</table>

# LIST OF ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>OSIS</td>
<td>Offshore Support Vessel Inspection System</td>
</tr>
<tr>
<td>OVD</td>
<td>Offshore Vessel Database</td>
</tr>
<tr>
<td>PNI</td>
<td>Protection and indemnity</td>
</tr>
<tr>
<td>PAGEMA</td>
<td>P&amp;I Gudang Emergency Mutual Aid</td>
</tr>
<tr>
<td>PETROS</td>
<td>PETRONAS Caragal Sdn. Bhd.</td>
</tr>
<tr>
<td>PDPA</td>
<td>Personal Data Protection Act</td>
</tr>
<tr>
<td>PRPE</td>
<td>Registered Professional Engineer</td>
</tr>
<tr>
<td>PE</td>
<td>Board of Engineers Malaysia</td>
</tr>
<tr>
<td>Petronas</td>
<td>Petronio Brasil S.A.</td>
</tr>
<tr>
<td>PETRONAS</td>
<td>Petronas National Berhad</td>
</tr>
<tr>
<td>PILL</td>
<td>PETRONAS Group and its subsidiaries</td>
</tr>
<tr>
<td>PPL</td>
<td>Posterwomen and Lirici (laburin) Private Limited</td>
</tr>
<tr>
<td>PMT</td>
<td>Project Management Team</td>
</tr>
<tr>
<td>POC</td>
<td>Percentage of completion</td>
</tr>
<tr>
<td>PPE</td>
<td>Property, plant and equipment</td>
</tr>
<tr>
<td>PRRA</td>
<td>Project Risk Assessment</td>
</tr>
<tr>
<td>PREM</td>
<td>PETRONAS Resiliency Model</td>
</tr>
<tr>
<td>PPIP</td>
<td>PETRONAS Refinery and Petrochemical Corporation</td>
</tr>
<tr>
<td>FSC</td>
<td>Port State Control</td>
</tr>
<tr>
<td>FSE</td>
<td>Process Safety Events</td>
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<tr>
<td>PTB</td>
<td>Perbadanan Tabung Pendirian Kemanahan</td>
</tr>
<tr>
<td>PTPTN</td>
<td>Perbadanan Tabung Pendirian Tinggi Nasional</td>
</tr>
<tr>
<td>PTSC</td>
<td>Petronas Technical Services Corporation</td>
</tr>
<tr>
<td>RAPID</td>
<td>Refinery and Petrochemical Integrated Development</td>
</tr>
<tr>
<td>RGT</td>
<td>Regasification terminal</td>
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<tr>
<td>RM</td>
<td>Ringgit Malaysia</td>
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<tr>
<td>RMC</td>
<td>Risk Management Committee</td>
</tr>
<tr>
<td>RPT</td>
<td>Related party transaction</td>
</tr>
<tr>
<td>RFT</td>
<td>Recurrent related party transaction</td>
</tr>
<tr>
<td>RSO</td>
<td>Recognised Security Organisation</td>
</tr>
<tr>
<td>SCR</td>
<td>Selective Catalytic Reduction</td>
</tr>
<tr>
<td>SMI</td>
<td>SeaRiver Maritime L.L.C.</td>
</tr>
<tr>
<td>Semi FPS</td>
<td>Semi-submersible floating production system</td>
</tr>
<tr>
<td>SCICA</td>
<td>Securities Industry (Central Depositories)</td>
</tr>
<tr>
<td>AJCL</td>
<td>Act 1991</td>
</tr>
<tr>
<td>SGSTTO</td>
<td>Society of International Gas Tanker and Terminal Operators Ltd.</td>
</tr>
<tr>
<td>SHM</td>
<td>Ship Inspection Report</td>
</tr>
<tr>
<td>SMIH</td>
<td>Sijil Kehidmatan Malaysia</td>
</tr>
<tr>
<td>SSA</td>
<td>Ship Management Audit</td>
</tr>
<tr>
<td>SOG</td>
<td>Sabah Oil and Gas Terminal</td>
</tr>
<tr>
<td>SPRL</td>
<td>Sociely payments of principal and interest</td>
</tr>
<tr>
<td>SPSC</td>
<td>Sabah Shell Petroleum Limited</td>
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<tr>
<td>STCOS</td>
<td>Standards of Training, Certification and Qualification</td>
</tr>
<tr>
<td>STS</td>
<td>Ship to ship</td>
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</table>
MISC collected 700 kg of waste through the International Coastal Clean-up Celebration
Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fifty-First Annual General Meeting ("51st AGM") of MISC Berhad ("MISC" or "the Company") will be held at Sapphire Room, Level 1, Mandarin Oriental Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia on Friday, 26 June 2020 at 10.00 a.m. for the following purposes:

AGENDA

As Ordinary Business
1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereof.
2. To re-elect the following Directors who retire by rotation pursuant to Rule 21.8 of the Company’s Constitution and, being eligible, offer themselves for re-election:
   (i) Dato’ Sekhar Krishnan
   (ii) Liza Mustapha
   (iii) Mohd Yusri Mohamed Yusof
3. To approve the payment of Directors’ fees (inclusive of benefits-in-kind) up to an amount of RM2,140,000.00 from 27 June 2020 until the conclusion of the next Annual General Meeting of the Company.
4. To re-appoint Ernst & Young PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

As Special Business
To consider and, if thought fit, to pass the following resolution, with or without modifications:

5. Proposed renewal of authority for MISC to purchase its own shares of up to 10% of its prevailing total number of issued shares at any time ("Proposed Share Buy-Back Renewal")

   "THAT subject to compliance with the Companies Act, 2016 ("Act"), MISC’s Constitution, 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 total number of issued shares 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
   (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 Fifty-Second Annual General Meeting of MISC ("52nd AGM"); or
   (ii) the expiration of the period within which the 52nd 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."

6. To transact any other business for which due notice has been given.

By Order of the Board

Ausmal Kardin (LS 0009383)
Noridah Khamis (LS 0010240)
Company Secretaries
27 March 2020
Kuala Lumpur
Explanatory Notes on Ordinary Business

1. Audited Financial Statements for the financial year ended 31 December 2019
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. Re-election of Directors who retire pursuant to Rule 21.8 of the Company’s Constitution
Rule 21.8 provides that one-third of the Directors of the Company for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third, shall retire from office and that each Director shall retire at least once in every three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the Annual General Meeting at which he/she retires. The Directors to retire at such Annual General Meeting shall be the Directors who have been longest in office and the length of time a Director has been in office shall be computed from his/her last appointment or election.

The Board has endorsed the Nomination and Remuneration Committee’s recommendation that the Directors who retire in accordance with Rule 21.8 of the Company’s Constitution are eligible to stand for re-election. The profiles of the retiring Directors are set out in the Profiles of Board of Directors on pages 173 to 181 (inclusive) of the Company’s Annual Report 2019.

3. Payment of Directors’ Fees (inclusive of Benefits-in-kind)
Pursuant to Section 230(1) of the Companies Act 2016, the shareholders’ approval is sought for the proposed payment of Directors’ fees (inclusive of Benefits-in-kind) to the Non-Executive Directors (“NEDs”) for the period from 27 June 2020 until the conclusion of the next Annual General Meeting of the Company which is estimated to be RM143,000.00. The calculation is based on the estimated number of scheduled and/or Special Board and Board Committees’ Meetings from 27 June 2020, being the day after the 51st AGM until the conclusion of the next Annual General Meeting and on the assumption that all NEDs will remain in office until the next Annual General Meeting with two (2) additional Independent NEDs assumed to be appointed. The resolution is to facilitate payments of the Directors’ Fees (inclusive of Benefits-in-kind) for the financial year 2020/2021.

The Board will seek shareholders’ approval at the next Annual General Meeting in the event the proposed Directors’ Fees (inclusive of Benefits-in-kind) is insufficient.

Further information on the Proposed Share Buy-back Renewal is set out in the statement dated 27 March 2020.

Further information on the Proposed Share Buy-back Renewal is set out in the statement dated 27 March 2020.

Further information on the Proposed Share Buy-back Renewal is set out in the statement dated 27 March 2020.

Notes:
1. Only depositors whose names appear in the Record of Depositors as at 19 June 2020 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 (2) 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 Depository) 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.
6. 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.
7. Where a member or an exempt 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.
8. The Form of Proxy must be signed by the appointor of the proxy, or his 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 by a duly authorised officer on behalf of the corporation.
9. The completed Form of Proxy must be deposited at the Company’s Share Registrar, Boardroom Share Registrars Sdn. Bhd. at 11th Floor, Menara Symphony, No. 5 Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than forty-eight (48) hours before the time appointed for the holding of the 51st AGM, or in the event the 51st AGM is adjourned, not less than twenty-four (24) hours before the time appointed for the taking of the poll at the adjourned 51st AGM.
10. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of the 51st AGM will be put to vote by poll.

Personal data privacy
By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company: (i) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents) for the purpose of processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “Purposes”); (ii) waives that where the member discloses the personal data of the member’s proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member’s breach of warranty.
I/We (Full name in block letters)

NRIC/Passport/Company No. of (Full address)

being a member/members of MISC BERHAD, do hereby appoint (Full name in block letters as per identity card/passport)

NRIC/Passport No. of (Full address)

and/or failing him/her (Full name in block letters as per identity card/passport)

NRIC/Passport No. 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 Fifty-First Annual General Meeting ("51st AGM") of the Company to be held at Sapphire Room, Level 1, Mandarin Oriental Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia on Friday, 26 June 2020 at 10.00 a.m. and at any adjournment thereof. My/our proxy is to vote as indicated below:

<table>
<thead>
<tr>
<th>RESOLUTIONS</th>
<th>NO.</th>
<th>FOR</th>
<th>AGAINST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Re-election of Dato’ Sekhar Krishnan as Director pursuant to Rule 21.8 of the Company’s Constitution.</td>
<td>Ordinary Resolution 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Re-election of Liza Mustapha as Director pursuant to Rule 21.8 of the Company’s Constitution.</td>
<td>Ordinary Resolution 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Re-election of Mohd Yusri Mohamed Yusof as Director pursuant to Rule 21.8 of the Company’s Constitution.</td>
<td>Ordinary Resolution 3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To approve the payment of Directors’ fees (inclusive of benefits-in-kind) up to an amount of RM1,400,000.00 from 27 June 2020 until the conclusion of the next Annual General Meeting of the Company.</td>
<td>Ordinary Resolution 4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Re-appointment of Ernst &amp; Young PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.</td>
<td>Ordinary Resolution 5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proposed Share Buy-Back Renewal.</td>
<td>Ordinary Resolution 6</td>
<td></td>
<td></td>
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</tbody>
</table>

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/she thinks fit.

The proportions of my/our shareholding to be represented by my/our proxies are as follows:

<table>
<thead>
<tr>
<th>No. of shares</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Proxy</td>
<td></td>
</tr>
<tr>
<td>Second Proxy</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

Dated this day of   2020

Signature(s)/Common Seal of Member(s)
Notes:

1. Only depositors whose names appear in the Record of Depositors as at 19 June 2020 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 (2) 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.

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 his 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 completed Form of Proxy must be deposited at the Company’s Share Registrar, Boardroom Share Registrars Sdn. Bhd. at 11th Floor, Menara Symphony, No. 5 Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than forty-eight (48) hours before the time appointed for the holding of the 51st AGM, or in the event the 51st AGM is adjourned, not less than twenty-four (24) hours before the time appointed for the taking of the poll at the adjourned 51st AGM.

9. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of the 51st AGM will be put to vote by poll.