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annual report 2008
MISC Berhad

MISC BERHAD

annual report 2008

# Resilience
the competitive differentiator

**Re·sil·ience** / ri-ˈziliənt / adj

1. (of a substance etc) recoiling; springing back; resuming its original shape after bending, stretching, compression, etc.
2. (of a person) readily recovering from shock, depression, etc; buoyant.

The Oxford English Reference Dictionary, Second Edition

concept & design: **Denney & Denney**

# Resilience is the key factor in ensuring that businesses achieve sustainable shareholder value and contribute towards global sustainable development.

## For corporations and communities, resilience is fast becoming a competitive differentiator.

**There has never been a better time to be resilient. Nor a greater need.**

In a world of constant change, it is vital that we stand strong in the face of adversity. One cannot expect to remain viable in today's business world without adapting and evolving. This knowledge has led MISC to develop strategies that allows it to be more flexible and agile, resulting in a corporation that is resilient in the face of uncertainty.

Resilience is emerging as a proactive and empowering paradigm; strategically, to manage an organisation in achieving competitive advantage and sustainability in a climate of dynamic threats, regulatory impositions, and fierce competition.

### Resilience is the capacity for complex strategies to sustain, adapt and grow in the face of turbulent change.

In the 40 years of its operation, MISC has been through many episodes of growth. Upon becoming a subsidiary of PETRONAS in 1998, the Group refocused its efforts towards becoming the preferred provider of global energy transportation services.

MISC faced many complex challenges: some attributed to global events, others unique to its position as a pioneering Malaysian shipping company. Through it all, MISC survived, and came out stronger. This ability to bounce back could very well be the most critical skill of the 21st century corporation. With change as the only absolute certainty, both employee and employer require high-level competency in life-buoyancy skills. It is not just about staying afloat. It is about striving and picking up after a setback; even exceeding the past. It is called resilience, and it requires embracing the challenges and changes in life, working with rather than around them.

As one of the leading global energy transportation and logistics services provider, MISC's strategic partnerships, with both local and international players, have helped the company to perform and grow its business. A commitment towards excellence defines MISC; its aptitude ensures on-time optimum delivery and performance.

And MISC's horizon continues to expand. With a vast network of shipping ports, land transportation systems and regional offices worldwide, MISC is geared to constantly explore the boundaries of global success. Projects such as Malaysia's very first deepwater FPSO, FPSO Kikeh, continue to display MISC's aspirations to go further. In this context, enhancing resilience will not only sustain financial performance, but also strengthen many intangibles including reputation, employee motivation and process excellence.

# Contents

# 39th:

Annual General Meeting of MISC Berhad will be held on 18 August 2008 at 11.00 am at Mahkota Ballroom, Istana Hotel Kuala Lumpur, No. 73, Jalan Raja Chulan, 50200 Kuala Lumpur

# 4 Group Financial Review

## Operating Profit

Excluding the gain on disposal of ships amounting RM180.5 million in FY08 and RM436.6 million in FY07, the Group's operating profit was RM2,691.7 million, 4.3% lower than RM2,813.9 million recorded in FY07. The lower operating profit was primarily attributable to the increase in operating costs of 22.7% in the form of bunker costs, staff costs, slot charter expenses and container costs.

## Earnings Per Share (Sen)

The Group's earnings per share decreased from 76.7 sen achieved in FY07 to 65.3 sen in FY08 as a result of lower profit recorded during the year.

## Dividends

The Group's interim and final dividend increased by 16.7% from 30 sen per share in FY07 to 35 sen per share in FY08 totalling a distribution of RM1,300.5 million. The total dividend payout represented 53.5% of the profit attributable to shareholders for FY08 compared to the preceding year's payout of 38.7%.

## Balance Sheets

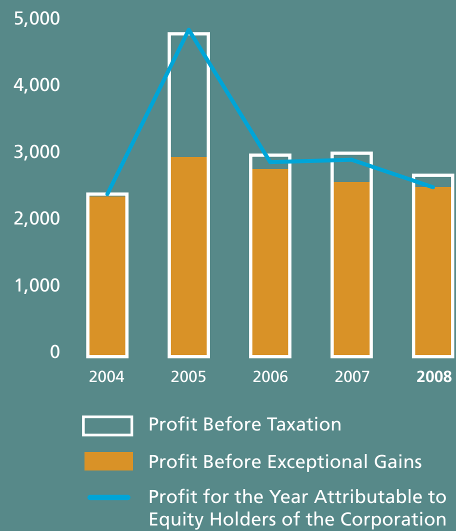
The Group's total assets increased by 3.9% from RM27,954.8 million as at 31 March 2007 to RM29,043.4 million as at 31 March 2008. The increase in trade and other receivables of RM681.0 million and increase in investments in jointly controlled entities of RM613.2 million contributed to the growth of Group's total assets.

## Shareholders' Equity

Shareholders' equity decreased by 1.0% from RM18,639.2 million recorded as at 31 March 2007 to RM18,454.4 million as at 31 March 2008. The decrease was mainly attributable to foreign exchange translational differences recorded during the year of RM1,327.4 million and the dividend payments during the year totalling RM1,290.0 million. However the decrease was offset with the profit for the financial year amounting RM2,430.3 million.

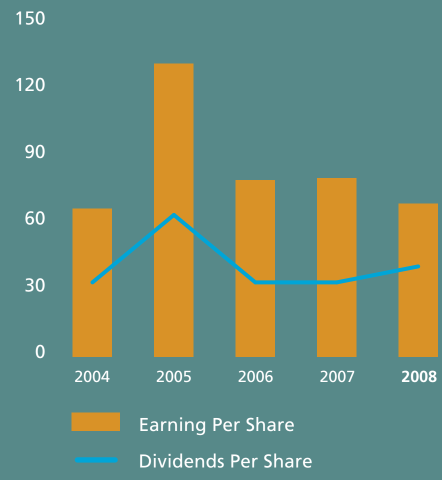
## Debt / Equity Ratio

The Group's debt / equity ratio increased marginally to 0.41 from 0.37 in FY07 due to increase in Group's borrowings for the year.



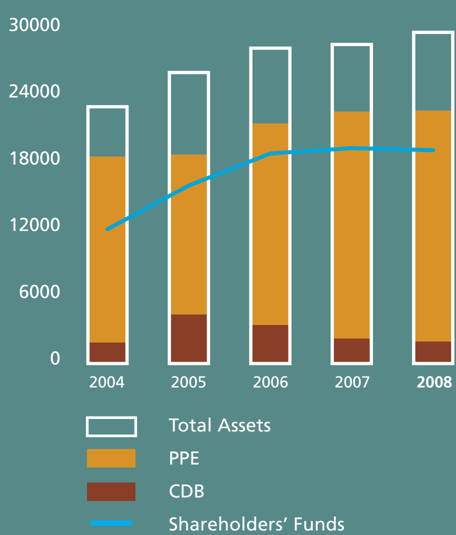

## Profitability (RM million)

| | 2004 ** | 2005 ** | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| Profit Before Taxation | 2,326.4 | 4,738.9 | 2,900.8 | 2,930.3 | **2,609.4** |
| Profit Before Exceptional Gains | 2,326.4 | 2,875.9 | 2,698.5 | 2,493.7 | **2,428.9** |
| Profit for the Year Attributable to Equity Holders of the Corporation | 2,289.6 | 4,763.5 | 2,822.6 | 2,852.0 | **2,430.3** |



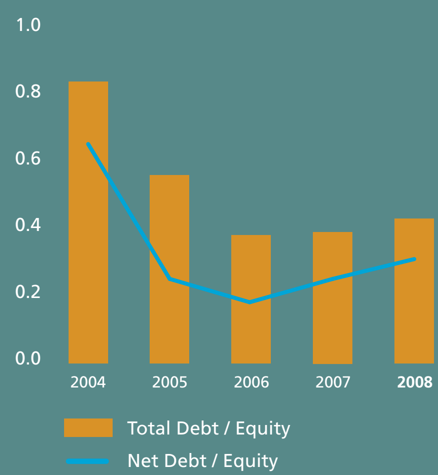

## Earnings (sen per share)

| | 2004 ** | 2005 ** | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| Earnings per Share | 61.6 * | 128.1 * | 75.9 | 76.7 | **65.3** |
| Dividends per Share | 30.0 | 60.0 | 30.0 | 30.0 | **35.0** |




## Balance Sheets (RM million)

| | 2004 ** | 2005 ** | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| Total Assets | 22,355.5 | 25,431.4 | 27,623.1 | 27,954.8 | **29,043.4** |
| PPE | 17,877.5 | 18,064.2 | 20,844.6 | 21,927.2 | **21,980.1** |
| CDB | 1,853.6 | 4,373.8 | 3,426.0 | 2,217.6 | **1,964.4** |
| Shareholders' Funds | 11,351.8 | 15,279.8 | 18,156.2 | 18,639.2 | **18,454.4** |




## Debt / Equity Ratio (ratio)

| | 2004 ** | 2005 ** | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| Total Debt / Equity | 0.82 | 0.54 | 0.36 | 0.37 | **0.41** |
| Net Debt / Equity | 0.66 | 0.25 | 0.18 | 0.25 | **0.30** |

* Adjusted for bonus issue

** The 2004 & 2005 audited summary data do not reflect the adoption of new and revised FRSs

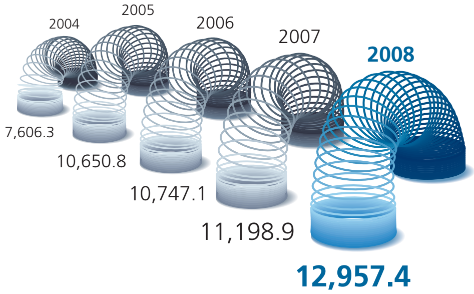
# 5-Year Financial Highlights

| | 2004 ** RM million | 2005 ** RM million | 2006 RM million | 2007 RM million | 2008 RM million |
|---|---|---|---|---|---|
| Revenue | 7,606.3 | 10,650.8 | 10,747.1 | 11,198.9 | **12,957.4** |
| Profit Before Taxation | 2,326.4 | 4,738.9 | 2,900.8 | 2,930.3 | **2,609.4** |
| Profit for the Year Attributable to Equity Holders of the Corporation | 2,289.6 | 4,763.5 | 2,822.6 | 2,852.0 | **2,430.3** |
| Taxation | 7.1 | 18.9 | 30.2 | 33.4 | **71.0** |
| Dividends | 558.0 | 837.0 | 1,114.1 | 1,097.0 | **1,290.0** |
| Earnings per Share (Sen)* | 61.6 | 128.1 | 75.9 | 76.7 | **65.3** |
| Return on Assets (%) | 14.2 | 22.5 | 12.8 | 12.3 | **10.7** |
| Return on Shareholders' Funds (%) | 20.2 | 31.2 | 15.5 | 15.3 | **13.2** |
| Profit Before Taxation as % of Revenue | 30.6 | 44.5 | 27.0 | 26.2 | **20.1** |
| Profit for the Year Attributable to Equity Holders of the Corporation as % of Revenue | 30.1 | 44.7 | 26.3 | 25.5 | **18.8** |
| Paid-up Capital | 1,859.9 | 1,859.9 | 3,719.8 | 3,719.8 | **3,719.8** |
| Shareholders' Funds | 11,351.8 | 15,279.8 | 18,156.2 | 18,639.2 | **18,454.4** |
| Total Assets | 22,355.5 | 25,431.4 | 27,623.1 | 27,954.8 | **29,043.4** |
| Total Liabilities | 10,752.5 | 9,876.1 | 9,182.2 | 9,074.2 | **10,314.9** |
| Total Borrowings | 9,356.3 | 8,214.5 | 6,607.7 | 6,804.4 | **7,528.1** |
| Capital Expenditure | 6,875.6 | 2,665.4 | 3,326.6 | 4,399.0 | **3,647.3** |
| Net Tangible Assets per Share (Sen)* | 278.9 | 382.2 | 460.2 | 479.6 | **477.6** |
| Debt / Equity Ratio | 0.82 | 0.54 | 0.36 | 0.37 | **0.41** |
| Interest Cover Ratio | 17.6 | 15.6 | 13.6 | 13.4 | **12.8** |

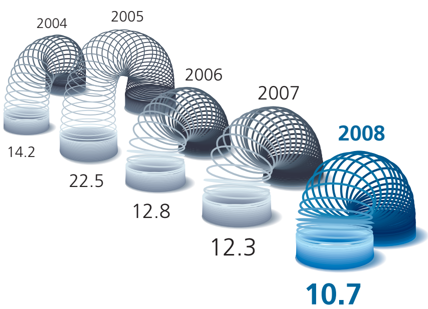
* Adjusted for bonus issue

** The 2004 & 2005 audited summary data do not reflect the adoption of new and revised FRSs

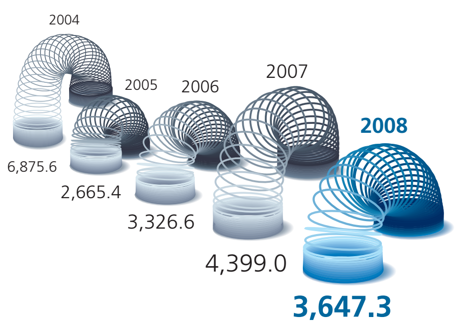
Revenue
(RM million)



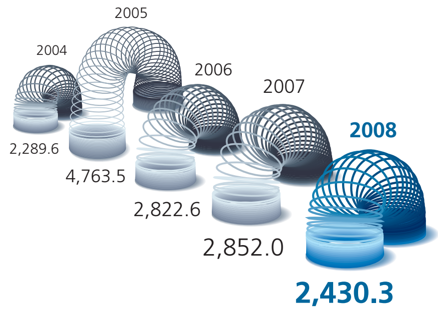

Return on Assets (%)



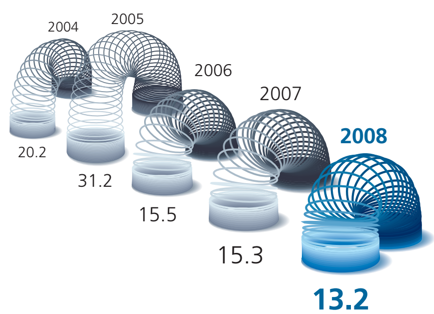

Capital Expenditure
(RM million)



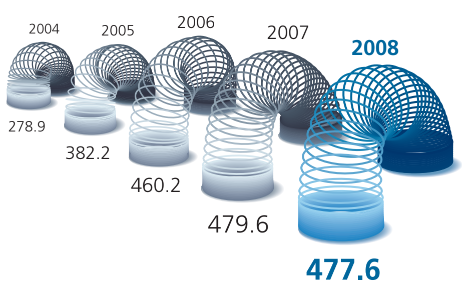

Profit for the Year Attributable
to Equity Holders of the
Corporation (RM million)



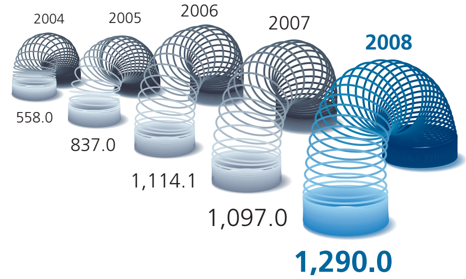

Return on Shareholders'
Funds (%)



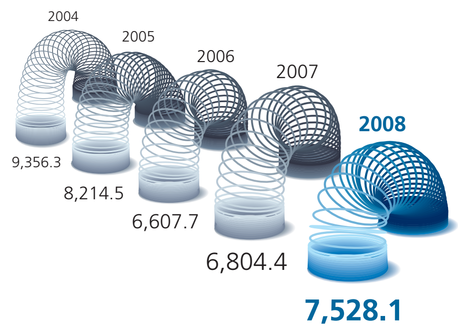

Net Tangible Assets
per Share (Sen)



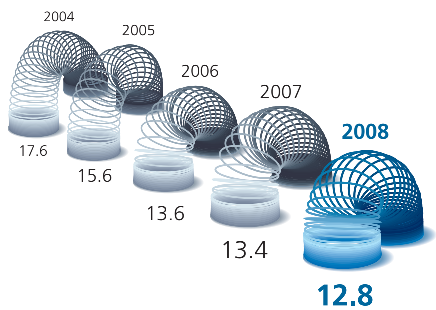

Dividends
(RM million)




Total Borrowings
(RM million)




Interest Cover Ratio
(No. of Times)



# building sustainable development

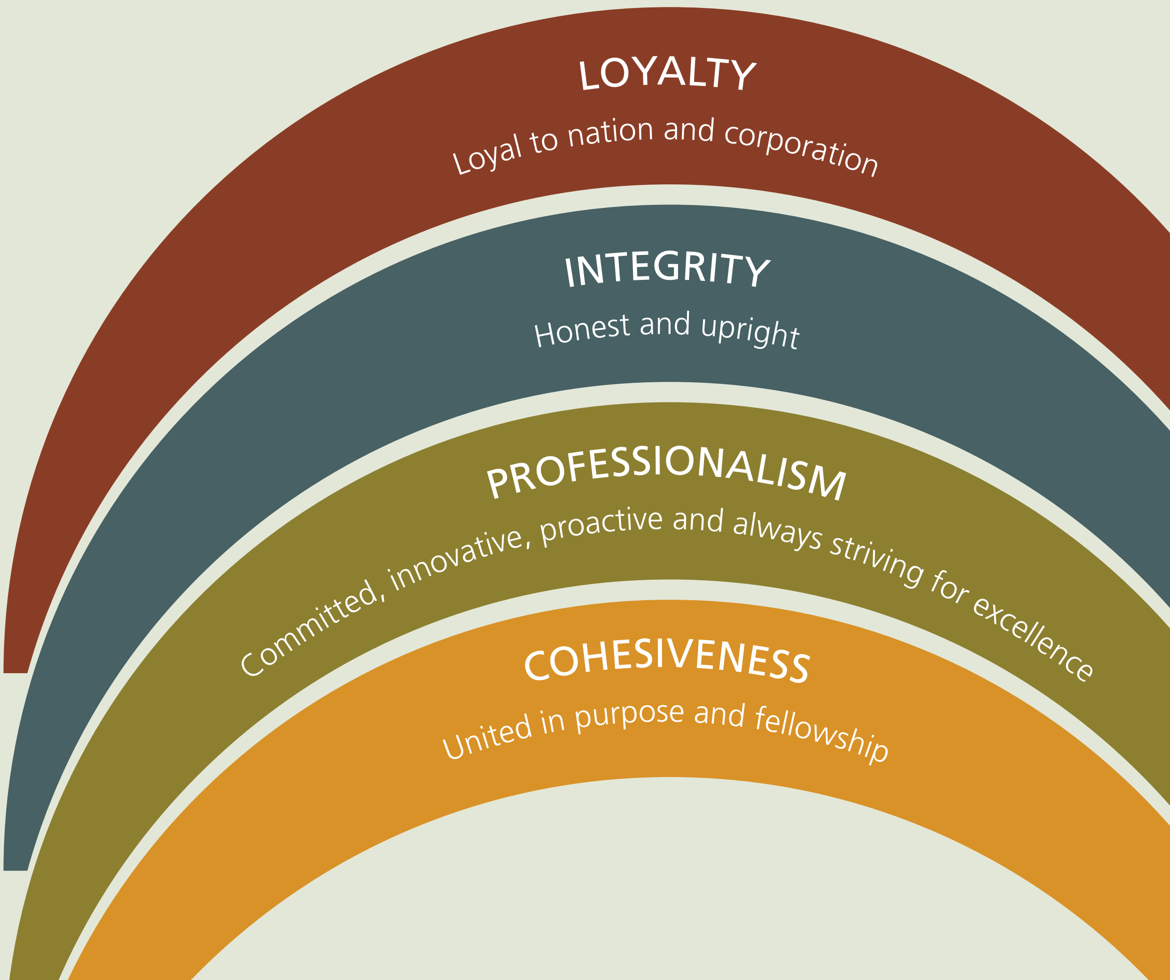
Sustainable development in a changing global environment requires resilience at all levels. In the face of ever-increasing global complexities, we need to develop policies and strategies to cope with unexpected challenges.

Described as the "living fossil", the Nautilus's spiral structure has remained relatively unchanged for millions of years as the unique properties of its logarithmic spiral structure allow it to grow and expand while remaining true to its natural form.

**Vision** To be the preferred provider of world-class Maritime Transportation and Logistics Services

**Mission** We are a logistics service provider, maritime transportation is our core business and we support the nation's aspiration to become a leading maritime nation.

## Shared Values



MISC is the leading international shipping line of Malaysia and is currently one of the top ten shipping companies in the world by market capitalisation. The principal businesses of MISC consist of ship owning, ship operating, other shipping related activities, owning and operating of offshore floating facilities as well as marine repair, marine conversion and engineering & construction works.

MISC has grown from being a purely shipping line in 1968 to become a fully integrated maritime and logistics services provider, particularly in energy transportation. This was brought about when MISC became a subsidiary of PETRONAS in 1998, a move that produced synergistic benefits especially in the field of oil & gas transportation.

Today, with a modern and well-diversified fleet of more than 100 vessels and a combined tonnage of more than 8 million dwt, MISC provides safe, reliable, efficient and competitive shipping services both locally and internationally.

MISC is one of the leading LNG carriers in the world with over two decades of proven experience of safety, reliability and on-time deliveries.

Through its wholly owned subsidiary AET, MISC is one of the leading global tanker operator and the second largest owner-operator of Aframax tankers in the world. It counts amongst its customers the major oil companies and is the premier lightering operator in the US Gulf.

MISC has also ventured into offshore business, offering customers a full scope of offshore floating facility services – from design to operations. Recently, MISC achieved a significant milestone in realising Malaysia's first deepwater FPSO, FPSO Kikeh.

Through Malaysia Marine and Heavy Engineering Sdn Bhd (MMHE), MISC has also build a strong foundation in marine repair, marine conversion, engineering and construction for a wide spectrum of oil & gas production facilities.

MISC also delivers chemical freighting solutions to various corners of the globe through its extensive experience in transporting vegetable oils and chemical in bulk. Its chemical tankers are capable of segregating up to 35 different grades of cargo onboard and are equipped with the latest containment and handling systems to ensure a safe and efficient carriage of liquid parcels including chemicals.

With over 30 years of experience in the industry, MISC's Liner business focuses on the ASEAN inbound and outbound trades through an extensive network of agencies around the globe delivering cargo to more than 120 Points-of-Sales in over 45 countries. MISC has also entered into strategic partnerships with shipping consortia to expand its offerings and participated in e-portals to provide e-business solutions to its customers. Being the first of its kind, the Halal Express Service has given MISC the competitive edge in supporting the transportation of Halal products throughout the world.

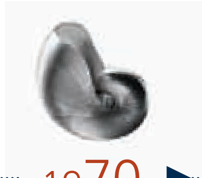
Through its wide network of shipping operations, all linked by the latest information and logistics systems support, MISC offers wide geographical coverage. This network also extends to many inland destinations and landlocked markets. Supported by a strong backbone of dynamic, progressive professionals, MISC is energised to move into greater waters of success.

# Celebrating the Voyage

## Our voyage begins here...

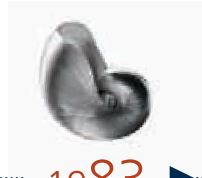
**1968**

Incorporation of Malaysia International Shipping Corporation Berhad (MISC) via a joint venture between the Malaysian Government and a group of private entrepreneurs.



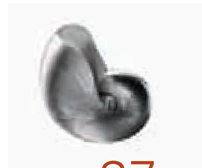
**1970**

Maiden voyage of MISC's first vessel, the Bunga Raya, a 14,500 dwt containership.



**1983**

Took delivery of the Tenaga series LNG carriers and delivered first cargo for Malaysia LNG.



**1987**

Listed on the Main Board of Bursa Malaysia Securities Berhad (then known as Kuala Lumpur Stock Exchange) via an Initial Public Offer.

**1991**

MISC acquired 43% of Malaysia Shipyard & Engineering Holdings Sdn Bhd (MSE) and diversified into ship-building, repairing and engineering related businesses.

**1997**

PETRONAS acquired a 29.3% stake in MISC.

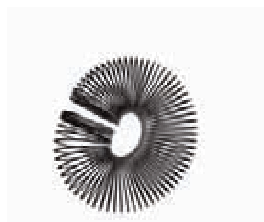
40 years ...

**1998**

PETRONAS increased its stake in MISC to 62.01% with the injection of PETRONAS Tankers Sdn Bhd into MISC.

**2000**

Secured, for the first time, AAA$_{ID}$ rating from Malaysian Rating Corporation Berhad for RM1.5 billion Islamic debt Security facility.



**2001**

Secured first International ratings, when rated BBB (Sovereign Constrained) by Standard & Poor's and Baa2 by Moody's.

Standard & Poor's upgraded MISC's foreign currency rating to BBB+.

## 2003

Acquired American Eagle Tankers (AET) Ltd from Neptune Orient Lines Limited (NOL).

Commenced first LNG time-charter contract outside the PETRONAS Group with third-party clients, Gaz de France and J&S Cheniere S.A.

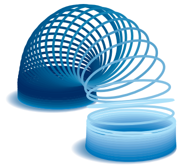
Took delivery of MISC's first VLCC, Bunga Kasturi.

## 2004

MSE became a subsidiary of MISC, with MISC holding 65% stake in MSE.

MISC successfully completed its inaugural USD1.1 billion bond issuance.

Delivery of MISC's first FPSO, FPSO Bunga Kertas.



## 2005

Launch of MISC's new corporate identity.

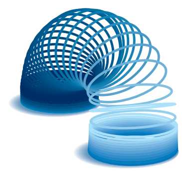
Named as Euromoney's Asia Best Managed Company in the Transport & Shipping Sector.

Launch of MSE's new corporate identity, Malaysia Marine & Heavy Engineering Sdn Bhd.

Moody's Investor's Services upgraded MISC credit rating to A2.

Standard & Poor's upgraded MISC credit rating to A-.

# … ascend with stellar performance



## 2006

MISC acquired interest in FPSO Brasil, located at the Roncador Field, Brazil, its first international FPSO.

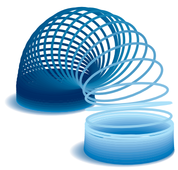
Delivery of Bunga Seroja Satu, a 7,943 TEU container vessel, the largest Malaysian registered container vessel to date.

MISC is voted Maritime Asia's LNG Operator of the Year.

Launch of Akademi Laut Malaysia's (ALAM) new corporate identity.

MMHE became a wholly-owned subsidiary of MISC.

MISC named as Chartered Institute of Logistics & Transport (CILT) Company of the Year.



## 2007

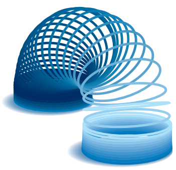
MISC delivered its first deepwater floating, production, storage and offloading facility, FPSO Kikeh for Murphy Oil Corporation.

MMHE completed the construction of the Kikeh DTU Truss Spar, the first truss spar constructed in Malaysia.

MISC ventured into tank terminal operations through a joint venture with Dialog Group Berhad.

ALAM's LNG Liquid Cargo Operations Simulator (LICOS) course syllabus was accepted by the Standards of Training & Watchkeeping (STW) Sub-Committee as the International Maritime Organisation (IMO) model course.

Launch of AET's new corporate identity.



## 2008

MMHE took 100% ownership of the Kiyanly Fabrication Yard in Turkmenistan.

MISC penetrated the Nigerian LNG market with the forming of a joint venture company to offer total LNG solutions to Nigeria.

MISC made inroads to Vietnam with the winning of the contract to provide a FPSO unit to PC Vietnam Limited.

MISC ventured into container terminal management with a joint venture with the Port of Tanjung Pelepas.

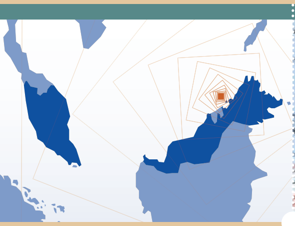
# The Kikeh Deepwater Floating Production System

## Realising Malaysia's Deepwater Aspirations

### FPSO Kikeh and the Kikeh DTU Truss Spar

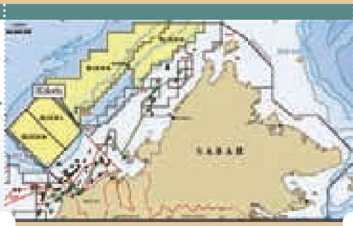
Kikeh is the local name for the shortnose ponyfish. It is also the name of Malaysia's very first deepwater producing field. The success of Kikeh marks the beginning of a new era for MISC Berhad and Malaysia.

## 1999



**January**
PETRONAS signs Production Sharing Contract (PSC) for the unexplored Deepwater Block K with Murphy Oil Corporation and PETRONAS Carigali Sdn Bhd (PCSB).

## 2002



**August**
PETRONAS Carigali Sdn Bhd and Murphy Oil Company, Ltd made the country's first deepwater oil discovery, the Kikeh field at Block K, 125 km offshore Sabah.

Murphy operated the block with 80% stake, with PCSB holding the remaining 20%.

## 2005


**January**
Murphy Oil awarded the contract for the design and construction of FPSO Kikeh to Malaysia Deepwater Floating Terminal (Kikeh) Limited (MDFT), a joint venture company between MISC Berhad and Single Buoy Moorings, Inc.

**February**
Murphy Oil awarded Technip the contract for the Engineering, Procurement, Construction, Installation and Commission (EPCIC) of a Spar floating production platform, with the construction work to be undertaken at MMHE.

MDFT contracted MMHE for the construction of FPSO Kikeh.

**July**
First drydocking works completed for FPSO Kikeh.

**October**
First cut of steel for FPSO Kikeh Topsides.

The KIKEH field in Block K, offshore of Sabah made history when PETRONAS Carigali and Murphy Oil made a deepwater petroleum discovery 125 kilometers offshore of Sabah. Malaysia's first deepwater Floating Production, Storage and Offloading (FPSO) facility was built for this project by MISC Berhad's wholly owned subsidiary, Malaysia Marine & Heavy Engineering Sdn Bhd (MMHE).

## 2006

**September**
MMHE completed the construction of the first deepwater structure Kikeh DTU Truss Spar.

**November**
Turret integration works completed.

Truss Spar installed in Kikeh Field.

## 2007

**March**
MMHE completed the construction of FPSO Kikeh. The structure was named at a ceremony at MMHE's yard in Pasir Gudang.

**April**
FPSO Kikeh departed quayside for the Kikeh field in Sabah.

**August**
FPSO Kikeh received first oil.

The successful completion of the FPSO Kikeh further solidifies MISC's belief in GROWTH THROUGH PARTNERSHIPS.

- First Truss Spar and deepwater FPSO constructed in Malaysia
- FPSO Kikeh has the biggest and heaviest external Turret on any FPSO worldwide
- The construction of FPSO Kikeh recorded over 7.2 million man-hours with zero Loss Time Incidents (LTI)
- The Kikeh Truss Spar project recorded 5 million man-hours worked without LTI
- First use of Spar technology outside the Gulf of Mexico
- First topsides installed by float over technique onto a Spar
- As at of 31st March 2008, a total of 10,528,222 barrels have been offloaded from FPSO Kikeh

# Celebrating Successful Collaborations

The combination of our experience, industry expertise and world-class development capabilities, combined with alliances with leading industry players strengthens our global presence and helps us to develop a resilient MISC roadmap.

# growth through partnerships

## Sustaining market capabilities through global energy shipping

| | | |
|---|---|---|
| LNG + | Nigerian National Petroleum Corporation | **Expanding partnerships into the African market**<br>Forming Nikorma Transport Limited to offer total LNG business solutions in Nigeria. |
| AET + | Greek shipping group Restis | **A trusted and reliable partner in the tanker business**<br>Proving AET's growing status in the petroleum industry. |
| Chemical + | Dialog Group Berhad | **Enhancing the Business Value Chain**<br>To develop and operate independent tankage facilities and tank terminals. |

## Remain competitive through our other energy business

| | | |
|---|---|---|
| Offshore Business + | Single Buoy Moorings Inc (SBM) | **Proven capability through synergistic partnerships**<br>The close collaboration resulted in Malaysia's first deepwater FPSO, FPSO Kikeh. |
| Offshore Business + | Petroleum Technical Services Corporation | Venturing into Vietnam's oil and gas industry. |
| MMHE + | Samsung Heavy Industries | **Building expertise through international collaborations**<br>Propelling MMHE to be the regional hub for high value marine repairs. |
| MMHE + | Technip GeoProduction | Enhanced capability in Engineering and Construction. |

## Efficient delivery capacities with integrated liner logistics

| | | |
|---|---|---|
| MILS + | BLG International LogisticsGmbH | **Synergised partnerships & growth for total logistics** Strengthen MILS as a leading automotive supply chain and logistics provider in Malaysia. |
| MILS + | ETB Seafrigo and ML Network | Largest specialised Halal Cold Chain facility in Malaysia. |
| MILS + | Rais Hassan Saadi Group | Introducing Malaysia to the middle East as the region's first Halal Hub service provider. |
| MILS + | SterilGamma | To operate a sterilisation & fumigation facility at MILS Logistics Hub. |
| Liner + | Maersk, OOCL,TSK, Grand Alliance, CargoSmart | **Greater efficiency through international alliances** Improved Customer Relations Management (CRM) in the liner business. |
| Liner + | Port of Tanjung Pelepas | |

## Capability building of Malaysians in the maritime, shipping & offshore industry

**MISC + UTM**

Supporting the growth of the industry by providing the maritime, shipping and offshore industry with highly qualified professionals.

**ALAM + US Merchant Marine Academy (USMMA)**

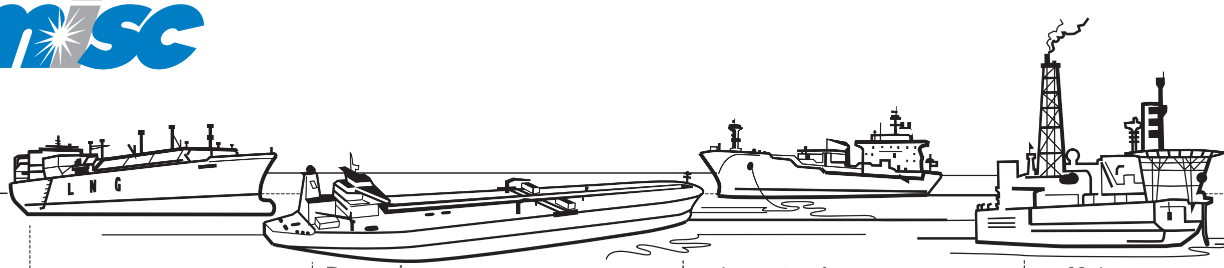
A partnership that enhances ALAM as the regional training hub for LNG, Petroleum and Chemical shipping, leading ALAM to be the selected business partner for the regional shipping and oil & gas players.

## Significant contribution towards industry development

MISC also plays an active role in some of the major maritime organisations in the world, working together with our peers to ensure the growth and sustainability of the industry. MISC is actively involved in, among others, the following organisations, leading discussions to improve industry standards and providing support for their development:

- International Association of Independent Tanker Owners (INTERTANKO)
- Society of International Gas Tanker and Terminal Operators Ltd (SIGTTO)
- London Steamship Owners' Mutual Insurance Association Limited (London P&I Club)
- Britannia P&I Club
- UK P&I Club
- Malaysian Shipowners Association (MASA)
  Through MASA, MISC is also actively involved in the following organisations:
  - Federation of ASEAN Shipowners' Association (FASA)
  - Asian Shipowners Forum (ASF)
  - International Maritime Organisation (IMO)

# Group Structure* as at 30 June 2008




## LNG

- 100% **PETRONAS Tankers Sdn Bhd** *(Ship Management)*
  - 100% Puteri Delima Sdn Bhd *(Shipowning)*
  - 100% Puteri Firus Sdn Bhd *(Shipowning)*
  - 100% Puteri Intan Sdn Bhd *(Shipowning)*
  - 100% Puteri Nilam Sdn Bhd *(Shipowning)*
  - 100% Puteri Zamrud Sdn Bhd *(Shipowning)*
- 100% **Puteri Delima Satu (L) Pte Ltd** *(Shipowning)*
- 100% **Puteri Firus Satu (L) Pte Ltd** *(Shipowning)*
- 100% **Puteri Nilam Satu (L) Pte Ltd** *(Shipowning)*
- 100% **Puteri Intan Satu (L) Pte Ltd** *(Shipowning)*
- 100% **Puteri Mutiara Satu (L) Pte Ltd** *(Shipowning)*
- 100% **Puteri Zamrud Satu (L) Pte Ltd** *(Shipowning)*
- 51% **Asia LNG Transport Sdn Bhd** *(Shipowning/ Ship Management)*
- 51% **Asia LNG Transport Dua Sdn Bhd** *(Shipowning/ Ship Management)*
- 30% **Nikorma Transport Limited** *(LNG Transportation)*

## Petroleum

- 100% **MISC Tanker Holdings Sdn Bhd** *(Investment Holdings)*
  - 100% MISC Tanker Holdings (Bermuda) Ltd *(Investment Holdings)*
    - 100% AET Tanker Holdings Sdn Bhd *(Investment Holdings)*
      - 100% AET Petroleum Tanker (M) Sdn Bhd *(Shipowning)*
      - 100% AET Shipmanagement (Malaysia) Sdn Bhd *(Ship Management)*
      - 100% AET Shipmanagement (Singapore) Pte Ltd *(Ship Management)*
      - 100% AET Tankers Pte Ltd *(Commercial Operations & Chartering)*
      - 100% AET UK Limited *(Commercial Operations & Chartering)*
      - 100% AET Holdings (L) Pte Ltd *(Investment Holdings)*
        - 100% AET Inc Limited *(Shipowning & Operations)*
          - 100% AET Agencies Inc *(Property Owning)*
          - 100% AET Offshore Services Inc *(Lightering Operations)*
          - 100% AET Lightering Services LLC *(Formerly known as MTL Petrolink Group) (Lightering Operations)*
          - 50% Paramount Tankers Corp *(Shipowning)*
- 100% **Bunga Kasturi (L) Pte Ltd** *(Shipowning)*

## Chemical

- 45% **Centralised Terminals Sdn Bhd** *(Formerly known as Dialog CTF Sdn Bhd) (Own Manage, Operate & Maintain Centralised Tankage Facility)*
  - 36% Langsat CTF Sdn Bhd *(Provision of Centralised Tankage Facilities)*
  - 36% Langsat Terminal (One) Sdn Bhd *(Provision of Tank Terminal Activities)*

## Offshore

- 100% **MISC Offshore Holdings (Brazil) Sdn Bhd** *(Investment Holdings)*
  - 49% SBM Systems Inc *(FPSO Owner)*
  - 49% FPSO Brasil Venture S.A. *(Investment and Offshore Activities)*
    - 49% SBM Operacoes Ltda *(Operations & Maintenance of FPSO Facility)*
  - 49% Brazilian Deepwater Floating Terminals Limited *(Construction of FPSO)*
  - 49% Brazilian Deepwater Production Limited *(Chartering of FPSO)*
  - 49% Brazilian Deepwater Production Contractors Limited *(Operations and Maintenance of FPSO)*
    - 49% Operacoes Maritimas em Mar Profundo Brasileiro Ltda *(Operations and Maintenance of FPSO)*
- 100% **MISC Floating Production System (Gumusut) Limited** *(Asset Ownership)*
- 100% **MISC Offshore Floating Terminals (L) Limited** *(FPSO Owner)*
- 100% **Malaysia Vietnam Offshore Terminal (L) Limited** *(FSO Owner)*
- 100% **Malaysia Offshore Mobile Production (Labuan) Ltd** *(Owner of Mobile Production Unit)*
- 100% **Vietnam Offshore Floating Terminal (Ruby) Ltd** *(FPSO Owner)*
- 51% **Malaysia Deepwater Floating Terminal (Kikeh) Limited** *(FPSO Owner)*
- 51% **Malaysia Deepwater Production Contractors Sdn Bhd** *(Operations & Maintenance of FPSO Facilitiy)*
- 51% **FPSO Ventures Sdn Bhd** *(Operations and Maintenance of FPSO & FSO)*
  - 50% Offshore Marine Ventures Sdn Bhd *(Chartering of Vessels)*

## Marine & Heavy Engineering

- 100% **MSE Holdings Sdn Bhd** *(Investment Holdings)*
  - 100% Malaysia Marine & Heavy Engineering Sdn Bhd *(Marine Repair, Marine Conversion and Marine Engineering Works)*
    - 100% MSE Corporation Sdn Bhd *(Processing of Copper Grit)*
    - 100% Techno Indah Sdn Bhd *(Sludge Disposal Management)*
    - 70% MMHE-SHI LNG Sdn Bhd *(Vessel Repair Works)*
    - 60% MMHE-ATB Sdn Bhd *(Manufacturing Works of Pressure Vessels and Tube Heat Exchange)*
    - 60% MMHE-TPGM Sdn Bhd *(Provision of Engineering, Procurement, Construction, Installation and Commissioning)*

## Liner & Integrated Logistics

- 100% **MISC Integrated Logistics Sdn Bhd** *(Integrated Logistics Services)*
  - 60% MILS – Seafrigo Sdn Bhd *(Own, Manage and Operate a Cold Storage Logistic Hub)*
  - 60% MILS – Seafrigo Cold Chain Logistics Sdn Bhd *(Cold Chain Operation)*
  - 60% MILS – SterilGamma Sdn Bhd *(Sterilisation and Fumigation Facilities)*
  - 60% BLG MILS Logistics Sdn Bhd *(Automotive Solutions and Related Integrated Logistics Services)*
  - 50% Transware Distribution Services Pte Ltd *(Warehousing)*
  - 50% Keer - MISC Logistics Co Ltd *(Transportation)*
  - 50% Rais - Mils Logistics FZCO *(Integrated Logistics Services)*
- 100% **MISC Agencies Sdn Bhd** *(Shipping Agent and Warehousing)*
  - 100% MISC Agencies (Australia) Pty Ltd *(Shipping Agent)*
  - 100% MISC Agencies (U.K.) Ltd *(Shipping Agent)*
  - 100% MISC Agencies (Japan) Ltd *(Port and General Agent)*
  - 100% MISC Agencies (Netherlands) B.V. *(Shipping Agent)*
    - 100% Misan Logistic B.V. *(Haulage Brokerage, Liner Merchant and Carrier Haulage)*
  - 100% MISC Agencies (Singapore) Pte Ltd *(Shipping Agent)*
    - 51% Leo Launches Pte Ltd *(Launch Operator)*
  - 100% MISC Agencies (New Zealand) Pty Ltd *(Shipping Agent)*
  - 65% MISC Agencies (Sarawak) Sdn Bhd *(Shipping Agent)*
  - 49% MISC Agencies (Thailand) Co Ltd *(Shipping Agent)*
  - 40% MISC Agencies Lanka (Pvt) Limited *(Shipping Services)*
- 30% **PTP-MISC Terminal Sdn Bhd** *(formerly known as Asia Pioneer Team Sdn Bhd) (Berthlease Arrangements / Transhipment Port)*

## Maritime Education

- 100% **Malaysian Maritime Academy Sdn Bhd** *(Education & Training for Seaman & Maritime Personnel)*

## Others

- 100% **MISC Capital (L) Ltd** *(Investment Holdings)*
- 100% **MISC International (L) Limited** *(Investment Holdings)*
  - 49% SL-MISC International Line Co Ltd *(Shipowning)*
- 100% **MISC Enterprises Holdings Sdn Bhd** *(Voluntary Liquidation)*
  - 25% Trans-ware Logistics (Pvt) Ltd *(Inland Container Depot)*

* excluding dormant companies

# Business Overview & Fleet Strength
as at 30 June 2008

## GLOBAL ENERGY SHIPPING

| | |
|---|---|
| Aman Class | 3 |
| Tenaga Class | 5 |
| Puteri Class | 5 |
| Puteri Satu Class | 6 |
| Seri "A" Class | 5 |
| Seri "B" Class | 3 |
| **liquefied natural gas (LNG)** | **27** |

### Core Capabilities
MISC has more than 25 years of proven experience in LNG transportation and has earned us not only a distinguished reputation for overall operations excellence, reliability, safety and on-time cargo deliveries but also the confidence of our charterers.

### Facts
- Designed LNG carriers based on operational feedbacks
- World's first full operational flexibility with 2 port discharges and partial loading and discharge
- Vessels compatibility with most terminals worldwide
- Periodic vessels' inspection, audit and vetting ensure highest safety standards

### Major Developments in 2008
- Expanded to the African market with the formation of a joint venture company, Nikorma Transport Limited. Comprises of MISC Berhad, Nigerian National Petroleum Corporation Company (NNPC), Hyundai Heavy Industries (HHI) and Deepwater Shipping & Maritime Company Limited, the JV company will provide solutions for the LNG transportation business in Nigeria

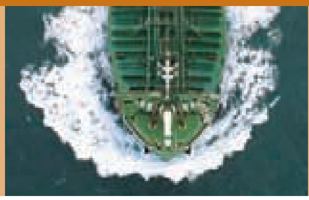
| | |
|---|---|
| VLCC | 11 |
| Aframax | 28 |
| Product | 5 |
| LR2 | 1 |
| **petroleum (owned)** | **45** |

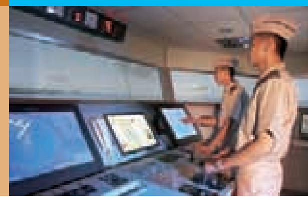
### Core Capabilities
AET is our global petroleum shipping services arm, with a reach extending to all major continents, including America, Europe, Africa and Asia. AET's global coverage and growth plans combined with its superior service and excellent customer support will allow us to continuously enhance our market position in the Aframax, VLCC and product tanker markets.

### Facts
- The leading provider of lightering services in the US Gulf
- The world's second largest owner-operator of Aframax tankers
- A modern, young fleet of vessels ranging in capacity from 5,800 to 308,000 dwt
- 20 newbuildings scheduled to join the fleet within the next three years

### Major Developments in 2008
- Increased crude capacity with additions of VLCC and Aframax tonnage to the fleet
- Increased clean capacity with in-charter of new MR2 product tankers
- Continued roll-out of a new AET brand across the global organisation

MARITIME EDUCATION





| | |
|---|---|
| Melati Class | 7 |
| Anggerik Class | 4 |
| Semarak Class | 2 |

## chemical (owned) 13

### Core Capabilities

MISC Berhad's three decades of experience in the Chemical business has earned us an undeniable reputation for reliability and safety. This operational integrity has benefited both our customers as well consumers of vegetable oils and chemicals worldwide.

### Facts

- Extensive experience in transporting vegetable oils and chemical in bulk
- Quality fleet, comprising mainly double-hulled IMO II vessels with a mixture of stainless steel and coated tanks to meet the highest safety requirements for transporting liquid bulk cargoes
- International customer's base consisting of chemical majors, vegetable oils producers and traders

### Major Developments in 2008

- Extensive fleet renewal and expansion programme with all new vessels being IMO II, double-hulled with variety of stainless steel and coated tanks capabilities
- Extended global footprint into Europe, USA, South America, the Middle East, South East Asia and the Far East

## maritime education

### Core Capabilities

ALAM is the nerve centre and premier training ground for an exciting and explorative maritime career. For over 30 years, ALAM has trained thousands of Malaysians, through a regimented training and education system unique to the Academy. Working in collaboration with companies and institutions in the maritime industry, ALAM prepares students to face the challenges of the maritime industry.

### Facts

- A balance of professional regimentation with a challenging college environment, our system unites classroom instruction, practical training and professional development skills

### Major Developments in 2008

- Developed and marketed the world's first LNG e-learning programme on LNG Shipping Cargo Operations
- Completion of new hostel complex for Batu Rakit campus that can cater up to 550 cadets
- ALAM's detailed teaching syllabus for LNG simulator training was adopted as the model course by IMO in 2007
- ALAM's contribution towards the comprehensive review of the STCW Code and Convention was recognised by IMO at the last STW subcommittee meeting in London and Member countries. USA, Netherlands and Denmark have requested for ALAM to collaborate with them to jointly submit proposals for the revision to STCW codes and conventions more specifically related to competency standards for oil, chemical, LPG and LNG tankers

# OTHER ENERGY BUSINESS



## offshore business 6

### Core Capabilities

MISC's experience in the Offshore Floating Facility Services began with MT Bunga Kertas, the first MISC tanker that was converted to a Floating Production, Storage and Offloading (FPSO) facility within a fast-track schedule. From design to operation, MISC offers the full scope of offshore floating facility services. Each scope of service is enhanced and strengthened by the synergy and support of MISC's subsidiaries, Malaysia Marine and Heavy Engineering Sdn Bhd (MMHE) and FPSO Ventures Sdn Bhd (FVSB).

### Facts

- We adopt the latest technologies to provide the best possible solutions
- Our solid foundation and position in the offshore industry enable us to offer comprehensive solutions for deepwater and small field developments

### Major Developments in 2008

Projects which are currently under construction:

- FPSO Espirito Santo (jointly owned)
- FPSO Ruby

## marine & heavy engineering

### Core Capabilities

Malaysia Marine and Heavy Engineering Sdn Bhd (MMHE), provides a wide spectrum of oil and gas production facilities and services in marine repair, marine conversion, engineering and construction.

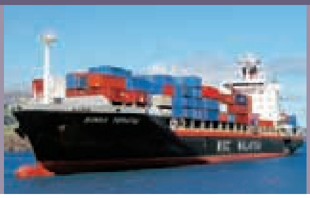
### Facts

- One of the largest marine heavy industry facility with an area of 147 hectares and 1.5 km seafront
- Owns fabrication yard in Kiyanly, Turkmenistan with an area of 157,000 square metres

### Major Developments in 2008

- Construction of 40,000 T bulkhead and quaywall to support load out of larger and heavier marine and oil and gas structures
- Construction of a covered cutting and assembly workshop measuring 400 m (length) x 80 m (width) to increase the productivity and efficiency in the execution of projects

# INTEGRATED LINER LOGISTICS



| | |
|---|---|
| Above 5000 TEUs | 2 |
| 3000 – 5000 TEUs | 3 |
| 1000 – 3000 TEUs | 8 |
| Below 1000 TEUs | 6 |

## containerships (owned) 19

### Core Capabilities

With over 30 years of proven experience, MISC has carved its name as one of the leading carriers in the region. Covering 24 global container routes, our professionally managed agency network, placed at strategic locations, enables us to reach valued customers in all corners of the globe. We grow through strategic alliances with our valued customers as well as shipping partners.

### Facts

- Innovator of Halal Supply Chain Solutions
- Extensive agency network around the globe
- Member of Grand Alliance
- Market leader in South East Asia / Australia and New Zealand

### Major Developments in 2008

- Increased slot capacity at 35% while maintaining slot utilisation
- MoU with Port of Tanjung Pelepas to develop a joint venture container terminal operation
- New service launched connecting Asia and the Black Sea countries

## integrated logistics

### Core Capabilities

MISC Integrated Logistics Sdn Bhd (MILS) is a recognised provider of best-in-class total logistics solutions. As a one-stop service provider, MILS integrates logistics services which include Freight Management, Transportation, Warehousing, Project Cargo Management and other value-added activities to meet our clients' local, regional and global requirements.

### Facts

- MILS Logistics Hub (MLH), located in Pulau Indah is a new generation world class logistics facility, offering the complete range of logistics services

### Major Developments in 2008

- MILS-Seafrigo (Cold Chain Solutions)
- MILS-SterilGamma (Sterilisation Specialist)
- HALAL Logistics
- IT Enhancement

| | |
|---|---|
| Dry Bulk (Panamax) | 1 |
| LPG | 3 |

## others 4

# Investor Relations Report

## MISC is committed to ensure timely dissemination of material information that is complete, transparent and credible to the market about its operations, financial conditions, business strategies and future prospects.

MISC is committed to ensure timely dissemination of material information that is complete, transparent and credible to the market about its operations, financial conditions, business strategies and future prospects. Its objective is to ensure fair and accurate representation of the Group, so that existing and potential investors can make properly informed investment decisions, and other stakeholders can have a balanced understanding of the Group and its objectives.

The investor relations programme continues to be an integral part of MISC's commitment towards effective communication with shareholders, investors and the investment community at large and to maintain high standards of corporate governance. The Group will continue to take a proactive approach in communicating with the investing community by having a dedicated investor relations team to attend to enquiries in an informative, timely and professional manner and to drive an extensive investors outreach programme.

During the financial year, MISC's active investor relations efforts include:

- Timely announcements of its quarterly results as per Bursa Malaysia's Listing Requirements
- Quarterly analysts' briefings where in-depth explanation on the Group's results, market conditions, long-term prospects and strategies were elaborated on
- Feature presentation at half year analysts' briefing on its Tank Farming and Terminaling Business as part of its effort to educate the investing public on the Group's businesses and operations. Moving forward presentations from other businesses will be featured to match their developments and accretive initiatives
- Site visit to Malaysia Marine and Heavy Engineering Sdn Bhd (MMHE) as part of its investor education programme
- Comprehensive annual reviews with rating agencies, namely, Moody's Investor's Service, Standard & Poor's and Malaysian Rating Corporation Bhd (MARC), together with quarterly dialogue sessions via in-house meetings / telephone conferences to review announced results

- Participation in International Investment Conferences and Non-Deal Roadshows (NDRs) for both Equity and Fixed Income markets. The Group participated in four NDRs during the financial year, meeting fund managers and buy-side analysts

- Regular dialogues with institutional investors and investment analysts via one-on-one meetings and conference calls

In line with the efforts for greater transparency, extensive information about the Group's performance and activities can be obtained from its Annual Reports and website – www.misc.com.my

The Annual Reports are sent to shareholders, stakeholders and bond holders.

The Group's "Corporate Disclosure Policies and Procedures" identify the following Management Personnel responsible for Investor Relations Activities.

Dato' Shamsul Azhar bin Abbas
President / Chief Executive Officer

Mr Yee Yang Chien
Vice President, Corporate Planning and Development

Pn Noraini Che Dan
Vice President, Finance

Ms Adelene Alvisse
Head Group Investor Relations

MISC aims to build and maintain improved transparency with the investing community by keeping the communication channels open and being more accessible. Such efforts will be continuously enhanced to maintain the Group's corporate credibility and to strengthen investor confidence with greater corporate transparency.

Enquiries about the Group can be directed to:

investor.relations@miscbhd.com

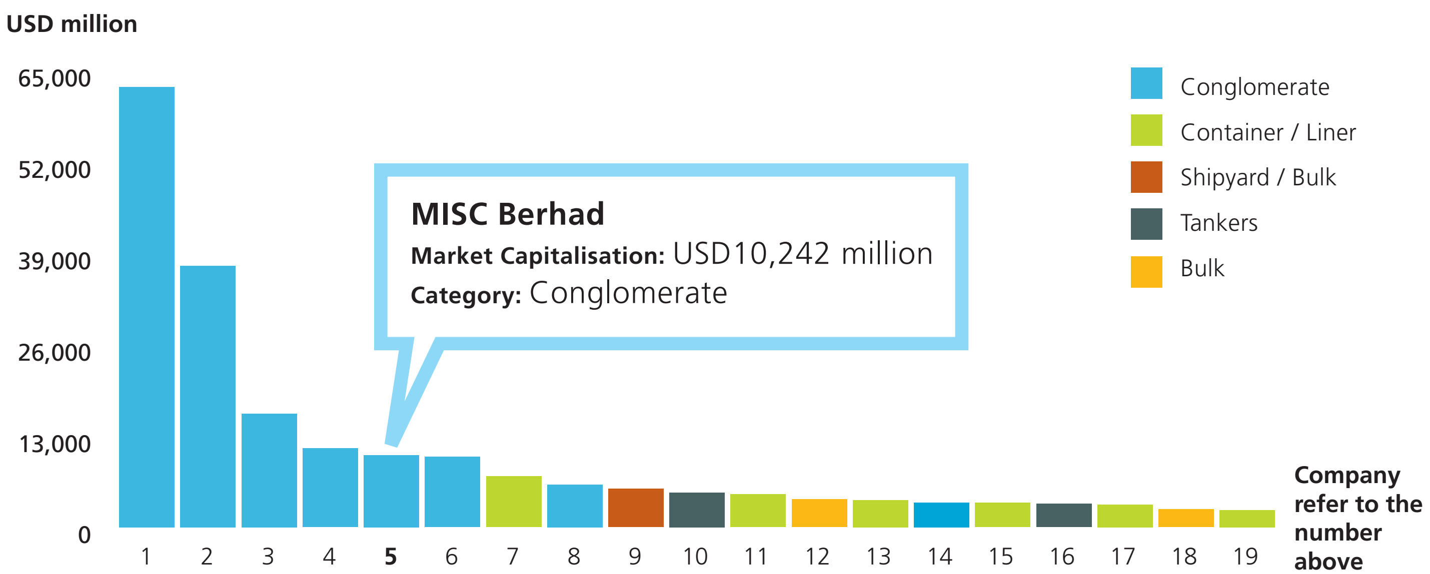
# 26 Market Capitalisation
as at 17 June 2008

## Shipping Companies by Market Capitalisation

| No. | Company | Market Listing | Market Capitalisation | Category USD million |
|---|---|---|---|---|
| 1. | AP Moller Maersk Group | Denmark | 62,643 | Conglomerate |
| 2. | China Cosco Holdings | Hong Kong | 37,213 | Conglomerate |
| 3. | Mitsui OSK Lines | Japan | 16,162 | Conglomerate |
| 4. | Nippon Yusen Kabushiki | Japan | 11,209 | Conglomerate |
| **5.** | **MISC Berhad** | **Malaysia** | **10,242** | **Conglomerate** |
| 6. | China Shipping Development Co. | China | 10,004 | Conglomerate |
| 7. | China Shipping Container Lines | Hong Kong | 7,233 | Container / Liner |
| 8. | Kawasaki Kisen Kaisha | Japan | 6,068 | Conglomerate |
| 9. | Cosco Corp Singapore | Singapore | 5,464 | Shipyard / Bulk |
| 10. | Frontline Ltd | USA | 4,931 | Tankers |
| 11. | Hyundai Merchant Marine | Korea | 4,661 | Container / Liner |
| 12. | STX Pan Ocean Co. | Korea | 3,959 | Bulk |
| 13. | Neptune Oriental Line | Singapore | 3,841 | Container / Liner |
| 14. | China Merchant Holdings | China | 3,518 | Conglomerate |
| 15. | Orient Overseas International | Hong Kong | 3,470 | Container / Liner |
| 16. | Teekay Shipping | USA | 3,316 | Tankers |
| 17. | Hanjin Shipping | Korea | 3,207 | Container / Liner |
| 18. | Pacific Basin Shipping | Hong Kong | 2,547 | Bulk |
| 19. | Evergreen Marine Corp | Taiwan | 2,423 | Container / Liner |

The list excludes Cruise / Ferries companies [e.g Carnival Corp (USA), Royal Carribbean (USA)]

Source: Bloomberg, 17 June 2008



## Analysis of Shareholdings

| Size of Shareholdings | No. of Shareholders | % of Shareholders | No. of Shares | % of Issued Share Capital |
|---|---|---|---|---|
| Less than 100 | 257 | 4.26 | 6,750 | 0.00 |
| 100 – 1,000 | 1,335 | 22.13 | 910,026 | 0.02 |
| 1,001 – 10,000 | 2,991 | 49.59 | 11,794,958 | 0.32 |
| 10,001 – 100,000 | 990 | 16.41 | 30,918,266 | 0.83 |
| 100,001 to less than 5% of issued shares | 457 | 7.58 | 1,021,915,484 | 27.47 |
| 5% and above of issued shares | 2 | 0.03 | 2,654,282,102 | 71.36 |
| **Total** | **6,032** | **100.00** | **3,719,827,586** | **100.00** |

## Directors' Shareholdings

| No. | Name of Directors | No. of Shares Direct Interest | % |
|---|---|---|---|
| 1. | Tan Sri Dato Sri Mohd Hassan bin Marican | – | – |
| 2. | Dato' Shamsul Azhar bin Abbas | – | – |
| 3. | Dato Sri Liang Kim Bang | 304,000 | 0.01 |
| 4. | Harry K Menon | – | – |
| 5. | Dato' Halipah binti Esa | – | – |
| 6. | Datuk Nasarudin bin Md Idris | – | – |
| 7. | Dato' Kalsom binti Abd Rahman | – | – |
| 8. | Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah | – | – |
| 9. | Ahmad Nizam bin Salleh | – | – |
| 10. | Dato' Ibrahim Mahaludin bin Puteh | – | – |

## Substantial Shareholders

| No. | Name of Substantial Shareholders | No. of Shares | % |
|---|---|---|---|
| 1. | Petroliam Nasional Berhad | 2,322,512,920 | 62.44 |
| | *– 2,322,512,920 shares held through Cartaban Nominees (Tempatan) Sdn Bhd* | | |
| 2. | Employees Provident Fund Board | 383,602,882 | 10.31 |
| | *– 331,769,182 shares held in its own name* | | |
| | *– 473,200 shares held through Mayban Nominees (Tempatan) Sdn Bhd* | | |
| | *– 1,620,000 shares held through Mayban Nominees (Tempatan) Sdn Bhd* | | |
| | *– 9,540,200 shares held through Alliancegroup Nominees (Tempatan) Sdn Bhd* | | |
| | *– 4,515,300 shares held through Am Nominees (Tempatan) Sdn Bhd* | | |
| | *– 3,070,000 shares held through Cartaban Nominees (Tempatan) Sdn Bhd* | | |
| | *– 17,862,000 shares held through HSBC Nominees (Tempatan) Sdn Bhd* | | |
| | *– 10,584,700 shares held through SBB Nominees (Tempatan) Sdn Bhd* | | |
| | *– 297,900 shares held through DB (Malaysia) Nominee (Tempatan) Sdn Bhd* | | |
| | *– 3,870,400 shares held through RHB Nominees (Tempatan) Sdn Bhd* | | |

# Statistics on Shareholdings
as at 30 June 2008

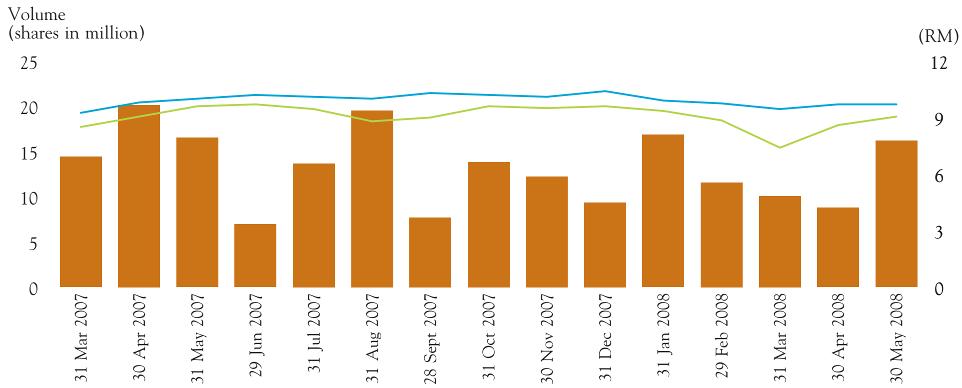
## 30 Largest Shareholders

| No. | Name of Shareholders | No. of Shares | % |
|---|---|---|---|
| 1. | Cartaban Nominees (Tempatan) Sdn Bhd<br>*Petroliam Nasional Berhad (Strategic INV)* | 2,322,512,920 | 62.44 |
| 2. | Employees Provident Fund Board | 331,769,182 | 8.92 |
| 3. | Amanah Raya Nominees (Tempatan) Sdn Bhd<br>*Skim Amanah Saham Bumiputera* | 148,848,500 | 4.00 |
| 4. | Lembaga Kemajuan Tanah Persekutuan (FELDA) | 85,207,500 | 2.29 |
| 5. | State Financial Secretary Sarawak | 61,333,334 | 1.65 |
| 6. | Perbadanan Pembangunan Pulau Pinang | 44,000,000 | 1.18 |
| 7. | Kumpulan Wang Persaraan (DiPerbadankan) | 39,345,200 | 1.06 |
| 8. | Valuecap Sdn Bhd | 38,286,100 | 1.03 |
| 9. | Amanah Raya Nominees (Tempatan) Sdn Bhd<br>*Amanah Saham Wawasan 2020* | 35,975,300 | 0.97 |
| 10. | Lembaga Tabung Haji | 35,731,414 | 0.96 |
| 11. | Amanah Raya Nominees (Tempatan) Sdn Bhd<br>*Amanah Saham Malaysia* | 29,091,400 | 0.78 |
| 12. | Malaysia Nominees (Tempatan) Sendirian Berhad<br>*Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)* | 24,971,000 | 0.67 |
| 13. | Citigroup Nominees (Asing) Sdn Bhd<br>*Exempt AN for Merrill Lynch Pierce Fenner & Smith Incorporated (Foreign)* | 18,351,756 | 0.49 |
| 14. | Citigroup Nominees (Asing) Sdn Bhd<br>*Exempt AN for Mellon Bank (Mellon)* | 18,225,565 | 0.49 |
| 15. | Cartaban Nominees (Asing) Sdn Bhd<br>*Exempt AN for RBC Dexia Investor Services Trust (Clients Account)* | 18,007,000 | 0.48 |
| 16. | HSBC Nominees (Tempatan) Sdn Bhd<br>*Nomura Asset Mgmt Malaysia for Employees Provident Fund* | 17,862,000 | 0.48 |
| 17. | Kerajaan Negeri Pahang | 17,163,600 | 0.46 |
| 18. | Amanah Raya Nominees (Tempatan) Sdn Bhd<br>*Amanah Saham Didik* | 14,022,500 | 0.38 |
| 19. | HSBC Nominees (Asing) Sdn Bhd<br>*Exempt AN for JPMorgan Chase Bank, National Association (U.S.A)* | 12,026,900 | 0.32 |
| 20. | SBB Nominees (Tempatan) Sdn Bhd<br>*Employees Provident Fund Board* | 10,584,700 | 0.28 |
| 21. | Alliancegroup Nominees (Tempatan) Sdn Bhd<br>*PHEIM Asset Management Sdn Bhd for Employees Provident Fund* | 9,540,200 | 0.26 |
| 22. | Citigroup Nominees (Tempatan) Sdn Bhd<br>*Exempt AN for Prudential Fund Management Berhad* | 9,537,834 | 0.26 |
| 23. | Cartaban Nominees (Asing) Sdn Bhd<br>*Investors Bank And Trust Company for Ishares, Inc.* | 9,028,800 | 0.24 |
| 24. | Cartaban Nominees (Tempatan) Sdn Bhd<br>*Petronas for Petronas Retirement Benefit Scheme* | 8,703,500 | 0.23 |
| 25. | HSBC Nominees (Asing) Sdn Bhd<br>*BBH And Co Boston for Vanguard Emerging Markets Stock Index Fund* | 8,492,065 | 0.23 |
| 26. | HSBC Nominees (Asing) Sdn Bhd<br>*TNTC for Mondrian Emerging Markets Equity Fund L. P.* | 8,038,400 | 0.22 |
| 27. | HSBC Nominees (Asing) Sdn Bhd<br>*Exempt AN for JPMorgan Chase Bank, National Association (U.A.E)* | 7,986,414 | 0.21 |
| 28. | Amsec Nominees (Tempatan) Sdn Bhd<br>*AmTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-Dali)* | 6,248,300 | 0.17 |
| 29. | Cartaban Nominees (Asing) Sdn Bhd<br>*SSBT Fund 4IB4 for Harding Loevner Funds INC (Emer MKTS Port)* | 6,017,900 | 0.16 |
| 30. | Citigroup Nominees (Tempatan) Sdn Bhd<br>*Exempt AN for American International Assurance Berhad* | 6,012,566 | 0.16 |
| | Total | 3,402,921,850 | 91.48 |

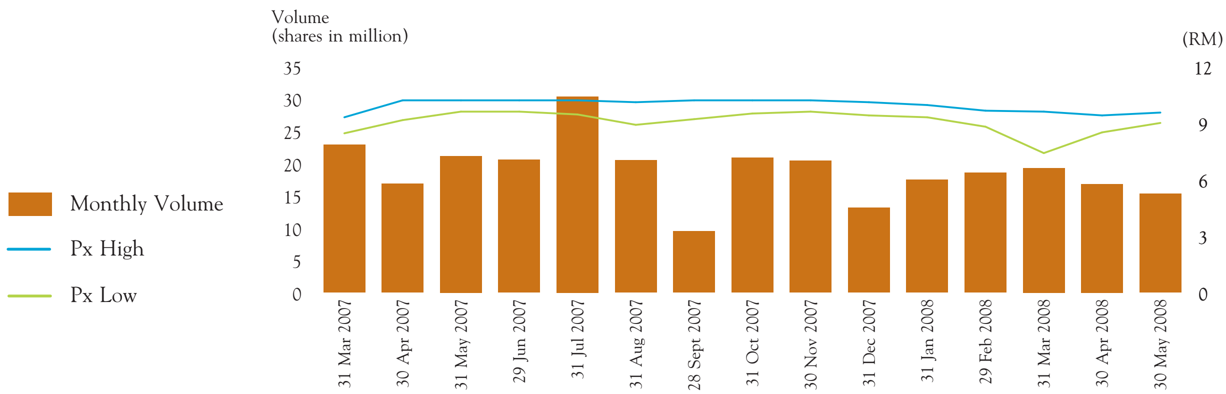
# Share Performance
## as at 30 June 2008



### MISC Local Shares




### MISC Foreign Shares




### List of Announcements Submitted to Bursa Malaysia

| | |
|---|---|
| 11.05.07 | MISC Group's Fund Raising Exercise |
| 05.07.07 | Order Confirmation for Eight Chemical Tanker Newbuildings |
| 16.08.07 | 1st Quarter Results for FY2007 / 08 |
| 04.10.07 | Joint Venture Between MISC Berhad and Dialog Group Berhad |
| 10.10.07 | FPSO Contract Awarded to MISC / PTSC Consortium |
| 22.11.07 | 2nd Quarter Results for FY2007 / 08 |
| 22.01.08 | MISC Berhad Proposed Reversed Take-Over of Ramunia Holdings Berhad Via Disposal by MISC, Through Its Wholly-Owned Subsidiary, MSE Holdings Sdn Bhd (MSEH) of Its Entire Equity Interest in Malaysia Marine and Heavy Engineering Sdn Bhd |
| 29.01.08 | Joint Venture Between MISC Berhad, Nigerian National Petroleum Corporation, Hyundai Industries Co Ltd and Deepwater Shipping and Maritime Company Limited |
| 21.02.08 | 3rd Quarter Results for FY2007 / 08 |
| 17.03.08 | Changes of the Position of President / Chief Executive Officer and in Board Composition of MISC Berhad |
| 26.03.08 | Joint Venture Between MISC Berhad and Petroleum Technical Services Corporation |
| 29.04.08 | Joint Venture Between MISC Berhad and Pelabuhan Tanjung Pelepas Sdn Bhd |
| 12.05.08 | 4th Quarter Results for FY2007 / 08 |

Source: Bursa Malaysia Berhad

# Financial Calendar

## 2007

| | Quarterly Results | Dividends | Annual Report | AGM |
|---|---|---|---|---|
| 16 AUG | Quarter 1 Announced | | | AGM |
| 22 NOV | Quarter 2 Announced | Interim Dividend Announced | | |
| 24 DEC | | Interim Dividend Paid | | |

## 2008

| | Quarterly Results | Dividends | Annual Report | AGM |
|---|---|---|---|---|
| 21 FEB | Quarter 3 Announced | | | |
| 12 MAY | Quarter 4 Announced | Interim Dividend Announced | | |
| 29 AUG | | Interim Dividend Payable | | |
| 23 JUL | | | Annual Report Issued | |
| 18 AUG | | | | AGM |

**Chairman**
Tan Sri Dato Sri Mohd Hassan bin Marican

**President / Chief Executive Officer**
Dato' Shamsul Azhar bin Abbas

**Directors**
Dato Sri Liang Kim Bang

Dato' Halipah binti Esa

Harry K Menon

Dato' Kalsom binti Abd Rahman

Datuk Nasarudin bin Md Idris

Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah

Ahmad Nizam bin Salleh

Dato' Ibrahim Mahaludin bin Puteh
(Alternate Director to Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah)

**Company Secretaries**
Fadzillah binti Kamaruddin (LS 0008989)
Nor Eliza binti Musa @ Ayob (MAICSA 1035207)

**Registered Office**
Level 25, Menara Dayabumi, Jalan Sultan Hishamuddin
50050 Kuala Lumpur
tel +603 2273 8088
fax +603 2273 6602
telex Naline MA 30325, MA 32449
cable MALAYASHIP KUALA LUMPUR
www.misc.com.my

**Auditors**
Ernst & Young, Level 23A, Menara Milenium, Jalan Damanlela
Pusat Bandar Damansara, 50490 Kuala Lumpur

**Share Registrar**
Symphony Share Registrars Sdn Bhd
Level 26, Menara Multi Purpose Capital Square
No 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
tel +603 2721 2222
fax +603 2721 2531

**Audit Committee Members**
Dato' Halipah binti Esa* (Chairman), Dato Sri Liang Kim Bang*, Harry K Menon*, Dato' Kalsom binti Abd Rahman*

* Independent non-executive Director

**Form of Legal Entity**
Incorporated on 6 November 1968 as a public company limited by shares under the Companies Act 1965.

**Place of Incorporation and Domicile**
Malaysia

**Stock Exchange Listing**
The Main Board of Bursa Malaysia Securities Berhad

# gaining competitive advantage

Companies face incredible pressure in global markets. To survive in such an atmosphere, companies need to develop a competitive advantage by accelerating innovation, developing operations excellence and empowering human capital.

Used for holding things together, the elasticity and strength of the rubber band allows it to be flexible to different situations, while maintaining a strong hold.

from left to right: Tan Sri Dato Sri Mohd Hassan bin Marican, Dato' Shamsul Azhar bin Abbas

*"Resilient people face challenges and they do not break down."*

**Chairman**
**Tan Sri Dato Sri Mohd Hassan bin Marican**, a Malaysian aged 55, was appointed to the Board of Directors of MISC on 3 October 1997. He attended all the eight Board Meetings of the Company held in the financial year under review.

A Fellow of the Institute of Chartered Accountants in England and Wales, as well as a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants, Tan Sri Dato Sri Mohd Hassan joined Petroliam Nasional Berhad (PETRONAS) in 1989 as Senior Vice President of Finance and was subsequently appointed as President and Chief Executive Officer in February 1995. Besides sitting as a Board member of PETRONAS Board of Directors, Tan Sri Dato Sri Hassan is also Chairman of PETRONAS Gas Berhad, a public listed subsidiary of PETRONAS and Chairman of Engen Limited, South Africa's leading oil refining and marketing company, a subsidiary of PETRONAS.

Beyond PETRONAS, Tan Sri Dato Sri Hassan is also a Board member of Bank Negara Malaysia and a member of the Board of Malaysia-Thailand Joint Authority, which oversees petroleum development in the overlapping area between Malaysia and Thailand. He is also a member of the International Investment Council for the Republic of South Africa.

He is a Board member of World Economic Forum's (WEF), Partnering Against Corruption Initiative (PACI) and a member of WEF's council of 100 leaders.

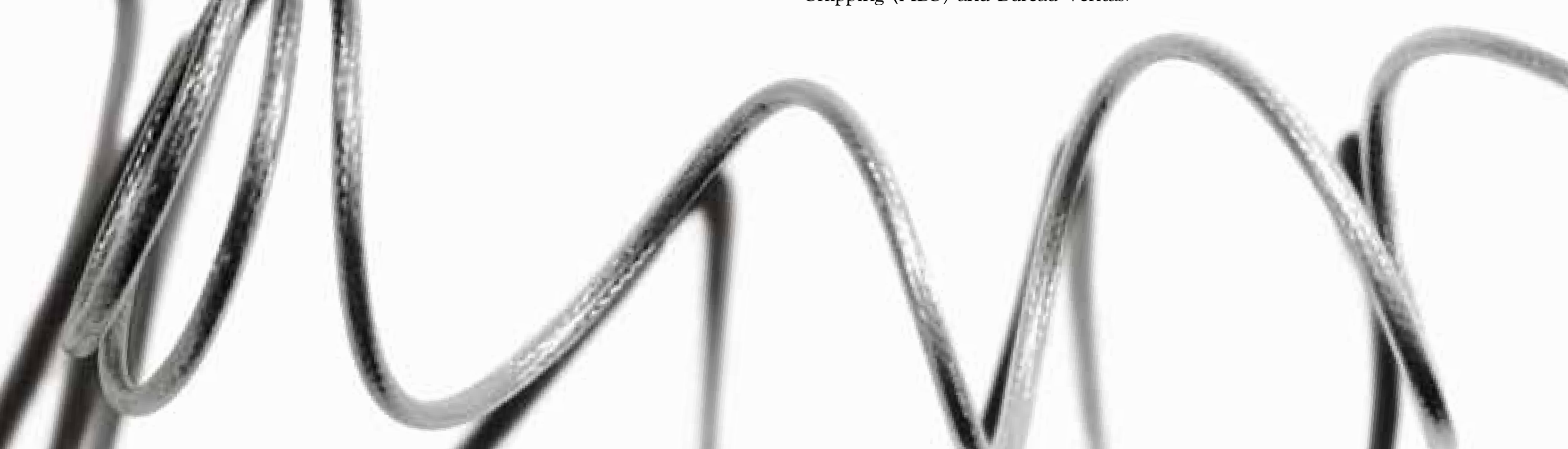
**President / Chief Executive Officer**
**Dato' Shamsul Azhar bin Abbas**, a Malaysian aged 56, was appointed as President / Chief Executive Officer of MISC Berhad on 1 July 2004 and is the Chairman on the Boards of its major subsidiaries under the MISC Berhad Group, namely AET Tanker Holdings Sdn Bhd, Malaysia Marine and Heavy Engineering Sdn Bhd and MISC Integrated Logistics Sdn Bhd. He attended all the eight Board Meetings of the Company held in the financial year under review. He is a member of Petroliam Nasional Berhad (PETRONAS) Management Committee.

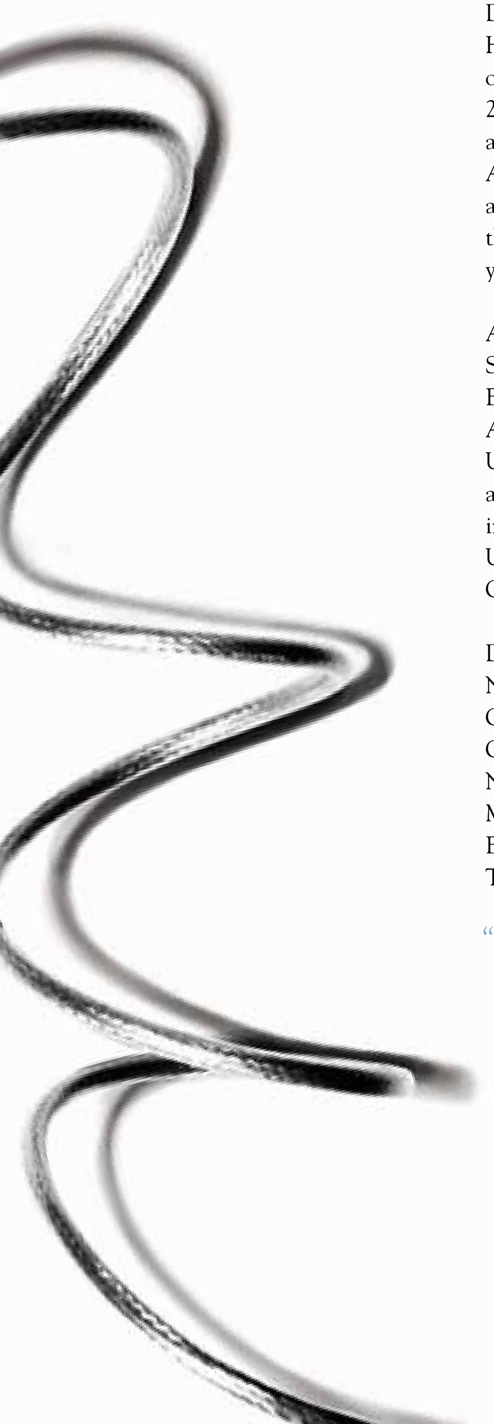
He is also the Chairman of PETRONAS Maritime Services Sdn Bhd, a subsidiary of PETRONAS, and a Director on the Boards of Bintulu Port Holdings Berhad, NCB Holdings Bhd and The London Steamship Owners' Mutual Insurance Association Limited (London P & I Club) as well as a Council Member of American Bureau of Shipping (ABS) and Bureau Veritas.

Dato' Shamsul Azhar holds a degree in Political Science from Science University of Malaysia, a Masters of Science Degree (MSc.) in Energy Management from University of Pennsylvania, USA and a Technical Diploma in Petroleum Economics from Institute Francaise du Petrole (IFP), France.

Dato' Shamsul Azhar joined PETRONAS in 1975 and has held various senior management positions including Senior General Manager, Corporate Planning and Development Division, Vice President (VP) Petrochemical Business, VP Oil Business, VP Exploration and Production Business and VP Logistics & Maritime Business.

*"To sustain continuous profitability within a culture of business professionalism, we need to exhibit nimbleness by retaining and nurturing resilient individuals."*





**Dato Sri Liang Kim Bang**, a Malaysian aged 71, is an Independent Non-Executive Director of MISC Berhad. He was appointed to the Board of Directors of MISC Berhad on 21 November 1972. He is also a member of the MISC Board Audit Committee. He attended all the eight Board Meetings of the Company held in the financial year under review.

A former State Financial Secretary, Sarawak, Dato Sri Liang holds Bachelor of Arts and Bachelor of Arts (Honours) degrees from the University of Malaya, Singapore and did a Post Graduate Course in Public Administration in the University of Cambridge (Trinity College), England in 1962-1963.

Dato Sri Liang Kim Bang is the Non-Executive Chairman of CMS Cement Sdn Bhd, CMS Clinker Sdn Bhd as well as a Non-Executive Director of Cahya Mata Sarawak Berhad, PPB Group Berhad, UBG Berhad and CMS Trust Management Berhad.

*"Progress and staying ahead requires hard work, patience, discipline, total commitment and the ability to anticipate trends, make changes and face challenges – the secret to achieving sustainable development."*

**Harry K Menon**, a Malaysian aged 58, is an Independent Non-Executive Director of MISC Berhad. He was appointed to the Board of Directors of MISC Berhad on 30 August 2001. He is also a member of MISC Board Audit Committee. He attended all the eight Board Meetings of the Company held in the financial year under review.

He is a Fellow of the Institute of Chartered Accountants in England and Wales, a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.

He spent 13 years in public practice with Hanafiah Raslan & Mohamed, of which 7 years as a Partner. He joined Public Bank Berhad as General Manager and was subsequently promoted to Executive Vice President. After serving two public listed companies, he then joined Putrajaya Holdings Sdn Bhd as Chief Operating Officer since 1997 till 2000.

Harry K Menon is presently Chairman of Putrajaya Perdana Berhad and is a Non-Executive Director of SPK-Sentosa Corporation Berhad, M3 Technologies (Asia) Berhad and SCICOM (MSC) Berhad as well as a Director of Putrajaya Holdings Sdn Bhd.

*"Competition promotes conducive and fair ground for all. Persistence ensures resilience."*

from left to right: Dato Sri Liang Kim Bang, Harry K Menon

from left to right: Datuk Nasarudin bin Md Idris, Dato' Halipah binti Esa

*"The ability to weather the storm and persevere – that's resilience."*

**Dato' Halipah binti Esa**, a Malaysian aged 58, was appointed to the Board of MISC Berhad on 26 April 2004. She attended all the eight Board Meetings of the Company held in the financial year under review. She also sits as Chairman of MISC Board Audit Committee.

She graduated with an honours degree majoring in Economics and was later conferred Masters of Economics degree from University of Malaya. She also holds Certificates in Advanced Economic Management from IMF Institute, Washington and the Kiel Institute of World Economics, Germany and a Certificate in Advanced Management Program from Adam Smith Institute, London.

She began her career in 1973 as Assistant Secretary, Administrative and Diplomatic Services in the Economic Planning Unit (EPU) at the Prime Minister's Department and subsequently held various other positions within EPU and became the Deputy Director General Macro from 1999 to 2004 prior to assuming the role of Deputy Secretary General (Policy) with Ministry of Finance until 2005. Thereafter, she became Director General of EPU before retiring in 2006.

Dato' Halipah had been a consultant to the World Bank and United Nations Development Programme (UNDP) in advising the Royal Kingdom of Saudi Arabia on economic planning. She had also provided technical advice to planning agencies in Vietnam, Cambodia, Indonesia and several African countries.

She is the Chairman of Pengurusan Aset Air Berhad and sits on the Boards of Cagamas SME Bhd and KLCC Property Holdings Berhad.

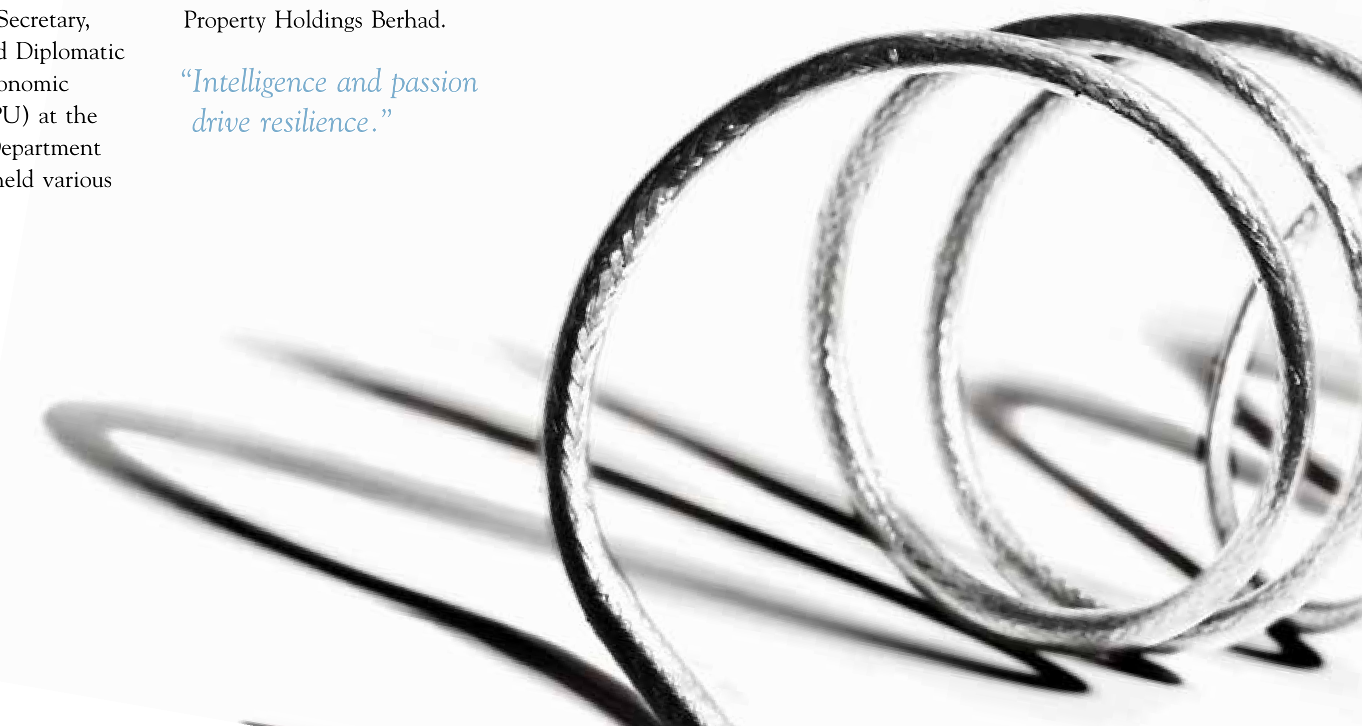
*"Intelligence and passion drive resilience."*

**Datuk Nasarudin bin Md Idris**, a Malaysian aged 53, is a Non-Executive Director of MISC Berhad. He was appointed to the Board of MISC Berhad on 11 October 2004. He attended all the eight Board Meetings of the Company held in the financial year under review.

He obtained his Bachelor of Arts (Honours) from University of Malaya and Masters Degree in Business Administration from Henley-The Management College, United Kingdom (UK). He also obtained a postgraduate diploma in Petroleum Economics from the College of Petroleum Studies, UK.

Since joining Petroliam Nasional Berhad (PETRONAS) in 1978, he has held various managerial positions within the Group including Senior General Manager, Corporate Planning and Development Division, (CPDD); Executive Assistant to the President; General Manager, Retail Business, PETRONAS Dagangan Berhad; General Manager, Marketing, PETRONAS Dagangan Bhd; General Manager, Corporate Development and General Manager, Group Strategic Planning.

Datuk Nasarudin is currently a Vice President of PETRONAS and serves on the Board of PETRONAS and its various other subsidiaries. He is also a member of the Management Committee of PETRONAS.



*"Resiliency can be objectively measured and managed."*

**Dato' Kalsom binti Abd Rahman**, a Malaysian aged 59, is an Independent Non-Executive Director of MISC Berhad. She was appointed to the Board of Directors of MISC Berhad on 27 October 2004. She holds a Bachelor of Economics (Honours) Degree from University of Malaya and Masters Degree in Business Administration (Finance) from University of Oregon, USA. She attended seven out of eight Board Meetings of the Company held in the financial year under review.

She currently sits on the Boards of Malaysian Industrial Development Finance Berhad (MIDF), Chemical Company of Malaysia Berhad (CCM), Lion Forest Industries Berhad, ASEAN Bintulu Fertilizer Sdn Bhd, Inokom Corporation Sdn Bhd, Hyunmal Motor Sdn Bhd, CCM Chemical Sdn Bhd, MIDF Investment Banking Bhd, MIDF Asset Management and Amanah Scotts Properties Sdn Bhd.

Dato' Kalsom had served in various capacities in the Ministry of International Trade and Industry (MITI) both at Headquarters and Overseas offices, the last post being the Deputy Secretary General (Industry).

*"The ability to bounce back could very well be the most critical skill of the 21st Century."*

**Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah**, a Malaysian aged 56, is an Independent Non-Executive Director of MISC Berhad. He was appointed to the Board of Directors of MISC Berhad on 14 September 2006. He attended seven out of eight Board Meetings of the Company held in the financial year under review.

He holds a Bachelor of Economics (Honours) degree in Applied Economics from University of Malaya and a Master of Philosophy in Development Studies from the Institute of Development Studies, University of Sussex, United Kingdom. Tan Sri Dr. Wan Abdul Aziz went on to earn a Ph.D from the School of Business and Economic Studies, University of Leeds, United Kingdom. In 2004, he attended the Advanced Management Program at Harvard Business School, Harvard University.

He began his career in the Administrative and Diplomatic Service as Assistant Director of the Economic Planning Unit (EPU) in the Prime Minister's Department in 1975. He was later promoted to the position of Senior Assistant Director, Macro-economics in 1984, Senior Assistant Director, Human Resource Section and Director, Energy Section in 1988. In the same year, he was seconded to the World Bank Group in Washington DC, USA, representing Brunei Darussalam, Fiji, Indonesia, Laos PDR, Malaysia, Myanmar, Nepal, Singapore, Thailand, Tonga and Vietnam as Alternate Executive Director. He then served the Ministry of Finance as Deputy Secretary in the Economics and International Division in 2001. He later returned to the EPU in the Prime Minister's Department as Deputy Director General, Macro Planning Division in 2004. In 2005, he was appointed Deputy Secretary General of Treasury (Policy), Federal Treasury in the Ministry of Finance (MOF). He is currently the Secretary General of Treasury in the Ministry of Finance.

He sits on the Boards of Federal Land Development Authority (FELDA), Kumpulan Wang Amanah Persaraan (KWAP), Inland Revenue Board, Petroliam Nasional Berhad (PETRONAS), Kuala Lumpur International Airport Berhad, Malaysia Airlines System Berhad (MAS), Multimedia Development Corporation Sdn Bhd (MDec), Pengurusan Aset Air Berhad, Syarikat Bekalan Air Selangor Sdn Bhd (SYABAS), Pelaburan Hartanah Bumiputera Berhad, Cyberview Sdn Bhd, Bank Negara Malaysia and Pembinaan PFI Sdn Bhd.

Tan Sri Dr. Wan Abdul Aziz also represents the MOF as Member of PEMUDAH, Iskandar Malaysia and Regional Corridor Development Authority (RECODA) Sarawak.

from left to right: Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah, Dato' Kalsom binti Abd Rahman

Ahmad Nizam bin Salleh

Ahmad Nizam bin Salleh, a Malaysian aged 52, is a Non-Executive Director of MISC Berhad. He was appointed to the Board of Directors of MISC Berhad on 9 January 2008 and had since attended three Board Meetings held in the financial year under review.

He was Assistant Project Director, Malaysia LNG (MLNG) 2; Executive Assistant to the President; Senior General Manager Crude Oil Group, PETRONAS Holding Company; Senior General Manager Group Treasury, PETRONAS Holding Company prior to holding the post of Managing Director / Chief Executive Officer of MLNG companies. Effective 1 November 2007, he assumed the responsibility as the Vice President, Corporate Services, PETRONAS.

He is also a member of PETRONAS Management Committee and holds several directorships within PETRONAS Group of Companies.

Ahmad Nizam obtained his Bachelor of Business Administration from Ohio State University and attended the Advanced Management Programme of Wharton School, University of Pennsylvania in the United States of America.

*"The greater part of progress is the desire to progress."*

Dato' Shamsul Azhar bin Abbas is the President / Chief Executive Officer of MISC Berhad on 1 July 2004 and is the Chairman on the Boards of its major subsidiaries under the MISC Berhad Group, namely AET Tanker Holdings Sdn Bhd, Malaysia Marine and Heavy Engineering Sdn Bhd and MISC Integrated Logistics Sdn Bhd. He is a member of Petroliam Nasional Berhad (PETRONAS) Management Committee.

He is also the Chairman of PETRONAS Maritime Services Sdn Bhd, a subsidiary of PETRONAS, and a Director on the Boards of Bintulu Port Holdings Berhad, NCB Holdings Bhd and The London Steamship Owners' Mutual Insurance Association Limited (London P & I Club) as well as a Council Member of American Bureau of Shipping (ABS) and Bureau Veritas.

Dato' Shamsul Azhar holds a degree in Political Science from Science University of Malaysia, a Masters of Science Degree (MSc.) in Energy Management from University of Pennsylvania, USA and a Technical Diploma in Petroleum Economics from Institute Francaise du Petrole (IFP), France.

He joined PETRONAS in 1975 and has held various senior management positions including Senior General Manager, Corporate Planning and Development Division, Vice President (VP) Petrochemical Business, VP Oil Business, VP Exploration and Production Business and VP Logistics & Maritime Business.

**Dato' Shamsul Azhar bin Abbas**
President / Chief Executive Officer of MISC Berhad

# Senior Management Profile

Amir Hamzah bin Azizan was appointed as the President / Chief Executive Officer of AET Tankers Holdings Sdn Bhd on 1 April 2005 and sits on various boards within the AET Group.

He graduated with a Bachelor of Science degree in Management (majoring in Finance and Economics) from Syracuse University, New York. He had also attended the Stanford Executive Programme at Stanford University, U.S.A. and the Corporate Finance Evening Programme at the London Business School, United Kingdom.

Amir Hamzah joined MISC in 2000 and was the Group's General Manager of Corporate Planning Services. Subsequently in 2004 he was the Regional Business Director (Europe, Americas, Africa and FSU) of MISC based in London, United Kingdom before assuming his current role in 2005.

Prior to joining MISC, he served the Shell Group of Companies for 10 years in various capacities including Head of Financial Services and Manager, Planning & Support at Sarawak Shell Berhad, Marketing Credit Accountant at Shell Singapore Pte Ltd, Internal Auditor at Shell Eastern Petroleum Pte Ltd, and Senior Treasury Advisor at Shell International Ltd., London.

He is a Board member of UK P&I Club, Star Energy Group plc and Milford Energy Limited as well as an Executive Committee member of Intertanko and a council member of the American Bureau of Shipping.

Nordin bin Mat Yusoff has been the Vice President, Fleet Management Services since 1 April 2005. He graduated from the University of Glasgow, Scotland with a degree in Naval Architecture & Ocean Engineering and is a registered Professional Engineer with the Board of Engineers, Malaysia.

He joined PETRONAS in 1989 and had served in various capacities in PETRONAS Carigali Sdn Bhd and PETRONAS Tankers Sdn Bhd before joining MISC on 1 April 2001 as a Senior General Manager of Fleet Management Services.

Prior to joining PETRONAS, he was with Malaysia Marine and Heavy Engineering Sdn Bhd (then known as Malaysia Shipyard Engineering Sdn Bhd), a wholly-owned subsidiary of MISC Berhad and was involved in project management of various new

**Amir Hamzah bin Azizan**
President / CEO of AET

**Nordin bin Mat Yusoff**
Vice President, Fleet Management Services

shipbuilding and offshore structures fabrication works.

He currently sits as a Committee Member of various Classification Societies and International Shipping Organisations and a Director of Britannia Steamship Insurance Association Limited as well as Director of various subsidiaries of MISC Berhad. He is also the Chairman of the Malaysian Shipowners' Association.

Gunaseharan a / l R Ganapathy joined MISC Berhad on 4 January 1976 and was appointed Vice President, LNG Business on 1 April 2005. He obtained his Masters of Business Administration Degree from the University of Bath, U.K. He had also completed the Qualifying Examination of the Institute of Chartered Shipbrokers, London.

He began his career with MISC Shore Services in 1992 before being promoted as the Project Manager, Petroleum Services and was later appointed as General Manager, Petroleum Business in 2002. Subsequently, he was appointed as General Manager, Tanker Business being responsible for the newly merged Petroleum & Chemical Services.

Gunaseharan a / l R Ganapathy sits as a Board member of several MISC subsidiaries and joint-venture companies within the Group.

Noraini binti Che Dan was appointed Vice President, Finance on 1 April 2005. She graduated from University of Manchester with an honours degree in Economics.

A member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accounts, she had served Pernas International Holdings Berhad for 15 years in various capacities including Group General Manager, Finance and Chief Financial Officer, prior to joining MISC Berhad on 1 June 2003 as General Manager, Finance Division.

She also holds directorships in Labuan Reinsurance (L) Ltd, and various other subsidiaries and joint-venture companies within MISC.

**Gunaseharan a / l R Ganapathy**
Vice President,
LNG Business

**Noraini binti Che Dan**
Vice President,
Finance

Niels Kim Balling was appointed as the Vice President, Liner Business on 1 April 2005.

He obtained his education in Maritime Law from Denmark and had since attended executive trainings from University of Wisconsin, Massachusetts Institute of Technology and Stanford-NUS in Singapore.

He is a member of the World Shipping Council and the International Council of Container Operators.

He was the Managing Director of Econships Ltd. (Econships), a management consulting practice, serving amongst others, Fortune 50 and Government-linked companies in Asia, within the energy, retail, transport and aerospace sectors prior to joining MISC Berhad on 15 March 2004.

During his tenure with Econships, he was also the project leader for the Hong Kong Government in developing its maritime cluster. He had also served a number of years with Orient Overseas Container Line and A.P. Moller, the parent company of Maersk Line. Niels was also active within the Council of Logistics Management USA, International Chamber of Commerce, Pacific Basin Economic Council and served on the advisory council for Hong Kong University, MBA faculty.

Niels also sits as a Board member of several MISC subsidiaries and joint-venture companies within the Group.

**Niels Kim Balling**
Vice President,
Liner Business

Zahar Mohd Hashim bin Zainuddin is the Vice President, Offshore Business, since 1 April 2005. He graduated in Marine Engineering from South Shields in the United Kingdom holding a Class 1 Marine Engineering and Class 1 Steam Certificate of Competencies.

Zahar Mohd Hashim is a member of the Malaysian Institute of Certified Engineers. He also attended the INSEAD Senior Management Development Program.

Having over 26 years of experience in shipbuilding, ship operations and project management, he had served in various capacities within PETRONAS Group, including heading the LNG fleet operations and the technical liason office in Japan.

He had also served MISC as Senior Manager LNG & Tanker

**Zahar Mohd Hashim bin Zainuddin**
Vice President,
Offshore Business

Fleet Operations, FPSO Senior Project Manager and General Manager, Offshore Business.

Zahar Mohd Hashim sits as a Board member of several MISC subsidiaries and joint-venture companies within the Group and is the Chairman of the Technical Committee for the Malaysia Shipowners' Association.

Ahmad Hafifi bin Ibrahim is the Vice President, Human Resources Management.

He holds a Degree in Law from the University of London, United Kingdom and a Certificate of Legal Practice from the University of Malaya. He joined PETRONAS in January 1980 and had held various positions in company secretarial and legal services area relating to exploration and production, manufacturing, sales and marketing, property and project management. He was the Company Secretary and General Manager, Commercial Division for PETRONAS Gas Berhad from 1995 to 1999. He was made Chief Executive Officer of Gas District Cooling (Holdings) Sdn. Bhd. from January 2000 to May 2005 before assuming his current position on 1 June 2005.

Ahmad Hafifi also sits as a Board Member of several MISC subsidiaries and joint-venture companies within the Group.

Hilmi bin Mohd Nashir was appointed as the Managing Director / Chief Executive Officer of MISC Integrated Logistics Sdn Bhd (MILS), a wholly-owned subsidiary of MISC Berhad on 1 April 2005. He graduated from University of Malaya with an Honours Degree in Economics majoring in Analytical Economics.

He had served PETRONAS Group for over 25 years with various roles and experience ranging from Project Evaluation, Internal Audit, Contract Management, Vendor Development, Treasury and Project Management prior to joining MISC in April 2001 as General Manager, MISC Trucking & Warehousing Sdn Bhd. He was also the Chief Operating Officer of MISC Haulage Services Sdn Bhd.

Hilmi currently sits as a Board member of several MISC subsidiaries and joint-venture companies within the Group.

**Ahmad Hafifi bin Ibrahim**
Vice President, Human Resources Management

**Hilmi bin Mohd Nashir**
Managing Director / Chief Executive Officer of MISC Integrated Logistics Sdn Bhd (MILS)

# Senior Management Profile

Hor Weng Yew was appointed Vice President, Chemical Business effective 1 April 2008 after serving the same division in the capacity of Senior General Manager, a position he held since 1 September 2006.

He holds a Bachelor of Arts (Economics) Degree from the National University of Singapore and obtained his MSc in Shipping, Trade & Finance (Distinction) from the City University Business School, London.

He began his career with Neptune Orient Lines Limited (NOL) in 1989 and was involved in the strategy and business planning initiatives for American Eagle Tanker Inc Ltd (AET), a subsidiary of NOL, since its inception in 1994.

He joined MISC Berhad in July 2003, following the acquisition of AET by MISC. He was later seconded to London to set up MISC Regional Office and was made Director of Regional Business in June 2005.

Hor Weng Yew sits as a Board member of several MISC subsidiaries, joint-venture as well as associated companies within the Group.

Wan Yusoff bin Wan Hamat was seconded from PETRONAS as the Managing Director / Chief Executive Officer of Malaysia Marine and Heavy Engineering Sdn Bhd (MMHE) (then known as Malaysia Shipyard and Engineering Sdn Bhd), a wholly-owned subsidiary of MISC Berhad on 1 May 2004. He later joined MISC Berhad on 1 April 2005 as the Managing Director / Chief Executive Officer of MMHE.

He graduated from Birmingham University, United Kingdom with an Honours Degree in Engineering Production.

In the 27 years that he had served PETRONAS, he had held various senior managerial positions in the development and operation of refining and petchem ventures including MTBE (M) Sdn Bhd, PETRONAS Penapisan (Terengganu) Sdn Bhd, PETRONAS Penapisan (Melaka) Sdn. Bhd. and Aromatics Malaysia Sdn Bhd. In 1999 and thereafter, he assumed the position of Managing Director and Chief Executive Officer of PETRONAS Penapisan (Terengganu) Sdn Bhd.

Wan Yusoff also sits as a Board member of several MISC subsidiaries and joint-venture companies within the Group.

**Hor Weng Yew**
Vice President,
Chemical Business

**Wan Yusoff bin Wan Hamat**
Managing Director /
Chief Executive Officer
of Malaysia Marine and
Heavy Engineering Sdn
Bhd (MMHE)

Yee Yang Chien was appointed Vice President, Corporate Planning and Development on 1 April 2008. He holds degrees in Financial Accounting / Management and Economics from the University of Sheffield, United Kingdom (UK).

He was an auditor prior to being involved in the equity research and investment banking arena with various local and international financial institutions over a span of 10 years. He had since focused mainly on corporate planning work and had also previously served MISC Berhad for two years since 2003 in which he was involved in the acquisition of the current MISC subsidiary, AET Group (AET).

He had also served as Group Vice President of Corporate Planning, AET, UK from June 2005 prior to joining MISC Berhad.

Yee Yang Chien also sits as a Board member of several MISC subsidiaries and joint-venture companies within the Group.

Fadzillah binti Kamaruddin was appointed as the Senior General Manager of Legal & Corporate Secretarial Affairs Division (LCSA) on 1 January 2008 and the Company Secretary of MISC Berhad on 1 November 2007.

She obtained her LLB (Honours) degree from Nottingham University, United Kingdom and was further conferred a Barrister-at-Law (Lincoln's Inn). She began her legal career with the Advisory and International Division, Attorney-General's Chambers and in 1999, she joined the Ministry of International Trade and Industry as its Legal Adviser until 2003. She then served PETRONAS Carigali Sdn Bhd, a subsidiary of PETRONAS as Senior Legal Counsel, Domestic Operations, before joining MISC Berhad as General Manager, LCSA on 1 July 2005.

Fadzillah is also the Company Secretary of several MISC subsidiaries and joint-venture companies within MISC Group.

**Yee Yang Chien**
Vice President,
Corporate Planning
and Development

**Fadzillah binti Kamaruddin**
Senior General Manager
of Legal & Corporate
Secretarial Affairs /
Company Secretary

# Board Audit Committee

## Membership

The Board Audit Committee comprises four Independent Non-Executive Directors as follows:

Dato' Halipah binti Esa (Chairman)
Dato Sri Liang Kim Bang
Harry K Menon
Dato' Kalsom binti Abd Rahman

## Terms of Reference

### Constitution

The Board Audit Committee (the "Committee") was established on 28 June 1993.

### Composition

The Committee shall be appointed by the Board from amongst its directors and shall consist of not less than three (3) members with the majority being Independent Directors.

At least one (1) member of the Committee must be a member of the Malaysian Institute of Accountants (MIA) or have at least three (3) years working experience and have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967 or be a member of one of the associations of accountants specified by Part II of the 1st Schedule of the Accountants Act 1967.

No Alternate Director can be appointed a member of the Committee.

### Chairman of Committee

The members of the Committee shall elect a Chairman from among their number who shall be an Independent Director.

### Attendance at Meetings

The President / Chief Executive Officer, the Vice President Finance, the General Manager Internal Audit and representative of the external auditors shall normally attend meetings. However, at least once a year, the Committee shall be with the external auditors without any Executive Board Member present. A quorum shall be two members.

The General Manager Internal Audit shall be the Secretary of the Committee.

At the conclusion of each meeting, recommendations were made for the Management to improve the internal controls, procedures and systems of the Group, wherever applicable.

### Frequency of Meetings

Meetings shall be held not less than three (3) times a year. The external auditors may request a meeting if they consider that one is necessary.

During the financial year ended 31 March 2008, the Audit Committee held four (4) meetings of which all members were present.

## Authority

The Committee is authorised by the Board to investigate any activity within its Terms of Reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

The Committee is also authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

## Duties

The duties of the Committee shall include the following and other duties as may be determined by the Board from time to time:

Review, appraise, report and make appropriate recommendations to the Board of Directors on:

a. the audit plan, evaluation of the system of internal controls and their audit report with the external auditors;

b. the assistance and co-operation given by the employees of the Corporation to the external auditors;

c. the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;

d. the internal audit programme, processes, the results of the internal audits, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit functions;

e. the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:

   i. changes in or implementation of major accounting policy changes;

   ii. significant and unusual events; and

   iii. compliance with accounting standards and other legal requirements;

f. any related party transaction and conflict of interest situation that may arise within the Corporation or Group including any transaction, procedure or course of conduct that raise questions of management integrity;

g. the quality and effectiveness of the entire accounting and internal control system of the Group;

h. the propriety of accounting policies adopted by Management and accepted by the External Auditors, where alternatives are also acceptable.

i. the effects of any change in accounting principles or of any development emanating from the accounting profession or any statutory authority;

j. the adequacy of the disclosure of information essential for a fair and full presentation of the financial affairs of the Group;

k. Any significant difficulties encountered or material discoveries and findings made by the Internal or External Auditors.

l. the firm of External Auditors retained by the Group and the fees payable to the External Auditors and any change in their fees, and recommendation, if any, to retain or replace such firm in the ensuing year.

## Trainings

During the year, the Chairman and one of the Audit Committee Members had attended the following forum and seminar:

i. Recent Changes in the Corporate Legal Framework towards Better Corporate Governance – Its Implications on Directors' Duties;

ii. Directors' Duties, Governance and Liabilities 2007; and

iii. Audit Committee Forum: Meeting New Audit Committee Challenges

## Roles and Functions:

### Group Internal Audit

In the discharge of its duties, the Committee is strongly supported by the Group Internal Audit (GIA) department. GIA which functionally reports directly to the Committee, conducts independent audit reviews to ensure there are effective risk monitoring, internal controls, governance process and compliance procedures to provide the level of assurance required by the Board.

In conducting their independent audits, GIA placed emphasis on risk-based auditing approach which forms an integral part of the audit plans. The key in solving lapses in internal control is the submission of audit findings, recommendations on audit issues and execution of the Agreed Corrective Actions which are encompassed in the audit reports. Such regular monitoring is essential to ensure the integrity and effectiveness of the Group's system of internal control.

### Ship Management Audit

The Ship Management Audit Division, which reports regularly to the Management Audit Committee ("MAC") and Board Audit Committee, performs independent scheduled audits on the MISC Group vessels. The audits are designed to verify, evaluate and review the relevant management sytem activities, relating results comply with the planned arrangements and effective implementation. The audits are also designed to ensure vessels' integrity is maintained with on-going maintenance to enhance the safety and reliability at all times.

MISC Group vessels are subject to stringent audits, vettings / inspections to meet various regulatory and commercial requirements. There include vettings by oil majors and audits by the Malaysian Maritime Authority and ship classification societies to maintain international safety and security management certification under the relevant Codes.

In addition, the Group is also subject to periodic management reviews by our customers' risk management entities such as EXXON MOBIL, British Petroleum Plc (BP), Chevron Texaco, SHELL and Broken-Hill Properties (BHP).

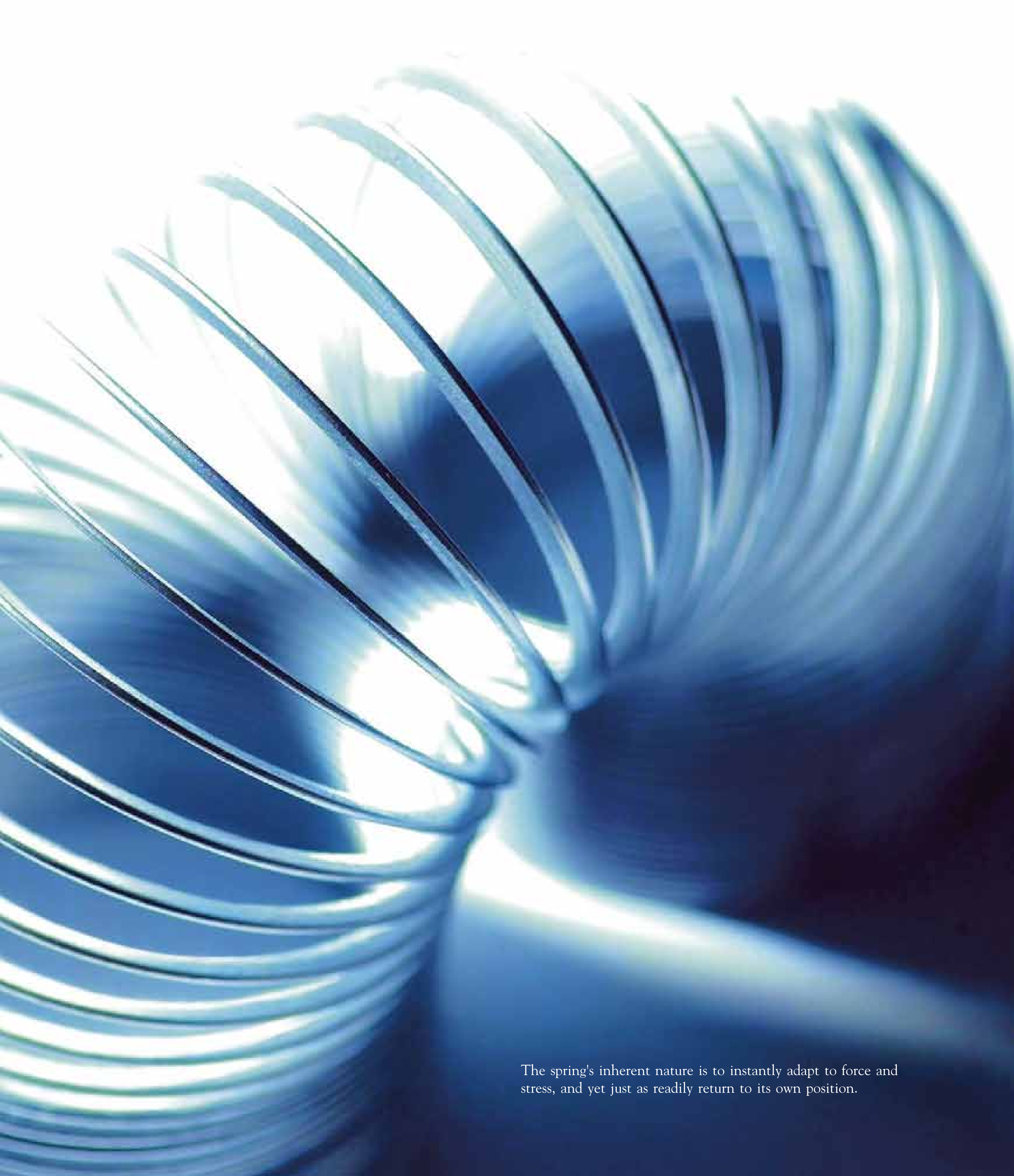
The Ship Management Audit Division would submit its findings and recommendations on corrective actions of each ship audited to the respective Fleet Management. The monitoring of follow-ups and the status of the corrective actions is maintained on bi-monthly basis. On a quarterly as well as annual basis, these findings are analysed and consolidated reports are submitted to the MAC for review, comments and further actions. The BAC is also updated on the status of the corrective action as appropriate.

### Reporting Procedures

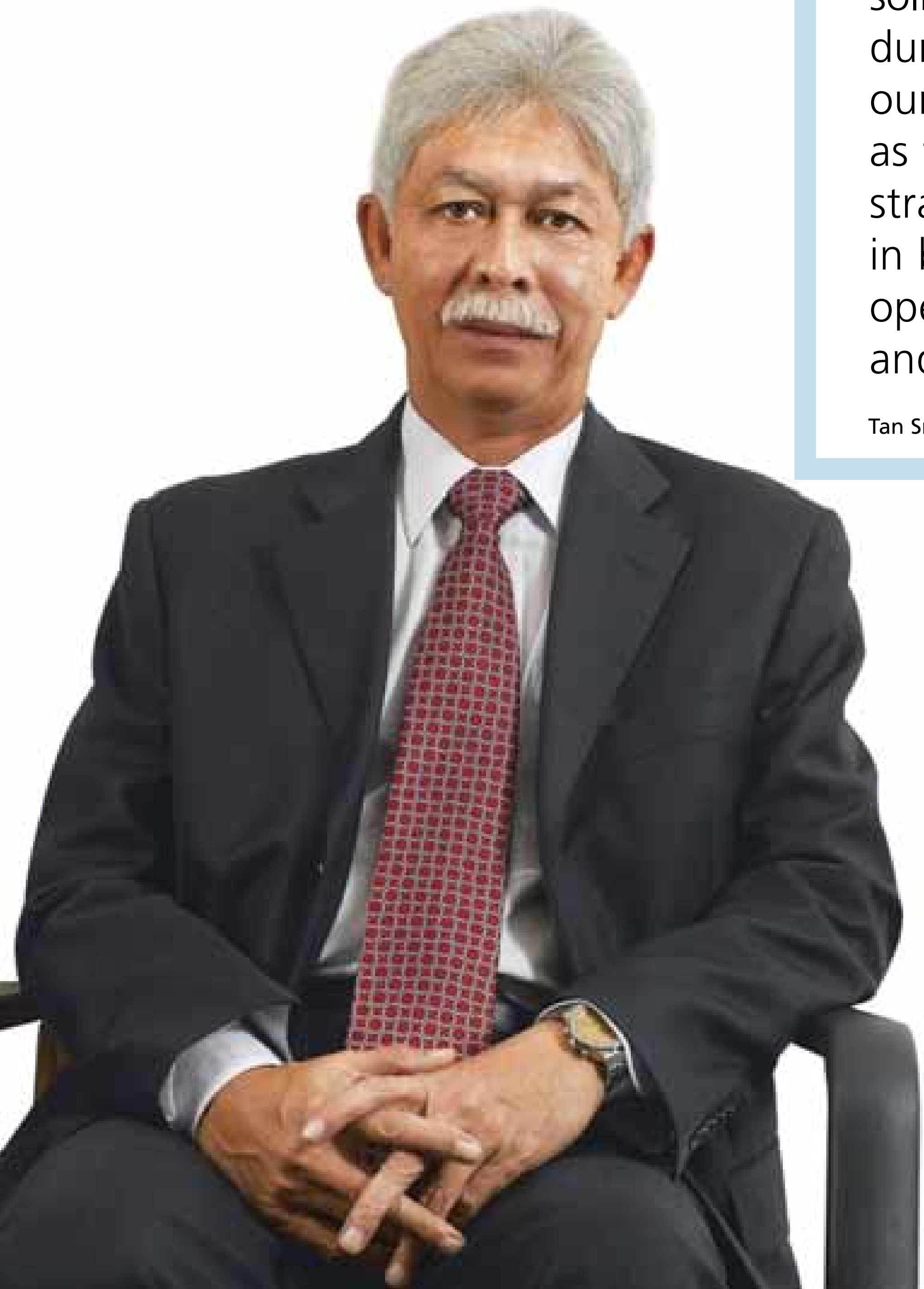
Minutes of Meetings of the Committee were circulated to all members of the Board, and significant issues were discussed at the Board Meetings.

# the adaptation imperative

Resilience is a form of industry elasticity. It allows anyone or any organisation to stretch and bend – to rebound without breaking under the most turbulent situations.



The spring's inherent nature is to instantly adapt to force and stress, and yet just as readily return to its own position.



"MISC was able to sustain a solid financial performance during the year through our ability to adapt as well as timely execution of strategies and initiatives in business expansion, operational efficiency and cost management."

Tan Sri Dato Sri Mohd Hassan bin Marican

## On behalf of the Board of Directors, it gives me great pleasure to present the Annual Report of MISC Berhad (MISC) for the financial year ended 31 March 2008.

The year under review was a challenging year for MISC and the global shipping industry as heavy delivery of vessels, the financial fallout from the subprime crisis in the US and the slowing down of the global economy resulted in the weakening of freight rates. In addition, the general increase in commodity prices in particular the surge in crude oil prices had negatively impacted MISC's operational cost.

Despite these challenges, MISC was able to sustain a solid financial performance during the year through our ability to adapt as well as timely execution of strategies and initiatives in business expansion, operational efficiency and cost management.

### Financial Performance

During the fiscal year, MISC Group generated a revenue of RM12,957.4 million, an increase of 15.7% from RM 11,198.9 million recorded in the previous year. Despite higher revenue, profit before tax declined by 11.0 % from RM2,930.3 million to RM2,609.4 million primarily due to weaker freight rates and higher operating costs, largely attributable to the steep increase in bunker fuel prices by 44%.

Earnings per share reduced from 76.7 sen to 65.3 sen while net tangible assets per share decreased from RM4.80 to RM4.78. Debt to equity ratio increased from 0.37 times to 0.41 times.

### Dividend

The Board of Directors is pleased to recommend a final dividend of 20 sen per share, tax exempt. Together with the interim dividend of 15 sen per share, tax exempt, declared and paid in December 2007, the total dividend for the financial year will be 35 sen per share, tax exempt.

### Corporate Development

MISC Group's vision of becoming a global champion in energy transportation and logistics services continued to be anchored on our three core pillars – global energy shipping, capability driven heavy engineering services and integrated liner logistics. Supported by continuous human resource development emphasising on building leadership and capabilities, we continued to showcase our competitiveness that has gotten us thus far.

During the year, MISC took delivery of three new LNG tankers bringing our LNG fleet size to 26 tankers. We also expanded our businesses further by securing new and additional long term contracts with BG Group and entered the Nigerian LNG shipping market through the successful formation of a joint venture company, Nikorma Transport Limited.

As planned, AET took delivery of two Aframax class tankers, while the Group took delivery of three Very Large Crude Carriers (VLCCs), increasing the Group's VLCC fleet to 11. To protect its revenue from a softening freight market, new time charters have been added to the business portfolio of AET while maintaining a strict eye on cost management.

Our chemical shipping arm will take delivery of another eight new 45,000 dwt chemical tankers by 2011, enlarging our chemical fleet to 29 tankers. To leverage on further opportunities along the energy value chain, MISC has entered into the development of value added tank terminal business through our joint venture with Dialog Group Berhad. This move is expected to strengthen our position in the competitive chemical shipping market.

In the offshore business, the completion of FPSO Kikeh has charted a significant milestone for MISC while supporting Malaysia's aspirations of becoming a regional deepwater hub. FPSO Kikeh made its way to the Kikeh Field offshore Sabah in April 2007 and commenced first oil in August 2007.

During the year under review, we also enhanced our international presence in the offshore market through a joint venture with Petroleum Technical Services of Vietnam (PTSC) while Malaysia Marine and Heavy Engineering Sdn Bhd (MMHE) further strengthened its international foothold by taking up full ownership of the Kiyanly Fabrication Yard in Turkmenistan, servicing PETRONAS Carigali and potential third party customers in the Caspian Sea region.

In the liner business, we registered a positive, sustainable performance, mainly due to stronger freight rates especially in the Europe service during the first half of the year. However, rising operating cost continued to be a main challenge to the liner business. MISC Integrated Logistics Sdn Bhd (MILS) continued to prove its ability to cope with the competitive environment with focused efforts on the MILS Logistics Hub (MLH) and joint ventures to enhance our capabilities and strengthen our services.

## Future Outlook

The global shipping industry is expected to be more competitive and challenging in the upcoming year as substantial new capacity will be delivered, adding pressure to the softening freight rate environment. In view of the challenging business environment, MISC will continue to enhance and add value to its business by looking into further integration within its present portfolio of businesses and building institutional capabilities. In the longer term, this is expected to strengthen our position through efficiency improvement. MISC will also continue to leverage on strategic partnerships for growth opportunities.

The Group will further improve its LNG transportation capacity with deliveries of three LNG tankers between 2008 and 2009, enlarging its LNG fleet to 29 and strengthening its position as the world's largest single owner and operator of LNG tankers. AET will defend its global leadership position in the Aframax market particularly in the lightering business in the US with sufficient hedge being built into its business portfolio to weather a softening market.

Future prospects of the chemical shipping business appears bright with continued business growth in the vegetable oil, palm oil and tank terminal businesses. The business will also optimise its vessel deployment and operating strategies to be the premier global chemical tanker operator of choice.


The offshore and heavy engineering sectors are expected to grow further with active exploration and production activities, especially in the deepwater sector. In January 2008, MISC announced the proposed reverse take-over of Ramunia Holdings Berhad through the disposal of its entire equity interest in MMHE to Ramunia. MISC will hold more than 70% of Ramunia upon completion of the exercise, expected in the fourth quarter of 2008. The proposed reverse take-over represents a significant step in the consolidation of the fabrication sector of the country's oil and gas support and services industry. The enlarged entity is expected to derive synergistic benefits of yard capacity expansion as well as sharing of expertise and resources, placing it in a better position to compete and expand both in Malaysia and internationally.

The liner business will remain vigilant on cost management through effective cost strategies and focus, especially in a high bunker fuel price environment and strengthening its yield management activities.

MISC will continue to focus on the development of human capital to ensure sustainability and remain competitive to build resilience to face the challenging market environment. Human capital development through capability building continues to be one of our market differentiators. This people enhancement endeavour on our part will in essence, help us to realise our vision to be the preferred provider of world-class maritime transportation and logistics services.

## Appreciation

As we grow and expand our reach as one of the region's leading energy transportation provider, I would like to extend my gratitude to those who have seen us sail through the years of success stories and exultant moments.

I wish to take this opportunity to thank my fellow Board members for their support and guidance. Your collective efforts and wise counsel continue to help guide our 'ship' through the calm and rough journeys encountered in this increasingly challenging global shipping arena.

My gratitude also goes out to our shareholders, clients, affiliates and partners for their continued trust and belief in MISC. I would also like to register my appreciation to the Government of Malaysia and various regulatory bodies for their support and assistance.

Last, but by no means least, my sincere appreciation goes to the employees of the MISC Group for their loyalty, dedication and commitment that have been instrumental in the Group's ongoing success.

**Tan Sri Dato Sri Mohd Hassan bin Marican**
Chairman
12 May 2008, Kuala Lumpur

# Statement on Corporate Governance

The Board of Directors of MISC Berhad (the "Board") is committed in ensuring the highest standards of corporate governance are applied throughout the MISC Berhad Group (the "Group"). The Board fully supports the principles of Corporate Governance as laid down in the Malaysian Code of Corporate Governance (the "Code") and strives to adopt the substance behind corporate governance prescriptions. The Board is pleased to disclose the Group's application of the Principles as set out in Part 1 of the Code.

## The Board

An experienced and dedicated Board consisting of members with a wide range of financial, business and public service backgrounds leads and controls the Group effectively. The Group recognises the vital role played by the Board in the stewardship of its direction and operations, and ultimately the enhancement of long term shareholders' value. The Directors bring depth and diversity in their expertise to the leadership of the challenging and highly competitive maritime and integrated logistics business.

The Board reserves material matters to itself for decision, which includes the overall Group strategies and directions, acquisitions and divestment policies, approval of major capital expenditure projects, plans and budgets and significant financial matters, as well as human capital policies including succession planning for top management.

### a. Board Composition

i. The Board has a balanced composition of executive and non-executive Directors. More than one-third (1 / 3) of the Board consist of independent Directors, which is in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("LR").

   The Board comprises nine (9) Directors. The Chairman is a Non-Executive Director, whilst the President / Chief Executive Officer ("CEO") is an Executive Director. Five (5) of the remaining seven (7) Directors are Independent Non-Executive Directors.

   A brief profile of each Director is presented on pages 34 to 42 of this Annual Report.

ii. There is a clear division of responsibilities between the roles of the Chairman and the President / Chief Executive Officer to ensure a balance of power and authority.

   The Chairman is primarily responsible for the orderly conduct and working of the Board whilst the President / CEO is responsible for the overall operations of the business, organisational effectiveness and the implementation of the Board's strategies and policies. The President / CEO is assisted by the Management Committee in managing the business on a day-to-day basis.

iii. The five (5) Non-Executive Directors are independent of management and free from any business or other relationships that could materially interfere with the exercise of their independent judgement. They have the calibre to ensure that the strategies proposed by the Management are fully deliberated and examined in the long term interest of the Group, as well as the shareholders, employees and customers.

## b. Board Meetings

Board meetings are scheduled in advance at the beginning of the new financial year to enable Directors to plan ahead and fit the year's meetings into their own schedules. The Board meets at least six (6) times yearly. Additional meetings are held as and when required.

During the twelve (12) months ended 31 March 2008, eight (8) meetings of the Board were held. Details of the attendance are as follows:

| Board of Directors | Number of Meetings attended |
|---|---|
| Tan Sri Dato Sri Mohd Hassan bin Marican | 8 |
| Dato' Shamsul Azhar bin Abbas | 8 |
| Dato Sri Liang Kim Bang | 8 |
| Harry K Menon | 8 |
| Dato Halipah binti Esa | 8 |
| Datuk Nasarudin bin Md Idris | 8 |
| Dato' Kalsom binti Abd Rahman | 7 |
| Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah | 7 |
| Ahmad Nizam bin Salleh (appointed on the Board on 9 January 2008) | 3 |

The agenda and a full set of Board papers for consideration are distributed prior to the Board meeting to ensure that Directors have sufficient time to read and be properly prepared for discussion at the meetings.

Comprehensive and balanced financial and non-financial information are encapsulated in the papers covering amongst others, strategic, operational, regulatory, marketing and human resource issues.

Minutes of the Board meetings which include a record of the decisions and resolutions of the Board meetings are properly maintained by the Company Secretary.

The Directors have unhindered access to the advice and services of the Company Secretary who is responsible for ensuring that Board meeting procedures are followed and that applicable rules and regulations are complied with.

## c. Appointment and Re-election of Directors

In accordance with the provisions of the Corporation's Articles of Association, at least one-third (1 / 3) of the Directors shall retire from office at least once every three (3) years but shall be eligible for re-election. Directors who are appointed by the Board shall hold office until the next Annual General Meeting of the Corporation and shall then retire and be eligible for re-election by the Shareholders.

All Directors have no family relationship with and are not related to each other and / or major shareholders of MISC. They do not have any conflict of interest with MISC and have not been convicted of any offences within the past ten (10) years.

### d. Nomination Committee

Since the composition of the Board of Directors comprised mainly of Non-Executive Directors, the Board had, for the past years, assumed the function of a Nomination Committee.

This Committee is empowered to bring to the Board its recommendations on the appointment of new Executive and Non-Executive Directors and the re-election of Directors who retire by rotation in accordance with the Corporation's Articles of Association.

All members of the Board participate in assessing, identifying, recruiting, nominating, appointing and orienting suitable candidates who can contribute effectively to the growth of the Corporation. Any Board member who has interest in any matter raised by the Committee abstains himself from the deliberations and voting.

The Committee also ensures that the Board has an appropriate balance of expertise and abilities. The effectiveness of the Board as a whole and the contribution of each Director are also assessed.

### e. Directors' Training

All the Directors have attended the Mandatory Accreditation Programme (MAP), in compliance with the LR.

Directors are encouraged to attend continuous education programme, talks, seminars, workshops, conferences and other training programs to enhance their skill and knowledge and to ensure Directors are kept abreast with new developments in the business environment.

During the financial year under review, all Directors have attended the relevant training programs to further enhance their knowledge to enable them to discharge their duties and responsibilities more effectively.

### f. Remuneration Committee

Since the Board of Directors comprised mainly of Non-Executive Directors, the full Board had, for the past years, assumed the function of a Remuneration Committee. The committee decides on the remuneration policy and terms of conditions of service for the Group as well as the remuneration of members of the Management Committee and members of the Board. The Directors do not participate in the deliberations and voting on decisions in respect of their own remuneration packages.

Matters concerning the remuneration of senior management staff of the company are considered by the Management Development Committee.

## Accountability and Audit

### a. Audit Committee

The Audit Committee consists of four (4) Independent Non-Executive Directors, with Dato' Halipah binti Esa as Chairman. The composition and Terms of Reference of the Audit Committee are also provided on page 50 to 53 of this Report. The Audit Committee met four (4) times during the financial year.

The External Auditor, the Vice President Finance, the General Manager of Internal Audit and the General Manager of Ship Management Audit were in attendance at all the meetings.

Details of attendance are provided below:

### Audit Committee Attendance Record

(1 April 2007 – 31 March 2008)

| Members | Meetings Attended | Maximum Possible to Attend |
|---|---|---|
| Dato' Halipah binti Isa | 4 | 4 |
| Dato Sri Liang Kim Bang | 4 | 4 |
| Harry K Menon | 4 | 4 |
| Dato' Kalsom binti Abd Rahman | 4 | 4 |

Harry K Menon, who possesses the stipulated accountancy qualification, was appointed as a member of the Audit Committee on 13 November 2001.

In addition to the duties and responsibilities set out in the Terms of Reference, the Audit Committee also acts as a forum for discussion on internal control issues and contributes to the Board's review of the effectiveness of the Company's internal control and risk management system. The Audit Committee also conducts a review of the internal audit functions and ensures that no restrictions are placed on the scope of statutory audits and on the independence of the internal audit functions.

The Audit Committee meets the external auditors to discuss annual financial statements and their audit findings.

To manage confidentiality issues, Board Audit Committee meetings are held on the same day as the Board of Directors meetings. The minutes of the Board Audit Committee are formally tabled to the Board for notation and action, where necessary.

### b. Internal Control

Information on the Group's internal control is presented in the Statement on Internal Control set out on pages 64 to 69 of this Report.

### c. Relationship with External Auditors

The Board ensures that there are formal and transparent arrangements for the maintenance of an objective and professional relationship with the external auditors.

### d. Directors' Remuneration

Currently, the annual fees of RM60,000.00 and RM36,000.00 are being paid to the Chairman and all Non-Executive Directors respectively. In addition, for every meeting attended, a meeting allowance of RM400 is paid to the Chairman and all Non-Executive Directors.

# Statement on Internal Control

The Malaysian Code on Corporate Governance requires the Board of Directors of public listed companies to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets.

Bursa Malaysia Listing Requirements, Paragraph 15.27(b) requires the Board to make a statement about the state of internal control of the listed entity as a Group.

The Board of MISC Berhad (The Board) is committed to continuously improve the Group's system of internal control and is pleased to provide the following statement.

## Accountability of The Board

The Board acknowledges its overall responsibility for the Group's system of internal control and its effectiveness to safeguard the shareholders' investment and the Group's assets. This includes reviewing the strategic direction, financial, operational and compliance controls and the risk management policies and procedures.

The Board defines risk parameters and standards guided by the corporate objective to maximise long term shareholders' value whilst meeting the needs of the customers, employees and all related stakeholders. In discharging its stewardship responsibilities, the Board has defined the risk management framework to identify the key risk areas, evaluate the impact and set broad strategic policies relating to the risks and the relevant controls thereof, of which details are set-out in the following pages. This is then delegated to the Management to implement the Board's direction and policies on risk and control.

It should be noted that the system of internal control is designed to manage and control risks appropriately rather than eliminating the risk of failure, to achieve business objectives. Accordingly, these internal controls systems can only provide reasonable and not absolute assurance against material misstatement or loss or the occurrence of unforeseeable circumstances.

The Board confirms that there is a continuous process for identifying, evaluating and managing the significant risks faced by the Group, which has been in place for the financial year under review.

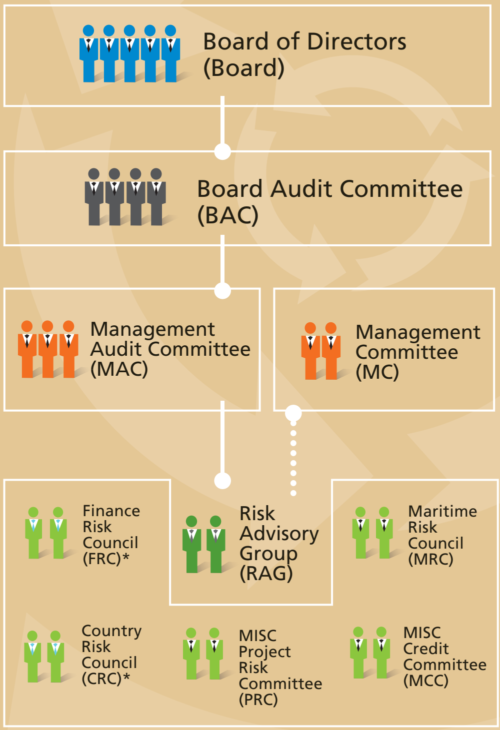
The process is regularly reviewed by the Board and is in accordance with the guidance as contained in the publication – **Statement on Internal Control : Guidance for Directors of Public Listed Companies**.

## Risk Management Framework

The Board has endorsed the establishment of a Risk Advisory Group (RAG) and identified that MISC Berhad and its group of companies (MISC) is exposed to five (5) major risk categories, namely Maritime Risk, Credit Risk, Country Risk, Finance Risk and Project Risk.

Simultaneously, risk committee / councils were formed to manage each risk category and be accountable to the RAG on any issues and developments pertaining to the respective risk areas.

A proper risk management structure and reporting framework has been established to ensure risks are being monitored, assessed and reviewed regularly as reflected below:




Note *: represented at PETRONAS' respective councils

The RAG comprises certain members of the Management Committee (MC) and is responsible to oversee the overall risk management function in MISC and to advise the President / CEO and MC on issues relating to :

- policies, procedures and guidelines related to risk management in line with market changes over time
- positions and exposures to ensure compliance with Group policy and recommend corrective actions
- issues arising from business lines and recommend solutions to Management
- risk limits

The RAG is required to meet and update any risk management issues on a regular basis to the President / CEO, Management Audit Committee (MAC) and Board Audit Committee (BAC) which then updates the Board.

The **Maritime Risk Council (MRC)** is responsible to ensure various maritime-related risks are identified and all necessary measures are in place for MISC to comply with the stringent international safety and environmental standards. Continuous assessment and profiling is carried out to ensure preventive and recovery measures are adequate in the challenging maritime environment. The Council has developed the Maritime Risk Management Framework and Guidelines in order to ensure that maritime risks are managed in a structured manner. Further improvement actions have been identified for implementation to ensure that the impact of maritime risk exposure can be mitigated or further reduced.

The **MISC Credit Committee (MCC)** regularly reviews the credit risk and advises on appropriate measures to improve existing credit control procedures and practices and the quality of Trade Accounts Receivables. The MCC formulates its credit & trading risk based on the credit & trading operational guideline issued by the **PETRONAS Group's Credit & Trading Risk Council (CTRC)**. The credit & trading risk framework and guidelines have been developed to ensure all matters relating to credit & trading risk are being addressed accordingly.

MISC has a representative in the **PETRONAS Country Risk Council (CRC)** which allows the Group to leverage on resources of PETRONAS Group in managing country risks. At the same time, MISC has also developed the Country Risk Management Framework and Guidelines as a guide in managing country risks. The framework and guidelines would facilitate a structured and consistent approach in managing country risks.

MISC manages its finance risk exposure through the establishment of finance risk management guidelines which is in line with the PETRONAS risk management framework. Finance risk includes interest rate risk, foreign currency risk, counterparty risk, liquidity risk, price risk, bunker price risk and operation control risk. As a member of the **PETRONAS Finance Risk Council (FRC)**, managing the Group finance risk exposures is carried out on an integrated basis. The FRC is a forum which proactively discusses, reviews and monitors finance risk exposure at Group level and makes appropriate recommendations to companies within the Group. MISC will continuously enhance its risk policies and guidelines to be in line with the PETRONAS Corporate Financial Policy to further strengthen its finance risk management practices and approaches.

The **MISC Project Risk Committee (PRC)** was set up in March 2008. The PRC's responsibility is to oversee the development and implementation of all best practices on project risk management for MISC Group. The PRC will also provide strategic direction, guidance and recommendations to the RAG on project risk management issues.

MISC benefits from being part of the PETRONAS Group, which has an established Risk Management Committee, which defines, develops and recommends risk management strategies and policies for the PETRONAS Group. In addition, the Risk Management Committee also coordinates group-wide risk management in terms of building risk management awareness and capabilities, monitoring the risk exposures and planning responses to potential major risk events.

## Key Processes

The process of governing the effectiveness and integrity of the system of internal control is carried throughout the various areas as follows:

1. The **BAC** operates within its terms of reference and the **MAC** performs an important role in ensuring that there are effective risk monitoring and compliance procedures to provide the level of assurance required by the Board.

2. **Senior Management** sets the tone for an effective control culture in the organisation through the company's shared values, developed to focus on the importance of these four key values:

   - Loyalty
   - Integrity
   - Professionalism
   - Cohesiveness

   The importance of the shared values is manifested in the Corporation's Code of Conduct for Officers and Staff which is issued to all staff upon joining. Employees are required to strictly adhere to the Code in performing their duties.

3. **MISC Group Internal Audit (GIA)**, reporting to the BAC, performs independent planned approved audits and initiatives within the Group to evaluate and assess the effectiveness of risk management, internal control and governance process. GIA also conducts additional assurance assignments upon request by the Management, MAC or BAC. The BAC reviews audit reports and also conducts half yearly and yearly assessments on the adequacy of GIA's scope of work, functions and resources including its annual audit plan and strategy.

   Prior to submission to the BAC, GIA submits the findings and recommendations on audit issues to the MAC for executive reviews. The deliberations and decisions are shared during BAC meetings.

   The key in solving lapses in internal controls is the execution of the Agreed Corrective Actions which are encompassed in the audit reports. GIA monitors the status of their implementation through the Quarterly Audit Status Report of which they are recorded and analysed. The consolidated reports are submitted and presented to the MAC and BAC for deliberations and endorsement.

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

4. The **Ship Management Audit** Division, which reports regularly to the MAC and BAC, performs independent scheduled audits on the MISC Group vessels. The audit objectives are to verify, evaluate and review the Group's operational activities to ensure the vessels' operational integrity and reliability are maintained at all times, consistent with international regulations and internal policies.

   MISC Group vessels are subject to stringent audits, vettings / inspections to meet various regulatory and commercial requirements. These include vettings by oil majors and audits by the Malaysian Marine Department and ship classification societies to maintain international safety and security management certification under the relevant Codes. In addition, MISC is also subject to periodic management reviews by our customers' risk management units such as EXXON MOBIL, British Petroleum Plc (BP), Chevron Texaco, SHELL and Broken-Hill Properties (BHP).

Ship Management Audit provides assurance to the customers' risk management units for acceptance and maintenance of relevant safety management certification issued by Malaysia Marine Department.

The Ship Management Audit Division submits its findings and recommendations on corrective actions of each ship audited to the Fleet Management Services Division. The monitoring and follow-up on the status of the corrective actions is maintained monthly until closure. On a quarterly as well as annual basis, audit findings on each ship audited are collated and analysed into a consolidated report. The consolidated reports are submitted and presented at the MAC for review, comments and further actions. The BAC is also updated as appropriate.

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

   There is also a **Corporate Security (CSD)** Division which maintains a clear policy, procedures and framework with the aim to continuously monitor adherence to established industry security standards as well as international security standards applicable under the relevant codes.

## Other Significant Elements Of Internal Control Systems

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

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

3. The Group performs a **comprehensive annual budgeting and planning exercise** including the development of business strategies for the next five years, and establishment of performance indicators against which business units and subsidiary companies can be evaluated. Variances against the budget are analysed and reported internally on a monthly and quarterly basis and reported quarterly to the Board. The Group's strategic directions are also reviewed semi-annually taking into account changes in market conditions and significant business risks.

4. There is a clear procedure for **investment appraisal** including equity investment or divestment and capital expenditure. Tender Committees are established to ensure tender evaluation exercises are conducted in an effective, transparent and fair manner.

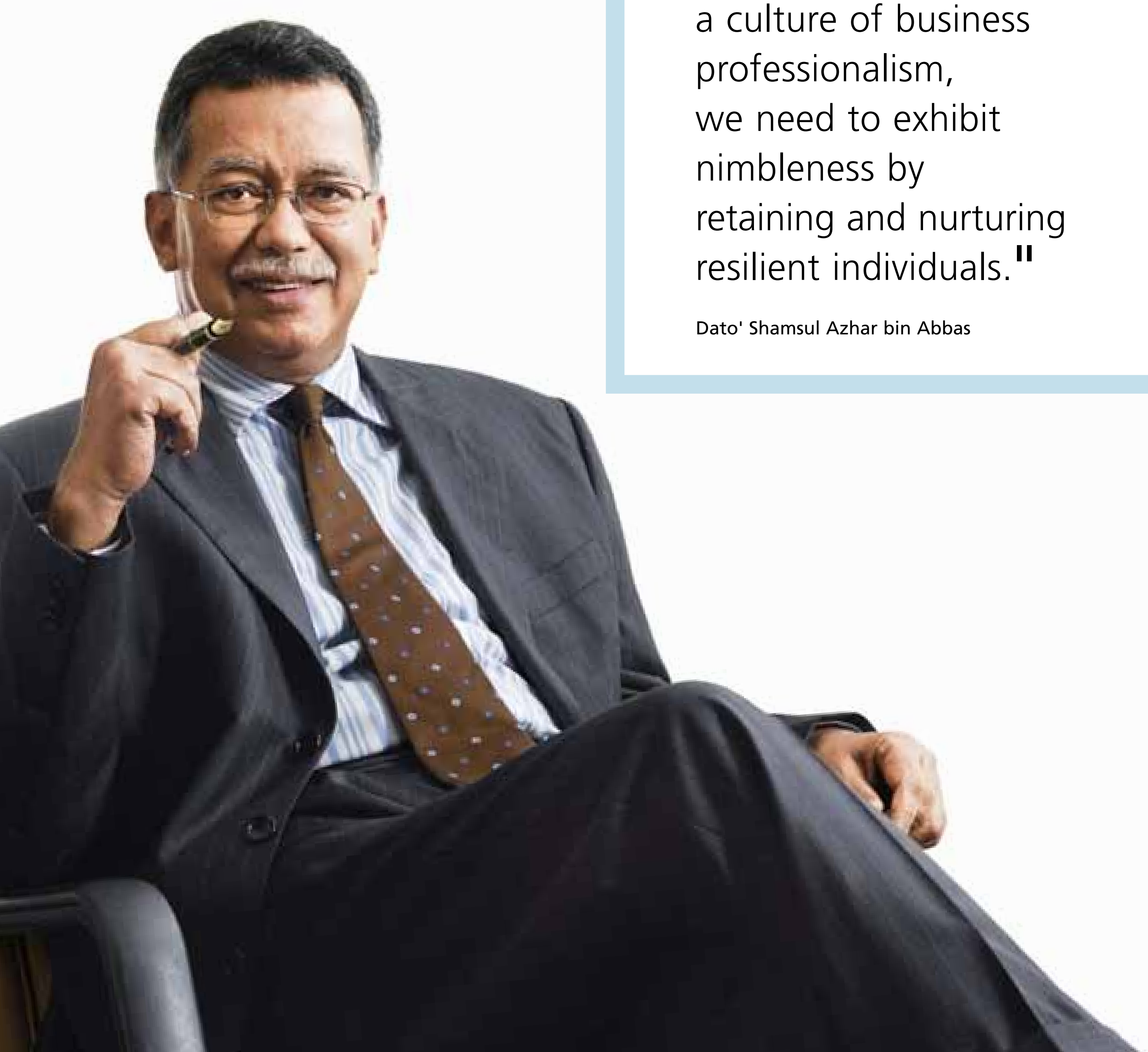
5. Information and Communications Technology (ICT) is extensively employed in MISC to automate work processes and to collect key business information. MISC's information and communication system, which acts as an enabler to improve business processes, work productivity and decision making, are being implemented throughout the Group. An Information and Communications Technology Steering Committee (ICTSC) is established to provide strategic directions and guidance to ICT initiatives. Progress of ICT initiatives are monitored and reported at the ICTSC meetings to ensure smooth implementation. System reviews are initiated and conducted to confirm adequate controls are being established in order to adhere to the Company's business objectives, policies and procedures. Quarterly reports presented to the MAC and BAC and agreed corrective actions are taken to address any non-compliances.

6. The professionalism and competency of staff are enhanced through a structured training and development program and potential entrants / candidates are subject to a stringent recruitment process. A performance management system is in place, with established key performance indicators (KPIs) to measure staff performance and the performance review is conducted on an annual basis. Action plans to address staff developmental requirements are prepared and implemented timely. This is to ensure that staff are able to deliver their KPIs so that the Corporation can meet its future management requirements.

The Board does not regularly review the internal control system of its associated companies and jointly controlled entities, as the Board does not have any direct control over their operations. Notwithstanding, MISC's interests are served through representation on the board of the respective associated companies and jointly controlled entities, and receipt and review of management accounts and inquiries thereon. These representations also provide the Board with information for timely decision making on the continuity of MISC's investments based on the performance of the associated companies and jointly controlled entities.

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

This statement is made in accordance with the resolution of the Board of Directors dated 12 May 2008.



"To sustain continuous profitability within a culture of business professionalism, we need to exhibit nimbleness by retaining and nurturing resilient individuals."

Dato' Shamsul Azhar bin Abbas

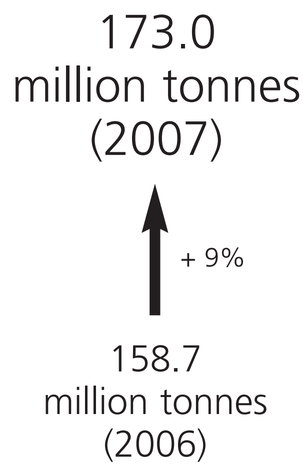
During the year, the global energy shipping segment faced strong competition with the entry of new players and the expansionary plans of existing players, excess capacity with the delivery of new vessels resulting in a lower freight environment. To enhance its competitive advantage, the LNG shipping market is set to move towards leveraging on technology. For petroleum shipping, the business experienced a significant drop in freight rates during the first three quarters of the financial year due to high influx of newbuildings. During the period, the chemical shipping business maintained its performance on top of the challenging freight environment and higher bunker prices. In view of such competitive business environment, we geared our focus on core competencies and strengths to remain resilient amidst the challenging business landscape.

The offshore and heavy engineering businesses continued to expand its business activities due to the increased global demand for energy, which has spurred oil and gas fields' development globally. Development of both small and deepwater offshore fields increased as the higher fuel prices render the development of such fields to be economically viable. In view of these opportunities, MISC channelled its efforts towards capturing most of the requirements for domestic and regional offshore floating terminals while MMHE continued building capabilities in engineering and construction of the facilities.

On a positive note, the liner business experienced a better performance as compared to year 2006 due to stronger freight rates especially in the Europe service during the first half of the financial year. The business focused on managing its high operating costs environment especially escalating bunker prices via effective hedging strategies which resulted in lower bunker cost against the market. The logistics business segment continued to strengthen its position through capacity optimisation and strategically formed partnerships to enhance their market position.

# GLOBAL ENERGY SHIPPING

With technical expertise, on-time delivery and vast experience within the LNG, petroleum and chemical transportation businesses, this segment has garnered acclaimed confidence from our clients.




The global LNG demand

## LNG Business

The global LNG demand for 2007 rose by 9% to 173.0 million tonnes compared to 158.7 million tonnes in 2006 as a result of higher growth in the Americas, particularly in North America, increased imports into Japan as well as growth in emerging markets, namely China and India. Globally, the positive LNG demand spurred higher production of LNG with new projects coming on-stream in the Atlantic Basin and Middle East. As at 31 March 2008, the world LNG carrier fleet stood at 263 vessels, including 34 vessels delivered in 2007.

MISC took delivery of 3 more vessels for the year under review. Seri Bakti was delivered to BG in June 2007 whilst Seri Ayu and Seri Begawan were delivered to MLNG at the end of 2007. With the above, the company now operates a total of 26 LNG carriers serving PETRONAS group and third party customers. Three newbuildings are currently under construction, which are scheduled to be delivered in stages between 2008 and 2009. During the year, MISC delivered a total of 444 cargoes totalling 22.17 million tonnes that was equivalent to 12.7% of world LNG trade. Up to 31 March 2008, MISC has safely delivered 4,951 deliveries totalling 252.6 million tonnes of LNG.

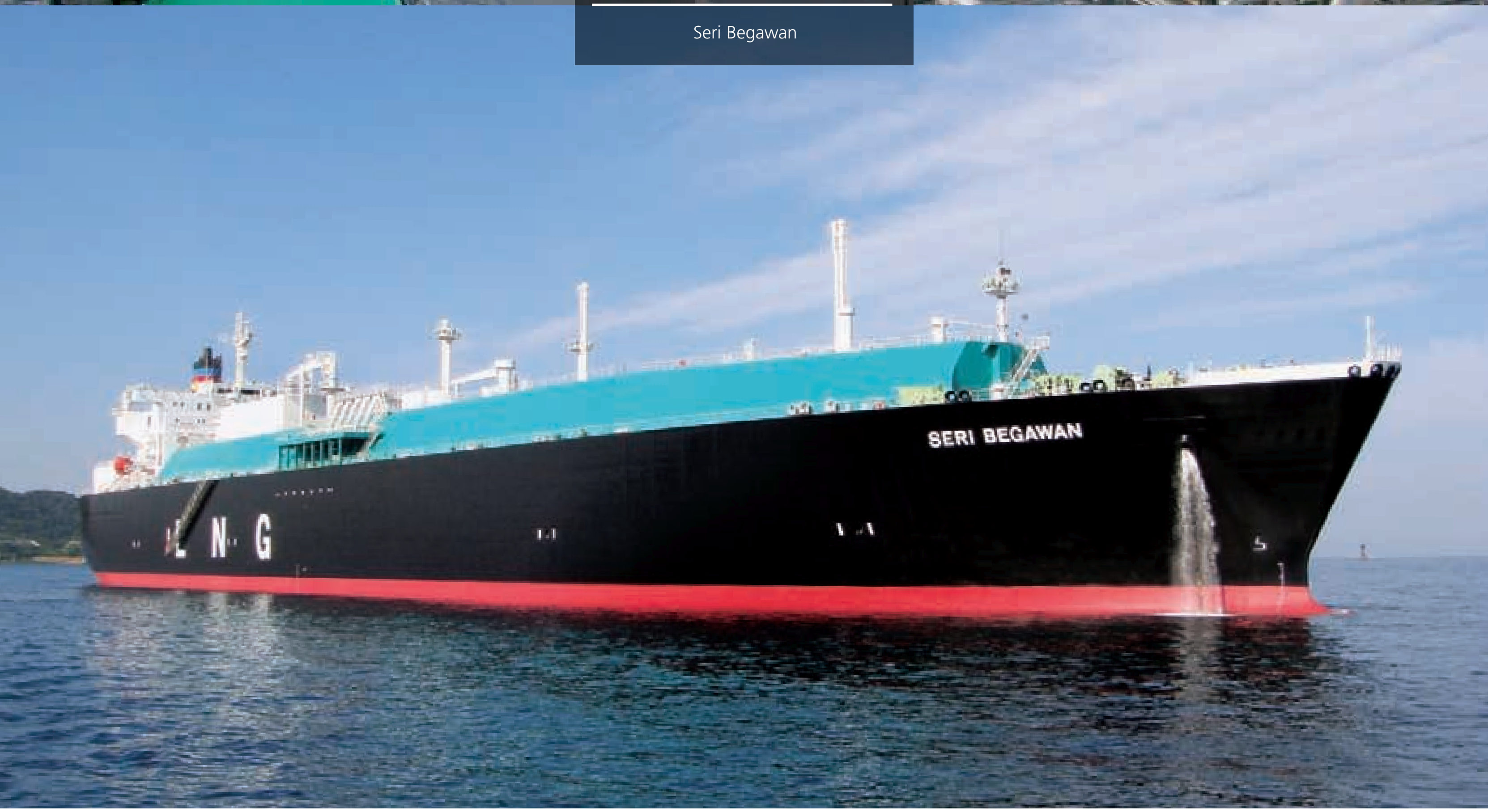
In January 2008, MISC entered into a Shareholders' Agreement with the Nigerian National Petroleum Corporation (NNPC), Hyundai Heavy Industries Co Ltd (HHI) and Deepwater Shipping and Maritime Company to incorporate a Nigerian joint venture company, Nikorma Transport Limited. The joint venture will mark MISC's entry into the LNG industry in Nigeria.

Demand for LNG has a positive outlook and is expected to be in line with the long range forecast of an average annual growth of 8% up to 2015. America, China and India are expected to be the key market drivers due to rising demand for natural gas. Supply constraints are likely to continue in the next financial year resulting from project cost escalation, resource nationalism, volatility in the politics arena of some producing countries, and the ongoing global financial crisis. Notwithstanding the factors mentioned above, global LNG output is set to triple to 538.0 million tonnes per year by 2020 from 173.0 million tonnes per year in 2007.

The overcapacity in LNG vessels is expected to put pressure on charter rates for spot and short-term charters in the next financial year. In the medium term, unfavourable freight rates are still anticipated due to a surplus in supply of vessels which is projected to remain up to end 2011. The excess supply is attributed to delays in the completion of LNG production facilities which has resulted in a mismatch with the delivery of vessels by shipyards. In the long term, MISC will continue to apply a three pronged strategy to support PETRONAS in its LNG transportation and logistics needs, secure long term contracts with third parties and leverage on cross business synergies in line with its aspiration to be a leader in LNG transportation.

Seri Angkasa

Seri Begawan




Bunga Kasturi Enam

Eagle Turin

## Petroleum Business

The year showcased the normal seasonal patterns of freight rates apart from an exaggerated summer slump with certain routes recording their lowest quarterly rates for four or five years. Tonnage demand also showed usual patterns that were influenced by refinery shutdowns and OPEC supply.

In the year under review, the principal strategy of AET expanded to encompass an increased emphasis on the development of AET's presence in the clean product market. In addition, the growth of the fleet has made possible a greater focus on the integration between regions and the development of more sophisticated trading strategies. To secure increased protection from a decline in the freight market, new time charters were secured and added to the overall business portfolio.

In the Americas region, lightering is the core activity, which has a balanced portfolio of voyage, chartering and time charter. For Asia, around half of the businesses were on contract of afreightment (COA)s while the product business was on time charter, mainly serving South East Asia.

On the other hand, the Europe region managed both regional Aframax and global VLCC presence for AET. For Aframax, just under half of the business is in the spot market, trading predominantly on the Mediterranean and the Black Sea. In the VLCC segment, over 60% of the business is spot, mainly with a Western trade focus.

Consistent with AET's plan to further grow our total fleet, several new ships have joined the fleet during the last year. This has been particularly challenging, in view of the high asset prices in the market and the difficulty in obtaining newbuilding slots. The year under review witnessed deliveries of 3 VLCCs, 2 Aframaxes and 3 in-chartered MRs. Apart from that, AET sold and leased back 4 of its older Aframaxes and this was bundled together with 2 second hand vessels which were purchased and added to the sale and leaseback scheme. Additional agreements signed during the year include the agreements for 2 Aframax newbuildings with Tsuneishi, 1 long-term time charter for a MR newbuilding with Meiji and the sale of 50% share of 4 out of 10 Aframax newbuilding slots involving the joint venture with the Restis Group.

AET's most significant initiative in the last year was the global brand launch that commenced in March 2007 which is currently being rolled out across the fleet. To support this exercise, a new logo was added to each vessel and sea staff were assigned with new rebranded uniforms. AET is proud that in October 2007, AET Shipmanagement was awarded the ISO 14001 certificate for environmental management. This noteworthy award demonstrates AET's commitment to the environment and marks a significant milestone to the company.

During the fiscal year, the demand for oil remains buoyant and prices are at historically high levels. Demand growth is driven by China and Middle East whilst supply growth is driven by Russia and Africa. OPEC remains the largest producer with growth coming from new memberships. Though oil prices have been high and may continue to rise, oil demand does not suffer as much, since high oil prices are being subsidised by a weak dollar. On the supply side, IMO 13G phase out is unlikely to have an immediate impact on fleet size, as freight rates are not encouraging vessels to be scrapped. High deliveries in 2008 and 2009, together with a continued lack of scrapping, will further exacerbate the supply situation. This will inevitably result in lower rates in the immediate future.

Despite the challenging environment, AET will aim to continue maintaining its global leadership in the Aframax segment, as well as striving to become one of the top owner-operators of VLCC fleet globally. AET will continue to scout for future merger and acquisition opportunities as it broadens its growth avenues while maintaining an effective cost management programme and upholding its quality of services. It will also aim to develop new markets and specialised segments as well as develop material presence in the clean trade. Concurrently, positive qualitative essence will be enhanced via distinctive reputation for top-quality service, establish a performance-driven culture, manage a balanced portfolio of assets as well as consistent in use of the AET brand globally.

GLOBAL ENERGY SHIPPING

## Chemical Business

In the year under review, the Chemical industry faced challenges mainly due to escalating operating costs and high bunker costs. In addition, the anticipated high freight rates with MARPOL Annex II revisions did not materialise as converted old vessels remain qualified for trading under the new regulations and oversupply of new vessels.

During the year, MISC's Chemical Business' performance was also impacted by more challenging freight environment and higher bunker prices. However, despite the challenging operating environment, MISC sustained the business via expansive business reach to Europe, USA and Asia. During the year, MISC successfully secured new major contracts with Wilmar Trading Pte Ltd, IOI Loders Crocklaan, Vinmar and Ineos Phenol; and renewed contract commitments with Exxon Mobil, Petredec Ltd, PETCO, RAG and Iffochart. In addition, the Chemical Business extended its global footprint beyond the traditional trade routes with the launch of the Far East / USA service and the move into the Trans-Atlantic trade.

Growth continued in the chemical and vegoil market and also through the optimisation of vessel deployment and operating strategies. To support the strategies, the Chemical Business undertook fleet expansion activities by contracting eight 38,000 dwt IMO II chemical tanker newbuildings at STX Shipbuilding and eight 45,000 dwt IMO II chemical tankers at SLS Shipbuilding Co Ltd Korea for deliveries respectively in 2009 / 2010 and 2010 / 2011. In addition, MISC entered into long-term charters of four new 19,000 dwt stainless steel chemical tankers from Fukuoka Shipbuilding Co Ltd Japan for deliveries in 2010 / 2011 that come up to a total of twenty newbuildings. On top of that, MISC chartered-in seven vessels that provided additional 242,910 dwt to the existing vessel portfolio for short-term business expansion plan. The six single-hulled Anggerik and Semarak class tankers were chartered-out on long-term charter.

During the year under review, the business also embarked on a niche segment along the value chain via the development of value added tank terminal business. In October 2007, MISC signed a Shareholders Agreement with Dialog Group Berhad to jointly develop, manage, operate and maintain tank terminals at the Port of Tanjung Langsat. The tank storage and terminaling capabilities will enable MISC to offer additional services to MISC selected customers.

In the ensuing years, the demand for chemicals, vegetable oil and palm oil will continue to experience healthy growth. Moving forward, MISC Chemical Business segment will continue to optimise all business operations, expanding the business in niche chemical and palm oil shipping markets in the process, in order to achieve our vision to be a premier global chemical tanker operator.


Bunga Melati 6


Bunga Kantan Satu

# OTHER ENERGY BUSINESSES

The related energy business segment have achieved significant improvements with the development and commissioning of its inaugural deepwater FPSO facility. The heavy engineering sectors have complimented one another in achieving new frontiers.

## Offshore Business

Soaring oil prices, coupled with declining oil reserves, led to robust exploration and production activities and expenditure, which sanctioned oil and gas companies to further exploit stranded, marginal and deepwater offshore fields. These key demand factors continue to fuel demand for offshore production facilities, particularly for FPSO and FSO both in shallow and deepwater acreages especially in Asia and Latin America. However, the industry continually experienced increasing cost and shortages of experienced professionals. MISC, through our offshore business unit continue to offer comprehensive and cost effective solutions for offshore development.

During the year under review, Offshore Business witnessed a significant milestone with the delivery of MISC's first deepwater floating facility, FPSO Kikeh, which was installed on Kikeh field, offshore Sabah which received its first oil in August 2007. FPSO Kikeh, being the first deepwater floater in Malaysian waters has tremendously boosted our Offshore Business' operating profit for the year under review.

MISC continues to leverage on strategic partnerships to grow regionally and internationally. As part of our efforts for regional growth, we commenced our foray into Vietnam and entered into a joint venture with Petroleum Technical Services Corporation of Vietnam (PTSC) in March 2008. Subsequently, MISC was awarded a contract by PC Vietnam Limited (PCVL) for the provision of FPSO Ruby for delivery in March 2009 at offshore Vietnam. The partnership was also awarded a contract by Talisman Malaysia Ltd. for a provision of FSO Orkid at offshore Vietnam with expected delivery in December 2008. Meanwhile, the construction of FPSO Espirito Santo, which is a joint venture project with Single Buoy Mooring Inc. (SBM), is progressing as per plan and will be delivered to the BC10 field, offshore Brazil in December 2008.

Demand for energy is set to continue to grow in meeting the world's growing energy needs. The FPSO / FSO market is expected to expand due to its relative cost advantages and flexibility in the increasing investment in deepwater offshore development. MISC expects to continue pursuing technical alliances and partnerships with other industry players in expanding the Group's offshore business especially in developing additional deepwater floating solutions in prospective regional and international deepwater fields and other potential floating facilities such as Extended Draft Platform (EDP) and dynamically positioned FPSO (DPFPSO) systems.

In its journey to become a preferred world class offshore floating solutions provider, MISC Offshore Business made a bold move in adopting quality management in its business work culture and was awarded with the prestigious ISO 9001:2000 certification in February 2008. Moving forward, Offshore Business will also undertake and pledge on institutionalisation of required capabilities and operational excellence to further fuel business growth.


FPSO Kikeh

FSO Abu

FPSO Ruby
under construction

FPSO Espirito Santo
under construction

# OTHER ENERGY BUSINESSES

## Heavy Engineering

The growth in global energy demand had lured oil & gas companies to further explore their field acreages. The demand for offshore floaters and structures is expected to rise in complementing the oil & gas companies' exploration & production (E&P) activities.

In year 2007, MMHE's positive contribution was mainly attributed to marine repair works, including LNG vessel maintenance as well as engineering and construction. The strategic alliance with Samsung Heavy Industries (SHI) through MSLNG had shown a positive impact in the marine repairs business, with a total of 17 LNG carriers locked down for repair.

MMHE's key milestone achievement was the completion of the FPSO Kikeh which has showcased MMHE's capability in deepwater marine and offshore heavy engineering undertakings. MMHE successfully completed the installation and integration of FPSO Kikeh's topside, the fabrication of its external turret as well as its overall marine conversion within the agreed due date. In addition to that, under engineering and construction, the installation and integration of topside for SCDR-A project was successfully completed. As for marine conversion, in addition to FPSO Kikeh, Tioman T10 and T11 Drilling were amongst the completed conversion projects during the year. On top of that, MMHE had also taken full ownership of the Kiyanly Fabrication Yard in Turkmenistan, servicing PETRONAS Carigali and potential third party customers in the Caspian Sea region.

Capability Building Initiatives (CBI) continued its momentum throughout FY2007 / 2008. Previously under Wave 1, implementation of initiatives resulted in a substantial cost saving of RM31.0 million. Under Wave 2, various initiatives were targeted to continuously enhance the competency level amongst employees in the long run. Focusing on strengthening corporate development performance and enhancing core capabilities in areas of project management, procurement, subcontracting, bidding and commercial, Wave 2 initiatives implementation resulted in additional cost savings of RM18.2 million.

On hindsight, the current tight labour market in the industry has prompted MMHE to undertake specific initiatives to develop and retain its manpower. MMHE assigned its local staff to international locations such as Turkmenistan, USA, Korea and regionally to provide international exposure and to oversee timely execution of projects. These overseas assignments, coupled with diverse workforce composition were targeted to encourage a global mindset that is pivotal to the development of MMHE as an international business entity.

In February 2008, MMHE embarked on a Project Management Development Programme (PMDP) to develop its young engineers to not only become capable project managers but also future business leaders. In addition, in line with its business strategies to establish itself as the hub for LNG vessel repair and deepwater technology, MMHE has formed technical partnerships with a number of leading marine and engineering companies that possess relevant expertise for MMHE to acquire the necessary knowledge and skills.

Moving forward, the global energy demand is expected to grow at an average of 1.3% per year resulting in increased E&P activities especially in deepwater. With the positive market outlook, MMHE expects to continue to strengthen its business performance and capabilities in the construction and fabrication of deepwater facilities, energy marine repair and conversion services. In addition, MMHE will further enhance and expand their existing infrastructure through its yard optimisation initiative to cater its expanding business requirement. In the international arena, MMHE will be expanding its business growth opportunities through the ownership of Kiyanly Fabrication Yard in Turkmenistan by leveraging on PETRONAS Carigali as a current customer as well as actively pursuing opportunities with third party oil and gas companies. With these strategies, MMHE will eventually become the regional hub for engineering and construction of deepwater facilities and high value marine repair.

MMHE's key milestone achievement was the completion of FPSO Kikeh whereby it has manifested MMHE's capability in deepwater marine and offshore heavy engineering.

Angel load out

Kiyanly Fabrication Yard

# INTEGRATED LINER LOGISTICS

**Towards global fronts, the liner business has served as an integral link and grown over the years. Offering a wide port as well as land transportation network, it is complimented with a one-stop reliable and efficient logistics service provider.**

## Liner Business

The Liner business experienced a better than anticipated market in FY2007 / 2008 on the back of continued strong demand in the European zone. Global Demand for container lifting grew 12% compared to world capacity growth of 14%. Despite positive improvements to freight rates, most of the revenue increase was absorbed by escalating operating costs, in particular bunker fuel cost which rose significantly and has become the industry's single highest cost component.

During the year, MISC Liner improved its performance to a satisfactory level. Capacity growth for Liner was 35% whilst slot utilisation remained unchanged. Despite cost pressures, Liner achieved unit cost reductions in all areas, except for bunker fuel cost. The Far East-Europe services enjoyed strong demand and higher freight rates in the middle of the year, but began to experience softening market conditions toward the end of FY2007 / 2008. Asia Services and especially the Halal Express, experienced strong volume demand but softening rates. The expanded South Africa service together with Australia / New Zealand experienced modest growth but softening rates and loss of productivity due to port and terminal congestion.

In 2007, Liner disposed of two small containerships, Bunga Mas 7 and Bunga Mas 8 while taking delivery of four vessels of 6,000 TEU midterm charter ships, which were injected into the Grand Alliance. Additionally, Liner signed an agreement to take on long-term charter for four vessels of 8,500 TEU highly efficient Japanese built ships which will be delivered in 2010 and 2011.

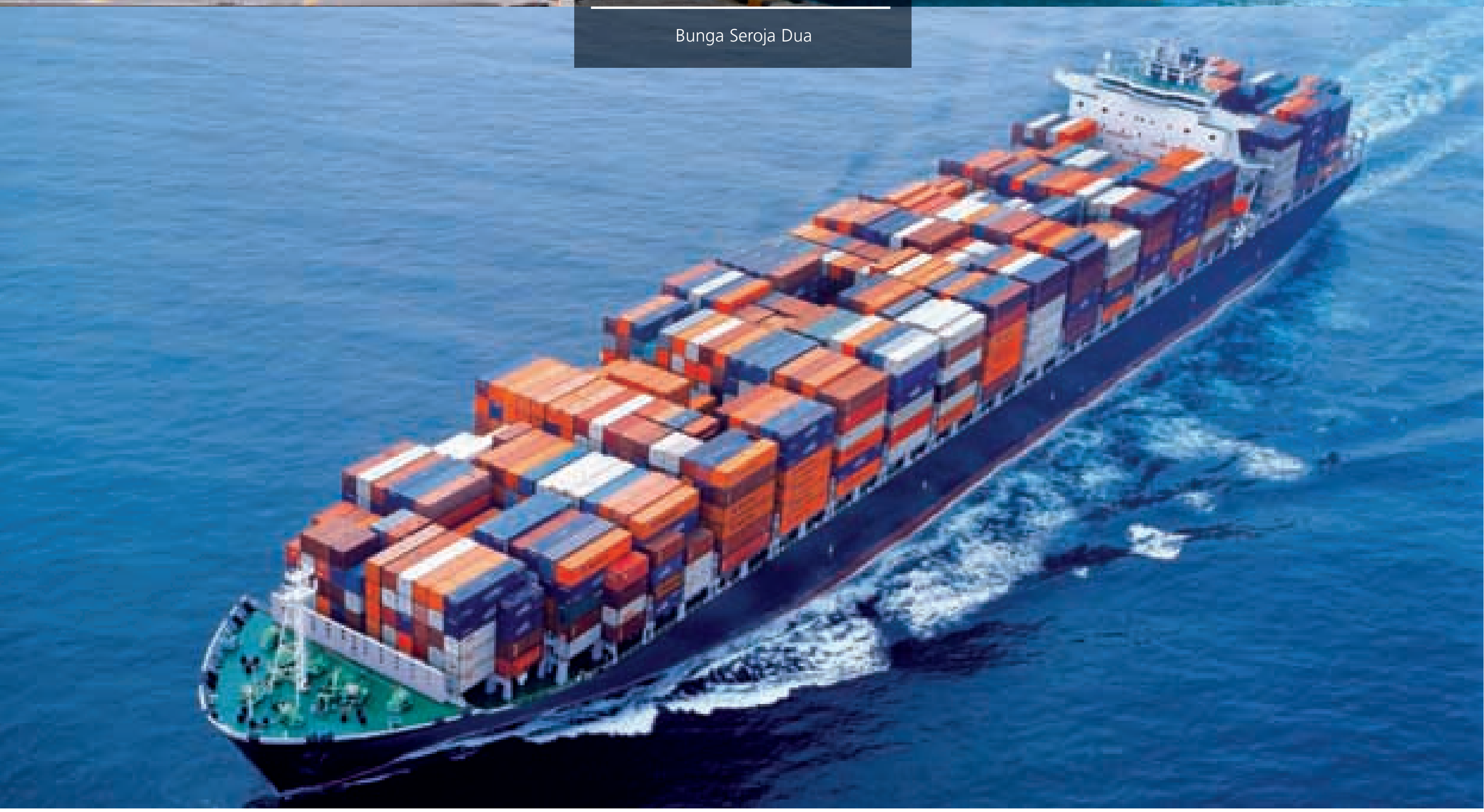
During the second half of FY2007 / 2008, Liner launched an organisation-wide initiative to implement continuous quality improvements throughout the MISC Liner organisation. This initiative is a core part of the divisional capability building, to achieve sustainable progress and resilience for the container business.

At the end of FY2007 / 2008, Liner signed a Memorandum of Understanding with Port of Tanjung Pelepas, to develop a joint venture container terminal operation. This new venture is expected to commence operations in early FY2008 / 2009 and to generate further cost efficiency in 2009.

The outlook for the Liner shipping business will be challenging in the coming years due to delivery of new tonnage where supply growth is expected to exceed demand growth. Deregulation by the EU of the liner conference system in October 2008 will likely generate transitional uncertainty and freight rate volatility.

In spite of the challenging outlook, MISC Liner will continue to build, while adjusting to market conditions, on its ASEAN inbound and outbound, long-haul business model which has served MISC well during the recent year.


Bunga Seroja Satu



Bunga Seroja Dua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INTEGRATED LOGISTICS

## Integrated Logistics

The global logistics industry continued to undergo consolidation through mergers, acquisitions and the forming of strategic alliances to strengthen market positioning, gain access to new marketplace and expand their service offerings. Malaysia is no exception as foreign-based logistics companies acquired local companies and formed joint ventures domestically.

In July 2007, MILS enhanced its position as a niche logistics player with the completion of its dry warehouse at MILS Logistics Hub (MLH) in Pulau Indah. Covering 250,000 sq ft area, MLH with its Free Commercial Zone (FCZ) status will offer a unique service as a one-stop logistics centre with close proximity to ports with global connectivity. To date, MLH has secured two major customers, namely, British American Tobacco and Noble Cotton.

During the year under review, MILS-Sterilgamma Sdn Bhd successfully completed installation of its first sterilisation facility within MLH in March 2008. The Ethylene Oxide (EtO) sterilisation unit will enable MLH to offer sterilisation and decontamination services, specifically targeting pharmaceutical, medical devices, wood products and plastic packaging industries.

Another of MILS' joint venture company, MILS-Seafrigo Sdn Bhd is currently constructing its cold storage warehouse with expected completion in July 2008. Upon completion of the 10,000 pallet position facility, it will become the first halal certified cold storage in Malaysia with world-class facilities, offering a full range of value-added services. In addition, MLH will house a laboratory and government agencies such as Jabatan Kastam Diraja Malaysia (KDRM) and Jabatan Kemajuan Islam Malaysia (JAKIM) to enhance its services. With all these additional services, MILS will be able to offer a myriad of services at MLH, making it the Regional Distribution Hub for South East Asia. In financial year (FY) 2007 / 2008, MILS continued to strengthen its presence overseas, namely in Dubai and Sudan.

MILS' partnership with BLG International Logistics GmbH, through its joint venture company BLG-MILS Sdn Bhd, is starting to show positive results in FY2007 / 2008. Through the joint venture company, MILS is able to gain best practices in automotive logistics operation and skills enhancement through transfer of knowledge and expertise. With Mercedes Benz Malaysia and BMW Malaysia as its customers, BLG-MILS aims to be a leader in the premier segment of the automotive industry in Malaysia.

Moving forward, MILS will continue to pursue its growth strategies through numerous joint ventures and MLH. MILS will also go on to capitalise on its strengths in project cargo logistics leveraging on PETRONAS' oil and gas and public sector projects. Through the joint venture companies and its own efforts, MILS is expected to further enhance its capabilities and knowledge to remain resilient in the logistics industry.

MILS Logistics Hub (MLH)
in Pulau Indah, covering
**250,000 sq ft area**

# MARITIME EDUCATION

ALAM
AKADEMI LAUT MALAYSIA
MALAYSIAN MARITIME ACADEMY

Globally, shipping companies are demanding a high standard of skilled and competent maritime and shipping personnel as part of its resources while operating in the current stringent regulatory and safety environment. Akademi Laut Malaysia (ALAM), in its quest to become a reputable maritime education and training institution in the region, has embarked on many initiatives to continuously upgrade its capabilities and the quality of its maritime education and training.

During the year under review, ALAM leveraged on its current strategic alliance with the United States Merchant Marine Academy (USMMA) and undertook a comparative analysis on pre-sea and post-sea courses in an effort to enhance the curricula developed in ALAM. Credit transfer systems were established to enable student exchange programme in the near future. Faculty exchange programmes were also discussed and agreed with USMMA's first senior lecturer likely to be at ALAM in June 2008. In an effort to enhance the sea-phase cadetship training, ALAM worked together with Lloyds Register to develop a comprehensive Training Assessment and Record Book which will work as a strict guideline for ship officers monitoring the assessment of cadets onboard. In addition to that, the Dynamic Positioning Operators (DPO) Course which was developed in collaboration with Bumi Armada has been accredited by the Nautical Institute, UK and is now one of the few in the region to offer certified DPO courses. Having all this, ALAM is moving ahead with its goal to be a regional training hub.

In its pursuit to spur itself ahead of other learning providers, ALAM has developed the world's first LNG e-learning programme on LNG Shipping Cargo Operations which has met Det Norske Veritas (DNV)'s standards on 'Competence of Shipboard LNG Cargo Operations' and SIGTTO's standards on 'Guidance and Suggested Best Practices for the LNG Industry in the 21st Century'. Through the DNV Sea Skill Certification on Nautical Studies and Marine Engineering courses for both pre-sea and post-sea, ALAM has proven its enhancement of the training curricula and has achieved the 'competence beyond compliance' status.

ALAM's position as being a preferred partner for maritime education and training was clearly demonstrated when its LNG Liquid Cargo Operations Simulator training course syllabus was adopted by the STW Sub-Committee as IMO's model course. Student intake has increased from 214 cadets in 2005 to 526 cadets in 2007, with sponsorship from various companies such as MISC, AET, V-Ships, Yemen LNG, Hubline, Tanjung Offshore, Bumi Armada, Pacific Ship Management and others. The high number of international students which amounted to 30% of cadets signal the confidence

the world's first LNG e-learning programme on LNG Shipping Cargo Operations



other countries place on ALAM. ALAM is also now training a total of 41 female cadets. In order to upgrade the knowledge of engineering graduates from local universities prior to them successfully embarking on their career in the Offshore Business field, ALAM is currently conducting the Junior Engineer Offshore Programme for MISC Offshore Business Unit.

ALAM will continually focus in producing highly qualified and competent graduates. The strategy to further develop and upgrade its curriculum and infrastructure and to leverage on strategic alliances with leading maritime academies will better position ALAM to become a world class maritime education and training institution with capabilities in Energy shipping.

# FLEET MANAGEMENT

The shipping industry experienced a continued global shortage of experienced and qualified seafarers during the year. This has led to rampant movement of personnel especially in high growth shipping industry such as LNG. At the same time, MISC experienced a challenging high operating cost environment, an impact of escalating oil price. In order to overcome this, MISC has taken several steps to minimise the negative impact with one option being the hedging of our bunker price.

During the year under review, Fleet Management Services (FMS) embarked on various initiatives to enhance the competency of its resources. To equip seafarers with sound leadership skills, mindset and behaviours to meet the global requirements, FMS held several sessions of Senior Officers' Management Forums which served as a platform for information sharing and cascading as well as inculcating shared values.

To further strengthen capabilities, MISC continued its collaboration with Universiti Teknologi Malaysia (UTM) by signing a Memorandum of Agreement (MOA) on the 22nd of February 2007 for the establishment and management of Professorship Chair. Under the smart partnership programme, MISC together with UTM will collaborate with other institutions and industries thus widening its pool of learning source. In parallel, MISC's current initiatives with UTM continued in areas of Staff Exchange Programmes between ALAM and UTM Professors, Post Graduate Master Degree in Engineering (Marine Technology) and FMS Seeds Post Graduate Professional Certificate Programme. The Marine Technology Research and Development Database, which is a platform for seafarers to improve their capabilities and competencies, was completed in December 2007 for Phase one.

The capability building programme conducted together with Det Norske Veritas (DNV) as consultant and programme partner has proceeded forward with the implementation of solutions and best practiced capabilities. By implementing improvements in the key operational areas of FMS that is maintenance, procurement and cross functional fleet teams, FMS would have in place an optimised management programme and procurement processes supported by customer focused fleet teams to serve MISC business units as well as manage cost.

Focusing on safety, the Zero Incident Zero Accident campaign was continuously carried out to inculcate a safety and environment management culture. Improvements for Port State Control were recorded through the reduction of detentions, number of deficiencies per inspection and the percentage increase of inspections that resulted with zero deficiencies. On personnel safety, the Total Reportable Cases Frequency (TRCF) showed improvement whereby cases have dropped by 25%.

During the year under review, FMS recorded improvements in various elements and areas relating to Oil Major Vetting / Assessment for both shipboard and shore management. Numerous best practices that were recommended and proposed to enhance the existing compliance processes and procedures were implemented accordingly. As a result, assessments carried out by British Petroleum (BP), British Gas, Shell and Exxon Mobil showed positive results signalling oil majors' confidence in MISC's level of services.

Moving forward, the world community will continually focus on environmental issues such as health, safety, pollution and its causes. MISC is expected to be ready to meet challenges in terms of health, safety, security, environment and community responsibilities via the follow through of initiatives which are aimed to produce qualified leaders with the right mindset and competencies. FMS will continually support MISC by providing innovative and competitive edge services in this fast paced and rapidly changing environment with increasing standards.




# HUMAN RESOURCE SERVICES

MISC has implemented **structured executive and management development programmes** and encouraged cross-posting opportunities within the Group

MISC recognises the vital need for a reliable, efficient, committed and competent global-ready manpower to help us operate in a competitive global arena. To date, MISC has over 7,000 employees from shore and sea with diverse background and experience as well as nationalities.

During the year under review, MISC implemented several strategies and initiatives with greater emphasis primarily on areas of sourcing and attracting the right talents, retaining skilled manpower as well as developing staff.

In line with its focus to source and attract the right talent, MISC conducted centralised sourcing and intensified efforts by sourcing talents right from university campuses, career fairs, overseas namely Japan, Australia and the United Kingdom as well as walk-in interviews. An Employee Referral programme was also introduced in August 2007 to leverage on current staffs' network to influence the targeted talent to join MISC. As MISC firmly believes in recruiting young, qualified individuals to be developed into future leaders within the Group, MISC invested in employing 30 management trainees from various disciplines. They were exposed to various on-the-job training and mentoring programmes to nurture the right competencies within. In addition to that, MISC continued to embark on its Education Sponsorship Programme. Since its inception in 2005, 132 scholars were sponsored by MISC for both technical and non-technical discipline. In 2007, 11 scholars successfully graduated and were employed by MISC and its subsidiaries.

In MISC's effort to retain skilled manpower, MISC has implemented structured executive and management development programmes and encouraged cross-posting opportunities within the Group to provide job enrichment for employees. As MISC's focus is on raising staff capabilities and competencies, MISC carried forward the Education Assistance Plan which encouraged both Executives and Non-Executives to pursue higher education and strive to improve their capabilities. For all permanent Executives, a salary review was conducted and a new compensation package was approved by the MISC Board in February 2008.

Focused remained on the Triple Plus initiatives as we fully recognise the importance of building human capital and further development with greater emphasis on Leadership Development, Capability Building as well as Mindset and Behaviour Change. MISC embarked on various leadership development programmes with the objective of growing a set of capable leaders within MISC to meet business challenges and to create meaningful development plans as a retention strategy. Amongst the programmes undertaken during the year were the Leadership Identification and Acceleration Programme and Development Workshops. Relevant 'conditioning' programmes, such as the Senior Management Development Programme (INSEAD), Leadership at PETRONAS (LEAP), Management Development Programme (MDP), Managing Motivation for Performance Improvement (MMPI) and Skill Group Programmes were also conducted to equip, prepare and further develop staff. As a follow up to the MISC Employee Tracking Mindset Survey which was conducted in 2006, intervention plans were identified and implemented in 2007 targeted to improve the mindset level and sustain change momentum.

In meeting the challenges ahead, MISC will continue to focus on human capital through broadening talent attraction initiatives, building employee branding, intensifying career development path and progression, and inculcating a self driven performance culture.

# Building resilient communities towards sustainable development

Our astute awareness of current market conditions has led us to plan ahead and strategise our next action plan. This proactive attribute in turn gives us a notable advantage over our competitors, making us ready, able and soaring to move forward, resilient as ever.

MISC will incessantly remain alert to anticipate and respond proactively to dynamic market scenarios. For the global energy segment, LNG will continue to sustain its position through supporting MLNG's growth plan and concurrently diversify its third party business portfolio by sourcing and securing new long term contracts through tender and direct negotiations, and development of technology based portfolio. The Petroleum shipping business will further enhance its position in defending its global leadership in the Aframax segment and double up its efforts to further penetrate into new specialised product segments. As for the Chemical business, it will continue to reinforce its niche presence in chemical and vegoil market with the emergence of Middle East becoming a key petrochemical production centre.

With positive global demand for energy, the Offshore and Heavy Engineering businesses both foresee positive outlooks ahead. The increase in energy demand has spurred oil price to escalate and numerous of fields are ready for development and production, boosting up the demand for offshore solutions. MISC will further enhance and develop Group-wide capabilities and competencies in order to capitalise on this positive market prospect. The ongoing yard optimisation initiative, will aid MMHE in positioning itself as a regional hub for engineering and construction of deepwater facilities and high value marine repairs.

On the Liner business front, continual focus will be on the rebalancing of its asset portfolio mix, monitoring its cost structure and improving yield management as a measure to cope with the further softening of freight rates that is expected to happen in the next future years. MILS will further enhance it growth strategies through the leveraging on joint ventures and promoting MLH facilities as a one stop centre for Logistics Services.

Moving forward, we are hopeful that our competitive edge and sustainable attributes will help us continue to chart our vision and course. Our astute awareness of current market conditions has led us to plan ahead and strategise our next action plan. This proactive attribute in turn gives us a notable advantage over our competitors, making us ready, able and soaring to move forward, resilient as ever.

On behalf of the Management, I would like to thank all our staff for their dedication and commitment towards realising our vision, our valued and supportive clients and partners; the Government agencies and its Agencies; and last but not least, our stakeholders and shareholders for their trust and support.

My gratitude also goes out to the Chairman, Board of Directors and Board Audit Committee for their guidance and assistance throughout the year.

**Dato' Shamsul Azhar bin Abbas**
President / Chief Executive Officer
12 May 2008, Kuala Lumpur

4 July 2007

5 July 2007


27 July 2007

7 September 2007

## June : 2007

### 3 FSO Abu Receives First Oil

FSO Abu received its first oil from a fixed platform production facility. The Abu field is located in Block PM318, offshore Terengganu, Malaysia and operated by PETRONAS Carigali and Newfield Exploration on a 50:50 joint venture.

### 4 Tenaga Satu Unloads Maiden Cargo in Norway

MISC's LNG Carrier, Tenaga Satu made its maiden call to the Snohvit LNG export facility in Norway, its first call to a Norwegian plant. Tenaga Satu, previously chartered by Malaysia LNG, is currently under medium -term charter with Gaz de France.

## July : 2007

### 4 MISC Signs Long Term Charter for Chemical Tankers

MISC signed a long-term charter-party agreement with M. Costus SA for two 19,900 dwt stainless steel chemical tankers. The vessels will be built by Fukuoka Shipbuilding Co, Ltd and is expected to be delivered in 2010. These vessels are constructed to high specifications and are designed to carry a wide variety of chemical commodities of various parcel sizes and vegetable oil products, including palm oil.

### 5 MISC Orders 8 New Double Hulled Chemical Tankers

MISC signed an agreement with SLS Shipbuilding of Korea for the purchase of eight 45,000 dwt chemical tankers. The coming into service of these new vessels will enable MISC to grow beyond its existing capabilities by capitalising on the opportunities provided by the rapidly growing global vegetable oil and chemical trades and potentially Clean Petroleum Products (CPP) market as well.

### 26 MLH Dry Hub completed

The MILS Logistics Hub (MLH) in Pulau Indah completed the first phase of its development, with the construction of the MLH Dry Hub. The Dry Hub provides 23,000 square meters of warehouse space. Other available services include inventory management, haulage and distribution services, freight and customs management and a container yard.

### 27 Naming and Delivery of Eagle Torrance

AET received its latest Aframax tanker, the 107,000 dwt Eagle Torrance. The vessel was named at the Imabari Koyo Dockyard in Japan by Madam Lebgard M. Greenough and delivered on the same day.

## August : 2007

### 18 FPSO Kikeh Receives First Oil

Malaysia's first deepwater FPSO, FPSO Kikeh received its first oil from the Kikeh field with an initial rate of about 20,000 barrels per day (bpd).

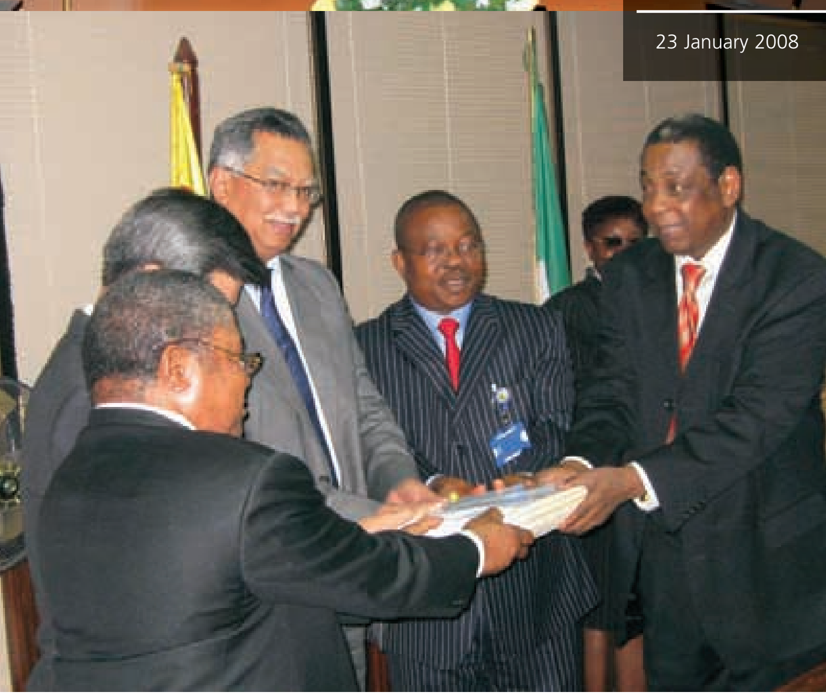
## September : 2007

### 7 Naming Ceremony of Bunga Kasturi Lima

MISC named its 10th VLCC, Bunga Kasturi Lima, at a ceremony at USC Shipyard in Ariake. The vessel which will be operated by MISC subsidiary, AET, is the second last vessel in the 299,999 dwt Bunga Kasturi Series. The vessel was named by Datin Roi Hanah bt Hassan, wife of MISC Board Member, Datuk Nasarudin Md Idris.

19 September 2007

25 October 2007



23 January 2008

15 February 2008

## September : 2007

### 19 MISC Signs Charter Agreement for Two New Containerships

MISC signed a charter-in agreement for two 8,530 TEU container vessel with Japan's Nissen Kaiun Co Ltd. The two container vessels which will be built by Mitsubishi Heavy Industries (MHI) are targeted for delivery in 2010. The coming into service of these new vessels will strengthen MISC's position within the Grand Alliance consortium.

## October : 2007

### 10 MISC Awarded PC Vietnam Ltd Contract

MISC, together with Vietnam's Petroleum Technical Services Corp, was awarded a contract to provide floating production storage and offloading (FPSO) facility leasing for eight years. The contract was awarded by PC Vietnam Ltd, which is the operator of a production sharing contract for Blocks 01 and 02 located 155km east of Vung Tau, offshore Vietnam. First oil is expected in March 2009. The repair, life extension and conversion of the FPSO will be undertaken by MISC's wholly owned subsidiary, Malaysia Marine and Heavy Engineering Sdn Bhd (MMHE).

### 25 Prime Minister Names MISC's 25th LNG Carrier

Prime Minister, Dato' Seri Abdullah Ahmad Badawi named MISC's 25th LNG Carrier, Seri Ayu, making it the first LNG vessel to be named in Malaysian waters. The vessel, the final in the Seri A class of 145,000 cbm carriers, built by South Korea's Samsung Heavy Industries (SHI), completed its final dry docking works at MMHE yard Pasir Gudang.

## November : 2007

### 30 Naming Ceremony of Seri Begawan

MISC welcomed the second vessel of the 5th generation LNG carriers, the 152,300 cbm Seri B Class. The vessel was named Seri Begawan by Dr. Azura Ahmad Tajuddin, wife of Encik Wan Zulkiflee Wan Ariffin, Vice President, Gas Business, PETRONAS. These newbuildings are part of MISC's long term fleet expansion programme to cater to the transportation needs of sister companies under the PETRONAS Group and that of PETRONAS' joint venture projects overseas such as Egyptian LNG and third party customers.

## January : 2008

### 23 MISC Enters Into Shareholders Agreement with Nigerian National Petroleum Corporation (NNPC)

MISC entered into a Shareholders Agreement with NNPC, Hyundai Heavy Industries Co Ltd And Deepwater Shipping and Maritime Company for the incorporation of a joint venture company, Nikorma Transport Limited. The joint venture is to primarily offer total LNG business solution for the expanding Nigerian Liquefied Natural Gas industry.

## February : 2008

### 15 Eagle Turin Joins MISC's Aframax Fleet

The delivery of Eagle Turin marks another significant milestone in the growth and development of MISC subsidiary, AET. Eagle Turin's delivery reaffirms AET's position as the second largest owner operator of Aframax tankers in the world. The vessel was named by Lady Sponsor Madam Linda Viens, wife of Andy Viens, the General Manager, Global Commercial Marine, of ConocoPhillips at Imabari's Koyo Dockyard in Japan

22 March 2008

29 March 2008


15 April 2008

29 April 2008

## March : 2008

### 7 Opening of BLG-MILS Vehicle Distribution Centre

MILS and its joint venture partner BLG Logistics officially opened a new Vehicle Distribution Centre in Port Klang to deliver pre-assembled vehicles to Malaysian dealers.

### 22 Delivery of Offshore Structure to Austalian Field

Malaysia Marine and Heavy Engineering Sdn Bhd (MMHE) delivered an offshore structure to Woodside Energy Limited, Australia. This project recorded a new challenge for MMHE when for the first time a topside structure weighing 8,300 metric ton was jacked up 25 meters high to enable the insertion of the 800 metric ton deck support frame below the topside. It took two days for the project team to successfully and safely complete the mammoth task.

### 24 Joint Venture between MISC Berhad and Petroleum Technical Services Corporation

MISC Berhad entered into a Shareholders' Agreement with Petroleum Technical Services Corporation (PTSC) of the Socialist Republic of Vietnam, in relation to a Labuan incorporated company named Malaysia Vietnam Offshore Terminal (L) Limited. PTSC, a subsidiary of PetroVietnam, is a leading services company in the offshore oil and gas industry in Vietnam. The purpose of the joint venture is to own and operate a floating solution.

### 29 Another Made-In Malaysia Drilling Tender Barge Completed

MMHE once again completed another self erecting drilling tender barge which was officially launched and named Seadrill T11 by Lady Sponsor, Mrs Judy Hass, wife of Mr Mike Haas of Chevron Thailand Exploration and Production Ltd. The successful completion of this vessel marks another made-in Malaysia drilling tender barge.

## April : 2008

### 4 MISC Names 11th VLCC Bunga Kasturi Enam

MISC, together with subsidiary AET named its 11th VLCC at a naming ceremony in the USC Ariake Shipyard in Japan. The vessel was named by Madam Laura Pacchiarotti, wife of Guest of Honour, Mr. Domenico Calzari, International Crude and Product Manager with Italy's energy specialist, ENI. Bunga Kasturi Enam is the last in a series of six VLCCs built by Ariake Shipyard for MISC.

### 14 MISC and Maersk Cooperate in New Zealand Service

MISC Berhad entered into a Memorandum of Understanding with Maersk Line in the South East Asia – New Zealand trade. MISC will collaborate in a Vessel Sharing Agreement in both southbound and northbound directions. The collaboration provided MISC's customers with faster transit times and enhanced port coverage of Auckland on the North Island and Port Chalmers for South Island customers.

### 15 MISC's Offshore Business Receives ISO Certification from Bureau Veritas

MISC Offshore Business received the prestigious ISO 9001 : 2000 certification by Bureau Veritas, an independent certification and auditing services agency. In the pursuit of positioning MISC Offshore Business as the preferred world class offshore floating solutions provider in the region, a systematic business process in accordance to international standard and best practices was established.

### 29 MISC receives Latest LNG Carrier, Seri Bijaksana

MISC welcomed the third vessel of its 5th generation LNG tankers, the 152,300 cbm Seri B Class. Named Seri Bijaksana by the gracious Puan Zainab Jaafar, wife of MISC Board Member, En Ahmad Nizam Salleh at a ceremony at the MHI Shipyard in Nagasaki, the vessel joins MISC's fleet as its 27th LNG Carrier.

### 29 MISC signs JV with Port of Tanjung Pelepas

MISC signed a joint venture with the Port of Tanjung Pelepas to set up a joint venture company to manage a dedicated container terminal at the port for MISC and other shipping lines.


misc
ZERO INCIDENT
ZERO ACCIDENT

## A Corporate Responsibility Infused Business Culture

At MISC, we understand that Corporate Responsibility (CR) is beyond philanthropy and public relations. It is infused into our business practices, and we are committed to operate in a transparent and ethical way while contributing to the nation's economic and social development.

In line with Malaysia's aspiration to be a reputable maritime nation, MISC focusses on the development of its CR portfolio, aligning its objectives towards the improvement of corporation and nation. Our CR portfolio covers the following aspects:

Health, Safety and Environment; the Development of Human Capital; and Corporate Social Responsibility (CSR).

## MISC reflected the resilience of its multifaceted businesses amidst a weakened market environment during the last financial year.

The Management's focus on sustainability, competitiveness and market adaptability has positively cushioned the blow on the Company's bottom-line. Notwithstanding the above, MISC did not once falter at the expense of its commitment to manage health, safety and environment (HSE) risks to

**as low as reasonably practicable (ALARP)**

level by maintaining check and balance on safety considerations, environmental concerns and health issues between its operational and commercial business interests.

At MISC, we view HSE as critical to our overall success and long-term sustainability, and we are committed to continuously improve our performance particularly towards our people, environment, assets and also reputation. HSE remains the key in every business / project decisions at Management and operations level. HSE is given equal importance to business decisions as we subscribe to no harm or injury to people and no damage to the environment. The Management of MISC is visibly committed to ensure that no compromise is made when we deal with issues related to HSE.

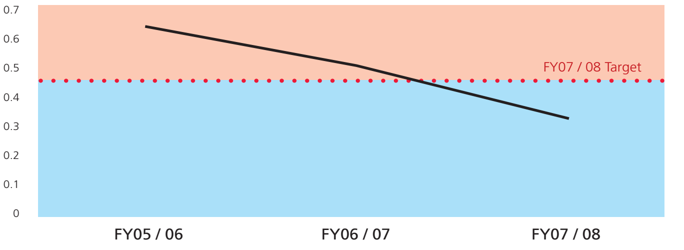
This commitment is translated into a HSE Scorecard in the form of Letter of Assurance (LOFA) which is cascaded to related business / service / operating units (OPUs) with the intention to drive commitment towards attaining the HSE targets, steer proactive action towards HSE excellence, and reinforce the performance scorecard initiative.

Our steadfastness and dedication towards fulfilling our obligations are further showcased by the various activities undertaken both at the Corporate and OPU levels.

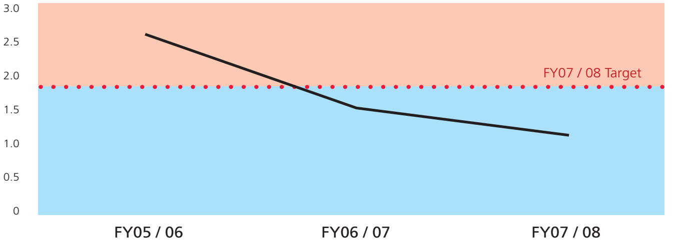
### Safety Performance

For financial year (FY) 2007 / 2008, the Group – which consists of seven operating units altogether – registered an all-time improved performance rating for its Lost Time Injury Frequency (LTIF), surpassing last financial year's achievement by 35%. With a total of 63.7 million manhours, the LTIF is a 27% positive variance from the Group's target for the year in review.

MISC Group LTIF FY05 / 06 – FY07 / 08




MISC Group TRCF FY05 / 06 – FY07 / 08




Meanwhile, its Total Recordable Case Frequency (TRCF) improved by 25% against that achieved in FY2006 / 2007. The Group TRCF also showed significant progress where the TRCF is a 34% positive variance from the Group's target for FY2007 / 2008.

In retrospect, the Group's HSE performance over the last three years translates the resilience and continuous efforts of all quarters to improve safety in the workplace and at site. Since financial year ended 31 March 2008, the Group's LTIF and TRCF have evolved progressively with our widespread application of safety measures directed at employees and contractors.

# MISC - A place where worker safety comes first.

## Key Initiatives With External Parties

### Behavioural Safety Program

At MISC, we acknowledge that world-class HSE performance involves more than mechanically applying a management system – it requires involvement of all in the organisation, from top to bottom. The Behavioural Safety Program in collaboration with Dupont Malaysia Sdn Bhd is one of our key initiatives in the next 3 to 5 years to create a more positive HSE culture within the Group by focusing on attitudes and behaviours of all employees. Specifically, Behavioural Safety is aimed to drive realistic change in behaviour, and ultimately, the culture within an organisation to achieve and sustain the desired safety performance.

MISC Logistics Sdn Bhd (MILS) was chosen to pilot the Behavioural Safety Project championed by Corporate HSE (CHSE). As part of the project, a programme called Safety Culture Improvement Process was initiated with involvement from all levels of employees in MILS.

At OPU level, Malaysia Marine and Heavy Engineering (MMHE) has also embarked on this program which commenced in July 2007 at their Marine Repair section, with the objective to enhance safety leadership and ownership amongst the line management and supervisory staff. The program kick-started with a series of awareness workshops followed by one-to-one coaching for the Senior Management staff. Phase one is targeted to be completed by mid-2008.


### Quarterly Subcontractors Dialogue

Recognising the immensity of its subcontractor workforce, MMHE carried out four quarterly Subcontractors Dialogue in FY2007 / 2008 to communicate HSE issues with its subcontractors. Among the items communicated were subcontractors' HSE performance, lessons learnt, new initiatives & programmes affecting subcontractors and Quality & HSE issues.

## Campaigns – Health, Safety, Environment and General HSE

The HSE plan was successfully carried out during the financial year. It included various programmes and activities to continuously improve HSE performance groupwide. A few programmes were run or championed at a Corporate and OPU level – specifically focusing on their industrial operations.

### HSE Week 2008

MISC Berhad held its first HSE Week at Menara Dayabumi from 19 to 20 February 2008 with the objective to provide awareness on Health, Safety and Environment to the employees. The week marked the Management's commitment to HSE excellence in responsibly ensuring the safety, health and welfare of employees at the workplace and operational sites.

Apart from the regular activities such as HSE talks and exhibitions, there were also quizzes & games and complimentary health check kiosks for patrons to measure their blood pressure and check their

glucose level. The highlight of the event was the launching of the U See U Act (UCUX) Programme, a programme which allows employees to report **unsafe conditions** or **unsafe acts** within the workplace. This programme also allows employees to recommend the neccessary solutions that need to be taken.

### Safe Kids Programme

On 19 April 2008, CHSE, Corporate Affairs and Corporate Security Division jointly organised a Mini CSR project, named, the 'Safe Kids Programme'. The team visited Sekolah Kebangsaan (2) Gombak to share and enhance students knowledge on Personal Safety and First Aid Rescue. The highlight of the day was a personal safety talk, delivered by 'Protect and Save the Children', an organisation dedicated to the prevention and treatment of child abuse.

### 'Zero Incident Zero Accident' (ZIZA) Safety Campaign

The ongoing ZIZA Safety Campaign by Fleet Management Services (FMS) has entered its sixth year with programmes, which includes safety incentives to ship personnel, publication of safety handbooks & safety posters, and the quarterly issue of ZIZA Bulletin. In addition, FMS implements management practices for improvement in Tanker Management and Self Assessment (TMSA) elements in order to reach a certain level.

### Supply of Personal Protective Equipment (PPE) Scheme

In January 2008, MMHE introduced a new initiative with an objective to ensure all subcontractor workers wear proper PPE. This initiative was positively accepted by subcontractors, allowing workers caught without proper PPE to obtain the correct PPE that meets the approved standard from MMHE Koperasi (Cooperative Society).

### Health

MISC believes that our employees are the most important asset to the organisation. We attribute our resiliency to our people. Therefore, we strive to create a psychologically healthy workplace and promote healthy living & lifestyle through various programmes. One of the health talks organised was entitled Healthy Eating, which encourages our employees to practice:

**5E** – **E**at less sugar,
**E**at less oil,
**E**at less salt,
**E**at more vegetables / fruits, and
**E**xercise more.

### MISC Funthon 2008

Following the success of the inaugural Walkathon last year, CHSE, with the support, collective effort and sponsorship from Corporate Affairs, Corporate Security, Human Resource Management, Corporate Planning Department, MISC Maritime and Logistics Sports Club, MISC Employee Union, MISC Islamic Body, AET and all MISC subsidiaries, successfully organised the MISC 2008 Funthon.

The event was held at Putrajaya Wetland on 13 April 2008 as part of our annual affair to advocate healthy lifestyle amongst the employees and family members. The event saw the participation of more than 1000 participants from all OPUs. With a theme entitled "Healthy Living through Fun and Exercise", this event was held to promote healthy lifestyle by exercising regularly.

### Blood Donation Drive

MISC holds a bi-annual Blood Donation Drive (BDD) at Menara Dayabumi, opened to all employees as well as the public. During the year in review, the first drive recorded 88.8% successful donors whilst the second showed a decline at 68%. The lower success rate for the latter is caused by several factors such as the event date was close to the Chinese New Year – which entailed employees going on leave, heavy workload due to the holiday season and people on medication for sore throat from high orange consumption. Nevertheless, for this particular BDD, we managed to attract 60% new donors.

Meanwhile, MMHE organised a BDD for Hospital Sultanah Aminah and Johor Specialist Center, Johor Bahru in June and December 2007 respectively. The programme received positive feedback from the MMHE community in which a total of 312 donors donated their blood for a great cause.

### Indoor Air Quality (IAQ)

As an organisation, we care on the healthy work environment in terms of air quality that we breathe. For the first time, MISC Corporate HSE in collaboration with PETRONAS Group HSE has conducted an indoor air quality programme at the Dayabumi Complex. Selected indoor air quality samples were taken and measured at all MISC-occupied floors. The programme, particularly the assessment, was based on the Indoor Air Quality Code of Practice issued by the Malaysian Department of Occupational Safety and Health. Overall, the air quality was well within the standard and recommendations for improvement were presented to the Management and also to the MISC HSE Committee.

### Chemical Health Risk Assessment

A Chemical Health Risk Assessment (CHRA) was conducted at the Akademi Laut Malaysia (ALAM) main campus in Malacca. The Main Campus assessment was completed on 28 August 2007 and presently awaiting for the next assessment to be conducted at the Batu Rakit campus, Terengganu. The main objective of the CHRA was to assess employees and contractors health risks, working and exposure to chemicals hazardous to health. It is also to determine the appropriate control measures needed to be incorporated to reduce those risks.

# Safety Culture Improvement Process

### Environment

In line with our commitment to strive for environment sustainability development, environmental pollution has become a key focus area for MISC cognisant on the global growing concern. MISC aligns its activities in a manner that, consistent with the MISC group goals, is environmentally responsible with the ultimate aspiration of eliminating damage to the environment. Our shipping arms aims not only to comply with all exiting standards, requirements and applicable laws and regulations but also to be able to take proactive measures in mitigating the impacts of environmental pollution. In line with this, it is our challenge to achieve this goal through the management of the risks associated with the Industry. Thus, the Group has initiated the effort to identify and quantify the pollution loadings through the Environmental Performance Indicator (EPI) System which was set up in November 2007. We continuously evaluate the environmental risk and pollution loadings associated with our operations and take necessary mitigating measures seriously.

We seek to lower the environmental impact of our operations by reducing emissions, discharges and wastes. It is therefore imperative to use energy efficiently and manage wastes in an orderly manner to minimise our impact on the environment and the marine biodiversity.

FMS had rolled out a Fuel Efficiency Campaign (I Save Fuel) aimed at reducing fuel consumption which also reduces air pollution emissions. Our shipping arm operates a relatively young modern fleet of crude oil, refined product and Liquefied Natural Gas (LNG) and Liquefied Petroleum Gas (LPG) tankers which ply worldwide. The campaign requires ships to look into their operations and to find possible means to reduce unnecessary consumption of fuel. The pilot effort targeted at 4% reduction had been achieved and MISC is now implementing the initiatives fleet-wide.

With new advancement in ship designs, methane boil-off rate can now be reduced from 0.15% volume to 0.13% volume. Our vessels are mostly double hulled to provide protection and prevent any possibility of oil spills and grounding in the event of a collision. The underwater hulls are coated with tin-free anti fouling paint system when they undergo routine dry-dockings. MISC is now embarking on the latest Silicon Fouling Release Coating (FRC) which is highly efficient in terms of fuel consumption.

On the supply chain, our land logistics service provider (MILS) has implemented a journey mapping requirement that functions as a routing model for the fleet of trucks. The trucks are given specific routes with obstacles and their turn-around periods. The main choice of routes is the highway to shorten the time and travelling distance as well as for non-stop journey. Scheduling for maintenance of engine and replacement of tyres is being carried out. MILS also practises the "Green Engine" policy in which trucks that are more than 8 years are replaced with new ones.

All of these measures result in fuel savings that in return reduce pollution loadings to the environment. Other than that, it is also a company-wide practice to reduce electricity consumption. Our marine conversion facility for instance, has set up a working committee to look into ways of further reducing their electricity consumption.

Although the shipping industry is relatively a cleaner, greener industry in comparison with other modes of transport for world trade, MISC acknowledges the environmental issues are crucial and is committed in environmental initiatives to manage environmental impacts effectively.

### Green Award Certification

Our commitment towards HSE issues goes beyond compliance to existing laws and regulations which are known and accepted in the Marine industry worldwide. This is demonstrated by AET where 18 of its tankers are Green Award Certified.

The Green Award Flag is awarded to vessels which are extra safe and clean. Green Award vessels are the vanguard of the international shipping industry. Our green award vessels are subjected stringent independent audit yearly by the Green Award Certification bodies. The audit was also extended to our ship management offices to establish conformity between management procedures and management practice, as well as conformity of management procedures with Green Award requirements for every 3 years.

### 3R Programme at Dayabumi

The Group has embarked on environmental conservation initiative known as 3R Program (Reduce, Reuse and Recycle) targeted at MISC Dayabumi employees. Subsequent to a survey done on recycling of office waste, the initial campaign in October 2007 focused on paper waste. Recycling bins were placed at strategic locations mainly at printing stations in MISC Dayabumi. The amount of paper waste collected for recycling is encouraging with a total amount of more than 4.6 tonnes from October 2007 – March 2008.

#### Reduce

- Make few copies of a document to share instead of making one copy for each individual
- Circulate written or printed memos
- Use electronic mail (e-mail) to communicate or to send and receive messages. Review text on screen to limit mistakes on drafts
- Print on both sides of paper

#### Reuse

- Reuse paper for scrap paper. Put old paper in bins and reuse it for drafts, memos, messages, calculations, etc
- Set aside special cartridges in copy machines for draft paper that is the other side of already used paper
- Convert scrap paper into memo pads, telephone answering slips and similar items

#### Recycle

- Segregate recyclable items like paper from other office waste such as plastics, styrofoam, tissue papers and place papers in the designated bins

### Beach Cleaning Activity

With a theme "Awareness towards a safe, clean and healthy environment", Akademi Laut Malaysia (ALAM) embarked on a beach cleaning activity involving 160 employees, contractors and students at ALAM's Main Campus in Malacca on 11 January 2008 and at their Branch Campus in Batu Rakit, Terengganu on 15 February 2008.

The beach clean-up activity at ALAM's Main Campus consisted of four areas and covered a distance of 500 meters. At the Branch Campus, the beach clean-up activity was held at Kampong Mengambang Panjang, covering a distance of 1609 meters along the Mengambang Panjang beach in Kuala Terengganu.

### Environmental Sustainability Programmes at the Shipyard

MMHE practices segregation of general solid waste from fabrication and repair activities, by providing at workshops and fabrication sites, 3 types of steel boxes depending on their contents i.e., blue coloured box for metal scrap, green for rubbish and yellow for waste paint cans sites. Additionally, garnet – an environmentally friendly abrasive material in its natural form, is used for Engineering & Construction projects so as to minimise the use of Copper slag which falls under the schedule waste category. Blasting and spray painting activities is now carried out in an enclosed workshop / chamber equipped with dust extraction and filtration system to reduce the release of dust into the environment and promote the use of recyclable steel abrasive.

## Emergency Preparedness

On 10 December 2007, MISC Corporate HSE in collaboration with KLCC Urus Harta (KLCCUH) and Jabatan Bomba dan Penyelamat (Fire and Rescue Department) held a major evacuation exercise to drill MISC employees on emergency preparedness as well as familiarise them to the Evacuation Response. In addition, it was an opportunity to interface responses of MISC, KLCCUH and Bomba in case of a major event.

A total of 784 out of 952 employees (82%) participated in the evacuation exercise whereby the total time taken for MISC staff to evacuate is 25 minutes. Overall, it was a good collaboration with KLCCUH and Bomba on the overall planning and execution with substantially good experience gained from the real search and rescue scene concocted by Bomba.

Beyond the office environment, notably in the shipping and offshore environment, emergency preparedness receives undivided attention during our yearly planning cycle. This is to ensure that our mitigation plans are ready and executable when we are challenged in the face of eventuality. Regular drills, training and review of existing procedures are among the initiatives taken to ensure we remain current with industry demands and practices.

Lessons learnt are well communicated and discussed at length at every opportunity and shared to ensure our response capabilities are among the best in the industry that demands excellence. Likewise, MILS conducts regular exercises with local authorities and government agencies to ensure adequacy of preparedness. Their plans include 'worst case scenario' and the measures taken ensures 'over-preparedness' to ensure all aspects of recovery measures are addressed adequately to reduce the impact and consequences.

Briefly, MISC spends a good portion of their budget in HSE. We believe that the 'investments' made in acquiring new assets, technology, solutions and other capabilities including training our staff would see the benefits in

reducing risks to People, Environment, Asset and Reputation.

We are sure and convinced that the investment in HSE today would give us the competitive edge to business tomorrow and beyond.

## Resilience enables MISC to acquire and enhance internal skills set, enabling our employees to build and retain core competencies in the long term.

### Accelerating Leadership Development for Sustainable Growth

Highly skilled people with the right capabilities are vital to an organisation's ability to compete and succeed. Businesses are complex, requiring agile employees who are eager to combine work and learning for achievement of corporate results as well as career goals.

MISC recognises the need for a committed, competent and confident manpower to operate and succeed in a competitive environment.


In responding to the complex global business environment, we have implemented people-focused strategies and initiatives by putting greater emphasis on attracting and sourcing the right capable talents, retaining skilled manpower as well as developing internal talents.

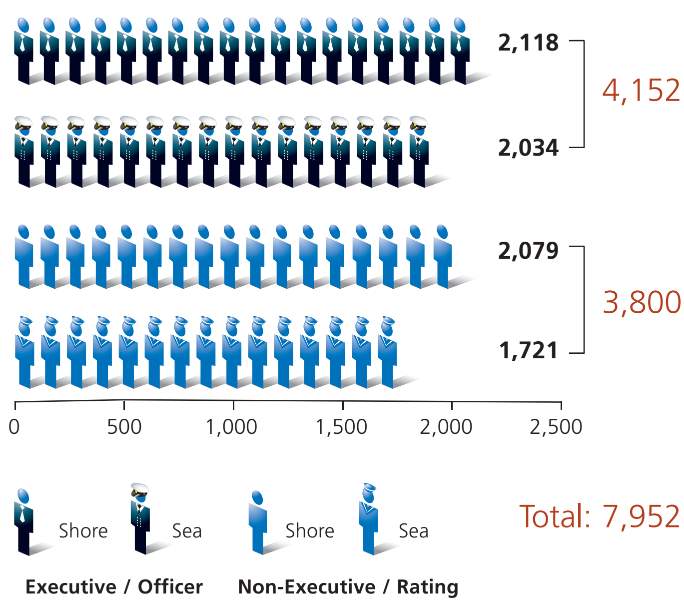
For the year under review, we continue to focus on the Triple Plus initiatives as we fully recognise the importance of building human capital in the areas of Leadership Development, Capability Building and positive Mindset and Behaviour Change. MISC has embarked on various leadership development programs with the objective of growing a pool of capable leadership talents, to meet business challenges as well as to ensure sustainability and growth of the company.

A new focus in building talent has been implemented for the year under review, as we challenge our people to achieve greater success for both themselves and the Company as a whole. We moved into new unchartered waters with refined energy to ensure our success. Over the year, we have revised our learning orientation to lean towards building a high performing and resilient workforce, poised to face the adversities and challenges of the industry.

Our Learning Orientation focuses on:

- Experience or Action Learning through International Assignment, Staff Mobility, Business Task Forces, Improvement Process and Job Secondment to Subsidiary Companies
- Coaching and Mentoring
- Classroom Learning

## Manpower Strength




The new learning orientation provides our employees with the opportunities to be involved in business activities that would allow them to contribute towards the success and at the same time exhibit or harness their competencies.

Our employees are encouraged to contribute cross functionally to gain new experiences – be it business exposure, the opportunity to develop cohesiveness amongst fellow colleagues and ability to acquire new skills to address the competency gaps.

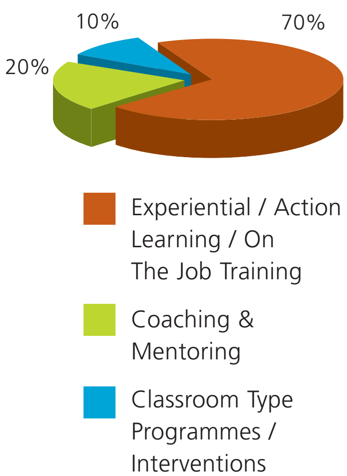
As part of the new learning orientation, our employees are being cross crafted and cross pollinated within the MISC Group to challenge and provide them with suitable experience on the job to explore new ways of doing things in order to contribute to the common business goals.

Moving forward, Human Resource Management's aim is to move swiftly with our learning and development programs to ensure our employees are given the right interventions at the right time and pace to condition, accelerate their capabilities and competencies, leading to readiness to deliver at higher levels. This would augur well with our aspirations to build a more resilient and performing workforce.

### Our Commitments are in the following leading areas:

- Providing clear and challenging career opportunities for staff development
- Building internal talent pool for sustainable development and growth to support succession planning
- Accelerating Leadership and Capabilities Development focusing on general and global leadership competencies
- Improving employees' engagement to build their emotional commitment
- Inculcating a self driven performance and learning culture

## Learning Orientation




As we develop our people, we encourage our employees to grow with the business and experience the breadth of opportunities in the Company, as there are a variety of avenues for our employees to participate and contribute in:

### Cohesiveness Transcends Cultures – International Exposure for Our People

- Our people are sent to various shipyards around the world to be involved in MISC's newbuilding projects, which develop their technical as well as business skills
- Secondments to our international offices in Sudan, United Kingdom, China and Korea provide the opportunity for our people to shine despite adverse business environment and social – political challenges in the different geographical locations

### Working together in partnership towards ONE MISC

- Through the employee associations within MISC, such as Badan Islam MISC, Kelab Sukan MISC, MISC Employees Union and the MISC Young Executives Club, employees are exposed to the element of partnership through working together in running the respective associations

### Developing Social and Personal Skills

- Corporate social initiatives such as the Navigate Your Career Programme and Mini CSR Programmes provide our employees with opportunities to develop their social and personal skills

### Other opportunities for enhancements

MISC also holds various events and activities that provide more avenues for employee participation and skill enhancements, as well as creating a harmonious, tight-knitted and work-life balance culture in the organisation. Some activities held during the year include:

- Quarterly Town Hall sessions
- MISC Management Forums
- Human Resource Open Day
- Retirement and Long Service Awards
- Education Excellence Award
- Majlis Tilawah Al Quran
- Sports Carnival

# Corporate Social Responsibility (CSR) – Doing Our Part In Community Building

## Our CSR framework is dedicated towards the development of the nation's youth, as we explore a variety of avenues to assist with their growth thus creating a future generation of successful nation builders.

In the year under review, we saw the launch of our **'Navigate Your Career' programme**, the nation's first youth development initiative focussing on creating work-ready university graduates through the sharing of positive market skills to undergraduates. During the year, we also continued with our efforts in supporting education development through our **maritime and education sponsorship programmes** as well as enhancing our people's values within the community through our Community Development efforts, this year termed as the **MISC Mini CSR Projects**.

'Navigate Your Career' is geared to enhance employment awareness to undergraduates via guidance initiatives to impart soft skills and insights into career opportunities possible through the right attitude and persona in the workplace.

### Navigate Your Career (NYC) – Developing the nation's youth

Malaysian graduates have been criticised for their lack of interpersonal and professional skills. Thus, aligned with our focus on youth development, we have devised the **'Navigate Your Career' programme**, with the aim to create industry-ready graduates by exposing undergraduates to the realities and opportunities in the job market. The programme is divided into three parts, Educate, Engage and Expose and each part is designed to allow undergraduates to interact and get involved with the programme at different levels.

## 'Navigate Your Career'

A 3-part programme

### educate

A 3-day roadshow at local universities featuring developmental workshops and interactive & fun infotainment booths

### engage

To provide a channel for students to continue improving their soft skills, we launched the NYC portal, packed with useful tips and information on career development. The portal is located at *http://www.navigate.com.my*

### expose

Selected students are given a chance to undergo a Student Attachment Programme at MISC for 5-weeks, to experience a real office and business working environment

### Educate

For this inaugural run, over 2000 students participated in our NYC Roadshow this year, held at three universities namely, Universiti Teknologi Mara (City Campus), Universiti Malaya and Universiti Kebangsaan Malaysia. The roadshows, manned by our own MISC staff volunteers and facilitators, featured developmental workshops on three core skills,

- Speech and Presentation
- Resourcefulness
- Teamwork

The Roadshow also featured a dialogue session, where MISC's senior management team and key executives shared their personal working experience with the participants. These sessions gave students the opportunity to 'pick the brains' of our people and gain insightful knowledge from their experiences.

After the success of its first year run, MISC will continue with its Navigate Your Career programme, as an annual event, covering more universities.

### Engage

Our NYC Portal was successfully launched in July 2007 and is continuously updated and revised to provide students with even more tips and information on soft skills. The portal featured a variety of interactive avenues for soft skill enhancements, including quizzes and articles.

### Expose

Out of the many students who applied for the 5-week Student Attachment Programme at MISC, 8 were selected from various universities in the country. 5 modules were designed for this programme, with the aim to provide "hands-on" experience in the real working environment to the selected university students. During the attachment period, students were exposed to:

- Event and teamwork
- Presentation and Public Speaking
- Brainstorming and analytical thinking
- Research and report writing
- Interview and etiquette

More than 90% of the officers onboard MISC LNG vessels are graduates of our Cadet Sponsorship Programme

ALAM
AKADEMI LAUT MALAYSIA
MALAYSIAN MARITIME ACADEMY



## MISC Cadet Sponsorship Programme – Supporting The Nation's Maritime Aspirations

In the year under review, MISC continued with its strong investment in Akademi Laut Malaysia (ALAM), in our efforts to build a local pool of capable seafarers to meet the needs of the growing maritime industry. This year, MISC recruited more than 250 cadets under the Cadet Sponsorship Programme. The programme places high emphasis on technical, technological and hands-on practical training, equipping cadets with the skills to excel in their respective work environment, on land and sea. In partnership with ALAM, MISC also offers ship-berth training for our sponsored cadets, allowing them to train onboard our vessels and experience the real business and technical environment of a commercial vessel.

The programme has garnered increased recognition by students, parents and international organisations, which has encouraged its growth annually and to date, more than 90% of the officers onboard MISC LNG vessels are graduates of our Cadet Sponsorship Programme.

## MISC Education Sponsorship Programme – Helping young Malaysian's achieve their dreams

Another major avenue for youth development at MISC is the MISC Education Sponsorship Programme, which provides financial aid for human capital development on a national level. This year, education sponsorships were extended to 60 exemplary candidates, both for MISC employees' children as well as applicants nationwide. Selections were made based on their exemplary record in both educational and co-curricular activities and the provisions allowed the students to further their studies locally and abroad in courses relevant to MISC's business such as Naval Architecture, Marine Engineering, Offshore Engineering, Transport & Logistics, Mechanical Engineering, Electrical Engineering, Civil Engineering, Accounting and Economics.

## MISC Mini CSR Project – Engaging with the community around us

In the year under review, we also launched our community relations CSR programme, the Mini CSR Project, where our people were given the opportunity to organise their own small CSR projects, finding different ways to engage and help the community. A total of 11 projects were organised by the various departments in MISC, involving more than 500 volunteers from MISC's employees. The Mini CSR Projects which focused on the development of youth and children included school enhancement efforts, orphanage visits & enhancement, sponsorships, career and motivational seminars as well as environmental awareness projects. The participation of our employees in the CSR projects has been an avenue of growth for our people, by inspiring their creativity and innovation through the organising and running of the projects.

A total of **11 projects** were organised, more than 500 volunteers from MISC's employees participated

The Mini projects ran in the year under review were as follows:

- Project Kind Heart with the Philea Home for Underprivileged, Kapar
- Career Seminar for high school students from the Hulu Selangor district
- Mangrove action project with the Nature Club of SMK Sultan Sulaiman Shah and SMK Seri Tanjong in Kuala Selangor at Taman Alam
- Project Educare to assist potential students from underprivileged families
- Resource Centre development for the "Baitul Fitrah Orphanage Home", Rawang
- Maritime Exploration with Shelter Home 3, PJ and Desa Amal Jireh, Semenyih at Akademi Laut Malaysia
- Motivational Camp with students from schools in the Gombak vicinity
- Bringing ICT technology to the teenagers of Rumah Solehah, a home that provides shelter and care to children who had been diagnosed as HIV positive
- A Day at Rumah Anak Yatin Darul Izzah in Bangi
- Development of a new and improved library for SK Kampong Selayang, Kuala Lumpur
- Safe Kids Programme to share and enhance the knowledge of students of SK (2) Gombak on Personal Safety and First Aid Rescue

## Project Educare
to assist potential students from underprivileged families

## Safe Kids Programme
to share and enhance the knowledge on Personal Safety and First Aid Rescue

# 117 Financials

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 March 2008.

## Principal Activities

The principal activities of the Corporation consist of shipowning, ship operating, other activities related to shipping services and owning and operating offshore floating terminals.

The principal activities of the subsidiaries are described in Note 38 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

## Results

| | Group RM'000 | Corporation RM'000 |
|---|---|---|
| Profit for the year | 2,538,327 | 1,467,983 |
| Attributable to: | | |
| Equity holders of the Corporation | 2,430,291 | 1,467,983 |
| Minority interests | 108,036 | – |
| | 2,538,327 | 1,467,983 |

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 March 2007 were as follows:

| | RM'000 |
|---|---|
| In respect of the financial year ended 31 March 2007 as reported in the directors' report of that year: | |
| Final tax exempt dividend of 20 sen per share, paid on 30 August 2007 | 733,433 |
| In respect of the financial year ended 31 March 2008: | |
| Interim tax exempt dividend of 15 sen per share, paid on 24 December 2007 | 556,531 |

### Dividends (cont'd)

At the forthcoming Annual General Meeting, the following tax exempt dividend will be proposed for shareholders' approval in respect of the financial year ended 31 March 2008:

| | RM'000 |
|---|---|
| Final tax exempt dividend of 20 sen per share | 743,966 |

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 March 2009.

### Directors

The names of the directors of the Corporation in office since the date of the last report and at the date of this report are:

Tan Sri Dato Sri Mohd Hassan bin Marican
Dato' Shamsul Azhar bin Abbas
Dato Sri Liang Kim Bang
Harry K. Menon
Dato' Halipah binti Esa
Datuk Nasarudin bin Md Idris
Dato' Kalsom binti Abd Rahman
Dato' Sri Dr Wan Abdul Aziz bin Wan Abdullah
Dato' Ibrahim Mahaludin bin Puteh (alternate to Dato' Sri Dr Wan Abdul Aziz bin Wan Abdullah)
Ahmad Nizam bin Salleh (appointed on 9 January 2008)

### 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 the acquisition of shares in or debentures of the Corporation or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of full-time employees of the Corporation and certain subsidiaries as shown in Note 7 to the financial statements) by reason of a contract made by the Corporation or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

## Directors' Interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Corporation and its related corporations during the financial year were as follows:

| | Number of Ordinary Shares of RM1 Each | | | |
|---|---|---|---|---|
| | 1 April 2007 / Date of Appointment | Bought | Sold | 31 March 2008 |
| **The Corporation** | | | | |
| **Direct** | | | | |
| Dato Sri Liang Kim Bang | 304,000 | – | – | 304,000 |
| **Indirect** | | | | |
| Dato Sri Liang Kim Bang | 136,000 | – | – | 136,000 |
| **Fellow Subsidiary – PETRONAS Dagangan Berhad** | | | | |
| **Direct** | | | | |
| Tan Sri Dato Sri Mohd Hassan bin Marican | 2,000 | – | – | 2,000 |
| **Fellow Subsidiary – PETRONAS Gas Berhad** | | | | |
| **Direct** | | | | |
| Tan Sri Dato Sri Mohd Hassan bin Marican | 5,000 | 166 | – | 5,166 |
| Dato' Kalsom binti Abd Rahman | 1,000 | – | (1,000) | – |
| Datuk Nasarudin bin Md Idris | 3,000 | – | – | 3,000 |
| Ahmad Nizam bin Salleh | 2,000 | – | – | 2,000 |
| **Fellow Subsidiary – KLCC Property Holdings Berhad** | | | | |
| **Direct** | | | | |
| Tan Sri Dato Sri Mohd Hassan bin Marican | 50,000 | – | – | 50,000 |
| Datuk Nasarudin bin Md Idris | – | 5,000 | – | 5,000 |

None of the other directors in office at the end of the financial year had any interest in shares in the Corporation or its related corporations during the financial year.

## Other Statutory Information

a. Before the income statements and balance sheets 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.

### Other Statutory Information (cont'd)

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. As at the date of this report, there does not exist:

   i. any charge on the assets of the Group or of the Corporation which has arisen since the end of the financial year which secures the liabilities of any other person; or

   ii. any contingent liability of the Group or of the Corporation which has arisen since the end of the financial year.

f. In the opinion of the directors:

   i. no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Corporation to meet their obligations when they fall due; and

   ii. no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Corporation for the financial year in which this report is made.

### Significant Events

Significant events during the financial year are disclosed in Note 41 to the financial statements.

### Subsequent Event

Details of subsequent event is disclosed in Note 42 to the financial statements.

### Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 12 May 2008.

**Tan Sri Dato Sri Mohd Hassan bin Marican**

**Dato' Shamsul Azhar bin Abbas**

# Statement by Directors

## Pursuant to Section 169(15) of the Companies Act, 1965

We, **Tan Sri Dato Sri Mohd Hassan bin Marican** and **Dato' Shamsul Azhar bin Abbas**, 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 124 to 193 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards 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 March 2008 and of the results and the cash flows of the Group and of the Corporation for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 12 May 2008.

**Tan Sri Dato Sri Mohd Hassan bin Marican**

**Dato' Shamsul Azhar bin Abbas**

# Statutory Declaration

## Pursuant to Section 169(16) of the Companies Act, 1965

I, **Noraini binti Che Dan**, 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 124 to 193 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 **Noraini binti Che Dan** at Kuala Lumpur in Wilayah Persekutuan on 12 May 2008

**Noraini binti Che Dan**

Before me,

# Report of the Auditors
## to the Members of MISC Berhad
## (Incorporated In Malaysia)

We have audited the financial statements set out on pages 124 to 193. These financial statements are the responsibility of the Corporation's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

a. the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of:

    i. the financial position of the Group and of the Corporation as at 31 March 2008 and of the results and the cash flows of the Group and of the Corporation for the year then ended; and

    ii. the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

b. the accounting and other records and the registers required by the Act to be kept by the Corporation and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 38 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Corporation are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

**Ernst & Young**
AF: 0039
Chartered Accountants

**See Huey Beng**
No. 1495 / 03 / 09(J)
Partner

Kuala Lumpur, Malaysia
12 May 2008

# Income Statements
for the Year Ended 31 March 2008

| | Note | Group 2008 RM'000 | Group 2007 RM'000 | Corporation 2008 RM'000 | Corporation 2007 RM'000 |
|---|---|---|---|---|---|
| Revenue | 3 | 12,957,425 | 11,198,945 | 5,662,919 | 4,355,482 |
| Cost of sales | | (9,597,432) | (7,779,198) | (4,992,255) | (3,822,813) |
| Gross profit | | 3,359,993 | 3,419,747 | 670,664 | 532,669 |
| Gain on disposal of ships | | 180,481 | 436,559 | 27,183 | 131,915 |
| Other operating income | 4 | 394,814 | 303,345 | 1,389,184 | 3,473,359 |
| General and administrative expenses | | (1,063,092) | (909,224) | (488,635) | (391,064) |
| Operating profit | 5 | 2,872,196 | 3,250,427 | 1,598,396 | 3,746,879 |
| Finance costs | 8 | (345,385) | (347,757) | (133,693) | (46,135) |
| Share of profit / (loss) of associates | | 1,551 | (491) | – | – |
| Share of profit of jointly controlled entities | | 80,998 | 28,131 | – | – |
| Profit before taxation | | 2,609,360 | 2,930,310 | 1,464,703 | 3,700,744 |
| Taxation | 9 | (71,033) | (33,380) | 3,280 | – |
| Profit for the year | | 2,538,327 | 2,896,930 | 1,467,983 | 3,700,744 |
| Attributable to: | | | | | |
| Equity holders of the Corporation | | 2,430,291 | 2,852,025 | 1,467,983 | 3,700,744 |
| Minority interests | | 108,036 | 44,905 | – | – |
| | | 2,538,327 | 2,896,930 | 1,467,983 | 3,700,744 |
| Earnings per share attributable to equity holders of the Corporation (sen) | | | | | |
| Basic | 10 | 65.3 | 76.7 | | |
| Diluted | 10 | 65.3 | 76.7 | | |

The accompanying notes form an integral part of the financial statements.

| | Note | Group 2008 RM'000 | Group 2007 RM'000 | Corporation 2008 RM'000 | Corporation 2007 RM'000 |
|---|---|---|---|---|---|
| **Non-Current Assets** | | | | | |
| Ships | 12 | 20,893,758 | 21,034,467 | 9,489,294 | 8,592,410 |
| Property, plant and equipment | 12 | 974,819 | 724,430 | 53,759 | 90,131 |
| Prepaid lease payments on land and buildings | 13 | 111,568 | 118,797 | – | – |
| Investment properties | 14 | – | 49,500 | – | 49,500 |
| Intangible assets | 15 | 962,432 | 1,041,424 | – | – |
| Investments in subsidiaries | 16 | – | – | 5,913,319 | 6,716,259 |
| Investments in associates | 17 | 4,317 | 2,685 | 1,248 | – |
| Investments in jointly controlled entities | 18 | 1,116,625 | 503,358 | 9,132 | – |
| Other investments | 19 | 188,823 | 236,077 | 183,936 | 51,141 |
| Deferred tax assets | 30 | 4,606 | 2,941 | – | – |
| | | 24,256,948 | 23,713,679 | 15,650,688 | 15,499,441 |
| **Current Assets** | | | | | |
| Inventories | 20 | 399,584 | 262,974 | 164,176 | 103,090 |
| Trade and other receivables | 21 | 2,402,665 | 1,721,703 | 2,158,931 | 1,012,199 |
| Marketable securities | 23 | – | 851 | – | 851 |
| Cash, deposits and bank balances | 24 | 1,964,361 | 2,217,564 | 976,155 | 735,116 |
| | | 4,766,610 | 4,203,092 | 3,299,262 | 1,851,256 |
| Non-current assets classified as held for sale | 25 | 19,793 | 38,015 | 100,415 | 172,618 |
| | | 4,786,403 | 4,241,107 | 3,399,677 | 2,023,874 |
| **Current Liabilities** | | | | | |
| Trade and other payables | 26 | 2,739,129 | 2,205,615 | 3,624,037 | 2,670,723 |
| Borrowings | 27 | 959,358 | 495,252 | 592,281 | 97,065 |
| | | 3,698,487 | 2,700,867 | 4,216,318 | 2,767,788 |
| **Net Current Assets / (Liabilities)** | | 1,087,916 | 1,540,240 | (816,641) | (743,914) |
| | | 25,344,864 | 25,253,919 | 14,834,047 | 14,755,527 |

# Balance Sheets
as at 31 March 2008

| | Note | Group 2008 RM'000 | Group 2007 RM'000 | Corporation 2008 RM'000 | Corporation 2007 RM'000 |
|---|---|---|---|---|---|
| **Equity** | | | | | |
| **Equity attributable to equity holders of the Corporation** | | | | | |
| Share capital | 28 | 3,719,828 | 3,719,828 | 3,719,828 | 3,719,828 |
| Other reserves | 29 | (224,391) | 1,121,422 | (1,004,301) | 127,049 |
| Retained profits | | 14,958,961 | 13,797,911 | 11,118,520 | 10,905,284 |
| | | 18,454,398 | 18,639,161 | 13,834,047 | 14,752,161 |
| **Minority interests** | | 274,061 | 241,435 | – | – |
| | | 18,728,459 | 18,880,596 | 13,834,047 | 14,752,161 |
| **Non-Current Liabilities** | | | | | |
| Borrowings | 27 | 6,568,769 | 6,309,140 | 1,000,000 | – |
| Deferred tax liabilities | 30 | 47,636 | 64,183 | – | 3,366 |
| | | 6,616,405 | 6,373,323 | 1,000,000 | 3,366 |
| | | 25,344,864 | 25,253,919 | 14,834,047 | 14,755,527 |

The accompanying notes form an integral part of the financial statements.

# Consolidated Statement of Changes in Equity
## for the Year Ended 31 March 2008

| | Note | ◄ Attributable to Equity Holders of the Corporation ► Share Capital Ordinary Shares RM'000 | Non-Distributable Other Reserves RM'000 | Distributable Retained Profits RM'000 | Total RM'000 | Minority Interests RM'000 | Total Equity RM'000 |
|---|---|---|---|---|---|---|---|
| At 1 April 2006 | | 3,719,828 | 2,348,423 | 12,088,020 | 18,156,271 | 284,686 | 18,440,957 |
| Currency translation differences: | | | | | | | |
| Group | 29 | – | (1,273,372) | – | (1,273,372) | 24,932 | (1,248,440) |
| Associates | 29 | – | 207 | – | 207 | – | 207 |
| Jointly controlled entities | 29 | – | 996 | – | 996 | – | 996 |
| | | – | (1,272,169) | – | (1,272,169) | 24,932 | (1,247,237) |
| Transfer to reserves from retained profits | 29 | – | 45,168 | (45,168) | – | – | – |
| Net (expense) / income recognised directly in equity | | – | (1,227,001) | (45,168) | (1,272,169) | 24,932 | (1,247,237) |
| Profit for the year | | – | – | 2,852,025 | 2,852,025 | 44,905 | 2,896,930 |
| Total recognised income and expense for the year | | – | (1,227,001) | 2,806,857 | 1,579,856 | 69,837 | 1,649,693 |
| Dividends | 11 | – | – | (1,096,966) | (1,096,966) | (17,764) | (1,114,730) |
| Acquisition of subsidiaries* | | – | – | – | – | (95,324) | (95,324) |
| At 31 March 2007 | | 3,719,828 | 1,121,422 | 13,797,911 | 18,639,161 | 241,435 | 18,880,596 |
| **At 1 April 2007** | | **3,719,828** | **1,121,422** | **13,797,911** | **18,639,161** | **241,435** | **18,880,596** |
| Currency translation differences: | | | | | | | |
| Group | 29 | – | (1,327,417) | – | (1,327,417) | (29,486) | (1,356,903) |
| Associates | 29 | – | 161 | – | 161 | – | 161 |
| Jointly controlled entities | 29 | – | 2,166 | – | 2,166 | – | 2,166 |
| | | – | (1,325,090) | – | (1,325,090) | (29,486) | (1,354,576) |
| Transfer to retained profits from reserves | 29 | – | (20,723) | 20,723 | – | – | – |
| Net (expense) / income recognised directly in equity | | – | (1,345,813) | 20,723 | (1,325,090) | (29,486) | (1,354,576) |
| Profit for the year | | – | – | 2,430,291 | 2,430,291 | 108,036 | 2,538,327 |
| Total recognised income and expense for the year | | – | (1,345,813) | 2,451,014 | 1,105,201 | 78,550 | 1,183,751 |
| Dividends | 11 | – | – | (1,289,964) | (1,289,964) | (48,176) | (1,338,140) |
| Additional investment in a subsidiary | | – | – | – | – | 2,252 | 2,252 |
| **At 31 March 2008** | | **3,719,828** | **(224,391)** | **14,958,961** | **18,454,398** | **274,061** | **18,728,459** |

* Relates to acquisition of remaining minority interest in a subsidiary by the Corporation.

The accompanying notes form an integral part of the financial statements.

# Statement of Changes in Equity
for the Year Ended 31 March 2008

| | Note | Share Capital Ordinary Shares RM'000 | Non-distributable Other Reserves RM'000 | Distributable Retained Profits RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| At 1 April 2006 | | 3,719,828 | 1,073,206 | 8,301,506 | 13,094,540 |
| Currency translation differences | 29 | – | (946,157) | – | (946,157) |
| Net expense recognised directly in equity | | – | (946,157) | – | (946,157) |
| Profit for the year | | – | – | 3,700,744 | 3,700,744 |
| Total recognised income and expense for the year | | – | (946,157) | 3,700,744 | 2,754,587 |
| Dividends | 11 | – | – | (1,096,966) | (1,096,966) |
| At 31 March 2007 | | 3,719,828 | 127,049 | 10,905,284 | 14,752,161 |
| **At 1 April 2007** | | **3,719,828** | **127,049** | **10,905,284** | **14,752,161** |
| Currency translation differences | 29 | – | (1,096,133) | – | (1,096,133) |
| Transfer to retained profits from reserves | 29 | – | (35,217) | 35,217 | – |
| Net (expense) / income recognised directly in equity | | – | (1,131,350) | 35,217 | (1,096,133) |
| Profit for the year | | – | – | 1,467,983 | 1,467,983 |
| Total recognised income and expense for the year | | – | (1,131,350) | 1,503,200 | 371,850 |
| Dividends | 11 | – | – | (1,289,964) | (1,289,964) |
| **At 31 March 2008** | | **3,719,828** | **(1,004,301)** | **11,118,520** | **13,834,047** |

The accompanying notes form an integral part of the financial statements.

| | | Group | | Corporation | |
|---|---|---|---|---|---|
| | Note | 2008 RM'000 | 2007 RM'000 | 2008 RM'000 | 2007 RM'000 |
| Cash receipts from customers | | 12,821,671 | 11,274,148 | 5,813,462 | 4,856,846 |
| Cash paid to suppliers and employees | | (8,717,640) | (7,607,139) | (5,000,270) | (3,917,840) |
| Cash from operations | | 4,104,031 | 3,667,009 | 813,192 | 939,006 |
| Taxation paid | | (64,822) | (33,379) | – | – |
| Net cash generated from operating activities | | 4,039,209 | 3,633,630 | 813,192 | 939,006 |
| Net cash used in investing activities | 31 | (2,850,164) | (3,609,544) | (1,321,739) | (469,525) |
| Net cash (used in) / generated from financing activities | 32 | (1,342,428) | (1,045,121) | 789,374 | (223,374) |
| **Net (decrease) / increase in cash and cash equivalents** | | (153,383) | (1,021,035) | 280,827 | 246,107 |
| **Cash and cash equivalents at beginning of financial year** | | 2,217,564 | 3,425,969 | 735,116 | 487,600 |
| **Currency translation differences** | | (99,820) | (187,370) | (39,788) | 1,409 |
| **Cash and cash equivalents at end of financial year** | | 1,964,361 | 2,217,564 | 976,155 | 735,116 |
| Cash and cash equivalents comprise: | | | | | |
| Cash, deposits and bank balances | 24 | 1,964,361 | 2,217,564 | 976,155 | 735,116 |

The accompanying notes form an integral part of the financial statements.

## 1. Corporate Information

The Corporation is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities. The registered office of the Corporation is located at Level 25, Menara Dayabumi, Jalan Sultan Hishamuddin, 50050 Kuala Lumpur.

The holding and ultimate holding company of the Corporation is Petroliam Nasional Berhad, a company incorporated and domiciled in Malaysia.

The principal activities of the Corporation consist of shipowning, ship operating, other activities related to shipping services and owning and operating offshore floating terminals. The principal activities of the subsidiaries are described in Note 38.

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 12 May 2008.

## 2. Significant Accounting Policies

### 2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia ("FRS"). At the beginning of the current financial year, the Group and the Corporation had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 April 2007 as described fully in Note 2.3.

The financial statements of the Group and of the Corporation have also been prepared on a historical cost basis unless otherwise indicated in the accounting policies below.

The functional currency of the Corporation and certain subsidiaries is United States Dollar ("USD"). The financial statements are presented in Ringgit Malaysia ("RM") in compliance with FRS and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

### 2.2 Summary of Significant Accounting Policies

#### a. Subsidiaries and Basis of Consolidation

##### i. Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Corporation's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

##### ii. Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Corporation and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Corporation.

## 2. Significant Accounting Policies (cont'd)

### 2.2 Summary of Significant Accounting Policies (cont'd)

#### a. Subsidiaries and Basis of Consolidation (cont'd)

##### ii. Basis of Consolidation (cont'd)

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

When the merger method is used, the cost of investment in the Corporation's book is recorded at the nominal value of shares issued and the difference between the carrying value of the investment and the nominal value of shares acquired is treated as merger reserve or merger deficit. The results of the companies being merged are included as if the merger had been effected throughout the current and previous years.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in subsidiaries' equity since then.

#### 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 but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet 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 profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share 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 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.

## 2. Significant Accounting Policies (cont'd)

### 2.2 Summary of Significant Accounting Policies (cont'd)

#### b. Associates (cont'd)

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 net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the 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 accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

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 profit or loss.

#### c. Jointly Controlled Entities

The Group has interest in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investments in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting as described in Note 2.2(b).

In the Corporation's separate financial statements, investments in jointly controlled entities 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 profit or loss.

#### d. Intangible Assets

##### i. Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of 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 instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

## 2. Significant Accounting Policies (cont'd)

### 2.2 Summary of Significant Accounting Policies (cont'd)

#### d. Intangible Assets (cont'd)

##### 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 as 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 the 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 least at each balance sheet date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating-unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

#### e. Ships, Property, Plant and Equipment, and Depreciation

All ships, property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, ships, property, plant and equipment except for freehold land, ships under construction, systems work in progress and construction in progress are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Ships under construction, systems work in progress and construction in progress are also not depreciated as these assets are not available for use.

Depreciation of ships commences from the date of delivery of the ships. Depreciation of ships in operation, property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

| | |
|---|---|
| Ships constructed (including offshore floating terminals) | 5 – 20 years |
| Ships purchased | Remaining useful life up to 20 years |
| Buildings | 2% – 7% |
| Drydocks and waste plant | 2% – 10% |
| Containers | 8% – 15% |
| Motor vehicles | 10% – 33.3% |
| Furniture, fittings and equipment | 10% – 33.3% |
| Computer software and hardware | 15% – 33.3% |
| Plant and machinery | 10% – 20% |
| Tugboats, engines and pushers | 6.7% – 20% |

## 2. Significant Accounting Policies (cont'd)

### 2.2 Summary of Significant Accounting Policies (cont'd)

#### e. Ships, Property, Plant and Equipment, and Depreciation (cont'd)

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the ships, property, plant and equipment.

Ships, property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus is taken directly to retained profits.

#### f. Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured at cost, including transaction costs.

Freehold land and building of the Corporation have not been revalued since they were revalued in 1984. The directors have not adopted a policy of regular revaluations of such assets and no later valuation has been recorded.

Depreciation of investment properties is provided for on a straight-line basis at 2% per annum.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

#### g. Construction Contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will 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.

When the total of costs incurred on construction contracts plus, recognised profits (less recognised losses), exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

## 2. Significant Accounting Policies (cont'd)

### 2.2 Summary of Significant Accounting Policies (cont'd)

#### h. Impairment of Non-financial Assets

The carrying amounts of assets, other than construction contract assets, inventories, deferred tax assets and non-current assets held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating-unit ("CGU") to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

#### i. Inventories

Inventories which comprise bunkers, lubricants, spares, raw materials and consumable stores are held for own consumption and are stated at lower of cost and net realisable value. Cost is arrived at on the weighted average basis and comprises the purchase price and other direct charges.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

## 2. Significant Accounting Policies (cont'd)

### 2.2 Summary of Significant Accounting Policies (cont'd)

#### j. Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

##### i. Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposit at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

##### ii. Other Non-current Investments

Non-current investments other than investments in subsidiaries, associates, jointly controlled entities and investment properties are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in profit or loss.

##### iii. Marketable Securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in profit or loss. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in profit or loss.

##### iv. Trade and Other Receivables

Trade and other receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

##### v. Trade and Other Payables

Trade and other payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

##### vi. Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

##### vii. Non-convertible Cumulative Redeemable Preference Shares ("NCRPS")

The NCRPS are recorded at the amount of proceeds received, net of transaction costs.

The NCRPS are classified as non-current liabilities in the balance sheet and the preferential dividends are recognised as finance costs in profit or loss in the period in which they are incurred.

## 2. Significant Accounting Policies (cont'd)

### 2.2 Summary of Significant Accounting Policies (cont'd)

#### j. Financial Instruments (cont'd)

##### viii. Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

##### ix. Derivative Financial Instruments

Derivative financial instruments are not recognised in the financial statements.

**Interest rate swap contract:**

Net differentials in interest receipts and payments arising from interest rate swap contract are recognised as interest income or expense in the profit or loss over the period of contract.

**Forward bunker contracts:**

Upon settlement, the forward bunker contracts are recognised as expense in the profit or loss.

#### k. Leases

##### i. Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and building are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

##### ii. Operating Leases – the Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

##### iii. Operating Lease – the Group as Lessor

Assets leased out under operating leases are presented on the balance sheet 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.

## 2. Significant Accounting Policies (cont'd)

### 2.2 Summary of Significant Accounting Policies (cont'd)

#### l. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### m. 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 balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

#### n. Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and 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 balance sheet 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. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Provision for warranty is made based on service histories to cover the estimated liability that may arise during the warranty period. Any surplus provision will be written back at the end of the warranty period while additional provision is made as and when necessary.

## 2. Significant Accounting Policies (cont'd)

### 2.2 Summary of Significant Accounting Policies (cont'd)

#### o. Employee Benefits

##### i. Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

##### ii. Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

##### iii. Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after balance sheet date are discounted to present value.

#### p. Foreign Currencies

##### i. Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Corporation and certain subsidiaries is United States Dollar ("USD"). The financial statements are presented in Ringgit Malaysia ("RM"), in compliance with FRS.

##### ii. Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

## 2. Significant Accounting Policies (cont'd)

### 2.2 Summary of Significant Accounting Policies (cont'd)

#### p. Foreign Currencies (cont'd)

##### ii. Foreign Currency Transactions (cont'd)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the currency translation reserve within equity until the disposal of the foreign operation, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Corporation's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Corporation's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

##### iii. Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency ("RM") of the consolidated financial statements are translated into RM as follows:

– Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;

– Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

– All resulting exchange differences are taken to the currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 April 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 April 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

#### q. Revenue Recognition

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

##### i. Freight Income

Freight receivable and the relevant discharge costs of cargoes loaded onto ships up to the balance sheet date are accrued for in the financial statements, using the percentage of completion method.

## 2. Significant Accounting Policies (cont'd)

### 2.2 Summary of Significant Accounting Policies (cont'd)

#### q. Revenue Recognition (cont'd)

**ii. Charter Income**

The results of ships employed on voyage charter and that of other services rendered are accounted for on a time accrual basis.

**iii. Lightering Income**

Income on lightering charges is recognised on percentage of completion of voyages calculated on a discharge-to-discharge basis. The voyage revenue is recognised evenly over the period from a vessel's departure from its previous discharge point to its projected departure from its next discharge point.

**iv. Other Shipping Related Income**

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are performed.

**v. Construction Contracts**

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.2(g).

**vi. Rental Income**

Rental income from investment property is recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessee is recognised as a reduction of rental income over the lease term on a straight-line basis.

**vii. Interest Income**

Interest income is recognised on an accrual basis using the effective interest method.

**viii. Dividend Income**

Dividend income is recognised when the Group's right to receive payment is established.

#### r. 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 FRSs. Then, on initial classification as held for sale, non-current assets are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

#### s. Repairs and Maintenance

Repairs and maintenance costs are recognised in profit or loss in the period in which they are incurred. Drydocking expenditure is capitalised and depreciated over a period of 30 months or the period until the next drydocking date, whichever is shorter.

## 2. Significant Accounting Policies (cont'd)

### 2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

On 1 April 2007, the Group and the Corporation adopted the following revised FRSs:

| | |
|---|---|
| FRS 117 | Leases |
| FRS 124 | Related Party Disclosures |

The MASB has also issued FRS 6: Exploration for and Evaluation of Mineral Resources and Amendment to FRS $119_{2004}$: Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures which is effective for annual periods beginning on or after 1 January 2007. These FRS and amendment to FRS are, however, not applicable to the Group or the Corporation.

At the date of authorisation of these financial statements, the following new and revised FRSs, amendment to FRSs and Interpretations were issued but not yet effective and have not been applied by the Group and the Corporation:

| FRSs, Amendment to FRSs and Interpretations | | Effective for financial periods beginning on or after |
|---|---|---|
| FRS 107 | Cash Flow Statements | 1 July 2007 |
| FRS 111 | Construction Contracts | 1 July 2007 |
| FRS 112 | Income Taxes | 1 July 2007 |
| FRS 118 | Revenue | 1 July 2007 |
| FRS 120 | Accounting for Government Grants and Disclosure of Government Assistance | 1 July 2007 |
| FRS 134 | Interim Financial Reporting | 1 July 2007 |
| FRS 137 | Provisions, Contingent Liabilities and Contingent Assets | 1 July 2007 |
| FRS 139 | Financial Instruments: Recognition and Measurement | Deferred |
| Amendment to FRS 121 | The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation | 1 July 2007 |
| IC Interpretation 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities | 1 July 2007 |
| IC Interpretation 2 | Members' Shares in Co-operative Entities and Similar Instruments | 1 July 2007 |
| IC Interpretation 5 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | 1 July 2007 |
| IC Interpretation 6 | Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment | 1 July 2007 |
| IC Interpretation 7 | Applying the Restatement Approach under FRS $129_{2004}$ – Financial Reporting in Hyperinflationary Economies | 1 July 2007 |
| IC Interpretation 8 | Scope of FRS 2 | 1 July 2007 |

The Group and the Corporation are exempted from disclosing the possible impact, if any to the financial statements upon the initial application of FRS 139.

## 2. Significant Accounting Policies (cont'd)

### 2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (cont'd)

The other new and revised FRSs, amendment to FRSs and Interpretations are expected to have no significant impact on the financial statements of the Group and the Corporation upon their initial application except for the following:

#### a. Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation

This amendment requires that where an entity has a monetary item that forms part of its net investment in foreign operation, the exchange differences arising from such monetary items should always be recognised in equity in the consolidated financial statements and should not be dependent on the currency of the monetary item. Prior to this amendment, exchange differences arising on a monetary item that forms part of the Group's net investment in foreign operation are recognised in equity in the consolidated financial statements only when that monetary item is denominated either in the functional currency of the reporting entity or the foreign operation. The Group will apply this amendment from financial periods beginning 1 April 2008. As it is not possible to reasonably estimate the exchange rates applicable to such monetary items for future periods, the directors are therefore unable to determine if the initial adoption of this amendment will have a material impact on the consolidated financial statements for the financial year ending 31 March 2009.

The adoption of the revised FRS 124 gives rise to additional disclosures but did not result in significant changes in accounting policies of the Group and of the Corporation. The principal changes in accounting policies and their effects resulting from the adoption of the revised FRS 117 are discussed below:

#### b. FRS 117: Leases

##### i. Leasehold land held for own use

Prior to 1 April 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and buildings. 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 buildings elements of a lease of land and buildings are considered separately for the purpose of lease classification.

Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease 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.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 April 2007, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and as disclosed in Note 2.3(c), certain comparatives have been restated. The effects on the consolidated balance sheet as at 31 March 2007 are set out in Note 2.3(c). There were no effects on the consolidated income statement for the year ended 31 March 2007 and Corporation's financial statements.

## 2. Significant Accounting Policies (cont'd)

### 2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (cont'd)

#### b. FRS 117: Leases (cont'd)

##### ii. Initial direct costs

Prior to 1 April 2007, the Group, as a lessor in operating lease arrangements, had recognised initial direct costs incurred in negotiating and arranging leases as an expense in the profit or loss in the period in which they were incurred. The revised FRS 117 requires such costs to be added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. According to the revised FRS 117, this change in accounting policy should be applied retrospectively. In general, the Group does not incur significant initial direct costs on negotiating and arranging leases and as a result, this change in accounting policy did not materially affect the financial statements of the Group and the Corporation.

#### c. Effects on balance sheet as at 31 March 2007

| Group | FRS 117 (Decrease) / Increase RM'000 |
|---|---|
| Property, plant and equipment | (118,797) |
| Prepaid lease payments on land and buildings | 118,797 |

### 2.4 Significant Accounting Estimates and Judgements

#### a. Critical Judgements Made in Applying Accounting Policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

##### i. Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on FRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for administrative purposes. If these portions could be sold separately (or leased out separately under finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

##### ii. Operating lease commitments – the Group as lessor

It is in the ordinary course of business that the Group enters into lease arrangements with related and third parties on its ships. Some of the lease arrangements may be extended to a longer period of time, covering substantially the useful life of the ships concerned. The Group has determined that it retains all the significant risks and rewards of ownership of these ships, and the ships are recognised and classified as part of non-current assets of the Group and the Corporation.

## 2. Significant Accounting Policies (cont'd)

### 2.4 Significant Accounting Estimates and Judgements (cont'd)

#### b. Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a 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 at least on an annual basis. This requires an estimation of the value in use of the cash-generating-units ("CGU") to which goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill as at 31 March 2008 was RM722,285,000 (2007: RM773,109,000). Further details of the impairment loss recognised are disclosed in Note 15(a).

##### ii. Impairment of ships, property, plant and equipment

During the financial year, the Group has not recognised any impairment loss in respect of property, plant and equipment. The Group carried out the impairment test based on a variety of estimation including the value in use of the CGU to which ships, 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 in order to calculate the present value of those cash flows. The carrying amount of ships and property, plant and equipment of the Group as at 31 March 2008 were RM20,893,758,000 (2007: RM21,034,467,000) and RM974,819,000 (2007: RM724,430,000) respectively. Further details of the impairment loss recognised are disclosed in Note 12(c).

##### iii. Depreciation of ships

The cost of ships is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these ships to be 20 years. This is a prudent life expectancy applied in the shipping industry. Changes in the expected level of usage and regulations could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. A 10.00% increase in the average useful lives of these assets from management's estimates would result in approximately 3.31% increase in profit for the year.

##### iv. Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of recognised tax losses and capital allowances of the Group was RM2,154,000 (2007: RM20,752,000) and the unrecognised tax losses and capital allowances of the Group was RM610,958,000 (2007: RM462,152,000).

### 2.5 Changes in Estimates

FRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of property, plant and equipment at least at each financial year end. As at year end, the Group and the Corporation has not revised the useful life and residual value of ships as these estimates were not materially different from prior year.

## 3. Revenue

| | Group 2008 RM'000 | Group 2007 RM'000 | Corporation 2008 RM'000 | Corporation 2007 RM'000 |
|---|---|---|---|---|
| Freight income | 4,422,528 | 3,707,287 | 4,443,201 | 3,374,172 |
| Charter and lightering income | 6,419,782 | 5,787,986 | 930,090 | 790,711 |
| Other shipping related income | 345,959 | 544,091 | 289,628 | 190,599 |
| Non-shipping income | 1,769,156 | 1,159,581 | – | – |
| | 12,957,425 | 11,198,945 | 5,662,919 | 4,355,482 |

Non-shipping income mainly represents revenue generated from marine repair, marine conversion and engineering and construction works.

## 4. Other Operating Income

| | Group 2008 RM'000 | Group 2007 RM'000 | Corporation 2008 RM'000 | Corporation 2007 RM'000 |
|---|---|---|---|---|
| Interest income: | | | | |
| Subsidiaries | – | – | 92,179 | 90,066 |
| Deposits | 96,095 | 110,886 | 25,741 | 17,423 |
| Dividend income on equity investments: | | | | |
| Subsidiaries | – | – | 1,019,351 | 1,681,579 |
| Quoted in Malaysia | 24,913 | 22,867 | 9,393 | 12,039 |
| Unquoted in Malaysia | 4,796 | 2,706 | 4,796 | 2,706 |
| Unquoted outside Malaysia | 198 | 143 | – | – |
| Rental income: | | | | |
| Subsidiaries | – | – | 275 | 277 |
| Others | 3,240 | 2,671 | 251 | 375 |
| Exchange gain: | | | | |
| Realised | 87,173 | 80,871 | 80,587 | 54,398 |
| Unrealised | 53,863 | 32,494 | 31,878 | 25,235 |
| Management services: | | | | |
| Subsidiaries | – | – | 34,938 | 57,429 |
| Others | 9,230 | 85 | 5,248 | 85 |
| Gain on disposal of: | | | | |
| Property, plant and equipment | 77,256 | 24,816 | 61,215 | 11,360 |
| Subsidiary | – | – | – | 1,338,205 |
| Other investments | 317 | 177 | 317 | 177 |
| Gain on liquidation of a subsidiary | – | – | 19,304 | 174,725 |
| Write back of provision for doubtful debts | 6,756 | 1,181 | – | – |
| Reversal of write down of inventories | 1,154 | 6,038 | 1,154 | 6,038 |
| Miscellaneous: | | | | |
| Subsidiaries | – | – | 2,086 | 245 |
| Others | 29,823 | 18,410 | 471 | 997 |
| | 394,814 | 303,345 | 1,389,184 | 3,473,359 |

## 5. Operating Profit

The following amounts have been included in arriving at operating profit:

| | Group 2008 RM'000 | Group 2007 RM'000 | Corporation 2008 RM'000 | Corporation 2007 RM'000 |
|---|---|---|---|---|
| Amortisation of intangible assets | 28,168 | 28,168 | – | – |
| Amortisation of prepaid land lease payments | 3,476 | 3,478 | – | – |
| Auditors' remuneration: | | | | |
| Auditors of the Corporation: | | | | |
| Statutory audits | 1,889 | 1,705 | 550 | 550 |
| Other services | 2,257 | 888 | 416 | 787 |
| Other auditors: | | | | |
| Statutory audits | 415 | 386 | – | – |
| Other services | 358 | 130 | 346 | 109 |
| Charter hire expense | 2,162,873 | 1,633,730 | 1,371,984 | 984,571 |
| Impairment loss in goodwill | – | 2,325 | – | – |
| Inventories used | 1,706,376 | 1,556,418 | 953,297 | 691,632 |
| Exchange loss: | | | | |
| Realised | 23,478 | 22,913 | 15,796 | 7,439 |
| Unrealised | 168,602 | 17,912 | 143,332 | 12,851 |
| Operating lease rental | 840 | 707 | – | – |
| Prepaid lease payment on land and buildings written off | 1,316 | – | – | – |
| Provision for doubtful debts | 9,529 | 26,537 | – | 9,042 |
| Bad debts written off | 704 | 891 | 572 | 765 |
| Rental of equipment | 278,160 | 205,328 | 255,293 | 191,636 |
| Rental of land and buildings | 26,701 | 22,405 | 13,879 | 12,437 |
| Ships, property, plant and equipment: | | | | |
| Depreciation (Note 12) | 1,436,648 | 1,360,837 | 517,391 | 437,258 |
| Written off | 13,572 | 14,798 | – | 12,599 |
| Impairment loss (Note 12) | – | 1,943 | – | – |
| Staff costs (Note 6) | 1,031,041 | 883,408 | 372,986 | 301,960 |

## 6. Staff Costs

| | Group 2008 RM'000 | Group 2007 RM'000 | Corporation 2008 RM'000 | Corporation 2007 RM'000 |
|---|---|---|---|---|
| Wages, salaries and bonuses | 757,332 | 714,394 | 293,973 | 235,953 |
| Termination benefits | 25 | 2,440 | – | – |
| Social security costs | 3,042 | 1,522 | 835 | 737 |
| Contributions to defined contribution plans | 42,868 | 32,483 | 8,807 | 7,108 |
| Other staff related expenses | 227,774 | 132,569 | 69,371 | 58,162 |
| | 1,031,041 | 883,408 | 372,986 | 301,960 |

## 6. Staff Costs (cont'd)

Included in staff costs of the Group and of the Corporation are executive directors' remuneration amounting to RM4,965,000 (2007: RM4,278,000) and RM1,391,000 (2007: RM1,208,000) respectively as further disclosed in Note 7.

## 7. Directors' Remuneration

| | Group | | Corporation | |
|---|---|---|---|---|
| | 2008 RM'000 | 2007 RM'000 | 2008 RM'000 | 2007 RM'000 |
| Executive directors' remuneration: | | | | |
| Fees | 338 | 315 | – | – |
| Other emoluments | 4,627 | 3,963 | 1,391 | 1,208 |
| | 4,965 | 4,278 | 1,391 | 1,208 |
| Non-executive directors' remuneration: | | | | |
| Fees | 1,509 | 1,445 | 351 | 347 |
| Total directors' remuneration | 6,474 | 5,723 | 1,742 | 1,555 |
| Estimated money value of benefits-in-kind | 1,243 | 1,078 | 187 | 47 |
| Total directors' remuneration including benefits-in-kind | 7,717 | 6,801 | 1,929 | 1,602 |

The details of remuneration receivable by directors of the Corporation during the year are as follows:

| | Group | | Corporation | |
|---|---|---|---|---|
| | 2008 RM'000 | 2007 RM'000 | 2008 RM'000 | 2007 RM'000 |
| Executive: | | | | |
| Salaries and other emoluments | 921 | 797 | 921 | 797 |
| Bonus | 146 | 135 | 146 | 135 |
| Fees | 186 | 171 | – | – |
| Defined contribution plan | 324 | 276 | 324 | 276 |
| Estimated money value of benefits-in-kind | 187 | 47 | 187 | 47 |
| | 1,764 | 1,426 | 1,578 | 1,255 |
| Non-Executive: | | | | |
| Fees | 369 | 347 | 351 | 347 |
| | 2,133 | 1,773 | 1,929 | 1,602 |

### 7. Directors' Remuneration (cont'd)

The number of directors of the Corporation whose total remuneration during the financial year fell within the following bands is analysed below:

| | Number of Directors | |
|---|---|---|
| | 2008 | 2007 |
| Executive director: | | |
| RM1,250,000 – RM1,300,000 | – | 1 |
| RM1,550,000 – RM1,600,000 | 1 | – |
| Non-Executive directors: | | |
| RM1 – RM50,000 | 8 | 7 |
| RM50,001 – RM100,000 | 1 | 1 |

### 8. Finance Costs

| | Group | | Corporation | |
|---|---|---|---|---|
| | 2008<br>RM'000 | 2007<br>RM'000 | 2008<br>RM'000 | 2007<br>RM'000 |
| Interest expense: | | | | |
| Subsidiaries | – | – | 106,235 | 56,734 |
| Third parties | 366,804 | 374,985 | – | – |
| Islamic Private Debt Securities | 34,477 | 1,002 | 34,477 | 1,002 |
| Non-convertible Cumulative Redeemable Preference Shares dividend | 132 | 1,084 | – | – |
| Total interest expense | 401,413 | 377,071 | 140,712 | 57,736 |
| Less: Interest expense capitalised in qualifying assets: | | | | |
| Ships under construction | (56,028) | (29,314) | (7,019) | (11,601) |
| Net interest expense | 345,385 | 347,757 | 133,693 | 46,135 |

### 9. Taxation

| | Group | | Corporation | |
|---|---|---|---|---|
| | 2008<br>RM'000 | 2007<br>RM'000 | 2008<br>RM'000 | 2007<br>RM'000 |
| Current income tax: | | | | |
| Malaysian income tax | 69,767 | 32,426 | – | – |
| Foreign tax | 12,071 | 5,695 | – | – |
| Under / (over) provision in prior years: | | | | |
| Malaysian income tax | 7,012 | (333) | – | – |
| Foreign tax | 637 | 31 | – | – |
| Deferred tax (Note 30): | | | | |
| Relating to origination and reversal of temporary differences | 2,479 | (2,524) | – | – |
| Relating to changes in tax rates | (15,351) | (1,783) | (3,280) | – |
| Overprovision in prior years | (5,582) | (132) | – | – |
| | 71,033 | 33,380 | (3,280) | – |

**9. Taxation (cont'd)**

Domestic current income tax is calculated at the statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the financial year. The domestic statutory tax rate will be reduced to 25% from the current rate of 26%, effective year of assessment 2009. The computation of deferred tax as at 31 March 2008 has reflected these changes.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Corporation is as follows:

| | Group | | Corporation | |
|---|---|---|---|---|
| | 2008 RM'000 | 2007 RM'000 | 2008 RM'000 | 2007 RM'000 |
| Profit before taxation | 2,609,360 | 2,930,310 | 1,464,703 | 3,700,744 |
| Taxation at Malaysian statutory tax rate of 26% (2007: 27%) | 678,434 | 791,184 | 380,823 | 999,201 |
| Effect of changes in tax rates on opening balance of deferred tax | (15,351) | (1,783) | (3,366) | (132) |
| Effect of different tax rates in other countries / jurisdictions | (33,803) | 10,411 | – | – |
| Income not subject to tax: | | | | |
| Tax exempt shipping income | (859,697) | (1,028,102) | (255,556) | (221,276) |
| Other tax exempt income | (56,286) | (116,629) | (329,218) | (945,359) |
| Expenses not deductible for tax purposes | 341,823 | 362,860 | 172,665 | 119,957 |
| Effect of share of results of associates and jointly controlled entities | (21,463) | (7,463) | – | – |
| Utilisation of previously unrecognised tax losses, capital allowances and reinvestment allowances | (7,675) | (42,528) | – | (13,746) |
| Utilisation of reinvestment allowances during the year | (79) | (4,895) | – | – |
| Deferred tax assets not recognised during the year | 43,063 | 70,759 | 31,372 | 61,355 |
| Deferred tax overprovided in prior years | (5,582) | (132) | – | – |
| Income tax under / (over) provided in prior years | 7,649 | (302) | – | – |
| Taxation for the year | 71,033 | 33,380 | (3,280) | – |

Tax exempt shipping income is derived from the operations of the Group's sea-going Malaysian registered ships under Section 54A of the Malaysian Income Tax Act, 1967 and ships registered outside Malaysia under tax jurisdictions of other countries.

The Corporation has sufficient tax exempt income to frank the payment of dividend out of its entire retained profits as at 31 March 2008.

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act 2007.

### 10. Earnings Per Share

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Corporation by the weighted average number of ordinary shares in issue during the financial year.

| | Group | |
|---|---|---|
| | 2008 | 2007 |
| Profit attributable to equity holders of the Corporation (RM'000) | 2,430,291 | 2,852,025 |
| Weighted average number of ordinary shares in issue ('000) | 3,719,828 | 3,719,828 |
| Basic earnings per share (sen) | 65.3 | 76.7 |

Diluted earnings per share is equivalent to basic earnings per share as there were no potential dilutive ordinary shares outstanding as at 31 March 2008.

### 11. Dividends

| | Dividends Recognised in Year | |
|---|---|---|
| | 2008 RM'000 | 2007 RM'000 |
| **In respect of financial year:** | | |
| 31 March 2006: | | |
| Final tax exempt dividend of 20 sen per share | – | 727,975 |
| 31 March 2007: | | |
| Interim tax exempt dividend of 10 sen per share | – | 368,991 |
| Final tax exempt dividend of 20 sen per share | 733,433 | – |
| | 733,433 | 368,991 |
| 31 March 2008: | | |
| Interim tax exempt dividend of 15 sen per share | 556,531 | – |
| | 1,289,964 | 1,096,966 |

At the forthcoming Annual General Meeting, the following tax exempt dividend will be proposed for shareholders' approval in respect of the financial year ended 31 March 2008:

| | RM'000 |
|---|---|
| Final tax exempt dividend of 20 sen per share | 743,966 |

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 March 2009.

## 12. Ships, Property, Plant And Equipment

| | Cost | | | | | |
|---|---|---|---|---|---|---|
| | At 1.4.2007 RM'000 | Additions RM'000 | Disposals and write offs RM'000 | Transfers RM'000 | Currency translation differences RM'000 | At 31.3.2008 RM'000 |
| **Group – 31 March 2008** | | | | | | |
| **Ships** | | | | | | |
| **At cost:** | | | | | | |
| Ships in operation | 29,080,872 | 1,050,076 | (854,702) | 3,520,754 | (2,152,239) | 30,644,761 |
| Ships under construction | 4,382,462 | 2,220,385 | – | (3,520,754) | (443,822) | 2,638,271 |
| | 33,463,334 | 3,270,461 | (854,702) | – | (2,596,061) | 33,283,032 |
| **Property, plant and equipment** | | | | | | |
| **At cost:** | | | | | | |
| Freehold land | 14,876 | 3,481 | (1,151) | – | (814) | 16,392 |
| Freehold buildings | 52,545 | 18,472 | (4,525) | 66,826 | (2,776) | 130,542 |
| Leasehold buildings | 65,584 | 52 | – | – | (5,297) | 60,339 |
| Drydocks and waste plant | 423,910 | 31,675 | (3,748) | – | – | 451,837 |
| Containers | 199,214 | – | (4,393) | – | (14,465) | 180,356 |
| Motor vehicles | 101,268 | 1,995 | (399) | – | (375) | 102,489 |
| Furniture, fittings and equipment | 89,204 | 9,638 | (2,250) | 2,207 | (1,589) | 97,210 |
| Computer software and hardware | 193,402 | 5,960 | (19,993) | 24,682 | (12,179) | 191,872 |
| Construction in progress | 89,420 | 303,474 | (3,893) | (93,715) | (1,000) | 294,286 |
| Plant and machinery | 305,261 | 2,098 | (23,181) | – | (450) | 283,728 |
| Tugboats, engines and pushers | 4,394 | – | (702) | – | – | 3,692 |
| | 1,539,078 | 376,845 | (64,235) | – | (38,945) | 1,812,743 |

12. Ships, Property, Plant And Equipment (cont'd)

| | Accumulated Depreciation At 1.4.2007 RM'000 | Depreciation charge for the year RM'000 | Disposals, write offs and impairment losses RM'000 | Transfers RM'000 | Currency translation differences RM'000 | At 31.3.2008 RM'000 | Net book value at 31.3.2008 RM'000 |
|---|---|---|---|---|---|---|---|
| **Group – 31 March 2008** | | | | | | | |
| **Ships** | | | | | | | |
| **At cost:** | | | | | | | |
| Ships in operation | 12,428,867 | 1,353,924 | (428,920) | – | (964,597) | 12,389,274 | 18,255,487 |
| Ships under construction | – | – | – | – | – | – | 2,638,271 |
| | 12,428,867 | 1,353,924 | (428,920) | – | (964,597) | 12,389,274 | 20,893,758 |
| **Property, plant and equipment** | | | | | | | |
| **At cost:** | | | | | | | |
| Freehold land | – | – | – | – | – | – | 16,392 |
| Freehold buildings | 18,154 | 5,927 | (3,866) | – | (638) | 19,577 | 110,965 |
| Leasehold buildings | 20,068 | 1,382 | – | – | (1,452) | 19,998 | 40,341 |
| Drydocks and waste plant | 149,269 | 9,149 | (3,365) | – | – | 155,053 | 296,784 |
| Containers | 190,377 | 5,033 | (4,393) | – | (14,063) | 176,954 | 3,402 |
| Motor vehicles | 64,028 | 6,694 | (399) | – | (274) | 70,049 | 32,440 |
| Furniture, fittings and equipment | 60,153 | 9,710 | (2,250) | – | (736) | 66,877 | 30,333 |
| Computer software and hardware | 112,964 | 32,349 | (10,665) | – | (7,873) | 126,775 | 65,097 |
| Construction in progress | – | – | – | – | – | – | 294,286 |
| Plant and machinery | 196,417 | 12,337 | (9,380) | – | (27) | 199,347 | 84,381 |
| Tugboats, engines and pushers | 3,218 | 143 | (67) | – | – | 3,294 | 398 |
| | 814,648 | 82,724 | (34,385) | – | (25,063) | 837,924 | 974,819 |

## 12. Ships, Property, Plant And Equipment (cont'd)

| | Cost | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | At 1.4.2006 RM'000 | Additions RM'000 | Disposals and write offs RM'000 | Transfers RM'000 | Reclassified as held for sale RM'000 | Reclassified as prepaid land lease payments RM'000 | Currency translation differences RM'000 | At 31.3.2007 RM'000 |
| **Group – 31 March 2007** | | | | | | | | |
| **Ships** | | | | | | | | |
| **At cost:** | | | | | | | | |
| Ships in operation | 29,309,003 | 886,821 | (1,315,480) | 2,100,028 | – | – | (1,899,500) | 29,080,872 |
| Ships under construction | 3,530,124 | 3,333,373 | (4,037) | (2,100,028) | – | – | (376,970) | 4,382,462 |
| | 32,839,127 | 4,220,194 | (1,319,517) | – | – | – | (2,276,470) | 33,463,334 |
| **Property, plant and equipment** | | | | | | | | |
| **At cost:** | | | | | | | | |
| Freehold land | 16,820 | – | – | – | (1,106) | – | (838) | 14,876 |
| Long term leasehold land | 178,760 | 273 | (2,481) | – | (40,968) | (130,131) | (5,453) | – |
| Short term leasehold land | 15,270 | – | – | – | – | (14,270) | (1,000) | – |
| Freehold buildings | 58,947 | 247 | (373) | – | (4,347) | – | (1,929) | 52,545 |
| Leasehold buildings | 93,893 | 540 | (5,353) | 418 | (743) | (17,511) | (5,660) | 65,584 |
| Drydocks and waste plant | 401,623 | 22,287 | – | – | – | – | – | 423,910 |
| Containers | 261,108 | – | (46,801) | – | – | – | (15,093) | 199,214 |
| Motor vehicles | 147,923 | 2,052 | (48,361) | – | – | – | (346) | 101,268 |
| Furniture, fittings and equipment | 83,384 | 9,280 | (1,808) | – | – | – | (1,652) | 89,204 |
| Computer software and hardware | 189,100 | 10,717 | (20,762) | 24,043 | – | – | (9,696) | 193,402 |
| Systems work in progress | 32,167 | – | (6,287) | (24,043) | – | – | (1,837) | – |
| Construction in progress | – | 90,090 | (2) | (418) | – | – | (250) | 89,420 |
| Plant and machinery | 264,867 | 43,342 | (2,399) | – | – | – | (549) | 305,261 |
| Tugboats, engines and pushers | 4,394 | – | – | – | – | – | – | 4,394 |
| | 1,748,256 | 178,828 | (134,627) | – | (47,164) | (161,912) | (44,303) | 1,539,078 |

## 12. Ships, Property, Plant And Equipment (cont'd)

| | ← | | | Accumulated Depreciation | | | | → | |
|---|---|---|---|---|---|---|---|---|---|
| | At 1.4.2006 RM'000 | Depreciation charge for the year RM'000 | Disposals, write offs and impairment losses RM'000 | Transfers RM'000 | Reclassified as held for sale RM'000 | Reclassified as prepaid land lease payment RM'000 | Currency translation differences RM'000 | At 31.3.2007 RM'000 | Net book value at 31.3.2007 RM'000 |
| **Group – 31 March 2007** | | | | | | | | | |
| **Ships** | | | | | | | | | |
| **At cost:** | | | | | | | | | |
| Ships in operation | 12,876,106 | 1,272,513 | (857,648) | – | – | – | (862,104) | 12,428,867 | 16,652,005 |
| Ships under construction | – | – | – | – | – | – | – | – | 4,382,462 |
| | 12,876,106 | 1,272,513 | (857,648) | – | – | – | (862,104) | 12,428,867 | 21,034,467 |
| **Property, plant and equipment** | | | | | | | | | |
| **At cost:** | | | | | | | | | |
| Freehold land | – | – | – | – | – | – | – | – | 14,876 |
| Long term leasehold land | 35,329 | 2,064 | (403) | – | (5,302) | (31,010) | (678) | – | – |
| Short term leasehold land | 6,282 | 392 | – | – | – | (6,246) | (428) | – | – |
| Freehold buildings | 20,714 | 1,904 | (373) | – | (3,624) | – | (467) | 18,154 | 34,391 |
| Leasehold buildings | 27,394 | 2,126 | (1,998) | – | (223) | (5,859) | (1,372) | 20,068 | 45,516 |
| Drydocks and waste plant | 139,591 | 7,735 | 1,943 | – | – | – | – | 149,269 | 274,641 |
| Containers | 246,127 | 5,395 | (46,801) | – | – | – | (14,344) | 190,377 | 8,837 |
| Motor vehicles | 103,852 | 8,439 | (48,040) | – | – | – | (223) | 64,028 | 37,240 |
| Furniture, fittings and equipment | 55,054 | 7,976 | (2,351) | – | – | – | (526) | 60,153 | 29,051 |
| Computer software and hardware | 99,067 | 38,064 | (18,499) | – | – | – | (5,668) | 112,964 | 80,438 |
| Systems work in progress | – | – | – | – | – | – | – | – | – |
| Construction in progress | – | – | – | – | – | – | – | – | 89,420 |
| Plant and machinery | 184,168 | 13,919 | (1,701) | – | – | – | 31 | 196,417 | 108,844 |
| Tugboats, engines and pushers | 2,908 | 310 | – | – | – | – | – | 3,218 | 1,176 |
| | 920,486 | 88,324 | (118,223) | – | (9,149) | (43,115) | (23,675) | 814,648 | 724,430 |

## 12. Ships, Property, Plant And Equipment (cont'd)

| | Cost | | | | | |
|---|---|---|---|---|---|---|
| | At 1.4.2007 RM'000 | Additions RM'000 | Disposals RM'000 | Transfers RM'000 | Currency translation differences RM'000 | At 31.3.2008 RM'000 |
| **Corporation – 31 March 2008** | | | | | | |
| **Ships** | | | | | | |
| **At cost:** | | | | | | |
| Ships in operation | 12,169,424 | 848,052 | (117,916) | 1,559,332 | (933,201) | 13,525,691 |
| Ships under construction | 2,870,527 | 1,537,095 | – | (1,775,326) | (287,916) | 2,344,380 |
| | 15,039,951 | 2,385,147 | (117,916) | (215,994) | (1,221,117) | 15,870,071 |
| **Property and equipment** | | | | | | |
| **At cost:** | | | | | | |
| Containers | 199,214 | – | (4,393) | – | (14,465) | 180,356 |
| Motor vehicles | 4,471 | 302 | (244) | – | (332) | 4,197 |
| Furniture, fittings and equipment | 10,635 | 116 | – | – | (717) | 10,034 |
| Computer software and hardware | 158,654 | 1,717 | (186) | – | (11,769) | 148,416 |
| | 372,974 | 2,135 | (4,823) | – | (27,283) | 343,003 |

| | Accumulated Depreciation | | | | | | |
|---|---|---|---|---|---|---|---|
| | At 1.4.2007 RM'000 | Depreciation charge for the year RM'000 | Disposals RM'000 | Transfers RM'000 | Currency translation differences RM'000 | At 31.3.2008 RM'000 | Net book value at 31.3.2008 RM'000 |
| **Corporation – 31 March 2008** | | | | | | | |
| **Ships** | | | | | | | |
| **At cost:** | | | | | | | |
| Ships in operation | 6,447,541 | 484,082 | (54,289) | – | (496,557) | 6,380,777 | 7,144,914 |
| Ships under construction | – | – | – | – | – | – | 2,344,380 |
| | 6,447,541 | 484,082 | (54,289) | – | (496,557) | 6,380,777 | 9,489,294 |
| **Property and equipment** | | | | | | | |
| **At cost:** | | | | | | | |
| Containers | 190,377 | 5,033 | (4,393) | – | (14,063) | 176,954 | 3,402 |
| Motor vehicles | 2,788 | 649 | (244) | – | (226) | 2,967 | 1,230 |
| Furniture, fittings and equipment | 4,666 | 1,207 | – | – | (404) | 5,469 | 4,565 |
| Computer software and hardware | 85,012 | 26,420 | – | – | (7,578) | 103,854 | 44,562 |
| | 282,843 | 33,309 | (4,637) | – | (22,271) | 289,244 | 53,759 |

## 12. Ships, Property, Plant And Equipment (cont'd)

| | Cost | | | | | | |
|---|---|---|---|---|---|---|---|
| | At 1.4.2006 RM'000 | Additions RM'000 | Disposals RM'000 | Transfers RM'000 | Reclassified as held for sale RM'000 | Currency translation differences RM'000 | At 31.3.2007 RM'000 |
| **Corporation – 31 March 2007** | | | | | | | |
| **Ships** | | | | | | | |
| **At cost:** | | | | | | | |
| Ships in operation | 11,221,317 | 724,701 | (409,061) | 1,380,934 | – | (748,467) | 12,169,424 |
| Ships under construction | 2,776,643 | 2,432,935 | (4,037) | (2,048,976) | – | (286,038) | 2,870,527 |
| | 13,997,960 | 3,157,636 | (413,098) | (668,042) | – | (1,034,505) | 15,039,951 |
| **Property and equipment** | | | | | | | |
| **At cost:** | | | | | | | |
| Freehold land | 12,665 | – | – | – | (11,836) | (829) | – |
| Long term leasehold land | 83,106 | 273 | – | – | (77,927) | (5,452) | – |
| Short term leasehold land | 15,270 | – | – | – | (14,270) | (1,000) | – |
| Freehold buildings | 29,827 | – | – | – | (27,869) | (1,958) | – |
| Leasehold buildings | 86,421 | – | – | – | (80,764) | (5,657) | – |
| Containers | 261,108 | – | (46,801) | – | – | (15,093) | 199,214 |
| Motor vehicles | 3,984 | 1,042 | (261) | – | – | (294) | 4,471 |
| Furniture, fittings and equipment | 17,554 | 1,748 | – | (7,439) | – | (1,228) | 10,635 |
| Computer software and hardware | 143,593 | 8,820 | (8,379) | 24,043 | – | (9,423) | 158,654 |
| Systems work in progress | 32,167 | – | (6,287) | (24,043) | – | (1,837) | – |
| | 685,695 | 11,883 | (61,728) | (7,439) | (212,666) | (42,771) | 372,974 |

## 12. Ships, Property, Plant And Equipment (cont'd)

| | Accumulated Depreciation | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | At 1.4.2006 RM'000 | Depreciation charge for the year RM'000 | Disposals RM'000 | Transfers RM'000 | Reclassified as held for sale RM'000 | Currency translation differences RM'000 | At 31.3.2007 RM'000 | Net book value at 31.3.2007 RM'000 |
| **Ships** | | | | | | | | |
| **At cost:** | | | | | | | | |
| Ships in operation | 6,875,445 | 398,853 | (296,220) | (75,835) | – | (454,702) | 6,447,541 | 5,721,883 |
| Ships under construction | – | – | – | – | – | – | – | 2,870,527 |
| | 6,875,445 | 398,853 | (296,220) | (75,835) | – | (454,702) | 6,447,541 | 8,592,410 |
| **Property and equipment** | | | | | | | | |
| **At cost:** | | | | | | | | |
| Freehold land | – | – | – | – | – | – | – | – |
| Long term leasehold land | 9,987 | – | – | – | (9,411) | (576) | – | – |
| Short term leasehold land | 6,284 | – | – | – | (5,871) | (413) | – | – |
| Freehold buildings | 6,681 | – | – | – | (5,518) | (1,163) | – | – |
| Leasehold buildings | 19,821 | – | – | – | (19,248) | (573) | – | – |
| Containers | 246,127 | 5,395 | (46,801) | – | – | (14,344) | 190,377 | 8,837 |
| Motor vehicles | 2,308 | 908 | (250) | – | – | (178) | 2,788 | 1,683 |
| Furniture, fittings and equipment | 4,591 | 1,267 | – | (837) | – | (355) | 4,666 | 5,969 |
| Computer software and hardware | 67,953 | 30,835 | (8,363) | – | – | (5,413) | 85,012 | 73,642 |
| Systems work in progress | – | – | – | – | – | – | – | – |
| | 363,752 | 38,405 | (55,414) | (837) | (40,048) | (23,015) | 282,843 | 90,131 |

a. The net carrying amounts of ships, property, plant and equipment pledged as securities for borrowings (Note 27) are as follows:

| | Group | |
|---|---|---|
| | 2008 RM'000 | 2007 RM'000 |
| Ships | 3,805,128 | 4,169,022 |
| Property, plant and equipment | 49,893 | 52,932 |
| | 3,855,021 | 4,221,954 |

**12. Ships, Property, Plant And Equipment (cont'd)**

b. Finance costs capitalised during the financial year for ships under construction of the Group and of the Corporation amounted to RM56,028,000 (2007: RM29,314,000) and RM7,019,000 (2007: RM11,601,000) respectively, as disclosed in Note 8.

c. The Group has carried out a review of the recoverable amount of its ships, property, plant and equipment during the financial year. The review led to the recognition of an impairment loss of RMNil (2007: RM1,943,000) as disclosed in Note 5. The recoverable amount was based on value in use and was determined at the cash-generating-unit ("CGU") of each asset. In determining value in use for the CGU, the cash flows were discounted at a rate determined by management on a pre-tax basis.

**13. Prepaid Lease Payments On Land And Buildings**

| | Group | |
|---|---|---|
| | **2008 RM'000** | **2007 RM'000** |
| At 1 April 2007 / 2006 | 118,797 | 124,422 |
| Write-off | (1,316) | – |
| Amortisation for the year (Note 5) | (3,476) | (3,478) |
| Currency translation differences | (2,437) | (2,147) |
| At 31 March | 111,568 | 118,797 |
| Analysed as: | | |
| Long term leasehold land | 93,717 | 99,121 |
| Short term leasehold land | 7,084 | 8,024 |
| Leasehold buildings | 10,767 | 11,652 |
| | 111,568 | 118,797 |

a. Certain properties were revalued by the directors of a subsidiary in 1988 based on valuations carried out by firms of professional valuers to reflect the market values then, prior to the subsidiary being part of the Group. Surpluses on revaluation were taken to the revaluation reserve on that date. The net book value of revalued properties, had the assets been carried at cost less depreciation, is as follows:

| | Group | |
|---|---|---|
| | **2008 RM'000** | **2007 RM'000** |
| Long term leasehold and foreshore land – 1988 | 7,222 | 7,474 |

b. Included in long term leasehold land of the Group is the carrying value of a long term leasehold and foreshore land of a subsidiary of RM51,991,000 (2007: RM54,217,000) which cannot be disposed off, charged or subleased without the prior consent of the Johor State Government.

## 14. Investment Properties

| | Group and Corporation | | |
|---|---|---|---|
| | Freehold Land RM'000 | Freehold Building RM'000 | Total RM'000 |
| **Valuation** | | | |
| At 1 April 2006 | 34,318 | 51,738 | 86,056 |
| Currency translation differences | (2,247) | (3,388) | (5,635) |
| At 31 March 2007 | 32,071 | 48,350 | 80,421 |
| Disposals | (31,260) | (47,127) | (78,387) |
| Currency translation differences | (811) | (1,223) | (2,034) |
| **At 31 March 2008** | – | – | – |
| **Accumulated depreciation** | | | |
| At 1 April 2006 | – | 32,256 | 32,256 |
| Depreciation charge for the year | – | 811 | 811 |
| Currency translation differences | – | (2,146) | (2,146) |
| At 31 March 2007 | – | 30,921 | 30,921 |
| Depreciation charge for the year | – | 501 | 501 |
| Disposals | – | (30,639) | (30,639) |
| Currency translation differences | – | (783) | (783) |
| **At 31 March 2008** | – | – | – |
| **Net carrying amount** | | | |
| At 31 March 2007 | 32,071 | 17,429 | 49,500 |
| **At 31 March 2008** | – | – | – |

Investment properties were revalued by the directors in 1984 based on valuations carried out by firms of professional valuers to reflect the market values then. Surpluses on revaluation were taken to the revaluation reserve on that date. The net book value of the revalued properties, had the assets been carried at cost less depreciation, is as follows:

| | Group and Corporation | |
|---|---|---|
| | 2008 RM'000 | 2007 RM'000 |
| Freehold land – 1984 | – | 818 |
| Freehold buildings – 1984 | – | 2,901 |
| | – | 3,719 |

## 15. Intangible Assets

| | Group Goodwill RM'000 | Other intangible assets RM'000 | Total RM'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 April 2007 | 775,434 | 504,463 | 1,279,897 |
| Currency translation differences | (50,824) | – | (50,824) |
| **At 31 March 2008** | 724,610 | 504,463 | 1,229,073 |
| **Accumulated amortisation and impairment** | | | |
| At 1 April 2007 | 2,325 | 236,148 | 238,473 |
| Amortisation | – | 28,168 | 28,168 |
| **At 31 March 2008** | 2,325 | 264,316 | 266,641 |
| **Net carrying amount** | | | |
| At 31 March 2007 | 773,109 | 268,315 | 1,041,424 |
| **At 31 March 2008** | 722,285 | 240,147 | 962,432 |

Other intangible assets relate to fair value of time charter hire contracts based on valuations performed by an independent professional valuer, and are amortised over the time charter period of the vessels.

### Impairment test for Goodwill and Investment in Subsidiaries

#### a. Impairment loss recognised

The Group has carried out a review of the recoverable amount of its investments in subsidiaries and goodwill during the financial year. The review led to the recognition of an impairment loss of RMNil (2007: RM2,325,000) as disclosed in Note 5. The recoverable amount was based on value in use and was determined at the cash-generating-unit ("CGU") of each individual subsidiary. In determining value in use for the CGU, the cash flows were discounted at a rate determined by management on a pre-tax basis.

#### b. Allocation of goodwill

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

| | 2008 RM'000 | 2007 RM'000 |
|---|---|---|
| **At 31 March 2008** | | |
| Energy related shipping | 638,745 | 689,569 |
| Other energy businesses | 82,820 | 82,820 |
| Non-shipping | 720 | 720 |
| | 722,285 | 773,109 |

## 15. Intangible Assets (cont'd)

### c. Key assumptions used in value in use calculations

The recoverable amount of a CGU is determined based on value in use calculations using cash flow projections based on financial budgets approved by management covering a five year period. The discount rate used is based on the pre-tax weighted average cost of capital determined by the management.

## 16. Investments In Subsidiaries

| | Corporation | |
|---|---|---|
| | 2008 RM'000 | 2007 RM'000 |
| Unquoted shares at cost | 5,014,138 | 5,351,746 |
| Loans and advances to subsidiaries | 899,181 | 1,364,513 |
| | 5,913,319 | 6,716,259 |

Included in unquoted shares is preference shares of RM2,316,232,000 (2007: RM2,630,236,000) which bear interest at rates ranging from 4.10% to 6.00% (2007: 4.10% to 7.50%) per annum.

The loans and advances to subsidiaries are unsecured, bear interest at rates ranging from 3.33% to 7.00% (2007: 3.25% to 7.00%) per annum and are not repayable within 12 months from the balance sheet date.

During the financial year, Misan Logistics B.V., Bunga Kasturi (L) Pte Ltd, MISC Floating Production System (Gumusut) Limited, Malaysia Vietnam Offshore Terminal (L) Limited, Vietnam Offshore Mobile Terminal (Ruby) Ltd and Malaysia Offshore Mobile Production (Labuan) Ltd were incorporated as wholly-owned subsidiaries of the Group. The incorporation of these subsidiaries had no significant impact on the financial statements of the Group and the Corporation.

Details of the subsidiaries are disclosed in Note 38.

## 17. Investments In Associates

| | Group | | Corporation | |
|---|---|---|---|---|
| | 2008 RM'000 | 2007 RM'000 | 2008 RM'000 | 2007 RM'000 |
| Unquoted shares in Malaysia, at cost | 441 | 200 | – | – |
| Unquoted shares outside Malaysia, at cost | 4,248 | 4,888 | 96 | – |
| | 4,689 | 5,088 | 96 | – |
| Share of post-acquisition profits / (losses) | 423 | (620) | – | – |
| Share of other post-acquisition reserves | (1,316) | (1,152) | – | – |
| | 3,796 | 3,316 | 96 | – |
| Less: Accumulated impairment losses | (1,214) | (1,214) | – | – |
| Share of net assets | 2,582 | 2,102 | 96 | – |
| Loans to associates | 1,735 | 583 | 1,152 | – |
| | 4,317 | 2,685 | 1,248 | – |

### 17. Investments In Associates (cont'd)

The loans to associates are unsecured, interest-free, and have no fixed term of repayment.

The summarised financial information of the associates are as follows:

| | 2008 RM'000 | 2007 RM'000 |
|---|---|---|
| **Assets and liabilities** | | |
| Current assets | 22,027 | 15,511 |
| Non-current assets | 9,307 | 7,121 |
| Total assets | 31,334 | 22,632 |
| Current liabilities | 13,000 | 12,243 |
| Non-current liabilities | 7,312 | 1,940 |
| Total liabilities | 20,312 | 14,183 |
| **Results** | | |
| Revenue | 13,808 | 8,474 |
| Profit / (loss) for the year | 3,637 | (327) |

Details of the associates are disclosed in Note 39.

### 18. Investments In Jointly Controlled Entities

| | Group | | Corporation | |
|---|---|---|---|---|
| | 2008 RM'000 | 2007 RM'000 | 2008 RM'000 | 2007 RM'000 |
| Unquoted shares in Malaysia, at cost | 2,383 | 6,246 | 2,133 | – |
| Unquoted shares outside Malaysia, at cost | 124,832 | 159,814 | 1,637 | – |
| | 127,215 | 166,060 | 3,770 | – |
| Share of post-acquisition profits | 57,412 | 47,913 | – | – |
| Share of other post-acquisition reserves | (2,978) | (801) | – | – |
| | 54,434 | 47,112 | – | – |
| Share of net assets | 181,649 | 213,172 | 3,770 | – |
| Loans to jointly controlled entities | 934,976 | 290,186 | 5,362 | – |
| | 1,116,625 | 503,358 | 9,132 | – |

The loans to jointly controlled entities are unsecured, bear interest at rates ranging from 3.33% to 7.00% (2007: 5.50% to 7.00%) per annum, and have no fixed term of repayment except for loan to Keer – MISC Logistics Co Ltd amounting to RM76,706,000 (2007: RM95,265,000) which is repayable by 30 June 2010.

## 18. Investments In Jointly Controlled Entities (cont'd)

The Group's aggregate share of the current assets, non-current assets, current liabilities, non-current liabilities, income and expenses of the jointly controlled entities are as follows:

| | 2008 RM'000 | 2007 RM'000 |
|---|---|---|
| **Assets and liabilities** | | |
| Current assets | 60,601 | 88,814 |
| Non-current assets | 291,281 | 429,344 |
| Total assets | 351,882 | 518,158 |
| Current liabilities | 27,244 | 49,307 |
| Non-current liabilities | 142,989 | 255,679 |
| Total liabilities | 170,233 | 304,986 |
| **Results** | | |
| Revenue | 190,824 | 209,610 |
| Profit for the year | 80,998 | 28,131 |

Details of the jointly controlled entities are disclosed in Note 40.

## 19. Other Investments

| | Group | | Corporation | |
|---|---|---|---|---|
| | 2008 RM'000 | 2007 RM'000 | 2008 RM'000 | 2007 RM'000 |
| Unquoted shares at cost | 42,371 | 41,330 | 36,085 | 38,956 |
| Less: Provision for diminution in value | (1,399) | (1,370) | – | – |
| | 40,972 | 39,960 | 36,085 | 38,956 |
| Quoted shares at cost | 147,851 | 196,117 | 147,851 | 12,185 |
| | 188,823 | 236,077 | 183,936 | 51,141 |
| Market value of quoted shares | 295,630 | 278,448 | 295,630 | 25,713 |

## 20. Inventories

| | Group | | Corporation | |
|---|---|---|---|---|
| | 2008 RM'000 | 2007 RM'000 | 2008 RM'000 | 2007 RM'000 |
| Bunkers, lubricants and consumable stores | 293,874 | 183,641 | 118,513 | 42,609 |
| Spares | 88,946 | 66,127 | 45,663 | 60,481 |
| Raw materials | 16,764 | 13,206 | – | – |
| | 399,584 | 262,974 | 164,176 | 103,090 |

## 21. Trade And Other Receivables

| | Group 2008 RM'000 | Group 2007 RM'000 | Corporation 2008 RM'000 | Corporation 2007 RM'000 |
|---|---|---|---|---|
| **Trade receivables** | | | | |
| Third parties | 1,315,270 | 1,109,115 | 593,231 | 428,710 |
| Subsidiaries | – | – | 220,665 | 159,608 |
| Holding company | 828 | 9,762 | 16 | 17 |
| Fellow subsidiaries | 139,171 | 53,846 | 2,725 | 20,784 |
| Associates | 4,943 | 7,614 | 4,936 | 7,614 |
| Jointly controlled entities | 5,266 | 3,945 | 5,266 | 3,945 |
| Due from customers on contracts (Note 22) | 392,400 | 302,853 | – | – |
| | 1,857,878 | 1,487,135 | 826,839 | 620,678 |
| Less: Provision for doubtful debts: | | | | |
| Third parties | (60,493) | (72,676) | (36,763) | (39,688) |
| Subsidiaries | – | – | (1,863) | (2,011) |
| Fellow subsidiaries | (4,611) | (2,071) | – | – |
| Associates | (81) | (87) | (81) | (87) |
| | (65,185) | (74,834) | (38,707) | (41,786) |
| Trade receivables, net | 1,792,693 | 1,412,301 | 788,132 | 578,892 |
| **Other receivables** | | | | |
| Amount due from related parties: | | | | |
| Subsidiaries | – | – | 1,144,626 | 326,260 |
| Holding company | 171 | – | 170 | – |
| Fellow subsidiaries | 238 | 290 | 238 | 290 |
| Associates | 1,023 | 502 | 282 | 161 |
| Jointly controlled entities | 24,786 | 4,771 | – | – |
| | 26,218 | 5,563 | 1,145,316 | 326,711 |
| Deposits | 94,158 | 37,132 | 2,287 | 1,534 |
| Prepayments | 85,241 | 64,635 | 22,601 | 8,810 |
| Others | 406,230 | 204,122 | 202,470 | 98,277 |
| | 611,847 | 311,452 | 1,372,674 | 435,332 |
| Less: Provision for doubtful debts: | | | | |
| Others | (1,875) | (2,050) | (1,875) | (2,025) |
| Other receivables, net | 609,972 | 309,402 | 1,370,799 | 433,307 |
| | 2,402,665 | 1,721,703 | 2,158,931 | 1,012,199 |

## 21. Trade And Other Receivables (cont'd)

### a. Credit risk

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group's normal trade credit terms ranges from 7 to 90 days (2007: 7 to 90 days). Other credit terms are assessed and approved on a case-by-case basis and each customer has a maximum credit limit. Credit risk is also monitored and assessed in the Management Credit Committee meetings held at least once in every 2 months which comprises senior management team members of the Group. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

### b. Amount due from group companies

The amounts due from holding company, fellow subsidiaries and subsidiaries are unsecured, interest-free and have no fixed terms of repayment except for the amount due from Puteri Intan Satu (L) Private Limited amounting to RM57,573,000 (2007: RM62,200,000) which bears interest rate of 4.50% (2007: 4.50%) per annum.

### c. Amount due from associates

The amount due from associates is unsecured, interest-free and have normal credit terms which range from 15 to 30 days (2007: 15 to 30 days).

### d. Amount due from jointly controlled entities

The amount due from jointly controlled entities is unsecured, interest-free and have normal credit terms which range from 15 to 30 days (2007: 15 to 30 days).

## 22. Due From / (To) Customers On Contracts

| | Group | |
|---|---|---|
| | 2008 RM'000 | 2007 RM'000 |
| Construction contract costs incurred and recognised profits to date | 3,881,497 | 3,188,587 |
| Less: Progress billings | (3,578,042) | (2,975,176) |
| | 303,455 | 213,411 |
| Due from customers on contracts (Note 21) | 392,400 | 302,853 |
| Due to customers on contracts (Note 26) | (88,945) | (89,442) |
| | 303,455 | 213,411 |
| Advances received on contracts (Note 26) | 7,143 | 1,456 |

### 22. Due From / (To) Customers On Contracts (cont'd)

The costs incurred to date on construction contracts include the following charges made during the financial year:

| | Group | |
|---|---|---|
| | 2008 | 2007 |
| | RM'000 | RM'000 |
| Depreciation of plant and equipment | 20,288 | 18,981 |

### 23. Marketable Securities

| | Group and Corporation | |
|---|---|---|
| | 2008 | 2007 |
| | RM'000 | RM'000 |
| Shares quoted in Malaysia, at cost | – | 851 |
| Market value of quoted shares | – | 1,026 |

### 24. Cash, Deposits And Bank Balances

| | Group | | Corporation | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deposits with licensed banks | 463,255 | 849,360 | 103,500 | 272,558 |
| Cash and bank balances | 1,501,106 | 1,368,204 | 872,655 | 462,558 |
| | 1,964,361 | 2,217,564 | 976,155 | 735,116 |

Other information on financial risks of cash and cash equivalents are disclosed in Note 37.

### 25. Non-Current Assets Classified As Held For Sale

| | Group | | Corporation | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Land and buildings | 19,793 | 38,015 | 100,415 | 172,618 |

These represent carrying values of properties owned by the Group with the intention of disposing off in the immediate future. Included in the assets for the Corporation are properties that are intended to be disposed off within the Group. The carrying amounts of the assets immediately before reclassification are not materially different from their fair value.

## 26. Trade And Other Payables

| | Group 2008 RM'000 | Group 2007 RM'000 | Corporation 2008 RM'000 | Corporation 2007 RM'000 |
|---|---|---|---|---|
| **Trade payables** | | | | |
| Third parties | 1,715,501 | 1,373,973 | 676,810 | 529,650 |
| Subsidiaries | – | – | 51,162 | 149,659 |
| Holding company | 18,095 | 21,186 | 18,095 | 21,186 |
| Fellow subsidiaries | 121 | 6,099 | 19 | 2,150 |
| Associates | 3,802 | 2,530 | 3,802 | 2,530 |
| Jointly controlled entities | 2,036 | 3 | – | 3 |
| Construction contracts: | | | | |
| Due to customers (Note 22) | 88,945 | 89,442 | – | – |
| Advances received (Note 22) | 7,143 | 1,456 | – | – |
| | 1,835,643 | 1,494,689 | 749,888 | 705,178 |
| **Other payables** | | | | |
| Amount due to related parties: | | | | |
| Subsidiaries | – | – | 2,722,565 | 1,831,557 |
| Holding company | 38,400 | 48,897 | – | – |
| Fellow subsidiaries | 565 | 2,213 | – | – |
| | 38,965 | 51,110 | 2,722,565 | 1,831,557 |
| Accruals and provisions | 367,407 | 328,036 | 93,799 | 14,073 |
| Others | 497,114 | 331,780 | 57,785 | 119,915 |
| | 903,486 | 710,926 | 2,874,149 | 1,965,545 |
| | 2,739,129 | 2,205,615 | 3,624,037 | 2,670,723 |

### 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 (2007: 14 to 90 days).

### b. Amount due to group companies

The amounts due to holding company, fellow subsidiaries and subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for amount due to certain subsidiaries, MISC Capital (L) Limited and AET Inc Limited of RM849,451,000 (2007: RM913,539,000) and RM1,391,348,000 (2007: RM656,070,000) which bear interest at rates ranging from 5.00% to 6.13% (2007: 5.00% to 6.13%) and 5.00% to 6.13% (2007: 5.00% to 6.13%) per annum respectively.

## 26. Trade And Other Payables (cont'd)

### c. Amount due to associates

The trade amount due to associates have normal credit terms which range from 15 to 30 days (2007: 15 to 30 days).

### d. Amount due to jointly controlled entities

The trade amount due to jointly controlled entities have normal credit terms which range from 15 to 30 days (2007: 15 to 30 days).

### e. Other payables, accruals and provisions

Included in other payables is amount due to deconsolidated subsidiaries amounting to RM2,926,000 (2007: RM2,926,000). The amount due is unsecured, interest-free and repayable upon completion of the liquidation exercise.

The Group gives approximately one year warranty on certain products and undertakes to repair or replace items that fail to perform satisfactorily. A provision has been recognised at the financial year end on expected warranty claims based on past experience of the level of repairs and returns.

## 27. Borrowings

| | Group | | Corporation | |
|---|---|---|---|---|
| | 2008 RM'000 | 2007 RM'000 | 2008 RM'000 | 2007 RM'000 |
| **Short Term Borrowings** | | | | |
| **Secured:** | | | | |
| Term loans | | | | |
| Fixed rate | 29,198 | 57,356 | – | – |
| Floating rate | 304,879 | 293,457 | – | – |
| | 334,077 | 350,813 | – | – |
| **Unsecured:** | | | | |
| Term loans | | | | |
| Fixed rate | 33,000 | 12,608 | – | – |
| Floating rate | – | 34,766 | – | – |
| Islamic Private Debt Securities Al Murabahah Medium Term Notes | 592,281 | 97,065 | 592,281 | 97,065 |
| | 625,281 | 144,439 | 592,281 | 97,065 |
| | 959,358 | 495,252 | 592,281 | 97,065 |

## 27. Borrowings (cont'd)

| | Group 2008 RM'000 | Group 2007 RM'000 | Corporation 2008 RM'000 | Corporation 2007 RM'000 |
|---|---|---|---|---|
| **Long Term Borrowings** | | | | |
| **Secured:** | | | | |
| Term loans | | | | |
| Fixed rate | 1,047,101 | 1,203,012 | – | – |
| Floating rate | 1,023,743 | 1,327,297 | – | – |
| | 2,070,844 | 2,530,309 | – | – |
| **Unsecured:** | | | | |
| US Dollar Guaranteed Notes | 3,497,925 | 3,771,725 | – | – |
| Islamic Private Debt Securities Al Murabahah Medium Term Notes | 1,000,000 | – | 1,000,000 | – |
| | 4,497,925 | 3,771,725 | 1,000,000 | – |
| 7.50% Non-convertible Cumulative Redeemable Preference Shares ("NCRPS") of USD1.00 each | – | 7,106 | – | – |
| | 6,568,769 | 6,309,140 | 1,000,000 | – |
| **Total Borrowings** | | | | |
| Term loans | 2,437,921 | 2,928,496 | – | – |
| Islamic Private Debt Securities Al Murabahah Medium Term Notes | 1,592,281 | 97,065 | 1,592,281 | 97,065 |
| US Dollar Guaranteed Notes | 3,497,925 | 3,771,725 | – | – |
| | 7,528,127 | 6,797,286 | 1,592,281 | 97,065 |
| NCRPS | – | 7,106 | – | – |
| | 7,528,127 | 6,804,392 | 1,592,281 | 97,065 |

The secured term loans are secured by mortgages over certain ships, property, plant and equipment together with charter agreements, insurance of the relevant ships, property, plant and equipment. The carrying value of the ships, property, plant and equipment pledged is stated in Note 12(a).

**NCRPS**

The 7.50% NCRPS of USD1.00 each issued to minority shareholders of certain subsidiaries conferred the holders the following rights and privileges:

## 27. Borrowings (cont'd)

a. The right to receive out of profit for the year of the subsidiaries a cumulative preferential dividend on each preferential dividend share at a net of 7.50% (2007: 7.50%) per annum;

b. The NCRPS shall rank pari passu with the ordinary shares in all respects except that the NCRPS shall rank in priority with regard to dividend payment of the subsidiaries;

c. The NCRPS shall not entitle its holder thereof to participate in the profits or surplus assets of the subsidiaries;

d. The NCRPS shall not be converted to ordinary shares of the subsidiaries; and

e. The NCRPS shall be redeemed at any time at par together with a sum equal to arrears of the preferential dividend thereon after a period of ten years from the date of issue on 1 July 1997, extendable for a period of five years subject to the approval of the preference shareholders.

The NCRPS has been fully redeemed during the year.

## 28. Share Capital

| | Number of Ordinary Shares of RM1 Each | | Amount | |
|---|---|---|---|---|
| | 2008<br>'000 | 2007<br>'000 | 2008<br>RM'000 | 2007<br>RM'000 |
| **Authorised*:** | | | | |
| At 1 April 2007 / 2006 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |
| At 31 March | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |
| **Issued and fully paid*:** | | | | |
| At 1 April 2007 / 2006 | 3,719,828 | 3,719,828 | 3,719,828 | 3,719,828 |
| At 31 March | 3,719,828 | 3,719,828 | 3,719,828 | 3,719,828 |

* Included in the authorised, issued and fully paid share capital is one preference share of RM1 (2007: RM1). The preference shareholder 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. Other rights and restrictions attached to the preference share are set out in Article 3B of the Corporation's Articles of Association.

## 29. Other Reserves

| | Revaluation Reserve RM'000 | Capital Reserve RM'000 | Other Capital Reserve RM'000 | Statutory Reserve RM'000 | Capital Redemption Reserve RM'000 | Currency Translation Reserve RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **At 1 April 2006** | 35,272 | 1,185 | 41,342 | 1,242 | – | 2,269,382 | 2,348,423 |
| Currency translation differences: | | | | | | | |
| Group | – | – | – | – | – | (1,273,372) | (1,273,372) |
| Associates | – | – | – | – | – | 207 | 207 |
| Jointly controlled entities | – | – | – | – | – | 996 | 996 |
| Transfer from retained profits | – | – | – | – | 45,168 | – | 45,168 |
| **At 31 March 2007** | 35,272 | 1,185 | 41,342 | 1,242 | 45,168 | 997,213 | 1,121,422 |
| **At 1 April 2007** | 35,272 | 1,185 | 41,342 | 1,242 | 45,168 | 997,213 | 1,121,422 |
| Currency translation differences: | | | | | | | |
| Group | – | – | – | – | – | (1,327,417) | (1,327,417) |
| Associates | – | – | – | – | – | 161 | 161 |
| Jointly controlled entities | – | – | – | – | – | 2,166 | 2,166 |
| Transfer (to) / from retained profits | (35,217) | – | – | – | 14,494 | – | (20,723) |
| **At 31 March 2008** | 55 | 1,185 | 41,342 | 1,242 | 59,662 | (327,877) | (224,391) |
| **Corporation** | | | | | | | |
| **At 1 April 2006** | 35,217 | – | – | – | – | 1,037,989 | 1,073,206 |
| Currency translation differences | – | – | – | – | – | (946,157) | (946,157) |
| **At 31 March 2007** | 35,217 | – | – | – | – | 91,832 | 127,049 |
| **At 1 April 2007** | 35,217 | – | – | – | – | 91,832 | 127,049 |
| Transfer to retained profits | (35,217) | – | – | – | – | – | (35,217) |
| Currency translation differences | – | – | – | – | – | (1,096,133) | (1,096,133) |
| **At 31 March 2008** | – | – | – | – | – | (1,004,301) | (1,004,301) |

The nature and purpose of each category of reserves are as follows:

**a. Revaluation Reserve**

Revaluation reserve represents surplus arising from the revaluation of certain freehold land.

**b. Capital Reserve**

Capital reserve represents reserve arising from bonus issue in subsidiaries.

**c. Other Capital Reserve**

Other capital reserve represents the Group's share of its subsidiary's reserve.

## 29. Other Reserves (cont'd)

### d. Statutory Reserve

Statutory reserve is maintained by an overseas subsidiary in accordance with the laws of the country.

### e. Capital Redemption Reserve

Capital redemption reserve represents reserve created upon the redemption of preference shares in subsidiaries.

### f. Currency Translation Reserve

Currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Corporation and foreign operations whose functional currencies are different from that of the Group's presentation currency.

## 30. Deferred Tax

| | Group | | Corporation | |
|---|---|---|---|---|
| | 2008 RM'000 | 2007 RM'000 | 2008 RM'000 | 2007 RM'000 |
| At 1 April 2007 / 2006 | 61,242 | 65,862 | 3,366 | 3,602 |
| Recognised in income statement (Note 9) | | | | |
| In Malaysia | (22,120) | (4,649) | (3,280) | – |
| Outside Malaysia | 3,666 | 210 | – | – |
| Currency translation differences | 242 | (181) | (86) | (236) |
| At 31 March | 43,030 | 61,242 | – | 3,366 |
| Presented after appropriate offsetting as follows: | | | | |
| Deferred tax assets | (4,606) | (2,941) | – | – |
| Deferred tax liabilities | 47,636 | 64,183 | – | 3,366 |
| | 43,030 | 61,242 | – | 3,366 |

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

**Deferred Tax Liabilities of the Group:**

| | Accelerated Capital Allowances RM'000 | Revaluation of Land RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|
| At 1 April 2007 | 66,051 | 3,366 | 261 | 69,678 |
| Recognised in income statement: | | | | |
| In Malaysia | (22,259) | (3,164) | (191) | (25,614) |
| Outside Malaysia | 3,717 | (202) | (203) | 3,312 |
| Currency translation differences | – | – | 260 | 260 |
| At 31 March 2008 | 47,509 | – | 127 | 47,636 |

## 30. Deferred Tax (cont'd)

**Deferred Tax Liabilities of the Group:**

| | Accelerated Capital Allowances RM'000 | Revaluation of Land RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|
| At 1 April 2006 | 68,961 | 3,547 | – | 72,508 |
| Recognised in income statement: | | | | |
| In Malaysia | (2,942) | – | 19 | (2,923) |
| Outside Malaysia | 32 | – | 242 | 274 |
| Currency translation differences | – | (181) | – | (181) |
| At 31 March 2007 | 66,051 | 3,366 | 261 | 69,678 |

**Deferred Tax Assets of the Group:**

| | Other Payables RM'000 | Tax Losses and Unabsorbed Capital Allowances RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|
| At 1 April 2007 | (2,446) | (5,603) | (387) | (8,436) |
| Recognised in income statement: | | | | |
| In Malaysia | (144) | 5,039 | (1,401) | 3,494 |
| Outside Malaysia | 310 | 22 | 22 | 354 |
| Currency translation differences | – | (18) | – | (18) |
| **At 31 March 2008** | (2,280) | (560) | (1,766) | (4,606) |
| At 1 April 2006 | (1,359) | (4,967) | (320) | (6,646) |
| Recognised in income statement: | | | | |
| In Malaysia | (1,153) | (538) | (35) | (1,726) |
| Outside Malaysia | 66 | (98) | (32) | (64) |
| At 31 March 2007 | (2,446) | (5,603) | (387) | (8,436) |

Deferred tax liabilities of the Corporation arises from revaluation of investment properties:

| | 2008 RM'000 | 2007 RM'000 |
|---|---|---|
| At 1 April 2007 / 2006 | 3,366 | 3,602 |
| Recognised in income statement (Note 9) | (3,280) | – |
| Currency translation differences | (86) | (236) |
| At 31 March | – | 3,366 |

## 30. Deferred Tax (cont'd)

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

| | Group | | Corporation | |
|---|---|---|---|---|
| | 2008 RM'000 | 2007 RM'000 | 2008 RM'000 | 2007 RM'000 |
| Unused tax losses | 540,951 | 410,295 | 466,203 | 345,540 |
| Unabsorbed capital allowances | 70,007 | 51,857 | – | – |
| Others | 2,232 | 7,868 | – | – |
| | 613,190 | 470,020 | 466,203 | 345,540 |

The unused tax losses and unabsorbed capital allowances of the Group amounting to RM540,951,000 (2007: RM410,295,000) and RM70,007,000 (2007: RM51,857,000) respectively are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

The unused tax losses of the Corporation relate to the loss making non-resident ships and can be utilised to offset against future taxable profits.

Deferred tax assets have not been recognised for certain subsidiaries as these subsidiaries have a recent history of losses.

## 31. Cash Flows From Investing Activities

| | Group | | Corporation | |
|---|---|---|---|---|
| | 2008 RM'000 | 2007 RM'000 | 2008 RM'000 | 2007 RM'000 |
| Purchase of ships, property, plant and equipment | (3,647,306) | (4,399,022) | (2,387,282) | (3,169,519) |
| Purchase of additional shares in a subsidiary | – | (181,664) | (2,552) | (181,664) |
| Acquisitions of an associate and a jointly controlled entity | (2,229) | (119,969) | (2,229) | – |
| Investments in subsidiaries | – | (2,700) | – | – |
| Issuance of loans to subsidiaries, net of repayment | – | – | (194,828) | 607,232 |
| Dividends received from: | | | | |
| Quoted investments | 24,913 | 22,867 | 9,393 | 12,012 |
| Unquoted investments | 4,994 | 2,849 | 1,004,147 | 1,684,285 |
| Associates and jointly controlled entity | 70,284 | – | – | – |
| Redemption of preference shares from a subsidiary | – | – | 7,392 | 24,530 |
| Proceeds from disposal of ships, property, plant and equipment | 603,796 | 954,390 | 106,060 | 266,467 |
| Proceeds from disposal of marketable securities | 936 | 2,011 | 936 | 2,011 |
| Proceeds from liquidation of a subsidiary | – | – | 19,304 | 177,501 |
| Interest received | 94,448 | 111,694 | 117,920 | 107,620 |
| Net cash used in investing activities | (2,850,164) | (3,609,544) | (1,321,739) | (469,525) |

## 32. Cash Flows From Financing Activities

| | Group | | Corporation | |
|---|---|---|---|---|
| | 2008 RM'000 | 2007 RM'000 | 2008 RM'000 | 2007 RM'000 |
| Drawdown of term loans | 30,400 | 1,134,192 | – | – |
| Drawdown of Islamic Private Debt Securities | 1,578,100 | 96,087 | 1,578,100 | 96,087 |
| Drawdown of loans from a subsidiary | – | – | 739,772 | 823,640 |
| Repayment of term loans | (487,851) | (599,013) | – | – |
| Loans to associates and jointly controlled entities | (773,026) | (254,754) | (8,151) | – |
| Repayment of loans from associates and jointly controlled entities | 90,890 | 64,184 | – | – |
| Repayment of Islamic Private Debt Securities | (100,000) | – | (100,000) | – |
| Dividends paid to shareholders of Corporation | (1,289,964) | (1,096,966) | (1,289,964) | (1,096,966) |
| Dividends paid to minority shareholders of subsidiaries | (48,176) | (17,764) | – | – |
| Repayment of preference shares | (7,102) | (23,507) | – | – |
| Interest paid | (335,699) | (347,580) | (130,383) | (46,135) |
| Net cash (used in) / generated from financing activities | (1,342,428) | (1,045,121) | 789,374 | (223,374) |

## 33. 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 the transactions below have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties, unless otherwise stated.

| | Group | | Corporation | |
|---|---|---|---|---|
| | 2008 RM'000 | 2007 RM'000 | 2008 RM'000 | 2007 RM'000 |
| Related parties | | | | |
| **a. Provision of shipping and shipping related services** | | | | |
| Charter hire revenue | 2,459,777 | 2,587,510 | 383,787 | 445,029 |
| Forwarding charges | 112,716 | 71,594 | – | – |
| Warehouse service | 20,019 | 13,237 | – | – |
| Haulage service | 69,998 | 63,198 | – | – |
| Fabrication contract service | 322,993 | 154,741 | – | – |
| **b. Purchase of goods and services** | | | | |
| Purchase of bunkers, lubricants and spare parts | 256,334 | 316,077 | 34,067 | 126,687 |
| Purchase of service for repairs, conversion of ships and drydocking | – | – | 373,737 | 158,538 |
| Purchase of crew service | 1,383 | 5,761 | – | – |
| Net transfer of ships, property and equipment | – | – | 261,156 | 592,207 |
| Purchase of information and communication technology services | 26,249 | 19,391 | 26,249 | 19,391 |
| Management fee | 2,901 | 6,130 | – | – |
| Manpower fee and insurance | 1,326 | 9,696 | 1,326 | 9,696 |

## 33. Related Party Disclosures (cont'd)

### c. Compensation of key management personnel

Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Corporation, directly or indirectly, including any director of the Group and the Corporation.

The remuneration of directors and other members of key management during the year are as follows:

| | Group | | Corporation | |
|---|---|---|---|---|
| | 2008 RM'000 | 2007 RM'000 | 2008 RM'000 | 2007 RM'000 |
| Short–term employee benefits | 21,670 | 15,043 | 6,909 | 5,045 |
| Defined contribution plan | 2,672 | 1,954 | 1,281 | 1,089 |
| | 24,342 | 16,997 | 8,190 | 6,134 |

Included in the total key management personnel are:

| | Group | | Corporation | |
|---|---|---|---|---|
| | 2008 RM'000 | 2007 RM'000 | 2008 RM'000 | 2007 RM'000 |
| Directors' remuneration (Note 7) | 7,717 | 6,801 | 1,929 | 1,602 |

## 34. Commitments

### a. Capital Commitments

| | Group | | Corporation | |
|---|---|---|---|---|
| | 2008 RM'000 | 2007 RM'000 | 2008 RM'000 | 2007 RM'000 |
| Capital expenditure | | | | |
| Approved and contracted for: | | | | |
| Ships, property, plant and equipment | 5,280,956 | 4,942,942 | 3,429,646 | 3,241,445 |
| Information and communication technology | 22,294 | 26,680 | 22,294 | 26,680 |
| | 5,303,250 | 4,969,622 | 3,451,940 | 3,268,125 |
| Approved but not contracted for: | | | | |
| Ships, property, plant and equipment | 8,027,375 | 6,973,584 | 6,961,706 | 6,435,068 |
| Information and communication technology | 109,156 | 9,524 | 107,656 | 9,524 |
| Investments | 1,800 | 20 | – | 20 |
| | 8,138,331 | 6,983,128 | 7,069,362 | 6,444,612 |
| Share of contracted capital commitments of a jointly controlled entity | 122,822 | 1,000,729 | – | – |
| | 13,564,403 | 12,953,479 | 10,521,302 | 9,712,737 |

## 34. Commitments (cont'd)

### b. Non-Cancellable Operating Lease Commitments - Group as Lessee

| | Group | | Corporation | |
|---|---|---|---|---|
| | 2008 RM'000 | 2007 RM'000 | 2008 RM'000 | 2007 RM'000 |
| Future minimum rentals payable: | | | | |
| Not later than 1 year | 967,445 | 822,072 | 285,569 | 319,783 |
| Later than 1 year and not later than 5 years | 2,372,558 | 1,601,471 | 475,451 | 566,611 |
| Later than 5 years | 1,260,465 | 347,537 | 71,408 | 112,069 |
| | 4,600,468 | 2,771,080 | 832,428 | 998,463 |

## 35. Contingent Liabilities

| | Group | | Corporation | |
|---|---|---|---|---|
| | 2008 RM'000 | 2007 RM'000 | 2008 RM'000 | 2007 RM'000 |
| **Unsecured** | | | | |
| Letters of guarantee issued in respect of banking facilities extended to third party agents | 63,295 | 25,181 | 42,882 | 7,955 |
| Corporate guarantees given to banks for credit facilities granted | – | – | 5,573,512 | 5,472,574 |
| Bank guarantees extended to customers for performance bond on contracts | 230,043 | 225,831 | – | – |
| | 293,338 | 251,012 | 5,616,394 | 5,480,529 |

## 36. Segment Information

### a. Reporting Format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the service provided, with each segment representing a strategic business unit that serves different markets.

### b. Business segments

The Group is organised on a worldwide basis into four major business segments:

i. Energy related shipping – the provision of liquefied natural gas ("LNG") services, petroleum tanker services, and chemical tanker services;

ii. Other energy businesses – operation and maintenance of offshore floating terminals, and marine repair, marine conversion and engineering and construction works;

iii. Integrated liner logistics – comprises liner services, haulage, trucking and warehousing and agency businesses;

iv. Non-shipping – marine education and training, and other diversified businesses.

### 36. Segment Information (cont'd)

#### b. Business segments (cont'd)

| | Energy Related Shipping RM'000 | Other Energy Businesses RM'000 | Integrated Liner Logistics RM'000 | Non-Shipping RM'000 | Total RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|---|
| **31 March 2008** | | | | | | | |
| Revenue | 6,654,465 | 2,408,165 | 4,746,936 | 54,503 | 13,864,069 | (906,644) | 12,957,425 |
| **Results** | | | | | | | |
| Segment results | 2,133,813 | 418,409 | 13,116 | (227,534) | 2,337,804 | (40,903) | 2,296,901 |
| Gain on disposal of ships | 153,298 | – | 27,183 | – | 180,481 | – | 180,481 |
| Other operating income | 103,899 | 63,436 | 49,683 | 1,629,298 | 1,846,316 | (1,451,502) | 394,814 |
| Operating profit | 2,391,010 | 481,845 | 89,982 | 1,401,764 | 4,364,601 | (1,492,405) | 2,872,196 |
| Finance costs (unallocated) | | | | | | | (345,385) |
| Share of profit of associates | – | – | 1,551 | – | 1,551 | – | 1,551 |
| Share of profit / (loss) of jointly controlled entities | 63,948 | 20,398 | (3,348) | – | 80,998 | – | 80,998 |
| Profit before taxation | | | | | | | 2,609,360 |
| Taxation | | | | | | | (71,033) |
| Profit for the year | | | | | | | 2,538,327 |
| **Assets And Liabilities** | | | | | | | |
| Segment assets | 20,277,403 | 5,055,798 | 2,689,622 | 18,497,540 | 46,520,363 | (18,597,954) | 27,922,409 |
| Investments in equity method of associates | 1,247 | – | 3,070 | – | 4,317 | – | 4,317 |
| Investments in equity method of jointly controlled entities | 60,703 | 933,437 | 122,485 | – | 1,116,625 | – | 1,116,625 |
| | | | | | | | 29,043,351 |
| Segment liabilities | 5,810,920 | 4,185,545 | 871,133 | 7,223,165 | 18,090,763 | (7,775,871) | 10,314,892 |
| **Other Information** | | | | | | | |
| Capital expenditure | 2,297,590 | 1,229,817 | 108,959 | 10,940 | 3,647,306 | – | 3,647,306 |
| Depreciation | 1,161,694 | 110,328 | 127,621 | 37,005 | 1,436,648 | – | 1,436,648 |
| Impairment losses | – | – | – | – | – | – | – |
| Non-cash expenses other than depreciation and impairment loss | 25,314 | 12,046 | 15,227 | 1,454 | 54,041 | – | 54,041 |

## 36. Segment Information (cont'd)

### b. Business segments (cont'd)

| | Energy Related Shipping RM'000 | Other Energy Businesses RM'000 | Integrated Liner Logistics RM'000 | Non-Shipping RM'000 | Total RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|---|
| **31 March 2007** | | | | | | | |
| Revenue | 6,644,795 | 1,571,616 | 3,635,029 | 41,159 | 11,892,599 | (693,654) | 11,198,945 |
| **Results** | | | | | | | |
| Segment results | 2,499,329 | 192,964 | (194,568) | (224,194) | 2,273,531 | 236,992 | 2,510,523 |
| Gain on disposal of ships | 356,370 | – | 80,189 | – | 436,559 | – | 436,559 |
| Other operating income | 117,102 | 34,676 | 96,175 | 3,789,889 | 4,037,842 | (3,734,497) | 303,345 |
| Operating profit | 2,972,801 | 227,640 | (18,204) | 3,565,695 | 6,747,932 | (3,497,505) | 3,250,427 |
| Finance costs (unallocated) | | | | | | | (347,757) |
| Share of loss of associates | – | – | (491) | – | (491) | – | (491) |
| Share of profit of jointly controlled entities | 1,975 | 21,051 | 5,105 | – | 28,131 | – | 28,131 |
| Profit before taxation | | | | | | | 2,930,310 |
| Taxation | | | | | | | (33,380) |
| Profit for the year | | | | | | | 2,896,930 |
| **Assets And Liabilities** | | | | | | | |
| Segment assets | 23,731,864 | 3,534,990 | 2,593,169 | 20,829,922 | 50,689,945 | (23,241,202) | 27,448,743 |
| Investments in equity method of associates | – | – | 2,685 | – | 2,685 | – | 2,685 |
| Investments in equity method of jointly controlled entities | 34,819 | 323,493 | 145,046 | – | 503,358 | – | 503,358 |
| | | | | | | | 27,954,786 |
| Segment liabilities | 9,863,358 | 2,782,730 | 1,029,441 | 5,202,710 | 18,878,239 | (9,804,049) | 9,074,190 |
| **Other Information** | | | | | | | |
| Capital expenditure | 2,992,137 | 1,034,025 | 357,140 | 15,720 | 4,399,022 | – | 4,399,022 |
| Depreciation | 1,099,542 | 82,418 | 134,625 | 44,252 | 1,360,837 | – | 1,360,837 |
| Impairment losses | – | 1,943 | 2,325 | – | 4,268 | – | 4,268 |
| Non-cash expenses other than depreciation and impairment loss | 48,956 | 2,044 | 8,518 | 11,427 | 70,945 | – | 70,945 |

## 36. Segment Information (cont'd)

### c. 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 operations comprise energy related shipping, other energy businesses, integrated liner logistics and non-shipping.

The Group also operates energy related shipping and integrated liner logistics in other regions in the world as follows:

– Asia and Africa
– Europe
– Australasia
– The United States of America

| | Asia and Africa RM'000 | Malaysia RM'000 | Europe RM'000 | Australasia RM'000 | The United States of America RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|
| **31 March 2008** | | | | | | |
| Revenue | 923,824 | 4,623,063 | 2,982,179 | 735,942 | 3,692,417 | 12,957,425 |
| Segment assets | 274,448 | 19,925,635 | 73,511 | 49,962 | 8,719,795 | 29,043,351 |
| Capital expenditure | 493 | 3,058,991 | 21,462 | 107 | 566,253 | 3,647,306 |
| **31 March 2007** | | | | | | |
| Revenue | 478,353 | 5,064,162 | 2,021,538 | 826,292 | 2,808,600 | 11,198,945 |
| Segment assets | 263,888 | 20,478,199 | 43,357 | 43,589 | 7,125,753 | 27,954,786 |
| Capital expenditure | 543 | 3,964,493 | 190 | 650 | 433,146 | 4,399,022 |

### d. Allocation Basis and Transfer Pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

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.

## 37. Financial Instruments

### a. Financial Risk Management Objectives and Policies

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 bunkers price risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Group's policy that no speculative trading in derivative financial instruments shall be undertaken.

## 37. Financial Instruments (cont'd)

### b. Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to 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 mostly placed in time deposit and overnight placement.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group's interest rate risks arise from the volatility of the benchmark interest rates both in Ringgit and US Dollar (which are its main borrowing currencies). The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings. The Group manages this by keeping 82.35% or more of its borrowings at fixed rates of interest. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed-upon notional principal amount. As at balance sheet date, the Group had entered into interest rate swaps with the following notional principal amount and maturities:

| | Notional Amount 2008 RM'000 | Notional Amount 2007 RM'000 |
|---|---|---|
| More than 5 years | 1,311,385 | 1,415,730 |

The fixed interest rate relating to interest rate swaps at the balance sheet date is 5.09% (2007: 5.09%) per annum.

The following tables set out the carrying amounts, the range of interest rates as at the balance sheet date and the remaining maturities of the Group's and the Corporation's financial instruments that are exposed to interest rate risk.

| | Note | Interest rates % | Within 1 Year RM'000 | 1 – 2 Years RM'000 | 2 – 3 Years RM'000 | 3 – 4 Years RM'000 | 4 – 5 Years RM'000 | More Than 5 Years RM'000 |
|---|---|---|---|---|---|---|---|---|
| **At 31 March 2008** | | | | | | | | |
| **Group** | | | | | | | | |
| **Fixed Rate** | | | | | | | | |
| Term loans | 27 | 2.25–7.45 | (62,198) | (56,997) | (129,907) | (173,522) | (173,519) | (513,156) |
| US Dollar Guaranteed Notes | 27 | 5.00–6.13 | – | (1,276,867) | – | – | – | (2,221,058) |
| Islamic Private Debt Securities | 27 | 3.64–4.05 | (592,281) | (1,000,000) | – | – | – | – |
| **Floating rate** | | | | | | | | |
| Deposits with licensed banks | 24 | 1.85–7.50 | 463,255 | – | – | – | – | – |
| Term loans | 27 | 3.13–5.97 | (304,879) | (250,970) | (177,852) | (132,205) | (132,205) | (330,511) |

## 37. Financial Instruments (cont'd)

### b. Interest Rate Risk (cont'd)

| | Note | Interest rates % | Within 1 Year RM'000 | 1 – 2 Years RM'000 | 2 – 3 Years RM'000 | 3 – 4 Years RM'000 | 4 – 5 Years RM'000 | More Than 5 Years RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Corporation** | | | | | | | | |
| **Fixed Rate** | | | | | | | | |
| Islamic Private Debt Securities | 27 | 3.64–4.05 | (592,281) | (1,000,000) | – | – | – | – |
| **Floating rate** | | | | | | | | |
| Deposits with licensed banks | 24 | 3.20–3.55 | 103,500 | – | – | – | – | – |
| **At 31 March 2007** | | | | | | | | |
| **Group** | | | | | | | | |
| **Fixed Rate** | | | | | | | | |
| Term loans | 27 | 4.00–7.45 | (69,964) | (35,353) | (65,890) | (144,814) | (192,129) | (764,826) |
| US Dollar Guaranteed Notes | 27 | 5.00–6.13 | – | – | (1,376,397) | – | – | (2,395,328) |
| Islamic Private Debt Securities | 27 | 3.80 | (97,065) | – | – | – | – | – |
| NCRPS | 27 | 7.50 | – | – | – | – | – | (7,106) |
| **Floating rate** | | | | | | | | |
| Deposits with licensed banks | 24 | 2.40–7.15 | 849,360 | – | – | – | – | – |
| Term loans | 27 | 5.14–6.08 | (328,223) | (329,138) | (270,940) | (192,003) | (142,724) | (392,492) |
| **Corporation** | | | | | | | | |
| **Fixed Rate** | | | | | | | | |
| Islamic Private Debt Securities | 27 | 3.80 | (97,065) | – | – | – | – | – |
| **Floating rate** | | | | | | | | |
| Deposits with licensed banks | 24 | 2.43–7.15 | 272,558 | – | – | – | – | – |

### c. Foreign Currency Risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Ringgit Malaysia ("RM"), Sterling Pound ("GBP"), Australian Dollar ("AUD"), Euro ("EUR") and Singapore Dollar ("SGD"). Foreign exchange exposures in transactional currencies other than functional currencies of the operating entity are kept to an acceptable level. Approximately 25.91% (2007: 29.61%) of Group's sales are denominated in currencies other than the unit's functional currency of the operating unit making the sale, whilst almost 85.99% (2007: 64.92%) of costs are denominated in the unit's functional currency.

The Group maintains a natural hedge, wherever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

## 37. Financial Instruments (cont'd)

### c. Foreign Currency Risk (cont'd)

The net unhedged financial receivables and payables of the Group companies and that of the Corporation that are not denominated in their functional currencies are as follows:

| Functional Currency of Group Companies | Ringgit Malaysia RM'000 | United States Dollar RM'000 | Sterling Pound RM'000 | Australian Dollar RM'000 | EURO RM'000 | Singapore Dollar RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| | Net Financial Receivables / (Payables) Held in Non-Functional Currencies | | | | | | |
| **At 31 March 2008** | | | | | | | |
| Ringgit Malaysia | – | 194,718 | 2,743 | (6) | 5,049 | 2,881 | 205,385 |
| United States Dollar | 2,049,004 | – | 3,814 | 125,088 | 58,810 | (306,880) | 1,929,836 |
| | 2,049,004 | 194,718 | 6,557 | 125,082 | 63,859 | (303,999) | 2,135,221 |
| **At 31 March 2007** | | | | | | | |
| Ringgit Malaysia | – | 99,273 | 948 | (1) | 19,110 | (4,097) | 115,233 |
| United States Dollar | 485,072 | – | 45,883 | 31,060 | 50,238 | 13,562 | 625,815 |
| | 485,072 | 99,273 | 46,831 | 31,059 | 69,348 | 9,465 | 741,048 |
| **Functional Currency of Corporation** | | | | | | | |
| **At 31 March 2008** | | | | | | | |
| United States Dollar | 2,080,144 | – | 3,833 | 125,328 | 60,107 | (305,777) | 1,963,635 |
| **At 31 March 2007** | | | | | | | |
| United States Dollar | 516,856 | – | 52,002 | 31,060 | 58,152 | 15,426 | 673,496 |

The cash and bank balances of the Group companies and that of the Corporation that are not denominated in their functional currencies are as follows:

| Functional Currency of Group Companies | Ringgit Malaysia RM'000 | United States Dollar RM'000 | Sterling Pound RM'000 | Australian Dollar RM'000 | EURO RM'000 | Singapore Dollar RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| | Cash and Bank Balances Held in Non-Functional Currencies | | | | | | |
| **At 31 March 2008** | | | | | | | |
| Ringgit Malaysia | – | 87,037 | 683 | – | 1,638 | 7,650 | 97,008 |
| United States Dollar | 131,838 | – | 21,587 | 607 | 9,603 | 6,412 | 170,047 |
| | 131,838 | 87,037 | 22,270 | 607 | 11,241 | 14,062 | 267,055 |

## 37. Financial Instruments (cont'd)

### c. Foreign Currency Risk (cont'd)

| Functional Currency of Group Companies | Ringgit Malaysia RM'000 | United States Dollar RM'000 | Sterling Pound RM'000 | Australian Dollar RM'000 | EURO RM'000 | Singapore Dollar RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| | Cash and Bank Balances Held in Non-Functional Currencies | | | | | | |
| **At 31 March 2007** | | | | | | | |
| Ringgit Malaysia | – | 7,993 | – | – | – | – | 7,993 |
| United States Dollar | 307,260 | – | 9,407 | 3,928 | 11,466 | 8,492 | 340,553 |
| | 307,260 | 7,993 | 9,407 | 3,928 | 11,466 | 8,492 | 348,546 |
| **Functional Currency of Corporation** | | | | | | | |
| **At 31 March 2008** | | | | | | | |
| United States Dollar | 1,977 | – | 12,335 | 316 | 8,556 | 821 | 24,005 |
| **At 31 March 2007** | | | | | | | |
| United States Dollar | 682,602 | – | 27,283 | 144,741 | 144,017 | 240,249 | 1,238,892 |

### d. Liquidity Risk

As at 31 March 2008, the Group had at its disposal cash and short term deposits amounting to RM1,964,361,000 (2007: RM2,217,564,000).

As at 31 March 2008, the Corporation has unutilised Murabahah Commercial Paper / Medium Term Notes Programme amounting to RM1,900,000,000 (2007: RM900,000,000) which could be used for working capital purposes.

The Group's holdings of cash and short term deposits, together with committed funding facilities and net cash flow from operations, are expected to be sufficient to cover its cash flow needs (excluding merger and acquisition activities) in the next financial year. Any shortfall and additional cash requirements arising from the Group's merger and acquisition activities can be met by additional financing. The Group's strong balance sheet provides it with financial flexibility in determining the optimum financing source. The various options, among others, include bank borrowings, bonds issuance and structured financing.

### e. Credit Risk

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

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, marketable securities and non-current investments, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets.

## 37. Financial Instruments (cont'd)

### f. Bunkers Price Risk

Volatility of bunkers price is subject to crude oil price fluctuations which occur due to fundamental and non-fundamental factors affecting supply and demand. To mitigate such risks, the Group embarks on some form of physical hedging to manage the risk exposure. This physical hedging involves fixed forward contracts for a specified period between 1 – 6 months.

### g. Fair Values

The carrying amounts of financial assets and liabilities of the Group and of the Corporation at the balance sheet date approximated their fair values except for the following:

| | | Group | | Corporation | |
|---|---|---|---|---|---|
| | Note | Carrying Amount RM'000 | Fair Value RM'000 | Carrying Amount RM'000 | Fair Value RM'000 |
| **At 31 March 2008** | | | | | |
| Non-current quoted shares | 19 | 147,851 | 295,630 | 147,851 | 295,630 |
| Non-current unquoted shares | 19 | 40,972 | * | 36,085 | * |
| Forward bunkers contract | 37(f) | – | 1,612 | – | 1,612 |
| Fixed rate: | | | | | |
| Term loans | 27 | (1,109,299) | (1,126,899) | – | – |
| Islamic Private Debt Securities | 27 | (1,592,281) | (1,532,100) | (1,592,281) | (1,532,100) |
| US Dollar Guaranteed Notes | 27 | (3,497,925) | (3,687,807) | – | – |
| Interest rate swap | 37(b) | – | (76,965) | – | – |
| **At 31 March 2007** | | | | | |
| Non-current quoted shares | 19 | 196,117 | 278,448 | 12,185 | 25,713 |
| Non-current unquoted shares | 19 | 39,960 | * | 38,956 | * |
| Forward bunkers contract | 37(f) | – | 1,657 | – | 1,657 |
| Fixed rate: | | | | | |
| Term loans | 27 | (1,272,976) | (1,185,691) | – | – |
| Islamic Private Debt Securities | 27 | (97,065) | (97,633) | (97,065) | (97,633) |
| US Dollar Guaranteed Notes | 27 | (3,771,725) | (3,892,172) | – | – |
| Interest rate swap | 37(b) | – | (10,630) | – | – |

* The fair value of non-current unquoted shares is not disclosed as it is not practicable to determine the fair value with sufficient reliability.

The methods and assumptions used by management to determine fair values of financial instruments other than those whose carrying amounts reasonably approximate their fair values are as follows:

#### i. Non-current quoted shares

Fair value of these non-current quoted shares is determined by reference to stock exchange quoted market bid prices on the balance sheet date.

**37. Financial Instruments (cont'd)**

**g. Fair Values (cont'd)**

**ii. Forward bunkers contract**

Fair value is estimated as the difference between the hedged bunker price and average market price multiplied by the unutilised hedged bunker units.

**iii. Term loans and Islamic Private Debt Securities**

Fair value has been determined using discounted estimated cash flows. The discount rates used are the current market incremental lending rates for similar types of borrowing.

**iv. US Dollar Guaranteed Notes**

Fair value is determined by reference to stock exchange quoted market prices on the balance sheet date.

**v. Interest rate swap**

The fair value of the interest rate swap is the amount that would be payable or receivable upon termination of the position at the balance sheet date, and is calculated as the difference between the present value of the estimated future cash flows at the contracted rate compared to that calculated at the market rate at the balance sheet date.

**38. Subsidiaries And Activities**

| Name of Company | Country of Incorporation | Principal Activities | Effective Interest (%) 2008 | 2007 |
|---|---|---|---|---|
| PETRONAS Tankers Sdn Bhd | Malaysia | Investment holding and provision of management services | 100 | 100 |
| Puteri Intan Sdn Bhd | Malaysia | Shipping | 100 | 100 |
| Puteri Delima Sdn Bhd | Malaysia | Shipping | 100 | 100 |
| Puteri Nilam Sdn Bhd | Malaysia | Shipping | 100 | 100 |
| Puteri Zamrud Sdn Bhd | Malaysia | Shipping | 100 | 100 |
| Puteri Firus Sdn Bhd | Malaysia | Shipping | 100 | 100 |
| MISC Ship Management Sdn Bhd | Malaysia | Dormant | 100 | 100 |
| MISC Enterprises Holdings Sdn Bhd | Malaysia | In-liquidation | 100 | 100 |
| MISC Properties Sdn Bhd | Malaysia | Dormant | 100 | 100 |
| MISC Information Technology Sdn Bhd | Malaysia | In-liquidation | 100 | 100 |
| MSE Holdings Sdn Bhd | Malaysia | Investment holding | 100 | 100 |
| Malaysia Marine and Heavy Engineering Sdn Bhd | Malaysia | Marine repair, marine conversion and engineering and construction | 100 | 100 |

**38. Subsidiaries And Activities (cont'd)**

| Name of Company | Country of Incorporation | Principal Activities | Effective Interest (%) 2008 | 2007 |
|---|---|---|---|---|
| MMHE-SHI LNG Sdn Bhd | Malaysia | Agent for LNG vessel repair works | 70 | 70 |
| MSE Corporation Sdn Bhd | Malaysia | Processing of copper grit | 100 | 100 |
| Techno Indah Sdn Bhd | Malaysia | Sludge disposal management | 100 | 100 |
| MMHE-ATB Sdn Bhd | Malaysia | Manufacturing works of pressure vessels and tube heat exchangers | 60 | 60 |
| Malaysia Marine And Heavy Engineering (Turkmenistan) Sdn Bhd (formerly known as Malaysia Tank Cleaning Company Sdn Bhd) | Malaysia | Dormant | 100 | 100 |
| MISC Agencies Sdn Bhd | Malaysia | Shipping agent and warehousing | 100 | 100 |
| MISA (B) Sdn Bhd * | Brunei Darussalam | In-liquidation | 100 | 100 |
| MISC Agencies (Trengganu) Sdn Bhd * | Malaysia | Liquidated | – | 100 |
| MISC Agencies (Sarawak) Sdn Bhd | Malaysia | Shipping agent | 65 | 65 |
| MISC Agencies (Netherlands) B.V. * | Netherlands | Shipping agent | 100 | 100 |
| Misan Logistics B.V. * | Netherlands | Haulage brokerage liner merchant and carrier haulage | 100 | – |
| MISC Agencies (Australia) Pty Ltd # | Australia | Shipping agent | 100 | 100 |
| MISC Agencies (U.K.) Ltd * | United Kingdom | Shipping agent | 100 | 100 |
| MISC Agencies (Japan) Ltd * | Japan | Port and general agent | 100 | 100 |
| MISC Agencies (Singapore) Private Limited * | Singapore | Shipping agent | 100 | 100 |
| Leo Launches Private Limited * | Singapore | Launch operator | 51 | 51 |
| MISC Ferry Services Sdn Bhd | Malaysia | Dormant | 100 | 100 |
| MISC Integrated Logistics Sdn Bhd | Malaysia | Integrated logistics services | | |
| MISC Haulage Services Sdn Bhd | Malaysia | Dormant | 100 | 100 |
| MISC Trucking and Warehousing Services Sdn Bhd | Malaysia | Dormant | 100 | 100 |
| MILS – Seafrigo Sdn Bhd | Malaysia | Own, manage and operate a cold storage logistic hub | 60 | 60 |
| MILS – SterilGamma Sdn Bhd | Malaysia | Sterilisation and fumigation facilities | 60 | 60 |

### 38. Subsidiaries And Activities (cont'd)

| Name of Company | Country of Incorporation | Principal Activities | Effective Interest (%) 2008 | Effective Interest (%) 2007 |
|---|---|---|---|---|
| Asia LNG Transport Sdn Bhd | Malaysia | Shipowning and ship management | 51 | 51 |
| Asia LNG Transport Dua Sdn Bhd | Malaysia | Shipowning and ship management | 51 | 51 |
| Malaysian Maritime Academy Sdn Bhd | Malaysia | Education and training for seamen and maritime personnel | 100 | 100 |
| Puteri Intan Satu (L) Private Limited | Malaysia | Shipping | 100 | 100 |
| Puteri Delima Satu (L) Private Limited | Malaysia | Shipping | 100 | 100 |
| Puteri Nilam Satu (L) Private Limited | Malaysia | Shipping | 100 | 100 |
| Puteri Zamrud Satu (L) Private Limited | Malaysia | Shipping | 100 | 100 |
| Puteri Firus Satu (L) Private Limited | Malaysia | Shipping | 100 | 100 |
| Puteri Mutiara Satu (L) Private Limited | Malaysia | Shipping | 100 | 100 |
| MISC Tanker Holdings Sdn Bhd | Malaysia | Investment holding | 100 | 100 |
| MISC Tanker Holdings (Bermuda) Limited | Bermuda | Investment holding | 100 | 100 |
| AET Tanker Holdings Sdn Bhd | Malaysia | Investment holding | 100 | 100 |
| AET Petroleum Tanker (M) Sdn Bhd | Malaysia | Shipowning | 100 | 100 |
| AET Shipmanagement (Malaysia) Sdn Bhd | Malaysia | Ship management | 100 | 100 |
| AET Shipmanagement (Singapore) Pte Ltd # | Singapore | Ship management | 100 | 100 |
| AET Holdings (L) Pte Ltd | Malaysia | Investment holding | 100 | 100 |
| AET Inc Limited | Bermuda | Shipowning and operations | 100 | 100 |
| AET Lightering Services LLC (formerly known as MTL Petrolink Corp) | The United States of America | Lightering | 100 | 100 |
| AET Tankers Pte Ltd # | Singapore | Commercial operation and chartering | 100 | 100 |
| AET UK Limited # | United Kingdom | Commercial operation and chartering | 100 | 100 |
| American Marine and Offshore Services Limited | Cayman Islands | Shipping agent and lightering | 100 | 100 |

**38. Subsidiaries And Activities (cont'd)**

| Name of Company | Country of Incorporation | Principal Activities | Effective Interest (%) 2008 | 2007 |
|---|---|---|---|---|
| AET Offshore Services Inc | The United States of America | Lightering | 100 | 100 |
| AET Agencies Inc | The United States of America | Property owning | 100 | 100 |
| OMIP Inc | The United States of America | Ship rental services and lightering | 100 | 100 |
| Offshore Marine Services Inc | The United States of America | Lightering | 100 | 100 |
| Harlink Corp | The United States of America | Lightering | 100 | 100 |
| Nuelink Corp | The United States of America | Lightering | 100 | 100 |
| MISC International (L) Limited | Malaysia | Investment holding | 100 | 100 |
| MISC Offshore Floating Terminals (L) Limited | Malaysia | Offshore floating terminals ownership | 100 | 100 |
| MISC Capital (L) Limited | Malaysia | Special purpose vehicle for issuance of US Dollar Guaranteed Notes | 100 | 100 |
| MISC Offshore Holdings (Brazil) Sdn Bhd | Malaysia | Investment holding | 100 | 100 |
| M.I.S.C. Nigeria Limited * | Nigeria | Dormant | 60 | 60 |
| FPSO Ventures Sdn Bhd | Malaysia | Operating and maintaining FPSO terminals | 51 | 51 |
| Malaysia Deepwater Floating Terminal (Kikeh) Limited | Malaysia | FPSO owner | 51 | 51 |
| Malaysia Deepwater Production Contractors Sdn Bhd | Malaysia | Operating and maintaining FPSO terminals | 51 | 51 |
| Bunga Kasturi (L) Pte Ltd | Malaysia | Shipowning | 100 | – |
| MISC Floating Production System (Gumusut) Limited | Malaysia | Dormant | 100 | – |
| Malaysia Vietnam Offshore Terminal (L) Limited | Malaysia | Dormant | 100 | – |
| Vietnam Offshore Mobile Terminal (Ruby) Ltd | Malaysia | Dormant | 100 | – |
| Malaysia Offshore Mobile Production (Labuan) Ltd | Malaysia | Dormant | 100 | – |

* Audited by firms of auditors other than Ernst & Young

\# Audited by affiliates of Ernst & Young Malaysia

### 39. Associates And Activities

| Name of Company | Country of Incorporation | Principal Activities | Effective Interest (%) 2008 | 2007 |
|---|---|---|---|---|
| BLG MILS Logistics Sdn Bhd | Malaysia | Automotive solutions and related integrated logistic services | 60 | 60 |
| Rais – Mils Logistic FZCO | United Arab Emirates | Integrated logistics services | 50 | 50 |
| MISC Agencies (Thailand) Co Ltd | Thailand | Shipping agent | 49 | 49 |
| MISC Agencies Lanka (Pvt) Limited | Sri Lanka | Shipping services | 40 | 40 |
| Trans-ware Logistics (Pvt) Ltd | Sri Lanka | Inland container depot | 25 | 25 |
| Nikorma Transport Limited | Nigeria | LNG transportation | 30 | – |

The financial statements of the above associates are coterminous with those of the Group except for Nikorma Transport Limited which has financial year ended 31 December. For the purpose of applying the equity method of accounting, the management accounts up to 31 March 2008 have been used.

### 40. Jointly Controlled Entities And Activities

| Name of Company | Country of Incorporation | Principal Activities | Effective Interest (%) 2008 | 2007 |
|---|---|---|---|---|
| Offshore Marine Ventures Sdn Bhd | Malaysia | Chartering of vessels | 51 | 51 |
| Transware Distribution Services Pte Ltd | Singapore | Warehousing | 50 | 50 |
| Transasia Pool Pte Ltd | Singapore | Ship management | 50 | 50 |
| Keer – MISC Logistics Co Ltd | Sudan | Transportation | 50 | 50 |
| Paramount Tankers Corp | Republic of the Marshall Island | Shipowning | 50 | 50 |
| SL-MISC International Line Co Ltd | Sudan | Shipowning | 49 | 49 |
| SBM Systems Inc | Switzerland | FPSO owner | 49 | 49 |
| FPSO Brasil Venture S.A. | Switzerland | Investment and offshore activities | 49 | 49 |
| SBM Operacoes Ltda | Brazil | Operating and maintaining FPSO terminals | 49 | 49 |
| Brazilian Deepwater Floating Terminals Limited | Bermuda | Construction of FPSO | 49 | – |
| Brazilian Deepwater Production Limited | Bermuda | Chartering of FPSO | 49 | – |

## 40. Jointly Controlled Entities And Activities (cont'd)

| Name of Company | Country of Incorporation | Principal Activities | Effective Interest (%) 2008 | 2007 |
|---|---|---|---|---|
| Brazilian Deepwater Production Contractors Limited | Bermuda | Operation and maintenance of FPSO | 49 | – |
| Centralised Terminals Sdn Bhd (formerly known as Dialog CTF Sdn Bhd) | Malaysia | Own, manage, operate and maintain centralised tankage facility | 45 | – |
| Langsat CTF Sdn Bhd | Malaysia | Provision of centralised tankage facilities | 36 | – |
| Langsat Terminal (One) Sdn Bhd | Malaysia | Provision of tank terminal activities | 36 | – |

The financial statements of the above jointly controlled entities are coterminous with those of the Group, except for these jointly controlled entities that have financial years ended, as follow:

| | Financial Year Ended |
|---|---|
| Transware Distribution Services Pte Ltd | 31 December |
| Transasia Pool Pte Ltd | 31 December |
| Paramount Tankers Corp | 31 December |
| SL-MISC International Line Co Ltd | 31 December |
| SBM Systems Inc | 31 December |
| FPSO Brasil Venture S.A. | 31 December |
| SBM Operacoes Ltda | 31 December |
| Brazilian Deepwater Floating Terminals Limited | 31 December |
| Brazilian Deepwater Production Limited | 31 December |
| Brazilian Deepwater Production Contractors Limited | 31 December |
| Centralised Terminals Sdn Bhd (formerly known as Dialog CTF Sdn Bhd) | 30 June |
| Langsat CTF Sdn Bhd | 30 June |
| Langsat Terminal (One) Sdn Bhd | 30 June |

For the purpose of applying the equity method of accounting, the audited financial statements up to the year ended 30 June 2007 and 31 December 2007 have been used and management accounts up to 31 March 2008 have been used for transactions up to 31 March 2008, except for Paramount Tankers Corp, Centralised Terminals Sdn Bhd (formerly known as Dialog CTF Sdn Bhd), Langsat CTF Sdn Bhd and Langsat Terminal (One) Sdn Bhd which use management accounts up to 31 March 2008.

## 41. Significant Events

a. On 4 October 2007, the Corporation entered into a Shareholders' Agreement with Dialog Group Berhad ("Dialog") for the purpose of jointly venturing into the development, management, operation and maintenance of independent tankage facilities for storage and break-bulking and tank terminals at the Port of Tanjung Langsat. The joint venture will also provide other related services.

   Currently, the joint venture company has an authorised share capital of RM5,000,000 where the Corporation subscribes for 45% of RM2,250,000 comprising of 2,250,000 ordinary shares of RM1.00 each. Dialog subscribes for the balance of RM2,749,998 comprising of 2,749,998 ordinary shares of RM1.00 each to hold 55% in the joint venture company. The name of the joint venture company is Centralised Terminals Sdn Bhd (formerly known as Dialog CTF Sdn Bhd).

b. On 10 October 2007, PC Vietnam Limited ("PCVL"), the operator of a production sharing contract for Blocks 01 and 02, located 155 kilometres East of Vung Tau, Offshore Vietnam, awarded the Corporation and Petroleum Technical Services Corporation of Vietnam ("PTSC") ("MISC / PTSC Consortium") a contract for the provision of a Floating Production Storage and Offloading ("FPSO") Facility Leasing for a contractual period of 8 years. The contract value is approximately USD350 – USD400 million.

c. On 21 January 2008, MSE Holdings Sdn Bhd ("MSEH"), a wholly-owned subsidiary of the Corporation, entered into a conditional sale and purchase agreement with Ramunia Holdings Berhad ("Ramunia") for the reverse take-over of Ramunia via disposal of its entire equity interest in Malaysia Marine and Heavy Engineering Sdn Bhd ("MMHE") comprising 100 million ordinary shares of RM1.00 each in MMHE for a total sale consideration of RM3.20 billion.

   The total sale consideration is to be satisfied in the following manner:

   i. issuance of 1.40 billion new Ramunia Shares at an issue price of RM1.00 per Ramunia Share; and

   ii. issuance of RM1.80 billion new Irredeemable Convertible Preference Shares ("ICPS-B") at par in Ramunia, comprising of 3.60 billion ICPS-B.

   As at the date of authorisation of the financial statements, the reverse take-over has yet to be completed.

d. On 23 January 2008, the Corporation entered into a Shareholders' Agreement with Nigerian National Petroleum Corporation ("NNPC"), Hyundai Heavy Industries Co Ltd ("HHI") and Deepwater Shipping and Maritime Company to form a Nigerian incorporated joint venture company named Nikorma Transport Limited ("NIKORMA"). The Corporation holds 30% of NIKORMA's authorised share capital, amounting to USD30,000.

## 42. Subsequent Event

On 29 April 2008, the Corporation entered into a Joint Venture Agreement ("JVA") with Pelabuhan Tanjung Pelepas Sdn Bhd ("PTP") to incorporate a company named PTP-MISC Terminal Sdn Bhd ("PTP-MISC"). PTP-MISC shall have an initial issued and paid-up capital of RM500,000 and the Corporation will hold 30% equity interest in the venture.

PTP-MISC will serve the Corporation and other shipping lines to make PTP Port the main transhipment hub in the region.

# Properties Owned by MISC Berhad and its Subsidiaries as at 31 March 2008

| No | Location | Description | Tenure & Year Lease Expires | Area in sq ft | Existing Use | Age of Bldg / Land (years) | Approx Net Book Value RM'000 |
|---|---|---|---|---|---|---|---|
| 1. | Lot 23 Lebuh Sultan Mohamad 1 Bandar Sultan Sulaiman 42008 Port Klang Selangor Darul Ehsan | Land, Office Building, Warehouse, Workshop, Repair Shed & Container Yard | Leasehold / 2105 | 2,232,950 | Cargo cum Office Complex & Container Yard | 17 | 53,691 |
| 2. | Lot 33835 (Title No. PN26618) Mukim Kapar, Daerah Klang, Selangor Darul Ehsan | Land & Container Yard | Leasehold / 2087 | 1,120,447 | Rented | 17 | 11,434 |
| 3. | Lot 36, Seksyen 7, Fasa 1A Pulau Indah Industrial Park (West Port) Pelabuhan Klang Selangor Darul Ehsan | Land, Office Building, & Warehouse | Leasehold / 2097 | 1,815,103 | Logistics Hub | 1 | 92,163 |
| 4. | Plot 2 P.T. 2113 Air Keroh Industrial Estate Melaka | Land & Container Yard | Leasehold / 2091 | 241,326 | Office Building & Container Yard | 16 | 1,706 |
| 5. | Blok-H, Tgkt. 7 Unit No.1 Mount Pleasure Apartment 12000 Batu Ferringhi Pulau Pinang | Apartment | Freehold | 1,033 | Vacant | 28 | 153 |
| 6. | Lot 568-615 Mukim 16 Daerah Seberang Perai Utara Pulau Pinang | Land, Office Building, Warehouse, Workshop, Repair Shed & Container Yard | Freehold | 752,752 | Cargo cum Office Complex & Container Yard | 16 | 23,976 |
| 7. | Lot PLO 137 & 138 Tebrau II Industrial Estate Johor Darul Takzim | Land, Office Building, Warehouse, Workshop, Repair Shed & Container Yard | Leasehold / 2023 | 894,287 | Cargo cum Office Complex & Container Yard | 15 | 18,504 |
| 8. | PLO 516, Jalan Keluli 3 Kaw. Perindustrian Pasir Gudang Mukim Plentong Johor Darul Takzim | Land, Office Building, & Container Yard | Leasehold / 2025 | 217,800 | Office Building & Container Yard | 13 | 3,172 |

| No | Location | Description | Tenure & Year Lease Expires | Area in sq ft | Existing Use | Age of Bldg / Land (years) | Approx Net Book Value RM'000 |
|---|---|---|---|---|---|---|---|
| 9. | PTD 22805 Mukim Plentong Johor Bahru | Land, Shipyard, Warehouse, Workshops & Office Buildings | Leasehold / 2040 | 13,115,306 | Shiprepair, Shipbuilding & Engineering Fabrication Yards, Ancillary Facilities & Office Buildings | 34 | 340,688 |
| 10. | PTD 65615 Mukim Plentong Johor Bahru | 4 Storey Residential Flats | Leasehold / 2044 | 698,354 | Staff Quarters | 29 | 3,012 |
| 11. | PTD 65618 Mukim Plentong Johor Bahru | 4 Storey Residential Flats | Leasehold / 2044 | 588,050 | Staff Quarters | 29 | – |
| 12. | PTD 65619 Mukim Plentong Johor Bahru | 4 Storey Residential Flats | Leasehold / 2044 | 128,729 | Staff Quarters | 29 | – |
| 13. | PTD 65616 Mukim Plentong Johor Bahru | Land | Leasehold / 2044 | 169,928 | Vacant | 24 | – |
| 14. | PTD 65617 Mukim Plentong Johor Bahru | Land | Leasehold / 2044 | 374,093 | Vacant | 24 | – |
| 15. | Sebahagian dari Lot PT 4593 Kawasan Perindustrian Kerteh Mukim Kerteh, 24300 Kemaman Terengganu Darul Iman. | Land, Office Building & Warehouse | Leasehold / 2060 | 47,522 | Office Building & Warehouse | 8 | 10,604 |
| 16. | Tingkat Bawah dan Tgkt 1 Wisma Takada Jalan Gaya, Lorong EWAN 88000 Kota Kinabalu | Office Premises | Leasehold / 2092 | 6,000 | MISA KK Office | 14 | 1,215 |
| 17. | Lot 1411, Section 66, Tanah Daerah Pekan Kuching | Land | Leasehold / 2055 | 227,296 | Vacant | 11 | 4,185 |
| 18. | Lot 2115, Section 66, Tanah Daerah Pekan Kuching | Land | Leasehold / 2046 | 85,987 | Vacant | 11 | 4,021 |

| No | Location | Description | Tenure & Year Lease Expires | Area in sq ft | Existing Use | Age of Bldg / Land (years) | Approx Net Book Value RM'000 |
|---|---|---|---|---|---|---|---|
| 19. | 305, The Collonades, Porchester Square, Bayswater, London W2 6AS | Apartment | Leasehold / 2073 | 1,200 | For Staff | 16 | 2,650 |
| 20. | Town Quay Wharf Barking Essex London | Office Building | Leasehold / 2990 | 10,000 | MISC Europe Office & MISAL Office | 14 | 3,988 |
| 21. | 447, Kent Street Sydney, Australia | Land & Building (including 2 basement car parks) | Freehold | 3,767 | Owner Occupied | 14 | 1,465 |
| 22. | Suite 40, Albert Square 37-39 Albert Road Melbourne 3004 Australia | Land & Building (including 15 basement car parks) | Freehold | 11,470 | Owner Occupied | 29 | 2,303 |
| 23. | Galveston, Texas, USA | Land & Office | Freehold | 290,415 | Workboats, Dockage & Lightering Support Operation | 39 | 2,487 |
| 24. | Rivium 1e straat 42 2909 LE Capelle aan den IJssel, Netherland | Land & Office | Freehold | 21,140 | Office | 10 | 14,756 |

**List of Owned and In-Chartered Vessels by Type / Category as at 30 June 2008**

| | No | dwt | grt |
|---|---|---|---|
| **LNG Tankers** | | | |
| Aman Class | 3 | 32,877 | 49,071 |
| Tenaga Class | 5 | 359,885 | 402,550 |
| Puteri Class | 5 | 367,595 | 431,031 |
| Puteri Satu Class | 6 | 456,409 | 566,644 |
| Seri "A" Class | 5 | 417,131 | 478,645 |
| Seri "B" Class | 3 | 269,920 | 316,005 |
| | **27** | **1,903,817** | **2,243,946** |
| **Petroleum Tankers** | | | |
| Crude Oil Tankers – VLCC | 11 | 3,334,681 | 1,747,400 |
| Crude Oil Tankers – Aframax | 28 | 2,935,379 | 1,589,440 |
| LR2 | 1 | 104,385 | 53,483 |
| Product | 5 | 70,115 | 46,316 |
| | **45** | **6,444,560** | **3,436,639** |
| **In-Chartered – Petroleum Tankers** | **28** | **2,359,512** | **1,119,314** |
| **Chemical Tankers** | | | |
| Melati Class | 7 | 224,174 | 155,088 |
| Anggerik Class | 4 | 119,877 | 73,812 |
| Semarak Class | 2 | 33,848 | 19,902 |
| | **13** | **377,899** | **248,802** |
| **In-Chartered – Chemical Tankers** | **7** | **220,554** | **135,436** |
| **Containerships** | | | |
| Above 5000 TEUs | 2 | 207,490 | 179,552 |
| 3000 – 5000 TEUs | 3 | 157,530 | 132,543 |
| 1000 – 3000 TEUs | 8 | 192,676 | 154,216 |
| Below 1000 TEUs | 6 | 62,835 | 53,898 |
| | **19** | **620,531** | **520,209** |
| **In-Chartered – Containerships** | **18** | **843,798** | **789,976** |

| | No | dwt | grt |
|---|---|---|---|
| **Others** | | | |
| LPG | 3 | 10,264 | 10,799 |
| Dry Bulk (Panamax) | 1 | 73,127 | 38,972 |
| | **4** | **83,391** | **49,771** |
| **Total MISC Vessel (Owned)** | **108** | **9,430,198** | **6,499,367** |
| **Total In-Chartered** | **53** | **3,424,254** | **2,277,634** |
| **Total MISC Vessel (Including In-Chartered)** | **161** | **12,854,452** | **8,777,001** |

| | No | dwt | Capacity (bbls) |
|---|---|---|---|
| **Offshore Floating Facilities** | | | |
| Floating Production Storage and Offloading (FPSO) | 3 | – | 4,319,000 |
| Floating Storage and Offloading (FSO) | 3 | – | 1,652,631 |
| **Total Offshore Floating Facilities** | **6** | **–** | **5,971,631** |

| | No | dwt | grt |
|---|---|---|---|
| **Newbuildings (2006 – 2010)** | | | |
| LNG Tankers | 2 | 146,800 | – |
| Petroleum Tankers – VLCC | – | – | – |
| Petroleum Tankers – Aframax | 14 | 1,550,000 | – |
| Chemical Tankers | 16 | 664,000 | – |
| Containership | – | – | – |
| | **32** | **2,360,800** | **–** |
| **Total MISC Vessel (Including Newbuildings)** | **141** | **11,270,529** | **6,728,770** |
| **Under Conversions** | | | |
| Floating Production Storage and Offloading (FPSO) | 2 | – | 2,870,200 |
| Floating Storage and Offloading (FSO) | 0 | – | – |
| | **2** | **–** | **2,870,200** |
| **Total Off (Including New Conversions)** | **8** | **–** | **8,841,831** |

## LNG Tankers

| | Built | dwt | grt | cbm |
|---|---|---|---|---|
| **Aman Class** | | | | |
| 1. Aman Bintulu | 1993 | 10,975 | 16,399 | 18,000 |
| 2. Aman Sendai | 1997 | 10,951 | 16,336 | 18,000 |
| 3. Aman Hakata | 1998 | 10,951 | 16,336 | 18,000 |
| | | **32,877** | **49,071** | **54,000** |
| **Tenaga Class** | | | | |
| 4. Tenaga Satu | 1982 | 71,814 | 80,510 | 130,000 |
| 5. Tenaga Dua | 1981 | 72,087 | 80,510 | 130,000 |
| 6. Tenaga Tiga | 1981 | 72,083 | 80,510 | 130,000 |
| 7. Tenaga Empat | 1981 | 71,818 | 80,510 | 130,000 |
| 8. Tenaga Lima | 1981 | 72,083 | 80,510 | 130,000 |
| | | **359,885** | **402,550** | **650,000** |
| **Puteri Class** | | | | |
| 9. Puteri Intan | 1994 | 73,519 | 86,205 | 130,000 |
| 10. Puteri Delima | 1995 | 73,519 | 86,205 | 130,000 |
| 11. Puteri Nilam | 1995 | 73,519 | 86,211 | 130,000 |
| 12. Puteri Zamrud | 1996 | 73,519 | 86,205 | 130,000 |
| 13. Puteri Firus | 1997 | 73,519 | 86,205 | 130,000 |
| | | **367,595** | **431,031** | **650,000** |
| **Puteri Satu Class** | | | | |
| 14. Puteri Intan Satu | 2002 | 75,849 | 94,430 | 137,100 |
| 15. Puteri Delima Satu | 2002 | 75,929 | 94,430 | 137,100 |
| 16. Puteri Nilam Satu | 2003 | 76,124 | 94,446 | 137,100 |
| 17. Puteri Zamrud Satu | 2004 | 76,144 | 94,446 | 137,100 |
| 18. Puteri Firus Satu | 2004 | 76,124 | 94,446 | 137,100 |
| 19. Puteri Mutiara Satu | 2005 | 76,239 | 94,446 | 137,100 |
| | | **456,409** | **566,644** | **822,600** |
| **Seri A Class** | | | | |
| 20. Seri Alam | 2005 | 83,482 | 95,729 | 145,572 |
| 21. Seri Amanah | 2006 | 83,483 | 95,729 | 145,572 |
| 22. Seri Anggun | 2006 | 83,396 | 95,729 | 145,000 |
| 23. Seri Angkasa | 2006 | 83,404 | 95,729 | 145,130 |
| 24. Seri Ayu | 2007 | 83,366 | 95,729 | 145,000 |
| | | **417,131** | **478,645** | **726,274** |

## **LNG Tankers** (cont'd)

| | Built | dwt | grt | cbm |
|---|---|---|---|---|
| **Seri B Class** | | | | |
| 25. Seri Bakti | 2007 | 90,065 | 105,335 | 152,300 |
| 26. Seri Begawan | 2007 | 89,902 | 105,335 | 152,300 |
| 27. Seri Bijaksana | 2008 | 89,953 | 105,335 | 152,300 |
| | | **269,920** | **316,005** | **456,900** |
| **Total LNG Tankers** | | **1,903,817** | **2,243,946** | **3,359,774** |

## Petroleum Tankers

| | Built | dwt | grt |
|---|---|---|---|
| **VLCC** | | | |
| 1. Bunga Kasturi | 2003 | 298,100 | 157,600 |
| 2. Bunga Kasturi Dua | 2005 | 300,542 | 157,200 |
| 3. Bunga Kasturi Tiga | 2005 | 300,397 | 157,200 |
| 4. Bunga Kasturi Empat | 2006 | 300,325 | 157,200 |
| 5. Bunga Kasturi Lima | 2007 | 300,325 | 157,209 |
| 6. Bunga Kasturi Enam | 2008 | 299,999 | 157,200 |
| 7. Eagle Valencia | 2005 | 306,998 | 160,046 |
| 8. Eagle Venice | 2005 | 306,998 | 160,046 |
| 9. Eagle Vienna | 2004 | 306,999 | 161,233 |
| 10. Eagle Virginia | 2002 | 306,999 | 161,233 |
| 11. Eagle Vermont | 2002 | 306,999 | 161,233 |
| | | **3,334,681** | **1,747,400** |
| **Aframax** | | | |
| 12. Bunga Kelana Satu | 1997 | 105,884 | 57,017 |
| 13. Bunga Kelana Dua | 1997 | 105,976 | 57,017 |
| 14. Bunga Kelana 3 | 1998 | 105,784 | 57,017 |
| 15. Bunga Kelana 4 | 1999 | 105,815 | 57,017 |
| 16. Bunga Kelana 5 | 1999 | 105,815 | 57,017 |
| 17. Bunga Kelana 6 | 1999 | 105,815 | 57,017 |
| 18. Bunga Kelana 7 | 2004 | 105,000 | 58,200 |
| 19. Bunga Kelana 8 | 2004 | 105,000 | 58,200 |
| 20. Bunga Kelana 9 | 2004 | 105,000 | 58,194 |
| 21. Bunga Kelana 10 | 2004 | 105,000 | 58,194 |
| 22. Bunga Kenanga | 2000 | 86,408 | 40,037 |
| 23. Eagle Albany | 1998 | 107,160 | 57,929 |
| 24. Eagle Anaheim | 1999 | 107,160 | 57,929 |
| 25. Eagle Atlanta | 1999 | 107,160 | 57,929 |
| 26. Eagle Augusta | 1999 | 105,345 | 58,156 |

## Petroleum Tankers (cont'd)

| | Built | dwt | grt |
|---|---|---|---|
| **Aframax (cont'd)** | | | |
| 27. Eagle Austin | 1998 | 105,426 | 58,156 |
| 28. Eagle Charlotte | 1997 | 107,169 | 57,949 |
| 29. Eagle Columbus | 1997 | 107,166 | 57,949 |
| 30. Eagle Otome | 1994 | 95,663 | 52,504 |
| 31. Eagle Phoenix | 1998 | 106,127 | 56,346 |
| 32. Eagle Subaru | 1994 | 95,676 | 52,504 |
| 33. Eagle Tacoma | 2002 | 107,123 | 58,166 |
| 34. Eagle Toledo | 2003 | 107,092 | 58,166 |
| 35. Eagle Trenton | 2003 | 107,123 | 58,166 |
| 36. Eagle Tucson | 2003 | 107,123 | 58,166 |
| 37. Eagle Tampa | 2003 | 107,123 | 58,166 |
| 38. Eagle Torrance | 2007 | 107,123 | 58,166 |
| 39. Eagle Turin | 2008 | 107,123 | 58,166 |
| | | **2,935,379** | **1,589,440** |
| **LR2** | | | |
| 40. Eagle Milwaukee | 1987 | 104,385 | 53,483 |
| | | **104,385** | **53,483** |
| **Product** | | | |
| 41. Bunga Kasai | 1994 | 6,038 | 3,581 |
| 42. Bunga Kerayong | 1994 | 18,130 | 12,994 |
| 43. Bunga Kekaras | 1995 | 29,990 | 20,378 |
| 44. Bunga Kemiri | 1995 | 9,932 | 5,782 |
| 45. Pernas Rantau | 1994 | 6,025 | 3,581 |
| | | **70,115** | **46,316** |
| **Total Petroleum Tankers (Owned)** | | **6,444,560** | **3,436,639** |
| **In-Chartered** | | | |
| 1. Camden | 1990 | 298,306 | 156,802 |
| 2. Eagle Auriga | 1993 | 102,352 | 55,962 |
| 3. Eagle Carina | 1992 | 95,639 | 52,504 |
| 4. Eagle Centaurus | 1992 | 95,644 | 52,504 |
| 5. Eagle Corona | 1993 | 95,634 | 52,504 |
| 6. Glenross | 1993 | 90,679 | 53,135 |
| 7. Lochness | 1994 | 90,607 | 53,135 |
| 8. Sanko Brave | 2003 | 105,672 | 56,172 |
| 9. Stavanger Bay | 2003 | 105,744 | 56,172 |

## Petroleum Tankers (cont'd)

| | Built | dwt | grt |
|---|---|---|---|
| **In-Chartered (cont'd)** | | | |
| 10. CV Stealth | 2005 | 104,499 | 58,148 |
| 11. Sanko Blossom | 2005 | 105,699 | 56,172 |
| 12. CS Stealth | 2006 | 104,592 | 58,446 |
| 13. Intrepid Reliance | 2006 | 104,403 | 56,573 |
| 14. Quasar | 1989 | 97,197 | 52,500 |
| 15. Genmar Ajax | 1996 | 96,183 | 53,829 |
| 16. Eagle Stealth | 2001 | 105,322 | 56,346 |
| 17. Feng Huang Zhou | 2006 | 110,168 | 56,573 |
| 18. Eagle Sibu | 1999 | 105,365 | 58,156 |
| 19. Eagle Seville | 1999 | 104,555 | 58,125 |
| 20. Eagle Baltimore | 1996 | 99,405 | 57,456 |
| 21. Eagle Beaumont | 1996 | 99,448 | 57,456 |
| 22. Eagle Birmingham | 1997 | 99,343 | 57,456 |
| 23. Eagle Boston | 1996 | 99,328 | 57,456 |
| 24. Meriom Sky | 2006 | 38,402 | 56,573 |
| 25. Eagle Madrid | 2008 | 46,195 | 30,027 |
| 26. Eagle Miri | 2008 | 46,195 | 30,027 |
| 27. Kazan City | 1996 | 5,760 | 4,408 |
| 28. Samara City | 1993 | 5,872 | 4,407 |
| | | **2,359,902** | **1,352,222** |
| **Total Petroleum Tankers (Including In-Chartered)** | | **8,804,462** | **4,788,861** |

## Chemical Tankers

| | Built | dwt | grt |
|---|---|---|---|
| **Melati Class** | | | |
| 1. Bunga Melati Satu | 1997 | 32,127 | 22,254 |
| 2. Bunga Melati Dua | 1997 | 32,169 | 22,254 |
| 3. Bunga Melati 3 | 1999 | 31,983 | 22,116 |
| 4. Bunga Melati 4 | 1999 | 31,967 | 22,116 |
| 5. Bunga Melati 5 | 1999 | 31,975 | 22,116 |
| 6. Bunga Melati 6 | 2000 | 31,981 | 22,116 |
| 7. Bunga Melati 7 | 2000 | 31,972 | 22,116 |
| | | **224,174** | **155,088** |

| | Built | dwt | grt |
|---|---|---|---|
| **Anggerik Class** | | | |
| 8. Bunga Anggerik | 1989 | 29,995 | 18,453 |
| 9. Bunga Cenderawasih | 1990 | 29,928 | 18,453 |
| 10. Bunga Mawar | 1990 | 29,974 | 18,453 |
| 11. Bunga Tanjung | 1991 | 29,980 | 18,453 |
| | | **119,877** | **73,812** |
| **Semarak Class** | | | |
| 12. Bunga Semarak | 1990 | 16,924 | 9,951 |
| 13. Bunga Siantan | 1991 | 16,924 | 9,951 |
| | | **33,848** | **19,902** |
| **Total Chemical Tankers (Owned)** | | **377,899** | **248,802** |
| **In-Chartered** | | | |
| 1. Bunga Kantan Satu | 2005 | 19,774 | 11,590 |
| 2. Bunga Kantan Dua | 2005 | 19,774 | 11,590 |
| 3. Bunga Kantan Tiga | 2005 | 19,774 | 11,590 |
| 4. Kristin Knutsen | 2005 | 19,110 | 12,184 |
| 5. Navig8 Fidelity | 2008 | 46,754 | 29,597 |
| 6. Navig8 Faith | 2008 | 46,754 | 29,597 |
| 7. FR8 | 2007 | 48,614 | 29,288 |
| | | **220,554** | **135,436** |
| **Total Chemical Tankers (Including In-Chartered)** | | **598,453** | **384,238** |

## Containerships

| | Built | dwt | grt |
|---|---|---|---|
| **Above 5000 TEUs** | | | |
| 1. Bunga Seroja Satu | 2006 | 103,717 | 89,776 |
| 2. Bunga Seroja Dua | 2007 | 103,773 | 89,776 |
| | | **207,490** | **179,552** |
| **3000 – 5000 TEUs** | | | |
| 3. Bunga Pelagi Dua | 1995 | 61,428 | 53,379 |
| 4. Bunga Raya Satu | 1998 | 47,858 | 39,582 |
| 5. Bunga Raya Dua | 1998 | 48,244 | 39,582 |
| | | **157,530** | **132,543** |

## Containerships (cont'd)

| | Built | dwt | grt |
|---|---|---|---|
| **1000 – 3000 TEUs** | | | |
| 6. Bunga Bidara | 1990 | 23,518 | 17,215 |
| 7. Bunga Delima | 1990 | 23,584 | 17,215 |
| 8. Bunga Kenari | 1991 | 23,574 | 17,215 |
| 9. Bunga Terasek | 1991 | 23,692 | 17,215 |
| 10. Bunga Teratai | 1998 | 24,613 | 21,339 |
| 11. Bunga Teratai 2 | 1998 | 24,554 | 21,339 |
| 12. Bunga Teratai 3 | 1998 | 24,580 | 21,339 |
| 13. Bunga Teratai 4 | 1998 | 24,561 | 21,339 |
| | | **192,676** | **154,216** |

| | Built | dwt | grt |
|---|---|---|---|
| **Below 1000 TEUs** | | | |
| 14. Bunga Mas 5 | 1997 | 8,661 | 8,957 |
| 15. Bunga Mas 6 | 1997 | 8,998 | 8,957 |
| 16. Bunga Mas 9 | 1998 | 12,250 | 9,380 |
| 17. Bunga Mas 10 | 1998 | 12,288 | 9,380 |
| 18. Bunga Mas 11 | 1998 | 10,325 | 8,612 |
| 19. Bunga Mas 12 | 1999 | 10,313 | 8,612 |
| | | **62,835** | **53,898** |
| **Total Containerships (Owned)** | | **620,531** | **520,209** |
| **In-Chartered** | | | |
| 1. OOCL China | 1996 | 67,625 | 67,427 |
| 2. OOCL California | 1995 | 67,765 | 66,046 |
| 3. OOCL Britain | 1996 | 67,625 | 66,046 |
| 4. Northern Divinity | 1997 | 44,700 | 36,606 |
| 5. Conti Singa | 1996 | 44,585 | 42,336 |
| 6. Sinotran Shanghai | 2005 | 37,800 | 28,150 |
| 7. Nordwelle | 2005 | 34,741 | 26,611 |
| 8. Theodore Storm | 2004 | 33,297 | 28,000 |
| 9. Lucien GA | 2002 | 17,124 | 14,193 |
| 10. MISC Merlion | 1990 | 56,030 | 49,874 |
| 11. Wan Hai 601 | 2007 | 67,680 | 66,500 |
| 12. Wan Hai 602 | 2007 | 67,797 | 66,199 |
| 13. Wan Hai 603 | 2007 | 67,680 | 66,500 |
| 14. Wan Hai 605 | 2007 | 67,680 | 66,500 |
| 15. Bernhard Sibum | 2006 | 11,000 | 9,981 |

## Containerships (cont'd)

| | Built | dwt | grt |
|---|---|---|---|
| **In-Chartered** | | | |
| 16. Hoheplate | 2007 | 8,400 | 9,981 |
| 17. MISC Darlington | 1993 | 45,182 | 50,350 |
| 18. Kota Genteng | 2002 | 37,087 | 28,676 |
| | | **843,798** | **789,976** |
| **Total Containerships (Including In-Chartered)** | | **1,464,329** | **1,310,185** |

## Others

| | Built | dwt | grt |
|---|---|---|---|
| **LPG** | | | |
| 1. Pernas Butane | 1992 | 2,213 | 2,352 |
| 2. Konsep Maju | 1995 | 4,999 | 4,951 |
| 3. Bunga Kekwa | 1995 | 3,052 | 3,496 |
| | | **10,264** | **10,799** |
| **Dry Bulk (Panamax)** | | | |
| 4. Bunga Saga 9 | 1999 | 73,127 | 38,972 |
| | | **73,127** | **38,972** |
| **Total Others** | | **83,391** | **49,771** |

## Offshore Floating Facilities

| | Completed Conversion | Capacity (bbls) |
|---|---|---|
| **Floating Production Storage and Offloading (FPSO)** | | |
| 1. Bunga Kertas | 2003 | 619,000 |
| 2. Brasil | 2002 | 1,700,000 |
| 3. Kikeh | 2007 | 2,000,000 |
| | | **4,319,000** |
| **Floating Storage and Offloading (FSO)** | | |
| 4. Angsi | 2005 | 472,631 |
| 5. Cendor | 2006 | 590,000 |
| 6. Abu | 2006 | 590,000 |
| | | **1,652,631** |
| **Total Offshore Floating Facilities** | | **5,971,631** |

## Under Conversions

| | Expected First Oil | Capacity (bbls) |
|---|---|---|
| **Floating Production Storage and Offloading (FPSO)** | | |
| 1. Espirito Santo | 2008 | 2,020,200 |
| 2. Ruby | 2009 | 850,000 |
| | | **2,870,200** |
| **Total New Conversions** | | **2,870,200** |

## Committed Newbuildings

| | Expected Delivery | Est. dwt | grt |
|---|---|---|---|
| **LNG Tankers** | | | |
| 1. Hull 2223 | 2008 | 73,400 | – |
| 2. Hull 2224 | 2008 | 73,400 | – |
| | | **146,800** | **–** |
| **Petroleum Tankers – Aframax** | | | |
| 1. HN 1423 | 2009 | 107,500 | – |
| 2. HN 1424 | 2010 | 107,500 | – |
| 3. HN 1425 | 2010 | 107,500 | – |
| 4. HN 1426 | 2010 | 107,500 | – |
| 5. HN 1457 | 2011 | 107,500 | – |
| 6. HN 1458 | 2011 | 107,500 | – |
| 7. HN 1490 | 2012 | 107,500 | – |
| 8. HN 1491 | 2012 | 107,500 | – |
| 9. HN S2005 | 2010 | 115,000 | – |
| 10. HN S2006 | 2010 | 115,000 | – |
| 11. HN S2007 | 2010 | 115,000 | – |
| 12. HN S2008 | 2010 | 115,000 | – |
| 13. HN S2009 | 2010 | 115,000 | – |
| 14. HN S2010 | 2010 | 115,000 | – |
| | | **1,550,000** | **–** |

## Committed Newbuildings (cont'd)

| | Expected Delivery | Est. dwt | grt |
|---|---|---|---|
| **Chemical Tankers** | | | |
| 1. HN 2044 | 2007 | 38,000 | – |
| 2. HN 2045 | 2007 | 38,000 | – |
| 3. HN 2046 | 2007 | 38,000 | – |
| 4. HN 2047 | 2007 | 38,000 | – |
| 5. HN 2048 | 2009 | 38,000 | – |
| 6. HN 2049 | 2009 | 38,000 | – |
| 7. HN 2050 | 2009 | 38,000 | – |
| 8. HN 2051 | 2009 | 38,000 | – |
| 9. Hull S520 | 2007 | 45,000 | – |
| 10. Hull S521 | 2007 | 45,000 | – |
| 11. Hull S522 | 2007 | 45,000 | – |
| 12. Hull S523 | 2007 | 45,000 | – |
| 13. Hull S524 | 2009 | 45,000 | – |
| 14. Hull S525 | 2009 | 45,000 | – |
| 15. Hull S526 | 2009 | 45,000 | – |
| 16. Hull S527 | 2009 | 45,000 | – |
| | | **664,000** | **–** |
| **Total Newbuildings** | | **2,360,800** | **–** |

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**PTP-MISC Terminal Sdn Bhd c / o Pelabuhan Tanjung Pelepas Sdn Bhd**
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# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty-Ninth (39th) Annual General Meeting of MISC Berhad will be held at Mahkota Ballroom, Istana Hotel Kuala Lumpur, No. 73, Jalan Raja Chulan, 50200 Kuala Lumpur on Monday, 18 August 2008 at 11.00 am for the following purposes:

**As Ordinary Business**

1. To receive and adopt the audited financial statements for the financial year ended 31 March 2008 and the Reports of the Directors and Auditors thereon.

2. To declare a final dividend of 20 sen per share (tax exempt) in respect of the financial year ended 31 March 2008.

3. To re-elect Ahmad Nizam bin Salleh who retires in accordance with Article 95 of the Company's Articles of Association and being eligible, offers himself for re-election.

4. To re-elect the following Directors who retire by rotation in accordance with Article 97 of the Company's Articles of Association and being eligible, offer themselves for re-election:

   i. Tan Sri Dato Sri Mohd Hassan bin Marican
   ii. Dato' Halipah binti Esa
   iii. Krishnan a / l C K Menon

5. To approve the payment of Directors' fees for the financial year ended 31 March 2008.

6. To re-appoint Messrs Ernst & Young as auditors of the Company and to authorise the Directors to fix their remuneration.

**As Special Business**

7. To consider and if thought fit, to pass the following resolution:

   **Section 129 of the Companies Act, 1965**
   "That Dato Sri Liang Kim Bang who is over 70 years old, be and is hereby appointed as a Director of the Company and to hold office until the next Annual General Meeting in accordance with Section 129 of the Companies Act, 1965 (CA)".

8. To transact any other ordinary business of which due notice has been given.

### Notice of Dividend Entitlement and Payment

Notice is hereby given that subject to the approval of Members at the Annual General Meeting on 18 August 2008, a final dividend of 20 sen per share (Tax exempt) in respect of the financial year ended 31 March 2008 will be paid on 29 August 2008 to Depositors whose names appear in the Record of Depositors on 19 August 2008.

A depositor shall qualify for entitlement to the dividend only in respect of:

i. shares transferred into the Depositor's securities account before 4.00 p.m. on 19 August 2008 in respect of ordinary transfers; and

ii. shares bought on Bursa Malaysia Securities Berhad ("Bursa Malaysia") on a cum entitlement basis according to the Rules of Bursa Malaysia.

By Order of the Board

**Company Secretaries**

Fadzillah binti Kamaruddin (LS 0008989)
Nor Eliza binti Musa @ Ayob (MAICSA 1035207)

Kuala Lumpur
Date: 23 July 2008

**Notes:**

**Special Business**

**Section 129 of the Companies Act, 1965**

The re-appointment of Dato Sri Liang Kim Bang, as Director of the Company pursuant to Section 129(6) of the Companies Act, 1965 shall take effect if the proposed Resolution has been passed by a majority of not less than three-fourths (3 / 4) of such members as being entitled to vote in person or, where proxies are allowed, by proxy, at a general meeting of which not less than 21 days' notice specifying the intention to propose the resolution as special resolution has been duly given.

**Proxy**

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and, on a poll, to vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

2. In the case of a Corporate Body, the proxy appointed must be in accordance with its Memorandum and Articles of Association and the instrument appointing a proxy shall be given under the Company's Common Seal or under the hand of an officer or attorney duly authorised.

3. The form of proxy must be deposited at the Registrar of the Company, Symphony Share Registrars Sdn Bhd (378993-D) at Level 26, Menara Multi Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding the Meeting.

## Pursuant to Paragraph 8.28(2) of the Listing Requirements of the Bursa Malaysia Securities Berhad

1. The profiles of the Directors who are standing for re-election as in Agenda 4 of the Notice of Annual General Meeting are set out on pages 34 to 42 of this Annual Report.

2. The details of the Directors' securities holdings in the Company are set out in page 120 of this Annual Report. None of the Company's Directors hold any interests in the Company's subsidiaries.

3. Details of Directors' Fees for the financial year ended 31 March 2008 are as follows:

| | Annual Fees | Board Attendance Fees | BAC* Annual Fees | BAC* Attendance Fees | Total |
|---|---|---|---|---|---|
| Tan Sri Dato Sri Mohd Hassan bin Marican | 60,000 | 3,200 | – | – | 63,200 |
| Dato Sri Liang Kim Bang | 36,000 | 3,200 | 8,400 | 1,600 | 49,200 |
| Dato' Halipah binti Esa | 36,000 | 3,200 | 12,000 | 1,600 | 52,800 |
| Dato' Kalsom binti Abd Rahman | 36,000 | 2,800 | 8,400 | 1,600 | 48,800 |
| Krishnan a / l C K Menon | 36,000 | 3,200 | 8,400 | 1,600 | 49,200 |
| Datuk Nasarudin bin Md Idris | 36,000 | 3,200 | – | – | 39,200 |
| Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah | 36,000 | 2,800 | – | – | 38,800 |
| Ahmad Nizam bin Salleh (appointed w.e.f. 9 January 2008) | 8,164 | 1,200 | – | – | 9,364 |

* BAC–Board Audit Committee

# Proxy Form

MISC BERHAD

I / We ______________________________________________

of ______________________________________________

being a member / members of the abovenamed Company, hereby appoint ______________________________

______________________ and / or ______________________

of ______________________________________________

and failing the abovenamed proxies, the Chairman of the meeting as my / our proxy to vote for me / us and on my / our behalf at the Thirty-Ninth Annual General Meeting of the Company to be held at Mahkota Ballroom, Istana Hotel Kuala Lumpur, No. 73, Jalan Raja Chulan, 50200 Kuala Lumpur on Monday, 18 August 2008 at 11.00 am and at any adjournment thereof, on the following resolutions referred to in the notice of Annual General Meeting:

| **Ordinary Business** | **For** | **Against** |
|---|---|---|
| 1. To receive and adopt the audited financial statements for the financial year ended 31 March 2008 and the Reports of the Directors and Auditors thereon. | | |
| 2. To declare a final dividend of 20 sen per share (tax exempt) in respect of the financial year ended 31 March 2008. | | |
| 3. To re-elect Ahmad Nizam bin Salleh who retires in accordance with Article 95 of the Company's Articles of Association and being eligible, offers himself for re-election. | | |
| 4. To re-elect the following Directors who retire by rotation in accordance with Article 97 of the Company's Articles of Association and being eligible, offer themselves for re-election:<br>i. Tan Sri Dato Sri Mohd Hassan bin Marican<br>ii. Dato' Halipah binti Esa<br>iii. Krishnan a / l C K Menon | | |
| 5. To approve the payment of Directors' fees for the financial year ended 31 March 2008. | | |
| 6. To re-appoint Messrs Ernst & Young as auditors of the Company and to authorise the Directors to fix their remuneration. | | |
| **Special Business** | | |
| 7. To re-appoint Dato Sri Liang Kim Bang as Director of the Company, who retires pursuant to Section 129 of the Companies Act, 1965. | | |

Unless voting instructions are indicated in the spaces above, the proxy will vote as he thinks fit.

No. of shares held ______________

CDS Account No. ______________

Signed this ____________ day of ______________ 2008

______________________________

Signature / Common Seal of Appointor

**Notes:**

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and, on a poll, to vote instead of him. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

2. In the case of a Corporate Body, the proxy appointed must be in accordance with its Memorandum and Articles of Association, and the instrument appointing a proxy shall be given under the Company's Common Seal or under the hand of an officer or attorney duly authorised.

3. This form of proxy must be deposited at the Registrar of the Company, Symphony Share Registrars Sdn Bhd (378993-D) at Level 26, Menara Multi Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia, **not less than forty-eight hours** before the time appointed for holding the Meeting.

Stamp

**Symphony Share Registrars Sdn Bhd**

Level 26, Menara Multi Purpose
Capital Square
No 8, Jalan Munshi Abdullah
50100 Kuala Lumpur