annual report 2012

Staying the Course,
Meeting the Challenges

44th

Annual General Meeting (AGM) of MISC Berhad to be held at Ballroom 1 & 2, Level 2, InterContinental Kuala Lumpur, 165, Jalan Ampang, 50450 Kuala Lumpur, Malaysia on Wednesday, 19 June 2013 at 11.00 a.m.

Staying the Course,
Meeting the Challenges

CONTENTS

Group Financial Review

The Group changed its financial year end from 31 March to 31 December effective from 1 April 2011. As a result, the performance of financial year ended 31 December 2012 and 9-month financial period ended 31 March 2011 are non-comparable. For meaningful comparison, the financial review covers 12-month financial year ended 31 December 2012 ("FYE2012") with comparative analysis of the corresponding 12-month period ended 31 December 2011 ("CY2011").

The Group also ceased its liner related business operations in June 2012. Consequently, the results of Liner related businesses for FYE2012 have been presented separately in the income statement as "Loss after taxation from discontinued operations". Corresponding reclassifications have been made to the results of CY2011 for fair comparison of operational performance.

Revenue from Continuing Operations

Group revenue of RM9,484.0 million for FYE2012 was 3.2% lower than RM9,798.3 million in CY2011. Softer freight rates arising from tonnage oversupply, combined with low market activity have impacted Petroleum business revenue year on year. Additionally, lower earning days from lesser number of operating vessels in Chemical business also contributed to the overall contraction in Group revenue.

Operating Profit from Continuing Operations

Group operating profit of RM1,717.1 million was 6.4% higher than RM1,613.5 million in CY2011 primarily driven by lower operating costs and lease commencement of two Floating Storage Units (FSUs) of a LNG regasification project.

Profit/Loss Before Tax from Continuing Operations

Group profit before tax of RM1,599.3 million was 89.2% higher than RM845.1 million in CY2011. The increase in profit was largely due to recognition of a one off gain following the lease commencement of the FSUs and realisation of 50% intercompany profit following partial divestment of equity interest in Gumusut-Kakap Semi-Floating Production System (L) Limited (GKL) during the year. The Group also recognised lower impairment provisions of RM295.6 million in the year under review compared to RM746.8 million in CY2011.

Loss from Discontinued Operations

Following the cessation of Liner related business operations in June 2012, Group loss after taxation from discontinued operations of RM622.9 million was 72.9% lower than RM2,294.9 million in CY2011.

Group Financial Review

Earnings/Loss Per Share (Sen)

Profit attributable to the equity holders of the Corporation amounting to RM771.8 million translates to earnings per share of 17.3 sen in FYE2012 from loss per share of 40.1 sen in CY2011.

Dividends

Having considered the Group's immediate funding requirements to adequately support its capital and operational expenditures, no dividends have been proposed for FYE2012 (31 December 2011: Nil).

Total Assets

Group total assets as at 31 December 2012 of RM37,419.5 million was 9.2% lower than total assets as at 31 December 2011 of RM41,217.1 million.

The decrease in total assets was mainly due to the disposal of a semi-submersible floating production system, Gumusut-Kakap Semi-FPS, to a jointly controlled entity amounting to RM6,112.3 million, offset with higher finance lease receivables following lease commencement of the two FSUs during the year.

The Group's cash, deposits and bank balances as at 31 December 2012 of RM4,023.4 million was 3.2% lower compared to RM4,155.1 million as at 31 December 2011.

Total Liabilities

Group total liabilities as at 31 December 2012 of RM14,934.6 million was 21.9% lower than RM19,131.3 million as at 31 December 2011. The decrease in total liabilities was mainly due to reduction in loans and borrowings from RM14,192.2 million to RM9,371.9 million. The decrease in loans and borrowings were largely due to prepayment of loans totalling RM3,320.8 million and scheduled loan repayments made during the year.

Shareholders' Equity

Shareholders' equity as at 31 December 2012 of RM21,082.0 million was 1.4% higher than RM20,797.1 million as at 31 December 2011. The increase in shareholders' equity were mainly due to profit attributable to equity holders for FYE2012 of RM771.8 million and RM143.1 million increase in fair value and hedging reserves. The increase was offset by a RM630.7 million translational loss from the weakening of United States Dollar against Ringgit Malaysia in the current financial year.

Net Debt/Equity Ratio

The Group's net debt equity ratio of 0.25 as at 31 December 2012 was favourable compared to 0.48 as at 31 December 2011 largely from lower loans and borrowings.

Five Year Group Financial Statistics

	Audited[1][2] 1.1.2012 to 31.12.2012 RM Million	Unaudited[1][2][3] 1.1.2011 to 31.12.2011 RM Million	Restated[1][2] 1.4.2011 to 31.12.2011 RM Million	Restated[4] 1.4.2010 to 31.3.2011 RM Million	Restated[5] 1.4.2009 to 31.3.2010 RM Million	Restated[6] 1.4.2008 to 31.3.2009 RM Million
Continuing Operations[1]:						
Revenue	**9,484.0**	9,798.3	7,226.7	12,325.6	13,775.1	15,783.5
Operating profit	**1,717.1**	1,613.5	1,225.3	1,509.0	1,316.2	1,922.4
Profit before taxation	**1,599.3**	845.1	852.1	2,244.3	911.9	1,556.3
Profit/(Loss) after taxation	**1,002.8**	(1,521.0)	(1,304.0)	2,227.4	822.2	1,488.7
Continuing Operations	**1,625.7**	773.9	760.3	–	–	–
Discontinued Operations	**(622.9)**	(2,294.9)	(2,064.3)	–	–	–
Profit/(Loss) for the year attributable to equity holders of the Corporation						
Continuing Operations	**1,394.5**	505.6	589.8	1,870.8	682.0	1,366.6
Discontinued Operations	**(622.6)**	(2,295.6)	(2,065.0)	–	–	–
	771.8	(1,790.0)	(1,475.2)	1,870.8	682.0	1,366.6
Dividends	**–**	421.9	438.4	1,543.2	1,296.8	1,316.7
Earnings/(Loss) per share (sen)[7]	**17.3**	(40.1)	(33.1)	41.9	17.7	35.9
Continuing Operations	**31.2**	11.3	13.2	–	–	–
Discontinued Operations	**(13.9)**	(51.4)	(46.3)	–	–	–
Total assets	**37,419.5**	41,217.1	41,217.1	38,597.1	41,060.2	36,662.5
Total liabilities	**14,934.6**	19,131.3	19,131.3	15,250.5	17,024.0	15,590.3
Shareholders' equity	**21,082.0**	20,797.1	20,797.1	22,191.6	23,662.0	20,732.1
Total borrowings	**9,371.9**	14,192.2	14,192.2	11,255.4	12,771.7	11,852.0
Net tangible assets per share (sen)	**484.3**	475.6	475.6	504.0	516.9	539.0
Gross debt/equity ratio	**0.44**	0.68	0.68	0.51	0.54	0.57
Net debt/equity ratio	**0.25**	0.48	0.48	0.36	0.21	0.39
Interest cover ratio[8]	**4.9**	5.1	5.0	4.8	3.7	4.9

Notes:

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

(2) The FY2012 audited summary data reflects the first time adoption of Malaysian Financial Reporting Standards (MFRS). Accordingly, the comparative figures have been adjusted since transition date (1 April 2011).

(3) The unaudited results for the twelve months ended 31 December 2011 are disclosed for comparative purposes.

(4) The FY2010/11 audited summary data reflects the prior year adjustment due to under recognition of the Group's share of gain from foreign currency translation reserve of a jointly controlled entity in the prior year.

(5) The FY2009/10 audited summary data reflects the adoption of FRS 117.

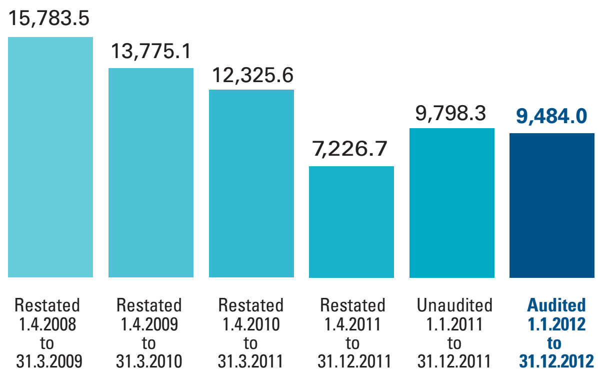
(6) The FY2008/09 audited summary data reflects the change in accounting policy, prior year adjustments and adoption of FRS 117.

(7) The FY2009/10 EPS has been calculated using the weighted average number of ordinary shares in issue during the financial year. The FY2008/09 EPS has been restated to take into account the effect from issuance of Rights Shares during the year.

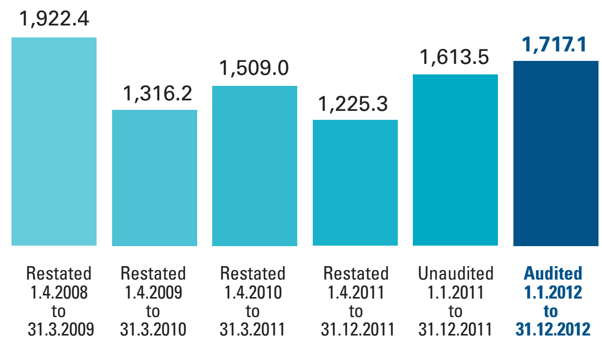
(8) Excluding gain on dilution of interest in MHB, realisation of intercompany profit from disposal of a subsidiary, gain on disposal of assets through finance lease and net (loss)/gain on disposal of ships.

Five Year Group Financial Statistics

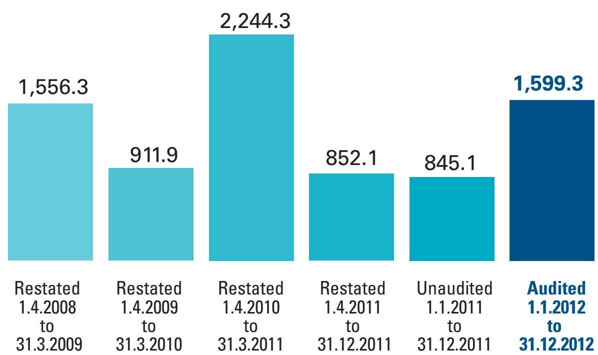
Revenue *
(RM Million)



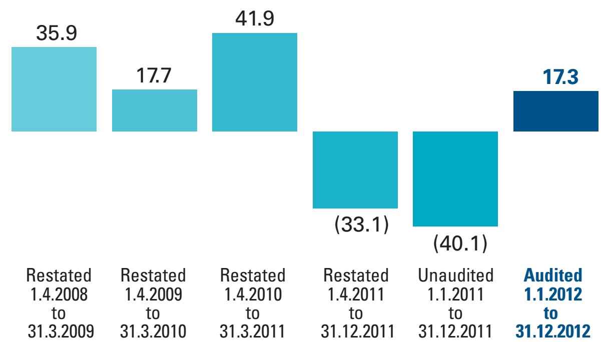
Operating Profit *
(RM Million)



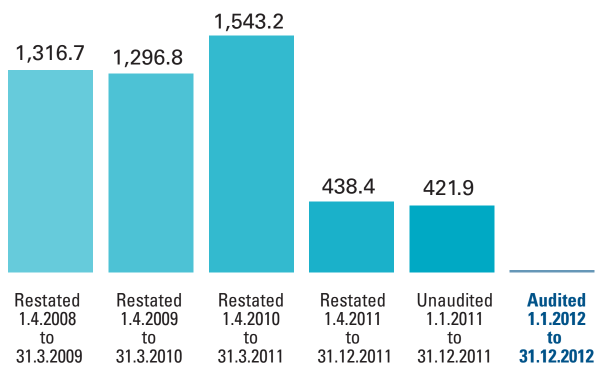
Profit Before Taxation *
(RM Million)



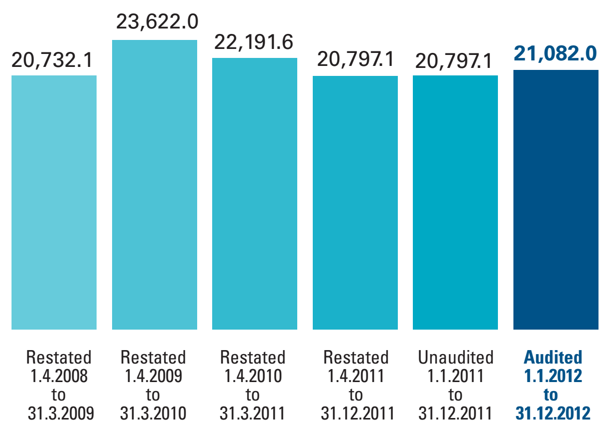
Earnings/(Loss) Per Share
(Sen)



Dividends
(RM Million)



Shareholders' Equity
(RM Million)



* Denotes results from continuing operations

Financial Calendar

Financial Year

1 Jan 2012 – 31 Dec 2012

Announcement of Results & Dividends

Results

Quarter 1	Quarter 2	Quarter 3	Quarter 4
Announced 16 May 2012	Announced 16 Aug 2012	Announced 28 Nov 2012	Announced 25 Feb 2013

Dividends

No dividend has been proposed for this financial year.

Corporate Information
as at 30 April 2013

Board of Directors

Chairman, Non-Independent Non-Executive Director

Datuk Manharlal Ratilal

Independent Non-Executive Directors

Harry K. Menon

Dato' Halipah binti Esa

Dato' Kalsom binti Abd. Rahman

Lim Beng Choon
(appointed on 16 August 2012)

Non-Independent Non-Executive Director

Mohd. Farid bin Mohd. Adnan

President/Chief Executive Officer Non-Independent Executive Director

Datuk Nasarudin Md Idris

Audit Committee

Chairman

Harry K. Menon

Members

Dato' Halipah binti Esa

Dato' Kalsom binti Abd. Rahman

Lim Beng Choon
(appointed on 16 August 2012)

Nomination and Remuneration Committee

Chairman

Dato' Halipah binti Esa

Members

Dato' Kalsom binti Abd. Rahman

Mohd. Farid bin Mohd. Adnan

Company Secretary

Fadzillah binti Kamaruddin
(LS 0008989)

Registered Office

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

Tel : +603 2264 0888
Fax : +603 2273 6602
Website : www.misc.com.my
Email : miscweb@miscbhd.com

Auditors

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

Tel : +603 7495 8000
Fax : +603 2095 5332

Share Registrar

Symphony Share Registrars Sdn. Bhd.

Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Tel : +603 7849 8000
Fax : +603 7841 8151/7841 8152

Form of Legal Entity

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

Place of Incorporation and Domicile

Malaysia

Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad

Vision, Mission and Shared Values

VISION

To be the preferred provider of world class maritime transportation & 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

- **LOYALTY**
  Loyalty to nation and corporation

- **INTEGRITY**
  Honest and upright

- **PROFESSIONALISM**
  Committed, innovative, proactive and always striving for excellence

- **COHESIVENESS**
  United in purpose and fellowship

Corporate Profile

MISC Berhad (MISC) is one of the world's leading international shipping and maritime conglomerates. The principal businesses of MISC consist of ship owning, ship operating, other shipping related activities, owning and operating of tank terminals and offshore floating facilities as well as marine repair, marine conversion and engineering & construction works.

MISC has grown from being purely a shipping line in 1968 to become a fully integrated maritime, offshore floating solutions, heavy engineering and logistics services provider. 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.

Today, with a modern and well-diversified fleet of more than 130 owned and in-chartered vessels and a combined tonnage of approximately 13 million dwt, MISC provides safe, reliable, efficient and competitive shipping services both locally and internationally.

As a world-renowned LNG owner-operator with almost three decades of proven experience for safety, reliability and on-time deliveries, MISC provides a wide range of LNG Business Solutions and is a one-stop centre for LNG transportation with credible ship management, highly-trained seagoing professionals and a first class marine repair centre. MISC also provides technological solutions for Floating Storage Units (FSU) and is building up capabilities in Floating Storage and Regasification Units (FSRU) and Floating LNG units (FLNG).

Corporate Profile

Its petroleum arm, AET, is a specialist and leading provider of safe, high quality maritime logistics solutions to the international petroleum sector. As at 31 December 2012, AET has an asset base of over US$3 billion with a fleet of 79 petroleum tankers that plies worldwide, serving national and international oil companies, refiners and traders. The market leader in lightering operations for U.S. Gulf ship-to-ship transfers, AET successfully entered the shuttle tanker sector over the last two years and today, runs specialised Dynamic Positioning (DP) operations for deepwater projects in the Brazilian basin, which will be augmented with DP activities in the Barents and North Sea in 2014.

In the chemical shipping business, MISC delivers freighting solutions for vegetable oil and chemical products to various corners of the globe, leveraging on its extensive experience in liquid bulk shipping. MISC is fast establishing itself as a significant transporter of chemicals and vegetable oils on the global platform with major trading routes that include South East Asia, the Far East, Middle East, Europe, the Indian Subcontinent and the Americas.

As part of MISC's strategy to expand its shipping business by providing customers with integrated supply value chain services, MISC ventured into the global tank terminal business via the acquisition of a 50% interest in VTTI B.V. This joint venture with Vitol, one of the world's leading crude oil and product traders in the world, has effectively propelled MISC to become one of the largest independent tank terminal operator globally with a total of approximately 9.2 million cbm of tank storage capacity across 14 terminals in 12 countries. This is inclusive of tank terminals with a total capacity of 647,000 cbm in Tanjung Langsat, Johor, Malaysia via a joint venture with Dialog and Trafigura.

MISC also offers integrated logistics services which include freight management, transportation and warehousing through its wholly owned subsidiary, MISC Integrated Logistics Sdn. Bhd. (MILS). MILS' Specialised Project Logistics and Supply Chain Management unit serve the upstream and downstream logistics requirements of the energy industry. In addition, the Halal Certified MILS Logistics Hub (MLH), which is strategically located in the Free Commercial Zone in Pulau Indah with close proximity to Port Klang, is a transshipment centre for dry and cold Fast Moving Consumer Goods (FMCG) products.

MISC has established its footprint in the offshore industry, offering floating solutions mainly FPSOs/FSOs. Over the span of nine years, MISC has proven its capability in delivering safe and well executed projects, through well-built relationships with customers and partners. These prolific partnerships enable MISC to further enhance its capabilities in Offshore Engineering and Asset Management. In the pursuit of positioning MISC as a preferred world class offshore floating solutions provider in the region, MISC has meticulously equipped and enhanced its business processes in accordance to international standards and best practices, and is certified ISO 9001:2008. This provides enhanced confidence and assurance to all existing and potential customers whilst ensuring that MISC will remain competitive in the offshore industry.

MISC's public listed engineering arm, Malaysia Marine and Heavy Engineering Holdings Berhad (MHB) supports the oil & gas industry through three core areas: offshore construction, offshore conversion and marine repair. In offshore construction, MHB offers a full range of oil and gas construction and engineering services, from detailed engineering design, procurement to construction, installation, hook-up and commissioning of offshore drilling and production platforms. Its offshore conversion business has allowed MHB to participate in the conversion of floating production storage and offloading facilities, refurbishments of rigs and construction of newbuilds. Through its marine repair business, MHB undertakes the repair & maintenance, refit & refurbishment of LNG carriers, Very Large Crude Carriers (VLCC) and other marine vessels and marine facilities.

MISC's diverse operations is supported by a strong backbone of dynamic, capable and progressive staff. As part of MISC's commitment to the growth and sustainability of the maritime industry, MISC continues to help develop capable sea-going professionals via its in-house maritime academy, Malaysia Maritime Academy Sdn. Bhd. (ALAM).

MISC GROUP STRUCTURE

as at 30 April 2013 *excluding dormant companies

LNG

- MISC Tankers Sdn. Bhd. 100% — *(Investment Holding and Provision of Management Services)*
  - Puteri Delima Sdn. Bhd. 100% — *(Shipping)*
  - Puteri Firus Sdn. Bhd. 100% — *(Shipping)*
  - Puteri Intan Sdn. Bhd. 100% — *(Shipping)*
  - Puteri Nilam Sdn. Bhd. 100% — *(Shipping)*
  - Puteri Zamrud Sdn. Bhd. 100% — *(Shipping)*
- Puteri Delima Satu (L) Pte. Ltd. 100% — *(Shipping)*
- Puteri Firus Satu (L) Pte. Ltd. 100% — *(Shipping)*
- Puteri Nilam Satu (L) Pte. Ltd. 100% — *(Shipping)*
- Puteri Intan Satu (L) Pte. Ltd. 100% — *(Shipping)*
- Puteri Mutiara Satu (L) Pte. Ltd. 100% — *(Shipping)*
- Puteri Zamrud Satu (L) Pte. Ltd. 100% — *(Shipping)*
- MISC PNG Shipping Limited 100% — *(Investment Holding)*
  - Western Pacific Shipping Limited 60% — *(Providing Shipping Solutions to meet LNG Project Requirements and also Supports Other General Shipping Requirements of Papua New Guinea)*
- Gas Asia Terminal (L) Pte. Ltd. 100% — *(Development and Ownership of LNG Floating Storage Units)*
- Asia LNG Transport Sdn. Bhd. 51% — *(Shipowning and Ship Management)*
- Asia LNG Transport Dua Sdn. Bhd. 51% — *(Shipowning and Ship Management)*
- Nikorma Transport Limited 30% — *(LNG Transportation)*

PETROLEUM

- MISC Tanker Holdings Sdn. Bhd. 100% — *(Investment Holding)*
  - MISC Tanker Holdings (Bermuda) Ltd. 100% — *(Investment Holding)*
    - AET Tanker Holdings Sdn. Bhd. 100% — *(Investment Holding)*
      - AET Petroleum Tanker (M) Sdn. Bhd. 100% — *(Shipowning)*
        - AET Shuttle Tankers Sdn. Bhd. 100% — *(Shipowning and Operations)*
        - AET MCV Delta Sdn. Bhd. 100% — *(Investment Holding)*
          - AET MCV Alpha L.L.C. 100% — *(Shipowning)*
          - AET MCV Beta L.L.C. 100% — *(Shipowning)*
        - AET Brasil Services Maritimos Ltda 100% — *(Manning/Crewing Agency)*
        - AET Brasil Services STS Ltda 100% — *(Tanker Operation)*
      - AET Shipmanagement (Malaysia) Sdn. Bhd. 100% — *(Ship Management)*
        - AET Shipmanagement (India) Private Limited 100% — *(Ship Management and Manning Activities)*
        - Eagle Star Crew Management Corporation 24% — *(Recruitment and Provision of Manpower for Maritime Vessels)*
    - AET Shipmanagement (Singapore) Pte. Ltd. 100% — *(Ship Management)*
    - AET Shipmanagement (USA) L.L.C. 100% — *(Ship Management)*
    - AET Tankers Pte. Ltd. 100% — *(Commercial Operation and Chartering)*
      - AET Tanker India Private Limited 100% — *(Shipowning)*
    - AET UK Limited 100% — *(Commercial Operation and Chartering)*
    - AET Holdings (L) Pte. Ltd. 100% — *(Investment Holding)*
      - AET Inc Limited 100% — *(Shipowning and Operations)*
        - AET Tankers (Suezmax) Pte. Ltd. 100% — *(Shipowning and Operations)*
        - AET MCV Gamma L.L.C. 100% — *(Chartering & Operations)*
        - AET Agencies Inc 100% — *(Property Owning)*
        - AET Offshore Services Inc 100% — *(Lightering)*
        - AET Lightering Services LLC 100% — *(Lightering)*
        - Paramount Tankers Corp 50% — *(Shipowning)*
        - ELS Lightering Services S.A. 50% — *(Lightering)*
        - Akudel AS 49% — *(Lightering)*
- Bunga Kasturi (L) Pte. Ltd. 100% — *(Investment Holding)*

CHEMICAL

- Centralised Terminals Sdn. Bhd. 45% — *(Own, Manage, Operate and Maintain Centralised Tankage Facility)*
  - Langsat Terminal (One) Sdn. Bhd. 36% — *(Provision of Tank Terminal Activities)*
  - Langsat Terminal (Two) Sdn. Bhd. 36% — *(Provision of Multi User Petrochemical Terminal Facilities)*
- MTTI Sdn. Bhd. 100% — *(Investment Holding)*
  - VTTI B.V. 50% — *(Owning, Operating and Managing a Network of Oil Product Storage Terminals and Refineries)*

OFFSHORE

- MISC Offshore Holdings (Brazil) Sdn. Bhd. 100% — *(Investment Holding)*
  - SBM Systems Inc 49% — *(FPSO Owner)*
  - FPSO Brasil Venture S.A. 49% — *(Investment and Offshore Activities)*
    - SBM Operacoes Ltda 49% — *(Operating and Maintaining FPSO Terminals)*
  - Brazilian Deepwater Floating Terminals Limited 49% — *(Construction of FPSO)*
  - Brazilian Deepwater Production Limited 49% — *(Chartering of FPSO)*
  - Brazilian Deepwater Production Contractors Limited 49% — *(Operation and Maintenance of FPSO)*
    - Operacoes Maritimas em Mar Profundo Brasileiro Ltda 49% — *(Operation and Maintenance of FPSO)*
- MISC Offshore Floating Terminals (L) Limited 100% — *(Offshore Floating Terminals Ownership)*
- MISC Offshore Floating Terminals Dua (L) Limited 100% — *(Offshore Floating Terminals Ownership)*
- GK O & M (L) Limited 100% — *(Operating and Maintaining Gumusut-Kakap Semi-Floating Production System)*
- Malaysia Offshore Mobile Production (Labuan) Ltd. 80% — *(Mobile Offshore Production Unit Owner)*
- Malaysia Vietnam Offshore Terminal (L) Limited 51% — *(FSO Owner)*
- Malaysia Deepwater Floating Terminal (Kikeh) Limited 51% — *(FPSO Owner)*
- Malaysia Deepwater Production Contractors Sdn. Bhd. 51% — *(Operating and Maintaining FPSO Terminals)*
- FPSO Ventures Sdn. Bhd. 51% — *(Operating and Maintaining FPSO Terminals)*
- Gumusut-Kakap Semi-Floating Production System (L) Limited 50% — (Formerly known as MISC Floating Production System (Gumusut) Limited) *(Asset Ownership and Leasing of Semi-Floating Production System)*
- Vietnam Offshore Floating Terminal (Ruby) Ltd. 40% — *(FPSO Owner)*

MISC BERHAD

MARINE & HEAVY ENGINEERING

- Malaysia Marine and Heavy Engineering Holdings Berhad 66.5%
  (Investment Holding)
  - Malaysia Marine & Heavy Engineering Sdn. Bhd. 66.5%
    (Provision of Oil and Gas Engineering and Construction Works and Marine Conversion and Repair Services)
    - MMHE-SHI LNG Sdn. Bhd. 46.6%
      (Provision Repair Services and Dry Docking of Liquefied Natural Gas Carriers)
    - MMHE-TGPM Sdn. Bhd. 40%
      (Provision of Engineering, Procurement, Construction, Installation and Commissioning Services)
    - MMHE-ATB Sdn. Bhd. 27%
      (Manufacturing of Pressure Vessels and Tube Heat Exchanges)
  - Techno Indah Sdn. Bhd. 66.5%
    (Sludge Disposal Management)
  - Technip MHB Hull Engineering Sdn. Bhd 33.3%
    (Build and Develop Hull Engineering and Engineering Project Management Capacities)

INTEGRATED LOGISTICS

- MISC Integrated Logistics Sdn. Bhd. 100%
  (Integrated Logistics Services)
  - Misan Logistics B.V. 100%
    (Haulage Brokage, Liner Merchant and Carrier Haulage)
  - MILS Seafrigo Cold Chain Logistics Sdn. Bhd. 100%
    (Cold Chain Management and Operation)
  - MILS Seafrigo Sdn. Bhd. 67%
    (Owner of a Cold Storage Logistics Hub)
  - BLG MILS Logistics Sdn. Bhd. 60%
    (Automotive Solutions and Related Integrated Logistics Services)
  - Rais-Mils Logistics FZCO 50%
    (In Liquidation)

MARITIME EDUCATION

- Malaysian Maritime Academy Sdn. Bhd. 100%
  (Education & Training for Seamen & Maritime Personnel)

OTHERS

- MISC Capital (L) Ltd. 100%
  (Special Purpose Vehicle for Financing Arrangement)
- MISC International (L) Ltd. 100%
  (Investment Holding)
  - SL-MISC International Line Co. Ltd. 49%
    (Shipowning)
- MISC Enterprises Holdings Sdn. Bhd. 100%
  (In Liquidation)
  - Trans-ware Logistics (Pvt) Ltd. 25%
    (Inland Container Depot)
- MISC Agencies Sdn. Bhd. 100%
  (Shipping and Warehousing)
  - MISC Agencies (Japan) Ltd. 100%
    (In Liquidation)
  - MISC Agencies (Thailand) Co. Ltd. 100%
    (In Liquidation)
  - MISC Agencies India (Private) Limited 60%
    (Shipping Agent)
  - MISC Agencies Lanka (Private) Limited 40%
    (In Liquidation)

A TRUSTED AND RELIABLE SERVICE PROVIDER

Safely delivered 22.3 million tonnes of LNG cargo i.e. 11.2% of world LNG trade.

Secured a total of **8 new contracts** for various businesses as well as extension of lease term contract for FPSO Kikeh and FPSO Brasil.

Business Overview and Fleet Strength
as at 31 December 2012

Liquefied Natural Gas Shipping

Class	*Number of vessels*
Aman Class	3
Tenaga Class	3*
Puteri Class	5
Puteri Satu Class	6
Seri "A" Class	5
Seri "B" Class	5
Total Owned/Operated	**27**

* Note: Tenaga Satu and Tenaga Empat have been converted into LNG Floating Storage Units (FSUs) for the PETRONAS LNG Regasification Facilities project in Sungai Udang, Melaka.

MISC has three decades of proven experience in LNG transportation and we have earned a distinguished reputation for overall operational excellence, reliability, safety and on-time cargo deliveries from our charterers.

- Full in-house capabilities in ship-owning and ship management including maritime education and ship repair.
- Vessels' compatibility with more than 80 terminals worldwide.
- Periodic vessels' inspection, audit and vetting to ensure highest safety standards.
- With 27 vessels operating globally, MISC LNG fleet represents 7.7% of the total world fleet.

Major Developments from 1 January 2012 – 31 December 2012

- Successfully completed the conversion and delivery of Malaysia's first two LNG Floating Storage Units (FSUs), FSU Tenaga Satu and FSU Tenaga Empat for PETRONAS LNG Regasification Facilities project in Sungai Udang, Melaka.
- Commencement of charter for Seri Bijaksana with PETRONAS LNG.
- In 2012, MISC LNG vessels safely delivered 22.3 million tonnes of LNG cargo, which represents 11.2% of world LNG trade. Cumulatively, our vessels have made a total of 7007 cargo deliveries amounting to 352.43 million tonnes of LNG since our first cargo delivery in 1983.
- Seri Balqis, Seri Begawan and Seri Bijaksana received Green Award Certification from the Green Award Foundation as a recognition for the successful initiatives implemented by MISC to demonstrate the Company's commitment to go beyond international regulations for the protection of the environment. With this Green Award Certificate, the vessels are privileged to obtain port dues discounts and premiums from government institutions as well as private companies.

Business Overview and Fleet Strength
as at 31 December 2012

Petroleum Shipping

Type	Number of vessels
VLCC	12
Suezmax	4
Aframax	55
Panamax	1
DP Shuttle Tankers	2
Medium-range Product Tankers	5
Total Owned/Operated	**79**

AET is our global provider of ocean transport solutions to the international petroleum industry. Through AET, we move liquid cargo for the world's oil majors and trading houses. AET's global coverage and growth plans combined with its superior service and excellent customer support will allow us to continuously enhance our position in the crude and product tanker markets.

- Market leader in ship-to-ship transfers in the US Gulf.
- A modern, young fleet of vessels ranging in capacity from medium-range product tankers to VLCCs.
- Six newbuildings scheduled to join the fleet within the next two years, comprising four VLCCs and two Dynamic Positioning (DP) shuttle tankers.

Major Developments from 1 January 2012 – 31 December 2012

- AET took delivery of its first ever DP shuttle tanker, the Eagle Paraiba. Equipped with DP-2 equipment, Eagle Paraiba represents AET's successful entry into the shuttle tanker sector and serves as the expansion of its footprint into new geographies.
- AET took delivery of all four "eco-design" Suezmax tankers. These are the first Suezmax vessels to be owned by the company.
- AET entered into a long-term contract with Norwegian energy giant Statoil ASA to operate two specialists DP-2 shuttle tankers, serving oilfields in the Norwegian sector of the North/Barents Sea.
- 46 of AET's vessels received Safety Achievement Awards from the Chamber of Shipping of America (CSA) for promoting safety of life and property at sea.
- AET's Aframax tankers, Bunga Kelana 5 and Bunga Kelana 7 received the Safety@Heart Accomplishment Award presented to vessels that complete fifty voyages incident-free.

Business Overview and Fleet Strength
as at 31 December 2012

Chemical Shipping

Class	*Number of vessels*
Melati Class	7
A Class	7
B Class	4
In-Chartered	10
Total Owned/Operated	**28**

MISC's three decades of experience in Chemical Shipping has earned us an undeniable reputation for reliability and safety, transporting a wide range of cargoes from chemicals to vegetable oils. Our service integrity is a testament of our operational expertise – working within stringent safety rules and regulations to deliver cargoes efficiently.

- Proven track record in transporting chemicals and vegetable oils for major producers/traders.
- 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 cargo.

Major Developments from 1 January 2012 – 31 December 2012

- Enhanced business relationships with giant oil companies and major palm oil producers such as PETRONAS, Shell, INEOS, ExxonMobil, Wilmar, Chevron, KL Kepong and FELDA.
- Received newbuildings as part of growth strategy for the vegoil and chemical shipping business – two 19,900 dwt stainless steel ships on bareboat charter, built in Japan by Fukuoka Shipbuilding Co. Ltd. Bunga Lotus and Bunga Lucerne were delivered on 17 January 2012 and 28 June 2012 respectively. The vessels were the fifth and sixth in a series of six in-chartered chemical tankers constructed at the Nagasaki Shipyard in Japan.

Business Overview and Fleet Strength
as at 31 December 2012

Tank Terminal Business

Assets	Capacity (cbm)
Langsat Terminal (One)	476,000
Langsat Terminal (Two)	171,000
VTTI Worldwide Terminals	8,600,000
Total	**9,247,000**

MISC's foray into the tank terminal business is via our project in Tanjung Langsat, Johor, Malaysia. Langsat Terminal (One) with a total capacity of 476,000 cbm commenced its first phase in September 2009. In partnership with energy traders, Vitol Holding B.V., we have expanded our presence and logistics assets all around the world through a joint venture subsidiary, VTTI B.V. (VTTI). VTTI is one of the world's fastest-growing energy storage businesses.

Our worldwide presence in most continents and strong capabilities in the storage of energy, coupled with a pool of experienced personnel allow us to offer dynamic services to customers. We comply with all local legislations and are also committed to meet the highest international standards of our industry.

- Terminals strategically located at key hub and spoke locations, i.e. Amsterdam, Rotterdam, Antwerp (ARA), Florida and Johor, Southern Malaysia.
- The total capacity of our terminals is approximately 9.2 million cbm.

Major Developments from 1 January 2012 – 31 December 2012

- Commencement of Langsat Terminal (Two) in Tanjung Langsat, Johor with the capacity of 171,000 cbm. With this new development, MISC terminals under Centralised Terminals Sdn. Bhd. (CTSB), a joint venture company between MISC and Dialog, have a total capacity of 647,000 cbm.
- VTT Vasiliko Ltd. and J&P Group announced the signing of a strategic cooperation agreement for the construction of an oil storage terminal at Vasilikos, an investment of EUR 220 million that will turn Cyprus into an energy hub. VTT Vasiliko Ltd. is a company registered in Cyprus, a subsidiary of VTTI B.V.
- ATT Tanjung Bin (ATB) oil terminal within the vicinity of the Port of Tanjung Pelepas, Johor received its first oil tanker alongside their deep draft jetty facilities. The terminal is a grass-root project which began construction in September 2009. The first phase consists of 41 oil storage tanks, totaling 890,000 cbm of storage for fuel oil, gasoline, and middle distillates.
- Euro Tank Terminal (ETT) opened its ETT3 facility, with the ability to handle low-flash point products. Perfectly located in Europe's major energy hub of Rotterdam, ETT3 comprises 10 new tanks, with jet fuel, methanol and gasoil/naphtha now flowing into the tanks. ETT now joined the ranks of terminals with more than 1 million cbm of storage and offers flexibility in logistics, with direct connections to the North Atlantic Treaty Organisation (NATO) pipeline system.
- VTTI completed its Mombasa Terminal (Phase I), located in Kenya in the first half of 2012, with a total capacity of 55,000 cbm. Mombasa Terminal (Phase II) was completed at the end of 2012 with additional capacity of 58,000 cbm. The completion of both Phase I and Phase II has increased the capacity of the terminal to a total of 113,000 cbm.

Business Overview and Fleet Strength
as at 31 December 2012

Offshore Business

Class	*Number of facility*
Floating Production Storage and Offloading (FPSO)	5 *
Floating Storage and Offloading (FSO)	5 **
Mobile Offshore Production Unit (MOPU)	2 ***
Total owned	**12**

* Includes four jointly owned FPSO
** Includes one jointly owned FSO
*** Includes two jointly owned MOPU

MISC has delivered safe and well executed projects, through well-built relationships with customers and partners. These partnerships have enabled us to further enhance our capabilities in Offshore Engineering and Asset Management with business processes that is in accordance to international standards and best practices and is certified ISO 9001:2008.

- Proven technology to provide the best solutions for our customers' offshore development needs.
- Solid foundation in the offshore industry to offer comprehensive solutions for deepwater and small field developments.
- Pursuing technical alliances and strategic partnerships to achieve supremacy in domestic market and competitiveness in selected international market especially in FPSO/FSO and other potential new businesses.

Major Developments from 1 January 2012 – 31 December 2012

- Secured a contract from Murphy Sabah Oil Ltd. for the Engineering, Procurement, Construction, Installation & Commissioning (EPCIC), lease, operation and maintenance of facilities for a tie-back of the Siakap North-Petai fields to the FPSO Kikeh. The term of this new contract is approximately 8.5 years.
- FPSO Kikeh lease term is extended by 6 years to coincide with the lease term of the Siakap North-Petai fields.
- Received an extension of 14 months, with options up to an additional 4 months, for the lease and operate contract of the FPSO Brasil from Petrobras.
- MISC entered into a conditional Share Purchase Agreement (SPA) with E&P Venture Solutions Co Sdn. Bhd. (EPV), a wholly-owned subsidiary of PETRONAS Carigali Sdn. Bhd. (PCSB), in relation to a proposed disposal of 50% equity interest in Gumusut-Kakap Semi-Floating Production System (L) Limited (GKL).

Business Overview and Fleet Strength
as at 31 December 2012

Marine & Heavy Engineering Business

West Yard

Capacities	Ability to construct large marine structures with a total tonnage of 69,700 MT per year
Total Area	150.6 hectare (372 acres) complex with 1.8 km seafront
Fabrication Area	7 fabrication and assembly areas totaling 488,560 m^2
Workshops	36 fully equipped service and production workshops covering an area of 102,450 m^2
Skid Tracks	Skidding facilities that are able to cater up to 55,000 MT
Docking Facilities	• 2 dry docks accommodating vessels up to 450,000 dwt • Has one of the world's largest shiplift systems that is able to cater up to 50,000 dwt
	Others LNG Carrier Repair Facilities • 3 Global Test Control Room • 1 Cryogenic Workshop (560 m^2) • Invar Welding Training Centre • In-house Invar Welders/Fitters
Landberths	**Land Berth [1]** Length : 345 m Capacity : 142 tonnes/m **Land Berth [2]** Length : 345 m Capacity : 125 tonnes/m

Marine & Heavy Engineering Business (cont'd)

East Yard

Capacities	Ability to construct large marine structures with a total tonnage of 60,000 MT per year
Total Area	46.8 hectare (116 acres) complex with 480 metres seafront
Fabrication Area	3 fabrication and assembly areas totaling 200,700 m^2
Workshops	9 fully equipped service and production workshops covering an area of 19,590 m^2
Skid Tracks	Skidding facilities that are able to cater up to 25,000 MT

Malaysia Marine and Heavy Engineering Holdings Berhad (MHB) provides a wide spectrum of oil and gas production facilities and services in offshore construction, offshore conversion and marine repair.

- With the 2 yards in Pasir Gudang , namely MMHE East and MMHE West, MHB has the largest offshore and marine heavy industry facilities in the region with a total area of 197.4 hectares.

Major Developments from 1 January 2012 – 31 December 2012

- Successfully undertaken the superlift for the Gumusut-Kakap floating production system (FPS) project.
- Completed the acquisition of Sime Darby Engineering Sdn. Bhd.'s Pasir Gudang yard, which has significantly increased MHB's Pasir Gudang yard capacity from 69,700 MT to 129,700 MT, making MHB the largest oil and gas fabricator in Malaysia today in terms of yard size and capacity.
- Received the Grand Award at ExxonMobil Exploration and Production Malaysia Inc.'s (EMEPMI) Chairman's Safety Award ceremony in recognition of the Company's commitment to safety in undertaking the Telok and Tapis projects.
- Delivered the FSU Tenaga Satu, which was converted at the MMHE West yard, Pasir Gudang.
- Awarded F14/F29 topsides, substructure and process module contract by Sarawak Shell Berhad (SSB).
- Awarded the Damar platform project by ExxonMobil Exploration and Production Malaysia Inc. (EMEPMI).

Business Overview and Fleet Strength
as at 31 December 2012

Integrated Logistics Business

Assets	*No.*
Prime movers	154 units
NGV tankers	54 units
Total covered storage facility	830,363 sq.ft.

Note: Total prime movers include haulage and PETRONAS Natural Gas Vehicles (PNGV).

As a one-stop service provider, MISC Integrated Logistics Sdn. Bhd. (MILS) offers integrated logistics services, which include Project Logistics, Freight Management, Forwarding, Transportation, Warehousing and Supply Chain Management. In addition, MILS also provides solutions for efficient and cost effective logistics that can be tailor-made to meet customers' demand. MILS is also a registered vendor of PETRONAS and a Multimodal Transport Operator (MTO).

- In Project Logistics, our track record, expertise and close collaboration with industry players enable us to plan and execute the best possible solutions to handle cargo safely and cost effectively. We have successfully shipped high value, over dimensional cargo worldwide for multiple oil and gas projects.
- Our solutions for Supply Chain Management combines multi range logistics services for our contract customers, supported primarily by our own strategic assets, branches and partners.
- As the sole appointed transporter for distribution of compressed natural gas for PNGV, our tankers are equipped with the latest technology that enables larger volumes to be carried efficiently to all PETRONAS stations nationwide.
- MILS Logistics Hub (MLH), a certified Halal Logistics Centre in Port Klang's Free Commercial Zone is equipped with a state-of-the-art dry and cold storage facility, ready to serve the global supply chain needs. The hub was also designed to cater for regional consolidation and distribution activities. The Cold Hub is a certified ISO 22000:2005 Food Safety Management System (FSMS), making MILS the first cold chain logistics company in Malaysia with such a standard.

Major Developments from 1 January 2012 – 31 December 2012

- MILS has successfully secured a number of project logistics contract both locally and internationally. Major logistics contract secured for the year are:
  - Sabah Ammonia Urea (SAMUR) Project logistics contract.
  - Provision of International Freight Forwarding Services for KPOC Operations from Kebabangan Petroleum Operating Company Sdn. Bhd.
  - Transportation of linepipes, bends and appurtenances for provision of linepipe coating service for West Diyarberkir, Turkmenistan.
  - Hulu Terengganu Hydroelectric Project contract from Alstom/TNB.
  - Nestle's raw material warehousing and transportation requirements for a contract period of 2 + 1 years.

Maritime Education & Training (MET)

Resources

- Highly qualified and experienced faculty members
- State-of-the-art Simulation Centre
- M.T. Pernas Propane Training Ship
- Maritime Library & Resource Centre with comprehensive maritime and shipping based materials
- In-campus accommodation and facilities for more than 1,000 students
- Well equipped workshops and laboratories

Malaysian Maritime Academy Sdn. Bhd. (ALAM) is the premier training centre for the development of seafaring professionals. For over 30 years, ALAM has trained more than 10,000 seafarers, through a structured training and education system unique to the Academy. Working in collaboration with companies and institutions in the maritime industry locally and regionally, ALAM prepares students to face the demanding career challenges of the maritime profession.

- A balance of professional regimentation with a challenging college environment, ALAM's system is a structured blend of classroom instructions, practical training and professional development skills.
- Consistently placed among the top 10% of the world's MET institutions rated by Det Norske Veritas (DNV).
- The choice MET institution in this region with student diversity which includes foreign students from Philippines, India, China, Yemen, Iran, Nigeria, Myanmar, Brunei and Ukraine.

Major Developments from 1 January 2012 – 31 December 2012

- Enrolment of 313 cadets for the diploma programmes with 152 enrolled for the Diploma in Nautical Studies and 161 for the Diploma in Marine Engineering.
- Relocation of ALAM branch campus in Batu Rakit, Terengganu to the Melaka main campus to increase efficiency of operations and for effective cost management.
- Developed 16 new courses; mostly Offshore Petroleum Industry Training Organization (OPITO) approved courses for the offshore industry and customised courses such as Focused Tanker Safety Culture Workshop and Chemical Tanker e-Learning programme in collaboration with American Bureau of Shipping (ABS).
- Secured 57 new customers which include organisations in the Maritime and Shipping industry, Oil & Gas and Offshore industry as well as Government agencies. Out of the 57 new customers, 22 are from the Oil & Gas and Offshore industry.
- Conducted Consultancy and Simulation Studies/Traffic Risk Assessment Studies for various customers, which included ATB/VITOL, Northport, PFLNG, LEKAS (MISC FSUs) and FSO SEPAT.

Business Overview and Fleet Strength
as at 31 December 2012

Others

Other Class	*Number of vessels*
In-chartered LPG	1
Total Operated	**1**

Profiles of Directors

Datuk Manharlal Ratilal (George Ratilal)
Chairman, Non-Independent Non-Executive Director

Datuk George Ratilal, a Malaysian aged 53, was appointed as Chairman and Non-Independent Non-Executive Director of MISC Berhad on 1 August 2011.

He holds a Bachelor of Arts (Honours) degree in Accountancy from City of Birmingham Polytechnic, United Kingdom and Masters in Business Administration from University of Aston in Birmingham, United Kingdom.

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

He also sits on the Boards of KLCC Property Holdings Berhad, Cagamas Holdings Berhad and several subsidiaries of the PETRONAS Group.

He attended all ten Board meetings held during the financial year under review.

Profiles of Directors

Datuk Nasarudin Md Idris
President/Chief Executive Officer, Non-Independent Executive Director

Datuk Nasarudin Md Idris, a Malaysian aged 58, was appointed as President/Chief Executive Officer of MISC Berhad on 15 June 2010. He was a Non-Independent Non-Executive Director of MISC Berhad from 11 October 2004 before assuming his current position.

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

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

Datuk Nasarudin is the Chairman of several major subsidiaries within MISC Group including Malaysia Marine and Heavy Engineering Holdings Berhad, AET Tanker Holdings Sdn. Bhd., Malaysian Maritime Academy Sdn. Bhd. and MISC Integrated Logistics Sdn. Bhd. He is also a member of the Management Committee of PETRONAS and a Director of Bintulu Port Holdings Berhad and NCB Holdings Berhad.

He attended all ten Board meetings held during the financial year under review.

Profiles of Directors

Harry K. Menon
Independent Non-Executive Director

Harry K. Menon, a Malaysian aged 63, was appointed as Independent Non-Executive Director of MISC Berhad on 30 August 2001. He is also the Chairman of MISC Board Audit Committee. 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 & Mohamad, 7 years of which he served as partner of the firm. He then joined Public Bank Berhad as General Manager and was subsequently promoted to Executive Vice President of the bank. After serving two public listed companies, he joined Putrajaya Holdings Sdn. Bhd. as Chief Operating Officer from 1997 until 2000.

Harry K. Menon is the Chairman of SCICOM (MSC) Berhad, KLCC Property Holdings Berhad and KLCC Holdings Sdn. Bhd. He is also a Non-Executive Director of PETRONAS.

He attended nine out of ten Board meetings held during the financial year under review.

Profiles of Directors

Dato' Halipah binti Esa
Independent Non-Executive Director

Dato' Halipah binti Esa, a Malaysian aged 63, was appointed as Independent Non-Executive Director of MISC Berhad on 26 April 2004. She is also a member of the Board Audit Committee and chairs the Nomination & Remuneration Committee of MISC Berhad.

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

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

Dato' Halipah currently sits on the Boards of KLCC Property Holdings Berhad, Malaysia Marine and Heavy Engineering Holdings Berhad, Northport (Malaysia) Bhd, Cagamas Berhad, Malaysia Deposit Insurance Corporation and the Securities Industry Dispute Resolution Centre.

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

She attended all ten Board meetings held during the financial year under review.

Profiles of Directors

Dato' Kalsom binti Abd. Rahman
Independent Non-Executive Director

Dato' Kalsom binti Abd. Rahman, a Malaysian aged 64, was appointed as Independent Non-Executive Director of MISC Berhad on 27 October 2004.

She is also a member of the Board Audit Committee and the Nomination & Remuneration Committee of MISC Berhad.

She holds a Bachelor of Economics (Honours) Degree from University of Malaya and Masters Degree in Business Administration (Finance) from University of Oregon, United States of America (USA). During her tenure in the public sector, she attended management courses organised by Harvard Business School and Stanford University in USA. Dato' Kalsom had served in various capacities in the Ministry of International Trade and Industry (MITI) both at the Headquarters and Overseas offices, the last post being the Deputy Secretary General (Industry).

She currently sits on the boards of several public companies, namely Malaysian Industrial Development Finance Berhad (MIDF), MIDF Amanah Asset Management Berhad, MIDF Property Berhad, MIDF Amanah Investment Bank Berhad, and Lion Forest Industries Berhad.

She attended all ten Board meetings held during the financial year under review.

Profiles of Directors

Mohd. Farid bin Mohd. Adnan
Non-Independent Non-Executive Director

Mohd. Farid bin Mohd. Adnan, a Malaysian aged 51, was appointed as Non-Independent Non-Executive Director of MISC Berhad on 1 December 2011. He is also a member of Nomination & Remuneration Committee of MISC Berhad.

He holds a Master of International Business Studies from University of South Carolina and Bachelor of Science Degree (BSc.) in Chemical Engineering from University of Tennessee at Knoxville.

He has been with PETRONAS for more than 20 years. Even though his academic background is in Chemical Engineering, he has spent most of his professional experience in marketing and trading functions, in various Operating Units under PETRONAS. He was formerly the Managing Director of PETRONAS Trading Corporation Sdn. Bhd. (PETCO).

Mohd. Farid is currently the Vice President of Refining and Trading, Downstream of PETRONAS. He also holds directorships in various Operating Units under PETRONAS, including PETCO, PETRONAS Penapisan (Terengganu) Sdn. Bhd., PETRONAS Penapisan (Melaka) Sdn. Bhd., Malaysia Refining Company Sdn. Bhd., PETRONAS Energy Trading Ltd. and Engen Limited.

He attended all ten Board meetings held during the financial year under review.

Profiles of Directors

Lim Beng Choon
Independent Non-Executive Director

Lim Beng Choon, a Malaysian aged 53, was appointed as Independent Non-Executive Director of MISC Berhad on 16 August 2012. He is also a member of MISC Board Audit Committee.

He holds a Bachelor of Science (Hons) in Mathematics and Computer Science from Australian National University, Canberra, ACT, Australia.

He was the Country Managing Director in Accenture, the global consulting, technology and outsourcing giant, before he retired in 2009. He held various positions during his 28 years tenure in Accenture, including that of Managing Partner for Accenture's Resources Industry Group (Oil & Gas, Chemicals, Utilities, Natural Resources) in South-East Asia. He has attended numerous Accenture Management Training Programs around the globe including the IMD Leadership Program in Switzerland. He also had oversight of the Management Consulting practice across industries in ASEAN.

His experience in management consulting spans strategy formulation, operational consulting and merger integrations. He has led complex projects to deliver transformational change for Malaysian and foreign multinational companies. Prior to moving into management consulting, he was in technology consulting covering technology strategy formulation, and systems integration work.

Currently he serves as a Trustee in the ECM Libra Foundation, actively advising on their welfare initiatives. He is an Independent Non-Executive Director on the boards of Hong Leong Bank Berhad, PETRONAS Gas Berhad and PETRONAS Dagangan Berhad.

Following his appointment as Director of MISC Berhad, he attended four Board meetings of the Company during the financial year under review.

None of the Directors has:
- Family relationship with other directors and/or major shareholders of the Company.
- Conflict of interest with the Company.
- Conviction of offences within the past 10 years.

Profiles of Management Committee

Datuk Nasarudin Md Idris
President/Chief Executive Officer

Hor Weng Yew
President/Chief Executive Officer
AET Tanker Holdings Sdn. Bhd.

Mohamed Khalzani bin Mohamed Saffian
Vice President, Chemical Business

Profiles of Management Committee

Abu Fitri bin Abdul Jalil
Vice President, Offshore Business

Faizul bin Ismail
Vice President, LNG Business

Nordin bin Mat Yusoff
Vice President, Group Technical Services

Rozainah binti Awang
Vice President, Finance

Yee Yang Chien
Vice President, Corporate Planning and Development

Captain Rajalingam a/l Subramaniam
Vice President, Fleet Management Services

Iwan Azlan bin Mokhtar
Vice President, Human Resource Management

Fadzillah binti Kamaruddin
Vice President, Legal & Corporate Secretarial Affairs

Profiles of Management Committee

Datuk Nasarudin Md Idris

President/Chief Executive Officer

Datuk Nasarudin Md Idris, aged 58, was appointed as President/Chief Executive Officer of MISC Berhad on 15 June 2010. He was a Non-Independent Non-Executive Director of MISC Berhad from 11 October 2004 before assuming his current position.

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

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

Datuk Nasarudin is the Chairman of several major subsidiaries within MISC Group including Malaysia Marine and Heavy Engineering Holdings Berhad, AET Tanker Holdings Sdn. Bhd., Malaysian Maritime Academy Sdn. Bhd. and MISC Integrated Logistics Sdn. Bhd. He is also a member of the Management Committee of PETRONAS and a Director of Bintulu Port Holdings Berhad and NCB Holdings Berhad.

Hor Weng Yew

President/Chief Executive Officer
AET Tanker Holdings Sdn. Bhd.

Hor Weng Yew, aged 46, was appointed as President/Chief Executive Officer, AET Tanker Holdings Sdn. Bhd. on 1 January 2009.

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

He began his career with Neptune Orient Lines Limited (NOL) in 1989 and was involved in the commercial operations and chartering, project management, strategy and business planning initiatives for NOL and 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 the MISC Regional Office and was appointed Regional Business Director (Europe, Americas, Africa and FSU) of MISC in June 2005. Prior to his current position, he was Vice President, Chemical Business after serving the same division in the capacity of Senior General Manager, a position he held since 1 September 2006.

Hor Weng Yew sits as a Board member of several subsidiaries and joint venture companies within MISC Group.

Mohamed Khalzani bin Mohamed Saffian

Vice President, Chemical Business

Mohamed Khalzani bin Mohamed Saffian, aged 47, was appointed as Vice President, Chemical Business on 1 February 2009.

He graduated with a Bachelor of Arts Degree in Business Administration majoring in Marketing and Management Information System from Eastern Washington University, United States of America.

Prior to joining MISC, he served the Shell Group of Companies for 17 years in various fields including Logistics and Customer Service, Supply Chain Strategy, New Market Entry, Supply Chain Management, Business Development and Oil Trading.

Mohamed Khalzani also sits as a Board member of several subsidiaries and joint venture companies within MISC Group.

Profiles of Management Committee

Abu Fitri bin Abdul Jalil

Vice President, Offshore Business

Abu Fitri bin Abdul Jalil, aged 48, was appointed as Vice President, Offshore Business on 16 March 2013.

Abu Fitri graduated with a Bachelor of Science Degree in Chemical Engineering from California State University, United States of America in 1987.

Prior to joining MISC, he was the Senior General Manager, Petroleum Operations Management in the Petroleum Management Unit of PETRONAS. Since joining PETRONAS Group in 1991, he had held various positions within PETRONAS both in Malaysia and overseas.

Abu Fitri also sits as a Board member of several subsidiaries and joint venture companies within MISC Group.

Faizul bin Ismail

Vice President, LNG Business

Faizul bin Ismail, aged 52, is the Vice President of LNG Business, effective 1 August 2011, after heading the same division as Senior General Manager, LNG Business since 1 April 2010.

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

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

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

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

Nordin bin Mat Yusoff

Vice President, Group Technical Services

Nordin bin Mat Yusoff, aged 53, was appointed as Vice President, Group Technical Services on 1 August 2008. Prior to holding the current position, he was Vice President, Fleet Management Services since 1 April 2005.

He graduated from University of Glasgow, Scotland with a Degree in Naval Architecture & Ocean Engineering and is a registered Professional Engineer with the Board of Engineers, Malaysia, Member of Royal Institution of Naval Architects, United Kingdom and Fellow of the Institute of Marine Engineers Science and Technology, United Kingdom.

He joined PETRONAS in 1989 and had served in various capacities in PETRONAS Carigali Sdn. Bhd. and PETRONAS Tankers Sdn. Bhd. before joining MISC Berhad as Senior General Manager of Fleet Management Services on 1 April 2001. Prior to joining PETRONAS, he served Malaysia Marine and Heavy Engineering Sdn. Bhd. and was involved in project management of various 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 a Director of various subsidiaries and joint venture companies within MISC Group. He is also the Chairman of the Malaysia Shipowners' Association and the Chairman of Federation of ASEAN Shipowners' Association.

Profiles of Management Committee

Rozainah binti Awang

Vice President, Finance

Rozainah binti Awang, aged 44, was appointed as Vice President, Finance on 1 April 2013.

She obtained a Chartered Institute of Management Accountant (CIMA) qualification from A.T College, London in the United Kingdom in 1991. She is also an Associate Member of CIMA (ACMA) since 1996 and a member of Malaysian Institute of Accountants.

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

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

Rozainah also holds directorships in the various subsidiaries and joint venture companies within MISC Group.

Yee Yang Chien

Vice President, Corporate Planning and Development

Yee Yang Chien, aged 45, was appointed as Vice President, Corporate Planning and Development on 1 April 2008.

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

He was an auditor prior to progressing into equity research and investment banking with various local and international financial institutions such as HLG Capital Berhad and Merrill Lynch (Malaysia) over a span of ten years. He had since focused mainly on corporate planning work specialising in strategic planning, mergers and acquisitions and risk management. He had also served MISC Berhad for two years from 2003 where he was involved in the acquisition of MISC's subsidiary, AET Group (AET). Thereafter, he served as Group Vice President of Corporate Planning, AET from June 2005 prior to re-joining MISC Berhad.

Yee Yang Chien sits as a Board member of several MISC Berhad subsidiaries including Malaysia Marine and Heavy Engineering Holdings Berhad and joint venture companies within MISC Group.

Captain Rajalingam a/l Subramaniam

Vice President, Fleet Management Services

Captain Rajalingam a/l Subramaniam, aged 47, was appointed as Vice President, Fleet Management Services on 1 September 2008.

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

Captain Rajalingam graduated from ALAM in 1983 and subsequently sailed on MISC vessels as a Sea Going Officer before joining shore services in 1996 as a Marine Superintendent. Since then, he has held various positions in MISC Berhad. Between 2005 to 2008, he served in AET as General Manager Shipmanagement and subsequently as Group Vice President of AET Shipmanagement.

Profiles of Management Committee

He was appointed as Honorary Commander of the Royal Malaysian Navy in November 2009, in recognition of MISC's support to the Naval Reservist Programme and his role as Patron of MISC's Naval Reservist.

Captain Rajalingam was elected as the Vice Chairman of the International Tankers Owners' Association (INTERTANKO) in 2012 and was appointed as a Director of The London P&I Club in 2010.

He also sits as Board member in several MISC Berhad subsidiaries including Malaysia Marine and Heavy Engineering Holdings Berhad and joint venture companies within MISC Group.

Iwan Azlan bin Mokhtar

Vice President, Human Resource Management

Iwan Azlan bin Mokhtar, aged 45, was appointed as Vice President, Human Resource Management on 1 April 2009.

He holds a Degree in Law from University of Nottingham, United Kingdom.

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

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

Iwan Azlan also sits as a Board member of a subsidiary within MISC Group.

Fadzillah binti Kamaruddin

Vice President, Legal & Corporate Secretarial Affairs

Fadzillah binti Kamaruddin, aged 47, was appointed as Vice President, Legal & Corporate Secretarial Affairs (LCSA) on 1 August 2010 and Company Secretary of MISC Berhad on 1 November 2007. Prior to her current position, she was the Senior General Manager, LCSA, since 1 January 2008.

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

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

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

Chairman's Statement

The year under review saw a majority of the world's economies experiencing stagnating growth, with few clear signs that a sustained global economic recovery is within sight. In the west, the US economy ended 2012 facing a potential fiscal cliff following a stalemate in policy decisions while in Europe, central banks battled over regulatory changes necessary to stabilise the faltering economies in the Eurozone. In the east, the Chinese economy which had under-written global growth the past few years ran the risk of overheating and a slowdown had to be engineered. Meanwhile, social unrest and geopolitical instability in the Middle East added to global woes.

The entrenched downturn in the shipping industry continued in 2012 with excess vessel tonnage and poor freight rates. This was further compounded by a credit squeeze faced by large and small shipping companies alike. Freight rates remained depressed for a fourth consecutive year, and elevated bunker price kept operating costs high. In such a challenging economic environment, we saw several shipping companies joining the casualty list of bankruptcies in 2012.

Chairman's Statement

Given the tough operating conditions, our primary focus in 2012 was on strengthening the financial foundation of the Group to ensure that we have the fiscal stamina to ride out the downturn, no matter how protracted it may be.

To achieve this objective, the completion of our exit from the container shipping business during the year was critical in order to contain the financial losses in that segment. Stemming the losses from this segment of the business creates invaluable debt headroom for MISC, allowing us to tap additional borrowings, if needed.

During the year, we had also undertaken the monetisation of one of our biggest investment assets to date, the Gumusut-Kakap Semi-Floating Production System. By disposing a 50% equity interest in Gumusut-Kakap Semi-Floating Production System (L) Limited (GKL), the holding company for the asset, we were able to raise cash of RM5.3 billion for the Group.

With these strategic initiatives being carried out successfully during the year, our financial position has improved. This is obviously much needed, given the uncertain shipping environment and prospects of a recovery in shipping rates. We also wanted to avoid having to seek for additional capital from shareholders or raise further debt. As a validation of our recovered financial strength, MISC's credit outlook had been upgraded from negative to stable by rating agencies, Standard & Poor's and Moody's.

Financial Performance

For the financial year ended 31 December 2012, I am pleased to report that the MISC Group returned to the black, posting a profit before tax from continuing operations of RM1.6 billion. The Group's net profit was achieved on the back of RM9.5 billion in revenue. The rebound in profit was primarily due to lower losses from our container shipping business segment following cessation of the business in June 2012, as well as various one-off gains recorded during the year. We recognised two substantial one-off gains during the year, namely the recognition of a gain following the lease commencement of our two Floating Storage Units (FSUs) for the PETRONAS LNG Regasification Facilities Project and the realisation of an intercompany profit following the divestment of 50% equity interest in GKL.

As a result of our divestment in GKL, the Group's balance sheet had also improved with the repayment of our long-term debt. Group cash balances stood at RM4.0 billion and net gearing ratio reduced substantially to 0.25 times from 0.48 times of the previous year. Meanwhile, the Group's Net Tangible Assets attributable to equity shareholders increased to RM21.1 billion.

Chairman's Statement

Dividend

Considering the sustained difficult operating conditions of the shipping industry, there remains a need for us to deploy the Group's financial resources judiciously and to be prudent with our liquidity management. While we have always seek to return to shareholders with dividend payments annually, the present business circumstances require us to strike a delicate balance between payment of dividend in this financial year and conserving sufficient financial resources for the Group to wage its battle through another expected difficult operating year in 2013.

Having considered the Group's immediate funding requirements and its operating cash flow, as well as taking into account the continuing challenging environment, the Board of Directors is not recommending any final dividend for the financial year. Nevertheless, please be rest assured that we will strive to resume dividend payment as early as we can and we will seek to ensure that future performance will provide sustainable returns to shareholders.

Corporate Development

During the year, the Group successfully converted and delivered two Floating Storage Units (FSU) to PETRONAS Gas Berhad for Malaysia's first LNG Regasification Facilities Project in Melaka. Employed under a 20-year contract, these two FSUs will provide additional source of recurring income stream to the Group.

Meanwhile, our petroleum shipping arm, AET, took delivery of four Suezmax newbuildings from Samsung Heavy Industries during the year, all of which have been fixed on time charters to key customers. Additionally, AET also took delivery of two new Dynamic-Positioning (DP) shuttle tankers, which are deployed on a 15-year charter to Petrobras.

Our focus on placing a part of our petroleum fleet under long-term contracts is a conscious part of our portfolio rebalancing strategy to contain and minimise the cyclical downside of the shipping industry.

VTTI B.V., our joint venture with Vitol Holding B.V. in the tank terminal business, had also seen some major expansions during the year. During the year, VTTI commenced construction of an oil storage terminal in Vasilikos, Cyprus. Phase One will comprise 20 tanks with a capacity of 357,000 cubic meters (cbm) while Phase Two will add 8 tanks with an extra capacity of 186,000 cbm. This terminal is expected to be commissioned in 2014.

Closer to home, VTTI's ATB oil terminal in Tanjung Bin, Johor, commenced operations in April 2012 with a capacity of 890,000 cbm for the storage of fuel oil, gasoline, and middle distillates in 41 tanks. Meanwhile, the Euro Tank Terminal 3 (ETT3) in Rotterdam, which

Chairman's Statement

comprises 10 tanks with a total capacity of 465,000 cbm, began operations as well. During the year, VTTI also completed its Mombasa Terminal in Kenya with a capacity of 108,000 cbm.

On the heavy engineering front, Malaysia Marine and Heavy Engineering Holdings Berhad (MHB), accomplished a major milestone with the acquisition and integration of the former Sime Darby Engineering Sdn. Bhd.'s (SDE) fabrication yard. The integration success has led to greater cost effectiveness and engineering efficiency in core operations, processes and procedures between the newly acquired yard and MHB's existing fabrication yard. The enlarged yard space will support the delivery of larger and more complex projects, supporting MHB's climb towards being one of the premier heavy engineering and fabrication yard in the region.

Outlook

As we move into a new financial year in 2013, we will continue to be challenged and tested by the difficult operating conditions of the shipping industry. The shipping landscape will continue to be tough, in line with the uncertainties in global economic growth and rising geopolitical risks. 2013 will also see the last bout of heavy delivery of new capacity into the market, and we hope that there will be some respite for the shipping industry from 2014 onwards.

Nevertheless, we will remain focused on our efforts to reshape our business portfolio to ensure there is an optimal balance between cyclical and non-cyclical businesses. Managing our financial resources and judiciously allocating our capital efficiently and effectively will be continuing imperatives as we seek to weather another difficult year.

We expect the supply of manpower to tighten in the shipping sector, as the delivery of vessel newbuildings will create stiffer competition for the same talent pool of experienced crew. We will need to be vigilant in ensuring that we are competitive in attracting and retaining our top talents, so as to maintain continuity and quality of services to our customers.

Notwithstanding these challenges, MISC had ridden through the troughs of several down cycles, and conversely, we have also benefitted greatly from the waves of a few good up cycles. Through all these cycles, good or bad, we have always proved our resilience and robustness in tough times and our ability to capitalise on growth opportunities in good times. Hence, with our renewed fiscal fitness, I am optimistic that we are well poised to rise to the challenge in the coming year and that we are fully prepared for the next up cycle in the industry when it comes.

Appreciation

I would like to take this opportunity to thank En. Amir Hamzah bin Azizan and Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah who retired from the Board effective 18 August 2012 and 11 November 2012 respectively, and concurrently, I would like to welcome our new member to the Board, Mr. Lim Beng Choon. I would also like to express my deepest gratitude to all the members of the Board for their collective counsel and support which had enabled us to steer MISC through the turbulent waters of recent years.

To all the employees of the MISC Group, I would like to record my heartfelt appreciation for your unwavering dedication and perseverance in supporting the Group, especially during these difficult times.

A special thank you also goes to the Royal Malaysian Navy for their continued support and cooperation which has enabled us to ply our trade safely from the threats of piracy. We look forward to closer working ties and cooperation in the coming year.

Lastly, I would like to express my sincere appreciation to all our shareholders and stakeholders, for their continuous trust and support to the Board of Directors and Management of MISC through the years.

Datuk Manharlal Ratilal
Chairman

25 February 2013

EXPANDING CORE CAPABILITIES

Completed the conversion and delivery of Malaysia's **first two LNG floating storage units (FSUs)** for PETRONAS LNG Regasification Facilities project in Sungai Udang, Melaka.

Took delivery of our **first ever Dynamic Positioning Shuttle tanker,** representing MISC's successful entry into the shuttle tanker sector, expanding MISC's footprint into new geographies.

1.6 million cbm of new capacity for MISC Tank Terminals.

President/CEO's Report

2012 marked the fourth consecutive year of an extremely troubled shipping industry, as owners and operators continued to face depressed freight rates from an over-supplied market. The year under review had been a year of consolidation of our agenda and strategies, as we strengthened our fiscal fitness to face a protracted down cycle in the shipping industry.

President/CEO's Report

The year opened with lingering concern about the weak and uneven US economic recovery, the long drawn debt crisis in Europe, and general political uncertainty around the world. The global economy was showing early signs of a slowdown, and many were weighing the potential economic impact of the US elections. 2012 was also dominated by news of the Eurozone's continued struggle to contain the sovereign debt problems in member countries, fanning concerns of the contagion impact of the worsening crisis to other parts of the world.

Meanwhile, China's formidable economic engine showed signs of weakening, hampering prospects of a sustained global economic recovery led by the Asian economies. Rising geopolitical tensions also disrupted economic activities worldwide.

Despite the volatile economic setting and the prolonged shipping down cycle, I am happy to report that we returned to profitability by the end of 2012, the fruits of our labour in building resilience and financial strength in the Group through our strategic imperatives and rationalisation of our asset portfolio.

Our recent exit from the container shipping business was the first step that we took towards rebuilding our fiscal fitness. Staying competitive in the container shipping business meant heavy investments in a business where we had little economies of scale and minimal competitive advantage. Our fiduciary duties necessitated us to make the appropriate decisions to best deploy our Group's resources to generate value returns for our shareholders for the longer term. For this reason, we took the decision to cease the operation of our container shipping segment in 2011 and it has been a 9-month process. With the completion of the business closure by June 2012, we had structurally improved our financial performance.

President/CEO's Report

However, this was not enough. As we continued to re-assess our positions in various businesses in order to rebalance our portfolio, we needed to take further steps to bolster our access to liquidity and to further strengthen our balance sheet.

Consequently, we undertook a monetisation exercise of one of our largest capital investment to date, the Gumusut-Kakap Semi-Floating Production System (FPS). We sold 50% equity interest in Gumusut-Kakap Semi-Floating Production System (L) Limited (GKL), the holding company of the asset, to Petronas Carigali Sdn. Bhd. This monetisation exercise has a profound impact on our overall financial strength as we were able to reduce our total debt exposure, resulting in annual interest savings. Additionally, we were able to create new debt headroom to fund our future growth.

As we retain a 50% stake in GKL, we will continue to recognise a share of recurring income from the asset during its lease period. This is consistent with our strategy of growing our sources of secured and recurring income streams. With the completion of the monetisation exercise, I am pleased to report that our credit ratings had also been upgraded from negative to stable from the credit rating agencies, Standard & Poor's and Moody's respectively.

I am confident that our effort in bolstering the financial strength of MISC in 2012 will provide us with the fiscal stamina to weather an entrenched downturn in the shipping industry, while affording us the requisite capital resources to seize timely investment opportunities that may arise under the present tough business environment in the coming years. Our ultimate goal is to see MISC emerge leaner and stronger, as we refocus on delivering sustainable value creation to our stakeholders.

President/CEO's Report
Business Segment Review

LNG Shipping

The LNG market was the only bright spot amongst all shipping segments with spot rates hovering above USD100,000 per day for all quarters in 2012. There has been a slight reduction on new LNG projects sanctioned in 2012 of 23.6 mtpa compared to 26.8 mtpa in 2011. In the immediate term, charter rates for LNG are expected to be stable. Whilst there has been reports of milder weather conditions in 2012 across the northern hemisphere, freight rates have remained strong on the back of firm heating demands especially during winter, matched by adequate supply of tonnage. The main demand for LNG remains to be from the Far East region, representing around 70% of total LNG imports.

We celebrated our successful conversion of two Floating Storage Units (FSU), Tenaga Satu and Tenaga Empat, for the LEKAS project which has been delivered and leased to charterer PETRONAS Gas Berhad beginning August 2012 for a 20-year term. They now serve as LNG storage alongside the jetty for the PETRONAS LNG Regasification Facilities Project at Sungai Udang, Melaka.

In the immediate term, we are exploring potential expansion plans with our main customer, PETRONAS, in line with their future vessel requirements. We are also collaborating closely with PETRONAS to assist them in pioneering the commercialisation of the world's very first floating LNG (FLNG) vessel.

The LNG shipping market is expected to remain buoyant in 2013 even though rates have come off their peak in early 2012 post the unfortunate Fukushima incident. Nevertheless, we are taking a more cautious view of the ensuing years. With new LNG vessels scheduled for delivery in 2014 and 2015 without surety in time charter contracts, it will inadvertently result in an imbalance in supply of vessels over demand, triggering a possible drop in charter rates from the current healthy level.

Reports of the possible restart of nuclear plants in Japan and delays in oil and gas projects will change the dynamics for LNG shipping in the years beyond 2013, a situation which we will need to closely monitor.

President/CEO's Report
Business Segment Review

Petroleum Shipping

The petroleum shipping sector continued to be in the doldrums in 2012 with an excess supply of vessels in a weak demand environment. Tanker asset values lost further ground, especially the secondhand value of much older vessels as owners and customers traded for newer and more efficient vessels.

President/CEO's Report
Business Segment Review

Despite a frail market, our petroleum tanker business under our wholly-owned subsidiary, AET Tanker Holdings Sdn. Bhd. (AET), managed to defend its market position by renewing fourteen of its lightering contracts and seven time charters with key customers while winning new contracts with superior customers.

As part of our efforts to achieve an optimal operating fleet size, AET sold two owned vessels as well as redelivered one in-chartered Aframax during the year. We also undertook various measures and initiatives to drive down operating costs throughout 2012, resulting in savings across the board through improved bunker procurement practices, slow steaming and lower ship operating costs.

During the year, AET took delivery of all four of its Suezmax newbuildings from Samsung Heavy Industries, marking our foray into the Suezmax tanker segment. All these vessels have been fixed on time charters to key customers, in line with our strategy for the large tanker sector.

2012 also marked the successful breakthrough by AET into the niche shuttle tanker sector with the delivery of our two pioneer dynamic positioning (DP) shuttle tankers to PETROBRAS in the third quarter of the year. These vessels will be serving PETROBRAS for 15 years. Additionally, AET secured another two time charter contracts with Statoil for two DP vessels. These contracts would allow us to continue on our journey to build up capability and strengthen our position in the DP shuttle tanker space.

Crude tanker demand is projected to increase by 3.3% year-on-year in 2013 to stand at 257.7 million dwt. However, this would do little to relieve the downward pressure on rates due to the already high levels of supply. The crude tanker fleet is projected to expand by 3.7% year-on-year in 2013. As a result, we do not expect a turnaround in petroleum tanker freight rates in 2013, and we will be bracing ourselves for another challenging year for this segment.

Over the longer term, the significant oil finds in the United States especially the discovery of shale gas and oil may radically change future shipping dynamics. If shale gas and oil proved to be economically viable, it will enable the US to become self-sufficient in its energy requirements and hence, minimise its reliance on energy imports. This is the most significant development in the industry that we will have to pay close attention to in the coming years.

President/CEO's Report
Business Segment Review

Chemical Shipping

Chemical shipping has been one of the more challenging segments within the shipping sphere. Given the high correlation of chemical demand with global manufacturing activities, any slowdown in manufacturing activity globally will have a profound impact on demand. The uneven Chinese manufacturing activities is a case in point, as chemical tanker freight rates swung wildly in 2012.

On the supply side, freight rates remained under pressure from the oversupply of tonnage, despite significant decrease in the number of newbuildings compared to recent years. In addition, high bunker costs continue to erode our margins.

For the year, we took delivery of two 19,900 deadweight tonnes (dwt) stainless steel ships on bareboat charter. The vessels were the fifth and sixth in a series of six in-chartered chemical tankers constructed in Japan currently being employed in the niche Intra-Asia regional trade.

The chemical market is expected to remain sluggish in the next 2 years. Market concerns will focus on the risk of recession in Europe, delayed recovery in the US and the slowdown of demand from China. On a positive note, the number of newbuildings slated for delivery has reduced significantly compared to past years. Scrapping activities have also increased as owners face difficulties in trading older vessels and are unwilling to bear the associated high maintenance cost of such vessels. However, given demand for chemicals is highly correlated to economic growth, any increase in rates would be dependent on the overall health of the world economy in 2013.

On the vegetable oil sector, global production of vegetable oils is forecast to increase by 2.9 million tonnes in 2013. The biggest increase will be in palm oil production. Vegetable oil demand reduced slightly in 2012 as a result of biodiesel production declining in the US and South America. On the supply side, 2012 was a challenging year especially for soya oils due to the droughts in South America and the US. However global production and consumption of palm oil exceeded expectations in 2012, and 2013 is also likely to see an increase in production. Thus the export trend for the vegetable oil and palm oil sectors are expected to be similar going into 2013.

Moving forward, our chemical business segment will continue to focus on its targeted niche and specialised chemical and palm oil shipping markets, whilst optimising our business and asset mix.

Following the unfortunate incident of a fire onboard Bunga Alpinia while alongside the PETRONAS Methanol Terminal in Labuan, we have taken additional precautionary measures to mitigate further eventualities, and to protect the environment as well as its surrounding communities. We thank the associations, agencies, individuals and professionals involved in the search and rescue mission. We are indeed grateful for the quick action that the team has taken to ensure the safety of our crew.

President/CEO's Report
Business Segment Review

Tank Terminal Business

It has been three years since we bought a 50% stake in VTTI B.V. back in 2010. It has been an exciting journey for us as a partner to Vitol, one of the world's largest energy trading companies. The tank terminal business provides us with a source of recurring and steady flow of income to offset the losses incurred by our other more cyclical divisions. VTTI is currently amongst the Top 10 Independent Tank Terminal players with 13 terminals and a total capacity of 8.6 million cubic meters (cbm). Our tanks predominantly store petroleum products, crude oil and vegetable oils.

In April 2012, the ATT Tanjung Bin oil storage terminal commenced its operations and received its first oil tanker alongside their deep draft jetty facilities. The terminal is a green field project that began construction in September 2009, and the first phase consists of 41 oil storage tanks, totaling 890,000 cbm of storage for Fuel Oil, Gasoline, and Middle Distillates. There are plans to commit additional investment for the second phase of the ATB oil storage terminal in Johor. This phase of expansion would be in 2014 and would ultimately bring ATB's capacity to 1.6 million cbm.

Another milestone was the opening of the Euro Tank Terminal 3 (ETT3) facility in June. Perfectly located in Europe's major energy hub of Rotterdam, the ETT3 comprises 10 new tanks with a total capacity of 465,000 cbm. Today, the Euro Tank Terminal complex joins the ranks of terminals with more than 1 million cbm of storage and offers flexibility in logistics, with direct connections to the North Atlantic Treaty Organisation (NATO) pipeline system.

VTTI also completed its Mombasa Terminal (Phase I) in the first half of 2012 with a total capacity of 55,000 cbm. Mombasa Terminal (Phase II) was completed at the end of 2012 with an additional 58,000 cbm bringing the total capacity of the terminal to 113,000 cbm.

During the year, VTT Vasiliko Ltd., a unit of VTTI, commenced construction of an oil storage terminal at Vasiliko, an investment of EUR 220.0 million that will turn Cyprus into an energy hub.

The demand for tank terminal is tremendous globally and we are set to take advantage of this exciting prospect to further grow our presence in the international tank terminal arena. As we aim for capacity building, we will continue to emphasise excellence in health, safety and environment in our daily operations.

President/CEO's Report
Business Segment Review

Offshore Business

Our offshore business unit held steady and maintained its position as being among the top five global floating production, storage and offloading players for 2012. Our asset performance recorded an uptime of 99.3%, far exceeding our internal target.

During the year, we entered into a Share Purchase Agreement with E&P Venture Solutions Co. Sdn. Bhd., a wholly-owned subsidiary of PETRONAS Carigali Sdn. Bhd., in relation to the disposal of 50% equity interest in Gumusut-Kakap Semi-Floating Production System Limited (GKL), which owns the Gumusut-Kakap Semi-FPS. Upon commissioning, the FPS will be the first deep water semi-submersible floating production and storage in Asian waters, providing further diversity to MISC's portfolio of floating production assets. This exercise was an initiative that enabled MISC to monetise the Gumusut-Kakap Semi-FPS, currently under construction, whilst having a joint control and interest in the asset through GKL, to benefit from future cash flows once it is in operation.

We have secured a contract on Siakap North-Petai field tie-back to the Floating, Production, Storage and Offloading (FPSO) Kikeh signed on 10 July 2012 followed by the extension of FPSO Kikeh 6 years contract to coincide with the lease term of the Siakap North-Petai. The FPSO Cendor is also under construction, with the sail away scheduled for the second half of 2013.

The world's Exploration and Production expenditure is expected to be bullish in tandem with global oil demand. It is estimated that global E&P capital expenditure will reach USD 4.0 trillion over the next five years. With a booming E&P industry, demand for floating production systems is expected to remain robust with growth in 2013 onwards.

We aim to be in the forefront of this bullish development in the oil and gas industry by providing innovative solutions to our clients. We will strive to strengthen our position within this region and continue to forge strategic partnerships in pursuing future projects.

President/CEO's Report
Business Segment Review

Marine & Heavy Engineering Business

Our listed subsidiary, Malaysia Marine and Heavy Engineering Holdings Berhad (MHB) continued with its transformation journey towards performance improvement. Its thrust is to enhance overall capacity, competitiveness and efficiency in order to fully capitalise on the expanded yard capacity following the acquisition of the former Sime Darby Engineering fabrication yard.

During the period under review, MHB through its joint venture with Technip Geoproduction (M) Sdn. Bhd. was awarded the engineering, procurement and construction contract for the Tension Leg Platform (TLP) Malikai Deepwater Project by Sabah Shell Petroleum Company Ltd. This marks a first TLP for MHB, further strengthening its foothold in the construction of deepwater floating production facilities.

Other notable projects awarded to MHB during the year include the F14/F29 Topside, Substructure and Process Module, Damar Platform, Hook-Up & Commissioning of the Kinabalu Non-Associated Gas (NAG) Topside and the Kebabangan topside projects.

During the year, MHB loaded out the 15,000 MT Kinabalu NAG Topside. It also successfully completed the conversion of one LNG vessel, as floating storage for the FSU Lekas project which is now moored at Malaysia’s first regasification terminal at Sungai Udang, Melaka.

Several key projects are underway and scheduled for completion in 2013. This includes the Gumusut-Kakap Semi-FPS, the Telok Gas Development project, Tapis Enhanced Oil Recovery Project, the OSX-3 FPSO External Turret, Kebabangan project and the F14/F29 Topside Substructure and Process Modules.

The ongoing business transformation project which was initiated in 2011 is progressing well and new initiatives have been rolled out within MHB in its quest towards becoming a high performing organisation. With a promising pipeline of opportunities in both the upstream and downstream sectors of the oil and gas industry, MHB is poised to take advantage of these developments. The ongoing transformation journey that MHB has embarked upon will put it in good stead in future years, as it enhances its cost competitiveness, productivity and capability in project management and construction.

President/CEO's Report
Business Segment Review

Integrated Logistics Business

With a streamlined business portfolio and operations, MISC Integrated Logistics Sdn. Bhd. (MILS) is currently focusing on project contract logistics as its main source of revenue growth. To date, MILS has proven to be a reliable shipper of high value, over dimensional cargo worldwide for multiple oil and gas projects.

President/CEO’s Report
Business Segment Review

During the year, MILS provided integrated logistics for notable projects such as the Sabah Oil & Gas Terminal, FSU LEKAS, and Kimanis Power Plant. It also provided various freighting services for Prime Sourcing International Sdn. Bhd., a subsidiary of Petronas, and successfully secured a number of project logistics contracts both locally and internationally.

At our Cold Hub (MILS Seafrigo), encouraging take up rates have been achieved with a utilisation rate of 99%. During the year, MILS also successfully renewed its Halal certification with JAKIM for the Cold Hub it operated. Meanwhile, the Dry Hub in Pulau Indah continued to be the preferred storage within the Free Commercial Zone, with a wider cargo profile such as garments, medical equipment and machineries.

On the growth front, project logistics particularly in the oil and gas sector of the economy continues to offer exciting opportunities. The Malaysian logistics industry is expected to grow by 9.5% in 2013 in view of sustainable economic growth expected resulting from the nation’s Economic Transformation Programme. Strong intra Asian trade will also boost the logistics service industry. To capitalise on these developments, MILS will continue to develop its internal capabilities, strengthen its operational excellence, including HSE, optimise its cost and remain focused in providing a high quality service to its customers.

President/CEO's Report
Business Segment Review

Maritime Education and Training

Malaysian Maritime Academy (ALAM) has long been recognised as the leading Maritime Education and Training (MET) institution in the region, consistently being placed among the top 10% of the world's MET institutions as rated by Det Norske Veritas (DNV). As we continue to lead in the maritime education and training sector, our aim is to educate not only the next generation of seafarers but also to nurture future leaders in the global maritime industry.

President/CEO's Report
Business Segment Review

In 2012, ALAM saw a total enrolment of 313 cadets for its diploma programmes. ALAM's 104th Convocation held in March 2012, witnessed the largest ceremony ever with 507 cadets graduating in two courses, namely Diploma in Nautical Studies and Diploma in Marine Engineering.

Increasingly, ALAM no longer serves just as a training ground for MISC seafarers, but it has become a centre of development for many parties. These include new clients from the offshore oil and gas industry, maritime industry and government agencies. Sixteen new courses have been developed by ALAM which include approved courses for the Offshore Petroleum Industry Training Organisation (OPITO). During the year under review, ALAM entered into an MOU with Shell Marine Products to collaborate in the field of lubricants training in the region. It also launched the Chemical Tanker e-Learning programme in collaboration with American Bureau of Shipping in October 2012. The aim of the programme is to enhance the awareness of shipboard personnel on specialised operations onboard a chemical tanker and their responsibilities in operating such vessels. The programme will help to reduce or eliminate incidents onboard chemical tankers with the coverage on risk assessment and management.

As part of ALAM's continuous effort to increase efficiency and manage costs, we also saw the relocation of the ALAM branch campus in Batu Rakit, Terengganu to the Melaka campus. The Nautical Studies and Marine Engineering cadets now study in one unified campus and this fosters better unity amongst the students.

ALAM has upgraded its entire niche training facilities, particularly its simulators to industry standards, and it will be offering more simulator-based trainings for the requirement of the industry in the future.

Moving forward, there are significant career opportunities in the maritime sector in line with Malaysia's ambition to become a maritime nation by 2020. The current trend of student enrolment shows an increase in the number of individuals willing to pay on their own for maritime education and training. For the outstanding students, Government agencies have increased their sponsorship for the cadetship programme to provide career opportunities.

With the ever growing global fleet, trained and qualified seafarers remain in high demand to ply the sea routes of the world. Our aim is to capitalise on our position as the country's leading MET provider and produce graduates of high quality that will be a valuable resource globally. To achieve this, ALAM will continue in its pursuit of excellence and its unrelenting drive for innovation.

President/CEO's Report
Business Segment Review

Fleet Management Services

Ship management is a core area of our operations. Despite a tough operating environment, customers demanded for higher reliability and quality of service. Our thrust in 2012 was in the flawless execution of our fleet technical management, and we have made good progress in improving our performance whilst emphasising high safety standards as well as environmental preservation.

In the year under review, we remain committed to managing our carbon footprint, and invested in various energy efficient technologies. Last year, we continued to apply Low Friction Anti-fouling Paint on our vessels and installed propeller boss cap fins on 3 of our LNG carriers. Our efforts in implementing "Green Technology" have enabled us to achieve fuel savings of about 4.5% and a reduction of more than 30,000 MT of CO_2 emissions. Our display of high safety and environmental standards were once again recognised by Shipowners Trust International Corporation (STIC), and 2 of our Chemical tankers and 3 of our LNG Class carriers were honoured with the "Green Certification Award" by Green Award Foundation. We remain committed to this cause and continue to be proactive in evaluating more advanced "Green Technologies" to be implemented.

President/CEO's Report
Business Segment Review

Embedding the right mindset and practices in Health, Safety and Environment (HSE) has always been the hallmark of our operations. Last year, we gained further recognition when the United States Coast Guard qualified 8 of our Malaysian flagged vessels calling the US waters under the Qualship 21 programme. I am also pleased to report that Malaysia has been upgraded to the "white list" on the Tokyo MOU, and we have contributed a major part to this achievement through our initiatives to closely monitor the operations and safety management of our vessels. Last year, we had achieved 61 Port State Control inspections with zero deficiency and recorded zero detention. We are indeed proud of these achievements and we will continue with the drive towards operational excellence and flawless execution.

Bearing in mind concerns on global climate change, we had rolled out the Ship Energy Efficiency Management Plan (SEEMP). A study was conducted to evaluate the performance of our vessels with regard to CO_2 emission using the Energy Efficiency Operational Indicator (EEOI) and Energy Efficiency Design Index (EEDI) of selected MISC ships. The results demonstrated that EEOIs of MISC ships in operation are generally lower against similar studies done by the International Maritime Organization (IMO).

In view of more stringent conventions coming into force, further capital expenditure would be required. This includes the ballast water management convention to regulate discharges of ballast water and the MARPOL Annex VI which came to force beginning 2012 where fuel sulphur content of ships operating in the North American Emission Control Area shall not exceed 1% m/m. In addition, stricter requirements under the Standards of Training Certification and Watchkeeping (STCW) and ILO Maritime Labour Convention regulations will increase the cost pressure and will have an impact on operational expenses carrying over into 2013.

As we move forward in meeting the challenges ahead, we will continue to invest in improving the capabilities of our seafarers across all ranks. We believe that a people driven mindset and strategy is required to provide us with the competitive edge in attracting the right mix of crew who takes pride, ownership and have a sense of belonging to the MISC Group. To this end, we have initiated the Crew Competency Management framework aimed at mapping out the career development of each MISC officer within the Group. Their improvement at various proficiency levels are tracked via focused mentoring onboard the vessels to close any identified gaps, and as such, to ensure that we maintain a pool of high performing seafarers.

Security of our vessels and crew remain a priority area in view of the continuing threat of piracy, particularly in the Gulf of Aden, Indian Ocean, West Africa and Gulf of Guinea. We have been working in partnership with the Royal Malaysian Navy to provide escort onboard our converted navy auxiliary vessels and the strategic collaboration will continue with coverage of the high risk areas. While the cost for safety had increased, we would not compromise in ensuring the safety of our crew and the cargos that we transport.

President/CEO's Report
Business Segment Review

Human Resource Management

A tight supply of talents in an expanding shipping industry requires greater ingenuity on our part to attract, train and retain talents. Embedding a common sense of purpose among our people remains a key thrust within the group. Sustainability of the business is important during these difficult times and we need the right people with the right mindset and the right capability to deliver.

A key area of focus during the year under review was to have greater engagement sessions with staff to foster a sense of common purpose and pride in working for MISC. Townhall briefings were held every quarter and extended to a wider group of staff for them to learn the latest results and development in the company. In addition, a series of dialogue sessions between the President/CEO and staff also provided the opportunity for direct engagement and created a further platform for effective two way communication within MISC. We also implemented corporate wide action plans to cultivate a positive work culture and transform MISC into a high performing organisation.

During the year the existing Performance Management Framework was reviewed to emphasise on ongoing performance evaluation, informal feedback and coaching sessions while aligning individual performance contracts to divisional or unit scorecards. As a Group which comprises more than 9,000 people, succession planning is critical to ensure a strong leadership bench. Thus succession planning was enhanced during the year by widening the pool of candidates who are potential successors for critical positions in MISC. Corporate talents were identified and provided with development opportunities to ensure their readiness to take more critical roles in the organisation.

Moving forward, the company will continue to enhance its Employee Value Proposition which is essential to face the challenges in attracting and retaining talents. In addition, developing employees' functional and leadership competencies, succession planning and engagement activities to foster a common sense of purpose and esprit de corps among the employees will remain as our key focus areas. The success and sustainability of MISC is highly dependent on having a resilient and adaptable workforce.

President/CEO's Report
Future Outlook

2013 will continue to be a world of two halves, with stronger growth in emerging markets and slower growth in developed ones as the world struggles to shake off the shackles of recession. As global economic indicators remained mixed with no clear signs in global economic recovery, we will be bracing ourselves for another challenging year. In the absence of a strong growth momentum, vessel demand growth will remain weak and the market will continue to be plagued by excess shipping capacity.

Moving forward, we will continue to reassess our business model and further rebalance our asset portfolio to ensure greater resilience in our income mix and reposition ourselves for growth when the opportunity arises. To ensure business sustainability and financial buoyancy in MISC, we need to be judicious in our capital resource allocation in existing and future investment projects. With the appropriate strategies, we believe we will be able to capitalise on well-timed growth opportunities when the shipping cycle turns in our favour.

We need to be selective in the growth areas we pursue, maintaining our focus on annuity-type businesses that will provide us with recurring streams of long-term income. Our LNG shipping business will be a priority and we will channel a good part of our immediate resources towards expanding the segment with the pursuit of additional new LNG time charters, as well as a renewal programme to rejuvenate our LNG fleet.

We will also place greater emphasis on resource management. First on our agenda is further cost optimisation. We need to manage our costs well and ensure that our resources are deployed effectively and efficiently, minimising wastage and duplication while yielding the best results.

Our fleet maintenance programme will be enhanced to derive better fuel and cost efficiency, but more importantly to ensure the quality and reliability of service that our customers expect. We will also strive to meet the most stringent of regulations and cultivate the best HSE practices within our Group.

In the quest to build a high performing organisation, we will continue to focus on people development particularly in the area of training and development, functional competency development, corporate leadership and succession planning.

On behalf of the management I would like to take this opportunity to thank the Board of Directors for their wise counsel and support throughout the year. My sincere gratitude goes to the Royal Malaysian Navy and the Government of Malaysia for their continued support in ensuring the safety of our crew and vessels, and we look forward to an extended working relationship in the coming years. To our shareholders, thank you for your trust and support all these years. Last but not least, to my fellow colleagues in the MISC Group, I would like to thank you all for your dedication and commitment during these challenging times. We need to stay the course and meet the challenges ahead, and I look forward to your unwavering commitment and support.

Datuk Nasarudin Md Idris
President/Chief Executive Officer

25 February 2013

Business Highlights
1 January 2012 – 31 December 2012

January 2012

17 January 2012

Bunga Lotus Joins MISC Fleet

MISC took delivery of the fourth chemical tanker in the in-chartered Bunga L series, Bunga Lotus, from Fukuoka Shipbuilding Co. Ltd., Japan.

20 January 2012

Commencement of Langsat Terminal (Two) in Johor

Langsat Terminal (Two) commenced with a capacity of 171,000 cbm in Tanjung Langsat, Johor. With this new development, MISC terminals under Centralised Terminals Sdn. Bhd. (CTSB), a joint venture company between MISC and Dialog, now have a total capacity of 647,000 cbm.

February 2012

9 February 2012

MISC Co-Hosts the 8th Asia-Pacific Informal Tanker Operators Safety Forum (ITOSF)

MISC had the honour of co-hosting and co-chairing the 8th meeting of the Asia-Pacific Informal Tanker Operators Safety Forum (ITOSF) with The International Association of Independent Tanker Owners (INTERTANKO) in Malaysia.

16 February 2012

Naming Ceremony of Bunga Lucerne

MISC celebrated the naming of its in-chartered chemical tanker, Bunga Lucerne at the Fukuoka Shipbuilding Co. Ltd. shipyard in Nagasaki. Owned by Orange Octans Pte. Ltd., the vessel is the last in the series of six (6) 19,900 dwt chemical tankers under construction at the Nagasaki shipyard for long term charter to MISC.

Business Highlights

1 January 2012 – 31 December 2012

April 2012

10 April 2012

VTTI's ATB Oil Terminal Receives First Tanker

ATB oil terminal, owned and operated by VTTI, a 50/50 JV between MISC and Vitol, received its first oil tanker alongside their deep draft jetty facilities. MT "Kition", a 100,000 dwt tanker, safely and successfully discharged ATB's first fuel oil cargo at ATB's VLCC berth.

26 April 2012

First "Eco-Design" Suezmax Joins AET Fleet

AET took delivery of the first of its four "eco-design" Suezmax tankers. Built by Samsung Heavy Industries in Korea, the 157,000 dwt vessel, Eagle San Antonio, is AET's first owned Suezmax tanker.

May 2012

3 May 2012

Extension of FPSO Brasil Contract

MISC received a 14-month extension, with options up to an additional 4 months, for the lease and operate contract of FPSO Brasil from Petrobras. The extension is a reflection of the unit's successful operation during its deployment on the Roncador field.

15 May 2012

ALAM Signs MOC/MOU with Shell Marine Products

Malaysian Maritime Academy Sdn. Bhd. (ALAM) signed a Memorandum of Cooperation and Understanding with Shell Marine Products on a Strategic Partnership in Lubrication Training. Amongst the collaborations that ALAM and Shell Marine Products will be focusing on include the conduct of lubrication training programmes and other maritime programmes, appointment of suitable trainers from both organisations and cooperation in the provision of the usage of premises and training facilities.

Business Highlights
1 January 2012 – 31 December 2012

June 2012

6 June 2012

Delivery of LNG Floating Storage Unit (FSUs) – Tenaga Satu and Tenaga Empat

MISC took delivery of its first two LNG Floating Storage Units (FSUs), the FSU Tenaga Empat and FSU Tenaga Satu. Conversion works for FSU Tenaga Empat and FSU Tenaga Satu were completed at Keppel Shipyard Limited (KSL) on 23 May 2012 and MMHE on 25 May 2012 respectively. The two FSUs are deployed at Malaysia's first LNG Regasification Terminal project in Sungai Udang, Melaka.

12 June 2012

AET Welcomes First DP-2 Shuttle Tanker

AET took delivery of its first ever Dynamic Positioning (DP) shuttle tanker, Eagle Paraiba. Equipped with DP-2 equipment, Eagle Paraiba represents AET's successful entry into the shuttle tanker sector and serves as the expansion of its footprint into new geographies.

12 June 2012

AET Vessels Awarded for Safety Achievement

46 of AET's vessels received the Safety Achievement Awards from the Chamber of Shipping of America (CSA). The Safety Achievement Awards began in 1954 and recognises vessels for promoting safety of life and property at sea.

20 June 2012

MISC's 43rd Annual General Meeting

MISC Berhad held its 43rd Annual General Meeting at Mandarin Oriental Hotel, Kuala Lumpur. More than 300 shareholders attended the Meeting. All the resolutions tabled in this year's AGM was approved by the shareholders.

27 June 2012

MHHE Wins RM278 Million F14/F29 Topsides, Substructure and Process Module Contract from Shell

Malaysia Marine and Heavy Engineering Sdn. Bhd. (MMHE), a wholly owned subsidiary of Malaysia Marine and Heavy Engineering Holdings Berhad (MHB) successfully bid for the F14/F29 project award which comprises three (3) structures by Sarawak Shell Berhad (SSB). The combined contract value of the project is RM278 million.

Business Highlights
1 January 2012 – 31 December 2012

July 2012

6 July 2012

Commencement of Charter for Seri Bijaksana with PETRONAS LNG Ltd.

MISC's 152,300 cbm LNG Carrier Seri Bijaksana commenced its long-term charter with PETRONAS LNG Ltd. The vessel will be carrying cargo for PETRONAS LNG Ltd. for worldwide trading.

10 July 2012

Contract Award of Siakap North-Petai

MISC secured a contract from Murphy Sabah Oil Ltd. for the EPCIC, lease, operation and maintenance of facilities for a tie-back of the Siakap North-Petai fields to FPSO Kikeh. The term of this new contract is approximately 8.5 years.

10 July 2012

Extension of FPSO Kikeh

MISC received an extension for the FPSO Kikeh lease term by 6 years to coincide with the lease term of the Siakap North-Petai from Murphy Sabah Oil Ltd.

September 2012

3 September 2012

ALAM and MARDEP Jointly Organise the IMO Regional Training for Simulator Trainer 2012

Malaysian Maritime Academy Sdn. Bhd. (ALAM) and Malaysia Marine Department (MARDEP) jointly organised the International Maritime Organization (IMO) Regional Training for Simulator Trainer 2012. A total of 27 participants from Brunei Darussalam, Cambodia, Myanmar, Sri Lanka, Thailand, Vietnam, Kiribati, Pakistan, India and Malaysia took part in this regional training which was held at ALAM.

12 September 2012

AET Wins Long-Term Statoil ASA Contract

AET entered into a long-term contract with Norwegian energy giant Statoil ASA to operate two specialist DP2-type shuttle tankers, serving oilfields in the Norwegian sector of the North/Barents Sea and reinforcing AET's position as a global player in the DP shuttle tanker market. The vessels will be owned and operated by AET Sea Shuttle, a joint venture company between AET and OSM Shipmanagement.

19 September 2012

LNG Vessels Receives Green Award Certification

Seri Balqis, Seri Begawan and Seri Bijaksana received Green Award Certification from the Green Award Foundation, a neutral and independent foundation established in 1994 by the Rotterdam Municipal Port Management and the Dutch Ministry of Transport. The certificate is awarded to vessels that implement high safety and environmental standards in shipping. With the certification, the vessels are entitled to various benefits from ports, government institutions as well as private companies.

Business Highlights
1 January 2012 – 31 December 2012

October 2012

3 October 2012

ALAM and ABS Launch Chemical E-Learning Programme

Akademi Laut Malaysia (ALAM), working together with ABS, launched the Chemical Tanker e-Learning programme. The Chemical Tanker e-Learning enhances the awareness of chemical tanker shipboard personnel on the specialised operations specific to a chemical tanker and prepares them for the responsibilities that they will face on such vessels.

4 October 2012

MISC Berhad proposes Disposal of 50% Equity Interest in Gumusut-Kakap Semi-Floating Production System (L) Limited to E&P Venture Solutions Co Sdn. Bhd.

MISC entered into a conditional Share Purchase Agreement (SPA) with E&P Venture Solutions Co Sdn. Bhd. (EPV), a wholly owned subsidiary of PETRONAS Carigali Sdn. Bhd. (PCSB), in relation to a proposed disposal of 50% equity interest in Gumusut-Kakap Semi-Floating Production System (L) Limited (GKL). The proposed share disposal entails the disposal of 305,700,001 ordinary shares of USD1.00 each in GKL, representing 50% of the issued and paid-up share capital of GKL, by MISC to EPV, for a cash consideration of USD305.7 million.

November 2012

22 November 2012

AET's Vessels Receive Safety@Heart Accomplishment Award

AET's Aframax tankers, Bunga Kelana 5 and Bunga Kelana 7 received the Safety@Heart Accomplishment Award presented to vessels that complete fifty voyages incident-free.

December 2012

7 December 2012

MMHE Wins Damar Platform Project by ExxonMobil

Malaysia Marine and Heavy Engineering Sdn. Bhd. (MMHE) was awarded the Damar Platform Project by ExxonMobil Exploration and Production Malaysia Inc. (EMEPMI). The project has a contract value of RM165 million.

Investor Relations Report

MISC aims to continuously build and maintain transparent communication to our shareholders and the public.

MISC's Investor Relations (IR) team is committed to provide our stakeholders with the necessary means to make informed decisions about our Group. To this end, the IR team has continuously reviewed and enhanced its programmes and initiatives to ensure a consistent, transparent and relevant flow of information. The IR team strives to ensure the investment community has sufficient understanding of the Group's operations and financial performance as well as understanding of the latest development and changes in the industry landscape to support them in their respective decision-making processes.

During the year, we continued our engagement with the investing community through private meetings, teleconferences and dialogues with institutional investors as well as analysts from both local and abroad. We ensured timely disclosure of the Group's quarterly results and corporate developments via analyst briefings where the management shared its forward-looking plans, strategies and outlook. Credit rating agencies such as Moody's Investor Services (Moody's), Standard & Poor's (S&P) and Malaysian Rating Corporation Berhad (MARC) were engaged in similar fashion to facilitate their assessment of our credit ratings.

As a continuing education programme for the investing community, we have also launched a monthly Industry Newsletter which includes broad industry information and news updates that are helpful for stakeholders to get a better understanding of the current market conditions and the industry dynamics in which the Group operates in. During the year under review, we re-launched our Investor Relations website with better accessibility and greater up-to-date information. This user friendly platform also facilitates easier access to MISC's published reports, Investor Relations activities, Bursa announcements and financial reports.

We encourage active participation by our stakeholders via investor-related activities such as site visits and hi-tea sharing sessions with our President/CEO. For example, during the year, a site visit with external stakeholders to our newly-commissioned ATB tank terminal in Tanjung Bin, Johor, was organised for better understanding and appreciation of the Group's growing tank terminal business.

Minority shareholders were given the opportunity to interact and receive updates on the operations, financials, business strategies and future prospects of MISC from the Board of Directors at the Annual General Meeting in June 2012 and at the subsequent Extraordinary General Meeting in November 2012. Representatives and heads of each department were present to provide further clarity on the operations and corporate developments of MISC. Both events were well attended with good representation from the shareholders.

Apart from the regular quarterly updates on the Group's performance and results, MISC will continue to disclose material information on its corporate developments and all material initiatives that are required under Bursa Malaysia's Listing Requirements.

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

President/Chief Executive Officer
Vice President, Corporate Planning and Development
Vice President, Finance
General Manager, – Strategic Planning and Investor Relations
Head of Investor Relations

MISC aims to continuously build and maintain transparent communication to our shareholders and the public. For further enquiries or feedback, stakeholders and interested parties are encouraged to submit their comments to: investor.relations@miscbhd.com.

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

Statistics on Shareholdings
as at 30 April 2013

Analysis of Shareholdings

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	553	6.52	6,954	0.00
100 – 1,000	1,798	21.20	1,334,695	0.03
1,001 – 10,000	4,399	51.87	18,292,997	0.41
10,001 – 100,000	1,336	15.75	41,236,263	0.92
100,001 to less than 5% of issued shares	392	4.62	900,995,076	20.19
5% and above of issued shares	3	0.04	3,501,927,118	78.45
Total	**8,481**	**100.00**	**4,463,793,103**	**100.00**

Directors' Shareholdings

		Direct Interest		Indirect Interest	
No.	Name of Directors	No. of Shares	%	No. of Shares	%
1	Datuk Manharlal a/l Ratilal	–	–	–	–
2	Datuk Nasarudin bin Md Idris	–	–	–	–
3	Harry K. Menon	–	–	–	–
4	Dato' Halipah binti Esa	–	–	10,000	0.00
5	Dato' Kalsom binti Abd. Rahman	–	–	–	–
6	Mohd. Farid bin Mohd. Adnan	5,000	0.00	–	–
7	Lim Beng Choon	–	–	–	–

Statistics on Shareholdings

as at 30 April 2013

Substantial Shareholders

No.	Name of Substantial Shareholders		No. of Shares	%
1	Petroliam Nasional Berhad		2,797,459,800	62.67
	– CIMB Group Nominees (Tempatan) Sdn. Bhd. Exempt AN for Petroliam Nasional Berhad	2,797,459,800		
2	Employees Provident Fund Board		427,651,958	9.58
	– Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (HDBS)	40		
	– Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (RHB INV)	753,000		
	– Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (AM INV)	1,838,660		
	– Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (NOMURA)	2,645,580		
	– Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (CIMB PRIN)	1,598,100		
	– Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board	420,816,578		
3	Skim Amanah Saham Bumiputera		283,650,740	6.35
	– AmanahRaya Trustees Berhad Skim Amanah Saham Bumiputera	283,650,740		

Statistics on Shareholdings
as at 30 April 2013

30 Largest Shareholders

No.	Name of Shareholders	No. of Shares	%
1	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR PETROLIAM NASIONAL BERHAD	2,797,459,800	62.67
2	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EMPLOYEES PROVIDENT FUND BOARD	420,816,578	9.43
3	AMANAHRAYA TRUSTEES BERHAD SKIM AMANAH SAHAM BUMIPUTERA	283,650,740	6.35
4	LEMBAGA KEMAJUAN TANAH PERSEKUTUAN (FELDA)	93,838,250	2.10
5	LEMBAGA TABUNG HAJI	90,906,240	2.04
6	STATE FINANCIAL SECRETARY SARAWAK	67,466,667	1.51
7	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	63,849,440	1.43
8	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM WAWASAN 2020	51,414,440	1.15
9	PENANG DEVELOPMENT CORPORATION	50,800,000	1.14
10	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	43,679,000	0.98
11	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR CREDIT SUISSE SECURITIES (USA) LLC (PB CLIENT)	30,539,000	0.68
12	CARTABAN NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	30,269,268	0.68
13	KERAJAAN NEGERI PAHANG	20,596,320	0.46
14	CITIGROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR MERRILL LYNCH PIERCE FENNER & SMITH INCORPORATED (FOREIGN)	20,101,102	0.45
15	AMANAHRAYA TRUSTEES BERHAD AS 1MALAYSIA	14,082,520	0.32
16	CARTABAN NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR RBC INVESTOR SERVICES TRUST (CLIENTS ACCOUNT)	12,864,780	0.29
17	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM DIDIK	12,306,640	0.28
18	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.A.E.)	11,780,756	0.26
19	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.S.A.)	10,712,860	0.24

Statistics on Shareholdings
as at 30 April 2013

30 Largest Shareholders (cont'd)

No.	Name of Shareholders	No. of Shares	%
20	CARTABAN NOMINEES (ASING) SDN. BHD. GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION PTE. LTD. FOR GOVERNMENT OF SINGAPORE (C)	7,991,560	0.18
21	CARTABAN NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR EASTSPRING INVESTMENTS BERHAD	7,631,100	0.17
22	CITIGROUP NOMINEES (ASING) SDN. BHD. CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	6,703,204	0.15
23	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (NORGES BK)	6,536,500	0.15
24	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC DIVIDEND FUND	6,453,660	0.14
25	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR CREDIT SUISSE SECURITIES (EUROPE) LIMITED (CLTAC N-TREATY)	6,388,500	0.14
26	HSBC NOMINEES (ASING) SDN. BHD. BNY BRUSSELS FOR CITY OF NEW YORK GROUP TRUST	5,935,998	0.13
27	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR AMERICAN INTERNATIONAL ASSURANCE BERHAD	5,305,066	0.12
28	PERTUBUHAN KESELAMATAN SOSIAL	5,118,000	0.11
29	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	4,733,100	0.11
30	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. ING INSURANCE BERHAD (INV-IL PAR)	4,699,160	0.11
	TOTAL	**4,194,630,249**	**93.97**

COMMITTED TOWARDS SUSTAINABILITY

Received
four "eco-design" Suezmax tankers, with innovative design to maximise fuel efficiency and minimise harmful emissions.

46 of our Petroleum tankers received Safety Achievement Awards from the Chamber of Shipping of America (CSA).

ALAM developed **16 new courses for the maritime and offshore industry,** including customised courses such as Focused Tanker Safety Culture Workshop and Chemical Tanker e-Learning programme.

Corporate Responsibility Report

Loyalty, Integrity, Professionalism and Cohesiveness – these brand values guide us as a sustainable, responsible Malaysian corporate citizen. We practice respect in all our business endeavours – respect for the workplace, the marketplace, the environment and the communities in which we serve and operate:

Workplace

Enriching our human capital

Marketplace

Measures to constantly support and boost the marketplace

Environment

Awareness of climate change and measures undertaken to solve, reduce, reuse and recycle

Community

Respect, educate, teamwork – working together with the community in which we serve

Corporate Responsibility Report

WORKPLACE

Managing talent within MISC is top priority for us. Made up of a strong workforce of approximately 9,000 shore and sea employees, we go to great lengths to ensure that our employment policies comply with relevant legislation, and we seek to create a working environment that embraces diversity, fairness and equal opportunities.

Enhancing Human Capital

Maintaining a Vibrant Talent Pool

Continuously developing our workforce is our impetus for the Group's growth. We seek ways to support and enhance our employee learning, ensuring that they are equipped with the right skills and capabilities to move forward with MISC.

As part of our continual employee support, we have taken steps to enhance our Employee Value Proposition (EVP), an essential module, not only in attracting and retaining talent, but also in enhancing employment relationships.

Three key areas of MISC's EVP are:

Key EVP Areas	Initiatives
Transparency and Trust (Engaging Employees)	• Follow through on the implementation of the PETRONAS Organisational Cultural Survey (POCS) intervention plans to drive a high performance culture within the Group.
	• Revise the Performance Management System (PMS) to help sustain a high performance culture.
Recognition for Contributions (Rewarding Success)	• Benchmark and design remuneration packages to be market competitive in attracting and retaining talent.
	• Ensure benefits provided complement the remuneration package and are in line with budget allocation.
Environment for Career Growth and Personal Development (People Development)	• Effective execution of individual development plans to build functional and leadership competency among the employees.
	• Enhance Succession Planning to prepare the future leaders for the Group.

Engaging Employees

Employee engagement is the emotional commitment the employee has to the organisation and its goals. Engaged employees are willing to apply extra effort in their job and are enthusiastic, energised and passionate. To create a sense of common purpose and a high performing working culture within the Group, several initiatives have been implemented during the year under review:

- Townhall sessions between staff and management to share financial results and corporate updates.
- Afternoon Tea sessions with the President/CEO.
- Management Walkabouts, Cross Functional Divisional Townhalls.
- Informal Activities such as sport activities, festive celebration and other activities organised by the respective Departments and Subsidiaries.

Rewarding Success

Each employee is assessed and rewarded according to their performance under our Performance Management System (PMS). During the year under review, the PMS was refined to make the process simpler and more straightforward. The improved areas were:

- The alignment of Individual Performance Contracts (IPC) to Divisional Scorecards.
- Better emphasis on on-going performance conversation, informal feedback and coaching sessions.
- The alignment of performance rating scales with refined descriptors.
- Implemented differentiated performance rewards that is linked to the scorecard performance.

Corporate Responsibility Report

Rewarding Loyalty

The Group also continuously recognises and rewards long service employees via its Annual Long Service Awards programme. For the financial year 2012, a total of 235 employees were honoured. The Group also provides monetary rewards to children of employees who have done well in numerous public examinations, such as the UPSR, PMR, SPM and STPM. For the financial year 2012, a total of 65 young bright students (UPSR – 26 recipients, PMR – 24 recipients and SPM – 15 recipients) were awarded.

Human Capital Development

Lifelong Learning

Providing learning and development opportunities are essential for our growth. During the financial year 2012, a provision of approximately USD1.78 million has been allocated to support learning and development. Around 60% of our employees benefited from the training programmes conducted throughout the year.

A total of 2,486 days of training (1,228 days for Functional training and 1,258 days for Leadership training) were conducted in FY2012. This is equivalent to an average of 22 training hours or 2.7 days of training per employee.

Functional Capability

Under our Capability Development through Functional Competency Profiling initiative, the functional gaps among our employees were evaluated and relevant intervention plans were identified and implemented to close the discovered gaps. This initiative focused on executive level employees and was conducted in phases. During the financial year, all employees identified with gaps have attended at least one intervention programme.

Leadership Development

Leadership development is an ongoing intiative for all employees. Employee leadership competencies are assessed and if there are existing gaps, specific leadership programmes are implemented to close these gaps. On top of the existing leadership programmes conducted in accordance with the PETRONAS Group curriculum, we have provided customised leadership programmes throughout the year, such as the People Development Workshops for General Managers and the Impact & Influence Programmes for Managers. For Executive level employees, programmes such as Business Awareness, Spirit of Champions, Emotional Intelligence and Upholding Shared Values have been introduced during this financial year.

Succession Planning

Succession management is a means to secure future leadership capabilities within the Group. It is critical in driving organisational performance especially in the ever changing business landscape. Rigorous efforts are made to identify potential successors and ensure that they have a structured development plan in order to be ready to assume any critical positions in the near future.

Affiliations with Educational Institutions

MISC, in collaboration with Ernst & Young, has embarked on the development of certified Chartered Accountants. The programme was developed with the objective to enhance technical accounting competencies to help ensure a constant supply of qualified accountants in MISC.

Targeted participants are MISC scholars who have completed their bachelor degrees in Accounting. These scholars will be attached to Ernst & Young as Auditors for a period of 3-4 years. During their employment, they will be required to pursue their certification programme with accounting professional bodies such as the ACCA, MICPA or ICAEW. Upon completion of the programme, the MISC scholars will be employed by MISC as Chartered Accountants. As at Dec 2012, 6 of our MISC scholars are employed at Ernst & Young under this programme.

Sea Staff Development

During the period under review, the Group conducted several Human Capital Development programmes designed to build capabilities and encourage continuous engagement with our sea staff.

Focus Seminar for Senior Officers, Junior Officers & Ratings

Organised by MISC's Fleet Management Service Unit (FMS), the Senior & Junior Officers Focus Seminars were established to enhance communication between MISC Shore and the shipboard management staff. During the seminars, valuable information on new initiatives for sea staff development was shared and developed. Initiatives discussed and shared included Business Growth & Team Synergy, Operational Excellence and Team Engagement initiatives. The Focus Seminars also acted as a valuable knowledge sharing platform, where sea staff met and shared

Corporate Responsibility Report

lessons learnt on the job, with the ultimate aim of improving safety and environmental protection performances.

The Ratings Focus Seminar on the other hand was established to promote a High Performance Culture amongst MISC's Rating Staff by embedding MISC's Shared Values and Brand Values into various sessions. The main highlight of the seminar was the `Safety is a Value' Workshop. The workshop provided our sea staff with a greater understanding on safety as a crucial behaviour. They were also nurtured on the importance of a value-based safety approach that goes beyond a checklist and should be developed as a culture at all levels across the board.

MISC Focus Tanker Safety Programme: Mission Safety – "A Serious Journey"

Rising to meet the critical urgency and gravity of the need for a paradigm cultural shift to achieve a foolproof safety ethos, Fleet Management Service Unit envisaged a multi-pronged strategy through the execution of a two day workshop module focused on MISC Tanker Safety Culture Training. The aim is to implement high standards of safety culture to support our journey to achieve HSE excellence.

The workshop, conducted by Malaysian Maritime Academy (ALAM), focused on awakening a greater understanding of safety as a value. It addressed knowledge gaps such as hazardous work scenarios and the critical aspect of venting during cargo operations and carriage of low flash point cargoes, as well as time-tested strategies to mitigate any possible incident.

More than 100 sea staff were trained at this workshop. The feedback thus far has been encouraging, demonstrating that the knowledge transfer to the participants, comprising upper management to rating staff, was well received.

Crew Competency Management (CCM)

Another recent initiative is the Crew Competency Management (CCM) that aims at enhancing the career development of each MISC officer. This initiative serves two main agendas – it reflects proficiency level improvements based on focused mentoring while in the line of duty onboard, and it fixes gap areas in an individual's proficiency that needs special attention or inculcation of a specific knowledge building. The entire process highlights the confidence, pride and esteem that MISC allocates to the seniors onboard, respecting them as true mentors for the next generation.

Protecting the Rights of our Employees

MISC's Collective Agreement

Protecting employees' rights is a fundamental Human Resource practice. We allow non-executive employees to join Kesatuan Pekerja-Pekerja MISC Berhad (Union). The Collective Agreement (CA) between the Union and the Company (MISC Berhad) is reviewed or negotiated every three years. The 11th Collective Agreement was signed covering a three year period from 2011 to 2013. This agreement regulates the terms and conditions of employees, their duties and the duties of an employer. Any variations to the terms and conditions of the Agreement shall be jointly deposited by both parties with the Industrial Court for its cognizance within one month from the date of the Agreement of the said variation.

As at Dec 2012, 17% of our employees are governed under this Agreement.

Grievance Procedure

We recognise the value and importance of full discussion in clearing up misunderstandings and preserving industrial harmony. Therefore, the Union and the Company make every reasonable effort to address any complaints or grievances (relating to matters affecting the Terms and Conditions of service) from employees.

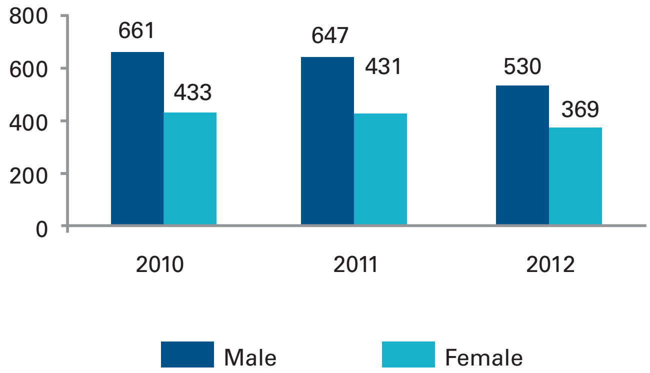
Diversity and Equality

We value the skills and expertise of our employees regardless of race, gender, religion or nationality. As a global focused company, our people come from a diverse background. Our cultural diversity encourages an intermingling work culture between nationalities from Malaysia, Australia, Bangladesh, India, Indonesia, Japan, New Zealand, Pakistan, Romania, Singapore, the Netherlands and United Kingdom.

We also promote work equality and continue to hire based on skill sets that display optimum capability and overall performance. During the year under review, MISC Berhad's employees (shore staff) of 899 consist of 59% male and 41% female, compared to 60% male and 40% female recorded during the previous year respectively. 20% of MISC Berhad's Senior Management consists of female employees.

(Data provided is for MISC Berhad shore staff only and excludes Sea Staff and Subsidiaries)

Total Breakdown of Employees by Gender for 2010 to 2012



By Nationality

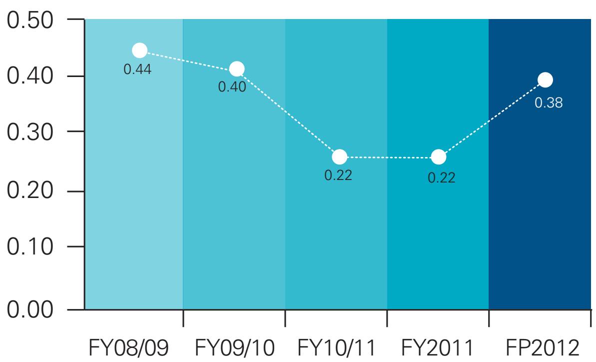
Nationality	No. of Staff	%
Malaysian	875	97%
Others	24	3%
TOTAL	899	100%

Corporate Responsibility Report

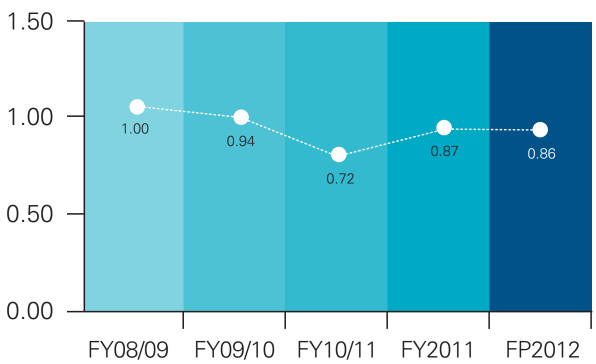
Workplace Safety

For the year under review, our commitment towards strengthening and achieving our set Health and Safety indicators continue to be our primary goal. During the financial period under review, we recorded a Lost Time Injury Frequency (LTIF) of 0.38, while Total Recordable Case Frequency (TRCF) for the fiscal year was 0.86.

Group Lost Time Injury Frequency (LTIF)



Group Total Recordable Case Frequency (TRCF)



In our efforts to inculcate a work culture that emphasises health and safety, MISC organized and implemented several health and safety programmes in the period under review.

Health and Safety Initiatives for the Year

Implementation of Automated External Defibrillators (AED) within MISC

In Malaysia, the awareness towards the importance of AED in assisting during the occurrence of heart attack or cardiac arrest in the office environment is on the rise. There are few workplaces and public area whereby AED is provided. As a responsible organisation, MISC has taken steps to provide AED machines at its office in Menara Dayabumi. Following an assessment by MISC's Corporate HSE unit, a total of 19 units of AED have been purchased and is made available at all floors in Menara Dayabumi. An implementation programme for AED was also drawn up, focusing on educating staff and specialised training for Floor Wardens throughout 2013.

Group HSE Mandatory Control Framework (MCF) Implementation 2012

In the year under review, MISC implemented the PETRONAS Group HSE Mandatory Control Framework (MCF), which would enhance the effectiveness of the HSE Management System implementation. The HSE MCF consists of the mandatory HSE standards and requirements to be implemented across the PETRONAS Group which includes MISC Group.

The main objectives of MCF are to strengthen Health, Safety and Environment (HSE) governance through:

1. Clear HSE mandatory requirements for effective implementation.
2. Consistent implementation of the HSE Management System.
3. Expediting the implementation of Process and Behavior Safety.
4. Effective implementation of HSE assurance.

The MCF covers 10 key elements of significant Health, Safety and Environmental risks, including technical and operational integrity of facilities and equipments as below:

1. Capability
2. Health
3. Environment
4. Safety & Transportation
5. Process Safety & Asset Integrity
6. Management of Change
7. Safe Operations
8. Contractor HSE Management
9. Design, Engineering & Construction
10. Incident Management & Emergency Response

Corporate HSE has conducted a few workshop sessions to brief all HSE Managers from each Business Unit/Service Unit/Subsidiaries on the implementation of MCF, roll-out plan, communication pack and MCF tracking tools.

Capability Development of Emergency Response Team

As part of its effort to ensure the safety of staff working in MISC, the company continues to develop the capability of its Emergency Response Team (ERT). In the year under review, Corporate HSE organised the ERT Teambuilding Program 2012 to enhance the capability of the MISC Floor Wardens. The training took on a practical and interactive approach to ensure active participation from the Floor Wardens as well to ensure that the underlying objectives of this programme were met.

MISC Group Contractors HSE Forum 2012

In collaboration with Fleet Management Services, Offshore Business, Chemical Business, as well as subsidiaries MMHE, AET and MILS, Corporate HSE once again organised the MISC Group Contractors HSE Forum 2012 with the theme "Leadership Commitment Towards HSE Excellence". More than 100 participants, comprising of the senior management and Line/HSE heads of MISC's vendors and contractors, who are the key enablers to drive good HSE practices within their organization, attended the forum. These vendors and contractors who provide services for shipping, offshore, land transportation and heavy engineering contribute towards our business success and are part of the bigger workforce to realise our goals.

Health Wellness Program 2012

With the aim of developing a health conscious organisation, a series of awareness talks promoting healthy diet and stress management amongst MISC Dayabumi staff was organised during the year under review.

Safety at Sea

Various safety campaigns were also conducted for our sea staff during the year, to maintain a reliable safety level for our customers. Safety campaigns performed include the Enclosed Space Safety in April 2012; Hand and Finger Safety in June 2012; PSC CIC Campaign (fire safety) in June 2012 (which was re-launched in August 2012); Bunkering and Internal Oil Transfer in September 2012; Stop Work Policy in November 2012; and FMS Safety Rules in December 2012.

Corporate Responsibility Report

ENVIRONMENT

We are committed to do our part to help conserve and protect the environment. To remain sustainable and being environmentally conscious, we continued with our initiatives to reduce our carbon footprint as we aim to further our stewardship towards a cleaner, greener MISC.

Environmentally Sound Ship Management

Energy Efficiency Operational Indicator (EEOI)

For this financial year, we continued the collaborative study with Universiti Teknologi Malaysia to determine the Energy Efficiency Operational Indicator (EEOI) and Energy Efficiency Design Index (EEDI) of selected MISC ships. EEOI and EEDI are mechanisms developed by the International Maritime Organisation (IMO) and the Marine Environment Protection Committee (MEPC) in an effort to reduce greenhouse gas (GHG) emissions within the international shipping industry. The EEOI is for ship owners and ship operators to evaluate the performance of their fleet with regards to CO_2 emissions, and enable the effects of emission reduction measures to be monitored. EEOI enables the ratio recording of mass CO_2 generated per unit of transport work.

Results proved that EEOIs of MISC ships in operation are generally lower when compared against similar studies by IMO and other worldwide fleets. A lower EEOI value indicates a more efficient ship, where the average CO_2 emissions per tonne of cargo carried per nautical mile is lower. The EEDI or Energy Efficiency Design Index is the other mechanism that provides energy efficiency index for newly built ships. The EEDI is determined at the design and newbuilding stage.

The MARPOL Annex VI protocol

The MARPOL Annex VI is also coming into force in phases where ships operating in the North American Emission Control Area shall not have sulphur content of fuel oil used on board ships exceeding 1% m/m on and after August 2012. MARPOL Annex VI sets limits on sulphur oxide and nitrogen oxide emissions from ship exhausts and prohibits deliberate emissions of ozone depleting substances. The annex includes a global cap of 3.5% m/m on the sulphur content of fuel oil and calls on IMO to monitor the worldwide average sulphur content of fuel. This protocol contains provisions allowing for special SOx Emission Control Areas (SECAs) to be established with more stringent controls on sulphur emissions.

Post State Control (PSC)

Various PSC improvement initiatives were conducted during the year. These included collaborative PSC office visit to numerous PSC offices in the United States of America, Australia, Singapore and China. Continuous monitoring of vessel calling to high risk areas, alerts, advisories, campaigns and self-assessment checklists were also implemented. By year end, Fleet Management Services (FMS) achieved 61 PSC inspections with zero deficiency and record zero detention for the whole year.

Stronger Security Practices

In view of the continuing threats on piracy, the safety & security of our vessels remained our top priority, especially in the Gulf of Aden, Indian Ocean, West Africa and Gulf of Guinea. For several years to date, MISC has been working in partnership with the Royal Malaysian Navy to ensure the safety and security of our crew and vessels. The Royal Malaysian Navy provides escort onboard our converted navy auxiliary vessels especially in these high risk areas. As a means to heighten the safety and security of our ships, maritime security will be integrated into the shipping industry. In the near future, we will continue to prioritise on heightened safety levels and reliability, while finding ways to manage cost optimisation activities, enhance our productivity and further develop the capabilities of our ships.

Green Technology Ships

During the Financial Year 2012, five Green Technology (GT) initiatives were set in motion to help improve onboard environmental and energy efficiencies.

The effects of the five GT initiatives during the year under review were:

1. **The incorporation of Propeller Boss Cap Fins (PBCF)**

   The PBCF has been installed on five of our ships. Accumulative returns up till March 2013: Fuel saving of 4,742.16 MT which is equivalent to USD 2,998,832.16 (+4.38%) against invested cost of USD 897,701.

Corporate Responsibility Report

2. **The incorporation of Low Friction Anti-fouling Coating (LFC)**

   LFC has been applied to four of our ships. Accumulative returns up till Mar 2013: Fuel saving 8,992.25 MT equivalent to USD 5,962,370 (+4.88%) against invested cost of USD 821,576.

3. **Trim Optimisation Programme**

   This programme has been installed on two of our ships and we are currently monitoring its progress and performance.

4. **Optimum Ship Routing Programme (OSR)**

   The OSR programme has been discontinued as monitored findings has deemed it not viable for our ships.

5. **Emission Reduction System/Emission Scrubber System (ERS)**

   The ERS programme has also been discontinued as it is deemed non viable.

The success of three of the five initiatives is indicative of our ongoing commitment to environmental care and energy saving initiatives. The improvements display better hydrodynamics performance, stronger propulsion efficiency and lowered GHG emissions to the environment. MISC is also considering advanced low friction paint, water in diesel emulsion, Waste Fuel Recovery (WFR), mass flow meters, high efficient fixed pitch propellers and propeller blades trimming as future environment and energy efficiency initiatives.

These initiatives further reinstate MISC's commitment to Marine Environment Protection and Conservation and our dedication to ensure that our ships comply with the global environmental requirements of the industry. MISC has rolled out the ship specific, Ship Energy Efficiency Management Plan (SEEMP) Manual on 14 December 2012.

Environmental Accreditation

Green Certification Award

MISC was once again honoured with the 'Green Certification Award' by the Green Award Foundation for our commitment and dedication in displaying high safety and environmental standards. To date, four of our Seri "B" Class MISC LNG tankers and two of our "A" Class MISC Chemical tankers have been accredited with Green Awards. MISC's LNG Carrier, Seri Balhaf became only the second LNG vessel in the world to be Green Award certified.

The Green Award Foundation is a non-profit foundation incorporated in Netherlands and its membership includes reputable industry bodies. Certification was ascertained through comprehensive audits that cover a broad aspect of leadership, environmental focus, crew training and development, vessel maintenance and Health Safety & Environmental aspects. Ships that are Green Award certified reap various financial and non-financial benefits including a considerable reduction on port tariffs at ports in Belgium, Canada, Netherlands, Oman, New Zealand, Portugal and South Africa. Increasingly, other ports in the Asian region, including Singapore and Hong Kong, are also beginning to show. Plans are underway to certify Seri Bakti under the Green Award Foundation.

MARKETPLACE

MISC is committed to render its excellent services in the marketplace despite the challenges faced in the global shipping industry to stay afloat in times of economic adversity. The main objective of the procurement function is to achieve maximum cost savings via Economies of Scale (EOS). Cost savings is being derived through strategic synergies and implementation of Supplier Relationship Management (SRM) programs. These identified SRM programs have provided a platform to realise our brand values via our tagline, "Growth Through Partnerships" and have inculcated trust and commitment amongst our suppliers as business partners with the aim of maintaining excellent supply and delivery performance at all times. MISC has successfully reaped EOS with the implementation of Master Procurement Plan (MPP) across the group as well as aggressively converting significant spot purchases to term agreements and contracts including establishing fixed price physical hedging contracts for bunker. In addition, continuous reviews on MISC Procurement Manual (MPM) and Standard Operating Procedures (SOP) are being carried out to enhance governance and be in line with the industry practice.

Corporate Responsibility Report

The main SRM programs include the following:

1. **Quarterly Supplier/Vendor Engagement Programs (SEP/VEP)**

   Engagement programs with suppliers/vendors are being conducted to promote and enhance relationship whilst providing opportunities for information sharing thus creating trust and commitment.

2. **Quarterly Delivery Assessment Exercise (DAE)**

   Performance of suppliers are being regularly assessed and evaluated for quality, cost, delivery and reliability of services as agreed in the scope of work.

3. **Vendor Performance Assessment (VPA)**

   VPA is being conducted on an annual basis to gauge the extent of vendors' performance to ensure credibility and provision of quality services. The VPA results shall be the basis of eventual termination or otherwise depending on the degree of non-performance. This program will facilitate the process of weeding out any non-performing suppliers or nurturing any potential excellent business partners.

COMMUNITY

We encourage and cultivate respect for the community in which we live and work. We understand that it is our responsibility to nurture, develop and give back to society. In our day-to-day business, we serve our customers and partners to the best of our ability. We show this same respect and commitment to our communities.

MISC encourages good citizenship through our many educational, social and development programmes over the years. Our people are also urged to lend their hearts and commitment to mini CSR programmes of their choice, another means to encourage and engage with the surrounding communities. We also serve our communities by offering relief as well as scholarship programmes each year.

MISC Cadet Sponsorship Programme

An ongoing initiative since 1972, and as part of our commitment to the growth and sustainability of the maritime industry, MISC continues to help develop capable sea-going professionals via our in-house maritime academy, Malaysian Maritime Academy Sdn. Bhd. (ALAM). During the year in review, MISC sponsored a total of 131 maritime cadets at ALAM.

Corporate Responsibility Report

Developing Futures: Navigate Your Career

A programme that has flourished since 2007, MISC's Navigate Your Career (NYC) is a youth development programme that develops industry-ready graduates. NYC exposes graduates to the upcoming challenges and realities of the marketplace, thus preparing them for the marketplace in the near future.

During the year, NYC was conducted at two major local universities – Universiti Teknologi Mara (UiTM) and Universiti Teknologi Malaysia. The two day workshops, held from 7-8 November 2012 and 27-28 November 2012 respectively, incorporated indoor and outdoor sessions, mini lectures, video presentations, and group and individual challenges. These NYC workshops were crafted to cultivate positive emotional responses and to assist them in understanding the sheer importance of adding value to the workplace. Areas covered include mindset change, confidence building, interpersonal skills, English oral communication skills and presentation skills. Conducted based on experiential learning, the participants were exposed to activities that encouraged group discussions and presentations by both teams as well as individuals.

The NYC workshops also featured an infotainment booth and funzone. The booth acted as an introduction to MISC as the region's leading maritime and logistics corporation. It was also as an avenue for future career consideration in the industry. Our university level NYC proved a success yet again with full classes for almost all of the sessions conducted at both universities.

NYC was also held at high school level under the NYC In Schools programme. This year, three high schools were selected for the programme – the Royal Military College (RMC), Sekolah Menengah Sains Kuala Selangor and Sekolah Menengah Teknik Gombak. Conducted on 5 September, 8 September and 22 September respectively, the one day workshop created specifically for Form 5 students, were a combination of indoor and outdoor sessions, discussions, games, as well as team and individual challenges.

The high school level NYC workshops were designed to explore the concept of personal development, confidence building, leadership, team building and team synergy. Plans are underway to conduct more workshops of this nature in the next financial year.

Bridging Communities: MISC's Mini CSR

MISC's Mini CSR Programme is a departmental driven CSR initiative that encourages community care from within. Numerous departments and subsidiaries are allocated a budget to select or continue their CSR effort of choice while enhancing MISC's presence in the surrounding communities. Eight projects were championed during the year under review.

Welfare & Wellbeing

- *"Visit to Putrajaya Paediatric Ward"*
  This project was held at the Putrajaya Hospital Paediatric ward and included the participation of 100 Sea and Shore staff.

- *"We Care, We Act, We Unite"*
  Held at the Raydha Orphanage, Hulu Langat, Selangor. Staff spent a day there with activities aimed at bringing cheer to the orphanage, encouraging teamwork, improving observation skills and building self confidence amongst the children.

- *"We Care... We Love"*
  Conducted at Pusat Jagaan Nuril Anwar, Seremban, Negeri Sembilan, the programme is aimed at promoting youth development and educational excellence, the team interacted with 89 underprivileged teenagers and orphans from the centre.

Educational & Motivational

- *"Project Mata Hati – Seeing through the Eye of Education" at Sek Men Pendidikan Khas (Cacat Penglihatan) Setapak, Selangor.*
  This project is a continuation of the "Textures & Tactility" art project, held previously, in collaboration with Universiti Pendidikan Sultan Idris (UPSI) and NN Gallery, which promotes the exploration of arts amongst the visually impaired students of the school.

- *"A Better Future" programme for the Rumah Jagaan Titian Kaseh, Titiwangsa, Kuala Lumpur.*
  Held over two days, this youth development and underprivileged assistance programme involved a shelter visit on the first day followed by a KidZania 'Play, Learn & Experience: Get Ready For A Better World' fun-filled activity the following day.

Corporate Responsibility Report

- *"Sunshine" at Sekolah Integrity Kajang, Selangor.* This two part project involved the cleaning up and upgrading of the school's Resource Centre, which included the setting up of a Media Room and Library, as well as an exciting Career Opportunity Talk on Photography, a basic introduction and appreciation session on the wonders of photography.

- *"Performance Improvement Programme" at Sekolah Kebangsaan PPR Lembah Subang, Selangor.*
  The project included a donation drive for the school facilities, among them being whiteboard stands, A4 paper and sets of 'buku koleksi soalan peperiksaan UPSR' as well as assistance and donations for the students. The donations included educational materials, intensive classes, workshops on answering skills, school uniforms, shoes, and school bags for students from underprivileged families.

- *"Mountain of Life" programme with SMK Sijangkang Jaya, Banting.*
  Aimed at encouraging educational excellence amongst the students of the school, the programme included donations and the distribution of revision books, geometrical sets, scientific calculators and tuition fees of RM100 per student for 35 select students from underprivileged families.

Lending A Hand: Corporate Contributions

Over the years, we have been actively involved in many charitable events organised by numerous associations around the country. During the year under review, MISC has extended assistance to various causes in need, including:

- Hari Raya Aidilfitri Gift Packages to Angkatan Tentera Malaysia.
- A contribution to Malaysia's Shipowners Association's Annual Dinner and FASA Maritime Logistics Conference and Exhibition in 2012.
- Contributions to the Marine Department of Malaysia to help them organise their World Maritime Day 2012.
- Contributions to the celebration of Warriors Day by the Department of Veteran Affairs, under the Ministry of Defence.
- Sponsorship of a student residence building, the "Kolej Kediaman MISC" to Universiti Utara Malaysia (UUM).

Statement on Corporate Governance

The Board of Directors of MISC Berhad (Board) is committed in ensuring a high standard of corporate governance is applied throughout MISC Berhad Group (Group). The Board strives to ensure that the principles of Corporate Governance as laid down in the Malaysian Code on Corporate Governance 2012 (Code) are taken into account and are appropriately adhered to by the Group. The Board is pleased to disclose the Group's application of the principles as set out in the Code.

THE BOARD

The Board comprises members drawn from various professional backgrounds, bringing depth and diversity in experience, expertise and perspectives to guide the Group. 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 Board reserves material matters to itself for decisions, which include the overall Group strategies and directions, acquisitions and investment/divestment policies, approval of major capital expenditures, projects, plans and budgets and significant financial matters, as well as major human resource policies. The Board also monitors the overall performance of the Group.

a. Composition of the Board

The Board has seven (7) Directors comprising a Non-Independent Non-Executive Chairman, four (4) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director and an Executive Director who is also the President/Chief Executive Officer (President/CEO). A majority of the Board consists of Independent Non-Executive Directors. This is in line with the recommendation of the Code that where the Chairman of the Board is not an Independent Director, the Board must comprise a majority of Independent Directors. The composition of the Board is also in compliance with Paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Securities) (MMLR).

The position of Non-Executive Chairman is held by a Non-Independent Director who is a nominee of Petroliam Nasional Berhad (PETRONAS) in view that PETRONAS is the major shareholder of the Company. The profiles of the Directors are presented on pages 26 to 32 of this Annual Report.

In line with the recommendation of the Code, there is a clear division of responsibilities between the roles of the Chairman and the President/CEO to ensure a balance of power and authority. The Chairman is primarily responsible for the orderly conduct and performance of the Board whilst the President/CEO is responsible for the overall operations of the business, organisational effectiveness and the implementation of the Group's strategies and policies. The President/CEO is assisted by the Management Committee in managing the Group's business operations on a day-to-day basis. The Management Committee is responsible in the implementation of the Group's policy and procedures as well as all strategic decisions of the Board.

Statement on Corporate Governance

The four (4) Independent 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. The Non-Executive Directors are persons of strong calibre. This ensures that the strategies proposed by the Management are open to constructive challenges and are fully deliberated and examined for the long-term interest of the Group, as well as the shareholders and other stakeholders.

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

b. Board Meetings and Supply of Information

Board Meetings are scheduled in advance of any new financial year to facilitate Directors to plan ahead and fit the year's meetings into their schedules. The Board meets every quarter and additional meetings are held as and when required. During the financial year ended 31 December 2012, ten (10) Board Meetings were held. Details of attendance of each Director are as follows:

Director	Number of Board Meetings Attended
Datuk Manharlal Ratilal *(Chairman)*	10 out of 10
Harry K. Menon	9 out of 10
Dato' Halipah binti Esa	10 out of 10
Datuk Nasarudin bin Md Idris	10 out of 10
Dato' Kalsom binti Abd. Rahman	10 out of 10
Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah *(Resigned on 1 November 2012)*	4 out of 7
Amir Hamzah bin Azizan *(Resigned on 16 August 2012)*	5 out of 6
Mohd. Farid bin Mohd. Adnan	10 out of 10
Lim Beng Choon *(Appointed on 16 August 2012)*	4 out of 4

The agenda and a full set of Board Papers are distributed prior to Board Meetings 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, risk factors and human resource issues.

Minutes of 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 full access to the advice and services of the Company Secretary who is responsible for ensuring that Board Meeting procedures are followed. The Company Secretary also serves and advises the Board on matters relating to corporate compliance with relevant laws, rules, procedures and regulations affecting the Board and the Group, as well as best practices on governance.

c. Appointment and Re-election of Directors

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

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

The re-election of Directors is also regulated by the provision of Section 129(6) of the Companies Act, 1965 which provides that Directors over seventy (70) years of age are to retire at every AGM and may offer themselves for re-election. However, none of the Company's Directors has reached seventy (70) years of age as at the date of this Annual Report. A retiring Director shall retain office until the close of the General Meeting at which he retires.

The Board also acknowledges the recommendation of the Code that an appropriate term for Independent Non-Executive Directors should not be more than nine (9) years. In this regard, the Board acknowledges that Mr. Harry K. Menon has served the Company more than nine (9) years. In this respect, the Board has considered his position and decided to retain him as Independent Non-Executive Director in view that his independence and professionalism have never been compromised despite serving the Company for more than nine (9) years.

d. The Board Committees

The Board has established Board Committees to ensure the Board's effectiveness and to efficiently delegate and discharge its duties and responsibilities. The Board Committees operate under their respective clearly defined terms of reference.

During Board Meetings, the Chairpersons of the Board Committees provide summary reports of the recommendations and decisions made at respective Board Committee meetings and highlight to the Board any further deliberation that are required at Board level.

The Company has two (2) Board Committees:

i) Board Audit Committee

The composition, terms of reference and a summary of the activities of the Board Audit Committee (BAC) are set out separately in the BAC Report on pages 121 to 125 of this Annual Report.

ii) Nomination and Remuneration Committee

Effective 1 January 2013, the Nomination Committee and the Remuneration Committee were combined and became the Nomination and Remuneration Committee ("NRC"). The NRC consists of the following Directors:

- Dato' Halipah binti Esa *(Independent Non-Executive Director and Chairman of the NRC)*
- Dato' Kalsom binti Abd. Rahman *(Independent Non-Executive Director)*
- Mohd. Farid bin Mohd. Adnan *(Non-Independent Non-Executive Director)*

The functions of the NRC include:

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

Collectively, prior to their amalgamation, the NRC held seven (7) meetings for the financial year ended 31 December 2012.

Key Activities of the NRC:

During the period of review, the NRC implemented a formal Board performance evaluation process. Arising from this, the NRC reviewed the Board Performance Evaluation – Results and Way Forward for the financial year ended 31 December 2011 and identified certain ways and means to improve Board operations. A Board Performance Evaluation Process – Phase 2 was also identified whereby the Key Performance Indicators (KPIs) on the "soft skills" of the Board were deliberated. The Board performance evaluation process was followed by the review and agreement of the Board KPIs for 2013 and a Board Performance Evaluation Sheet (PES) method of Board assessment, which were approved by the Board.

The NRC had also conducted the annual review on the required mix of skills and experience of the Directors, including core competencies of the Non-Executive Directors. A skill map was presented to the NRC to substantially identify the required mix of skills and experience of Directors in line with the Company's objectives and requirements.

During the year, the NRC commenced on the formulation of a draft Board Charter and the same was subsequently approved by the Board on 17 April 2013. The NRC also undertook a review of the training requirements of Directors where a more customised approach was taken to fit the needs of the respective Directors.

The NRC had also deliberated on the implications of the enforcement of the Code and the impact to the Company. In addition, deliberations took place on the Succession Planning Plan and Policy of the Company. Other matters deliberated by the NRC were the resignation and appointment of Directors, remuneration package of the Board and BAC members, the MISC Remuneration Process and the appointment and renewal of contracts of employment for senior management.

e. Directors' Fees

With the exception of the President/CEO, all Non-Executive Directors are paid Directors' fees which are subsequently approved by the shareholders at the Annual General Meeting. For the year under review, the breakdown of fees and attendance allowances received by each director is as listed below:

Name of Directors	Annual Fees (RM)	Board Attendance Allowance (RM)	Board Committee Attendance Allowance (RM)	TOTAL (RM)
Harry K. Menon	72,000.00	27,000.00	18,000.00	117,000.00
Dato' Halipah binti Esa	72,000.00	30,000.00	21,000.00	123,000.00
Dato' Kalsom binti Abd. Rahman	72,000.00	30,000.00	30,000.00	132,000.00
Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah *(Resigned on 1 November 2012)*	60,200.00	12,000.00	2,000.00	74,200.00
Lim Beng Choon *(Appointed on 16 August 2012)*	27,097.00	12,000.00	4,000.00	43,097.00
TOTAL	**303,297.00**	**111,000.00**	**75,000.00**	**489,297.00**

Effective 1 July 2010, all payments in relation to Directors' fees for the executives of PETRONAS (Vice President and above) representing PETRONAS on the Board of PETRONAS's subsidiaries/associate companies are treated as management fees and are paid directly to PETRONAS. The Company paid RM328,097.00 of management fees to PETRONAS during the financial year ended 31 December 2012 in respect of the fees for Datuk Manharlal Ratilal, En. Amir Hamzah bin Azizan and En. Mohd. Farid bin Mohd. Adnan.

f. Directors' Training

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

The Directors are encouraged to attend continuous education programmes, talks, seminars, workshops and conferences to enhance their skills and knowledge in order to ensure they keep abreast with new developments in the business environment. Relevant training programmes are arranged by the Company Secretary for the Directors. In addition, a dedicated in-house training programme is organised for the Directors within the Group on an annual basis.

Statement on Corporate Governance

During the financial year under review, the Directors have attended the relevant training programmes to further enhance their knowledge to enable them to discharge their duties and responsibilities more effectively, amongst others, the following:

	Title	Organisers
1.	Director Training on Treasury Markets and Products by Institute of Bankers Malaysia	MIDF Amanah Investment Bank Berhad
2.	4th PETRONAS BAC Forum 2012: Enhancing Governance and Control for Better Performance and Delivery	PETRONAS Group Internal Audit Division
3.	Bursa Malaysia Governance Program: Role of Audit Committee in Assuring Quality	Bursatra Sdn. Bhd.
4.	Hong Leong Bank Group Directors Training: Optimising IFRS Convergence	KPMG
5.	Taklimat Pelaburan ASNB	Permodalan Nasional Berhad
6.	In house Directors Training for Lion Group of Companies: Key Amendments to Listing Requirements 2011 and Key Recommendations from MCCG 2012	Tricor Corporate Services Sdn. Bhd.
7.	SSM National Conference 2012	Suruhanjaya Syarikat Malaysia
8.	Coaching by US Consultant on Potential Women Directors	NAM Institute for the Empowerment of Women (NIEW)
9.	In house Directors Training and Senior Managers of MIDF Amanah Investment Bank Berhad: Islamic Finance and Banking	MIF Training Sdn. Bhd.
10.	NIEW Directors Training for Potential Women Directors	NAM Institute for the Empowerment of Women (NIEW)
11.	Audit Committee and Chief Audit Executive Forum: Enhancing Internal Audit's Value	PETRONAS
12.	PNB Nominee Directors Convention 2012: Corporate Governance Blueprint 2011, Malaysian Code and Corporate Governance 2012, New Trends in Corporate Governance and Implications on Corporate Performance	Permodalan Nasional Berhad
13.	MIDF Investment Forum 2012: Resuscitating the Economy	MIF Training Sdn. Bhd.
14.	NIEW Training for Women Directors	Korn Ferry International
15.	Women Directors Convention 2012	NIEW and Women Development Ministry
16.	Chairman Power Breakfast	NIEW and Women Development Ministry
17.	WDP Soft Skills and Simulation	NIEW and Women Development Ministry
18.	MISC Berhad Directors' Annual Training – Malaysian Code on Corporate Governance 2012: Implications & Challenges to the Board of Directors, Succession Planning at the Board Level & Corporate Planning: Effective Transformation Process	MISC (In house Training)

g. Shareholders and Investors

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

The AGM is the principal forum of dialogue with the shareholders and also an avenue for the Chairman and Board members to respond personally to all queries and provide sufficient clarification on issues and concerns raised by the shareholders. Shareholders are strongly encouraged to attend, speak and vote at the Company's general meetings. In compliance with the Code, the Company will hold a poll voting whenever general meetings to decide on RPTs are held.

Other than the forum of the AGM, the other medium of communication between the Company and shareholders and/or investors are as follows:

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

Further details on our investor relations activities are provided in page 75 of this Annual Report.

h. Accountability and Audit

i) Financial Reporting

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

ii) Statement of Directors' Responsibility for Preparing the Financial Reports

The Directors are responsible to prepare the annual audited financial statements of the Group and the Company in accordance with the provisions of the Companies Act, 1965 and the requirements of the applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board. The Directors are also responsible to ensure that the annual audited financial statements of the Group and the Company are properly drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at the financial year end and of their financial performance and the cash flows for the financial year then ended.

In preparing the annual audited financial statements of the Group and the Company for the financial year ended 31 December 2012, the Directors have ensured that, appropriate and relevant accounting policies are adopted and consistently applied, reasonable and prudent estimates are exercised and going concern basis was adopted.

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

iii) Risk Management and Internal Control

The Board acknowledges its overall responsibility for continuous maintenance of a sound system of risk management and internal control to safeguard shareholders' investment and the Group's assets. This principle is further elaborated under the Statement on Risk Management and Internal Control by the Directors in pages 110 to 116 of this Annual Report.

iv) Code of Conduct and Business Ethics

The Company's Code of Conduct was revised and superseded by a new MISC Code of Conduct and Business Ethics ("CoBE") approved by the Board on 15 August 2012. The CoBE is applicable to all Directors, employees and third parties performing works or services for or on behalf of the Company. It governs the desired standard of behaviour and ethical conducts expected of each individual to whom the CoBE applies.

The Board had also approved the Whistleblowing Policy and No Gift Policy for the MISC Group.

v) Relationship with the 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. The BAC met with the External Auditors twice during the year under review without the presence of the management to discuss any matters that they may wish to present.

vi) Related Party Transactions

The Group has put in place procedures, internal controls and guidelines to ensure that related party transactions ("RPT") and recurrent related party transactions ("RRPT") are entered into on normal commercial terms and on terms which are not more favourable than those generally available to third parties dealing on arms' length basis and are not detrimental to the minority shareholders.

The BAC is responsible to ensure the following:

i. That a framework and appropriate procedures are in place for the purposes of identifying, monitoring, evaluating, reporting and approving RPTs and RRPTs;
ii. That a review of any RPTs or RRPTs and conflict of interests that may arise within the Group is conducted;
iii. That the established procedures are adequate in order to ensure that the RPTs and RRPTs are entered into in the best interest of the Company, on fair and reasonable commercial terms and not detrimental to the interest of minority shareholders.

The internal guidelines pertaining to the governance of RPTs and RRPTs are summarised as follows:

a) Information on related parties and procedures applicable for RPTs and RRPTs which involve interest, direct or indirect, of such related parties shall be disseminated from time to time to all MISC's business and service units as well as subsidiaries, for their reference.

b) All business and service units shall review their existing information systems on an on-going basis to ensure that features are incorporated in the systems for capturing information on RPTs/RRPTs at source. All heads of departments are advised to report on all transactions with related parties.

c) RPTs and RRPTs will only be undertaken after it has been ascertained that the transaction prices, rentals, terms and conditions, quality of products/services are comparable with those prevailing in the market and will meet industry standards. The transaction prices will be based on the prevailing market rates/prices of the service or product or to otherwise accord with the normal commercial terms and applicable industry norms. The interests of non-interested shareholders will be taken into account when entering into the RPT and RRPT to ensure that their rights and interests are upheld as per the MMLR.

d) Where possible, other contemporaneous/similar transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison, to determine whether the price and terms offered to/by the Related Parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities.

   In the event that quotation or comparative pricing from unrelated third parties cannot be obtained, the transaction price will be based on prevailing market rates or prices that are agreed upon under similar commercial arrangements for transactions with third parties, business practices and policies and on terms which are generally in line with industry norms in order to ensure that the RPT and RRPT is not detrimental to the Company or the Group.

e) On-going awareness sessions are arranged with employees and stakeholders to ensure sufficient knowledge on RPTs and RRPTs in order to comply with the MMLR. Records on all transactions with Related Parties are properly maintained by all Business and Service Units and MISC's subsidiaries.

f) Internal audit shall review the internal control process and records of RPTs and RRPTs within the affected scope to verify that relevant approvals have been obtained and review procedures in respect of such transactions are adhered to. Any divergence will be reported to the BAC.

Statement on Corporate Governance

g) BAC shall review the internal audit report and will also review from time to time any related party transactions that may arise within the Group. If the BAC is of the view that the procedures are insufficient to ensure that RPTs and RRPTs are undertaken on an arm's length basis and on normal commercial terms and on terms that are not more favourable to the transacting party than those generally available to other third parties during their periodic review of the procedures, the BAC has the discretion to request for additional procedures to be imposed on the RPTs and RRPTs.

h) An interested/deemed interested director in any particular RPT/RRPT, shall be required to declare his or her interest in the RPT/RRPT and will have to refrain from any deliberation and also abstain from voting on the matter at the Board meeting in respect of that RPT/RRPT.

i) MISC's Limits of Authority also reflect the relevant thresholds for the approval of RPT and RRPT. A process flow is also defined to articulate the necessary steps of the process.

The RRPTs entered into by the Group during the financial period ended 31 December 2012 are set out below:

Nature of Transaction	Transacting Party	Related Party
1. Charters of Floating Storage Unit (FSU) to PETRONAS Group	Gas Asia Terminal (L) Pte. Ltd.	PETRONAS*
2. Provision of freight forwarding activities and/or logistics services to PETRONAS Group	MISC Integrated Logistics Sdn. Bhd.	PETRONAS*
3. Purchase of lubricants and other petroleum products including bunker oil from PETRONAS Dagangan Berhad	MISC	PETRONAS*
4. Charters of petroleum and chemical tankers and liquefied petroleum gas carriers from MISC by PETRONAS Group	MISC	PETRONAS*

*PETRONAS is a major shareholder of the Company

The BAC has reviewed the above RRPTs and confirmed that the methods or procedures for determining the prices and terms of the RRPTs have not changed since the issuance of the Independent Adviser's opinion by PricewaterhouseCoopers Capital Sdn. Bhd. dated 26 March 2012 which was published in the Company's Annual Report for the financial period ended 31 December 2011.

The BAC has also confirmed that the methods or procedures, as mentioned above, are sufficient to ensure that the RRPTs will be carried out on normal commercial terms and are not to the detriment of the Company's minority shareholders.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors duly passed on 17 April 2013.

Statement on Risk Management & Internal Control

INTRODUCTION

The Malaysian Code on Corporate Governance 2012 requires the Board of Directors (Board) to establish a sound risk management framework and internal control system, and disclose in the annual report the main features of this risk management framework and internal control system.

Further, pursuant to Paragraph 15.26(b) of the Listing Requirements (LR) of Bursa Malaysia, the Board is also required to include in the Company's annual report, a 'statement about the state of internal control of the listed issuer as a group'.

Hence, the Board is pleased to provide the following statement that was prepared in accordance with the 'Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers', which has been endorsed by Bursa Malaysia.

ACCOUNTABILITY OF THE BOARD

The Board recognises its principal responsibility of establishing a sound risk management framework and internal control system, as manifested in Recommendation 6.1 of the Malaysian Code on Corporate Governance 2012.

Accordingly, the Board has entrusted the responsibility of managing risks to the Board Audit Committee (BAC). The BAC, via the Risk Management Committee (RMC), has put in place a systematic risk management framework adopted from the PETRONAS Risk Governance Framework to identify, evaluate and manage the principal risks of the Group and implement appropriate internal control systems to manage these risks, of which details are set-out in the following pages.

In addition to the risk management process, the BAC, via the Management Audit Committee (MAC), periodically reviews and/or tests the efficiency and effectiveness of the Group's internal control system to ensure that the system is viable and robust.

In dealing with risks, the Board understands that it is not always possible, cost-effective or desirable to manage or eliminate risk all together. Accordingly, these internal control systems can only provide reasonable and not absolute assurance against material misstatement or loss, or the occurrence of unforeseeable circumstances. Thus, the Board adopts a cost-benefit approach to ensure that returns must commensurate with the risks taken and reduce cost of risk controls.

Statement on Risk Management & Internal Control

RISK MANAGEMENT FRAMEWORK

The management has leveraged on the PETRONAS Risk Governance Framework to ensure all business risks are prudently identified, evaluated and managed in accordance with acceptable international standards, principles and guidelines on risk management.

The framework of risk management encompasses the following key elements:

- **Risk Management Policy**

  The Group adopts the PETRONAS Enterprise Risk Management (ERM) Policy in identifying, assessing, reporting and monitoring the ever changing risks facing the Group and take specific measures to mitigate these risks. The policy stresses the importance of balancing between risk and reward in making business decisions to protect key stakeholders' interests, and to comply with all statutory and legal requirements.

  In addition, MISC is represented in the **PETRONAS Risk Management Committee** which allows the MISC Group to leverage on PETRONAS ERM approaches, standards and current initiatives in implementing Enterprise Risk Management. This platform also allows mutual exchange of information between MISC and PETRONAS to keep abreast of developments in managing risks. In addition, the PETRONAS 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.

- **Risk Governance Structure**

  The RMC was established in 2011 to assume the role of risk oversight and governance responsibilities.

  The RMC, which mainly consists of Vice Presidents and heads of key service units, is primarily responsible for driving the Risk Management Framework and acts as the central platform of the Group to undertake the following key responsibilities:

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

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

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

  The implementation of risk management activities are undertaken at corporate and business units/subsidiaries level and risk reports are reviewed and monitored by the Risk Management Department (RMD) on regular intervals prior to escalation to RMC. Each appointed risk focal person owns the responsibility for risk management activities in their specific department/unit to ensure consistent implementation of risk management across the Group.

The RMC meets on a regular basis to update any risk management issues to the Management Committee (MC), President/CEO and BAC which then updates the Board.

To ensure the integrity of financial risk management, the Finance Risk Committee (FRC) continues to monitor and ensure effective and robust implementation of the financial risk management through the implementation of the **PETRONAS Corporate Financial Policy (CFP)**. The CFP supports the delivery of consistent approach in financial and risk management discipline across the Group. The CFP is supplemented with Guidelines in the areas of Integrated Financial Shared Services Centralisation, Liquidity Management, Capital Structure & Financing, Investment, Banking, Asset Liability Management, Foreign Exchange Management, Credit, Commodity Price Risk Management, Tax Management and Financial Risk Management.

The Group has established its **Financial Risk Appetite Setting (FRAS)** in the areas of Interest Rate Risk, Foreign Exchange Risk and Financial Institution Credit Counterparty Risk. The FRAS are reviewed on an annual basis or as and when the need arises, helps to alert early warning signals through the monitoring of Financial Risk Appetite Scorecards and its Key Risk Indicators.

The FRC is represented in the **PETRONAS Financial Risk Management Operational Committee (FRMOCO)** which is commissioned to address financial risk management, governance and operational issues in a holistic manner.

RISK MANAGEMENT PROCESS

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

The following summarises the key risk management activities undertaken during the year in review:

- **Embedding risk management into strategy planning**

  The Board acknowledges the significance of managing key risk events to sustain the achievement of business objectives. For this reason, specific key risk events were identified and discussed during the Group's Annual Planning & Budgeting Cycle, which ran between June to September 2012. Within this period, RMD had worked closely with Business Units (BU), key Service Units (SU) and key Subsidiaries (Subs) to reassess their respective risk profiles and reinforcing the effectiveness of the Key Risk Indicators (KRIs) to address MISC's key risk events. Specific strategic initiatives were also identified and aligned to its key risk events.

Statement on Risk Management & Internal Control

- **Continuous Monitoring via Risk Scorecards**

  During the year in review, Management has continued to rely on Risk Scorecards to monitor the level of risks in relation to the acceptable risk appetite. Risk Scorecards are derived from the BU/SU/Subs risk registers after risk events had been prioritized by significance and aggregated into key risk categories. The performance of these key risks is monitored using specific KRIs, which were presented to the RMC, MC and BAC on quarterly basis. Hence, any changes or movements in the KRIs will provide an early warning mechanism should risk transcend into undesirable levels.

- **Project Risk Assessment**

  Project Risk Assessment (PRA) is conducted for capital intensive projects to ensure that the project returns commensurate with the level of risk taken and the controls in place.

  During the year in review, RMD had undertaken PRAs on specific projects, to identify the projects' risks in advance and implementing controls either to reduce or eliminate the risk impact.

  In addition, Post Implementation Economic Review (PIER) was also performed on specific projects/assets to assess the achievement of agreed objectives, targets and returns. PIER is an integral process of the entire PRA value chain.

OTHER KEY INTERNAL CONTROL PROCESSES

In addition to the risk management process, the effectiveness and integrity of the internal control system are also governed by the various processes as follows:

1. The **BAC** operates within its terms of reference and the **Management Audit Committee (MAC)** performs an important role in ensuring that there are effective risk monitoring, internal control and corporate governance to provide the level of assurance required by the Board.

2. **MISC Group Internal Audit (GIA)**, functionally reports 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 processes. GIA also conducts additional assurance assignments, control improvement engagements and special reviews arising from potential irregularities in any areas upon request by the Management, MAC or BAC. The BAC reviews, deliberates and endorses the annual and long term audit plans and strategies including scope of work and resources. Results of the audit engagements are presented and deliberated during quarterly BAC meetings.

   Prior to submission to the BAC, GIA submits the comprehensive audit reports incorporating risk areas under review and their associated controls, audit findings and recommendations to the MAC for executive reviews. The reports, deliberations and decisions are shared during BAC meetings.

The key in solving lapses in internal controls is the effective execution of the Audit Plan and close monitoring of the **Agreed Corrective Actions (ACA)** which are embodied in the audit reports. GIA monitors the status of implementation of these ACA through the Quarterly Audit Status Reports, of which, the ACA are recorded and analysed. The consolidated reports are submitted and presented to the MAC and BAC for deliberation and endorsement on half yearly basis.

In addition, BAC conducts half yearly review and yearly assessment on the adequacy of GIA's functions and resources, scope of work, service orientation, and its Annual Plan and Strategy. 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.

3. The **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 adoption of the **PETRONAS Code of Conduct & Business Ethics (CoBE)** applicable and issued to all staff upon joining. Employees are required to strictly adhere to the CoBE in performing their duties.

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

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

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

Statement on Risk Management & Internal Control

5. The **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.

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

3. **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.

4. The Group had implemented the **PETRONAS Financial Control Framework (FCF)** initiative of which the principal objective is to enhance the quality of the Group's financial reports through a structured process of ensuring the adequacy and effectiveness of key internal controls operating at various levels within the Group at all times. FCF requires among others, documentation of process workflows, key controls, remediation of control gaps as well as a regular conduct of testing of control operating effectiveness.

   On a semi-annual basis, each key process owner at various management levels is required to complete and submit a Letter of Assurance which provides confirmation of compliance to key controls for the areas of the business for which they are accountable.

5. The Group had implemented the **PETRONAS Debt Compliance Management (DCM)** initiative of which the objective is to provide assurance that debt covenants of the external borrowings are being observed and complied with.

6. There is a clear procedure for **investment appraisal** including equity investment or divestment and capital expenditure.

7. **Tender Committees** are established to ensure tender evaluation exercises are conducted in an effective, transparent and fair manner.

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

   An **Information and Communications Technology Steering Committee (ICTSC)** was established to provide strategic directions and guidance to ICT initiatives. Progress of ICT initiatives is 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-compliance.

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

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.

The Board has received assurance from the President/Chief Executive Officer and the Vice President, Finance that, with the exception of its associated companies and jointly controlled entities, the Group's risk management and internal control system is operating adequately and effectively in all material aspects based on the risk management and internal control system of the Group.

There were no material losses incurred during the financial period 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 25 February 2013.

Statement of Directors' Responsibility

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

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

In preparing the annual audited financial statements of the Group and of the Company for the financial year ended 31 December 2012, the directors have ensured that, appropriate and relevant accounting policies are adopted and consistently applied, reasonable and prudent estimates are exercised and going concern basis was adopted.

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

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

This statement is made in accordance with the resolution of the Board of Directors dated 25 February 2013.

Additional Compliance Information

a. Status of Utilisation of Proceeds

The status of utilisation of proceeds raised from the following corporate exercise as at 30 April 2013 are as follows:-

i. Rights Issue which was completed on 24 February 2010

Purpose	Proposed Utilisation RM Million	Actual Utilisation RM Million	Intended Timeframe for utilisation	Deviation Amount RM Million	%
Capital Expenditure	5,187.3	5,187.3	Within thirty-six (36) months from completion of the Rights Issue Exercise	–	–
Estimated expenses in relation to the Rights Issue Exercise	20.5	20.5	Within three (3) months from completion of the Rights Issue Exercise	–	–
Total	**5,207.8**	**5,207.8**		**–**	**–**

ii. Listing of Malaysia Marine And Heavy Engineering Holdings Berhad which was completed on 29 October 2010

Purpose	Proposed Utilisation RM Million	Actual Utilisation RM Million	Intended Timeframe for utilisation	Deviation Amount RM Million	%
Capital Expenditure	914.4	703.6	Within thirty-six (36) months from the date of the listing	–	–
Working Capital	122.5	122.5	Within twelve (12) months from the date of the listing	–	–
Estimated expenses in relation to the Proposed Offer for Sale and Listing	14.0	11.0	Within three (3) months from the date of the listing	–	–
Total	**1,050.9**	**837.1**		**–**	**–**

Additional Compliance Information

iii. <u>Disposal of 50% stake in Gumusut-Kakap Semi-Floating Production System (L) Limited which was completed on 30 November 2012</u>

Purpose	Proposed Utilisation RM Million	Actual Utilisation RM Million	Intended Timeframe for utilisation	Deviation Amount RM Million	%
Repayment of bank loans and borrowings	3,820.6	3,820.6	Within thirty-six (36) months from completion date of share disposal	–	–
Capital Expenditure	1,472.2	235.8	Within eighteen (18) months from completion date of share disposal	–	–
Estimated expenses in relation to the Proposed Share Disposal	2.0	1.8	Within three (3) months from completion date of share disposal	–	–
Total	**5,294.8**	**4,058.2**		**–**	**–**

b. **Material Contracts**

Save for the contracts disclosed below, there were no material contracts entered into by the Company and its subsidiaries, involving the Directors' and major shareholders' interests, still subsisting at the end of the financial year ended 31 December 2012 or, if not then subsisting, entered into since the end of the previous financial year:-

(i) Conditional share purchase agreement dated 5 October 2012 entered into between the Company and E&P Venture Solutions Co Sdn. Bhd. (EPV), a wholly-owned subsidiary of PETRONAS, in relation to the disposal of 305,700,001 ordinary shares of USD1.00 each in Gumusut-Kakap Semi-Floating Production System (L) Limited (formerly known as MISC Floating Production System (Gumusut) Limited) (GKL) to EPV for a cash consideration of USD305.7 million (Share Disposal); and

(ii) Shareholders agreement dated 5 October 2012 entered into between MISC and EPV which sets out the terms and conditions and governance of the relationship between MISC and EPV, as well as certain aspects of the shareholders' dealings in GKL.

PETRONAS was deemed interested in the Share Disposal since EPV is a wholly-owned subsidiary in PETRONAS Group. PETRONAS holds 62.67% equity interest in MISC.

Additional Compliance Information

The following Directors were also deemed interested in the Share Disposal:

- Datuk Manharlal Ratilal, Chairman and Non-Independent Non-Executive Director of MISC, by virtue of him being an Executive Director of PETRONAS;
- Mr. Harry K. Menon, Independent Non-Executive Director of MISC, by virtue of him being a Non-Executive Director of PETRONAS; and
- En. Mohd. Farid bin Mohd. Adnan, Non-Independent Non-Executive Director of MISC, by virtue of him being a representative of PETRONAS on the Board.

c. Sanctions

During the financial year, there were no sanctions and/or penalties imposed on the Company, Directors or Management by the relevant regulatory bodies.

d. Non-audit Fees

The amount of non-audit fees incurred for services rendered to the Group for the financial year ended 31 December 2012 by the Company's External Auditors or their affiliates is RM0.3 million.

e. Share Buybacks

The Company did not purchase any of its own shares during the financial year.

f. Option, Warrants or Convertible Securities

The Company did not offer any options or warrants during the financial year.

g. Depository Receipt Programme

The Company did not sponsor any depository receipt programme during the financial year.

h. Profit Estimate, Forecast or Projection

The Company did not announce any profit estimate, forecast or projection for the financial year.

i. Profit Guarantee

No profit guarantee was given by the Company in respect of the financial year.

Board Audit Committee Report

The Board of Directors of MISC Berhad is pleased to present the Board Audit Committee Report for the financial year ended 31 December 2012.

COMPOSITION AND MEETINGS

The members of the Board Audit Committee (the Committee) during the financial year comprised the following Directors:

Directors	Designation	Number of Meetings Attended
Harry K. Menon *(Independent Non-Executive Director)*	Chairman	6 out of 6
Dato' Halipah binti Esa *(Independent Non-Executive Director)*	Member	6 out of 6
Dato' Kalsom binti Abd. Rahman *(Independent Non-Executive Director)*	Member	6 out of 6
Amir Hamzah bin Azizan *(Non-Independent Non-Executive Director)* *(Resigned as BAC member on 16 August 2012)*	Member	2 out of 4
Lim Beng Choon *(Independent Non-Executive Director)* *(Appointed as BAC member on 16 August 2012)*	Member	2 out of 2

During the financial year, six (6) Board Audit Committee Meetings were held.

Harry K. Menon is a member of the Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountants and a Fellow of the Institute of Chartered Accountants in England and Wales.

TERMS OF REFERENCE OF THE COMMITTEE

Composition

The Committee was established by the Board on 28 June 1993 to act as a committee for the Board of Directors.

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.

Board Audit Committee Report

At least one (1) member of the Committee must be a member of the 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 as a member of the Committee.

Chairman of Committee

The members of the Committee shall elect a Chairman from among the members who shall be an Independent Non-Executive Director.

Attendance and Frequency of Meetings

The Committee meets every quarter and additional meetings are held as and when required. The quorum shall be two (2) members. The External Auditors may request a meeting if they consider it necessary.

Twice yearly, the Committee shall sit with the External Auditors without any Executive Board Member present. The General Manager, Group Internal Audit (GIA) shall be the Secretary of the Committee.

The President/Chief Executive Officer, the Vice President Finance and representative of the External Auditors shall normally attend meetings.

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

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.

Board Audit Committee Report

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 the internal audit report with the Internal and External Auditors;

  b. the assistance and co-operation given by the employees of the Group 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;
     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 Company 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.

SUMMARY OF ACTIVITIES OF THE COMMITTEE DURING THE FINANCIAL YEAR

A summary of the activities performed by the Committee during the financial year is set out below:

Risk Management

- Reviewed the progress of the risk management functions and its on-going activities for identifying, evaluating, monitoring and managing risks.
- Received and reviewed quarterly reports from the Risk Management Committee (RMC) on key strategic and operational risks to ensure these risks are being managed effectively. The RMC is primarily responsible for driving the Risk Management Framework and acts as a central platform for risk oversight within the Group.
- Reviewed and endorsed the Group's risk profile emanating from the Annual Planning Cycle and ensured that appropriate systems and processes are in place to effectively monitor and manage these risks.
- During the year, risk management matters were deliberated in independent proceedings, managed by the Head of Risk Management Department. This reflects the Committee's commitment on the importance of managing risk in a more robust and transparent manner while upholding good corporate governance practices.

Internal Audit

- Reviewed and approved GIA's long term audit plan and Annual Audit Plan to ensure adequacy of resources, competencies and coverage on auditable entities per risk based assessment.
- Reviewed internal audit reports issued by GIA on the effectiveness and adequacy of governance, risk management, operational and compliance processes.
- Reviewed inputs and management action plans provided by Management Audit Committee (MAC) on audit reports deliberated.
- Reviewed the adequacy and effectiveness of agreed corrective actions taken by management on all significant and secondary issues raised.
- Reviewed the adequacy of resources and competencies of staff within GIA to execute the plan.
- Conducted half yearly and yearly assessment on the adequacy of GIA's functions and resources, scope of work, service orientation, and its Annual Plan and Strategy.
- Prior to the Committee meeting, the Chairman held private meetings and discussions with Head and senior staff of GIA on audit reports and any Internal Audit related matters.

Ship Management Audit (SMA)

- Reviewed the SMA Quarterly and Annual audit reports on the condition and management of MISC Group's vessels (including FSO/FPSOs) relating to efficiency and integrity of assets/vessels.

External Audit

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

Board Audit Committee Report

- Reviewed the results and issues arising from their audit for the financial year and the resolution of issues highlighted in their report to the Committee and Management response.
- Reviewed the scope and engagement strategy of the External Auditor and upon satisfactory assessment, recommended that the Board of Directors approve the fee payable to the External Auditor in respect of the scope of work performed.
- Met with the Group External Auditor without the presence of management twice a year to ensure there were no restrictions on the scope of their audit and to discuss any matters that they may wish to present.

Financial Results

- Reviewed the Quarterly and Annual financial statement of the Company and Group including announcements, and recommended them to the Board of Directors for their approval.

Annual Reporting

- Reviewed and recommended the Statement on Corporate Governance, Statement on Internal Control and Board Audit Committee Report to the Board for approval.

INTERNAL AUDIT FUNCTION

In the discharge of its duties, the Committee is strongly supported by the GIA. GIA functionally reports directly to the Committee, conducts independent scheduled audits to ensure there are effective risk monitoring, internal controls, governance process and compliance procedures to provide the level of assurance required by the Board. GIA also conducts additional assurance assignments and/or special reviews upon request by the Management, MAC or the Committee.

In conducting their independent audits, GIA places 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. GIA monitors the status of implementation of these ACA through the Quarterly Audit Status Reports, of which, the ACA are recorded and analysed. The consolidated reports are submitted and presented to the MAC and the Committee for deliberation and endorsement on half yearly basis. Such regular monitoring is essential to ensure the integrity and effectiveness of the Group's system of internal control.

GIA submits their findings and recommendations on audit issues to the MAC for executive reviews.

Subsequently, the reports together with deliberations by MAC are tabled at the Board Audit Committee Meetings for decisions.

At the Board of Director's Meetings, the Chairman of the Committee highlights key audit issues and overall decisions and resolutions made during the Committee Meeting to the Board Members.

During the financial year, the Internal Auditors carried out audits according to the approved internal audit plan approved by the Committee.

The conduct 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.

BAC STATEMENT ON RECURRENT RELATED PARTY TRANSACTIONS (RRPTs)

The Committee has reviewed the procedures mentioned on pages 107 to 109 of the Annual Report and is of the view that the said procedures are sufficient to ensure that the RRPTs are fair, reasonable and in the best interest of the MISC Group. The Committee is satisfied that the Group has put in place adequate procedures and processes to monitor, track and identify RRPTs in a timely and orderly manner to ensure that the RRPTs are, at all times, carried out on normal commercial terms and consistent with the Group's practices and are not to the detriment of the minority shareholders. The procedures and processes will be reviewed from time to time based on recommendations from the internal audit team of the Company.

Group Internal Audit (GIA) has also conducted Audit on MISC Related Party Transactions in December 2012 and reviewed the internal control process and records of RPTs and RRPTs within the affected scope to verify the procedures and relevant approvals have been obtained. The established procedures are adequate and RPTs and RRPTs are fairly concluded on prevailing market rates/prices, normal commercial terms/conditions, applicable industry norms and not detrimental to the interests of MISC and its minority shareholders. The audit report was tabled to the Committee in February 2013.

FINANCIAL STATEMENTS

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Corporation for the financial year ended 31 December 2012.

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 37 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 from continuing operations	1,625,671	954,612
Loss from discontinued operations	(622,862)	(655,976)
Profit for the year	1,002,809	298,636
Attributable to:		
Equity holders of the Corporation	771,842	298,636
Non-controlling interests	230,967	–
	1,002,809	298,636

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

No dividend has been paid or declared by the Corporation since the end of the prior financial period. The directors do not recommend the payment of any dividend for the current financial year.

Directors' Report

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:

Datuk Manharlal a/l Ratilal	
Datuk Nasarudin bin Md Idris	
Harry K. Menon	
Dato' Halipah binti Esa	
Dato' Kalsom binti Abd Rahman	
Mohd Farid bin Mohd Adnan	
Lim Beng Choon	(Appointed effective 16 August 2012)
Amir Hamzah bin Azizan	(Resigned effective 16 August 2012)
Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah	(Resigned effective 1 November 2012)

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Corporation was a party, whereby the directors might acquire benefits by means of acquiring of shares in or debentures of the Corporation or any other body corporate.

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

Directors' interests

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

	Number of ordinary shares of RM1 each			
	1 January 2012	Bought	Sold	31 December 2012
Corporation – MISC Berhad				
Direct				
Mohd Farid bin Mohd Adnan	5,000	–	–	5,000
Indirect				
Dato' Halipah binti Esa	–	10,000	–	10,000
Fellow subsidiary – PETRONAS Gas Berhad				
Direct				
Datuk Nasarudin bin Md Idris	3,000	–	–	3,000
Mohd Farid bin Mohd Adnan	2,000	–	(2,000)	–
Fellow subsidiary – KLCC Property Holdings Berhad				
Direct				
Datuk Manharlal a/l Ratilal	5,000	–	–	5,000
Datuk Nasarudin bin Md Idris	5,000	–	–	5,000

Directors' Report

Directors' interests (cont'd)

	Number of ordinary shares of RM0.10 each			
	1 January 2012	Bought	Sold	31 December 2012
Fellow subsidiary – PETRONAS Chemical Group Berhad				
Direct				
Datuk Manharlal a/l Ratilal	20,000	–	–	20,000
Datuk Nasarudin bin Md Idris	10,000	–	–	10,000
Harry K. Menon	20,000	–	–	20,000
Dato' Kalsom binti Abd Rahman	40,000	–	(5,000)	35,000
Dato' Halipah binti Esa	10,000	–	–	10,000
Mohd Farid bin Mohd Adnan	15,000	–	–	15,000
Indirect				
Dato' Halipah binti Esa	13,100	–	–	13,100

	Number of ordinary shares of RM0.50 each			
	1 January 2012	Bought	Sold	31 December 2012
Subsidiary – Malaysia Marine and Heavy Engineering Holdings Berhad				
Direct				
Datuk Nasarudin bin Md Idris	10,000	–	–	10,000
Dato' Halipah binti Esa	10,000	–	–	10,000
Dato' Kalsom binti Abd Rahman	90,000	–	–	90,000
Mohd Farid bin Mohd Adnan	15,000	–	–	15,000
Indirect				
Dato' Halipah binti Esa	10,000	–	–	10,000

Other than as disclosed above, none of the other directors in office at the end of the financial year had any interest in shares in the Corporation or its related corporations during the financial year.

Other statutory information

(a) Before the income statements, statements of comprehensive income, and statements of financial position of the Group and of the Corporation were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Corporation inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Corporation misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Corporation misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Corporation which would render any amount stated in the financial statements misleading.

(e) At the date of this report, there does not exist:

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

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

Directors' Report

Other statutory information (cont'd)

(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

The significant events during the financial year are disclosed in Note 43 to the financial statements.

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 February 2013.

Datuk Manharlal a/l Ratilal **Datuk Nasarudin bin Md Idris**

Statement by Directors

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

We, Datuk Manharlal a/l Ratilal and Datuk Nasarudin bin Md Idris, being two of the directors of MISC Berhad, do hereby state that, in the opinion of the directors, the financial statements set out on pages 137 to 291 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Corporation as at 31 December 2012 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 44 on page 292 to the financial statements have been prepared in all material respects, in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 February 2013.

Datuk Manharlal a/l Ratilal **Datuk Nasarudin bin Md Idris**

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 137 to 292 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 25 February 2013

Noraini binti Che Dan

Before me,

Independent Auditors' Report

to the members of MISC Berhad (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of MISC Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Corporation, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Corporation for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 137 to 291.

Directors' responsibility for the financial statements

The directors of the Corporation are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Corporation's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Corporation as at 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Independent Auditors' Report
to the members of MISC Berhad (Incorporated in Malaysia)

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Corporation and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 37 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

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

Other reporting responsibilities

The supplementary information set out in Note 44 on page 292 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

This report is made solely to the members of the Corporation, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Ahmad Zahirudin Bin Abdul Rahim
No. 2607/12/14 (J)
Chartered Accountant

Kuala Lumpur, Malaysia
25 February 2013

Income Statements
for the year ended 31 December 2012

	Note	Group 1.1.2012 to 31.12.2012 RM'000	Group 1.4.2011 to 31.12.2011 RM'000	Corporation 1.1.2012 to 31.12.2012 RM'000	Corporation 1.4.2011 to 31.12.2011 RM'000
Continuing operations					
Revenue	3	**9,484,003**	7,226,670	**1,774,670**	1,306,101
Cost of sales		**(7,346,251)**	(5,645,073)	**(1,543,902)**	(1,171,685)
Gross profit		**2,137,752**	1,581,597	**230,768**	134,416
Other operating income	4	**442,703**	464,122	**1,133,180**	1,161,611
Disposal of a subsidiary	15(b)	**100,742**	–	**–**	–
Disposal of assets through finance lease	18(d)	**283,185**	–	**–**	–
Net (loss)/gain on disposal of ships		**(7,412)**	20,960	**–**	18,919
Finance income	8(b)	**90,875**	85,298	**109,674**	82,392
General and administrative expenses		**(954,182)**	(905,699)	**(237,596)**	(204,878)
Impairment provisions	5(a)	**(295,561)**	(293,431)	**(112,467)**	(339,285)
Finance costs	8(a)	**(385,837)**	(279,743)	**(168,947)**	(131,524)
Share of profit/(loss) of associates		**28**	(85)	**–**	–
Share of profit of jointly controlled entities		**187,046**	179,052	**–**	–
Profit before taxation from continuing operations	5	**1,599,339**	852,071	**954,612**	721,651
Taxation	9	**26,332**	(91,805)	**–**	–
Profit after taxation from continuing operations		**1,625,671**	760,266	**954,612**	721,651
Discontinued operations					
Loss after taxation from discontinued operations	40(a)	**(622,862)**	(2,064,251)	**(655,976)**	(2,014,905)
Profit/(Loss) after taxation		**1,002,809**	(1,303,985)	**298,636**	(1,293,254)
Attributable to:					
Equity holders of the Corporation					
– Continuing operations		**1,394,456**	589,827	**954,612**	721,651
– Discontinued operations		**(622,614)**	(2,065,007)	**(655,976)**	(2,014,905)
Non-controlling interests		**230,967**	171,195	**–**	–
		1,002,809	(1,303,985)	**298,636**	(1,293,254)

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

Income Statements
for the year ended 31 December 2012

		Group	
	Note	**1.1.2012 to 31.12.2012**	**1.4.2011 to 31.12.2011**
Earnings/(Loss) per share attributable to equity holders of the Corporation (sen)			
Basic			
– from continuing operations	10	**31.2**	13.2
– from discontinued operations	10	**(13.9)**	(46.3)
		17.3	(33.1)
Diluted			
– from continuing operations	10	**31.2**	13.2
– from discontinued operations	10	**(13.9)**	(46.3)
		17.3	(33.1)

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

Statements of Comprehensive Income

for the year ended 31 December 2012

	Group		Corporation	
	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000
Profit/(Loss) after taxation	**1,002,809**	(1,303,985)	**298,636**	(1,293,254)
Other comprehensive income:				
(Loss)/Gain on currency translation	**(648,494)**	809,869	**(518,103)**	711,536
Statutory reserve	**–**	(28)	**–**	–
Fair value gain/(loss) on non-current investments	**49,487**	(21,876)	**49,487**	(21,876)
Cash flow hedges				
– fair value gain/(loss)	**83,351**	(34,687)	**–**	–
– reclassification to income statement arising from termination of hedging arrangements	**21,435**	–	**–**	–
Other comprehensive (loss)/ income for the year/ period, net of taxation	**(494,221)**	753,278	**(468,616)**	689,660
Total comprehensive income/ (loss) for the year/period	**508,588**	(550,707)	**(169,980)**	(603,594)
Total comprehensive income/ (loss) attributable to:				
Equity holders of the Corporation				
Continuing operations	**906,921**	1,317,579	**(169,980)**	(603,594)
Discontinued operations	**(622,614)**	(2,065,007)	**–**	–
Non-controlling interests	**224,281**	196,721	**–**	–
	508,588	(550,707)	**(169,980)**	(603,594)

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

Statements of Financial Position
as at 31 December 2012

	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.4.2011 RM'000
Non-current assets				
Ships	12	**17,551,500**	18,572,664	18,373,851
Offshore floating assets	12	**2,523,441**	7,706,240	6,794,926
Other property, plant and equipment	12	**1,758,497**	1,522,684	1,441,072
Prepaid lease payments on land and buildings	13	**264,232**	78,369	82,487
Intangible assets	14	**866,927**	855,158	848,699
Investments in associates	16	**2,003**	2,322	605
Investments in jointly controlled entities	17	**4,420,576**	3,538,305	3,379,684
Other non-current financial assets	18(a)	**586,112**	1,159,995	498,496
Finance lease receivables	18(d)	**1,419,724**	420,731	212,788
Deferred tax assets	27	**14,504**	5,241	11,781
		29,407,516	33,861,709	31,644,389
Current assets				
Inventories	19	**336,101**	434,995	403,973
Trade and other receivables	20	**3,278,165**	2,245,530	2,902,482
Cash, deposits and bank balances	22	**4,023,351**	4,155,139	3,352,727
		7,637,617	6,835,664	6,659,182
Non-current assets classified as held for sale	23	**374,415**	519,688	84,825
		8,012,032	7,355,352	6,744,007
Current liabilities				
Trade and other payables	24	**4,745,024**	4,001,150	3,739,499
Derivative liabilities	18(b)	**53,055**	2,327	–
Interest-bearing loans and borrowings	18(c)	**2,864,873**	5,859,556	1,247,261
Provision for taxation		**27,519**	59,217	43,058
		7,690,471	9,922,250	5,029,818
Liabilities directly associated with disposal group classified as held for sale		**–**	–	7,739
		7,690,471	9,922,250	5,037,557
Net current assets/(liabilities)		**321,561**	(2,566,898)	1,706,450
		29,729,077	31,294,811	33,350,839

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

Statements of Financial Position
as at 31 December 2012

	Note	Group 31.12.2012 RM'000	31.12.2011 RM'000	1.4.2011 RM'000
Equity				
Equity attributable to equity holders of the Corporation				
Share capital	25(a)	**4,463,794**	4,463,794	4,463,794
Share premium	25(b)	**4,459,468**	4,459,468	4,459,468
Other reserves	26	**(700,101)**	(212,566)	(940,290)
Retained profits		**12,858,809**	12,086,371	13,999,913
		21,081,970	20,797,067	21,982,885
Non-controlling interests		**1,402,990**	1,288,723	1,154,973
		22,484,960	22,085,790	23,137,858
Non-current liabilities				
Interest-bearing loans and borrowings	18(c)	**6,507,057**	8,332,604	10,008,122
Deferred tax liabilities	27	**16,655**	45,267	7,995
Derivative liabilities	18(b)	**25,831**	183,819	196,864
Other non-current financial liabilities	18(e)	**76,156**	–	–
Provisions	24(d)	**618,418**	647,331	–
		7,244,117	9,209,021	10,212,981
		29,729,077	31,294,811	33,350,839

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

Statements of Financial Position
as at 31 December 2012

		Corporation		
	Note	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.4.2011 RM'000**
Non-current assets				
Ships	12	**6,547,027**	7,739,643	8,402,534
Offshore floating assets	12	**793,595**	6,204,845	5,054,856
Other property and equipment	12	**24,745**	114,664	113,583
Prepaid lease payments on land and buildings	13	**5,561**	5,916	5,758
Investments in subsidiaries	15	**7,808,898**	8,089,403	5,187,493
Investments in associates	16	**92**	226	216
Investments in jointly controlled entities	17	**1,072,534**	138,843	132,450
Other non-current financial assets	18(a)	**2,467,277**	2,074,395	1,464,112
		18,719,729	24,367,935	20,361,002
Current assets				
Inventories	19	**81,124**	153,284	157,720
Trade and other receivables	20	**1,960,832**	816,794	5,018,387
Cash, deposits and bank balances	22	**2,145,223**	1,350,607	877,396
		4,187,179	2,320,685	6,053,503
Non-current assets classified as held for sale	23	**52,057**	41,852	51,507
		4,239,236	2,362,537	6,105,010
Current liabilities				
Trade and other payables	24	**2,129,182**	1,706,677	2,710,952
Interest-bearing loans and borrowings	18(c)	**2,345,368**	4,984,640	1,061,396
		4,474,550	6,691,317	3,772,348
Net current (liabilities)/assets		**(235,314)**	(4,328,780)	2,332,662
		18,484,415	20,039,155	22,693,664

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

Statements of Financial Position
as at 31 December 2012

	Note	Corporation 31.12.2012 RM'000	31.12.2011 RM'000	1.4.2011 RM'000
Equity				
Equity attributable to equity holders of the Corporation				
Share capital	25(a)	**4,463,794**	4,463,794	4,463,794
Share premium	25(b)	**4,459,468**	4,459,468	4,459,468
Other reserves	26	**(1,613,141)**	(1,144,525)	(1,834,185)
Retained profits		**7,711,511**	7,412,875	9,144,519
		15,021,632	15,191,612	16,233,596
Non-current liabilities				
Interest-bearing loans and borrowings	18(c)	**2,844,365**	4,200,212	6,460,068
Provisions	24(d)	**618,418**	647,331	–
		3,462,783	4,847,543	6,460,068
		18,484,415	20,039,155	22,693,664

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

Consolidated Statement of Changes in Equity

for the year ended 31 December 2012

	Note	Total equity RM'000	Equity attributable to equity holders of the corporation RM'000	Share capital* RM'000	Share premium RM'000	Retained profits RM'000	Other reserves, total RM'000
				← Non Distributable →		Distributable	
12 MONTHS ENDED 31 DECEMBER 2012							
At 1 January 2012		**22,085,790**	**20,797,067**	**4,463,794**	**4,459,468**	**12,086,371**	**(212,566)**
Total comprehensive income/(loss)		**508,588**	**284,307**	**–**	**–**	**771,842**	**(487,535)**
Transactions with equity holders							
Acquisition of non-controlling interests		**1,231**	**596**	**–**	**–**	**596**	**–**
Distributions to non-controlling interests		**(110,649)**	**–**	**–**	**–**	**–**	**–**
Total transactions with equity holders		**(109,418)**	**596**	**–**	**–**	**596**	**–**
At 31 December 2012		**22,484,960**	**21,081,970**	**4,463,794**	**4,459,468**	**12,858,809**	**(700,101)**
9 MONTHS ENDED 31 DECEMBER 2011							
At 1 April 2011		23,137,858	21,982,885	4,463,794	4,459,468	13,999,913	(940,290)
Total comprehensive (loss)/income		(550,707)	(747,428)	–	–	(1,475,180)	727,752
Transactions with equity holders							
Transfer from/(to) reserves	26	–	–	–	–	28	(28)
Dividends	11	(438,390)	(438,390)	–	–	(438,390)	–
Distributions to non-controlling interests		(62,971)	–	–	–	–	–
Total transactions with equity holders		(501,361)	(438,390)	–	–	(438,362)	(28)
At 31 December 2011		22,085,790	20,797,067	4,463,794	4,459,468	12,086,371	(212,566)

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

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

Consolidated Statement of Changes in Equity
for the year ended 31 December 2012

Attributable to equity holders of the Corporation →
Non Distributable →

	Other capital reserve RM'000	Capital reserve RM'000	Revaluation reserve RM'000	Statutory reserve RM'000	Capital redemption reserve RM'000	Fair value reserve RM'000	Hedging reserve RM'000	Currency translation reserve RM'000	Non-controlling interests RM'000
	41,415	**435,284**	**1,357**	**1,966**	**59,715**	**203,307**	**(209,779)**	**(745,831)**	**1,288,723**
	–	**–**	**–**	**–**	**–**	**49,487**	**93,632**	**(630,654)**	**224,281**
	–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**635**
	–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(110,649)**
	–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(110,014)**
	41,415	**435,284**	**1,357**	**1,966**	**59,715**	**252,794**	**(116,147)**	**(1,376,485)**	**1,402,990**
	41,443	435,284	1,357	1,994	59,715	225,183	(171,637)	(1,533,629)	1,154,973
	–	–	–	(28)	–	(21,876)	(38,142)	787,798	196,721
	(28)	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	(62,971)
	(28)	–	–	–	–	–	–	–	(62,971)
	41,415	435,284	1,357	1,966	59,715	203,307	(209,779)	(745,831)	1,288,723

Statements of Changes in Equity
for the year ended 31 December 2012

	Note	Total equity RM'000	← Non Distributable Share capital* RM'000	Share premium RM'000	→ Distributable Retained profits RM'000	← Non Distributable Other reserves, total RM'000	Fair value reserve RM'000	Currency translation reserve RM'000 →
12 MONTHS ENDED 31 DECEMBER 2012								
At 1 January 2012		**15,191,612**	**4,463,794**	**4,459,468**	**7,412,875**	**(1,144,525)**	**203,307**	**(1,347,832)**
Total comprehensive (loss)/income		**(169,980)**	**–**	**–**	**298,636**	**(468,616)**	**49,487**	**(518,103)**
At 31 December 2012		**15,021,632**	**4,463,794**	**4,459,468**	**7,711,511**	**(1,613,141)**	**252,794**	**(1,865,935)**
9 MONTHS ENDED 31 DECEMBER 2011								
At 1 April 2011		16,233,596	4,463,794	4,459,468	9,144,519	(1,834,185)	225,183	(2,059,368)
Total comprehensive (loss)/income		(603,594)	–	–	(1,293,254)	689,660	(21,876)	711,536
Transactions with equity holders								
Dividends, representing total transactions with equity holders	11	(438,390)	–	–	(438,390)	–	–	–
At 31 December 2011		15,191,612	4,463,794	4,459,468	7,412,875	(1,144,525)	203,307	(1,347,832)

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

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

Statements of Cash Flows
for the year ended 31 December 2012

		Group		Corporation	
	Note	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000
Operating activities					
Cash receipts from customers		**9,108,052**	7,431,049	**2,089,436**	2,642,322
Cash paid to suppliers and employees		**(6,367,155)**	(5,623,852)	**(1,538,870)**	(2,789,386)
Cash generated from/(used in) continuing operations		**2,740,897**	1,807,197	**550,566**	(147,064)
Taxation paid		**(41,972)**	(16,466)	**–**	–
Net cash generated from/(used in) continuing operations		**2,698,925**	1,790,731	**550,566**	(147,064)
Net cash used in discontinued operations	40(b)	**(1,060,360)**	(748,016)	**(1,023,726)**	(495,494)
Net cash generated from/(used in) operating activities		**1,638,565**	1,042,715	**(473,160)**	(642,558)
Investing activities					
Net cash generated from/(used in) continuing operations		**2,840,245**	(1,988,936)	**4,823,050**	259,984
Net cash generated from discontinued operations	40(b)	**574,719**	49,549	**559,222**	49,455
Net cash generated from/(used in) investing activities	28	**3,414,964**	(1,939,387)	**5,382,272**	309,439
Financing activities					
Net cash (used in)/generated from continuing operations		**(5,077,800)**	1,633,750	**(4,064,546)**	755,499
Net cash (used in)/generated from financing activities	29	**(5,077,800)**	1,633,750	**(4,064,546)**	755,499
Net (decrease)/increase in cash and cash equivalents		**(24,271)**	737,078	**844,566**	422,380
Cash and cash equivalents at beginning of financial year/period		**4,155,139**	3,352,727	**1,350,607**	877,396
Currency translation differences		**(107,517)**	65,334	**(49,950)**	50,831
Cash and cash equivalents at end of financial year/period		**4,023,351**	4,155,139	**2,145,223**	1,350,607
Cash and cash equivalents comprise:					
Cash, deposits and bank balances	22	**4,023,351**	4,155,139	**2,145,223**	1,350,607

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

Notes to the Financial Statements
31 December 2012

1. Corporate information

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

The immediate and ultimate holding company of the Corporation is Petroliam Nasional Berhad, ("PETRONAS") a company incorporated and domiciled in Malaysia.

The principal activities of the Corporation consist of shipowning, ship operating, other activities related to shipping services, and owning and operating offshore floating terminals. The principal activities of the subsidiaries are described in Note 37.

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 25 February 2013.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Corporation comply with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the Companies Act, 1965 in Malaysia.

At the beginning of the current financial year, the Group and the Corporation adopted the new MFRS and IC Interpretations that are mandatory for the financial periods beginning on or after 1 January 2012.

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") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2.2 First time adoption of Malaysian Financial Reporting Standards ("MFRS")

These are the Group and Corporation's first financial statements prepared in accordance with MFRS, and MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards has been applied.

Previously, the financial statements of the Group and of the Corporation had been prepared in accordance with Financial Reporting Standards ("FRS") in Malaysia. Except for certain differences, the requirements under FRS and MFRS are similar.

Notes to the Financial Statements
31 December 2012

2. Significant accounting policies (cont'd)

2.2 First time adoption of Malaysian Financial Reporting Standards ("MFRS") (cont'd)

In preparing its opening MFRS statements of financial position as at 1 April 2011 (which is also the date of transition), the Group has adjusted the amounts previously reported in the financial statements prepared in accordance with FRS. Accordingly, notes related to the statements of financial position as at the date of transition to MFRS are only presented for the adjusted items. An explanation of how the transition from FRS to MFRS has affected the Group's financial position, financial performance and cash flows is set out in Note 41.

The transition from FRS to MFRS does not have any financial impact to the separate financial statements of the Corporation.

2.3 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and in preparing the opening MFRS statements of financial position of the Group and of the Corporation as at 1 April 2011 (date of transition to MFRS framework), unless otherwise stated.

(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 the consolidated income statement.

(ii) Basis of consolidation

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

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.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(a) Subsidiaries and basis of consolidation (cont'd)

(ii) Basis of consolidation (cont'd)

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 the consolidated income statement.

When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Prior to 1 April 2011, goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, the difference was recognised immediately in the income statement. Transaction costs, other than those associated with the issue or debt equity securities, that the Group incurred in connection with business combination were capitalised as part of the cost of acquisition.

The cost of acquisition is measured as the aggregate of the fair values, at the date of the exchange, of the assets given, liabilities incurred or assumed and equity instruments issued. From 1 April 2011, costs related to the acquisition in connection with business combination, other than associated with the issue of debt or equity securities, are expensed as incurred.

For acquisition on or after 1 April 2011, any excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable net assets, liabilities and contingent liabilities, the recognised amount of any non-controlling interest in the acquiree and if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree, represents goodwill.

Notes to the Financial Statements
31 December 2012

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(a) Subsidiaries and basis of consolidation (cont'd)

(ii) Basis of consolidation (cont'd)

Non-controlling interests at the reporting date, being the portion of the net assets of the subsidiaries attributable to equity interests that are not directly owned by the Corporation, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the equity holders of the Corporation. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the profit or loss and comprehensive income for the year between the non-controlling interests and the equity holders of the Corporation.

Any losses applicable to non-controlling interest in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The effects of all transaction with non-controlling interests are required to be recorded in the equity if there is no change in control. When control is lost, any remaining interest in this previous subsidiary is remeasured to fair value at the date that control is lost and any gain or loss is recognised in profit or loss. Subsequently depending on the level of influence retained, it is accounted for as an equity accounted investee or as an available for sale financial asset.

(b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated statement of financial position at cost, adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated statement of comprehensive income. Where there has been a change recognised directly in the equity of the associate, the Group recognises its shares of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After the application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

2. Significant accounting policies (cont'd)

2.3 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 financial year. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in the income statement. Any retained interest in the former associate at the date when significant influence is lost is re-measured at fair value, and this amount is regarded as the initial carrying amount of a financial asset.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised as profit or loss in the income statement. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the income statement.

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

(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, where the strategic, financial and operating decisions relating to the activity require unanimous consent of the parties sharing control.

Notes to the Financial Statements
31 December 2012

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(c) Jointly controlled entities (cont'd)

The financial statements of the joint venture are prepared as of the same reporting date as the Corporation unless it is impracticable to do so. Where necessary, adjustments are made to bring the accounting policies into line with those of the Group. Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, income and expenses and unrealised gains and losses on transactions between the Group and its jointly controlled entities.

Investments in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting as described in Note 2.3(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 the consolidated income statement.

(d) Intangible assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is instead reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values 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 each reporting date.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(d) Intangible assets (cont'd)

(ii) Other intangible assets (cont'd)

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

(e) Ships, offshore floating assets, other property, plant and equipment, and depreciation

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

Subsequent to initial recognition, ships, offshore floating assets and other property, plant and equipment (except for ships and offshore floating assets 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 and offshore floating assets under construction, systems work in progress and constructions in progress are also not depreciated as these assets are not available for use.

Notes to the Financial Statements
31 December 2012

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(e) Ships, offshore floating assets, other property, plant and equipment, and depreciation (cont'd)

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

Ships constructed	2.5% – 4.0%
Ships purchased	2.5% up to remaining life
Offshore floating assets	5.0% – 20.0%
Buildings	2.0% – 7.0%
Drydocks and waste plant	2.0% – 10.0%
Containers	8.0% – 15.0%
Motor vehicles	10.0% – 33.3%
Furniture, fittings and equipment	10.0% – 33.3%
Computer software and hardware	15.0% – 33.3%
Plant and machinery	10.0% – 20.0%
Tugboats, engines and pushers	6.7% – 20.0%

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

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

(f) Construction contracts

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

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(f) Construction contracts (cont'd)

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

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

(g) Impairment of non-financial assets

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

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

For the purpose of impairment testing of these assets, recoverable amount is 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 allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units from the acquisition date.

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.

Notes to the Financial Statements
31 December 2012

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(g) Impairment of non-financial assets (cont'd)

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

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the 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 the income statement. If the asset is carried at revalued amount, such reversal is treated as a revaluation increase.

(h) Inventories

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

(i) Financial assets

Initial recognition:

Financial assets within the scope of MFRS 139 are classified as "financial assets at fair value through profit or loss", "loans and receivables", "held-to-maturity investments", "available-for-sale financial assets", or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way of purchases) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash, deposits and bank balances, trade and other receivables, loans, quoted and unquoted financial instruments, and derivative financial instruments.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(i) Financial assets (cont'd)

Subsequent measurement:

The subsequent measurement of financial assets depends on their classification as follows:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria, as defined by MFRS 139. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with gains or losses recognised in the income statement.

The Group has not designated any financial assets as at fair value through profit or loss during the year/period ended 31 December 2012 and 31 December 2011.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iii) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Notes to the Financial Statements
31 December 2012

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(i) Financial assets (cont'd)

Subsequent measurement: (cont'd)

(iii) Held-to-maturity investments (cont'd)

Held-to-maturity investments with maturity exceeding 12 months after the reporting date are classified as non-current assets. Those having maturity within 12 months after the reporting date are classified as current.

The Group does not have any held-to-maturity investments as at 31 December 2012 and 31 December 2011.

(iv) Available-for-sale financial assets

Available-for-sale financial assets ("AFS") are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. AFS are initially recognised and subsequently carried at fair value. The unrealised changes in the fair value of monetary and non-monetary securities classified as AFS are recognised in equity. When securities classified as available-for-sale are sold, therefore derecognised, the fair value adjustments accumulated in equity are recognised in the income statement.

The Group and the Corporation have designated their non-current investments as available-for-sale financial assets.

(j) Financial liabilities

Initial recognition:

Financial liabilities are classified as "financial liabilities at fair value through profit or loss", "loans and borrowings" or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, fair value, net of directly attributable transactions costs.

The Group's financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(j) Financial liabilities (cont'd)

Subsequent measurement:

The subsequent measurement of financial liabilities depends on their classification as follows:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria, as defined by MFRS 139.

Gains or losses on liabilities held for trading are recognised in the income statement.

The Group has not designated any financial liabilities as at fair value through profit or loss.

(ii) Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the income statement when the financial liabilities are derecognised as well as through the amortisation process.

(iii) Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make payment when due in accordance to the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at reporting date and the amount recognised less cumulative amortisation.

(k) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Notes to the Financial Statements
31 December 2012

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(l) Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For financial instruments where there are no active markets, fair value is determined using valuation techniques. Such techniques may include:

- using recent arm's length market transactions, referenced to the current fair value of another instrument that is substantially the same;
- discounted cash flow analysis; or
- other valuation models.

(m) Amortised cost of financial instruments

Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

(n) Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include:

- indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments;
- the probability that they will enter bankruptcy or other financial reorganisation; and
- where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(n) Impairment of financial assets (cont'd)

(i) Trade and other receivables and other financial assets carried at amortised cost

For trade and other receivables and other financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised, is not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

Interest income continues to be accrued at the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Notes to the Financial Statements
31 December 2012

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(n) Impairment of financial assets (cont'd)

(ii) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, increasing probability of issuer insolvency or the issuer facing significant financial difficulties) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(iii) Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss is measured as the difference between the acquisition cost and the current fair value, less any impairment losses on that investment previously recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement and increases in their fair value subsequent to impairment loss is recognised in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of "Interest and similar income". If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed in the income statement.

(o) Derecognition of financial instruments

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the right to receive cash flows from the asset has expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and
- either (i) the Group has transferred substantially all the risks and rewards of the assets, or (ii) the Group has neither transferred nor retained substantially all the risks and rewards of the assets but has transferred control of the asset.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(o) Derecognition of financial instruments (cont'd)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a "pass through" agreement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including cash settled options or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase. However, in the case of a written put option (including cash settled options or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

(p) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as interest rate swaps to hedge its interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at each reporting date. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge are taken directly to the income statement.

Notes to the Financial Statements
31 December 2012

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(p) Derivative financial instruments and hedge accounting (cont'd)

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk);
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to:-
  - a particular risk associated with a recognised asset; or
  - liability or a highly probable forecast transaction; or
  - the foreign currency risk in an unrecognised firm commitment;
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective of the hedge and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value of cash flows and are assessed on an ongoing basis to determine that they have actually been highly effective throughout the financial reporting years for which they are designated.

The Group has entered into cash flow hedges and met the strict criteria for hedge accounting. The hedges are accounted for as follows:

Cash flow hedges

The effective portion of the gains or losses on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the income statement. Amounts taken to equity are transferred to the income statement when the hedged transaction affects income statement, such as when the hedged finance income or finance expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(p) Derivative financial instruments and hedge accounting (cont'd)

Cash flow hedges (cont'd)

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

To manage its risks, the Group has entered into interest rate swap ("IRS") arrangements and forward currency contracts to hedge its loans, firm commitments and forecasted transactions respectively. These arrangements and contracts were assessed as highly effective and as a result, total unrealised gain amounting to RM87,155,000 (31.12.2011: RM9,639,000) have been recognised in current year's other comprehensive income.

The Group had terminated some of its IRS arrangements following early repayment of certain term loans in the current year. As a result, the cumulative loss on the IRS of RM21,435,000 has been reclassified from equity into the income statement.

The Group's share of its jointly controlled entities' unrealised losses on IRS during the year was RM3,804,000 (31.12.2011: RM44,324,000).

The Group did not enter into any fair value hedge or net investment hedge as at the end of this financial year.

Derivative instruments that are not designated as effective hedging instrument are classified and allocated as current or non-current based on an assessment of the facts and circumstances as follows:-

- Where the Group will continue to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

Notes to the Financial Statements
31 December 2012

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(q) Leases

(i) Classification

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

(ii) Operating lease – the Group as lessee

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

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

(iii) Operating lease – the Group as lessor

Assets leased out under operating leases are presented in the statement of financial position according to the nature of the assets. Rental income from operating leases are recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(iv) Finance lease - the Group as lessor

Leases in which substantially all of the risks and rewards of ownership are transferred to the lessee are classified as finance leases. Assets held pursuant to a finance lease are presented in the statement of financial position as receivable at an amount equal to the net investment in the lease. The recognition of finance income on the receivable is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

(v) Prepaid lease payments

Leasehold land which in substance is a finance lease has been reclassified to property, plant and equipment and measured as such retrospectively.

Leasehold land is classified into long term lease and short term lease. Long term lease is defined as a lease with an unexpired lease period of fifty years or more. Short term lease is defined as a lease with an unexpired lease period of less than fifty years.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(r) Borrowing costs

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

All other borrowing costs are recognised in the income statement of the period in which they are incurred.

(s) 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 period and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided using the liability method on temporary differences between the tax bases and the carrying amounts for financial reporting purposes of assets and liabilities at the reporting date.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that is probable that taxable profit will be available and can be utilised, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Notes to the Financial Statements
31 December 2012

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(s) Income tax (cont'd)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside the income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(t) Provisions

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

- the Group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount can be made.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a 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)

2.3 Summary of significant accounting policies (cont'd)

(u) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term nonaccumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current period and preceding financial years. Such contributions are recognised as an expense in the 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 and/or voluntary pension schemes.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after reporting date are discounted to present value.

(v) 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").

Notes to the Financial Statements
31 December 2012

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(v) Foreign currencies (cont'd)

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Nonmonetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, or on translating monetary items at the reporting date, are included in the income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to income statement of the Group on disposal of the foreign operation.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in the income statement for the year. Exchange differences arising on monetary items that form part of the Corporation's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in the income statement of the Corporation's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the income statement for the year, except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign operations

The results and financial position of 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 statement of financial position presented are translated at the closing rate prevailing at the reporting date;
- Income and expenses for each income statement are translated at 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 other comprehensive income.

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(v) Foreign currencies (cont'd)

(iii) Foreign operations (cont'd)

Goodwill and fair value adjustments arising from the acquisition of foreign operations on or after 1 April 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations are translated at the closing rate at the reporting date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 April 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

(w) Revenue recognition

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

(i) Freight income

Freight receivable and the relevant discharge costs of cargoes loaded onto ships up to the reporting date are accrued for in the financial statements, using the percentage of completion method.

(ii) Charter income

The results of ships employed on voyage charter and that of other services rendered are accounted for on a time accrual basis. Certain charter income are recognised on a straight-line basis over the firm period of the contract.

(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) Finance income on lease receivables

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

Notes to the Financial Statements
31 December 2012

2. Significant accounting policies (cont'd)

2.3 Summary of significant accounting policies (cont'd)

(w) Revenue recognition (cont'd)

(vi) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.3(f).

(vii) Rental income

Rental income from an investment property is recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessee is recognised as a reduction of rental income over the lease term on a straight-line basis.

(viii) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(ix) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(x) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition, subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable MFRS. Then, on initial classification as held for sale, non-current assets are measured in accordance with MFRS 5: Non-Current Assets Held for Sale and Discontinued Operations that is, at the lower of carrying amount and fair value less costs to sell. Any differences are included in the income statement.

(y) Repairs and maintenance

Repairs and maintenance costs are recognised in the income statement in the period 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 Summary of significant accounting policies (cont'd)

(z) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, being within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(aa) Equity instruments

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

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

2.4 Standards issued but not yet effective

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

MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012:

- MFRS 101: Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)

MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013:

- Amendments to MFRS 101: Presentation of Financial Statements
  (Annual Improvements 2009-2011 Cycle)
- MFRS 3: Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)
- MFRS 10: Consolidated Financial Statements
- MFRS 11: Joint Arrangements
- MFRS 12: Disclosure of interests in Other Entities
- MFRS 13: Fair Value Measurement
- MFRS 119: Employee Benefits
- MFRS 127: Separate Financial Statements
- MFRS 128: Investment in Associate and Joint Ventures

Notes to the Financial Statements
31 December 2012

2. Significant accounting policies (cont'd)

2.4 Standards issued but not yet effective (cont'd)

MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013: (cont'd)

- MFRS 127: Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)
- Amendment to IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)
- IC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine
- Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Government Loans
- Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance
- Amendments to MFRS 11: Joint Arrangements: Transition Guidance
- Amendments to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance

MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014:

- Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities

MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015:

- MFRS 9: Financial Instruments

The Group and the Corporation plan to adopt the above pronouncements when they become effective in the respective period or earlier if deemed necessary. These pronouncements are expected to have no significant impact on the financial statements of the Group and of the Corporation upon initial application.

2. Significant accounting policies (cont'd)

2.5 Significant accounting estimates and judgements

(a) Critical judgements made in applying accounting policies

The following are the judgements made by management in applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

(i) Operating lease commitments - the Group as lessor

It is in the ordinary course of business that the Group enters into lease arrangements with related and third parties on its ships and offshore floating assets. Where the Group has determined that it retains all the significant risks and rewards of ownership of these ships and offshore floating assets, the ships and offshore floating assets are recognised and classified as part of non-current assets of the Group and the Corporation.

(ii) Construction contracts

The Group recognises revenue and expenses from construction contracts in the income statement by using the stage of completion method. The stage of completion is measured by reference to the completion of physical proportion of the contract work.

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs, as well as the recoverability of the construction contract. In making this judgement, the Group evaluates based on past experience and by relying on the work of specialists.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of goodwill

The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value in use of the cash-generating-units ("CGU") to which goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2012 was RM760,677,000 (31.12.2011: RM720,740,000). The key assumptions used in the value in use calculations are disclosed in Note 14(c).

Notes to the Financial Statements
31 December 2012

2. Significant accounting policies (cont'd)

2.5 Significant accounting estimates and judgements (cont'd)

(b) Key sources of estimation uncertainty (cont'd)

(ii) Provisions

Provisions are recognised in accordance with the accounting policy in Note 2.3(t). To determine whether it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made, the Group takes into consideration factors such as existence of legal/contractual agreements, past historical experience, external advisors' assessments and other available information.

During the financial year, the Group and the Corporation have recognised an additional net provision of RM246,010,000 in relation to onerous contracts arising from the exit of liner business. Included in the provision are impairment losses of ships and containers amounting to RM51,658,000.

During the previous financial period, the Group and the Corporation had recognised a one off provision of RM1,452,723,000 and RM1,406,097,000 respectively in relation to the costs of exiting the liner business. Included in the provision are impairment losses of RM392,165,000 and RM388,013,000 of the Group and the Corporation respectively.

Further details of this provision are disclosed in Note 40(a).

(iii) Impairment of ships, offshore floating assets and other property, plant and equipment

The Group and the Corporation have performed a review of the recoverable amount of its ships, offshore floating assets and other property, plant and equipment during the financial year. The review led to the recognition of impairment losses from continuing operations of RM211,920,000 (31.12.2011: RM273,647,000) and RM108,143,000 (31.12.2011: RM178,465,000) for the Group and the Corporation respectively as disclosed in Note 5(a). Impairment losses from the discontinued operations of RM51,658,000 (31.12.2011: RM392,165,000) and RM51,658,000 (31.12.2011: RM388,013,000) for the Group and the Corporation respectively have been recognised as disclosed in Note 40(a). The Group carried out the impairment test based on a variety of estimations, including the value in use of the CGU to which ships, offshore floating assets and other property, plant and equipment are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying amount of ships, offshore floating assets and other property, plant and equipment of the Group as at 31 December 2012 were RM17,551,500,000 (31.12.2011: RM18,572,664,000), RM2,523,441,000 (31.12.2011: RM7,706,240,000) and RM1,758,497,000 (31.12.2011: RM1,522,684,000) respectively. Further details of the impairment loss recognised are disclosed in Note 12(c).

2. Significant accounting policies (cont'd)

2.5 Significant accounting estimates and judgements (cont'd)

(b) Key sources of estimation uncertainty (cont'd)

(iv) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of recognised tax losses, investment tax allowance and capital allowances of the Group was RM45,450,000 (31.12.2011: RM200,000) and the unrecognised tax losses and capital allowances of the Group was RM3,867,629,000 (31.12.2011: RM3,850,469,000).

(v) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statements of financial position cannot be derived from active markets, they are determined using valuation techniques, including the discounted cash flow method. Where possible, the inputs to these valuation models are taken from observable markets. However, when this is considered unfeasible, a degree of judgement is made in establishing fair values. The judgements made include having considered a host of factors including liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3. Revenue

	Group		Corporation	
	1.1.2012 to 31.12.2012 RM'000	**1.4.2011 to 31.12.2011 RM'000**	**1.1.2012 to 31.12.2012 RM'000**	**1.4.2011 to 31.12.2011 RM'000**
Charter and lightering income	**5,443,065**	4,283,017	**906,365**	654,142
Freight income	**866,838**	709,077	**835,756**	612,668
Construction contracts	**2,278,167**	1,653,848	**–**	–
Other shipping related income	**500,944**	336,156	**32,549**	39,291
Finance income on lease receivables	**84,422**	38,492	**–**	–
Non-shipping income	**310,567**	206,080	**–**	–
	9,484,003	7,226,670	**1,774,670**	1,306,101

Non-shipping income mainly represents revenue generated from the operation and maintenance of offshore floating assets.

Notes to the Financial Statements
31 December 2012

4. Other operating income

	Group		Corporation	
	1.1.2012 to 31.12.2012 RM'000	**1.4.2011 to 31.12.2011 RM'000**	**1.1.2012 to 31.12.2012 RM'000**	**1.4.2011 to 31.12.2011 RM'000**
Rental income	**66,855**	54	**7**	7
Exchange gain:				
Realised	**11,476**	107,249	**15,375**	72,557
Unrealised	**58,722**	148,501	**30,052**	116,188
Management services:				
Subsidiaries	**–**	–	**27,744**	18,881
Related party	**18,747**	–	**18,747**	–
Third Parties	**–**	246	**–**	–
Gain on disposal of:				
Jointly controlled entities	**–**	34,885	**–**	–
Other property, plant and equipment	**–**	206	**–**	–
Other business	**–**	2,680	**–**	–
Dividend income on equity investments:				
Subsidiaries	**–**	–	**916,027**	855,119
Jointly controlled entity	**–**	–	**36,235**	–
Quoted in Malaysia	**56,990**	53,391	**56,990**	53,391
Unquoted in Malaysia	**–**	1,034	**–**	1,034
Write back of impairment loss on trade receivables:				
Third Parties	**29,588**	4,004	**–**	–
Miscellaneous:				
Subsidiaries	**–**	–	**23,185**	26,109
Third Parties	**200,325**	111,872	**8,818**	18,325
	442,703	464,122	**1,133,180**	1,161,611

5. Profit before taxation from continuing operations

The following amounts have been included in arriving at profit before taxation from continuing operations:

	Group		Corporation	
	1.1.2012 to 31.12.2012 RM'000	**1.4.2011 to 31.12.2011 RM'000**	**1.1.2012 to 31.12.2012 RM'000**	**1.4.2011 to 31.12.2011 RM'000**
Amortisation of intangible assets (Note 14)	**28,168**	21,225	**–**	–
Amortisation of prepaid lease payments on land and buildings (Note 13)	**6,396**	2,059	**155**	116
Auditors' remuneration:				
Auditors of the Corporation:				
Statutory audits	**2,827**	2,646	**771**	728
Other services	**322**	157	**317**	138
Charter hire expenses	**863,165**	621,910	**195,572**	112,483
Inventories used	**1,443,716**	1,245,638	**535,015**	432,721
Exchange loss:				
Realised	**75,597**	57,043	**72,436**	40,619
Unrealised	**18,149**	146,503	**13,061**	68,030
Operating lease rental	**12,207**	13,673	**–**	–
Impairment loss on trade receivables:				
Jointly controlled entities	**–**	537	**–**	537
Third parties	**4,415**	42,839	**3,369**	27,298
Bad debts written off	**10,486**	11,025	**–**	–
Rental of equipment	**132,856**	81,379	**7,222**	4,345
Rental of land and buildings	**34,559**	29,873	**19,525**	15,321
Loss on disposal of a jointly controlled entity	**6,738**	–	**–**	–
Ships, offshore floating assets and other property, plant and equipment:				
Depreciation	**1,129,361**	854,857	**344,649**	277,414
Prepaid lease payments on land and buildings written off	**65**	–	**–**	–
Staff costs (Note 6)	**1,139,887**	888,874	**411,874**	359,462

Notes to the Financial Statements
31 December 2012

5. Profit before taxation from continuing operations (cont'd)

The following amounts have been included in arriving at profit before taxation from continuing operations: (cont'd)

	Group		Corporation	
	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000
Non-executive directors' remuneration (Note 7)	**2,839**	2,239	**489**	360

(a) Impairment provisions

Continuing operations

	Group		Corporation	
	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000
Ships in operation	**251,787**	273,647	**148,333**	178,465
Other property, plant and equipment	**323**	–	**–**	–
Non-current assets held for sale written down	**81,803**	13,517	**–**	13,495
Investments in subsidiaries	**–**	–	**2,486**	141,058
Loan to a jointly controlled entity	**–**	6,267	**–**	6,267
Loan to associates	**1,838**	–	**1,838**	–
	335,751	293,431	**152,657**	339,285
Less: Reversal of impairment of ships and offshore floating assets	**(40,190)**	–	**(40,190)**	–
Net impairment	**295,561**	293,431	**112,467**	339,285

6. Staff costs

Continuing operations

	Group		Corporation	
	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000
Wages, salaries and bonuses	**885,185**	746,484	**347,929**	292,559
Contributions to defined contribution plans	**51,129**	41,658	**12,737**	10,304
Termination benefits	**–**	451	**–**	–
Social security costs	**18,897**	4,449	**538**	410
Other staff related expenses	**184,676**	95,832	**50,670**	56,189
	1,139,887	888,874	**411,874**	359,462

Included in staff costs of the Group and of the Corporation are executive directors' remuneration amounting to RM8,770,000 (31.12.2011: RM6,855,000) and RM2,090,000 (31.12.2011: RM1,788,000) respectively as further disclosed in Note 7.

7. Directors' remuneration

	Group		Corporation	
	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000
Executive directors' remuneration:				
Fees	**726**	566	**–**	–
Other emoluments	**8,044**	6,289	**2,090**	1,788
Total executive directors' remuneration (excluding benefits-in-kind)	**8,770**	6,855	**2,090**	1,788
Estimated money value of benefits-in-kind	**350**	188	**143**	32
Total executive directors' remuneration (including benefits-in-kind)	**9,120**	7,043	**2,233**	1,820

Notes to the Financial Statements
31 December 2012

7. Directors' remuneration (cont'd)

	Group		Corporation	
	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000
Non-executive directors' remuneration:				
Fees (Note 5)	**2,839**	2,239	**489**	360
Total directors' remuneration including benefits-in-kind (Note 30 (g))	**11,959**	9,282	**2,722**	2,180

The details of remuneration receivable by directors of the Corporation during the financial year are as follows:

	Group		Corporation	
	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000
Executive:				
Salaries and other emoluments	**1,307**	930	**1,307**	930
Bonus	**283**	429	**283**	429
Fees	**471**	356	**–**	–
Defined contribution plans	**500**	429	**500**	429
Estimated money value of benefits-in-kind	**143**	32	**143**	32
	2,704	2,176	**2,233**	1,820
Non-executive:				
Fees	**662**	496	**489**	360
	3,366	2,672	**2,722**	2,180

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	
	1.1.2012 to 31.12.2012	**1.4.2011 to 31.12.2011**
Executive directors:		
RM1 – RM500,000	**–**	–
RM500,001 – RM1,000,000	**–**	–
RM1,000,001 – RM1,500,000	**–**	–
RM1,500,001 – RM2,000,000	**–**	–
RM2,000,001 – RM2,500,000	**–**	1
RM2,500,001 – RM3,000,000	**1**	–
	1	1
Non-executive directors*:		
RM1 – RM50,000	**1**	2
RM50,001 – RM100,000	**1**	–
RM100,001 – RM150,000	**2**	1
RM150,001 – RM200,000	**–**	–
RM200,001 – RM250,000	**–**	1
RM250,001 – RM300,000	**1**	–
	5	4

* Excludes the directors of the Corporation who are paid directly by the immediate holding company of the Corporation, PETRONAS.

Notes to the Financial Statements
31 December 2012

8. (a) Finance costs

	Group		Corporation	
	1.1.2012 to 31.12.2012 RM'000	**1.4.2011 to 31.12.2011 RM'000**	**1.1.2012 to 31.12.2012 RM'000**	**1.4.2011 to 31.12.2011 RM'000**
Interest expense:				
Holding Company	**44,953**	23,890	**44,953**	23,890
Subsidiaries	**–**	–	**167,804**	122,643
Third parties	**394,366**	276,150	**–**	–
Islamic Private Debt Securities	**51,898**	51,575	**51,898**	51,575
Total interest expense	**491,217**	351,615	**264,655**	198,108
Less: Interest expense capitalised in qualifying assets: Ships and offshore floating assets under construction (Note 12 (b))	**(105,380)**	(71,872)	**(95,708)**	(66,584)
Total finance costs	**385,837**	279,743	**168,947**	131,524

(b) Finance income

Interest income:				
Subsidiaries	**–**	–	**63,485**	45,395
Jointly controlled entities	**40,336**	31,408	**40,036**	30,725
Deposits	**50,539**	53,890	**6,153**	6,272
Total finance income	**90,875**	85,298	**109,674**	82,392

9. Taxation

	Group		Corporation	
	1.1.2012 to 31.12.2012 RM'000	**1.4.2011 to 31.12.2011 RM'000**	**1.1.2012 to 31.12.2012 RM'000**	**1.4.2011 to 31.12.2011 RM'000**
Current income tax – continuing operations:				
Malaysian income tax	**19,790**	35,007	–	–
Foreign tax	**(3,649)**	7,931	–	–
Under/(Over) provision in prior period/year:				
Malaysian income tax	**214**	6,262	–	–
Foreign tax	**(4,606)**	(2,299)	–	–
	11,749	46,901	–	–
Deferred tax – continuing operations				
Relating to origination and reversal of temporary differences	**(22,516)**	50,196	–	–
Overprovision in prior period/year	**(15,565)**	(5,292)	–	–
	(38,081)	44,904	–	–
Taxation attributable to continuing operations	**(26,332)**	91,805	–	–
Taxation attributable to discontinued operations	**(502)**	(3,529)	–	–
Taxation for the year/period	**(26,834)**	88,276	–	–

Notes to the Financial Statements
31 December 2012

9. Taxation (cont'd)

Domestic current income tax is calculated at the statutory tax rate of 25% (31.12.2011: 25%) of the estimated assessable profit for the financial year.

A reconciliation of income tax expense applicable to profit/(loss) 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	
	1.1.2012 to 31.12.2012 RM'000	**1.4.2011 to 31.12.2011 RM'000**	**1.1.2012 to 31.12.2012 RM'000**	**1.4.2011 to 31.12.2011 RM'000**
Profit before taxation from continuing operations	**1,599,339**	852,071	**954,612**	721,651
Loss before taxation from discontinued operations	**(623,364)**	(2,067,780)	**(655,976)**	(2,014,905)
Accounting profit/(loss) before taxation	**975,975**	(1,215,709)	**298,636**	(1,293,254)
Taxation at Malaysian statutory tax rate of 25%	**243,994**	(303,927)	**74,659**	(323,314)
Effect of different tax rates in other countries/jurisdictions	**(1,965)**	(1,979)	**–**	–
Income not subject to tax:				
Tax exempt shipping income	**(294,153)**	(210,943)	**(4,653)**	(9,231)
Other tax exempt income	**(121,456)**	(15,958)	**(271,181)**	(274,369)
Expenses not deductible for tax purposes	**287,043**	525,166	**197,343**	459,501
Effect of share of results of associates and jointly controlled entities	**(46,244)**	(45,333)	**–**	–
Utilisation of current year's investment tax allowance	**(31,322)**	–	**–**	–
Deferred tax assets recognised on unutilised investment tax allowance	**(45,667)**	(3,421)	**–**	–
Net deferred tax assets not recognised during the year/period	**4,078**	145,411	**3,832**	147,413

9. Taxation (cont'd)

	Group		Corporation	
	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000
Deferred tax over provided in prior period/year	**(15,565)**	(5,211)	**–**	–
Income tax (over)/under provided in prior period/year	**(5,577)**	4,471	**–**	–
Taxation for the year/period	**(26,834)**	88,276	**–**	–

The Government had on 7 October 2011 proposed that the current exemption for the shipping sector provided under Section 54A of the Income Tax Act, 1967 ("the Act") be reduced from 100% to 70% of statutory income effective from Year of Assessment ("YA") 2012. However, the Government subsequently decided to defer the above proposal for a period of 2 years via Income Tax (Exemption) (No.2) Order 2012 dated 29 May 2012.

The Corporation has sufficient tax exempt income to frank the payment of dividends out of its entire retained profits as at 31 December 2012.

10. Earnings/(Loss) per share

Basic earnings/(loss) per share are calculated by dividing profit/(loss) for the year/period attributable to ordinary equity holders of the Corporation by the weighted average number of ordinary shares in issue during the financial year/period.

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

Notes to the Financial Statements
31 December 2012

10. Earnings/(Loss) per share (cont'd)

	Group	
	1.1.2012 to 31.12.2012	**1.4.2011 to 31.12.2011**
Profit/(Loss) after taxation attributable to equity holders of the Corporation (RM'000)		
– from continuing operations	**1,394,456**	589,827
– from discontinued operations	**(622,614)**	(2,065,007)
Number of ordinary shares in issue ('000)	**4,463,794**	4,463,794
Weighted average number of ordinary shares in issue ('000)	**4,463,794**	4,463,794
Basic earnings/(loss) per share (sen)		
– from continuing operations	**31.2**	13.2
– from discontinued operations	**(13.9)**	(46.3)
	17.3	(33.1)
Diluted earnings/(loss) per share (sen)		
– from continuing operations	**31.2**	13.2
– from discontinued operations	**(13.9)**	(46.3)
	17.3	(33.1)

11. Dividends

	Group and Corporation	
	1.1.2012 to 31.12.2012 RM'000	**1.4.2011 to 31.12.2011 RM'000**
In respect of financial year:		
31 March 2011:		
Final tax exempt dividend of 10 sen per share	–	438,390

No dividend has been paid or declared by the Corporation since the end of the prior financial period. The directors do not recommend the payment of any dividend for the current financial year.

12. Ships, offshore floating assets and other property, plant and equipment

	At 1.1.2012 RM'000	Additions RM'000	Disposals RM'000
Group – 31 December 2012			
Ships			
Ships in operation	30,348,402	1,292,392	(232,174)
Ships under construction	2,195,756	295,890	–
	32,544,158	1,588,282	(232,174)
Offshore floating assets			
Offshore floating assets in operation	2,342,092	1,766	(744,093)
Offshore floating assets under construction	6,050,026	2,029,902	–
	8,392,118	2,031,668	(744,093)
Other property, plant and equipment			
Freehold land	15,523	–	–
Freehold buildings	106,416	1,048	(110)
Leasehold land	59,427	–	–
Leasehold buildings	122,574	449	–
Drydocks and waste plant	829,816	171,659	–
Containers	229,338	–	(230)
Motor vehicles	115,367	3,450	(1,870)
Furniture, fittings and equipment	111,075	3,135	(861)
Computer software and hardware	220,755	14,590	(1,383)
Constructions and projects in progress	295,144	229,674	–
Plant and machinery	432,856	20,133	(389)
Tugboats, engines and pushers	3,675	–	–
	2,541,966	444,138	(4,843)

Notes to the Financial Statements
31 December 2012

Cost: Disposal of subsidiary RM'000	Write-offs RM'000	Transfers RM'000	Reclassified as held for sale RM'000	Currency translation differences RM'000	At 31.12.2012 RM'000
–	(116,415)	457,962	(1,282,523)	(1,056,920)	29,410,724
–	–	(457,962)	–	(89,765)	1,943,919
–	(116,415)	–	(1,282,523)	(1,146,685)	31,354,643
–	(662)	744,093	–	(86,979)	2,256,217
(6,112,304)	–	(744,093)	–	(164,605)	1,058,926
(6,112,304)	(662)	–	–	(251,584)	3,315,143
–	–	–	(1,349)	(104)	14,070
–	–	–	(1,545)	(572)	105,237
–	–	–	–	(9)	59,418
–	–	808	–	(68)	123,763
–	(14,840)	98,838	–	–	1,085,473
–	–	–	(221,227)	(7,881)	–
–	–	4,607	–	(273)	121,281
–	(1,948)	16,144	–	(1,028)	126,517
–	(1,073)	11,590	–	(6,600)	237,879
–	(7,987)	(180,424)	–	(670)	335,737
–	(1,268)	48,437	–	(343)	499,426
–	–	–	–	–	3,675
–	(27,116)	–	(224,121)	(17,548)	2,712,476

12. Ships, offshore floating assets and other property, plant and equipment (cont'd)

	At 1.1.2012 RM'000	Depreciation charge for the year RM'000	Impairment losses RM'000	Disposals RM'000
Group – 31 December 2012				
Ships				
Ships in operation	**13,971,494**	**933,249**	**237,703**	**(40,797)**
Ships under construction	**–**	**–**	**–**	**–**
	13,971,494	**933,249**	**237,703**	**(40,797)**
Offshore floating assets				
Offshore floating assets in operation	**685,880**	**132,505**	**–**	**–**
Offshore floating assets under construction	**–**	**–**	**–**	**–**
	685,880	**132,505**	**–**	**–**
Other property, plant and equipment				
Freehold land	**–**	**–**	**–**	**–**
Freehold buildings	**30,310**	**3,016**	**–**	**(110)**
Leasehold land	**12,896**	**577**	**–**	**–**
Leasehold buildings	**36,022**	**3,726**	**–**	**5,717**
Drydocks and waste plant	**203,502**	**22,300**	**–**	**(5,741)**
Containers	**139,199**	**9,755**	**25,553**	**(230)**
Motor vehicles	**72,752**	**11,315**	**18**	**(1,036)**
Furniture, fittings and equipment	**83,881**	**8,876**	**118**	**(440)**
Computer software and hardware	**189,625**	**16,665**	**–**	**(782)**
Constructions and projects in progress	**–**	**–**	**–**	**–**
Plant and machinery	**247,756**	**26,276**	**187**	**(387)**
Tugboats, engines and pushers	**3,339**	**16**	**–**	**–**
	1,019,282	**102,522**	**25,876**	**(3,009)**

Notes to the Financial Statements
31 December 2012

	Accumulated depreciation/impairment					Net book value
	Write-offs RM'000	Transfers RM'000	Reclassified as held for sale RM'000	Currency translation differences RM'000	At 31.12.2012 RM'000	At 31.12.2012 RM'000
	(12,632)	–	(792,885)	(492,989)	13,803,143	15,607,581
	–	–	–	–	–	1,943,919
	(12,632)	–	(792,885)	(492,989)	13,803,143	17,551,500
	–	–	–	(26,683)	791,702	1,464,515
	–	–	–	–	–	1,058,926
	–	–	–	(26,683)	791,702	2,523,441
	–	–	–	–	–	14,070
	–	–	(464)	(140)	32,612	72,625
	–	–	–	1	13,474	45,944
	(5,741)	741	–	(15)	40,450	83,313
	–	–	–	–	220,061	865,412
	–	–	(169,190)	(5,087)	–	–
	–	12	–	(242)	82,819	38,462
	(2,104)	(7,663)	–	(748)	81,920	44,597
	(980)	(4)	–	(5,808)	198,716	39,163
	–	–	–	–	–	335,737
	–	6,914	–	(174)	280,572	218,854
	–	–	–	–	3,355	320
	(8,825)	–	(169,654)	(12,213)	953,979	1,758,497

12. Ships, offshore floating assets and other property, plant and equipment (cont'd)

	At 1.4.2011 RM'000	Additions RM'000
Group – 31 December 2011		
Ships		
Ships in operation	30,747,663	442,183
Ships under construction	1,553,399	1,114,286
	32,301,062	1,556,469
Offshore floating assets		
Offshore floating assets in operation	2,223,897	3,173
Offshore floating assets under construction	5,134,037	625,417
	7,357,934	628,590
Other property, plant and equipment		
Freehold land	15,949	–
Freehold buildings	97,609	5,856
Leasehold land	44,167	–
Leasehold buildings	130,194	–
Drydocks and waste plant	822,712	–
Containers	237,129	–
Motor vehicles	83,671	35,711
Furniture, fittings and equipment	109,341	3,537
Computer software and hardware	200,070	13,056
Constructions and projects in progress	255,667	99,195
Plant and machinery	410,244	2,560
Tugboats, engines and pushers	3,828	–
	2,410,581	159,915

Notes to the Financial Statements
31 December 2012

Cost					
Disposals RM'000	Write-offs RM'000	Transfers RM'000	Reclassified as held for sale RM'000	Currency translation differences RM'000	At 31.12.2011 RM'000
(185,847)	–	(1,134,072)	(1,013,641)	1,492,116	30,348,402
–	–	(585,265)	–	113,336	2,195,756
(185,847)	–	(1,719,337)	(1,013,641)	1,605,452	32,544,158
–	(372)	(1,133)	–	116,527	2,342,092
–	–	13,484	–	277,088	6,050,026
–	(372)	12,351	–	393,615	8,392,118
–	–	(407)	–	(19)	15,523
–	–	2,746	–	205	106,416
–	–	15,260	–	–	59,427
–	(123)	(7,563)	–	66	122,574
–	(6,809)	13,913	–	–	829,816
(18,574)	–	–	–	10,783	229,338
(3,483)	(884)	–	–	352	115,367
(6,968)	(1,477)	5,279	–	1,363	111,075
(3,231)	(587)	3,038	–	8,409	220,755
(1,155)	(6,061)	(53,513)	–	1,011	295,144
(231)	(8,814)	28,604	–	493	432,856
–	(153)	–	–	–	3,675
(33,642)	(24,908)	7,357	–	22,663	2,541,966

12. Ships, offshore floating assets and other property, plant and equipment (cont'd)

	At 1.4.2011 RM'000	Depreciation charge for the period RM'000	Impairment losses RM'000	Disposals RM'000
Group – 31 December 2011				
Ships				
Ships in operation	13,900,422	774,366	661,660	(118,698)
Ships under construction	26,789	–	–	–
	13,927,211	774,366	661,660	(118,698)
Offshore floating assets				
Offshore floating assets in operation	563,008	89,883	–	–
Offshore floating assets under construction	–	–	–	–
	563,008	89,883	–	–
Other property, plant and equipment				
Freehold land	–	–	–	–
Freehold buildings	27,567	1,569	1,515	–
Leasehold land	6,332	395	–	–
Leasehold buildings	34,856	3,150	–	–
Drydocks and waste plant	193,354	13,503	–	–
Containers	143,928	7,255	–	(18,529)
Motor vehicles	67,340	7,139	13	(1,146)
Furniture, fittings and equipment	82,484	5,024	1,541	(4,771)
Computer software and hardware	175,048	9,446	1,040	(2,248)
Constructions and projects in progress	–	–	–	–
Plant and machinery	235,139	20,159	43	(166)
Tugboats, engines and pushers	3,461	12	-	-
	969,509	67,652	4,152	(26,860)

Notes to the Financial Statements
31 December 2012

Accumulated depreciation/impairment → Write-offs RM'000	Transfers RM'000	Reclassified as held for sale RM'000	Currency translation differences RM'000	At 31.12.2011 RM'000	Net book value At 31.12.2011 RM'000	Net book value At 1.4.2011 RM'000
(6,779)	(1,443,766)	(514,145)	718,434	13,971,494	16,376,908	16,847,241
–	(26,789)	–	–	–	2,195,756	1,526,610
(6,779)	(1,470,555)	(514,145)	718,434	13,971,494	18,572,664	18,373,851
–	–	–	32,987	685,878	1,656,214	1,660,889
–	–	–	–	–	6,050,026	5,134,037
–	–	–	32,987	685,878	7,706,240	6,794,926
–	–	–	–	–	15,523	15,949
(185)	–	–	(156)	30,310	76,106	70,042
–	6,176	–	(7)	12,896	46,531	37,835
(844)	(1,151)	–	11	36,022	86,552	95,338
(3,355)	–	–	–	203,502	626,314	629,358
–	–	–	6,545	139,199	90,139	93,201
(879)	–	–	285	72,752	42,615	16,331
(1,320)	–	–	923	83,881	27,194	26,857
(1,193)	–	–	7,532	189,625	31,130	25,022
–	–	–	–	–	295,144	255,667
(7,647)	–	–	228	247,756	185,100	175,105
(134)	–	–	–	3,339	336	367
(15,557)	5,025	–	15,361	1,019,282	1,522,684	1,441,072

12. Ships, offshore floating assets and other property, plant and equipment (cont'd)

	At 1.1.2012 RM'000	Additions RM'000	Disposals RM'000
Corporation – 31 December 2012			
Ships			
Ships in operation	14,408,623	170,631	(25,267)
Ships under construction	1,391	3,454	–
	14,410,014	174,085	(25,267)
Offshore floating assets			
Offshore floating assets in operation	–	–	(767,808)
Offshore floating assets under construction	6,204,845	1,822,102	–
	6,204,845	1,822,102	(767,808)
Other property and equipment			
Containers	229,337	–	(230)
Motor vehicles	7,024	339	–
Furniture, fittings and equipment	11,331	–	–
Computer software and hardware	133,557	1,552	(670)
Projects in progress	17,477	3,877	–
	398,726	5,768	(900)

Notes to the Financial Statements
31 December 2012

	Cost					
	Disposal of subsidiary RM'000	Write-offs RM'000	Transfers RM'000	Reclassified as held for sale RM'000	Currency translation differences RM'000	At 31.12.2012 RM'000
	–	(116,415)	–	(1,271,617)	(490,759)	12,675,196
	–	–	–	–	(4,845)	–
	–	(116,415)	–	(1,271,617)	(495,604)	12,675,196
	–	–	767,808	–	–	–
	(6,295,565)	–	(767,808)	–	(169,979)	793,595
	(6,295,565)	–	–	–	(169,979)	793,595
	–	–	–	(221,227)	(7,880)	–
	–	–	–	–	(244)	7,119
	–	–	–	–	(389)	10,942
	–	–	9,251	–	(4,598)	139,092
	–	–	(9,251)	–	(634)	11,469
	–	–	–	(221,227)	(13,745)	168,622

12. Ships, offshore floating assets and other property, plant and equipment (cont'd)

	At 1.1.2012 RM'000	Depreciation charge for the year RM'000	Impairment losses RM'000
Corporation – 31 December 2012			
Ships			
Ships in operation	**6,670,371**	**369,179**	**134,249**
Offshore floating assets			
Offshore floating assets under construction	–	–	–
Other property and equipment			
Containers	**139,199**	**9,755**	**25,553**
Motor vehicles	**5,854**	**701**	–
Furniture, fittings and equipment	**10,345**	**409**	–
Computer software and hardware	**128,664**	**3,022**	–
Projects in progress	–	–	–
	284,062	**13,887**	**25,553**

Notes to the Financial Statements
31 December 2012

Accumulated depreciation/impairment						Net book value
Disposals RM'000	Write-offs RM'000	Transfers RM'000	Reclassified as held for sale RM'000	Currency translation differences RM'000	At 31.12.2012 RM'000	At 31.12.2012 RM'000
(6,639)	(12,632)	–	(792,884)	(233,475)	6,128,169	6,547,027
–	–	–	–	–	–	793,595
(230)	–	–	(169,190)	(5,087)	–	–
–	–	–	–	(207)	6,348	771
–	–	–	–	(359)	10,395	547
(105)	–	–	–	(4,447)	127,134	11,958
–	–	–	–	–	–	11,469
(335)	–	–	(169,190)	(10,100)	143,877	24,745

12. Ships, offshore floating assets and other property, plant and equipment (cont'd)

	At 1.4.2011 RM'000	Additions RM'000
Corporation – 31 December 2011		
Ships		
Ships in operation	15,373,989	170,434
Ships under construction	130,977	34,413
	15,504,966	204,847
Offshore floating assets		
Offshore floating assets under construction	5,054,856	634,722
Other property and equipment		
Containers	237,129	–
Motor vehicles	6,701	–
Furniture, fittings and equipment	10,748	26
Computer software and hardware	125,360	333
Projects in progress	13,702	5,941
	393,640	6,300

Notes to the Financial Statements
31 December 2012

	Cost					
	Disposals RM'000	Write-offs RM'000	Transfers RM'000	Reclassified as held for sale RM'000	Currency translation differences RM'000	At 31.12.2011 RM'000
	(157,745)	–	(1,549,088)	(171,190)	742,223	14,408,623
	–	–	(170,249)	–	6,250	1,391
	(157,745)	–	(1,719,337)	(171,190)	748,473	14,410,014
	–	–	248,782	–	266,485	6,204,845
	(18,574)	–	–	–	10,782	229,337
	–	–	–	–	323	7,024
	–	–	–	–	557	11,331
	(1,195)	–	3,038	–	6,021	133,557
	–	–	(3,038)	–	872	17,477
	(19,769)	–	–	–	18,555	398,726

12. Ships, offshore floating assets and other property, plant and equipment (cont'd)

	At 1.4.2011 RM'000	Depreciation charge for the period RM'000	Impairment losses RM'000	Disposals RM'000
Corporation – 31 December 2011				
Ships				
Ships in operation	7,075,643	342,479	566,478	(91,969)
Ships under construction	26,789	–	–	–
	7,102,432	342,479	566,478	(91,969)
Offshore floating assets				
Offshore floating assets under construction	–	–	–	–
	–	–	–	–
Other property and equipment				
Containers	143,928	7,255	–	(18,529)
Motor vehicles	4,882	710	–	–
Furniture, fittings and equipment	8,878	1,003	–	–
Computer software and hardware	122,369	1,566	–	(1,195)
Projects in progress	–	–	–	–
	280,057	10,534	–	(19,724)

Notes to the Financial Statements
31 December 2012

Accumulated depreciation/impairment					Net book value	Net book value
Write-offs RM'000	Transfers RM'000	Reclassified as held for sale RM'000	Currency translation differences RM'000	At 31.12.2011 RM'000	At 31.12.2011 RM'000	At 1.4.2011 RM'000
–	(1,443,766)	(147,529)	369,035	6,670,371	7,738,252	8,298,346
–	(26,789)	–	–	–	1,391	104,188
–	(1,470,555)	(147,529)	369,035	6,670,371	7,739,643	8,402,534
–	–	–	–	–	6,204,845	5,054,856
–	–	–	–	–	6,204,845	5,054,856
–	–	–	6,545	139,199	90,138	93,201
–	–	–	262	5,854	1,170	1,819
–	–	–	464	10,345	986	1,870
–	–	–	5,924	128,664	4,893	2,991
–	–	–	–	–	17,477	13,702
–	–	–	13,195	284,062	114,664	113,583

12. Ships, offshore floating assets and other property, plant and equipment (cont'd)

(a) The net carrying amounts of ships, offshore floating assets and other property, plant and equipment pledged as securities for borrowings (Note 18(c)) are as follows:

	Group	
	2012 RM'000	**2011 RM'000**
Ships	**1,793,860**	1,986,584
Offshore floating assets	**1,087,122**	1,196,467
Other property, plant and equipment	**30,640**	31,128
	2,911,622	3,214,179

(b) Finance costs capitalised during the financial year for ships and offshore floating assets under construction of the Group and of the Corporation were RM105,380,000 (31.12.2011: RM71,872,000) and RM95,708,000 (31.12.2011: RM66,584,000) respectively, as disclosed in Note 8(a).

(c) The Group and the Corporation have performed a review of the recoverable amount of its ships, offshore floating assets and other property, plant and equipment during the financial year. The review led to the recognition of net impairment losses from continuing operations of RM211,920,000 (31.12.2011: RM273,647,000) and RM108,143,000 (31.12.2011: RM178,465,000) for the Group and the Corporation respectively as disclosed in Note 5(a). In addition, impairment losses from the discontinued operations of RM51,658,000 (31.12.2011: RM392,165,000) and RM51,658,000 (31.12.2011: RM388,013,000) for the Group and the Corporation respectively have been recognised as disclosed in Note 40(a). The recoverable amount was based on the higher of fair value less costs to sell or 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. The fair values less costs to sell of the ships refer to their market values in the industry as determined by independent ship brokers.

Notes to the Financial Statements
31 December 2012

13. Prepaid lease payments on land and buildings

	Group		Corporation	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
At 1 January 2012/1 April 2011	**78,369**	82,487	**5,916**	5,758
Addition	**193,616**	–	–	–
Transfer to other property, plant and equipment	–	(2,333)	–	–
Amortisation for the year/period (Note 5)	**(6,396)**	(2,059)	**(155)**	(116)
Disposal/write-off	**(1,157)**	–	–	–
Currency translation differences	**(200)**	274	**(200)**	274
At 31 December	**264,232**	78,369	**5,561**	5,916
Analysed as:				
Long term leasehold land	**247,967**	59,947	**3,271**	3,491
Short term leasehold land	**5,159**	5,734	–	–
Leasehold buildings	**11,106**	12,688	**2,290**	2,425
	264,232	78,369	**5,561**	5,916

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 RM253,513,000 (31.12.2011: RM65,569,000) which cannot be disposed off, charged or subleased without the prior consent of the Johor State Government.

14. Intangible assets

	Group		
	Goodwill RM'000	Other intangible assets RM'000	Total RM'000
Cost			
At 1 April 2011	695,381	504,463	1,199,844
Currency translation differences	27,684	–	27,684
At 31 December 2011	723,065	504,463	1,227,528
Addition (Note 43 (a))	62,783	–	62,783
Currency translation differences	(22,846)	–	(22,846)
At 31 December 2012	**763,002**	**504,463**	**1,267,465**

14. Intangible assets (cont'd)

	Group		
	Goodwill RM'000	**Other intangible assets RM'000**	**Total RM'000**
Accumulated amortisation and impairment			
At 1 April 2011	2,325	348,820	351,145
Amortisation for the period (Note 5)	–	21,225	21,225
At 31 December 2011	2,325	370,045	372,370
Amortisation for the year (Note 5)	–	28,168	28,168
At 31 December 2012	**2,325**	**398,213**	**400,538**
Net carrying amount			
At 1 April 2011	693,056	155,643	848,699
At 31 December 2011	720,740	134,418	855,158
At 31 December 2012	**760,677**	**106,250**	**866,927**

The other intangible assets relate to the fair value of time charter hire contracts, based on valuations performed by an independent professional valuer in 1998, and are amortised over the time charter period of the vessels.

Impairment test for goodwill

(a) Impairment loss recognised

The Group performed a review on the recoverable amount of goodwill during the financial year/period. Based on this review, no impairment loss was recognised (31.12.2011: RM Nil). Generally, the recoverable amounts are based on market value at quoted shares or value in use for the cash-generating unit ("CGU"). In determining value in use for the CGU, the cash flows were discounted at rates determined by management on a pre-tax basis.

Notes to the Financial Statements
31 December 2012

14. Intangible assets (cont'd)

(b) Allocation of goodwill

Goodwill has been allocated to the Group's CGUs identified according to business segment as follows:

	Group	
	31.12.2012 RM'000	**31.12.2011 RM'000**
Energy related shipping	**611,587**	633,355
Other energy businesses	**148,220**	86,515
Non-shipping and others	**870**	870
	760,677	720,740

(c) Key assumptions used in value in use calculations

The recoverable amount of a CGU is determined using value in use method based on cash flow projections derived from financial projections approved by the management covering a five year period. The discount rate used is based on the pre-tax weighted average cost of capital determined by the management.

Energy Related Shipping

Goodwill for this segment represents goodwill arising from acquisition of American Eagle Tanker Inc ("AET"), a company involved in petroleum shipping business. An impairment review of the carrying amount of the goodwill at the reporting date was undertaken by comparing to the recoverable amount of the CGU, which was based on value in use calculations. The recoverable amount exceeds its carrying amount by RM1,687,000,000. The value in use is most sensitive to the following key assumptions:

1. Spot charter rates to increase based on forecasts by industry research publications.

2. The discount rate applied is 6.89%. It reflects the current market assessment of the risks specific to the company. This is the benchmark used by the management to assess operating performance and to evaluate future investments. In determining the discount rate for the company, reference has been made to the yield on a 30 year US Treasury Bills at reporting date.

3. Terminal value and growth rate - The terminal value is based on expected cash flows for year 2017 into perpetuity with terminal year growth rate of 0%. Terminal year charter rates are based on ten-year average historical market rates.

   A decrease of 4.86% or 486 basis points in the charter rates in deriving at the terminal value would result in recoverable amount equal to the carrying amount of the goodwill.

14. Intangible assets (cont'd)

(c) Key assumptions used in value in use calculations (cont'd)

Energy Related Shipping (cont'd)

4. Expenses to increase by an annual average rate of between 1% - 3%.

The Directors are of the opinion that the underlying key assumptions used in the estimation of the recoverable amount are reasonable. Based on the above assumptions, there is no impairment to the goodwill of AET.

Other Energy Businesses

Goodwill for Other Energy Businesses relates to the Group's interest in Malaysia Marine and Heavy Engineering Holdings Berhad ("MHB") and Malaysian Offshore Mobile Production Limited ("MOMPL").

The impairment test for the goodwill for MHB is made by comparing the recoverable amount of the CGU against its carrying amount. The recoverable amount is determined using the quoted market price of MHB.

The recoverable amount of MOMPL is determined based on the value in use calculations. The applied discount rate is based on the pre-tax weighted average cost of capital determined by the management. It is the benchmark used by the management to assess operating performance and to evaluate future investments.

Since the recoverable amount exceeds the carrying amount of the CGUs, the Directors' are of the opinion that there is no impairment to the goodwill of this segment.

The management believes that there are no reasonable foreseeable changes in key assumptions that would cause the carrying value of the unit to exceed its recoverable amount.

15. Investments in subsidiaries

	Corporation	
	31.12.2012 RM'000	**31.12.2011 RM'000**
At 1 January 2012/1 April 2011	**8,089,403**	5,187,493
Additional investment in subsidiaries (Note a)	**1,868,692**	2,797,650
Disposal (Note b)	**(934,346)**	–
Transfer to investment in jointly controlled entities (Note b)	**(934,346)**	–
Impairment of investment in an unquoted subsidiary	**(2,486)**	(141,058)
Currency translation differences	**(278,019)**	245,318
At 31 December	**7,808,898**	8,089,403

Notes to the Financial Statements
31 December 2012

15. Investments in subsidiaries (cont'd)

	Corporation	
	31.12.2012 RM'000	**31.12.2011 RM'000**
At cost		
Quoted shares	**198,003**	205,051
Unquoted shares	**7,610,895**	7,884,352
	7,808,898	8,089,403

Included in unquoted shares are preference shares of RM5,456,417,000 (31.12.2011: RM5,650,621,000) which bear interest ranging from 5.00% to 6.00% (31.12.2011: 5.00% to 6.00%) per annum.

a. On 27 July 2012, the Corporation through its wholly-owned subsidiary, MISC Integrated Logistics Sdn. Bhd acquired additional 40% equity interest in MILS-Seafrigo Cold Chain Sdn. Bhd. for a purchase consideration of RM1. The difference between the purchase consideration and the book value of the interest acquired is reflected in equity.

   On 4 October 2012, a subsidiary, Gumusut-Kakap Semi-Floating Production System (L) Limited (formerly known as MISC Floating Production System (Gumusut) Ltd.) ("GKL") issued 611,400,000 new ordinary shares of USD1 each (approximately RM1,868,700,000 as part consideration for its purchase of an asset from the Corporation.

   In the previous financial period, the Corporation converted its advances due from MTTI Sdn. Bhd. of RM2,668,859,347 to 250,000,000 Redeemable Convertible Preference Shares of RM10 each and 168,859,347 ordinary shares of RM1 each.

b. On 30 November 2012, the Corporation disposed 50% of its equity interest in its wholly owned subsidiary, GKL to E&P Venture Solutions Co Sdn. Bhd. ("EPV"), a wholly owned subsidiary of Petronas Carigali Sdn. Bhd. for a cash consideration of USD305.7 million (approximately RM934.3 million). GKL became a jointly controlled entity of the Corporation subsequent to the share disposal.

   The share disposal has resulted in a gain of RM100.7 million which represents the realisation of 50% intercompany profit recorded by a subsidiary from the construction of an asset since 2006.

   The disposal had the following effects on the financial position of the Group as at the end of the year:

	RM'000
Trade and other receivables	6,229,156
Other payables and accruals	(61)
Loan from ultimate holding company	(4,360,403)
Total net assets	1,868,692
50% of net assets disposed	934,346
Disposal proceeds settled by cash	(934,346)
	–
Recognition of previously unrealised intercompany profits	100,742
Gain on share disposal to the Group	100,742

15. Investments in subsidiaries (cont'd)

c. An impairment review of the carrying amount of investment in subsidiaries at the reporting date was undertaken by comparing it to the recoverable amount. The recoverable amount is determined using value in use method based on cash flow projections derived from management's approved financial projections covering a five year period. The applied discount rate is based on the pre-tax weighted average cost of capital determined by the management. An impairment loss of RM2,486,000 (31.12.2011: RM141,058,000) was recognised during the financial year/period in relation to the cost of investment in one of the unquoted subsidiary following the cessation of the Group's liner and its related business operations.

Details of the subsidiaries are disclosed in Note 37.

16. Investments in associates

	Group		Corporation	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
Unquoted shares in Malaysia, at cost	**440**	571	**–**	131
Unquoted shares outside Malaysia, at cost	**4,650**	4,571	**92**	95
	5,090	5,142	**92**	226
Share of post-acquisition loss	**(2,319)**	(2,319)	**–**	–
Share of other post-acquisition reserves	**2,205**	2,138	**–**	–
	4,976	4,961	**92**	226
Less: Accumulated impairment losses	**(2,973)**	(2,639)	**–**	–
Carrying amount of the investment	**2,003**	2,322	**92**	226

The summarised financial information of the associates are as follows:

	31.12.2012 RM'000	**31.12.2011 RM'000**
Assets and liabilities		
Current assets	**15,455**	20,171
Non-current assets	**10,167**	16,927
Total assets	**25,622**	37,098
Current liabilities	**13,813**	17,773
Non-current liabilities	**939**	8,325
Total liabilities	**14,752**	26,098

Notes to the Financial Statements
31 December 2012

16. Investments in associates (cont'd)

The summarised financial information of the associates are as follows: (cont'd)

	31.12.2012 RM'000	31.12.2011 RM'000
Results		
Revenue	**3,070**	5,198
Profit for the year/period	**122**	551

Details of the associates are disclosed in Note 38.

17. Investments in jointly controlled entities

	Group		Corporation	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Unquoted shares in Malaysia, at cost	**1,077,495**	147,537	**1,072,075**	138,367
Unquoted shares outside Malaysia, at cost	**2,996,383**	3,102,693	**459**	476
	4,073,878	3,250,230	**1,072,534**	138,843
Share of post-acquisition profits	**383,292**	355,715	**–**	–
Share of other post-acquisition reserves	**(32,092)**	(62,978)	**–**	–
	351,200	292,737	**–**	–
Less: Accumulated impairment loss	**(4,502)**	(4,662)	**–**	–
Carrying amount of the investment	**4,420,576**	3,538,305	**1,072,534**	138,843

The Group's aggregate share of current assets, non-current assets, current liabilities, non-current liabilities, income and expenses of its jointly controlled entities are as follows:

	31.12.2012 RM'000	31.12.2011 RM'000
Assets and liabilities		
Current assets	**938,839**	1,161,213
Non-current assets	**8,065,060**	4,734,371
Total assets	**9,003,899**	5,895,584
Current liabilities	**730,239**	1,097,501
Non-current liabilities	**4,829,587**	2,400,293
Total liabilities	**5,559,826**	3,497,794

17. Investments in jointly controlled entities (cont'd)

	31.12.2012 RM'000	31.12.2011 RM'000
Results		
Revenue	**1,365,070**	1,596,763
Profit for the year/period	**191,001**	184,246

a. The Group through its subsidiary, FPSO Ventures Sdn. Bhd. had on 29 September 2012 disposed its entire 50% equity interest in a jointly controlled entity, Offshore Marine Ventures Sdn. Bhd, for a total consideration of RM1.8 million.

b. On 30 November 2011, the Corporation disposed 50% equity interest in its wholly owned subsidiary, GKL to EPV, a wholly owned subsidiary of Petronas Carigali Sdn. Bhd. for a cash consideration of USD305.7 million (approximately RM934.3 million). Both MISC and EPV hold 50% shareholding in GKL with a combined investment of USD611.4 million.

c. Included in the carrying amount of investment in jointly controlled entities is goodwill of RM1,159,221,000 arising from the acquisition of VTTI B.V. ("VTTI") in 2010. An impairment review of the carrying amount of the goodwill at the reporting date was undertaken by comparing the carrying amount of VTTI to the recoverable amount, based on value in use. The recoverable amount exceeds the carrying amount by RM956,330,000. The value in use is most sensitive to the following key assumptions:

   1. The applied discount rate is 7.4%. It reflects the current market assessment of the risks specific to the Group. This is the benchmark used by the management to assess operating performance and to evaluate future investments. In determining the discount rate for the Group, reference is made to the risk free return on long term government securities.

   2. Terminal value and growth rate - the terminal value is based on expected cash flows for year 2023 into perpetuity with terminal year growth rate of 2%.

      0% growth rate would give a recoverable amount equal to the carrying amount of the investment in VTTI.

   Based on the above assumptions, there is no impairment to the investment in VTTI. The management believes that there are no reasonable foreseeable changes in key assumptions that would cause the carrying value of the unit to exceed its recoverable amount.

   Details of the Group's jointly controlled entities are disclosed in Note 39.

Notes to the Financial Statements
31 December 2012

18. Other financial assets and financial liabilities

(a) Other non-current financial assets

	Group		Corporation	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
Non-current unquoted equity shares	**39,425**	40,876	**38,958**	40,345
Less: Impairment	**(2,789)**	(2,938)	**(2,695)**	(2,791)
	36,636	37,938	**36,263**	37,554
Non-current quoted equity shares	**400,636**	351,158	**400,636**	351,158
Long term receivables	**70,388**	–	–	–
Loans and advances:				
Subsidiaries	–	–	**2,022,548**	971,268
Jointly controlled entities	**84,314**	775,082	**65,645**	772,225
Associates	**4,018**	4,083	**1,838**	1,903
	88,332	779,165	**2,090,031**	1,745,396
Less:				
Impairment on loans to:				
Subsidiary	–	–	**(51,549)**	(53,223)
Associates	**(3,614)**	(1,776)	**(1,838)**	–
Jointly controlled entities	**(6,266)**	(6,490)	**(6,266)**	(6,490)
	(9,880)	(8,266)	**(59,653)**	(59,713)
Net loans and advances	**78,452**	770,899	**2,030,378**	1,685,683
Total other non-current financial assets	**586,112**	1,159,995	**2,467,277**	2,074,395

Non-current quoted investments are held as long-term strategic investments. The Group has no intention to dispose its interest in these companies.

Long term receivables relates to amount receivable by a subsidiary on a long term charter contract during the vessels construction period. The outstanding amount will be recovered over a 20-year time charter period.

The loans and advances to subsidiaries are unsecured and bear interest ranging from 1.81% to 5.9% (31.12.2011: 3.22% to 5.9%) per annum.

18. Other financial assets and financial liabilities (cont'd)

(b) Derivative liabilities

	Group	
	31.12.2012 RM'000	**31.12.2011 RM'000**
Current:		
Interest rate swaps ("IRS") - effective hedges representing total other financial liabilities (IRS 3 (iii))	**52,886**	–
Currency hedge - effective hedges	**169**	2,327
	53,055	2,327

	Group	
	31.12.2012 RM'000	**31.12.2011 RM'000**
Non-current:		
Interest rate swaps ("IRS") - effective hedges representing total other financial liabilities		
– IRS 1 (i)	**13,121**	31,877
– IRS 2 (ii)	**5,770**	7,614
– IRS 3 (iii)	**–**	137,932
– IRS 4 (iv)	**6,940**	6,396
	25,831	183,819

(i) This represents an interest rate arrangement entered into to partially hedge a loan obtained by a subsidiary. The notional amount of loan being hedged as at 31 December 2012 was RM311,120,000 (31.12.2011: RM522,660,000). The loan was drawndown in December 2006 and is subject to floating interest rate. The Group had, in December 2006, entered into an interest rate swap agreement which entitled the Group to pay fixed interest rate of 5.09% (31.12.2011: 5.09%) per annum until the maturity of the loan.

(ii) On 14 July 2010, the Group entered into an additional interest rate swap arrangement to hedge the remaining loan balance obtained by a subsidiary as disclosed in Note 18(b)(i) which entitled the Group to pay fixed interest rate of 3.45% (31.12.2011: 3.45%) per annum until the maturity of the loan. The notional amount of loan being hedged as at the reporting date was RM97,388,000 (31.12.2011: RM98,634,000).

Notes to the Financial Statements
31 December 2012

18. Other financial assets and financial liabilities (cont'd)

(b) Derivative liabilities (cont'd)

(iii) The Group drewdown USD1 billion and USD75 million transferable five-year syndicated term loan facilities in October 2008 and November 2008 respectively. The loans are subject to floating interest rates and to manage interest rate risk, the Group had entered into interest rate swap arrangements with a notional amount totalling RM2,293,305,000 (31.12.2011: RM3,409,363,000) which entitles the Group to pay fixed interest rates ranging from 2.48% to 2.81% (31.12.2011: 2.48% to 2.81%) per annum and receive floating interest rates for each repayment date until maturity of the loans. The Group terminated the interest rate swap arrangements in relation to certain loans in November 2012 following early repayment of loans amounting to RM995,312,000 (USD325,000,000).

(iv) On 27 May 2011, the Group entered into an interest rate swap hedging arrangement to hedge 90% of its subsidiary's syndicated term loan facility with a notional amount of RM217,168,000 (31.12.2011: RM270,554,000). Under this arrangement, the Group pays fixed interest rate of 1.85% (31.12.2011: 1.85%) per annum and receives cash flows at floating rates.

(c) Interest-bearing loans and borrowings

	Group		Corporation	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
Short term borrowings				
Secured:				
Term loans				
Fixed rate	**172,274**	178,647	**–**	–
Floating rate	**303,394**	271,023	**–**	–
Hire purchase	**4,025**	3,437	**–**	–
	479,693	453,107	**–**	–

18. Other financial assets and financial liabilities (cont'd)

(c) Interest-bearing loans and borrowings (cont'd)

	Group		Corporation	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Unsecured:				
Revolving credit	**91,875**	1,110,025	–	–
Term loans				
Floating rate*	**2,293,305**	–	–	–
Islamic Private Debt Securities Al Murabahah Medium Term Notes	–	1,449,953	–	1,449,953
Loans from subsidiaries	–	–	**2,345,368**	688,216
Revolving credit from holding company**	–	475,725	–	475,725
Loan from holding company**	–	2,370,746	–	2,370,746
	2,385,180	5,406,449	**2,345,368**	4,984,640
	2,864,873	5,859,556	**2,345,368**	4,984,640
Long term borrowings				
Secured:				
Term loans				
Fixed rate	**423,013**	614,351	–	–
Floating rate	**1,094,144**	1,281,540	–	–
Hire purchase	**19,635**	24,380	–	–
	1,536,792	1,920,271	–	–
Unsecured:				
Term loans				
Floating rate*	–	3,400,212	–	–
US Dollar Guaranteed Notes	**2,139,015**	2,212,121	–	–
Islamic Private Debt Securities Al Murabahah Medium Term Notes	**1,300,000**	800,000	**1,300,000**	800,000
Revolving credit from holding company**	**1,531,250**	–	**1,531,250**	–
Loans from subsidiaries	–	–	**13,115**	3,400,212
	4,970,265	6,412,333	**2,844,365**	4,200,212
	6,507,057	8,332,604	**2,844,365**	4,200,212

Notes to the Financial Statements
31 December 2012

18. Other financial assets and financial liabilities (cont'd)

(c) Interest-bearing loans and borrowings (cont'd)

	Group		Corporation	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
Total borrowings				
Term loans	**4,286,130**	5,745,773	**–**	–
Hire purchase	**23,660**	27,817	**–**	–
USD Guaranteed Notes	**2,139,015**	2,212,121	**–**	–
Islamic Private Debt Securities Al Murabahah Medium Term Notes	**1,300,000**	2,249,953	**1,300,000**	2,249,953
Revolving credit	**91,875**	1,110,025	**–**	–
Loans from subsidiaries	**–**	–	**2,358,483**	4,088,428
Revolving credit from holding company	**1,531,250**	475,725	**1,531,250**	475,725
Loan from holding company	**–**	2,370,746	**–**	2,370,746
	9,371,930	14,192,160	**5,189,733**	9,184,852

* The floating rate term loans are repayable on 25 September 2013 and 31 October 2013 as bullet repayments. An early repayment of these floating rate term loans amounting to RM994,312,000 (USD325,000,000) was made in the current financial year.

** The revolving credit and loan from holding company, which would have been due and payable on 31 December 2012 and 30 November 2012 respectively, were extended on 27 March 2012. With the extension, the revolving credit and loan from holding company will mature on 31 December 2014 and 30 November 2014, respectively.

The Group had in December 2012 fully prepaid the loan from holding company of RM2,370,746,000 (USD750,000,000).

The secured term loans are secured by mortgages over certain ships, offshore floating assets and other property, plant and equipment together with charter agreements and insurance of the relevant assets. The carrying values of the ships, offshore floating assets and other property, plant and equipment pledged are stated in Note 12(a).

18. Other financial assets and financial liabilities (cont'd)

(c) Interest-bearing loans and borrowings (cont'd)

The range of interest rates as at the reporting date of the above interest-bearing loans and borrowings are as follows:

	Group		Corporation	
	1.1.2012 to 31.12.2012 %	**1.4.2011 to 31.12.2011 %**	**1.1.2012 to 31.12.2012 %**	**1.4.2011 to 31.12.2011 %**
Fixed rate				
Term loans	**4.54 – 5.20**	4.54 – 5.20	**–**	–
Hire purchase	**2.40 – 4.00**	4.55 – 7.42	**–**	–
US Dollar Guaranteed Notes	**6.13**	6.13	**–**	–
Islamic Private Debt Securities	**3.25 – 3.71**	3.25 – 3.71	**3.25 – 3.71**	3.25 – 3.71
Loans from subsidiaries	**–**	–	**2.48 – 6.13**	2.48 – 6.13
Floating rate				
Term loans				
– before interest rate swap	**1.55 – 3.20**	0.60 – 3.35	**–**	–
– after interest rate swap	**1.85 – 5.09**	1.85 – 5.09	**–**	–
Revolving credit	**1.44 – 1.76**	0.87 – 1.29	**–**	–
Loans from subsidiaries	**–**	–	**0.74**	0.84
Loan and revolving credit from holding company	**1.00 – 1.42**	1.03 – 1.53	**1.00 – 1.42**	1.03 – 1.53

Notes to the Financial Statements
31 December 2012

18. Other financial assets and financial liabilities (cont'd)

(c) Interest-bearing loans and borrowings (cont'd)

At 31 December 2012	Within 1 year RM'000	More than 1 year and within 2 years RM'000	More than 2 years and within 3 years RM'000	More than 3 years and within 4 years RM'000	More than 4 years and within 5 years RM'000	More than 5 years RM'000	Total RM'000
Group							
Fixed rate							
Term loans	172,274	172,600	138,733	86,842	20,926	3,912	595,287
Hire purchase	4,025	3,993	3,993	3,991	3,993	3,665	23,660
US Dollar Guaranteed Notes	–	2,139,015	–	–	–	–	2,139,015
Islamic Private Debt Securities	–	500,000	200,000	300,000	300,000	–	1,300,000
	176,299	2,815,608	342,726	390,833	324,919	7,577	4,057,962
Floating rate							
Term loans	2,596,699	362,261	158,001	161,694	115,910	296,278	3,690,843
Revolving credit	91,875	–	–	–	–	–	91,875
Revolving credit from holding company	–	1,531,250	–	–	–	–	1,531,250
	2,688,574	1,893,511	158,001	161,694	115,910	296,278	5,313,968
Total borrowings	2,864,873	4,709,119	500,727	552,527	440,829	303,855	9,371,930
Corporation							
Fixed rate							
Islamic Private Debt Securities	–	500,000	200,000	300,000	300,000	–	1,300,000
Loans from subsidiaries	2,293,305	13,115	–	–	–	–	2,306,420
	2,293,305	513,115	200,000	300,000	300,000	–	3,606,420
Floating rate							
Loans from subsidiaries	52,063	–	–	–	–	–	52,063
Revolving credit from holding company	–	1,531,250	–	–	–	–	1,531,250
Total borrowings	2,345,368	2,044,365	200,000	300,000	300,000	–	5,189,733

18. Other financial assets and financial liabilities (cont'd)

(c) Interest-bearing loans and borrowings (cont'd)

At 31 December 2011	Within 1 year RM'000	More than 1 year and within 2 years RM'000	More than 2 years and within 3 years RM'000	More than 3 years and within 4 years RM'000	More than 4 years and within 5 years RM'000	More than 5 years RM'000	Total RM'000
Group							
Fixed rate							
Term loans	178,647	177,417	178,514	143,429	89,678	25,315	793,000
Hire purchase	3,437	3,594	3,787	4,012	4,237	8,749	27,816
US Dollar Guaranteed Notes	–	–	2,212,121	–	–	–	2,212,121
Islamic Private Debt Securities	1,449,953	500,000	–	–	300,000	–	2,249,953
	1,632,037	681,011	2,394,422	147,441	393,915	34,064	5,282,890
Floating rate							
Term loans	271,023	3,715,937	324,827	113,296	117,121	410,570	4,952,774
Revolving credit	1,110,025	–	–	–	–	–	1,110,025
Revolving credit from holding company	475,725	–	–	–	–	–	475,725
Loan from holding company	2,370,746	–	–	–	–	–	2,370,746
	4,227,519	3,715,937	324,827	113,296	117,121	410,570	8,909,270
Total borrowings	5,859,556	4,396,948	2,719,249	260,737	511,036	444,634	14,192,160

Notes to the Financial Statements
31 December 2012

18. Other financial assets and financial liabilities (cont'd)

(c) Interest-bearing loans and borrowings (cont'd)

At 31 December 2011	Within 1 year RM'000	More than 1 year and within 2 years RM'000	More than 2 years and within 3 years RM'000	More than 3 years and within 4 years RM'000	More than 4 years and within 5 years RM'000	More than 5 years RM'000	Total RM'000
Corporation							
Fixed rate							
Islamic Private Debt Securities	1,449,953	500,000	–	–	300,000	–	2,249,953
Loan from subsidiaries	634,300	3,400,212	–	–	–	–	4,034,512
	2,084,253	3,900,212	–	–	300,000	–	6,284,465
Floating rate							
Loans from subsidiaries	53,916	–	–	–	–	–	53,916
Revolving credit from holding company	475,725	–	–	–	–	–	475,725
Loan from holding company	2,370,746	–	–	–	–	–	2,370,746
	2,900,387	–	–	–	–	–	2,900,387
Total borrowings	4,984,640	3,900,212	–	–	300,000	–	9,184,852

18. Other financial assets and financial liabilities (cont'd)

(d) Finance lease receivables

Finance lease receivables represent lease rental and interest receivable due from customers in relation to the lease of offshore floating assets by the Group.

	Group	
	31.12.2012 RM'000	**31.12.2011 RM'000**
Minimum lease receivables:		
Not later than 1 year	**173,681**	91,004
Later than 1 year and not later than 2 years	**173,681**	90,756
Later than 2 years and not later than 5 years	**521,519**	272,516
Later than 5 years	**1,537,624**	374,638
	2,406,505	828,914
Less: Future finance income	**(926,825)**	(383,569)
Present value of finance lease assets	**1,479,680**	445,345
Present value of finance lease assets:		
Not later than 1 year	**59,956**	24,614
Later than 1 year and not later than 2 years	**66,145**	28,389
Later than 2 years and not later than 5 years	**245,186**	116,758
Later than 5 years	**1,108,393**	275,584
	1,479,680	445,345
Analysed as:		
Due within 12 months (Note 20)	**59,956**	24,614
Due after 12 months	**1,419,724**	420,731
	1,479,680	445,345

The effective interest rate of the Group's finance lease receivables is between 5.00% to 15.97% (31.12.2011: 14.65% to 15.97%). Included in minimum lease receivables are the estimated unguaranteed residual values of the leased assets of RM35,113,000.

During the year, a gain of RM283,185,000 (31.12.2011: RM Nil) was recognised upon disposal of assets through a finance lease arrangement.

(e) Other non-current financial liabilities

Other non-current financial liabilities relates to a loan from corporate shareholder of a subsidiary which is unsecured, bears interest at 5.44% (31.12.2011: RM Nil) per annum and repayable in year 2014.

Notes to the Financial Statements
31 December 2012

19. Inventories

	Group		Corporation	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
At cost				
Bunkers, lubricants and consumable stores	**228,017**	333,115	**51,028**	126,701
Spares	**96,462**	76,287	**30,096**	26,583
Raw materials	**11,622**	25,593	**–**	–
	336,101	434,995	**81,124**	153,284

20. Trade and other receivables

	Group		Corporation	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
Trade receivables				
Third parties	**804,513**	955,327	**103,923**	134,087
Subsidiaries	**–**	–	**88,672**	168,857
Holding company	**35,209**	7,009	**22,880**	440
Fellow subsidiaries	**182,421**	137,925	**10,385**	9,491
Associates	**240**	1,044	**28**	716
Jointly controlled entities	**120,377**	199,025	**16,617**	32,548
Finance lease (Note 18(d))	**59,956**	24,614	**–**	–
Due from customer on contracts (Note 21)	**1,308,203**	490,346	**–**	–
	2,510,919	1,815,290	**242,505**	346,139
Less: Impairment loss on trade receivables:				
Third parties	**(99,000)**	(129,741)	**(51,283)**	(72,276)
Jointly controlled entities	**(16,550)**	(17,139)	**(16,550)**	(17,139)
Subsidiaries	**–**	–	**(3,369)**	(4,306)
Fellow subsidiaries	**(3,497)**	(3,390)	**–**	–
	(119,047)	(150,270)	**(71,202)**	(93,721)
Trade receivables, net	**2,391,872**	1,665,020	**171,303**	252,418

20. Trade and other receivables (cont'd)

	Group		Corporation	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
Other receivables				
Amount due from related parties:				
Subsidiaries	**–**	–	**1,512,366**	314,772
Fellow subsidiaries	**3,639**	–	**–**	–
Associates	**83**	264	**–**	264
Jointly controlled entities	**7,277**	35,283	**2,860**	35,073
	10,999	35,547	**1,515,226**	350,109
Amount due from a joint venture partner	**4,493**	3,632	**–**	–
Deposits	**33,960**	62,802	**2,125**	3,274
Prepayments	**123,414**	180,067	**31,542**	38,069
Others	**713,895**	298,802	**263,644**	195,934
	886,761	580,850	**1,812,537**	587,386
Less: Impairment loss on other receivables:				
Subsidiaries	**–**	–	**(23,008)**	(23,010)
Associates	**(258)**	(130)	**–**	–
Jointly controlled entities	**(210)**	(210)	**–**	–
	(468)	(340)	**(23,008)**	(23,010)
Other receivables, net	**886,293**	580,510	**1,789,529**	564,376
Total trade and other receivables	**3,278,165**	2,245,530	**1,960,832**	816,794
Add: Cash, deposits and bank balances (Note 22)	**4,023,351**	4,155,139	**2,145,223**	1,350,607
Add: Net loans and advances (Note 18(a))	**78,452**	770,899	**2,030,378**	1,685,683
Add: Long term receivables (Note 18(a))	**70,388**	–	**–**	–
Less: Prepayments	**(123,414)**	(180,067)	**(31,542)**	(38,069)
Less: Due from customer on contracts	**(1,308,203)**	(490,346)	**–**	–
Less: Finance lease	**(59,956)**	(24,614)	**–**	–
Total loans and receivables	**5,958,783**	6,476,541	**6,104,891**	3,815,015

Notes to the Financial Statements
31 December 2012

20. Trade and other receivables (cont'd)

The ageing of trade receivables (net) as at the reporting date were as follows:

	Group		Corporation	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
Neither past due nor impaired	**1,345,873**	863,210	**54,465**	145,872
Past due but not impaired				
1 – 30 days	**265,498**	269,412	**27,027**	44,882
31 – 60 days	**260,695**	98,186	**6,426**	16,479
61 – 90 days	**34,861**	44,527	**3,243**	9,214
more than 90 days	**484,945**	389,685	**80,142**	35,971
	2,391,872	1,665,020	**171,303**	252,418

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Corporation.

Receivables that are past due but not impaired

The Group and the Corporation have trade receivables that are past due at the reporting date but not impaired amounting to RM1,045,999,000 (31.12.2011: RM801,810,000) and RM116,838,000 (31.12.2011: RM106,546,000) respectively. These balances relate mainly to customers who have never defaulted on payments but are slow paymasters and hence, are periodically monitored.

20. Trade and other receivables (cont'd)

Receivables that are impaired

Trade receivables that were impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Corporation	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
At 1 January 2012/1 April 2011	**150,270**	99,181	**93,721**	61,130
Impairment loss recognised:				
Jointly controlled entity	**–**	537	**–**	537
Third parties	**10,002**	43,015	**3,369**	27,298
Write-back of impairment loss:				
Third parties	**(30,233)**	(4,094)	**–**	–
Bad debts written off:				
Third parties	**(18,921)**	–	**(18,921)**	–
Currency translation differences	**7,929**	11,631	**(6,967)**	4,756
At 31 December	**119,047**	150,270	**71,202**	93,721

(a) Trade receivables

The Group's trading terms with its customers are mainly on credit, except for new customers, where advance payments are normally required. The Group's normal trade credit terms range from 7 to 90 days (31.12.2011: 7 to 90 days). Other credit terms are assessed and approved on a case-by-case basis and each customer is assigned a maximum credit limit.

(b) Amounts due from Group companies

The trade amounts due from holding company, fellow subsidiaries and subsidiaries are unsecured with credit terms ranging from 15 to 30 days (31.12.2011: 15 to 30 days).

(c) Amounts due from associates and jointly controlled entities

The trade amounts due from associates and jointly controlled entities are unsecured and have normal credit terms ranging from 15 to 30 days (31.12.2011: 15 to 30 days). The non-trade balances are repayable on demand and are non-interest bearing.

Notes to the Financial Statements
31 December 2012

21. Due from/(to) customers on contracts

	Group	
	31.12.2012 RM'000	**31.12.2011 RM'000**
Construction contract costs incurred and recognised profits to date	**9,999,622**	10,958,723
Less: Progress billings	**(8,775,638)**	(10,501,077)
	1,223,984	457,646
Due from customers on contracts (Note 20)	**1,308,203**	490,346
Due to customers on contracts (Note 24)	**(84,219)**	(32,700)
	1,223,984	457,646
Advances received on contracts (Note 24)	**(1,792)**	(4,876)

22. Cash, deposits and bank balances

	Group		Corporation	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
Deposits with licensed banks	**3,952,538**	3,870,637	**2,144,342**	1,329,511
Cash and bank balances	**70,813**	284,502	**881**	21,096
	4,023,351	4,155,139	**2,145,223**	1,350,607

Cash at banks earn interest at floating rates based on daily bank deposit rates. Deposits with licensed banks are made for varying periods between 1 to 365 days (31.12.2011: 1 to 365 days) depending on the immediate cash requirements of the Group and of the Corporation and earn interest rates ranging from 0.01% to 8.00% (31.12.2011: 0.01% to 9.1%) per annum and 0.01% to 3.03% (31.12.2011: 0.01% to 3.33%) per annum respectively.

Other information on financial risks of cash and cash equivalents are disclosed in Note 35.

23. Non-current assets classified as held for sale

The Group and the Corporation have classified certain ships and land and building previously presented as assets to non-current assets classified as held for sale as disclosed below:

	Group		Corporation	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
Non-current assets held for sale				
Ships	**322,358**	517,686	**–**	41,852
Land and buildings	**–**	2,002	**–**	–
Containers	**52,057**	–	**52,057**	–
	374,415	519,688	**52,057**	41,852

The movement during the financial year/period relating to non-current assets held for sale are as follows:

	Group		Corporation	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
At 1 January 2012/1 April 2011	**519,688**	84,825	**41,852**	51,507
Written down	**(81,803)**	(13,517)	**–**	(13,495)
Transfer from property, plant and equipment (Note 12)	**544,105**	499,496	**530,770**	23,661
Disposals	**(595,468)**	(52,453)	**(523,654)**	(21,078)
Currency translation	**(12,107)**	1,337	**3,089**	1,257
At 31 December	**374,415**	519,688	**52,057**	41,852

Notes to the Financial Statements
31 December 2012

24. Trade and other payables

	Group		Corporation	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Trade payables				
Third parties	**514,074**	608,449	**49,518**	36,054
Subsidiaries	**–**	–	**388,566**	239,152
Holding company	**148**	1,624	**–**	823
Fellow subsidiaries	**200,514**	16,014	**47,698**	2,662
Associates	**35**	882	**35**	882
Jointly controlled entities	**4,540**	2,517	**169**	439
Accruals	**3,049,011**	2,306,590	**882,006**	409,379
Construction contracts:				
Due to customers (Note 21)	**84,219**	32,700	**–**	–
Advances received (Note 21)	**1,792**	4,876	**–**	–
	3,854,298	2,973,652	**1,367,992**	689,391
Other payables				
Amount due to related parties:				
Subsidiaries	**–**	–	**393,784**	484,959
Associates	**2,124**	2,121	**–**	–
Jointly controlled entities	**57,960**	43,412	**–**	808
Accruals	**346,693**	359,275	**68,353**	81,715
Provisions	**286,776**	484,733	**248,197**	381,240
Others	**197,173**	137,957	**50,856**	68,564
	890,726	1,027,498	**761,190**	1,017,286
	4,745,024	4,001,150	**2,129,182**	1,706,677

(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 (31.12.2011: 14 to 90 days).

(b) Amounts due to Group companies

The trade amounts due to holding company, fellow subsidiaries and subsidiaries are unsecured and repayable in accordance to the credit terms granted. The non-trade balances are repayable on demand and are non-interest bearing.

24. Trade and other payables (cont'd)

(c) Amounts due to associates and jointly controlled entities

The trade amounts due to associates and jointly controlled entities have normal credit terms ranging from 15 to 30 days (31.12.2011: 15 to 30 days) and are non-interest bearing. The non-trade balances are repayable on demand.

(d) Provisions

	Group		Corporation	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
Current	**286,776**	484,733	**248,197**	381,240
Non-current:				
Later than 1 year but not later than 2 years	**115,532**	166,129	**115,532**	166,129
Later than 2 years but not later than 5 years	**286,078**	257,280	**286,078**	257,280
More than 5 years	**216,808**	223,922	**216,808**	223,922
	618,418	647,331	**618,418**	647,331
	905,194	1,132,064	**866,615**	1,028,571

The provisions include the termination of leases and contractual obligations and employee related costs associated with the exit of the Liner Business as disclosed in Note 40(a)(ii) and Note 40(a)(iii).

25. Share capital and share premium

(a) Share capital

	Group and Corporation			
	Number of shares of RM1 each		Amount	
	31.12.2012 '000	**31.12.2011 '000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
Authorised				
Ordinary shares				
At 1 January 2012/1 April 2011/ 31 December	**10,000,000**	10,000,000	**10,000,000**	10,000,000

Notes to the Financial Statements
31 December 2012

25. Share capital and share premium (cont'd)

(a) Share capital (cont'd)

	Group and Corporation			
	Number of shares of RM1 each		Amount	
	31.12.2012 '000	**31.12.2011 '000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
Authorised				
Preference share	**– (i)**	– (i)	**– (i)**	– (i)
Issued and fully paid				
Ordinary shares				
At 1 January 2012/1 April 2011/ 31 December	**4,463,794**	4,463,794	**4,463,794**	4,463,794
Preference share	**– (i)**	– (i)	**– (i)**	– (i)

(i) Preference share

The Group has one authorised and issued special preference share of RM1.

The preference share, which may only be held by the Ministry of Finance ("MoF") or its successors or any Minister, representative, or any person acting on behalf of the Government of Malaysia, carries rights as provided by Article 3B of the Corporation's Articles of Association. Certain matters, in particular the alterations of specified Articles of Association, require the prior approval of the holder of the preference share.

The holder of the preference share is not entitled to any dividend nor to participate in the capital distribution upon dissolution of the Corporation but shall rank for repayment in priority to all other shares. The share does not carry any right to vote at General Meetings but the holder is entitled to attend and speak at such meetings.

(b) Share premium

	Group and Corporation	
	31.12.2012 RM'000	**31.12.2011 RM'000**
At 1 January 2012/1 April 2011	**4,459,468**	4,459,468
At 31 December	**4,459,468**	4,459,468

26. Other reserves

	Note	Other capital reserve RM'000 26(c)	Capital reserve RM'000 26(b)	Revaluation reserve RM'000 26(a)
Group				
At 1 April 2011		41,443	435,284	1,357
Currency translation differences:				
Group		–	–	–
Jointly controlled entities		–	–	–
Other capital reserves:				
Group		(28)	–	–
Statutory reserves:				
Group		–	–	–
Fair value loss on non-current investments		–	–	–
Fair value gain/(loss) on cash flow hedges:				
Group		–	–	–
Jointly controlled entities		–	–	–
At 31 December 2011		41,415	435,284	1,357
At 1 January 2012		**41,415**	**435,284**	**1,357**
Currency translation differences:				
Group		**–**	**–**	**–**
Associates		**–**	**–**	**–**
Jointly controlled entities		**–**	**–**	**–**
Fair value loss on non-current investments		**–**	**–**	**–**
Fair value gain/(loss) on cash flow hedges:				
Group		**–**	**–**	**–**
Jointly controlled entities		**–**	**–**	**–**
Reclassification to income statement on termination of hedging arrangements		**–**	**–**	**–**
At 31 December 2012		**41,415**	**435,284**	**1,357**

Notes to the Financial Statements
31 December 2012

Statutory reserve RM'000 26(d)	Capital redemption reserve RM'000 26(e)	Fair value reserve RM'000 26(f)	Hedging reserve RM'000 26(g)	Currency translation reserve RM'000 26(h)	Total RM'000
1,994	59,715	225,183	(171,637)	(1,533,629)	(940,290)
–	–	–	–	610,497	610,497
–	–	–	–	177,301	177,301
–	–	–	–	–	(28)
(28)	–	–	–	–	(28)
–	–	(21,876)	–	–	(21,876)
–	–	–	6,182	–	6,182
–	–	–	(44,324)	–	(44,324)
1,966	59,715	203,307	(209,779)	(745,831)	(212,566)
1,966	**59,715**	**203,307**	**(209,779)**	**(745,831)**	**(212,566)**
–	**–**	**–**	**–**	**(618,285)**	**(618,285)**
–	**–**	**–**	**–**	**(71)**	**(71)**
–	**–**	**–**	**–**	**(12,298)**	**(12,298)**
–	**–**	**49,487**	**–**	**–**	**49,487**
–	**–**	**–**	**76,001**	**–**	**76,001**
–	**–**	**–**	**(3,804)**	**–**	**(3,804)**
–	**–**	**–**	**21,435**	**–**	**21,435**
1,966	**59,715**	**252,794**	**(116,147)**	**(1,376,485)**	**(700,101)**

26. Other reserves (cont'd)

	Fair value reserve RM'000	Currency translation reserve RM'000	Total RM'000
Corporation			
At 1 April 2011	225,183	(2,059,368)	(1,834,185)
Currency translation differences	–	711,536	711,536
Fair value loss on non-current investments	(21,876)	–	(21,876)
At 31 December 2011	203,307	(1,347,832)	(1,144,525)
At 1 January 2012	**203,307**	**(1,347,832)**	**(1,144,525)**
Currency translation differences	**–**	**(518,103)**	**(518,103)**
Fair value gain on non-current investments	**49,487**	**–**	**49,487**
At 31 December 2012	**252,794**	**(1,865,935)**	**(1,613,141)**

The nature and purpose of each category of reserves are as follows:

(a) Revaluation reserve

Revaluation reserve represents surplus arising from revaluation of certain freehold land.

(b) Capital reserve

Capital reserve represents reserve arising from bonus issue by subsidiaries.

(c) Other capital reserve

Other capital reserve represents the Group's share of its subsidiaries' reserve.

(d) Statutory reserve

Statutory reserve is maintained by overseas subsidiaries and jointly controlled entities in accordance with the laws of the country of operations.

(e) Capital redemption reserve

Capital redemption reserve represents reserve created upon the redemption of preference shares in subsidiaries.

Notes to the Financial Statements
31 December 2012

26. Other reserves (cont'd)

(f) Fair value reserve

This reserve records changes in available-for-sale financial assets until they are disposed off or impaired.

(g) Hedging reserve

Hedging reserve represents the effective portion of the gain or loss on hedging instruments in the Group's cash flow hedges and includes the Group's share of hedging reserve of jointly controlled entities.

(h) Currency translation reserve

Currency translation reserve comprises all foreign exchange differences arising from translation of the financial statements of the Corporation and foreign operations whose functional currencies are different from that of the Group's presentation currency.

27. Deferred tax

	Group	
	31.12.2012 RM'000	**31.12.2011 RM'000**
At 1 January 2012/1 April 2011	**40,026**	(3,786)
Recognised in income statement:		
In Malaysia	**(38,300)**	35,276
Outside Malaysia	**496**	8,363
	(37,804)	43,639
Currency translation differences	**(71)**	173
At 31 December	**2,151**	40,026
Presented after appropriate offsetting as follows:		
Deferred tax assets	**(14,504)**	(5,241)
Deferred tax liabilities	**16,655**	45,267
	2,151	40,026

27. Deferred tax (cont'd)

The components and movements of deferred tax liabilities and assets during the financial year/period prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM'000
At 1 April 2011	8,877
Recognised in income statement:	
In Malaysia	37,164
Outside Malaysia	295
At 31 December 2011	46,336
At 1 January 2012	46,336
Recognised in income statement:	
In Malaysia	21,461
Outside Malaysia	(1,122)
At 31 December 2012	**66,675**

Deferred tax assets of the Group:

	Other payables RM'000	Tax losses, tax investment, and unabsorbed capital allowances RM'000	Others RM'000	Total RM'000
At 1 April 2011	(11,738)	(569)	(356)	(12,663)
Recognised in income statement:				
In Malaysia	(1,248)	–	(640)	(1,888)
Outside Malaysia	7,463	544	60	8,067
Currency translation differences	–	(175)	349	174
At 31 December 2011	(5,523)	(200)	(587)	(6,310)

Notes to the Financial Statements
31 December 2012

27. Deferred tax (cont'd)

Deferred tax assets of the Group:

	Other payables RM'000	Tax losses, tax investment, and unabsorbed capital allowances RM'000	Others RM'000	Total RM'000
At 1 January 2012	(5,523)	(200)	(587)	(6,310)
Recognised in income statement:				
In Malaysia	(1,102)	(45,022)	(10,920)	(57,044)
Outside Malaysia	56	–	(269)	(213)
Currency translation differences	–	(228)	(729)	(957)
At 31 December 2012	**(6,569)**	**(45,450)**	**(12,505)**	**(64,524)**

Deferred tax assets have not been recognised in respect of the following items:

	Group		Corporation	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
Unused tax losses	**3,839,082**	3,821,922	**3,806,150**	3,790,824
Unabsorbed capital allowances	**28,547**	28,547	**–**	–
Others	**13,864**	13,859	**–**	–
	3,881,493	3,864,328	**3,806,150**	3,790,824

The unused tax losses and unabsorbed capital allowances of the Group, amounting to RM3,839,082,000 (31.12.2011: RM3,821,922,000) and RM28,547,000 (31.12.2011: RM28,547,000) 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.

28. Cash flows from investing activities

	Group		Corporation	
	1.1.2012 to 31.12.2012 RM'000	**1.4.2011 to 31.12.2011 RM'000**	**1.1.2012 to 31.12.2012 RM'000**	**1.4.2011 to 31.12.2011 RM'000**
Purchase of ships, offshore floating assets and other property, plant and equipment	**(3,251,562)**	(2,344,974)	**(1,214,450)**	(845,869)
Acquisitions of associates and jointly controlled entities	**(2,546)**	(3,238)	**(2,277)**	–
Cash advances from a joint venture partner and a jointly controlled entity	**103,167**	37,497	**–**	–
Issuance of loans to subsidiaries net of repayment	**–**	–	**(395,070)**	81,453
Dividend received from:				
Quoted investments	**56,990**	53,391	**56,990**	53,391
Unquoted investments	**–**	1,034	**–**	1,034
Subsidiaries	**–**	–	**916,027**	860,115
Associates and jointly controlled entities	**48,326**	40,386	**36,235**	–
Repayment of loans due from associates and jointly controlled entities	**692,082**	41,435	**–**	–
Proceeds from disposal of a subsidiary	**934,346**	–	**934,346**	–
Proceeds from disposal of ships, other property, plant and equipment and held for sale assets	**4,565,850**	98,219	**4,406,897**	89,522
Proceeds from disposal of jointly controlled entities and a business	**1,750**	48,500	**–**	–
Acquisition of a business (Note 43 (a))	**(393,500)**	–	**–**	–
Interest received	**105,899**	56,953	**84,352**	20,338
Loans to associates and jointly controlled entities	**(20,557)**	(18,139)	**–**	–
Net cash generated from/(used in) continuing operations	**2,840,245**	(1,988,936)	**4,823,050**	259,984
Net cash generated from discontinued operations (Note 40(b))	**574,719**	49,549	**559,222**	49,455
Net cash generated from/(used in) investing activities	**3,414,964**	(1,939,387)	**5,382,272**	309,439

Notes to the Financial Statements
31 December 2012

29. Cash flows from financing activities

	Group		Corporation	
	1.1.2012 to 31.12.2012 RM'000	**1.4.2011 to 31.12.2011 RM'000**	**1.1.2012 to 31.12.2012 RM'000**	**1.4.2011 to 31.12.2011 RM'000**
Drawdown of term loans	**161,433**	659,914	**–**	–
Drawdown of Islamic Private Debt Securities	**500,000**	1,300,000	**500,000**	1,300,000
Drawdown of revolving credit	**–**	1,110,025	**–**	–
Drawdown of revolving credit from holding company	**1,081,183**	459,401	**1,081,183**	459,401
Drawdown of loans from subsidiaries	**–**	–	**–**	735,041
Repayment of term loans	**(1,445,398)**	(277,516)	**–**	–
Repayment of revolving credit	**(988,510)**	–	**–**	–
Repayment of loan from holding company	**(2,316,821)**	–	**(2,316,821)**	–
Repayment of loan due to subsidiaries	**–**	–	**(1,621,771)**	(295,589)
Repayment of Islamic Private Debt Securities	**(1,450,000)**	(850,000)	**(1,450,000)**	(850,000)
Dividend paid to shareholders of Corporation	**–**	(438,390)	**–**	(438,390)
Dividend paid to minority shareholders of subsidiaries	**(110,649)**	(62,971)	**–**	–
Interest paid	**(509,038)**	(266,713)	**(257,137)**	(154,964)
Net cash (used in)/generated from financing activities	**(5,077,800)**	1,633,750	**(4,064,546)**	755,499

30. Related party disclosures

In addition to related party disclosures elsewhere in the financial statements, set out below are other significant related party transactions. The directors are of the opinion that unless otherwise stated, the transactions below have been entered into in the normal course of business at terms agreed between the parties during the financial year/period.

As the ultimate holding company is wholly owned by the Ministry of Finance ("MoF"), the Group is deemed to be related to entities that are controlled, jointly controlled or significantly influenced by the Government of Malaysia.

30. Related party disclosures (cont'd)

Holding company/fellow subsidiaries/ jointly controlled entities/associates	Group 1.1.2012 to 31.12.2012 RM'000	Group 1.4.2011 to 31.12.2011 RM'000	Corporation 1.1.2012 to 31.12.2012 RM'000	Corporation 1.4.2011 to 31.12.2011 RM'000
(a) Provision for shipping and shipping related services to related companies				
Freight and charter hire revenue	**2,384,478**	1,910,252	**580,774**	393,362
Forwarding charges	**58,804**	52,186	**–**	–
Warehouse service	**7,779**	21,969	**–**	–
Haulage service	**59,999**	12,690	**–**	–
Fabrication contract service	**1,009,295**	1,235,940	**–**	–
Finance lease	**84,422**	38,492	**–**	–
Offshore and maintenance service	**93,012**	39,230	**–**	–
(b) Purchase of goods and services from related companies				
Purchase of bunkers, lubricants, spare parts and other materials	**140,815**	299,448	**106,507**	222,577
Purchase of information technology services	**11,654**	8,959	**11,654**	8,959
Purchase of service for rental of premises	**18,236**	13,790	**18,236**	13,790
Purchase of insurance	**3,909**	2,631	**3,909**	2,631
Fees for representation in the Board of Directors*	**328**	264	**328**	264
Manpower fee	**–**	609	**–**	609

* Fees paid directly to PETRONAS in respect of directors who are appointees of the holding company.

Notes to the Financial Statements
31 December 2012

30. Related party disclosures (cont'd)

	Group		Corporation	
	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000	1.1.2012 to 31.12.2012 RM'000	1.4.2011 to 31.12.2011 RM'000
(c) Purchase of service for repairs, conversion of ships and drydocking from a subsidiary	**–**	–	**1,035,280**	559,003
(d) Disposal of offshore floating assets through a finance lease arrangement	**744,093**	–	**767,808**	–
(e) Disposal of an offshore floating asset to a jointly controlled entity	**6,112,304**	–	**6,295,565**	–
(f) Government-related entities				
(i) Provision of shipping and shipping related services				
Freight revenue				
Felda Holdings Berhad	**16,474**	13,380	**16,474**	13,380
Sime Darby Group	**8,042**	5,127	**8,042**	5,127
(ii) Rental income				
Rental of yard				
Sime Darby Group	**78,155**	–	**–**	–
(iii) Purchase of goods and services				
Utilities				
Tenaga Nasional Berhad	**34,780**	24,854	**1,163**	1,027
Port services				
Northport (Malaysia) Bhd	**20,624**	48,770	**–**	–
(iv) Repayment of loans and finance costs				
Maybank Berhad	**4,790**	–	**–**	–
Employees' Provident Fund ("EPF")	**2,039**	2,401	**–**	–

30. Related party disclosures (cont'd)

	Group 1.1.2012 to 31.12.2012 RM'000	Group 1.4.2011 to 31.12.2011 RM'000	Corporation 1.1.2012 to 31.12.2012 RM'000	Corporation 1.4.2011 to 31.12.2011 RM'000
(f) Government-related entities (cont'd)				
(v) Outstanding loan balances				
Maybank Berhad	**23,628**	27,685	**–**	–
Employees' Provident Fund ("EPF")	**37,979**	43,800	**–**	–
(vi) Outstanding trade receivable balances				
Sime Darby Group	**19,340**	–	**–**	–
Felda Holdings Berhad	**3,717**	1,336	**–**	–

(g) Compensation of key management personnel

Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Corporation, directly or indirectly, including any director of the Group and of the Corporation.

The remuneration of directors and other members of key management during the financial year/period were as follows:

	Group 1.1.2012 to 31.12.2012 RM'000	Group 1.4.2011 to 31.12.2011 RM'000	Corporation 1.1.2012 to 31.12.2012 RM'000	Corporation 1.4.2011 to 31.12.2011 RM'000
Short-term employee benefits	**27,514**	20,047	**9,060**	8,296
Defined contribution plans	**3,885**	2,791	**2,252**	1,750
	31,399	22,838	**11,312**	10,046

Included in the total key management personnel are:

	Group 1.1.2012 to 31.12.2012 RM'000	Group 1.4.2011 to 31.12.2011 RM'000	Corporation 1.1.2012 to 31.12.2012 RM'000	Corporation 1.4.2011 to 31.12.2011 RM'000
Directors' remuneration (Note 7)	**11,959**	9,282	**2,722**	2,180

Notes to the Financial Statements
31 December 2012

31. Commitments

(a) Capital commitments

	Group		Corporation	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Capital expenditure				
Approved and contracted for:				
Ships, offshore floating assets and other property, plant and equipment	**1,716,741**	2,859,935	**653,385**	1,431,816
Information and communication technology	**2,698**	3,307	**2,424**	3,072
Share of capital commitments in jointly controlled entities	**532,474**	392,341	**–**	22,068
	2,251,913	3,255,583	**655,809**	1,456,956
Approved but not contracted for:				
Ships, offshore floating assets and other property, plant and equipment	**8,257,475**	5,158,903	**6,029,300**	1,128,616
Information and communication technology	**11,237**	15,894	**11,174**	14,856
Share of capital commitments in jointly controlled entities	**78,905**	954,578	**–**	39,198
	8,347,617	6,129,375	**6,040,474**	1,182,670

31. Commitments (cont'd)

(b) Non-cancellable operating lease commitments – Group as lessee

	Group		Corporation	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
Future minimum rentals payable:				
Not later than 1 year	**211,484**	154,310	**145,689**	127,261
Later than 1 year and not later than 5 years	**1,114,069**	1,319,001	**440,817**	420,495
Later than 5 years	**2,204,162**	2,287,268	**331,332**	412,773
	3,529,715	3,760,579	**917,838**	960,529

(c) Non-cancellable operating lease commitments – Group as lessor

	Group		Corporation	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
Future minimum rentals receivable:				
Not later than 1 year	**2,987,159**	3,058,315	**891,618**	822,695
Later than 1 year and not later than 5 years	**9,717,158**	11,216,342	**3,486,990**	3,313,725
Later than 5 years	**15,632,857**	16,089,263	**8,806,929**	9,715,288
	28,337,174	30,363,920	**13,185,537**	13,851,708

32. Contingent liabilities

	Group		Corporation	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
Secured				
Bank guarantee extended to a third party	**53,400**	53,400	**–**	–
Unsecured				
Bank guarantees extended to third parties	**372,938**	168,840	**131,138**	142,591
Corporate guarantees given to banks for credit facilities granted to subsidiaries	**–**	–	**4,989,629**	6,662,147

Notes to the Financial Statements
31 December 2012

33. Segment information

(a) Business segments

For management purposes, the Group is organised on a worldwide basis into three major business segments:

(i) Energy related shipping - the provision of liquefied natural gas ("LNG") services, petroleum tanker services, and chemical tanker services;

(ii) Other energy businesses - operation and maintenance of oil and petrochemical products at storage terminals, operation and maintenance of offshore floating terminals, and marine repair, marine conversion and engineering and construction works; and

(iii) Non-shipping - marine education and training, and other diversified businesses.

** Integrated liner logistics - comprises liner services, haulage, trucking and warehousing and agency businesses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

** The Group officially ceased operations of its liner business on 30 June 2012. Accordingly, the liner business has been classified as discontinued operations during the financial year. The breakdown of the results of the discontinued operations for the year ended 31 December 2012 and period ended 31 December 2011 are as disclosed in Note 40. However, segmental assets and liabilities of liner related business operations have been included as part of non-shipping and others.

The integrated logistics business is still in operation. However, the results of the segment has been classified as part of non-shipping and others as its contribution to the Group is not material.

33. Segment information (cont'd)

(a) Business segments (cont'd)

31 December 2012	Energy related shipping RM'000	Other energy businesses RM'000	Non-shipping and others RM'000	Total RM'000	Eliminations and adjustments RM'000		Consolidated RM'000
Revenue							
External sales	5,901,736	3,119,080	485,540	9,506,356	(22,353)		9,484,003
Inter-segment	11,581	1,218,148	30,576	1,260,305	(1,260,305)	A	–
	5,913,317	4,337,228	516,116	10,766,661	(1,282,658)		9,484,003
Results							
Segment results	827,876	402,907	(82,387)	1,148,396	35,174	A	1,183,570
Disposal of a subsidiary	–	–	–	–	100,742		100,742
Disposal of assets through finance lease	283,185	–	–	283,185	–		283,185
Net loss on disposal of ships	(7,412)	–	–	(7,412)	–		(7,412)
Other operating income	57,117	155,607	1,100,338	1,313,062	(870,359)	A	442,703
Finance income	15,270	44,102	385,472	444,844	(353,969)	A	90,875
Impairment provisions	(295,561)	–	–	(295,561)	–		(295,561)
Finance costs	(298,069)	(60,622)	(380,426)	(739,117)	353,280		(385,837)
Share of profit of associates	–	–	28	28	–		28
Share of (loss)/profit of jointly controlled entities	(10,288)	197,334	–	187,046	–		187,046
Profit before taxation							1,599,339
Taxation							26,332
Profit after taxation							1,625,671
Non-controlling interests							(231,215)
Net profit attributable to equity holders of the Corporation							1,394,456

Notes to the Financial Statements
31 December 2012

33. Segment information (cont'd)

(a) Business segments (cont'd)

31 December 2012	Energy related shipping RM'000	Other energy businesses RM'000	Non-shipping and others RM'000	Total RM'000	Eliminations and adjustments RM'000		Consolidated RM'000
Assets							
Ships	**17,505,950**	**–**	**45,550***	**17,551,500**	**–**		**17,551,500**
Offshore floating assets	**–**	**2,523,441**	**–**	**2,523,441**	**–**		**2,523,441**
Intangible assets	**717,837**	**148,220**	**870**	**866,927**	**–**		**866,927**
Investment in jointly controlled entities	**167,784**	**4,252,516**	**276**	**4,420,576**	**–**		**4,420,576**
Other assets (unallocated)	**–**	**–**	**–**	**–**	**–**	**B**	**12,057,104**
Liabilities							
Interest-bearing loans and borrowings	**1,396,164**	**969,739**	**9,689,233**	**12,055,136**	**(2,683,206)**		**9,371,930**
Other liabilities (unallocated)	**–**	**–**	**–**	**–**	**–**	**C**	**5,562,658**

* Net book value of Navy Vessels, i.e. Bunga Mas 5 and Bunga Mas 6.

33. Segment information (cont'd)

(a) Business segments (cont'd)

31 December 2011	Energy related shipping RM'000	Other energy businesses RM'000	Non-shipping and others RM'000	Total RM'000	Eliminations and adjustments RM'000		Consolidated RM'000
Revenue							
External sales	4,718,291	2,263,665	244,714	7,226,670	–		7,226,670
Inter-segment	8,578	628,597	75,797	712,972	(712,972)	**A**	–
	4,726,869	2,892,262	320,511	7,939,642	(712,972)		7,226,670
Results							
Segment results	535,489	338,619	(364,684)	509,424	166,474	**A**	675,898
Net gain on disposal of ships	20,960	–	–	20,960	–		20,960
Other operating income	3,495	80,007	1,266,480	1,349,982	(885,860)	**A**	464,122
Finance income	22,031	46,775	278,345	347,151	(261,853)	**A**	85,298
Impairment provisions	(287,164)	(6,267)	–	(293,431)	–		(293,431)
Finance costs	(216,045)	(49,187)	(276,055)	(541,287)	261,544		(279,743)
Share of profit/(loss) of associates	23	–	(108)	(85)	–		(85)
Share of (loss)/profit of jointly controlled entities	(9,510)	188,188	374	179,052	–		179,052
Profit before taxation							852,071
Taxation							(91,805)
Profit after taxation							760,266
Non-controlling interests							(170,439)
Net profit attributable to equity holders of the Corporation							589,827

Notes to the Financial Statements
31 December 2012

33. Segment information (cont'd)

(a) Business segments (cont'd)

31 December 2011	Energy related shipping RM'000	Other energy businesses RM'000	Non-shipping and others RM'000	Total RM'000	Eliminations and adjustments RM'000		Consolidated RM'000
Assets							
Ships	18,572,664	–	–	18,572,664	–		18,572,664
Offshore floating assets	–	7,706,240	–	7,706,240	–		7,706,240
Intangible assets	767,773	86,515	870	855,158	–		855,158
Investment in jointly controlled entities	184,319	3,353,931	55	3,538,305	–		3,538,305
Other assets (unallocated)	–	–	–	–	–	**B**	10,544,694
Liabilities							
Interest-bearing loans and borrowings	2,489,653	1,257,271	14,874,963	18,621,887	(4,429,727)		14,192,160
Other liabilities (unallocated)	–	–	–	–	–	**C**	4,939,111

33. Segment information (cont'd)

(a) Business segments (cont'd)

Note

A Inter-segment revenues and transactions are eliminated on consolidation.

The amounts relating to the Liner business have been excluded in arriving at the consolidated revenue and results.

B Other assets comprise the following items :

	31.12.2012 RM'000	31.12.2011 RM'000
Other property, plant and equipment	**1,758,497**	1,522,684
Prepaid lease payments on land and buildings	**264,232**	78,369
Investments in associates	**2,003**	2,322
Other non-current financial assets	**586,112**	1,159,995
Finance lease receivables	**1,419,724**	420,731
Deferred tax assets	**14,504**	5,241
Inventories	**336,101**	434,995
Trade and other receivables	**3,278,165**	2,245,530
Cash and bank balances	**4,023,351**	4,155,139
Non-current assets classified as held for sale	**374,415**	519,688
	12,057,104	10,544,694

C Other liabilities comprise the following items:

	31.12.2012 RM'000	31.12.2011 RM'000
Trade and other payables	**4,745,024**	4,001,150
Provision for taxation	**27,519**	59,217
Deferred tax liabilities	**16,655**	45,267
Other current and non-current financial liabilities	**155,042**	186,146
Provisions	**618,418**	647,331
	5,562,658	4,939,111

Notes to the Financial Statements
31 December 2012

33. Segment information (cont'd)

(b) Geographical segments

Although the Group's three major business segments are managed on a worldwide basis, they operate in five principal geographical areas of the world. In Malaysia, its home country, the Group's areas of operation comprise energy related shipping, other energy businesses and non-shipping and others.

The Group also operates energy related shipping in other regions in the world as follows:

- Asia and Africa
- Europe
- Australasia
- The Americas

The following table provides an analysis of the Group's revenue and carrying amount of segment assets by geographical segments:

	Malaysia RM'000	Asia and Africa RM'000	Europe RM'000	Australasia RM'000	The Americas RM'000	Consolidated RM'000
31 December 2012						
Revenue	**5,740,117**	**580,926**	**346,550**	**60,836**	**2,755,574**	**9,484,003**
Segment assets	**27,741,570**	**88,525**	**8,783**	**7,103**	**9,573,567**	**37,419,548**
31 December 2011						
Revenue	4,154,437	521,796	249,363	42,282	2,258,792	7,226,670
Segment assets	31,195,951	661,817	10,578	359,640	8,989,075	41,217,061

33. Segment information (cont'd)

(c) Information about major customers

Breakdown of revenue from major customers are as follows:

	31.12.2012 RM'000	31.12.2011 RM'000
Related companies:		
– Petronas Carigali Turkmenistan Sdn. Bhd.	**231,356**	850,213
– Malaysia LNG Sdn. Bhd.	**1,861,371**	1,533,229
– Petronas Carigali Sdn. Bhd.	**196,755**	610,747
	2,289,482	2,994,189
Third Parties:		
– Exxon Mobil Corporation	**429,024**	348,728
– ConocoPhillips	**189,300**	174,364
– Royal Dutch Shell plc	**358,850**	108,978
– Wilmar International Limited	**102,102**	209,825
– Murphy Oil Corporation	**258,585**	192,630
	1,337,861	1,034,525

34. Fair value of financial instruments

The carrying amounts of financial assets and liabilities of the Group and of the Corporation at the reporting 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 December 2012					
Financial Assets					
Non-current unquoted shares	18(a)	**36,636**	*	**36,263**	*
Fixed rate:					
Loans to subsidiaries	18(a)	–	–	**252,563**	**218,854**

Notes to the Financial Statements
31 December 2012

34. Fair value of financial instruments (cont'd)

The carrying amounts of financial assets and liabilities of the Group and of the Corporation at the reporting date approximated their fair values except for the following:

	Note	Group		Corporation	
		Carrying amount RM'000	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
At 31 December 2012 (cont'd)					
Financial Liabilities					
Fixed rate:					
Term loans	18(c)	**(595,287)**	**(632,810)**	–	–
Islamic Private Debt Securities	18(c)	**(1,300,000)**	**(1,206,608)**	**(1,300,000)**	**(1,206,608)**
US Dollar Guaranteed Notes	18(c)	**(2,139,015)**	**(2,271,570)**	–	–
Loans from subsidiaries	18(c)	–	–	**(2,306,420)**	**(2,423,475)**
At 31 December 2011					
Financial Assets					
Non-current unquoted shares	18(a)	37,938	*	37,554	*
Fixed rate:					
Loans to subsidiaries	18(a)	–	–	906,855	865,291
Financial Liabilities					
Fixed rate:					
Term loans	18(c)	(793,000)	(853,183)	–	–
Islamic Private Debt Securities	18(c)	(2,249,953)	(2,047,518)	(2,249,953)	(2,047,518)
US Dollar Guaranteed Notes	18(c)	(2,212,121)	(2,382,277)	–	–
Loans from subsidiaries	18(c)	–	–	(4,034,512)	(4,012,422)

* The fair value of non-current unquoted shares cannot be reliably measured.

34. Fair value of financial instruments (cont'd)

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) 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 borrowings.

(ii) US Dollar Guaranteed Notes

Fair value is determined by reference to stock exchange quoted market prices on the reporting date.

Fair Value Hierarchy

The Group and the Corporation's financial instruments carried at fair value are analysed in a three level fair value hierarchy based on the significance of inputs.

The three levels of the fair value hierarchy are:

(a) Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities

(b) Level 2 Input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

(c) Level 3 Input for the asset or liability that are not based on observable market data (unobservable input)

31 December 2012

	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group					
Financial assets:					
Quoted investments	18(a)	**400,636**	**–**	**–**	**400,636**
Financial liabilities:					
Interest rate swaps designated as hedging instruments	18(b)	**–**	**78,717**	**–**	**78,717**
Forward exchange contracts	18(b)	**–**	**169**	**–**	**169**
		–	**78,886**	**–**	**78,886**

Notes to the Financial Statements
31 December 2012

34. Fair value of financial instruments (cont'd)

31 December 2012 (cont'd)

	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Corporation					
Financial assets:					
Quoted investments	18(a)	**400,636**	**–**	**–**	**400,636**

31 December 2011

	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group					
Financial assets:					
Quoted investments	18(a)	351,158	–	–	351,158
Financial liabilities:					
Interest rate swaps designated as hedging instruments	18(b)	–	183,819	–	183,819
Forward exchange contracts	18(b)	–	2,327	–	2,327
		–	186,146	–	186,146
Corporation					
Financial assets:					
Quoted investments	18(a)	351,158	–	–	351,158

35. Financial risk management objectives and policies

The Group is exposed to various risks that are related to its core business of shipowning, ship operating, other shipping related activities and services, owning and operating of offshore facilities and marine repair, marine conversion and engineering and construction works. These risks arise in the normal course of the Group's business.

The Group's Finance Risk Management Framework and Guidelines set the foundation for the establishment of effective risk management practices across the Group.

The Group's Financial Risk Management Policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risk (both fair value and cash flow), foreign currency risk, liquidity risk, credit risk, equity price risk and bunker price risk. The Board reviews and agrees policies for managing each of these risks as summarised below. It is, and has been throughout the period under review, the Group's policy that no speculative trading in derivative financial instruments shall be undertaken.

The following sections provide details regarding the Group and the Corporation's exposure to the above-mentioned financial risks and the objectives, policies and processes in place to manage these risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. As the Group has no significant long term interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been placed mostly in time deposits and overnight placements. The Group's interest rate risk arises primarily from interest-bearing loans and borrowings.

Borrowings at floating rates expose the Group and the Corporation to cash flow interest rate risk. The Group's interest rate risks arise from the volatility of the benchmark interest rates both in Ringgit Malaysia ("RM") and United States Dollar ("USD"), (which are its main borrowing currency). The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings. The Group manages this by keeping 72.1% (31.12.2011: 67.5%) 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 reporting date, the total notional principal amount of interest rate swaps of the Group is RM2,918,981,000 (31.12.2011: RM4,301,211,000). The fixed interest rates relating to interest rate swaps at the reporting date range from 1.85% to 5.09% (31.12.2011: 1.85% to 5.09%) per annum.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before taxation and equity via floating rate borrowings and interest rate swaps respectively.

Notes to the Financial Statements
31 December 2012

35. Financial risk management objectives and policies (cont'd)

(a) Interest rate risk (cont'd)

	Increase/ Decrease in LIBOR basis points	Effect on profit before taxation (Decrease)/ Increase RM'000	Effect on equity (Decrease)/ Increase RM'000
Group			
USD – 3 Months LIBOR	+20	(9,824)	(13,509)
USD – 6 Months LIBOR	+40	–	(11,277)
USD – 3 Months LIBOR	–20	9,824	13,509
USD – 6 Months LIBOR	–40	–	11,277
Corporation			
USD – 3 Months LIBOR	+20	(6,267)	–
USD – 3 Months LIBOR	–20	6,267	–

As at 31 December 2012, the Group and the Corporation's exposure to the risk of changes in market interest rate relates primarily to the Group and the Corporation's placement of deposits with licensed banks, cash and bank balances, loans to subsidiaries, associates and jointly controlled entities, interest bearing loans and borrowings and loans from subsidiaries, associates and jointly controlled entities.

The interest rate profile of the Group and of the Corporation's interest-bearing financial instruments based on carrying amount, as at reporting date were as follows:

	Group RM'000	Corporation RM'000
Fixed rate instruments		
Financial assets		
Deposits with licensed banks	3,952,538	2,144,342
Loans to:		
Subsidiaries	–	252,563
Jointly controlled entities	41,040	41,040
Financial liabilities		
Fixed rate borrowings	4,057,962	1,300,000
Floating rate borrowings (swapped to fixed rate)#	2,918,981	–
Loans from subsidiaries	–	2,306,420

35. Financial risk management objectives and policies (cont'd)

(a) Interest rate risk (cont'd)

	Group RM'000	Corporation RM'000
Floating rate instruments		
Financial assets		
Cash and bank balances	70,813	881
Loans to:		
Subsidiaries	–	1,718,436
Jointly controlled entities	18,339	18,339
Financial liabilities		
Floating rate borrowings	2,394,987	1,531,250
Loans from subsidiaries	–	52,063

The Group had entered into interest rate swap ("IRS") arrangements on certain loans and borrowings as disclosed in Note 18(b).

(b) Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily RM and USD. Approximately 10.92% (31.12.2011: 16.96%) of the Group's sales are denominated in currencies other than the Group's functional currency by the operating unit making the sale, whilst almost 86.30% (31.12.2011: 76.92%) of costs are denominated in the Group's functional currency.

The Group maintains a natural hedge, wherever possible, by borrowing in currencies that matches the future revenue streams to be generated from its investments, except for the following:

At 31 December 2012, the Group held forward currency contracts designated as hedges of expected future receipts denominated in United States Dollar and Singapore Dollar. The forward currency contracts are being used to hedge the foreign currency risk of the highly probable forecasted transactions.

The cash flow hedges of the expected future receipts which are expected to occur within the next 12 months, were assessed to be highly effective and a net unrealised gain of RM3,490,000 (31.12.2011: unrealised loss of RM3,407,000), which represents the effective portion of the hedging relationship, is included in other comprehensive income.

Notes to the Financial Statements
31 December 2012

35. Financial risk management objectives and policies (cont'd)

(b) Foreign currency risk (cont'd)

With all other variables held constant, the following table demonstrates the sensitivity of the Group and the Corporation's profit before taxation to a reasonably possible change in the USD and RM exchange rates against the respective functional currencies of the Group companies and the Corporation.

	Change in currency rate %	Effect on profit before taxation (Decrease)/ Increase RM'000
Group		
USD/RM (functional currency)	+5%	(942)
	-5%	942
RM/USD (functional currency)	+5%	(61,911)
	-5%	61,911
Corporation		
RM/USD (functional currency)	+5%	(59,776)
	-5%	59,776

35. Financial risk management objectives and policies (cont'd)

(b) Foreign currency risk (cont'd)

The net unhedged financial receivables and payables and cash and bank balances of the Group and of the Corporation that are not denominated in their functional currencies are as follows:

	Net financial receivables/(payables) and cash and bank balances held in non-functional currencies						
	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**
Functional currency of Group entities							
At 31 December 2012							
Ringgit Malaysia	**–**	**(4,361)**	**(959)**	**–**	**52**	**(2,403)**	**(7,671)**
United States Dollar	**132,344**	**–**	**15,241**	**(1,823)**	**15,243**	**18,474**	**179,479**
	132,344	**(4,361)**	**14,282**	**(1,823)**	**15,295**	**16,071**	**171,808**
At 31 December 2011							
Ringgit Malaysia	–	(123,654)	1,399	(6)	11,356	99,815	(11,090)
United States Dollar	(162,142)	–	(8,041)	3,166	12,734	19,284	(134,999)
	(162,142)	(123,654)	(6,642)	3,160	24,090	119,099	(146,089)

Notes to the Financial Statements
31 December 2012

35. Financial risk management objectives and policies (cont'd)

(b) Foreign currency risk (cont'd)

	Net financial receivables/(payables) and cash and bank balances held in non-functional currencies						
	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
Functional currency of Corporation							
At 31 December 2012							
United States Dollar	**(151,833)**	**–**	**1,339**	**(1,822)**	**18,605**	**16,674**	**(117,037)**
At 31 December 2011							
United States Dollar	(178,923)	–	7,077	9,981	13,158	18,205	(130,502)

(c) Liquidity risk

Liquidity risk is the risk that the Group and the Corporation will encounter difficulty in meeting their financial obligations due to shortage of funds. The Group and the Corporation's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group and the Corporation's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and various other sources of funding.

The Group and the Corporation have at their disposal cash and short term deposits amounting to RM4,023,351,000 (31.12.2011: RM4,155,139,000) and RM2,145,223,000 (31.12.2011: RM1,350,607,000) respectively. As at 31 December 2012, the Group and the Corporation have unutilised credit lines of RM2.2 billion (31.12.2011: RM2.5 billion) and RM2.2 billion (31.12.2011: RM1.25 billion) respectively, which could be used for working capital purposes.

35. Financial risk management objectives and policies (cont'd)

(c) Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group and Corporation's financial liabilities as at the reporting date based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual cash flows RM'000
At 31 December 2012		
Group		
Interest-bearing loans and borrowings	**9,371,930**	**10,051,821**
Trade and other payables	**4,372,237**	**4,372,237**
	13,744,167	**14,424,058**
Corporation		
Interest-bearing loans and borrowings	**5,189,733**	**5,482,926**
Trade and other payables	**1,880,985**	**1,880,985**
	7,070,718	**7,363,911**
At 31 December 2011		
Group		
Interest-bearing loans and borrowings	14,192,160	15,375,678
Trade and other payables	3,478,841	3,478,841
	17,671,001	18,854,519
Corporation		
Interest-bearing loans and borrowings	9,184,852	9,729,922
Trade and other payables	1,325,437	1,325,437
	10,510,289	11,055,359

Notes to the Financial Statements
31 December 2012

Within 1 year RM'000	More than 1 year and within 2 years RM'000	More than 2 years and within 3 years RM'000	More than 3 years and within 4 years RM'000	More than 4 years and within 5 years RM'000	More than 5 years RM'000
3,110,488	**4,965,628**	**562,588**	**598,360**	**510,076**	**304,681**
4,372,237	**–**	**–**	**–**	**–**	**–**
7,482,725	**4,965,628**	**562,588**	**598,360**	**510,076**	**304,681**
2,489,466	**2,130,490**	**229,340**	**322,380**	**311,250**	**–**
1,880,985	**–**	**–**	**–**	**–**	**–**
4,370,451	**2,130,490**	**229,340**	**322,380**	**311,250**	**–**
6,333,695	4,254,176	3,431,360	305,454	546,608	504,385
3,478,841	–	–	–	–	–
9,812,536	4,254,176	3,431,360	305,454	546,608	504,385
4,640,464	3,564,956	1,202,242	11,130	311,130	–
1,325,437	–	–	–	–	–
5,965,901	3,564,956	1,202,242	11,130	311,130	–

35. Financial risk management objectives and policies (cont'd)

(c) Liquidity risk (cont'd)

Group

Hedging activities

The Group entered into interest rate swaps to hedge the cash flow risk in relation to the floating interest rate on the term loans of RM2,918,981,000 (31.12.2011: RM4,301,211,000). The interest rate swaps with nominal value of RM2,918,981,000 (31.12.2011: RM4,301,211,000) are settled every half yearly and quarterly, consistent with the interest repayment schedule of the loans.

The following table indicates the periods in which the cash flows are expected to occur for cash flow hedges:

	Carrying amount RM'000	Contractual cash flows RM'000	Within 1 year RM'000	More than 1 year and within 2 years RM'000	More than 2 years and within 3 years RM'000	More than 3 years and within 4 years RM'000	More than 4 years and within 5 years RM'000
At 31 December 2012							
Net cash outflows	**78,717**	**(58,971)**	**(51,424)**	**(5,598)**	**(1,397)**	**(552)**	**–**
At 31 December 2011							
Net cash outflows	183,819	(170,822)	(95,877)	(67,952)	(5,252)	(1,248)	(493)

The Group's hedging activities on the interest rate swaps are tested to be effective. During the year, the Group recognised in other comprehensive income a gain of RM76,001,000 (31.12.2011: RM6,182,000) on the interest rate swaps of its subsidiaries. The Group also shared its jointly controlled entities' losses on hedging activities of RM3,804,000 (31.12.2011: RM44,324,000).

The Group had, during the year terminated some of its IRS arrangement following early repayment of certain loans prior to its maturity. As a result of the contract termination, the Group has recognised a total of RM21,435,000 fair value loss in its income statement.

Notes to the Financial Statements
31 December 2012

35. Financial risk management objectives and policies (cont'd)

(d) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from its operating activities (mainly for trade receivables) and from its finance activities including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risk from balances with banks and financial institutions is managed by Group Treasury in accordance with the Group's policy. The Group Treasury Investment Guideline defines the parameters within which the investment activities shall operate to achieve the Group's investment objective of preserving capital and generating optimal returns. In accordance with the guideline, investment of surplus funds are made only with highly credit rated counterparties.

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets mentioned in Notes 18(a), 20 and 22 and is recognised in the statements of financial position.

The Group does not hold any collateral as security.

Trade receivables

The Group and the Corporation determine concentrations of credit risk by monitoring the industry sector profile of their receivables on an ongoing basis. The credit risk concentration profile of the Group's and the Corporation's trade receivables due from third parties at the reporting date are as follows:

	Group		Corporation	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
Energy related shipping	**232,234**	308,645	**11,455**	33,647
Other energy businesses	**1,620,980**	838,288	**3,043**	7,303
Non-shipping and others	**160,502**	168,999	**38,142**	20,861
	2,013,716	1,315,932	**52,640**	61,811

35. Financial risk management objectives and policies (cont'd)

(d) Credit risk (cont'd)

Trade receivables (cont'd)

At reporting date, approximately:

31.1% (31.12.2011: 24.1%) of the Group's trade and other receivables were due from related parties while 69.9% (31.12.2011: 63.4%) of the Corporation's trade and other receivables were due from related parties.

Other financial assets

With respect to credit risk arising from the other financial assets of the Group, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure represented by the carrying amount of these instruments.

In addition, a majority of the Group's deposits are placed with licensed banks with strong credit ratings in Malaysia.

(e) Equity price risk

Equity price risk arises from the Group's investments in quoted equity shares listed on Bursa Malaysia.

At the reporting date, the exposure to listed equity securities at fair value was RM400,636,000 (31.12.2011: RM351,158,000).

The following table demonstrates the indicative effects on the Group and the Corporation's equity applying reasonably foreseeable market movements in the following index rates:

	Carrying value RM'000	Weighted average change in index rate %	Effect on equity Increase/ (Decrease) RM'000
Group and Corporation			
Local equities	400,636	+15	60,095
Local equities	400,636	-15	(60,095)

This analysis assumes all other variables remain constant and that the price of the Group's quoted investments are perfectly correlated to the market index.

Notes to the Financial Statements
31 December 2012

36. Capital management

Capital management is defined as the process of managing the composition of the Group's debt and equity to ensure it maintains a strong credit rating and healthy capital ratios that support its businesses and maximise its shareholder value. The Group's approach in managing capital is set out in the Group Corporate Financial Policy.

The Group and the Corporation monitor and maintain a prudent level of total debt to total asset ratio to optimise shareholder value and to ensure compliance with covenants under debt agreements.

The debt to equity ratio of the Group and of the Corporation as at 31 December 2012 and 31 December 2011 are as follows:

		Group		Corporation	
	Note	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Short term borrowings	18(c)	**2,864,873**	5,859,556	**2,345,368**	4,984,640
Long term borrowings	18(c)	**6,507,057**	8,332,604	**2,844,365**	4,200,212
Total debts		**9,371,930**	14,192,160	**5,189,733**	9,184,852
Total equity		**21,081,970**	20,797,067	**15,021,632**	15,191,612
Gross debt equity ratio		**0.44**	0.68	**0.35**	0.60

37. Subsidiaries and activities

Name of company	Country of incorporation	Principal activities	Effective interest (%) 31.12.2012	Effective interest (%) 31.12.2011
MISC Tankers Sdn. Bhd.	Malaysia	Investment holding and provision of management services	**100**	100
Puteri Intan Sdn. Bhd.	Malaysia	Shipping	**100**	100
Puteri Delima Sdn. Bhd.	Malaysia	Shipping	**100**	100
Puteri Nilam Sdn. Bhd.	Malaysia	Shipping	**100**	100
Puteri Zamrud Sdn. Bhd.	Malaysia	Shipping	**100**	100
Puteri Firus Sdn. Bhd.	Malaysia	Shipping	**100**	100

37. Subsidiaries and activities (cont'd)

Name of company	Country of incorporation	Principal activities	Effective interest (%) 31.12.2012	31.12.2011
MISC Ship Management Sdn. Bhd.	Malaysia	Dormant	**100**	100
MISC Enterprises Holdings Sdn. Bhd.	Malaysia	In-Liquidation	**100**	100
MISC Properties Sdn. Bhd.	Malaysia	Dormant	**100**	100
Malaysia Marine and Heavy Engineering Holdings Berhad^	Malaysia	Investment holding	**66.5**	66.5
Malaysia Marine and Heavy Engineering Sdn. Bhd.	Malaysia	Provision of oil and gas engineering and construction works and marine conversion and repair services	**66.5**	66.5
MMHE-SHI LNG Sdn. Bhd.	Malaysia	Provision of repair services and dry docking of LNG carriers	**46.6**	46.6
Techno Indah Sdn. Bhd.	Malaysia	Sludge disposal management	**66.5**	66.5
Malaysia Marine and Heavy Engineering (Turkmenistan) Sdn. Bhd.	Malaysia	Dormant	**66.5**	66.5
MISC Agencies Sdn. Bhd.	Malaysia	Shipping agent and warehousing	**100**	100
MISC Agencies (Sarawak) Sdn. Bhd.	Malaysia	Shipping agent	**65**	65
MISC Agencies (Netherlands) B.V.*	Netherlands	Dormant	**100**	100
Misan Logistics B.V.*	Netherlands	Haulage brokerage liner merchant and carrier haulage	**100**	100
MISC Agencies (Australia) Pty. Ltd.#	Australia	Dormant	**100**	100
MISC Agencies (U.K.) Ltd.*	United Kingdom	Dormant	**100**	100
MISC Agencies (India) Pte. Ltd.*	India	Shipping agent	**60**	60
MISC Agencies (Japan) Ltd.*	Japan	In-Liquidation	**100**	100

Notes to the Financial Statements
31 December 2012

37. Subsidiaries and activities (cont'd)

Name of company	Country of incorporation	Principal activities	Effective interest (%) 31.12.2012	Effective interest (%) 31.12.2011
MISC Agencies (Singapore) Pte. Ltd.*	Singapore	Dormant	**100**	100
Leo Launches Pte. Ltd.*	Singapore	Dormant	**51**	51
MISC Agencies (New Zealand) Ltd.#	New Zealand	Dormant	**100**	100
MISC Ferry Services Sdn. Bhd.	Malaysia	Dormant	**100**	100
MISC Integrated Logistics Sdn. Bhd.	Malaysia	Integrated logistics services	**100**	100
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	Owner of a cold storage logistics hub	**67**	67
MILS – Seafrigo Cold Chain Logistics Sdn. Bhd.	Malaysia	Dormant	**100**	60
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) Pte. Ltd.	Malaysia	Shipping	**100**	100
Puteri Delima Satu (L) Pte. Ltd.	Malaysia	Shipping	**100**	100
Puteri Nilam Satu (L) Pte. Ltd.	Malaysia	Shipping	**100**	100
Puteri Zamrud Satu (L) Pte. Ltd.	Malaysia	Shipping	**100**	100
Puteri Firus Satu (L) Pte. Ltd.	Malaysia	Shipping	**100**	100
Puteri Mutiara Satu (L) Pte. Ltd.	Malaysia	Shipping	**100**	100
MISC Tanker Holdings Sdn. Bhd.	Malaysia	Investment holding	**100**	100
MISC Tanker Holdings (Bermuda) Ltd.	Bermuda	Investment holding	**100**	100

37. Subsidiaries and activities (cont'd)

Name of company	Country of incorporation	Principal activities	Effective interest (%) 31.12.2012	31.12.2011
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 Shipmanagement (India) Pte. Ltd.#	India	Ship management and manning activities	**100**	100
AET Lightering Services LLC	The United States of America	Lightering	**100**	100
AET Tankers Pte. Ltd.#	Singapore	Commercial operation and chartering	**100**	100
AET UK Ltd.#	United Kingdom	Commercial operation and chartering	**100**	100
AET Offshore Services Inc.	The United States of America	Lightering	**100**	100
AET Agencies Inc.	The United States of America	Property owning	**100**	100
AET Tanker India Pte. Ltd.#	India	Shipowning	**100**	100
AET Azerbaijan Ltd.	Azerbaijan	Dormant	**100**	100
AET Tanker Kazakhstan LLP	Kazakhstan	Dormant	**100**	100
AET Shipmanagement (USA) LLC	The United States of America	Ship management	**100**	100
AET Tankers (Suezmax) Pte. Ltd.	Singapore	Own, manage and operate ships	**100**	100

Notes to the Financial Statements
31 December 2012

37. Subsidiaries and activities (cont'd)

Name of company	Country of incorporation	Principal activities	Effective interest (%) 31.12.2012	31.12.2011
AET Shuttle Tankers Sdn. Bhd.	Malaysia	Own, manage and operate ships	**100**	100
AET MCV Delta Sdn. Bhd.	Malaysia	Investment holding	**100**	100
AET MCV Alpha L.L.C.	Republic of Marshall Islands	Shipowning	**100**	100
AET MCV Beta L.L.C.	Republic of Marshall Islands	Shipowning	**100**	100
AET MCV Gamma L.L.C.	Republic of Marshall Islands	Chartering and operations	**100**	100
AET MCV Alpha Pte. Ltd.	Singapore	Dormant	**100**	100
AET MCV Beta Pte. Ltd.	Singapore	Dormant	**100**	100
AET Brasil Services Maritamos Ltda[ß]	Brazil	Manning	**100**	–
AET Brasil STS Ltda[ß]	Brazil	Manning	**100**	–
AET Sea Shuttle AS[ß]	Norway	Owning and operating DP shuttle	**97.5**	–
MISC International (L) Ltd.	Malaysia	Investment holding	**100**	100
MISC Offshore Floating Terminals (L) Ltd.	Malaysia	Offshore floating terminals ownership	**100**	100
MISC Capital (L) Ltd.	Malaysia	Special purpose vehicle for US Dollar Financing Arrangement	**100**	100
MISC Offshore Holdings (Brazil) Sdn. Bhd.	Malaysia	Investment holding	**100**	100
M.I.S.C. Nigeria Ltd.*	Nigeria	Dormant	**60**	60
FPSO Ventures Sdn. Bhd.	Malaysia	Operating and maintaining FPSO terminals	**51**	51
Malaysia Deepwater Floating Terminal (Kikeh) Ltd.	Malaysia	FPSO owner	**51**	51
Malaysia Deepwater Production Contractors Sdn. Bhd.	Malaysia	Operating and maintaining FPSO terminals	**51**	51

37. Subsidiaries and activities (cont'd)

Name of company	Country of incorporation	Principal activities	Effective interest (%) 31.12.2012	31.12.2011
Bunga Kasturi (L) Pte. Ltd.	Malaysia	Investment holding	**100**	100
Malaysia Offshore Mobile Production (Labuan) Ltd.	Malaysia	Mobile offshore production unit owner	**80**	80
Gumusut-Kakap Semi-Floating Production System (L) Limited (formerly known as MISC Floating Production System (Gumusut) Ltd.)	Malaysia	Asset ownership	**–**	100
MTTI Sdn. Bhd.	Malaysia	Investment holding	**100**	100
MISC PNG Shipping (L) Ltd.	Malaysia	Investment holding	**100**	100
Gas Asia Terminal (L) Pte. Ltd.	Malaysia	Development and ownership of LNG Floating storage units	**100**	100
MISC Agencies (Thailand) Co. Ltd.#	Thailand	In-Liquidation	**100**	100
MISC Offshore Floating Terminals Dua (L) Ltd.	Malaysia	Offshore floating terminals ownership	**100**	–

* Audited by firms of auditors other than Ernst & Young
ß Incorporated during the year
\# Audited by affiliates of Ernst & Young Malaysia
^ Listed on the Main Board of Bursa Malaysia Securities Berhad

Notes to the Financial Statements
31 December 2012

38. Associates and activities

Name of company	Country of incorporation	Principal activities	Effective interest (%) 31.12.2012	31.12.2011
BLG MILS Logistics Sdn. Bhd.**	Malaysia	Automotive solutions and related integrated logistic services	**60**	60
Rais – Mils Logistic FZCO	United Arab Emirates	In-Liquidation	**50**	50
MISC Agencies (Lanka) Pte. Ltd.	Sri Lanka	In-Liquidation	**40**	40
Trans-ware Logistics (Pvt) Ltd.	Sri Lanka	Inland container depot	**25**	25
Nikorma Transport Limited	Nigeria	LNG transportation	**30**	30
PTP-MISC Terminal Sdn. Bhd.	Malaysia	Liquidated	**–**	30
Eagle Star Crew Management Corp.	Philippines	Recruitment and provision of manpower for maritime vessels	**24**	24

** Although the Group holds 60% effective interest in BLG MILS Logistics Sdn. Bhd. ("BML"), BML is deemed to be an associate as the Group is unable to exercise control over the financial and operating policies of the economic activities of BML.

39. Jointly controlled entities and activities

Name of company	Country of incorporation	Principal activities	Effective interest (%) 31.12.2012	31.12.2011
Malaysia Vietnam Offshore Terminal (L) Ltd.****	Malaysia	FSO owner	**51**	51
Vietnam Offshore Floating Terminal (Ruby) Ltd.***	Malaysia	FPSO owner	**40**	40
Offshore Marine Ventures Sdn. Bhd.***	Malaysia	Provision of integrated service solutions of support vessels	**–**	26
Paramount Tankers Corp.	Republic of the Marshall Island	Shipowning	**50**	50
MMHE-TPGM Sdn. Bhd.***	Malaysia	Provision of engineering, procurement, construction and commissioning	**40**	40

39. Jointly controlled entities and activities (cont'd)

Name of company	Country of incorporation	Principal activities	Effective interest (%) 31.12.2012	Effective interest (%) 31.12.2011
MMHE-ATB Sdn. Bhd.***	Malaysia	Manufacturing works of pressure vessels and tube heat exchangers	**27**	27
Technip MHB Hull Engineering Sdn. Bhd.***	Malaysia	Building and developing hull engineering and engineering project management capacities	**33.3**	33.3
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
Operacoes Maritamas em Mar Profundo Brasileiro Ltda***	Brazil	Operating and maintaining FPSO terminals	**49**	49
Brazilian Deepwater Floating Terminals Ltd.***	Bermuda	Construction of FPSO	**49**	49
Brazilian Deepwater Production Ltd.***	Bermuda	Chartering of FPSO	**49**	49
Brazilian Deepwater Production Contractors Ltd.***	Bermuda	Operation and maintenance of FPSO	**49**	49
Centralised Terminals Sdn. Bhd.***	Malaysia	Own, manage, operate and maintain centralised tankage facility	**45**	45
Langsat Terminal (Three) Sdn. Bhd.***	Malaysia	Dormant	**45**	45
Langsat Terminal (Two) Sdn. Bhd.***	Malaysia	Provision of multi user petrochemical terminal facilities operation and maintenance services	**36**	36
Langsat Terminal (One) Sdn. Bhd.***	Malaysia	Provision of tank terminal activities	**36**	36

Notes to the Financial Statements
31 December 2012

39. Jointly controlled entities and activities (cont'd)

Name of company	Country of incorporation	Principal activities	Effective interest (%) 31.12.2012	31.12.2011
MISC Shipping Services (UAE) LLC***	United Arab Emirates	Shipping agent	**49**	49
PFLNG Solutions Ltd.***	Malaysia	Liquidated	**–**	30
Western Pacific Shipping Ltd.****	Bermuda	Providing shipping solutions to meet LNG Project requirements and also supports other general shipping requirements of Papua New Guinea.	**60**	60
VTTI B.V.	Netherlands	Owning (in whole or in part), operating and managing a network of oil product storage terminals and refineries	**50**	50
ELS Lightering Services S.A	Uruguay	Lightering activity	**50**	50
Akudel S.A***	Uruguay	Lightering activity	**49**	–
Gumusut-Kakap Semi-Floating Production System (L) Limited (formerly known as MISC Floating Production System (Gumusut) Ltd.)	Malaysia	Asset ownership	**50**	–

*** Even though the Group holds less than 50% equity interest in these companies, all material operational and financial matters require unanimous consent of the joint venture parties.

**** Even though the Group holds more than 50% equity interest in these companies, all material operational and financial matters require unanimous consent of the joint venture parties.

39. Jointly controlled entities and activities (cont'd)

The financial statements of the above jointly controlled entities are coterminous with those of the Group, except for these jointly controlled entities:

	Financial year end
Centralised Terminals Sdn. Bhd.	30 June
Langsat Terminal (One) Sdn. Bhd.	30 June
Langsat Terminal (Two) Sdn. Bhd.	30 June
Langsat Terminal (Three) Sdn. Bhd.	30 June

For the above entities, the audited financial statements up to the financial year ended 30 June 2012 and management accounts up to 31 December 2012 have been used to apply the equity method of accounting.

40. Discontinued operations

After detailed deliberation and review of all relevant factors affecting the Liner Business, the Group had on 24 November 2011, announced its intention to completely cease its Liner related business operations by 30 June 2012.

The Group effectively ceased its Liner related business operations upon delivery of cargo under its final Perdana service voyage in June 2012. With the exception of returning leased containers that are expected to be completed in year 2013, all outstanding business cessation processes were completed in the fourth quarter ended 31 December 2012.

Financial statement disclosures

The results of the Liner related business for the financial year ended 31 December 2012 have been presented separately in the income statements as "Loss after taxation from discontinued operations". The net cash flows attributable to the Liner related business operations have also been presented separately in the statements of cash flows.

Corresponding reclassifications have been made to the prior period's income statements and statements of cash flows to allow for fair comparison of operational performance and net cash generated from/used in the Liner related business operations.

Notes to the Financial Statements
31 December 2012

40. Discontinued operations (cont'd)

Financial statement disclosures (cont'd)

(a) Income statements disclosures

The results of the Liner related business operations for the year/period ended 31 December are as follows:

	Group		Corporation	
	1.1.2012 to 31.12.2012 RM'000	**1.4.2011 to 31.12.2011 RM'000**	**1.1.2012 to 31.12.2012 RM'000**	**1.4.2011 to 31.12.2011 RM'000**
Revenue	**174,744**	1,279,263	**170,846**	1,267,353
Cost of sales	**(598,853)**	(1,827,143)	**(598,597)**	(1,840,227)
Gross loss	**(424,109)**	(547,880)	**(427,751)**	(572,874)
Other operating income	**43,984**	35,630	**14,906**	31,034
Net gain on disposal of ships	**20,662**	2,214	**20,662**	2,214
Finance income	**267**	978	**–**	–
General and administrative expenses	**(18,324)**	(108,365)	**(17,783)**	(69,182)
# Liner exit provisions	**(246,010)**	(1,452,723)	**(246,010)**	(1,406,097)
Share of profit of associates	**–**	309	**–**	–
Share of profit of jointly controlled entities	**166**	2,057	**–**	–
Loss before taxation from discontinued operations (Note 40(c))	**(623,364)**	(2,067,780)	**(655,976)**	(2,014,905)
Taxation	**502**	3,529	**–**	–
Loss after taxation from discontinued operations	**(622,862)**	(2,064,251)	**(655,976)**	(2,014,905)

 # Liner exit provisions

In the previous financial period, costs associated with the exit of the Liner related business operations amounting to RM1,452,723,000 were expensed and disclosed as "Liner exit provisions" in the income statements.

40. Discontinued operations (cont'd)

Financial statement disclosures (cont'd)

(a) Income statements disclosures (cont'd)

 # Liner exit provisions (cont'd)

Prior to cessation of the Liner related business operations in June 2012, the Group performed a reassessment on the "Liner exit provisions" and based on updated information, additional provision totalling RM246,010,000 was made in the current year. Details of the Liner exit provisions are as follows:

	Note	Group 1.1.2012 to 31.12.2012 RM'000	Group 1.4.2011 to 31.12.2011 RM'000	Corporation 1.1.2012 to 31.12.2012 RM'000	Corporation 1.4.2011 to 31.12.2011 RM'000
Assets impairment	i	**51,658**	392,165	**51,658**	388,013
Termination of leases and contractual obligations	ii	**194,352**	933,709	**194,352**	930,148
Employees related costs	iii	**–**	102,041	**–**	63,128
Impairment loss on receivables		**–**	24,808	**–**	24,808
		246,010	1,452,723	**246,010**	1,406,097

i. An impairment loss of RM51,658,000 (31.12.2011: RM392,165,000) associated with the Liner and its related businesses was recognised by the Group to reduce the carrying amount of ships and other property, plant and equipment to their fair values less cost to sell. The fair values of the ships are determined with reference to market values provided by independent ship brokers.

ii The Group and the Corporation recognised losses on onerous contracts for containers and in-chartered ships where the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be derived from the assets.

iii Employees related costs are related to one-time termination benefits provided to employees as a result of the exit of the Liner Business.

Notes to the Financial Statements
31 December 2012

40. Discontinued operations (cont'd)

Financial statement disclosures (cont'd)

(b) Statements of cash flows disclosures

The cash flows attributable to the Liner related business operations for the year/period ended 31 December are as follows:

	Group		Corporation	
	1.1.2012 to 31.12.2012 RM'000	**1.4.2011 to 31.12.2011 RM'000**	**1.1.2012 to 31.12.2012 RM'000**	**1.4.2011 to 31.12.2011 RM'000**
Operating	**(1,060,360)**	(748,016)	**(1,023,726)**	(495,494)
Investing	**574,719**	49,549	**559,222**	49,455
Net cash outflows	**(485,641)**	(698,467)	**(464,504)**	(446,039)

(c) Loss before taxation from discontinued operations

The following amounts have been included in arriving at loss before taxation from discontinued operations:

	Group		Corporation	
	1.1.2012 to 31.12.2012 RM'000	**1.4.2011 to 31.12.2011 RM'000**	**1.1.2012 to 31.12.2012 RM'000**	**1.4.2011 to 31.12.2011 RM'000**
Auditors' remuneration:				
Auditors of the Corporation:				
Statutory audits	**161**	284	–	–
Other services	–	46	–	–
Other auditors:				
Statutory audits	–	77	–	–
Slot and charter hire expenses	**412,469**	290,004	**412,469**	290,004
Exchange loss:				
Unrealised	**2,228**	92	–	–
Write-back of impairment loss on trade receivables:				
Third parties	**(645)**	(90)	–	–
Impairment loss on trade receivables:				
Third parties	**5,587**	176	–	–
Bad debts written off	**12**	90	–	–
Rental of equipment	**78,680**	146,611	**78,316**	146,107
Rental of land and buildings	**161**	2,885	–	–

40. Discontinued operations (cont'd)

Financial statement disclosures (cont'd)

(c) Loss before taxation from discontinued operations (cont'd)

The following amounts have been included in arriving at loss before taxation from discontinued operations:

	Group		Corporation	
	1.1.2012 to 31.12.2012 RM'000	**1.4.2011 to 31.12.2011 RM'000**	**1.1.2012 to 31.12.2012 RM'000**	**1.4.2011 to 31.12.2011 RM'000**
Depreciation	**38,915**	77,044	**38,417**	75,599
Gain on disposal of:				
Assets held for sale	**7,916**	–	–	–
Leasehold building	**1,031**	–	–	–
Staff costs (Note 40(d))	**16,290**	55,403	**9,350**	19,842

(d) Staff costs

Wages, salaries and bonuses	**15,219**	39,814	**7,015**	11,477
Contributions to defined contribution plans	**1,003**	4,558	**1,003**	1,893
Social security costs	**68**	116	**29**	60
Other staff related expenses	–	10,915	**1,303**	6,412
(Note 40(c))	**16,290**	55,403	**9,350**	19,842

41. Explanation of transition to MFRSs

As stated in Note 2.2, these are the first financial statements of the Group and of the Corporation prepared in accordance with MFRS.

The accounting policies set out in Note 2.3 have been applied in preparing:

- the financial statements of the Group and of the Corporation for the year ended 31 December 2012;
- the comparative information presented in these financial statements for the period ended 31 December 2011; and
- the MFRS statements of financial position as at 1 April 2011 (the Group's date of transition to MFRS).

Notes to the Financial Statements
31 December 2012

41. Explanation of transition to MFRSs (cont'd)

Exemptions applied

MFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain MFRS. The Group has applied the following exemptions:

(a) Business combination

MFRS 1 provides the option to apply MFRS 3 Business Combinations, prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.

Acquisition before date of transition

The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition,

(i) The classification of former business combinations under FRS is maintained;

(ii) There is no remeasurement of original fair values determined at the time of business combination (date of acquisition); and

(iii) The carrying amount of goodwill recognised under FRS is not adjusted.

(b) Ships, other property, plant and equipment

The Group had previously adopted the cost model to measure its ships, other property, plant and equipment under FRS. Upon transition to MFRS, the Group elected to maintain the measurement of its ships, other property, plant and equipment using the cost model under MFRS 116 Property, Plant and Equipment.

On 1 April 2011 (date of transition), the Group elected to:

(i) Apply the optional exemption to measure certain ships at fair value and use that fair value as deemed cost under MFRS at that date.

The aggregate fair value of these ships as at 1 April 2011 was determined to be RM18,373,851,000 compared to the carrying amount of RM18,569,468,000 under FRS. The adjustments made are summarised as follows:

41. Explanation of transition to MFRSs (cont'd)

(b) Ships, other property, plant and equipment (cont'd)

	Group	
	31.12.2011 RM'000	1.4.2011 RM'000
Statements of financial position		
Ships	(198,812)	(195,617)
Currency translation reserve	(9,225)	–
Adjustments to retained profits	(189,587)	(195,617)

Income statements for the period from 1 April 2011 to 31 December 2011

	Group RM'000
Cost of sales - depreciation	6,030

(ii) Apply the optional exemption to measure certain buildings at fair value and use that fair value as deemed cost under MFRS at that date.

The aggregate fair value of these buildings as at 1 April 2011 was determined to be RM1,441,072,000 compared to the carrying amount of RM1,454,129,000 under FRS.

The adjustments made are summarised as follows:

	Group	
	31.12.2011 RM'000	1.4.2011 RM'000
Statements of financial position		
Other property, plant and equipment	(12,784)	(13,057)
Adjustments to retained profits	(12,784)	(13,057)

Income statements for the period from 1 April 2011 to 31 December 2011

	Group RM'000
General and administrative expenses - depreciation	273

The transition from FRS to MFRS has not had any material impact on the statements of cash flows.

The reconciliations of equity and total comprehensive income for comparative periods and at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below:

Notes to the Financial Statements
31 December 2012

41. Explanation of transition to MFRSs (cont'd)

(i) Reconciliations of equity as at 1 April 2011

	Group		
	FRS as at 1.4.2011 RM'000	Note 41(b) Ships, Other Property, Plant and Equipment RM'000	MFRS as at 1.4.2011 RM'000
Non-current assets			
Ships	18,569,468	(195,617)	18,373,851
Offshore floating assets	6,794,926		6,794,926
Other property, plant and equipment	1,454,129	(13,057)	1,441,072
Prepaid lease payments on land and buildings	82,487		82,487
Intangible assets	848,699		848,699
Investments in associates	605		605
Investments in jointly controlled entities	3,379,684		3,379,684
Other non-current financial assets	498,496		498,496
Finance lease receivables	212,788		212,788
Deferred tax assets	11,781		11,781
	31,853,063		31,644,389
Current assets			
Inventories	403,973		403,973
Trade and other receivables	2,902,482		2,902,482
Cash, deposits and bank balances	3,352,727		3,352,727
	6,659,182		6,659,182
Non-current assets classified as held for sale	84,825		84,825
	6,744,007		6,744,007
Current liabilities			
Trade and other payables	3,739,499		3,739,499
Interest-bearing loans and borrowings	1,247,261		1,247,261
Provision for taxation	43,058		43,058
	5,029,818		5,029,818
Liabilities directly associated with disposal group classified as held for sale	7,739		7,739
	5,037,557		5,037,557
Net current assets	1,706,450		1,706,450
	33,559,513		33,350,839

41. Explanation of transition to MFRSs (cont'd)

(i) Reconciliations of equity as at 1 April 2011 (cont'd)

	Group		
	FRS as at 1.4.2011 RM'000	**Note 41(b) Ships, Other Property, Plant and Equipment RM'000**	**MFRS as at 1.4.2011 RM'000**
Equity			
Equity attributable to equity holders of the Corporation			
Share capital	4,463,794		4,463,794
Share premium	4,459,468		4,459,468
Other reserves	(940,290)		(940,290)
Retained profits	14,208,587	(208,674)	13,999,913
	22,191,559		21,982,885
Non-controlling interests	1,154,973		1,154,973
	23,346,532		23,137,858
Non-current liabilities			
Interest-bearing loans and borrowings	10,008,122		10,008,122
Deferred tax liabilities	7,995		7,995
Derivative liabilities	196,864		196,864
	10,212,981		10,212,981
	33,559,513		33,350,839

Notes to the Financial Statements
31 December 2012

41. Explanation of transition to MFRSs (cont'd)

(ii) Reconciliations of equity as at 31 December 2011

	Group		
	FRS as at 31.12.2011 RM'000	Note 41(b) Ships, Other Property, Plant and Equipment RM'000	MFRS as at 31.12.2011 RM'000
Non-current assets			
Ships	18,771,476	(198,812)	18,572,664
Offshore floating assets	7,706,240		7,706,240
Other property, plant and equipment	1,535,468	(12,784)	1,522,684
Prepaid lease payments on land and buildings	78,369		78,369
Intangible assets	855,158		855,158
Investments in associates	2,322		2,322
Investments in jointly controlled entities	3,538,305		3,538,305
Other non-current financial assets	1,159,995		1,159,995
Finance lease receivables	420,731		420,731
Deferred tax assets	5,241		5,241
	34,073,305		33,861,709
Current assets			
Inventories	434,995		434,995
Trade and other receivables	2,245,530		2,245,530
Cash, deposits and bank balances	4,155,139		4,155,139
	6,835,664		6,835,664
Non-current assets classified as held for sale	519,688		519,688
	7,355,352		7,355,352
Current liabilities			
Trade and other payables	4,001,150		4,001,150
Derivative liabilities	2,327		2,327
Interest-bearing loans and borrowings	5,859,556		5,859,556
Provision for taxation	59,217		59,217
	9,922,250		9,922,250
Net current liabilities	(2,566,898)		(2,566,898)
	31,506,407		31,294,811

41. Explanation of transition to MFRSs (cont'd)

(ii) Reconciliations of equity as at 31 December 2011 (cont'd)

	Group		
	FRS as at 31.12.2011 RM'000	Note 41(b) Ships, Other Property, Plant and Equipment RM'000	MFRS as at 31.12.2011 RM'000
Equity			
Equity attributable to equity holders of the Corporation			
Share capital	4,463,794		4,463,794
Share premium	4,459,468		4,459,468
Other reserves	(203,341)	(9,225)	(212,566)
Retained profits	12,288,742	(202,371)	12,086,371
	21,008,663		20,797,067
Non-controlling interests	1,288,723		1,288,723
	22,297,386		22,085,790
Non-current liabilities			
Interest-bearing loans and borrowings	8,332,604		8,332,604
Deferred tax liabilities	45,267		45,267
Derivative liabilities	183,819		183,819
Provisions	647,331		647,331
	9,209,021		9,209,021
	31,506,407		31,294,811

Notes to the Financial Statements
31 December 2012

41. Explanation of transition to MFRSs (cont'd)

(iii) Reconciliations of income statements for the period ended 31 December 2011

	Group		
	FRS 1.4.2011 to 31.12.2011 RM'000	**Note 41(b) Ships, Other Property, Plant and Equipment RM'000**	**MFRS 1.4.2011 to 31.12.2011 RM'000**
Continuing operations			
Revenue	7,226,670		7,226,670
Cost of sales	(5,651,103)	6,030	(5,645,073)
Gross profit	1,575,567		1,581,597
Other operating income	464,122		464,122
Net gain on disposal of ships	20,960		20,960
Finance income	85,298		85,298
General and administrative expenses	(905,972)	273	(905,699)
Impairment provisions	(293,431)		(293,431)
Finance costs	(279,743)		(279,743)
Share of loss of associates	(85)		(85)
Share of profit of jointly controlled entities	179,052		179,052
Profit before taxation from continuing operations	845,768		852,071
Taxation	(91,805)		(91,805)
Profit after taxation from continuing operations	753,963		760,266
Discontinued operations			
Loss after taxation from discontinued operations	(2,064,251)		(2,064,251)
Loss after taxation	(1,310,288)		(1,303,985)

41. Explanation of transition to MFRSs (cont'd)

(iv) Reconciliations of comprehensive income for the period ended 31 December 2011

	Group		
	FRS 1.4.2011 to 31.12.2011 RM'000	Note 41(b) Ships, Other Property, Plant and Equipment RM'000	MFRS 1.4.2011 to 31.12.2011 RM'000
Loss after taxation	(1,310,288)	6,303	(1,303,985)
Other comprehensive income:			
Gain on currency translation	819,094	(9,225)	809,869
Statutory reserve	(28)		(28)
Fair value loss on non-current investments	(21,876)		(21,876)
Fair value loss on cash flow hedges	(34,687)		(34,687)
Other comprehensive income for the period, net of taxation	762,503		753,278
Total comprehensive loss for the period	(547,785)		(550,707)
Total comprehensive (loss)/ income attributable to:			
Equity holders of the Corporation	(744,506)		(747,428)
Non-controlling interests	196,721		196,721
	(547,785)		(550,707)

42. Comparatives

During the financial period ended 31 December 2011, the Corporation changed its financial year end from 31 March to 31 December so as to be coterminous with the year end of its ultimate holding company as required by the Companies Act, 1965. Accordingly, the prior period financial statements were prepared for nine months from 1 April 2011 to 31 December 2011. As a result, the comparative figures stated in the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows and the related notes are not comparable.

Notes to the Financial Statements
31 December 2012

43. Significant events

a. On 31 March 2012, Malaysia Marine and Heavy Engineering Sdn. Bhd. ("MMHE"), a wholly-owned subsidiary of Malaysia Marine and Heavy Engineering Holdings Berhad ("MHB") had finalised the acquisition of a Pasir Gudang fabrication yard together with movable and immovable assets located thereon from Sime Darby Engineering Sdn. Bhd. for a purchase consideration of RM393,500,000, which was satisfied entirely in cash.

   The acquisition is considered as a business combination and is accounted for using the acquisition method under MFRS 3 Business Combination ("MFRS 3"). This includes recognising and measuring the fair value of separately identifiable assets acquired and liabilities assumed at their acquisition date.

   A purchase price allocation exercise was performed in measuring the fair value of the assets acquired at their acquisition date in accordance with MFRS 3. The acquired assets are valued at RM330,717,000 and as a result, goodwill of RM62,783,000 was recognised.

b. On 20 August 2012, a jointly controlled entity of the Corporation, Centralised Terminals Sdn. Bhd. terminated its Shareholders' Agreement ("SHA") with China Aviation Oil (Singapore) Corporation Ltd following non fulfillment of certain conditions precedent within the required time frame. The purpose of the SHA was to establish a joint venture company known as Langsat Terminal (Three) Sdn. Bhd ("LgT-3").

   LgT-3 was planned to undertake the proposed design, development, operation, management and maintenance of an oil storage tank terminal facility with a storage capacity of 380,000 m3 within the vicinity of Tanjung Langsat Port, Johor.

c. On 4 October 2012, Gumusut-Kakap Semi-Floating Production System (L) Limited (formerly known as MISC Floating Production System (Gumusut) Ltd.) ("GKL"), a wholly owned subsidiary of the Corporation, acquired the Gumusut-Kakap Semi-Floating Production System ("Gumusut-Kakap Semi-FPS") from the Corporation for a purchase consideration of USD2,038.0 million.

   Subsequent to the disposal of Gumusut-Kakap Semi-FPS to its subsidiary, the Corporation had on 5 October 2012, entered into a conditional Share Purchase Agreement ("SPA") with E&P Venture Solutions Co Sdn Bhd, a wholly owned subsidiary of Petronas Carigali Sdn Bhd, to dispose 50% equity interest in GKL for a cash consideration of USD305.7 million (approximately RM934.4 million). The transaction was completed on 30 November 2012.

44. Supplementary information - breakdown of retained profits into realised and unrealised

The breakdown of the retained profits of the Group and of the Corporation as at 31 December 2012 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants, as follows:

	Group		**Corporation**	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
Total retained profits of MISC Group and its subsidiaries:				
– Realised	**15,313,881**	14,770,902	**7,778,836**	7,448,313
– Unrealised	**(106,897)**	(139,887)	**(67,325)**	(35,438)
	15,206,984	14,631,015	**7,711,511**	7,412,875
Total share of retained loss from associates:				
– Realised	**(2,270)**	(2,277)	**–**	–
– Unrealised	**(49)**	(42)	**–**	–
	(2,319)	(2,319)	**–**	–
Total share of retained profits from jointly controlled entities:				
– Realised	**343,833**	292,170	**–**	–
– Unrealised	**39,543**	63,545	**–**	–
	383,376	355,715	**–**	–
Total retained profits	**15,588,041**	14,984,411	**7,711,511**	7,412,875
Less:				
Consolidation adjustments	**(2,729,232)**	(2,898,040)	**–**	–
Retained profits as per financial statements	**12,858,809**	12,086,371	**7,711,511**	7,412,875

Properties Owned by MISC Berhad and Its Subsidiaries as at 31 December 2012

No.	Location	Description	Tenure & Year Lease Expires	Area in sq. ft.	Existing Use	Age of Building /Land (Years)	Approx. Net Book Value (RM'000)
1.	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	22	68,369
2.	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	6	110,112
3.	Plot 2 P.T. 2113 Air Keroh Industrial Estate, Melaka	Land & Container Yard	Leasehold/ 2091	241,326	Office Building & Container Yard	21	3,316
4.	Lot 2939-2941, 2946-2954, 2978-2980 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	21	30,391
5.	PTD 97072 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	20	21,467
6.	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	18	1,569

Properties Owned by MISC Berhad and Its Subsidiaries
as at 31 December 2012

No.	Location	Description	Tenure & Year Lease Expires	Area in sq. ft.	Existing Use	Age of Building /Land (Years)	Approx. Net Book Value (RM'000)
7.	PTD 22805 Mukim Plentong, Johor Bahru	Land, Shipyard	Leasehold/ 2072	13,115,306	Marine Repair, Marine Conversion, Engineering & Construction Fabrication Yard, Ancillary Facilities & Office Buildings	33	53,576
8.	PTD 11549 Mukim Plentong, Johor Bahru	Land, Shipyard	Leasehold/ 2075	522,720		37	1,055
9.	PTD 65615 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2044	698,266	Staff Quarters	29	3,144
10.	PTD 65618 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2044	587,624	Staff Quarters	29	2,645
11.	PTD 65619 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2044	128,502	Staff Quarters	29	579
12.	PTD 65616 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2044	169,884	Vacant	29	765
13.	PTD 65617 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2044	374,180	Vacant	29	1,685
14.	Pasir Gudang Industrial Estate 81707 Pasir Gudang Johor (erected on Land 7 and 8 above)	Warehouse, Workshops & Office Buildings	Leasehold/ 2072/2075	1,956,881	Marine Repair, Marine Conversion, Engineering & Construction Fabrication Yard, Ancillary Facilities & Office Buildings	35	688,444
15.	Rumah Pangsa MMHE 81700 Pasir Gudang (erected on Land 9 to 11 above)	4-storey Residential Flats	Leasehold/ 2044	383,559	Staff Quarters	34	3,378

Properties Owned by MISC Berhad and Its Subsidiaries
as at 31 December 2012

No.	Location	Description	Tenure & Year Lease Expires	Area in sq. ft.	Existing Use	Age of Building /Land (Years)	Approx. Net Book Value (RM'000)
16.	PTD 101363 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2039	2,567,862	Storage Area	3	18,912
17.	PTD 71056 Mukim Plentong, Johor Bahru	Land, Yard	Leasehold/ 2045	1,524,600	Engineering & Construction Fabrication Yard, Ancillary Facilities & Office Buildings	27	49,606
18.	PTD 109040 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2053	217,800	Workshop, Ancillary Facilities & Site Office	19	7,377
19.	PTD 200290 Mukim Plentong, Johor Bahru	Land, Yard	Leasehold/ 2052	2,424,158	Workshop, Ancillary Facilities, Workshops & Office Buildings	4	85,518
20.	PTD 22768 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2040	435,600	Storage Area	32	14,114
21.	Lot 51611 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2045	173,514	Ancillary Facilities & Storage Area	16	5,645
22.	PTD 110760 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2052	205,603	Workshop, Ancillary Facilities & Office Buildings	19	6,824
23.	PTD 110758 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2052	59,242	Cabin Office & Warehouse	19	2,069

Properties Owned by MISC Berhad and Its Subsidiaries
as at 31 December 2012

No.	Location	Description	Tenure & Year Lease Expires	Area in sq. ft.	Existing Use	Age of Building /Land (Years)	Approx. Net Book Value (RM'000)
24.	Lot 76, Mukim Kuala Sungei Baru, Alor Gajah Melaka	Villas & Boathouse	Leasehold/ 2016	463,641	Akademi Laut Malaysia, Melaka Campus	4	2,631
25.	Lot 1516 Mukim Kuala Sungei Baru (Kampus ALAM, Batu 31 Kampung Tanjung Dahan Kuala Sungai Baru Melaka)	Post Sea Hostel	Leasehold/ 2016	24,210	Student Accommodation	2	4,394
26.	305, The Collonades Porchester Square Bayswater, London W2 6AS	Apartment	Leasehold/ 2073	1,200	For Staff	21	2,257
27.	13, Town Quay Wharf Barking, Essex, London	Office Building	Leasehold/ 2990	10,000	Vacant (to be sold/ leased)	19	3,278
28.	Galveston, Texas, USA	Land & Office	Freehold	290,415	Workboats, Dockage & Lightering Support Operation	44	6,123
29.	Rivium 1e straat 42 2909 LE Capelle ann den IJssel, Netherlands	Land & Office	Freehold	21,140	Office	15	6,675

List of Vessels
as at 31 December 2012

LNG CARRIERS (Owned)

Class	Total	Vessel	Built	Age	Yard	dwt	Flag
Aman Class	3	AMAN BINTULU	1993	19	NKK, Tsu, Japan	11,001	Malaysia
		AMAN SENDAI	1997	15	NKK, Tsu, Japan	10,957	Malaysia
		AMAN HAKATA	1998	14	NKK, Tsu, Japan	10,951	Malaysia
Tenaga Class	3	TENAGA DUA	1981	31	Societe Metallurgique Et Navale Dunkerque, France	71,580	Malaysia
		TENAGA TIGA	1981	31	Societe Metallurgique Et Navale Dunkerque, France	72,083	Malaysia
		TENAGA LIMA	1981	31	Chantiers De Nord Industrielle Marseile, France	71,585	Malaysia
Puteri Class	5	PUTERI INTAN	1994	18	Chantiers de l'Atlantique, France	73,519	Malaysia
		PUTERI DELIMA	1995	17	Chantiers de l'Atlantique, France	73,519	Malaysia
		PUTERI NILAM	1995	17	Chantiers de l'Atlantique, France	73,519	Malaysia
		PUTERI ZAMRUD	1996	16	Chantiers de l'Atlantique, France	73,519	Malaysia
		PUTERI FIRUS	1997	15	Chantiers de l'Atlantique, France	73,519	Malaysia
Puteri Satu Class	6	PUTERI INTAN SATU	2002	10	Mitsubishi Heavy Industries, Japan	75,849	Malaysia
		PUTERI DELIMA SATU	2002	10	Mitsui Engineering & Shipbuilding Co., Japan	76,190	Malaysia
		PUTERI NILAM SATU	2003	9	Mitsubishi Heavy Industries, Japan	76,124	Malaysia
		PUTERI ZAMRUD SATU	2004	8	Mitsui Engineering & Shipbuilding Co., Japan	76,144	Malaysia
		PUTERI FIRUS SATU	2004	8	Mitsubishi Heavy Industries, Japan	76,197	Malaysia
		PUTERI MUTIARA SATU	2005	7	Mitsui Engineering & Shipbuilding Co., Japan	76,144	Malaysia
Seri A Class	5	SERI ALAM	2005	7	Samsung Heavy Industries Co. Ltd., Korea	83,824	Malaysia
		SERI AMANAH	2006	6	Samsung Heavy Industries Co. Ltd., Korea	83,400	Malaysia
		SERI ANGGUN	2006	6	Samsung Heavy Industries Co. Ltd., Korea	83,395	Malaysia

List of Vessels
as at 31 December 2012

LNG CARRIERS (Owned) (cont'd)

Class	Total	Vessel	Built	Age	Yard	dwt	Flag
Seri A Class (cont'd)		SERI ANGKASA	2006	6	Samsung Heavy Industries Co. Ltd., Korea	83,403	Malaysia
		SERI AYU	2007	5	Samsung Heavy Industries Co. Ltd., Korea	83,366	Malaysia
Seri B Class	5	SERI BAKTI	2007	5	Mitsubishi Heavy Industries, Japan	90,065	Malaysia
		SERI BEGAWAN	2007	5	Mitsubishi Heavy Industries, Japan	89,902	Malaysia
		SERI BIJAKSANA	2008	4	Mitsubishi Heavy Industries, Japan	89,953	Malaysia
		SERI BALHAF	2008	4	Mitsubishi Heavy Industries, Japan	91,201	Malaysia
		SERI BALQIS	2009	3	Mitsubishi Heavy Industries, Japan	91,198	Malaysia
TOTAL OWNED	27					**1,942,107**	

List of Vessels
as at 31 December 2012

PETROLEUM TANKERS (Owned)

Class	Total	Vessel	Built	Age	Yard	dwt	Flag
VLCC	9	BUNGA KASTURI	2003	9	Universal Shipbuilding Corporation, Japan	299,999	Malaysia
		EAGLE VIENNA	2004	8	Hyundai Heavy Industries Corp. Ltd., Korea	306,999	Malaysia
		BUNGA KASTURI DUA	2005	7	Universal Shipbuilding Corporation, Japan	300,542	Malaysia
		EAGLE VENICE	2005	7	Samsung Heavy Industries Co. Ltd., Korea	299,984	Malaysia
		EAGLE VALENCIA	2005	7	Samsung Heavy Industries Co. Ltd., Korea	306,998	Singapore
		BUNGA KASTURI TIGA	2006	6	Universal Shipbuilding Corporation, Japan	300,398	Malaysia
		BUNGA KASTURI EMPAT	2007	5	Universal Shipbuilding Corporation, Japan	300,325	Malaysia
		BUNGA KASTURI LIMA	2007	5	Universal Shipbuilding Corporation, Japan	300,246	Malaysia
		BUNGA KASTURI ENAM	2008	4	Universal Shipbuilding Corporation, Japan	299,319	Malaysia
Aframax	37	BUNGA KELANA DUA	1997	15	Hyundai Heavy Industries Corp. Ltd., Korea	105,976	Malaysia
		EAGLE COLUMBUS	1997	15	Koyo Dockyard Co. Ltd., Japan	107,166	Singapore
		BUNGA KELANA 3	1998	14	Hyundai Heavy Industries Corp. Ltd., Korea	105,784	Malaysia
		EAGLE PHOENIX	1998	14	Namura Shipbuilding Co. Ltd., Japan	106,127	Singapore
		EAGLE AUSTIN	1998	14	Samsung Heavy Industries Co. Ltd., Korea	105,426	Singapore
		EAGLE ALBANY	1998	14	Koyo Dockyard Co. Ltd., Japan	107,160	Singapore
		BUNGA KELANA 4	1999	13	Hyundai Heavy Industries Corp. Ltd., Korea	105,815	Malaysia
		BUNGA KELANA 5	1999	13	Hyundai Heavy Industries Corp. Ltd., Korea	105,788	Malaysia
		BUNGA KELANA 6	1999	13	Hyundai Heavy Industries Corp. Ltd., Korea	105,815	Malaysia

List of Vessels
as at 31 December 2012

PETROLEUM TANKERS (Owned) (cont'd)

Class	Total	Vessel	Built	Age	Yard	dwt	Flag
Aframax (cont'd)		EAGLE AUGUSTA	1999	13	Samsung Heavy Industries Co. Ltd., Korea	105,345	Singapore
		EAGLE ANAHEIM	1999	13	Koyo Dockyard Co. Ltd., Japan	107,160	Singapore
		EAGLE ATLANTA	1999	13	Koyo Dockyard Co. Ltd., Japan	107,160	Singapore
		EAGLE TACOMA	2002	10	Imabari Shipbuilding Co. Ltd., Japan	107,123	Singapore
		EAGLE TOLEDO	2003	9	Imabari Shipbuilding Co. Ltd., Japan	107,092	Singapore
		EAGLE TRENTON	2003	9	Imabari Shipbuilding Co. Ltd., Japan	107,123	Singapore
		EAGLE TUCSON	2003	9	Imabari Shipbuilding Co. Ltd., Japan	107,123	Singapore
		EAGLE TAMPA	2003	9	Imabari Shipbuilding Co. Ltd., Japan	107,123	Singapore
		BUNGA KELANA 7	2004	8	Samsung Heavy Industries Co. Ltd., Korea	105,194	Malaysia
		BUNGA KELANA 8	2004	8	Samsung Heavy Industries Co. Ltd., Korea	105,174	Malaysia
		BUNGA KELANA 9	2004	8	Samsung Heavy Industries Co. Ltd., Korea	105,200	Malaysia
		BUNGA KELANA 10	2004	8	Samsung Heavy Industries Co. Ltd., Korea	105,274	Malaysia
		EAGLE TORRANCE	2007	5	Imabari Shipbuilding Co. Ltd., Japan	107,123	Singapore
		EAGLE TURIN	2008	4	Imabari Shipbuilding Co. Ltd., Japan	107,123	Singapore
		EAGLE KUCHING	2009	3	Tsuneishi Holdings Corporation, Japan	107,481	Singapore
		EAGLE KUANTAN	2010	2	Tsuneishi Holdings Corporation, Japan	107,481	Singapore
		PARAMOUNT HANOVER	2010	2	Sungdong Shipbuilding and Marine Engineering Co. Ltd., Korea	114,014	Isle of Man
		EAGLE KANGAR	2010	2	Tsuneishi Holdings Corporation, Japan	107,481	Singapore

List of Vessels
as at 31 December 2012

PETROLEUM TANKERS (Owned) (cont'd)

Class	Total	Vessel	Built	Age	Yard	dwt	Flag
Aframax (cont'd)		PARAMOUNT HELSINKI	2010	2	Sungdong Shipbuilding and Marine Engineering Co. Ltd., Korea	114,014	Isle of Man
		PARAMOUNT HAMILTON	2010	2	Sungdong Shipbuilding and Marine Engineering Co. Ltd., Korea	114,014	Isle of Man
		EAGLE KLANG	2010	2	Tsuneishi Holdings Corporation, Japan	107,481	Singapore
		PARAMOUNT HATTERAS	2010	2	Sungdong Shipbuilding and Marine Engineering Co. Ltd., Korea	114,164	Isle of Man
		PARAMOUNT HALIFAX	2010	2	Sungdong Shipbuilding and Marine Engineering Co. Ltd., Korea	114,164	Isle of Man
		PARAMOUNT HYDRA	2011	1	Sungdong Shipbuilding and Marine Engineering Co. Ltd., Korea	114,164	Isle of Man
		EAGLE KINABALU	2011	1	Tsuneishi Holdings Corporation, Japan	107,481	Singapore
		EAGLE KINARUT	2011	1	Tsuneishi Holdings Corporation, Japan	107,481	Singapore
		EAGLE LOUISIANA	2011	1	Tsuneishi Holdings Corporation, Japan	107,481	Singapore
		EAGLE TEXAS	2011	1	Tsuneishi Holdings Corporation, Japan	107,481	Marshall Islands
Suezmax	4	EAGLE SAN ANTONIO	2012	>1	Samsung Heavy Industries Co. Ltd., Korea	157,850	Singapore
		EAGLE SAN DIEGO	2012	>1	Samsung Heavy Industries Co. Ltd., Korea	157,850	Singapore
		EAGLE SAN JUAN	2012	>1	Samsung Heavy Industries Co. Ltd., Korea	157,850	Singapore
		EAGLE SAN PEDRO	2012	>1	Samsung Heavy Industries Co. Ltd., Korea	157,850	Singapore

List of Vessels
as at 31 December 2012

PETROLEUM TANKERS (Owned) (cont'd)

Class	Total	Vessel	Built	Age	Yard	dwt	Flag
DP Shuttle	2	EAGLE PARAIBA	2012	>1	Samsung Heavy Industries Co. Ltd., Korea	105,153	Malaysia
		EAGLE PARANA	2012	>1	Samsung Heavy Industries Co. Ltd., Korea	105,153	Malaysia
Panamax	1	BUNGA KENANGA	2000	12	Samsung Heavy Industries Co. Ltd., Korea	73,096	Malaysia
TOTAL OWNED	53					**7,619,387**	

PETROLEUM TANKERS (In-chartered)

Class	Total	Vessel	Built	Age	Yard	dwt	Flag
VLCC	3	EAGLE VERMONT	2002	10	Hyundai Heavy Industries Corp. Ltd., Korea	299,999	Singapore
		EAGLE VIRGINIA	2002	10	Hyundai Heavy Industries Corp. Ltd., Korea	306,999	Singapore
		BLUE TOPAZ	2010	2	Daewoo Shipbuilding and Marine Engineering, Korea	321,243	Marshall Islands
Aframax	18	EAGLE CARINA	1992	20	Imabari Shipbuilding Co. Ltd., Japan	95,639	Singapore
		EAGLE CENTAURUS	1992	20	Imabari Shipbuilding Co. Ltd., Japan	95,644	Singapore
		EAGLE CORONA	1993	19	Imabari Shipbuilding Co. Ltd., Japan	95,639	Singapore
		EAGLE AURIGA	1993	19	Shin Kurushima Dockyard Co. Ltd., Japan	102,352	Singapore
		EAGLE SUBARU	1994	18	Koyo Dockyard Co. Ltd., Japan	95,675	Singapore
		EAGLE OTOME	1994	18	Koyo Dockyard Co. Ltd., Japan	95,663	Singapore
		EAGLE BALTIMORE	1996	16	Samsung Heavy Industries Co. Ltd., Korea	99,406	Singapore
		EAGLE BEAUMONT	1996	16	Samsung Heavy Industries Co. Ltd., Korea	99,449	Singapore
		EAGLE BOSTON	1996	16	Samsung Heavy Industries Co. Ltd., Korea	99,328	Singapore

List of Vessels
as at 31 December 2012

PETROLEUM TANKERS (In-chartered) (cont'd)

Class	Total	Vessel	Built	Age	Yard	dwt	Flag
Aframax (cont'd)		EAGLE BIRMINGHAM	1997	15	Samsung Heavy Industries Co. Ltd., Korea	99,343	Singapore
		EAGLE SEVILLE	1999	13	Samsung Heavy Industries Co. Ltd., Korea	104,556	Singapore
		EAGLE SIBU	1999	13	Samsung Heavy Industries Co. Ltd., Korea	105,364	Singapore
		EAGLE STEALTH	2001	11	Sumitomo Heavy Industries, Japan	99,976	Marshall Islands
		JAG LYALL	2006	6	Da Lian Shipping Industry Co. Ltd., China	110,537	India
		EAGLE SAPPORO	2008	4	Mitsui Engineering & Shipbuilding Co., Japan	110,448	Singapore
		EAGLE STAVANGER	2009	3	Sumitomo Heavy Industries, Japan	105,355	Panama
		EAGLE SYDNEY	2009	3	Sumitomo Heavy Industries, Japan	105,419	Panama
		STEALTH SKYROS	2011	1	Daewoo Shipbuilding and Marine Engineering, Korea	116,337	Marshall Islands
CPP	5	EAGLE MIRI	2008	4	STX Offshore & Shipbuilding Co. Ltd., Korea	46,195	Panama
		EAGLE MADRID	2008	4	STX Offshore & Shipbuilding Co. Ltd., Korea	46,197	Panama
		EAGLE MILAN	2010	2	Naikai Zosen, Japan	46,549	Panama
		EAGLE MATSUYAMA	2010	2	Shin Kurishima Dockyard Co. Ltd., Japan	45,942	Panama
		EAGLE MELBOURNE	2011	1	Onomichi Dockyard Co. Ltd, Japan	50,079	Singapore
TOTAL IN-CHARTERED	26					**2,999,333**	
TOTAL	79					**10,618,720**	

List of Vessels
as at 31 December 2012

CHEMICAL TANKERS (Owned)

Class	Total	Vessel	Built	Age	Yard	dwt	Flag
Melati Class	7	BUNGA MELATI SATU	1997	15	Hyundai Heavy Industries Corp. Ltd., Korea	32,127	Malaysia
		BUNGA MELATI DUA	1997	15	Hyundai Heavy Industries Corp. Ltd., Korea	32,169	Malaysia
		BUNGA MELATI 3	1999	13	Hyundai Heavy Industries Corp. Ltd., Korea	31,983	Malaysia
		BUNGA MELATI 4	1999	13	Hyundai Heavy Industries Corp. Ltd., Korea	31,967	Malaysia
		BUNGA MELATI 5	1999	13	Hyundai Heavy Industries Corp. Ltd., Korea	31,975	Malaysia
		BUNGA MELATI 6	2000	12	Hyundai Heavy Industries Corp. Ltd., Korea	31,981	Malaysia
		BUNGA MELATI 7	2000	12	Hyundai Heavy Industries Corp. Ltd., Korea	31,972	Malaysia
A Class	7	BUNGA AKASIA	2009	3	STX Offshore & Shipbuilding Co. Ltd., Korea	38,000	Malaysia
		BUNGA ALAMANDA	2009	3	STX Offshore & Shipbuilding Co. Ltd., Korea	38,000	Malaysia
		BUNGA ALLIUM	2010	2	STX Offshore & Shipbuilding Co. Ltd., Korea	38,000	Malaysia
		BUNGA ANGSANA	2010	2	STX Offshore & Shipbuilding Co. Ltd., Korea	38,000	Malaysia
		BUNGA ANGELICA	2010	2	STX Offshore & Shipbuilding Co. Ltd., Korea	38,000	Malaysia
		BUNGA AZALEA	2010	2	STX Offshore & Shipbuilding Co. Ltd., Korea	38,000	Malaysia
		BUNGA ASTER	2010	2	STX Offshore & Shipbuilding Co. Ltd., Korea	38,000	Malaysia

List of Vessels
as at 31 December 2012

CHEMICAL TANKERS (Owned) (cont'd)

Class	Total	Vessel	Built	Age	Yard	dwt	Flag
B Class	4	BUNGA BAKAWALI	2010	2	SLS Shipbuilding Co. Ltd., Korea	45,000	Malaysia
		BUNGA BALSAM	2010	2	SLS Shipbuilding Co. Ltd., Korea	45,000	Malaysia
		BUNGA BANYAN	2011	1	SLS Shipbuilding Co. Ltd., Korea	45,000	Malaysia
		BUNGA BEGONIA	2011	1	SLS Shipbuilding Co. Ltd., Korea	45,000	Malaysia
TOTAL OWNED	18					**670,174**	

CHEMICAL TANKERS (In-chartered)

Class	Total	Vessel	Built	Age	Yard	dwt	Flag
Other	1	LAUREL GALAXY	2004	8	Kitanihon Shipbuilding Co. Ltd., Japan	19,800	Panama
Bunga Kantan Class	3	BUNGA KANTAN SATU	2005	7	Fukuoka Shipyard, Japan	19,774	Singapore
		BUNGA KANTAN DUA	2005	7	Fukuoka Shipyard, Japan	19,774	Singapore
		BUNGA KANTAN TIGA	2005	7	Fukuoka Shipyard, Japan	19,774	Singapore
Bunga L Class	6	BUNGA LAUREL	2010	2	Fukuoka Shipyard, Japan	19,000	Panama
		BUNGA LAVENDER	2010	2	Fukuoka Shipyard, Japan	19,000	Panama
		BUNGA LILAC	2011	1	Fukuoka Shipyard, Japan	19,000	Panama
		BUNGA LILY	2011	1	Fukuoka Shipyard, Japan	19,000	Panama
		BUNGA LOTUS	2012	>1	Fukuoka Shipyard, Japan	19,000	Singapore
		BUNGA LUCERNE	2012	>1	Fukuoka Shipyard, Japan	19,000	Singapore
TOTAL IN-CHARTERED	10					**193,122**	

TOTAL	28	**863,296**

List of Vessels
as at 31 December 2012

OTHERS (In-chartered)

Class	Total	Vessel	Built	Age	Yard	dwt	Flag
	1	BUNGA KEMBOJA	1998	14	Mitsubishi Heavy Industries, Japan	20,613	Marshall Islands
TOTAL IN-CHARTERED	1					**20,613**	
TOTAL	1					**20,613**	

OFFSHORE FLOATING FACILITIES

Class	Total	Facility	Built	Yard	Design Production Capacity (bpd)	Storage Capacity (bbls)
Floating Production Storage and Offloading (FPSO)	5	FPSO Brasil*	2002	Keppel Shipyard, Singapore	90,000	1,700,000
		FPSO Bunga Kertas	2004	Malaysia Marine and Heavy Engineering, Malaysia	30,000	619,000
		FPSO Kikeh*	2007	Malaysia Marine and Heavy Engineering, Malaysia	120,000	2,000,000
		FPSO Espirito Santo*	2009	Keppel Shipyard, Singapore	100,000	2,020,000
		FPSO Ruby II	2010	Malaysia Marine and Heavy Engineering, Malaysia	45,000	745,000
TOTAL					**385,000**	**7,084,000**

List of Vessels
as at 31 December 2012

OFFSHORE FLOATING FACILITIES (cont'd)

Class	Total	Facility	Built	Yard	Design Production Capacity (bpd)	Storage Capacity (bbls)
Floating Storage and Offloading (FSO)	5	FSO PUTERI DULANG	1991	Mitsubishi Heavy Industries, Japan	–	873,847
		FSO ANGSI	2005	Malaysia Marine and Heavy Engineering, Malaysia	–	472,631
		FSO CENDOR	2006	Malaysia Marine and Heavy Engineering, Malaysia	–	590,000
		FSO ABU	2007	Malaysia Marine and Heavy Engineering, Malaysia	–	617,200
		FSO ORKID**	2009	Malaysia Marine and Heavy Engineering, Malaysia	–	777,504
TOTAL					**–**	**3,331,182**

Mobile Offshore Production Unit (MOPU)	2	MOPU SATU***	2010	Malaysia Marine and Heavy Engineering, Malaysia	–	–
		MOPU DUA***	2011	Malaysia Marine and Heavy Engineering, Malaysia	–	–

Floating Storage Unit (FSU)	2	FSU TENAGA SATU	2012	Malaysia Marine and Heavy Engineering, Malaysia	–	–
		FSU TENAGA EMPAT	2012	Keppel Shipyard, Singapore	–	–

TOTAL OFFSHORE FACILITIES	14

* Jointly owned with Single Buoy Mooring (SBM)
** Jointly owned with Petroleum Technical Services Corporation (PTSC)
*** Jointly owned with Global Process Systems (GPS)

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Forty Fourth (44th) Annual General Meeting (AGM) of MISC Berhad (the Company) will be held at Ballroom 1 & 2, Level 2, InterContinental Kuala Lumpur, 165 Jalan Ampang, 50450 Kuala Lumpur, Malaysia on Wednesday, 19 June 2013 at 11.00 a.m. for the following purposes :

AGENDA

As Ordinary Business

1.	To receive and consider the Audited Financial Statements of the Company for the financial year ended 31 December 2012 together with the Reports of the Directors and Auditors thereon.	**Resolution 1**
2.	To re-elect Lim Beng Choon who retires in accordance with Article 95 of the Company's Articles of Association and whom being eligible, offers himself for re-election.	**Resolution 2**
3.	To re-elect the following Directors who retire pursuant to Article 97 of the Company's Articles of Association and who being eligible, offer themselves for re-election:-	
	i. Dato' Kalsom binti Abd. Rahman	**Resolution 3**
	ii. Datuk Nasarudin bin Md Idris	**Resolution 4**
4.	To approve the payment of Directors' fees of RM489,297.00 for the financial year ended 31 December 2012.	**Resolution 5**
5.	To re-appoint Messrs Ernst & Young as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.	**Resolution 6**

Notice of Annual General Meeting

As Special Business

6. To consider and, if thought fit, to pass the following Special Resolution:

   Proposed Amendments to the Articles of Association of the Company **Resolution 7**

   "THAT the proposed amendments to the Articles of Association of the Company as set out in Appendix A attached to this Annual Report be and are hereby approved and in consequence thereof, the new set of Articles of Association incorporating the amendments be adopted AND THAT the Directors and Secretary be and are hereby authorised to carry out all the necessary steps to give effect to the amendments."

7. To transact any other ordinary business for which due notice has been given.

By Order of the Board
Fadzillah binti Kamaruddin (LS 0008989)
Company Secretary
28 May 2013
Kuala Lumpur

Notes:
Proxy Form

1. Only depositors whose names appear in the Record of Depositors as at 13 June 2013 shall be entitled to attend, speak and vote at the meeting.

2. A member of the Company (except if the member is an authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991) shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and where a member appoints two (2) proxies the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

3. Where a member of the Company is an authorised nominee, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

4. The Form of Proxy must be signed by the appointer of the proxy, or its attorney duly authorised in writing. In the case of a corporation, the Form of Proxy shall be executed under its common seal, or signed by its attorney duly authorised in writing or by a duly authorised officer on behalf of the corporation.

5. The Form of Proxy must be deposited at the Company's Share Registrar, Symphony Share Registrars Sdn. Bhd. (378993-D) at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia, **not less than forty eight (48) hours** before the time appointed for the holding of the meeting or any adjournment thereof.

6. The lodging of a form of proxy does not preclude a member from attending and voting in person at the meeting should the member subsequently decide to do so.

Explanatory Notes on Special Business

The Proposed Amendments to the Articles of Association of the Company is to comply with the amendments to the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad dated 22 September 2011 and to provide another venue for the lodgement of proxy forms.

APPENDIX A

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

The details of the proposed amendments to the Articles of Association of the Company are as follows:

Articles	Existing Articles	Proposed Amendments	Rationale(s)
Article 58	The notices convening meetings shall specify the place, day and hour of the meeting, and shall be given to all Members at least fourteen (14) days before the meeting or at least twenty one (21) days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least fourteen (14) days' notice or twenty one (21) days' notice in the case where any special resolution is proposed or where it is the annual general meeting, of every such meeting shall be given by advertisement in the daily press and in writing to each Stock Exchange upon which the Company is listed.	The notices convening meetings shall specify the place, day and hour of the meeting. **The notices must also include the date of the Record of Depositors, as at the latest date which is reasonably practical and in any event shall not be less than three (3) market days before the meeting for the purpose of determining whether a depositor shall be regarded as a Member entitled to attend, speak and vote at the meeting. The notices** ~~and~~ shall be given to all Members at least fourteen (14) days before the meeting or at least twenty one (21) days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least fourteen (14) days' notice or twenty one (21) days' notice in the case where any special resolution is proposed or where it is the annual general meeting, of every such meeting shall be given by advertisement in the daily press and in writing to each Stock Exchange upon which the Company is listed.	To streamline the Article with the amended Paragraph 9.19(6) of the MMLR.
Article 73A	Where a Member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.	Where a Member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint **up to two (2) proxies** ~~at least one (1) proxy~~ in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account **and the number of shares to be represented by each proxy must be clearly indicated.**	To streamline the Articles with the amended Paragraph 7.21 of the MMLR.

APPENDIX A

Articles	Existing Articles	Proposed Amendments	Rationale(s)
Article 73C	*Nil*	***(New provision)*** **Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds. Where an exempt authorised nominee appoints more than one (1) proxy in respect of each Omnibus Account, the appointment shall not be valid unless the exempt authorised nominee specifies the proportion of the shareholding to be represented by each proxy.** **An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act.**	To streamline the Articles with the amended Paragraph 7.21 of the MMLR.
Article 76	The instrument appointing an attorney or a notarially attested copy thereof and the instrument appointing a proxy or a representative as aforesaid and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Office not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting as the case may be, at which the person named in such instrument proposed to vote unless in the case of a power of attorney it has already been registered in the books of the Company and in default of such deposit or prior registration such instrument shall not be treated as valid.	The instrument appointing ~~an attorney or a notarially attested copy thereof and the instrument appointing~~ a proxy or a representative ~~as aforesaid~~ and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Office, **or at such other place within Malaysia as is specified for that purpose in the notice convening the meeting,** not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting as the case may be, at which the person named in such instrument proposes to vote, unless in the case of a power of attorney it has already been registered in the books of the Company, and in default of such deposit or prior registration such instrument shall not be treated as valid.	To refine the sentence for better clarity and to provide for other venue for the lodgement of the proxy forms.

APPENDIX A

Articles	Existing Articles	Proposed Amendments	Rationale(s)
Article 78	Any instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. A Member (except if the Member of the Company is an authorised nominee as defined under the Central Depositories Act) shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and where a Member appoints two (2) proxies the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy. A proxy may but need not be a Member of the Company and a Member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.	Any instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. **Subject to Article 73A and 73C, a** ~~A~~ Member ~~(except if the Member of the Company is an authorised nominee as defined under the Central Depositories Act)~~ shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and where a Member appoints two (2) proxies the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy. **There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to speak at a meeting.** A proxy may but need not be a Member of the Company and a Member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.	Pursuant to Paragraph 7.21A of the MMLR.

Statement Accompanying Notice of Annual General Meeting

Made pursuant to Paragraph 8.27(2) of the MMLR of Bursa Malaysia Securities Berhad

1. The Directors retiring pursuant to Article 95 and 97 of the Company's Articles of Association and seeking re-election at the 44th AGM are as follows:-
   i. Lim Beng Choon (retiring pursuant to Article 95)
   ii. Dato' Kalsom binti Abd. Rahman (retiring pursuant to Article 97)
   iii. Datuk Nasarudin bin Md Idris (retiring pursuant to Article 97)
2. The profiles of the above Directors who are standing for re-election are set out on pages 27, 30 and 32 of this Annual Report. The details of the Directors' shareholdings in the Company are set out in page 76 of this Annual Report.

MISC BERHAD
(Company No. 8178-H)

Proxy Form

CDS Account No.:	No. of Shares Held:

I/We ____
(Full name in block letters)

NRIC/Company No. :____________________________ of ____________________________

____
(Address in full)

telephone no. ______________________________being a member of **MISC BERHAD** (the Company),

hereby appoint ____
(Full name of proxy in block letters as per identity card/passport)

NRIC : ____________________________ of ____________________________

____
(Address in full)

and/or failing him/her ____
(Full name in block letters)

NRIC : ____________________________ of ____________________________

____
(Address in full)

and failing the abovenamed proxies, the Chairman of the Meeting, as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Forty Fourth (44th) Annual General Meeting of MISC Berhad (the Company) to be held at Ballroom 1 & 2, Level 2, InterContinental Kuala Lumpur, 165 Jalan Ampang, 50450 Kuala Lumpur, Malaysia on Wednesday, 19 June 2013 at 11.00 a.m. and at any adjournment thereof. My/our proxy is to vote as indicated below:

No.	Resolutions	For	Against
ORDINARY BUSINESS			
1.	Adoption of the Audited Financial Statements of the Company for the financial year ended 31 December 2012 together with the Reports of the Directors and Auditors thereon.		
2.	Re-election of Lim Beng Choon as Director pursuant to Article 95 of the Company's Articles of Association.		
3.	Re-election of Dato' Kalsom binti Abd. Rahman as Director pursuant to Article 97 of the Company's Articles of Association.		
4.	Re-election of Datuk Nasarudin bin Md Idris as Director pursuant to Article 97 of the Company's Articles of Association.		
5.	To approve the payment of Directors' fees amounting to RM489,297.00 for the financial year ended 31 December 2012.		
6.	Re-appointment of Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.		
SPECIAL BUSINESS			
7.	To consider and, if thought fit, to pass the following Special Resolution: Proposed Amendments to the Articles of Association of the Company		

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

Dated this ____________ day of ______________ 2013.

The proportions of my/our holding to be represented by my/our proxies are as follows:

	No. of shares	Percentage
First Proxy		
Second Proxy		
Total		100%

____
Signature(s)/Common Seal of Member(s)

Notes:

1. Only depositors whose names appear in the Record of Depositors as at 13 June 2013 shall be entitled to attend, speak and vote at the meeting.

2. A member of the Company (except if the member is an authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991) shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and where a member appoints two (2) proxies the appointment shall be invalid unless he specifies the proportion of his holding to be represented by each proxy. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

3. Where a member of the Company is an authorised nominee, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

4. The Form of Proxy must be signed by the appointer of the proxy, or its attorney duly authorised in writing. In the case of a corporation, the Form of Proxy shall be executed under its common seal, or signed by its attorney duly authorised in writing or by a duly authorised officer on behalf of the corporation.

5. The Form of Proxy must be deposited at the Company's Share Registrar, Symphony Share Registrars Sdn. Bhd. (378993-D) at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia, **not less than forty eight (48) hours** before the time appointed for the holding of the meeting or any adjournment thereof.

6. The lodging of a form of proxy does not preclude a member from attending and voting in person at the meeting should the member subsequently decide to do so.

MISC Berhad
Annual General Meeting
19 June 2013

STAMP

Symphony Share Registrars Sdn. Bhd.

Level 6, Symphony House
Pusat Dagangan Dana 1, Jalan PJU 1A/46
47301 Petaling Jaya, Selangor Darul Ehsan
Malaysia

http://www.misc.com.my

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