Emerging Stronger with every Challenge

MISC ANNUAL REPORT
FINANCIAL PERIOD ENDED 31 DECEMBER 2011

misc

Emerging Stronger with every Challenge

We have navigated and persevered through turbulent weathers in the past and rose to where we are today through our determination and unwavering commitment to deliver our promise to our stakeholders and customers. As we face our toughest challenge yet during this period of prolonged economic uncertainty, we are confident that we will emerge from this storm stronger and more resilient than ever before.

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43rd

Annual General Meeting of MISC Berhad to be held at Sapphire Room, Level 1, Mandarin Oriental Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia on Wednesday, 20 June 2012 at 11.00 a.m.

Group Financial Review

The Group has changed its financial year end from 31 March to 31 December effective from 1 April 2011. For meaningful comparison, this financial review covers the 9-month financial period ended 31 December 2011 ("FPE2011") with a comparative analysis of the corresponding 9-month period ended 31 December 2010 ("PE2010").

Revenue

Group revenue of RM8,505.9 million for FPE2011 is 9.5% lower than PE2010 revenue of RM9,401.3 million. Novation of certain heavy engineering projects to a jointly controlled entity and lower revenue in Liner business from lower volume carried were the main contributors for the decline in Group revenue.

Operating Profit

Group operating profit of RM599.4 million in FPE2011 was 54.9% lower than PE2010 operating profit of RM1,329.2 million. The decline in operating profit was mainly due to higher losses in petroleum and liner shipping businesses in the current financial period. Unabated vessel supply overhang has translated into further decline in petroleum freight rates and profitability.

In line with high oil prices environment, the Group also suffered from higher operating costs largely due to 38.9% increase in bunker prices in the current financial period.

Loss/Profit Before Taxation

The Group suffered loss before taxation of RM1,222.0 million in FPE2011 from profit before taxation of RM2,466.9 million in PE2010. The significant loss incurred in FPE2011 was mainly due to the recognition of a one-off provision consequent to the planned exit of the Liner business amounting to RM1,452.7 million. The Group also recognised higher impairment charges on its vessels in FPE2011 following deterioration in the shipping markets.

Included in the profit before taxation of RM2,466.9 million in PE2010 was a one-off gain amounting to RM1,436.6 million from the listing of Malaysia Marine and Heavy Engineering Holdings Berhad ("MHB") on the Main Market of Bursa Malaysia in October 2010.

Loss/Earnings Per Share (Sen)

Loss attributable to the equity holders of the Corporation amounting to RM1,481.5 million translates to loss per share of 33.2 sen in FPE2011 from earnings per share of 48.8 sen in PE2010.

Dividends

Having considered the Group's immediate funding requirements to adequately support its capital and operational expenditures, no dividends have been proposed for FPE2011. In comparison, the total dividend paid for the full Financial Year Ended 31 March 2011 (FYE2010/11) was RM1,115.9 million or 25 sen per share.

Total Assets

Group total assets of RM41,428.7 million as at 31 December 2011 (FPE2011), was RM2,831.6 million or 7.3% higher than the RM38,597.1 million total assets as at 31 March 2011 (FYE2010/11). The increase in total assets was mainly due to the increase in carrying values of ships, offshore floating assets, other property, plant and equipment ("SPPE") and increase in cash, deposit and bank balances.

Having taken into account capital expenditure, ships disposal, depreciation, impairment charges and reclassification of assets to held for sale and finance lease receivables, the carrying values of the Group's SPPE grew by RM1,194.7 million in FPE2011.

The Group's cash, deposits and bank balances of RM4,155.1 million as at FPE2011 was RM802.4 million or 23.9% higher as compared to RM3,352.7 million as at FYE2010/11.

Total Liabilities

Group total liabilities of RM19,131.3 million was 25.4% higher than RM15,250.5 million as at FYE2010/11. The increase in total liabilities was mainly due to the increase in loans and borrowings as well as increase in payable (trade and non-trade) balances.

Loans and borrowings increased to RM14,192.2 million, largely due to net drawdown of RM2,401.8 million to fund the Group's capital and operating expenditures in the financial period under review.

Trade and other payable balances as at FPE2011 of RM4,001.2 million was RM261.5 million or 7.0% higher as compared to RM3,739.7 million as at FYE2010/11. The increase in trade and other payable balances was primarily due to provisions made on costs related to the Group's planned exit of the Liner business.

Shareholders' Equity

Shareholders' equity of RM21,008.7 million was 5.3% lower than RM22,191.6 million as at FYE2010/11. The decline in shareholders' equity was mainly due to the loss attributable to equity holders of the Corporation totaling RM1,481.5 million and payment of RM438.4 million final dividend in the current financial period, offset with RM737.0 million translational gain from 4.8% currency appreciation of United States Dollar against Ringgit Malaysia.

Net Debt/Equity Ratio

Group net debt equity ratio increased from 0.36 in FYE2010/11 to 0.48 in the current financial period following lower shareholders' equity and higher loan balances, compensated with higher cash balances.

Five-Year Group Financial Statistics

	1.4.2011 to 31.12.2011 RM Million	Unaudited [1] 1.4.2010 to 31.12.2010 RM Million	1.4.2010 to 31.3.2011 RM Million	1.4.2009 to 31.3.2010 RM Million	1.4.2008 to 31.3.2009 RM Million	1.4.2007 to 31.3.2008 RM Million
Revenue	**8,505.9**	9,401.3	12,325.6	13,775.1	15,783.5	12,947.5
Operating profit	**599.4**	1,329.2	1,509.0	1,316.2	1,922.4	2,681.8
(Loss)/Profit before taxation	**(1,222.0)** [2]	2,466.9 [3]	2,244.3 [4]	911.9	1,556.3	2,599.4
(Loss)/Profit for the year attributable to equity holders of the Corporation	**(1,481.5)**	2,178.6	1,870.8	682.0	1,366.6	2,420.4
Dividends	**438.4**	1,559.0	1,543.2	1,296.8	1,316.7	1,290.0
(Loss)/Earnings per share (sen) [5]	**(33.2)**	48.8	41.9	17.7	35.9	65.1
Total assets	**41,428.7**	40,211.5	38,597.1	41,060.2	36,662.5	29,010.0
Total liabilities	**19,131.3**	16,289.9	15,250.5	17,024.0	15,590.3	10,324.8
Shareholders' equity	**21,008.7**	22,840.1	22,191.6	23,662.0	20,732.1	18,411.1
Total borrowings	**14,192.2**	11,722.2	11,255.4	12,771.7	11,852.0	7,528.1
Net tangible assets per share (sen)	**480.4**	516.3	504.0	516.9	539.0	476.4
Gross debt/equity ratio	**0.68**	0.51	0.51	0.54	0.57	0.41
Net debt/equity ratio	**0.48**	0.37	0.36	0.21	0.39	0.30
Interest cover ratio [6]	**1.8**	3.4	4.8	3.7	4.9	8.0

Notes:

[1] The unaudited nine months result for period ended 31 December 2010 is disclosed for comparative purposes.

[2] The loss before taxation for FPE 31 December 2011 includes recognition of liner exit provisions of RM1,452.7 million and impairment provisions of RM293.4 million.

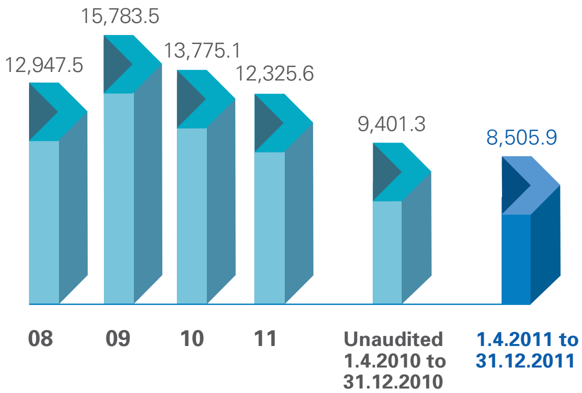
[3] The profit before taxation for period ended 31 December 2010 includes gain on dilution of interest in MHB and impairment provisions amounting to RM1,436.6 million and RM120.4 million respectively.

[4] Profit before taxation for FYE 31 March 2011 includes impairment provisions amounting to RM576.6 million.

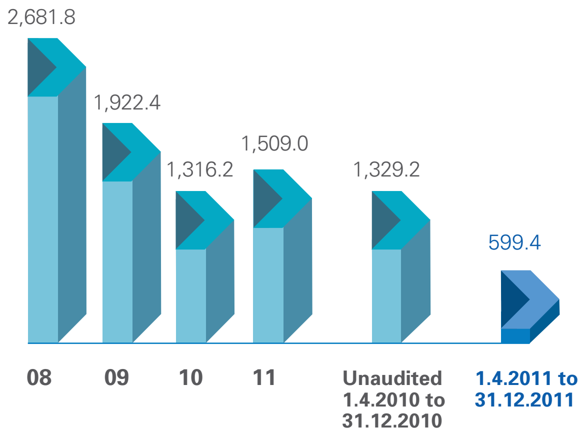
[5] The FY2009/10 EPS has been calculated using the weighted average number of ordinary shares in issue during the financial year. The FY2008/09 EPS has been restated to take into account the effect of the issuance of Rights Shares during the year.

[6] Excluding non-recurring items i.e. Liner exit provisions, gain on dilution of interest in MHB, impairment provisions and net gain/loss on ships' disposal.

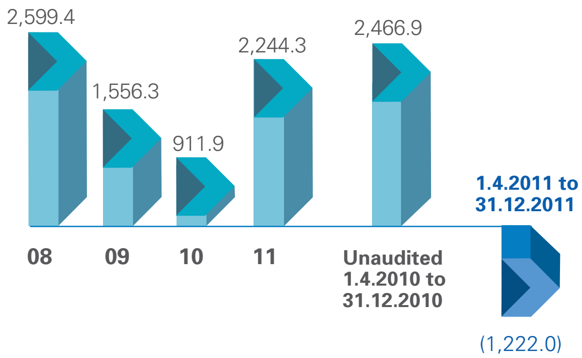
Revenue
(RM Million)



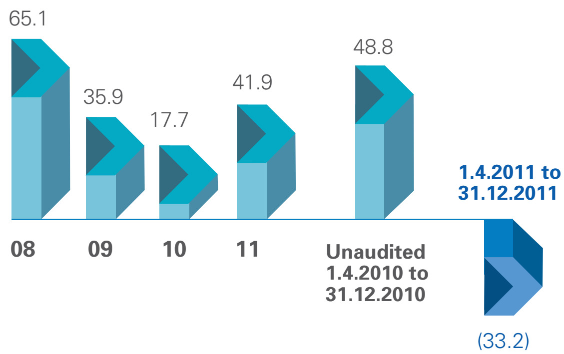
Operating Profit
(RM Million)



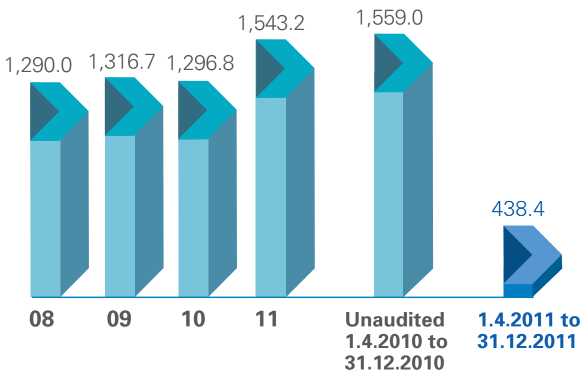
(Loss)/Profit Before Taxation
(RM Million)



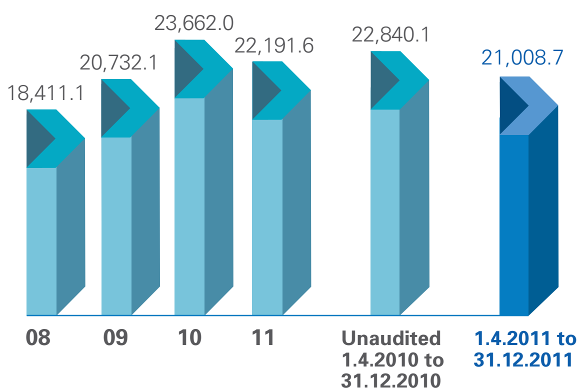
(Loss)/Earnings Per Share
(Sen Per Share)



Dividends
(RM Million)



Shareholder's Equity
(RM Million)



Financial Calendar

Financial Period

1 April 2011 – 31 December 2011

Announcement Of Results and Dividends

RESULTS

QUARTER 1

18 Aug 2011 Announced

QUARTER 2

23 Nov 2011 Announced

QUARTER 3

22 Feb 2012 Announced

DIVIDENDS

No dividends have been proposed for this financial period.

ANNUAL GENERAL MEETING

20 June 2012

Corporate Information
as at 30 April 2012

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

Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah

Non-Independent Non-Executive Directors

Amir Hamzah bin Azizan

Mohd. Farid bin Mohd. Adnan
(appointed with effect from 1 December 2011)

Datuk Wan Zulkiflee bin Wan Arrifin
(resigned with effect from 1 December 2011)

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

Amir Hamzah bin Azizan

Remuneration Committee

Chairman

Dato' Halipah binti Esa

Members

Dato' Kalsom binti Abd. Rahman

Mohd. Farid bin Mohd. Adnan
(appointed with effect from 1 December 2011)

Datuk Wan Zulkiflee bin Wan Arrifin
(resigned with effect from 1 December 2011)

Nomination Committee

Chairman

Dato' Kalsom binti Abd. Rahman

Members

Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah

Mohd. Farid bin Mohd. Adnan
(appointed with effect from 1 December 2011)

Datuk Wan Zulkiflee bin Wan Arrifin
(resigned with effect from 1 December 2011)

Company Secretary

Fadzillah binti Kamaruddin
(LS 0008989)

Registered Office

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

Auditors

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

Share Registrar

Symphony Share Registrars Sdn. Bhd.

Level 6, Symphony House
Block D13, Pusat Dagangan
Dana 1, Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : +603 7849 0777
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 160 owned and in-chartered vessels and a combined tonnage of approximately 15 million dwt, supported by capable sea-going professionals through its in-house maritime academy, Malaysian Maritime Academy Sdn. Bhd. (ALAM), 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 is building up capabilities in technological solutions for FSU, FSRU and FLNG.

Through its petroleum arm – AET, MISC provides global seaborne transportation solutions to the international petroleum industry. It operates a modern and professionally managed fleet of crude and product tankers from the strategic locations of London, Singapore, Houston and Gurgaon in India. It also has on order four VLCCs, four Suezmax tankers and two DP shuttle tankers. AET is the third largest owner-operator of Aframax tankers in the world and currently occupies the leading share of the US Gulf ship-to-ship transfer business through its comprehensive lightering operations. Employed on a mix of spot and period charters, AET's fleet is deployed around the world, providing comprehensive port-to-port services to its customers.

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 the sixth largest independent tank terminal operator globally with a total of approximately 7.8 million cbm of tank storage capacity across 12 terminals in 11 countries. Besides this, MISC also own 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 is also fast establishing its footprint in the offshore industry, offering floating solutions mainly FPSOs/FSOs. Over the span of seven 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 clients 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: engineering & construction, marine repair and marine conversion. With its engineering & construction business, 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. 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. Its marine conversion business has allowed MHB to participate in the conversion of floating production storage and offloading facilities, refurbishments of rigs and construction of newbuilds.

With such a diverse operation and supported by a pool of dynamic and progressive professionals, MISC is well positioned to move into greater waters of success.

MISC GROUP STRUCTURE

as at 30 April 2012 **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)*
- 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)*
- 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)*

Petroleum

- MISC Tanker Holdings Sdn. Bhd. 100% *(Investment Holding)*
  - MISC Tanker Holdings (Bermuda) Limited 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% *(Own, Manage and Operate Ships)*
        - 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 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 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% *(Own, Manage and Operate Ships)*
        - 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)*
        - Eagle Lightering Services S.A. 50% *(Lightering)*
    - AET Tanker India Private Limited 100% *(Shipowning)*
- 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 *(FPSO Owner)* 49%
  - 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 Floating Production System (Gumusut) Limited 100% *(Asset Ownership)*
- MISC Offshore Floating Terminals (L) Limited 100% *(Offshore Floating Terminals Ownership)*
- MISC Offshore Floating Terminals Dua (L) Limited 100% *(Offshore Floating Terminals Ownership)*
- 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)*
  - Offshore Marine Ventures Sdn. Bhd. 26% *(Provision of Integrated Service Solutions of Support Vessels)*
- 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 and 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 of Repair Services and Dry Docking of Liquefied Natural Gas Carriers)
  - MMHE-ATB Sdn. Bhd. 27%
    (Manufacturing of Pressure Vessels and Tube Heat Exchanges)
  - MMHE-TPGM Sdn. Bhd. 40%
    (Provision of Engineering, Procurement, Construction, Installation and Commissioning Services)
- Technip MHB Hull Engineering Sdn. Bhd. 33.3%
  (Build and Develop Hull Engineering and Engineering Project Management Capacities)
- Techno Indah Sdn. Bhd. 66.5%
  (Sludge Disposal Management)

Liner & Integrated Logistics

MISC Integrated Logistics Sdn. Bhd. 100%
(Integrated Logistics Services)

- MILS-Seafrigo Sdn. Bhd. 66.7%
  (Owner of a Cold Storage Logistics Hub)
- MILS-Seafrigo Cold Chain Logistics Sdn. Bhd. 60%
  (Cold Chain Management and Operation)
- BLG MILS Logistics Sdn. Bhd. 60%
  (Automotive Solutions and Related Integrated Logistics Services)
- Misan Logistics B.V. 100%
  (Haulage Brokage, Liner Merchant and Carrier Haulage)
- Rais-Mils Logistics FZCO 50%
  (In Liquidation)

MISC Agencies Sdn. Bhd. 100%
(Shipping Agent and Warehousing)

- MISC Agencies (Australia) Pty. Ltd. *(Shipping Agent)* 100%
- MISC Agencies (Japan) Ltd 100%
  (In Liquidation)
- MISC Agencies (Singapore) Private Limited *(Shipping Agent)* 100%
  - Leo Launches Private Limited 51%
    (Launch Operator)
- MISC Agencies (New Zealand) Limited *(Shipping Agent)* 100%
- MISC Agencies (Sarawak) Sdn. Bhd. *(Shipping Agent)* 65%
- MISC Agencies (Thailand) Co Ltd *(Shipping Agent)* 100%
- MISC Agencies Lanka (Private) Limited 40%
  (Shipping Agent)
- MISC Agencies India (Private) Limited 60%
  (Shipping Agent)
- MISC Shipping Services (U.A.E) L.L.C *(Shipping Agent)* 49%

PTP-MISC Terminal Sdn. Bhd. 30%
(In Liquidation)

Maritime Education

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

Others

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

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

- SL-MISC International Line Co Ltd *(Shipowning)* 49%

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

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

Business Overview & Fleet Strength
as at 31 December 2011

Liquefied Natural Gas

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	**27**

* Note: Excluding Tenaga Satu and Tenaga Empat, which are currently under conversion into Floating Storage Units (FSUs).

MISC has almost three decades of proven experience in LNG transportation and operations and we have earned not only a distinguished reputation for overall operational excellence, reliability, safety and on-time cargo deliveries but also the confidence of our charterers.

- Full in-house capabilities in ship-owning and ship management including maritime education and ship repair.
- Vessels' compatibility with most terminals worldwide.
- Periodic vessels' inspection, audit and vetting ensures highest safety standards.

Major Developments from April 2011 – December 2011

- Conversion of two LNG vessels into FSUs to be moored at the first regasification terminal in Malaysia, start-up targeted in Q3 2012.
- Safely delivered 18.07 million tonnes of LNG cargo, an increase of 10.2% from the corresponding nine months in the previous year due to increased demand from Japan.
- Commenced charter for the North West Shelf Ventures, Australia (NWS).

Petroleum

Type	*Number of Vessels*
VLCC	9
Aframax	40
CPP	4
Total Owned	53
Total In-Chartered	30
Total	**83**

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.

- A modern, young fleet of vessels ranging in capacity from 5,800 to 308,000 dwt.
- 10 newbuildings scheduled to join the fleet within the next two years, comprising four VLCCs, four Suezmax tankers and two DP shuttle tankers.
- Market leader in ship-to-ship transfers in the US Gulf.

Major Developments from April 2011 – December 2011

- Awarded a 20 year time charter to provide two Modular Capture Vessels (MCVs) to the Marine Well Containment Company (MWCC), a consortium made up of several oil majors.
- Took delivery of three new 107,481 dwt Aframax tankers (Eagle Kinarut, Eagle Louisiana and Eagle Texas) from Tsuneshi Shipbuilding Co. Ltd.
- Took delivery of the world's first purpose-built lightering support vessel (LSV), AET Innovator, which is designed and built to streamline ship-to-ship transfers in the US Gulf.
- Received the 2011 Devlin Safety Awards for 33 ships and four workboats in its fleet – an industry recognition of AET's commitment to safety.

Business Overview & Fleet Strength
as at 31 December 2011

Chemical

Class	*Number of Vessels*
Melati Class	7
A Class	8
B Class	4
Total Owned	19
Total In-Chartered	8
Total	**27**

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 April 2011 – December 2011

- Took delivery of one new owned vessel, the 45,000 dwt Marineline coated Bunga Begonia and two in-chartered vessels – Bunga Lilac and Bunga Lily.
- Disposed three of our pressurised LPG vessels and one drybulk vessel.

Liner

Type	*Number of Vessels*
Above 5000 TEUs	2
3000 - 5000 TEUs	3
1000 - 3000 TEUs	7
Less than 1000 TEUs	4
Total Owned	19
Total In-Chartered	16
Total	**29**

* Excluding Bunga Mas Lima and Bunga Mas Enam (Navy Auxiliary)

After due consideration of operational and legal requirements, MISC anticipates the cessation of the liner business by end June 2012. The exit process will involve the withdrawal from various trade alliances and termination of related service and operational contracts.

Business Overview & Fleet Strength
as at 31 December 2011

Tank Terminal

Assets	*Capacity (cbm)*
Langsat Terminal (One)	476,000
Langsat Terminal (Two)	171,000
VTTI Worldwide Terminals	7,218,000
Total	**7,865,000**

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 are approximately 7.8 million cbm.

Major Developments from April 2011 – December 2011

- Terminal capacity in Tanjung Langsat, Johor has increased to 476,000 cbm with completion of Phase 3 of Langsat Terminal (One) in August 2011, which added 76,000 cbm in storage space.
- Langsat Terminal (Two) achieved its mechanical completion date with a total capacity of 171,000 cbm in December 2011.
- Centralised Terminals Sdn. Bhd. (CTSB), a joint venture company between MISC and Dialog, signed a Shareholders' Agreement with China Aviation Oil (Singapore) Corporation Ltd (CAO) for the establishment of a joint venture company, Langsat Terminal (Three) Sdn. Bhd., to undertake the design, development, operation, management and maintenance of a 380,000 cbm petroleum products storage tank terminal facility within the vicinity of Tanjung Langsat Port, Johor.
- Via VTTI, plans are currently in place for expansion at Euro Tank Terminal (ETT) Rotterdam, VTTI Kenya and VTT Vasiliko Cyprus, which will eventually raise the total operating capacity of VTTI from 7.2 million cbm to 9.2 million cbm.

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 has 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 April 2011 – December 2011

- Mobile Offshore Production Unit (MOPU) Dua successfully received its first oil on 31 August 2011.
- Further progress on the delivery of FPS Gumusut-Kakap.
- FSO Cendor Repair Life Extension (RLE) Phase 3 completed in December 2011. Phase 4 (final) will commence in 2012.
- Participating aggressively in market surveys and bid pre-qualification exercise for Asia Pacific projects.

Business Overview & Fleet Strength
as at 31 December 2011

Marine & Heavy Engineering Business

Facilities	***No. and Area***
Drydock	2 drydocks (Up to 450,000 dwt - 385 m x 80 m x 14 m and up to 140,000 dwt - 270 m x 48 m x 12.5 m)
Open Fabrication Yard	5 fabrication areas totaling 321,400 sq.m.
Skid Track & Bulkhead	Up to 40,000 MT
Workshops	35 nos of production workshops covering 99,000 sq.m. (Including fully equipped and covered cutting & assembly workshop, service workshops and production workshops.)
Shiplift	1 shiplift (188.4 m x 33.8 m x 8 m draft with capacity of 50,000 dwt)
Landberth	2 landberths (each of 345 m length)
Quay	7 Quays
LNG Tanker Repair Facility:	
• Global Test Control Room (GTCR)	3 units
• Cryogenic Workshop	1 (557.8 sq.m.)
• Invar Welding Training Centre	1 (84.28 sq.m.)

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

- The Pasir Gudang yard is one of the largest marine heavy industry facilities in the region with an area of 150.6 hectares and 1.8 km seafront.
- Operates a fabrication yard in Kiyanly, Turkmenistan with an area of 43.6 hectares.
- Order book of RM2.9 billion as at 31 December 2011.

Major Developments from April 2011 – December 2011

- Secured the Tapis Enchanced Oil Recovery (EOR) topside project, the first EOR process to be implemented in Malaysia and the Telok Gas Development, both from ExxonMobil.
- Awarded the FSU Lekas conversion project, which is the Engineering, Procurement, Construction and Commissioning (EPCC) contract for the repair, life extension and conversion of MISC's Tenaga Satu into a Floating Storage Unit.
- Completed and successfully delivered the Onshore Gas Terminal (OGT) for PETRONAS Carigali Turkmenistan.
- Entered into a definitive sale and purchase agreement for Sime Darby Engineering Sdn. Bhd.'s yard in Pasir Gudang. Integration of the new yard will see the addition of 31% or 116 acre into MHB's total yard size and increase the current annual output capacity of 69,700 MT significantly.

Integrated Logistics

Assets	*No.*
Prime movers	154 units
NGV tankers	54 units
Total Storage Facility	664,717 sq.ft

Note: Total prime movers include haulage and 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, Supply Chain Management and duty & tax exemption application. In addition, MILS also provides solutions for efficient and cost effective logistics that can be tailor-made to meet customers' demand.

- 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 effectively combine a multi range of logistics services for our contract clients, supported primarily by our own strategic assets, branches and partners.
- Being the sole appointed transporter for distribution of compressed natural gas for Petronas NGV, our tankers are equipped with the latest technology that enable 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 inclusive of regional consolidation and distribution. Our Cold Hub obtained ISO 22000:2005 Food Safety Management System (FSMS) from Lloyd's Register Quality Assurance, making MILS Seafrigo the first cold chain logistics company in Malaysia to be certified with the standard.

Major Developments from April 2011 – December 2011

- MILS has been successful in securing a number of project logistics contract both locally and internationally. The contracts secured covered various sectors including oil & gas and power.
- As part of its business realignment, MILS has rationalised its participation in various joint ventures by divesting non-strategic investments.
- Named as the Domestic Logistics Service Provider of the Year (Malaysia) 2011 by Frost & Sullivan.

Business Overview & Fleet Strength
as at 31 December 2011

Maritime Education & Training (MET)

Resources

- State-of-the-art Simulation Centre
- Meeting rooms with adjoining guest lounge, gymnasium and dining room
- M.T. Pernas Propane Training Ship
- Resource Centre with Wi-fi Internet facilities
- In-campus accommodation which includes villas for senior officials
- 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 seafares, 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, Bangladesh, Iran, Pakistan, Nigeria, Germany, Indonesia, Myanmar, Brunei and Ukraine.

Major Developments from April 2011 – December 2011

- Enrolment of 371 cadets for its diploma programmes where 207 students enrolled for the Diploma in Nautical Studies and another 164 signed up for the Diploma in Marine Engineering. Around 30% of its current cadet population comes from abroad and approximately 10% are female cadets.
- Entered into a Memorandum of Understanding (MoU) with Jefri Bolkiah College of Engineering (JBC), Brunei, to foster new collaboration between the two learning institutions.
- Signed a Memorandum of Cooperation (MoC) with Federal Land Development Authority (FELDA) to promote collaboration of common interests towards youth development in maritime education.

Others

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

Building **Resilience** and **Robustness**

We continue to re-examine our strategies and actions to adapt and to endure through these challenging times. Our robust and diverse business portfolio ensures that we remain resilient and competitive for future growth.

Profiles of Directors
as at 30 April 2012

Datuk Manharlal Ratilal
Chairman, Non-Independent
Non-Executive Director

Datuk Manharlal Ratilal, Malaysian, aged 52, 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 the City of Birmingham Polytechnic, United Kingdom and Masters in Business Administration from the 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 in corporate finance where he was involved in advisory work in mergers and acquisitions, equity and debt capital markets. From 1997 to 2002, he served as the Managing Director of the investment bank. Datuk Manharlal 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 Board of KLCC Property Holdings Berhad, Cagamas Holdings Berhad and several subsidiaries of the PETRONAS Group.

He attended all four Board Meetings of the Company since his appointment as Director during the financial year under review.

Datuk Nasarudin Md Idris

President/Chief Executive Officer,
Non-Independent Executive Director

Datuk Nasarudin Md Idris, Malaysian, aged 57, was appointed as President/Chief Executive Officer of MISC Berhad with effect from 15 June 2010. He was a Non-Independent Non-Executive Director of MISC Berhad from 11 October 2004 before his re-designation.

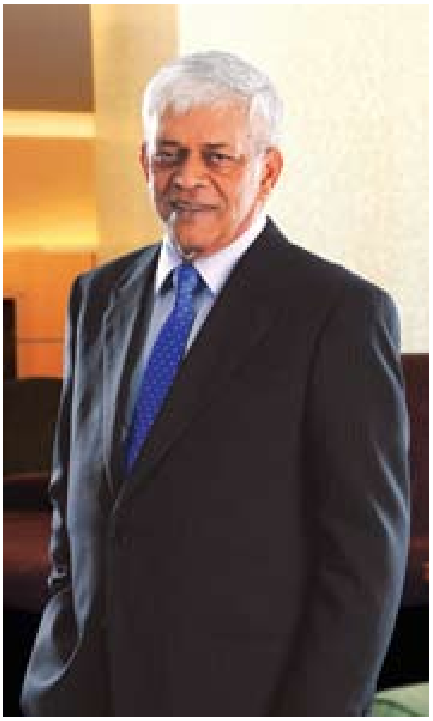
Datuk Nasarudin graduated from the University of Malaya with a Bachelor of Arts (Honours) Degree, and holds a Masters Degree in Business Administration from Henley – The Management College (Brunel University), United Kingdom. He has also attended the Stanford Executive Programme at Stanford University,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

Datuk Nasarudin joined Petroliam Nasional Berhad (PETRONAS) in 1978 and had held various positions within PETRONAS Group including as Vice President, Corporate Planning and Development; Group Chief Executive Officer, 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 Management Committee Member of PETRONAS and a Director of Bintulu Port Holdings Berhad and NCB Holdings Berhad.

He attended all seven Board Meetings held during the financial year under review.

Profiles of Directors
as at 30 April 2012



Harry K. Menon
Independent Non-Executive Director

Harry K. Menon, Malaysian, aged 62, 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, seven years of which he served as a partner. He then joined Public Bank Berhad as General Manager and was subsequently promoted to Executive Vice President. 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 Putrajaya Perdana Berhad, SCICOM (MSC) Berhad, KLCC Property Holdings Berhad and KLCC Holdings Sdn. Bhd. He is also a Non-Executive Director of Petroliam Nasional Berhad.

He attended five out of seven Board Meetings held during the financial year under review.

Dato' Halipah binti Esa

Independent Non-Executive Director

Dato' Halipah binti Esa, Malaysian, aged 62, was appointed as Independent Non-Executive Director of MISC Berhad on 26 April 2004.

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

She started her career with the Administrative and Diplomatic Services in 1973 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.

She is currently the Chairman of Cagamas SME Bhd. and serves on the Boards of Malaysia Marine and Heavy Engineering Holdings Berhad, KLCC Property Holdings Berhad, Northport (Malaysia) Bhd., 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 Petroliam Nasional Berhad (PETRONAS), Employees Provident Fund (EPF), Inland Revenue Board (IRB), Bank Pertanian, Federal Land Development Authority (FELDA) and UDA Holdings Berhad. She was a consultant to the World Bank and United Nations Development Programme (UNDP) 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 seven Board Meetings held during the financial year under review.

Profiles of Directors
as at 30 April 2012

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

Dato' Kalsom binti Abd. Rahman, Malaysian, aged 63, was appointed as Independent Non-Executive Director of MISC Berhad on 27 October 2004.

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

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 also attended management courses organised by Harvard Business School and Stanford University of USA. Dato' Kalsom had served in various capacities in the Ministry of International Trade and Industry (MITI) both at Headquarters and Overseas offices, the last post being the Deputy Secretary General (Industry).

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

She attended all seven Board Meetings held during the financial year under review.

Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah

Independent Non-Executive Director

Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah, Malaysian, aged 59, was appointed as Independent Non-Executive Director of MISC Berhad on 14 September 2006.

He holds a Bachelor of Economics (Honours) Degree in Applied Economics from University of Malaya and a Masters of Philosophy in Development Studies from Institute of Development Studies, University of Sussex, United Kingdom (UK). He obtained a Ph.D in Economics from School of Business and Economic Studies, University of Leeds, UK. In 2004, he attended the Advanced Management Programme at Harvard Business School, Harvard University.

Tan Sri Dr. Wan Abdul Aziz began his career in the Administrative and Diplomatic Service as Assistant Director, Economic Planning Unit (EPU) in the Prime Minister's Department in 1975. He was later promoted to the position of Senior Assistant Director, Macro-Economics in 1984, Senior Assistant Director, Human Resource Section and Director, Energy Section in 1988. In the same year, he was seconded to the World Bank Group in Washington DC, United States of America as Alternate Executive Director. He then served the Ministry of Finance (MOF) as Deputy Secretary in the Economics and International Division in 2001. He later returned to EPU in the Prime Minister's Department as Deputy Director General, Macro Planning Division, in 2004. In 2005, he was appointed Deputy Secretary General of Treasury (Policy), Federal Treasury in the MOF. He is currently the Secretary General of MOF.

Tan Sri Dr. Wan Abdul Aziz sits on the boards of Malaysia Airlines System Berhad, Federal Land Development Authority, Kumpulan Wang Persaraan (Diperbadankan), Inland Revenue Board, Petroliam Nasional Berhad (PETRONAS), Syarikat Bekalan Air Selangor Sdn. Bhd. (SYABAS), Cyberview Sdn. Bhd., Bank Negara Malaysia, Pembinaan BLT Sdn. Bhd. and Malaysia Deposit Insurance Corporation.

He attended five out of seven Board Meetings held during the financial year under review.

Profiles of Directors
as at 30 April 2012

Amir Hamzah bin Azizan
Non-Independent Non-Executive Director

Amir Hamzah bin Azizan, Malaysian, aged 45, is a Non-Independent Non-Executive Director of MISC Berhad. He is also a member of the MISC Board Audit Committee.

He holds a Bachelor of Science Degree in Management majoring in Finance and Economics from Syracuse University, New York, United States of America. He has also attended the Stanford Executive Programme at Stanford University, United States of America and the Corporate Finance Evening Programme at London Business School, United Kingdom.

Amir Hamzah is currently the Vice President, Downstream Marketing of PETRONAS, Group Managing Director/Chief Executive Officer (CEO) of PETRONAS Lubricants International Sdn. Bhd. and Managing Director/CEO of PETRONAS Dagangan Berhad. He had served the Shell Group of Companies for 10 years in various capacities including as the Head of Financial Services and Manager, Planning & Support at Sarawak Shell Berhad, Marketing Credit Accountant at Shell Singapore Ptd. Ltd., Internal Auditor at Shell Eastern Petroleum Pte. Ltd. and Senior Treasury Advisor at Shell International Ltd. London.

He joined MISC in 2000 and was the Group's General Manager of Corporate Planning Services. In 2004, he was the Regional Business Director (Europe, America, Africa and FSU) of MISC based in London, United Kingdom before being appointed as the President/CEO of AET Tanker Holdings Sdn. Bhd., a wholly owned subsidiary of MISC Berhad, on 1 April 2005. He was the President/CEO of MISC Berhad from 1 January 2009 until 15 June 2010, when he resigned to join PETRONAS Dagangan Berhad as the Managing Director/CEO. Amir Hamzah bin Azizan is a Board member of PETRONAS Dagangan Berhad, Engen Ltd. and PETRONAS Lubricants International Sdn. Bhd.

He attended six out of seven Board Meetings held during the financial year under review.

Mohd. Farid bin Mohd. Adnan

Non-Independent Non-Executive Director

Mohd. Farid bin Mohd. Adnan, Malaysian, aged 49, was appointed as Non-Independent Non-Executive Director of MISC Berhad with effect from 1 December 2011.

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 Petroliam Nasional Berhad (PETRONAS) for more than 25 years. 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, 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 Ltd.

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.

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

Baharuddin bin Arbak
Vice President, Liner Business

Mohamed Sabri bin Mohamed Zain
Vice President, Offshore Business

Faizul bin Ismail
Vice President, LNG Business

Nordin bin Mat Yusoff
Vice President, Group Technical Services

Noraini binti Che Dan
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
as at 30 April 2012

Datuk Nasarudin Md Idris
President/Chief Executive Officer

Datuk Nasarudin Md Idris, aged 57, was appointed as President/Chief Executive Officer of MISC Berhad with effect from 15 June 2010. He was a Non-Independent Non-Executive Director of MISC Berhad from 11 October 2004 before his re-designation.

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

Datuk Nasarudin joined Petroliam Nasional Berhad (PETRONAS) in 1978 and had held various positions within PETRONAS Group including as Vice President, Corporate Planning and Development; Group Chief Executive Officer, 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 Management Committee Member 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 45, 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 46, 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 several joint venture companies within MISC Group.

Baharuddin bin Arbak
Vice President, Liner Business

Baharuddin bin Arbak, aged 48, was appointed as Vice President, Liner Business on 1 August 2009 after serving the same division in the capacity of General Manager, Operations since 13 August 2007 and as Senior General Manager, Liner Business since 1 February 2009.

He graduated from the National University of Singapore with a Bachelor of Science Degree. Prior to joining MISC, he was with Neptune Orient Lines (NOL) Group of Companies for 19 years and had served in various liner senior management capacities in NOL's corporate headquarters in Singapore and overseas offices in Pakistan, Indonesia and Hong Kong.

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

Mohamed Sabri bin Mohamed Zain
Vice President, Offshore Business

Mohamed Sabri bin Mohamed Zain, aged 55, was appointed as Vice President, Offshore Business on 16 November 2010.

Mohamed Sabri graduated with a Bachelor of Science Degree in Petroleum Engineering from University of Wyoming, United States of America in 1978.

Prior to joining MISC, he was the President of White Nile Petroleum Operating Company Ltd. (WNPOC), a joint-venture operating company between Petroliam Nasional Berhad (PETRONAS) and Sudapet of Sudan.

Since joining PETRONAS in 1978, he had held various positions within PETRONAS including General Manager positions for PETRONAS Carigali Sdn. Bhd. for Vietnam Operations, Development Division, Middle East and Asia (covering Middle East and Central Asia) and International Operations.

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

Profiles of Management Committee
as at 30 April 2012

Faizul bin Ismail
Vice President, LNG Business

Faizul bin Ismail, aged 51, 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 Petroliam Nasional Berhad (PETRONAS) as a Marine Engineer Superintendent and was involved in the LNG shipbuilding project in France until 1994. He has 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 joined 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 52, 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 and 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 new 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.

Noraini binti Che Dan

Vice President, Finance

Noraini binti Che Dan, aged 56, was appointed as Vice President, Finance on 1 April 2005.

She graduated from the University of Manchester with an Honours Degree in Economics. She is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants.

Prior to joining Pernas International Holdings Berhad (Pernas), she was an Audit Senior of Public Accounting Firm, Hanafiah Raslan & Mohamad. She served Pernas for 15 years in various capacities including Group General Manager, Finance and Chief Financial Officer, prior to joining MISC Berhad as General Manager, Finance Division on 1 June 2003.

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

Yee Yang Chien

Vice President, Corporate Planning and Development

Yee Yang Chien, aged 44, was appointed as Vice President, Corporate Planning and Development on 1 April 2008.

He holds degrees in Financial Accounting/ Management and Economics from University of Sheffield, United Kingdom.

He was an auditor prior to being involved in the equity research and investment banking arena 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 with emphasis on strategic planning, mergers and acquisitions and risk management. He had also served MISC Berhad for two years since 2003 where he was involved in the acquisition of MISC's subsidiary, AET Group (AET). He had also served as Group Vice President of Corporate Planning, AET from June 2005 prior to re-joining MISC Berhad.

Yee Yang Chien also sits as a Board member of several 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 46, 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.

He was appointed as Honorary Commander of the Royal Malaysian Navy in November 2009,

Profiles of Management Committee
as at 30 April 2012

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 an Intertanko Executive Committee Member and The London P&I Club Director in 2010.

He also sits as Board member in several 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 44, 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 46, 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 Petroliam Nasional Berhad (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

For the year under review, the global economic environment remained difficult. The world has not fully recovered from the Financial Crisis that started four years ago. Global economic growth remained sluggish and the Eurozone debt crisis had deepened during the year. Governments and policy makers had their work cut out for them in trying to avoid economies slipping back into recession. Meanwhile, the side effects from various natural disasters such as the earthquake in Japan and the unrest in the Middle East and North Africa generated unnecessary geo-political risks and distraction.

Chairman's Statement

Under this extremely challenging economic backdrop, large and small shipping companies alike endured another difficult year, plagued by excess capacity which was further exacerbated with the delivery of new vessel tonnage during the year. As supply growth continued to outstrip demand, shipping freight rates reached new lows, sometimes at levels not seen historically. Coupled with high bunker prices which only served to escalate operating costs, it has been an extremely difficult year for most ship owners and operators. Indeed, 2011 ended with several shipping companies filing for bankruptcy and the prognosis is that many more may join the casualty list.

Financial Performance

For the 9 months of the financial year ended 31 December 2011, I regret to report that the MISC Group posted a net loss of RM1.48 billion on the back of lower revenue of RM8.51 billion as compared to the corresponding previous 9 months. I would like to stress that included in the losses were RM1.74 billion in one-off provisions and impairments associated with our exit from the container liner business, as well as impairment on our other assets on the back of the poor shipping market. As a consequence, the Group recorded negative Earnings per Share (EPS) of 33.2 sen for the year and Net Tangible Assets attributable to equity shareholders slid to RM20.15 billion. Our cash balances at 31 December 2011 stood at RM4.16 billion while our net gearing ratio jumped to 0.48 times.

Excluding the impact of the costs associated with the exit from the container liner business, MISC would have posted a profit, albeit smaller than the year before, given the weight of adverse operating conditions that had greatly impacted our shipping activities. The Group's portfolio of stable income generating units, namely LNG tanker business, the offshore business, the tank-terminal business via 50% owned VTTI Holdings B.V. and the heavy engineering business via listed subsidiary, Malaysia Marine and Heavy Engineering Holdings Bhd (MHB), provided the necessary cushion against the losses posted by the petroleum and chemical tanker divisions as well as the container liner business.

Dividend

Given the tough operating conditions which have severely impacted the financial performance of MISC, prudence in cash management is the order of the day. While we endeavour to reward our shareholders with some form of dividend payment annually, we also need to balance that with the need for the Group to have sufficient funds for liability management and to capitalise on any growth opportunities that may arise from the current weak market.

As such, the Board of Directors is not recommending any final dividend for the financial year.

Corporate Development

The shipping industry is inherently a very cyclical business as history has proven time and time again. As a company, we have always maintained the need for resilience and robustness in our business portfolio - resilience and robustness that will help us to absorb the adverse impact of a downcycle and at the same time, enable us to exploit any opportunities during a good cycle.

Hence, over the past few years, MISC has consciously dedicated a larger proportion of its resources towards businesses that will provide a secured and recurring income base for the Group. Our foray into the offshore business through the ownership and operation of floating production assets is one of those steps to fortify the recurring income stream from our LNG tanker business which had been the sole secure income source for MISC in the past. MISC's venture into the tank terminal business is another step towards this direction.

As the present industry crisis would suggest, managing a business portfolio is a dynamic process. We have to continuously evaluate our business mix against differing industry and economic circumstances. The present severe downturn in the shipping industry has posed another baptism of fire for us as our more cyclical businesses such as petroleum and chemical tanker operations as well as the container liner business were put to the test.

As a result of this evaluation process, the Group made the decision to cease the operation of our container shipping business. The global liner industry has undergone a radical change in its operating dynamics and many owners and operators are struggling to keep up. Staying competitive would mean forking out heavy investments in a business

Chairman's Statement

which MISC has little economies of scale and minimal competitive advantage. Our fiduciary duties necessitate that we consistently make the appropriate decisions on where the Group's resources are best deployed for the longer term to generate the returns that are sufficiently attractive for our shareholders.

Moving forward, we will continue to subject our business portfolio to further reviews as we seek to rebalance and rebuild the business mix to ensure even greater robustness and resilience.

Despite the difficult operating environment, we continue to seek out the appropriate growth opportunities with our immediate focus being on those areas which will provide us with further secured income sources. During the year, two of our Aframax tankers under AET, our petroleum tanker arm, underwent a conversion exercise into Marine Capture Vessels (MCVs) as part of a 20 year time-charter contract that was awarded by the Marine Well Containment Company (MWCC) in the US. Besides performing the normal lightering services, which is a core part of AET's business, these MCVs will be deployed in the event of a deepwater well control incident in the US Gulf of Mexico. The Group also embarked on the conversion of two of its first generation LNG tankers into Floating Storage Units (FSUs) that will be delivered for Malaysia's first LNG re-gasification terminal in the middle of 2012. Both FSUs will be employed under a 20-year commitment.

Meanwhile, the transformation at MHB continues to take place as the company announced the acquisition of Sime Darby Engineering Sdn Bhd's yard in Pasir Gudang. The enlarged yard space will allow MHB to deliver increasingly challenging projects of larger scale and complexity in line with its aspiration to be one of the leading heavy engineering and fabrication yard in the region. A joint venture between MHB and Technip in the area of hull design engineering services that was formed during the year further supports MHB's climb up the technology ladder.

Outlook

For the year 2012, as much as we would have hoped for a better operating environment, I am afraid the landscape of the shipping industry is unlikely to be any better than 2011. Against a backdrop of continuing uncertainty in global economic growth, rising geo-political risks in various regions, especially in the Middle East and North Africa, we do not expect freight rates to recover any time sooner. Despite the heavy delivery of new capacity in 2011, the industry will have to come to terms with another bout of new deliveries in 2012. Compounding the challenge for ship owners and operators is the sustained high bunker prices. Managing our operating cost will be an important priority in the year ahead.

We will continue to evaluate and rebalance our business portfolio in order to put us in a position of strength that will allow the Group to fully leverage on the next upcycle in the industry. Prospects in the LNG and offshore space remain bright in the short and medium term and we will continue to explore opportunities in these areas. With the completion of the acquisition of Sime Darby's Pasir Gudang yard, MHB is also set to reinvent itself as it takes the next leap in its corporate development.

We expect the supply of manpower to pose another challenge to the Group. Shortage of experienced crew to support the growing global fleet is on the rise as newbuilding deliveries continue. We need to motivate and retain our top talents even during these challenging times while attracting new ones to join us.

The resilience of this company had been challenged on various occasions in the past and during each trial, we had emerged stronger and better. I strongly believe that the Group will rise to the challenge once again as we brave another turbulent period.

Appreciation

I would like to take this opportunity to thank Datuk Wan Zulkiflee bin Wan Ariffin who retired from the Board effective 1 December 2011 and concurrently, I would like to welcome our new member to the Board, En. Mohd. Farid bin Mohd. Adnan.

I would also like to record my gratitude to all members of the Board for their collective counsel and wisdom which had enabled us to steer MISC especially during this difficult period in our history. To all the employees of the MISC Group throughout the globe, I thank you for your unwavering dedication, determination as well as the sacrifices made during these difficult times.

A special appreciation also goes to the Royal Malaysian Navy for their untiring support and cooperation which had enabled us to ply our trade safely from the threats of piracy. The special support from our navy has been a hallmark for our services in the Gulf of Aden region.

Lastly, I would also like to convey 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

12 April 2012

President/CEO's Report

2011 unfolded under severely challenging circumstances for MISC. Despite the shorter 9 months of the current financial year under review with the change in our financial year end to 31 December compared to 31 March previously, MISC experienced one of its toughest operating years in its corporate history. Our resilience and robustness during these trying times have been truly tested and we are forced to continuously re-examine our strategies and actions.

The year under review marked the third consecutive year of a depressed freight environment in the shipping industry. Macroeconomic outlook did not improve whilst risk factors continued to hound prospects of any global economic recovery with renewed concerns on the Eurozone debt crisis and its contagion effect on emerging economies. To complicate matters, unrests in the Middle East and North Africa, and a threat of sanction on Iran further increased geo-political uncertainties in an already fragile economic environment.

We have often reminded our shareholders that shipping is an inherently cyclical industry. Cycles will come and go, and some cycles are more severe and extreme than others. Today, we are caught in one of the most severe down cycle we have seen in a long time. However, the underlying fundamental strategy of competing in this sector does not change. It boils down to our ability to build resilience and robustness in our business portfolio to withstand the knocks of a low freight environment while being able to position the Group for growth during the good years through well-timed expansion of our fleet with the most cost competitive vessels and the latest operating efficiencies.

President/CEO's Report

At MISC, we are fortunate that we have a well balanced portfolio of businesses underpinned by several annuity-like businesses such as LNG shipping, Offshore business and our latest addition, the Tank Terminal business. The secured and recurring income streams from these three businesses have proven precious as they enabled us to absorb operating losses from other shipping sectors, namely petroleum, chemical and liner.

However, we cannot rest on our laurels. We constantly believe we can do better and we continuously subject ourselves to close scrutiny, pushing the boundaries of effectiveness and efficiencies as much as we can to carve out any competitive advantage over our competitors.

With eight distinct businesses, investment prioritisation and opportunity cost consideration became a greater agenda for MISC as we endeavoured to correctly allocate the right amount of resources to support the growth of each business sector. The task of dynamically managing such a diverse business portfolio became more challenging and required us to make calculated and well-analysed investment decisions. Opportunity cost was part of the deliberation. While it is easy to add new businesses to the fold, it is tougher to make the call to exit one. During the year, we had to make an extremely tough call and we decided to exit the container shipping business altogether.

The container shipping business was one of the businesses that MISC started since its inception 44 years ago. Understandably, our decision to exit the business stirred up emotional and sentimental reactions. Nevertheless, we are resolute in our chosen course of action as our decision was made following a very thorough and detailed process of deliberation.

President/CEO's Report

Under the present challenging operating conditions, while we continued to push for growth in selected areas such as LNG shipping and Offshore businesses whereby secured and recurring income streams can be developed, our efforts to overcome a depressed freight environment may not yield the financial outcome as desired for our more cyclical shipping businesses. During these times, we believe it is also an opportune time for us to look inward and consolidate our agenda and strategies. This is a time for us to focus on strengthening the operating foundations of the Group to realise greater effectiveness and efficiency. This is also a time for us to recalibrate our balance sheet strength to enable us to exploit attractive growth opportunities that will avail themselves during periods of adversity.

Thus, the exit from the container shipping business marks the first in a series of steps that we will be embarking upon in the course of the next few years as we seek to strategically rebalance our business portfolio to achieve greater resilience and robustness. At the same time, we intend to reposition some of our current businesses for greater growth when the cycle turns in our favour.

As part of this review process, we will not shy away from making tough but necessary decisions in order to drive our businesses forward successfully. Our decision to exit the container shipping sector is a strong case in point and illustrates our commitment to do the right thing for MISC. Our desire is to see MISC emerging stronger from this downturn and a company that delivers sustainable value to all its stakeholders.

President/CEO's Report

Business Segment Review

LNG Shipping

The global LNG shipping industry enjoyed a turnaround in fate post the unfortunate earthquake and nuclear power crisis in Japan. Medium-term bridging requirements to supplement the shutdown of nuclear power plants have brought about a new source of demand for LNG globally. This is in addition to the continuing global shift towards developing cleaner and more efficient sources of energy.

As such, the spot market for LNG shipping had taken a leap back to its peak levels of above USD100,000 a day during the course of 2011 as excess LNG shipping capacity that weighed on the sector the past few years was effectively absorbed by demand. With the present buoyant market, the number of newbuilding orders jumped to 54 units as owners anticipate the commissioning of a few well publicised LNG development projects in the coming years.

The medium to longer term outlook has certainly been lifted with the renewed development of new fields. Australia, the present hotspot for LNG development, achieved four Final Investment Decisions (FIDs) in 2011 and another was just taken in early 2012, adding an estimated 37.7 million tonnes per annum of liquefaction capacity in the country when completed. Currently there are another 8 projects planned that may see an additional 70 million tonnes per annum of capacity, enabling Australia to overtake Qatar as the largest LNG producer in the world by 2017.

Elsewhere, the development of shale gas especially in North America marks a game changing trend, reversing historical import requirements and creating new sources for LNG exports.

In the meantime, fast track requirements by emerging countries to fulfil domestic LNG demand for power generation and industrial activity continues to lift interest for Floating Storage and Regasification Unit (FSRU) and Floating Storage Unit (FSU) solutions worldwide. In Malaysia, PETRONAS has expedited the development of new infrastructure to facilitate the importation of LNG in view of the declining production profile of gas fields in Peninsular Malaysia.

Two of our LNG vessels, Tenaga Satu and Tenaga Empat are being converted into FSUs to be moored at the first regasification terminal in Malaysia. We are at the advance stage of conversion works and we expect to deliver the FSUs to the LNG regasification terminal in Malacca by June 2012. Upon commercial commissioning, these two FSUs will be leased to PETRONAS for a period of 20 years.

During the past financial year, MISC safely delivered 18.07 million tonnes of LNG to various destinations throughout the world. This is an increase of 10.2% over the previous financial year largely due to the increased demand from Japan. Since inception of our LNG Business, our LNG vessels have cumulatively made 6,571 voyages carrying a total of 330.16 million tonnes of LNG to diversified geographies and clients. In the past year, we made inroads into Australia with the signing of a long-term charter with International Gas Transportation Co for the North West Shelf project.

With more than 30 years of excellent operational track record and against the backdrop of a very positive outlook for the LNG market, MISC is well positioned to benefit from the renewed vigour in this segment. We will explore new LNG shipping demand within the PETRONAS Group as well as the various opportunities emerging out of Australia and other LNG exporting nations. Being innovative in our product offering through a modern and efficient fleet while keeping abreast with the latest technological and operational changes in the industry will be vital for our continued growth and success in this sector of the shipping industry.

President/CEO's Report
Business Segment Review

Petroleum Shipping

The past financial year proved to be one of the toughest for the petroleum tanker sector since 1994. Of the various petroleum tanker sizes, the Very Large Crude Carrier (VLCC) segment witnessed the largest fleet expansion during the year with 18.5 million dwt delivered or an 11% addition to the global VLCC fleet, while the overall petroleum tanker market grew 5.7% or 21.4 million dwt.

As a consequence, tanker asset values have failed to hold their ground, especially the second hand value of much older vessels, as customers traded for newer and more efficient vessels that had come to the market the past year. Some of these older vessels have seen values falling closer to scrap value, prompting some quarters of the industry to hope that this will accelerate the demolition of old vessels, bringing some form of needed balance to the present supply-demand dynamics for petroleum tankers.

However, the continued depressed freight rate environment for petroleum tanker has begun to take its toll on the industry. The year 2011 ended with a few high-profile corporate casualties as a few owners filed for bankruptcy while a few more warned of potential demise in the coming year if the market does not improve materially.

To further reduce our exposure to freight rate volatility in the petroleum shipping segment, our petroleum tanker business under wholly owned subsidiary, AET, dug deep during the year by further optimising operating costs and redelivering expensive in-charters. Our efforts in improving our service quality was rewarded with a major upgrading of our fleet management ratings with major oil players, which enabled us to bid for longer tenure term contracts, the ultimate in earnings security.

AET also managed to defend its long standing position as the leading provider of lightering services in the Gulf of Mexico. Our leading market position was further acknowledged by the oil majors operating in the region with the award of a 20-year time charter to provide 2 Modular Capture Vessels (MCVs) by a consortium called the Marine Well Containment Company (MWCC) comprising several of these oil majors. The MCVs will form part of a greater deepwater well control solution to address any oil spill incidents such as that of the Macondo incident in the US Gulf of Mexico.

Eagle Texas and Eagle Louisiana, both new 107,481 dwt Aframax tankers that were built as part of our fleet renewal programme are currently undergoing MCV conversion to be fitted with dynamic positioning technology, modular processing equipment, additional accommodation and other facilities at the yard of Drydocks World Dubai LLB. Besides the benefit of the secured income from the 20-year time charter, the MCVs also reaffirmed our strategy of developing new niche areas within the petroleum shipping space through the offering of customised solutions to our customers that will reward us with the security of locked-in recurring income stream.

Besides Eagle Texas and Eagle Louisiana we also took delivery of Eagle Kinarut from Tsuneshi Shipbuilding Co. Ltd. On order are four additional Suezmaxes and two Dynamic Positioning (DP) Aframax shuttle tankers (on 15-year time charter to Petrobras) for delivery in 2012 and another four VLCCs for delivery in 2013.

Vessel overcapacity, slow pace of vessel demolition, potential flare up in the Straits of Hormuz in response to the embargo on Iranian oil, and persistently high bunker cost will continue to pose serious operating challenges to our petroleum tanker shipping business in the coming year. We do not expect a swift turnaround in petroleum tanker freight rates in the immediate term, and we are bracing ourselves for another tough financial year for the petroleum tanker segment. However, AET will continue to pursue selective growth opportunities as and when they arise, especially growth sources that will lead to a larger pool of recurring income base for the petroleum tanker fleet.

President/CEO's Report

Business Segment Review

Chemical Shipping

Optimism and positive growth in manufacturing activities worldwide continued to slip lower as we progressed through 2011. Similarly, production of chemicals which has a very high correlation to manufacturing activity, only managed an anaemic growth during the year as compared to 2010. According to the American Chemistry Council and European Chemical Industry Council, chemical production in the US and Europe edged higher by 2.2% and 1.1% in 2011 respectively, after stellar growth of 4.2% and 10.1% in 2010 when the global chemicals industry bounced back from the deep slump in 2009. During the year, there were also intermittent disruptions to production due to natural disasters in Japan and Thailand.

More importantly, the chemical industry witnessed on-going shifts in its global trading patterns, driven by the industry's consolidation of chemical producers and the closure of some of the existing major plants as cost pressure came to the fore. On the other hand, we have also seen a new round of investments in chemical production in the US due to the development of shale gas resources within the country, and the Middle East continued to build up capacity on the back of its cheap access to gas resources. These moving points of production and export of chemical products will change the chemicals trade pattern as we know it today in the coming years.

Meanwhile, rising population and affluence in emerging countries and competing demand for vegetable oil in the market had continued to buoy the transportation of vegetable oil globally.

Increasingly, the impending sanction on Iran has increased the risk of a possible blockade of the major petrochemical trade route through the Straits of Hormuz, further threatening the fragile chemical shipping trade and possibly raising the cost of bunker in the short-term. A sizeable amount of chemical exports originates from Iran and the sanction will further put a dent on the recovery of the industry.

From a shipping perspective, a lack of fresh newbuilding orders, cancellation of new orders and rising scrapping activity had helped to repair some of the imbalances between vessel demand and supply. There were a total of 2.5 million dwt of new vessels delivered in 2011 compared to 3.6 million dwt in 2010, leading to a further decline in the outstanding newbuilding orderbook to 3.0 million dwt or 8% of the present chemical fleet trading in the chemical and vegetable oil trades. This is the smallest newbuilding orderbook since 2004. Freight restoration was further aided by heavy scrapping activity of 1.3 million dwt in 2011.

Despite the positive development in the supply of vessels, freight rate improvements have lagged behind rising bunker cost, resulting in the erosion of margins for operators. This continued tough operating environment that chemical vessel owners are operating in has led to the collapse of some of the weaker owners. We expect to see further consolidation in the market with depressed asset value and negative operating margins forcing the scrapping of older vessels.

Under these tough operating conditions, we will continue to strive for operational excellence by optimising our fleet utilisation and costs. During the year, we took delivery of one new owned vessel, the 45,000 dwt Marineline coated Bunga Begonia and two in-chartered 19,000 dwt stainless steel vessels – Bunga Lilac and Bunga Lily. We have also disposed three of our pressurised LPG vessels and one dry bulk vessel during the year as we moved to further streamline the chemical tanker fleet. The last two of our new in-charter vessels, Bunga Lotus and Bunga Lucerne will be delivered in 2012.

President/CEO's Report

Business Segment Review

Container Shipping

Global container trade continued to grow on the back of the expanding economy in 2011, albeit at a slower pace of 6.5% after the spectacular rebound of 14.5% in 2010. However, the growth in box movement worldwide does not reflect the true picture in the container shipping space as freight rates fell more than 50% on key headhaul routes by the end of 2011 while the optimism of 2010 faded away.

Vessel overcapacity, poor headhaul growth on the major east-west routes and the continued fight for market share among the largest carriers further eroded the already poor pricing power of liner operators today. For the year 2011, liner operators were once again saddled with huge losses with the entire container industry expected to post a loss of USD5.2 billion, a sharp deterioration against the gains of USD20.0 billion in 2010.

Container shipping capacity expanded around 7.9% in 2011 whilst outstanding vessel orderbook ballooned to 4.3 million twenty foot equivalent (TEU) of capacity or nearly 30% of industry capacity. Larger operators shifted to ordering larger vessels such as the Triple-E design that is capable of carrying up to 18,000 TEUs in the never ending chase to gain economies of scale and greater cost efficiency. As an indication of this drastic shift in the industry landscape, MISC's carrying capacity which ranked as high as 18th in the container shipping world fell sharply to just 28th by the end of 2011. We are also beginning to witness the polarisation within the industry as the gap between the largest players and the rest widened. The top three carriers today, command a total of 37% of global capacity as compared to 24% in 2000. This ongoing polarisation will result in a two extreme group of operators – the super large majors and the small niche players. The mid-sized operators face a real threat of extinction.

These drastic shifts in the industry landscape are challenging the validity of today's operating models amid a high operating cost environment with the prevailing high bunker prices as well as rapid changes in global trade patterns. These radical changes in the industry, coupled with the cascading effects of excess capacity into other trade lanes have hampered our efforts to restructure our liner operations to refocus on the Intra-Asia trade.

Keeping up with the fast changing container shipping environment required considerable effort and resources from MISC. Sadly, such efforts may not necessarily yield the desired financial results that will commensurate with the resources invested. As MISC strives to allocate its resources judiciously to support growth in the appropriate parts of its diverse business portfolio, ploughing capital resources into a business segment such as container shipping that does not offer any certainty in return or market leadership benefits posed too high an opportunity cost for us as Group. The decision to exit was unavoidable given the poor long term prospects.

The Company's decision to exit from the container shipping business was also hastened by the total financial loss of RM2.66 billion that we suffered over the past 3 financial years that had impacted the overall financial performance of MISC. We had to arrest the financial deterioration.

The exit process includes the withdrawal from various trade alliances and termination of related service and operational contracts. In addition, the process also entail the disposal of liner related assets which are no longer required as we cease to operate. Overall, we expect to complete the exit process by end of June 2012.

For the year under review, the liner business took a one-off provision of RM1.45 billion, mainly in relation to vessel impairments, future losses from long-term in-charters and container leases.

President/CEO's Report

Business Segment Review

Integrated Logistics Business

Moving into the second year of our business rationalisation exercise at our integrated logistics arm, MISC Integrated Logistics Sdn. Bhd. (MILS), we have further consolidated our assets and businesses and realigned our core focuses within the business portfolio. We have streamlined our operations and further reduced the number of foreign joint ventures (JVs) and investment under MILS. This included the disposal of our foreign interest in Transware Distribution Services Pte. Ltd. (TDS) in Singapore and Keer – MISC Logistics Co. Ltd in Sudan, winding up RAIS-MILS JV in Dubai, as well as disposing our local partnership in MILS – SterilGamma Sdn. Bhd.

In addition, we have also ceased supplying conventional road tankers to PETRONAS Dagangan Bhd. (PDB) for the distribution of petroleum products to its retail stations. Instead we refocus our effort on the transportation of compressed natural gas for PETRONAS NGV (PNGV) which fetches a higher return. We are the sole provider of road tankers and distributor of compressed natural gas to PNGV with a fleet of 54 NGV road tankers which are equipped with the latest technology to efficiently transport compressed natural gas to PETRONAS stations nationwide.

Close collaboration with our customers has also allowed us to provide innovative solutions to handle more complex cargo safely and cost effectively. We have managed to grow the freight forwarding business further, in-line with the buoyant oil and gas industry by securing contracts worth RM70 million in the last financial year. During the year, we were involved in the freighting and land logistics of structural material and equipment to various projects such as the first regasification terminal in Melaka, Sabah Oil and Gas Terminal (SOGT) and the Kimanis Power Plant in Sabah.

At our Cold Hub (MILS Seafrigo), encouraging take up rates have been achieved with utilisation rate at 99% even after increasing our capacity by 1,470 pellet positions. We were able to successfully market our Cold Hub with our Premium Halal Certification and recent award of the ISO 22000:2005 Food Safety Management System (FSMS) from Lloyd's Register Quality Assurance, a first in Malaysia. Meanwhile, the Dry Hub (Pulau Indah) which spans an area of 23,000 square meters continues to be a preferred storage within the Free Commercial Zone providing regional distribution reach to our multinational customers.

Our relentless pursuit of excellence has been recognised and MILS was awarded the Frost & Sullivan Domestic Logistics Service Provider of the Year (Malaysia) 2011. The validation provides further encouragement to our employees at MILS to deliver more responsive and effective solutions tailored to our customer needs.

The logistics industry in Malaysia is expected to grow in tandem with the healthy GDP growth in the economy as well as the various initiatives implemented under the Economic Transformation Programme. Notwithstanding the growth rate in the industry, MILS is undergoing a revamp of its business focus, and the consolidation will mean a more efficient and cost effective delivery of services to customers.

President/CEO's Report
Business Segment Review

Offshore Business

Global oil demand forecast had seesawed between optimism of a swift resolution to the Eurozone debt crisis and the heightened risk of geopolitical tension across the globe as well as sliding economic growth momentum. However, crude oil prices have remained stubbornly high, paving the way for continuous investments in exploration and production activities. Indirectly, the volatile political climate in various OPEC countries had also hastened decisions by major economic power houses to diversify their sources of energy.

Accordingly, development of unconventional sources of energy has picked up pace and industry researcher Douglas Westwood forecasts that global capital spending on deepwater oil fields is expected to increase by as much as 89% from the current USD119 billion to USD225 billion by the year 2015. Clearly, Brazil remains the focus of deepwater production over the next five years. In the floating production systems (FPS) market, 17 projects were awarded during the last financial year, lifting the orderbook backlog to 57 at the end of 2011, nearing the peak of 2007.

With 349 FPS currently in operation around the world, it is estimated that there will be a requirement for another 210 FPS over the medium-term and 54 of these projects are currently in the bidding stage. Within the South East Asia region, there will be 42 projects under consideration and a large number of these projects fall within Malaysian waters.

During the year, our second Mobile Offshore Production Unit, MOPU Dua, successfully received first oil on 31 August 2011. It is currently moored in shallow water Dana Field, offshore Sarawak for our client PCPP Operating Company Sdn. Bhd. This brings our total assets in operation to 12, servicing oil fields offshore Malaysia, Vietnam and Brazil. In addition, we have also achieved further progress on the construction of Gumusut, the first deepwater semi-submersible FPS in Asian waters.

The latest project secured, the Floating Production, Storage and Offloading (FPSO) Cendor will replace the operation of our Floating Storage and Offloading (FSO) Cendor, also operating in the same oil field – Cendor field in Block PM304 offshore Terengganu, by 2013. The repair, life extension and conversion works of the Aframax MT Onozo is currently progressing steadily at our subsidiary Malaysia Marine and Heavy Engineering Holdings Berhad (MHB)'s yard in Pasir Gudang, Johor, Malaysia.

Upon completion of the projects at hand, MISC will have a total of 13 assets in operation by the end of 2013.

Despite the consolidation that has taken place in the global FPS market, the strong alliances that we have built with partners such as SBM Inc and through the joint ventures between our subsidiary MHB and Technip S.A. for hull engineering and design, we should be in a position to enhance our capability over the longer term. This will enable us to compete confidently in an increasingly competitive market.

President/CEO's Report
Business Segment Review

Marine & Heavy Engineering Business

Exploration and production (E&P) activities have continued to flourish with the high oil prices, and spending in the sector is expected to grow further by 10% in 2012 to USD600 billion. On the domestic front, the picture looks equally attractive with PETRONAS pledging to spend up to RM300 billion over the next 5 years, focusing on domestic production, marginal field development, high CO_2 gas resource development, and Enhanced Oil Recovery (EOR).

Buoyed by demand for offshore production structures, our listed subsidiary Malaysia Marine and Heavy Engineering Holdings Berhad (MHB) has secured a combined RM2.9 billion in new order book in the last financial year. The largest project secured was the Tapis EOR topside project from ExxonMobil, entailing the procurement, fabrication, testing and load-out, transportation, installation and commissioning of two topsides, one jacket and two inter-platform bridges. Both the Tapis-Q riser platform and Tapis-R integrated deck are estimated to weigh 2,300 and 18,000 metric tonnes respectively.

Another first for MHB is the award of the FSU Lekas conversion project, which is the EPCC contract for the repair, life extension and conversion of MISC's Tenaga Satu into a Floating Storage Unit. The vessel is designed to have an operational lifespan of 20 years without dry-docking, and will be moored at Malaysia's very first Regasification Terminal at Sungai Udang, Melaka upon completion.

The other notable projects were the Telok Gas Development, second award by ExxonMobil in the year, conversion of FPSO Cendor and our 17th turret project, the OSX-3 FPSO external turret for Sofec Inc. During the year, MHB had completed and successfully delivered the Onshore Gas Terminal (OGT) for PETRONAS Carigali Turkmenistan. The OGT has two process trains with a combined production capacity of up to 500 million standard cubic feet per day.

Under the Yard Optimisation (YO) programme for MHB's Pasir Gudang yard, further progress was made with the upgrading of the 25,000 MT skid track, bulkhead and quay wall to facilitate the construction of more complex and bigger structures at the yard. RM732 million has been spent so far to upgrade the infrastructure of the yard to increase productivity and enhance workflow efficiency, which will lead to shorter project turnaround time.

During the year, MHB had entered into a definitive sale and purchase agreement for the Sime Darby Engineering Sdn. Bhd.'s yard, also in Pasir Gudang. Integration of the new yard into MHB's will see an increase of 31% or 116 acre to MHB's total yard size and increase the current annual output capacity to 130,000 MT. The expanded capacity will allow MHB to bid for more projects. Combined with the recently formed joint venture with our strategic shareholder Technip S.A., Technip-MHB Hull Engineering Sdn. Bhd. (TMH), we would to be able to capitalise on the growth prospects in offshore E&P activity in the coming years.

MHB was able to report higher revenue in the marine repair and conversion (MRC) division in the past financial period mainly due to the FPSO Cendor and FSU Lekas conversion projects. Apart from that, the higher segment revenue was also generated through the higher number of LNG vessel repairs, penetration into higher value rig repair and specialised mobile sea platforms repairs. Third party non-MISC owned vessels now account for more than half of our marine repair projects.

Riding on the similar dynamics in the oil and gas industry that our Offshore business operate in, we are excited by the opportunities that are being presented to MHB in the coming years and we expect MHB to remain occupied with the rising upstream E&P activity on both the domestic and international front.

President/CEO's Report

Business Segment Review

Tank Terminal

Steadily, our investment in the tank terminal space has begun to bear fruit as we added new capacity and recorded higher profits. Careful planning of greenfield developments and expansion of existing facilities will see the Group's total tank terminal capacity increasing from the current 7.8 million cbm to more than 10 million cbm by 2013. Indeed, the tank terminal division will form another dependable source of fixed and recurring income base to the Group.

Through our first joint venture (JV), Centralised Terminals Sdn. Bhd. (CTSB), our terminal capacity in Tanjung Langsat, Johor has expanded by 76,000 cbm of storage with the completion of Langsat Terminal (One) Phase 3 in August 2011. This brought the total capacity of the project to 476,000 cbm. In addition, development of 171,000 cbm capacity under Langsat Terminal (Two) achieved Mechanical Completion on 20 December 2011 with savings on the budgeted capital expenditure.

Future expansion plans for the JV includes the development of 380,000 cbm oil storage capacity under the Shareholder's Agreement that was signed on 6 October 2011 between CTSB and China Aviation Oil (CAO), which will be named Langsat Terminal (Three). Accessibility to the facility has also been enhanced with completion of the road tanker facilities at Langsat Terminal (One). The Tanjung Langsat terminals are well positioned to benefit from the development of the south eastern tip of Johor as an integrated oil and gas hub under the Economic Transformation Programme. We expect capacity to top 1 million cbm by the end of 2013.

VTTI, our largest investment in the tank terminal space, made several major announcements during the year with regard to its planned expansions. Firstly, Shtandart TT B.V, a joint venture set up between VTTI (25%) and Summa Group (75%) announced that it will build and operate a new crude and products oil terminal i.e Tank Terminal Europoort West (TEW) in the Port of Rotterdam in an area covering 55 hectares. The JV will build approximately 3 million cbm of crude storage facilities with a total investment worth USD 1 billion. Commencement of the construction work is expected in 2013 and operational start-up is planned for 2015.

Separately VTTI, through its 50% owned Vitol Investment Holdings (VIH) announced the acquisition of a 50% stake in Petro Lux S.à.r.l. (Petrolux) which owns 95% majority interest in PetrotankNeutraleTanklager GmbH (Petrotank). Petrotank is an independent terminal company which owns and operates 23 inland refined product terminals throughout Germany, with total storage capacity of approximately 1 million cbm. This allows VTTI an expanded geographical reach into a new market, as well as extending its downstream reach.

Closer to home, VTTI's ATB Tanjung Bin tank terminal with 841,000 cbm of capacity will be completed in the early part of 2012 and plans for capacity expansion under the second phase is on the drawing board. There are also further expansion plans for Euro Tank Terminal (ETT) in Rotterdam and in VTTI Kenya, besides developing a green field project in Vasiliko in Cyprus. By 2015, VTTI total operating capacity is expected to increase from the present 7.2 million cbm to 9.2 million cbm.

Continuous efforts to identify greenfield opportunities and expansion of existing facilities puts the tank terminal division in a prime position to benefit from the growing demand for global tank terminals.

President/CEO's Report

Business Segment Review

Fleet Management Services

In today's shipping market, customers are dictating freight rates while demanding the newest and the most fuel efficient vessels possible. Our best defence lies in our service delivery through a flawless execution of our technical management plans for our fleet while maintaining a high level of health and safety standards.

I am pleased to report that our efforts and investments made during the past years, have been rewarded as MISC Group obtained a higher vetting approval rating during the year by key customers. This serves as an important recognition and validation of the technical management philosophies and practices that we have inculcated in the past years. The improved approval ratings will grant us access to an even greater variety of businesses with our customers, including participation in long term charter arrangements.

Fuel efficiency has been one of our mainstay initiatives since last year, with the aim of optimising bunker consumption, reducing greenhouse gas emission and managing our carbon footprint responsibly. Some of the initiatives that we have been implemented include the application of Low Friction Anti-fouling Paint (LFAP) on our vessels, the fitting of Propeller Boss Cap Fins (PBCF) and the employment of trim optimisation design and emission reduction system through abatement technology. Through these initiatives, we were able to reduce our bunker consumption by 28,000 MT while cutting 86,000 MT of carbon emission during the last financial year.

As part of our commitment to be a leading green shipping company, we have taken a proactive stance to meet International Maritime Organization (IMO) standards of "Energy Efficient Ships". Shipowners Trust International Corporation (STIC) recognised our efforts and MISC was awarded the 'Green Certification Award' by the Green Award Foundation for our display of high safety and environmental standards. A Green Award was also extended to our LNG vessel, Seri Balhaf, which is the second LNG vessel in the world to-date to be Green Award certified.

Having the best practices and right Health, Safety and Environment (HSE) mindset across the Group has always been paramount to the smooth operation of our fleet. To this end, we continually engage our sea and shore staff in dialogues to enhance the processes in place to further strengthen our commitment.

In the past year, Lost Time Incident Frequency (LTIF) and Total Reported Case Frequency (TRCF) have shown further improvement of 12.5% and 10.9% respectively. We place great importance in the safety of our crew

and the cargo that we carry and the success of our first naval auxiliary vessel has encouraged us to launch our second naval escort vessel. Both Bunga Emas Lima and Bunga Emas Enam, with the support of the Malaysian Government and Malaysia Armed Forces, provided security coverage for MISC ships plying the Gulf of Aden and its adjacent areas.

Ironically, during these difficult times, more stringent new regulations and conventions have been introduced adding further to the already high operational costs. However, the long-term impacts are a more conducive working environment for our crew and a more environmentally friendly fleet. Currently MISC is in the midst of implementing the ILO's Maritime Labour Convention (MLC), 2006 which provides comprehensive rights and protection at work for seafarers and compliance with the requirements of "Hours of Rest" for crew. The fleet is also proactively being reviewed on the regulation of ballast water treatment under the International Convention for the Control and Management of Ships' Ballast Water and Sediments (the BWM Convention) that will come into effect in 2013. We believe that early adoption of more stringent conventions will only raise our operational standards and allow us to better serve our customers.

President/CEO's Report
Business Segment Review

Maritime Education and Training (MET)

Malaysian Maritime Academy (ALAM) has long been recognised as the leading Maritime Education Training (MET) facility in the region, consistently placed among the top 10% of the world's MET institutions rated by Det Norske Veritas (DNV). Diversity in its enrolment has been one of its distinguishing strengths, providing students the opportunity to interact with an international faculty and students from all over the world. This year, ALAM has received an enrolment of 371 cadets for its diploma programmes of which 207 students enrolled for the Diploma in Nautical Studies and another 164 signed up for the Diploma in Marine Engineering. Around 30% of its current cadet population comes from abroad and approximately 10% are female cadets. ALAM provides an exciting and enriching learning experience whilst transforming young school leavers into future maritime leaders.

To support the country's vision of becoming a maritime nation, ALAM has trained more than 10,000 seafarers since its inception. To meet the demands of the local and global shipping fraternity, ALAM had collaborated with local agencies namely MARA and FELDA to train sponsored Malaysians in this highly sought after field.

Increasingly, ALAM no longer serve as just a training ground for MISC crew. It has now also become the official training provider for the PETRONAS Group, joining the ranks of PERMATA and INSTEP as a centre for staff development. Leveraging on its status as a licensed contractor for PETRONAS and Offshore Petroleum Industry Training Organization (OPITO), ALAM had developed 29 new courses, of which mostly are OPITO approved courses for the offshore industry. These newly established courses have seen interest and patronage from the various oil and gas players.

The growing presence of ALAM in the maritime industry transcends beyond its academic achievements. ALAM is also renowned as a centre of excellence for research and development work. Last year, ALAM was commissioned to conduct simulation studies for various new ports and carry out Traffic Risk Assessment studies for Map Ta Phut port in Thailand, North Port, LEKAS II and VITOL Singapore. It has also been appointed by North Port as their marine pilot training centre. ALAM will also carry out a Simulation Study for PETRONAS Floating LNG (PFLNG) in assessing the marine risks involved for LNG carriers to come alongside the PFLNG for Ship-To-Ship (STS) operations.

ALAM is the only MET institution in Malaysia that offers the full range of maritime shipping related training to seafarers with more than 135 courses on offer. Implementation of the unique Training Quality Control Framework will allow graduates to be better prepared for the work challenges in the maritime industry. ALAM has been certified as a Tanker Officer Training Standards (TOTS) compliant Academy and it is now ready to deliver The Standards of Training, Certification & Watchkeeping (STCW) Manila Amendments 2010 courses.

As the maritime industry as well as the offshore oil and gas industry become more sophisticated and increasingly more stringent with their requirements, maintaining a sufficient pool of qualified and experienced seafarers will be a priority for all market participants. In view of these high expectations for excellence in future seafarers, ALAM will continue to be innovative in its training products, placing stronger emphasis on being relevant to the evolving and challenging industry.

President/CEO's Report
Business Segment Review

Human Resource Management

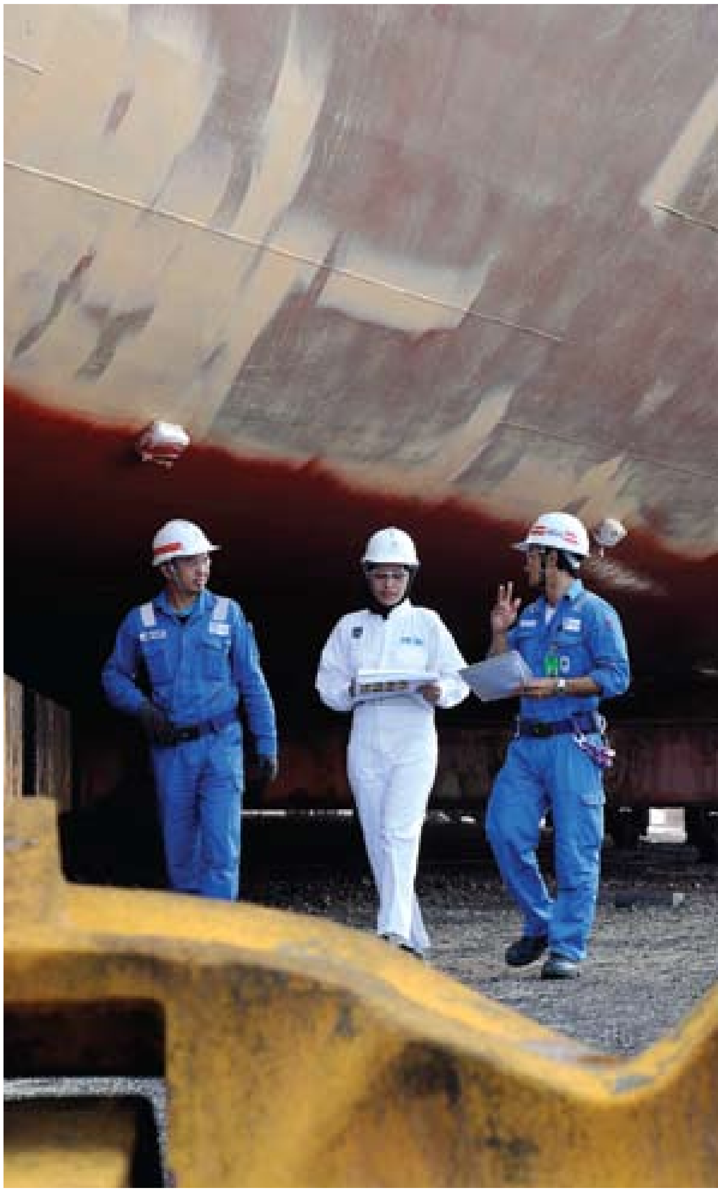
Operating under the very challenging environment today puts greater demands upon our employees to deliver greater efficiency and quality of services to our customers. Furthermore, a tight supply of talent in the expanding shipping industry and the past cut backs in development within the oil and gas industry, has raised the need for employer ingenuity to retain and attract talents.

During the past year, under our Employment Value Proposition project, MISC implemented a Differentiated Remuneration Scheme and embarked on an employee benefits review, as part of its talent retention strategy.

The MISC Group also participated in the PETRONAS Organisation Culture Survey (POCS) to ascertain the current state of organisation culture and to aid the management in rejuvenating and strengthening the positive mindset and motivation level of its work force. This is part of a longer term goal to institute a high performance culture within the Group.

A key focus area of Management in the short term is to ensure that succession planning is in place for business continuity and sustainability. Leadership Competency Profiling and Functional Competency Profiling are some of the initiatives in progress to enhance employees' competencies and capabilities.

We remain committed to human resource development as we firmly believe that the people element is the most critical ingredient of a service based company like MISC. The success and sustainability of MISC is highly dependent on having a resilient and adaptable workforce.



President/CEO's Report
Future Outlook

The lack of clear signs in global economic recovery and heightened geo-political risks do not bode well for the shipping sector. In the absence of strong and sustainable economic growth momentum driving vessel demand growth, there is little hope that the present excess capacity can be absorbed sufficiently for strength to return to the freight market. On the other hand, the continued delivery of vessels ordered in years past will further exacerbate the problem.

MISC has to brace itself for another difficult financial year ahead and the pitfalls continue to be many especially those driven by geopolitical tensions. For example, any repercussions from the sanction on Iran will likely be negative to the shipping industry from a demand perspective as well as from a cost perspective, where bunker price is expected to spike up. As a Group, we are prepared for another challenging year ahead, similar to 2011. Through anticipation and preparedness, we believe we will be in better position to make the right decisions and apply the appropriate strategies and initiatives.

Specifically for the coming year 2012, we will focus on a few areas. Firstly, we will ensure that the exit process from the container business is managed effectively and smoothly. We need to ensure that all loose ends are tied up. As there will be a number of affected employees in this exercise, we will need to manage the process well to ensure that we help them through this transition in their careers. There are also our customers, partners and service providers whom we will need to deal with professionally. In essence, we need to manage the process responsibly and we owe it to our shareholders and investors to do so.

The exit from the container business also marks the first in a series of strategic steps that MISC will be embarking on in the coming year to rebalance our portfolio with the aim of introducing greater resilience to our income mix as well as to reposition ourselves for growth when the shipping cycle turns in our favour.

We will also pay greater attention to how we manage our cost. Rather than just a short term initiative to cut cost during the year, we will embark on a Group wide cost optimisation plan that is designed to improve all aspects of our resource management activities to ensure that our resources are deployed effectively and efficiently, minimising wastage and duplication while yielding the best results. We envision that this initiative will cover a few reporting periods as we build on each area of improvement that we make.

Throughout all these internal activities, the growth agenda is not forgotten. We still see plenty of bright spots in our portfolio. With the high oil price environment, oil and gas exploration and development activities remain aplenty and this spell opportunities for our Offshore division as well as our fabrication yard through our listed subsidiary, Malaysia Marine and Heavy Engineering Holdings Berhad (MHB).

Specific growth attention will also be given to our LNG shipping business. Being the lynchpin of our portfolio of businesses with annuity-like income, we will channel a greater part of our immediate resource toward expanding this business segment via the pursuit of additional new LNG time charter businesses as well as embarking on a fleet renewal programme. We believe this is an opportune time given the buoyant outlook for LNG shipping in the coming 2 to 3 years. We believe this is a judicious approach in our capital allocation strategy especially when other shipping segments do not offer the same financial reward as LNG shipping.

While the shipping space and logistics chain for the oil and gas industry are often touted as asset-heavy sectors, MISC as a Group is ultimately a service based company. We earn our keeps through the provision of excellent and industry leading services to our diverse portfolio of customers. In order to keep up with the changing demands of our customers, our human capital is perhaps our greatest asset. Therefore, the need to continuously build on our institutional capabilities and capacities never recedes and all the more, during such trying business conditions as today, it will be our service level that will distinguish us from the rest. In pursuit of our capability building agenda in the coming years, we also take cognizant of the fact that it will be the corporate culture of the MISC Group that will galvanise our people and workforce towards collectively building a high performance organisation. To this end, we will also launch a corporate culture renewal programme that will drive our human resource strategic initiatives in the coming years.

On behalf of the management I would like to take this opportunity to welcome our new Chairman of the Group, Datuk Manharlal Ratilal. At the same time, we would like to record our utmost appreciation to our former Chairman, Dato' Shamsul Azhar Abbas for his invaluable guidance and leadership. I would also like to thank the Board of Directors for their wise counsel and guidance 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, I would like to thank you for your trust and support you have shown to MISC 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 this most challenging time. I look forward to your unwavering commitment and courage as we rise above the challenges in 2012 and chart a new course for MISC.

Datuk Nasarudin Md Idris
President/Chief Executive Officer

12 April 2012

Pushing **Competitive Boundaries**

We are focused on building institutional capabilities and operational excellence. Our aim is to push competitive boundaries in order to deliver on our promises and to ensure a lasting position in our customers' minds.

Business Highlights
1 April 2011 – 31 December 2011

April 2011

12/04/2011

Delivery of Bunga Begonia

MISC received the fourth and final vessel in its Bunga B series of 45,000 dwt chemical tankers, Bunga Begonia from SLS Shipyard in South Korea. The Bunga B series of vessels are currently MISC's largest product/chemical tankers and each vessel contains 22 cargo tanks including 2 slop tanks and is coated entirely with MarineLine 784 coating system which is suitable for IMO 2 cargoes.

13/04/2011

Delivery of Bunga Lilac

MISC celebrated the delivery of another chemical tanker in the Bunga L series, Bunga Lilac, at the Fukuoka Shipbuilding Co. Ltd. shipyard in Nagasaki. The vessel, the third in a series of six chemical tankers on construction at the Nagasaki shipyard, is owned by M.A. Costus S.A. and is on long term charter to MISC.

13/04/2011

MILS Named as Domestic Logistics Service Provider (LSP) of the Year

MISC Integrated Logistics Sdn. Bhd. (MILS) strengthened its position as a premier logistics service provider in the country when it was recognised by Frost & Sullivan as the Domestic Logistics Service Provider (LSP) of the Year at the 2011 Frost & Sullivan Malaysia Excellence Awards. According to Frost & Sullivan, the LSP Award aims to recognise the best performing domestic logistics service provider in Malaysia, a domestic grown business that has shown excellent growth within Malaysia.

April 2011 (Cont'd.)

19/04/2011

Delivery of Eagle Kinarut

AET took delivery of Eagle Kinarut, the sixth in a series of eight 107,481 dwt Aframax tankers being built at Tsuneishi's Tadotsu shipyard for AET. The delivery of this tanker is part of AET's aggressive expansion plan to meet the growing demands of the global oil and gas industry. Receiving the vessel on behalf of AET was Dr Wu Sheng Oi, Senior Manager, Group Technical Services (New Building), AET.

25/04/2011

MISC Signs COA Renewal with PBOM

Further strengthening MISC's business synergy with PETRONAS, MISC signed a Contract of Affreightment (COA) Renewal with PETRONAS Base Oil (M) Sdn. Bhd. (PBOM), which sees MISC's Melati Class vessels continue to ship base oil from PBOM's refinery in Sungai Udang, Melaka to Europe for another year.

May 2011

06/05/2011

Bunga Mas Lima "Op Fajar 8/2010" Appreciation Dinner

MISC hosted a special appreciation dinner to honour the Bunga Mas Lima "Op Fajar 8/2010" team, whose bravery and decisiveness prevented a hijacking incident onboard MT Bunga Laurel in January 2011. The dinner was also an opportunity to commemorate the close cooperation between MISC and the Royal Malaysian Navy (RMN).

Business Highlights

1 April 2011 – 31 December 2011

May 2011 (Cont'd.)

17/05/2011

Seri Anggun Commence Charter for NWS

MISC's LNG Carrier Seri Anggun commenced her maiden loading for North West Shelf Ventures, Australia (NWS) at Withnell Bay Terminal, signifying the start of a 4 year contract with International Gas Transportation Company Limited (IGTC). This is MISC's significant maiden entry into Australia's LNG market, the "Middle East of Gas" with Australia set to potentially supply 127.2 MTPA of LNG post 2015.

26/05/2011

MHB Receives the Best Investor Relations Award

Malaysia Marine and Heavy Engineering Holdings Berhad (MHB) received the Best Investor Relations Award for an IPO during the Malaysian Investor Relations Association (MIRA) Award Ceremony.

31/05/2011

MHB Awarded Cendor Contract

MHB through its subsidiary, Malaysia Marine and Heavy Engineering Sdn. Bhd. (MMHE), was awarded a contract by MISC for the repair, life extension and conversion (RLEC) of MT Onozo into a floating production, storage and offloading facility (FPSO) for Cendor phase 2 development.

June 2011

02/06/2011

AET Receives 2011 Devlin Safety Awards

AET received the 2011 Devlin Safety Awards for 33 ships and four workboats in its fleet at the annual safety awards reception held in New Orleans, Louisiana – an industry recognition of AET's commitment to safety. To be eligible for the safety award, a vessel must have at least two consecutive years without a Lost Time Injury.

03/06/2011

Delivery of Eagle Louisiana

The seventh in a series of eight 107,481 dwt Aframax tankers built by Tsuneishi Shipbuilding Co., Ltd for AET, Eagle Louisiana was safely delivered at Tsuneishi's state-of-the-art Tadotsu shipyard.

16/06/2011

MMHE Awarded FSU Lekas Project

Malaysia Marine and Heavy Engineering Sdn. Bhd. (MMHE) was awarded a conversion project for the repair, life extension and conversion of MISC's Tenaga Satu, a Liquefied Natural Gas (LNG) vessel, into a floating storage unit (FSU) facility, FSU Lekas. Upon completion, FSU Lekas will be moored at the PETRONAS Regasification Terminal in Sungai Udang, Melaka.

24/06/2011

AET to Supply Modular Capture Vessels for Marine Well Containment Company

AET signed a 20-year contract with the Marine Well Containment Company (MWCC) to supply two modular capture vessels (MCVs) for hydrocarbon capture services in the event of a deepwater well control incident in the US Gulf of Mexico. The MCVs will be converted from two newbuild aframax tankers constructed for AET at the Tsuneishi Tadotsu shipyard in Japan. AET will manage and implement all marine aspects of the tanker conversion work. In addition, AET will provide specialist dynamic positioning and response training to a number of its sea personnel.

Business Highlights
1 April 2011 – 31 December 2011

June 2011 (Cont'd.)

30/06/2011

ALAM Signs MoC with FELDA

Malaysian Maritime Academy Sdn. Bhd. (ALAM) signed a Memorandum of Cooperation (MoC) with Federal Land Development Authority (FELDA) to promote the collaboration of common interests in maritime education. This includes collaboration in training of young school leavers from FELDA's new generation to be trained under ALAM's sponsorship programme for cadetship and able seafarers.

July 2011

06/07/2011

MHB Enters into JV Agreement with Technip for Hull Engineering

Malaysia Marine and Heavy Engineering Holdings Berhad (MHB) entered into a Joint Venture Agreement with Technip Geoproduction (M) Sdn. Bhd. (TPGM) to establish a jointly controlled entity, to be known as Technip MHB Hull Engineering Sdn. Bhd. (TMH). The company will perform hull engineering services on floating structures for the oil and gas industry.

11/07/2011

MISC Opens New Chennai Office

In a move to expand our presence in India, MISC opened a new office in Chennai. The Chennai office is set to strengthen MISC's growing presence in India's shipping industry. The new Chennai office will serve as a manning office for sea staff recruitment as the Group seeks to tap into the strong talent pool available in the country.

July 2011

24/07/2011

Tenaga Satu Undergoes Conversion to FSU

Malaysia Marine and Heavy Engineering Sdn. Bhd. (MMHE) began conversion work on Tenaga Satu at the MMHE Pasir Gudang Yard, Malaysia. Tenaga Satu will be converted into a Floating Storage Unit (FSU) Lekas for the PETRONAS LNG Regasification Plant in Melaka with capacity of 3.8 MTPA.

26/07/2011

Delivery of Bunga Lily

Bunga Lily, another chemical tanker in the MISC's in-chartered Bunga L series, was safely delivered at the Fukuoka Shipbuilding Co. Ltd, Nagasaki Shipyard. Owned by M. Costus S.A., the vessel is fourth in a series of six chemical tankers to be built for the project at Fukuoka Shipyard. The vessel was named by Mr. Kazuo Shibayama, President & Director of M. Costus S.A.

August 2011

01/08/2011

Tenaga Empat Undergoes Conversion to FSU

MISC's LNG Carrier, Tenaga Empat, undergoes conversion into an FSU at Keppel Shipyard Limited, Singapore. When completed, the FSU will have a storage capacity of 130,000 m^3 for the PETRONAS LNG Regasification Plant in Melaka.

01/08/2011

MISC Welcomes New Chairman

MISC welcomed Datuk Manharlal Ratilal, who succeeds Dato' Shamsul Azhar bin Abbas as the new Chairman and Non-Independent Non-Executive Director of MISC Berhad. He is the Executive Vice President, Finance of PETRONAS and a member of PETRONAS' Board of Directors as well as its Executive Committee and Management Committee.

Business Highlights

1 April 2011 – 31 December 2011

August 2011

08/08/2011

Operationalisation of Bunga Mas Enam into Second Navy Auxiliary Vessel

In collaboration with the Royal Malaysian Navy (RMN) and the National Security Council (NSC), MISC launched Bunga Mas Enam as a RMN Auxiliary Vessel. Bunga Mas Enam, a 699 TEU containership, is the second Malaysian registered merchant ship to be modified as an Auxiliary Vessel for RMN to escort and protect MISC's vessels plying the Gulf of Aden and its surrounding waters. The modification work for Bunga Mas Enam was carried out by Malaysia Marine and Heavy Engineering Sdn. Bhd. (MMHE), at their shipyard in Pasir Gudang, Johor.

09/08/2011

MISC and MHB Plays Its Part in Assisting the Less Fortunate in Johor

MISC and Malaysia Marine and Heavy Engineering Holdings Berhad (MHB) launched 'Program Sentuhan Harapan PETRONAS' in Johor, which saw the two companies sponsor 200 underprivileged families in the areas of Kukup and Pasir Gudang in Johor. The programme is a community outreach initiative by PETRONAS in collaboration with MyKasih Foundation, a non-profit organisation which pioneered a unique welfare distribution system using MyKad. Under the two-year programme, MISC and MHB will contribute a total of RM500,000 towards improving the lives of the 200 families.

10/08/2011

MILS Divests its 50% Shares in Transware Distribution Services Pte. Ltd.

MISC Integrated Logistics Sdn. Bhd. (MILS) completed the disposal of all of its shares in Transware Distribution Services Pte. Ltd. (TDS), representing 50% of the issued share capital of the company. The shares were transferred to Keppel Logistics Pte. Ltd. (Keppel Logistics) for a total sale consideration of S$17.85 million. The move is part of MILS' strategy to realign its business portfolio and involvement in joint venture companies, and towards enhancing MILS' focus on its core business and capabilities.

August 2011 (Cont'd.)

25/08/2011

MHB Announces Acquisition of Sime Darby Engineering Sdn. Bhd.

Malaysia Marine and Heavy Engineering Holdings Berhad (MHB) announced that Malaysia Marine and Heavy Engineering Sdn. Bhd. (MMHE) had entered into a definitive sale and purchase agreement for the proposed acquisition of Sime Darby Engineering Sdn. Bhd. yard in Pasir Gudang.

September 2011

03/09/2011

AET Takes Delivery of Eagle Texas

Eagle Texas, the final vessel in a series of eight 107,481 dwt Aframax tankers being built by Tsuneishi's Tadotsu shipyard for AET was safely delivered. Eagle Texas and its sister vessel Eagle Louisiana have been identified for conversion into modular capture vessels to honour the contract signed with Marine Well Containment Company (MWCC).

21/09/2011

MHB's Inaugural AGM

MHB held its inaugural Annual General Meeting (AGM) following its listing on the Main Market of Bursa Malaysia in 2010.

21/09/2011

ALAM Signs MoU with Jefri Bolkiah College of Engineering, Brunei

Malaysian Maritime Academy Sdn. Bhd. (ALAM) and Jefri Bolkiah College of Engineering (JBC), Brunei entered into a Memorandum of Understanding (MoU), to foster new collaboration between the two learning institutions. This collaboration will include staff exchange programmes, student exchange programmes, exchange and joint development of training programmes as well as exchange of information and knowledge between the two institutions. JBC is the premier engineering training institution in Brunei and the college trains personnel from Brunei Gas Carriers, Shell Brunei and PETROLEUM Brunei.

Business Highlights

1 April 2011 – 31 December 2011

October 2011

04/10/2011

MISC Group Contractors HSE Forum 2011

To foster closer partnerships and understanding with its contractors, MISC organised the MISC Group Contractors HSE Forum 2011, with the theme, Visible and Felt HSE Leadership. The forum allowed MISC to positively engage with its Contractors while proactively communicating MISC's HSE requirements and expectations. The focus of the forum was on the need for a "visible and felt HSE leadership" to improve the Group's HSE performance. More than 100 senior management members of contractors, who are involved in medium and high HSE risk activities, attended the forum.

06/10/2011

MISC and Dialog in Joint Venture with Asia Pacific's Largest Physical Jet Fuel Trader

Centralised Terminals Sdn. Bhd. (CTSB), a joint venture company between MISC and partner Dialog Group Berhad, signed a Shareholders' Agreement with China Aviation Oil (Singapore) Corporation Ltd (CAO), the largest physical jet fuel trader in the Asia Pacific region. The Shareholders' Agreement is for the establishment of a joint venture company in Malaysia known as Langsat Terminal (Three) Sdn. Bhd., to undertake the design, development, operation, management and maintenance of a 380,000 cbm petroleum products storage tank terminal facility within the vicinity of Tanjung Langsat Port, Johor. With the signing, CTSB will own a 74% equity stake in Langsat Terminal Three while CAO will own the remaining 26% equity stake. CAO will also enter into a Terminal Usage Agreement with Langsat Terminal Three for the lease of all the capacity of the tankages and related facilities at the Langsat Terminal Three for an initial term of 7 years.

October 2011 (Cont'd.)

06/10/2011

AET Takes Delivery of the World's First Purpose-built Lightering Support Vessel

AET took delivery of the world's first purpose-built lightering support vessel (LSV) at a naming ceremony in Galveston. The vessel, named AET Innovator, is designed and built to streamline ship-to-ship transfers in the US Gulf and is the first of four sister crafts to be built and delivered into the AET Offshore fleet.

18/10/2011

MMHE Awarded Telok Project By ExxonMobil Exploration and Production Malaysia Inc

Malaysia Marine and Heavy Engineering Sdn. Bhd. (MMHE) was awarded a contract for the Telok Gas Development Project by ExxonMobil Exploration and Production Malaysia Inc (EMEPMI). MMHE's scope of work includes the procurement, fabrication, onshore testing, load-out and offshore hook-up and commissioning of two topsides and the corresponding two jackets to support the platforms. The Telok Gas Development Project will provide additional gas supplies for the country's power and industrial needs and at the same time, promote the overall growth of the natural gas sector. It is identified as one of the Entry Point Projects under the Economic Transformation Programme.

25/10/2011

MILS-Seafrigo is ISO 22000-Certified

MILS-Seafrigo Sdn. Bhd. received international accreditation of ISO 22000:2005 Food Safety Management System (FSMS) from Lloyd's Register Quality Assurance, making it the first cold chain logistics company in Malaysia to be certified with the standard. The certification is also a manifest of MILS' commitment towards ensuring that there is no break in the cold chain by maintaining the products' temperature within requirements and ensuring the safe handling of clients' products.

Business Highlights
1 April 2011 – 31 December 2011

November 2011 (Cont'd.)

03/11/2011

MMHE Wins Tapis EOR Contract from EMEPMI

Malaysia Marine and Heavy Engineering Sdn. Bhd. (MMHE) signed another contract with ExxonMobil Exploration and Production Malaysia Inc for the Tapis Enhanced Oil Recovery (EOR) project. The contract is for the construction and installation of the main structure for the Tapis R topside, which is the main structure of the TAPIS EOR project.

03/11/2011

MISC Receives Green Award Certification

MISC was honoured with the 'Green Award' Certification by Green Award Foundation at the 2011 Seatrade Tanker Industry Conference for the company's commitment and dedication in displaying high Safety and Environmental standards. A Green Award was also extended to MISC's LNG vessel, Seri Balhaf, which is the second LNG vessel in the world to-date to be Green Award certified. These awards serves as an acknowledgement for the successful initiatives implemented by MISC to demonstrate the Company's commitment to go beyond international regulations for the protection of the environment.

18/11/2011

MISC Bags Two Awards at Prestigious PIKOM Leadership Awards

MISC won two awards at the prestigious PIKOM Leadership awards, i.e. the CIO Excellence Award and ICT Organisation of the Year award. The PIKOM Leadership Awards honours individuals and organisations that demonstrate ICT best practices in their industry and the innovative business strategies required to advance in the global marketplace.

Business Highlights
1 April 2011 – 31 December 2011

November 2011 (Cont'd.)

24/11/2011

MISC Announces Exit from the Liner Business

MISC announced its decision to exit the liner business. This move will allow MISC to allocate more resources towards growing its energy based business segments.

December 2011

05/12/2011

AET Awards Modular Capture Vessel Conversion Contract to Drydocks World Dubai

AET awarded a contract to Drydocks World Dubai LLC to convert two of its newest tankers into Modular Capture Vessels (MCV). The MCVs will be utilised for AET's recent 20-year contract with the Marine Well Containment Company (MWCC), where AET will supply two modular capture vessels for hydrocarbon capture services in the event of a deepwater well control incident in the US Gulf of Mexico. Eagle Texas and Eagle Louisiana, both 107,500 dwt Aframax tankers delivered this year from Tsuneishi Shipbuilding, will undergo extensive conversion and modification at Drydocks World Dubai, allowing them to perform duties for MWCC in the US Gulf of Mexico. The first vessel entered the yard in December and both conversions will be completed end 2012.

Investor Relations Report

MISC is committed to adopting the best practices in corporate governance and has ensured timely and effective dissemination of material information to stakeholders.

The Investor Relations ('IR') team continuously reviews and enhances its programmes and initiatives to ensure a consistent, transparent and relevant flow of information of the Group's activities and business intentions to its existing and potential investors to support them in their respective decision making processes.

During the year, MISC continued to engage in regular communications with the investing community and shareholders via meetings and dialogues with institutional investors and analysts. In addition to that, the Group also conducted its quarterly results and performance update, where the management shared its forward plans, strategies and outlook of the company with the investing community.

As a first and as indicated in previous year's report, MISC successfully migrated to the use of a teleconferencing facility for its quarterly briefing in order to improve accessibility and to reach an even wider set of audience, especially foreign analysts and investors. As part of the revised format of engagement, presentation materials and conference call dial back facility were also made available.

The credit rating agencies – Moody's Investor's Services (Moody's), Standard & Poor's (S&P) and Malaysian Rating Corporation Bhd (MARC) were also given equal access to similar information, comprehensive annual reviews and updates on material announcement on MISC.

At MISC, we fully appreciate that a comprehensive IR program also calls for a much more inclusive and engaging communication with minority shareholders. Through our Annual General Meeting, 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. Representatives and heads of each department were also present to provide further clarity on the operations of MISC.

As an additional proactive step, the President/CEO of MISC also took the opportunity during the Annual General Meeting to provide a Group and industry overview to the audience in order to help minority shareholders to better appreciate the operating and business dynamics that the Group had to contend with during the past year and enable them to view and assess MISC's performance from an informed perspective.

In the year ahead, new initiatives and efforts will be taken to further improve our information dissemination channels. Besides a revamp of the Investor Relations Section of the corporate website of MISC, the management will also proactively engage institutional shareholders and investors through selected investors seminars and road shows during the year.

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

President/Chief Executive Officer

Vice President for Corporate Planning and Development

Vice President for Finance

Head of Investor Relations

MISC aims to continuously build and maintain a transparent communication to our shareholders and public. For any 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 2012

Analysis of Shareholdings

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100	575	7.57	7,340	0.00
100 - 1,000	1,784	23.49	1,259,413	0.03
1,001 - 10,000	3,765	49.57	14,988,356	0.33
10,001 - 100,000	1,110	14.62	33,701,970	0.76
100,001 to less than 5% of issued shares	358	4.71	897,640,006	20.11
5% and above of issued shares	3	0.04	3,516,196,018	78.77
Total	**7,595**	**100.00**	**4,463,793,103**	**100.00**

Directors' Shareholdings

Name of Directors	No. of Shares	
	Direct Interest	%
1 Datuk Manharlal Ratilal	–	–
2 Datuk Nasarudin bin Md Idris	–	–
3 Amir Hamzah Bin Azizan	1,000	0.00
4 Dato' Halipah binti Esa	–	–
5 Harry K. Menon	–	–
6 Dato' Kalsom binti Abd. Rahman	–	–
7 Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah	–	–
8 Mohd. Farid bin Mohd. Adnan	5,000	0.00

Substantial Shareholders

No.	Name of Substantial Shareholders		No. of Shares	%
1	Petroliam Nasional Berhad		2,797,459,800	62.67
	- Cartaban Nominees (Tempatan) Sdn. Bhd. Petroliam Nasional Berhad (Strategic INV)	2,797,459,800		
2	Employees Provident Fund Board		459,644,338	10.30
	- Employees Provident Fund Board	3,588,000		
	- Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (HDBS)	2,067,840		
	- 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 (MAYBAN INV)	877,100		
	- Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (NOMURA)	15,645,580		
	- Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (PHEIM)	1,203,880		
	- Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board	433,670,278		
3	Skim Amanah Saham Bumiputera		285,065,940	6.39
	- AmanahRaya Trustees Berhad Skim Amanah Saham Bumiputera	285,065,940		

Statistics on Shareholdings
as at 30 April 2012

30 Largest Shareholders

No.	Name of Shareholders	No. of Shares	%
1	CARTABAN NOMINEES (TEMPATAN) SDN. BHD. PETROLIAM NASIONAL BERHAD (STRATEGIC INV)	2,797,459,800	62.67
2	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EMPLOYEES PROVIDENT FUND BOARD	433,670,278	9.72
3	AMANAHRAYA TRUSTEES BERHAD SKIM AMANAH SAHAM BUMIPUTERA	285,065,940	6.39
4	LEMBAGA KEMAJUAN TANAH PERSEKUTUAN (FELDA)	93,838,250	2.10
5	STATE FINANCIAL SECRETARY SARAWAK	67,466,667	1.51
6	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	53,826,360	1.21
7	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM WAWASAN 2020	52,801,240	1.18
8	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	52,371,760	1.17
9	PENANG DEVELOPMENT CORPORATION	50,800,000	1.14
10	LEMBAGA TABUNG HAJI	44,161,640	0.99
11	VALUECAP SDN. BHD.	43,739,900	0.98
12	CARTABAN NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	27,681,268	0.62
13	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)	21,976,500	0.49
14	CITIGROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR MERRILL LYNCH PIERCE FENNER & SMITH INCORPORATED (FOREIGN)	21,012,102	0.47
15	HSBC NOMINEES (ASING) SDN. BHD. BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	20,746,590	0.46
16	KERAJAAN NEGERI PAHANG	20,596,320	0.46
17	CARTABAN NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR RBC DEXIA INVESTOR SERVICES TRUST (CLIENTS ACCOUNT)	20,055,539	0.45
18	AMANAHRAYA TRUSTEES BERHAD AS 1MALAYSIA	16,598,920	0.37
19	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EMPLOYEES PROVIDENT FUND BOARD (NOMURA)	15,645,580	0.35
20	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM DIDIK	14,373,340	0.32

30 Largest Shareholders (Cont'd.)

No.	Name of Shareholders	No. of Shares	%
21	HSBC NOMINEES (ASING) SDN. BHD. BNY BRUSSELS FOR WISDOMTREE EMERGING MARKETS EQUITY INCOME FUND	12,983,317	0.29
22	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.A.E.)	10,319,656	0.23
23	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.S.A.)	9,529,660	0.21
24	CARTABAN NOMINEES (ASING) SDN. BHD. GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION PTE LTD FOR GOVERNMENT OF SINGAPORE (C)	8,265,520	0.19
25	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR THE BANK OF NEW YORK MELLON (MELLON ACCT)	7,146,570	0.16
26	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC DIVIDEND FUND	6,453,660	0.14
27	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR EASTSPRING INVESTMENTS BERHAD	5,972,400	0.13
28	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (NORGES BK LEND)	4,615,500	0.10
29	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC EQUITY FUND	3,970,160	0.09
30	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPTIMAL GROWTH FUND	3,927,760	0.09
	Total	**4,227,072,197**	**94.70**

Optimising Cost and Enhancing Productivity

We prioritise the cultivation of effective and efficient cost management. Our aim is to improve all aspects of resource management activities, thereby minimising wastage and duplication while yielding the best results.


Task force
to facilitate
Managing Cost
Units to
relook
into cost
structure
Minimising
wastage
All must
play a role

Corporate Responsibility Report

As one of the world's leading maritime conglomerates, we are guided by values that help us spur our business forward. These values – Loyalty, Integrity, Professionalism and Cohesiveness, are our pillars of strength, guiding us as we continue to make our mark on the global map.

At MISC, we carry these values in our day-to-day operations, ensuring that we act responsibly and professionally in every aspect of our business – from ongoing sustainability initiatives; continuous improvement in the workplace; initiating programmes to reduce our environmental impact; right up to how we continuously play a positive role in the communities in which we operate.

During the year under review, MISC actively pursued Corporate Responsibility (CR) initiatives, defined under four major categories:

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 operate

Corporate Responsibility Report

Workplace

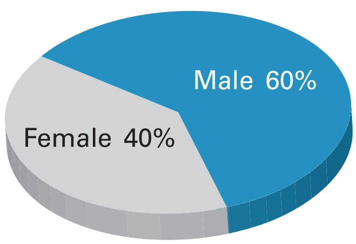
As a global maritime transportation and logistics services provider, the MISC Group is supported by a staff strength of 10,309 shore and sea employees that continue to propel this organisation forward. Our efforts through the year were focused on creating a progressive, forward thinking, sustainable workforce. From Human Capital Development to our year-on-year Workplace Health and Safety initiatives, we remain committed to establish a healthy and professional work culture within our organisation.

Diversity and Equality

With operations that span the globe, we aspire to acquire and keep the best talents around. Our people come from a diverse background, with skills and expertise second to none. Our 4,966 strong shore workforce comprises a range of nationalities that include Malaysians, Americans, Australians, British, Indians, Indonesians, Japanese, New Zealanders, Filipinos, Singaporeans and Thais amongst others.

We also pursue work equality and continue to hire based on skill sets that display optimum capability and overall performance. To date, MISC Group is made up of 21% female and 79% male, while MISC Berhad is made up of 40% female and 60% male employees. 20% of MISC Berhad's Senior Management consists of female employees.

MISC Berhad Staff Breakdown based on Gender as at 31 December 2011



Human Capital Development

Year-on-year, we continue to invest strongly in the development of our human capital. Our programmes are designed to help assist and enhance our people at different levels within the organisation. A high performing workforce is vital for weathering challenging market environments and meeting the increasing demands of our customers. As such, MISC has set in place human capital development initiatives which include various developmental programmes, job attachments and exposures to continuously enhance the competencies and capabilities of our staff.

During the year, MISC Berhad's provision fund of approximately USD3 million was budgeted for employee development programmes. More than 230 in-house and external programmes related to functional and leadership capabilities were carried out in the fiscal year, with an average of 22 training hours (equivalent to 2.7 man days) per employee.

MISC Berhad Human Capital Development for the Financial Period Ended 31 December 2011

No. of programmes	Average Training Hours (per staff)	Man Days (per staff)
230	22	2.7

Leadership Development was also strengthened with the rolling out of the **Leadership Competency Assessments** targeted for our Executive group. The results of the assessment enabled MISC to identify learning needs through the 70:20:10 (on-the-job training, coaching/mentoring, and classroom training) intervention plans. A total of 342 Executives have completed the assessment during the period in review, of which 201 have attended programmes designed to enhance their leadership abilities.

Following the development of the **Functional Competency Profiling** in the previous financial year, MISC is now in the midst of rolling out assessments for the Executive group based on the findings. The functional competency assessment will allow us to determine and profile our staff's current functional competency levels against the expected competency levels required for their respective positions. This will enable MISC to create development plans that will subsequently enhance operational efficiency, medium and long-term, whilst delivering our brand promise.

Organisational Culture Survey 2011

During the year under review, MISC took part in the Organisational Culture Survey 2011, organised by PETRONAS. The main aim of the survey was to measure the current level of work culture within the organisation. Spearheaded by our goal to be a Global Champion in Energy Transportation, Marine & Heavy Engineering and Logistics Services, the survey provided an opportunity for us to gauge the current state of the culture within.

A total of 3,534 shore staff from MISC and its subsidiaries (excluding AET) responded to the survey via online and manual surveys which were carried out between 12 to 29 September 2011. The results attained from the survey set in motion our plan to enhance our current culture. Dedicated focus groups will soon be formed within the organisation to design, develop and customise intervention plans which will enable us to improve our performance in the identified areas and subsequently lead towards becoming a **High Performance Culture** organisation.

Sea Staff Development

During the period under review, MISC also conducted programmes specifically designed for our workforce at sea.

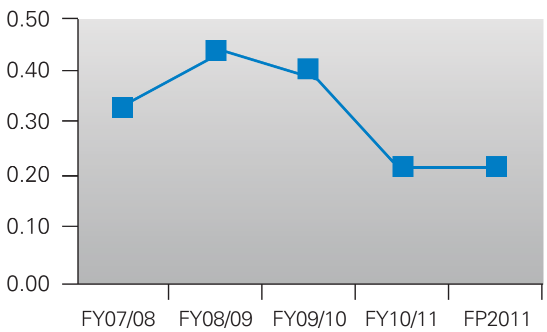
Senior Officers Focus Seminars

Organised by MISC's Fleet Management Service Unit (FMS), the Senior Officers Focus Seminars were established to enhance communication between MISC Shore and the shipboard management staff. During the forums, valuable information on new initiatives for sea staff development were shared, which included, Business Growth & Team Synergy, Operational Excellence and Team Engagement. The Senior Officers Focus Seminars also acted as a valuable knowledge sharing platform, where the sailing staff could meet and share with each other the lessons learnt on the job, with the ultimate aim of improving safety and environmental protection performances.

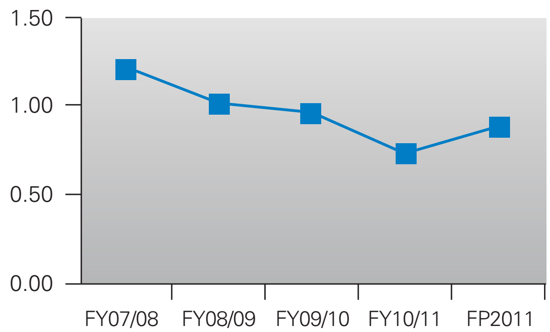
Workplace Safety

For the period in 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 maintained a Lost Time Injury Frequency (LTIF) of 0.22, while Total Recordable Case Frequency (TRCF) for the fiscal year indicated an increase of 21%.

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 organised and implemented several health and safety programmes in the period under review.

Corporate Responsibility Report

Health and Safety Initiatives

1. Launching of MISC Safety Rules

The MISC Safety Rules was launched to reinstate the critical nature of HSE practices in our day-to-day operations. The Safety Rules are MISC's first set of mandatory rules which will ensure that high-risk activities are carried out safely which in turn will help reduce the number of major accidents and fatalities. The MISC's Safety Rules are designed to protect and prevent harm to all staff as well as to our contractors by equipping them with sufficient awareness of the hazards around them and how best to handle emergencies.

2. MISC Group Contractors HSE Forum 2011

MISC's Corporate HSE (CHSE) unit, in collaboration with Fleet Management Services, Offshore Business, Chemical Business as well as subsidiaries MMHE, AET and MILS, organised the MISC Group Contractors HSE Forum attended by more than 100 senior management members of our contractors, mostly those who are directly involved in medium and high HSE risk activities, as well as numerous top and senior management of MISC. The MISC Group Contractors HSE Forum 2011 served as a platform to continuously foster partnership and understanding between MISC Group and the contractors. It also served as a communication platform to relay the need for a more visible and felt HSE leadership to help ensure an injury free workplace.

3. Health Awareness Programmes

During the period in review, MISC, via its CHSE unit conducted two Health Programmes relating to Heart Disease awareness, for MISC staff. The IJN Health Awareness Program 2011 was held on 13 October 2011, with the objective of instilling awareness of heart health aspects and hazards. The programme included a Basic Health Awareness Campaign with Cholesterol, Glucose, BMI, Blood Pressure screenings and a CPR demonstration as well as a Health Talk by IJN Cardiologist, Dr. Hafidz bin Abd Hadi.

In collaboration with the Malaysian Occupational Safety and Health Professional's Association (MOSHPA), CHSE organised a heart disease risk assessment programme on 7 December, 2011. It was jointly supported by the Malaysia Health Promotion Board (*My Sihat*), Pertubuhan Keselamatan Sosial (PERKESO) and the Department of Occupational Safety and Health (DOSH).

4. MISC ERT Teambuilding Programme 2011

As part of the Emergency Response Team (ERT) capability building initiatives, CHSE organised the MISC ERT Teambuilding Programme to enhance the capabilities of the MISC Floor Wardens. Held at the Earth Camp, Kampung Chulek in Gopeng, Perak from 15 – 17 December 2011, the programme integrated teambuilding activities with HSE-based trainings such as Basic Fire-Fighting and Practical CPR & First Aid Refresher.

Op Fajar - Maritime Security Collaboration between MISC and the Royal Malaysian Navy (RMN), supported by the National Security Council.

Following the hijacking of two MISC ships in 2008, MISC, in collaboration with the Royal Malaysian Navy (RMN) and the National Security Council initiated a naval operation code named Op Fajar, to protect MISC ships against attack by pirates during the voyage through the Gulf of Aden. In supporting the operations, Bunga Mas Lima (BM5) – a container ship, was docked at MMHE in April 2009 for conversion into a Naval Auxiliary Vessel. She was successfully operationalised and has been participating in Op Fajar since June 2009. BM5 is equipped with a naval helicopter and manned by a mixture of MISC sea staff and Malaysian Armed Forces (MAF) personnel (Navy, Army and Air Force). The presence of BM5 in the Gulf of Aden provides comfort and assurance to MISC ships that they are in the safe hands of the MAF elite personnel.

With the growing threat posed by the Somali pirates, Bunga Mas Enam (BM6) was converted as the second Naval Auxiliary Vessel and deployed for Op Fajar in August 2011. To date, MISC is the only ship owner in the world that has implemented this unique security arrangement to protect our ships, crew and cargo against piracy attacks.

MISC sea staff serving onboard the Naval Auxiliary Vessels are also RMN Volunteer Reserve personnel. Prior to being accepted as naval reservist, they are required to pass stringent medical tests and attend an intensive 2 weeks naval induction training at KD Sri Klang, a naval reservist base. They are also required to attend a Force Integration Training conducted by the RMN prior to each shipboard service on the Naval Auxiliary Vessel. To date 109 staff have been inducted as RMN Volunteer Reservists.

Since their involvement in Op Fajar, the Naval Auxiliary Vessels have completed a total of 203 escort convoys, ensuring the safe transit of more than 250 MISC ships through piracy high risk areas. Op Fajar has helped build a greater sense of security for both our people as well as the organisation. Interaction between MISC sea staff and the naval elite forces has also established a better understanding between the two work cultures.

Apart from ensuring the safety of MISC ships and their sea staff, Op Fajar has provided an assurance to customers in the form of safe deliveries, hence noticeably enhanced customer loyalty and confidence. MISC's involvement in Op Fajar is part of our contribution towards combating piracy in the Gulf of Aden and the Indian Ocean.

Corporate Responsibility Report

Marketplace

As a sustainably responsible organisation, we remain committed towards the sharing of information and education in the marketplace. The marketplace provides room for MISC to grow – as a business, supplier and people-focused organisation. MISC's interaction and engagement with the marketplace – be it with shareholders, customers, governing bodies and organisations and the general public, to name a few, allow us to conduct our business in an ethical, professional and sustainable manner.

Efficient Competitiveness

In our quest to remain competitive, several cost efficient initiatives particularly in the area of procurement were put to practice during the period under review. It has become a great challenge for the global shipping industry to stay afloat in times of economic adversity. Therefore, to stay buoyant, the main objective of the procurement function is to derive maximum cost savings via strategic synergies and effective Supplier Relationship Management (SRM).

SRM is astutely focused in providing cost effective measures through strong growth in partnership and value creation. We believe the following programmes initiated will further inculcate trust and commitment amongst our suppliers, establishing a continuous partnership that aims for excellent supply and delivery performance at all times.

SRM initiatives to deliver targeted cost savings are as follows:

1. **Achieve targeted procurement price reduction**

   In order to accomplish procurement price reductions of both materials and services, we strive to achieve economies of scale via Master Procurement Plan (MPP) implementation; convert spot item purchases to Contracts/Price Agreements; conduct aggressive and effective negotiation for extensions of Price Agreements/Contracts; and establish strategic and effective physical hedging on bunker purchases.

2. **Quarterly Supplier/Vendor Engagement Programmes (SEP/VEP)**

   Regular programmes of such nature with our vendors and suppliers provide information sharing opportunities to both our current and new vendors. Organised on a quarterly basis, these supplier/vendor programmes help establish a positive, ethical relationship in the marketplace.

3. **Quarterly Delivery Assessment Exercises (DAE)**

   The DAE assesses our suppliers' performances against the agreed scope of work as indicated in the contract. Assessment is done based on quality, cost, delivery, reliability and services.

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

   Through the VPA, MISC monitors vendor performances, and when necessary, takes action against non-performing vendors. The VPA is conducted on an annual basis.

5. **Promote Best Practices through Constant Reviews**

   In ensuring a robust and resilient best practice in procurement processes, the MISC Procurement Manual (MPM) and Standard Operating Procedures (SOP) are being reviewed on a regular basis. Periodic compliance reviews are also conducted to enhance corporate governance and transparency.

Corporate Responsibility Report

Environment

As a respected, responsible global citizen, we are also committed to do our part to help conserve and protect the environment. Over the past few years, MISC has set the ball in motion, putting forth numerous environmental initiatives set by our Health, Safety and Environment Policy. We are positive that our ongoing environmental initiatives will further our dedication to better conservation in the very near future.

Energy Efficiency

Energy Efficiency Operational Indicator (EEOI) and Energy Efficiency Design Index (EEDI)

During the period in review, MISC continued with 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 Organization (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 CO2 emissions, and enable the effects of emission reduction measures to be monitored. EEOI enables the ratio of mass CO2 generated per unit of transport work (i.e. per cargo tonne-mile) to be determined.

During the reporting period, MISC has been able to ascertain EEOIs for Fleet vessels in operation in accordance to updated IMO MEPC Guidelines. Results prove that EEOIs of MISC ships in operation are generally lower when compared against other fleets worldwide. A lower EEOI value indicates a more efficient ship, where the average CO2 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.

"I Save Fuel" Programme

The "I Save Fuel' Programme – initiated as a method to monitor and curb excessive CO2 emission – is also a measure to decrease vessel fuel consumption. Excessive fuel consumption is fast becoming a global worry due to the current rise in fuel prices.

During the period under review, MISC's fleet saved 4.52% of fuel, which is equivalent to 28,457 MT of fuel saved, or a reduction in CO2 emissions by 89,070 MT. The figure may be small but is contributory in curbing GHG emissions from the shipping industry which now accounts for 2.7% by part of GHG emissions globally.

In the same year, MISC invested substantially in Green Technology which manages and enhances energy savings and emission reductions. This has contributed to 0.21% in fuel savings or a reduction in CO2 emissions by 4,103 MT.

Towards Green Shipping

MISC is committed to playing its part in helping the industry move towards the adoption of Green Technology in its practices, via the following initiatives:-

Green Passport

The Green Passport is a term that came about through the Basel Convention and via discussions over safer ship recycling. A Green Passport entails that vessels carry the documentation listing all potentially hazardous materials on board. This document would stay with the ship throughout its lifespan and up until it is decommissioned and sent to the ship breaking yard.

Having such a document would ensure that no workers on board the vessel or at the ship breaking yard would have to take the risk of being exposed to hazardous materials.

In respect to these developments in the industry, MISC has embarked on an initiative to obtain Green Passports for our entire fleet. Currently, a total of 4 Chemical Tankers and 2 LNG Carriers have been provided with the Green Passport.

Corporate Responsibility Report

Green Technology for MISC Ships

For MISC ships in operations, five new Green Technology (GT) initiatives are already in place to improve environmental and energy efficiencies onboard.

The five new GT initiatives are:

1. The incorporation of Propeller Boss Cap Fins (PBCF);
2. The incorporation of Low Friction Anti fouling Coating (LFC);
3. Trim Optimisation Programme;
4. Optimum Ship Routing Programme (OSR); and
5. Emission Reduction System/Emission Scrubber System (ERS).

These initiatives are already beginning to show encouraging environmental and energy savings improvements through better hydrodynamics performance, stronger propulsion efficiency and lowered GHG emissions to the environment.

MISC is also considering Water In Diesel Emulsion, Steam Boilers Thermal Efficiency Improver and Sonic Cleaners 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 vessels comply with the global environmental requirements of the industry.

Environmental Accreditation

Green Certification Award

MISC was honoured with the 'Green Certification Award' by the Green Award Foundation for our commitment and dedication in displaying high safety and environmental standards. A Green Award was also extended to MISC's LNG Carrier, Seri Balhaf, which became 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. MISC's Petroleum fleet has been accredited with the foundation since 2005.

The awards acknowledges the successful voluntary strategic initiative that was first conceived by MISC's Fleet Management Services Unit (FMS) in 2009 and implemented with the full support of both the LNG and Chemical Business Units. The process of obtaining this certification involved comprehensive audits that covered a broad aspect of leadership, environmental focus, crew training and development, vessel maintenance and Health Safety & Environmental aspects. Another one B class MISC LNG vessel and three A class MISC Chemical tankers have also been successfully audited and are now in the process of obtaining their Green Award Certifications.

Ships that are Green Award certified reap various financial and non-financial benefits. These include receiving 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 support to this initiative.

Community

We remain committed to cultivating sustainable value to society and to contribute to the well being of the community in which we operate. As a responsible corporate organisation, we understand that it is our responsibility to create opportunities in making the world, and more specifically, our local community, a better place to live in. It is about upholding and enhancing our corporate brand amongst our stakeholders, partners and our key customers.

Year on year, MISC strategically plans social engagement and development outreach programmes that are aimed at being a positive impetus towards the enhancement, nurturing and development of a better future for the communities at large.

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 period in review, MISC sponsored a total of 100 maritime cadets, both local and foreign.

Since 2006, MISC in collaboration with AET also sponsored cadets to study at the United States Merchant Marine Academy. As at 31 December 2011, a total of 8 cadets were sponsored to further their studies at the prestigious marine institution.

Corporate Responsibility Report

Navigate Your Career

Navigate Your Career (NYC) is a programme that took root back in 2007. As a youth development programme dedicated towards creating industry-ready graduates by exposing them to the realities and challenges in the ever changing job market. NYC, now in its fifth year, continues to create positive change in local undergraduates.

For the period in review, NYC was held at two universities – Universiti Malaya and Universiti Teknologi Malaysia, with the theme 'Jumpstart Your Career'. NYC featured a three days workshop, held from 6 to 8 December 2011 and 13 to 15 December 2011 respectively, with programmes specifically crafted to help undergraduates gain necessary non-technical skills to enhance their 'employability' in the increasingly competitive job market.

The NYC roadshows also featured an infotainment booth, Funzone and a HR Clinic, where students could get value added advice on resume writing and interview skills. Overall, NYC continued to be a successful endeavour for MISC with full classes marked at nearly all the sessions held during the roadshows.

MISC Mini CSR Programme

A departmental driven CSR initiative, MISC's Mini CSR Programme encourages respective departments and subsidiaries to play their part in helping local communities particularly in the area of youth development. Each department is allocated a budget to run their selected Mini CSR projects and initiatives. The Mini CSR programme which also helps enrich the individuals' sense of goodwill, gives these departments the freedom to choose how best to give back to the community.

For the period in review, MISC held a total of 10 Mini CSR Programmes:

<u>Environmental</u>

- Seeding Our Future Phase 2 – Tree Planting at Jabatan Latihan Perhutanan Sungai Buloh with 33 secondary school students from Sekolah Menengah Aminuddin Baki.

- 'Go Green' Programme - A long-term initiative to assist two schools win the Sekolah Lestari award. This award encourages an integrated approach by the schools, their families, local communities, government, private sector and NGOs to focus in four main areas which are management, greening activities, co-curriculum and curriculum. The programme also helped inculcate respect for the environment and encouraged the students to preserve and conserve the environment.

Motivational & Educational

- "The Choice" motivational programme with students of SK Kampung Selayang. Soft skills educational workshops and group discussions were held, aimed at instilling confidence and equipping students with non-technical skills.

- Theatrical workshop with the children of Rumah Aman, Seksyen 2, Shah Alam, to encourage creativity and self expression.

- Educational development programmes for Sekolah Kebangsaan PPR Lembah Subang, which included intensive classes, educational materials, answering skills workshop, as well as school and food aid to selected students and families.

- Career at Sea Introduction to the secondary school students of Rumah Laki-Laki Tun Abdul Aziz, Durian Daun, Melaka.

- Continuation of the "Mountain of Life" programme with SMK Sijangkang Jaya, Banting to further help and motivate selected students to achieve excellence in upcoming examinations.

- "Textures and Textiles" art programme to introduce the students of Sekolah Menengah Pendidikan Khas (visually impaired) Setapak to clay, ceramic and printmaking using a multisensory, hands-on interaction and tactile approach. Artworks were then displayed and sold at the NN Gallery in Ampang.

Welfare and Wellbeing of the Underprivileged

- Caring and sharing programme at Pusat Dalam Komuniti (PDK) Hulu Kelang, Ampang where donations were given in the form of children chairs for educational activities, MP3 players for hearing therapy and brain stimulation, learning aids, therapy and health equipments, books as well as food items.

- Second visit to the Pediatric Ward of Kuala Lumpur Hospital (HKL) to spread cheer and joy to the children there.

Cultivating a **High Performance Culture**

We are cognizant to the need to remain competitive and ahead of our competitors. With our renewed corporate culture and enhanced service levels, we are even more focused and determined in our drive forward.

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 Corporate Governance Blueprint 2011 and the Malaysian Code of Corporate Governance ("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 navigate the Group through these challenging market conditions. 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 decision, which include the overall Group strategies and directions, acquisitions and divestment policies, approval of major capital expenditure, projects, plans and budgets and significant financial matters, as well as major human resource policies.

a. Composition of the Board

The Board has a balanced composition of executive and Non-Executive Directors. More than one-third (1/3) of the Board consists of Independent Directors, which is in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("LR"). The Board has eight Directors comprising a Non-Independent Non-Executive Chairman, four Independent Non-Executive Directors, two Non-Independent Non-Executive Directors and an Executive Director who is also the President/Chief Executive Officer ("President/CEO"). The profiles of the Directors are presented on pages 26 to 33 of this Annual Report.

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 Board's strategies and policies. The President/CEO is assisted by the Management Committee in managing the business on a day-to-day basis.

The four 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 have the necessary calibre to ensure that the strategies proposed by the Management are fully deliberated and examined in the long-term interest of the Group, as well as the shareholders and other stakeholders.

b. Board Meetings and Supply of Information

Board Meetings are scheduled in advance of the new financial year to facilitate Directors to plan ahead and fit the year's meetings into their schedules. The Board meets at least six times annually and additional meetings are held as and when required. During the financial period ended 31 December 2011, seven (7) Board Meetings were held. Details of the attendance of each Director are as follows:

Director	**Number of Board Meetings Attended**
Dato' Shamsul Azhar bin Abbas *(Chairman)* *(Resigned with effect from 1 August 2011)*	2 out of 3
Datuk Manharlal Ratilal (Chairman) *(Appointed with effect from 1 August 2011)*	4 out of 4
Harry K. Menon	5 out of 7
Dato' Halipah binti Esa	7 out of 7
Datuk Nasarudin bin Md Idris	7 out of 7
Dato' Kalsom binti Abd. Rahman	7 out of 7
Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah	5 out of 7
Amir Hamzah bin Azizan	6 out of 7
Datuk Wan Zulkiflee bin Wan Ariffin *(Resigned with effect from 1 December 2011)*	4 out of 6
Mohd. Farid bin Mohd. Adnan *(Appointed with effect from 1 December 2011)*	Nil out of 1

The agenda and a full set of Board Papers are distributed prior to the Board Meeting to ensure that Directors have sufficient time to read and be properly prepared for discussion at the meetings. Comprehensive and balanced financial and non-financial information are encapsulated in the papers covering amongst others, strategic, operational, regulatory, marketing, risk factors and human resource issues.

Minutes of the Board Meetings which include a record of the decisions and resolutions of the Board Meetings are properly maintained by the Company Secretary. The Directors have full access to the advice and services of the Company Secretary who is responsible for ensuring that Board Meeting procedures are followed and that applicable rules and regulations are complied with.

c. Appointment and Re-election of Directors

The Nomination Committee makes recommendations for appointments to the Board. In making these recommendations, the Nomination 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 them to the Board for appointment.

Statement on Corporate Governance

In accordance with the provisions of the Company's Articles of Association ("Articles"), all Directors who are appointed by the Board shall hold office only until the next following 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 years but shall be eligible for re-election. A retiring Director shall retain office until the close of the General Meeting at which he retires.

d. The Board Committees

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

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

The Company has three (3) 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 Board Audit Committee Report on pages 137 to 141 of the Annual Report.

ii. Nomination Committee

The Nomination Committee ("NC") was established on 6 May 2010 and consists of the following Directors:

- Dato' Kalsom binti Abd. Rahman *(Independent Non-Executive Director and Chairman of the NC)*
- Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah *(Independent Non-Executive Director)*
- Mohd. Farid bin Mohd. Adnan *(Non-Independent Non-Executive Director) (effective 1 December 2011)*

The functions of the NC include:

- to assess and recommend new Directors to the Board.
- to annually review 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.

The NC held three (3) meetings for the financial period ended 31 December 2011.

Key Activities of the NC:

During the period of review, the NC developed a formal Board performance evaluation process. In relation to this, the Board's Key Performance Indicators (KPIs) were developed based on key criteria covering Board Structure, Board Operations, and Board Roles and Responsibilities. A Board Performance Evaluation Sheet (PES) was also approved as a tool for evaluation and was rolled out for evaluation of Board and Board Committees' performance for FY 2011.

The NC had also deliberated 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 NC to ensure that the Board has the required mix of skills and experience for the Company and Group.

iii. Remuneration Committee

The Remuneration Committee ("RC"), was established on 6 May 2010 and comprises the following members:

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

The RC's main responsibilities are to recommend to the Board the remuneration and compensation of the executive and Non-Executive Directors, the President/CEO, the Management Committee members of the Company and the bonus quantum for the Company and its Group of Companies.

During the period of review, the RC had deliberated on amongst others, matters in relation to the remuneration package of the Board and Audit Committee members, the MISC Remuneration Process and renewals/appointments of certain senior management members.

The RC held three (3) meetings for the financial period ended 31 December 2011.

Statement on Corporate Governance

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 period of 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 Committees Attendance Allowance (RM)	Total (RM)
Harry K. Menon	54,000.00	15,000.00	18,000.00	**87,000.00**
Dato' Halipah binti Esa	54,000.00	21,000.00	21,000.00	**96,000.00**
Dato' Kalsom binti Abd. Rahman	54,000.00	21,000.00	27,000.00	**102,000.00**
Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah	54,000.00	15,000.00	6,000.00	**75,000.00**
TOTAL (RM)	**216,000.00**	**72,000.00**	**72,000.00**	**360,000.00**

With effect from 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 paid directly to PETRONAS. The Company has paid RM264,000.00 as Management Fees to PETRONAS during the Financial Period Ended 31 December 2011 in respect of the fees for Dato' Shamsul Azhar bin Abbas, Datuk Manharlal Ratilal, Amir Hamzah bin Azizan, Datuk Wan Zulkiflee bin Wan Ariffin and Mohd. Farid bin Mohd. Adnan.

f. Directors' Training

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

The Directors are encouraged to attend continuous education programmes, talks, seminars, workshops and conferences to enhance their skill and knowledge and to ensure Directors 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 was organised for Directors within the Group.

During the financial period under review, 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	ORGANISER
1.	Insurance Insights	Financial Institutions Directors' Education Programme, Bank Negara Malaysia & PDIM
2.	Advanced Business Management Programme: Risk, Reform & Growth	Securities Industry Development Corporation
3.	Nomination & Remuneration Committee Programme	Financial Institutions Directors' Education Programme, Bank Negara Malaysia & PDIM
4.	Board Risk Management Committee Programme	Financial Institutions Directors' Education Programme, Bank Negara Malaysia & PDIM
5.	Corporate Finance Programme	Financial Institutions Directors' Education Programme, Bank Negara Malaysia & PDIM
6.	MINDA Directors' Forum 2011 - Innovation and People: Making it Happen	Malaysian Directors Academy
7.	Risk Management in Today's Economy	MISC Berhad (In-House Training)
8.	De-Mystifying Directors' Duties & Their Implications Under the Listing Requirements	MISC Berhad (In-House Training)
9.	4^{th} PETRONAS Board of Audit Committee Forum	PETRONAS Group Internal Audit
10.	Mandatory Accreditation Programme for Directors of Public Listed Companies	Bursatra Sdn. Bhd.

g. Shareholders and Investors

The Board values its dialogue with both institutional shareholders and private investors and recognises that timely and equal dissemination of relevant information be provided 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.

Statement on Corporate Governance

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 the Bursa Malaysia;
- the Company's general meetings;
- the Company's website at www.misc.com.my; and
- quarterly sessions between the Company's senior management with analysts/investors.

Further details on our investor relations activities are provided in pages 90 to 91 of the Annual Report.

h. Accountability and Audit

i. a) 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, quarterly and half yearly 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.

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

The Directors are responsible to prepare 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 period ended 31 March 2011, 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.

ii. Internal Control

The Board acknowledges its overall responsibility for continuous maintenance of a sound system of internal control to safeguard shareholders' investment and the Group's assets. This principle is further elaborated under the Statement on Internal Control by the Directors in pages 126 to 133 of the Annual Report.

iii. 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 without the presence of the management to discuss any matters that they may wish to present.

i. 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 procedures established are adequate in order to ensure that the RPTs and RRPTs are 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 is 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, as 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.

Statement on Corporate Governance

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 Listing Requirements.

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 with employees and stakeholders to ensure sufficient knowledge on RPTs and RRPTs in order to comply with the Listing Requirements.

f. Proper records shall be maintained by all Business and Service Units and MISC's subsidiaries to record all transactions with Related Parties.

g. 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.

h. 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.

i. 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.

j. 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.

Details of the RRPTs entered into by the Group during the financial period ended 31 December 2011 are set out below:

Nature of Transaction		Transacting Party	Related Party
1.	Provision of freight forwarding activities and/or logistics services to PETRONAS Group	• PETRONAS Carigali Sdn. Bhd. • Polyethylene Malaysia Sdn. Bhd. • Optimal Chemical (M) Sdn. Bhd.	PETRONAS[1]
2.	Purchase of lubricants and other petroleum products from PETRONAS Dagangan Berhad	PETRONAS Dagangan Berhad	PETRONAS[1]
3.	Supply of spare parts and sea stocks by Malaysia International Trading Corporation (Japan) Sdn. Bhd. (MITCO)	MITCO (presently known as Primesourcing International Sdn. Bhd.)	PETRONAS[1]
4.	Charters of petroleum and chemical tankers and liquefied petroleum gas carriers from MISC by PETRONAS	PETRONAS Trading Corporation Sdn. Bhd. (PETCO)	PETRONAS[1]

[1] PETRONAS is a major shareholder of the Company

Independent Adviser's Opinion

PricewaterhouseCoopers Capital Sdn. Bhd. (PwCC) was appointed as the independent adviser to provide an opinion on whether the methods and procedures in determining the transaction prices and terms of the RRPTs are sufficient to ensure that those transactions will be carried out on normal commercial terms and will not be to the detriment of the minority shareholders.

Following its review, PwCC did not note any exceptions as it relates to the methods and procedures undertaken to determine that transaction prices and terms of RRPTs are carried out on normal commercial terms, and will not be at the detriment of minority shareholders.

The opinion letter from PwCC is included on pages 142 to 144 of the Annual Report.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors duly passed on 15 May 2012.

Statement on Internal Control

Introduction

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

Bursa Malaysia Listing Requirements, Paragraph 15.26(b) requires the Board of Directors to make a statement about the state of internal control of the listed entity as a Group.

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

ACCOUNTABILITY OF THE BOARD

The Board recognises its principal responsibilities of adopting a robust system of risk management and internal control, which is prescribed under Best Practices Provision AA I: Part 2 of the Malaysian Code on Corporate Governance, in the following paragraphs:

- Identifying principal risks and ensuring the implementation of appropriate control systems to manage these risks;
- Reviewing the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board confirms that it has put in place a systematic risk management framework adopted from the PETRONAS Risk Governance Framework. Accordingly, the Board has employed this 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 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.

The Board confirms that there is a continuous process for identifying, evaluating and managing the significant risks faced by the Group, including for the financial period under review.

RISK MANAGEMENT FRAMEWORK

The management has leveraged on the existing risk management 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.

- **New Risk Governance Structure**

  In May 2011, the Board Audit Committee (BAC) endorsed the formalisation of a new risk governance structure, which includes the establishment of a Risk Management Committee (RMC) to replace the previous Risk Advisory Group (RAG), with revised membership and quorum requirements.

  At Group level, the new structure effectively takes over the oversight function of the various risk councils within MISC, i.e. Project Risk Committee (PRC), Maritime Risk Council (MRC), Finance Risk Committee (FRC) and MISC Credit Committee (MCC), into a single risk governing body under the RMC. This allows risk management in MISC to be implemented on an 'enterprise-wide' basis and eradicates any hierarchical barriers or duplication of work endured by the various risk councils.

  Consequently, process-level risk management duties carried out by the previous risk councils will be undertaken by the respective departments.

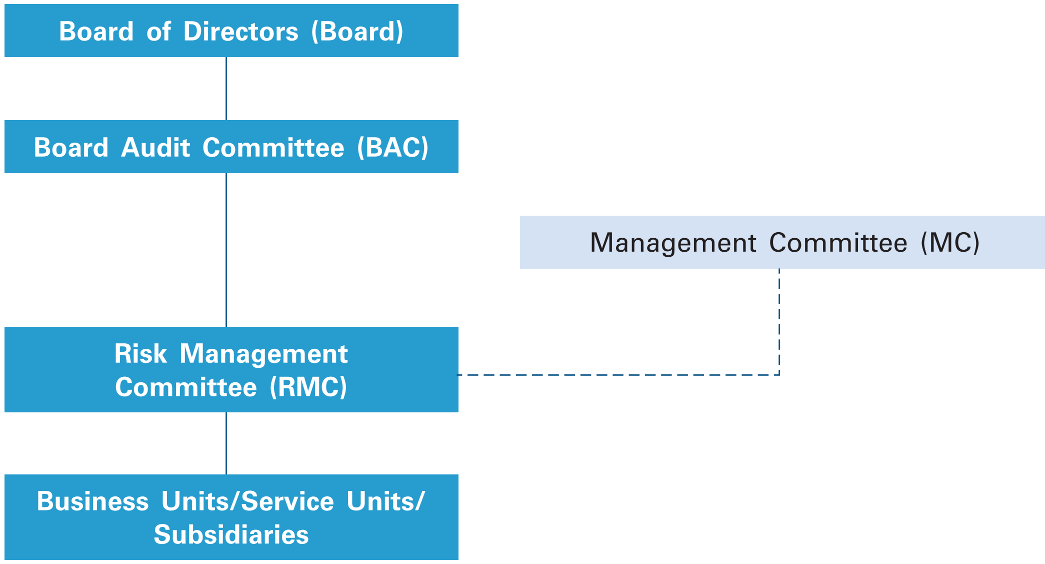
  In relation to Finance, the FRC has taken over the MCC's role of monitoring the credit control procedures and practices of the Group as of September 2011. The FRC continues to monitor and ensure effective and robust implementation of the financial risk management through the compliance of the **Corporate Financial Policy ("CFP")**. The CFP supports the delivery of a consistent approach in financial and risk management discipline across the Group. The CFP is supplemented with Guidelines in the areas of Liquidity Management, Financing, Investment, Banking, Asset Liability Management, Foreign Exchange Management and Integrated Financial Risk Management.

  During the financial period, 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 which would be 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.

Statement on Internal Control

The new governance structure is depicted as follows:



Under the new governance structure, 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 Board Audit Committee ("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 Board Audit Committee ("BAC") which then updates the Board.

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.

- **Risk Profiling**

  During the period in review, the Group has developed an enterprise wide risk profile through syndications with heads of respective business units and service units. This was followed by the development of detailed work plan with the risk focal person of each business unit and service unit including sharing of the risk profiling processes and providing guidance in the organisation of workshops.

The processes involved in risk profiling are shown below:

Risk Identification
- Identify risks and existing mitigation strategies via risk assessment workshops facilitated by RMD

Risk Evaluation
- Rating of Gross and Nett Risks based on risk matrix and registered into Risk Registers

Risk Treatment
- Selection of appropriate risk treatment option
- Implementation of new strategies to address risk

Risk Monitoring & Reporting
- Presentation of Risk Registers to the RAG[1], BAC and Board for review
- Continuous monitoring of risk level via Risk Scorecards

Note:

1. RAG was not reconstituted to RMC at the time of presentation of Risk Registers to the BAC and Board

Statement on Internal Control

- **Risk Scorecard**

  During the period in review, the Management has adopted the Risk Scorecards as an effective risk monitoring tool. The risk scorecards are derived from the business units / service units risk registers after risk events had been prioritised by significance and aggregated into key risk categories. The performance of these key risks is monitored using specific Key Risk Indicators (KRIs). Hence, any changes or movements in the KRIs will provide an early warning mechanism should risk transcend into undesirable levels.

- **Project Risk Assessment**

  Under the new risk governance structure, all Project Risk Assessment ("PRA") will be under the purview of the RMC with the support of RMD. The objective of the PRA is to increase the likelihood of achieving project objectives (timeline and cost) by way of identifying the risks in advance and implementing controls either to reduce or eliminate the risk impact.

  The PRA is to be conducted for capital intensive projects to ensure that the project returns commensurate with the level of risk taken and the controls in place.

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

3. **MISC Group Internal Audit ("GIA")**, 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.

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 such as Exxon Mobil, British Petroleum Plc (BP), Chevron Texaco, Shell and BHP Billiton.

   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.

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

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.

Statement on Internal Control

OTHER SIGNIFICANT ELEMENTS OF INTERNAL CONTROL SYSTEMS

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

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

3. The Group performs a **comprehensive annual 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.

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 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. During the financial period, the Group has participated in the **PETRONAS Debt Compliance Management ("DCM")** initiative. The objective of this exercise 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. Tender Committees are established to ensure tender evaluation exercises are conducted in an effective, transparent and fair manner.

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

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

8. The professionalism and competency of staff are enhanced through structured development programs and potential entrants or candidates are subject to a stringent recruitment process. A **Performance Management System (PMS)** is established with performance indicators to measure 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 staff 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.

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 12 March 2012.

Directors' Responsibility Statement

The Directors are responsible in preparing the annual audited financial statements of the Group and of the Company in accordance with the provisions of the Companies Act, 1965 and the requirement of the applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board.

The Directors are also responsible in ensuring that the annual audited financial statements of the Group and of the Company are properly drawn up so as to give 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 the 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 2011, 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.

This statement is made in accordance with the resolution of the Board of Directors dated 12 March 2012.

Additional Compliance Information

a. Status of Utilisation of Proceeds

The status of utilisation of proceeds raised from the following corporate exercises as at 30 April 2012 are as follows:-

i. The Rights Issue Exercise 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	4,793.0	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**	**4,813.5**		**–**	**–**

ii. The 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	478.0	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**	**611.5**		**–**	**–**

Additional Compliance Information

b. Material Contracts

There was no material contract between the Company and its subsidiaries involving the Directors and major shareholders' interests, either still subsisting at the end of the financial period or entered into since the end of the previous financial year.

c. Sanctions

During the financial period, 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 on non-audit fees incurred for services rendered to the Group for the financial period ended 31 December 2011 by the Company's external auditors or their affiliates is RM0.2 million.

e. Share Buybacks

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

f. Option, Warrants or Convertible Securities

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

g. Depository Receipt Programme

The Company does not sponsor any depository receipt programme during the financial period.

h. Profit Estimate, Forecast or Projection

The Company did not make any release on the profit estimate, forecast or projection for the financial period.

i. Profit Guarantee

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

Board Audit Committee Report

The Board of Directors of MISC Berhad is pleased to present the Board Audit Committee Report for the financial period ended 31 December 2011.

Composition and Meetings

The members of the Board Audit Committee ("the Committee") during the financial period 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)*	Member	2 out of 6

During the financial period, 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.

At least one member of the Committee must be a member of the MIA or have at least three 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.

Board Audit Committee Report

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

Meetings shall be held not less than four (4) times a year. The quorum shall be two 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.

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 Corporation or Group including any transaction, procedure or course of conduct that raise questions of management integrity;

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

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

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

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

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

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

Summary of Activities of the Committee during the Financial Period

A summary of the activities performed by the BAC during the financial period 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 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.

- Formalised a new risk governance structure, which includes the establishment of a RMC to replace the previous Risk Advisory Group (RAG), with revised membership and quorum requirements.

- Further strengthen the governance process by having independent proceedings to discuss risk management matters and appointed the Head of RMD as the secretariat to manage these proceedings.

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.

Board Audit Committee Report

- 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 effectiveness of the internal control systems implemented.

External Audit

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

- Reviewed the results and issues arising from their audit for the financial period 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 (on 11 May 2011 and 21 November 2011) 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 BAC.

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 BAC 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 period, the internal auditors had carried out audits according to the internal audit plan approved by the Committee.

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.

BAC Statement on Recurrent Related Party Transactions (RRPTs)

The Committee has reviewed the procedures mentioned on pages 123 to 125 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.

The above view is also based on the report and opinion from PricewaterhouseCoopers Capital Sdn Bhd (PwCC) who has been appointed as the independent adviser to carry out an independent review of the Group's methods and procedures relating to RRPTs. The letter of opinion from PwCC is included on pages 142 and 144 of the Annual Report.

Letter of Opinion from Independent Adviser

Board Audit Committee
MISC Berhad
Level 25, Menara Dayabumi
Jalan Sultan Hishamuddin
50050 Kuala Lumpur

26 March 2012

Dear Sirs,

REVIEW ON METHODS OR PROCEDURES IN DETERMINING AND REVIEWING TRANSACTION PRICES AND TERMS OF RECURRENT RELATED PARTY TRANSACTIONS

1 INTRODUCTION

MISC Berhad ('MISC' or 'the Company) is Malaysia's leading international maritime corporation and is currently one of the top five largest shipping conglomerates in the world by market capitalisation. The principal businesses of MISC consist of ship owning, ship operating, other shipping related activities, owning and operating of tank terminals and offshore floating facilities as well as marine repair, marine conversion and engineering & construction works. The Company was established in 1968 and is listed in Bursa's main market effective 23 February 1987. MISC became a subsidiary of PETRONAS in 1998.

This letter has been prepared for the purpose of inclusion in the Annual Report for the financial year ended 31 December 2011 pursuant to the waiver from compliance with Paragraph 10.09 of Bursa Malaysia Main Market Listing Requirements ('LR') granted by Bursa Malaysia based on its letters to MISC dated 13 October 2003 and 15 July 2011 ('the Waiver').

As part of the Waiver which was granted on the following transactions:

i. Charters of LNG vessels from MISC by Petronas Group
ii. Lease/charter of Floating, Production, Storage and Off-Loading (FPSO)/Floating, Storage and Off-Loading (FSO) and other floating solutions by Petronas Group
iii. Fabrication and construction of oil and gas offshore structures for Petronas Group
iv. Provision of freight forwarding activities and/or logistics services to Petronas Group
v. Purchase of lubricants and other petroleum products from PETRONAS Dagangan Berhad
vi. Supply of bunkers by PETRONAS Trading Corporation
vii. Supply of spare parts and sea stocks by Malaysia International Trading Corporation (Japan) Sdn Bhd
viii. Charters of petroleum and chemical tankers and liquefied petroleum gas carriers from MISC by PETRONAS

MISC is required to disclose in its Annual Report, an independent financial adviser's opinion that the methods or procedures in determining the transaction prices and terms of the RRPTs are sufficient to ensure that these transactions will be carried out on normal commercial terms and will not be to the detriment of its minority shareholders (the '**Minority Shareholders**').

2 TERMS OF REFERENCE

To comply with the condition attached to the waiver as described above, PricewaterhouseCoopers Capital Sdn Bhd **('PwCC')** has been appointed as the independent financial adviser to provide an opinion on whether the methods or procedures in determining the transaction prices and terms of the RRPTs are sufficient to ensure that these transactions will be carried out on normal commercial terms and will not be to the detriment of Minority Shareholders.

PwCC's view as set forth in this letter are based on the prevailing market and economic conditions, and our analysis of the information provided to us by MISC up to the date of this letter. Accordingly, this opinion shall not take into account any event or condition which occur after that date.

The scope of our review for the purposes of this letter covers the RRPT contracts entered into by MISC and its subsidiaries (excluding Malaysia Marine and Heavy Engineering Holdings Berhad) on or after 1 April 2011 and up to 31 December 2011 **('Period of Review')** for the eight (8) categories of RRPT set out in Section 1 above.

PwCC's work is solely in respect of the review of methods or procedures in determining the transaction prices of the RRPTs and we were not involved in the formulation of these procedures adopted by the Company.

In the course of our evaluation of the procedures, we have performed the following:

- Desktop reviews of documented standard operating procedures and relevant Board and Management reports that were used to determine and review the transaction prices and terms of RRPTs;
- Performed a walkthrough on selected RRPTs, the procedures undertaken to determine transaction prices and terms of RRPTs;
- Discussions with selected members of Senior Management on the methods and procedures employed by MISC to determine and review the transaction prices and terms of RRPTs; and
- Interviews with the Audit Committee to understand the Board's role in reviewing RRPTs.

We have not conducted any procedures on information included in MISC's 2011 Annual Report.

3 REVIEW PROCEDURES IN DETERMINING AND REVIEWING TRANSACTION PRICES AND TERMS OF RRPTS

Details of such review procedures and threshold limits are set out in MISC's Guidelines Document on Related Party Transactions and Recurrent Related Party Transactions for MISC Group (2011) ('Guidelines Document'), as summarised in the Statement of Corporate Governance of this Annual Report, and Shareholders are advised to read the information carefully.

Letter of Opinion from Independent Adviser

In our review of procedures for determining the transaction prices of the RRPTs, we have considered the following:

(a) The Directors' rationale for, and the benefits accruing to the Group arising from the RRPTs;
(b) The classes of Related Parties and the nature and description of the RRPTs; and
(c) The review procedures for the RRPTs.

Bursa Malaysia had on 13 October 2003 and on 15 July 2011 granted MISC a waiver from complying with Chapter 10.09 of the Main Market Listing Requirements of Bursa Malaysia, of having to seek shareholders approval in relation to the supply, sale, purchase, provision and usage of goods, services and facilities which form part of MISC's integrated operations in a total of eight (8) categories.

The Guidelines Document was endorsed by the BAC in August 2011 and subsequently approved in March 2012, and rolled out thereafter. Notwithstanding that, MISC had however used the draft Guidelines Document in the RRPT process during the Period of Review from August 2011. Based on the result of our sample tests, there were no exceptions as it relates to the price determination process for those specific samples selected.

Based on our review of the Guidelines Document, several recommendations have been developed for the Guidelines Document as it relates to RRPTs.

4 OPINION

Our sample testing did not note any exceptions as it relates to the methods and procedures undertaken to determine that transaction prices and terms of the RRPTs are carried out on normal commercial terms and will not be to the detriment of its **Minority Shareholders**.

We have prepared this letter for the use of MISC in connection with the conditions of the Waiver imposed by Bursa Malaysia. A copy of the letter may be reproduced in the Annual Report.

Yours faithfully,

PricewaterhouseCoopers Capital Sdn Bhd

Financial Statements

Directors' Report

The directors hereby present their report together with the audited financial statements of the Group and of the Corporation for the financial period ended 31 December 2011.

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 period.

Change in Financial Year End

The financial year end of the Corporation was changed 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 current financial statements are prepared for nine months from 1 April 2011 to 31 December 2011. As a result the comparative figures stated in the income statement, statement of comprehensive income, statement of changes of equity and statement of cash flows and the related notes are not comparable.

Results

	Group RM'000	Corporation RM'000
Loss for the period	(1,310,288)	(1,293,254)
Attributable to:		
Equity holders of the Corporation	(1,481,483)	(1,293,254)
Non-controlling interests	171,195	–
	(1,310,288)	(1,293,254)

There were no material transfers to or from reserves or provisions during the financial period other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and the Corporation during the financial period were not substantially affected by any item, transaction or event of an unusual nature other than the effects arising from the exit of the Liner Business. Provisions were made to cover the costs of exiting the business resulting in a decrease in the Group's and the Corporation's profit for the period by RM1,452,723,000 and RM1,406,097,000 respectively as disclosed in Note 41 to the financial statements.

Dividends

The amount of dividends paid by the Corporation since 31 March 2011 were as follows:

	RM'000
In respect of the financial year ended 31 March 2011 as reported in the directors' report of that year:	
Final tax exempt dividend of 10 sen per share, paid on 20 October 2011	438,390

No dividend has been proposed to be paid for the period under review.

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	(Appointed effective 1 August 2011)
Dato' Shamsul Azhar bin Abbas	(Resigned effective 1 August 2011)
Datuk Nasarudin bin Md Idris	
Harry K. Menon	
Dato' Halipah binti Esa	
Amir Hamzah bin Azizan	
Dato' Kalsom binti Abd Rahman	
Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah	
Mohd Farid bin Mohd Adnan	(Appointed effective 1 December 2011)
Datuk Wan Zulkiflee bin Wan Ariffin	(Resigned effective 1 December 2011)

Directors' Benefits

Neither at the end of the financial period, nor at any time during that period, 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 corporate body.

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

Directors' Report

Directors' Interests

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

	Number of ordinary shares of RM1 each			
	1 April 2011/ Appointment Date	Bought	Sold	31 December 2011
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 – PETRONAS Dagangan Berhad				
Direct				
Amir Hamzah bin Azizan	15,000	–	–	**15,000**
Fellow subsidiary – KLCC Property Holdings Berhad				
Direct				
Amir Hamzah bin Azizan	52,000	–	–	**52,000**
Datuk Nasarudin bin Md Idris	5,000	–	–	**5,000**
Datuk Manharlal a/l Ratilal	5,000	–	–	**5,000**
Fellow subsidiary – PETRONAS Chemical Group Berhad				
Direct				
Dato' Kalsom binti Abd Rahman	57,000	–	(17,000)	**40,000**
Amir Hamzah bin Azizan	30,000	–	–	**30,000**
Harry K. Menon	20,000	–	–	**20,000**
Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah	20,000	–	–	**20,000**
Dato' Halipah binti Esa	10,000	–	–	**10,000**
Datuk Nasarudin bin Md Idris	10,000	–	–	**10,000**
Datuk Manharlal a/l Ratilal	20,000	–	–	**20,000**
Mohd Farid bin Mohd Adnan	10,000	5,000	–	**15,000**
Indirect				
Dato' Halipah binti Esa	13,100	–	–	**13,100**
Company – MISC Berhad				
Direct				
Amir Hamzah bin Azizan	1,000	–	–	**1,000**
Mohd Farid bin Mohd Adnan	5,000	–	–	**5,000**

Directors' Interests (Cont'd.)

	Number of ordinary shares of RM0.50 each			
	1 April 2011/ Appointment Date	Bought	Sold	31 December 2011
Subsidiary				
– Malaysia Marine and Heavy Engineering Holdings Berhad				
Direct				
Dato' Kalsom binti Abd Rahman	90,000	–	–	**90,000**
Amir Hamzah bin Azizan	13,000	–	–	**13,000**
Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah	10,000	–	–	**10,000**
Dato' Halipah binti Esa	10,000	–	–	**10,000**
Datuk Nasarudin bin Md Idris	10,000	–	–	**10,000**
Mohd Farid bin Mohd Adnan	15,000	–	–	**15,000**
Indirect				
Dato' Halipah binti Esa	10,000	–	–	**10,000**
Amir Hamzah bin Azizan	1,000	–	–	**1,000**

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

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 impairment for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

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

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

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

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

Directors' Report

Other Statutory Information (Cont'd.)

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

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

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

(i) any charge on the assets of the Group or of the Corporation which has arisen since the end of the financial period 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 period.

(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 period 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 period and the date of this report which is likely to substantially affect the results of the operations of the Group or of the Corporation for the financial period in which this report is made.

Significant Events

The significant events during the financial period are disclosed in Note 41 and Note 42 to the financial statements.

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 12 April 2012.

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 154 to 283 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Corporation as at 31 December 2011 and of the results of their operations and cash flows for the period then ended.

The supplementary information set out in Note 43 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 12 April 2012.

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 154 to 283 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Noraini binti Che Dan at
Kuala Lumpur in Wilayah Persekutuan
on 12 April 2012

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 2011 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 period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 154 to 282.

Directors' responsibility for the financial statements

The directors of the Corporation are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the directors determine are 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 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 the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

In our opinion, the financial statements have been properly drawn up in accordance with 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 2011 and of their financial performance and cash flows for the period then ended.

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.

Report on other Legal and Regulatory Requirements (Cont'd.)

(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 43 on page 283 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with the 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

Teoh Soo Hock
No. 2477/10/13(J)
Chartered Accountant

Kuala Lumpur, Malaysia
12 April 2012

Income Statements
for the period ended 31 December 2011

	Note	Group 1.4.2011 to 31.12.2011 RM'000	Group 1.4.2010 to 31.3.2011 RM'000	Corporation 1.4.2011 to 31.12.2011 RM'000	Corporation 1.4.2010 to 31.3.2011 RM'000
Revenue	3	**8,505,933**	12,325,639	**2,573,454**	3,590,234
Cost of sales		**(7,478,246)**	(10,178,377)	**(3,011,890)**	(3,921,408)
Gross profit/(loss)		**1,027,687**	2,147,262	**(438,436)**	(331,174)
Other operating income	4	**499,752**	525,286	**1,192,645**	1,896,252
Net gain on disposal of ships		**23,174**	99,120	**21,133**	–
Finance income	8(b)	**86,276**	150,003	**82,392**	145,877
General and administrative expenses		**(1,014,337)**	(1,313,584)	**(274,060)**	(469,638)
Impairment provisions	5(a)	**(293,431)**	(576,648)	**(339,307)**	(565,183)
Liner exit provisions	41	**(1,452,723)**	–	**(1,406,097)**	–
Finance costs	8(a)	**(279,743)**	(346,875)	**(131,524)**	(162,921)
Share of profit of associates		**224**	1,269	**–**	–
Share of profit of jointly controlled entities		**181,109**	158,283	**–**	–
Gain on dilution of interest in MHB	15(b)	**–**	1,400,147	**–**	975,479
(Loss)/Profit before taxation	5	**(1,222,012)**	2,244,263	**(1,293,254)**	1,488,692
Taxation	9	**(88,276)**	(16,875)	**–**	–
(Loss)/Profit after taxation		**(1,310,288)**	2,227,388	**(1,293,254)**	1,488,692
Attributable to:					
Equity holders of the Corporation		**(1,481,483)**	1,870,751	**(1,293,254)**	1,488,692
Non-controlling interests		**171,195**	356,637	**–**	–
		(1,310,288)	2,227,388	**(1,293,254)**	1,488,692
(Loss)/Earnings per share attributable to equity holders of the Corporation (sen)					
Basic	10	**(33.2)**	41.9		
Diluted	10	**(33.2)**	41.9		

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

Statements of Comprehensive Income

for the period ended 31 December 2011

	Group		Corporation	
		Restated		
	1.4.2011 to 31.12.2011 RM'000	1.4.2010 to 31.3.2011 RM'000	1.4.2011 to 31.12.2011 RM'000	1.4.2010 to 31.3.2011 RM'000
(Loss)/Profit after taxation	**(1,310,288)**	2,227,388	**(1,293,254)**	1,488,692
Other comprehensive income:				
Gain/(Loss) on currency translation	**819,094**	(1,850,205)	**711,536**	(1,565,379)
Revaluation reserves	**–**	(24)	**–**	–
Other capital reserves	**–**	101	**–**	–
Statutory reserves	**(28)**	124	**–**	–
Fair value (loss)/gain on non-current investments	**(21,876)**	36,064	**(21,876)**	36,064
Fair value loss on cash flow hedges	**(34,687)**	(11,609)	**–**	–
Other comprehensive income/(loss) for the period/year, net of taxation	**762,503**	(1,825,549)	**689,660**	(1,529,315)
Total comprehensive (loss)/income for the period/year	**(547,785)**	401,839	**(603,594)**	(40,623)
Total comprehensive (loss)/income attributable to:				
Equity holders of the Corporation	**(744,506)**	72,775	**(603,594)**	(40,623)
Non-controlling interests	**196,721**	329,064	**–**	–
	(547,785)	401,839	**(603,594)**	(40,623)

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

Statements of Financial Position
as at 31 December 2011

		Group			Corporation	
	Note	31.12.2011 RM'000	Restated 31.3.2011 RM'000	31.3.2010 RM'000	31.12.2011 RM'000	31.3.2011 RM'000
Non-current assets						
Ships	12	**18,771,476**	18,569,468	20,056,849	**7,739,643**	8,402,534
Offshore floating assets	12	**7,706,240**	6,794,926	6,911,217	**6,204,845**	5,054,856
Other property, plant and equipment	12	**1,535,468**	1,454,129	1,299,853	**114,664**	113,583
Prepaid lease payments on land and buildings	13	**78,369**	82,487	87,069	**5,916**	5,758
Intangible assets	14	**855,158**	848,699	963,298	**–**	–
Investments in subsidiaries	15	**–**	–	–	**8,089,403**	5,187,493
Investments in associates	16	**2,322**	605	2,715	**226**	216
Investments in jointly controlled entities	17	**3,538,305**	3,379,684	551,911	**138,843**	132,450
Other non-current financial assets	18(a)	**1,159,995**	498,496	956,229	**2,074,395**	1,464,112
Finance lease receivables	18(d)	**420,731**	212,788	–	**–**	–
Deferred tax assets	27	**5,241**	11,781	4,803	**–**	–
		34,073,305	31,853,063	30,833,944	**24,367,935**	20,361,002
Current assets						
Inventories	19	**434,995**	403,973	344,560	**153,284**	157,720
Trade and other receivables	20	**2,245,530**	2,902,482	1,993,889	**816,794**	5,018,387
Cash, deposits and bank balances	22	**4,155,139**	3,352,727	7,849,080	**1,350,607**	877,396
		6,835,664	6,659,182	10,187,529	**2,320,685**	6,053,503
Non-current assets classified as held for sale	23	**519,688**	84,825	38,715	**41,852**	51,507
		7,355,352	6,744,007	10,226,244	**2,362,537**	6,105,010
Current liabilities						
Trade and other payables	24	**4,001,150**	3,739,499	3,959,362	**1,706,677**	2,710,952
Other current financial liabilities	18(b)	**2,327**	–	–	**–**	–
Interest-bearing loans and borrowings	18(c)	**5,859,556**	1,247,261	3,577,411	**4,984,640**	1,061,396
Provision for taxation		**59,217**	43,058	77,539	**–**	–
		9,922,250	5,029,818	7,614,312	**6,691,317**	3,772,348
Liabilities directly associated with disposal group classified as held for sale	23	**–**	7,739	–	**–**	–
		9,922,250	5,037,557	7,614,312	**6,691,317**	3,772,348
Net current (liabilities)/assets		**(2,566,898)**	1,706,450	2,611,932	**(4,328,780)**	2,332,662
		31,506,407	33,559,513	33,445,876	**20,039,155**	22,693,664

	Note	Group 31.12.2011 RM'000	Restated 31.3.2011 RM'000	31.3.2010 RM'000	Corporation 31.12.2011 RM'000	31.3.2011 RM'000
Equity						
Equity attributable to equity holders of the Corporation						
Share capital	25(a)	**4,463,794**	4,463,794	4,463,794	**4,463,794**	4,463,794
Share premium	25(b)	**4,459,468**	4,459,468	4,459,468	**4,459,468**	4,459,468
Other reserves	26	**(203,341)**	(940,290)	422,959	**(1,144,525)**	(1,834,185)
Retained profits		**12,288,742**	14,208,587	14,315,751	**7,412,875**	9,144,519
		21,008,663	22,191,559	23,661,972	**15,191,612**	16,233,596
Non-controlling interests		**1,288,723**	1,154,973	374,237	**–**	–
		22,297,386	23,346,532	24,036,209	**15,191,612**	16,233,596
Non-current liabilities						
Interest-bearing loans and borrowings	18(c)	**8,332,604**	10,008,122	9,194,263	**4,200,212**	6,460,068
Deferred tax liabilities	27	**45,267**	7,995	30,149	**–**	–
Other non-current financial liabilities	18(b)	**183,819**	196,864	185,255	**–**	–
Provisions	24(d)	**647,331**	–	–	**647,331**	_
		9,209,021	10,212,981	9,409,667	**4,847,543**	6,460,068
		31,506,407	33,559,513	33,445,876	**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 period ended 31 December 2011

				← Non-Distributable →		Distributable ←	
	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
9 MONTHS ENDED 31 DECEMBER 2011							
At 1 April 2011		**23,066,935**	**21,911,962**	**4,463,794**	**4,459,468**	**14,208,587**	**(1,219,887)**
Prior year adjustment	40	**279,597**	**279,597**	**–**	**–**	**–**	**279,597**
At 1 April 2011 (restated)		**23,346,532**	**22,191,559**	**4,463,794**	**4,459,468**	**14,208,587**	**(940,290)**
Total comprehensive loss		**(547,785)**	**(744,506)**	**–**	**–**	**(1,481,483)**	**736,977)**
Transactions with equity holders							
Transfer to reserves	26	**–**	**–**	**–**	**–**	**28**	**(28)**
Dividends	11	**(501,361)**	**(438,390)**	**–**	**–**	**(438,390)**	**–**
Total transactions with equity holders		**(501,361)**	**(438,390)**	**–**	**–**	**(438,362)**	**(28)**
At 31 December 2011		**22,297,386**	**21,008,663**	**4,463,794**	**4,459,468**	**12,288,742**	**(203,341)**
12 MONTHS ENDED 31 MARCH 2011							
At 1 April 2010		24,036,209	23,661,972	4,463,794	4,459,468	14,315,751	422,959
Total comprehensive income		122,242	(206,822)	–	–	1,870,751	(2,077,573)
Prior year adjustment for restatement of currency translation reserve	40	279,597	279,597	–	–	–	279,597
Transaction with equity holders							
Acquisition of a subsidiary		1,119	–	–	–	–	–
Dilution of interest in subsidiaries		550,067	–	–	–	–	–
Transfer to reserves	26	–	–	–	–	(434,727)	434,727
Dividends	11	(1,642,702)	(1,543,188)	–	–	(1,543,188)	–
Total transactions with equity holders		(1,091,516)	(1,543,188)	–	–	(1,977,915)	434,727
At 31 March 2011 (restated)		23,346,532	22,191,559	4,463,794	4,459,468	14,208,587	(940,290)

* 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.

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
	41,443	435,284	1,357	1,994	59,715	225,183	(171,637)	(1,813,226)	1,154,973
	–	–	–	–	–	–	–	279,597	–
	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)	797,023	196,721
	(28)	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	(62,971)
	(28)	–	–	–	–	–	–	–	(62,971)
	41,415	435,284	1,357	1,966	59,715	203,307	(209,779)	(736,606)	1,288,723
	41,342	1,185	1,381	1,242	59,715	189,119	(150,241)	279,216	374,237
	101	–	(24)	124	–	36,064	(21,396)	(2,092,442)	329,064
	–	–	–	–	–	–	–	279,597	–
	–	–	–	–	–	–	–	–	1,119
	–	–	–	–	–	–	–	–	550,067
	–	434,099	–	628	–	–	–	–	–
	–	–	–	–	–	–	–	–	(99,514)
	–	434,099	–	628	–	–	–	–	451,672
	41,443	435,284	1,357	1,994	59,715	225,183	(171,637)	(1,533,629)	1,154,973

Statements of Changes in Equity
for the period ended 31 December 2011

			← Non-Distributable	→	Distributable ←	Non-Distributable		→
	Note	**Total Equity RM'000**	**Share Capital* RM'000**	**Share Premium RM'000**	**Retained profits RM'000**	**Other reserves, total RM'000**	**Fair value reserve RM'000**	**Currency translation reserve RM'000**
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		**(603,594)**	**–**	**–**	**(1,293,254)**	**689,660**	**(21,876)**	**711,536**
Transaction 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)**
12 MONTHS ENDED 31 MARCH 2011								
At 1 April 2010		17,817,407	4,463,794	4,459,468	9,199,015	(304,870)	189,119	(493,989)
Total comprehensive loss		(40,623)	–	–	1,488,692	(1,529,315)	36,064	(1,565,379)
Transactions with equity holders								
Dividends, representing total transactions with equity holders	11	(1,543,188)	–	–	(1,543,188)	–	–	–
At 31 March 2011		16,233,596	4,463,794	4,459,468	9,144,519	(1,834,185)	225,183	(2,059,368)

* 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 period ended 31 December 2011

	Note	Group 1.4.2011 to 31.12.2011 RM'000	Group 1.4.2010 to 31.3.2011 RM'000	Corporation 1.4.2011 to 31.12.2011 RM'000	Corporation 1.4.2010 to 31.3.2011 RM'000
Cash receipts from customers		**8,950,847**	12,876,194	**3,573,459**	3,961,111
Cash paid to suppliers and employees		**(7,891,666)**	(10,546,522)	**(4,216,017)**	(2,890,822)
Cash generated from/(used in) operations		**1,059,181**	2,329,672	**(642,558)**	1,070,289
Taxation paid		**(16,466)**	(94,821)	**–**	–
Net cash generated from/(used in) operating activities		**1,042,715**	2,234,851	**(642,558)**	1,070,289
Net cash (used in)/generated from investing activities	28	**(1,939,387)**	(4,006,326)	**309,439**	(2,134,685)
Net cash generated from/(used in) financing activities	29	**1,633,750**	(2,627,426)	**755,499**	(3,973,238)
Net increase/(decrease) in cash and cash equivalents		**737,078**	(4,398,901)	**422,380**	(5,037,634)
Cash and cash equivalents at beginning of financial period/year		**3,352,727**	7,849,080	**877,396**	5,944,973
Currency translation differences		**65,334**	(97,452)	**50,831**	(29,943)
Cash and cash equivalents at end of financial period/year		**4,155,139**	3,352,727	**1,350,607**	877,396
Cash and cash equivalents comprise:					
Cash, deposits and bank balances	22	**4,155,139**	3,352,727	**1,350,607**	877,396

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

Notes to the Financial Statements

31 December 2011

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, 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 period.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 12 April 2012.

2. Significant Accounting Policies

2.1 (a) Basis of preparation

The financial statements comply with Financial Reporting Standards ("FRS") and the Companies Act, 1965 in Malaysia.

At the beginning of the current financial period, the Group and the Corporation had (unless otherwise stated) adopted the new and revised FRS and IC Interpretations which are mandatory for the financial periods beginning on or after 1 July 2010 as described fully in Note 2.3.

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

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

(b) Change in financial year end

The financial year end of the Corporation was changed 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 current financial statements are prepared for nine months from 1 April 2011 to 31 December 2011. As a result the comparative figures stated in the income statement, statement of comprehensive income, statement of changes of equity and statement of cash flows and the related notes are not comparable.

2.2 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

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

2. Significant Accounting Policies (Cont'd.)

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

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

(i) Subsidiaries (cont'd.)

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.

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.

From 1 April 2011, the Group has applied FRS 3: *Business Combinations (Revised) in accounting for business combinations*. The revised standard still requires the purchase method of accounting to be applied for business combinations but introduces changes to the accounting treatment.

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.

Notes to the Financial Statements
31 December 2011

2. Significant Accounting Policies (Cont'd.)

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

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

(ii) Basis of consolidation (cont'd.)

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. Following the revision of FRS 3, 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.

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 income statement.

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 period between the non-controlling interests and the equity holders of the Corporation.

Prior to adoption of FRS127 (revised) where losses applicable to the non-controlling interests exceed the non-controlling's interest in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling interests, are charged against the Group's interest except to the extent that the non-controlling has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the non-controlling's share of losses previously absorbed by the Group has been recovered.

From 1 April 2011, the Group has adopted FRS 127, Consolidated and Separate Financial Statements (revised), whereby 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 adoption of FRS 127 (revised) has been accounted for prospectively in accordance with the transitional provision of the standard.

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 it is accounted for as an equity accounted investee or as an available for sale financial asset depending on the level of influence retained.

Prior to adoption of FRS 127 (revised), if the Group retained any interest in the previous subsidiary, such interest was remeasured at the carrying amount at the date the control was lost and this carrying amount would be regarded as cost on initial measurement of the investment.

2. Significant Accounting Policies (Cont'd.)

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

(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.

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.

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.

Notes to the Financial Statements
31 December 2011

2. Significant Accounting Policies (Cont'd.)

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

(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.

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 entity.

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

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

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

2. Significant Accounting Policies (Cont'd.)

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

(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 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.

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.

Notes to the Financial Statements
31 December 2011

2. Significant Accounting Policies (Cont'd.)

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

(f) Construction contracts

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

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 is 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.

2. Significant Accounting Policies (Cont'd.)

2.2 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, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

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

Notes to the Financial Statements
31 December 2011

2. Significant Accounting Policies (Cont'd.)

2.2 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 FRS 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 period/year ended 31 December 2011 and 31 March 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 positive 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 profit or loss when the held-to maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

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

2. Significant Accounting Policies (Cont'd.)

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

(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.

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 FRS 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.

Notes to the Financial Statements

31 December 2011

2. Significant Accounting Policies (Cont'd.)

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

(k) Offsetting of financial instruments

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

(l) 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 reference 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.)

2.2 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.

(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.

Notes to the Financial Statements
31 December 2011

2. Significant Accounting Policies (Cont'd.)

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

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

(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 profit or loss 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 income statement, the impairment loss is reversed in 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.

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.

2. Significant Accounting Policies (Cont'd.)

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

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

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.

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; or
- hedges of a net investment in a foreign operation.

Notes to the Financial Statements
31 December 2011

2. Significant Accounting Policies (Cont'd.)

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

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

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.

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 RM9,638,000 (31.3.2011: RM11,609,000) have been recognised in current period's other comprehensive income.

The Group's share of its jointly controlled entities' unrealised losses on IRS during the period was RM44,324,000 (31.3.2011: RM Nil).

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

2. Significant Accounting Policies (Cont'd.)

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

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

Cash flow hedges (cont'd.)

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

– Where the Group holds 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.

(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 is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Notes to the Financial Statements
31 December 2011

2. Significant Accounting Policies (Cont'd.)

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

(q) Leases (cont'd.)

(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.

(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 income statement in the period in which they are incurred.

(s) Income tax

Income tax on the profit or loss for the period 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 at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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.

2. Significant Accounting Policies (Cont'd.)

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

(s) Income tax (cont'd.)

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 against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses 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.

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 profit or loss. 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.

Notes to the Financial Statements

31 December 2011

2. Significant Accounting Policies (Cont'd.)

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

(t) Provisions (cont'd.)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the 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.

(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 non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current period and preceding financial years. Such contributions are recognised as an expense in the 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.

2. Significant Accounting Policies (Cont'd.)

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

(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"), in compliance with FRS.

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded 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. Non-monetary 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 operations, 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 operations.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operations, are recognised in the income statement for the period. Exchange differences arising on monetary items that form part of the Corporation's net investment in foreign operations, 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 operations, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the income statement for the period, except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised directly in equity.

Notes to the Financial Statements

31 December 2011

2. Significant Accounting Policies (Cont'd.)

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

(v) Foreign currencies (cont'd.)

(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.

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.

2. Significant Accounting Policies (Cont'd.)

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

(w) Revenue recognition (cont'd.)

(iv) Other shipping related income

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are performed.

(v) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.2(f).

(vi) 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.

(vii) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(viii) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(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 FRS. Then, on initial classification as held for sale, non-current assets are measured in accordance with FRS 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.

(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.

Notes to the Financial Statements
31 December 2011

2. Significant Accounting Policies (Cont'd.)

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

(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.

2.3 Changes in accounting policies and effects arising from adoption of new and revised FRS as per Note 2.1

On 1 April 2011, the Group and the Corporation adopted the following new and amended FRS and IC interpretations issued by the Malaysian Accounting Standards Board which are effective for annual periods beginning on or after 1 July 2010, unless otherwise specified:

Description	Effective for annual periods beginning on or after
FRS 1: First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3: Business Combinations (revised)	1 July 2010
FRS 127: Consolidated and Separate Financial Statements (amended)	1 July 2010
Amendments to FRS 2: Share-based Payment	1 July 2010
Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 138: Intangible Assets	1 July 2010
Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives	1 July 2010
IC Interpretation 12: Service Concession Arrangements	1 July 2010
IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17: Distributions of Non-cash Assets to Owners	1 July 2010
FRS 1: Limited Exemption from Comparatives FRS 7 Disclosures for First Time Adopters (Amendment to FRS 1)	1 January 2011
FRS 1: Additional Exemptions for First-time Adopters (Amendments to FRS 1)	1 January 2011
FRS 2: Group Cash-settled Share-based Payment Transactions (Amendments to FRS 2)	1 January 2011
FRS 7: Improving Disclosure about Financial Instruments (Amendments to FRS 7)	1 January 2011
Amendments to FRS 1: First-time Adoption of Financial Reporting Standards	1 January 2011
Amendments to FRS 3: Business Combinations	1 January 2011
Amendments to FRS 7: Financial Instruments – Disclosures	1 January 2011
Amendments to FRSs 'Improvements to FRSs (2010)'	1 January 2011
IC Interpretation 4: Determining Whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 18: Transfer of Assets from Customers	1 January 2011

2. Significant Accounting Policies (Cont'd.)

2.3 Changes in accounting policies and effects arising from adoption of new and revised FRS as per Note 2.1 (cont'd.)

Adoption of the above standards and interpretations did not have any significant effect on the financial performance or position of the Group and the Corporation except for those discussed below:

Amendments to FRS 7: Improving Disclosures about Financial Instruments

The amended standard requires enhanced disclosure about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy (Level 1, Level 2 and Level 3), by class, for all financial instruments recognised at fair value.

A reconciliation between the beginning and ending balance for Level 3 fair value measurements is required. Any significant transfers between levels of the fair value hierarchy and the reasons for those transfers need to be disclosed. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 34. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 35.

2.4 New and revised pronouncements yet in effect

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework). The MFRS framework is effective from 1 January 2012, and is to facilitate convergence with the International Financial Reporting Standards ("IFRS").

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer.

MFRS, including restated comparatives, will be adopted by the Group in the forthcoming interim financial report for the period ending 31 March 2012. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements in accordance with MFRS Framework. The majority of the adjustments required on transition, if any will be made retrospectively against the comparative's opening retained profits.

The Group has not completed its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the period ended 31 December 2011 could be different if prepared under the MFRS Framework.

The Group expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2012.

Notes to the Financial Statements
31 December 2011

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 2011 was RM720,740,000 (31.3.2011: RM693,056,000). The key assumptions used in the value in use calculations are disclosed in Note 14(c).

(ii) Provisions

Provisions are recognised in accordance with the accounting policy in Note 2.2(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.

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 (cont'd.)

During the financial period, the Group and the Corporation recognised a one-off provisions of RM1,452,723,000 and RM1,406,097,000 respectively in relation to the costs of exiting the liner business. Included in the provisions are impairment losses of RM392,165,000 and RM388,013,000 of the Group and the Corporation respectively. Further details of these provisions are disclosed in Note 41.

(iii) Impairment of ships, offshore floating assets and other property, plant and equipment

During the financial period, the Group and the Corporation have recognised impairment loss (including impairment pertaining to exit of the liner business as disclosed in Note 41) of RM679,329,000 (31.3.2011: RM533,435,000) and RM579,995,000 (31.3.2011: RM529,164,000) respectively in respect of its ships and other property, plant and equipment. 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 2011 were RM18,771,476,000 (31.3.2011: RM18,569,468,000), RM7,706,240,000 (31.3.2011:RM6,794,926,000) and RM1,535,468,000 (31.3.2011: RM1,454,129,000) respectively. Further details of the impairment loss recognised are disclosed in Note 12(c).

(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 and capital allowances of the Group was RM670,000 (31.3.2011: RM3,607,000) and the unrecognised tax losses and capital allowances of the Group was RM3,933,360,000 (31.3.2011: RM3,364,268,000).

(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.

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3. Revenue

	Group		Corporation	
	1.4.2011 to 31.12.2011 RM'000	1.4.2010 to 31.3.2011 RM'000	1.4.2011 to 31.12.2011 RM'000	1.4.2010 to 31.3.2011 RM'000
Charter and lightering income	**4,321,509**	6,049,390	**654,142**	949,641
Freight income	**1,836,245**	2,377,041	**1,739,836**	2,374,954
Construction contracts	**1,653,848**	3,063,009	**–**	–
Other shipping related income	**484,385**	596,506	**179,476**	265,639
Non-shipping income	**209,946**	239,693	**–**	–
	8,505,933	12,325,639	**2,573,454**	3,590,234

Non-shipping income mainly represents revenue generated from the operation and maintenance of offshore floating assets.

4. Other Operating Income

	Group		Corporation	
	1.4.2011 to 31.12.2011 RM'000	1.4.2010 to 31.3.2011 RM'000	1.4.2011 to 31.12.2011 RM'000	1.4.2010 to 31.3.2011 RM'000
Rental income	**54**	1,935	**7**	20
Exchange gain:				
Realised	**109,215**	317,269	**72,557**	258,608
Unrealised	**148,518**	72,355	**116,188**	30,802
Management services:				
Subsidiaries	**–**	–	**18,881**	35,579
Third parties	**246**	477	**–**	319
Gain on disposal of:				
Jointly controlled entities	**34,885**	–	**–**	–
Other property, plant and equipment	**31,324**	342	**31,034**	218
Other business	**2,680**	–	**–**	–
Dividend income on equity investments:				
Subsidiaries	**–**	–	**855,119**	1,503,586
Quoted in Malaysia	**53,391**	51,868	**53,391**	51,868
Unquoted in Malaysia	**1,034**	2,003	**1,034**	2,003
Write back of impairment loss on trade receivables:				
Subsidiaries	**–**	–	**–**	3,248
Third Parties (Note 20)	**4,094**	2,569	**–**	–
Miscellaneous:				
Subsidiaries	**–**	–	**26,109**	7,071
Third Parties	**114,311**	76,468	**18,325**	2,930
	499,752	525,286	**1,192,645**	1,896,252

5. (Loss)/Profit Before Taxation

The following amounts have been included in arriving at (loss)/profit before taxation.

	Group		Corporation	
	1.4.2011 to 31.12.2011 RM'000	**1.4.2010 to 31.3.2011 RM'000**	**1.4.2011 to 31.12.2011 RM'000**	**1.4.2010 to 31.3.2011 RM'000**
Amortisation of intangible assets (Note 14)	**21,225**	28,168	**–**	–
Amortisation of prepaid lease payments on land and buildings (Note 13)	**2,059**	3,176	**116**	158
Auditors' remuneration:				
Auditors of the Corporation:				
Statutory audits	**2,930**	2,296	**728**	650
Other services	**203**	2,676	**138**	260
Other auditors:				
Statutory audits	**77**	158	**–**	–
Other services	**151**	364	**151**	175
Slot and charter hire expenses	**992,095**	1,240,157	**482,668**	548,342
Inventories used	**1,772,899**	2,937,501	**959,982**	1,046,386
Exchange loss:				
Realised	**57,043**	121,116	**40,619**	93,908
Unrealised	**146,595**	249,643	**68,030**	199,274
Operating lease rental	**13,673**	5,135	**–**	–
Impairment loss on trade receivables:				
Jointly controlled entities	**537**	17,745	**537**	16,426
Fellow subsidiaries	**–**	1,118	**–**	–
Third parties	**43,015**	15,253	**27,298**	15,884
Bad debts written off	**11,115**	–	**–**	–
Reversal of impairment loss on trade receivables (Note 20):				
Subsidiaries	**–**	–	**–**	(3,248)
Third parties	**(4,094)**	(2,569)	**–**	–
Rental of equipment	**227,990**	324,059	**150,452**	224,591
Rental of land and buildings	**32,758**	33,142	**15,321**	14,432
Impairment loss on investment in:				
Jointly controlled entities	**–**	5,224	**–**	–
Ships, offshore floating assets other property, plant and equipment:				
Depreciation (Note 12)	**938,203**	1,261,282	**353,013**	478,512
Prepaid lease payments on land and buildings written off	**–**	94	**–**	–
Staff costs (Note 6)	**944,277**	1,161,939	**379,304**	441,823
Non-executive directors' remuneration (Note 7)	**2,239**	2,980	**360**	614

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5. (Loss)/Profit Before Taxation (Cont'd.)

(a) Impairment provisions

	Group		Corporation	
	1.4.2011 to 31.12.2011 RM'000	**1.4.2010 to 31.3.2011 RM'000**	**1.4.2011 to 31.12.2011 RM'000**	**1.4.2010 to 31.3.2011 RM'000**
Ships in operation (Note 12(c))	**661,660**	529,164	**566,478**	529,164
Other property, plant and equipment (Note 12(c))	**4,152**	4,271	**–**	–
Non-current assets held for sale	**13,517**	–	**13,517**	–
Investments in:				
Subsidiaries	**–**	–	**141,058**	–
Jointly controlled entities	**–**	3,800	**–**	–
Associates	**–**	1,424	**–**	–
Loans to:				
Subsidiary	**–**	–	**–**	36,019
Jointly controlled entities	**6,267**	34,756	**6,267**	–
Associates	**–**	3,233	**–**	–
	685,596	576,648	**727,320**	565,183
Less:				
Impairment in relation to the exit of the Liner Business (Note 41)	**(392,165)**	–	**(388,013)**	–
Net impairment	**293,431**	576,648	**339,307**	565,183

6. Staff Costs

	Group		Corporation	
	1.4.2011 to 31.12.2011 RM'000	**1.4.2010 to 31.3.2011 RM'000**	**1.4.2011 to 31.12.2011 RM'000**	**1.4.2010 to 31.3.2011 RM'000**
Wages, salaries and bonuses	**786,298**	885,588	**304,036**	372,908
Contributions to defined contribution plans	**46,216**	53,281	**12,197**	13,075
Termination benefits	**451**	2,517	**–**	–
Social security costs	**4,565**	6,891	**470**	568
Other staff related expenses	**106,747**	213,662	**62,601**	55,272
	944,277	1,161,939	**379,304**	441,823

Included in staff costs of the Group and of the Corporation are executive directors' remuneration amounting to RM5,793,000 (31.3.2011: RM8,126,000) and RM1,788,000 (31.3.2011: RM1,948,000) respectively as further disclosed in Note 7.

7. Directors' Remuneration

	Group		Corporation	
	1.4.2011 to 31.12.2011 RM'000	**1.4.2010 to 31.3.2011 RM'000**	**1.4.2011 to 31.12.2011 RM'000**	**1.4.2010 to 31.3.2011 RM'000**
Executive directors' remuneration:				
Fees	**925**	706	**–**	–
Other emoluments	**4,868**	7,420	**1,788**	1,948
Total executive directors' remuneration (excluding benefits-in-kind)	**5,793**	8,126	**1,788**	1,948
Estimated money value of benefits-in-kind	**188**	307	**32**	41
Total executive directors' remuneration (including benefits-in-kind)	**5,981**	8,433	**1,820**	1,989
Non-executive directors' remuneration:				
Fees	**2,239**	2,980	**360**	614
Total directors' remuneration including benefits-in-kind (Note 30 (e))	**8,220**	11,413	**2,180**	2,603

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7. Directors' Remuneration (Cont'd.)

The details of remuneration receivable by directors of the Corporation during the financial period/year are as follows:

	Group		Corporation	
	1.4.2011 to 31.12.2011 RM'000	1.4.2010 to 31.3.2011 RM'000	1.4.2011 to 31.12.2011 RM'000	1.4.2010 to 31.3.2011 RM'000
Executive:				
Salaries and other emoluments	**1,187**	1,373	**1,187**	1,373
Bonus	**172**	98	**172**	98
Fees	**356**	706	**–**	–
Defined contribution plans	**429**	477	**429**	477
Estimated money value of benefits-in-kind	**32**	41	**32**	41
	2,176	2,695	**1,820**	1,989
Non-executive:				
Fees	**496**	695	**360**	614
	2,672	3,390	**2,180**	2,603

7. Directors' Remuneration (Cont'd.)

The number of directors of the Corporation whose total remuneration during the financial period/year fell within the following bands is analysed below:

	Number of directors	
	1.4.2011 to 31.12.2011	**1.4.2010 to 31.3.2011**
Executive directors:		
RM1 – RM500,000	**–**	–
RM500,001 – RM1,000,000	**–**	1
RM1,000,001 – RM1,500,000	**–**	–
RM1,500,001 – RM2,000,000	**–**	1
RM2,000,001 – RM2,500,000	**1**	–
	1	*2
Non-executive directors**:		
RM1 – RM50,000	**2**	2
RM50,001 – RM100,000	**–**	1
RM100,001 – RM150,000	**1**	3
RM150,001 – RM200,000	**–**	–
RM200,001 – RM250,000	**1**	–
	4	6

* There were two serving executive directors of the Corporation during the year arising from Encik Amir Hamzah Bin Azizan's transfer to Petronas Dagangan Berhad and the appointment of Datuk Nasarudin Bin Md Idris as Executive Director of the Corporation on 15 June 2010.

** Excludes the directors of the Corporation who are paid directly by the immediate holding company of the Corporation, Petroliam Nasional Berhad.

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8. (a) Finance Costs

	Group		Corporation	
	1.4.2011 to 31.12.2011 RM'000	**1.4.2010 to 31.3.2011 RM'000**	**1.4.2011 to 31.12.2011 RM'000**	**1.4.2010 to 31.3.2011 RM'000**
Interest expense:				
Holding Company	**23,890**	31,472	**23,890**	31,472
Subsidiaries	**–**	–	**122,643**	179,821
Third parties	**276,150**	369,589	**–**	–
Islamic Private Debt Securities	**51,575**	59,275	**51,575**	59,275
Total interest expense	**351,615**	460,336	**198,108**	270,568
Less: Interest expense capitalised in qualifying assets:				
Ships and offshore floating assets under construction (Note 12 (b))	**(71,872)**	(112,590)	**(66,584)**	(107,647)
Constructions and projects in progress (Note 12 (b))	**–**	(871)	**–**	–
Total finance costs	**279,743**	346,875	**131,524**	162,921

(b) Finance Income

	Group 1.4.2011 to 31.12.2011 RM'000	Group 1.4.2010 to 31.3.2011 RM'000	Corporation 1.4.2011 to 31.12.2011 RM'000	Corporation 1.4.2010 to 31.3.2011 RM'000
Interest income:				
Subsidiaries	**–**	–	**45,395**	68,022
Jointly controlled entities	**31,408**	15,120	**30,725**	14,526
Deposits	**54,868**	103,997	**6,272**	63,329
Finance lease	**–**	30,886	**–**	–
Total finance income	**86,276**	150,003	**82,392**	145,877

9. Taxation

	Group		Corporation	
	1.4.2011 to 31.12.2011 RM'000	**1.4.2010 to 31.3.2011 RM'000**	**1.4.2011 to 31.12.2011 RM'000**	**1.4.2010 to 31.3.2011 RM'000**
Current income tax:				
Malaysian income tax	**32,128**	31,259	**–**	–
Foreign tax	**8,038**	51,564	**–**	–
Under/(Over)provision in prior years:				
Malaysian income tax	**6,651**	(33,194)	**–**	–
Foreign tax	**(2,180)**	(3,741)	**–**	–
	44,637	45,888	**–**	–
Deferred tax (Note 27)				
Relating to origination and reversal of temporary differences	**48,850**	(34,194)	**–**	–
(Over)/Underprovision in prior years	**(5,211)**	5,181	**–**	–
	43,639	(29,013)	**–**	–
	88,276	16,875	**–**	–

Domestic current income tax is calculated at the statutory tax rate of 25% (31.3.2011: 25%) of the estimated assessable profit for the financial period/year.

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9. Taxation (Cont'd.)

A reconciliation of income tax expense applicable to (loss)/profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Corporation is as follows:

	Group		Corporation	
	1.4.2011 to 31.12.2011 RM'000	**1.4.2010 to 31.3.2011 RM'000**	**1.4.2011 to 31.12.2011 RM'000**	**1.4.2010 to 31.3.2011 RM'000**
(Loss)/Profit before taxation	**(1,222,012)**	2,244,263	**(1,293,254)**	1,488,692
Taxation at Malaysian statutory tax rate of 25%	**(305,503)**	561,066	**(323,314)**	372,173
Effect of different tax rates in other countries/jurisdictions	**(1,979)**	3,703	**–**	–
Income not subject to tax:				
Tax exempt shipping income	**(209,367)**	(472,869)	**(9,231)**	(153,193)
Other tax exempt income	**(15,958)**	(426,007)	**(274,381)**	(655,653)
Expenses not deductible for tax purposes	**525,166**	360,168	**459,513**	286,483
Effect of share of results of associates and jointly controlled entities	**(45,333)**	(39,888)	**–**	–
Utilisation of previously unrecognised tax losses, capital allowances and reinvestment allowances	**(16,353)**	(11,144)	**(7,059)**	(7,914)
Utilisation of reinvestment allowances during the period/year	**–**	(39,656)	**–**	–
Deferred tax assets recognised on unutilised investment tax allowance	**(3,421)**	(47,685)	**–**	–
Deferred tax assets not recognised during the period/year	**161,764**	160,941	**154,472**	158,104
Deferred tax (over)/ under provided in prior years	**(5,211)**	5,181	**–**	–
Income tax under/ (over) provided in prior years	**4,471**	(36,935)	**–**	–
Taxation for the period/year	**88,276**	16,875	**–**	–

Tax exempt shipping income is derived from the operations of the Group's sea-going Malaysian registered ships under Section 54A of the Malaysian Income Tax Act, 1967.

The Corporation has sufficient tax exempt income to frank the payment of dividends out of its entire retained profits as at 31 December 2011.

10. (Loss)/Earnings Per Share

Basic (loss)/earnings per share are calculated by dividing (loss)/profit for the period attributable to ordinary equity holders of the Corporation by the weighted average number of ordinary shares in issue during the financial period/year.

	Group	
	1.4.2011 to 31.12.2011	**1.4.2010 to 31.3.2011**
(Loss)/Profit after taxation attributable to equity holders of the Corporation (RM'000)	**(1,481,483)**	1,870,751
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 (loss)/earnings per share (sen)	**(33.2)**	41.9
Diluted (loss)/earnings per share (sen)	**(33.2)**	41.9

11. Dividends

	1.4.2011 to 31.12.2011 RM'000	**1.4.2010 to 31.3.2011 RM'000**
In respect of financial year:		
31 March 2010:		
Final tax exempt dividend of 20 sen per share	**–**	872,282
31 March 2011:		
Interim tax exempt dividend of 15 sen per share	**–**	670,906
Final tax exempt dividend of 10 sen per share	**438,390**	–
	438,390	670,906
	438,390	1,543,188

No dividend has been proposed during this financial period.

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12. Ships, Offshore Floating Assets and Other Property, Plant and Equipment

	At 1.4.2011 RM'000	Additions RM'000	Disposals RM'000
Group – 31 December 2011			
Ships			
Ships in operation	30,970,211	442,183	(185,847)
Ships under construction	1,553,399	1,114,286	–
	32,523,610	1,556,469	(185,847)
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	98,364	5,856	–
Leasehold land	44,167	–	–
Leasehold buildings	142,496	–	–
Drydocks and waste plant	822,712	–	–
Containers	237,129	–	(18,574)
Motor vehicles	83,671	35,711	(3,483)
Furniture, fittings and equipment	109,341	3,537	(6,968)
Computer software and hardware	200,070	13,056	(3,231)
Constructions and projects in progress	255,667	99,195	(1,155)
Plant and machinery	410,244	2,560	(231)
Tugboats, engines and pushers	3,828	–	–
	2,423,638	159,915	(33,642)

Cost				
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
–	(1,134,072)	(1,013,641)	1,502,854	30,581,688
–	(585,265)	–	113,336	2,195,756
–	(1,719,337)	(1,013,641)	1,616,190	32,777,444
(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	107,171
–	15,260	–	–	59,427
(123)	(7,563)	–	66	134,876
(6,809)	13,913	–	–	829,816
–	–	–	10,783	229,338
(884)	–	–	352	115,367
(1,477)	5,279	–	1,363	111,075
(587)	3,038	–	8,409	220,755
(6,061)	(53,513)	–	1,011	295,144
(8,814)	28,604	–	493	432,856
(153)	–	–	–	3,675
(24,908)	7,357	–	22,663	2,555,023

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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
Group – 31 December 2011			
Ships			
Ships in operation	**13,927,353**	**780,395**	**661,660**
Ships under construction	**26,789**	**–**	**–**
	13,954,142	**780,395**	**661,660**
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**	**1,821**	**1,515**
Leasehold land	**6,332**	**395**	**–**
Leasehold buildings	**34,856**	**3,171**	**–**
Drydocks and waste plant	**193,354**	**13,503**	**–**
Containers	**143,928**	**7,255**	**–**
Motor vehicles	**67,340**	**7,139**	**13**
Furniture, fittings and equipment	**82,484**	**5,024**	**1,541**
Computer software and hardware	**175,048**	**9,446**	**1,040**
Constructions and projects in progress	**–**	**–**	**–**
Plant and machinery	**235,139**	**20,159**	**43**
Tugboats, engines and pushers	**3,461**	**12**	**–**
	969,509	**67,925**	**4,152**

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 31.12.2011 RM'000	At 31.12.2011 RM'000
(118,698)	(6,779)	(1,443,766)	(514,145)	719,948	14,005,968	16,575,720
–	–	(26,789)	–	–	–	2,195,756
(118,698)	(6,779)	(1,470,555)	(514,145)	719,948	14,005,968	18,771,476
–	–	–	–	32,987	685,878	1,656,214
–	–	–	–	–	–	6,050,026
–	–	–	–	32,987	685,878	7,706,240
–	–	–	–	–	–	15,523
–	(185)	–	–	(156)	30,562	76,609
–	–	6,176	–	(7)	12,896	46,531
–	(844)	(1,151)	–	11	36,043	98,833
–	(3,355)	–	–	–	203,502	626,314
(18,529)	–	–	–	6,545	139,199	90,139
(1,146)	(879)	–	–	285	72,752	42,615
(4,771)	(1,320)	–	–	923	83,881	27,194
(2,248)	(1,193)	–	–	7,532	189,625	31,130
–	–	–	–	–	–	295,144
(166)	(7,647)	–	–	228	247,756	185,100
–	(134)	–	–	–	3,339	336
(26,860)	(15,557)	5,025	–	15,361	1,019,555	1,535,468

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12. Ships, Offshore Floating Assets and Other Property, Plant and Equipment (Cont'd.)

	At 1.4.2010 RM'000	Acquisition of a subsidiary RM'000	Additions RM'000
Group – 31 March 2011			
Ships			
Ships in operation	33,255,074	–	430,698
Ships under construction	1,411,763	–	1,960,839
	34,666,837	–	2,391,537
Offshore floating assets			
Offshore floating assets in operation	2,565,836	–	–
Offshore floating assets under construction	4,829,660	–	1,888,995
	7,395,496	–	1,888,995
Other property, plant and equipment			
Freehold land	16,187	–	–
Freehold buildings	94,924	–	6,963
Leasehold land	45,356	–	–
Leasehold buildings	139,274	–	1,466
Drydocks and waste plant	519,126	–	–
Containers	155,447	–	99,248
Motor vehicles	113,937	163	7,581
Furniture, fittings and equipment	108,353	881	6,653
Computer software and hardware	216,843	–	7,458
Constructions and projects in progress	476,648	–	140,454
Plant and machinery	359,190	166	15,742
Tugboats, engines and pushers	3,839	–	4
	2,249,124	1,210	285,569

Cost						
Disposals RM'000	**Write offs RM'000**	**Transfers RM'000**	**Reclassified as held for sale RM'000**	**Dilution of interest in a subsidiary RM'000**	**Currency translation differences RM'000**	**At 31.3.2011 RM'000**
(1,015,038)	(6,295)	1,579,336	(338,058)	–	(2,935,506)	30,970,211
–	(44,822)	(1,579,336)	–	–	(195,045)	1,553,399
(1,015,038)	(51,117)	–	(338,058)	–	(3,130,551)	32,523,610
–	(9,488)	(96,214)	–	–	(236,237)	2,223,897
–	–	(1,105,205)	–	–	(479,413)	5,134,037
–	(9,488)	(1,201,419)	–	–	(715,650)	7,357,934
–	–	–	–	–	(238)	15,949
(9)	–	(121)	(2,398)	–	(995)	98,364
–	–	(1,189)	–	–	–	44,167
–	–	1,813	–	–	(57)	142,496
–	(34)	303,963	–	(343)	–	822,712
–	(102)	–	–	–	(17,464)	237,129
(36,317)	(990)	–	–	–	(703)	83,671
(1,514)	(2,390)	121	–	(126)	(2,637)	109,341
(8)	(9,339)	1,425	–	–	(16,309)	200,070
(1,868)	(53)	(352,357)	–	(5,305)	(1,852)	255,667
–	(1,070)	46,345	(8,259)	(1,110)	(760)	410,244
–	(15)	–	–	–	–	3,828
(39,716)	(13,993)	–	(10,657)	(6,884)	(41,015)	2,423,638

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12. Ships, Offshore Floating Assets and Other Property, Plant and Equipment (Cont'd.)

	At 1.4.2010 RM'000	Acquisition of a subsidiary RM'000	Depreciation charge for the year RM'000	Impairment losses RM'000	Disposals RM'000
Group – 31 March 2011					
Ships					
Ships in operation	14,609,988	–	1,045,304	502,375	(602,850)
Ships under construction	–	–	–	26,789	–
	14,609,988	–	1,045,304	529,164	(602,850)
Offshore floating assets					
Offshore floating assets in operation	484,279	–	130,474	–	–
Offshore floating assets under construction	–	–	–	–	–
	484,279	–	130,474	–	–
Other property, plant and equipment					
Freehold land	–	–	–	–	–
Freehold buildings	22,489	–	2,937	4,170	(2)
Leasehold land	6,436	–	792	–	–
Leasehold buildings	29,452	–	5,379	–	–
Drydocks and waste plant	175,946	–	17,454	–	–
Containers	155,447	–	2,481	–	–
Motor vehicles	83,656	163	8,257	–	(23,166)
Furniture, fittings and equipment	76,417	774	8,082	–	(1,479)
Computer software and hardware	177,871	–	20,084	–	(6)
Constructions and projects in progress	–	–	–	–	–
Plant and machinery	218,258	166	19,876	101	–
Tugboats, engines and pushers	3,299	–	162	–	–
	949,271	1,103	85,504	4,271	(24,653)

Accumulated depreciation/impairment →							Net book value
Write offs RM'000	Transfers RM'000	Reclassified as held for sale RM'000	Reclassified from prepaid lease payments on land and buildings RM'000	Dilution of interest in a subsidiary RM'000	Currency translation differences RM'000	At 31.3.2011 RM'000	At 31.3.2011 RM'000
–	–	(286,551)	–	–	(1,340,913)	13,927,353	17,042,858
–	–	–	–	–	–	26,789	1,526,610
–	–	(286,551)	–	–	(1,340,913)	13,954,142	18,569,468
–	–	–	–	–	(51,745)	563,008	1,660,889
–	–	–	–	–	–	–	5,134,037
–	–	–	–	–	(51,745)	563,008	6,794,926
–	–	–	–	–	–	–	15,949
(1,263)	(33)	(454)	–	–	(277)	27,567	70,797
(94)	–	–	(806)	–	4	6,332	37,835
–	31	–	–	–	(6)	34,856	107,640
(13)	–	–	–	(33)	–	193,354	629,358
(102)	–	–	–	–	(13,898)	143,928	93,201
(1,069)	–	–	–	–	(501)	67,340	16,331
(103)	671	–	–	(92)	(1,786)	82,484	26,857
(8,876)	–	–	–	–	(14,025)	175,048	25,022
–	–	–	–	–	–	–	255,667
(826)	(669)	(1,371)	–	(220)	(176)	235,139	175,105
–	–	–	–	–	–	3,461	367
(12,346)	–	(1,825)	(806)	(345)	(30,665)	969,509	1,454,129

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12. Ships, Offshore Floating Assets and Other Property, Plant and Equipment (Cont'd.)

	At 1.4.2011 RM'000
Corporation – 31 December 2011	
Ships	
Ships in operation	15,373,989
Ships under construction	130,977
	15,504,966
Offshore floating assets	
Offshore floating assets under construction	5,054,856
	5,054,856
Other property and equipment	
Containers	237,129
Motor vehicles	6,701
Furniture, fittings and equipment	10,748
Computer software and hardware	125,360
Projects in progress	13,702
	393,640

	At 1.4.2011 RM'000	Depreciation charge for the period RM'000	Impairment losses RM'000
Corporation – 31 December 2011			
Ships			
Ships in operation	7,075,643	342,479	566,478
Ships under construction	26,789	–	–
	7,102,432	342,479	566,478
Offshore floating assets			
Offshore floating assets under construction	–	–	–
	–	–	–
Other property and equipment			
Containers	143,928	7,255	–
Motor vehicles	4,882	710	–
Furniture, fittings and equipment	8,878	1,003	–
Computer software and hardware	122,369	1,566	–
Projects in progress	–	–	–
	280,057	10,534	–

Cost						
Additions RM'000	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
170,434	(157,745)	–	(1,549,088)	(171,190)	742,223	14,408,623
34,413	–	–	(170,249)	–	6,250	1,391
204,847	(157,745)	–	(1,719,337)	(171,190)	748,473	14,410,014
634,722	–	–	248,782	–	266,485	6,204,845
634,722	–	–	248,782	–	266,485	6,204,845
–	(18,574)	–	–	–	10,782	229,337
–	–	–	–	–	323	7,024
26	–	–	–	–	557	11,331
333	(1,195)	–	3,038	–	6,021	133,557
5,941	–	–	(3,038)	–	872	17,477
6,300	(19,769)	–	–	–	18,555	398,726

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 31.12.2011 RM'000	At 31.12.2011 RM'000
(91,969)	–	(1,443,766)	(147,529)	369,035	6,670,371	7,738,252
–	–	(26,789)	–	–	–	1,391
(91,969)	–	(1,470,555)	(147,529)	369,035	6,670,371	7,739,643
–	–	–	–	–	–	6,204,845
–	–	–	–	–	–	6,204,845
(18,529)	–	–	–	6,545	139,199	90,138
–	–	–	–	262	5,854	1,170
–	–	–	–	464	10,345	986
(1,195)	–	–	–	5,924	128,664	4,893
–	–	–	–	–	–	17,477
(19,724)	–	–	–	13,195	284,062	114,664

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12. Ships, Offshore Floating Assets and Other Property, Plant and Equipment (Cont'd.)

	At 1.4.2010 RM'000
Corporation – 31 March 2011	
Ships	
Ships in operation	16,055,230
Ships under construction	899,953
	16,955,183
Offshore floating assets	
Offshore floating assets in operation	52,807
Offshore floating assets under construction	3,849,705
	3,902,512
Other property and equipment	
Containers	155,447
Motor vehicles	7,246
Furniture, fittings and equipment	12,043
Computer software and hardware	141,503
Projects in progress	7,239
	323,478

	At 1.4.2010 RM'000	Depreciation charge for the year RM'000	Impairment losses RM'000
Corporation – 31 March 2011			
Ships			
Ships in operation	7,053,483	468,535	502,375
Ships under construction	–	–	26,789
	7,053,483	468,535	529,164
Offshore floating assets			
Offshore floating assets in operation	6,900	–	–
Offshore floating assets under construction	–	–	–
	6,900	–	–
Other property and equipment			
Containers	155,447	2,481	–
Motor vehicles	4,734	943	–
Furniture, fittings and equipment	8,554	1,206	–
Computer software and hardware	134,017	5,347	–
Projects in progress	–	–	–
	302,752	9,977	–

Cost						
Additions RM'000	Disposals RM'000	Write offs RM'000	Transfers RM'000	Reclassified as held for sale RM'000	Currency translation differences RM'000	At 31.3.2011 RM'000
79,094	–	(430)	1,007,207	(338,058)	(1,429,054)	15,373,989
329,334	–	–	(1,007,207)	–	(91,103)	130,977
408,428	–	(430)	–	(338,058)	(1,520,157)	15,504,966
1,719	–	(61)	(49,712)	–	(4,753)	–
2,598,823	–	–	(955,886)	–	(437,786)	5,054,856
2,600,542	–	(61)	(1,005,598)	–	(442,539)	5,054,856
99,248	–	(102)	–	–	(17,464)	237,129
673	(571)	–	–	–	(647)	6,701
45	–	(239)	–	–	(1,101)	10,748
113	–	(5,224)	1,352	–	(12,384)	125,360
8,835	–	(53)	(1,352)	–	(967)	13,702
108,914	(571)	(5,618)	–	–	(32,563)	393,640

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 31.3.2011 RM'000	At 31.3.2011 RM'000
–	–	–	(286,550)	(662,200)	7,075,643	8,298,346
–	–	–	–	–	26,789	104,188
–	–	–	(286,550)	(662,200)	7,102,432	8,402,534
–	–	(6,288)	–	(612)	–	–
–	–	–	–	–	–	5,054,856
–	–	(6,288)	–	(612)	–	5,054,856
–	(102)	–	–	(13,898)	143,928	93,201
(274)	(79)	–	–	(442)	4,882	1,819
–	(81)	–	–	(801)	8,878	1,870
–	(5,079)	–	–	(11,916)	122,369	2,991
–	–	–	–	–	–	13,702
(274)	(5,341)	–	–	(27,057)	280,057	113,583

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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	
	31.12.2011 RM'000	**31.3.2011 RM'000**
Ships in operation	**1,986,584**	1,943,157
Offshore floating assets	**1,196,467**	1,398,601
Other property, plant and equipment	**31,128**	39,693
	3,214,179	3,381,451

(b) Finance costs capitalised during the financial period/year for ships and offshore floating assets under construction of the Group and of the Corporation were RM71,872,000 (31.3.2011: RM112,590,000) and RM66,584,000 (31.3.2011: RM107,647,000) respectively; and for constructions in progress of the Group were RM Nil (31.3.2011: RM871,000), 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 period/year. The review led to the recognition of an impairment loss of RM679,329,000 (31.3.2011: RM533,435,000) and RM579,995,000 (31.3.2011: RM529,164,000) for the Group and the Corporation respectively as disclosed in Note 5(a). The recoverable amount was based on 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.

13. Prepaid Lease Payments on Land and Buildings

	Group		Corporation	
	31.12.2011 RM'000	**31.3.2011 RM'000**	**31.12.2011 RM'000**	**31.3.2011 RM'000**
At 1 April 2011/2010	**82,487**	87,069	**5,758**	6,487
Addition	**–**	65	**–**	–
Transfer to other property, plant and equipment	**(2,333)**	(806)	**–**	–
Amortisation for the period/year (Note 5)	**(2,059)**	(3,176)	**(116)**	(158)
Write off	**–**	(94)	**–**	–
Currency translation differences	**274**	(571)	**274**	(571)
At 31 December/March 2011	**78,369**	82,487	**5,916**	5,758

13. Prepaid Lease Payments on Land and Buildings (Cont'd.)

	Group		Corporation	
	31.12.2011 RM'000	**31.3.2011 RM'000**	**31.12.2011 RM'000**	**31.3.2011 RM'000**
Analysed as:				
Long term leasehold land	**59,947**	70,515	**3,491**	3,400
Short term leasehold land	**5,734**	5,857	**–**	–
Leasehold buildings	**12,688**	6,115	**2,425**	2,358
	78,369	82,487	**5,916**	5,758

(a) Prior to a subsidiary being part of the Group, certain properties were revalued by the directors of this subsidiary in 1988 based on valuations carried out by firms of professional valuers to reflect the market values then. Surpluses on revaluation were taken to the revaluation reserve on that date. The net book value of revalued properties, had the assets been carried at cost less depreciation, is as follows:

	Group	
	31.12.2011 RM'000	**31.3.2011 RM'000**
Long term leasehold and foreshore land – 1988	**6,277**	6,466

(b) Included in long term leasehold land of the Group is the carrying value of a long term leasehold and foreshore land of a subsidiary of RM65,569,000 (31.3.2011: RM67,114,000) which cannot be disposed off, charged or subleased without the prior consent of the Johor State Government.

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14. Intangible Assets

	Group		
	Goodwill RM'000	**Other intangible assets RM'000**	**Total RM'000**
Cost			
At 1 April 2010	748,975	537,300	1,286,275
Additional investment in a subsidiary	150	–	150
Divestment of interest in a subsidiary	(27,669)	–	(27,669)
Reclassification	32,837	(32,837)	–
Currency translation differences	(58,912)	–	(58,912)
At 31 March 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
Accumulated amortisation and impairment			
At 1 April 2010	2,325	320,652	322,977
Amortisation	–	28,168	28,168
At 31 March 2011	2,325	348,820	351,145
Amortisation	–	21,225	21,225
At 31 December 2011	2,325	370,045	372,370
Net carrying amount			
At 31 March 2011	**693,056**	**155,643**	**848,699**
At 31 December 2011	**720,740**	**134,418**	**855,158**

The other intangible assets relate to the fair value of time charter hire contracts based on valuations performed by an independent professional valuer, and are amortised over the time charter period of the vessels.

Impairment Test For Goodwill

(a) Impairment loss recognised

The Group performed a review on the recoverable amount of goodwill during the financial period/year. Based on this review, no impairment loss was recognised (31.3.2011: RM Nil). Generally, the recoverable amount are based on market value at quoted shares or value in use. In determining value in use for the cash-generating unit ("CGU"), the cash flows were discounted at a rate determined by management on a pre-tax basis.

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:

	31.12.2011 RM'000	31.3.2011 RM'000
Energy related shipping	**633,355**	604,198
Other energy businesses	**86,515**	87,988
Integrated Liner Logistics	**150**	150
Non-shipping	**720**	720
	720,740	693,056

(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 RM313,104,000. The value in use is most sensitive to the following key assumptions:

1. The discount rate applied is 7.3%. 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;

   An increase of 0.2% or 20 basis points in the risk adjusted discount rate would give a recoverable amount equal to the carrying amount of the company.

2. Terminal value and growth rate – The terminal value is based on expected cash flows for year 2016 into perpetuity with terminal year growth rate of 0%. Terminal year charter rates are based on ten-year average historical market rates;

   An increase of 2% in the growth rate would increase the value in use of the company by approximately RM1,059.8 million (31.3.2011: RM44.2 million).

3. Expenses to increase by an annual average rate of between 2.5% – 3.3%;

4. Spot charter rates to increase based on forecasts by industry research publications.

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.

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14. Intangible Assets (Cont'd.)

(c) Key assumptions used in value in use calculations (cont'd.)

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. An increase of 2.6% in the discount rate would give a recoverable amount equal to the carrying amount of the CGU.

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.

15. Investments in Subsidiaries

	Corporation	
	31.12.2011 RM'000	**31.3.2011 RM'000**
At 1 April 2011/2010	**5,187,493**	5,657,996
Additional investment in subsidiaries (Note a)	**2,797,650**	95,153
Disposal (Note b)	**–**	(62,989)
Impairment of investment in an unquoted subsidiary	**(146,070)**	–
Currency translation differences	**250,330**	(502,667)
At 31 December/31 March 2011	**8,089,403**	5,187,493

	Corporation	
	31.12.2011 RM'000	**31.3.2011 RM'000**
At cost		
Quoted shares	**205,051**	195,611
Unquoted shares	**7,884,352**	4,991,882
	8,089,403	5,187,493

15. Investments in Subsidiaries (Cont'd.)

Included in unquoted shares are preference shares of RM3,029,979,000 (31.3.2011: RM2,956,483,000) which bear interest ranging from 5.00% to 6.00% (31.3.2011: 5.00% to 6.00%) per annum.

a. On 1 April 2011, 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 29 October 2010, the Corporation sold 274,000,000 Malaysia Marine and Heavy Engineering Holdings Berhad ("MHB") shares to institutional investors.

   The Corporation also disposed 262,000,000 MHB shares to the public via initial public offering of MHB on the Main Market of Bursa Malaysia.

   The combined sale and disposal of equity interest in MHB led to a 33.5% dilution of the Corporation's interest in MHB. The Group and Corporation recorded a gain on dilution of interest in MHB of RM1,400,147,000 and RM975,479,000 respectively during the financial year ended 31 March 2011.

c. On 29 December 2011, MISC Integrated Logistics Sdn. Bhd. ("MILS"), a wholly owned subsidiary of the Corporation disposed its entire 60% equity interest in MILS-SterilGamma for a sale consideration of RM1.

d. An impairment review of the carrying amount of the 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 RM141,058,000 was recognised during the financial period in the relation to the cost of investment in two unquoted subsidiaries.

   Details of the subsidiaries are disclosed in Note 37.

16. Investments in Associates

	Group		Corporation	
	31.12.2011 RM'000	**31.3.2011 RM'000**	**31.12.2011 RM'000**	**31.3.2011 RM'000**
Unquoted shares in Malaysia, at cost	**571**	565	**131**	125
Unquoted shares outside Malaysia, at cost	**4,571**	4,567	**95**	91
	5,142	5,132	**226**	216
Share of post-acquisition loss	**(2,319)**	(1,945)	**–**	–
Share of other post-acquisition reserves	**2,138**	57	**–**	–
	4,961	3,244	**226**	216
Less: Accumulated impairment losses	**(2,639)**	(2,639)	**–**	–
Carrying amount of the investment	**2,322**	605	**226**	216

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16. Investments in Associates (Cont'd.)

The summarised financial information of the associates are as follows:

	31.12.2011 RM'000	31.3.2011 RM'000
Assets and liabilities		
Current assets	**20,171**	12,601
Non-current assets	**16,927**	17,490
Total assets	**37,098**	30,091
Current liabilities	**17,773**	16,563
Non-current liabilities	**8,325**	4,922
Total liabilities	**26,098**	21,485
Results		
Revenue	**5,198**	12,455
Profit for the period/year	**551**	641

Details of the associates are disclosed in Note 38.

17. Investments in Jointly Controlled Entities

	Group			Corporation	
	31.12.2011 RM'000	Restated 31.03.2011 RM'000	31.3.2010 RM'000	31.12.2011 RM'000	31.03.2011 RM'000
Unquoted shares in Malaysia, at cost	**147,537**	138,167	76,225	**138,367**	131,997
Unquoted shares outside Malaysia, at cost	**3,102,693**	2,963,455	378,405	**476**	453
	3,250,230	3,101,622	454,630	**138,843**	132,450
Share of post-acquisition profits	**355,715**	185,271	104,042	**–**	–
Share of other post-acquisition reserves	**(62,978)**	101,038	(2,960)	**–**	–
	292,737	286,309	101,082	**–**	–
Less: Accumulated impairment loss	**(4,662)**	(8,247)	(3,801)	**–**	–
Carrying amount of the investment	**3,538,305**	3,379,684	551,911	**138,843**	132,450

17. Investments in Jointly Controlled Entities (Cont'd.)

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:

	31.12.2011 RM'000	**31.3.2011 RM'000**
Assets and liabilities		
Current assets	**1,161,213**	972,587
Non-current assets	**4,734,371**	4,456,200
Total assets	**5,895,584**	5,428,787
Current liabilities	**1,097,501**	1,114,223
Non-current liabilities	**2,400,293**	2,021,012
Total liabilities	**3,497,794**	3,135,235
Results		
Revenue	**1,596,763**	1,218,217
Profit for the period/year	**184,246**	161,432

a. The Group through its wholly owned subsidiary, MISC Integrated Logistics Sdn. Bhd. ("MILS") had on 1 August 2011 disposed its entire 50% interest in a jointly controlled entity, Transware Distribution Services Pte. Ltd. ("TDS"), for a total consideration of SGD17.9 million (RM43.8 million). The disposal of TDS is part of the Group's strategy to focus on energy project cargo logistics.

b. On 17 August 2011, MILS disposed its entire 50% equity interest in Keer-MISC Logistics Co. Ltd ("Keer"), a company operating in Sudan whose principal activities are transportation, warehousing and freight forwarding. The total consideration of the share disposal was USD1.0 million (RM3.0 million).

c. On 6 July 2011, Malaysia Marine and Heavy Engineering Holdings Berhad ("MHB"), a listed subsidiary, entered into a joint venture agreement with Technip Geoproduction (M) Sdn. Bhd. to incorporate a JCE, Technip MHB Hull Engineering Sdn. Bhd. ("TMH"), that will perform hull engineering services on floating structures for the oil and gas industry. MHB's 50% investment in TMH amounted to RM3,000,000.

d. On 1 July 2011, AET Inc. Limited ("AET"), a wholly owned subsidiary of the Corporation entered into a joint venture agreement with Christophersen S.A. to incorporate a JCE, Eagle Lightering Services ("ELS"). AET's 50% investment in ELS amounted to RM238,000.

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17. Investments in Jointly Controlled Entities (Cont'd.)

e. Included in the carrying amount of investment in jointly controlled entities is goodwill of RM1,238,154,000 arising from the acquisition of VTTI B.V in the financial year ended 31 March 2011. As at the reporting date, the purchase price allocation exercise of VTTI B.V. has been completed. An impairment review of the carrying amount of the goodwill at the reporting date was undertaken by comparing the carrying amount of the VTTI to the recoverable amount, which was based on value in use calculations. The recoverable amount exceeds the carrying amount by RM1,230,142,000. 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 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 is made to the risk free return on long term government securities in December 2011;

      An increase of 1.6% in the risk adjusted discount rate would give a recoverable amount equal to the carrying amount of the CGU.

   2. Terminal value and growth rate – The terminal value is based on expected cash flows for year 2016 into perpetuity with terminal year growth rate of 3%.

      A 1.5% decrease in the growth rate would give a recoverable amount equal to the carrying amount of the CGU.

   Based on the above assumptions, there is no impairment to the investment in VTTI.

Details of the Group's jointly controlled entities are disclosed in Note 39.

18. Other Financial Assets and Financial Liabilities

(a) Other financial assets

	Group		Corporation	
	31.12.2011 RM'000	**31.3.2011 RM'000**	**31.12.2011 RM'000**	**31.3.2011 RM'000**
Non-current unquoted equity shares	**40,876**	38,955	**40,345**	38,488
Less: Impairment	**(2,938)**	(2,764)	**(2,791)**	(2,663)
	37,938	36,191	**37,554**	35,825
Non-current quoted equity shares	**351,158**	373,033	**351,158**	373,033

18. Other Financial Assets and Financial Liabilities (Cont'd.)

(a) Other financial assets (cont'd.)

	Group		Corporation	
	31.12.2011 RM'000	**31.3.2011 RM'000**	**31.12.2011 RM'000**	**31.3.2011 RM'000**
Loans and advances:				
Subsidiaries	**–**	–	**971,268**	1,060,365
Jointly controlled entities	**775,082**	151,774	**772,225**	44,496
Associates	**4,083**	5,450	**1,903**	1,815
	779,165	157,224	**1,745,396**	1,106,676
Less:				
Impairment on loans to:				
Subsidiary	**–**	–	**(53,223)**	(51,422)
Associates	**(1,776)**	(3,231)	**–**	–
Jointly controlled entities	**(6,490)**	(64,721)	**(6,490)**	–
	(8,266)	(67,952)	**(59,713)**	(51,422)
Net loans and advances	**770,899**	89,272	**1,685,683**	1,055,254
Total other non-current financial assets	**1,159,995**	498,496	**2,074,395**	1,464,112

Non-current quoted investments are held as long-term strategic investments. The Group has no intention to dispose its interest in these companies.

The loans and advances to subsidiaries are unsecured and bear interest ranging from 3.22% to 5.9% (31.3.2011: 3.22% to 7.00%) per annum.

(b) Other financial liabilities

	Group	
	31.12.2011 RM'000	**31.3.2011 RM'000**
Current:		
Currency hedge – effective hedges	**2,327**	–

During the financial period, the Group entered into forward currency contracts to manage its exposure to foreign currency risk.

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18. Other Financial Assets and Financial Liabilities (Cont'd.)

(b) Other financial liabilities

	Group	
	31.12.2011 RM'000	**31.3.2011 RM'000**
Non-current:		
Interest rate swaps ("IRS") – effective hedges representing total other financial liabilities		
– IRS 1 (i)	**31,877**	45,763
– IRS 2 (ii)	**7,614**	5,721
– IRS 3 (iii)	**137,932**	145,380
– IRS 4 (iv)	**6,396**	–
	183,819	196,864

(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 2011 was RM522,660,000 (31.3.2011: RM635,242,000). 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% (31.3.2011: 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% (31.3.2011: 3.45%) per annum until the maturity of the loan. The notional amount of loan being hedged as at the reporting date was RM98,634,000 (31.3.2011: RM92,278,000).

(iii) The Group had, in October 2008 and November 2008, drawndown USD1 billion and USD75 million transferrable five-year term loan facilities arranged by a few banks. The loans are subject to floating interest rates and to manage interest rate risk, the Group had on 4 March 2009, entered into interest rate swap arrangements with a notional amount totalling RM3,409,363,000 (31.3.2011: RM3,252,413,000) which entitles the Group to pay fixed interest rates ranging from 2.48% to 2.81% (31.3.2011: 2.48% to 2.81%) per annum and receive floating interest rates for each repayment date until maturity of the loans.

(iv) On 27 May 2011, the Group entered into a new interest rate swap hedging arrangement to hedge 90% of its subsidiary term loan facility arranged by a few banks with a notional amount of RM270,554,000. Under this arrangement, the Group pays fixed interest rate of 1.85% per annum and receives cash flows at floating rates.

18. Other Financial Assets and Financial Liabilities (Cont'd.)

(c) Interest-bearing loans and borrowings

	Group		Corporation	
	31.12.2011 RM'000	**31.3.2011 RM'000**	**31.12.2011 RM'000**	**31.3.2011 RM'000**
Short term borrowings				
Secured:				
Term loans				
Fixed rate	**178,647**	169,670	**–**	–
Floating rate	**271,023**	227,505	**–**	–
Hire purchase	**3,437**	123	**–**	–
	453,107	397,298	**–**	–
Unsecured:				
Revolving credit	**1,110,025**	–	**–**	–
Islamic Private Debt Securities				
Al Murabahah Medium Term Notes	**1,449,953**	849,963	**1,449,953**	849,963
Loans from subsidiaries	**–**	–	**688,216**	211,433
Revolving credit from holding company*	**475,725**	–	**475,725**	–
Loan from holding company*	**2,370,746**	–	**2,370,746**	–
	5,406,449	849,963	**4,984,640**	1,061,396
	5,859,556	1,247,261	**4,984,640**	1,061,396

* 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.

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18. Other Financial Assets and Financial Liabilities (Cont'd.)

(c) Interest-bearing loans and borrowings (cont'd.)

	Group		Corporation	
	31.12.2011 RM'000	**31.3.2011 RM'000**	**31.12.2011 RM'000**	**31.3.2011 RM'000**
Long term borrowings				
Secured:				
Term loans				
Fixed rate	**614,351**	693,334	**–**	–
Floating rate	**1,281,540**	761,030	**–**	–
Hire purchase	**24,380**	100	**–**	–
	1,920,271	1,454,464	**–**	–
Unsecured:				
Term loans				
Floating rate	**3,400,212**	3,240,015	**–**	–
US Dollar Guaranteed Notes	**2,212,121**	2,108,240	**–**	–
Islamic Private Debt Securities				
Al Murabahah Medium Term Notes	**800,000**	949,893	**800,000**	949,893
Loan from holding company	**–**	2,255,510	**–**	2,255,510
Loans from subsidiaries	**–**	–	**3,400,212**	3,254,665
	6,412,333	8,553,658	**4,200,212**	6,460,068
	8,332,604	10,008,122	**4,200,212**	6,460,068
Total borrowings				
Term loans	**5,745,773**	5,091,554	**–**	–
Hire purchase	**27,817**	223	**–**	–
USD Guaranteed Notes	**2,212,121**	2,108,240	**–**	–
Islamic Private Debt Securities				
Al Murabahah Medium Term Notes	**2,249,953**	1,799,856	**2,249,953**	1,799,856
Revolving credit	**1,110,025**	–	**–**	–
Loans from subsidiaries	–	–	**4,088,428**	3,466,098
Revolving credit from holding company	**475,725**	–	**475,725**	–
Loan from holding company	**2,370,746**	2,255,510	**2,370,746**	2,255,510
	14,192,160	11,255,383	**9,184,852**	7,521,464

18. Other Financial Assets and Financial Liabilities (Cont'd.)

(c) Interest-bearing loans and borrowings (cont'd.)

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).

The range of interest rates as at the reporting date of the above interest-bearing loans and borrowings are as follows:

	Group		Company	
	1.4.2011 to 31.12.2011 %	**1.4.2010 to 31.3.2011 %**	**1.4.2011 to 31.12.2011 %**	**1.4.2010 to 31.3.2011 %**
Fixed rate				
Term loans	**4.54-5.20**	4.54-5.20	**–**	–
Hire purchase	**4.55-7.42**	4.55-7.42	**–**	–
US Dollar Guaranteed Notes	**6.13**	6.13	**–**	–
Islamic Private Debt Securities	**3.25-3.71**	3.08-3.63	**3.25-3.71**	3.08-3.63
Loans from subsidiaries	**–**	–	**2.48-6.13**	2.48-6.13
Floating rate				
Term loans				
– before interest rate swap	**0.60-3.35**	0.64-3.33	**–**	–
– after interest rate swap	**1.44-5.09**	2.48-5.09	**–**	–
Revolving credit	**0.87-1.29**	–	**–**	–
Loans from subsidiaries	**–**	–	**0.84**	0.84
Loan and revolving credit from Holding Company	**1.03-1.53**	1.20-1.50	**1.03-1.53**	1.20-1.50

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18. Other Financial Assets and Financial Liabilities (Cont'd.)

(c) Interest-bearing loans and borrowings (cont'd.)

The following tables set out the carrying amounts of liabilities as at the reporting date and the remaining maturities of the Group and the Corporation's financial instruments.

At 31 December 2011	Within 1 year RM'000
Group	
Fixed rate	
Term loans	**178,647**
Hire purchase	**3,437**
US Dollar Guaranteed Notes	**–**
Islamic Private Debt Securities	**1,449,953**
	1,632,037
Floating rate	
Term loans	**271,023**
Revolving credit	**1,110,025**
Revolving credit from holding company	**475,725**
Loan from holding company	**2,370,746**
	4,227,519
Total borrowings	**5,859,556**
Corporation	
Fixed rate	
Islamic Private Debt Securities	**1,449,953**
Loan from subsidiaries	**634,300**
	2,084,253
Floating rate	
Loan from subsidiaries	**53,916**
Revolving credit from holding company	**475,725**
Loan from holding company	**2,370,746**
	2,900,387
Total borrowings	**4,984,640**

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
177,417	178,514	143,429	89,678	25,315	793,000
3,594	3,787	4,012	4,237	8,749	27,816
–	2,212,121	–	–	–	2,212,121
500,000	–	–	300,000	–	2,249,953
681,011	2,394,422	147,441	393,915	34,064	5,282,890
3,715,937	324,827	113,296	117,121	410,570	4,952,774
–	–	–	–	–	1,110,025
–	–	–	–	–	475,725
–	–	–	–	–	2,370,746
3,715,937	324,827	113,296	117,121	410,570	8,909,270
4,396,948	2,719,249	260,737	511,036	444,634	14,192,160
500,000	–	–	300,000	–	2,249,953
3,400,212	–	–	–	–	4,034,512
3,900,212	–	–	300,000	–	6,284,465
–	–	–	–	–	53,916
–	–	–	–	–	475,725
–	–	–	–	–	2,370,746
–	–	–	–	–	2,900,387
3,900,212	–	–	300,000	–	9,184,852

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18. Other Financial Assets and Financial Liabilities (Cont'd.)

(c) Interest-bearing loans and borrowings (cont'd.)

At 31 March 2011	Within 1 year RM'000
Group	
Fixed rate	
Term loans	169,670
Hire purchase	123
US Dollar Guaranteed Notes	–
Islamic Private Debt Securities	849,963
	1,019,756
Floating rate	
Term loans	227,505
Loan from holding company	–
	227,505
Total borrowings	1,247,261
Corporation	
Fixed rate	
Islamic Private Debt Securities	849,963
Loan from subsidiaries	–
	849,963
Floating rate	
Loan from subsidiaries	211,433
Loan from holding company	–
	211,433
Total borrowings	1,061,396

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
169,954	170,266	170,593	119,931	62,590	863,004
84	16	–	–	–	223
–	–	–	2,108,240	–	2,108,240
949,893	–	–	–	–	1,799,856
1,119,931	170,282	170,593	2,228,171	62,590	4,771,323
240,301	3,493,708	208,143	58,893	–	4,228,550
2,255,510	–	–	–	–	2,255,510
2,495,811	3,493,708	208,143	58,893	–	6,484,060
3,615,742	3,663,990	378,736	2,287,064	62,590	11,255,383
949,893	–	–	–	–	1,799,856
–	–	3,240,016	14,649	–	3,254,665
949,893	–	3,240,016	14,649	–	5,054,521
					211,433
2,255,510	–	–	–	–	2,255,510
2,255,510	–	–	–	–	2,466,943
3,205,403	–	3,240,016	14,649	–	7,521,464

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18. Other Financial Assets and Financial Liabilities (Cont'd.)

(d) Finance lease receivables

	Group	
	31.12.2011 RM'000	**31.3.2011 RM'000**
Minimum lease receivables:		
Not later than 1 year	**91,004**	44,183
Later than 1 year and not later than 2 years	**90,756**	44,062
Later than 2 years and not later than 5 years	**272,516**	44,062
Later than 5 years	**374,638**	268,234
	828,914	400,541
Less: Future finance income	**(383,569)**	(173,362)
Present value of finance lease assets	**445,345**	227,179
Present value of finance lease assets:		
Not later than 1 year	**24,614**	13,391
Later than 1 year and not later than 2 years	**28,389**	15,262
Later than 2 years and not later than 5 years	**116,758**	17,539
Later than 5 years	**275,584**	179,987
	445,345	226,179
Analysed as:		
Due within 12 months	**24,614**	13,391
Due after 12 months	**420,731**	212,788
	445,345	226,179

The effective interest rate of the Group's finance lease receivables is between 14.65% – 15.97% (31.3.2011: 12.00%). Included in minimum lease receivables are the estimated unguaranteed residual values of the leased assets of RM12,821,074.

19. Inventories

	Group		Corporation	
	31.12.2011 RM'000	**31.3.2011 RM'000**	**31.12.2011 RM'000**	**31.3.2011 RM'000**
At cost				
Bunkers, lubricants and consumable stores	**333,115**	311,804	**126,701**	145,358
Spares	**76,287**	61,537	**26,583**	12,362
Raw materials	**25,593**	30,632	**–**	–
	434,995	403,973	**153,284**	157,720

The cost of inventories recognised as cost of sales during the financial period/year of the Group and the Corporation were RM1,772,899,000 (31.3.2011: RM2,937,501,000) and RM959,982,000 (31.3.2011: RM1,046,386,000) respectively.

20. Trade and Other Receivables

	Group		Corporation	
	31.12.2011 RM'000	**31.3.2011 RM'000**	**31.12.2011 RM'000**	**31.3.2011 RM'000**
Trade receivables				
Third parties	**955,327**	671,769	**134,087**	177,095
Subsidiaries	**–**	–	**168,857**	163,394
Holding company	**7,009**	6,962	**440**	351
Fellow subsidiaries	**137,925**	672,911	**9,491**	3,490
Associates	**1,044**	1,258	**716**	1,258
Jointly controlled entities	**199,025**	44,749	**32,548**	29,535
Finance lease (Note 18(d))	**24,614**	13,391	**–**	–
Due from customers on contracts (Note 21)	**490,346**	267,684	**–**	–
	1,815,290	1,678,724	**346,139**	375,123
Less: Impairment loss on trade receivables:				
Third parties	**(129,741)**	(79,634)	**(72,276)**	(41,982)
Jointly controlled entities	**(17,139)**	(15,820)	**(17,139)**	(15,820)
Subsidiaries	**–**	–	**(4,306)**	(3,328)
Fellow subsidiaries	**(3,390)**	(3,727)	**–**	–
	(150,270)	(99,181)	**(93,721)**	(61,130)
Trade receivables, net	**1,665,020**	1,579,543	**252,418**	313,993

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20. Trade and Other Receivables (Cont'd.)

	Group		Corporation	
	31.12.2011 RM'000	31.3.2011 RM'000	31.12.2011 RM'000	31.3.2011 RM'000
Other receivables				
Amount due from related parties:				
Subsidiaries	**–**	–	**314,772**	3,626,323
Fellow subsidiaries	**–**	32	**–**	–
Associates	**264**	162	**264**	–
Jointly controlled entities	**35,283**	906,310	**35,073**	875,737
	35,547	906,504	**350,109**	4,502,060
Amount due from a joint venture partner	**3,632**	17,190	**–**	–
Deposits	**62,802**	9,521	**3,274**	4,437
Prepayments	**180,067**	103,167	**38,069**	30,100
Others	**298,802**	306,424	**195,934**	167,797
	580,850	1,342,806	**587,386**	4,704,394
Less: Impairment loss on other receivables:				
Subsidiaries	**–**	–	**(23,010)**	–
Associates	**(130)**	–	**–**	–
Jointly controlled entities	**(210)**	(19,867)	**–**	–
	(340)	(19,867)	**(23,010)**	–
Other receivables, net	**580,510**	1,322,939	**564,376**	4,704,394
Total trade and other receivables	**2,245,530**	2,902,482	**816,794**	5,018,387
Add: Cash, deposits and bank balances (Note 22)	**4,155,139**	3,352,727	**1,350,607**	877,396
Add: Net loans and advances (Note 18(a))	**770,899**	89,272	**1,685,683**	1,055,254
Total loans and receivables	**7,171,568**	6,344,481	**3,853,084**	6,951,037

20. Trade and Other Receivables (Cont'd.)

The ageing of trade receivables (net) as at the reporting date were as follows:

	Group		Corporation	
	31.12.2011 RM'000	**31.3.2011 RM'000**	**31.12.2011 RM'000**	**31.3.2011 RM'000**
Neither past due nor impaired	**863,210**	723,438	**145,872**	204,573
Past due but not impaired				
1-30 days	**269,412**	414,401	**44,882**	57,584
31-60 days	**98,186**	170,558	**16,479**	6,874
61-90 days	**44,527**	33,480	**9,214**	8,745
more than 90 days	**389,685**	237,666	**35,971**	36,217
	1,665,020	1,579,543	**252,418**	313,993

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 Corporation.

Receivables that are past due but not impaired

The Group and Corporation have trade receivables amounting to RM801,810,000 and RM106,546,000 respectively that are past due at the reporting date but not impaired. These balances relate mainly to customers who have never defaulted on payments but are slow paymasters hence, are periodically monitored.

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	
	31.12.2011 RM'000	**31.3.2011 RM'000**	**31.12.2011 RM'000**	**31.3.2011 RM'000**
At 1 April 2011/2010	**99,181**	100,760	**61,130**	33,912
Impairment loss recognised:				
Jointly controlled entity	**537**	16,426	**537**	16,426
Fellow subsidiaries	**–**	1,118	**–**	–
Third parties	**43,015**	15,253	**27,298**	15,884
Impairment loss reversed:				
Subsidiaries	**–**	–	**–**	(3,248)
Third parties (Note 4)	**(4,094)**	(2,569)	**–**	–
Bad debts written off:				
Third parties	**–**	(15,828)	**–**	–
Currency translation differences	**11,631**	(15,979)	**4,756**	(1,844)
At 31 December/31 March 2011	**150,270**	99,181	**93,721**	61,130

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20. Trade and Other Receivables (Cont'd.)

(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 (31.3.2011: 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) Amount 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 (31.3.2011: 15 to 30 days).

(c) Amount due from associates

The trade amount due from associates is unsecured and has normal credit terms ranging from 15 to 30 days (31.3.2011: 15 to 30 days). The non-trade balances are repayable on demand and are non-interest bearing.

(d) Amount due from jointly controlled entities

The trade amount due from jointly controlled entities is unsecured and has normal credit terms ranging from 15 to 30 days (31.3.2011: 15 to 30 days). The non-trade balances are repayable on demand and are non-interest bearing.

21. Due from/(to) Customers on Contracts

	Group	
	31.12.2011 RM'000	**31.3.2011 RM'000**
Construction contract costs incurred and recognised profits to date	**10,958,723**	1,898,026
Less: Progress billings	**(10,501,077)**	(1,630,376)
	457,646	267,650
Due from customers on contracts (Note 20)	**490,346**	267,684
Due to customers on contracts (Note 24)	**(32,700)**	(34)
	457,646	267,650
Advances received on contracts (Note 24)	**(4,876)**	(3,585)

The costs incurred to date on construction contracts include the following charges made during the financial period/year:

	Group	
	31.12.2011 RM'000	**31.3.2011 RM'000**
Depreciation of plant and equipment	**19,041**	25,340

22. Cash, Deposits and Bank Balances

	Group		Corporation	
	31.12.2011 RM'000	**31.3.2011 RM'000**	**31.12.2011 RM'000**	**31.3.2011 RM'000**
Deposits with licensed banks	**3,870,637**	3,077,617	**1,329,511**	868,731
Cash and bank balances	**284,502**	275,110	**21,096**	8,665
	4,155,139	3,352,727	**1,350,607**	877,396

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 (31.3.2011: 1 to 365 days) depending on the immediate cash requirements of the Group and the Corporation and earn interest rates ranging from 0.01% to 9.1% (31.3.2011: 0.01% to 8.60%) per annum and 0.01% to 3.33% (31.3.2011: 0.01% to 2.78%) 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	
	31.12.2011 RM'000	**31.3.2011 RM'000**	**31.12.2011 RM'000**	**31.3.2011 RM'000**
Non-current assets held for sale				
Ships	**517,686**	51,507	**41,852**	51,507
Land and buildings	**2,002**	1,943	**–**	–
Investment in a jointly controlled entity (Note 17(a))	**–**	24,252	**–**	–
Disposal group: MILS SterilGamma (Note 15(b))	**–**	7,123	**–**	–
	519,688	84,825	**41,852**	51,507
Liabilities associated with disposal group classified as held for sale				
Disposal group: MILS SterilGamma (Note 15(b))	**–**	(7,739)	**–**	–
Net assets held for sale	**519,688**	77,086	**41,852**	51,507

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23. Non-Current Assets Classified as held for Sale (Cont'd.)

The movement during the financial period/year relating to non-current assets held for sale are as follows:

	Group		Corporation	
	31.12.2011 RM'000	31.3.2011 RM'000	31.12.2011 RM'000	31.3.2011 RM'000
At 1 April 2011/2010	**84,825**	38,715	**51,507**	10,423
Disposal	**(52,453)**	(36,625)	**(21,078)**	(9,860)
Impairment	**(13,517)**	–	**(13,495)**	–
Transfer from property, plant and equipment (Note 12)	**499,496**	60,339	**23,661**	51,508
Transfer from other assets	**–**	235	**–**	–
Transfer from investment in jointly controlled entities	**–**	24,252	**–**	–
Currency translation	**1,337**	(2,091)	**1,257**	(564)
At 31 December/March 2011	**519,688**	84,825	**41,852**	51,507

The carrying amounts of these assets immediately before reclassification are not materially different from their fair values.

24. Trade and Other Payables

	Group		Corporation	
	31.12.2011 RM'000	31.3.2011 RM'000	31.12.2011 RM'000	31.3.2011 RM'000
Trade payables				
Third parties	**536,649**	1,006,085	**36,054**	75,094
Subsidiaries	**–**	–	**239,152**	1,282,773
Holding company	**1,624**	3,363	**823**	2,460
Fellow subsidiaries	**16,014**	49,500	**2,662**	4,890
Associates	**882**	2,449	**882**	2,449
Jointly controlled entities	**2,517**	3,251	**439**	1,158
Accruals	**2,306,590**	2,130,977	**409,379**	348,395
Deferred income	**71,800**	62,629	**–**	–
Construction contracts:				
Due to customers (Note 21)	**32,700**	34	**–**	–
Advances received (Note 21)	**4,876**	3,585	**–**	–
	2,973,652	3,261,873	**689,391**	1,717,219

24. Trade and Other Payables (Cont'd.)

	Group		Corporation	
	31.12.2011 RM'000	**31.3.2011 RM'000**	**31.12.2011 RM'000**	**31.3.2011 RM'000**
Other payables				
Amount due to related parties:				
Subsidiaries	**–**	–	**484,959**	892,310
Fellow subsidiaries	**–**	6,256	**–**	–
Associates	**2,121**	–	**–**	–
Jointly controlled entities	**43,412**	27,957	**808**	2,668
Accruals	**359,275**	270,500	**81,715**	44,917
Provisions	**484,733**	55,839	**381,240**	–
Others	**137,957**	117,074	**68,564**	53,838
	1,027,498	477,626	**1,017,286**	993,733
	4,001,150	3,739,499	**1,706,677**	2,710,952

(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 (31.3.2011: 14 to 90 days).

(b) Amount due to Group companies

The trade amounts due to holding company, fellow subsidiaries and subsidiaries are unsecured and repayable in accordance to the trade credit terms granted. The non-trade balances are repayable on demand and are non-interest bearing.

(c) Amount due to associates and jointly controlled entities

The trade amount due to associates and jointly controlled entities have normal credit terms ranging from 15 to 30 days (31.3.2011: 15 to 30 days) and are non-interest bearing. The non-trade balances are repayable on demand.

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24. Trade and Other Payables (Cont'd.)

(d) Provisions

	Group		Corporation	
	31.12.2011 RM'000	31.3.2011 RM'000	31.12.2011 RM'000	31.3.2011 RM'000
Current	**484,733**	55,839	**381,240**	–
Non-current:				
Later than 1 year but not later than 2 years	**166,129**	–	**166,129**	–
Later than 2 years but not later than 5 years	**257,280**	–	**257,280**	–
More than 5 years	**223,922**	–	**223,922**	–
	647,331	–	**647,331**	–
	1,132,064	55,839	**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 41(b) and Note 41(c).

25. Share Capital and Share Premium

(a) Share capital

	Number of shares of RM1 each		Amount	
	31.12.2011	31.3.2011	31.12.2011 RM'000	31.3.2011 RM'000
Authorised				
Ordinary shares ('000)				
At 1 April 2011/2010	**10,000,000**	10,000,000	**10,000,000**	10,000,000
At 31 December/31 March 2011	**10,000,000**	10,000,000	**10,000,000**	10,000,000
			RM	RM
Preference share	**1**	1	**1**	1

25. Share Capital and Share Premium (Cont'd.)

(a) Share capital (cont'd.)

	Number of shares of RM1 each		Amount	
	31.12.2011	31.3.2011	31.12.2011 RM'000	31.3.2011 RM'000
Issued and fully paid				
Ordinary shares ('000)				
At 1 April 2011/2010	**4,463,794**	4,463,794	**4,463,794**	4,463,794
At 31 December/31 March 2011	**4,463,794**	4,463,794	**4,463,794**	4,463,794
			RM	RM
Preference share (Note i)	**1**	1	**1**	1

(i) Preference share

The preference share would enable the Government through Minister of Finance Incorporated ("MoF") to ensure that certain major decisions affecting the operations of the Corporation are consistent with the Government's policy. The preference share, which may only be held by the 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	
	31.12.2011 RM'000	31.3.2011 RM'000
At 1 April 2011/2010	**4,459,468**	4,459,468
At 31 December/31 March 2011	**4,459,468**	4,459,468

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26. Other Reserves

Group	Note	Other capital reserve RM'000	Capital reserve RM'000	Revaluation reserve RM'000
At 1 April 2010		41,342	1,185	1,381
Currency translation differences:				
Group		–	–	–
Associates		–	–	–
Jointly controlled entities		–	–	–
Capital reserves	26(b)	–	434,099	–
Other capital reserves:	26(c)			
Group		101	–	–
Revaluation reserves:	26(a)			
Associate		–	–	(24)
Statutory reserves:	26(d)			
Group		–	–	–
Jointly controlled entities		–	–	–
Fair value gain on non-current investments		–	–	–
Fair value loss on cash flow hedges		–	–	–
Prior year adjustment for restatement of currency translation reserve	40	–	–	–
At 31 March 2011		41,443	435,284	1,357
At 1 April 2011		**41,443**	**435,284**	**1,357**
Prior year adjustment	40	**–**	**–**	**–**
At 1 April 2011 (restated)		**41,443**	**435,284**	**1,357**
Currency translation differences:				
Group		**–**	**–**	**–**
Jointly controlled entities		**–**	**–**	**–**
Other capital reserves:	26(c)			
Group		**(28)**	**–**	**–**
Statutory reserves:	26(d)			
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**

Statutory reserve RM'000	Capital redemption reserve RM'000	Fair value reserve RM'000	Hedging reserves RM'000	Currency translation reserve RM'000	Total RM'000
1,242	59,715	189,119	(150,241)	279,216	422,959
–	–	–	–	(1,923,423)	(1,923,423)
–	–	–	–	214	214
–	–	–	–	(169,233)	(169,233)
–	–	–	–	–	434,099
–	–	–	–	–	101
–	–	–	–	–	(24)
628	–	–	–	–	628
124	–	–	–	–	124
–	–	36,064	–	–	36,064
–	–	–	(21,396)	–	(21,396)
–	–	–	–	279,597	279,597
1,994	59,715	225,183	(171,637)	(1,533,629)	(940,290)
1,994	**59,715**	**225,183**	**(171,637)**	**(1,813,226)**	**(1,219,887)**
–	**–**	**–**	**–**	**279,597**	**279,597**
1,994	**59,715**	**225,183**	**(171,637)**	**(1,533,629)**	**(940,290)**
–	**–**	**–**	**–**	**619,722**	**619,722**
–	**–**	**–**	**–**	**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)**	**(736,606)**	**(203,341)**

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26. Other Reserves (Cont'd.)

Corporation	Fair value reserve RM'000	Currency translation reserve RM'000	Total RM'000
At 1 April 2010	189,119	(493,989)	(304,870)
Currency translation differences	–	(1,565,379)	(1,565,379)
Fair value gain on non-current investments	36,064	–	36,064
At 31 March 2011	225,183	(2,059,368)	(1,834,185)
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)**

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 in 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.

(e) Capital redemption reserve

Capital redemption reserve represents reserve created upon the redemption of preference shares in subsidiaries.

(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 hedge.

(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 31.12.2011 RM'000	Group 31.3.2011 RM'000
At 1 April 2011/2010	**(3,786)**	25,346
Recognised in income statement (Note 9):		
In Malaysia	**35,276**	(30,791)
Outside Malaysia	**8,363**	1,778
	43,639	(29,013)
Currency translation differences	**173**	(119)
At 31 December/March 2011	**40,026**	(3,786)
Presented after appropriate offsetting as follows:		
Deferred tax assets	**(5,241)**	(11,781)
Deferred tax liabilities	**45,267**	7,995
	40,026	(3,786)

The components and movements of deferred tax liabilities and assets during the financial period/year prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM'000	Others RM'000	Total RM'000
At 1 April 2010	28,494	1,655	30,149
Recognised in income statement:			
In Malaysia	(21,803)	(2,458)	(24,261)
Outside Malaysia	2,186	–	2,186
Currency translation differences	–	(79)	(79)
At 31 March 2011	8,877	(882)	7,995
At 1 April 2011	**8,877**	**(882)**	**7,995**
Recognised in income statement:			
In Malaysia	**37,164**	**(536)**	**36,628**
Outside Malaysia	**295**		**295**
Currency translation differences	**–**	**349**	**349**
At 31 December 2011	**46,336**	**(1,069)**	**45,267**

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27. Deferred Tax (Cont'd.)

Deferred tax assets of the Group:

	Other payables RM'000	Tax losses and unabsorbed capital allowances RM'000	Others RM'000	Total RM'000
At 1 April 2010	(7,027)	(116)	2,340	(4,803)
Recognised in income statement:				
In Malaysia	(4,768)	93	(1,855)	(6,530)
Outside Malaysia	57	(506)	41	(408)
Currency translation differences	–	(40)	–	(40)
At 31 March 2011	(11,738)	(569)	526	(11,781)
At 1 April 2011	**(11,738)**	**(569)**	**526**	**(11,781)**
Recognised in income statement:				
In Malaysia	**(1,248)**	**–**	**(104)**	**(1,352)**
Outside Malaysia	**7,464**	**544**	**60**	**8,068**
Currency translation differences	**–**	**(176)**	**–**	**(176)**
At 31 December 2011	**(5,522)**	**(201)**	**482**	**(5,241)**

Deferred tax assets have not been recognised in respect of the following items:

	Group		Corporation	
	31.12.2011 RM'000	31.3.2011 RM'000	31.12.2011 RM'000	31.3.2011 RM'000
Unused tax losses	**3,888,802**	3,335,721	**3,851,864**	3,262,209
Unabsorbed capital allowances	**44,558**	28,547	**–**	–
Others	**13,859**	1,309	**–**	–
	3,947,219	3,365,577	**3,851,864**	3,262,209

27. Deferred Tax (Cont'd.)

The unused tax losses and unabsorbed capital allowances of the Group, amounting to RM3,888,802,000 (31.3.2011: RM3,335,721,000) and RM44,558,000 (31.3.2011: 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	
	1.4.2011 to 31.12.2011 RM'000	**1.4.2010 to 31.3.2011 RM'000**	**1.4.2011 to 31.12.2011 RM'000**	**1.4.2010 to 31.3.2011 RM'000**
Purchase of ships, offshore floating assets and other property, plant and equipment	**(2,344,974)**	(4,533,636)	**(845,869)**	(3,117,884)
Addition of prepaid lease payments	**–**	(65)	**–**	–
Purchase of additional shares in a subsidiary	**–**	(1,046)	**–**	–
Acquisitions of associates and jointly controlled entities	**(3,238)**	(2,707,151)	**–**	–
Cash advances from a jointly controlled entity	**37,497**	–	**–**	–
Issuance of loans to subsidiaries net of repayment	**–**	–	**81,453**	(1,755,928)
Dividends received from:				
Quoted investments	**53,391**	51,868	**53,391**	51,868
Unquoted investments	**1,034**	2,003	**1,034**	2,003
Subsidiaries	**–**	–	**860,115**	1,489,173
Associates and jointly controlled entities	**40,386**	82,102	**–**	–
Repayment of loans due from associates and jointly controlled entities	**41,435**	431,610	**–**	–
Proceeds from disposal of ships, other property, plant and equipment	**147,768**	585,296	**138,977**	10,374
Proceeds from dilution of interest in a subsidiary	**–**	1,989,095	**–**	1,039,832
Proceeds from disposal of jointly controlled entities and business	**48,500**	–	**–**	–
Interest received	**56,953**	104,590	**20,338**	145,877
Loans to associates and jointly controlled entity	**(18,139)**	(10,992)	**–**	–
Net cash (used in)/generated from investing activities	**(1,939,387)**	(4,006,326)	**309,439**	(2,134,685)

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29. Cash Flows From Financing Activities

	Group		Corporation	
	1.4.2011 to 31.12.2011 RM'000	**1.4.2010 to 31.3.2011 RM'000**	**1.4.2011 to 31.12.2011 RM'000**	**1.4.2010 to 31.3.2011 RM'000**
Drawdown of term loans	**659,914**	–	**–**	–
Drawdown of Islamic Private Debt Securities	**1,300,000**	500,000	**1,300,000**	500,000
Drawdown of revolving credit	**1,110,025**	–	**–**	–
Drawdown of revolving credit from holding company	**459,401**	–	**459,401**	–
Drawdown of loans from subsidiaries	**–**	–	**735,041**	43,277
Repayment of term loans	**(277,516)**	(368,756)	**–**	–
Repayment of loan due to subsidiaries	**–**	–	**(295,589)**	(2,110,406)
Repayment of Islamic Private Debt Securities	**(850,000)**	(700,000)	**(850,000)**	(700,000)
Dividend paid to shareholders of Corporation	**(438,390)**	(1,543,188)	**(438,390)**	(1,543,188)
Dividend paid to minority shareholders of subsidiaries	**(62,973)**	(99,514)	**–**	–
Interest paid	**(266,711)**	(415,968)	**(154,964)**	(162,921)
Net cash generated/(used in) from financing activities	**1,633,750**	(2,627,426)	**755,499**	(3,973,238)

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 period/year.

	Group		Corporation	
Related parties	**1.4.2011 to 31.12.2011 RM'000**	**1.4.2010 to 31.3.2011 RM'000**	**1.4.2011 to 31.12.2011 RM'000**	**1.4.2010 to 31.3.2011 RM'000**
(a) Provision for shipping and shipping related services to related companies				
Charter hire revenue	**1,824,259**	2,678,756	**393,362**	567,064
Forwarding charges	**52,186**	63,847	**–**	–
Warehouse service	**21,969**	31,838	**–**	–
Haulage service	**12,690**	72,608	**–**	–
Fabrication contract service	**1,235,940**	2,875,288	**–**	–
Finance lease	**49,701**	30,886	**–**	–
Offshore and maintenance service	**28,021**	48,411	**–**	–
(b) Purchase of goods and services from related companies				
Purchase of bunkers, lubricants and spare parts and other materials	**299,448**	1,018,472	**222,577**	786,070
Purchase of information technology services	**8,959**	15,811	**8,959**	15,019
Purchase of service for rental of premises	**13,790**	13,530	**13,790**	13,530
Fees for representation in the Board of Directors*	**264**	183	**264**	183
Manpower fee	**609**	4,526	**609**	4,526

* Fees paid directly to Petroliam Nasional Berhad (''PETRONAS'') in respect of directors who are appointees of the holding company/ultimate holding company.

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30. Related Party Disclosures (Cont'd.)

	Group		Corporation	
	1.4.2011 to 31.12.2011 RM'000	**1.4.2010 to 31.3.2011 RM'000**	**1.4.2011 to 31.12.2011 RM'000**	**1.4.2010 to 31.3.2011 RM'000**
(c) Purchase of service for repairs, conversion of ships and drydocking from a subsidiary	**–**	–	**559,003**	1,377,381
(d) Net transfer of ships, offshore floating assets and other property plant and equipment to a jointly controlled entity	**–**	958,059	**–**	1,005,598

(e) Compensation of key management personnel

Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Corporation, directly or indirectly, including any director of the Group and the Corporation.

The remuneration of directors and other members of key management during the financial period/year were as follows:

	Group		Corporation	
	1.4.2011 to 31.12.2011 RM'000	**1.4.2010 to 31.3.2011 RM'000**	**1.4.2011 to 31.12.2011 RM'000**	**1.4.2010 to 31.3.2011 RM'000**
Short-term employee benefits	**20,047**	27,082	**8,296**	8,379
Defined contribution plans	**2,791**	3,510	**1,750**	2,002
	22,838	30,592	**10,046**	10,381

30. Related Party Disclosures (Cont'd.)

(e) Compensation of key management personnel (cont'd.)

Included in the total key management personnel are:

	Group		Corporation	
	1.4.2011 to 31.12.2011 RM'000	**1.4.2010 to 31.3.2011 RM'000**	**1.4.2011 to 31.12.2011 RM'000**	**1.4.2010 to 31.3.2011 RM'000**
Directors' remuneration (Note 7)	**8,220**	11,413	**2,180**	2,603

31. Commitments

(a) Capital commitments

	Group		Corporation	
	31.12.2011 RM'000	**31.3.2011 RM'000**	**31.12.2011 RM'000**	**31.3.2011 RM'000**
Capital expenditure				
Approved and contracted for:				
Ships, offshore floating assets and other property, plant and equipment	**2,859,935**	2,915,663	**1,431,816**	2,084,631
Information and communication technology	**3,307**	6,891	**3,072**	3,072
Share of capital commitments in jointly controlled entities	**392,341**	502,882	**22,068**	24,080
	3,255,583	3,425,436	**1,456,956**	2,111,783
Approved but not contracted for:				
Ships, offshore floating assets and other property, plant and equipment	**5,158,903**	5,279,744	**1,128,616**	2,504,609
Information and communication technology	**15,894**	12,579	**14,856**	6,826
Investments	**–**	524,845	**–**	524,845
Share of capital commitments in jointly controlled entities	**954,578**	942,774	**39,198**	–
	6,129,375	6,759,942	**1,182,670**	3,036,280

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31. Commitments (Cont'd.)

(b) Non-cancellable operating lease commitments – Group as lessee

	Group		Corporation	
	31.12.2011 RM'000	**31.3.2011 RM'000**	**31.12.2011 RM'000**	**31.3.2011 RM'000**
Future minimum rentals payable:				
Not later than 1 year	**154,310**	169,226	**127,261**	99,034
Later than 1 year and not later than 5 years	**1,319,001**	1,493,862	**420,495**	425,724
Later than 5 years	**2,287,268**	3,786,478	**412,773**	470,871
	3,760,579	5,449,566	**960,529**	995,629

(c) Non-cancellable operating lease commitments – Group as lessor

	Group		Corporation	
	31.12.2011 RM'000	**31.3.2011 RM'000**	**31.12.2011 RM'000**	**31.3.2011 RM'000**
Future minimum rentals receivable:				
Not later than 1 year	**3,058,315**	2,932,508	**822,695**	835,356
Later than 1 year and not later than 5 years	**11,216,342**	11,713,452	**3,313,725**	3,291,907
Later than 5 years	**16,089,263**	20,003,320	**9,715,288**	10,200,068
	30,363,920	34,649,280	**13,851,708**	14,327,331

32. Contingent Liabilities

	Group		Corporation	
	31.12.2011 RM'000	**31.3.2011 RM'000**	**31.12.2011 RM'000**	**31.3.2011 RM'000**
Secured				
Bank guarantee extended to a third party	**53,400**	53,400	**–**	–
Unsecured				
Bank guarantees extended to third parties	**168,840**	39,975	**142,591**	13,429
Corporate guarantees given to banks for credit facilities granted to subsidiaries	**–**	–	**6,662,147**	6,422,815

33. Segment Information

(a) Business segments

For management purposes, the Group is organised on a worldwide basis into four major business segments:

(i) Energy related shipping – the provision of liquefied natural gas ("LNG") services, petroleum tanker services, and chemical tanker services;

(ii) Other energy businesses – operation and maintenance of oil and petrochemical products at storage terminals, operation and maintenance of offshore floating terminals, and marine repair, marine conversion and engineering and construction works;

(iii) Integrated liner logistics – comprises liner services, haulage, trucking and warehousing and agency businesses; and

(iv) Non-shipping – marine education and training, and other diversified businesses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

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33. Segment Information (Cont'd.)

(a) Business segments (cont'd.)

31 December 2011	Energy related shipping RM'000
Revenue	
External sales	**4,718,291**
Inter-segment	**8,578**
	4,726,869
Results	
Segment results	**535,489**
Gain on disposal of ships	**20,960**
Other operating income	**3,495**
Finance income	**22,031**
Liner exit provisions	**–**
Impairment provisions	**(287,164)**
Finance costs	**(216,045)**
Share of profit of associates	**23**
Share of (loss)/profit of jointly controlled entities	**(9,510)**
Loss before taxation	
Taxation	
Loss after taxation	
Non-controlling interests	
Net loss attributable to equity holders of the Corporation	
Assets	
Ships	**18,200,278**
Offshore floating assets	**–**
Intangibles	**767,773**
Investment in jointly controlled entities	**184,319**
Other assets (unallocated)	**–**
Liabilities	
Interest-bearing loans and borrowings	**2,489,653**
Other liabilities (unallocated)	**–**

Other energy businesses RM'000	Integrated liner logistics RM'000	Non-shipping RM'000	Total RM'000	Eliminations and adjustments RM'000		Consolidated RM'000
2,261,165	1,526,477	–	8,505,933	–		8,505,933
628,597	79,159	28,781	745,115	(745,115)	A	–
2,889,762	1,605,636	28,781	9,251,048	(745,115)		8,505,933
338,619	(637,578)	(383,352)	(146,822)	160,171		13,349
–	2,214	–	23,174	–		23,174
80,007	86,294	1,215,549	1,385,345	(885,593)		499,752
46,775	2,263	277,328	348,397	(262,121)		86,276
–	(1,452,723)	–	(1,452,723)	–		(1,452,723)
(6,267)	–	–	(293,431)	–		(293,431)
(49,187)	(5,017)	(271,038)	(541,287)	261,545		(279,742)
–	201	–	224	–		224
188,188	2,431	–	181,109	–		181,109
						(1,222,012)
						(88,276)
						(1,310,288)
						(171,195)
						(1,481,483)
–	571,198	–	18,771,476	–		18,771,476
7,706,240	–	–	7,706,240	–		7,706,240
86,515	150	720	855,158	–		855,158
3,353,931	55	–	3,538,305	–		3,538,305
–	–	–	–	–	B	10,557,478
1,257,271	77,645	14,797,316	18,621,887	(4,429,727)		14,192,160
–	–	–	–	–	C	4,291,780

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33. Segment Information (Cont'd.)

(a) Business segments (cont'd.)

31 March 2011	Energy related shipping RM'000
Revenue	
External sales	6,223,551
Inter-segment	88,146
	6,311,697
Results	
Segment results	1,266,550
Gain on disposal of ships	99,120
Gain on dilution of interest in MHB	–
Other operating income	34,994
Finance income	47,367
Impairment provisions	(515,444)
Finance costs (unallocated)	–
Share of profit of associates	–
Share of (loss)/profit of jointly controlled entities	(3,451)
Profit before taxation	
Taxation	
Profit after taxation	
Non-controlling interests	
Net profit attributable to equity holders of the Corporation	
Assets	
Ships	17,539,375
Offshore floating assets	–
Intangibles	759,841
Investment in jointly controlled entities	185,001
Other assets (unallocated)	–
Liabilities	
Interest-bearing loans and borrowings	813,670
Other liabilities (unallocated)	–

	Other energy businesses RM'000	Integrated liner logistics RM'000	Non-shipping RM'000	Total RM'000	Eliminations and adjustments RM'000		Consolidated RM'000
	3,743,869	2,358,219	–	12,325,639	–		12,325,639
	1,603,188	158,227	24,865	1,874,426	(1,874,426)	A	–
	5,347,057	2,516,446	24,865	14,200,065	(1,874,426)		12,325,639
	636,939	(659,237)	(357,894)	886,358	(52,680)		833,678
	–	–	–	99,120	–		99,120
	–	–	975,479	975,479	424,668		1,400,147
	99,060	90,782	1,899,273	2,124,109	(1,598,823)		525,286
	69,362	2,590	411,827	531,146	381,143)		150,003
	–	(61,204)	–	(576,648)	–		(576,648)
	–	–	–	–	–		(346,875)
	–	1,269	–	1,269	–		1,269
	157,059	4,675	–	158,283	–		158,283
							2,244,263
							(16,875)
							2,227,388
							(356,637)
							1,870,751
	–	970,930	–	18,510,305	59,163		18,569,468
	7,064,215	–	–	7,064,215	(269,289)		6,794,926
	87,988	150	720	848,699	–		848,699
	3,193,481	1,202	–	3,379,684	–		3,379,684
	–	–	–	–	–	B	9,004,293
	988,535	55,750	12,869,942	14,727,897	(3,472,514)		11,255,383
	–	–	–	–	–	C	3,995,155

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33. Segment Information (Cont'd.)

(a) Business segments (cont'd.)

Note

A Inter-segment revenues and transactions are eliminated on consolidation

B Other assets comprises the following items:

	31.12.2011 RM'000	31.3.2011 RM'000
Other property, plant and equipment	**1,535,468**	1,454,129
Prepaid lease payments on land and buildings	**78,369**	82,487
Investments in associates	**2,322**	605
Other non-current financial assets	**1,159,995**	498,496
Finance lease receivables	**420,731**	212,788
Deferred tax assets	**5,241**	11,781
Inventories	**434,995**	403,973
Trade and other receivables	**2,245,530**	2,902,482
Cash and bank balances	**4,155,139**	3,352,727
Non-current assets classified as held for sale	**519,688**	84,825
	10,557,478	9,004,293

C Other liabilities comprises the following items:

	31.12.2011 RM'000	31.3.2011 RM'000
Trade and other payables	**4,001,150**	3,739,499
Provision for taxation	**59,217**	43,058
Liabilities directly associated with disposal group classified as held for sale	**–**	7,739
Deferred tax liabilities	**45,267**	7,995
Other current and non-current financial liabilities	**186,146**	196,864
	4,291,780	3,995,155

33. Segment Information (Cont'd.)

(b) Geographical segments

Although the Group's four major business segments are managed on a worldwide basis, they operate in five principal geographical areas of the world. In Malaysia, its home country, the Group's areas of operation comprise energy related shipping, other energy businesses, integrated liner logistics and non-shipping.

The Group also operates energy related shipping and integrated liner logistics in other regions in the world as follows:

– Asia and Africa
– Europe
– Australasia
– The 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 2011						
Revenue	**4,248,571**	**1,252,949**	**249,808**	**495,813**	**2,258,792**	**8,505,933**
Segment assets	**31,208,735**	**661,817**	**10,578**	**359,640**	**9,187,887**	**41,428,657**
31 March 2011						
Revenue	6,862,607	1,506,477	228,837	690,467	3,037,251	12,325,639
Segment assets	29,071,362	960,505	11,707	348,318	8,205,178	38,597,070

(c) Information about major customers

Breakdown of revenue from major customers are as follows:

	31.12.2011 RM'000	31.3.2011 RM'000
Related companies:		
– Petronas Carigali Turkmenistan Sdn. Bhd.	**850,213**	2,433,572
– Malaysia LNG Sdn. Bhd.	**1,533,229**	1,971,233
– Petronas Carigali Sdn. Bhd.	**610,747**	630,363
	2,994,189	5,035,168

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33. Segment Information (Cont'd.)

(c) Information about major customers (cont'd.)

	31.12.2011 RM'000	31.3.2011 RM'000
Third Parties:		
– Exxon Mobil Corporation	**348,728**	415,327
– ConocoPhillips	**174,364**	415,327
– Royal Dutch Shell plc	**108,978**	319,925
– Wilmar International Limited	**209,825**	46,186
– Murphy Oil Corporation	**192,630**	262,233
	1,034,525	1,458,998

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 2011					
Financial Assets					
Non-current unquoted shares	18(a)	**37,938**	*	**37,554**	*
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)**

34. Fair Value of Financial Instruments (Cont'd.)

	Note	Group Carrying amount RM'000	Group Fair value RM'000	Corporation Carrying amount RM'000	Corporation Fair value RM'000
At 31 March 2011					
Financial Assets					
Non-current unquoted shares	18(a)	36,191	*	35,825	*
Loans to subsidiaries	18(a)	–	–	978,026	1,081,693
Financial Liabilities					
Fixed rate:					
Term loans	18(c)	(863,004)	(901,409)	–	–
Islamic Private Debt Securities	18(c)	(1,799,856)	(1,740,612)	(1,799,856)	(1,740,612)
US Dollar Guaranteed Notes	18(c)	(2,108,240)	(2,326,148)	–	–
Loans from subsidiaries	18(c)	–	–	(3,466,098)	(3,482,830)

* The fair value of non-current unquoted shares cannot be reliably measured.

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 Group adopts the transition provisions of FRS 7.44(G) and does not provide fair value hierarchy disclosures for the comparative period in its first year of application.

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)

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34. Fair Value of Financial Instruments (Cont'd.)

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 ship owning, 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.

35. Financial Risk Management Objectives and Policies (Cont'd.)

(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 currencies). The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings. The Group manages this by keeping 67.5% (31.3.2011: 77.6%) 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 RM4,301,211,000 (31.3.2011: RM3,979,933,000). The fixed interest rates relating to interest rate swaps at the reporting date range from 1.85% to 5.09% (31.3.2011: 2.48% 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 loss before taxation and equity via floating rate borrowings and interest rate swaps respectively.

	Increase/ Decrease in LIBOR basis points	Effect on loss before taxation (Increase)/ Decrease RM'000	Effect on equity (Decrease)/ Increase RM'000
Group			
USD – 3 Months LIBOR	+20	(5,276)	(4,065)
USD – 6 Months LIBOR	+30	–	(25,600)
USD – 3 Months LIBOR	–20	5,276	4,065
USD – 6 Months LIBOR	–30	–	25,600
Corporation			
USD – 3 Months LIBOR	+20	(3,542)	–
USD – 3 Months LIBOR	–20	3,542	–

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31 December 2011

35. Financial Risk Management Objectives and Policies (Cont'd.)

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

As at 31 December 2011, 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 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	3,870,637	1,329,511
Loans to:		
Subsidiaries	–	918,045
Jointly controlled entities	760,262	760,262
Associates	2,307	1,903
Financial liabilities		
Fixed rate borrowings	5,282,890	2,249,953
Floating rate borrowings (swapped to fixed rate)#	4,292,282	–
Loans from subsidiaries	–	4,034,512
Floating rate instruments		
Financial assets		
Cash and bank balances	284,502	21,096
Loans to:		
Jointly controlled entities	8,330	5,473
Financial liabilities		
Floating rate borrowings	4,616,988	2,846,471
Loans from subsidiaries	–	53,916

\# The Group had entered into interest rate swap ("IRS") arrangements on certain loans and borrowings as disclosed in Note 18(b).

35. Financial Risk Management Objectives and Policies (Cont'd.)

(b) Foreign currency risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily RM and USD. Approximately 16.96% (31.3.2011: 19.80%) 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 76.92% (31.3.2011: 60.90%) 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.

At 31 December 2011, 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 loss of RM3,407,000 (31.3.2011: RM Nil), which represents the effective portion of the hedging relationship, is included in other comprehensive income.

With all other variables held constant, the following table demonstrates the sensitivity of the Group and the Corporation's profit before taxation to a reasonably possible change in the USD and RM exchange rates against the respective functional currencies of the Group companies and the Corporation.

	Change in currency rate %	Effect on loss before taxation Decrease/ (Increase) RM'000
Group		
USD/RM (functional currency)	+5%	11,479
	–5%	(11,479)
RM/USD (functional currency)	+5%	48,214
	–5%	(48,214)
Corporation		
RM/USD (functional currency)	+5%	53,462
	–5%	(53,462)

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35. Financial Risk Management Objectives and Policies (Cont'd.)

(b) Foreign currency risk (cont'd.)

The net unhedged financial receivables and payables of the Group and of the Corporation that are not denominated in their functional currencies are as follows:

	Net financial receivables/(payables) 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							
At 31 December 2011							
Ringgit Malaysia	**–**	**(145,493)**	**1,399**	**(6)**	**10,664**	**99,815**	**(33,621)**
United States Dollar	**(216,184)**	**–**	**(8,804)**	**3,160**	**12,680**	**17,329**	**(191,819)**
	(216,184)	**(145,493)**	**(7,405)**	**3,154**	**23,344**	**117,144**	**(225,440)**
At 31 March 2011							
Ringgit Malaysia	–	183,152	15,297	2,637	(14,269)	21,240	208,057
United States Dollar	(319,405)	–	2,305	1,728	9,619	35,816	(269,937)
	(319,405)	183,152	17,602	4,365	(4,650)	57,056	(61,880)
Functional currency of Corporation							
At 31 December 2011							
United States Dollar	**1,559,473**	**–**	**7,072**	**9,975**	**13,104**	**18,197**	**1,607,821**
At 31 March 2011							
United States Dollar	(506,081)	–	1,017	9,714	842	23,600	(470,908)

35. Financial Risk Management Objectives and Policies (Cont'd.)

(b) Foreign currency risk (cont'd.)

The cash and bank balances of the Group and of the Corporation that are not denominated in their functional currencies are as follows:

	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							
At 31 December 2011							
Ringgit Malaysia	**–**	**21,839**	**–**	**–**	**692**	**–**	**22,531**
United States Dollar	**54,042**	**–**	**763**	**6**	**54**	**1,955**	**56,820**
	54,042	**21,839**	**763**	**6**	**746**	**1,955**	**79,351**
At 31 March 2011							
Ringgit Malaysia	–	10,377	–	–	3,945	–	14,322
United States Dollar	313,842	–	2,445	370	(876)	6,096	321,877
	313,842	10,377	2,445	370	3,069	6,096	336,199
Functional currency of Corporation							
At 31 December 2011							
United States Dollar	**17,857**	**–**	**5**	**6**	**54**	**8**	**17,930**
At 31 March 2011							
United States Dollar	295,645	–	145	370	(876)	(213)	295,071

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31 December 2011

35. Financial Risk Management Objectives and Policies (Cont'd.)

(c) Liquidity risk

Liquidity risk is the risk that the Group and the Corporation will encounter difficulty in meeting their financial obligations due to shortage of funds. The Group and the Corporation's exposure to liquidity risk 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 their disposal cash and short term deposits amounting to RM4,155,139,000 (31.3.2011: RM3,352,727,000) and RM1,350,607,000 (31.3.2011: RM877,396,000) respectively. As at 31 December 2011, the Group and the Corporation have unutilised credit lines of RM2.5 billion (31.3.2011: RM1.9 billion) and RM1.25 billion (31.3.2011: RM1.7 billion) respectively, which could be used for working capital purposes.

As at 31 December 2011, the current liabilities of the Group and Corporation exceeded the current assets by RM3,214,229,000 and RM4,976,111,000 respectively.

Nevertheless, the Group has met its financial obligations as and when they fall due during the financial period.

The Group continuously reviews its business and assets portfolio to meet its funding requirements. Such concerted efforts include, inter alia, the following:

i. Cessation of non-profitable operations such as the Liner business. On 24 November 2011, the Group decided to exit from the Liner business operations via cessation of the said business, with full operational cessation expected by 30 June 2012. Over the longer term, the exit is anticipated to provide a positive impact to the Group's earnings and cash flows;

ii. Increasing focus on core and profitable activities such as maritime and transportation solutions for the energy sector;

iii. Extension of loan repayment date from its holding company as disclosed in Note 18(c);

iv. Continuous monitoring of the Group's cash flow position and monetisation of certain assets;

v. As at 31 December 2011, the Group and Corporation are also considering various options of new source of financing, which among others, include bank borrowings, bonds issuance and structured financing.

35. Financial Risk Management Objectives and Policies (Cont'd.)

(c) Liquidity risk (cont'd.)

Concurrent efforts are also being undertaken to improve the efficiencies of the Group's remaining operations. The above endeavours are aimed at positioning the Group on a firmer financial footing, returning to profitability and pursuing its refocused growth strategies.

These matters together with the timely completion of the above actions are essential to enable the Group and Corporation to continue to meet their obligations as and when they fall due. The directors are committed to complete the said actions in the ensuing financial year and is of the considered opinion that the Group's and Corporations' holding of cash and short term deposits, committed and new sources of financing, anticipated net cash flow from operations as well as the above mentioned concerted efforts will be sufficient to cover their cash flow needs.

Notes to the Financial Statements
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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 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**

	Carrying amount RM'000	Contractual cash flows RM'000
At 31 March 2011		
Group		
Interest-bearing loans and borrowings	11,255,383	12,362,929
Trade and other payables	3,680,041	3,680,041
	14,935,424	16,042,970
Corporation		
Interest-bearing loans and borrowings	7,521,464	8,005,682
Trade and other payables	2,710,952	2,710,952
	10,232,416	10,716,634

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
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**	**–**

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
1,664,787	3,984,636	3,911,027	2,550,042	186,043	66,394
3,680,041	–	–	–	–	–
5,344,828	3,984,636	3,911,027	2,550,042	186,043	66,394
1,272,170	3,381,392	3,332,607	19,513	–	–
2,710,952	–	–	–	–	–
3,983,122	3,381,392	3,332,607	19,513	–	–

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35. Financial Risk Management Objectives and Policies (Cont'd.)

(c) Liquidity risk (cont'd.)

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 RM4,301,211,000 (31.3.3011: RM3,979,933,000). The interest rate swaps with nominal value of RM4,301,211,000 (31.3.2011: RM3,979,933,000) 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:

Group	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 2011							
Net cash outflows	**4,301,211**	**(170,822)**	**(95,877)**	**(67,952)**	**(5,252)**	**(1,248)**	**(493)**

Group	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 March 2011							
Net cash outflows	3,979,933	(246,568)	(103,327)	(94,164)	(47,081)	(1,996)	–

The Group's hedging activities on the interest rate swaps are tested to be effective. During the period, the Group recognised in other comprehensive income a gain of RM6,182,000 (31.3.2011: loss of RM21,396,000) on the interest rate swaps of its subsidiaries. The Group also shared its jointly controlled entities' losses on hedging activities of RM44,324,000 (31.3.2011: RM Nil).

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 at the reporting date are as follows:

	Group		Corporation	
	31.12.2011 RM'000	31.3.2011 RM'000	31.12.2011 RM'000	31.3.2011 RM'000
Energy related shipping	**308,645**	290,489	**33,647**	56,960
Other energy businesses	**838,288**	389,185	**7,303**	3,373
Integrated liner logistics	**163,472**	172,896	**20,861**	74,760
Non shipping	**5,527**	7,249	**–**	–
	1,315,932	859,819	**61,811**	135,093

At reporting date, approximately 24.1% (31.3.2011: 60.3%) of the Group's trade and other receivables were due from related parties while 63.4% (31.3.2011: 93.3%) of the Corporation's trade and other receivables were due from related parties.

Notes to the Financial Statements
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35. Financial Risk Management Objectives and Policies (Cont'd.)

(d) Credit risk (cont'd.)

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 the Bursa Malaysia.

The Group has Investment Guidelines to protect its exposure to equity price risk. Permitted investment in terms of allowable financial instruments, minimum credit rating and markets are stipulated in the Investment Guidelines. The Group and the Corporation monitor the equity investments on a portfolio basis and a performance benchmark is established for each investment portfolio, giving consideration to portfolio objectives and return expectations.

The Group holds equity investments, typically for strategic purposes, that are classified as non-current available-for-sale financial assets. Reports on the equity portfolio are submitted to the Group and Corporation's senior management on a regular basis. The Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to listed equity securities at fair value was RM351,158,000 (31.3.2011: RM373,033,000).

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:

Group and Corporation	Carrying value RM'000	Weighted average change in index rate %	Effect on equity Increase/ (Decrease) RM'000
Local equities	351,158	+15	52,674
Local equities	351,158	–15	(52,674)

This analysis assumes all other variables remain constant.

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 2011 and 31 March 2011 are as follows:

		Group		Corporation	
	Note	31.12.2011 RM'000	31.3.2011 RM'000	31.12.2011 RM'000	31.3.2011 RM'000
Short term borrowings	18(c)	**5,859,556**	1,247,261	**4,984,640**	1,061,396
Long term borrowings	18(c)	**8,332,604**	10,008,122	**4,200,212**	6,460,068
Total debts		**14,192,160**	11,255,383	**9,184,852**	7,521,464
Total equity		**21,008,663**	22,191,559	**15,191,612**	16,233,596
Gross debt equity ratio		**0.68**	0.51	**0.60**	0.46

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37. Subsidiaries and Activities

Name of company	Country of incorporation	Principal activities	Effective interest (%) 31.12.2011	Effective interest (%) 31.3.2011
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
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	Marine repair, marine conversion and engineering and construction	**66.5**	66.5
MMHE-SHI LNG Sdn. Bhd.	Malaysia	Agent for LNG vessel repair works	**46.6**	46.6
MSE Corporation Sdn. Bhd.	Malaysia	In-Liquidation	**66.5**	66.5
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

37. Subsidiaries and Activities (Cont'd.)

Name of company	Country of incorporation	Principal activities	Effective interest (%) 31.12.2011	Effective interest (%) 31.3.2011
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	Shipping agent	**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
MISC Agencies (Singapore) Pte. Ltd.*	Singapore	Shipping agent	**100**	100
Leo Launches Pte. Ltd.*	Singapore	Launch operator	**51**	51
MISC Agencies (New Zealand) Ltd.#	New Zealand	Shipping agent	**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	Own, manage and operate a cold storage logistic hub	**67**	67
MILS – Seafrigo Cold Chain Logistics Sdn. Bhd.	Malaysia	Dormant	**60**	60
MILS – SterilGamma Sdn. Bhd.	Malaysia	Sterilisation and fumigation facilities	**–**	60
Asia LNG Transport Sdn. Bhd.	Malaysia	Shipowning and ship management	**51**	51

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37. Subsidiaries and Activities (Cont'd.)

Name of company	Country of incorporation	Principal activities	Effective interest (%) 31.12.2011	Effective interest (%) 31.3.2011
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
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

37. Subsidiaries and Activities (Cont'd.)

Name of company	Country of incorporation	Principal activities	Effective interest (%) 31.12.2011	Effective interest (%) 31.3.2011
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	Dormant	**100**	100
AET Tankers (Suezmax) Pte. Ltd.	Singapore	Own, manage and operate ships	**100**	100
AET Shuttle Tankers Sdn. Bhd. *(formerly known as Timeless Harbour 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.	The United States of America	Dormant	**100**	100
AET MCV Beta L.L.C.	The United States of America	Dormant	**100**	100
AET MCV Gamma L.L.C.	The United States of America	Chartering and operations	**100**	100
MISC International (L) Ltd.	Malaysia	Investment holding	**100**	100
MISC Offshore Floating Terminals (L) Ltd.	Malaysia	Offshore floating terminals ownership	**100**	100

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37. Subsidiaries and Activities (Cont'd.)

Name of company	Country of incorporation	Principal activities	Effective interest (%) 31.12.2011	Effective interest (%) 31.3.2011
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
Bunga Kasturi (L) Pte. Ltd.	Malaysia	Shipowning	**100**	100
MISC Floating Production System (Gumusut) Ltd.	Malaysia	Dormant	**100**	100
Malaysia Offshore Mobile Production (Labuan) Ltd.	Malaysia	Mobile offshore production unit owner	**80**	80
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	Shipping agent	**100**	100

* Audited by firms of auditors other than Ernst & Young
# Audited by affiliates of Ernst & Young Malaysia
^ Listed on the Main Board of Bursa Malaysia Securities Berhad

38. Associates and Activities

Name of company	Country of incorporation	Principal activities	Effective interest (%) 31.12.2011	Effective interest (%) 31.3.2011
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	Shipping services	**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	In-Liquidation	**30**	30
Eagle Star Crew Management Corp.	Philippines	Recruitment and provision of manpower for maritime vessels	**24**	24

** Although the Group holds 60% effective interest in BLG MILS Logistics Sdn. Bhd. ("BML"), BML is deemed to be an associate as the Group is unable to exercise control over the financial and operating policies of the economic activities of BML.

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39. Jointly Controlled Entities and Activities

Name of company	Country of incorporation	Principal activities	Effective interest (%) 31.12.2011	Effective interest (%) 31.3.2011
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**	26
Transware Distribution Services Pte. Ltd.	Singapore	Warehousing	**–**	50
Keer – MISC Logistics Co. Ltd.	Sudan	Transportation	**–**	50
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
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**	–
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

39. Jointly Controlled Entities and Activities (Cont'd.)

Name of company	Country of incorporation	Principal activities	Effective interest (%) 31.12.2011	Effective interest (%) 31.3.2011
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 (Two) Sdn. Bhd.***	Malaysia	Provision of multi user petrochemical terminal facilities	**36**	36
Langsat Terminal (One) Sdn. Bhd.***	Malaysia	Provision of tank terminal activities	**36**	36
MISC Shipping Services (UAE) LLC***	United Arab Emirates	Shipping agent	**49**	49
PFLNG Solutions Ltd.***	Malaysia	In-Liquidation	**30**	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
Eagle Lightering Services S.A	Uruguay	Lightering activity	**50**	–

*** Even though the Group hold 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.

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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

For above entities, the audited financial statements up to the financial year ended 30 June 2011 and management accounts up to 31 December 2011 have been used for transactions up to 31 December 2011 in applying the equity method of accounting.

40. Prior Year Adjustment

The prior year adjustment is in relation to the Group's share of gain from foreign currency translation reserve of a jointly controlled entity. The Group's share of other comprehensive income was under recognised in the previous financial year.

As a result, the comparative amounts in respect of the following captions for the financial year ended 31 March 2011 have been restated as follows:

	Note	As previously stated RM'000	Prior year adjustments RM'000	As restated RM'000
Group				
Statement of financial position				
Investment in jointly controlled entity	17	3,100,087	279,597	3,379,684
Other reserves	26	(1,219,887)	279,597	(940,290)

41. Liner Exit Provisions

On 24 November 2011, the Group announced its decision to exit Liner and its related business operations. The decision was reached after extensive evaluation of the Liner Business which was operating in an unpredictable market environment, making it difficult for management to derive real growth and profitability from the segment. Taking into account the operational and legal requirements, the Liner Business is expected to fully cease its operations by 30 June 2012.

In view of the planned exit, associated costs related to the recognised by the Group and the Corporation amounting to RM1,452,723,000 and RM1,406,097,000 are expensed and disclosed as 'Liner exit provisions' in the Income Statements for the 9 months ended 31 December 2011. The provisions of major costs associated with the exit are as follows:

	Group RM'000	Corporation RM'000
Assets impairment (Note a) (Note 5(a))	392,165	388,013
Termination of leases and contractual obligations (Note b)	933,709	930,148
Employees related costs (Note c)	102,041	63,128
Impairment loss on receivables	24,808	24,808
	1,452,723	1,406,097

a. An impairment loss of RM392,165,000 and RM388,013,000 associated with the Liner and its related businesses was recognised by the Group and Corporation respectively to reduce the carrying amount of the ships and other property, plant and equipment to their fair values less costs to sell. The fair values of the ships are determined with reference to their market values.

b. 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.

c. Employee related costs are related to one-time termination benefits provided to current employees who are expected to be involuntarily terminated as a result of the exit of the Liner Business.

Notes to the Financial Statements
31 December 2011

42. Significant Events

a. MISC Berhad ("MISC"), via its subsidiary, Malaysia Marine and Heavy Engineering Holdings Berhad ("MHB"), had on 27 May 2011 entered into a memorandum of understanding with Sime Darby Engineering (a wholly-owned subsidiary of Sime Darby Berhad) for the Proposed Acquisition of a fabrication yard located in Pasir Gudang at a provisional price of RM399 million to be satisfied entirely in cash (subject to outcome of due diligence exercise).

   The transaction has yet to be completed as at 31 December 2011.

b. On 6 October 2011, MISC, through its jointly controlled entity i.e. Centralised Terminals Sdn. Bhd. ("CTSB"), entered into a Shareholders Agreement ("SHA") to establish a joint venture company known as Langsat Terminal (Three) Sdn. Bhd. ("LgT-3").

   LgT-3 will undertake the proposed design, development, operation, management and maintenance of an oil storage tank terminal facility with a storage capacity of 380,000m^3 within the vicinity of Tanjung Langsat Port, Johor ("Project"). The project is expected to commence in early 2012 and complete by the end of 2013 with total estimated costs of RM371 million.

   CTSB holds 74% equity interest in LgT-3 with the remaining equity interest being held by China Aviation Oil (Singapore) Corporation Ltd.

c. MISC Agencies Sdn. Bhd, a wholly owned subsidiary of MISC, had on 31 October 2011 announced its intention to voluntarily wind up its wholly owned subsidiary, MISC Agencies (Japan) Limited ("MISA Japan"). The decision was made after considering MISC and MISA Japan's ability to compete effectively in the Intra Asia trade.

   The liquidation of MISA Japan has not been completed at reporting date and does not have any material financial implications to the Group for the current financial period ended 31 December 2011.

d. On 3 November 2011, MHB has been awarded a contract worth approximately RM1.4 billion for the Telok Gas Development Project by Exxon Mobil Exploration and Production Malaysia Inc. The scope of work under the contract includes procurement, fabrication, testing, load-out, transportation, installation and commissioning of the integrated Tapis R offshore platform deck as well as two inter-platform bridges. The project is expected to be completed by end of 2013.

e. On 29 December 2011, MISC Integrated Logistics Sdn. Bhd. ("MILS"), a wholly owned subsidiary of the Corporation disposed its entire 60% equity interest in MILS-SterilGamma for a sale consideration of RM1.

43. 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 2011 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**	
	31.12.2011 RM'000	**31.3.2011 RM'000**	**31.12.2011 RM'000**	**31.3.2011 RM'000**
Total retained profits of MISC Group and its subsidiaries:				
– Realised	**14,973,273**	17,182,898	**7,448,313**	9,338,982
– Unrealised	**(139,887)**	(204,443)	**(35,438)**	(194,463)
	14,833,386	16,978,455	**7,412,875**	9,144,519
Total share of retained loss from associates:				
– Realised	**(2,277)**	(1,891)	**–**	–
– Unrealised	**(42)**	(54)	**–**	–
	(2,319)	(1,945)	**–**	–
Total share of retained profits from jointly controlled entities:				
– Realised	**292,170**	185,429	**–**	–
– Unrealised	**63,545**	(158)	**–**	–
	355,715	185,271	**–**	–
Total retained profits	**15,186,782**	17,161,781	**7,412,875**	9,144,519
Less:				
Consolidation adjustments	**(2,898,040)**	(2,953,194)	**–**	–
Retained profits as per financial statements	**12,288,742**	14,208,587	**7,412,875**	9,144,519

Properties Owned by MISC Berhad and Its Subsidiaries as at 31 December 2011

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	21	72,141
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	5	119,329
3.	Plot 2 P.T. 2113 Air Keroh Industrial Estate Melaka	Land & Container Yard	Leasehold/ 2091	241,326	Office Building & Container Yard	20	3,407
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	20	31,533
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	19	23,562
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	17	1,697
7.	PTD 22805 Mukim Plentong, Johor Bahru	Land, Shipyard	Leasehold/ 2040	13,115,306	Marine Repair, Marine Conversion, Engineering & Construction Fabrication Yard, Ancillary Facilities & Office Buildings	32	35,980
8.	PTD 11549 Mukim Plentong, Johor Bahru	Land, Shipyard	Leasehold/ 2075	522,720		36	1,093
9.	PTD 65615 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2044	698,266	Staff Quarters	28	3,249
10.	PTD 65618 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2044	587,624	Staff Quarters	28	2,734
11.	PTD 65619 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2044	128,502	Staff Quarters	28	597
12.	PTD 65616 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2044	169,884	Vacant	28	788
13.	PTD 65617 Mukim Plentong, Johor Bahru	Land	Leasehold/ 2044	374,180	Vacant	28	1,745

No.	Location	Description	Tenure & Year Lease Expires	Area in sq. ft.	Existing Use	Age of Building/ Land (Years)	Approx. Net Book Value (RM'000)
14.	Pasir Gudang Industrial Estate 81707 Pasir Gudang, Johor (erected on Land 7 and 8 above)	Warehouse, Workshops and Office Buildings	Leasehold/ 2040/2075	1,956,881	Marine Repair, Marine Conversion, Engineering & Construction Fabrication Yard, Ancillary Facilities & Office Buildings	34	618,838
15.	Rumah Pangsa MMHE 81700 Pasir Gudang (erected on Land 9 to 11 above)	4-storey Residential flats	Leasehold/ 2044	383,559	Staff Quarters	33	2,475
16.	PTD 101363, Mukim Plentong, Johor Bahru	Land	Leasehold/ 2039	2,567,862	Storage Area	2	19,382
17.	Lot 76, Mukim Kuala Sungei Baru, Alor Gajah, Melaka	Villas and Boathouse	Leasehold/ 2016	463,641	Akademi Laut Malaysia, Melaka Campus	3	2,687
18.	Tingkat Bawah dan Tingkat 1, Wisma Takada Jalan Gaya, Lorong EWAN 88000 Kota Kinabalu	Office Premises	Leasehold/ 2092	6,000	Office	18	1,148
19.	Lot 1516, Mukim Kuala Sungai Baru (Kampus ALAM, Batu 31, Kampung Tanjung Dahan, Kuala Sungai Baru, Melaka)	Post Sea Hostel	Leasehold/ 2016	24,210	Student Accommodation	1	4,484
20.	305, The Collonades Porchester Square Bayswater, London W2 6AS	Apartment	Leasehold/ 2073	1,200	For Staff	20	2,398
21.	13, Town Quay Wharf Barking, Essex, London	Office Building	Leasehold/ 2990	10,000	Vacant (to be sold/leased)	18	3,520
22.	447, Kent Street Sydney, Australia	Land & Building (Including 2 basement car parks)	Freehold	3,767	Office	18	1,944
23.	Suite 40, Albert Square 37-39 Albert Road Melbourne, 3004 Australia	Land & Building (Including 15 basement car parks)	Freehold	11,470	Office	33	2,456
24.	Galveston, Texas, USA	Land & Office	Freehold	290,415	Workboats, Dockage & Lightering Support Operation	43	6,703
25.	Rivium 1e straat 42 2909 LE Capelle ann den IJssel, Netherlands	Land & Office	Freehold	21,140	Office	14	6,776

List of Vessels
as at 31 December 2011

LNG CARRIERS

Class	Total	Vessel	Built	Age	Yard	dwt	Flag
AMAN Class	3	AMAN BINTULU	1993	18	NKK, Tsu, Japan	11,001	Malaysia
		AMAN SENDAI	1997	14	NKK, Tsu, Japan	10,957	Malaysia
		AMAN HAKATA	1998	13	NKK, Tsu, Japan	10,951	Malaysia
***Tenaga Class**	3	TENAGA DUA	1981	30	Societe Metallurgique Et Navale Dunkerque, France	71,580	Malaysia
		TENAGA TIGA	1981	30	Societe Metallurgique Et Navale Dunkerque, France	72,083	Malaysia
		TENAGA LIMA	1981	30	Chantiers De Nord Industrielle Marseile, France	71,585	Malaysia
Puteri Class	5	PUTERI INTAN	1994	17	Chantiers de l'Atlantique, France	73,519	Malaysia
		PUTERI DELIMA	1995	16	Chantiers de l'Atlantique, France	73,519	Malaysia
		PUTERI NILAM	1995	16	Chantiers de l'Atlantique, France	73,519	Malaysia
		PUTERI ZAMRUD	1996	15	Chantiers de l'Atlantique, France	73,519	Malaysia
		PUTERI FIRUS	1997	14	Chantiers de l'Atlantique, France	73,519	Malaysia
Puteri Satu Class	6	PUTERI INTAN SATU	2002	9	Mitsubishi Heavy Industries, Japan	75,849	Malaysia
		PUTERI DELIMA SATU	2002	9	Mitsui Engineering & Shipbuilding Co., Japan	76,190	Malaysia
		PUTERI NILAM SATU	2003	8	Mitsubishi Heavy Industries, Japan	76,124	Malaysia
		PUTERI ZAMRUD SATU	2004	7	Mitsui Engineering & Shipbuilding Co., Japan	76,144	Malaysia
		PUTERI FIRUS SATU	2004	7	Mitsubishi Heavy Industries, Japan	76,197	Malaysia
		PUTERI MUTIARA SATU	2005	6	Mitsui Engineering & Shipbuilding Co., Japan	76,144	Malaysia
Seri A Class	5	SERI ALAM	2005	6	Samsung Heavy Industries Co. Ltd., Korea	83,824	Malaysia
		SERI AMANAH	2006	5	Samsung Heavy Industries Co. Ltd., Korea	83,400	Malaysia
		SERI ANGGUN	2006	5	Samsung Heavy Industries Co. Ltd., Korea	83,395	Malaysia

LNG CARRIERS (Cont'd.)

Class	Total	Vessel	Built	Age	Yard	dwt	Flag
Seri A Class (cont'd)		SERI ANGKASA	2006	5	Samsung Heavy Industries Co. Ltd., Korea	83,403	Malaysia
		SERI AYU	2007	4	Samsung Heavy Industries Co. Ltd., Korea	83,366	Malaysia
Seri B Class	5	SERI BAKTI	2007	4	Mitsubishi Heavy Industries, Japan	90,065	Malaysia
		SERI BEGAWAN	2007	4	Mitsubishi Heavy Industries, Japan	89,902	Malaysia
		SERI BIJAKSANA	2008	3	Mitsubishi Heavy Industries, Japan	89,953	Malaysia
		SERI BALHAF	2008	3	Mitsubishi Heavy Industries, Japan	91,201	Malaysia
		SERI BALQIS	2009	2	Mitsubishi Heavy Industries, Japan	91,198	Malaysia
TOTAL OWNED	27					**1,942,107**	

*Note: Excluding Tenaga Satu and Tenaga Empat, which are currently under conversion to FSU

List of Vessels
as at 31 December 2011

PETROLEUM TANKERS

Type	Total	Vessel	Built	Age	Yard	dwt	Flag
VLCC	9	BUNGA KASTURI	2003	8	Universal Shipbuilding Corporation, Japan	299,999	Malaysia
		EAGLE VIENNA	2004	7	Hyundai Heavy Industries Corp. Ltd., Korea	306,999	Malaysia
		BUNGA KASTURI DUA	2005	6	Universal Shipbuilding Corporation, Japan	300,542	Malaysia
		EAGLE VENICE	2005	6	Samsung Heavy Industries Co. Ltd., Korea	299,984	Malaysia
		EAGLE VALENCIA	2005	6	Samsung Heavy Industries Co. Ltd., Korea	306,998	Singapore
		BUNGA KASTURI TIGA	2006	5	Universal Shipbuilding Corporation, Japan	300,398	Malaysia
		BUNGA KASTURI EMPAT	2007	4	Universal Shipbuilding Corporation, Japan	300,325	Malaysia
		BUNGA KASTURI LIMA	2007	4	Universal Shipbuilding Corporation, Japan	300,246	Malaysia
		BUNGA KASTURI ENAM	2008	3	Universal Shipbuilding Corporation, Japan	299,319	Malaysia
Aframax	40	BUNGA KELANA SATU	1997	14	Hyundai Heavy Industries Corp. Ltd., Korea	105,884	Malaysia
		BUNGA KELANA DUA	1997	14	Hyundai Heavy Industries Corp. Ltd., Korea	105,976	Malaysia
		EAGLE COLUMBUS	1997	14	Koyo Dockyard Co. Ltd., Japan	107,166	Singapore
		EAGLE CHARLOTTE	1997	14	Koyo Dockyard Co. Ltd., Japan	107,169	Singapore
		BUNGA KELANA 3	1998	13	Hyundai Heavy Industries Corp. Ltd., Korea	105,784	Malaysia
		EAGLE PHOENIX	1998	13	Namura Shipbuilding Co. Ltd., Japan	106,127	Singapore
		EAGLE AUSTIN	1998	13	Samsung Heavy Industries Co. Ltd., Korea	105,426	Singapore
		EAGLE ALBANY	1998	13	Koyo Dockyard Co. Ltd., Japan	107,160	Singapore
		BUNGA KELANA 4	1999	12	Hyundai Heavy Industries Corp. Ltd., Korea	105,815	Malaysia
		BUNGA KELANA 5	1999	12	Hyundai Heavy Industries Corp. Ltd., Korea	105,788	Malaysia
		BUNGA KELANA 6	1999	12	Hyundai Heavy Industries Corp. Ltd., Korea	105,815	Malaysia

PETROLEUM TANKERS (Cont'd.)

Type	Total	Vessel	Built	Age	Yard	dwt	Flag
Aframax (cont'd)		EAGLE AUGUSTA	1999	12	Samsung Heavy Industries Co. Ltd., Korea	105,345	Singapore
		EAGLE ANAHEIM	1999	12	Koyo Dockyard Co. Ltd., Japan	107,160	Singapore
		EAGLE ATLANTA	1999	12	Koyo Dockyard Co. Ltd., Japan	107,160	Singapore
		BUNGA KENANGA	2000	11	Samsung Heavy Industries Co. Ltd., Korea	73,096	Malaysia
		EAGLE TACOMA	2002	9	Imabari Shipbuilding Co. Ltd., Japan	107,123	Singapore
		EAGLE TOLEDO	2003	8	Imabari Shipbuilding Co. Ltd., Japan	107,092	Singapore
		EAGLE TRENTON	2003	8	Imabari Shipbuilding Co. Ltd., Japan	107,123	Singapore
		EAGLE TUCSON	2003	8	Imabari Shipbuilding Co. Ltd., Japan	107,123	Singapore
		EAGLE TAMPA	2003	8	Imabari Shipbuilding Co. Ltd., Japan	107,123	Singapore
		BUNGA KELANA 7	2004	7	Samsung Heavy Industries Co. Ltd., Korea	105,194	Malaysia
		BUNGA KELANA 8	2004	7	Samsung Heavy Industries Co. Ltd., Korea	105,174	Malaysia
		BUNGA KELANA 9	2004	7	Samsung Heavy Industries Co. Ltd., Korea	105,200	Malaysia
		BUNGA KELANA 10	2004	7	Samsung Heavy Industries Co. Ltd., Korea	105,274	Malaysia
		EAGLE TORRANCE	2007	4	Imabari Shipbuilding Co. Ltd., Japan	107,123	Singapore
		EAGLE TURIN	2008	3	Imabari Shipbuilding Co. Ltd., Japan	107,123	Singapore
		EAGLE KUCHING	2009	2	Tsuneishi Holdings Corporation, Japan	107,481	Singapore
		EAGLE KUANTAN	2010	1	Tsuneishi Holdings Corporation, Japan	107,481	Singapore
		PARAMOUNT HANOVER	2010	1	Sungdong Shipbuilding and Marine Engineering Co. Ltd., Korea	114,014	Isle of Man
		EAGLE KANGAR	2010	1	Tsuneishi Holdings Corporation, Japan	107,481	Singapore
		PARAMOUNT HELSINKI	2010	1	Sungdong Shipbuilding and Marine Engineering Co. Ltd., Korea	114,014	Isle of Man

List of Vessels
as at 31 December 2011

PETROLEUM TANKERS (Cont'd.)

Type	Total	Vessel	Built	Age	Yard	dwt	Flag
Aframax (cont'd)		PARAMOUNT HAMILTON	2010	1	Sungdong Shipbuilding and Marine Engineering Co. Ltd., Korea	114,014	Isle of Man
		EAGLE KLANG	2010	1	Tsuneishi Holdings Corporation, Japan	107,481	Singapore
		PARAMOUNT HATTERAS	2010	1	Sungdong Shipbuilding and Marine Engineering Co. Ltd., Korea	114,164	Isle of Man
		PARAMOUNT HALIFAX	2010	1	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
CPP	4	EAGLE MEERUT	1995	16	Hyundai Heavy Industries Corp. Ltd., Korea	29,990	India
		AET GALA	2010	1	Okskaya Sudoverf Joint Stock Company, Russia	6,650	Marshall Islands
		AET SANJAR	2010	1	Okskaya Sudoverf Joint Stock Company, Russia	6,650	Marshall Islands
		AET NISSA	2010	1	Okskaya Sudoverf Joint Stock Company, Russia	6,650	Marshall Islands
TOTAL OWNED	53					**7,040,675**	
VLCC	3	EAGLE VERMONT	2002	9	Hyundai Heavy Industries Corp. Ltd., Korea	299,999	Singapore
		EAGLE VIRGINIA	2002	9	Hyundai Heavy Industries Corp. Ltd., Korea	306,999	Singapore
		BLUE TOPAZ	2010	1	Daewoo Shipbuilding and Marine Engineering	321,243	Marshall Islands

PETROLEUM TANKERS (Cont'd.)

Type	Total	Vessel	Built	Age	Yard	dwt	Flag
In-chartered Aframax	19	EAGLE CARINA	1992	19	Imabari Shipbuilding Co. Ltd., Japan	95,639	Singapore
		EAGLE CENTAURUS	1992	19	Imabari Shipbuilding Co. Ltd., Japan	95,644	Singapore
		EAGLE CORONA	1993	18	Imabari Shipbuilding Co. Ltd., Japan	95,639	Singapore
		EAGLE AURIGA	1993	18	Shin Kurushima Dockyard Co. Ltd., Japan	102,352	Singapore
		EAGLE SUBARU	1994	17	Koyo Dockyard Co. Ltd., Japan	95,675	Singapore
		EAGLE OTOME	1994	17	Koyo Dockyard Co. Ltd., Japan	95,663	Singapore
		EAGLE BALTIMORE	1996	15	Samsung Heavy Industries Co. Ltd., Korea	99,406	Singapore
		EAGLE BEAUMONT	1996	15	Samsung Heavy Industries Co. Ltd., Korea	99,449	Singapore
		EAGLE BOSTON	1996	15	Samsung Heavy Industries Co. Ltd., Korea	99,328	Singapore
		EAGLE BIRMINGHAM	1997	14	Samsung Heavy Industries Co. Ltd., Korea	99,343	Singapore
		ATLAS EXPLORER	1998	13	Koyo Dockyard Co. Ltd., Japan	107,181	Bahamas
		EAGLE SEVILLE	1999	12	Samsung Heavy Industries Co. Ltd., Korea	104,556	Singapore
		EAGLE SIBU	1999	12	Samsung Heavy Industries Co. Ltd., Korea	105,364	Singapore
		EAGLE STEALTH	2001	10	Sumitomo Heavy Industries, Japan	99,976	Marshall Islands
		JAG LYALL	2006	5	Da Lian Shipping Industry Co., Ltd	110,537	India
		EAGLE SAPPORO	2008	3	Mitsui Engineering & Shipbuilding Co., Japan	110,448	Singapore
		EAGLE STAVANGER	2009	2	Sumitomo Heavy Industries, Japan	105,355	Panama
		EAGLE SYDNEY	2009	2	Sumitomo Heavy Industries, Japan	105,419	Panama
		STEALTH SKYROS	2011	>1	Daewoo Shipbuilding and Marine Engineering	116,337	Marshall Islands

List of Vessels
as at 31 December 2011

PETROLEUM TANKERS (Cont'd.)

Type	Total	Vessel	Built	Age	Yard	dwt	Flag
MR2	5	EAGLE MIRI	2008	3	STX Offshore & Shipbuilding Co. Ltd., Korea	46,195	Panama
		EAGLE MADRID	2008	3	STX Offshore & Shipbuilding Co. Ltd., Korea	46,197	Panama
		EAGLE MILAN	2010	1	Naikai Zosen, Japan	46,549	Panama
		EAGLE MATSUYAMA	2010	1	Shin Kurishima Dockyard Co Ltd	45,942	Panama
		EAGLE MELBOURNE	2011	>1	Onomichi Dockyard Co. Ltd, Japan	50,079	Singapore
CPP	3	OCEANIC INDIGO	2011	>1	Penglai Bohai Shipyard Co Ltd, Penglai, China	13,393	Cyprus
		OCEANIC COBALT	2008	3	Jinse Shipbuilding Co Ltd, Korea	13,224	Panama
		OCEANIC CORAL	2008	3	Jinse Shipbuilding Co Ltd, Korea	13,224	Panama
TOTAL IN-CHARTERED	30					**3,146,355**	
TOTAL	83					**10,187,030**	

CHEMICAL

Class	Total	Vessel	Built	Age	Yard	dwt	Flag
Melati Class	7	BUNGA MELATI SATU	1997	14	Hyundai Heavy Industries Corp. Ltd., Korea	32,127	Malaysia
		BUNGA MELATI DUA	1997	14	Hyundai Heavy Industries Corp. Ltd., Korea	32,169	Malaysia
		BUNGA MELATI 3	1999	12	Hyundai Heavy Industries Corp. Ltd., Korea	31,983	Malaysia
		BUNGA MELATI 4	1999	12	Hyundai Heavy Industries Corp. Ltd., Korea	31,967	Malaysia
		BUNGA MELATI 5	1999	12	Hyundai Heavy Industries Corp. Ltd., Korea	31,975	Malaysia
		BUNGA MELATI 6	2000	11	Hyundai Heavy Industries Corp. Ltd., Korea	31,981	Malaysia
		BUNGA MELATI 7	2000	11	Hyundai Heavy Industries Corp. Ltd., Korea	31,972	Malaysia
A Class	8	BUNGA AKASIA	2009	2	STX Offshore & Shipbuilding Co. Ltd., Korea	38,000	Malaysia
		BUNGA ALAMANDA	2009	2	STX Offshore & Shipbuilding Co. Ltd., Korea	38,000	Malaysia
		BUNGA ALLIUM	2010	1	STX Offshore & Shipbuilding Co. Ltd., Korea	38,000	Malaysia
		BUNGA ALPINIA	2010	1	STX Offshore & Shipbuilding Co. Ltd., Korea	38,000	Malaysia
		BUNGA ANGSANA	2010	1	STX Offshore & Shipbuilding Co. Ltd., Korea	38,000	Malaysia
		BUNGA ANGELICA	2010	1	STX Offshore & Shipbuilding Co. Ltd., Korea	38,000	Malaysia
		BUNGA AZALEA	2010	1	STX Offshore & Shipbuilding Co. Ltd., Korea	38,000	Malaysia
		BUNGA ASTER	2010	1	STX Offshore & Shipbuilding Co. Ltd., Korea	38,000	Malaysia

List of Vessels
as at 31 December 2011

CHEMICAL (Cont'd.)

Class	Total	Vessel	Built	Age	Yard	dwt	Flag
B Class	4	BUNGA BAKAWALI	2010	1	SLS Shipbuilding Co. Ltd., Korea	45,000	Malaysia
		BUNGA BALSAM	2010	1	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	19					708,174	
In-chartered	8	BUNGA KANTAN SATU	2005	6	Fukuoka Shipyard, Japan	19,774	Singapore
		BUNGA KANTAN DUA	2005	6	Fukuoka Shipyard, Japan	19,774	Singapore
		BUNGA KANTAN TIGA	2005	6	Fukuoka Shipyard, Japan	19,774	Singapore
		STX ACE 7	2007	4	STX Offshore & Shipbuilding Co. Ltd., Korea	46,140	Panama
		BUNGA LAUREL	2010	1	Fukuoka Shipyard, Japan	19,000	Panama
		BUNGA LAVENDER	2010	1	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
TOTAL IN-CHARTERED	8					**181,462**	
TOTAL	27					**889,636**	

CONTAINERSHIPS

Type	Total	Vessel	Built	Age	Yard	dwt	Flag
Above 5000 TEUs	2	BUNGA SEROJA SATU	2006	5	Daewoo Heavy Industries, Ltd., Korea	103,717	Malaysia
		BUNGA SEROJA DUA	2006	5	Daewoo Heavy Industries, Ltd., Korea	103,773	Malaysia
3000 – 5000 TEUs	3	BUNGA PELANGI DUA	1995	16	Hyundai Heavy Industries Corp. Ltd., Korea	65,318	Malaysia
		BUNGA RAYA SATU	1998	13	Hyundai Heavy Industries Corp. Ltd., Korea	48,304	Malaysia
		BUNGA RAYA DUA	1998	13	Hyundai Heavy Industries Corp. Ltd., Korea	48,244	Malaysia
1000 – 3000 TEUs	7	BUNGA BIDARA	1990	21	China Shipbuilding Corporation, China	23,518	Malaysia
		BUNGA DELIMA	1990	21	China Shipbuilding Corporation, China	23,584	Malaysia
		BUNGA TERASEK	1991	20	China Shipbuilding Corporation, China	24,073	Malaysia
		BUNGA TERATAI	1998	13	Daewoo Heavy Industries, Ltd., Korea	24,612	Malaysia
		BUNGA TERATAI DUA	1998	13	Daewoo Heavy Industries, Ltd., Korea	24,554	Malaysia
		BUNGA TERATAI 3	1998	13	Daewoo Heavy Industries, Ltd., Korea	24,554	Malaysia
		BUNGA TERATAI 4	1998	13	Daewoo Heavy Industries, Ltd., Korea	24,561	Malaysia
Less than 1000 TEUs	4	BUNGA MAS 9	1998	13	Kyokuyo Shipyard Corporation, Japan	12,250	Malaysia
		BUNGA MAS 10	1998	13	Kyokuyo Shipyard Corporation, Japan	12,288	Malaysia
		BUNGA MAS 11	1998	13	Hanjin Heavy Industries Corp. Ltd., Korea	10,326	Malaysia
		BUNGA MAS 12	1999	12	Hanjin Heavy Industries Corp. Ltd., Korea	10,313	Malaysia
TOTAL OWNED	16					**583,989**	

List of Vessels
as at 31 December 2011

CONTAINERSHIPS (Cont'd.)

Type	Total	Vessel	Built	Age	Yard	dwt	Flag
In-chartered	13	TATIANA SCHULTE	2005	6	Hyundai Mipo, Korea	39,359	Germany
		PASSAT SPRING	2006	5	Stocznia Gdanska, Poland	39,083	Panama
		AS CARELIA	2006	5	Hyundai Mipo, Korea	39,418	Liberia
		MEDBAY	2006	5	Zhejiang Yangfan Ship Group Ltd, China	11,810	Philippines
		ELENA	2007	4	Zhejiang Yangfan Ship Group Ltd, China	11,500	Antigua
		BUNGA RAYA LAPAN	2008	3	Samsung Heavy Industries Co. Ltd., Korea	50,681	Panama
		COSCO KAWASAKI	2008	3	Samsung Heavy Industries Co. Ltd., Korea	50,686	Panama
		COSCO FUKUYAMA	2009	2	Samsung Heavy Industries Co. Ltd., Korea	50,686	Panama
		SEROJA TIGA	2010	1	Mitsubishi Heavy Industries, Japan	90,388	Panama
		SEROJA EMPAT	2010	1	Mitsubishi Heavy Industries, Japan	90,388	Panama
		STADT CADIZ	2010	1	Guangzhou Wenchong Shipyard Co. Ltd, China	39,500	Antigua
		SEROJA LIMA	2011	>1	Mitsubishi Heavy Industries, Japan	90,388	Panama
		SEROJA ENAM	2011	>1	Mitsubishi Heavy Industries, Japan	90,388	Panama
TOTAL IN-CHARTERED	13					**694,275**	
TOTAL	29					**1,278,264**	

OTHERS

Type	Total	Vessel	Built	Age	Yard	dwt	Flag
In-chartered	1	BUNGA KEMBOJA	1998	13	Mitsubishi Heavy Industries, Japan	20,613	Marshall Islands
TOTAL IN-CHARTERED	1					**20,613**	
TOTAL	1					**20,613**	

OFFSHORE

Type	Total	Facility	Built	Yard	Design Production Capacity (bpd)	Storage Capacity (bbls)
Floating Production Storage and Offloading (FPSO)	5	FPSO Bunga Kertas	2004	Malaysia Marine and Heavy Engineering Sdn. Bhd., Malaysia	30,000	619,000
		FPSO Brasil*	2002	Keppel Shipyard, Singapore	120,000	1,700,000
		FPSO Kikeh*	2007	Malaysia Marine and Heavy Engineering Sdn. Bhd., Malaysia	150,000	2,020,000
		FPSO Espirito Santo*	2009	Keppel Shipyard, Singapore	100,000	2,000,000
		FPSO Ruby II	2010	Malaysia Marine and Heavy Engineering Sdn. Bhd., Malaysia	45,000	600,000
TOTAL					**445,000**	**6,939,000**

* Jointly owned with Single Buoy Mooring (SBM)
** Jointly owned with Petroleum Technical Services Corporation (PTSC)
*** Jointly owned with Global Process Systems (GPS)

List of Vessels
as at 31 December 2011

OFFSHORE (Cont'd.)

Type	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 Sdn. Bhd., Malaysia	-	472,631
		FSO Cendor	2006	Malaysia Marine and Heavy Engineering Sdn. Bhd., Malaysia	-	590,000
		FSO Abu	2007	Malaysia Marine and Heavy Engineering Sdn. Bhd., Malaysia	-	617,200
		FSO Orkid**	2009	Malaysia Marine and Heavy Engineering Sdn. Bhd., Malaysia	-	777,504
TOTAL					**-**	**3,331,182**
Mobile Offshore Production Unit (MOPU)	2	MOPU SATU***	2010	Malaysia Marine and Heavy Engineering Sdn. Bhd., Malaysia	-	-
		MOPU DUA***	2011	Malaysia Marine and Heavy Engineering Sdn. Bhd., Malaysia	-	-
TOTAL					-	-
TOTAL OFFSHORE FACILITIES	12					

* 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 Third (43rd) Annual General Meeting of MISC Berhad ("the Company") to be held at Sapphire Room, Level 1, Mandarin Oriental Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia on Wednesday, 20 June 2012 at 11.00 a.m. for the following purposes:

As Ordinary Business, to consider and if thought fit to pass the following resolutions:

ORDINARY RESOLUTIONS

1. To receive and consider the Audited Financial Statements of the Company for the financial period ended 31 December 2011 and the Reports of the Directors and Auditors thereon. **Resolution 1**

2. To re-elect Mohd. Farid bin Mohd. Adnan who retires in accordance with Article 95 of the Company's Articles of Association and being eligible, offer 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, have offered themselves for re-election:-

   i. Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah **Resolution 3**

   ii. Harry K. Menon **Resolution 4**

   iii. Dato' Halipah binti Esa **Resolution 5**

4. To approve the payment of Directors' fees amounting to RM360,000.00 for the financial period ended 31 December 2011. **Resolution 6**

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 7**

Notice of Annual General Meeting

As special business, to consider and if thought fit, to pass the following as Ordinary Resolution:

6. **PROPOSED AUTHORITY TO ALLOT SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965** **Resolution 8**

   "THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of the relevant authorities, the Directors be and are hereby authorised to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company as at the date of this Annual General Meeting and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

7. To transact any other ordinary business of which due notice has been given.

By Order of the Board
Fadzillah binti Kamaruddin (LS 0008989)
Company Secretary
29 May 2012
Kuala Lumpur

Notes:

Proxy Form

1. Only depositors whose names appear in the Record of Depositors as at 14 June 2012 shall be entitled to attend, speak and vote at the meeting.

2. A member of the Company (except if the member is an authorised 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, Block D13, 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:

Ordinary Resolution 8 - Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965

The proposed Resolution 8 for the purpose of seeking a general mandate, if passed, would enable the Directors to issue up to a maximum of 10% of the issued share capital of the Company as at the date of this Annual General Meeting for such purposes as the Directors consider would be in the best interest of the Company. This authority unless revoked or varied by the Company at a general meeting will expire at the next Annual General Meeting of the Company.

The general mandate is to provide flexibility to the Company to issue new shares for any possible fund raising exercises, including but not limited to placement or issuance of new shares as consideration for investments and/or acquisitions or for the purpose of funding current and/or future investment projects, acquisitions and/or working capital and to avoid any delays and further cost involved in convening a general meeting to specifically approve such issue of shares.

Statement Accompanying Notice of Annual General Meeting

Made Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

1. The Directors retiring pursuant to Articles 95 and 97 of the Company's Articles of Association and seeking re-election are as follows:
   i. Mohd. Farid bin Mohd. Adnan (retiring pursuant to Article 95)
   ii. Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah (retiring pursuant to Article 97)
   iii. Harry K. Menon (retiring pursuant to Article 97)
   iv. Dato' Halipah binti Esa (retiring pursuant to Article 97)

2. The profiles of the above Directors who are standing for re-election are set out from page 26 to 33 of this Annual Report. The details of the Directors' shareholdings in the Company are set out in page 92 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 Third (43rd) Annual General Meeting of MISC Berhad ("the Company") to be held at **Sapphire Room, Level 1, Mandarin Oriental Kuala Lumpur, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia on Wednesday, 20 June 2012** at **11.00 a.m.** and at any adjournment thereof. My/our proxy is to vote as indicated below:

No.	Ordinary Resolutions	For	Against
1.	Adoption of the Audited Financial Statements for the financial period ended 31 December 2011 and the Reports of the Directors and Auditors thereon.		
2.	Re-election of Mohd. Farid bin Mohd. Adnan as Director pursuant to Article 95 of the Company's Articles of Association.		
3(i).	Re-election of Tan Sri. Dr. Wan Abdul Aziz bin Wan Abdullah as Director pursuant to Article 97 of the Company's Articles of Association.		
3(ii).	Re-election of Harry K. Menon as Director pursuant to Article 97 of the Company's Articles of Association.		
3(iii).	Re-election of Dato' Halipah binti Esa as Director pursuant to Article 97 of the Company's Articles of Association.		
4.	To approve the payment of Directors' fees amounting to RM360,000.00 for the financial period ended 31 December 2011.		
5.	Re-appointment of Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.		
6.	Proposed authority to allot shares pursuant to Section 132D of the Companies Act, 1965.		

(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 ____________ 2012.

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 14 June 2012 shall be entitled to attend, speak and vote at the meeting.

2. A member of the Company (except if the member is an authorised 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, Block D13, 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
20 June 2012

STAMP

Symphony Share Registrars Sdn. Bhd.

Level 6, Symphony House, Block D13
Pusat Dagangan Dana 1, Jalan PJU 1A/46
47301 Petaling Jaya, Selangor Darul Ehsan
Malaysia

MISC Berhad 8178-H

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