



MISC BERHAD

(Company No. 8178-H)

INFORMATION MEMORANDUM

**PROPOSED ISSUE OF MURABAHAH MEDIUM TERM NOTES PURSUANT TO A
MURABAHAH MEDIUM TERM NOTES PROGRAMME OF
UP TO RM2.5 BILLION IN NOMINAL VALUE**

MISC Berhad (the “Issuer”) proposes to issue Murabahah Medium Term Notes, from time to time, (collectively, the “MTNs”) pursuant to a Murabahah Medium Term Notes Programme of up to RM2.5 billion in nominal value. No application is being made to list the MTNs on any stock exchange, nor is any such application contemplated.

The MTNs will be redeemed by the Issuer at their face value on the relevant maturity date. Payment on the MTNs will be made without withholding or deductions for or on account of any present or future tax, duty or charges of whatsoever nature imposed or levied by or on behalf of Malaysia, or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law whereby the Issuer shall not be required to gross up for any such deductions or withholdings.

The MTNs will be traded through the scripless securities trading and funds transfer system known as Real Time Electronic Transfer of Funds and Securities (“RENTAS”) operated and managed by Bank Negara Malaysia (“BNM”). The MTNs shall be represented by a global certificate in bearer form to be deposited with BNM acting as the Central Depository. The global certificates are exchangeable into definitive certificates on the occurrence of certain events.

At issuance, the MTNs may not be offered, sold, transferred or otherwise disposed directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to categories of persons falling within (a) Schedule 2 or Section 38(1)(b); and (b) Schedule 3 or Section 39(1)(b); and Schedule 5 or Section 66(3) of the Securities Commission Act, 1993 (“SCA”) as amended from time to time, subject to any changes in the applicable laws.

Thereafter, the MTNs may not be offered, sold, transferred or otherwise disposed directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to categories of persons falling within (a) Schedule 2 or Section 38(1)(b); and (b) Schedule 5 or Section 66(3) of the SCA, subject to any changes in the applicable laws.

Joint Lead Arrangers/ Joint Lead Managers



AmInvestment Bank

**AMINVESTMENT BANK
BERHAD**

**(formerly known as
AmMerchant Bank Berhad)
(Company No. 23742-V)**



CIMB

**CIMB INVESTMENT BANK
BERHAD**

(Company No. 18417-M)



**HSBC BANK
MALAYSIA BERHAD
(Company No. 127776-V)**

12 SEPTEMBER 2007

RESPONSIBILITY STATEMENT

This Information Memorandum has been approved by the directors of MISC Berhad (“**MISC**” or the “**Issuer**”) and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries, and to the best of their knowledge, information and belief, there are no false or misleading statements or other material facts the omission of which would make any statement in this Information Memorandum false or misleading and that there are no material omissions in this Information Memorandum.

IMPORTANT NOTICE AND GENERAL STATEMENTS OF DISCLAIMER

The Issuer has authorised AmInvestment Bank Berhad (formerly known as AmMerchant Bank Berhad), CIMB Investment Bank Berhad and HSBC Bank Malaysia Berhad (collectively, the “**Joint Lead Arrangers/Joint Lead Managers**”) to distribute this Information Memorandum, which is now being provided by the Joint Lead Arrangers/Joint Lead Managers on a confidential basis to potential investors, which must be categories of persons falling within (subject to any changes in the applicable laws) (a) Schedule 2 or Section 38(1)(b); and (b) Schedule 3 or Section 39(1)(b); and Schedule 5 or Section 66(3) of the Securities Commission Act 1993 (the “**SCA**”) at issuance and Schedule 2 or Section 38(1)(b) and Schedule 5 or Section 66(3) of the SCA thereafter, for the sole purpose of assisting them to decide whether to subscribe for or purchase the MTNs.

This Information Memorandum may not be, in whole or in part, reproduced or used for any other purpose, or shown, given, copied to or filed with any other person including, without limitation, any government or regulatory authority except with the prior consent of the Issuer or as required under Malaysian laws, regulations or guidelines.

None of the information or data contained in this Information Memorandum has been independently verified by the Joint Lead Arrangers/Joint Lead Managers and no representation or warranty, express or implied, is given or assumed by the Joint Lead Arrangers/Joint Lead Managers as to the authenticity, origin, validity, accuracy or completeness of such information and data or that the information or data remains unchanged in any respect after the relevant date shown in this Information Memorandum.

The Joint Lead Arrangers/Joint Lead Managers have not accepted and will not accept any responsibility for the information and data contained in this Information Memorandum or otherwise in relation to the MTNs and shall not be liable for any consequences of reliance on any of the information or data in this Information Memorandum.

No person is authorised to give any information or data or to make any representation or warranty other than as contained in this Information Memorandum and, if given or made, any such information, data, representation or warranty must not be relied upon as having been authorised by the Issuer, the Joint Lead Arrangers/Joint Lead Managers or any other person.

This Information Memorandum has not been and will not be made to comply with the laws of any country (including its territories, all jurisdictions within that country and any possession areas subject to its jurisdiction), other than Malaysia (“**Foreign Jurisdiction**”), and has not been and will not be lodged, registered or approved pursuant to or under any legislation (or with or by any regulatory authorities or other relevant bodies) of any Foreign Jurisdiction and it does not constitute an issue or offer of, or an invitation to apply for the MTNs or any other securities of any kind by any party in any Foreign Jurisdiction.

This Information Memorandum is not and is not intended to be a prospectus. Unless otherwise specified in this Information Memorandum, the information contained in this Information Memorandum is current as at the date hereof.

The distribution or possession of this Information Memorandum in or from certain Foreign Jurisdictions may be restricted or prohibited by law. Each recipient is required by the Issuer and the Joint Lead Arrangers/Joint Lead Managers to seek appropriate professional advice regarding, and to observe, any such restriction or prohibition. Neither the Issuer nor the Joint Lead Arrangers/Joint Lead Managers accept any responsibility or liability to any person in relation to the distribution or possession of this Information Memorandum in or from any Foreign Jurisdiction.

By accepting delivery of this Information Memorandum, each recipient agrees to the terms upon which this Information Memorandum is provided to such recipient as set out in this Information Memorandum, and further agrees and confirms that (a) it is lawful for the recipient to subscribe for or purchase the MTNs under all jurisdictions to which the recipient is subject, (b) the recipient has complied with all applicable laws in connection with such subscription or purchase of the MTNs, (c) the Issuer, the Joint Lead Arrangers/Joint Lead Managers and their respective directors, officers, employees and professional advisers are not and will not be in breach of the laws of any jurisdiction to which the recipient is subject as a result of such subscription or purchase of the MTNs, and they shall not have any responsibility or liability in the event that such subscription or purchase of the MTNs is or shall become unlawful, unenforceable, voidable or void, (d) it is aware that the MTNs can only be offered, sold, transferred or otherwise disposed of directly or indirectly in accordance with the relevant selling restrictions and all applicable laws, (e) it has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the MTNs, and is able and is prepared to bear the economic and financial risks of investing in or holding the MTNs, (f) it is subscribing or accepting the MTNs for its own account, and (g) it is a person to whom an issue would constitute an excluded issue, excluded offer or excluded invitation as specified or set out in Schedule 2 or Section 38(1)(b) and Schedule 3 or Section 39(1)(b) and Schedule 5 or Section 66(3) of the SCA at issuance and Schedule 2 or Schedule 38(1)(b) and Schedule 5 or Section 66(3) of the SCA thereafter. Each recipient is solely responsible for seeking all appropriate expert advice as to the laws of all jurisdictions to which it is subject.

This Information Memorandum is not, and should not be construed as, a recommendation by the Issuer, the Joint Lead Arrangers/Joint Lead Managers or any other party to the recipient to subscribe for or purchase the MTNs. This Information Memorandum is not a substitute for, and should not be regarded as, an independent evaluation and analysis and does not purport to be all inclusive. Each recipient should perform and is deemed to have made its own independent investigation and analysis of the Issuer, the MTNs and all other relevant matters, and each recipient should consult its own professional advisers.

Neither the delivery of this Information Memorandum nor the offering, sale or delivery of any MTNs shall in any circumstance imply that the information contained herein concerning the Issuer and its group of companies (“**MISC Group**”) is correct at any time subsequent to the date hereof or that any other information supplied in connection with the MTNs is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Arrangers/Joint Lead Managers expressly do not undertake to review the financial condition or affairs of MISC Group during the life of the MTNs or to advise any investor in the MTNs of any information coming to their attention. The recipient of this Information Memorandum or the potential investors should review, *inter alia*, the most recently published documents incorporated by reference into this Information Memorandum when deciding whether or not to purchase any MTNs.

This Information Memorandum includes certain historical information, estimates, or reports thereon derived from sources mentioned in this Information Memorandum and other parties with respect to the Malaysian economy, the material businesses in which MISC Group operates and certain other matters. Such information, estimates, or reports have been included solely for illustrative purposes. No representation or warranty is made as to the accuracy or completeness of any information, estimate and or report thereon derived from such and other third party sources.

This Information Memorandum includes “forward looking statements”. These statements include, among other things, discussions of each of the Issuer’s business strategy and expectation concerning its position in the Malaysian economy, future operations, profitability, liquidity, capital resources and financial position. All these statements are based on estimates and assumptions made by the Issuer and third party consultants that, although believed to be reasonable, are subject to risks and uncertainties that may cause actual events and the future results of the Issuer to be materially different from that expected or indicated by such statements and estimates and no assurance can be given that any of such statements or estimates will be realised. In light of these and other uncertainties, the inclusion of a forward looking statement in this Information Memorandum should not be regarded as a representation or warranty by the Issuer or any other person that the plans and objectives of the Issuer will be achieved.

All discrepancies (if any) in the tables included in this Information Memorandum between the listed amounts and totals thereof are due to, and certain numbers appearing in this Information Memorandum are shown after, rounding.

STATEMENTS OF DISCLAIMER – SECURITIES COMMISSION

A copy of this Information Memorandum will be deposited in accordance with the SCA with the Securities Commission (the “SC”), who takes no responsibility for its contents.

The issue, offer or invitation in relation to the MTNs in this Information Memorandum or otherwise are subject to the fulfillment of various conditions precedent including without limitation the approval from the SC under Section 32 of the SCA which was obtained on 22 August 2007 and each recipient of this Information Memorandum acknowledges and agrees that the approval of the SC shall not be taken to indicate that the SC recommends the subscription or purchase of the MTNs.

The SC shall not be liable for any non-disclosure on the part of the Issuer and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Information Memorandum.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Information Memorandum:

- (a) the most recently audited annual financial statements of the Issuer; and
- (b) all supplements or amendments to this Information Memorandum circulated by the Issuer, if any,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Memorandum.

The Issuer will provide, without charge, to each person to whom a copy of this Information Memorandum has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer at its offices set out at the end of this Information Memorandum.

CONFIDENTIALITY

This Information Memorandum and its contents are strictly confidential and the information herein contained is given to the recipient strictly on the basis that the recipient shall ensure the same remains confidential. Accordingly, this Information Memorandum and its contents, or any information, which is made available to the recipient in connection with any further enquiries, must be held in complete confidence.

In the event that there is any contravention of this confidentiality undertaking or there is reasonable likelihood that this confidentiality undertaking may be contravened, the Issuer may, at its discretion, apply for any remedy available to the Issuer whether at law or equity, including without limitation, injunctions. The Issuer is entitled to fully recover from the contravening party all costs, expenses and losses incurred and/or suffered, in this regard. For the avoidance of doubt, it is hereby deemed that this confidentiality undertaking shall be imposed upon the recipient, the recipient's professional advisors, directors, employees and any other persons who may receive this Information Memorandum (or any part of it) from the recipient.

The recipient must return this Information Memorandum and all reproductions thereof whether in whole or in part and any other information in connection therewith to the Joint Lead Arrangers/Joint Lead Managers promptly upon the Joint Lead Arrangers'/Joint Lead Managers' request, unless that recipient provides proof of a written undertaking satisfactory to the Joint Lead Arrangers/Joint Lead Managers with respect to destroying these documents as soon as reasonably practicable after the said request from the Joint Lead Arrangers/Joint Lead Managers.

EACH MTN ISSUE SHALL CARRY DIFFERENT RISKS AND ALL INVESTORS SHOULD EVALUATE EACH MTN ISSUE ON THEIR RESPECTIVE MERITS. INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT.

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GLOSSARY OF DEFINITIONS AND ABBREVIATIONS

Except where the context otherwise requires, the following abbreviations shall apply throughout this Information Memorandum.

“Act”	: the Companies Act, 1965, as amended from time to time and any re-enactment thereof
“AET”	: AET Holdings (L) Pte Ltd
“AET-Bermuda”	: AET Inc. Limited
“AET Tanker”	: AET Tanker Holdings Sdn Bhd
“ALAM”	: Akademi Laut Malaysia
“AmInvestment”	: AmInvestment Bank Berhad (formerly known as AmMerchant Bank Berhad)
“BP Group”	: BP Amoco (formerly known as British Petroleum)
“BNM”	: Bank Negara Malaysia, a body corporate established under the Central Bank of Malaysia Act, 1958 of Jalan Dato’ Onn, 50480 Kuala Lumpur in its capacity as depository in respect of the MTNs or any successor in such capacity
“BG Plc”	: BG Group plc (formerly known as British Gas Plc)
“Bursa Malaysia”	: Bursa Malaysia Securities Berhad
“CIMB”	: CIMB Investment Bank Berhad
“COA”	: Contract of affreightment
“Central Depository”	: BNM
“dwt”	: Deadweight tonnes
“Extraordinary Resolution”	: the extraordinary resolution of the MTNholders passed in accordance with the Transaction Documents
“FAST Rules”	: the Rules on Fully Automated System for Issuing/ Tendering (FAST) issued by BNM
“FMCG”	: Fast moving consumer goods
“FPSO”	: Floating production, storage and offloading
“FRS”	: Financial Reporting Standards
“FSO”	: Floating storage and offloading
“IPBM Code”	: the Code of Conduct and Market Practices for the Malaysian Corporate Bond Market issued by Institut Peniaga Bon Malaysia (IPBM) and approved by BNM
“JLAs/ JLMs”	: collectively, AmInvestment, CIMB and HSBC as the Joint Lead Arrangers/ Joint Lead Managers
“HSBC”	: HSBC Bank Malaysia Berhad
“LNG”	: Liquefied Natural Gas
“LPG”	: Liquefied Petroleum Gas
“LR2 tanker”	: Long range 2 tanker. Product tanker, of approximately 80,000 dwt, too large to pass through the Panama Canal

“MARC”	: Malaysian Rating Corporation Berhad
“MASB”	: Malaysian Accounting Standards Board
“Material Adverse Effect”	: (a) Any material adverse effect on the business or condition (financial or otherwise) or results of the operations of the Issuer; or (b) Any material adverse effect on the ability of the Issuer to perform any of its obligations under any of the Transaction Documents
“Material Subsidiaries”	: the subsidiaries of the Issuer which contribute significantly to the revenue of MISC Group, namely, PTSB and its subsidiaries, PFSB, PDSB, PZSB, PISB and PNSB and, AET and its subsidiary, AET-Bermuda
“MILS”	: MISC Integrated Logistics Sdn Bhd
“MISA”	: MISC Agencies Sdn Bhd
“MISC” or “Issuer”	: MISC Berhad
“MISC Group”	: MISC and its group of companies
“MLNG”	: Malaysia LNG Sdn Bhd
“MLNG2”	: Malaysia LNG Dua Sdn Bhd
“MLNG3”	: Malaysia LNG Tiga Sdn Bhd
“MMHE”	: Malaysia Marine & Heavy Engineering Sdn Bhd
“MTNholders”	: the holders of the MTNs
“MTN Programme”	: the Murabahah Medium Term Notes Programme of up to RM2.5 billion in nominal value
“MTNs”	: the Murabahah Medium Term Notes to be issued by the Issuer pursuant to the MTN Programme
“NOL”	: Neptune Orient Lines Limited
“Non Material Subsidiaries”	: the subsidiaries of the Issuer other than the Material Subsidiaries
“OPEC”	: Organization of the Petroleum Exporting Countries
“PETRONAS”	: Petroliaam Nasional Berhad
“PCSB”	: PETRONAS Carigali Sdn Bhd
“PDSB”	: Puteri Delima Sdn Bhd
“PFSB”	: Puteri Firus Sdn Bhd
“PISB”	: Puteri Intan Sdn Bhd
“PNSB”	: Puteri Nilam Sdn Bhd
“Primary MTNs”	: the Murabahah primary medium term notes issued or to be issued by the Issuer under the MTN Programme
“PTSB”	: PETRONAS Tankers Sdn Bhd
“PZSB”	: Puteri Zamrud Sdn Bhd
“Rentas Rules”	: the Rules on the Scripless Securities under the Real Time Electronic Transfer of Funds and Securities (Rentas) System

	issued by BNM
“RM”	: Ringgit Malaysia
“SAC Pricing Guidelines”	: the Syariah Advisory Council Pricing Guidelines issued by the SC on 31 December 2003 and 30 April 2004, as may be replaced, substituted, amended or revised from time to time.
“SBM”	: SBM Holding Inc. S.A.
“SC”	: Securities Commission
“SCA”	: the Securities Commission Act, 1993, as amended from time to time
“Secondary MTNs”	: the Murabahah secondary medium term notes associated with the Primary MTNs issued or to be issued by the Issuer under the MTN Programme
“Solicitors”	: the solicitors to the JLAs/ JLMs
“TEU”	: twenty foot equivalent unit
“the Government”	: the Government of Malaysia
“Trust Deed”	: a trust deed entered into between the Issuer and the Trustee in relation to the issuance of the MTNs
“Trustee”	: CIMB Trustee Berhad (formerly known as Bumiputra-Commerce Trustee Berhad)
“Transaction Documents”	: the documents executed pursuant to the MTN Programme which shall include but not limited to the following:- <ul style="list-style-type: none"> (a) Programme Agreement; (b) Tender Panel Agreement(s); (c) Asset Purchase Agreement(s); (d) Asset Sale Agreement(s); (e) MTNs; (f) Trust Deed; (g) Subscription Agreement(s); and (h) Depository and Paying Agency Agreement.
“ULCC”	: Ultra Large Crude Carrier
“USD”	: United States Dollar
“VLCC”	: Very Large Crude Carrier

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1 EXECUTIVE SUMMARY

This Section 1 of the Information Memorandum sets out only a summary of the salient information about the Issuer. Investors should also read and understand the full text of this Information Memorandum.

1.1 Summary of the Issuer

The Issuer was incorporated on 6 November 1968 under the Act as a company limited by shares and was listed on the Main Board of the Bursa Malaysia on 23 February 1987. The principal activities of MISC Group are ship-owning, ship-operating, other activities related to shipping services and owning and operating offshore floating services.

The Issuer is a subsidiary of PETRONAS, the national oil and gas company of Malaysia, and serves as PETRONAS' primary LNG transportation provider and principal logistics solutions provider. The Issuer is an international maritime and logistics company whose primary focus is energy transportation and logistics and other energy businesses. As of 29 June 2007, its market capitalization was RM36.5 billion, making it the third largest company listed on the Bursa Malaysia. The Issuer operates in four segments of businesses: (i) the energy related shipping segment, which includes its LNG shipping unit, petroleum shipping unit and chemical shipping unit; (ii) other energy businesses segment, which includes its offshore unit and the heavy engineering unit; (iii) the integrated liner logistics segment, which includes its container shipping unit and the logistics services unit; and (iv) the non-shipping business, which consists principally of its maritime education and training unit.

Further details of the Issuer and the Material Subsidiaries and their businesses are set out in Section 6 and Section 7 of this Information Memorandum.

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1.2 Key Financial Highlights of the Issuer for financial years ended 31 March 2005 to 31 March 2007 and for the quarter ended 30 June 2007

Set out below is a summary of key financial highlights of the Issuer based on the audited consolidated financial statements for the financial years ended 31 March 2005 to 31 March 2007 respectively and the unaudited first quarter results for the quarter ended 30 June 2007.

	First quarter ended 30 June 2007⁽¹⁾	Financial year ended 31 March 2007⁽¹⁾	Financial year ended 31 March 2006⁽¹⁾ (Restated)	Financial year ended 31 March 2005⁽²⁾
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue	2,921,219	11,198,945	10,747,080	10,650,820
Profit Before Taxation	600,179	2,930,310	2,900,792	4,738,895
Net Profit⁽³⁾	585,317	2,896,930	2,870,602	4,719,947
Ships, Property, Plant and Equipment⁽⁴⁾	22,316,086	21,927,194	20,844,591	18,064,201
Net Current Assets	1,400,863	1,540,240	2,235,145	3,076,419
Long Term Borrowings	6,208,692	6,309,140	5,997,910	6,957,961
Short Term Borrowings	558,355	495,252	609,748	1,256,562
Shareholders' Funds	19,208,086	18,639,161	18,156,206	15,279,806

⁽¹⁾ The financial results for financial year ended 31 March 2006, 31 March 2007 and the unaudited first quarter results for the period ended 30 June 2007 were based on the new and revised FRS

⁽²⁾ The audited results for financial year ended 31 March 2005 were prepared based on the MASB standards

⁽³⁾ Net Profit is profit after taxation and before minority interests

⁽⁴⁾ Inclusive of investment properties and prepaid land lease payments

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1.3 Summary of Principal Terms and Conditions of the MTN Programme

Issuer	MISC
Joint Principal Advisers/ Joint Lead Arrangers/ Joint Lead Managers	AmInvestment, CIMB, HSBC
Trustee	CIMB Trustee Berhad (formerly known as Bumiputra-Commerce Trustee Berhad)
Facility Agent	CIMB
Central Depository	BNM
Paying Agent	BNM
Syariah Advisers	CIMB Islamic Shariah Committee, Dr. Mohd Daud Bakar and HSBC Bank Malaysia Berhad Shariah Committee
Facility	MTN Programme
Facility Description	<p>The MTNs shall be issued under the financing principle of Murabahah, wherein the Issuer and the Facility Agent (acting on behalf of the MTNholders) shall execute purchase agreements under which the Issuer will, from time to time, sell certain identified assets (the “Assets”) to the Facility Agent.</p> <p>Thereafter, the Facility Agent (acting on behalf of the MTNholders), will sell the Assets back to the Issuer, via the execution of Murabahah sale agreements.</p> <p>The obligation of the Issuer to pay the Murabahah sale price for the Assets will be evidenced by the issuance of the MTNs which will represent the aggregate of the principal and where applicable, the profit.</p>
Issue Size (RM)	The aggregate outstanding nominal value of the MTNs issued under the MTN Programme at any point in time shall not exceed RM2.5 billion.
Issue Price (RM)	<p>The MTNs may be issued at par, a discount or a premium to the face value.</p> <p>For each issuance, the issue price shall be in compliance with the SAC Pricing Guidelines.</p>
Tenor of the facility/issue	<p><u>Programme Tenor</u></p> <p>Fifteen (15) years from the date of the first issue of the MTNs under the MTN Programme. To the extent required by the SC’s Guidelines on the Offerings of Islamic Securities, the first issue of the MTNs shall be made within 2 years from the date of the SC’s approval.</p>

Issue Tenor

Each issue of MTNs may be for any period above one (1) year and up to fifteen (15) years as the Issuer may select, provided that no MTNs mature after the expiry of the Programme Tenor.

Coupon/ profit or equivalent rate (%)

The MTNs may be issued on a zero profit basis or with profits. For the MTNs issued with profits, the profit rate will be determined and agreed prior to each issuance of the MTNs.

Coupon/ profit payment frequency and basis

For the MTNs issued with profits, such profits shall be payable semi-annually in arrears.

The profit payments shall be calculated based on the actual number of days elapsed and the actual number of days basis (actual/actual).

Yield to Maturity (%)

The yield to maturity will be determined at the point of issuance.

Details on utilisation of proceeds

Proceeds from the MTN Programme shall be utilised by the Issuer for Syariah-compliant purposes as follows:-

- (i) To finance MISC Group's Syariah-compliant capital expenditure and working capital requirements; and
- (ii) To finance the professional fees and other related expenses in relation to the establishment of the MTN Programme and issuances thereunder.

Following the maturity of MTNs under the MTN Programme, proceeds from any subsequent reissuance of the MTNs may also be utilised to redeem any maturing MTNs under the MTN Programme.

Rating

- (i) For the 1st issuance under the MTN Programme, the rating for the MTNs shall be AAA_{ID} (or its equivalent) at point of issuance; and
- (ii) Thereafter until the expiry of the MTN Programme, the rating for the MTNs shall be at least BBB_{ID} (or its equivalent) on their respective issue dates.

Form and Denomination

The MTNs shall be issued in accordance with (1) the IPBM Code and (2) Rentas Rules and (3) FAST Rules, or their replacement thereof applicable from time to time. The Rentas Rules shall prevail to the extent of any inconsistency between the Rentas Rules and the IPBM Code. Each issue of the MTNs shall be represented by a global certificate to be deposited with BNM, and is exchanged for definitive bearer form only in certain limited circumstances.

The MTNs shall be issued in denomination of RM1,000,000 or in multiples of RM1,000,000.

Mode of Issue	<p>Private placement via bought deal or book building basis, all without prospectus (to be agreed between the Issuer and the JLAS/JLMs) or competitive tender by the Tender Panel Members. Tender Panel Member means, persons to whom an issue of, or an offer or an invitation to subscribe, the MTNs would fall within:</p> <ul style="list-style-type: none"> (a) Schedule 2 or Section 38(1)(b); (b) Schedule 3 or Section 39(1)(b); and (c) Schedule 5 or Section 66(3) <p>of the SCA, subject to any changes in the applicable laws.</p>
Selling Restriction	<p><u>Selling Restriction at Issuance</u></p> <p>The MTNs may not be offered, sold, transferred or otherwise disposed directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to categories of persons falling within:</p> <ul style="list-style-type: none"> (a) Schedule 2 or Section 38(1)(b); and (b) Schedule 3 or Section 39(1)(b); and (c) Schedule 5 or Section 66(3) <p>of the SCA, subject to any changes in the applicable laws.</p> <p><u>Selling Restriction Thereafter</u></p> <p>The MTNs may not be offered, sold, transferred or otherwise disposed directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to categories of persons falling within:</p> <ul style="list-style-type: none"> (a) Schedule 2 or Section 38(1)(b); and (b) Schedule 5 or Section 66(3) <p>of the SCA, subject to any changes in the applicable laws.</p>
Listing Status	<p>The MTNs will not be listed on any exchange.</p>
Minimum Level of Subscription (RM or %)	<p>of The minimum level of subscription for each issue that is not issued on a bought deal basis under the MTN Programme shall be five percent (5%) of the nominal value of a particular issue.</p>
Identified Assets	<p>A pool of Syariah-compliant assets based on the SC's Syariah Advisory Council criteria identified and provided by the Issuer for the purpose of the transaction. The assets shall be endorsed by the Syariah Adviser.</p> <p>The identified assets can be released and/ or substituted from time to time subsequent to the initial issuance date so long as the nature/ type and value being ascribed to the Assets or part or portion thereof be sold by the Issuer in pursuance to the</p>

Murabahah transactions are acceptable and approved by the Syariah Adviser.

Purchase Price

The Purchase Price shall at all times be in compliance with the SAC Pricing Guidelines.

Selling Price

The Sale Price can only be calculated once the profit rate, yield to maturity and tenor of the MTNs to be issued have been determined. The profit rate, yield to maturity and tenor of the MTNs to be issued shall be determined prior to each issuance of the MTNs.

Conditions Precedent

Conditions precedent for the MTN Programme shall include the following:

- (a) execution of all Transaction Documents and other necessary documentation;
- (b) confirmation and delivery of all required corporate, governmental and other approvals, including but not limited to the approvals of the SC and the Syariah Advisers;
- (c) satisfactory due diligence as required under the SC's Guidelines on the Offering of Islamic Securities in respect of the submission to the SC and the establishment of the MTN Programme (including the preparation of this Information Memorandum), which is acceptable to the JLAs/JLMs and the Solicitors;
- (d) receipt of legal opinions from the Solicitors, if any, in form and substance acceptable to the JLAs/JLMs;
- (e) evidence that the rating of the MTN Programme is not below the ratings stated in "Ratings" clause above; and
- (f) such other conditions precedent as stipulated in the Transaction Documents.

Representations and Warranties

Representations and warranties for the MTN Programme shall include the following:

- (a) the Issuer is a company duly established and existing under Malaysian law and it has the power and authority to enter into the business in which it is engaged;
- (b) the Issuer has the power to enter into, exercise its rights under and perform its obligations under the Transaction Documents;
- (c) all necessary actions, authorisations and consents required by that date under the Transaction Documents have been taken, fulfilled and obtained and remain in full force and effect;
- (d) the Issuer's entry into, exercise of its rights under and performance of the Transaction Documents do not and will

not violate any existing law or documents to which it is a party;

- (e) the Transaction Documents create valid and binding obligations which are enforceable on and against the Issuer;
- (f) the Issuer's audited accounts are prepared in accordance with generally accepted accounting principles and standards. The audited accounts fairly represent the Issuer's financial position as at the date of the audited accounts;
- (g) to the best of the Issuer's knowledge, no litigation or arbitration is current or threatened, which if adversely determined would have a Material Adverse Effect on the ability of the Issuer to comply with the Transaction Documents; and
- (h) any other representations and warranties to comply with the SC's Guidelines on Minimum Contents Requirements for Trust Deeds, which shall be stipulated in the Transaction Documents.

Events of Default

The events of default for MTN Programme shall include, but are not limited to breach of material obligations by the Issuer which remains unremedied after thirty (30) business days following receipt of Trustee's written notice of default; non-payment of any indebtedness due under the MTNs; illegality; breach or misrepresentations of material representations and warranties; execution proceedings; cross default; any event occurs which in the opinion of the MTNholders has or could have a Material Adverse Effect on the Issuer and in the case of the occurrence of such event which in the opinion of the MTNholders is capable of being remedied, has not been remedied within 30 days after receipt by the Issuer of a written notification from the Trustee (on behalf of the MTNholders) of the event or circumstance; insolvency; winding-up; dissolution; and such other events stipulated in the Transaction Documents. The opinion of the MTNholders referred to above may be formed either (i) in writing by MTNholders of not less than 25% in aggregate of the Primary MTNs then outstanding, or (ii) by an Extraordinary Resolution.

Upon the occurrence of an Event of Default, the Trustee may or shall (if directed to do so (i) in writing by the holders of not less than 25% in aggregate of the Primary MTNs then outstanding, or (ii) by an Extraordinary Resolution) declare that the MTNs are immediately due and repayable. Thereafter, the Trustee may take proceedings against the Issuer as it may think fit to enforce immediate repayment of the MTNs.

Negative Pledge

The Issuer shall not, and shall procure that none of the Specified Subsidiary shall, create or permit to subsist any Security Interest over the whole or any part of its business or assets, present or future, to secure any borrowings or indebtedness with the exception of (i) liens arising by operation of law and in the ordinary course of operations; (ii) pledges created in relation to

documentary credits opened in the ordinary course of operations; (iii) any existing Security Interest as disclosed in the programme agreement; (iv) any Security Interest on any property or asset securing indebtedness incurred or assumed for the purpose of financing the purchase price thereof or the cost of construction, improvement or repair of all or any part thereof, provided that such Security Interest attaches to such property concurrently with or within twelve (12) months after the acquisition thereof or completion of construction, improvement or repair thereof; (v) any Security Interest securing indebtedness owing to or held by the Issuer or any Specified Subsidiary, as the case may be; and (vi) any Security Interest arising out of refinancing, extension, renewal or refunding of any indebtedness secured by any Security Interest permitted by any of the foregoing exceptions, provided that such indebtedness is not increased and is not secured by any additional property or assets.

In addition to the above, the Negative Pledge herein provided shall also not be applicable to Security Interest created to secure indebtedness outside the ambit of (i) to (vi) above, so long as the aggregate outstanding principal amount of all such secured indebtedness does not exceed ten per centum (10%) of the Issuer's consolidated net tangible assets (as disclosed in its latest consolidated audited financial statements).

Security Interest shall mean any encumbrance, mortgage, pledge, lien, caveat, right of set off, sale with the right of retention, charge (whether legal or equitable, fixed or floating), assignment or other security interest of any kind or any other arrangement having substantially the same legal or economic effect as any of the foregoing.

Specified Subsidiary shall mean AET, AET-Bermuda and PTSB and each of their respective direct and indirect subsidiaries;

Mandatory Redemption Events

Mandatory Redemption Events shall include:

1. nationalisation by or under the authority of any government: (i) the management of the Issuer is wholly or substantially displaced or the authority of the Issuer in the conduct of its business is wholly or substantially curtailed; or (ii) all or a majority of the registered capital of the Issuer or the whole or a substantial part of its revenues or assets is seized, nationalised, expropriated or compulsorily acquired;
2. revocation or withholding of licences: which would in the opinion of the MTNholders materially impair or prejudice the Issuer's ability to comply with the terms and conditions of the MTNs or any of the Transaction Documents or be prejudicial to the interests of the MTNholders; and
3. PETRONAS shall cease to be the single largest controlling shareholder of the Issuer, which would in the opinion of the MTNholders impair or prejudice the Issuer's ability to comply with the terms and conditions of the MTNs or any of the

Transaction Documents or is prejudicial to the interests of the MTNholders.

The opinion of the MTNholders referred to in paragraphs 2 and 3 above may be formed either (i) in writing by MTNholders of not less than 25% in aggregate of the Primary MTNs then outstanding, or (ii) by an Extraordinary Resolution.

If any of the above occurs, the Trustee may or shall (if directed to do so (i) in writing by the holders of not less than 25% in aggregate of the Primary MTNs then outstanding, or (ii) by an Extraordinary Resolution) declare that the outstanding Primary MTNs with all matured but unpaid Secondary MTNs (if applicable) are immediately due and repayable, whereupon such Primary MTNs and Secondary MTNs (if applicable) shall become immediately due and repayable.

Compensation (“Ta’widh”)

In the event of any overdue and defaulted payments or amounts whatsoever under the MTN Programme, the Issuer shall pay compensation on such overdue payments or amounts at the rate and in the manner prescribed by the SC’s Shariah Advisory Council of the SC or any other relevant authority as approved from time to time.

Redemption

Unless previously purchased and cancelled, the Issuer shall redeem the MTNs at their face value on the relevant maturity date.

Repurchase and Cancellation

The Issuer or its related corporations may, at any time, purchase the MTNs on the open market or by private treaty at any price. Such MTNs will not entitle the Issuer or its related corporations to vote at any meetings of the MTNholders and will not be deemed to be outstanding for the purpose of determining the total votes exercisable by the MTNholders whenever such determination is required under the Transaction Documents.

Status of the MTNs

The MTNs to be issued under the MTN Programme shall constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer ranking at all times at least pari passu without any preference amongst themselves and with all other direct, unconditional, unsecured and unsubordinated liabilities of the Issuer, present or future, other than liabilities preferred by law.

Taxation

All payments by the Issuer shall be made without withholding or deductions for or on account of any present or future tax, duty or charge of whatsoever nature imposed or levied by or on behalf of Malaysia, or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law whereby the Issuer shall not be required to gross up for any such deductions or withholdings.

Governing Laws

The laws of Malaysia

2 INVESTMENT CONSIDERATIONS

Prospective investors of the MTNs should consider carefully all information set out in this Information Memorandum and, in particular, the following risks involved. The MTN Programme is subject to certain risks that could adversely affect the business of the Issuer. The following sections do not purport to be complete or exhaustive. Prospective investors should undertake their own investigations and analysis on the Issuer, its business and risks associated with the MTN Programme.

2.1 Considerations Relating to the MTN Programme

2.1.1 Rating

It is a condition of the first issuance of the MTNs that the MTNs shall be assigned, on issue, a rating of AAA_{ID} (or its equivalent). Thereafter until the expiry of the MTN Programme, the rating for the MTNs shall be at least BBB_{ID} (or its equivalent) on their respective issue date. The rating addresses the likelihood of full and timely payment to the MTNholders of the distributions to which they are entitled which in turn is a function of the Issuer's ability to make payments under the MTNs.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. The MTNs are subject to rating reviews by MARC (or any other competent rating agency in Malaysia) annually. As a result, there is no assurance that a rating will remain for any given period of time or that a rating will not be lowered or not be withdrawn entirely by the relevant rating agency if in its judgement circumstances in the future so warrant. Any revision or withdrawal of the ratings may adversely affect the liquidity and/or the market prices of the MTNs.

2.1.2 No secondary market

No secondary market for the MTNs currently exists and, in the event that a secondary market for the MTNs does develop, there can be no assurance that it will continue. Furthermore, there can be no assurance as to the liquidity of any market that may develop for the MTNs, the ability of the MTNholders to sell their MTNs, or the prices at which the MTNholders would be able to sell their MTNs. Accordingly, the purchase or subscription of the MTNs may be suitable only for investors who can bear the risks associated with a lack of liquidity in the MTNs and the financial and other risks associated with an investment in the MTNs.

2.1.3 Issuer's obligations alone

The ability of the Issuer to meet its obligations to the MTNholders in terms of payment of amounts due under the MTNs will depend on the Issuer's income and revenue. Repayment of the MTNs will be the Issuer's obligation alone. In particular, the MTNs will not be obligations or responsibilities of, or guaranteed by, any of the Material Subsidiaries, the JLAs/JLMs, the Trustee or any subsidiary or affiliate thereof, and any other person involved or interested in the transactions envisaged under the MTN Programme. None of such persons will accept any liability whatsoever to the MTNholders in respect of any failure of the Issuer to pay any amount due under the MTNs.

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2.2 Considerations relating to the Issuer

2.2.1 PETRONAS is the Issuer's single largest customer and thus the Issuer is exposed to any adverse changes in PETRONAS' business or in the Issuer's relationship with PETRONAS. In addition, the Government, principally through PETRONAS, owns an indirect controlling interest in the Issuer

PETRONAS is the Issuer's single largest customer and over time the Issuer has significantly benefited from its status as the preferred energy shipping, offshore, heavy engineering and logistics solution provider for PETRONAS. For the financial year ended 31 March 2007, approximately 47.7% of the Issuer's operating profit was derived from PETRONAS and its other subsidiaries and associated companies. This included approximately RM1,433.2 million relating to LNG shipping services (or 98.2% of the Issuer's LNG shipping business' operating profit), approximately RM66.2 million relating to the provision of petroleum shipping services (or 4.8% of the Issuer's petroleum shipping business' operating profit) and approximately RM28.6 million relating to the provision of offshore solutions and heavy engineering services (or 12.6% of the Issuer's offshore solutions and heavy engineering business' operating profit). The Issuer expects that PETRONAS and its other subsidiaries will continue to be its largest customer for the foreseeable future, and, as a result, any detrimental changes in PETRONAS' business or the Issuer's relationship with PETRONAS could have a material adverse effect on the Issuer. It is an important part of the Issuer's business strategy to increase its total business with PETRONAS and its other subsidiaries, particularly its LNG shipping, petroleum shipping, offshore, heavy engineering and logistics businesses, while at the same time expanding its business with customers other than PETRONAS. The Issuer's results of operations and financial condition could be materially adversely affected if PETRONAS materially decreased its business with the Issuer or terminated the Issuer's status as PETRONAS' preferred energy shipping, offshore, heavy engineering and logistics solution provider.

PETRONAS is the controlling shareholder of the Issuer. The Government holds a preference share in the Issuer, which gives it the right to approve certain extraordinary matters as provided in the Memorandum and Articles of Association of the Issuer, and is also the sole shareholder of PETRONAS. As the controlling shareholder of the Issuer, PETRONAS controls the approval of all corporate matters requiring a shareholder resolution under the Act, including the approval of all dividends and the appointment of directors. As the sole shareholder of PETRONAS, the Government exercises similar control over PETRONAS and, thus, indirectly, over the Issuer. Whilst to-date the relationship between the Issuer and PETRONAS and the Government has generally been commercially oriented, there can be no assurance that PETRONAS or the Government will not intervene in the commercial affairs of the Issuer in a manner that would have an adverse effect on the Issuer.

2.2.2 Demand for many of the Issuer's shipping services depends on global economic growth and global energy demand for oil and gas

The Issuer's shipping businesses participate in various sectors of the global economy. The Issuer transports raw materials such as natural gas, oil, intermediate products such as petrochemicals and finished goods shipped in containers. Accordingly, if economic conditions deteriorate in the United States, Europe or the Asia-Pacific basin, which are the main geographic areas that generate shipping demand, demand for the Issuer's shipping services may decrease.

In addition, shipping rates in some of the sectors of the shipping industry in which the Issuer operates are volatile. Declines in daily rates for petroleum tankers, chemical tankers and containerships in the future could adversely affect the Issuer's operating results.

In recent years, the Issuer has increased its focus on providing energy related shipping services, which primarily consist of LNG shipping, petroleum shipping and chemical shipping. Demand for these services depends on global factors that are beyond the Issuer's control, including:

- changes in global gas and oil production, in particular the relative contributions from OPEC and non-OPEC countries and the impact of such changes on the petroleum tanker business;
- export and import levels in the world oil trade which affect oil and gas transport distances and thus ton-mile demand;
- worldwide demand for energy products, particularly gas, petroleum and associated products;
- oil and gas inventory levels, particularly in importing countries;
- seasonal changes in the demand for oil and gas;
- governmental policies, particularly with regards to shipping;
- environmental regulation and requirements, including port controls;
- social and political instability in producing or importing countries, which may include labour strikes, port and canal closures, wars and acts of terrorism;
- shipping policies and requirements imposed by energy companies or other significant customers; and
- shipyard capacity impacting the supply of new ships and decisions to scrap old ships.

Any material decline in the demand for energy related shipping services could materially adversely affect the Issuer's business and results of operations.

2.2.3 The Issuer's exposure to the spot voyage market may result in fluctuations in revenue

Spot charterhire and freight rates in the various shipping markets in which the Issuer operates vary significantly depending upon such factors as the number of vessels in the world fleet, their deployment, the delivery of new ships and scrapping of old ships, regulatory changes and the demand for the products carried. A certain portion of the Issuer's revenue derived from petroleum, chemical and container shipping is based on spot market rates. In contrast to the revenue derived from time charters or COAs providing for carriage at fixed rates, revenue derived from contracts priced at spot rates is generally more volatile because it is based upon charterhire and freight rates prevailing in the market from time to time. To the extent that a portion of the Issuer's business is exposed to spot rates, any decline in prevailing rates in a given period generally will result in a decline in the Issuer's operating results for that period. For the financial year ended 31 March 2007, approximately 46.2% of the Issuer's revenue was derived from charterhire and freight rates adjusted to spot market rates.

2.2.4 Shipping is a business with inherent risks

The Issuer faces risks inherent in the shipping industry, including:-

- marine disasters, such as oil, fuel or chemical spills and other environmental accidents;
- mechanical failures;
- human error;
- terrorist and pirate attacks that could damage the Issuer's vessels, impose security-related costs and liabilities, prohibit use of certain ports or decrease world trade; and
- business interruptions due to social and political instability in foreign countries including hostilities, labour strikes, port and canal closings, boycotts and wars.

Any of these events may result in loss of revenues, increased costs and other adverse consequences to the Issuer's business. In particular, the Issuer considers its safety and performance record to be critical to its business reputation. The Issuer's lightering operations, which are a significant activity of the Issuer's subsidiary, AET Tanker, are subject to special risks arising from the difficulty of bringing two large, moving tankers next to each other on the open sea and mooring them together so that oil can be transferred. Lightering involves not only the technical expertise of the operators of the lightering vessels but also factors outside the control of the operators such as mechanical failure, operator error on the part of the discharging tanker or bad weather. Major oil companies that are the principal customers of the Issuer's LNG shipping and petroleum shipping businesses increasingly prefer modern vessels operated by ship management companies with a reputation for safety and environmental compliance. Any incident involving the Issuer's tankers that results in material environmental damage or pollution could harm the Issuer's reputation for safety and environmental compliance and decrease demand for the Issuer's services, which could harm its business.

2.2.5 The Issuer may not be able to compete effectively

As is the case with all international shipping companies, the Issuer faces keen competition in its shipping activities. Competition for charters and cargoes is based on such factors as charterhire or contract rates, vessel availability, size, age and condition of the vessel, relationships with charterers and others and the quality, experience and reputation of the ship operator. If the Issuer is unable to compete effectively in any of these respects, particularly in its principal energy related shipping businesses, its financial condition and results of operations may be materially adversely affected.

2.2.6 The Issuer depends on developing and retaining skilled seafarers

The Issuer depends on skilled seafarers to maintain and improve its reputation as a high-quality, reliable operator of vessels and to develop and expand its business. While the Issuer owns and operates a maritime training academy, if the Issuer is unable to attract, train or retain a sufficient quantity of qualified seafarers, including ships' officers, this could have a material adverse effect on the Issuer's business.

2.2.7 Increases in marine fuel prices may adversely affect the Issuer's results

In its financial year ended 31 March 2007, marine fuel accounted for approximately 12.3% of the Issuer's total cost of sales. The cost of marine fuel is subject to many economic and political factors, which are beyond the Issuer's control. Although the Issuer manages part of

its exposure to marine fuel prices by entering into forward contracts for the purchase of marine fuel, a significant increase in the cost of marine fuel may adversely affect its business, results of operations and financial condition.

2.2.8 Changes in regulations affecting the shipping industry may adversely affect the Issuer's business and increase costs

The Issuer's operations are affected by a variety of international conventions, national, state and local laws, and national and international regulations in force in the jurisdictions in which the Issuer operates, as well as in the countries in which its vessels are registered. These conventions, laws and regulations may change in the future. The general shipping industry regulations to which the Issuer is subject to may be made more stringent, including in the areas of health, safety, security and the environment as well as antitrust regulation, particularly in respect of the container shipping industry. For example, changes in regulations on environmental matters or compliance with classification society standards may require the Issuer to incur additional expenditures for modifications to existing equipment or acquisition of new equipment. The Issuer is also subject to the risk of unilateral governmental action and regulation in the territories in which it operates, including, nationalisation, expropriation and sanctions that prohibit trade in particular areas, restrictive actions such as vessel arrest, local sabotage or local ownership requirements, loss of contractual rights and restrictions on the ability of the Issuer's foreign subsidiaries to transfer funds to the Issuer. The impact of these regulations and/or sanctions can increase the cost of operating vessels or even preclude the operation of vessels in certain trades, both of which could have an adverse impact on the Issuer's profitability.

2.2.9 Increases in tonnage taxes on the Issuer's vessels would increase the costs of the Issuer's operations

Approximately 76.3% of the Issuer's owned vessels are registered in Malaysia. The Issuer's other owned vessels are currently registered in Singapore. The Singapore authorities impose annual taxes based on the tonnage capacity of each of the vessels registered under a Singapore flag. Malaysia does not currently impose such taxes. There can be no assurance that Malaysia will not in the future introduce tonnage taxes, or that Singapore will not increase its tonnage taxes. Any such imposition or increase would increase the cost of the Issuer's operations.

2.2.10 The Issuer's systems and management resources may not be able to keep pace with the Issuer's growth

Growth of the Issuer's business has placed, and will continue to place, significant demands on management as well as on its operational and financial resources. As at 29 June 2007, the Issuer had contracts for delivery between 2007 and 2011 of 2 new VLCCs, 18 new Aframax petroleum tankers (10 of which will be jointly owned), 8 new chemical tankers, 5 new LNG carriers and one FPSO (which will be jointly owned). In addition, the Issuer may acquire or construct additional vessels. While the Issuer expects to realize financial and operating benefits as a result of the expansion of its fleet, there can be no assurance that this will be the case.

As the Issuer expands its operations and the size of its fleet, it must effectively manage and monitor operations, control costs and maintain effective quality control in geographically dispersed markets, which will increase the Issuer's operating complexity. The Issuer's future growth and financial performance will also depend on the Issuer's ability to:

- effectively service the needs of PETRONAS and its existing customers;
- identify new markets and achieve acceptance by new customers;

- effectively compete in new markets;
- identify and engage in suitable strategic alliances, joint venture arrangements and acquisitions;
- recruit, train, manage and motivate the Issuer's employees to support the Issuer's expanded operations;
- continue to improve the Issuer's customer support, financial controls and information systems; and
- take advantage of economies of scale which may result from the operation of a large global fleet of vessels.

The Issuer's efforts to achieve the above steps may not be successful and may not occur in a timely or cost-effective manner. Failure to effectively manage the Issuer's growth and the transitions required by expansion in a cost-effective manner could harm the Issuer's businesses.

2.2.11 Insurance may not completely protect the Issuer

While the Issuer maintains insurance coverage for various aspects of its business, as with other shipping companies, a catastrophic oil or gas spill or other significant incident involving its vessels could exceed the Issuer's insurance coverage and have a material adverse effect on the Issuer's financial condition and results of operations. In addition, due to increased concern about possible terrorism, environmental or other risks, ship owners may not be able to procure adequate insurance coverage at commercially reasonable rates in the future and the Issuer cannot guarantee that any particular claim it may have will be paid. In the event of a loss, even if there is insurance that covers the Issuer's direct damages, the Issuer may sustain other damages, such as loss of business or injury to reputation, that are not covered. As a member of protection and indemnity clubs, the Issuer may be subject to calls, or premiums, in amounts based not only on its own records but also the claim records of the other members.

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3 TERMS AND CONDITIONS OF THE MTNs

The terms and conditions of the MTNs (the “Conditions”) are substantially as set out below. The Conditions include summaries of, and are subject to, detailed provisions of the Trust Deed.

Terms defined in the Trust Deed shall have the same meanings when used herein, unless they are otherwise defined here or the context otherwise requires.

1. DEFINITIONS AND INTERPRETATIONS

1.1 In this MTN:

“BAFIA”	the Banking and Financial Institutions Act, 1989.
“Business Day”	a day (other than a Saturday, Sunday and public holiday whether or not gazetted or scheduled) on which financial institutions are open in Kuala Lumpur for the transaction of business of the nature required by the Trust Deed.
“Central Depository”	BNM and includes its successors in title and permitted assigns or such other persons approved by the Trustee to act as a custodian of the Global Certificates and/or Definitive Certificates.
“Definitive Certificates”	collectively, the Definitive Primary MTNs and the Definitive Secondary MTNs and where the context so requires reference to “Definitive Certificate” shall mean any one thereof.
“Definitive Primary MTNs”	the definitive certificates in respect of the Primary MTNs to be issued in the circumstances set out in Clause 6.2 of the Trust Deed, each substantially in the form set out in Schedule B (II) of the Trust Deed.
“Definitive Secondary MTNs”	the definitive certificates in respect of the Secondary MTNs to be issued in the circumstances set out in Clause 6.2 of the Trust Deed, each substantially in the form set out in Schedule C (II).
“Depository and Paying Agency Agreement”	the agreement dated day of 2007 between (1) the Issuer, (2) the Trustee; (3) the Central Depository and the Paying Agent; and (4) the Facility Agent, as the same may from time to time be modified or amended.
“Event of Default”	any of the events mentioned in Condition 10 of this MTN.
“Global Certificates”	collectively, the Primary MTNs Global Certificate and the Secondary MTNs Global Certificate and where the context so requires reference to “Global Certificate” shall mean any one of them.
“IBA”	the Islamic Banking Act, 1983.
“Investors”	persons falling within: (a) Schedule 2 or Section 38(1)(b); and (b) Schedule 3 or Section 39(1)(b); and

	(c) Schedule 5 or Section 66(3),
	of the SCA, as amended from time to time and subject to such change in law from time to time.
“Mandatory Redemption Event”	any of the events mentioned in Condition 9 of this MTN.
“MTNs”	collectively, the Primary MTNs and the Secondary MTNs and references to “MTN” means any one thereof.
“MTN Holders”	<p>at any time, the several persons who are at that time being the holders of the MTNs save that, in respect of any MTNs represented by the Global Certificates or Definitive Certificates:</p> <p>(a) each ADI who has at that time a particular Face Amount of the MTNs credited to its Own Securities Account in the records of the Central Depository; and</p> <p>(b) in the case where a particular Face Amount of the MTNs is credited to an Aggregate Customers’ Securities Account, the several persons being the beneficial owners of the MTNs as evidenced by the records maintained by the ADI and authenticated in a manner satisfactory to the Trustee,</p> <p>shall, unless the law otherwise provided, be deemed to be and treated as the MTN Holders (and to the extent any such person is deemed to be or is treated as the MTN Holders, the Central Depository shall not be so treated) for all purposes hereof and of the Depository and Paying Agency Agreement, the MTNs and all other documents executed in connection with the MTNs and references to a “MTN Holder” shall mean any one thereof;</p>
“Paying Agent”	BNM and includes its successors in title and permitted assigns or such other persons approved by the Trustee in its capacity as paying agent for the Issuer in respect of payment of the MTNs .
“Primary MTNs”	the Murabahah primary medium term notes, represented by the Primary MTNs Global Certificate or Definitive Primary MTNs issued or to be issued by the Issuer under the Programme and any reference to “Primary MTN” means any one thereof.
“Primary MTNs Global Certificate”	the global certificate in respect of the Primary MTNs, each in the form set out in Schedule B (I) of the Trust Deed.
“Programme”	the MTN programme made available or to be made available to the Issuer in accordance with the Syariah principles of Murabahah pursuant to which the Issuer may issue MTNs from time to time which aggregate Face Amount of the Primary MTNs shall not at any one time exceed Ringgit Malaysia Two Billion Five Hundred Million (RM2,500,000,000.00) pursuant to the terms and conditions set out in the Programme Agreement.

“Programme Agreement”	the agreement dated day of 2007 between (1) the Issuer; (2) the Joint Lead Arrangers/ the Joint Lead Managers; and (3) the Facility Agent, as the same may from time to time be modified or amended or supplemented.
“Secondary MTNs”	the Murabahah secondary medium term notes, represented by the Secondary MTNs Global Certificate or Definitive Secondary MTNs, associated with the Primary MTNs issued or to be issued by the Issuer under the Programme and any reference to “Secondary MTN” means any one thereof.
“Secondary MTNs Global Certificate”	the global certificate in respect of the Secondary MTNs, each in the form set out in Schedule C (I) of the Trust Deed.
“Security Interest”	any encumbrance, mortgage, pledge, lien, caveat, right of set off, sale with the right of retention, charge (whether legal or equitable, fixed or floating), assignment or other security interest of any kind or any other arrangement having substantially the same legal or economic effect as any of the foregoing.
“Tenure”	in relation to any MTN, the period from (and including) the Issue Date up to (but excluding) the Maturity Date of that MTN.
“Transaction Documents”	collectively the following: <ul style="list-style-type: none"> (i) the Programme Agreement; (ii) the Tender Panel Agreement(s); (iii) the Asset Purchase Agreement(s); (iv) the Asset Sale Agreement(s); (v) the MTNs; (vi) the Trust Deed; (vii) the Subscription Agreement(s); (viii) the Depository and Paying Agency Agreement, and any other documents in connection with the Programme hereafter agreed by the Issuer and the Trustee to be added to this definition and includes any amendments, variations and/ or supplementals made or entered into from time to time, and references to a “Transaction Document” shall mean each or any one of them.
“Trust Deed”	the trust deed dated day of 2007 made between (1) the Issuer and (2) the Trustee.
“Trustee”	CIMB TRUSTEE BERHAD (formerly known as Bumiputra-Commerce Trustee Berhad) (Company No. 167913-M), a company incorporated in Malaysia and having its registered address at 5 th Floor, Bangunan CIMB, Jalan Semantan, Damansara Heights, 50490 Kuala Lumpur in its capacity as trustee for the MTN Holders and includes its successors in title and assigns.

- 1.2 This MTN is part of one of several series of MTNs which may be issued by the Issuer pursuant to the Programme Agreement. The MTNs constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and shall at all times rank pari passu, without discrimination, preference or priority among themselves and at least rank pari passu with all other direct, unconditional, unsecured and unsubordinated liabilities of the Issuer, present and future other than liabilities which are preferred solely by laws of Malaysia.
- 1.3 This MTN is issued with the benefit of and subject to the Trust Deed.
- 1.4 Copies of the Trust Deed and a copy of the latest audited financial statements of the Issuer are available for inspection, review and assessment during normal office hours at the abovementioned office of the Trustee.
- 1.5 Terms and expressions defined in the Trust Deed shall have the same meanings in this MTN except where the context so otherwise requires.
- 1.6 Except where the context so otherwise requires, references herein to conditions are references to conditions in this MTN.
- 1.7 Each MTN Holder authorises and is deemed to have authorised the Central Depository to disclose its identity and other details relating to that MTN Holder to the Trustee, the Paying Agent, the Issuer, the Joint Lead Arrangers, the Joint Lead Managers, the Facility Agent and all regulatory authorities, whether for the purposes of section 99(1)(a) of the BAFIA or otherwise.
- 1.8 Each MTN Holder hereby appoints and is deemed to have appointed the Trustee to act as its agent for the purposes of the Trust Deed and each Transaction Document to which the Trustee is a party on the terms and subject to the conditions therein contained.

2. MATURITY DATE

- 2.1 The Maturity Date is the date shown as such on the face of this MTN Provided That:
- (a) if the Maturity Date of any Secondary MTN (other than the last Secondary MTN for each issue of the MTNs) would otherwise be a day which is not a Business Day by virtue of being a Saturday, Sunday or an expected holiday, it shall be the next succeeding Business Day, if the latter falls within the same month. If the next succeeding Business Day falls in the following month, it shall be the immediately preceding Business Day in the current month;
 - (b) if the Maturity Date of the Primary MTN and the Maturity Date of the last Secondary MTN for each issue of the MTNs would otherwise be a day which is not a Business Day by virtue of it being a Saturday, Sunday or an expected holiday, it shall be the immediately preceding Business Day in the current month; and
 - (c) if the Maturity Date of any MTN would otherwise be a day which is not a Business Day by virtue of being an unexpected public holiday, it shall be the next succeeding Business Day, irrespective of whether it falls in the following month or not.
- 2.2 The Maturity Date shall be amended in accordance with any amendment to the RULES or the application of any other rules in respect of the Maturity Date.

3. FORM AND DENOMINATION

3.1 Each MTN issued shall:

- (a) have such denominations of Ringgit Malaysia One Million (RM1,000,000.00) or such amount as may be determined by BNM under the RULES and unless the circumstances pursuant to which Definitive MTNs are to be issued have arisen as set out in Clause 6.2 of the Trust Deed, each Issue shall be represented by Global Certificates;
- (b) have a Tenure of:
 - (i) in the case of Primary MTNs, more than one (1) year and up to fifteen (15) years, as the Issuer may select; and
 - (ii) in the case of Secondary MTNs, a period in multiples of six (6) months during the Tenure of the relevant Primary MTNs to be mutually agreed between the Issuer and the Joint Lead Managers which shall be in accordance with the RULES.

Provided Always That the Maturity Date of the MTNs falls on or before the expiry of the Availability Period.

4. STATUS OF THE NOTES

So long as any of the MTNs remains outstanding, the Issuer hereby covenants and undertakes with the Trustee that the MTNs shall constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and shall at all times rank pari passu without discrimination, preference or priority amongst themselves and at least pari passu with all other direct, unconditional, unsecured and unsubordinated liabilities of the Issuer, present and future, other than liabilities which are preferred solely by laws of Malaysia.

5. MEETINGS OF NOTEHOLDERS

The provisions of the Schedule A of the Trust Deed shall have effect in relation to meetings of the MTN Holders.

6. PAYING AGENT AND PAYMENTS

- 6.1 Pursuant to the Depository and Paying Agency Agreement, the Issuer has appointed **BANK NEGARA MALAYSIA** as the Paying Agent. In acting under the Depository and Paying Agency Agreement and in connection with the MTNs, the Central Depository and the Paying Agent will act solely as the agents of the Issuer and as appropriate, and not on behalf of the MTN Holders.
- 6.2 The appointment of the Paying Agent may be terminated at any time subject to the appointment of a successor in Kuala Lumpur. Notice of any such termination or appointment, and of any change in the specified office of the Paying Agent, will be given to the Noteholder in accordance with Condition 15.
- 6.3 All payments due in respect of this MTN on the Maturity Date and any other due date will be made at the office of the Paying Agent, subject to any fiscal or other laws or regulations applicable to the Paying Agent.

- 6.4 All payments in respect of this MTN will be made in Ringgit Malaysia in same day funds by, at the option of the MTN Holder, either Ringgit Malaysia cheque or transfer to a Ringgit Malaysia account maintained by the MTN Holder. In the event the MTN Holder is a non-resident as at the date payment is due and payable, the Issuer shall pay to such MTN Holder in Ringgit Malaysia.

7. ACCELERATED PAYMENT

- 7.1 Any claim in respect of this MTN must be made through the Trustee in accordance with the provisions of the Trust Deed.
- 7.2 Upon an Event of Default or Mandatory Redemption Event being declared pursuant to the Trust Deed, this MTN shall become immediately due and payable in accordance with Condition 9 and Condition 10. The Trustee will procure that notice of any such declaration is given to the MTN Holder of this MTN in accordance with Condition 15.
- 7.3 The Issuer will indemnify the MTN Holder against any costs which the MTN Holder may incur in connection with any proceedings properly taken against the Issuer to enforce any of the provisions of this MTN.

8. REDEMPTION/ REPURCHASE AND CANCELLATION

- 8.1 Unless previously purchased or cancelled, the Issuer shall redeem the MTNs at their Face Amount on the relevant Maturity Date except pursuant to Condition 9 herein.
- 8.2 The Issuer or its related corporations may, at any time, purchase the MTNs on the open market or by private treaty at any price. Such MTNs will not entitle the Issuer or its related corporations to vote at any meetings of the MTN Holders and will not be deemed to be outstanding for the purpose of determining the total votes exercisable by the MTN Holders whenever such determination is required under the Trust Deed.

9. MANDATORY REDEMPTION EVENTS

The following shall constitute Mandatory Redemption Events:

- (a) nationalisation by or under authority of any government whereby: (i) the management of the Issuer is wholly or substantially displaced or the authority of the Issuer in the conduct of its business is wholly or substantially curtailed; or (ii) all or a majority of the registered capital of the Issuer or the whole or a substantial part of its revenues or assets is seized, nationalised, expropriated or compulsory acquired; or
- (b) revocation or withholding of licenses which would in the opinion of the MTN Holders materially impair or prejudice the Issuer's ability to comply with the terms and conditions of the MTNs or any of the Transaction Documents or is prejudicial to the interests of the MTN Holders; or
- (c) Petroliam Nasional Berhad shall cease to be the single largest controlling shareholder of the Issuer, which would in the opinion of the MTN Holders impair or prejudice the Issuer's ability to comply with the terms and conditions of the MTNs or any of the Transaction Documents or is prejudicial to the interests of the MTN Holders.

The opinion of the MTN Holders referred to in paragraph (b) and (c) above may be formed either (i) in writing by the MTN Holders holding not less than twenty-five per centum (25%) in aggregate of the Primary MTNs then outstanding, or (ii) by an Extraordinary Resolution.

If any of the above events occurs, the Trustee may or shall (if directed to do so (i) in writing by the MTN Holders holding not less than twenty-five per centum (25%) in aggregate of the Primary MTNs then outstanding, or (ii) by an Extraordinary Resolution) declare (by giving written notice to the Issuer and the Facility Agent) that:

- (i) the outstanding Primary MTNs and all matured but unpaid Secondary MTNs shall become immediately due and payable at their respective Face Amounts;
- (ii) the Secondary MTNs having Maturity Dates falling due within the next six (6) months following the declaration of a Mandatory Redemption Event shall become immediately due and payable, at the following amount (“**Revised Amount**”):

$$[T/Y] \times \text{AFA} = \text{Revised Amount}$$

where:

AFA = the aggregate of the Face Amount of all outstanding Secondary MTNs having Maturity Dates immediately after the date of the declaration of a Mandatory Redemption Event;

T = the actual number of days elapsed up to but excluding the date of the declaration of a Mandatory Redemption Event in the relevant tenor of such Secondary MTNs;

Y = the actual number of days in the relevant tenor of such Secondary MTNs;

together with all other Outstanding Amounts due and payable.

- (iii) For avoidance of doubt, any Secondary MTNs having a Maturity Date after the Maturity Date of the Secondary MTNs referred to in Condition 9(ii) and the obligations arising thereunder shall be deemed cancelled with immediate effect.

10. EVENTS OF DEFAULT

10.1 The following events shall constitute Event of Defaults:

- (a) **Non-payment**: the Issuer fails to pay any amount due from it in respect of the MTNs and/or under the Transaction Documents on the due date or on demand, if so payable;
- (b) **Breach of obligations**: the Issuer fails to observe or perform any of its material obligations under the Transaction Documents or the MTNs or under any material undertaking or arrangement entered into in connection herewith or therewith, other than an obligation of the type referred to in Condition 10.1(a) or any obligation under any of the Issuer’s existing contractual obligations which may materially and adversely affect the Issuer’s ability to perform its obligations under the Transaction Documents and, in the case of a failure capable of being remedied, the Issuer does not remedy it to the satisfaction of the Trustee in accordance with the terms of the Transaction Documents within a period of thirty (30) Business Days after the Issuer becomes aware or having been notified by the Trustee of the event or situation;

- (c) **Misrepresentation**: any material representation, warranty or written statement which is made (or acknowledged to have been made) by the Issuer in the Transaction Documents or which is contained in any certificate, statement or notice provided under or in connection herewith or therewith proves to be incorrect or misleading in any material respect, or if repeated at any time with reference to the facts and circumstances subsisting at such time would not be accurate in any material respects and, in the case of a failure capable of being remedied, the Issuer does not remedy it to the satisfaction of the Trustee in accordance with the terms of the Transaction Documents within a period of thirty (30) days after the Issuer becomes aware or having been notified by the Trustee of the event or situation;
- (d) **Winding up**: any step is taken for the winding up, dissolution or liquidation of the Issuer or a resolution is passed for the winding up of the Issuer or a petition for winding up is presented against the Issuer (Provided That it is not frivolous or vexatious) and such petition has not been discharged or contested in good faith by the Issuer and on legitimate ground within thirty (30) days from the date of service of such winding up petition or a winding up order has been made against the Issuer;
- (e) **Cessation of business**: the Issuer changes or threatens to change the nature or scope of a substantial part of its business and operation, or suspends or threatens to suspend, or ceases or threatens to cease a substantial part of the present business and operation which it now conduct directly or indirectly, or any governmental authority expropriates or threatens to expropriate all or part of its assets and such change or suspension or cessation may in the opinion of the Trustee, have a Material Adverse Effect on the Issuer;
- (f) **Appointment of receiver, legal process**: an encumbrancer takes possession of or if a distress or execution or sequestration is levied or enforced upon or instituted against any substantial part of the chattels or property of the Issuer or a trustee, receiver, receiver and manager or other similar officer is appointed over the whole or substantial part of the business or assets or undertaking of the Issuer or any Security Interest which may for the time being affect any assets of the Issuer becomes enforceable. For the purposes of this Condition, “substantial” shall mean such value equivalent to or more than five percent (5%) of the Issuer’s net tangible assets as reflected in the Issuer’s latest annual audited financial statements;
- (g) **Failure to pay debts**: the Issuer becomes unable to pay its debts as they fall due (including but not limited to a failure to satisfy any judgment or order passed against the Issuer by any court of competent jurisdiction and no appeal against such judgment or order or an application for a stay of execution has been made to any appropriate appellate court within the time prescribed by law or such appeal or application for a stay of execution has been dismissed) or suspends or threatens to suspend making payments (whether of principal or interest) with respect to all or any class of its debts;
- (h) **Insolvency Proceedings**: the Issuer convenes a meeting of its creditors or proposes or makes any arrangement including any scheme of arrangement or composition or begin negotiations with its creditors, or takes any proceedings or other steps, with a view to a rescheduling or deferral of all or any part of its indebtedness or a moratorium is agreed or declared by a court of competent jurisdiction in respect of or affecting all or any part of its indebtedness or any assignment for the benefit of its creditors (other than for the purposes of and followed by a reconstruction previously approved in writing by the Trustee, unless during or following such reconstruction the Issuer becomes or is declared to be insolvent) or where, or any assignment for the benefit of its creditors (including but not limited to a scheme of arrangement under Section 176 of the Companies Act has been instituted against the Issuer or any

creditor of the Issuer exercises a contractual right to take over the financial management of the Issuer);

- (i) **Analogous Events**: anything analogous to any of the events specified in Conditions 10.1(f) until (h) under the laws of any applicable jurisdiction against the Issuer;
- (j) **Illegality**: at any time any material provision of the Transaction Documents is or becomes illegal, void, voidable or unenforceable;
- (k) **Material Adverse Change**: any event or events has or have occurred or a situation exists which in the opinion of the MTN Holders has or could have a Material Adverse Effect on the Issuer in accordance with the terms hereof or thereof and in the case of the occurrence of such event or situation which in the opinion of the MTN Holders is capable of being remedied, the Issuer does not remedy it to the satisfaction of the MTN Holders within a period of thirty (30) days after the Issuer having been notified by the Trustee of the event or situation;
- (l) **Licence, Authorisation or Approval**: (i) there is a or modification of any license, authorization, approval or consent which in the opinion of the MTN Holders may materially and adversely impairs or prejudices the ability of the Issuer to comply with the terms and conditions of the Programme or the Transaction Documents; or (ii) any consent, authorisation, licence, approval or registration with or declaration to governmental or public bodies or authorities or courts (where applicable) required by the Issuer to authorise or required by the Issuer in connection with the execution, issue, delivery, validity, legality, enforceability or admissibility in evidence of any of the Transaction Documents or the performance by the Issuer of its obligations under any of the Transaction Documents, is modified or (iii) any consent, authorization, license, approval or registration with or declaration to governmental or public bodies or authorities or courts is modified and the result of which could or might have a Material Adverse Effect; or
- (m) **Cross-default**: any indebtedness for borrowed moneys of the Issuer becomes due or payable or capable of being declared due or payable prior to its stated maturity or any guarantee or similar obligations of the Issuer is not discharged at maturity or when called and such declaration of indebtedness being due or payable or such call on the guarantee or similar obligations is not discharged or disputed in good faith by the Issuer in a court of competent jurisdiction within thirty (30) days from the date of such declaration or call, or the Issuer goes into default under, or commit a breach of, any agreement or instrument relating to any such indebtedness, guarantee or other obligations, or any security created to secure such indebtedness becomes enforceable; or
- (n) **Repudiation**: unless otherwise expressly provided and permitted to be done by the Issuer under the Transaction Documents, the Issuer repudiates or threatens to repudiate any of the Transaction Documents or the Issuer does or cause to be done any act or thing evidencing an intention to repudiate any of the Transaction Documents.

The opinion of the MTN Holders referred to in paragraph (k) and (l) above may be formed either (i) in writing by the MTN Holders holding not less than twenty-five per centum (25%) in aggregate of the Primary MTNs then outstanding, or (ii) by an Extraordinary Resolution.

Upon the occurrence of an Event of Default as referred above, the Trustee may or shall (if so directed to do so either (i) in writing by the MTN Holders holding not less than twenty-five per centum (25%) in aggregate of the Primary MTNs then outstanding, or (ii) by an

Extraordinary Resolution) (subject always to its rights to be indemnified under the Trust Deed):

- (i) by notice in writing to the Issuer, the Central Depository and the Paying Agent, require the Central Depository and the Paying Agent pursuant to the Depository and Paying Agency Agreement:
 - (A) to act in accordance with the instructions of the Trustee in relation to payments to be made by or on behalf of the Trustee under the provisions of the Trust Deed; and/or
 - (B) to deliver up all Global Certificates and all sums, documents and records held by it in respect of the MTNs to the Trustee or as the Trustee shall direct in such notice, provided that such notice shall be deemed not to apply to any documents or records which the Central Depository is obliged not to release by any law or regulation; and/or
 - (C) require the transfer of all sums (if any) held by the Facility Agent, the Central Depository and the Paying Agent in respect of the MTNs to or to the order of the Trustee and require the Issuer to make all subsequent payments in respect of the MTNs to or to the order of the Trustee and not to the Facility Agent, the Central Depository and/or the Paying Agent; and
- (ii) declare by notice in writing to the Issuer that notwithstanding the stated maturity of the MTNs:
 - (A) the outstanding Primary MTNs and all matured but unpaid Secondary MTNs shall become immediately due and payable at their respective Face Amounts;
 - (B) the Secondary MTNs having Maturity Dates falling due within the next six (6) months following the declaration of an Event of Default shall become immediately due and payable, at the following amount (“**Revised Amount**”):

$$[T/Y] \times \text{AFA} = \text{Revised Amount}$$

where:

AFA = the aggregate of the Face Amount of all outstanding Secondary MTNs having Maturity Dates immediately after the date of the declaration of an Event of Default;

T = the actual number of days elapsed up to but excluding the date of the declaration of an Event of Default in the relevant tenor of such Secondary MTNs;

Y = the actual number of days in the relevant tenor of such Secondary MTNs;

together with all other Outstanding Amount due and payable.

- (C) For avoidance of doubt, any Secondary MTNs having a Maturity Date after the Maturity Date of the Secondary MTNs referred to in Condition 10.1(ii)(B) and the obligations arising thereunder shall be deemed cancelled with immediate effect.

11. TAXATION

11.1 All payments by the Issuer in respect of this MTN shall be made in full without any deduction or withholding (whether in respect of set off, counterclaim, duties, taxes, charges or otherwise whatsoever and whether for or on account of any present or future tax, duty or charge of whatsoever nature imposed or levied by or on behalf of Malaysia or any other applicable jurisdictions or any authority thereof or therein having power to tax) unless the deduction or withholding is required by law, in which event the Issuer shall:

- (a) ensure that the deduction or withholding does not exceed the minimum amount legally required and is the correct amount under the applicable laws;
- (b) pay to the relevant taxation or other authorities, within the period for payment permitted by applicable law, the full amount of the deduction or withholding; and
- (c) furnish to the MTN Holder, within the period for payment permitted by the applicable law, an official receipt of the relevant taxation or other authorities involved for all amounts deducted or withheld as aforesaid or if such receipts are not issued by the relevant taxation authorities on payments to them of amounts so deducted or withheld, a certificate of deduction or equivalent evidence of the relevant deduction or withholding.

For the avoidance of doubt, the Issuer shall not be required to gross up any payment hereunder to relieve any payee of such deduction or withholding required by law.

12. REPLACEMENT OF MTN

12.1 The Issuer shall replace any certificate that has been worn-out, mutilated, defaced, destroyed, lost or stolen if the MTN Holder as the case may be:

- (a) in the case of a certificate which has been worn-out, mutilated or defaced, delivers the worn-out, mutilated or defaced certificate to the Issuer or the Facility Agent (who shall immediately cancel the certificate):
- (b) in the case of a certificate which has been destroyed, lost or stolen:
 - (i) produces such evidence of the destruction, loss or theft as is required by the Issuer; and
 - (ii) pays to the Issuer and the Facility Agent, and indemnifies it against, all costs and expenses incurred by the Issuer in respect of any investigation by the Issuer of the destruction, loss or theft: and
- (c) in all cases, gives to the Issuer such indemnity as the directors of the Issuer may reasonably require.

12.2 The Facility Agent shall authenticate any replacement MTNs to be issued in place of MTNs which have been worn-out, lost, stolen, mutilated, defaced or destroyed if so instructed by the Issuer.

13. EXCHANGE FOR DEFINITIVE CERTIFICATES

- (a) A MTN Holder may, by giving at least thirty (30) days written notice to the Issuer and the Trustee, require the exchange of the Global Certificates for Definitive Certificates of the same aggregate Face Amount as the amount of the Global Certificates if:
 - (i) the Central Depository has resigned as depository of the MTNs; or
 - (ii) the MTN Holders by an Extraordinary Resolution request such exchange.
- (b) If a MTN Holder exercises its right to require the exchange of the Global Certificates for Definitive Certificates,
 - (i) the Issuer shall:
 - (aa) as soon as practicable notify the Central Depository and the Facility Agent of that fact; and
 - (bb) as soon as practicable after the expiry of the thirty (30) days period of notice prescribed by Condition 13(a) execute, issue and cause to be authenticated the Definitive Certificates;
 - (ii) immediately after the execution and issue, cause to be, authenticated and upon issuance of the Definitive Certificates by the Issuer, the Issuer shall cause such Definitive Certificates to be delivered to the Central Depository;
 - (iii) the Facility Agent shall upon receipt of the Definitive Certificates, request for the return of the Global Certificates from the Central Depository for cancellation by the Facility Agent and deliver the same to the Trustee;
 - (iv) upon the Trustee's receipt of the cancelled Global Certificates, the Trustee shall:
 - (aa) immediately upon receipt of the cancelled Global Certificates, destroy it; and
 - (bb) as soon as practicable after that, issue to the Issuer a certificate stating that the cancelled Global Certificates has been destroyed by the Trustee.
 - (v) Until the Global Certificates have been exchanged for Definitive Certificates, a MTN Holder shall be entitled to the same rights and benefits under the Trust Deed as if it were the holder of the Definitive Certificates.
- (c) The Issuer shall pay all costs and expenses in relation to the issuance of the Definitive Certificates.

14. LIMITATION PERIOD

- 14.1 Subject to the provisions of the Unclaimed Moneys Act, 1965, the MTNs become void unless presented for payment within six (6) years from the Relevant Date and thereafter no cause of action shall accrue therefrom against the Issuer.

- 14.2 If the MTNs become void in accordance with Condition 14.1, the Paying Agent shall as soon as practicable pay to the Trustee any money held by the Paying Agent in respect of the MTNs and the Trustee will therefore deal with the money in accordance with the provisions of the Unclaimed Moneys Act, 1965.
- 14.3 In this Condition 14, “**Relevant Date**” means the date, whichever is the later, on which (i) the relevant payment in respect of the MTNs first becomes due and (ii) if the full amount of the moneys payable has not been received by the Paying Agent or the Trustee on or before such due date, the date on which, the full amount having been received, notice to that effect duly published in accordance with Condition 15.

15. NOTICES

- 15.1 Any notice or other communication under or in connection with this MTN (other than to the MTN Holders shall be in writing, shall in the case of the Issuer be given or signed by an authorised signatory and shall be delivered personally, by post or facsimile transmission, to the addresses given in the Trust Deed or such other address as the recipient may have notified to the other parties to the Trust Deed in writing. Proof of posting or despatch of any notice or communication shall be deemed to be proof of receipt:
- (a) in the case of delivery by hand on the day of delivery provided that delivery is made on a Business Day on or before 5.00 p.m. and acknowledged receipt; if delivery is made and acknowledged receipt after 5.00 p.m. on a Business Day or on a non-Business Day, such notice or communication shall be deemed to have been received on the next Business Day;
 - (b) in the case of facsimile transmission, at the time the transmission report is received by the sender which purports to confirm that the addressee has received such facsimile in full and without error Provided That such transmission is made before 5.00 p.m. on a Business Day; if transmission is made after 5.00 p.m. on a Business Day or on a non-Business Day, such notice or communication is deemed to have been received on the next Business Day Provided That the transmission is supported by transmission report which confirms that the addressee has received such facsimile in full and without error;
 - (c) if given by prepaid registered or ordinary post shall be deemed to be received on the third (3rd) day after posting.
- 15.2 All notices and other communications under or in connection with this MTN shall be in the English language or if any other language, accompanied by a translation with the English language. In the event of any conflict between the English text and the text in any other language, the English text shall prevail.
- 15.3 All notices to the MTN Holders regarding these MTNs will be duly given and published, if published, in the English and Malay languages in two (2) leading daily newspapers of general circulation in Malaysia.

The term “daily newspaper” shall be deemed to mean a newspaper customarily published on each Business Day. If at any time publication cannot be made in any such newspaper, notices will be duly given if published in such other manner as the Trustee shall determine. Such notices shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication shall have been made in the newspapers in which publication is required.

16. COMPENSATION (TA'WIDH)

- 16.1 In the event any payments or amounts whatsoever under the Programme become overdue and defaulted, the Issuer shall pay compensation on such overdue payments or amounts at the rate and in the manner prescribed by the Syariah Advisory Council at the SC or any other relevant authority as approved from time to time.

17. SELLING RESTRICTIONS

- 17.1 Each of the following restrictions must be observed in relation to the resale or transfer of the MTNs:

- (a) The MTNs may not be offered or sold or transferred or otherwise disposed of, directly or indirectly, or delivered, nor may any document or other materials in connection therewith be distributed in Malaysia or anywhere else other than to such persons as follows:
 - (i) at the point of issuance of the MTNs, to the Investors; and
 - (ii) thereafter, to persons falling within any one of the categories specified in:
 - (a) Schedule 2 or Section 38(1)(b); and
 - (b) Schedule 5 or Section 66(3),of the SCA, as amended from time to time (subject to any changes in the applicable laws).
- (b) Save as otherwise expressly authorised, no person may issue any offering material or make any public announcement in connection with the purchase or resale of any MTN.
- (c) No person may offer or sell participation in any MTN in any amount other than in multiples of Ringgit Malaysia One Million (RM1,000,000.00).
- (d) Each purchaser of the MTNs shall be deemed to represent and warrant to the Issuer that it has obtained, or shall obtain, and shall maintain any consent, approval or permission required by it for the purchase, offer, sale, distribution or delivery by it of the MTNs, and it has complied, and will comply, with, the laws and regulations of every jurisdiction to which it is subject in relation to such purchase, offer, sale, distribution or delivery or in which it may make any such purchase, offer, sale, distribution or delivery.

18. MODIFICATION OF TRUST DEED

- 18.1 The Trustee may from time to time without the consent or sanction of the MTN Holders concur with the Issuer in making any modifications to the terms of the Trust Deed which in the opinion of the Trustee will not be materially prejudicial to the interests of the MTN Holders or is to correct a manifest error or omission or to comply with mandatory provisions of the laws of Malaysia. Any such modification shall be binding on the MTN Holders, and if, but only if, the Trustee shall so require, shall be notified to the MTN Holders in accordance with the MTNs as soon as practicable thereafter.
- 18.2 Subject to Condition 18.1 and Condition 18.4, any modification to the terms of the Trust Deed may be effected only by deed, executed by the Issuer and the Trustee and expressed to be supplemental hereto, and complying with the requirements under Paragraph 19 of

Schedule A. A memorandum of every such supplemental deed shall be endorsed on these presents.

- 18.3 Any such modification shall (unless the Trustee otherwise agrees) as soon as practicable thereafter be notified to the MTN Holders by the Issuer in the manner provided in the Trust Deed and shall be binding upon them.
- 18.4 The MTN Holders may by Extraordinary Resolution sanction (inter alia) any modification or compromise of their rights and assent to any modification of the Trust Deed.

19. RIGHTS CUMULATIVE, WAIVERS

- 19.1 The rights of the Trustee under the Trust Deed are cumulative, may be exercised as often as it considers appropriate and are in addition to its rights under the general law. The rights of the Trustee in relation to the Trust Deed (whether arising under the Trust Deed or under the general law) shall not be capable of being waived or varied otherwise than by an express waiver or variation in writing; and in particular any failure to exercise or any delay in exercising any of such rights shall not operate as a waiver or variation of that or any other such right; any defective or partial exercise of any of such rights shall not preclude any other or further exercise of that or any other such right; and no act or course of conduct or negotiation on its part or on its behalf shall in any way preclude it from exercising any such right or constitute a suspension or any variation of any such right.

20. GOVERNING LAW

- 20.1 This MTN is governed by and shall be construed in accordance with the laws of Malaysia and the parties hereby irrevocably and unconditionally submit to the non-exclusive jurisdiction of the Malaysian courts.

21. STAMP DUTY DECLARATION

- 21.1 For the purpose of the Stamp Duty (Exemption) (No. 23) Order 2000, IT IS HEREBY AGREED AND DECLARED THAT this MTN constitutes one of the several instruments employed in the issue of the MTNs by the Issuer which has been approved by the SC.

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4 RATING

As at the date of this Information Memorandum, MARC has assigned a final rating of AAA_{ID} for the MTNs.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

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5 DETAILS OF UTILISATION OF PROCEEDS

Proceeds from the MTN Programme shall be utilised by the Issuer as follows:-

	Purpose	Amount (RM million)
(i)	To finance MISC Group's Syariah-compliant capital expenditure and working capital requirements	Up to 2,499.35
(ii)	To finance the professional fees and other related expenses in relation to the issuance of the MTN Programme and issuances thereunder	Up to 0.65
	Total	Up to 2,500

Following the maturity of MTNs under the MTN Programme, proceeds from any subsequent reissuance of the MTNs may also be utilised to redeem any maturing MTNs under the MTN Programme.

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6 CORPORATE INFORMATION ON THE ISSUER, ITS DIRECTORS, ITS SENIOR MANAGEMENT AND THE MATERIAL SUBSIDIARIES

6.1 History, Principal Activities and Group Structure

The Issuer originated from a proposal submitted to the National Shipping Committee of Malaysia to create a national shipping line to serve Malaysia's interests in the global shipping industry. On 6 November 1968, the Issuer was incorporated as a company limited by shares with the name Malaysian International Shipping Corporation Berhad under the Act, with objectives set forth in its Memorandum of Association designed to achieve this purpose. It was listed on Bursa Malaysia on 23 February 1987 and later changed its name to Malaysia International Shipping Corporation Berhad. On 15 September 2005, the Issuer further changed its name from Malaysia International Shipping Corporation Berhad to its current name, MISC Berhad. The principal activities of the Issuer consist of ship owning, ship operating, other activities related to shipping services and owning and operating offshore floating services.

The Issuer's first entry into the international shipping business was in the liner container shipping business in 1970 through the Far Eastern Freight Conference. Subsequently, the Issuer diversified its operations into other shipping businesses, including the transportation of raw materials, manufactured goods, chemicals and metal products through the acquisition of containerships, chemical tankers and dry bulk vessels and, with the expansion of the oil and gas industry in Malaysia, petroleum tankers and LNG carriers.

In August 1997, PETRONAS acquired 29% of the Issuer's shares from Kumpulan Wang Amanah Pencen. On 11 November 1998, the Issuer became a subsidiary of PETRONAS through the exchange of all the issued and paid-up shares of PTSB for newly issued ordinary shares of the Issuer. In August 1998, the Issuer also purchased certain shipping assets of Konsortium Perkapalan Berhad, including a 51% equity interest in Asia LNG Transport Sdn. Bhd., which owned two LNG carriers, and Asia LNG Transport Dua Sdn. Bhd., which owned one LNG carrier, as well as the entire issued and paid-up capital of PNSL Ltd., a dry-bulk company owning 31 vessels. On 22 July 2003, the Issuer acquired 100% of the shares of American Eagle Tankers Inc Limited from NOL.

In an effort to capitalise on the strong second hand market and also as part of the Issuer's business rationalisation initiative, the Issuer disposed off 54 vessels from various business segments during the financial year ended 31 March 2005. The disposed vessels consist of 45 bulk vessels, 7 containerships and 2 chemical tankers for a total gain on disposal of RM1.86 billion. As part of the Issuer's plan to build its capabilities in managing and operating deepwater FPSOs, the Issuer finalised the acquisition of a 49% stake in FPSO Brasil from SBM in June 2006 for RM365 million. During the same period, the Issuer also completed the acquisition of the remaining 35% equity interest in MSE Holdings Sdn Bhd (the holding company of MMHE), from Kuok Brothers Sdn Bhd and IMC Enterprise Inc, for RM181.7 million. The acquisition made MMHE a wholly-owned subsidiary of the Issuer.

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6.2 Share Capital

As at 29 June 2007, the authorised, issued and fully-paid share capital of the Issuer are as follows:-

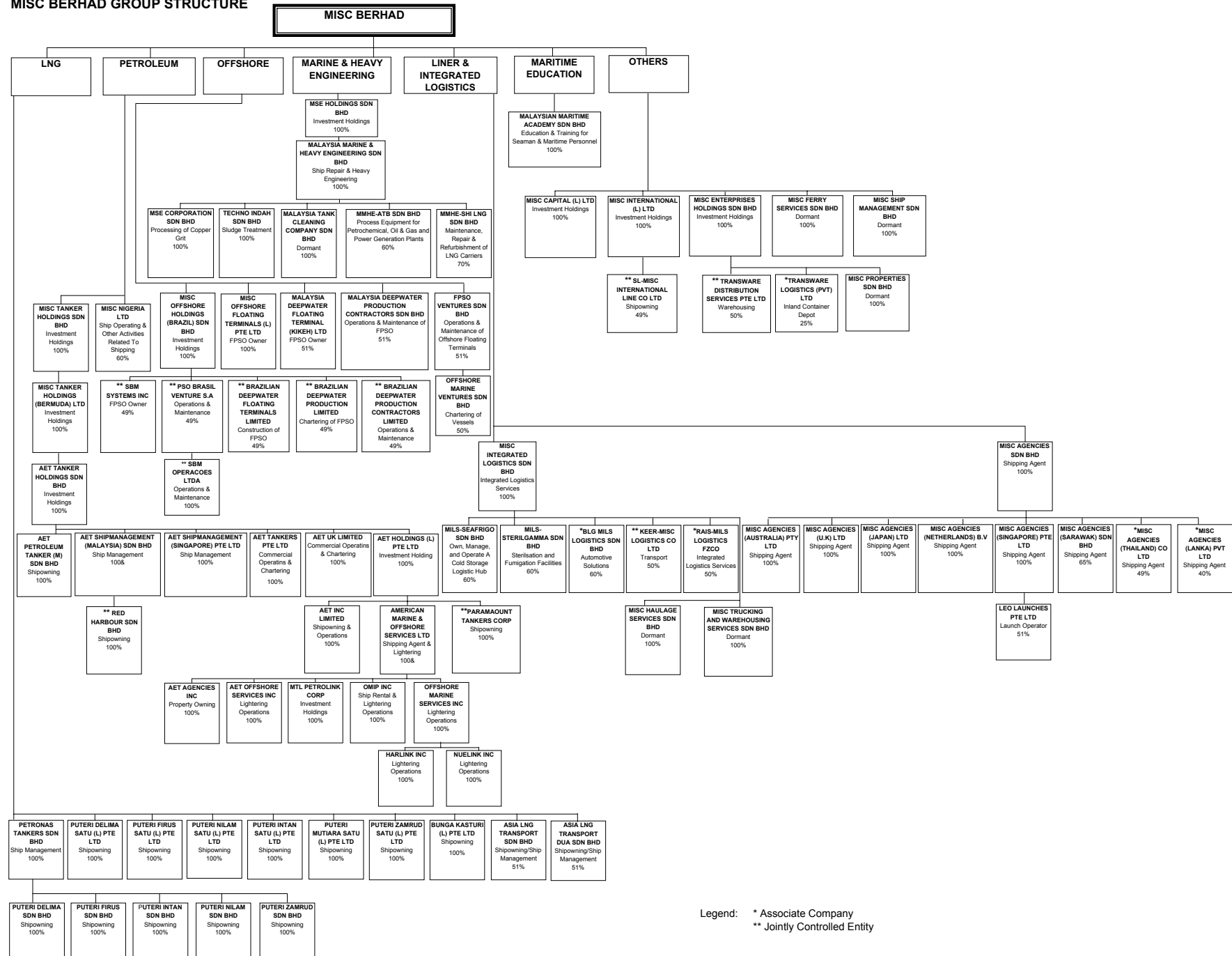
Authorised Share Capital	RM
5,000,000,000 ordinary shares of RM1 each	5,000,000,000
1 preference share of RM1 each	1
Issued and Fully-Paid Share Capital	
3,719,827,586 ordinary shares of RM1 each	3,719,827,586
1 preference share of RM1 each	1

6.3 MISC Group Corporate Structure

An overview of the MISC Group corporate structure as at 29 June 2007 is set out at the following page.

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MISC BERHAD GROUP STRUCTURE



Legend: * Associate Company
** Jointly Controlled Entity

6.4 Material Subsidiaries of the Issuer

Details of the Material Subsidiaries of the Issuer as at 29 June 2007 are summarised below:-

Name of Company	Date and Place of Incorporation	Issued and paid up share capital (RM unless otherwise stated)	Effective equity interest (%)	Principal activities
PETRONAS Tankers Sdn Bhd	29 January 1983, Malaysia	5,000,000	100	Investment holding and provision of management services
Puteri Intan Sdn Bhd	18 July 1994, Malaysia	50,000,000	100	Ship-owning
Puteri Delima Sdn Bhd	18 July 1994, Malaysia	50,000,000	100	Ship-owning
Puteri Nilam Sdn Bhd	18 July 1994, Malaysia	50,000,000	100	Ship-owning
Puteri Zamrud Sdn Bhd	19 July 1994, Malaysia	50,000,000	100	Ship-owning
Puteri Firus Sdn Bhd	18 July 1994, Malaysia	50,000,000	100	Ship-owning
AET Holdings (L) Pte Ltd	9 April 2003, Labuan	USD 2	100	Investment
AET Inc. Limited	13 January 1994, Bermuda	USD 18,626,544	100	Investment holding and marine transportation services

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6.5 Information on Substantial Shareholders

As at 29 June 2007, the substantial shareholders of the Issuer and their respective substantial shareholdings based on the Record of Depositors are as follows:-

	<-----Shareholdings----->	
	<-----Direct----->	
Shareholders	No. of shares held in the Issuer	%
Cartaban Nominees (Tempatan) Sdn Bhd Petroliam Nasional Berhad	2,322,512,920	62.44
Employees Provident Fund Board (inclusive of shares held through various nominees) RHB Nominees (Tempatan) Sdn Bhd RHB Asset Management Sdn Bhd for Kumpulan Wang Simpanan Pekerja Alliancegroup Nominees (Tempatan) Sdn Bhd PHEIM Asset Management Sdn Bhd for Employees Provident Fund AM Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (A/C1) HSBC Nominees (Tempatan) Sdn Bhd Fraser & Neave Ltd for Malaysian Employees Provident Fund HSBC Nominees (Tempatan) Sdn Bhd Nomura Asset Management Malaysia for Employees Provident Fund SBB Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board Alliancegroup Nominees (Tempatan) Sdn Bhd Alliance Investment Management Berhad for Employees Provident Fund Cartaban Nominees (Tempatan) Sdn Bhd MIDF Amanah Asset Nominees (Tempatan) Sdn Bhd for Employees Provident Fund Board (JF404) Mayban Nominees (Tempatan) Sdn Bhd Hwang-DBS Investment Management Bhd for Employees Provident Fund (230571) Mayban Nominees (Tempatan) Sdn Bhd Amanahraya-JMF Asset Management Sdn Bhd for Kumpulan Wang Simpanan Pekerja (C423-Ekuiti) Mayban Nominees (Tempatan) Sdn Bhd Mayban Investment Management Sdn Bhd for Kumpulan Wang Simpanan Pekerja (N14011980810)	354,768,782	9.54

6.6 Profile of Directors of the Issuer

As at 29 June 2007, the Board of Directors of the Issuer comprises eight (8) directors and one (1) alternate director whose profiles are as follows:-

Tan Sri Dato Sri Mohd Hassan bin Marican, aged 54, is the President and Chief Executive Officer of PETRONAS. A fellow of the Institute of Chartered Accountants in England and Wales, as well as a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants, he joined PETRONAS in 1989 as Senior Vice President of Finance and was appointed President and Chief Executive Officer in February 1995.

Tan Sri Dato Sri Mohd Hassan is a member of the PETRONAS Board of Directors, and apart from MISC, he is the Chairman of PETRONAS Gas Berhad, another public-listed subsidiary of PETRONAS, and Chairman of Engen Limited, South Africa's leading oil refining and marketing company, a subsidiary of PETRONAS.

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

Dato' Shamsul Azhar bin Abbas, aged 55, is the President/Chief Executive Officer of the Issuer. He sits on the Board of the Issuer and is the Chairman on the Boards of the Issuer's major subsidiaries. He is also the Chairman of PETRONAS Maritime Services Sdn Bhd, AET Tanker, MMHE, MILS and a Director on the Boards of Bintulu Port Holdings Berhad, NCB Holdings Bhd and The London Steamship Owners' Mutual Insurance Association Limited (London P & I Club) and Council Member of American Bureau of Shipping (ABS) and Bureau Veritas.

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

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

He was appointed as the Managing Director/Chief Executive Officer of the Issuer on 1 July 2004. He is also currently a member of the PETRONAS Management Committee.

Dato Sri Liang Kim Bang, aged 70, is an Independent Non-Executive Director of MISC since 1972. He studied at University of Malaya, Singapore, 1957-1961 graduating with B.A. and B.A. (Hons) degrees and at the University of Cambridge (Trinity College), England, 1962-1963 in Public Administration.

He was also the former Sarawak State Financial Planning Secretary.

He is the Non-Executive Chairman of CMS Cement Sdn Bhd, CMS Wires Sdn Bhd and CMS Infra Trading Sdn Bhd. He is also a Non-Executive Director of Cahya Mata Sarawak Berhad, PPB Group Berhad, PPB Oil Palms Berhad, Rashid Hussain Berhad and CMS Trust Management Berhad and Utama Banking Group Berhad.

He is also a member of the Issuer's Board Audit Committee.

Harry K. Menon, aged 57, is an Independent Non-Executive Director of MISC since 2001. He is a Fellow of the Institute of Chartered Accountants in England and Wales, as well as a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.

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

He is presently an Executive Director of AWC Facility Solutions Berhad, Chairman of Putrajaya Perdana Berhad and is a Non-Executive Director of SPK-Sentosa Corporation Berhad, AKN Messaging Technologies Berhad and SCICOM (MSC) Berhad as well as a Director of Putrajaya Holdings Sdn Bhd.

He is also a member of the Issuer's Board Audit Committee.

Dato' Halipah binti Esa, aged 57, is an Independent Non-Executive Director of MISC since 2004. She graduated from University of Malaya with an honours degree majoring in Economics and later was conferred the Masters of Economics degree from the same University.

She started her career with the Administrative and Diplomatic Services in 1973 as an Assistant Secretary in the Economic Planning Unit (EPU) in the Prime Minister's Department and subsequently held various other positions in the EPU and became the Deputy Director General Macro (1999-2004). She was Deputy Secretary General (Policy) in the Ministry of Finance from 2004-2005 and subsequently became Director General, Economic Planning Unit, Prime Minister's Department in 2005 before retiring in 2006.

Currently she is the Chairman of Pengurusan Aset Air Bhd and sits on the Boards of UDA Holdings Berhad, Cagamas SME Berhad and KLCC Property Holdings Berhad.

She was recently appointed as the Chairman of the Issuer's Board Audit Committee.

Datuk Nasarudin bin Md Idris, aged 52, is a Non-Executive Director of MISC since 2004. He graduated from University of Malaya with a Bachelor of Arts (Honours) in 1978 and joined PETRONAS in the same year. He also holds a Master of Business Administration Degree from Henley-The Management College, United Kingdom and a postgraduate diploma in Petroleum Economics from College of Petroleum Studies, United Kingdom.

Since joining PETRONAS, he has held various senior management positions within PETRONAS Group, including as the Senior General Manager, Corporate Planning and Development, Executive Assistant to the President, General Manager, Marketing, PETRONAS Dagangan Berhad, General Manager, Corporate Development Unit and General Manager, Group Strategic Planning.

He is currently the Vice President, Corporate Planning and Development Division and is a member of the Management Committee of PETRONAS. He serves on the Board of Directors of PETRONAS and various other subsidiaries within the PETRONAS Group.

As of April 2007, Datuk Nasarudin was appointed Group Chief Executive Officer of KLCC (Holdings) Sdn Bhd, a wholly-owned subsidiary of PETRONAS involved in property development and investment holding.

Dato' Kalsom binti Abd Rahman, aged 58, is an Independent Non-Executive Director of MISC since 2004. She holds a Bachelor of Economics (Honours) degree from the University of Malaya and a Master in Business Administration (Finance) from the University of Oregon, USA.

She 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 sits on the Boards of Malaysian Industrial Development Finance Berhad (MIDF Berhad), MIDF Amanah Asset Management Berhad (formerly known as Amanah SSCM Asset Management Berhad), Chemical Company of Malaysia Berhad (CCM Berhad), Lion Forest Industries Berhad (LFIB Berhad), ASEAN Bintulu Fertilizer Sdn Bhd, Amanah International Finance Sdn Bhd, Inokom Corporation Sdn Bhd, Hyumal Motor Sdn Bhd and Young Entrepreneurs Sdn Bhd.

Currently, she is the Chairman of the Executive Committee of Invest-In-Penang Berhad, and a member of the Consultative Committee of the Group Motor Division of Sime Darby Berhad.

Dato' Dr. Wan Abdul Aziz bin Wan Abdullah, aged 55, is an Independent Non-Executive Director of MISC since 2006. He holds a PhD in Economics from University of Leeds, United Kingdom, a Masters in Philosophy in Development Studies from Institute of Development Studies, University of Sussex, United Kingdom and Bachelor in Economics (Honours) in Applied Economics from University of Malaya.

He began his career in 1975 with the Malaysian Administrative and Diplomatic Service in the Economic Planning Unit (EPU), Prime Minister's Department as an Assistant Director and subsequently held various other positions in EPU. He was the Deputy Secretary of Economics and International Division, Ministry of Finance (2001) and later became the Deputy Director General (Macro) EPU and subsequently the Deputy Secretary General of Treasury (Policy), Ministry of Finance in 2005. He is currently the Secretary General of Treasury in the Ministry of Finance.

He also sits on several other Boards, including the Board of Federal Land Development Authority (FELDA), Malaysia Airlines System Berhad (MAS), Kumpulan Wang Amanah Persaraan (KWAP), Inland Revenue Board, PETRONAS, Kuala Lumpur International Airport Berhad, Cyberview Sdn Bhd, BNM, Multimedia Development Corporation, Syarikat Bekalan Air Selangor Sdn Bhd and Pembinaan PFI Sdn Bhd.

Dato' Ibrahim Mahaludin bin Puteh, aged 55, was appointed Alternate Director to Dato' Dr. Wan Abdul Aziz bin Wan Abdullah on 10 May 2007.

He holds a Bachelor of Arts (Honours) from University of Malaya and Master of Business Administration Degree from University of Manchester, United Kingdom.

He has served in various divisions at the Ministry of Finance since 1974 and has extensive experience in banking and finance. He had also served as Senior Adviser to the Executive Director for Southeast Asia at the World Bank Group in Washington D.C. He is presently the Deputy Secretary General (Policy) in the Ministry of Finance.

He sits on the Boards of Syarikat Prasarana Negara Berhad, SME Bank, Bank Simpanan Nasional, TH Technologies Sdn Bhd and TH Indopalms Sdn Bhd.

6.7 Profile of Management Committee

As at 29 June 2007, the Management Committee profiles are as follows:-

Dato' Shamsul Azhar bin Abbas, is the President/Chief Executive Officer

Please refer to Section 6.6 for the profile for Dato' Shamsul.

Noraini Binti Che Dan, is the Vice President, Finance.

She graduated from 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 the Issuer, she served Pernas International Holdings Berhad for 15 years in various capacities including Group General Manager Finance and Chief Financial Officer.

Prior to the appointment as the Vice President, Finance on 1 April 2005, she was the General Manager of the same division. She sits on the board of Labuan Reinsurance (L) Ltd and various subsidiaries and investment companies of the Issuer.

Michael Ting Sii Ching, is the Vice President, Corporate Planning and Development.

He graduated with a Bachelor of Business Administration degree (majoring in Accounting and MIS) from Simon Fraser University, Canada.

Prior to joining the Issuer, he served with Arthur Andersen / HRM Consulting Division for almost nine years as Senior Consulting Manager before leaving to join the Phileo Allied Group to head its Corporate Finance Business Unit as General Manager / Executive Director for over eight years. Subsequent to that, he started and managed his own Corporate, Management and Financial Advisory practice for two and half years before joining the Issuer.

Prior to his appointment as the Vice President, Corporate Planning and Development on 1 April 2005, he was the General Manager of the same division.

He serves on the Boards of various subsidiaries of the Issuer and also sits on the Boards of TH Group and CB Industrial Product Holding Berhad.

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

He holds a Degree in Law from the University of London, United Kingdom and a Certificate of Legal Practice from the University of Malaya.

He joined PETRONAS in January 1980 and has held various positions in the company secretarial and legal services area relating to exploration and production, manufacturing, sales and marketing, property and project management. He was the Company Secretary and General Manager, Commercial Division for PETRONAS Gas Berhad from 1995 to 1999. He was made Chief Executive Office of Gas District Cooling (Holdings) Sdn Bhd from January 2000 to May 2005 before assuming his current appointment on 1 June 2005.

Nordin bin Mat Yusoff, is the Vice President, Fleet Management Services.

He graduated from University of Glasgow, Scotland with a degree in Naval Architecture & Ocean Engineering and is a registered Professional Engineer with the Board of Engineers, Malaysia.

He joined PETRONAS in 1989 and has served in various capacities in PCSB and PTSB before joining the Issuer in 2001.

Prior to joining PETRONAS, he was with MMHE 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. He is a Director of The Britannia Steamship Insurance Association Limited and various subsidiaries of the Issuer. He is also the Chairman of the Malaysian Shipowners' Association.

Prior to the appointment as Vice President, Fleet Management Services on 1 April 2005, he was the Senior General Manager of the same division.

Gunaseharan A/L Ganapathy, is the Vice President, LNG Business.

He graduated with an MBA from the University of Bath, U.K. he has also completed the Qualifying Examination of the Institute of Chartered Shipbrokers, London. He serves as a Director on a number of Boards of the Issuer's subsidiaries.

He joined the Issuer's shore services in 1992 and was attached to the Petroleum Services. Three years later, he took up the post of Project Manager of the Petroleum Services and in 2000, he was appointed as General Manager, Petroleum Business. In 2002, he was assigned the additional responsibility of managing the Issuer's Chemical Business and was subsequently redesignated as General Manager, Tanker Business.

He was appointed as Vice President of the LNG Business on 1 April 2005.

Zahar Mohd Hashim bin Zainuddin, is the Vice President, Offshore Business.

He is a certified Marine Engineer and graduated from South Shields Marine & Technical College in the United Kingdom. He is a member of the Malaysian Institute of Certified Engineer and has attended the INSEAD Senior Management Development Program.

He has over 25 years of experience in shipbuilding, ship operation and project management. He has served in various capacities in PETRONAS and the Issuer including Senior Manager LNG & Tanker Fleet Operations, FPSO Senior Project Manager and General Manager Offshore Business. He has also served more than 10 years on overseas assignment with PETRONAS including heading the LNG fleet operations and technical liaison office in Japan.

He currently sits as a board member of several of the Issuer's subsidiaries and joint venture companies. He is also Chairman of the Technical Committee for the Malaysia Shipowners' Association.

Niels Kim Balling, is the Vice President, Liner Business.

He is educated in Maritime Law in Denmark, and has attended executive training at the University of Wisconsin, the Massachusetts Institute of Technology and Stanford-NUS in Singapore.

He also serves on various Boards of associated companies and committees within MISC Group. Prior to joining the Issuer in 2004, he was the Managing Director of Econships Ltd., a management consulting practice serving amongst others Fortune 50 companies and Government linked companies in Asia, within the energy, retail, transport and aerospace sectors. During his time with Econships Ltd., he was also the project leader for the Government study on developing Hong Kong's maritime cluster. Prior to this, he worked for a number of years with Orient Overseas Container Line and A.P. Moller, the parent company of Maersk. He was also active within the Council of Logistics Management USA, International Chamber of Commerce, Pacific Basin Economic Council and served on the advisory council for Hong Kong University's MBA faculty.

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

Wan Yusoff bin Wan Hamat, is the Managing Director/Chief Executive Officer of MMHE.

He graduated with an Honours Degree in Engineering Production from Birmingham University, United Kingdom. Prior to joining the Issuer in April 2005, he was seconded by PETRONAS to MMHE in May 2004 after serving PETRONAS Oil and Petrochemical businesses for 27 years.

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

Hilmi bin Mohd Nashir, is the Managing Director/Chief Executive Officer of MILS, a wholly-owned subsidiary of the Issuer.

He graduated with an honours degree in Economics majoring in Analytical Economics from the University of Malaya.

Prior to joining the Issuer in April 2001 as General Manager of MISC Trucking and Warehousing Services Sdn Bhd, he was with the PETRONAS group for more than 20 years, with multi roles and experience ranging from Project Evaluation, Internal Audit, Contract Management, Vendor Development, Treasury and Project Management. In April 2002, he became the Chief Operating Officer of MISC Haulage Services Sdn Bhd before being appointed to his current position in April 2005.

Hor Weng Yew, is the Senior General Manager, Chemical Business.

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

He began his career with NOL in 1989 and was involved in the strategy and business planning initiatives for AET, a subsidiary of NOL, since its inception in 1994.

He joined MISC Group in July 2003, following the acquisition of AET by the Issuer. He was later seconded to London to set up the Issuer's Regional Office.

Prior to his current position on 1 September 2006, he was the Director of the Regional Business Directorate since June 2005.

Fina Norhizah binti Hj. Baharu Zaman, is the Senior General Manager of the Legal & Corporate Secretarial Affairs Division and the Company Secretary of the Issuer.

She obtained her Bachelor of Law degree from the University of Malaya in 1980 and started her legal career with the Malaysian Attorney-General Chambers where she served as a Senior Federal Counsel and as the Legal Advisor to the Ministry of Transport.

She did her Masters in Law (specialising in maritime and shipping) at the London School of Economics, University of London and subsequently joined the International Islamic University, Malaysia in 1984 as a law lecturer. She was admitted as an Advocate and Solicitor of the High Court of Malaya in 1986.

She joined PETRONAS in 1990 and served in the PETRONAS Legal Department in several capacities. In 2000, she was appointed as the General Manager (Legal) of the Logistics and Maritime Business with PETRONAS and as General Manager of the Legal and Corporate Secretarial Affairs Division of the Issuer.

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7 BUSINESS DESCRIPTION

7.1 General Overview

The Issuer is a leading international maritime company with a primary focus on energy transportation and logistics and other energy businesses. It serves as PETRONAS' primary LNG transportation provider and its principal logistics solutions provider. The Issuer is the leading shipping and logistics solutions provider in Malaysia. As of 29 June 2007, its market capitalization was RM36.5 billion, making it the third largest company listed on the Bursa Malaysia.

The Issuer's core business is its energy related shipping, which includes LNG shipping, petroleum shipping and chemical shipping. The Issuer is the largest single operator of owned LNG carriers in the world. Of the Issuer's total operating profit of RM3,250.4 million in the financial year ended 31 March 2007, its LNG shipping business contributed 44.9% or RM1,460.0 million. The Issuer also operated the second largest fleet of Aframax oil tankers in the world. The petroleum shipping business contributed 42.7% or RM1,387.1 million of the operating profit in the financial year ended 31 March 2007. In the financial year ended 31 March 2007, the Issuer's chemical shipping contributed 3.8% or RM125.7 million of the Issuer's operating profit. One remaining dry bulk vessel currently in operation is included within the chemical shipping unit.

The Issuer's energy related shipping is complemented by its offshore business unit and its heavy engineering unit, which together comprise the other energy businesses. The offshore business unit is currently a provider of FPSO/FSO facilities for deepwater and small oil and gas fields and is expected in the future to expand its business portfolio to include other forms of floating solutions for the offshore oil and gas sector. The heavy engineering business, undertaken by the Issuer's wholly-owned subsidiary MMHE, provides ship maintenance and repair services, conversion of ships into FPSOs and FSOs, and the construction of oil and gas facilities and other heavy engineering services. While the offshore business unit and MMHE currently contributes 7.1% or RM227.6 million of the Issuer's operating profit in the financial year ended 31 March 2007, management expects that these business units will in the future contribute significantly to the Issuer's growth.

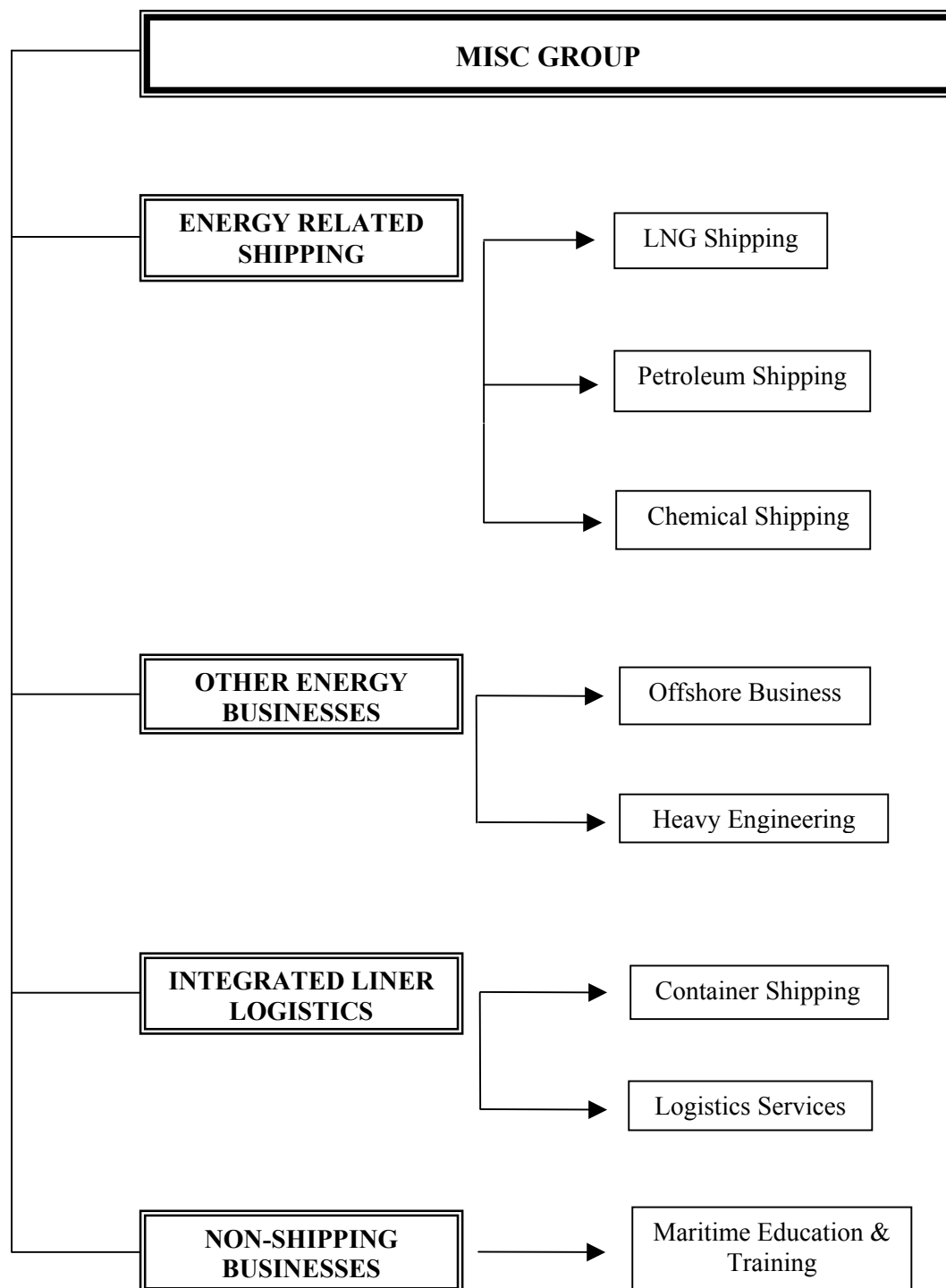
The Issuer's integrated liner logistics business comprises its container shipping and logistics services businesses. The integrated liner logistics business had a loss from operations of RM18.2 million for the financial year ended 31 March 2007.

The Issuer's non-shipping operations consist principally of maritime education and training activities, which are undertaken by its wholly-owned maritime academy ALAM, and investment holding activities. The Issuer's non-shipping segment does not currently contribute materially to the Issuer's operating results.

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7.2 Businesses of MISC Group

A diagrammatic illustration of the businesses of MISC Group as at 29 June 2007 is as follows:



The segmental breakdown of MISC Group's core businesses for the financial year ended 31 March 2006 and 31 March 2007 is as follows:-

Core Businesses	Revenue		Operating Profit ⁽¹⁾	
	Financial year ended 31 March 2007 ⁽²⁾ (RM' million)	Financial year ended 31 March 2006 ⁽³⁾ (Restated) (RM' million)	Financial year ended 31 March 2007 ⁽²⁾ (RM' million)	Financial year ended 31 March 2006 ⁽³⁾ (Restated) (RM' million)
Energy Related Shipping				
LNG Shipping	2,413.0	2,600.3	1,460.0	1,571.8
Petroleum Shipping	3,695.7	3,336.3	1,387.1	1,230.3
Chemical Shipping	536.1	566.5	125.7	272.5
Other Energy Businesses				
Offshore Business	224.9	230.5	33.0	55.9
Heavy Engineering	1,346.7	1,179.7	194.6	48.0
Integrated Liner Logistics	3,635.0	3,215.4	(18.2)	(15.4)

⁽¹⁾ Operating profit is profit after exceptional gains, before finance cost and taxation

⁽²⁾ The financial results for financial year ended 31 March 2007 were based on the new and revised FRS

⁽³⁾ The restated financial results for financial year ended 31 March 2006 were based on the new and revised FRS.

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7.2.1 Energy Related Shipping

The Issuer divides its energy shipping business into three business units: LNG shipping, petroleum shipping and chemical shipping.

LNG Shipping

As of 29 June 2007, the Issuer has made 4,622 deliveries amounting to approximately 236 million metric tons of LNG. The Issuer has a fleet of 24 LNG carriers currently serving customers throughout the Atlantic and the Pacific basins and another 5 newbuildings on order for delivery between 2007 and 2009.

At present, the Issuer's LNG shipping business primarily services PETRONAS' three main LNG plants in Malaysia: MLNG, MLNG2 and MLNG3, each of which is a joint venture majority-owned by PETRONAS. LNG processed in these plants is exported from Bintulu, Sarawak, one of the world's largest LNG production facilities, predominantly to Malaysia's traditional export markets of Japan, South Korea and Taiwan. The Issuer has 20 LNG carriers on long-term charters to service the transportation of LNG from these plants to the end customers.

Since March 2002, the Issuer has been expanding its portfolio of third party charterers. Currently, in addition to its LNG charters with the PETRONAS group, the Issuer also has charter agreements with Gaz de France, the BG Plc and Yemen LNG.

The Issuer's strategy in the LNG shipping business is three-pronged. First, the Issuer will seek to continue to provide PETRONAS with all of its LNG transportation and logistics needs in its drive for leadership in the gas market. Second, the Issuer expects to further expand its charters with customers other than PETRONAS by offering new service products, including floating storage and regasification units, compressed natural gas carriers, floating LNG solutions and maritime training platforms. Third, the Issuer will attempt to leverage its synergies between the different business units within the Issuer's group to strengthen its portfolio of LNG shipping services.

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Set forth below is a summary information of the Issuer's LNG carriers and their charters as of 29 June 2007:-

Vessel Name⁽¹⁾	Capacity (cbm)	Year Built	Charter Expiration
Tenaga Satu ⁽²⁾	130,000	1982	April 2008
Tenaga Dua	130,000	1981	June 2019
Tenaga Tiga	130,000	1981	October 2021
Tenaga Empat	130,000	1981	December 2007
Tenaga Lima	130,000	1981	July 2021
Aman Bintulu ⁽³⁾	18,800	1993	October 2028
Aman Sendai ⁽³⁾	18,800	1997	May 2017
Aman Hakata ⁽³⁾	18,800	1998	December 2028
Puteri Intan	130,000	1994	September 2014
Puteri Delima	130,000	1995	February 2015
Puteri Nilam	130,000	1995	August 2015
Puteri Zamrud	130,000	1996	July 2016
Puteri Firus	130,000	1997	June 2017
Puteri Intan Satu	137,100	2002	September 2018
Puteri Delima Satu	137,100	2002	June 2024
Puteri Nilam Satu	137,100	2003	October 2023
Puteri Zamrud Satu	137,100	2004	January 2024
Puteri Firus Satu	137,100	2004	September 2024
Puteri Mutiara Satu	137,100	2005	May 2025
Seri Alam	145,000	2005	September 2025
Seri Amanah	145,000	2006	April 2026
Seri Anggun	145,000	2006	December 2010
Seri Angkasa	145,000	2007	January 2027
Seri Bakti	152,300	2007	December 2010
Total Capacity	2,911,300		

⁽¹⁾ All of the Issuer's LNG carriers are Malaysian flagged vessels.

⁽²⁾ Chartered for a term of 15 months, with two options to extend for additional 12-month periods.

⁽³⁾ The Aman series of LNG carriers are owned by joint ventures between the Issuer and Nippon Yusen Kabushiki Kaisha.

The Issuer's LNG carriers operate primarily on fixed rate long-term time charters that provide a stable source of revenue. Such time charters include a fixed element (capital hire) and an escalating element (operating hire) adjusted based on a cost index. The Issuer seeks to set the fixed capital hire portion of the time charter rate in all of its LNG time charter contracts so that it is able to realize a return in excess of its investment in constructing or refurbishing each vessel under time charter.

The Issuer's LNG contracts are arranged on a "back-to-back" basis, as MLNG, MLNG2 and MLNG3 have also entered into related LNG sales agreements with their respective customers.

The following are some of the key terms of the Issuer's typical 20-year charters:

- The charterer is obligated to pay for the use and hire of the vessel at a daily hire rate based on the number of operating days in the month, payable monthly in advance in USD.
- The charter hire is based on a fixed element (capital hire) and an escalating element (operating hire). The fixed capital hire component is designed to cover the capital and financing costs of the LNG carrier (including a return on the Issuer's investment). The variable operating hire component is designed to cover all voyage costs such as manning costs, docking, repair, maintenance and insurance and is escalated every year by an inflation index.
- The charterer is obligated to pay for bunkers, nitrogen, port and canal charges and insurance for the LNG cargo.
- Vessel is off-hire due to the fault of the Issuer upon occurrence of certain events specified in the charter party agreement, such as breakdown of machinery, repairs, overhaul and maintenance.
- The Issuer provides, and pays the cost of, provisions, manning, insurance on the tanker, maintenance and repair charges (including drydocking) and stores.
- The charters are subject to certain force majeure or termination clauses. In the contracts for the Aman series of LNG carriers, there are no force majeure or project termination clauses.
- Other than during periods when the vessel is off-hire, hire payments are payable to the Issuer even if the vessels are not utilized to carry LNG cargo.

Petroleum Shipping

The Issuer operates a petroleum tanker fleet through its wholly-owned subsidiary AET, which it acquired in 2003. Through AET, the Issuer operates the second-largest Aframax tanker fleet in the world and the largest Aframax tanker fleet in the Atlantic basin. As of 29 June 2007, AET's petroleum tanker fleet includes 10 VLCCs (9 of which are owned and 1 of which are chartered-in, of which one of the chartered-in tankers is owned by the Issuer), 47 Aframax tankers (31 of which are owned and 16 of which are chartered-in), 7 product tankers (5 of which are owned and 2 of which are chartered-in), one LR2 tanker which is owned and 2 shuttle tankers, both of which are chartered-in. AET has ordered and expects to take delivery of 18 new Aframax tankers between 2007 and 2010. AET also expects to take delivery of two chartered-in VLCCs (owned by the Issuer) and three chartered-in Aframax tankers between 2007 and 2009.

In the petroleum tanker business, the Issuer, through AET, intends to continue to support PETRONAS' petroleum logistics requirements and expansion worldwide and to strengthen its presence as a leading petroleum tanker operator in the Atlantic basin market and in the Middle East and Asia markets. With its global presence, AET expects to be able to meet the growing petroleum shipping needs of PETRONAS and other major oil companies. In particular, AET intends to support PETRONAS' worldwide expansion by providing global petroleum logistics solutions in all markets in which PETRONAS operates. In the Atlantic basin, AET plans to grow its lightering business in the U.S. Gulf of Mexico, grow its leading position in the U.S. Gulf of Mexico—Caribbean Aframax tanker market as well as expand its business into the deep Caribbean—South American markets. AET intends to expand its presence in the Aframax market in Europe and the transatlantic trade as well as increase its overall presence in other markets around the world including the Mediterranean, the Black Sea, the Baltic Sea, the Middle East and Africa. In areas east of the Suez Canal, AET will seek to take advantage of the growing energy needs of developing Asian countries, particularly India and China, to expand its business in that region.

AET plans to grow its VLCC and Aframax fleet through a combination of vessel acquisitions, chartering-in vessels and maximizing its back-haul cargoes and fleet productivity and utilization. With a total expected fleet of 12 VLCCs by 2008, AET expects to be able to begin offering port-to-port transportation for oil shipments into the U.S. Gulf of Mexico and support development of similar capabilities in East Asia. On this basis, AET will seek to expand its business globally and better compete worldwide amid expected continued consolidation in the petroleum tanker market.

In addition to the strengthening of its crude tanker business, AET is also developing a clean tanker trade for transportation of petroleum products. In 2005, a double-sided Aframax tanker was converted into a LR2 tanker which signalled AET's entry into this new tanker segment.

AET's main customers comprise oil majors and refiners including ExxonMobil, Shell, ConocoPhillips, Koch Petroleum Group LP, Houston Refining Co., Valero Energy Corporation, BP Group, ChevronTexaco, TOTAL, Ursa Russian Oil and Saudi Petroleum Industries Inc.

Chemical Shipping

The Issuer's chemical tankers are designed to carry liquid bulk parcels of commodities such as vegetable oils (predominantly palm oil and soya bean oil) and organic and specialty chemicals. They are equipped with specialized coatings, heating coils, special valves and equipment to cater to customers transporting a wide variety of chemicals and vegetable oil commodities. Safe transportation and service integrity is paramount in the chemical trade, which commands specialized ships and operations that meet stringent regulatory, trading and customer requirements.

As at 29 June 2007, the Issuer's chemical tanker fleet consists of 16 tankers, 13 of which are owned, ranging in size from 16,900 dwt to 32,100 dwt.

The Issuer's chemical tankers transport palm oil and other vegetable oil products mainly from Malaysia and Indonesia on various routes within East Asia and to the Indian subcontinent, the Red Sea and Europe. On the returning routes to East Asia, the cargo is predominantly chemicals. The Issuer's charterers in this segment of its business are mainly producers and traders of vegetable oils and chemicals and chemical tanker operators.

The Issuer's focus for the chemical shipping business is to increase its presence in certain niche markets. To support such a planned expansion, the Issuer has contracted with STX Shipbuilding Co. Ltd., of the Republic of Korea for the construction of eight 38,000 dwt

chemical tankers to be delivered between 2009 and 2010, and the Issuer has also entered into contracts with SLS Shipbuilding Co. Ltd. of the Republic of Korea for another eight 45,000 dwt chemical tankers to be delivered between 2009 and 2010. The Issuer believes in managing a portfolio of term to spot business to match market demand.

The Issuer's chemical shipping division also manages three LPG carriers (which carry liquefied petroleum gas), which are on time charters to PETRONAS and Petredec, and the Issuer's one remaining bulk vessel, which is on a COA to Tenaga Nasional.

The Issuer's significant repeat customers in chemical shipping include the ExxonMobil Corporation, Kuok Oils & Grains Pte. Ltd., Degussa GmbH, Wilmar Trading Pte. Ltd., IOI Loders Croklaan Procurement and Iffcochart Limited.

7.2.2 Other Energy Businesses

The Issuer's other energy businesses consist of the offshore business and the heavy engineering business undertaken by the Issuer's wholly-owned subsidiary MMHE.

Offshore Business

The Issuer's offshore business provides floating offshore solutions to support offshore oil and gas field operating companies in the production, storage and evacuation of oil and gas. The Issuer's experience began with the conversion of its own petroleum tanker MT Bunga Kertas into an FPSO in 2003 which is leased to PCSB under a 15-year contract. In 2005, the Issuer delivered its first FSO to Talisman Malaysia Ltd, the FSO Angsi, under an 11-year lease. This was followed by the deliveries of FSO Cendor to Petrofac Malaysia under a two-year lease and FSO Abu Cluster to PCSB under a 10-year lease. All of the floating solutions developed by the Issuer's offshore business were converted at MMHE.

Recently, the Issuer converted its first deepwater FPSO, the FPSO Kikeh, for Murphy Sabah Oil Ltd. FPSO Kikeh is a joint venture project with SBM, in which the Issuer has a 51% shareholding. FPSO Kikeh, which was converted at MMHE, was delivered to its designated location in Malaysia and began production in August 2007. The SBM joint venture marked a significant breakthrough for the Issuer into deepwater FPSO design, engineering, construction, operations and maintenance. Strengthening further on the strategic partnership with SBM, a leading operator in the offshore business segment, the Issuer has acquired a 49% equity stake in two other deepwater FPSO projects off the shore of Brazil with SBM: the FPSO Brasil in the Roncador field in March 2006 and the FPSO Espirito Santo in Block BC-10 in March 2007. FPSO Brasil, which has been in operations since December 2002, is on a 9.5 year lease to Petrobras while FPSO Espirito Santo is scheduled for delivery in November 2008 for a 15-year lease contract with Shell.

FPSOs are generally capital intensive in nature. Project costs for such floating solutions depend on the size of the production wells and the field depth as well as on the production complexity of oil separation, gas injection, gas treatment and power generation.

The Issuer's offshore business growth is driven by three main strategies. First, the Issuer is giving priority to support Malaysian small field development through cost effective solutions and asset optimization. Second, the Issuer aspires to become a leading provider for Malaysian deepwater floating solutions through strategic alliances and the acquisition of deepwater technology. In addition to the success of FPSO Kikeh as the first deepwater FPSO in Malaysia, the Issuer is working closely with oil companies in developing additional deepwater floating solutions in other Malaysian deepwater field prospects. Third, the offshore business has established a product development unit to carry out feasibility studies on other potential floating solutions such as semi-submersible floating deck systems, tension leg

platforms systems, hollow steel spar-shaped floating and offloading terminals and dynamically positioned FPSO systems.

As of 29 June 2007, the Issuer owns three FPSOs and three FSOs in operation, of which two FPSOs are jointly owned with SBM. In addition, there is currently one FPSO under construction, the FPSO Espirito Santo, which is also jointly owned with SBM.

Heavy Engineering

MMHE, formerly known as Malaysia Shipyard and Engineering Sdn. Bhd., is a wholly-owned subsidiary of the Issuer. MMHE, incorporated in 1973, has in the past 30 years built up a track record of progressive growth in ship repair, conversion and onshore and offshore engineering and construction. MMHE now focuses on its three core divisions: marine repair, marine conversion and engineering and construction.

The services provided by the marine repair division include repair, refitting and refurbishment of ULCCs, VLCCs, petroleum tankers, chemical tankers, offshore oil rigs, gas carriers, and other offshore support vessels. In January 2006, MMHE entered into a joint venture agreement with Samsung Heavy Industries Co Ltd to provide LNG carriers maintenance, drydocking and refurbishment services to LNG shipowners. This division's principal external customers include Chinese Petroleum, Teekay Marine, Marlin Offshore, Pride International and Hercules Drilling.

The marine conversion division offers a one-stop center for FPSO and FSO conversions, providing a comprehensive range of services from initial design to fabrication, installation and commissioning. Other services include jumboization works, such as length and breadth ship extensions. This division's principal external customers include SBM and Tenderdrill. MMHE is the only yard capable of undertaking FPSO/FSO conversions in Malaysia.

The engineering and construction division has participated in the construction of various facilities for the offshore oil and gas industry. Its heavy engineering work includes the construction of oil and gas platforms/process modules, jackets, topsides, turret, spar, mooring buoy systems, living quarters and substructures.

This division's principal customers include ExxonMobil, Shell, Talisman, FMC Technologies, Woodside and the PETRONAS group of companies.

MMHE expects to focus its business on high-value marine repairs and on enhancing its engineering design and project management capabilities for construction and conversion of oil and gas support vessels. In addition, MMHE will also focus on oil and gas deepwater engineering solutions, including the expansion of its deepwater projects facilities by adding a new 40,000 tonne skid track, block workshops, crane facilities, and material processing complex.

MMHE has comprehensive and integrated facilities in its 123 hectare complex, including one of the largest drydocks in the region, which can dock vessels of up to 450,000 dwt and a shiplift system to cater for vessels and structures of up to 50,000 dwt. The five open fabrication areas cover 360,000 square meters and can simultaneously accommodate the construction of large marine structures with a total tonnage of 45,000 tonnes a year. These facilities are supported by 29 fully equipped and covered workshops, covering an area of 55,000 square meters.

All operating units of MMHE are accredited to the internationally recognized ISO 9001 and ISO 9002 Quality System Standard awarded by Lloyd's Register for Quality Assurance and MS/ISO 9001 by SIRIM Berhad, the Malaysian national organization of standardization. All

operating units are also certified to the ASME Codes and the API Spec Q1 and 2B by the American Petroleum Institute.

7.2.3 Integrated Liner Logistics

The Issuer's integrated liner logistics business consists of the container shipping unit and its wholly-owned logistics subsidiary, MILS.

Container Shipping

The container shipping unit manages a container liner shipping network covering 45 countries and regions including Asia, Europe, Middle East, India as well as Australia and Africa. As of 29 June 2007, the Issuer operated an owned fleet of 21 container ships with a combined capacity of 89,366 TEU supplemented by a chartered in fleet of 14 container ships.

The container shipping unit covers 24 container routes in strategic trade areas. These routes are operated either independently by the Issuer or through consortia or capacity exchanges with other international lines. Operational co-operation with other lines is a common strategy in this industry, as it provides a broader network reach with enhanced cost efficiency. The underlying agreements with alliances and operating consortia are generally valid for 2 to 10 years, with termination clauses between 3 to 18 months.

The Issuer also maintains a network of shipping agencies to support its container liner services. MISA, a wholly-owned subsidiary of the Issuer, acts as the Issuer's shipping agent in Malaysia. The Issuer's agents market slots on the Issuer's container ships and other vessels, as well as slots that the Issuer has on third parties' vessels. MISA also has on-line computer facilities that are linked to ports, customs authorities and other Issuer's agents worldwide.

The Issuer's strategy is to focus on long-haul routes by strengthening its position in the East-West trade with a focus on the European markets through participation in the Grand Alliance. The Grand Alliance is a recognised and awarded liner consortia which covers Europe-East Asia, Trans Pacific and Trans-Atlantic trades. As part of the implementation of this strategy the Issuer is no longer deploying containerships on short-haul intra-Asia routes. The business is focused on maintaining a position in alliances where it is a core partner. The Issuer has also established itself as a leading player in Halal supply chain solutions, which focus on transporting Halal food products, including in the newly formed Halal Express Services covering the Asia to Middle East route and the Indian sub-continent route. In recent years, the Issuer has also increased its participation in reefer cargo due to its relatively high yield.

The Issuer currently operates a relatively large proportion of chartered ships on short to medium-term charters. This relatively large quantity of chartered-in capacity is a result of the company focusing on long haul routes, whereby a number of smaller ships have become surplus while at the same time additional large ships are now required to serve the capacity needs in the long haul markets. The fleet imbalance has been addressed by chartering out smaller units against in-charters of larger ships, at lower unit cost. The strategy has generated benefits in regards to lower cost. The Issuer will continue to charter-in vessels to increase tonnage in light of the high prices of newbuilds and it intends to place orders for new owned and/or long-term chartered-in tonnage only when market conditions are acceptable.

Logistics Services

MILS is a wholly-owned subsidiary of the Issuer that serves as its logistics business unit. Established in 2001, MILS offers a diverse set of services that encompass the entire spectrum of supply chain and logistics services. MILS' integrated logistics services include air and ocean freighting, distribution, freight forwarding, warehousing, specialized transportation, container haulage, project cargo and a regional logistics hub. MILS offers clients customized solutions in Malaysia, regionally and globally.

MILS operates a strategic network of warehouses and distribution centres in key locations, supported by comprehensive IT systems. Customers rely on MILS' global logistics network, supply chain solutions and IT systems to control and manage the complete logistics business cycle, from vendors to the end-user. MILS has been awarded the ISO9001:2000 certification for quality management, ISO14001:1997 for environmental management and OHSAS18001:1999 for health and safety management. In 2005, MILS reorganized its business operations to streamline its core business to the provision of fully integrated logistics services.

MILS intends to expand its range of energy logistics services to serve both MISC Group's requirements and those of its third party customers. MILS will boost its position as a niche logistics player especially on the provision of value-added logistics services with the completion of the MILS Logistics Hub (MLH) in Pulau Indah. The MLH will offer a 90,000 square metre multi modular storage and processing facility which include sterilisation, fumigation and cold and chilled storage facilities. The MLH will also serve as MILS first halal hub which is supported by the MISC Liner Halal Express Services. In addition, MILS intends to expand its logistics services to be a leading public sector logistics solutions provider; expand services for third party accounts in the FMCG sector, with a focus on electronics, tobacco, personal care, food, and automotive; further develop its logistics hubs in Pulau Indah, Selangor and Dubai, UAE; develop global freight network capabilities through partnerships with leading players; and become the leading global Halal logistics service provider.

MILS' customers can be classified into four principal categories: energy, public sector, FMCG and automotive. In the energy category, MILS provides services to, among others, PETRONAS, Shell, ExxonMobil, BP Chemicals Malaysia, Murphy Sarawak Oil, Technip Far East, Malaysian Oxygen, Tenaga Nasional and Telekom Malaysia. Among MILS' public sector customers are Malaysia's Ministry of Defense, Ministry of Transport and the Malaysia Examination Board. In the FMCG sector, MILS' customers include Fraser & Neave Coca Cola, Procter & Gamble, British American Tobacco, Panasonic, Nippon Electric Glass and Fagor Homes. MILS also provides logistics services to Malaysian Truck & Bus, Daimler Chrysler Malaysia and BMW in the automotive category.

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7.2.4 Non-shipping Businesses

The Issuer's non-shipping businesses consist principally of maritime education and training activities, which are undertaken by its wholly-owned, ALAM maritime academy.

Maritime education and training

ALAM is a leading regional maritime education and training center serving the Malaysian and regional maritime and shipping industry. It is currently one of the largest maritime academies in the world, with an enrolment of 796 cadets as of 29 June 2007. By offering a diversified range of short-term and long-term maritime related programs that educate seafarers to international standards, the Issuer expects ALAM to complement the Issuer's aggressive fleet expansion plans in an environment in which there is a global shortage of competent seafarers. A Memorandum of Understanding was signed with the United States Merchant Marine Academy which provides the benchmarking capability for the enhanced curricula developed in ALAM as well as to jointly develop training programs for upgrading seafarers. ALAM also has an affiliation with South Tyneside College, which is a United Kingdom maritime training institute that offers Higher National Diploma in Marine Engineering through a 2 plus 1 twinning program with ALAM. Locally, ALAM had also collaborated with several higher technical learning institutions including University Technology of Malaysia, Institute of Petroleum Technology of PETRONAS, University Technology PETRONAS and SIRIM, with the aim of jointly offering post graduate programs for the development of management trainees for Fleet Management Services and junior engineers for the Offshore Business Unit.

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APPENDIX A

AUDITED FINANCIAL STATEMENTS FOR FINANCIAL YEAR ENDED 31 MARCH 2007

MISC BERHAD (8178 H)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 March 2007

MISC BERHAD
(Incorporated in Malaysia)

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MISC BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Corporation for the financial year ended 31 March 2007.

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 services.

The principal activities of the subsidiaries are described in Note 37 to the financial statements.

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

RESULTS

	Group RM'000	Corporation RM'000
Profit for the year	<u>2,896,930</u>	<u>3,700,744</u>
Attributable to:		
Equity holders of the Corporation	2,852,025	3,700,744
Minority interests	<u>44,905</u>	<u>-</u>
	<u>2,896,930</u>	<u>3,700,744</u>

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

In the opinion of the directors, the results of the operations of the Group and of the Corporation during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than:

- (a) the effects arising from the changes in accounting policies due to the adoption of the new and revised FRSs which has resulted in an increase in the Group's and the Corporation's profit for the year by RM178,800,000 and RM233,464,000 (including the effects arising from changes in estimates as disclosed in (b) below) respectively as disclosed in Note 2.3(h)(ii) to the financial statements; and

RESULTS (CONTD.)

- (b) the effects arising from changes in estimates where the residual values of ships were revised resulting in an increase in the Group's and the Corporation's profit for the year by RM159,100,000 and RM101,393,000 respectively as disclosed in Note 2.4 to the financial statements.

DIVIDENDS

The amount of dividends paid by the Corporation since 31 March 2006 were as follows:

RM'000

In respect of the financial year ended 31 March 2006 as reported in the directors' report of that year:

Final tax exempt dividend of 20 sen per share, paid on 30 August 2006	<u>727,975</u>
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In respect of the financial year ended 31 March 2007:

Interim tax exempt dividend of 10 sen per share, paid on 22 December 2006	<u>368,991</u>
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At the forthcoming Annual General Meeting, the following tax exempt dividend will be proposed for shareholders' approval in respect of the financial year ended 31 March 2007:

RM'000

Final tax exempt dividend of 20 sen per share	<u>743,966</u>
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The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 March 2008.

DIRECTORS

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

Tan Sri Dato Sri Mohd Hassan bin Marican	
Tan Sri Dato' Seri Dr Hj Zainul Ariff bin Hj Hussain	(resigned on 1 January 2007)
Dato Sri Liang Kim Bang	
Dato' Shamsul Azhar bin Abbas	
Dato' Halipah binti Esa	
Dato' Kalsom binti Abd Rahman	
Dato' Dr Wan Abdul Aziz bin Wan Abdullah	(appointed on 14 September 2006)
Harry K. Menon	
Nasaruddin bin Md Idris	

DIRECTORS' BENEFITS

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

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

DIRECTORS' INTERESTS

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

	<- Number of Ordinary Shares of RM1 Each ->			
	1 April 2006	Bought	Sold	31 March 2007
The Corporation				
Direct				
Dato Sri Liang Kim Bang	304,000	-	-	304,000

DIRECTORS' INTERESTS (CONTD.)

<- Number of Ordinary Shares of RM1 Each ->				
	1 April 2006	Bought	Sold	31 March 2007
Indirect				
Dato Sri Liang Kim Bang	136,000	-	-	136,000
Fellow Subsidiary - PETRONAS Dagangan Berhad				
Direct				
Tan Sri Dato Sri Mohd Hassan bin Marican	2,000	-	-	2,000
Fellow Subsidiary - PETRONAS Gas Berhad				
Direct				
Tan Sri Dato Sri Mohd Hassan bin Marican	5,000	-	-	5,000
Dato' Kalsom binti Abd Rahman	-	1,000	-	1,000
Nasaruddin bin Md Idris	3,000	-	-	3,000
Fellow Subsidiary - KLCC Property Holdings Berhad				
Direct				
Tan Sri Dato Sri Mohd Hassan bin Marican	50,000	-	-	50,000

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

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Corporation were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

OTHER STATUTORY INFORMATION (CONTD.)

- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Corporation inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Corporation misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Corporation misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Corporation which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Corporation which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Corporation which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Corporation to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Corporation for the financial year in which this report is made.

SIGNIFICANT EVENTS

Significant events during the financial year are disclosed in Note 40 to the financial statements.

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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 10 May 2007.

Tan Sri Dato Sri Mohd Hassan bin Marican

Dato' Shamsul Azhar bin Abbas

MISC BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Tan Sri Dato Sri Mohd Hassan bin Marican and Dato' Shamsul Azhar bin Abbas, being two of the directors of MISC Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 10 to 113 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Corporation as at 31 March 2007 and of the results and the cash flows of the Group and of the Corporation for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 10 May 2007.

Tan Sri Dato Sri Mohd Hassan bin Marican

Dato' Shamsul Azhar bin Abbas

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Noraini binti Che Dan, being the officer primarily responsible for the financial management of MISC Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 10 to 113 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 10 May 2007

Noraini binti Che Dan

Before me,

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**REPORT OF THE AUDITORS TO THE MEMBERS OF
MISC BERHAD
(Incorporated in Malaysia)**

We have audited the financial statements set out on pages 10 to 113. These financial statements are the responsibility of the Corporation's directors.

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

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

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Corporation as at 31 March 2007 and of the results and the cash flows of the Group and of the Corporation for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Corporation and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

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**REPORT OF THE AUDITORS TO THE MEMBERS OF
MISC BERHAD (CONTD.)
(Incorporated in Malaysia)**

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

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

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

Ernst & Young
AF: 0039
Chartered Accountants

Habibah bte Abdul
No. 1210/05/08(J)
Partner

Kuala Lumpur, Malaysia
10 May 2007

MISC BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007

	Note	Group		Corporation	
		2007	2006	2007	2006
		RM'000	RM'000	RM'000	RM'000
			(restated)		(restated)
Revenue	3	11,198,945	10,747,080	4,355,482	4,824,679
Cost of sales		(7,779,198)	(7,326,051)	(3,822,813)	(4,028,558)
Gross profit		3,419,747	3,421,029	532,669	796,121
Gain on disposal of ships		436,559	202,325	131,915	202,325
Other operating income	4	303,345	383,190	3,473,359	999,912
General and administrative expenses		(909,224)	(784,588)	(391,064)	(376,279)
Operating profit	5	3,250,427	3,221,956	3,746,879	1,622,079
Finance costs	8	(347,757)	(348,398)	(46,135)	(18,901)
Share of (loss)/profit of associates		(491)	15,404	-	-
Share of profit of jointly controlled entities		28,131	11,830	-	-
Profit before taxation		2,930,310	2,900,792	3,700,744	1,603,178
Taxation	9	(33,380)	(30,190)	-	(18,197)
Profit for the year		2,896,930	2,870,602	3,700,744	1,584,981
Attributable to:					
Equity holders of the Corporation		2,852,025	2,822,573	3,700,744	1,584,981
Minority interests		44,905	48,029	-	-
		2,896,930	2,870,602	3,700,744	1,584,981
Basic earnings per share attributable to equity holders of the Corporation (sen)	10	76.7	75.9		

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

MISC BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS AS AT 31 MARCH 2007

	Note	Group		Corporation	
		2007	2006	2007	2006
		RM'000	RM'000	RM'000	RM'000
			(restated)		(restated)
NON-CURRENT ASSETS					
Ships	12	21,034,467	19,963,021	8,592,410	7,122,515
Property, plant and equipment	12	843,227	827,770	90,131	321,943
Investment properties	13	49,500	53,800	49,500	53,800
Intangible assets	14	1,041,424	1,037,585	-	-
Investments in subsidiaries	15	-	-	6,716,259	3,647,632
Investments in associates	16	2,685	12,290	-	8,314
Investments in jointly controlled entities	17	503,358	139,476	-	-
Other investments	18	236,077	235,577	51,141	50,568
Deferred tax assets	29	2,941	1,151	-	-
		<u>23,713,679</u>	<u>22,270,670</u>	<u>15,499,441</u>	<u>11,204,772</u>
CURRENT ASSETS					
Inventories	19	262,974	243,500	103,090	85,491
Trade and other receivables	20	1,721,703	1,679,379	1,012,199	3,290,868
Marketable securities	22	851	3,587	851	3,587
Cash, deposits and bank balances	23	2,217,564	3,425,969	735,116	487,600
		<u>4,203,092</u>	<u>5,352,435</u>	<u>1,851,256</u>	<u>3,867,546</u>
Non-current assets classified as held for sale	24	38,015	-	172,618	-
		<u>4,241,107</u>	<u>5,352,435</u>	<u>2,023,874</u>	<u>3,867,546</u>
CURRENT LIABILITIES					
Trade and other payables	25	2,205,615	2,507,542	2,670,723	1,974,176
Borrowings	26	495,252	609,748	97,065	-
		<u>2,700,867</u>	<u>3,117,290</u>	<u>2,767,788</u>	<u>1,974,176</u>
NET CURRENT ASSETS/ (LIABILITIES)					
		<u>1,540,240</u>	<u>2,235,145</u>	<u>(743,914)</u>	<u>1,893,370</u>
		<u>25,253,919</u>	<u>24,505,815</u>	<u>14,755,527</u>	<u>13,098,142</u>

MISC BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS AS AT 31 MARCH 2007 (CONTD.)

	Note	Group		Corporation	
		2007	2006	2007	2006
		RM'000	RM'000	RM'000	RM'000
			(restated)		(restated)
EQUITY					
Equity attributable to equity holders of the Corporation					
Share capital	27	3,719,828	3,719,828	3,719,828	3,719,828
Other reserves	28	1,121,422	2,348,423	127,049	1,073,206
Retained profits		13,797,911	12,087,955	10,905,284	8,301,506
		<u>18,639,161</u>	<u>18,156,206</u>	<u>14,752,161</u>	<u>13,094,540</u>
Minority Interests		241,435	284,686	-	-
		<u>18,880,596</u>	<u>18,440,892</u>	<u>14,752,161</u>	<u>13,094,540</u>
NON-CURRENT LIABILITIES					
Borrowings	26	6,309,140	5,997,910	-	-
Deferred tax liabilities	29	64,183	67,013	3,366	3,602
		<u>25,253,919</u>	<u>24,505,815</u>	<u>14,755,527</u>	<u>13,098,142</u>

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

MISC BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2007

	Note	<----- Attributable to Equity Holders of the Corporation ----->					Minority Interests	Total Equity
		Share Capital Ordinary Shares RM'000	<-Non-distributable-> Share Premium RM'000	Other Reserves RM'000	Distributable Retained Profits RM'000	Total RM'000		
At 1 April 2005								
As previously stated		1,859,914	460,882	106,221	12,852,789	15,279,806	275,484	15,555,290
Effects of adopting FRS 121	28	-	-	2,849,280	(1,096,235)	1,753,045	(4,963)	1,748,082
At 1 April 2005 (restated)		1,859,914	460,882	2,955,501	11,756,554	17,032,851	270,521	17,303,372
Currency translation differences:								
Group	28	-	-	(586,161)	-	(586,161)	(15,454)	(601,615)
Associates	28	-	-	1,232	-	1,232	-	1,232
Jointly controlled entities	28	-	-	(194)	-	(194)	-	(194)
		-	-	(585,123)	-	(585,123)	(15,454)	(600,577)
Transfer from reserves to retained profits	28	-	-	(21,955)	21,955	-	-	-
Net expense recognised directly in equity		-	-	(607,078)	21,955	(585,123)	(15,454)	(600,577)
Profit for the year		-	-	-	2,822,573	2,822,573	48,029	2,870,602
Total recognised income and expense for the year		-	-	(607,078)	2,844,528	2,237,450	32,575	2,270,025
Bonus issue		1,859,914	(460,882)	-	(1,399,032)	-	-	-
Dividends	11	-	-	-	(1,114,095)	(1,114,095)	(14,893)	(1,128,988)
Acquisition of a subsidiary		-	-	-	-	-	(3,517)	(3,517)
At 31 March 2006		3,719,828	-	2,348,423	12,087,955	18,156,206	284,686	18,440,892

MISC BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2007 (CONTD.)

	Note	<----- Attributable to Equity Holders of the Corporation ----->					Minority Interests	Total Equity
		Share Capital Ordinary Shares RM'000	<-Non-distributable-> Share Premium RM'000	Other Reserves RM'000	Distributable Retained Profits RM'000	Total RM'000		
At 1 April 2006								
As previously stated		3,719,828	-	23,150	13,309,578	17,052,556	298,882	17,351,438
Effects of adopting FRS 121	28	-	-	2,325,273	(1,221,623)	1,103,650	(14,196)	1,089,454
At 1 April 2006 (restated)		3,719,828	-	2,348,423	12,087,955	18,156,206	284,686	18,440,892
Effects of adopting FRS 3		-	-	-	65	65	-	65
		3,719,828	-	2,348,423	12,088,020	18,156,271	284,686	18,440,957
Currency translation differences:								
Group	28	-	-	(1,273,372)	-	(1,273,372)	24,932	(1,248,440)
Associates	28	-	-	207	-	207	-	207
Jointly controlled entities	28	-	-	996	-	996	-	996
		-	-	(1,272,169)	-	(1,272,169)	24,932	(1,247,237)
Transfer to reserves from retained profits	28	-	-	45,168	(45,168)	-	-	-
Net expense recognised directly in equity		-	-	(1,227,001)	(45,168)	(1,272,169)	24,932	(1,247,237)
Profit for the year		-	-	-	2,852,025	2,852,025	44,905	2,896,930
Total recognised income and expense for the year		-	-	(1,227,001)	2,806,857	1,579,856	69,837	1,649,693
Dividends	11	-	-	-	(1,096,966)	(1,096,966)	(17,764)	(1,114,730)
Acquisition of subsidiaries		-	-	-	-	-	(95,324)	(95,324)
At 31 March 2007		3,719,828	-	1,121,422	13,797,911	18,639,161	241,435	18,880,596

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

MISC BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2007

	Note	Share Capital Ordinary Shares RM'000	<-Non-distributable-> Share Premium RM'000	Other Reserves RM'000	Distributable Retained Profits RM'000	Total RM'000
At 1 April 2005						
As previously stated		1,859,914	460,882	35,217	9,963,036	12,319,049
Effects of adopting FRS 121	28	-	-	1,536,018	(733,384)	802,634
At 1 April 2005 (restated)		1,859,914	460,882	1,571,235	9,229,652	13,121,683
Currency translation differences	28	-	-	(498,029)	-	(498,029)
Net expense recognised directly in equity		-	-	(498,029)	-	(498,029)
Profit for the year		-	-	-	1,584,981	1,584,981
Total recognised income and expense for the year		-	-	(498,029)	1,584,981	1,086,952
Bonus issue		1,859,914	(460,882)	-	(1,399,032)	-
Dividends	11	-	-	-	(1,114,095)	(1,114,095)
At 31 March 2006		3,719,828	-	1,073,206	8,301,506	13,094,540
At 1 April 2006						
As previously stated		3,719,828	-	35,217	9,119,310	12,874,355
Effects of adopting FRS 121	28	-	-	1,037,989	(817,804)	220,185
At 1 April 2006 (restated)		3,719,828	-	1,073,206	8,301,506	13,094,540
Currency translation differences	28	-	-	(946,157)	-	(946,157)
Net expense recognised directly in equity		-	-	(946,157)	-	(946,157)
Profit for the year		-	-	-	3,700,744	3,700,744
Total recognised income and expense for the year		-	-	(946,157)	3,700,744	2,754,587
Dividends	11	-	-	-	(1,096,966)	(1,096,966)
At 31 March 2007		3,719,828	-	127,049	10,905,284	14,752,161

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

MISC BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007

		Group		Corporation	
	Note	2007	2006	2007	2006
		RM'000	RM'000	RM'000	RM'000
Cash receipts from customers		11,274,148	10,907,229	4,856,846	4,990,322
Cash paid to suppliers and employees		(7,607,139)	(6,238,566)	(3,917,840)	(3,930,352)
Cash from operations		3,667,009	4,668,663	939,006	1,059,970
Taxation paid		(33,379)	(9,644)	-	-
Net cash generated from operating activities		3,633,630	4,659,019	939,006	1,059,970
Net cash (used in)/generated from investing activities	30	(3,609,544)	(2,640,635)	354,115	(1,873,911)
Net cash used in financing activities	31	(1,045,121)	(2,920,123)	(1,047,014)	(1,537,407)
Net (decrease)/increase in cash and cash equivalents		(1,021,035)	(901,739)	246,107	(2,351,348)
Cash and cash equivalents at beginning of financial year		3,425,969	4,373,775	487,600	2,850,711
Currency translation differences		(187,370)	(46,067)	1,409	(11,763)
Cash and cash equivalents at end of financial year		2,217,564	3,425,969	735,116	487,600
Cash and cash equivalents comprise:					
Cash, deposits and bank balances	23	2,217,564	3,425,969	735,116	487,600

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

MISC BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2007

1. CORPORATE INFORMATION

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

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 10 May 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia ("FRS"). At the beginning of the current financial year, the Group and the Corporation had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2006 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 FRSs and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

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

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

(ii) Basis of Consolidation

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(a) Subsidiaries and Basis of Consolidation (Contd.)

(ii) Basis of Consolidation (Contd.)

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

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

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

(b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(b) Associates (Contd.)

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

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

(c) Jointly Controlled Entities

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(d) Intangible Assets

(i) Goodwill

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

(ii) Other Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(e) Ships, Property, Plant and Equipment, and Depreciation

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

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

Long term leasehold and foreshore land of a subsidiary have not been revalued since they were revalued in 1988. The directors have not adopted a policy of regular revaluations of such assets and no later valuation has been recorded. As permitted under the transitional provisions of IAS 16 (Revised): Property, Plant and Equipment, these assets continue to be stated at their original valuation less accumulated depreciation and impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Leasehold land is depreciated on a straight-line basis over the period of the respective leases which range from 60 to 99 years. Ships under construction, systems work in progress and construction in progress are not depreciated as these assets are not available for use.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(e) Ships, Property, Plant and Equipment, and Depreciation (Contd.)

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

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

(f) Investment Properties

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

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

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

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

(g) Construction Contracts

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(g) Construction Contracts (Contd.)

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

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

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

(h) Impairment of Non-financial Assets

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(h) Impairment of Non-financial Assets (Contd.)

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

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

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

(i) Inventories

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(j) Financial Instruments

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

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

(i) Cash and Cash Equivalents

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

(ii) Other Non-current Investments

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

(iii) Marketable Securities

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(j) Financial Instruments (Contd.)

(iv) Trade and Other Receivables

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

(v) Trade and Other Payables

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

(vi) Interest Bearing Loans and Borrowings

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

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

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

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

(viii) Equity Instruments

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(j) Financial Instruments (Contd.)

(ix) Derivative Financial Instruments

Derivative financial instruments are not recognised in the financial statements.

Interest rate swap contracts:

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

Forward bunkers contract:

Upon settlement, the forward bunkers contract is recognised as expense in the profit or loss.

(k) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(ii) Operating Leases - the Group as Lessee

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

An up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(iii) Operating Lease - the Group as Lessor

Assets leased out under operating leases are presented on the balance sheet according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease (Note 2.2 (q)(vi)). Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(l) Borrowing Costs

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

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

(m) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(n) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Provision for warranty is made based on service histories to cover the estimated liability that may arise during the warranty period. Any surplus provision will be written back at the end of the warranty period while additional provision is made as and when necessary.

(o) Employee Benefits

(i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(o) Employee Benefits (Contd.)

(iii) Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after balance sheet date are discounted to present value.

(p) Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Corporation and certain subsidiaries is United States Dollar ("USD"). The financial statements are presented in Ringgit Malaysia ("RM"), in compliance with FRSs.

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(p) Foreign Currencies (Contd.)

(ii) Foreign Currency Transactions (Contd.)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the currency translation reserve within equity until the disposal of the foreign operation, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Corporation's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Corporation's financial statements or the individual financial statements of the foreign operation, as appropriate.

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

(iii) Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency ("RM") of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(p) Foreign Currencies (Contd.)

(iii) Foreign Operations (Contd.)

- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 April 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 April 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

(q) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Freight Income

Freight receivable and the relevant discharge costs of cargoes loaded onto ships up to the balance sheet date are accrued for in the financial statements.

(ii) Charter Income

The results of ships employed and voyage charter and that of other services rendered are accounted for on a time accrual basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(q) Revenue Recognition (Contd.)

(iii) Lightering Income

Income on lightering charges is recognised on percentage of completion of voyages calculated on a discharge-to-discharge basis. The voyage revenue is recognised evenly over the period from a vessel's departure from its previous discharge point to its projected departure from its next discharge point.

(iv) Other Shipping Related Income

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

(v) Construction Contracts

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

(vi) Rental Income

Rental income from investment property is recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessee is recognised as a reduction of rental income over the lease term on a straight-line basis.

(vii) Interest Income

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

(viii) Dividend Income

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(r) Non-current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

(s) Repairs and Maintenance

Repairs and maintenance costs are recognised in profit or loss as incurred. Drydocking expenditure is capitalised and depreciated over a period of 30 months or the period until the next drydocking date, whichever is shorter.

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

On 1 April 2006, the Group and the Corporation adopted the following FRSs mandatory for financial periods beginning on or after 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events After the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

FRS 133 Earnings Per Share
 FRS 136 Impairment of Assets
 FRS 138 Intangible Assets
 FRS 140 Investment Property

At the date of authorisation of these financial statements, the following FRSs, amendments to FRSs and Interpretations were issued but not yet effective and have not been applied by the Group and the Corporation:

FRS 117	Leases
FRS 124	Related Party Disclosures
FRS 139	Financial Instruments: Recognition and Measurement
FRS 6	Exploration for and Evaluation of Mineral Resources
Amendment to FRS 119 ₂₀₀₄	Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129 ₂₀₀₄ - Financial Reporting in Hyperinflationary Economics
IC Interpretation 8	Scope of FRS 2

The above FRSs, amendments to FRSs and Interpretations are expected to have no significant impact on the financial statements of the Group and the Corporation upon their initial application.

The Group and the Corporation are exempted from disclosing the possible impact, if any to the financial statements upon the initial application of FRS 117, 124 and 139.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

The adoption of FRS 2, 102, 108, 110, 127, 128, 132 and 133 does not result in significant changes in accounting policies of the Group. The principal changes in accounting policies and their effects resulting from the adoption of the other new and revised FRSs are discussed below:

(a) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138. In accordance with the transitional provisions, FRS 3 has been applied for business combinations for which the agreement date is on or after 1 April 2006.

(i) Goodwill

Prior to 1 April 2006, goodwill was amortised on a straight-line basis over its estimated useful life which ranged from 5 to 20 years and at each balance sheet date, the Group assessed if there was any indication of impairment of the cash-generating-unit in which the goodwill is attached to. The adoption of FRS 3 and the revised FRS 136 has resulted in the Group ceasing annual goodwill amortisation. Goodwill is now carried at cost less accumulated impairment losses and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

In accordance with the transitional provisions of FRS 3, the Group has applied the revised accounting policy for goodwill prospectively from 1 April 2006. The transitional provisions of FRS 3 also required the Group to eliminate the carrying amount of the accumulated amortisation at 1 April 2006 amounting to RM164,165,000 against the carrying amount of goodwill. The net carrying amount of goodwill as at 1 April 2006 of RM741,167,000 ceased to be amortised thereafter.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for financial year ended 31 March 2006 or prior periods. The effects on the consolidated balance sheet as at 31 March 2007 and consolidated income statement for the year ended 31 March 2007 are set out in Note 2.3(h)(i) and Note 2.3(h)(ii) respectively. This change has no impact on the Corporation's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

(a) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets (Contd.)

(ii) Excess of Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as negative goodwill)

Prior to 1 April 2006, negative goodwill was amortised over the weighted average useful life of the non-monetary assets acquired, except to the extent it relates to identified expected future losses as at the date of acquisition. In such cases, it was recognised in profit or loss as those expected losses were incurred. Under FRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisitions, after reassessment, is now recognised immediately in profit or loss. In accordance with transitional provisions of FRS 3, the negative goodwill as at 1 April 2006 of RM65,000 was derecognised with a corresponding increase in retained profits.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for financial year ended 31 March 2006 or prior periods. The effects on the consolidated balance sheet as at 31 March 2007 and consolidated income statement for the year ended 31 March 2007 are set out in Note 2.3(h)(i) and Note 2.3(h)(ii) respectively. This change has no impact on the Corporation's financial statements.

(iii) Accounting for acquisitions

Prior to 1 April 2006, the Group did not recognise separately the acquiree's contingent liabilities at the acquisition date as part of allocating the cost of a business combination. Upon the adoption of FRS 3, contingent liabilities are now separately recognised, provided their fair value can be measured reliably. In addition, the Group was previously allowed to recognise restructuring provisions in connection with an acquisition regardless of whether the acquiree had recognised such provisions. Upon the adoption of FRS 3, the Group is now permitted to recognise such provisions only when the acquiree has, at the acquisition date, an existing liability for restructuring recognised in accordance with FRS 137. The change did not affect the financial statements of the Group and the Corporation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

(a) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets (Contd.)

(iv) Other intangible assets

Prior to 1 April 2006, all intangible assets were considered to have a finite useful life and were stated at cost less accumulated amortisation and impairment losses. Upon the adoption of FRS 138, the useful lives of intangible assets are now assessed at the individual asset level as having either a finite or indefinite life. In accordance with the transitional provisions of FRS 138, the change in the useful life assessment from finite to indefinite is made on a prospective basis.

Other intangible assets of the Group comprise of fair value of time charter hire contracts, based on valuations performed by an independent professional valuer, and is considered to have finite useful lives and therefore, continue to be stated at cost less accumulated amortisation and impairment losses. The change did not affect the financial statements of the Group and the Corporation.

(b) FRS 5: Non-current Assets Held for Sale and Discontinued Operations

Prior to 1 April 2006, non-current assets held for sale were neither classified nor presented as current assets. There were no differences in the measurement of non-current assets held for sale and those for continuing use. Upon the adoption of FRS 5, non-current assets held for sale are classified as current assets and are stated at the lower of carrying amount and fair value less costs to sell.

The Group has applied FRS 5 prospectively in accordance with the transitional provisions. The effects on the balance sheets as at 31 March 2007 and income statements for the year ended 31 March 2007 are set out in Note 2.3(h)(i) and Note 2.3(h)(ii) respectively.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

(c) FRS 101: Presentation of Financial Statements

Prior to 1 April 2006, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. The revised FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the year, showing separately the amounts attributable to equity holders of the Corporation and to minority interests.

Prior to 1 April 2006, the Group's share of taxation of associates and jointly controlled entities accounted for using the equity method was included as part of the Group's income tax expense in the consolidated income statement. Upon the adoption of the revised FRS 101, the share of taxation of associates and jointly controlled entities are now included in the respective shares of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before tax.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for financial year ended 31 March 2006 or prior periods. The effects on the consolidated balance sheet as at 31 March 2007 and consolidated income statement for the year ended 31 March 2007 are set out in Note 2.3(h)(i) and Note 2.3(h)(ii) respectively. These changes in presentation have no impact on the Corporation's financial statements.

(d) FRS 116: Property, Plant and Equipment

Prior to 1 April 2006, drydocking expenditure was recognised in profit or loss as incurred. Upon the adoption of FRS 116, drydocking expenditure are capitalised and depreciated over a period of 30 months or the period until the next drydocking date, whichever is shorter.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for financial year ended 31 March 2006 or prior periods. The effects on the balance sheets as at 31 March 2007 and income statements for the year ended 31 March 2007 are set out in Note 2.3(h)(i) and Note 2.3(h)(ii) respectively.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

(e) FRS 121: The Effects of Changes in Foreign Exchange Rates

(i) Change in functional currency

Prior to 1 April 2006, the financial records of the Corporation, and all its subsidiaries, other than overseas subsidiaries, were maintained in Ringgit Malaysia ("RM"), and reported in the financial statements using the same currency. Upon the adoption of FRS 121, it has been determined that the functional currency of the Corporation and several subsidiaries are United States Dollar ("USD") and as such, all transactions should be recorded in USD. This change in accounting policy has been accounted for retrospectively and as disclosed in Note 2.3(i), certain comparatives have been restated. The effects on the balance sheets as at 31 March 2007 and income statements for the year ended 31 March 2007 are set out in Note 2.3(h)(i) and Note 2.3(h)(ii) respectively.

(ii) Goodwill and fair value adjustments

Prior to 1 April 2006, goodwill arising on the acquisition of a foreign operation and fair value adjustments to the carrying amounts of assets and liabilities arising on such an acquisition were deemed to be assets and liabilities of the parent company and were translated using the exchange rate at the date of acquisition. Upon the adoption of the revised FRS 121, goodwill and fair value adjustments arising on the acquisition of a foreign operation are now treated as assets and liabilities of the foreign operation and are translated at the closing rate. In accordance with the transitional provisions, the Group has applied this change in accounting policy prospectively to all acquisitions occurring after 1 April 2006. The change did not affect the financial statements of the Group and the Corporation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

(f) FRS 131: Interests in Joint Ventures

Prior to 1 April 2006, the Group's share of profit of jointly controlled entities accounted for using the equity method was included as part of the Group's share of profit of associates in the consolidated income statement. Upon the adoption of FRS 131, the share of profit of jointly controlled entities accounted for using the equity method are now included in the respective share of profit or loss of jointly controlled entities.

In addition, prior to 1 April 2006, the Group's investments in jointly controlled entities accounted for using the equity method was included as part of the Group's share of investments in associates in the consolidated balance sheet. Upon the adoption of FRS 131, the Group's investments in jointly controlled entities accounted for using the equity method are now included in the respective investments in jointly controlled entities.

These changes in presentation have been applied retrospectively and as disclosed in Note 2.3(i), certain comparatives have been restated. The effects on the consolidated balance sheet as at 31 March 2007 and consolidated income statement for the year ended 31 March 2007 are set out in Note 2.3(h)(i) and Note 2.3(h)(ii) respectively. These changes in presentation have no impact on the Corporation's financial statements.

(g) FRS 140: Investment Property

Prior to 1 April 2006, investment properties were classified as property, plant and equipment and stated at the revalued amount in 1984. Upon the adoption of FRS 140, investment properties are now reclassified from property, plant and equipment and remains stated at the revalued amounts.

These changes in presentation have been applied retrospectively and as disclosed in Note 2.3(i), certain comparatives have been restated. The effects on the balance sheets as at 31 March 2007 are set out in Note 2.3(h)(i). There were no effects on the income statements for the year ended 31 March 2007.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

(h) Summary of effects of adopting new and revised FRSs on the current year's financial statements

The following tables provide estimates of the extent to which each of the line items in the balance sheets and income statements for the year ended 31 March 2007 is higher or lower than it would have been had the previous policies been applied in the current year.

(i) Effects on balance sheets as at 31 March 2007

Description of change	Increase/(Decrease)								Total
	FRS 3	FRS 3	FRS 5	FRS 101	FRS 116	FRS 121	FRS 131	FRS 140	
	Note	Note	Note	Note	Note	Note	Note	Note	
	2.3(a)(i)	2.3(a)(ii)	2.3(b)	2.3(c)	2.3(d)/2.4	2.3(e)(i)	2.3(f)	2.3(g)	
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Ships	-	-	-	-	(304,212)	(41,671)	-	-	(345,883)
Property, plant and equipment	-	-	37,710	-	-	(16,525)	-	49,500	70,685
Investment properties	-	-	-	-	-	(15,351)	-	(49,500)	(64,851)
Intangible assets	(57,868)	47	-	-	-	48,328	-	-	(9,493)
Investments in associates	-	-	-	-	-	-	503,358	-	503,358
Investments in jointly controlled entities	-	-	-	-	-	107	(503,358)	-	(503,251)
Other investments	-	-	-	-	-	4,573	-	-	4,573
Non-current assets held for sale	-	-	(37,710)	-	-	894	-	-	(36,816)
Deferred tax liabilities	-	-	-	-	-	(338)	-	-	(338)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

(h) Summary of effects of adopting new and revised FRSs on the current year's financial statements (Contd.)

(i) Effects on balance sheets as at 31 March 2007 (Contd.)

Description of change	Increase/(Decrease)								Total
	FRS 3	FRS 3	FRS 5	FRS 101	FRS 116	FRS 121	FRS 131	FRS 140	
	Note	Note	Note	Note	Note	Note	Note	Note	
	2.3(a)(i)	2.3(a)(ii)	2.3(b)	2.3(c)	2.3(d)/2.4	2.3(e)(i)	2.3(f)	2.3(g)	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group (Contd.)									
Other reserves	-	-	-	-	13,634	(1,382,630)	-	-	(1,368,996)
Retained profits	(57,868)	47	-	-	(315,900)	1,382,963	-	-	1,009,242
Minority interests	-	-	-	-	(1,946)	(20,316)	-	-	(22,262)
Total equity	(57,868)	47	-	(241,435)	(304,212)	(19,983)	-	-	(623,451)
Corporation									
Ships	-	-	-	-	(144,000)	484,958	-	-	340,958
Property, plant and equipment	-	-	169,384	-	-	3,787	-	49,500	222,671
Investment properties	-	-	-	-	-	(15,351)	-	(49,500)	(64,851)
Investments in subsidiaries	-	-	-	-	-	386,063	-	-	386,063
Non-current assets held for sale	-	-	(169,384)	-	-	(29,212)	-	-	(198,596)
Other investments	-	-	-	-	-	4,561	-	-	4,561
Deferred tax liabilities	-	-	-	-	-	(338)	-	-	(338)
Retained profits	-	-	-	-	(150,453)	740,448	-	-	589,995
Other reserves	-	-	-	-	6,453	94,020	-	-	100,473

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

(h) Summary of effects of adopting new and revised FRSs on the current year's financial statements (Contd.)

(ii) Effects on income statements for the year ended 31 March 2007

Description of change	Increase/(Decrease)								Total RM'000
	FRS 3	FRS 3	FRS 5	FRS 101	FRS 116	FRS 121	FRS 131	FRS 140	
	Note 2.3(a)(i) RM'000	Note 2.3(a)(ii) RM'000	Note 2.3(b) RM'000	Note 2.3(c) RM'000	Note 2.3(d)/2.4 RM'000	Note 2.3(e)(i) RM'000	Note 2.3(f) RM'000	Note 2.3(g) RM'000	
Group									
Revenue	-	-	-	-	-	25,638	-	-	25,638
Cost of sales	-	-	-	-	317,846	(87,075)	-	-	230,771
General and administrative expenses	57,868	(47)	305	-	-	(79,113)	-	-	(20,987)
Other operating income	-	-	-	-	-	5,352	-	-	5,352
Operating profit	(57,868)	47	(305)	-	(317,846)	197,178	-	-	(178,794)
Finance costs	-	-	-	-	-	317	-	-	317
Share of profit of associates	-	-	-	274	-	-	28,131	-	28,405
Share of profit of jointly controlled entities	-	-	-	-	-	(62)	(28,131)	-	(28,193)
Profit before taxation	(57,868)	47	(305)	274	(317,846)	196,799	-	-	(178,899)
Taxation	-	-	-	274	-	(373)	-	-	(99)
Profit for the year	(57,868)	47	(305)	-	(317,846)	197,172	-	-	(178,800)
Minority interests	-	-	-	-	(1,946)	(1,143)	-	-	(3,089)
Basic earnings per share (sen)	(0.02)	-	-	-	(0.09)	0.05	-	-	(0.06)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

(h) Summary of effects of adopting new and revised FRSs on the current year's financial statements (Contd.)

(ii) Effects on income statements for the year ended 31 March 2007 (Contd.)

Description of change	Increase/(Decrease)								Total
	FRS 3	FRS 3	FRS 5	FRS 101	FRS 116	FRS 121	FRS 131	FRS 140	
	Note	Note	Note	Note	Note	Note	Note	Note	
	2.3(a)(i)	2.3(a)(ii)	2.3(b)	2.3(c)	2.3(d)/2.4	2.3(e)(i)	2.3(f)	2.3(g)	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Corporation									
Revenue	-	-	-	-	-	17,256	-	-	17,256
Cost of sales	-	-	-	-	150,453	3,579	-	-	154,032
General and administrative expenses	-	-	3,233	-	-	(154,546)	-	-	(151,313)
Other operating income	-	-	-	-	-	(247,630)	-	-	(247,630)
Operating profit	-	-	(3,233)	-	(150,453)	(79,407)	-	-	(233,093)
Finance costs	-	-	-	-	-	371	-	-	371
Profit before taxation	-	-	(3,233)	-	(150,453)	(79,778)	-	-	(233,464)
Profit for the year	-	-	(3,233)	-	(150,453)	(79,778)	-	-	(233,464)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

(i) Restatement of comparatives

The following comparative amounts have been restated as a result of adopting the new and revised FRSs:

Description of change	Previously Stated RM'000	Increase/(Decrease)			Restated RM'000
		FRS 121	FRS 131	FRS 140	
		Note	Note	Note	
		2.3(e)(i)	2.3(f)	2.3(g)	
		RM'000	RM'000	RM'000	
At 1 April 2005					
Group					
Other reserves	106,221	2,849,280	-	-	2,955,501
Retained profits	12,852,789	(1,096,235)	-	-	11,756,554
Corporation					
Other reserves	35,217	1,536,018	-	-	1,571,235
Retained profits	9,963,036	(733,384)	-	-	9,229,652
At 31 March 2006					
Group					
Ships	18,912,009	1,051,012	-	-	19,963,021
Property, plant and equipment	842,351	39,219	-	(53,800)	827,770
Investment properties	-	-	-	53,800	53,800
Investments in associates	151,766	-	(139,476)	-	12,290
Investments in jointly controlled entities	-	-	139,476	-	139,476
Other investments	236,462	(885)	-	-	235,577
Other reserves	23,150	2,325,273	-	-	2,348,423
Retained profits	13,309,578	(1,221,623)	-	-	12,087,955
Minority interests	298,882	(14,196)	-	-	284,686
Deferred tax liabilities	67,115	(102)	-	-	67,013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

(i) Restatement of comparatives (Contd.)

Description of change	Previously Stated	Increase/(Decrease)			Restated
		FRS 121	FRS 131	FRS 140	
		Note 2.3(e)(i)	Note 2.3(f)	Note 2.3(g)	
At 31 March 2006	RM'000	RM'000	RM'000	RM'000	RM'000
Corporation					
Ships	7,026,237	96,278	-	-	7,122,515
Property, plant and equipment	336,517	39,226	-	(53,800)	321,943
Investment properties	-	-	-	53,800	53,800
Investments in subsidiaries	3,561,981	85,651	-	-	3,647,632
Investments in associates	8,505	(191)	-	-	8,314
Other investments	51,449	(881)	-	-	50,568
Other reserves	35,217	1,037,989	-	-	1,073,206
Retained profits	9,119,310	(817,804)	-	-	8,301,506
Deferred tax liabilities	3,704	(102)	-	-	3,602
Group					
For the year ended 31 March 2006					
Revenue	10,766,426	(19,346)	-	-	10,747,080
Cost of sales	7,168,638	157,413	-	-	7,326,051
Gross profit	3,597,788	(176,759)	-	-	3,421,029
Gain on disposal of ships	244,257	(41,932)	-	-	202,325
Other operating income	262,788	120,402	-	-	383,190
General and administrative expenses	756,170	28,418	-	-	784,588
Operating profit	3,348,663	(126,707)	-	-	3,221,956
Finance costs	343,566	4,832	-	-	348,398
Share of profit from associates	27,234	-	(11,830)	-	15,404
Share of profit from jointly controlled entities	-	-	11,830	-	11,830

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

(i) Restatement of comparatives (Contd.)

Description of change	Previously Stated	Increase/(Decrease)			Restated
		FRS 121	FRS 131	FRS 140	
		Note	Note	Note	
		2.3(e)(i)	2.3(f)	2.3(g)	
	RM'000	RM'000	RM'000	RM'000	RM'000
Group (Contd.)					
For the year ended					
31 March 2006 (Contd.)					
Profit before taxation	3,032,331	(131,539)	-	-	2,900,792
Taxation	29,843	347	-	-	30,190
Profit for the year	3,002,488	(131,886)	-	-	2,870,602
Basic earnings per share (sen)	79.3	(3.4)	-	-	75.9

Corporation

For the year ended 31 March 2006

Revenue	4,839,284	(14,605)	-	-	4,824,679
Cost of sales	3,970,452	58,106	-	-	4,028,558
Gross profit	868,832	(72,711)	-	-	796,121
Gain on disposal of ships	244,257	(41,932)	-	-	202,325
Other operating income	892,071	107,841	-	-	999,912
General and administrative expenses	297,217	79,062	-	-	376,279
Operating profit	1,707,943	(85,864)	-	-	1,622,079
Finance costs	18,838	63	-	-	18,901
Profit before taxation	1,689,105	(85,927)	-	-	1,603,178
Taxation	17,850	347	-	-	18,197
Profit for the year	1,671,255	(86,274)	-	-	1,584,981

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Changes in Estimates

The revised FRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of ships, property, plant and equipment at least at each financial year end. The Group revised the residual value of ships with effect from 1 April 2006. The revision was accounted for prospectively as a change in accounting estimates and as a result, the depreciation charges of the Group and of the Corporation for the current financial year have been reduced by RM159,100,000 and RM101,393,000 respectively.

2.5 Significant Accounting Estimates and Judgements

(a) Critical Judgements Made in Applying Accounting Policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amount recognised in the financial statements.

(i) Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on FRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for administrative purposes. If these portions could be sold separately (or leased out separately under finance lease), the Group would account for the portion separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(ii) Operating lease commitments - the Group as lessor

It is in the ordinary course of business that the Group enters into lease arrangements with related and third parties on its ships. Some of the lease arrangements may be extended to a longer period of time, covering substantially the useful life of the ships concerned. The Group has determined that it retains all the significant risks and rewards of ownership of these ships, and the ships are recognised and classified as part of non-current assets of the Group and the Corporation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Significant Accounting Estimates and Judgements (Contd.)

(b) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating-units ("CGU") to which goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill as at 31 March 2007 were RM773,109,000 (2006: RM741,167,000). Further details of the impairment loss recognised are disclosed in Note 14(a).

(ii) Impairment of ships, property, plant and equipment

During the financial year, the Group has recognised impairment loss in respect of property, plant and equipment. The Group carried out the impairment test based on a variety of estimation including the value in use of the CGU to which ships, property, plant and equipment are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of ships, property, plant and equipment of the Group as at 31 March 2007 were RM21,034,467,000 (2006: RM19,963,021,000) and RM843,227,000 (2006: RM827,770,000) respectively. Further details of the impairment loss recognised are disclosed in Note 12(e).

(iii) Depreciation of ships

The cost of ships is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these ships to be 20 years. This is a prudent life expectancy applied in the shipping industry. Changes in the expected level of usage and regulations could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. A 10.00% increase in the average useful lives of these assets from management's estimates would result in approximately 6.07% increase in profit for the year.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.5 Significant Accounting Estimates and Judgements (Contd.)

(b) Key Sources of Estimation Uncertainty (Contd.)

(iv) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of recognised tax losses and capital allowances of the Group was RM20,752,000 (2006: RM17,739,000) and the unrecognised tax losses and capital allowances of the Group was RM579,114,000 (2006: RM467,091,000).

3. REVENUE

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Freight income	3,707,287	3,927,803	3,374,172	3,650,012
Charter and lightering income	5,787,986	5,385,994	790,711	1,001,326
Other shipping related income	544,091	460,711	190,599	173,341
Non-shipping income	1,159,581	972,572	-	-
	<u>11,198,945</u>	<u>10,747,080</u>	<u>4,355,482</u>	<u>4,824,679</u>

Non-shipping income mainly represents revenue generated from shipbuilding, repairing and heavy engineering work.

4. OTHER OPERATING INCOME

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Interest income:				
Subsidiaries	-	-	90,066	72,820
Deposits	110,886	121,733	17,423	50,421
Dividend income on equity investments:				
Subsidiaries	-	-	1,681,579	363,131
Quoted in Malaysia	22,867	15,293	12,039	2,140
Unquoted in Malaysia	2,706	1,197	2,706	1,130
Unquoted outside Malaysia	143	-	-	-
Rental income:				
Subsidiaries	-	-	277	6,994
Others	2,671	3,217	375	1,997
Exchange gain:				
Realised	80,871	45,303	54,398	46,375
Unrealised	32,494	64,076	25,235	34,490
Management services:				
Subsidiaries	-	-	57,429	63,234
Others	85	284	85	284
Gain on disposal of:				
Property, plant and equipment	24,816	71,926	11,360	30,666
Subsidiary	-	-	1,338,205	324,163
Associates	-	24,626	-	-
Other investments	177	1,088	177	-
Gain on liquidation of a subsidiary	-	-	174,725	-
Write back of provision for doubtful debts	1,181	1,137	-	-
Reversal of writedown of inventories	6,038	392	6,038	-
Miscellaneous:				
Subsidiaries	-	-	245	-
Others	18,410	32,918	997	2,067
	303,345	383,190	3,473,359	999,912

5. OPERATING PROFIT

The following amounts have been included in arriving at operating profit:

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	28,168	70,425	-	-
Auditors' remuneration:				
Auditors of the Corporation:				
Statutory audits	1,705	1,395	550	500
Other services	888	994	787	889
Other auditors:				
Statutory audits	386	604	-	-
Other services	130	430	109	418
Charter hire expense	1,633,730	1,275,578	984,571	1,071,294
Drydocking expense	-	168,535	-	91,589
Impairment loss in goodwill	2,325	-	-	-
Inventories used	1,556,418	1,442,010	691,632	719,276
Exchange loss:				
Realised	22,913	76,766	7,439	65,990
Unrealised	17,912	8,008	12,851	7,622
Operating lease rental	707	373	-	-
Provision for doubtful debts	26,537	15,517	9,042	10,194
Bad debts written off	891	1,730	765	61
Rental of equipment	205,328	150,885	191,636	124,909
Rental of land and buildings	22,405	19,932	12,437	12,570
Ships, property, plant and equipment:				
Depreciation (Note 12)	1,360,837	1,426,477	437,258	519,665
Written off	14,798	139	12,599	-
Impairment loss (Note 12)	1,943	9,600	-	-
Staff costs (Note 6)	851,481	695,850	301,960	248,617

6. STAFF COSTS

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Wages, salaries and bonuses	731,925	583,548	235,953	187,682
Termination benefits	2,440	4,408	-	882
Social security costs	1,522	1,759	737	696
Contributions to defined contribution plan	26,061	28,031	10,146	12,229
Other staff related expenses	89,533	78,104	55,124	47,128
	<u>851,481</u>	<u>695,850</u>	<u>301,960</u>	<u>248,617</u>

Included in staff costs of the Group and of the Corporation are executive directors' remuneration amounting to RM4,278,000 (2006: RM2,143,000) and RM1,208,000 (2006: RM874,000) respectively as further disclosed in Note 7.

7. DIRECTORS' REMUNERATION

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Executive directors' remuneration:				
Fees	315	245	-	-
Other emoluments	3,963	1,898	1,208	874
	<u>4,278</u>	<u>2,143</u>	<u>1,208</u>	<u>874</u>
Non-executive directors' remuneration:				
Fees	1,454	1,583	356	330
Total directors' remuneration	5,732	3,726	1,564	1,204
Estimated money value of benefits-in-kind	1,078	686	47	29
Total directors' remuneration including benefits-in-kind	<u>6,810</u>	<u>4,412</u>	<u>1,611</u>	<u>1,233</u>

7. DIRECTORS' REMUNERATION (CONTD.)

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

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Executive:				
Salaries and other emoluments	797	646	797	646
Bonus	135	-	135	-
Fees	171	102	-	-
Defined contribution plan	276	228	276	228
Estimated money value of benefits-in-kind	47	29	47	29
	<u>1,426</u>	<u>1,005</u>	<u>1,255</u>	<u>903</u>
Non-Executive:				
Fees	356	330	356	330
	<u>1,782</u>	<u>1,335</u>	<u>1,611</u>	<u>1,233</u>

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

	Number of Directors	
	2007	2006
Executive director:		
RM900,001 - RM1,500,000	1	1
Non-Executive directors:		
RM1 - RM50,000	7	5
RM50,001 - RM100,000	1	2

8. FINANCE COSTS

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Interest expense:				
Subsidiaries	-	-	56,734	52,221
Third parties	374,985	379,481	-	-
Islamic Private Debt Securities	1,002	301	1,002	301
Non-convertible Cumulative Redeemable Preference Shares dividend	1,084	2,434	-	-
Total interest expense	377,071	382,216	57,736	52,522
Less: Interest expense capitalised in qualifying assets:				
Ships under construction	(29,314)	(33,818)	(11,601)	(33,621)
Net interest expense	347,757	348,398	46,135	18,901

9. TAXATION

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
Malaysian income tax	32,426	29,627	-	18,197
Foreign tax	5,695	3,990	-	-
(Over)/underprovision in prior years:				
Malaysian income tax	(333)	1,267	-	-
Foreign tax	31	283	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences	(2,734)	67	-	-
Relating to changes in tax rates	(1,783)	-	-	-
Transfer to deferred tax (Note 29)	210	(8,350)	-	-
(Over)/underprovision in prior years	(132)	3,306	-	-
	33,380	30,190	-	18,197

Domestic current income tax is calculated at the statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the financial year. The domestic statutory tax rate will be reduced to 26% from the current rate of 27%, effective year of assessment 2008. The computation of deferred tax as at 31 March 2007 has reflected these changes.

9. TAXATION (CONTD.)

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

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	2,930,310	2,900,792	3,700,744	1,603,178
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	791,184	812,222	999,201	448,890
Effect of changes in tax rates on opening balance of deferred tax	(1,783)	-	(132)	-
Effect of different tax rates in other countries	10,411	42,905	-	-
Income not subject to tax:				
Tax exempt shipping income	(1,028,102)	(774,115)	(221,276)	(258,597)
Other tax exempt income	(124,092)	(398,946)	(945,359)	(252,501)
Expenses not deductible for tax purposes	362,860	396,657	119,957	122,150
Utilisation of previously unrecognised tax losses, capital allowances and reinvestment allowances	(42,528)	(62,721)	(13,746)	(41,745)
Utilisation of reinvestment allowances during the year	(4,895)	-	-	-
Deferred tax (over)/under provided in prior years	(132)	3,306	-	-
Deferred tax assets not recognised during the year	70,759	9,332	61,355	-
Income tax (over)/under provided in prior years	(302)	1,550	-	-
Taxation for the year	33,380	30,190	-	18,197

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

The Corporation has sufficient tax exempt income to frank the payment of dividend out of its entire retained profits as at 31 March 2007, subject to an agreement with Inland Revenue Board.

10. EARNINGS PER SHARE

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

	Group	
	2007	2006
Profit attributable to equity holders of the Corporation (RM'000)	2,852,025	2,822,573
Weighted average number of ordinary shares in issue ('000)	3,719,828	3,719,828
Basic earnings per share (sen)	<u>76.7</u>	<u>75.9</u>

Diluted earnings per share are not presented as there were no potential dilutive ordinary shares outstanding as at 31 March 2007.

11. DIVIDENDS

	Dividends Recognised in Year	
	2007	2006
	RM'000	RM'000
In respect of financial year:		
31 March 2005:		
Final tax exempt dividend of 20 sen per share	-	371,365
Special tax exempt dividend of 20 sen per share	-	371,365
	<u>-</u>	<u>742,730</u>
31 March 2006:		
Interim tax exempt dividend of 10 sen per share	-	371,365
Final tax exempt dividend of 20 sen per share	727,975	-
	<u>727,975</u>	<u>371,365</u>
31 March 2007:		
Interim tax exempt dividend of 10 sen per share	368,991	-
	<u>1,096,966</u>	<u>1,114,095</u>

At the forthcoming Annual General Meeting, the following tax exempt dividend will be proposed for shareholders' approval in respect of the financial year ended 31 March 2007:

	RM'000
Final tax exempt dividend of 20 sen per share	<u>743,966</u>

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 March 2008.

12. SHIPS, PROPERTY, PLANT AND EQUIPMENT

	←————— Cost —————→						
	At 1.4.2006 RM'000	Additions RM'000	Disposals and write offs RM'000	Transfers RM'000	Reclassified as held for sale RM'000	Currency translation differences RM'000	At 31.3.2007 RM'000
Group - 31 March 2007							
Ships							
At cost:							
Ships in operation	29,309,003	886,821	(1,315,480)	2,100,028	-	(1,899,500)	29,080,872
Ships under construction	3,530,124	3,333,373	(4,037)	(2,100,028)	-	(376,970)	4,382,462
	<u>32,839,127</u>	<u>4,220,194</u>	<u>(1,319,517)</u>	<u>-</u>	<u>-</u>	<u>(2,276,470)</u>	<u>33,463,334</u>
Property, plant and equipment							
At cost:							
Freehold land	16,820	-	-	-	(1,106)	(838)	14,876
Long term leasehold land	178,760	273	(2,481)	-	(40,968)	(5,453)	130,131
Short term leasehold land	15,270	-	-	-	-	(1,000)	14,270
Freehold buildings	58,947	247	(373)	-	(4,347)	(1,929)	52,545
Leasehold buildings	93,893	540	(5,353)	418	(743)	(5,660)	83,095
Drydocks and waste plant	401,623	22,287	-	-	-	-	423,910
Containers	261,108	-	(46,801)	-	-	(15,093)	199,214
Motor vehicles	147,923	2,052	(48,361)	-	-	(346)	101,268
Furniture, fittings and equipment	83,384	9,280	(1,808)	-	-	(1,652)	89,204
Computer software and hardware	189,100	10,717	(20,762)	24,043	-	(9,696)	193,402
Systems work in progress	32,167	-	(6,287)	(24,043)	-	(1,837)	-
Construction in progress	-	90,090	(2)	(418)	-	(250)	89,420
Plant and machinery	264,867	43,342	(2,399)	-	-	(549)	305,261
Tugboats, engines and pushers	4,394	-	-	-	-	-	4,394
	<u>1,748,256</u>	<u>178,828</u>	<u>(134,627)</u>	<u>-</u>	<u>(47,164)</u>	<u>(44,303)</u>	<u>1,700,990</u>

12. SHIPS, PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	← Accumulated Depreciation →							
	At 1.4.2006 RM'000	Depreciation charge for the year RM'000	Disposals, write offs and impairment losses RM'000	Transfers RM'000	Reclassified as held for sale RM'000	Currency translation differences RM'000	At 31.3.2007 RM'000	Net book value at 31.3.2007 RM'000
Group - 31 March 2007								
Ships								
At cost:								
Ships in operation	12,876,106	1,272,513	(857,648)	-	-	(862,104)	12,428,867	16,652,005
Ships under construction	-	-	-	-	-	-	-	4,382,462
	<u>12,876,106</u>	<u>1,272,513</u>	<u>(857,648)</u>	<u>-</u>	<u>-</u>	<u>(862,104)</u>	<u>12,428,867</u>	<u>21,034,467</u>
Property, plant and equipment								
At cost:								
Freehold land	-	-	-	-	-	-	-	14,876
Long term leasehold land	35,329	2,064	(403)	-	(5,302)	(678)	31,010	99,121
Short term leasehold land	6,282	392	-	-	-	(428)	6,246	8,024
Freehold buildings	20,714	1,904	(373)	-	(3,624)	(467)	18,154	34,391
Leasehold buildings	27,394	2,126	(1,998)	-	(223)	(1,372)	25,927	57,168
Drydocks and waste plant	139,591	7,735	1,943	-	-	-	149,269	274,641
Containers	246,127	5,395	(46,801)	-	-	(14,344)	190,377	8,837
Motor vehicles	103,852	8,439	(48,040)	-	-	(223)	64,028	37,240
Furniture, fittings and equipment	55,054	7,976	(2,351)	-	-	(526)	60,153	29,051
Computer software and hardware	99,067	38,064	(18,499)	-	-	(5,668)	112,964	80,438
Systems work in progress	-	-	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-	-	89,420
Plant and machinery	184,168	13,919	(1,701)	-	-	31	196,417	108,844
Tugboats, engines and pushers	2,908	310	-	-	-	-	3,218	1,176
	<u>920,486</u>	<u>88,324</u>	<u>(118,223)</u>	<u>-</u>	<u>(9,149)</u>	<u>(23,675)</u>	<u>857,763</u>	<u>843,227</u>

12. SHIPS, PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	← Cost/Valuation →						
	At 1.4.2005 RM'000	Additions RM'000	Disposals and write offs RM'000	Transfers RM'000	Reclassified as investment properties RM'000	Currency translation differences RM'000	At 31.3.2006 RM'000
Group - 31 March 2006							
Ships							
At cost:							
Ships in operation	28,418,157	641,135	(406,787)	1,473,614	-	(817,116)	29,309,003
Ships under construction	2,479,603	2,614,081	-	(1,473,614)	-	(89,946)	3,530,124
	<u>30,897,760</u>	<u>3,255,216</u>	<u>(406,787)</u>	<u>-</u>	<u>-</u>	<u>(907,062)</u>	<u>32,839,127</u>
Property, plant and equipment							
At 1984 valuation:							
Freehold land	35,293	-	-	-	(34,318)	(975)	-
Freehold buildings	38,477	-	-	-	(37,414)	(1,063)	-
At cost:							
Freehold land	17,487	-	-	-	-	(667)	16,820
Long term leasehold land	180,462	659	-	-	-	(2,361)	178,760
Short term leasehold land	15,704	-	-	-	-	(434)	15,270
Freehold buildings	72,463	2,835	-	-	(14,324)	(2,027)	58,947
Leasehold buildings	96,349	-	-	-	-	(2,456)	93,893
Drydocks and waste plant	396,127	5,496	-	-	-	-	401,623
Containers	349,523	-	(80,289)	-	-	(8,126)	261,108
Motor vehicles	42,954	2,383	(77,897)	180,620	-	(137)	147,923
Furniture, fittings and equipment	61,530	22,552	(71)	-	-	(627)	83,384
Computer software and hardware	171,181	7,509	(23,635)	38,549	-	(4,504)	189,100
Systems work in progress	67,305	4,623	-	(38,549)	-	(1,212)	32,167
Trailers and prime movers	180,620	-	-	(180,620)	-	-	-
Plant and machinery	243,010	25,284	(3,146)	-	-	(281)	264,867
Tugboats, engines and pushers	70,769	-	(66,375)	-	-	-	4,394
	<u>2,039,254</u>	<u>71,341</u>	<u>(251,413)</u>	<u>-</u>	<u>(86,056)</u>	<u>(24,870)</u>	<u>1,748,256</u>

12. SHIPS, PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	← Accumulated Depreciation →						At 31.3.2006 RM'000	Net book value at 31.3.2006 RM'000
	At 1.4.2005 RM'000	Depreciation charge for the year RM'000	Disposals, write offs and impairment losses RM'000	Transfers RM'000	Reclassified as investment properties RM'000	Currency translation differences RM'000		
Group - 31 March 2006								
Ships								
At cost:								
Ships in operation	12,100,489	1,336,012	(190,330)	-	-	(370,065)	12,876,106	16,432,897
Ships under construction	-	-	-	-	-	-	-	3,530,124
	<u>12,100,489</u>	<u>1,336,012</u>	<u>(190,330)</u>	<u>-</u>	<u>-</u>	<u>(370,065)</u>	<u>12,876,106</u>	<u>19,963,021</u>
Property, plant and equipment								
At 1984 valuation:								
Freehold land	-	-	-	-	-	-	-	-
Freehold buildings	18,388	763	-	-	(18,629)	(522)	-	-
At cost:								
Freehold land	-	-	-	-	-	-	-	16,820
Long term leasehold land	33,292	2,313	-	-	-	(276)	35,329	143,431
Short term leasehold land	6,048	410	-	-	-	(176)	6,282	8,988
Freehold buildings	32,381	2,971	-	-	(13,627)	(1,011)	20,714	38,233
Leasehold buildings	21,003	6,938	-	-	-	(547)	27,394	66,499
Drydocks and waste plant	125,797	4,194	9,600	-	-	-	139,591	262,032
Containers	327,702	6,358	(80,289)	-	-	(7,644)	246,127	14,981
Motor vehicles	8,258	8,472	(77,584)	164,795	-	(89)	103,852	44,071
Furniture, fittings and equipment	47,867	7,483	(59)	-	-	(237)	55,054	28,330
Computer software and hardware	90,091	34,804	(23,462)	-	-	(2,366)	99,067	90,033
Systems work in progress	-	-	-	-	-	-	-	32,167
Trailers and prime movers	164,795	-	-	(164,795)	-	-	-	-
Plant and machinery	174,510	12,816	(3,013)	-	-	(145)	184,168	80,699
Tugboats, engines and pushers	44,719	2,943	(44,754)	-	-	-	2,908	1,486
	<u>1,094,851</u>	<u>90,465</u>	<u>(219,561)</u>	<u>-</u>	<u>(32,256)</u>	<u>(13,013)</u>	<u>920,486</u>	<u>827,770</u>

12. SHIPS, PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	←————— Cost —————→						
	At 1.4.2006 RM'000	Additions RM'000	Disposals RM'000	Transfers RM'000	Reclassified as held for sale RM'000	Currency translation differences RM'000	At 31.3.2007 RM'000
Corporation - 31 March 2007							
Ships							
At cost:							
Ships in operation	11,221,317	724,701	(409,061)	1,380,934	-	(748,467)	12,169,424
Ships under construction	2,776,643	2,432,935	(4,037)	(2,048,976)	-	(286,038)	2,870,527
	<u>13,997,960</u>	<u>3,157,636</u>	<u>(413,098)</u>	<u>(668,042)</u>	<u>-</u>	<u>(1,034,505)</u>	<u>15,039,951</u>
Property and equipment							
At cost:							
Freehold land	12,665	-	-	-	(11,836)	(829)	-
Long term leasehold land	83,106	273	-	-	(77,927)	(5,452)	-
Short term leasehold land	15,270	-	-	-	(14,270)	(1,000)	-
Freehold buildings	29,827	-	-	-	(27,869)	(1,958)	-
Leasehold buildings	86,421	-	-	-	(80,764)	(5,657)	-
Containers	261,108	-	(46,801)	-	-	(15,093)	199,214
Motor vehicles	3,984	1,042	(261)	-	-	(294)	4,471
Furniture, fittings and equipment	17,554	1,748	-	(7,439)	-	(1,228)	10,635
Computer software and hardware	143,593	8,820	(8,379)	24,043	-	(9,423)	158,654
Systems work in progress	32,167	-	(6,287)	(24,043)	-	(1,837)	-
	<u>685,695</u>	<u>11,883</u>	<u>(61,728)</u>	<u>(7,439)</u>	<u>(212,666)</u>	<u>(42,771)</u>	<u>372,974</u>

12. SHIPS, PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	← Accumulated Depreciation →							
	At 1.4.2006 RM'000	Depreciation charge for the year RM'000	Disposals RM'000	Transfers RM'000	Reclassified as held for sale RM'000	Currency translation differences RM'000	At 31.3.2007 RM'000	Net book value at 31.3.2007 RM'000
Corporation - 31 March 2007								
Ships								
At cost:								
Ships in operation	6,875,445	398,853	(296,220)	(75,835)	-	(454,702)	6,447,541	5,721,883
Ships under construction	-	-	-	-	-	-	-	2,870,527
	6,875,445	398,853	(296,220)	(75,835)	-	(454,702)	6,447,541	8,592,410
Property and equipment								
At cost:								
Freehold land	-	-	-	-	-	-	-	-
Long term leasehold land	9,987	-	-	-	(9,411)	(576)	-	-
Short term leasehold land	6,284	-	-	-	(5,871)	(413)	-	-
Freehold buildings	6,681	-	-	-	(5,518)	(1,163)	-	-
Leasehold buildings	19,821	-	-	-	(19,248)	(573)	-	-
Containers	246,127	5,395	(46,801)	-	-	(14,344)	190,377	8,837
Motor vehicles	2,308	908	(250)	-	-	(178)	2,788	1,683
Furniture, fittings and equipment	4,591	1,267	-	(837)	-	(355)	4,666	5,969
Computer software and hardware	67,953	30,835	(8,363)	-	-	(5,413)	85,012	73,642
Systems work in progress	-	-	-	-	-	-	-	-
	363,752	38,405	(55,414)	(837)	(40,048)	(23,015)	282,843	90,131

12. SHIPS, PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	←————— Cost/Valuation —————→						
	At 1.4.2005 RM'000	Additions RM'000	Disposals RM'000	Transfers RM'000	Reclassified as investment properties RM'000	Currency translation differences RM'000	At 31.3.2006 RM'000
Corporation - 31 March 2006							
Ships							
At cost:							
Ships in operation	13,199,729	534,873	(406,557)	(1,773,381)	-	(333,347)	11,221,317
Ships under construction	1,609,305	1,841,622	-	(606,249)	-	(68,035)	2,776,643
	<u>14,809,034</u>	<u>2,376,495</u>	<u>(406,557)</u>	<u>(2,379,630)</u>	<u>-</u>	<u>(401,382)</u>	<u>13,997,960</u>
Property and equipment							
At 1984 valuation:							
Freehold land	35,293	-	-	-	(34,318)	(975)	-
Freehold buildings	38,477	-	-	-	(37,414)	(1,063)	-
At cost:							
Freehold land	13,025	-	-	-	-	(360)	12,665
Long term leasehold land	85,301	165	-	-	-	(2,360)	83,106
Short term leasehold land	15,704	-	-	-	-	(434)	15,270
Freehold buildings	42,867	2,516	-	-	(14,324)	(1,232)	29,827
Leasehold buildings	88,877	-	-	-	-	(2,456)	86,421
Containers	349,523	-	(80,289)	-	-	(8,126)	261,108
Motor vehicles	3,678	1,277	(860)	-	-	(111)	3,984
Furniture, fittings and equipment	2,832	15,088	-	-	-	(366)	17,554
Computer software and hardware	127,594	3,692	(22,335)	38,549	-	(3,907)	143,593
Systems work in progress	67,305	4,623	-	(38,549)	-	(1,212)	32,167
	<u>870,476</u>	<u>27,361</u>	<u>(103,484)</u>	<u>-</u>	<u>(86,056)</u>	<u>(22,602)</u>	<u>685,695</u>

12. SHIPS, PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	← Accumulated Depreciation →						At 31.3.2006 RM'000	Net book value at 31.3.2006 RM'000
	At 1.4.2005 RM'000	Depreciation charge for the year RM'000	Disposals RM'000	Transfers RM'000	Reclassified as investment properties RM'000	Currency translation differences RM'000		
Ships								
At cost:								
Ships in operation	7,380,626	479,005	(190,101)	(596,005)	-	(198,080)	6,875,445	4,345,872
Ships under construction	-	-	-	-	-	-	-	2,776,643
	<u>7,380,626</u>	<u>479,005</u>	<u>(190,101)</u>	<u>(596,005)</u>	<u>-</u>	<u>(198,080)</u>	<u>6,875,445</u>	<u>7,122,515</u>
Property and equipment								
At 1984 valuation:								
Freehold land	-	-	-	-	-	-	-	-
Freehold buildings	18,388	763	-	-	(18,629)	(522)	-	-
At cost:								
Freehold land	-	-	-	-	-	-	-	12,665
Long term leasehold land	9,406	856	-	-	-	(275)	9,987	73,119
Short term leasehold land	6,048	410	-	-	-	(174)	6,284	8,986
Freehold buildings	20,230	649	-	-	(13,627)	(571)	6,681	23,146
Leasehold buildings	18,577	1,791	-	-	-	(547)	19,821	66,600
Containers	327,702	6,358	(80,289)	-	-	(7,644)	246,127	14,981
Motor vehicles	2,138	821	(588)	-	-	(63)	2,308	1,676
Furniture, fittings and equipment	2,799	1,905	-	-	-	(113)	4,591	12,963
Computer software and hardware	64,909	27,107	(22,176)	-	-	(1,887)	67,953	75,640
Systems work in progress	-	-	-	-	-	-	-	32,167
	<u>470,197</u>	<u>40,660</u>	<u>(103,053)</u>	<u>-</u>	<u>(32,256)</u>	<u>(11,796)</u>	<u>363,752</u>	<u>321,943</u>

12. SHIPS, PROPERTY, PLANT AND EQUIPMENT (CONTD.)

- (a) Certain properties were revalued by the directors 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	
	2007	2006
	RM'000	RM'000
Long term leasehold and foreshore land - 1988	<u>7,474</u>	<u>7,726</u>

- (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 RM54,217,000 (2006: RM55,592,000) which cannot be disposed off, charged or subleased without the prior consent of the Johor State Government.
- (c) The net carrying amounts of ships, property, plant and equipment pledged as securities for borrowings (Note 26) are as follows:

	Group	
	2007	2006
	RM'000	RM'000
Ships	4,169,022	3,297,472
Property, plant and equipment	<u>52,932</u>	<u>56,009</u>
	<u>4,221,954</u>	<u>3,353,481</u>

- (d) Borrowing costs capitalised during the financial year for ships under construction of the Group and of the Corporation amounted to RM29,314,000 (2006: RM33,818,000) and RM11,601,000 (2006: RM33,621,000) respectively, as disclosed in Note 8.
- (e) The Group has carried out a review of the recoverable amount of its ships, property, plant and equipment during the financial year. The review led to the recognition of an impairment loss of RM1,943,000 (2006: RM9,600,000) as disclosed in Note 5. The recoverable amount was based on value in use and was determined at the cash-generating-unit ("CGU") of each asset. In determining value in use for the CGU, the cash flows were discounted at a rate determined by management on a pre-tax basis.

13. INVESTMENT PROPERTIES

	Group and Corporation		
	Freehold Land RM'000	Freehold Building RM'000	Total RM'000
Valuation			
At 1 April 2005	-	-	-
Transfer from property, plant and equipment	35,293	53,207	88,500
Currency translation differences	(975)	(1,469)	(2,444)
At 31 March 2006	34,318	51,738	86,056
Currency translation differences	(2,247)	(3,388)	(5,635)
At 31 March 2007	32,071	48,350	80,421
Accumulated depreciation			
At 1 April 2005	-	-	-
Transfer from property, plant and equipment	-	32,311	32,311
Depreciation charge for the year	-	853	853
Currency translation differences	-	(908)	(908)
At 31 March 2006	-	32,256	32,256
Depreciation charged for the year	-	811	811
Currency translation differences	-	(2,146)	(2,146)
At 31 March 2007	-	30,921	30,921
Net carrying amount			
At 31 March 2006	34,318	19,482	53,800
At 31 March 2007	32,071	17,429	49,500
Fair value - 31 March 2007	33,043	17,957	51,000

Investment properties were revalued by the directors in 1984 based on valuations carried out by firms of professional valuers to reflect the market values then. Surpluses on revaluation were taken to the revaluation reserve on that date. The net book value of the revalued properties, had the assets been carried at cost less depreciation, is as follows:

	Group	
	2007 RM'000	2006 RM'000
Freehold land - 1984	818	818
Freehold buildings - 1984	2,901	3,047
	3,719	3,865

14. INTANGIBLE ASSETS

	Reserve arising on consolidation RM'000	Group Goodwill RM'000	Other intangible assets RM'000	Total RM'000
Cost				
At 1 April 2005 and 31 March 2006	(234)	905,332	504,463	1,409,561
Effects of adopting FRS 3	234	(164,165)	-	(163,931)
Additional investment in a subsidiary	-	82,595	-	82,595
Currency translation differences	-	(48,328)	-	(48,328)
At 31 March 2007	-	775,434	504,463	1,279,897
Accumulated amortisation and impairment				
At 1 April 2005	(122)	121,865	179,808	301,551
Amortisation	(47)	42,300	28,172	70,425
At 31 March 2006 and 1 April 2006	(169)	164,165	207,980	371,976
Effects of adopting FRS 3	169	(164,165)	-	(163,996)
Amortisation	-	-	28,168	28,168
Impairment loss recognised in income statement	-	2,325	-	2,325
At 31 March 2007	-	2,325	236,148	238,473
Net carrying amount				
At 31 March 2006	(65)	741,167	296,483	1,037,585
At 31 March 2007	-	773,109	268,315	1,041,424

14. INTANGIBLE ASSETS (CONTD.)

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

Impairment test for Goodwill and Investment in Subsidiaries**(a) Impairment loss recognised**

The Group has carried out a review of the recoverable amount of its investments in subsidiaries and goodwill during the financial year. The review led to the recognition of an impairment loss of RM2,325,000 (2006: RM Nil) as disclosed in Note 5. The recoverable amount was based on value in use and was determined at the cash-generating-unit ("CGU") of each individual subsidiaries. In determining value in use for the CGU, the cash flows were discounted at a rate determined by management on a pre-tax basis.

(b) Allocation of goodwill

Goodwill has been allocated to the Group's CGU identified according to business segment as follows:

	Goodwill RM'000
At 31 March 2007	
Energy related shipping	689,795
Other energy businesses	82,594
Integrated liner logistics	-
Non-shipping	720
	<u>773,109</u>
At 31 March 2006	
Energy related shipping	738,122
Other energy businesses	-
Integrated liner logistics	2,325
Non-shipping	720
	<u>741,167</u>

(c) Key assumptions used in value in use calculations

The recoverable amount of a CGU is determined based on value in use calculations using cash flow projections based on financial budgets approved by management covering a five year period. The discount rate used is based on the pre-tax weighted average cost of capital determined by the management.

15. INVESTMENTS IN SUBSIDIARIES

	Corporation	
	2007	2006
	RM'000	RM'000
Unquoted shares at cost	5,351,746	2,679,299
Loans and advances to subsidiaries	1,364,513	968,333
	<u>6,716,259</u>	<u>3,647,632</u>

Included in unquoted shares is preference shares of RM2,630,236,000 (2006: RM303,289,000) which bear interest at rates ranging from 5.00% to 7.50% (2006: 7.50%) per annum.

The loans and advances to subsidiaries are unsecured, bear interest at rates ranging from 3.25% to 7.00% (2006: 3.09% to 7.00%) per annum and are not repayable within 12 months from the balance sheet date.

Details of the subsidiaries are disclosed in Note 37.

16. INVESTMENTS IN ASSOCIATES

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Unquoted shares in Malaysia, at cost	681	-	-	-
Unquoted shares outside Malaysia, at cost	4,407	12,176	-	8,314
	<u>5,088</u>	<u>12,176</u>	<u>-</u>	<u>8,314</u>
Share of post-acquisition (losses)/profits	(620)	387	-	-
Share of other post-acquisition reserves	(1,152)	(945)	-	-
	<u>3,316</u>	<u>11,618</u>	<u>-</u>	<u>8,314</u>
Less: Accumulated impairment losses	(1,214)	-	-	-
	<u>2,102</u>	<u>11,618</u>	<u>-</u>	<u>8,314</u>
Represented by:				
Share of net assets	2,102	11,618	-	8,314
Loans to an associate	583	672	-	-
	<u>2,685</u>	<u>12,290</u>	<u>-</u>	<u>8,314</u>

16. INVESTMENTS IN ASSOCIATES (CONTD.)

The loans to an associate is unsecured, interest-free, and have no fixed term of repayment.

The summarised financial information of the associates are as follows:

	2007	2006
	RM'000	RM'000
Assets and liabilities		
Current assets	15,511	37,966
Non-current assets	7,121	8,634
Total assets	<u>22,632</u>	<u>46,600</u>
Current liabilities	12,243	8,336
Non-current liabilities	1,940	1,049
Total liabilities	<u>14,183</u>	<u>9,385</u>
Results		
Revenue	8,474	11,697
(Loss)/profit for the year	<u>(327)</u>	<u>1,275</u>

Details of the associates are disclosed in Note 38.

17. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2007	2006
	RM'000	RM'000
Unquoted shares in Malaysia, at cost	6,246	-
Unquoted shares outside Malaysia, at cost	159,814	19,604
	<u>166,060</u>	<u>19,604</u>
Share of post-acquisition profits	47,913	20,149
Share of other post-acquisition reserves	(801)	195
	<u>47,112</u>	<u>20,344</u>
	<u>213,172</u>	<u>39,948</u>
Represented by:		
Share of net assets	213,172	39,948
Loans to jointly controlled entities	290,186	99,528
	<u>503,358</u>	<u>139,476</u>

17. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (CONTD.)

The loans to jointly controlled entities are unsecured, bear interest at rates ranging from 5.50% to 7.00% (2006: 7.00%), and have no fixed term of repayment except for loan to KEER - MISC Logistics Co Ltd. amounting to RM95,265,000 (2006: RM99,528,000) which is repayable by June 2010.

The Group's aggregate share of the current assets, non-current assets, current liabilities, non-current liabilities, income and expenses of the jointly controlled entities are as follows:

	2007	2006
	RM'000	RM'000
Assets and liabilities		
Current assets	88,814	33,749
Non-current assets	429,344	64,314
Total assets	<u>518,158</u>	<u>98,063</u>
Current liabilities	49,307	44,784
Non-current liabilities	255,679	13,331
Total liabilities	<u>304,986</u>	<u>58,115</u>
Results		
Revenue	209,610	68,137
Expenses	<u>181,479</u>	<u>56,307</u>

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

18. OTHER INVESTMENTS

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Unquoted shares at cost	41,330	43,280	38,956	37,529
Less: Provision for diminution in value	<u>(1,370)</u>	<u>(1,394)</u>	<u>-</u>	<u>-</u>
	39,960	41,886	38,956	37,529
Quoted shares at cost	196,117	193,691	12,185	13,039
	<u>236,077</u>	<u>235,577</u>	<u>51,141</u>	<u>50,568</u>
Market value of quoted shares	<u>278,448</u>	<u>235,313</u>	<u>25,713</u>	<u>24,042</u>

19. INVENTORIES

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Cost:				
Bunkers, lubricants and consumable stores	183,641	182,143	42,609	58,053
Spares	66,127	42,778	60,481	23,249
Raw materials	13,206	14,390	-	-
	<u>262,974</u>	<u>239,311</u>	<u>103,090</u>	<u>81,302</u>
Net realisable value:				
Bunkers, lubricants and consumable stores	-	1,148	-	1,148
Spares	-	3,041	-	3,041
	<u>262,974</u>	<u>243,500</u>	<u>103,090</u>	<u>85,491</u>

20. TRADE AND OTHER RECEIVABLES

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Trade receivables				
Third parties	1,109,115	1,089,904	428,710	398,701
Subsidiaries	-	-	159,608	205,612
Holding company	9,762	1,099	17	116
Fellow subsidiaries	53,846	145,023	20,784	112,582
Associates	7,614	3,116	7,614	3,434
Jointly controlled entities	3,945	3,857	3,945	28
Due from customers on contracts (Note 21)	302,853	287,428	-	-
	<u>1,487,135</u>	<u>1,530,427</u>	<u>620,678</u>	<u>720,473</u>
Less: Provision for doubtful debts:				
Third parties	(72,676)	(87,948)	(39,688)	(32,889)
Subsidiaries	-	-	(2,011)	(2,214)
Fellow subsidiaries	(2,071)	(761)	-	-
Associates	(87)	(96)	(87)	(96)
	<u>(74,834)</u>	<u>(88,805)</u>	<u>(41,786)</u>	<u>(35,199)</u>
Trade receivables, net	<u>1,412,301</u>	<u>1,441,622</u>	<u>578,892</u>	<u>685,274</u>

20. TRADE AND OTHER RECEIVABLES (CONTD.)

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Other receivables				
Amount due from related parties:				
Subsidiaries	-	-	326,260	2,479,357
Holding company	-	732	-	-
Fellow subsidiaries	290	(15)	290	-
Associates	502	-	161	-
Jointly controlled entities	4,771	-	-	-
	<u>5,563</u>	<u>717</u>	<u>326,711</u>	<u>2,479,357</u>
Deposits	6,077	5,672	1,534	1,629
Prepayments	64,635	40,204	8,810	4,699
Others	235,177	193,909	98,277	122,137
	<u>311,452</u>	<u>240,502</u>	<u>435,332</u>	<u>2,607,822</u>
Less: Provision for doubtful debts:				
Others	(2,050)	(2,745)	(2,025)	(2,228)
Other receivables, net	<u>309,402</u>	<u>237,757</u>	<u>433,307</u>	<u>2,605,594</u>
	<u>1,721,703</u>	<u>1,679,379</u>	<u>1,012,199</u>	<u>3,290,868</u>

(a) Credit risk

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group's normal trade credit terms ranges from 7 to 90 days (2006: 7 to 90 days). Other credit terms are assessed and approved on a case-by-case basis and each customer has a maximum credit limit. Credit risk is also monitored and assessed in the Management Credit Committee meetings held at least once in every 2 months which comprises senior management team members of the Group. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

20. TRADE AND OTHER RECEIVABLES (CONTD.)**(b) Amount due from group companies**

The amounts due from holding company, fellow subsidiaries and subsidiaries are unsecured, interest-free and have no fixed terms of repayment except for the amount due from AET Holdings (L) Pte. Ltd. amounting to RM Nil (2006: RM168,951,000) which bears interest at rates ranging from 5.47% to 5.79% (2006: 3.09% to 5.47%) per annum and amount due from Puteri Intan Satu (L) Private Limited amounting to RM62,200,000 (2006: RM66,510,000) which bears interest rate of 4.50% (2006: 4.50%) per annum.

(c) Amount due from associates

The amounts due from associates are unsecured, interest-free and have normal credit terms which ranges from 15 to 30 days (2006: 15 to 30 days).

(d) Amount due from jointly controlled entities

The amounts due from jointly controlled entities are unsecured, interest-free and have normal credit terms which ranges from 15 to 30 days (2006: 15 to 30 days).

21. DUE FROM/(TO) CUSTOMERS ON CONTRACTS

	Group	
	2007	2006
	RM'000	RM'000
Construction contract costs incurred and recognised profits to date	3,188,587	2,202,867
Less: Progress billings	(2,975,176)	(1,975,192)
	<u>213,411</u>	<u>227,675</u>
Due from customers on contracts (Note 20)	302,853	287,428
Due to customers on contracts (Note 25)	(89,442)	(59,753)
	<u>213,411</u>	<u>227,675</u>
Advances received on contracts (Note 25)	<u>1,456</u>	<u>1,196</u>

21. DUE FROM/(TO) CUSTOMERS ON CONTRACTS (CONTD.)

The costs incurred to date on construction contracts include the following charges made during the financial year:

	Group	
	2007	2006
	RM'000	RM'000
Depreciation of plant and equipment	18,981	17,306

22. MARKETABLE SECURITIES

	Group and Corporation	
	2007	2006
	RM'000	RM'000
Shares quoted in Malaysia, at cost	851	3,587
Market value of quoted shares	1,026	3,587

23. CASH, DEPOSITS AND BANK BALANCES

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	849,360	2,757,570	272,558	339,197
Cash and bank balances	1,368,204	668,399	462,558	148,403
	<u>2,217,564</u>	<u>3,425,969</u>	<u>735,116</u>	<u>487,600</u>

24. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Land and buildings	<u>38,015</u>	<u>-</u>	<u>172,618</u>	<u>-</u>

24. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE (CONTD.)

These represent carrying values of properties owned by the Group with the intention of disposing off in the immediate future. Included in the assets for the Corporation are properties that are intended to be disposed off within the Group. The carrying amounts of the assets immediately before reclassification are not materially different from their fair value.

25. TRADE AND OTHER PAYABLES

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Trade payables				
Third parties	931,006	845,980	529,650	568,418
Subsidiaries	-	-	149,659	102,762
Holding company	21,186	263	21,186	263
Fellow subsidiaries	6,099	88,476	2,150	17,312
Associates	2,530	2,458	2,530	2,458
Jointly controlled entities	3	236	3	31
Construction contracts:				
Due to customers (Note 21)	89,442	59,753	-	-
Advances received (Note 21)	1,456	1,196	-	-
	<u>1,051,722</u>	<u>998,362</u>	<u>705,178</u>	<u>691,244</u>
Other payables				
Amount due to related parties:				
Subsidiaries	-	-	1,831,557	1,049,599
Holding company	48,897	51,360	-	-
Fellow subsidiaries	2,213	17,070	-	-
	<u>51,110</u>	<u>68,430</u>	<u>1,831,557</u>	<u>1,049,599</u>
Accruals and provisions	315,190	312,763	14,073	102,628
Others	787,593	1,127,987	119,915	130,705
	<u>1,153,893</u>	<u>1,509,180</u>	<u>1,965,545</u>	<u>1,282,932</u>
	<u>2,205,615</u>	<u>2,507,542</u>	<u>2,670,723</u>	<u>1,974,176</u>

(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 (2006: 14 to 90 days).

25. TRADE AND OTHER PAYABLES (CONTD.)**(b) Amount due to group companies**

The amounts due to holding company, fellow subsidiaries and subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for an amount due to MISC Capital (L) Limited and AET Inc. Limited of RM917,800,000 (2006: RM1,012,551,000) and RM656,070,000 (2006: RM Nil) which bears interest at rates ranging from 5.00% to 6.13% (2006: 5.00% to 6.13%) and 5.00% to 6.13% (2006: Nil) per annum respectively.

(c) Amount due to associates

The trade amounts due to associates have a normal credit term which ranges from 15 to 30 days (2006: 15 to 30 days).

(d) Amount due to jointly controlled entities

The trade amounts due to jointly controlled entities have a normal credit term which ranges from 15 to 30 days (2006: 15 to 30 days).

(e) Other payables, accruals and provision

Included in other payables is amount due to deconsolidated subsidiaries amounting to RM2,926,000 (2006: RM3,072,000). The amount due is unsecured, interest-free and repayable upon completion of the liquidation exercise.

The Group gives approximately one year warranty on certain products and undertakes to repair or replace items that fail to perform satisfactorily. A provision has been recognised at the financial year end on expected warranty claims based on past experience of the level of repairs and returns.

26. BORROWINGS

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Short Term Borrowings				
Secured:				
Term loans				
Fixed rate	164,399	85,177	-	-
Floating rate	186,414	199,478	-	-
	<u>350,813</u>	<u>284,655</u>	<u>-</u>	<u>-</u>

26. BORROWINGS (CONTD.)

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Unsecured:				
Term loans				
Fixed rate	12,608	164,500	-	-
Floating rate	34,766	160,593	-	-
Islamic Private Debt Securities				
Al Murabahah Medium				
Term Notes	97,065	-	97,065	-
	<u>144,439</u>	<u>325,093</u>	<u>97,065</u>	<u>-</u>
	<u>495,252</u>	<u>609,748</u>	<u>97,065</u>	<u>-</u>
Long Term Borrowings				
Secured:				
Term loans				
Fixed rate	2,166,400	1,309,012	-	-
Floating rate	363,909	588,891	-	-
	<u>2,530,309</u>	<u>1,897,903</u>	<u>-</u>	<u>-</u>
Unsecured:				
Term loans - Floating rate	-	37,202	-	-
US Dollar Guaranteed Notes	3,771,725	4,031,517	-	-
	<u>3,771,725</u>	<u>4,068,719</u>	<u>-</u>	<u>-</u>
7.50% Non-convertible				
Cumulative Redeemable				
Preference Shares ("NCRPS")				
of USD1.00 each	7,106	31,288	-	-
	<u>6,309,140</u>	<u>5,997,910</u>	<u>-</u>	<u>-</u>
Total Borrowings				
Term loans	2,928,496	2,544,853	-	-
Islamic Private Debt Securities				
Al Murabahah Medium				
Term Notes	97,065	-	97,065	-
US Dollar Guaranteed Notes	3,771,725	4,031,517	-	-
	<u>6,797,286</u>	<u>6,576,370</u>	<u>97,065</u>	<u>-</u>
NCRPS	7,106	31,288	-	-
	<u>6,804,392</u>	<u>6,607,658</u>	<u>97,065</u>	<u>-</u>

26. BORROWINGS (CONTD.)

The secured term loans are secured by mortgages over certain ships, property, plant and equipment together with charter agreements, insurance of the relevant ships, property, plant and equipment. The carrying value of the ships, property, plant and equipment pledged is stated in Note 12(c).

NCRPS

The 7.50% NCRPS of USD1.00 each issued to minority shareholders of certain subsidiaries shall confer the holders the following rights and privileges:

- (a) The right to receive out of profit for the year of the subsidiaries a cumulative preferential dividend on each preferential dividend share at a net of 7.50% (2006: 7.50%) per annum;
- (b) The NCRPS shall rank pari passu with the ordinary shares in all respects except that the NCRPS shall rank in priority with regard to dividend payment of the subsidiaries;
- (c) The NCRPS shall not entitle its holder thereof to participate in the profits or surplus assets of the subsidiaries;
- (d) The NCRPS shall not be converted to ordinary shares of the subsidiaries; and
- (e) The NCRPS shall be redeemed at any time at par together with a sum equal to arrears of the preferential dividend thereon after a period of ten years from the date of issue on 1 July 1997, extendable for a period of five years subject to the approval of the preference shareholders.

27. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2007 '000	2006 '000	2007 RM'000	2006 RM'000
Authorised*:				
At 1 April 2006/2005	5,000,000	5,000,000	5,000,000	5,000,000
At 31 March	5,000,000	5,000,000	5,000,000	5,000,000
Issued and fully paid*:				
At 1 April 2006/2005	3,719,828	3,719,828	3,719,828	3,719,828
At 31 March	3,719,828	3,719,828	3,719,828	3,719,828

- * Included in the authorised, issued and fully paid share capital is one preference share of RM1 (2006: RM1). The preference shareholder is not entitled to any dividend nor to participate in the capital distribution upon dissolution of the Corporation but shall rank for repayment in priority to all other shares. Other rights and restrictions attached to the preference share are set out in Article 3B of the Corporation's Articles of Association.

28. OTHER RESERVES

	Revaluation Reserve RM'000	Capital Reserve RM'000	Other Capital Reserve RM'000	Statutory Reserve RM'000	Capital Redemption Reserve RM'000	Currency Translation Reserve RM'000	Total RM'000
Group							
At 1 April 2005							
As previously stated	35,272	1,185	41,479	23,060	-	5,225	106,221
Effects of adopting FRS 121	-	-	-	-	-	2,849,280	2,849,280
At 1 April 2005 (restated)	35,272	1,185	41,479	23,060	-	2,854,505	2,955,501
Currency translation differences:							
Group	-	-	-	-	-	(586,161)	(586,161)
Associates	-	-	-	-	-	1,232	1,232
Jointly controlled entities	-	-	-	-	-	(194)	(194)
Transfer to retained profits	-	-	(137)	(21,818)	-	-	(21,955)
At 31 March 2006	35,272	1,185	41,342	1,242	-	2,269,382	2,348,423
At 1 April 2006							
As previously stated	35,272	1,185	41,342	1,242	-	(55,891)	23,150
Effects of adopting FRS 121	-	-	-	-	-	2,325,273	2,325,273
At 1 April 2006 (restated)	35,272	1,185	41,342	1,242	-	2,269,382	2,348,423
Currency translation differences:							
Group	-	-	-	-	-	(1,273,372)	(1,273,372)
Associates	-	-	-	-	-	207	207
Jointly controlled entities	-	-	-	-	-	996	996
Transfer from retained profits	-	-	-	-	45,168	-	45,168
At 31 March 2007	35,272	1,185	41,342	1,242	45,168	997,213	1,121,422
Corporation							
At 1 April 2005							
As previously stated	35,217	-	-	-	-	-	35,217
Effects of adopting FRS 121	-	-	-	-	-	1,536,018	1,536,018
At 1 April 2005 (restated)	35,217	-	-	-	-	1,536,018	1,571,235
Currency translation differences	-	-	-	-	-	(498,029)	(498,029)
At 31 March 2006	35,217	-	-	-	-	1,037,989	1,073,206
At 1 April 2006							
As previously stated	35,217	-	-	-	-	-	35,217
Effects of adopting FRS 121	-	-	-	-	-	1,037,989	1,037,989
At 1 April 2006 (restated)	35,217	-	-	-	-	1,037,989	1,073,206
Currency translation differences	-	-	-	-	-	(946,157)	(946,157)
At 31 March 2007	35,217	-	-	-	-	91,832	127,049

28. OTHER RESERVES (CONTD.)

The nature and purpose of each category of reserve are as follows:

(a) Revaluation Reserve

Revaluation reserve represents surplus arising from the revaluation of certain freehold land and buildings of the Corporation in 1984.

(b) Capital Reserve

Capital reserve represents reserve arising from bonus issue in subsidiaries.

(c) Other Capital Reserve

Other capital reserve represents the Group's share of its subsidiary's reserve.

(d) Statutory Reserve

Statutory reserve is maintained by an overseas associate 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 a subsidiary.

(f) Currency Translation Reserve

Currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Corporation and foreign operations whose functional currencies are different from that of the Group's presentation currency.

29. DEFERRED TAX

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
At 1 April	65,862	70,941	3,602	3,704
Recognised in income statement (Note 9)				
In Malaysia	(4,649)	3,373	-	-
Outside Malaysia	210	(8,350)	-	-
Currency translation differences	(181)	(102)	(236)	(102)
At 31 March	<u>61,242</u>	<u>65,862</u>	<u>3,366</u>	<u>3,602</u>

29. DEFERRED TAX (CONTD.)

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Presented after appropriate offsetting as follows:				
Deferred tax assets	(2,941)	(1,151)	-	-
Deferred tax liabilities	64,183	67,013	3,366	3,602
	<u>61,242</u>	<u>65,862</u>	<u>3,366</u>	<u>3,602</u>

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred Tax Liabilities of the Group:

	Accelerated Capital Allowances RM'000	Revaluation of Land RM'000	Others RM'000	Total RM'000
At 1 April 2006	68,961	3,547	-	72,508
Recognised in income statement:				
In Malaysia	(2,942)	-	19	(2,923)
Outside Malaysia	32	-	242	274
Currency translation differences	-	(181)	-	(181)
At 31 March 2007	<u>66,051</u>	<u>3,366</u>	<u>261</u>	<u>69,678</u>
At 1 April 2005	80,772	3,649	903	85,324
Recognised in income statement:				
In Malaysia	(3,389)	-	(909)	(4,298)
Outside Malaysia	(8,422)	-	6	(8,416)
Currency translation differences	-	(102)	-	(102)
At 31 March 2006	<u>68,961</u>	<u>3,547</u>	<u>-</u>	<u>72,508</u>

29. DEFERRED TAX (CONTD.)**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 2006	(1,359)	(4,967)	(320)	(6,646)
Recognised in income statement:				
In Malaysia	(1,153)	(538)	(35)	(1,726)
Outside Malaysia	66	(98)	(32)	(64)
At 31 March 2007	<u>(2,446)</u>	<u>(5,603)</u>	<u>(387)</u>	<u>(8,436)</u>
At 1 April 2005	(9,236)	(4,967)	(180)	(14,383)
Recognised in income statement:				
In Malaysia	7,811	-	(140)	7,671
Outside Malaysia	66	-	-	66
At 31 March 2006	<u>(1,359)</u>	<u>(4,967)</u>	<u>(320)</u>	<u>(6,646)</u>

Deferred tax liabilities of the Corporation arises from revaluation of properties:

	2007 RM'000	2006 RM'000
At 1 April 2006/2005	3,602	3,704
Currency translation differences	<u>(236)</u>	<u>(102)</u>
At 31 March 2007/2006	<u>3,366</u>	<u>3,602</u>

Deferred tax assets have not been recognised in respect of the following items:

	Group		Corporation	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Unused tax losses	542,715	408,885	466,064	289,674
Unabsorbed capital allowances	36,399	58,206	-	-
Others	12,106	19,675	-	-
	<u>591,220</u>	<u>486,766</u>	<u>466,064</u>	<u>289,674</u>

29. DEFERRED TAX (CONTD.)

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.

30. CASH FLOWS FROM INVESTING ACTIVITIES

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Purchase of ships, property, plant and equipment	(4,399,022)	(3,326,557)	(3,169,519)	(2,403,856)
Purchase of additional shares in subsidiaries	(181,664)	(49,318)	(181,664)	-
Acquisitions of associates and jointly controlled entities	(119,969)	(12,305)	-	(8,314)
Investments in subsidiaries	(2,700)	-	-	-
Repayment of loans from subsidiaries, net of issuance	-	-	607,232	(403,077)
Drawdown of loans from a subsidiary	-	-	823,640	-
Dividends received from Quoted investments	22,867	16,555	12,012	2,085
Unquoted investments	2,849	-	1,684,285	364,261
Redemption of preference shares from a subsidiary	-	-	24,530	-
Proceeds from disposal of ships, property, plant and equipment	954,390	476,377	266,467	449,878
Proceeds from disposal of marketable securities	2,011	-	2,011	-
Proceeds from liquidation of a subsidiary	-	-	177,501	-
Proceeds from disposal of associates	-	173,385	-	-
Interest received	111,694	81,228	107,620	125,112
Net cash (used in)/generated from investing activities	<u>(3,609,544)</u>	<u>(2,640,635)</u>	<u>354,115</u>	<u>(1,873,911)</u>

31. CASH FLOWS FROM FINANCING ACTIVITIES

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Drawdown of term loans	1,134,192	88,176	-	-
Drawdown of Islamic Private Debt Securities	96,087	-	96,087	-
Repayment of term loans	(599,013)	(1,118,858)	-	-
Loans to a jointly controlled entity	(254,754)	-	-	-
Repayment of loans from associates and jointly controlled entities	64,184	-	-	-
Repayment of Islamic Private Debt Securities	-	(400,000)	-	(400,000)
Dividends paid to shareholders of Corporation	(1,096,966)	(1,114,095)	(1,096,966)	(1,114,095)
Dividends paid to minority shareholders of subsidiaries	(17,764)	(14,893)	-	-
Repayment of preference shares	(23,507)	-	-	-
Interest paid	(347,580)	(360,453)	(46,135)	(23,312)
Net cash used in financing activities	<u>(1,045,121)</u>	<u>(2,920,123)</u>	<u>(1,047,014)</u>	<u>(1,537,407)</u>

32. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to related party disclosures elsewhere in the financial statements, set out below are other significant related party transactions. The directors are of the opinion that the transactions below have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties, unless otherwise stated.

32. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD.)

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Related parties				
(a) Provision of shipping and shipping related services				
Charter hire revenue	2,587,510	3,045,791	445,029	923,130
Forwarding charges	71,594	48,131	-	-
Warehouse service	13,237	13,909	-	-
Haulage service	63,198	57,917	-	-
Fabrication contract service	154,741	188,063	-	-
(b) Purchase of goods and services				
Purchase of bunkers, lubricants and spare parts	316,077	188,382	126,687	160,847
Purchase of service for repairs, conversion of ships and drydocking	-	-	158,538	185,404
Purchase of crew service	5,761	9,135	-	-
Net transfer of ships	-	-	592,207	1,992,049
Purchase of information technology services	19,391	11,236	19,391	11,236
Management fee	6,131	6,819	-	-
Manpower fee	9,696	2,149	9,696	2,149

33. COMMITMENTS**(a) Capital Commitments**

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Capital expenditure				
Approved and contracted for:				
Ships, property, plant and equipment	4,942,942	5,846,145	3,241,445	5,463,746
Technology projects	26,680	27,754	26,680	27,754
Investments	-	117,033	-	117,033
	<u>4,969,622</u>	<u>5,990,932</u>	<u>3,268,125</u>	<u>5,608,533</u>

33. COMMITMENTS (CONTD.)**(a) Capital Commitments (Contd.)**

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Approved but not contracted for:				
Ships, property, plant and equipment	6,973,584	2,438,802	6,435,068	2,297,597
Technology projects	9,524	12,190	9,524	12,190
Investments	20	380	20	-
	<u>6,983,128</u>	<u>2,451,372</u>	<u>6,444,612</u>	<u>2,309,787</u>
	<u>11,952,750</u>	<u>8,442,304</u>	<u>9,712,737</u>	<u>7,918,320</u>

(b) Non-Cancellable Operating Lease Commitments - Group as Lessee

	Group		Corporation	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Future minimum rentals payable:				
Not later than 1 year	822,072	506,463	319,783	289,097
Later than 1 year and not later than 5 years	1,601,471	781,884	566,611	461,388
Later than 5 years	347,537	144,268	112,069	144,268
	<u>2,771,080</u>	<u>1,432,615</u>	<u>998,463</u>	<u>894,753</u>

34. CONTINGENT LIABILITIES

	Group		Corporation	
	2007	2006	2007	2006
Unsecured	RM'000	RM'000	RM'000	RM'000
Letters of guarantee issued in respect of banking facilities extended to third party agents	25,181	26,744	7,955	12,505
Indemnity provided in respect of banking facilities extended to subsidiaries	-	-	5,472,574	6,055,591
Bank guarantees extended to customers for performance bond on contracts	225,831	150,560	-	-
	<u>251,012</u>	<u>177,304</u>	<u>5,480,529</u>	<u>6,068,096</u>

35. SEGMENT INFORMATION

(a) Reporting Format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the service provided, with each segment representing a strategic business unit that serves different markets.

(b) Business segments

During the financial year, management has decided to change the composition of the segments to better reflect the nature of its businesses. The Group is organised on a worldwide basis into four major business segments:

- (i) Energy related shipping - the provision of liquefied natural gas ("LNG") services, petroleum tanker services, and chemical tanker services;
- (ii) Other energy businesses - operation and maintenance of offshore floating facilities, and shipbuilding, repairing and heavy engineering works;
- (iii) Integrated liner logistics - comprises liner services, haulage, trucking and warehousing and agency businesses;
- (iv) Non-shipping - fleet management services, marine education and training, and other diversified businesses.

35. SEGMENT INFORMATION (CONTD.)**(b) Business segments (Contd.)**

31 March 2007	Energy Related Shipping RM'000	Other Energy Businesses RM'000	Integrated Liner Logistics RM'000	Non- Shipping RM'000	Total RM'000	Eliminations RM'000	Consolidated RM'000
Revenue	6,644,795	1,571,616	3,635,029	41,159	11,892,599	(693,654)	11,198,945
Results							
Segment results	2,499,329	192,964	(194,568)	(224,194)	2,273,531	236,992	2,510,523
Other operating income *	473,472	34,676	176,364	3,789,889	4,474,401	(3,734,497)	739,904
Operating profit	2,972,801	227,640	(18,204)	3,565,695	6,747,932	(3,497,505)	3,250,427
Finance costs (unallocated)							(347,757)
Share of loss of associates	-	-	(491)	-	(491)	-	(491)
Share of profit of jointly controlled entities	1,975	21,051	5,105	-	28,131	-	28,131
Profit before taxation							2,930,310
Taxation							(33,380)
Profit for the year							2,896,930
ASSETS AND LIABILITIES							
Segment assets	14,341,915	2,979,107	2,138,425	7,989,296	27,448,743	-	27,448,743
Investments in equity method of associates	-	-	2,685	-	2,685	-	2,685
Investments in equity method of jointly controlled entities	34,819	323,493	145,046	-	503,358	-	503,358
							27,954,786
Segment liabilities	2,315,036	2,092,930	623,404	4,042,820	9,074,190	-	9,074,190
OTHER INFORMATION							
Capital expenditure	2,992,137	1,034,025	357,140	15,720	4,399,022	-	4,399,022
Depreciation	1,099,542	82,418	134,625	44,252	1,360,837	-	1,360,837
Impairment losses	-	1,943	2,325	-	4,268	-	4,268
Non-cash expenses other than depreciation and impairment loss	48,956	2,044	8,518	11,427	70,945	-	70,945

35. SEGMENT INFORMATION (CONTD.)**(b) Business Segments (Contd.)**

31 March 2006	Energy Related Shipping RM'000	Other Energy Businesses RM'000	Integrated Liner Logistics RM'000	Non- Shipping RM'000	Total RM'000	Eliminations RM'000	Consolidated RM'000
Revenue	6,503,458	1,410,286	3,215,354	40,535	11,169,633	(422,553)	10,747,080
Results							
Segment results	2,783,023	40,421	(62,930)	(146,531)	2,613,983	22,458	2,636,441
Other operating income *	291,630	63,535	47,482	1,637,500	2,040,147	(1,454,632)	585,515
Operating profit	3,074,653	103,956	(15,448)	1,490,969	4,654,130	(1,432,174)	3,221,956
Finance costs (unallocated)							(348,398)
Share of profit of associates	-	-	795	14,609	15,404	-	15,404
Share of profit of jointly controlled entities	-	-	11,830	-	11,830	-	11,830
Profit before taxation							2,900,792
Taxation							(30,190)
Profit for the year							<u>2,870,602</u>
ASSETS AND LIABILITIES							
Segment assets	15,384,204	2,773,496	2,003,522	7,310,117	27,471,339	-	27,471,339
Investments in equity method of associates	-	-	11	12,279	12,290	-	12,290
Investments in equity method of jointly jointly controlled entities	-	-	139,476	-	139,476	-	139,476
							<u>27,623,105</u>
Segment liabilities	3,209,416	1,272,703	630,650	4,069,444	9,182,213	-	<u>9,182,213</u>
OTHER INFORMATION							
Capital expenditure	1,947,808	1,076,726	274,118	27,905	3,326,557	-	3,326,557
Depreciation	1,128,926	70,039	114,793	112,719	1,426,477	-	1,426,477
Impairment losses	-	9,600	-	-	9,600	-	9,600
Non-cash expenses other than depreciation and impairment loss	73,891	138	7,030	6,898	87,957	-	87,957

* Include gain on disposal of ships of RM436,559,000 (2006: RM202,325,000).

35. SEGMENT INFORMATION (CONTD.)**(c) Geographical Segments**

Although the Group's four major business segments are managed on a worldwide basis, they operate in five principal geographical areas of the world. In Malaysia, its home country, the Group's areas of operations are principally energy related shipping, other energy businesses, integrated liner logistics and non-shipping.

The Group also operates energy related shipping and integrated liner logistics in other regions in the world as follows:

- Asia and Africa
- Europe
- Australasia
- The United States of America

	Asia and Africa RM'000	Malaysia RM'000	Europe RM'000	Australasia RM'000	The United States of America RM'000	Consolidated RM'000
31 March 2007						
Revenue	730,302	4,983,753	1,908,965	826,292	2,749,633	11,198,945
Segment assets	1,344,973	17,788,882	1,290,066	405,112	7,125,753	27,954,786
Capital expenditure	543	3,964,493	190	650	433,146	4,399,022
31 March 2006						
Revenue	2,045,744	4,437,793	1,363,612	692,683	2,207,248	10,747,080
Segment assets	1,740,722	19,655,748	1,120,707	385,893	4,720,035	27,623,105
Capital expenditure	77,500	3,154,343	288	173	94,253	3,326,557

(d) Allocation Basis and Transfer Pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

36. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risks (both fair value and cash flow), foreign currency risk, liquidity risk, credit risk and bunkers price risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Group's policy that no trading of speculative nature in derivative financial instruments shall be undertaken.

(b) Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in time deposit and overnight placement.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group's interest rate risks arise from the volatility of the benchmark interest rates both in Ringgit and US Dollar (which are its main borrowing currencies). The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings. The Group manages this by keeping 90% or more of its borrowings at fixed rates of interest. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed-upon notional principal amount. As at balance sheet date, the Group had entered into interest swaps with the following notional principal amount and maturities:

	Notional Amount	
	2007	2006
	RM'000	RM'000
More than 5 years	1,415,730	-

The fixed interest rates relating to interest rate swaps at the balance sheet date is 5.09% (2006: Nil).

36. FINANCIAL INSTRUMENTS (CONTD.)**(b) Interest Rate Risk (Contd.)**

The following tables set out the carrying amounts, the range of interest rates as at the balance sheet date and the remaining maturities of the Group's and the Corporation's financial instruments that are exposed to interest rate risk.

	Note	Interest rates %	Within 1 Year RM'000	1 - 2 Years RM'000	2 - 3 Years RM'000	3 - 4 Years RM'000	4 - 5 Years RM'000	More Than 5 Years RM'000
At 31 March 2007								
Group								
Fixed Rate								
Term loan	26	4.00-7.45	(177,007)	(178,077)	(208,614)	(287,538)	(334,853)	(1,157,318)
US Dollar Guaranteed Notes	26	5.00-6.13	-	-	(1,376,397)	-	-	(2,395,328)
Islamic Private Debts Securities	26	3.80	(97,065)	-	-	-	-	-
NCRPS	26	7.50	-	-	-	-	-	(7,106)
Floating rate								
Deposits with licensed banks	23	2.40-7.15	849,360	-	-	-	-	-
Term loan	26	5.14-6.08	(221,180)	(186,414)	(128,216)	(49,279)	-	-
Corporation								
Fixed Rate								
Islamic Private Debts Securities	26	3.80	(97,065)	-	-	-	-	-
Floating rate								
Deposits with licensed banks	23	2.43-7.15	272,558	-	-	-	-	-

36. FINANCIAL INSTRUMENTS (CONTD.)**(b) Interest Rate Risk (Contd.)**

	Note	Interest rates %	Within 1 Year RM'000	1 - 2 Years RM'000	2 - 3 Years RM'000	3 - 4 Years RM'000	4 - 5 Years RM'000	More Than 5 Years RM'000
At 31 March 2006								
Group								
Fixed Rate								
Term loan	26	4.00-7.45	(249,677)	(60,680)	(27,964)	(86,574)	(140,070)	(993,724)
US Dollar Guaranteed Notes	26	5.00-6.13	-	-	-	(1,470,748)	-	(2,560,769)
NCRPS	26	7.50	-	-	-	-	-	(31,288)
Floating rate								
Deposits with licensed banks	23	2.00-4.89	2,757,570	-	-	-	-	-
Term loan	26	2.83-5.14	(360,071)	(236,680)	(199,478)	(137,202)	(52,733)	-
Corporation								
Floating rate								
Deposits with licensed banks	23	2.69-4.63	339,197	-	-	-	-	-

36. FINANCIAL INSTRUMENTS (CONTD.)**(c) Foreign Currency Risk**

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Ringgit Malaysia ("RM"), Sterling Pound ("GBP"), Australian Dollar ("AUD"), Euro ("EUR") and Singapore Dollar ("SGD"). Foreign exchange exposures in transactional currencies other than functional currencies of the operating entity are kept to an acceptable level. Approximately 29.61% of Group's sales are denominated in currencies other than the unit's functional currency of the operating unit making the sale, whilst almost 64.92% of costs are denominated in the unit's functional currency.

The Group maintains a natural hedge, wherever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

36. FINANCIAL INSTRUMENTS (CONTD.)**(c) Foreign Currency Risk (Contd.)**

The net unhedged financial receivables and payables of the Group companies and that of the Corporation that are not denominated in their functional currencies are as follows:

Functional Currency of Group Companies	Net Financial Receivables/(Payables) Held in Non-Functional Currencies						Total RM'000
	Ringgit Malaysia RM'000	United States Dollar RM'000	Sterling Pound RM'000	Australian Dollar RM'000	EURO RM'000	Singapore Dollar RM'000	
At 31 March 2007							
Ringgit Malaysia	-	99,273	948	(1)	19,110	(4,097)	115,233
United States Dollar	(378,856)	-	36,162	5,066	31,804	5,614	(300,210)
	<u>(378,856)</u>	<u>99,273</u>	<u>37,110</u>	<u>5,065</u>	<u>50,914</u>	<u>1,517</u>	<u>(184,977)</u>
At 31 March 2006							
Ringgit Malaysia	-	10,427	2,661	26	2,600	(58)	15,656
United States Dollar	(404,108)	-	27,190	8,837	15,780	7,733	(344,568)
	<u>(404,108)</u>	<u>10,427</u>	<u>29,851</u>	<u>8,863</u>	<u>18,380</u>	<u>7,675</u>	<u>(328,912)</u>
Functional Currency of Corporation							
At 31 March 2007							
United States Dollar	<u>(347,071)</u>	<u>-</u>	<u>42,281</u>	<u>5,066</u>	<u>39,718</u>	<u>7,478</u>	<u>(252,528)</u>
At 31 March 2006							
United States Dollar	<u>(411,400)</u>	<u>-</u>	<u>31,910</u>	<u>9,303</u>	<u>35,698</u>	<u>7,782</u>	<u>(326,707)</u>

36. FINANCIAL INSTRUMENTS (CONTD.)**(c) Foreign Currency Risk (Contd.)**

The cash and bank balances of the Group companies and that of the Corporation that are not denominated in their functional currencies are as follows:

Functional Currency of Group Companies	Cash and bank balances Held in Non-Functional Currencies						Total RM'000
	Ringgit Malaysia RM'000	United States Dollar RM'000	Sterling Pound RM'000	Australian Dollar RM'000	EURO RM'000	Singapore Dollar RM'000	
At 31 March 2007							
Ringgit Malaysia	-	7,993	-	-	-	-	7,993
United States Dollar	307,260	-	9,407	3,928	11,466	8,492	340,553
	<u>307,260</u>	<u>7,993</u>	<u>9,407</u>	<u>3,928</u>	<u>11,466</u>	<u>8,492</u>	<u>348,546</u>
At 31 March 2006							
Ringgit Malaysia	-	32,514	699	-	-	27,608	60,821
United States Dollar	1,197,080	-	1,081	9,392	48,410	270	1,256,233
	<u>1,197,080</u>	<u>32,514</u>	<u>1,780</u>	<u>9,392</u>	<u>48,410</u>	<u>27,878</u>	<u>1,317,054</u>
Functional Currency of Corporation							
At 31 March 2007							
United States Dollar	<u>150,426</u>	<u>-</u>	<u>5,061</u>	<u>3,733</u>	<u>9,334</u>	<u>5,180</u>	<u>173,734</u>
At 31 March 2006							
United States Dollar	437,076	-	30	9,392	44,996	-	491,494

36. FINANCIAL INSTRUMENTS (CONTD.)

(d) Liquidity Risk

As at 31 March 2007, the Group had at its disposal cash and short term deposits amounting to RM2,217,564,000 (2006: RM3,425,969,000).

As at 31 March 2007, the Corporation has unutilised Murabahah Commercial Paper/Medium Term Notes Programme amounting to RM900,000,000 which could be used for working capital purposes.

The Group's holdings of cash and short term deposits, together with committed funding facilities and net cash flow from operations, are expected to be sufficient to cover its cash flow needs (excluding merger and acquisition activities) in the next financial year. Any shortfall and additional cash requirements arising from the Group's merger and acquisition activities can be met by additional financing. The Group's strong balance sheet provides it with financial flexibility in determining the optimum financing source. The various options, among others, include bank borrowings, bonds issuance and structured financing.

(e) Credit Risk

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, marketable securities and non-current investments, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets.

(f) Bunkers Price Risk

Bunkers price risk is the risk that the future bunkers price will fluctuate because of the effects of demand, supply and political climates. The Group's profit are affected by changes in the price of bunkers. The Group manages this risk by entering into forward contracts for the price of bunkers for a 6 month period.

36. FINANCIAL INSTRUMENTS (CONTD.)**(g) Fair Values**

The carrying amounts of financial assets and liabilities of the Group and of the Corporation at the balance sheet date approximated their fair values except for the following:

		Group		Corporation	
	Note	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
At 31 March 2007					
Non-current quoted shares	18	196,117	278,448	12,185	25,713
Non-current unquoted shares	18	39,960	*	38,956	*
Forward bunkers contract	36(f)	-	1,657	-	1,657
Fixed rate:					
Term loans	26	(2,343,407)	(2,246,429)	-	-
Islamic Private Debts Securities	26	(97,065)	(97,633)	(97,065)	(97,633)
US Dollar Guaranteed Notes	26	(3,771,725)	(3,892,172)	-	-
Interest rate swap	36(b)	-	(10,630)	-	-
At 31 March 2006					
Non-current quoted shares	18	193,691	235,313	13,039	24,042
Non-current unquoted shares	18	41,886	*	37,529	*
Fixed rate:					
Term loans	26	(1,558,689)	(1,254,038)	-	-
US Dollar Guaranteed Notes	26	(4,031,517)	(4,120,752)	-	-

* The fair value of non-current unquoted shares is not disclosed as it is not practicable to determine the fair value with sufficient reliability.

36. FINANCIAL INSTRUMENTS (CONTD.)**(g) Fair Values (Contd.)**

The methods and assumptions used by management to determine fair values of financial instruments other than those whose carrying amounts reasonably approximate their fair values are as follows:

(i) Non-current quoted shares

Fair value of these non-current quoted shares is determined by reference to stock exchange quoted market bid prices on the balance sheet date.

(ii) Forward bunkers contract

Fair value is estimated as the difference between the hedged bunker price and average market price multiplied by the unutilised hedged bunker units.

(iii) Term loans and Islamic Private Debts Securities

Fair value has been determined using discounted estimated cash flows. The discount rates used are the current market incremental lending rates for similar types of borrowing.

(iv) US Dollar Guaranteed Notes

Fair value is determined by reference to stock exchange quoted market prices on the balance sheet date.

(v) Interest rate swap

The fair value of the interest rate swap is the amount that would be payable or receivable upon termination of the position at the balance sheet date, and is calculated as the difference between the present value of the estimated future cash flows at the contracted rate compared to that calculated at the market rate at the balance sheet date.

37. SUBSIDIARIES AND ACTIVITIES

Name of Company	Country of Incorporation	Principal Activities	Effective Interest (%)	
			2007	2006
PETRONAS Tankers Sdn. Bhd.	Malaysia	Investment holding and provision of management services	100	100
Puteri Intan Sdn. Bhd.	Malaysia	Shipping	100	100
Puteri Delima Sdn. Bhd.	Malaysia	Shipping	100	100
Puteri Nilam Sdn. Bhd.	Malaysia	Shipping	100	100
Puteri Zamrud Sdn. Bhd.	Malaysia	Shipping	100	100
Puteri Firus Sdn. Bhd.	Malaysia	Shipping	100	100
MISC Ship Management Sdn. Bhd.	Malaysia	Dormant	100	100
MISC Enterprises Holdings Sdn. Bhd.	Malaysia	In-liquidation	100	100
MISC Properties Sdn. Bhd.	Malaysia	Dormant	100	100
MISC Information Technology Sdn. Bhd.	Malaysia	In-liquidation	100	100
MSE Holdings Sdn. Bhd.	Malaysia	Investment holding	100	65
Malaysia Marine and Heavy Engineering Sdn. Bhd.	Malaysia	Shipbuilding, ship repairing and engineering works	100	65

37. SUBSIDIARIES AND ACTIVITIES (CONTD.)

Name of Company	Country of Incorporation	Principal Activities	Effective Interest (%)	
			2007	2006
MMHE-SHI LNG Sdn. Bhd.	Malaysia	Ship repairing and engineering works	70	-
MSE Corporation Sdn. Bhd.	Malaysia	Processing of copper grit	100	65
Techno Indah Sdn. Bhd.	Malaysia	Sludge disposal management	100	65
MMHE-ATB Sdn. Bhd.	Malaysia	Process equipment for petrochemical, oil and gas and power generation plants	60	58
Malaysia Tank Cleaning Company Sdn. Bhd.	Malaysia	Dormant	100	65
MISC Agencies Sdn. Bhd.	Malaysia	Shipping agent and warehousing	100	100
MISA (B) Sdn. Bhd.	Brunei Darussalam	In-liquidation	100	100
MISC Agencies (Trengganu) Sdn. Bhd.	Malaysia	In-liquidation	100	100
MISC Agencies (Sarawak) Sdn. Bhd.	Malaysia	Shipping agent	65	65
MISC Agencies (Netherlands) B.V. *	Netherlands	Shipping agent	100	100
MISC Agencies (Australia) Pty. Ltd. #	Australia	Shipping agent	100	100

37. SUBSIDIARIES AND ACTIVITIES (CONTD.)

Name of Company	Country of Incorporation	Principal Activities	Effective Interest (%)	
			2007	2006
MISC Agencies (U.K.) Ltd. *	United Kingdom	Shipping agent	100	100
MISC Agencies (Japan) Ltd. *	Japan	Port and general agent	100	100
MISC Agencies (Singapore) Private Limited *	Singapore	Shipping agent	100	100
Leo Launches Private Limited *	Singapore	Launch operator	51	51
MISC Ferry Services Sdn. Bhd.	Malaysia	Dormant	100	100
MISC Integrated Logistics Sdn. Bhd.	Malaysia	Integrated logistics services	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	60	-
MILS - SterilGamma Sdn. Bhd.	Malaysia	Sterilisation and fumigation facilities	60	-
Asia LNG Transport Sdn. Bhd.	Malaysia	Shipowning and ship management	51	51
Asia LNG Transport Dua Sdn. Bhd.	Malaysia	Shipowning and ship management	51	51

37. SUBSIDIARIES AND ACTIVITIES (CONTD.)

Name of Company	Country of Incorporation	Principal Activities	Effective Interest (%)	
			2007	2006
Malaysian Maritime Academy Sdn. Bhd.	Malaysia	Education and training for seamen and maritime personnel	100	100
Puteri Intan Satu (L) Private Limited	Malaysia	Shipping	100	100
Puteri Delima Satu (L) Private Limited	Malaysia	Shipping	100	100
Puteri Nilam Satu (L) Private Limited	Malaysia	Shipping	100	100
Puteri Zamrud Satu (L) Private Limited	Malaysia	Shipping	100	100
Puteri Firus Satu (L) Private Limited	Malaysia	Shipping	100	100
Puteri Mutiara Satu (L) Private Limited	Malaysia	Shipping	100	100
MISC Tanker Holdings Sdn. Bhd.	Malaysia	Investment holding	100	100
MISC Tanker Holdings (Bermuda) Limited	Bermuda	Investment holding	100	100
AET Tanker Holdings Sdn. Bhd.	Malaysia	Investment holding	100	100
AET Petroleum Tanker (M) Sdn. Bhd.	Malaysia	Shipowning	100	100
AET Shipmanagement (M) Sdn. Bhd. (formerly known as ESPL Fleet Management Sdn. Bhd.)	Malaysia	Ship management	100	100

37. SUBSIDIARIES AND ACTIVITIES (CONTD.)

Name of Company	Country of Incorporation	Principal Activities	Effective Interest (%)	
			2007	2006
AET Shipmanagement (Singapore) Pte. Ltd. (formerly known as Eagle Shipmanagement 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 Tankers Pte. Ltd.	Singapore	Commercial operation and chartering	100	100
AET UK Limited	United Kingdom	Commercial operation and chartering	100	100
American Marine and Offshore Services Limited	Cayman Islands	Shipping agent and lightering	100	100
AET Offshore Services Company Inc. (formerly known as Pelican Offshore Services Company, Inc.)	The United States of America	Lightering	100	100
AET Agencies Inc.	The United States of America	Property owning	100	100
MTL Petrolink Group	The United States of America	Investment holding	100	100
OMIP Inc.	The United States of America	Ship rental services and lightering	100	100

37. SUBSIDIARIES AND ACTIVITIES (CONTD.)

Name of Company	Country of Incorporation	Principal Activities	Effective Interest (%)	
			2007	2006
Offshore Marine Services, Inc.	The United States of America	Lightering	100	100
Harlink, Inc.	The United States of America	Lightering	100	100
Nuelink, Inc.	The United States of America	Lightering	100	100
MISC International (L) Limited	Malaysia	Investment holding	100	100
MISC Offshore Floating Terminals (L) Limited	Malaysia	Operating and maintaining floating production, storage and off-loading ("FPSO") facility	100	100
MISC Capital (L) Limited	Malaysia	Special purpose vehicle for issuance of US Dollar Guaranteed Notes	100	100
MISC Offshore Holdings (Brazil) Sdn Bhd	Malaysia	Investment holding	100	-
M.I.S.C. Nigeria Limited	Nigeria	Dormant	60	60
FPSO Ventures Sdn. Bhd.	Malaysia	Operating and maintaining FPSO facility	51	51

37. SUBSIDIARIES AND ACTIVITIES (CONTD.)

Name of Company	Country of Incorporation	Principal Activities	Effective Interest (%)	
			2007	2006
Offshore Marine Ventures Sdn. Bhd.	Malaysia	Owning and chartering of support vessels	51	51
Malaysia Deepwater Floating Terminal (Kikeh) Limited	Malaysia	FPSO owner	51	51
Malaysia Deepwater Production Contractors Sdn. Bhd.	Malaysia	Operating and maintaining FPSO facility	51	51

* Audited by firms of auditors other than Ernst & Young

Audited by affiliates of Ernst & Young Malaysia

38. ASSOCIATES AND ACTIVITIES

Name of Company	Country of Incorporation	Principal Activities	Effective Interest (%)	
			2007	2006
BLG MILS Logistics Sdn. Bhd.	Malaysia	Automotive solutions and related integrated logistic services	60	-
RAIS - MILS Logistic FZCO	United Arab Emirates	Integrated logistics services	50	-
MISC Agencies (Thailand) Company Limited	Thailand	Shipping agent	49	49

38. ASSOCIATES AND ACTIVITIES (CONTD.)

Name of Company	Country of Incorporation	Principal Activities	Effective Interest (%)	
			2007	2006
MISC Agencies Lanka (Pvt) Limited	Sri Lanka	Shipping agent and freight forwarding services	40	40
Transware Logistics (Pvt) Ltd.	Sri Lanka	Inland container depot	25	25

The financial statements of the above associates are coterminous with those of the Group.

39. JOINTLY CONTROLLED ENTITIES AND ACTIVITIES

Name of Company	Country of Incorporation	Principal Activities	Effective Interest (%)	
			2007	2006
Red Harbour Sdn. Bhd.	Malaysia	Shipowning	51	-
Transware Distribution Services Pte. Ltd.	Singapore	Warehousing	50	50
Transasia Pool Pte. Ltd.	Singapore	Ship management	50	50
KEER - MISC Logistics Co Ltd.	Sudan	Transportation	50	50
Paramount Tankers Corp.	Republic of the Marshall Island	Shipowning	50	-
SL-MISC International Line Co. Limited	Sudan	Shipowning	49	49
SBM Systems Inc.	Switzerland	FPSO owner	49	-
FPSO Brasil Venture S.A. (formerly known as SBM Espirito Santo Inc.)	Switzerland	Operating and maintaining FPSO facility	49	-

39. JOINTLY CONTROLLED ENTITIES AND ACTIVITIES (CONTD.)

Name of Company	Country of Incorporation	Principal Activities	Effective Interest (%)	
			2007	2006
SBM Operacoes Limitada	Brazil	Operating and maintaining FPSO facility	49	-

The financial statements of the above jointly controlled entities are coterminous with those of the Group, except for Transware Distribution Services Pte. Ltd., Transasia Pool Pte. Ltd., Paramount Tankers Corp., SL-MISC International Line Co. Ltd, SBM Systems Inc., FPSO Brasil Venture S.A. (formerly known as SBM Espirito Santo Inc.), and SBM Operacoes Limitada which have financial years ended 31 December. For the purpose of applying the equity method of accounting, the audited financial statements up to the year ended 31 December 2006 have been used and management accounts up to 31 March 2007 have been used for the transactions between 1 January 2007 to 31 March 2007, except for Paramount Tankers Corp. which uses management accounts up to 31 March 2007.

40. SIGNIFICANT EVENTS

- (a) On 2 June 2006, AET Inc. Limited ("AET"), a wholly-owned subsidiary of the Corporation had entered into a joint venture agreement with Golden Energy Tanker Holdings Corporation ("Golden Energy"), a subsidiary of the Restis Group, incorporated in Republic of the Marshall Island, for the establishment of a joint venture company for the purpose of acquisition, ownership, operation and charter of crude oil tankers for the business of marketing and transporting crude oil.

The joint venture company with a paid up capital of USD250,000 (RM863,000) has been incorporated with AET and Golden Energy having 50% equity respectively in the joint venture company.

- (b) On 9 June 2006, the Corporation had completed the proposed acquisition of the 49% interest in SBM Systems Inc. and SBM Espirito Santo Inc. collectively known as FPSO Brasil companies for the purpose of owning and operating of the FPSO Brasil at the final purchase price of USD103,776,417 (RM358,340,000).
- (c) On 24 September 2006, a wholly-owned subsidiary of the Corporation, MISC Integrated Logistics Sdn. Bhd. ("MILS") had entered into a joint venture agreement with Rais Hassan Saadi LLC for the establishment of a joint venture company, namely RAIS - MILS Logistic FZCO ("RAIS").

MILS subscribed for 50% equity interest in RAIS for a total cash consideration of RM480,960.

40. SIGNIFICANT EVENTS (CONTD.)

- (d) On 14 November 2006, a wholly-owned subsidiary of the Corporation, MISC Integrated Logistics Sdn. Bhd. ("MILS") had entered into a joint venture agreement with BLG International Logistics GMBH & CO. KG., a subsidiary of BLG AG, incorporated in Germany for the establishment of a joint venture company, namely BLG MILS Logistics Sdn. Bhd. for the purpose of offering integrated automotive logistics services in Malaysia.

The joint venture company was incorporated with a paid up capital of RM500,000 with MILS holding 60% equity whilst the remaining 40% equity is owned by BLG International Logistics GMBH & CO. KG.

- (e) On 17 November 2006, AET Petroleum Tanker (M) Sdn Bhd ("AETP"), a wholly-owned subsidiary of the Corporation, acquired 2 shares for RM1.00 each in Red Harbour Sdn. Bhd. ("Red Harbour"), a company incorporated in Malaysia, for a total consideration of RM2.00 representing 100% equity interest.

On 16 January 2007, Red Harbour issued 6,331,228 shares for RM1.00 each to AETP. After the share issue, AETP retained 51% equity in Red Harbour whilst the remaining 49% equity is owned by Champ International Inc., a company incorporated in Republic of the Marshall Island.

- (f) On 27 March 2007, the Corporation entered into a joint venture agreement with SBM Holding Inc S.A. ("SBM") for the purpose of owning, operating and managing a Floating Production Storage and Offloading ("FPSO") tanker facility for Shell Brasil Ltda, the operator of a production sharing contract with PETROLEO BRASILEIRO S.A. - PETROBRAS and BC-10 block located in the Campos Basin, offshore Brazil, for a contractual period of 15 years.

The following three Bermudan joint venture companies have been incorporated, with the proposal for MISC holding 49% and SBM holding 51% equity interest:

- (1) Brazilian Deepwater Floating Terminals Limited, for the purpose of undertaking the engineering, procurement, construction and installation of the FPSO;
- (2) Brazillian Deepwater Production Limited, for the purpose of chartering the FPSO; and
- (3) Brazilian Deepwater Production Contractors Limited, for the purpose of undertaking the operation and maintenance of the FPSO.

The FPSO with a storage capacity of 1.9 million bbls is to be named "FPSO Espirito Santo".

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