PETRONAS

Annual Report
2008

Rationale

PETRONAS is defined not only by our operational excellence, but by the way we do things - how we deal with our stakeholders and how we conduct ourselves.

By driving sustainable development through strengthening our resilience, reliability and competency, by conducting business with integrity, mutual respect and understanding, we continue to earn the trust of our stakeholders.

It's who we are.

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Corporate Statements

VISION

To be a Leading Oil and Gas Multinational of Choice

MISSION

We are a business entity

Petroleum is our core business

Our primary responsibility is to develop and add value to this national resource

Our objective is to contribute to the well-being of the people and the nation

SHARED VALUES

Loyalty

Loyal to nation and corporation

Integrity

Honest and upright

Professionalism

Committed, innovative and proactive and always striving for excellence

Cohesiveness

United in purpose and fellowship

Corporate Profile

PETRONAS, the acronym for Petroliam Nasional Berhad, was incorporated on 17 August 1974 under the Companies Act, 1965. It is wholly-owned by the Malaysian government and is vested with the entire ownership and control of the petroleum resources in Malaysia through the Petroleum Development Act 1974. Over the years, PETRONAS has grown to become a fully integrated oil and gas corporation and is ranked among the FORTUNE Global 500® largest corporations in the world. PETRONAS has four subsidiaries listed on the Bursa Malaysia and has ventured globally into more than 30 countries worldwide in its aspiration to be a leading oil and gas multinational of choice.

Board of Directors

Tan Sri Dato' Seri Mohd Hassan Marican

Acting Chairman

Tan Sri Dr Wan Abdul Aziz Wan Abdullah

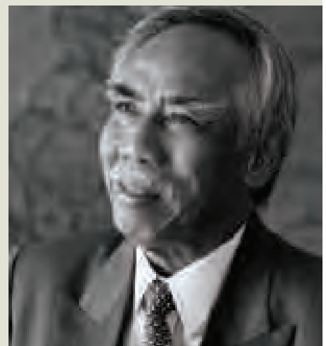
Secretary-General of Treasury, Ministry of Finance

Tan Sri Dr Sulaiman Mahbob

Director-General, Economic Planning Unit, Prime Minister's Department

Tan Sri Khalid Ramli

Director-General, Implementation Coordination Unit, Prime Minister's Department



Abdul Kadir Md Kassim

Advocate & Solicitor

Datuk Anuar Ahmad

Vice President PETRONAS

Datuk Nasarudin Md Idris

Vice President PETRONAS

Wan Zulkiflee Wan Ariffin

Vice President PETRONAS

Mohammed Azhar Osman Khairuddin

(Company Secretary)

Tan Sri Dato' Seri
Mohd Hassan Marican

President &
Chief Executive Officer

(in alphabetical order)

Datuk (Dr) Abdul
Rahim Hj Hashim

Vice President
Research and Technology
Division

Datuk Abdullah Karim

Vice President, PETRONAS
MD/CEO, PETRONAS Carigali
Sdn Bhd

Ahmad Nizam Salleh

Vice President
Corporate Services Division

Datuk Ainon
Marziah Wahi

Vice President
Human Resource Management
Division

Datuk Anuar Ahmad

Vice President
Oil Business

George Ratilal

Vice President
Finance Division

Management Committee

Kamarudin Zakaria

Vice President
Petrochemical Business

Mohammed Azhar Osman Khairuddin

Senior General Manager
Legal & Corporate Affairs Division

Datuk Nasarudin Md Idris

Vice President
Corporate Planning & Development Division

Ramlan Abdul Malek

Vice President
Exploration & Production Business

Datuk Dr Rosti Saruwono

Vice President
Education Division

Dato' Shamsul Azhar Abbas

President/CEO
MISC Berhad

Wan Zulkiflee Wan Ariffin

Vice President
Gas Business

Faridah Haris Hamid

(Secretary)

President & CEO's Message

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

TAN SRI DATO' SERI
MOHD HASSAN MARICAN

President & Chief Executive Officer

The year under review was yet another highly challenging year for us as we continue to strive to create value amidst an increasingly volatile and uncertain global oil and gas industry environment fraught with escalating cost and acute shortage of experienced personnel as well as equipment.

The year saw sustained growth in demand for oil on the back of strong global economic expansion, particularly in China and India. Global demand outstripped supply during the review period, and this, coupled with recurring supply disruptions in some producing countries as well as continuing geopolitical uncertainties particularly in the Middle East, escalated concerns over security of supply.

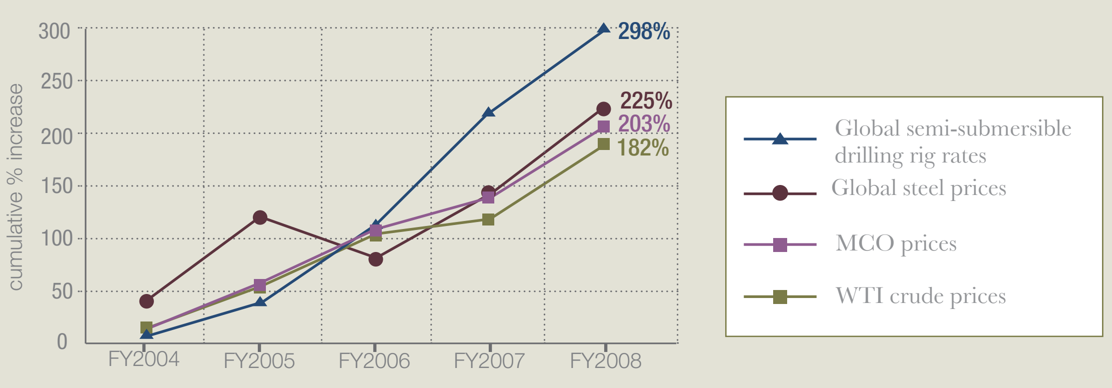
All these developments, compounded by speculative activities, drove crude oil prices to historic highs during the review period. The average price of West Texas Intermediate (WTI) and Brent crude oils increased by 26.7% and 26.5% to USD82.24 per barrel and USD82.31 per barrel respectively during the period while the weighted average price of Malaysian Crude Oil (MCO) rose by 26.7% to USD86.81 per barrel. Strong demand from the transportation sector drove prices of gasoline up by 37.7% to an average of USD102.50 per barrel and diesel by 22.6% to an average of USD94.97 per barrel.

The sustained high oil price environment and strong demand growth over the last few years have resulted in intensification of industry activities. This has driven up costs, in most cases, higher than the increase in crude prices. For example, over the past five years, WTI crude prices recorded a cumulative increase of 182%. In comparison, the daily charter rates for drilling rigs increased by almost 300% and the average price of steel increased by 225% a tonne. In general, the increase in cost has resulted in oil and gas companies incurring higher capital expenditures to sustain operations.

The cost escalation was compounded by the scarcity of and harder-to-find new hydrocarbon reserves located mainly in deeper waters, harsher climatic conditions and environmentally sensitive regions, making access to the reserves more difficult, riskier and technologically more challenging. Worsened by the lack of engineering and construction capacity as well as the acute shortage of experienced personnel, the cost escalation had also led to many projects being delayed and deferred during the year.

In short, the year saw oil and gas companies continuing to operate in a highly challenging environment where escalating costs have eclipsed gains from high prices. More significantly, the combined effects of high prices and high costs have contributed to higher inflation and a general downturn in global economic conditions, particularly for developing nations.

COST VS CRUDE OIL PRICE



Financial Highlights

- Group revenue increased by 21.2% to RM223.1 billion, driven by higher prices and sales volume
- Revenue from international operations increased by 33.1% to RM90 billion, making it the biggest contributor to group revenue for the first time - demonstrating the Group's increasing returns from global investments
- Profit before tax increased by 25.2% to RM95.5 billion, as a result of successful containment of cost impact and enhanced efficiency
- Stronger balance sheet with total assets increasing to RM339.3 billion
- Return on Total Assets and Return on Average Capital Employed of 28.1% and 45.5% respectively

Financial Highlights

The PETRONAS Group recorded a revenue of RM223.1 billion, an increase of 21.2%, primarily due to higher prices and higher sales volume. The Group successfully contained the impact of high costs and posted a 25.2% increase in profit before tax from RM76.3 billion to RM95.5 billion. Profit after tax and minority interests increased by 31.5% from RM46.4 billion to RM61.0 billion.

Apart from the Group's ability to contain costs, this achievement was also largely due to the improved operational efficiency and higher plant reliability achieved across the Group's businesses.

The Group's balance sheet continued to strengthen with total assets rising by 15.2% to RM339.3 billion while shareholder's funds grew to RM201 billion, an increase of 17.6%. Return on Total Assets rose to 28.1% compared to 25.9% in the previous year, while Return on Average Capital Employed (ROACE) remained strong at 45.5%.

Capital expenditure increased by 33.3% to RM37.6 billion during the year, partly as a result of the escalation in cost. Of this, RM20.0 billion was spent in Malaysia, an increase of 36% compared to RM14.7 billion the year before. About 55% of the Group's total capital expenditure was spent in the Exploration and Production (E&P) sector.

We remained focused on adding value to our operations through manufacturing activities comprising the manufacture of petroleum products, Liquefied Natural Gas (LNG), processed gas and petrochemicals. During the year, revenue from manufacturing activities increased from RM102.9 billion to RM120.5 billion.

Our globalisation strategy continues to generate encouraging results. The year saw revenue from international operations increasing by 33.1% to reach RM90.0 billion. This represents 40.3% of the Group's total revenue and made international operations the biggest contributor to Group revenue for the first time, overtaking exports. This reflects not only the growing importance but also the success of the Group's international operations.

Export revenue increased by 18.3% to RM86.8 billion and represented 38.9% of Group revenue. PETRONAS Group's export revenue represented about 14% of Malaysia's total exports over the same period, helped earn valuable foreign exchange for the nation, and at the same time provided a positive contribution towards the country's balance of payments.

Our performance reflects our resilience and ability to efficiently generate returns and profits that compare favourably with the more established major players in the industry. It was also a testimony to the success of our overall strategy of integration, value adding and globalisation. Notably, our continuous emphasis on operational efficiency and reliability, as well as the integrated nature of our operations has successfully cushioned the impact of cost escalation and enabled us to optimise the benefits of higher prices.

Corporate and Operational Highlights

We completed the acquisition of 100% interest in FL Selenia SpA of Italy, Europe's largest independent producer and marketer of branded automotive lubricants during the year. The acquisition brings a well-known brand to the Group's lubricants business and is expected to significantly enhance our global lubricants business, given FL Selenia's significant market share in Europe, its strong OEM relationships and world-class R&D capabilities.

We also increased our equity interest in Star Energy, a gas storage company in the United Kingdom, to 100% during the year to expand and strengthen our position in the UK's downstream gas sector. The acquisition allows us to enter the gas storage business, participate in gas supply trading opportunities in the UK and build our capability in these areas.

In January 2008, our Logistics and Maritime arm, MISC Berhad (MISC) announced the proposed reverse takeover of Ramunia Holdings Berhad (Ramunia) through the disposal of its entire equity interest in Malaysia Marine and Heavy Engineering Sdn Bhd (MMHE) to Ramunia. The enlarged entity is expected to derive synergistic benefits of expanded fabrication yard capacity as well as the sharing of expertise and resources. The takeover is expected to be completed by the end of 2008.

The Kikeh field, Malaysia's first deepwater project, achieved first oil production on 17 August 2007. Production from the field will reach an average of 120,000 barrels of oil per day, helping to sustain Malaysia's crude oil production levels.

Continuous Operational Performance Improvement (OPI) initiatives helped our domestic refineries to increase their average utilisation and reliability rates to 96.7% and 98.2% respectively. Notably, the three domestic refineries were ranked top three for refinery utilisation in the latest Solomon Index, a biennial benchmarking exercise conducted by an independent consultant on 60 refineries in Asia Pacific. In the meantime, our gas processing and transmission arm, PETRONAS Gas Berhad (PGB) sustained world-class operations standards for its Gas Processing Plants and pipeline network with reliability rates of nearly 100%.

Corporate Highlights

- Acquired FL Selenia to support the growth of the Group's global lubricant business
- Acquired Star Energy plc to strengthen position in the United Kingdom gas market
- Proposed reverse takeover of Ramunia Holdings Bhd expected to be completed in 2008

Operational Highlights

- Commenced oil production from the Kikeh field, Malaysia's first deepwater project
- Recorded a respectable reserves replacement ratio (RRR) of 0.9 times for the year, comparable to other industry players
- Achieved a combined utilisation rate of 91.6% for oil refineries, with domestic refineries attaining the highest capacity utilisation in the entire Asia Pacific region
- Sustained world-class operational standards for gas processing plants and pipeline network with reliability rates of 99.7% and 99.99% respectively

Corporate Sustainability Highlights
Corporate sustainability is embedded in our business culture and is reflected in our ability to effectively integrate corporate governance, safety and commitment to environmental and social responsibility in all aspects of our business.

Our emphasis on Health, Safety and the Environment continues to yield positive results with Total Reportable Case Frequency recorded by the Group and its contractors declining by 41% during the year.

The Group also continues to be acknowledged for its commitment to social development with several awards won for its education and anti-drug awareness initiatives during the year.

Looking Ahead
The challenge for the oil and gas industry to meet global energy needs reliably and efficiently is becoming more daunting as higher inflation is precipitating increasing political and social instability in many countries around the world. This is set to amplify the scale of uncertainties in the already complex and volatile oil and gas industry, and further intensify competition amidst an environment of increasingly difficult and limited access to reserves, compounded by acute shortage of experienced personnel as well as equipment.

Despite being a relatively young company, PETRONAS has come a long way in the highly competitive, volatile and uncertain global oil and gas industry. The success of PETRONAS all these years would not have been possible without the support of its sole shareholder - the Government of Malaysia, and all its stakeholders particularly its host governments, local communities, business partners, customers and above all, its dedicated and hardworking employees.

Our success in the past was achieved on a strong foundation that was built over the years. We believe that the solid foundation will serve us well in facing the challenges ahead. Our integrated business model and strategy, our prudent and effective management policies coupled with our focus on operational excellence allows us to be resilient, agile and versatile in facing market volatilities to maximise returns across the entire value chain. Our cohesive team of talented, competent and passionate leaders groomed over the years is prepared and willing to take on the challenge to take the organisation to greater heights.

We remain committed to our philosophy of success through mutually-beneficial partnerships based on trust, respect and understanding. We will continue to be guided by our Shared Values of Loyalty, Integrity, Professionalism and Cohesiveness in delivering value to meet and exceed the expectations of all our stakeholders, as we continue to pursue our vision "To be a Leading Oil and Gas Multinational of Choice."

Appreciation
In closing, I would like to record my heartfelt appreciation to the entire PETRONAS family around the world for their contributions that have been instrumental to the success of the organisation thus far. I would also like to express my sincere gratitude to the Government of Malaysia, the governments of our host countries and local communities for their support, our business partners and customers for their cooperation, and the members of the Board of Directors for their invaluable counsel and guidance. I look forward to the sustained support of everyone to ensure our continued success.

TAN SRI DATO' SERI MOHD HASSAN MARICAN
President & Chief Executive Officer
15 July 2008

FIVE-YEAR FINANCIAL HIGHLIGHTS

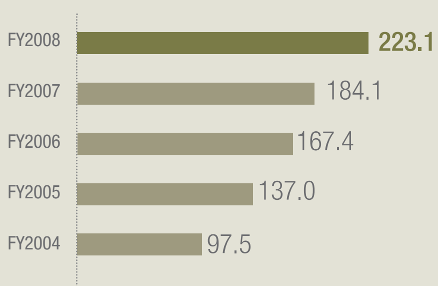
RM billion

	FY2008	+/-	FY2007	FY2006	FY2005	FY2004
Revenue	**223.1**	**21.2%**	184.1	167.4	137.0	97.5
Profit Before Tax	**95.5**	**25.2%**	76.3	69.4	58.0	37.4
EBITDA	**109.9**	**23.9%**	88.7	80.9	68.1	47.8
Net Profit	**61.0**	**31.5%**	46.4	43.1	35.6	23.7
Total Assets	**339.3**	**15.2%**	294.6	273.0	239.1	203.2
Shareholder's Funds	**201.0**	**17.6%**	170.9	147.0	119.7	102.7

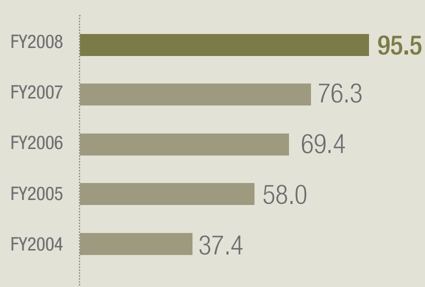
	FY2008	FY2007	FY2006	FY2005	FY2004
Return on Revenue	**42.8%**	41.4%	41.5%	42.3%	38.4%
Return on Total Assets	**28.1%**	25.9%	25.4%	24.3%	18.4%
Return on Average Capital Employed	**45.5%**	40.9%	41.6%	38.5%	28.7%
Total Debt/Total Assets Ratio	**0.11x**	0.12x	0.16x	0.22x	0.28x
Reserves Replacement Ratio	**0.9x**	1.8x	1.7x	0.7x	2.6x

RM billion

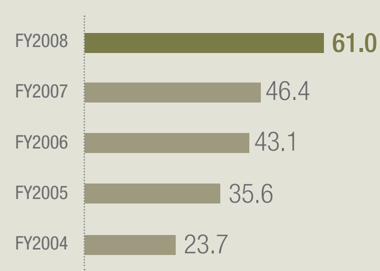
Revenue



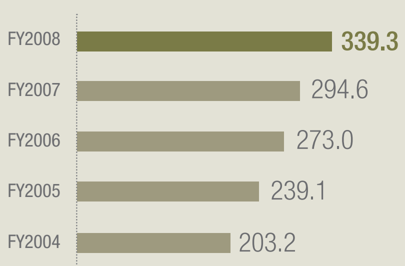
Profit Before Tax



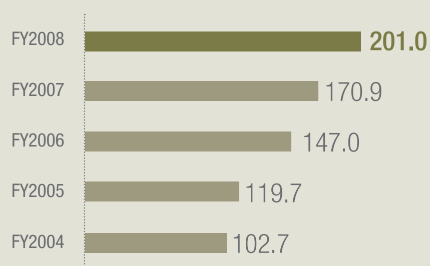
Net Profit



Total Assets



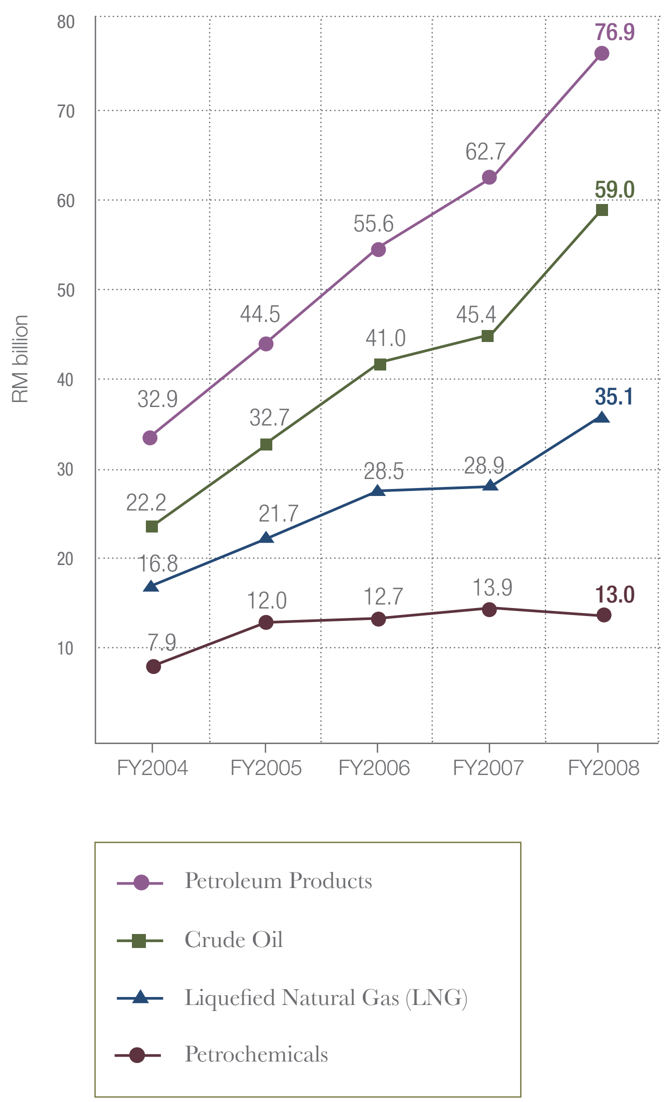
Shareholder's Funds



Review of Financial Results

The higher revenue of RM233.1 billion recorded during the year was driven not only by higher prices and sales volume but also improved operational efficiency and reliability achieved across the Group's businesses.

Sales Revenue



Sales Volume

PETROLEUM PRODUCTS
(million barrels)

FY2008 **231.1**
7.0%
FY2007 215.9

Sales volume increased in line with higher global demand for petroleum products

CRUDE OIL
(million barrels)

FY2008 **200.9**
4.4%
FY2007 192.4

Increased crude oil sales volume from debut of two Malaysian Crude Oils - Abu Blend and Kikeh

LIQUEFIED NATURAL GAS
(million tonnes)

FY2008 **25.1**
4.1%
FY2007 24.1

Higher off-take by Japanese and South Korean buyers led to the increase in LNG sales volume

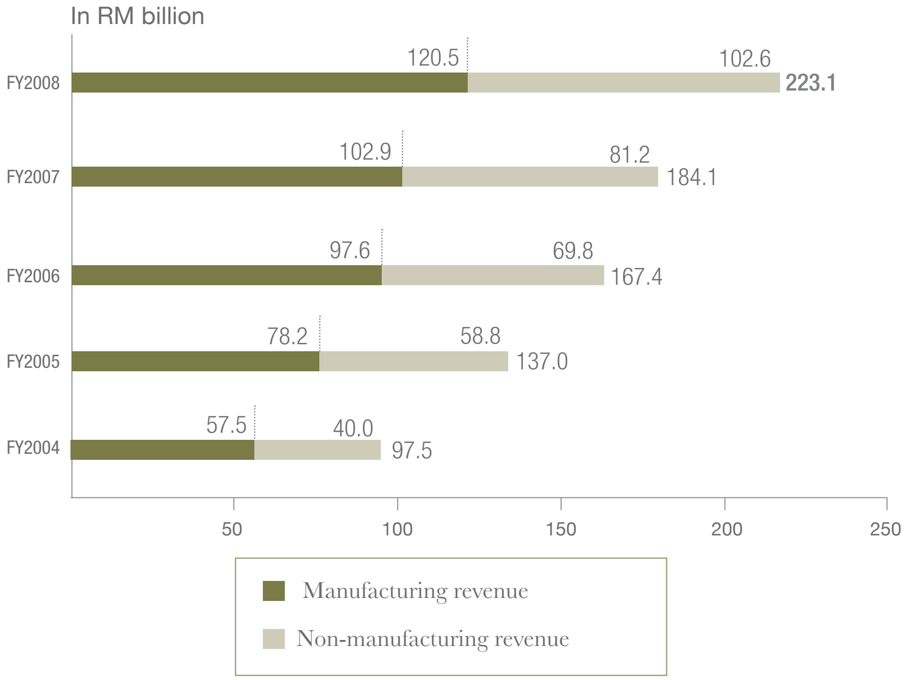
PETROCHEMICALS
(million tonnes)

FY2008 **5.8**
9.4%
FY2007 6.4

Sales volume decreased as a result of lower production due to maintenance activities

Adding Value through Manufacturing

The Group's manufacturing activities, comprising the manufacture of petroleum products, LNG, processed gas and petrochemicals, continue to add significant value to its oil and gas resources.



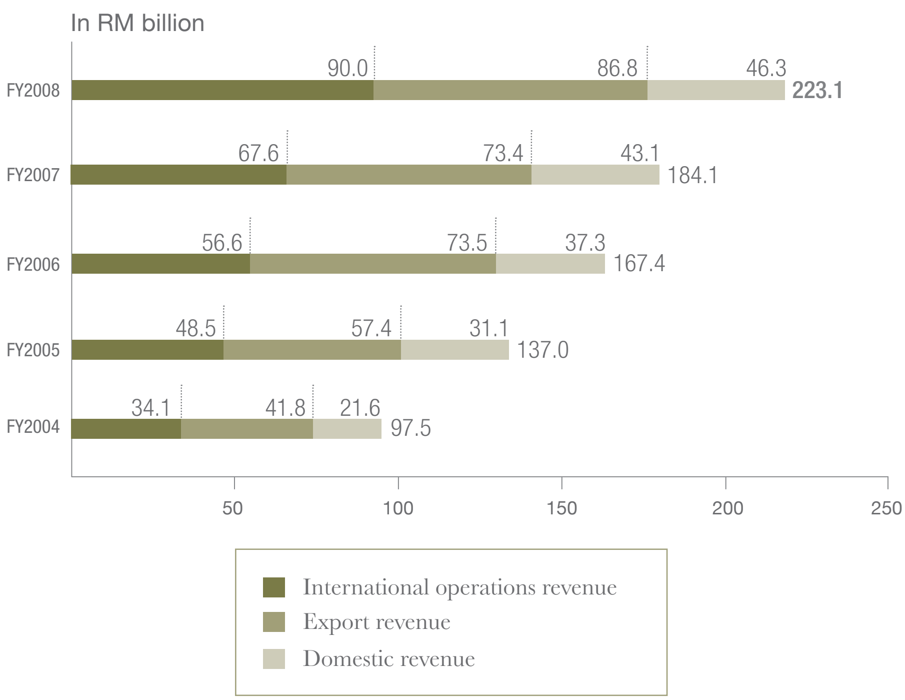
COMPOUND ANNUAL GROWTH RATE (CAGR)

MANUFACTURING ACTIVITIES

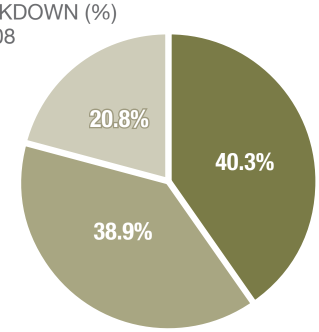
20.3%

Strengthening International Business

Revenue from international operations has been growing steadily and has now become the biggest contributor to the Group's revenue, reflecting the success of its globalisation strategy.



REVENUE BREAKDOWN (%) FY2008



COMPOUND ANNUAL GROWTH RATE (CAGR)

INTERNATIONAL OPERATIONS REVENUE

27.5%

The discovery of new deepwater reserves offshore Sabah has added further years to Malaysia's reserves life, securing energy for the country's continued growth. Substantial capital expenditure is required to monetise the oil and gas found here including the building of subsea pipelines, an oil and gas receiving terminal, and a gas transmission pipeline.

By investing in oil and gas infrastructure and positioning Malaysia as the regional deepwater centre of excellence, PETRONAS is aiming to gain maximum value from Malaysia's deepwater resources for the benefit of the nation.

Resilience

In light of escalating costs driven by the high oil price environment, PETRONAS rises to tackle the many challenges we face in meeting the expectations of our stakeholders. Our overall strategy of integration, value-adding and globalisation, coupled with effective management policies and operational excellence, has served and continues to serve us well in addressing the challenges encountered by the volatile and unpredictable oil and gas industry.

"Malaysia has become the first ASEAN nation to develop a world-class deepwater oil field and by establishing a significant part of the development capability in-country has set in place a strong foundation for a regional deepwater hub for the development of other fields. All of this while achieving outstanding results to world standards and best-in-class industry performance. A proud accomplishment."

David Wood
Executive Vice President, Murphy Oil Corporation &
President, Murphy Exploration And Production Company

Exploration and Production Business

Maximising value, positioning for long-term growth

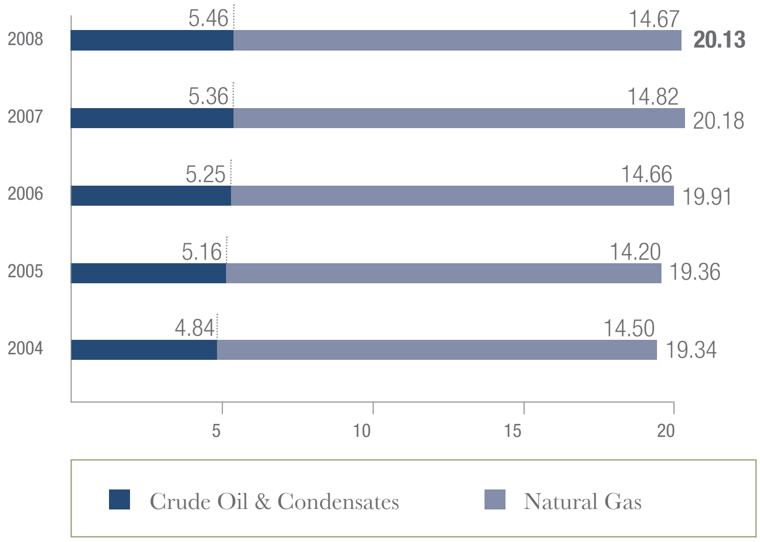
Highlights

- Strong total reserves at 26.37 billion barrels of oil equivalent (boe). International reserves account for 23.7% of the Group's total reserves
- Reserves Replacement Ratio (RRR) of 0.9 times for the Group, with an RRR of 0.9 times in Malaysia and 0.6 times internationally
- Total production of 1.77 million boe per day. International production rose to 615.1 thousand boe per day, equivalent to 34.7% of the Group's total production
- Commenced oil production from the Kikeh field, Malaysia's first deepwater project
- Awarded four new Production Sharing Contracts (PSCs) in Malaysia – including one deepwater and one onshore
- Secured 13 new PSCs abroad, bringing the number of international upstream ventures to 63 in 23 countries

DOMESTIC EXPLORATION AND PRODUCTION

Malaysia's Oil and Gas Reserves

As at 1 January in billion barrels of oil equivalent



As at 1 January 2008, Malaysia's total reserves had decreased slightly by 0.2%.

RESERVES REPLACEMENT RATIO

MALAYSIA
0.9x

CRUDE OIL AND CONDENSATES

2008	**5.46**	
		1.9%
2007	5.36	

Discoveries from exploration activities coupled with implementation of Enhanced Oil Recovery and Full Field Review initiatives contributed to the increase in oil reserves.

TOTAL OIL AND GAS

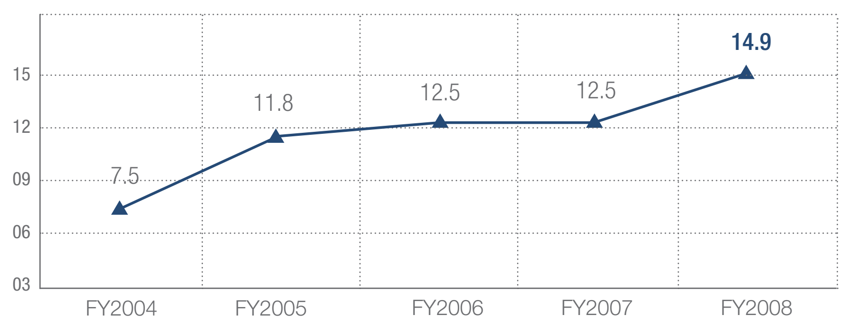
2008	**20.13**	
		-0.2%
2007	20.18	

NATURAL GAS

2008	**14.67**	
		-1.0%
2007	14.82	

Reassessment of gas reserves offshore Sarawak saw a small decline in gas reserves for the nation.

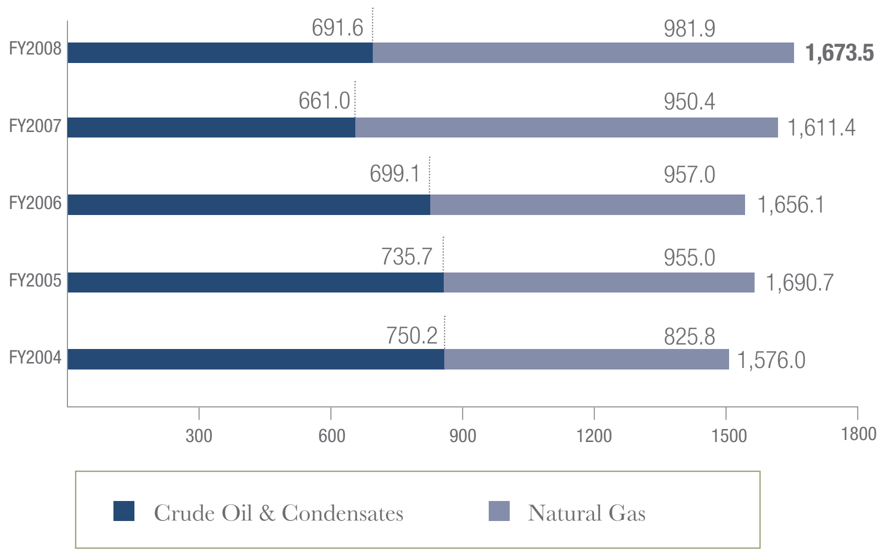
DEEPWATER RESERVES AS A % OF TOTAL RESERVES



Malaysia's reserves from the deepwater areas has doubled over the past five years.

Malaysia's Oil and Gas Production

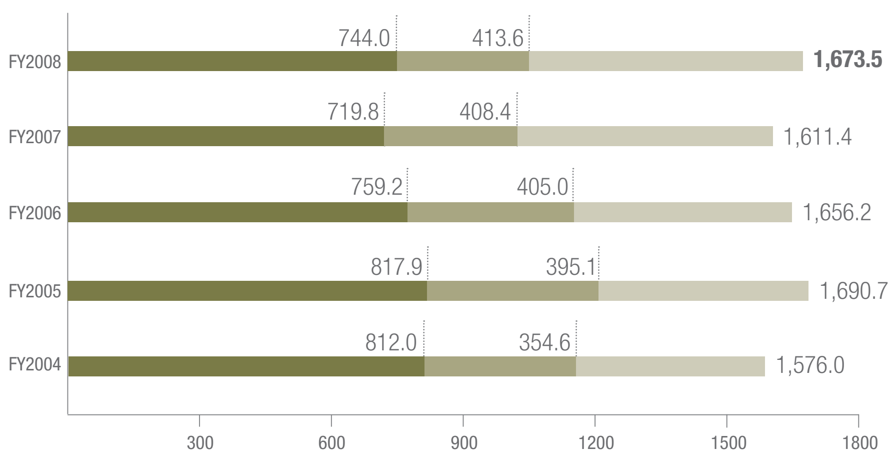
In '000 barrels of oil equivalent per day



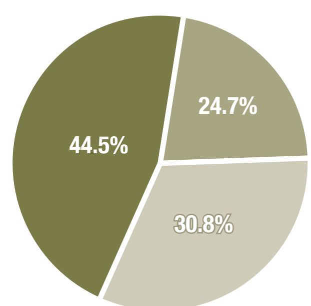
Average national production rose by 3.9% due to first oil from the Kikeh Deepwater Block and Abu field, as well as gas from the Tabu field.

Increased operational reliability was also instrumental to the increase.

BREAKDOWN OF MALAYSIA'S PRODUCTION



PRODUCTION SHARE FY2008



PETRONAS entitlement   PETRONAS Carigali's production   Other Oil Companies' production

PETRONAS ENTITLEMENT OF AVERAGE DOMESTIC PRODUCTION

FY2008	**744.0**
	3.4%
FY2007	719.8

PETRONAS CARIGALI'S AVERAGE DOMESTIC PRODUCTION

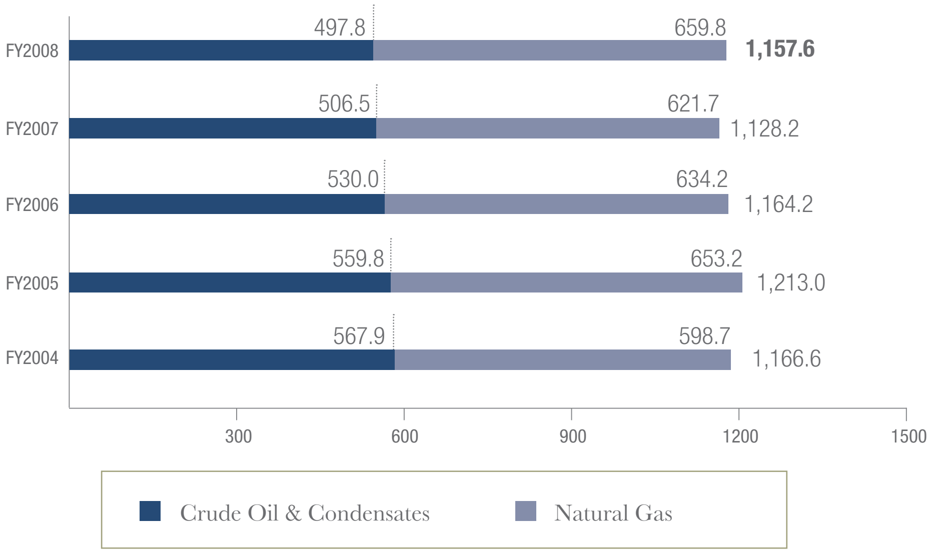
FY2008	**413.6**
	1.3%
FY2007	408.4

COMBINED PETRONAS SHARE OF DOMESTIC PRODUCTION

FY2008	**1,157.6**
	2.6%
FY2007	1,128.2

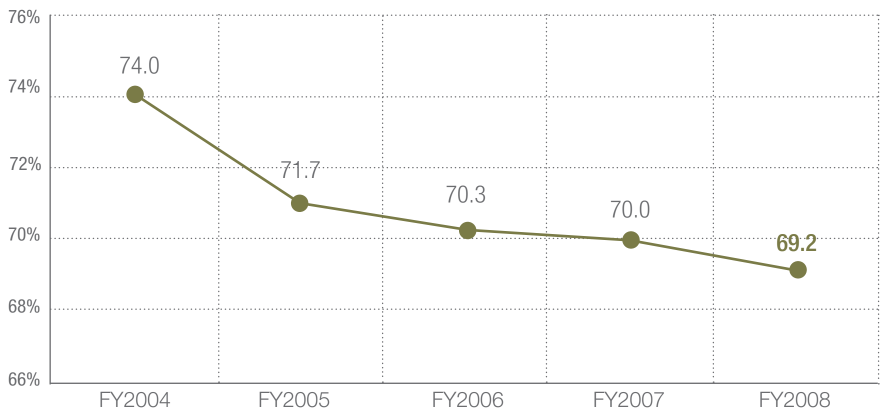
PETRONAS' Share of Malaysia's Production

In '000 barrels of oil equivalent per day



While the volume of Malaysia's oil and gas production has risen, PETRONAS' share of the production has been on a decline as a result of higher development and production costs.

PETRONAS SHARE AS A % OF MALAYSIA'S PRODUCTION



Developments In The Malaysian Upstream Sector

Malaysia's E&P sector remained vibrant despite the increasingly challenging and costlier environment characterised by maturing hydrocarbon acreages and scarcity in the supply of materials, equipment and experienced human capital.

New Production Sharing Contracts (PSC)

Four new PSCs were awarded during the year, bringing the total up to 67 PSCs in operation in Malaysia, with 23 in Peninsular Malaysia, 21 in Sarawak and 23 in Sabah.

SB312	SK333	KEBABANGAN CLUSTER	KINABALU DEEP & EAST
• PETRONAS Carigali Sdn Bhd: 60% • KUFPEC: 40%	• Nippon Oil Exploration Ltd: 75% • PETRONAS Carigali Sdn Bhd: 25%	• PETRONAS Carigali Sdn Bhd: 40% • Shell Energy Asia Ltd: 30% • ConocoPhillips Sabah Gas Ltd: 30%	• PETRONAS Carigali Sdn Bhd: 100%

New Fields in Production

Three new fields came onstream increasing the total number of producing fields in Malaysia to 88, of which 61 are oil fields and 27 are gas fields.

- KIKEH FIELD, OFFSHORE SABAH

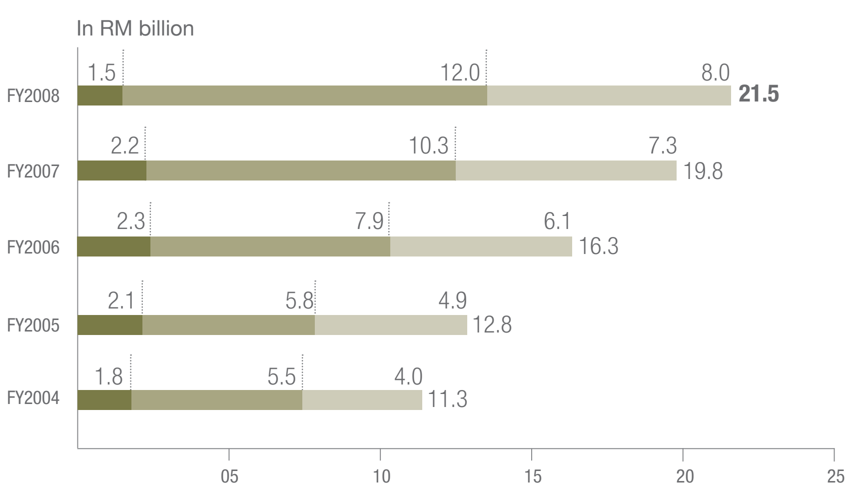
  Malaysia's first deepwater field came onstream, utilising a turret-moored Floating Production, Storage and Offloading facility with a Truss Spar floating production unit, the first of its kind outside the Gulf of Mexico.

- ABU FIELD, OFFSHORE TERENGGANU

- TABU FIELD, OFFSHORE SARAWAK

Upstream Expenditure

Expenditure in the Malaysian E&P sector has nearly doubled over the past 5 years.



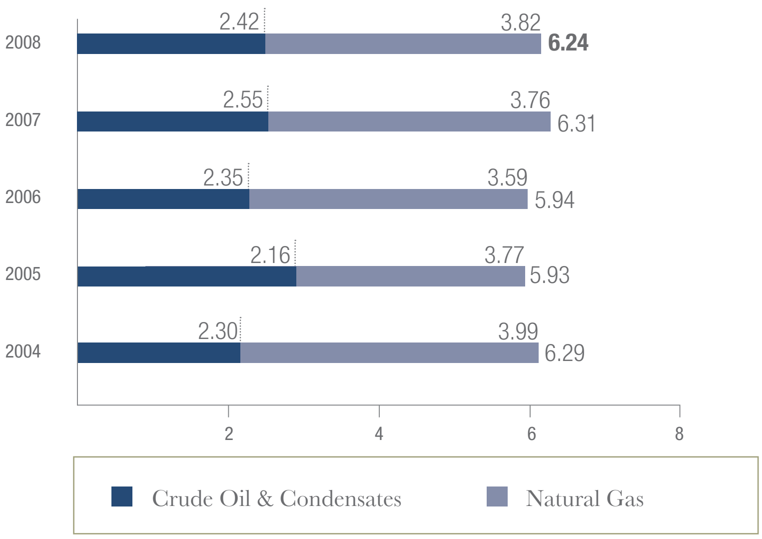
A total of RM21.5 billion was spent in Malaysia's upstream sector during the year, higher by about 12.0% from the previous year. 55.8% was spent on development and production projects, 7.1% on exploration activities, and the balance on operations.

- Capital expenditure for exploration
- Capital expenditure for development and production
- Operation of existing assets

INTERNATIONAL EXPLORATION AND PRODUCTION

International Oil and Gas Reserves

As at 1 January in billion barrels of oil equivalent

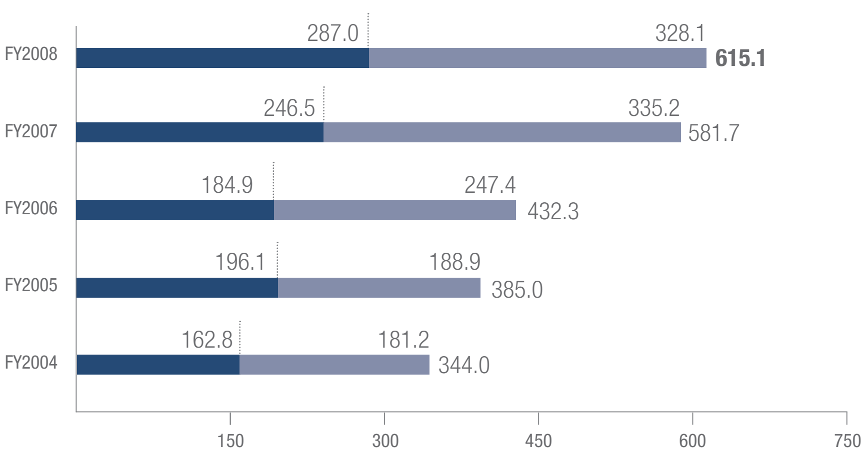


Reserves from international operations decreased by 1.1%. The decline in crude oil and condensates reserves was offset by increasing natural gas reserves contributed mainly by acquisitions in Ethiopia and Mauritania.

RESERVES REPLACEMENT RATIO	INTERNATIONAL
	0.6x

International Oil And Gas Production

In '000 barrels of oil equivalent per day



Total average production from PETRONAS' international operations continues to rise, with an increase of 5.7% from the previous year.

CRUDE OIL AND CONDENSATES		
	FY2008	**287.0**
		16.4%
	FY2007	246.5

Higher production was recorded due to new fields coming onstream in Sudan, especially from Block 5A and Block 3 & 7.

TOTAL OIL AND GAS		
	FY2008	**615.1**
		5.7%
	FY2007	581.7

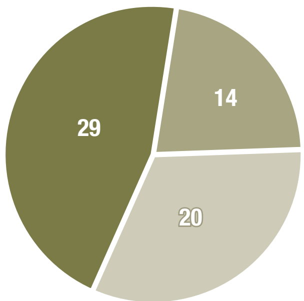
NATURAL GAS		
	FY2008	**328.1**
		-2.1%
	FY2007	335.2

Production was marginally lower due to shutdown of facilities for maintenance within the Malaysia-Thai Joint Development Area.

International Upstream Activities

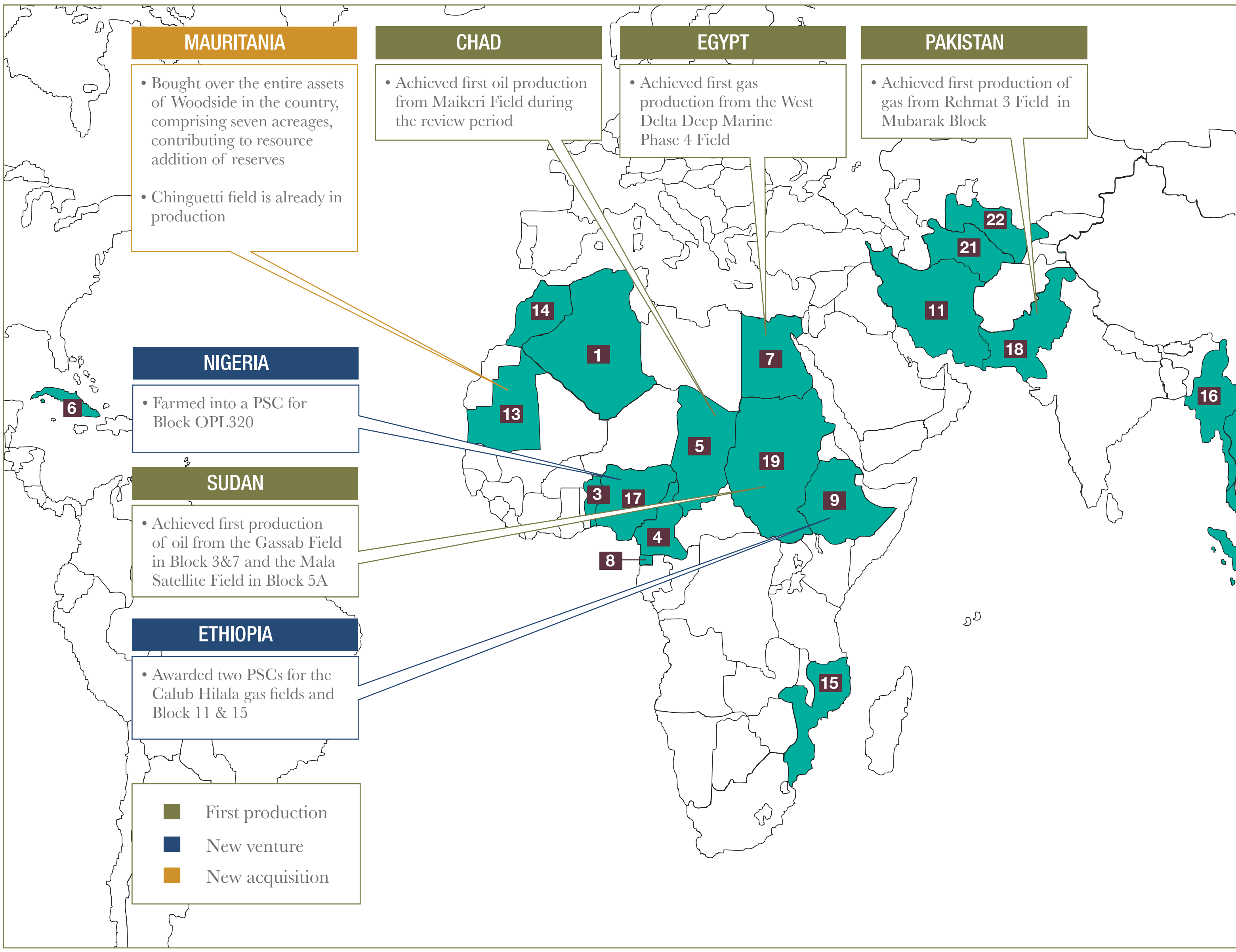
PETRONAS' international upstream ventures are undertaken by its E&P arm, PETRONAS Carigali Sdn Bhd (PCSB).

PCSB's ROLE IN ITS INTERNATIONAL VENTURES

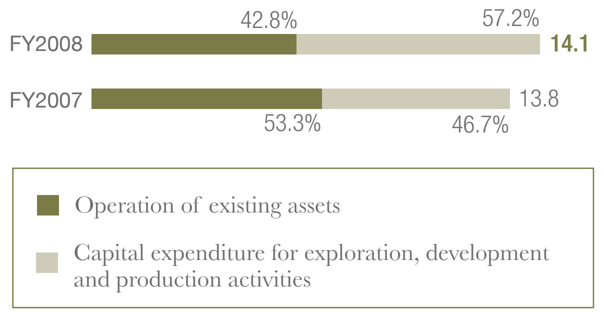


Operator
Joint Operator
Active Partner

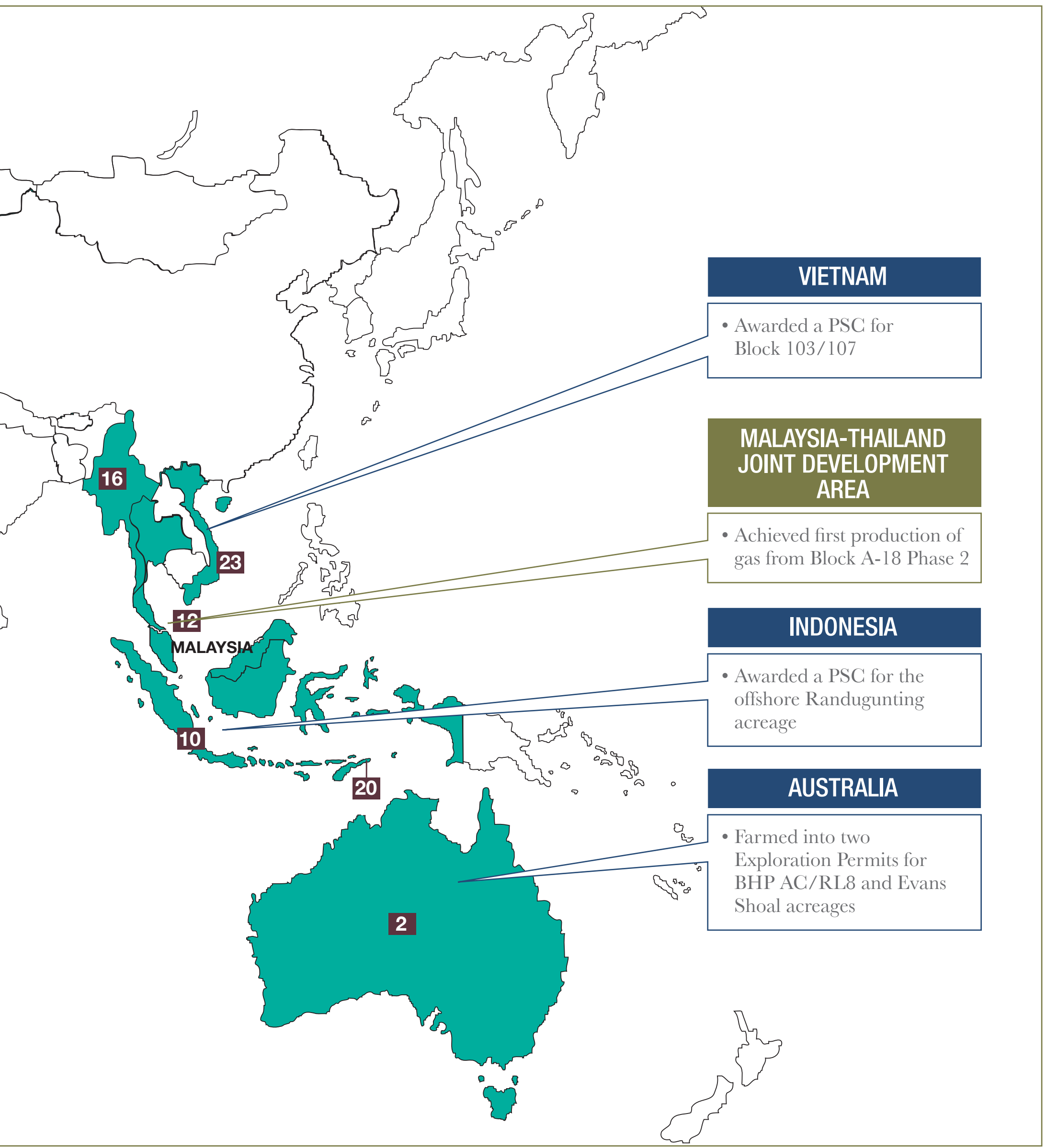
The Group successfully secured thirteen new ventures abroad during the year, bringing the number of international ventures to 63 in 23 countries.



INTERNATIONAL E&P EXPENDITURE
(RM billion)



Our E&P expenditure reflects our expanding search for new oil and gas reserves globally.



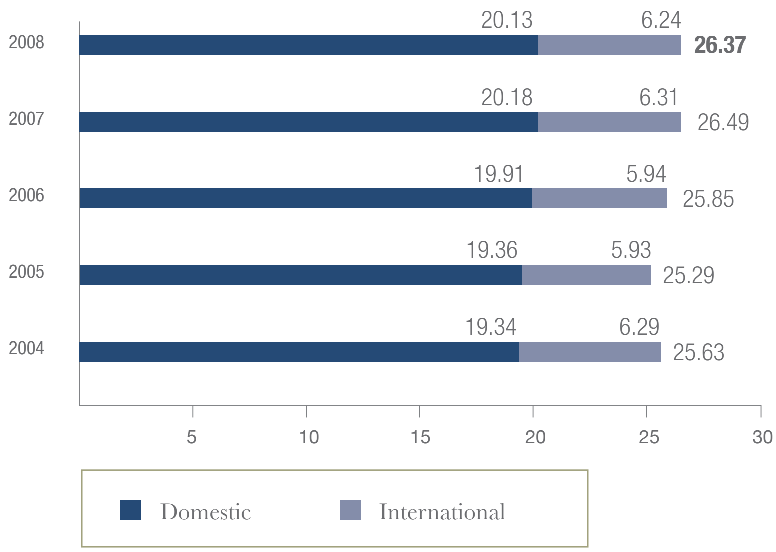
INTERNATIONAL UPSTREAM OPERATIONS

1	Algeria
2	Australia
3	Benin
4	Cameroon
5	Chad
6	Cuba
7	Egypt
8	Equatorial Guinea
9	Ethiopia
10	Indonesia
11	Iran
12	Malaysia-Thailand Joint Development Area
13	Mauritania
14	Morocco
15	Mozambique
16	Myanmar
17	Nigeria
18	Pakistan
19	Sudan
20	Timor Leste Joint Production Area
21	Turkmenistan
22	Uzbekistan
23	Vietnam

PETRONAS GROUP OIL EXPLORATION AND PRODUCTION

PETRONAS Group Oil and Gas Reserves

As at 1 January in billion barrels of oil equivalent

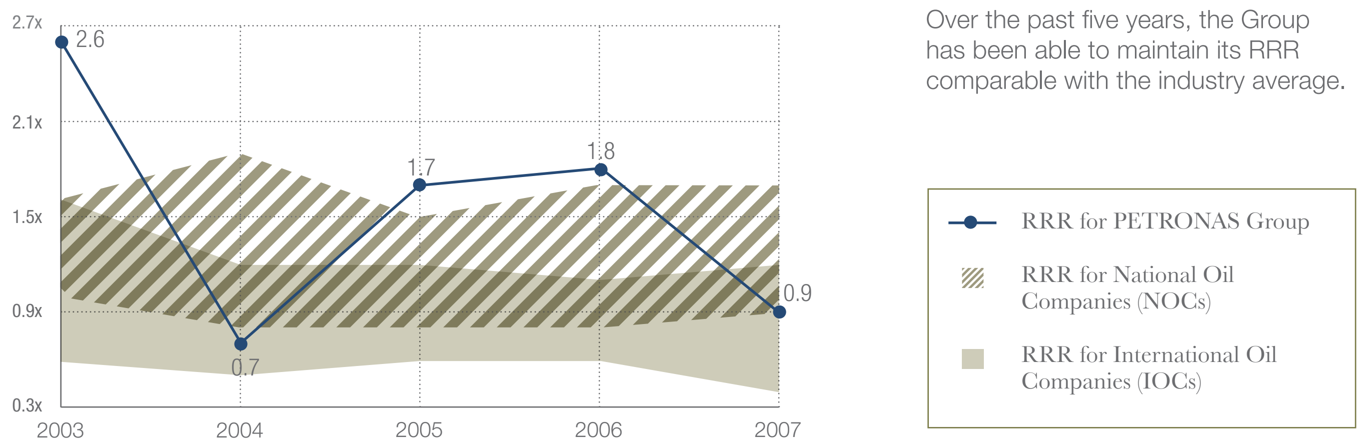


Overall, the Group's total reserves stood at 26.37 billion boe, of which 23.7% was from international ventures.

RESERVES REPLACEMENT RATIO (RRR)

PETRONAS Group
0.9x

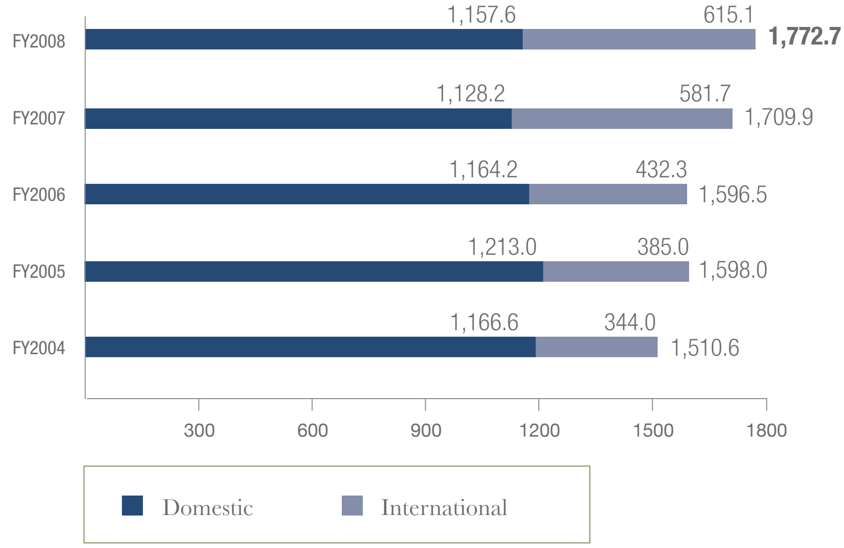
PETRONAS GROUP RRR COMPARED TO OTHER OIL MAJORS



Over the past five years, the Group has been able to maintain its RRR comparable with the industry average.

PETRONAS Group Oil and Gas Production

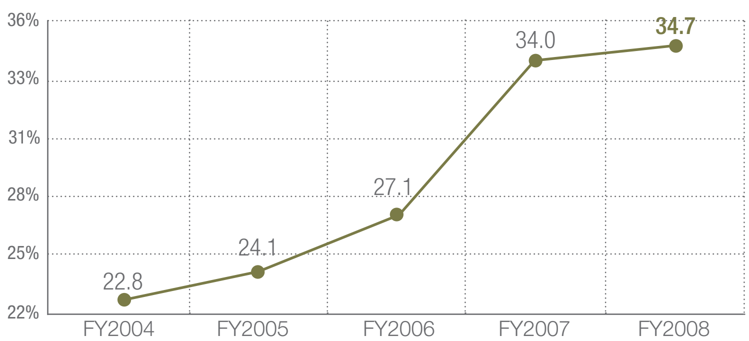
In '000 barrels of oil equivalent per day



PETRONAS Group's total average production increased by 3.7%.

Crude oil and condensates production had risen by 4.2% while natural gas production has also increased by 3.2%.

INTERNATIONAL PRODUCTION AS A % OF PETRONAS GROUP PRODUCTION



Over the past five years, international production has grown from 23% to now account for 35% of PETRONAS' total production.

The contribution is a reflection of the Group's growing success in the international E&P arena.

PETRONAS' foray into Sudan in 1996 began when we were invited by the Government of Sudan to undertake upstream activities in the Muglad and Melut Basins. Hand in hand with our commercial objectives, we also set out to develop local capability in the oil and gas industry to support our host nation's aspirations.

The setting up of strategic alliances between PETRONAS subsidiaries and local service and support companies accelerated capability building through the transfer of technology and expertise. In addition, PETRONAS promotes local involvement in the petroleum sector through skills training and job opportunities.

Competency

Through partnerships established with other oil and gas players in our early years, we built our own capability in exploring and developing our own petroleum resources, adding value to our nation's precious assets.

Today we have developed our own strengths and competencies to be able to venture out and offer more value to our own businesses and those of our partners. We believe in learning and prospering together in win-win partnerships for all.

"We welcome companies which can give and take also. The concept is win-win situation, the companies who can develop, who can add value to our resources here, who can train our people, communicate with our society, carry out some social development, interact with our people. I think PETRONAS is one of these companies."

Salih Gaffar Mohamed,
General Manager, Sudapet Company Ltd.

Oil Business

Maximising synergy and returns through expansion of integrated and value-adding activities

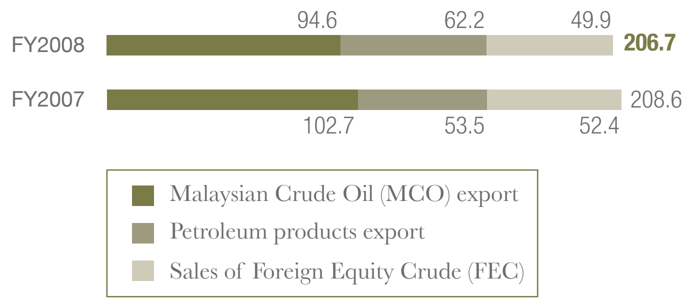
Highlights

- Expanded the Group's crude oil marketing portfolio with the debut of two new Malaysian Crude Oils (MCO): the Abu Blend and Kikeh crude oil
- Improved capacity utilisation of the Group's refineries to 91.6%
- Strengthened its petroleum products market leadership positions in Malaysia and South Africa at 44.1% and 26.7% market shares respectively
- Completed the acquisition of FL Selenia SpA, an important milestone in the Group's continuous efforts to build and enhance its global lubricants business

OIL BUSINESS INTEGRATED ACTIVITIES

In million barrels

MARKETING



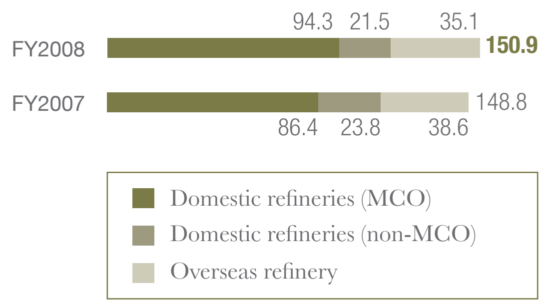
The Group's total marketing volume for crude oil and petroleum products declined by 0.9%, as a result of lower MCO exports and FEC sales.

We exported 7.9% less volume of MCO compared to last year, due to higher processing of MCO in our domestic refineries.

In line with the increase in demand for diesel, jet fuel and LPG, our export of petroleum products increased by 16.3%.

The FEC sales volume from the Group's international production decreased by 4.8%, mainy due to lower entitlement from our Iran operations.

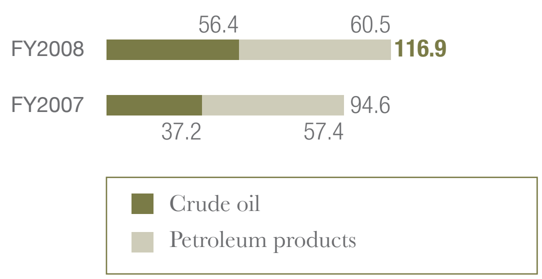
REFINING



The Group's refining business, comprising three refineries in Malaysia and one in South Africa, delivered 1.4% higher throughput compared to last year.

Operational efficiency and higher reliability in the Group's refineries resulted in a higher overall utilisation rate of 91.6%.

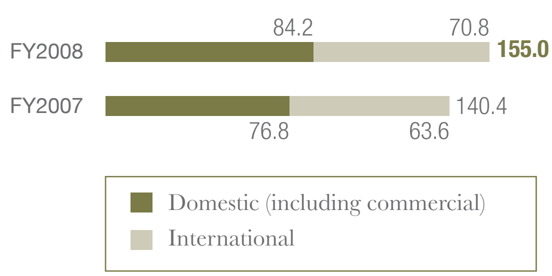
TRADING



PETRONAS continued to be active in crude oil and petroleum products trading to optimise its position in the market and to enhance its value-adding capability.

During the year, our crude oil and petroleum products trading volume increased by 23.6% from the previous year.

PETROLEUM PRODUCTS RETAIL

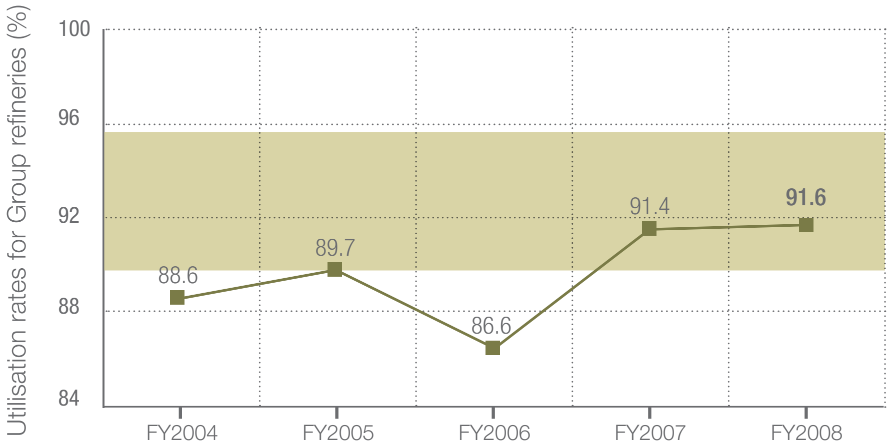


Total sales volume from the Group's petroleum products retail business increased by 10.4%, contributed by higher sales volume from both domestic and international sectors.

REFINING

Refinery Performance

Operational efficiency and higher reliability enabled the Group to improve the capacity utilisation of its refineries while successfully reducing cost.



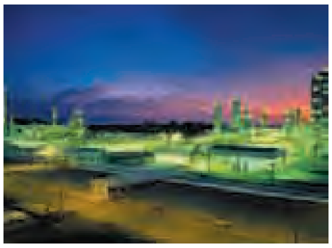
Our refineries in Melaka and Terengganu were ranked in the top three against a total of 60 refineries evaluated in the Asia Pacific region based on the latest Solomon Benchmarking results for refinery utilisation.

Top quartile of 2006 Solomon Benchmarking index for refinery utilisation (Asia Pacific region)

Upgrading Our Refineries

In line with its value-adding strategy, the Group embarked on several projects to increase capacity and upgrade its refineries.

Terengganu refinery
With the successful debottlenecking of its Crude Distillation Unit during the review period, the Terengganu refinery has increased its nameplate capacity from 40,000 bpd to 49,000 bpd.



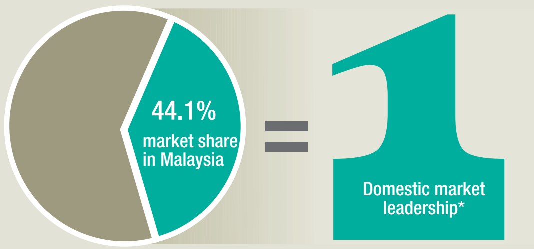
Melaka refinery
The Melaka refinery is currently undergoing a revamp to increase its capacity by about 40,000 bpd, from 130,000 bpd to 170,000 bpd, with target completion in 2009. It is also being further upgraded to enhance its ability to process high acid crude oil, especially from the Group's international operations.

The Group's Lubricant Base Oil plant in the refinery is scheduled for completion by the end of 2008 to supply 6,500 bpd of base oil to the global market.

The cogeneration plant was successfully commissioned in October 2007 and generates electricity and steam for the refinery's usage. Additional generating capacity is planned for operation in early 2009.

PETROLEUM PRODUCTS RETAIL

The Group's domestic retail arm, PETRONAS DAGANGAN BERHAD, registered another successful year with higher sales volume and continued expansion.



NUMBER OF RETAIL STATIONS NATIONWIDE

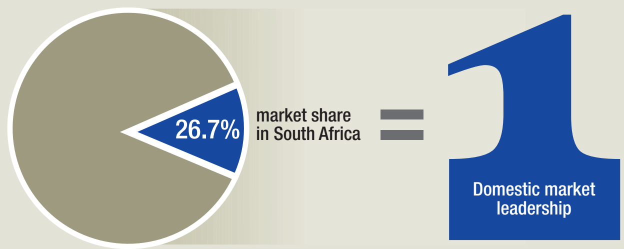
FY2008 892

60

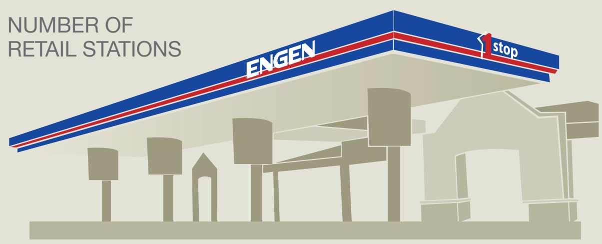
FY2007 832

* Combined retail, commercial and LPG sectors

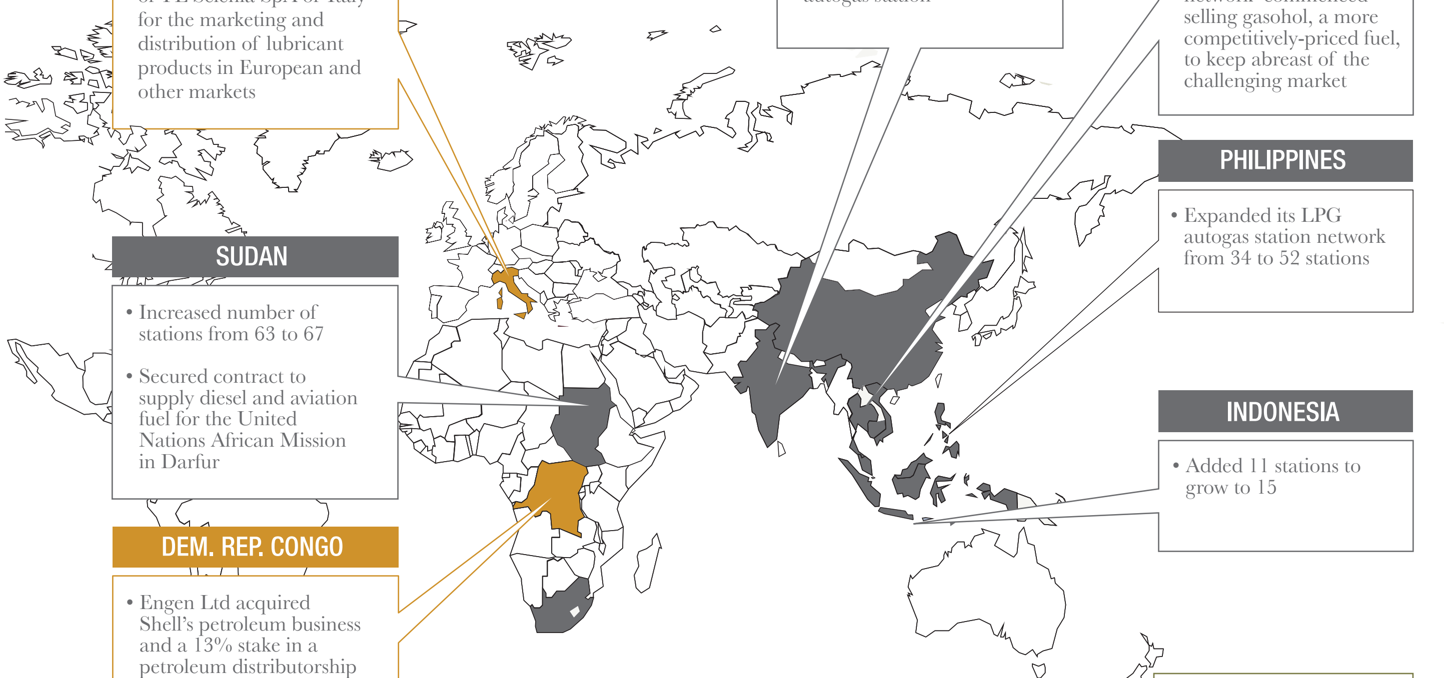
Our subsidiary, ENGEN LTD, retained its domestic market leadership in South Africa.



NUMBER OF RETAIL STATIONS



1,429 across the African continent, with 1,218 in South Africa



ITALY

- Completed the acquisition of FL Selenia SpA of Italy for the marketing and distribution of lubricant products in European and other markets

SUDAN

- Increased number of stations from 63 to 67
- Secured contract to supply diesel and aviation fuel for the United Nations African Mission in Darfur

DEM. REP. CONGO

- Engen Ltd acquired Shell's petroleum business and a 13% stake in a petroleum distributorship in the Democratic Republic of Congo

INDIA

- Opened its first LPG autogas station

THAILAND

- 49% of our retail network commenced selling gasohol, a more competitively-priced fuel, to keep abreast of the challenging market

PHILIPPINES

- Expanded its LPG autogas station network from 34 to 52 stations

INDONESIA

- Added 11 stations to grow to 15

■ Existing markets

■ New acquisition

On 29 January 2008, we celebrated the 25th anniversary of the first shipment of Liquefied Natural Gas (LNG) from our complex in Bintulu, Sarawak to Japan. The achievement of an unblemished record of more than 5,000 safe and on-schedule deliveries since 1983 is a testimony of our strong commitment to meet customer needs in a flexible and timely manner.

This commitment to reliable service and supply also extends to our upstream facilities, refineries, petroleum products retail network, gas processing and distribution network, petrochemical plants, and all our other business activities in more than 30 countries around the globe.

Reliability

PETRONAS understands that reliability is of utmost importance to its customers. Our delivery track record coupled with our flexibility in meeting customer requirements have earned us the reputation as a trusted supplier and partner.

"As Japan's leading power utility company in a country heavily dependent on imports for its energy needs, our main obvious requirement is to ensure the stability of supply. Among the factors that have influenced our decision to renew the Sale & Purchase Agreement(SPA) with Malaysia LNG(MLNG) for a minimum of 15 years, is the degree of trust and cooperation that has enabled us to experience firsthand the consistent and concerted efforts by the MLNG partners, and the dedication of everyone involved, towards ensuring the timely and safe delivery of all contracted cargoes to LNG customers in Japan."

Tsunehisa Katsumata,
Chairman, Tokyo Electric Power Co, Inc

Gas Business

Reliable supplier to domestic and international gas markets

Highlights

- ✦ Increased volume of natural gas sold domestically by 3.8% to 2,543 million standard cubic feet per day (mmscfd)
- ✦ Achieved a reliability rate of 99.99% for gas pipeline network, exceeding the world-class standard of 99.90%
- ✦ Higher production volume of 24.1 million tonnes of LNG, an increase of 0.8 million tonnes from the previous financial year
- ✦ Increased equity in Australia's APA Group to 16.76%, becoming the single largest shareholder in APA Group
- ✦ Acquired 100% equity in Star Energy to strengthen position in the UK gas market
- ✦ Acquired 50% of Milford Energy Ltd, marking entry into power business overseas

GAS PROCESSING AND TRANSMISSION

The Group's gas processing and transmission business recorded a 3.8% higher total average sales gas volume, primarily due to higher demand for gas from the domestic industrial and petrochemical sectors.

TOTAL AVERAGE SALES GAS VOLUME

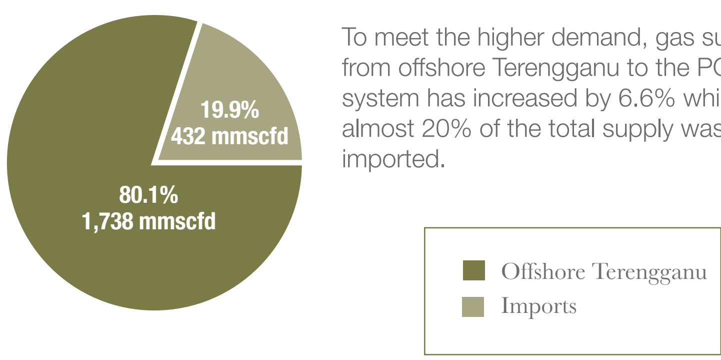
In mmscfd	FY2008	+ / -	FY2007
Peninsular Malaysia	**2,170**	2.0%	2,128
Sarawak	**235**	13.0%	208
Sabah	**138**	22.1%	113
TOTAL	**2,543**	3.8%	2,449

The power sector continued to be the biggest consumer of gas, while demand from industrial consumers as well as for export to Singapore also grew during the year.

SALE OF GAS TO PENINSULAR MALAYSIA THROUGH THE PENINSULAR GAS UTILISATION (PGU) SYSTEM

In mmscfd	FY2008	+ / -	FY2007
Power Sector	**1,310 (60.4%)**	-1.4%	1,329 (62.5%)
Industrial, Petrochemical & Other Users	**703 (32.4%)**	5.7%	665 (31.2%)
Export To Singapore	**157 (7.2%)**	17.2%	134 (6.3%)
TOTAL	**2,170 (100%)**	2.0%	2,128 (100%)

FEEDGAS SUPPLY TO PGU SYSTEM



To meet the higher demand, gas supply from offshore Terengganu to the PGU system has increased by 6.6% while almost 20% of the total supply was imported.

PETRONAS GAS

99.99%

RELIABILITY RATE FOR PENINSULAR GAS UTILISATION SYSTEM (PGU) PIPELINE NETWORK, EXCEEDING WORLD-CLASS STANDARD

LIQUEFIED NATURAL GAS (LNG)

The Group was able to sell a higher volume of LNG due to the continued high reliability of its plants in the PETRONAS LNG Complex, contributing to a higher overall LNG sales volume for the Group.

Its trading arm, ASEAN LNG Trading Corporation (ALTCO), added further value by delivering 17 cargoes to USA, Japan, UK, India and Taiwan, widening the reach of the Group's LNG business.

LNG SALES VOLUME

million tonnes	FY2008	+ / -	FY2007
Malaysia LNG (MLNG)	**22.5**	5.6%	21.3
Egyptian LNG (ELNG)	**1.6**	-11.1%	1.8
ASEAN LNG Trading Corp (ALTCO)	**1.0**	0.0%	1.0
TOTAL	**25.1**	4.1%	24.1

With an increase in production volume, Malaysia improved its position to become the world's second largest LNG producer.

LNG PRODUCTION

million tonnes	FY2008	+ / -	FY2007
Malaysia LNG (MLNG)	**22.5**	4.7%	21.5
Egyptian LNG (ELNG)	**1.6**	-11.1%	1.8
TOTAL	**24.1**	3.4%	23.3

The entire production from the PETRONAS LNG Complex was sold mostly under long-term contracts.

LNG EXPORT FROM MALAYSIA LNG

million tonnes	FY2008	+ / -	FY2007
Japan	**13.4 (59.6%)**	8.1%	12.4 (57.7%)
South Korea	**6.3 (28.0%)**	18.9%	5.3 (24.7%)
Taiwan	**2.8 (12.4%)**	-22.2%	3.6 (16.7%)
Others	**0**	-100%	0.2 (0.9%)
TOTAL	**22.5**	4.7%	21.5

97.6%

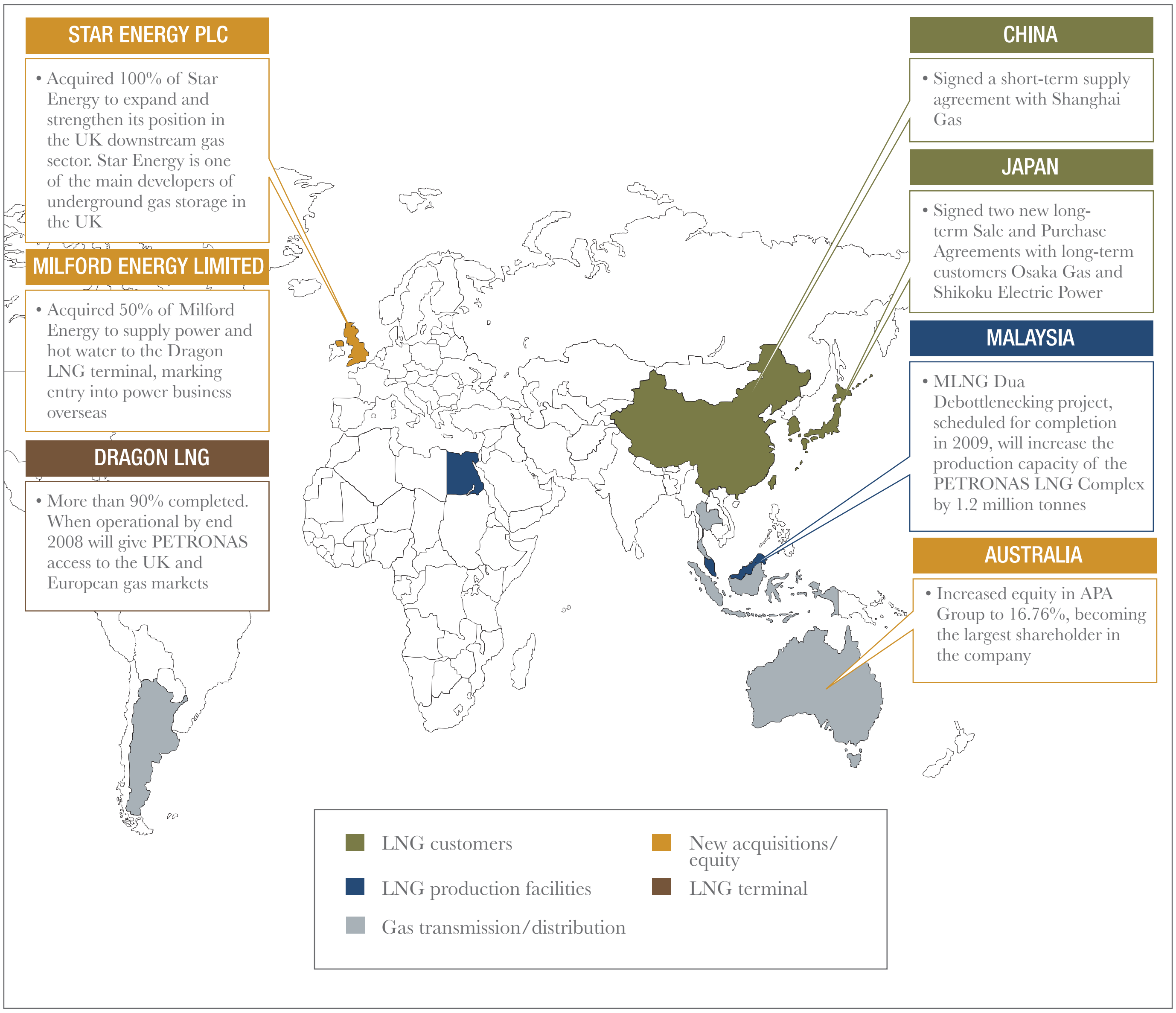
RELIABILITY RATE, EXCEEDING WORLD-CLASS STANDARD

The PETRONAS LNG Complex celebrated the 25th anniversary of Malaysia's first LNG cargo delivery to the pioneer customers in Japan. To date, the Complex has delivered more than 5,000 safe and uninterrupted cargos to its customers in the Far East.

MARKET SHARE	FY2008	FY2007
Japan	**20%**	19%
South Korea	**24%**	22%
Taiwan	**35%**	43%

The PETRONAS LNG Complex's reputation as a trusted and reliable supplier enabled the Group to maintain significant market share in its important Far East markets.

INTERNATIONAL GAS VENTURES



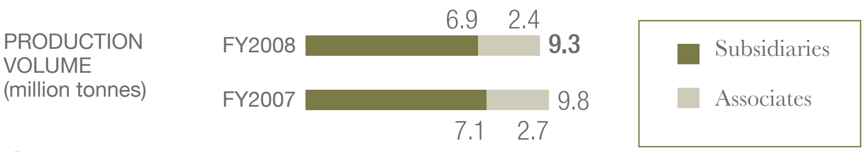
Petrochemical Business

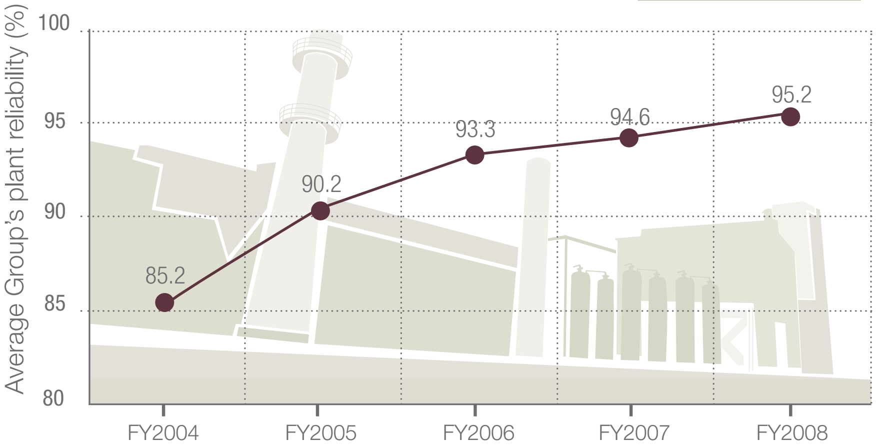
Continuous investments to improve plant performance and capacity

Highlights

- Total petrochemical products production marginally dropped from 9.8 million tonnes to 9.3 million tonnes due to maintenance activities
- Launched the latest polypropylene polymer grade PROPELINAS H022
- Launched PETRONAS' own brand of premium quality fertiliser, Agrenas, formulated for higher crop productivity and yield

Plant Performance





The Group's total production of petrochemical products declined marginally by 5.1% due to planned turnaround and shutdowns of several plants that required major maintenance.

The Group's petrochemical plants sustained their high reliability rate despite the maintenance activities.

Plant Improvement Initiatives

MEGA METHANOL PROJECT
Construction of a new plant with planned capacity of 1.7 million tonnes per year (mtpa)
Scheduled completion: September 2008

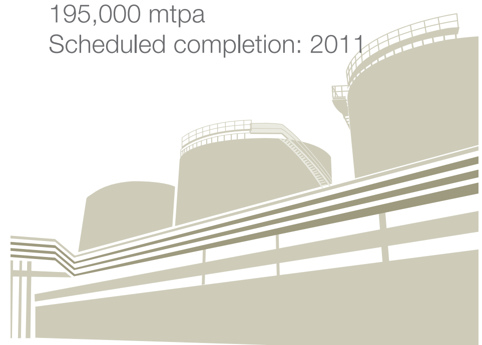
PETRONAS METHANOL LABUAN
Debottlenecking project of existing plant to increase production capacity of methanol from 662,000 mtpa to 760,000 mtpa
Scheduled completion: 2009

PETRONAS FERTILIZER KEDAH, GURUN
Debottlenecking project will increase production capacity
- Urea from 700,000 mtpa to 891,000 mtpa
- Ammonia from 375,000 mtpa to 495,000 mtpa

Scheduled completion: 2010

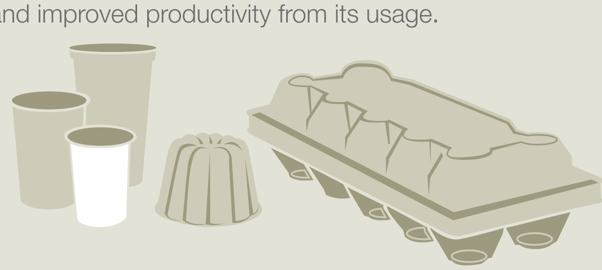
ASEAN BINTULU FERTILIZER, BINTULU
Rejuvenation project will extend plant life with a series of equipment replacements
Scheduled completion: 2010

VINYL CHLORIDE MALAYSIA, KERTIH
Debottlenecking project will increase production capacity of polyvinyl chloride from 150,000 mtpa to 195,000 mtpa
Scheduled completion: 2011



Product Differentiation

Polypropylene (M) Sdn Bhd and the PETRONAS Polymer Technology Centre jointly developed the latest PETRONAS polypropylene polymer grade - PROPELINAS H022, with improved quality, allowing customers to enjoy better returns and improved productivity from its usage.



PETRONAS introduced a brand name for its premium quality urea fertiliser to enhance customers' confidence in the quality, accessibility and supply reliability of the product. The PETRONAS Fertiliser Technology Centre was also established to undertake R&D activities to further improve the quality of urea fertiliser and add value to the product.

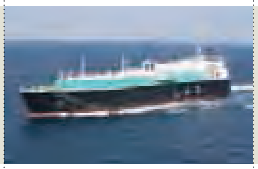
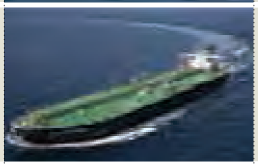
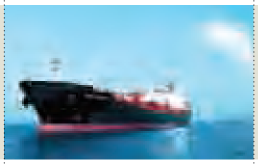
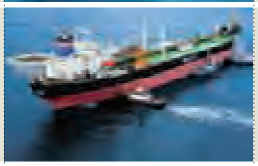
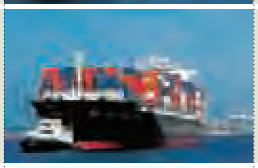
Logistics and Maritime Business

Growth through operational efficiency and selective business expansion

Highlights

- Took delivery of three LNG tankers, two Very Large Crude Carriers (VLCC) and two Aframax tankers during the year
- Expanded chemical and petroleum shipping business with order of eight chemical tankers and two Aframax tankers respectively
- Proposed reverse takeover of Ramunia Holdings Berhad, expected to be completed in the fourth quarter of 2008
- Completed five fabrication projects in the upstream sector, as well as drydocking and ship repair works for 43 vessels
- Expansion of international business with a joint venture with Petroleum Technical Services Corporation(PTSC) of Vietnam for the provision of a Floating Production, Storage and Offloading (FPSO) facility

Fleet Size

by business		FY2008	FY2007
LNG		**26**	23
Petroleum		**44**	45
Chemical		**17**	17
FPSO/ FSO		**6**	6
Liner		**19**	21
TOTAL	MISC BERHAD	**112**	112

- Three new LNG tankers, Seri Bakti, Seri Ayu and Seri Begawan were delivered during the year, bringing MISC's LNG fleet size to 26, thereby strengthening its position as the world's largest single owner-operator of LNG carriers.

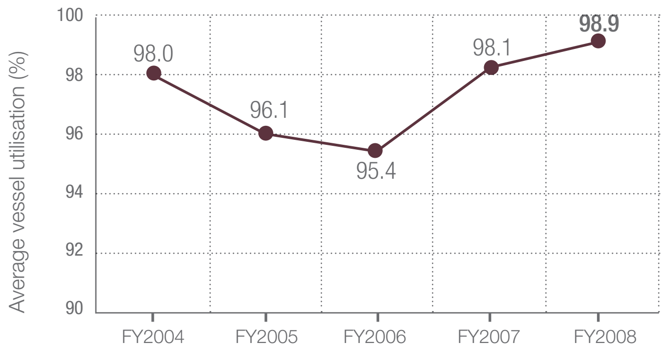
- MISC took delivery of two new VLCCs, Bunga Kasturi Empat and Bunga Kasturi Lima, as well as two new Aframax tankers, Eagle Torrance and Eagle Turin.
- Five Aframax tankers were disposed of; four on a sale and leaseback arrangement and one outright disposal of a single-hulled tanker.
- MISC placed the order for two new Aframax tankers, scheduled for delivery in 2010 and 2011.

- MISC placed the order for eight 45,000 DWT double-hulled chemical tankers, scheduled for delivery between 2009 and 2010.

- MISC disposed of two its smaller liner vessels below 1,000 TEUs.

Improved Vessel Utilisation Rate

Increased number of time charters secured by MISC resulted in stability of its revenue stream and improved vessel utilisation rate.

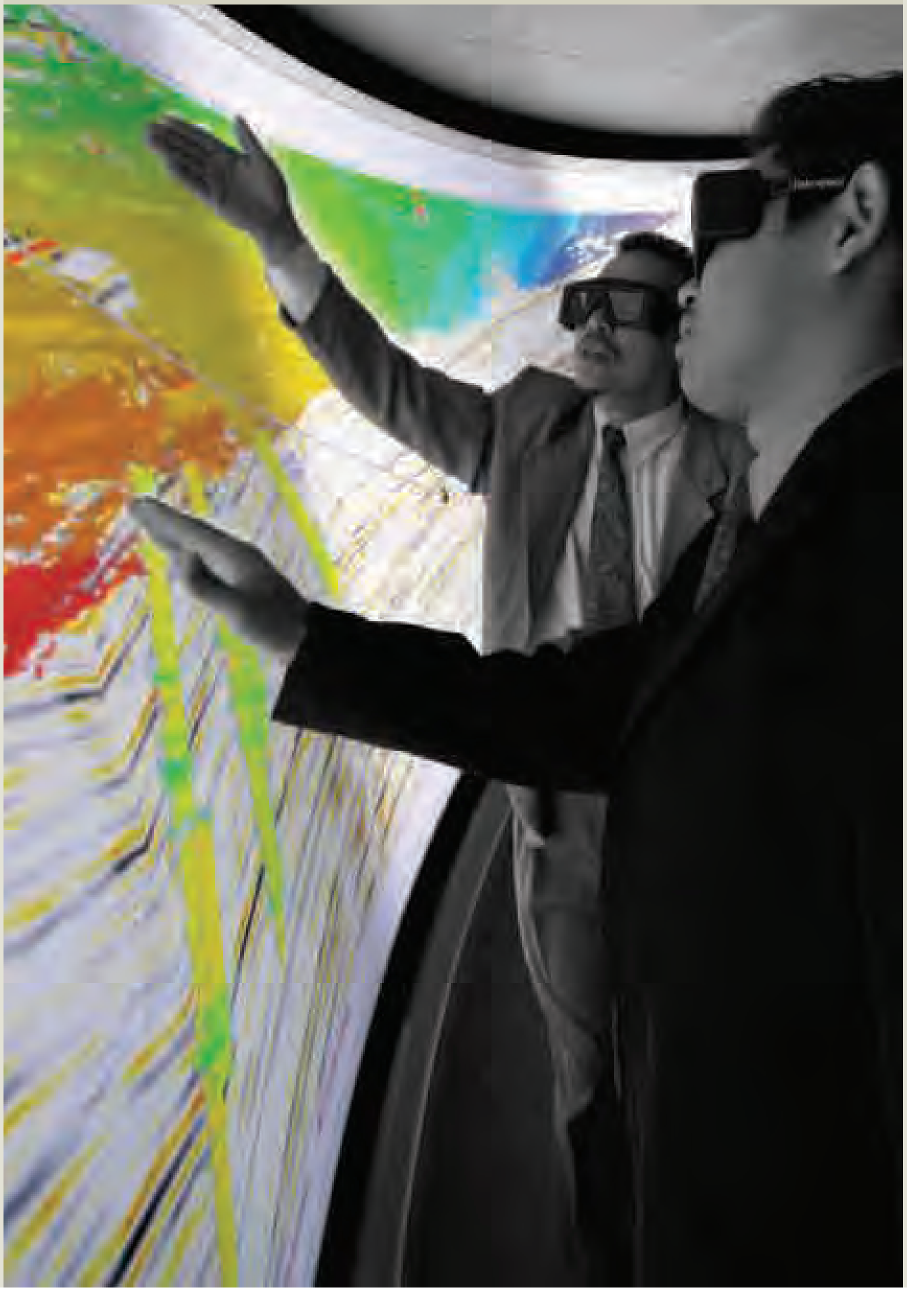


Growth through Partnerships

- The proposed reverse takeover of Ramunia Holdings Berhad, expected to be completed by the end of 2008, is anticipated to yield synergistic benefits to the Group in terms of fabrication capacity expansion as well as sharing of expertise and resources.
- MISC entered into a joint venture with PTSC of Vietnam for the provision of an FPSO in Vietnam.
- MISC also entered into a joint venture with Dialog Group Berhad for the development of an independent tankage facility for storage and break-bulking and a tank terminal at the Port of Tanjung Langsat in Johor.

Technology Development

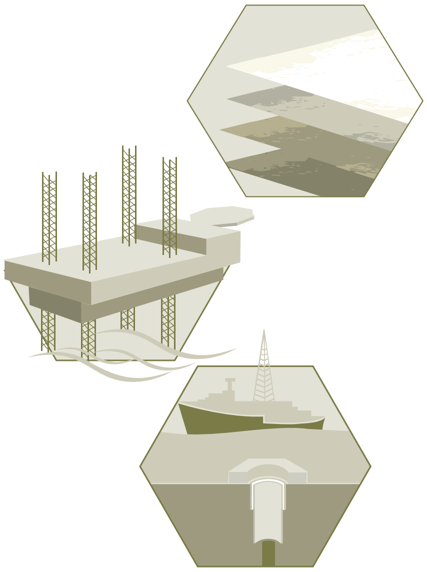
Driving growth through innovation



PETRONAS formulated its Technology Agenda to focus on technologies for future positioning and to develop superior technical credentials. In the short term, our technology focus is to improve operational excellence through better plant and Health, Safety and Enviroment (HSE) performance. For the longer term, the thrust is to focus on developing niche technologies in our core businesses.

PETRONAS continues to apply technology in enhancing our businesses and improving our operational performance. Strategic alliances were developed during the year to accelerate technological capability-building. We also put in place knowledge-sharing mechanisms and will build a renewable energy laboratory to enable us to move to the next phase in becoming a technology-driven company.

Maximising Opportunities in Exploration and Production



The application of technology in the upstream activities of PETRONAS, from the exploration stage up to the production of oil and gas, has added to our reserves.

- The MegaMerge survey method combines hundreds of 3D seismic surveys to create maps with exhaustive detail, aiding identification of new exploration opportunities.
- The application of an Offshore Self Elevating Unit combined with an onshore drilling rig enabled more cost-efficient exploration drilling.
- PETRONAS safely drilled a shallow gas reservoir with the application of a dynamic annular pressure control system to prevent blowout.

Developing Bio-friendly Solutions

- We formed a strategic alliance with Battelle, Battelle-Japan and Mitsubishi to develop and operate a renewable energy lab in Malaysia. Part of the first phase of our efforts will focus on research into creating bio-fuels and products from oil palm waste as biomass.
- Researchers from PETRONAS and the Universiti Teknologi PETRONAS successfully applied Green Chemistry in the removal of mercury from hydrocarbons and in the treatment of low quality crudes. Patent applications are in progress for the breakthrough designer solvents which will reduce the use and generation of hazardous materials. Another Green Chemistry research project is ongoing in the area of acid gas removal.
- PETRONAS has embarked on a study of phytoremediation for its oil and gas operations in Malaysia. Encouraged by the success of our joint bioremediation project in Sudan, researchers are looking at local plants with the potential to naturally degrade or absorb hydrocarbons and heavy metals, reducing the need to employ more chemicals in the cleaning process.

Commercialising Powertrain Technology

PETRONAS and BRP-Rotax GmbH & Co KG unveiled their jointly designed and developed four stroke inline-3 engine. The Rotax 4-TEC 1200 will be commercially produced in a line of snowmobiles by the end of 2008. The engine will be PETRONAS' first engine intellectual property to be commercialised and mass-produced.

Our People

Continuous pursuit of excellence through people development

The global oil and gas industry has been facing a great challenge in overcoming the shortage of skilled and experienced personnel. During the year, we have increased our efforts in building capability to ensure the efficiency, reliability and safety of our operations.

PETRONAS has always invested in developing our own pool of talent to meet our workforce needs. Our comprehensive approach begins right from the establishment of academic institutions and the provision of sponsorships to attract greater numbers to undertake engineering and technical disciplines. We are committed to ensuring the sustainable growth of the petroleum industry in our nation as well as the countries in which we operate.

In striving to deliver excellent results for the Group, our employees are supported by structured professional and leadership development programmes to strengthen key competencies and cultivate a proactive mindset and behaviour to deliver breakthrough performance.

Meeting Present and Future Workforce Needs

	FY2008	Change	FY2007	
WORKFORCE TOTAL	36,027	6.5%	33,832	Workforce growth rose to meet business expansion needs.
NUMBER OF NEW GRADUATES RECRUITED BY PETRONAS	1,506	15%	1,308	We continue to recruit and train new graduates, to build capability in critical areas of expertise like petroleum engineering and geosciences.
ENROLMENT OF STUDENTS AT INSTEP	1,096	443%	202	In light of the tight manpower situation in the oil and gas sector, we increased enrolment at our technician training institution Institut Teknologi PETRONAS (INSTEP).
MISC SPONSORSHIP OF STUDENTS AT MALAYSIAN MARITIME ACADEMY (ALAM)	276	54%	179	During the year, our shipping subsidiary MISC Berhad increased its sponsorship award to 276 cadets, 25 of which were female.

People Development

Various efforts to develop competency and leadership capability were undertaken, creating a capable high-performing workforce.

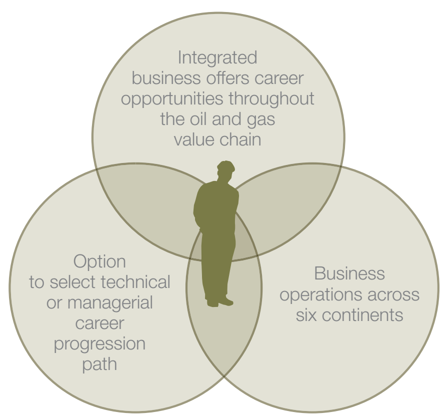
Multinational Experience and Expertise

We scout for talent from across the globe to form a versatile and robust team for our operations in more than 30 countries.

30% of our E&P workforce is composed of multinationals from 33 countries.

Attracting and Retaining Top Talent

Greater mobility and variety of challenges for personal growth and career development attracts and keeps talent within the organisation.



PETRONAS' employees are guided by the corporation's Shared Values of Loyalty, Integrity, Professionalism and Cohesiveness, and our Guidelines for Business Conduct, which stresses each individual's responsibility to uphold integrity in their day-to-day operations.

To enhance understanding, commitment and conviction in our corporate ethics, programmes are run throughout the year to ensure consistency and quality of decision-making in the face of ethical issues.

We extend the inculcation of these values to all our contractors and partners.

Integrity

As the national oil company of Malaysia, PETRONAS shoulders an enormous responsibility to develop and add value to the nation's hydrocarbon resources. While the business capabilities, skills and technologies that we have developed remain vital to our success, it is the values that we uphold that are indispensable to our sustained growth and survival. We believe that a strong foundation of integrity is crucial in enabling us to deliver outstanding performance, and to leave a legacy for future generations.

"Becoming a dealer with PETRONAS is a responsibility not just to deliver profit, but to uphold the PETRONAS values. The management always stresses that we must offer not just quality products and efficient service, but we must be honest and sincere in dealing with our suppliers and customers."

Mohd Nor Affandi Hj Ishak, owner and operator,
PETRONAS service station in Bentong, Pahang, Malaysia

PETRONAS & Society

Finding a balance, now, and for the future

PETRONAS subscribes to the philosophy of conducting business in a socially responsible and holistic manner for long-term growth and sustainability. To this end we are guided by the PETRONAS Guidelines for Business Conduct and the PETRONAS Corporate Sustainability Framework, both of which focus on the responsible management of petroleum resources that takes into account internal and external stakeholder interests.

While responding to society's growing demand for energy, we work in the best possible way to balance and integrate economic, environmental and social considerations into our business decisions.

These considerations include among other things strong HSE management and performance, and our long-term and holistic contribution to society.

Safety in the Workplace

FATAL ACCIDENT RATE (FAR) per 100,000 man hours

FY2008	5.8	
	-35%	
FY2007	8.91	

LOST TIME INJURY FREQUENCY (LTIF) per million man hours

FY2008	0.35	
	-27%	
FY2007	0.48	

TOTAL REPORTABLE CASE FREQUENCY (TRCF) per million man hours

FY2008	0.88	
	-41%	
FY2007	1.49	

All safety indicators recorded significant improvements throughout the year, showing the efficacy of the various interventions we have put in place. Measures included a land transport safety programme and contractors safety passport scheme.

During the review period, the Group's HSE Assurance Programme was extended to all major contractors to enhance overall HSE management and performance, and to provide specific intervention for continuous improvement.

The achievements in reductions for FAR, LTIF and TRCF include the performance of contractors.

Egyptian LNG and ASEAN Bintulu Fertilizer Sdn Bhd received UK-based Royal Society for the Prevention of Accidents (RoSPA) Gold Awards for excellence in health and safety performance.

Three other subsidiaries received the Malaysian Society for Occupational Safety and Health (MSOSH) Grand Award 2006.

Environmental Management

The Groupwide implementation of various standards and guidelines will facilitate the setting of targets and interventions to reduce environment incidences.

✓	Minimum Environmental Management Standards (MEMS)	MEMS are baseline standards to ensure common practice among all our operating units globally to protect, conserve and minimise impact to the environment.
✓	Environmental Incident Prevention and Control (EIPC)	EIPC takes hazard and impact identification to a higher level, broadening the scope of interventions and providing more safeguards against incidents.
✓	Group Contingency Planning Standard	Group Contingency Planning Standard is a crisis management structure to strengthen Group emergency preparedness and response, especially for international oil spill contingency.

- Acknowledged for environmental accomplishment and leadership via the Prime Minister's Hibiscus Awards
- Our refinery PETRONAS Penapisan (Melaka) Sdn Bhd was awarded the highest recognition when it received the Challenge Trophy and Exceptional Achievement Award
- Ethylene/Polyethylene (Malaysia) Sdn Bhd, BASF PETRONAS Chemicals Sdn Bhd and PETRONAS Carigali Sdn Bhd each won Notable Achievement awards

Creating Awareness for the Environment

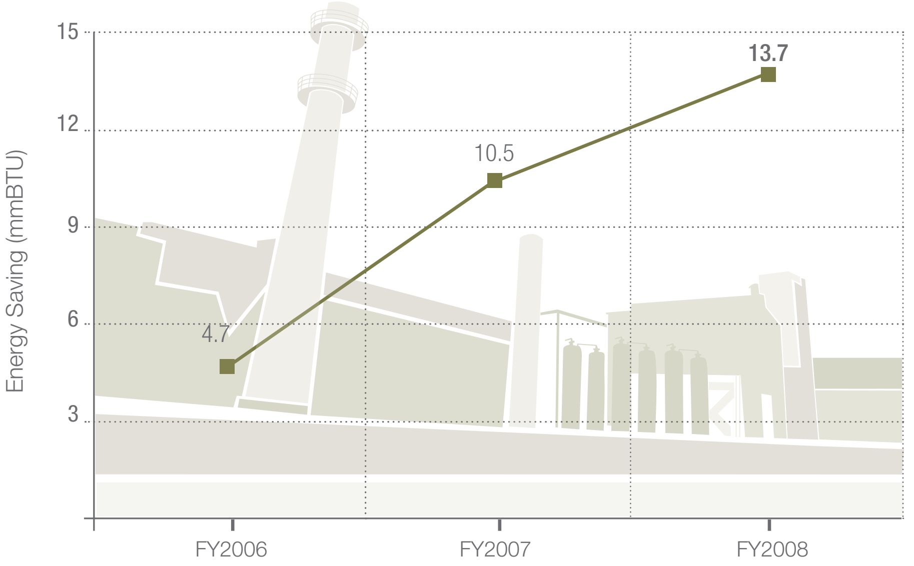
The OPTIMAL Group of Companies implemented the second phase of its four-year ecoCare environment project, in collaboration with the Malaysian Nature Society.

The team continued to carry out its Mangrove Rehabilitation Project with the involvement of staff and the local community.

It also carried out training and educational activities such as nature trails, forest ecology studies and is setting up nature and science clubs in schools around its area of operations in Kertih to build awareness and concern for Mother Nature.

PETRONAS Fertilizer Kedah Sdn Bhd awarded its inaugural Anugerah Rakan Alam Sekitar (Friends of the Environment Award) this year to schoolchildren in Gurun who participated in its programme aimed at promoting the care of natural resources and the environment. This five-year programme is in collaboration with the State Education Department of Kedah.

Addressing Climate Change



Our Energy Loss Management System (ELMS) implemented Groupwide continues to show significant reduction of energy loss. This will contribute to lower greenhouse gases emissions, thereby reducing our carbon footprint.

A greenhouse gas inventory for all PETRONAS' domestic operations has been completed and targets will be set soon.

Improving Health for Quality Life

PETRONAS in collaboration with the Malaysian National Health Foundation organised PETRONAS World Heart Day in November 2007. Over 600 employees participated in health screening and outdoor physical activities as well as attended talks on coronary disease prevention.

PETRONAS World Heart Day 2007
15 - 16 November

Employee health is also promoted by the Group's Corporate Health Programme where high-risk individuals are identified and guided in achieving personal health goals.

Other supportive work site programmes that were implemented include stress management, chronic illnesses management, anti-drug and alcohol programmes, healthy eating and smoking cessation.

When PETRONAS entered its first overseas operatorship in Vietnam in 1991, we strived to understand the country's aspirations. With market reforms under its 'Doi Moi' policy, Vietnam was set to grow at a rapid rate.

In line with its growth aspirations, PETRONAS and the government of Vietnam saw the need for human capital development programmes. By working together to bring about the transfer of technology, capability building as well as education and employment opportunities, PETRONAS is proud to have had the opportunity to play a role in the success of Vietnam as an emerging economic power.

Mutual Respect and Understanding

Born to a nation whose growth was spurred by the development of its oil and gas industry, PETRONAS understands the importance of these natural resources to developing countries who seek to improve the lives of their citizens by harnessing the wealth of their land. PETRONAS believes in respecting the aspirations of our partner nations, and seeks to contribute to their realisation.

"We can see how PETRONAS has contributed to Vietnam during the 15 years. We see PETRONAS' commitment to Vietnam and we see the relationship being cultivated, ever growing and making the people more confident of PETRONAS' operations in Vietnam. It shows that PETRONAS gives back to the people and shares the expertise that it has. I think this is something different from other companies."

Nguyen Thanh Don, Deputy General Director,
Thang Long LPG Co Ltd, Inc.

Education and Capability Building

With education and capability-building being the main thrust of our Corporate Social Responsibility programmes, PETRONAS invests in initiatives that will develop capable individuals with high levels of integrity and resilience, contributing to a progressive society.

Anugerah CSR PERDANA MENTERI

Prime Minister's CSR Awards 2007: Education

The Award was created to be the nation's highest recognition of corporations whose commitment to social responsibility has brought about a positive impact to the lives of Malaysians.

We were proud to receive the inaugural award for our range of education-based programmes which we have continuously invested in since our inception. This includes the establishment of learning institutions, education sponsorships, community outreach programmes and the schools-based Bakti Pendidikan PETRONAS Programme.

Institutions of Learning

We continue to operate the Universiti Teknologi PETRONAS (UTP), the Institut Teknologi PETRONAS (INSTEP), and the Malaysian Maritime Academy (ALAM). The institutions were set up to equip Malaysians as well as nationals from other countries with the knowledge and skills to sustain the growth and development of their respective nations.

As at 31 March 2008, cumulative enrolment figures are as follows:

	Malaysian	International
UTP STUDENT ENROLMENT SINCE 1995 (UNIVERSITI TEKNOLOGI PETRONAS)	10,447	1,115
INSTEP STUDENT ENROLMENT SINCE 1983 (PERMATA · INSTEP)	6,845	283
ALAM STUDENT ENROLMENT (CADETS AND RATINGS) SINCE 1997 (ALAM AKADEMI LAUT MALAYSIA, MALAYSIAN MARITIME ACADEMY)	4,437	286

Sponsorship Programmes

- We continue to sponsor scholars pursuing tertiary education locally and overseas in a range of disciplines through the PETRONAS Education Sponsorship Programme.

- We also continue to support school children who excel in their academic and co-curricular performance through the award of scholarships.

SPONSORSHIP OF SCHOLARS (cumulative as at 31 March 08)

18,330
Malaysian

701
International

SCHOOL STUDENTS AWARDED BURSARIES SINCE 1975

12,788

- During the year, PETRONAS also contributed to the Kumpulan Wang Amanah Pelajar-Pelajar Miskin, a fund set up by the Education Ministry of Malaysia to aid underprivileged school children.

Skills Training

- In the year under review, our two Khartoum Vocational Training Centres graduated 96 trainees. The centres have enrolled 371 trainees since 2004. Our Turkmenistan Technician Training Programme also graduated its first batch of 40 technicians and 10 welders during the year.

- We also continue to support government vocational training institutions in Malaysia through the development of training modules and the provision and maintenance of training facilities. Since 1992, these institutions have trained 4,254 students.

- PETRONAS also sponsors undergraduates from local universities in Hanoi and Ho Chi Minh City to take up English Language training programmes to enhance their marketability. In 2007, 300 students participated in the programme.

- As part of our humanitarian mission to Aceh after the tsunami, PETRONAS rebuilt the nursing block at the Universitas Syiah medical faculty in Banda Aceh in 2006. A total of 434 nurses were able to continue their training and have since graduated, while 793 are currently undergoing training.

Outreach Programmes

We continued to implement our outreach programmes aimed at enriching the lives of a wide cross-section of communities. In addition to the education activities that stimulate the mind and create interest in science and technology, we also aim to cultivate the appreciation of the arts, love for the environment, and sporting excellence.

Petroleum Economist Awards Best Youth Education Programme 2007: Bakti Pendidikan School Adoption Programme

The programme aims to improve scholastic ability and the overall development of underperforming primary school students. Staff volunteers from PETRONAS' operations around the country assist school teachers in running the programme.

- 1,500 students from 30 schools nationwide underwent the programme in the 2007 academic year.
- The programme has been successful in raising the students' academic grades. In the 2007 Ujian Penilaian Sekolah Rendah (Primary-level Assessment Tests), 80 of the students in the programme scored the maximum 5As.

Sahabat PEMADAM Drug Prevention Programme

This youth programme focuses on drug prevention among school children, using motivational camps and peer-to-peer techniques to deliver the anti-drug message effectively.

Since 2004, over 300,000 students have attended this programme. Sahabat PEMADAM was developed in collaboration with the National Association for the Prevention of Drugs (PEMADAM) and the Ministry of Education Malaysia.

Improving Literacy

PETRONAS continues to assist libraries through knowledge-sharing collaborations and contribution of materials to improve the community's literacy rate and promote the reading habit.

- We refurbished and stocked 5 libraries this year with books, computers and necessary equipment in Malaysia, Pakistan and Indonesia.
- Another mobile library was launched in Sudan, bringing the total to 4 libraries reaching 50,000 primary school children around the Khartoum, Juba and Port Sudan areas since the launching of the facilities in 2004.

Delighting in the Wonders of Science

- The PETROSAINS Science Discovery Centre has had more than 2.5 million visitors since it opened its doors in 1999.
- The Centre has run its Creative Science for Schools programme to more than 3,600 schools and 2,500 teachers through its Teachers Workshops.
- Its PETROSAINS StreetSmart mobile exhibitions have carried its road safety awareness message to more than 800,000 visitors nationwide.

Caring for the Environment

These programmes are aimed at instilling awareness and educating school children on environmental and conservation issues.

- The annual Our World Environment Programme has had 1,200 student participants since 2005.
- In Vietnam this year, more than 130,000 students participated in the second series of the PETRONAS-sponsored nationwide Natural Science Competition.

Developing Appreciation for Art and Music

- The GALERI PETRONAS has carried out 450 art appreciation programmes to various audiences since 1993 to nurture art appreciation.
- The Malaysian Philharmonic Orchestra has conducted its Encounter programmes in schools, hospitals, old folks homes and orphanages to promote the appreciation of classical music among Malaysians from all walks of life. Since 1999, over 150,000 people have attended its activities.

Inspiring through Motorsports Experience

As Premium Partner to the BMW Sauber F1 Team, PETRONAS has benefitted from world-class technology in developing its own lubricants and engines. PETRONAS has brought the F1 experience to the people of Malaysia in a series of programmes.

- The PETRONAS RevSquad mobile exhibition, developed as an innovative educational tool, was designed to communicate the science and technology behind the sport of F1 to school children in an interactive and unconventional way. The exhibition has been touring nationwide since 2002.

Promoting Basketball in Malaysia

- Through our sponsorship of the PETRONAS-Malaysian Basketball Association (MABA) Academy since 1995, 80 academy students receive annual grants to enable them to train full-time.
- Through the organisation of the PETRONAS-MABA 3-on-3 Basketball Competition annually, we have encouraged more diverse participation in the sport.

Meeting Societal Needs

We strive to make a difference in the lives of the less fortunate around us by contributing in a meaningful manner through the offer of expertise and humanitarian aid in times of disaster and the support of charitable organisations.

PETRONAS Volunteer Opportunity Programme (PVOP)

The PVOP was launched in 2005 with the aim of developing a pool of volunteers within PETRONAS who are trained in humanitarian relief work, especially in post-disaster rehabilitation.

- In collaboration with MERCY Malaysia, disaster response training programmes were held throughout the year for more than 150 volunteers.
- During the year, volunteers were deployed on flood relief efforts in Bangladesh, Malaysia, Pakistan and Sudan, and earthquake-hit areas in Indonesia.

Charity Adoption Programme

- Our adoption of the SOS Children's Village Bawana in Delhi, India this year allowed us to contribute to the schooling of 52 rescued street children.
- We continue to support the Yetagun Socio-Economic Programme in Myanmar. The programme promotes early childhood care and development, healthcare, and teaches skills in sewing, basic electrical wiring and computer skills to uplift the socio-economic situation of people living in the area.

Medical Aid

- We continued to support the Cancer Research Initiatives Foundation of Malaysia in their quest to develop more effective options for the early diagnosis and treatment of cancers, with a focus on Asian-related cancers.
- Our staff volunteers also ran mobile clinics in rural areas, bringing medical supplies and basic treatment to communities in those areas.

Community Engagement

- Throughout the year, our staff, as well as members of PETRONITA - the Ladies Association of PETRONAS, visited a number of schools and homes for the elderly and orphaned around Malaysia, Myanmar, Sudan and Vietnam, to interact with the residents and hand over supplies of equipment and provisions.
- In conjunction with the festivities of Hari Raya Aidilfitri, Chinese New Year and Deepavali, our staff in various operations around the globe feted more than 1,000 disadvantaged children as part of our annual Sentuhan Kasih programme.

One Legacy, One Destiny

We continue to promote the message of peace, unity and harmony, especially in our home country of diverse peoples.

Reigniting the Spirit of Merdeka

As Malaysia celebrated its 50th year of Independence in 2007, PETRONAS sought to build and sustain the noble values embedded in the spirit of 'Merdeka' through the 'One Legacy, One Destiny' campaign.

PETRONAS Merdeka Advertisements

GALERI PETRONAS exhibitions

'Saya Anak Malaysia' contest

Merdeka Award

MERDEKA AWARD

PETRONAS, together with its partners ExxonMobil and Shell, launched the Merdeka Award to honour individuals and organisations that have contributed in an exceptional way to the people of Malaysia.

Main Events

E&P BUSINESS

09 April 2007
Wholly-owned subsidiary PETRONAS Carigali Overseas Sdn Bhd signed the Calub Hilala Fields and Block 11 & 15 PSCs in Ethiopia with 100% equity interest in both PSCs.

30 April 2007
Awarded a PSC for Block SB312 offshore Sabah to PETRONAS Carigali Sdn Bhd and KUFPEC, a subsidiary of Kuwait Petroleum Corporation.

17 August 2007


Kikeh - Malaysia's first deepwater field - commenced oil production, coinciding with PETRONAS' 33rd anniversary. The field is expected to peak at an average of 120,000 bpd by end of 2008.

23 September 2007
Wholly-owned subsidiary PETRONAS Carigali (Australia) Pty Ltd signed the Evans Shoal Exploration Permit with 16.67% equity interest in Australia with partners Santos, Shell and Osaka Gas.

15 October 2007
Wholly-owned subsidiary PETRONAS Carigali (Australia) Pty Ltd signed the AC/RL Exploration Permit with 25% equity interest in Australia with partner BHP Billiton.

November 2007


Acquired Woodside Energy Ltd's entire upstream interests in Mauritania, reflecting PETRONAS' long-term aspirations in Mauritania's oil and gas industry and complementing its overall growth strategy in Africa.

07 December 2007
Awarded a PSC to Nippon Oil Exploration Limited and PETRONAS Carigali Sdn Bhd for onshore Block SK333 in Sarawak.

10 December 2007


Wholly-owned subsidiary PETRONAS Carigali Overseas Sdn Bhd signed the Agreement on Activities and Main Principles for Baisun Block Production Sharing Agreement (PSA) and an Exploration Agreement for the Surkhanski Block with the Government of Uzbekistan. Both blocks are located adjacent to each other in the Surkhandarya region, south of Uzbekistan.

31 December 2007
Signed a PSC with Shell Energy Asia Limited, ConocoPhillips Sabah Gas Ltd and PETRONAS Carigali Sdn Bhd for the exploration, development and production of natural gas from the Kebabangan Cluster fields, offshore Sabah.

OIL BUSINESS

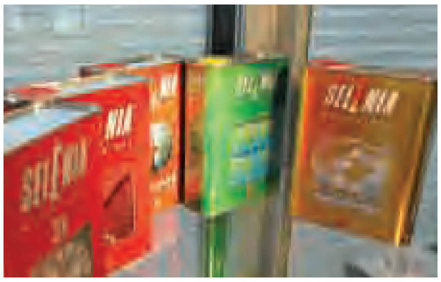
31 December 2007

Awarded a PSC to PETRONAS Carigali Sdn Bhd for the Kinabalu Deep and East fields, offshore Sabah.

26 March 2008

Signed the main principles towards a new PSC with ExxonMobil Exploration and Production Malaysia Inc and PETRONAS Carigali Sdn Bhd that would allow the two PSC partners to continue their upstream participation in seven oil fields offshore Peninsular Malaysia.

30 November 2007



Completed the acquisition of the entire interest in FL Selenia SpA, Europe's largest independent producer and marketer of branded automotive lubricants and specialist fluids, marking the beginning of a new and exciting milestone in PETRONAS' continuous efforts in building and enhancing its global lubricants business.

10 December 2007

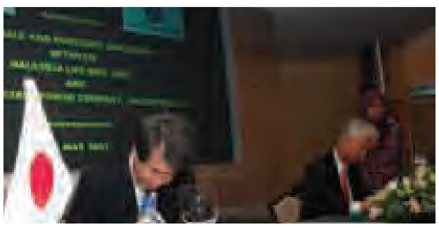
Through subsidiary Engen Limited, acquired Shell's 60% stake in the Democratic Republic of Congo (DRC) petroleum business as well as a 13% stake in a DRC petroleum distributor as part of its growth strategy in the African sub-Saharan territory.

29 January 2008

In a joint effort with two financial institutions, launched the PETRONAS CIMB MasterCard and the PETRONAS Maybankard Visa credit cards, aimed at providing patrons of its domestic retail station network with enhanced conveniences and benefits.

GAS BUSINESS

11 May 2007



Malaysia LNG Sdn Bhd (MLNG) signed a SPA with Shikoku Electric Power Co., Inc. to supply up to 420,000 metric tonnes per year of LNG for 15 years beginning April 2010.

18 July 2007

Acquired 50% equity in Milford Energy Limited, providing synergy with PETRONAS participation in the Dragon LNG regasification terminal.

19 November 2007

MLNG signed a SPA with Osaka Gas Co Ltd to supply up to 920,000 metric tonnes per year of LNG for 15 years beginning April 2009.

30 November 2007

MLNG Tiga signed a Gas Sales Agreement with PETRONAS for the delivery of feedgas supply to the MLNG Tiga plant for 20 years.

31 December 2007

PETRONAS Australia Pty Ltd increased its equity holding in the APA Group, making it the single largest shareholder in one of Australia's largest gas transmission and distribution companies.

29 January 2008

MLNG celebrated the 25th anniversary of its first shipment of LNG to Tokyo Electric Power Company Inc. and Tokyo Gas Company Ltd. The delivery marked the beginning of a long-term relationship and formed the foundation for both PETRONAS and Malaysia to build a reputation as a stable and reliable LNG supplier.

29 January 2008

MLNG signed short term SPAs with Shanghai Gas (Group) Company Limited for the supply of LNG from 2008 into 2010.

25 March 2008

PETRONAS International Corporation Ltd (PICL), the wholly owned overseas investment arm of the PETRONAS Group, acquired 100% of Star Energy plc.

PETROCHEMICAL BUSINESS

15 August 2007

Petrovietnam completed the transfer to PETRONAS of its entire 43% interest in Phu My Plastics and Chemicals which owns and operates a 100,000 metric tonnes per annum polyvinyl chloride (PVC) plant in Vietnam.

26 November 2007

Launched the brand name, Agrenas, for its own granular urea fertiliser, to further enhance customer confidence in the quality, accessibility and reliability of supply of the product which it has been producing and supplying for more than two decades in the domestic and export markets.

10 December 2007

Signed a Memorandum of Cooperation (MOC) for Petrochemical Projects with the Uzbek national oil company, Uzbekneftegaz National Holding Company (UNG), for the undertaking of joint studies in the development of downstream petrochemical projects in Uzbekistan.

18 January 2008

Launched PROPELINAS H022, a new polypropylene grade for thermoforming application to produce higher quality food packaging items complying to US Food and Drug Administration standards.

LOGISTICS AND MARITIME BUSINESS

07 September 2007

MISC took delivery of its 10th VLCC, Bunga Kasturi Lima, increasing its fleet size in its bid to become the preferred energy-based shipping company.

04 October 2007

MISC entered into a Shareholders' Agreement with Dialog Group Berhad for the purpose of joint venturing into the development and operation of an independent tankage facility in Port of Tanjung Langsat in Johor, Malaysia.

25 October 2007

MISC held the naming ceremony of its 25th LNG tanker Seri Ayu, at the MMHE Yard in Pasir Gudang. The vessel was named by the Prime Minister of Malaysia, Yang Amat Berhormat Dato' Seri Abdullah Ahmad Badawi, making him the nation's first Prime Minister to name a Malaysian-owned LNG tanker in Malaysian waters.

15 February 2008

MISC's subsidiary, AET Inc. Ltd took delivery of another new Aframax vessel, Eagle Turin, in addition to Eagle Torrance delivered in July 2007. Eagle Turin's delivery reaffirms MISC's position as the second largest owner-operator of Aframax tankers in the world.

CORPORATE

15 June 2007

Launched its integrated 2007 Merdeka Campaign themed "One Legacy, One Destiny" to commemorate and celebrate the Golden Anniversary of Malaysia's independence and to nurture and enhance the spirit of patriotism and love for the country among all Malaysians.

27 August 2007

Prime Minister Yang Amat Berhormat Dato' Seri Abdullah Ahmad Badawi launched the Merdeka Award, established to recognise and reward individuals and organisations that have made outstanding contributions for the advancement of Malaysia and its people. The Award was initiated by PETRONAS, ExxonMobil and Shell as the Founding Members.

26 October 2007

PETRONAS Ammonia Sdn Bhd, Ethylene (Malaysia) Sdn Bhd and PETRONAS Gas Berhad received the Malaysian Society for Occupational Safety and Health (MSOSH) Grand Award 2006.

29 and 30 October 2007

The launching of the East Coast Economic Region (ECER) marks the completion of the development master plan drawn up by PETRONAS. The ECER is an economic development corridor designed to raise income levels and standards of living for 3.9 million residents in the states of Kelantan, Terengganu, Pahang and Johor state's Mersing district.

16 November 2007

The Prime Minister's Hibiscus Awards 2007 recognised our refinery PETRONAS Penapisan (Melaka) Sdn Bhd for best environmental accomplishment when it received the Challenge Trophy and Exceptional Achievement Award. Three other PETRONAS subsidiaries - Ethylene/ Polyethylene (Malaysia) Sdn Bhd, BASF PETRONAS Chemicals Sdn Bhd and PETRONAS Carigali Sdn Bhd each won Notable Achievement Awards.

15 November 2007

Signed an agreement with Battelle Memorial Institute of the US, Battelle-Japan Corporation and Mitsubishi Corporation towards the setting up of a renewable energy laboratory at PETRONAS Research Sdn Bhd's premises in Bangi, Selangor.

09 January 2008

Signed a strategic alliance agreement with Commonwealth Scientific and Industrial Research Organisation (CSIRO) of Australia to develop and strengthen technical capabilities in exploration and production, energy solutions and advanced materials technologies.

Main Events

CORPORATE SOCIAL RESPONSIBILITY

12 August 2007

The PETRONAS Adventure Team brought cheer to the Children's Village Bawana in Delhi, India on this year's South Asia Xpedition.

03 September 2007

Launched another mobile library in Sudan, bringing the total to four libraries visiting schools around the Khartoum, Juba and Port Sudan areas.

13 September 2007

The Petroleum Economist Award for Best Youth Education Programme 2006 was awarded to PETRONAS for its Bakti Pendidikan PETRONAS programme to improve the academic performance and personal development of underprivileged school children.

14 November 2007

PETRONAS' contribution was recognised when it received the Prime Minister's CSR Awards 2007 in the category of Education.

Glossary of Terms

- **Additives**
  Chemicals added in small quantities to fuel to control engine deposits and improve lubricating performance.

- **Barrels of oil equivalent (boe)**
  A unit of measure to quantify crude oil and natural gas amounts using the same basis. Natural gas volumes are converted to barrels on the basis of energy content.

- **Brent Prices**
  The benchmark crude oil price in Europe, as traded on the International Petroleum Exchange in London. Brent Crude refers to a particular grade of crude oil, which is slightly heavier than WTI crude. See 'WTI prices'.

- **Condensate**
  Liquid hydrocarbons produced with natural gas, separated by cooling and other means.

- **Deepwater**
  In offshore exploration, deepwater is demarcated at water depths exceeding 200 metres. Unique methods are required to produce the oil and gas from the ocean bed at such depths. See 'Floating Production Unit'.

- **Development**
  Drilling, construction and related activities following discovery that are necessary to begin production and transportation of crude oil and natural gas.

- **Downstream**
  All activities that add value to the crude oil and natural gas produced, for example, oil refining, gas processing, gas liquefaction, petrochemical manufacturing, marketing of petroleum and petrochemical products, storage and transportation. See 'Upstream'.

- **Exploration**
  The search for crude oil and/or natural gas by utilising geologic and topographical studies, geophysical and seismic surveys, and drilling of wells.

- **Exploration and Production (E&P)**
  See 'Upstream'.

- **Floating Production Unit (FPU)**
  Floating structures of various designs used in deepwater production. These 'floaters' replace traditional offshore shallow water platforms that are able to sit on the ocean bed. See 'Deepwater'.

- **Floating Production, Storage and Offloading (FPSO)**
  A converted or custom-built ship-like structure, with modular facilities to process oil and gas and for temporary storage of the oil prior to transfer to tankers.

- **Gasohol**
  An alternative automotive fuel composed of gasoline blended with around 10 percent ethanol

- **Greenhouse gases**
  Gases that trap heat in the Earth's atmosphere e.g., carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.

- **Green chemistry**
  The design of chemical products and processes that reduces or eliminates the use and generation of hazardous substances and reduces the amount of resource and energy consumed in that process.

- **Integrated oil and gas company**
  A company engaged in all aspects of the oil and gas industry: exploring for and producing crude oil and natural gas (upstream); refining, marketing and transporting crude oil, natural gas and refined products (downstream); as well as manufacturing and distributing petrochemicals.

- **Liquefied natural gas (LNG)**
  Natural gas that is liquefied under extremely cold temperatures to facilitate storage or transportation in specially designed vessels.

- **Liquefied petroleum gas (LPG)**
  Light gases, such as butane and propane that can be maintained as liquids while under pressure.

- **Natural gas**
  A clean burning, odourless, colourless, highly compressible mixture of hydrocarbons occurring naturally in gaseous form. Natural gas is primarily comprised of methane but can also include ethane, propane and butane.

- **Nameplate capacity**
  A refinery or plant's maximum rated output under specific conditions designated by the design engineer.

- **Petrochemicals**
  Organic and inorganic compounds and mixtures derived from petroleum; used principally for the manufacture of chemicals, plastics and resins, synthetic fibres, detergents, adhesives, and synthetic motor oils.

- **Production sharing contract (PSC)**
  A contractual agreement between a company and a host government whereby the company bears all exploration, development and production costs in return for an agreed-upon share of production.

- **Reserves Replacement Ratio (RRR)**
  The ratio of new reserves discovered to volume of production, an indication of a company's track record in maintaining a stable reserve of oil and gas.

- **Reserves**
  Crude oil or natural gas contained in underground rock formations called reservoirs. Proved reserves are the estimated quantities that geologic and engineering data demonstrate can be produced with reasonable certainty from known reservoirs under existing economic and operating conditions. Estimates change as additional information becomes available.

- **Seismic data**
  Visual rendering of the sub-surface geology of an area composed by reflecting sound waves off underground strata. Useful in determining the possible existence of hydrocarbons.

- **Upstream**
  All activities concerned with finding and producing crude oil and natural gas. These include oil and gas exploration, development and production operations. Also known as Exploration and Production (E&P). See also 'Downstream'.

- **WTI Prices**
  Stands for West Texas Intermediate, the benchmark crude oil price in the US measured in USD/barrel, which refers to a type of high quality, light in gravity crude oil.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2008

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES

The principal activities of the Company in the course of the financial year remained unchanged and consist of exploitation of oil and gas through production sharing contracts, the marketing of petroleum and petroleum products and investment holding. The principal activities of significant subsidiaries, associates and jointly controlled entities are stated in note 42, note 43 and note 44 to the financial statements respectively.

RESULTS

	Group RM Mil	Company RM Mil
Profit for the year	67,385	35,658
Attributable to:		
Shareholders of the Company	61,038	35,658
Minority interest	6,347	-

DIVIDENDS

Since the end of the previous financial year, the Company paid:

i) a second tax exempt interim dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM60,000 per ordinary share amounting to RM6 billion in respect of the financial year ended 31 March 2007;

ii) a tax exempt final dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM100,000 per ordinary share amounting to RM10 billion in respect of the financial year ended 31 March 2007; and

iii) a first tax exempt interim dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM80,000 per ordinary share amounting to RM8 billion in respect of the financial year ended 31 March 2008.

A second tax exempt interim dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM60,000 per ordinary share amounting to RM6 billion has been declared in respect of the financial year ended 31 March 2008 and will be paid in the financial year ending 31 March 2009.

The Directors propose a tax exempt final dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM100,000 per ordinary share amounting to RM10 billion in respect of the financial year ended 31 March 2008.

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

RESERVES AND PROVISIONS

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

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Directors	Alternates
Tan Sri Dato Sri Mohd. Hassan bin Marican (Acting Chairman, President and CEO)	
Datuk Anuar bin Ahmad (Vice-President)	
Tan Sri Khalid bin Ramli	
Datuk Nasarudin bin Md Idris (Vice-President)	
Dato' Sri Dr. Sulaiman bin Mahbob	Dr. Rosli bin Mohamed
Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah	Datuk Aziyah binti Bahauddin
Wan Zulkiflee bin Wan Ariffin (Vice-President) (appointed on 1.8.2007)	
Abdul Kadir bin Md Kassim (appointed on 25.9.2007)	
Tan Sri Dato' Zaki bin Tun Azmi (resigned on 4.9.2007)	

In accordance with Article 71(1) of the Company's Articles of Association, Tan Sri Khalid bin Ramli retires by rotation from the Board at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 71(2) of the Company's Articles of Association, the Chairman, President and Vice-Presidents shall not be subject to retirement by rotation except in the first year of appointment where they are required to retire in accordance with Article 68.

In accordance with Article 68 of the Company's Articles of Association, Wan Zulkiflee bin Wan Ariffin and Abdul Kadir bin Md Kassim who were appointed during the year retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

The Directors in office at the end of the year who have interests in the shares of the Company's related corporations other than wholly owned subsidiaries as recorded in the Register of Directors' Shareholdings are as follows:

Name	Number of shares in PETRONAS Dagangan Berhad Balance at 1.4.2007	Addition/ Bought	Sold	Balance at 31.3.2008
Tan Sri Dato Sri Mohd. Hassan bin Marican	2,000	-	-	2,000
Datuk Anuar bin Ahmad	2,000	-	-	2,000

Name	Number of shares in PETRONAS Gas Berhad Balance at 1.4.2007/ Date of Appointment	Addition/ Bought	Sold	Balance at 31.3.2008
Tan Sri Dato Sri Mohd. Hassan bin Marican	5,000	166	-	5,166
Datuk Nasarudin bin Md Idris	3,000	-	-	3,000
Wan Zulkiflee bin Wan Ariffin	2,000	-	2,000	-

Name	Number of shares in KLCC Property Holdings Berhad Balance at 1.4.2007	Addition/ Bought	Sold	Balance at 31.3.2008
Tan Sri Dato Sri Mohd. Hassan bin Marican	50,000	-	-	50,000
Datuk Nasarudin bin Md Idris	-	5,000	-	5,000

None of the other Directors holding office at 31 March 2008 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements), by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than legal fees of RM234,400 (2007: RMNil) and RM52,800 (2007: RMNil) paid by the Group and the Company respectively to a firm in which a Director is a partner.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES

There were no changes in the issued and paid up capital of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 March 2008 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

The auditors, Messrs KPMG Desa Megat & Co. have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors
in accordance with a resolution of the Directors:

....

Tan Sri Dato Sri Mohd. Hassan bin Marican

....

Datuk Anuar bin Ahmad

Kuala Lumpur,

Date: 28 May 2008

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 10 to 120, are drawn up in accordance with applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board (MASB) and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 March 2008 and of the results of their operations and cash flows for the year ended on that date.

Signed on behalf of the Board of Directors
in accordance with a resolution of the Directors:

....
Tan Sri Dato Sri Mohd. Hassan bin Marican

....
Datuk Anuar bin Ahmad

Kuala Lumpur,

Date: 28 May 2008

STATUTORY DECLARATION

I, **Manharlal Ratilal**, the officer primarily responsible for the financial management of **PETROLIAM NASIONAL BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 10 to 120, are, to the best of my knowledge and belief, 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
Manharlal Ratilal at Kuala Lumpur in
Wilayah Persekutuan on 28 May 2008.

BEFORE ME:

PESURUHJAYA SUMPAH
No. W 287
Lim Heng Lin
AMP, AMN
MALAYSIA
4 Tkt. Mezzanine, Medan Pasar
50050 Kuala Lumpur
Tel: 03-20783299, 016-2099638

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the financial statements set out on pages 10 to 120. The preparation of the financial statements is the responsibility of the Company'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 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 financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of:

  i) the state of affairs of the Group and of the Company at 31 March 2008 and of the results of their operations and cash flows for the year ended on that date; and

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

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

All the names of subsidiaries in respect of which we have not acted as auditors are identified in Appendix I to the financial statements and we have considered their financial statements and the auditors' reports thereon other than as stated in Appendix I to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements 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 audited subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment made under sub-section (3) of Section 174 of the Act.

KPMG Desa Megat & Co.

KPMG Desa Megat & Co.
Firm Number: AF 0759
Chartered Accountants

Mohamed Raslan Abdul Rahman
Partner
Approval Number: 1825/05/09(J/PH)

Petaling Jaya,
Date: 28 May 2008

CONSOLIDATED BALANCE SHEET AT 31 MARCH 2008

	Note	2008 RM Mil	2007 RM Mil (Restated)
ASSETS			
Property, plant and equipment	3	**130,253**	116,535
Properties	4	**7,167**	7,257
Investment properties	5	**8,735**	8,613
Land held for development	6	**1,761**	1,852
Prepaid lease payments	7	**2,232**	2,164
Investments in associates	9	**5,714**	5,369
Investments in jointly controlled entities	10	**1,889**	1,738
Fund and other investments	11	**10,010**	10,613
Long term receivables	12	**3,341**	2,709
Intangible assets	13	**15,249**	7,530
Deferred tax assets	14	**1,284**	525
Cash and cash equivalents	16	**210**	336
TOTAL NON-CURRENT ASSETS		**187,845**	165,241
Property development costs	17	**744**	561
Trade and other inventories	18	**8,915**	6,227
Trade and other receivables	19	**30,856**	23,172
Tax recoverable		**312**	45
Assets classified as held for sale	20	**189**	-
Fund and other investments	11	**29,968**	32,190
Cash and cash equivalents	16	**80,444**	67,203
TOTAL CURRENT ASSETS		**151,428**	129,398
TOTAL ASSETS		**339,273**	294,639
EQUITY			
Share capital	21	**100**	100
Reserves	22	**200,875**	170,787
Total equity attributable to shareholders of the Company		**200,975**	170,887
Minority shareholders' interests	23	**22,404**	20,332
TOTAL EQUITY		**223,379**	191,219
LIABILITIES			
Borrowings	24	**29,799**	32,563
Deferred tax liabilities	14	**10,671**	9,055
Other long term liabilities and provisions	26	**17,584**	14,435
TOTAL NON-CURRENT LIABILITIES		**58,054**	56,053
Trade and other payables	27	**24,428**	21,918
Borrowings	24	**8,183**	3,340
Taxation		**19,229**	16,109
Dividend payable		**6,000**	6,000
TOTAL CURRENT LIABILITIES		**57,840**	47,367
TOTAL LIABILITIES		**115,894**	103,420
TOTAL EQUITY AND LIABILITIES		**339,273**	294,639

The notes set out on pages 91 to 180 are an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2008

	Note	2008 RM Mil	2007 RM Mil
Revenue		**223,078**	184,053
Cost of revenue		**(119,046)**	(99,831)
Gross profit	28	**104,032**	84,222
Selling and distribution expenses		**(3,302)**	(3,041)
Administration expenses		**(5,664)**	(5,630)
Other expenses		**(2,822)**	(2,147)
Other income		**5,113**	4,344
Operating profit	29	**97,357**	77,748
Financing costs		**(3,274)**	(2,807)
Share of profit after tax and minority interest of equity accounted associates and jointly controlled entities		**1,464**	1,405
Profit before taxation		**95,547**	76,346
Tax expense	31	**(28,162)**	(24,195)
PROFIT FOR THE YEAR		**67,385**	52,151
Attributable to:			
Shareholders of the Company		**61,038**	46,432
Minority interest		**6,347**	5,719
PROFIT FOR THE YEAR		**67,385**	52,151

The notes set out on pages 91 to 180 are an integral part of these financial statements.

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

		<---- Attributable to shareholders of the Company ---->							
		<----Non-distributable ---->			<----Distributable---->				
	Note	Share Capital RM Mil	Capital Reserves RM Mil	Foreign Currency Translation Reserve RM Mil	General Reserve RM Mil	Retained Profits RM Mil	Total RM Mil	Minority Interest RM Mil	Total Equity RM Mil
Balance at 1 April 2006		100	11,996	1,040	12,000	122,631	147,767	19,347	167,114
Profit for the year		-	-	-	-	46,432	46,432	5,719	52,151
Dividends	32	-	-	-	-	(18,000)	(18,000)	(3,640)	(21,640)
Share of reserves of associates and jointly controlled entities		-	(226)	-	-	-	(226)	-	(226)
Transfer to capital reserves		-	1,463	-	-	(1,463)	-	(4)	(4)
Net movements from exchange differences		-	-	(5,086)	-	-	(5,086)	(1,090)	(6,176)
Balance at 31 March 2007		100	13,233	(4,046)	12,000	149,600	170,887	20,332	191,219

The notes set out on pages 91 to 180 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2008

		<---------------------- Attributable to shareholders of the Company					------------------>		
		<-----------Non-distributable ------->			<-- --Distributable---->				
	Note	**Share Capital RM Mil**	**Capital Reserves RM Mil**	**Foreign Currency Translation Reserve RM Mil**	**General Reserve RM Mil**	**Retained Profits RM Mil**	**Total RM Mil**	**Minority Interest RM Mil**	**Total Equity RM Mil**
Balance at 1 April 2007		100	13,233	(4,046)	12,000	149,600	170,887	20,332	191,219
Profit for the year		-	-	-	-	61,038	61,038	6,347	67,385
Dividends	32	-	-	-	-	(24,000)	(24,000)	(3,490)	(27,490)
Share of reserves of associates and jointly controlled entities		-	(47)	-	-	-	(47)	-	(47)
Transfer to capital reserves		-	61	-	-	(81)	(20)	20	-
Redemption of preference shares		-	1	-	-	(1)	-	(14)	(14)
Net movements from exchange differences		-	84	(6,967)	-	-	(6,883)	(791)	(7,674)
Balance at 31 March 2008		100	13,332	(11,013)	12,000	186,556	200,975	22,404	223,379

The notes set out on pages 91 to 180 are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2008

	Note	2008 RM Mil	2007 RM Mil
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		**216,452**	181,069
Cash paid to suppliers and employees		**(122,520)**	(101,840)
		93,932	79,229
Interest income from fund and other investments		**4,273**	4,343
Interest expenses paid		**(2,279)**	(3,229)
Taxation paid		**(25,064)**	(23,064)
Net cash generated from operating activities		**70,862**	57,279
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash used in investing activities	33	**(44,347)**	(22,385)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash used in financing activities	34	**(24,386)**	(24,627)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,129**	10,267
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**78,824**	68,557
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**80,953**	78,824
CASH AND CASH EQUIVALENTS			
Cash and bank balances and deposits	16	**80,654**	67,539
Negotiable certificate of deposits – current	11	**320**	11,295
Bank overdrafts	24	**(21)**	(10)
		80,953	78,824

The notes set out on pages 91 to 180 are an integral part of these financial statements.

BALANCE SHEET AT 31 MARCH 2008

	Note	2008 RM Mil	2007 RM Mil (Restated)
ASSETS			
Property, plant and equipment	3	**1,915**	1,821
Prepaid lease payments	7	**70**	72
Investments in subsidiaries	8	**20,802**	20,449
Investments in associates	9	**1,042**	1,042
Investments in jointly controlled entities	10	**1,058**	1,110
Fund and other investments	11	**588**	1,389
Long term receivables	12	**54,137**	49,498
Deferred tax assets	14	**890**	118
TOTAL NON-CURRENT ASSETS		**80,502**	75,499
Trade and other inventories	18	**98**	102
Trade and other receivables	19	**15,213**	11,431
Fund and other investments	11	**30,242**	32,530
Cash and cash equivalents	16	**45,479**	40,084
TOTAL CURRENT ASSETS		**91,032**	84,147
TOTAL ASSETS		**171,534**	159,646
EQUITY			
Share capital	21	**100**	100
Reserves	22	**114,267**	102,609
TOTAL EQUITY		**114,367**	102,709
LIABILITIES			
Borrowings	24	**15,689**	17,420
Other long term liabilities and provisions	26	**16,239**	13,623
TOTAL NON-CURRENT LIABILITIES		**31,928**	31,043
Trade and other payables	27	**7,663**	11,748
Borrowings	24	**549**	362
Taxation		**11,027**	7,784
Dividend payable		**6,000**	6,000
TOTAL CURRENT LIABILITIES		**25,239**	25,894
TOTAL LIABILITIES		**57,167**	56,937
TOTAL EQUITY AND LIABILITIES		**171,534**	159,646

The notes set out on pages 91 to 180 are an integral part of these financial statements.

INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2008

	Note	2008 RM Mil	2007 RM Mil
Revenue		**101,703**	87,432
Cost of revenue		**(43,415)**	(36,526)
Gross profit	28	**58,288**	50,906
Selling and distribution expenses		**(432)**	(393)
Administration expenses		**(3,160)**	(2,013)
Other expenses		**(3,214)**	(2,898)
Other income		**2,584**	2,773
Operating profit	29	**54,066**	48,375
Financing costs		**(967)**	(313)
Profit before taxation		**53,099**	48,062
Tax expense	31	**(17,441)**	(14,700)
PROFIT FOR THE YEAR		**35,658**	33,362

The notes set out on pages 91 to 180 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2008

	Note	Share Capital RM Mil	General Reserve RM Mil	Retained Profits RM Mil	Total Equity RM Mil
		<--Non-distributable-->	<--------Distributable------->		
Balance at 1 April 2006		100	12,000	75,247	87,347
Profit for the year		-	-	33,362	33,362
Dividends	32	-	-	(18,000)	(18,000)
Balance at 31 March 2007		100	12,000	90,609	102,709
Balance at 1 April 2007		100	12,000	90,609	102,709
Profit for the year		-	-	35,658	35,658
Dividends	32	-	-	(24,000)	(24,000)
Balance at 31 March 2008		100	12,000	102,267	114,367

The notes set out on pages 91 to 180 are an integral part of these financial statements.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2008

	Note	2008 RM Mil	2007 RM Mil
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		**78,852**	65,883
Cash paid to suppliers and employees		**(48,654)**	(39,954)
		30,198	25,929
Interest income from fund and other investments		**2,978**	3,275
Interest expenses paid		**(18)**	(191)
Taxation paid		**(12,942)**	(13,175)
Net cash generated from operating activities		**20,216**	15,838
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash generated from investing activities	33	**3,622**	16,338
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash used in financing activities	34	**(29,418)**	(21,673)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(5,580)**	10,503
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**51,379**	40,876
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**45,799**	51,379
CASH AND CASH EQUIVALENTS			
Cash and bank balances and deposits	16	**45,479**	40,084
Negotiable certificate of deposits - current	11	**320**	11,295
		45,799	51,379

The notes set out on pages 91 to 180 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2008

1. BASIS OF PREPARATION

1.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved Financial Reporting Standards (FRSs) issued by the Malaysian Accounting Standards Board (MASB), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965.

At the beginning of the current financial year, the Group and the Company had adopted the following FRSs and Amendment to FRS :-

(i) FRS 117, *Leases* which is effective for annual periods beginning on or after 1 October 2006;

(ii) FRS 124, *Related Party Disclosures* which is effective for annual periods beginning on or after 1 October 2006;

(iii) FRS 6, *Exploration for and Evaluation of Mineral Resources* which is effective for annual periods beginning on or after 1 January 2007; and

(iv) Amendment to FRS 119_{2004} Employee Benefits, *Actuarial Gains and Losses, Group Plans and Disclosures* which is effective for annual periods beginning on or after 1 January 2007.

The principal changes in accounting policies and their effects resulting from the adoption of FRS 117 and FRS 6 are set out in Note 36 and Note 45 respectively.

The adoption of FRS 124 and Amendment to FRS 119_{2004} does not result in significant changes in accounting policies other than certain extended disclosures as set out in Note 39 and Note 15 respectively.

In this set of financial statements, the Group and the Company have not chosen to early adopt the following FRSs which are only effective for annual periods beginning on or after 1 July 2007 (unless otherwise stated) :-

(i) FRS 107, *Cash Flow Statements;*

(ii) FRS 111, *Construction Contracts;*

(iii) FRS 112, *Income Taxes;*

(iv) FRS 118, *Revenue;*

(v) FRS 134, *Interim Financial Reporting;*

(vi) FRS 137, *Provisions, Contingent Liabilities and Contingent Assets;* and

(vii) FRS 139, *Financial Instruments: Recognition and Measurement* for which the MASB has yet to announce the effective date of this standard.

Initial application of FRS 107, FRS 111, FRS 112, FRS 118, FRS 134 and FRS 137 for the Group and the Company will be effective from the annual period beginning 1 April 2008. The adoption of these FRSs, other than FRS 112, is not expected to have any material impact on the financial statements of the Group and the Company in the period of initial application.

FRS 112 addresses the accounting treatment for income taxes. In the current accounting policy for income taxes, reinvestment allowance or investment tax allowance is not recognised as a deferred tax asset. The revised FRS 112 no longer prescribes specific accounting treatment for reinvestment allowance and investment tax allowance (hereinafter collectively referred to as "tax incentives"). Therefore, on adoption of the revised FRS 112, the Group and the Company intend to account for these tax incentives by applying the analogy of the accounting treatment for unused tax losses in FRS 112. The change in accounting policy is expected to be applied retrospectively in accordance with the transitional provisions in the revised FRS 112. The impact of applying the revised FRS 112 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is set out in Note 14.

The Group and the Company will also voluntarily adopt FRS 139 for the annual period beginning 1 April 2008. By virtue of the exemption in paragraph 103AB of FRS 139, the impact of applying FRS 139 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108 is not disclosed.

In addition, the MASB had also issued the following FRS and Statements of Interpretations (ICs) which are only effective for annual periods beginning on or after 1 July 2007, but for which are not relevant to the operations of the Group and the Company and hence, no further disclosure is warranted :

(i) FRS 120, *Accounting for Government Grants and Disclosure of Government Assistance;*

(ii) IC Interpretation 2, *Members' Shares in Co-operative Entities and Similar Instruments;*

(iii) IC Interpretation 5, *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds;*

(iv) IC Interpretation 6, *Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment;*

(v) IC Interpretation 7, *Applying the Restatement Approach under FRS 129_{2004}, Financial Reporting in Hyperinflationary Economies;* and

(vi) IC Interpretation 8, *Scope of FRS 2 Share-based Payments.*

The financial statements were approved and authorised for issue by the Board of Directors on 28 May 2008.

1.2 Basis of measurement

The financial statements of the Group and the Company have been prepared on the historical cost basis, unless otherwise stated.

1.3 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 Group and the Company's financial statements are presented in Ringgit Malaysia, which is also the Company's functional currency.

1.4 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:-

(i) Note 3 : Property, Plant and Equipment;

(ii) Note 13 : Intangible Assets;

(iii) Note 15 : Retirement Benefits; and

(iv) Note 26 : Other Long Term Liabilities and Provisions.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

2.1 Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All inter-company transactions are eliminated on consolidation and the revenue and profits relate to external transactions only. Unrealised losses resulting from inter-company transactions are also eliminated unless cost cannot be recovered.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

2.2 Associates

Associates are entities in which the Group has significant influence including representation on the Board of Directors, but not control or joint control, over the financial and operating policies of the investee company.

Associates are accounted for in the consolidated financial statements using the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of post-acquisition profits or losses of the equity accounted associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

The Group's share of post-acquisition reserves and retained profits less losses is added to the carrying value of the investment in the consolidated balance sheet. These amounts are taken from the latest audited financial statements or management financial statements of the associates.

When the Group's share of post-acquisition losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Unrealised profits arising from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered.

2.3 Jointly controlled entities

The Group has interests in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. 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.

2.4 Intangible assets

(i) Goodwill or negative goodwill

Goodwill or negative goodwill arises on the acquisition of subsidiaries, associates and jointly controlled entities.

Goodwill arising from acquisitions prior to 1 April 2006 represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities of the acquiree.

Goodwill arising from acquisitions beginning 1 April 2006 represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities and contingent liabilities of the acquiree.

Goodwill is initially measured at cost. 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. When the excess is negative (negative goodwill), it is recognised immediately in the income statement.

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. The entire carrying amount of the investment is reviewed for impairment when there is objective evidence of impairment.

(ii) Purchased goodwill

Purchased goodwill represents the excess of the cost of acquisition over the fair value of the identifiable assets acquired.

Purchased goodwill is initially measured at cost. Following the initial recognition, purchased goodwill is measured at cost less any accumulated impairment losses. Purchased 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.

(iii) Exploration expenditure

Intangible assets also include expenditure on the exploration for and evaluation of oil and natural gas resources (hereinafter collectively referred to as “exploration expenditure”). The accounting policy for exploration expenditure is described separately in Note 2.11.

(iv) Other intangible assets

Intangible assets other than goodwill, purchased goodwill and exploration expenditure, are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination are their fair values as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets are amortised on a straight line basis over the estimated economic useful lives, other than certain recoverable expenditure which is amortised based on actual costs recovered. Intangible assets are assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation method and the useful life for an intangible asset are reviewed at least at each balance sheet date. Amortisation of intangible asset is recognised in the income statement.

2.5 Property, plant and equipment and depreciation

Freehold land and projects-in-progress are stated at cost and are not depreciated. Other property, plant and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the costs of materials and direct labour, any other costs directly attributable to bringing the assets to working condition for their intended use, and the costs of dismantling and removing the assets and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The net book value of the replaced item of property, plant and equipment is derecognised with any corresponding gain or loss recognised in the income statement accordingly. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, at which time it is reclassified as investment property at cost.

When the use of a property changes from owner-occupied to investment property, the property is reclassified as investment property at cost.

Depreciation for property, plant and equipment other than freehold land, oil and gas properties and projects-in-progress, is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

Depreciation of producing oil and gas properties is computed based on the unit of production method using total proved reserves for capitalised acquisition costs and total proved and probable developed reserves for capitalised exploration and development costs.

Leased properties are depreciated over the lease term or the estimated useful lives, whichever is shorter.

The estimated useful lives of the other property, plant and equipment are as follows:

Buildings	20 - 50 years
Plant	3 - 66 years
Expendable capital improvements	3 years
Office equipment, furniture and fittings	5 - 10 years
Other plant and equipment	3 - 50 years
Computer software and hardware	5 years
Motor vehicles	2 - 5years
Vessels	20 years

Estimates in respect of certain items of property, plant and equipment were revised during the year (refer Note 3).

Property, plant and equipment individually costing less than RM5,000 are expensed off in the year of purchase.

The depreciable amount is determined after deducting residual value. 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 items of property, plant and equipment.

An item of 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 the income statement.

2.6 Investment properties

Investment properties are properties which are owned or held under a leasehold interest, either to earn rental income or for capital appreciation or for both. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties. A property held under a leasehold interest is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both.

Freehold land and land improvements are stated at cost and are not depreciated. Other investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in Note 2.5.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of 10 to 50 years for buildings.

2.7 Land held for property development and property development costs

(i) Land held for property development

Land held for property development consists of land or such portions thereof on which no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at cost less accumulated impairment losses, if any. Cost includes acquisition cost of land and attributable development expenditure.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Where the Group had previously recorded the land at revalued amount, it continues to retain this amount as its surrogate costs as allowed by FRS 201_{2004}, Property Development Activities.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

(ii) Property development costs

Property development costs comprise costs associated with the acquisition of land, all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities and interest expenses incurred during the period of active development.

Property development costs not recognised as an expense is recognised as an asset and is stated at the lower of cost and net realisable value.

The excess of revenue recognised in the income statement over billings to purchasers is shown as accrued billings under trade and other receivables and the excess of billings to purchasers over revenue recognised in the income statement is shown as progress billings under trade and other payables.

2.8 Leased assets

(i) Finance lease

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the balance sheet as borrowings.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

Contingent lease payments, if any, are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(ii) Operating lease

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases, except for property interest held under operating lease that would otherwise meet the definition of an investment property. The latter is classified as an investment property on a property-by-property basis and is accounted for as if held under a finance lease (Note 2.6).

Payments made under operating leases are recognised as an expense in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided, except for leasehold land classified as investment property.

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

The Group had previously classified leases of land as finance leases and had recognised the amount of prepaid lease payments as property within its property, plant and equipment. On adoption of FRS 117, *Leases,* the Group treats such a lease as an operating lease, with the unamortised carrying amount classified as prepaid lease payments in accordance with the transitional provisions stated in paragraph 67A of FRS 117.

The Group had previously revalued certain leasehold land and had retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments in accordance with the transitional provisions stated in paragraph 67A of FRS 117.

2.9 Impairment

The carrying amounts of assets, other than inventories, property development costs, deferred tax assets and financial assets (financial assets in this context exclude investments in subsidiaries, associates and jointly controlled entities), are generally reviewed at each balance sheet date to determine whether there is any indication of impairment. The carrying amounts of certain classes of assets are reviewed whenever events or changes in circumstances indicate that the carrying value may be impaired, as described in the respective assets' accounting policies.

If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset.

A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less cost 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed in a subsequent period. In respect of other assets, impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statement.

2.10 Borrowing costs and foreign currency exchange differences relating to projects-in-progress

Borrowing costs incurred on projects-in-progress which are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use, are capitalised. Capitalisation of borrowing costs will cease when the property, plant and equipment are ready for their intended use.

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of financing a specific project-in-progress, in which case the actual borrowing cost incurred on that borrowing less any investment income on the temporary investment of that borrowings will be capitalised.

Exchange differences arising from foreign currency borrowings, although regarded as an adjustment to interest costs, are not capitalised but instead recognised in the income statement in the year in which they arise.

2.11 Exploration and development expenditure

The Group follows the successful efforts method of accounting for the exploration and development expenditure.

(i) Exploration expenditure

Costs directly associated with an exploration well, including license acquisition and drilling costs, are initially capitalised as intangible assets until the results have been evaluated.

If a well does not result in successful discovery of economically recoverable volume of hydrocarbons, such costs are written off as a dry hole. If hydrocarbons are found and, subject to further appraisal activity which may include the drilling of further wells, are likely to be capable of commercial development under prevailing economic conditions, the costs continue to be carried as intangible assets. All such carried costs are reviewed at least once a year to determine whether the reserves found or appraised remain economically viable. When this is no longer the case, the costs are written off.

Where development plan is commercially viable and approved by relevant authorities, the related exploration and evaluation costs are transferred to projects-in-progress in property, plant and equipment.

(ii) Development expenditure

Development expenditure comprises all costs incurred in bringing a field to commercial production and is capitalised as incurred. The amount capitalised includes attributable interests and other financing costs incurred on significant exploration and development before commencement of production.

Upon commencement of production, the exploration and development expenditure initially capitalised as projects-in-progress are transferred to oil and gas properties, and are depreciated as described in the accounting policy for property, plant and equipment (Note 2.5).

2.12 Investments

(i) Non-current

Long term investments in subsidiaries, associates and jointly controlled entities are stated at cost in the company, less impairment loss where applicable.

Other investments held for long term purposes are stated at cost less allowance for diminution in value. An allowance is made when the Directors are of the view that there is a diminution in their values, which is other than temporary.

(ii) Current

Quoted shares, quoted securities and Malaysian Government Securities held as short term investments are stated at the lower of cost and market value on an individual investment basis.

Unquoted securities held as short term investments are stated at the lower of cost and theoretical market value based on the yield to maturity.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost of crude oil and condensate includes costs of bringing the inventories to their present location and condition and is determined on the weighted average basis.

Cost of petroleum products includes crude oil costs, export duty, transportation charges and processing costs and is determined on the weighted average basis.

Cost of liquefied natural gas (LNG) and petrochemical products includes raw gas costs and production overheads and is determined on the weighted average basis.

Cost of material stores and spares consists of the invoiced value from suppliers and import duty charges and is determined on the weighted average basis.

Cost of developed properties held for sale consists of costs associated with the acquisition of land, direct costs and appropriate proportions of common costs attributable to developing the properties to completion.

2.14 Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

Amount due from contract customers on construction contracts is stated at cost plus attributable profits less foreseeable losses and less progress billings. Cost includes all direct construction costs and other related costs. Where progress billings exceed the aggregate amount due from contract customers plus attributable profits less foreseeable losses, the net credit balance on all such contracts is included in other payables as amount due to contract customers.

2.15 Non-current assets held for sale

Non-current assets and disposal groups that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. 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.

Immediately before classification as held for sale, the assets (or all the assets and liabilities in a disposal group) are remeasured in accordance with the Group's applicable accounting policies. Thereafter, on initial classification as held for sale, the assets or disposal groups are measured at the lower of carrying amount and fair value less cost to sell. Any differences are charged to the income statement.

Property, plant and equipment and investment properties once classified as held for sale are not depreciated.

2.16 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank balances, deposits with licensed financial institutions and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

2.17 Employee benefits

(i) Short term benefits

Wages and salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and Company.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF").

Some of the Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes and certain other independently-administered funds which are defined contribution plans.

Such contributions are recognised as an expense in the income statement as incurred.

(iii) Defined benefit plans

The Group and Company, other than foreign subsidiaries, contribute monthly to the PETRONAS Retirement Benefit Fund ("PETRONAS Fund"). Certain foreign subsidiaries make contributions to separate retirement benefit plans. These retirement benefit plans are funded defined benefit plans.

Contributions to the PETRONAS Fund are based on eligible employees' monthly emoluments less statutory contribution, to finance the retirement benefits payable to eligible employees. The monthly maximum tax allowable contribution is paid to the PETRONAS Fund. The excess is paid to a special account in the Company as a provision for retirement benefits.

The assets of the Fund are held separately from the Group and Company. The net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the market yield at the balance sheet date on high quality corporate bonds or government bonds. The calculation is performed by an independent actuary using the Projected Unit Credit Method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

In calculating the obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation results in a benefit, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

As the eligible members of the PETRONAS Fund are mainly contracted to the Company, any shortfall of the Fund will be borne by the Company. The Company as well as its participating subsidiaries have agreed with the Trustees of the Fund to undertake such liability in respect of future contributions to the Fund which may be adjusted by the Trustees to recover such shortfall.

Actuarial valuation of the Fund is conducted by independent actuary at regular intervals. The last valuation performed for the PETRONAS Fund was on 31 March 2008.

(iv) Post retirement benefits

Some of the Group's foreign subsidiaries provide certain post retirement medical benefits and after service employment benefits for their eligible retired employees. These retirement benefit plans are unfunded defined benefit plans. Actuarial valuations are performed annually with the most recent valuations being 31 March 2008.

2.18 Taxation

Tax on the profit and loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent it relates to items recognised directly in equity, in which case it is recognised in equity.

(i) ***Current tax***

Current tax expense is the expected tax payable on the taxable income for the year, using the statutory tax rates at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(ii) ***Deferred tax***

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unabsorbed capital allowances, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unabsorbed capital allowances, 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 statutory tax rates at the balance sheet date.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.19 Foreign currency transactions

In preparing the financial statements of individual entities in the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are translated to the functional currencies at rates of exchange ruling on the transaction dates.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date have been retranslated to the functional currency at rates ruling on the balance sheet date or at an agreed exchange rate under currency exchange arrangements.

Non-monetary assets and liabilities denominated in foreign currencies, which are measured at fair value, are retranslated to the functional currency at the foreign exchange rates ruling at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Gains and losses on exchange arising from retranslation are recognised in the income statement.

On consolidation, the assets and liabilities of subsidiaries with functional currencies other than Ringgit Malaysia, are translated into Ringgit Malaysia at the exchange rates approximating those ruling at balance sheet date, except for goodwill and fair value adjustments arising from business combinations before 1 April 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses are translated at the average exchange rates for the year, which approximates the exchange rates at the dates of the transactions. All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Exchange differences arising from monetary items that in substance form part of the Company's net investment in foreign operations, are recognised in the Company's income statement. Such exchange differences are reclassified to equity in the consolidated financial statements only when the loan is denominated in either the functional currency of the Company or the foreign operation.

2.20 Provisions

A provision is recognised if, as a result of a past event, the Group and the Company have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and 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.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

In particular, information about provisions that have the most significant effect on the amount recognised in the financial statements is described in Note 26.

2.21 Liabilities

Borrowings and trade and other payables are stated at cost.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.22 Revenue

Revenue from sale of oil and gas and their related products are recognised in the income statement when the risks and rewards of ownership have been transferred to the buyer.

Revenue from services rendered is recognised in the income statement based on actual and estimates of work done in respect of services rendered for long term project management contracts. Work done is measured based on internal certification of project activities. Full provision is made for any foreseeable losses.

Revenue arising from shipping activities are mainly from freight income and charter income. Freight income and the relevant discharged costs of cargoes loaded onto vessels up to the balance sheet date are accrued for in the income statement based on percentage of completion method. Charter income is accrued on time accrual basis.

Revenue from property development activities is recognised based on the stage of completion measured by reference to the proportion that property development costs incurred for work performed to-date, bear to the estimated total property development costs. Where the financial outcome of a property development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on the development units sold are recognised as an expense in the period in which they are incurred. Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised immediately in the income statement.

Revenue arising from assets yielding interest is recognised on a time proportion basis that takes into account the effective yield on the assets.

Revenue arising from investments yielding dividend are recognised when the shareholders' right to receive payment is established.

2.23 Financing costs

Finance costs comprise interest payable on borrowings and profit share margin on Islamic debt facilities.

All interest and other costs incurred in connection with borrowings are expensed as incurred, other than capitalised in accordance with Note 2.7, Note 2.10 and Note 2.11. The interest component of finance lease payments is accounted for in accordance with the policy set out in Note 2.8(i).

3. PROPERTY, PLANT AND EQUIPMENT

Group	At 1.4.2007 RM Mil	Additions RM Mil	Acquistion of subsidiaries RM Mil	Disposals/ write offs RM Mil	Transfers/ reclass RM Mil	Adjustments RM Mil	Translation exchange difference RM Mil	At 31.3.2008 RM Mil
At cost :								
Freehold land	976	21	54	(4)	166	(2)	(19)	**1,192**
Lease properties	1,220	-	1	(28)	-	(4)	(11)	**1,178**
Oil and gas properties	59,872	2,576	3,999	(692)	8,013	107	(2,152)	**71,723**
Buildings	6,157	175	365	(45)	872	53	(140)	**7,437**
Plant	49,263	137	466	(20)	490	-	(1,841)	**48,495**
Expendable capital improvements	58	-	-	-	-	-	-	**58**
Office equipment, furniture and fittings	1,459	68	36	(75)	90	(6)	(24)	**1,548**
Other plant and equipment	10,583	462	1,871	(91)	848	(17)	(182)	**13,474**
Computer software and hardware	1,679	103	31	(80)	97	11	(81)	**1,760**
Motor vehicles	387	33	29	(18)	-	(3)	(23)	**405**
Vessels	28,115	1,050	-	(855)	3,521	(9)	(2,152)	**29,670**
Projects-in-progress								
- oil and gas properties	16,962	12,571	88	(3)	(7,849)	2	(326)	**21,445**
- other projects	8,266	6,549	86	(29)	(6,072)	(46)	(507)	**8,247**
	184,997	23,745	7,026	(1,940)	*176	86	(7,458)	**206,632**

* *Comprises transfer from intangible assets of RM176,000,000.*

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group Accumulated depreciation	At 1.4.2007 RM Mil	Charge for the year RM Mil	Acquistion of subsidiaries RM Mil	Disposals/ write offs RM Mil	Reclass RM Mil	Adjustments RM Mil	Translation exchange difference RM Mil	At 31.3.2008 RM Mil
At cost :								
Freehold land	22	-	-	-	-	-	-	**22**
Lease properties	533	49	-	(7)	-	(1)	(5)	**569**
Oil and gas properties	22,214	5,433	942	(509)	-	(2)	(485)	**27,593**
Buildings	1,860	203	138	(18)	(1)	6	(54)	**2,134**
Plant	24,559	2,060	266	(11)	20	(20)	(987)	**25,887**
Expendable capital improvements	46	6	-	-	-	-	-	**52**
Office equipment, furniture and fittings	1,189	95	28	(37)	2	-	(15)	**1,262**
Other plant and equipment	5,086	733	172	(44)	(15)	14	(96)	**5,850**
Computer software and hardware	1,286	174	25	(50)	(2)	(1)	(65)	**1,367**
Motor vehicles	204	32	15	(13)	(4)	-	(6)	**228**
Vessels	11,463	1,346	-	(429)	-	-	(965)	**11,415**
Projects-in-progress								
- oil and gas properties	-	-	-	-	-	-	-	-
- other projects	-	-	-	-	-	-	-	-
	68,462	10,131	1,586	(1,118)	-	(4)	(2,678)	**76,379**

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	At 1.4.2006 RM Mil	Additions RM Mil	Disposals/ write offs RM Mil	Transfers/ reclass RM Mil	Adjustments RM Mil	Translation exchange difference RM Mil	At 31.3.2007 RM Mil (Restated)
At 1991 valuation :							
Buildings	11	-	-	(11)	-	-	-
At cost :							
Freehold land	928	5	(3)	73	(4)	(23)	976
Lease properties	1,227	1	(9)	16	(1)	(14)	1,220
Oil and gas properties	57,550	922	(910)	3,700	(136)	(1,254)	59,872
Buildings	5,465	136	(28)	489	253	(158)	6,157
Plant	48,380	134	(28)	2,628	(10)	(1,841)	49,263
Expendable capital improvements	54	2	(5)	9	(1)	(1)	58
Office equipment, furniture and fittings	1,376	66	(13)	52	11	(33)	1,459
Other plant and equipment	10,421	368	(92)	296	(188)	(222)	10,583
Computer software and hardware	1,650	80	(69)	154	(55)	(81)	1,679
Motor vehicles	416	51	(70)	9	9	(28)	387
Vessels	28,373	901	(1,330)	2,100	(29)	(1,900)	28,115
Projects-in-progress							
- oil and gas properties	17,461	9,128	(87)	(9,041)	(2)	(497)	16,962
- other projects	5,150	6,883	(26)	(3,394)	32	(379)	8,266
	178,462	18,677	(2,670)	*(2,920)	(121)	(6,431)	184,997

* *Comprises transfers into intangible assets (RM2,474,000,000), properties (RM278,000,000), investment properties (RM99,000,000) and trade and other receivables (RM17,000,000) and prepaid lease payments (RM52,000,000).*

3. **PROPERTY, PLANT AND EQUIPMENT (continued)**

Group Accumulated depreciation	At 1.4.2006 RM Mil	Charge for the year RM Mil	Impairment RM Mil	Disposals/ write offs RM Mil	Transfers/ reclass RM Mil	Adjustments RM Mil	Translation exchange difference RM Mil	At 31.3.2007 RM Mil (Restated)
At 1991 valuation :								
Buildings	3	-	-	-	(3)	-	-	-
At cost :								
Freehold land	-	-	(2)	-	-	24	-	22
Lease properties	472	53	-	(6)	21	-	(7)	533
Oil and gas properties	21,854	4,043	-	(630)	(2,956)	(20)	(77)	22,214
Buildings	1,413	192	26	(11)	255	40	(55)	1,860
Plant	22,366	2,182	223	(21)	691	1	(883)	24,559
Expendable capital improvements	45	7	-	(5)	-	(1)	-	46
Office equipment, furniture and fittings	1,140	79	1	(13)	4	(4)	(18)	1,189
Other plant and equipment	4,357	657	17	(80)	402	(148)	(119)	5,086
Computer software and hardware	1,144	191	-	(66)	80	2	(65)	1,286
Motor vehicles	237	32	2	(65)	-	3	(5)	204
Vessels	11,910	1,273	-	(858)	-	-	(862)	11,463
Projects-in-progress								
- oil and gas properties	-	-	-	-	-	-	-	-
- other projects	-	-	-	-	-	-	-	-
	64,941	8,709	267	(1,755)	*(1,506)	(103)	(2,091)	68,462

* *Comprises transfers into intangible assets (RM1,457,000,000), investment properties (RM25,000,000), trade and other receivables (RM19,000,000) and properties (RM5,000,000).*

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company **At cost :**	At 1.4.2007 RM Mil	Additions RM Mil	Disposals RM Mil	Transfers RM Mil	At 31.3.2008 RM Mil
Freehold land	53	-	-	-	**53**
Lease properties	367	-	-	-	**367**
Oil and gas properties	4,529	1,507	(691)	-	**5,345**
Buildings	174	-	-	6	**180**
Expendable capital improvements	11	-	-	-	**11**
Office equipment, furniture and fittings	41	5	-	-	**46**
Other plant and equipment	10	-	-	-	**10**
Computer software and hardware	243	20	(51)	-	**212**
Motor vehicles	16	-	(2)	-	**14**
Projects-in-progress - other projects	87	187	-	(6)	**268**
	5,531	1,719	(744)	-	**6,506**

Accumulated depreciation **At cost :**	At 1.4.2007 RM Mil	Charge for the year RM Mil	Disposals RM Mil	Transfers RM Mil	At 31.3.2008 RM Mil
Freehold land	-	-	-	-	**-**
Lease properties	283	10	-	-	**293**
Oil and gas properties	3,148	1,387	(509)	-	**4,026**
Buildings	29	3	-	-	**32**
Expendable capital improvements	11	-	-	-	**11**
Office equipment, furniture and fittings	26	4	-	-	**30**
Other plant and equipment	7	1	-	-	**8**
Computer software and hardware	197	14	(30)	-	**181**
Motor vehicles	9	2	(1)	-	**10**
Projects-in-progress - other projects	-	-	-	-	-
	3,710	1,421	(540)	-	**4,591**

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company **At cost :**	**At 1.4.2006** **RM Mil**	**Additions** **RM Mil**	**Disposals** **RM Mil**	**Reclass** **RM Mil**	**At 31.3.2007** **RM Mil** **(Restated)**
Freehold land	53	-	-	-	53
Lease properties	348	-	(9)	28	367
Oil and gas properties	5,327	-	(798)	-	4,529
Buildings	202	-	-	(28)	174
Expendable capital improvements	11	-	-	-	11
Office equipment, furniture and fittings	38	3	-	-	41
Other plant and equipment	9	1	-	-	10
Computer software and hardware	226	18	(1)	-	243
Motor vehicles	13	7	(4)	-	16
Projects-in-progress - other projects	29	77	(19)	-	87
	6,256	106	(831)	-	5,531

Accumulated depreciation **At cost :**	**At 1.4.2006** **RM Mil**	**Charge for the year** **RM Mil**	**Disposals** **RM Mil**	**Reclass** **RM Mil**	**At 31.3.2007** **RM Mil** **(Restated)**
Freehold land	-	-	-	-	-
Lease properties	249	11	(5)	28	283
Oil and gas properties	3,497	266	(615)	-	3,148
Buildings	54	3	-	(28)	29
Expendable capital improvements	11	-	-	-	11
Office equipment, furniture and fittings	22	4	-	-	26
Other plant and equipment	6	1	-	-	7
Computer software and hardware	177	21	(1)	-	197
Motor vehicles	10	2	(3)	-	9
Projects-in-progress - other projects	-	-	-	-	-
	4,026	308	(624)	-	3,710

3. PROPERTY, PLANT AND EQUIPMENT (continued)

	Group Net Book Value		Company Net Book Value	
	2008	2007	**2008**	2007
	RM Mil	RM Mil (Restated)	**RM Mil**	RM Mil (Restated)
At cost :				
Freehold land	**1,170**	954	**53**	53
Lease properties	**609**	687	**74**	84
Oil and gas properties	**44,130**	37,658	**1,319**	1,381
Buildings	**5,303**	4,297	**148**	145
Plant	**22,608**	24,704	-	-
Expendable capital improvements	**6**	12	-	-
Office equipment, furniture and fittings	**286**	270	**16**	15
Other plant and equipment	**7,624**	5,497	**2**	3
Computer software and hardware	**393**	393	**31**	46
Motor vehicles	**177**	183	**4**	7
Vessels	**18,255**	16,652	-	-
Projects-in-progress				
- oil and gas properties	**21,445**	16,962	-	-
- other projects	**8,247**	8,266	**268**	87
	130,253	116,535	**1,915**	1,821

Security

Property, plant and equipment of certain subsidiaries costing RM4,819,841,000 (2007: RM5,413,657,000) have been pledged as securities for loan facilities as set out in Note 24 and Note 25 to the financial statements.

Projects-in-progress

Included in additions to projects-in-progress is finance costs capitalised during the year of RM153,322,000 (2007: RM132,090,000).

The interest rate on borrowings capitalised ranges from 4.45% to 7.25% (2007: 4.00% to 7.45%) per annum.

Change in estimates

During the year, the Group revised the estimated future costs of dismantlement, removal or restoration of certain property, plant and equipment. The revision was accounted for prospectively as a change in accounting estimates and as a result, the depreciation charges of the Group for the current financial year have increased by RM1,124,000,000.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Estimation of oil and gas reserves

Oil and gas reserves are key elements in the Group and Company investment decision-making process. They are also an important element in testing for impairment. The term “reserves” describes the recoverable quantity of oil and gas volumes that are commercially viable for development given the prevailing economic situation present at the time of estimation. While it is crucial to know the quantity of these oil and gas reserves to the exact volume, in all cases oil and gas reserves are only estimates.

Estimation of oil and gas reserves are normally conducted using industry-recognised method. Sufficient availability of key technical information are critical to ensure reserves estimates are technically sound while recognising the existence of uncertainties present in the oil and gas reservoirs. Reserves estimates are normally presented alongside the range of level of certainties namely the proved reserves (high level of certainty), probable reserves (mean level of certainty) and possible reserves (low level of certainty). Level of certainties are related to the availability and understanding of the geological and reservoir data available at the time of estimation and is normally represented in the form of probability distribution.

The reserves are further subdivided into developed and undeveloped category. Developed reserves are reserves expected to be recovered through existing wells and facilities under the operating conditions that have been designed for. Whereas the undeveloped reserves are reserves to be recovered from approved and sanctioned projects and remain so until the wells are drilled and completed and ready for production which would by then be classified as developed.

In the annual reporting, these reserves may be revised based on new data that may become available (e.g. additional wells, actual production) or changes in economic parameters (e.g. cost, oil prices). These changes will eventually affect the financial and accounting measures such as the standardised measure of discounted cash flow, depreciation and amortisation charges and decommissioning provisions. Ultimately, these changes will also affect profit.

4. PROPERTIES

Group	At 1.4.2007 RM Mil	Additions RM Mil	Disposals RM Mil	Transfers RM Mil	Adjustments RM Mil	At 31.3.2008 RM Mil
At cost :						
Freehold land	1,241	43	(1)	-	-	**1,283**
Buildings	6,090	18	(3)	13	22	**6,140**
Projects-in-progress	709	580	-	(632)	(13)	**644**
	8,040	641	(4)	*(619)	9	**8,067**

	At 1.4.2007 RM Mil	Charge for the year RM Mil	Disposals RM Mil	Transfers RM Mil	Adjstments RM Mil	At 31.3.2008 RM Mil
Accumulated depreciation :						
Freehold land	-	-	-	-	-	-
Buildings	783	117	-	-	-	**900**
Projects-in-progress	-	-	-	-	-	-
	783	117	-	-	-	**900**

* *Comprises transfers into investment properties (RM461,000,000), assets classified as held for sale (RM151,000,000) and property development cost (RM7,000,000).*

4. **PROPERTIES (continued)**

Group	At 1.4.2006 RM Mil	Additions RM Mil	Transfers/ Reclass RM Mil	Adjustments RM Mil	At 31.3.2007 RM Mil (Restated)
At cost :					
Freehold land	2,031	-	(824)	34	1,241
Buildings	4,842	75	1,163	10	6,090
Projects-in-progress	428	424	(155)	12	709
	7,301	499	*184	56	8,040

	At 1.4.2006 RM Mil	Charge for the year RM Mil	Transfers RM Mil	Adjustments RM Mil	At 31.3.2007 RM Mil (Restated)
Accumulated depreciation :					
Freehold land	-	-	-	-	-
Buildings	643	118	5	17	783
Projects-in-progress	-	-	-	-	-
	643	118	**5	17	783

* *Comprises transfers from property, plant and equipment RM278,000,000, prepaid lease payments RM18,000,000 and transfer into investment properties (RM112,000,000).*

** *Comprises transfer from property, plant and equipment RM5,000,000.*

4. PROPERTIES (continued)

Group	Net Book Value 2008 RM Mil	2007 RM Mil (Restated)
At cost :		
Freehold land	**1,283**	1,241
Buildings	**5,240**	5,307
Projects-in-progress	**644**	709
	7,167	7,257

Certain properties with net book value of RM566,717,000 (2007: RM579,525,000) have been pledged as securities for loan facilities as set out in Note 25 to the financial statements.

Included in properties is finance costs capitalised during the year of RM30,624,000 (2007: RM23,581,000).

The interest rate on borrowings capitalised ranges from 5.73% to 5.78% (2007: 5.52% to 5.75%) per annum.

5. INVESTMENT PROPERTIES

Group	**At 1.4.2007 RM Mil**	**Additions RM Mil**	**Disposals RM Mil**	**Transfers from properties RM Mil**	**Adjustments RM Mil**	**Translation exchange difference RM Mil**	**At 31.3.2008 RM Mil**
At cost :							
Freehold land	931	62	(31)	23	-	(1)	**984**
Buildings	8,748	1	(49)	438	5	(23)	**9,120**
Land improvements	222	-	-	-	(1)	-	**221**
	9,901	63	(80)	461	4	(24)	**10,325**

	At 1.4.2007 RM Mil	**Charge for the year RM Mil**	**Disposals RM Mil**	**Transfers RM Mil**	**Adjustments RM Mil**	**Translation exchange difference RM Mil**	**At 31.3.2008 RM Mil**
Accumulated depreciation :							
Freehold land	-	-	-	-	-	-	**-**
Buildings	1,288	340	(31)	-	6	(13)	**1,590**
Land improvements	-	-	-	-	-	-	**-**
	1,288	340	(31)	-	6	(13)	**1,590**

5. INVESTMENT PROPERTIES (continued)

Group	At 1.4.2006 RM Mil	Additions RM Mil	Disposals RM Mil	Transfers RM Mil	Adjustments RM Mil	Translation exchange difference RM Mil	At 31.3.2007 RM Mil
At cost :							
Freehold land	905	-	-	26	3	(3)	931
Buildings	8,580	3	(5)	147	-	23	8,748
Land improvements	213	9	-	-	-	-	222
	9,698	12	(5)	*173	3	20	9,901

	At 1.4.2006 RM Mil	Charge for the year RM Mil	Disposals RM Mil	Transfers RM Mil	Adjustments RM Mil	Translation exchange difference RM Mil	At 31.3.2007 RM Mil
Accumulated depreciation :							
Freehold land	-	-	-	-	-	-	-
Buildings	1,020	248	(2)	4	-	18	1,288
Land improvements	-	-	-	-	-	-	-
	1,020	248	(2)	**4	-	18	1,288

** Comprises transfers from properties of RM112,000,000 and property, plant and equipment RM99,000,000 and transfer into intangible assets (RM38,000,000)*

***Comprises transfer from property, plant and equipment RM25,000,000 and transfer into intangible assets (RM21,000,000).*

Group	Net Book Value 2008 RM Mil	2007 RM Mil
Freehold land	**984**	931
Buildings	**7,530**	7,460
Land improvements	**221**	222
	8,735	8,613

Certain investment properties with net book value of RM3,565,268,000 (2007: RM3,716,178,000) have been pledged as securities for loan facilities as set out in Note 24 and Note 25 to the financial statements.

6. LAND HELD FOR DEVELOPMENT

Group 2008	Opening balance RM Mil	Additions RM Mil	Disposals/ write offs RM Mil	Transfers to property development costs RM Mil	Transfers to assets held for sale RM Mil	Translation exchange difference RM Mil	Closing balance RM Mil
At cost :							
Freehold land	1,407	11	(52)	(8)	(11)	(9)	**1,338**
Infrastructure development	445	119	(44)	(89)	(8)	-	**423**
	1,852	130	(96)	(97)	(19)	(9)	**1,761**
2007							
At cost :							
Freehold land	1,408	14	(4)	(3)	-	(8)	1,407
Infrastructure development	401	46	(2)	-	-	-	445
	1,809	60	(6)	(3)	-	(8)	1,852

The Group, through a partly-owned subsidiary, has an obligation to the Government of Malaysia (the "Government") to construct the main infrastructure for Putrajaya in consideration for the Government's transfer of freehold land to the Group, up to the equivalent value of the residential and commercial land transferred by the Government.

Infrastructure development represents the costs incurred to date on the development of the main infrastructure for Putrajaya. The Group has netted off the infrastructure development costs incurred to date amounting to RM2,047,000,000 (2007: RM1,928,000,000) with the obligation to the Government valued at RM1,462,000,000 (2007: RM1,462,000,000).

Infrastructure costs in excess of the obligation is attributed to the Group's land held for development as common development costs.

7. PREPAID LEASE PAYMENTS

Group	At 1.4.2007 RM Mil	Additions RM Mil	Disposals RM Mil	Transfers to long term receivables RM Mil	Adjustments RM Mil	Translation exchange difference RM Mil	At 31.3.2008 RM Mil
At cost :							
Leasehold land							
- long lease	1,731	116	(1)	(24)	1	(16)	**1,807**
- short lease	932	75	(4)	(37)	6	(8)	**964**
	2,663	191	(5)	(61)	7	(24)	**2,771**

	At 1.4.2007 RM Mil	Charge for the year RM Mil	Disposals RM Mil	Transfers RM Mil	Adjustments RM Mil	Translation exchange difference RM Mil	At 31.3.2008 RM Mil
Accumulated depreciation :							
Leasehold land							
- long lease	205	23	-	-	17	(6)	**239**
- short lease	294	29	(3)	-	(14)	(6)	**300**
	499	52	(3)	-	3	(12)	**539**

7. PREPAID LEASE PAYMENTS (continued)

Group	At 1.4.2006 RM Mil	Additions RM Mil	Disposals RM Mil	Transfers RM Mil	Adjustments RM Mil	Translation exchange difference RM Mil	At 31.3.2007 RM Mil
At cost :							
Leasehold land							
- long lease	1,755	8	(3)	(37)	30	(22)	1,731
- short lease	892	-	(4)	30	3	11	932
	2,647	8	(7)	*(7)	33	(11)	2,663

	At 1.4.2006 RM Mil	Charge for the year RM Mil	Impairment RM Mil	Disposals RM Mil	Transfers RM Mil	Adjustments RM Mil	Translation exchange difference RM Mil	At 31.3.2007 RM Mil
Accumulated depreciation :								
Leasehold land								
- long lease	220	20	(13)	(1)	4	(19)	(6)	205
- short lease	223	9	-	4	(4)	58	4	294
	443	29	(13)	3	-	39	(2)	499

** Comprises transfer into properties (RM18,000,000) and trade and other receivables (RM41,000,000) and transfer from property, plant and equipment RM52,000,000.*

7. PREPAID LEASE PAYMENTS (continued)

Company	At 1.4.2007 RM Mil	Additions RM Mil	At 31.3.2008 RM Mil
At cost :			
Leasehold land			
- long lease	69	-	**69**
- short lease	30	-	**30**
	99	-	**99**

	At 1.4.2007 RM Mil	Charge for the year RM Mil	At 31.3.2008 RM Mil
Accumulated depreciation :			
Leasehold land			
- long lease	9	1	**10**
- short lease	18	1	**19**
	27	2	**29**

	At 1.4.2006 RM Mil	Additions RM Mil	At 31.3.2007 RM Mil
At cost :			
Leasehold land			
- long lease	69	-	69
- short lease	30	-	30
	99	-	99

	At 1.4.2006 RM Mil	Charge for the year RM Mil	At 31.3.2007 RM Mil
Accumulated depreciation :			
Leasehold land			
- long lease	8	1	9
- short lease	17	1	18
	25	2	27

	Group		Company	
	2008 RM Mil	2007 RM Mil	**2008 RM Mil**	2007 RM Mil
Carrying amount :				
Leasehold land				
- long lease	**1,568**	1,526	**59**	**60**
- short lease	**664**	638	**11**	**12**
	2,232	2,164	**70**	**72**

8. INVESTMENTS IN SUBSIDIARIES

	Company	
	2008	2007
	RM Mil	RM Mil
Investment at cost		
- quoted shares	**4,116**	4,116
- unquoted shares	**17,230**	16,613
	21,346	20,729
Less: Impairment losses		
- unquoted shares	**(544)**	(280)
	20,802	20,449
Market value of quoted shares	**39,442**	36,876

Details of significant subsidiaries are stated in Note 42 to the financial statements.

9. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2008	2007	**2008**	2007
	RM Mil	RM Mil	**RM Mil**	RM Mil
Investments at cost				
- quoted shares	**256**	270	**302**	302
- unquoted shares	**3,097**	3,368	**740**	740
Share of post-acquisition profits and reserves	**2,420**	1,819	**-**	-
	5,773	5,457	**1,042**	1,042
Less: Impairment losses				
- unquoted shares	**(59)**	(88)	**-**	-
	5,714	5,369	**1,042**	1,042
Market value of quoted shares	**800**	697	**800**	643
Summary of financial information on associates :				
Total assets (100%)	**26,931**	29,296	**4,266**	4,497
Total liabilities (100%)	**15,179**	17,841	**810**	1,351
Revenue (100%)	**13,994**	13,675	**4,642**	4,248
Profit (100%)	**3,483**	2,894	**548**	655

Details of significant associates are stated in Note 43 to the financial statements.

10. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2008	2007	**2008**	2007
	RM Mil	RM Mil	**RM Mil**	RM Mil
Investments at cost				
- unquoted shares	**1,366**	1,438	**1,142**	1,194
Share of post-acquisition profits and reserves	**523**	300	-	-
	1,889	1,738	**1,142**	1,194
Less: Impairment losses	-	-	**(84)**	(84)
	1,889	1,738	**1,058**	1,110
Summary of financial information on jointly controlled entities :				
Total assets (100%)	**11,903**	12,298	**8,289**	8,739
Total liabilities (100%)	**8,603**	9,253	**4,993**	5,805
Revenue (100%)	**6,492**	7,162	**6,222**	6,697
Profit (100%)	**599**	730	**562**	612

The Group's share of the current year and cumulative losses of certain jointly controlled entities amounting to RM20,382,000 (2007: RM49,823,000) and RM140,636,000 (2007: RM168,109,000) respectively have not been recognised in the Group's income statement as equity accounting has ceased when the Group's share of losses of these jointly controlled entities exceeded the carrying amount of its investment in these jointly controlled entities. The investment in these jointly controlled entities have been fully impaired for in the income statement.

Details of significant jointly controlled entities are stated in Note 44 to the financial statements.

11. FUND AND OTHER INVESTMENTS

	Group		Company	
	2008	2007	**2008**	2007
	RM Mil	RM Mil	**RM Mil**	RM Mil
Non current				
Other investments				
Quoted shares and securities	**8,710**	9,326	**-**	46
Unquoted shares	**331**	240	**103**	133
Unquoted loan stocks	**-**	-	**-**	706
Negotiable Certificate of Deposits	**485**	504	**485**	504
Other unquoted securities	**496**	545	**-**	-
	10,022	10,615	**588**	1,389
Less: Allowance for diminution in value				
Unquoted shares	**(12)**	(1)	**-**	-
Other unquoted securities	**-**	(1)	**-**	-
	10,010	10,613	**588**	1,389
Current				
Other investments				
Quoted shares	**282**	419	**285**	421
Unquoted Corporate Private Debt Securities	**1,157**	1,521	**2,288**	2,676
Negotiable Certificate of Deposits	**320**	11,295	**320**	11,295
Unquoted Corporate Commercial Papers	**2,078**	1,269	**2,078**	1,269
Other unquoted securities	**841**	375	**110**	83
	4,678	14,879	**5,081**	15,744
Fund investments				
Quoted shares and securities	**1,325**	2,373	**1,231**	2,082
Malaysian Government Securities	**23,965**	14,938	**23,930**	14,704
	25,290	17,311	**25,161**	16,786
	29,968	32,190	**30,242**	32,530
Market value of quoted investments :				
Non current other investments				
Quoted shares and securities	**12,611**	11,714	**-**	153
Current other investments				
Quoted shares	**292**	510	**294**	512
Current fund investments				
Quoted shares and securities	**1,348**	2,828	**1,253**	2,110
Malaysian Government Securities	**23,974**	14,954	**23,939**	14,719

12. LONG TERM RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	RM Mil	RM Mil	**RM Mil**	RM Mil
		(Restated)		
Term loans and advances				
Loans and advances to subsidiaries	-	-	**49,453**	44,617
Term loans to subsidiaries	-	-	**4,768**	5,145
Loans and advances to associates and jointly controlled entities	**2,200**	1,428	**151**	136
Term loans to associates and jointly controlled entities	**223**	480	**220**	480
	2,423	1,908	**54,592**	50,378
Less: Allowance for doubtful debts	**(5)**	(5)	**(331)**	(638)
	2,418	1,903	**54,261**	49,740
Retirement benefits (Note 15)	**147**	56	-	-
Other receivables	**851**	939	-	-
	3,416	2,898	**54,261**	49,740
Repayable within twelve months (Note 19)	**75**	189	**124**	242
Repayable after twelve months	**3,341**	2,709	**54,137**	49,498
	3,416	2,898	**54,261**	49,740

Included in the Company's loans and advances to subsidiaries is an amount of RM25,588,295,000 (2007: RM31,733,725,000), which bears interest at rates ranging from 4.00% to 8.38% (2007: 4.40% to 8.78%) per annum.

Included in the Company's loans and advances to associates and jointly controlled entities is an amount of RM137,852,000 (2007: RM127,252,000), which bears interest at rates ranging from 4.14% to 6.82% (2007: 6.03% to 7.28%) per annum.

Included in the Group's loans and advances to associates and jointly controlled entities is an amount of RM1,324,176,000 (2007: RM688,730,000), which bears interest at rates ranging from 3.33% to 10.00% (2007: 4.06% to 10.00%) per annum.

The remaining loans and advances to subsidiaries, associates and jointly controlled entities are unsecured, interest free and have no fixed terms of repayment.

Term loans to subsidiaries, associates and jointly controlled entities were on-lending of term loans obtained by the Company, on terms and conditions similar as those of the principal loan agreements entered into by the Company.

13. INTANGIBLE ASSETS

Group At cost :	At 1.4.2007 RM Mil	Additions RM Mil	Acquisition of subsidiaries RM Mil	Write-offs RM Mil	Transfers RM Mil	Adjustments RM Mil	Translation exchange difference RM Mil	At 31.3.2008 RM Mil
Goodwill on consolidation	1,324	4,364	-	-	-	(156)	(35)	**5,497**
Purchased goodwill	35	-	-	-	-	-	(1)	**34**
Exploration expenditure	5,505	4,021	242	(813)	(176)	(1)	(329)	**8,449**
Other intangible assets	3,001	15	1,418	(12)	-	(1)	(162)	**4,259**
	9,865	8,400	1,660	(825)	*(176)	(158)	(527)	**18,239**

Accumulated amortisation and impairment losses :	At 1.4.2007 RM Mil	Amortisation for the year RM Mil	Acquisition of subsidiaries RM Mil	Write offs RM Mil	Impairment loss RM Mil	Adjustments RM Mil	Translation exchange difference RM Mil	At 31.3.2008 RM Mil
Goodwill on consolidation	325	-	-	-	-	(164)	(4)	**157**
Purchased goodwill	6	-	-	-	1	-	-	**7**
Exploration expenditure	-	-	-	-	21	-	-	**21**
Other intangible assets	2,004	418	515	(9)	-	-	(123)	**2,805**
	2,335	418	515	(9)	22	(164)	(127)	**2,990**

* *Comprises transfer into property, plant and equipment (RM176,000,000).*

13. **INTANGIBLE ASSETS (continued)**

Group **At cost :**	**At 1.4.2006 RM Mil**	**Additions RM Mil**	**Acquisition of subsidiaries RM Mil**	**Disposals/ write-offs RM Mil**	**Transfers RM Mil**	**Adjustments RM Mil**	**Translation exchange difference RM Mil**	**At 31.3.2007 RM Mil (Restated)**
Goodwill on consolidation	1,249	-	83	-	-	40	(48)	1,324
Purchased goodwill	36	-	-	-	-	-	(1)	35
Exploration expenditure	4,280	2,823	-	(1,189)	(252)	(10)	(147)	5,505
Other intangible assets	527	122	-	(56)	2,764	(114)	(242)	3,001
	6,092	2,945	83	(1,245)	*2,512	(84)	(438)	9,865

Accumulated amortisation and impairment losses :	**At 1.4.2006 RM Mil**	**Amortisation for the year RM Mil**	**Impairment loss RM Mil**	**Disposals/ Write offs RM Mil**	**Transfers RM Mil**	**Adjustments RM Mil**	**Translation exchange difference RM Mil**	**At 31.3.2007 RM Mil (Restated)**
Goodwill on consolidation	277	-	6	-	-	46	(4)	325
Purchased goodwill	4	-	2	-	-	-	-	6
Exploration expenditure	-	-	-	-	-	-	-	-
Other intangible assets	211	398	-	(56)	1,478	-	(27)	2,004
	492	398	8	(56)	**1,478	46	(31)	2,335

** Comprises transfers from investment properties of RM38,000,000 and property, plant and equipment RM2,474,000,000.*

*** Comprises transfers from property, plant and equipment of RM1,457,000,000 and investment properties RM21,000,000.*

13. INTANGIBLE ASSETS (continued)

	Carrying Amounts	
	2008	2007
	RM Mil	RM Mil
		(Restated)
Group		
Goodwill on consolidation	**5,340**	999
Purchased goodwill	**27**	29
Exploration expenditure	**8,428**	5,505
Other intangible assets	**1,454**	997
	15,249	7,530

Impairment test for goodwill on consolidation

For the purpose of testing for impairment, goodwill on consolidation has been allocated based on the following cash-generating-units ("CGU"):

	Carrying Amounts	
	2008	2007
	RM Mil	RM Mil
Group		
Oil and gas operations	**4,618**	226
Shipping operations	**722**	773
	5,340	999

Goodwill on consolidation was tested for impairment on a value-in-use basis. The Group generally estimates value-in-use using a discounted cash flow model utilising a pre-tax weighted average cost of capital as determined by management. Based on the review, there was no impairment necessary for goodwill on consolidation.

14. DEFERRED TAX

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

Group	At 1.4.2007 RM Mil	Charged/ (credited) to income statement RM Mil	Acquisition of subsidiaries RM Mil	Translation exchange difference RM Mil	Adjustments RM Mil	At 31.3.2008 RM Mil
Deferred tax liabilities						
Property, plant and equipment	10,128	724	897	(255)	(38)	**11,456**
Properties	54	(10)	-	(2)	7	**49**
Other items	212	102	20	8	(240)	**102**
	10,394	816	917	(249)	(271)	**11,607**
Deferred tax assets						
Property, plant and equipment	(448)	(3)	(16)	1	80	**(386)**
Tax losses	(403)	(706)	(11)	2	164	**(954)**
Unabsorbed capital allowances	(666)	162	-	-	27	**(477)**
Other items	(347)	4	(103)	27	16	**(403)**
	(1,864)	(543)	(130)	30	287	**(2,220)**

	At 1.4.2006 RM Mil	Charged/ (credited) to income statement RM Mil	Acquisition of subsidiaries RM Mil	Translation exchange difference RM Mil	Adjustments RM Mil	At At 31.3.2007 RM Mil
Deferred tax liabilities						
Property, plant and equipment	11,282	(256)	-	(310)	(588)	10,128
Properties	100	(6)	-	(1)	(39)	54
Other items	50	274	-	17	(129)	212
	11,432	12	-	(294)	(756)	10,394
Deferred tax assets						
Property, plant and equipment	(162)	37	-	-	(323)	(448)
Tax losses	(645)	24	-	1	217	(403)
Unabsorbed capital allowances	(1,517)	445	-	-	406	(666)
Other items	(213)	(173)	-	8	31	(347)
	(2,537)	333	-	9	331	(1,864)

14. DEFERRED TAX (continued)

Company	At 1.4.2007	Charged/ (credited) to income statement	At 31.3.2008
Deferred tax liabilities	RM Mil	RM Mil	**RM Mil**
Other items	4	(4)	**-**
Deferred tax assets			
Property, plant and equipment	(18)	9	**(9)**
Tax losses	-	(777)	**(777)**
Other provisions	(75)	(22)	**(97)**
Other items	(29)	22	**(7)**
	(122)	(768)	**(890)**

	At 1.4.2006	Charged/ (credited) to income statement	At 31.3.2007
Deferred tax liabilities	RM Mil	RM Mil	RM Mil
Other items	4	-	4
Deferred tax assets			
Property, plant and equipment	(16)	(2)	(18)
Other provisions	-	(75)	(75)
Other items	(41)	12	(29)
	(57)	(65)	(122)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts determined after appropriate offsetting, are as follows:

	Group		Company	
	2008	2007	**2008**	2007
	RM Mil	RM Mil	**RM Mil**	RM Mil
Deferred tax assets				
Deferred tax liabilities	**17**	439	**-**	4
Deferred tax assets	**(1,301)**	(964)	**(890)**	(122)
	(1,284)	(525)	**(890)**	(118)
Deferred tax liabilities				
Deferred tax liabilities	**11,590**	9,955	**-**	-
Deferred tax assets	**(919)**	(900)	**-**	-
	10,671	9,055	**-**	-

14. DEFERRED TAX (continued)

No deferred tax has been recognised for the following items:

	Group		Company	
	2008	2007	**2008**	2007
	RM Mil	RM Mil	**RM Mil**	RM Mil
Deductible temporary differences	**276**	311	-	-
Unabsorbed capital allowances	**642**	1,228	-	-
Unutilised tax losses	**1,102**	1,352	-	-
	2,020	2,891	-	-

The unutilised tax losses, unabsorbed capital allowances and deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

The Group and the Company have tax losses carried forward of RM4,918,000,000 (2007: RM2,902,000,000) and RM3,108,000,000 (2007: RMNil) respectively which give rise to the recognised and unrecognised deferred tax assets above.

The Group also has unabsorbed reinvestment allowances and unabsorbed investment tax allowances of RM448,000,000 (2007: RM396,000,000) and RM3,686,000,000 (2007: RM2,943,000,000) respectively, which will be available for offset against future taxable profits.

The Group will adopt FRS 112, *Income Taxes* with effect from the annual period beginning 1 April 2008. In the current accounting policy for income taxes, no deferred tax has been recognised for unabsorbed investment tax allowances and unabsorbed reinvestment allowances ("tax incentives"). On adoption of FRS 112, the Group intends to account for these tax incentives by applying the analogy of the accounting treatment for unused tax losses in FRS 112. The change in accounting policy is expected to be applied retrospectively in accordance with the transitional provisions in FRS 112. The impact of adopting FRS 112 on the financial statements upon first adoption of this standard is expected as follows.

14. DEFERRED TAX (continued)

	Group	
	2008	2007
	RM Mil	RM Mil
Balance sheet		
Deferred tax assets at 31 March	**(1,284)**	(525)
Effect of adopting FRS 112	**(1,034)**	(868)
Deferred tax assets at 31 March, if restated	**(2,318)**	(1,393)
Income statement		
Profit for the year	**67,385**	52,151
Effect of adopting FRS 112	**166**	76
Profit for the year, if restated	**67,551**	52,227
Retained profits		
Opening balance	**149,600**	122,631
Effect of adopting FRS 112	**868**	792
Opening balance, if restated	**150,468**	123,423

15. RETIREMENT BENEFITS

The amounts recognised in the balance sheet are as follows:

	Group		Company	
	2008	2007	**2008**	2007
	RM Mil	RM Mil	**RM Mil**	RM Mil
Present value of funded defined benefit obligations				
- defined benefit	**2,547**	2,442	**1,932**	1,676
Present value of unfunded defined benefit obligations				
- retirement and after service employment benefits	**57**	7	**-**	-
- post retirement medical aid	**158**	165	**-**	-
Deferred fund	**(5)**	-	**(5)**	-
Fair value of plan assets	**(2,648)**	(2,741)	**(1,484)**	(1,397)
	109	(127)	**443**	279
Unrecognised surplus over fair value of plan assets	**239**	349	**-**	-
Unrecognised actuarial losses	**164**	173	**-**	-
Net liabilities	**512**	395	**443**	279
Amounts in the balance sheet:				
Liabilities (Note 26)	**659**	451	**443**	279
Assets (Note 12)	**(147)**	(56)	**-**	-
Net liabilities	**512**	395	**443**	279

15. RETIREMENT BENEFITS (continued)

The amounts recognised in the income statement are as follows:

	Group		Company	
	2008	2007	**2008**	2007
	RM Mil	RM Mil	**RM Mil**	RM Mil
Current service cost	**127**	87	**29**	17
Interest cost	**155**	142	**26**	18
Expected return on plan assets	**(207)**	(189)	**(29)**	(21)
Payments by participating companies in excess of actual obligations	-	-	**(2)**	(24)
Net actuarial losses recognised in the financial year	**173**	434	**165**	569
Unrecognised past service cost	-	78	-	-
Movement of unrecognised surplus over fair value of plan assets	**(50)**	73	-	-
Total included in employee benefits expense	**198**	625	**189**	559

Changes in the present value of defined benefit obligations are as follows:

	Group		Company	
	2008	2007	**2008**	2007
	RM Mil	RM Mil	**RM Mil**	RM Mil
Defined benefit obligations as at 1 April	**2,614**	2,286	**1,676**	1,073
Service cost	**174**	99	**110**	73
Interest cost	**155**	142	**95**	73
Benefits paid	**(147)**	(181)	**(81)**	(66)
Actuarial losses	**127**	485	**132**	523
Translation difference	**(161)**	(217)	-	-
Defined benefit obligations as at 31 March	**2,762**	2,614	**1,932**	1,676

15. RETIREMENT BENEFITS (continued)

Changes in the fair value of plan assets are as follows:

	Group		Company	
	2008	2007	**2008**	2007
	RM Mil	RM Mil	**RM Mil**	RM Mil
Fair value of plan assets at 1 April	**2,741**	2,342	**1,397**	1,333
Contributions received	**106**	90	**100**	79
Expected return on plan assets	**207**	189	**106**	97
Benefits paid	**(144)**	(178)	**(81)**	(66)
Actuarial (losses)/gains	**(27)**	143	**(33)**	(46)
Translation difference	**(230)**	155	**-**	-
Fair value of plan assets at 31 March	**2,653**	2,741	**1,489**	1,397
Actual return on plan assets	**180**	332	**74**	51

The major categories of plan assets as a percentage of total plan assets are as follows:

	Group		Company	
	2008	2007	**2008**	2007
	%	%	**%**	%
Equities	**42.2**	43.1	**25.2**	22.0
Bonds	**22.5**	34.4	**33.3**	57.5
Real estate	**1.4**	1.0	**0.3**	0.3
Cash	**26.6**	13.7	**40.9**	18.7
Others	**7.3**	7.8	**0.3**	1.5
	100.0	100.0	**100.0**	100.0

In calculating the defined benefit obligations and the related current service cost and past service cost using the Projected Unit Credit Method for the Group, the following assumptions were used. The assumptions were calculated on a weighted average basis.

	2008	2007
	%	%
Discount rate	**6.5**	6.5
Expected return on plan assets	**7.9**	7.7
Expected rate of salary increase	**6.9**	6.5
Future pension cost increase	**4.8**	3.4
Inflation rate	**3.1**	3.2
Medical inflation	**7.5**	6.3

The effect of a one percentage point increase/(decrease) in medical inflation rate would be to increase/(decrease) the aggregate service cost and interest cost by approximately RMNil/(RM3,000,000) and the defined benefit obligation by approximately RM30,000,000/(RM24,000,000).

15. **RETIREMENT BENEFITS (continued)**

The history of (deficit)/surplus and of experience (losses)/gains for the current and previous four financial years are as follows:

	2008 RM Mil	2007 RM Mil	2006 RM Mil	2005 RM Mil	2004 RM Mil
Group					
Defined benefit obligation	**(2,762)**	(2,614)	(2,229)	(1,888)	(1,771)
Plan assets	**2,653**	2,741	2,790	2,392	2,026
(Deficit)/surplus in the plan	**(109)**	127	561	504	255
Experience (losses)/gains	**(173)**	(434)	83	109	71
Company					
Defined benefit obligation	**(1,932)**	(1,676)	(1,073)	(1,010)	(884)
Plan assets	**1,489**	1,397	1,333	1,218	1,044
(Deficit)/surplus in the plan	**(443)**	(279)	260	208	160
Experience (losses)/gains	**(165)**	(569)	81	86	102

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	**2008**	2007
	RM Mil	RM Mil	**RM Mil**	RM Mil
Non-current				
Deposits placed	**210**	336	-	-
Current				
Cash and bank balances	**5,162**	4,316	**12**	678
Deposits placed	**75,282**	62,887	**45,467**	39,406
	80,444	67,203	**45,479**	40,084
	80,654	67,539	**45,479**	40,084
Deposits with licensed financial institutions:				
Non-current				
Banks	**210**	300	-	-
Other corporations	-	36	-	-
	210	336	-	-
Current				
Banks	**70,090**	57,627	**43,223**	37,392
Finance companies	**926**	141	**213**	100
Other corporations	**4,266**	5,119	**2,031**	1,914
	75,282	62,887	**45,467**	39,406
	75,492	63,223	**45,467**	39,406

Non-current cash and cash equivalents represent amounts restricted or held for certain payments only, for which payments are not due within the next 12 months.

Included in cash and bank balances of the Group are amounts of RM45,941,000 (2007: RM47,418,000) held pursuant to the requirement of the Housing Development (Housing Development Account) Regulations 2002 and are therefore restricted for certain payments only.

Included in deposits placed with licensed financial institutions of the Group is an amount of RM498,387,000 (2007: RM642,956,000) which are restricted for certain payments only.

Included in deposits placed with licensed financial institutions of the Group is an amount of RM554,502,000 (2007: RM546,031,000) being deposits held under designated accounts for redemption of long term Islamic Debt Facilities as set out in Note 25 to the financial statements.

17. PROPERTY DEVELOPMENT COSTS

Group	At 1.4.2007 RM Mil	Costs incurred during the year RM Mil	Costs charged to Income statement RM Mil	Transfers from properties RM Mil	Transfers from land held for development RM Mil	Reversal of completed projects RM Mil	Adjustments RM Mil	**At 31.3.2008 RM Mil**
Freehold land	580	6	-	-	-	(2)	(47)	**537**
Development costs	7	114	(10)	7	97	(11)	(5)	**199**
Less: Accumulated costs charged to income statement	(26)	(3)	(32)	-	-	13	56	**8**
	561	117	(42)	7	97	-	4	**744**

	At 1.4.2006 RM Mil	Costs incurred during the year RM Mil	Costs charged to Income statement RM Mil	Transfers to trade inventories RM Mil	Transfers from land held for development RM Mil	Reversal of completed projects RM Mil	Adjustments RM Mil	At 31.3.2007 RM Mil
Freehold land	585	7	(3)	(3)	3	(9)	-	580
Development costs	103	190	-	(15)	-	(271)	-	7
Less: Accumulated costs charged to income statement	(204)	-	(41)	-	-	219	-	(26)
	484	197	(44)	(18)	3	(61)	-	561

Included in property development costs incurred during the year is finance costs capitalised during the year of RM16,556,000 (2007: RM36,864,000).

The interest rate on the borrowings capitalised is 6.00% (2007: 6.00%) per annum.

18. TRADE AND OTHER INVENTORIES

	Group		Company	
	2008	2007	**2008**	2007
	RM Mil	RM Mil	**RM Mil**	RM Mil
Crude oil and condensate				
At cost	**2,761**	2,399	-	-
At net realisable value	**336**	131	-	-
Petroleum products				
At cost	**3,571**	1,628	**98**	102
At net realisable value	**91**	327	-	-
Petrochemical products				
At cost	**362**	288	-	-
At net realisable value	**5**	-	-	-
Liquefied natural gas				
At cost	**145**	83	-	-
Stores, spares and others				
At cost	**1,590**	1,256	-	-
At net realisable value	**37**	94	-	-
Developed properties held for sale				
At cost	**17**	21	-	-
	8,915	6,227	**98**	102

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	RM Mil	RM Mil	**RM Mil**	RM Mil
Trade receivables	**22,423**	17,756	**3,364**	2,486
Staff housing and vehicle loans	**1,025**	1,003	**1,023**	1,002
Other receivables, deposits and prepayments	**6,870**	3,653	**511**	928
Amount due from contract customers	**985**	748	-	-
Amount due from subsidiaries*	-	-	**10,819**	7,111
Amount due from associates and jointly controlled entities*	**478**	717	**35**	100
Term loans due from subsidiaries, associates and jointly controlled entities (Note 12)	**75**	189	**124**	242
	31,856	24,066	**15,876**	11,869
Less: Allowance for doubtful debts				
Trade receivables	**(966)**	(861)	**(449)**	(340)
Amount due from subsidiaries	-	-	**(187)**	(72)
Other receivables, deposits and prepayments	**(34)**	(33)	**(27)**	(26)
	30,856	23,172	**15,213**	11,431

* *Amount due from subsidiaries, associates and jointly controlled entities arose in the normal course of business.*

Amount due from contract customers :

	Group	
	2008	2007
	RM Mil	RM Mil
Aggregate costs incurred to date	**4,998**	5,239
Add : Attributable profit	**611**	525
	5,609	5,764
Less : Progress billings	**(4,624)**	(5,016)
	985	748

Included in trade receivables of the Group are rental receivables amounting to RM12,210,000 (2007: RM16,251,000), which have been pledged for loan facilities as set out in Note 24 and Note 25 to the financial statements.

The staff housing and vehicle loans are given in accordance with the terms and conditions of the staff housing and motor vehicle loan schemes approved by shareholders.

Also included in trade receivables of the Group and the Company are loans to Directors of the Company amounting to RM149,000 (2007 : RM177,000) relating to housing and motor vehicle loans given to certain executive Directors on terms and conditions as approved by shareholders.

Credit terms of trade receivables of the Group ranges from 8 to 180 days (2007: 10 to 120 days).

20. ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2008	2007
	RM Mil	RM Mil
Land and building	**189**	-

The above amount represents carrying values of properties owned by the Group with the intention of disposing off in the immediate future. The carrying amounts of these assets immediately before reclassification are not materially different from their fair values.

21. SHARE CAPITAL

	Company	
	2008	2007
	RM Mil	RM Mil
Authorised:		
500,000 ordinary shares of RM1,000 each	**500**	500
Issued and fully paid:		
100,000 ordinary shares of RM1,000 each	**100**	100

22. RESERVES

Pursuant to Section 84 of the Petroleum (Income Tax) Act 1967, dividends paid out on income derived from petroleum operations are not chargeable to income tax. Subject to agreement by the Inland Revenue Board, the Company has sufficient income derived from petroleum operations, Section 108 tax credit and tax exempt income to distribute all its distributable reserves at 31 March 2008, if paid out as dividends.

The Malaysian Budget 2008 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

Capital Reserves

Capital reserves represent primarily reserves created upon redemption of preference shares and the Group's share of its associate companies' reserves.

Foreign Currency Translation Reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of subsidiaries whose functional currencies are different from that of the Group's presentation currency.

General Reserve

General reserve represents appropriation of retained earnings for general purposes rather than for a specific item of future loss or expense. In effect, it is a reserve for unspecified possible events.

23. MINORITY SHAREHOLDERS' INTERESTS

This consists of the minority shareholders' proportion of share capital and reserves of subsidiaries.

24. BORROWINGS

	Note	Group		Company	
		2008	2007	**2008**	2007
		RM Mil	RM Mil	**RM Mil**	RM Mil
Current					
Secured					
Term loans		**782**	540	-	-
Islamic debt facilities	25	**454**	529	-	-
		1,236	1,069	-	-
Unsecured					
Term loans		**4,615**	648	-	-
Notes and Bonds		**549**	362	**549**	362
Islamic debt facilities	25	**592**	705	-	-
Revolving credits		**878**	87	-	-
Bankers' acceptances		**292**	459	-	-
Bank overdrafts		**21**	10	-	-
		6,947	2,271	**549**	362
		8,183	3,340	**549**	362
Non-current					
Secured					
Term loans		**3,124**	3,528	-	-
Islamic debt facilities	25	**1,907**	2,404	-	-
		5,031	5,932	-	-
Unsecured					
Term loans		**1,705**	2,504	-	-
Notes and Bonds		**19,134**	21,162	**15,689**	17,420
Islamic debt facilities	25	**3,929**	2,965	-	-
		24,768	26,631	**15,689**	17,420
		29,799	32,563	**15,689**	17,420

24. BORROWINGS (continued)

Terms and debt repayment schedule

Group	Total RM Mil	Under 1 year RM Mil	1 - 2 years RM Mil	2 - 5 years RM Mil	Over 5 years RM Mil
Secured					
Term loans	3,906	782	432	1,315	1,377
Islamic debt facilities	2,361	454	396	1,033	478
	6,267	1,236	828	2,348	1,855
Unsecured					
Term loans	6,320	4,615	135	1,034	536
Notes and Bonds	19,683	549	3,546	6,428	9,160
Islamic debt facilities	4,521	592	1,220	540	2,169
Revolving credits	878	878	-	-	-
Bankers' acceptances	292	292	-	-	-
Bank overdrafts	21	21	-	-	-
	31,715	6,947	4,901	8,002	11,865
	37,982	8,183	5,729	10,350	13,720

Included in the Group's unsecured term loans is an amount of RM41,485,000 (2007: RM67,998,000) which was obtained from the corporate shareholders of the subsidiaries.

The unsecured revolving credits, bankers' acceptances and bank overdrafts are obtained by the subsidiaries and bear interest at rates ranging from 0.75% to 17.00% (2007: 3.10% to 7.75%) per annum.

Terms and debt repayment schedule

Company	Total RM Mil	Under 1 year RM Mil	1 - 2 years RM Mil	2 - 5 years RM Mil	Over 5 years RM Mil
Unsecured					
Notes and Bonds	16,238	549	2,268	6,428	6,993

24. BORROWINGS (continued)

The unsecured term loans obtained by the subsidiaries comprise :

	2008	2007
USD Term loans	**US$323 million**	US$1,340 million
RM Term loans	**RM2,500 million**	RM1,888 million
BAHT Term loans	**BAHT1,000 million**	BAHT1,000 million
EURO Term loans	**832 million**	-

These unsecured term loans bear interest at rates ranging from 3.70% to 11.25% (2007: 1.52% to 6.84%) per annum and are fully repayable at their various due dates from 2008 to 2017.

The unsecured Notes and Bonds comprise :

				2008		2007
USD Notes and Bonds						
5%	Notes*	Due 2009	**US$**	**400 million**	US$	400 million
7%	Notes*	Due 2012	**US$**	**2,000 million**	US$	2,000 million
6 1/8%	Notes*	Due 2014	**US$**	**700 million**	US$	700 million
7 3/4%	Bonds	Due 2015	**US$**	**625 million**	US$	625 million
7 7/8%	Notes*	Due 2022	**US$**	**1,000 million**	US$	1,000 million
7 5/8%	Bonds	Due 2026	**US$**	**500 million**	US$	500 million
Samurai Bonds						
9th	Series 3.00%	Due 2007		-		¥10 billion
11th	Series 7.20%	Due 2009		**¥17 billion**		¥17 billion
6th	Series 3.40%	Due 2013		**¥16 billion**		¥16 billion
EURO Notes						
6 3/8%	Notes*	Due 2009		**750 million**		750 million

* *Obtained by a subsidiary.*

24. BORROWINGS (continued)

The secured term loans comprise:

	In million		Securities
	2008	2007	
USD Term loans	**US$2,054**	US$2,112	Secured by way of a mortgage over certain vessels, together with assignments of earnings, charter agreements and insurance of the relevant vessels of certain subsidiaries.
RM Term loans	**RM1,323**	RM1,236	Secured by way of a charge over certain investment properties and vessels, together with assignments of earnings, charter agreements and insurance of the relevant vessels and investment properties of certain subsidiaries.

The secured term loans bear interest at rates ranging from 4.00% to 19.00% (2007: 4.00% to 12.00%) per annum and are fully repayable at their various due dates from 2008 to 2016.

Certain borrowings obtained by the Company are on-lent to subsidiaries, associates and jointly controlled entities. At balance sheet date, the outstanding amounts on-lent to subsidiaries, associates and jointly controlled entities are as follows:

		Company	
		2008	2007
		RM Mil	RM Mil
Subsidiaries	- within twelve months	**50**	53
	- after twelve months	**4,718**	5,092
		4,768	5,145
Associates and jointly controlled entities	- within twelve months	**74**	189
	- after twelve months	**146**	291
		220	480

24. BORROWINGS (continued)

In connection with the long term borrowing facility agreements, the Group and the Company have agreed on the following significant covenants with the lenders:

(a) not to allow any material indebtedness (the aggregate amount exceeding US$30,000,000 or its equivalent in any other currency) for borrowed money of the Company to become due or capable of being declared due before its stated maturity, any material guarantee of the Company is not discharged at maturity or when validly called or the Company goes into default under, or commits a breach of, any instrument or agreement relating to any such indebtedness for borrowed money or guarantee and such default or breach remains unpaid or unremedied for a period of thirty (30) days;

(b) the Company (not including any of its subsidiaries) not to create, incur or have outstanding any mortgage, pledge, lien, charge, encumbrance or any other lien upon the whole or any part of its property or assets, present or future indebtedness of itself or any other person, unless the aggregate outstanding principal amount of all such secured indebtedness (other than indebtedness secured by the liens already in existence) plus attributable debt of the Company in respect of sales and leaseback transactions would not exceed ten per cent (10%) of the consolidated net tangible assets; and

(c) the Company (not including any of its subsidiaries) not to enter into any sale and leaseback transaction, unless the attributable debt in respect of such sale and leaseback transaction and all other sale and leaseback transaction plus the aggregate outstanding principal amount of indebtedness for borrowed money secured by security interests (other than permitted security interests) then outstanding which have not equally and rateably secured the total outstandings would not exceed ten per cent (10%) of the Company's tangible net worth provided that, within 12 months after such sale and leaseback transaction, it applies to the retirement of indebtedness for borrowed money the repayment obligations in respect of which are at least pari passu with its repayment obligations hereunder and which are not secured by any security interest, an amount equal to the greater of:

    (i) the net proceeds of the sale or transfer of the property or other assets which are the subject of such sale and leaseback transaction as determined by the Company; or

    (ii) the fair market value of the property or other assets so leased as determined by the Company.

25. ISLAMIC DEBT FACILITIES

The Malaysian Islamic debt facilities obtained by the subsidiaries comprise :

Secured	2008	2007
Al Bai'bithaman Ajil long term facilities	**RM 3,180 million**	RM 3,308 million
Bai Al-Dayn Note Issuance Facilities	**RM 723 million**	RM 887 million

The secured Islamic debt facilities bear a yield payable ranging from 4.22% to 8.30% (2007: 3.80% to 8.30%) per annum and are fully repayable at their various due dates from 2008 to 2022.

The Islamic debt facilities are secured by way of a charge over certain property, plant and equipment and investment properties.

Unsecured	2008	2007
Murabahah Note Issuance Facilities	**RM 1,500 million**	RM 1,500 million
Al Murabahah Medium Term Notes	**RM 3,800 million**	RM 2,200 million
Al Murabahah Commercial Paper	-	RM 1,597 million

The unsecured Islamic debt facilities bear a yield payable ranging from 3.64% to 6.25% (2007: 4.43% to 6.25%) per annum and are fully repayable at their various due dates from 2008 to 2018.

26. OTHER LONG TERM LIABILITIES AND PROVISIONS

	Group		Company	
	2008	2007	**2008**	2007
	RM Mil	RM Mil (Restated)	**RM Mil**	RM Mil
Dismantlement, removal or restoration of property, plant and equipment	**15,884**	13,412	**15,721**	13,239
Retirement benefits (Note 15)	**659**	451	**443**	279
Others	**1,041**	572	**75**	105
	17,584	14,435	**16,239**	13,623

26. OTHER LONG TERM LIABILITIES AND PROVISIONS (continued)

The movement of provision for dismantlement, removal or restoration of property, plant and equipment during the financial year are as follows:

	Group RM Mil	Company RM Mil
At 1 April 2007	13,412	13,239
Additional provision	2,220	2,207
Provision utilised	(15)	-
Unwinding of discount	288	275
Translation exchange difference	(21)	-
At 31 March 2008	15,884	15,721

Provisions for dismantlement, removal or restoration of property, plant and equipment are recognised when there is an obligation to dismantle and remove a facility or an item of property, plant and equipment and to restore the site on which it is located, and when a reasonable estimate of that liability can be made. The amount recognised is the present value of the estimated future costs determined in accordance with local conditions and requirements.

A corresponding asset of an amount equivalent to the provision is also created. This asset is depreciated in accordance with the policy set out in Note 2.5.

The increase in the present value of the provision for the expected costs due to the passage of time, is included within finance costs.

Most of these removal events are many years in the future and the precise requirements that will have to be met when the removal event actually occurs are uncertain. Because actual timing and cash outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, the carrying amounts of provisions, together with the interest rate used in discounting the cash flows, are regularly reviewed and adjusted to take account of such changes. The interest rate used to determine the balance sheet obligation as at 31 March 2008 was 4.33% (2007: 4.33%). Changes in the expected future costs are reflected in both the provision and the asset.

During the year, the Group and the Company revised estimated future costs of dismantlement, removal or restoration of property, plant and equipment. The revision was accounted for prospectively as a change in accounting estimates resulting in the following increases :

(i) provisions by RM2,207,000,000;
(ii) net book value of property, plant and equipment by RM387,000,000;
(iii) depreciation expense by RM1,124,000,000; and
(iv) finance costs by RM696,000,000.

27. TRADE AND OTHER PAYABLES

	Group		Company	
	2008	2007	**2008**	2007
	RM Mil	RM Mil	**RM Mil**	RM Mil
Trade payables	**12,382**	10,230	**1,284**	2,482
Other payables	**11,736**	11,637	**5,862**	6,603
Amount due to:				
Subsidiaries*	-	-	**508**	2,663
Associates and jointly controlled entities*	**310**	51	**9**	-
	24,428	21,918	**7,663**	11,748

Included in other payables of the Group are security deposits of RM49,657,000 (2007: RM43,919,000) held in respect of tenancies of a shopping centre. These deposits are refundable upon termination of the respective lease agreements.

Also included in trade payables and amount due to associates of the Group are retention sums on construction contracts amounting to RM120,584,000 (2007: RM348,497,000).

Credit terms of trade payables for the Group ranges from 8 to 60 days (2007: 5 to 30 days).

* Amount due to subsidiaries, associates and jointly controlled entities arose in the normal course of business.

28. GROSS PROFIT

	Group		Company	
	2008	2007	**2008**	2007
	RM Mil	RM Mil	**RM Mil**	RM Mil
Revenue				
- sales of oil and gas	**202,218**	165,379	**81,542**	66,129
- others	**2,530**	2,819	-	-
	204,748	168,198	**81,542**	66,129
- rendering of services	**2,777**	2,346	**32**	33
- shipping and shipping related services	**10,007**	8,343	-	-
- sale and rental of properties	**1,353**	1,194	-	-
	14,137	11,883	**32**	33
- dividend income				
in Malaysia (Quoted)				
- subsidiaries	-	-	**1,596**	1,399
- associates	-	-	**65**	66
- investments	**17**	16	**17**	16
in Malaysia (Unquoted)				
- subsidiaries	-	-	**15,928**	17,251
- associates	-	-	**102**	71
- investments	**5**	3	**5**	3
outside Malaysia (Quoted)				
- investments	**214**	157	**6**	6
	236	176	**17,719**	18,812
- interest income	**3,957**	3,796	**2,410**	2,458
	223,078	184,053	**101,703**	87,432
Cost of revenue				
- cost of sales	**(108,931)**	(91,019)	**(43,415)**	(36,526)
- cost of services	**(10,115)**	(8,812)	-	-
	(119,046)	(99,831)	**(43,415)**	(36,526)
Gross profit	**104,032**	84,222	**58,288**	50,906

29. OPERATING PROFIT

	Group		Company	
	2008	2007	**2008**	2007
	RM Mil	RM Mil	**RM Mil**	RM Mil
Included in operating profit are the following charges :				
Audit fees	**20**	17	**1**	1
Allowance for doubtful debts				
- others	**106**	373	**110**	302
Allowance for impairment in value of subsidiaries	-	-	**264**	-
Amortisation of intangible assets	**418**	398	-	-
Amortisation of prepaid lease payments	**52**	29	**2**	2
Depreciation of property, plant and equipment and investment properties	**10,588**	9,075	**1,421**	308
Loss on disposal of property, plant and equipment	**10**	-	**1**	4
Loss on realised foreign exchange	**1,782**	858	**1,040**	484
Loss on unrealised foreign exchange	**862**	208	**635**	649
Property, plant and equipment written off	**26**	102	-	-
Operating lease rental	**486**	399	**369**	383
Property, plant and equipment expensed off	**44**	51	**2**	2
Impairment losses on property, plant and equipment and prepaid lease payments	-	254	-	-
Impairment losses on intangible assets	**22**	8	-	-
Impairment losses on associates	-	18	-	-
Rental of land and buildings	**295**	302	**26**	26
Rental of plant, machinery, equipment and motor vehicles	**447**	318	**48**	49
Research and development expenditure	**60**	27	**48**	26
Contribution to retirement benefits	**106**	90	**26**	20
Write down of inventories to net realisable value	**26**	53	-	-
Written off:				
Bad debt				
- subsidiaries	-	-	**442**	408
- associates and jointly controlled entities	**8**	-	-	-
- others	**5**	31	-	-
Inventories	**50**	65	**38**	1
Contribution to Tabung Amanah Negara	**100**	100	**100**	100

29. OPERATING PROFIT (continued)

	Group		Company	
	2008	2007	**2008**	2007
	RM Mil	RM Mil	**RM Mil**	RM Mil
and credits :				
Allowance for doubtful debts written back				
- subsidiaries	-	-	**192**	703
Bad debts recovered	**3**	-	-	-
Gain on disposal of property, plant and equipment	**258**	556	-	1
Gain on disposal of subsidiaries, associates				
and jointly controlled entities	**64**	11	**1**	-
Gain on disposal of other investments	**144**	424	**129**	400
Gain on realised foreign exchange	**780**	569	-	-
Gain on unrealised foreign exchange	**1,746**	1,321	-	-
Negative goodwill	**487**	-	-	-
Reversal of impairment losses on property,				
plant and equipment	-	11	-	-
Reversal of allowance for diminution in value				
of other investments	-	148	-	139
Reversal of writedown of inventory to net				
realisable value	**18**	-	-	-
Rental income on land and buildings	**468**	282	**316**	159
Other interest income:				
Loan stocks	-	-	-	15
Others	**198**	365	**638**	570

30. OPERATING LEASES

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2008	2007	**2008**	2007
	RM Mil	RM Mil	**RM Mil**	RM Mil
Less than one year	**1,200**	1,163	**320**	369
Between one and five years	**2,851**	1,666	**1,033**	1,353
More than five years	**1,688**	731	**174**	174
	5,739	3,560	**1,527**	1,896

31. TAX EXPENSE

	Group		Company	
	2008	2007	**2008**	2007
	RM Mil	RM Mil	**RM Mil**	RM Mil
Current tax expenses				
Malaysia				
Current year	**27,642**	20,918	**18,213**	13,843
Prior year	**(1,652)**	844	-	922
Overseas				
Current year	**1,930**	1,715	-	-
Prior year	**(31)**	373	-	-
	27,889	23,850	**18,213**	14,765
Deferred tax expense				
Origination and reversal of temporary differences	**307**	395	**(772)**	(65)
Over provision in prior year	**(34)**	(50)	-	-
	273	345	**(772)**	(65)
	28,162	24,195	**17,441**	14,700

31. TAX EXPENSE (continued)

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 Company is as follows:

	%	2008 RM Mil	%	2007 RM Mil
Group				
Profit before taxation		**95,547**		76,346
Taxation at Malaysian statutory tax rate	26	**24,842**	27	20,613
Effect of different tax rates in foreign jurisdictions	-	**185**	-	104
Effect of different tax rates between corporate income tax and petroleum income tax	7	**7,032**	6	4,876
Effect of changes in tax rates	(1)	**(417)**	-	(262)
Non deductible expenses	2	**2,197**	2	1,761
Tax exempt income	(3)	**(3,240)**	(4)	(3,034)
Tax incentives	-	**(252)**	(1)	(658)
Utilisation of deferred tax benefits previously not recognised	-	**(226)**	-	(271)
Foreign exchange translation difference	-	**(242)**	-	(101)
	31	**29,879**	30	23,028
(Over)/under provision in prior years		**(1,717)**		1,167
Tax expense		**28,162**		24,195
Company				
Profit before taxation		**53,099**		48,062
Taxation at Malaysian statutory tax rate	26	**13,806**	27	12,976
Effect of different tax rates between corporate income tax and petroleum income tax	10	**5,123**	8	3,617
Non deductible expenses	2	**1,269**	1	617
Tax exempt income	(5)	**(2,757)**	(7)	(3,432)
	33	**17,441**	29	13,778
Under provision in prior years		-		922
Tax expense		**17,441**		14,700

32. DIVIDENDS

	Group and Company	
	2008	2007
	RM Mil	RM Mil
Ordinary:		
Final:		
2007 - Tax exempt dividend of RM100,000 (2006 : RM80,000) per ordinary share under Section 84 of the Petroleum (Income Tax) Act, 1967	**10,000**	8,000
Interim:		
2008 - First tax exempt dividend of RM80,000 (2007 : RM40,000) per ordinary share under Section 84 of the Petroleum (Income Tax) Act, 1967	**8,000**	4,000
2008 - Second tax exempt dividend of RM60,000 (2007 : RM60,000) per ordinary share under Section 84 of the Petroleum (Income Tax) Act, 1967	**6,000**	6,000
	24,000	18,000
Proposed:		
2008 - Tax exempt final dividend of RM100,000 (2007: RM100,000) per ordinary share under Section 84 of the Petroleum (Income Tax) Act, 1967	**10,000**	10,000

The proposed tax exempt final dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM100,000 per ordinary share amounting to RM10 billion in respect of the financial year ended 31 March 2008, has not been accounted for in the financial statements.

33. NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES

The cash (used in) or generated from investing activities comprise:

	Group		Company	
	2008	2007	**2008**	2007
	RM Mil	RM Mil	**RM Mil**	RM Mil
Acquisition of subsidiaries, net of cash acquired (Note 35)	**(8,431)**	-	-	-
Acquisition of additional shares in subsidiaries	-	-	**(767)**	(87)
Redemption of preference share in subsidiaries	-	-	**150**	202
Investment in associates, jointly controlled entities and unquoted companies	**(51)**	(262)	**(13)**	(146)
Proceeds from disposal of investment in associates and jointly controlled entities	**40**	44	**61**	102
Redemption of preference shares in associates	**220**	335	-	22
Purchase of other investments	**(185)**	(6,363)	**(3)**	-
Proceeds from disposal of other investments	**173**	42	**163**	-
Redemption of preference shares in other investments and loan stocks	**32**	44	**32**	44
Investment in securities	**(54,404)**	(31,161)	**(52,639)**	(30,232)
Proceeds from sale of securities	**45,724**	34,326	**44,139**	33,778
Dividends received	**236**	177	**12,692**	12,759
Purchase of property, plant and equipment, prepaid lease payments and intangible assets	**(28,805)**	(21,632)	**(214)**	(105)
Proceeds from sale of property, plant and equipment, prepaid lease payments and intangible assets	**1,221**	2,262	**21**	1
Net cost incurred in property development cost	**(117)**	(197)	-	-
	(44,347)	(22,385)	**3,622**	16,338

34. NET CASH USED IN FINANCING ACTIVITIES

The cash used in financing activities comprise:

	Group		Company	
	2008	2007	**2008**	2007
	RM Mil	RM Mil	**RM Mil**	RM Mil
Drawdown of Islamic debt facilities	**1,578**	1,307	-	-
Repayment of Islamic debt facilities	**(1,249)**	(1,604)	-	-
Drawdown of term loans, notes and bonds	**4,384**	2,646	-	-
Repayment of term loans, notes and bonds	**(2,328)**	(7,106)	-	(4,356)
Drawdown of revolving credits and bankers' acceptance	**4,972**	522	-	-
Repayment of revolving credits and bankers'acceptance	**(4,337)**	(1,086)	-	-
Dividends paid	**(24,000)**	(16,000)	**(24,000)**	(16,000)
Dividends paid to minority shareholders of subsidiaries	**(3,618)**	(3,640)	-	-
Long term receivables and advances from associates and jointly controlled entities	**51**	(440)	**287**	95
Long term receivables and advances to subsidiaries	-	-	**(5,705)**	(1,412)
Other long term receivables	**161**	774	-	-
	(24,386)	(24,627)	**(29,418)**	(21,673)

35. SIGNIFICANT ACQUISITIONS OF SUBSIDIARIES

During the year, the Group made the following significant acquisitions of subsidiaries:

(i) PETRONAS Lubricants Italy S.p.A Group

On 30 November 2007, the Group acquired 100% interest in Sole Italia S.p.A and its group of companies ("Sole Italia Group"), from Sole Italy S.a.r.l, for a purchase consideration of 446,000,000 (RM2,219,000,000). Sole Italia Group was subsequently restructured and as a result, the Group now directly holds 100% equity interest in FL Selenia S.p.A. FL Selenia S.p.A subsequently changed its name to PETRONAS Lubricants Italy S.p.A ("PL Italy").

The Group also paid 649,000,000 (RM3,227,000,000) for settlement of external loans of PL Italy as part of the fulfillment of conditions precedent to complete the sale. The net profit of the PL Italy Group from the date of acquisition to the year ended 31 March 2008 is not material in relation to the consolidated net profit for the year.

(ii) PC Mauritania I Pty. Ltd. and PC Mauritania II B.V.

On 25 December 2007, the Group acquired 100% equity interests in both Woodside Mauritania Pty. Ltd. ("WMPL") and WEL Mauritania B.V. ("WMBV") for a total consideration of USD449,821,000 (RM1,490,931,000) via a Share Sale and Purchase Agreement with Woodside Energy Ltd. ("WEL"). Subsequent to the acquisition, WMPL and WMBV changed their names to PC Mauritania I Pty. Ltd. ("PCMI") and PC Mauritania II B.V. ("PCMII") respectively. The net profits contributed by PCMI and PCMII from the date of acquisition to the year ended 31 March 2008 are not material in relation to the consolidated net profit for the year.

(iii) Star Energy Group Plc ("SE Group")

During the year, the Group acquired an additional 80.51% equity interest in SE Group for a purchase consideration of GBP295,000,000 (RM1,944,000,000). As a result, SE Group became a wholly owned subsidiary of the Group. The net profit contributed by SE Group from the date of acquisition to the year ended 31 March 2008 is not material in relation to the consolidated net profit for the year.

35. SIGNIFICANT ACQUISITIONS OF SUBSIDIARIES (continued)

The effect of acquisitions of subsidiaries on the cash flows and fair values of assets and liabilities acquired are as follows:

	At initial recognition RM Mil	Fair value adjustments RM Mil	At fair value RM Mil
Property, plant and equipment	3,275	2,165	5,440
Intangible assets	3,999	(2,854)	1,145
Other investments	2	-	2
Other assets	2,087	73	2,160
Cash and cash equivalents	527	-	527
Borrowings	(529)	-	(529)
Deferred taxation	(190)	(597)	(787)
Other liabilities	(5,403)	(411)	(5,814)
Contingent liabilities	-	(56)	(56)
Minority shareholders' interest at the date of acquisition	(25)	-	(25)
	3,743	(1,680)	2,063
Less :			
Interest previously held as jointly controlled entity/other long term investment			(228)
Negative goodwill on consolidation			(487)
Add:			
Goodwill on consolidation			4,364
Reversal of impairment loss			19
Purchase consideration			5,731
Less:			
Cash and cash equivalents of subsidiaries acquired			(527)
Add:			
Repayment of borrowings			3,227
Cash flow on acquisition, net of cash acquired (Note 33)			8,431

36. CHANGES IN ACCOUNTING POLICIES

At the beginning of the current financial year, the Group and the Company had adopted new and revised Financial Reporting Standards (FRSs) and Amendment to FRS issued by the Malaysian Accounting Standards Board ("MASB") as disclosed in Note 1.1.

The principal changes in accounting policies and their effects resulting from the above are as follows:

(i) FRS 117*, Leases*

The adoption of FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land.

Prior to the adoption of FRS 117, the Group and the Company had previously classified leases of land as finance leases and had recognised the amount of payments made on entering into or acquiring the land (prepaid lease payments) as property within its property, plant and equipment. These land were stated at cost less accumulated depreciation and accumulated impairment losses.

On adoption of FRS 117, the Group and the Company treat such leases as operating lease, with the unamortised carrying amount classified as prepaid lease payments. The Group had also previously revalued certain leasehold land and had retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments in accordance with the transitional provisions in FRS 117.

The effects of adopting FRS 117 had been accounted for retrospectively in accordance with transitional provisions of the standard, and comparatives have been restated (Note 45).

This change in accounting policy does not have material impact on current year income statement.

(ii) FRS 6, *Exploration for and Evaluation of Mineral Resources*

The adoption of FRS 6 has resulted in a change in the accounting policy relating to the classification of exploration expenditure. Prior to the adoption of FRS 6, the Group had classified all exploration expenditure as projects-in-progress in property, plant and equipment. These exploration expenditure were stated at cost and were not depreciated.

Following the adoption of FRS 6, exploration expenditure are classified as intangible assets.

The reclassification had been accounted for retrospectively in accordance with the transitional provisions of the standard, and comparatives have been restated (Note 45). This change in accounting policy does not have any impact on current year income statement.

37. COMMITMENTS

Outstanding commitments in respect of capital expenditure at balance sheet date not provided for in the financial statements are:

	Group		Company	
	2008	2007	**2008**	2007
	RM Mil	RM Mil	**RM Mil**	RM Mil
Property, plant and equipment				
Approved and contracted for				
Less than one year	**18,302**	17,848	**127**	76
Between one and five years	**4,358**	4,300	**202**	-
More than five years	-	54	-	-
	22,660	22,202	**329**	76
Approved but not contracted for				
Less than one year	**16,550**	9,028	-	-
Between one and five years	**15,303**	5,759	**40**	44
	31,853	14,787	**40**	44
	54,513	36,989	**369**	120
Share of capital expenditure of Joint Ventures				
Approved and contracted for				
Less than one year	**2,405**	4,043	-	-
Between one and five years	**370**	1,349	-	-
	2,775	5,392	-	-
Approved but not contracted for				
Less than one year	**4,571**	8,318	-	-
Between one and five years	**10,164**	9,246	-	-
	14,735	17,564	-	-
	17,510	22,956	-	-
Investment in shares				
Approved but not contracted for				
Less than one year	**2**	-	-	-
	2	-	-	-
	72,025	59,945	**369**	120

38. CONTINGENT LIABILITIES (UNSECURED)

	Group		Company	
	2008	2007	**2008**	2007
	RM Mil	RM Mil	**RM Mil**	RM Mil
Guarantees for loan facilities given to subsidiaries and associates	**1,103**	1,218	**14,630**	19,018
Banking facilities extended to third parties	**673**	405	-	-
Claims filed by/disputes with various parties	**354**	40	-	-
	2,130	1,663	**14,630**	19,018

The Terengganu State Government filed a legal suit against the Company in the year 2000 claiming that it was entitled to certain cash payments arising out of the production of crude oil and gas from the continental shelf offshore of the State concerned. The amount of the cash payments has been fully accounted for in the financial statements. The legal suit is still on-going as at year end.

39. RELATED PARTY DISCLOSURES

Key management personnel compensation

	Company	
	2008	2007
	RM Mil	RM Mil
Directors remuneration:		
- Emoluments	**7**	5

The Company also paid certain fees to Directors amounting to RM176,000 (2007: RM163,000).

The Company incurred legal fees of RM52,800 (2007: RMNil) payable to a firm in which a Director is a partner.

The estimated monetary value of Directors' benefits-in-kind is RM344,000 (2007: RM219,000).

39. RELATED PARTY DISCLOSURES (continued)

Significant transactions with related parties

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa. Related parties may be individuals or other entities.

In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions with related parties during the financial year:

	Company	
	2008	2007
	RM Mil	RM Mil
Subsidiaries:		
Sales of crude oil, petroleum products and natural gas	**42,161**	30,589
Interest receivable from subsidiaries	**568**	489
Purchase of crude oil and natural gas	**(20,241)**	(15,982)
Gas processing fee payable	**(2,275)**	(3,840)
Research cess	**110**	90
Supplemental payments	**3,732**	2,621
Handling and storage fees	**(31)**	(94)
Associate companies:		
Interest receivable from associates	**13**	28
Jointly controlled entities:		
Interest receivable from jointly controlled entities	**21**	17
Gas processing fee payable	**(249)**	(323)

Information regarding outstanding balances arising from related party transactions as at 31 March 2008 are disclosed in Note 12, Note 19 and Note 27.

Information regarding allowance for doubtful debts and bad debts written off during the financial year are disclosed in Note 29.

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established on a commercial basis.

40. PRODUCTION SHARING CONTRACTS (the "PSC")

The Petroleum Development Act, 1974 vests the entire ownership, rights, powers, liberties and privileges of exploiting petroleum resources on land and offshore Malaysia in PETRONAS. The exploitation by PETRONAS of petroleum resources is carried out by means of production sharing contracts with international oil and gas companies and with its subsidiaries. Under the terms of the various PSCs that PETRONAS has entered into, the PSC Contractors bear all costs. The PSC Contractors may recover their costs in barrels of crude oil or gas equivalent in accordance with the terms of their respective PSCs.

Certain terms of the PSCs are:

40.1 Research Cess, Supplemental Payments and Crude Oil or Gas Entitlement

The determination of research cess, supplemental payments, and PETRONAS' and the contractors' entitlements to crude oil or gas produced subsequent to 31 December 1992 have been based on the returns submitted by contractors and is dependent on agreement being reached on the method of valuation of crude oil or gas and the quantum of costs incurred and claimed by contractors subject to the maximum rate provided under the production sharing contracts for the year. PETRONAS' entitlements to crude oil and natural gas are taken up as income on the basis of liftings and sales respectively made by the Company.

40.2 Property, plant and equipment

Title to all equipment and other assets purchased or acquired by PSC Contractors exclusively for the purpose of petroleum operations, and which costs are recoverable in barrels of cost oil or gas equivalent, vested with PETRONAS. However, the value of these assets are not taken up in the financial statements of PETRONAS other than:

i) the property, plant and equipment of a subsidiary which is also a contractor to PETRONAS under certain PSCs; and

ii) the costs of dismantling and removing the assets and restoring the site on which they are located where there is an obligation to do so.

40.3 Inventories

Title to all crude oil held in inventories by the PSC Contractors lies with PETRONAS and title to the contractors' entitlement passes only upon delivery at point of export. However, the value of these inventories are not taken up in the financial statements of PETRONAS.

41. FINANCIAL INSTRUMENTS

Financial risk management

As an integrated oil and gas company, the Group and the Company are exposed to various risks that are particular to its core business of exploration and production, logistics and maritime, gas, petrochemical and oil business. These risks arise in the normal course of the Group and the Company's business.

The Group has a Group Risk Management Framework and Guideline that sets the foundation for the establishment of effective risk management across the PETRONAS Group.

The Group and the Company's goal in risk management are to ensure that the management understands, measures and monitors the various risks that arise in connection with their operations. Policies and guidelines have been developed to identify, analyse, appraise and monitor the dynamic risks facing the Group and the Company. Based on this assessment, each business unit adopts appropriate measures to mitigate these risks in accordance with the business unit's view of the balance between risk and reward.

The main financial risks faced by the Group and the Company through their normal activities are credit risk, interest rate risk, foreign currency risk, financial risk and liquidity risk.

Credit risk

Credit risk is the potential exposure of the Group and the Company to losses in the event of non-performance by counterparties. The credit risk arising from the Group and the Company's normal operations are controlled by individual operating units within the Group Risk Management Framework and Guideline.

The Group and the Company minimise credit risk by entering into contracts with highly credit rated counterparties and through credit approval, financial limits and on-going monitoring procedures. Counterparties credit evaluation is done systematically using quantitative and qualitative criteria on credit risks specified by individual operating units.

At balance sheet date, there was no significant concentration of credit risk.

The maximum exposure to credit risk for the Group and the Company are represented by the carrying amount of each financial asset.

41. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

The Group and the Company are exposed to interest rate risk on short and long term floating rate instruments as a result of their investing and financing activities. Consequently, in managing the risks, the Group and the Company manage interest expense through a balanced portfolio of fixed and floating rate instruments. The Group also enters into hedging transactions with respect to interest rate on selected long term borrowings and other debts.

Foreign currency risk

The Group and the Company's foreign exchange management policy is to minimise economic and significant transactional exposures arising from currency movements. The Group coordinates the handling of foreign exchange risks centrally. The Group and the Company mainly rely on the natural hedge generated by the fact that most of their revenue and expenses are currently denominated in US Dollar. In addition, the Group and the Company where applicable, hedge using derivative instruments in respect of current and forecasted transactions.

Financial risk

Financial risk management is an essential part of corporate treasury management. Senior executives meet on a regular basis to ensure that the treasury activities are carried out in an orderly and efficient manner, and to ensure the completeness and accuracy of records.

Liquidity risk

Liquidity risk arises from the requirement to raise funds for the business on an ongoing basis as a result of existing and future commitments which are not funded from internal resources. PETRONAS current credit rating enables it to access banking facilities in excess of current and anticipated future requirements of the Group and the Company. The Group's borrowing powers are not limited by its Articles of Association. However, certain covenants included in agreements impose limited restrictions on some of the debt level of PETRONAS' subsidiaries.

Fair value

The Group's and the Company's financial instruments consist of cash and cash equivalents, investments and loans, trade and other receivables, borrowings, trade and other payables and various debt and currency management instruments.

41. FINANCIAL INSTRUMENTS (continued)

Recognised financial instruments

The carrying amounts in respect of cash and cash equivalents, trade and other receivables, trade and other payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

It is not practical to estimate the fair values of long term receivables due to unavailability of repayment terms. However, the Group and the Company do not anticipate the carrying amounts recorded at the balance sheet date, to be significantly different from the values that would eventually be received.

The aggregate fair values of the other financial assets and liabilities carried on the balance sheet as at 31 March 2008 are represented in the following table:

		2008		2007	
Group	**Note**	**Carrying amount RM Mil**	**Fair value RM Mil**	**Carrying amount RM Mil**	**Fair value RM Mil**
Financial assets					
Other Investments					
Non current	11	**10,010**	**13,911**	10,613	13,001
Current	11	**4,678**	**4,688**	14,879	14,970
Fund Investments					
Quoted shares and securities	11	**1,325**	**1,348**	2,373	2,828
Malaysian Government Securities	11	**23,965**	**23,974**	14,938	14,954
Financial liabilities					
Term loans	24	**10,226**	**9,949**	7,220	6,596
Notes and Bonds	24	**19,683**	**22,381**	21,524	23,860
Company					
Financial assets					
Other Investments					
Non current	11	**588**	**588**	1,389	1,496
Current	11	**5,081**	**5,090**	15,744	15,835
Fund Investments					
Quoted shares and securities	11	**1,231**	**1,253**	2,082	2,110
Malaysian Government Securities	11	**23,930**	**23,939**	14,704	14,719
Financial liabilities					
Notes and Bonds	24	**16,238**	**18,755**	17,782	20,067

The fair value of quoted securities is their bid price at the balance sheet date. For other financial assets and financial liabilities listed above, fair values have been determined by discounting the relevant cash flows using current interest rates for similar instruments at the balance sheet date or, in the case of unquoted securities, based on discounted price earning multiples as compared to the quoted bid prices for similar securities or discounted cash flows or comparative yields.

41. FINANCIAL INSTRUMENTS (continued)

Unrecognised financial instruments

The valuation of financial instruments not recognised in the balance sheet reflects their current market rates at the balance sheet date.

The contracted amount and fair value of financial instruments not recognised in the balance sheet as at 31 March are:

	2008		2007	
Group	**Contracted amount RM Mil**	**Fair value RM Mil**	Contracted amount RM Mil	Fair value RM Mil
Forward foreign exchange contracts	**15**	**15**	16	16

The forward foreign exchange contracts were entered into by certain subsidiaries to hedge certain receivables and payables denominated in currencies other than the respective functional currencies of these subsidiaries.

The fair value represents the contracted amount of the financial instrument obligations plus their respective amounts payable if these obligations are to be realised.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rate at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.

41. FINANCIAL INSTRUMENTS (continued)

2008 Group	Effective interest rates per annum %	Total RM Mil	Within 1 year RM Mil	1-2 years RM Mil	2-3 years RM Mil	3-4 years RM Mil	4-5 years RM Mil	More than 5 years RM Mil
Financial assets								
Debt securities								
Malaysian Government Securities	3.41	23,965	22,156	917	316	72	-	504
Quoted securities	4.20	1,033	215	49	180	63	172	354
Negotiable Certificate of Deposits	3.67	805	320	-	-	-	-	485
Unquoted Corporate Private Debt Securities	4.54	1,157	230	85	105	103	283	351
Unquoted Corporate Commercial Papers	3.50	2,078	2,078	-	-	-	-	-
Other unquoted securities	4.25	1,337	732	76	32	-	-	497
Deposits with licensed financial institutions	3.58	75,492	75,492	-	-	-	-	-

41. FINANCIAL INSTRUMENTS (continued)

2008 Group	Effective interest rates per annum %	Total RM Mil	Within 1 year RM Mil	1-2 years RM Mil	2-3 years RM Mil	3-4 years RM Mil	4-5 years RM Mil	More than 5 years RM Mil
Financial liabilities								
Secured Term Loans								
USD fixed rate loan	5.49	2,637	473	376	314	314	314	846
RM fixed rate loan	5.71	746	115	21	27	26	26	531
RM floating rate loan	5.67	158	158	-	-	-	-	-
GBP fixed rate loan	7.80	356	32	32	32	260	-	-
GHC fixed rate loan	19.00	2	-	1	1	-	-	-
PESO fixed rate loan	7.30	7	4	2	1	-	-	-
Unsecured Term Loans								
USD floating rate loan	5.02	239	239	-	-	-	-	-
RM fixed rate loan	5.48	1,861	389	17	330	367	224	534
EURO floating rate loan	7.10	85	85	-	-	-	-	-
EURO fixed rate loan	4.47	4,038	4,038	-	-	-	-	-
BAHT floating rate loan	3.89	97	97	-	-	-	-	-
Unsecured Notes and Bonds								
USD Notes	5.42	13,087	-	1,278	-	-	6,428	5,381
USD Bonds	4.89	3,616	-	-	-	-	-	3,616
EURO Notes	4.68	2,268	-	2,268	-	-	-	-
JPY Bonds	1.46	712	549	-	-	-	-	163
Unsecured revolving credits								
RM revolving credits	4.10	33	33	-	-	-	-	-
USD revolving credits	3.72	51	51	-	-	-	-	-
BAHT revolving credits	4.50	37	37	-	-	-	-	-
EURO revolving credits	4.47	757	757	-	-	-	-	-
Unsecured bankers' acceptances								
USD bankers' acceptances	3.24	196	196	-	-	-	-	-
RM bankers' acceptances	3.95	96	96	-	-	-	-	-
Unsecured bank overdrafts								
ZAR bank overdrafts	7.97	14	14	-	-	-	-	-
EURO bank overdrafts	8.41	7	7	-	-	-	-	-

41. **FINANCIAL INSTRUMENTS (continued)**

2007 Group	Effective interest rates per annum %	Total RM Mil	Within 1 year RM Mil	1-2 years RM Mil	2-3 years RM Mil	3-4 years RM Mil	4-5 years RM Mil	More than 5 years RM Mil
Financial assets								
Debt securities								
Malaysian Government Securities	3.46	14,938	11,576	1,189	880	603	64	626
Quoted securities	5.42	2,099	872	64	237	301	44	581
Negotiable Certificate of Deposits	3.75	11,799	11,295	19	-	-	-	485
Unquoted Corporate Private Debt Securities	4.62	1,521	441	119	199	100	296	366
Unquoted Corporate Commercial Papers	3.51	1,269	1,269	-	-	-	-	-
Other unquoted securities	5.43	919	276	11	88	-	-	544
Deposits with licensed financial institutions	3.95	63,223	63,223	-	-	-	-	-

41. **FINANCIAL INSTRUMENTS (continued)**

2007 Group	Effective interest rates per annum %	Total RM Mil	Within 1 year RM Mil	1-2 years RM Mil	2-3 years RM Mil	3-4 years RM Mil	4-5 years RM Mil	More than 5 years RM Mil
Financial liabilities								
Secured Term Loans								
USD fixed rate loan	5.58	3,171	495	486	397	329	330	1,134
RM fixed rate loan	6.88	713	23	31	36	38	37	548
RM floating rate loan	5.75	172	172	-	-	-	-	-
RMB fixed rate loan	6.36	4	4	-	-	-	-	-
PESO fixed rate loan	9.35	8	4	-	-	-	-	4
Unsecured Term Loans								
USD floating rate loan	5.36	1,259	1,259	-	-	-	-	-
RM fixed rate loan	5.75	1,818	333	250	4	217	367	647
BAHT floating rate loan	5.54	75	75	-	-	-	-	-
Unsecured Notes and Bonds								
USD Notes	5.48	14,138	-	1,376	-	-	-	12,762
USD Bonds	5.46	3,899	-	-	-	-	-	3,899
EURO Notes	4.33	2,446	-	-	2,446	-	-	-
JPY Bonds	1.02	1,041	362	503	-	-	-	176
Unsecured revolving credits								
RM revolving credits	5.08	24	24	-	-	-	-	-
USD revolving credits	4.98	37	37	-	-	-	-	-
BAHT revolving credits	5.98	26	26	-	-	-	-	-
Unsecured bankers' acceptances								
USD bankers' acceptances	5.50	247	247	-	-	-	-	-
RM bankers' acceptances	3.93	212	212	-	-	-	-	-
Unsecured ZAR bank overdrafts	7.97	10	10	-	-	-	-	-

41. **FINANCIAL INSTRUMENTS (continued)**

2008 Company	Effective interest rates per annum %	Total RM Mil	Within 1 year RM Mil	1-2 years RM Mil	2-3 years RM Mil	3-4 years RM Mil	4-5 years RM Mil	More than 5 years RM Mil
Financial assets								
Debt securities								
Malaysian Government Securities	3.41	23,930	22,121	917	316	72	-	504
Quoted securities	4.21	1,020	215	49	167	63	172	354
Negotiable Certificate of Deposits	3.67	805	320	-	-	-	-	485
Unquoted Corporate Private Debt Securities	4.54	2,288	265	95	145	345	482	956
Unquoted Corporate Commercial Papers	3.50	2,078	2,078	-	-	-	-	-
Other unquoted securities	3.61	110	2	76	32	-	-	-
Deposits with licensed financial institutions	3.48	45,467	45,467	-	-	-	-	-

2008 Company	Effective interest rates per annum %	Total RM Mil	Within 1 year RM Mil	1-2 years RM Mil	2-3 years RM Mil	3-4 years RM Mil	4-5 years RM Mil	More than 5 years RM Mil
Financial liabilities								
Unsecured Notes and Bonds								
USD Notes	4.32	9,642	-	-	-	-	6,428	3,214
USD Bonds	4.89	3,616	-	-	-	-	-	3,616
EURO Notes	4.68	2,268	-	2,268	-	-	-	-
JPY Bonds	1.46	712	549	-	-	-	-	163

41. FINANCIAL INSTRUMENTS (continued)

2007 Company	Effective interest rates per annum %	Total RM Mil	Within 1 year RM Mil	1-2 years RM Mil	2-3 years RM Mil	3-4 years RM Mil	4-5 years RM Mil	More than 5 years RM Mil
Financial assets								
Debt securities								
Malaysian Government Securities	3.43	14,704	11,342	1,189	880	603	64	626
Quoted securities	5.35	1,914	704	64	223	301	44	578
Negotiable Certificate of Deposits	3.75	11,799	11,295	19	-	-	-	485
Unquoted Corporate Private Debt Securities	4.62	2,676	441	119	199	100	296	1,521
Unquoted Corporate Commercial Papers	3.51	1,269	1,269	-	-	-	-	-
Other unquoted securities	4.17	83	-	11	72	-	-	-
Deposits with licensed financial institutions	3.99	39,406	39,406	-	-	-	-	-

2007 Company	Effective interest rates per annum %	Total RM Mil	Within 1 year RM Mil	1-2 years RM Mil	2-3 years RM Mil	3-4 years RM Mil	4-5 years RM Mil	More than 5 years RM Mil
Financial liabilities								
Unsecured Notes and Bonds								
USD Notes	5.35	10,396	-	-	-	-	-	10,396
USD Bonds	5.46	3,899	-	-	-	-	-	3,899
EURO Notes	4.33	2,446	-	-	2,446	-	-	-
JPY Bonds	1.02	1,041	362	503	-	-	-	176

42. SIGNIFICANT SUBSIDIARIES AND ACTIVITIES

The significant subsidiary undertakings of the Company at 31 March 2008 and the Group percentage of share capital are set out below.

		Effective Percentage Holding 2008 %	Effective Percentage Holding 2007 %	Country of Incorporation	Principal Activities
	AET Inc. Limited	62.4	62.4	Bermuda	Ship-owning and operations.
*	Aromatics Malaysia Sdn. Bhd.	70.0	70.0	Malaysia	Production and sale of aromatics products.
*	Asean Bintulu Fertilizer Sdn. Bhd.	63.5	63.5	Malaysia	Production and sale of urea and ammonia.
∞	Asean LNG Trading Co. Ltd.	100.0	100.0	Malaysia	Trading of liquefied natural gas (“LNG”).
	Doba Pipeline Investment Inc.	100.0	100.0	Cayman Islands	Investment holding.
	Engen Limited	80.0	80.0	South Africa	Refining of crude oil and marketing of refined petroleum products.
	Engen Petroleum Ltd.	80.0	80.0	South Africa	Refining and distribution of petroleum products.
*	Ethylene Malaysia Sdn. Bhd.	72.5	72.5	Malaysia	Production and sale of ethylene.
*	Institute of Technology PETRONAS Sdn. Bhd.	100.0	100.0	Malaysia	Institute of higher learning.
*	KLCC (Holdings) Sdn. Bhd.	100.0	100.0	Malaysia	Property investment related activities and property development.
*@	KLCC Property Holdings Berhad	51.0	51.0	Malaysia	Property investment, hotel and recreation.
∞	Malaysia Deepwater Floating Terminal (Kikeh) Limited	31.8	31.8	Malaysia	Floating, production, storage and off-loading (“FPSO”) owner.
*	Malaysia LNG Sdn. Bhd.	90.0	90.0	Malaysia	Liquefaction and sale of liquefied natural gas.
*	Malaysia LNG Dua Sdn. Bhd.	60.0	60.0	Malaysia	Liquefaction and sale of liquefied natural gas.
*	Malaysia LNG Tiga Sdn. Bhd.	60.0	60.0	Malaysia	Liquefaction and sale of liquefied natural gas.
*	Malaysian International Trading Corporation Sdn. Bhd.	100.0	100.0	Malaysia	Petrochemicals and general trading.
	Malaysian International Trading Corporation (Japan) Sdn. Bhd.	100.0	100.0	Malaysia	Trading and procurement of equipment spares and materials.

42. SIGNIFICANT SUBSIDIARIES AND ACTIVITIES (continued)

		Effective Percentage Holding 2008 %	Effective Percentage Holding 2007 %	Country of Incorporation	Principal Activities
*	Malaysian Refining Company Sdn. Bhd.	53.0	53.0	Malaysia	Refining of crude oil.
	Midciti Resources Sdn. Bhd.	75.3	75.3	Malaysia	Property investment.
*@	MISC Berhad	62.4	62.4	Malaysia	Shipping and shipping related activities.
∞	MITCO Labuan Co. Ltd.	100.0	100.0	Malaysia	Petrochemicals and general merchandise trading.
	MSE Holdings Sdn. Bhd.	62.4	62.4	Malaysia	Investment holding.
*	MTBE Malaysia Sdn. Bhd.	100.0	100.0	Malaysia	Production and sale of methyl tertiary butyl ether and propylene.
*	Optimal Olefins (Malaysia) Sdn. Bhd.	64.3	64.3	Malaysia	Manufacturing and marketing of ethylene, propylene and other hydrocarbon products.
	Parsi International Ltd.	100.0	100.0	Republic of Mauritius	Petroleum operations.
	PC JDA Ltd.	100.0	100.0	Republic of Mauritius	Petroleum operations.
γ	PC Mauritania I Pty. Ltd. (formerly known as Woodside Mauritania Pty. Ltd.)	100.0	-	Australia	Petroleum operations.
	PC Vietnam Ltd.	100.0	100.0	Republic of Mauritius	Petroleum operations.
*	PETLIN (M) Sdn. Bhd.	60.0	60.0	Malaysia	Production and sale of low-density polyethylene pellets.
*	PETRONAS Ammonia Sdn. Bhd.	100.0	100.0	Malaysia	Production and sale of ammonia, syngas and carbon monoxide.
γ	PETRONAS Australia Pty. Ltd.	100.0	100.0	Australia	Investment holding.
*	PETRONAS Carigali Sdn. Bhd.	100.0	100.0	Malaysia	Exploration and production of oil and gas.
	PETRONAS Carigali (Chad EP) Inc.	100.0	100.0	Cayman Islands	Petroleum operations.

42. SIGNIFICANT SUBSIDIARIES AND ACTIVITIES (continued)

		Effective Percentage Holding 2008 %	2007 %	Country of Incorporation	Principal Activities
	PETRONAS Carigali (Jabung) Ltd.	100.0	100.0	Bahamas	Petroleum operations.
	PETRONAS Carigali Nile Ltd.	100.0	100.0	Republic of Mauritius	Petroleum operations.
	PETRONAS Carigali Overseas Sdn. Bhd.	100.0	100.0	Malaysia	Investment holding and petroleum operations.
	PETRONAS Carigali (Turkmenistan) Sdn. Bhd.	100.0	100.0	Malaysia	Petroleum operations.
*@	PETRONAS Dagangan Berhad	69.9	69.9	Malaysia	Marketing of petroleum products and operation of service stations.
*	PETRONAS Fertilizer (Kedah) Sdn. Bhd.	100.0	100.0	Malaysia	Production and sale of urea, ammonia and methanol.
*@	PETRONAS Gas Berhad	60.6	60.6	Malaysia	Processing and transmission of natural gas.
*∞	PETRONAS International Corporation Ltd.	100.0	100.0	Malaysia	Investment holding.
	PETRONAS Lubricants Italy S.p.A (formerly known as FL Selenia S.p.A)	100.0	-	Italy	Manufacturing and distribution of lubricants and system fluids for motor vehicles and industrial applications.
	PETRONAS Marketing Sudan Ltd.	100.0	100.0	Sudan	Marketing of petroleum products.
*	PETRONAS Methanol (Labuan) Sdn. Bhd.	100.0	100.0	Malaysia	Production and sale of methanol.
∞γ	PETRONAS Myanmar Ltd.	100.0	100.0	Malaysia	Petroleum products trading.
*	PETRONAS Penapisan (Melaka) Sdn. Bhd.	100.0	100.0	Malaysia	Refining and condensation of crude oil.
*	PETRONAS Penapisan (Terengganu) Sdn. Bhd.	100.0	100.0	Malaysia	Refining and condensation of crude oil.

42. SIGNIFICANT SUBSIDIARIES AND ACTIVITIES (continued)

		Effective Percentage Holding 2008 %	2007 %	Country of Incorporation	Principal Activities
	PETRONAS Tankers Sdn. Bhd.	62.4	62.4	Malaysia	Investment holding and provision of management services.
*	PETRONAS Trading Corporation. Sdn. Bhd	100.0	100.0	Malaysia	Trading of crude oil and petroleum products.
∞	PICL (Egypt) Corporation Ltd.	100.0	100.0	Malaysia	Investment holding, exploration, production and marketing of oil and gas.
	Putrajaya Holdings Sdn. Bhd.	64.4	64.4	Malaysia	Property owner and developer.
	Star Energy Group Plc	100.0	19.5	United Kingdom	Provision of gas storage facilities, exploration, development and production of crude oil, sale of natural gas and electricity generation.
	Suria KLCC Sdn. Bhd.	30.6	30.6	Malaysia	Property investment.
*	Vinyl Chloride (M) Sdn. Bhd.	100.0	100.0	Malaysia	Production and sale of vinyl chloride.

* Subsidiaries held directly by the Company.
@ The shares of these subsidiaries are quoted on the Main Board of Bursa Malaysia.
∞ Companies incorporated under the Labuan Offshore Companies Act 1990.
γ Consolidated based on management financial statements.

43. SIGNIFICANT ASSOCIATES AND ACTIVITIES

	Effective Percentage Holding 2008 %	2007 %	Country of Incorporation	Principal Activities
BASF PETRONAS Chemicals Sdn. Bhd.	40.0	40.0	Malaysia	Own and operate acrylic acid and oxo plants.
Bintulu Port Holdings Berhad	32.8	32.8	Malaysia	Port management.
Cameroon Oil Transportation Company SA	29.8	29.8	Republic of Cameroon	Pipeline projects.
El Behera Natural Gas Liquefaction Company S.A.E	35.5	35.5	Egypt	Liquefaction and sale of liquefied natural gas ("LNG").
Gas Malaysia Sdn. Bhd.	20.0	20.0	Malaysia	Selling, marketing, distribution and promotion of natural gas.
IDKU Natural Gas Liquefaction Company S.A.E.	38.0	38.0	Egypt	Manufacturing and production of LNG.
PP Oil & Gas (Indonesia- Jabung) Limited	50.0	50.0	United Kingdom	Exploration and production of oil and gas.
Taninthayi Pipeline Co. LLC	40.9	40.9	Cayman Islands	Construction and development of pipeline and transportation of gas.
Tchad Oil Transportation Company SA	30.2	30.2	Republic of Chad	Pipeline projects.
The Egyptian LNG Company S.A.E.	35.5	35.5	Egypt	Owning, managing and developing the land and the common facilities related to the Egyptian LNG facility.

44. SIGNIFICANT JOINTLY-CONTROLLED ENTITIES AND ACTIVITIES

	Effective Percentage Holding 2008 %	Effective Percentage Holding 2007 %	Country of Incorporation	Principal Activities
BP PETRONAS Acetyls Sdn. Bhd.	30.0	30.0	Malaysia	Manufacture, sell and distribute acetic acid.
Dragon LNG Group Ltd.	30.0	30.0	United Kingdom	Construction and future operation of a LNG terminal.
Optimal Chemicals (M) Sdn. Bhd.	50.0	50.0	Malaysia	Manufacture and sell ethylene and propylene derivative products.
Optimal Glycols (M) Sdn. Bhd.	50.0	50.0	Malaysia	Manufacture and sell ethylene oxide, ethylene glycol and other glycols.
Trans Thai-Malaysia (Thailand) Ltd.	50.0	50.0	Thailand	Storing, transporting, distributing and selling of natural gas.
Indianoil Petronas Private Limited	50.0	50.0	India	Manufacture and bottling services of LPG.

45. COMPARATIVE FIGURES

Comparative figures of the Group and the Company have been restated and/or reclassified as a result of changes in accounting policies as stated in Note 36.

Company	As restated RM Mil	As previously stated RM Mil
Balance Sheet		
Property, plant and equipment	1,821	1,893
Prepaid lease payments	72	-
	1,893	1,893

Group	As restated RM Mil	As previously stated RM Mil
Balance Sheet		
Property, plant and equipment	116,535	123,534
Properties	7,257	7,455
Prepaid lease payments	2,164	-
Long term receivables	2,709	3,775
Intangible assets	7,530	1,375
Other long term liabilities and provisions	(14,435)	(14,379)
	121,760	121,760

APPENDIX I

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS

Gas District Cooling (Holdings) Sdn. Bhd. and its subsidiaries:

- Gas District Cooling (KLIA) Sdn. Bhd.
- Gas District Cooling (UTP) Sdn. Bhd.
- Gas District Cooling (Putrajaya) Sdn. Bhd.

KLCC (Holdings) Sdn. Bhd. and its subsidiaries:

- Aliran Klasik Sdn. Bhd.
- Arah Moden Sdn. Bhd.
- City Centre Convention Centre Sdn. Bhd.
- Gagasan Ria Sdn. Bhd.
- Hasrat Intisari (M) Sdn. Bhd.
- Ilham Merpati Sdn. Bhd.
- Impian Delima Sdn. Bhd.
- Kelana Perkasa Sdn. Bhd.
- KLCC Convention Centre Sdn. Bhd.
- KLCC Properties Sdn. Bhd.
- Komponen Abadi Sdn. Bhd.
- Kuala Lumpur City Centre Holdings Sdn. Bhd.
- Kuala Lumpur Convention Centre Sdn. Bhd.
- Metro Kemasik Sdn. Bhd.
- Usaha Mutu Sdn. Bhd.
- Gilang Cendana Sdn. Bhd.
- Idaman Putrajaya Sdn. Bhd.
- Lembah Putrajaya Sdn. Bhd.
- Pedoman Purnama Sdn. Bhd.
- Purnama Sepi Sdn. Bhd.
- Putrajaya Corporate Services Sdn. Bhd.
- Putrajaya Group Sdn. Bhd.
- Putrajaya Management Sdn. Bhd.
- Putrajaya Properties Sdn. Bhd.
- Putrajaya Ventures Sdn. Bhd.
- Tapak Senja Sdn. Bhd.
- Aliran Moden Sdn. Bhd.
- Cititower Sdn. Bhd. (formerly known as KLCC (Utilities) Sdn. Bhd.)
- Convex Malaysia Sdn. Bhd.
- Gas District Cooling (M) Sdn. Bhd.
- Heritage Lane Sdn. Bhd.
- Impian Bebas Sdn. Bhd.
- Impian Moden Sdn. Bhd.
- Kenyalang Murni Sdn. Bhd.
- KLCC Projeks Sdn. Bhd.
- KLCC Real Estate Management Sdn. Bhd.
- Kuala Lumpur City Centre Development Berhad
- Kuala Lumpur City Park Berhad
- Layar Intan Sdn. Bhd.
- Serba Harapan (M) Sdn. Bhd.
- Putrajaya Holdings Sdn. Bhd.
- HLP Bina Sdn. Bhd.
- Indah Putrajaya Sdn. Bhd.
- Menara Putrajaya Sdn. Bhd.
- Pedoman Semarak Sdn. Bhd.
- Putrajaya Capital Management Sdn. Bhd.
- Putrajaya Development Sdn. Bhd.
- Putrajaya Homes Sdn. Bhd.
- Putrajaya Projects Sdn. Bhd.
- Putrajaya Resources Sdn. Bhd.
- Senandung Asli Sdn. Bhd.

KLCC Property Holdings Berhad and its subsidiaries:

- Arena Johan Sdn. Bhd.
- Asas Klasik Sdn. Bhd.
- KLCC Parking Management Sdn. Bhd.
- Kompleks Dayabumi Sdn. Bhd.
- Suria KLCC Sdn. Bhd.
- Arena Merdu Sdn. Bhd.
- Impian Cemerlang Sdn. Bhd.
- KLCC Urusharta Sdn. Bhd.
- Midciti Resources Sdn. Bhd.

APPENDIX I

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS (continued)

Marmel Incorporated and its subsidiaries:

- Darton Ltd.
- GCB Associates Ltd.
- Sparknight (U.S.) Inc.
- WG Parcel B LLC
- World Gateway Investments Inc.
- Darton U.S. Holdings Inc.
- Grabhorn Properties LLC
- Sparknight Inc.
- WG Parcel B Management LLC
- World Gateway Property Owners Association

MISC Berhad and its subsidiaries:

- AET Agencies Inc.
- AET Inc. Limited
- AET Offshore Services Company Inc. (formerly known as Pelican Offshore Services Company Inc.)
- AET Shipmanagement (M) Sdn. Bhd.
- AET Tanker Holdings Sdn. Bhd.
- AET U.K. Limited
- Asia LNG Transport Sdn. Bhd.
- Bunga Kasturi (L) Pte. Ltd.
- Harlink Inc.
- Malaysia Deepwater Floating Terminal (Kikeh) Limited
- Malaysia Marine and Heavy Engineering Sdn. Bhd.
- Malaysian Maritime Academy Sdn. Bhd.
- Malaysia Vietnam Offshore Terminal (L) Limited
- MILS - SterilGamma Sdn. Bhd.
- MISAN Logistics B.V.
- MISC Agencies (Japan) Ltd.
- MISC Agencies (Sarawak) Sdn. Bhd.
- MISC Agencies (U.K.) Ltd.
- MISC Capital (L) Limited
- MISC Ferry Services Sdn. Bhd.
- MISC Haulage Services Sdn. Bhd.
- MISC Integrated Logistics Sdn. Bhd.
- M.I.S.C. Nigeria Ltd.
- MISC Offshore Holdings (Brazil) Sdn. Bhd.
- MISC Ship Management Sdn. Bhd.
- MISC Tanker Holdings Sdn. Bhd.
- AET Holdings (L) Pte. Ltd.
- AET Lightering Services LLC
- AET Petroleum Tanker (M) Sdn. Bhd.
- AET Shipmanagement (Singapore) Pte. Ltd.
- AET Tankers Pte. Ltd.
- American Marine & Offshore Services Limited
- Asia LNG Transport Dua Sdn. Bhd.
- FPSO Ventures Sdn. Bhd.
- Leo Launches Private Limited
- Malaysia Deepwater Production Contractors Sdn. Bhd.
- Malaysian Marine and Heavy Engineering (Turkmenistan) Sdn. Bhd. (formerly known as Malaysia Tank Cleaning Company Sdn. Bhd.)
- Malaysia Offshore Mobile Production (Labuan) Ltd.
- MILS - Seafrigo Sdn. Bhd.
- MISA (B) Sdn. Bhd.
- MISC Agencies (Australia) Pty. Ltd.
- MISC Agencies (Netherlands) B.V.
- MISC Agencies (Singapore) Private Limited
- MISC Agencies Sdn. Bhd.
- MISC Enterprises Holdings Sdn. Bhd.
- MISC Floating Production System (Gumusut) Ltd.
- MISC Information Technology Sdn. Bhd.
- MISC International (L) Limited
- MISC Offshore Floating Terminals (L) Limited
- MISC Properties Sdn. Bhd.
- MISC Tanker Holdings (Bermuda) Limited
- MISC Trucking and Warehousing Services Sdn. Bhd.

APPENDIX I

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS (continued)

MISC Berhad and its subsidiaries (continued):

- MMHE-ATB Sdn. Bhd.
- MSE Corporation Sdn. Bhd.
- MTL Petrolink Group
- Offshore Marine Services Inc.
- PETRONAS Tankers Sdn. Bhd.
- Puteri Delima Sdn. Bhd.
- Puteri Firus Sdn. Bhd.
- Puteri Intan Sdn. Bhd.
- Puteri Nilam Satu (L) Private Limited
- Puteri Zamrud Satu (L) Private Limited
- Techno Indah Sdn. Bhd.
- MMHE-SHI LNG Sdn. Bhd.
- MSE Holdings Sdn. Bhd.
- Nuelink Inc.
- OMIP Inc.
- Puteri Delima Satu (L) Private Limited
- Puteri Firus Satu (L) Private Limited
- Puteri Intan Satu (L) Private Limited
- Puteri Mutiara Satu (L) Private Limited
- Puteri Nilam Sdn. Bhd.
- Puteri Zamrud Sdn. Bhd.
- Vietnam Offshore Mobile Terminal (Ruby) Ltd.

PETRONAS Carigali Sdn. Bhd. and its subsidiaries:

- Doba Pipeline Investment Inc.
- PC (Timor Sea 06-102) Ltd.
- PC Gulf Ltd.
- PC Randugunting Ltd.
- PETRONAS Carigali (Australia) Pty. Ltd.
- PETRONAS Carigali (Karapan) Ltd.
- PETRONAS Carigali (Tanjung Aru) Ltd.
- PETRONAS Carigali Bahrain Ltd.
- PETRONAS Carigali Equatorial Guinea Ltd.
- PETRONAS Carigali Mozambique E&P Ltd.
- PETRONAS Carigali Niger Exploration & Production Ltd.
- PETRONAS Carigali Overseas Sdn. Bhd.
- PETRONAS Carigali White Nile (5B) Ltd.
- Seerat Refinery Investment Inc.
- PC (North East Madura IV) Ltd.
- PC Algeria Ltd. (ϒ)
- PC Lampung II Ltd.
- PC South Pars 11 Ltd.
- PETRONAS Carigali (Chad EP) Inc.
- PETRONAS Carigali (Ketapang) Ltd.
- PETRONAS Carigali (Tanjung Jabung) Ltd.
- PETRONAS Carigali Chad Exploration & Production Inc.
- PETRONAS Carigali International Sdn. Bhd.
- PETRONAS Carigali Myanmar II Inc.
- PETRONAS Carigali Nigeria Limited
- PETRONAS Carigali Vietnam (Blocks 10 & 11-1) Ltd.
- PETRONAS Chad Marketing Inc.

PETRONAS Hartabina Sdn. Bhd. and its subsidiary:

- Prince Court Medical Centre Sdn. Bhd.

PETRONAS International Corporation Ltd. and its subsidiaries:

- Asean LNG Trading Co. Ltd.
- MITCO Labuan Co. Ltd.
- Myanmar PETRONAS Trading Co. Ltd.
- Natuna 1 B.V.
- PC JDA Ltd.
- PC Mauritania I Pty. Ltd. (formerly known as Woodside Mauritania Pty. Ltd.) (ϒ)
- PC Muriah Ltd.
- PC Myanmar Holdings Ltd. (ϒ)
- PETRONAS Australia Pty. Ltd. (ϒ)
- Global Resources Ltd. (ϒ)
- MITCO Labuan India Private Ltd.
- Nada Properties Co. Ltd. (ϒ)
- Parsi International Ltd.
- PC Madura Ltd.
- PC Mauritania II B.V. (formerly known as WEL Mauritania B.V.) (ϒ)
- PC Myanmar (Hong Kong) Ltd. (ϒ)
- PC Vietnam Ltd.
- PETRONAS Argentina S.A. (ϒ)

APPENDIX I

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS (continued)

PETRONAS International Corporation Ltd. and its subsidiaries: (continued)

- PETRONAS Carigali Gas Ltd.
- PETRONAS Carigali Myanmar Inc.
- PETRONAS Carigali Nile Ltd.
- PETRONAS Carigali (Turkmenistan) Sdn. Bhd.
- PETRONAS Energy Philippines, Inc. (α)
- PETRONAS Marketing (India) Private Ltd.
- PETRONAS Marketing (Thailand) Co. Ltd.
- PETRONAS Philippines Inc. (α)
- PETRONAS Retail (Thailand) Co. Ltd.
- PETRONAS Vietnam Co. Ltd.
- PICL (Egypt) Corporation Ltd.
- PICL Siri Company Limited
- Sirri International Ltd.
- Universal Property Company Limited
- Aktol Chemicals (Pty.) Ltd.
- BGI Mahalpye (Pty.) Ltd.
- BGI Palapye (Pty.) Ltd.
- Cavallo Engineering & Construction (Pty.) Ltd.
- Citycat Trading 4 (Pty.) Ltd.
- Engen African Minority Holdings
- Engen Ghana Ltd.
- Engen Holdings (Ghana) Ltd.
- Engen Holdings Zimbabwe (PVT) Ltd.
- Engen Kenya Ltd.
- Engen Management Services (Pty.) Ltd.
- Engen Marketing Ltd.
- Engen Namibia (Pty.) Ltd.
- Engen Offshore Holdings (Mauritius) Ltd.
- Engen Petroleum (DRC) Ltd.
- Engen Petroleum Ltd.
- Engen Petroleum (Mocambique) Limitada
- Engen Petroleum Zambia Ltd.
- Engen Producing (Nigeria) Ltd.
- Engen Uganda Ltd.
- Enpet Africa Insurance Ltd.
- Federico Trading (Pty.) Ltd.
- Gedney Properties (Pty.) Ltd.
- Ivory Properties (Pty.) Ltd.
- Midwest Properties No.208 (Pty.) Ltd.
- New Jack Trading (Pty.) Ltd.
- Pakenzyl (Pty.) Ltd.
- Petroleum Investment Holding Ltd.
- Petroleum Transport International (Pty.) Ltd.
- Quickstep 285 (Pty.) Ltd.
- Renaissance Petroleum (Pty.) Ltd.
- PETRONAS Carigali (Jabung) Ltd.
- PETRONAS Carigali Myanmar III Inc.
- PETRONAS Carigali (Pakistan) Ltd.
- PETRONAS China Co. Ltd. (α)
- PETRONAS Marketing (China) Co. Ltd. (ϒ)
- PETRONAS Marketing Sudan Ltd.
- PETRONAS Natuna Sdn. Bhd.
- PETRONAS Retail Property (Thailand) Co. Ltd.
- PETRONAS (Thailand) Co. Ltd. (ϒ)
- Phu My Plastics and Chemicals Company Ltd
- PICL Marketing Thailand Ltd. (ϒ)
- PT PETRONAS Niaga Indonesia (ϒ)
- The Fifth Retail Ltd.
- Engen Limited
- Azania Petroleum (Pty.) Ltd.
- BGI Maun (Pty.) Ltd.
- BGI Properties Ltd.
- Chemico (Pty.) Ltd.
- Engen African Holdings
- Engen Botswana Limited (β)
- Engen Group Funding Trust
- Engen Holdings (Pty.) Ltd.
- Engen International Holdings (Mauritius) Ltd.
- Engen Lesotho (Pty.) Ltd.
- Engen Marketing Botswana (Pty.) Ltd.
- Engen Marketing Zimbabwe Ltd.
- Engen (Nigeria) Ltd.
- Engen Petroleum (Burundi) Ltd.
- Engen Petroleum International Ltd.
- Engen Petroleum Ltd. (Malawi)
- Engen Petroleum Tanzania Ltd.
- Engen Petroleum Zimbabwe (PVT) Ltd.
- Engen Swaziland (Pty.) Ltd.
- Engen Zimbabwe (PVT) Ltd.
- Enpet Insurance Ltd.
- Gameskin Manufacturers
- Imtrasel (Pty.) Ltd.
- Midwest Properties No.207 (Pty.) Ltd.
- Namibia Petroleum (Pty.) Ltd.
- Oil Tanking EPZ (Pty.) Ltd.
- Petrarch Petroleum (Pty.) Ltd.
- Petroleum Operating Company Ltd.
- Quickstep 284 (Pty.) Ltd.
- Quickstep 286 (Pty.) Ltd.
- Rockyhill Properties (Pty.) Ltd.

APPENDIX I

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS (continued)

PETRONAS International Corporation Ltd. and its subsidiaries: (continued)

- SEP Burundi
- Sonap Petroleum (South Africa) (Pty.) Ltd.
- Trek Petroleum (Pty.) Ltd.
- Waldeck Investments (Pty.) Ltd.
- Ximex Energy Holdings (PVT) Ltd.
- Star Energy Group Plc
- Star Energy Gas Storage Services Limited
- Star Energy Holdings Limited
- Star Energy Management Limited
- Star Energy Oil Limited
- Star Energy Weald Basin Limited
- Shell Republique Democratique Du Congo
- Tabro Investments Chamdor (Pty.) Ltd.
- Valais Investments (Pty.) Ltd.
- Wimmeria Investments (Pty.) Ltd.
- Zenex Oil (Pty.) Ltd.
- Star Energy (East Midlands) Limited
- Star Energy HG Gas Storage Limited
- Star Energy Limited
- Star Energy Oil and Gas Limited
- Star Energy Oil UK Limited

PETRONAS Maritime Services Sdn. Bhd. and its subsidiaries:

- Kertih Port Sdn. Bhd.
- Sungai Udang Port Sdn. Bhd.

PLI (Netherlands) B.V. and its subsidiaries:

- PETRONAS Lubricants Italy S.p.A
- FL Argentina S.A.
- FL France SAS
- FL Madeni Yaglar Ticaret Limited
- FL Poland Sp Zo.o
- FL Selenia S.p.A
- FL Viscosity Oil Co.
- Sole Italia II s.r.l
- Sun Oil Company N.V.
- Viscosity Oil Finco LLc
- Finco (UK) Ltd.
- FL Brasil S.A.
- FL Great Britain Ltd.
- FL Maroc S.A.
- FL Portugal Ltda
- FL Schmierstoffe GmbH
- Nueva FL Iberica S.L.
- Sole Finco S.A.
- Sunoco Holland B.V.

Subsidiaries held directly by the Company:

- Energas Insurance (L) Limited
- PETLIN (M) Sdn. Bhd.
- PETRONAS Assets Sdn. Bhd.
- PETRONAS Cambodia Tankage Services Co. Ltd. (α)
- PETRONAS Fertilizer (Kedah) Sdn. Bhd.
- PETRONAS Management Training Sdn. Bhd.
- PETRONAS South Africa (Pty.) Ltd. (α)
- Vinyl Chloride (Malaysia) Sdn. Bhd.
- Institute of Technology PETRONAS Sdn. Bhd.
- PETRONAS Ammonia Sdn. Bhd.
- PETRONAS Cambodia Co. Ltd. (α)
- PETRONAS e-Learning Solutions Sdn. Bhd.
- PETRONAS India (Holdings) Co. Pte. Ltd. (α)
- PETRONAS NGV Sdn. Bhd.
- Styrene Monomer (Malaysia) Sdn. Bhd.

ϒ Consolidated based on management financial statements.
α Audited by overseas office of KPMG.
@ The shares of this subsidiary are quoted on the Main Board of Bursa Malaysia.
β The shares of this subsidiary are quoted on the Botswana Stock Exchange.

PETRONAS

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