Annual Audited Accounts

Amended Announcements
Please refer to the earlier announcement reference number: DCS-02042018-00029

MALAYSIAN BULK CARRIERS BERHAD

Subject	Annual Audited Accounts - 31 Dec 2017

Please refer attachment below.

Attachments

Errata (16.4.2018).pdf
216.8 kB

MBC Group - Audited Financial Statements FYE 2017.pdf
1.9 MB

Announcement Info

Company Name	MALAYSIAN BULK CARRIERS BERHAD
Stock Name	MAYBULK
Date Announced	16 Apr 2018
Category	Document Submission
Reference Number	DCS-13042018-00039

16 April 2018

Dear Shareholders,

Malaysian Bulk Carriers Berhad
Errata to the Audited Financial Statements for the Financial Year Ended 31 December 2017

We wish to inform that there were corrections (highlighted in yellow) to the Audited Financial Statements for the financial year ended 31 December 2017 submitted to Bursa Malaysia Securities Berhad on 2 April 2018 as follows:-

Note 3. Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Impairment of vessels

The Group determines the recoverable amount of vessels based on the higher of its fair value less costs to sell and its value in use. When value in use calculation is undertaken, management estimates the expected future cash flows from the asset or cash generating unit ("CGU") by applying a suitable discount rate to calculate the present value of those cash flows. When fair value less costs to sell is used, management engages the services of professional valuers to determine the fair values using valuation techniques which involve the use of estimates and assumptions which are reflective of current market conditions. The carrying amount of the Group's vessels is disclosed in Note 12.

(b) Provision for onerous contracts

The Group estimates the provision for its non-cancellable chartered-in contracts when it is inevitable that a loss will be incurred on performance of the contract. The provision is measured according to management's best estimate of expected future charter rates and is measured at net present value. The estimate includes an assessment of current market conditions, historical trends as well as future expectation and is therefore subject to significant uncertainty.

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The carrying amount of the provision as at 31 December 2017 was RM93,590,000 (2016: RM115,803,000). With all other variables held constant, if the assumed charter rates per day increase/decrease by 8% from management estimates, the provision would decrease/increase by RM20,019,000. See Note 29 for further details.

(c) Depreciation of vessels

The Group's cost of vessels, less their estimated scrap value, is depreciated on a straight-line basis over the estimated useful life. The useful lives and scrap values of the vessels are based on estimations which are commonly applied in the shipping industry. Changes in the economic useful life or material fluctuations in scrap steel prices might impact future depreciation charges. Accordingly, future depreciation charges could be subject to revision.

(d) Fair values of financial instruments

Where the fair values of financial instruments recorded on the statements of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are derived from observable market data where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The valuation of financial instruments is described in more detail in Note 35.

Note 9. Taxation

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

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Loss before taxation	(128,992)	(496,298)	(151,822)	(516,449)
Taxation at Malaysian tax rate	(30,958)	(119,112)	(36,437)	(123,948)
Effects of different tax rates in foreign jurisdictions	2,676	23,597	-	-
Tax exempt shipping income	(7,235)	(6,190)	(778)	(920)
Income not subject to tax	(20,776)	(781)	(1,776)	(4,920)
Expenses not deductible for tax purposes	3,589	24,306	39,563	129,960
Share of results of an associate	50,865	78,017	-	-
Share of results of joint ventures	2,997	998	-	-
Overprovision in prior years	(52)	(13)	(36)	(5)
Taxation for the year	1,106	822	536	167

Note 15. Associate

The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group, is as follows:

(ii) Summarised statement of comprehensive income

	2017 RM'000	2016 RM'000
Revenue	833,424	754,775
Loss before tax	(977,342)	(1,526,504)
Loss for the year	(998,274)	(1,531,744)
Other comprehensive income	7,349	23,084
Dividend received from the associate during the year	-	5,589

The Group proposes to dispose of its investment in POSH by way of a Proposed Renounceable Restricted Offer for Sale ("Proposed ROS") of POSH shares to the shareholders of the Company on a pro-rata basis. The Proposed ROS is intended to raise funds for its core dry bulk operations and is expected to be completed within 12 months upon obtaining the relevant regulatory approvals. Consequently on 20 December 2017, the Group submitted an application to the Securities Commission to seek approval for the Proposed ROS. It was uncertain whether approval would be granted as this is the first case whereby a Malaysian entity offers to sell shares quoted on the Singapore Stock Exchange to its shareholders.

As at 31 December 2017, the critical approvals from regulatory bodies, including Securities Commission, have not been obtained. Hence, the Directors are unable to consider the disposal as highly probable as at the reporting date as it is conditional upon the regulatory approvals. Consequently, the directors are of the view that it is not appropriate to classify the investment in POSH as held for sale.

Note 16. Joint Ventures

Details of the joint ventures are as follows:

Held through a subsidiary

Company	Country of incorporation	Equity interest 2017	2016	Principal activities
Eminence Bulk Carriers Pte Ltd	Singapore	50%	50%	Owner and operator of ships
Novel Bright Assets Limited	BVI	50%	50%	Investment holding
- Brilliant Star Shipping Pte Ltd	Singapore	50%	50%	Owner and operator of ships
- Brilliant Sun Shipping Pte Ltd	Singapore	50%	50%	Dormant
Progress Shipping Pte Ltd	Singapore	50%	50%	Investment holding
- Atlantic Progress Pte Ltd	Singapore	50%	50%	Owner and operator of ships
- Atlantic Dream Pte Ltd	Singapore	50%	50%	Owner and operator of ships

The above corrections were due to omissions and typographical errors and have no impact on the Group's and the Company's financial position as at 31 December 2017, or their financial performance or cash flows for the year then ended.

We enclose herewith the revised copy of the Audited Financial Statements for the financial year ended 31 December 2017 for your reference.

Thank you.

By Order of the Board

Ooi Pooi Teng (MAICSA 7055594)
Company Secretary

MALAYSIAN BULK CARRIERS BERHAD
(175953-W)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2017

175953-W

Malaysian Bulk Carriers Berhad
(Incorporated in Malaysia)

Contents

Malaysian Bulk Carriers Berhad
(Incorporated in Malaysia)

Directors' report

The Directors present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

Principal activities

The principal activities of the Company are investment holding, ship owning and ship operating.

The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Company and the subsidiaries during the year.

Financial results

	Group RM'000	Company RM'000
Loss for the year	(130,098)	(152,358)
Attributable to:		
Equity holders of the Company	(134,954)	(152,358)
Non-controlling interests	4,856	-
	(130,098)	(152,358)

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividend

The Directors do not propose the payment of any dividend in respect of the current financial year.

Malaysian Bulk Carriers Berhad
(Incorporated in Malaysia)

Directors

The Directors of the Company in office since the beginning of the current financial year to the date of this report are:

Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid**
Kuok Khoon Kuan**
Wu Long Peng**
Tay Beng Chai
Dato' Mohd Zafer bin Mohd Hashim
Afidah binti Mohd Ghazali
Lim Soon Huat
Hor Weng Yew** (appointed as Alternate Director to Mr Kuok Khoon Kuan on 31 May 2017)
(resigned as Alternate Director to Mr Kuok Khoon Kuan on 16 January 2018)
(appointed as Director on 16 January 2018)
Thai Kum Foon** (appointed as Alternate Director to Wu Long Peng on 31 May 2017)
Govind Ramanathan** (resigned on 16 January 2018)

** These directors are also directors of the Company's subsidiaries.

The Directors of the Company's subsidiaries in office since the beginning of the current financial year to the date of this report (not including those directors listed above) are:

Tan Kim Hoon
Ooi Pooi Teng
Naoki Shinohara
Takuya Shirai (appointed on 1 July 2017)
Sia Geun Teck (appointed on 1 January 2018)
Somu Subramaniam (resigned on 31 March 2017)
Tan Chin Hee (resigned on 31 March 2017)
Tatsuya Okamoto (resigned on 1 July 2017)
Lim Tau Kok (resigned on 31 December 2017)

Directors' benefits

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

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 8 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any 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.

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and the Officers of the Group and of the Company are RM15,000,000 and RM33,000 respectively.

Malaysian Bulk Carriers Berhad
(Incorporated in Malaysia)

Directors' interests

According to the Register of Directors' Shareholdings, the interests of Directors who held office at the end of the financial year in shares of the Company were as follows:

	Number of ordinary shares			
	At 1.1.2017	During the year Bought	Sold	At 31.12.2017
Direct interests				
Kuok Khoon Kuan	1,268,750	-	-	1,268,750
Wu Long Peng	1,625,000	-	-	1,625,000
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid	500,000	-	-	500,000
Tay Beng Chai	275,000	-	-	275,000
Govind Ramanathan	447,700	-	-	447,700
Indirect interests				
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid	20,000	-	-	20,000
Tay Beng Chai	2,500	-	-	2,500

Dato' Mohd Zafer bin Mohd Hashim, Lim Soon Huat, Afidah binti Mohd Ghazali, Hor Weng Yew and Thai Kum Foon do not have any interest in shares of the Company or its related corporations during the financial year.

Other statutory information

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

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and satisfied themselves that there were no bad debts and that adequate provision had been made for doubtful debts; and

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

Malaysian Bulk Carriers Berhad
(Incorporated in Malaysia)

Other statutory information (contd.)

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

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

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

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

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

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

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

(ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.

(f) In the opinion of the Directors:

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

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

Malaysian Bulk Carriers Berhad
(Incorporated in Malaysia)

Significant event

Significant event during the financial year is disclosed in Note 36 to the financial statements.

Significant subsequent event

Details of significant event subsequent to the financial year is disclosed in Note 37 to the financial statements.

Auditors

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

Auditors' remuneration are disclosed in Note 6 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 2 APR 2018

Kuok Khoon Kuan

Wu Long Peng

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Malaysian Bulk Carriers Berhad
(Incorporated in Malaysia)

Statement by directors
Pursuant to Section 251(2) of the Companies Act, 2016

We, Kuok Khoon Kuan and Wu Long Peng, being two of the Directors of Malaysian Bulk Carriers Berhad, do hereby state that in the opinion of the Directors, the financial statements set out on pages 15 to 76 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 2 APR 2018

Kuok Khoon Kuan

Wu Long Peng

Statutory declaration
Pursuant to Section 251(1)(b) of the Companies Act, 2016

I, Tan Kim Hoon, being the Officer primarily responsible for the financial management of Malaysian Bulk Carriers Berhad, do solemnly and sincerely declare that the financial statements set out on pages 15 to 76 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Tan Kim Hoon at
Petaling Jaya in Selangor Darul Ehsan
on 2 APR 2018

Tan Kim Hoon

Before me,

PESURUHJAYA SUMPAH
No: B 479
NORAZILA
BINTI HASSAN
MALAYSIA

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Section 14,
46100 Petaling Jaya, Selangor

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Independent auditors' report to the members of Malaysian Bulk Carriers Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Malaysian Bulk Carriers Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 15 to 76.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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Independent auditors' report to the members of
Malaysian Bulk Carriers Berhad (contd.)
(Incorporated in Malaysia)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Impairment assessment of vessels

Key risk

We draw your attention to Note 2.16 (Accounting policies), Note 3(a) (Significant accounting judgements and estimates), and Note 12 (Property, plant and equipment).

The Group operates owned and chartered-in vessels in the bulkers market. Management regularly monitors the carrying value of its fleet on a vessel-by-vessel basis. Arising from management's assessment, reversals of impairment loss for vessels of RM108.5 million was recognised by the Group during the year.

The Group estimated the recoverable amounts of its vessels based on the higher of fair value less cost to sell (by obtaining brokers' valuations which are indicative) and value in use (by estimating the future cash flows expected to be derived from the vessels and discounting these cash flows at an appropriate discount rate).

Management assesses the fair value less costs to sell for the vessels with the involvement of an external vessel valuation expert. The methodology applied is based on actual transactions in the industry for vessels with comparable characteristics.

Significant judgements were applied in estimating the future cash flows expected to be derived from the vessels. The most critical assumptions are management's view on short-term and long-term charter rates, and the discount rate used to discount the cash flows.

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Independent auditors' report to the members of Malaysian Bulk Carriers Berhad (contd.) (Incorporated in Malaysia)

Impairment assessment of vessels (contd.)

Key risk (contd.)

These assessments are significant to our audit as they involved complex and subjective management judgements and are based on assumptions that are affected by expected future market and economic conditions.

Our response

We obtained an understanding of management's process for reversing impairment loss recognised in prior period.

In respect of the value in use cash flows, we have performed the following procedures:

- We evaluated and assessed the appropriateness of the methodology and approach applied, including industry benchmarking.
- We evaluated the key assumptions used particularly the short-term and the long-term charter rates applied in the cash flows by comparing to industry data.
- We involved internal valuation specialists in the assessment of the appropriateness of the discount rate. This included an assessment of the specific inputs to the discount rate, including the risk-free rate, equity risk premium and beta, along with gearing and cost of debt. Such inputs were benchmarked either against risk rates in specific international markets in which the Group operates or equivalent data for peer companies.

In respect of the fair value less costs to sell of the vessels, we performed the following procedures:

- We considered the objectivity, independence, expertise and experience of the external vessel valuation expert.
- We obtained an understanding of the methodology adopted by the vessel valuation expert in estimating the fair value of the vessels and assessed whether such methodology is consistent with those used in the industry.
- We corroborated the valuations by benchmarking against actual contracted transactions, recent market transactions and shipping intelligence reports, taking into consideration comparable characteristics including the vessel type, builder, year of build and cargo capacity.

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Independent auditors' report to the members of Malaysian Bulk Carriers Berhad (contd.) (Incorporated in Malaysia)

Provision for onerous contracts

Key risk

We draw your attention to Note 2.26 (Accounting policies), Note 3(b) (Significant accounting judgements and estimates), and Note 29 (Provision for onerous contracts).

In respect of its chartered-in contracts, management regularly monitors whether there are any events which may make such contracts onerous. Where there are such events, the Group estimates the unavoidable costs to meet the obligations under these contracts and recognises a provision.

Estimating the unavoidable costs involves significant judgements on short-term and long-term charter rates. Arising from management's assessment, reversals of provision for onerous contracts of RM10.9 million was recognised by the Group during the year. The provisions for onerous contracts of the Group amounted to RM93.6 million at reporting date.

These assessments are significant to our audit as they involved subjective management judgements and are based on assumptions that are affected by expected future market and economic conditions.

Our response

In addressing this area of focus, we evaluated the key assumptions used particularly the short-term and the long-term charter rates applied in the cash flows by comparing to industry data. The short-term charter out rates are compared against the forward freight agreements rates applicable in notable shipping publications whilst the long-term charter rates i.e. rates beyond 2 - 3 years, are compared against historical average rates achieved over the perceived shipping cycles.

We also focused on the adequacy of the disclosures concerning those key assumptions to which the outcome of the impairment test is most sensitive.

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Independent auditors' report to the members of Malaysian Bulk Carriers Berhad (contd.) (Incorporated in Malaysia)

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the annual report, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

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Independent auditors' report to the members of Malaysian Bulk Carriers Berhad (contd.)
(Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

Independent auditors' report to the members of Malaysian Bulk Carriers Berhad (contd.) (Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements (contd.)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (contd.)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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**Independent auditors' report to the members of
Malaysian Bulk Carriers Berhad (contd.)
(Incorporated in Malaysia)**

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Phang Oy Lin
No. 02985/03/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
2 April 2018

Malaysian Bulk Carriers Berhad
(Incorporated in Malaysia)

Income statements
for the year ended 31 December 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	4	272,582	225,505	34,214	30,385
Voyage expenses		(74,838)	(59,782)	(11,546)	(3,674)
		197,744	165,723	22,668	26,711
Operating expenses		(207,605)	(217,790)	(10,910)	(2,295)
		(9,861)	(52,067)	11,758	24,416
Net change in provision for onerous contracts		10,936	-	-	-
Impairment loss on vessels		-	(50,457)	-	-
Reversal of impairment loss on vessels		108,548	-	-	-
Impairment loss on investments in subsidiaries		-	-	(163,210)	(539,777)
Other operating income/(loss), net	5	15,446	2,772	18,912	17,634
Administration expenses		(10,064)	(11,911)	(6,886)	(7,377)
		115,005	(111,663)	(139,426)	(505,104)
Finance costs		(19,572)	(16,104)	(12,396)	(11,345)
Share of results of an associate		(211,938)	(325,070)	-	-
Impairment loss on associate		-	(39,304)	-	-
Share of results of joint ventures		(12,487)	(4,157)	-	-
Loss before taxation	6	(128,992)	(496,298)	(151,822)	(516,449)
Taxation	9	(1,106)	(822)	(536)	(167)
Loss for the year		(130,098)	(497,120)	(152,358)	(516,616)
Attributable to:					
Equity holders of the Company		(134,954)	(491,306)	(152,358)	(516,616)
Non-controlling interests		4,856	(5,814)	-	-
		(130,098)	(497,120)	(152,358)	(516,616)
Loss per share (sen)	10	(13.50)	(49.13)		

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

Malaysian Bulk Carriers Berhad
(Incorporated in Malaysia)

Statements of comprehensive income
for the year ended 31 December 2017

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Loss for the year	(130,098)	(497,120)	(152,358)	(516,616)
Other comprehensive income/(loss):				
Items that will be reclassified to profit or loss				
Currency translation differences	(55,521)	12,741	(65,950)	51,770
Net change in cash flow hedge	3,482	1,480	3,482	1,480
Share of other comprehensive income of associate	1,560	4,901	-	-
Total comprehensive loss for the year	(180,577)	(477,998)	(214,826)	(463,366)
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company	(183,114)	(470,751)	(214,826)	(463,366)
Non-controlling interests	2,537	(7,247)	-	-
	(180,577)	(477,998)	(214,826)	(463,366)

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

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Malaysian Bulk Carriers Berhad
(Incorporated in Malaysia)

Statements of financial position
as at 31 December 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Non-current assets					
Intangible assets	11	-	6	-	4
Property, plant and equipment	12	471,671	512,704	38,192	42,686
Deposits	13	56,788	58,386	56,788	58,386
Subsidiaries	14	-	-	366,292	586,627
Associate	15	394,963	655,114	-	-
Joint ventures	16	75,974	151,177	-	-
Loan to a subsidiary	17	-	-	253,179	380,426
Total non-current assets		999,396	1,377,387	714,451	1,068,129
Current assets					
Consumable stores	18	7,344	12,220	4,182	3,038
Receivables and other current assets	19	44,742	47,961	5,636	8,507
Amounts due from subsidiaries	20	-	-	13,502	381
Loan to a subsidiary	17	-	-	90,201	39,973
Short term deposits	21	19,894	500	1,300	-
Cash and bank balances		52,339	69,141	2,160	5,370
		124,319	129,822	116,981	57,269
Non-current assets classified as held for sale	22	83,224	71,907	-	-
Total current assets		207,543	201,729	116,981	57,269
Total assets		1,206,939	1,579,116	831,432	1,125,398

Malaysian Bulk Carriers Berhad
(Incorporated in Malaysia)

Statements of financial position as at 31 December 2017 (contd.)

		Group		Company	
		2017	**2016**	**2017**	**2016**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Equity and liabilities					
Equity attributable to equity holders of the Company					
Share capital	23	338,791	250,000	338,791	250,000
Share premium		-	48,791	-	48,791
Reserves	24	612,673	707,910	396,948	508,186
Accumulated losses		(425,685)	(297,808)	(281,222)	(137,634)
		525,779	708,893	454,517	669,343
Non-controlling interests		23,404	20,867	-	-
Total equity		549,183	729,760	454,517	669,343
Non-current liabilities					
Payables and other liabilities	25	38,346	19,086	-	-
Borrowings	26	323,946	438,526	198,913	269,478
Derivative financial liabilities	27	55,549	115,436	55,549	115,436
Deferred tax liabilities	28	-	-	-	-
Provision for onerous contracts	29	63,476	57,726	-	-
Total non-current liabilities		481,317	630,774	254,462	384,914
Current liabilities					
Payables and other liabilities	25	39,897	42,824	11,109	8,217
Amounts due to subsidiaries	20	-	-	20,764	23,018
Borrowings	26	86,197	105,343	70,549	27,733
Derivative financial liabilities	27	19,842	12,152	19,842	12,152
Provision for taxation		389	186	189	21
Provision for onerous contracts	29	30,114	58,077	-	-
Total current liabilities		176,439	218,582	122,453	71,141
Total liabilities		657,756	849,356	376,915	456,055
Total equity and liabilities		1,206,939	1,579,116	831,432	1,125,398

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

Malaysian Bulk Carriers Berhad
(Incorporated in Malaysia)

Consolidated statement of changes in equity
for the year ended 31 December 2017

	Attributable to Equity Holders of the Company									
		Distributable	Non-distributable							
	Share capital RM'000	(Accumulated losses)/ retained profits RM'000	Share premium RM'000	Capital reserve RM'000	Capital redemption reserve RM'000	Cash flow hedge reserve (Note 24(a)) RM'000	Foreign currency translation reserve (Note 24(b)) RM'000	Total reserves RM'000	Non-controlling interests RM'000	Total equity RM'000
Group										
At 1 January 2017	250,000	(297,808)	48,791	7,077	40,000	1,605	659,228	707,910	20,867	729,760
Total comprehensive loss for the year	-	(134,954)	-	-	-	5,042	(53,202)	(48,160)	2,537	(180,577)
Transfer from share premium and reserve (Note 23)	88,791	-	(48,791)	-	(40,000)	-	-	(40,000)	-	-
Liquidation of subsidiaries	-	7,077	-	(7,077)	-	-	-	(7,077)	-	-
At 31 December 2017	338,791	(425,685)	-	-	-	6,647	606,026	612,673	23,404	549,183
At 1 January 2016	250,000	193,498	48,791	7,077	40,000	(4,776)	645,054	687,355	51,381	1,231,025
Total comprehensive loss for the year	-	(491,306)	-	-	-	6,381	14,174	20,555	(7,247)	(477,998)
Capital repayment to non-controlling interests	-	-	-	-	-	-	-	-	(16,985)	(16,985)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(6,282)	(6,282)
At 31 December 2016	250,000	(297,808)	48,791	7,077	40,000	1,605	659,228	707,910	20,867	729,760

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

Malaysian Bulk Carriers Berhad
(Incorporated in Malaysia)

Statement of changes in equity
for the year ended 31 December 2017

		Distributable	Non-distributable						
Company	**Share capital RM'000**	**(Accumulated losses)/ retained profits RM'000**	**Share premium RM'000**	**Capital reserve RM'000**	**Capital redemption reserve RM'000**	**Cash flow hedge reserve (Note 24(a)) RM'000**	**Foreign currency translation reserve (Note 24(b)) RM'000**	**Total reserves RM'000**	**Total RM'000**
At 1 January 2017	250,000	(137,634)	48,791	8,770	40,000	(3,296)	462,712	508,186	669,343
Total comprehensive loss for the year	-	(152,358)	-	-	-	3,482	(65,950)	(62,468)	(214,826)
Transfer from share premium and reserve (Note 23)	88,791	-	(48,791)	-	(40,000)	-	-	(40,000)	-
Liquidation of subsidiaries	-	8,770	-	(8,770)	-	-	-	(8,770)	-
At 31 December 2017	338,791	(281,222)	-	-	-	186	396,762	396,948	454,517
At 1 January 2016	250,000	378,982	48,791	8,770	40,000	(4,776)	410,942	454,936	1,132,709
Total comprehensive loss for the year	-	(516,616)	-	-	-	1,480	51,770	53,250	(463,366)
At 31 December 2016	250,000	(137,634)	48,791	8,770	40,000	(3,296)	462,712	508,186	669,343

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

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Malaysian Bulk Carriers Berhad
(Incorporated in Malaysia)

Statements of cash flows
for the year ended 31 December 2017

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Cash flows from operating activities				
Loss before taxation	(128,992)	(496,298)	(151,822)	(516,449)
Adjustments for:				
Amortisation of intangible assets	6	558	4	199
Depreciation	19,969	28,442	1,582	778
Impairment loss on trade receivables	870	921	-	-
Reversal of impairment on trade receivables	(921)	-	-	-
(Gain)/loss on disposal of property, plant and equipment	(5,447)	1,258	-	-
Unrealised foreign exchange (gain)/loss	(298)	187	(286)	206
Dividends from subsidiaries	-	-	(7,400)	(20,500)
Interest income	(943)	(1,066)	(12,439)	(11,364)
Finance costs	19,572	16,104	12,396	11,345
Surplus arising from liquidation of subsidiaries	-	-	(297)	-
Impairment loss on investments in subsidiaries	-	-	163,210	539,777
Net change in provision for onerous contracts	(10,936)	-	-	-
Reversal of impairment loss on vessels	(108,548)	-	-	-
Impairment loss on vessels	-	50,457	-	-
Share of results of an associate	211,938	325,070	-	-
Impairment loss on associate	-	39,304	-	-
Share of results of joint ventures	12,487	4,157	-	-
Operating profit/(loss) before working capital changes	8,757	(30,906)	4,948	3,992
Cash flows carried forward	8,757	(30,906)	4,948	3,992

Malaysian Bulk Carriers Berhad
(Incorporated in Malaysia)

Statements of cash flows
for the year ended 31 December 2017 (contd.)

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Cash flows from operating activities (contd.)				
Cash flows brought forward	8,757	(30,906)	4,948	3,992
Changes in working capital:				
Consumable stores	3,895	(3,510)	(1,387)	(2,724)
Receivables and other current assets	1,586	(3,144)	2,497	(5,313)
Payables and other liabilities	24,000	18,620	3,360	3,368
Derivatives	(9,802)	-	(9,802)	-
Subsidiaries	-	-	(2,944)	32,462
Cash generated from/(used in) operations	28,436	(18,940)	(3,328)	31,785
Tax paid, net of tax refund	(1,030)	(1,027)	(368)	(184)
Net cash generated from/(used in) operating activities	27,406	(19,967)	(3,696)	31,601
Cash flows from investing activities				
Acquisition of property, plant and equipment	(2,691)	(68,858)	(1,186)	(32,468)
Deposit paid for vessels	(4,265)	(14,440)	(4,265)	(14,440)
Subscription of redeemable preference shares of subsidiaries	-	-	-	(62,314)
Proceeds from divestment in redeemable preference shares of subsidiaries	-	-	-	61,400
Dividends from subsidiaries	-	-	7,400	20,500
Dividend from an associate	-	5,589	-	-
Dividends from joint ventures	7,390	10,265	-	-
Interest received	943	1,066	12,690	11,083
Proceeds from disposal of property, plant and equipment	74,852	122,222	-	-
Loan repayment from joint venture	41,476	-	-	-
Loan repayment from subsidiary	-	-	28,450	-
Net cash generated from/(used in) investing activities	117,705	55,844	43,089	(16,239)
Cash flows carried forward	145,111	35,877	39,393	15,362

Malaysian Bulk Carriers Berhad
(Incorporated in Malaysia)

Statements of cash flows
for the year ended 31 December 2017 (contd.)

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows brought forward	145,111	35,877	39,393	15,362
Cash flows from financing activities				
Finance costs paid	(18,414)	(15,009)	(12,647)	(11,064)
Drawdown of borrowings	46,735	92,571	-	-
Repayment of borrowings	(162,282)	(160,746)	(28,450)	-
Capital repayment to non-controlling interests	-	(16,985)	-	-
Dividend paid to non-controlling interests	-	(6,282)	-	-
Net cash used in financing activities	(133,961)	(106,451)	(41,097)	(11,064)
Net change in cash and cash equivalents	11,150	(70,574)	(1,704)	4,298
Effects of foreign exchange rate changes	(8,558)	(281)	(206)	140
Cash and cash equivalents brought forward	69,641	140,496	5,370	932
Cash and cash equivalents carried forward	72,233	69,641	3,460	5,370
Cash and cash equivalents comprise:				
Short term deposits	19,894	500	1,300	-
Cash and bank balances	52,339	69,141	2,160	5,370
	72,233	69,641	3,460	5,370

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

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is at Level 17 and 18, PJ Tower, No. 18, Jalan Persiaran Barat, Off Jalan Timur, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The principal activities of the Company are investment holding, ship owning and ship operating.

The principal activities of the subsidiaries are disclosed in Note 14.

There have been no significant changes in the nature of the principal activities of the Company and the subsidiaries during the year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 2 April 2018.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except otherwise indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group and the Company have adopted all applicable new and amended MFRSs and Annual Improvements to MFRSs that are effective for annual periods beginning on 1 January 2017. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2. Significant accounting policies (contd.)

2.3 Standards issued but not yet effective

The Group and the Company have not adopted the following standards that have been issued but not yet effective:

Description	*Effective for annuals periods beginning on or after*
MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
Annual Improvements to MFRS Standards 2014 – 2016 Cycle	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 16 Leases	1 January 2019
MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

Except for MFRS 9, MFRS 15 and MFRS 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of MFRS 9, MFRS 15 and MFRS 16 are described below.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a five-step model that will apply to revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in MFRS 15 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

2. Significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

<u>MFRS 9 Financial Instruments</u>

MFRS 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in MFRS 9 are based on an expected credit loss model and replace the MFRS 139 incurred loss model.

<u>MFRS 16 Leases</u>

MFRS 16 introduces a single accounting model for a lessee and eliminates the distinction between finance lease and operating lease. Lessee is now required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The Group is currently assessing the impact of the new standards above and plans to adopt the new standards on the required effective dates.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied by the subsidiaries for transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The consideration transferred for the acquisition of a subsidiary is measured at the fair value of the assets given, the equity instruments issued and liabilities incurred or assumed at the date of exchange, as well as any contingent consideration given. Acquisition related costs are expensed off in the income statement as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed are initially measured at fair value as at acquisition date.

Goodwill is measured as the excess of consideration transferred, and the amount recognised for non-controlling interest over the fair value of the Group's share of the identifiable net assets acquired. In the event that the fair value of the Group's share of identifiable net assets acquired exceeds the amount of consideration transferred, the entire resulting gain is recognised in the income statement of the Group.

2. Significant accounting policies (contd.)

2.4 Basis of consolidation (contd.)

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

2.5 Transactions with non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 Subsidiaries

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the ability to direct the activities of the investee that significantly affect the investee's return.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in profit or loss.

2.7 Associates and joint ventures

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

2. Significant accounting policies (contd.)

2.7 Associates and joint ventures (contd.)

On acquisition of an investment in associate or joint venture, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's or joint venture's profit or loss for the period in which the investment is acquired.

An associate or a joint venture is equity accounted for from the date on which the investee becomes an associate or a joint venture.

Under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture after the date of acquisition. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. The interest in an associate or a joint venture is the carrying amount of the investment in the associate or joint venture determined using the equity method together with any long-term receivables or loans that, in substance, form an extension of the Group's net investment in the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in associate or joint venture. The Group determines at the end of each reporting period whether there is any objective evidence that investment in an associate or a joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

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

2. Significant accounting policies (contd.)

2.8 Consumable stores

Consumable stores such as lubricant oil stocks, bunkers and ship provisions 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 necessary to make the sale. In arriving at the net realisable value, due allowance is made for all damaged, obsolete and slow-moving items.

Cost is determined on a first-in, first-out basis and includes freight and handling charges.

2.9 Intangible assets

Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at each financial year end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Costs relating to computer software acquired, which are not an integral part of related hardware, are capitalised and amortised on a straight-line basis over their useful life of 3 years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2.10 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

2. Significant accounting policies (contd.)

2.10 Property, plant and equipment (contd.)

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Leasehold properties are depreciated over the shorter of their estimated useful lives and the lease terms of 99 years.

Assets under construction are not depreciated as these assets are not yet available for use.

Depreciation of new vessels is calculated utilising the straight-line method to write off the cost, less estimated scrap value over their estimated useful lives of 25 years, whilst for used vessels purchased, depreciation is calculated utilising the straight-line method to write off the cost less estimated scrap value over their remaining useful lives. Cost includes the cost of any major enhancement which increases the future benefits from the vessels beyond their previously assessed standard of performance and is written off over the vessels' remaining useful lives. Expenditure for maintenance and repairs and replacement of equipment are charged to profit or loss when incurred.

Drydocking costs, which enhance the useful lives of the vessels, are capitalised in the year in which they are incurred and amortised over periods between 2 to 3 years until the next drydocking.

For acquisitions and disposals of vessels and drydocking costs during the financial year, depreciation is provided from the day of acquisition and to the day before disposal respectively. Fully depreciated assets are retained in the books until they are no longer in use.

For other assets, depreciation is computed on a straight-line basis over the estimated useful lives of the assets from the month of acquisition and to the month before disposal as follows:

Vehicles	5 years
Office equipment	3 - 5 years
Renovations	3 years
Furniture and fittings	10 years

2. Significant accounting policies (contd.)

2.10 Property, plant and equipment (contd.)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2.11 Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

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

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

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss.

2. Significant accounting policies (contd.)

2.11 Financial assets (contd.)

Subsequent measurement (contd.)

(ii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost at their implicit discount rates, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

2.12 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

2. Significant accounting policies (contd.)

2.13 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.14 Foreign currencies

The Group's consolidated financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except otherwise indicated. The Company's functional currency is United States Dollar (USD), i.e. the currency of the primary economic environment in which it operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(i) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

2. Significant accounting policies (contd.)

2.14 Foreign currencies (contd.)

(ii) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and fixed deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.16 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2. Significant accounting policies (contd.)

2.17 Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

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

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

(ii) Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost at their implicit discount rates. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

2. Significant accounting policies (contd.)

2.17 Financial liabilities (contd.)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.18 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and to settle the liability simultaneously.

2.19 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Operating lease - As lessee

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

Operating lease - As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 2.24 (iv). Contingent rents are recognised as revenue in the period in which they are earned.

2. Significant accounting policies (contd.)

2.20 Income tax

(i) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income. Current taxes are recognised in profit or loss.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2. Significant accounting policies (contd.)

2.20 Income tax (contd.)

(ii) Deferred tax (contd.)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.21 Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.22 Derivative financial instruments and hedge accounting

Derivatives are categorised as trading unless they are designated as hedging instruments.

Derivative contracts are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

2. Significant accounting policies (contd.)

2.22 Derivative financial instruments and hedge accounting (contd.)

The Group designates and documents certain derivatives as hedging instruments against the variability of future cash flows from highly probable forecast transactions. The effectiveness of such hedge is assessed at the inception and verified at regular intervals to ensure that the hedge has remained and is expected to remain highly effective.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in equity are recycled to profit or loss in the periods in which the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recycled when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recorded in equity is immediately transferred to profit or loss.

2.23 Dividends

Dividends declared on ordinary shares are accounted for as an appropriation of retained profits in the period in which they are approved.

2.24 Income recognition

(i) Revenue from charter, brokerage and commission and ship management fees are recognised on a time-apportioned basis.

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

(iii) Interest income is recognised on time-apportioned using the effective interest method.

(iv) Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2. Significant accounting policies (contd.)

2.25 Employee benefits

(i) Short term benefits

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

(ii) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.26 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

The Group has entered into non-cancellable operating lease contracts to charter in vessels. Where the unavoidable costs of meeting the obligations under these contracts exceed the economic benefits expected to be received, an onerous contract provision is recognised.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. Significant accounting policies (contd.)

2.27 Non-current assets held for sale

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

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

2.28 Segment reporting

Segmental information are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer of the Company who conducts a regular review for allocation of resources and assessment of performance of the operating segments.

2.29 Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control or common significant influence. Related parties may be individuals including close members of the individuals, or corporate entities.

3. Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3. Significant accounting judgements and estimates (contd.)

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Impairment of vessels

The Group determines the recoverable amount of vessels based on the higher of its fair value less costs to sell and its value in use. When value in use calculation is undertaken, management estimates the expected future cash flows from the asset or cash generating unit ("CGU") by applying a suitable discount rate to calculate the present value of those cash flows. When fair value less costs to sell is used, management engages the services of professional valuers to determine the fair values using valuation techniques which involve the use of estimates and assumptions which are reflective of current market conditions. The carrying amount of the Group's vessels is disclosed in Note 12.

(b) Provision for onerous contracts

The Group estimates the provision for its non-cancellable chartered-in contracts when it is inevitable that a loss will be incurred on performance of the contract. The provision is measured according to management's best estimate of expected future charter rates and is measured at net present value. The estimate includes an assessment of current market conditions, historical trends as well as future expectation and is therefore subject to significant uncertainty.

The carrying amount of the provision as at 31 December 2017 was RM93,590,000 (2016: RM115,803,000). With all other variables held constant, if the assumed charter rates per day increase/decrease by 8% from management estimates, the provision would decrease/increase by RM20,019,000. See Note 29 for further details.

(c) Depreciation of vessels

The Group's cost of vessels, less their estimated scrap value, is depreciated on a straight-line basis over the estimated useful life. The useful lives and scrap values of the vessels are based on estimations which are commonly applied in the shipping industry. Changes in the economic useful life or material fluctuations in scrap steel prices might impact future depreciation charges. Accordingly, future depreciation charges could be subject to revision.

3. Significant accounting judgements and estimates (contd.)

Key sources of estimation uncertainty (contd.)

(d) Fair values of financial instruments

Where the fair values of financial instruments recorded on the statements of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are derived from observable market data where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The valuation of financial instruments is described in more detail in Note 35.

4. Revenue

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Freight and charter hire	268,232	218,923	26,814	9,885
Ship brokerage and management	4,350	6,582	-	-
Dividends from subsidiaries	-	-	7,400	20,500
	272,582	225,505	34,214	30,385

5. Other operating income/(loss), net

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Interest income	943	1,066	12,439	11,364
Rental income from properties	599	424	804	630
Secretarial and accounting fees	1,114	1,130	1,341	1,424
Income from shared services	7,085	2,517	3,624	4,376
Foreign exchange (loss)/gain, net				
- realised	(180)	(291)	98	20
- unrealised	298	(187)	286	(206)
Gain/(loss) on disposal of property, plant and equipment	5,447	(1,258)	-	-
Surplus arising from liquidation of subsidiaries	-	-	297	-
Impairment loss on trade receivables	(870)	(921)	-	-
Reversal of impairment on trade receivables	921	-	-	-
Other income	89	292	23	26
	15,446	2,772	18,912	17,634

6. Loss before taxation

Loss before taxation is arrived at after charging/(crediting):

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Auditors' remuneration				
- current year	362	390	81	74
- under/(over) provision in prior year	1	(12)	7	-
Amortisation of intangible assets (Note 11)	6	558	4	199
Depreciation (Note 12)	19,969	28,442	1,582	778
Personnel expenses (Note 7)	45,572	58,082	7,627	5,615
Non-executive Directors' remuneration (Note 8)	352	343	352	343
Finance costs on				
- term loans	18,073	13,593	12,396	11,345
- revolving credit	351	1,687	-	-
- others	1,148	824	-	-
Operating lease expenses of vessels	111,612	103,527	-	-

7. Personnel expenses

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Wages, salaries and bonus	36,582	45,699	6,396	4,857
Pension costs				
- defined contribution plans	660	935	404	475
Social security costs	92	99	30	32
Other staff related expenses	8,238	11,349	797	251
	45,572	58,082	7,627	5,615

Included in personnel expenses of the Group and of the Company are Executive Directors' remuneration amounting to RM158,000 (2016: RM154,000) and RM158,000 (2016: RM154,000) respectively, as further disclosed in Note 8.

8. Directors' remuneration

	Group and Company 2017 RM'000	Group and Company 2016 RM'000
Directors of the Company		
Executive Directors:		
Fees	143	143
Attendance fees	15	11
	158	154
Non-executive Directors:		
Fees	310	310
Attendance fees	42	33
	352	343
Total	510	497

	2017 Fees RM'000	2017 Attendance Fees RM'000	2016 Fees RM'000	2016 Attendance Fees RM'000
Group and Company				
Kuok Khoon Kuan	48	5	48	4
Wu Long Peng	48	5	48	3
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid	62	7	62	5
Tay Beng Chai	66	11	66	9
Dato' Mohd Zafer bin Mohd Hashim	68	8	68	7
Afidah binti Mohd Ghazali	62	9	62	7
Govind Ramanathan	47	5	47	4
Lim Soon Huat	52	7	52	5
	453	57	453	44

9. Taxation

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Income tax:				
Malaysian income tax	1,137	887	572	172
Foreign tax	21	21	-	-
Over provision in prior years	(52)	(13)	(36)	(5)
	1,106	895	536	167
Deferred tax (Note 28)	-	(73)	-	-
	1,106	822	536	167

Malaysian income tax is calculated at the Malaysian statutory income tax rate of 24% (2016: 24%) of the estimated assessable profit for the year. Taxation in foreign jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Loss before taxation	(128,992)	(496,298)	(151,822)	(516,449)
Taxation at Malaysian tax rate	(30,958)	(119,112)	(36,437)	(123,948)
Effects of different tax rates in foreign jurisdictions	2,676	23,597	-	-
Tax exempt shipping income	(7,235)	(6,190)	(778)	(920)
Income not subject to tax	(20,776)	(781)	(1,776)	(4,920)
Expenses not deductible for tax purposes	3,589	24,306	39,563	129,960
Share of results of an associate	50,865	78,017	-	-
Share of results of joint ventures	2,997	998	-	-
Overprovision in prior years	(52)	(13)	(36)	(5)
Taxation for the year	1,106	822	536	167

10. Loss per share

Basic loss per share

The basic loss per share is based on the Group's loss attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2017	**2016**
Group's loss attributable to equity holders of the Company (RM'000)	(134,954)	(491,306)
Weighted average number of ordinary shares in issue ('000)	1,000,000	1,000,000
Basic loss per share (sen)	(13.50)	(49.13)

There are no potential ordinary shares in issue as at the reporting date and therefore, diluted loss per share has not been presented.

11. Intangible assets

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Computer Software				
Cost				
At 1 January	2,670	2,554	1,312	1,255
Translation difference	(262)	116	(128)	57
At 31 December	2,408	2,670	1,184	1,312
Accumulated amortisation				
At 1 January	2,664	1,855	1,308	936
Amortisation for the year (Note 6)	6	558	4	199
Translation difference	(262)	251	(128)	173
At 31 December	2,408	2,664	1,184	1,308
Net carrying amount				
At 31 December	-	6	-	4

12. Property, plant and equipment

Group	Vessels RM'000	Dry docking RM'000	Leasehold properties RM'000	Vehicles RM'000	Office equipment, renovations, furniture and fittings RM'000	Total RM'000
Cost						
At 1 January 2017	904,388	2,967	10,670	78	3,747	921,850
Additions	-	2,488	-	-	203	2,691
Disposals and write off	-	-	-	(78)	-	(78)
Derecognition	-	(436)	-	-	-	(436)
Reclassified as held for sale (Note 22)	(110,022)	-	-	-	-	(110,022)
Translation difference	(88,068)	(386)	(1,038)	-	(575)	(90,067)
At 31 December 2017	706,298	4,633	9,632	-	3,375	723,938
Accumulated depreciation and impairment losses						
At 1 January 2017	401,486	1,567	2,656	78	3,359	409,146
Charge for the year (Note 6)	18,436	1,219	108	-	206	19,969
Reversal of impairment loss	(108,548)	-	-	-	-	(108,548)
Disposals and write off	-	-	-	(78)	-	(78)
Derecognition	-	(436)	-	-	-	(436)
Reclassified as held for sale (Note 22)	(26,798)	-	-	-	-	(26,798)
Translation difference	(39,954)	(229)	(265)	-	(540)	(40,988)
At 31 December 2017	244,622	2,121	2,499	-	3,025	252,267
Net carrying amount						
At 31 December 2017	461,676	2,512	7,133	-	350	471,671

Malaysian Bulk Carriers Berhad
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12. Property, plant and equipment (contd.)

Group	Vessels RM'000	Dry docking RM'000	Vessels under construction RM'000	Leasehold properties RM'000	Vehicles RM'000	Office equipment, renovations, furniture and fittings RM'000	Total RM'000
Cost							
At 1 January 2016	1,185,914	8,189	28,057	10,212	75	3,408	1,235,855
Additions	672	100	67,883	-	-	203	68,858
Disposals and write off	(199,809)	(1,651)	-	-	-	(101)	(201,561)
Reclassification	95,940	-	(95,940)	-	-	-	-
Reclassified as held for sale (Note 22)	(216,889)	(3,874)	-	-	-	-	(220,763)
Translation difference	38,560	203	-	458	3	237	39,461
At 31 December 2016	904,388	2,967	-	10,670	78	3,747	921,850
Accumulated depreciation and impairment losses							
At 1 January 2016	580,972	962	-	2,436	75	2,988	587,433
Charge for the year (Note 6)	25,514	2,481	-	103	-	344	28,442
Impairment loss	50,457	-	-	-	-	-	50,457
Disposals and write off	(123,089)	(411)	-	-	-	(101)	(123,601)
Reclassified as held for sale (Note 22)	(147,175)	(1,681)	-	-	-	-	(148,856)
Translation difference	14,807	216	-	117	3	128	15,271
At 31 December 2016	401,486	1,567	-	2,656	78	3,359	409,146
Net carrying amount							
At 31 December 2016	502,902	1,400	-	8,014	-	388	512,704

12. Property, plant and equipment (contd.)

Company	Vessel RM'000	Drydock RM'000	Leasehold properties RM'000	Office equipment, renovations, furniture and fittings RM'000	Total RM'000
Cost					
At 1 January 2017	34,797	-	10,670	4,631	50,098
Additions	-	1,015	-	171	1,186
Translation difference	(3,388)	(36)	(1,038)	(459)	(4,921)
At 31 December 2017	31,409	979	9,632	4,343	46,363
Accumulated depreciation					
At 1 January 2017	439	-	2,656	4,317	7,412
Charge for the year (Note 6)	1,276	34	108	164	1,582
Translation difference	(127)	(1)	(265)	(430)	(823)
At 31 December 2017	1,588	33	2,499	4,051	8,171
Net carrying amount					
At 31 December 2017	29,821	946	7,133	292	38,192
Cost					
At 1 January 2016	-	-	10,212	4,309	14,521
Additions	32,285	-	-	183	32,468
Disposals and write off	-	-	-	(56)	(56)
Translation difference	2,512	-	458	195	3,165
At 31 December 2016	34,797	-	10,670	4,631	50,098
Accumulated depreciation					
At 1 January 2016	-	-	2,436	4,021	6,457
Charge for the year (Note 6)	406	-	103	269	778
Disposals and write off	-	-	-	(56)	(56)
Translation difference	33	-	117	83	233
At 31 December 2016	439	-	2,656	4,317	7,412
Net carrying amount					
At 31 December 2016	34,358	-	8,014	314	42,686

(a) Vessels with an aggregate net carrying amount of RM343,527,000 (2016: RM258,612,000) have been pledged as security for loans obtained by the Group (Note 26).

12. Property, plant and equipment (contd.)

(b) During the financial year, the Group carried out a review of the recoverable amount of its vessels. A reversal of impairment loss on vessels of RM108,548,000, representing the write back of these vessels to their recoverable amounts was recognised in income statement. The recoverable amount of these vessels was based on the higher of fair value less costs to sell or value in use. The fair value less costs to sell was determined by an independent valuer. The discount rate applied to value in use computation was 8% per annum.

13. Deposits

This comprises of deposits paid on construction and purchase of vessels.

14. Subsidiaries

	Company	
	2017 RM'000	2016 RM'000
Unquoted equity investment, at cost	1,334,178	1,478,115
Less: Accumulated impairment losses	(967,886)	(891,488)
At 31 December	366,292	586,627

Management reviews the investments in subsidiaries for impairment when there is an indication of impairment. The recoverable amounts of the investments in subsidiaries are determined based on value in use calculation using cash flow projections.

14. Subsidiaries (contd.)

Details of the subsidiaries are as follows:

Company	Country of incorporation	Equity interest 2017	Equity interest 2016	Principal activities
PSM Perkapalan Sdn Bhd	Malaysia	100%	100%	Manager of ships
Pacific Ship-Managers Sdn Bhd	Malaysia	100%	100%	Ship operator, shipbroker and general shipping
- Spectrapoint Sdn Bhd	Malaysia	100%	100%	Investment holding
Lightwell Shipping Inc	British Virgin Islands (BVI)	100%	100%	Investment holding
- Ambi Shipping Pte Ltd [1]	Singapore	70%	70%	Owner and operator of ships
- Everspeed Enterprises Limited	BVI	100%	100%	Ship operator
New Johnson Holdings Limited	BVI	100%	100%	Investment holding
- Madu Shipping Pte Ltd [1]	Singapore	100%	100%	Owner and operator of ships
- Molek Shipping Pte Ltd [1]	Singapore	100%	100%	Owner and operator of ships
- Manis Shipping Pte Ltd [1]	Singapore	100%	100%	Owner and operator of ships
- Sejahtera Shipping Pte Ltd [1]	Singapore	100%	100%	Owner and operator of ships
- Padu Shipping Pte Ltd [1]	Singapore	100%	100%	Owner and operator of ships
- Bakti Shipping Pte Ltd [1]	Singapore	100%	100%	Dormant

14. Subsidiaries (contd.)

Company	Country of incorporation	Equity interest 2017	Equity interest 2016	Principal activities
- Pintar Shipping Pte Ltd [1]	Singapore	100%	100%	Owner and operator of ships
- Bistari Shipping Pte Ltd [1]	Singapore	100%	100%	Dormant
Alam Budi Sdn Bhd	Malaysia	100%	100%	Dormant
Bistari Shipping Sdn Bhd	Malaysia	100%	100%	Dormant
MBC Capital Management Sdn Bhd	Malaysia	100%	-	Dormant

[1] Subsidiaries audited by a member firm of Ernst & Young Global

<u>Liquidation of subsidiaries</u>
Two dormant wholly owned subsidiaries, Awanapuri Sdn Bhd and MBC Padu Sdn Bhd were liquidated during the year.

The summarised financial information of Ambi Shipping Pte Ltd, which has non-controlling interests that is material to the Group, not adjusted for the proportion of ownership interest held by the Group, is as follows:

(i) Summarised statement of financial position

	2017 RM'000	2016 RM'000
Non-current assets	-	85,530
Current assets	89,957	64,798
Total assets	89,957	150,328
Non-current liabilities	-	72,011
Current liabilities	11,943	8,761
Total liabilities	11,943	80,772
Net assets	78,014	69,556

14. Subsidiaries (contd.)

(ii) Summarised statement of comprehensive income

	2017 RM'000	2016 RM'000
Revenue	26,554	22,936
Profit/(loss) before tax	16,204	(19,360)
Profit/(loss) for the year	16,188	(19,381)
Dividend paid to non-controlling interests during the year	-	(6,282)

(iii) Summarised cash flows

	2017 RM'000	2016 RM'000
Net cash generated from operating activities	10,161	1,766
Net cash generated from investing activities	31,577	367
Net cash used in financing activities	(64,715)	(84,191)
Net decrease in cash and cash equivalents	(22,977)	(82,058)
Effects of foreign exchange rate changes	(2,063)	(7,015)
Cash and cash equivalents at beginning of the year	29,785	118,858
Cash and cash equivalents at end of the year	4,745	29,785

15. Associate

	Group 2017 RM'000	2016 RM'000
Quoted shares, at cost	1,107,939	1,107,939
Share of post acquisition profits or losses	(581,160)	(369,222)
Share of cash flow hedge reserve	6,461	4,901
Translation difference	364,828	468,878
	898,068	1,212,496
Less: Accumulated impairment loss	(535,078)	(535,078)
Translation difference	31,973	(22,304)
	(503,105)	(557,382)
	394,963	655,114
Quoted shares, at market value	397,956	382,800

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15. Associate

Details of the associate are as follows:

Company	Country of incorporation	Equity interest 2017	Equity interest 2016	Principal activities
PACC Offshore Services Holdings Ltd ("POSH")	Singapore	21%	21%	Provider of offshore marine support services

The associate is audited by a member firm of Ernst & Young Global.

The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group, is as follows:

(i) Summarised statement of financial position

	2017 RM'000	2016 RM'000
Non-current assets	4,991,401	5,983,321
Current assets	729,567	766,239
Total assets	5,720,968	6,749,560
Non-current liabilities	2,366,914	1,970,902
Current liabilities	1,491,833	1,693,175
Total liabilities	3,858,747	3,664,077
Non-controlling interest	(259)	(309)
Net assets	1,862,480	3,085,792

(ii) Summarised statement of comprehensive income

	2017 RM'000	2016 RM'000
Revenue	833,424	754,775
Loss before tax	(977,342)	(1,526,504)
Loss for the year	(998,274)	(1,531,744)
Other comprehensive income	7,349	23,084
Dividend received from the associate during the year	-	5,589

15. Associate (contd.)

(iii) Reconciliation between the summarised financial information presented and the carrying amount of associate

	2017 RM'000	2016 RM'000
Net assets of the associate	1,862,480	3,085,792
Proportion of the Group's ownership interest in the associate	21%	21%
Group's share of net assets	394,963	655,114

The Group proposes to dispose of its investment in POSH by way of a Proposed Renounceable Restricted Offer for Sale ("Proposed ROS") of POSH shares to the shareholders of the Company on a pro-rata basis. The Proposed ROS is intended to raise funds for its core dry bulk operations and is expected to be completed within 12 months upon obtaining the relevant regulatory approvals. Consequently on 20 December 2017, the Group submitted an application to the Securities Commission to seek approval for the Proposed ROS. It was uncertain whether approval would be granted as this is the first case whereby a Malaysian entity offers to sell shares quoted on the Singapore Stock Exchange to its shareholders.

As at 31 December 2017, the critical approvals from regulatory bodies, including Securities Commission, have not been obtained. Hence, the Directors are unable to consider the disposal as highly probable as at the reporting date as it is conditional upon the regulatory approvals. Consequently, the directors are of the view that it is not appropriate to classify the investment in POSH as held for sale.

16. Joint ventures

	Group	
	2017 RM'000	2016 RM'000
Unquoted shares, at cost	42,453	42,453
Share of post acquisition losses	(59,709)	(39,832)
Translation difference	29,903	32,446
	12,647	35,067
Proportionate shareholder's advances to joint ventures	63,327	116,110
	75,974	151,177

The proportionate shareholder's advances to joint ventures are unsecured and interest-free, except for amount of RM18,209,000 (2016: RM20,173,500) which bears a weighted average interest rate of 1.90% (2016: 1.38%) per annum.

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16. Joint ventures (contd.)

Details of the joint ventures are as follows:

Held through a subsidiary

Company	Country of incorporation	Equity interest 2017	2016	Principal activities
Eminence Bulk Carriers Pte Ltd	Singapore	50%	50%	Owner and operator of ships
Novel Bright Assets Limited	BVI	50%	50%	Investment holding
- Brilliant Star Shipping Pte Ltd	Singapore	50%	50%	Owner and operator of ships
- Brilliant Sun Shipping Pte Ltd	Singapore	50%	50%	Dormant
Progress Shipping Pte Ltd	Singapore	50%	50%	Investment holding
- Atlantic Progress Pte Ltd	Singapore	50%	50%	Owner and operator of ships
- Atlantic Dream Pte Ltd	Singapore	50%	50%	

16. Joint ventures (contd.)

The summarised financial information of the joint ventures, not adjusted for the proportion of ownership interest held by the Group, is as follows:

(i) Summarised statements of financial position

	2017 RM'000	2016 RM'000
Non-current assets	131,642	282,798
Current assets	139,700	76,690
Total assets	271,342	359,488
Non-current liabilities	203,625	241,443
Current liabilities	42,423	47,912
Total liabilities	246,048	289,355
Net assets	25,294	70,133

(ii) Summarised statements of comprehensive income

	2017 RM'000	2016 RM'000
Revenue	51,476	46,336
Profit/(loss) before tax before impairment loss	5,892	(9,708)
(Reversal of) impairment loss on vessels	(30,857)	1,395
Loss for the year	(24,974)	(8,313)
Dividends received from joint ventures during the year	7,390	10,265

17. Loan to a subsidiary

The loan to a subsidiary is unsecured, repayable by 5 semi-annual installments commencing from August 2017, and the average effective interest rate during the current financial year was 3.26% (2016: 2.89%) per annum.

18. Consumable stores

Consumable stores are stated at cost.

Consumable stores of the Group and the Company of RM44,408,000 (2016: RM33,239,000) and RM6,925,218 (2016: RM2,075,000) respectively were charged to income statements during the year.

19. Receivables and other current assets

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Trade receivables:				
- third parties	22,334	11,886	2,620	2,065
- related parties	4,068	3,198	-	-
Uncompleted voyage:				
- third parties	-	6,401	-	1,078
	26,402	21,485	2,620	3,143
Less: Allowance for impairment				
Third parties:				
At 1 January	(966)	-	-	-
Charge for the year	(870)	(921)	-	-
Reversal	921	-	-	-
Translation difference	45	(45)	-	-
At 31 December	(870)	(966)	-	-
Trade receivables, net	25,532	20,519	2,620	3,143
Tax recoverable	153	26	-	-
Deposits (refundable)	165	198	90	88
Prepayments	9,384	9,154	186	117
Other receivables	4,696	7,672	2,740	4,081
Amounts due from related parties	4,812	10,392	-	1,078
	44,742	47,961	5,636	8,507

19. Receivables and other current assets (contd.)

Amounts due from related parties relate to advances for procurement of supplies and services on behalf of the Group. These balances are unsecured, interest-free and repayable on demand.

Trade receivables are non-interest bearing and are generally due upon invoicing. They are recognised at their original invoiced amounts, which represent their fair values on initial recognition.

The ageing analysis of trade receivables is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Not yet due	-	6,401	-	-
Past due less than 6 months not impaired	24,626	13,079	2,620	3,143
Past due over 6 months not impaired	906	1,039	-	-
Impaired	870	966	-	-
	26,402	21,485	2,620	3,143

Trade receivables are mainly due from customers that have good credit ratings. The concentration of credit risk is limited as the customer base is large and unrelated. At reporting date, 16% (2016: 16%) of the trade receivables was due from related parties. Based on historical default rates, the Group believes that no further allowance for impairment is necessary in respect of the outstanding net trade receivables.

20. Amounts due from/to subsidiaries

Balances with subsidiaries are unsecured, interest-free and repayable on demand. Funds are centralised at Group level and made available to subsidiaries as and when required.

21. Short term deposits

At the reporting date, the short term deposits of the Group and the Company have the same maturities of less than 30 days (2016: less than 30 days and nil respectively) with weighted average interest rate of 1.39% (2016: 2.95%) and 2.95% (2016: nil) per annum respectively.

22. Non-current assets classified as held for sale

	Group	
	2017	**2016**
	RM'000	**RM'000**
Property, plant and equipment	83,224	71,907

Non-current assets held for sale comprise of vessels which will be sold within the next 12 months from the reporting date.

23. Share capital

	Number of ordinary shares			
	2017	**2016**	**2017**	**2016**
	('000)	**('000)**	**RM'000**	**RM'000**
Group and Company				
Issued and fully paid:				
At 1 January	1,000,000	1,000,000	250,000	250,000
Transfer from share premium and reserve	-	-	88,791	-
At 31 December	1,000,000	1,000,000	338,791	250,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

With the Companies Act 2016 (2016 Act) which came into effect from 31 January 2017, the Companies Act 1965 is repealed. The 2016 Act has abolished the concept of par or nominal value of shares and hence the share premium, capital redemption reserve and authorised capital are abolished. In accordance with Section 618(2) of the 2016 Act, the amount standing to the credit of the share premium account and capital redemption reserve have become part of the Company's share capital.

24. Reserves

(a) Cash flow hedge reserve

The cash flow hedge reserve represents the cumulative effective portion of gains and losses arising on changes in fair value of hedging instruments entered into for cash flow hedges which will be reclassified to the income statement only when the hedged transaction affects profit or loss.

(b) Foreign currency translation reserve

Foreign currency translation reserve comprise foreign exchange differences arising from the translation of financial statements of those entities, whose functional currencies are different from that of the Group's presentation currency.

25. Payables and other liabilities

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current				
Trade payables	513	3,187	-	-
Accruals	25,150	20,216	10,280	5,653
Charter hire received in advance	4,438	1,303	-	-
Charter hire payable to owners	2,274	2,179	-	-
Due to ship managers and agents:				
- third parties	-	952	-	-
- related parties	5,505	12,904	-	-
Uncompleted voyage	945	1,391	155	-
Amounts due to related parties	130	85	240	2,143
Other payables	942	607	434	421
	39,897	42,824	11,109	8,217
Non-current				
Charter hire payable to owners	38,346	19,086	-	-

25. Payables and other liabilities (contd.)

Trade payables generally have average credit term of 30 to 90 (2016: 30 to 90) days.

Amounts due to related parties are in respect of shared services cost and reimbursable expenses. These balances are unsecured, interest-free and repayable on demand.

Certain portion of charter hire payable to owners have been rescheduled to be payable at the end of the charter periods of the respective vessels.

26. Borrowings

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Term loans - secured	140,681	174,706	-	-
- unsecured	269,462	297,211	269,462	297,211
Revolving credit	-	71,952	-	-
	410,143	543,869	269,462	297,211
Repayable within 12 months	(86,197)	(105,343)	(70,549)	(27,733)
Repayable after 12 months	323,946	438,526	198,913	269,478
Maturity of borrowings is analysed as follows:				
Within 1 year	86,197	105,343	70,549	27,733
Between 1 and 5 years	323,946	438,526	198,913	269,478
	410,143	543,869	269,462	297,211

The borrowings are denominated in the following currencies:

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
United States Dollar	140,681	246,658	-	-
Ringgit Malaysia	269,462	297,211	269,462	297,211
	410,143	543,869	269,462	297,211

The securities for secured loans are disclosed in Note 12(a).

The borrowings bear interest at a weighted average rate of 3.24% (2016: 2.53%) per annum.

The revolving credit of a subsidiary is unsecured but is guaranteed by the Company.

27. Derivative financial liabilities

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices and foreign exchange rates. The type of derivatives used by the Group and the fair value gain/loss on the derivative financial instruments are set out below.

	Group and Company	
	2017	2016
	RM'000	RM'000
Hedging derivatives		
- Current		
Cash flow hedge		
Cross currency swap - liabilities	(19,842)	(12,152)
- non-current		
Cash flow hedge		
Cross currency swap - liabilities	(55,549)	(115,436)

Cash flow hedge

The Group uses cross currency swap to manage the variability of future cash flows attributable to exchange rate and interest rate fluctuation on its borrowings in Ringgit Malaysia. The hedged cash flows are expected to occur and affect profit or loss over the next 2 years. Gains and losses arising from the effective portion of the hedges are deferred in equity until the variability on the cash flow affects profit or loss, at which time the gains or losses are transferred to profit or loss.

The net gain or loss on cash flow hedges reclassified from other comprehensive income to the income statement is recognised in "Other operating income/(loss), net". During the financial year, gain on cash flow hedges amounting to RM38,913,000 (2016: loss on cash flow hedges amounting to RM18,876,000) was recycled from other comprehensive income to the income statements of the Group and of the Company.

28. Deferred tax liabilities

	Group	
	2017	**2016**
	RM'000	**RM'000**
At 1 January	-	73
Recognised in income statement (Note 9)	-	(73)
At 31 December	-	-

The components and movements of deferred tax liability and asset during prior year were as follows:

	Property, plant and equipment RM'000	**Total RM'000**
At 1 January 2016	73	73
Recognised in income statement	(73)	(73)
At 31 December 2016	-	-

29. Provision for onerous contracts

	Group	
	2017	**2016**
	RM'000	**RM'000**
At 1 January	115,803	110,817
Utilised during the year	(56,165)	(73,266)
Charged during the year	45,229	73,266
Translation difference	(11,277)	4,986
At 31 December	93,590	115,803
<u>Analysis of provision</u>		
Current	30,114	58,077
Non-current	63,476	57,726
	93,590	115,803

30. Commitments

		Group	
		2017 RM'000	2016 RM'000
(a)	Capital commitments	306,867	339,973
(b)	Operating lease commitments - as lessee		
	Due within 1 year	105,787	117,200
	Due later than 1 year and not later than 5 years	264,169	380,354
	Due later than 5 years	11,117	41,831
		381,073	539,385

The Group's operating leases have terms ranging from 7 years to 10 years. Certain leases have purchase options after the completion of a predetermined period.

(c)	Operating lease commitments - as lessor		
	Due within 1 year	22,514	7,086
	Share of joint ventures' commitments	4,734	7,435
		27,248	14,521
(d)	Contract of affreightment (COA)		
	Due within 1 year	21,547	23,872
	Due later than 1 year and not later than 5 years	86,248	95,553
	Due later than 5 years	186,842	230,871
		294,637	350,296

The amounts comprise of estimated freight receivable under a 15-year COA with TNB Fuel Services Sdn Bhd (a subsidiary of Tenaga Nasional Berhad).

31. Significant related party transactions

In addition to related party information disclosed elsewhere in the financial statements, the following significant transactions with related parties at mutually agreed amounts took place during the financial years:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Transactions in which certain substantial shareholders of the Company have substantial interest				
Income earned:				
Charter hire income	28,519	22,014	-	-
Crew management fee	212	4,016	-	-
Commercial fee	3,920	2,660	-	-
Income from shared services	7,085	2,514	2,610	2,516
Rental income	592	424	592	424
Brokerage commission and accounting fees	-	3	-	-
Corporate secretarial fee and accounting fees	32	25	32	25
	40,360	31,656	3,234	2,965
Expenditure incurred:				
Corporate administration fee	3	314	-	-
Commercial fee	6,812	5,472	720	217
Shared services cost	2,643	3,238	428	-
Management fee	2,642	3,582	-	-
Crewing agents fee	657	503	120	15
Procurement fee	726	796	151	50
Dry docking cost	1,154	-	-	-
Share registration fee	11	12	11	12
Legal fee	41	-	17	-
Commission on disposal of vessels	777	1,256	-	-
	15,466	15,173	1,447	294

31. Significant related party transactions (contd.)

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Transactions with joint ventures				
Income earned:				
Crew management fee	219	334	-	-
Accounting fee	988	1,022	988	1,022
	1,207	1,356	988	1,022

	Company 2017 RM'000	Company 2016 RM'000
Transactions with subsidiaries		
Income earned:		
Income from shared services	1,014	1,860
Accounting fee	236	297
Dividends from subsidiaries	7,400	20,500
Rental income	206	206
Interest income	12,388	11,338
	21,244	34,201
Expenditure incurred:		
Management fee	223	91
	223	91

Key management personnel

Directors are considered as the key management personnel. The remuneration of Directors is disclosed in Note 8.

32. Segment information

(a) Business segments

The operating businesses are organised according to the nature of the services provided with each segment representing a strategic business unit that serves different markets.

The Group's revenue is primarily derived from the provision of dry bulk and tanker shipping services internationally.

(b) Geographical segments

As the Group's shipping activities cover the world's shipping lanes, the Directors do not consider it meaningful to allocate revenue, results, assets and liabilities to specific geographical segments.

(c) Allocation basis and inter-segment charges

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

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

Major customers

Revenue from two major customers (2016: two) amounted to RM58,352,000 (2016: RM56,494,000) represents 21% (2016: 25%) of the total revenue of the Group.

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32. Segment information (contd.)

2017	Bulkers RM'000	Tankers RM'000	Ship brokerage and management RM'000	Investment holding and others RM'000	Elimination RM'000	Total RM'000
Revenue						
Group total	256,041	12,191	5,367	-	(1,017)	272,582
Inter-segment	-	-	(1,017)	-	1,017	-
External	256,041	12,191	4,350	-	-	272,582
Results						
Segment results	4,854	(13)	771	3,145	-	8,757
Depreciation and amortisation	(19,655)	-	(43)	(277)	-	(19,975)
Gain on disposal of property, plant and equipment	1,861	3,568	18	-	-	5,447
Reversal of impairment loss on vessels	108,548	-	-	-	-	108,548
Net change in onerous contracts provision	10,936	-	-	-	-	10,936
Other non-cash items	(7)	(8)	63	301	-	349
Interest income	335	-	107	501	-	943
Finance costs	(11,722)	-	(8)	(7,842)	-	(19,572)
Share of results of an associate	-	-	-	(211,938)	-	(211,938)
Share of results of joint ventures	(12,487)	-	-	-	-	(12,487)
Taxation	(16)	-	(555)	(535)	-	(1,106)
(Loss)/profit for the year	82,647	3,547	353	(216,645)	-	(130,098)
Segment assets	678,468	19,339	23,014	1,006,142	(520,024)	1,206,939
Segment liabilities	816,371	26,877	10,212	324,320	(520,024)	657,756
Other information						
Investment in an associate	-	-	-	394,963	-	394,963
Investment in joint ventures	75,974	-	-	-	-	75,974
Additions to non-current assets	6,753	-	32	171	-	6,956
Non-current assets held for sale	83,224	-	-	-	-	83,224

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32. Segment information (contd.)

2016	Bulkers RM'000	Tankers RM'000	Ship brokerage and management RM'000	Investment holding and others RM'000	Elimination RM'000	Total RM'000
Revenue						
Group total	168,227	50,696	7,871	-	(1,289)	225,505
Inter-segment	-	-	(1,289)	-	1,289	-
External	168,227	50,696	6,582	-	-	225,505
Results						
Segment results	(55,137)	23,881	1,433	(1,083)	-	(30,906)
Depreciation and amortisation	(20,202)	(7,793)	(434)	(571)	-	(29,000)
(Loss)/gain on disposal of property, plant and equipment	(4,478)	3,220	-	-	-	(1,258)
Impairment loss on vessels	(14,887)	(35,570)	-	-	-	(50,457)
Other non-cash items	(821)	13	(73)	(227)	-	(1,108)
Interest income	367	-	34	665	-	1,066
Finance costs	(8,412)	(593)	(11)	(7,088)	-	(16,104)
Share of results of an associate	-	-	-	(325,070)	-	(325,070)
Impairment loss on associate	-	-	-	(39,304)	-	(39,304)
Share of results of joint ventures	(4,157)	-	-	-	-	(4,157)
Taxation	(22)	-	(633)	(167)	-	(822)
(Loss)/profit for the year	(107,749)	(16,842)	316	(372,845)	-	(497,120)
Segment assets	783,456	74,080	41,026	1,388,798	(708,244)	1,579,116
Segment liabilities	949,150	86,334	18,663	503,453	(708,244)	849,356
Other information						
Investment in an associate	-	-	-	655,114	-	655,114
Investment in joint ventures	151,177	-	-	-	-	151,177
Additions to non-current assets	82,995	100	20	183	-	83,298
Non-current assets held for sale	30,439	41,468	-	-	-	71,907

Note: Inter-segment assets and inter-segment liabilities are eliminated on consolidation.

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33. Financial risk management

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks includes credit risk, liquidity risk, currency risk and interest rate risk. The board of directors reviews and agrees policies and procedures for the management of these risks.

(a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group has investments in foreign subsidiaries, associate and joint ventures, whose net assets are measured in their functional currency which is the United States Dollars, and are subject to foreign currency translation differences upon translation into Ringgit Malaysia for consolidation purposes.

The Group's foreign currency borrowing is exposed to foreign currency exchange rate risk. Cross currency swap contract is entered to cover the variability of future cash flows attributable to exchange rate and interest rate fluctuation.

(b) Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of the Group's financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates primarily to interest-bearing debts. The Group manages its interest rate exposure by closely monitoring the debt market and where necessary, maintaining a prudent mix of fixed and floating rate borrowings and a mix of interest revision dates. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

At end of the reporting period, if interest rates had been 25 basis point higher/lower with all other variables held constant, the Group's loss after tax would have been RM976,000 (2016: RM1,358,000) higher/lower.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatch of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's exposure to liquidity risk is manageable and is addressed via internal funding as well as through sourcing of external borrowings. It is the Group's policy for the placing of surplus funds to be managed centrally.

Due to the nature of the Group's underlying businesses, management aims at maintaining flexibility in funding by keeping committed credit lines available.

33. Financial risk management (contd.)

(c) Liquidity risk (contd.)

Analysis of undiscounted financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	Within 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
Group				
At 31 December 2017				
Trade and other payables	34,514	25,924	12,422	72,860
Borrowings	99,366	340,800	-	440,166
Derivative financial liabilities	19,842	55,549	-	75,391
	153,722	422,273	12,422	588,417
At 31 December 2016				
Trade and other payables	40,130	13,168	5,918	59,216
Borrowings	118,822	467,162	-	585,984
Derivative financial liabilities	12,152	115,436	-	127,588
	171,104	595,766	5,918	772,788

	Within 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
Company				
At 31 December 2017				
Trade and other payables	11,109	-	-	11,109
Amounts due to subsidiaries	20,764	-	-	20,764
Borrowings	79,183	203,027	-	282,210
Derivative financial liabilities	19,842	55,549	-	75,391
	130,898	258,576	-	389,474
At 31 December 2016				
Trade and other payables	8,217	-	-	8,217
Amounts due to subsidiaries	23,018	-	-	23,018
Borrowings	35,648	281,179	-	316,827
Derivative financial liabilities	12,152	115,436	-	127,588
	79,035	396,615	-	475,650

33. Financial risk management (contd.)

(c) Liquidity risk (contd.)

The Company's maximum potential liability under corporate guarantees amounted to RM154,076,000 (2016: RM249,873,000) as of 31 December 2017. The corporate guarantees were provided in respect of the borrowings of its subsidiaries and a joint venture.

(d) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables.

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit monitoring procedures. Credit risks are minimised and monitored by strictly limiting the Group's association to business partners with good credit ratings. Trade receivables are monitored on an on-going basis via Group management reporting procedures.

Advances are made to subsidiaries and joint ventures in support of their respective principal activities. Surplus cash is placed with a number of reputable banks.

At the reporting date, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

34. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. The Group manages its capital structure by taking into account its current and projected cash flow, expansion and capital expenditure commitments. Where necessary, adjustments to the amount of dividends paid to shareholders or the issuance of new shares may be considered. The Group does not adopt any formal dividend policy. The debt to equity ratio of the Group for the year ended 31 December 2017 was 0.78:1 (2016: 0.77:1).

The Group monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position.

No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 2016.

The Company and its subsidiaries are not subject to externally imposed capital requirements.

35. Fair value of financial instruments

(a) Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There was no financial instrument being transferred between Level 1 and 2 during the year.

The Group has designated derivatives as Level 2. Cross currency swap is valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

(b) The fair value of financial assets and liabilities by classes whose carrying amounts are reasonable approximation of fair value are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Financial assets				
Loans and receivables				
Trade and other receivables	35,205	32,380	5,450	7,312
Short term deposits	19,894	500	1,300	-
Cash and bank balances	52,339	69,141	2,160	5,370
Amounts due from subsidiaries	-	-	13,502	381
Loan to a subsidiary	-	-	343,380	420,399
	107,438	102,021	365,792	433,462

35. Fair value of financial instruments (contd.)

(b) The fair value of financial assets and liabilities by classes whose carrying amounts are reasonable approximation of fair value are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial liabilities carried at amortised costs				
Borrowings	410,143	543,869	269,462	297,211
Trade and other payables	72,860	59,216	10,954	8,217
Amounts due to subsidiaries	-	-	20,764	23,018
	483,003	603,085	301,180	328,446
Financial liability carried at fair value through other comprehensive income				
Derivative financial liabilities	75,391	127,588	75,391	127,588

36. Significant event

On 28 November 2017, a subsidiary signed a Memorandum of Agreement to dispose of a vessel to a third party for a net consideration of approximately USD20.6 million.

37. Significant subsequent event

On 2 April 2018, RHB Investment Bank Berhad announced on behalf of the Company that the Company intends to undertake a proposal to dispose of its deemed interest of up to 386,385,645 ordinary shares in the capital of PACC Offshore Services Holdings Ltd ("POSH"), representing approximately 21.23% of the total issued shares in POSH, which are currently held by a wholly owned subsidiary of the Company known as Lightwell Shipping Inc, to all shareholders of the Company at an offer price on an entitlement date to be determined later ("Proposed Disposal").

The Proposed Disposal is to be carried out by way of a renounceable restricted offer for sale as disclosed in Note 15.