# MALAYSIAN BULK CARRIERS BERHAD
175953-W





**2012**

ANNUAL REPORT

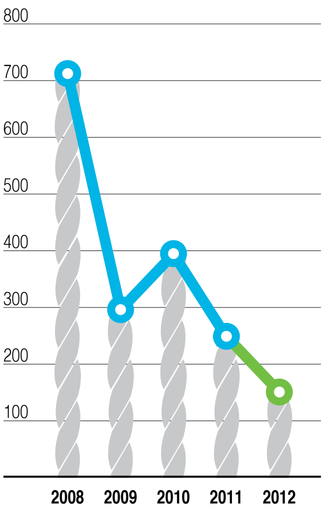

MBC
ALAM SURIA


# Contents

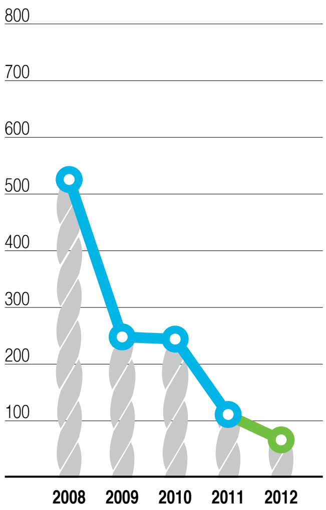


# Financial Highlights

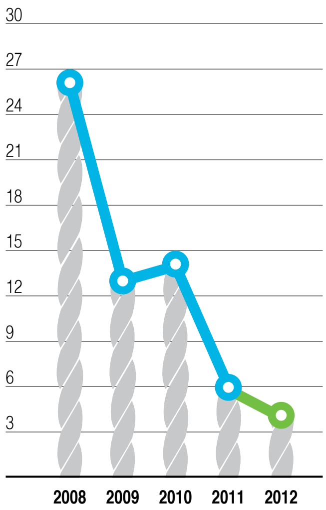
### Time Charter Equivalent Earnings
(RM'million)



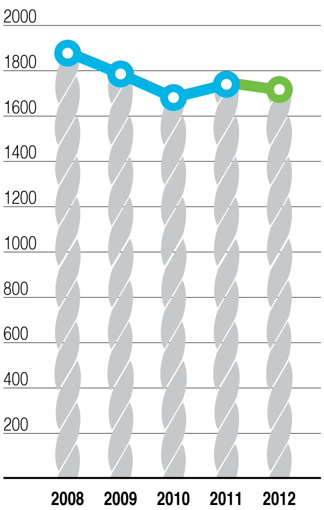

### Profit Before Tax
(RM'million)



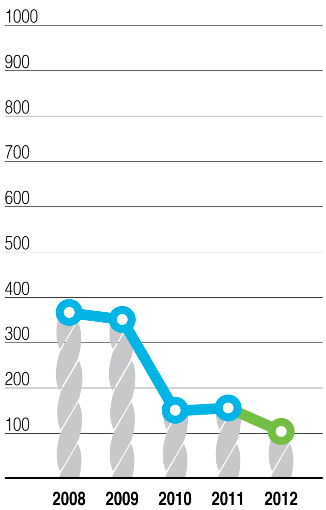

### Return On Equity
(%)



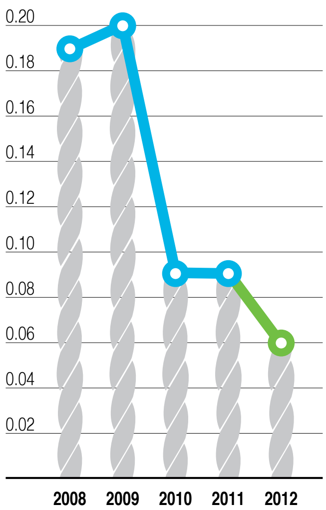

### Shareholders' Equity
(RM'million)

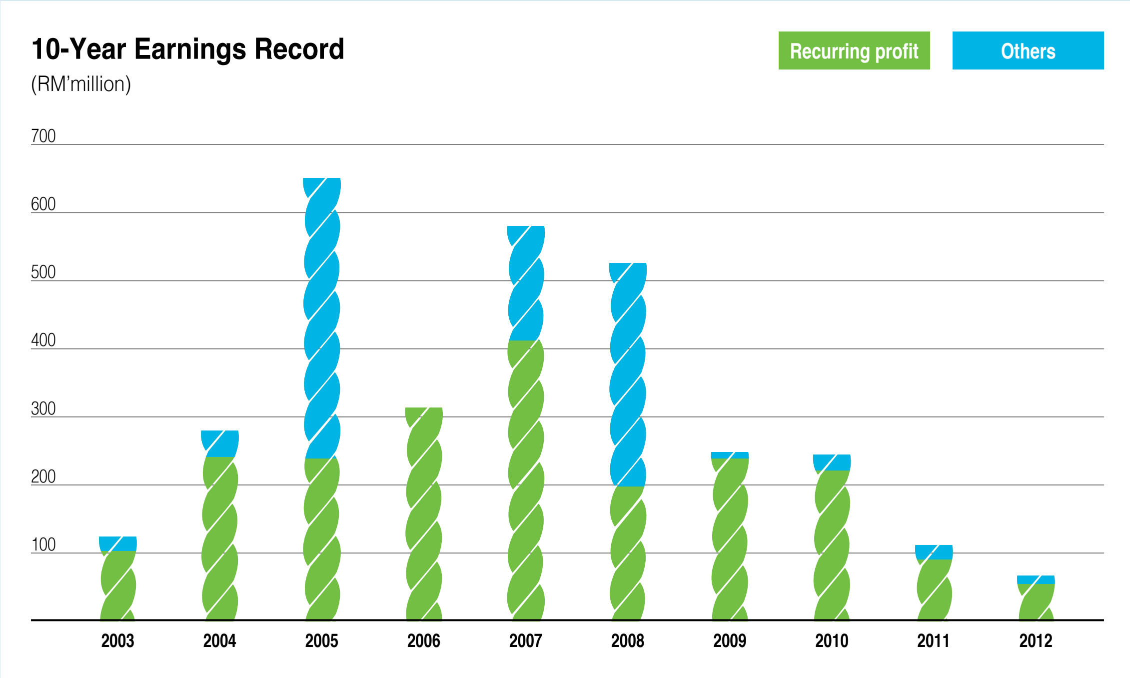


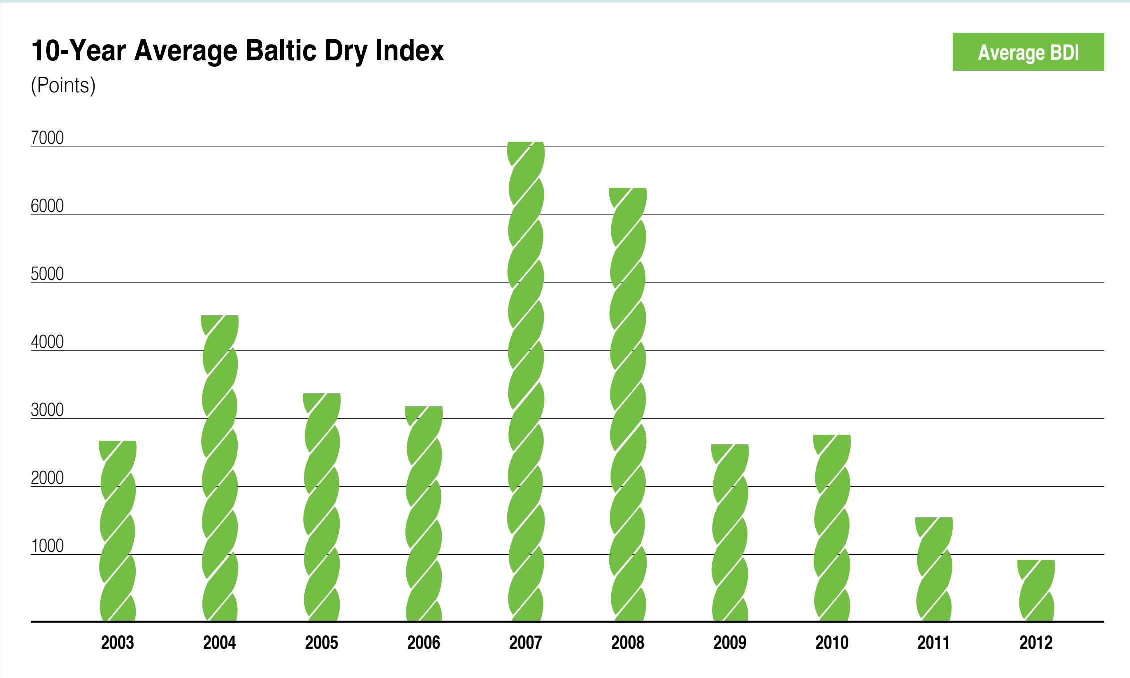

### Bank Borrowings
(RM'million)




### Gearing Ratio
(Times)




10-Year Earnings Record
(RM'million)
Recurring profit
Others
700
600
500
400
300
200
100
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012


10-Year Average Baltic Dry Index
(Points)
Average BDI
7000
6000
5000
4000
3000
2000
1000
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012

| | 2012 RM'000 | 2011 RM'000 | 2010 RM'000 | 2009 RM'000 | 2008 RM'000 |
|---|---|---|---|---|---|
| **FINANCIAL PERFORMANCE** | | | | | |
| Revenue | 262,266 | 363,938 | 510,063 | 385,629 | 911,293 |
| Voyage expenses | (104,871) | (107,629) | (105,813) | (81,922) | (190,135) |
| | 157,395 | 256,309 | 404,250 | 303,707 | 721,158 |
| Operating expenses | (165,054) | (172,260) | (209,461) | (203,682) | (382,389) |
| | (7,659) | 84,049 | 194,789 | 100,025 | 338,769 |
| Other operating income/(loss), net | 41,780 | 13,299 | 37,969 | 83,529 | 219,542 |
| Administration expenses | (10,905) | (13,495) | (19,843) | (18,298) | (26,553) |
| | 23,216 | 83,853 | 212,915 | 165,256 | 531,758 |
| Finance costs | (1,972) | (1,876) | (6,987) | (13,937) | (27,182) |
| Share of results of an associate | 35,257 | 17,023 | 18,172 | 63,945 | 21,174 |
| Share of results of jointly controlled entities | 9,950 | 12,494 | 20,268 | 32,993 | - |
| Profit before taxation | 66,451 | 111,494 | 244,368 | 248,257 | 525,750 |
| Taxation | (786) | (1,430) | (1,696) | (545) | (4,076) |
| Profit for the year | 65,665 | 110,064 | 242,672 | 247,712 | 521,674 |
| Attributable to: | | | | | |
| Equity holders of the Company | 66,049 | 108,000 | 238,368 | 243,799 | 460,862 |
| Non-controlling interests | (384) | 2,064 | 4,304 | 3,913 | 60,812 |
| | 65,665 | 110,064 | 242,672 | 247,712 | 521,674 |
| **KEY BALANCE SHEET DATA** | | | | | |
| Cash and cash equivalents | 190,110 | 298,873 | 316,692 | 460,429 | 805,571 |
| Total assets | 1,906,837 | 1,987,715 | 1,997,254 | 2,296,186 | 2,483,705 |
| Total borrowings | 106,593 | 156,357 | 150,161 | 352,663 | 363,981 |
| Total liabilities | 137,220 | 191,865 | 254,835 | 435,111 | 457,822 |
| Shareholders' equity | 1,716,217 | 1,740,133 | 1,685,785 | 1,787,074 | 1,883,938 |
| **OTHER KEY INDICATORS** | | | | | |
| Earnings per share (sen) | 7 | 11 | 24 | 24 | 46 |
| Net dividend per share (sen) | 3 | 3 | 10 | 15 | 38 |
| Dividend payout ratio | 45% | 28% | 42% | 62% | 83% |
| Return on equity | 4% | 6% | 14% | 13% | 26% |
| Net assets per share (RM) | 1.72 | 1.74 | 1.69 | 1.79 | 1.88 |
| Equity ratio (Shareholders' equity/Total assets) | 90% | 88% | 84% | 78% | 76% |
| Gearing ratio (Total borrowings/Shareholders' equity) (times) | 0.06 | 0.09 | 0.09 | 0.20 | 0.19 |
| **FLEET DATA** | | | | | |
| Number of vessels (at end of year)* | 18 | 17 | 15 | 15 | 14 |
| Total tonnage in DWT (MT'000) * | 1,010 | 912 | 863 | 854 | 796 |
| Average age of fleet (in years) * | 6.2 | 8.8 | 9.7 | 9.4 | 10.2 |
| Total operating days (days)# | 5,220 | 5,484 | 5,661 | 4,970 | 6,505 |
| Total hire days (days)# | 5,171 | 5,274 | 5,406 | 4,682 | 6,288 |
| Time Charter Equivalent per vessel per day# | | | | | |
| Dry bulk carriers (USD) | 9,530 | 16,519 | 25,993 | 19,076 | 37,952 |
| Tankers (USD) | 10,851 | 12,269 | 11,993 | 15,975 | 19,206 |

*Note :*
** Includes jointly controlled and long term charter vessels*
*# Includes chartered-in vessels (but does not include jointly controlled vessels)*


POSH
SALVERITAS

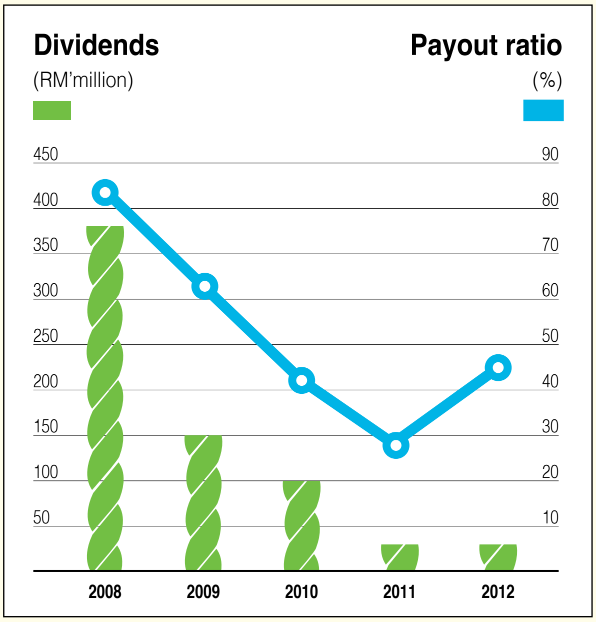
## FINANCIAL OVERVIEW AND HIGHLIGHTS

### Financials

For financial year ended December 2012, the MBC Group reported a profit before tax of RM66.5 million, a 40% decline compared to last year. It was inevitable that 2012 would be a difficult year for the bulk shipping industry, plagued by the weak global economy and aggravated by tonnage oversupply. Given the difficult market conditions, the Group results are to be expected.

The Baltic Dry Index reached a record low of 647 points on 3 February 2012 and averaged 920 points for the full year 2012, a 41% decline year-on-year. The average daily time charter equivalent rates earned by our fleet dropped to US$9,805/day, from preceding year's US$15,737/day as overcapacity kept charter rates depressed throughout the year. Nonetheless, the Group continued to achieve high fleet utilisation rates and above spot market rates. This was possible due to the Group's broad customer base and strong customer relationships.

The Group recognised total gains of RM29.6 million on investments and disposal of assets and was able to reduce its administrative costs by 19% (RM2.6 million). Fortuitously, the weak dry bulk and tanker market was offset by the robust offshore service activities in the offshore oil and gas sector. The MBC Group's associate, PACC Offshore Services Holdings Pte Ltd ("POSH") reported better results with MBC's share of RM35.3 million helping to boost the Group's overall bottom line.




During the year, MBC Group, in line with its fleet renewal programme, disposed of two over-aged Handysizes, took delivery of three new vessels (one Handysize and two Supramaxes), and contracted for two new Supramaxes with expected deliveries in 2015/2016.

Profit attributable to shareholders was RM66.0 million, a satisfactory performance given the poor shipping market. Earnings per share were 6.60 sen, representing 4% return on shareholders' equity.

Total shareholders' equity as of 31 December 2012 was RM1.72 billion, equating to RM1.72 per share.

A final dividend of 3 sen is proposed, representing a payout ratio of 45%.

### Cash position

During the year, the Group invested an additional USD31.8 million (RM97.4 million) in its associate, POSH by way of subscribing for 7,961,286 redeemable convertible preference shares ("RCPS") offered to the Group under a rights issue. This investment is expected to contribute positively to MBC Group's overall performance in the future years.

As of 31 December 2012, the Group had RM190.1 million in cash and cash equivalents, RM91.9 million liquid assets in the form of equity investments and RM106.6 million of bank borrowings.


## YEAR IN PERSPECTIVE

### Dry Bulk Carriers

2012 was yet another difficult year for most shipping sectors.

Although dry bulk scrapping reached record levels in 2012 (about 34 million dwt), newbuilding deliveries (a consequence of excessive over orders in the earlier years) far exceeded total scrapping resulting in a net increase of about 64 million dwt in the world's fleet of dry bulk carriers.

As of December 2012, total dry bulk fleet stood at 679 million dwt as compared to 616 million dwt at end of 2011 - a 10% increase in world fleet for the year. This capacity increase coinciding with a sluggish global economic growth caused dry bulk shipping markets to struggle throughout 2012. The BDI which began 2012 at 1,624 closed the year at only 699.

Clearly 2012 has been one of the worst years for bulk carriers and certainly the worst for over a decade.

With daily rates often below operating cash cost, many companies suffered financial hardship leading some into bankruptcy. Several, having sought financial help and arrangements with their shareholders or banks in order to survive, continue to struggle as markets remain depressed.

Some were forced to exit shipping as bank funding ceased or were withdrawn. This led to reduced investment in the dry bulk sector and a decline in both second hand and newbuilding prices. It therefore presented opportunities for financially strong companies to take advantage of the situation.

In 2012, MBC sold all its very old ships and replaced its fleet with new vessels. This helped grow our fleet from 17 vessels having a total deadweight tonnage of 911,979 in 2011 to 18 vessels having a total deadweight tonnage of 1,009,680 in 2012.

Average fleet age was reduced from 8.8 years in 2011 to 6.2 years in 2012.

The following summarises our actions in pursuit of our growth and modernisation strategy:

1) Sold:

| | |
|---|---|
| a) Alam Senang | 28,098 dwt built 1984 |
| b) Alam Gula | 23,418 dwt built 1985 |

2) Long-term chartered-in ("LTC")

The following newbuildings were chartered-in and delivered in 2012:

| | |
|---|---|
| a) Alam Suria | 29,077 dwt newbuilding |
| b) Alam Mutiara | 61,498 dwt newbuilding |
| c) Alam Maju | 58,642 dwt newbuilding |

The following newbuildings will be delivered in year 2013 and 2014 under long term charter arrangements:

a) 1 Supramax newbuilding (1 x 61,000 dwt)
b) 2 Handysize newbuildings (2 x 36,000 dwt)

3) Newbuilding purchases:

We recently contracted the following from Japanese yards which will be delivered in 2015/2016:

a) 1 x Neo 56 newbuilding (56,000 dwt); and
b) 1 x Star 61 newbuilding (61,000 dwt).

If expressed in Yen, prices are near historical lows and considering that labour, equipment and steel costs have increased since the previous lows of 1999- 2000, we are of the view that newbuilding prices are at or near bottom.

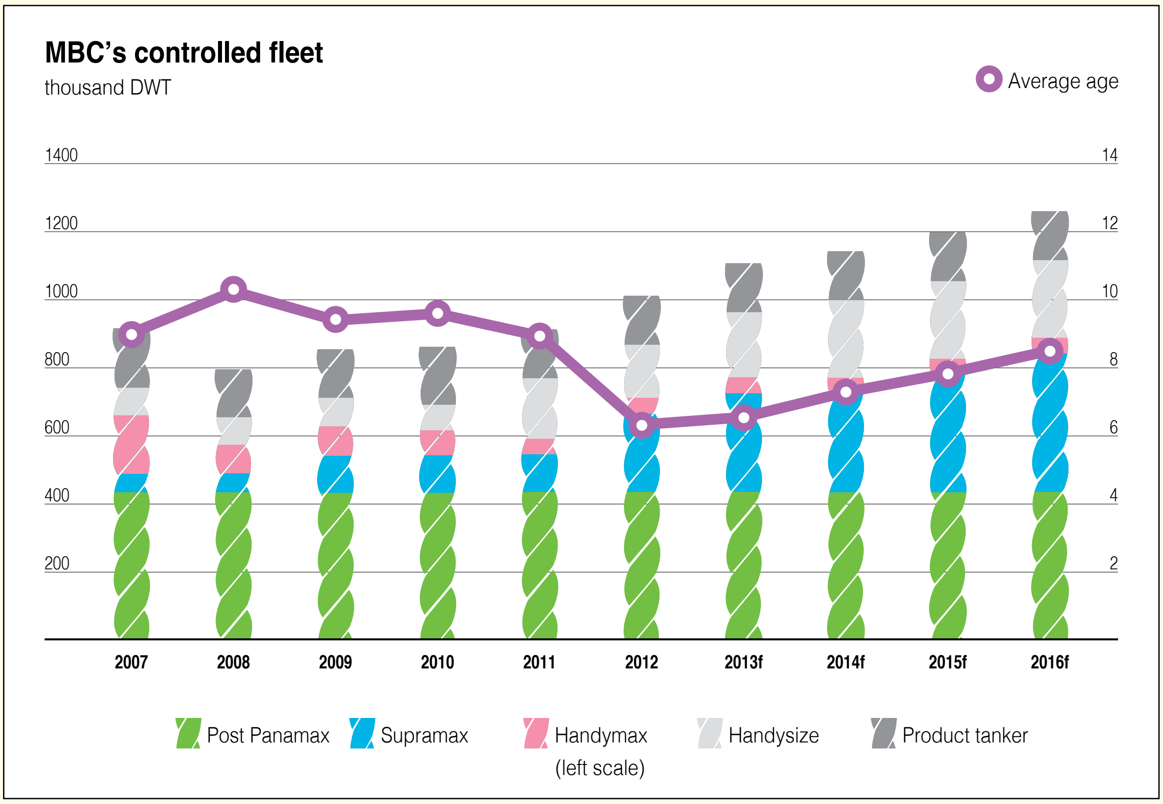
These economical and larger deadweight ships (compared to the handymaxes previously ordered) meeting the industry's latest environmental and operational regulations and at historically low prices, are all compelling reasons for these purchases.

2 x 32,527 dwt newbuilding bulk carriers which were bought under a joint venture with Mexican interest (Progress Shipping Pte Ltd) and delivered in 2011, generated profits of RM7.6 million of which MBC's share was RM3.8 million in the first full operational year.

To sum up the renewal/investment of MBC Group's dry bulk fleet is as follows:

| | | |
|---|---|---|
| 2011 | delivered | 2 x 32,527 dwt |
| 2012 | delivered under LTC | 1 x 29,077 dwt |
| | delivered under LTC | 1 x 61,498 dwt |
| | delivered under LTC | 1 x 58,642 dwt |
| 2013 | delivery | 1 x 61,000 dwt |
| | delivery | 1 x 36,000 dwt |
| 2014 | delivery | 1 x 36,000 dwt |
| 2015 | delivery | 1 x 56,000 dwt |
| 2016 | delivery | 1 x 61,000 dwt |
| Total | | 10 vessels (464,271 dwt) |

We are continuously in contact with shipyards, brokers and shipowners with on-going discussions and negotiations on potential candidates to add to our fleet be it dry bulk, tanker or other vessel types.



**Tankers**

MBC's product tanker fleet consists of three Medium Range (MR) units: Alam Bistari (47,065 dwt built 2001), Alam Budi (47,065 dwt built 2001) and Alam Bakti (47,999 dwt built 2003).

Over the course of 2012, MR product tanker market has moved from extreme weakness to more reasonable levels post mid 2012.

Improving market condition has however encouraged some to order newbuilding MR tanker with larger and more eco features - the sharp increase in MR tanker ordering may negatively impact its market if global demand fails to match the increased newbuildings deliveries.

Two of our MR tankers are fixed on period charters with a stable revenue but the Alam Bistari is traded spot keeping us connected with the market. Unlike 2011 when the Alam Bistari was largely traded into West Africa, she is now engaged in the South American and US Gulf markets to avoid the growing piracy and security risks in Africa.

The average earnings of our MR tanker fleet in 2012 was US$10,851/day and compares favourably with the average year-to-date worldwide spot MR tanker market of US$7,200/day (Source: Clarkson Shipping Intelligence Report).


**Offshore**

MBC Group holds a 21% interest in the POSH Group. POSH is a leading offshore marine services provider having some 60 years of operating experience in the offshore and marine oil field sector.

POSH Group currently operates a fleet of about 100 vessels, and these are:

- Anchor handling towing/anchor handling towing & supply tugs ranging from 4,000 bhp – 16,000 bhp;
- Platform supply vessels;
- Accommodation vessels 190 – 300 persons;
- Semi-submersible barges 20,000 – 30,000 dwt;
- Harbour tugs; and
- Tugs/barges of various sizes

POSH has a number of vessels under construction including 2 semi-submersible accommodation vessels (700 persons each) with a total capital expenditure commitment of more than US$600 million. These will be delivered in 2013/2015 and with the current buoyant outlook in this sector, prospects for POSH in the coming years look good.

**Maritime Labour Convention (MLC) 2006**

On 20 August 2012, Philippines and Russia were the 30th and 31st countries to ratify the MLC 2006. This has therefore met with the minimum 30 countries ratification necessary for the enforcement of MLC 2006. The MLC will accordingly come into force on 20 August 2013.

The Convention sets out seafarers' rights to decent conditions of work on a wide range of subjects and aims to be globally applicable, easily understandable, readily updatable and uniformly enforced.

PSM Perkapalan Sdn Bhd (PPSB) had already started preparing the necessary documentation and conducted awareness training since 2011 with the view of obtaining a Voluntary Compliance Certificate prior to the impending 2013 enforcement of MLC 2006. Such certification is necessary to avoid possible detention or delay in port for our vessels.


**STCW 2010 Amendments**

The Standards of Training, Certification and Watchkeeping for Seafarers (STCW) 2010 amendments will come into force in stages commencing from mid 2013 until full enforcement by 1 January 2017.

Its implementation will affect the additional training necessary for all crew and for those seeking certification.

The Convention aims to inter alia prevent fraudulent practices associated with certificates of competency and will strengthen the evaluation process concerning working and rest hours, new requirements for the prevention of drug and alcohol abuse, seafarers training needs in respect of modern technology, competency standards under changing shipping circumstances etc.

Our existing crew will need to satisfy the regulation requirements to be eligible to serve onboard vessels. We are therefore training our seafarers on ECDIS (Electronic Chart Display and Integrated System) and putting them through Management Resource training relating to Bridge Resource Management (BRM), Bridge Team Management (BTM) and Machinery Resource Management (MRM) so as to inculcate Leadership, Teamwork and Management skills as required.

The above follows regulations that will require new vessels built after 1 July 2012 (Tankers) and 1 July 2013 (Dry bulk) to be fitted with ECDIS. Existing vessels are required to be fitted with ECDIS by 1 July 2015 (Tankers) and 1 July 2016 (Dry bulk) or as maybe the case depending on their Gross Registered Tonnage.

ECDIS type training has to be conducted by the manufacturer or by those approved by the manufacturer. Because of this, training can be expensive as only a limited number of recognized training centres qualify.

To avoid confusion, Management will specifically choose the ECDIS under which we will focus the training of our officers to ensure consistency in instructions and application.

Due to the many new regulations that the industry will implement and the necessary trainings and compliance required, such new measures will add to all shipowners' future operating cost.

**SHIPPING OUTLOOK**

Bulk markets started poorly in 2013 and market consensus is that 2013 will be a replay of 2012 as uncertainties and overcapacities persist. Volatility and opportunities will abound and will decide the fate of the shipping companies that are still operating. Scheduled newbuilding deliveries will be heavy in first half 2013 but will slow into second half 2013. This suggests continuing market weakness and the possibility that record scrapping as seen in 2012 will persist into 2013.

The global economy continues to grow, albeit at a slower pace than for previous years. The International Monetary Fund, in its January 2013 World Economic Outlook update, predicts global GDP to grow 3.5% in 2013. World trade volume (goods and services) is projected to grow from 2.8% in 2012 to 3.8% in 2013 and firming up to 5.5% in 2014.

Demand is expected to come primarily from China, India and the other emerging countries in Asia which have seen greater economic and population growth.

What lies in store depends not only on the state of global economies in respect of major bulk demand but also the grain trades which has helped support the bulk trades in early 2013 when US suffered its worst drought since 1950s. The resultant strong demand for Brazilian grain shipments caused considerable port congestion and longer tonne miles as importers switched their sourcing from Brazil.

Equally important for shipping is crude oil prices which will not only affect demand for oil by energy hungry economies but will also affect the health of global economies. Furthermore high oil price leads to higher bunker price and would influence many owners to slowsteam in order to save on consumption and cost. Obviously should bunker cost retreat, owners may again speed up thereby increasing tonnage availability in the process.


All in all, although market conditions remain difficult for the bulk sector, green shoots for recovery appear to be sprouting leading us to reinvest back into the market.

The offshore market continues to remain strong and retains its positive outlook due to expectations that oil and gas majors will increase their existing production levels and accordingly will increase their capital expenditure for drilling and the maintenance programs.

**CORPORATE SOCIAL RESPONSIBILITY**

Although we are fully engaged in our business activities and taking care of our stakeholders be they our customers, employees and shareholders, we remain dedicated in playing our part in corporate citizenship and embrace corporate social responsibility.

The Group is committed to its employees' welfare, community and environment that we operate in. We continue to provide sponsorship to Malaysian students on an exchange programme to Norway as part of their maritime studies at the Nanyang Technological University, Singapore. Shore staff are encouraged to attend courses or workshops to further augment their knowledge base and skills set; and various sports and social outings for staff are also arranged.

During the year, the Group also provided contributions and donations to charitable organisations. As part of an effort to be environmentally conscious, MBC ceased the distribution of printed copies of the quarterly report to its shareholders and shareholders are encouraged to view the quarterly results from MBC's website. Staff are likewise encouraged to recycle paper where possible.

**CORPORATE GOVERNANCE**

The Board recognises the importance of having good corporate governance and is committed in ensuring that high standards of corporate governance and best practices are being adhered to throughout the Group. The Group's corporate governance initiatives and internal controls system are presented in the relevant sections of this Annual Report.

**ACKNOWLEDGEMENT**

On behalf of the Board, we wish to thank the Management and workforce both on shore and on board our vessels for their untiring efforts and dedication throughout the year. To our fellow board members, we wish to extend our sincere appreciation for their guidance and commitment rendered and in ensuring that the Group's strategies and goals are achieved.

Finally, our thanks to all our customers, business associates, partners and shareholders for their unwavering support and confidence in the Group.

Teo Joo Kim
*Executive Chairman*

Kuok Khoon Kuan
*Chief Executive Officer*

# An Overview of MBC's Controlled Fleet (As at 31 December 2012)

## IN OPERATION

| | Vessel Name | Category | Year Built | DWT (MT) | Draft (Meters) | LOA (Meters) | Beam (Meters) | HO/HA | Cargo/ Slop Tanks | Gears |
|---|---|---|---|---|---|---|---|---|---|---|
| **Bulk Carriers** | | | | | | | | | | |
| **Owned** | | | | | | | | | | |
| 1 | Alam Mesra | Handymax | Oct-00 | 46,644 | 11.62 | 189.80 | 31.00 | 5/5 | N/A | 4Cx30T |
| 2 | Alam Padu | Post-Panamax | Apr-05 | 87,052 | 14.14 | 229.00 | 36.50 | 7/7 | N/A | Gearless |
| 3 | Alam Permai | Post-Panamax | Jun-05 | 87,052 | 14.14 | 229.00 | 36.50 | 7/7 | N/A | Gearless |
| 4 | Alam Pesona | Post-Panamax | Sep-05 | 87,052 | 14.14 | 229.00 | 36.50 | 7/7 | N/A | Gearless |
| 5 | Alam Pintar | Post-Panamax | Oct-05 | 87,052 | 14.14 | 229.00 | 36.50 | 7/7 | N/A | Gearless |
| 6 | Alam Sakti | Handysize | Feb-06 | 32,609 | 10.02 | 177.00 | 28.40 | 5/5 | N/A | 4Cx30.5T/Logs |
| **Jointly-Owned** | | | | | | | | | | |
| 7 | Alam Penting | Post-Panamax | Jul-05 | 87,052 | 14.14 | 229.00 | 36.50 | 7/7 | N/A | Gearless |
| 8 | Alam Murni | Supramax | Apr-03 | 53,553 | 12.30 | 189.90 | 32.26 | 5/5 | N/A | 4Cx30.5T |
| 9 | Atlantic Progress | Handysize | Jun-11 | 32,527 | 10.20 | 177.40 | 28.20 | 5/5 | N/A | 4Cx30T |
| 10 | Atlantic Dream | Handysize | Dec-11 | 32,527 | 10.20 | 177.40 | 28.20 | 5/5 | N/A | 4Cx30T |
| **Long Term Charter** | | | | | | | | | | |
| 11 | Alam Manis | Supramax | Mar-07 | 55,652 | 12.58 | 190.00 | 32.26 | 5/5 | N/A | 4Cx30T |
| 12 | Alam Seri | Handysize | Mar-11 | 29,562 | 9.72 | 170.70 | 27.00 | 5/5 | N/A | 4Cx30.5T/Logs |
| 13 | Alam Suria | Handysize | Jan-12 | 29,077 | 9.72 | 170.70 | 27.00 | 5/5 | N/A | 4Cx30.5T |
| 14 | Alam Mutiara | Supramax | Apr-12 | 61,498 | 13.01 | 199.90 | 32.24 | 5/5 | N/A | 4Cx30.7T |
| 15 | Alam Maju | Supramax | Jul-12 | 58,642 | 12.67 | 197.00 | 32.26 | 5/5 | N/A | 4Cx30.5T |
| | | | | 867,551 | | | | | | |
| **Tankers** | | | | | | | | | | |
| **Owned** | | | | | | | | | | |
| 1 | Alam Budi | Product Tanker | Mar-01 | 47,065 | 12.67 | 182.50 | 32.20 | N/A | 14CT, 2S | N/A |
| 2 | Alam Bistari | Product Tanker | May-01 | 47,065 | 12.67 | 182.50 | 32.20 | N/A | 14CT, 2S | N/A |
| 3 | Alam Bakti | Product Tanker | Jul-03 | 47,999 | 12.48 | 179.99 | 32.20 | N/A | 16CT, 2S | N/A |
| | | | | 142,129 | | | | | | |
| | | | **Total** | **1,009,680** | | | | | | |

## SOLD IN YEAR 2012

| | Vessel Name | Category | Year Built | DWT (MT) | Draft (Meters) | LOA (Meters) | Beam (Meters) | HO/HA | Cargo/ Slop Tanks | Gears |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Alam Senang | Handysize | Mar-84 | 28,098 | 10.61 | 178.20 | 23.10 | 5/5 | N/A | 4Cx25T |
| 2 | Alam Gula | Handysize | May-85 | 23,418 | 9.98 | 155.80 | 24.60 | 4/4 | N/A | 4Cx30T |

*N/A - Not Applicable*

# Corporate Information

### Board of Directors

Teo Joo Kim
*Executive Chairman*

Kuok Khoon Kuan
*Chief Executive Officer*

Wu Long Peng
*Executive Director*

Dato' Lim Chee Wah
*Non-Executive Non-Independent Director*

Dato' Mohd Zafer bin Mohd Hashim
*Non-Executive Non-Independent Director*

Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid
*Non-Executive Independent Director*

Mohammad bin Abdullah
*Non-Executive Independent Director*

Tay Beng Chai
*Non-Executive Independent Director*

### Audit Committee

**Chairman**
Mohammad bin Abdullah

**Members**
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid
Tay Beng Chai

### Nomination & Remuneration Committee

**Chairman**
Dato' Lim Chee Wah

**Members**
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid
Tay Beng Chai

### Company Secretaries

Ooi Pooi Teng (MAICSA 7055594)
Tan Kim Hoon (MIA 17987)

### Registrar

PPB Corporate Services Sdn Bhd
12th Floor, UBN Tower
10, Jalan P.Ramlee
50250 Kuala Lumpur
Tel: +603-2726 0088
Fax: +603-2726 0099

### Registered Office

Level 17 & 18, PJ Tower
No. 18, Jalan Persiaran Barat
Off Jalan Timur
46050 Petaling Jaya
Selangor Darul Ehsan
Tel: +603-7966 1688
Fax: +603-7966 1628

### Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad
Sector : Trading & Services
Stock Name : Maybulk
Stock Code : 5077

### Auditors

Ernst & Young (AF: 0039)
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Tel: +603-7495 8000
Fax: +603-2095 9076

### Website

www.maybulk.com.my

**TEO JOO KIM**
*72, Singaporean*
*Executive Chairman*

Mr. Teo was appointed to the Board on 25 January 1995 and is currently the Executive Chairman.

Mr. Teo is also the Executive Chairman of Kuok (Singapore) Limited and Pacific Carriers Limited. He qualified from the Institute of Chartered Secretaries and Administrators and the Association of Chartered Certified Accountants in the United Kingdom. He has over 30 years of experience in the commodity and shipping industry.

He attended all the five (5) Board Meetings held in the financial year.

**KUOK KHOON KUAN**
*65, Malaysian*
*Chief Executive Officer*

Mr. Kuok was appointed to the Board on 8 June 1995 and is currently the Chief Executive Officer.

Mr. Kuok is also a Director of Kuok (Singapore) Limited. He graduated from University of Singapore with a Bachelor of Arts Degree. He began his career with Malaysian International Shipping Corporation Berhad in 1971 and later joined Pacific Carriers Limited in 1978 and is today its Managing Director and sits on its Board. He has over 30 years of experience in the shipping industry.

He attended four (4) out of the five (5) Board Meetings held in the financial year.

**WU LONG PENG**
*59, Singaporean*
*Executive Director*

Mr. Wu was appointed to the Board on 21 October 1994.

Mr. Wu is also an Executive Director of Kuok (Singapore) Limited and Pacific Carriers Limited. He is a Fellow of the Association of Chartered Certified Accountants, United Kingdom and an Associate Member of the Institute of Certified Public Accountants of Singapore.

He attended all the five (5) Board Meetings held in the financial year.

**DATO' LIM CHEE WAH**
*73, Malaysian*
*Non-Executive Non-Independent Director*

Dato' Lim was appointed to the Board on 8 June 1995, and is currently the Chairman of the Nomination & Remuneration Committee.

Dato' Lim is also the Chairman of Jerneh Asia Berhad. He obtained his Bachelor of Arts (Honours) Degree in Economics from University of Malaya.

He attended four (4) out of the five (5) Board Meetings held in the financial year.

*Notes:*

1. *None of the directors has any family relationship with any other director of the Company. The disclosure of directors' family relationship with major shareholders is not applicable as the major shareholders are corporate entities.*

2. *None of the directors had any convictions for offences within the past 10 years.*

### DATO' MOHD ZAFER BIN MOHD HASHIM
*40, Malaysian*
*Non-Executive Non-Independent Director*

Dato' Mohd Zafer bin Mohd Hashim was appointed to the Board on 27 August 2009.

Dato' Zafer graduated in Economics from the London School of Economics and Political Science. He is a Chartered Accountant by profession and a Fellow of the Institute of Chartered Accountants in England and Wales.

Dato' Zafer is currently the President/Group Managing Director of Bank Pembangunan Malaysia Berhad, a position he assumed since 5 August 2009. He also sits on the board of Global Maritime Ventures Berhad.

He was previously the Chief Financial Officer of Maybank Investment Bank Berhad and Bank Muamalat Malaysia Berhad. Prior to joining Bank Muamalat, he was attached to MMC Corporation Berhad as its General Manager. He began his career with Price Waterhouse in London.

He attended four (4) out of the five (5) Board Meetings held in the financial year.

### MOHAMMAD BIN ABDULLAH
*72, Malaysian*
*Non-Executive Independent Director*

Encik Mohammad was appointed to the Board on 14 October 2003 and is currently the Chairman of the Audit Committee.

Encik Mohammad is also the Chairman of Malaysian Rating Corporation Berhad. A Chartered Accountant with more than 40 years' experience in the profession and in commerce, Encik Mohammad is a member of the Malaysian Institute of Accountants (MIA) and was its Registrar from 1986 to 2007. Encik Mohammad is also a member of the Malaysian Institute of Certified Public Accountants (MICPA).

He attended all the five (5) Board Meetings held in the financial year.

### DATO' CAPT. AHMAD SUFIAN @ QURNAIN BIN ABDUL RASHID
*63, Malaysian*
*Non-Executive Independent Director*

Dato' Capt. Ahmad Sufian was appointed to the Board on 9 July 1996 and is also a member of the Audit Committee and the Nomination & Remuneration Committee.

Dato' Capt. Ahmad Sufian is also the Independent Non-Executive Chairman of WCT Berhad, GD Express Carrier Berhad and Alam Maritim Resources Berhad. He is also a Non-Executive Independent Director of PPB Group Berhad. He qualified as a Master Mariner with a Masters Foreign-Going Certificate of Competency from United Kingdom in 1974 and a Diploma in Applied International Management from the Swedish Institute of Management in 1984. He attended the Advanced Management Program at Harvard in 1993. He is a Fellow of the Chartered Institute of Logistics and Transport and the Institute Kelautan Malaysia. He has over 40 years of experience in the international maritime industry.

He attended four (4) out of the five (5) Board Meetings held in the financial year.

### TAY BENG CHAI
*51, Malaysian*
*Non-Executive Independent Director*

Mr. Tay was appointed to the Board on 14 October 2003 and is also a member of the Audit Committee and the Nomination & Remuneration Committee.

He is the Managing Partner of Messrs Tay & Partners, Advocates & Solicitors and also a Partner of ATMD Bird & Bird LLP, Singapore. He holds a Bachelor of Law Degree from the National University of Singapore, and is an advocate and solicitor admitted to practice in Malaysia and Singapore. He has over 25 years' experience in corporate law, mergers and acquisitions, finance and securities law matters. Mr. Tay is also a Fellow of the Singapore Institute of Arbitrators.

He attended four (4) out of the five (5) Board Meetings held in the financial year.

*Notes:*

1. *None of the directors has any family relationship with any other director of the Company. The disclosure of directors' family relationship with major shareholders is not applicable as the major shareholders are corporate entities.*

2. *None of the directors had any convictions for offences within the past 10 years.*

The Board of Directors is committed to ensure that high standards of corporate governance are practiced throughout MBC Group in discharging its responsibilities to protect and enhance shareholders' value. The Group has applied the principles of corporate governance and the extent of compliance with the best practices as prescribed in the Malaysian Code on Corporate Governance 2012 ("the Code") is set out below.

## 1. BOARD OF DIRECTORS

### 1.1 Roles and Responsibilities of the Board

The Board has the overall stewardship responsibilities of providing strategic leadership, overseeing the business conduct, identification and management of principal risks, ensuring the adequacy and integrity of internal control systems, establishing a succession plan and developing and implementing an investor relations program.

A formal schedule of matters specifically reserved for the decision of the Board and management has been established and is contained in the Group's Financial Authority Limits.

The Board has delegated specific responsibilities to two (2) committees, namely, the Audit Committee and the Nomination & Remuneration Committee, both of which discharge the duties and responsibilities within their respective Terms of Reference. The actual decision is the responsibility of the Board after considering the recommendations of the respective committee.

The Company's Code of Ethics and Code of Conduct are set out in the Company's Employment Handbook, which covers matters in relation to conflict of interest, entertainment and gifts, misuse of position and insider trading. The directors and employees of the Group are expected to adhere to the standard of ethics and conducts set out therein.

### 1.2 Board Balance and Independence

The current board has 8 members, comprising 3 Executive Directors and 5 Non-Executive Directors, of whom 3 are Independent Directors. The number of Independent Directors is in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad which requires one-third of the Board to be independent directors.

The Board considers that its composition consisting of Directors with a diverse mix of skills and experience in shipping, business, corporate, finance and law bring to the Board not only the essential commercial skills relevant for sound investment decisions, but also the practical and operational experience to professionally manage the Company.

Whilst the Board acknowledges that the general call and support for gender diversity in a board's composition, the Board believes that appointment of board members, regardless of gender, should be based on experience, character, integrity and competence as these are the essential criteria for an effective Board.

Profile of each Director is presented on pages 15 and 16 of this Annual Report.

There is a clear division of responsibilities between the Executive Chairman and the Chief Executive Officer to ensure balance of power and authority, such that no one individual has unfettered powers of decision making. The Executive Chairman is responsible for the overall strategic direction of the Group and the leadership of the Board to ensure effectiveness of the Board, whereas the Chief Executive Officer is responsible for the management of the business.

The Code recommends that the tenure of an independent director shall not exceed a cumulative period of 9 years. The Board, through the Nomination & Remuneration Committee carried out an assessment of the independent directors namely Encik Mohammad bin Abdullah, Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid and Mr Tay Beng Chai, each of whom have served on the Board for more than 9 years. The Board is of the view that all the Independent Directors have exercised care in performing their duties, and provided independent and objective views and judgement during board meetings and deliberations on all matters concerning the Group. The length of their service does not in any way impair their independent judgement nor their ability to act in the best interests of the MBC Group. On the contrary, their years of service on the Board have imbued them with a sound knowledge of the Group's business operations. This together with their individual professional experience, awareness of corporate governance and business acumen, have contributed positively to the Board's deliberations on all Group matters.

The Board notes that the Code also recommends that where the Chairman of the Board is not an independent director, the Board must comprise a majority of independent directors. The Board is of the opinion that although it does not comprise a majority of independent directors, the Board has nevertheless always discharged its duties and responsibilities in the best interests of the Group and its shareholders. The Board will nevertheless review and evaluate the appropriateness of the composition and size of the Board from time to time.

### 1.3 Board Meetings and Supply of Information

The Board meetings are scheduled in advance at the end of the financial year to enable Directors to plan ahead. The Board holds regular meeting at four (4) times a year with additional meetings to be convened as and when the Board's approval is required. During the financial year ended 31 December 2012, a total of five (5) meetings were held. The record of each Director's attendance thereat is as set out below.

The agenda and full set of board papers are distributed at least one (1) week prior to the meeting of the Board to ensure that sufficient time is given to Directors to review the matters to be discussed. This includes various reports covering market conditions, outlook, investment opportunities and financial performance.

The Directors have full access to the assistance and the services of the Company Secretaries. In addition, Directors may seek advice of independent professionals should they consider it necessary in the course of their duties at the Company's expense.

The Board is supported by Company Secretaries who are qualified, competent and responsible for ensuring that all Board procedures and applicable laws and regulations are complied with. The Company Secretaries attend all board and board committees meetings and ensure that meetings are properly convened and proceedings are properly recorded.

| | **Attendance at Board Meetings** |
|---|---|
| Teo Joo Kim *Executive Chairman* | 5 / 5 |
| Kuok Khoon Kuan *Chief Executive Officer* | 4 / 5 |
| Wu Long Peng *Executive Director* | 5 / 5 |
| Dato' Lim Chee Wah *Non-Executive Non-Independent Director* | 4 / 5 |
| Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid *Non-Executive Independent Director* | 4 / 5 |
| Mohammad bin Abdullah *Non-Executive Independent Director* | 5 / 5 |
| Tay Beng Chai *Non-Executive Independent Director* | 4 / 5 |
| Dato' Mohd Zafer bin Mohd Hashim *Non-Executive Non-Independent Director* | 4 / 5 |

### 1.4 Re-election and Re-appointment

In accordance with the Company's Articles of Association, 1/3 of the Directors or if their number is not 3 or a multiple of 3, then the number nearest 1/3 shall retire from office at every Annual General Meeting and be eligible for re-election.

Pursuant to Section 129(6) of the Companies Act, 1965, Directors who are of or over the age of 70 years shall retire at every Annual General Meeting and may offer themselves for re-appointment to hold office until the next Annual General Meeting.

### 1.5 Directors' Continuing Education Programmes

All Directors of the Company have attended the Mandatory Accreditation Programme prescribed by the Bursa Malaysia Securities Berhad. The Directors are encouraged to attend continuing education programmes and seminars so as to keep abreast with current developments in the industry as well as the current changes in laws and regulations.

During the financial year ended 31 December 2012, all Directors have attended conferences and seminars in areas that are relevant to the Group's business activities. Some of the conferences and seminars attended by the Directors were as follows:

<u>On Corporate, Financial and Governance issues</u>

- Role of the Audit Committee in Assuring Audit Quality
- Governance, Risk Management and Compliance
- Key provisions in the proposed Companies Bill
- The Malaysian Code of Corporate Governance 2012 – Practical Challenges for Directors of Listed Companies
- Highlights of New Legislations, viz the Minimum Retirement Age Act 2012, the Minimum Wages Order 2012, the Personal Data Protection Act 2010 and Section 114A of the Evidence Act 1950
- Internal Control Framework – A Practical Insight In Doing It Right
- Roles and Responsibilities for Financial Reporting
- MIA Conference

<u>On Commercial and Business issues</u>

- Market Outlook
- Bulk Carrier Seminar
- Bimco Seminar
- Vessel Financing
- Debt Market & Financing Option
- Annual Offshore Support Journal (OSJ) Conference
- Offshore Technology Conference (OTC)

### 1.6 Board Committees

The Board has delegated specific responsibilities to the following Board Committees:

**Audit Committee**

The composition, terms of reference and summary of the activities of the Audit Committee is presented on pages 21 and 22 of this Annual Report.

**Nomination & Remuneration Committee**

The Nomination & Remuneration Committee was established on 18 March 2005 following the merger of the Nomination Committee and the Remuneration Committee, with duties, functions and responsibilities remaining in accordance with those provided by the Malaysian Code on Corporate Governance, and agreed upon by the Board and the Nomination & Remuneration Committee.

The Nomination & Remuneration Committee comprises of 3 Non-Executive Directors, with 2 being Independent Directors.

During the financial year ended 31 December 2012, the Nomination & Remuneration Committee had one (1) meeting, with full attendance at the meeting.

## 2. DIRECTORS' REMUNERATION

Details of the Directors' remuneration for the financial year ended 31 December 2012 are as follows:

| | Executive Directors (RM) | Non-Executive Directors (RM) |
|---|---|---|
| Fees | 160,000 | 313,000 |
| Attendance Fee | 14,000 | 38,000 |
| Total | 174,000 | 351,000 |

The Directors' remuneration for the financial year ended 31 December 2012 fall within the following bands:

| | Executive Directors | Non-Executive Directors |
|---|---|---|
| Below RM50,000 | - | - |
| RM50,000 to RM100,000 | 3 | 5 |
| Total | 3 | 5 |

## 3. SHAREHOLDERS COMMUNICATIONS AND INVESTORS RELATIONS

The Company is committed to maintaining good communications with its shareholders and investing community. In this respect, announcements are made as and when necessary to inform investors about developments and events within the Group, including timely release of the quarterly financial results.

Briefings are held after the release of financial results for the media, fund managers and analysts for an overview of the Group's performance. The Group's quarterly results and announcements can be accessed from the Company's corporate website at www.maybulk.com.my or Bursa Malaysia Securities Berhad's website at www.bursamalaysia.com.

In addition to the published Annual Report and Quarterly Reports announced to Bursa Malaysia Securities Berhad, shareholders and investors may also access information about the Group via the Company's corporate website stated above.

The Annual General Meeting ("AGM") is the principal forum for dialogue with all shareholders. Shareholders are encouraged to attend the AGM and to seek clarification about the performance and operations of the Group.

Any queries about the Group's business and development or concern about the Group can be conveyed through the Company Secretaries or raised at the Company's AGM.

## 4. ACCOUNTABILITY AND AUDIT

### 4.1 Financial Reporting

The Board considers that it has provided a balanced, fair and representative assessment of its business in its quarterly results and annual financial statements.

The Board is assisted by the Audit Committee in overseeing the financial reporting process of MBC Group. The Audit Committee reviews the appropriateness of the Group's accounting policies to comply with accounting standards and regulatory requirements.

The statement explaining the Board of Directors' responsibility for preparing the annual financial statements is set out on page 72 of this Annual Report.

### 4.2 Relationship with Auditors

The Board maintains a formal, professional and transparent relationship with the External Auditors through the Audit Committee. The role of the Audit Committee in relation to the external auditors is set out on pages 21 to 22 of this Annual Report.

### 4.3 Internal Control

The statement on the Company's risk management and internal control systems is set out on pages 23 and 24 of this Annual Report.

The Board is committed to ensuring that the Company complies with the Principles and Best Practices of the Code.

## 1. THE AUDIT COMMITTEE

The Audit Committee comprises three (3) members of the Board, all of whom are Non-Executive Independent Directors. The members during the financial year ended 31 December 2012 are as follows:-

Mohammad bin Abdullah (Chairman), *Non-Executive Independent Director*
*A member of the Malaysian Institute of Accountants (MIA)*

Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid, *Non-Executive Independent Director*

Tay Beng Chai, *Non-Executive Independent Director*

## 2. MEETINGS AND ATTENDANCE

The Audit Committee meets periodically to carry out its functions and duties in accordance with its Terms of Reference. During the financial year ended 31 December 2012, the Audit Committee held five (5) meetings and the record of each Audit Committee member's attendance is set out as below:-

| | **Attendance at Audit Committee Meeting** |
|---|---|
| Mohammad bin Abdullah | 5/5 |
| Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid | 4/5 |
| Tay Beng Chai | 5/5 |

## 3. SUMMARY OF TERMS OF REFERENCE

### 3.1 Purpose

The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its responsibilities for the financial reporting process, system of internal control and risk management, audit process, and the Company's process for monitoring compliance with laws and regulations and the code of conduct.

### 3.2 Duties and Responsibilities

The Audit Committee shall, amongst others, discharge the following duties and responsibilities:

- Review with the Internal Auditors, the scope, functions, competency and adequacy of resources, authority, internal audit programme and results, processes or investigation undertaken and the action taken on their recommendations;

- Review the quarterly results and annual financial statements of the Group prior to the approval by the Board of Directors, focusing on:

    - any changes in accounting policies and practices
    - significant adjustments arising from the audit
    - the going concern assumption
    - compliance with accounting standards and other legal requirements

- Review any related party transaction and conflict of interest situation, including any transaction, procedure or course of conduct;

- Review with the External and Internal Auditors, the effectiveness of the Group's system of internal controls, including information technology security and control;

- Review the effectiveness of the External Auditors, including their appointment, audit fee and any questions of resignation or dismissal;

- Discuss with the External Auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

- Review the External Auditors' management letter and management's response thereto;

### 3.2 Duties and Responsibilities (cont'd)

- Review the effectiveness of the Internal Auditors' functions, including appraisal or assessment of the performance of the Chief Audit Executive, approve the appointment or termination of senior internal audit staff, and inform itself of the resignations of internal audit staff and provide the resigning staff member an opportunity to submit his reasons for resigning;

- Consider other topics as defined by the Board of Directors; and

- Report its activities, issues and related recommendations to the Board of Directors, and any matter which has not been satisfactorily resolved, thus resulting in a breach of the Main Market Listing Requirements.

## 4. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

For the financial year ended 31 December 2012, the Audit Committee discharged its duties and responsibilities in accordance with its Terms of Reference. The main areas of activities undertaken by the Audit Committee were as follows:-

(a) reviewed the Internal Audit plan;

(b) reviewed the major findings of Internal Auditors' reports and their recommendations relating thereto;

(c) reviewed the quarterly results/announcements of the Company and made recommendations to the Board of Directors for approval prior to the release of the results to Bursa Malaysia Securities Berhad;

(d) reviewed the annual audited financial statements of the Group/Company and made relevant recommendations to the Board of Directors for approval;

(e) reviewed the Internal Auditors' reports on related party transactions undertaken by the Group including the procedures monitoring recurrent related party transactions;

(f) reviewed the Internal Quality Assessment of the Internal Audit activity;

(g) reviewed with the External Auditors their audit plan;

(h) reviewed the External Auditors' audit findings and recommendations to the Board of Directors for further action where appropriate;

(i) reviewed the Audit Committee Report and Statement on Internal Control;

(j) reviewed the Self-Assessment report on IT Security for the Group;

(k) reviewed and approved the Circular to Shareholders on Proposed Renewal of and Additional Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature; and

(l) met with the External Auditors twice without any executive Board members and management staff present.

## 5. SUMMARY OF THE ACTIVITIES OF INTERNAL AUDIT

The Audit Committee in particular, is assisted by the in-house Internal Audit Department who undertake the audit and compliance functions of the Group in line with the Internal Audit plan.

Internal Audit focuses on determining whether the controls provide reasonable assurance of effective and efficient operations, as to reliability and integrity of financial data and reports, and compliance with laws, regulations and contracts.

The Internal Audit Plan covers the examination and evaluation of the adequacy and effectiveness of internal control systems and the quality of compliance to the internal control systems which comprises key components of control environment, risk assessment process, operational control activities, information and communication system and monitoring practices. An internal self-assessment of the internal audit activity was also conducted for internal auditing work performed during the year, as part of a Quality Assurance and Improvement program for the internal audit activity.

The cost incurred by the Internal Audit Department for the financial year ended 31 December 2012 was RM503,683 (FY2011: RM493,000).

# Statement on Risk Management and Internal Control

This Statement on Risk Management and Internal Control is made pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad as well as the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers.

1. **Board Responsibility**

   The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's system of internal controls and risk management, and for reviewing the adequacy and effectiveness of the internal control and risk management systems to ensure that shareholders' investment and the Group's assets are safeguarded.

   The internal control and risk management systems are designed to identify and manage risk rather than to eliminate the risk of failure to achieve business objectives. Therefore, these systems only provide reasonable, but not absolute assurance against any material misstatements, fraud or loss.

2. **Risk Management**

   The Board is directly involved in assessing the major risks associated with the Group's business.

   The Group's risk management process covering the Group's core business activities is an integral part of its daily activities in identifying, listing and evaluating the significant business risks faced by the Group. The process of reviewing the adequacy and effectiveness of the risk management process is incorporated within the Internal Audit function which reports to the Audit Committee of any weaknesses identified.

3. **Internal Control**

   The key elements of the Group's internal control comprise the following:

   **Control Structure**

   The Board has established a structure with clearly defined areas of responsibility and delegated authority.

   The Audit Committee assists the Board in its responsibilities over the system of internal control. Its independence is assured by the current composition comprising all members who are Non-Executive Independent Directors. As highlighted in the Audit Committee Report, the Audit Committee has full access to and direct communication with the External and Internal Auditors in discharging its responsibilities.

   The Internal Auditors assist the Audit Committee with the examination and evaluation of the adequacy and effectiveness of the internal control system, including control environment, risk assessment process and operational control activities.

   **Financial Authority Limits/Operations Manual**

   The Group's Financial Authority Limits and Operations Manual provide the framework for management to deal with business and operational risks and the procedures for reporting information to the Board. These are properly documented and reviewed on an ongoing basis.

   **Annual Budget**

   The budgeting process takes place annually. Each business unit prepares its own budget for review by the Executive Directors, and approval by the Board. When setting budgets, Management identifies, evaluates and reports the potential business risks. The Group's overall performance is monitored against the approved budget and is reviewed by the Board on a quarterly basis.

   **Financial/Operations Report**

   The Board reviews management reports on the financial results, business and market activities and the Group's operations on a quarterly basis. The Executive Directors review these matters on a continuing basis.

3. **Internal Control** (cont'd)

**Code of Ethics and Code of Conduct**

The standard of ethics and conduct is set out in the Employment Handbook which is communicated to all employees of the Group.

**Disaster Recovery Planning (DRP)**

A Disaster Recovery Planning is in place to ensure continuity of business operations in the event of a disaster. The DRP testing is carried out annually.

**Human Resource**

Emphasis is also placed on the quality and competency of employees with continuing training and development encouraged.

**Associate and Jointly Controlled Entities**

Financial and operational information of associate and jointly controlled entities are provided to management of the Group. Jointly controlled entities are commercially and operationally managed by the Group and falls within the internal audit jurisdiction of the Group. The associate is part of the Pacific Carriers Limited Group which has its audit committee and internal audit function to oversee internal controls and risk.

The Group also has representation on the boards of the associate and jointly controlled entities.

4. **Monitoring and Review Activities**

The processes for monitoring the internal control and risk management systems are embedded in the periodic examination by the Internal Auditors of the adequacy and effectiveness of internal control and risk management.

The findings of the Internal Auditors are reported directly to the Audit Committee. The Audit Committee also reviews the reports from the External Auditors on issues relating to internal controls and financial reporting. The Audit Committee in turn reports to the Board, its findings and consequently its conclusion on the effectiveness of the internal control and risk management systems annually.

There are no material internal control failures or any reported weaknesses that have resulted in material financial losses or contingencies during the financial year ended 31 December 2012.

5. **Effectiveness of Internal Control and Risk Management**

The Board believes that the Group's systems of internal control and risk management provide a reasonable though not absolute assurance that weaknesses or deficiencies will be identified and when identified, corrective action can and will be taken in a timely manner.

The Board regularly reviews the internal control and risk management systems and where necessary, will take steps to improve it.

The Board confirms that it has reviewed the effectiveness of the systems of internal control and risk management and is not aware of any significant weakness or deficiency for the financial year ended 31 December 2012 and up to the date of approval of this Statement on Risk Management and Internal Control.

6. **Review of the Statement By External Auditors**

Pursuant to Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with Recommended Practice Guide ("RPG") 5 issued by the Malaysian Institute of Accountants. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and effectiveness of the risk management and internal control system of the Group. RPG 5 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.


# Financial Statements

# Directors' Report

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

**Principal activities**

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries are disclosed in Note 12 to the financial statements.

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

**Financial results**

| | Group RM'000 | Company RM'000 |
|---|---|---|
| Profit for the year | 65,665 | 15,636 |
| Attributable to: | | |
| Equity holders of the Company | 66,049 | 15,636 |
| Non-controlling interests | (384) | - |
| | 65,665 | 15,636 |

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

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

**Dividends**

Since the end of the previous financial year, the Company paid a final single tier dividend of 3 sen per ordinary share amounting to RM30,000,000 in respect of the financial year ended 31 December 2011 on 20 June 2012.

The Directors have recommended a final single tier dividend of 3 sen per ordinary share, amounting to RM30,000,000 in respect of the financial year ended 31 December 2012 for shareholders' approval at the forthcoming Annual General Meeting of the Company. The proposed dividend is not reflected in the current year's financial statements. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2013.

**Directors**

The Directors of the Company in office since the date of the last report and at the date of this report are:

Teo Joo Kim
Kuok Khoon Kuan
Wu Long Peng
Dato' Lim Chee Wah
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid
Mohammad bin Abdullah
Tay Beng Chai
Dato' Mohd Zafer bin Mohd Hashim

**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, except as disclosed in Note 27 to the financial statements.

**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 of RM0.25 each | | | |
|---|---|---|---|---|
| | At | During the year | | At |
| | 1.1.2012 | Bought | Sold | 31.12.2012 |
| **Direct interests** | | | | |
| Teo Joo Kim | - | 731,100 | - | 731,100 |
| Kuok Khoon Kuan | 2,098,750 | - | (830,000) | 1,268,750 |
| Wu Long Peng | 1,625,000 | - | - | 1,625,000 |
| Dato' Lim Chee Wah | 994,000 | - | (994,000) | - |
| Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid | 570,000 | - | (70,000) | 500,000 |
| Tay Beng Chai | 375,000 | - | (100,000) | 275,000 |
| Mohammad bin Abdullah | 125,000 | - | - | 125,000 |
| **Indirect interests** | | | | |
| Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid | - | 10,000 | - | 10,000 |
| Tay Beng Chai | 2,500 | - | - | 2,500 |

Dato' Mohd Zafer bin Mohd Hashim does 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.

(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; or

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

**Other statutory information** (cont'd)

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

**Significant events**

The significant events during the financial year are disclosed in Note 32 to the financial statements.

**Subsequent event**

Details of event subsequent to the financial year are disclosed in Note 33 to the financial statements.

**Auditors**

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 22 April 2013.

Kuok Khoon Kuan

Wu Long Peng

# Statement by Directors

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

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 32 to 68 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the year then ended.

The information set out in Note 34 on page 68 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 22 April 2013.

Kuok Khoon Kuan

Wu Long Peng

# Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

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 32 to 68 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 22 April 2013

Tan Kim Hoon

Before me,

Commissioner for Oaths

# Independent Auditors' Report

to the members of Malaysian Bulk Carriers Berhad *(Incorporated in Malaysia)*

**Report on the financial statements**

We have audited the financial statements of Malaysian Bulk Carriers Berhad, which comprise the statements of financial position as at 31 December 2012 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 a summary of significant accounting policies and other explanatory information, as set out on pages 32 to 68.

*Directors' responsibility for the financial statements*

The directors of the Company are responsible for the preparation of financial statements 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, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' responsibility*

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

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

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

*Opinion*

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

**Report on other legal and regulatory requirements**

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

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

(b) We have considered the financial statements and the auditors' report of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 12 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

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

**Other reporting responsibilities**

The supplementary information set out in Note 34 on page 68 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**Other matters**

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

Ernst & Young
AF: 0039
Chartered Accountants

Kua Choo Kai
No. 2030/03/14(J)
Chartered Accountant

Kuala Lumpur, Malaysia
22 April 2013

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2012 | 2011 | 2012 | 2011 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 4 | 262,266 | 363,938 | - | 20,605 |
| Voyage expenses | | (104,871) | (107,629) | - | - |
| | | 157,395 | 256,309 | - | 20,605 |
| Operating expenses | | (165,054) | (172,260) | - | - |
| | | (7,659) | 84,049 | - | 20,605 |
| Other operating income/(loss), net | 5 | 41,780 | 13,299 | 22,115 | 9,037 |
| Administration expenses | | (10,905) | (13,495) | (6,573) | (6,840) |
| Profit from operations | | 23,216 | 83,853 | 15,542 | 22,802 |
| Finance costs | | (1,972) | (1,876) | - | - |
| Share of results of an associate | | 35,257 | 17,023 | - | - |
| Share of results of jointly controlled entities | | 9,950 | 12,494 | - | - |
| Profit before taxation | 6 | 66,451 | 111,494 | 15,542 | 22,802 |
| Taxation | 9 | (786) | (1,430) | 94 | (253) |
| Profit for the year | | 65,665 | 110,064 | 15,636 | 22,549 |
| Attributable to: | | | | | |
| Equity holders of the Company | | 66,049 | 108,000 | 15,636 | 22,549 |
| Non-controlling interests | | (384) | 2,064 | - | - |
| | | 65,665 | 110,064 | 15,636 | 22,549 |
| **Earnings per share (sen)** | 10 | 6.60 | 10.80 | | |

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

# Statements of Comprehensive Income for the year ended 31 December 2012

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Profit for the year | 65,665 | 110,064 | 15,636 | 22,549 |
| Other comprehensive (loss)/income: | | | | |
| Currency translation differences | (61,392) | 47,885 | (41,044) | 28,635 |
| Realisation of reserves on liquidation of subsidiaries | (506) | - | - | - |
| Total comprehensive income/(loss) for the year | 3,767 | 157,949 | (25,408) | 51,184 |
| Total comprehensive income/(loss) attributable to: | | | | |
| Equity holders of the Company | 6,084 | 154,348 | (25,408) | 51,184 |
| Non-controlling interests | (2,317) | 3,601 | - | - |
| | 3,767 | 157,949 | (25,408) | 51,184 |

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

# Consolidated Statement of Financial Position as at 31 December 2012

| | Note | Group 31.12.2012 RM'000 | 31.12.2011 RM'000 | 1.1.2011 RM'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Fixed assets | 11 | 483,277 | 549,743 | 562,391 |
| Associate | 13 | 885,834 | 781,743 | 746,052 |
| Jointly controlled entities | 14 | 190,993 | 188,910 | 136,921 |
| **Total non-current assets** | | 1,560,104 | 1,520,396 | 1,445,364 |
| **Current assets** | | | | |
| Consumable stores | 15 | 10,364 | 6,975 | 10,699 |
| Trade and other receivables | 16 | 47,990 | 37,119 | 44,160 |
| Investments | 18 | 91,903 | 121,826 | 127,476 |
| Short term deposits | 19 | 51,923 | 148,928 | 297,477 |
| Cash and bank balances | | 138,187 | 149,945 | 19,215 |
| | | 340,367 | 464,793 | 499,027 |
| Non-current assets classified as held for sale | 20 | 6,366 | 2,526 | 52,863 |
| **Total current assets** | | 346,733 | 467,319 | 551,890 |
| **Total assets** | | 1,906,837 | 1,987,715 | 1,997,254 |
| **Equity and liabilities** | | | | |
| **Equity attributable to equity holders of the Company** | | | | |
| Share capital | 21 | 250,000 | 250,000 | 250,000 |
| Reserves | 22 | 1,466,217 | 1,490,133 | 1,435,785 |
| | | 1,716,217 | 1,740,133 | 1,685,785 |
| Non-controlling interests | | 53,400 | 55,717 | 56,634 |
| **Total equity** | | 1,769,617 | 1,795,850 | 1,742,419 |
| **Non-current liability** | | | | |
| Borrowings | 23 | 33,516 | 108,523 | 107,013 |
| **Total non-current liability** | | 33,516 | 108,523 | 107,013 |
| **Current liabilities** | | | | |
| Trade and other payables | 24 | 30,436 | 35,188 | 104,050 |
| Borrowings | 23 | 73,077 | 47,834 | 43,148 |
| Provision for taxation | | 191 | 320 | 624 |
| **Total current liabilities** | | 103,704 | 83,342 | 147,822 |
| **Total liabilities** | | 137,220 | 191,865 | 254,835 |
| **Total equity and liabilities** | | 1,906,837 | 1,987,715 | 1,997,254 |

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

# Statement of Financial Position as at 31 December 2012

| | Note | 31.12.2012 RM'000 | Company 31.12.2011 RM'000 | 1.1.2011 RM'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Fixed assets | 11 | 6,011 | 6,469 | 6,478 |
| Subsidiaries | 12 | 1,055,803 | 1,065,240 | 1,091,970 |
| **Total non-current assets** | | 1,061,814 | 1,071,709 | 1,098,448 |
| **Current assets** | | | | |
| Trade and other receivables | 16 | 2,979 | 3,343 | 3,906 |
| Amounts due from subsidiaries | 17 | 2,457 | 5,711 | 3,540 |
| Short term deposits | 19 | 19,265 | 21,170 | 120,560 |
| Cash and bank balances | | 21,340 | 61,063 | 9,550 |
| **Total current assets** | | 46,041 | 91,287 | 137,556 |
| **Total assets** | | 1,107,855 | 1,162,996 | 1,236,004 |
| **Equity and liabilities** | | | | |
| **Equity attributable to equity holders of the Company** | | | | |
| Share capital | 21 | 250,000 | 250,000 | 250,000 |
| Reserves | 22 | 855,128 | 910,536 | 959,352 |
| **Total equity** | | 1,105,128 | 1,160,536 | 1,209,352 |
| **Current liabilities** | | | | |
| Trade and other payables | 24 | 2,415 | 2,312 | 2,712 |
| Amounts due to subsidiaries | 17 | 312 | 148 | 23,865 |
| Provision for taxation | | - | - | 75 |
| **Total current liabilities** | | 2,727 | 2,460 | 26,652 |
| **Total liabilities** | | 2,727 | 2,460 | 26,652 |
| **Total equity and liabilities** | | 1,107,855 | 1,162,996 | 1,236,004 |

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

| | Attributable to Equity Holders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Distributable | Non-distributable | | | | | | |
| | Share capital RM'000 | Retained profits (Note 22(a)) RM'000 | Share premium RM'000 | Capital reserve (Note 22(b)) RM'000 | Capital redemption reserve (Note 22(c)) RM'000 | Exchange translation reserve RM'000 | Total reserves RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
| **Group** | | | | | | | | | |
| **At 1 January 2011** | 250,000 | 1,333,785 | 48,791 | 13,209 | 40,000 | - | 1,435,785 | 56,634 | 1,742,419 |
| Total comprehensive income for the year | - | 108,000 | - | - | - | 46,348 | 154,348 | 3,601 | 157,949 |
| Dividends (Note 25) | - | (100,000) | - | - | - | - | (100,000) | - | (100,000) |
| Dividend paid to non-controlling interests | - | - | - | - | - | - | - | (4,518) | (4,518) |
| **At 31 December 2011** | 250,000 | 1,341,785 | 48,791 | 13,209 | 40,000 | 46,348 | 1,490,133 | 55,717 | 1,795,850 |
| **At 1 January 2012** | 250,000 | 1,341,785 | 48,791 | 13,209 | 40,000 | 46,348 | 1,490,133 | 55,717 | 1,795,850 |
| Total comprehensive income/(loss) for the year | - | 66,049 | - | - | - | (59,965) | 6,084 | (2,317) | 3,767 |
| Dividends (Note 25) | - | (30,000) | - | - | - | - | (30,000) | - | (30,000) |
| **At 31 December 2012** | 250,000 | 1,377,834 | 48,791 | 13,209 | 40,000 | (13,617) | 1,466,217 | 53,400 | 1,769,617 |

| | | Distributable | Non-distributable | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital RM'000 | Retained profits (Note 22(a)) RM'000 | Share premium RM'000 | Capital reserve (Note 22(b)) RM'000 | Capital redemption reserve (Note 22(c)) RM'000 | Exchange translation reserve RM'000 | Total reserves RM'000 | Total equity RM'000 |
| **Company** | | | | | | | | |
| **At 1 January 2011** | 250,000 | 850,287 | 48,791 | 20,274 | 40,000 | - | 959,352 | 1,209,352 |
| Total comprehensive income for the year | - | 22,549 | - | - | - | 28,635 | 51,184 | 51,184 |
| Dividends (Note 25) | - | (100,000) | - | - | - | - | (100,000) | (100,000) |
| **At 31 December 2011** | 250,000 | 772,836 | 48,791 | 20,274 | 40,000 | 28,635 | 910,536 | 1,160,536 |
| **At 1 January 2012** | 250,000 | 772,836 | 48,791 | 20,274 | 40,000 | 28,635 | 910,536 | 1,160,536 |
| Total comprehensive income/(loss) for the year | - | 15,636 | - | - | - | (41,044) | (25,408) | (25,408) |
| Dividends (Note 25) | - | (30,000) | - | - | - | - | (30,000) | (30,000) |
| **At 31 December 2012** | 250,000 | 758,472 | 48,791 | 20,274 | 40,000 | (12,409) | 855,128 | 1,105,128 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Cash flows from operating activities** | | | | |
| Profit before taxation | 66,451 | 111,494 | 15,542 | 22,802 |
| Adjustments for: | | | | |
| Depreciation | 28,032 | 28,791 | 297 | 346 |
| (Surplus)/loss arising from liquidation of subsidiaries | - | - | (16,255) | 608 |
| Writeback of allowance for impairment of trade receivables | - | (2) | - | - |
| Gain on disposal of fixed assets | (11,102) | (4,629) | - | - |
| (Gain)/loss on disposal of investments | (3,066) | 13 | - | - |
| Fair value (gain)/loss on investments | (15,446) | 13,219 | - | - |
| Unrealised foreign exchange (gain)/loss | (471) | 177 | 18 | (17) |
| Fair value (gain)/loss on forward foreign exchange contracts | (1,180) | 2,243 | - | - |
| Dividends from subsidiaries | - | - | - | (20,605) |
| Interest income | (2,539) | (1,301) | (667) | (429) |
| Finance costs | 1,972 | 1,876 | - | - |
| Reversal of accrual on lease structure | - | (15,667) | - | - |
| Realisation of reserves on liquidation of subsidiaries | (506) | - | - | - |
| Share of results of an associate | (35,257) | (17,023) | - | - |
| Share of results of jointly controlled entities | (9,950) | (12,494) | - | - |
| Operating profit/(loss) before working capital changes | 16,938 | 106,697 | (1,065) | 2,705 |
| Changes in working capital: | | | | |
| Consumable stores | (3,568) | 4,166 | - | - |
| Receivables | (10,370) | 12,813 | 270 | 506 |
| Payables | (5,065) | (56,162) | 109 | (396) |
| Subsidiaries | - | - | (9,054) | 33,708 |
| Cash (used in)/generated from operations | (2,065) | 67,514 | (9,740) | 36,523 |
| Tax paid, net of tax refund | (1,024) | (1,667) | (15) | (344) |
| Net cash (used in)/generated from operating activities | (3,089) | 65,847 | (9,755) | 36,179 |
| **Cash flows from investing activities** | | | | |
| Purchase of new equipment and capitalisation of dry docking cost | (643) | (3,313) | - | - |
| Purchase of other fixed assets | (71) | (228) | (69) | (156) |
| Purchase of investments | - | (4,242) | - | - |
| Dividends from subsidiaries | - | - | - | 20,605 |
| Dividends from jointly controlled entities | 856 | 16,491 | - | - |
| Dividend from an associate | - | 3,734 | - | - |
| Interest received | 2,539 | 1,301 | 667 | 429 |
| Proceeds from disposal of investments | 45,466 | 28 | - | - |
| Proceeds from disposal of fixed assets | 27,709 | 57,492 | - | - |
| Proportionate shareholder's advance to jointly controlled entities | - | (53,194) | - | - |
| Repayment from/(advances to) jointly controlled entities | 97 | (821) | - | - |
| Investment in an associate | (97,351) | - | - | - |
| Repayment of shareholder's advance from jointly controlled entities | - | 2,303 | - | - |
| Net cash (used in)/generated from investing activities | (21,398) | 19,551 | 598 | 20,878 |
| Cash flows carried forward | (24,487) | 85,398 | (9,157) | 57,057 |

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash flows brought forward | (24,487) | 85,398 | (9,157) | 57,057 |
| **Cash flows from financing activities** | | | | |
| Finance costs paid | (1,972) | (1,876) | - | - |
| Repayment of loans | (44,176) | (47,037) | - | - |
| Drawdown of loans | - | 48,325 | - | - |
| Dividends paid to shareholders | (30,000) | (100,000) | (30,000) | (100,000) |
| Dividend paid to non-controlling interests | - | (4,518) | - | - |
| Net cash used in financing activities | (76,148) | (105,106) | (30,000) | (100,000) |
| **Net change in cash and cash equivalents** | (100,635) | (19,708) | (39,157) | (42,943) |
| **Effects of foreign exchange rate changes** | (8,128) | 1,889 | (2,471) | (4,934) |
| **Cash and cash equivalents brought forward** | 298,873 | 316,692 | 82,233 | 130,110 |
| **Cash and cash equivalents carried forward** | 190,110 | 298,873 | 40,605 | 82,233 |
| Cash and cash equivalents comprise: | | | | |
| Short term deposits | 51,923 | 148,928 | 19,265 | 21,170 |
| Cash and bank balances | 138,187 | 149,945 | 21,340 | 61,063 |
| | 190,110 | 298,873 | 40,605 | 82,233 |

*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 Company is principally engaged in investment holding whilst the principal activities of the subsidiaries are disclosed in Note 12.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 22 April 2013.

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 ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 1965 in Malaysia.

In the previous years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRSs"). The effects on adopting MFRS framework are disclosed in Note 2.2.

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 Effects of adopting MFRS Framework**

These audited financial statements are the Group's and the Company's first annual financial statements prepared under the MFRS framework. Accordingly, the Group and the Company have applied MFRS 1 - First-time Adoption of Malaysian Financial Reporting Standards upon their adoption of the MFRS framework on 1 January 2012.

In the preparation of the Group's and the Company's opening MFRS statements of financial position as at 1 January 2011, the amounts previously reported in accordance with the previous FRS framework have been adjusted for the financial effects of the adoption of the MFRS framework. There are no other adjustments arising from the transition to MFRS, except for those discussed below.

Accordingly, notes related to the statements of financial position as at the date of transition to MFRS are only presented for those items.

**Currency translation reserve**

Under FRS, the Group and the Company recognised currency translation differences on foreign operations in a separate component of equity. Upon the transition to MFRS, the Group and the Company have elected to deem all cumulative currency translation differences to be zero at the transition date and as a result, a transfer of RM16,691,000 currency translation differences from exchange translation reserve to income statement of the Group for the financial year ended 31 December 2011 was reversed.

At date of transition to MFRS, the Group's and the Company's cumulative currency translation differences of RM247,008,000 (31 December 2011: RM230,317,000) and RM107,672,000 (31 December 2011: RM107,672,000) respectively were adjusted to retained profits.

**2. Significant accounting policies** (cont'd)

**2.2 Effects of adopting MFRS Framework** (cont'd)

The effects of transition from FRS to MFRS are as follows:

**(i) Statements of financial position**

| | Under the FRS framework RM'000 | Effects of MFRS adoption RM'000 | Under the MFRS framework RM'000 |
|---|---|---|---|
| **As at 1 January 2011** | | | |
| **Group** | | | |
| **Equity** | | | |
| Retained profits | 1,580,793 | (247,008) | 1,333,785 |
| Exchange translation reserve | (247,008) | 247,008 | - |
| **Company** | | | |
| **Equity** | | | |
| Retained profits | 957,959 | (107,672) | 850,287 |
| Exchange translation reserve | (107,672) | 107,672 | - |
| **As at 31 December 2011** | | | |
| **Group** | | | |
| **Equity** | | | |
| Retained profits | 1,572,102 | (230,317) | 1,341,785 |
| Exchange translation reserve | (183,969) | 230,317 | 46,348 |
| **Company** | | | |
| **Equity** | | | |
| Retained profits | 880,508 | (107,672) | 772,836 |
| Exchange translation reserve | (79,037) | 107,672 | 28,635 |

**(ii) Income statement and statement of comprehensive income**

| **For the year ended 31 December 2011** | Under the FRS framework RM'000 | Effects of MFRS adoption RM'000 | Under the MFRS framework RM'000 |
|---|---|---|---|
| **Group** | | | |
| Other operating income/(loss), net | (3,392) | 16,691 | 13,299 |
| Profit for the year | 93,373 | 16,691 | 110,064 |
| Other comprehensive income/(loss): | | | |
| - Currency translation differences | 47,885 | - | 47,885 |
| - Realisation of reserves on liquidation of subsidiaries | 16,691 | (16,691) | - |
| Total comprehensive income for the year | 157,949 | - | 157,949 |

(iii) There were no material differences between the statement of cash flows presented under the MFRSs and the statement of cash flows presented under FRSs.

## 2. **Significant accounting policies** (cont'd)

### 2.3 Standards issued but not yet effective

The Group and the Company have not adopted the new and amended Malaysian Financial Reporting Standards and IC Interpretations that have been issued but not yet effective and will adopt these standards when they become effective. The Group is currently assessing the implications and financial impact of the application of these standards and interpretations.

### 2.4 Basis of consolidation

(i) Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

Subsidiaries are consolidated using the acquisition method of accounting except for those subsidiaries indicated in Note 12 which are consolidated using the merger 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. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated statement of financial position. Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Under the merger method of accounting, the subsidiaries are consolidated as if the companies had been combined throughout the current and previous financial years. The difference between the cost of acquisition over the nominal value of share capital is classified as capital reserve.

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

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets. Changes in the Company owners' 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.

(ii) Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence over the financial and operating policies. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2. **Significant accounting policies** (cont'd)

**2.4 Basis of consolidation** (cont'd)

(iii) Jointly controlled entities

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

Investments in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting based on the audited financial statements of the jointly controlled entities.

**2.5 Investments in subsidiaries, associates and jointly controlled entities**

Investments in subsidiaries, associates and jointly controlled entities are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.14.

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

**2.6 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 obsolete and slow-moving items.

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

**2.7 Fixed assets and depreciation**

Fixed assets are stated at cost less depreciation and impairment losses. Depreciation is calculated utilising the straight line method to write off the cost, less estimated scrap value over their expected useful lives. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.14. Cost of vessels 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.

Dry docking costs which enhance the useful lives of the vessels are capitalised in the year in which they are incurred and amortised over the periods until the next dry docking.

The depreciation rates used are as follows:

| | |
|---|---|
| Vessels | 25 years |
| Dry docking | 2-3 years |
| Vehicles | 20% per annum |
| Office equipment | 20% - 33 ⅓% per annum |
| Renovations | 33 ⅓% per annum |
| Furniture and fittings | 10% per annum |
| Leasehold properties | 99 years |

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

An item of fixed asset 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. **Significant accounting policies** (cont'd)

### 2.8 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.

(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 using the effective interest method, 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.

*Determination of fair value*

The fair values of quoted financial assets are based on quoted market bid prices at the reporting date. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to the current market value of other instruments that are substantially the same, discounted cash flow analysis or other valuation models.

*Derecognition*

A financial asset is derecognised when 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.

### 2.9 Impairment of financial assets

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

**2. Significant accounting policies** (cont'd)

**2.9 Impairment of financial assets** (cont'd)

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the 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.

**2.10 Investment securities**

Investment securities are classified as financial assets at fair value through profit or loss. The accounting policy for financial assets at fair value through profit or loss is stated in Note 2.8(i).

**2.11 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 recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

**2.12 Foreign currencies**

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the functional currency). The Company has identified United States Dollar (USD) as its functional currency as the Company operates in an international market where the functional currency is mainly USD. The financial statements are presented in Ringgit Malaysia (RM).

(ii) Foreign currency transactions

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 reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

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

(iii) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in profit or loss.

## 2. Significant accounting policies (cont'd)

### 2.13 Cash and cash equivalents

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

### 2.14 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. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate based on the weighted average cost of capital and the risks specific to the asset.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on forecast calculations which are prepared separately for each cash-generating unit to which the individual assets are allocated.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

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.

### 2.15 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*

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

*Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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. Significant accounting policies** (cont'd)

### 2.16 Leases

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

Leased assets are depreciated over the estimated useful life of the asset.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

### 2.17 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 except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(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 interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that 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 interests 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.

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 utilised.

## 2. Significant accounting policies (cont'd)

### 2.17 Income tax (cont'd)

(ii) Deferred tax (cont'd)

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 relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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

### 2.18 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.

### 2.19 Derivative financial instruments

Financial derivatives include forward contracts in the foreign exchange and capital markets. Derivatives are stated at fair value. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative, using prevailing market rates. Derivatives with positive market values (fair value gains) are included in other receivables and derivatives with negative market values (fair value losses) are included in other payables in the statements of financial position. The resultant gains and losses from derivatives held for trading purposes are recognised in profit or loss.

### 2.20 Dividends

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained profits, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the articles of association of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

### 2.21 Income recognition

(i) Freight and charter hire are recognised on a time-apportioned basis. Brokerage and commission, and ship management fees are recognised on an accrual basis.

(ii) Dividend income is recognised on a gross basis on the date it is declared payable.

(iii) Interest income is recognised using the effective interest method.

(iv) Rental income arising from operating leases is accounted for on a straight line basis over the lease term.

### 2.22 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.

**2. Significant accounting policies** (cont'd)

**2.22 Employee benefits** (cont'd)

(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.

**2.23 Non-current assets held for sale and discontinued operations**

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.

**2.24 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.

**3. Significant accounting estimates and judgements**

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.

*Judgements made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the consolidated financial statements:

Operating lease commitments - as lessee

The Group entered into long term charter party agreements for the lease of vessels. Based on the terms and conditions of the arrangement, the management has determined that all of the risks and rewards of ownership of these vessels remain with the lessor and has therefore classified the leases as operating leases.

*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:

(a) Impairment of vessels

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model.

3. **Significant accounting estimates and judgements** (cont'd)

*Key sources of estimation uncertainty (cont'd)*

(a) Impairment of vessels (cont'd)

The estimation of the value in use requires the management to make an estimate of the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Further details of the key assumptions applied in the impairment assessment of vessels, are given in Note 11.

(b) 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 and these are common estimates applied in the shipping industry. Changes in the economic useful life or material fluctuations in scrap steel prices might impact future depreciation charges.

4. **Revenue**

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Freight and charter hire | 255,956 | 357,033 | - | - |
| Ship brokerage and management | 6,310 | 6,905 | - | - |
| Dividends from subsidiaries | - | - | - | 20,605 |
| | 262,266 | 363,938 | - | 20,605 |

5. **Other operating income/(loss), net**

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Interest income | 2,539 | 1,301 | 667 | 429 |
| Rental income | 324 | 324 | 492 | 492 |
| Secretarial and accounting fees | 1,060 | 129 | 893 | - |
| Shared services cost | - | - | 3,755 | 3,689 |
| Foreign exchange gain/(loss), net | | | | |
| - realised | 6,013 | 6,901 | 71 | 5,018 |
| - unrealised | 471 | (177) | (18) | 17 |
| Fair value gain/(loss) on | | | | |
| - forward foreign exchange contracts | 1,180 | (2,243) | - | - |
| - investments | 15,446 | (13,219) | - | - |
| Gain/(loss) on disposal of investments | 3,066 | (13) | - | - |
| Surplus/(loss) arising from liquidation of subsidiaries | - | - | 16,255 | (608) |
| Gain on disposal of fixed assets | 11,102 | 4,629 | - | - |
| Reversal of accrual on lease structure | - | 15,667 | - | - |
| Realisation of reserves on liquidation of subsidiaries | 506 | - | - | - |
| Other income | 73 | - | - | - |
| | 41,780 | 13,299 | 22,115 | 9,037 |

## 6. Profit before taxation

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Auditors' remuneration | | | | |
| - current year | 309 | 306 | 80 | 63 |
| - underprovision in prior year | 38 | 4 | 14 | 3 |
| Depreciation (Note 11) | 28,032 | 28,791 | 297 | 346 |
| Personnel expenses (Note 7) | 45,068 | 46,907 | 4,352 | 4,356 |
| Non-executive Directors' remuneration (Note 8) | 359 | 356 | 351 | 348 |
| Writeback of allowance for impairment of trade receivables | - | (2) | - | - |
| Finance costs | | | | |
| - interest on loans | 1,944 | 1,835 | - | - |
| - commission and guarantee fees | 28 | 41 | - | - |
| Shared services cost, net | 2,520 | 4,755 | - | - |

## 7. Personnel expenses

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Wages, salaries and bonus | 35,937 | 36,861 | 3,584 | 3,632 |
| Pension costs | | | | |
| - defined contribution plans | 943 | 905 | 426 | 415 |
| Social security costs | 61 | 56 | 27 | 26 |
| Other staff related expenses | 8,127 | 9,085 | 315 | 283 |
| | 45,068 | 46,907 | 4,352 | 4,356 |

Included in personnel expenses of the Group and of the Company are executive Directors' fees amounting to RM160,000 (2011: RM160,000) and RM160,000 (2011: RM160,000) respectively, as further disclosed in Note 8.

## 8. Directors' remuneration

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Directors of the Company** | | | | |
| Executive Directors: | | | | |
| Fees | 160 | 160 | 160 | 160 |
| Attendance fees | 14 | 12 | 14 | 12 |
| | 174 | 172 | 174 | 172 |
| Non-executive Directors: | | | | |
| Fees | 321 | 321 | 313 | 313 |
| Attendance fees | 38 | 35 | 38 | 35 |
| | 359 | 356 | 351 | 348 |
| | 533 | 528 | 525 | 520 |
| **Other Directors** | | | | |
| Fees | 8 | 8 | - | - |
| Total | 541 | 536 | 525 | 520 |

The number of Directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

| | Number of Directors | |
|---|---|---|
| | 2012 | 2011 |
| Executive Directors: | | |
| RM50,000 - RM100,000 | 3 | 3 |
| Non-executive Directors: | | |
| RM50,000 - RM100,000 | 5 | 5 |
| | 8 | 8 |

## 9. Taxation

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income tax: | | | | |
| Malaysian income tax | 851 | 1,277 | - | 179 |
| Foreign tax | 8 | 28 | - | - |
| (Over)/under provision in prior years | (73) | 125 | (94) | 74 |
| | 786 | 1,430 | (94) | 253 |

Malaysian income tax is calculated at the Malaysian statutory income tax rate of 25% (2011: 25%) of the estimated assessable profit for the year. Taxation in foreign jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

**9. Taxation** (cont'd)

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Profit before taxation | 66,451 | 111,494 | 15,542 | 22,802 |
| Taxation at statutory tax rate of 25% (2011: 25%) | 16,613 | 27,874 | 3,886 | 5,701 |
| Differences in foreign tax rates | (759) | (1,316) | - | - |
| Tax exempt income | (4,975) | (6,209) | - | - |
| Results of companies incorporated in British Virgin Islands (BVI) | (726) | (15,098) | - | - |
| Income not subject to tax | (2,943) | (2,416) | (4,084) | (6,410) |
| Expenses not deductible for tax purposes | 4,950 | 5,850 | 198 | 888 |
| Share of results of an associate | (8,814) | (4,256) | - | - |
| Share of results of jointly controlled entities | (2,487) | (3,124) | - | - |
| (Over)/under provision of tax in prior years | (73) | 125 | (94) | 74 |
| Taxation for the year | 786 | 1,430 | (94) | 253 |

Shipping income derived from the operation of the Group's sea-going Malaysian registered ships and Singapore registered ships is tax exempt under Section 54A of the Malaysian Income Tax Act, 1967 and Section 13A of the Singapore Income Tax Act respectively.

Taxation of the Group is in respect of ship brokerage commission, vessel management fees and interest income.

Taxation of the Company is in respect of interest and rental income.

The Group has not recognised deferred tax asset in respect of the following:

| | Group | |
|---|---|---|
| | **2012** | **2011** |
| | **RM'000** | **RM'000** |
| Unutilised tax losses | - | 5,083 |

The deferred tax asset not recognised in prior year relates to the deferred tax of a subsidiary which is in the process of striking off.

**10. Earnings per share**

**Basic earnings per share**

The basic earnings per share for the year is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

| | Group | |
|---|---|---|
| | **2012** | **2011** |
| Profit attributable to equity holders of the Company (RM'000) | 66,049 | 108,000 |
| Weighted average number of ordinary shares in issue ('000) | 1,000,000 | 1,000,000 |
| Basic earnings per share (sen) | 6.60 | 10.80 |

The Group has no potential ordinary shares in issue as at the reporting date and therefore, diluted earnings per share has not been presented.

## 11. Fixed assets

| Group | Leasehold properties RM'000 | Vessels RM'000 | Dry docking RM'000 | Vehicles RM'000 | Office equipment, renovations, furniture and fittings RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January 2011 | 20,396 | 734,761 | 9,395 | 879 | 1,394 | 766,825 |
| Additions | - | 890 | 2,423 | - | 228 | 3,541 |
| Disposals and write off | - | - | - | - | (3) | (3) |
| Derecognition | - | - | (1,671) | - | - | (1,671) |
| Reclassified as held for sale (Note 20) | (2,880) | - | - | - | - | (2,880) |
| Translation difference | 215 | 21,468 | 412 | 23 | 110 | 22,228 |
| At 31 December 2011 | 17,731 | 757,119 | 10,559 | 902 | 1,729 | 788,040 |
| At 1 January 2012 | 17,731 | 757,119 | 10,559 | 902 | 1,729 | 788,040 |
| Additions | - | 526 | 117 | - | 71 | 714 |
| Disposals and write off | (2,920) | (71,215) | (3,088) | - | (158) | (77,381) |
| Reclassified as held for sale (Note 20) | (7,260) | - | - | - | - | (7,260) |
| Translation difference | (271) | (24,663) | (349) | (28) | (134) | (25,445) |
| At 31 December 2012 | 7,280 | 661,767 | 7,239 | 874 | 1,508 | 678,668 |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2011 | 2,860 | 197,341 | 2,535 | 529 | 1,169 | 204,434 |
| Charge for the year (Note 6) | 192 | 24,255 | 4,014 | 120 | 210 | 28,791 |
| Disposals and write off | - | - | - | - | (3) | (3) |
| Derecognition | - | - | (1,671) | - | - | (1,671) |
| Reclassified as held for sale (Note 20) | (354) | - | - | - | - | (354) |
| Translation difference | 40 | 6,699 | 242 | 15 | 104 | 7,100 |
| At 31 December 2011 | 2,738 | 228,295 | 5,120 | 664 | 1,480 | 238,297 |
| At 1 January 2012 | 2,738 | 228,295 | 5,120 | 664 | 1,480 | 238,297 |
| Charge for the year (Note 6) | 114 | 24,652 | 3,000 | 122 | 144 | 28,032 |
| Disposals and write off | (396) | (60,631) | (2,115) | - | (158) | (63,300) |
| Reclassified as held for sale (Note 20) | (894) | - | - | - | - | (894) |
| Translation difference | (54) | (6,317) | (226) | (20) | (127) | (6,744) |
| At 31 December 2012 | 1,508 | 185,999 | 5,779 | 766 | 1,339 | 195,391 |
| **Net carrying amount** | | | | | | |
| At 31 December 2011 | 14,993 | 528,824 | 5,439 | 238 | 249 | 549,743 |
| At 31 December 2012 | 5,772 | 475,768 | 1,460 | 108 | 169 | 483,277 |

**11. Fixed assets** (cont'd)

| Company | Leasehold properties RM'000 | Vehicles RM'000 | Office equipment, renovations, furniture and fittings RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2011 | 7,336 | 550 | 2,782 | 10,668 |
| Additions | - | - | 156 | 156 |
| Disposals and write off | - | - | (2) | (2) |
| Translation difference | 214 | 16 | 88 | 318 |
| At 31 December 2011 | 7,550 | 566 | 3,024 | 11,140 |
| At 1 January 2012 | 7,550 | 566 | 3,024 | 11,140 |
| Additions | - | - | 69 | 69 |
| Disposals and write off | - | - | (90) | (90) |
| Translation difference | (271) | (20) | (110) | (401) |
| At 31 December 2012 | 7,279 | 546 | 2,893 | 10,718 |
| **Accumulated depreciation** | | | | |
| At 1 January 2011 | 1,364 | 220 | 2,606 | 4,190 |
| Charge for the year (Note 6) | 76 | 109 | 161 | 346 |
| Disposals and write off | - | - | (2) | (2) |
| Translation difference | 44 | 11 | 82 | 137 |
| At 31 December 2011 | 1,484 | 340 | 2,847 | 4,671 |
| At 1 January 2012 | 1,484 | 340 | 2,847 | 4,671 |
| Charge for the year (Note 6) | 77 | 111 | 109 | 297 |
| Disposals and write off | - | - | (90) | (90) |
| Translation difference | (54) | (14) | (103) | (171) |
| At 31 December 2012 | 1,507 | 437 | 2,763 | 4,707 |
| **Net carrying amount** | | | | |
| At 31 December 2011 | 6,066 | 226 | 177 | 6,469 |
| At 31 December 2012 | 5,772 | 109 | 130 | 6,011 |

(a) Vessels with an aggregate net carrying amount of RM239,283,000 (2011: RM261,861,000) have been placed as security for loans obtained by the Group (Note 23).

Impairment testing on vessels

The recoverable amounts are determined based on value in use calculations. Cash flow projections used in the value in use calculations were prepared with management's past experience in operating the business and forward market outlook over the long term nature of the business. Pre-tax discount rates were determined by management based on the weighted average cost of capital and the risks specific to the business.

At the reporting date, based on the value in use calculations, the recoverable amounts of the vessels exceed their carrying amounts.

## 12. Subsidiaries

| | Company 2012 RM'000 | Company 2011 RM'000 |
|---|---|---|
| Unquoted shares, at cost | 1,055,803 | 1,065,240 |

Details of the subsidiaries are as follows:

| Company | Country of incorporation | Equity interest 2012 | Equity interest 2011 | Principal activities |
|---|---|---|---|---|
| Alam Budi Sdn Bhd | Malaysia | 100% | 100% | Owner and operator of ships |
| Bistari Shipping Sdn Bhd | Malaysia | 100% | 100% | Owner and operator of ships |
| MBC Padu Sdn Bhd [2] | Malaysia | 100% | 100% | Owner and operator of ships |
| 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% | Dormant |
| Lightwell Shipping Inc [1] | British Virgin Islands (BVI) | 100% | 100% | Investment holding |
| - Ambi Shipping Pte Ltd [1] | Singapore | 70% | 70% | Owner and operator of ships |
| - Everspeed Enterprises Limited [1] | BVI | 100% | 100% | Ship operator |
| Awanapuri Sdn Bhd | Malaysia | 100% | 100% | Investment holding |
| New Johnson Holdings Limited [1] | BVI | 100% | 100% | Investment holding |
| - Bakti Shipping Pte Ltd [1] | Singapore | 100% | 100% | Owner and operator of ships |
| Bitara Shipping Sdn Bhd | Malaysia | 100% | 100% | Dormant |
| Alam Gula Sdn Bhd | Malaysia | 100% | 100% | Under members' voluntary winding-up |
| Alam Senang Sdn Bhd | Malaysia | 100% | 100% | Under members' voluntary winding-up |
| MBC Equity Management Sdn Bhd [2] | Malaysia | 100% | 100% | Under members' voluntary winding-up |
| Gaintrack Sdn Bhd | Malaysia | 100% | 100% | In the process of striking off |

[1] *Subsidiaries audited by an affiliate of Ernst & Young*
[2] *Subsidiaries consolidated under the merger method of accounting*

### (a) Share issuance by subsidiaries

During the year, the Company subscribed to the following Redeemable Preference Shares ("RPS") issued by its subsidiaries, in settlement of amounts due from subsidiaries:

(i) Lightwell Shipping Inc - Issuance of 3,750 RPS of USD1.00 each at a premium of USD3,999 each, amounting to USD15,000,000 (RM45,855,000 equivalent); and

(ii) Bistari Shipping Sdn Bhd - Issuance of 360 RPS of RM1.00 each at a premium of RM4,999 each, amounting to RM1,800,000.

### (b) Share redemption by subsidiaries

During the year, the following subsidiaries redeemed their Redeemable Preference Shares ("RPS"), in settlement of amounts due from the Company:

(i) Alam Senang Sdn Bhd - Redemption of 500 RPS of RM1.00 each at a premium of RM5,399 each, amounting to RM2,700,000;

(ii) MBC Padu Sdn Bhd - Redemption of 17,000 RPS of RM1.00 each at a premium of RM399 each, amounting to RM6,800,000; and

(iii) Alam Budi Sdn Bhd - Redemption of 1,860 RPS of RM1.00 each at a premium of RM4,999 each, amounting to RM9,300,000.

## 13. Associate

| | Group | | |
|---|---|---|---|
| | 31.12.2012 RM'000 | 31.12.2011 RM'000 | 1.1.2011 RM'000 |
| Unquoted shares, at cost | 889,518 | 792,167 | 792,167 |
| Share of post acquisition profit | | | |
| Cumulative share of post acquisition profit | 117,866 | 82,609 | 69,319 |
| Effect of MFRS adoption | (115,434) | (115,434) | (115,434) |
| | 2,432 | (32,825) | (46,115) |
| Share of post acquisition exchange reserves | | | |
| Cumulative share of post acquisition exchange reserves | (121,550) | (93,033) | (115,434) |
| Effect of MFRS adoption | 115,434 | 115,434 | 115,434 |
| | (6,116) | 22,401 | - |
| | 885,834 | 781,743 | 746,052 |

The Group's interest in the associate is analysed as follows:

| | | | |
|---|---|---|---|
| Share of net assets | 797,977 | 781,743 | 746,052 |
| Interest in redeemable convertible preference shares of the associate which are classified under long term liability | 87,857 | - | - |
| | 885,834 | 781,743 | 746,052 |

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

| | 2012 RM'000 | 2011 RM'000 |
|---|---|---|
| Total assets | 6,230,608 | 5,968,483 |
| Total liabilities | 2,471,904 | 2,286,248 |
| Revenue | 752,660 | 735,934 |
| Profit for the year | 166,073 | 80,187 |

Details of the associate are as follows:

| Company | Country of incorporation | Equity interest 2012 | Equity interest 2011 | Principal activities |
|---|---|---|---|---|
| PACC Offshore Services Holdings Pte Ltd ("POSH") (Note a) | Singapore | 21% | 21% | Provider of offshore marine support services |

The associate is audited by an affiliate of Ernst & Young.

(a) Simultaneous with the acquisition of POSH on 16 December 2008, the Company and Pacific Carriers Limited ("PCL"), a substantial shareholder of the Company, entered into options agreements as follows:

(i) PCL grants the Company or its nominee a Put Option to require PCL to purchase from the Company or its nominee, all of the shares in POSH held by the Company or its nominee at 125% of the subscription price paid by the Company or its nominee in the event POSH does not undertake an Initial Public Offering ("IPO") by the 5th anniversary of the Subscription Agreement;

(ii) the Company or its nominee grants PCL a Call Option to require the Company or its nominee to sell to PCL, all of the shares in POSH held by the Company or its nominee if the Company or its nominee do not exercise the Put Option within the Put Option exercise period. PCL shall be entitled to exercise the Call Option from the day following the expiry of the Put Option exercise period and for a period of 6 months thereafter. The purchase price is at 150% of the subscription price paid by the Company or its nominee; and

(iii) PCL also grants the Company or its nominee a Merger Put Option to require PCL to purchase from the Company or its nominee, all of the shares in POSH held by the Company or its nominee in the event that POSH enters into a merger, acquisition or disposal with a transactional value equal to or greater than USD1.15 billion. The Company or its nominee shall be entitled to exercise the Merger Put Option on and from the date of completion and for a period of 3 months thereafter. The purchase price shall be the sum invested plus 5% per annum of the sum invested commencing from the date the Company or its nominee had held the Merger Put Option Shares up to the date of completion of the merger, acquisition or disposal transaction.

The Put and Call Option, together with the Merger Put Option lapse the moment POSH undertakes an IPO.

No value has been ascribed to these options as the Directors are of the opinion that the IPO will be undertaken by the 5th anniversary of the Subscription Agreement.

## 14. Jointly controlled entities

| | Group | | |
|---|---|---|---|
| | 31.12.2012 RM'000 | 31.12.2011 RM'000 | 1.1.2011 RM'000 |
| Unquoted shares, at cost | 4,187 | 4,187 | 4,187 |
| Share of post acquisition profit | 80,387 | 71,293 | 75,291 |
| Share of post acquisition exchange reserves | (263) | 2,672 | - |
| | 84,311 | 78,152 | 79,478 |
| Proportionate shareholder's advance to jointly controlled entities | 106,724 | 110,703 | 58,188 |
| Amounts due (to)/from jointly controlled entities | (42) | 55 | (745) |
| | 190,993 | 188,910 | 136,921 |

The Group's interest in the jointly controlled entities is analysed as follows:

| | | | |
|---|---|---|---|
| Share of net assets | 84,311 | 78,152 | 79,478 |

The proportionate shareholder's advance to jointly controlled entities are unsecured, repayable on demand and interest-free, except for an amount of RM29,051,000 (2011: RM30,134,000) which bears a weighted average interest rate of 0.93% (2011: 0.76%) per annum.

The amounts due from/to jointly controlled entities are unsecured, interest-free and repayable on demand.

The aggregate amounts of each of the total assets, total liabilities, revenue and profit for the year related to the Group's interests in the jointly controlled entities are as follows:

| | 2012 RM'000 | 2011 RM'000 |
|---|---|---|
| Total assets | 194,694 | 192,068 |
| Total liabilities | 110,383 | 113,916 |
| Revenue | 33,841 | 26,300 |
| Profit for the year | 9,950 | 12,494 |

Details of the jointly controlled entities are as follows:

| Company | Country of incorporation | Equity interest 2012 | Equity interest 2011 | 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 Sun Shipping Pte Ltd | Singapore | 50% | 50% | Owner and operator of ships |
| 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 |

## 15. Consumable stores

Consumable stores are stated at cost.

Consumable stores of the Group amounted to RM75,510,000 (2011: RM74,122,000) was charged to profit or loss during the year.

## 16. Trade and other receivables

| | Group 2012 RM'000 | Group 2011 RM'000 | Company 2012 RM'000 | Company 2011 RM'000 |
|---|---|---|---|---|
| Trade receivables | | | | |
| Third parties | 19,837 | 11,962 | - | - |
| Related parties | 1,239 | 779 | - | - |
| Uncompleted voyage | | | | |
| Third parties | 3,775 | 4,092 | - | - |
| Amount due from a related party | - | 6,447 | - | - |
| | 24,851 | 23,280 | - | - |
| Less: Allowance for impairment | | | | |
| Third parties: | | | | |
| At 1 January | (253) | (263) | - | - |
| Write off | - | 16 | - | - |
| Writeback | - | 2 | - | - |
| Translation difference | 8 | (8) | - | - |
| At 31 December | (245) | (253) | - | - |
| Trade receivables, net | 24,606 | 23,027 | - | - |
| Tax recoverable | 141 | 32 | 125 | 16 |
| Deposits | 111 | 110 | 150 | 144 |
| Prepayments | 5,120 | 4,426 | 109 | 82 |
| Other receivables | 5,609 | 4,995 | 993 | 553 |
| Amounts due from related parties | 11,021 | 4,529 | 1,602 | 2,548 |
| Fair value gain on forward foreign exchange contracts | 1,382 | - | - | - |
| | 47,990 | 37,119 | 2,979 | 3,343 |

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.

The ageing analysis of trade receivables is as follows:

| | Group 2012 RM'000 | Group 2011 RM'000 | Company 2012 RM'000 | Company 2011 RM'000 |
|---|---|---|---|---|
| Not yet due | 3,775 | 10,539 | - | - |
| Past due less than 6 months not impaired | 20,262 | 12,313 | - | - |
| Past due over 6 months not impaired | 569 | 175 | - | - |
| Impaired | 245 | 253 | - | - |
| | 24,851 | 23,280 | - | - |

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

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 and there is no one debtor that accounts for a significant portion of total trade receivables net of allowance for impairment. Based on historical default rates, the Group believes that no further allowance for impairment is necessary in respect of the outstanding net trade receivables.

## 17. 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.

## 18. Investments

| | Group 2012 RM'000 | Group 2011 RM'000 |
|---|---|---|
| Unquoted investments outside Malaysia | 91,733 | 121,739 |
| Club membership | 170 | 87 |
| | 91,903 | 121,826 |

## 19. Short term deposits

At the reporting date, the short term deposits of the Group and the Company have maturities of between 2 days to 23 days (2011: 1 day to 25 days) and 9 days (2011: 1 day to 5 days) respectively and earn interest at rates of 0.18% to 3.08% (2011: 0.22% to 3.15%) per annum and 0.18% (2011: 0.35% to 2.80%) per annum respectively.

## 20. Non-current assets classified as held for sale

As at the reporting date, the net carrying amounts of the fixed assets classified as held for sale are as follows:

| | Group 2012 RM'000 | Group 2011 RM'000 |
|---|---|---|
| **Fixed assets** | | |
| Leasehold properties | 6,366 | 2,526 |

## 21. Share capital

| | 2012 Number of shares ('000) | 2011 Number of shares ('000) | 2012 RM'000 | 2011 RM'000 |
|---|---|---|---|---|
| **Group and Company** | | | | |
| **Authorised:** | | | | |
| Ordinary shares of RM0.25 par value each | 2,000,000 | 2,000,000 | 500,000 | 500,000 |
| Redeemable preference shares of RM0.25 par value each | 400,000 | 400,000 | 100,000 | 100,000 |
| **Issued and fully paid:** | | | | |
| Ordinary shares of RM0.25 par value each | 1,000,000 | 1,000,000 | 250,000 | 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.

## 22. Reserves

### (a) Retained profits

The Company is able to distribute dividends out of its entire retained profits as at 31 December 2012 and 2011 under the single tier system.

### (b) Capital reserve

The premium on the shares issued in respect of the subsidiaries accounted for under the merger method of accounting of the Company has been credited to the capital reserve in accordance with the relief granted by Section 60(4) of the Companies Act, 1965.

### (c) Capital redemption reserve

This is in respect of the nominal amount of the Redeemable Preference Shares redeemed which is credited to the capital redemption reserve in accordance with Section 61(5) of the Companies Act, 1965.

## 23. Borrowings

| | Group | |
|---|---|---|
| | 2012 RM'000 | 2011 RM'000 |
| Secured loans | | |
| Loan 1 | 62,802 | 107,508 |
| Loan 2 | 43,791 | 48,849 |
| | 106,593 | 156,357 |
| Repayable within 12 months | (73,077) | (47,834) |
| Repayable after 12 months | 33,516 | 108,523 |
| Maturity of secured loans is analysed as follows: | | |
| Within 1 year | 73,077 | 47,834 |
| Between 1 and 5 years | 33,516 | 108,523 |
| | 106,593 | 156,357 |

The loans are denominated in United States Dollars (USD) and secured by charges over the Group's vessels as stated in Note 11(a). Loan 1 is repayable by 12 quarterly installments with a balloon payment in 2013, whilst Loan 2 is repayable by 11 quarterly installments with a balloon payment in 2014.

The secured loans bear interest at a weighted average rate of 1.45% (2011: 1.29%) per annum.

## 24. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2012 RM'000 | 2011 RM'000 | 2012 RM'000 | 2011 RM'000 |
| Trade payables | 441 | 2,717 | - | - |
| Accruals | 16,286 | 12,495 | 2,415 | 2,309 |
| Charter hire received in advance | 2,411 | 2,810 | - | - |
| Due to ship managers and agents | 2,069 | 2,857 | - | - |
| Fair value loss on forward foreign exchange contracts | 218 | 2,277 | - | - |
| Amounts due to related parties | 3,337 | 6,055 | - | 3 |
| Other creditors | 5,674 | 5,977 | - | - |
| | 30,436 | 35,188 | 2,415 | 2,312 |

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.

## 25. Dividends

| | Group and Company | |
|---|---|---|
| | 2012 | 2011 |
| | RM'000 | RM'000 |
| In respect of financial year ended: | | |
| 31 December 2010 | | |
| Final dividend of 10 sen, single tier | - | 100,000 |
| 31 December 2011 | | |
| Final dividend of 3 sen, single tier | 30,000 | - |
| | 30,000 | 100,000 |

The Directors have recommended a final single tier dividend of 3 sen per ordinary share, amounting to RM30,000,000 in respect of the financial year ended 31 December 2012 for shareholders' approval at the forthcoming Annual General Meeting of the Company. The proposed dividend is not reflected in the current year's financial statements. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2013.

## 26. Commitments

| | Group | |
|---|---|---|
| | 2012 | 2011 |
| | RM'000 | RM'000 |
| Capital expenditure approved and contracted for | 81,343 | - |
| Time charter commitments payable | | |
| Due within 1 year | 62,722 | 47,530 |
| Due later than 1 year and not later than 5 years | 270,340 | 282,252 |
| Due later than 5 years | 267,130 | 351,616 |
| | 681,535 | 681,398 |
| Share of jointly controlled entity's commitments | 61,605 | 25,616 |
| | 743,140 | 707,014 |

Certain long term time charters which the Group has entered into, have purchase options for the vessels after the completion of a predetermined time charter period.

## 27. Related party transactions

The related party transactions of the Group and the Company are as follows:

| | Group 2012 RM'000 | Group 2011 RM'000 | Company 2012 RM'000 | Company 2011 RM'000 |
|---|---|---|---|---|
| Transactions in which certain substantial shareholders of the Company have substantial interest | | | | |
| Income earned: | | | | |
| Charter hire income | 46,381 | 78,306 | - | - |
| Crew management fee | 2,917 | 2,628 | - | - |
| Commercial fee | 3,212 | 4,259 | - | - |
| Shared services cost | 2,490 | 2,620 | 2,490 | 2,620 |
| Rental income | 324 | 324 | 324 | 324 |
| Brokerage commission and accounting fees | 358 | 401 | - | - |
| Corporate secretarial fee | 29 | - | - | - |
| | 55,711 | 88,538 | 2,814 | 2,944 |
| Expenditure incurred: | | | | |
| Corporate administration fee | 454 | 705 | - | - |
| Commercial fee | 11,908 | 14,255 | - | - |
| Charter hire paid | 13,374 | 26,591 | - | - |
| Shared services cost | 5,010 | 7,375 | - | - |
| Management fee | 1,394 | 1,419 | - | - |
| Crewing agents fee | 263 | 341 | - | - |
| Procurement fee | 530 | 736 | - | - |
| Share registration fee | 36 | 50 | 36 | 50 |
| Commission on disposal of vessel | 91 | - | - | - |
| | 33,060 | 51,472 | 36 | 50 |
| Transaction with a firm of which a director of the Company is the Managing Partner | | | | |
| Legal fee | 62 | 54 | 62 | 54 |
| Transaction with a company of which a director of the Company is the Chairman | | | | |
| Courier charges | 7 | 10 | 4 | 10 |
| Transactions with subsidiaries | | | | |
| Income earned: | | | | |
| Shared services cost | | | 1,265 | 1,069 |
| Dividends from subsidiaries | | | - | 20,605 |
| Rental income | | | 168 | 168 |
| | | | 1,433 | 21,842 |

Key management personnel

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

## 28. 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 one major customer amount to RM46,381,000 (2011: RM78,306,000) arising from the provision of shipping services by the Bulkers segment.

| 2012 | 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 | 194,453 | 61,503 | 7,168 | - | (858) | 262,266 |
| Inter-segment | - | - | (858) | - | 858 | - |
| External | 194,453 | 61,503 | 6,310 | - | - | 262,266 |
| **Results** | | | | | | |
| Segment results | (8,724) | (482) | 1,750 | 28,133 | - | 20,677 |
| Interest income | 341 | - | 31 | 2,167 | - | 2,539 |
| Finance costs | (1,155) | (795) | (22) | - | - | (1,972) |
| Share of results of an associate | - | - | - | 35,257 | - | 35,257 |
| Share of results of jointly controlled entities | 9,950 | - | - | - | - | 9,950 |
| Taxation | (9) | - | (825) | 48 | - | (786) |
| Profit for the year | 403 | (1,277) | 934 | 65,605 | - | 65,665 |
| **Other information** | | | | | | |
| Investment in an associate | - | - | - | 885,834 | - | 885,834 |
| Investment in jointly controlled entities | 190,993 | - | - | - | - | 190,993 |
| Non-current assets held for sale | - | - | - | 6,366 | - | 6,366 |
| Segment assets | 478,247 | 158,581 | 19,234 | 239,291 | (71,709) | 823,644 |
| | 669,240 | 158,581 | 19,234 | 1,131,491 | (71,709) | 1,906,837 |
| Segment liabilities | 127,668 | 68,199 | 6,378 | 6,684 | (71,709) | 137,220 |

**28. Segment information** (cont'd)

| **2012** (cont'd) | **Bulkers RM'000** | **Tankers RM'000** | **Ship brokerage and management RM'000** | **Investment holding and others RM'000** | **Elimination RM'000** | **Total RM'000** |
|---|---|---|---|---|---|---|
| **Other information** (cont'd) | | | | | | |
| Capital expenditure | 143 | 499 | 72 | - | - | 714 |
| Additional investment in an associate | - | - | - | 97,351 | - | 97,351 |
| Depreciation | (18,037) | (9,615) | (46) | (334) | - | (28,032) |
| Fair value gain on forward foreign exchange contracts | 746 | - | - | 434 | - | 1,180 |
| Fair value gain on investments | - | - | - | 15,446 | - | 15,446 |
| Unrealised foreign exchange gain/ (loss), net | 428 | 22 | 39 | (18) | - | 471 |
| Realisation of reserves on liquidation of subsidiaries | 506 | - | - | - | - | 506 |
| **2011** | | | | | | |
| **Revenue** | | | | | | |
| Group total | 299,020 | 58,013 | 8,462 | - | (1,557) | 363,938 |
| Inter-segment | - | - | (1,557) | - | 1,557 | - |
| External | 299,020 | 58,013 | 6,905 | - | - | 363,938 |
| **Results** | | | | | | |
| Segment results | 92,398 | (721) | 2,018 | (11,143) | - | 82,552 |
| Interest income | 468 | - | 30 | 803 | - | 1,301 |
| Finance costs | (1,862) | (12) | (2) | - | - | (1,876) |
| Share of results of an associate | - | - | - | 17,023 | - | 17,023 |
| Share of results of jointly controlled entities | 12,494 | - | - | - | - | 12,494 |
| Taxation | (71) | - | (1,098) | (261) | - | (1,430) |
| Profit for the year | 103,427 | (733) | 948 | 6,422 | - | 110,064 |
| **Other information** | | | | | | |
| Investment in an associate | - | - | - | 781,743 | - | 781,743 |
| Investment in jointly controlled entities | 188,910 | - | - | - | - | 188,910 |
| Non-current assets held for sale | - | - | - | 2,526 | - | 2,526 |
| Segment assets | 531,166 | 184,120 | 23,570 | 378,527 | (102,847) | 1,014,536 |
| | 720,076 | 184,120 | 23,570 | 1,162,796 | (102,847) | 1,987,715 |
| Segment liabilities | 167,873 | 79,704 | 11,914 | 35,221 | (102,847) | 191,865 |
| Capital expenditure | 856 | 2,457 | 72 | 156 | - | 3,541 |
| Depreciation | (18,946) | (9,323) | (59) | (463) | - | (28,791) |
| Fair value loss on forward foreign exchange contracts | (24) | - | - | (2,219) | - | (2,243) |
| Fair value loss on investments | - | - | - | (13,219) | - | (13,219) |
| Unrealised foreign exchange (loss)/ gain, net | (331) | (4) | (46) | 204 | - | (177) |
| Reversal of accrual on lease structure | 15,667 | - | - | - | - | 15,667 |

## 29. Financial risk management

*Financial risk factors*

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, interest rate risk and market price risk. The Group manages these risks by using derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures.

(a) Price risk

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 jointly controlled entities, whose net assets are measured in United States Dollars, are exposed to foreign currency translation risks on the consolidation of these entities into Ringgit Malaysia.

The Group operates internationally and its foreign currency assets and liabilities give rise to foreign exchange exposure. Forward foreign exchange contracts are entered into to manage these exposures to fluctuations in foreign exchange. The duration of such contracts does not exceed a year. Where necessary, the contracts are rolled over at market rates upon maturity or settled at the prevailing exchange rate.

The outstanding foreign exchange contracts of the Group as at 31 December 2012 which comprise mainly Euro, Australian Dollars and Japanese Yen is equivalent to approximately RM102,806,000 (2011: RM139,887,000) at the year end closing rate.

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

| | Net financial assets/(liabilities) held in non-functional currencies | | | |
|---|---|---|---|---|
| **Functional currency of Group companies** | **Ringgit Malaysia RM'000** | **Sterling Pound RM'000** | **Singapore Dollars RM'000** | **Total RM'000** |
| **At 31 December 2012** | | | | |
| United States Dollars | (1,426) | 4,801 | 1,709 | 5,084 |
| **At 31 December 2011** | | | | |
| United States Dollars | (1,756) | 28,363 | 1,557 | 28,164 |

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit after tax to a reasonable possible change in the Sterling Pound (GBP) exchange rate against the functional currency of the Group companies, with all other variables held constant.

| | Profit after tax 2012 RM'000 | Profit after tax 2011 RM'000 |
|---|---|---|
| **Group** | | |
| GBP - strengthened by 5% | 240 | 1,418 |
| - weakened by 5% | (240) | (1,418) |

*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 their interest rate exposure by borrowing for a short term and in tranches. This strategy allows them to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The Group has minimal interest rate exposure arising from financial assets as the interest bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

At end of the reporting period, if interest rates had been 100 basis point higher/lower with all other variables held constant, the Group's profit after tax would have been RM547,000 (2011: RM74,000) lower/higher.

**29. Financial risk management** (cont'd)

(a) Price risk (cont'd)

*Market risk*

Market risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Group is exposed to market price risks arising from its investments.

At end of the reporting period, if equity price had been 20% higher/lower with all other variables held constant, the Group's profit after tax would have been RM18,347,000 (2011: RM24,348,000) higher/lower.

(b) 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.

The Group's exposure to liquidity risk is minimal. 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.

*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.

| | Less than 1 year RM'000 | More than 1 year RM'000 | Total RM'000 |
|---|---|---|---|
| **Group** | | | |
| **At 31 December 2012** | | | |
| Trade and other payables | 28,025 | - | 28,025 |
| Borrowings | 73,828 | 33,955 | 107,783 |
| | 101,853 | 33,955 | 135,808 |
| **At 31 December 2011** | | | |
| Trade and other payables | 32,378 | - | 32,378 |
| Borrowings | 49,682 | 110,179 | 159,861 |
| | 82,060 | 110,179 | 192,239 |

(c) Credit risk

Credit risk is the risk that may arise on outstanding financial instruments should a counter party 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 jointly controlled entities in support of their respective principal activities. Surplus cash is placed with a number of reputable banks.

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

## 30. Capital management

The Group's objectives when managing capital are:

(i) to safeguard the Group's ability to continue as a going concern;
(ii) to support the Group's stability and growth;
(iii) to provide capital for the purpose of strengthening the Group's risk management capability; and
(iv) to provide an adequate return to shareholders.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure. There are no changes in the Group's approach to capital management during the year. The Group currently does not adopt any formal dividend policy. The debt to equity ratio of the Group for the year ended 31 December 2012 was 0.06:1 (2011: 0.09:1).

The Group monitors capital on the basis of the carrying amount of equity, less cash and cash equivalents as presented in the statement of financial position.

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

## 31. Fair value of financial instruments

The carrying amounts of the following financial assets and financial liabilities as reflected in the statements of financial position approximate their fair values:

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Financial assets | | | | |
| Loans and receivables | | | | |
| Trade and other receivables | 41,347 | 32,661 | 2,745 | 3,245 |
| Short term deposits | 51,923 | 148,928 | 19,265 | 21,170 |
| Cash and bank balances | 138,187 | 149,945 | 21,340 | 61,063 |
| Amounts due from subsidiaries | - | - | 2,457 | 5,711 |
| Amounts due from jointly controlled entities | 106,682 | 110,758 | - | - |
| | 338,139 | 442,292 | 45,807 | 91,189 |
| Financial assets carried at fair value through profit or loss | | | | |
| Investments | 91,733 | 121,739 | - | - |
| Forward foreign exchange contracts | 1,382 | - | - | - |
| | 93,115 | 121,739 | - | - |
| Financial liabilities carried at amortised costs | | | | |
| Borrowings | 106,593 | 156,357 | - | - |
| Trade and other payables | 27,807 | 30,101 | 2,415 | 2,312 |
| Amounts due to subsidiaries | - | - | 312 | 148 |
| | 134,400 | 186,458 | 2,727 | 2,460 |
| Financial liability carried at fair value through profit or loss | | | | |
| Forward foreign exchange contracts | 218 | 2,277 | - | - |
| | 218 | 2,277 | - | - |

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).

**31. Fair value of financial instruments** (cont'd)

All the financial assets and liabilities carried at fair value through profit or loss of the Group are Level 2 instruments. There was no financial instrument being transferred between Level 1 and 2 during the year.

**32. Significant events**

(a) Disposal of vessels

During the year the Group, through its subsidiaries, disposed of two vessels to third parties for a net proceed of RM17,427,000.

(b) Disposal of land

During the year, a subsidiary company, Awanapuri Sdn Bhd, has:

(i) disposed of two pieces of land for a net proceed of RM10,282,000; and

(ii) contracted to sell another two pieces of land for a total cash consideration of RM7,936,000. The sale was completed subsequent to the year end.

(c) Subscription of preference shares in an associate

The Group had on 15 November 2012 subscribed for 7,961,286 Redeemable Convertible Preference Shares (RCPS) in PACC Offshore Services Holdings Pte Ltd (POSH) at an issue price of USD4.00 per RCPS, for a consideration of USD31,845,144. The shareholding in POSH remains unchanged at 21% after the subscription.

**33. Subsequent event**

Acquisition of vessel

A subsidiary company, Ambi Shipping Pte Ltd, has on 14 February 2013 entered into a contract with a related party for the construction and purchase of a vessel with expected delivery in 2015 at a cost of USD26,600,000.

**34. Disclosure of realised and unrealised profits**

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Total retained profits of the Company and its subsidiaries: | | | | |
| Realised | 1,234,525 | 1,290,309 | 866,126 | 880,525 |
| Unrealised | 8,511 | (177) | 18 | (17) |
| | 1,243,036 | 1,290,132 | 866,144 | 880,508 |
| Total share of retained profits from an associate: | | | | |
| Realised | 115,701 | 81,308 | - | - |
| Unrealised | 2,165 | 1,301 | - | - |
| | 117,866 | 82,609 | - | - |
| Total share of retained profits from jointly controlled entities: | | | | |
| Realised | 91,854 | 82,766 | - | - |
| Unrealised | 2 | (4) | - | - |
| | 91,856 | 82,762 | - | - |
| Add: Consolidation adjustments | 155,393 | 116,599 | - | - |
| Less: Effects of adoption of MFRS 1* | (230,317) | (230,317) | (107,672) | (107,672) |
| Total retained profits as per accounts | 1,377,834 | 1,341,785 | 758,472 | 772,836 |

** At the date of transition to MFRS, the Group's and the Company's cumulative currency translation differences were adjusted to retained earnings.*

The determination of realised and unrealised profits is based on the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants.

# List of Properties

| Address/Description | Existing Use/ Approximate Area | Tenure/ Date of Expiry of Lease | Age of Building | Net Book Value @ 31.12.2012 RM'000 | Date of Acquisition |
|---|---|---|---|---|---|
| Level 17 (East Wing)<br>PJ Tower<br>No.18, Jalan Persiaran Barat<br>Off Jalan Timur<br>46050 Petaling Jaya<br>Selangor Darul Ehsan | Office/<br>5,447 sq. ft. | 99 Year Lease/<br>11.9.2088 | 15 Years | 1,434.5 | 12.07.2001 |
| Level 17 (West Wing)<br>PJ Tower<br>No.18, Jalan Persiaran Barat<br>Off Jalan Timur<br>46050 Petaling Jaya<br>Selangor Darul Ehsan | Office/<br>5,511 sq. ft. | 99 Year Lease/<br>11.9.2088 | 15 Years | 1,451.4 | 12.07.2001 |
| Level 18 (East Wing)<br>PJ Tower<br>No.18, Jalan Persiaran Barat<br>Off Jalan Timur<br>46050 Petaling Jaya<br>Selangor Darul Ehsan | Office/<br>5,447 sq. ft | 99 Year Lease/<br>11.9.2088 | 15 Years | 1,434.5 | 12.07.2001 |
| Level 18 (West Wing)<br>PJ Tower<br>No.18, Jalan Persiaran Barat<br>Off Jalan Timur<br>46050 Petaling Jaya<br>Selangor Darul Ehsan | Office/<br>5,511 sq. ft. | 99 Year Lease/<br>11.9.2088 | 15 Years | 1,451.4 | 12.07.2001 |
| H.S.(D) 144390, PT 136846<br>Pulau Indah Industrial Park<br>Port Klang<br>Selangor Darul Ehsan | Vacant land/<br>15,941<br>sq. meters | 99 Year Lease/<br>24.2.2097 | Not Applicable | 2,504.6 | 1.10.2003 |

# Statement of Shareholdings as at 3 April 2013

| | |
|---|---|
| Authorised Share Capital : | RM600,000,000 |
| Issued and Paid-up Capital : | RM250,000,000 |
| Class of Shares : | Ordinary Shares of RM0.25 each fully paid |
| Voting Rights : | One vote per shareholder on a show of hands<br>One vote per ordinary share on poll |

**DISTRIBUTION OF SHAREHOLDINGS**

| Size of Holdings | No. of Holders | % | No. of Shares | % |
|---|---|---|---|---|
| Less than 100 | 475 | 3.13 | 18,148 | 0.00 |
| 100 - 1,000 | 2,141 | 14.11 | 1,739,860 | 0.17 |
| 1,001 - 10,000 | 9,480 | 62.48 | 39,554,985 | 3.96 |
| 10,001 - 100,000 | 2,698 | 17.78 | 79,420,951 | 7.94 |
| 100,001 to less than 5% of issued shares | 377 | 2.48 | 210,705,356 | 21.07 |
| 5% and above of issued shares | 3 | 0.02 | 668,560,700 | 66.86 |
| | 15,174 | 100.00 | 1,000,000,000 | 100.00 |

**SUBSTANTIAL SHAREHOLDERS**

| | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| Name of Substantial Shareholders | No. of Shares | % | No. of Shares | % |
| Pacific Carriers Limited (PCL) | 344,615,000 | 34.46 | - | - |
| Bank Pembangunan Malaysia Berhad (BP) | 183,945,700 | 18.39 | - | - |
| PPB Group Berhad (PPB) | 140,000,000 | 14.00 | 20,000 | - |
| Kuok (Singapore) Limited [1] | - | - | 344,615,000 | 34.46 |
| Minister of Finance Incorporated [2] | - | - | 183,945,700 | 18.39 |
| Kuok Brothers Sdn Berhad [3] | - | - | 140,020,000 | 14.00 |

*Notes :-*
[1] *Deemed interest through its 100% direct interest in PCL*
[2] *Deemed interest through its 99.99% direct interest in BP*
[3] *Deemed interest through its 50.18% direct interest in PPB*

**DIRECTORS' INTERESTS IN SHARES (as per Register of Directors)**

| | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| Name of Directors | No. of Shares | % | No. of Shares | % |
| Teo Joo Kim | 731,100 | 0.07 | - | - |
| Kuok Khoon Kuan | 1,268,750 | 0.13 | - | - |
| Wu Long Peng | 1,625,000 | 0.16 | - | - |
| Dato' Lim Chee Wah | - | - | - | - |
| Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid | 500,000 | 0.05 | 20,000 [1] | - |
| Mohammad bin Abdullah | 125,000 | 0.01 | - | - |
| Tay Beng Chai | 275,000 | 0.03 | 2,500 [2] | - |
| Dato' Mohd Zafer bin Mohd Hashim | - | - | - | - |

*Notes :-*
*(1) Deemed interest pursuant to Section 6A of the Companies Act 1965*
*(2) Deemed interest through family member*

**THE THIRTY LARGEST SHAREHOLDERS** (As per Record of Depositors as at 3 April 2013)

| | Name of Shareholders | No. of Shares | % |
|---|---|---|---|
| 1. | Pacific Carriers Limited | 344,615,000 | 34.46 |
| 2. | Bank Pembangunan Malaysia Berhad | 183,945,700 | 18.39 |
| 3. | PPB Group Berhad | 140,000,000 | 14.00 |
| 4. | Kumpulan Wang Persaraan (Diperbadankan) | 44,731,900 | 4.47 |
| 5. | Valuecap Sdn Bhd | 20,279,900 | 2.03 |
| 6. | Citigroup Nominees (Asing) Sdn Bhd<br>CBNY *For Dimensional Emerging Markets Value Fund* | 4,472,925 | 0.45 |
| 7. | Citigroup Nominees (Tempatan) Sdn Bhd<br>*For Employees Provident Fund Board (HDBS)* | 4,284,000 | 0.43 |
| 8. | HSBC Nominees (Asing) Sdn Bhd<br>*Morgan Stanley & Co. International Plc (Firm a/c)* | 4,161,008 | 0.42 |
| 9. | Yap Ah Fatt | 3,220,000 | 0.32 |
| 10. | OSK Investment Bank Berhad<br>*IVT "SW Book 1"* | 2,459,000 | 0.25 |
| 11. | HSBC Nominees (Tempatan) Sdn Bhd<br>HSBC (M) Trustee Bhd *For HSBC Amanah Lifeselect Equity Fund (Pacific6467-701)* | 2,190,400 | 0.22 |
| 12. | Kerajaan Negeri Pahang | 2,153,850 | 0.22 |
| 13. | Cimsec Nominees (Asing) Sdn Bhd<br>Exempt AN *For CIMB Securities (Singapore) Pte Ltd (Retail Clients)* | 1,986,200 | 0.20 |
| 14. | OSK Nominees (Tempatan) Sdn Berhad<br>Pledged Securities Account *For Tiong Chiong Hee* | 1,883,000 | 0.19 |
| 15. | Cartaban Nominees (Asing) Sdn Bhd<br>Government of Singapore Investment Corporation Pte Ltd *For Government of Singapore (C)* | 1,854,175 | 0.19 |
| 16. | Citigroup Nominees (Asing) Sdn Bhd<br>CBNY *For DFA Emerging Markets Small Cap Series* | 1,796,800 | 0.18 |
| 17. | Gan Teng Siew Realty Sdn Berhad | 1,700,000 | 0.17 |
| 18. | Wu Long Peng | 1,625,000 | 0.16 |
| 19. | DB (Malaysia) Nominee (Tempatan) Sendirian Berhad<br>Deutsche Trustees Malaysia Berhad *For Hong Leong Penny Stock Fund* | 1,520,000 | 0.15 |
| 20. | Maybank Nominees (Tempatan) Sdn Bhd<br>Maybank Trustees Berhad *MAAKL-HW Flexi Fund (270519)* | 1,511,000 | 0.15 |
| 21. | Employees Provident Fund Board | 1,500,000 | 0.15 |
| 22. | Shanthene a/p K Kunaratnam | 1,500,000 | 0.15 |
| 23. | HSBC Nominees (Tempatan) Sdn Bhd<br>HSBC (M) Trustee Bhd *For Hwang Asia Quantum Fund (4579)* | 1,450,000 | 0.14 |
| 24. | Chinchoo Investment Sdn Berhad | 1,400,000 | 0.14 |
| 25. | Citigroup Nominees (Asing) Sdn Bhd<br>CBNY *For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc.* | 1,309,423 | 0.13 |
| 26. | HSBC Nominees (Asing) Sdn Bhd<br>Exempt AN *For JPMorgan Chase Bank, National Association (Taiwan)* | 1,298,400 | 0.13 |
| 27. | HSBC Nominees (Asing) Sdn Bhd<br>Exempt AN *For JPMorgan Chase Bank, National Association (U.S.A.)* | 1,279,500 | 0.13 |
| 28. | Kuok Khoon Kuan @ Kuo Khoon Kwong | 1,268,750 | 0.13 |
| 29. | Low Kok Kong | 1,250,000 | 0.12 |
| 30. | Malaysia Nominees (Tempatan) Sendirian Berhad<br>*For Great Eastern Life Assurance (Malaysia) Berhad (DR)* | 1,244,200 | 0.12 |
| | | 783,890,131 | 78.39 |

# Additional Compliance Information

In compliance with the Main Market Listing Requirements, the following additional compliance information is provided:–

**1. Imposition of Sanctions and/or Penalties on Companies, Directors or Management**

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, or their Directors and management by any regulatory authorities during the financial year ended 31 December 2012.

**2. Non-Audit Fee Paid to Auditors**

The non-audit fee paid to the External Auditors of MBC Group in the financial year ended 31 December 2012 was as follows:-

| Auditors | Fee (RM) | Purpose |
|---|---|---|
| Ernst & Young | 7,000 | Review of Statement on Internal Control |

**3. Material Contracts**

There were no material contracts entered into by the Company and/or its subsidiaries involving Directors' and major shareholders' interests, or relate to loan subsisting as at 31 December 2012 or entered into during the financial year ended 31 December 2012 except as disclosed in the financial statements as set out in this Annual Report.

# Directors' Responsibility Statement

The Directors are required by the Companies Act, 1965 ("Act") to lay before the Company at its Annual General Meeting, annual audited financial statements of the Group and the Company, made out in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the provisions of the Act and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Group and the Company at the end of the financial year to which it relates and to ensure that the financial statements are made out in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the provisions of the Act and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are also required by the Act to ensure that proper accounting records are maintained, which disclose and sufficiently explain the transactions and financial position of the Group and the Company, and enable true and fair financial statements to be prepared from time to time and in a timely manner.

Kuok Khoon Kuan
*Chief Executive Officer*

Wu Long Peng
*Executive Director*

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the 24th Annual General Meeting of Malaysian Bulk Carriers Berhad ("the Company") will be held on Tuesday, 28 May 2013 at 10:00 a.m. at Banquet Hall, Kuala Lumpur Golf & Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur for the following purposes:-

**ORDINARY BUSINESS**

(1) To receive the audited Financial Statements for the financial year ended 31 December 2012 and the reports of the Directors and the Auditors thereon. **Resolution 1**

(2) To approve the payment of a final single tier dividend of 3 sen per ordinary share for the financial year ended 31 December 2012 as recommended by the Directors. **Resolution 2**

(3) To re-elect the following Directors who are retiring pursuant to Article 95 of the Company's Articles of Association:

(a) Kuok Khoon Kuan **Resolution 3**
(b) Dato' Mohd Zafer bin Mohd Hashim **Resolution 4**

(4) To consider and if thought fit, to pass the following resolutions pursuant to Section 129(6) of the Companies Act, 1965:-

"**THAT** Mr. Teo Joo Kim, retiring pursuant to Section 129(6) of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting of the Company." **Resolution 5**

"**THAT** Dato' Lim Chee Wah, retiring pursuant to Section 129(6) of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting of the Company." **Resolution 6**

"**THAT** Encik Mohammad bin Abdullah, retiring pursuant to Section 129(6) of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting of the Company." **Resolution 7**

(5) To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 8**

(6) To approve the payment of Directors' fees of RM473,000 for the financial year ended 31 December 2012. **Resolution 9**

**AS SPECIAL BUSINESS**

To consider, and if thought fit, to pass the following resolutions:-

Ordinary Resolutions

(7) To authorise the issue of shares pursuant to Section 132D of the Companies Act, 1965 **Resolution 10**

"**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to allot and issue shares in the Company from time to time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten percent (10%) of the issued and paid-up share capital of the Company for the time being, subject always to the approval of all relevant regulatory authorities, if required, being obtained for such allotment and issue.

**AND THAT** the Directors be and are hereby authorised to do all such acts and things (including executing any relevant documents) as they may consider expedient or necessary to complete and give effect to the aforesaid authority."

(8) Renewal of Shareholders' Mandate and Additional Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature **Resolution 11**

"**THAT** pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company and its subsidiaries("MBC Group") be and are hereby authorised to enter into the recurrent related party transactions as set out in the Circular to Shareholders dated 6 May 2013, which are necessary for MBC Group's day-to-day operations in the ordinary course of business on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders.

**AND THAT** such approval shall continue to be in force until:-

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company;
(b) the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
(c) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is the earlier.

**AND THAT** the breakdown of the aggregate value of the recurrent related party transactions based on the type of recurrent transaction made and the names of the related parties involved in each type of the recurrent related party transaction made and their relationship with MBC Group, shall be disclosed in the Annual Report of the Company as may be required by the governing authority.

**AND FURTHER THAT** the Directors be and are hereby authorised to do all such acts and things (including executing any relevant documents) in the interest of the Company, as they may consider expedient or necessary to complete and give effect to the aforesaid mandate."

(9) To renew the authorisation for Purchase of Own Shares **Resolution 12**

"**THAT** pursuant to Paragraph 12.03 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and subject to Section 67A of the Companies Act, 1965 ("Act"), the Company's Memorandum and Articles of Association and other applicable laws, rules and regulations and the approvals of all relevant regulatory authorities, the Company be and is hereby authorised to purchase and/or hold such number of ordinary shares of RM0.25 each in the Company as may be determined by the Directors from time to time through Bursa Malaysia upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company, provided that the aggregate number of shares to be purchased and/or held pursuant to this resolution shall not exceed ten percent (10%) of the issued and paid-up share capital of the Company as at the date of the share buy-back and that an amount of the funds not exceeding the retained profits and share premium reserve of the Company as at the date of the share buy-back, be utilised for the proposed purchase **AND THAT** the shares of the Company to be purchased may be cancelled, retained as treasury shares, distributed as dividends or resold on Bursa Malaysia, or a combination of the above, at the absolute discretion of the Directors.

**AND THAT** such approval shall take effect upon the passing of this ordinary resolution and will continue to be in force until:-

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;

(b) the expiration of the period within which the next AGM is required by law to be held;

(c) revoked or varied by ordinary resolution passed by the shareholders at a general meeting;

whichever is the earlier but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the Main Market Listing Requirements of Bursa Malaysia or any other relevant authorities.

**AND FURTHER THAT** the Directors be and are hereby authorised to do all such acts and things (including executing any relevant documents) for and on behalf of the Company, as they may consider expedient or necessary to complete and give effect to the aforesaid authorisation."

(10) To transact any other business.

**BY ORDER OF THE BOARD**

Ooi Pooi Teng (MAICSA 7055594)
Tan Kim Hoon (MIA 17987)
*Company Secretaries*

6 May 2013
Petaling Jaya

***Notes:-***

1. *Only depositors whose names appear in the Record of Depositors as at 16 May 2013 (General Meeting Record of Depositors) be regarded as members and entitled to attend, speak and vote at the meeting.*

2. *A member entitled to attend and vote is entitled to appoint not more than two (2) proxies to attend and vote instead of him. Where a member appoints two (2) proxies to attend the same meeting, the member shall specify the proportion of his shareholdings to be represented by each proxy.*

3. *Where a member is an authorised nominee, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

4. *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

5. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.*

6. *A proxy may but need not be a member of the Company and Section 149(1)(b) of the Companies Act, 1965 shall not apply. A proxy appointed to attend and vote at the meeting shall have the same rights as the member to speak at the meeting.*

7. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed shall be deposited at the Registered Office of the Company, not less than 48 hours before the time for holding the meeting or any adjournment thereof and in default, the instrument of proxy shall be invalid.*

***EXPLANATORY NOTES ON SPECIAL BUSINESS***

1. ***Resolution 10***

   - *To authorise the Issue of Shares Pursuant to Section 132D of the Companies Act, 1965.*

     *The Company is continually looking for opportunities to broaden the operating base and earnings potential of the Company. This may require the issue of new shares not exceeding ten percent (10%) of the issued and paid-up share capital of the Company for the time being.*

     *The proposed Resolution 10 would enable the Directors to avoid delay and cost of convening further general meetings to approve the issue of such shares for such purposes. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company. The renewal of this mandate will provide flexibility to the Company for any potential fund raising activities, including but not limited to placement of shares, for purpose of funding future investments, working capital and/or any acquisition.*

     *The Company had obtained the general mandate to issue shares in the last Annual General Meeting. There were no proceeds raised from the previous mandate.*

2. ***Resolution 11***

   - *Renewal of Shareholders' Mandate and Additional Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature*

     *The proposed Ordinary Resolution, if passed, will enable the Company and its subsidiaries to enter into the recurrent related party transactions, which are necessary for MBC Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not to the detriment of the minority shareholders of the Company.*

     *Further information on the proposed Ordinary Resolution is set out in the Circular to Shareholders dated 6 May 2013 despatched together with the Company's 2012 Annual Report.*

3. ***Resolution 12***

   - *To renew the authorisation for Purchase of Own Shares*

     *The proposed Ordinary Resolution, if passed, will enable the Company to purchase its own shares of up to ten percent (10%) of the issued and paid-up share capital of the Company by utilising the funds allocated out of the retained profits and the share premium reserve of the Company.*

     *Further information on the proposed Ordinary Resolution is set out in the Circular to Shareholders dated 6 May 2013 despatched together with the Company's 2012 Annual Report.*

# Notice of Dividend Entitlement

**NOTICE IS HEREBY GIVEN THAT** subject to the approval of the shareholders at the forthcoming 24th Annual General Meeting, a final single tier dividend of 3 sen per ordinary share will be paid on 19 June 2013 to the shareholders whose names appear in the Record of Depositors at the close of business on 31 May 2013.

A Depositor shall qualify for entitlement only in respect of:-

(a) Shares transferred into the Depositor's securities account before 4:00 p.m. on 31 May 2013 in respect of ordinary transfers; and

(b) Shares bought on Bursa Malaysia on a cum entitlement basis according to the Rules of Bursa Malaysia.

**BY ORDER OF THE BOARD**

Ooi Pooi Teng (MAICSA 7055594)
Tan Kim Hoon (MIA 17987)
*Company Secretaries*

6 May 2013
Petaling Jaya

# Statement Accompanying Notice of Annual General Meeting

Details of Directors who are standing for re-election and re-appointment are as set out on pages 15 to 16 of this Annual Report and the details of the Directors' interest in the securities of the Company and its subsidiaries are disclosed on page 27 of this Annual Report.

# Form of Proxy

**MALAYSIAN BULK CARRIERS BERHAD**
175953-W

| Number of shares held | CDS Account No. |
|---|---|
| | |

I/We, ________________________________________ NRIC/Company No.______________________

of ____________________________________________________________________________

telephone no. ____________________being a member(s) of MALAYSIAN BULK CARRIERS BERHAD hereby appoint:

1ST PROXY

| Full Name | Tel./Mobile No. | Proportion of shareholdings represented | |
|---|---|---|---|
| Address | NRIC No. | No. of Shares | % |
| | | | |

and/or failing him/her,

2ND PROXY

| Full Name | Tel./Mobile No. | Proportion of shareholdings represented | |
|---|---|---|---|
| Address | NRIC No. | No. of Shares | % |
| | | | |
| | | | 100% |

or failing him/her, the Chairman of the Meeting as my /our proxy, to vote for me/us on my/our behalf at the 24th Annual General Meeting of the Company to be held on Tuesday, 28 May 2013 at 10:00 a.m. at Banquet Hall, Kuala Lumpur Golf & Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur and at any adjournment thereof.

My/our proxy/proxies shall vote as indicated below:

| No. | Resolutions | For | Against |
|---|---|---|---|
| 1. | To receive the audited Financial Statements for the financial year ended 31 December 2012 and the reports of the Directors and the Auditors thereon | | |
| 2. | To approve the payment of a final single tier dividend of 3 sen per ordinary share for the financial year ended 31 December 2012 | | |
| 3. | To re-elect Mr. Kuok Khoon Kuan as a Director | | |
| 4. | To re-elect Dato' Mohd Zafer bin Mohd Hashim as a Director | | |
| 5. | To re-appoint Mr. Teo Joo Kim as a Director | | |
| 6. | To re-appoint Dato' Lim Chee Wah as a Director | | |
| 7. | To re-appoint Encik Mohammad bin Abdullah as a Director | | |
| 8. | To re-appoint Messrs Ernst & Young as Auditors of the Company | | |
| 9. | To approve the payment of Directors' fees | | |
| 10. | To authorise the Directors to allot and issue shares | | |
| 11. | To approve the renewal of shareholders' mandate and additional mandate for recurrent related party transactions | | |
| 12. | To approve the renewal of authorisation for purchase of own shares | | |

*(Please indicate with an "X" in the space provided on how you wish to cast your vote. If you do not do so, the proxy will vote or abstain from voting on the resolutions at his/their discretion)*

Dated this ____________ day of __________________ 2013 Signature of Shareholder: ______________________

*Notes:*

1. *Only depositors whose names appear in the Record of Depositors as at 16 May 2013 (General Meeting Record of Depositors) be regarded as members and entitled to attend, speak and vote at the meeting.*
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4. *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
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6. *A proxy may but need not be a member of the Company and Section 149(1)(b) of the Companies Act, 1965 shall not apply. A proxy appointed to attend and vote at the meeting shall have the same rights as the member to speak at the meeting.*
7. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed shall be deposited at the Registered Office of the Company, not less than 48 hours before the time for holding the meeting or any adjournment thereof and in default, the instrument of proxy shall be invalid.*

fold here

STAMP

The Company Secretaries

**Malaysian Bulk Carriers Berhad**
(175953-W)
Level 17 & 18, PJ Tower
No. 18, Jalan Persiaran Barat
Off Jalan Timur
46050 Petaling Jaya
Selangor Darul Ehsan

fold here

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