MALAYSIAN BULK CARRIERS BERHAD

(Company No. 175953-W)

Annual Report 2016


TERASEA

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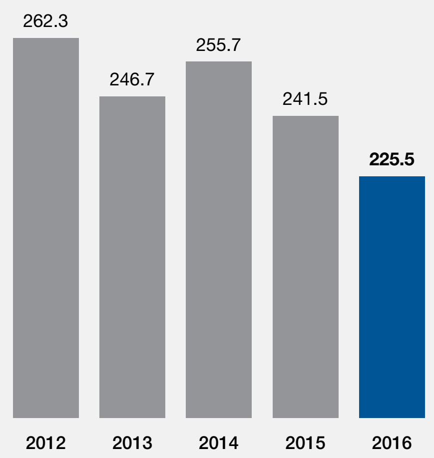
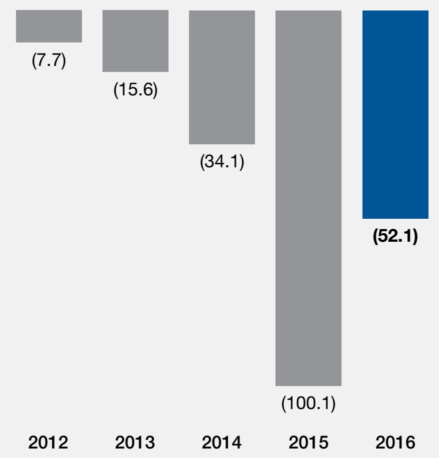
Financial **Highlights**

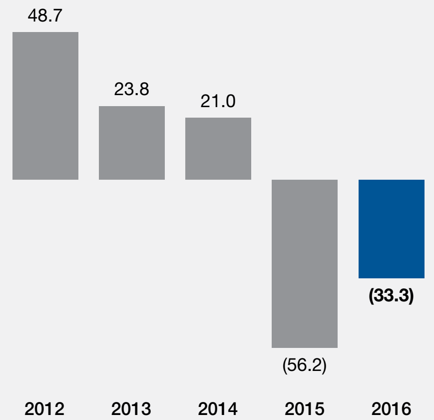
REVENUE
RM'Million



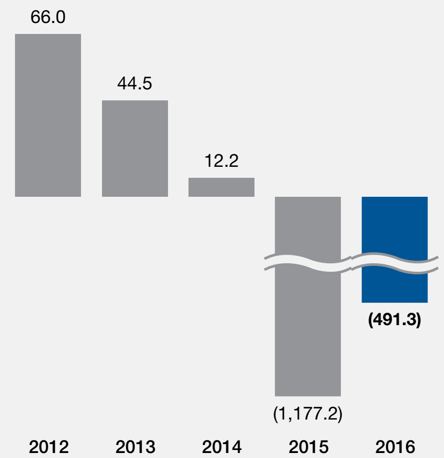
OPERATING PROFIT/(LOSS)
RM'Million



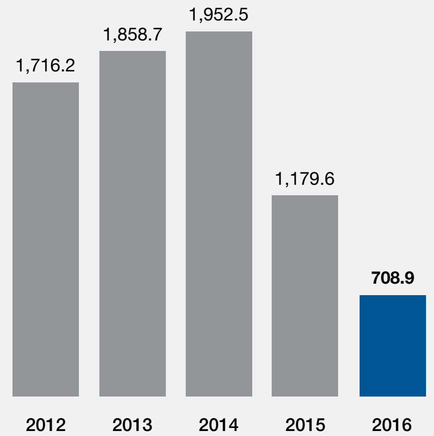
EBITDA*
RM'Million



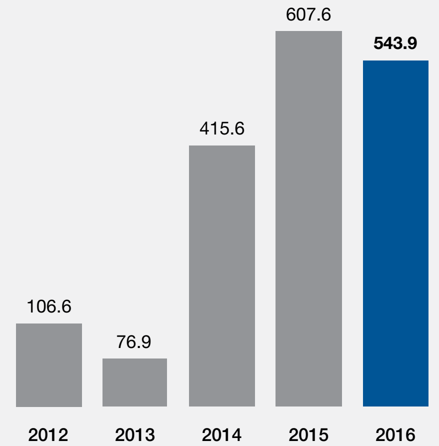
ATTRIBUTABLE PROFIT/(LOSS)
RM'Million



SHAREHOLDERS' EQUITY
RM'Million



BORROWINGS
RM'Million



**EBITDA excludes associate, joint ventures, impairments and provisions.*

	2016	**2015**	**2014**	**2013**	**2012**
FINANCIAL RESULTS (RM'000)					
Revenue	**225,505**	241,501	255,724	246,744	262,266
Operating loss	**(52,067)**	(100,146)	(34,118)	(15,647)	(7,659)
(Loss)/profit before taxation	**(496,298)**	(1,196,248)	18,333	45,506	66,451
(Loss)/profit attributable to equity holders of the Company	**(491,306)**	(1,177,153)	12,153	44,532	66,049
BALANCE SHEET (RM'000)					
Total assets	**1,579,116**	2,097,709	2,505,649	2,025,842	1,906,837
Total liabilities	**849,356**	866,684	489,567	112,154	137,220
Cash and cash equivalents	**69,641**	140,496	151,460	145,357	190,110
Borrowings	**543,869**	607,640	415,556	76,854	106,593
Shareholders' equity	**708,893**	1,179,644	1,952,450	1,858,741	1,716,217
PER SHARE DATA (sen)					
Basic (loss)/earnings	**(49.13)**	(117.72)	1.22	4.45	6.60
Dividend	**0.00**	0.00	1.00	3.00	3.00
Net assets	**70.89**	117.96	195.25	185.87	171.62
KEY RATIOS (%)					
Dividend payout ratio	**0.0%**	0.0%	82.3%	67.4%	45.4%
Return on average equity	**-52.0%**	-75.2%	0.6%	2.5%	3.8%
Debt/equity ratio	**76.7%**	51.5%	21.3%	4.1%	6.2%
FLEET DATA *					
Number of vessels (at end of year)	**20**	23	22	20	18
Total tonnage in DWT (MT'000)	**1,070**	1,272	1,213	1,107	1,010
Average age of fleet (in years)	**6.2**	6.8	6.3	6.5	6.2
Total operating days (days)	**7,893**	8,215	7,574	7,136	6,843
Total hire days (days)	**7,708**	7,788	7,395	6,942	6,791
Daily Time Charter Equivalent Rate					
Dry bulk carriers (USD)	**5,388**	6,407	9,287	9,624	10,496
Tankers (USD)	**14,651**	13,675	12,585	12,468	10,851

Note :
** Includes jointly owned and long term chartered-in vessels*

Chairman's Statement

2016 was an extremely difficult year for global shipping. Drybulk freights were severely hit by weaker demand and abundant supply of new tonnage which dragged rates down to multi year lows. Increased activities in the 2nd half 2016 along with heightened scrapping and layups helped a gradual recovery in rates enabling the BDI to close 2016 at 961 points against 290 points on 10th February 2016.

MBC Group reported a loss before tax of RM496.3 million in 2016 compared with a loss of RM1.2 billion in 2015. Excluding impairments, provisions and associate, the Group's underlying loss was RM80.9 million in 2016 compared to RM127.8 million loss in 2015 mainly due to lower depreciation and docking cost.

MARKET OUTLOOK AND PROSPECTS

Global economic outlook is expected to pick up in 2017 with International Monetary Fund (IMF) forecasting growth to improve to 3.4% from 3.1% in 2016. This along with reduced newbuilding orders and deliveries provides greater optimism for the drybulk markets going forward.

However there are considerable global uncertainties as a resulf of Brexit and the US trade policies after the recent American Presidential election.

There is a risk in revival of newbuilding ordering now that markets appear to be recovering even though banks are now generally adverse to shipping finance and interest rates have been creeping up. However, if no substantial newbuilding ordering occurs, we must remain cautious as there is still considerable tonnage overcapacity which will not immediately disappear.

The same overcapacity concerns plague the offshore market. With the excessive oversupply of vessels across all segments of the offshore services industry, market conditions continue to remain depressed and the timing for its recovery is uncertain. Notwithstanding that, PACC Offshore Services Holdings Limited (POSH), our associate company, remained focused on enhancing their sound operating fundamentals, while taking active steps to further improve cost efficiency. This has kept POSH resilient amid the downturn and set them apart from their competitors.

Looking ahead, the drybulk markets are already seeing signs of recovery in early 2017 with earnings and ship values notching higher (from the low levels which required impairment and provision for onerous contracts) but the offshore sector is still languishing.

Given the poor market condition in 2016 and anticipating the worst, Management acted prudently in adopting various measures early and in particular, negotiated with owners to defer a portion of the rates on the long term chartered-in vessels to the end of the charter contract.

Other initiatives included postponing delivery of our newbuilding Kamsarmaxes and the sale of less economical and older vessels.

We also secured a long term coal contract with TNB Fuel Services Sdn Bhd for one of our newbuilding Kamsarmaxes to ensure stable earnings thereby reducing our tonnage exposure.

We continue to operate a high performance fleet with strong emphasis on high standards of health, safety and environment policies. Training of both our shore based and land based staff is paramount and we have ongoing training initiatives including various seminars at Manila and other locations for the benefit of our floating staff.

We share in the needs for environmental protection and have taken steps to reduce our CO_2 emissions. The Ship Energy Efficiency Management Plan (SEEMP) which enables us to improve operational efficiency, is in place forming an integral part of our operations to reduce Green House Gas emission. All our newbuildings comply with the IMO Energy Efficiency Design Index (EEDI) regulations which will result in more energy efficient vessels contributing to the global efforts to stem climate change.

CORPORATE SOCIAL RESPONSIBILITY

Although we are fully engaged in our business activities and taking care of our stakeholders, we remain dedicated in playing our part in corporate citizenship and to embrace corporate social responsibility. We are committed to our employees' welfare, community and the environment that we operate in. Shore staff are encouraged to attend courses or workshops to strengthen their core skills and competencies. On the social side, sports and recreational activities were arranged for employees to encourage teamwork. We supported various charitable organisations during the year.

ACKNOWLEDGEMENT

Although market condition for 2017 has improved compared to 2016, it is expected to remain difficult and the steps taken to date has helped us to better navigate the challenging shipping environment and to benefit from the market recovery.

On behalf of the Board, I 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 my fellow board members, I wish to extend my sincere appreciation for their guidance and commitment to ensure that the Group's strategies and goals are achieved.

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

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

Management Discussion **& Analysis**

A DIFFICULT YEAR FOR GLOBAL SHIPPING AND FOR MBC

MBC Group reported a loss before tax of RM496.3 million in 2016 compared with a loss of RM1.2 billion in 2015. Excluding impairments, provisions and associate, the Group's underlying loss was RM80.9 million in 2016 versus RM127.8 million loss in 2015 mainly due to lower depreciation and docking cost.

Charter rates for MBC's drybulk fleet averaged US$6,407/day in 2015 and declined by 16% to US$5,388/day in 2016. Although earnings declined in 2016, lower depreciation and docking cost in 2016 saw drybulk segment's underlying loss (excluding impairment and provisions) reduced to RM89.0 million, from RM116.6 million loss in 2015.

Tanker segment's underlying profit (excluding impairments) was RM15.5 million in 2016, compared to a loss of RM4.3 million in 2015. The improvement was mainly due to higher charter rates (2016: US$14,651/day versus 2015: US$13,675/day) and lower docking cost and days.

Due to the weaker tanker outlook and concerns about the growing world tanker fleet and competition, the Group disposed of 2 x 47,065 dwt MR tankers for a net gain of US$0.8 million. Tanker values continue to drop from the earlier levels and accordingly the decision taken to exit from the tanker sector was timely.

Our associate, PACC Offshore Services Holdings Ltd (POSH) reported a net attributable loss of US$371.4 million in 2016 versus a loss of US$131.0 million in 2015. Excluding impairments, net attributable loss was US$61.3 million in 2016 versus a profit of US$17.5 million in 2015 mainly due to lower charter rates and utilisation across major business segments. Our share of POSH results was a loss of RM325.1 million in 2016 versus RM106.2 million in 2015.

MBC Group recognised an impairment of RM39.3 million in 2016 (RM495.8 million in 2015) on its investment in POSH.

Overall, attributable loss decreased by 58% to RM491.3 million in 2016 (2015: RM1.2 billion)

Shareholders' equity at the end of 2016 was RM708.9 million. Gearing ratio was 0.77 times as at the end 2016.

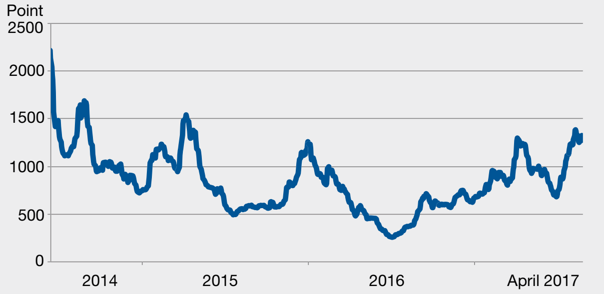
Given the difficult market and MBC Group's poor performance, no dividend payment is proposed for 2016.

BUSINESS & OPERATION REVIEW – 2016

The Baltic Dry Index (BDI) declined to 290 points on 10th February 2016, the lowest in the history of the Baltic index. Earnings for all main segments fell below US$3,000/day and this has led to more vessels being laid-up as earnings failed to cover operating costs. Obviously such levels were unsustainable and markets gradually improved especially towards 2nd half 2016 as Atlantic grain activities helped boost demand.

Dry Bulk Market Trends

Baltic Dry Index (BDI)



With 2016 shaping up to be possibly the most challenging year to date and with increasing maritime corporate failures, we took various hard decisions/actions to avert possible financial dangers/ hardships by:

(a) reducing the rates on the long term chartered in vessels by deferring a portion of the charter hires to improve the cash flow

(b) securing the postponement of newbuilding deliveries to later dates

(c) exiting from the older and less economical vessels to reduce our exposure to the weak markets. Accordingly four vessels were disposed of during the year (two bulk carriers and two MR tankers).

Currently, we operate a balanced fleet of modern high specification Handysize up to Panamax/Post Panamax bulk carriers comprising of both owned and long term chartered-in ships.

To remain competitive, we have 3 x 81,800 dwt fuel economical Kamsarmax newbuildings on order which will be delivered in late 2018/early 2019.

These are well suited for the growing Asian coal trades over the coming years and can be expected to be in good demand generating positive earnings.

KEY DEVELOPMENTS IN 2016

In April 2016 we were awarded a 15 year coal contract by TNB Fuel Services Sdn Bhd (TNBF) (a wholly-owned subsidiary of Tenaga Nasional Berhad). Shipments have already begun utilising the Alam Permai and will be replaced with our newbuilding Kamsarmax which is to be delivered in 2019. With this contract we are confident it will open up further opportunities for us to do additional business with TNBF as the coal volumes into Malaysia continue to increase.

2016 witnessed the coming into force of the IMO ballast water management convention. All ships including newbuildings delivered after September 2017 will need to be fitted with a ballast water treatment system. The price of such a system costs upwards of US$1 million depending on the type and size of the vessel. We will ensure compliance of this new regulation across our fleet to ensure their uninterrupted worldwide trading.

MARKET DEVELOPMENTS

The drybulk market continues to be heavily reliant on developments in China. China accounts for almost 40% of global dry bulk demand including 73% of seaborne iron ore demand and 21% and 24% respectively of seaborne coal and grain demand (source: BIMCO). The ongoing environmental concerns in China will result in a shift toward the increased import of higher quality imported iron ore and coal. China's One Belt One Road initiative and their continued stimulus measures along with huge infrastructure spending are key to the dry bulk market fortunes.

Oil prices will not only decide on the health of various global economies but will continue to impact the offshore markets and also other shipping markets. Oil prices remain in a tight range, with less than US$10 separating Brent high and low over the past 3 months. Current high bunker prices hovering around US$300/MT for HFO will only encourage slow steaming as operators try to reduce fuel consumption, thereby reducing vessel availability and hence benefitting the shipping market.

As of January 2017, the drybulk orderbook stood at 77 million dwt with a substantial 53 million dwt scheduled for delivery during 2017(of which 12 million dwt are valemaxes), and the balance 24 million dwt for delivery from 2018 onwards. 2016 witnessed 31 million metric tonne of drybulk vessels being scrapped which was particularly strong in the Panamax sector where scrappings outnumbered deliveries. If current freight market levels hold, expectations are for scrapping to ease to about 17-19 million dwt in 2017 which will exert pressure on the market. However, with the increased costs of complying with costly new environmental regulations, we anticipate a healthy pace of scrapping of vessels in the coming years.

Although newbuilding orders have so far been more restrained, second hand vessel prices have rebounded recently and may make newbuildings increasingly attractive but many market participants believe the scarcity of financing along with the weaker financial health of shipowners will keep demand low.

MARKET OUTLOOK & PROSPECTS

Although the freight markets have improved, we continue to remain cautious as tonnage overcapacity remains and the air of uncertainty is compounded by geopolitical events. Following on Brexit, it is unclear whether the USA will see through the many disruptive and protectionist policies that were raised during the American Presidential elections.

Save for the above, drybulk markets started 2017 on a significantly better note than a year ago. We are witnessing lower fleet growth and increased demand for raw materials especially from China and we expect rates to gradually improve as the oversupply situation tapers. The Indian and South East Asian economies have strong growth potential and are also expected to support steel demand growth.

As of 31st March 2017, the BDI stood at 1,297 points reflecting the improvement. The improving sentiment is also reflected in the Freight Forward Agreement (FFA) for all sectors.

IMF expects global economic growth to pick up in 2017 to 3.4% from 3.1% in 2016 and currently the outlook for global growth remains encouraging, driven both by advanced and emerging economies. Globally, monetary policy should largely remain stable and the main exception is the US Fed which carried out a rate hike in March and may hike rates again in June. The Chinese economy is progressing at a steady pace with growth targeted at 6.5% (source: IMF's WEO Update, January 2017). Though the target is slightly below 6.7% for 2016, it suggests only gradual deceleration of economic growth and negates any hard landing concerns. Officials vowed to accelerate supply side reforms, including plans to cut its coal production capacity by 150 million MT and steel by 50 million MT and as a consequence, steel mill margins may improve whilst shipping may benefit from China's commodity import substitution.

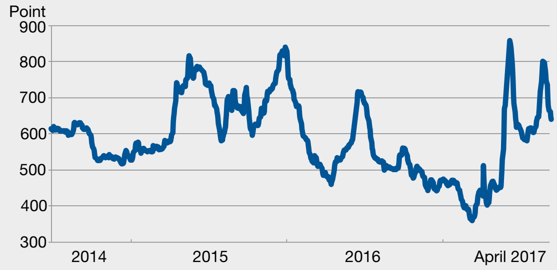
The recent improvement in freight rates is certainly positive but there is still an enormous overcapacity with high volume of newbuilding deliveries coming onto the market. Unless this is matched by high demolition activity, the freight market will remain challenged. It is only when we have marginal fleet supply growth continuing in 2017 that we can hope for a sustainable market improvement.

TANKER

The tanker segment underlying profit was RM15.5 million in 2016, compared to a loss of RM4.3 million, mainly due to improved charter rates, and lower docking time and cost.

The Group disposed of 2 tankers, Alam Bistari and Alam Budi for a net gain of US$0.8 million.

Tanker Market Trends
Baltic Clean Tanker Index (BCTI)



The fall in crude oil prices in 2014 led to rapidly changing cargo dynamics and trade flows. Coupled with significant supply-side growth in tanker deliveries, the clean tanker market started its downturn in Q1 2016. Re-adjustments of refining margins amidst rising stockpiles and moderated demand led to the clean products share in global demand growth declining sharply. The fall in rates was led by the Long Range Tanker 2 segment, followed rapidly by the Medium Range Tanker segment as a sizeable influx of newbuild tonnages, ordered during previous years, being delivered in 2016 leading to severe overcapacity in the market.

The pace of growth in deadweight demand for product tanker tonnage is expected to moderate to 1.8% in 2017 compared to 4.1% growth in 2016. This slowdown is a reflection of projected softer seaborne products trade growth as inventories appear likely to be drawn down in a number of key importer regions.

As such, with the supply of product tonnage expected to grow by 3.9% and product demand to slow at 1.8%, the oversupply of tonnage with waning product demand will likely mean product freight rates will stay soft for some while.

FLEET MANAGEMENT SERVICES

Our subsidiary, PSM Perkapalan Sdn Bhd (PPSB) provides fleet management services for the Group's fleet of vessels. This involves the maintenance, repair and running of vessels in compliance with flag state and international operating standards and provision of crewing management services. PPSB also takes care of dry docking and other project management services for conversion/modification projects.

With charter rates on the decline, PPSB focused its efforts on cost optimisation and efficiency whilst maintaining the highest standards of operation.

In 2016, PPSB made a decision to consolidate and align its operations with our associated company, PACC Offshore Services Holdings Limited (POSH), and Pacific Carriers Ltd (PCL) Group. Focusing on achieving cost efficiencies, the parties now collaborate on their purchasing requirements to secure volumn purchases and common logistic services in an effort to drive costs down.

Similarly, PPSB took the decision at the end of 2016 to close its crew department, opting to work together with the POSH and PCL Group in crew management activities so as to achieve lower costs, more effective processes and recruitment and trainning. The aim is also to enhance crew capability and skillsets resulting in better fleet performance, thereby allowing us to position our assets for better contracts in the current tough market environment.

As the charter rate is expected to remain unexciting in 2017, the operating environment will continue to be difficult. PPSB will continue to work on the cost optimisation of our vessels so as to remain competitive and at the same time, maintaining high operating standards. PPSB will also continue to implement strategies and initiatives focusing on performance and operational efficiency in support of the Company aforesaid goals. This includes our IT strategy for shipboard and ashore.

Another factor that will likely have a big influence on fleet operations going forward is the compliance with specific regulatory or legislative requirements that will require substantial financial investment.

For example, the Ballast Water Management (BWM) Convention which will come into force in September 2017, will require substantial investment in the installation of ballast water management system on board our vessels. Such investments will place considerable financial pressure on the owners and will impact the operation of the vessels financially. To this end, we have systematically advanced dry docking of our vessels as necessary to defer installing such systems till 2019/2020.

In addition to the BWM Convention, the International Maritime Organisation (IMO), the regulatory authority for international shipping, has made a decision to implement a global sulphur limit of 0.5% in bunker fuel from 2020. 1st January 2020 has been set as the implementation date for this significant reduction in the sulphur content of the fuel oil used by ships from the 3.5% sulphur global limit currently in place. To meet the gas emission requirement, vessels may be required to invest in gas scrubber systems if they intend to continue burning the existing fuel oil. Otherwise, the vessels will have to switch to alternative more expensive fuel.

MBC's **Controlled Fleet**
(as at 31 March 2017)

Vessel Name		Category	Year Built	DWT (MT)
BULK CARRIERS				
Owned				
1	Alam Padu	Post Panamax	Apr-05	87,052
2	Alam Permai	Post Panamax	Jun-05	87,052
3	Alam Pintar	Post Panamax	Oct-05	87,052
4	Alam Manis	Supramax	Mar-07	55,652
5	Alam Madu	Supramax	Sep-14	58,045
6	Alam Molek	Supramax	Oct-14	58,074
7	Alam Makmur	Supramax	Mar-15	55,865
8	Alam Sejahtera	Handysize	May-16	33,393
Jointly-Owned				
9	Alam Penting	Post Panamax	Jul-05	87,052
10	Alam Mulia	Supramax	Oct-15	61,254
11	Atlantic Progress	Handysize	Jun-11	32,527
12	Atlantic Dream	Handysize	Dec-11	32,527
Long Term Charter				
13	Alam Mutiara	Supramax	Apr-12	61,498
14	Alam Sayang	Supramax	Jul-13	61,410
15	Alam Seri	Handysize	Mar-11	29,562
16	Alam Suria	Handysize	Jan-12	29,077
17	Alam Setia	Handysize	Oct-13	36,320
18	Alam Sinar	Handysize	Jan-14	36,320
				989,732
Sold				
1	Alam Sakti	Handysize	Feb-06	32,609
2	Alam Bakti	Product Tanker	Jul-03	47,999
				80,608

These vessels have been sold and will be delivered to the buyers between May 2017 - August 2017.

Board of Directors

1. DATO' CAPT. AHMAD SUFIAN @ QURNAIN BIN ABDUL RASHID

67, Malaysian, Male
Independent Non-Executive Chairman

Dato' Capt. Ahmad Sufian was appointed to the Board on 9 July 1996 and was subsequently appointed the Chairman on 30 May 2013. He is also the Chairman of the Nomination & Remuneration Committee.

Dato' Capt. Ahmad Sufian 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 45 years of experience in the international maritime industry.

He is currently also the Independent Non-Executive Chairman of GD Express Carrier Berhad, Independent Non-Executive Director of PPB Group Berhad and an Independent Director of PACC Offshore Services Holdings Ltd (listed on the Singapore Exchange).

2. KUOK KHOON KUAN

69, Malaysian, Male
Chief Executive Officer

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

He holds a Bachelor of Arts Degree from the University of Singapore.

Mr. Kuok has more than 40 years experience in the shipping industry. He began his career with Malaysian International Shipping Corporation Berhad in 1971. He later joined Pacific Carriers Limited (PCL) from year 1978 till March 2017.

He is a Non-Executive Director of Kuok (Singapore) Limited. He was a Director of Singapore Maritime Foundation from 2006 to 2011.

3. WU LONG PENG

63, Singaporean, Male
Executive Director

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

Mr. Wu is presently an Executive Director of Kuok (Singapore) Limited and Pacific Carriers Limited. He is also a Non-Executive Director of PACC Offshore Services Holdings Ltd (listed on Singapore Exchange) and Non-Independent Non-Executive Director of Gamma Communications PLC (listed on AIM in London).

He is a Fellow of the Association of Chartered Certified Accountants, United Kingdom and an Associate Member of the Institute of Singapore Chartered Accountants.

4. GOVIND RAMANATHAN

49, Indian, Male
Executive Director

Mr. Govind Ramanathan was appointed to the Board on 6 February 2015.

Mr. Ramanathan is also the Managing Director of PCL (Shipping) Pte Ltd. He obtained his Bachelor of Arts Degree in Economics from Loyola College (Autonomous) University of Madras, Chennai. He is a Fellow of the Institute of Chartered Shipbrokers, United Kingdom. He has more than 25 years of experience in bulk shipping.

5. LIM SOON HUAT

52, Malaysian, Male
Non-Independent Non-Executive Director

Mr. Lim Soon Huat was appointed to the Board on 6 February 2015. He is also a member of the Nomination & Remuneration Committee.

He holds a Bachelor of Science (Honours) in Statistics from Universiti Kebangsaan Malaysia and is currently the Managing Director of PPB Group Berhad. He also sits on board of Ponderosa Golf & Country Resort Berhad.

Mr. Lim has many years of management experience in the field of finance, commodities trading, consumer goods manufacturing and marketing, hotel investments, sugar cane plantation and sugar milling operations. He held various senior executive positions in the Kuok Group of companies in Singapore, Thailand, Hong Kong, China and Indonesia including the post of Executive Director of Siam Seaport Warehouse & Terminal, Thailand; Group General Manager of Kerry Beverages Limited, Hong Kong and General Manager of Dalian Coca-Cola Company, PRC.

6. AFIDAH BINTI MOHD GHAZALI

54, Malaysian, Female
Non-Independent Non-Executive Director

Puan Afidah Binti Mohd Ghazali was appointed to the Board on 8 October 2014 and is also a member of the Audit Committee.

Puan Afidah is a qualified Accountant from the Chartered Association of Certified Accountants, United Kingdom.

She is currently the Chief Operating Officer of Bank Pembangunan Malaysia Berhad.

She began her career as Accountant with Majlis Amanah Rakyat in 1984. She later joined Kompleks Kewangan Malaysia Berhad as Project Officer from 1986 to 1988; Kumpulan Guthrie Berhad as Accountant from 1989 to 1990; Aseambankers Malaysia Berhad as Vice President, Head, Business Support & Strategic Planning from 1990 to 2007 and Syarikat Takaful Malaysia Berhad as Chief Financial Officer from 2007 to 2008.

7. TAY BENG CHAI

55, Malaysian, Male
Independent Non-Executive 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 Bird & Bird ATMD LLP, Singapore. He holds a Bachelor of Law Degree from the National University of Singapore, and is an advocate and solicitor admitted to practise in Malaysia and Singapore. He has over 30 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.

Mr. Tay is also an Independent Non-Executive Director of Sungei Bagan Rubber Company (Malaya) Berhad, Kluang Rubber Company (Malaya) Berhad and Kuchai Development Berhad.

8. DATO' MOHD ZAFER BIN MOHD HASHIM

44, Malaysian, Male
Independent Non-Executive Director

Dato' Mohd Zafer bin Mohd Hashim was appointed as Independent Non-Executive Director on 6 February 2015. He is also the Chairman of the Audit Committee.

He 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.

He was previously the President/Group Managing Director of Bank Pembangunan Malaysia Berhad, 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.

Dato' Zafer is also an Independent Non-Executive Director of Felda Global Ventures Holdings Berhad.

Notes:

(1) The total number of Board meetings during the financial year ended 31 December 2016 was four. The number of Board Meetings attended by the Directors in the financial year is set out on page 18 of this Annual Report.

(2) 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.

(3) None of the directors has any conflict of interest with the Company.

(4) None of the directors had any convictions for offences within the past 5 years other than traffic offences.

(5) None of the directors have any public sanction and/or penalty imposed by any relevant regulatory bodies during the financial year ended 31 December 2016.

Key Senior **Management**

1. KUOK KHOON KUAN

Chief Executive Officer

His profile is disclosed on page 10 of this Annual Report.

2. GOVIND RAMANATHAN

Executive Director

His profile is disclosed on page 10 of this Annual Report.

3. LIM TAU KOK

Director of PSM Perkapalan Sdn Bhd

Nationality/Age/ Gender:
Singaporean/ 66/ Male

Date of Appointment:
23 January 2007

Academic/ Professional Qualification:

- BSC - Naval Architecture and Marine Engineering
- Certificate of Competency Class I Motor

Present Directorship:

Listed entity : Nil

Other public companies:
Nil

Working Experience:

- 1969 – 1980
  Sea-going marine engineer
- 1980 – 1988
  Ship building supervision
- 1989 till now
  Ship management

4. TAN KIM HOON

Financial Controller

Nationality/Age/ Gender:
Malaysian/ 47/ Female

Date of Appointment:
1 December 2011

Academic/ Professional Qualification:

- The Association of Chartered Certified Accountants
- Member of the Malaysian Institute of Accountants

Present Directorship:

Listed entity : Nil

Other public companies:
Nil

Working Experience:

Joined MBC Group on 4 May 1999

Notes:

(1) *none of the key senior management has any family relationship with any director of the Company. The disclosure of key senior management's family relationship with major shareholders is not applicable as the major shareholders are corporate entities.*

(2) *none of the key senior management has any conflict of interest with the Company.*

(3) *none of the key senior management had any convictions for offences within the past 5 years other than traffic offences.*

(4) *none of the key senior management have any public sanction and/or penalty imposed by any relevant regulatory bodies during the financial year ended 31 December 2016.*

Corporate **Information**

BOARD OF DIRECTORS

Independent Non-Executive Chairman

Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid

Chief Executive Officer

Kuok Khoon Kuan

Executive Director

Wu Long Peng
Govind Ramanathan

Non-Independent Non-Executive Director

Lim Soon Huat
Afidah binti Mohd Ghazali

Independent Non-Executive Director

Tay Beng Chai
Dato' Mohd Zafer bin Mohd Hashim

AUDIT COMMITTEE

Chairman

Dato' Mohd Zafer bin Mohd Hashim

Members

Tay Beng Chai
Afidah binti Mohd Ghazali

NOMINATION & REMUNERATION COMMITTEE

Chairman

Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid

Members

Tay Beng Chai
Lim Soon Huat

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

Bursa Malaysia Securities Berhad
Main Board
Sector : Trading / Services
Stock Name : Maybulk
Stock Code : 5077

AUDITORS

Ernst & Young
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

Statement on **Corporate Governance**

The Board of Directors is committed to ensuring that high standards of corporate governance are practiced throughout the Group in discharging its responsibilities to protect and enhance shareholders' value. The statement outlines how the Group has applied the principles of corporate governance and the extent of compliance with the recommendations set out in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012").

PRINCIPLE 1 - ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD

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. Management is responsible for managing the day-to-day running of the Group's business activities in accordance with the direction and delegation of the Board.

A formal schedule of matters specifically reserved for the decision of the Board and Management has been established and this is contained in the Group's Financial Authority Limits. The matters reserved for the collective decision of the Board include:

- corporate/ strategic direction and major business proposals
- major capital commitments, acquisition and disposal of assets and investments
- commitment to loans and long/ short term financing with banks
- capital structure of the Company
- declaration of dividends

The Board has delegated specific responsibilities to two (2) committees, namely, the Audit Committee and the Nomination & Remuneration Committee, both of which discharge duties and responsibilities within their respective terms of reference. The Chairman of the respective committees brief the Board on matters discussed and the outcome of deliberations of their respective committee meetings. The final decision is the responsibility of the Board after considering the recommendations of the respective committee.

Code of Ethics and Conduct

The Board is committed to maintain a corporate culture with good ethical conduct. This is formalised through the Company's Code of Ethics and Code of Conduct which are set out in the Company's Employment Handbook. The handbook covers matters in relation to conflict of interest, entertainment and gifts, misuse of position, insider trading and misconduct. The directors and employees of the Group are expected to adhere to the standard of ethics and conduct set out therein.

Access to Information and Advice

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 the 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 and unrestricted access to the advice and services of the Company Secretaries. Directors may also obtain independent professional advice, where necessary, in furtherance of their duties at the Company's expense.

Company Secretaries

The Board is supported by Company Secretaries who are qualified and responsible for ensuring that all Board procedures and relevant laws and regulations are complied with.

The Company Secretaries:
- facilitate and attend all meetings of the board and board committees, and ensure that meetings are properly convened and proceedings are properly recorded.
- maintain all corporate records required under the Companies Act and ensures compliance with all reporting obligations under the applicable law and regulations.
- communicate Board decisions to Management.

PRINCIPLE 2 – STRENGTHEN COMPOSITION

Nomination & Remuneration Committee

The Nomination & Remuneration Committee (NRC) comprises exclusively of Non-Executive Directors, with a majority of Independent Directors. The members are as follows:

1. Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid (Chairman)
2. Tay Beng Chai
3. Lim Soon Huat

The terms of reference, duties and responsibilities of the NRC are summarised as follows:

(a) recommend to the Board, the candidates for appointment as Directors and Board Committee members.
(b) review the Board structure, size and composition and make relevant recommendations to the Board.
(c) review the required mix of skills, experience and other qualities including core competencies of Directors.
(d) assess the effectiveness of the Board and the Board Committees as a whole and the contribution of the Directors.
(e) formulate the nomination, selection and succession policies for the members of the Board.
(f) review remuneration of the directors.

The NRC meets at least once a year and whenever required. In 2016, one (1) meeting was held with full attendance. A summary of activities of NRC during the year under review is as follows:

- reviewed and made recommendations to the Board on the re-election of directors retiring by rotation.
- conducted an assessment of the Board, Board Committees and individual directors.
- reviewed the remuneration of Directors and made recommendations to the Board. In reviewing the Directors' fees, the NRC ensured that the fees are benchmarked to directors' fees of shipping related companies and mid cap companies listed on Bursa Malaysia Securities Berhad.

Board Composition and Balance

Currently the Board has eight (8) members, comprising three (3) Executive Directors, two (2) Non-Executive Directors and three (3) Independent Non-Executive Directors. The number of Independent Directors complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad which requires one-third of the Board to be independent.

The Board has a good balance of members such that no one individual or a small group of individuals can dominate the Board's decision-making process. 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.

Appointment to the Board

The NRC is responsible for assessing and making recommendations on new appointments to the Board. In assessing the suitability of candidates, the NRC considers the required mix of skills, knowledge, expertise, experience, professionalism and integrity of the candidate. In the case of a candidate for appointment as Independent Non-Executive Director, the NRC evaluates the candidate's independence. The NRC will arrange to meet and interview all candidates prior to making a recommendation to the Board.

Gender Diversity

The Board does not have gender diversity policies and targets in place. The Board believes that appointment of Board members, regardless of gender, should be based on experience, character, integrity and competence. The Company currently has one (1) female director, Puan Afidah binti Mohd Ghazali on its board.

Re-election

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

The Company's Articles of Association also provides that a new Director appointed by the Board shall hold office only until the next AGM and be eligible for re-election. Such Director is not taken into account in determining the number of Directors who are to retire by rotation.

The following directors are due to retire at the forthcoming AGM and they have offered themselves for re-election:

(1) Mr. Tay Beng Chai
(2) Puan Afidah binti Mohd Ghazali
(3) Mr. Govind Ramanathan

The NRC, considered the character, experience, integrity, competence, contribution and performance of the Directors who are seeking re-election at the forthcoming AGM, and recommended to the Board that their re-election be tabled for shareholders' approval at the forthcoming AGM.

Board Assessment

Board assessments on assessing the effectiveness of the Board as a whole and its Board Committees and contribution by each individual director to the effectiveness of the Board are conducted on an annual basis. The assessments cover the following areas:

- board size and composition
- mix of skills, experience, and core competencies of Directors
- governance and integrity
- effectiveness of board committees
- participation and contribution at meetings
- directors' training

Based on the assessment, the Board is satisfied that its composition is well balanced with the required mix of skills, experience, knowledge and competencies, required for an effective Board and that the Committees have carried out their duties in accordance with their terms of reference.

Directors' Remuneration

The Nomination & Remuneration Committee reviews and evaluates the remuneration policy for Directors ensuring that it is in line with market norms and industry practice. The level of remuneration of the Directors is commensurate with the level of experience and responsibilities undertaken by them.

The remuneration is deliberated on and decided by the Board as a whole before being tabled for shareholders' approval at the AGM. The respective Director shall abstain from the deliberation and voting of his own remuneration.

The aggregate remuneration of the Directors for the financial year ended 31 December 2016 are as follows:

	Executive Directors (RM)		Non-Executive Directors (RM)	
	Group	Company	Group	Company
Fees	142,500	142,500	310,000	310,000
Attendance Fee	11,000	11,000	33,000	33,000
Total	153,500	153,500	343,000	343,000

Directors' Remuneration (Cont'd)

The aggregate remuneration of the Directors for the financial year ended 31 December 2016 fall within the following bands:

	Executive Directors		Non-Executive Directors	
	Group	Company	Group	Company
Below RM50,000	–	–	–	–
RM50,000 to RM100,000	3	3	5	5
Total	**3**	**3**	**5**	**5**

PRINCIPLE 3 – REINFORCE INDEPENDENCE

Clear division of responsibilities between the Chairman and Chief Executive Officer

There is a distinct division of roles and responsibilities of the Chairman of the Board and the Chief Executive Officer to ensure balance of power and authority, such that no one individual has unfettered powers of decision making. The Chairman of the Board (an Independent Non-Executive Director) is responsible for leadership, orderly conduct and working of the Board, whereas the Chief Executive Officer is responsible for the management of the Group's business.

Tenure of Independent Directors

MCCG 2012 recommends that the tenure of an independent director shall not exceed a cumulative period of nine (9) years. The Board must justify the decision and seek shareholders' approval at general meeting if the Board intends to retain the Director as Independent Director.

The Board recognises the importance of the independence and objectivity in the decision making process. The Board, through the Nomination & Remuneration Committee, carried out an assessment of the Independent Directors namely 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 Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid and Mr. Tay Beng Chai continue to be independent as:

- they have fulfilled the criteria under the definition of Independent Director as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;

- they have exercised care in performing their duties, and provided unbiased, 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 objective and independent judgement nor their ability to act in the best interests of the Group. On the contrary, their years of service on the Board have imbued them with a sound knowledge of the Group's business operations which enable them to participate actively and contribute during deliberations at board meetings. This together with their individual professional experience, awareness of corporate governance and business acumen, have contributed positively to the Board's deliberations on all matters of the Group.

In this respect, the Board has approved that Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid and Mr. Tay Beng Chai, continue to serve as Independent Non-Executive Directors of the Company. The Board believes that it is in the best position to evaluate and determine whether any Independent Director can continue to provide independent and objective judgement during the board deliberations and act in the best interests of the Group.

PRINCIPLE 4 – FOSTER COMMITMENT

Time commitment

Directors are expected to set aside sufficient time to carry out their duties and responsibilities. In line with Paragraph 15.06 (Restriction on Directorships) of the Listing Requirements of Bursa Malaysia Securities Berhad, all Directors of the Company complied with the limits on the number of directorships held in public listed companies.

Board meetings

Board meetings are scheduled in advance to enable Directors to plan ahead. The Board meets at least four times a year with additional meetings to be convened as and when the Board's approval and guidance is required. Between scheduled meetings, for matters that requiring Board decisions, approvals are obtained via circular resolutions.

During the financial year ended 31 December 2016, the Board had four meetings and the record of attendance for each Director is set out below.

	Number of meetings attended
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid	4 / 4
Kuok Khoon Kuan	4 / 4
Wu Long Peng	4 / 4
Govind Ramanathan	4 / 4
Lim Soon Huat	4 / 4
Tay Beng Chai	4 / 4
Dato' Mohd Zafer bin Mohd Hashim	3 / 4
Afidah binti Mohd Ghazali	3 / 4

Directors' Training

All Directors of the Company have attended the Mandatory Accreditation Programme as prescribed by Bursa Malaysia Securities Berhad. The Directors are encouraged to attend training programmes/seminars from time to time, to enhance their knowledge and skills and to keep abreast with current developments in the industry as well as the current changes in laws and regulations.

All Directors, after assessing their own training needs, 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 during the financial year ended 31 December 2016 were as follows:

On Corporate, Financial and Governance issues
- The Interplay between Corporate Governance, Non-Financial Information and Investment Decision
- Introduction to Competition Law
- The new Companies Bill 2015
- Best Practices For Sustainability Reporting – What A Company Director Need To Know
- Sustainability practices and reporting
- Key Amendments to Listing Requirements 2016
- Risk – Reassessment Workshop

On Commercial and Business issues
- Oil & Gas Market
- Oil & Gas Industry Overview
- Update on Malaysian and regional economies
- Shipping Market Outlook & Trends

PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING

Financial Reporting

The Board is committed to providing a balanced, clear and representative assessment of its financial performance in its quarterly results and annual audited financial statements.

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

The statement explaining the Board of Directors' responsibility for preparing the annual audited financial statements is set out at page 92 of this Annual Report.

Suitability and Independence of External Auditors

The Board maintains a formal, professional and transparent relationship with the External Auditors through the Audit Committee.

The Audit Committee meets with the External Auditors to discuss their audit plan and audit findings, without the presence of executive Board members and management staff. The External Auditors have declared to the Audit Committee that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the By-laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.

PRINCIPLE 6 – RECOGNISE AND MANAGE RISKS

The Board acknowledges its responsibility of maintaining a good system of internal controls and risk management, and for reviewing regularly the adequacy and effectiveness of the internal control and risk management systems to ensure that shareholders' investment and the Group's assets are safeguarded. This system can only provide reasonable, but not absolute assurance against any material misstatements, fraud or loss.

The Statement on Risk Management and Internal Control as set out in pages 24 to 26 of this Annual Report provides an overview of the management of risks and state of internal controls within the Group.

The Internal Audit function reports directly to the Audit Committee. The activities carried out by the Internal Audit Department are set out in page 23 of the Audit Committee Report.

PRINCIPLE 7 - ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Board recognises the importance of an effective communication channel and timely dissemination of accurate information pertaining to the Group's business activities and financial performance to its shareholders, investors and other stakeholders.

The Group's financial results, announcements, annual report and circulars are the primary modes of disseminating information in relation to the Group's business activities and financial information and this 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.

PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Encourage Shareholder Participation at General Meetings

The AGM represents the principal forum for dialogue and interaction with shareholders. At the AGM, the Board presents the Group's business and financial performance for the financial year. Shareholders are encouraged to attend the meeting and seek clarification about the performance and operations of the Group. The Board as well as external auditors are present at the AGM to address queries raised by the shareholders at the meeting. For shareholders who are unable to attend, they are allowed to appoint proxies to attend and vote on their behalf.

Poll voting

During the AGM, the shareholders are briefed on their rights to demand for a poll in accordance with Article 62 of the Company's Articles of Association. The substantive resolutions to be put to a vote are identified to the shareholders at the commencement of the AGM.

With effect from 1 July 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad provide that any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, shall be voted by poll. Therefore, for the forthcoming AGM, all resolutions shall be voted by poll.

Communication and Engagement with shareholders

The Company also conducts briefings where appropriate after the release of its mid-year or year-end financial results, for analysts, fund managers and media, to provide an overview of the Group's performance.

Any queries or concern about the Group's business and development can be conveyed through the Company Secretaries who would then refer the matter to the attention of the Board.

Audit Committee **Report**

COMPOSITION OF THE AUDIT COMMITTEE

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

Members
Tay Beng Chai
Independent Non-Executive Director

Afidah binti Mohd Ghazali
Non-Independent Non-Executive Director

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 2016, the Audit Committee held four (4) meetings and the record of attendance for each Audit Committee member is set out as below:

	Attendance
Dato' Mohd Zafer bin Mohd Hashim	4 / 4
Tay Beng Chai	4 / 4
Afidah binti Mohd Ghazali	4 / 4

SUMMARY OF TERMS OF REFERENCE

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.

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 control, 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;

Duties and Responsibilities (Cont'd)

- 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;
- 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 which resulted in a breach of the Main Market Listing Requirements.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2016, the Audit Committee performed its duties as set out in its terms of reference.

The main activities undertaken by the Audit Committee were as follows:

Financial statements

- reviewed the quarterly financial 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. The review and discussions were conducted with the Financial Controller.
- reviewed the annual audited financial statements of the Group/Company and made relevant recommendations to the Board of Directors for approval.
- for the review of annual financial results of the Group, the Committee communicated with the external auditors, with particular focus on:
  - significant matters highlighted including financial reporting issues and significant judgments made by Management, and how these matters are addressed; and
  - compliance with the applicable accounting/ auditing standards in Malaysia and any other relevant regulatory requirements.

Matters relating to External Audit

- reviewed the External Auditors' scope of work and audit plan for financial year 2016.
- reviewed the External Auditors' audit findings and recommendations to the Board of Directors for further action where appropriate.
- met with the External Auditors without the presence of any executive Board members and management staff. Audit Committee met with External Auditors prior to commencement of their audit work as well as upon completion of their audit work to discuss issues arising from the course of their work.

Matters relating to Internal Audit

- reviewed and approved the Internal Audit plan.
- reviewed the Internal Auditors' reports and their recommendation and Management's response to improve the internal controls system based on internal audit findings.
- reviewed the Internal Auditors' reports on related party transactions undertaken by the Group including the procedures monitoring recurrent related party transactions.
- reviewed the Internal Quality Assessment of the Internal Audit activity.

Matters relating to Related Party Transactions

- reviewed the Circular to Shareholders on Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and made recommendations to the Board for approval.

Other matters

- reviewed the Audit Committee Report and Statement on Risk Management and Internal Control and made recommendations to the Board for approval.

INTERNAL AUDIT

The internal audit function of MBC Group is undertaken by the Internal Audit Department (IAD). The Head of Internal Audit Department reports directly to the Audit Committee. The IAD's scope is to undertake independent and objective reviews on the adequacy and effectiveness of Group's risk management and internal control system.

The authority and responsibility of the IAD are described in the Internal Audit Charter.

SUMMARY OF THE ACTIVITIES OF INTERNAL AUDIT DEPARTMENT

The IAD carried out its activities in accordance to Internal Audit Plan approved by the Audit Committee. The Internal Audit function adopts a risk based approach and prepare the plan based on the risk profile of the business units of the Group.

During the year under review, activities carried out by the IAD were as follows:

- reviewed 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.

  The internal audit reports incorporating audit observations, recommendations and management actions were issued to the Audit Committee. A total of 9 Internal Audit reports were issued in year 2016. There were no significant deficiencies in controls detected.

- reviewed the related party transactions undertaken by the Group including the procedures monitoring recurrent related party transactions. It was noted that the accumulated recurrent related party transactions are within the shareholders' mandate.
- conducted an internal self-assessment of the internal audit activity for internal auditing work performed during the year, as part of a Quality Assurance and Improvement program. Based on the assessment, the activities carried out by Internal Audit generally conform to the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing and Code of Ethics.

The costs incurred by the Internal Audit Department for the financial year ended 31 December 2016 was RM474,644 (FY2015: RM506,825).

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 and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines").

1. BOARD RESPONSIBILITY

The Board recognises the importance of sound internal controls and risk management practices as integral 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 Directors, majority of whom are Independent Non-Executive 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.

Further details on the activities of the Internal Audit Department in 2016 are set out on page 23 in the Audit Committee Report.

Financial Authority Limit/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 updated as and when necessary.

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 and evaluates the potential business risks. The Group's overall performance is monitored against the approved budget and is reviewed by the Board on quarterly basis.

In addition, Finance Department carries out monthly review of each business unit's expenditure against budget to ensure that expenditure are managed within the annual budget and variances are reported to Management.

Financial/Operations Report

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

Disaster Recovery Plan (DRP)

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

Human Resource

Training and development programs are identified and arranged for the Group's employees, to enhance their skills and competencies in carrying out their duties.

Code of Ethics and Code of Conduct

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

Associate and Joint Ventures

Financial and operational information of associate and joint ventures are provided to Management of the Group. Joint ventures are commercially and operationally managed by the Group and falls within the internal audit jurisdiction of the Group. The associate has its audit committee and internal audit function to oversee internal controls and risk.

The Group also has representation on the boards of the joint ventures.

4. MONITORING AND REVIEW ACTIVITIES

The processes for monitoring the internal control and risk management systems are embedded in the periodic review undertaken by the Internal Auditors of the adequacy and effectiveness of the Group's internal control systems and risk management framework.

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 its findings to the Board, 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 2016.

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

The Board has received assurance from Chief Executive Officer, Financial Controller, Heads of Commercial and Technical Division that the Group's risk management and internal control system are operating adequately and effectively. 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 2016 and up to the date of approval of this Statement on Risk Management and Internal Control.

6. REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors have performed limited assurance procedures on this Statement on Risk Management and Internal Control ("Statement") pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2016, and reported to the Board that nothing has come to their attention that causes them to believe the statement intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Guidelines, nor is the Statement factually inaccurate.

RPG 5 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and Management thereon. The report from the External Auditors was made solely for, and directed solely to the Board of Directors in connection with their compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and for no other purposes or parties. The External Auditors do not assume responsibility to any person other than the Board of Directors in respect of any aspect of this report.

FINANCIAL **STATEMENTS**

Directors' **Report**

The Directors present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding. In addition, the Company has commenced ship owning and ship operating activities during the year.

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

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Loss for the year	(497,120)	(516,616)
Attributable to:		
Equity holders of the Company	(491,306)	(516,616)
Non-controlling interests	(5,814)	–
	(497,120)	(516,616)

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

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

DIRECTORS

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

Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid
Kuok Khoon Kuan
Wu Long Peng
Tay Beng Chai
Dato' Mohd Zafer bin Mohd Hashim
Afidah binti Mohd Ghazali
Govind Ramanathan
Lim Soon Huat

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.

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
	1.1.2016	Bought	Sold	31.12.2016
Direct interests				
Kuok Khoon Kuan	1,268,750	–	–	1,268,750
Wu Long Peng	1,625,000	–	–	1,625,000
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid	500,000	–	–	500,000
Tay Beng Chai	275,000	–	–	275,000
Govind Ramanathan	447,700	–	–	447,700
Indirect interests				
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid	20,000	–	–	20,000
Tay Beng Chai	2,500	–	–	2,500

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

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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 EVENT

Significant event during the financial year is disclosed in Note 37 to the financial statements.

SIGNIFICANT SUBSEQUENT EVENT

Details of significant event subsequent to the financial year are disclosed in Note 38 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 13 April 2017.

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 38 to 86 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 2016 and of their financial performance and cash flows for the year then ended.

The information set out in Note 40 on page 87 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 13 April 2017.

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 38 to 87 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 13 April 2017

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 AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Malaysian Bulk Carriers Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 38 to 86.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key audit matters

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

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

<table>
<tr><th>Key Risk</th><th>Our Response</th></tr>
<tr><td>

1. Impairment assessment of investment in associate

We draw your attention to Note 3(d) (Significant accounting judgements and estimates), Note 2.7 (Accounting policies), Note 15 (Associate).

The Group has assessed that there are indications of impairment of its investment in associate, which is a listed entity, when comparing the carrying amount of this investment against its share of market capitalisation. The associate has also incurred losses for the second consecutive year.

Accordingly the Group performed an impairment assessment according to MFRS 136 – Impairment of Assets, to determine the recoverable amount of the cash generating units ("CGU") relating to the associate.

We identified this as our area of audit focus as the impairment assessment involves determining the recoverable amounts using a discounted cash flow approach which is complex and highly judgemental. Significant assumptions applied in the discounted cash flow, including growth rate, are affected by the global market for oil and gas, and the global economic conditions surrounding the offshore marine sector. Judgement was also applied in determining the appropriate rate to discount the future cash flows to its present value.

Arising from the impairment assessment, management impaired the investment in associate to its recoverable amount, resulting in an impairment loss of RM39.304million being recognised in the income statement.

The carrying value of the Group's investment in associate as at 31 December 2016 was RM655.114million.

</td><td>

We have involved our internal experts in reviewing the impairment assessment performed by management on the investment in associate.

Amongst others, we performed the following procedures:

- We evaluated the appropriateness of the methodology and approach applied, and considered whether it is commonly used in the industry.
- We evaluated whether the key assumptions which comprise the charter hire revenue are reasonable by making comparisons to historical trends, taking into consideration the current and expected outlook of the oil and gas industry as well as the expected future development of the offshore marine sector business.
- We challenged whether the rate used in discounting the future cash flows to its present value was appropriate.
- We analysed the sensitivity of the key assumptions by assessing the impact of changes to the key assumptions to the recoverable amount.
- We also focused on the adequacy of the note disclosures concerning those key assumptions to which the outcome of the impairment test is most sensitive. The disclosures on key assumptions and sensitivities are included in Note 3(d).
- We corroborated management's estimates against market multiples of comparable players in the market.

</td></tr>
</table>

Key Risk	Our Response
2. Impairment assessment of vessels and provision for onerous contracts	
We draw your attention to Note 3(a) and (b) (Significant accounting judgements and estimates), Note 2.16 and 2.26 (Accounting policies) and Note 12 and Note 29 (Property, plant and equipment and Provision for onerous contracts). Management regularly monitors the carrying value of its fleet and the provisions for onerous contracts on a vessel-by-vessel basis. If there are indicators of impairment or any indication that an impairment loss may no longer exist or may have decreased, management estimates the recoverable amount of the vessel based on the higher of its fair value less cost to sell (by obtaining brokers' valuations which are indicative) and its value in use (by preparing a discounted cash flow of the future cash flows expected to be derived from the vessel). Time charter contracts may be subject to provisions for onerous contracts or reversal of previously recognised provisions, due to significant fluctuations in future freight rates. The provisions are estimated based on a "value in use" calculation comprising chartered in vessels. Arising from management's assessment, impairment loss of vessels of RM50.457million was recognised by the Group during the year. These assessments are significant to our audit as it involves complex and subjective management judgement and is based on assumptions that are affected by expected future market and economic conditions. The principal risks relating to management's assessment of the value in use are the future timing and amount of cashflows, which are used to estimate the recoverable amount of the abovementioned vessels and provisions for onerous contracts. The most critical assumptions are management's view on short-term and long-term charter rates, and the discount rate used to discount the cash flows. The Group operates owned and chartered-in vessels in the bulkers market. The carrying amount of the Group's and the Company's fleet of vessels as at 31 December 2016 stood at RM504.302million and RM34.358million respectively, whilst the provisions for onerous contracts of the Group amounted to RM115.803million at reporting date.	We have assessed management's assessment of whether there were any indicators or indications that an impairment loss may no longer exist or may have decreased and/or provisions or reversal of provisions for onerous contracts. In respect of the fair value less cost to sell applied for vessels' impairment assessment, we have corroborated management's estimates by benchmarking against recent market transactions, shipping intelligence reports and actual contracted transactions. In respect of the value in use cash flows, we have performed the following procedures: • evaluated and assessed the appropriateness of the methodology and approach applied, including industry benchmarking; • assessed the reasonableness of key assumptions used particularly the short term charter out rates and the long term charter out rates applied over the uncommitted charter out tenure of the owned and chartered-in vessels. The shorter term charter out rates are compared against the forward freight agreements rates applicable in notable shipping publications whilst the longer term charter rates i.e. rates beyond 2 – 3 years, are compared against historical average rates achieved over the perceived shipping cycles. • For vessel impairment, we involved internal valuation specialists in the assessment of the appropriateness of the discount rate. This included an assessment of the specific inputs to the discount rate, including the risk-free rate, equity risk premium and beta, along with gearing and cost of debt. Such inputs were benchmarked either against risk rates in specific international markets in which the Group operates or equivalent data for peer companies. We also focused on the adequacy of the note disclosures concerning those key assumptions to which the outcome of the impairment test is most sensitive. The disclosures on key assumptions and sensitivities are included in Note 12 and Note 3(b).

Information other than the financial statements and auditors' report thereon

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

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

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

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

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

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 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 of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

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' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 14 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 material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 40 on page 87 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	Phang Oy Lin No. 2985/03/18(J) Chartered Accountant

Kuala Lumpur, Malaysia
13 April 2017

Income **Statements**

for the year ended 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Revenue	4	225,505	241,501	30,385	–
Voyage expenses		(59,782)	(80,559)	(3,674)	–
		165,723	160,942	26,711	–
Operating expenses		(217,790)	(261,088)	(2,295)	–
		(52,067)	(100,146)	24,416	–
Net change in provision for onerous contracts		–	(105,672)	–	–
Impairment loss on vessels		(50,457)	(295,172)	–	–
Impairment loss on investments in subsidiaries		–	–	(539,777)	(336,569)
Other operating income/(loss), net	5	255	7,623	17,634	18,216
Administration expenses		(9,394)	(9,163)	(7,377)	(8,485)
		(111,663)	(502,530)	(505,104)	(326,838)
Finance costs		(16,104)	(12,773)	(11,345)	(10,002)
Share of results of an associate		(325,070)	(106,181)	–	–
Impairment loss on associate		(39,304)	(495,774)	–	–
Share of results of joint ventures		(4,157)	(78,990)	–	–
Loss before taxation	6	(496,298)	(1,196,248)	(516,449)	(336,840)
Taxation	9	(822)	(1,115)	(167)	(173)
Loss for the year		(497,120)	(1,197,363)	(516,616)	(337,013)
Attributable to:					
Equity holders of the Company		(491,306)	(1,177,153)	(516,616)	(337,013)
Non-controlling interests		(5,814)	(20,210)	–	–
		(497,120)	(1,197,363)	(516,616)	(337,013)
Loss per share (sen)	10	(49.13)	(117.72)		

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 2016

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Loss for the year	(497,120)	(1,197,363)	(516,616)	(337,013)
Other comprehensive income/(loss):				
Items that will be reclassified to profit or loss				
Currency translation differences	12,741	429,594	51,770	271,771
Net change in cash flow hedges:				
- Net unrealised loss	(17,396)	(78,581)	(17,396)	(78,581)
- Net realised loss reclassified to the income statement	18,876	76,365	18,876	76,365
Share of other comprehensive income of associate	4,901	–	–	–
Total comprehensive loss for the year	(477,998)	(769,985)	(463,366)	(67,458)
Total comprehensive loss attributable to:				
Equity holders of the Company	(470,751)	(762,806)	(463,366)	(67,458)
Non-controlling interests	(7,247)	(7,179)	–	–
	(477,998)	(769,985)	(463,366)	(67,458)

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

Statements of **Financial Position**
as at 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Assets					
Non-current assets					
Intangible assets	11	6	699	4	319
Property, plant and equipment	12	512,704	648,422	42,686	8,064
Deposits	13	58,386	40,292	58,386	40,292
Subsidiaries	14	–	–	586,627	1,089,347
Associate	15	655,114	1,003,777	–	–
Joint ventures	16	151,177	159,907	–	–
Loan to a subsidiary	17	–	–	380,426	402,300
Total non-current assets		1,377,387	1,853,097	1,068,129	1,540,322
Current assets					
Consumable stores	18	12,220	8,229	3,038	–
Receivables and other current assets	19	47,961	45,956	8,507	2,766
Amounts due from subsidiaries	20	–	–	381	449
Loan to a subsidiary	17	–	–	39,973	–
Short term deposits	21	500	–	–	–
Cash and bank balances		69,141	140,496	5,370	932
		129,822	194,681	57,269	4,147
Non-current assets classified as held for sale	22	71,907	49,931	–	–
Total current assets		201,729	244,612	57,269	4,147
Total assets		1,579,116	2,097,709	1,125,398	1,544,469

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Equity and liabilities					
Equity attributable to equity holders of the Company					
Share capital	23	250,000	250,000	250,000	250,000
Reserves	24	458,893	929,644	419,343	882,709
		708,893	1,179,644	669,343	1,132,709
Non-controlling interests		20,867	51,381	–	–
Total equity		729,760	1,231,025	669,343	1,132,709
Non-current liabilities					
Payables and other liabilities	25	19,086	–	–	–
Borrowings	26	438,526	383,055	269,478	296,486
Derivative financial liabilities	27	127,588	110,192	127,588	110,192
Deferred tax liabilities	28	–	73	–	–
Provision for onerous contracts	29	57,726	34,569	–	–
Total non-current liabilities		642,926	527,889	397,066	406,678
Current liabilities					
Payables and other liabilities	25	42,824	37,643	8,217	4,292
Amounts due to subsidiaries	20	–	–	23,018	752
Borrowings	26	105,343	224,585	27,733	–
Provision for taxation		186	319	21	38
Provision for onerous contracts	29	58,077	76,248	–	–
Total current liabilities		206,430	338,795	58,989	5,082
Total liabilities		849,356	866,684	456,055	411,760
Total equity and liabilities		1,579,116	2,097,709	1,125,398	1,544,469

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

Consolidated Statement of Changes in Equity

for the year ended 31 December 2016

Group	Share capital RM'000	(Accumulated losses)/ retained profits RM'000	Share premium RM'000	Capital reserve (Note 24(a)) RM'000	Capital redemption reserve (Note 24(b)) RM'000	Cash flow hedge reserve (Note 24(c)) RM'000	Foreign currency translation reserve (Note 24(d)) RM'000	Total reserves RM'000	Non-controlling interests RM'000	Total equity RM'000
	Attributable to Equity Holders of the Company									
	Distributable		Non-distributable							
At 1 January 2016	250,000	193,498	48,791	7,077	40,000	(4,776)	645,054	929,644	51,381	1,231,025
Total comprehensive loss for the year	–	(491,306)	–	–	–	6,381	14,174	(470,751)	(7,247)	(477,998)
Capital repayment to non-controlling interests	–	–	–	–	–	–	–	–	(16,985)	(16,985)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(6,282)	(6,282)
At 31 December 2016	250,000	(297,808)	48,791	7,077	40,000	1,605	659,228	458,893	20,867	729,760
At 1 January 2015	250,000	1,380,651	48,791	7,077	40,000	(2,560)	228,491	1,702,450	63,632	2,016,082
Total comprehensive loss for the year	–	(1,177,153)	–	–	–	(2,216)	416,563	(762,806)	(7,179)	(769,985)
Dividends (Note 30)	–	(10,000)	–	–	–	–	–	(10,000)	–	(10,000)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(5,072)	(5,072)
At 31 December 2015	250,000	193,498	48,791	7,077	40,000	(4,776)	645,054	929,644	51,381	1,231,025

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

Statement of **Changes in Equity**
for the year ended 31 December 2016

Company		Distributable	Non-distributable						
	Share capital RM'000	(Accumulated losses)/ retained profits RM'000	Share premium RM'000	Capital reserve (Note 24(a)) RM'000	Capital redemption reserve (Note 24(b)) RM'000	Cash flow hedge reserve (Note 24(c)) RM'000	Foreign currency translation reserve (Note 24(d)) RM'000	Total reserves RM'000	Total RM'000
At 1 January 2016	250,000	378,982	48,791	8,770	40,000	(4,776)	410,942	882,709	1,132,709
Total comprehensive loss for the year	–	(516,616)	–	–	–	1,480	51,770	(463,366)	(463,366)
At 31 December 2016	250,000	(137,634)	48,791	8,770	40,000	(3,296)	462,712	419,343	669,343
At 1 January 2015	250,000	725,995	48,791	8,770	40,000	(2,560)	139,171	960,167	1,210,167
Total comprehensive loss for the year	–	(337,013)	–	–	–	(2,216)	271,771	(67,458)	(67,458)
Dividends (Note 30)	–	(10,000)	–	–	–	–	–	(10,000)	(10,000)
At 31 December 2015	250,000	378,982	48,791	8,770	40,000	(4,776)	410,942	882,709	1,132,709

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

Statements of **Cash Flows**

for the year ended 31 December 2016

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from operating activities				
Loss before taxation	(496,298)	(1,196,248)	(516,449)	(336,840)
Adjustments for:				
Amortisation of intangible assets	558	758	199	372
Depreciation	28,442	45,569	778	187
Allowance for impairment on trade receivables	921	–	–	–
Reversal of a liability due to legal settlement	–	(5,040)	–	–
Loss/(gain) on disposal of property, plant and equipment	1,258	(292)	–	(292)
Unrealised foreign exchange loss	187	592	206	425
Dividends from subsidiaries	–	–	(20,500)	–
Interest income	(1,066)	(872)	(11,364)	(10,025)
Finance costs	16,104	12,773	11,345	10,002
Surplus arising from liquidation of subsidiaries	–	–	–	(2,401)
Impairment loss on investments in subsidiaries	–	–	539,777	336,569
Net change in provision for onerous contracts	–	105,672	–	–
Impairment loss on vessels	50,457	295,172	–	–
Share of results of an associate	325,070	106,181	–	–
Impairment loss on associate	39,304	495,774	–	–
Share of results of joint ventures	4,157	78,990	–	–
Operating (loss)/profit before working capital changes	(30,906)	(60,971)	3,992	(2,003)
Changes in working capital:				
Consumable stores	(3,510)	2,586	(2,724)	–
Receivables and other current assets	(3,144)	6,230	(5,313)	2,863
Payables and other current liabilities	18,620	7,041	3,368	(1,711)
Derivatives	–	2,910	–	–
Subsidiaries	–	–	32,462	16,141
Cash (used in)/generated from operations	(18,940)	(42,204)	31,785	15,290
Tax paid, net of tax refund	(1,027)	(1,033)	(184)	(100)
Net cash (used in)/generated from opreating activities	(19,967)	(43,237)	31,601	15,190

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from investing activities				
Acquisition of property, plant and equipment	(68,858)	(105,575)^	(32,468)	(212)
Deposit paid for vessels	(14,440)	(33,680)	(14,440)	(33,680)
Subscription of redeemable preference shares of subsidiaries	–	–	(62,314)	(25,311)
Proceeds from divestment in redeemable preference shares of subsidiaries	–	–	61,400	48,200
Dividends from subsidiaries	–	–	20,500	–
Dividend from an associate	5,589	15,614	–	–
Dividends from joint ventures	10,265	27,502	–	–
Interest received	1,066	872	11,083	8,287
Proceeds from disposal of property, plant and equipment	122,222	292	–	292
Loan to joint ventures	–	(17,824)	–	–
Advances to joint ventures	–	(881)	–	–
Net cash generated from/(used in) investing activities	55,844	(113,680)	(16,239)	(2,424)
Cash flows from financing activities				
Finance costs paid	(15,009)	(11,557)	(11,064)	(8,264)
Drawdown of borrowings	92,571	171,074	–	–
Repayment of borrowings	(160,746)	(15,513)	–	–
Dividends paid to shareholders	–	(10,000)	–	(10,000)
Capital repayment to non-controlling interests	(16,985)	–	–	–
Dividend paid to non-controlling interests	(6,282)	(5,072)	–	–
Net cash (used in)/generated from financing activities	(106,451)	128,932	(11,064)	(18,264)
Net change in cash and cash equivalents	(70,574)	(27,985)	4,298	(5,498)
Effects of foreign exchange rate changes	(281)	17,021	140	1,990
Cash and cash equivalents brought forward	140,496	151,460	932	4,440
Cash and cash equivalents carried forward	69,641	140,496	5,370	932
Cash and cash equivalents comprise:				
Short term deposits	500	–	–	–
Cash and bank balances	69,141	140,496	5,370	932
	69,641	140,496	5,370	932

^ This amount includes RM1,771,000 paid in respect of acquisition made in 2014.

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. In addition, the Company has commenced ship owning and ship operating activities during the year.

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 13 April 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

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

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

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group and the Company have adopted all applicable new and amended MFRSs and Annual Improvements to MFRSs that are effective for annual periods beginning on 1 January 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

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

Description	*Effective for annuals periods beginning on or after*
MFRS 107 Disclosures Initiatives (Amendments to MFRS 107)	1 January 2017
MFRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)	1 January 2017
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
Annual Improvements to MFRSs 2014 – 2016 Cycle	1 January 2018
MFRS 16 Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective (cont'd)

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

MFRS 15 Revenue from Contracts with Customers

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

MFRS 9 Financial Instruments

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

MFRS 16 Leases

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

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

2.4 Basis of consolidation

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

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

Subsidiaries are consolidated using the acquisition method of accounting except for a subsidiary indicated in Note 14 which is 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. The consideration transferred for the acquisition of a subsidiary is measured at the fair value of the assets given, the equity instruments issued and liabilities incurred or assumed at the date of exchange, as well as any contingent consideration given. Acquisition related costs are expensed off in the income statement as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed are initially measured at fair value as at acquisition date.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation (cont'd)

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.

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

2.5 Transactions with non-controlling interests

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

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

2.6 Subsidiaries

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

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

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

2.7 Associates and joint ventures

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Associates and joint ventures (cont'd)

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

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

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

2.8 Consumable stores

Consumable stores such as lubricant oil stocks, bunkers and ship provisions are stated at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. In arriving at the net realisable value, due allowance is made for all damaged, obsolete and slow-moving items.

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

2.9 Intangible assets

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

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

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

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

2.10 Property, plant and equipment

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Property, plant and equipment (cont'd)

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

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

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

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

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

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

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

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

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

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

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

2.11 Financial assets

Initial recognition and measurement

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Financial assets (cont'd)

Subsequent measurement

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

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

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling 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 at their implicit discount rates, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Derecognition

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

2.12 Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

2.13 Borrowing costs

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Foreign currencies

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

(i) Transactions and balances

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

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

(ii) Consolidated financial statements

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

2.15 Cash and cash equivalents

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

2.16 Impairment of non-financial assets

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

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

Impairment losses are recognised in profit or loss.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

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

(ii) Other financial liabilities

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

Derecognition

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

2.18 Offsetting of financial instruments

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

2.19 Leases

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

Operating lease - As lessee

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Leases (cont'd)

Operating lease - As lessor

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

2.20 Income tax

(i) Current income tax

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

(ii) Deferred tax

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

2.21 Share capital

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

2.22 Derivative financial instruments and hedge accounting

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

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

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

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

Cash flow hedges

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

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

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

2.23 Dividends

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Income recognition

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

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

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

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

2.25 Employee benefits

(i) Short term benefits

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

(ii) Defined contribution plans

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

2.26 Provisions

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

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

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

2.27 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.28 Segment reporting

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

2.29 Related parties

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Key sources of estimation uncertainty

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

(a) Impairment of vessels

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, conducted at arm's length, for 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.

The value in use calculation requires the management to estimate the future cash flows expected from the vessel and choose an appropriate discount rate in order to calculate the present value of those future cash flows.

The key assumptions used to determine the recoverable amount, including a sensitivity analysis, are disclosed in Note 12.

(b) Provision for onerous contracts

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

The carrying amount of the provision as at 31 December 2016 was RM115,803,000 (2015: RM110,817,000). With all other variables held constant, if the assumed charter rates per day increase/decrease by 8% from management estimates, the provision would decrease/increase by RM7,006,000. See Note 29 for further details.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

Key sources of estimation uncertainty (cont'd)

(c) Depreciation of vessels

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

(d) Impairment of investment in associate

Management considers the adverse market developments in the offshore marine support sector in which the Group's associate operates an indicator of potential impairment of the Group's investment in the associate. The carrying amount is tested for impairment at the reporting date by comparing the recoverable amount (higher of value in use and fair value less costs to sell) with the carrying amount.

The recoverable amount has been determined based on value in use calculation using cash flow projections. The forecasted growth rates used to extrapolate cash flow projections is 2% and the discount rate applied to the cash flow projections is 8%.

With all other variables held constant, if the discount rate increase/decrease by 0.1%, the impairment would increase/decrease by RM19,814,000.

(e) Fair values of financial instruments

Where the fair values of financial instruments recorded on the statements of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are derived from observable market data where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The valuation of financial instruments is described in more detail in Note 36.

4. REVENUE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Freight and charter hire	218,923	234,392	9,885	–
Ship brokerage and management	6,582	7,109	–	–
Dividends from subsidiaries	–	–	20,500	–
	225,505	241,501	30,385	–

5. OTHER OPERATING INCOME/(LOSS), NET

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest income	1,066	872	11,364	10,025
Rental income from properties	424	324	630	492
Secretarial and accounting fees	1,130	957	1,424	1,112
Income from shared services	–	–	4,376	3,914
Foreign exchange (loss)/gain, net				
- realised	(291)	722	20	398
- unrealised	(187)	(592)	(206)	(425)
(Loss)/gain on disposal of property, plant and equipment	(1,258)	292	–	292
(Loss)/surplus arising from liquidation of subsidiaries	–	–	–	2,401
Reversal of a liability due to legal settlement	–	5,040	–	–
Allowance for impairment on trade receivables	(921)	–	–	–
Other income	292	8	26	7
	255	7,623	17,634	18,216

6. LOSS BEFORE TAXATION

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Auditors' remuneration				
- current year	390	413	74	74
- overprovision in prior year	(12)	(4)	–	–
Amortisation of intangible assets (Note 11)	558	758	199	372
Depreciation (Note 12)	28,442	45,569	778	187
Personnel expenses (Note 7)	58,082	61,868	5,615	4,889
Non-executive Directors' remuneration (Note 8)	343	738	343	730
Finance costs on				
- term loans	13,593	11,048	11,345	10,002
- revolving credit	1,687	1,007	–	–
- others	824	718	–	–
Operating lease expenses of vessels	103,527	95,319	–	–

7. PERSONNEL EXPENSES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Wages, salaries and bonus	45,699	48,551	4,857	4,199
Pension costs				
- defined contribution plans	935	1,099	475	478
Social security costs	99	74	32	29
Other staff related expenses	11,349	12,144	251	183
	58,082	61,868	5,615	4,889

Included in personnel expenses of the Group and of the Company are Executive Directors' remuneration amounting to RM154,000 (2015: RM370,000) and RM154,000 (2015: RM370,000) respectively, as further disclosed in Note 8.

8. DIRECTORS' REMUNERATION

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors of the Company				
Executive Directors:				
Fees	143	157	143	157
Attendance fees	11	13	11	13
Ex-gratia payment	–	200	–	200
	154	370	154	370
Non-executive Directors:				
Fees	310	349	310	341
Attendance fees	33	39	33	39
Ex-gratia payment	–	350	–	350
	343	738	343	730
	497	1,108	497	1,100
Other Directors				
Fees	–	8	–	–
Total	497	1,116	497	1,100

8. DIRECTORS' REMUNERATION (CONT'D)

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

	Number of Directors	
	2016	**2015**
Executive Directors:		
Below RM50,000	–	1
RM50,000 - RM100,000	3	2
RM200,001 - RM250,000	–	1
Non-executive Directors:		
Below RM50,000	–	1
RM50,000 - RM100,000	5	4
RM150,001 - RM200,000	–	1
RM200,001 - RM250,000	–	1
	8	11

9. TAXATION

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Income tax:				
Malaysian income tax	887	1,175	172	172
Foreign tax	21	30	–	–
(Over)/underprovision in prior years	(13)	2	(5)	1
	895	1,207	167	173
Deferred tax (Note 28)	(73)	(92)	–	–
	822	1,115	167	173

Malaysian income tax is calculated at the Malaysian statutory income tax rate of 24% (2015: 25%) of the estimated assessable profit for the year. Taxation in foreign jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

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

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Loss before taxation	(496,298)	(1,196,248)	(516,449)	(336,840)
Taxation at Malaysian tax rate	(119,112)	(299,062)	(123,948)	(84,210)
Effects of different tax rates in foreign jurisdictions	23,597	93,548	–	–
Income not subject to tax:				
Tax exempt shipping income	(6,190)	(2,343)	(920)	–
Other tax exempt income	(781)	(94)	(4,920)	(75)
Expenses not deductible for tax purposes	24,306	162,771	129,960	84,457
Share of results of an associate	78,017	26,545	–	–
Share of results of joint ventures	998	19,748	–	–
(Over)/underprovision in prior years	(13)	2	(5)	1
Taxation for the year	822	1,115	167	173

10. LOSS PER SHARE

Basic loss per share

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

	Group 2016	Group 2015
Group's loss attributable to equity holders of the Company (RM'000)	(491,306)	(1,177,153)
Weighted average number of ordinary shares in issue ('000)	1,000,000	1,000,000
Basic loss per share (sen)	(49.13)	(117.72)

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

11. INTANGIBLE ASSETS

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Computer Software				
Cost				
At 1 January	2,554	2,079	1,255	1,022
Translation difference	116	475	57	233
At 31 December	2,670	2,554	1,312	1,255
Accumulated amortisation				
At 1 January	1,855	816	936	422
Amortisation for the year (Note 6)	558	758	199	372
Translation difference	251	281	173	142
At 31 December	2,664	1,855	1,308	936
Net carrying amount				
At 31 December	6	699	4	319

12. PROPERTY, PLANT AND EQUIPMENT

Group	Vessels RM'000	Dry docking RM'000	Vessels under construction RM'000	Leasehold properties RM'000	Vehicles RM'000	Office equipment, renovations, furniture and fittings RM'000	Total RM'000
Cost							
At 1 January 2016	1,185,914	8,189	28,057	10,212	75	3,408	1,235,855
Additions	672	100	67,883	–	–	203	68,858
Disposals and write off	(199,809)	(1,651)	–	–	–	(101)	(201,561)
Reclassification	95,940	–	(95,940)	–	–	–	–
Reclassified as held for sale (Note 22)	(216,889)	(3,874)	–	–	–	–	(220,763)
Translation difference	38,560	203	–	458	3	237	39,461
At 31 December 2016	904,388	2,967	–	10,670	78	3,747	921,850
Accumulated depreciation							
At 1 January 2016	580,972	962	–	2,436	75	2,988	587,433
Charge for the year (Note 6)	25,514	2,481	–	103	–	344	28,442
Impairment loss	50,457	–	–	–	–	–	50,457
Disposals and write off	(123,089)	(411)	–	–	–	(101)	(123,601)
Reclassified as held for sale (Note 22)	(147,175)	(1,681)	–	–	–	–	(148,856)
Translation difference	14,807	216	–	117	3	128	15,271
At 31 December 2016	401,486	1,567	–	2,656	78	3,359	409,146
Net carrying amount							
At 31 December 2016	502,902	1,400	–	8,014	–	388	512,704
Cost							
At 1 January 2015	954,989	5,155	26,211	8,320	807	2,343	997,825
Additions	1,013	9,037	93,475	–	–	279	103,804
Disposals and write off	–	–	–	–	(624)	(210)	(834)
Derecognition	–	(5,155)	–	–	–	–	(5,155)
Reclassification	99,705	–	(99,705)	–	–	–	–
Reclassified as held for sale (Note 22)	(104,048)	(1,162)	–	–	–	–	(105,210)
Translation difference	234,255	314	8,076	1,892	(108)	996	245,425
At 31 December 2015	1,185,914	8,189	28,057	10,212	75	3,408	1,235,855
Accumulated depreciation							
At 1 January 2015	238,848	3,493	–	1,897	807	2,108	247,153
Charge for the year (Note 6)	42,550	2,768	–	95	–	156	45,569
Impairment loss	295,172	–	–	–	–	–	295,172
Disposals and write off	–	–	–	–	(624)	(210)	(834)
Derecognition	–	(5,155)	–	–	–	–	(5,155)
Reclassified as held for sale (Note 22)	(55,150)	(129)	–	–	–	–	(55,279)
Translation difference	59,552	(15)	–	444	(108)	934	60,807
At 31 December 2015	580,972	962	–	2,436	75	2,988	587,433
Net carrying amount							
At 31 December 2015	604,942	7,227	28,057	7,776	–	420	648,422

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Vessel RM'000	Leasehold properties RM'000	Vehicles RM'000	Office equipment, renovations, furniture and fittings RM'000	Total RM'000
Cost					
At 1 January 2016	–	10,212	–	4,309	14,521
Additions	32,285	–	–	183	32,468
Disposals and write off	–	–	–	(56)	(56)
Translation difference	2,512	458	–	195	3,165
At 31 December 2016	34,797	10,670	–	4,631	50,098
Accumulated depreciation					
At 1 January 2016	–	2,436	–	4,021	6,457
Charge for the year (Note 6)	406	103	–	269	778
Disposals and write off	–	–	–	(56)	(56)
Translation difference	33	117	–	83	233
At 31 December 2016	439	2,656	–	4,317	7,412
Net carrying amount					
At 31 December 2016	34,358	8,014	–	314	42,686
Cost					
At 1 January 2015	–	8,320	624	3,473	12,417
Additions	–	–	–	212	212
Disposals and write off	–	–	(624)	(157)	(781)
Translation difference	–	1,892	–	781	2,673
At 31 December 2015	–	10,212	–	4,309	14,521
Accumulated depreciation					
At 1 January 2015	–	1,897	624	3,342	5,863
Charge for the year (Note 6)	–	95	–	92	187
Disposals and write off	–	–	(624)	(157)	(781)
Translation difference	–	444	–	744	1,188
At 31 December 2015	–	2,436	–	4,021	6,457
Net carrying amount					
At 31 December 2015	–	7,776	–	288	8,064

(a) Vessels with an aggregate net carrying amount of RM258,612,000 (2015: RM261,544,000) have been pledged as security for loans obtained by the Group (Note 26).

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Management has assessed that there is no need for additional impairment of vessels at the end of 2016 apart from those vessels that it intends to dispose in the immediate future, which were impaired by RM50,457,000 and are classified as non-current assets classified as held for sale at reporting date as disclosed in Note 22.

The recoverable amount of the vessels are determined based on a value in use calculation using cash flow projections for each vessel over their respective remaining useful life. In developing estimates of future cash flows, management must make significant assumptions about future charter rates for the unfixed days over the remaining economic life of each vessel. These assumptions are based on current market conditions, historical trends as well as future expectation. The discount rate applied to cash flow projections is 8%.

Although management believes that the assumptions used are reasonable and appropriate at the time they were made, such assumptions are highly subjective and likely to change, possibly materially, in the future. Due to the large number of unfixed days the calculation is particularly sensitive to even minor fluctuations of the future charter rates. As at 31 December 2016, with all other variables held constant, if the assumed charter rates per day increase/decrease by 8% from management's estimates, the impairment adjustments on vessels would decrease/increase by RM133,257,000.

13. DEPOSITS

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

14. SUBSIDIARIES

	Company	
	2016 RM'000	**2015 RM'000**
Unquoted equity investment, at cost		
At 1 January	1,425,916	1,201,938
Subscription of redeemable preference shares ("RPS")	62,314	25,311
Divestment in RPS	(61,400)	(48,200)
Liquidation of subsidiaries	–	(17,302)
Translation difference	51,285	264,169
	1,478,115	1,425,916
Less: Accumulated impairment losses	(891,488)	(336,569)
At 31 December	586,627	1,089,347

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

14. SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Company	Country of incorporation	Equity interest 2016	Equity interest 2015	Principal activities
PSM Perkapalan Sdn Bhd	Malaysia	100%	100%	Manager of ships
Pacific Ship-Managers Sdn Bhd	Malaysia	100%	100%	Ship operator, shipbroker and general shipping
- Spectrapoint Sdn Bhd	Malaysia	100%	100%	Investment holding
Lightwell Shipping Inc	British Virgin Islands (BVI)	100%	100%	Investment holding
- Ambi Shipping Pte Ltd [1]	Singapore	70%	70%	Owner and operator of ships
- Everspeed Enterprises Limited	BVI	100%	100%	Ship operator
New Johnson Holdings Limited	BVI	100%	100%	Investment holding
- Bakti Shipping Pte Ltd [1]	Singapore	100%	100%	Owner and operator of ships
- Madu Shipping Pte Ltd [1]	Singapore	100%	100%	Owner and operator of ships
- Molek Shipping Pte Ltd [1]	Singapore	100%	100%	Owner and operator of ships
- Manis Shipping Pte Ltd [1]	Singapore	100%	100%	Owner and operator of ships
- Sejahtera Shipping Pte Ltd [1]	Singapore	100%	100%	Owner and operator of ships
- Padu Shipping Pte Ltd [1]	Singapore	100%	100%	Owner and operator of ships
- Pintar Shipping Pte Ltd (formerly known as Alam Budi Pte Ltd) [1]	Singapore	100%	100%	Owner and operator of ships
- Bistari Shipping Pte Ltd [1]	Singapore	100%	100%	Dormant
Alam Budi Sdn Bhd	Malaysia	100%	100%	Dormant
Bistari Shipping Sdn Bhd	Malaysia	100%	100%	Dormant
Awanapuri Sdn Bhd	Malaysia	100%	100%	Under members' voluntary winding-up
MBC Padu Sdn Bhd [2]	Malaysia	100%	100%	Under members' voluntary winding-up

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

[2] Subsidiary consolidated under the merger method of accounting

14. SUBSIDIARIES (CONT'D)

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

(i) Summarised statement of financial position

	2016 RM'000	2015 RM'000
Non-current assets	85,530	130,924
Current assets	64,798	124,916
Total assets	150,328	255,840
Non-current liabilities	72,011	74,343
Current liabilities	8,761	10,226
Total liabilities	80,772	84,569
Net assets	69,556	171,271

(ii) Summarised statement of comprehensive income

	2016 RM'000	2015 RM'000
Revenue	22,936	21,786
Loss before tax	(19,360)	(67,327)
Loss for the year	(19,381)	(67,368)
Dividend paid to non-controlling interests during the year	(6,282)	(5,072)

(iii) Summarised cash flows

	2016 RM'000	2015 RM'000
Net cash generated from /(used in) operating activities	1,766	(3,034)
Net cash generated from/(used in) investing activities	367	(77,612)
Net cash (used in)/generated from financing activities	(84,191)	63,252
Net decrease in cash and cash equivalents	(82,058)	(17,394)
Effects of foreign exchange rate changes	(7,015)	9,429
Cash and cash equivalents at beginning of the year	118,858	126,823
Cash and cash equivalents at end of the year	29,785	118,858

15. ASSOCIATE

	Group	
	2016 RM'000	2015 RM'000
Quoted shares, at cost	1,107,939	1,107,939
Share of post acquisition profits or losses	(369,222)	(38,563)
Share of cash flow hedge reserve	4,901	–
Translation difference	468,878	430,175
	1,212,496	1,499,551
Less: Accumulated impairment loss	(557,382)	(495,774)
	655,114	1,003,777
Quoted shares, at market value	382,800	351,688

15. ASSOCIATE (CONT'D)

Details of the associate are as follows:

Company	Country of incorporation	Equity interest 2016	Equity interest 2015	Principal activities
PACC Offshore Services Holdings Ltd ("POSH")	Singapore	21%	21%	Provider of offshore marine support services

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

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

(i) Summarised statement of financial position

	2016 RM'000	2015 RM'000
Non-current assets	5,983,321	6,681,130
Current assets	766,239	756,057
Total assets	6,749,560	7,437,187
Non-current liabilities	1,970,902	592
Current liabilities	1,693,175	2,884,720
Total liabilities	3,664,077	2,885,312
Non-controlling interest	(309)	–
Net assets	3,085,792	4,551,875

(ii) Summarised statement of comprehensive income

	2016 RM'000	2015 RM'000
Revenue	754,775	1,072,480
Loss before tax	(1,526,504)	(493,164)
Loss for the year	(1,531,744)	(500,146)
Other comprehensive income	23,084	–
Dividend received from the associate during the year	5,589	15,614

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

	2016 RM'000	2015 RM'000
Group's share of net assets	655,114	966,363
Goodwill and fair value adjustment	–	37,414
	655,114	1,003,777

16. JOINT VENTURES

	Group 2016 RM'000	Group 2015 RM'000
Unquoted shares, at cost	42,453	4,187
Proportionate shareholder's advance to joint ventures	116,110	151,866
Share of post acquisition profits or losses	(39,832)	(25,410)
Translation difference	32,446	29,264
	151,177	159,907

The proportionate shareholder's advances to joint ventures are unsecured and interest-free, except for amount of RM20,173,500 (2015: RM60,060,000) which bears a weighted average interest rate of 1.38% (2015: 0.87%) per annum.

Details of the joint ventures are as follows:

Held through a subsidiary

Company	Country of incorporation	Equity interest 2016	Equity interest 2015	Principal activities
Eminence Bulk Carriers Pte Ltd	Singapore	50%	50%	Owner and operator of ships
Novel Bright Assets Limited	BVI	50%	50%	Investment holding
- Brilliant Star Shipping Pte Ltd	Singapore	50%	50%	Owner and operator of ships
- Brilliant Sun Shipping Pte Ltd	Singapore	50%	50%	Dormant
Progress Shipping Pte Ltd	Singapore	50%	50%	Investment holding
- Atlantic Progress Pte Ltd	Singapore	50%	50%	Owner and operator of ships
- Atlantic Dream Pte Ltd	Singapore	50%	50%	Owner and operator of ships

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

(i) Summarised statements of financial position

	2016 RM'000	2015 RM'000
Non-current assets	282,798	302,066
Current assets	76,690	81,478
Total assets	359,488	383,544
Non-current liabilities	241,443	237,612
Current liabilities	47,912	129,851
Total liabilities	289,355	367,463
Net assets	70,133	16,081

16. JOINT VENTURES (CONT'D)

(ii) Summarised statements of comprehensive income

	2016 RM'000	2015 RM'000
Revenue	46,336	60,692
Loss before tax before impairment loss	(9,708)	(12,092)
Impairment loss on vessels	1,395	(145,888)
Loss for the year	(8,313)	(157,980)
Dividends received from joint ventures during the year	10,265	27,502

17. LOAN TO A SUBSIDIARY

The loan to a subsidiary is unsecured, repayable by 5 semi-annual installments commencing from August 2017, and the average effective interest rate during the current financial year was 2.89% (2015: 2.61%) per annum.

18. CONSUMABLE STORES

Consumable stores are stated at cost.

Consumable stores of the Group and the Company of RM33,239,000 (2015: RM44,131,000) and RM2,075,000 (2015: Nil) respectively were charged to income statement during the year.

19. RECEIVABLES AND OTHER CURRENT ASSETS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade receivables:				
- third parties	11,886	14,738	2,065	–
- related parties	3,198	9,905	–	–
Uncompleted voyage:				
- third parties	6,401	175	1,078	–
	21,485	24,818	3,143	–
Less: Allowance for impairment				
Third parties:				
At 1 January	–	–	–	–
Charge for the year	(921)	–	–	–
Translation difference	(45)	–	–	–
At 31 December	(966)	–	–	–
Trade receivables, net	20,519	24,818	3,143	–
Tax recoverable	26	26	–	–
Deposits (refundable)	198	143	88	81
Prepayments	9,154	10,113	117	80
Other receivables	7,672	6,627	4,081	2,002
Amounts due from related parties	10,392	4,229	1,078	603
	47,961	45,956	8,507	2,766

19. RECEIVABLES AND OTHER CURRENT ASSETS (CONT'D)

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

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

The ageing analysis of trade receivables is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Not yet due	6,401	175	–	–
Past due less than 6 months not impaired	13,079	24,372	3,143	–
Past due over 6 months not impaired	1,039	271	–	–
Impaired	966	–	–	–
	21,485	24,818	3,143	–

Trade receivables are mainly due from customers that have good credit ratings. The concentration of credit risk is limited as the customer base is large and unrelated. At reporting date, 16% (2015: 40%) of the trade receivables was due from related parties. Based on historical default rates, the Group believes that no further allowance for impairment is necessary in respect of the outstanding net trade receivables.

20. AMOUNTS DUE FROM/TO SUBSIDIARIES

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

21. SHORT TERM DEPOSITS

At the reporting date, the short term deposits has maturities of less than 30 days with effective interest rate of 2.95% per annum.

22. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2016 RM'000	2015 RM'000
Property, plant and equipment	71,907	49,931

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

23. SHARE CAPITAL

	2016 Number of shares ('000)	2015 Number of shares ('000)	2016 RM'000	2015 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.

24. RESERVES

(a) Capital reserve

The premium on the shares issued in respect of the subsidiaries accounted for under the merger method of accounting of the Group has been credited to the capital reserve.

(b) 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.

(c) Cash flow hedge reserve

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

(d) Foreign currency translation reserve

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

25. PAYABLES AND OTHER LIABILITIES

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Current				
Trade payables:				
- third parties	3,187	2,857	–	–
- related parties	–	453	–	–
	3,187	3,310	–	–
Accruals	20,216	18,870	5,653	4,058
Charter hire received in advance	1,303	1,749	–	–
Charter hire payable to owners	2,179	3,394	–	–
Due to ship managers and agents:				
- third parties	952	2,213	–	–
- related parties	12,904	4,090	–	–
Uncompleted voyage	1,391	1,186	–	–
Amounts due to related parties	85	370	2,143	8
Other payables	607	2,461	421	226
	42,824	37,643	8,217	4,292
Non-current				
Charter hire payable to owners	19,086	–	–	–
	19,086	–	–	–

Trade payables generally have average credit term of 30 to 90 (2015: 30 to 90) days.

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

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

26. BORROWINGS

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Term loans - secured	174,706	141,227	–	–
- unsecured	297,211	296,486	297,211	296,486
Revolving credit	71,952	169,927	–	–
	543,869	607,640	297,211	296,486
Repayable within 12 months	(105,343)	(224,585)	(27,733)	–
Repayable after 12 months	438,526	383,055	269,478	296,486

Maturity of borrowings is analysed as follows:

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Within 1 year	105,343	224,585	27,733	–
Between 1 and 5 years	438,526	335,829	269,478	296,486
More than 5 years	–	47,226	–	–
	543,869	607,640	297,211	296,486

The borrowings are denominated in the following currencies:

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
United States Dollar	246,658	311,154	–	–
Ringgit Malaysia	297,211	296,486	297,211	296,486
	543,869	607,640	297,211	296,486

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

The borrowings bear interest at a weighted average rate of 2.53% (2015: 1.93%) per annum.

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

27. DERIVATIVE FINANCIAL LIABILITIES

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

	Group and Company 2016 RM'000	Group and Company 2015 RM'000
Hedging derivatives - non-current		
Cash flow hedge		
Cross currency swap - liabilities	(127,588)	(110,192)

27. DERIVATIVE FINANCIAL LIABILITIES (CONT'D)

Cash flow hedge

The Group uses cross currency swap to manage the variability of future cash flows attributable to exchange rate and interest rate fluctuation on its borrowings in Ringgit Malaysia. The hedged cash flows are expected to occur and affect profit or loss in the next 3 years. Gains and losses arising from the effective portion of the hedges are deferred in equity until the variability on the cash flow affects profit or loss, at which time the gains or losses are transferred to profit or loss.

The net gain or loss on cash flow hedges reclassified from other comprehensive income to the income statement is recognised in "Other operating income/(loss), net". During the financial year, a net loss of RM18,876,000 (2015: RM76,365,000) was recognised by the Group and the Company in the income statement, respectively.

28. DEFERRED TAX LIABILITIES

	Group	
	2016 RM'000	2015 RM'000
At 1 January	73	165
Recognised in income statement (Note 9)	(73)	(92)
At 31 December	–	73

The components and movements of deferred tax liability and asset during the year are as follows:

	Property, plant and equipment RM'000	Other payables RM'000	Total RM'000
At 1 January 2016	73	–	73
Recognised in income statement	(73)	–	(73)
At 31 December 2016	–	–	–
At 1 January 2015	179	(14)	165
Recognised in income statement	(106)	14	(92)
At 31 December 2015	73	–	73

29. PROVISION FOR ONEROUS CONTRACTS

	Group	
	2016 RM'000	2015 RM'000
At 1 January	110,817	5,155
Utilised during the year	(73,266)	(5,155)
Charged during the year	73,266	110,827
Translation difference	4,986	(10)
At 31 December	115,803	110,817
Analysis of provision		
Current	58,077	76,248
Non-current	57,726	34,569
	115,803	110,817

30. DIVIDENDS

	Group and Company	
	2016 RM'000	2015 RM'000
In respect of financial year ended:		
31 December 2014		
Final dividend of 1 sen, single tier	–	10,000
	–	10,000

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

31. COMMITMENTS

	Group	
	2016 RM'000	2015 RM'000
(a) Capital commitments	339,973	410,345
(b) Operating lease commitments - as lessee		
Due within 1 year	117,200	112,409
Due later than 1 year and not later than 5 years	380,354	432,955
Due later than 5 years	41,831	91,485
	539,385	636,849

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

31. COMMITMENTS (CONT'D)

	Group 2016 RM'000	Group 2015 RM'000
(c) Operating lease commitments - as lessor		
Due within 1 year	7,086	40,480
Share of joint ventures' commitments	7,435	8,196
	14,521	48,676
(d) Contract of affreightment (COA)		
Due within 1 year	23,872	–
Due later than 1 year and not later than 5 years	95,553	–
Due later than 5 years	230,871	–
	350,296	–

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

32. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Transactions in which certain substantial shareholders of the Company have substantial interest				
Income earned:				
Charter hire income	22,014	47,869	–	–
Crew management fee	4,016	4,283	–	–
Commercial fee	2,660	2,973	–	–
Income from shared services	2,463	2,579	2,463	2,579
Rental income	424	324	424	324
Brokerage commission and accounting fees	3	12	–	–
Corporate secretarial fee and accounting fees	25	25	25	–
	31,605	58,065	2,912	2,903

32. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Expenditure incurred:				
Corporate administration fee	314	625	–	–
Commercial fee	5,472	8,179	217	–
Shared services cost	3,238	1,608	–	–
Management fee	3,582	3,409	–	–
Crewing agents fee	503	504	15	–
Procurement fee	796	878	50	–
Dry docking cost	–	3,570	–	–
Share registration fee	12	12	12	12
Supervision fee	–	72	–	–
Commission on disposal of vessels	1,256	–	–	–
	15,173	18,857	294	12
Transactions with joint ventures				
Income earned:				
Crew management fee	334	553	–	–
Accounting fee	1,022	864	1,022	864
	1,356	1,417	1,022	864

	Company	
	2016 RM'000	2015 RM'000
Transactions with subsidiaries		
Income earned:		
Income from shared services	1,860	1,335
Accounting fee	297	249
Dividends from subsidiaries	20,500	–
Rental income	206	168
Interest income	11,338	10,002
	34,201	11,754
Expenditure incurred:		
Management fee	91	–
	91	–

Key management personnel

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

33. SEGMENT INFORMATION

(a) Business segments

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

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

(b) Geographical segments

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

(c) Allocation basis and inter-segment charges

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

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

Major customers

Revenue from two major customers (2015: one) amounted to RM56,494,000 (2015: RM47,869,000) represents 25% (2015: 20%) of the total revenue of the Group.

33. SEGMENT INFORMATION (CONT'D)

2016	Bulkers RM'000	Tankers RM'000	Ship brokerage and management RM'000	Investment holding and others RM'000	Elimination RM'000	Total RM'000
Revenue						
Group total	168,227	50,696	7,871	–	(1,289)	225,505
Inter-segment	–	–	(1,289)	–	1,289	–
External	168,227	50,696	6,582	–	–	225,505
Results						
Segment results	(59,615)	27,101	1,433	(1,083)	–	(32,164)
Depreciation and amortisation	(20,202)	(7,793)	(434)	(571)	–	(29,000)
Impairment loss on vessels	(14,887)	(35,570)	–	–	–	(50,457)
Other non-cash items	(821)	13	(73)	(227)	–	(1,108)
Interest income	367	–	34	665	–	1,066
Finance costs	(8,412)	(593)	(11)	(7,088)	–	(16,104)
Share of results of an associate	–	–	–	(325,070)	–	(325,070)
Impairment loss on associate	–	–	–	(39,304)	–	(39,304)
Share of results of joint ventures	(4,157)	–	–	–	–	(4,157)
Taxation	(22)	–	(633)	(167)	–	(822)
(Loss)/profit for the year	(107,749)	(16,842)	316	(372,845)	–	(497,120)
Other information						
Investment in an associate	–	–	–	655,114	–	655,114
Investment in joint ventures	151,177	–	–	–	–	151,177
Additions to non-current assets	82,995	100	20	183	–	83,298
Non-current assets held for sale	30,439	41,468	–	–	–	71,907
Segment assets	518,845	32,512	41,006	733,501	(708,244)	617,620
	783,456	74,080	41,026	1,388,798	(708,244)	1,579,116
Segment liabilities	949,150	86,334	18,663	503,453	(708,244)	849,356

33. SEGMENT INFORMATION (CONT'D)

2015	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	176,685	57,707	8,554	–	(1,445)	241,501
Inter-segment	–	–	(1,445)	–	1,445	–
External	176,685	57,707	7,109	–	–	241,501
Results						
Segment results	(69,329)	8,520	2,511	(2,381)	–	(60,679)
Depreciation and amortisation	(33,022)	(12,297)	(449)	(559)	–	(46,327)
Provision for onerous contracts	(105,672)	–	–	–	–	(105,672)
Impairment loss on vessels	(295,172)	–	–	–	–	(295,172)
Other non-cash items	4,919	(8)	(38)	(425)	–	4,448
Interest income	457	–	23	392	–	872
Finance costs	(6,298)	(543)	(14)	(5,918)	–	(12,773)
Share of results of an associate	–	–	–	(106,181)	–	(106,181)
Impairment loss on associate	–	–	–	(495,774)	–	(495,774)
Share of results of joint ventures	(78,990)	–	–	–	–	(78,990)
Taxation	(41)	–	(901)	(173)	–	(1,115)
(Loss)/profit for the year	(583,148)	(4,328)	1,132	(611,019)	–	(1,197,363)
Other information						
Investment in an associate	–	–	–	1,003,777	–	1,003,777
Investment in joint ventures	159,907	–	–	–	–	159,907
Additions to non-current assets	132,036	5,169	67	212	–	137,484
Non-current assets held for sale	–	49,931	–	–	–	49,931
Segment assets	563,434	132,728	29,751	761,491	(740,794)	746,610
	855,377	187,828	29,818	1,765,480	(740,794)	2,097,709
Segment liabilities	920,702	94,373	10,522	581,881	(740,794)	866,684

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

34. FINANCIAL RISK MANAGEMENT

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

(a) Currency risk

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

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

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

(b) Interest rate risk

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

At end of the reporting period, if interest rates had been 25 basis point higher/lower with all other variables held constant, the Group's loss after tax would have been RM1,358,000 (2015: RM1,519,000) higher/lower.

(c) Liquidity risk

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

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

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

34. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

Analysis of undiscounted financial instruments by remaining contractual maturities

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

	Within 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
Group				
At 31 December 2016				
Trade and other payables	40,130	13,168	5,918	59,216
Borrowings	118,822	467,162	–	585,984
Derivative financial liabilities	–	127,588	–	127,588
	158,952	607,918	5,918	772,788
At 31 December 2015				
Trade and other payables	34,708	–	–	34,708
Borrowings	236,668	360,453	48,054	645,175
Derivative financial liabilities	–	110,192	–	110,192
	271,376	470,645	48,054	790,075
Company				
At 31 December 2016				
Trade and other payables	8,217	–	–	8,217
Amounts due to subsidiaries	23,018	–	–	23,018
Borrowings	35,648	281,179	–	316,827
Derivative financial liabilities	–	127,588	–	127,588
	66,883	408,767	–	475,650
At 31 December 2015				
Trade and other payables	4,292	–	–	4,292
Amounts due to subsidiaries	752	–	–	752
Borrowings	7,807	315,368	–	323,175
Derivative financial liabilities	–	110,192	–	110,192
	12,851	425,560	–	438,411

The Company's maximum potential liability under corporate guarantees amounted to RM249,873,000 (2015: RM292,315,000) as of 31 December 2016. The corporate guarantees were provided in respect of the borrowings of its subsidiaries and a joint venture.

34. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Credit risk

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

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

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

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

35. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. The Group manages its capital structure by taking into account its current and projected cash flow, expansion and capital expenditure commitments. Where necessary, adjustments to the amount of dividends paid to shareholders or the issuance of new shares may be considered. The Group does not adopt any formal dividend policy. The debt to equity ratio of the Group for the year ended 31 December 2016 was 0.77:1 (2015: 0.52:1).

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

No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 2015.

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

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Fair value hierarchy

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

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

- Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Financial assets				
Loans and receivables				
Trade and other receivables	32,380	35,642	7,312	2,686
Short term deposits	500	–	–	–
Cash and bank balances	69,141	140,496	5,370	932
Amounts due from subsidiaries	–	–	381	449
Loan to a subsidiary	–	–	420,399	402,300
	102,021	176,138	433,462	406,367
Financial liabilities carried at amortised costs				
Borrowings	543,869	607,640	297,211	296,486
Trade and other payables	59,216	34,708	8,217	4,292
Amounts due to subsidiaries	–	–	23,018	752
	603,085	642,348	328,446	301,530
Financial liability carried at fair value through other comprehensive income				
Derivative financial liabilities	127,588	110,192	127,588	110,192

37. SIGNIFICANT EVENT

During the year, the Group, through its subsidiaries, disposed of three vessels to third parties for a total consideration of RM122,222,000.

38. SIGNIFICANT SUBSEQUENT EVENT

Subsequent to the year end, the Group has signed two separate Memorandum of Agreements to dispose of two vessels to third parties for a consideration of RM80,465,000.

39. COMPARATIVES

Certain comparative figures of the Group and the Company have been reclassified to conform with current year's presentation.

Statements of financial position

	As previously classified RM'000	Reclassification RM'000	As reclassified RM'000
As at 31 December 2015			
Group			
Non-current assets			
Deposits	–	40,292	40,292
Current Assets			
Receivables and other current assets	86,248	(40,292)	45,956
Company			
Non-current assets			
Deposits	–	40,292	40,292
Current Assets			
Receivables and other current assets	43,058	(40,292)	2,766

The aforesaid reclassification does not have an effect on the statements of financial position of the Group and the Company as at 1 January 2015.

40. DISCLOSURE OF REALISED AND UNREALISED PROFITS

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Total (accumulated losses)/ retained profits of the Company and its subsidiaries:				
Realised	(1,484,503)	(337,588)	(29,756)	487,079
Unrealised	(115,989)	(106,337)	(206)	(425)
Less: Effects of adoption of MFRS 1*	(103,414)	(103,414)	(107,672)	(107,672)
	(1,703,906)	(547,339)	(137,634)	378,982
Total share of (accumulated losses)/retained profits from an associate:				
Realised	(253,562)	76,706	–	–
Unrealised	(226)	165	–	–
Less: Effects of adoption of MFRS 1*	(115,434)	(115,434)	–	–
	(369,222)	(38,563)	–	–
Total share of accumulated losses from joint ventures:				
Realised	(28,374)	(13,920)	–	–
Unrealised	11	(21)	–	–
Less: Effects of adoption of MFRS 1*	(11,469)	(11,469)	–	–
	(39,832)	(25,410)	–	–
Add: Consolidation adjustments	1,815,152	804,810	–	–
Total retained profits	(297,808)	193,498	(137,634)	378,982

* The Group's cumulative currency translation differences at 1 January 2012 were adjusted to retained earnings upon adoption of MFRS.

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 Held**

Address	Existing Use/ Approximate Area	Tenure/ Date of Expiry of Lease	Age of of Building	Net Book Value @ 31.12.2016 RM'000
Level 17 (East Wing) PJ Tower No.18, Jalan Persiaran Barat Off Jalan Timur 46050 Petaling Jaya Selangor Darul Ehsan	Office/ 5,447 sq. ft.	99 Year Lease/ 11.9.2088	19 Years	1,991.8
Level 17 (West Wing) PJ Tower No.18, Jalan Persiaran Barat Off Jalan Timur 46050 Petaling Jaya Selangor Darul Ehsan	Office/ 5,511 sq. ft.	99 Year Lease/ 11.9.2088	19 Years	2,015.2
Level 18 (East Wing) PJ Tower No.18, Jalan Persiaran Barat Off Jalan Timur 46050 Petaling Jaya Selangor Darul Ehsan	Office/ 5,447 sq. ft	99 Year Lease/ 11.9.2088	19 Years	1,991.8
Level 18 (West Wing) PJ Tower No.18, Jalan Persiaran Barat Off Jalan Timur 46050 Petaling Jaya Selangor Darul Ehsan	Office/ 5,511 sq. ft.	99 Year Lease/ 11.9.2088	19 Years	2,015.2

Note:
All properties were acquired on 12 July 2001.

Analysis of **Shareholdings**
as at 31 March 2017

Issued and Paid-up Capital	:	RM250,000,000
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Holders	% of Holders	No. of Shares	% of Issued Capital
Less than 100	617	4.01	19,510	0.00
100 - 1,000	1,916	12.43	1,484,193	0.15
1,001 - 10,000	8,936	57.99	39,621,763	3.96
10,001 - 100,000	3,449	22.38	109,640,639	10.96
100,001 to less than 5% of issued shares	489	3.17	180,673,195	18.07
5% and above of issued shares	3	0.02	668,560,700	66.86
	15,410	100.00	1,000,000,000	100.00

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
Name of Substantial Shareholders	No. of Shares	% of Issued Capital	No. of Shares	% of Issued Capital
Pacific Carriers Limited (PCL)	344,615,000	34.46	–	–
Bank Pembangunan Malaysian 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' Shareholding)

	Direct Interest		Deemed Interest	
Name of Directors	No. of Shares	% of Issued Capital	No. of Shares	% of Issued Capital
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid	500,000	0.05	20,000 [(1)]	–
Kuok Khoon Kuan	1,268,750	0.13	–	–
Wu Long Peng	1,625,000	0.16	–	–
Govind Ramanathan	447,700	0.04	–	–
Afidah binti Mohd Ghazali	–	–	–	–
Lim Soon Huat	–	–	–	–
Tay Beng Chai	275,000	0.03	2,500 [(2)]	–
Dato' Mohd Zafer bin Mohd Hashim	–	–	–	–

Notes :
(1) Deemed interest pursuant to Section 8 of the Companies Act, 2016
(2) Deemed interest through family member

THE THIRTY LARGEST SHAREHOLDERS

(As per Record of Depositors as at 31 March 2017)

	Name of Shareholders	No. of Shares	% of Issued Capital
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.	HSBC Nominees (Asing) Sdn Bhd *Exempt AN* *For Bank Julius Baer & Co. Ltd. (Singapore BCH)*	4,870,000	0.49
5.	Amsec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tiong Chiong Hee*	4,659,600	0.47
6.	Citigroup Nominees (Tempatan) Sdn Bhd *For Employees Provident Fund Board (Amundi)*	4,000,000	0.40
7.	CIMB Group Nominees (Tempatan) Sdn Bhd *CIMB Islamic Trustee Berhad* *For Pacific Dana Aman (3717 TRO1)*	3,817,700	0.38
8.	Amsec Nominees (Tempatan) Sdn Bhd *Mtrustee Berhad* *For Pacific Pearl Fund (UT-PM-PPF)*	3,709,400	0.37
9.	Amsec Nominees (Tempatan) Sdn Bhd *Mtrustee Berhad* *For Great Eastern Life Assurance (Malaysia) Berhad (Par 1)* *Dimensions Group Inc*	3,176,600	0.32
10.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Exempt AN* *For Kumpulan Sentiasa Cemerlang Sdn Bhd (TSTAC/CLNT)*	2,554,000	0.26
11.	Teo Guan Lee Holdings Sendirian Berhad	2,494,400	0.25
12.	Citigroup Nominees (Asing) Sdn Bhd *CBNY* *For Dimensional Emerging Markets Value Fund*	2,435,047	0.24
13.	HSBC Nominees (Asing) Sdn Bhd *For SBL of Morgan Stanley & Co. International PLC*	2,180,000	0.22
14.	Kerajaan Negeri Pahang	2,153,850	0.21
15.	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Christine Ang Chiew Mui (7001270)*	2,100,000	0.21
16.	Dinshaw a/l J Manecksha	2,000,000	0.20

THE THIRTY LARGEST SHAREHOLDERS (CONT'D)

(As per Record of Depositors as at 31 March 2017)

Name of Shareholders	No. of Shares	% of Issued Capital
17. Citigroup Nominees (Asing) Sdn Bhd *CBNY* *For DFA Emerging Markets Small Cap Series*	1,993,200	0.20
18. Citigroup Nominees (Asing) Sdn Bhd *CBNY* *For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc*	1,892,523	0.19
19. Citigroup Nominees (Asing) Sdn Bhd *For Macquarie Bank Limited (London Branch)*	1,787,100	0.18
20. Gan Teng Siew Realty Sdn Berhad	1,700,000	0.17
21. Citigroup Nominees (Tempatan) Sdn Bhd *For Kumpulan Wang Persaraan (Diperbadankan) (I-Vcap)*	1,665,600	0.17
22. Wu Long Peng	1,625,000	0.16
23. HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Le Wee Tack*	1,550,000	0.15
24. HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Le Wee Yap*	1,502,500	0.15
25. Kah Hin Loong Sdn Bhd	1,498,850	0.15
26. Chinchoo Investment Sdn Berhad	1,400,000	0.14
27. Kuok Khoon Kuan @ Kuo Khoon Kwong	1,268,750	0.13
28. Cimsec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Pheh Kar Hoe (Penang-CL)*	1,266,000	0.13
29. Quarry Lane Sdn Bhd	1,260,000	0.13
30. Low Kok Kong	1,250,000	0.12
	730,370,820	73.04

Additional Compliance **Information**

1. AUDIT AND NON-AUDIT FEES

The details of the audit and non-audit fees paid/payable in 2016 are set out below:

	Company RM	Group RM
Fees paid/payable to Ernst & Young • Audit • Non-Audit - Statement on Risk Management and Internal Control	 74,000 7,500	 390,000 7,500
	81,500	397,500

2. MATERIAL CONTRACTS

There were no material contracts entered into by the Company and/or its subsidiaries involving directors' and major shareholders' interests subsisting as at 31 December 2016 or entered into during the financial year ended 31 December 2016 except as disclosed in the Financial Statements as set out in this Annual Report.

3. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (RRPT)

The details of the RRPT entered into by the Company and its subsidiaries during the financial year under review are disclosed in Note 32 to the financial statements on pages 77 to 78.

Directors' Responsibility **Statement**

The Directors are responsible in ensuring that the audited financial statements of the Group and the Company are drawn up in accordance with the requirements of the Malaysian Financial Reporting Standards, International Financial Reporting Standards, the provisions of the Companies Act, 1965 in Malaysia and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are also responsible for ensuring that the audited financial statements of the Group and the Company are prepared with reasonable accuracy from the accounting records of the Group and the Company so as to give a true and fair view of the financial position of the Group and the Company as of 31 December 2016 and of their financial performance and cash flows for the year then ended.

In preparing the audited financial statements, the Directors have:

a. applied the appropriate and relevant accounting policies on a consistent basis;

b. made judgments and estimates that are reasonable and prudent; and

c. prepared the audited financial statements on a going concern basis.

The Directors also have a general responsibility to take reasonable steps to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

Notice of **Annual General Meeting**

NOTICE IS HEREBY GIVEN THAT the 28th Annual General Meeting of Malaysian Bulk Carriers Berhad ("the Company") will be held on Monday, 15 May 2017 at 10:00 a.m. at Banquet Hall, TPC Kuala Lumpur (Kuala Lumpur Golf & Country Club Berhad), No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur for the following purposes:

As Ordinary Business

(1) To receive the audited Financial Statements for the financial year ended 31 December 2016 and the reports of the Directors and the Auditors thereon. **Resolution 1**

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

(a) Tay Beng Chai **Resolution 2**
(b) Afidah binti Mohd Ghazali **Resolution 3**
(c) Govind Ramanathan **Resolution 4**

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

(4) To approve payment of Directors' fees of RM452,500 for the financial year ended 31 December 2016. **Resolution 6**

(5) To approve payment of meeting allowances to the Directors up to an amount of RM110,000 from 1 January 2017 until the next Annual General Meeting of the Company. **Resolution 7**

As Special Business

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

Ordinary Resolutions

(6) To authorise the issue of shares pursuant to Sections 75 and 76 of the Companies Act, 2016 **Resolution 8**

"THAT pursuant to Sections 75 and 76 of the Companies Act, 2016, 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."

(7) Renewal of and Additional Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature **Resolution 9**

"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 21 April 2017, 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 340(2) of the Companies Act, 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) 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."

(8) To transact any other business.

BY ORDER OF THE BOARD

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

21 April 2017
Petaling Jaya

Notes:

1. *Only depositors whose names appear in the Record of Depositors as at 4 May 2017 (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. A proxy appointed to attend and vote at the meeting shall have the same rights as the member to speak at the meeting.*

7. *Pursuant to Paragraph 8.29(A) of the Main Market Listing Requirements of Bursa Malaysia Securities, all resolutions at the forthcoming AGM shall be put by way of poll.*

8. *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 24 hours before the time for holding the meeting or any adjournment thereof and in default, the instrument of proxy shall be invalid.*

EXPLANATORY NOTE ON ORDINARY BUSINESS

1. Resolution 7
- To approve the payment of meeting allowances

Meeting allowance of RM1,000 is payable to each Director for attending each Board or Board Committee meeting.

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. Resolution 8
-To authorise the Issue of Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016

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 8 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 9
-Renewal of and Additional Shareholders' 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 21 April 2017 despatched together with the Company's 2016 Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

The Directors who are standing for re-election are as follows:

a) Tay Beng Chai
b) Afidah binti Mohd Ghazali
c) Govind Ramanathan

The details of the above Directors are set out on pages 10 to 11 of this Annual Report and their interests in shares of the Company and its subsidiaries are disclosed on page 89 of this Annual Report.

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MALAYSIAN BULK CARRIERS BERHAD
(Company No.: 175953-W)

PROXY FORM

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 28th Annual General Meeting of the Company to be held on Monday, 15 May 2017 at 10:00 a.m. at Banquet Hall, TPC Kuala Lumpur (Kuala Lumpur Golf & Country Club Berhad), 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 2016 and the reports of the Directors and the Auditors thereon		
2.	To re-elect Mr. Tay Beng Chai as a director		
3.	To re-elect Puan Afidah binti Mohd Ghazali as a Director		
4.	To re-elect Mr. Govind Ramanathan as a Director		
5.	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration		
6.	To approve the payment of Directors' fees		
7.	To approve the payment of meeting allowances		
8.	To authorise the Directors to allot and issue shares		
9.	To approve the renewal of and additional shareholders' mandate for recurrent related party transactions		

(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____________ 2017

Signature of Shareholder: ______________________

Notes:

1. *Only depositors whose names appear in the Record of Depositors as at 4 May 2017 (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. A proxy appointed to attend and vote at the meeting shall have the same rights as the member to speak at the meeting.*
7. *Pursuant to Paragraph 8.29(A) of the Main Market Listing Requirements of Bursa Malaysia Securities, all resolutions at the forthcoming AGM shall be put by way of poll.*
8. *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 24 hours before the time for holding the meeting or any adjournment thereof and in default, the instrument of proxy shall be invalid.*

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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

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MALAYSIAN BULK CARRIERS BERHAD (Company No. 175953-W)

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