Annual Report & CG Report

MALAYSIAN BULK CARRIERS BERHAD

Annual Report for Financial Year Ended	31 Dec 2018
Subject	Annual Report & CG Report - 2018

Please refer attachment below.

Attachments

Maybulk - 2018 Annual Report.pdf
1.0 MB

Maybulk - CG Report 2018.pdf
201.7 kB

Announcement Info

Company Name	MALAYSIAN BULK CARRIERS BERHAD
Stock Name	MAYBULK
Date Announced	04 Apr 2019
Category	Document Submission
Reference Number	DCS-03042019-00015

MALAYSIAN BULK CARRIERS BERHAD

(Company No. 175953-W)

Annual Report 2018


MBC

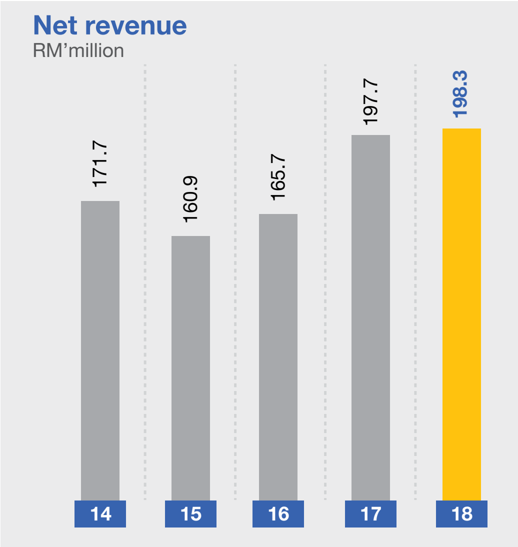
CONTENT

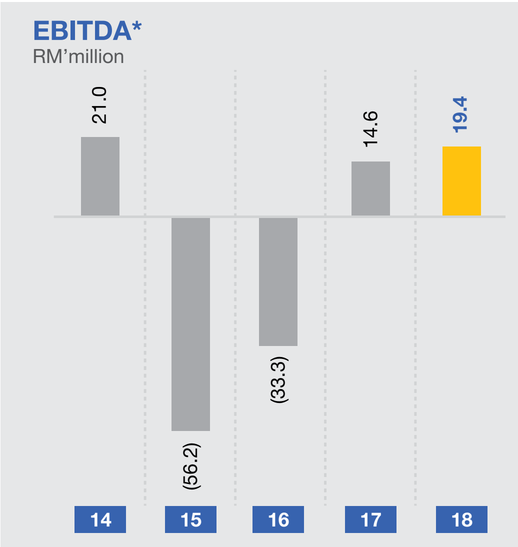
FINANCIAL HIGHLIGHTS

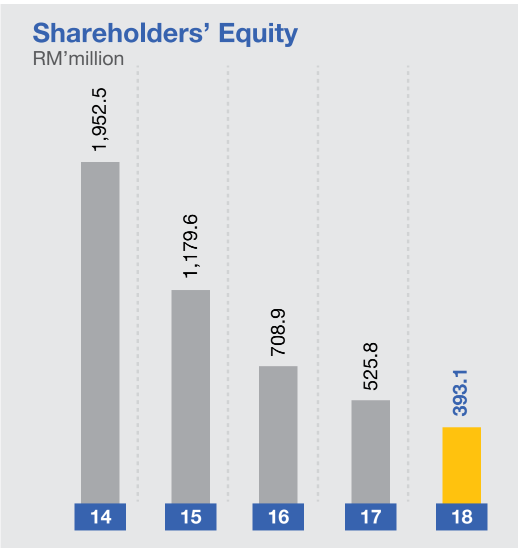
	2018	2017	2016	2015	2014
FINANCIAL RESULTS (RM'000)					
Net revenue	**198,265**	197,744	165,723	160,942	171,686
Operating profit/(loss)	**4,384**	(9,861)	(52,067)	(100,146)	(34,118)
EBITDA (exclude JVs & associate)	**19,363**	14,553	(33,272)	(56,231)	20,985
Profit/(loss) before taxation	**264,800**	(128,992)	(496,298)	(1,196,248)	18,333
Profit/(loss) attributable to equity holders of the Company	**263,838**	(134,954)	(491,306)	(1,177,153)	12,153
BALANCE SHEET (RM'000)					
Total assets	**1,022,740**	1,206,939	1,579,116	2,097,709	2,505,649
Total liabilities	**628,563**	657,756	849,356	866,684	489,567
Cash and cash equivalents	**289,124**	72,233	69,641	140,496	151,460
Borrowings	**409,157**	410,143	543,869	607,640	415,556
Net debt	**120,033**	337,910	474,228	467,144	264,096
Shareholders' equity	**393,092**	525,779	708,893	1,179,644	1,952,450
SHARE INFORMATION (sen)					
Per share					
Basic earnings/(loss)	**26.38**	(13.50)	(49.13)	(117.72)	1.22
Dividend	**-**	-	-	-	1.00
Net assets	**39.31**	52.58	70.89	117.96	195.25
Share price as at 31 December	**56.0**	81.5	70.5	80.5	121.0
Market capitalisation (RM'Million)	**560**	815	705	805	1,210
KEY RATIOS (%)					
Return on average equity	**57.4%**	(21.9%)	(52.0%)	(75.2%)	0.6%
Net debt/equity ratio	**30.5%**	64.3%	66.9%	39.6%	13.5%
FLEET DATA *					
Number of vessels (at end of year)	**15**	18	20	23	22
Total tonnage in DWT (MT'000)	**864**	990	1,070	1,272	1,213
Average age of fleet (in years)	**7.0**	6.6	6.2	6.8	6.3
Total operating days (days)	**5,364**	6,886	7,893	8,215	7,574
Total hire days (days)	**5,150**	6,717	7,708	7,788	7,395
Daily Time Charter Equivalent Rate:					
- Dry bulk carriers (USD)	**10,180**	8,193	5,388	6,407	9,287
- Tankers (USD)	**n/a**	7,926	14,651	13,675	12,585

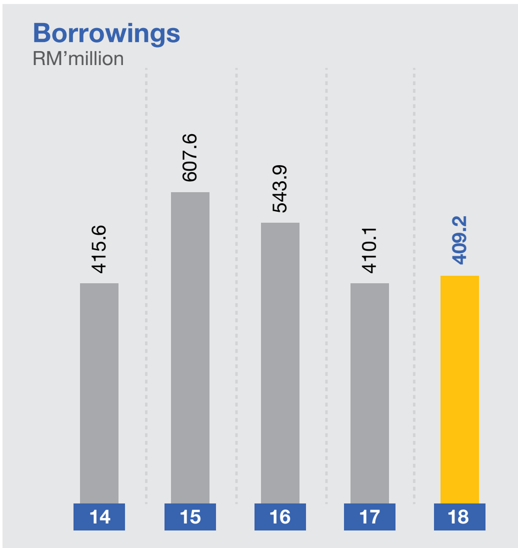
Note :
** Includes jointly owned and long term chartered-in vessels*

Financial Highlights
(cont'd)









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

CHAIRMAN'S **STATEMENT**

Dear Valued Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report and Audited Financial Statements of MBC and its subsidiaries for the financial year ended 31 December 2018.

In 2018, the dry bulk market continued to improve, with freight rates across all shipping segments performing better than in 2017 and significantly above the historical-low levels of 2015/2016. This was attributed to an overall improvement in seaborne trades of dry bulk commodities, while supply fundamentals of dry bulk shipping remained reasonably healthy.

Whilst global seaborne trade is projected to continue to grow in the coming year, ongoing global trade tension and increasingly bearish commodity demand sentiments may affect growth rate. This, coupled with potential trade disruptions of dry bulk commodities such as coal, iron ore and grains, pose demand-side risks and may result in higher freight volatilities.

Amidst this unpredictable operating environment, the Group continued to implement measures to shore up our defences. In 2018, the Group embarked on a series of strategic initiatives to restore the financial health and strengthen our future operations.

The Group disposed of its 21.23% interest in the associate, PACC Offshore Services Holdings Ltd ("POSH"), by way of a Renounceable Restricted Offer for Sale ("ROS"). The ROS was completed on 25 October 2018 and MBC received net proceeds of RM249.2 million. The proceeds have been allocated for working capital and repayment of borrowings and to part finance the construction costs of new vessels.

In 2018, the Group's fleet rejuvenation program was well underway. The Group took delivery of the bulk carrier, the *Alam Kekal* in October, the first in a series of three eco-Kamsarmax newbuildings constructed in Japan. These vessels comply with latest industry regulations, are able to carry a larger quantity of cargoes and are more fuel-efficient than the other ships of its class in our fleet.

Part of the renewal program also included a thorough review on our existing fleet. In 2018, with the market improvement in asset prices, the Group took the opportunity to dispose 4 ships the *Alam Makmur* (55,865 DWT), *Alam Penting* (87,052 DWT), *Atlantic Progress* (32,527 DWT) and *Atlantic Dream* (32,527 DWT).

The Group kept a close check on our vessel operating costs consisting of crew costs, ship repair and maintenance costs and marine insurance. On the safety front, the Group has shown admirable improvement in operational performance. The safety campaigns and strenuous efforts by Management to continuously raise the safety and operational performances have started to bear fruits. We will continue to cultivate a strong safety mindset in all our people, at sea and shore.

As a result of the many initiatives undertaken and an improved freight market, I am pleased to announce that we have achieved better results in 2018. The Group reported a profit before tax of RM264.8 million in 2018, compared with a loss of RM129.0 million in 2017 due to reduced loss from associate and exceptional items (i.e. gain on disposal of associate, impairments and onerous contracts provision). Excluding associate and exceptional items, the Group's loss decreased marginally to RM19.3 million in 2018, from a loss of RM21.1 million in 2017 despite a reduced fleet size.

CORPORATE SOCIAL RESPONSIBILITY

Whilst we pursue our business commitments, we acknowledge our responsibility to our employees, business partners and the communities in which we do business as well as the environment we operate in. During the year, various courses and workshops have been organised for staff to strengthen their skill sets and competencies. On the social side, the Group organises various recreational activities and teambuilding to encourage teamwork and for the less fortunate, we continue to donate to charities and worthy causes.

CORPORATE GOVERNANCE

The Board believes that implementing and maintaining high governance standards underpin our business objectives and drive to create, protect and maximise shareholder value. In addition to complying with best practices, the Board places great importance on corporate integrity, transparency, business ethics, and good governance. Our corporate governance initiatives and internal controls system are presented in the relevant sections of this Annual Report.

The Group is committed to conducting our business in a responsible manner and in a way that commensurate with our wider economic, social and environmental footprint.

MOVING FORWARD

Going forward in 2019 and the years ahead, the global environment and shipping industry will throw us many new challenges as well as opportunities. We will continue to build new competencies focusing on people, systems and assets. The Group remains committed to creating value for our shareholders including rebalancing our portfolio and actively seeking business development opportunities.

IN APPRECIATION

This year in review, while not without challenges, was also one in which MBC made good progress in many areas which I touched on above. For this, there are several parties that I would like to thank.

Firstly, I would like to convey my sincere appreciation to our customers and business associates for their trust, confidence and support in MBC's ability to deliver and excel. We pledge to continue in our efforts to enhance our operational efficiency and service quality in providing shipping solutions.

My appreciation also goes to my colleagues on the MBC Board, our management team and all employees who have worked hard to steer MBC into calmer waters. It is my hope that we will continue to work together, drawing upon our collective efforts to build what we have achieved thus far.

On 14 May 2018, Mr Kuok Khoon Kuan retired and stepped down as Chief Executive Officer of MBC. The Board of Directors would like to record our appreciation to Mr Kuok for his valuable contributions over the years. Please join me in welcoming Mr Hor Weng Yew and Ms Thai Kum Foon who were appointed as Chief Executive Officer and Executive Director of the Company respectively in May 2018. They have served in various senior capacities of listed companies and large conglomerates and we certainly look forward to their leadership and contributions.

Lastly, I also wish to extend my sincere appreciation to our shareholders for their continued loyalty and faith over the years. I look forward to your continued support as we move forward. On our part, rest assured that MBC will remain buoyant and resilient to continue building value in our existing business.

Thank you.

Dato' Capt. Ahmad Sufian
Chairman

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL OVERVIEW

	Note	2018 RM'000	2017 RM'000	Variance RM'000
Loss after share of results of joint ventures, but before associate and exceptional items	(b)	(19,318)	(21,110)	1,792
Exceptional items:				
i) (Impairment loss)/Reversal of impairment loss:				
- The Group	(c)	(6,351)	108,548	(114,899)
- Share of JV's reversal of impairment loss/(impairment loss)		710	(15,428)	16,138
ii) Net change in onerous contracts provision	(c)	32,232	10,936	21,296
iii) Gain on disposal of an associate	(d)	265,929	-	265,929
		292,520	104,056	188,464
Share of results of associate	(d)	(8,402)	(211,938)	203,536
Profit/(Loss) before tax	(a)	**264,800**	**(128,992)**	**393,792**

(a) The Group reported a profit before tax of RM264.8 million in 2018, compared to a loss of RM129.0 million in 2017 mainly due to reduced loss from associate and exceptional items.

(b) Loss after share of results of joint ventures, but before associate and exceptional items was RM19.3 million in 2018, compared to RM21.1 million loss in 2017. The improved operating results were achieved despite a reduced fleet size mainly due to improvement in fleet earnings and ship operation performance.

The Group disposed of 4 vessels, the Alam Makmur (55,865 DWT), Alam Penting (87,052 DWT), Atlantic Progress (32,527 DWT) and Atlantic Dream (32,527 DWT) during the year and took delivery of a new vessel, the Alam Kekal (82,079 DWT) in end October 2018, resulting in a decrease of 1,567 revenue days (2018: 5,150 days versus 2017: 6,717 days).

(c) Impairment loss on vessels was RM6.4 million in 2018 (2017: Reversal of impairment loss of RM108.5 million). The Group utilised RM32.2 million (2017: RM10.9 million) of the onerous contracts provision which had been provided in the earlier years.

(d) The Group disposed of its entire interest in the associate, PACC Offshore Services Holdings Ltd ("POSH") by way of a Renounceable Restricted Offer for Sale that was announced on 2 April 2018 and completed on 25 October 2018 with net proceeds of RM249.2 million.

On disposal of the associate, the cumulative amount of the foreign currency translation reserve (RM391.1 million) and cash flow hedge reserve (RM13.3 million) relating to POSH, previously recognised in other comprehensive income and accumulated in the separate component of equity were reclassified from equity to profit or loss. Including this reclassification of RM404.4 million, the Group reported a gain on disposal of associate of RM265.9 million.

The Group ceased accounting for POSH results in May 2018. The share of POSH results for the period from January 2018 to April 2018 was a loss of RM8.4 million (2017: a loss of RM211.9 million).

OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS

Overall in 2018, dry bulk shipping witnessed a healthier market year from the previous year. Commodity demands particularly from China was the key driver, whilst a limited fleet supply growth provided the main platform for freight rate improvement across all the dry bulk shipping segments. However, the market also experienced significant volatilities, with the Baltic Dry Index (BDI) fluctuating from a low of 948 in April to a high of 1,774 in July, followed by a decline in the fourth quarter and closing the year at 1,271.

The Panamax market last year saw robust seasonal demands at the end of the first quarter with strong soybean import volumes into China, followed by a robust third quarter supported by high coal imports into China, before easing in the fourth quarter due to restrictions of coal imports into China and the protracted trade negotiations between the USA and China. MBC's Panamax fleet was deployed in a combination of voyage and short-term time charters to leverage on the freight market improvements. In 2018, MBC's Panamax fleet earned an average of about US$13,140/day time-charter equivalent (TCE), 13% higher than market Panamax dry bulk index rates which averaged US$11,660/day.

The Supramax market enjoyed an overall improvement last year, but was also impacted by a fall in rates in the fourth quarter of 2018. MBC's Supramax earned an average of approximately US$11,410/day TCE for 2018, which is in line with the market index which averaged US$11,480/day. Similarly the Handysize segment experienced the same trend, with the Handysize market index averaging US$8,700/day in 2018. MBC's Handysize fleet earned an average of US$9,110/day TCE for 2018, 5% higher than the market index.

As of 31 December 2018, the MBC Group had 15 dry bulk carriers comprising three Post-Panamax, one Kamsarmax, six Supramax and five Handysize vessels. The Kamsarmax was a newbuild delivered in 2018, and two more newbuilding Kamsarmax deliveries are expected to take place in the first half of 2019.

ANTICIPATED OR KNOWN RISK

This report contains market analysis based on various assumptions, based on Management's views. Although we believe that these assumptions were reasonable when made, due to the cyclical and global uncertainties inherent in the bulk shipping markets, the Company cannot give assurance to any projections given. The Group strives to generate positive returns and continue to remain agile in deploying our fleet and optimizing returns by actively managing our operational, counterparty and market risks. With our modern fleet profile, our Group is in a better position to create higher returns from trading these assets.

Changes in the demand in the dry bulk shipping markets and world economies, policies, interest rates, currencies and general market conditions are constantly evolving. Trade disruptions, changes in regulations, actions taken by regulatory authorities and potential litigation risk may cause actual results to differ from those discussed in this report.

DRY BULK MARKET OUTLOOK

In 2019, the Vale dam accident at Brumadinho in the State of Minas Gerais Brazil caused a significant disruption in the dry bulk market and compounded the fall in the dry bulk freight rates that started in the fourth quarter of 2018. Concerns of weakening commodity demand in China and global trade uncertainties may impact growth. Nevertheless, the dry bulk shipping demand is projected to grow by 2.5% in 2019, mainly driven by agricultural products and minor bulk commodities*.

The global dry bulk fleet is projected to grow at 2.8% in 2019* but there is increasing expectation that ship demolition may increase as some shipowners may be inclined to scrap vessels instead of incurring additional costs for special surveys, installation of ballast water treatment systems and scrubbers to meet the IMO 2020 sulphur regulations.

PREPARED FOR THE FUTURE

MBC remains committed to conducting our business in a responsible manner and in a way that is commensurate with our wider economic, social and environmental footprint. Thus, we will continue to push for more stringent performance standards across the sector and demonstrate our commitment towards stewardship.

**Source: Clarksons*

SUSTAINABILITY STATEMENT

ABOUT THE SUSTAINABILITY STATEMENT

This Sustainability Statement has been prepared in accordance with the Sustainability Reporting Guide and Toolkits issued by Bursa Malaysia.

SCOPE OF THE SUSTAINABILITY STATEMENT

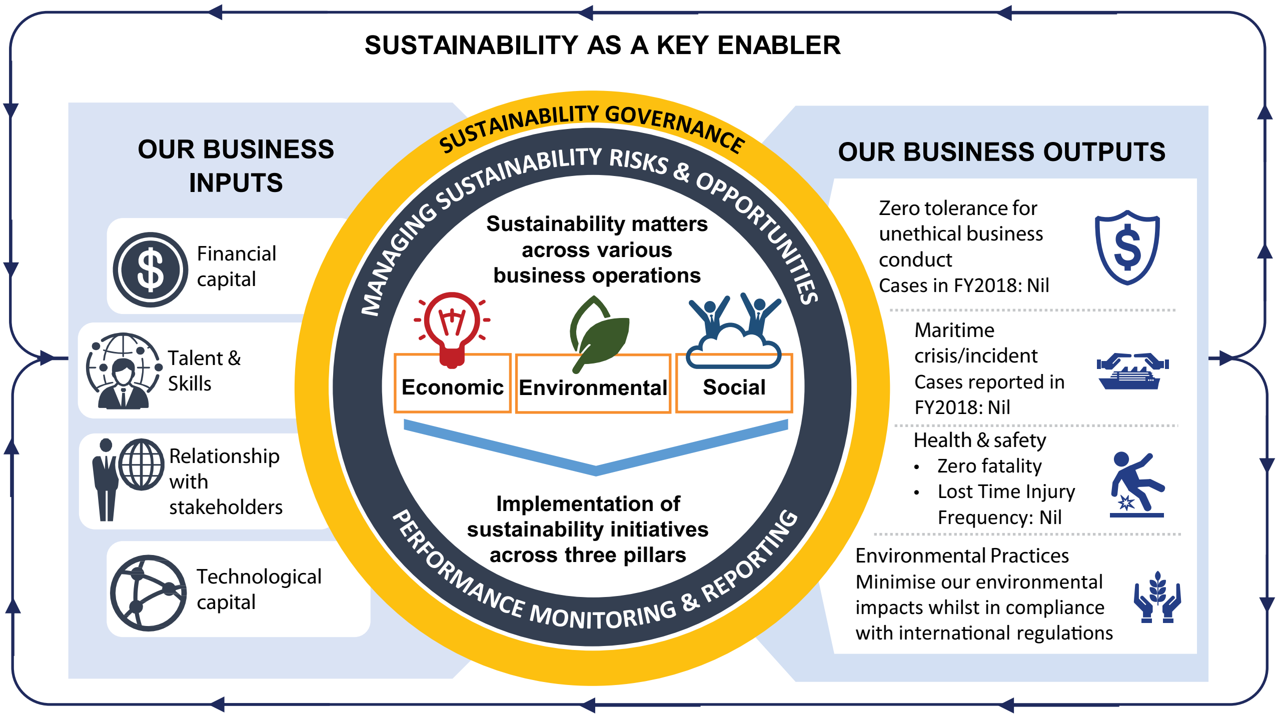
This Statement covers the economic, environmental and social ("EES") impacts of the dry bulk shipping operations of Malaysian Bulk Carriers Berhad and its subsidiaries ("MBC Group" or "the Group") in Malaysia and Singapore. The reporting period of this Statement spans the financial year commencing from 1 January 2018 to 31 December 2018, unless otherwise stated.

ANCHORING SUSTAINABILITY INTO MBC GROUP

At MBC Group, we strive to provide our services as a shipping provider in the most professional way possible. But merely focusing on reaping economic returns is not sufficient to ensure that we have a sustainable business that will overcome the increasing competitiveness and volatility in the shipping industry. Recognising this, we believe that propelling our business operations towards sustainability will better position us to manage our risks and opportunities, by taking into consideration the EES factors into our business strategies and daily operations.

As a responsible business, we have established and adopted policies and procedures to guide our employees and seafarers to discharge their roles and responsibilities in an ethical and appropriate manner. Through career development programme and technical/safety training, we desire to be an employer of choice for all the employees and seafarers at MBC Group. We are mindful that the environment is a sensitive aspect within the shipping industry and the Group is committed to operate in compliance with environmental regulations and to reduce any potential adverse impact on the environment.

Shaping our business strategies in accordance to such sustainability framework as shown below will enable us to differentiate and position ourselves as a responsible shipping provider with a strong commitment to both financial and non-financial aspects of our business.



SUSTAINABILITY GOVERNANCE

We recognise that governance is a crucial factor in determining the success of any sustainability implementations. Our Board of Directors is ultimately accountable for reviewing and approving the Group's sustainability strategy while overseeing the management of sustainability matters. The Chief Executive Officer ("CEO"), supported by Senior Management, is responsible for the implementation of the sustainability strategy in the day-to-day operations.

In strengthening this existing governance ecosystem, the Group has during the year, established a Sustainability Working Group ("SWG") at the management level. This shows our commitment to overseeing and monitoring the performance of MBC Group's sustainability initiatives under the stewardship of the CEO. The SWG is currently led by the Financial Controller and supported by the Heads of Department from various functions within MBC Group.

Our Sustainability Governance Structure

Board of Directors
↓
Chief Executive Officer
↓
Sustainability Working Group

STAKEHOLDER ENGAGEMENT

Effective stakeholder engagement will contribute towards promoting the Group's long-term growth and sustainability. We consistently engage with our stakeholders through multiple channels and on a regular basis, to gauge their perspectives and feedback. Through this process, we are able to collect information in a timely and accurate manner, which is necessary in ensuring that issues, risks and opportunities are managed and addressed.

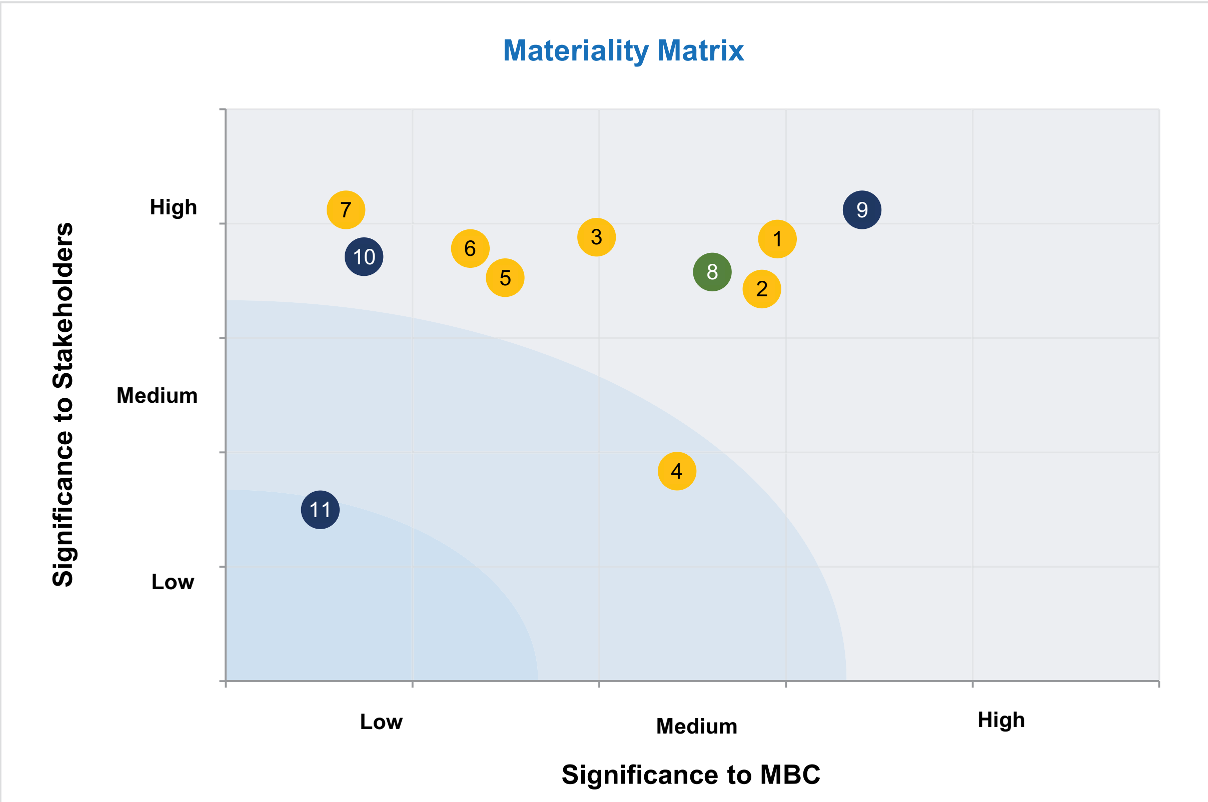
During the year, we have carried out a structured Stakeholder Prioritisation Exercise, guided by Bursa Malaysia's Sustainability Reporting Guide, to identify and prioritise a wide range of stakeholder groups. The stakeholder groups are mapped based on the level of influence and dependency on MBC Group. The key stakeholder groups identified are senior management, shareholders/investors, Board of Directors, employees and business partners.

MATERIALITY ASSESSMENT

The Materiality Assessment is a strategic business tool to identify, review and prioritise the material sustainability matters that affect our business and stakeholders. We have adopted a structured Materiality Assessment process, guided by Bursa Malaysia's Sustainability Reporting Guide to identify and assess the significance of sustainability matters to our business and stakeholder groups.

In identifying the material sustainability matters, we have reviewed the current EES risks and opportunities within our business. We have also considered emerging global risks associated with the shipping industry as reported in industry-specific publications and references.

In the course of the year, we engaged with our internal stakeholders (i.e. Board of Directors, shareholders and employees) to gauge their perception on the level of importance of the identified sustainability matters to our stakeholders. We also conducted a workshop with the representatives of Management across various functions to determine the level of significance of each sustainability matter to the business, based on the degree of impacts and likelihood of occurrence.



ECONOMIC	ENVIRONMENTAL	SOCIAL
1 Regulatory Compliance 2 Sustainable Supply Chain Management 3 Maritime Disaster Management 4 Business Development & Expansion 5 Data Privacy & Security 6 Customer Satisfaction 7 Technology & Innovation	8 Environmental Management	9 Occupational Health & Safety 10 Employee Welfare 11 Community Development

Note: The numbers in the diagram above refer to the respective sustainability matters as numbered in the materiality matrix.

Based on these engagements, the Group has decided to focus on key sustainability matters that are considered as material and important to us. These matters are Occupational Health & Safety, Regulatory Compliance, Environmental Management and Maritime Disaster Management. Details of our initiatives in managing these are discussed in the subsequent sections of this Statement.

1. OCCUPATIONAL HEALTH AND SAFETY

At MBC Group, workplace safety is our utmost priority. We strongly believe our staff and crew, onshore or at sea, deserve a safe and healthy working environment, not only for the individual's well-being but for the interest of the Group as well.

The Group recognised the objectives as advocated in the IMO's ISM Code which emphasises on safety at sea, prevention of human injury or loss of life and avoidance of damage to the environment, specifically the marine ecosystem which is aligned with our aspirations.

We have in place a Safety Management Manual (SMM), which entails a fully accredited Safety Management System in compliance with the ISM Code, ISO 14001:2015 and other industry-driven requirements. Detailed instructions and procedures that are formulated within the system are reviewed annually to ensure safe operations of ships and environmental protection in compliance with international and Flag State legislations.

Our other health and safety obligations are also set out in our Declaration of Maritime Labour Convention and Collective Agreement with the trade union.

1.1 Health, Safety and Environment Policy ("HSE Policy")

The Group is guided by the HSE policy which is displayed across the offices and our fleet of vessels. The HSE Policy is complemented by six other policies as shown in the diagram below.

In light of the above, the Management has established a complete and comprehensive HSE Safety Management Manual that clearly stipulates in detail, the procedures and measures required to meet the abovementioned objectives. The Manual underlines the importance of giving a high priority and compliance to the client's own rules, regulations and standards.

To create awareness on health and safety among the sea staff, all the Policy Statements are posted on the notice boards at the various locations on board the vessels.

Within our shipping operations, a Safety Committee is constituted onboard every ship. Whilst the Master is responsible for the overall safety of the ship and those onboard, the Ship's Safety Officer and Safety Committee have important roles to play in promoting an attitude of safety consciousness and accident prevention amongst the crew.

1.2 Personal Protective Equipment ("PPE")

At MBC Group, all personnel must adhere to HSE policy and shall wear adequate PPEs that is suitable for the nature of work being carried out. Our policy requires that adequate amount of protective equipment be utilised by our employees and seafarers, as one of the minimum safety requirements prior to carrying out any work onboard the vessels. PPEs are regarded as the last defence barrier in the avoidance of personal injury. The condition of PPEs are regularly checked.

1.3 Safety and Health Training

A workplace accident can change a life forever, which is why MBC Group is committed to empowering employees and crew with the tools, resources and training necessary to take charge of their own safety and look out for their colleagues. Onboard safety training begins at the cadet level and continues at all ranks throughout the career of a MBC Group seafarer. Through training, drills and exercises, crew members learn or refresh vital skills and knowledge to recognise and mitigate workplace hazards and ensure the safe operation of our ships.

In 2018, the ship crew members have completed extensive safety training, covering a wide range of areas, including emergency procedures and environmental awareness. Prior to joining a vessel, a safety briefing is provided to the sea staff. During crew and officer's seminar, presentation on safety topic is carried out to increase safety awareness.

As part of our efforts to further improve the Group's safety performance, safety statistics and data were analysed to identify the most common injuries faced by our employees, as well as the most common basic risk factors. This in-depth analysis allows the Group to focus on areas of concerns and formulate action plans to mitigate the risks identified.

As the Occupational Health and Safety programmes are part of our due diligence process, we target to eliminate or reduce risk to "As Low As Reasonably Practicable" with regard to its legal obligations to life safety, health and environment. Our tolerance level for Health & Safety impact per incident is zero loss of life and we are committed to work towards this ultimate goal.

Key Performance Indicator	2017 Performance	2018 Performance
Fatality *(no. of incidents)*	Nil	Nil
Lost Time Injury Frequency *(per million exposure hours)*	2.0	Nil
Major fire and/or explosion *(no. of incidents)*	Nil	Nil
Ship collision *(no. of incidents)*	1	Nil
Oil pollution *(no. of incidents)*	Nil	Nil
Detentions by Port or Flag State *(no. of incidents)*	Nil	1

2. REGULATORY COMPLIANCE

We demonstrate strong compliance with international and domestic regulations in the geographical areas where we operate. Compliance with the laws and regulations is a must-have for us to operate in the shipping industry and the Board of Directors is fully committed to ensuring that the Group maintains the highest standards in this. The Board of Directors is assisted by the Legal, Human Resource and Crewing Departments in overseeing the implementation of the Group's policies and procedures as well as local and international regulations.

2.1 Seafaring regulations

Our Crewing Department is responsible in ensuring that all our sea-going staff comply with local and international seafaring regulations, such as:

(i) International Maritime Organisation (IMO) Standard of Training, Certification and Watch-keeping for Seafarers (STCW) Convention;
(ii) Maritime Labour Convention (MLC) 2006;
(iii) International Safety Management (ISM) Code; and
(iv) Minimum Safe Manning Document.

In ensuring that all crew members obtain the relevant qualifications and certifications, we provide in-depth training based on these regulations.

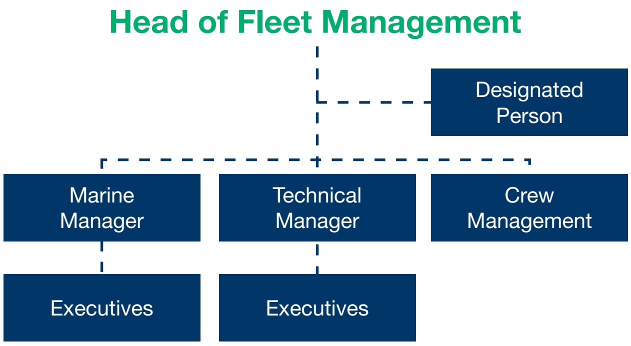
We regularly carry out inspections to check on the sea-going staff documentation upon hiring and joining the ship. In order to ensure comprehensive inspections, proper checklists are in place to assist monitoring and checking while immediate actions are taken on any reports of non-compliance. Any non-conformity raised by the Port State Control (PSC), ISM and MLC during inspections are strictly rectified to prevent recurrence.

The Group has **Zero Tolerance** for unethical business practices or conduct.

NIL fines or non-monetary sanctions resulting from unethical business practices in 2018.

3. ENVIRONMENTAL MANAGEMENT

Operating in a highly regulated industry, we are committed to safeguarding the environment by ensuring that our vessels are in compliance with all relevant local and international laws and regulations and operate efficiently to minimise its impact on the environment. Ashore and at sea, we comply with the mandatory ISM code and other relevant regulatory requirements that prescribe system controls, procedural safeguards and training to prevent and respond to oil spillage.



The Head of Fleet Management is ultimately responsible in establishing environmental objectives and targets for the vessels and office departments on an annual basis, assisted by the Departmental Managers. The Designated Person is responsible in monitoring the safety and pollution-prevention aspects of the operation of each ship and ensuring that adequate resources and shore-based support are applied, as required.

We strive to ensure that significant environmental aspects are taken into account in establishing, implementing and maintaining our environmental management system. We also regularly identify the environmental aspects of all of the Group's activities and services in order to determine those that have or can have significant impacts on the environment.

3.1 OFFSHORE

3.1.1 Emissions and discharges

To navigate towards a greener environment, we have taken pro-active initiatives in the management of our environment including emission mitigation. The Group has embarked on EU Monitoring, Reporting and Verification (MRV) and IMO Data Collection System (DCS) that are developed in the context of reduction of greenhouse gases (GHG)/ carbon dioxide (CO_2) emissions and with the target to measure and potentially reduce the CO_2 emissions in the maritime industry.

The Group has also implemented the Energy Efficiency Design Index (EEDI) for new vessels using the Ship Energy Efficiency Management Plan (SEEMP), a tool introduced by the IMO to monitor the amount of CO_2 emission and other greenhouse gas emissions from ships. Our Technical Department has been tasked to oversee and implement the SEEMP onboard the entire fleet.

We have also retrofitted our existing ships with various fuel-saving technological enhancements with the aim to reduce fuel consumption and emissions. Our three new builds are designed to be more fuel efficient and are in compliance with the following latest regulations:

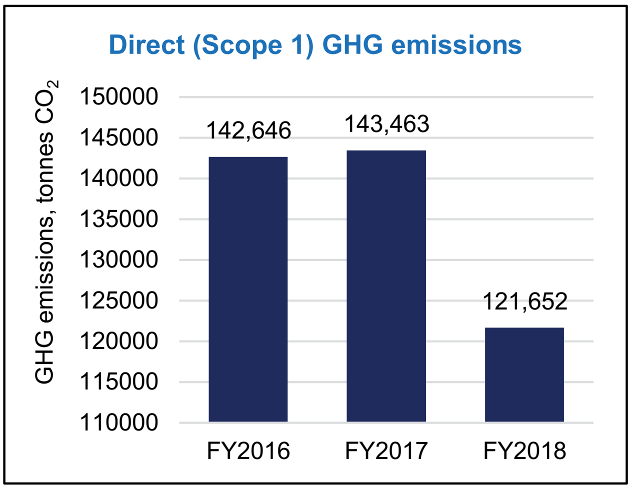
i. Nitrogen Oxides (NOx) Tier II – to limit the diesel engine NOx emissions;
ii. Energy Efficient Design Index (EEDI) – to monitor the amount of CO_2 emission and other greenhouse gas emissions from ships; and
iii. Ballast Water Treatment System.

Apart from taking initiatives based on regulatory standards and keeping ourselves abreast on the available technologies in the market on GHG emission reduction, we have also initiated the following:

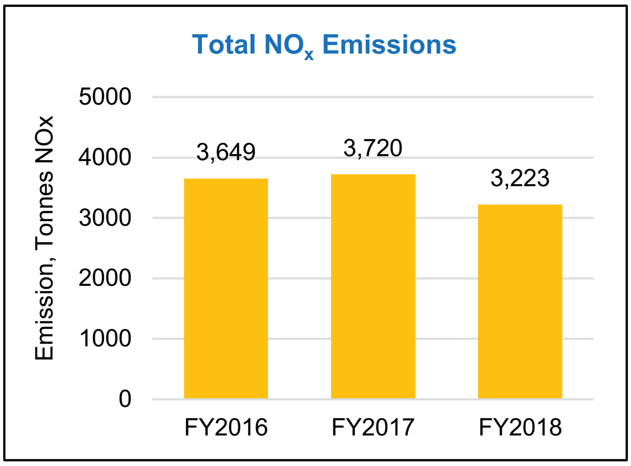
- Use fuel oil additives to enhance engine combustion of our vessels;
- Hull cleaning which is fouled with marine growth which would increase the fuel consumption;
- Propeller cleaning when the propeller curve reaches the engine maker's indicator; and
- Safe and fuel-efficient route guidance system tool to reduce emissions.

In compliance with Regulation 22A of MARPOL Annex VI which requires ships to collect, aggregate and report data on its fuel consumption starting from 1 January 2019, we have developed a ship-specific methodology for fuel consumption data collection as required by the regulation and reported to the Administration or any organisation duly authorised by it.

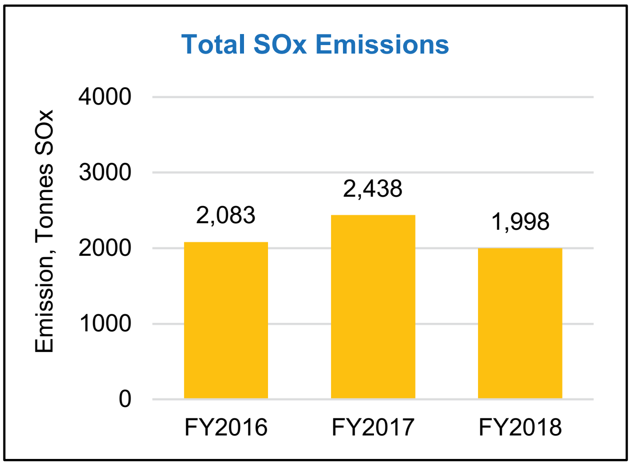
Within the Group, the Operations Department is responsible for the discharge of hold wash water, which might be harmful to the marine environment. We strictly ensure that our vessel discharges the hold wash water in line with the regulation under MARPOL Annex V.



Note: Scope 1 emissions are direct GHG emissions from sources that are owned or controlled by the Group. We do not track Scope 2 and 3 emissions as the generation of electricity, heating and cooling or steam is operated within the vessels.



Note: The data provided in the chart above exclude vessels that were acquired or disposed of during the years in comparison.



Note: The data provided in the chart above exclude vessels that were acquired or disposed of during the years in comparison.

There is no specific target set for reduction in GHG and air pollutants emissions as it is still under data collection and monitoring stage. Presently, there is no specific GHG emission target set by IMO, in view that it is a complex issue apart from the 0.5% sulphur cap and Tier 3 engine on NOx control.

The GHG reduction plan for the future is very much dependent on the technology available in the market and its economic impact and the acceptance standard by the regulatory bodies. As a prudent Ship Manager and Ship Owner, our aim is to support and participate in any activities on GHG emission reduction that is within the scope of our business and within our means, and to be in full compliance with the IMO's rules and regulations.

3.1.2 Environmental Management Programme

The Group has embarked on an Environmental Management Programme (EMP) which focuses on three most significant environmental aspects within the shipping operations:

i. Seafarers' Compliance

The seafarers play an important role in the implementation of, and compliance with pollution prevention requirements, regulations and standards through continuous review of Safety Management System manuals, circulars on environmental related matters and sea staff education via shipboard training, including computer based training, seminars and pre-joining ship briefings.

ii. Handling of oily bilge water

Reducing the production of oily bilge water from machinery space to minimise impact on the environment. It is achieved through various methods such as proper housekeeping and maintenance.

iii. Garbage/waste disposal

Preventing environmental pollution of garbage through various garbage/waste reduction methods such as reduce, reuse, recycle and repurpose, repair, return and refill. All accumulated garbage are compressed to its minimum possible size prior to disposal at shore facilities.

The results from the monitoring and measurement of the EMP are analysed and evaluated on a bi-annual basis. These results are also discussed and reviewed during safety committee meetings to establish action plans for continual improvement.

3.2 ONSHORE OFFICE

With our aim to move towards green practices, we have instilled a sustainability driven culture in computer data storage via automation of processes to reduce paper consumption and waste generation, whilst reducing carbon footprints. We encourage our employees to reduce paper consumption by double-sided printing. Recycling bins are provided in the office to encourage our staff to segregate and dispose of their recyclable waste.

4. MARITIME DISASTER MANAGEMENT

Maritime disaster management plays an important role in minimising MBC Group's risks in the event of maritime disasters (e.g. vessel collision, fire & explosion, security and piracy), which may result in financial losses, operational inefficiencies and environmental damage. In severe cases, it may even lead to the loss of customers and damage to brand reputation.

The overall responsibility of managing maritime disaster lies with the Crisis Management Team (CMT). CMT provides the required assistance and guides decision-making for our vessels in any emergency situations. Most of the Senior Management of CMT are trained for crisis management and media handling.

The Group has implemented the Emergency Response Manual which comprehensively details out the steps or actions and contingency plans to be taken during any emergency cases. All our ships have been provided with Shipboard Emergency Response Plan and a checklist for the employees and seafarer to use during any emergency.

A Crisis Management Plan is also in place for our shore management to ensure continuous safe operation of shipboard in the event of an onboard emergency. The plan addresses matters ranging from safeguarding of life, preservation of property to the minimisation of environmental impact as a result of a crisis.

4.1 Trainings and drills

At MBC Group, trainings and drills are held as realistic as possible. Participation in the training and drills is mandatory to all relevant personnel. All the relevant equipment such as fire pumps, survival craft are made ready to test out.

We ensure that at least once a year, each ship is involved in a selected drill together with other parties such as Manning Agents, our clients, Oil Spill Response Organisations, Classification Society Emergency Response Service and media representatives to ensure adequate response to hazards, accidents and emergency situations at shipboard. An annual communication drill is also carried out between ship and shore offices.

ZERO cases of maritime crisis/incident in 2018.

MBC'S CONTROLLED FLEET

(AS AT 31 MARCH 2019)

	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 Kekal	Kamsarmax	Oct-18	82,079
5	Alam Kukuh	Kamsarmax	Jan-19	82,079
6	Alam Manis	Supramax	Mar-07	55,652
7	Alam Madu	Supramax	Sep-14	58,045
8	Alam Molek	Supramax	Oct-14	58,074
9	Alam Sejahtera	Handysize	May-16	33,393
Jointly-Owned				
10	Alam Mulia	Supramax	Oct-15	61,254
Long Term Charter				
11	Alam Mutiara	Supramax	Apr-12	61,498
12	Alam Sayang	Supramax	Jul-13	61,410
13	Alam Seri	Handysize	Mar-11	29,562
14	Alam Suria	Handysize	Jan-12	29,077
15	Alam Setia	Handysize	Oct-13	36,320
16	Alam Sinar	Handysize	Jan-14	36,320
				945,919

BOARD OF DIRECTORS

Dato' Capt. Ahmad Sufian @ Qurnain Bin Abdul Rashid

69, Malaysian, Male
Independent Non-Executive Chairman

Dato' Capt. Ahmad Sufian was appointed to the Board on 9 July 1996 and was subsequently appointed as the Chairman on 30 May 2013. He is also the Chairman of the Nomination & Remuneration Committee and a member of the Risk Management Committee and the Audit 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 (a company listed on the Singapore Exchange).

Hor Weng Yew

52, Singaporean, Male
Chief Executive Officer

Mr Hor Weng Yew was appointed to the Board on 16 January 2018 as an Executive Director and re-designated as Chief Executive Officer on 14 May 2018.

Mr Hor is currently the Chief Executive Officer of Pacific Carriers Limited Group. Prior to his current appointment, he was the Chief Operating Officer of Pacific Carriers Limited Group and Senior Director, Tanker and Strategic Business Development for the Kuok (Singapore) Limited Group.

He was the President/ Chief Executive Officer of American Eagle Tanker Inc. Ltd. (AET) Tanker Holdings Sdn. Bhd. from 1 January 2009 to 2015. Mr Hor Weng Yew began his career with Neptune Orient Lines Limited (NOL) in 1989 and was involved in the commercial operations and chartering, project management, strategy and business planning initiatives for NOL and AET, a subsidiary of NOL, since its inception in 1994. Prior to that he joined MISC Berhad in July 2003 following the acquisition of AET by MISC, holding various senior positions.

He holds a Bachelor of Arts (Economics) Degree from National University of Singapore and MSc in Shipping, Trade & Finance (Distinction) from City University Business School, London.

Thai Kum Foon

53, Singaporean, Female
Executive Director

Ms Thai Kum Foon was appointed to the Board on 14 May 2018.

Ms Thai is presently the Chief Financial Officer of Kuok (Singapore) Limited Group. She is also a Director of Kuok (Singapore) Limited.

Prior to her current appointment, she was the Chief Financial Officer of PACC Offshore Services Holdings Ltd Group. She was previously the Chief Financial Officer at The Straits Trading Company Limited from January 2013 to March 2015, and Chief Financial Officer of Jaya Holdings from April 2009 to December 2012. Prior to that, she held senior finance positions in listed and multinational companies in real estate and semiconductor manufacturing.

She has a Degree of Bachelor of Accountancy from the National University of Singapore, and is a Fellow with the Institute of Singapore Chartered Accountants and Institute of Chartered Accountants Australia.

Notes:

(1) *The total number of Board meetings held during the financial year ended 31 December 2018 was six. The number of Board Meetings attended by the Directors in the financial year is set out on page 26 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 2018.*

Wu Long Peng

65, Singaporean, Male
Non-Independent Non-Executive Director

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

Mr. Wu was formerly an Executive Director of Kuok (Singapore) Limited until his retirement in April 2017 and has more than 30 years of experience in finance and corporate affairs over various industries.

He is a Non-Independent Non-Executive Director of PACC Offshore Services Holdings Ltd (a company listed on the Singapore Exchange) and Gamma Communications PLC (a company listed on AIM in the United Kingdom). He is also an Independent Non-Executive Director of Mapletree Commercial Trust Management Ltd.

Mr. Wu is a fellow member of the Association of Chartered Certified Accountants, United Kingdom and an Associate Member of the Institute of Singapore Chartered Accountants.

Dato' Mohd Zafer Bin Mohd Hashim

46, Malaysian, Male
Independent Non-Executive Director

Dato' Mohd Zafer bin Mohd Hashim was appointed to the Board on 6 February 2015. He is also the Chairman of the Audit Committee and a member of the Risk Management Committee.

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 Malaysia Berhad, he was attached to MMC Corporation Berhad as its General Manager. He began his career with Price Waterhouse in London.

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.

Tay Beng Chai

57, Malaysian, Male
Independent Non-Executive Director

Mr Tay Beng Chai was appointed to the Board on 14 October 2003. He is also Chairman of the Risk Management Committee and 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 practice 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.

Notes:

(1) The total number of Board meetings held during the financial year ended 31 December 2018 was six. The number of Board Meetings attended by the Directors in the financial year is set out on page 26 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 2018.

Lim Soon Huat

54, 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.

Mr. Lim 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, People's Republic of China.

He holds a Bachelor of Science (Honours) in Statistics from Universiti Kebangsaan Malaysia.

Notes:

(1) The total number of Board meetings held during the financial year ended 31 December 2018 was six. The number of Board Meetings attended by the Directors in the financial year is set out on page 26 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 2018.

KEY SENIOR MANAGEMENT

1. Hor Weng Yew

Chief Executive Officer

His profile is disclosed on page 18 of this Annual Report.

2. Thai Kum Foon

Executive Director

Her profile is disclosed on page 18 of this Annual Report.

3. Gerald Teo Tse Sian

Director of Pacific Ship-Managers Sdn Bhd

Nationality/Age/ Gender:	Academic/ Professional Qualification:	Present Directorship:	Working Experience:
Singaporean/ 49/ Male **Date of Appointment:** 14 June 2018	• Bachelors of Science in Business Administration	**Listed entity :** Nil **Other public companies:** Nil	• 1993 till now – Chartering/Commercial Department of Pacific Carriers Group

4. Sia Geun Teck

Director of PSM Perkapalan Sdn Bhd

Nationality/Age/ Gender:	Academic/ Professional Qualification:	Present Directorship:	Working Experience:
Singaporean/ 48/ Male **Date of Appointment:** 1 January 2018	• Master of Science in Maritime Studies • Certificate of Competency Class 1 Motor	**Listed entity :** Nil **Other public companies:** Nil	• 1991-1998; 2000-2003 – Sea-going Marine Engineer • 1998-2000; 2003 till now – Ship Management

5. Tan Kim Hoon

Financial Controller

Nationality/Age/ Gender:	Academic/ Professional Qualification:	Present Directorship:	Working Experience:
Malaysian/ 49/ Female **Date of Appointment:** 1 December 2011	• The Association of Chartered Certified Accountants • Member of the Malaysian Institute of Accountants	**Listed entity :** Nil **Other public companies:** Nil	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 2018.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Hor Weng Yew *Chief Executive Officer*

Thai Kum Foon *Executive Director*

Wu Long Peng *Non-Independent Non-Executive Director*

Lim Soon Huat *Non-Independent Non-Executive Director*

Tay Beng Chai *Independent Non-Executive Director*

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

AUDIT COMMITTEE

Chairman

Dato' Mohd Zafer bin Mohd Hashim

Members

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

NOMINATION & REMUNERATION COMMITTEE

Chairman

Dato' Capt. Ahmad Sufian
@ Qurnain bin Abdul Rashid

Members

Tay Beng Chai
Lim Soon Huat

RISK MANAGEMENT COMMITTEE

Chairman

Tay Beng Chai

Members

Dato' Capt. Ahmad Sufian
@ Qurnain bin Abdul Rashid
Dato' Mohd Zafer bin Mohd Hashim

COMPANY SECRETARY

Ooi Pooi Teng (MAICSA 7055594)

REGISTRARS

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 Market
Sector : Transportation & Logistics
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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 Corporate Governance Overview Statement provides a summary of the corporate governance practices of the Group during the financial year ended 31 December 2018 with reference to the three (3) broad principles in the Malaysian Code on Corporate Governance 2017 (Code), as follows:

(a) board leadership and effectiveness;
(b) effective audit and risk management; and
(c) integrity in corporate reporting and meaningful relationship with stakeholders.

This statement is to be read together with the Company's Corporate Governance Report for financial year ended 2018 (CG Report), which based on a prescribed format pursuant to paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The CG Report is available on the Company's website at http://www.maybulk.com.my.

The CG Report provides the details on how the Company has applied each practices under the Code, any departures thereof and the alternative measures put in place within the Company during the financial year ended 31 December 2018. The Board considers that the Company has substantially complied with the Code save for the exceptions which are fully described in the CG Report.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

The Board has formally adopted a Board Charter on 28 November 2018, which outlines the roles and responsibilities of the Board and those which it delegates to the Management and Board Committees. The Board Charter is available on the Company's website at http:// www.maybulk.com.my

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.

In carrying out its responsibilities, the Board delegated specific responsibilities to three (3) committees, namely, the Audit Committee, Nomination & Remuneration Committee and the Risk Management Committee, all of which discharge duties and responsibilities within their respective terms of reference. The responsibilities and authorities delegated to the Management is contained in the Group's Financial Authority Limits.

The schedule of matters reserved for the Board's decision includes 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; adoption of any significant change in accounting policies and approval of annual audited financial statements and quarterly results.

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.

Whistle Blowing Policy

The Board adopted a Whistle Blowing Policy on 23 August 2018. The policy provide guidelines and procedures to report any corporate impropriety, malpractice, wrongdoing or misconduct relating to fraud, corrupt practices and/or abuse, on a timely basis for management action.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Roles and 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. The roles and responsibilities of the Chairman and the Chief Executive Officer are set out in the Board Charter.

Company Secretary

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

The Company Secretary facilitates and attends all meetings of the board, board committees and shareholders meeting, and ensures that meetings are properly convened and proceedings are properly recorded; maintains all corporate records required under the Companies Act and ensures compliance with all reporting obligations under the applicable law and regulations; communicates Board decisions to Management and advise Board on its roles and responsibilities.

Board Composition

During the year, the Board has eight (8) members, comprising two (2) Executive Directors, three (3) 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.

Gender Diversity

The Board currently does not have gender diversity policy and target in place. The Board believes in providing equal opportunities to all genders based on merit and that appointment of board members should be based on experience, character, integrity and competence, required for an effective Board.

Independent Directors

The Code 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. If the Board continues to retain the Independent Director after the twelfth year, the Board should seek annual shareholder's approval through two-tier voting process.

Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid and Mr. Tay Beng Chai have served on the Board for more than twelve (12) years. The Board, through the Nomination & Remuneration Committee (NRC), carried out an assessment and satisfied that both Dato' Sufian and Mr Tay Beng Chai, fulfilled the criteria under the definition of Independent Director as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and they are able to exercise independent judgement and act in the best interests of the Company. 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.

In this respect, the Board recommend the retention of Dato' Sufian and Mr Tay Beng Chai as Independent Non-Executive Directors of the Company, for shareholders' approval at the forthcoming Annual General Meeting (AGM), through a single-tier voting process. Dato' Sufian and Mr Tay Beng Chai will abstain from the deliberation and voting on their retention as Independent Non-Executive Directors of the Company.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Appointment to the Board

The Nomination & Remuneration Committee (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.

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 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 eligible for re-election:

(1) Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid
(2) Ms Thai Kum Foon
(3) Mr Wu Long Peng

The Nomination & Remuneration Committee, considered the character, experience, integrity, competence, contribution and performance of the Directors who are due to retire at the forthcoming AGM, and recommended to the Board that their re-election be tabled for shareholders' approval at the forthcoming AGM. Mr Wu Long Peng has indicated that he will not seek for re-election at the forthcoming AGM and hence he will be retiring at the conclusion of the 30th Annual General Meeting.

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 (Independent Non-Executive Chairman)
2. Tay Beng Chai (Independent Non-Executive Director)
3. Lim Soon Huat (Non-Independent Non-Executive Director)

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 2018, one (1) meeting was held with full attendance. A summary of activities of NRC during the year under review is as follows:

- recommended to the Board, the candidates for appointment as directors.
- reviewed the required mix of skills, experience, knowledge and competencies, required for an effective Board.
- reviewed board composition.
- reviewed and made recommendations to the Board on the re-election of directors retiring by rotation and the retention of Independent Non-Executive Directors.
- conducted an assessment of the Board, Board Committees and individual directors.
- reviewed the remuneration of Directors and made recommendations to the Board.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board Assessment

Assessment on the effectiveness of the Board as a whole and its Board Committees and contribution by each individual director, are conducted annually. 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.

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 and Supply of Information

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 are required. Between scheduled meetings, for matters that requiring Board decisions, approvals are obtained via circular resolutions.

During the financial year ended 31 December 2018, the Board had six (6) meetings and the record of attendance for each Director is set out below.

Name of Director	Number of meetings attended
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid	6 / 6
Hor Weng Yew	6 / 6
Thai Kum Foon *(appointed on 14 May 2018)*	4 / 4
Wu Long Peng	6 / 6
Lim Soon Huat	6 / 6
Tay Beng Chai	5 / 6
Dato' Mohd Zafer bin Mohd Hashim	6 / 6
Puan Afidah Binti Mohd Ghazali *(resigned on 4 February 2019)*	5 / 6
Kuok Khoon Kuan *(resigned on 14 May 2018)*	2 / 2

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.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board Meetings and Supply of Information (cont'd)

The Board's deliberation on the issues discussed and decisions are duly recorded in the minutes. 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.

The Board has access to the information of the Company and able to seek advices from Management and Company Secretary. The Directors may also obtain independent professional advice, where necessary, in furtherance of their duties at the Company's expense.

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 2018 were as follows:

<u>On Corporate, Financial and Governance issues</u>
- Anti-Bribery and Corruption
- Marine Money Seminar
- Corporate Liability under The Malaysian Anti-Corruption Commission (Amendment) Act 2018
- Malaysian Code on Corporate Governance and Corporate Governance Guide
- Malaysian Financial Reporting Standards
- Risk Awareness: Enterprise Risk Management

<u>On Commercial and Business issues</u>
- Digital Transformation
- LNG Forum
- Outlook of the Offshore Marine Industry
- Maritime Industry Transformation Series Workshop
- Sustainability Engagement Series

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.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Directors' Remuneration (cont'd)

The details of the directors remuneration paid/payable for the financial year ended 31 December 2018 are set out below. The Company's directors did not receive any remuneration from the subsidiaries for the financial year ended 31 December 2018.

	Fees (RM)	Meeting allowance (RM)	Salaries (RM)	Benefits in kind (RM)	Other emoluments (RM)	Total (RM)
Executive Directors						
Hor Weng Yew^	57,534	4,000	–	–	–	61,534
Thai Kum Foon^^	38,137	2,000	–	–	–	40,137
Kuok Khoon Kuan*	21,863	2,000	–	–	–	23,863
Govind Ramanathan**	2,466	–	–	–	–	2,466
Non- Executive Directors						
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid	93,219	6,000	–	–	–	99,219
Wu Long Peng	60,000	3,000	–	–	–	63,000
Lim Soon Huat	65,000	5,000	–	–	–	70,000
Tay Beng Chai	86,438	11,000	–	–	–	97,438
Dato' Mohd Zafer bin Mohd Hashim	83,219	10,000	–	–	–	93,219
Puan Afidah Binti Mohd Ghazali	75,000	7,000	–	–	–	82,000
Total	**582,876**	**50,000**	**–**	**–**	**–**	**632,876**

Notes:
Fees payable to the following directors are pro-rated according to their appointment and resignation date:
^ *Mr Hor Weng Yew appointed as director on 16 January 2018.*
^^ *Ms Thai Kum Foon appointed as director on 14 May 2018.*
* *Mr Kuok Khoon Kuan resigned as director on 14 May 2018.*
** *Mr Govind Ramanathan resigned as director on 16 January 2018.*

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

The Audit Committee (AC) oversees the financial reporting process and reviews the appropriateness of the Group's accounting policies to ensure that the financial statements comply with financial reporting standards and regulatory requirements.

The members of the AC possess the required mix of skills, experience and knowledge to enable them to discharge their duties and responsibilities. Based on the annual assessment carried out, the Board is satisfied that the AC has carried out their duties in accordance with their terms of reference.

Further details on the AC's activities are set out on pages 30 to 32 of the Annual Report.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

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. The Audit Committee, having considered the external auditors' work performance and independence, recommended to the Board for their consideration and approval, the re-appointment of Messrs Ernst & Young as auditors of the Company.

Risk Management and Internal Control

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 Board established a Risk Management Committee (RMC) on 11 May 2018 which comprises exclusively Independent Non-Executive Directors. The RMC provides oversight of the Group's management of key risks, including strategic and operational risks, as well as the guidelines, policies and processes for monitoring and mitigating such risks.

The Statement on Risk Management and Internal Control as set out on pages 33 to 36 of the 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 on page 32 of the Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communications with Stakeholders

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 website at http://www.maybulk.com.my or Bursa Malaysia Securities Berhad's website at http://www.bursamalaysia.com.

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 Secretary who would then refer the matter to the attention of the Board.

Conduct of General Meetings

The AGM represents the principal forum for dialogue and interaction between the Company and its 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. All members of 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.

AUDIT COMMITTEE REPORT

COMPOSITION OF THE AUDIT COMMITTEE

Chairman
Dato' Mohd Zafer bin Mohd Hashim
Independent Non-Executive Director
(A member of the Malaysian Institute of Accountants)

Members
Tay Beng Chai
Independent Non-Executive Director

Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid
Independent Non-Executive Director
(appointed on 4 March 2019)

Afidah Binti Mohd Ghazali
Non-Independent Non-Executive Director
(ceased as member with effect from 4 February 2019)

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 2018, 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 or implementation of major accounting policy and practices;
  - significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions and how the matters are addressed;
  - 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;

SUMMARY OF TERMS OF REFERENCE (CONT'D)

Duties and Responsibilities (cont'd)

- 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;
- 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, thus resulting in a breach of the Main Market Listing Requirements.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2018, the Audit Committee performed its duties as set out in its terms of reference.

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 2018.
- 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.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (CONT'D)

Matters relating to Internal Audit (cont'd)

- 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 Group's Financial Authority Limits and made recommendations to the Board for approval
- reviewed the Whistle Blowing Policy and made recommendations to the Board for approval.
- 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 6 Internal Audit reports were issued in year 2018. 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 2018 was RM97,079 (FY2017: RM124,285).

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 recognizes 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 the Group's risk within the acceptable risk tolerance, 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 COMMITTEE ("RMC")

The RMC was established by the Board on 11 May 2018 towards ensuring that a sound system of risk management and control framework is integrated into the relevant business processes to manage risks of the Group. The RMC assists the board in its oversight of the Group's management of key risks, including strategic and operational risks, as well as the guidelines, policies and processes for monitoring and mitigating such risks.

The RMC comprises of solely Independent Non-Executive Directors as follows:

(i) Tay Beng Chai (Chairman)
(ii) Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid (Member)
(iii) Dato' Mohd Zafer bin Mohd Hashim (Member)

A Risk Team comprising of heads of business units was formed in May 2018 to support the RMC in achieving the risk management objectives. Each business unit head is responsible to identify, assess and report key risk. The Risk Team would discuss the known risks, identify any potential emerging risk, initiate and evaluate risk mitigation plans, as well as report to the RMC on risk management activities undertaken within the Group.

3. RISK MANAGEMENT PROCESS

Risk factors arising from business operation are continuously assessed. The identified risks factors are incorporated into the risk register and individually rated as High, Medium or Low risk. The rating process is guided by a matrix of likelihood and impact of which both financial and non-financial consequences are duly considered.

All the risk owners are responsible to provide periodic updates on the risk mitigating activities and the results.

4. KEY CORPORATE RISK

During the financial year ended 31 December 2018, the RMC has undergone comprehensive review to identify the key risks faced by the Group and update into the risk register. Risk identified are then rated in accordance with the risk assessment matrix based on the likelihood and the level of impacts to the Group. Among others, the significant risks that warrant highlight are as follows:

Market

Depressed market in dry bulk shipping and volatile freight environment has always posed a significant risk to the Group. The Group remains prudent in running the business through active revenue management and measures has been taken to minimise the negative impact from the volatile spot market.

4. KEY CORPORATE RISK (CONT'D)

Commercial / Customer

Due to depressed business environment and socio-economic factors, the Group might suffer from counterparty failure and loss of major customers. The Group has taken various measures such as strengthening counterparty assessment, enhancing customer relationship and identify new growth areas or new commercial products for diversification to mitigate the risk associated.

Financial

Bearing continued losses and balance sheet erosion, the Group may suffer from the difficulty of fund raising. Ongoing mitigation measures are implemented through better cost management and other restructuring exercises.

Operations / Technical

The Group's nature of operations is exposed to major maritime disasters such as vessel collisions, fires or explosions leading to loss of lives and serious environmental impacts. The Group is committed to mitigate such risk by strengthening ship safety management, providing rigorous safety trainings and protective equipment to the crew, undergoing vessel maintenance programs periodically and adequately insuring the Group against such losses.

People

Loss of staff in critical positions is a risk of business disruption to the Group. The Group is aware of the importance of succession planning, staff retention and actions have been taken to reduce staff turnover rate such as employee engagement programs and providing continuous learning and competencies development for the staff.

5. 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 2018 are set out on page 32 in the Audit Committee Report.

Financial Authority Limits/Operations Manual

The Group's Financial Authority Limits and Operations Manual provide the framework for Management to deal with business and operational risks and the procedures for reporting information to the Board. These are properly documented and updated as required.

5. INTERNAL CONTROL (CONT'D)

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 a quarterly basis.

In addition, the 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 a 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.

Whistle Blowing Policy

The Whistle Blowing Policy outlines the Group's commitment towards enabling the employees and external parties to raise concerns in a responsible manner regarding any wrongdoings or malpractices without fear of reprisals, and to have such concerns independently investigated. All the disclosures made under the Policy will be handled with strict confidence. The Policy aims to promote and maintain high standards of corporate governance within the Group.

Anti-Corruption Policy

The Anti-Corruption Policy sets out the Group's commitment in preventing acts of bribery and corruption. The Policy provides guidance on ethical business conduct for which employee should adhere to.

6. 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.

During the financial year, Internal Audit reviewed and conducted audits and assessed the adequacy of the system of internal controls over the following areas: finance, operations and information technology. Six (6) Internal Audit Reports were issued and presented to the Audit Committee with the audit observations and recommended corrective actions. There were no significant deficiencies in controls detected.

The internal audit work was conducted in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and generally aligned with the internal control standards prescribed by the Committee on Sponsoring Organisations (COSO) 2013 as recommended by the Institute of Internal Auditors.

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 2018.

7. 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 2018 and up to the date of approval of this Statement on Risk Management and Internal Control.

8. 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 Audit and Assurance Practice Guide ("AAPG") 3, 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 2018, 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.

AAPG 3 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 have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

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

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

There have been no significant changes to these principal activities during the year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit/(loss) for the year	263,952	(133,145)
Attributable to:		
Equity holders of the Company	263,838	(133,145)
Non-controlling interest	114	–
	263,952	(133,145)

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in Note 35 to 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 other than the gain on disposal of an associate as disclosed in Note 35 to the financial statements.

DIVIDEND

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

SHARES AND DEBENTURES

The Company did not issue any shares or debentures during the financial year.

DIRECTORS

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

Directors of the Company:
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid**
Kuok Khoon Kuan** (resigned on 14 May 2018)
Wu Long Peng**
Tay Beng Chai
Dato' Mohd Zafer bin Mohd Hashim
Afidah binti Mohd Ghazali (resigned on 4 February 2019)
Lim Soon Huat

DIRECTORS (CONT'D)

Directors of the Company: (cont'd)
Hor Weng Yew** (resigned as Alternate Director to Mr Kuok Khoon Kuan on 16 January 2018)
(appointed as Director on 16 January 2018)
Thai Kum Foon** (resigned as Alternate Director to Mr Wu Long Peng on 14 May 2018)
(appointed as Director on 14 May 2018)
Govind Ramanathan (resigned on 16 January 2018)

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

Directors of the Company's subsidiaries:
Tan Kim Hoon
Ooi Pooi Teng
Naoki Shinohara
Takuya Shirai
Sia Geun Teck (appointed on 1 January 2018)
Gerald Teo Tse Sian (appointed on 14 June 2018)

DIRECTORS' BENEFITS

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

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

During the financial year, a Directors' and Officers' Liability Insurance up to an aggregate limit of RM15,000,000 was maintained for the Directors and officers of the Company with a total insurance premium paid of RM32,000.

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
	At	**During the year**		**At**
	1.1.2018	**Bought**	**Sold**	**31.12.2018**
Direct interests				
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**
Indirect interests				
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid	**20,000**	**–**	**–**	**20,000**
Tay Beng Chai	**2,500**	**–**	**–**	**2,500**

None of the other Directors holding office at 31 December 2018 had any interest in the 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 known 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.

(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 35 to the financial statements.

AUDITORS

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

There were no indemnity amount given to or insurance effected for the auditors of the Group and of the Company during the financial year.

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 14 March 2019.

Hor Weng Yew **Thai Kum Foon**

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Hor Weng Yew and Thai Kum Foon, 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 48 to 100 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 14 March 2019.

Hor Weng Yew

Thai Kum Foon

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, Tan Kim Hoon, being the Officer primarily responsible for the financial management of Malaysian Bulk Carriers Berhad, do solemnly and sincerely declare that the financial statements set out on pages 48 to 100 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 14 March 2019.

Before me,

Tan Kim Hoon

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 2018 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 48 to 100.

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 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

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.

Key audit matters in respect of the audit of the financial statements

(1) Impairment assessment of vessels

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

The Group operates owned and chartered-in vessels in the bulkers market. Management regularly monitors the carrying value of its fleet on a vessel-by-vessel basis. Arising from management's assessment, an impairment loss for vessels of RM6.35 million was recognised by the Group during the year.

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

Key audit matters in respect of the audit of the financial statements (cont'd)

(1) Impairment assessment of vessels (cont'd)

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

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

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

Our response

We obtained an understanding of management's process for assessing impairment of vessels.

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

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

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

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

(2) Provision for onerous contracts

We draw your attention to Note 2.26 (Accounting policies), Note 3(b) (Significant accounting judgements and estimates), and Note 28 (Provision for onerous contracts).

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

Estimating the unavoidable costs involves significant judgements on short-term and long-term charter rates. The provision for onerous contracts of the Group amounted to RM63.6 million at reporting date.

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

Key audit matters in respect of the audit of the financial statements (cont'd)

(2) Provision for onerous contracts (cont'd)

Our response

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

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

Information other than the financial statements and auditors' report thereon

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

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

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

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

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

Responsibilities of the directors for the financial statements

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

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

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.

Auditors' responsibilities for the audit of the financial statements (cont'd)

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 of 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 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 14 to the financial statements.

OTHER MATTERS

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

Ernst & Young
AF: 0039
Chartered Accountants

Ng Kim Ling
No. 0326/04/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
14 March 2019

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue	4	**238,974**	272,582	**57,594**	34,214
Voyage expenses		**(40,709)**	(74,838)	**(12,841)**	(11,546)
		198,265	197,744	44,753	22,668
Operating expenses		**(193,881)**	(207,605)	**(8,027)**	(10,910)
		4,384	(9,861)	**36,726**	11,758
Net change in provision for onerous contracts		**32,232**	10,936	**–**	–
(Impairment loss)/reversal of impairment loss on vessels		**(6,351)**	108,548	**–**	–
Impairment loss on investments in subsidiaries		**–**	–	**(165,188)**	(163,210)
Other operating income, net	5	**1,916**	15,446	**12,735**	18,912
Administration expenses		**(9,604)**	(10,064)	**(6,331)**	(6,886)
		22,577	115,005	**(122,058)**	(139,426)
Finance costs		**(17,211)**	(19,572)	**(10,627)**	(12,396)
Share of results of an associate		**(8,402)**	(211,938)	**–**	–
Gain on disposal of an associate		**265,929**	–	**–**	–
Share of results of joint ventures		**1,907**	(12,487)	**–**	–
Profit/(loss) before taxation	6	**264,800**	(128,992)	**(132,685)**	(151,822)
Taxation	9	**(848)**	(1,106)	**(460)**	(536)
Profit/(loss) for the year		**263,952**	(130,098)	**(133,145)**	(152,358)
Attributable to:					
Equity holders of the Company		**263,838**	(134,954)	**(133,145)**	(152,358)
Non-controlling interest		**114**	4,856	**–**	–
		263,952	(130,098)	**(133,145)**	(152,358)
Earnings/(loss) per share (sen)	10	**26.38**	(13.50)		

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 2018

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit/(loss) for the year	**263,952**	(130,098)	**(133,145)**	(152,358)
Other comprehensive (loss)/income:				
Items that will be reclassified to profit or loss				
Currency translation differences	**(2,977)**	(55,521)	**10,390**	(65,950)
Net change in cash flow hedge	**3,291**	3,482	**3,291**	3,482
Share of other comprehensive income of associate	**6,821**	1,560	**–**	–
Reclassification of reserves relating to associate from equity to profit or loss upon the disposal of associate	**(404,415)**	–	**–**	–
Total comprehensive (loss)/income for the year	**(133,328)**	(180,577)	**(119,464)**	(214,826)
Total comprehensive (loss)/income attributable to:				
Equity holders of the Company	**(132,687)**	(183,114)	**(119,464)**	(214,826)
Non-controlling interest	**(641)**	2,537	**–**	–
	(133,328)	(180,577)	**(119,464)**	(214,826)

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Non-current assets					
Intangible assets	11	**286**	–	**286**	–
Property, plant and equipment	12	**502,953**	471,671	**39,556**	38,192
Deposits	13	**–**	56,788	**–**	56,788
Subsidiaries	14	**–**	–	**264,450**	366,292
Associate	15	**–**	394,963	**–**	–
Joint ventures	16	**36,680**	75,974	**–**	–
Loan to a subsidiary	17	**–**	–	**79,705**	253,179
Total non-current assets		**539,919**	999,396	**383,997**	714,451
Current assets					
Consumable stores	18	**10,108**	7,344	**3,304**	4,182
Receivables and other current assets	19	**34,212**	44,742	**4,832**	5,636
Contract assets	4	**966**	–	**–**	–
Amounts due from subsidiaries	20	**–**	–	**6,370**	13,502
Loan to a subsidiary	17	**–**	–	**–**	90,201
Short term deposits	21	**261,138**	19,894	**159,543**	1,300
Cash and bank balances		**27,986**	52,339	**19,284**	2,160
		334,410	124,319	**193,333**	116,981
Non-current assets classified as held for sale	22	**148,411**	83,224	**29,880**	–
Total current assets		**482,821**	207,543	**223,213**	116,981
Total assets		**1,022,740**	1,206,939	**607,210**	831,432

Statements of Financial Position
as at 31 December 2018
(cont'd)

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Equity and liabilities					
Equity attributable to equity holders of the Company					
Share capital	23	**338,791**	338,791	**338,791**	338,791
Reserves	24	**216,148**	612,673	**410,629**	396,948
Accumulated losses		**(161,847)**	(425,685)	**(414,367)**	(281,222)
		393,092	525,779	**335,053**	454,517
Non-controlling interest		**1,085**	23,404	**–**	–
Total equity		**394,177**	549,183	**335,053**	454,517
Non-current liabilities					
Payables and other liabilities	25	**46,086**	38,346	**–**	–
Borrowings	26	**197,685**	323,946	**–**	198,913
Derivative financial liabilities	27	**816**	55,549	**816**	55,549
Provision for onerous contracts	28	**44,526**	63,476	**–**	–
Total non-current liabilities		**289,113**	481,317	**816**	254,462
Current liabilities					
Payables and other liabilities	25	**44,230**	39,897	**7,040**	11,109
Contract liabilities	4	**5,072**	–	**–**	–
Amounts due to subsidiaries	20	**–**	–	**5,818**	20,764
Borrowings	26	**211,472**	86,197	**198,913**	70,549
Derivative financial liabilities	27	**59,309**	19,842	**59,309**	19,842
Provision for taxation		**309**	389	**261**	189
Provision for onerous contracts	28	**19,058**	30,114	**–**	–
Total current liabilities		**339,450**	176,439	**271,341**	122,453
Total liabilities		**628,563**	657,756	**272,157**	376,915
Total equity and liabilities		**1,022,740**	1,206,939	**607,210**	831,432

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 2018

	Attributable to Equity Holders of the Company									
			Non-distributable							
	Share capital RM'000	Accumulated losses RM'000	Share premium RM'000	Capital reserve RM'000	Capital redemption reserve RM'000	Cash flow hedge reserve (Note 24(a)) RM'000	Foreign currency translation reserve (Note 24(b)) RM'000	Total reserves RM'000	Non-controlling interest RM'000	Total equity RM'000
Group										
At 1 January 2018	**338,791**	**(425,685)**	**–**	**–**	**–**	**6,647**	**606,026**	**612,673**	**23,404**	**549,183**
Total comprehensive loss for the year	**–**	**263,838**	**–**	**–**	**–**	**(3,170)**	**(393,355)**	**(396,525)**	**(641)**	**(133,328)**
Dividend paid to non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(21,678)**	**(21,678)**
At 31 December 2018	**338,791**	**(161,847)**	**–**	**–**	**–**	**3,477**	**212,671**	**216,148**	**1,085**	**394,177**
At 1 January 2017	250,000	(297,808)	48,791	7,077	40,000	1,605	659,228	707,910	20,867	729,760
Total comprehensive loss for the year	–	(134,954)	–	–	–	5,042	(53,202)	(48,160)	2,537	(180,577)
Transfer from share premium and reserve (Note 23)	88,791	–	(48,791)	–	(40,000)	–	–	(40,000)	–	–
Liquidation of subsidiaries	–	7,077	–	(7,077)	–	–	–	(7,077)	–	–
At 31 December 2017	338,791	(425,685)	–	–	–	6,647	606,026	612,673	23,404	549,183

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 2018

			Non-distributable						
	Share capital RM'000	Accumulated losses RM'000	Share premium RM'000	Capital reserve RM'000	Capital redemption reserve RM'000	Cash flow hedge reserve (Note 24(a)) RM'000	Foreign currency translation reserve (Note 24(b)) RM'000	Total reserves RM'000	Total RM'000
Company									
At 1 January 2018	**338,791**	**(281,222)**	**–**	**–**	**–**	**186**	**396,762**	**396,948**	**454,517**
Total comprehensive loss for the year	**–**	**(133,145)**	**–**	**–**	**–**	**3,291**	**10,390**	**13,681**	**(119,464)**
At 31 December 2018	**338,791**	**(414,367)**	**–**	**–**	**–**	**3,477**	**407,152**	**410,629**	**335,053**
At 1 January 2017	250,000	(137,634)	48,791	8,770	40,000	(3,296)	462,712	508,186	669,343
Total comprehensive loss for the year	–	(152,358)	–	–	–	3,482	(65,950)	(62,468)	(214,826)
Transfer from share premium and reserve (Note 23)	88,791	–	(48,791)	–	(40,000)	–	–	(40,000)	–
Liquidation of subsidiaries	–	8,770	–	(8,770)	–	–	–	(8,770)	–
At 31 December 2017	338,791	(281,222)	–	–	–	186	396,762	396,948	454,517

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 2018

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit/(loss) before taxation	**264,800**	(128,992)	**(132,685)**	(151,822)
Adjustments for:				
Amortisation of intangible assets	**26**	6	**26**	4
Depreciation	**25,491**	19,969	**1,833**	1,582
Provision for expected credit losses on trade receivables	**836**	870	**–**	–
Reversal of provision for expected credit losses on trade receivables	**–**	(921)	**–**	–
Gain on disposal of property, plant and equipment	**–**	(5,447)	**–**	–
Unrealised foreign exchange loss/(gain)	**107**	(298)	**84**	(286)
Dividends from subsidiaries	**–**	–	**(27,594)**	(7,400)
Interest income	**(2,850)**	(943)	**(11,776)**	(12,439)
Finance costs	**17,211**	19,572	**10,627**	12,396
Surplus arising from liquidation of subsidiaries	**–**	–	**–**	(297)
Impairment loss on investments in subsidiaries	**–**	–	**165,188**	163,210
Net change in provision for onerous contracts	**(32,232)**	(10,936)	**–**	–
Impairment loss/(reversal of impairment loss) on vessels	**6,351**	(108,548)	**–**	–
Fair value changes in derivative	**870**	–	**870**	–
Share of results of an associate	**8,402**	211,938	**–**	–
Gain on disposal of an associate	**(265,929)**	–	**–**	–
Share of results of joint ventures	**(1,907)**	12,487	**–**	–
Operating profit before working capital changes	**21,176**	8,757	**6,573**	4,948
Changes in working capital:				
Consumable stores	**(2,808)**	3,895	**774**	(1,387)
Receivables and other current assets	**9,800**	1,586	**2,248**	2,497
Contract assets	**(966)**	–	**–**	–
Payables and other liabilities	**16,484**	24,000	**(4,298)**	3,360
Contract liabilities	**5,072**	–	**–**	–
Derivatives	**(18,541)**	(9,802)	**(18,541)**	(9,802)
Subsidiaries	**–**	–	**(48,372)**	(2,944)
Cash generated from/(used in) operations	**30,217**	28,436	**(61,616)**	(3,328)
Tax paid, net of tax refund	**(981)**	(1,030)	**(389)**	(368)
Net cash generated from/(used in) operating activities	**29,236**	27,406	**(62,005)**	(3,696)

Statements of cash flows for the year ended 31 December 2018 (cont'd)

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Cash flows from investing activities				
Construction cost and purchase of vessels	**(135,724)**	–	**(49,361)**	–
Acquisition of property, plant and equipment	**(4,917)**	(2,691)	**(28)**	(1,186)
Acquisition of intangible assets	**(312)**	–	**(312)**	–
Deposit paid for vessels	**–**	(4,265)	**–**	(4,265)
Dividends from subsidiaries	**–**	–	**27,594**	7,400
Dividends from joint ventures	**33,902**	7,390	**–**	–
Interest received	**2,850**	943	**12,700**	12,690
Proceeds from disposal of property, plant and equipment	**84,019**	74,852	**–**	–
Proceeds from disposal of associate	**249,228**	–	**–**	–
Loan repayment from joint venture	**8,471**	41,476	**–**	–
Loan repayment from a subsidiary	**–**	–	**329,549**	28,450
Net cash generated from investing activities	**237,517**	117,705	**320,142**	43,089
Cash flows from financing activities				
Finance costs paid	**(16,365)**	(18,414)	**(10,838)**	(12,647)
Drawdown of borrowings	**82,992**	46,735	**–**	–
Repayment of borrowings	**(87,280)**	(162,282)	**(71,125)**	(28,450)
Dividend paid to non-controlling interest	**(21,678)**	–	**–**	–
Net cash used in financing activities	**(42,331)**	(133,961)	**(81,963)**	(41,097)
Net change in cash and cash equivalents	**224,422**	11,150	**176,174**	(1,704)
Effects of foreign exchange rate changes	**(7,531)**	(8,558)	**(807)**	(206)
Cash and cash equivalents brought forward	**72,233**	69,641	**3,460**	5,370
Cash and cash equivalents carried forward	**289,124**	72,233	**178,827**	3,460
Cash and cash equivalents comprise:				
Short term deposits	**261,138**	19,894	**159,543**	1,300
Cash and bank balances	**27,986**	52,339	**19,284**	2,160
	289,124	72,233	**178,827**	3,460

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

1. CORPORATE INFORMATION

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

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

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

There have been no significant changes to these principal activities during the year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 14 March 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

2.2 Changes in accounting policies

New and amended standards and interpretations

The Group and the Company applied MFRS 15 and MFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Group and of the Company. The Group and the Company have not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 supersedes MFRS 111 Construction Contracts, MFRS 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

MFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group and the Company adopted MFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018, and elected to apply the standard only to contracts that are not completed at that date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

MFRS 15 Revenue from Contracts with Customers (cont'd)

The cumulative effect of initially applying MFRS 15 is immaterial and therefore no adjustment was made to the opening balance of accumulated losses as at 1 January 2018. Upon the adoption of MFRS 15, the Group reclassified RM5,383,000 from payables to contract liabilities.

Set out below, are the amounts by which each financial statement line item of the Group is affected as at and for the year ended 31 December 2018 as a result of the adoption of MFRS 15. Line items that were not affected by MFRS 15 have not been included. The first column shows amounts prepared using MFRS 15 and the second column shows what the amounts would have been had MFRS 15 not been adopted:

	Amounts prepared under		
	MFRS 15 RM'000	**Previous MFRSs RM'000**	**Increase/ (decrease) RM'000**
Group			
Income statement			
Revenue	238,974	240,299	(1,325)
Voyage expenses	(40,709)	(41,957)	(1,248)
Profit before tax	264,800	264,877	(77)
Statement of financial position			
Receivables and other current assets	34,212	35,285	(1,073)
Contract assets	966	–	966
Payables and other liabilities (current)	44,230	49,332	(5,102)
Contract liabilities	5,072	–	5,072
Accumulated losses	161,847	161,770	77

The adoption of MFRS 15 does not have any effect on the financial statements of the Company as at and for the year ended 31 December 2018.

The nature of the reclassifications as at 1 January 2018 and the reasons for the changes in the statement of financial position as at 31 December 2018 and income statement for the year ended 31 December 2018 of the Group are described below:

Under MFRS 15, the receivables in respect of uncompleted voyage at the reporting date is recognised as contract assets and charter hire received in advance from customers as contract liabilities. Upon adoption of MFRS 15 on 1 January 2018, the Group made the necessary reclassifications from receivables and other current assets and payables and other liabilities (current) to contract assets and contract liabilities respectively.

Before the adoption of MFRS 15, freight income under voyage charter was recognised over a period from the discharge of cargo for the previous voyage to the discharge of cargo for the current voyage (i.e. discharge-to-discharge). Under MFRS 15, freight income is recognised over a period from the loading to the discharging of cargo for a voyage (i.e. load-to-discharge). The adoption of MFRS 15 has no effect on the revenue from time charters, and voyage charters which begin and complete in the same reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

MFRS 9 Financial Instruments

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group and the Company applied MFRS 9 prospectively, with an initial application date of 1 January 2018. Comparative information has not been restated and continues to be reported under MFRS 139. The adoption of MFRS 9 has no material impact to the financial statements of the Group and of the Company.

(a) Classification and measurement

The classification and measurement of MFRS 9 did not have a significant impact to the Group and the Company as both continued measuring at fair value all financial assets previously held at fair value under MFRS 139.

(b) Impairment

The adoption of MFRS 9 has fundamentally changed the Group's and the Company's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward looking expected credit loss (ECL) approach. MFRS 9 requires the Group and the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. The Group and the Company apply the simplified approach permitted by MFRS 9 for trade receivables and contract assets, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The results of the revision as at 1 January 2018 have not resulted in any material change in impairment provision or any material impact on the carrying amount of the trade receivables and contract assets.

(c) Hedge accounting

The Group will not apply the hedge accounting provisions of MFRS 9 from 1 January 2018, but will instead avail itself of the choice to continue hedge accounting pursuant to MFRS 139.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 annual periods beginning on or after
MFRS 16 Leases	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019
Amendment to MFRS 9 Prepayment Features with Negative Compensation	1 January 2019
Amendment to MFRS 128 Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendment to MFRS 3 Business Combinations	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendments to MFRS 134 Interim Financial Reporting	1 January 2020
Amendment to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
Amendment to MFRS 138 Intangible Assets	1 January 2020
Amendment to IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

Except for MFRS 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 16 are described below.

MFRS 16 Leases

MFRS 16 was issued in January 2016 and it replaces MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially unchanged from today's accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

The Group plans to adopt MFRS 16 using the modified retrospective method with the cumulative effect of initially applying this Standard as an adjustment to the opening balance of accumulated losses at the date of initial application. The Group will therefore not apply the requirements of MFRS 16 to contracts that were not previously identified as containing a lease applying MFRS 117 and IC Interpretation 4.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

MFRS 16 Leases (cont'd)

The Group will elect to use the exemptions applicable to the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group will apply the practical expedient available in MFRS 16.C10(b) that allows an entity to adjust the right-of-use asset at the date of initial application by the amount of any provision for onerous contracts recognised in the statement of financial position immediately before the date of initial application.

The Group has assessed the estimated impact that initial application of MFRS 16 will have on the consolidated financial statements, as described below.

Based on the information currently available, the Group estimates that it will recognise lease liabilities and right-of-use assets of RM250,012,000, and adjust the right-of-use assets by the provision for onerous contracts of RM63,584,000 as at 1 January 2019.

2.4 Basis of consolidation

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

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

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

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

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Property, plant and equipment (cont'd)

Dry docking 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 dry docking.

For acquisitions and disposals of vessels and dry docking 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 classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

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 amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and other receivables, and loan to a subsidiary included under other non-current financial assets.

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

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. 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. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss. This category includes derivative instruments.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when the rights to receive cash flows from the asset have expired.

2.12 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Impairment of financial assets (cont'd)

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. When estimating expected credit loss, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.13 Borrowing costs

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

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

2.14 Foreign currencies

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

(i) Transactions and balances

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Foreign currencies (cont'd)

(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.

2.17 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Financial liabilities (cont'd)

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

(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 as 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 also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group does not have any non-derivative financial liabilities designated at fair value through profit or loss.

(ii) Financial liabilities carried at amortised cost

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss. This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. 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 if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities 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 (ii) (c). 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 taxable 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 contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Contracts for voyage charter include provisions whereby the charterer is required to pay demurrage if the time spent for loading or discharging the cargo exceeds the amount of time specified in the contract. Conversely, the ship-owner may be required to pay despatch if the time spent is less than that specified in the contract. Demurrage and despatch give rise to variable consideration.

Cost to obtain a contract

The Group pays commission to brokers for each contract that they obtain for freight services. The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense commissions (included under voyage expenses) because the amortisation period of the asset that the Group otherwise would have used is one year or less.

Contract balances

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

A contract liability is the obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

(a) Revenue from freight services

Voyage charter

All freight income and voyage expenses are recognised rateably over the voyage duration as the freight services are rendered (percentage of completion). The percentage of completion is determined using the load-to-discharge method based on the percentage of the estimated duration of the voyage completed at the reporting date. According to this method, freight income and related expenses are recognised in profit or loss according to the entered charter parties from the vessel's load date to the discharge of the cargo. The voyage begins from the loading to the discharging of cargo for the voyage (load-to-discharge). This applies to all spot transports and transport under Contracts of Affreightment (COAs). Costs directly attributable to relocating the vessel to the load port under the contract are capitalised to the extent that they are recoverable. Demurrage is recognised if the claim is considered probable.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Income recognition (cont'd)

(i) Revenue from contracts with customers (cont'd)

(a) Revenue from freight services (cont'd)

Time charter

Revenue from time charter is recognised on a straight-line basis over the period of each charter, as service is performed.

(b) Brokerage and commission and ship management income are recognised when services are rendered.

(ii) Other revenue

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

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

(c) 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 Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.26 Provisions

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.27 Non-current assets held for sale

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

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

2.28 Segment reporting

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

2.29 Related parties

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

2.30 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

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)

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

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Key sources of estimation uncertainty

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

(a) Impairment of vessels

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

(b) Provision for onerous contracts

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

The carrying amount of the provision as at 31 December 2018 was RM63,584,000 (2017: RM93,590,000). 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 RM15,850,000. See Note 28 for further details.

4. REVENUE

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Revenue from contracts with customers:				
- Freight and charter hire	**235,583**	268,232	**30,000**	26,814
- Ship brokerage and management	**3,391**	4,350	**–**	–
Dividends from subsidiaries	**–**	–	**27,594**	7,400
	238,974	272,582	**57,594**	34,214

Revenue from contracts with customers is recognised over time when services are transferred. Dividends from subsidiaries are recognised at a point in time.

4. REVENUE (CONT'D)

	Group		Company	
	31.12.2018 RM'000	1.1.2018 RM'000	31.12.2018 RM'000	1.1.2018 RM'000
Contract balances				
Trade receivables (Note 19)	**18,607**	25,532	**2,683**	2,620
Contract assets	**966**	–	**–**	–
Contract liabilities	**5,072**	5,383	**–**	–

For voyage charter, contract assets are initially recognised for revenue earned from freight services rendered as billing is only upon the complete loading of cargo. Upon completion of cargo loading, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2018 is due to uncompleted voyages at reporting date.

Contract liabilities represent charter hire received in advance for freight services. The increase in contract liabilities in 2018 is due to higher receipts of advanced charter hire from customers.

The amount of revenue recognised in the financial year that was included in the contract liabilities of the Group at the beginning of the year was RM5,383,000.

5. OTHER OPERATING INCOME, NET

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest income	**2,850**	943	**11,776**	12,439
Rental income from properties	**721**	599	**814**	804
Secretarial and accounting fees	**726**	1,114	**769**	1,341
Income from shared services	**1,453**	7,085	**2,224**	3,624
Foreign exchange (loss)/gain, net				
- realised	**(2,040)**	(180)	**(1,911)**	98
- unrealised	**(107)**	298	**(84)**	286
Gain on disposal of property, plant and equipment	**–**	5,447	**–**	–
Surplus arising from liquidation of subsidiaries	**–**	–	**–**	297
Provision for expected credit losses on trade receivables	**(836)**	(870)	**–**	–
Reversal of provision for expected credit losses on trade receivables	**–**	921	**–**	–
Fair value changes in derivative	**(870)**	–	**(870)**	–
Other income	**19**	89	**17**	23
	1,916	15,446	**12,735**	18,912

6. PROFIT/(LOSS) BEFORE TAXATION

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Auditors' remuneration				
- current year	**333**	362	**81**	81
- (over)/under provision in prior year	**(38)**	1	**–**	7
Amortisation of intangible assets (Note 11)	**26**	6	**26**	4
Depreciation (Note 12)	**25,491**	19,969	**1,833**	1,582
Personnel expenses (Note 7)	**35,319**	45,572	**6,466**	7,627
Non-executive Directors' remuneration (Note 8)	**505**	352	**505**	352
Finance costs on				
- term loans	**16,302**	18,073	**10,627**	12,396
- revolving credit	**202**	351	**–**	–
- others	**707**	1,148	**–**	–
Operating lease expenses of vessels	**101,795**	111,612	**–**	–

7. PERSONNEL EXPENSES

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Wages, salaries and bonus	**28,084**	36,582	**5,301**	6,396
Pension costs - defined contribution plans	**516**	660	**302**	404
Social security costs	**30**	92	**22**	30
Other staff related expenses	**6,689**	8,238	**841**	797
	35,319	45,572	**6,466**	7,627

Included in personnel expenses of the Group and of the Company are Executive Directors' remuneration amounting to RM128,000 (2017: RM158,000) and RM128,000 (2017: RM158,000) respectively, as further disclosed in Note 8.

8. DIRECTORS' REMUNERATION

	Group and Company 2018 RM'000	Group and Company 2017 RM'000
Directors of the Company		
Executive Directors:		
Fees	**120**	143
Attendance fees	**8**	15
	128	158
Non-executive Directors:		
Fees	**463**	310
Attendance fees	**42**	42
	505	352
Total	**633**	510

	2018 Fees RM'000	2018 Attendance Fees RM'000	2017 Fees RM'000	2017 Attendance Fees RM'000
Group and Company				
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid	**93**	**6**	62	7
Kuok Khoon Kuan	**22**	**2**	48	5
Wu Long Peng	**60**	**3**	48	5
Tay Beng Chai	**87**	**11**	66	11
Dato' Mohd Zafer bin Mohd Hashim	**83**	**10**	68	8
Afidah binti Mohd Ghazali	**75**	**7**	62	9
Lim Soon Huat	**65**	**5**	52	7
Hor Weng Yew	**58**	**4**	–	–
Thai Kum Foon	**38**	**2**	–	–
Govind Ramanathan	**2**	**–**	47	5
	583	**50**	453	57

9. TAXATION

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Income tax:				
Malaysian income tax	**1,005**	1,137	**596**	572
Foreign tax	**13**	21	**–**	–
Over provision in prior years	**(170)**	(52)	**(136)**	(36)
	848	1,106	**460**	536

Malaysian income tax is calculated at the Malaysian statutory income tax rate of 24% (2017: 24%) of the estimated assessable profit for the year. Taxation in foreign jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

A reconciliation of income tax expense applicable to profit/(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	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit/(loss) before taxation	**264,800**	(128,992)	**(132,685)**	(151,822)
Taxation at Malaysian tax rate	**63,552**	(30,958)	**(31,844)**	(36,437)
Effects of different tax rates in foreign jurisdictions	**(6)**	(10)	**–**	–
Tax exempt shipping income	**(10,591)**	(7,235)	**(1,908)**	(778)
Results of companies incorporated in British Virgin Islands (BVI)	**(61,005)**	2,686	**–**	–
Income not subject to tax	**–**	(20,776)	**(6,623)**	(1,776)
Expenses not deductible for tax purposes	**7,510**	3,589	**40,971**	39,563
Share of results of an associate	**2,016**	50,865	**–**	–
Share of results of joint ventures	**(458)**	2,997	**–**	–
Overprovision in prior years	**(170)**	(52)	**(136)**	(36)
Taxation for the year	**848**	1,106	**460**	536

10. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

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

	Group	
	2018	**2017**
Group's profit/(loss) attributable to equity holders of the Company (RM'000)	**263,838**	(134,954)
Weighted average number of ordinary shares in issue ('000)	**1,000,000**	1,000,000
Basic earnings/(loss) per share (sen)	**26.38**	(13.50)

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

11. INTANGIBLE ASSETS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Computer Software				
Cost				
At 1 January	**2,408**	2,670	**1,184**	1,312
Additions	**312**	–	**312**	–
Translation difference	**57**	(262)	**28**	(128)
At 31 December	**2,777**	2,408	**1,524**	1,184
Accumulated amortisation				
At 1 January	**2,408**	2,664	**1,184**	1,308
Amortisation for the year (Note 6)	**26**	6	**26**	4
Translation difference	**57**	(262)	**28**	(128)
At 31 December	**2,491**	2,408	**1,238**	1,184
Net carrying amount				
At 31 December	**286**	–	**286**	–

12. PROPERTY, PLANT AND EQUIPMENT

Group	Vessels RM'000	Dry docking RM'000	Vessels under construction RM'000	Leasehold properties RM'000	Office equipment, renovations, furniture and fittings RM'000	Total RM'000
Cost						
At 1 January 2018	**706,298**	**4,633**	**–**	**9,632**	**3,375**	**723,938**
Additions	**–**	**4,889**	**135,724**	**–**	**28**	**140,641**
Derecognition	**–**	**(1,287)**	**–**	**–**	**–**	**(1,287)**
Transfer from deposits (Note 13)	**–**	**–**	**52,386**	**–**	**–**	**52,386**
Reclassification	**121,937**	**–**	**(121,937)**	**–**	**–**	**–**
Reclassified as held for sale (Note 22)	**(319,999)**	**(5,330)**	**–**	**–**	**–**	**(325,329)**
Translation difference	**17,204**	**205**	**7,381**	**230**	**132**	**25,152**
At 31 December 2018	**525,440**	**3,110**	**73,554**	**9,862**	**3,535**	**615,501**
Accumulated depreciation and impairment losses						
At 1 January 2018	**244,622**	**2,121**	**–**	**2,499**	**3,025**	**252,267**
Charge for the year (Note 6)	**22,470**	**2,735**	**–**	**100**	**186**	**25,491**
Derecognition	**–**	**(1,287)**	**–**	**–**	**–**	**(1,287)**
Impairment loss on vessels	**6,351**	**–**	**–**	**–**	**–**	**6,351**
Reclassified as held for sale (Note 22)	**(174,499)**	**(2,419)**	**–**	**–**	**–**	**(176,918)**
Translation difference	**6,342**	**87**	**–**	**63**	**152**	**6,644**
At 31 December 2018	**105,286**	**1,237**	**–**	**2,662**	**3,363**	**112,548**
Net carrying amount						
At 31 December 2018	**420,154**	**1,873**	**73,554**	**7,200**	**172**	**502,953**

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

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

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

Company	Vessels RM'000	Dry docking RM'000	Vessels under construction RM'000	Leasehold properties RM'000	Office equipment, renovations, furniture and fittings RM'000	Total RM'000
Cost						
At 1 January 2018	**31,409**	**979**	**–**	**9,632**	**4,343**	**46,363**
Additions	**–**	**–**	**49,361**	**–**	**28**	**49,389**
Transfer from deposits (Note 13)	**–**	**–**	**52,386**	**–**	**–**	**52,386**
Reclassified as held for sale (Note 22)	**(32,156)**	**(1,002)**	**–**	**–**	**–**	**(33,158)**
Transfer to subsidiaries	**–**	**–**	**(71,639)**	**–**	**–**	**(71,639)**
Translation difference	**747**	**23**	**2,103**	**230**	**101**	**3,204**
At 31 December 2018	**–**	**–**	**32,211**	**9,862**	**4,472**	**46,545**
Accumulated depreciation						
At 1 January 2018	**1,588**	**33**	**–**	**2,499**	**4,051**	**8,171**
Charge for the year (Note 6)	**1,183**	**389**	**–**	**100**	**161**	**1,833**
Reclassified as held for sale (Note 22)	**(2,844)**	**(434)**	**–**	**–**	**–**	**(3,278)**
Translation difference	**73**	**12**	**–**	**63**	**115**	**263**
At 31 December 2018	**–**	**–**	**–**	**2,662**	**4,327**	**6,989**
Net carrying amount						
At 31 December 2018	**–**	**–**	**32,211**	**7,200**	**145**	**39,556**

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

Company	Vessels RM'000	Dry docking RM'000	Leasehold properties RM'000	Office equipment, renovations, furniture and fittings RM'000	Total RM'000
Cost					
At 1 January 2017	34,797	–	10,670	4,631	50,098
Additions	–	1,015	–	171	1,186
Translation difference	(3,388)	(36)	(1,038)	(459)	(4,921)
At 31 December 2017	31,409	979	9,632	4,343	46,363
Accumulated depreciation					
At 1 January 2017	439	–	2,656	4,317	7,412
Charge for the year (Note 6)	1,276	34	108	164	1,582
Translation difference	(127)	(1)	(265)	(430)	(823)
At 31 December 2017	1,588	33	2,499	4,051	8,171
Net carrying amount					
At 31 December 2017	29,821	946	7,133	292	38,192

(a) Vessels with an aggregate net carrying amount of RM371,165,000 (2017: RM343,527,000) have been pledged as security for loans obtained by the Group (Note 26).

(b) During the year, the Group carried out an assessment of the recoverable amounts of its vessels due to a decline in the market charter hire rates. The recoverable amounts are determined based on the higher of fair value less costs to sell or value in use. The fair value less costs to sell was determined by an independent valuer. The discount rate applied to value in use computation was 8% per annum. As a result of the assessment, the Group recognised an impairment loss of RM6,351,000 for the financial year ended 31 December 2018.

13. DEPOSITS

This comprises of deposits paid on construction and purchase of vessels. During the year, deposits were transferred to property, plant and equipment (Note 12).

14. SUBSIDIARIES

	Company 2018 RM'000	Company 2017 RM'000
At 1 January	**1,334,178**	1,478,115
Investment in subsidiaries	**54,900**	–
Translation difference	**31,461**	(143,937)
Unquoted equity investment, at cost	**1,420,539**	1,334,178
Less: Accumulated impairment losses	**(1,156,089)**	(967,886)
At 31 December	**264,450**	366,292

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.

Details of the subsidiaries are as follows:

Company	Country of incorporation	Equity interest 2018	Equity interest 2017	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][3]	Singapore	**70%**	70%	Owner and operator of ships
- Everspeed Enterprises Limited	BVI	**100%**	100%	Ship operator
New Johnson Holdings Limited	BVI	**100%**	100%	Investment holding
- Madu Shipping Pte Ltd [1]	Singapore	**100%**	100%	Owner and operator of ships
- Molek Shipping Pte Ltd [1]	Singapore	**100%**	100%	Owner and operator of ships
- Manis Shipping Pte Ltd [1]	Singapore	**100%**	100%	Owner and operator of ships
- Sejahtera Shipping Pte Ltd [1]	Singapore	**100%**	100%	Owner and operator of ships
- Padu Shipping Pte Ltd [1]	Singapore	**100%**	100%	Owner and operator of ships
- Bakti Shipping Pte Ltd [1] [2]	Singapore	**100%**	100%	Owner and operator of ships
- Pintar Shipping Pte Ltd [1]	Singapore	**100%**	100%	Owner and operator of ships
- Kekal Shipping Pte Ltd [1] (formerly known as Bistari Shipping Pte Ltd)	Singapore	**100%**	100%	Owner and operator of ships
- Kukuh Shipping Pte Ltd [1] [2]	Singapore	**100%**	–	Owner and operator of ships

14. SUBSIDIARIES (CONT'D)

Company	Country of incorporation	Equity interest 2018	Equity interest 2017	Principal activities
Alam Budi Sdn Bhd [2]	Malaysia	**100%**	100%	Owner and operator of ships
Bistari Shipping Sdn Bhd [2]	Malaysia	**100%**	100%	Owner and operator of ships
MBC Capital Management Sdn Bhd [2]	Malaysia	**100%**	100%	Investment holding

[1] Subsidiaries audited by a member firm of Ernst & Young Global
[2] Subsidiaries not carrying on any business activities during the financial year
[3] Subsidiary's non-controlling interest is not material to the Group

15. ASSOCIATE

	Group 2018 RM'000	Group 2017 RM'000
Quoted shares, at cost	**1,107,939**	1,107,939
Share of post-acquisition profits or losses	**(589,562)**	(581,160)
Share of cash flow hedge reserve	**13,282**	6,461
Translation difference	**371,123**	364,828
	902,782	898,068
Less: Accumulated impairment loss	**(535,078)**	(535,078)
Translation difference	**20,010**	31,973
	(515,068)	(503,105)
	387,714	394,963
Disposed during the year (Note 35)	**(387,714)**	–
	–	394,963
Quoted shares, at market value	**–**	397,956

Details of the associate are as follows:

Company	Country of incorporation	Equity interest 2018	Equity interest 2017	Principal activities
PACC Offshore Services Holdings Ltd ("POSH")	Singapore	**–**	21%	Provider of offshore marine support services

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

The Group disposed of its associate during the year (Note 35).

16. JOINT VENTURES

	Group 2018 RM'000	Group 2017 RM'000
Unquoted shares, at cost	**42,453**	42,453
Share of post-acquisition profits or losses	**(91,704)**	(59,709)
Translation difference	**29,177**	29,903
	(20,074)	12,647
Proportionate shareholder's advances to joint ventures	**56,754**	63,327
	36,680	75,974

The proportionate shareholder's advances to joint ventures are unsecured and interest-free, except for amount of RM18,642,000 (2017: RM18,209,000) which borne a weighted average interest rate of 2.90% (2017: 1.90%) per annum during the year.

Details of the joint ventures are as follows:

Held through a subsidiary

Company	Country of incorporation	Equity interest 2018	Equity interest 2017	Principal activities
Eminence Bulk Carriers Pte Ltd [2]	Singapore	**50%**	50%	Owner and operator of ships
Novel Bright Assets Limited [2]	BVI	**50%**	50%	Investment holding
- Brilliant Star Shipping Pte Ltd [2]	Singapore	**50%**	50%	Owner and operator of ships
- Brilliant Sun Shipping Pte Ltd [1]	Singapore	**–**	50%	Owner and operator of ships
Progress Shipping Pte Ltd [2]	Singapore	**50%**	50%	Investment holding
- Atlantic Progress Pte Ltd [2]	Singapore	**50%**	50%	Owner and operator of ships
- Atlantic Dream Pte Ltd [2]	Singapore	**50%**	50%	Owner and operator of ships

[1] Dissolved in current year
[2] Joint venture audited by a member firm of Ernst & Young Global

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

	2018 RM'000	2017 RM'000
Total assets	**105,888**	271,342
Total liabilities	**146,036**	246,048
Revenue	**23,396**	51,476
Profit/(loss) for the year	**3,814**	(24,974)
Dividends received from joint ventures during the year	**33,902**	7,390

17. LOAN TO A SUBSIDIARY

The loan to a subsidiary as at 31 December 2017 has been fully repaid during the year. The loan amount of RM79,705,000 as at 31 December 2018 is unsecured, interest-free and repayable on demand.

18. CONSUMABLE STORES

Consumable stores are stated at cost.

Consumable stores of the Group and the Company of RM25,667,000 (2017: RM44,408,000) and RM7,893,000 (2017: RM6,925,000) respectively were charged to income statements during the year.

19. RECEIVABLES AND OTHER CURRENT ASSETS

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade receivables:				
- third parties	**14,565**	22,334	**2,683**	2,620
- related parties	**5,818**	4,068	**–**	–
	20,383	26,402	**2,683**	2,620
Less: Provision for expected credit losses				
Third parties:				
At 1 January	**(870)**	(966)	**–**	–
Charge for the year	**(836)**	(870)	**–**	–
Reversal	**–**	921	**–**	–
Translation difference	**(70)**	45	**–**	–
At 31 December	**(1,776)**	(870)	**–**	–
Trade receivables, net	**18,607**	25,532	**2,683**	2,620
Tax recoverable	**207**	153	**–**	–
Deposits (refundable)	**159**	165	**90**	90
Prepayments	**9,408**	9,384	**100**	186
Other receivables	**4,587**	4,696	**1,294**	2,740
Amounts due from related parties	**1,244**	4,812	**665**	–
	34,212	44,742	**4,832**	5,636

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.

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

The ageing analysis of trade receivables is as follows:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Past due less than 6 months not impaired	**17,952**	24,626	**2,485**	2,620
Past due over 6 months not impaired	**655**	906	**198**	–
Impaired	**1,776**	870	**–**	–
	20,383	26,402	**2,683**	2,620

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, 31% (2017: 16%) of the trade receivables was due from related parties.

Based on historical default rates, the Group believes that no further provision for expected credit losses is necessary in respect of the outstanding net trade receivables.

20. AMOUNTS DUE FROM/TO SUBSIDIARIES

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

21. SHORT TERM DEPOSITS

At the reporting date, the short term deposits of the Group and the Company have the same maturities of less than 30 days (2017: less than 30 days) with weighted average interest rate of 3.02% (2017: 1.39%) and 2.88% (2017: 2.95%) per annum respectively.

22. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Non-current assets held for sale comprise of vessels which the Group expects to sell within the next 12 months from the reporting date.

As at the reporting date, the carrying amount of vessels reclassified as held for sale are as follows:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Property, plant and equipment	**148,411**	83,224	**29,880**	–

23. SHARE CAPITAL

	Number of ordinary shares 2018 ('000)	2017 ('000)	2018 RM'000	2017 RM'000
Group and Company				
Issued and fully paid:				
At 1 January	**1,000,000**	1,000,000	**338,791**	250,000
Transfer from share premium and reserve	**–**	–	**–**	88,791
At 31 December	**1,000,000**	1,000,000	**338,791**	338,791

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

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

24. RESERVES

(a) Cash flow hedge reserve

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

(b) Foreign currency translation reserve

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

25. PAYABLES AND OTHER LIABILITIES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current				
Trade payables	**243**	513	**–**	–
Accruals	**20,713**	25,150	**6,598**	10,280
Charter hire payable to owners	**16,920**	2,274	**–**	–
Charter hire received in advance	**–**	4,438	**–**	–
Uncompleted voyage	**–**	945	**–**	155
Due to ship managers and agents:				
- related parties	**5,484**	5,505	**–**	–
Amounts due to related parties	**231**	130	**145**	240
Other payables	**639**	942	**297**	434
	44,230	39,897	**7,040**	11,109
Non-current				
Charter hire payable to owners	**46,086**	38,346	**–**	–

Trade payables generally have average credit term of 30 to 90 (2017: 30 to 90) days.

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

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

26. BORROWINGS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Term loans - secured	**210,244**	140,681	**–**	–
- unsecured	**198,913**	269,462	**198,913**	269,462
	409,157	410,143	**198,913**	269,462
Repayable within 12 months	**(211,472)**	(86,197)	**(198,913)**	(70,549)
Repayable after 12 months	**197,685**	323,946	**–**	198,913

Maturity of borrowings is analysed as follows:

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Within 1 year	**211,472**	86,197	**198,913**	70,549
Between 1 and 5 years	**147,484**	323,946	**–**	198,913
More than 5 years	**50,201**	–	**–**	–
	409,157	410,143	**198,913**	269,462

26. BORROWINGS (CONT'D)

The borrowings are denominated in the following currencies:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
United States Dollar	**210,244**	140,681	**–**	–
Ringgit Malaysia	**198,913**	269,462	**198,913**	269,462
	409,157	410,143	**198,913**	269,462

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

The borrowings borne interest at a weighted average rate of 4.15% (2017: 3.24%) per annum.

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 or loss on the derivative financial instruments are set out below.

	Group and Company	
	2018 RM'000	2017 RM'000
Non-hedging derivatives		
Interest rate swap - liabilities		
- Current	**(54)**	–
- Non-current	**(816)**	–
Hedging derivatives		
Cash flow hedge		
Cross currency swap - liabilities		
- Current	**(59,255)**	(19,842)
- Non-current	**–**	(55,549)

Cash flow hedge

The Group uses cross currency swap to manage the variability of future cash flows attributable to exchange rate and interest rate fluctuation on its borrowings in Ringgit Malaysia. The hedged cash flows are expected to occur and affect profit or loss over the next year. 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, net". During the financial year, loss on cash flow hedges amounting to RM5,696,000 (2017: gain on cash flow hedges amounting to RM38,913,000) was recycled from other comprehensive income to the income statements of the Group and of the Company.

28. PROVISION FOR ONEROUS CONTRACTS

	Group 2018 RM'000	2017 RM'000
At 1 January	**93,590**	115,803
Utilised during the year	**(32,232)**	(56,165)
Charged during the year	**–**	45,229
Translation difference	**2,226**	(11,277)
At 31 December	**63,584**	93,590
Analysis of provision		
Current	**19,058**	30,114
Non-current	**44,526**	63,476
	63,584	93,590

29. COMMITMENTS

		Group 2018 RM'000	2017 RM'000
(a)	Capital commitments	**175,700**	306,867
(b)	Operating lease commitments - as lessee		
	Due within 1 year	**104,833**	105,787
	Due later than 1 year and not later than 5 years	**176,999**	264,169
	Due later than 5 years	**–**	11,117
		281,832	381,073

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.

		Group 2018 RM'000	2017 RM'000
(c)	Operating lease commitments - as lessor		
	Due within 1 year	**17,689**	22,514
	Share of joint ventures' commitments	**8,966**	4,734
		26,655	27,248
(d)	Contract of affreightment (COA)		
	Due within 1 year	**22,060**	21,547
	Due later than 1 year and not later than 5 years	**88,299**	86,248
	Due later than 5 years	**169,225**	186,842
		279,584	294,637

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

30. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Transactions in which certain substantial shareholders of the Company have substantial interest				
Income earned:				
Charter hire income	**43,280**	28,519	**–**	–
Commercial fee	**3,245**	3,920	**–**	–
Income from shared services	**1,453**	7,085	**1,414**	2,610
Rental income	**721**	592	**721**	592
Crew management fee	**74**	212	**–**	–
Corporate secretarial fee and accounting fees	**32**	32	**32**	32
	48,805	40,360	**2,167**	3,234
Expenditure incurred:				
Commercial fee	**5,931**	6,812	**747**	720
Dry docking cost	**5,427**	1,154	**–**	–
Shared services cost	**2,985**	2,643	**445**	428
Management fee	**1,858**	2,642	**–**	–
Crewing agents fee	**976**	657	**211**	120
Commission on disposal of vessels	**824**	777	**–**	–
Procurement fee	**580**	726	**145**	151
Share registration fee	**12**	11	**12**	11
	18,593	15,422	**1,560**	1,430

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Transactions with joint ventures				
Income earned:				
Crew management fee	**88**	219	**–**	–
Accounting fee	**605**	988	**605**	988
	693	1,207	**605**	988

30. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

	Company	
	2018	**2017**
	RM'000	**RM'000**
Transactions with subsidiaries		
Income earned:		
Income from shared services	**771**	1,014
Accounting fee	**44**	236
Dividends from subsidiaries	**27,594**	7,400
Rental income	**93**	206
Interest income	**10,513**	12,388
	39,015	21,244
Expenditure incurred:		
Management fee	**203**	223

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

31. 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 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 (2017: two) amounted to RM69,140,000 (2017: RM58,352,000) represents 29% (2017: 21%) of the total revenue of the Group.

31. SEGMENT INFORMATION (CONT'D)

2018	Bulkers RM'000	Ship brokerage and management RM'000	Investment holding and others RM'000	Elimination RM'000	Total RM'000
Revenue					
Group total	235,583	4,203	–	(812)	238,974
Inter-segment	–	(812)	–	812	–
External	235,583	3,391	–	–	238,974
Results					
Segment results	25,545	309	(5,655)	–	20,199
Depreciation and amortisation	(25,205)	(24)	(288)	–	(25,517)
Provision for expected credit losses on trade receivables	(836)	–	–	–	(836)
Impairment loss on vessels	(6,351)	–	–	–	(6,351)
Net change in onerous contracts provision	32,232	–	–	–	32,232
Interest income	222	140	2,488	–	2,850
Finance costs	(10,426)	(6)	(6,779)	–	(17,211)
Share of results of an associate	–	–	(8,402)	–	(8,402)
Gain on disposal of an associate	–	–	265,929	–	265,929
Share of results of joint ventures	1,907	–	–	–	1,907
Taxation	(8)	(356)	(484)	–	(848)
Profit for the year	17,080	63	246,809	–	263,952
Segment assets	694,718	14,144	819,847	(505,969)	1,022,740
Segment liabilities	862,468	6,377	265,687	(505,969)	628,563
Other information					
Investments in joint ventures	36,680	–	–	–	36,680
Additions to non-current assets	140,613	–	340	–	140,953
Non-current assets held for sale	148,411	–	–	–	148,411

31. SEGMENT INFORMATION (CONT'D)

2017	Bulkers RM'000	Tankers RM'000	Ship brokerage and management RM'000	Investment holding and others RM'000	Elimination RM'000	Total RM'000
Revenue						
Group total	256,041	12,191	5,367	–	(1,017)	272,582
Inter-segment	–	–	(1,017)	–	1,017	–
External	256,041	12,191	4,350	–	–	272,582
Results						
Segment results	4,796	(21)	834	3,446	–	9,055
Depreciation and amortisation	(19,655)	–	(43)	(277)	–	(19,975)
Net change in provision for expected credit losses on trade receivables	51	–	–	–	–	51
Gain on disposal of property, plant and equipment	1,861	3,568	18	–	–	5,447
Reversal of impairment loss on vessels	108,548	–	–	–	–	108,548
Net change in onerous contracts provision	10,936	–	–	–	–	10,936
Interest income	335	–	107	501	–	943
Finance costs	(11,722)	–	(8)	(7,842)	–	(19,572)
Share of results of an associate	–	–	–	(211,938)	–	(211,938)
Share of results of joint ventures	(12,487)	–	–	–	–	(12,487)
Taxation	(16)	–	(555)	(535)	–	(1,106)
Profit/(loss) for the year	82,647	3,547	353	(216,645)	–	(130,098)
Segment assets	678,468	19,339	23,014	1,006,142	(520,024)	1,206,939
Segment liabilities	816,371	26,877	10,212	324,320	(520,024)	657,756
Other information						
Investment in an associate	–	–	–	394,963	–	394,963
Investments in joint ventures	75,974	–	–	–	–	75,974
Additions to non-current assets	6,753	–	32	171	–	6,956
Non-current assets held for sale	83,224	–	–	–	–	83,224

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

32. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks includes credit risk, liquidity risk, currency risk 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.

As at 31 December 2018, the Group has interest rate swap agreements with notional amounts totalling USD15,000,000 whereby it receives variable rates equal to LIBOR and pays fixed rate between 3.035% and 3.045% per annum on the notional amounts.

<u>Sensitivity analysis for interest rate risk</u>

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 profit after tax (2017: loss after tax) would have been RM370,000 (2017: RM976,000) lower/higher (2017: 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.

32. FINANCIAL RISK MANAGEMENT (CONT'D)

Financial risk factors (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 2018				
Trade and other payables	**44,230**	**46,086**	**–**	**90,316**
Borrowings	**225,833**	**171,146**	**56,582**	**453,561**
Derivative financial liabilities	**59,309**	**816**	**–**	**60,125**
	329,372	**218,048**	**56,582**	**604,002**
At 31 December 2017				
Trade and other payables	34,514	25,924	12,422	72,860
Borrowings	99,366	340,800	–	440,166
Derivative financial liabilities	19,842	55,549	–	75,391
	153,722	422,273	12,422	588,417
Company				
At 31 December 2018				
Trade and other payables	**7,040**	**–**	**–**	**7,040**
Amounts due to subsidiaries	**5,818**	**–**	**–**	**5,818**
Borrowings	**203,171**	**–**	**–**	**203,171**
Derivative financial liabilities	**59,309**	**816**	**–**	**60,125**
	275,338	**816**	**–**	**276,154**
At 31 December 2017				
Trade and other payables	10,954	–	–	10,954
Amounts due to subsidiaries	20,764	–	–	20,764
Borrowings	79,183	203,027	–	282,210
Derivative financial liabilities	19,842	55,549	–	75,391
	130,743	258,576	–	389,319

The Company's maximum potential liability under corporate guarantees amounted to RM226,640,000 (2017: RM154,076,000) as of 31 December 2018. The corporate guarantees were provided in respect of the borrowings of its subsidiaries and a joint venture.

32. FINANCIAL RISK MANAGEMENT (CONT'D)

Financial risk factors (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.

33. 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 2018 was 1.04:1 (2017: 0.78:1).

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 2018 and 2017.

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

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Fair value hierarchy

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.

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

34. 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	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Financial assets at amortised cost:				
Trade and other receivables	**24,597**	35,205	**4,732**	5,450
Short term deposits	**261,138**	19,894	**159,543**	1,300
Cash and bank balances	**27,986**	52,339	**19,284**	2,160
Amounts due from subsidiaries	**–**	–	**6,370**	13,502
Loan to a subsidiary	**–**	–	**79,705**	343,380
Advance to joint venture	**18,642**	18,209	**–**	–
	332,363	125,647	**269,634**	365,792
Financial liabilities carried at amortised cost:				
Borrowings	**409,157**	410,143	**198,913**	269,462
Trade and other payables	**90,316**	72,860	**7,040**	10,954
Amounts due to subsidiaries	**–**	–	**5,818**	20,764
	499,473	483,003	**211,771**	301,180
Financial liability carried at fair value through other comprehensive income:				
Derivative financial liabilities	**59,255**	75,391	**59,255**	75,391
Financial liability at fair value through profit or loss:				
Derivative financial liabilities	**870**	–	**870**	–

35. SIGNIFICANT EVENT

(i) Disposal of associate

The Group disposed of its entire interest in the associate, PACC Offshore Services Holdings Ltd ("POSH"), by way of a Renounceable Restricted Offer for Sale that was announced on 2 April 2018 and completed on 25 October 2018 with net proceeds of RM249,228,000. On disposal of the associate, the cumulative amount of the foreign currency translation reserve of RM391,133,000 and cash flow hedge reserve of RM13,282,000 relating to the associate, previously recognised in other comprehensive income and accumulated in the separate component of equity were reclassified from equity to profit or loss. Including this reclassification of reserves, a gain on disposal of RM265,929,000 was recognised.

	RM'000
Proceeds from disposal of associate	249,228
Less: Carrying amount of associate (Note 15)	(387,714)
	(138,486)
Reclassification of reserves relating to associate from equity to profit or loss	404,415
Gain on disposal of an associate	265,929

36. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Group Borrowings RM'000	**Company Borrowings RM'000**
At 1 January 2018	**410,143**	**269,462**
Cash flows:		
Drawdown of borrowings	**82,992**	**–**
Repayment of borrowings	**(87,280)**	**(71,125)**
Finance costs paid	**(16,365)**	**(10,838)**
Non-cash movements:		
Finance costs	**17,211**	**10,627**
Translation difference	**2,608**	**–**
Others	**(152)**	**787**
At 31 December 2018	**409,157**	**198,913**
At 1 January 2017	543,869	297,211
Cash flows:		
Drawdown of borrowings	46,735	–
Repayment of borrowings	(162,282)	(28,450)
Finance costs paid	(18,414)	(12,647)
Non-cash movements:		
Finance costs	19,572	12,396
Translation difference	(19,193)	–
Others	(144)	952
At 31 December 2017	410,143	269,462

LIST OF PROPERTIES HELD

Address	Existing Use/ Approximate Area	Tenure/ Date of Expiry of Lease	Age of Building	Net Book Value @ 31.12.2018 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	21 Years	1,789
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	21 Years	1,811
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	21 Years	1,789
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	21 Years	1,811

Note:
All properties were acquired on 12 July 2001.

ANALYSIS OF SHAREHOLDINGS
AS AT 15 MARCH 2019

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 Issued Shares	% of Issued Shares
Less than 100	674	4.71	20,086	–
100 - 1,000	1,827	12.78	1,366,169	0.14
1,001 - 10,000	8,089	56.57	36,198,605	3.62
10,001 - 100,000	3,245	22.70	104,794,117	10.48
100,001 to less than 5% of issued shares	460	3.22	189,060,323	18.91
5% and above of issued shares	3	0.02	668,560,700	66.86
	14,298	100.00	1,000,000,000	100.00

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
Name of Substantial Shareholders	No. of Issued Shares	% of Issued Shares	No. of Issued Shares	% of Issued Shares
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 Issued Shares	% of Issued Shares	No. of Issued Shares	% of Issued Shares
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid	500,000	0.05	20,000 [(1)]	–
Hor Weng Yew	–	–	–	–
Thai Kum Foon	–	–	–	–
Wu Long Peng	1,625,000	0.16	–	–
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*

Analysis of Shareholdings as at 15 March 2019
(cont'd)

THE THIRTY LARGEST SHAREHOLDERS
(As per Record of Depositors as at 15 March 2019)

	Name of Shareholders	No. of Issued Shares	% of Issued Shares
1.	Pacific Carriers Limited	344,615,000	34.46
2.	Bank Pembangunan Malaysia Berhad	183,945,700	18.39
3.	PPB Group Berhad	140,000,000	14.00
4.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Fong Siling (CEB)*	10,500,000	1.05
5.	HSBC Nominees (Asing) Sdn Bhd *Exempt AN* *For Bank Julius Baer & Co. Ltd. (Singapore BCH)*	5,075,000	0.51
6.	Amsec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tiong Chiong Hee*	4,659,600	0.46
7.	Citigroup Nominees (Asing) Sdn Bhd *CBNY* *For Dimensional Emerging Markets Value Fund*	4,566,425	0.46
8.	Dinshaw a/l J Maneckshа	4,500,000	0.45
9.	Malaysia Nominees (Tempatan) Sendirian Berhad *For Great Eastern Life Assurance (Malaysia) Berhad (DR)*	4,484,800	0.45
10.	Citigroup Nominees (Asing) Sdn Bhd *CBNY* *For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc*	4,290,723	0.43
11.	Chin Chin Seong	4,220,800	0.42
12.	Citigroup Nominees (Asing) Sdn Bhd *CBNY* *For DFA Emerging Markets Small Cap Series*	2,585,400	0.26
13.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Exempt AN* *For Kumpulan Sentiasa Cemerlang Sdn Bhd (TSTAC/CLNT)*	2,541,000	0.25
14.	Kerajaan Negeri Pahang	2,153,850	0.22
15.	Ideal Structure Sdn Bhd	2,050,800	0.21
16.	Melodi Ragam Sdn Bhd	2,050,800	0.21
17.	Teo Guan Lee Holdings Sendirian Berhad	2,050,800	0.21
18.	HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Le Wee Yap*	1,885,200	0.19

Analysis of Shareholdings as at 15 March 2019
(cont'd)

	Name of Shareholders	No. of Issued Shares	% of Issued Shares
19.	HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Le Wee Tack*	1,844,700	0.18
20.	Malaysia Nominees (Tempatan) Sendirian Berhad *For Great Eastern Life Assurance (Malaysia) Berhad (DG)*	1,820,500	0.18
21.	Gan Kok Keng	1,800,000	0.18
22.	Gan Teng Siew Realty Sdn Berhad	1,700,000	0.17
23.	Wu Long Peng	1,625,000	0.16
24.	Kah Hin Loong Sdn Bhd	1,530,350	0.15
25.	HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ker Foon Loo*	1,529,100	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.	Quarry Lane Sdn Bhd	1,260,000	0.13
29.	Low Kok Kong	1,250,000	0.12
30.	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Christine Ang Chiew Mui (7001270)*	1,156,600	0.12
		744,360,898	74.44

ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad:

1. UTILISATION OF PROCEEDS

The restricted offer for sale of the Company's entire deemed interest in associate to all shareholders of the Company was completed on 25 October 2018 and the status of utilisation of proceeds raised from the exercise as at 31 December 2018 is as follows :

Purpose		Proposed Utilisation RM'million	Actual Utilisation RM'million	Balance RM'million	Intended Timeframe for Utilisation[2]	Deviation RM'million	%
(i)	Working Capital	115.9[1]	(32.1)	83.8	Within 15 months	–	0
(ii)	Repayment of borrowings	68.3	(21.7)	46.6	Within 12 months	–	0
(iii)	Part finance the construction costs of new vessels	64.0	(52.3)	11.7	Within 12 months	–	0
(iv)	Estimated expenses	2.9	(2.9)	–	Within 6 months	–	0
	Total	251.1	(109.0)	142.1		–	

Note:

[1] Includes excess funds for estimated expenses of RM8.2 million which has been re-allocated to working capital.

[2] The intended timeframe for utilisation is from the date of completion of the restricted offer for sale.

2. AUDIT AND NON-AUDIT FEES

The details of the audit and non-audit fees paid/payable to the external auditors for the financial year ended 31 December 2018 are set out below:

	Company RM	Group RM
• Audit	81,000	333,100
• Non-Audit	118,500	118,500
	199,500	451,600

3. 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 2018 or entered into during the financial year ended 31 December 2018 except as disclosed in the Financial Statements as set out in this Annual Report.

4. 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 30 to the financial statements on pages 92 to 93.

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, 2016 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 2018 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 30th Annual General Meeting (AGM) of Malaysian Bulk Carriers Berhad ("the Company") will be held on Friday, 3 May 2019 at 10:00 a.m. at Ballroom 1, Level 1, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur for the following purposes:

AS ORDINARY BUSINESS

(1) To receive the audited Financial Statements for the financial year ended 31 December 2018 and the reports of the Directors and the Auditors thereon. **Resolution 1**

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

(a) Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid **Resolution 2**

(3) To re-elect the following Director who is retiring pursuant to Article 100 of the Company's Articles of Association:

(a) Thai Kum Foon **Resolution 3**

(4) To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 4**

(5) To approve payment of Directors' fees of RM582,876 for the financial year ended 31 December 2018. **Resolution 5**

(6) To approve payment of meeting allowances to the Directors up to an amount of RM103,000 from 1 July 2019 to 30 June 2020. **Resolution 6**

AS SPECIAL BUSINESS

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

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

"**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." **Resolution 7**

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

"**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 4 April 2019, 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." **Resolution 8**

(9) **Ordinary Resolution**
Retention of Independent Non-Executive Directors

"**THAT** approval be and is hereby given to retain the following Directors, who have served as Independent Non-Executive Directors of the Company for more than twelve (12) years, to continue to serve as Independent Non-Executive Directors of the Company until the conclusion of the next Annual General Meeting:

(a) Dato' Capt. Ahmad Sufian @ Qurnain Bin Abdul Rashid **Resolution 9**

(b) Tay Beng Chai" **Resolution 10**

(10) **Special Resolution**
Proposed Adoption of New Constitution of the Company

"**THAT** the proposed adoption of a new Constitution of the Company, details as set out in Part B of the Circular to Shareholders dated 4 April 2019, be and is hereby approved in substitution for and to the exclusion of the whole of the existing Memorandum and Articles of Association of the Company thereof ("Proposed Adoption").

AND THAT the Directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give effect to the Proposed Adoption." **Resolution 11**

(11) To transact any other business.

BY ORDER OF THE BOARD

Ooi Pooi Teng (MAICSA 7055594)
Company Secretary
4 April 2019
Petaling Jaya

Notes:

1. *Only depositors whose names appear in the Record of Depositors as at 23 April 2019 (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 Berhad, 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 NOTES ON ORDINARY BUSINESS

1. Re-election of Directors

Article 95 of the Company's Articles of Association provides that one-third of the Directors for the time being 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.

Mr Wu Long Peng who retires by rotation in accordance with Article 95 of the Articles of Association, has notified the Board that he does not wish to seek re-election at the 30th AGM. Hence, he shall retires at the conclusion of the 30th AGM.

The profiles of the Directors who are standing for re-election as per Resolution 2 and 3 of the Notice of the 30th AGM are stated on page 18 of the Annual Report.

2. Directors' fees

The proposed fees payable to the Directors and Board Committees, are as follows:

	Fee basis (RM per director per annum)	
Position	***FYE 2018 (proposed)***	***FYE 2017***
Chairman of the Board	*80,000*	*57,000*
Member of the Board	*60,000*	*47,500*
Chairman of the Audit Committee	*20,000*	*20,000*
Member of the Audit Committee	*15,000*	*15,000*
Chairman of the Nomination & Remuneration Committee	*10,000*	*5,000*
Member of the Nomination & Remuneration Committee	*5,000*	*4,000*
*Chairman of the Risk Management Committee**	*10,000*	–
*Member of the Risk Management Committee**	*5,000*	–

** Risk Management Committee was formed on 11 May 2018. Therefore, fees payable will be pro-rated accordingly.*

Arising therefrom, the total directors' fees payable for the financial year ended 31 December 2018 would amount to RM582,876 for directors who had served during the year.

3. 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. 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 7 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. Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed Ordinary Resolution 8, 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 4 April 2019 despatched together with the Company's 2018 Annual Report.

3. Retention of Independent Directors

Dato' Sufian and Mr Tay Beng Chai have been appointed as Independent Directors of the Company for more than 12 years. The Board, through the Nomination & Remuneration Committee, carried out an assessment and satisfied that both Dato' Sufian and Mr Tay Beng Chai are able to exercise independent judgement and act in the best interest of the Company. Their experience and knowledge enable them to participate actively and contribute during deliberations at board meetings. They are also in compliance with the relevant criteria and provisions in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad on independent directors.

Dato' Sufian and Mr Tay Beng Chai abstained from all deliberations at the Board meeting in relation to the recommendation of Ordinary Resolutions 9 and 10.

Shareholders' approval for the proposed Ordinary Resolutions 9 and 10 will be sought through a single tier voting process.

The proposed Ordinary Resolutions 9 and 10, if passed, will enable Dato' Capt. Ahmad Sufian @ Qurnain Bin Abdul Rashid and Mr Tay Beng Chai to continue serving as the Independent Non-Executive Directors of the Company.

4. Proposed Adoption of New Constitution of the Company

The proposed Special Resolution, if passed, will streamline the Company's Constitution with the new provisions of the Companies Act 2016, amendments made to Main Market Listing Requirements of Bursa Malaysia Securities Berhad and enhance administrative efficiency. The Board proposed that the existing Memorandum and Articles of Association be revoked in its entirety and the proposed new Constitution of the Company as set out in Part B of the Circular to Shareholders dated 4 April 2019 be adopted as the new Constitution of the Company.

The Proposed Adoption shall take effect once it has been passed by a majority of not less than 75% of such members who are entitled to attend and vote and do vote in person or by proxy at the 30th AGM.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

(1) Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid
(2) Thai Kum Foon

The details of the above Directors are as set out on page 18 of this Annual Report and their interests in shares of the Company and its subsidiaries are disclosed on page 102 of this Annual Report.

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 30th Annual General Meeting of the Company to be held on Friday, 3 May 2019 at 10:00 a.m. at Ballroom 1, Level 1, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 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 2018 and the reports of the Directors and the Auditors thereon		
2	To re-elect Dato' Capt Ahmad Sufian @ Qurnain bin Abdul Rashid as a director		
3	To re-elect Ms Thai Kum Foon as a Director		
4	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration		
5	To approve the payment of Directors' fees		
6	To approve the payment of meeting allowances		
7	To authorise the Directors to allot and issue shares		
8	To approve the renewal of shareholders' mandate for recurrent related party transactions		
9	To retain Dato' Capt. Ahmad Sufian @ Qurnain Bin Abdul Rashid as Independent Non-Executive Director		
10	To retain Mr Tay Beng Chai as Independent Non-Executive Director		
11	To approve the adoption of New Constitution of the Company		

(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 __________2019

Signature of Shareholder:____________________

Notes:

1. *Only depositors whose names appear in the Record of Depositors as at 23 April 2019 (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 Berhad, 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.*

Please fold here

Stamp

The Company Secretary

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

Please fold here

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

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

www.maybulk.com.my

CORPORATE GOVERNANCE REPORT

STOCK CODE	**:**	5077
COMPANY NAME	**:**	MALAYSIAN BULK CARRIERS BERHAD
FINANCIAL YEAR	**:**	December 31, 2018

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE
Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA
Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application	:	Applied
Explanation on application of the practice	:	The Board has the overall stewardship responsibilities of providing: • strategic leadership The Board is responsible to lead and control the Group's strategic direction, objectives, and ensure that the necessary financial and human resources are in place for the company to meet its objectives. • overseeing the business conduct 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 are outlined in the Board Charter. The Board has delegated specific responsibilities to three (3) committee namely, Audit Committee, Nomination & Remuneration Committee and Risk Management Committee. All the committees discharge their duties and responsibilities within their terms of reference. • identification and management of principal risks ensuring the adequacy and integrity of internal control systems 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. • establishing a succession plan The Board seeks to ensure that the members of Management team are qualified, professional and have competence to lead the operations of the Group. • developing and implementing an investor relations program. The Board is committed in providing effective and timely communication with 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 website at http://www.maybulk.com.my or Bursa Malaysia Securities Berhad's website at http://www.bursamalaysia.com.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.2
A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

<table>
<tr><td>Application</td><td>:</td><td colspan="2">Applied</td></tr>
<tr><td>Explanation on application of the practice</td><td>:</td><td colspan="2">The Chairman is responsible for leadership, orderly conduct and working of the Board.

As outlined in the Board Charter, the responsibilities of the Chairman, amongst others, are as follows:

• to lead the Board in establishing and monitoring good corporate governance practices in the Company;
• to ensure the efficient organisation and conduct of the Board's function and meetings;
• to facilitate the effective contribution of all Directors at Board meetings;
• to encourage active participation and allowing dissenting views to be freely expressed; and
• to ensure effective communication with shareholders and relevant stakeholders.</td></tr>
<tr><td rowspan="2">Explanation for departure</td><td rowspan="2">:</td><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="4">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure</td><td>:</td><td colspan="2"></td></tr>
<tr><td>Timeframe</td><td>:</td><td></td><td></td></tr>
</table>

Intended Outcome
Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.3
The positions of Chairman and CEO are held by different individuals.

Application	:	Applied	
Explanation on application of the practice	:	The Chairman and Chief Executive Officer (CEO)'s position are held by different individuals. There is a distinct division of roles and responsibilities of the Chairman and CEO to ensure balance of power and authority, such that no one individual has unfettered powers of decision making. The Chairman of the Board 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. Their roles and responsibilities of the Chairman and CEO are defined in the Board Charter, which is available on the Company's website at http://www.maybulk.com.my	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.4
The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application :	Applied	
Explanation on application of the practice :	The Company Secretary of the Company is a member of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA). The Company Secretary: • facilitates and attends all meetings of the board and board committees and ensures that meetings are properly convene and proceedings are properly recorded. • maintains 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. • advise the Board on its roles and responsibilities. • update the Board on the Company's application towards the best practices recommended by the Malaysian Code of Corporate Governance 2017. The Company Secretary attended seminar/workshop in relation to Companies Act 2016 and Main Market Listing Requirements of Bursa Malaysia Securities Berhad during the year.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.5
Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

<table>
<tr><td>Application :</td><td colspan="2">Applied</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2">The Board is supplied with information in a timely manner. The agenda and full set of board papers are distributed within a reasonable period or 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. The board paper includes minutes of previous meeting and various reports such as market conditions, outlook, investment opportunities and financial performance.

The deliberations and decision of those matters discussed at the Board Meetings are duly recorded in the meeting minutes. Decisions of the Board are also communicated in a timely manner to the Management for their further action.</td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

Intended Outcome
There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1
The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–
- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Application :	Applied
Explanation on application of the practice :	The Board has formalised a Board Charter in November 2018, which provides: (i) the respective roles and responsibilities of the Board, board committees, individual directors and management. The board committees have their own terms of reference which set out the authority, scope and responsibilities. (ii) the schedule of matters reserved for the Board's decision includes the following: • review and approve corporate/ strategic direction and major business proposals; • review and approve major capital commitments, acquisition and disposal of assets and investments; • review and approve commitment to loans and long/ short term financing with banks; • review capital structure of the Company; • declaration of dividends; • the adoption of any significant change in accounting policies of the Company and Group; • the approval of annual audited financial statements and quarterly results; and • any other matters requiring the Board's approval under the financial authority limits adopted by the Company and Group. A copy of the Board Charter is available on the Company's website at http://www.maybulk.com.my.
Explanation for departure :	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.	
Measure :	

Timeframe :		

Intended Outcome
The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1
The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application	:	Applied	
Explanation on application of the practice	:	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 in the handbook. The Board has also adopted Anti-Corruption Policy in November 2018. A copy of the Code of Ethics of Directors and Anti-Corruption Policy are available on the Company's website at http://www.maybulk.com.my.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2
The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	:	Applied	
Explanation on application of the practice	:	The Board adopted a Whistle Blowing Policy on 23 August 2018. The Whistle Blowing Policy outlines the Group's commitment towards enabling the employees and external parties to raise concerns in a responsible manner regarding any wrongdoings or malpractices without fear of reprisal, and to have such concerns independently investigated. All the disclosures made under the policy will be handled with strict confidence. The policy aims to promote and maintain high standards of corporate governance within the Group. The Whistle Blowing Policy is available on the Company's website at http://www.maybulk.com.my.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.1
At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board comprises of eight (8) directors, of whom three (3) are Independent Non-Executive Directors, two (2) Non-Independent Non-Executive Directors, one (1) Chief Executive Officer and one (1) Executive Director. The three (3) independent directors have been able to provide an unbiased, independent and objective views and judgement during board meetings and deliberations on all matters concerning the Group. The Nomination & Remuneration Committee has assessed the board composition and is satisfied that the current size and composition has the required mix of skills, experience, knowledge and competencies, required for an effective Board.	
		The Board is conscious of the recommended practice and is evaluating suitable candidates actively for the appointment of Independent Non-Executive Directors.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.2
The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	There are three (3) Independent Non-Executive Directors on Board. As at 31 December 2018, tenure of the two (2) Independent Non-Executive Directors, namely Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid and Mr Tay Beng Chai, have exceeded 12 years term. Based on the annual assessment carried out, the Board (except for Dato' Sufian and Mr Tay Beng Chai) is of the view that both Dato' Sufian and Mr Tay Beng Chai continue to be independent as: • they have met the criteria under the definition of Independent Non-Executive 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. and intend to retain both Dato' Sufian and Mr Tay Beng Chai, as Independent Non-Executive Directors of the Company and that the resolutions to retain the Independent Non-Executive Directors be tabled at the forthcoming AGM for shareholders' approval. The Board recommends that these resolutions be voted through the normal voting process (ie single-tier voting process), as every shareholder should exercise their voting rights on the same platform or level and each share shall entitled to one vote.

	The Board recognises the importance of the independence and objectivity in the decision-making process and will continue to assess and evaluate the Independent Non-Executive Directors to ensure that they: • are independent of the Company's management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company. • have no family relationship with Directors or major shareholders of the Company. • have no conflict interest with the Company. • can exercise care in performing their duties, and provide unbiased, independent and objective views and judgement during board meetings and act in the best interest of the Company.
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.	
Measure :	
Timeframe :	

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.3 - Step Up
The board has a policy which limits the tenure of its independent directors to nine years.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.4
Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Application	:	Applied	
Explanation on application of the practice	:	Appointment of board and senior management are based on their experience, character, integrity and competence. During the year 2018, the Nomination and Remuneration Committee (NRC) reviewed 2 candidates for appointment as Executive Directors. In assessing the suitability of the candidates, the NRC considers the required mix of skills, knowledge, expertise, experience, professionalism and integrity of the candidates.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.5
The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

<table>
<tr><td>Application :</td><td colspan="2">Departure</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2"></td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2">The Board does not have policies on gender diversity and targets in place.

The Board believes that appointment of board members, regardless of gender, should be based on skills, experience, character, integrity and competence. In 2018, the Company has two (2) female directors, Ms Thai Kum Foon and Puan Afidah binti Mohd Ghazali on its board and this represents 25% of the board composition.</td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.6
In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application :	Departure	
Explanation on application of the practice :		
Explanation for departure :	The Nomination & Remuneration Committee (NRC) is responsible for recommending suitable candidates for new appointment to the Board. In evaluating potential candidates, the NRC consider candidates' skills, knowledge, expertise, experience, professionalism and integrity. In the case for the position of Independent Non-Executive Director, NRC evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non- Executive Director. In 2018, the NRC reviewed 2 candidates for appointment as Executive Directors before recommending the appointment to the Board for approval. The candidates were recommended by major shareholder/ director. In searching for suitable candidates, the NRC will consider candidates proposed by Directors and shareholders and is also opened to explore and leverage on external sources available. The Nomination & Remuneration Committee has reviewed and revised its Terms of Reference in January 2019 to adopt Practice 4.6.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.7
The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Nomination & Remuneration Committee is Dato' Capt. Ahmad Sufian @ Qurnain Bin Abdul Rashid, an Independent Non-Executive Director.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1
The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application	:	Applied	
Explanation on application of the practice	:	The NRC is responsible to assess the effectiveness of the Board and Board Committees and the contribution of each individual director and Board Committee member on annual basis. In 2018, the assessment was conducted internally using a self and peer rating model. The assessment consists of detailed questionnaires cover the area on 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 and directors' training. Every Director and Board Committee member completes the questionnaires and submits it to the Company Secretary who then collates the results and table the same to NRC. The NRC after reviews the results, submits its findings to the Board for assessment of the performance and effectiveness of the Board and Board Committees. The Board upon its annual assessment carried out for financial year 2018, concurred with the NRC that the composition of the Board 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.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.1
The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application :	Departure
Explanation on application of the practice :	
Explanation for departure :	The Nomination & Remuneration Committee reviews and evaluates the remuneration policy for Directors to ensure 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 level of Directors' fees is benchmarked against the shipping related companies and mid cap companies listed on Bursa Malaysia Securities Berhad. The remuneration package of Management, the components of the remuneration package are linked to Company and individual performance.
	The Board had in February 2019 adopted a remuneration policy for Directors and Senior Management. The policy is to establish a framework for remuneration that is designed to: (a) determine the level of remuneration packages of the Directors and Senior Management; (b) reward Directors and Senior Management commensurate with the contribution, experiences and level of responsibilities undertaken by them; and (c) attract and retain the right talent in the Board and Senior Management in order to drive the Company's long-term objectives. The policy is available on the Company's website at http://www.maybulk.com.my
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.	

Measure :		
Timeframe :		

Intended Outcome
The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.2
The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Application	:	Applied	
Explanation on application of the practice	:	The Board has in place a Nomination & Remuneration Committee (NRC) which comprises of majority Independent Non-Executive Directors. The NRC is responsible to review the level of remuneration of the members of the Board and Board Committees and ensure that they reflect the experience and level of responsibilities undertaken by them and in line with market practice. Subsequent to the review, NRC make recommendation to the Board. The remuneration is deliberated on and decided by the Board before being tabled for shareholders' approval at the Annual General Meeting. The respective Director shall abstain from the deliberation and voting of his own remuneration. The Terms of Reference of NRC is available on the Company's website at http://www.maybulk.com.my.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.1
There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

<table>
<tr><td>Application :</td><td colspan="2">Applied</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2">The detailed disclosure on named basis of the remuneration of individual directors are set out on page 28 of the Company's 2018 Annual Report.</td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

Intended Outcome
Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.2
The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application :	Applied	
Explanation on application of the practice :	The Executive Directors are the Senior Management and their remuneration on a named basis are set out on page 28 of the Company's 2018 Annual Report.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.3 - Step Up
Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.1
The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied	
Explanation on application of the practice	:	The positions of the Chairman of the Board and Audit Committee are held by different individuals. Dato' Mohd Zafer Bin Mohd Hashim (Independent Non-Executive Director) is the Chairman of Audit Committee whilst Chairman of the Board is Dato' Capt. Ahmad Sufian @ Qurnain Bin Abdul Rashid. The Audit Committee discharged duties and responsibilities within its Terms of Reference. The Chairman of the AC briefed the Board on matters discussed and the outcome of deliberations of its meeting. The activities of Audit Committee are set out on pages 30 to 32 of the Company's 2018 Annual Report. The Terms of Reference of the Audit Committee is available on the Company's website at http://www.maybulk.com.my.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.2
The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application	:	Applied	
Explanation on application of the practice	:	None of the former key audit partner has been appointed as member of the Audit Committee (AC). The Terms of Reference of the AC has outlined that former key audit partner to observe a cooling off period of at least two (2) years before being appointed as a member of the AC.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.3
The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application :	Applied	
Explanation on application of the practice :	Under the Terms of Reference, the Audit Committee is responsible for assessing the effectiveness and independence of the external auditor and to make subsequent recommendations to the Board on the appointment, re-appointment, resignation or dismissal of the external auditors. The Audit Committee reviews the suitability, objectivity and independence of the external auditors of the Company on an annual basis. The review process covers the assessment of the independence of the external auditors, the evaluation of the external auditor's work scope and results of the audit undertaken in relation to the audited financial statements of the Group for financial year ended 31 December 2018. During the financial year, the Audit Committee met with the external auditors namely, Ernst & Young, in the absence of Management. The Audit Committee has reviewed the performance and independence of Ernst & Young and is satisfied that the external auditors have been independent throughout the conduct of the audit process and the audit services rendered have met the quality expected by the Committee. External auditors have also given declaration that they are and have been independent throughout the conduct of their audit engagement in accordance with the By-Laws (On Professional Ethics, Conduct and Independence) of the Malaysian Institute of Accountants.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.
The company's financial statement is a reliable source of information.

Practice 8.4 - Step Up
The Audit Committee should comprise solely of Independent Directors.

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.5
Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application :	Applied	
Explanation on application of the practice :	The members of Audit Committee have accounting and financial background and relevant experience in financial services industry to discharge their duties and responsibilities. All members of Audit Committee have been updated and attended seminars/ workshops on Malaysian Financial Reporting Standards, Financial Reporting developments and Malaysian Code on Corporate Governance and Corporate Governance Guide during the year.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.1
The board should establish an effective risk management and internal control framework.

Application	:	Applied	
Explanation on application of the practice	:	Details of the Group's Risk Management and Internal Control Framework are set out in its Statement on Risk Management and Internal Control, in the Company's 2018 Annual Report. The internal control mechanisms established by the Board are embedded within the organisation structure in all its processes. The internal control system is independently reviewed by the Internal Auditors to assess its adequacy and effectiveness.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.2
The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied	
Explanation on application of the practice	:	The Board has disclosed the key features of its risk management and internal control framework as well as its adequacy and effectiveness in its Statement on Risk Management and Internal Control. The Statement on Risk Management and Internal Control is set out on pages 33 to 36 of the Company's 2018 Annual Report.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.3 - Step Up
The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application	:	Adopted
Explanation on adoption of the practice	:	A Risk Management Committee (RMC) was established on 11 May 2018 to assist the Board in its oversight of the Group's management of key risks, including strategic and operational risks, as well as the guidelines, policies and processes for monitoring and mitigating such risks. The composition of RMC are as follows: Tay Beng Chai – Chairman – Independent Non-Executive Director Dato' Capt. Ahmad Sufian @ Qurnain Bin Abdul Rashid – Member – Independent Non-Executive Director Dato' Mohd Zafer Bin Mohd Hashim – Member – Independent Non-Executive Director The Terms of Reference of RMC is available on the Company's website at http://www.maybulk.com.my.

Composition of RMC:

Tay Beng Chai	Chairman	Independent Non-Executive Director
Dato' Capt. Ahmad Sufian @ Qurnain Bin Abdul Rashid	Member	Independent Non-Executive Director
Dato' Mohd Zafer Bin Mohd Hashim	Member	Independent Non-Executive Director

Intended Outcome
Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.1
The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application	:	Applied	
Explanation on application of the practice	:	The Head of Internal Audit Department (IAD) 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. The Audit Committee reviews and approves the Annual Internal Audit Plan. On quarterly basis, IAD table their performance report to the Audit Committee, to ensure that internal audit works are on track and sufficient resources to carry out the audit work. The Audit Committee reviews the internal audit report, audit processes and results of the internal audit report, and ensure the processes or investigation undertaken and there is appropriate action taken up.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.2
The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application :	Applied	
Explanation on application of the practice :	In 2018, the IAD is staffed by a team of 9 internal auditors and is headed by Ms Celina Eng, Chief Governance Officer. She is Certified Internal Auditors ("CIA") and Chartered Accountants. The audit personnel are free from any relationships or conflicts of interest, which impair their objectivity and independence. The IA function adheres to the Code of Ethics and International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

Application :	Applied	
Explanation on application of the practice :	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 primary modes of disseminating the Group's business activities and financial performance are as follows: • annual report of the Company; • quarterly financial results; • announcements made to Bursa Malaysia Securities Berhad; • company's website; • analysts briefing to provide overview of the Group's performance; and • annual general meeting Any queries or concern about the Group's business and development can be conveyed through the Company Secretary, who would then refer the matter to the attention of the Board.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.2
Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Group does not fall within the definition of large companies as defined by the Malaysian Code on Corporate Governance.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.1
Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Applied	
Explanation on application of the practice	:	The Notice of 30th Annual General Meeting (AGM) is despatched to shareholders 28 days prior to the AGM, together with the Company's 2018 Annual Report. The Notice of AGM sets out the resolutions to be tabled and provides detailed explanation on the resolutions to be decided at the AGM.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.2
All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application	:	Applied	
Explanation on application of the practice	:	All Directors attended the Company's Annual General Meeting (AGM) held in 2018. The Chairman of the Board encouraged shareholders to participate during the AGM and to seek clarification about the performance and operations of the Group. External auditors were also present at the AGM to address any queries raised by the shareholders at the meeting. The Chairmen of respective Committees were present to address any questions that shareholders may have in relation to matters that fall under the purview of the Committees.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.3
Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

Application :	Departure	
Explanation on application of the practice :		
Explanation for departure :	The Company's Annual General Meetings are held in Petaling Jaya or Kuala Lumpur, which is easily accessible to shareholders of the Company. Shareholders can vote in person or appoint representatives or proxies to attend and vote on their behalf.	
	The Board will explore the use of technology to facilitate voting in absentia and remote shareholder's participation at general meetings, taking into consideration the readiness, stability, security in place and costs of such technology platform for the above purposes. The Board needs to be assured of the integrity, information technology governance and security of such technology given the cybersecurity related issues.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

Click here to enter text.