MALAYSIAN BULK CARRIERS BERHAD

(Company No. 175953-W)

ANNUAL REPORT

2014


POSH XANADU
POSH
PETROBRAS
POSH XANADU

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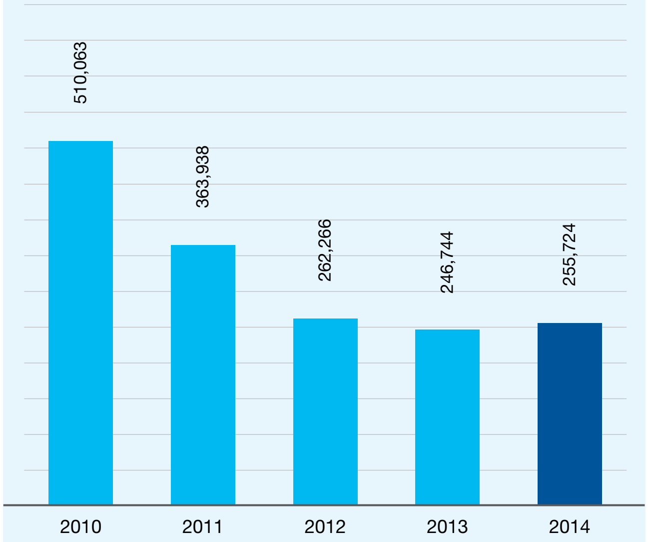
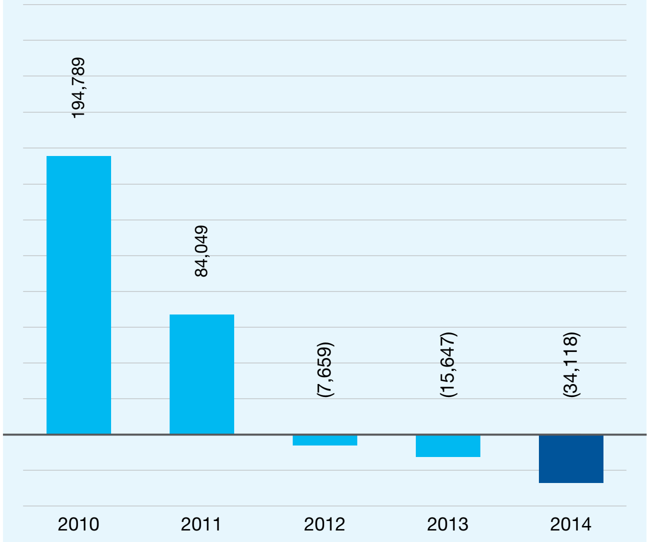
Financial Highlights

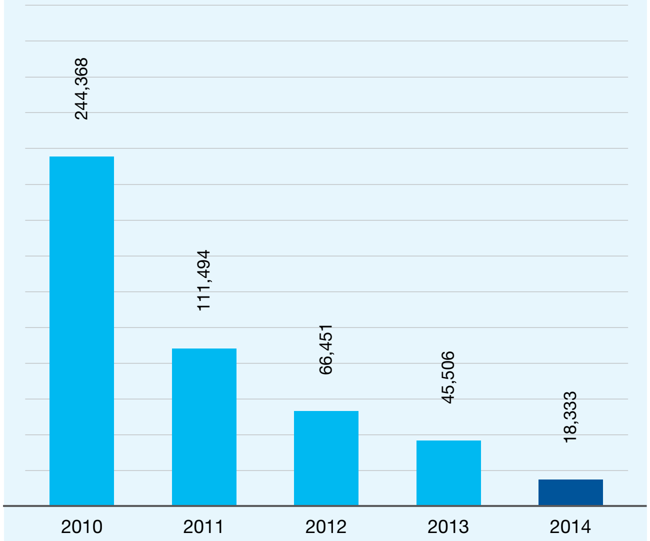
Revenue
(RM'000)



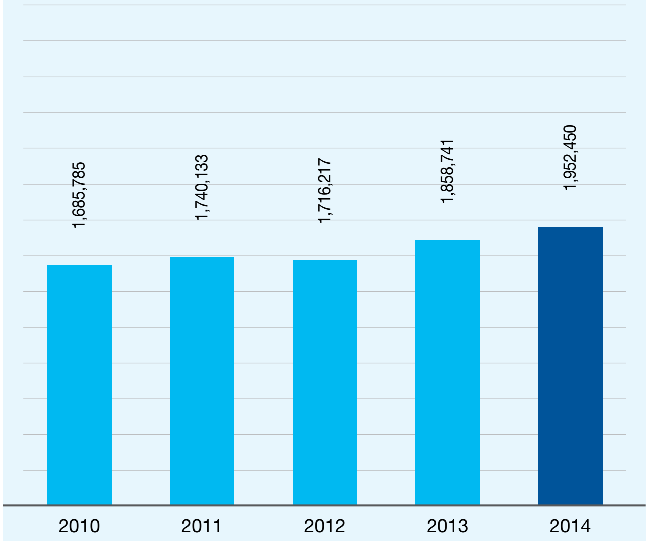
Operating Profit/(Loss)
(RM'000)



Profit before Taxation
(RM'000)



Shareholders' Equity
(RM'000)



Financial Highlights
(cont'd)

	2014 RM'000	2013 RM'000	2012 RM'000	2011 RM'000	2010 RM'000
Results					
Revenue	**255,724**	246,744	262,266	363,938	510,063
Operating profit/(loss)	**(34,118)**	(15,647)	(7,659)	84,049	194,789
Other operating income/(loss), net	**30,842**	25,497	41,780	13,299	37,969
Share of results of an associate	**36,727**	48,646	35,257	17,023	18,172
Share of results of joint ventures	**341**	354	9,950	12,494	20,268
Profit before taxation	**18,333**	45,506	66,451	111,494	244,368
Profit attributable to equity holders of the Company	**12,153**	44,532	66,049	108,000	238,368
Balance Sheet					
Total assets	**2,505,649**	2,025,842	1,906,837	1,987,715	1,997,254
Total liabilities	**489,567**	112,154	137,220	191,865	254,835
Cash and cash equivalents	**151,460**	145,357	190,110	298,873	316,692
Borrowings	**415,556**	76,854	106,593	156,357	150,161
Shareholders' equity	**1,952,450**	1,858,741	1,716,217	1,740,133	1,685,785
Per Share Data	**Sen**	Sen	Sen	Sen	Sen
Basic EPS	**1.22**	4.45	6.60	10.80	23.84
Dividend	**1**	3	3	3	10
Net assets	**195**	186	172	174	169
Key ratios					
Dividend payout ratio	**82%**	67%	45%	28%	42%
Return on average equity	**1%**	2%	4%	6%	14%
Debt/equity ratio	**21%**	4%	6%	9%	9%
Fleet data					
Number of vessels (at end of year) *	**22**	20	18	17	15
Total tonnage in DWT (MT'000) *	**1,213**	1,107	1,010	912	863
Average age of fleet (in years) *	**6.3**	6.5	6.2	8.8	9.7
Total operating days (days) #	**5,749**	5,311	5,220	5,484	5,661
Total hire days (days) #	**5,577**	5,164	5,171	5,274	5,406
Daily Time Charter Equivalent Rate #					
Dry bulk carriers (USD)	**8,692**	9,171	9,530	16,519	25,993
Tankers (USD)	**12,585**	12,468	10,851	12,269	11,993

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

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors of Malaysian Bulk Carriers Berhad (MBC), I am pleased to present the Annual Report and audited financial statements for the financial year ended 31 December 2014.

After several weak years, many ship owners and operators believed we would see the much needed and hoped for recovery in the dry bulk market in 2014. On the contrary, the market worsened as private equities and various shipping funds continued to invest heavily in shipping exacerbating the overcapacity situation. We went through a tough year in 2014. Our profit before tax is down by 60% to RM18.3 million.

Several years ago we diversified into offshore marine support services (OSV) by acquiring a 21.23% stake in PACC Offshore Services Holdings Ltd (POSH) and this investment has yielded satisfactory returns since inception. In conjunction with the initial public offering of POSH in April 2014, we invested a further RM218.4 million in POSH to maintain our significant stake. Our strategic diversification has helped us to remain profitable in the difficult years.

We continuously renew our fleet with modern second hand vessels as well as eco-newbuildings whenever prices are attractive. In 2014, we took delivery of 3 newbuildings and have 5 more under construction scheduled for delivery in 2016-2018 when we expect to see a better market. All these newbuildings are far more fuel efficient than the majority of the existing fleet. This will provide us with a competitive advantage as lower fuel consumption would translate into an increase in our earnings.

Despite the difficult year, the Board is proposing a final dividend of 1 sen per share, amounting to RM10.0 million for the financial year ended 31 December 2014 subject to your approval at the forthcoming Annual General Meeting.

CORPORATE SOCIAL RESPONSIBILITY

Although we are fully engaged in our business activities and taking care of our stakeholders, we remain dedicated to playing our part in corporate citizenship and to embrace corporate social responsibility. We are committed to our employees' welfare, community and the environment that we operate in. We continue to provide sponsorship to students for marine cadet training in our efforts in building up the maritime expertise in Malaysia. Shore staff are likewise encouraged to attend courses or workshops to strengthen their core skills and competencies. On the social side, various sports and recreational activities were arranged for employees to encourage teamwork and camaraderie.

During the year under review, we supported various charitable organisations and also participated in the flood relief programme on the East Coast of Peninsula Malaysia.

Chairman's Statement
(cont'd)

CORPORATE GOVERNANCE AND THE BOARD

We believe that implementing and maintaining high governance standards underpin business objectives and our drive to create, protect and maximise shareholder value. In addition to complying with the best practice advice from regulatory and government bodies, 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.

I would like to thank my fellow Board members for their unstinting services and contributions in 2014. Unfortunately in 2015, the Group will bid three of our long serving directors farewell. Mr Teo Joo Kim, Dato' Lim Chee Wah and Encik Mohammad bin Abdullah will retire from the Board at the 2015 Annual General Meeting.

Mr Teo Joo Kim served as Executive Chairman for the last 18 years until May 2013 when he stepped down and continued to serve as an Executive Director. His able stewardship of the Group has put MBC on a solid foundation. I wish to place on record a special thanks to Mr Teo for his extraordinary contribution in building a strong organisation.

I would also like to thank Dato' Lim for the contributions he has made since his appointment in 1995 as a member of the Board, and as Chairman of our Nomination and Remuneration Committee (2005 to 2013); and likewise to Encik Mohammad for his contributions since his appointment in 2003 as a member of the Board, and as Chairman of our Audit Committee. I wish them all the very best for the future.

As part of the Board's renewal process, we welcomed new directors into our fold. Puan Afidah binti Mohd Ghazali and Mr Lim Soon Huat were appointed as Non-Independent and Non-Executive Directors and Dato' Mohd Zafer bin Mohd Hashim as Independent Non-Executive Director of the Company. All three have served in various senior capacities of listed companies and large conglomerates and will bring a wealth of experience and expertise to MBC. We are pleased to welcome them and look forward to their contribution in the coming years.

In addition, Mr Govind Ramanathan, Managing Director of PCL (Shipping) Pte Ltd, was appointed as an Executive Director on 6 February 2015, with responsibility for the commercial and chartering operations of the Group. Mr Ramanathan has more than 25 years experience in bulk shipping and we are confident that the breadth of his industry knowledge makes him a valuable addition to the Board.

PROSPECTS AND ACKNOWLEDGEMENT

As we enter 2015, it is against the backdrop of a continued weak dry bulk shipping market suggesting that the year ahead will be challenging. Recent increase in scrapping, the drop in newbuilding orders along with the positive growth in dry bulk trades has caused us to be more positive about the long-term prospects for dry bulk shipping. Together with your support and an early market recovery I hope to bring MBC into better times ahead.

Last but not least I would like to express the Board's and my sincere appreciation to all staff for their commitment and dedication and to all our stakeholders for their unwavering support and confidence in MBC.

Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid
Chairman

CEO's Statement

FINANCIAL OVERVIEW AND HIGHLIGHTS

2014 was a disappointing year for bulk shipping as the much anticipated recovery did not materialise. Although dry bulk sector started the year promisingly with rates improving from 2012 – 2013 levels, the softer than expected world economy in the first half of 2014 caused rates to slip to unprecedented low levels in the third quarter. Overall, the Baltic Dry Index dropped 101 points to an average of 1,105 in 2014, from 2013's average of 1,206.

Our core bulk segment reported a loss of RM32.6 million in 2014, reflecting the very difficult operating environment faced. Tanker market fared better than the dry bulk and remained profitable in the year.

Our associate PACC Offshore Services Holdings Ltd also reported a drop in profits as the offshore services sector was negatively impacted by the sharp 4th quarter decline in oil prices. Our share of associate results eased to RM36.7 million in 2014, from RM48.6 million in 2013.

The Group's profit before tax (PBT) was RM18.3 million, down from PBT of RM45.5 million in 2013. Earnings per share was 1.22 sen, compared with 4.45 sen in 2013.

Shareholders' equity at the end of 2014 was RM1,952.5 million. The appreciation of the US dollar against the Ringgit Malaysia has resulted in an increase of RM117.9 million in foreign currency translation reserve arising from the translation of US dollar net assets into Ringgit at the end of the year. Whilst the Group's balance sheet has been geared up for newbuildings and additional investment in an associate, net gearing ratio remained low at 0.14 times at the end 2014.

The Group ended the year with healthy liquidity position, with RM151.5 million in cash and RM139.2 million undrawn facilities available. Cash from operations was a net outflow of RM15.0 million as a result of earnings deterioration. Capital investment for the year was RM240.3 million and the Group also invested an additional RM218.4 million in an associate.

THE YEAR IN PERSPECTIVE

For 2014, MBC's fleet total 22 vessels (against 20 vessels in 2013) having an average age of 6.3 years as opposed to 6.5 years in 2013.

Of the 22 vessels, 19 are bulk carriers and 3 are product tankers.

Dry Bulk Carriers

Bulk shipping failed to lift itself out of the doldrums plagued by overcapacity. Despite active shipments (with the exception of minerals out of Indonesia and China's curtailment of coal imports), 2014 results was a disappointment particularly since the tale of two halves failed to be repeated. In previous poor years, market improvement either in the first half or in the second half would at least help mitigate the situation. But for 2014, the much anticipated recovery for the third quarter (after an uninspiring first half) failed to materialise. Signs of recovery quickly fizzled out and charterers were quick to regain the upper hand.

The average time charter earnings for our dry bulk fleet was US$8,692/day in 2014 compared to US$9,171/day in 2013 whilst that of our tankers it was US$12,585/day in 2014 compared to US$12,468/day in 2013 .

The upside to the poor market is that it deterred investors (particularly funds and private equities) from further excessive investments. Although newbuilding prices are under pressure, shipyards with order books into 2017/18 are reluctant to discount so newbuilding prices remained relatively high and above what we had contracted at in 2013. Dismal markets, high prices along with the large orders backlog have generally discouraged further ordering.

Poor earnings however took its toll on second hand values and at the same time, the weakening yen drew many Japanese shipowners to market their ships to earn the much sought after stronger US dollar. Disposing of the less economical and older vessels would help pave the way for investments into newer and more economical ships when the market turns.

CEO's Statement
(cont'd)

The above was our strategy in early 2013 when we contracted to renew our fleet with regulation compliant and eco newbuildings when prices were low. We will continue to explore such renewal opportunities when offered superior vessels at competitive prices.

Although oil and bunker prices are sharply down, they will likely rebound in time. The increasing charter of Very Large Crude Carriers (VLCC) for storage purposes points towards the optimism for a rebound in oil prices.

Even at current bunker prices, fuel savings are considerable so one cannot ignore the attractiveness of eco newbuildings nor dismiss the possibility that oil and bunker price may soar again.

The collapse in oil prices towards late 2014 will significantly affect global economies and the financial and shipping markets. Whilst producing countries will see their income contracting significantly, this price drop represents significant savings for consuming countries which will boost spending and hopefully an increase in global demand and economic growth - although not immediately. Despite lower oil prices, both the World Bank and International Monetary Fund (IMF) have cut their expectations for economic growth. The World Bank for instance has now lowered its forecast for global growth for 2015 to 3% from its previous forecast of 3.4% whilst the IMF in its January World Economic Outlook update, has lowered its forecast for 2015 from 3.8% to 3.5%.

Although this is a disappointing development, the outlook for the global economy could have been far worse had oil prices remained high.

We can therefore expect 2015 to remain volatile and uncertain.

Tanker

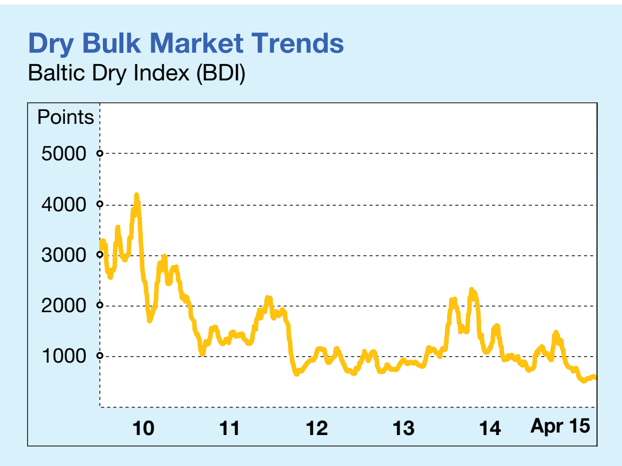
Unlike the dry bulk sector, tankers saw a year-end rally in crude tanker rates.

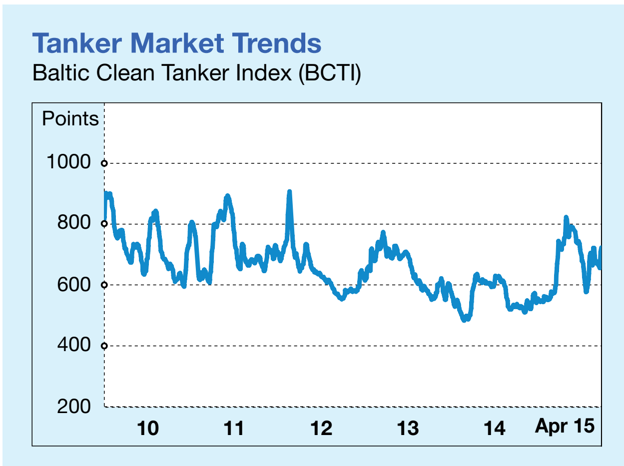
Tanker markets took a positive turn when OPEC decided not to cut production in the face of falling oil prices. Low oil prices boosted inventory build up and helped refinery margins which in turn contributed towards greater long haul shipment volumes and demand. The severity of the drop in oil prices led many traders to fix VLCC for oil storage purposes in anticipation of a rebound in oil prices.

Meantime, global seaborne product trade increased as US products exports to Europe, North America and Latin America surged benefitting from increased US refinery throughput boosted by good availability of cheaper domestic crude and shale gas. New refinery capacity in the Middle East is likely to raise product exports from the region by nearly 1 million barrels per day according to the International Energy Agency.

Fortunately, this more positive outlook has not resulted in a further splurge into newbuilding MR tankers as many have become wary of the heavy investments that had already taken place in this sector.

For 2014, TC earnings for our tanker fleet (Alam Bistari, Alam Budi and Alam Bakti) averaged US$12,585/day versus US$12,468/day for 2013.





CEO's Statement
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Offshore

In 2008, after the financial crisis, the Group took a strategic decision to diversify from the bulk sector which was then showing signs of strain. We proceeded to invest into the offshore services sector by taking a significant stake in Asia's largest operator of offshore supply vessels, PACC Offshore Services Holdings Ltd (POSH). Currently the Group holds 21.23% in POSH.

The Group's 21.23% stake in POSH continues to contribute positively towards the Group's bottom line and over the 2008 – 2014 period, our investment in POSH contributed a total of RM224 million towards MBC's profits. This is an encouraging contribution against the backdrop of a dismal bulk market.

The POSH Group operates a diversified fleet which provides a broad coverage of the offshore services segments. This provides some cushion in an impending difficult oil and gas sector as the various segments of the offshore exploration and production activities are differently affected by the decline in oil prices. With the delivery of POSH Xanadu, its first 750-person DP3 semi-submersible accommodation vessel, POSH has enhanced its offshore accommodation segment which focuses more on the maintenance and production phases of the offshore oil and gas activities. The POSH Xanadu is currently in Brazil, on a one year firm plus one year option contract with Petrobras, the national oil company of Brazil. The total value of the contract, based on the firm tenor is US$80.5 million, or in excess of US$144 million including the option period. Its sister vessel the POSH Arcadia will also be delivered this year. When all of the accommodation vessels that are under construction are delivered this year, POSH's capacity in the Offshore Accommodation segment will increase to 3,291 persons. Thereafter, its two key segments will be the Offshore Supply Vessels and the Offshore Accommodation segments.

For financial year 2014, POSH's contribution was RM36.7 million, a decrease of 25% over last year's figures. Whilst revenue remains relatively flat, profit declined due to lower utilisation and higher operating costs. The transfer of its 5 deepwater anchor handling and towing vessels to a joint venture (thereby diluting earnings), coupled with the repair costs and higher share of Mexican losses also contributed to the poorer performance.

The decline in oil prices has resulted in reduced capital expenditure by many oil companies and POSH expects that this will have negative impact on charter rates for vessels and its outlook for the near term. As a matter of prudence, POSH has deferred certain planned newbuildings and will focus on cost efficiency and maximising on utilisation of vessels.

SHIPPING OUTLOOK

Recent BDI drop towards its 1985 lows has caused sentiments to grow increasingly bearish. With rates often not even covering operating cost, many owners prefer not to fix their ships when rates are at such dismal levels. Reports of companies in financial difficulties and those filing for Chapter 11 Bankruptcy are on the increase and support the belief that markets are at the bottom although with the tonnage overcapacity, it is difficult to foresee any market respite in the near term.

The lethargic global economy does not provide any confidence for a quick nor significant rebound. Both the IMF and the World Bank have revised their Global GDP forecast downwards which does not help to alleviate the pressure caused by excess capacity. Although her iron ore imports have remained high, China's imports of coal has for January 2015 dropped to a six year low - it halved to just 16.8 million tonnes from 35.9 million tonnes (January 2014). Major exporting countries such as Indonesia and Australia saw their exports tumble (36% and 33% respectively).

Although the immediate outlook appears daunting and discourages further investments, this negativity will ultimately help turn the industry around. Overcapacity as caused by excessive ordering and a mushrooming of new shipyards (due to previous market euphoria) will see shipyard capacity reduce as will ordering when dismal markets prevail.

CEO's Statement
(cont'd)

The general poor state of the market has over the last 2 years prodded many shipyards to focus on the offshore sector as ordering for other shipping sectors slowed. However with the offshore sector undergoing a general decline as well, this lifeline has been removed and will cause many shipyards - especially in China to suffer leading to their possible demise.

The dismal market has not only reduced ordering but has caused the pace of scrapping in the Dry cargo sector to accelerate in recent months. In the first two months of the year about 5 million tonnes have already been recycled and a further 3 million tonnes sold for demolition. This represents 89 vessels (12 Capesize, 2 Post-Panamax, 16 Panamax, 17 Handymax and 42 Handysize vessels). Also significant is the age of tonnage sold for demolition (20 years in the Cape sector compared to 24 years in 2014). With an inflow of 11.6 million tonnes new tonnage in January/February, net fleet growth so far in 2015 totals 3.6 million tonnes.

All above points towards continuing short term pressure but a better longer term prospect for drybulk shipping if irresponsible players do not later upset the apple cart by ordering on a large scale again.

FLEET MANAGEMENT

Regulations

A. Ballast Water Management System (BWMS)

Because of the delay in the ratification of the International Maritime Organisation (IMO) Convention, the United States Coast Guard (USCG) regulations with its effective date of 1st January 2016 has come into force before the IMO regulation. The USCG Ballast Water Discharge Standard (BWDS) is expected to be more stringent than that of IMO. So far, none of the IMO approved systems can comply with the USCG rules. USCG is giving a temporary approval till such equipment meeting USCG standards becomes available.

For vessels whose dockings are due in the year 2016, the Group plans to bring the dockings forward into year 2015. This will then give us a deferment of 2 to 3 years until such time that USCG approved BWMS are more readily available.

This will save us the need to invest in equipment which may not meet with USCG's standards and therefore the necessity to invest again. In advancing our docking schedule, it will buy us time whilst the industry and the authorities decide what exactly is required. Over time, equipment costs are also expected to reduce. Seven of our vessels will be affected which means that about US$5.0 million will be expensed in 2015 rather than in 2016 and incurring a downtime of about 127 docking days.

B. Low Sulphur Fuel in Emission Control Areas (ECA)

IMO's sulphur regulation requires using fuel with a 0.1% sulphur limit in the Emission Control Areas (ECA) with effect from 1st January 2015. Current ECAs include the Baltic Sea, North Sea, English Channel, US and Canadian Coasts and inland waters, as well as parts of the Caribbean Sea.

Although there are a couple of alternatives, using distillate fuel (Marine Gas oil or Marine Diesel oil) is our preferred option since our vessels are not trading regularly within the ECA. In this case, the vessel will switch over from heavy fuel oil (HFO) to distillate fuel prior entry to ECA.

The current fuel oil storage system must be modified to segregate the HFO from distillate fuel. Depending on the complexity of the system, the modification cost is estimated to be about US$55,000 per vessel. The total cost impact will be in the region of US$1.5 million for MBC's fleet.

Recently, some of the oil companies begin selling hybrid fuels which are ECA compliant with less than 0.1% sulphur. Although the price is slightly lower than distillates, hybrid fuels are not readily available worldwide. It exhibits almost the same characteristics of HFO, but there is a risk of incompatibility when co-mingled with other fuels. Hybrid fuel is not widely accepted as yet and management will monitor the situation to decide what is best for the Group.

ACKNOWLEDGEMENT

I would like to take this opportunity to thank you, dear shareholders, for your confidence in MBC and your trust in us.

Kuok Khoon Kuan
Chief Executive Officer

MBC's Controlled Fleet

	As of 31 March 2015	
	Number of vessels	Dwt (MT)
Post panamax	5	435,260
Supramax	8	462,474
Handysize	7	228,942
Product tanker	3	142,129
Total	**23**	**1,268,805**

MBC's Controlled Fleet
(cont'd)

	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 Pesona	Post Panamax	Sep-05	87,052
4	Alam Pintar	Post Panamax	Oct-05	87,052
5	Alam Manis	Supramax	Mar-07	55,652
6	Alam Madu	Supramax	Sep-14	58,045
7	Alam Molek	Supramax	Oct-14	58,074
8	Alam Makmur	Supramax	Mar-15	55,600
9	Alam Sakti	Handysize	Feb-06	32,609
Jointly-Owned				
10	Alam Penting	Post Panamax	Jul-05	87,052
11	Alam Murni	Supramax	Apr-03	53,553
12	Atlantic Progress	Handysize	Jun-11	32,527
13	Atlantic Dream	Handysize	Dec-11	32,527
Long Term Charter				
14	Alam Mutiara	Supramax	Apr-12	61,498
15	Alam Maju	Supramax	Jul-12	58,642
16	Alam Sayang	Supramax	Jul-13	61,410
17	Alam Seri	Handysize	Mar-11	29,562
18	Alam Suria	Handysize	Jan-12	29,077
19	Alam Setia	Handysize	Oct-13	36,320
20	Alam Sinar	Handysize	Jan-14	36,320
				1,126,676
TANKERS				
Owned				
1	Alam Budi	Product Tanker	Mar-01	47,065
2	Alam Bistari	Product Tanker	May-01	47,065
3	Alam Bakti	Product Tanker	Jul-03	47,999
				142,129
				1,268,805

Board of Directors

1. **Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid**
65, Malaysian
Independent Non-Executive Chairman

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

Dato' Capt. Ahmad Sufian qualified as a Master Mariner with a Masters Foreign-Going Certificate of Competency from United Kingdom in 1974 and a Diploma in Applied International Management from the Swedish Institute of Management in 1984. He attended the Advanced Management Program at Harvard in 1993. He is a Fellow of the Chartered Institute of Logistics and Transport and the Institute Kelautan Malaysia. He has over 40 years of experience in the international maritime industry.

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

2. **Kuok Khoon Kuan**
67, Malaysian
Chief Executive Officer

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

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

Mr. Kuok has more than 40 years experience in the shipping industry. He began his career with Malaysian International Shipping Corporation Berhad in 1971 and later joined Pacific Carriers Limited (PCL) in 1978 and is currently the Executive Chairman of PCL.

He is also a Director of Kuok (Singapore) Limited and Chairman of Paxocean Holdings Pte Ltd. He was a Director of Singapore Maritime Foundation from 2006 to 2011.

3. **Teo Joo Kim**
74, Singaporean
Executive Director

Mr. Teo was appointed to the Board on 25 January 1995.

Mr. Teo is also a director of Kuok (Singapore) Limited and a Non-Executive Director of PACC Offshore Services Holdings Ltd. He qualified from the Institute of Chartered Secretaries and Administrators and the Association of Chartered Certified Accountants in the United Kingdom. He has over 40 years of experience in the commodity and shipping industry.

4. **Wu Long Peng**
61, Singaporean
Executive Director

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

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

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

5. **Govind Ramanathan**
47, Indian
Executive Director

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

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

6. **Dato' Lim Chee Wah**
75, Malaysian
Non-Independent Non-Executive Director

Dato' Lim was appointed to the Board on 8 June 1995 and is also a member of the Nomination & Remuneration Committee.

He obtained his Bachelor of Arts (Honours) Degree in Economics from University of Malaya.

7. **Lim Soon Huat**
50, Malaysian
Non-Independent Non-Executive Director

Mr. Lim Soon Huat was appointed to the Board on 6 February 2015.

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

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

Board of Directors
(cont'd)

8. Afidah binti Mohd Ghazali
52, Malaysian
Non-Independent Non-Executive Director

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

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

She is currently the Chief Operating Officer of Bank Pembangunan Malaysia Berhad and also sits on the board of Pembangunan Leasing Corporation Sdn Bhd.

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

9. Mohammad bin Abdullah
74, Malaysian
Independent Non-Executive Director

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

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

10. Tay Beng Chai
53, Malaysian
Independent Non-Executive Director

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

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

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.

11. Dato' Mohd Zafer bin Mohd Hashim
42, Malaysian
Independent Non-Executive Director

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

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

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

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

Notes:
(1) The total number of Board meetings held during the financial year ended 31 December 2014 was five. The number of Board Meetings attended by the Directors in the financial year is set out on page 18 of this Annual Report.
(2) None of the directors has any family relationship with any other director of the Company. The disclosure of directors' family relationship with major shareholders is not applicable as the major shareholders are corporate entities.
(3) None of the directors had any convictions for offences within the past 10 years.

Corporate Information

Board of Directors

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

Chief Executive Officer
Kuok Khoon Kuan

Executive Director
Teo Joo Kim
Wu Long Peng
Govind Ramanathan

Non-Independent Non-Executive Director
Dato' Lim Chee Wah
Lim Soon Huat
Afidah binti Mohd Ghazali

Independent Non-Executive Director
Mohammad Bin Abdullah
Tay Beng Chai
Dato' Mohd Zafer bin Mohd Hashim

Audit Committee
Mohammad bin Abdullah (Chairman)
Tay Beng Chai
Afidah binti Mohd Ghazali
Dato' Mohd Zafer bin Mohd Hashim

Nomination & Remuneration Committee
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid (Chairman)
Dato' Lim Chee Wah
Tay Beng Chai

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

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 : Trading / Services
Stock Name : Maybulk
Stock Code : 5077

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

Website: www.maybulk.com.my

Statement on Corporate Governance

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

PRINCIPLE 1 - ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD

Roles and responsibilities

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

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

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

Board composition and balance

Currently the Board has eleven (11) members, comprising four (4) Executive Directors, three (3) Non-Executive Directors and four (4) 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.

Profile of each Director is presented on pages 12 and 13 of this Annual Report.

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.

The Board believes that appointment of board members, regardless of gender, should be based on experience, character, integrity and competence as these are the essential criteria for an effective Board.

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.

Supply and Access of Information

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

The Directors have full and unrestricted access to the advice and services of the Company Secretaries. In addition, Directors may obtain independent professional advice in furtherance of their duties at the Company's expense, so as to ensure the Directors are able to make independent and informed decisions.

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

Statement on Corporate Governance
(cont'd)

PRINCIPLE 2 – STRENGTHEN COMPOSITION

Nomination & Remuneration Committee

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

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

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) review remuneration of the Directors.

The NRC meets at least once a year and whenever required. In 2014, one (1) meeting was held with full attendance.

For the year under review, the NRC assessed and made recommendations to the Board with regards to the appointment of Directors, re-election of Directors retiring by rotation, re-appointment of Directors and remuneration of Directors.

Appointments

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

Re-election and Re-appointment

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

The 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.

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

The NRC, considered the contribution and performance of the Directors who are seeking re-election at the forthcoming AGM (as stated in the notice of AGM), and recommended to the Board that their re-election be tabled for shareholders' approval at the forthcoming AGM.

Three (3) Directors, Mr Teo Joo Kim, Dato' Lim Chee Wah and Encik Mohammad bin Abdullah, who are subject to re-appointment pursuant to Section 129(6) of the Companies Act, have elected to retire at the forthcoming AGM.

Statement on Corporate Governance
(cont'd)

Board assessment

Assessment is carried out for Board, committee and individual director on an annual basis. The assessment covers the following areas:

- Board composition
- Core competencies
- Governance and integrity
- Effectiveness of board committees
- Participation and contribution at meetings

The Board is satisfied with its composition that is well balanced with the required mix of skills, experience, knowledge and competencies, required for an effective Board.

Directors' Remuneration

The Nomination & Remuneration Committee review and evaluate remuneration policy for Directors that is in line with market norms and industry practice. The level of remuneration of Directors reflects the level of experience and responsibilities undertaken by them.

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

Details of the Directors' remuneration for the financial year ended 31 December 2014 are as follows:

	Executive Directors (RM'000)	Non-Executive Directors (RM'000)
Fees	100	360
Attendance Fee	6	40
Total	**106**	**400**

The Directors' remuneration for the financial year ended 31 December 2014 fall within the following bands:

	Executive Directors	Non-Executive Directors
Below RM50,000	–	2
RM50,000 to RM100,000	2	5
Total	**2**	**7**

PRINCIPLE 3 – REINFORCE INDEPENDENCE

Clear division of responsibilities between the Chairman and Chief Executive Officer

There is a clear division of responsibilities between the Chairman and the Chief Executive Officer to ensure balance of power and authority, such that no one individual has unfettered powers of decision making. The Chairman 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.

Statement on Corporate Governance (cont'd)

Tenure of Independent Directors

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

The Board, through the Nomination & Remuneration Committee carried out an assessment of the Independent Directors namely Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid and Mr. Tay Beng Chai, each of whom have served on the Board for more than 9 years. The Board is of the view that Dato' Capt. Ahmad Sufian and Mr. Tay Beng Chai continue to be independent as:

- they have met the criteria under the definition of Independent Director as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
- they have exercised care in performing their duties, and provided unbiased, independent and objective views and judgement during board meetings and deliberations on all matters concerning the Group;
- the length of their service does not in any way impair their objective and independent judgement nor their ability to act in the best interests of the Group. On the contrary, their years of service on the Board have imbued them with a sound knowledge of the Group's business operations which enable them to participate actively and contribute during deliberations at board meetings. This together with their individual professional experience, awareness of corporate governance and business acumen, have contributed positively to the Board's deliberations on all matters of the Group.

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

PRINCIPLE 4 – FOSTER COMMITMENT

Time commitment

Directors are expected to give sufficient time to carry out their duties and responsibilities. In line with Paragraph 15.06 of the Listing Requirements of Bursa Malaysia Securities Berhad in relation to the restriction on directorship in listed companies, all Directors of the Company complied with the limits on directorships held in the public listed companies.

Board meeting

Board meetings are scheduled in advance to enable Directors to plan ahead. The Board meets at least four times a year with additional meetings to be convened as and when the Board's approval and guidance is required.

During the financial year ended 31 December 2014, the Board had five meetings and the record of attendance for each Director is set out below.

	Number of meetings attended
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid	5 / 5
Kuok Khoon Kuan	5 / 5
Teo Joo Kim	3 / 5
Wu Long Peng	5 / 5
Dato' Lim Chee Wah	5 / 5
Mohammad bin Abdullah	5 / 5
Tay Beng Chai	5 / 5
Dato' Mohd Zafer bin Mohd Hashim*	3 / 3
Afidah binti Mohd Ghazali**	1 / 1

Notes:

* *Dato' Mohd Zafer bin Mohd Hashim (Non-Independent Non-Executive Director) resigned on 25 July 2014. He was subsequently appointed as Independent Non-Executive Director on 6 February 2015.*

** *Afidah binti Mohd Ghazali appointed on 8 October 2014.*

Statement on Corporate Governance (cont'd)

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 from time to time, to keep abreast with current developments in the industry as well as the current changes in laws and regulations.

The 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 2014 were as follows:

On Corporate, Financial and Governance issues

- Briefing Session on Corporate Governance Guide: Towards Boardroom Excellence (2nd Edition)
- Enhancing Internal Audit Practice
- Update on Goods and Services Tax
- Risk-based Internal Audit
- The Board's Responsibilities on Risk Management
- The Malaysia Goods and Services Tax
- Briefing on Audit Committee Guidelines
- Managing Risk Management Challenges to Deliver Sustainable Performance

On Commercial and Business issues

- Deutsche Bank Investment Seminar
- Shale Gas/ Indonesian Mining
- Annual Offshore Support Conference
- Long Term Infrastructure Finance

PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING

Financial Reporting

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

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

The statement explaining the Board of Directors' responsibility for preparing the annual financial statements is set out on page 88 of this Annual Report.

Relationship with Auditors

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

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. It was noted that during the year under review, there was one (1) non-audit fees of RM7,500 paid to External Auditors for the review of Statement on Risk Management and Internal Control.

Statement on Corporate Governance (cont'd)

PRINCIPLE 6 – RECOGNISE AND MANAGE RISKS

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

An overview of the statement on the Group's risk management and internal control systems is set out on pages 24 to 26 of this Annual Report.

The Internal Audit function reports directly to the Audit Committee. The activities carried out by the Internal Audit Department in year 2014 are set out in the Audit Committee Report presented on page 23 of this Annual Report.

PRINCIPLE 7 - ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Board recognises the importance of 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 can be accessed from the Company's corporate website at www.maybulk.com.my or Bursa Malaysia Securities Berhad's website at www.bursamalaysia.com. In addition, shareholders and investors may also access other information about the Group via the Company's corporate website.

PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Annual General Meeting (AGM) is the principal forum for dialogue and interaction with shareholders. At the AGM, the Board presents the Group's business and financial performance for the financial year.

Shareholders are encouraged to attend the AGM and to seek clarification about the performance and operations of the Group. Shareholders who are unable to attend are allowed to appoint proxies in accordance with the Company's Articles of Association to attend and vote on their behalf. The Board as well as external auditors is present at the AGM to address queries raised at the meeting.

The Company also conducts briefings after the release of financial results, for the analysts, fund managers and media, to provide an overview of the Group's performance.

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

Audit Committee Report

MEMBERSHIP OF THE AUDIT COMMITTEE

Chairman
Mohammad bin Abdullah
Independent Non-Executive Director

Members
Tay Beng Chai
Independent Non-Executive Director

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

Afidah binti Mohd Ghazali
Non-Independent Non-Executive Director

MEETINGS AND ATTENDANCE

The Audit Committee meets periodically to carry out its functions and duties in accordance with its Terms of Reference. During the financial year ended 31 December 2014, the Audit Committee held four (4) meetings and the record of attendance for each Audit Committee member is set out as below:

	Attendance
Mohammad bin Abdullah	4 / 4
Tay Beng Chai	4 / 4
Dato' Mohd Zafer bin Mohd Hashim *	1 / 2
Afidah binti Mohd Ghazali **	1 / 1

Notes:
* *Dato' Mohd Zafer bin Mohd Hashim resigned on 25 July 2014 and was subsequently re-appointed on 24 February 2015.*
** *Afidah binti Mohd Ghazali was appointed on 8 October 2014.*

SUMMARY OF TERMS OF REFERENCE

Purpose

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

Duties and Responsibilities

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

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

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

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

Audit Committee Report
(cont'd)

Duties and Responsibilities (cont'd)

- review any related party transaction and conflict of interest situation, including any transaction, procedure or course of conduct;
- review with the External and Internal Auditors, the effectiveness of the Group's system of internal control, including information technology security and control;
- review the effectiveness of the External Auditors, including their appointment, audit fee and any questions of resignation or dismissal;
- 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 2014, the Audit Committee performed its duties as set out in its terms of reference.

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

Financial statements

- reviewed the quarterly financial results/announcements of the Company and made recommendations to the Board of Directors for approval prior to the release of the results to Bursa Malaysia Securities Berhad. The review and discussions were conducted with Financial Controller.
- reviewed the annual audited financial statements of the Group/Company and made relevant recommendations to the Board of Directors for approval.

Matters relating to External Audit

- reviewed with the External Auditors their audit plan.
- reviewed the External Auditors' audit findings and recommendations to the Board of Directors for further action where appropriate.
- met with the External Auditors twice without any executive Board members and management staff present. 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.

Audit Committee Report
(cont'd)

Matters relating to Internal Audit

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

Matters relating to Related Party Transactions

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

Other matters

- reviewed the Self-Assessment report on IT Security for the Group.
- reviewed the Audit Committee Report and Statement on Risk Management and Internal Control and made recommendation 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.

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 14 Internal Audit reports were issued in year 2014. 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.

In May 2014, the Audit Committee engaged an external party to conduct a quality assurance review on the Internal Audit Department. As required by the Audit Committee, this assessment is to be carried out once in every 3 years and will be done in early 2015.

The costs incurred by the Internal Audit Department for the financial year ended 31 December 2014 was RM510,903 (FY2013:RM442,558).

Statement on Risk Management and Internal Control

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

1. BOARD RESPONSIBILITY

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

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

2. RISK MANAGEMENT

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

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

3. INTERNAL CONTROL

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

Control Structure

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

The Audit Committee assists the Board in its responsibilities over the system of internal control. Its independence is assured by the current composition comprising all members who are Non-Executive 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.

Financial Authority Limit/Operations Manual

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

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.

Statement on Risk Management and Internal Control (cont'd)

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

Human Resource

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 Employee Handbook which is communicated to all employees of the Group.

Associate and Joint Ventures

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

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

4. MONITORING AND REVIEW ACTIVITIES

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

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

There are no material internal control failures or any reported weaknesses that have resulted in material financial losses or contingencies during the financial year ended 31 December 2014.

5. EFFECTIVENESS OF INTERNAL CONTROL AND RISK MANAGEMENT

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

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

The Board confirms that it has reviewed the effectiveness of the systems of internal control and risk management and is not aware of any significant weakness or deficiency for the financial year ended 31 December 2014 and up to the date of approval of this Statement on Risk Management and Internal Control.

Statement on Risk Management and Internal Control (cont'd)

6. REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have performed limited assurance procedures on this Statement on Risk Management and Internal Control ("Statement") pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2014, and reported to the Board that nothing has come to their attention that causes them to believe the statement intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Guidelines, nor is the Statement factually inaccurate.

RPG 5 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and management thereon. The report from the external auditor 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.

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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 2014.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the year	17,460	4,908
Attributable to:		
Equity holders of the Company	12,153	4,908
Non-controlling interests	5,307	–
	17,460	4,908

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

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

DIVIDENDS

Since the end of the previous financial year, the Company had paid a final single tier dividend of 3 sen per ordinary share amounting to RM30,000,000 in respect of the financial year ended 31 December 2013 on 19 June 2014.

The Directors have recommended a final single tier dividend of 1 sen per ordinary share, amounting to RM10,000,000 in respect of the financial year ended 31 December 2014 for shareholders' approval at the forthcoming Annual General Meeting of the Company. The proposed dividend is not reflected in the current year's financial statements. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2015.

Directors' Report
(cont'd)

DIRECTORS

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

Teo Joo Kim
Kuok Khoon Kuan
Wu Long Peng
Dato' Lim Chee Wah
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid
Mohammad bin Abdullah
Tay Beng Chai
Dato' Mohd Zafer bin Mohd Hashim (resigned on 25 July 2014 and reappointed on 6 February 2015)
Afidah binti Mohd Ghazali (appointed on 8 October 2014)
Govind Ramanathan (appointed on 6 February 2015)
Lim Soon Huat (appointed on 6 February 2015)

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 8 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest, except as disclosed in Note 31 to the financial statements.

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM0.25 each			
	At 1.1.2014	**During the year Bought**	**Sold**	**At 31.12.2014**
Direct interests				
Teo Joo Kim	892,400	–	–	892,400
Kuok Khoon Kuan	1,268,750	–	–	1,268,750
Wu Long Peng	1,625,000	–	–	1,625,000
Dato' Lim Chee Wah	100,000	–	(100,000)	–
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid	500,000	–	–	500,000
Tay Beng Chai	275,000	–	–	275,000
Mohammad bin Abdullah	155,000	–	–	155,000
Indirect interests				
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid	20,000	–	–	20,000
Tay Beng Chai	2,500	–	–	2,500

Afidah binti Mohd Ghazali does not have any interest in shares of the Company or its related corporations during the financial year.

Directors' Report
(cont'd)

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 all known bad debts had been written off 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) the amount written off for 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.

Directors' Report
(cont'd)

SIGNIFICANT EVENTS

The significant events during the financial year are disclosed in Note 36 to the financial statements.

SUBSEQUENT EVENT

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

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 24 March 2015.

Kuok Khoon Kuan

Wu Long Peng

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

We, Kuok Khoon Kuan and Wu Long Peng, being two of the Directors of Malaysian Bulk Carriers Berhad, do hereby state that in the opinion of the Directors, the financial statements set out on pages 35 to 82 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 and of their financial performance and cash flows for the year then ended.

The information set out in Note 38 on page 83 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 24 March 2015.

Kuok Khoon Kuan

Wu Long Peng

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

I, Tan Kim Hoon, being the Officer primarily responsible for the financial management of Malaysian Bulk Carriers Berhad, do solemnly and sincerely declare that the financial statements set out on pages 35 to 83 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 24 March 2015.

Tan Kim Hoon

Before me,

Commissioner for Oaths

Independent Auditors' Report

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Malaysian Bulk Carriers Berhad, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 35 to 82.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Independent Auditors' Report
To the members of Malaysian Bulk Carriers Berhad
(Incorporated in Malaysia) (cont'd)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 13 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

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

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 38 on page 83 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

Ernst & Young
AF: 0039
Chartered Accountants

Phang Oy Lin
No. 2985/03/16(J)
Chartered Accountant

Kuala Lumpur, Malaysia
24 March 2015

Income Statements
For the year ended 31 December 2014

		Group		Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Revenue	4	255,724	246,744	6,500	11,800
Voyage expenses		(84,038)	(84,766)	–	–
		171,686	161,978	6,500	11,800
Operating expenses		(205,804)	(177,625)	–	–
		(34,118)	(15,647)	6,500	11,800
Other operating income/(loss), net	5	30,842	25,497	8,581	7,513
Administration expenses		(10,063)	(12,111)	(7,118)	(8,081)
(Loss)/profit from operations		(13,339)	(2,261)	7,963	11,232
Finance costs		(5,396)	(1,233)	(3,003)	–
Share of results of an associate		36,727	48,646	–	–
Share of results of joint ventures		341	354	–	–
Profit before taxation	6	18,333	45,506	4,960	11,232
Taxation	9	(873)	(1,068)	(52)	(121)
Profit for the year		17,460	44,438	4,908	11,111
Attributable to:					
Equity holders of the Company		12,153	44,532	4,908	11,111
Non-controlling interests		5,307	(94)	–	–
		17,460	44,438	4,908	11,111
Earnings per share (sen)	10	1.22	4.45		

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 2014

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit for the year	17,460	44,438	4,908	11,111
Other comprehensive income/(loss):				
Items that will be reclassified to profit or loss				
Currency translation differences	117,937	131,889	70,336	81,244
Realisation of reserves on liquidation of subsidiaries	(443)	–	–	–
Net change in cash flow hedges:				
-Net unrealised loss	(31,611)	–	(31,611)	–
-Net realised loss reclassified to the income statement	29,051	–	29,051	–
Total comprehensive income for the year	132,394	176,327	72,684	92,355
Total comprehensive income attributable to:				
Equity holders of the Company	123,709	172,524	72,684	92,355
Non-controlling interests	8,685	3,803	–	–
	132,394	176,327	72,684	92,355

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

Statements of Financial Position
As at 31 December 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Assets					
Non-current assets					
Intangible assets	11	1,263	1,808	600	864
Property, plant and equipment	12	750,672	515,018	6,554	6,329
Subsidiaries	13	–	–	1,201,938	1,142,288
Associate	14	1,334,026	999,366	–	–
Joint ventures	15	204,376	205,860	–	–
Loan to a subsidiary	16	–	–	327,748	–
Total non-current assets		2,290,337	1,722,052	1,536,840	1,149,481
Current assets					
Consumable stores	17	7,855	9,719	–	–
Receivables and other current assets	18	53,049	39,649	4,303	996
Amounts due from subsidiaries	19	–	–	–	1,946
Investments	20	–	108,623	–	–
Derivative financial assets	21	2,948	442	–	–
Short term deposits	22	1,363	30,574	–	3,665
Cash and bank balances		150,097	114,783	4,440	16,273
Total current assets		215,312	303,790	8,743	22,880
Total assets		2,505,649	2,025,842	1,545,583	1,172,361

Statements of Financial Position
As at 31 December 2014 (cont'd)

		Group		Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Equity and liabilities					
Equity attributable to equity holders of the Company					
Share capital	23	250,000	250,000	250,000	250,000
Reserves	24	1,702,450	1,608,741	960,167	917,483
		1,952,450	1,858,741	1,210,167	1,167,483
Non-controlling interests		63,632	54,947	–	–
Total equity		2,016,082	1,913,688	1,210,167	1,167,483
Non-current liabilities					
Borrowings	25	347,403	32,242	295,779	–
Derivative financial liabilities	21	31,611	–	31,611	–
Deferred tax liabilities	26	165	221	–	–
Total non-current liabilities		379,179	32,463	327,390	–
Current liabilities					
Payables and other current liabilities	27	36,900	34,298	4,159	4,616
Amounts due to subsidiaries	19	–	–	3,867	238
Borrowings	25	68,153	44,612	–	–
Derivative financial liabilities	21	–	623	–	–
Provision for taxation		180	158	–	24
Provision for onerous contracts	28	5,155	–	–	–
Total current liabilities		110,388	79,691	8,026	4,878
Total liabilities		489,567	112,154	335,416	4,878
Total equity and liabilities		2,505,649	2,025,842	1,545,583	1,172,361

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 2014

	Attributable to Equity Holders of the Company									
		Distributable	Non-distributable							
Group	Share capital RM'000	Retained profits (Note 24(a)) RM'000	Share premium RM'000	Capital reserve (Note 24(b)) RM'000	Capital redemption reserve (Note 24(c)) RM'000	Cash flow hedge reserve (Note 24(d)) RM'000	Foreign currency translation reserve (Note 24(e)) RM'000	Total reserves RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2014	250,000	1,392,366	48,791	13,209	40,000	–	114,375	1,608,741	54,947	1,913,688
Total comprehensive income for the year	–	12,153	–	–	–	(2,560)	114,116	123,709	8,685	132,394
Dividends (Note 29)	–	(30,000)	–	–	–	–	–	(30,000)	–	(30,000)
Liquidation of subsidiary	–	6,132	–	(6,132)	–	–	–	–	–	–
At 31 December 2014	250,000	1,380,651	48,791	7,077	40,000	(2,560)	228,491	1,702,450	63,632	2,016,082
At 1 January 2013	250,000	1,377,834	48,791	13,209	40,000	–	(13,617)	1,466,217	53,400	1,769,617
Total comprehensive income for the year	–	44,532	–	–	–	–	127,992	172,524	3,803	176,327
Dividends (Note 29)	–	(30,000)	–	–	–	–	–	(30,000)	–	(30,000)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(2,256)	(2,256)
At 31 December 2013	250,000	1,392,366	48,791	13,209	40,000	–	114,375	1,608,741	54,947	1,913,688

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 2014

	Distributable		Non-distributable						
	Share capital RM'000	Retained profits (Note 24(a)) RM'000	Share premium RM'000	Capital reserve (Note 24(b)) RM'000	Capital redemption reserve (Note 24(c)) RM'000	Cash flow hedge reserve (Note 24(d)) RM'000	Foreign currency translation reserve (Note 24(e)) RM'000	Total reserves RM'000	Total RM'000
Company									
At 1 January 2014	250,000	739,583	48,791	20,274	40,000	–	68,835	917,483	1,167,483
Total comprehensive income for the year	–	4,908	–	–	–	(2,560)	70,336	72,684	72,684
Dividends (Note 29)	–	(30,000)	–	–	–	–	–	(30,000)	(30,000)
Liquidation of subsidiary	–	11,504	–	(11,504)	–	–	–	–	–
At 31 December 2014	250,000	725,995	48,791	8,770	40,000	(2,560)	139,171	960,167	1,210,167
At 1 January 2013	250,000	758,472	48,791	20,274	40,000	–	(12,409)	855,128	1,105,128
Total comprehensive income for the year	–	11,111	–	–	–	–	81,244	92,355	92,355
Dividends (Note 29)	–	(30,000)	–	–	–	–	–	(30,000)	(30,000)
At 31 December 2013	250,000	739,583	48,791	20,274	40,000	–	68,835	917,483	1,167,483

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 2014

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash flows from operating activities				
Profit before taxation	18,333	45,506	4,960	11,232
Adjustments for:				
Amortisation of intangible assets	640	118	314	77
Depreciation	29,900	27,683	175	297
Impairment loss on investment in subsidiaries	–	–	–	84
(Write-back)/allowance for impairment on trade and other receivables	(336)	317	–	314
Bad debts written off	26	–	26	–
Gain on disposal of property, plant and equipment	(16,159)	(7,625)	(2)	–
Gain on disposal of investments	(1,493)	–	–	–
Fair value gain on investments	–	(9,480)	–	–
Unrealised foreign exchange (gain)/loss	(94)	(1,404)	98	(1,135)
Fair value (gain)/loss on forward foreign exchange contracts	(2,805)	175	–	–
Dividend from subsidiary	–	–	(6,500)	(11,800)
Interest income	(1,371)	(1,780)	(3,103)	(236)
Finance costs	5,396	1,233	3,003	–
Waiver of amount due to subsidiaries	–	–	–	(27)
Loss/(surplus) arising from liquidation of subsidiaries	22	–	(320)	–
Realisation of reserves on liquidation of subsidiaries	(443)	–	–	–
Provision for onerous contracts	5,155	–	–	–
Share of results of an associate	(36,727)	(48,646)	–	–
Share of results of joint ventures	(341)	(354)	–	–
Operating (loss)/profit before working capital changes	(297)	5,743	(1,349)	(1,194)
Changes in working capital:				
Consumable stores	2,425	1,384	–	–
Receivables and other current assets	(14,264)	13,563	(3,204)	1,578
Payables and other current liabilities	993	5,610	(1,656)	2,205
Derivatives	(2,980)	1,339	–	–
Subsidiaries	–	–	15,229	(5,041)
Cash (used in)/generated from operations	(14,123)	27,639	9,020	(2,452)
Tax paid, net of tax refund	(853)	(871)	(110)	28
Net cash (used in)/generated from operating activities	(14,976)	26,768	8,910	(2,424)
Cash flows carried forward	(14,976)	26,768	8,910	(2,424)

Statements of Cash Flows
For the year ended 31 December 2014 (cont'd)

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Cash flows brought forward	(14,976)	26,768	8,910	(2,424)
Cash flows from investing activities				
Acquisition of property, plant and equipment	(240,289)	(22,856)	(19)	(170)
Acquisition of intangible assets	(28)	(1,904)	(20)	(943)
Deposit paid for vessel	–	(4,039)	–	–
Dividend from subsidiary	–	–	6,500	11,800
Dividend from an associate	–	4,573	–	–
Interest received	1,371	1,780	3,103	236
Proceeds from disposal of investments	109,994	–	–	–
Proceeds from disposal of property, plant and equipment	45,831	13,991	2	–
Loan to a subsidiary	–	–	(298,700)	–
Loan repayment from joint venture	12,776	–	–	–
Advances from/(to) joint ventures	864	(24)	–	–
Additional investment in an associate	(218,421)	–	–	–
Net cash (used in)/generated from investing activities	(287,902)	(8,479)	(289,134)	10,923
Cash flows from financing activities				
Finance costs paid	(3,680)	(1,233)	(1,605)	–
Drawdown of borrowings	541,696	–	295,782	–
Repayment of borrowings	(208,694)	(37,128)	–	–
Dividends paid to shareholders	(30,000)	(30,000)	(30,000)	(30,000)
Dividend paid to non-controlling interests	–	(2,256)	–	–
Net cash generated from/(used in) financing activities	299,322	(70,617)	264,177	(30,000)
Net change in cash and cash equivalents	(3,556)	(52,328)	(16,047)	(21,501)
Effects of foreign exchange rate changes	9,659	7,575	549	834
Cash and cash equivalents brought forward	145,357	190,110	19,938	40,605
Cash and cash equivalents carried forward	151,460	145,357	4,440	19,938
Cash and cash equivalents comprise:				
Short term deposits	1,363	30,574	–	3,665
Cash and bank balances	150,097	114,783	4,440	16,273
	151,460	145,357	4,440	19,938

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

Notes to the Financial Statements
- 31 December 2014

1. CORPORATE INFORMATION

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

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries are disclosed in Note 13.

There have been no significant changes in the nature of these 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 24 March 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group and the Company have adopted all applicable new and amended MFRS and IC Interpretations that are effective for annual periods beginning on 1 January 2014. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

The Group and the Company have not adopted the new and amended MFRS and IC Interpretations that have been issued but not yet effective. The Group and the Company are in the process of assessing the impact of these standards and interpretations on the financial statements in the period of initial application.

2.4 Basis of consolidation

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

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

Subsidiaries are consolidated using the acquisition method of accounting except for those subsidiaries indicated in Note 13 which are consolidated using the merger method of accounting.

Notes to the Financial Statements
- 31 December 2014 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation (cont'd)

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.

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

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

2.5 Transactions with non-controlling interests

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

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

2.6 Subsidiaries

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

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

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

Notes to the Financial Statements
- 31 December 2014 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 equal 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.

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. Any impairment loss is recognised in profit or loss.

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

2.8 Consumable stores

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

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

Notes to the Financial Statements
- 31 December 2014 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Intangible assets (cont'd)

The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss in the expense category consistent with the function of the intangible assets.

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

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

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

The depreciation rates used are as follows:

Vessels	25 years
Dry docking	2 - 3 years
Vehicles	20% per annum
Office equipment	20% - 33⅓% per annum
Renovations	33⅓% per annum
Furniture and fittings	10% per annum
Leasehold properties	99 years

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

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

2.11 Financial assets

Initial recognition and measurement

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

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

Notes to the Financial Statements
- 31 December 2014 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Financial assets (cont'd)

Subsequent measurement

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

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

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

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

(ii) Loans and receivables

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

Determination of fair value

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

Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or when the rights to receive further cash flows from the assets have been transferred to a third party and substantially all the risks and rewards of ownership of the assets are also transferred. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

2.12 Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

Notes to the Financial Statements
- 31 December 2014 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

2.14 Foreign currencies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

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

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

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

(iii) Foreign operations

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

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the end of reporting period.

Notes to the Financial Statements
- 31 December 2014 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

2.17 Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

Notes to the Financial Statements
- 31 December 2014 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Financial liabilities (cont'd)

Subsequent measurement (cont'd)

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

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

(ii) Other financial liabilities

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

Derecognition

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

2.18 Leases

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

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

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

2.19 Income tax

(i) Current income tax

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

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

Notes to the Financial Statements
- 31 December 2014 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Income tax (cont'd)

(ii) Deferred tax

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

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

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

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

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

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

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

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

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

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

2.20 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.

Notes to the Financial Statements
- 31 December 2014 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 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 derivative 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 the income statement.

Amounts accumulated in equity are recycled to the income statement 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 the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recorded in equity is immediately transferred to the income statement.

2.22 Dividends

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

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

2.23 Income recognition

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

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

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

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

Notes to the Financial Statements
- 31 December 2014 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Employee benefits

(i) Short term benefits

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

(ii) Defined contribution plans

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

2.25 Provision for onerous contracts

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.

2.26 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.

2.27 Related parties

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Notes to the Financial Statements
- 31 December 2014 (cont'd)

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

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Impairment of vessels

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

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

At the reporting date, the recoverable amounts of the vessels exceed their carrying amounts.

(b) Depreciation of vessels

The Group's cost of vessels, less their residual value, is depreciated on a straight-line basis over the estimated useful life. The useful lives and residual values of the vessels are based on estimations which are commonly applied in the shipping industry. Residual value is estimated as the lightweight tonnage of each vessel multiplied by scrap value per ton. Changes in the economic useful life or material fluctuations in scrap steel prices might impact future depreciation charges.

(c) Impairment of investment in associate

In anticipation of a weakening bulk shipping market, the Group had decided to expand its bulk activities into a more broad base shipping business so as to enable the Group to spread its risk and continue delivering good performance. In December 2008, the Group diversified into the offshore marine support services segment by acquiring a 21.23% stake in PACC Offshore Services Holdings Ltd. The investment is long term and represents a new segment of the Group's shipping portfolio.

As a result of the decline in the quoted share price of the associate, the carrying amount of the associate is tested for impairment at the reporting date by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount.

As the directors consider the investment in the associate as part of the Group's business and is held for long term, the fair value of the investment is accordingly assessed from such perspective. Price-to-book ratios of similar companies in the industry were used to estimate the potential price range for the investment in the associate. The directors have concluded that based on price-to-book ratio consideration, the carrying value remains fair. There is currently no industry conviction that recent decline in the offshore sector will be prolonged nor that there will be further significant adverse changes that will further impede the market environment in which the associate operates. The directors are therefore of the opinion that the investment in associate is not impaired at the reporting date.

Notes to the Financial Statements
- 31 December 2014 (cont'd)

4. REVENUE

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Freight and charter hire	248,748	240,015	–	–
Ship brokerage and management	6,976	6,729	–	–
Dividend from subsidiary	–	–	6,500	11,800
	255,724	246,744	6,500	11,800

5. OTHER OPERATING INCOME/(LOSS), NET

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Interest income	1,371	1,780	3,103	236
Rental income from properties	324	324	492	492
Secretarial and accounting fees	1,006	1,088	858	902
Shared services cost	–	–	3,940	4,186
Foreign exchange gain/(loss), net				
- realised	12,319	3,962	(42)	553
- unrealised	94	1,404	(98)	1,135
Fair value gain/(loss) on				
- forward foreign exchange contracts	2,805	(175)	–	–
- investments	–	9,480	–	–
Gain on disposal of investments	1,493	–	–	–
Gain on disposal of property, plant and equipment	16,159	7,625	2	–
(Loss)/surplus arising from liquidation of subsidiaries	(22)	–	320	–
Realisation of reserves on liquidation of subsidiaries	443	–	–	–
Provision for onerous contracts	(5,155)	–	–	–
Other income	5	9	6	9
	30,842	25,497	8,581	7,513

Notes to the Financial Statements
- 31 December 2014 (cont'd)

6. PROFIT BEFORE TAXATION

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Auditors' remuneration				
- current year	377	338	74	74
- underprovision in prior year	24	18	29	13
Amortisation of intangible assets (Note 11)	640	118	314	77
Depreciation (Note 12)	29,900	27,683	175	297
Personnel expenses (Note 7)	47,048	45,223	4,472	4,679
Non-executive Directors' remuneration (Note 8)	408	361	400	353
Impairment loss on investment in subsidiaries	–	–	–	84
(Write-back)/allowance for impairment on trade and other receivables	(336)	317	–	314
Bad debts written off	26	–	26	–
Finance costs				
- interest expense on term loans	4,452	1,223	3,003	–
- interest expense on revolving credit	651	–	–	–
- other financing costs	293	10	–	–
Waiver of amount due to subsidiaries	–	–	–	(27)
Operating lease expenses of vessels	88,704	68,887	–	–
Shared services cost, net	1,730	2,329	–	–

7. PERSONNEL EXPENSES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Wages, salaries and bonus	37,434	36,191	3,796	3,912
Pension costs				
- defined contribution plans	1,140	1,008	457	465
Social security costs	86	56	27	28
Other staff related expenses	8,388	7,968	192	274
	47,048	45,223	4,472	4,679

Included in personnel expenses of the Group and of the Company are Executive Directors' remuneration amounting to RM106,000 (2013: RM165,000) and RM106,000 (2013: RM165,000) respectively, as further disclosed in Note 8.

Notes to the Financial Statements
- 31 December 2014 (cont'd)

8. DIRECTORS' REMUNERATION

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Directors of the Company				
Executive Directors:				
Fees	100	154	100	154
Attendance fees	6	11	6	11
	106	165	106	165
Non-executive Directors:				
Fees	368	327	360	319
Attendance fees	40	34	40	34
	408	361	400	353
	514	526	506	518
Other Directors				
Fees	8	8	–	–
Total	522	534	506	518

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

	Number of Directors	
	2014	**2013**
Executive Directors:		
RM50,000 - RM100,000	2	3
Non-executive Directors:		
Below RM50,000	2	–
RM50,000 - RM100,000	5	5
	9	8

Notes to the Financial Statements
- 31 December 2014 (cont'd)

9. TAXATION

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Income tax:				
Malaysian income tax	934	766	106	121
Foreign tax	58	72	–	–
(Over)/under provision in prior years	(63)	9	(54)	–
	929	847	52	121
Deferred tax (Note 26)	(56)	221	–	–
	873	1,068	52	121

Malaysian income tax is calculated at the Malaysian statutory income tax rate of 25% (2013: 25%) of the estimated assessable profit for the year. Taxation in foreign jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit before taxation	18,333	45,506	4,960	11,232
Tax at the domestic rates applicable to profits in the country concerned	12,288	15,175	1,240	2,808
Tax exempt shipping income	(6,802)	(4,034)	–	–
Income not subject to tax	(42)	(1,928)	(1,548)	(2,950)
Expenses not deductible for tax purposes	4,858	4,097	513	263
Utilisation of previously unrecognised tax losses	(99)	–	(99)	–
Share of results of an associate	(9,182)	(12,162)	–	–
Share of results of joint ventures	(85)	(89)	–	–
(Over)/under provision in prior years	(63)	9	(54)	–
Taxation for the year	873	1,068	52	121

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

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

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

Notes to the Financial Statements
- 31 December 2014 (cont'd)

10. EARNINGS PER SHARE

Basic earnings per share

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

	2014	2013
Group's profit attributable to equity holders of the Company (RM'000)	12,153	44,532
Weighted average number of ordinary shares in issue ('000)	1,000,000	1,000,000
Basic earnings per share (sen)	1.22	4.45

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

11. INTANGIBLE ASSETS

Computer Software	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cost				
At 1 January	1,929	–	943	–
Additions	28	1,904	20	943
Translation difference	122	25	59	–
At 31 December	2,079	1,929	1,022	943
Accumulated amortisation				
At 1 January	121	–	79	–
Amortisation for the year (Note 6)	640	118	314	77
Translation difference	55	3	29	2
At 31 December	816	121	422	79
Net carrying amount				
At 31 December	1,263	1,808	600	864

Notes to the Financial Statements
- 31 December 2014 (cont'd)

12. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold properties RM'000	Vessels RM'000	Dry docking RM'000	Vehicles RM'000	Office equipment, renovations, furniture and fittings RM'000	Vessels under construction RM'000	Total RM'000
Cost							
At 1 January 2014	7,832	714,763	6,717	932	2,068	16,647	748,959
Additions	–	69,439	1,496	–	58	171,067	242,060
Disposals and write off	–	(56,216)	(1,175)	(161)	(43)	–	(57,595)
Derecognition	–	–	(2,184)	–	–	–	(2,184)
Reclassification	–	166,626	–	–	–	(166,626)	–
Transfer from deposits	–	–	–	–	–	4,375	4,375
Translation difference	488	60,377	301	36	260	748	62,210
At 31 December 2014	8,320	954,989	5,155	807	2,343	26,211	997,825
Accumulated depreciation							
At 1 January 2014	1,704	226,211	3,342	932	1,752	–	233,941
Charge for the year (Note 6)	81	27,280	2,389	–	150	–	29,900
Disposals and write off	–	(27,439)	(280)	(161)	(43)	–	(27,923)
Derecognition	–	–	(2,184)	–	–	–	(2,184)
Translation difference	112	12,796	226	36	249	–	13,419
At 31 December 2014	1,897	238,848	3,493	807	2,108	–	247,153
Net carrying amount							
At 31 December 2014	6,423	716,141	1,662	–	235	26,211	750,672
Cost							
At 1 January 2013	7,280	661,767	7,239	874	1,508	–	678,668
Additions	–	2,739	4,355	–	278	15,484	22,856
Derecognition	–	–	(5,143)	–	–	–	(5,143)
Translation difference	552	50,257	266	58	282	1,163	52,578
At 31 December 2013	7,832	714,763	6,717	932	2,068	16,647	748,959
Accumulated depreciation							
At 1 January 2013	1,508	185,999	5,779	766	1,339	–	195,391
Charge for the year (Note 6)	78	24,821	2,528	111	145	–	27,683
Derecognition	–	–	(5,143)	–	–	–	(5,143)
Translation difference	118	15,391	178	55	268	–	16,010
At 31 December 2013	1,704	226,211	3,342	932	1,752	–	233,941
Net carrying amount							
At 31 December 2013	6,128	488,552	3,375	–	316	16,647	515,018

Notes to the Financial Statements
- 31 December 2014 (cont'd)

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

Company	Leasehold properties RM'000	Vehicles RM'000	Office equipment, renovations, furniture and fittings RM'000	Total RM'000
Cost				
At 1 January 2014	7,831	588	3,290	11,709
Additions	–	–	19	19
Disposals and write off	–	–	(41)	(41)
Translation difference	488	36	205	729
At 31 December 2014	8,319	624	3,473	12,416
Accumulated depreciation				
At 1 January 2014	1,703	588	3,089	5,380
Charge for the year (Note 6)	81	–	94	175
Disposals and write off	–	–	(41)	(41)
Translation difference	112	36	200	348
At 31 December 2014	1,896	624	3,342	5,862
Net carrying amount				
At 31 December 2014	6,423	–	131	6,554
Cost				
At 1 January 2013	7,279	546	2,893	10,718
Additions	–	–	170	170
Translation difference	552	42	227	821
At 31 December 2013	7,831	588	3,290	11,709
Accumulated depreciation				
At 1 January 2013	1,507	437	2,763	4,707
Charge for the year (Note 6)	78	110	109	297
Translation difference	118	41	217	376
At 31 December 2013	1,703	588	3,089	5,380
Net carrying amount				
At 31 December 2013	6,128	–	201	6,329

(a) Vessels with an aggregate net carrying amount of RM249,197,000 (2013: RM247,133,000) have been pledged as security for loans obtained by the Group (Note 25).

(b) Out of total additions to property, plant and equipment, RM240,289,000 was by cash and the balance is included under payables.

Notes to the Financial Statements
- 31 December 2014 (cont'd)

13. SUBSIDIARIES

	Company 2014 RM'000	Company 2013 RM'000
Unquoted equity investment, at cost		
At 1 January	1,142,288	1,055,803
Subscription of redeemable preference shares ("RPS")	11,641	22,824
Redemption of RPS by subsidiaries	(10,700)	(17,100)
Liquidation of subsidiaries	154	–
Impairment loss on investment in subsidiaries	–	(84)
Translation difference	58,555	80,845
At 31 December	1,201,938	1,142,288

Details of the subsidiaries are as follows:

Company	Country of incorporation	Equity interest 2014	Equity interest 2013	Principal activities
Alam Budi Sdn Bhd	Malaysia	100%	100%	Owner and operator of ships
Bistari Shipping Sdn Bhd	Malaysia	100%	100%	Owner and operator of ships
MBC Padu Sdn Bhd [2]	Malaysia	100%	100%	Owner and operator of ships
PSM Perkapalan Sdn Bhd	Malaysia	100%	100%	Manager of ships
Pacific Ship-Managers Sdn Bhd	Malaysia	100%	100%	Ship operator, shipbroker and general shipping
- Spectrapoint Sdn Bhd	Malaysia	100%	100%	Investment holding
Lightwell Shipping Inc [1]	British Virgin Islands (BVI)	100%	100%	Investment holding
- Ambi Shipping Pte Ltd [1]	Singapore	70%	70%	Owner and operator of ships
- Everspeed Enterprises Limited [1]	BVI	100%	100%	Ship operator
New Johnson Holdings Limited [1]	BVI	100%	100%	Investment holding
- Bakti Shipping Pte Ltd [1]	Singapore	100%	100%	Owner and operator of ships
- Madu Shipping Pte Ltd [1]	Singapore	100%	100%	Owner and operator of ships
- Molek Shipping Pte Ltd [1]	Singapore	100%	100%	Owner and operator of ships
- Manis Shipping Pte Ltd [1]	Singapore	100%	–	Owner and operator of ships
- Sejahtera Shipping Pte Ltd [1]	Singapore	100%	100%	Owner and operator of ships
Awanapuri Sdn Bhd	Malaysia	100%	100%	Under members' voluntary winding-up

Notes to the Financial Statements
- 31 December 2014 (cont'd)

13. SUBSIDIARIES (CONT'D)

[1] Subsidiaries audited by a member firm of Ernst & Young Global
[2] Subsidiary consolidated under the merger method of accounting

(a) Incorporation of new subsidiary

During the year, the Company's wholly-owned subsidiary, New Johnson Holdings Limited, has incorporated a wholly-owned subsidiary, Manis Shipping Pte Ltd in Singapore.

(b) Liquidation of subsidiaries

Four dormant subsidiaries, Alam Gula Sdn Bhd, Alam Senang Sdn Bhd, MBC Equity Management Sdn Bhd, and Bitara Shipping Sdn Bhd were liquidated during the year.

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

(i) Summarised statement of financial position

	2014 RM'000	2013 RM'000
Non-current assets	83,378	96,101
Current assets	129,621	91,510
Total assets	212,999	187,611
Current liabilities	891	4,453
Total liabilities	891	4,453
Net assets	212,108	183,158

(ii) Summarised statement of comprehensive income

	2014 RM'000	2013 RM'000
Revenue	15,463	21,722
Profit/(loss) before tax	17,731	(208)
Profit/(loss) for the year	17,689	(312)

(iii) Summarised cash flows

	2014 RM'000	2013 RM'000
Net cash generated from operating activities	3,670	3,130
Net cash generated from/(used in) investing activities	33,385	(4,766)
Net cash used in financing activities	–	(7,520)
Net increase/(decrease) in cash and cash equivalents	37,055	(9,156)
Effects of foreign exchange rate changes	7,744	5,688
Cash and cash equivalents at beginning of the year	82,024	85,492
Cash and cash equivalents at end of the year	126,823	82,024

Notes to the Financial Statements
- 31 December 2014 (cont'd)

14. ASSOCIATE

	Group 2014 RM'000	Group 2013 RM'000
Quoted shares, at cost	1,107,939	889,518
Share of post acquisition profits	83,232	46,505
Currency translation reserve	142,855	63,343
	1,334,026	999,366
Quoated shares, at market value	558,037	–

Details of the associate are as follows:

Name	Country of incorporation	Equity interest 2014	Equity interest 2013	Principal activities
PACC Offshore Services Holdings Ltd (formerly known as PACC Offshore Services Holdings Pte Ltd) ("POSH")	Singapore	21.23%	21.23%	Provider of offshore marine support services

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

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

(i) Summarised statement of financial position

	2014 RM'000	2013 RM'000
Non-current assets	5,782,694	5,110,290
Current assets	757,622	724,593
Total assets	6,540,316	5,834,883
Non-current liabilities	1,049,080	987,546
Current liabilities	1,249,130	2,003,807
Total liabilities	2,298,210	2,991,353
Net assets	4,242,106	2,843,530

(ii) Summarised statement of comprehensive income

	2014 RM'000	2013 RM'000
Revenue	760,433	742,254
Profit before tax	181,312	241,613
Profit for the year	172,997	229,139
Dividend received from the associate during the year	–	4,573

Notes to the Financial Statements
- 31 December 2014 (cont'd)

14. ASSOCIATE (CONT'D)

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

	2014 RM'000	2013 RM'000
Group's share of net assets	900,599	603,681
Goodwill and fair value adjustment	433,427	395,685
	1,334,026	999,366

During the year, the Group has subscribed for 71,676,000 new ordinary shares at SGD1.15 per share in POSH, pursuant to the initial public offering of POSH, for a total consideration of SGD82,427,400 (equivalent to RM218,421,000). POSH was listed on the Singapore Exchange on 25 April 2014.

15. JOINT VENTURES

	Group	
	2014 RM'000	2013 RM'000
Unquoted shares, at cost	4,187	4,187
Share of post acquisition profits	81,082	80,741
Currency translation reserve	11,993	6,129
	97,262	91,057
Proportionate shareholder's advance to joint ventures	107,996	114,821
Amounts due (to)/from joint ventures	(882)	(18)
	204,376	205,860

The proportionate shareholder's advances to joint ventures and amounts due from/to joint ventures are unsecured, repayable on demand and interest-free, except for an amount of RM33,202,500 (2013: RM31,255,000) which bears a weighted average interest rate of 0.73% (2013: 0.79%) per annum.

Details of the joint ventures are as follows:

Held through a subsidiary

Company	Country of incorporation	Equity interest 2014	Equity interest 2013	Principal activities
Eminence Bulk Carriers Pte Ltd	Singapore	50%	50%	Owner and operator of ships
Novel Bright Assets Limited	BVI	50%	50%	Investment holding
- Brilliant Sun Shipping Pte Ltd	Singapore	50%	50%	Owner and operator of ships
- Brilliant Star Shipping Pte Ltd	Singapore	50%	50%	Owner and operator of ships
Progress Shipping Pte Ltd	Singapore	50%	50%	Investment holding
- Atlantic Progress Pte Ltd	Singapore	50%	50%	Owner and operator of ships
- Atlantic Dream Pte Ltd	Singapore	50%	50%	Owner and operator of ships

Notes to the Financial Statements
- 31 December 2014 (cont'd)

15. JOINT VENTURES (CONT'D)

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

(i) Summarised statements of financial position

	Group	
	2014 RM'000	2013 RM'000
Non-current assets	298,590	277,442
Current assets	121,312	138,963
Total assets	419,902	416,405
Non-current liabilities	149,586	167,132
Current liabilities	75,793	67,158
Total liabilities	225,379	234,290
Net assets	194,523	182,115

(ii) Summarised statements of comprehensive income

	2014 RM'000	2013 RM'000
Revenue	66,840	61,724
Profit before tax	618	720
Profit for the year	682	708

16. LOAN TO A SUBSIDIARY

The loan to a subsidiary is unsecured, repayable by 5 semi-annual installments commencing from August 2017, and the average effective interest rate during the current financial year was 2.63% per annum.

17. CONSUMABLE STORES

Consumable stores are stated at cost.

Consumable stores of the Group amounted to RM54,146,000 (2013: RM60,366,000) was charged to income statement during the year.

Notes to the Financial Statements
- 31 December 2014 (cont'd)

18. RECEIVABLES AND OTHER CURRENT ASSETS

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Trade receivables				
Third parties	13,299	12,901	–	–
Related parties	18,433	6,412	–	–
Uncompleted voyage				
Third parties	815	1,283	–	–
	32,547	20,596	–	–
Less: Allowance for impairment				
Third parties:				
At 1 January	(263)	(245)	–	–
Write-back	336	–	–	–
Translation difference	(73)	(18)	–	–
At 31 December	–	(263)	–	–
Trade receivables, net	32,547	20,333	–	–
Tax recoverable	61	130	35	-
Deposits (refundable)	167	46	103	88
Deposits for construction of vessel	–	4,375	–	–
Prepayments	6,627	5,842	71	74
Other receivables	2,975	6,158	1,423	562
Amounts due from related parties	10,672	3,082	2,671	586
	53,049	39,966	4,303	1,310
Less: Allowance for impairment				
Third parties:				
At 1 January	(317)	–	(314)	–
Allowance for the year	–	(317)	–	(314)
Write-off	317	–	314	–
At 31 December	–	(317)	–	(314)
	53,049	39,649	4,303	996

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.

Notes to the Financial Statements
- 31 December 2014 (cont'd)

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

The ageing analysis of trade receivables is as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Not yet due	815	1,283	–	–
Past due less than 6 months not impaired	31,350	18,299	–	–
Past due over 6 months not impaired	382	751	–	–
Impaired	–	263	–	–
	32,547	20,596	–	–

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, 57% (2013: 31%) of the trade receivables was due from related parties. Based on historical default rates, the Group believes that no further allowance for impairment is necessary in respect of the outstanding net trade receivables.

19. 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.

20. INVESTMENTS

The unquoted investments were sold during the year.

Notes to the Financial Statements
- 31 December 2014 (cont'd)

21. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

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

	2014		2013	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Group				
Trading derivatives - current				
Forward foreign exchange contracts	2,948	–	442	(623)
Hedging derivatives - non-current				
Cash flow hedge				
Cross currency swap	–	(31,611)	–	–
	2,948	(31,611)	442	(623)
Company				
Hedging derivatives - non-current				
Cash flow hedge				
Cross currency swap	–	(31,611)	–	–

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 foreign currency. The hedged cash flows are expected to occur and affect profit or loss in the next 5 years. Gains and losses arising from the effective portion of the hedges are deferred in equity until the variability on the cash flow affects profit or loss, at which time the gains or losses are transferred to profit or loss.

The net gain or loss on cash flow hedges reclassified from equity to the income statement is recognised in "Other operating income/(loss), net". During the financial year, a net loss of RM29,051,000 was recognised by the Group and the Company in the income statement.

22. SHORT TERM DEPOSITS

The short term deposits have maturities less than 30 days from the end of the financial year with effective interest rates ranging from 0.10% to 0.20% (2013: 0.13% to 3.08%) per annum.

Notes to the Financial Statements
- 31 December 2014 (cont'd)

23. SHARE CAPITAL

	2014 Number of shares ('000)	2013 Number of shares ('000)	2014 RM'000	2013 RM'000
Group and Company				
Authorised:				
Ordinary shares of RM0.25 par value each	2,000,000	2,000,000	500,000	500,000
Redeemable preference shares of RM0.25 par value each	400,000	400,000	100,000	100,000
Issued and fully paid:				
Ordinary shares of RM0.25 par value each	1,000,000	1,000,000	250,000	250,000

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

24. RESERVES

(a) Retained profits

The Company can distribute dividends out of its entire retained profits under the single tier system.

(b) Capital reserve

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

(c) Capital redemption reserve

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

(d) 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.

(e) Foreign currency translation reserve

Foreign currency translation reserve of the Group is principally from the translation of financial statements of foreign subsidiaries, whose functional currencies are different from that of the Group's presentation currency, as well as the share of movement in the joint ventures' and associate's foreign currency translation reserve.

Notes to the Financial Statements
- 31 December 2014 (cont'd)

25. BORROWINGS

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Term loans - secured	62,945	76,854	–	–
- unsecured	295,779	–	295,779	–
Revolving credit	56,832	–	–	–
	415,556	76,854	295,779	–
Repayable within 12 months	(68,153)	(44,612)	–	–
Repayable after 12 months	347,403	32,242	295,779	–

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Maturity of borrowings is analysed as follows:				
Within 1 year	68,153	44,612	–	–
Between 1 and 5 years	347,403	32,242	295,779	–
	415,556	76,854	295,779	–

The borrowings are denominated in the following currencies:-

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
United States Dollar	119,777	76,854	–	–
Ringgit Malaysia	295,779	–	295,779	–
	415,556	76,854	295,779	–

The secured loans are secured by charges over the Group's vessels as disclosed in Note 12(a).

The borrowings bear interest at a weighted average rate of 2.21% (2013: 1.38%) per annum.

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

26. DEFERRED TAX LIABILITIES

	Group 2014 RM'000	Group 2013 RM'000
At 1 January	221	–
Recognised in income statement	(56)	221
At 31 December	165	221

Notes to the Financial Statements
- 31 December 2014 (cont'd)

26. DEFERRED TAX LIABILITIES (CONT'D)

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

	Property, plant and equipment RM'000	Other payables RM'000	Total RM'000
At 1 January 2014	239	(18)	221
Recognised in income statement	(60)	4	(56)
At 31 December 2014	179	(14)	165
At 1 January 2013	–	–	–
Recognised in income statement	239	(18)	221
At 31 December 2013	239	(18)	221

27. PAYABLES AND OTHER CURRENT LIABILITIES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade payables	1,423	431	–	–
Accruals	19,654	10,830	4,042	2,779
Charter hire received in advance	1,231	4,686	–	–
Due to ship managers and agents	5,172	2,771	–	–
Uncompleted voyage	366	1,429	–	–
Amounts due to related parties	298	6,700	19	1,639
Other payables	8,756	7,451	98	198
	36,900	34,298	4,159	4,616

Trade payables generally have average credit term of 30 to 90 (2013: 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.

28. PROVISION FOR ONEROUS CONTRACTS

	Group	
	2014 RM'000	2013 RM'000
At 1 January	–	–
Charge for the year	5,155	–
At 31 December	5,155	–

The Group estimates the provision for its non-cancellable leases in relation to chartered-in vessels. Provisions were made only in respect of the periods covered by chartered out contracts. As for periods not being covered by chartered out contracts, the management considers it cannot reliably assess the expected economic benefits to be received in respect of these periods as the market is currently highly volatile and rates are difficult to predict with a reasonable certainty.

Notes to the Financial Statements
- 31 December 2014 (cont'd)

29. DIVIDENDS

	Group and Company	
	2014	2013
	RM'000	RM'000
In respect of financial year ended:		
31 December 2012		
Final dividend of 3 sen, single tier	–	30,000
31 December 2013		
Final dividend of 3 sen, single tier	30,000	–
	30,000	30,000

The Directors have recommended a final single tier dividend of 1 sen per ordinary share, amounting to RM10,000,000 in respect of the financial year ended 31 December 2014 for shareholders' approval at the forthcoming Annual General Meeting of the Company. The proposed dividend is not reflected in the current year's financial statements. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2015.

30. COMMITMENTS

	Group	
	2014	2013
	RM'000	RM'000
Capital expenditure approved and contracted for	142,946	232,965
<u>Time charter commitments payable</u>		
Due within 1 year	90,250	93,770
Due later than 1 year and not later than 5 years	365,689	382,080
Due later than 5 years	153,142	260,000
	752,027	968,815
Share of joint ventures' commitments	42,331	55,243
	794,358	1,024,058

Certain long term time charters which the Group has entered into, have purchase options for the vessels after the completion of a predetermined time charter period. The Group classified the leases in relation to its chartered-in vessels as operating leases as substantial risks and rewards incidental to ownership of the assets are retained by the lessors.

Notes to the Financial Statements
- 31 December 2014 (cont'd)

31. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Transactions in which certain substantial shareholders of the Company have substantial interest				
Income earned:				
Charter hire income	54,398	27,973	–	–
Crew management fee	4,304	3,614	–	–
Commercial fee	3,208	3,056	–	–
Shared services cost	2,509	3,018	2,509	3,018
Rental income	324	324	324	324
Brokerage commission and accounting fees	301	322	–	–
Corporate secretarial fee and accounting fees	147	29	–	–
	65,191	38,336	2,833	3,342
Expenditure incurred:				
Corporate administration fee	517	475	–	–
Commercial fee	8,203	11,176	–	–
Charter hire paid	–	2,790	–	–
Shared services cost	4,239	5,347	–	–
Management fee	3,428	1,953	–	–
Crewing agents fee	292	257	–	–
Procurement fee	412	463	–	–
Share registration fee	12	24	12	24
Supervision fee	128	–	–	–
Commission on disposal of vessel	458	–	–	–
	17,689	22,485	12	24
Transactions with joint ventures				
Income earned:				
Crew management fee	405	390	–	–
Accounting fees	858	902	858	902
	1,263	1,292	858	902

Notes to the Financial Statements
- 31 December 2014 (cont'd)

31. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

	Company	
	2014 RM'000	2013 RM'000
Transactions with subsidiaries		
Income earned:		
Shared services cost	1,431	1,168
Dividend from subsidiary	6,500	11,800
Rental income	168	168
Interest income	3,003	–
	11,102	13,136

Key management personnel

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

32. SEGMENT INFORMATION

(a) Business segments

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

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

(b) Geographical segments

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

(c) Allocation basis and inter-segment charges

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

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

Major customers

Revenue from one major customer amount to RM54,398,000 (2013: RM27,973,000) arising from the provision of shipping services by the Bulker segment.

Notes to the Financial Statements
- 31 December 2014 (cont'd)

32. SEGMENT INFORMATION (CONT'D)

2014	Bulkers RM'000	Tankers RM'000	Ship brokerage and management RM'000	Investment holding and others RM'000	Elimination RM'000	Total RM'000
Revenue						
Group total	194,506	54,242	7,600	–	(624)	255,724
Inter-segment	–	–	(624)	–	624	–
External	194,506	54,242	6,976	–	–	255,724
Results						
Segment results	(12,364)	11,261	2,234	14,699	–	15,830
Depreciation and amortisation	(19,551)	(10,118)	(382)	(489)	–	(30,540)
Interest income	949	–	13	409	–	1,371
Finance costs	(2,019)	(484)	(10)	(2,883)	–	(5,396)
Share of results of an associate	–	–	–	36,727	–	36,727
Share of results of joint ventures	341	–	–	–	–	341
Taxation	(42)	–	(769)	(62)	–	(873)
(Loss)/profit for the year	(32,686)	659	1,086	48,401	–	17,460
Other information						
Investment in an associate	–	–	–	1,334,026	–	1,334,026
Investment in joint ventures	204,376	–	–	–	–	204,376
Additions to non-current assets	241,020	982	47	39	–	242,088
Segment assets	530,309	157,976	23,183	493,179	(479,488)	725,159
	975,705	158,958	23,230	1,827,244	(479,488)	2,505,649
Segment liabilities	473,066	76,498	10,025	409,466	(479,488)	489,567
Non-cash items other than depreciation	(4,655)	501	25	2,627	–	(1,502)

Notes to the Financial Statements
- 31 December 2014 (cont'd)

32. SEGMENT INFORMATION (CONT'D)

2013	**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	182,767	57,248	7,352	–	(623)	246,744
Inter-segment	–	–	(623)	–	623	–
External	182,767	57,248	6,729	–	–	246,744
Results						
Segment results	(8,413)	11,164	1,865	19,144	–	23,760
Depreciation and amortisation	(17,724)	(9,626)	(77)	(374)	–	(27,801)
Interest income	841	–	20	919	–	1,780
Finance costs	(669)	(554)	(10)	–	–	(1,233)
Share of results of an associate	–	–	–	48,646	–	48,646
Share of results of joint ventures	354	–	–	–	–	354
Taxation	(104)	–	(768)	(196)	–	(1,068)
(Loss)/profit for the year	(25,715)	984	1,030	68,139	–	44,438
Other information						
Investment in an associate	–	–	–	999,366	–	999,366
Investment in joint ventures	205,860	–	–	–	–	205,860
Additions to non-current assets	21,702	876	1,069	1,113	–	24,760
Segment assets	531,357	155,562	23,466	255,855	(170,384)	795,856
	758,919	156,438	24,535	1,256,334	(170,384)	2,025,842
Segment liabilities	167,060	74,067	8,445	32,966	(170,384)	112,154
Non-cash items other than depreciation	556	26	(36)	9,846	–	10,392

Notes to the Financial Statements
- 31 December 2014 (cont'd)

33. FINANCIAL RISK MANAGEMENT

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

(a) Currency risk

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

9The Group has investments in foreign subsidiaries, associate and joint ventures, whose net assets are measured in United States Dollars, are exposed to foreign currency translation risks on the consolidation of these entities into Ringgit Malaysia.

The Group operates internationally and its foreign currency assets and liabilities give rise to foreign exchange exposure. Forward foreign exchange contracts are entered into to manage these exposures to fluctuations in foreign exchange. The duration of such contracts does not exceed a year. Where necessary, the contracts are rolled over at market rates upon maturity or settled at the prevailing exchange rate. The outstanding foreign exchange contracts of the Group as at 31 December 2014 which comprise mainly Singapore Dollars is equivalent to approximately RM2,948,000 (2013: RM108,164,000).

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 keep 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 them to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

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

At end of the reporting period, if interest rates had been 25 basis point higher/lower with all other variables held constant, the Group's profit after tax would have been RM1,035,000 (2013: RM116,000) lower/higher.

(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.

Notes to the Financial Statements
- 31 December 2014 (cont'd)

33. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

Analysis of undiscounted financial instruments by remaining contractual maturities

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

	Within 1 year RM'000	1 to 5 years RM'000	Total RM'000
Group			
At 31 December 2014			
Trade and other payables	35,303	–	35,303
Borrowings	77,169	374,972	452,141
Derivative financial liabilities	–	31,611	31,611
	112,472	406,583	519,055
At 31 December 2013			
Trade and other payables	28,183	–	28,183
Borrowings	45,648	33,071	78,719
Derivative financial liabilities	623	–	623
	74,454	33,071	107,525
Company			
At 31 December 2014			
Trade and other payables	4,159	–	4,159
Amounts due to subsidiaries	3,867	–	3,867
Borrowings	7,609	322,579	330,188
Derivative financial liabilities	–	31,611	31,611
	15,635	354,190	369,825
At 31 December 2013			
Trade and other payables	4,616	–	4,616
Amounts due to subsidiaries	238	–	238
	4,854	–	4,854

At 31 December 2014, the Company has a corporate guarantee issued to a bank in respect of revolving credit facility granted to a subsidiary. The revolving credit is repayable on demand.

Notes to the Financial Statements
- 31 December 2014 (cont'd)

33. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Credit risk

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

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

Advances are made to subsidiaries and 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 statement of financial position.

34. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. The Group manages its capital structure by taking into account its current and projected cash flow, expansion and capital expenditure commitments. Where necessary, adjustments to the amount of dividends paid to shareholders or the issuance of new shares may be considered. The Group does not adopt any formal dividend policy. The debt to equity ratio of the Group for the year ended 31 December 2014 was 0.21:1 (2013: 0.04:1).

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

No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 2013.

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

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Fair value hierarchy

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

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

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

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

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

The group has designated derivatives as Level 2. Cross currency swap and forward foreign exchange contracts are 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.

Notes to the Financial Statements
- 31 December 2014 (cont'd)

35. 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	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Financial assets				
Loans and receivables				
Trade and other receivables	46,361	29,302	4,197	922
Short term deposits	1,363	30,574	–	3,665
Cash and bank balances	150,097	114,783	4,440	16,273
Amounts due from subsidiaries	–	–	–	1,946
Loan to a subsidiary	–	–	327,748	–
Amounts due from joint ventures	107,114	114,803	–	–
	304,935	289,462	336,385	22,806
Financial assets carried at fair value through profit or loss				
Investments	–	108,501	–	–
Derivative financial assets	2,948	442	–	–
	2,948	108,943	–	–
Financial liabilities carried at amortised cost				
Borrowings	415,556	76,854	295,779	–
Trade and other payables	35,303	28,183	4,159	4,616
Amounts due to subsidiaries	–	–	3,867	238
	450,859	105,037	303,805	4,854
Financial liability carried at fair value through profit or loss				
Derivative financial liabilities	–	623	–	–
Financial liability carried at fair value through other comprehensive income				
Derivative financial liabilities	31,611	–	31,611	–

Notes to the Financial Statements
- 31 December 2014 (cont'd)

36. SIGNIFICANT EVENTS

Purchase and sale of vessels

(i) On 23 January 2014, the Group entered into a contract for the construction and purchase of a vessel for a total consideration of RM76,191,000. The vessel is expected to be delivered in 2016.

(ii) On 2 May 2014, the Group disposed of a vessel to a third party for a net consideration of RM45,825,000.

(iii) On 22 August 2014, the Group purchased a chartered in vessel through exercising a purchase option at a price of RM69,440,000.

Subscription of shares in an associate, PACC Offshore Services Holdings Ltd ("POSH")

During the year, the Group has subscribed for 71,676,000 new ordinary shares at SGD1.15 per share in POSH, pursuant to the initial public offering of POSH, for a total consideration of SGD82,427,400 (equivalent to RM218,421,000). POSH was listed on the Singapore Exchange on 25 April 2014.

37. SUBSEQUENT EVENT

The Group has on 12 February 2015, entered into construction and sale contracts for the construction and purchase of 2 bulk carriers with expected delivery in 2018.

Notes to the Financial Statements
- 31 December 2014 (cont'd)

38. DISCLOSURE OF REALISED AND UNREALISED PROFITS

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Total retained profits of the Company and its subsidiaries:				
Realised	1,138,685	1,182,473	833,765	846,120
Unrealised	(2,421)	18,801	(98)	1,135
Less: Effects of adoption of MFRS 1*	(103,414)	(103,414)	(107,672)	(107,672)
	1,032,850	1,097,860	725,995	739,583
Total share of retained profits from an associate:				
Realised	198,694	160,822	–	–
Unrealised	(28)	1,117	–	–
Less: Effects of adoption of MFRS 1*	(115,434)	(115,434)	–	–
	83,232	46,505	–	–
Total share of retained profits from joint ventures				
Realised	94,757	92,189	–	–
Unrealised	(2,206)	21	–	–
Less: Effects of adoption of MFRS 1*	(11,469)	(11,469)	–	–
	81,082	80,741	–	–
Add: Consolidation adjustments	183,487	167,260	–	–
Total retained profits	1,380,651	1,392,366	725,995	739,583

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

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

List of Properties Held

Address	Existing Use/ Approximate Area	Tenure/ Date of Expiry of Lease	Age of Building	Net Book Value @ 31.12.2014 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	17 Years	1,596.3
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	17 Years	1,615.2
Level 18 (East Wing) PJ Tower No.18, Jalan Persiaran Barat Off Jalan Timur 46050 Petaling Jaya Selangor Darul Ehsan	Office/ 5,447 sq. ft	99 Year Lease/ 11.9.2088	17 Years	1,596.3
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	17 Years	1,615.2

Note:
All properties were acquired on 12 July 2001

Analysis of Shareholdings
as at 31 March 2015

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

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Holders	% of Holders	No. of Shares	% of Issued Capital
Less than 100	559	3.46	18,693	0.00
100 - 1,000	2,051	12.71	1,642,517	0.16
1,001 - 10,000	9,827	60.91	42,943,410	4.29
10,001 - 100,000	3,239	20.07	98,188,816	9.82
100,001 to less than 5% of issued shares	456	2.83	188,645,864	18.87
5% and above of issued shares	3	0.02	668,560,700	66.86
Total	16,135	100.00	1,000,000,000	100.00

SUBSTANTIAL SHAREHOLDERS

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

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

DIRECTORS' INTERESTS IN SHARES

(as per Register of Directors' Shareholding)

	Direct Interest		Deemed Interest	
Name of Directors	No. of Shares	% of Issued Capital	No. of Shares	% of Issued Capital
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid	500,000	0.05	20,000[(1)]	–
Kuok Khoon Kuan	1,268,750	0.13	–	–
Teo Joo Kim	892,400	0.09	–	–
Wu Long Peng	1,625,000	0.16	–	–
Govind Ramanathan	347,700	0.03	–	–
Dato' Lim Chee Wah	–	–	–	–
Afidah binti Mohd Ghazali	–	–	–	–
Lim Soon Huat	–	–	–	–
Mohammad bin Abdullah	155,000	0.02	–	–
Tay Beng Chai	275,000	0.03	2,500[(2)]	–
Dato' Mohd Zafer bin Mohd Hashim	–	–	–	–

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

Analysis of Shareholdings
as at 31 March 2015 (cont'd)

THE THIRTY LARGEST SHAREHOLDERS
(as per Record of Depositors as at 31 March 2015)

	Name of Shareholders	No. of Shares	% of Issued Capital
1.	Pacific Carriers Limited	344,615,000	34.46
2.	Bank Pembangunan Malaysia Berhad	183,945,700	18.39
3.	PPB Group Berhad	140,000,000	14.00
4.	CIMB Commerce Trustee Berhad *For Public Focus Select Fund*	6,771,100	0.68
5.	RHB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Tiong Chiong Hee*	5,000,000	0.50
6.	Citigroup Nominees (Asing) Sdn Bhd *CBNY* *For Dimensional Emerging Markets Value Fund*	4,604,925	0.46
7.	Citigroup Nominees (Asing) Sdn Bhd *CBNY* *For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc*	3,820,323	0.38
8.	Amanahraya Trustees Berhad *For Public Smallcap Fund*	3,764,200	0.38
9.	HSBC Nominees (Asing) Sdn Bhd *Exempt AN* *For Bank Julius Baer & Co. Ltd. (Singapore BCH)*	3,481,250	0.35
10.	CIMB Group Nominees (Tempatan) Sdn Bhd *CIMB Islamic Trustee Berhad* *For Pacific Dana Aman (3717 TRO1)*	3,454,100	0.35
11.	Citigroup Nominees (Asing) Sdn Bhd *CBNY* *For DFA Emerging Markets Small Cap Series*	3,414,800	0.34
12.	Amanahraya Trustees Berhad *For Public Equity Fund*	3,131,000	0.31
13.	Malaysia Nominees (Tempatan) Sendirian Berhad *For Great Eastern Life Assurance (Malaysia) Berhad (LSF)*	2,959,900	0.30
14.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Exempt AN* *For Kumpulan Sentiasa Cemerlang Sdn Bhd (TSTAC/CLNT)*	2,774,000	0.28
15.	Citigroup Nominees (Tempatan) Sdn Bhd *Universal Trustee (Malaysia) Berhad* *For CIMB-Principal Equity Fund 2*	2,292,700	0.23
16.	Amanahraya Trustees Berhad *For Public Ittikal Sequel Fund*	2,241,700	0.22
17.	Amanahraya Trustees Berhad *For Public Savings Fund*	2,200,000	0.22

Analysis of Shareholdings
as at 31 March 2015 (cont'd)

THE THIRTY LARGEST SHAREHOLDERS (CONT'D)
(as per Record of Depositors as at 31 March 2015)

Name of Shareholders		No. of Shares	% of Issued Capital
18.	HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Datin Christine Ang Chiew Mui*	2,192,000	0.22
19.	Kerajaan Negeri Pahang	2,153,850	0.21
20.	Citigroup Nominees (Tempatan) Sdn Bhd *For Kumpulan Wang Persaraan (Diperbadankan) (I-VCAP)*	2,022,200	0.20
21.	HSBC Nominees (Asing) Sdn Bhd *Exempt AN* *For JPMorgan Chase Bank, National Association (U.S.A.)*	1,967,696	0.20
22.	Amanahraya Trustees Berhad *For Public Natural Resources Equity Fund*	1,800,000	0.18
23.	Gan Teng Siew Realty Sdn Berhad	1,700,000	0.17
24.	Wu Long Peng	1,625,000	0.16
25.	Amanahraya Trustees Berhad *For PB Growth Sequel Fund*	1,595,000	0.16
26.	DB (Malaysia) Nominee (Asing) Sdn Bhd *SSBT Fund WTAU* *For Wisdomtree Emerging Markets Smallcap Dividend Fund*	1,560,000	0.16
27.	HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lee Wee Yap*	1,502,500	0.15
28.	HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lee Wee Tack*	1,430,000	0.14
29.	Citigroup Nominees (Tempatan) Sdn Bhd *For Bank Negara Malaysia National Trust Fund (CIMB)*	1,428,800	0.14
30.	Chinchoo Investment Sdn Berhad	1,400,000	0.14
		740,847,744	74.08

Additional Compliance Information

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

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors and management by any regulatory authorities during the financial year ended 31 December 2014.

2. Non-Audit Fees

The non-audit fees paid to the External Auditors of MBC Group in the financial year ended 31 December 2014 was as follows:

Auditors	Fee (RM)	Purpose
Ernst & Young	7,500	Review of Statement on Risk Management and Internal Control

3. Material Contracts

There were no material contracts entered into by the Company and/or its subsidiaries involving Directors' and major shareholders' interests, or relate to loan subsisting as at 31 December 2014 or entered into during the financial year ended 31 December 2014 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 ended 31 December 2014 are disclosed in Note 31 to the financial statements on pages 74 to 75.

Directors' Responsibility Statement

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

The Directors are also responsible for ensuring that the audited financial statements of the Group and the Company are prepared with reasonable accuracy from the accounting records of the Group and the Company so as to give a true and fair view of the financial position of the Group and the Company as of 31 December 2014 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 26th Annual General Meeting of Malaysian Bulk Carriers Berhad ("the Company") will be held on Wednesday, 27 May 2015 at 10:00 a.m. at Banquet Hall, Kuala Lumpur Golf & Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur for the following purposes:

Ordinary Business

(1) To receive the audited Financial Statements for the financial year ended 31 December 2014 and the reports of the Directors and the Auditors thereon. **Resolution 1**

(2) To approve the payment of a final single tier dividend of 1 sen per ordinary share for the financial year ended 31 December 2014 as recommended by the Directors. **Resolution 2**

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

(a) Tay Beng Chai **Resolution 3**

(4) To re-elect the following Directors who are retiring pursuant to Article 100 of the Company's Articles of Association:

(a) Afidah binti Mohd Ghazali **Resolution 4**
(b) Govind Ramanathan **Resolution 5**
(c) Lim Soon Huat **Resolution 6**
(d) Dato' Mohd Zafer bin Mohd Hashim **Resolution 7**

(5) To note that Mr Teo Joo Kim, Dato' Lim Chee Wah and Encik Mohammad bin Abdullah will be retiring pursuant to Section 129(6) of the Companies Act, 1965 and they will not be seeking re-appointment at this Annual General Meeting.

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

(7) To approve the payment of Directors' fees of RM459,644 for the financial year ended 31 December 2014. **Resolution 9**

As Special Business

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

Ordinary Resolutions

Resolution 10

(8) To authorise the issue of shares pursuant to Section 132D of the Companies Act, 1965

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

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

Notice of Annual General Meeting
(cont'd)

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

"**THAT** pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company and its subsidiaries ("MBC Group") be and are hereby authorised to enter into the recurrent related party transactions as set out in the Circular to Shareholders dated 30 April 2015, which are necessary for MBC Group's day-to-day operations in the ordinary course of business on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders.

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

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company;

(b) the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is the earlier.

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

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

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

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

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

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

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

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

Notice of Annual General Meeting
(cont'd)

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

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

(11) Proposed ex-gratia payment of RM200,000 to Mr Teo Joo Kim **Resolution 13**

"**THAT** the proposed ex-gratia payment of RM200,000 to Mr Teo Joo Kim in recognition and appreciation of his long service and contribution to the Company, be and is hereby approved;

AND THAT the Directors be and are hereby empowered to do all such acts and things to give full effect to the proposed ex-gratia payment with full powers to assent to any modifications, variations and/or amendments (if any) as the Directors may deem fit or necessary in connection with the proposed ex-gratia payment."

(12) Proposed ex-gratia payment of RM200,000 to Dato' Lim Chee Wah **Resolution 14**

"**THAT** the proposed ex-gratia payment of RM200,000 to Dato' Lim Chee Wah in recognition and appreciation of his long service and contribution to the Company, be and is hereby approved;

AND THAT the Directors be and are hereby empowered to do all such acts and things to give full effect to the proposed ex-gratia payment with full powers to assent to any modifications, variations and/or amendments (if any) as the Directors may deem fit or necessary in connection with the proposed ex-gratia payment."

(13) Proposed ex-gratia payment of RM150,000 to Encik Mohammad bin Abdullah **Resolution 15**

"**THAT** the proposed ex-gratia payment of RM150,000 to Encik Mohammad bin Abdullah in recognition and appreciation of his long service and contribution to the Company, be and is hereby approved;

AND THAT the Directors be and are hereby empowered to do all such acts and things to give full effect to the proposed ex-gratia payment with full powers to assent to any modifications, variations and/or amendments (if any) as the Directors may deem fit or necessary in connection with the proposed ex-gratia payment."

(14) To transact any other business.

BY ORDER OF THE BOARD

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

30 April 2015
Petaling Jaya

Notice of Annual General Meeting
(cont'd)

Notes:

1. *Only depositors whose names appear in the Record of Depositors as at 18 May 2015 (General Meeting Record of Depositors) be regarded as members and entitled to attend, speak and vote at the meeting.*

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

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

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

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

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

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

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. Resolution 10

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

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

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

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

2. Resolution 11

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

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

  Further information on the proposed Ordinary Resolution is set out in the Circular to Shareholders dated 30 April 2015 despatched together with the Company's 2014 Annual Report.

3. Resolution 12

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

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

  Further information on the proposed Ordinary Resolution is set out in the Circular to Shareholders dated 30 April 2015 despatched together with the Company's 2014 Annual Report.

Notice of Annual General Meeting
(cont'd)

4. Resolution 13

- *Proposed ex-gratia payment of RM200,000 to Mr Teo Joo Kim*

  The proposed Ordinary Resolution, if passed, will enable the Company to make an ex-gratia payment of RM200,000 to Mr Teo Joo Kim in recognition and appreciation of his long service and contribution to the Company.

  Mr Teo had served the Company for 20 years and he has elected to retire at this Annual General Meeting (AGM). During his tenure of service, he was not paid any additional remuneration apart from his normal directors' fees.

5. Resolution 14

- *Proposed ex-gratia payment of RM200,000 to Dato' Lim Chee Wah*

  The proposed Ordinary Resolution, if passed, will enable the Company to make an ex-gratia payment of RM200,000 to Dato' Lim Chee Wah in recognition and appreciation of his long service and contribution to the Company.

  Dato' Lim had served the Company for 20 years and he has elected to retire at this AGM. During his tenure of service, he was not paid any additional remuneration apart from his normal directors' fees.

6. Resolution 15

- *Proposed ex-gratia payment of RM150,000 to Encik Mohammad bin Abdullah*

  The proposed Ordinary Resolution, if passed, will enable the Company to make an ex-gratia payment of RM150,000 to Encik Mohammad bin Abdullah in recognition and appreciation of his long service and contribution to the Company.

  Encik Mohammad had served the Company for 12 years and he has elected to retire at this AGM. During his tenure of service, he was not paid any additional remuneration apart from his normal directors' fees.

Notice of Dividend Entitlement

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders at the forthcoming 26th Annual General Meeting, a final single tier dividend of 1 sen per ordinary share will be paid on 18 June 2015 to the shareholders whose names appear in the Record of Depositors at the close of business on 1 June 2015.

A Depositor shall qualify for entitlement only in respect of:

(a) Shares transferred into the Depositor's securities account before 4:00 p.m. on 1 June 2015 in respect of ordinary transfers; and

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

BY ORDER OF THE BOARD

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

30 April 2015
Petaling Jaya

Statement Accompanying Notice of Annual General Meeting

Details of Directors who are standing for re-election are as set out on pages 12 to 13 of this Annual Report and the details of the Directors' interest in the securities of the Company and its subsidiaries are disclosed on page 85 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 26th Annual General Meeting of the Company to be held on Wednesday, 27 May 2015 at 10:00 a.m. at Banquet Hall, Kuala Lumpur Golf & Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur and at any adjournment thereof.

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

No.	Resolutions	For	Against
1.	To receive the audited Financial Statements for the financial year ended 31 December 2014 and the reports of the Directors and the Auditors thereon		
2.	To approve the payment of a final single tier dividend of 1 sen per ordinary share for the financial year ended 31 December 2014		
3.	To re-elect Mr. Tay Beng Chai as a Director		
4.	To re-elect Puan Afidah binti Mohd Ghazali as a Director		
5.	To re-elect Mr. Govind Ramanathan as a Director		
6.	To re-elect Mr. Lim Soon Huat as a Director		
7.	To re-elect Dato' Mohd Zafer bin Mohd Hashim as a Director		
8.	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration		
9.	To approve the payment of Directors' fees		
10.	To authorise the Directors to allot and issue shares		
11.	To approve the renewal of shareholders' mandate for recurrent related party transactions		
12.	To approve the renewal of authorisation for purchase of own shares		
13.	To approve ex-gratia payment to Mr. Teo Joo Kim		
14.	To approve ex-gratia payment to Dato' Lim Chee Wah		
15.	To approve ex-gratia payment to Encik Mohammad bin Abdullah		

(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 ___________________ 2015

Signature of Shareholder: ______________________________

Notes:

1. *Only depositors whose names appear in the Record of Depositors as at 18 May 2015 (General Meeting Record of Depositors) be regarded as members and entitled to attend, speak and vote at the meeting.*
2. *A member entitled to attend and vote is entitled to appoint not more than two (2) proxies to attend and vote instead of him. Where a member appoints two (2) proxies to attend the same meeting, the member shall specify the proportion of his shareholdings to be represented by each proxy.*
3. *Where a member is an authorised nominee, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
4. *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
5. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.*
6. *A proxy may but need not be a member of the Company and Section 149(1)(b) of the Companies Act, 1965 shall not apply. A proxy appointed to attend and vote at the meeting shall have the same rights as the member to speak at the meeting.*
7. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed shall be deposited at the Registered Office of the Company, not less than 48 hours before the time for holding the meeting or any adjournment thereof and in default, the instrument of proxy shall be invalid.*

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Stamp

The Company Secretaries

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

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

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