MALAYSIAN BULK CARRIERS BERHAD

Registration No. 198801008597 (175953-W)

ANNUAL REPORT 2019

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FINANCIAL HIGHLIGHTS

	2019	2018	2017	2016	2015
FINANCIAL RESULTS (RM'000)					
Net revenue	**206,543**	198,265	197,744	165,723	160,942
Operating profit/(loss)	**32,001**	4,384	(9,861)	(52,067)	(100,146)
EBITDA #	**99,078**	19,363	14,553	(33,272)	(56,231)
(Loss)/profit before taxation	**(6,099)**	264,800	(128,992)	(496,298)	(1,196,248)
(Loss)/profit attributable to equity holders of the Company	**(7,319)**	263,838	(134,954)	(491,306)	(1,177,153)
BALANCE SHEET (RM'000)					
Total assets	**957,268**	1,022,740	1,206,939	1,579,116	2,097,709
Total liabilities	**602,438**	628,563	657,756	849,356	866,684
Cash and cash equivalents	**79,480**	289,124	72,233	69,641	140,496
Borrowings	**356,839**	409,157	410,143	543,869	607,640
Lease liabilities	**204,941**	-	-	-	-
Net debt (excludes lease liabilities)	**277,359**	120,033	337,910	474,228	467,144
Shareholders' equity	**354,830**	393,092	525,779	708,893	1,179,644
SHARE INFORMATION (sen)					
Per share					
Basic (loss)/earnings	**(0.73)**	26.38	(13.50)	(49.13)	(117.72)
Net assets	**35.48**	39.31	52.58	70.89	117.96
Share price as at 31 December	**55.0**	56.0	81.5	70.5	80.5
Market capitalisation (RM'Million)	**550**	560	815	705	805
KEY RATIOS (%)					
Return on average equity	**(2.0%)**	57.4%	(21.9%)	(52.0%)	(75.2%)
Gearing ratio	**158.3%**	104.1%	78.0%	76.7%	51.5%
Net debt/equity ratio	**78.2%**	30.5%	64.3%	66.9%	39.6%
FLEET DATA *					
Number of vessels (at end of year)	**14**	15	18	20	23
Total tonnage in DWT (MT'000)	**795**	864	990	1,070	1,272
Average age of fleet (in years)	**6.0**	7.0	6.6	6.2	6.8
Total operating days (days)	**5,615**	5,364	6,886	7,893	8,215
Total hire days (days)	**5,375**	5,150	6,717	7,708	7,788
Daily Time Charter Equivalent Rate:					
- Dry bulk carriers (USD)	**10,010**	10,180	8,193	5,388	6,407
- Tankers (USD)	**n/a**	n/a	7,926	14,651	13,675

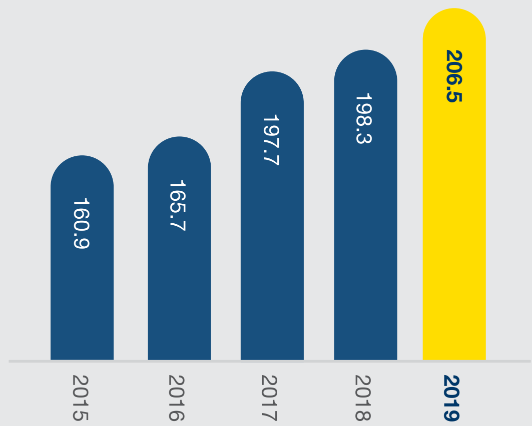
Note :

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

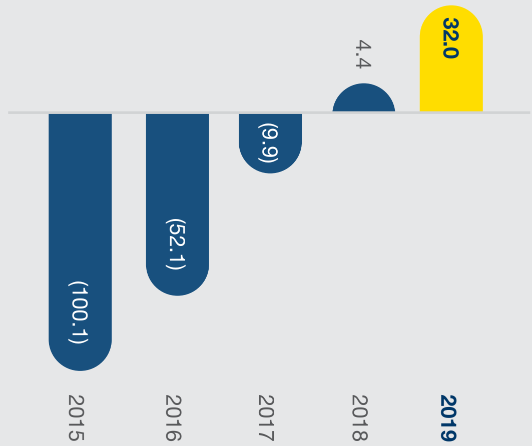
\# *EBITDA excludes associate, joint ventures, impairments and provisions. The EBITDA for 2019 excludes depreciation of right-of-use assets and interest expense on lease liabilities arising from the adoption of MFRS 16 Leases on 1 January 2019*

Financial Highlights (cont'd)

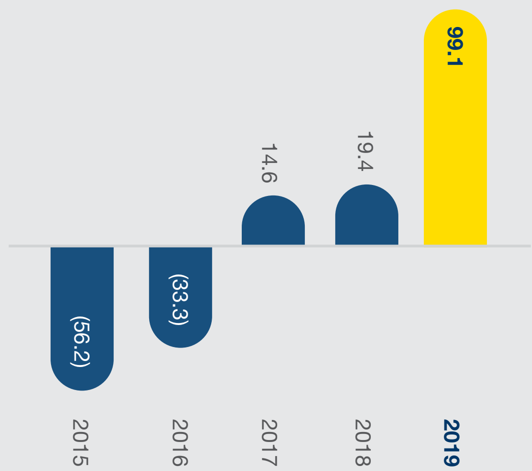
Net revenue
RM'million



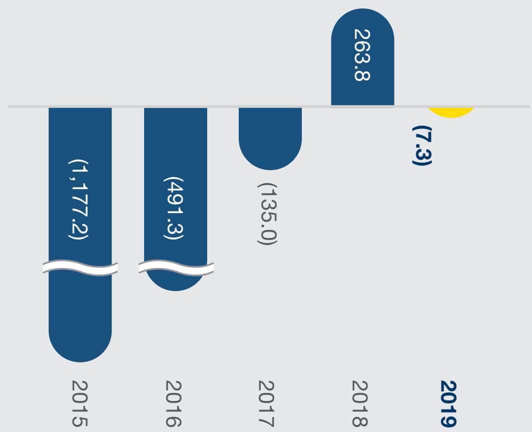
Operating Profit/(Loss)
RM'million



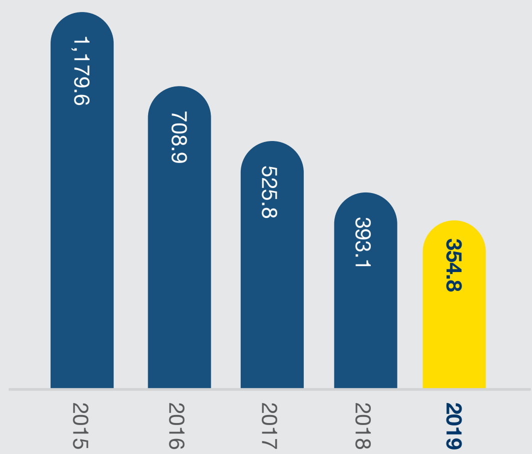
EBITDA
RM'million



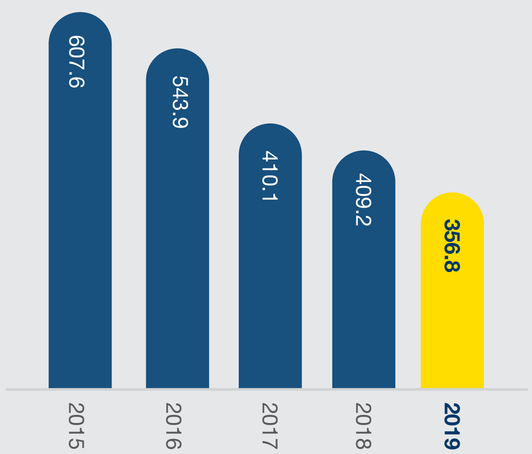
Attributable (Loss)/Profit
RM'million



Shareholders' Equity
RM'million



Borrowings
RM'million



Dear Shareholders,

I am pleased to present to you the financial statements of the Group and the Company for the financial year ended 31 December 2019.

CHAIRMAN'S STATEMENT

LOOKING BACK AT 2019 PERFORMANCE

2019 was a mixed year for Malaysian Bulk Carriers Berhad ("MBC") as we responded to very challenging macro-economic developments.

Despite the ensuing uncertainties, the Group maintained its strategy of divesting its ageing and non-core assets, focusing on short and medium-term charters, maintaining a resilient balance sheet and deriving synergies from the Pacific Carriers Ltd Group. These enabled MBC to grow net revenue 4% year-on-year to RM206.5 million. However, broader sectoral issues meant the Group reported a pre-tax loss of RM6.1 million for the year, compared with 2018's profit before tax of RM264.8 million. It should be noted that the prior year's performance had included a significant gain on disposal of its associate PACC Offshore Services Holdings Limited ("POSH").

NAVIGATING MARKET VOLATILITY

The year started with an unexpected disaster at the Vale-dam, which had severe repercussions on Brazil's iron ore exports and impacted the entire shipping industry. The benchmark Baltic Dry Index fell from around 1,000 in mid-January to a low of 595 in February 2019, languishing at those levels until June. At the same time, Australia was unable to capitalise on the iron ore shortfall opportunity due to a combination of limited spare capacity, weather-related disruption and low demand.

In China, dry bulk demand – particularly for grains and soybean - was adversely affected by the outbreak of swine flu. Ongoing uncertainties arising from the trade war tension and the overall slowdown of industrial activities further contributed to lower commodity demand that reduced shipping requirements.

CORPORATE SOCIAL RESPONSIBILITY

MBC's vision of sustainable growth includes a commitment to our employees, our industry and the community-at-large. This includes us maintaining good corporate governance, operate in an environmentally sustainable way and give back to the communities we operate in.

The foundation of our success is our employees. Our dedication to continually upskilling and training them therefore remains a priority. In 2019, the Group implemented a series of courses, training programmes and workshops to strengthen our employees' skill sets, increase their knowledge and improve their competencies. Various recreational and teambuilding activities were also held to encourage teamwork and camaraderie.

CORPORATE GOVERNANCE

In regard to the new Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 (the "Act") which will be effective June 2020, a series of refresher training on anti-corruption policy as well as on the Act have been conducted for the Board, senior management and all personnel within the organisation. In addition, gap analysis has been performed to identify potential improvement to the anti-corruption program to ensure compliance with the adequate procedures introduced as part of the Act.

LOOKING AHEAD

As we entered 2020, the COVID-19 outbreak and an unexpected onset of an oil price war reminds us that each year presents its unique challenges. Freight rates have seen a downward trend since January and, at the very least, the first two quarters may see a slowing global economy and seaborne trade. The only encouraging spark is the expectation that supply of newbuilds will be controlled.

Challenges notwithstanding, industry projections for global dry bulk trade growth in 2020 are moderate. Iron ore trade is expected to grow around 0.4% in tonne-miles, supported by the return of some Brazilian volumes and restocking in China. Global soybean trade is expected to grow by 4% to 153mt, after zero growth in 2018-19. Grain trade is seen rising 2-3% amid improving US-China trade relations (*Source*: Clarksons Research Dry Bulk Trade Outlook January 2020).

In such times, the only certainty is that we must continue to adapt to ever-changing circumstances while focusing on our financial discipline, our fleet renewal programme and delivering on our obligations to customers.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to express my appreciation to all our staff and crew for their dedication throughout the year. Also to our shareholders, customers, and business partners for their continued support.

I also thank my fellow board members for their invaluable advice and commitment to MBC.

Firstly, I would like to record our appreciation for our two Non-Independent Non-Executive Directors Mr Wu Long Peng and Puan Afidah Binti Mohd Ghazali, who have stepped down as board members after 25 and 5 years of service respectively. Thank you for their invaluable contribution over the years.

In his first full year as CEO and Executive Director, Mr Hor Weng Yew has played a vital role to ensure the Company's resilience. I also wish to put on record the contributions of our new board members – Non-Independent Non-Executive Director Encik Ahmad Mochtar Bin Hashim and Independent Non-Executive Director Mr Yeoh Khoon Cheng. Together, we will strive to deliver long-term, sustainable value to our shareholders.

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

CEO LETTER

Dear Shareholders,

2019 was my first full year as Chief Executive Officer of MBC and while the nature of the challenges we continue to face are unprecedented, we stood apart on our adaptive resilience.

Over the past year, our industry had to face down a confluence of challenges: an industrial disaster that reduced Brazil's iron ore output, a swine flu outbreak in China, US-China trade tensions, and the slowest economic growth since the global financial crisis in 2008.

Amidst this unpredictable operating environment, we continue to implement decisive actions to refresh our strategy and demonstrate our resilience. This has enabled us to report an operational profit of RM32.0 million despite headline numbers that were inevitably affected by our sector's ongoing volatile environment.

DELIVERING ON OUR STRATEGY

Continuing our fleet renewal programme

Over the past year, we maintained the discipline to divest ageing assets to future-proof our fleet. The proceeds gave the Group the flexibility to redeploy capital more efficiently, including further renewing of our fleet, paring down debt, and capturing such opportunities to deliver long-term value to our business.

With the new global sulphur limit regulation implemented by IMO in January 2020, the Group retrofitted two Supramax vessels, Alam Madu and Alam Molek, with exhaust gas cleaning systems (commonly referred to as scrubbers) in 2019 to ensure they continue to offer best-in-class performance. We also took delivery of the remaining two Oshima-built Kamsarmax newbuildings, Alam Kukuh and Alam Kuasa. The latter have since been deployed to service a long-term contract with TNB Fuel Services Sdn Bhd.

With this improved fleet of energy-efficient and larger capacity vessels, we expect to be able to deploy these vessels on new charters and seek to achieve higher rates and earnings.

Robust portfolio and balance sheet management

We also redoubled our efforts on robust portfolio management. This includes a greater emphasis on short and medium-term charters to generate steady income flows. In 2019, we were pleased to report that 30-40% of our fleet was on short to medium-term and commercially sound charters. As at 31 December 2019, we have 14 vessels, 5 are long-term chartered-in and will be re-delivered to owners progressively over the next 3 years. Our priority in the year ahead remains on maintaining an active and commercially viable fleet.

Over the year, we have also strengthened our balance sheet and expanded our source of borrowings. The disposal of our 21.23% interest in POSH for RM249.2 million in 2018 had further allowed us additional debt headroom and improved our borrowing position with the financial community.

Improving business processes

In 2019, we were diligent in reviewing and improving our business processes. This included enhancing our risk management framework and process enabling MBC to strengthen corporate governance.

Finally, we continued to focus on our most important strategic asset, our people. This includes ensuring our crew members are safe each day at work. Continually raising fleet and crew safety standards are embedded in our culture.

In 2019, we delivered a rigorous calendar of safety programmes such as 'Take 5', 'Proud to be Safe', and 'Lock Out-Tag Out (LOTO)', we implemented to our ship and shore staff the safety observation system awards & safe ship awards, and established new Safety Days.

2020 OUTLOOK

Even the best-laid plans cannot account for unanticipated developments. The recent COVID-19 outbreak and oil price war are just notable examples. While these are taking a toll on economies and supply chains worldwide, they could also potentially ease trade tensions. The stimulus packages being rolled out could have a positive impact on trade flows and shipping demand over the longer run.

One other silver lining amid the uncertainty of 2020 to date is that we can expect improving market discipline in terms of supply and the number of newbuilds. This should ease the overhang from an excess supply of vessels that has prevailed in our business.

MBC will monitor all that closely and respond appropriately to these developing issues. Amid the escalating COVID-19 pandemic, we have executed our business continuity plans (BCP) to ensure the well-being of our on-shore employees and crew and continuity of service with minimal disruptions. We have rolled out a series of initiatives including restrictions on non-essential travel, activating telecommuting platforms for meetings, team separation and social distancing, mandatory temperature checks for all entering our office and the provision of face masks. In the meantime, we are doing what we can that is within our control, namely enforcing strict capital management and stay focus in delivering on our strategic priorities for the year ahead.

This also means continuing to calibrate and deliver on our 2020 strategy: strengthening our portfolio management to better utilise our assets, securing more short and medium-term charters and keep a tight rein on costs, while continuing to explore value accretive opportunities and maintain adequate liquidity in such times.

While the situation looks daunting, we can take heart that because of our prudence, we have a sound balance sheet that can allow us to weather the increasingly likely global downturn. In addition, we have a strong operational core and business processes that can execute well.

Above all, we continue to deliver results for our customers through our committed team at MBC. I am certain that we will ride through this turbulent time and emerge stronger once the market recovers.

Hor Weng Yew
Chief Executive Officer

FINANCIAL REVIEW

		2019 RM'000	2018 RM'000	Variance RM'000
Profit/(loss) after share of results of joint ventures, but before associate and exceptional items		15	(19,318)	19,333
Exceptional items:				
i)	Loss on disposal of property, plant and equipment	(17,799)	-	(17,799)
ii)	(Impairment loss)/reversal of impairment loss on vessels:			
	- the Group	(21,759)	(6,351)	(15,408)
	- share of JV's	-	710	(710)
iii)	Net change in onerous contracts provision	4,640	32,232	(27,592)
iv)	Gain on liquidation of a subsidiary and a joint venture	28,804	-	28,804
v)	Gain on disposal of associate	-	265,929	(265,929)
		(6,114)	292,520	(298,634)
Share of results of associate		-	(8,402)	8,402
(Loss)/profit before tax		**(6,099)**	**264,800**	**(270,899)**

Amid a year which saw global growth hitting its slowest pace since the 2008 financial crisis, MBC's net revenue increased by 4% year-on-year to RM206.5 million in FY2019. The improved revenue is compared to a net revenue of RM198.3 million in FY2018. Operating profit for FY2019 was RM32.0 million, compared to RM4.4 million in FY2018. This was mainly due to positive contribution from 3 new vessels (the 82,079 DWT Alam Kekal, 82,079 DWT Alam Kukuh and 85,020 DWT Alam Kuasa), redelivery of one loss-making chartered-in vessel to the owner and lower operating costs for some chartered-in vessels.

On 1 January 2019, the Group adopted MFRS 16 Leases and accordingly recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases. Operating lease payments previously recognised as operating lease expenses were replaced by interest expense on lease liabilities and depreciation of right-of-use assets. Following this, the Group reported higher EBITDA of RM99.1 million in FY2019, compared to RM19.4 million in FY2018.

During the year, MBC disposed of two ageing bulk carriers – the 87,052 DWT Alam Pintar and 87,052 DWT Alam Permai at a total loss of RM17.8 million. It also recorded an impairment loss of RM21.8 million on its vessels in FY2019, compared to RM6.4 million in FY2018. Meanwhile, net change in onerous contracts provision was a positive of RM4.6 million in FY2019, compared to RM32.2 million in FY2018.

In FY2019, the Group booked a RM28.8 million gain from the liquidation of its subsidiary (Bistari Shipping Sdn Bhd) and a joint venture (Eminence Bulk Carriers Pte Ltd). The gain on liquidation was resulted from the reclassification of the cumulative exchange differences relating to the subsidiary and joint venture from equity to profit or loss upon liquidation of these entities.

Including joint ventures but excluding associate and exceptional items, the Group reported a profit of RM15,000 in FY2019, compared to a loss of RM19.3 million in FY2018.

Overall, MBC reported a loss before tax of RM6.1 million in FY2019, compared to a profit before tax of RM264.8 million in FY2018. The profit before tax in FY2018, however, was mainly from the one-off gain of RM265.9 million from the Group's disposal of its entire interest in its then-associate, PACC Offshore Services Holdings Ltd. ("POSH").

The Group remains operationally resilient and well-funded. It generated positive net cash of RM110.1 million from its operating activities compared to RM47.8 million in FY2018 and maintained a solid financial position, with free cash flow of RM79.5 million, and a gearing of 1.58 times.

Given the continued challenging market conditions and the Group's performance, no dividend payment is proposed for FY2019.

SUSTAINABILITY STATEMENT

ABOUT THE SUSTAINABILITY STATEMENT

The aim of this Sustainability Statement ("Statement") is to communicate the way in which we identify the Economic, Environment and Social ("EES") risks and opportunities, as well as how we monitor and manage those sustainability matters that are material to us and our stakeholders on an annual basis. This Sustainability Statement has been prepared in accordance with the Sustainability Reporting Guide and Toolkits, issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia").

SCOPE OF THE SUSTAINABILITY STATEMENT

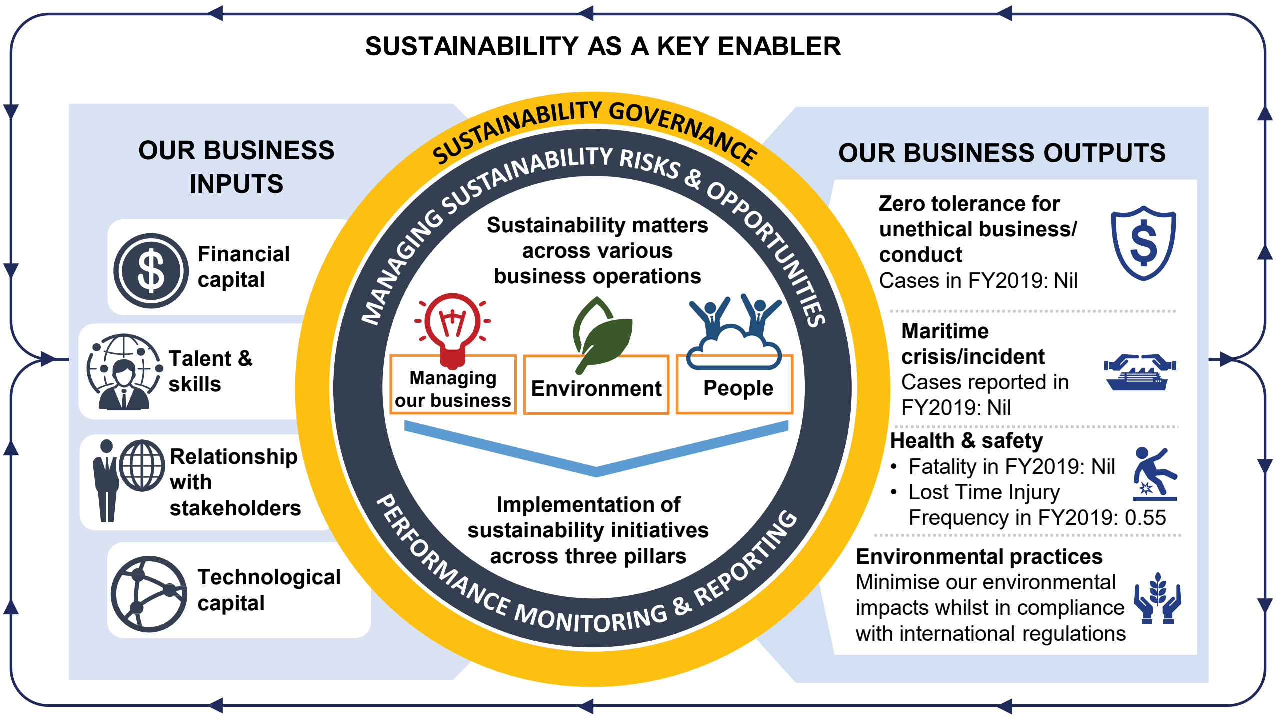
The reporting period for this Statement is from 1 January 2019 to 31 December 2019, unless otherwise stated. The scope for reporting covers the dry bulk shipping operations of Malaysian Bulk Carriers Berhad ("MBC") and its subsidiaries in Malaysia and Singapore, hereinafter collectively referred to as MBC Group. Our reporting focuses on our owned dry bulk fleet that we manage technically and have the authority to mandate and control the vessel's Health, Safety and Environment policies and actions. Inward time chartered-in vessels are not technically managed by us and therefore are not covered in this Statement. The policies, processes, programmes and the governance structure discussed in the Statement apply group wide, unless otherwise stated.

ANCHORING SUSTAINABILITY INTO MBC GROUP

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

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

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



Sustainability Statement (cont'd)

SUSTAINABILITY GOVERNANCE

We recognise that governance is a crucial factor in determining the success of any sustainability implementations. Our Board of Directors has the ultimate responsibility for sustainability. The Board sets the tone to integrate sustainability practices into the MBC Group's daily operations, including setting strategic direction, and is assisted by the Chief Executive Officer in the implementation of sustainability practices.

The Sustainability Working Group ("SWG"), led by the Group Financial Controller and supported by various function heads, assists in driving sustainability initiatives and reporting the performance of sustainability practices.

Our Sustainability Governance Structure

Board of Directors

↓

Chief Executive Officer

↓

Sustainability Working Group

STAKEHOLDER ENGAGEMENT

Effective stakeholder engagement will contribute towards promoting the Group's long-term growth and sustainability. The MBC Group identified and engaged the key stakeholders to obtain feedback on the priority of sustainability issues. In the process of identifying the key stakeholders for engagement, the Group took into consideration the degree of influence and dependence each stakeholder has on the Group. We consistently engage with our stakeholders through multiple channels and on a regular basis, to understand specific sustainability issues relevant to them and obtain feedback. Through this process, we are able to collect information in a timely and accurate manner, which is necessary in ensuring that issues, risks and opportunities are managed and addressed.

The key stakeholder groups identified based on a structured Stakeholder Prioritisation Exercise carried out in 2018 which is guided by Bursa Malaysia's Sustainability Reporting Guide are senior management, shareholders/investors, Board of Directors, employees and business partners.

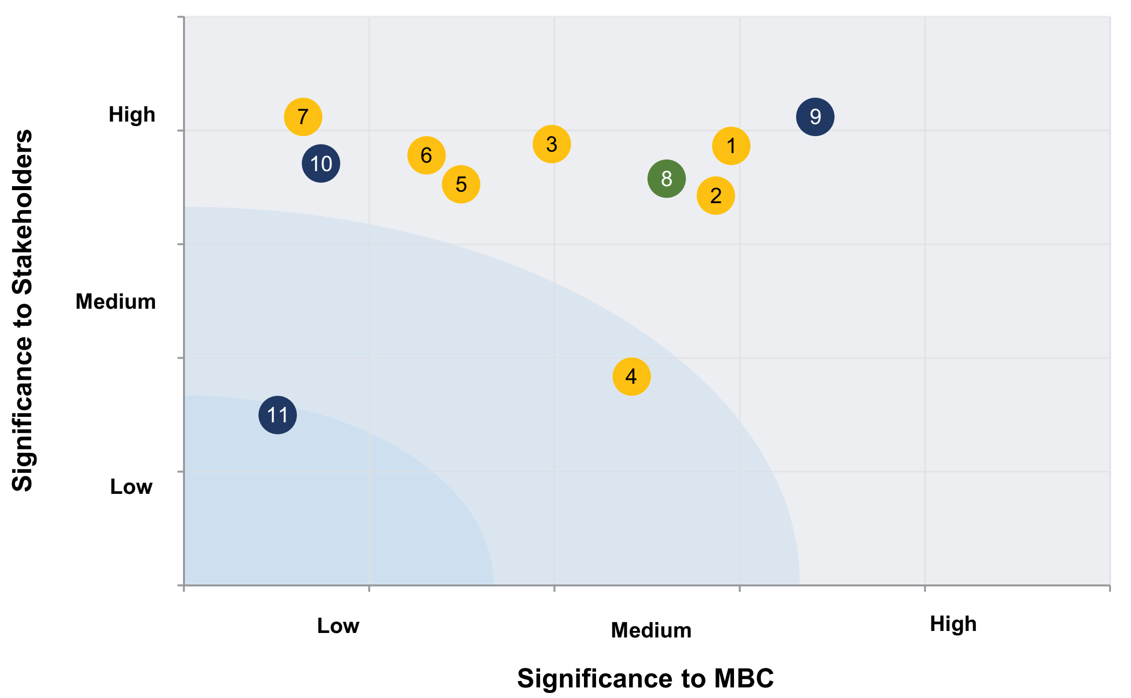
MATERIALITY ASSESSMENT

The Materiality Assessment is a strategic business tool to identify, review and prioritise the material sustainability matters that affect our business and stakeholders. We have in 2018 adopted a structured Materiality Assessment process, guided by Bursa Malaysia's Sustainability Reporting Guide to identify and assess the significance of sustainability matters to our business and stakeholder groups.

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

Sustainability Statement (cont'd)

Materiality Matrix



MANAGING OUR BUSINESS	ENVIRONMENT	PEOPLE
1 Regulatory compliance	8 Environmental management	9 Occupational health and safety
2 Sustainable supply chain management		10 Employee welfare
3 Maritime disaster management		11 Community development
4 Business development and expansion		
5 Data privacy and security		
6 Customer satisfaction		
7 Technology and innovation		

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

This year, the material sustainability matters remain the same as previously identified based on the materiality assessment conducted in 2018. We continue to enhance our disclosure on these material sustainability matters which are considered to be most material to MBC Group, namely Occupational Health & Safety, Regulatory Compliance, Environmental Management and Maritime Disaster Management. Details of our initiatives in managing these material sustainability matters are discussed in the subsequent sections of this Statement.

1. OCCUPATIONAL HEALTH AND SAFETY

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

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

We have in place a Safety Management Manual (SMM), which complies with the requirements of the American Bureau of Shipping Guide for Marine Management Systems that have been largely derived from the sound management system principles reflected in the ISM Code, ISO14001:2015 and other industry-driven requirements. Detailed instructions and procedures that are formulated within the system are reviewed annually to ensure safe operations of ships and environmental protection in compliance with international and Flag State legislations.

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

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

The Group is guided by the HSE policy, which is complemented by six other policies as shown in the diagram below.

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

To create awareness on health and safety among the sea staff and employees onshore, all the Policy Statements are posted on the notice boards at the various locations in our fleet of vessels and across the offices respectively.

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

1.2 Personal Protective Equipment ("PPE")

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

1.3 Safety and Health Training

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

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

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

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

Key Performance Indicator	2019 Performance	2018 Performance	2017 Performance
Fatality *(no. of incidents)*	*Nil*	*Nil*	*Nil*
Lost Time Injury Frequency *(per million Exposure hours)*	0.55*	*Nil*	2.0
Major fire and / or explosion *(no. of incidents)*	*Nil*	*Nil*	*Nil*
Ship collision *(no. of incidents)*	*Nil*	*Nil*	1
Oil pollution *(no. of incidents)*	*Nil*	*Nil*	*Nil*
Detentions by Port or Flag State *(no. of incidents)*	*Nil*	1	*Nil*

* *A crew member suffered injury during vessel operation. In line with our commitment to crew's safety, master had taken immediate action to evacuate the casualty.*

2. REGULATORY COMPLIANCE

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

2.1 Internal policies and procedures

Below are MBC Group's internal policies and procedures:

2.1.1 Code of Ethics and Code of Conduct

Our Code of Ethics and Code of Conduct cover matters in relation to conflict of interest, entertainment and gifts, misuse of position, insider trading and misconduct. The following are some of the key initiatives carried out to encourage and promote ethical conduct within MBC Group:

i. All new employees to go through new hire orientation training which introduces them to our Code of Conduct and how to obtain a copy for their reference.

ii. The Employee Handbook provides guidance on both Code of Ethics and Code of Conduct, and describes a range of examples for greater clarity.

iii. Proper separation of duties and use of Financial Approval Limits (FAL).

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

NIL fines or non-monetary sanctions resulting from unethical business practices in 2019.

Sustainability Statement (cont'd)

2.1.2 Whistle Blowing Policy

This policy establishes a framework for whistle blowing without fear of reprisals and provides for independent investigations. It provides an avenue for a whistle-blower to raise concerns about possible improprieties with the Group, which the whistle-blower becomes aware of, and provides reassurance that the whistle-blower will be protected from reprisals and their identity will not be disclosed to maintain confidentiality. Submission of complaint shall be made in person or in writing and be lodged with the Audit Committee. The Group did not receive any complaint during the year.

2.1.3 Anti-corruption Policy

MBC Group is committed to conduct business with integrity, fairly, impartially, in an ethical and proper manner, and in compliance with all applicable laws and regulations. Employees must not under any circumstances solicit or accept, directly or indirectly, any bribe, kickback, illicit payment, benefit in kind or any other advantage from any person or entity, as an inducement or reward for an improper performance or non-performance of a function or activity.

The Malaysian Anti-Corruption Commission ("MACC") (Amendment) Act 2018 (hereinafter referred to as "the Act") introduces Section 17A which provides that a commercial organisation is deemed to have committed an offence, if a person associated with the commercial organisation corruptly gives, agrees to give, promises or offers to any person any gratification to obtain or retain business or advantage for the organisation. If charged, a commercial organisation may, as a defence provide that it had in place adequate procedures designed to prevent persons associated with the organisation from undertaking the conduct that is subject of the offence. The Act will be effective from June 2020. In this regard, the following took place during the year:

i. The Board and Audit Committee were briefed by the Head of Internal Audit during the board and committee meetings on the new provisions in the Act.

ii. Refresher trainings on the Group's anti-corruption policy and the Act have been conducted for the Board, Audit Committee and all staff.

iii. The Head of Internal Audit performed a gap analysis between the current policies and procedures in place against requirements defined by the Act.

iv. In addition, an external consultant will be engaged to review the adequacy of the Group's anti-corruption compliance programme against requirements defined by the Act.

2.1.4 Sanctions Compliance Policy

This policy explains the sanctions, its applicability and the importance, as well as provides guidelines and the Group's approach to compliance. Sanction checks are performed using Dow Jones and Datarama portals.

Our whistle blowing and anti-corruption policy are available on our website.

2.2 Seafaring regulations

Ship managers are responsible in ensuring that all our sea-going staff comply with local and international seafaring regulations, such as:

i. International Maritime Organisation (IMO) Standard of Training, Certification and Watch-keeping for Seafarers (STCW) Convention;

ii. Maritime Labour Convention (MLC) 2006;

iii. International Safety Management (ISM) Code; and

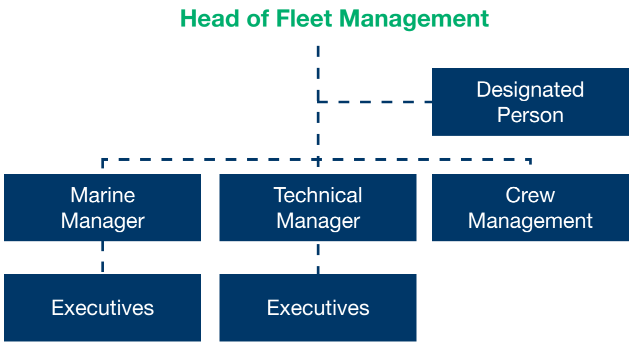
iv. Minimum Safe Manning Document.

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

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

3. ENVIRONMENTAL MANAGEMENT

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



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

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

3.1 Greenhouse Gas Emission

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

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

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

i. Nitrogen Oxides (NOx) Tier II – to limit the diesel engine NOx emissions;

ii. Energy Efficient Design Index (EEDI) – to monitor the amount of CO_2 emission and other greenhouse gas emissions from ships; and

iii. Ballast Water Treatment System.

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

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

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

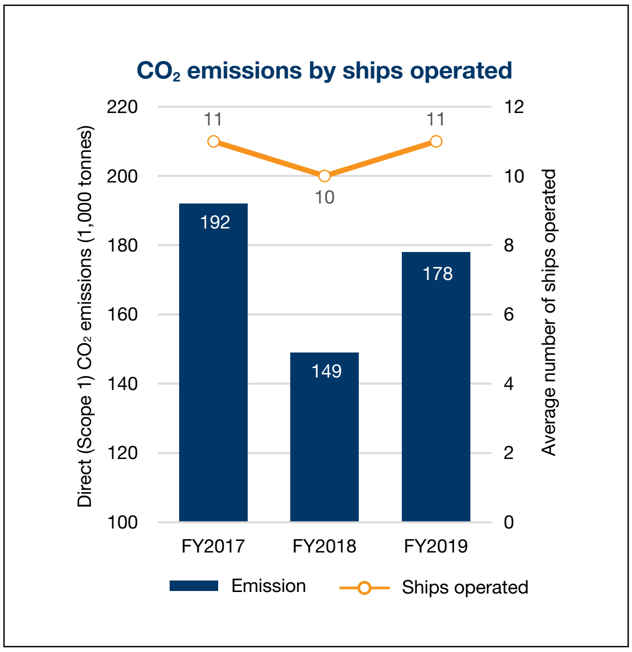
Within the Group, the Operations Department is responsible for the discharge of hold wash water, which might be harmful to the marine environment. We strictly ensure that our vessel discharges the hold wash water in line with the regulation under MARPOL Annex V.

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

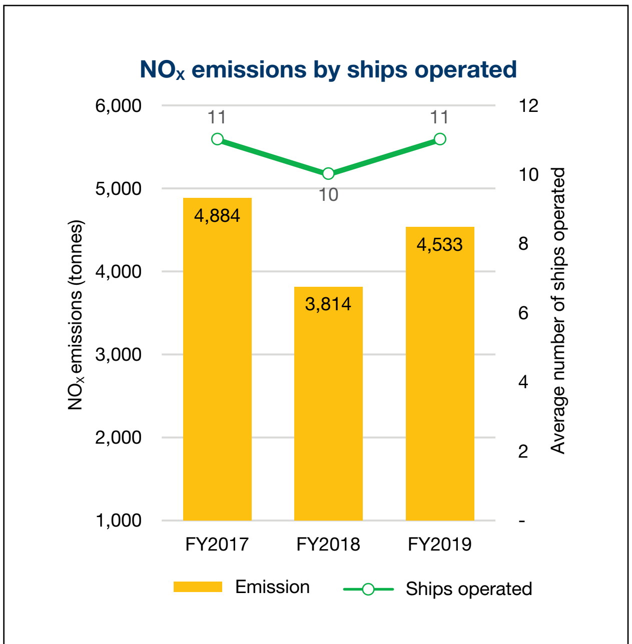
Sustainability Statement (cont'd)

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

There has been an increase in GHG emission in 2019 due to a change in fleet size during the reporting year.



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

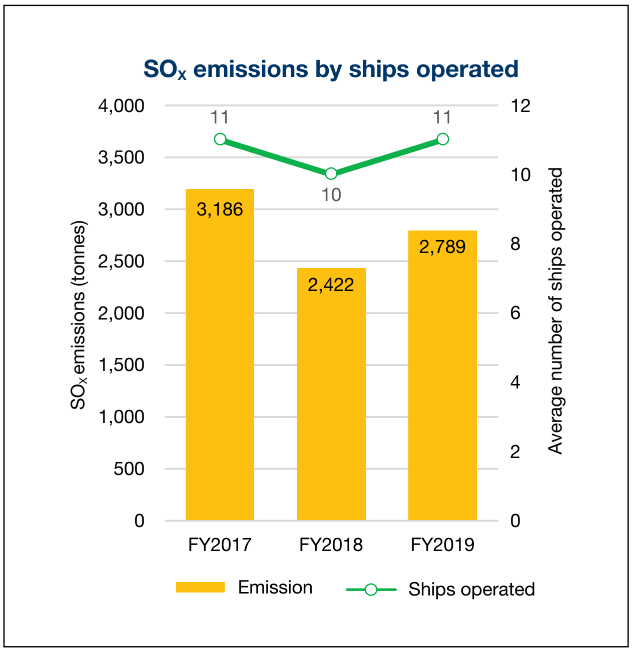


3.2 Sulphur Regulation

From 1 January 2020, IMO MARPOL Annex VI will reduce the maximum sulphur content in fuel oil used on vessels to 0.50% replacing the former limit of 3.5%.

In order to meet the regulation, vessels can switch to a new fuel with a lower sulphur content or install open or closed-loop Exhaust Gas Cleaning Systems (also known as scrubbers) that reduce the sulphur content from the exhaust gases.

The Group has retrofitted two (2) vessels with scrubbers and the remainder will switch to low sulphur bunkers.



3.3 Environmental Management Programme

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

i. Seafarers' Compliance

The seafarers play an important role in the implementation of, and compliance with pollution prevention requirements, regulations and standards through continuous review of Safety Management System manuals, circulars on environmental related matters and sea staff education via shipboard training, including computer based training, seminars and pre-joining ship briefings. Target for 2019 was set to have not more than 4 environmental related deficiencies issued during external inspection. There was no deficiency issued for the Group's owned fleet in 2019.

ii. Handling of oily bilge water

Reducing the production of oily bilge water from machinery space to minimise impact to the environment. It is achieved through various methods such as proper housekeeping and maintenance. The average monthly oil bilge production in 2019 was 1.53m^3 per ship, against target of 2.0m^3 per ship.

iii. Garbage/waste disposal

Preventing environmental pollution of garbage through various garbage/waste reduction methods such as reduce, reuse, recycle and repurpose, repair, return and refill. All accumulated garbage is compressed to its minimum possible size prior to disposal at shore facilities. The average monthly garbage production in 2019 was 0.94m^3 per ship, well below our target of 1.25m^3.

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

4. MARITIME DISASTER MANAGEMENT

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

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

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

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

4.1 Trainings and drills

At MBC Group, trainings and drills are held as realistic as possible. Participation in the training and drills is mandatory to all relevant personnel. All the relevant equipment such as fire pumps, survival craft are maintained in readiness for use in emergencies.

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

ZERO cases of maritime crisis/incident in 2019.

MBC'S CONTROLLED FLEET
(AS AT 17 APRIL 2020)

	Vessel Name	Category	Year Built	DWT (MT)
BULK CARRIERS				
Owned				
1	Alam Kekal	Kamsarmax	Oct-18	82,079
2	Alam Kukuh	Kamsarmax	Jan-19	82,079
3	Alam Kuasa	Kamsarmax	Apr-19	85,020
4	Alam Madu	Supramax	Sep-14	58,045
5	Alam Molek	Supramax	Oct-14	58,074
6	Alam Sejahtera	Handysize	May-16	33,393
Jointly-Owned				
7	Alam Mulia	Supramax	Oct-15	61,254
Long Term Charter				
8	Alam Seri	Handysize	Mar-11	29,562
9	Alam Suria	Handysize	Jan-12	29,077
10	Alam Setia	Handysize	Oct-13	36,320
11	Alam Sinar	Handysize	Jan-14	36,320
12	Alam Sayang	Supramax	Jul-13	61,410
Total				652,633

BOARD OF DIRECTORS

Dato’ Capt. Ahmad Sufian @ Qurnain Bin Abdul Rashid

70, Malaysian, Male
Independent Non-Executive Chairman

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

Dato’ Capt. Ahmad Sufian qualified as a Master Mariner with a Master Foreign-Going Certificate of Competency from United Kingdom in 1974 and a Diploma in Applied International Management from the Swedish Institute of Management in 1984. He attended the Advanced Management Program at Harvard in 1993. He is a Fellow of the Chartered Institute of Logistics and Transport and the Institute Kelautan Malaysia. He has over 45 years of experience in the international maritime industry. He is currently also the Independent Non-Executive Chairman of GD Express Carrier Berhad and an Independent Non-Executive Director of PPB Group Berhad.

Hor Weng Yew

53, Singaporean, Male
Chief Executive Officer

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

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

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

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

Thai Kum Foon

54, Singaporean, Female
Executive Director

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

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

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

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

Board Of Directors (cont'd)

Dato' Mohd Zafer Bin Mohd Hashim

47, Malaysian, Male
Independent Non-Executive Director

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

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

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

Tay Beng Chai

58, Malaysian, Male
Independent Non-Executive Director

Mr Tay Beng Chai was appointed to the Board on 14 October 2003. He is also Chairman of the Risk Management Committee and a member of the Audit Committee and the Nomination & Remuneration Committee.

He is the Managing Partner of Messrs Tay & Partners, Advocates & Solicitors and also a Partner of Bird & Bird ATMD LLP, Singapore. He holds a Bachelor of Law Degree from the National University of Singapore, and is an advocate and solicitor admitted to practice in Malaysia and Singapore. He has over 30 years' experience in corporate law, mergers and acquisitions, finance and securities law matters. Mr Tay is also a Fellow of the Singapore Institute of Arbitrators.

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

Lim Soon Huat

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

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

Mr. Lim is currently the Managing Director of PPB Group Berhad. He also sits on board of Ponderosa Golf & Country Resort Berhad and FFM Berhad.

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

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

Board Of Directors (cont'd)

Ahmad Mochtar Bin Hashim

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

Encik Ahmad Mochtar Bin Hashim was appointed to the Board on 5 July 2019.

He is currently the Chief Business Officer of Bank Pembangunan Malaysia Berhad (BPMB). Prior to that, he was the Acting Chief Risk Officer since 2017; Chief Credit Officer since 2012; Head of Business Development and Advisory Infrastructure since 2006; Head of Corporate Finance Department since 2002. Prior to joining BPMB, he was a Director of Babcock & Brown Asia Pacific and Pakar Koperat Sdn Bhd from 2001 to 2002; Director of Fieldstone Private Capital Group and FPCG Services Sdn Bhd from 1994 to 2000. He began his career as Administrative Officer of the Banking Department, Bank Negara Malaysia from 1986 to 1994.

He holds a Master of Business Administration (Finance) from the University of Missouri, Columbia and a Bachelor of Arts Degree in Economics and Computer Science from Macalester College, USA.

Yeoh Khoon Cheng

61, Malaysian, Male
Independent Non-Executive Director

Mr Yeoh Khoon Cheng was appointed to the Board on 29 August 2019. He is also a member of the Audit Committee.

Mr Yeoh Khoon Cheng started his career as Audit Assistant with Deloitte Malaysia in 1979. He joined Malayan Cement Berhad in 1987 as Finance Manager and has held various positions involving business development, mergers & acquisitions and corporate finance activities in addition to the position of Company Secretary from 1990 to 1998. He was appointed as Executive Director and Chief Financial Officer in January 1999 and held the position until August 2011. From August 2011 to December 2015, he was the Chief Financial Officer for Lafarge Cement China Limited and from January 2016 to July 2017, he was the Chief Financial Officer for Huaxin Cement Limited, China. He returned to Malayan Cement Berhad in August 2018 as Executive Director holding the position of Chief Financial Officer and later CEO until May 2019.

Mr Yeoh is a member of the Malaysian Institute of Accountants (MIA) and Malaysian Institute of Certified Public Accountants (MICPA).

He is currently also the Non-Independent Non-Executive Director of Malayan Cement Berhad.

Notes:

(1) The total number of Board meetings held during the financial year ended 31 December 2019 was five. The number of Board Meetings attended by the Directors in the financial year is set out on page 28 of this Annual Report.

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

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

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

(5) None of the directors have any public sanction and/or penalty imposed by any relevant regulatory bodies during the financial year ended 31 December 2019.

KEY SENIOR MANAGEMENT

Hor Weng Yew | Chief Executive Officer

His profile is disclosed on page 19 of this Annual Report.

Thai Kum Foon | Executive Director

Her profile is disclosed on page 19 of this Annual Report.

Gerald Teo Tse Sian | Director of Pacific Ship-Managers Sdn Bhd

Nationality/Age/ Gender:
Singaporean/ 50/ Male

Date of Appointment:
14 June 2018

Academic/ Professional Qualification:
- Bachelors of Science in Business Administration

Present Directorship:
- Listed entity: Nil
- Other public companies: Nil

Working Experience:
- 1993 till now – Chartering/Commercial Department of Pacific Carriers Limited Group

Sunil Ganesh Kamath | Director of PSM Perkapalan Sdn Bhd

Nationality/Age/ Gender:
Indian/ 55/ Male

Date of Appointment:
21 February 2020

Academic/ Professional Qualification:
- Master Foreign - Going Certificate of Competency

Present Directorship:
- Listed entity: Nil
- Other public companies: Nil

Working Experience:
- 1982 - 2001: Sea-going (with command experience) on bulk / loggers / breakbulk / container / tanker vessels
- 2001 - 2006 : Harbour Pilot
- 2006 - to date : Vessel operations (breakbulk and projects), offshore vessel operations and crewing, commercial / chartering (breakbulk and projects) within the Pacific Carriers Limited Group.

Tan Kim Hoon | Financial Controller

Nationality/Age/ Gender:
Malaysian/ 50/ Female

Date of Appointment:
1 December 2011

Academic/ Professional Qualification:
- The Association of Chartered Certified Accountants
- Member of the Malaysian Institute of Accountants

Present Directorship:
- Listed entity: Nil
- Other public companies: Nil

Working Experience:
Joined MBC Group on 4 May 1999

Notes:

(1) none of the key senior management has any family relationship with any director of the Company. The disclosure of key senior management's family relationship with major shareholders is not applicable as the major shareholders are corporate entities.
(2) none of the key senior management has any conflict of interest with the Company.
(3) none of the key senior management had any convictions for offences within the past 5 years other than traffic offences.
(4) none of the key senior management have any public sanction and/or penalty imposed by any relevant regulatory bodies during the financial year ended 31 December 2019.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Hor Weng Yew
Chief Executive Officer

Thai Kum Foon
Executive Director

Lim Soon Huat
Non-Independent Non-Executive Director

Tay Beng Chai
Independent Non-Executive Director

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

Ahmad Mochtar Bin Hashim
Non-Independent Non-Executive Director

Yeon Khoon Cheng
Independent Non-Executive Director

AUDIT COMMITTEE

Chairman
Dato' Mohd Zafer Bin Mohd Hashim

Members
Tay Beng Chai
Dato' Capt. Ahmad Sufian @ Qurnain Bin Abdul Rashid
Yeoh Khoon Cheng

NOMINATION & REMUNERATION COMMITTEE

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

Members
Tay Beng Chai
Lim Soon Huat

RISK MANAGEMENT COMMITTEE

Chairman
Tay Beng Chai

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

COMPANY SECRETARIES

Tan Ai Ning (MAICSA 7015852)
Tai Yit Chan (MAICSA 7009143)

REGISTRAR

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

REGISTERED OFFICE

Unit 11.03a, Level 11, Mercu 2
No. 3, Jalan Bangsar
KL Eco City
59200 Kuala Lumpur
Wilayah Persekutuan
Malaysia
Tel : +603-2281 1388
Fax : +603-2281 1338

STOCK EXCHANGE LISTING

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

AUDITORS

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

WEBSITE: www.maybulk.com.my

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

The Board of Directors is committed to ensuring that high standards of corporate governance are practised throughout the Group in discharging its responsibilities to protect and enhance shareholders' value.

The Corporate Governance Overview Statement provides a summary of the corporate governance practices of the Group during the financial year ended 31 December 2019 with reference to the three (3) broad principles in the Malaysian Code on Corporate Governance (Code), as follows:

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

This statement is to be read together with the Company's Corporate Governance Report for financial year ended 31 December 2019 (CG Report), which is based on a prescribed format pursuant to paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The CG Report is available on the Company's website at http://www.maybulk.com.my.

The CG Report provides details on how the Company has applied each practices under the Code, any departures thereof and the alternative measures put in place within the Company during the financial year ended 31 December 2019. The Board considers that the Company has substantially complied with the Code save for the exceptions which are fully described in the CG Report.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

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

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

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

The schedule of matters reserved for the Board's decision includes corporate/ strategic direction and major business proposals; major capital commitments; acquisition and disposal of assets and investments; commitment to loans and long/ short term financing with banks; capital structure; adoption of any significant change in accounting policies and approval of annual audited financial statements and quarterly results.

Code of Ethics and Conduct

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

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

Whistle Blowing Policy

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

Roles and responsibilities between the Chairman and Chief Executive Officer

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

Company Secretaries

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

The Company Secretaries and/or their representatives facilitate and attend all meetings of the board, board committees and shareholders meeting, and ensure that meetings are properly convened and proceedings are properly recorded; maintain all corporate records required under the Companies Act and ensure compliance with all reporting obligations under the applicable law and regulations; communicate Board decisions to Management and advise Board on its roles and responsibilities.

Board Composition

Currently the Board has eight (8) members, comprising two (2) Executive Directors, two (2) Non-Independent 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.

The Board has a good balance of members such that no one individual or a small group of individuals can dominate the Board's decision-making process. The Board considers that its composition, consisting of Directors with a diverse mix of skills and experience in shipping, business, corporate, finance and law, bring to the Board not only the essential commercial skills relevant for sound investment decisions, but also the practical and operational experience to professionally manage the Company.

Gender Diversity

The Board recognises the benefits of having a diverse Board to ensure that the mix and profiles of the Board members in terms of age, ethnicity and gender to provide the necessary range of perspectives, experience and expertise required to achieve effective stewardship and management. The Board believes that a truly diverse and inclusive Board will leverage on different thought, perspective, cultural and geographical background, age, ethnicity and gender which will ensure that the Group has a competitive advantage.

The Board currently does not have gender diversity policy and target in place. Nonetheless, the Board currently has one (1) female Director which contributes 12.5% of the Board composition. With the current composition, the Board feels that its members have the necessary knowledge, experience, diverse range of skills and competence to enable them to discharge their duties and responsibilities effectively.

Corporate Governance Overview Statement (cont'd)

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

Independent Directors

The Code recommends that the tenure of an independent director shall not exceed a cumulative period of nine (9) years. The Board must justify the decision and seek shareholders' approval at general meeting if the Board intends to retain the Director as Independent Director. If the Board continues to retain the Independent Director after the twelfth year, the Board should seek annual shareholder's approval through a two-tier voting process.

Dato' Capt. Ahmad Sufian @ Qurnain Bin Abdul Rashid and Mr. Tay Beng Chai have served on the Board for more than twelve (12) years. The Board, through the Nomination & Remuneration Committee (NRC), carried out an assessment and are satisfied that both Dato' Sufian and Mr Tay Beng Chai, fulfilled the criteria under the definition of Independent Director as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and they are able to exercise independent judgement and act in the best interests of the Company. The length of their service does not in any way impair their objective and independent judgement nor their ability to act in the best interests of the Group. On the contrary, their years of service on the Board have imbued them with a sound knowledge of the Group's business operations which enable them to participate actively and contribute during deliberations at board meetings.

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

Appointment to the Board

The NRC is responsible for assessing and making recommendations on new appointments to the Board. In assessing the suitability of candidates, the NRC considers the required mix of skills, knowledge, expertise, experience, professionalism and integrity of the candidate. In identifying suitable candidates for the position, the Board utilised external independent sources as recommended by Principle 4.6 of the Malaysian Code on Corporate Governance.

During the year, the Company had appointed Encik Ahmad Mochtar Bin Hashim and Mr Yeoh Khoon Cheng as Non-Independent Non-Executive Director and Independent Non-Executive Director respectively.

Re-election

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

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

The following directors are due to retire at the forthcoming AGM and eligible for re-election:

(1) Mr Tay Beng Chai
(2) Mr Hor Weng Yew
(3) Encik Ahmad Mochtar Bin Hashim
(4) Mr Yeoh Khoon Cheng

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

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

Nomination & Remuneration Committee

The NRC comprises exclusively of Non-Executive Directors, with a majority of Independent Directors. The members are as follows:

1. Dato' Capt. Ahmad Sufian @ Qurnain Bin Abdul Rashid (Independent Non-Executive Chairman)
2. Tay Beng Chai (Independent Non-Executive Director)
3. Lim Soon Huat (Non-Independent Non-Executive Director)

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

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

The NRC meets at least once a year and whenever required. In 2019, one (1) meeting was held with full attendance. A summary of activities of NRC during the year under review is as follows:

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

Board Assessment

Assessment on the effectiveness of the Board as a whole and its Board Committees and contribution by each individual director, are conducted annually. The assessments cover the following areas:

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

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

Time commitment

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

Board Meetings and Supply of Information

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

Corporate Governance Overview Statement (cont'd)

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

Board Meetings and Supply of Information (cont'd)

During the financial year ended 31 December 2019, the Board had five (5) meetings and the record of attendance for each Director is set out below.

Name of Director	Number of meetings attended
Dato' Capt. Ahmad Sufian @ Qurnain Bin Abdul Rashid	5 / 5
Hor Weng Yew	5 / 5
Thai Kum Foon	5 / 5
Wu Long Peng *(retired on 3 May 2019)*	2 / 2
Lim Soon Huat	5 / 5
Tay Beng Chai	5 / 5
Dato' Mohd Zafer Bin Mohd Hashim	5 / 5
Afidah Binti Mohd Ghazali *(resigned on 4 February 2019)*	–
Ahmad Mochtar Bin Hashim *(appointed on 5 July 2019)*	2 / 2
Yeoh Khoon Cheng *(appointed on 29 August 2019)*	1 / 1

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 Board's deliberation on the issues discussed and decisions are duly recorded in the minutes. The Chairman of the respective committees brief the Board on matters discussed and the outcome of deliberations of their respective committee meetings. The final decision is the responsibility of the Board after considering the recommendations of the respective committee.

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

Directors' Training

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

All Directors, after assessing their own training needs, have attended conferences and seminars in areas that are relevant to the Group's business activities. Some of the conferences and seminars attended by the Directors during the financial year ended 31 December 2019 were as follows:

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

- Directors' Duties & Responsibilities – A Refresher
- Sustainability Training – What Directors Need to Know
- Case Study Workshop for Independent Directors
- Cyber Attacks
- Corporate Governance and Anti-Corruption
- 2020 Post Budget
- Tax Functions of Tomorrow
- EY Asia-Pacific Tax Symposium 2019
- Development Banking Program (Advance)

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

- 2nd Capital Link Singapore Maritime Forum, 13th Singapore Maritime Lecture & Maritime CEO Forum
- National Economic Forum 2019
- Business Foresight Forum 2019
- Shipping 2030 Transformation Asia Conference
- Global Maritime Forum Annual Summit 2019

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

Directors' Remuneration

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

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

The details of the Company's Directors' remuneration paid/payable for the financial year ended 31 December 2019 are set out below. The Company's directors did not receive any remuneration from the subsidiaries for the financial year ended 31 December 2019.

	Fees (RM)	Meeting allowance (RM)	Salaries (RM)	Benefits in kind (RM)	Other emoluments (RM)	Total (RM)
Executive Directors						
Hor Weng Yew	60,000	5,000	–	–	–	65,000
Thai Kum Foon	60,000	4,500	–	–	–	64,500
Non-Executive Directors						
Dato' Capt. Ahmad Sufian @ Qurnain Bin Abdul Rashid	107,452	14,000	–	–	–	121,452
Wu Long Peng*	20,055	2,000	–	–	–	22,055
Lim Soon Huat	65,000	6,000	–	–	–	71,000
Tay Beng Chai	90,000	15,000	–	–	–	105,000
Dato' Mohd Zafer Bin Mohd Hashim	85,000	12,500	–	–	–	97,500
Afidah Binti Mohd Ghazali**	6,986	–	–	–	–	6,986
Ahmad Mochtar Bin Hashim^	29,589	2,000	–	–	–	31,589
Yeoh Khoon Cheng^^	20,548	1,000	–	–	–	21,548
Total	544,630	62,000	–	–	–	606,630

Notes:
Fees payable to the following directors are pro-rated according to their appointment and resignation date:
** Mr Wu Long Peng retired as director on 3 May 2019.*
*** Puan Afidah Binti Mohd Ghazali resigned as director on 4 February 2019.*
^ Encik Ahmad Mochtar Bin Hashim appointed as director on 5 July 2019.
^^ Mr Yeoh Khoon Cheng appointed as director on 29 August 2019.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

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

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

Further details on the AC's activities are set out on pages 31 to 34 of the Annual Report.

Corporate Governance Overview Statement (cont'd)

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

Suitability and Independence of External Auditors

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

The AC meets with the external auditors to discuss their audit plan and audit findings, without the presence of executive Board members and management staff. The External Auditors have declared to the AC that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the By-laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants. The AC, having considered the external auditors' work performance and independence, recommended to the Board for their consideration and approval, the re-appointment of Messrs Ernst & Young PLT as auditors of the Company.

Risk Management and Internal Control

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

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

The Statement on Risk Management and Internal Control as set out on pages 35 to 38 of the Annual Report provides an overview of the management of risks and state of internal controls within the Group.

The Internal Audit function reports directly to the AC. The activities carried out by the Internal Audit Department are set out on pages 33 to 34 of the Annual Report.

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

Communications with Stakeholders

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

The Group's financial results, announcements, annual report and circulars are the primary modes of disseminating information in relation to the Group's business activities and financial information and this can be accessed from the Company's website at http://www.maybulk.com.my or Bursa Malaysia Securities Berhad's website at http://www.bursamalaysia.com.

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

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

Conduct of General Meetings

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

The Notice of the AGM is circulated at least twenty-eight (28) days before the date of the meeting to enable shareholders to have sufficient time to go through the Annual Report and make the necessary attendance and voting arrangement.

AUDIT COMMITTEE REPORT

COMPOSITION OF THE AUDIT COMMITTEE

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

Members
Tay Beng Chai
Independent Non-Executive Director

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

Yeoh Khoon Cheng
Independent Non-Executive Director
(appointed as member with effect from 25 February 2020)

The Audit Committee comprises four (4) members, all of whom are Independent Non-Executive Directors. The Chairman, Dato' Mohd Zafer Bin Mohd Hashim, is a member of the Malaysian Institute of Accountants. None of the Audit Committee members are alternate 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 2019, the Audit Committee held five (5) meetings and the record of attendance for each Audit Committee member is set out as below:

	Attendance
Dato' Mohd Zafer Bin Mohd Hashim	5 / 5
Tay Beng Chai	5 / 5
Afidah Binti Mohd Ghazali *(ceased as member on 4 February 2019)*	– / –
Dato' Capt. Ahmad Sufian @ Qurnain Bin Abdul Rashid *(appointed as member on 4 March 2019)*	4 / 4

SUMMARY OF TERMS OF REFERENCE

Purpose

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

SUMMARY OF TERMS OF REFERENCE (CONT'D)

Duties and Responsibilities

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

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

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

    - ➢ any changes in or implementation of major accounting policy and practices;
    - ➢ significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions and how the matters are addressed;
    - ➢ compliance with accounting standards and other legal requirements;

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

- review with 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 Internal Audit, including appraisal or assessment of the performance of the Head of Internal Audit, 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 2019, the Audit Committee performed its duties as set out in its terms of reference.

Financial statements

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

- reviewed the annual audited financial statements of the Group/Company and made relevant recommendations to the Board of Directors for approval.

- for the review of annual financial results of the Group, the Committee communicated with the external auditors, with particular focus on:

    - significant matters highlighted including financial reporting issues and significant judgements made by Management, and how these matters are addressed; and
    - compliance with the applicable accounting/ auditing standards in Malaysia and any other relevant regulatory requirements.

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

Matters relating to External Audit

- reviewed the External Audit scope of work and audit plan for financial year 2019.
- reviewed the External Audit audit findings and recommendations to the Board of Directors for further action where appropriate.
- met with the External Auditors without the presence of any executive Board members and management staff. Audit Committee met with external auditors prior to commencement of their audit work as well as upon completion of their audit work to discuss issues arising from the course of their work.
- reviewed the performance and independency of the External Auditors and made recommendation to the Board for the re-appointment of the External Auditors.

Matters relating to Internal Audit

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

Matters relating to Related Party Transactions

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

Other matters

- reviewed the Terms of Reference of Audit Committee and made recommendations to the Board for approval.
- reviewed the Audit Committee Report and Statement on Risk Management and Internal Control and made recommendations to the Board for approval.
- reviewed the Gap Analysis Report as prepared under the MACC Guidelines.

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.

Audit Committee Report
(cont'd)

SUMMARY OF THE ACTIVITIES OF INTERNAL AUDIT DEPARTMENT

The IAD carried out its activities in accordance to Internal Audit Plan approved by the Audit Committee. The Internal Audit function adopts a risk-based approach and prepare the yearly audit plan based on results of a risk assessment undertaken, to determine prioritization of internal audit engagements.

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

- For internal audit engagements undertaken, reviewed adequacy and effectiveness of the applicable internal control framework.

- Internal audit reports incorporating audit observations, recommendations and management actions were issued to the Audit Committee. A total of 8 Internal Audit reports were issued in year 2019. 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.

- Report on IAD's performance on a quarterly basis which included the percentage completion of the audit plan, status of management action plans from internal audit recommendations and other initiatives undertaken.

- conducted an internal self-assessment of the internal audit activity for internal auditing work performed during the year, as part of a Quality Assurance and Improvement program. Based on the assessment, the activities carried out by Internal Audit generally conform to the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing and Code of Ethics.

The costs incurred by the Internal Audit Department for the financial year ended 31 December 2019 was RM61,158 (FY2018: RM97,079).

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 and is prepared in accordance with the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" endorsed by Bursa Malaysia Securities Berhad.

BOARD RESPONSIBILITY

The Board recognises that effective risk management and a sound system of internal control are fundamental to good corporate governance. The Board acknowledges its overall responsibility for the Group's risk management and internal control system and for reviewing the adequacy and effectiveness of the systems. To this end, the Board is assisted by the Risk Management Committee and Audit Committee.

The risk management and internal control system are designed to manage and mitigate risks, rather than eliminate the risk of failure to achieve business objectives and would therefore provide only reasonable and not absolute assurance against any material misstatements, fraud or loss.

MANAGEMENT RESPONSIBILITY

Management is accountable to the Board and is overall responsible for the effective implementation of the Board's policies and procedures on risk management and internal control. To this end, the key responsibilities of Management are as follows:

- Identifying and assessing all relevant and material risks associated with the Group's business operations and determining whether the risks are within the Group's risk appetite
- Designing, implementing and monitoring of risk management and internal control system in accordance with the Group's strategies and overall risk appetite
- Reporting in a timely manner to the Board on any changes to the key risks, or emerging risk and the correction actions taken

The responsibility of day-to-day risk management resides with heads of business units where they are the risk owners and are accountable for managing the risks identified and assessed. The heads of business units are responsible for ensuring that there is on-going monitoring of risks, the adequacy and effectiveness of its related controls, and that action plans are developed and implemented to manage these risks within the Group's risk appetite.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee assists the Board on the oversight of the Group's management of key risks, including strategic and operational risks, as well as the guidelines, policies and processes for monitoring and mitigating such risks. The Risk Management Committee determines the Group's risk strategies and policies and oversee the management of all identified risks which includes the continuous identification, measurement, controlling and monitoring of all relevant and material risks of the Group, including the identification of emerging risks.

RISK MANAGEMENT PROCESS

The risk management process involves a systematic application of the risk management methodology to facilitate risk identification, assessment, reporting as well as monitoring and review. Risks identified are assessed to determine the risk likelihood of occurrence and potential impact on the relevant business strategies or objectives. The assessed risks of business units are consolidated in a risk register which enable business units to report risks and risk status using a common platform.

All the risk owners are responsible to provide periodic updates on the risk mitigating activities and the results. Changes to risk profiles and emerging risks are also identified and promptly brought to the attention of the Risk Management Committee and the Board.

Risk appetite and risk tolerance policy, which set out the nature and extent of risks that the Group is willing to accept or retain in pursuit of its goals and objectives, are reviewed by the Risk Management Committee and approved by the Board.

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

KEY CORPORATE RISKS

The Risk Management Committee is supported by the Management in addressing the following risks:

(i) Market

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

(ii) Commercial / Customer

Due to depressed business environment and socio-economical factors, the Group might suffer from counterparty failure and loss of major customers. The Group has taken various measures such as strengthening counterparty and credit evaluation assessment, establish credit control management & collection policy as well as enhancing customer relationships and identify new growth areas or new commercial products for diversification to mitigate the risk associated.

(iii) Financial

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

(iv) Operations / Technical

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

(v) People

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

(vi) Regulatory

The implementation of the International Maritime Organisation (IMO) 2020 Sulphur Cap on and after 1 January 2020 requires ships to use fuel oil on board with sulphur content of no more than 0.50% m/m (mass by mass) to reduce the sulphur oxide emissions from ships. Ships can meet the requirement by using low sulphur content compliant fuel oil or may use exhaust gas cleaning systems or "scrubbers", which "clean" the emissions before they are released into the atmosphere. In meeting this new requirement, some of the Group's vessels are installed with scrubbers and other vessels will use compliant fuel oil.

INTERNAL CONTROL

The Board acknowledges that the internal control system is designed to manage and reduce risks that will hinder the Group from achieving its goals and objectives. It provides reasonable assurance against the occurrence of any material misstatement of management inclusive of financial information, business, operational, environmental, compliance and financial losses or fraud. The internal control system is embedded within the Group's operating activities and exist for fundamental business reasons. The system is reviewed regularly throughout the year by the Board, taking into consideration any changes in relevant regulations and laws or the business environment to ensure the adequacy and integrity of the internal control system.

INTERNAL CONTROL (CONT'D)

The key elements of the Group's internal control system are as follows:

Control Structure

The Board has delegated authority to various Board Committees such as the Audit Committee, the Risk Management Committee, and the Nomination and Remuneration Committee to enable them to oversee certain specific responsibilities based on clearly defined terms of reference. Any change to the terms of reference for any Board Committee requires the Board's approval.

Further details on the structures of the Board and Board Committees are provided under Corporate Information as well as the Corporate Governance Statement and Audit Committee Report.

Internal Controls, Policies and Procedures

The Group has put in place a system of internal controls based on segregation of duties, independent checks, system access control and multi-tier authorisation processes to ensure control procedures and limits are implemented and complied with. Authority limits aligned to the Group's organisational requirements in areas such as procurement, contracting, human resources and financial management are encapsulated in the Financial Authority Limit. Policies and procedures are formulated in support of the Group's internal control framework to ensure compliance with internal controls and relevant laws and regulations and to govern the business and operations of the Group. These policies and procedures are reviewed regularly to ensure adequacy, effectiveness and relevance to the changes in the operational needs, business environment or regulatory requirements.

Annual Business Plans, Budgets and Performance

Annual business plans and budgets are developed in line with the Group's strategies and risk appetite, are reviewed and approved by the Board. Actual achievements are assessed against the approved budgets and actions are taken to address variances identified periodically.

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

Human Capital Management

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

Disaster Recovery Plan (DRP)

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

Code of Ethics and Code of Conduct

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

Whistleblowing Policy

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

Anti-Corruption Policy

In compliance with the Malaysian Anti-Corruption Commission (Amendment) Act 2018 where a company is strictly liable for the corrupt practices of its associated persons, the Group has established appropriate processes, systems and controls as well as Anti-Corruption Policy approved by the Board to mitigate specific corruption risk the business is exposed to. The Anti-Corruption Policy sets out the Group's commitment in preventing acts of bribery and corruption. The policy provides guidance on ethical business conduct for which employee should adhere to.

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

INTERNAL CONTROL (CONT'D)

Monitoring and Review Activities

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

During the financial year under review, Internal Audit reviewed and conducted audits and assessed the adequacy of the system of internal controls over the following areas: finance, operations, technical, commercial and information technology. Eight (8) Internal Audit Reports were issued and presented to the Audit Committee with the audit observations and recommended corrective actions. There were no significant deficiencies in controls detected.

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

The Audit Committee reviews the reports from the Internal and External Auditors on issues relating to internal controls and financial reporting, and reports to the Board its conclusion on the effectiveness of the risk management and internal control system.

There were no material internal control failures or any reported weaknesses that have resulted in material financial losses or contingencies during the financial year under review.

CONCLUSION

The Board has received assurance from Chief Executive Officer, Financial Controller, Heads of Commercial and Technical Division that the Group's risk management and internal control system are operating adequately and effectively, in all material aspects. The Board confirms that it has reviewed the effectiveness of the risk management and internal control system and is not aware of any significant weakness or deficiency for the financial year under review and up to the date of approval of this Statement on Risk Management and Internal Control.

There were no material losses that have arisen from any inadequacy or failure of Group's system of internal control which requires additional disclosure in the financial statements. The Board believes that the Group's risk management and internal control system are adequate and effective to safeguard the interests of shareholders, customers, employees and the Group's assets.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors have performed limited assurance procedures on this Statement on Risk Management and Internal Control ("Statement") pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2019, and reported to the Board that nothing has come to their attention that causes them to believe the statement intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Guidelines, nor is the Statement factually inaccurate.

AAPG 3 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and Management thereon. The report from the External Auditors was made solely for, and directed solely to the Board of Directors in connection with their compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and for no other purposes or parties. The External Auditors do not assume responsibility to any person other than the Board of Directors in respect of any aspect of this report.

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DIRECTORS' REPORT

The Directors present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

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

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

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
(Loss)/profit for the year	(7,314)	18,892
Attributable to:		
Equity holders of the Company	(7,319)	18,892
Non-controlling interest	5	–
	(7,314)	18,892

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

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

DIVIDEND

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

SHARES AND DEBENTURES

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

DIRECTORS

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

Directors of the Company:
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid**
Tay Beng Chai
Dato' Mohd Zafer bin Mohd Hashim
Lim Soon Huat
Hor Weng Yew**
Thai Kum Foon**
Ahmad Mochtar bin Hashim (appointed on 5 July 2019)
Yeoh Khoon Cheng (appointed on 29 August 2019)
Wu Long Peng** (retired on 3 May 2019)
Afidah binti Mohd Ghazali (resigned on 4 February 2019)

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

DIRECTORS (CONT'D)

Directors of the Company's subsidiaries:
Tan Kim Hoon
Ooi Pooi Teng
Naoki Shinohara
Takuya Shirai
Gerald Teo Tse Sian
Chwa Poh Kew (appointed on 15 November 2019)
Sunil Ganesh Kamath (appointed on 21 February 2020)
Sia Geun Teck (resigned on 31 January 2020)

DIRECTORS' BENEFITS

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

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

During the financial year, a Directors' and Officers' Liability Insurance up to an aggregate limit of RM20,000,000 was maintained for the Directors and officers of the Company with a total insurance premium paid of RM34,500.

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
	At 1.1.2019	**During the year Bought**	**During the year Sold**	**At 31.12.2019**
Direct interests				
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid	**500,000**	–	–	**500,000**
Tay Beng Chai	**275,000**	–	–	**275,000**
Indirect interests				
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid	**20,000**	–	–	**20,000**
Tay Beng Chai	**2,500**	–	–	**2,500**

None of the other Directors holding office at 31 December 2019 had any interest in the shares of the Company or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

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

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and satisfied themselves that 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.

SIGNIFICANT EVENTS

Significant events during the financial year are disclosed in Note 35 to the financial statements.

SIGNIFICANT SUBSEQUENT EVENT

Details of significant event subsequent to the financial year are disclosed in Note 36 to the financial statements.

AUDITORS

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

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

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 17 March 2020.

Hor Weng Yew **Thai Kum Foon**

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

We, Hor Weng Yew and Thai Kum Foon, being two of the Directors of Malaysian Bulk Carriers Berhad, do hereby state that in the opinion of the Directors, the financial statements set out on pages 50 to 102 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 17 March 2020.

Hor Weng Yew **Thai Kum Foon**

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

I, Tan Kim Hoon, being the Officer primarily responsible for the financial management of Malaysian Bulk Carriers Berhad, do solemnly and sincerely declare that the financial statements set out on pages 50 to 102 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 17 March 2020. **Tan Kim Hoon**

Before me,

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MALAYSIAN BULK CARRIERS BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Malaysian Bulk Carriers Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 50 to 102.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key audit matters

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

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

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

(1) Impairment assessment of owned and chartered-in vessels

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

The Group operates owned and chartered-in vessels in the bulkers market. Management regularly monitors the carrying value of its fleet on a vessel-by-vessel basis. Arising from management's assessment, impairment losses on vessels and non-current assets held for sale of RM11.23 million and RM10.53 million respectively were recognised by the Group during the year.

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

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

(1) Impairment assessment of owned and chartered-in vessels (cont'd)

(i) Impairment of owned vessels

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

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

(ii) Impairment of right-of-use ("ROU") of chartered-in vessels

The Group estimated the recoverable amounts of its ROU of chartered-in vessels based on the value in use calculated using a discounted cash flow ("DCF") model. The DCF model involves management estimating the expected future cash flows from the chartered-in vessels over the remaining lease term and applying a suitable discount rate to calculate the present value of those cash flows.

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

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

Our response

We obtained an understanding of management's process for assessing impairment of vessels and right-of-use assets.

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

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

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

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

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

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

(2) Adoption of MFRS 16 Leases

We draw your attention to Note 2.26 (Accounting policies), Note 2.2 (Changes in accounting policies), and Note 26 (Lease Liabilities).

The Group adopted MFRS 16 Leases on 1 January 2019 using the modified retrospective approach and recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117. These liabilities are measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019.

The Group also recognised ROU assets which are measured at an amount equal to the lease liabilities at 1 January 2019.

As at 1 January 2019, the impact of the adoption of MFRS 16 to the Group is an increase in ROU assets of RM182.94 million, an increase in lease liabilities of RM283.16 million, and an increase in retained earnings of RM6 million.

The Group has assessed whether the accounting of leases is consistent with the requirements of MFRS 16 including factors such as lease term, discount rate and measurement principles.

These assessments are significant to our audit as significant judgement is required in the assumptions made in determining the ROU asset and lease liability. The adjustment and disclosure arising from the adoption of MFRS 16 are material to the Group, and this is a key focus area in our audit.

Our response

In addressing this area of focus, we performed the following procedures:

- We evaluated the accounting policies applied including the use of practical expedients permitted by the standard.
- We obtained an understanding of the design and implementation of internal controls including management's process to review the terms and conditions of lease contracts and the calculation of the lease liabilities.
- We assessed whether the population of lease contracts is complete and obtained an understanding of management's process for ensuring the completeness and accuracy of the data used to apply the transition provisions.
- We read, on a sample basis, the lease contracts and verified the data used to determine the transition adjustments.
- We evaluated the judgements applied by management in determining the ROU asset and lease liability.

Information other than the financial statements and auditors' report thereon

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

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

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

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

Information other than the financial statements and auditors' report thereon (cont'd)

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

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

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER MATTERS

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

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Ng Kim Ling
No. 03236/04/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
17 March 2020

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	4	**257,993**	238,974	**38,906**	57,594
Voyage expenses		**(51,450)**	(40,709)	**(11,939)**	(12,841)
		206,543	198,265	**26,967**	44,753
Operating expenses		**(174,542)**	(193,881)	**(15,109)**	(8,027)
Operating profit		**32,001**	4,384	**11,858**	36,726
(Loss)/gain on disposal of property, plant and equipment		**(17,799)**	–	**13,132**	–
Impairment loss on vessels		**(11,232)**	(6,351)	**–**	–
Impairment loss on non-current assets classified as held for sale		**(10,527)**	–	–	–
Reversal of/(impairment loss) on investments in subsidiaries		**–**	–	**156**	(165,188)
Impairment loss on amount due from a subsidiary		**–**	–	**(9)**	–
Net change in provision for onerous contracts		**4,640**	32,232	**–**	–
Gain on liquidation of a subsidiary		**9,523**	–	**–**	–
Other operating income, net	5	**4,720**	1,916	**3,990**	12,735
Administration expenses		**(9,466)**	(9,604)	**(4,923)**	(6,331)
		1,860	22,577	**24,204**	(122,058)
Finance costs		**(29,371)**	(17,211)	**(4,649)**	(10,627)
Share of results of an associate		**–**	(8,402)	**–**	–
Gain on disposal of an associate		**–**	265,929	**–**	–
Share of results of joint ventures		**2,131**	1,907	**–**	–
Gain on liquidation of a joint venture		**19,281**	–	**–**	–
(Loss)/profit before taxation	6	**(6,099)**	264,800	**19,555**	(132,685)
Taxation	9	**(1,215)**	(848)	**(663)**	(460)
(Loss)/profit for the year		**(7,314)**	263,952	**18,892**	(133,145)
Attributable to:					
Equity holders of the Company		**(7,319)**	263,838	**18,892**	(133,145)
Non-controlling interest		**5**	114	**–**	–
		(7,314)	263,952	**18,892**	(133,145)
(Loss)/earnings per share (sen)	10	**(0.73)**	26.38		

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 2019

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
(Loss)/profit for the year	**(7,314)**	263,952	**18,892**	(133,145)
Other comprehensive (loss)/income:				
<u>Items that will be reclassified to profit or loss</u>				
Currency translation differences	**(2,784)**	(2,977)	**(2,151)**	10,390
Net change in cash flow hedge	**(5,398)**	3,291	**(3,477)**	3,291
Share of other comprehensive income of associate	**–**	6,821	**–**	–
Reclassification of reserves from equity to profit or loss upon the liquidation of:				
- a subsidiary	**(9,523)**	–	**–**	–
- a joint venture	**(19,248)**	–	**–**	–
Reclassification of reserves relating to associate from equity to profit or loss upon the disposal of associate	**–**	(404,415)	**–**	–
Total comprehensive (loss)/income for the year	**(44,267)**	(133,328)	**13,264**	(119,464)
Total comprehensive (loss)/income attributable to:				
Equity holders of the Company	**(44,266)**	(132,687)	**13,264**	(119,464)
Non-controlling interest	**(1)**	(641)	**–**	–
	(44,267)	(133,328)	**13,264**	(119,464)

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Assets					
Non-current assets					
Intangible assets	11	**427**	286	**427**	286
Property, plant and equipment	12	**605,151**	502,953	**129,298**	39,556
Right-of-use assets	13	**115,929**	–	**–**	–
Subsidiaries	14	**–**	–	**297,798**	264,450
Joint ventures	15	**34,103**	36,680	**–**	–
Loan to a subsidiary	16	**–**	–	**–**	79,705
Total non-current assets		**755,610**	539,919	**427,523**	383,997
Current assets					
Consumable stores	17	**11,055**	10,108	**2,401**	3,304
Receivables and other current assets	18	**28,556**	34,212	**1,881**	4,832
Contract assets	4	**452**	966	**452**	–
Amounts due from subsidiaries	19	**–**	–	**219**	6,370
Short term deposits	20	**56,131**	261,138	**10,290**	159,543
Cash and bank balances		**23,349**	27,986	**1,038**	19,284
		119,543	334,410	**16,281**	193,333
Non-current assets classified as held for sale	21	**82,115**	148,411	**–**	29,880
Total current assets		**201,658**	482,821	**16,281**	223,213
Total assets		**957,268**	1,022,740	**443,804**	607,210

Statements of financial position as at 31 December 2019 (cont'd)

		Group		Company	
		2019	**2018**	**2019**	**2018**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Equity and liabilities					
Equity attributable to equity holders of the Company					
Share capital	22	**338,791**	338,791	**338,791**	338,791
Cash flow hedge reserve	23(a)	**(1,921)**	3,477	**–**	3,477
Foreign currency translation reserve	23(b)	**181,122**	212,671	**405,001**	407,152
Accumulated losses		**(163,162)**	(161,847)	**(395,475)**	(414,367)
		354,830	393,092	**348,317**	335,053
Non-controlling interest		**–**	1,085	**–**	–
Total equity		**354,830**	394,177	**348,317**	335,053
Non-current liabilities					
Payables and other liabilities	24	**–**	46,086	**–**	–
Borrowings	25	**325,232**	197,685	**83,603**	–
Lease liabilities	26	**115,398**	–	**–**	–
Derivative financial liabilities	27	**2,538**	816	**–**	816
Provision for onerous contracts	28	**–**	44,526	**–**	–
Total non-current liabilities		**443,168**	289,113	**83,603**	816
Current liabilities					
Payables and other liabilities	24	**33,141**	44,230	**5,499**	7,040
Contract liabilities	4	**4,415**	5,072	**–**	–
Amounts due to subsidiaries	19	**–**	–	**6,241**	5,818
Borrowings	25	**31,607**	211,472	**–**	198,913
Lease liabilities	26	**89,543**	–	**–**	–
Derivative financial liabilities	27	**243**	59,309	**–**	59,309
Provision for taxation		**321**	309	**144**	261
Provision for onerous contracts	28	**–**	19,058	**–**	–
Total current liabilities		**159,270**	339,450	**11,884**	271,341
Total liabilities		**602,438**	628,563	**95,487**	272,157
Total equity and liabilities		**957,268**	1,022,740	**443,804**	607,210

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 2019

	Attributable to Equity Holders of the Company						
			Non-distributable				
	Share capital RM'000	Accumulated losses RM'000	Cash flow hedge reserve (Note 23(a)) RM'000	Foreign currency translation reserve (Note 23(b)) RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
Group							
At 31 December 2018, as previously stated	**338,791**	**(161,847)**	**3,477**	**212,671**	**393,092**	**1,085**	**394,177**
Effect of adopting MFRS 16	**–**	**6,004**	**–**	**–**	**6,004**	**–**	**6,004**
Adjusted balance at 1 January 2019	**338,791**	**(155,843)**	**3,477**	**212,671**	**399,096**	**1,085**	**400,181**
Total comprehensive loss for the year	**–**	**(7,319)**	**(5,398)**	**(31,549)**	**(44,266)**	**(1)**	**(44,267)**
Dividend paid to non-controlling interest	**–**	**–**	**–**	**–**	**–**	**(953)**	**(953)**
Capital distribution to non-controlling interest	**–**	**–**	**–**	**–**	**–**	**(131)**	**(131)**
At 31 December 2019	**338,791**	**(163,162)**	**(1,921)**	**181,122**	**354,830**	**–**	**354,830**
At 1 January 2018	338,791	(425,685)	6,647	606,026	525,779	23,404	549,183
Total comprehensive loss for the year	–	263,838	(3,170)	(393,355)	(132,687)	(641)	(133,328)
Dividend paid to non-controlling interest	–	–	–	–	–	(21,678)	(21,678)
At 31 December 2018	338,791	(161,847)	3,477	212,671	393,092	1,085	394,177

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 2019

			← Non-distributable →		
	Share capital RM'000	Accumulated losses RM'000	Cash flow hedge reserve (Note 23(a)) RM'000	Foreign currency translation reserve (Note 23(b)) RM'000	Total RM'000
Company					
At 1 January 2019	**338,791**	**(414,367)**	**3,477**	**407,152**	**335,053**
Total comprehensive income for the year	**–**	**18,892**	**(3,477)**	**(2,151)**	**13,264**
At 31 December 2019	**338,791**	**(395,475)**	**–**	**405,001**	**348,317**
At 1 January 2018	338,791	(281,222)	186	396,762	454,517
Total comprehensive loss for the year	–	(133,145)	3,291	10,390	(119,464)
At 31 December 2018	338,791	(414,367)	3,477	407,152	335,053

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 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from operating activities				
(Loss)/profit before taxation	**(6,099)**	264,800	**19,555**	(132,685)
Adjustments for:				
Amortisation of intangible assets	**122**	26	**122**	26
Depreciation of property, plant and equipment	**27,371**	25,491	**3,486**	1,833
Depreciation of right-of-use assets	**65,605**	–	**–**	–
Bad debts written off	**131**	–	**–**	–
Provision for expected credit losses on trade receivables	**–**	836	**–**	–
Loss/(gain) on disposal of property, plant and equipment	**17,799**	–	**(13,132)**	–
Unrealised foreign exchange loss	**100**	107	**108**	84
Dividends from subsidiaries	**–**	–	**–**	(27,594)
Interest income	**(3,476)**	(2,850)	**(1,957)**	(11,776)
Finance costs	**29,371**	17,211	**4,649**	10,627
Impairment loss on vessels	**11,232**	6,351	**–**	–
Impairment loss on non-current assets classified as held for sale	**10,527**	–	–	–
(Reversal of)/impairment loss on investments in subsidiaries	**–**	–	**(156)**	165,188
Impairment loss on amount due from a subsidiary	**–**	–	**9**	–
Net change in provision for onerous contracts	**(4,640)**	(32,232)	**–**	–
Fair value changes in derivatives	**–**	870	**–**	870
Share of results of an associate	**–**	8,402	**–**	–
Gain on disposal of an associate	**–**	(265,929)	**–**	–
Share of results of joint ventures	**(2,131)**	(1,907)	**–**	–
Gain on liquidation of a subsidiary	**(9,523)**	–	**–**	–
Gain on liquidation of a joint venture	**(19,281)**	–	**–**	–
Operating profit before working capital changes	**117,108**	21,176	**12,684**	6,573
Changes in working capital:				
Consumable stores	**(1,043)**	(2,808)	**900**	774
Receivables and other current assets	**4,798**	9,800	**1,997**	2,248
Contract assets	**511**	(966)	**(452)**	–
Payables and other liabilities	**(9,597)**	16,484	**292**	(4,298)
Contract liabilities	**(659)**	5,072	**–**	–
Subsidiaries	**–**	–	**45,905**	(48,372)
Cash generated from/(used in) operations	**111,118**	48,758	**61,326**	(43,075)
Tax paid, net of tax refund	**(1,015)**	(981)	**(780)**	(389)
Net cash generated from/(used in) operating activities	**110,103**	47,777	**60,546**	(43,464)

Statements of cash flows for the year ended 31 December 2019 (cont'd)

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from investing activities				
Acquisition of property, plant and equipment	**(192,223)**	(140,641)	**(93,738)**	(49,389)
Acquisition of intangible assets	**(266)**	(312)	**(266)**	(312)
Dividends from subsidiaries	**–**	–	**–**	27,594
Dividends from joint ventures	**2,041**	33,902	**–**	–
Interest received	**3,476**	2,850	**2,794**	12,700
Proceeds from disposal of property, plant and equipment	**80,437**	84,019	**43,012**	–
Proceeds from disposal of associate	**–**	249,228	**–**	–
Capital distribution to non-controlling interest	**(131)**	–	**–**	–
Capital distribution from joint venture	**2,243**	–	**–**	–
Loan repayment from joint venture	**–**	8,471	**–**	–
Loan repayment from a subsidiary	**–**	–	**–**	329,549
Net cash (used in)/generated from investing activities	**(104,423)**	237,517	**(48,198)**	320,142
Cash flows from financing activities				
Finance costs paid	**(29,575)**	(16,365)	**(6,186)**	(10,838)
Drawdown of borrowings	**166,480**	82,992	**85,553**	–
Repayment of borrowings	**(215,355)**	(87,280)	**(198,913)**	(71,125)
Payment of principal portion of lease liabilities	**(75,754)**	–	**–**	–
Payment for derivatives	**(59,098)**	(18,541)	**(59,098)**	(18,541)
Dividend paid to non-controlling interest	**(953)**	(21,678)	**–**	–
Net cash used in financing activities	**(214,255)**	(60,872)	**(178,644)**	(100,504)
Net change in cash and cash equivalents	**(208,575)**	224,422	**(166,296)**	176,174
Effects of foreign exchange rate changes	**(1,069)**	(7,531)	**(1,203)**	(807)
Cash and cash equivalents brought forward	**289,124**	72,233	**178,827**	3,460
Cash and cash equivalents carried forward	**79,480**	289,124	**11,328**	178,827
Cash and cash equivalents comprise:				
Short term deposits	**56,131**	261,138	**10,290**	159,543
Cash and bank balances	**23,349**	27,986	**1,038**	19,284
	79,480	289,124	**11,328**	178,827

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

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2019

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 Unit 11.03a, Level 11, Mercu 2, No. 3, Jalan Bangsar, KL Eco City, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia.

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 17 March 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

2.2 Changes in accounting policies

New and amended standards and interpretations

The Group and the Company applied MFRS 16 for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard are described below.

Several other new amendments and interpretations became effective in 2019, but do not have an impact on the financial statements of the Group and of the Company.

MFRS 16 Leases

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

The Group adopted MFRS 16 using the modified retrospective method and comparatives are not restated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

MFRS 16 Leases (cont'd)

The effect of adopting MFRS 16 as at 1 January 2019 is as follows:

Group	Increase/ (decrease) RM'000
Assets	
Right-of-use assets	182,941
	182,941
Equity and liabilities	
Retained profits/(accumulated losses)	6,004
Payables and other liabilities	(47,249)
Lease liabilities	283,159
Provision for onerous contracts	(58,973)
	182,941

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

(i) Used a single discount rate to a portfolio of leases with reasonably similar characteristics

(ii) Relied on its assessment of whether leases are onerous immediately before the date of initial application

(iii) Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application and leases of low-value assets exemption

(iv) Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	Group RM'000
Operating lease commitments as at 31 December 2018	281,832
Accrued lease payments	47,249
Commitments relating to short-term leases	(12,559)
	316,522
Incremental borrowing rate as at 1 January 2019	4.48%
Discounted operating lease commitments as at 1 January 2019	283,159

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective

The Group and the Company have not adopted the new and amended standards that have been issued but not yet effective.

The Directors expect that the adoption of these new and amended standards will have no material impact 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. Under the acquisition method of accounting, the subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The consideration transferred for the acquisition of a subsidiary is measured at the fair value of the assets given, the equity instruments issued and liabilities incurred or assumed at the date of exchange, as well as any contingent consideration given. Acquisition related costs are expensed off in the income statement as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed are initially measured at fair value as at acquisition date.

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

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

2.5 Transactions with non-controlling interests

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

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

2.6 Subsidiaries

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

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

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

2. 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 equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. The interest in an associate or a joint venture is the carrying amount of the investment in the associate or joint venture determined using the equity method together with any long-term receivables or loans that, in substance, form an extension of the Group's net investment in the associate or joint venture.

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

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

2.8 Consumable stores

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

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

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

Notes to the financial statements - 31 December 2019 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Intangible assets

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

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

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

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

2.10 Property, plant and equipment

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

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

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

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

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

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

For acquisitions and disposals of vessels and dry docking costs during the financial year, depreciation is provided from the day of acquisition and to the earlier of the day before disposal or the day classified as asset held for sale respectively. Fully depreciated assets are retained in the books until they are no longer in use.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Property, plant and equipment (cont'd)

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

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

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

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

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

2.11 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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

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

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

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

Notes to the financial statements - 31 December 2019 (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 amortised cost (debt instruments)

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

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

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

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

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

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

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

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

Derecognition

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

2.12 Impairment of financial assets

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Impairment of financial assets (cont'd)

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

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

2.13 Borrowing costs

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

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

2.14 Foreign currency

(i) Functional and presentation currency

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

(ii) Foreign currency transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than each entity's functional currency, i.e. foreign currencies, are translated into the functional currency at exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the closing exchange rates ruling at the reporting date. Exchange differences arising on the settlement of monetary items or on translating monetary items at reporting date are recognised in profit or loss. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate prevailing at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated at exchange rates at the date when the fair value is determined. Any exchange component of a gain or loss on a non-monetary item is recognised directly in other comprehensive income if the gain or loss on the fair value of the non-monetary item is recognised directly in other comprehensive income. Any exchange component of a gain or loss on a non-monetary item is recognised directly in profit or loss if the gain or loss on the fair value of the non-monetary item is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Foreign currency (cont'd)

(iii) Consolidation of financial statements of foreign operations

The results and financial position of the Company and its subsidiaries, whose functional currencies are not the presentation currency of the Group, are translated into the presentation currency of the Group at average exchange rates prevailing at the date of the transactions and at the closing exchange rates as at reporting date respectively. All resulting exchange differences are recognised in other comprehensive income as a foreign currency translation reserve and are subsequently reclassified to profit or loss upon disposal of the foreign operation.

2.15 Cash and cash equivalents

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

2.16 Impairment of non-financial assets

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

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

Impairment losses are recognised in profit or loss.

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

2.17 Financial liabilities

Initial recognition and measurement

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Financial liabilities (cont'd)

Subsequent measurement

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

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

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

(ii) Financial liabilities carried at amortised cost

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

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

Derecognition

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

2.18 Offsetting of financial instruments

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

2.19 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Leases (cont'd)

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Vessels	2 - 4 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policy in Note 2.16 Impairment of non-financial assets.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses the interest rate implicit in the lease, when it is practicable to determine, otherwise the incremental borrowing rate of the Group at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of vessels (i.e., those leases that have a lease term of 12 months or less from the commencement date). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Income tax

(i) Current income tax

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

(ii) Deferred tax

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

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

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

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

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

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

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

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

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Share capital

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

2.22 Derivative financial instruments and hedge accounting

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

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

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

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

Cash flow hedges

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

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

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

2.23 Dividends

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

2.24 Income recognition

(i) Revenue from contracts with customers

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Income recognition (cont'd)

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

Variable consideration

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

Cost to obtain a contract

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

Contract balances

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

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

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

(a) Revenue from freight services

Voyage charter

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

Time charter

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

Notes to the financial statements - 31 December 2019 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Income recognition (cont'd)

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

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

(ii) Other revenue

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

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

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

2.25 Employee benefits

(i) Short term benefits

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

(ii) Defined contribution plans

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

2.26 Provisions

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

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

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

2.27 Non-current assets held for sale

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

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Any differences are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.28 Segment reporting

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

2.29 Related parties

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

2.30 Fair value measurements

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

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

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

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

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

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

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

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

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

Notes to the financial statements - 31 December 2019 (cont'd)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Key sources of estimation uncertainty

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

(i) Impairment of vessels and right-of-use assets

Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount. The recoverable amount of vessel is determined based on the higher of its fair value less costs to sell and its value in use, whereas the recoverable amount of right-of-use asset is based on its value in use. When value in use calculation is undertaken, management estimates the expected future cash flows from the asset or cash generating unit ("CGU") by applying a suitable discount rate to calculate the present value of those cash flows. When fair value less costs to sell is used, management engages the services of professional valuers to determine the fair values using valuation techniques which involve the use of estimates and assumptions which are reflective of current market conditions. The carrying amounts of the Group's and of the Company's vessels and right-of-use assets are disclosed in Note 12 and Note 13 respectively.

4. REVENUE

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue from contracts with customers:				
- Freight and charter hire	**254,564**	235,583	**38,906**	30,000
- Ship brokerage and management	**3,429**	3,391	**–**	–
Dividends from subsidiaries	**–**	–	**–**	27,594
	257,993	238,974	**38,906**	57,594

4. REVENUE (CONT'D)

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Contract balances				
Trade receivables (Note 18)	**18,972**	18,607	**606**	2,683
Contract assets	**452**	966	**452**	–
Contract liabilities	**4,415**	5,072	**–**	–

For voyage charter, contract assets are initially recognised for revenue earned from freight services rendered as billing is only upon the complete loading of cargo. Contract assets relate to receivables in respect of uncompleted voyage at reporting date. As such, the balances of this account vary and depend on the number of uncompleted voyages at the end of the year.

Contract liabilities represent charter hire received in advance for freight services at reporting date and the balances of this account vary depending on the billing cycle of time charters. The amount of revenue recognised in the financial year that was included in the contract liabilities of the Group at the beginning of the year was RM5,072,000 (2018: RM5,383,000).

5. OTHER OPERATING INCOME, NET

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Interest income	**3,476**	2,850	**1,957**	11,776
Rental income from properties	**845**	721	**938**	814
Secretarial and accounting fees	**331**	726	**331**	769
Income from shared services	**230**	1,453	**786**	2,224
Foreign exchange gain/(loss), net				
- realised	**55**	(2,040)	**72**	(1,911)
- unrealised	**(100)**	(107)	**(108)**	(84)
Provision for expected credit losses on trade receivables	**–**	(836)	**–**	–
Bad debts written off	**(131)**	–	**–**	–
Fair value changes in derivatives	**–**	(870)	**–**	(870)
Other income	**14**	19	**14**	17
	4,720	1,916	**3,990**	12,735

Notes to the financial statements - 31 December 2019 (cont'd)

6. (LOSS)/PROFIT BEFORE TAXATION

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

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Auditors' remuneration				
- current year	**326**	333	**93**	81
- under/(over) provision in prior year	**44**	(38)	**50**	–
Amortisation of intangible assets (Note 11)	**122**	26	**122**	26
Depreciation of property, plant and equipment (Note 12)	**27,371**	25,491	**3,486**	1,833
Depreciation of right-of-use assets (Note 13)	**65,605**	–	**–**	–
Personnel expenses (Note 7)	**35,189**	35,319	**6,676**	6,466
Non-executive Directors' remuneration (Note 8)	**477**	505	**477**	505
Finance costs				
- term loans	**16,482**	16,302	**4,066**	10,627
- revolving credit	**1,270**	202	**583**	–
- lease liabilities (Note 26)	**11,107**	–	**–**	–
- others	**512**	707	**–**	–
Operating lease expenses of vessels	**10,643**	101,795	**–**	–

7. PERSONNEL EXPENSES

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Wages, salaries and bonus	**27,731**	28,084	**5,393**	5,301
Pension costs - defined contribution plans	**335**	516	**148**	302
Social security costs	**14**	30	**8**	22
Other staff related expenses	**7,109**	6,689	**1,127**	841
	35,189	35,319	**6,676**	6,466

Included in personnel expenses of the Group and of the Company are Executive Directors' remuneration amounting to RM130,000 (2018: RM128,000) and RM130,000 (2018: RM128,000) respectively, as further disclosed in Note 8.

8. DIRECTORS' REMUNERATION

	Group and Company	
	2019	**2018**
	RM'000	**RM'000**
Directors of the Company		
Executive Directors:		
Fees	**120**	120
Attendance fees	**10**	8
	130	128
Non-executive Directors:		
Fees	**425**	463
Attendance fees	**52**	42
	477	505
Total	**607**	633

	2019		2018	
	Fees	**Attendance Fees**	**Fees**	**Attendance Fees**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Group and Company				
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid	**107**	**14**	93	6
Wu Long Peng	**20**	**2**	60	3
Tay Beng Chai	**90**	**15**	87	11
Dato' Mohd Zafer bin Mohd Hashim	**85**	**12**	83	10
Afidah binti Mohd Ghazali	**7**	**–**	75	7
Lim Soon Huat	**65**	**6**	65	5
Hor Weng Yew	**60**	**5**	58	4
Thai Kum Foon	**60**	**5**	38	2
Ahmad Mochtar bin Hashim	**30**	**2**	–	–
Yeoh Khoon Cheng	**21**	**1**	–	–
Kuok Khoon Kuan	–	–	22	2
Govind Ramanathan	**–**	**–**	2	–
	545	**62**	583	50

Notes to the financial statements - 31 December 2019 (cont'd)

9. TAXATION

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income tax:				
Malaysian income tax	**1,188**	1,005	**697**	596
Foreign tax	**6**	13	**–**	–
Under/(over) provision in prior years	**21**	(170)	**(34)**	(136)
	1,215	848	**663**	460

Malaysian income tax is calculated at the Malaysian statutory income tax rate of 24% (2018: 24%) of the estimated assessable profit for the year. Taxation in foreign jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

A reconciliation of income tax expense applicable to (loss)/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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(Loss)/profit before taxation	**(6,099)**	264,800	**19,555**	(132,685)
Taxation at Malaysian tax rate	**(1,464)**	63,552	**4,693**	(31,844)
Effects of different tax rates in foreign jurisdictions	**(2)**	(6)	**–**	–
Tax exempt shipping income	**(13,042)**	(10,591)	**(3,280)**	(1,908)
Results of companies incorporated in British Virgin Islands (BVI)	**5,206**	(61,005)	**–**	–
Income not subject to tax	**(6,833)**	–	**(3,187)**	(6,623)
Expenses not deductible for tax purposes	**17,840**	7,510	**2,471**	40,971
Share of results of an associate	**–**	2,016	**–**	–
Share of results of joint ventures	**(511)**	(458)	**–**	–
Under/(over) provision in prior years	**21**	(170)	**(34)**	(136)
Taxation for the year	**1,215**	848	**663**	460

10. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

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

	Group	
	2019	2018
Group's (loss)/profit attributable to equity holders of the Company (RM'000)	**(7,319)**	263,838
Weighted average number of ordinary shares in issue ('000)	**1,000,000**	1,000,000
Basic (loss)/earnings per share (sen)	**(0.73)**	26.38

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

11. INTANGIBLE ASSETS

Group	**Computer software RM'000**	**Assets under construction RM'000**	**Total RM'000**
Cost			
At 1 January 2019	**2,777**	**–**	**2,777**
Additions	**82**	**184**	**266**
Translation difference	**(35)**	**–**	**(35)**
At 31 December 2019	**2,824**	**184**	**3,008**
Accumulated amortisation			
At 1 January 2019	**2,491**	**–**	**2,491**
Amortisation for the year (Note 6)	**122**	**–**	**122**
Translation difference	**(32)**	**–**	**(32)**
At 31 December 2019	**2,581**	**–**	**2,581**
Net carrying amount			
At 31 December 2019	**243**	**184**	**427**

Group	**Computer software RM'000**	**Total RM'000**
Cost		
At 1 January 2018	2,408	2,408
Additions	312	312
Translation difference	57	57
At 31 December 2018	2,777	2,777
Accumulated amortisation		
At 1 January 2018	2,408	2,408
Amortisation for the year (Note 6)	26	26
Translation difference	57	57
At 31 December 2018	2,491	2,491
Net carrying amount		
At 31 December 2018	286	286

Notes to the financial statements - 31 December 2019 (cont'd)

11. INTANGIBLE ASSETS (CONT'D)

Company	Computer software RM'000	Assets under construction RM'000	Total RM'000
Cost			
At 1 January 2019	**1,524**	**–**	**1,524**
Additions	**82**	**184**	**266**
Translation difference	**(20)**	**–**	**(20)**
At 31 December 2019	**1,586**	**184**	**1,770**
Accumulated amortisation			
At 1 January 2019	**1,238**	**–**	**1,238**
Amortisation for the year (Note 6)	**122**	**–**	**122**
Translation difference	**(17)**	**–**	**(17)**
At 31 December 2019	**1,343**	**–**	**1,343**
Net carrying amount			
At 31 December 2019	**243**	**184**	**427**

Company	Computer software RM'000	Total RM'000
Cost		
At 1 January 2018	1,184	1,184
Additions	312	312
Translation difference	28	28
At 31 December 2018	1,524	1,524
Accumulated amortisation		
At 1 January 2018	1,184	1,184
Amortisation for the year (Note 6)	26	26
Translation difference	28	28
At 31 December 2018	1,238	1,238
Net carrying amount		
At 31 December 2018	286	286

12. PROPERTY, PLANT AND EQUIPMENT

Group	Vessels RM'000	Dry docking RM'000	Assets under construction RM'000	Leasehold properties RM'000	Office equipment, renovations, furniture and fittings RM'000	Total RM'000
Cost						
At 1 January 2019	525,440	3,110	73,554	9,862	3,535	615,501
Additions	321	3,488	188,344	–	70	192,223
Disposals and write off	(960)	–	–	–	(3)	(963)
Derecognition	–	(1,445)	–	–	–	(1,445)
Reclassification	261,843	–	(261,843)	–	–	–
Reclassified as held for sale (Note 21)	(89,777)	(1,647)	–	–	–	(91,424)
Translation difference	(9,080)	(22)	–	(119)	(67)	(9,288)
At 31 December 2019	687,787	3,484	55	9,743	3,535	704,604
Accumulated depreciation and impairment losses						
At 1 January 2019	105,286	1,237	–	2,662	3,363	112,548
Charge for the year (Note 6)	25,361	1,808	–	103	99	27,371
Disposals and write off	(504)	–	–	–	(3)	(507)
Derecognition	–	(1,445)	–	–	–	(1,445)
Impairment loss on vessels	11,232	–	–	–	–	11,232
Reclassified as held for sale (Note 21)	(46,914)	(1,095)	–	–	–	(48,009)
Translation difference	(1,616)	(21)	–	(33)	(67)	(1,737)
At 31 December 2019	92,845	484	–	2,732	3,392	99,453
Net carrying amount						
At 31 December 2019	594,942	3,000	55	7,011	143	605,151

Notes to the financial statements - 31 December 2019 (cont'd)

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

Group	Vessels RM'000	Dry docking RM'000	Assets under construction RM'000	Leasehold properties RM'000	Office equipment, renovations, furniture and fittings RM'000	Total RM'000
Cost						
At 1 January 2018	706,298	4,633	–	9,632	3,375	723,938
Additions	–	4,889	135,724	–	28	140,641
Derecognition	–	(1,287)	–	–	–	(1,287)
Transfer from deposits	–	–	52,386	–	–	52,386
Reclassification	121,937	–	(121,937)	–	–	–
Reclassified as held for sale (Note 21)	(319,999)	(5,330)	–	–	–	(325,329)
Translation difference	17,204	205	7,381	230	132	25,152
At 31 December 2018	525,440	3,110	73,554	9,862	3,535	615,501
Accumulated depreciation and impairment losses						
At 1 January 2018	244,622	2,121	–	2,499	3,025	252,267
Charge for the year (Note 6)	22,470	2,735	–	100	186	25,491
Derecognition	–	(1,287)	–	–	–	(1,287)
Impairment loss on vessels	6,351	–	–	–	–	6,351
Reclassified as held for sale (Note 21)	(174,499)	(2,419)	–	–	–	(176,918)
Translation difference	6,342	87	–	63	152	6,644
At 31 December 2018	105,286	1,237	–	2,662	3,363	112,548
Net carrying amount						
At 31 December 2018	420,154	1,873	73,554	7,200	172	502,953

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

Company	Vessel RM'000	Assets under construction RM'000	Leasehold properties RM'000	Office equipment, renovations, furniture and fittings RM'000	Total RM'000
Cost					
At 1 January 2019	–	32,211	9,862	4,472	46,545
Additions	–	93,702	–	36	93,738
Disposals and write off	–	–	–	(3)	(3)
Reclassification	125,858	(125,858)	–	–	–
Translation difference	(471)	–	(119)	(54)	(644)
At 31 December 2019	125,387	55	9,743	4,451	139,636
Accumulated depreciation					
At 1 January 2019	–	–	2,662	4,327	6,989
Charge for the year (Note 6)	3,301	–	103	82	3,486
Disposals and write off	–	–	–	(3)	(3)
Translation difference	(45)	–	(33)	(56)	(134)
At 31 December 2019	3,256	–	2,732	4,350	10,338
Net carrying amount					
At 31 December 2019	122,131	55	7,011	101	129,298

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

Company	Vessel RM'000	Dry docking RM'000	Assets under construction RM'000	Leasehold properties RM'000	Office equipment, renovations, furniture and fittings RM'000	Total RM'000
Cost						
At 1 January 2018	31,409	979	–	9,632	4,343	46,363
Additions	–	–	49,361	–	28	49,389
Transfer from deposits	–	–	52,386	–	–	52,386
Reclassified as held for sale (Note 21)	(32,156)	(1,002)	–	–	–	(33,158)
Transfer to subsidiaries	–	–	(71,639)	–	–	(71,639)
Translation difference	747	23	2,103	230	101	3,204
At 31 December 2018	–	–	32,211	9,862	4,472	46,545
Accumulated depreciation						
At 1 January 2018	1,588	33	–	2,499	4,051	8,171
Charge for the year (Note 6)	1,183	389	–	100	161	1,833
Reclassified as held for sale (Note 21)	(2,844)	(434)	–	–	–	(3,278)
Translation difference	73	12	–	63	115	263
At 31 December 2018	–	–	–	2,662	4,327	6,989
Net carrying amount						
At 31 December 2018	–	–	32,211	7,200	145	39,556

(a) Vessels with an aggregate net carrying amount of RM594,942,000 (2018: RM371,165,000) have been pledged as security for loans obtained by the Group (Note 25).

(b) During the year, the Group carried out an assessment of the recoverable amounts of its vessels due to a decline in the market charter hire rates. The recoverable amounts are determined based on the higher of fair value less costs to sell or value in use. The fair value less costs to sell was determined by an independent valuer. The discount rate applied to value in use computation was 8% per annum. As a result of the assessment, the Group recognised impairment loss on vessels and non-current assets held for sale of RM11,232,000 (2018: RM6,351,000) and RM10,527,000 (2018: nil) respectively for the financial year ended 31 December 2019.

13. RIGHT-OF-USE ASSETS

Vessels	Group RM'000
Cost	
At 1 January 2019, effect of adopting MFRS 16	**241,914**
Translation difference	**(2,920)**
At 31 December 2019	**238,994**
Accumulated depreciation and impairment losses	
At 1 January 2019, effect of adopting MFRS 16	**58,973**
Charge for the year (Note 6)	**65,605**
Translation difference	**(1,513)**
At 31 December 2019	**123,065**
Net carrying amount	
At 31 December 2019	**115,929**

14. SUBSIDIARIES

	Company	
Unquoted shares, at cost	**2019 RM'000**	**2018 RM'000**
At 1 January	**1,420,539**	1,334,178
Subscription of shares in subsidiaries	**79,910**	54,900
Redemption of preference shares by subsidiary	**(42,564)**	–
Translation difference	**(18,111)**	31,461
Unquoted shares, at cost	**1,439,774**	1,420,539
Less: Accumulated impairment losses	**(1,141,976)**	(1,156,089)
At 31 December	**297,798**	264,450

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

Notes to the financial statements - 31 December 2019 (cont'd)

14. SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Company	Country of incorporation	Equity interest 2019	Equity interest 2018	Principal activities
PSM Perkapalan Sdn Bhd	Malaysia	**100%**	100%	Manager of ships
Pacific Ship-Managers Sdn Bhd	Malaysia	**100%**	100%	Ship operator, shipbroker and general shipping
- Spectrapoint Sdn Bhd	Malaysia	**100%**	100%	Investment holding
Lightwell Shipping Inc	British Virgin Islands (BVI)	**100%**	100%	Investment holding
- Ambi Shipping Pte Ltd [2][3][4]	Singapore	**70%**	70%	Owner and operator of ships
- Everspeed Enterprises Limited	BVI	**100%**	100%	Ship operator
Velorum Shipping Pte Ltd	Singapore	**100%**	–	Ship operator
New Johnson Holdings Limited	BVI	**100%**	100%	Investment holding
- Madu Shipping Pte Ltd [1]	Singapore	**100%**	100%	Owner and operator of ships
- Molek Shipping Pte Ltd [1]	Singapore	**100%**	100%	Owner and operator of ships
- Manis Shipping Pte Ltd [1]	Singapore	**100%**	100%	Owner and operator of ships
- Sejahtera Shipping Pte Ltd [1]	Singapore	**100%**	100%	Owner and operator of ships
- Padu Shipping Pte Ltd [1]	Singapore	**100%**	100%	Owner and operator of ships
- Bakti Shipping Pte Ltd [3]	Singapore	**100%**	100%	Owner and operator of ships
- Pintar Shipping Pte Ltd [1]	Singapore	**100%**	100%	Owner and operator of ships
- Kekal Shipping Pte Ltd [1]	Singapore	**100%**	100%	Owner and operator of ships
- Kukuh Shipping Pte Ltd [1]	Singapore	**100%**	100%	Owner and operator of ships
Alam Budi Sdn Bhd [3]	Malaysia	**100%**	100%	Owner and operator of ships
Bistari Shipping Sdn Bhd [3][4]	Malaysia	**100%**	100%	Owner and operator of ships
MBC Capital Management Sdn Bhd [3]	Malaysia	**100%**	100%	Investment holding

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

15. JOINT VENTURES

	Group 2019 RM'000	2018 RM'000
Unquoted shares, at cost	**80,421**	42,453
Share of post-acquisition profits or losses	**(91,614)**	(91,704)
Translation difference	**29,089**	29,177
	17,896	(20,074)
Liquidated during the year	**(2,210)**	–
	15,686	(20,074)
Proportionate shareholder's advances to joint ventures	**18,417**	56,754
	34,103	36,680

The proportionate shareholder's advances to joint ventures are unsecured and interest-free, except for amount of RM18,417,000 (2018: RM18,642,000) which borne a weighted average interest rate of 3.16% (2018: 2.90%) per annum during the financial year.

Details of the joint ventures are as follows:

Held through a subsidiary

Company	Country of incorporation	Equity interest 2019	2018	Principal activities
Eminence Bulk Carriers Pte Ltd [2][3]	Singapore	**50%**	50%	Owner and operator of ships
Novel Bright Assets Limited [1]	BVI	**50%**	50%	Investment holding
- Brilliant Star Shipping Pte Ltd [1]	Singapore	**50%**	50%	Owner and operator of ships
Progress Shipping Pte Ltd [2][3]	Singapore	**50%**	50%	Investment holding
- Atlantic Progress Pte Ltd [2][3]	Singapore	**50%**	50%	Owner and operator of ships
- Atlantic Dream Pte Ltd [2][3]	Singapore	**50%**	50%	Owner and operator of ships

[1] Joint ventures audited by a member firm of Ernst & Young Global
[2] Joint ventures not carrying on any business activities during the financial year
[3] Joint ventures in members' voluntary winding-up

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

	2019 RM'000	2018 RM'000
Total assets	**89,553**	105,888
Total liabilities	**58,181**	146,036
Revenue	**16,922**	23,396
Profit for the year	**4,262**	3,814
Dividends received from joint ventures during the year	**2,041**	33,902

Notes to the financial statements - 31 December 2019 (cont'd)

16. LOAN TO A SUBSIDIARY

The loan to a subsidiary as at 31 December 2018 has been capitalised as investment in subsidiary during the year.

17. CONSUMABLE STORES

Consumable stores are stated at cost.

Consumable stores of the Group and the Company of RM28,204,000 (2018: RM25,667,000) and RM7,380,000 (2018: RM7,893,000) respectively were charged to income statements during the financial year.

18. RECEIVABLES AND OTHER CURRENT ASSETS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade receivables:				
- third parties	**14,900**	14,565	**606**	2,683
- related parties	**5,827**	5,818	**–**	–
	20,727	20,383	**606**	2,683
Less: Provision for expected credit losses Third parties:				
At 1 January	**(1,776)**	(870)	**–**	–
Charge for the year	**–**	(836)	**–**	–
Translation difference	**21**	(70)	**–**	–
At 31 December	**(1,755)**	(1,776)	**–**	–
Trade receivables, net	**18,972**	18,607	**606**	2,683
Tax recoverable	**19**	207	**–**	–
Deposits (refundable)	**151**	159	**93**	90
Prepayments	**2,234**	9,408	**288**	100
Other receivables	**2,535**	4,587	**265**	1,294
Amounts due from related parties	**4,645**	1,244	**629**	665
	28,556	34,212	**1,881**	4,832

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.

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

The ageing analysis of trade receivables is as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Past due less than 6 months not impaired	**18,164**	17,952	**361**	2,485
Past due over 6 months not impaired	**808**	655	**245**	198
Impaired	**1,755**	1,776	**–**	–
	20,727	20,383	**606**	2,683

Trade receivables are mainly due from customers that have good credit ratings. The concentration of credit risk is limited as the customer base is large and unrelated. At reporting date, 31% (2018: 31%) of the trade receivables was due from related parties.

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

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. SHORT TERM DEPOSITS

At the reporting date, the short term deposits of the Group and the Company have the same maturities of less than 31 days (2018: less than 30 days) with weighted average interest rate of 1.81% (2018: 3.02%) and 3.09% (2018: 2.88%) per annum respectively.

21. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

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

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

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Vessels	**82,115**	148,411	**–**	29,880

Notes to the financial statements - 31 December 2019 (cont'd)

22. SHARE CAPITAL

	Number of ordinary shares 2019 ('000)	2018 ('000)	2019 RM'000	2018 RM'000
Group and Company				
Issued and fully paid:				
At 1 January and 31 December	**1,000,000**	1,000,000	**338,791**	338,791

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

23. RESERVES

(a) Cash flow hedge reserve

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

(b) Foreign currency translation reserve

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

24. PAYABLES AND OTHER LIABILITIES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<u>Current</u>				
Trade payables	**1,363**	243	**–**	–
Accruals	**24,983**	20,713	**4,558**	6,598
Charter hire payable to owners	**–**	16,920	**–**	–
Due to ship managers and agents:				
- related parties	**5,418**	5,484	**–**	–
Amounts due to related parties	**282**	231	**355**	145
Other payables	**1,095**	639	**586**	297
	33,141	44,230	**5,499**	7,040
<u>Non-current</u>				
Charter hire payable to owners	**–**	46,086	**–**	–

Trade payables generally have average credit term of 30 to 90 (2018: 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.

25. BORROWINGS

		Group		Company	
		2019	**2018**	**2019**	**2018**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Term loans	- secured	**273,236**	210,244	**–**	–
	- unsecured	**–**	198,913	**–**	198,913
Revolving credit	- secured	**83,603**	–	**83,603**	–
		356,839	409,157	**83,603**	198,913
Repayable within 12 months		**(31,607)**	(211,472)	**–**	(198,913)
Repayable after 12 months		**325,232**	197,685	**83,603**	–

Maturity of borrowings is analysed as follows:

	Group		Company	
Within 1 year	**31,607**	211,472	**–**	198,913
Between 1 and 5 years	**172,516**	147,484	**18,371**	–
More than 5 years	**152,716**	50,201	**65,232**	–
	356,839	409,157	**83,603**	198,913

The borrowings are denominated in the following currencies:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
United States Dollar	**356,839**	210,244	**83,603**	–
Ringgit Malaysia	**–**	198,913	**–**	198,913
	356,839	409,157	**83,603**	198,913

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

The borrowings bear interest at a weighted average rate of 4.21% (2018: 4.15%) per annum.

Notes to the financial statements - 31 December 2019 (cont'd)

26. LEASE LIABILITIES

Group as a lessee

The Group has lease contracts for vessels with lease terms between 1 and 4 years and include extension options. The leased vessels are subleased to its customers.

The Group also has certain leases of vessel, computers and other equipment with lease terms of 12 months or less or of low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

	Group RM'000
At 1 January 2019, effect of adopting MFRS 16	283,159
Accretion of interest	11,107
Payment of lease liabilities	(86,861)
Translation difference	(2,464)
At 31 December 2019	204,941
Repayable within 12 months	89,543
Repayable after 12 months	115,398
	204,941

The following are amounts recognised in profit or loss:

	Group 2019 RM'000
Income from subleasing right-of-use assets	47,612
Depreciation of right-of-use assets	65,605
Interest expense on lease liabilities	11,107
Expense relating to short-term lease (included in operating expenses)	10,643
Expense relating to leases of low-value assets (included in administration expenses)	8

The Group had total cash outflows for leases of RM97,512,000 (2018:nil) for the financial year ended 31 December 2019.

27. DERIVATIVE FINANCIAL LIABILITIES

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

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Current				
Non-hedging derivatives				
Interest rate swap	**–**	(54)	**–**	(54)
Hedging derivatives				
Cash flow hedge				
Cross currency swap	**–**	(59,255)	**–**	(59,255)
Interest rate swap	**(243)**	–	**–**	–
	(243)	(59,309)	**–**	(59,309)
Non-current				
Non-hedging derivatives				
Interest rate swap	**–**	(816)	**–**	(816)
Hedging derivatives				
Cash flow hedge				
Interest rate swap	**(2,538)**	–	**–**	–
	(2,538)	(816)	**–**	(816)

Cash flow hedge

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

The net gain or loss on cash flow hedges reclassified from other comprehensive income to the income statement is recognised in "Other operating income, net". During the financial year, gain on cash flow hedges amounting to RM2,685,000 (2018: loss on cash flow hedges amounting to RM5,696,000) was recycled from other comprehensive income to the income statements of the Group and of the Company.

Notes to the financial statements - 31 December 2019 (cont'd)

28. PROVISION FOR ONEROUS CONTRACTS

	Group 2019 RM'000	Group 2018 RM'000
At 1 January	**63,584**	93,590
Effect of adopting MFRS 16	**(58,973)**	–
	4,611	93,590
Utilised during the year	**(4,640)**	(32,232)
Translation difference	**29**	2,226
At 31 December	**–**	63,584
Analysis of provision		
Current	**–**	19,058
Non-current	**–**	44,526
	–	63,584

29. COMMITMENTS

		Group 2019 RM'000	Group 2018 RM'000
(a)	Capital commitments	**67**	175,700
(b)	Operating lease commitments - as lessee		
	Due within 1 year	**–**	104,833
	Due later than 1 year and not later than 5 years	**–**	176,999
		–	281,832

The Group's operating leases have terms ranging from 7 years to 10 years. Certain leases have purchase options after the completion of a predetermined period. From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short term lease, refer Note 26 for further information.

		Group 2019 RM'000	Group 2018 RM'000
(c)	Operating lease commitments - as lessor		
	Due within 1 year	**–**	17,689
	Share of joint ventures' commitments	**2,005**	8,966
		2,005	26,655

29. COMMITMENTS (CONT'D)

	Group 2019 RM'000	Group 2018 RM'000
(d) Contract of affreightment (COA)		
Due within 1 year	**21,853**	22,060
Due later than 1 year and not later than 5 years	**87,234**	88,299
Due later than 5 years	**145,329**	169,225
	254,416	279,584

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

30. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Transactions in which certain substantial shareholders of the Company have substantial interest				
Income earned:				
Charter hire income	**70,143**	43,280	**1,347**	–
Commercial fee	**3,429**	3,245	**–**	–
Income from shared services	**230**	1,453	**230**	1,414
Rental income	**845**	721	**845**	721
Crew management fee	**–**	74	**–**	–
Corporate secretarial fee and accounting fees	**5**	32	**5**	32
	74,652	48,805	**2,427**	2,167
Expenditure incurred:				
Commercial fee	**6,015**	5,931	**995**	747
Dry docking cost	**2,407**	5,427	**–**	–
Shared services cost	**4,978**	2,985	**729**	445
Management fee	**2,630**	1,858	**–**	–
Crewing agents fee	**738**	976	**216**	211
Commission on disposal of vessels	**821**	824	**444**	–
Procurement fee	**1,038**	580	**353**	145
Share registration fee	**12**	12	**12**	12
	18,639	18,593	**2,749**	1,560

Notes to the financial statements - 31 December 2019 (cont'd)

30. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Transactions with joint ventures				
Income earned:				
Crew management fee	**–**	88	**–**	–
Accounting fee	**311**	605	**311**	605
	311	693	**311**	605

	Company	
	2019 RM'000	2018 RM'000
Transactions with subsidiaries		
Income earned:		
Income from shared services	**556**	771
Accounting fee	**–**	44
Dividends from subsidiaries	**–**	27,594
Rental income	**93**	93
Interest income	**–**	10,513
	649	39,015
Expenditure incurred:		
Management fee	**324**	203

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

31. SEGMENT INFORMATION

Segmental reporting is not presented as the Group is principally engaged in the dry bulk shipping services internationally. 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. This is consistent with internal reporting currently practice.

Major customers

Revenue from two major customers (2018: two) amounted to RM78,700,000 (2018: RM69,140,000) represents 31% (2018: 29%) of the total revenue of the Group.

32. FINANCIAL RISK MANAGEMENT

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

(a) Currency risk

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

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

(b) Interest rate risk

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

As at 31 December 2019, the Group has interest rate swap agreements with notional amounts totalling USD28,453,000 (2018: USD15,000,000) whereby it receives variable rates equal to LIBOR and pays fixed rate between 2.565% and 3.045% (2018: 3.035% and 3.045%) per annum on the notional amounts.

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

At end of the reporting period, if interest rates had been 25 basis point higher/lower with all other variables held constant, the Group's loss after tax (2018: profit after tax) would have been RM752,000 (2018: RM370,000) higher/lower (2018: 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 2019 (cont'd)

32. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

Analysis of undiscounted financial instruments by remaining contractual maturities

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

	Within 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Total RM'000
Group				
At 31 December 2019				
Payables and other liabilities	**33,141**	**–**	**–**	**33,141**
Borrowings	**44,790**	**222,804**	**162,408**	**430,002**
Lease liabilities	**96,948**	**121,255**	**–**	**218,203**
Derivative financial liabilities	**243**	**2,538**	**–**	**2,781**
	175,122	**346,597**	**162,408**	**684,127**
At 31 December 2018				
Payables and other liabilities	44,230	46,086	–	90,316
Borrowings	225,833	171,146	56,582	453,561
Derivative financial liabilities	59,309	816	–	60,125
	329,372	218,048	56,582	604,002
Company				
At 31 December 2019				
Payables and other liabilities	**5,499**	**–**	**–**	**5,499**
Amounts due to subsidiaries	**6,241**	**–**	**–**	**6,241**
Borrowings	**2,678**	**34,405**	**72,431**	**109,514**
	14,418	**34,405**	**72,431**	**121,254**
At 31 December 2018				
Payables and other liabilities	7,040	–	–	7,040
Amounts due to subsidiaries	5,818	–	–	5,818
Borrowings	203,171	–	–	203,171
Derivative financial liabilities	59,309	816	–	60,125
	275,338	816	–	276,154

The Company's maximum potential liability under corporate guarantees amounted to RM284,422,000 (2018: RM226,640,000) as of 31 December 2019. The corporate guarantees were provided in respect of the borrowings of its subsidiaries and a joint venture.

32. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Credit risk

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

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

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

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

33. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. The Group manages its capital structure by taking into account its current and projected cash flow, expansion and capital expenditure commitments. Where necessary, adjustments to the amount of dividends paid to shareholders or the issuance of new shares may be considered. The Group does not adopt any formal dividend policy. The debt to equity ratio of the Group for the year ended 31 December 2019 was 1.58:1 (2018: 1.04:1).

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

No changes were made in the objectives, policies or processes during the financial years ended 31 December 2019 and 2018.

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

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Fair value hierarchy

The Group has designated derivatives as Level 2. Cross currency swap and interest rate swap 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.

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

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

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial assets at amortised cost:				
Trade and other receivables	**26,303**	24,597	**1,593**	4,732
Short term deposits	**56,131**	261,138	**10,290**	159,543
Cash and bank balances	**23,349**	27,986	**1,038**	19,284
Amounts due from subsidiaries	**–**	–	**219**	6,370
Loan to a subsidiary	**–**	–	**–**	79,705
Advance to joint venture	**18,417**	18,642	**–**	–
	124,200	332,363	**13,140**	269,634
Financial liabilities carried at amortised cost:				
Borrowings	**356,839**	409,157	**83,603**	198,913
Lease liabilities	**204,941**	–	**–**	–
Payables and other liabilities	**33,141**	90,316	**5,499**	7,040
Amounts due to subsidiaries	**–**	–	**6,241**	5,818
	594,921	499,473	**95,343**	211,771
Financial liability carried at fair value through other comprehensive income:				
Derivative financial liabilities	**2,781**	59,255	**–**	59,255
Financial liability at fair value through profit or loss:				
Derivative financial liabilities	**–**	870	**–**	870

35. SIGNIFICANT EVENTS

(i) The Company and a subsidiary disposed of one vessel each to third parties for a total consideration of RM80 million.

(ii) A subsidiary, Manis Shipping Pte Ltd signed a Memorandum of Agreement on 20 December 2019 to dispose of its vessel to third party for a net consideration of approximately RM44 million.

36. SIGNIFICANT SUBSEQUENT EVENT

A subsidiary, Padu Shipping Pte Ltd signed a Memorandum of Agreement on 23 January 2020 to dispose of its vessel to third party for a net consideration of approximately RM39 million.

37. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group	Borrowings RM'000	Lease liabilities RM'000	Derivative financial liabilities RM'000	Total RM'000
At 31 December 2018, as previously stated	**409,157**	**–**	**60,125**	**469,282**
Effect of adopting MFRS 16	**–**	**283,159**	**–**	**283,159**
Adjusted balance at 1 January 2019	**409,157**	**283,159**	**60,125**	**752,441**
Cash flows:				
- Drawdown	**166,480**	**–**	**–**	**166,480**
- Repayment/payment	**(215,355)**	**(75,754)**	**(59,098)**	**(350,207)**
- Finance costs paid	**(18,468)**	**(11,107)**	**–**	**(29,575)**
Non-cash changes:				
- Finance costs	**18,264**	**11,107**	**–**	**29,371**
- Changes in fair values	**–**	**–**	**2,713**	**2,713**
- Others	**(243)**	**–**	**–**	**(243)**
- Translation difference	**(2,996)**	**(2,464)**	**(959)**	**(6,419)**
At 31 December 2019	**356,839**	**204,941**	**2,781**	**564,561**

Group	Borrowings RM'000	Derivative financial liabilities RM'000	Total RM'000
At 1 January 2018	410,143	75,391	485,534
Cash flows:			
- Drawdown	82,992	–	82,992
- Repayment/payment	(87,280)	(18,541)	(105,821)
- Finance costs paid	(16,365)	–	(16,365)
Non-cash changes:			
- Finance costs	17,211	–	17,211
- Changes in fair values	–	(2,421)	(2,421)
- Others	(152)	–	(152)
- Translation difference	2,608	5,696	8,304
At 31 December 2018	409,157	60,125	469,282

Notes to the financial statements
- 31 December 2019
(cont'd)

37. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONT'D)

Company	Borrowings RM'000	Derivative financial liabilities RM'000	Total RM'000
At 1 January 2019	**198,913**	**60,125**	**259,038**
Cash flows:			
- Drawdown	**85,553**	**–**	**85,553**
- Repayment/payment	**(198,913)**	**(59,098)**	**(258,011)**
- Finance costs paid	**(6,186)**	**–**	**(6,186)**
Non-cash changes:			
- Finance costs	**4,649**	**–**	**4,649**
- Changes in fair values	**–**	**792**	**792**
- Others	**1,537**	**–**	**1,537**
- Translation difference	**(1,950)**	**(1,819)**	**(3,769)**
At 31 December 2019	**83,603**	**–**	**83,603**
At 1 January 2018	269,462	75,391	344,853
Cash flows:			
- Repayment/payment	(71,125)	(18,541)	(89,666)
- Finance costs paid	(10,838)	–	(10,838)
Non-cash changes:			
- Finance costs	10,627	–	10,627
- Changes in fair values	–	(2,421)	(2,421)
- Others	787	–	787
- Translation difference	–	5,696	5,696
At 31 December 2018	198,913	60,125	259,038

LIST OF PROPERTIES HELD

Address/Description	Existing Use/ Approximate Area	Tenure/ Date of Expiry of Lease	Age of Building	Net Book Value @ 31.12.2019 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	22 Years	1,742
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	22 Years	1,763
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	22 Years	1,742
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	22 Years	1,763

Note:
All properties were acquired on 12 July 2001.

ANALYSIS OF SHAREHOLDINGS
AS AT 17 APRIL 2020

Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Holders	% of Holders	No. of Issued Shares	% of Issued Shares
Less than 100	731	5.17	20,809	0.00
100 - 1,000	1,843	13.03	1,330,994	0.13
1,001 - 10,000	7,802	55.18	35,012,886	3.50
10,001 - 100,000	3,248	22.97	105,515,730	10.55
100,001 to less than 5% of issued shares	513	3.63	189,558,881	18.96
5% and above of issued shares	3	0.02	668,560,700	66.86
	14,140	100.00	1,000,000,000	100.00

SUBSTANTIAL SHAREHOLDERS

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

	Direct Interest		Deemed Interest	
Name of Directors	No. of Issued Shares	% of Issued Shares	No. of Issued Shares	% of Issued Shares
Dato' Capt. Ahmad Sufian @ Qurnain Bin Abdul Rashid	500,000	0.05	20,000 [1]	–
Hor Weng Yew	–	–	–	–
Thai Kum Foon	–	–	–	–
Lim Soon Huat	–	–	–	–
Tay Beng Chai	275,000	0.03	2,500 [2]	–
Dato' Mohd Zafer Bin Mohd Hashim	–	–	–	–
Ahmad Mochtar Bin Hashim	–	–	–	–
Yeoh Khoon Cheng	–	–	–	–

Notes :-
[1] Deemed interest pursuant to Section 8 of the Companies Act, 2016
[2] Deemed interest through family member

Analysis of Shareholdings as at 17 April 2020 (cont'd)

THE THIRTY LARGEST SHAREHOLDERS

(As per Record of Depositors as at 17 April 2020)

	Name of Shareholders	No. of Issued Shares	% of Issued Shares
1.	Pacific Carriers Limited	344,615,000	34.46
2.	Bank Pembangunan Malaysia Berhad	183,945,700	18.39
3.	PPB Group Berhad	140,000,000	14.00
4.	HSBC Nominees (Asing) Sdn Bhd *Exempt AN* *For Bank Julius Baer & Co. Ltd. (Singapore BCH)*	5,075,000	0.51
5.	Amsec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tiong Chiong Hee*	4,659,600	0.47
6.	Dinshaw a/l J Manecksha	4,500,000	0.45
7.	Citigroup Nominees (Tempatan) Sdn Bhd *For Great Eastern Life Assurance (Malaysia) Berhad (DR)*	4,484,800	0.45
8.	Chin Chin Seong	4,220,800	0.42
9.	Citigroup Nominees (Asing) Sdn Bhd *CBNY* *For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc*	3,718,081	0.37
10.	Citigroup Nominees (Asing) Sdn Bhd *CBNY* *For Dimensional Emerging Markets Value Fund*	2,367,225	0.24
11.	Gan Kok Keng	2,281,700	0.23
12.	Kerajaan Negeri Pahang	2,153,850	0.22
13.	Teo Guan Lee Holdings Sendirian Berhad	2,050,800	0.21
14.	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lee Hoe Leong (E-SS2)*	1,890,000	0.19
15.	HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Le Wee Yap*	1,885,200	0.19
16.	HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Le Wee Tack*	1,844,700	0.18
17.	Citigroup Nominees (Tempatan) Sdn Bhd *For Great Eastern Life Assurance (Malaysia) Berhad (DG)*	1,820,500	0.18
18.	Gan Teng Siew Realty Sdn Berhad	1,700,000	0.17
19.	Kah Hin Loong Sdn Bhd	1,670,250	0.17
20.	Citigroup Nominees (Asing) Sdn Bhd *CBNY* *For DFA Emerging Markets Small Cap Series*	1,646,500	0.16
21.	Wu Long Peng	1,625,000	0.16
22.	HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ker Foon Loo*	1,540,000	0.15
23.	Chinchoo Investment Sdn Berhad	1,400,000	0.14
24.	Kuok Khoon Kuan @ Kuo Khoon Kwong	1,268,750	0.13
25.	Quarry Lane Sdn Bhd	1,260,000	0.13
26.	Low Kok Kong	1,250,000	0.12
27.	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Wong Hai Ong (8121109)*	1,200,000	0.12
28.	Eng Bak Chim	1,070,000	0.11
29.	Geo-Mobile Asia Sdn Bhd	1,007,000	0.10
30.	Tee Ah Ling	1,006,750	0.10
		729,157,206	72.92

ADDITIONAL COMPLIANCE INFORMATION

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

1. UTILISATION OF PROCEEDS

The restricted offer for sale of the Company's entire deemed interest in associate to all shareholders of the Company was completed on 25 October 2018 and the status of utilisation of proceeds raised from the exercise as at 31 December 2019 is as follows:

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

Note:
(1) Includes excess funds for estimated expenses of RM8.2 million which has been re-allocated to working capital.
(2) The intended timeframe for utilisation is from the date of completion of the restricted offer for sale.

2. AUDIT AND NON-AUDIT FEES

The details of the audit and non-audit fees paid/payable to the external auditors for the financial year ended 31 December 2019 are set out below:

		Company RM	Group RM
•	Audit	143,000	370,200
•	Non-Audit	8,500	8,500
		151,500	378,700

3. MATERIAL CONTRACTS

There were no material contracts entered into by the Company and/or its subsidiaries involving directors' and major shareholders' interests subsisting as at 31 December 2019 or entered into during the financial year ended 31 December 2019 except as disclosed in the Financial Statements as set out in this Annual Report.

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

The details of the RRPT entered into by the Company and its subsidiaries during the financial year under review are disclosed in Note 30 to the financial statements on pages 95 to 96.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible in ensuring that the audited financial statements of the Group and the Company have been prepared to give a true and fair view of the state of affairs of the Group and the Company as at the financial year end and of their financial performance and cash flows for the financial year then ended in accordance with the requirements of the applicable Financial Reporting Standards in Malaysia, the provisions of the Companies Act, 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

In preparing the annual financial statements for the year ended 31 December 2019, the Directors have ensured that appropriate and applicable accounting policies are applied on a consistent basis and fair and reasonable judgements and estimates are made.

The Directors have the responsibility to ensure that proper accounting records are kept which disclose with reasonable accuracy financial information for preparation of the financial statements.

The Directors also have overall responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group and the Company, and to prevent and detect fraud and other irregularities.

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